

# Romania

## Rating report

### Rating rationale

**EU membership, access to EU investment funds:** Romania has been allocated EUR 28.5bn (8.8% of 2023 GDP) in grants and loans via the EU recovery and resilience facility and REPowerEU programmes, alongside cohesion funds under the 2021-2027 EU Multiannual Financial Framework of around EUR 31bn (9.5% of 2023 GDP). This substantial allocation of EU monies supports the authorities' reform agenda and anchors strategic investment projects over the medium-run, while reducing investment spending pressures on the budget.

**Robust medium-run growth outlook:** Romania's ratings are anchored by its strong growth potential, which we estimate at around 3.5% annually, driven by considerable EU investment funds allocations. After moderating to 1.0% last year amid widening negative contributions from net exports and political uncertainty, we expect economic growth in Romania to recovery over coming years and to pick up to 2.3% in 2025 and 2.8% in 2026.

**Still-moderate but rapidly rising public debt:** High nominal GDP growth should partly mitigate the impact of sustained elevated fiscal deficits on public debt dynamics over our forecast horizon. We project the general government debt-to-GDP ratio to rise to around 67% by 2029, from an estimated 54.9% at YE 2024, almost twice the pre-Covid level of 35.0% in 2019.

**Rating challenges:** i) high fiscal deficits set to average more than 6.0% of GDP over 2025-29 with an estimated 7.9% of GDP deficit in 2024, a rigid budget structure, a growing debt-servicing burden and a weak tax base constrain the budgetary outlook and have resulted in high, structural budget deficits and a rising debt trajectory; and ii) elevated current account deficits, due, in part, to fiscal imbalances.

Figure 1: Romania's sovereign-rating drivers

| Risk pillars                        | Quantitative          |                   | Reserve currency* | Political risk** | Qualitative*** | Final rating |
|-------------------------------------|-----------------------|-------------------|-------------------|------------------|----------------|--------------|
|                                     | Weight                | Indicative rating | Notches           | Notches          | Notches        |              |
| Domestic economic risk              | 35%                   | a+                | RON               | Romania          | 0              | BBB-         |
| Public finance risk                 | 20%                   | bbb               |                   |                  | - 2/3          |              |
| External economic risk              | 10%                   | cc                |                   |                  | - 2/3          |              |
| Financial stability risk            | 10%                   | aaa               |                   |                  | 0              |              |
| ESG risk                            | Environmental factors | 5%                | [+0]              | [-0]             | 0              |              |
|                                     | Social factors        | 7.5%              |                   |                  | - 1/3          |              |
|                                     | Governance factors    | 12.5%             | bbb-              |                  |                |              |
| <b>Sovereign Quantitative Model</b> |                       |                   | <b>bbb+</b>       |                  | <b>-2</b>      |              |
| <b>Additional considerations</b>    |                       |                   |                   |                  | <b>0</b>       |              |

\*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.  
 \*\*The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.  
 \*\*\*The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

### Foreign currency

Long-term issuer rating/Outlook

**BBB-/Stable**

Senior unsecured debt

**BBB-/Stable**

Short-term issuer rating/Outlook

**S-2/Stable**

### Local currency

Long-term issuer rating/Outlook

**BBB-/Stable**

Senior unsecured debt

**BBB-/Stable**

Short-term issuer rating/Outlook

**S-2/Stable**

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### Credit strengths and challenges

