



Romania: Recent Macroeconomic & Banking System Developments

Wood & Co: Romania Investor Day
A Conversation With The Central Bank webinar

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Recent macroeconomic developments

❑ CPI inflation:

✓ Annual rate:

+2.06% (Dec. 2020/Dec. 2019)

+8.19% (Dec. 2021/Dec. 2020)

+8.35% (Jan. 2022/Jan. 2021)

✓ Average annual rate:

+2.6% in 2020

+5.1% in 2021

+5.5% in (Feb. 2021 – Jan. 2022)/(Feb. 2020 – Jan. 2021)

❑ GDP growth:

2019: +4.2%

2020: -3.7%

2021: +5.6% (flash estimate)

❑ Current account deficit:

2019: EUR 10,905 mn., up 14.8% yoy; 4.9% of GDP; 70.6% covered by FDI and capital account

2020: EUR 10,979 mn., up 0.7% yoy; 5% of GDP; 65% covered by FDI and capital account

2021: EUR 16,951 mn., up 54.4% yoy; 74.4% covered by FDI and capital account

Recent macroeconomic developments (2)

❑ Foreign Direct Investment:

2019: EUR 4,849 mn., down 1.9% yoy

2020: EUR 2,958.3 mn., down 39% yoy

2021: EUR 7,276.8 mn., up 146% yoy

❑ Fiscal balance (ESA2010 Methodology):

2019: -4.4% of GDP

2020: -9.3% of GDP

2021: -6.7% of GDP *(Cash Methodology; 12M GG deficit/GDP forecast for 2021; Source: MF)*

❑ International reserves (including gold):

2020: EUR 42.5 bn.; forex reserves EUR 37.4 bn.

2021: EUR 45.8 bn.; forex reserves EUR 40.5 bn.

Feb.2022: EUR 47.5 bn.; forex reserves EUR 41.9 bn.

(the latter covering 4.7 months of prospective goods-and-services imports)

❑ Financial intermediation:

2019: 25.3% of GDP

2020: 26.7% of GDP

2021: 27.3% of GDP

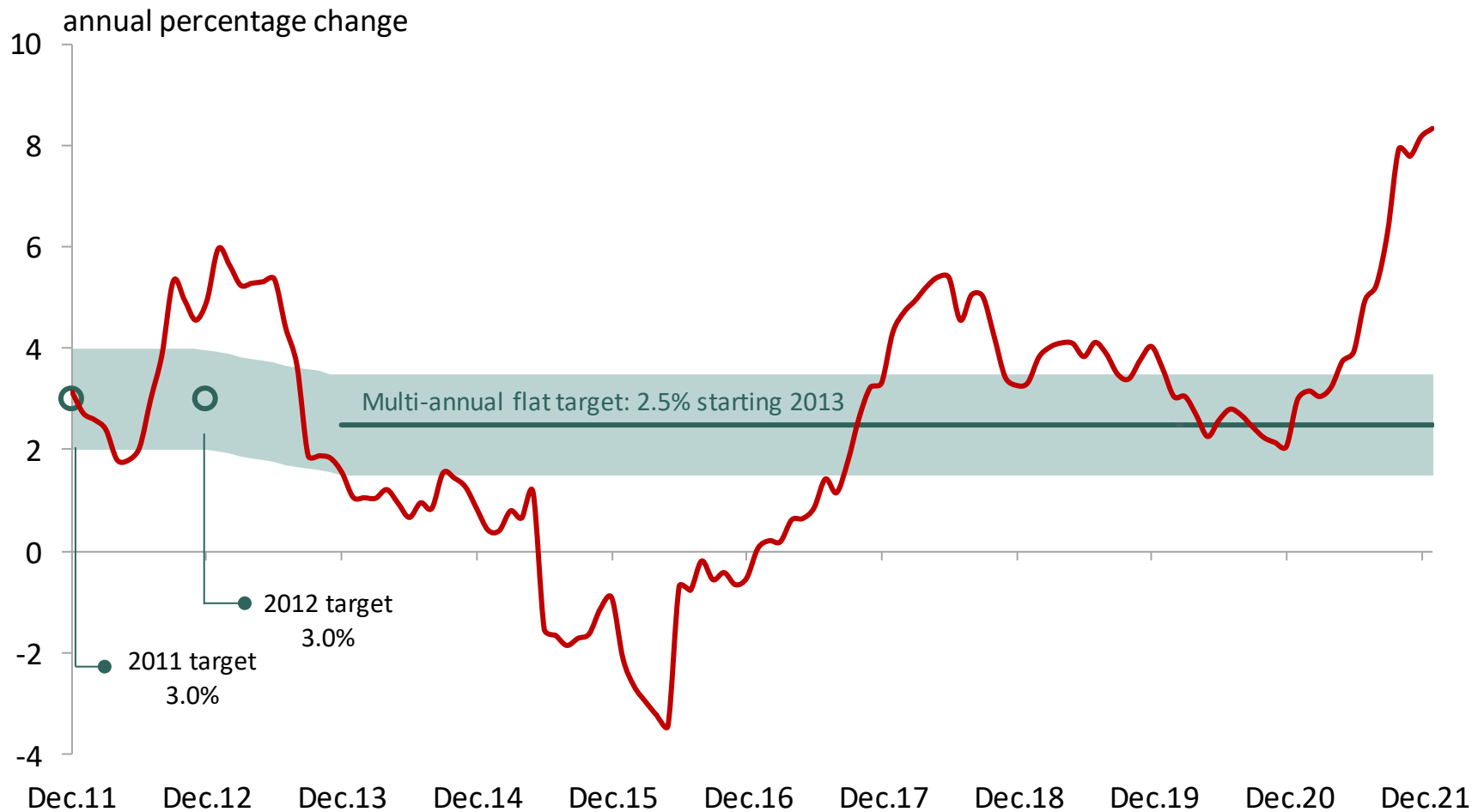
❑ Real growth of loans to the private sector:

2020/2019: 3.4% (RON: 6.3%; foreign currency: -2.6%)

2021/2020: 6.1% (RON: 10.6%; foreign currency: -4.0%)

Jan.2022/Jan.2021: 6.3% (RON: 10.3%; foreign currency: -2.9%)

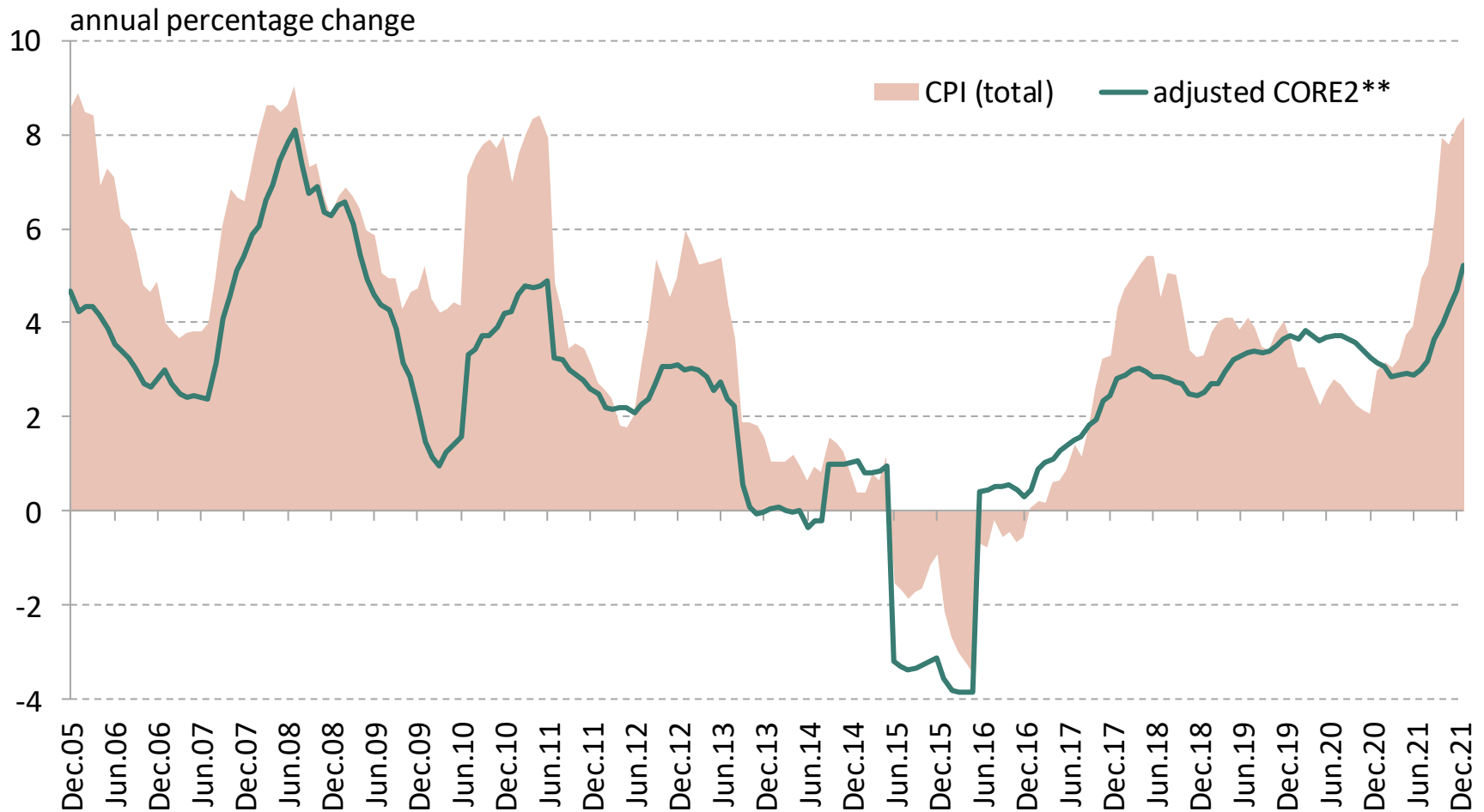
Inflation rate



Note: Variation band of the target is ± 1 percentage point.

Source: National Institute of Statistics, National Bank of Romania

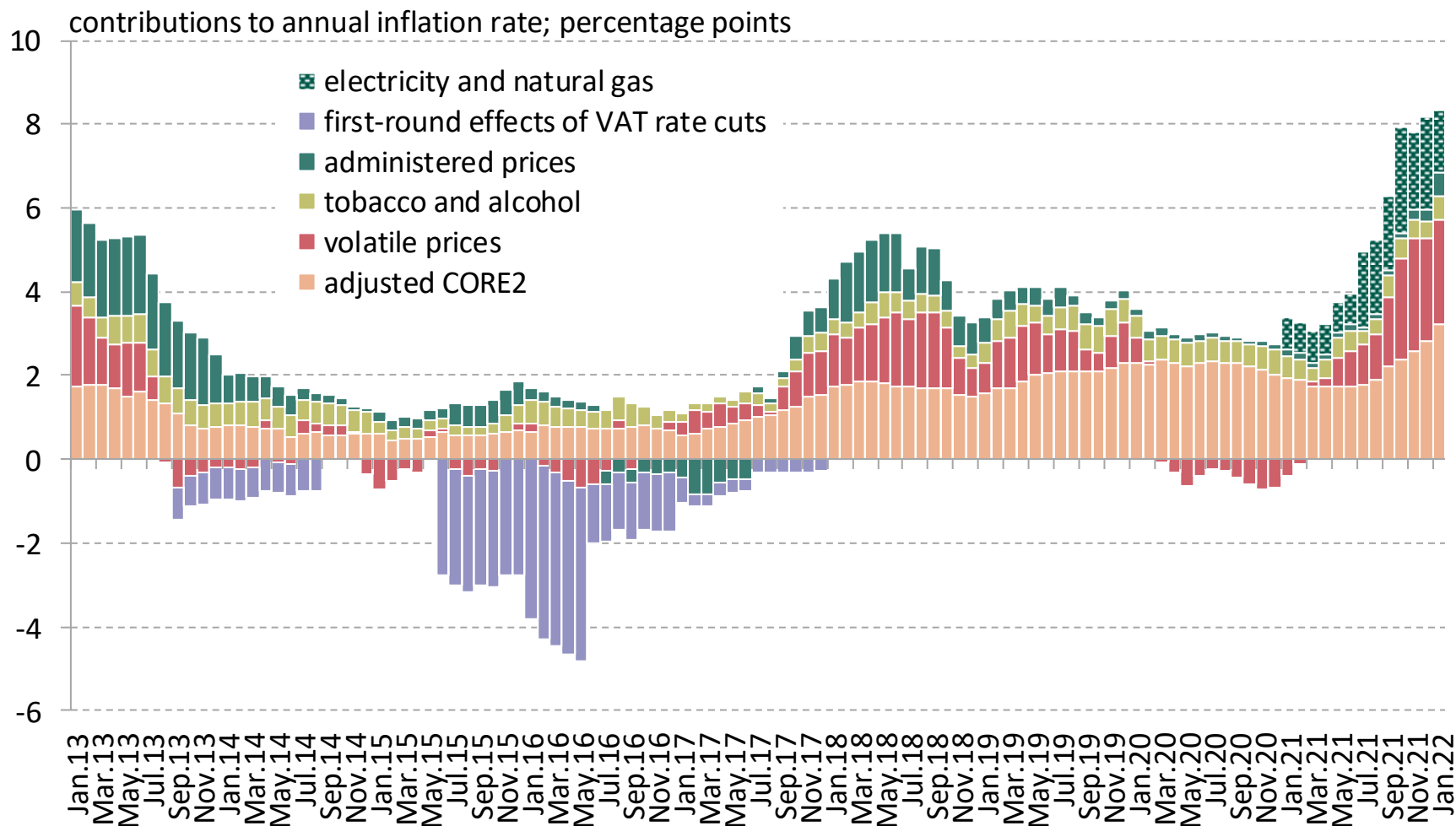
Headline inflation and CORE inflation



*) structure similar to that prior to the energy market liberalisation

Source: National Institute of Statistics

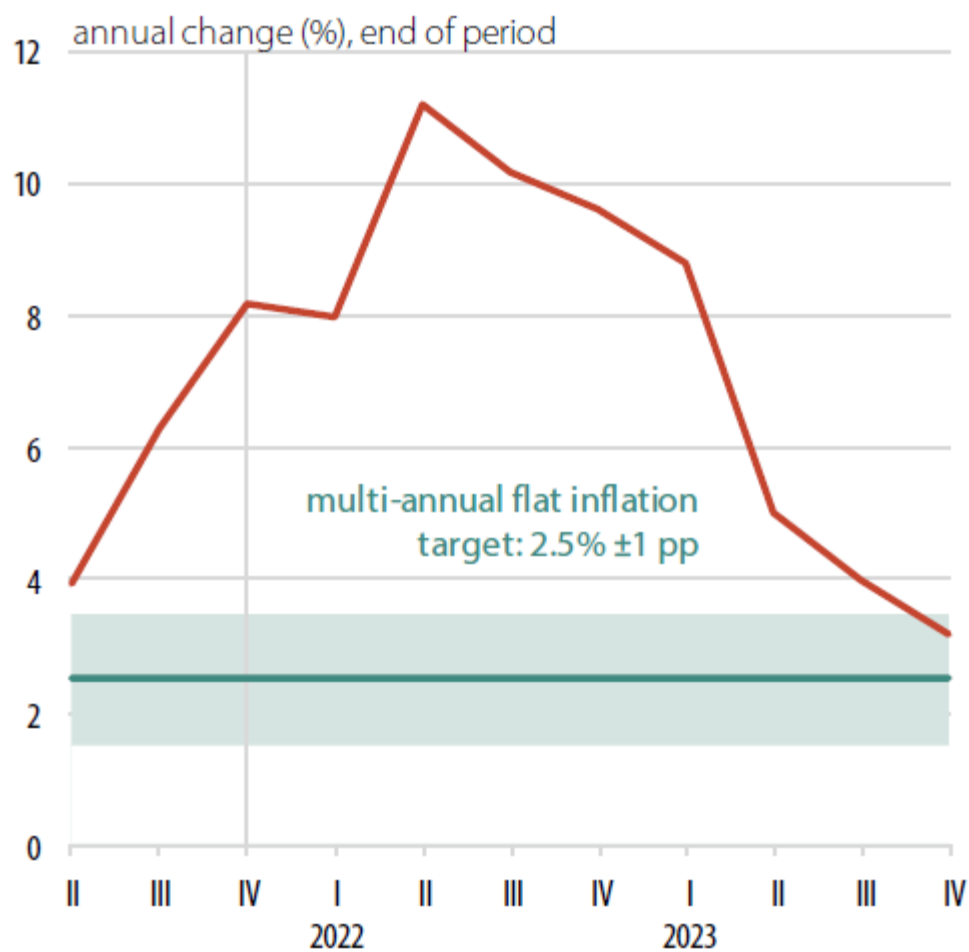
Contributions to annual inflation rate



Note: Starting with January 2021, prices of natural gas and electricity are no longer administered.

