

Romania rejects blanket approach to troubled banks

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The governor of Romania's central bank has said a blanket recapitalisation of troubled banking groups is not what his country needs.

Mugur Isarescu also warned of the risks of lumping together countries facing very different circumstances under the heading of emerging European risk.

Romania was the fastest-growing economy in the European Union last year but saw an eight-year boom shudder to a halt late in 2008. Growth of 7.3 per cent last year is expected to turn negative in 2009.

With external debt standing at 12 per cent of gross domestic product last year, most analysts expect Romania to follow Hungary and Ukraine in turning to the International Monetary Fund for support. Emil Boc, the prime minister, has said he expects to reach a decision this month on calling in the IMF.

Asked about the Austrian government's calls for a region-wide support package, Mr Isarescu told the Financial Times: "When [Austrian finance minister] Josef Pröll visited Bucharest, I told him . . . that a global approach of subsidising all the Austrian subsidiaries would not be good for Romania because our banks are already very well capitalised.

"Any capitalisation is welcome, of course, but a global approach would need to address the specific problems here, otherwise you could get confusion."

Mr Isarescu was speaking after Monday's announcement by the central banks of the Czech Republic, Hungary, Poland and Romania that they were prepared to intervene in currency markets after a week of heavy selling.

But Matei Paun, a partner at the Bucharest-based corporate finance advisers BAC, said such confidence in Romania's banking system might be complacent.

"There are plenty of banks that have been nationalised in the last six months which were well capitalised. You can be solvent without being liquid," he said, citing evidence of liquidity problems at Romanian banks.

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