

# Romania

## Rating Review Annex


**BBB-**  
 STABLE  
 OUTLOOK

### Credit strengths

- EU membership, access to substantial EU investment fund inflows
- Strong medium-run growth potential
- Still-moderate public debt

### Credit challenges

- Rigid budget structure and comparatively weak tax base
- Elevated current-account deficit
- Moderate reserve coverage

### Rating rationale:

**EU membership, access to EU investment funds:** Romania has been allocated EUR 29.2bn (10.2% of 2022 GDP, EUR 14.2bn in grants and EUR 14.9bn in loans) via the EU recovery and resilience facility, alongside structural funds of around EUR 50bn (17.5% of GDP). This substantial allocation of EU monies enhances the authorities' reform agenda and anchors strategic medium-run investment projects in the economy, while reducing near-term pressure on the budget.

**Strong medium-run growth potential:** Romania's ratings are anchored by its strong growth potential, which we estimate at around 4%, anchored by considerable EU investment funds. We project the Romanian economy to continue growing in 2023 by 3%, after growth of 4.8% in 2022, representing a more moderate slowdown compared to that in most peer economies.

**Still-moderate public debt:** Gradual deficit reduction, along with high nominal GDP growth, will result in a broadly stable general government debt-to-GDP ratio at 47% in 2023/24, from 47.3% at the end of 2022, before trending up moderately to around 51% in the medium term.

**Rating challenges include:** i) a rigid budget structure and a weak tax base constrain the budgetary outlook and have resulted in structural budget deficits; ii) Romania observes elevated current-account deficits, due, in part, to fiscal imbalance; and iii) moderate reserves to cover foreign-currency liabilities under more stressed economic scenarios, representing a balance of payment risk.

### Romania's sovereign rating drivers

Risk pillars	Quantitative		Reserve currency	Qualitative*	Final rating	
	Weight	Indicative rating	Notches	Notches		
Domestic Economic Risk	35%	bbb+	RON [+0]	+1/3	BBB-	
Public Finance Risk	20%	bbb+		-2/3		
External Economic Risk	10%	cc		-2/3		
Financial Stability Risk	10%	aaa		0		
ESG Risk	Environmental Factors	5%		aaa		0
	Social Factors	7.5%		b+		-1/3
	Governance Factors	12.5%		b		0
<b>Indicative outcome</b>	<b>bbb</b>		<b>-1</b>			
<b>Additional considerations</b>			<b>0</b>			

Note: The qualitative scorecard adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. The reserve currency adjustment applies to currencies in the IMF's SDR basket. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings

### Outlook and rating triggers

The Stable Outlook reflects our view that risks to the ratings are balanced.

#### Positive rating-change drivers

- Sustained and strengthened fiscal consolidation anchors debt-to-GDP trajectory
- Sustained reduction in current-account deficit, build-up of reserves and/or tangible steps in the adoption of the euro curtail external sector risks
- Strengthened capacity for reform, including improvements in EU fund absorption

#### Negative rating-change drivers

- Weaker fiscal metrics result in substantive deterioration in medium-run debt outlook
- Curtailed capacity to absorb EU investment funds undermines growth and public finance outlooks
- Elevated current-account deficit, intensified financing pressures and/or shrinking reserves increase external vulnerabilities

### Ratings and Outlook

#### Foreign currency

Long-term issuer rating	BBB-/Stable
Senior unsecured debt	BBB-/Stable
Short-term issuer rating	S-2/Stable

#### Local currency

Long-term issuer rating	BBB-/Stable
Senior unsecured debt	BBB-/Stable
Short-term issuer rating	S-2/Stable

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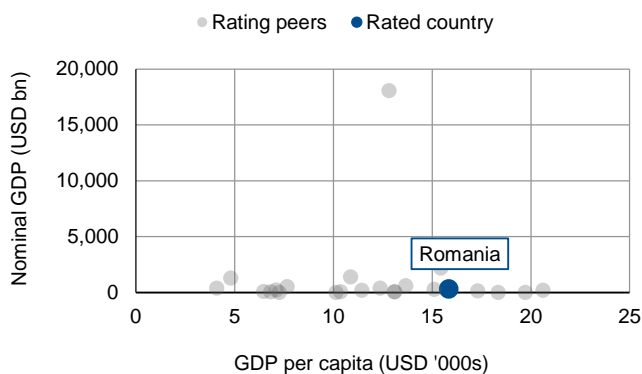
Bloomberg: RESP SCOP

