

The background of the cover features a photograph of classical columns, likely from a government building, with a wavy, concentric line pattern overlaid in a light tan color. The text is positioned on the right side of the cover.

Annual Report 2024

Overview

In a challenging environment, marked by sluggish external demand – especially in Europe –, which affected industry and services provided to the international markets, and by adverse weather conditions for agriculture, Romania's economic growth slowed further in 2024, to 0.8 percent (from 2.4 percent in 2023). The subdued path of economic activity was accompanied by a sizeable widening of the twin deficits, while the annual inflation rate was headed downwards. In the latter half of the year, the economic slowdown also started to have visible effects on the labour market, entailing a higher unemployment rate, worsening employment prospects and a decline in annual wage growth.

While in 2023 gross fixed capital formation made the largest contribution to GDP dynamics, in 2024 consumption became again the main driver of growth. The 5.6 percent upswing in private final consumption was supported by stronger purchasing power of households, amid waning inflation, income policy measures (increase in the gross minimum wage economy-wide, wage hikes in the public sector, rise in pensions), the remaining in force of certain consumer protection measures and the easing of lending conditions.

The negative dynamics (-3.3 percent) of gross fixed capital formation were attributed to the private sector, while public investment recorded a moderate expansion. The contraction of capital accumulation in the private sector reflected, on the one hand, the low level of companies' own resources, as a result of unfavourable developments in many economic sectors and, on the other hand, the decline in the volume of attracted EU funds and in foreign direct investment flows. The access to finance hampered by bureaucratic barriers, low transparency in the conduct of economic policies, labour shortage and inadequate transport networks continued to weigh on investment. The unpredictability of fiscal consolidation measures was an additional inhibiting factor in 2024.

In fact, in 2024, Romania's budget deficit of 9.3 percent of GDP, up 2.7 percentage points over the year before, was the highest EU-wide. Even though the worsening of cyclical conditions also contributed to the wider deficit, this was largely the result of the expansionary fiscal stance. This conduct was reflected in an increase of the primary structural deficit by almost 2 percentage points of GDP, stemming from surges in public investment spending not covered from non-repayable funds, as well as in social transfers and staff costs. The *National Medium-Term Fiscal-Structural Plan 2025-2031* submitted by Romania in October 2024 foresees a seven-year adjustment period for the excessive deficit. The plan was endorsed by the Council of the European Union in January 2025, following a favourable recommendation from the European Commission.

After narrowing in the prior year, the current account deficit worsened markedly in 2024, to 8.4 percent of GDP, on the back of unfavourable developments across all major segments. The main contribution came from the balance on trade in goods,

given the expansion in imports – amid the limited capacity of domestic supply to accommodate the increase in domestic demand – and the protracted decline in exports, hit by the severe drought-induced contraction in agricultural production and by the weak performance of the euro area economy. The current account deficit financing via stable non-debt creating flows – comprising net inflows of equity in direct investment enterprises (including reinvestment of earnings), to which adds the capital account surplus (mainly non-repayable EU investment funds) – fell sharply, down to 28.8 percent.

A comfortable position in terms of risks to the balance of payments was further ensured by maintaining the adequacy of international reserves, likely to also contain the financing costs of the government and local companies. At the end of 2024, international reserves stood at EUR 70.5 billion, up EUR 4.5 billion against the end of 2023. In terms of value, Romania's gold reserves went up by EUR 2.1 billion from end-2023 (to EUR 8.4 billion), as a result of the rise in the gold price on international markets. In terms of quantity, the gold stock remained unchanged at 103.6 tonnes, out of which 61.2 tonnes stored with the Bank of England. For transparency and security reasons, the NBR carries out annual on-site checks of the bullions stored with this institution, the most recent verification taking place in October 2024.

The annual CPI inflation rate ended the year 2024 at 5.14 percent (1.47 percentage points below the level seen in December 2023), running above the upper bound of the variation band of the target. Disinflation was much more moderate than in 2023, coming virtually to a halt at mid-year.