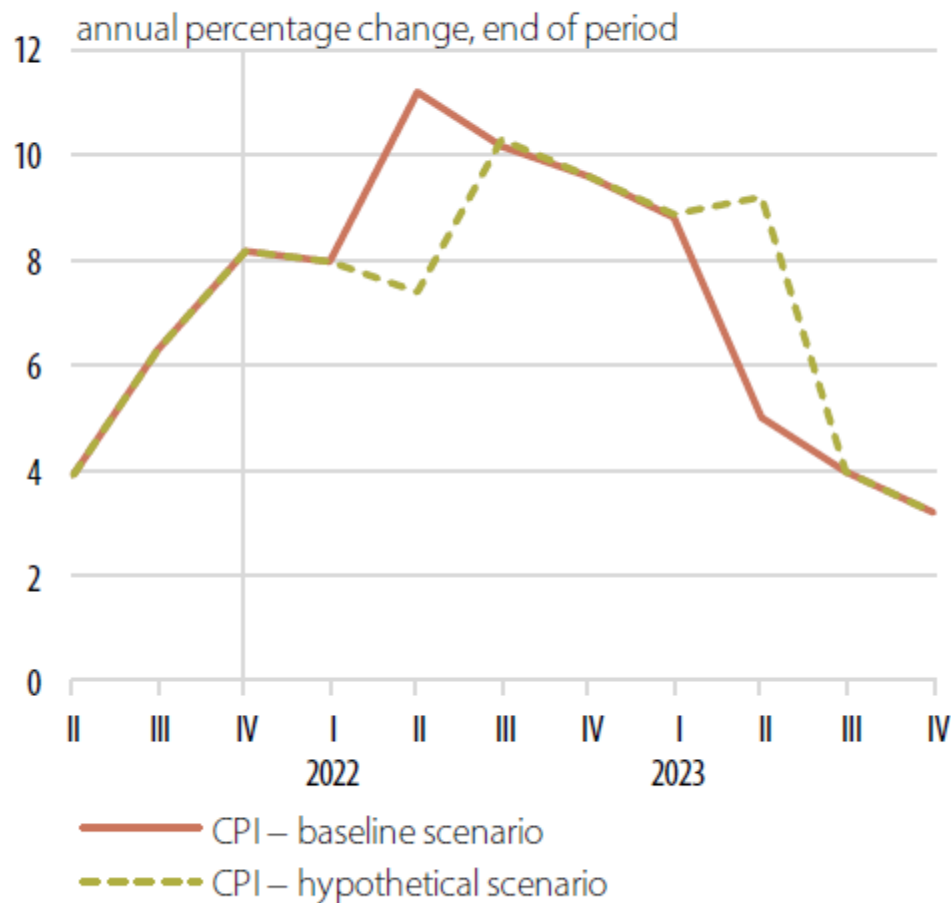
Source: National Institute of Statistics, National Bank of Romania calculations

Inflation forecast



Source: NIS, NBR projection

Chart 2. Hypothetical scenario assuming the extension of compensation measures



Source: NIS, NBR projection

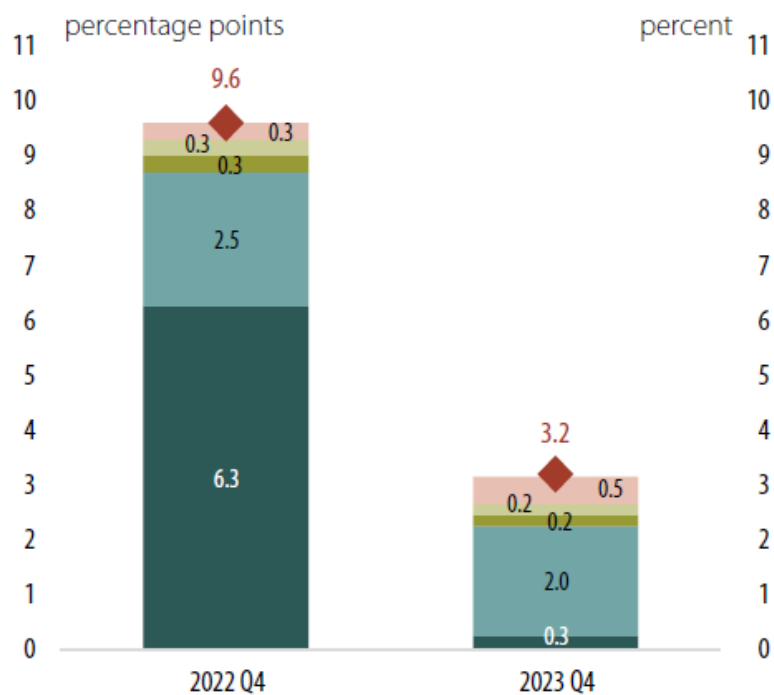
Table 4.2. The annual inflation rate
in the baseline scenario

	annual change(%); end of period							
	2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Central target	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
CPI projection	8.0	11.2	10.2	9.6	8.8	5.0	4.0	3.2
CPI projection*	7.9	11.2	10.2	9.6	8.6	4.5	3.5	2.7
Adjusted CORE2 projection	5.3	5.3	4.7	4.0	3.5	3.4	3.3	3.2

*) calculated at constant taxes

Source: latest NBR Inflation report

Chart 4.3. Components' contribution to annual CPI inflation rate*

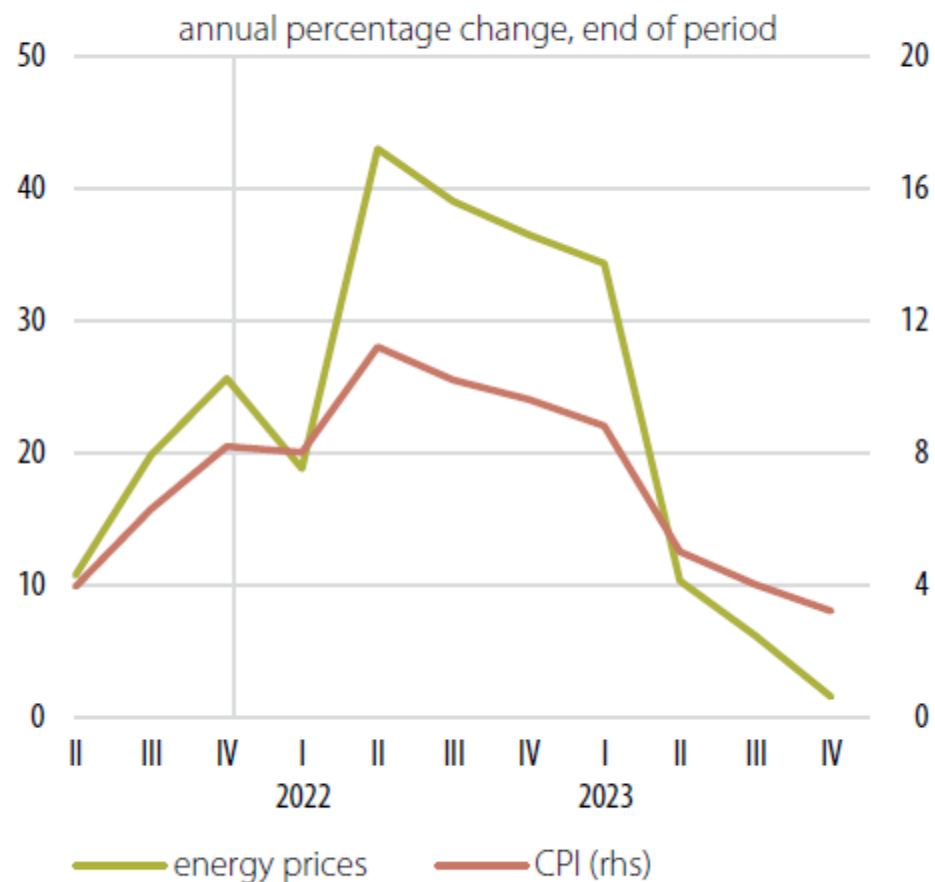


- tobacco products and alcoholic beverages
- administered prices
- VFE prices
- adjusted CORE2
- energy
- ◆ CPI inflation (rhs)

*) end of period; values have been rounded off to one decimal place

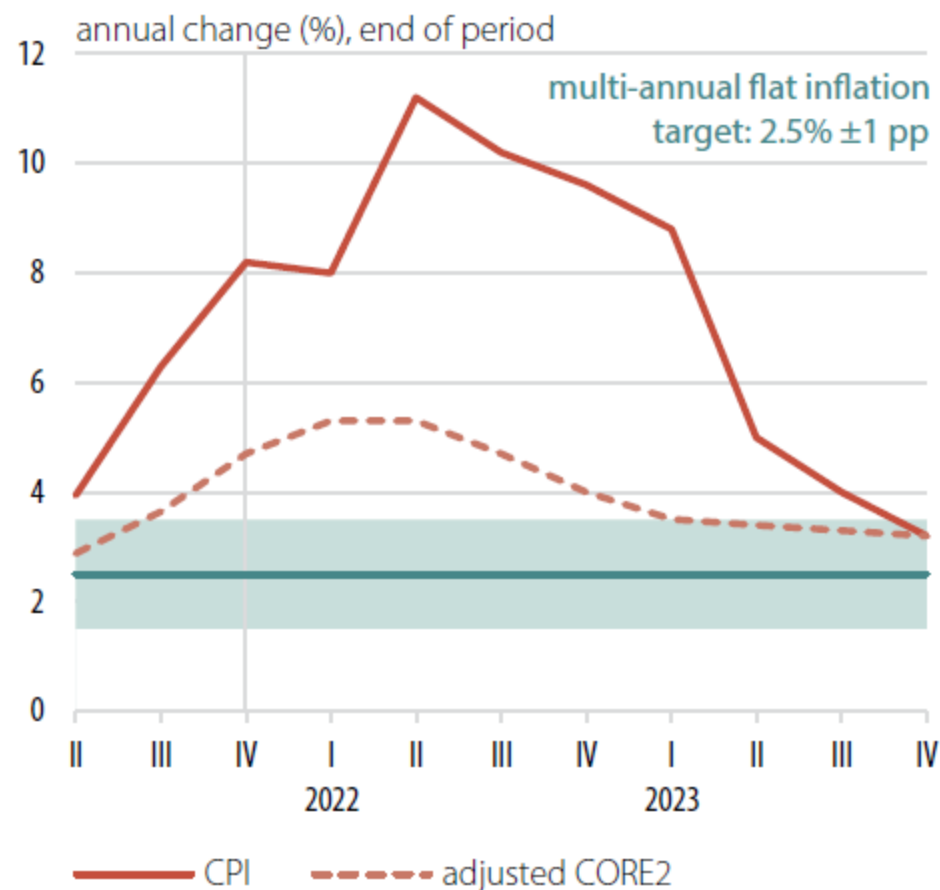
Source: NIS, NBR projections

Chart 4.4. Annual CPI inflation and energy price inflation



Source: NIS, NBR projections

Chart 4.2. CPI and adjusted CORE2
inflation forecasts



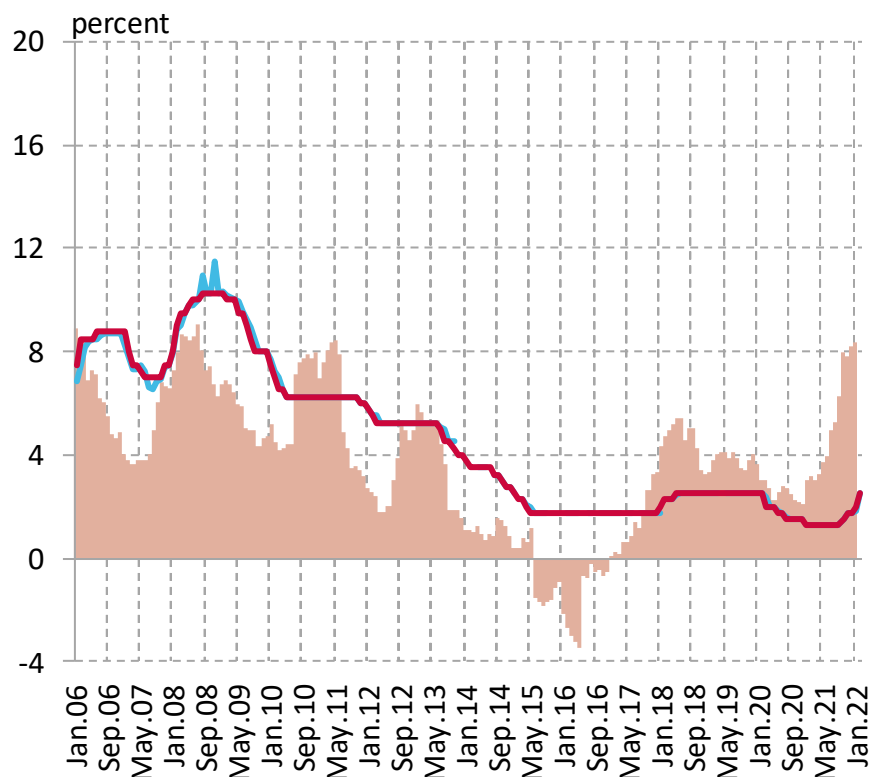
Source: NIS, NBR projection

Decisions of the NBR Board*

- ❑ To increase the monetary policy rate to 2.50 percent per annum, from 2.00 percent per annum, as of 10 February 2022
- ❑ To raise the lending (Lombard) facility rate to 3.50 percent per annum from 3.00 percent per annum and the deposit facility rate to 1.50 per annum from 1.00 percent per annum, as of 10 February 2022
- ❑ To maintain firm control over money market liquidity
- ❑ To keep the existing levels of minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions

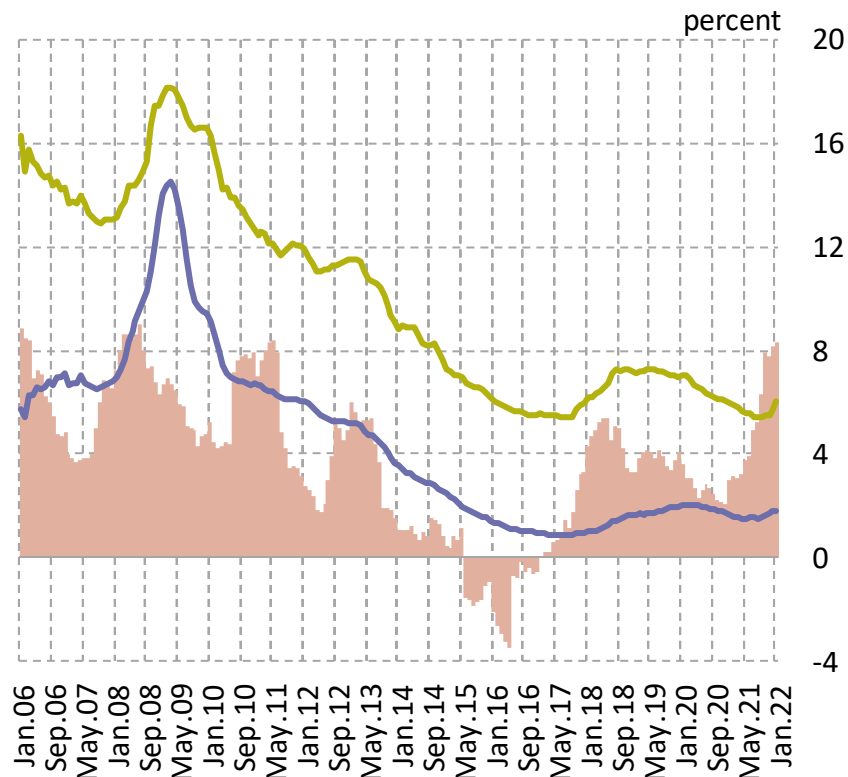
*) meeting of 9 February 2022

Inflation rate and interest rates



- inflation rate (percentage change against the same year-earlier period)
- interest rate on monetary policy operations (stock; % p.a.)
- NBR policy rate (% p.a.)

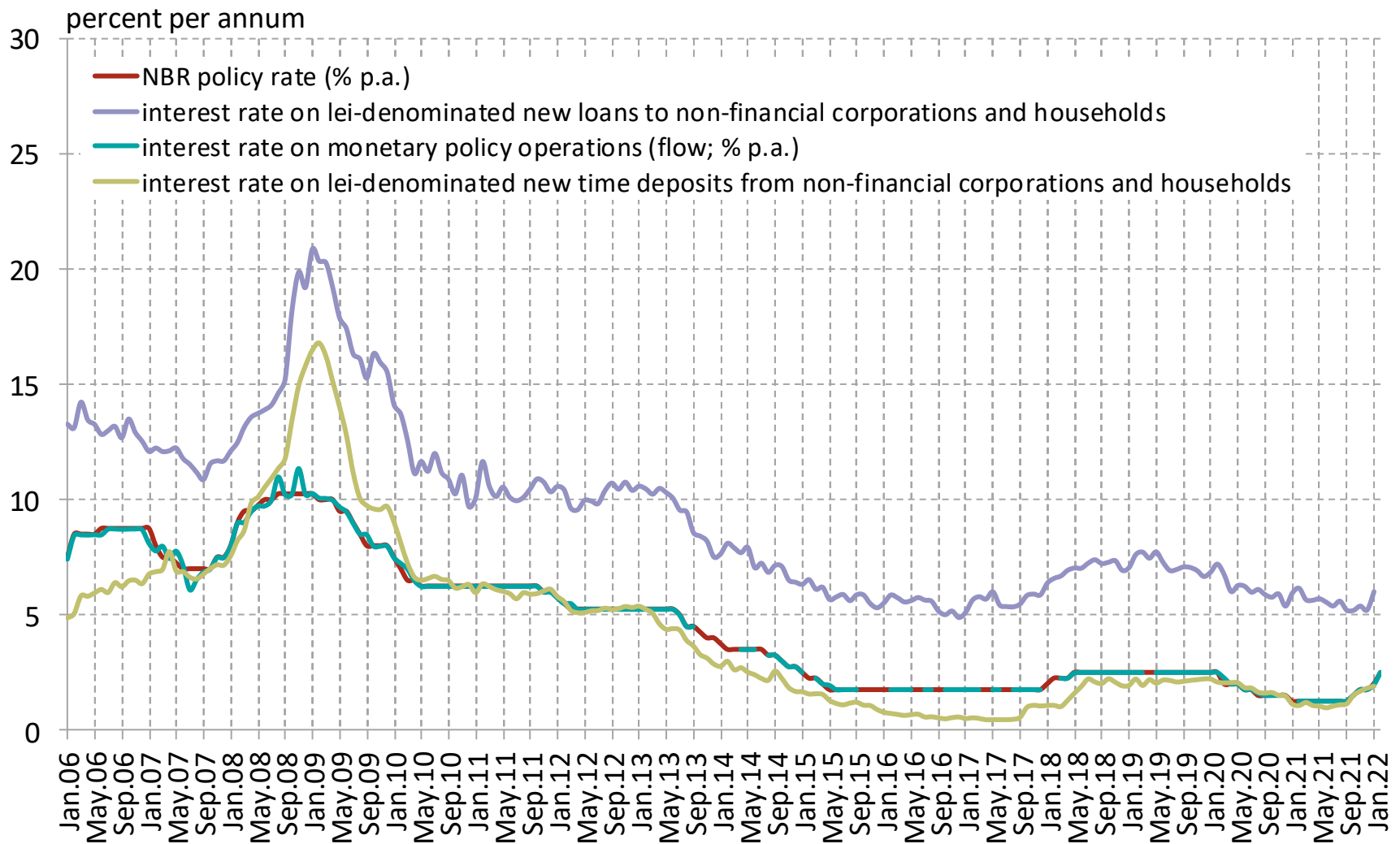
NBR policy rate: 2.50% starting with February 10, 2022



- inflation rate (percentage change against the same year-earlier period)
- average interest rate on lei-denominated loans to non-financial corporations and households (% p.a.)
- average interest rate on lei-denominated time deposits from non-financial corporations and households (% p.a.)