### Domestic Economic Risk

Overview of Scope's qualitative assessments for Romania's *Domestic Economic Risk*

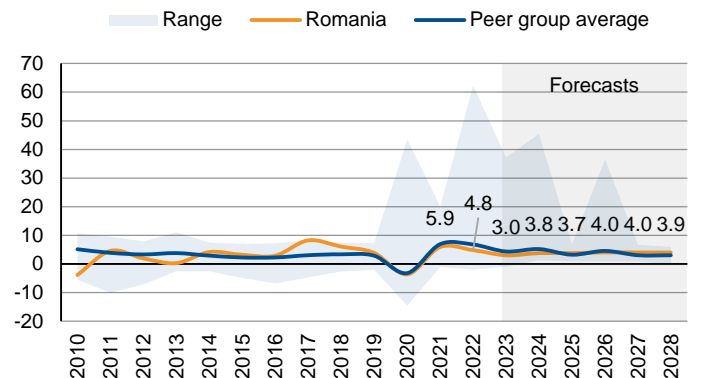
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Growth potential of the economy	Strong	+1/3	Strong growth potential, but challenges from adverse demographics and slow progress on structural reform
	Monetary policy framework	Neutral	0	Adequate monetary policy response during the crises
	Macro-economic stability and sustainability	Neutral	0	Diversified industrial sector; but skilled labour shortages

Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

Real GDP growth, %



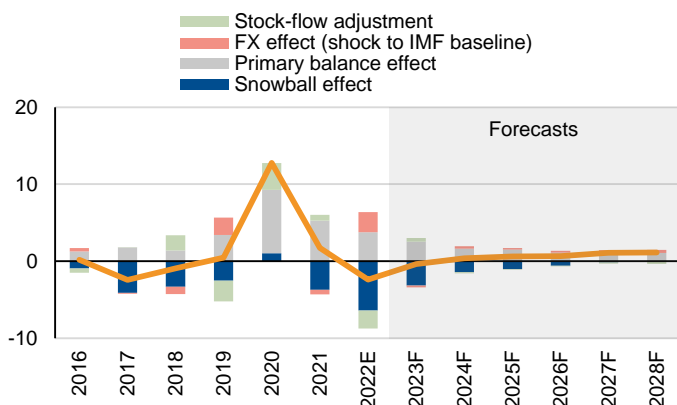
Source: IMF WEO, Scope Ratings forecasts

### Public Finance Risk

Overview of Scope's qualitative assessments for Romania's *Public Finance Risk*

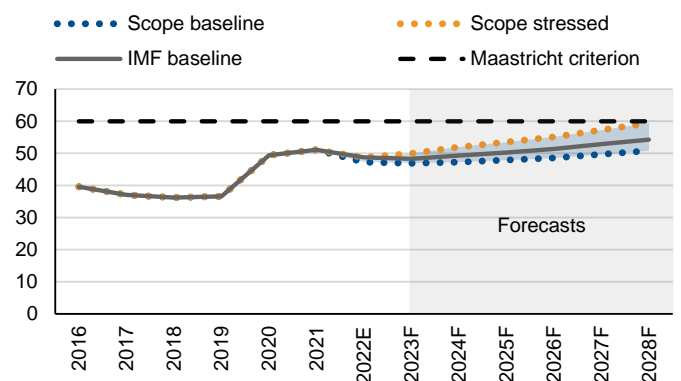
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Fiscal policy framework	Weak	-1/3	Track record of expansionary fiscal policies and excess deficits, rigid budgetary structure; recent introduction of fiscal consolidation
	Debt sustainability	Weak	-1/3	Rising public debt burden and elevated structural deficits pose medium-run debt sustainability challenge; reduced near-term fiscal risk due to introduction of fiscal consolidation
	Debt profile and market access	Neutral	0	Access to funding on relatively favourable terms; but higher financing rates than some peers, risk from high FX share of debt and comparatively lesser access to lenders of last resort as a non-EA EU state