Overall, disinflation was mainly supported by the decline in core inflation, also amid a narrowing excess aggregate demand in the economy. Thus, in December 2024, the annual change of this CPI sub-index stood at 5.6 percent, down 2.8 percentage points from the end of the previous year, after having followed a downward path in January-July. All three components contributed to the slowdown in core inflation, with non-food prices making the largest contribution amid a benign evolution of import prices. The annual growth rate of market services prices also lost pace, as a result of lower demand; in the latter part of the year, however, disinflation in this segment was dampened by stronger pressures from wage costs amid a new hike in the minimum wage in July 2024. The food component contributed less to the deceleration in inflation, marking a turning point in August 2024. While in the first part of the year the favourable conditions in the relevant commodity markets put processed food inflation on a downward course, extreme temperatures and the lack of rainfall in the summer months led to price increases not only for vegetables and fruit, but also for some products in the core inflation basket (including vegetable oil, dairy, meat and meat products).

In 2024, the administered prices of goods and services also contributed to a drop in inflation, their annual dynamics declining to 4.8 percent in December (from 14.3 percent a year prior), mainly on account of favourable base effects.

Energy price developments were the main source of inflationary pressures, with fuel prices making the largest contribution, as their annual dynamics accelerated in 2024

by 2.7 percentage points to 5.1 percent. This was due to the two-step hike (in January and July) in the excise duty on motor fuels, in order to reposition it to the level implied by the indexation mechanism, after it had been cut in 2023 to offset the effects of energy shocks on final prices.

In the first part of 2025, the annual inflation rate resumed a downward trend, reaching 4.85 percent in April, largely as a result of domestic motor fuel prices reflecting the correction in the Brent oil price. The evolution owed to the unfavourable effects of the change in the customs tariff regime made by the US administration and to the impact of the retaliatory measures of the states involved on global economic growth and, consequently, on demand for oil.

In the challenging macroeconomic environment of 2024, monetary policy was geared towards bringing, on a lasting basis, the annual inflation rate back in line with the flat target over the medium term, *inter alia* by anchoring inflation expectations in the medium to long run, in a manner conducive to achieving sustainable economic growth. Specifically, in the first half of the year, the NBR extended the status-quo of the key rates, before lowering them by 0.25 percentage points in each of the Board meetings of July and August. Consequently, the monetary policy rate reached 6.50 percent, while the lending and deposit facility rates stood at 7.50 percent and 5.50 percent respectively.

In addition, the central bank kept the minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions at 8 percent and 5 percent respectively. An important step in the harmonisation of the minimum reserve requirements mechanism with the ECB's relevant standards and regulations was completed in 2024, once the NBR Board approved a new regulation on the MRR regime, which entered into force on 1 January 2025.

From the perspective of tailoring monetary conditions, a major role also played the management of liquidity on the money market. Specifically, the central bank mopped up, via the deposit facility, the excess liquidity in the banking system, also amid the latter's unprecedented values recorded in 2024. Thus, the liquidity surplus continued to widen at the beginning of the year and stayed at particularly high levels in H1, under the influence of the Treasury's foreign currency operations associated with budget execution and with public debt financing. Afterwards, it narrowed relatively swiftly, especially in the closing quarter, due to the markedly stronger contractionary impact of the autonomous liquidity factors, amid the high volatility of the global risk appetite and the uncertainty associated with domestic electoral events.

In 2024, the EUR/RON exchange rate further witnessed a relative stability, with the leu depreciating 0.1 percent versus the euro in nominal terms (based on December exchange rate averages). Over the same period, the Czech koruna and the Hungarian forint weakened 2.6 percent and 7.3 percent respectively in relation to the single currency, whereas the Polish zloty appreciated 1.5 percent.

The NBR continued in 2024 to extensively use the specific tools and means of communicating and detailing the rationale behind monetary policy decisions.

Through them, it highlighted the drivers behind the further decline in the annual inflation rate in 2024 and in the period ahead, albeit at a much slower pace, as well as the role of monetary policy conduct and the NBR's determination to act in order to safeguard medium-term price stability. In addition, the central bank underlined the need for a balanced macroeconomic policy mix and the importance of absorbing and effectively using EU funds, especially those under the Next Generation EU programme.

Several risks to financial stability in Romania continued to be manifest during 2024 as well. The risk associated with global uncertainty amid the multiple geopolitical events was further assessed as severe and increasing in the period ahead. On the domestic front, the worsening of macroeconomic equilibria, in the context of widening twin deficits and the delay in implementing reforms and absorbing EU funds, remained a significant risk factor that was further assessed as severe, with a stable outlook. Two other systemic risks, i.e. the default risk for loans to the private sector and challenges to cybersecurity and financial innovation, were moderate, with a stable outlook.

