Romania

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IN A NUTSHELL

→ Growth fell to 0.8%, inflation fell to 5.8% and unemployment to 5.4%.

→ The real estate market gained momentum: the number of sales and permits increased after a two-year slump.

→ The mortgage market also grewwith more mortgage lending accelerated, and overall growth.

MACROECONOMIC OVERVIEW

Growth slowed significantly to 0.8% y-o-y, from 2.4% in 2023. This was slower than the EU average (1%), per capita in purchasing power standards it was 78.3% of the EU average, up from 77.8% in 2023. On the supply side, contractions in agriculture and construction were offset by modest growth in services and a substantial increase in net taxes. On the demand side, rising consumption and inventory accumulation more than compensated for the contractionary effects of declining investments and negative net exports.

The labour market eased slightly. Although the average unemployment rate declined to 5.4% (5.6% in 2023), the number of vacancies dropped more sharply – to 36,000 (40,000 in 2023) equivalent to 12 unemployed persons per vacancy, up from 11 in 2023.

Annual HICP inflation declined to 5.8% (from 9.7%), still more than twice the EU average of 2.6%. The reduction prompted the beginning monetary easing, the National Bank of Romania (NBR) reduced the policy rate to 6.5%, through two 0.25 percentage point cuts in July and August.

LOOKING AHEAD

The Romanian economy is projected to grow at a modest pace of around 1% in 2025, with a slight acceleration anticipated in 2026 (~1.9%). This subdued growth outlook reflects the impact of fiscal consolidation measures aimed at addressing the sizeable 9.4% government budget deficit registered in 2024. These corrective policies, expected to be implemented in 2025, will likely weigh on economic activity in the short term, as consumption and public spending are restrained.Inflation is also projected to be affected by these adjustments, particularly due to increased taxation, and is expected to end higher than in 2024.

The upward pressure on house prices is driven by decreased supply – residential construction works declined by 22.1% in 2024 – and a rise in construction costs, by approximately 10% y-o-y. This is expected to continue in the near term, as the labour shortage in the sector is likely to be exacerbated by the elimination of tax benefits for construction employees starting January 1, 2025. The supply of properties in the new housing segment available for sale is also expected to continue shrinking, as the number of building permits issued in 2023 and 2024 was 20% and 17% below the 2005–2024 annual average, respectively.

HOUSING MARKETS

Housing completions declined by 14.9%. Although the decline affected all eight regions, the rates varied: the largest decreases were in the South East (-22.2%) and Center (-20.8%), the smallest werein the West (-4.3%) and North West (-7.2%), (which had with the largest contractions the previous year). The number of permits issued for residential construction increased by 2.9% y-o-y, following two consecutive years of decline. All regions except the South West and Center issued morepermit. The largest increase was in the West, up 11.9%.

Residential property prices increased by 5%, compared to 3.3% in 2023. Prices of existing dwellings increased by 3.4% (from 0.6%), while those of new dwellings slowed to 8.1% (from 8.7%). Prices rose across all categories, with house prices increasing most (4.9%, driven primarily by rural houses, which rose by 6.9%). Apartment prices increased by 3.1%, with the strongest growth recorded outside Bucharest (up 5.6%), while prices in Bucharest rose by 1.2%. The growing preference for larger dwellings outside cities may be influenced by the increased adoption of remote work.

The real estate market is recovering: the number of transactions (excluding agricultural land) increased by 3.6% after two consecutive years of decline. Demand was supported by economic growth and increasing wages, with average monthly net earnings up by 13.4%.

Disparities in house prices and affordability remain significant. According to the National Bank of Romania (NBR), nationally, the price-to-income[1] ratio was 8.8 years of average income per typical property (as of March 2024). Regionally, disparities are notable, ranging from 6.8 years in Bucharest – due to higher average salaries – to over 11 years in Cluj County, where lower incomes contrast with the highest house prices in the country.

MORTGAGE MARKETS

Outstanding housing loans were 6.3% of GDP, after an annual increase of 4.2% in 2024. Domestic currency-denominated loans increased by 7.9%, while those in foreign currency declined by -18.2%. Consequently, the share of outstanding loans in local currency rose to 89%, up from 86% in 2023 as foreign currency loans became more expensive and therefore less accessible.

