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Romania

June 2020

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SOVEREIGN RATING	Initial rating	Review	Review
Date of Rating Committee	13.01.2016	12.12.2019	11.06.2020
Date of rating publication	15.01.2016	13.12.2019	12.06.2020
Long-term rating	BBB- (ns)	BBB- (ns)	BBB- (ns)
Outlook	Stable	Negative	Negative
Short-term rating	A-3 (ns)	A-3 (ns)	A-3 (ns)

● (ns) – not solicited rating

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The report has been prepared and the rating – assigned, based on public information, made available by the National Institute of Statistics, National Bank of Romania, Ministry of Public Finance, the World Bank, the International Monetary Fund, the European Commission, BCRA's database etc. BCRA uses sources of information, which it considers reliable; however, it cannot guarantee the accuracy, adequacy and completeness of the information used.

BCRA - CREDIT RATING AGENCY AD **affirms** the **unsolicited** long-term and short-term sovereign rating of Romania and **maintains** the outlook related to them:

Long-term rating: **BBB- (ns)**
Short-term rating: **A-3 (ns)**
Outlook: **Negative**

BCRA's officially adopted **Sovereign Rating Methodology has been applied:** *https://www.bcra-bg.com/files/Sovereign_Methodology_2019_en.pdf*

Notes:

1) Prior to the present publication the credit rating and the rating outlook were disclosed to the rated entity. Following that disclosure amendments in the credit rating and rating outlook have not been executed;
2) During the last two years, BCRA Credit Rating Agency AD has not provided ancillary services to the rated entity or a related third party;
3) The users of the rating can find information on the meaning of each rating category in the Global Scale (https://www.bcra-bg.com/files/global_scale_en.pdf). The definition of default can be found in the Sovereign rating Methodology (https://www.bcra-bg.com/files/Sovereign_Methodology_2019_en.pdf)

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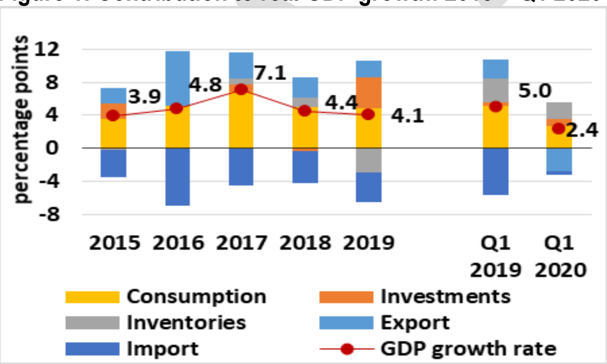
Overview

Romanian **politics** had a dynamic 2019 marked by ambiguous legislative initiatives of the ruling PSD (concerning justice system, pension system, administrative code, etc.), which continued destroying public trust in the majority and provoking street protests within the country. The last Cooperation and Verification Mechanism (CVM) report has confirmed these factors as having a clear negative impact on the advance of judicial reform and the fight against corruption. The two elections held in 2019 witnessed a corresponding change in the political balance and the then opposition PNL nomination – Klaus Iohannis, won greater election support (66.1%) than Viorica Dăncilă (33.9%), the PSD candidate.

In the context of political turmoil, the national government also has changed its leadership. After the PSD cabinet lost parliamentary majority by ALDE quitting the coalition, the Parliament has passed a confidence vote in the minority government of Prime Minister Ludovic Orban at November 4, 2019. Orban, the leader of the PNL, was appointed as the fourth Prime Minister during the 2016-2020 mandate of the Parliament, yet relying on ad-hoc coalitions and emergency ordinances to pass legislation. Along with political instability came the spread of the coronavirus and a state of emergency declared on the 16th of March 2020. As a result, Romanian authorities are getting their election calendar rescheduled, and institutional uncertainty prolonged.

