

Outlook On Romania Revised To Negative On Rising Fiscal And External Deficits; 'BBB-/A-3' Ratings Affirmed

10-Dec-2019 16:55 EST

[View Analyst Contact Information](#)

[Table of Contents](#)

[Overview](#)

[Rating Action](#)

[Outlook](#)

[Rationale](#)

[Key Statistics](#)

[Ratings Score Snapshot](#)

[Related Criteria](#)

[Related Research](#)

[Ratings List](#)

Overview

Large spending deviations by the previous government have forced Romania's current leadership to revise up its fiscal targets for 2019 and 2020, against the backdrop of a slowing economy. Planned wage and pension increases will contribute to a widening of Romania's already substantial current account deficit through 2020.

While we assume significant fiscal consolidation commences next year, the rigid budget structure and volatile policy environment pose risks to that assumption.

We are therefore revising our outlook on Romania to negative from stable, and affirming our 'BBB-/A-3' ratings.

Rating Action

On Dec. 10, 2019, S&P Global Ratings revised its outlook on Romania to negative from stable. At the same time, we affirmed our long- and short-term foreign and local currency sovereign credit ratings at 'BBB-/A-3'.

As a "sovereign rating" (as defined in EU CRA Regulation 1060/2009 "EU CRA Regulation"), the ratings on Romania are subject to certain publication restrictions set out in Art. 8a of the EU CRA Regulation, including publication in accordance with a pre-established calendar (see "Calendar Of 2019 EMEA Sovereign, Regional, And Local Government Rating Publication Dates: Midyear Update" (/en_US/web/guest/article/-/view/sourceid/10798236), published July 2, 2019, on RatingsDirect). Under the EU CRA Regulation, deviations from the announced calendar are allowed only in limited circumstances and must be accompanied by a detailed explanation of the reasons for the deviation. In this case, the reason for the deviation is the rising risk that delayed policy response could erode the erosion of Romania's key credit strengths: its modest public and external leverage. The next scheduled rating publication on Romania will be in 2020, with the exact timing publicly available next "Calendar Of Sovereign, Regional, And Local Government Rating Publication Dates," which will be published later this month.

Outlook

The outlook revision reflects increasing risks to Romania's economic and fiscal stability should policymakers be unsuccessful stabilizing and consolidating Romania's budgetary stance, including plans to implement further pension hikes from next year.

Downside scenario

We could lower our ratings on Romania within the next 24 months if:

Fiscal and external imbalances continue to deteriorate and persist for longer than we currently anticipate, with the absence of fiscal consolidation resulting in higher public and external debt than currently forecast.

A lack of economic policy synchronization leads to an overextension of real wages and increased exchange rate volatility, with potential negative repercussions on public- and private-sector balance sheets.

Upside scenario

We could revise the outlook to stable if we observed that the government has made headway in anchoring fiscal consolidation, leading to a stabilization of Romania's public finances and external position.

Rationale

Policymakers have increased their projections for the budgetary deficit for 2019 and 2020 to 4.3% and 3.5%, respectively, of GDP from 2.8% and 3.0%, signifying a major deviation from original forecasts. These revisions largely reflect Romania's new government's transparent decision to settle overdue invoices and arrears with suppliers within the 2019 budget while revising downward its expenditure for revenue growth.

However, we believe there are grounds to question the realism of the revised budgetary targets over the 2020-2022 period. First, we understand the government intends to stand by the pension law mandated in the July 2019 pension law, leading to over 3% of GDP in cumulative pension spending increases in 2020-2022.

Second, in our view, any plans for offsetting budgetary measures are complicated by the upcoming election cycle. Given that the general government deficit will likely exceed the EU's 3% of GDP Excessive Deficit Procedure (EDP) ceiling this year and next, Romania may not be able to avoid the EDP determined by the European Commission under the Stability and Growth Pact. Romania is subject to the EDP from 2009 to 2013.

Third, an economic slowdown would weigh on government revenues, leading to further budgetary pressures. Under our base-case macroeconomic scenario, we assume growth remaining close to 2019 through 2022.

Despite these concerns, we have decided to affirm the rating given comparatively low stocks of general government and external debt. The affirmation also reflects Romania's EU membership, benefits its institutional framework, in our opinion. Constraints to the ratings include low economic wealth, relatively weak administrative capacity, an unpredictable policy environment, and an average monetary flexibility relative to peers.