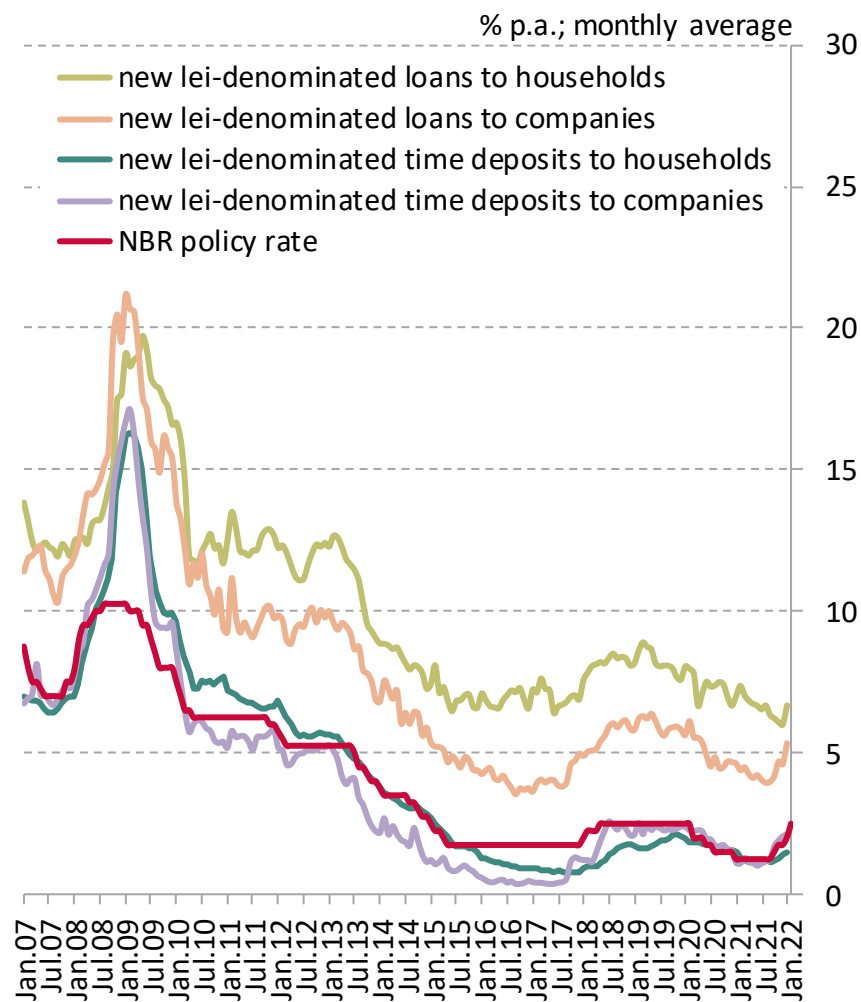
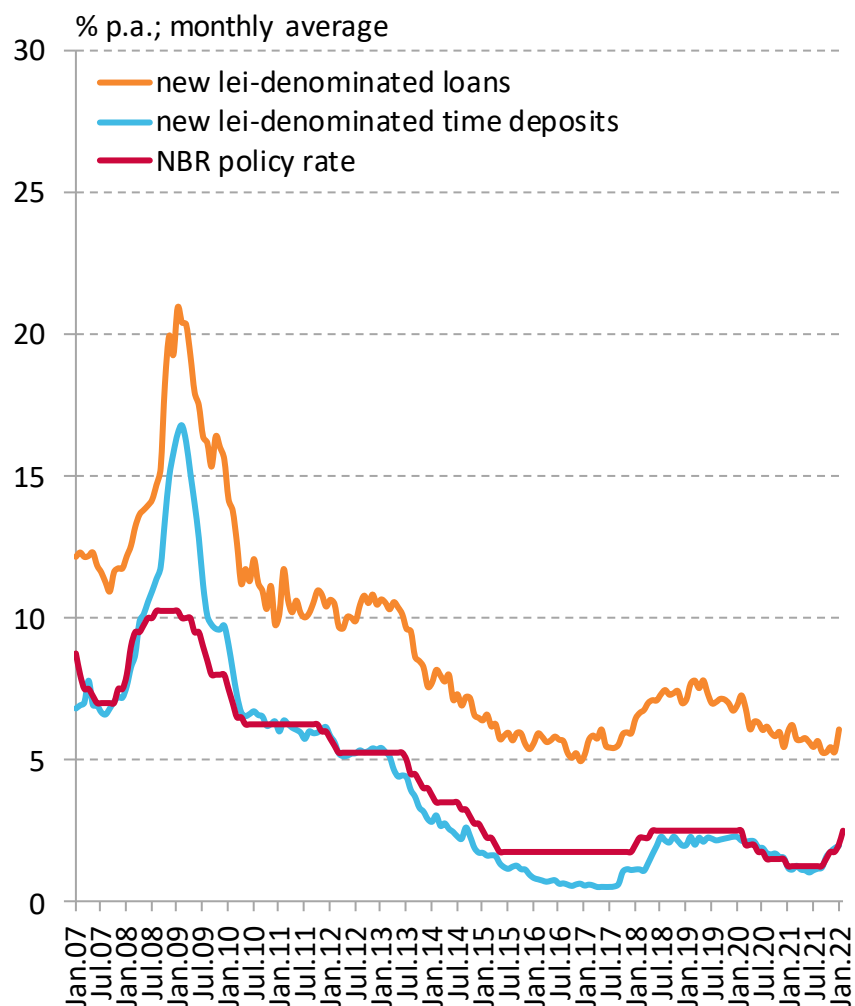
Source: National Institute of Statistics, National Bank of Romania

Interest rates in the banking system



Source: National Bank of Romania

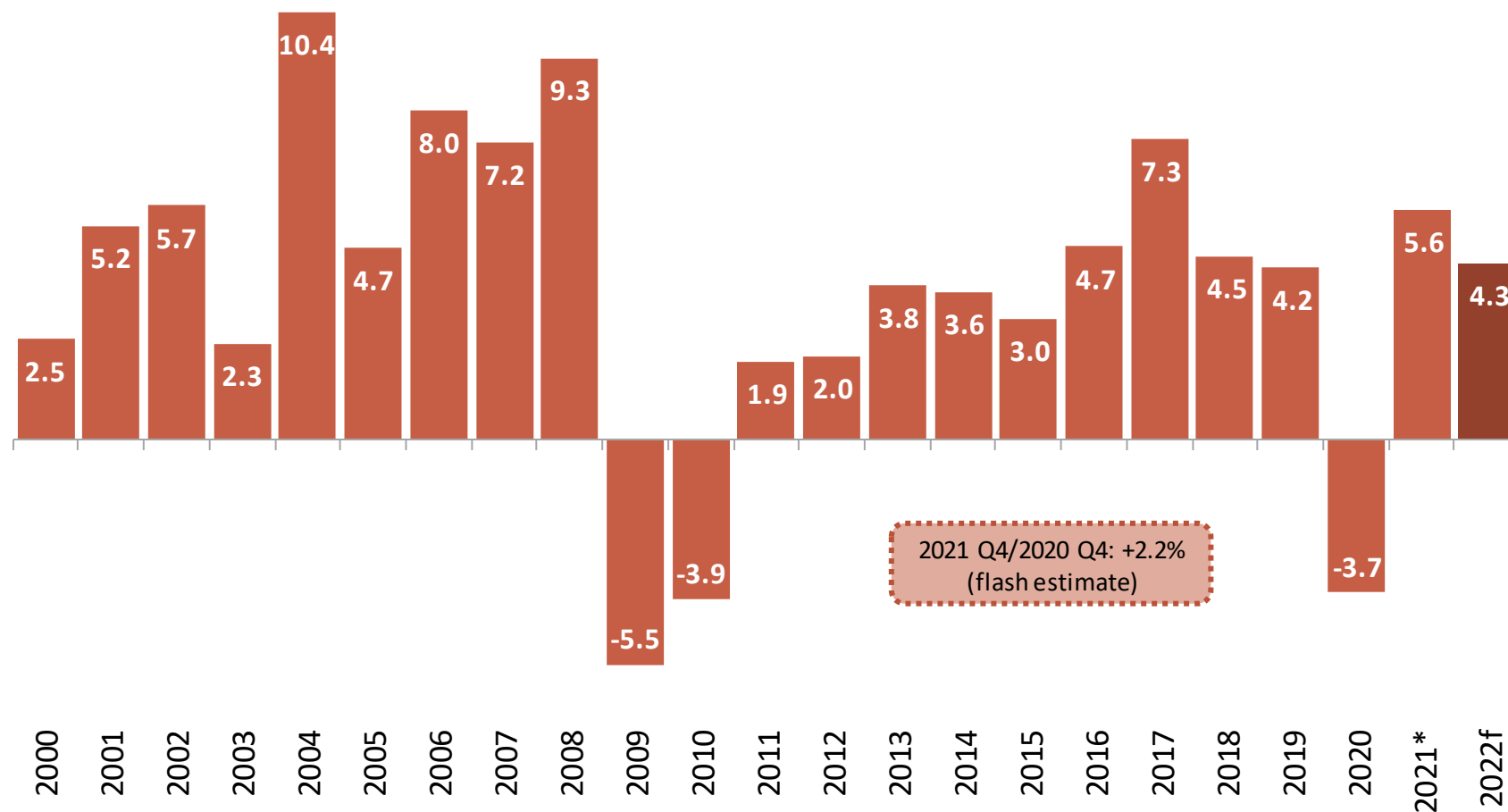
Policy rate and bank interest rates to non-bank clients



Source: National Bank of Romania

Real GDP

annual percentage change; gross data

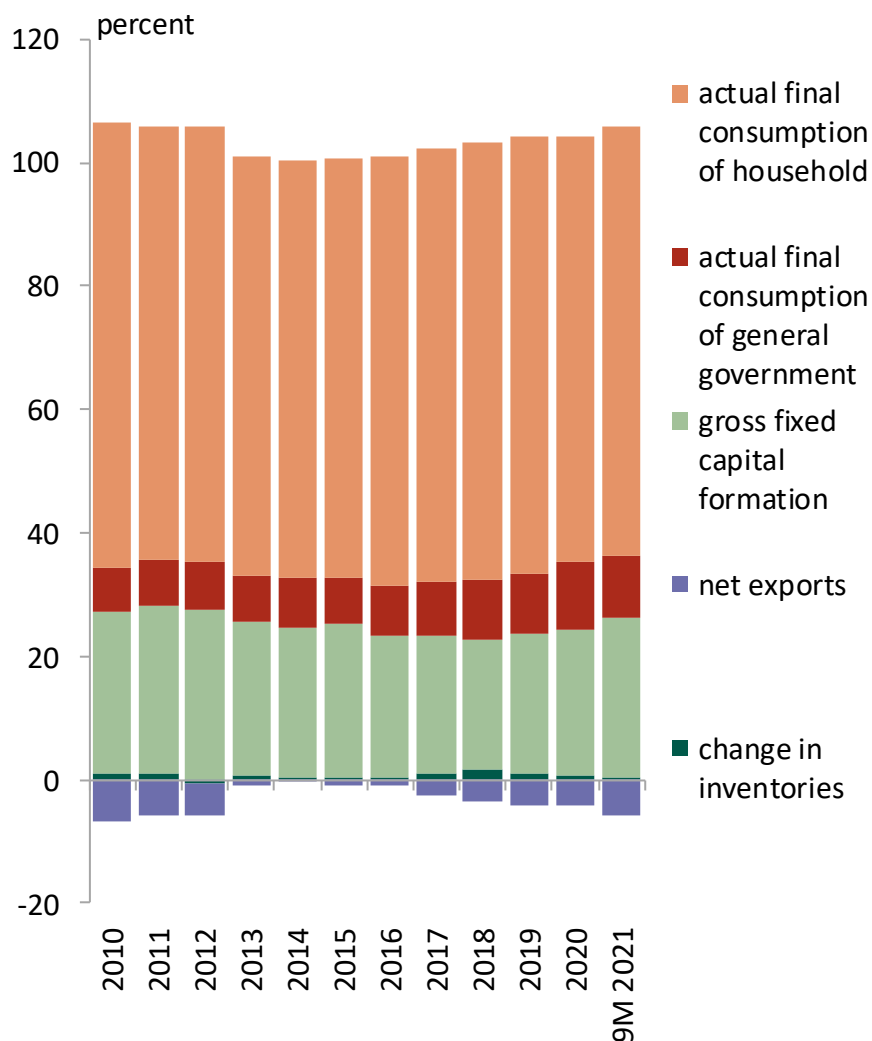


*) flash estimate

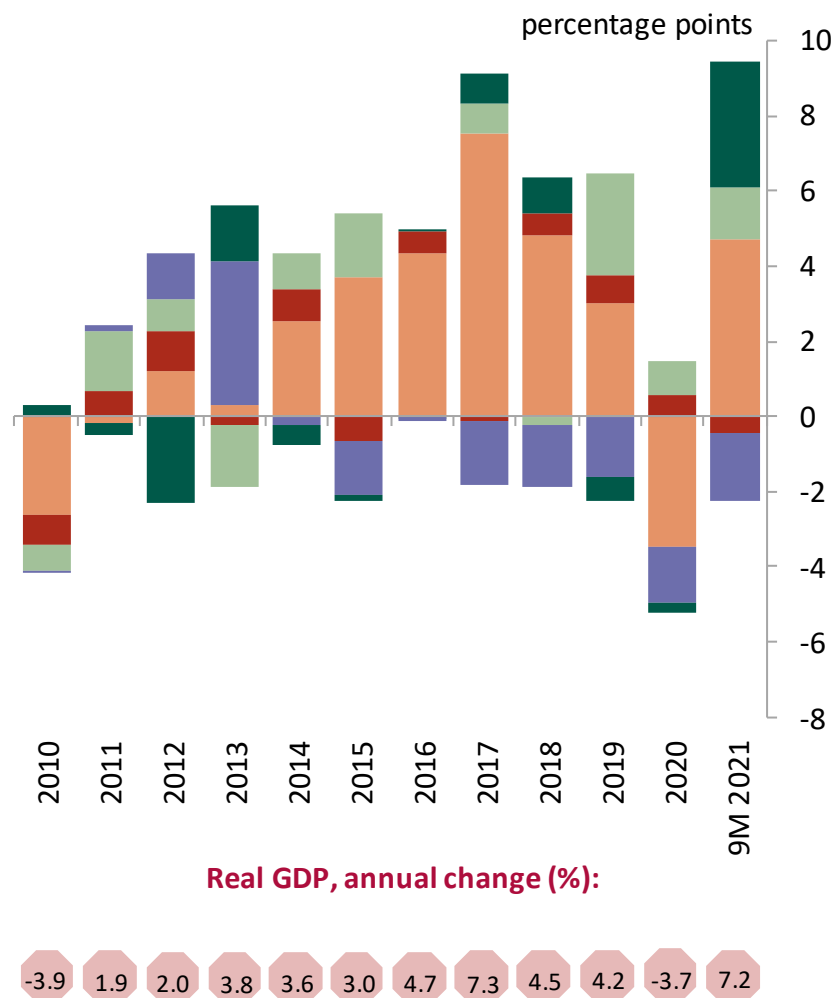
f) forecast

Source: National Institute of Statistics, Eurostat, National Commission for Strategy and Prognosis

