Financial Stability Report

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– Overview –

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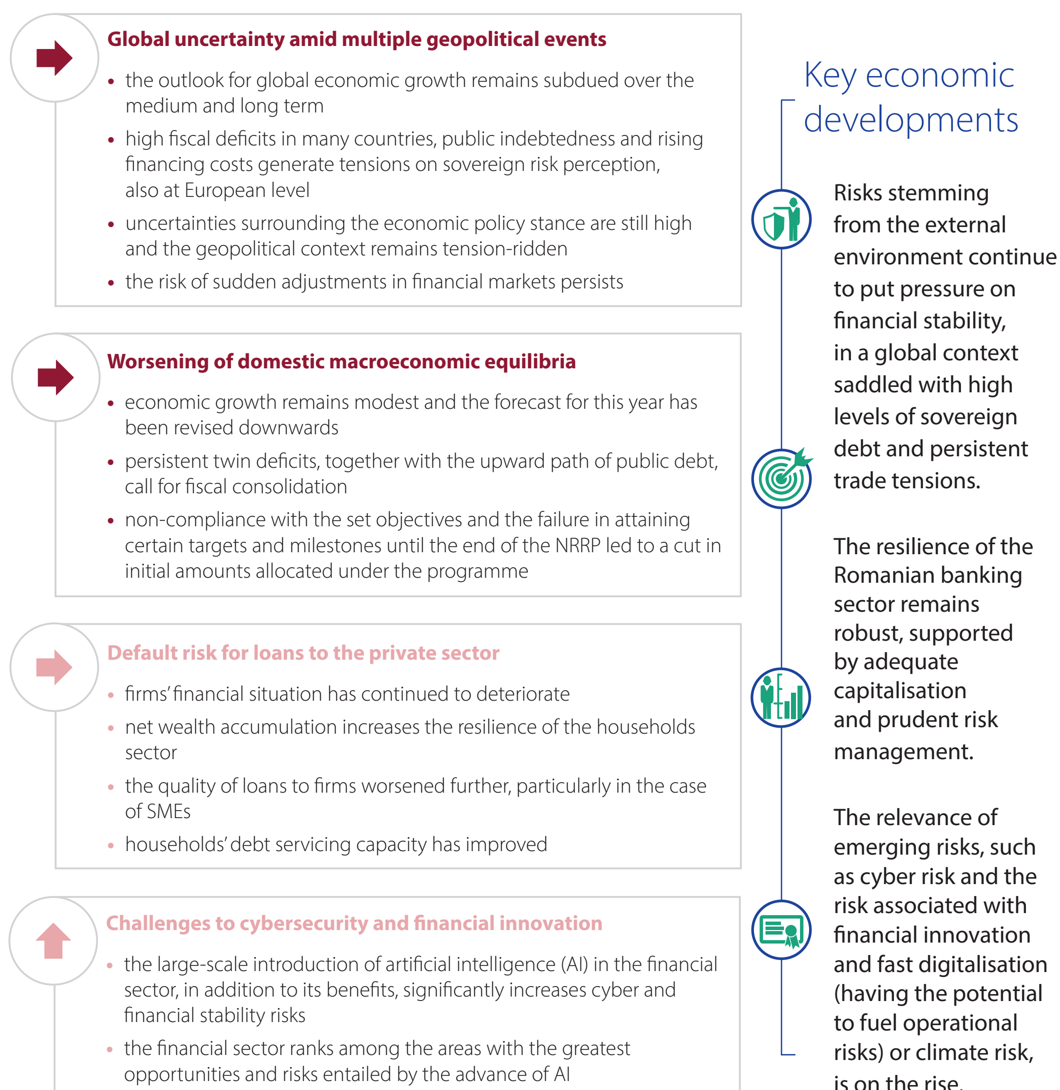
OVERVIEW

Risks to financial stability have remained elevated since the previous *Report*, reflecting the vulnerabilities that accumulated both domestically and globally. Geopolitical uncertainties, unpredictability surrounding trade policy developments and high asset valuations in some segments of capital markets continue to fuel a volatile environment that may send disruptive effects to the economy and financial markets. The resilience of the Romanian banking sector remains robust, being underpinned by adequate capitalisation and prudent risk management.

Figure 1. Main risks to financial stability in Romania



severe systemic risk, high systemic risk, moderate systemic risk, low systemic risk

Note: The colour of arrows shows risk intensity. Their direction indicates the outlook for risk in the period ahead.

