

## Romania: Weak foundations make for a challenging issuance ahead

Romania's government is proposing a lower deficit than last year, but the market still have questions given May's presidential election. The finance ministry wants to focus on local funding sources including retail bonds and T-bills. MinFin should be able to balance the financing needs, simultaneously higher yields and volatile demand

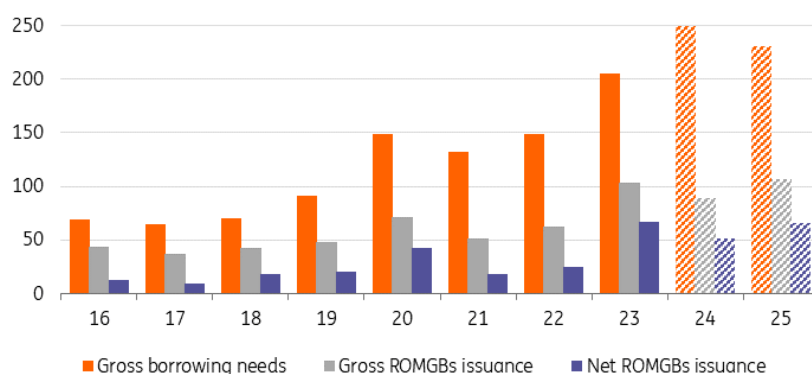


Skyline at Bucharest

### Fiscal policy: Another challenging year

According to Romania's Ministry of Finance, the country's public finances ended last year with a deficit of 8.6% of GDP, the highest since Covid in 2020. For this year, the budget is currently in the approval process, but the government is forecasting a consolidation to 7.0% of GDP, which is our forecast for now as well, equivalent to RON133bn in cash terms. However, the fiscal risk here remains to the upside given the presidential election in May and what we experienced last year.

## Gross financing needs and Romania government bonds (ROMGBs) issuance (RONbn)



Source: MinFin, ING estimates

### Local issuance: Higher reliance on local currency funding

Given the forecast of some fiscal consolidation, we should see lower gross borrowing needs this year, but the redemption calendar is not favourable, resulting in just an 8% decline in needs from RON250bn to RON231bn (12.4% of GDP) with a very uncertain fiscal outlook. We believe MinFin will focus more on local funding sources this year. Thus, we forecast an increase in gross ROMGBs issuance from RON89bn to RON107bn (+20%).

However, the low comparative base was created by strong activity in T-bills last year (almost 20bn), offsetting some ROMGBs issuance. For this year, we expect MinFin to look to bridge higher ROMGBs yields and lower demand by T-bill issuance and higher retail bond issuance where demand remains strong. Net bond supply should rise from RON51.9bn to RON65.8bn (+27%).

Given the current sell-off in the ROMGBs market, we may see MinFin attempt to delay supply. However, it has to balance that with the fiscal outlook, and it will want to take advantage of any market demand to drive the final split between funding sources.

### Financing needs for 2025 (RONbn)

	ING
State budget	133.0
Domestic redemptions	78.0
Foreign redemptions	20.0
<b>Total financing needs</b>	<b>231.0</b>
ROMGBs issuance	107.0
ROMGBs EUR-denominated	0.0
Retail bonds	35.0
T-Bills issuance	18.0
FX issuance	65.0
EU money	3.0
Supranational loans	3.0
<b>Gross borrowing requirement</b>	<b>231.0</b>
<b>Net ROMGBs Issuance</b>	<b>65.8</b>

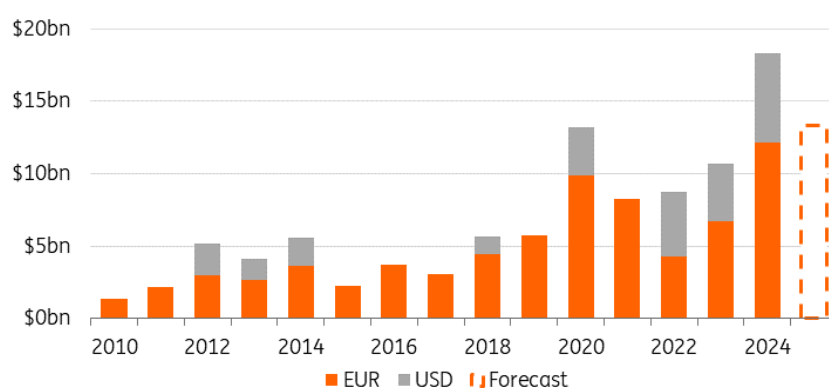
Source: MinFin, ING estimates

## FX issuance: Scope for upward revisions

The issuance outlook is most uncertain for Romania in the region, with the baseline guidance of €13bn in Eurobond issuance dependent on the optimistic 7% of GDP fiscal deficit target and robust demand for ROMGBs despite the ongoing volatility. This leaves plenty of scope to increase the Eurobond supply, which could end up above €15bn, in the context of 2024's bumper issuance of nearer €18bn in the event of further fiscal disappointments.

However, any further concerns about potential downgrades to HY may make reaching those heights more difficult. As a positive, maturities are relatively light for this year, with just €2bn compared to €3.5bn in 2024, meaning less pressure for constant issuance.

## Romania EUR & USD international sovereign bond issuance (USD equivalent)



Source: Bond Radar, ING estimates

We expect Romania to kick off its issuance plans towards the end of the month, following the approval of the 2025 budget, while the successful front-loading seen in recent years may be more difficult to achieve given the ongoing political uncertainty ahead of May's presidential elections. In line with regional trends, Romania is also considering green bond issuance later in the year, along with Samurai issuance, while we expect a similar currency split to last year (roughly 2/3 to 3/4 share of EUR within the gross issuance total).

Heavy issuance may be difficult for markets to absorb comfortably in the event of wider market pressure or further concerns about fundamental and political deterioration in Romania.

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