Institutional and economic profile: Short-term political considerations continue to guide policy

Economic growth in Romania should remain just below 4% this year before weakening in 2020-2021, since external demand and wage growth are slowing.

Erratic policy execution, low administrative capacity, corruption, and polarization weigh on our institutional assessment, which is nevertheless helped by Romania's EU membership.

We do not expect meaningful fiscal consolidation before the 2020 elections.

We believe that the volatile political and policy environment will constrain the interim government, headed by Mr. Ludovic Orban, in delivering reliable fiscal consolidation ahead of next year's elections. Should the 2020 budget proposal not achieve parliamentary support in the December budget vote, the prospect for snap elections would rise. The likelihood of this scenario and its impact are difficult to predict given the fluidity of Romanian politics. Ultimately, we believe that an election and a reset of parliamentary positions would likely be required to form a government with a sufficiently strong mandate to move ahead with a firmer consolidation agenda.

Romania's political environment remains subject to confrontational rhetoric and parliamentary infighting. Political dynamics are in flux because support for the historically dominant Social Democrat PSD party has been declining, culminating in the October 2019 no-confidence vote and the landslide re-election of centrist President Iohannis in November. Given the busy election calendar, we anticipate that short-term political objectives will continue shaping Romania's historically procyclical fiscal policy.

The Romanian government has repeatedly deviated from the medium-term objectives stipulated in the EU's Stability and Growth Pact. The planned headline deficits for 2019 and 2020 suggest longer delay in responding to the imposition of an EDP than we had anticipated. That said, we continue to regard Romania's EU membership as an important policy anchor, and we believe the likely imposition of the EDP in 2020 will ultimately serve to instill fiscal discipline—but not before a new legislative term has commenced. For these reasons, our base-case scenario forecasts fiscal deficits will start declining from 2021, after the general elections take place.

Romania will likely close 2019 with headline growth of just under 4%, after consumption-led expansion. This follows average wage inflation so far this year of close to 15% alongside increased government that boosts demand. We understand that authorities plan to move ahead with a 7.2% increase in the minimum wage early in 2020, a measure that would likely contribute further to term overheating and an even wider current account deficit.

Over the medium term, however, we believe growth will decelerate as fiscal impetus subsides. For our base-case macroeconomic scenario, we assume growth remaining close to 3% through 2021 though we acknowledge that there are near-term uncertainties in either direction.

Over the longer term, Romania's growth prospects will remain constrained by the high net emigration of skilled labor and negative population growth. Structural reforms to address these issues appear to be lacking. High wage growth in recent years has not been accompanied by comparable increases in productivity, which has in part eroded the competitiveness of Romania's exports.

Flexibility and performance profile: External imbalances have widened, but low stocks provide scope for adjustment

We expect general government deficits will reach 4.3% of GDP in 2019 and 4.0% of GDP in 2020.

The funding mix of Romania's current account deficits is shifting, as foreign direct investment (FDI) and capital account flows decrease.

Despite the uncertain fiscal outlook, we expect Romania's central bank to keep inflation expectations under control and maintain adequate foreign currency reserves.

Romania's fiscal deficit is widening more rapidly than we originally projected. In its November budget revision, the new government has announced a deficit of 4.3% of GDP for 2019 compared to the planned 2.8% deficit of its predecessor. The deterioration stems in part from weaker-than-expected tax revenues but is primarily due to payment of arrears to suppliers. We believe pressures on Romania's budget will persist through 2022. The composition of the budget and structure of the deficit suggest imbalances are significant, with spending on wages and pensions now standing over 80% of tax revenue. We consider the fiscal choices made thus far particularly problematic, given the country's challenging demographics.

Weaker fiscal performance stems from the pre-electoral context, which constrains the interim government's room to maneuver. We have revised our forecasts to include in 2020 fiscal expenditure of 1% of GDP, related to the pension law and only partly mitigated by government's potential offsetting measure. For 2021, we assume the elections will provide the government with a mandate to address material elements of the pension increases anticipated in the July pension law. Absent such measures, we project that Romania's fiscal deficit will climb to about 6% of GDP by 2022, with government debt sharply higher as a share of GDP, implying an increase in interest expenses and further strain on its external position.