Contributions to changes in debt levels, pp of GDP



Source: IMF WEO, Scope Ratings forecasts

Debt-to-GDP forecasts, % of GDP



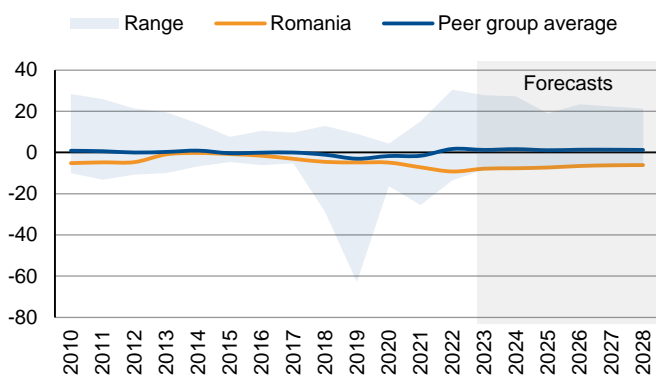
Source: IMF WEO, Scope Ratings forecasts

### External Economic Risk

#### Overview of Scope's qualitative assessments for Romania's *External Economic Risk*

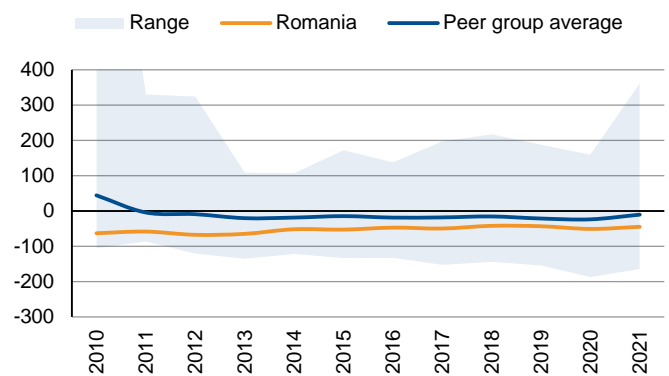
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
cc	Current account resilience	Weak	-1/3	Structural current account deficits, high investment needs of the economy with relatively low domestic savings
	External debt structure	Neutral	0	Sizeable (over 50%) share of direct investments in external liabilities
	Resilience to short-term external shocks	Weak	-1/3	Moderate available reserves to cover foreign currency liabilities under more stressed scenarios

Current account balance, % of GDP



Source: IMF WEO, Scope Ratings

Net international investment position (NIIP), % of GDP



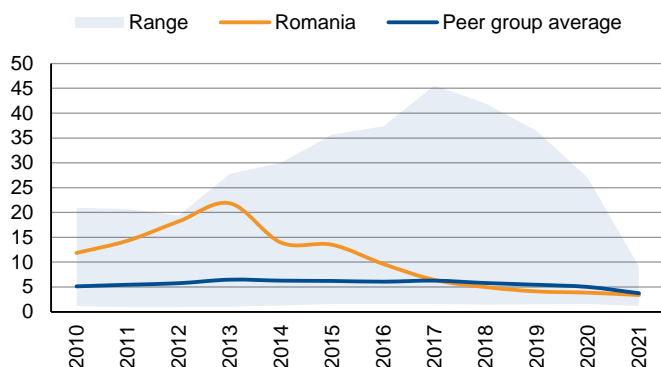
Source: IMF, Scope Ratings

### Financial Stability Risk

#### Overview of Scope's qualitative assessments for Romania's *Financial Stability Risk*

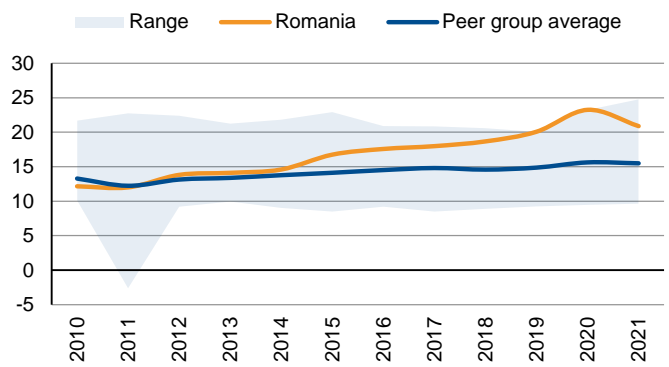
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Well-capitalised and liquid banking sector; profitability and asset quality impacted by crises
	Banking sector oversight	Neutral	0	Effective supervision; timely and comprehensive regulatory measures
	Financial imbalances	Neutral	0	Still-elevated but declining foreign-currency exposure in the banking system; low financial intermediation

