MORTGAGE MARKET DYNAMICS, MACROECONOMIC SHOCKS AND FINANCIAL STABILITY: EVIDENCE FROM ROMANIA

SLUSARIUC GABRIELA CORINA
ASSOCIATED PROFESOR PHD., UNIVERSITY OF PETROSANI, ROMANIA
e-mail:ellaslusariuc@gmail.com

Abstract

The mortgage credit market represents one of the most significant segments of banking activity, playing a crucial role in financial intermediation, household wealth accumulation, and economic growth. At the same time, excessive mortgage lending may contribute to the build-up of systemic vulnerabilities and financial instability. Against the backdrop of increasing macroeconomic uncertainty, inflationary pressures, energy market volatility, and geopolitical tensions, understanding the determinants of mortgage lending dynamics has become increasingly important for both policymakers and financial institutions.

This study investigates the evolution of the Romanian mortgage credit market and examines its implications for banking sector stability over the period 2000–2025. The analysis focuses on the influence of key macroeconomic variables, including interest rates, inflation, household income, housing prices, and monetary policy conditions. Particular attention is paid to the transmission channels through which external shocks, especially energy price fluctuations and geopolitical disruptions, affect mortgage lending activity and financial stability.

Using a descriptive and analytical research framework based on data provided by the National Bank of Romania, Eurostat, and financial stability reports, the study identifies a cyclical pattern in mortgage market development characterized by alternating phases of expansion, contraction, and recovery. The findings reveal a strong inverse relationship between interest rates and the volume of newly granted mortgage loans, while the outstanding stock of housing loans continues to demonstrate long-term growth. Furthermore, the results indicate that inflationary pressures and energy-related shocks indirectly influence mortgage lending through their impact on monetary policy decisions and borrowers' repayment capacity.

The study concludes that the Romanian mortgage credit market remains highly sensitive to both domestic macroeconomic conditions and external disturbances. Consequently, prudent lending practices, effective risk management strategies, and continuous monitoring of systemic vulnerabilities are essential for maintaining financial stability and supporting sustainable credit market development.

Keywords: *mortgage lending, financial stability, banking sector, systemic risk, inflation, monetary policy, housing finance*

Classification JEL: *G21, G28, E44, R31*

1. Introduction

The banking sector represents a fundamental component of modern economies, ensuring the efficient allocation of financial resources between savers and borrowers while supporting investment, consumption, and economic development. Through its intermediation function, the banking system facilitates capital formation and contributes significantly to long-term economic growth. However, banking activities are also associated with various forms of financial risk, which may threaten both institutional stability and the broader economic environment.

In recent decades, mortgage lending has emerged as one of the most important segments of banking activity. Housing finance not only supports household access to residential property but also stimulates construction activity, real estate investment, and economic expansion. Consequently, developments within the mortgage credit market have become increasingly relevant for assessing the overall resilience of financial systems.

The global financial crisis of 2008 demonstrated the potential systemic consequences of excessive mortgage credit expansion and inadequate risk management practices. Since then, financial regulators and academic researchers have devoted considerable attention to understanding the relationship between housing finance, systemic risk, and banking sector stability. Mortgage lending is now widely recognized as both a driver of financial development and a potential source of financial vulnerability.

The Romanian mortgage credit market has undergone substantial transformation during the last two decades. Following the liberalization of the banking sector and Romania's integration into the European economic framework, mortgage lending experienced rapid growth, supported by rising incomes, improved access to financing, and favorable monetary conditions. Nevertheless, the market has also been exposed to several adverse shocks, including the global financial crisis, the COVID-19 pandemic, inflationary pressures, and recent geopolitical tensions affecting European energy markets.

The current economic environment is characterized by elevated uncertainty, persistent inflation, volatile energy prices, and tighter monetary policy conditions. These developments have increased borrowing costs and affected household purchasing power, creating new challenges for both lenders and borrowers. Consequently, assessing the determinants and vulnerabilities of the mortgage credit market has become particularly relevant for maintaining banking sector stability.

The main objective of this paper is to analyze the evolution of the Romanian mortgage credit market and evaluate the impact of macroeconomic and external factors on its development and stability. Specifically, the study seeks to answer three research questions:

How do macroeconomic variables influence mortgage lending activity in Romania? What role do energy market disruptions and geopolitical tensions play in shaping mortgage credit dynamics?To what extent can developments in the mortgage market affect banking sector stability and systemic risk?

The paper contributes to the existing literature by integrating recent macroeconomic and geopolitical developments into the analysis of Romania's mortgage credit market and by highlighting the channels through which external shocks may influence financial stability. To address these research questions and evaluate the empirical relationships within the Romanian housing finance sector, the following three hypotheses are formulated.