GDP structure by expenditure

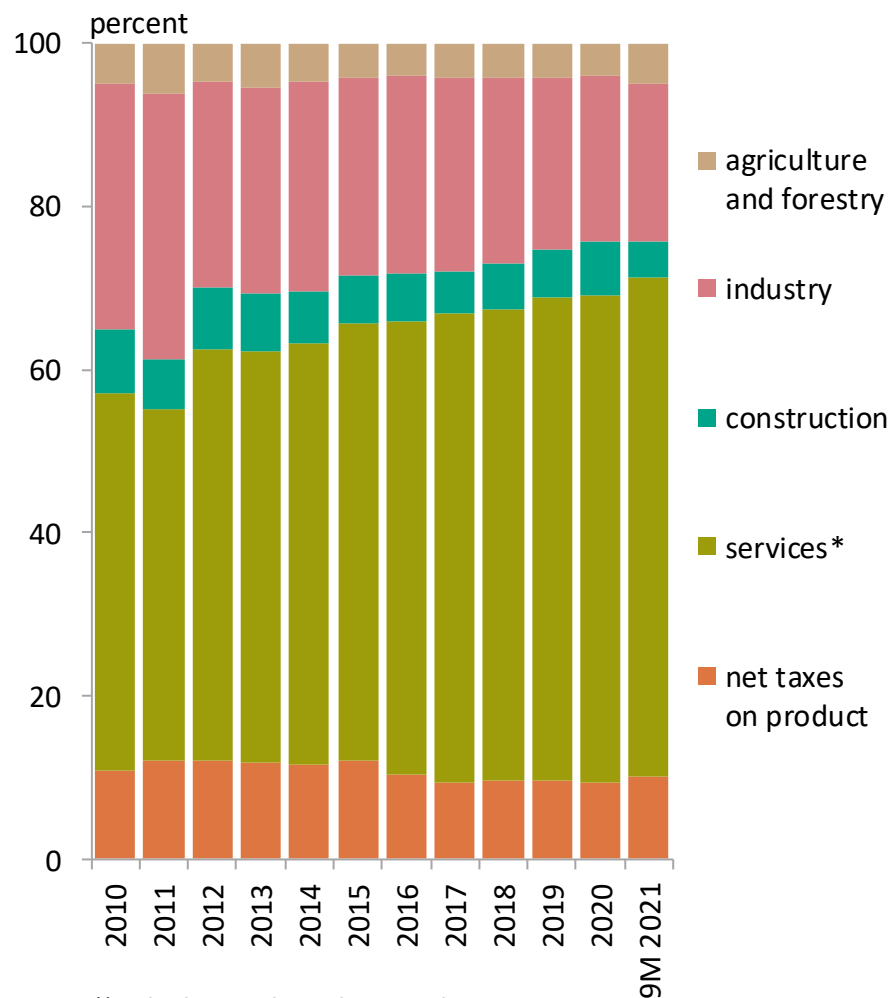


Contribution of demand components to GDP annual growth

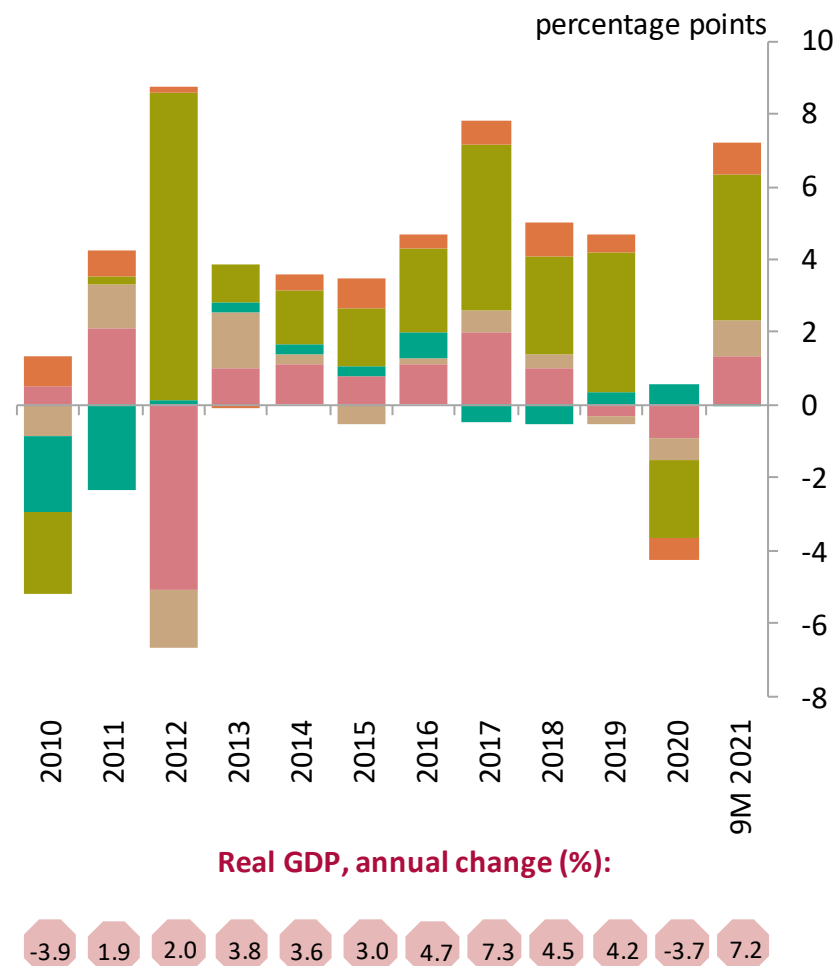


Source: National Institute of Statistics, National Bank of Romania

GDP structure by source



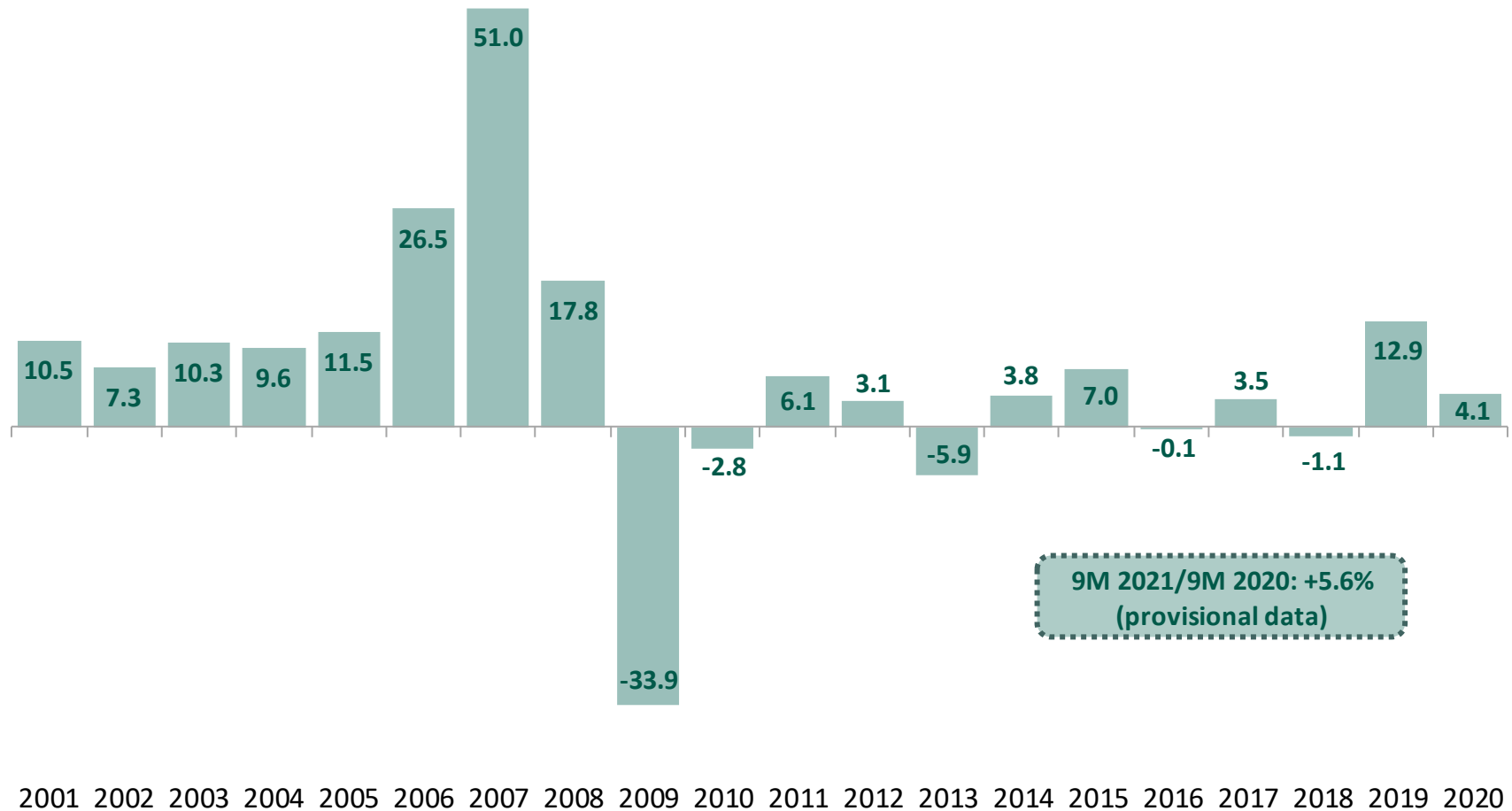
Contribution of supply components to GDP annual growth



Source: National Institute of Statistics, National Bank of Romania

Gross fixed capital formation (GDP component)

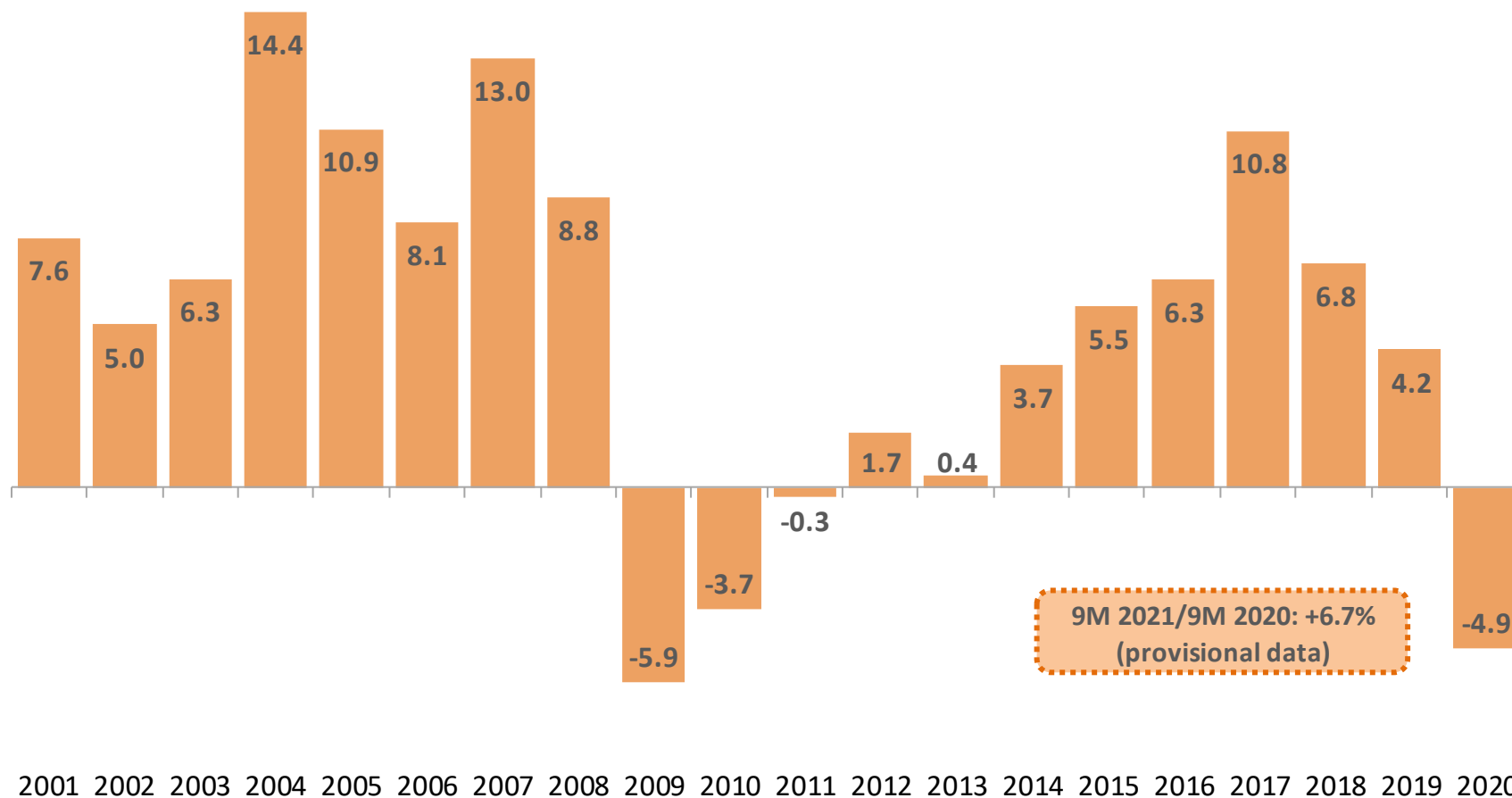
annual percentage change; gross data



Source: National Institute of Statistics

Final private consumption (GDP component)

annual percentage change; gross data



Source: National Institute of Statistics

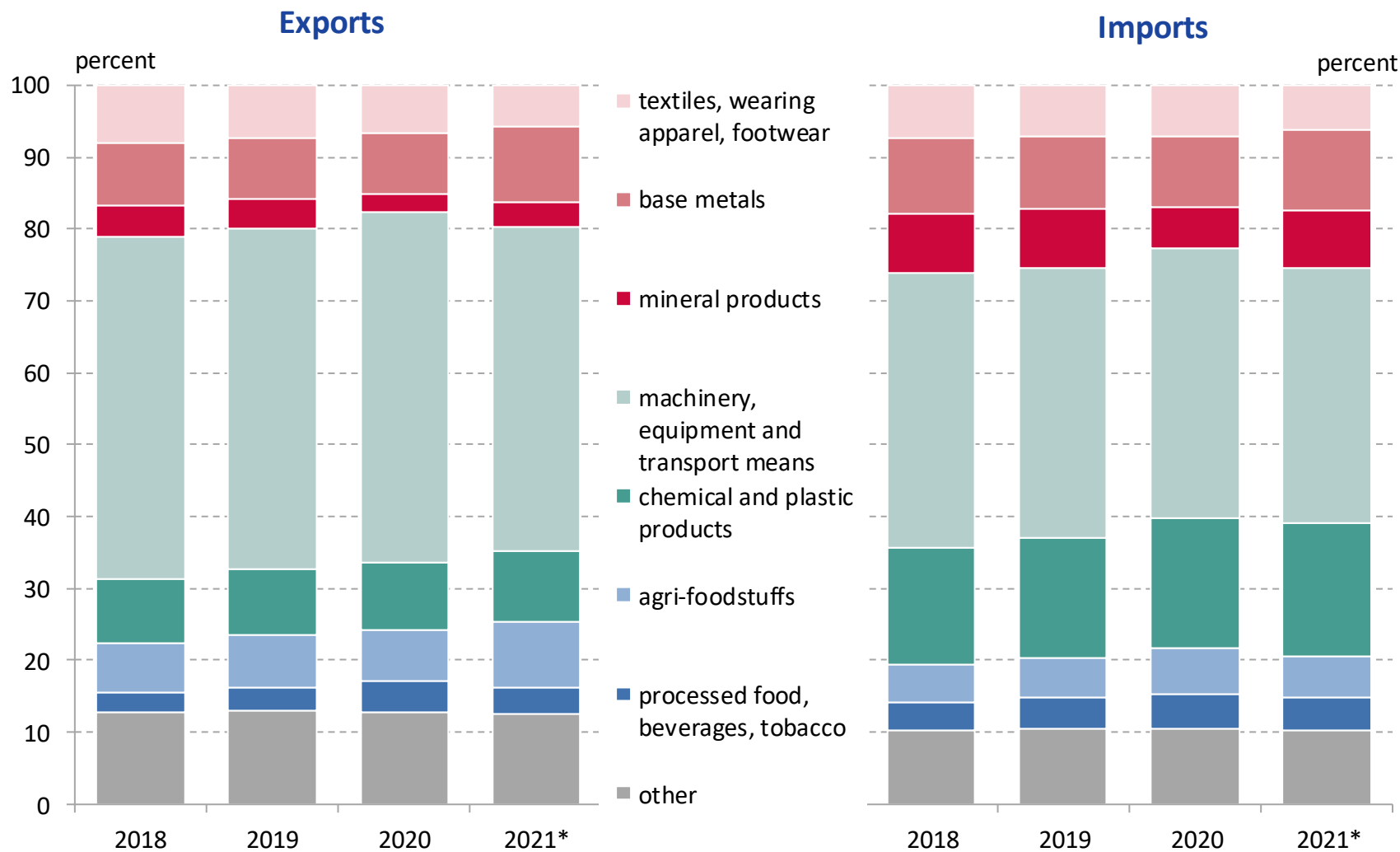
Government consumption (GDP component)

annual percentage change; gross data



Source: National Institute of Statistics

Foreign trade by group of goods



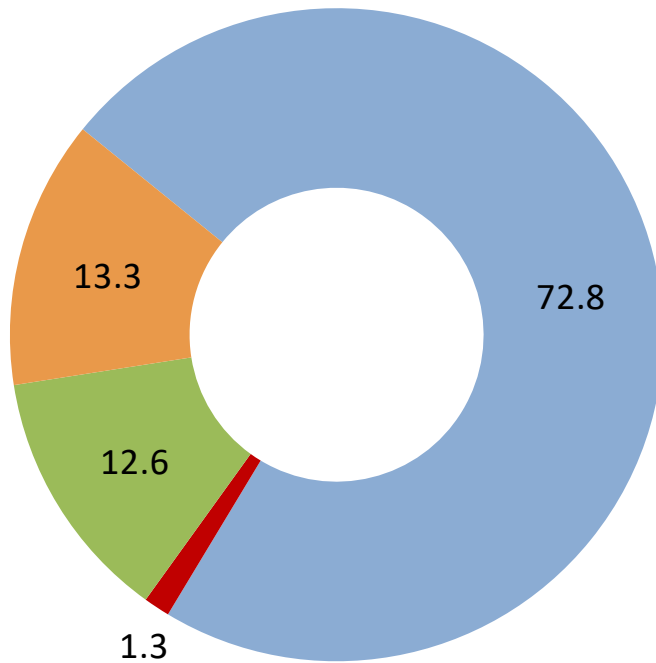
*) January-November 2021

Source: National Institute of Statistics

Foreign trade by group of countries*

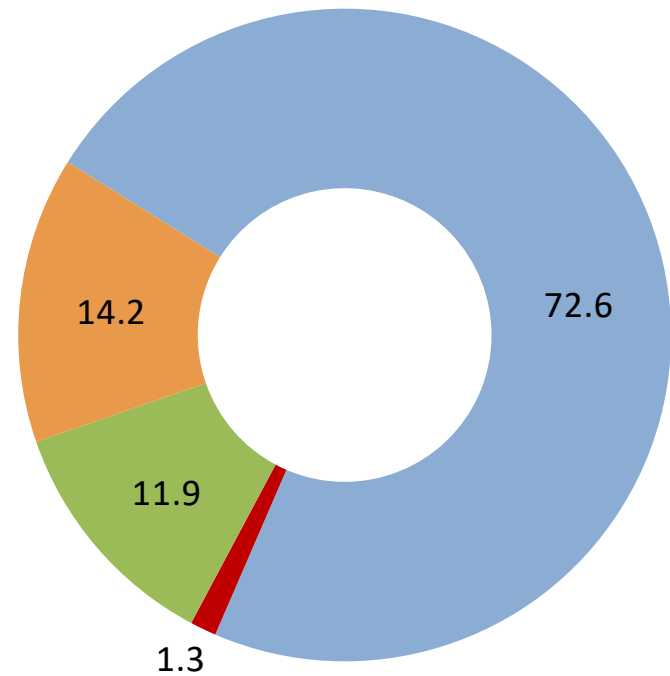
Exports

percent



Imports

percent



■ EU

■ EFTA

■ other European countries

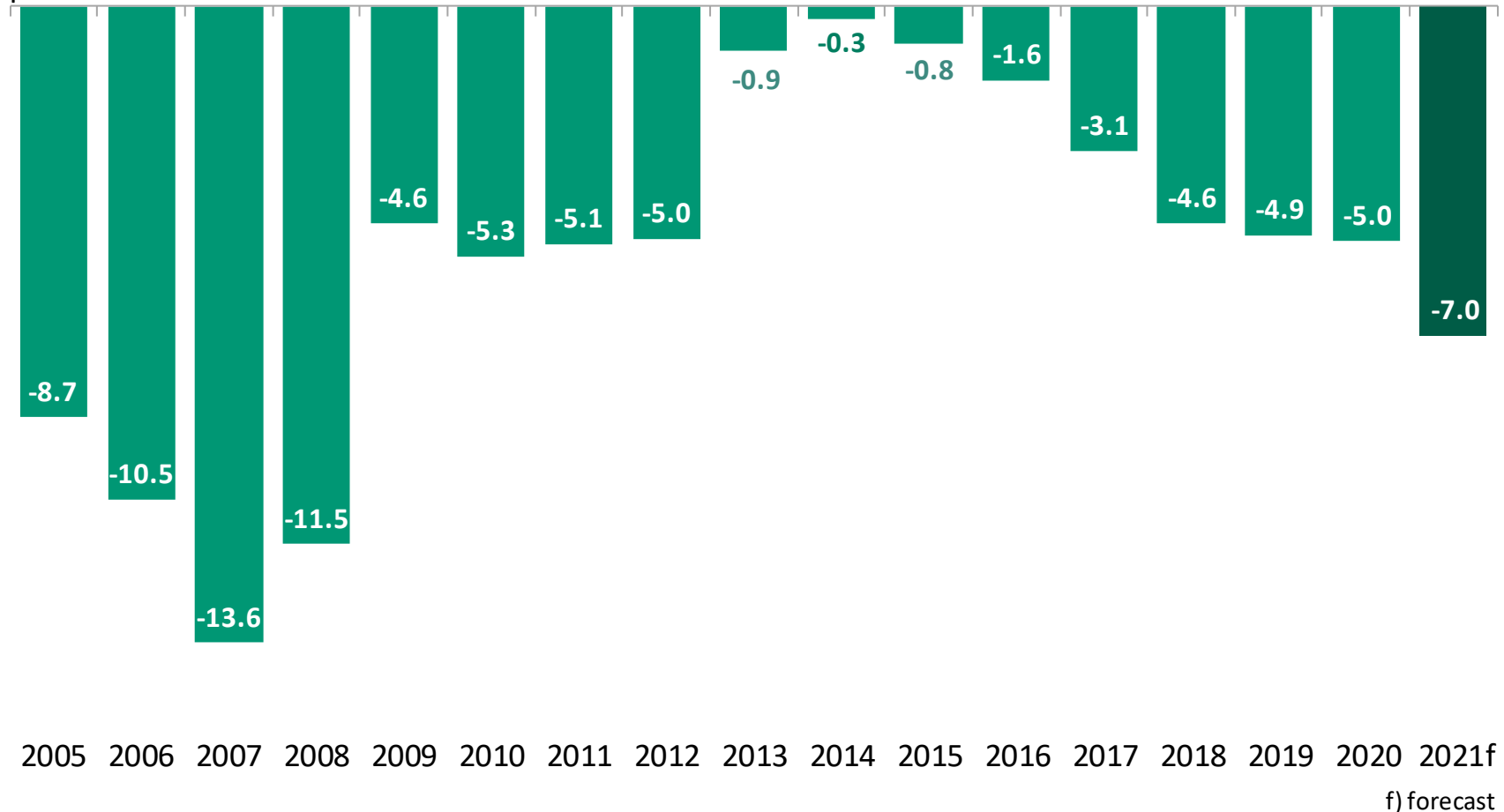
■ other countries

*) January-November 2021

Source: National Institute of Statistics

Current account balance

percent of GDP

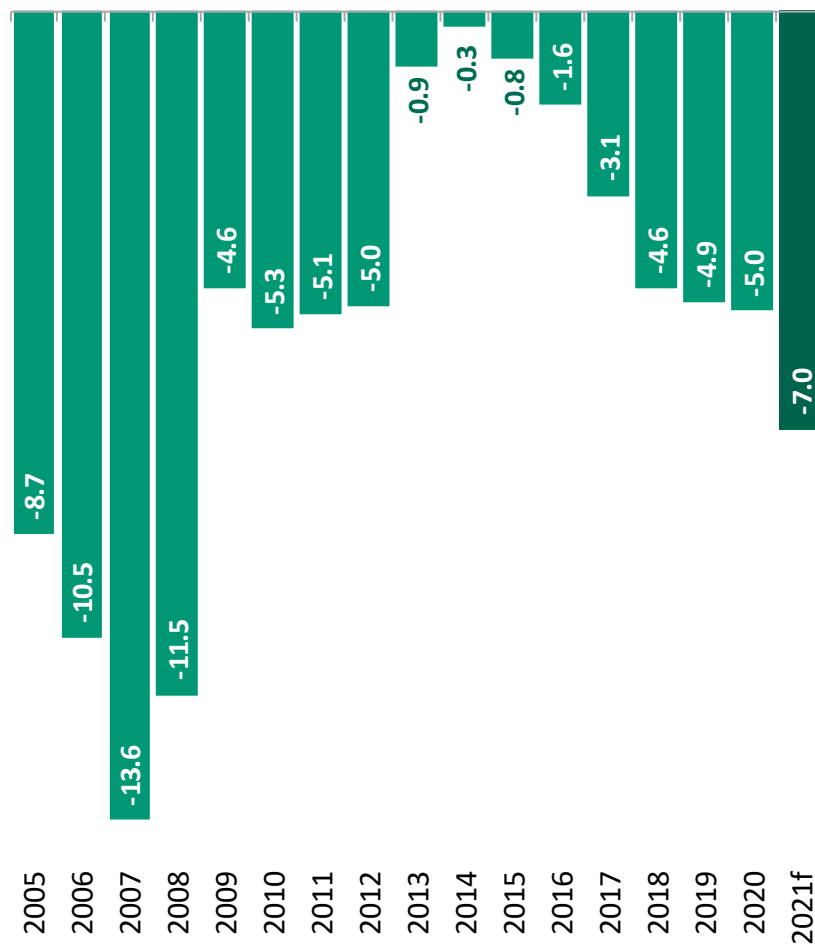


Note: The current account posted a deficit of EUR 16,951 mn. in 2021 against a deficit of EUR 10,979 mn. in 2020.