In a context marked by such risks, the Romanian banking sector remained resilient, as the key prudential indicators posted favourable developments, their levels staying higher than or similar to those recorded in the EU. The liquidity coverage ratio (LCR) ran at 254.7 percent in December 2024 as compared to 163.4 percent in the EU. Total capital ratio continued to increase in 2024, reaching 24.9 percent at year-end (+4.7 percentage points above the EU average). Moreover, due to the stronger link with the government sector, the overall risk ratio declined to 27.4 percent, having positive effects on capital requirements. The 2024 solvency stress test of credit institutions showed the resilience of the Romanian banking sector, supported by a robust operational capacity and an initial sound position, especially among large banks.

The asset quality indicators as at end-2024 placed the banking sector in the EBA-defined low-risk bucket, at aggregate level, as well as for large banks and for the group of banks with a market share below 5 percent. The NPL ratio (2.5 percent) rose marginally from the year before, while the NPL coverage by provisions stayed at an adequate level (66 percent), well above the EU average.

The number of credit institutions remained unchanged (24 Romanian legal entities and 8 branches of credit institutions having their head offices in other EU Member States). However, due to the mergers and acquisitions completed during 2024, the share of banks with domestic capital in the aggregate capital of the banking sector expanded by 10 percentage points, becoming prevalent (51.6 percent).

The National Bank of Romania, together with the National Committee for Macroprudential Oversight, closely monitors the developments in the domestic and external macroeconomic environment with a view to identifying the best measures to mitigate risks to financial system stability in Romania. In 2024, the NCMO General Board convened in four meetings, during which Board members were presented, for purposes of analysis, decision or information, with papers

concerning the macroprudential policy and the identification of systemic risks to domestic financial stability.

Following the quarterly assessments that were reviewed and decided upon, the NCMO recommended the NBR to maintain the countercyclical capital buffer (CCyB) rate at 1 percent, due to: (i) the persistence of cyclical systemic risks, amid multiple sources of geopolitical uncertainty, (ii) the tendency at EU level to enhance the resilience of the banking sector, *inter alia* via the widespread use of macroprudential instruments, (iii) the further adequate levels of profitability, liquidity and solvency ratios of the banking sector, which allow the build-up of capital buffers without affecting the real sector's access to finance, in line with the European recommendations and (iv) the persistence of tensions surrounding domestic macroeconomic equilibria.

As for the O-SII buffer, following the 2024 assessment using the information available as at 30 September 2024, the NCMO identified seven systemically important credit institutions (O-SIIs).

The systemic risk buffer (SyRB) is another capital buffer that has been applied in Romania ever since 2018. According to the half-yearly analysis presented in the NCMO meeting of October 2024, in 2025 H1, one credit institution would apply a SyRB rate of 2 percent, while five banks would apply a SyRB rate of 1 percent. The remaining credit institutions did not have the obligation to establish a systemic risk buffer, due to their prudent lending practices. The relatively small number of institutions applying the SyRB buffer is indicative of a significant improvement in the quality of the customer loan portfolio since the introduction of this buffer and is the result of active balance sheet clean-up and the shift to prudent provisioning policies. Specifically, the number of banks applying a SyRB rate of 0 percent grew from two in 2018 H2 (the year of implementation of this macroprudential instrument) to 13 in 2025 H1.

The fourth capital buffer established by banks in Romania is the capital conservation buffer (CCoB), at a rate of 2.5 percent, uniformly implemented across the EU as early as 2019 based on the CRD IV regulatory framework for all credit institutions.

In 2024, the NCMO General Board took several decisions, such as not applying through voluntary reciprocity the macroprudential policy measures adopted by Italy, Portugal and Denmark. The decisions were warranted by the fact that the Romanian banking sector's exposures to those countries were well below the materiality threshold set by authorities to implement those measures and were not likely to generate systemic risks to the domestic banking sector. Moreover, the members of the NCMO General Board decided to further designate the Republic of Moldova as a material third country for the banking sector in Romania in terms of recognising and setting countercyclical buffer rates. The monitoring did not show the need to impose a countercyclical capital buffer on exposures to the Republic of Moldova. However, the NBR will continue to monitor the economic and financial developments in the Republic of Moldova for as long as the latter remains a material third country, based on the annual identification exercise.