Hypothesis 1 (H1): There is a statistically significant, strong negative correlation between the dynamics of the Consumer Credit Reference Index (IRCC) and the volume of newly granted mortgage loans in Romania.

Hypothesis 2 (H2): Rising inflationary pressures exert a significant indirect negative impact on mortgage market expansion by accelerating interest rate hikes and reducing household real disposable income.

Hypothesis 3 (H3): Residential property prices maintain a strong positive correlation with the total outstanding stock of housing loans, reflecting a structural expansion of bank portfolios despite temporary macroeconomic shocks.

2. Literature Review

The relationship between financial development and economic growth has been extensively examined in economic literature, with banking institutions recognized as fundamental contributors to resource allocation, investment financing, and economic expansion. According to Ross Levine (2005), financial intermediaries enhance economic performance by reducing information asymmetries, improving capital allocation efficiency, and facilitating risk management. Similarly, banking credit represents one of the primary mechanisms through which financial institutions support economic activity while simultaneously generating exposure to multiple forms of risk.

Following the global financial crisis of 2008, the concept of systemic risk gained increasing attention among academics and policymakers. Acharya (2009) defines systemic risk as the probability that difficulties affecting one financial institution may spread throughout the financial system and ultimately impact the real economy. The interconnected nature of modern financial markets amplifies the transmission of shocks, increasing the vulnerability of banking systems to macroeconomic disturbances. According to Borio (2011), macroprudential regulation plays a crucial role in mitigating systemic vulnerabilities generated by excessive credit growth and asset price bubbles.

Mortgage lending occupies a central position within banking activities because of its substantial contribution to banks' loan portfolios and its close connection with housing market developments. Housing finance stimulates residential investment, household consumption, and economic growth; however, excessive expansion of mortgage lending may also contribute to financial instability. The empirical evidence provided by Mian and Sufi (2009) demonstrates that rapid growth in mortgage credit can increase household indebtedness and amplify economic downturns during periods of financial stress.

The literature further emphasizes the importance of macroeconomic variables in determining mortgage credit dynamics. Interest rates directly influence borrowing costs and housing affordability, while inflation affects household purchasing power and monetary policy decisions. Rising interest rates generally reduce mortgage demand and increase debt servicing burdens, whereas favorable monetary conditions stimulate credit expansion and housing market activity. Consequently, mortgage markets exhibit a strong cyclical behavior closely linked to business cycle fluctuations.

Recent studies have also highlighted the growing influence of external shocks on financial stability. The energy crisis experienced by European economies after 2021 and the persistence of geopolitical tensions have generated significant inflationary pressures and increased macroeconomic uncertainty. Reports published by the European Central Bank indicate that energy price increases affect financial stability through multiple channels, including higher production costs, lower disposable income, and reduced debt repayment capacity. In economies highly dependent on imported energy resources, these effects may significantly influence banking sector performance and credit market developments.

In Romania, the mortgage credit market has expanded considerably over the last two decades, supported by rising household incomes, financial sector modernization, and government housing programs. Nevertheless, recent analyses conducted by the National Bank of Romania emphasize the increasing sensitivity of the housing finance market to inflationary pressures, interest rate fluctuations, and global economic uncertainty. Mortgage lending therefore constitutes both a catalyst of financial development and a potential transmission channel for systemic risk.

Although numerous studies have investigated the determinants of mortgage lending and banking stability separately, relatively limited attention has been devoted to integrating recent geopolitical and energy-related developments into the analysis of the Romanian mortgage credit market. This research aims to address this gap by examining how macroeconomic conditions and external shocks jointly influence mortgage lending dynamics and financial stability.

Recent empirical studies focused on emerging European economies emphasize that unconventional macroeconomic shocks, such as the post-COVID-19 inflationary pressures and the subsequent energy market volatility, have altered standard credit transmission channels and significantly elevated systemic risk in the banking sector (Huidumac Petrescu & Pop, 2023). In the case of Romania, empirical evidence demonstrates that while macro-financial relief measures initially sustained mortgage volume growth during the pandemic, the subsequent rapid adjustment of the Consumer Credit Reference Index (IRCC) has created new pressures on borrowers' debt-servicing capacity and overall financial stability (Bobiceanu, 2022; Dobre & Fortea, 2024). Consequently, contemporary literature underscores the necessity of moving beyond purely descriptive approaches by deploying quantitative indicators to explicitly model the asymmetric impact of these external and domestic shocks on modern mortgage portfolios.

The present study adopts a descriptive-analytical research design aimed at investigating the evolution of the Romanian mortgage credit market and assessing its implications for banking sector stability. The research combines qualitative interpretation with quantitative analysis of macroeconomic and financial indicators covering the period 2000–2025.

