

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

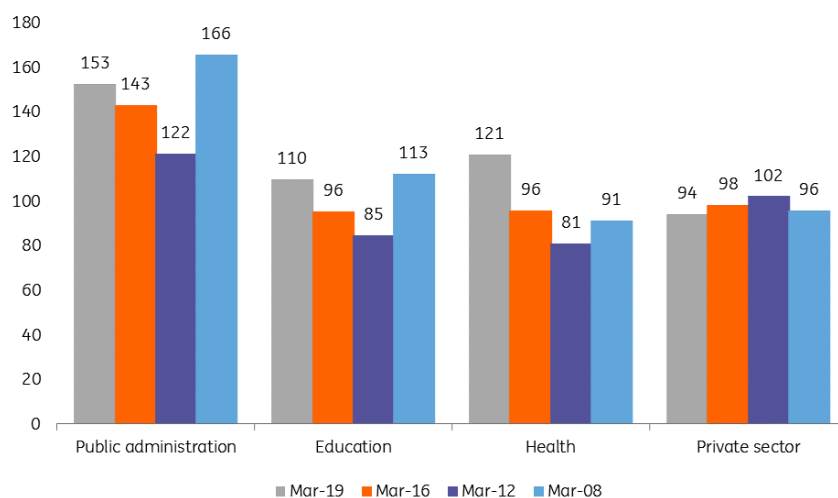
1Q19 has seen the highest quarterly wage growth since mid-2009, as it touches 16.5% versus the same period in 2018



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.

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 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 <http://www.ing.com>.