Non-performing loans (NPLs), % of total loans



Source: World Bank, Scope Ratings

Tier 1 capital, % of risk-weighted assets



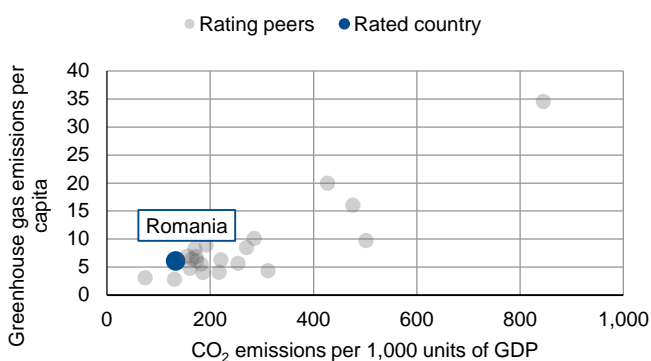
Source: IMF, Scope Ratings

### ESG Risk

#### Overview of Scope's qualitative assessments for Romania's ESG Risk

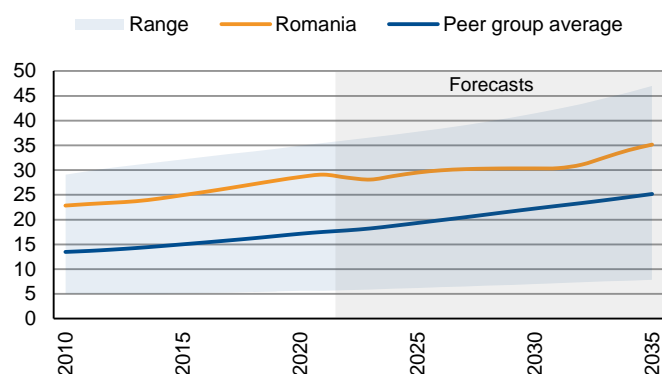
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb	Environmental factors	Neutral	0	High carbon and energy intensity of the economy, higher energy self-sufficiency compared to peers
	Social factors	Weak	-1/3	Elevated poverty and income inequality, adverse demographic trends
	Governance factors	Neutral	0	Enhanced political stability in the near-term