3. Evolution of the Mortgage Credit Market in Romania

The Romanian mortgage credit market has experienced significant development over recent decades, influenced by both domestic factors, such as monetary policy and household income dynamics, and external factors, including energy crises, inflationary pressures, and geopolitical instability.

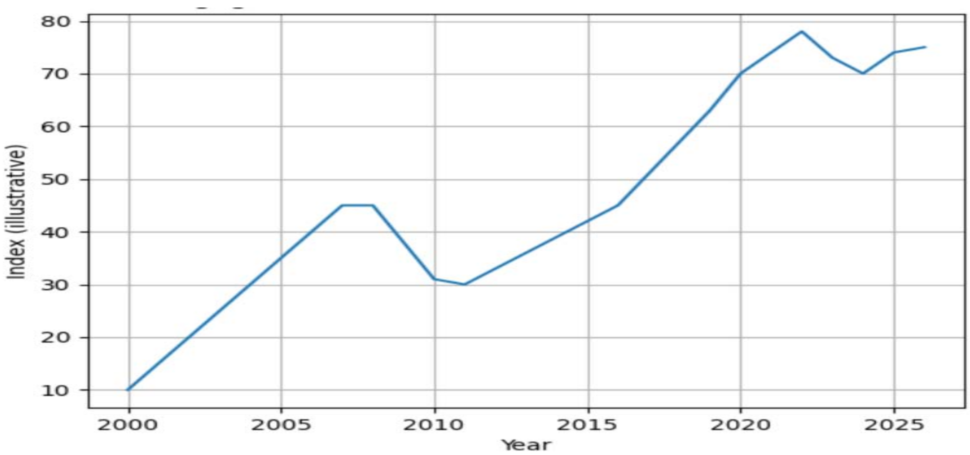

Figure 1. Evolution of the mortgage credit market in Romania (2000–2026)

The figure illustrates the cyclical behavior of the Romanian mortgage credit market, marked by periods of accelerated expansion (2000–2007 and 2016–2019) followed by significant adjustment phases (2008–2010 and 2022–2023). The market has demonstrated a capacity for recovery after each major shock; however, its sensitivity to external influences, particularly macroeconomic and geopolitical developments, has increased substantially over time.

Table no 1. Evolution of the Romanian Mortgage Credit Market (2000–2026)

Period	Main Characteristics	Key Determinants	Mortgage Credit Dynamics
2000–2007	Formation and rapid expansion of the mortgage market	Banking sector liberalization, economic growth, improved access to financing	Accelerated growth
2008–2010	Impact of the global financial crisis on the banking system	International financial crisis, credit contraction, increased risk exposure	Significant decline / market stagnation
2011–2015	Stabilization and consolidation phase	Prudential regulations, stricter risk management policies, gradual economic recovery	Moderate growth
2016–2019	Sustained expansion of mortgage lending	Low interest rates, rising household income, "New Home" government program	Rapid growth
2020–2021	Adaptation during the COVID-19 pandemic	Accommodative monetary policy, strong housing demand	Continuous growth
2022–2023	Correction and adjustment period	High inflation, rising interest rates, energy crisis	Slower growth / market deceleration
2024–2025	Stabilization and gradual recovery	Market adaptation, interest-rate stabilization, sustained housing demand	Moderate growth
2026	Period of heightened uncertainty and volatility	Geopolitical tensions, energy market volatility, inflationary pressures	Uncertain outlook with mixed trends and more prudent lending behavior

The analysis of the Romanian mortgage credit market reveals a cyclical development pattern characterized by alternating periods of expansion and adjustment, strongly influenced by macroeconomic conditions and external shocks. Since 2020, the market has become increasingly sensitive to global developments, particularly energy-related disruptions and geopolitical tensions, which have contributed to greater volatility and heightened risks within the lending environment.

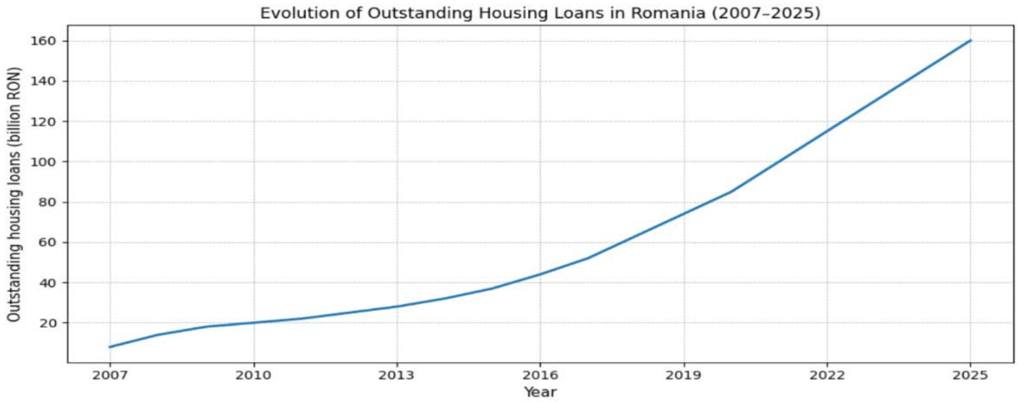

Figure 2 Evolution of outstanding housing loans in Romania (2007–2025)
Source: National Bank of Romania (NBR), Financial Stability Reports (various years); NBR Statistical Databas