On the external front, risks to financial stability are still high. While progress on trade relations, including those between the US and the EU and China, respectively, and the efforts to unwind the situation in the Middle East are positive developments, uncertainty about the economic policy stance remains elevated internationally and the geopolitical context is still plagued by tensions. Global economic activity has proved resilient, as the effects of the expansion in trade protectionism have been relatively contained so far, *inter alia* as a result of the frontloading of imports before the new tariffs were introduced, yet the outlook for growth remains subdued over the medium and long term, and the balance of risks is tilted to the downside.

The persistently elevated fiscal deficits at international level, together with high public indebtedness and rising financing costs, continue to fuel tensions related to sovereign risk perceptions, also in some European economies. Nevertheless, investor sentiment on global financial markets remained positive, supporting the ongoing uptrend in prices of higher-risk assets from already high levels, as well as maintaining rather low volatility both from a historical perspective and in light of the present macroeconomic and geopolitical context.

On the domestic front, recent developments point to a further relatively sluggish pace of economic activity (0.3 percent in 2025 Q2, in annual terms), in an environment marked by persistent uncertainties both internationally and domestically, *inter alia* amid the lengthy budget consolidation process and the still high twin deficits, i.e. the fiscal and current account deficits. In 2025 Q3, according to estimates[1], the local economy grew by 1.6 percent, marginally lower than the dynamics recorded in the same year-ago period (1.7 percent in 2024 Q3, in annual terms). The economic growth projections for this year were revised downwards, ranging from 0.7 percent (European Commission estimate, November 2025) to 1 percent (IMF estimate, October 2025). Further implementation of reforms and fiscal consolidation would put the fiscal deficit on a path compatible with meeting the targets agreed for the coming years and with stabilising public debt dynamics.

The persistence of high twin deficits continues to be one of the main systemic risks at national level. Further to the package enacted in December 2024, the implementation of the fiscal measures adopted in July 2025[2], alongside the pending initiatives for the budget consolidation that has commenced in 2025, is anticipated to take some pressure off the twin deficits, but also to weigh on domestic aggregate demand, in a context where economic growth remains subdued from a historical perspective.

In the first nine months of 2025, the cash-based budget execution posted a deficit of lei 102.5 billion, i.e. approximately 5.4 percent of GDP, similarly to the deficit in the same year-ago period. The fiscal package implemented in July is expected to have a rather modest impact on the full-year deficit, but stronger effects are foreseen as from 2026. Against this background, the September budget revision sets a deficit

[1] NIS Press Release No. 290/14 November 2025 (Romanian only)

[2] The main measures of the fiscal package adopted in July 2025 are aimed both at raising budget revenues, by increasing the standard VAT rate and the excise duties on motor fuels, alcohol and tobacco, enlarging the tax base by introducing a 10 percent health insurance contribution applied to pensions upwards of lei 3,000/month, raising the taxes on dividends and bank incomes and at containing public spending, also by further freezing public-sector wages and pensions in 2026. For further details, see Law No. 141/2025 on certain fiscal and budgetary measures.

target of 8.4 percent of GDP for 2025. Over the medium term, the deficit is seen to narrow gradually, in line with the excessive deficit procedure commitments and the *National Medium-Term Fiscal-Structural Plan* agreed with the European Commission. However, the future evolution of the deficit is still saddled with significant uncertainties, stemming from both domestic factors – *inter alia* implementation risks and past slippages from budget targets – and external factors, associated with the international macroeconomic and geopolitical developments, with possible implications for government revenues and expenditures, defence spending included.

Fiscal consolidation remains of the essence also for ensuring a sustainable path of public debt, which was stuck to the steep uptrend that it had embarked upon during the pandemic, reaching 57.2 percent of GDP at mid-2025 (up 6.1 percentage points from the same year-ago period; ESA methodology). Moreover, in order to prevent the confidence of investors and rating agencies from eroding, and thus to preclude a potential rise in the sovereign risk premium, the volatility of capital flows and the pressure on the exchange rate, with a direct impact on financial stability as a whole, fiscal consolidation must remain a national priority.

The fiscal adjustment can also help alleviate the pressures on the persistent external imbalance, given that the previous years' expansionary fiscal policy was a major driver of the current account deficit widening by boosting household incomes and pushing domestic demand above the response capacity of domestic supply.

