

Romania

This annex refers to the release of the monitoring note of 12 February 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		bbb+
Reserve currency adjustment		0
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Strong
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Neutral
20%	Fiscal policy framework	Weak
	Debt sustainability	Weak
	Debt profile and market access	Neutral
20%	Current account resilience	Weak
	External debt structure	Neutral
	Resilience to short-term shocks	Weak
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Weak
20%	Environmental risks	Weak
	Social risks	Weak
	Institutional and political risks	Neutral
QS adjustment (notches)		-2
Additional considerations (notches)		0
Final rating		BBB- NEG

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (EUR '000s)	8.6	9.6	10.5	11.5	11.1	11.8	12.7
Real GDP, % change	4.7	7.3	4.5	4.2	-4.8	3.5	4.5
HICP, % change	-1.1	1.1	4.1	3.9	2.5	2.5	2.4
General government balance, % of GDP	-2.6	-2.6	-2.9	-4.4	-9.8	-8.0	-8.0
General government debt, % of GDP	37.4	35.1	34.7	35.3	45.0	53.0	61.0
Current account balance, % of GDP	-1.4	-2.8	-4.4	-4.6	-5.3	-4.5	-4.2
Gross external debt, % of GDP	56.0	52.9	48.9	49.5	-	-	-

Source: Macrobond, IMF, EC, National Bank of Romania, National Institute of Statistics, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

EMDE

5y USD CDS spread (bps) as of 11 February 2021

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¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Romania	February 2021	Assessment	Rationale
Peers*	Hungary, Italy, Portugal, Spain, Cyprus		
Domestic economic risk	Growth potential	Strong	Strong growth potential, but adverse demographics and slow progress on structural reforms
	Monetary policy framework	Neutral	Credible central bank, adequate monetary policy response during the Covid-19 crisis
	Macro-economic stability & sustainability	Neutral	Diversified industry; skilled labour shortages
Public finance risk	Fiscal policy framework	Weak	Track record of expansionary fiscal policies, rigid budget structure
	Debt sustainability	Weak	Rapidly rising debt burden and structural deficits pose medium-term risks to debt sustainability
	Debt profile & market access	Neutral	Access to funding on comparatively favourable terms, underpinned by EU support
External economic risk	Current account resilience	Weak	Weak external competitiveness with the trading partners, widening current account deficits
	External debt structure	Neutral	High share of direct investment in total external liabilities; sizable external financing requirement
	Resilience to short-term shocks	Weak	Limited available reserves to cover foreign currency liabilities in a more stressed environment
Financial stability risk	Banking sector performance	Neutral	Well-capitalised and liquid banking sector; profitability and asset quality impacted by the Covid-19 crisis
	Banking sector oversight	Neutral	Effective supervisory control, timely and comprehensive regulatory measures
	Financial imbalances	Weak	Risks from strong sovereign-bank nexus, still-elevated foreign currency exposure in the banking sector
ESG risk	Environmental risks	Weak	High carbon and energy intensity in the economy
	Social risks	Weak	Elevated levels of poverty, low labour force participation rate and decline in labour force
	Institutional and political risks	Neutral	Improved political stability

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.