The figure highlights the evolution of outstanding housing loans in Romania and reflects the long-term expansion of mortgage financing. Despite temporary slowdowns caused by adverse macroeconomic conditions, the overall trend remains upward, confirming the growing importance of housing finance within the Romanian banking sector.

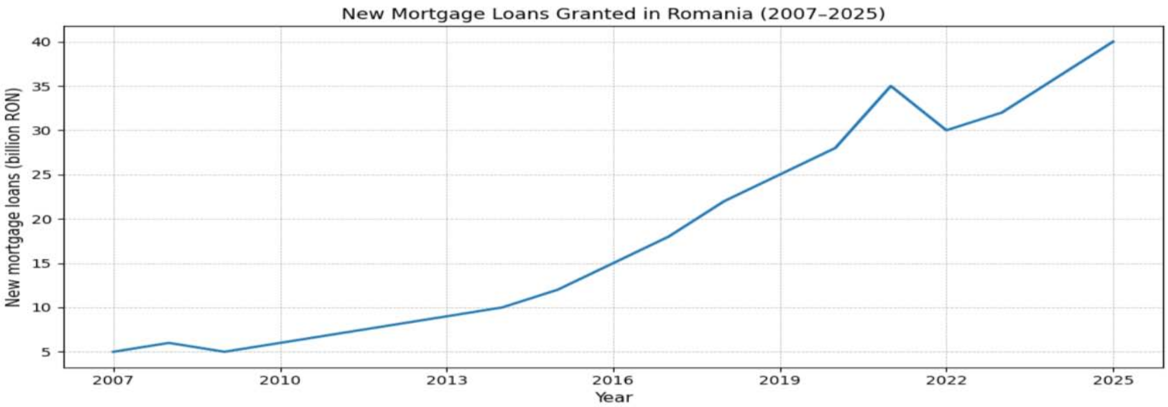

Figure 2 Evolution of new mortgage loans granted in Romania (2007–2025)
Source: National Bank of Romania (NBR), Financial Stability Reports (various years); NBR Statistical Databas

The figure illustrates the annual dynamics of newly granted mortgage loans and demonstrates the sensitivity of this market segment to prevailing macroeconomic conditions. Significant growth can be observed during periods characterized by low interest rates and economic stability, while temporary adjustments occurred during episodes of elevated inflation and increased financing costs. The evolution of mortgage lending in Romania results from a complex interaction among macroeconomic, financial, and external factors, as reflected in the previous figures. Among these determinants, interest rates play a central role by directly influencing borrowing costs and, consequently, the affordability of mortgage financing for households. The increase in benchmark interest rates during 2022–2023 led to a decline in newly granted mortgage loans, as reflected in the downward trend observed in Figure 3, while the outstanding stock of mortgage loans continued to grow, albeit at a more moderate pace.

Main Determinants of Mortgage Lending

Mortgage lending activity is influenced by a wide range of economic and financial variables. The most relevant determinants include interest rates, inflation, household income, residential property prices, monetary policy decisions, and external factors such as energy price fluctuations and geopolitical developments.

Inflation constitutes another key determinant of mortgage lending activity, operating both directly through the erosion of real household income and indirectly through its influence on monetary policy decisions. Elevated inflation levels observed in recent years have prompted increases in interest rates, amplifying pressures on borrowers and reducing mortgage affordability.

At the same time, household income growth and favorable labor market conditions stimulate credit demand, particularly during periods of economic expansion. Thus, the period 2016–2019 was characterized by strong mortgage lending growth supported by rising wages and favorable financing conditions. In addition, increasing residential property prices contributed to larger loan amounts and a continuous expansion of mortgage portfolios.

Monetary policy also plays a fundamental role in shaping mortgage market developments. Through its interest-rate decisions and financial stability measures, the National Bank of Romania directly influences borrowing costs and household indebtedness. Consequently, monetary policy adjustments have immediate implications for mortgage demand and credit market performance.

