

Snap | 13 March 2019

ROMANIA

Romania: Super solid wage growth in January

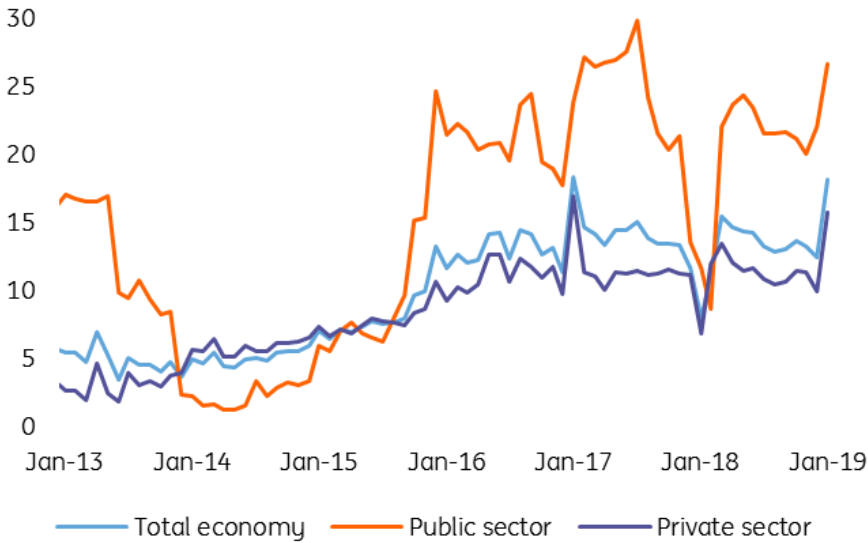
Buckle up, we are entering election mode! The 18.2% rise in January 2019 wages is the second largest spike in almost 10 years



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

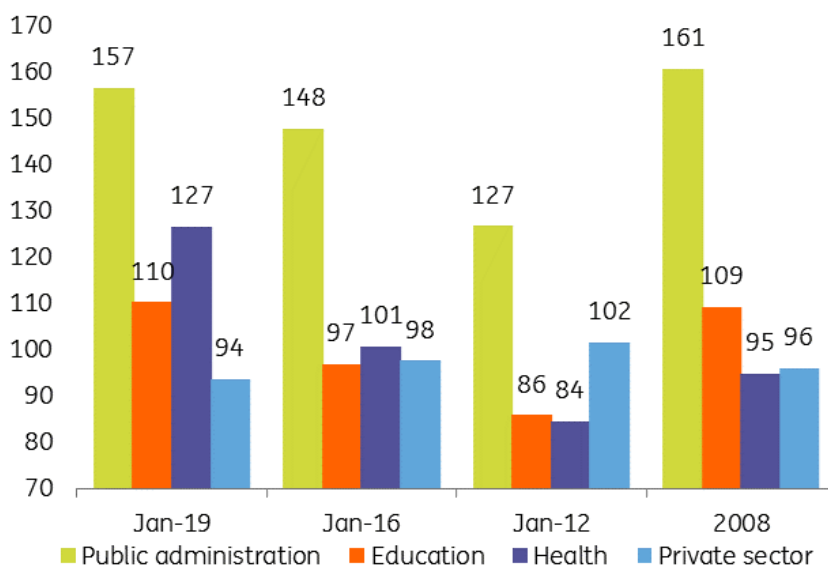


Source: NIS, ING

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.

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

THINK economic and financial analysis

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 www.ing.com.