

Romania: Unemployment inches higher to 4.6% in April

The labour market remains tight as unemployment stays close to historical lows (4.4% in March-18). But job creation seems to be losing steam

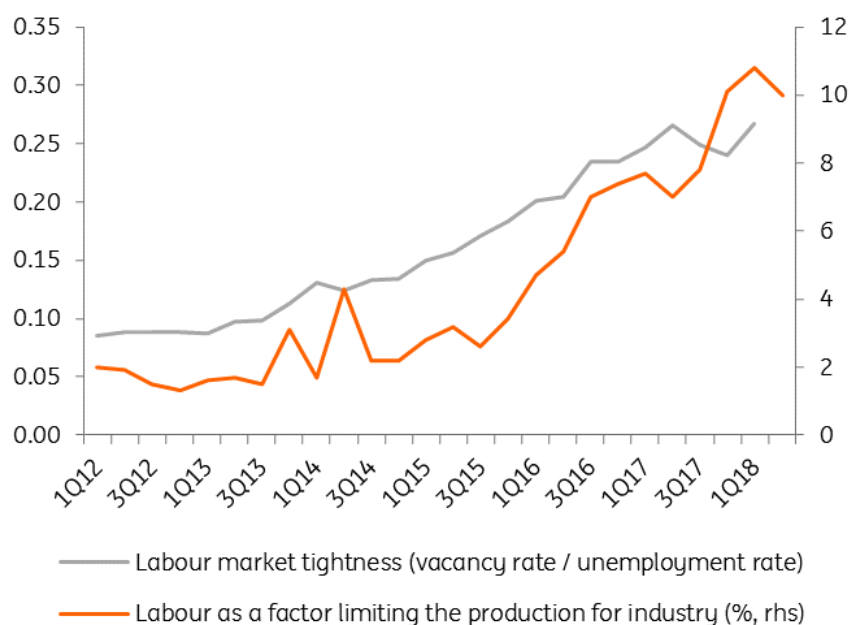


Source: NIS, Bloomberg, ING

The Romanian labour market offers a pretty complex and slightly puzzling perspective. In the 15-64-year old category, there are roughly 4.9 million employees in an active population of around 8.8 million. By contrast, neighbouring Hungary has roughly 4.4 million employees and an active population of 4.6 million.

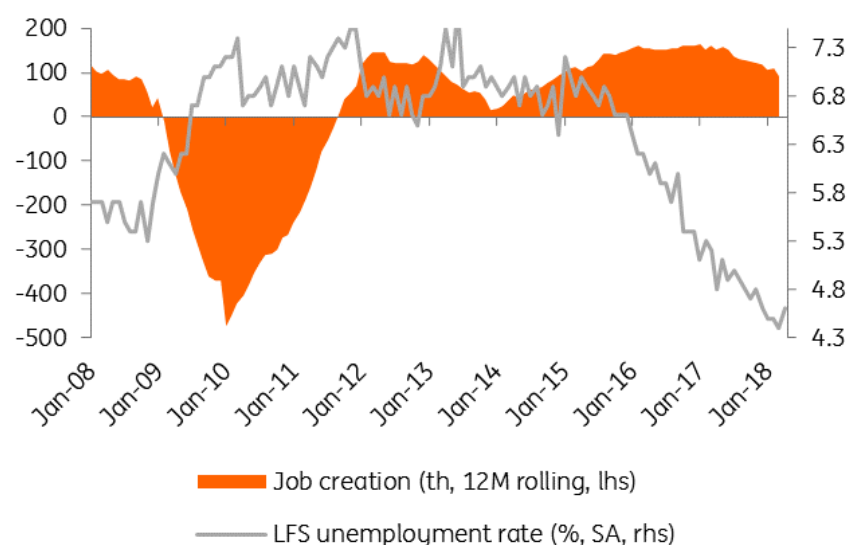
The tightness in the Romanian job market (vacancy rate/unemployment rate) seems to be getting close to all-time highs yet surprisingly, not many companies in industry indicate that labour is a factor limiting production (only 10% of the companies in the latest Economic Sentiment Index published by the European Commission, compared to 78.6% in Hungary and 47.4% in Poland). Nevertheless, while few companies are complaining (at least in surveys) about the lack of labour, the job vacancy rate increased in 1Q18 while job creation over the last 12 months came out in March at the lowest in more than three years.

Labour market tightness



Source: EC, NIS, ING

Job creation is softening



Source: NIS, ING

Back to today's data, the slight uptick in the unemployment rate could have been due to an increased number of people joining the labour market (detailed numbers are not available yet) after sustained double-digit wage hikes that occurred in the last two years. With 1Q18 flash GDP coming out flat and fiscal troubles mounting, there is not much downside potential left for the unemployment rate, unless the government steps up investment.

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