Under the circumstances, a high EU funds absorption rate can play a major part in meeting financing requirements, beyond the broader contribution of these funds to economic growth. Romania initially benefited from a financial allocation of EUR 28.5 billion (loans and grants) under the Recovery and Resilience Facility, as well as from EUR 31 billion in cohesion policy funds. Overall, the funds allocated under the two mechanisms account for more than 15 percent of Romania's GDP. Nevertheless, the delays in the implementation of the targets and milestones set under the National Recovery and Resilience Plan (NRRP) had a negative impact on the absorption pace of the allocated amounts, with only EUR 10.7 billion being collected (November 2025), i.e. less than 40 percent of the initially allocated amount.

Because of non-compliance with the stated objectives and the impossibility of achieving some targets and milestones by the end of the programme, the European Commission approved in October the revision of NRRP allocations to Romania by removing the projects "most at risk of not being completed", switching some investments from the loan component to the grant component and making other cost-related changes. The updated plan has brought the allocation down to EUR 21.41 billion, of which grants further amount to approximately EUR 13.57 billion, while the value of loans fell to EUR 7.84 billion. The reduced capacity to collect the allocated amounts translates into a considerable loss of funding opportunities, the more so as the programme ends in August 2026 and the unused amounts will create a shortfall difficult to cover by resorting to other instruments. In addition, the areas targeted by these investments, such as transport infrastructure, the energy sector and digital transformation, are strategically important for the country's long-term economic growth.

The capacity of households and firms to repay their debts is largely contingent on their financial soundness. At present, contrasting trends take shape between the two segments of the real sector.

The household sector is in the low-risk area in terms of vulnerabilities, supported by a sustainable level of indebtedness, also amid the borrower-based macroprudential measures that were implemented by the National Bank of Romania. At the same time, the accumulation of net wealth increases households' resilience, providing an important buffer in the event of adverse shocks affecting incomes or general economic conditions. Net wealth continued to rise (up 7.9 percent in June 2025, in annual terms), doubling its value compared to the pre-pandemic period. Looking ahead, vulnerabilities could be amplified by the slowdown in real disposable income growth amid high inflation and as a result of fiscal consolidation measures, as well as by developments in economic activity.

In 2024, non-financial corporations in Romania faced multiple challenges. The primary issue to be managed was the increase in costs (up 5.4 percent in annual terms), especially personnel costs (up 12.9 percent), whereas turnover grew by 4.4 percent. Companies viewed fiscal or regulatory issues applicable to firms as the second most pressing category of challenges, according to an NBR-led survey. Respondents stated that access to funding remained a minor challenge. Moreover, in addition to the economic situation at national level, firms in Romania reported that the sector-specific economic situation also weighed on their activity.

Against this background, the overall financial health measure of the non-financial corporations sector deteriorated slightly in 2024, but it remained outside the risk area. The breakdown shows that the financial health measure decreased for both SMEs and large companies, while staying comfortably above the risk area for each segment as well. At sectoral level, a number of economic sectors have remained in or have entered the risk area (i.e. agriculture and real estate in the former case and utilities in the latter). The financial health of firms that took loans continues to be better than that of companies without bank loans and above the risk area, albeit slightly worsening, similarly to the developments at aggregate level.

The profitability of the non-financial corporations sector stayed significantly in positive territory in 2024, yet on the wane, the aggregate net result being 4.5 percent lower year on year at lei 163 billion. The substantial profits made over the past five years (lei 783 billion in 2020-2024) also call for their use to consolidate firms' balance sheets via reinvestment of profits, with a view to strengthening their capacity to manage less favourable situations. Increasing resilience is all the more important for the companies facing structural vulnerabilities (for further details, see Section 2.1.1).

Persistent losses remain a vulnerability of non-financial corporations on the aggregate and one of the root causes leading to their undercapitalisation. Out of the 305 thousand loss-making firms in 2024, approximately 26 percent (80 thousand) incurred losses in each of the last three years. In addition, 4 percent of loss-making firms in 2024 (13 thousand) incurred losses in each of the past eight years.