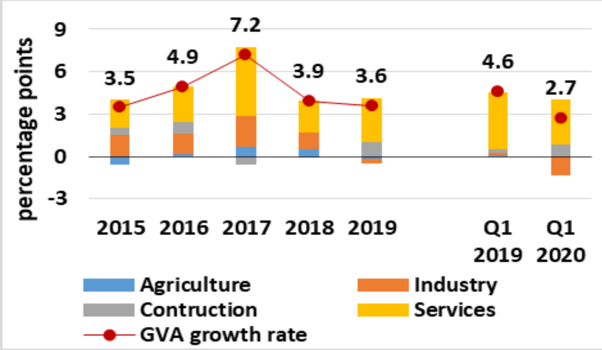
Figure 1: Contribution to real GDP growth: 2015 – Q1 2020



Source: National Institute of Statistics

In 2019, the Romanian **economy** slightly decelerated but continued growing at a robust rate of 4.1%, being a result of strong consumption advance and recovering investment. Following a drop in 2018, fixed investment expanded by 18.2% in real terms, thus adding a sizeable contribution to the GDP growth in 2019. This was chiefly related to the rapid upsurge in construction activity. Contrary, the negative contribution of net exports further expanded, as the slowdown of external demand from the euro area had a negative impact on Romanian exports, while imports remained elevated on domestic demand stimulus.

Figure 2: Contribution to real GVA growth: 2015 – Q1 2020



Source: National Institute of Statistics

Also, the sluggish external demand had an adverse effect on the local industry, as the **value-added** generated by the sector annually declined by 1.5% in 2019. Agriculture also contributed negatively to economic expansion, while services remained robust and construction marked an outstanding performance. Construction was recognised as a priority economic sector by the government and has been subject to a series of tax exemptions. As a result, the activity in the sector expanded by 17.3% in real terms.

Romania has been among the fastest growing EU-economies with real GDP averaging to 4.9% for the last 5 years. However, the global **COVID-19** pandemic and the containment measures it has necessitated will inevitably push the Romanian economy into a severe recession this year. The main growth driver – private consumption will be significantly affected by lockdown measures, surge in unemployment and fall in household's disposable income. Also, high uncertainty and shrinking demand will weight on private investment activity, while ongoing projects may be interrupted due to liquidity pressures. Concurrently, exports will drop, reflecting the economic contraction in country's main trading partners and supply chain disruptions. However, the negative contribution of net exports will be limited by the expected reduction in imports.

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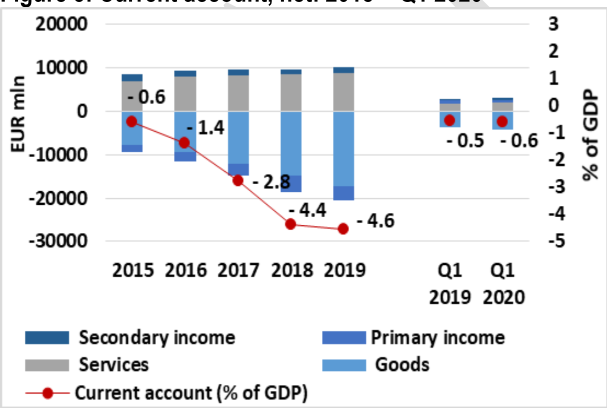
On the supply side, the impact of COVID-19 will be direr on industry and services.

According to the provisional estimates, Romania's annual GDP growth decelerated to 2.4%[1] in the first quarter of 2020, compared to a 5% increase in the same quarter of 2019. Consumption growth eased to 3.1% (from 6% in Q1 2019) - the weakest rate since 2014. Fixed investment increased by 5.9% while inventory build-up was recorded, given the sudden interruption of economic activity in mid-March. Concurrently, trade balance deteriorated as imports rose by only 0.8% in real terms, but exports fell by 5.5%. In parallel, almost all economic activities contributed positively to the GDP advance in Q1 2020 except for the industry. The industrial sector output declined by 5.9%, while construction retained its strong growth momentum, recording annual GVA growth of 23.3%.

The first-quarter results have been only moderately impacted by the COVID-19 crisis, as the state of emergency was instated only in the second half of March. Thus, the full impact of the lockdown will be reflected in the results for the second quarter. The European Commission projects[2] that the Romanian economy will contract by 6% in 2020 and grow by 4.1% in 2021. However, the recession magnitude and the recovery speed are yet uncertain to predict, as they will be shaped by the pandemic evolution and the timelines of the associated containment in the country, as well as by the dynamics of the recovery in the other Member States.