The year 2024 also saw important progress in modernising financial market infrastructures. Thus, the National Bank of Romania successfully launched an improved version of the ReGIS system application, which complies with the international standard ISO 20022 for financial messaging between financial institutions and provides advanced facilities for liquidity management, allowing the optimisation of participants' financial resources, as well as a new pricing scheme, in line with European practices. The system offers new functionalities for the transmission and reception of payment messages, including in contingency situations, ensuring the continuity of settlement of transactions. At the same time, this upgrade significantly improved the speed and safety of transactions processed through the ReGIS system, reducing operational risks and processing costs. Moreover, the National Bank of Romania endorsed the RoPay payment scheme, developed across the banking community, with input from the Romanian Association of Banks and Transfond S.A. The RoPay scheme offers payment service providers the possibility to make available to the users modern instant payment services, based on the scanning of a QR code, the use of the telephone number to identify the payee, the use of deep linking and the use of contactless technology, through mobile banking applications installed on users' devices.

The Government of Romania and the National Bank of Romania maintain an ongoing multifaceted institutional cooperation. This includes the participation of central bank experts in the meetings of the Committee for planning the financial flows of the State Treasury, the NBR's support extended to the Ministry of Finance in the process of bond issuance on the international capital markets, as well as Romania's endeavours towards accession to the Organisation for Economic Co-operation and Development (OECD). In this regard, in 2024, several missions were conducted to assess the alignment of national legislation with OECD requirements in various areas of activity, during which the related country presentations were delivered. The NBR's involvement included, apart from contributing to the drafting of assessment reports in areas within its scope, the delivery of presentations on Romania's alignment with various OECD legal instruments. Moreover, the NBR took part in the activities of OECD working structures relevant to central banking, i.e. the Committee on Financial Markets, the Advisory Task Force on the OECD Codes of Liberalisation, and the four working groups/parties of the Committee on Statistics and Statistical Policy, by attending their meetings and other specific events. In its capacity as member of the OECD International Network on Financial Education, the NBR also participates in the meetings of some of its working structures. At the same time, the central bank – committed since 2008, consistent with its legal mandate, to developing its relationship with this organisation – participates as a permanent guest in the works of the National Committee for Romania's Accession to the OECD, chaired by the Prime Minister of Romania, which coordinates the overall policy of the accession process.

As for the relation with the Parliament of Romania, the ongoing dialogue between the National Bank of Romania and this institution takes many forms, such as:

- (i) formulation of opinions on draft legal acts at the request of parliamentary committees or initiators;

- (ii) formulation of opinions, preparation of supporting documents or participation in discussions/meetings of parliamentary committees of the Chamber of Deputies and the Senate on issues such as monetary policy, financial stability, bank resolution, European affairs or payment systems; and
- (iii) preparation of replies to interpellations that Members of Parliament submitted to the central bank.

In keeping with the principles of transparency and institutional accountability, in 2024, the NBR continued to provide high-quality economic information in the form of both statistical data that the institution produces in compliance with the legal framework and research works and papers published. The *Reports* issued by the central bank play a major role in ensuring communication with the public at large and the Parliament. The NBR sends to the presidents of the two chambers of Parliament and to the economic committees not only the *Annual Report* (a statutory duty), but also the *Inflation Report* and the *Financial Stability Report*, other two central bank's key communication tools explaining its actions meant to ensure price stability and financial stability. Many topics relevant to central banking are discussed publicly by Board members, as well as during scientific seminars and symposiums; at the same time, economic research activities carried out within the NBR focus on such issues.

As for the NBR's online communication, 2024 saw the launch of a new version of the official website – the central bank's main communication channel –, which took into account current trends and best practices in the field, such as implementing mobile first graphical interfaces and capitalising on the UX (user experience) principles of brevity, clarity and user-centred design. Also in the period under review, the strategy of conveying messages to the public at large was enhanced, as reflected by a significant increase in audience and visibility, mainly on Instagram and LinkedIn. The NBR blog, *OpiniiBNR*, further played an important role in 2024, providing a space where central bank experts address topical issues, some of the articles published there being later shared on social networks as well.

The relationship with the National Bank of Moldova (NBM) further held a special place in the NBR's international technical cooperation activity. An important pillar was the provision of technical assistance under the twinning project entitled "Strengthening supervision, corporate governance and risk management in the financial sector". It was dedicated to the financial sector in the Republic of Moldova and was implemented by a consortium of institutions led by the NBR. Between January 2023 and April 2024, many activities took place under this twinning project, including two conferences held in Chişinău and 80 technical assistance missions. The project was launched in October 2021 and was completed on 17 April 2024. Another pillar of the technical assistance provided to the National Bank of Moldova is the Cooperation Agreement between the NBM and the NBR, signed in Bucharest on 11 June 2021. This aims to develop and expand the cooperation between the two central banks in order to foster the safety and smooth running of the financial and banking systems of the Republic of Moldova and Romania. At the same time, the NBR provided technical assistance in the field of financial services to the NBM, the National Commission for Financial Markets and the Government of the Republic of Moldova via an EU High

Level Adviser in the Republic of Moldova between December 2023 and December 2024 and will continue to support this project between March 2025 and March 2026.