Yields on government securities showed fluctuations over 2018–2019, with an increase in the cost of government borrowings. This, in our view, reflects the country's higher financing needs and greater uncertainty regarding fiscal policy. The widening of government deficits in 2019–2020 has amplified short-term financing requirements. With mounting uncertainty on the prospects of stabilization, this situation could lead to a further rise in funding costs and a higher interest bill. Romania's government debt stood at 35% of GDP in 2018, with government liquid assets representing approximately 5% of GDP. The maintenance of this fiscal reserve buffer will continue to help limit refinancing risk, alleviating the effects on access to financing in the event that foreign investment starts dwindling.

Romania's current account deficits will likely remain elevated through 2022, mirroring the ongoing consumption-led growth and evolution of the government's fiscal position. Strong domestic demand and softening exports will result in deficits exceeding 5.0% of GDP on average over 2020–2021, in our base case. Perhaps more importantly, we observe that the current account deficit is increasingly covered by debt-financed inflows, since FDI and capital account flows are moderating. Compared with 2017, deficit coverage by these flows declined to around 70% in 2018 from over 90% and reduced further in 2019 as the current account deficit widened. Moreover, we note a lack of foreign greenfield investments, suggesting that investors might be increasingly hesitant due to the wage growth, lack of infrastructure development, and continuing political and policy uncertainties in Romania. This will likely keep Romania's external debt on an upward trajectory.

The leu's value is determined under a managed float in an inflation-targeting regime, with a target of 2.5%, plus or minus 1 percentage point. We forecast an inflation rate of 4.0% in 2019, and that the inflationary environment will keep the spotlight on monetary policy, due to the need to firmly anchor inflation expectations. Consumer price index-based data shows that the real effective exchange rate has been stable since the end of 2016. However, wage-adjusted real effective exchange indicators suggest overvaluation.

We have observed that the National Bank of Romania (NBR) has countered depreciation pressures on the leu through intervention in the foreign currency market, in particular through November saw a meaningful net outflow of reserves. Failure to anchor fiscal policies will pressure the leu, further complicating the central bank's mission. Over 2019, the NBR has been adamant that an exchange rate correction as a way to handle the external deficit is not on the table. We expect the NBR to uphold monetary policy credibility, anchor inflation expectations, and keep foreign currency reserves at a solid level. We forecast a controlled exchange rate correction through 2021 in our base scenario as the outlook for fiscal consolidation remains uncertain. Elevated exchange rate volatility could severe repercussions on public- and private-sector balance sheets, in particular because about half of Romania's government debt is denominated in foreign currency. Moreover, an estimated financial sector deposits are denominated in foreign currency, as well as roughly one-third of sectorwide loans.

Romania's predominantly foreign-owned banking sector remains sound, in our view. The system's loan-to-deposit ratio declined to about 80% at year-end 2018 from its peak of 137% in 2008. Lending growth has remained positive for the past two years, with loans to households and loans denominated in Romanian leu increasing strongly, though this trend has recently decelerated. Nonperforming loans had dropped to less than 5% of total loans by Dec. 31, 2018, from over 21% at midyear 2014. Liquidity and solvency ratios remain strong, and banks have maintained the profitability despite low interest rates.