The weak payment discipline in the economy is targeted by a number of measures concerning the activity of firms in Romania, which were incorporated into a draft law[3] that the government presented in Parliament as a matter of confidence in September 2025. The most important measures include: (i) capital requirements differentiated by the firm's turnover (lei 500 for companies with turnover lower than lei 400 thousand and lei 5,000 for turnover above this threshold), (ii) the obligation to hold a payment account in Romania, (iii) provisions on inactive companies and their dissolution, (iv) limitation of deductibility of expenses with affiliates, and (v) the possibility to assign shares of a limited liability company only provided that it meets its outstanding tax obligations. The financing structure of firms in Romania did not change substantially against 2023, remaining a source of vulnerability for many of them. Trade debt continues to play a central part in corporate financing, accounting for the second largest component of liabilities and owners' equity (lei 465.8 billion, or 17.4 percent), after equity. Even though trade credit can support firms in managing cash flows and liquidity over the short term, it is generally costlier and riskier than bank financing[4]. In addition, total liabilities to shareholders and affiliated entities amounted to lei 324.4 billion (9 percent of total liabilities and owners' equity). The volume of loans from shareholders and affiliates has remained, for more than a decade, higher than the volume of bank loans granted to companies in Romania. This is one of the causes of Romania posting the lowest level of financial intermediation compared to the rest of the EU Member States. The loans taken from local financial institutions (banks and NBFIs) further account for a small share of total funding sources, i.e. 8.8 percent, the same as in 2023.

The divergent trend in the debt servicing capacity observed in the past for non-financial corporations and households has persisted since the previous *Report*. On the one hand, the quality of bank loans to households continued to improve, with the non-performing loan ratio dropping to 2.85 percent in September 2025 (down 0.4 percentage points from September 2024). Conversely, the payment discipline of non-financial corporations worsened, with the NPL ratio reaching 5.1 percent in September 2025, against 3.8 percent in the same year-ago period.

Some lending segments continue to face greater risks. One of them comprises government guaranteed loans granted by banks to non-financial corporations. The national loan guarantee programmes launched since 2020 have generated an extensive portfolio of loans accessed by firms that are diverse in terms of size, age, location and business activity. Given that the quality of loan recipients was not a central criterion, as the term of these portfolios progressed, asset quality deterioration risks have materialised. In 2024, the financial discipline of non-financial corporations weakened amid economic uncertainties, also affecting the quality of bank loans, i.e. the NPL ratio for the government-backed loans to firms rose to 9 percent in September 2025 (up 5.1 percentage points over the past 12 months). The Analysis of

[3] Law on measures for the recovery and efficient use of public resources, amending and supplementing some legal acts (PL-x No. 246/2025). The law was sent for promulgation but, following a constitutional challenge, the Constitutional Court of Romania found that certain provisions are unconstitutional (Constitutional Court Decision No. 481/2025) and sent it back to Parliament.

[4] For further details, see the Special feature in the *Financial Stability Report*, June 2024.

the NCMO Working Group on government loan guarantee programmes[5] highlights the need for the authorities to gear guarantee schemes towards investments and strategic sectors with a view to ensuring both a stronger economic impact and an optimal use of public resources (for further details, see Box 3).

Other riskier lending segments refer to: loans to SMEs (an NPL ratio of 6.1 percent versus 3.2 percent for large companies, September 2025), exposures to the commercial real estate market (an NPL ratio of 5.7 percent, September 2025) and consumer loans to households (an NPL ratio of 4.7 percent against 1.5 percent for housing loans, September 2025).

Geopolitical and trade-related developments maintain an elevated degree of uncertainty regarding the repayment capacity of households and firms alike, by heightening the risks to macroeconomic equilibria and financial soundness of the real sector. Starting from the data in the baseline macroeconomic scenario, the outlook is mixed. On the one hand, the average probability of default is estimated to rise for the loans to non-financial corporations from 3.2 percent in September 2025 to 4 percent in September 2026, while in the household segment it is expected to see a slight deterioration for consumer loans (from 2.9 percent in September 2025 to 3.2 percent in September 2026). On the other hand, for the loans to households for house and land purchase, the probability of default is projected to stay flat at 0.2 percent over the same time horizon.

The year 2024 was characterised by an increasing number of cyber threats to Romania's civil space, highlighting a digital context marked by volatility and uncertainty. The banking sector in Romania was targeted by multiple DDoS (Distributed Denial-of-Service) cyberattacks, aimed at disrupting online services, but banks managed to contain the impact and strengthen their cybersecurity. In the same year, cybersecurity came under significant pressure nationwide: computer fraud increased by approximately 40 percent year on year and malware, or "malicious software", rose by almost 287 percent. At the same time, more than 27 million cybersecurity events were reported, reflecting the scale and diversity of threats[6]. The National Cyber Security Directorate (DNSC) assesses the level of cyber threats in Romania as high.