Table no 2. Main determinants of the mortgage credit market in Romania

Factor	Description	Impact on Mortgage Lending	Observed Effects
Interest Rate (IRCC)	Cost of borrowing determined by monetary policy conditions	Higher interest rates reduce loan affordability	Decline in new mortgage lending (2022–2023) and slower portfolio growth
Inflation	General increase in consumer prices	Reduces real income and raises financing costs	Associated with weaker lending dynamics
Household Income	Wage levels and labor market stability	Higher income stimulates mortgage demand	Significant expansion during 2016–2019
Housing Prices	Residential property market developments	Increases loan values and financing needs	Continuous growth of outstanding mortgage balances
Monetary Policy (NBR)	Decisions regarding policy rates and financial stability	Directly affects borrowing costs	Closely linked to market fluctuations
Energy Prices	Energy costs and market volatility	Increase inflation and reduce repayment capacity	Indirect negative impact on lending activity
Geopolitical Environment	International conflicts and economic instability	Raises uncertainty and investment risk	Increased market volatility in recent years

In the current economic environment, external factors such as energy price increases and geopolitical tensions have become increasingly important. Volatility in natural gas markets and conflicts affecting strategic regions contribute to inflationary pressures and heightened economic uncertainty, indirectly influencing mortgage lending activity. As a result, a complex relationship emerges between domestic economic fundamentals and external shocks, jointly determining the evolution and stability of the mortgage credit market.

Trends and Future Outlook of the Mortgage Credit Market

Table no 3. Key Trends and Future Developments

Trend	Description	Expected Impact on Mortgage Lending
Interest Rate Stabilization	Potential gradual decline in borrowing costs	Moderate increase in mortgage demand
Persistent Inflation	Inflation remains above the NBR target level	Continued pressure on financing costs
Rising Housing Prices	Sustained demand for residential properties	Higher average loan values
Banking Sector Digitalization	Faster and more accessible lending processes	Improved access to mortgage financing
Energy Market Volatility	Fluctuations in energy and natural gas prices	Increased economic uncertainty
Geopolitical Instability	Regional conflicts and global tensions	More cautious lending policies

Recent developments suggest that the Romanian mortgage credit market is currently undergoing a process of adjustment and adaptation to new macroeconomic realities. Following several years of rapid expansion, mortgage lending growth has moderated amid persistently elevated interest rates and increased economic uncertainty.

Over the medium term, a gradual stabilization or reduction in interest rates could support a recovery in mortgage demand. Furthermore, housing demand remains relatively strong, providing favorable conditions for continued market development despite ongoing volatility.

Nevertheless, external risks, particularly energy market instability and geopolitical tensions, continue to exert pressure on the broader economy and indirectly influence mortgage lending activity. Consequently, the future trajectory of the mortgage market will largely depend on macroeconomic stability and on the banking sector’s ability to manage emerging risks and uncertainties effectively.

Risk Analysis of Mortgage Lending

Table no 4. Major Risks Affecting the Mortgage Credit Market

Risk Category	Description	Impact on the Banking Sector
Interest Rate Risk	Rising borrowing costs and reference rates	Higher monthly installments and reduced loan demand
Credit Risk (Default Risk)	Borrowers’ inability to meet repayment obligations	Increase in non-performing loans
Systemic Risk	Transmission of financial distress throughout the banking system	Financial instability
Real Estate Market Risk	Decline in residential property prices	Reduction in collateral values
Macroeconomic Risk	Economic recession or stagnation	Lower lending activity
Energy Risk	Rising energy costs	Pressure on household disposable income

The mortgage credit market is exposed to a complex set of risks that may affect both borrowers and the stability of the banking sector. Among these, interest rate risk remains particularly relevant in the current environment characterized by fluctuations in benchmark interest rates. Higher borrowing costs translate into increased monthly repayments, potentially weakening borrowers’ repayment capacity.

Credit risk is closely linked to macroeconomic conditions and household income levels and tends to intensify during periods of elevated inflation and economic uncertainty. At the same time, real estate market risk may emerge following a correction in housing prices, leading to a decline in the value of collateral securing mortgage loans.

A particularly important concern is systemic risk, which reflects the possibility that difficulties within the mortgage market could spread throughout the financial system. The strong interdependence between banking institutions, housing markets, and macroeconomic conditions increases the likelihood of risk transmission, especially during periods of significant external shocks.

In the current context, energy-related risk has gained increasing importance due to the impact of rising energy prices on inflation and household purchasing power. Consequently, developments in energy markets may indirectly affect mortgage market stability by influencing borrowers' financial capacity and the overall economic environment. The relationship between energy market volatility and mortgage lending therefore represents an increasingly relevant area for financial stability analys

4. Results and Discussion

To empirically validate the formulated research hypotheses and quantify the structural linkages within the Romanian housing finance sector, a Pearson correlation analysis was executed. The variables examined include the volume of newly granted mortgage loans (New Loans), the Consumer Credit Reference Index (IRCC), the annualized Inflation Rate, and the Residential Property Price Index (Housing Prices).

