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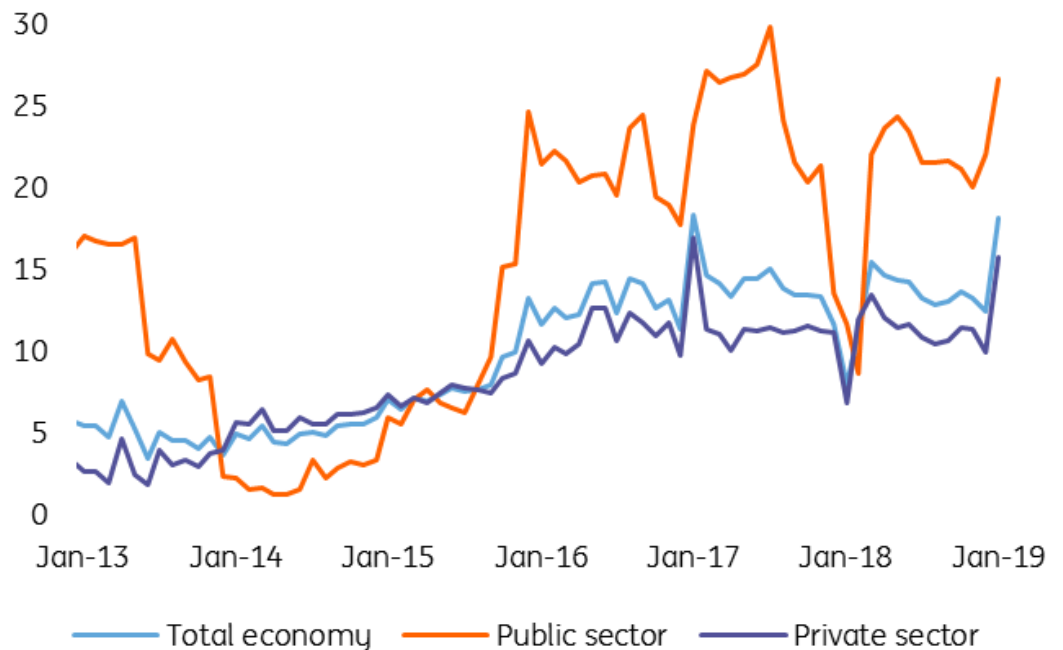
Romania: Super solid wage growth in January

Buckle up, we are entering election mode! The 18.2% rise in January 2019 wages is the second largest spike in almost 10 years

In wage terms, it's the best start to the year one could have hoped for. And if you're working for the Romanian public sector, where net wages rose by 26.7% in January 2019, it's even better! While there is little evidence that better salaries are linked to improvement in public services and productivity, the wage-led growth strategy seems to be going full steam ahead.

Compared to January 2018, public healthcare and education employees have enjoyed pay rises of 30.4% and 36.3% respectively, while civil servants saw their wages grow by 12.2%.

Nominal wage growth, %YoY

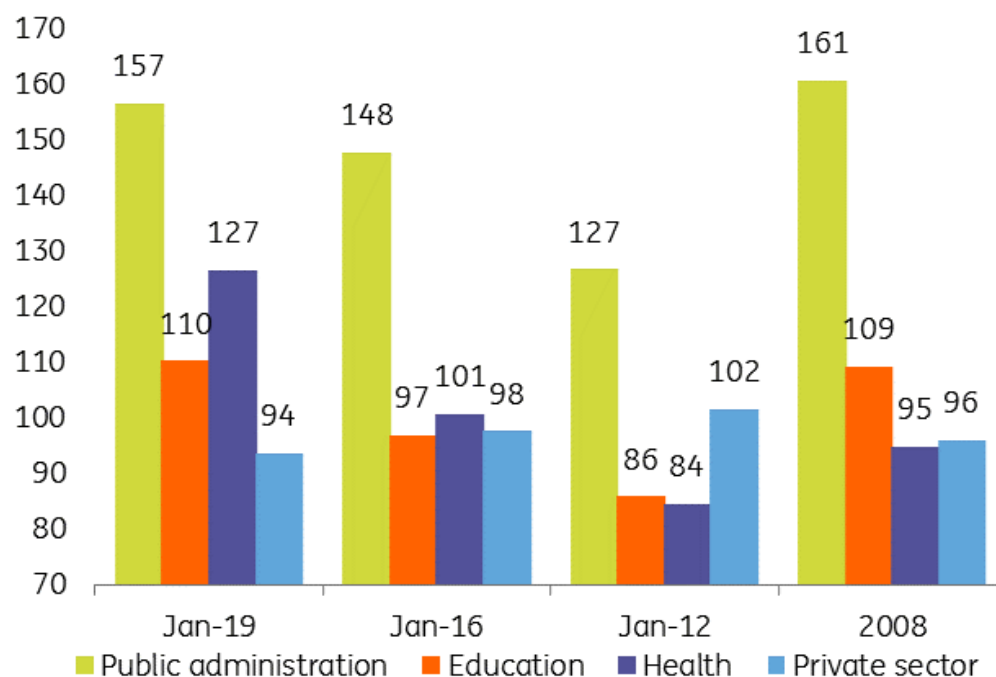


Source: NIS, ING

Private sector wages also accelerated by 15.8% year-on-year - the second highest growth rate seen since the beginning of 2009. Construction sector salaries really boomed, growing by 45.0%, helped by the fiscal measures adopted in December 2018 aimed at exempting employees from income tax as of January 2019 and the adoption of a minimum wage for the sector.

But aside from that, bonuses and other benefits in December 2018 have actually led to a -6.1% decline of net wages for the private sector in January 2019.

Sectorial wages as a share of average wage



Source: NIS, ING

We've been calling for yet another year of double-digit wage growth, which would make 2019 the fourth consecutive year with such growth.

Strong wages are among the few reasons why we believe the economy will remain on its growth track, albeit a decelerating one. The consumption boost has already deteriorated the external balance significantly, with [yesterday's trade data](#) confirming the trend. For now, all signs are pointing to the scope for more currency weakness.

Valentin Tataru

Economist, Romania

+40 31 406 89 91

valentin.tataru@ing.com

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