The financial sector counts among the areas with the greatest opportunities and risks entailed by the advance of artificial intelligence (AI), due to the sizeable share of complex cognitive tasks and its high data dependency. Artificial intelligence drastically changes the financial sector, providing significant opportunities for increasing efficiency and cutting costs in many areas[7]. Turning to payment systems, AI enables the swift processing of large volumes of transaction data, fraud detection and compliance with Anti-Money Laundering (AML) regulations. Additionally, in the field of lending, AI tools can assess debt servicing capacity, and in insurance AI can support risk assessment, premium setting and application processing, including via

[5] Analysis of the NCMO Working Group on government loan guarantee programmes (Romanian only)

[6] National Cyber Security Directorate, *Annual Report*, 2024 (Romanian only)

[7] *Annual Economic Report*, BIS, 2024

automated image and document analysis. Overall, AI enables financial institutions to identify complex patterns in seemingly unstructured data, thus enhancing efficiency and mitigating operational risk.

Nonetheless, the widespread adoption of artificial intelligence across the financial sector significantly heightens cyber and financial stability risks. AI-enabled systems may be vulnerable to manipulation, compromise or abuse of data, which may weigh on the integrity and functioning of the financial infrastructure.

Banking sector

The Romanian banking sector's resilience to potential shocks stemming from the challenging macroeconomic environment and the uncertainty-ridden geopolitical context remains adequate, as highlighted by the results of the latest solvency stress tests conducted periodically. The capital and liquidity buffers ensure a good capacity for addressing financial risks, but challenges and vulnerabilities require the adoption of a prudent stance.

The main financial soundness indicators are in the EBA-defined low-risk bucket in terms of solvency (total capital ratio: 23.9 percent, September 2025), liquidity (liquidity coverage ratio: 240.1 percent and net stable funding ratio: 190.5 percent, September 2025), asset quality (NPL coverage by provisions: 65.1 percent and NPL ratio: 2.9 percent, September 2025), profitability (ROE: 18.4 percent and ROA: 1.7 percent, September 2025), as well as of operational efficiency (48.1 percent, September 2025). The banking sector's performance is similar to or above the EU average for most categories of financial and prudential indicators. Profitability is a key pillar for preserving banking sector stability, but the specific indicators remain at levels significantly lower than those recorded in the real sector. The increase in the turnover tax in the context of fiscal consolidation measures has a manageable impact at bank level, yet it affects the operational efficiency. Lending to the real sector holds significant but still untapped potential, as also shown by the below par loan-to-deposit ratio seen over the past decade.

The new CRR III/CRD VI prudential framework has not entailed significant changes in total risk-weighted assets since it was implemented in Romania in January 2025. Specifically, in March 2025, credit risk-weighted assets posted a 1.5 percent increase that was offset by the decline in capital requirements for operational risk.

While the banking sector indicators paint an overall positive picture, there are several lingering challenges to banking sector stability: (i) a worsening trend in asset quality, in an uncertain macroeconomic environment marked by structural imbalances; (ii) a strong link with the government sector, which is at the highest level among EU countries; (iii) an increased relevance of emerging risks, such as cyber threats – associated with financial innovation and fast-paced digitalisation, based also on artificial intelligence solutions, which could amplify operational risks – or climate risks.

Table 1. Risk indicators for the banking sector

Risk indicators	EBA-defined prudential range	2019	2020	2021	2022	2023	2024	Sep. 2025	EU average 2025 Q2
Solvency									
Tier 1 capital ratio	>15%; [12%-15%]; <12%	20.1	23.2	20.9	20.5	20.7	22.2	21.5	17.8
CET1 capital ratio	>14%; [11%-14%]; <11%	20.0	23.1	20.8	20.0	20.2	21.7	20.5	16.3
Total capital ratio		22.0	25.1	23.3	23.4	23.6	24.9	23.9	20.4
Leverage ratio	>8%; [5%-8%]; <5%	10.2	10.3	8.6	8.5	8.1	8.6	8.7	5.9
Asset quality									
Non-performing loan ratio	<3%; [3%-8%]; >8%	4.1	3.8	3.4	2.7	2.4	2.5	2.9	1.8
Non-performing loan coverage by provisions	>55%; [40%-55%]; <40%	60.8	63.3	66.1	65.5	64.6	66.0	65.1	41.7
Ratio of restructured loans and advances	<1,5%; [1.5%-4%]; >4%	2.5	2.4	2.6	2.0	1.6	1.4	1.4	1.4
Profitability									
ROA		1.3	1.0	1.4	1.5	1.8	1.7	1.7	0.7
ROE	>10%; [6%-10%]; <6%	12.2	8.7	13.3	16.4	20.1	18.4	18.4	10.7
Cost-to-income ratio	<50%; [50%-60%]; >60%	54.3	53.8	53.9	52.1	47.6	50.8	48.1	52.4
Balance sheet									
Loan-to-deposit ratio for households and non-financial corporations	<100%; [100%-150%]; >150%	69.5	63.6	64.0	65.7	61.0	62.4	65.3	106,4
Liquidity coverage ratio – LCR	>140%; [110%-140%]; <110%	242.6	292.5	238.8	209.2	280.6	254.7	240.1	161.6
Net stable funding ratio, NSFR					177.0	193.6	197.2	190.5	127.7