Figure 3: Current account, net: 2015 – Q1 2020

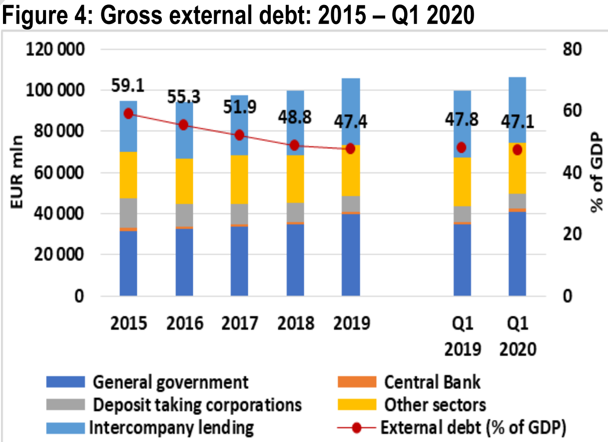


Source: National Bank of Romania

Reflecting the procyclical fiscal policy and rapid wage increases, external imbalances have become increasingly evident for Romania. Country's **current account** deficit sharply widened to 4.4% of GDP in 2018 and deteriorated further – to 4.6% of GDP in 2019. This evolution was driven by the fiscal-led consumption boom, which fuelled imports. As a result, the goods trade balance picked up to 7.8% of GDP in 2019 (7.2% of GDP in 2018). Furthermore, the current account deficit in Q1 2020 continued to widen on an annual basis, albeit at a somewhat slower pace, mainly due to the improvement in both primary and secondary income balances.

Romania's current account deficit is one of the highest in the EU and compares strongly unfavourable with other CEE peers. Concurrently, **financing** sources raise concerns as well since the coverage of the growing deficit by FDI and capital account flows has been declining. Capital account surplus increased only marginally to 1.3% of GDP in 2019, while net FDI remained almost flat at 2.4% of GDP and even turned negative in Q1 2020. Hence the reliance on debt-creating capital inflows for financing the external deficits is rising. This represents a serious risk in the face of the current economic shock when access to foreign financing may quickly dissolve.

Figure 4: Gross external debt: 2015 – Q1 2020



Source: National Bank of Romania

In January-March 2020, **gross external debt** rose by EUR 350 million, reaching EUR 106 222 mln (47.1% of GDP[3]). The increase was prompted by

[1] Seasonally unadjusted data.
[2] European Commission, "Spring 2020 Economic Forecast: A deep and uneven recession, an uncertain recovery".
[3] The debt to GDP ratio is calculated using the sum of GDP for the four last quarters.

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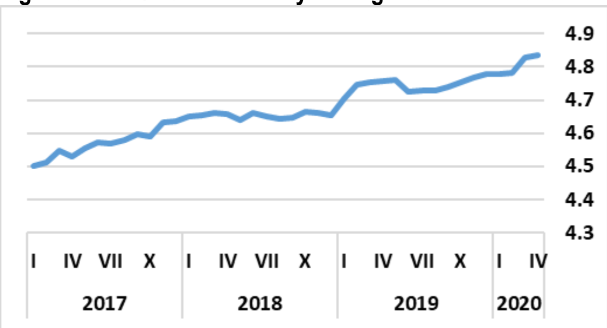
the general government debt, which picked up by EUR 1 431 mln against end-2019. In contrast, the banking sector deleveraged and intercompany lending decreased.

NBR's **international reserves** amounted to EUR 39 006 mln at the end of March 2020, adding EUR 1 555 mln up to their value at the end of 2019. Reserves currently remain broadly adequate as their goods and services import cover stood at 5 months and their ratio to short-term external debt by remaining maturity slightly increased to 77.3%.

Figure 5: EUR/RON – monthly average: 2017 – IV 2020



Source: National Bank of Romania

The Romanian currency has gradually depreciated over the past 2 years, reflecting worries about the large twin deficits, as well as the uncertainties in domestic politics. The leu **exchange rate** against the euro exceeded the psychological threshold of 4.8 in February 2019 and recorded a new all-time low of 4.84 on 17th of March 2020, following the outbreak of the coronavirus in Europe and its impact on economic activity and global financial markets.