Source: National Institute of Statistics, National Bank of Romania, National Commission for Strategy and Prognosis

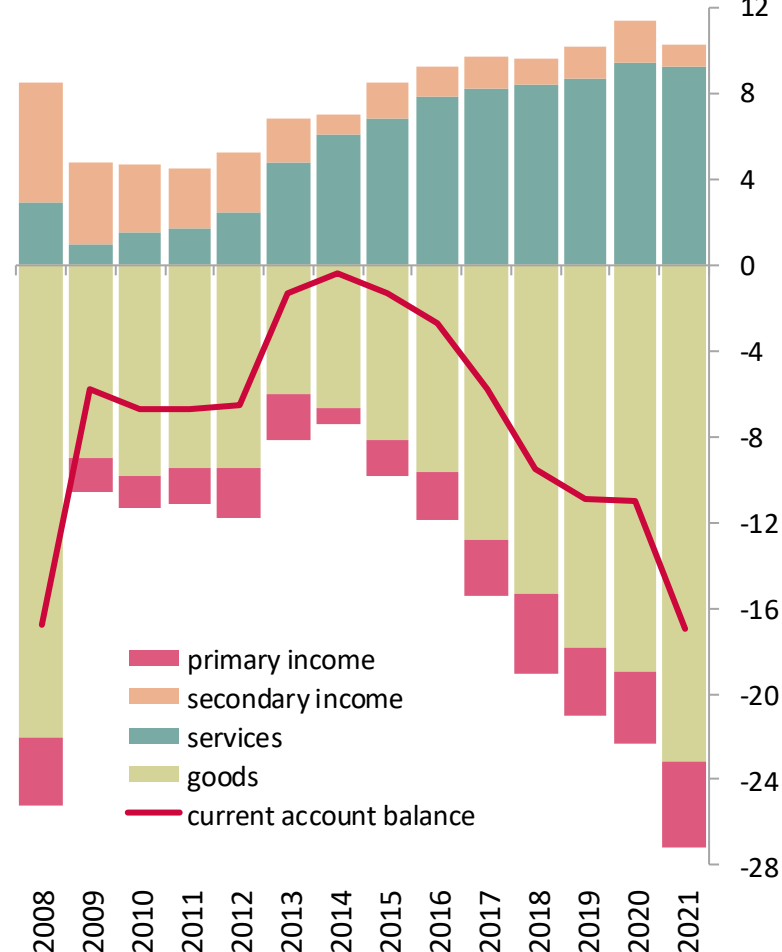
Current account balance

percent of GDP



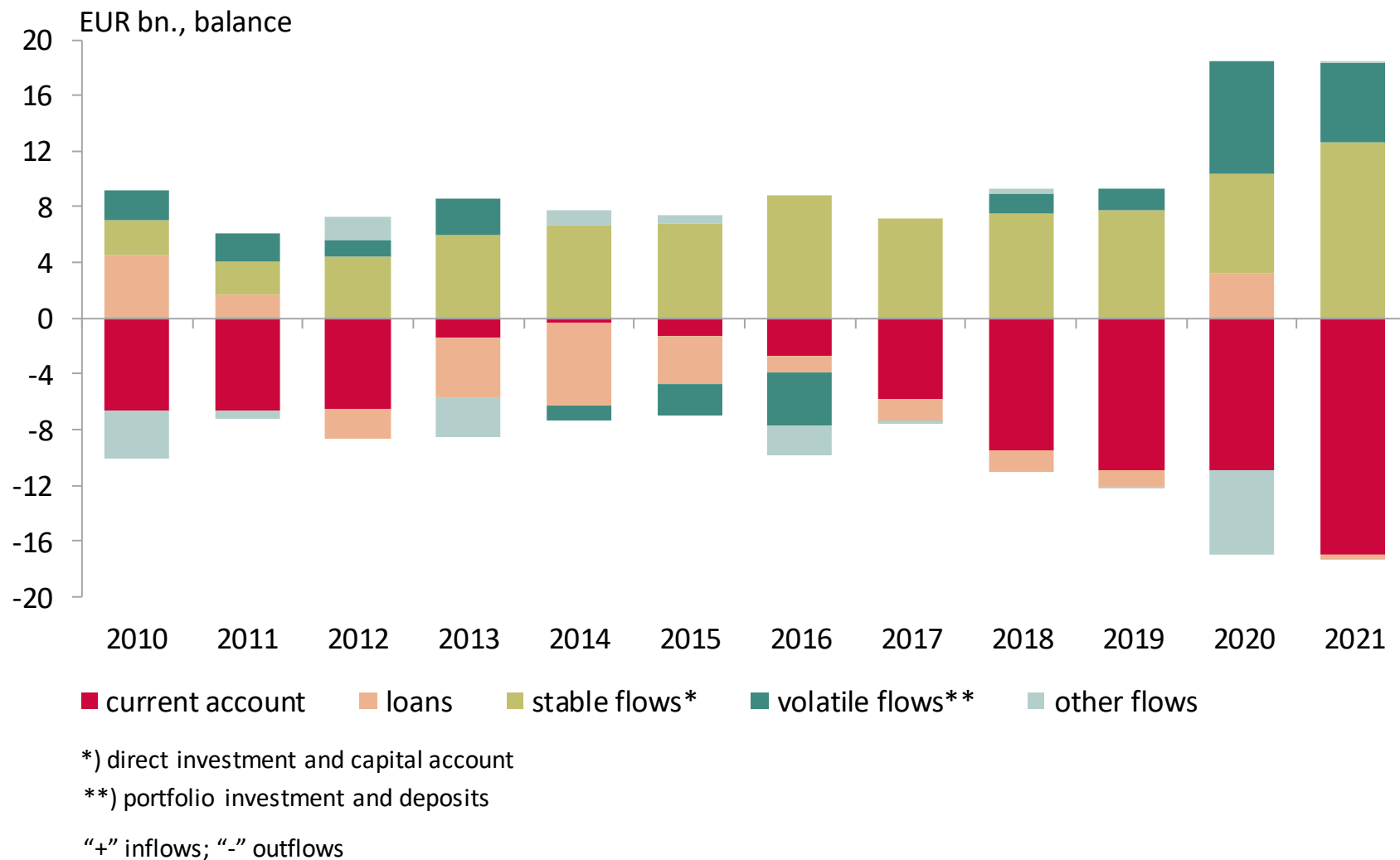
f) forecast

EUR billion



Source: National Institute of Statistics, National Bank of Romania, National Commission for Strategy and Prognosis

Current account deficit financing



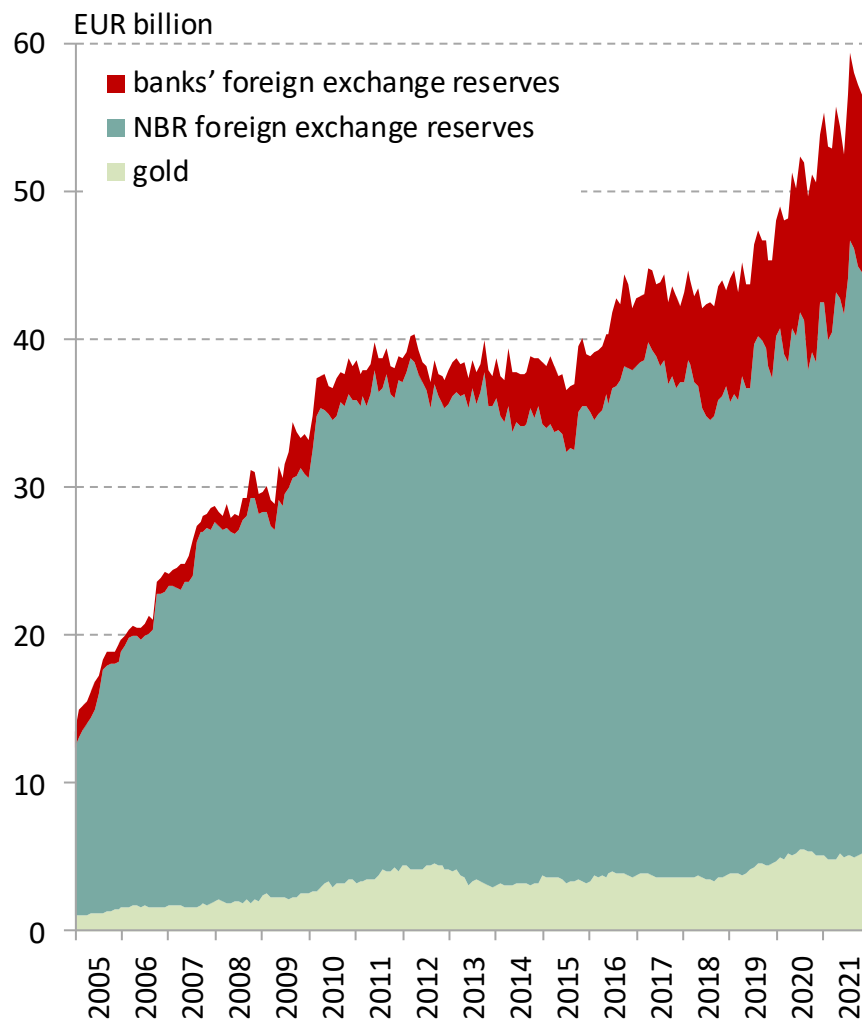
Source: National Institute of Statistics, National Bank of Romania

Nominal exchange rate (daily data)

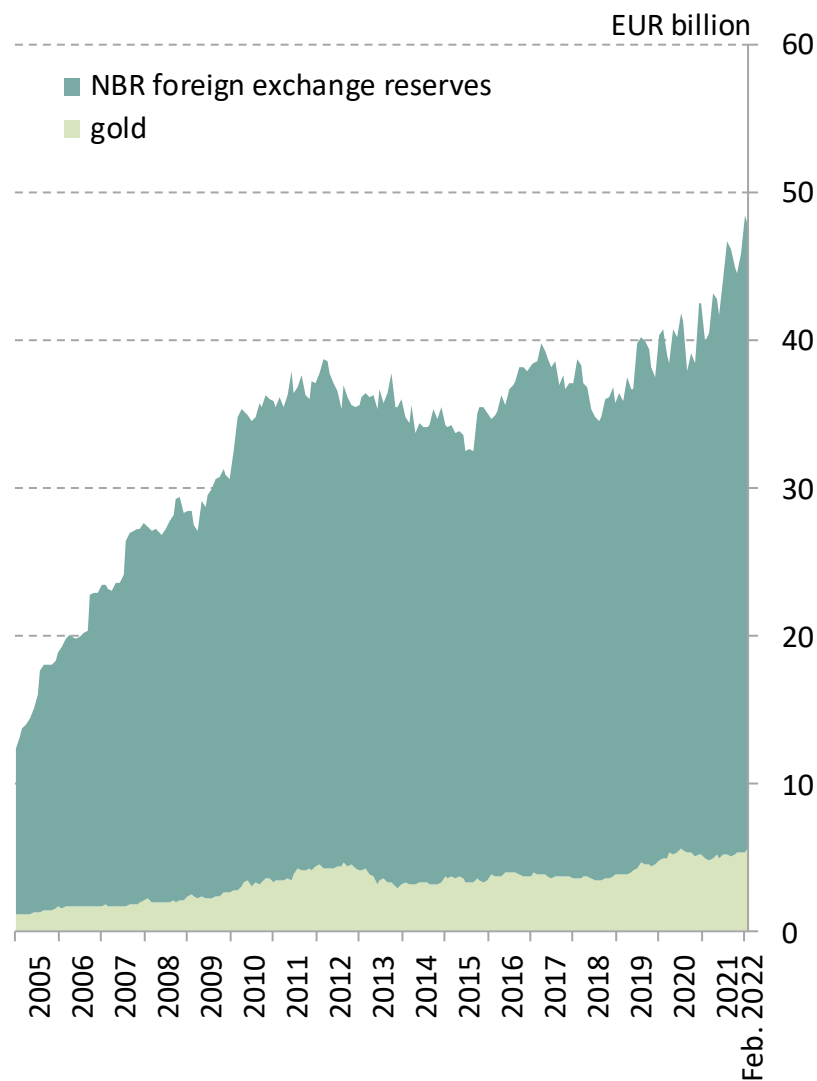


Source: National Bank of Romania

Romania: Foreign reserve assets

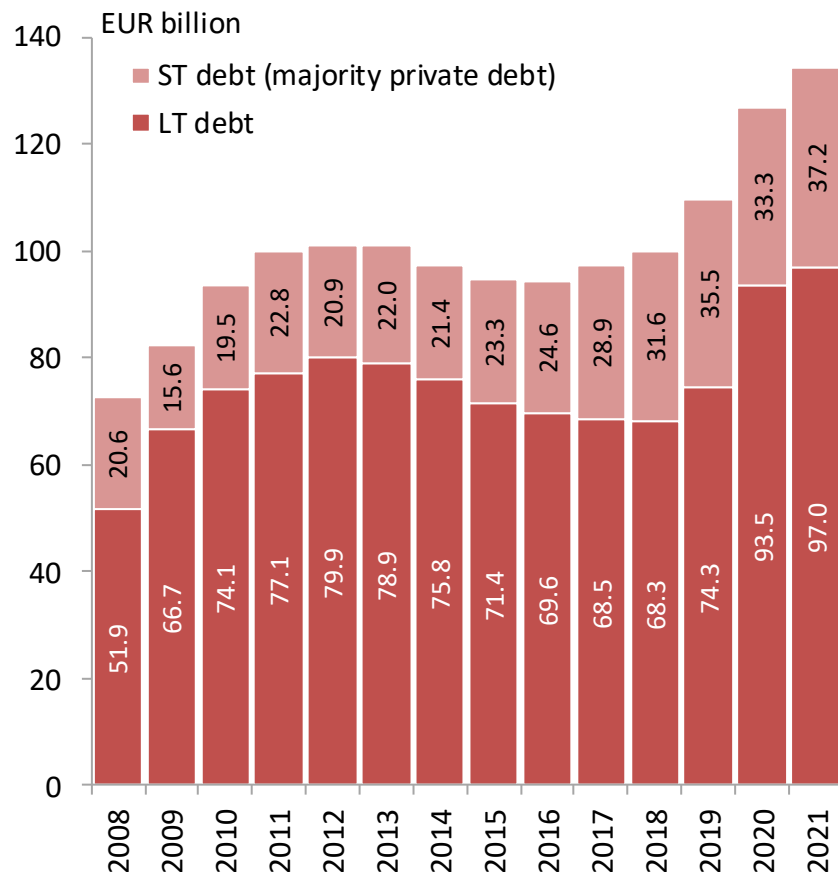


Romania: International reserves

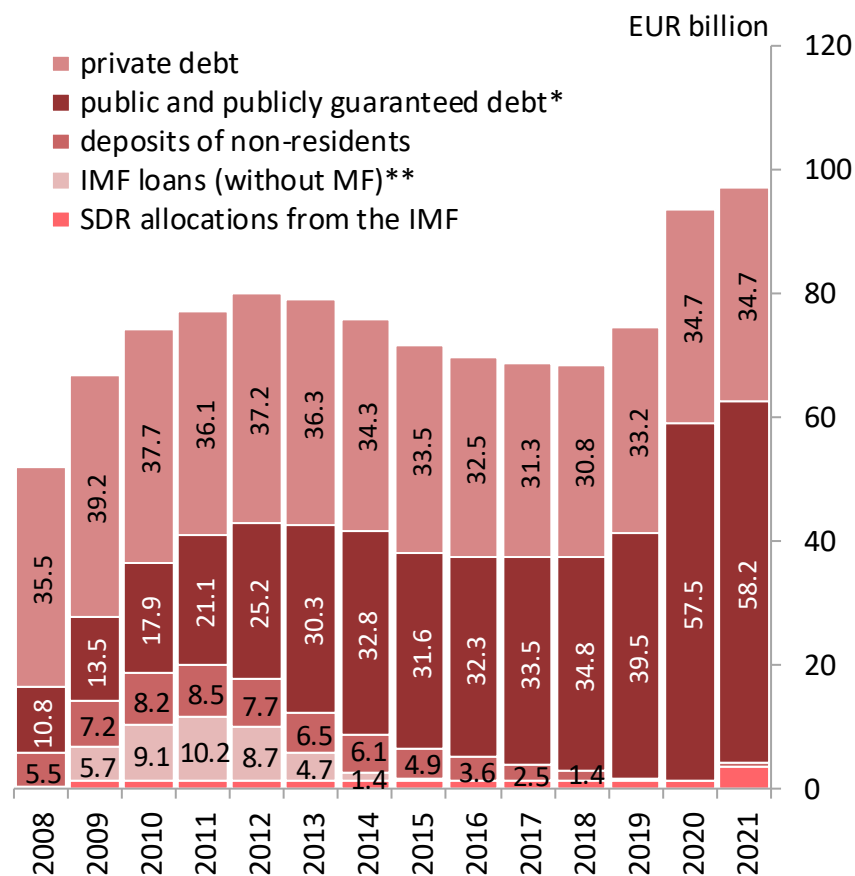


Source: National Bank of Romania

Total external debt



Long-term external debt

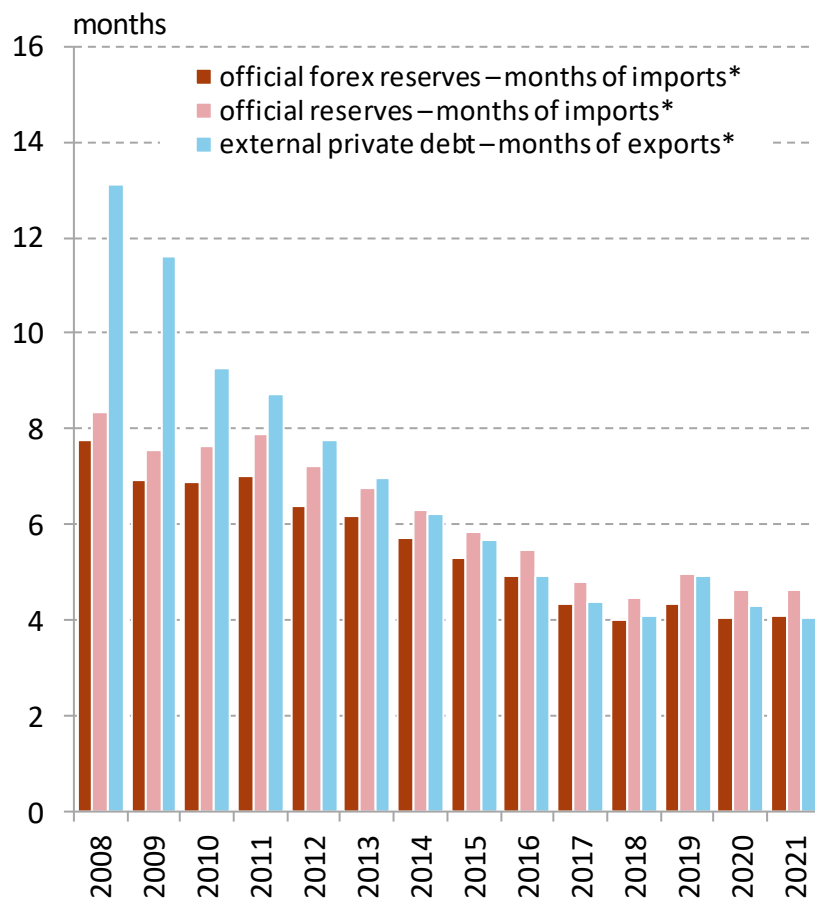


*) external loans taken directly/guaranteed by the MF and local general government in compliance with the legislation on public debt, including Government Emergency Ordinance No. 99/2009 ratifying the Stand-By Arrangement between Romania and the IMF