The average interest rate on new local currency loans declined from 7% in December 2023 to 6.1% in December 2024, whereas that for new euro decreased from 7.8% to 7%. Use of foreign currency housing loans has been restricted since

[1] The price-to-income indicator highlights the number of years needed to purchase a two-room apartment with an area of 55 sq m. Income was adjusted by deducting subsistence expenses, estimated at 50 percent of the net minimum wage in the economy.

January 2019, when a regulatory provision set the maximum debt-to-income ratio at 20%, compared to 40% for domestic currency loans.

According to the Central Bank's Financial Stability Report of December 2024 (FSR, Dec 2024), the share of loans under the "First Home"/"New Home" programme continued to decline, to 25% of the total by September 2024, down from approximately 45% five years earlier (September 2019). The volume of loans granted through the government program decreased significantly, falling to RON 27.1 billion in September 2024 from a peak of RON 36.9 billion in August 2021.

The flow of new "First Home"/"New Home" loans also declined sharply, to RON 297.8 million between October 2023 and September 2024, compared to RON 3.2 billion between October 2018 and September 2019. The "First Home" program – most recently rebranded as "New Home" – is a Romanian government initiative aimed at helping first time homebuyers access affordable mortgages with low down payment and state backed guarantees. The decrease is expected to continue due to the reduction of the ceiling as well as the development, diversification, and personalization of banks' product offerings to better meet customer needs. Every year, the government is reducing the state-backed guarantees allocated to the program (this is what "reduction of the ceiling" means). In the meantime, other mortgage products are competing with the program.

Loans granted under the "First Home"/"New Home" programme have shown higher quality than standard loans, with a NPL ratio of 1.56% compared to 1.61% for standard mortgage loans as of September 2024.

Since April 1, 2022, a regulation has been in effect, reducing the loan-to-value (LTV) cap by 10 percentage points (i.e., a 10 pp increase in the required down payment) for non-primary residences. Despite this, the number of such buyers (on-primary residence buyers) has increased. In the first nine months of 2024, only 42% of new bank loans were granted to first-time buyers. The maximum LTV for primary residences is 85% for local currency loans and 75% for foreign currency loans. The maximum LTV for non-primary residences is 75% for local currency loans and 65% for foreign currency loans.

As a result, the share of new loans with an LTV below 85% rose to 70% in September 2024, up from 61% in September 2023. The median LTV for new loans (excluding "First Home"/"New Home" loans) was 73%, while the LTV ratio for the entire housing loan stock was 68% as of September 2024.

According to the Bank Lending Survey for Q4 2024, the average household indebtedness (measured as the debt service-to-income ratio) remained unchanged compared to a year earlier for both new loans (35%) and outstanding loans (41%).

MORTGAGE FUNDING

Deposits remain the primary funding source for mortgages. Deposits grew more rapidly than private sector lending, as it did in 2023. As a result, the loan-to-deposit ratio declined to 66.6% from 67.6% in 2023. The annual growth rate of residents' deposits (in RON equivalent) slowed to 10.5%, down from 11.6% in 2023, with deceleration in both household and corporate deposits, following a decline in deposit interest rates. Banks' external financing also contracted, with the share of foreign liabilities to total liabilities falling to 6.9% in December 2024 from 7.4% in December 2023.

GREEN FUNDING

Households have begun to show interest in green housing loans. According to the Financial Stability Report (FSR, Dec 2024), green loans were 20% of total new housing loans in the first nine months of 2024. However, their share in the total outstanding housing loan stock remained relatively low, at 9.2% in September 2024, up from 6.3% in September 2023 – indicating substantial growth potential. Green lending is an emerging sector, in which credit institutions in Romania are beginning to play a key role in raising public awareness about sustainability. They are doing so by offering banking products and services aligned with new environmental, social, and governance (ESG) policies. Notably, in February 2024, Romania issued sovereign green bonds for the first time, raising €2 billion.