CO<sub>2</sub> emissions per GDP, mtCO<sub>2</sub>e



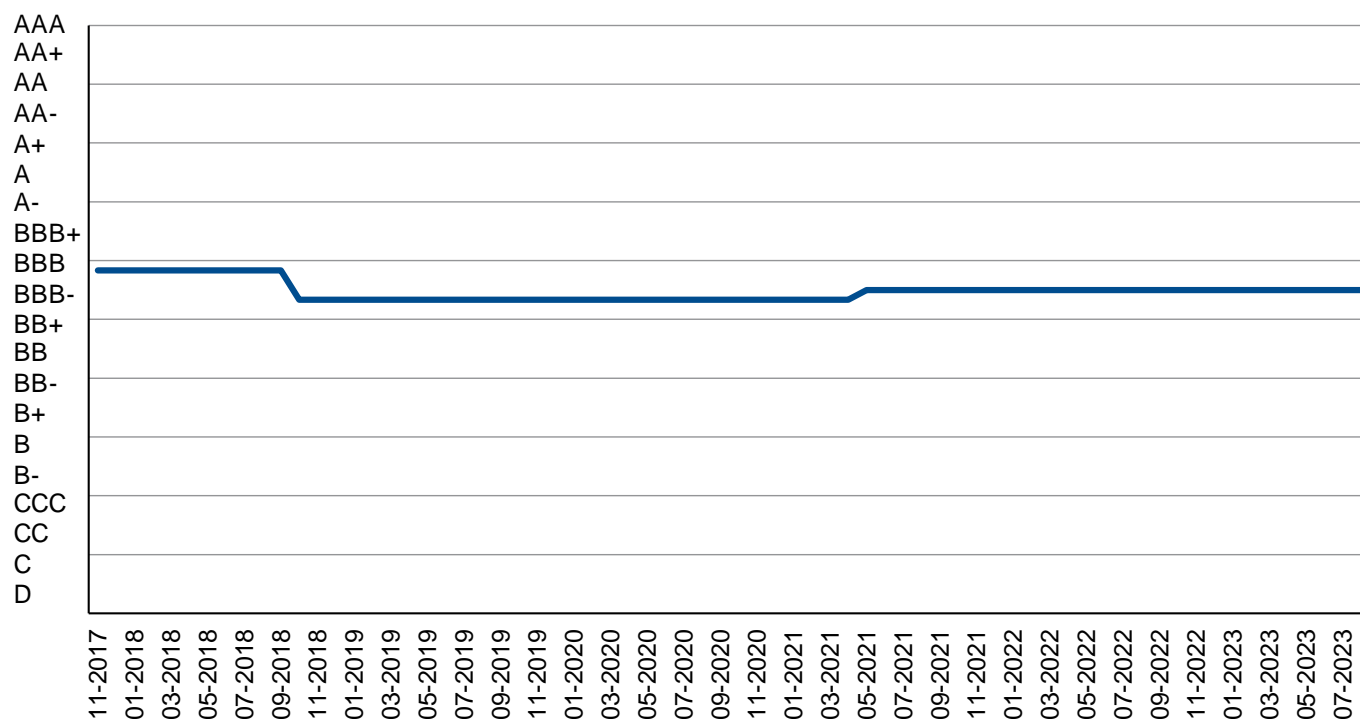
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

## Appendix I. Rating history



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

## Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, with Scope's core variable scorecard embedding a methodological reserve-currency adjustment.

Peer group*
Bulgaria
China
Greece
Hungary

Publicly rated sovereigns only; the full sample may be larger.

### Appendix III. Statistical table for selected CVS indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of six indicators) used in Scope's quantitative model, the core variable scorecard, in line with Scope's [Sovereign Rating Methodology](#). The metrics and sources for the data presented here ensure comparability across global peers and may therefore differ from national and other selective international statistics.

Pillar	Core variable	Source	2018	2019	2020	2021	2022
Domestic Economic	GDP per capita, USD '000s	IMF	12.5	12.9	13.0	14.9	15.9
	Nominal GDP, USD bn	IMF	243.5	251.0	251.7	285.6	301.8
	Real growth, %	IMF	6.0	3.8	-3.7	5.9	4.8
	CPI inflation, %	IMF	4.6	3.8	2.6	5.0	13.8
	Unemployment rate, %	WB	4.2	3.9	5.0	5.6	5.4
Public Finance	Public debt, % of GDP	IMF	36.2	36.6	49.4	51.1	48.7
	Net interest payment, % of revenue	IMF	4.6	3.9	4.6	4.8	6.5
	Primary balance, % of GDP	IMF	-1.4	-3.4	-8.3	-5.3	-3.8
External Economic	Current-account balance, % of GDP	IMF	-4.6	-4.9	-4.9	-7.2	-9.3
	Total reserves, months of imports	WB	4.2	4.1	5.5	4.3	4.0
	NIIP, % of GDP	IMF	-42.0	-43.2	-50.8	-44.8	-41.3
Financial Stability	NPL ratio, % of total loans	IMF	5.0	4.1	3.8	3.4	-
	Tier 1 ratio, % of risk-weighted assets	IMF	17.9	17.9	18.5	22.7	19.0
	Credit to the private sector, % of GDP	WB	25.5	24.6	25.8	26.5	24.7
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e	EC	147.8	139.0	131.2	133.5	-
	Income share of bottom 50%, %	WID	15.2	15.4	15.4	15.4	-
	Labour-force participation rate, %	WB	67.9	68.8	68.9	65.2	-
	Old-age dependency ratio, %	UN	27.2	27.9	28.6	29.1	28.5
	Composite governance indicators*	WB	0.2	0.3	0.3	0.3	-

\* Average of the six World Bank Worldwide Governance Indicators.

### Appendix IV. Economic development and default indicators

IMF Development Classification

5y USD CDS spread (bps) as of 7 September 2023

Emerging market and developing economy

176



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