**) IMF borrowings under the Stand-By Arrangement concluded with the IMF, excluding the amounts received by the MF from the IMF according to Government Emergency Ordinance No. 99/2009

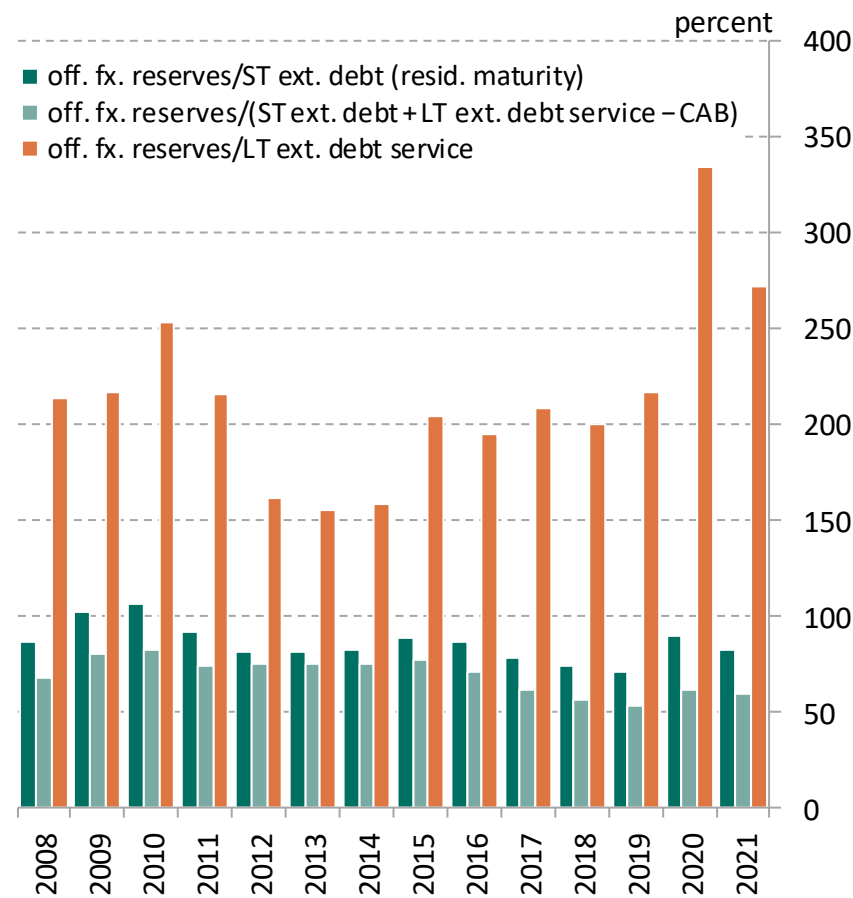
Source: National Bank of Romania

Reserves and external debt indicators



*) goods and services

Note 1: Exports and imports are calculated based on actual data/estimates for the following year.

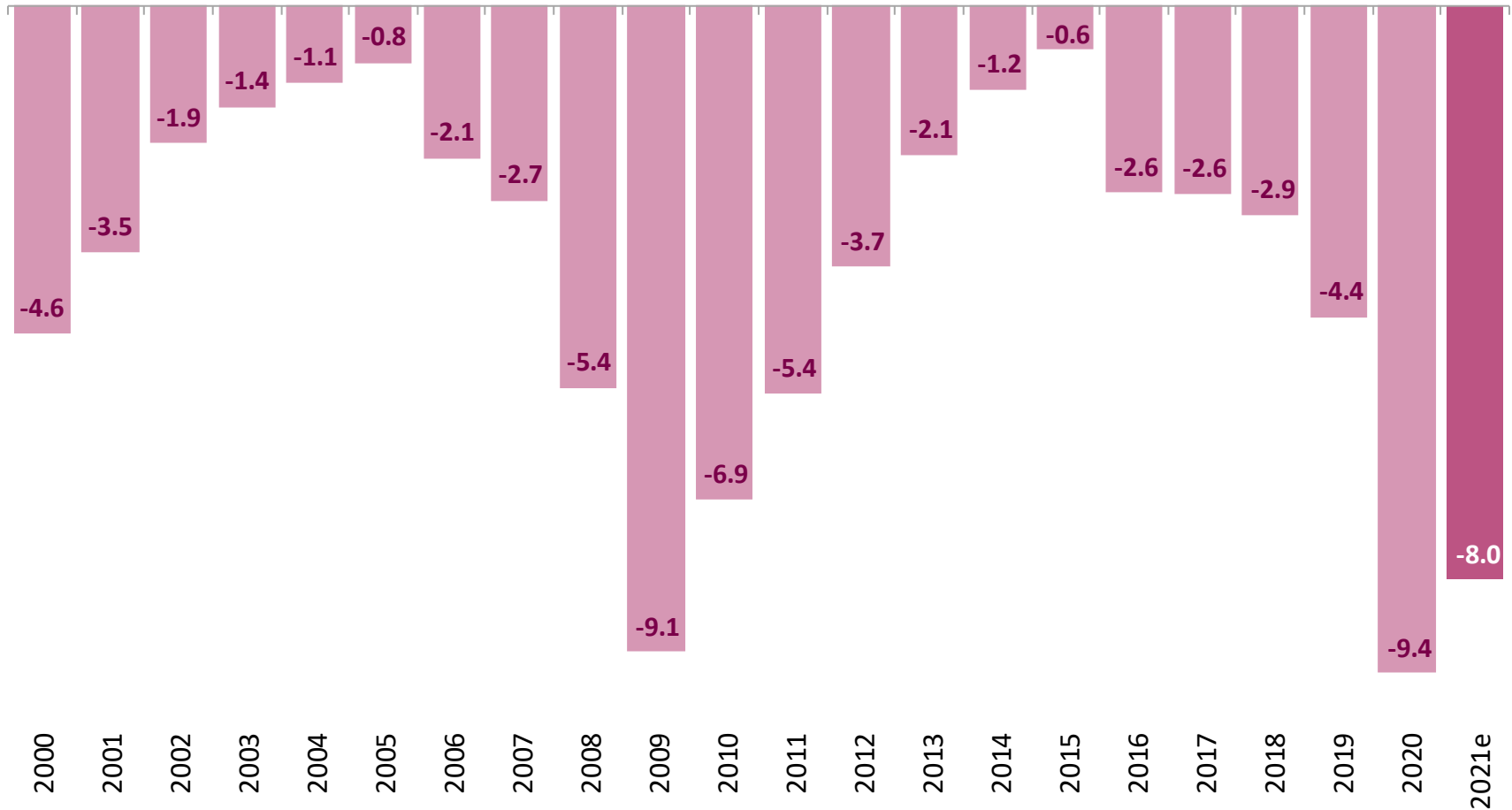


Note 2: CAB and LT external debt service are calculated based on actual data/estimates for the following year.

Source: National Bank of Romania, National Institute of Statistics, National Commission for Strategy and Prognosis

General government balance (according to ESA 2010)

percent of GDP

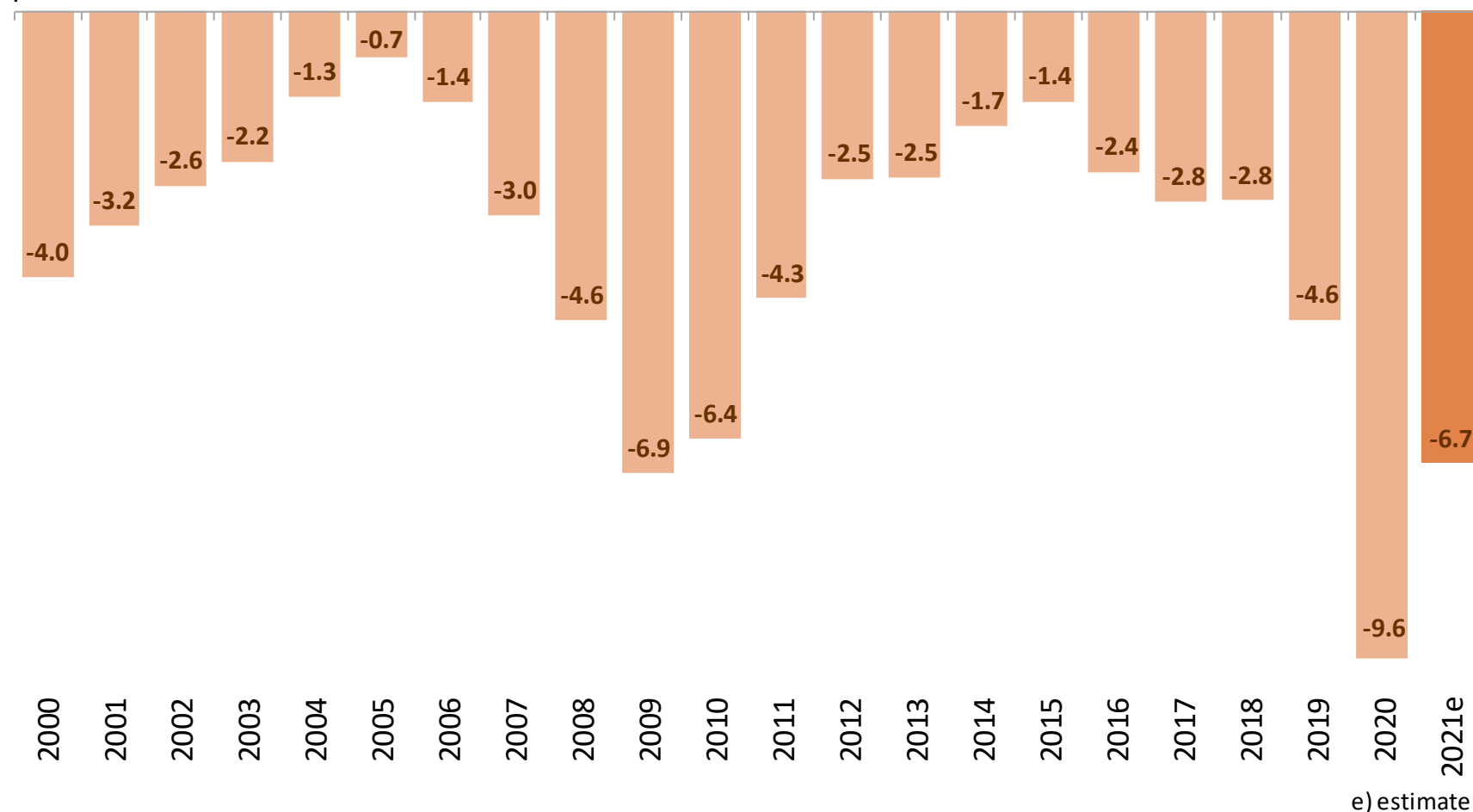


e) estimate; EDP notification, October 2021

Source: Eurostat, Ministry of Finance, National Institute of Statistics

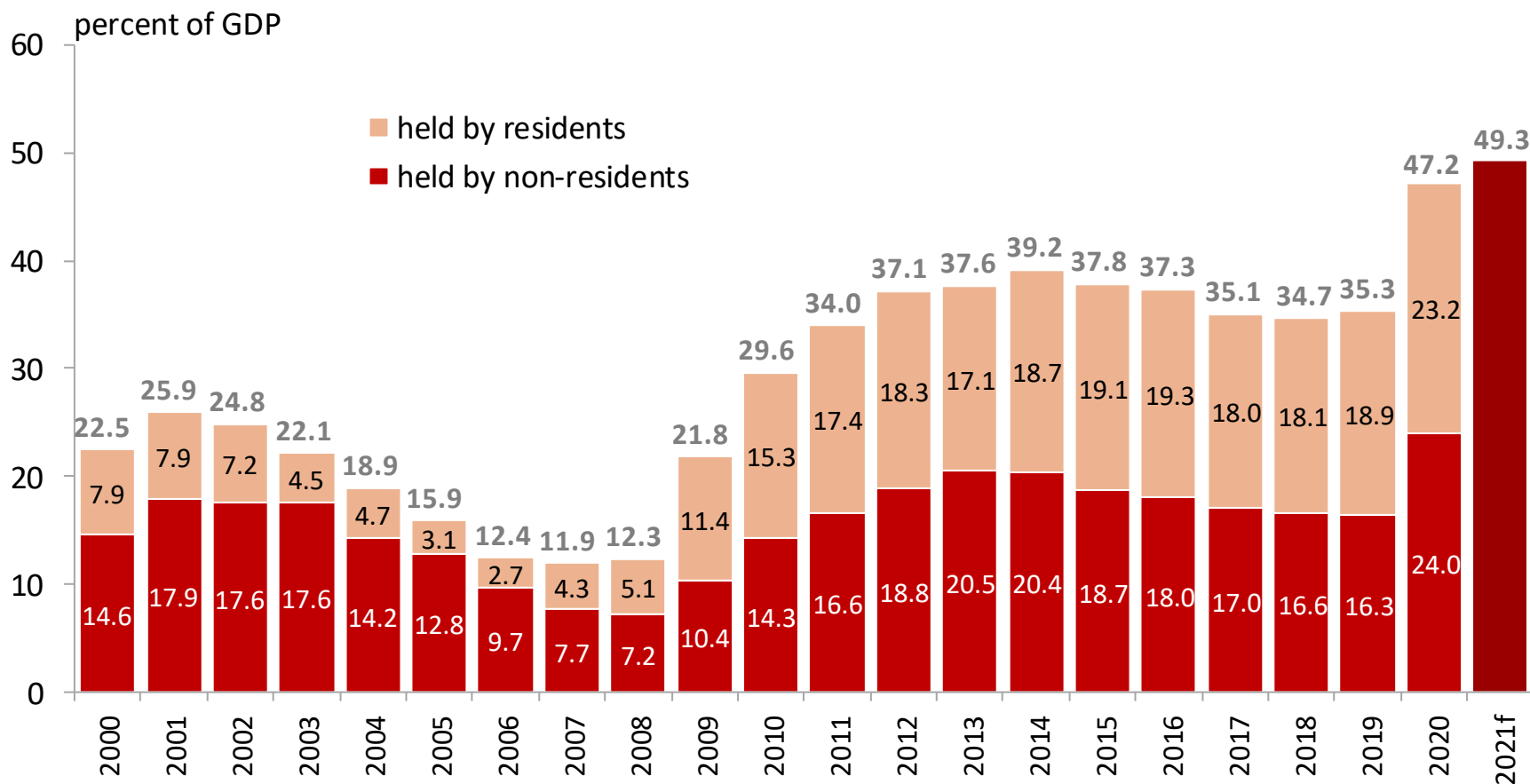
General government balance (national methodology)

percent of GDP



Source: Ministry of Finance, National Bank of Romania, National Institute of Statistics, National Commission for Strategy and Prognosis

Public debt (according to ESA 2010)



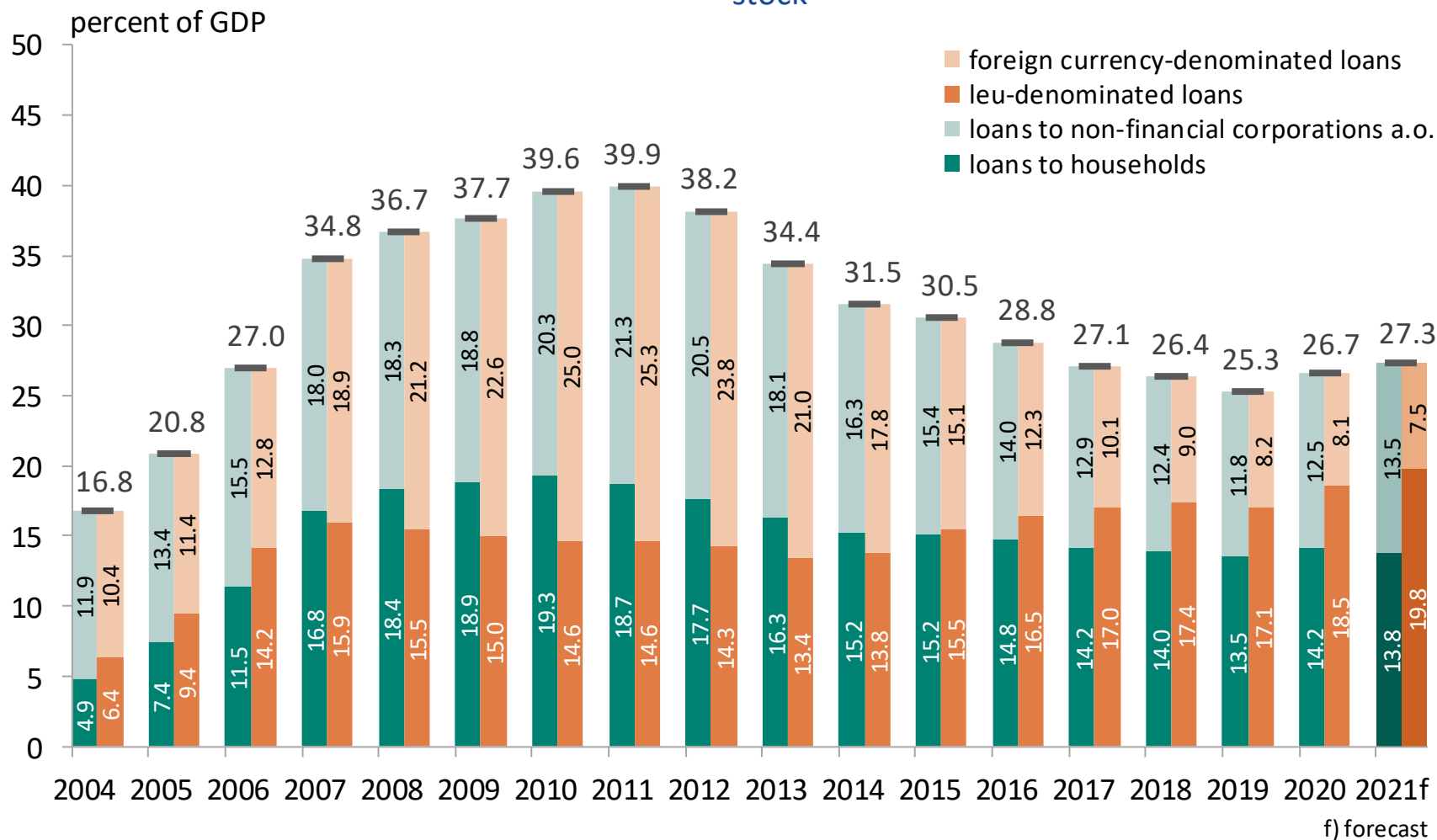
f) European Commission – European Economic Forecast, Autumn 2021

Note: Government securities in MFIs portfolio as a share of GDP in Dec.08=2.0%, Dec.09=6.7%, Dec.10=9.5%, Dec.11=10.8%, Dec.12=11.7%, Dec.13=11.1%, Dec.14=11.3%, Dec.15=11.2%, Dec.16=10.8%, Dec.17=10.4%, Dec.18=10.1%, Dec.19=10.1%, Dec.20=12.3%, Dec.21=12.1% and Jan.22=11.0%.