CPI **inflation** slightly decelerated to 3.8% on average in 2019, from 4.6% in 2019. However, inflationary pressures from wage increases, fiscal stimulus and leu depreciation remained elevated and annual inflation rate moved above the upper limit of NBR's target band (2.5% ± 1 pp.). for most of 2019, ending the year at 4%. The plunge in global fuel prices and the coronavirus crisis will have a moderating effect on the overall rate of price increases in 2020. In contrast, food prices and leu weakening may support the CPI growth, so we see inflation hovering around the central bank's target in the coming months.

The **labour market** in Romania remained tight in 2019. Unemployment dropped to a new low corresponding to 3.9% of the active population, while the employment rate slightly increased. During the first quarter of 2020, the unemployment started increasing: more than 725 thousand contracts suspended due to technical unemployment according to the Ministry of Labour and Social Protection data, while the provisional unemployment rate of the LFS indicated 4.8% (or 432 thousand people; seasonally adjusted) in April 2020. Under GEO no. 30/2020, the technical unemployment indemnity (at the amount of 75% of gross wage) shall be paid from the state unemployment insurance budget by exception.

The acceleration of labour incomes economy-wide has been continued in 2019 as net monthly wages grew nominally by 14.9%. Minimum wages also continued to grow, as their step of increase became differentiated depending on education and seniority from 2019. The most significant increase concerned the earnings of employed in the sector of Construction, where the specific minimum wage was set at the level of RON 3 000 (~EUR 645 as of the beginning of 2019), which equalled to 90% of average gross wage in the sector over 2018. The annual growth rate of nominal wages in Construction reached the impressive 46.6% during 2019, along with accelerated employment in the sector. Starting 2020, there was no legal change for that sector and the average wages grew by 9.9% for the first three months. In that period (Q1 2020), the overall wage dynamics slowed down and the growth reached 8.3% on average. Accommodation and food service activities recorded a decline.

Despite the **GDP per capita** preserved its high growth (9.4% in nominal terms) elevating to EUR 11 500 in 2019, Romania remained at the second to last position in terms of income within the European Union.

Romania has less room for fiscal stimulus in 2020 given the country's already elevated budget deficits entering the crisis. Country's **public finances** have been deteriorating since 2016, in line with the procyclical fiscal stance based on tax cuts and higher current spending. This policy led to a significant widening of the budget deficit, which peaked to 4.6% of GDP in 2019, up by 1.7 pp. as against the prior-year level. The gap calculated in ESA terms reached 4.3% of GDP – well above the upper limit of the Maastricht Treaty. The strong deterioration was largely explained by the buoyant

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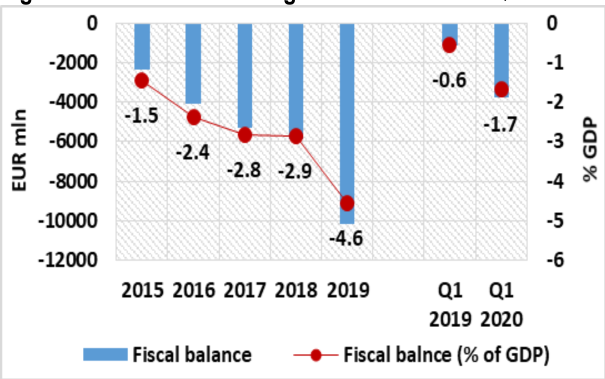
surge in personnel expenditure, social assistance, and investment, whereas revenues' growth moderated.

