

Banking sector in Romania remains solid, rate of non-performing loans reaches historic low (analysis)

The banking sector in Romania remains solid, the rate of non-performing loans reaching a historic low, and solvency rates are significantly better than a decade ago, according to Mihai Chipirliu, CFA Risk director Allianz Trade.

"The banking sector in Romania remains solid, in a much more favorable situation than in the period 2008-2009. The rate of non-performing loans reached a historic low of 2.65% at the end of February 2023 compared to the highs of 9-10 years ago, when it fluctuated between 15-22%. At the same time, solvency rates are significantly better than they were a decade ago, not to mention the crisis period of 2008-2009. Indeed, the upward slope of profits obtained by most commercial banks in recent years, due to both credit growth and rising interest rates could change direction in the coming period. The performance of borrowed companies is already feeling the pressure of rising interest rates and inflation on profits and liquidity, reflected both in the increase in the number of insolvencies as well as delays in payments to suppliers," said Mihai Chipirliu, according to a statement sent to AGERPRES on Monday.

Although the initial estimates for Romania indicated a potential decrease in reference interest rates in the second part of this year, as inflation loses its strength, Allianz Trade analysts are reserved about this scenario, at least for the current year. The inflation level will be influenced by a substantial base effect compared to the second part of last year and could even decelerate slightly below 10% in certain months - in the absence of other major shocks at the global level. However, it is unlikely that we will witness an accelerated drop in prices in the short term in the conditions of maintaining geopolitical and social tensions, the requirements related to the transition to green energy and a sustainable economy.