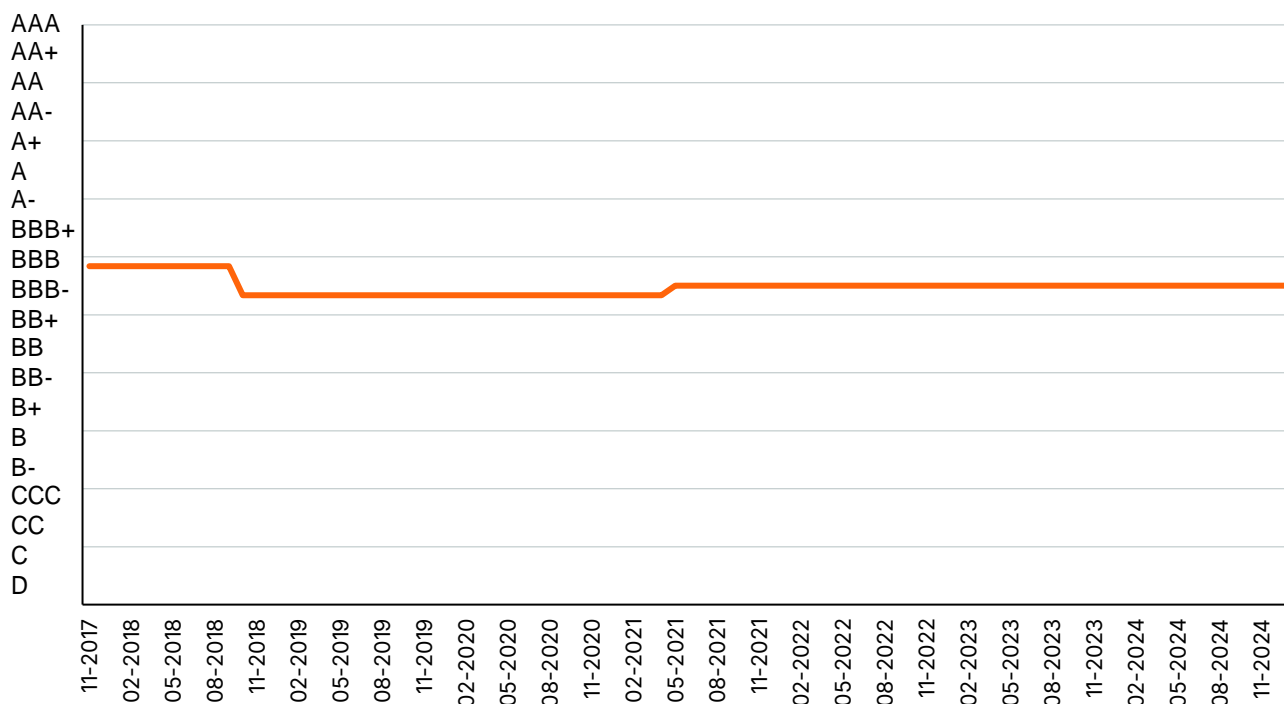
| Credit strengths  | Credit challenges  |
|---|--|
| <ul style="list-style-type: none"> <li>• EU membership, access to substantial EU investment fund inflows, anchoring broad policy continuity</li> <li>• Robust medium-run economic growth outlook</li> <li>• Still-moderate public debt</li> </ul> | <ul style="list-style-type: none"> <li>• High fiscal deficits, rigid budget structure and comparatively weak tax base</li> <li>• High, albeit well-funded, current account deficits</li> </ul> |

### Outlook and rating triggers

The Stable Outlook represents our view that risks for the ratings remain balanced.

| Positive rating-change drivers  | Negative rating-change drivers  |
|---|---|
| <ul style="list-style-type: none"> <li>• Strengthened fiscal consolidation anchors debt-to-GDP trajectory</li> <li>• Strengthened capacity for reform, including improvements in EU fund absorption</li> <li>• Sustained reduction in current-account deficit and/or tangible steps in the adoption of the euro to curtail external sector risks</li> </ul> | <ul style="list-style-type: none"> <li>• Curtailed capacity to absorb EU investment funds undermines growth and public finance outlooks</li> <li>• Material deterioration in the fiscal outlook</li> <li>• Elevated current-account deficit, intensified financing pressures and/or shrinking reserves increase external vulnerabilities</li> </ul> |

