

## Romania: Wage growth back in double digits

February wages posted an 11.2% annual growth but after accounting for inflation the picture looks less rosy



Source: Shutterstock

The public sector marked its first single-digit annual wage growth since September 2015, at 8.7% year-on-year, with public health posting an unexpected -2.1% month-on-month drop (+5.8% YoY), the largest since mid-2010.

A substantial wage increase in public health is scheduled for March, though this might be offset by capping some benefits which makes it a bit difficult to assess the overall impact. The public administration sector continues to receive special government attention, posting a 15.6% YoY growth, while the public education grew 5.5% YoY.

## Public sector comes back down

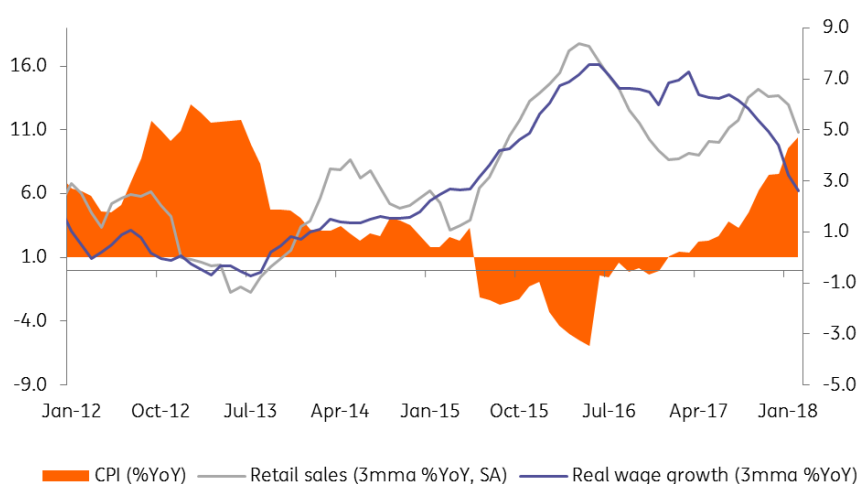


Source: NIS, ING

On the private sector side, we have a solid 12%YoY growth, though the data has been somewhat distorted by the transfer of social contributions from the employer to the employees and the frontloading of bonuses and other one-off payments in January 2017.

The construction sector is leading the way growing by 20.1% YoY, the largest growth post-GFC, suggesting that private investments are holding strong, compensating to some extent the lack of public investment spending which ended 2017 at an all-time low. Industry and manufacturing are broadly in line with their sector's 12-month moving average, at 11.4% and 12.2%YoY.

## Inflation eroding most of the wage increase



Source: NIS, NBR, ING

After discounting for February inflation which printed 4.7%, the overall picture looks less

rosy, resulting in a real average wage increase of only 4%YoY for the public sector and 7.3% for the private sector.

On a more optimistic note, the CPI might have already peaked in February, though we still expect it to stay above 4% for most of this year. This could keep real wage increases in single digits in 2018.

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