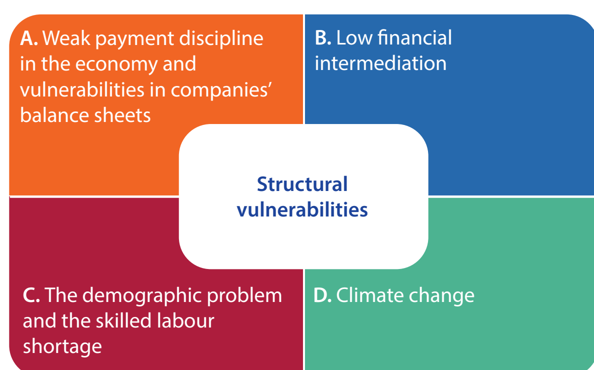
best bucket
intermediate bucket
worst bucket

Source: NBR, EBA

Structural vulnerabilities

Cyclical and structural vulnerabilities are strongly interconnected, reinforcing each other during times of tensions in the macroeconomic environment. As a result, the macroprudential policy treats them as complementary elements of the same risk profile, underscoring the need for integrated policies aimed at mitigating the build-up of cyclical risks and, simultaneously, at reducing the underlying rigidities and weaknesses, Figure 2.

Figure 2. Map of structural vulnerabilities to financial stability in Romania



A. Undercapitalised companies are a significant structural vulnerability in the Romanian economy, as they have weak financial bases and therefore are unable to withstand economic shocks or make long-term investments. These firms have a high insolvency risk and can be used for tax evasion or fiscal optimisation purposes, affecting the business environment, budget revenue collection and financial stability.

According to 2024 data, approximately one third of total firms in the economy (282.1 thousand) have equity below the regulatory threshold, the share being on a slight rise from the year before (31.3 percent in 2023). These companies play an important part in terms of debt creation (holding 27 percent of the sector's total debt), but also account for a material share of total assets (11 percent) and contribute to the employment of a significant part of labour force (12 percent of employees in the economy). The recapitalisation needs of firms with capital shortfalls amount to lei 160.5 billion (2024), the equivalent of over 9 percent of GDP and approximately equal to the aggregate net profit of firms in 2024 (lei 166.6 billion).

Undercapitalised companies can have a disruptive role in the business relations of firms in the economy, both upstream (for suppliers) and downstream (for customers).

In the course of 2024, they were engaged in more than 15.2 million transactions in the downstream supply chain (out of 615.2 million reported transactions), with total sales of lei 128.8 billion (accounting for 6.7 percent of total goods and services sold at national level[8]). Undercapitalised companies can hold significant shares in specific downstream sectors, the most relevant being: (i) information and communications (33 percent of total sales to this segment), (ii) cultural activities (20 percent), (iii) real estate transactions (18 percent) and (iv) electricity and gas (17 percent).

Undercapitalised companies are also an important link for a number of sectors in the upstream supply chain. In 2024, firms with capital shortfalls purchased, in over 7.4 million transactions with upstream businesses (out of 90.6 million reported transactions), goods and services in total amount of lei 79.8 billion (accounting for 4.8 percent of total goods and services supplied at national level[8]). Undercapitalised

[8] According to the information reported in Form 394

companies can hold significant shares in the total purchases made from specific supplier sectors, the most relevant being: (i) information and communications (19.4 percent of total sales of this segment), (ii) goods- and service-producing activities of private households for own use (13 percent), (iii) cultural activities (12.9 percent), (iv) accommodation and food service activities (10.2 percent) or (v) real estate transactions (8.5 percent).