Figure 2: Rating history



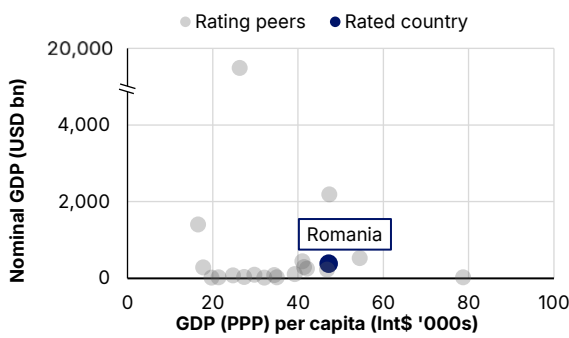
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

## Domestic economic risk

### Overview of Scope's assessments of Romania's Domestic Economic Risk

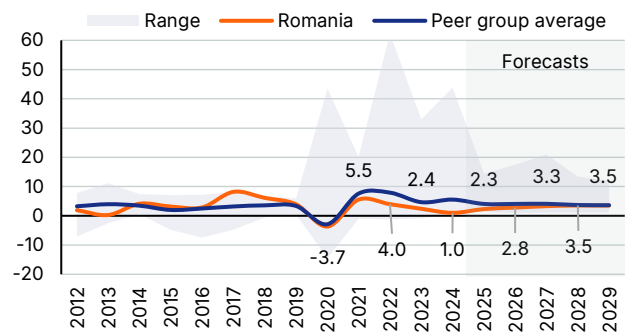
| SQM indicative rating | Analytical component                       | Assessment | Notch adjustment | Rationale   |
|-----------------------|--|------------|------------------|---|
| a+                    | Growth potential and outlook               | Strong     | +1/3             | Strong growth potential; challenges from adverse demographics and slow progress on structural reform        |
|                       | Monetary policy framework                  | Neutral    | 0                | Adequate monetary policy and implementation   |
|                       | Macroeconomic stability and sustainability | Weak       | -1/3             | Moderate but rising economic diversification; labour market bottlenecks; wide regional economic disparities |

Figure 3: Nominal GDP and GDP per capita (2024E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



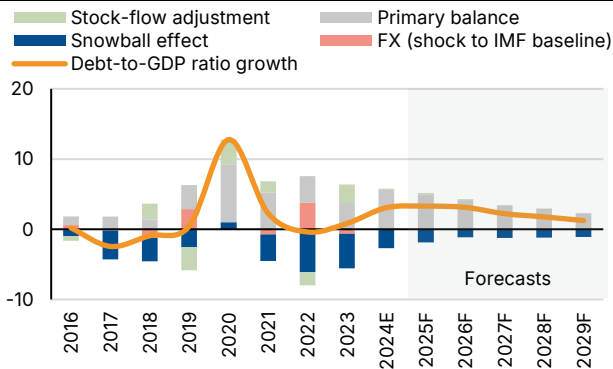
Source: IMF WEO, Scope Ratings forecasts

## Public finance risk

### Overview of Scope's assessments of Romania's Public Finance Risk

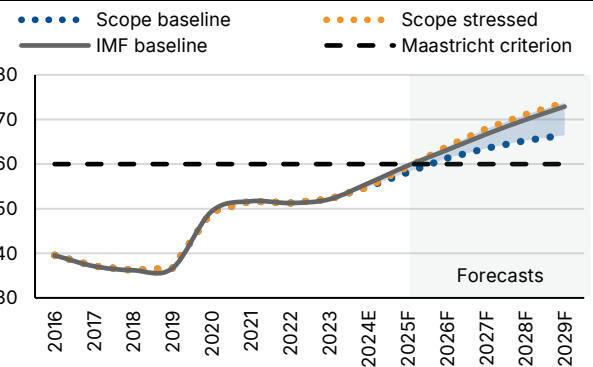
| SQM indicative rating | Analytical component           | Assessment | Notch adjustment | Rationale  |
|-----------------------|--------------------------------|------------|------------------|--|
| bbb                   | Fiscal policy framework        | Weak       | -1/3             | Track record of expansionary fiscal policies and excess deficits, rigid budgetary structure; recent introduction of moderate fiscal consolidation package  |
|                       | Long-term debt trajectory      | Weak       | -1/3             | Gradually rising public debt ratio, slow pace of fiscal consolidation and rising debt-servicing burden pose medium-run debt sustainability challenge   |
|                       | Debt profile and market access | Neutral    | 0                | Access to funding on relatively favourable terms; but higher financing rates than peers, risk from high FX share of debt and comparatively lesser access to lenders of last resort as a non-euro-area EU state |