	ROMANIA 2023	ROMANIA 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	2.4	0.8	1
Unemployment Rate (LSF), annual average (%) (1)	5.6	5.4	5.9
HICP inflation (%) (1)	9.7	5.8	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	95.6	94.3	68.4
Gross Fixed Investment in Housing (annual change) (1)	-6.7	-8.8	-4.2
Building Permits (2015=100) (2)	88.6	91.2	
House Price Index - country (2015=100) (2)	152.28	158.36	
House Price Index - capital (2015=100) (2)	137.12	143.59	
Nominal house price growth (%) (2)	3.3	5	
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	21262	22153	
Outstanding Residential Loans per capita over Total Population (EUR) (2)	1407	1462	
Outstanding Residential Loans to disposable income ratio (%) (2)			
Gross residential lending, annual growth (%) (2)	-0.9	4.2	
Typical mortgage rate, annual average (%) (2)	7.3	6.4	

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2024, Statistical Tables

ROMANIA FACT TABLE

Which entities can issue mortgage loans in your country?	Generally credit institutions issue mortgage loans, with marginal input from non-bank financial institutions. Currently, there are 31 credit institutions. Additionally, 65 other non-bank financial institutions carry out multiple lending activities.
What is the market share of new mortgage issuances between these entities?	Banks are the main mortgage lenders, with marginal input from non-bank financial institutions.
Which entities hold what proportion of outstanding mortgage loans in your country?	Although official data is not available, the top 10 banks originate most mortgage loans.
What is the typical LTV ratio on residential mortgage loans in your country?	The average LTV ratio for new residential mortgage loans was 65% in 2024.
How is the distinction made between loans for residential and non-residential purposes in your country?	The mortgage market regards mainly the residential properties, financed with mortgage loans granted to private individuals, with longer amortization periods (+10 years). The maximum LTV allowed is 85% for local currency loans and 75% for foreign currency loans for all the clients who don't own a residential property at the credit request date, otherwise the maximum LTV limits decrease by 10 basis points, becoming maximum 75% for local currency loans and 65% for foreign currency loans. For financing non-residential properties, the commercial real estate loans for legal entities are used, with shorter terms, higher margins and more conservative LTV limits (often under ~60–70%).
What is/are the most common mortgage product(s) in your country?	Starting in 2009, loans granted under "First House" Programme have represented the main driver for mortgage lending in Romania. However, beginning with 2018, the penetration of "First House" loans in the new mortgage sales volumes dropped below 50%. In 2020, the "First House" Programme became the "New House" Programme.
What is the typical/ average maturity for a mortgage in your country?	The maximum lending period for loans granted under the "New House" Programme is 30 years. As for standard mortgage loans, other than the ones mentioned above, the maximum lending period is 35 years.

What is/are the most common ways to fund mortgage lending in your country?	The loan-to-deposit ratio stands at approximately 70% (69.4% as of June 2025, Source: NBR). Thus, credit institutions mainly use funds attracted from clients to grant loans. Credit institutions have gradually reduced their dependence on 'parent' banks by increasing customer deposits.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	A series of costs are applicable to mortgage loans. The most important ones include: • analysis fee, • valuation fees of the property to be mortgaged, either by internal evaluators of credit institutions or external evaluators. The average cost range for evaluating a residential property is about EUR 80-150 plus VAT. • costs related to obtaining the land book extract necessary for signing the mortgage real estate: RON 40 (approximately EUR 9). • notary/legal costs related to signing the mortgage contract, varying based on several factors: transaction value, property age, etc. e.g: The land book registration fee amounts to 0.15% of the sale price, the state tax owed by the seller amounts to 2% if the property is owned for less than 3 years and the value exceeds RON 200,000, etc. • also, for secured mortgage loans, credit institutions require home insurance, which depends on the value of the home, the maturity, the types of insured risks, etc.
What is the level (if any) of government subsidies for house purchases in your country?	There are no government subsidies for house purchasing, but there are specific programmes designed to assist customers who wish either to purchase a house or to build one. The "New House" Programme supports young people who want to purchase their first home via Government guarantees, the main benefits for the clients being a lower interest rate and down payment. Also, certain credit institutions have concluded agreements with the National Housing Agency to offer loans for the acquisition or construction of homes. The rental housing units for young people may be bought by the leaseholders (tenants) at the end of at least one-year continuous lease.