

Romania: Robust wage advances in September

The annual increase in average net wages remained strong in September: +14.7%, accelerating from 14.1% in August. However, signs of weakness in the job market are beginning to appear

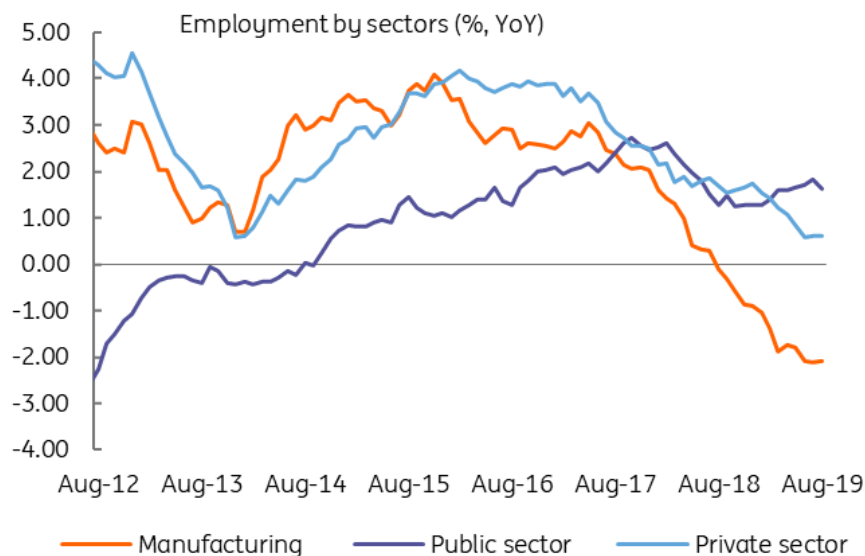


Car bodies on the production line at a Ford factory in Craiova, Romania

September has been another good month for most Romanian employees. Average wages advanced by 15.3% for those working in the private sector and by “only” 12.7% in the public sector. Hence, we could say it is business as usual for the labour market front. However, the mild economic slowdown that the economy is seeing has started to leave some traces, as indicated by sectorial employment dynamics.

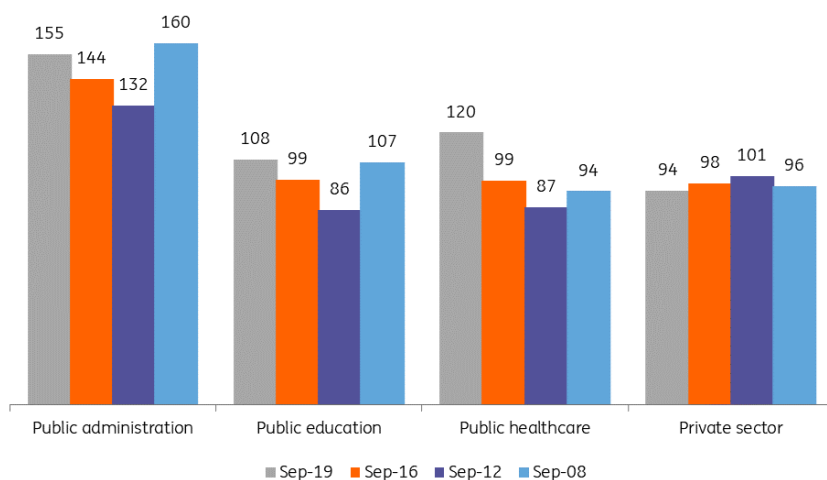
The manufacturing sector, which employs over 1.1 million people - and is the largest economic sector by number of employees - has been losing jobs for more than a year now. As of September 2019, over 24,000 jobs had been lost since September 2018, most of these in areas sensitive to external demand such as automotive and textiles. The latest industrial production numbers (as of August 2019) are also showing that 2019 will likely be a year of contraction.