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

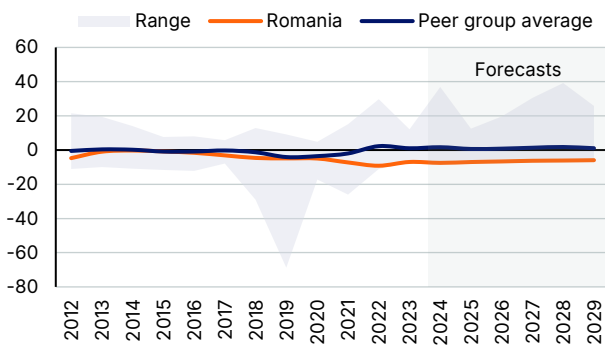
<sup>1</sup> Sovereign Quantitative Model

## External economic risk

### Overview of Scope's assessments of Romania's External Economic Risk

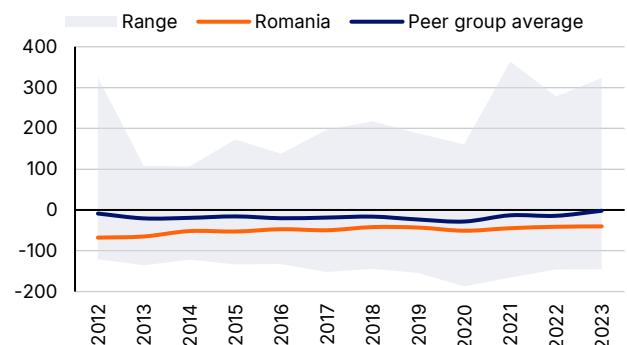
| SQM indicative rating | Analytical component                     | Assessment | Notch adjustment | Rationale   |
|-----------------------|--|------------|------------------|---|
| CC                    | Current account resilience               | Weak       | -1/3             | Structural current account deficits, high investment needs of the economy with relatively low domestic savings  |
|                       | External debt structure                  | Neutral    | 0                | External deficits increasing funded through debt creating lows, though still sizeable share of direct investments in external liabilities (around half) |
|                       | Resilience to short-term external shocks | Weak       | -1/3             | Improved and adequate reserve coverage, but high external financing needs, reliance on external demand and foreign capital                              |

