

It's been a good first quarter for Romanian workers!

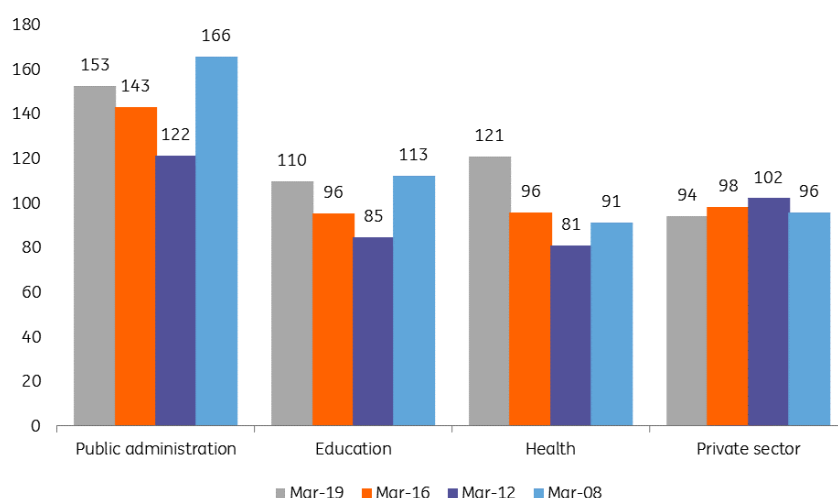
1Q19 has seen the highest quarterly wage growth since mid-2009, as it touches 16.5% versus the same period in 2018



Source: Shutterstock

It's been a good first quarter for Romanian workers! Particularly the public sector employees, who must have been very pleased as their net wages increased by 22% in the first quarter, while private sector workers say their wages improved by 14.9% in the same period. On the sector level, a closer look shows that public education employees have been in pole-position with regards to wage growth: 29.9% quarterly growth - the highest since 2008.

Sectoral wages as a share of total wage in March



Source: NIS, ING

However, in monthly terms, March data brought a rather seldom occurring event, as private sector wage dynamics have been even better than the public sector: 13.9% versus 13.2%, due to the construction sector which advanced by 40.3% after the government decided to increase minimum wages in the sector above the level for the rest of the economy in December.

As [recent retail sales](#) data has confirmed, super strong wage growth has kept household consumption elevated but supported mainly via higher imports and a widening trade deficit. Nevertheless, as the election cycle is only at the beginning, structural reforms are probably the last thing on the government's mind.

But once again the central bank will bear most of the adjustment burden, most likely via currency depreciation at some point and strict liquidity controls to keep interest rates higher than indicated by the key rate.

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