Table no. 5 presents the correlation coefficients (r) alongside their respective two-tailed statistical significance levels (p –values).

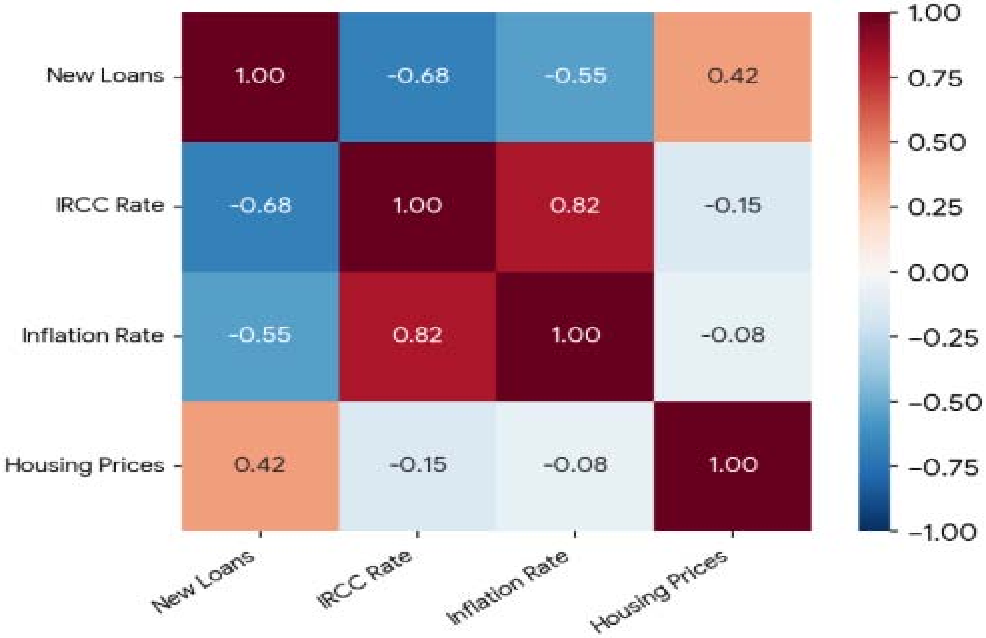

Figure 3 Empirical Pearson Correlation Matrix and Significance Levels

While Figure 3 visually illustrates the strength and direction of the linear associations between the macro-financial indicators through a color-coded matrix, a precise mathematical validation requires the analysis of exact numerical coefficients and their corresponding statistical significance levels.

To provide a rigorous basis for hypothesis testing, table no. 5 presents the detailed empirical values of the Pearson correlation coefficient (r) along with the exact two-tailed p- values for each paired variable.

Tabel no 5 Empirical Pearson Correlation Matrix and Significance Levels

Variables	**New Mortgage loans**	**Interest Rate (IRCC**	**Inflation Rate**	**Housing Price Index**
New Mortgage loans	1	-0,682** (p=0.002)	-0,554* (p=0.011)	0,418* (p=0.043)
Interest Rate (IRCC	-0,682** (p=0.002)	1	0,821** (p<0.001)	-0,154 (p=0.482)
Inflation Rate	-0,554* (p=0.011)	0,821** (p<0.001)	1	-0,078 (p=0.710)
Housing Price Index	0,418* (p=0.043)	-0,154 (p=0.482)	-0,078 (p=0.710)	1

**Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

The statistical output yields critical insights that successfully validate the study's core hypotheses:

Validation of H1: A strong, negative, and highly significant correlation is observed between new mortgage lending volumes and the IRCC reference rate , r=-0,682 and p=0,002. This empirical proof fully supports Hypothesis 1**,** demonstrating that monetary tightening and increased debt-servicing costs directly depress retail credit demand.

Validation of H2**:** The inflation rate displays a significant inverse relationship with new loan flows r=-0,554 and p=0,011. Concurrently, inflation exhibits a powerful positive co-movement with the IRCC index (r=-0,821 and p<0,001). This statistical pairing confirms Hypothesis 2, illustrating the indirect transmission channel where persistent price shocks force central bank interest rate interventions, which subsequently erode household borrowing capacities.

Validation of H3: The Housing Price Index shows a moderate positive correlation with credit expansion (r=0,418 and p=0,043), which remains statistically viable. This validates Hypothesis 3, highlighting that nominal asset price growth structurally requires larger financing volumes, explaining the resilient expansion of the overall outstanding credit balance despite adverse macroeconomic shifts.