Figure 6: Consolidated budget balance: 2015 – Q1 2020



Source: Ministry of Public Finance

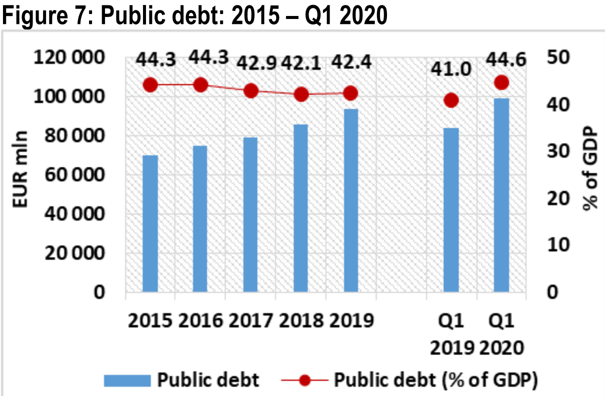
Considering the 3% threshold breach of the ESA deficit in 2019, on the 4th of March 2020, the European Commission initiated the **Excessive Deficit Procedure** for Romania. On the 3rd of April, the Council adopted the decision and issued a recommendation on the adjustment path and the deadline to end the situation. Reversing this trend becomes even more challenging in the current context, as large budgetary resources are needed to mitigate the economic impact of the COVID-19 outbreak. Amid the crisis, the EC activated the general escape clause from the provisions of the Stability and Growth Pact. This clause will allow a different fiscal treatment for the public spending generated by the pandemic, meaning that, when assessing whether Romania reached its EDP deficit targets, the costs generated by COVID-19 will be excluded. However, the fiscal deficit was projected to further widen even before the pandemic because of the new Pension Law (adopted in June 2019). Following the 15% increase from September 2019, a new pension hike of 40% is scheduled for September 2020. If implemented, it will bring significant budgetary costs, posing fiscal sustainability at risk.

In order to mitigate the economic fallout from the coronavirus pandemic, the government has announced a package of measures (amounting to about 3% of GDP) which has been complemented by EU support and easing from monetary authorities. Direct fiscal measures include payroll subsidies, support granted to parents staying at home with children, additional funds for the healthcare system, VAT reimbursements, and postponement of local taxes. Also, loan guarantees and subsidized interest are provided to SMEs for working capital and investment.

To reflect these measures, the government has revised its 2020 budget deficit target to 6.7% of GDP, from 3.6% originally planned. Compared to the initial budget, revenue loss generated by the economic slowdown is estimated at 1.8% of GDP, while spending is revised up by 1.2% of GDP. These calculations are made under the assumption of a 1.9% real GDP contraction, which may prove very optimistic. In the first three months of 2020, budget revenues annually decreased by 3.3%, while expenditures picked up by 12.7%. As a result, the execution of the consolidated general budget ended with a deficit of EUR 3 767 mln, i.e.1.7% of GDP, which represents a large slippage against the deficit recorded in the same prior-year period (EUR 1 157 mln or 0.6% of GDP).

In case of a more severe contraction of economic activity, fiscal deficit will end up being much larger, while the pension reform implementation will accelerate the deterioration. In this scenario, the reform is likely to be postponed in order to limit the overall slippage. However, fiscal stance beyond 2020 largely depends on general election outcome. To prevent growing deficits from threatening fiscal sustainability, strong medium-term consolidation should be considered, backed by broad structural reforms to enhance the tax compliance and public sector effectiveness. Besides, a rebalancing of the budget structure is needed to reduce the share of rigid spending.

Figure 7: Public debt: 2015 – Q1 2020



Source: Ministry of Public Finance

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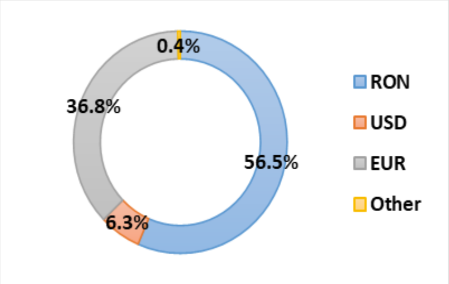
Strong GDP growth facilitated the improvement in **public debt**-to-GDP ratio over the past years, despite the continuous increase in debt stock. However, the downward path has reversed in 2019, amid rising financing needs and slower GDP advance. As of end-March 2020, Romania's public debt amounted to EUR 99 234 mln (44.6%[4] of GDP), increasing by EUR 5 298 mln compared to the end of 2019.

Figure 8: Currency structure of public debt: March 2020



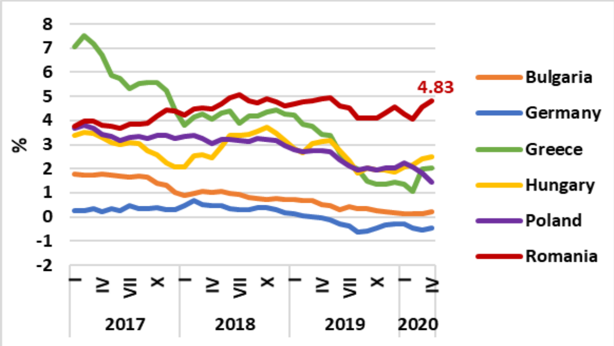
Source: Ministry of Public Finance

In recent years, the public debt structure has changed in favour of domestic debt, but it remains vulnerable to exchange rate movements with foreign currency-denominated debt accounting for 43.5% of total debt at the end of March 2020. Given the small relative share (21.7%) of debt contracted at floating rates, the exposure to interest rate risk remains moderate.

