

# Romania

In 2023, the Romanian real GDP had an increase by 2.1%, after an advance of the economy by 4.1% in 2022. For this year, the forecasts mention an economic growth between 2.5 - 2.8%.

In December 2023, the annual CPI inflation stood at 10.40%, which was lower than the 2022 level of 13.80%.

Last year, the general budget execution closed with a deficit of 6.6% of the GDP, higher than the one of 2022 when the budget deficit stood at 6.3% of the GDP. During 2023, the balance of payments' current account posted a deficit of almost €22.7 billion, according to the National Bank of Romania's data, lower by 12.84% compared to the previous year when the deficit stood at about €26 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 2.9%.

The banking sector of Romania has an adequate stance as regards its prudential and financial ratios, almost all of them standing above the averages of the European Union banking sectors. Banks in Romania are sound and well capitalised, their capital adequacy ratio reaching 23.60% in December 2023 which is three times over the requested minimum. When it comes to liquidity, the ratios stand at comfortable levels and, in addition, banks' balance sheet structures post liquid assets. The provision coverage for NPLs was 65.08% in September 2023, thus providing for stability and resilience. The NPL rate stood at 2.37% in December 2023, a slight difference compared to the European average.

For 2023, the data on lending showed an increase in non-government credit by 6.4% to €77.81 billion. The volume of new loans granted by the credit institutions of Romania during January 2020 – December 2023 (marked by the coronavirus pandemic and the effects of the war in Ukraine) stood at 461 billion lei. The new loans granted during these 4 years exceed by over 19% the non-government credit balance at the end of December 2023 and represent the equivalent of one third of Romania's Gross Domestic Product. Last year, the banks operating in Romania granted new loans to the population and to companies amounting to 140 billion lei, up by 10.41% compared to the volume of the new loans granted in 2022. The loans-to-deposit ratio decreased to 67.82%.

Romania has extraordinary potential when it comes to economic development via credit. In Romania, the financial intermediation level calculated as the weight of non-government credit against the GDP stood at 24% in 2023 compared to the European average of 90%. Last year, saving advanced by 11.8% to €115.37 billion.

The banking sector's assets stood at €161.5 billion, the advance being of 14.6% compared to 2022, this figure proving the size of the funding granted to the economy. In 2023, about 65.6% of the Romanian banking sector's assets were held by institutions with foreign capital.

At the end of 2023, the Romanian banking sector included 32 credit institutions: two banks with full or majority Romanian state-owned capital, four credit institutions with majority domestic, private capital, 18 banks with majority foreign capital and eight branches of foreign banks. Contemplating the expansion of digitalization and the optimization of operational expenses, the

banks' branch network shrank to 3,500 bank outlets while the number of employees stood at 51,500.

Banks' good results are due to the increase in their lending volume, more efficiency contemplating digitalization and the reversing of some provisions established during the pandemic years when risks were higher. In the banking sector, the return on assets (ROA) and the return on equity (ROE) stood at 1.8% respectively 20.13% at the end of 2023.

The financial inclusion level among Romanian adults has advanced to 71%, up compared to the level we had 2 years ago of 68%, shows a market research called "The perception of the Romanians regarding the banking sector: lending and financial inclusion for the Romanians", conducted by the Romanian Institute for Evaluation and Strategy. The highest weight of the people who do not have current accounts is among the persons with a poor education, with low income and with an average age of over 65 years, despite the current basic payment account being opened by banks free-of-charge. In 2023, in Romania, the GDP/capita stood at €10.250.

Banks continue to be concerned with intensifying digitalization while providing for cyber security to render costs more efficient and enhance customer satisfaction. The banking sector of Romania is strong and resilient, and it can carry out its implicit mandate i.e. enhancing financial intermediation on sustainable basis.