**EBRD Policy Comparator**

### Economic channels of disruption

**Private consumption, investments, external funding shock**
- The lockdown (a state of emergency was introduced in mid-March) is reducing consumption, esp. in social categories and durables (30% of spending), compensated partly by increase on food spending (25% of the total), highest among the peers.
- Investments may be postponed or interrupted amid bearish market sentiment and liquidity pressure.
- Goods exports (33% of GDP) will fall amid global slowdown (and strong links with Italy, more than 10% of exports).
- Low resilience to external funding shock is a risk; reserves, at 18% of GDP, cover less than one year of external financing needs.

### Crisis response measures to date

**Support for firms, healthcare, individuals, and monetary policy easing**
- Crisis-response package includes: i) more funds for the healthcare system, including a monthly bonus for medical staff; ii) partial coverage of wages (up to 75% of the average gross salary) for parents staying at home while the schools are closed, and for individuals in technical unemployment (0.6% GDP); iii) RON 15 bn of new state guarantees for SME lending (1.5% GDP); iv) faster VAT reimbursement; v) suspension of tax authorities’ control, vi) postponement of local taxes; and vii) deferral of loan payments for firms and citizens.
- The NBR has reacted promptly to loosen monetary policy. Key policy measures include: (i) reducing the monetary policy rate by 0.5 pp to 2.0%, as well as narrowing the corresponding interest rates corridor to ±0.5 pp from ±1.0 pp – thus lowering further the lending facility rate to 2.5%; (iii) providing liquidity to credit institutions via repo transactions; iii) intervening in the FX markets to stabilise the RON/EUR rate, given the high depreciation pressures.

### Selected crisis impact indicators

- **EBRD GDP growth outlook** 2020: -4%; 2021: 4%
- **Q1 GDP growth** 2.4% y/y (preliminary data)
- **Retail sales** (March 2020) 4.1 y/y
- **Construction activity** (March 2020) 26.1% y/y
- **Industrial output** (March 2020) -14.5% y/y
- **Economic sentiment** (April 2020): ESI 65.3 (down 34.3 points m/m)
- **CPI inflation** (April 2020) 2.7% y/y
- **Unemployment rate** (March 2020) 4.6% (up from 3.9% in February)
- **Fiscal revenues** (March 2020) ca. 25% drop y/y

### Selected crisis response indicators

- **Crisis response package (% of GDP)** 3%
- **Support to employee salaries (% of GDP)** 2% (including tax holidays)
- **Amount of normal salary covered (% of salary)** 75% of the average gross wage
- **Payment holidays for taxes** 3 months
- **Payment holidays for loans** Up to 9 months
- **Committed external assistance** EUR 3.1 bn (EU CRII), WB - EUR 400 mn

### Key short-term priorities

- Provide liquidity to the economy, particularly SMEs; revenue support to individuals; ensure fiscal stability and access to capital markets.

To learn more about EBRD’s support to Romania visit: [https://www.ebrd.com/country/romania.html](https://www.ebrd.com/country/romania.html)

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