Romania's gross government debt[5] accounted for 37.4% of GDP as of Q1 2020 - well below the 60% ceiling of the Maastricht Treaty. Although country's indebtedness is still moderate and compares favourably to EU-peers, the debt trajectory is exposed to risk, due to the persistent primary budget deficit. The pandemic crisis and pension reform will accelerate the upward trend, so we see government debt-to-GDP ratio reaching close to 50%[6] in the next 2 years.

In January 2020, Romania has borrowed EUR 3 bln in two Eurobond tranches, one with a maturity of 12 years and the other one of 30 years. In May, two more tranches were successfully placed, of which EUR 1.3 bln with a maturity of 5 years and EUR 2 bln with a maturity of 10 years. Originally the government has planned to attract EUR 6 bln from the external financial markets in 2020 but may consider more foreign issues later this year depending on market conditions.

Figure 9: Long-term interest rates in Romania and selected EU countries: 2017 – IV 2020



Source: Eurostat

Also, the **financing costs** of public debt have been steadily increasing since 2017 to levels well above those observed for regional peer countries. Romania's local currency 10-year government bond yield increased to 4.83% in April 2020, being once again the highest within the EU. Taking in account the current coronavirus shock, Romania is even more vulnerable to the volatility and risk aversion in global financial markets. However, NBR's intention to purchase bonds from secondary markets will help to raise funds from the domestic market.

The Romanian **banking system** is entering the crisis in a relatively sound condition as the favourable results from 2019 were broadly continued in the first quarter of 2020. The system has been profitable and solvent with a capital adequacy of 20.3% as of Q1 2020. The total assets continued to grow steadily and of improving quality. The NPL ratio shrank further to 3.9% as of end-March 2020 while the growth of the outstanding non-financial sector loans continued – by 7.6% in the household segment, and slightly decelerating to 6.2% in NFC. The credits denominated in the local currency remained the most preferred in the currency structure.

The deposit base kept expanding at high annual rates (14.6% as of March 2020), thus ensuring liquidity resources with domestic origin counter to the process of foreign deleveraging. Regarding the

[4] The debt to GDP ratio is calculated using the sum of GDP for the four last quarters.
[5] According to EU methodology.
[6] Under a no-policy-change assumption.

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increased liquidity needs in the new situation, the government has provided RON 30 billion in the form of loan guarantees and subsidized interest for working capital and investment of SMEs. The Romanian banks are deferring loan repayments for households and businesses affected by COVID-19 by the end of the year.

The NBR has reacted promptly to loosen **monetary policy.** Monetary measures aimed at mitigating the economic impact of the pandemic include two successive policy rate cuts down to 1.75% from 2.50%; continuing purchase of RON denominated government securities on the secondary market; a repo line for euro liquidity (up to EUR 4.5 billion) agreed between ECB and the NBR.

Outlook:

The **negative outlook** of the Sovereign Rating of Romania reflects number of vulnerabilities, ranging from macroeconomic imbalances to political instability. After several years of strong expansion, the Romanian economy is now facing a deep recession amid the COVID-19 outbreak. The current crisis found Romania with relatively large twin deficits. External dynamics, namely widening current account deficit and rising reliance on hot money, expose the country to a higher risk of sudden capital flow reversals. Also, the coronavirus pandemic aggravates Romania's already weak fiscal position with additional risks coming from the pension hike law. Public debt is still moderate but is set on an upward trajectory and exposed to market risk in case of an elevated exchange rate volatility. Alongside this, the pre-electoral political context delays the needed reforms and undermines the predictability of economic policy in the following years.

Positive rating factors would be considered:
- Better predictability around policy-making;
- Swift recovery of economic activity, once the COVID-19 outbreak is contained;
- Reversing the structural deterioration in public finances;
- Sustained improvement in external metrics.