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



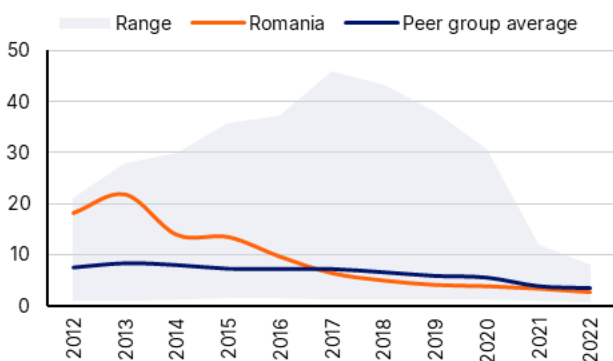
Source: IMF, Scope Ratings

## Financial stability risk

### Overview of Scope's assessments of Romania's Financial Stability Risk

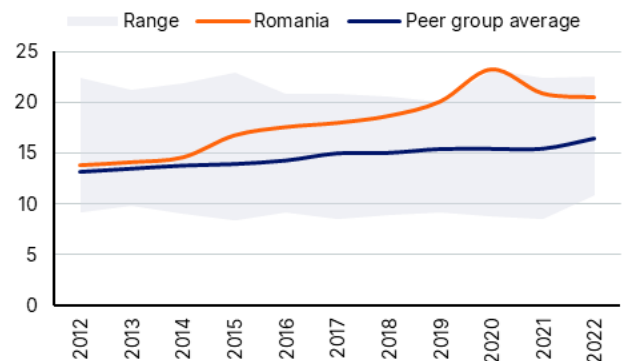
| SQM indicative rating | Analytical component                      | Assessment | Notch adjustment | Rationale   |
|-----------------------|---|------------|------------------|---|
| aaa                   | Banking sector performance                | Neutral    | 0                | Well-capitalised and liquid banking sector; strong profitability and adequate asset quality despite recent crises |
|                       | Financial sector oversight and governance | Neutral    | 0                | Effective supervision; timely and comprehensive regulatory measures   |
|                       | Financial imbalances                      | Neutral    | 0                | Still-elevated but declining foreign-currency exposure in the banking system; low financial intermediation        |

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



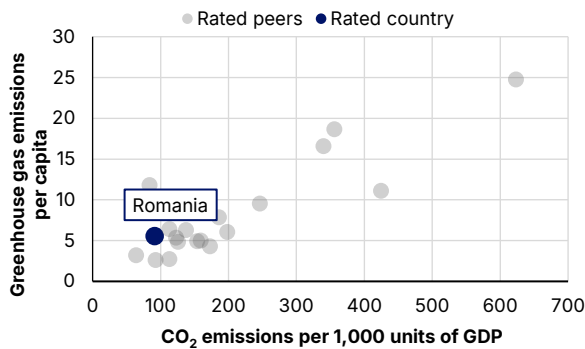
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

### Overview of Scope's assessments of Romania's ESG Risk

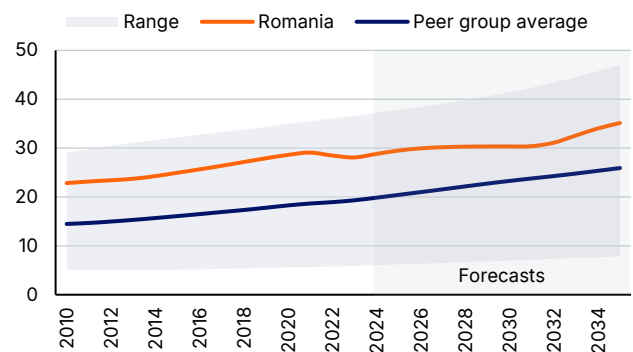
| SQM indicative rating | Analytical component  | Assessment | Notch adjustment | Rationale  |
|-----------------------|-----------------------|------------|------------------|--|
| bb+                   | Environmental factors | Neutral    | 0                | High carbon intensity of the economy, higher energy self-sufficiency compared to peers   |
|                       | Social factors        | Weak       | -1/3             | Elevated poverty and income inequality, adverse demographics trends  |
|                       | Governance factors    | Weak       | -1/3             | Governance challenges have risen following the cancellation of the November 2024 presidential ballot amid concerns of foreign interference. Broad policy continuity is expected from the new government, though a narrow parliamentary coalition will likely weaken capacity for reform and raises risks of government instability over the medium-term. |

Figure 11: CO<sub>2</sub> emissions per GDP, mtCO<sub>2</sub>e (2023)