Key Statistics

Table 1

| | Romania Selected Indicators | | | | | | | | | |
|--|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Economic indicators (%) | | | | | | | | | | |
| Nominal GDP (bil. LC) | 635 | 669 | 713 | 765 | 858 | 944 | 1,025 | 1,101 | 1,172 | 1,248 |
| Nominal GDP (bil. \$) | 191 | 200 | 178 | 188 | 212 | 240 | 243 | 252 | 268 | 284 |
| GDP per capita (000s \$) | 9.5 | 10.0 | 9.0 | 9.5 | 10.8 | 12.3 | 12.5 | 13.0 | 13.8 | 14.6 |
| Real GDP growth | 3.5 | 3.4 | 3.9 | 4.8 | 7.1 | 4.0 | 3.9 | 3.5 | 2.9 | 2.2 |
| Real GDP per capita growth | 3.9 | 3.8 | 4.3 | 5.4 | 7.7 | 4.6 | 4.2 | 3.8 | 3.2 | 2.5 |
| Real investment growth | (5.6) | 3.3 | 7.5 | (0.2) | 3.6 | (3.3) | 4.1 | 4.0 | 3.1 | 3.0 |
| Investment/GDP | 25.6 | 24.7 | 25.1 | 23.3 | 23.4 | 24.2 | 25.2 | 25.6 | 25.3 | 25.5 |
| Savings/GDP | 24.5 | 24.0 | 23.9 | 21.2 | 20.2 | 19.6 | 19.6 | 20.0 | 20.3 | 20.3 |
| Exports/GDP | 39.9 | 41.2 | 41.0 | 41.2 | 41.5 | 41.6 | 41.2 | 40.9 | 41.0 | 41.1 |
| Real exports growth | 20.2 | 8.0 | 4.6 | 16.0 | 7.6 | 5.4 | 5.0 | 4.2 | 4.3 | 6.1 |
| Unemployment rate | 7.1 | 6.8 | 6.8 | 5.9 | 4.9 | 4.2 | 4.0 | 4.1 | 4.1 | 4.1 |
| External indicators (%) | | | | | | | | | | |
| Current account balance/GDP | (1.1) | (0.7) | (1.2) | (2.1) | (3.2) | (4.6) | (5.6) | (5.6) | (5.0) | (4.0) |
| Current account balance/CARs | (2.4) | (1.5) | (2.7) | (4.5) | (7.0) | (10.0) | (12.2) | (12.2) | (10.9) | (10.0) |
| CARs/GDP | 45.3 | 45.8 | 46.0 | 45.8 | 45.7 | 45.8 | 45.5 | 45.6 | 45.9 | 46.0 |
| Trade balance/GDP | (4.0) | (4.3) | (4.9) | (5.5) | (6.5) | (7.3) | (8.1) | (8.7) | (8.4) | (8.0) |
| Net FDI/GDP | 2.0 | 1.8 | 1.8 | 2.7 | 2.6 | 2.4 | 1.8 | 1.6 | 1.8 | 1.1 |
| Net portfolio equity inflow/GDP | 0.6 | 0.3 | 0.1 | (0.3) | (0.1) | (0.2) | (0.1) | (0.1) | (0.1) | (0.1) |
| Gross external financing needs/CARs plus usable reserves | 103.6 | 99.7 | 95.6 | 97.8 | 96.4 | 98.5 | 101.0 | 102.8 | 104.8 | 103.0 |
| Narrow net external debt/CARs | 64.1 | 48.5 | 40.1 | 29.0 | 30.9 | 32.1 | 36.5 | 40.8 | 43.3 | 44.0 |
| Narrow net external debt/CAPs | 62.6 | 47.8 | 39.0 | 27.7 | 28.9 | 29.2 | 32.5 | 36.4 | 39.0 | 40.0 |
| Net external liabilities/CARs | 141.8 | 113.5 | 114.3 | 100.8 | 109.0 | 104.5 | 110.6 | 113.5 | 114.6 | 111.0 |
| Net external liabilities/CAPs | 138.5 | 111.9 | 111.3 | 96.4 | 101.9 | 94.9 | 98.6 | 101.2 | 103.3 | 101.0 |
| Short-term external debt by remaining maturity/CARs | 57.1 | 51.5 | 43.4 | 37.1 | 29.3 | 28.3 | 27.2 | 26.9 | 26.0 | 25.0 |
| Usable reserves/CAPs (months) | 6.3 | 6.3 | 6.2 | 5.1 | 4.6 | 4.4 | 4.1 | 3.8 | 3.3 | 3.1 |
| Usable reserves (mil. \$) | 48,818 | 43,164 | 38,705 | 39,959 | 44,450 | 42,132 | 40,517 | 37,701 | 36,991 | 36,000 |
| Fiscal indicators (general government; %) | | | | | | | | | | |
| Balance/GDP | (2.1) | (1.2) | (0.6) | (2.6) | (2.6) | (3.0) | (4.3) | (4.0) | (3.2) | (3.0) |

| | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Change in net debt/GDP | 2.0 | 1.9 | 1.5 | 0.3 | 2.4 | 3.4 | 4.3 | 4.0 | 3.2 | 3.0 |
| Primary balance/GDP | (0.3) | 0.5 | 1.0 | (1.1) | (1.4) | (1.8) | (2.9) | (2.5) | (1.7) | (1.1) |
| Revenue/GDP | 33.3 | 34.1 | 35.5 | 31.9 | 30.9 | 32.3 | 32.0 | 32.5 | 33.0 | 33.0 |
| Expenditures/GDP | 35.4 | 35.3 | 36.1 | 34.5 | 33.6 | 35.2 | 36.3 | 36.5 | 36.2 | 36.0 |
| Interest/revenues | 5.3 | 4.8 | 4.6 | 4.7 | 4.1 | 3.7 | 4.3 | 4.6 | 4.7 | 4.4 |
| Debt/GDP | 37.6 | 39.2 | 37.8 | 37.3 | 35.1 | 35.0 | 36.5 | 38.0 | 38.9 | 39.0 |
| Debt/revenues | 112.9 | 114.9 | 106.4 | 116.9 | 113.4 | 108.5 | 114.2 | 117.0 | 117.9 | 111.0 |
| Net debt/GDP | 32.0 | 32.3 | 31.7 | 29.9 | 29.0 | 29.8 | 31.8 | 33.6 | 34.7 | 35.0 |
| Liquid assets/GDP | 5.6 | 6.9 | 6.0 | 7.4 | 6.1 | 5.2 | 4.8 | 4.4 | 4.2 | 3.0 |
| Monetary indicators (%) | | | | | | | | | | |
| CPI growth | 3.2 | 1.4 | (0.4) | (1.1) | 1.1 | 4.1 | 4.0 | 3.5 | 3.2 | 3.0 |
| GDP deflator growth | 3.4 | 1.7 | 2.6 | 2.5 | 4.7 | 5.9 | 4.5 | 3.7 | 3.5 | 3.0 |
| Exchange rate, year-end (LC/\$) | 3.26 | 3.69 | 4.15 | 4.30 | 3.89 | 4.07 | 4.35 | 4.40 | 4.35 | 4.0 |
| Banks' claims on resident non-gov't sector growth | (3.2) | (3.0) | 3.1 | 1.1 | 5.6 | 7.9 | 5.0 | 4.7 | 4.3 | 4.0 |
| Banks' claims on resident non-gov't sector/GDP | 34.7 | 32.0 | 31.0 | 29.2 | 27.5 | 26.9 | 26.0 | 25.4 | 24.9 | 24.0 |
| Foreign currency share of claims by banks on residents | 37.0 | 33.7 | 29.3 | 25.4 | 22.0 | 20.8 | 31.3 | 31.3 | 31.3 | 31.0 |
| Foreign currency share of residents' bank deposits | 34.1 | 33.1 | 32.4 | 31.3 | 31.8 | 33.2 | 31.0 | 31.0 | 31.0 | 31.0 |
| Real effective exchange rate growth | 4.7 | 0.7 | (3.4) | (1.8) | (1.5) | 2.8 | N/A | N/A | N/A | N/A |

Sources: Eurostat (economic indicators), Bank of Romania and IMF (monetary indicators), Eurostat (fiscal and debt indicators), and Bank of Romania (external indicators)

Adjustments: No data adjustments applied

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus that in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid assets by nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. e--Estimate. f--Forecast. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

| Romania Ratings Score Snapshot | | |
|---|-------|---|
| Key rating factors | Score | Explanation |
| Institutional assessment | 4 | Policy choices over the past few years have led to very procyclical fiscal policies and hence weakened support for sustainable public finances. The country suffers from weak transparency owing to political interference undermining institutional independence. |
| Economic assessment | 4 | Based on GDP per capita (\$) as per the Selected Indicators in Table 1. |
| External assessment | 3 | The Romanian leu is neither a reserve nor an actively traded currency. Based on narrow net external debt and gross external financing needs as per the Selected Indicators in Table 1. |
| Fiscal assessment: flexibility and performance | 4 | Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1 |
| Fiscal assessment: debt burden | 3 | Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per Selected Indicators in Table 1. Bank exposure to government sector stands at 21% as of March 2019 and over 40% of government debt denominated in foreign currency |
| Monetary assessment | 3 | Managed float. Since 2005, the National Bank of Romania has targeted inflation but hasn't moved to a full-inflation targeting framework. It therefore intervenes in foreign exchange markets. The central bank enjoys operational independence with market based instruments. |
| Indicative rating | bbb- | As per Table 1 of "Sovereign Rating Methodology." |
| Notches of supplemental adjustments and flexibility | 0 | |
| Final rating | | |
| Foreign currency | BBB- | |
| Notches of uplift | 0 | Default risks do not apply differently to foreign- and local-currency debt |
| Local currency | BBB- | |

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §§15 and §§126-128 of the rating methodology.