Undercapitalised companies are a main factor behind the worsening of payment discipline in the economy, as they account for approximately 56 percent of total overdue payments of firms. Moreover, they hold 50.6 percent of overdue payments to suppliers and 69.6 percent of overdue payments to the general government budget.

The issues in firms' balance sheets also reflect in the loose payment discipline in the economy, as the volume of overdue payments of non-financial corporations in Romania to non-banks remained on an upward trend, increasing by 3.2 percent in annual terms in 2024. At the same time, the average payables payment period rose to 83 days (from 78 days in 2023 and 71 days in 2022), translating into a longer receivables collection period, i.e. 93 days (from 86 days in 2023 and 84 days in 2022), well above the maximum period of 60 days established by law. The prevalence of trade credit as a funding source for non-financial corporations in Romania (approximately 17.4 percent of liabilities and owners' equity versus an 8.8 percent share for loans from banks and NBFIs, 2024) is correlated with the long payables payment and receivables collection periods, amplifying the vulnerabilities to liquidity and solvency risks. In this context, insolvency has remained relatively unchanged since the beginning of the year (24.3 thousand firms, September 2025 data), but the number of companies undergoing insolvency proceedings declined by about 7 percent as compared to the pandemic period (26.2 thousand firms, September 2020 data).

The National Committee for Macroprudential Oversight (NCMO) has issued since 2018 recommendations[9] aimed at reducing vulnerabilities in companies' balance sheets, particularly for the purpose of improving the corporate insolvency framework and addressing the situation of firms with equity below the regulatory threshold. Some recommendations were transposed into the package of fiscal measures adopted by the government in September 2025[10]. One of the important measures aims to lower the number of firms with negative equity, by amending Law No. 31/1990 on commercial companies, in order to enable the easier conversion of debt of shareholders or partners to shares/other equity and introduce requirements for increasing share capital when net assets go down below the minimum required level. These measures, alongside regulations on firms' inactivity, can contribute to eliminating the companies used for fiscal optimisation and tax evasion purposes, thus strengthening the financial soundness of the business environment in Romania. The adequate implementation of the new legal provisions can support the increase in budget revenue collection, reduce the informal economy and, implicitly, correct the fiscal deficit. In addition, the proposed measures can stimulate financial

[9] NCMO Recommendation No. R/2/2018 on implementing some measures related to firms' financial soundness

[10] Law on measures for the recovery and efficient use of public resources, amending and supplementing some legal acts (PL-x No. 246/2025)

intermediation – which is at the lowest level among EU countries – and facilitate the access to finance by boosting the number of bankable companies.

B. Low financial intermediation represents a significant structural vulnerability, with direct implications for the economy's capacity to support investments for sustainable development. Romania further ranks last among EU Member States in terms of bank assets-to-GDP ratio (49.7 percent in 2025 Q2 versus the EU average of 210.4 percent), well behind peer countries in the region (Poland 96 percent, Bulgaria 96.4 percent, Hungary 108.3 percent)[11].

The low degree of financial intermediation is correlated with a modest level of financial inclusion, which affects disproportionately the vulnerable categories, i.e. low-income individuals, with lower education or living in rural areas. Even though the degree of financial inclusion has risen in recent years, Romania still stands below the European average, with significant gaps among various socio-demographic groups (see Box 5).

C. Romania is facing a double structural challenge: the demographic decline and the increasingly visible skilled labour shortage. The drop in the birth rate, the long-lasting migration and the active population ageing lead to a significant reduction in human resources available in the labour market.

The demographic problem remains pressing, with the population on a steady decline (-0.5 percent[12] on 1 July 2025 in annual terms). The demographic ageing trend has steepened, so that the number of the elderly (aged 65 and above) is 35.4 percent larger than that of the young (0-14 years). As a counterweight to these adverse demographic developments, migration dynamics recorded a favourable performance, with Romania witnessing positive net migration as of 2022, which marked the first trend reversal after almost two decades of negative net migration[13]. Even though the balance of international migration was positive in 2024, with the number of immigrants exceeding that of emigrants by 58.8 thousand, this failed to make up for the negative natural change of population (-102 thousand people, according to 1 January 2025 data). Romania ranks topmost in the EU as regards the share of immigrants with Romanian citizenship, accounting for 57.8 percent of total immigrants (data for 2023)[14]. Personal remittances to Romania are further high, confirming their major importance for household income and for the country's external balance. However, workers' remittances have declined slightly as of late (-8.9 percent in the period from 2024 Q3 to 2025 Q2, in annual terms), especially those coming from Germany (-16.7 percent) and Italy (-14.6 percent), possibly amid economic changes or the relocation of part of the Romanian workers. This might also point to a returning trend of Romanians established abroad, either temporarily or definitively, marking a shift in the population migration dynamics.