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

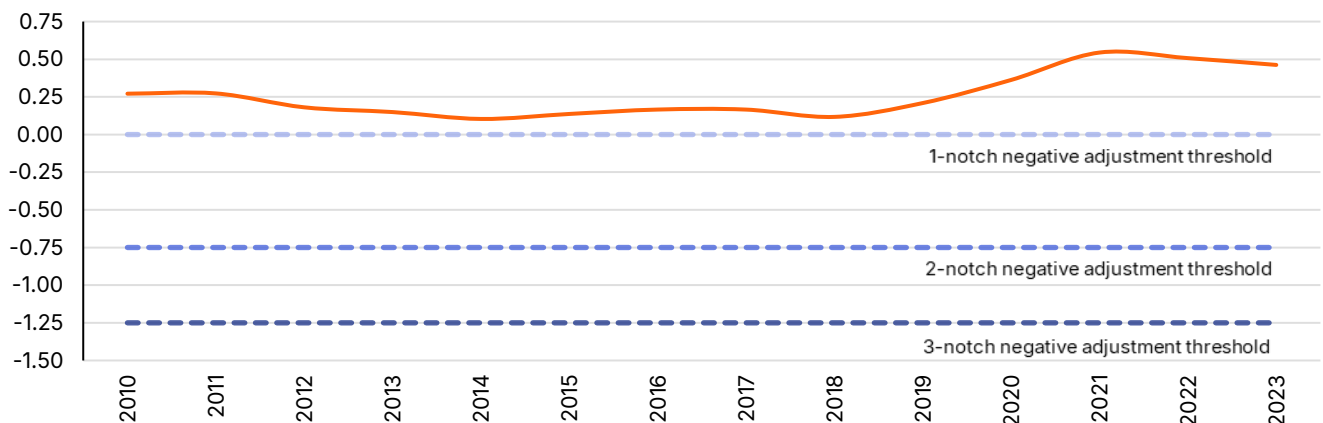
### IMF SDR basket and Scope reserve-currency adjustment

| Currency                     | U.S. dollar | Euro | Chinese yuan | Japanese yen | Pound sterling | Other |
|------------------------------|-------------|------|--------------|--------------|----------------|-------|
| IMF SDR basket weights, %    | 43.4        | 29.3 | 12.3         | 7.6          | 7.4            | 0.0   |
| Positive adjustment, notches | 3           | 1    | 1            | 1            | 1              | 0     |

Source: IMF, Scope Ratings

## Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Romania, three-year moving average



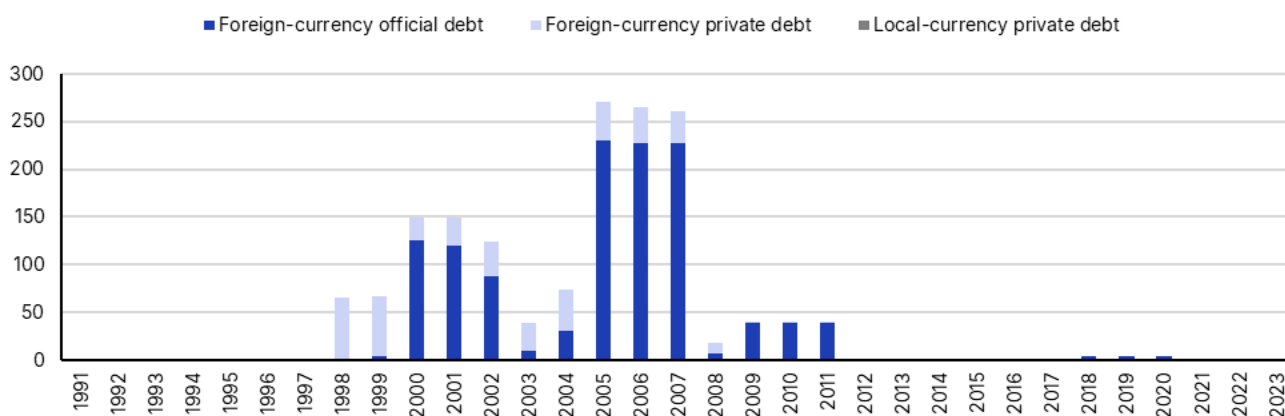
Source: WB, Scope Ratings

### Additional considerations

No adjustment was applied to the credit rating from additional considerations.