Related Criteria

Criteria | Governments | Sovereigns: Sovereign Rating Methodology ([/en_US/web/guest/article/-/view/sourcelid/10221157](#)), Dec. 18, 2017

General Criteria: Methodology For Linking Long-Term And Short-Term Ratings ([/en_US/web/guest/article/-/view/sourcelid/10011703](#)), April 7, 2017

General Criteria: Use Of CreditWatch And Outlooks ([/en_US/web/guest/article/-/view/sourcelid/5612636](#)), Sept. 14, 2009

General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments ([/en_US/web/guest/article/-/view/sourcelid/5402435](#)), May 18, 2009

Related Research

Sovereign Ratings List ([/en_US/web/guest/article/-/view/sourcelid/11269135](#)), Dec. 12, 2019

Sovereign Ratings History ([/en_US/web/guest/article/-/view/sourcelid/11269141](#)), Dec. 12, 2019

Sovereign Risk Indicators ([/en_US/web/guest/article/-/view/sourcelid/10729619](#)), Oct. 10, 2019. An interactive version is also available at <http://www.spratings.com/sri>

Global Sovereign Rating Trends: Midyear 2019 ([/en_US/web/guest/article/-/view/sourcelid/11080646](#)), July 25, 2019

Default, Transition, and Recovery: 2018 Annual Sovereign Default Study And Rating Transition, March 15, 2019

Sovereign Debt 2019: Eurozone Commercial Borrowing To Increase 1.6% In 2019 ([/en_US/web/guest/article/-/view/sourcelid/10884350](#)), Feb. 22, 2019

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decisions and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed; Outlook Action

Romania

Sovereign Credit Rating

BBB-/Negative/A-3BBB-/Stable/A-3

| | | |
|--------------------------------------|------|------|
| Transfer & Convertibility Assessment | A- | A- |
| Senior Unsecured | BBB- | BBB- |
| Short-Term Debt | A-3 | A-3 |

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceld/504352. Complete ratings information is available to subscribers of Ratings at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4009.

Primary Credit Analyst: Gabriel Forss, Stockholm (46) 8-440-5933;
gabriel.forss@spglobal.com (mailto:gabriel.forss@spglobal.com)
Secondary Contact: Karen Vartapetov, PhD, Frankfurt (49) 69-33-999-225;
karen.vartapetov@spglobal.com (mailto:karen.vartapetov@spglobal.com)
Additional Contact: EMEA Sovereign and IPF;
SovereignIPF@spglobal.com (mailto:SovereignIPF@spglobal.com)

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses and S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (<http://www.standardandpoors.com>) (free of charge), and www.ratingsdirect.com (<http://www.ratingsdirect.com>) and www.globalcreditportal.com (<http://www.globalcreditportal.com>) (subscription), and may be distributed through other means, including via S&P publication third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees (<http://www.standardandpoors.com/usratingsfees>).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact S&P Global Ratings, Client Services, Water Street, New York, NY 10041; (1) 212-438-7280 or by e-mail to: research_request@spglobal.com (mailto:research_request@spglobal.com).

Legal Disclaimers ([/en_US/web/guest/regulatory/legal-disclaimers](http://en_US/web/guest/regulatory/legal-disclaimers))
Careers at S&P Global Ratings (<https://www.spglobal.com/en/careers/overview>)
Terms of Use ([/en_US/web/guest/regulatory/terms-of-use](http://en_US/web/guest/regulatory/terms-of-use))
Privacy and Cookie Notice ([/en_US/web/guest/regulatory/privacy-notice](http://en_US/web/guest/regulatory/privacy-notice))
Copyright © 2019 Standard & Poor's Financial Services LLC. All rights reserved.

Reproduction and distribution of this information in any form is prohibited except with the prior written permission of Standard & Poor's Financial Services LLC and its affiliates (together, "S&P") does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. S&P shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, fees, or losses (including lost income or profits and opportunity costs) in connection with any use of this information, including ratings. S&P ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied upon as investment advice. Please read our complete disclaimer here. ([/en_US/web/guest/regulatory/legal-disclaimers](http://en_US/web/guest/regulatory/legal-disclaimers))