

# Romania

In 2021, the Romanian real GDP had an increase by 5.1%, after a contraction by 3.9% in 2020. For this year, the forecasts mention an economic growth between 4.5 - 4.8%.

In December 2021, the annual CPI inflation stood at 5.1%, which was higher than the 2020 level of 2.63%.

Last year, the general budget execution closed with a deficit of 6.8% of the GDP, lower than the one of 2020 when the budget deficit stood at 9.5% of the GDP. During 2021, the balance of payments' current account posted a deficit of almost €17 billion, according to the National Bank of Romania's data, up by 55% compared to the previous year when the deficit stood at about €11 billion.

The programmes supporting employment reached their goal i.e. to curb the effects of the pandemic, so that the unemployment rate continued being low, namely 2.7%.

The progress of the Romanian banking sector despite the healthcare crisis was noteworthy. The robustness of the banking sector, the absorption of customers' liquidity problems, enhancing lending on sustainable basis, the acceleration of digitalization and a strong increase in saving are the strong points of the banking sector in the context of the pandemic.

From the very start of the pandemic, the banking sector's robustness ratios allowed for a proactive approach, namely to absorb customers' problems and enhance lending at pace. The banking sector's solvency ratio stood at 23.32% at the end of December 2021.

For 2021, the data on lending showed an increase in non-government credit by 14.8% to €65.52 billion. Thus, in 2021, we witnessed the increase in financial intermediation up to 27.4% from 26.8% in 2020. Last year, saving advanced by 13.9% to €96.8 billion.

In 2021, the second year of the pandemic when the status of alert was maintained, we saw an increase by 31.5% in the total volume of new loans granted to 110.5 billion *lei* compared to the year 2020, contemplating the population and the companies getting more and more used to the context of the pandemic plus the intensification of business compared to the previous year. The banking sector's assets stood at €130 billion, the advance being of 14.3% compared to 2020, this figure proving the size of the funding granted to the economy. The loans-to-deposit ratio increased to 68.78%.

After almost two years since the start of the Covid-19 pandemic in Romania, across the banking sector, surveys show an increase in the level of financial inclusion and in digitalization. Two out of three Romanians (68%) use all types of banking products and services, according to the survey 'The Romanians' perception of banking sector digitalization' drawn up in December 2020 by the Romanian Institute for Evaluation and Strategy (IRES). In 2017, the level of financial inclusion was estimated by the World Bank at 58% in Romania.

Romania had one of the steepest decreases in its NPL rate among European countries, the drop happening for 7 years in a row, down to 3.35% at the end of December 2021.

At the end of 2021, the Romanian banking sector included 34 credit institutions: three banks with full or majority Romanian state-owned capital, four credit institutions with majority domestic, private capital, 19 banks with majority foreign capital and eight branches of foreign banks. In 2021, about 68.2% of the Romanian banking sector's assets were held by institutions with foreign capital. Contemplating the expansion of digitalization and the optimization of operational expenses, the banks' branch network shrank to 3,695 bank outlets while the number of employees stood at 51,700.

The banking sector's capacity to generate profit was not influenced negatively by the outlook of worsening macroeconomic conditions considering twin deficits. In the banking sector, the return on assets (ROA) and the return on equity (ROE) stood at 1.36% respectively 13.28% at the end of 2021.

After 15 years since the integration into the European Union, Romania is the state ranking last in the EU as regards financial inclusion (68%) and financial intermediation (27.4%); the financial literacy score is 11.2 compared to the average financial literacy score resulting from an OECD survey of 12.7 while the level of economic welfare is one third of the EU average.

In 2021, in Romania, the GDP/capita stood at USD 14,861, a higher figure than the one in 2020 (USD 12,956), according to the World Bank, contemplating the economic recovery registered in 2021.

The Romanian banking industry aims to contribute to the sustainable development of Romania as well of the Romanian society in general. Accountability in resource allocation will be of utmost importance for the development of Romania's banking sector and its economy during this period of overlapping crises challenging not only Romania but also many states at global level.