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11 Real sector credit-to-GDP ratio was 26.7 percent in 2025 Q2, which also places Romania last in the EU, behind neighbouring countries (Poland 37.4 percent, Bulgaria 56 percent, Czechia 58.6 percent and Hungary 35 percent, according to Financial Accounts data).

12 Data refer to population by residence, according to NIS Press Release No. 275 of 28 October 2025 (Romanian only)

13 OECD (2025), *OECD Reviews of Labour Market and Social Policies: Romania 2025*

14 Migration to and from the EU, Eurostat

In parallel, the education and the professional training systems need to adapt to the skills required by an economy undergoing technological transformation. From this perspective, the low employment rate and the modest level of education of the young in Romania represent major challenges. In 2024, almost one out of five persons aged 15-29 was neither in employment nor in education and training[15]. Moreover, the employment rate of recent graduates in the EU was 82.3 percent, yet Romania stood below this average, with only 75 percent[16], one of the lowest levels in the Union, alongside Italy (69.6 percent) and Greece (73.2 percent), indicating the need for better correlation between the education system and the labour market. Differences largely reflect the education level and the relevance of acquired skills relative to labour market requirements. In addition, lifelong learning is essential for preserving a competitive workforce, yet adult participation in continuing education remains low, i.e. 8.9 percent, below the EU average of 13.5 percent (2024).

D. Climate change is equally a source of major opportunities, but also significant risks for Romania. In the period from 1900 to 2021, Romania was confronted with more than 100 catastrophic events (including 53 floods, 11 earthquakes, 20 extreme temperature events and two major droughts), which impacted over 2 million people, caused nearly 5,000 deaths and generated losses and damages in excess of USD 17.2 billion[17]. Risks and potential damages from flooding and seismic events are on the upside, due to climate change and the infrastructure requiring modernisation and consolidation works. The government liability from losses in the event of a major disaster could exceed 0.4 percent of GDP, given the vulnerability of the residential building stock (estimated to account for more than 50 percent of potential losses) and of public assets. Against this background, investments channelled to energy-efficient and sustainable projects can significantly contribute to mitigating infrastructure vulnerability in the face of climate change and natural catastrophes. Thus, earmarking financial resources for sustainable projects not only protects the environment, but also consolidates the safety of communities, ensuring long-term economic development and better adjustment to the new climate conditions.

Special feature

The non-bank financial sector dynamics and the stronger nexus with the banking sector are a rising concern globally, especially given that non-bank institutions are more vulnerable to the elevated uncertainty surrounding macroeconomic and geopolitical developments.

In Romania, non-bank financial institutions (NBFIs) make up one of the most important components of the non-bank financial sector, with the closest ties to the banking sector.

There are various channels for the pass-through of risks, implying both a direct impact materialised in bank exposure to the non-bank financial sector and capital

[15] Young persons neither in employment nor in education and training by labour status (NEET rates)

[16] Employment rates of recent graduates, Eurostat

[17] World Bank, Systematic country diagnostic update - Romania

and liquidity impacts on credit institutions, in the event of a massive withdrawal of NBFI commitments. The only segment exhibiting a significant connection from the perspective of both assets and liabilities is that of NBFIs.

The level of banking sector exposures to NBFIs witnessed a sizeable advance, largely on account of the increase in lending, particularly in the period from December 2021 to June 2025. In June 2025, the annual growth rate of bank loans to NBFIs was 12.8 percent, slightly below the 13.3 percent dynamics of the overall portfolio of private sector credit. Exposure to NBFIs via the credit channel is concentrated in five banks jointly accounting for 88 percent of the total stock of bank loans to NBFI entities (June 2025). From the NBFI perspective, 10 entities benefited to the largest extent from the rise in bank loans (92 percent of bank credit to NBFIs, June 2025). According to the analysis, banks did not increase the exposure to NBFIs in order to engage in regulatory arbitrage of capital requirements, but for meeting these entities' funding needs, as leasing activities developed, and for the partial substitution of external funding.

Even though, at present, the risks associated with this interlinkage are still low, their evolution warrants close monitoring, given the potential strengthening of the nexus between the banking sector and NBFIs, amid the expansion of the latter's activity and the wide share of foreign currency financing.