Negative rating factors would be considered:
- Continued fiscal loosening, leading to a rapid increase of public debt;
- Stronger deterioration of external imbalances;
- Sudden capital outflows and higher exchange rate volatility amid shift in investors' sentiments;
- Diminishing foreign reserve buffer.

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Regulatory announcements:

Rating initiative:

This rating is unsolicited

Unsolicited sovereign rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

The complete version of BCRA's policy on unsolicited credit/sovereign ratings can be downloaded through the following link:
https://www.bcra-bg.com/files/policy_unsolicited_rating_en.pdf

Clarifying Notes:

There may be some differences in the stated values and changes in the analysed indicators due to the conversion of those values in another currency (namely in EUR). The used exchange rate is the publically announced by the National Bank of Romania for the corresponding period (i.e. yearly, quarterly, and monthly). There may also be some differences stemming from using average values for the period rather than end-period values. The cited growth rates in the current report are based on changes in national currency, with the exception of data recorded in EUR (i.e. Balance of payments, External debt, Net international investment position). The data on which the current report is based includes the public data available until June 2020, with some exceptions, for which data is released more frequently.

Summary of the minutes of the Rating Committee:

On the 11th of June 2020, Rating Committee of BCRA – CREDIT RATING AGENCY (BCRA) had a session, on which the Report regarding the affirmation of an **unsolicited sovereign rating** of **Romania** was discussed. The session was headed by Dr Kiril Grigorov - chairmen of the Rating Committee.

The members of the Rating Committee discussed the grades of numerous credit rating factors included in the **Rating Model** and analysed in the **Credit Rating Report** according to the **Sovereign Rating Methodology**.

The members of the Committee reviewed the qualitative and quantitative risk factors, taking in account the expected impact of the global coronavirus pandemic. Key points discussed included: 1) domestic politics in the upcoming election context; 2) macroeconomic fundamentals and growth outlook; 2) external metrics deterioration; 3) crisis response measures aimed to support the economy's liquidity and preserve jobs; 4) track-records and forecast about the fiscal results and public debt sustainability, and 5) financial sector developments.

The current sovereign rating affirmation and the related outlook have been determined based on the above discussion.

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Tables:

Country	Development classification
Romania	Emerging and Developing Europe (IMF classification)

MAIN MACROECONOMIC INDICATORS							
	Q1 2020	Q1 2019	2019	2018	2017	2016	2015
Gross domestic product (EUR mln):	45 094	42 854	223 342	204 662	187 801	170 378	160 312
Final consumption	38 932	37 167	180 744	164 230	147 795	132 202	121 025
Gross fixed capital formation	7 136	6 636	52 783	42 923	42 083	38 966	39 711
Change in inventories	1 534	953	-1 570	3 650	1 913	789	573
External balance of goods and services	-2 509	-1 902	-8 615	-6 141	-3 989	-1 579	-996
Exports of goods and services	21 082	22 030	90 121	85 112	77 881	70 171	65 757
Imports of goods and services	23 591	23 932	98 736	91 253	81 870	71 750	66 753
Real GDP growth (%)	2.4	5.0	4.1	4.4	7.1	4.8	3.9
GDP per capita[1] (EUR, current prices)	-	-	11 500	10 510	9 580	8 650	8 090
Unemployment rate[2] (%)	4.2	3.8	3.9	4.2	4.9	5.9	6.8
Average net monthly wage (EUR)	682	630	666	579	522	465	416
CPI - annual average rate of change[3] (%)	3.7	4.4	3.8	4.6	1.3	-1.5	-0.6
RON/EUR - period average	4.80	4.74	4.75	4.65	4.57	4.49	4.45
RON/USD - period average	4.35	4.17	4.24	3.94	4.05	4.06	4.01
EXTERNAL SECTOR							
EUR mln	Q1 2020	Q1 2019	2019	2018	2017	2016	2015
Current account	-1 365	-1 120	-10 181	-8 960	-5 218	-2 353	-944
Goods	-4 354	-3 715	-17 354	-14 805	-12 207	-9 318	-7 794
Services	1 849	1 809	8 734	8 360	8 187	7 882	6 821
Primary income	726	588	-3 056	-3 767	-2 668	-2 257	-1 684
Secondary income	414	197	1 493	1 252	1 469	1 340	1 712
Capital account	996	704	2 852	2 514	2 217	4 261	3 901
Net FDI inflows	-552	1 232	5 300	4 945	4 882	4 514	2 954
Official reserves assets	39 006	35 865	37 450	36 800	37 107	37 905	35 485
Gross external debt	106 222	99 646	105 873	99 841	97 445	94 273	94 709
Net international investment position	-92 536	-88 223	-95 612	-89 301	-87 349	-82 802	-86 113
% of GDP[4]							
Current account	-0.6	-0.5	-4.6	-4.4	-2.8	-1.4	-0.6
Goods	-1.9	-1.8	-7.8	-7.2	-6.5	-5.5	-4.9
Services	0.8	0.9	3.9	4.1	4.4	4.6	4.3
Primary income	0.3	0.3	-1.4	-1.8	-1.4	-1.3	-1.1
Secondary income	0.2	0.1	0.7	0.6	0.8	0.8	1.1
Capital account	0.4	0.3	1.3	1.2	1.2	2.5	2.4
Net FDI inflows	-0.2	0.6	2.4	2.4	2.6	2.6	1.8
Official reserves assets	17.3	17.2	16.8	18.0	19.8	22.2	22.1
Gross external debt	47.1	47.8	47.4	48.8	51.9	55.3	59.1
Net international investment position	-41.0	-42.3	-42.8	-43.6	-46.5	-48.6	-53.7

