

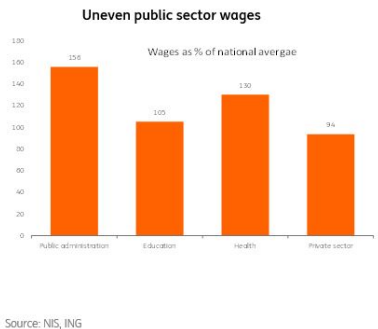
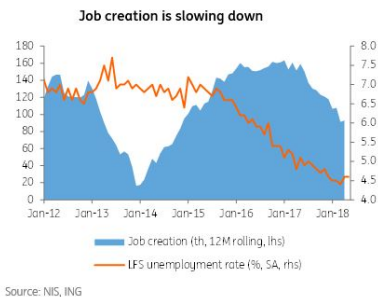
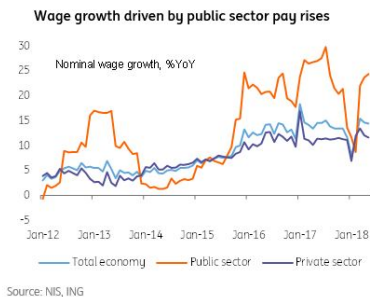
## Romania: Wage growth remains strong (yet again!)

Average net wages posted a 14.4% advance in May, a mild slow down versus the previous month, but despite a flattening Phillips curve, a tight labour market remains a key factor for upside risks to the inflation outlook



Source: Shutterstock

Wage increases in the public sector stand at 24.4% year on year, while pay rises in the private sector are at 11.7% YoY. Tight labour market with the unemployment rate near historical lows and public wage policy are the main drivers for wage growth.



Source: NIS, ING, Eurostat

Without labour market reform to improve labour force participation which stands at 66.3%, one of the lowest in Europe, pressure will remain to the upside for salaries and is likely to limit growth. Despite flattening Phillips curve, tight labour market remains a factor for upside risks to inflation outlook.