Source: Ministry of Finance, National Bank of Romania, National Institute of Statistics, National Commission for Strategy and Prognosis

Financial intermediation*

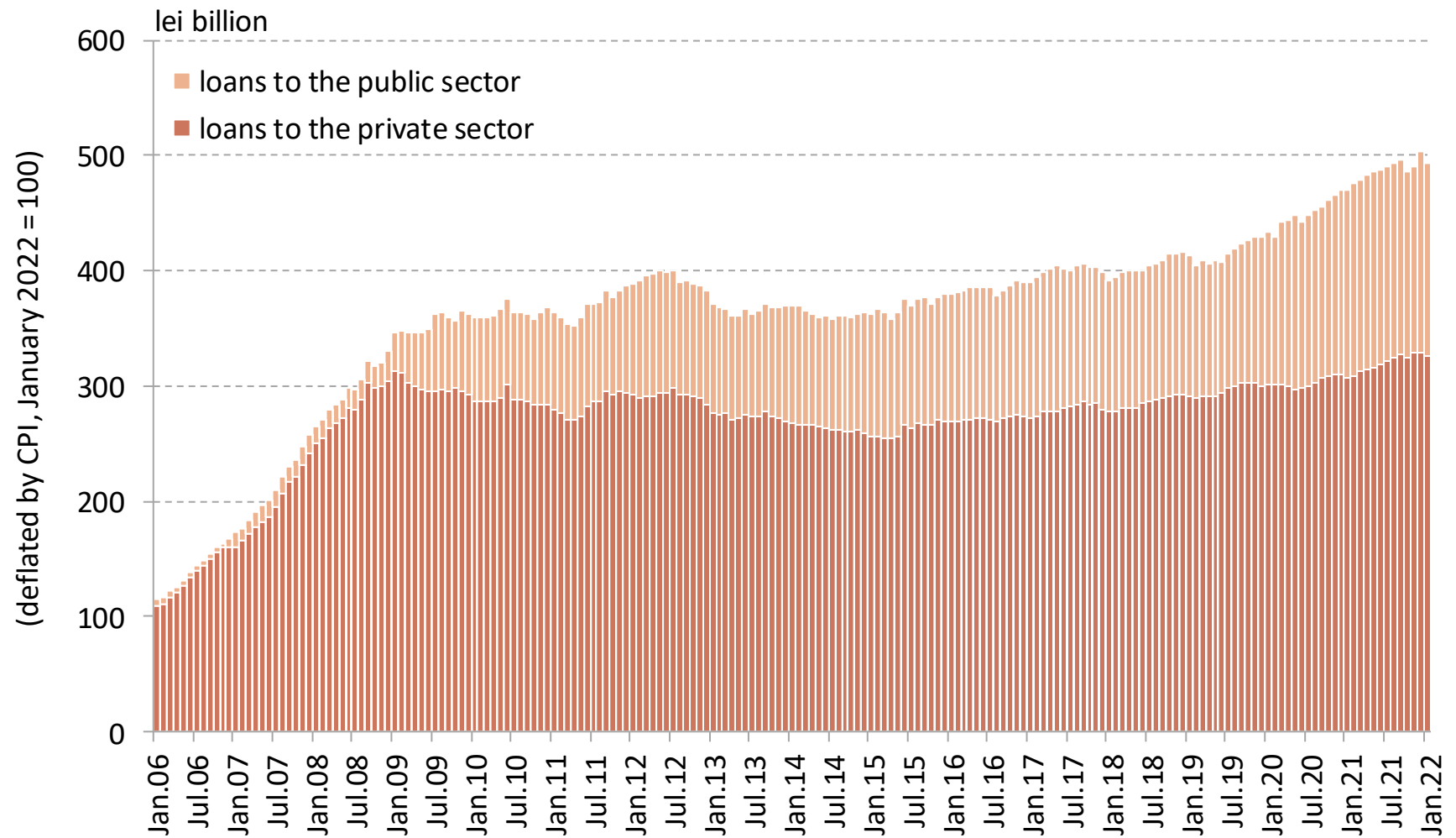
– stock –



*) loans to the private sector / GDP

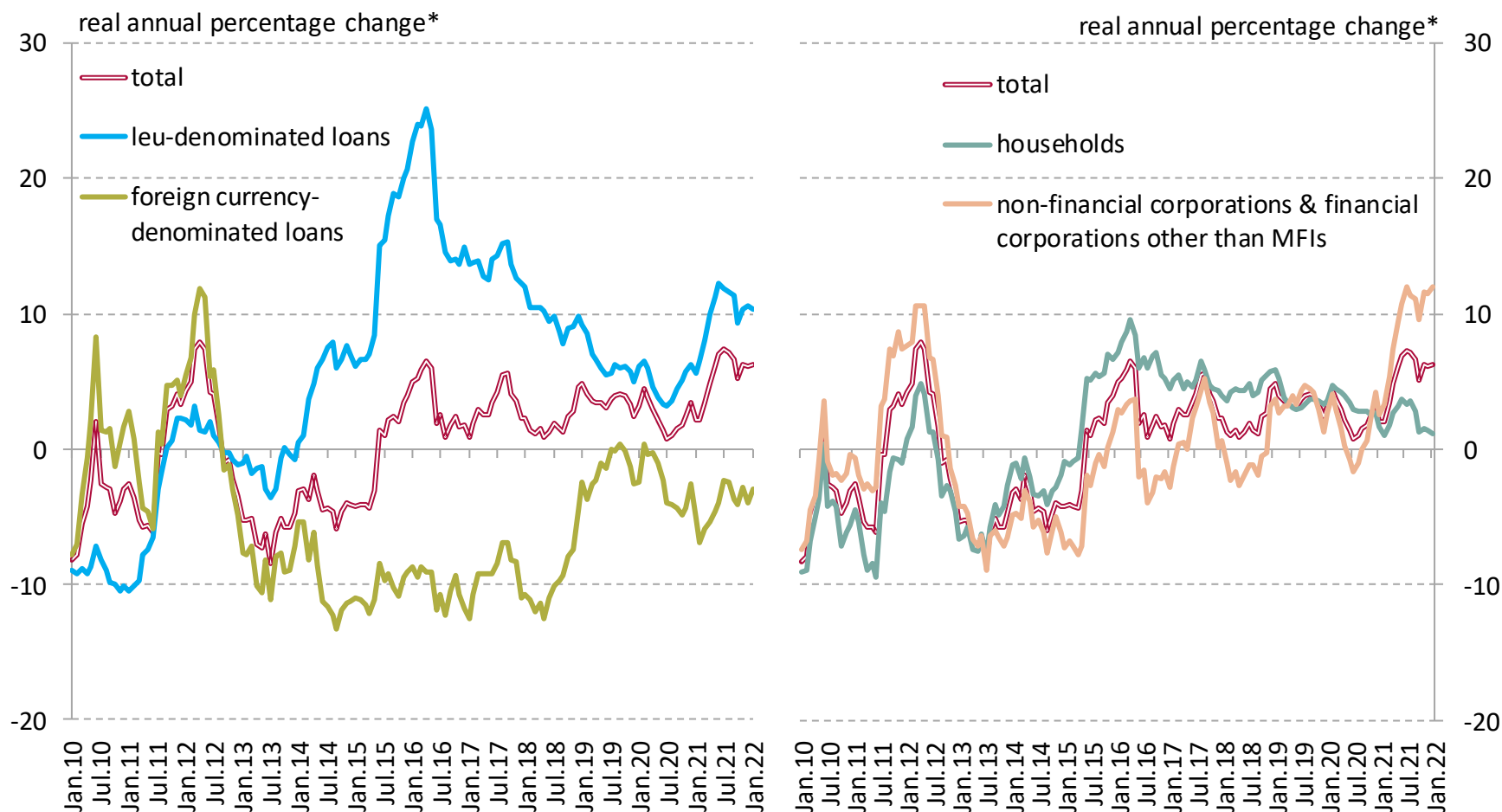
Source: National Institute of Statistics, National Bank of Romania, National Commission for Strategy and Prognosis

Domestic credit (in real terms)



Source: National Institute of Statistics, National Bank of Romania

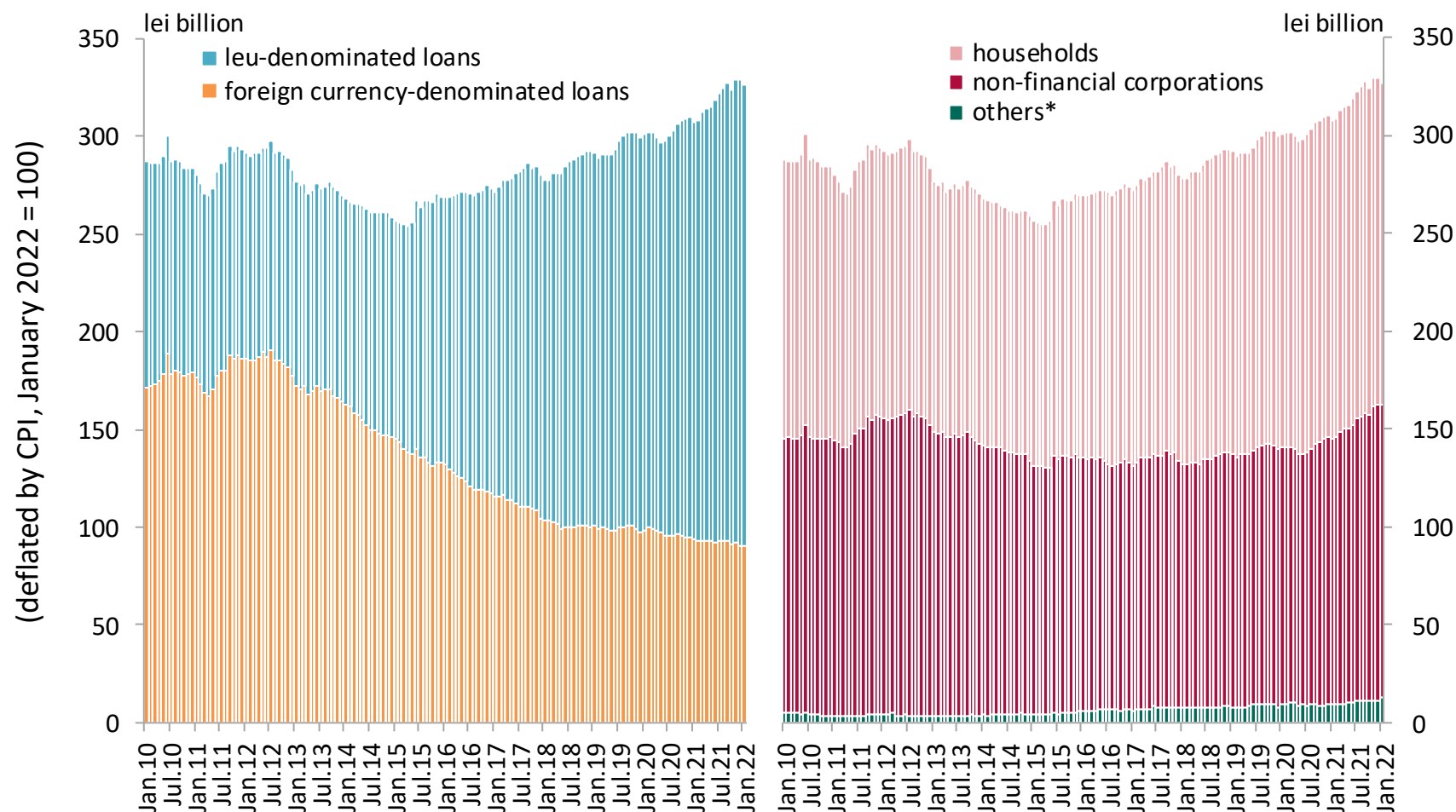
Loans to the private sector – stock –



*) based on CPI

Source: National Institute of Statistics, National Bank of Romania

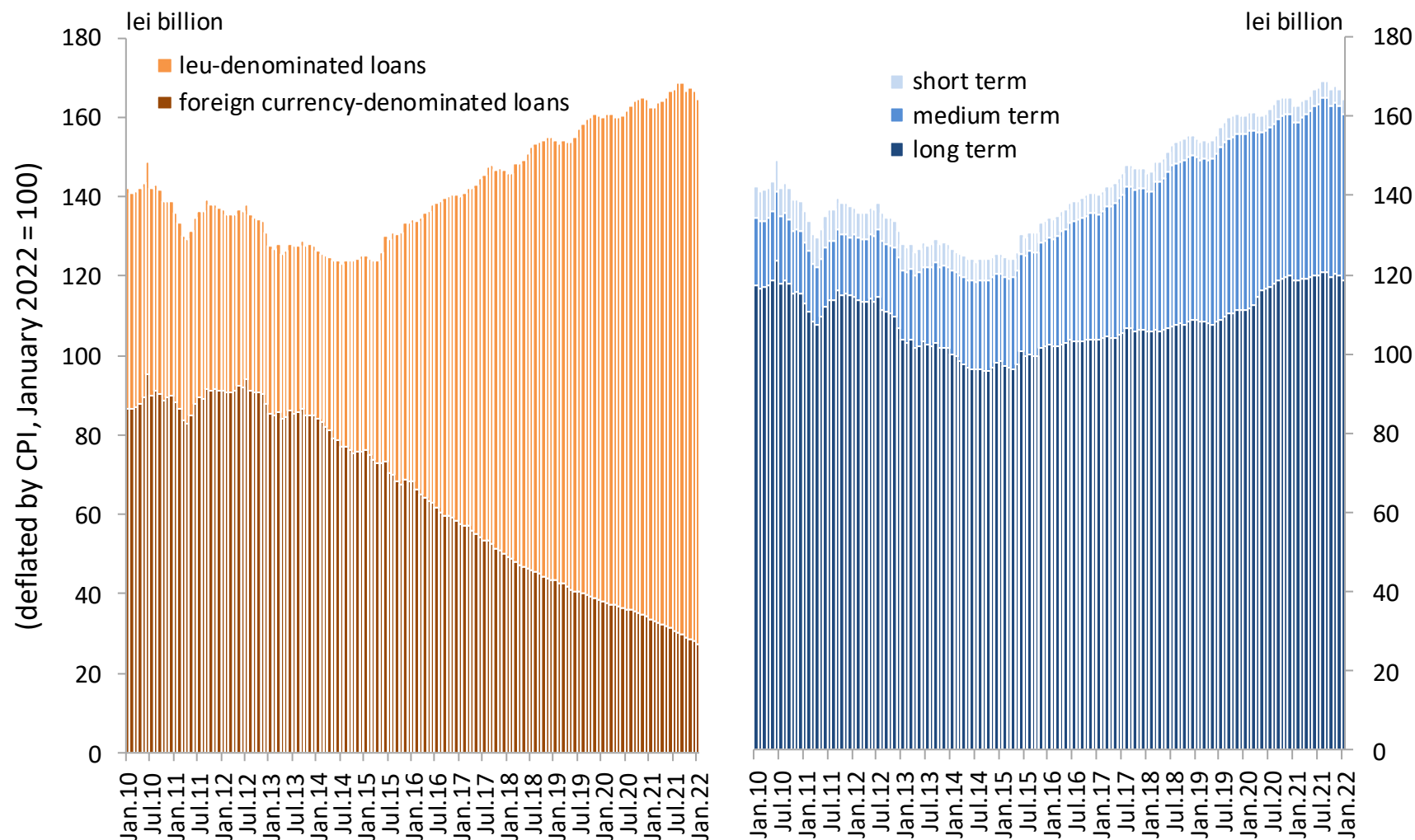
Loans to the private sector (in real terms)



*) insurance corporations, other financial intermediaries and financial auxiliaries

Source: National Institute of Statistics, National Bank of Romania

Loans to households (in real terms)