## Appendix 1. Sovereign default history

Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).  
 Source: [Bank of Canada–Bank of England Sovereign Default Database](#), [Scope Ratings](#).

## Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

| Peer group* |
|-------------|
| Bulgaria    |
| Georgia     |
| Greece      |
| Hungary     |

\*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

## Appendix 3. Economic development and default indicators

|   |  |
|---|--|
| IMF Development Classification                | Emerging market and developing economy |
| 5y USD CDS spread (bps) as of 21 January 2025 | 221.4                                  |

#### Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

| Pillar              | Core variable   | Source | 2019  | 2020  | 2021  | 2022  | 2023 | 2024E |
|---------------------|---|--------|-------|-------|-------|-------|------|-------|
| Domestic Economic   | GDP per capita (PPP), Int\$ '000s                         | IMF    | 33.5  | 34.2  | 37.8  | 42.5  | 45.0 | 47.2  |
|                     | Nominal GDP, USD bn                                       | IMF    | 251   | 252   | 286   | 299   | 351  | 381   |
|                     | Real growth, %  | IMF    | 3.9   | -3.7  | 5.7   | 4.1   | 2.1  | 1.9   |
|                     | CPI inflation, %  | IMF    | 3.8   | 2.6   | 5.0   | 13.8  | 10.4 | 5.3   |
|                     | Unemployment rate, %                                      | WB     | 3.9   | 5.0   | 5.6   | 5.6   | 5.6  | -     |
| Public Finance      | Public debt, % of GDP                                     | IMF    | 36.6  | 49.4  | 51.7  | 51.3  | 52.1 | 55.7  |
|                     | Net interest payments, % of government revenue            | IMF    | 3.9   | 4.6   | 4.8   | 6.5   | 6.0  | 7.2   |
|                     | Primary balance, % of GDP                                 | IMF    | -3.4  | -8.3  | -5.3  | -3.8  | -3.7 | -5.5  |
| External Economic   | Current-account balance, % of GDP                         | IMF    | -4.9  | -4.9  | -7.2  | -9.2  | -7.0 | -7.5  |
|                     | Total reserves, months of imports                         | WB     | 4.1   | 5.5   | 4.3   | 4.0   | 5.1  | -     |
|                     | NIIP, % of GDP  | IMF    | -43.2 | -50.8 | -44.7 | -41.2 | -    | -     |
| Financial Stability | NPL ratio, % of total loans                               | IMF    | 4.1   | 3.8   | 3.4   | 2.7   | 2.6  | -     |
|                     | Tier 1 ratio, % of risk-weighted assets                   | IMF    | 17.9  | 18.5  | 22.7  | 19.0  | 18.8 | -     |
|                     | Credit to the private sector, % of GDP                    | WB     | 24.6  | 25.8  | 26.4  | 24.9  | 23.0 | -     |
| ESG                 | CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e | EC     | 113.8 | 110.2 | 110.7 | 100.5 | 91.7 | -     |
|                     | Income share of bottom 50%, %                             | WID    | 17.9  | 17.8  | 17.0  | 17.0  | -    | -     |
|                     | Labour-force participation rate, %                        | WB     | 68.4  | 68.9  | 65.2  | 65.9  | -    | -     |
|                     | Old-age dependency ratio, %                               | UN     | 27.9  | 28.6  | 29.1  | 28.5  | 28.1 | 28.8  |
|                     | Composite governance indicators*                          | WB     | 0.2   | 0.2   | 0.2   | 0.3   | 0.2  | -     |
|                     | Political stability, index                                | WB     | 0.1   | 0.2   | 0.4   | 0.5   | 0.5  | 0.5   |

\*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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**Applied methodologies**

[Sovereign Rating Methodology](#), January 2024

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