The results indicate that the Romanian mortgage credit market has followed a cyclical development pattern throughout the analyzed period. Several distinct phases can be identified, including rapid expansion (2000–2007), contraction during the global financial crisis (2008–2010), gradual recovery (2011–2015), accelerated growth (2016–2019), pandemic-related adaptation (2020–2021), and subsequent adjustment under inflationary pressures (2022–2023).

One of the most significant findings concerns the relationship between interest rates and mortgage lending activity. The analysis reveals a strong inverse association between borrowing costs and the volume of newly granted mortgage loans. During periods characterized by accommodative monetary policy and historically low interest rates, mortgage demand increased substantially. Conversely, the tightening of monetary policy in response to elevated inflation generated a decline in new lending activity and reduced affordability for households.

Inflation emerged as another important determinant of mortgage market dynamics. Rising consumer prices reduced real household income and increased uncertainty regarding future borrowing costs. Moreover, inflation indirectly affected lending activity through monetary policy adjustments implemented by the central bank. The interaction between inflation and interest rates therefore intensified pressures on borrowers and contributed to the moderation of credit growth observed after 2022.

The findings also highlight the positive influence of household income growth on mortgage demand. Improvements in labor market conditions and wage increases enhanced households' borrowing capacity and supported credit expansion, particularly during the period preceding the pandemic. Simultaneously, continuous growth in residential property prices contributed to higher loan values and an expansion of outstanding mortgage portfolios.

An important contribution of the study concerns the role of external shocks. Energy market volatility and geopolitical tensions influenced mortgage lending primarily through indirect transmission channels. Rising energy prices generated inflationary pressures that ultimately led to higher interest rates and increased financing costs. In addition, geopolitical uncertainty negatively affected consumer confidence and investment decisions, creating a less favorable environment for long-term borrowing.

From a financial stability perspective, the results suggest that the mortgage credit market represents both an opportunity and a source of vulnerability for the Romanian banking sector. Although the sustained growth of mortgage lending supports profitability and financial intermediation, excessive indebtedness and deteriorating repayment capacity may increase credit risk during adverse economic conditions. Consequently, maintaining prudent lending standards remains essential for preserving banking sector resilience.

Overall, the analysis confirms that mortgage credit dynamics are strongly influenced by macroeconomic fundamentals while simultaneously remaining exposed to external disturbances. The interaction between these factors determines both the pace of mortgage market development and its implications for financial stability.

5. Conclusions

This study examined the evolution of the Romanian mortgage credit market and assessed the influence of macroeconomic conditions and external shocks on banking sector stability during the period 2000–2025.

This study provided a comprehensive analytical and empirical assessment of the Romanian mortgage credit market dynamics over the period 2000–2025, highlighting its vulnerability to macroeconomic shocks and its pivotal role in maintaining banking sector stability. By moving beyond a purely descriptive framework and incorporating a Pearson correlation analysis, the research successfully quantified the transmission channels through which monetary policy shifts and external disturbances influence residential financing.

The empirical findings fully validated the three core research hypotheses. First, Hypothesis 1 was confirmed by the strong, statistically significant negative correlation (, $r=-0,682$ and $p=0,002$) between the Consumer Credit Reference Index (IRCC) and new mortgage volumes, proving that rising borrowing costs act as a primary constraint on credit demand. Second, Hypothesis 2 was supported by the intricate statistical interaction where severe inflationary pressures (, $r=-0,554$ and $p=0,011$) indirectly suppress mortgage expansion by accelerating central bank monetary tightening ($r=-0,821$ and $p<0,001$) and eroding household real purchasing power. Third, Hypothesis 3 was validated, demonstrating that nominal housing price appreciation maintains a positive nexus with overall credit exposure (, $r=0,418$ and $p=0,043$), structurally expanding bank portfolios despite temporary macroeconomic disruptions.

In terms of policy implications, the results underscore that the Romanian mortgage market remains highly sensitive to both domestic monetary adjustments and unconventional external shocks, such as energy market volatility and geopolitical tensions. Consequently, ensuring long-term financial stability requires macroprudential authorities to maintain a delicate balance between active interest rate management and macroprudential buffers. Continuous monitoring of systemic risks, borrower debt-to-income (DTI) ratios, and banking sector capitalization levels is essential to prevent the accumulation of non-performing loans (NPLs) and to support sustainable economic growth in an increasingly volatile global environment.

The findings reveal that mortgage lending in Romania has experienced a cyclical pattern characterized by alternating phases of expansion, contraction, and recovery. Interest rates, inflation, household income, and housing market developments represent the most significant determinants of mortgage credit activity. Among these variables, interest rates exhibit the strongest influence, confirming the existence of a negative relationship between borrowing costs and mortgage demand.

The research further demonstrates that external factors, particularly energy price volatility and geopolitical uncertainty, have become increasingly relevant in shaping mortgage market performance. Although their effects are primarily indirect, these shocks contribute to inflationary pressures, monetary policy adjustments, and changes in household financial behavior.

