

Romania

This annex refers to the release of the monitoring note of 22 October 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		bbb+
Reserve currency adjustment		0
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Strong
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Weak
	Debt sustainability	Weak
	Debt profile and market access	Neutral
20%	Current account resilience	Weak
	External debt structure	Neutral
	Resilience to short-term shocks	Weak
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Weak
20%	Environmental risks	Weak
	Social risks	Weak
	Institutional and political risks	Neutral
QS adjustment (notches)		-2
Additional considerations (notches)		0
Final rating		BBB- STA

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s)	9.5	10.8	12.4	12.9	12.9	14.9	16.3
Real GDP, % change	4.7	7.3	4.5	4.1	-3.9	7.2	5.0
Unemployment rate, %	5.9	4.9	4.2	3.9	5.0	5.2	4.9
HICP, % change	-1.1	1.1	4.1	3.9	2.3	3.9	3.2
Policy rate, %, EOP*	1.75	1.75	2.50	2.50	1.50	1.75	-
Fiscal balance, % of GDP	-2.6	-2.6	-2.9	-4.4	-9.2	-7.0	-6.0
Government debt, % of GDP, EOP	37.3	35.1	34.7	35.3	47.3	52	54
Current account balance, % of GDP	-1.6	-3.1	-4.6	-4.9	-5.2	-5.5	-5.0

Yearly averages except where stated otherwise; * National Bank of Romania policy rate

Source: IMF, European Commission, National Bank of Romania, National Institute of Statistics Romania, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

EMDE

5y USD CDS spread (bps) as of 20 October 2021

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¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scoperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Romania	October 2021	Assessment	Rationale
Peers*	Hungary, Croatia, Spain, Cyprus		
Domestic economic risk	Growth potential	Strong	Strong growth potential, but challenges from adverse demographics and slow progress on structural reform
	Monetary policy framework	Neutral	Adequate monetary policy response during Covid-19 crisis
	Macro-economic stability & sustainability	Neutral	Diversified industrial sector; skilled labour shortages
Public finance risk	Fiscal policy framework	Weak	Track record of expansionary fiscal policies and excess deficits, rigid budgetary structure; recent introduction of fiscal consolidation
	Debt sustainability	Weak	Rising public debt burden and elevated structural fiscal deficits pose medium-run debt sustainability risk; reduced near-term fiscal risk due to introduction of fiscal consolidation
	Debt profile & market access	Neutral	Access to funding on favourable terms; nonetheless higher financing rates than some sovereign peers, risk from FX share of government debt and comparatively lesser access to lenders of last resort as a non-EMU EU state
External economic risk	Current account resilience	Weak	External competitiveness weaknesses vis-à-vis trading partners, current account deficits
	External debt structure	Neutral	Sizeable but declining share of direct investments in external liabilities
	Resilience to short-term shocks	Weak	Limited available reserves to cover foreign currency liabilities under stressed scenarios
Financial stability risk	Banking sector performance	Neutral	Well-capitalised and liquid banking sector; profitability and asset quality impacted by Covid-19 crisis
	Banking sector oversight	Neutral	Effective supervision; timely and comprehensive regulatory measures taken
	Financial imbalances	Weak	Still-elevated foreign-currency exposure in the banking system
ESG risk	Environmental risks	Weak	High carbon and energy intensity of the economy
	Social risks	Weak	Elevated poverty, elevated income inequality, adverse demographics
	Institutional and political risks	Neutral	Positive reform momentum under the current administration, but unstable government coalitions

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard and reserve-currency adjustment.