During 2024, the “Programme for Strengthening the Central Bank Capacities in the Western Balkans with a View to the Integration to the European System of Central Banks – Phase II” continued, in which the NBR participates with experts in the fields of financial stability, monetary policy and research, information technology, legal issues, human resources and banking resolution. The NBR has also been involved in other projects aimed at providing technical assistance to countries in the region or neighbouring the EU.

In terms of financial education – an ongoing concern of the NBR –, besides the continuation of already established programmes and events both at the head office and countrywide, 2024 also saw the launch of two new projects. “Financial education workshops for teachers” are aimed at teachers in lower- and upper-secondary education, both as consumers of financial products and services, and as interlocutors, disseminators and multipliers of educational messages for pupils, whereas “Teachers and financial education” is a pilot project focused on opening up a channel for dialogue between central bank experts and teachers in Bucharest who teach economic subjects.

In 2024, the “National Bank of Romania Library” collection reissued the three-volume book entitled *Sistemul bănesc al leului și precursorii lui* (The Leu’s Currency System and its Precursors) by Academician Costin C. Kirițescu. The launch of the new issue of this seminal work for Romania’s economic history is to take place in the course of 2025.

The National Bank of Romania took further steps in 2024 to increase international awareness about the NBR Treasure sent to Moscow during World War One and yet unrecovered. On 5 March 2024, at the European Parliament headquarters in Brussels, before the NBR’s delegation and a large audience, the exhibition entitled “The gold Treasure of the National Bank of Romania sent to Moscow and never returned – A claim older than a century” was opened. Numerous Romanian and foreign MEPs from all political groups attended the event. The three-day exhibition included historical evidence, documents, legal evidence, and agreements signed by the Russian and Romanian parties with regard to the gold reserve sent to Moscow. On the same day, the online edition of the Politico newspaper published the article entitled “The gold treasure of the National Bank of Romania that was sent to Moscow”, with the subtitle “A claim older than a century – the odyssey of the central bank’s ‘evacuated’ gold that was never returned after the First World War”. This was also included in the print edition of 7 March 2024 of the same influential publication on European affairs. Moreover, on 6 March 2024, the Université libre de Bruxelles hosted, with the support of the Romanian Cultural Institute, the debate *Le trésor de la Banque Nationale de Roumanie envoyé à Moscou – une créance qui date depuis plus d’un siècle*. Thus, the international public opinion was extensively informed about the valid and enforceable claim held by Romania against the Russian Federation, and the topic was introduced on the agenda of EU institutions. In this vein, the Resolution on the return of Romanian national treasure was adopted by a large majority of votes in the plenary session of the European Parliament of 14 March 2024, held in Strasbourg.

In 2024 too, the NBR put up thematic stands dedicated to this issue throughout its territorial network. In parallel, a novel exhibition was designed using a glass display case, installed in front of the institution's head office between December 2024 and February 2025. The public had access to information and images regarding the NBR's gold reserve from 1881 to 1917, the two shipments of Romania's treasure to Moscow, the seizure of the gold reserve by the Bolsheviks, how the matter unfolded during the interwar period and the communist regime, as well as the efforts undertaken by the central bank for the international recognition of its claim on the gold reserve sent to Moscow.

The National Bank of Romania's financial position strengthened notably, its equity recording as at 31 December 2024 a significant positive value of lei 48,516.9 million, up 43 percent over the prior year. This sizeable level of equity reinforces the institution's capacity to fulfil its national legal obligations and the tasks related to its capacity as a member of the European System of Central Banks, while securing its financial independence and instilling credibility in its operations.

Similarly to previous years, in 2024 too, the National Bank of Romania acted to ensure price stability and financial stability and to fulfil all other tasks set forth by law, without resorting to public funds. Furthermore, following its concern for efficiently managing available resources, the NBR posted a positive financial result as at 31 December 2024 – due to the profit from foreign currency asset/liability management operations –, transferring lei 3,074.2 million to the government budget.