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PUBLIC FINANCE							
EUR mln	**Q1 2020**	**Q1 2019**	**2019**	**2018**	**2017**	**2016**	**2015**
General government revenues	15 063	15 772	67 675	63 419	55 126	49 818	52 543
General government expenditures	18 829	16 929	77 854	69 293	60 437	53 892	54 874
Interest payments	733	662	2 561	2 781	2 216	2 229	2 153
General government budget balance	-3 767	-1 157	-10 179	-5 874	-5 311	-4 074	-2 331
Public debt	99 234	83 868	93 936	85 963	79 071	74 669	69 827
General government debt (ESA 2010)	83 276	69 158	78 151	70 861	64 630	62 882	59 488
Domestic debt	208 409	171 096	200 581	172 586	155 029	148 285	136 082
External debt	193 431	158 290	172 928	157 902	146 130	137 268	133 070
% of GDP[4]							
General government revenues	6.7	7.7	30.3	31.0	29.4	29.2	32.8
General government expenditures	8.4	8.2	34.9	33.9	32.2	31.6	34.2
Interest payments	0.3	0.3	1.1	1.4	1.2	1.3	1.3
General government budget balance	-1.7	-0.6	-4.6	-2.9	-2.8	-2.4	-1.5
Public debt	44.6	41.0	42.4	42.1	42.9	44.3	44.3
General government debt (ESA 2010)	37.4	33.8	35.2	34.7	35.1	37.3	37.8
Domestic debt	19.4	17.6	18.9	18.1	18.1	19.4	19.1
External debt	18.0	16.2	16.3	16.6	17.0	17.9	18.7

BANKING SYSTEM							
%	**Q1 2020**	**Q1 2019**	**2019**	**2018**	**2017**	**2016**	**2015**
Assets (EUR mln)	107 439	94 877	103 634	96 737	91 807	86 686	83 365
Asset-to-GDP ratio	52.9	51.4	49.9	47.4	49.9	51.4	52.9
Deposits of non-financial sector (EUR mln)	74 270	65 666	73 296	66 682	61 210	56 955	52 650
Loans and advances to non-fin. sector (EUR mln)	54 615	52 086	54 570	52 264	48 496	47 274	47 030
Non-performing loans ratio	3.9	4.9	4.1	5.0	6.4	9.6	13.5
Capital adequacy	20.3	20.0	20.0	20.7	20.0	19.7	19.2
Liquidity Coverage Ratio	244.9	255.4	239.6	237.8	239.2	229.4	n/a

[1] Data from Eurostat;
[2] Unemployment rate of population aged 15 years and over, Labour Force Survey.
[3] Annual average rate of change for the last 12 months;
[4] The GDP ratios for Q1 2019 and Q1 2020 are calculated using the sum of GDP for the four preceding quarters.

Source: National Institute of Statistics, National Bank of Romania, Ministry of Public Finance, Eurostat, the International Monetary Fund, BCRA's database