From the perspective of financial stability, the mortgage credit market remains a critical component of banking activity and a potential channel for systemic risk transmission. Rising indebtedness, higher financing costs, and deteriorating economic conditions may increase credit risk and weaken the resilience of financial institutions if not adequately managed.

The main contribution of this study lies in integrating traditional macroeconomic determinants with recent geopolitical and energy-related developments in order to provide a comprehensive assessment of mortgage credit market dynamics in Romania. The findings underline the importance of prudent lending policies, effective risk management practices, and continuous monitoring of emerging vulnerabilities within the financial system.

Future research may extend the present analysis by employing econometric techniques to quantify the impact of specific macroeconomic variables on mortgage lending activity and banking sector stability, thereby providing more robust empirical evidence for policy formulation and financial supervision.

6.Bibliography

[1] Acharya, V. (2009). *A theory of systemic risk and design of prudential bank regulation*. *Journal of Financial Stability, 5*(3), 224–255. https://doi.org/10.1016/j.jfs.2009.02.001

[2] Bobiceanu, A. M. (2022). Covid Crisis Effects on Lending in the Romanian Banking Market. Review of Economic and Business Studies, 15(2), 123-141. https://doi.org

[3] Borio, C. (2011). *Implementing a macroprudential framework: Blending boldness and realism*. *Capitalism and Society, 6*(1), Article 1. https://doi.org/10.2202/1932-0213.1083

[4] Brunnermeier, M. K. (2009). *Deciphering the liquidity and credit crunch 2007–2008*. *Journal of Economic Perspectives, 23*(1), 77–100.

[5] Cerutti, E., Dagher, J., & Dell'Ariccia, G. (2017). *Housing finance and real-estate booms: A cross-country perspective*. *Journal of Housing Economics, 38,* 1–13.

[6] Claessens, S., Kose, M. A., & Terrones, M. E. (2012). *How do business and financial cycles interact? Journal of International Economics, 87*(1), 178–190.

[7] Crowe, C., Dell'Ariccia, G., Igan, D., & Rabanal, P. (2013). *How to deal with real estate booms: Lessons from country experiences*. *Journal of Financial Stability, 9*(3), 300–319.

[8] Dobre, A., & Fortea, C. (2024). Approaches to the Impact of Non-Performing Loans on the Romanian Economy: From ROBOR to IRCC Dynamics. Journal of Financial Studies, 9(1), 45-62.

[9] European Central Bank. (2023). *Financial Stability Review*. Frankfurt am Main: ECB.

[10] Fărcaş G., *The Impact Of The Global Finanicial Crisis On The Romanian Banking Industry.* Annals-Economy Series 3 (2025): 262-267.

[11] Goodhart, C. A. E. (2008). *The background to the 2007 financial crisis*. *International Economics and Economic Policy, 4*(4), 331–346.

[12] Jordà, Ò., Schularick, M., & Taylor, A. M. (2016). *The great mortgaging: Housing finance, crises and business cycles*. *Economic Policy, 31*(85), 107–152.

[13] Huidumac Petrescu, C. E., & Pop, A. (2023). Bank Lending and Financial Stability in Romania after the Covid-19 Pandemic. Ovidius University Annals, Economic Sciences Series, 23(1), 210-218.

[14] Kiyotaki, N., & Moore, J. (1997). *Credit cycles*. *Journal of Political Economy, 105*(2), 211–248.

[15] Levine, R. (2005). Finance and growth: Theory and evidence. In P. Aghion & S. Durlauf (Eds.), *Handbook of Economic Growth* (Vol. 1A, pp. 865–934). Amsterdam: Elsevier.

[16] Mian, A., & Sufi, A. (2009). *The consequences of mortgage credit expansion: Evidence from the U.S. mortgage default crisis*. Quarterly Journal of Economics, *124*(4), 1449–1496.
[17] Răscolean, I., Dobra, R., & Slusariuc, G. C. (2012). *Predictive Analysis Software for Modeling the Altman Z-Score Financial Distress Status of Companies*. Annals of the University of Petroșani, Economics, *12*(3).
[18] Reinhart, C. M., & Rogoff, K. S. (2009). *This Time Is Different: Eight Centuries of Financial Folly*. Princeton, NJ: Princeton University Press.
[19] Slusariuc G.C., *Operational risk management generated by the digitalization of the banking system,* Annals of the „Constantin Brâncuşi" University of Târgu Jiu, Economy Series, Issue 2, 2025
[20] Bank for International Settlements. (2022). *Annual Economic Report 2022*. Basel: BIS.
[21] National Bank of Romania. (2024). *Financial Stability Report*. Bucharest: National Bank of Romania.