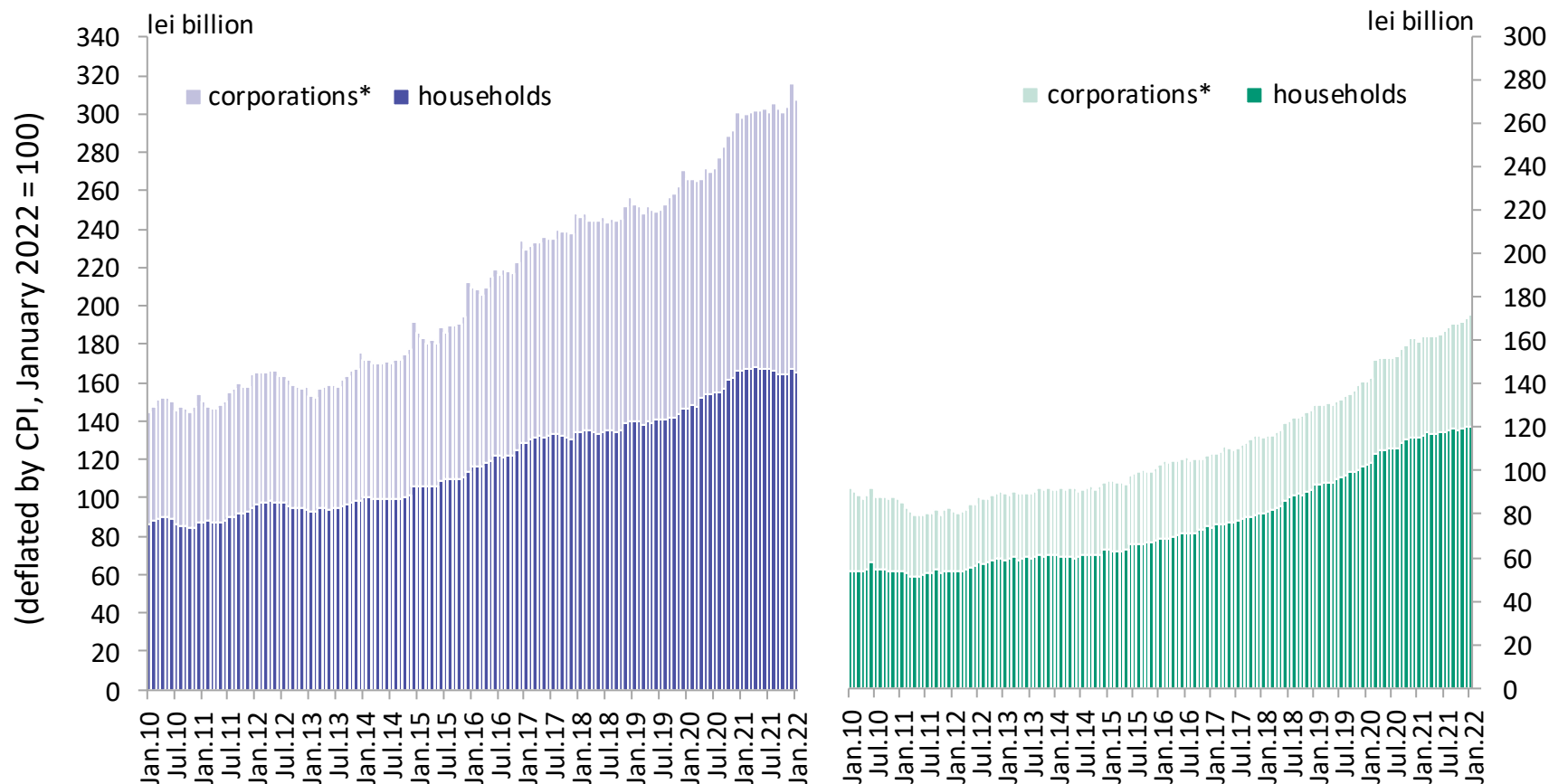


Source: National Institute of Statistics, National Bank of Romania

Private sector deposits (in real terms)

Leu-denominated deposits

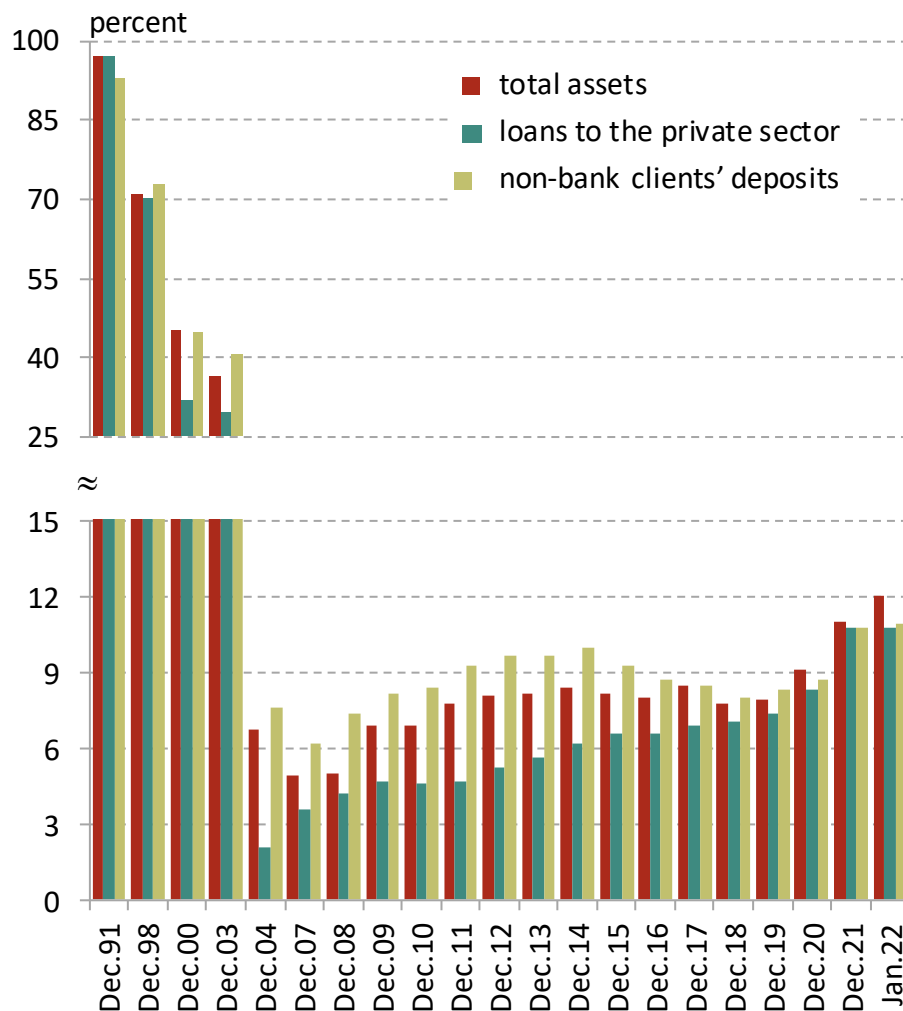
Foreign currency-denominated deposits



*) non-financial corporations and financial corporations other than MFIs

Source: National Institute of Statistics, National Bank of Romania

Share of majority state-owned banks in total banks

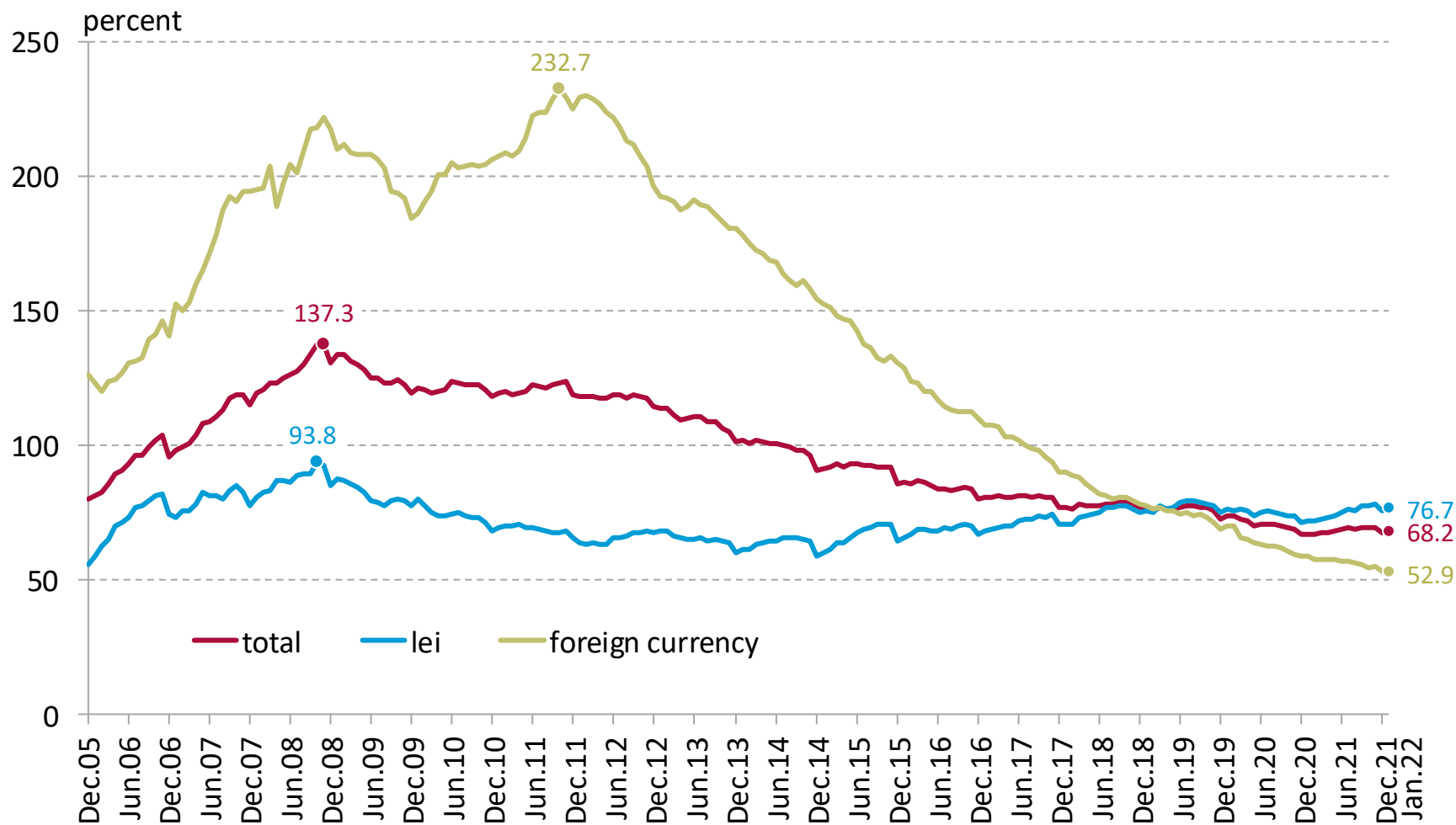


share in total banks (%); January 2022

	Total assets	Loans to the private sector	Non-bank clients' deposits
Banks with majority foreign capital	69.5	73.2	68.0
Banks with majority domestic private capital	18.5	15.9	21.1
Banks with majority state-owned capital	12.0	10.8	10.9

Source: National Bank of Romania

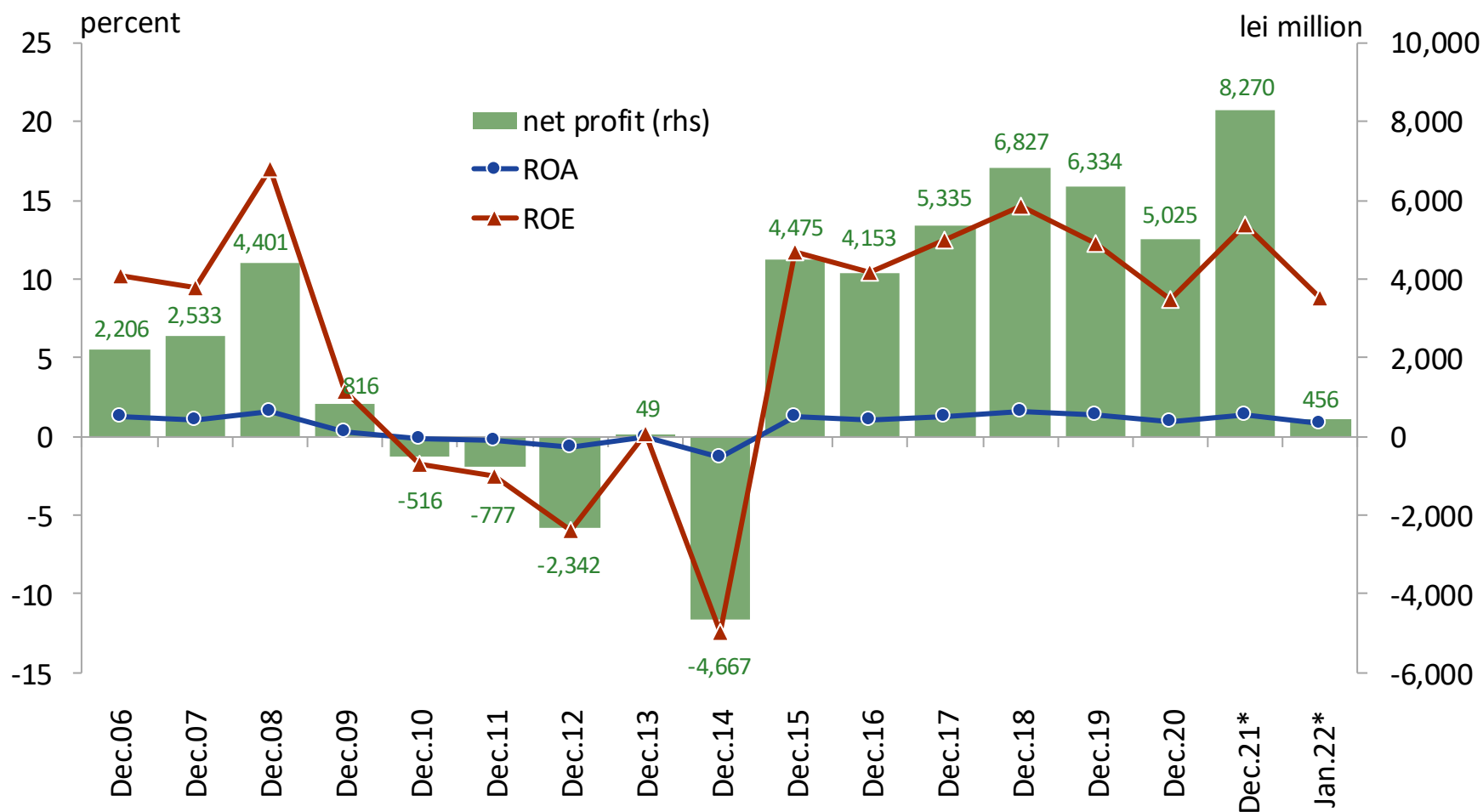
Loan-to-deposit ratio*



*) based on monetary balance sheet data

Source: National Bank of Romania

Banking system profitability



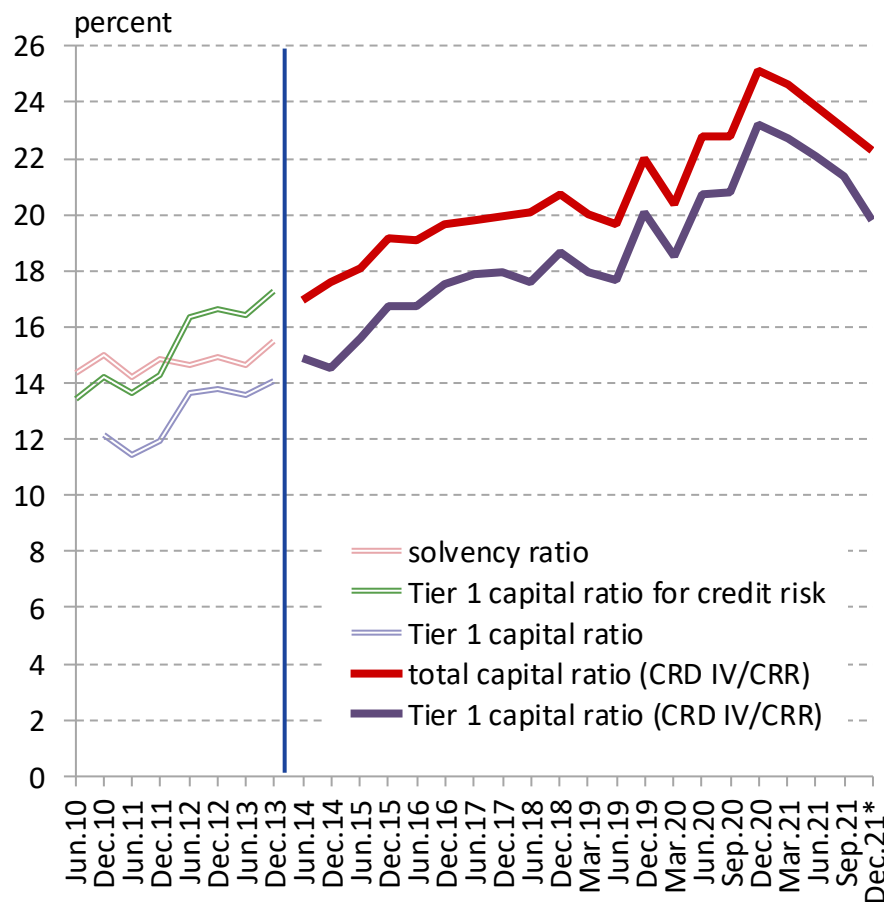
*) indicators are calculated based on data in prudential reports, prior to submission of audited annual accounts

Note: Starting January 2012, indicators are calculated based on IFRS-compliant reports.

Source: National Bank of Romania

Analysis ratios for the banking system

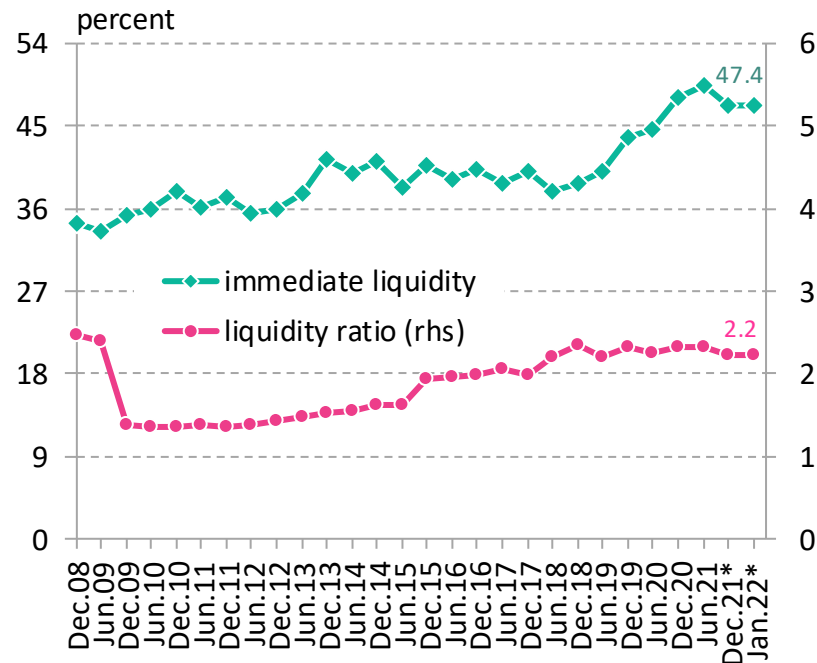
Capital adequacy indicators



*) indicators are calculated based on data in prudential reports, prior to submission of audited annual accounts

Source: National Bank of Romania

Liquidity indicators



Immediate liquidity = (cash, demand deposits and time deposits with banks + unpledged government securities + unencumbered bonds) / Total liabilities (prudent level > 30%)

Liquidity ratio = effective liquidity / required liquidity (regulatory threshold = 1)

Note: For the period from 1 May 2020 to 30 September 2020, the liquidity ratio was reported exclusively for the 30 June 2020 and 30 September 2020 reference dates, pursuant to the provisions of Art. 5 of NBR Regulation No. 6/2020.

Developments in non-performing loans



This indicator is calculated based on prudential reports submitted by all banks (both banks that determine the minimum capital requirement for credit risk based on the standardised approach and banks using internal models-based approach) for loans meeting the non-performance criteria (loans and related interest overdue by more than 90 days and/or for which legal proceedings were initiated).

EBA-defined indicator, determined as the ratio between **a) the total non-performing exposure represented by loans and advances** (where non-performing exposure is defined as any exposure satisfying any of the following criteria: (i) material exposure more than 90 days past due; (ii) the debtor is assessed as unlikely to pay his/her credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due) and **b) total exposure represented by loans and advances**.

In June 2015, the methodological notes on the FINREP framework at solo level were amended so as to include cash balances with the central bank and other demand deposits with credit institutions in the non-performing exposure report form.

*) indicators are calculated based on data in prudential reports, prior to submission of audited annual accounts

Source: National Bank of Romania