Employment dynamics



Source: NIS, ING

Sectorial wages as a % of average wage

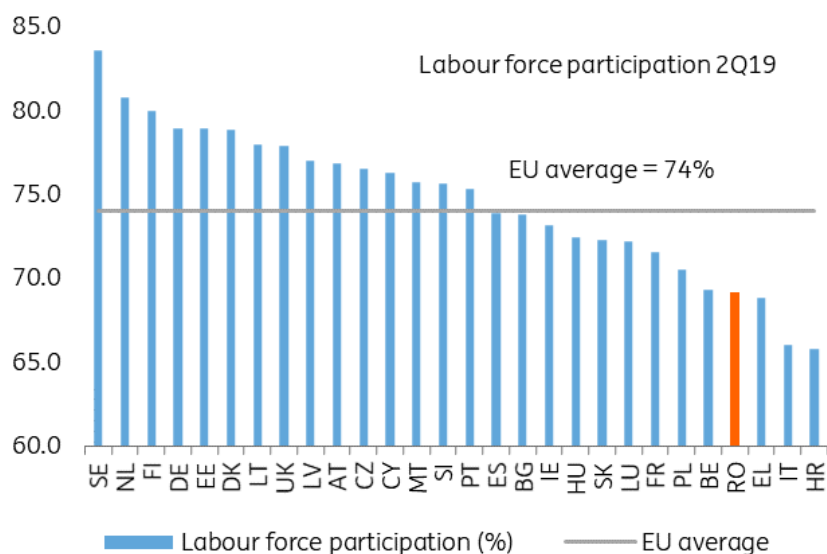


Source: NIS, ING

For now, however, industry’s contractionary signals don’t seem to have spread to other sectors. Consumers still look generally optimistic, as indicated both by sentiment indicators and by hard data (more [here](#)). Services are showing some signs of weakness but nothing alarming yet, while the construction sector roars ahead, posting above 20% annual growth numbers.

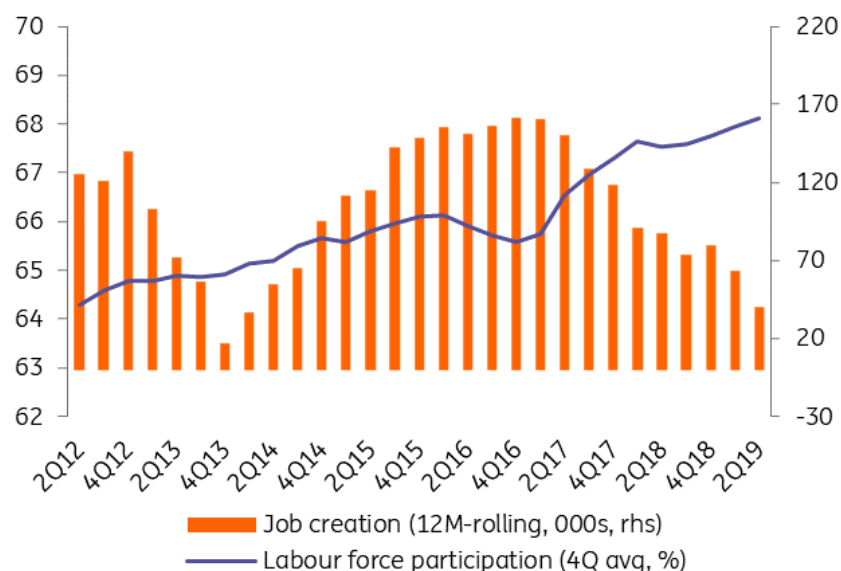
The current state of the job market is not exclusively a product of economic growth, but rather a mix of factors ranging from migration to public sector policies and absence of structural reforms to improve the participation rate.

Participation rate remains among the lowest in EU...



Source: Eurostat, ING

...as the improvements have been very slow



Source: Eurostat, ING

Looking ahead, the question is whether 2020 will be another year of double-digit wage rises. We tend to believe it will be, with the much-needed fiscal consolidation probably delayed by the electoral agenda. However, some freeze in public sector bonuses and a stricter hiring policy will likely be employed as tools of first resort in the budget rebalancing process. A more serious fiscal consolidation might not come before the general elections scheduled for late 2020, unless concerns about the rating outlook start to mount.

Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.