

CPAG

Consilium Policy Advisors Group



MACRO RISKS REPORT

Romania Economic Overview

March 2026

GDP Growth 2025	Inflation 2025	Unemployment 2025	Budget Deficit, % GDP 2025	Current Account Deficit, %GDP 2025
0.7%	9.6%	6.0%	-7.6%	-8%

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Executive Summary

Macro Debriefing – March 2026

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Twin Deficits

The twin deficit, although diminished, remains the fundamental weakness of the Romanian economy. Both public and private sectors spend more than earn. The consolidated budget deficit in 2025 was 7.6% of GDP (8.7% of GDP in 2024). The current account deficit was 8% of GDP in 2025 (down from 8.5% in 2024).

The uncertainty surrounding the deficit reduction last summer pushed up the cost of public borrowings. At the beginning of 2026 after the markets acknowledged the more than expected deficit reduction in 2026 and the equilibrated budget execution in the first month of 2026, the gov bonds yield continued to fall. The public funding need was up to EUR53bn in 2025 covering the deficit (EUR 32bn), the capital instalment repayment (EUR 20bn) and a certain pre-financing for 2026 (EUR 1bn). The public debt to GDP exceeded the Maastricht threshold for the first time.

Inflation

The combined effect of the two major shocks - the lift of electricity price cap in July and the rise of VAT in Aug from 19% to 21% - pushed up annual CPI to almost 10% y-o-y. High inflation is expected to last until the second half of 2026. According to NBR the CPI annual dynamics will gradually ease to 3.9% in Dec 2026.

Monetary Policy

The central bank caught between the slowdown of the economy and the rising inflation decided to maintain the monetary policy interest rate at the level in place since Aug 2024 (6.5%pa, the largest in EU). Although the interest rate differential vs. ECB main refinancing rate stayed at 4.35pp since June 2025, the average exchange rate RON/EUR depreciated by 2.3% in Dec 2025 compared to end 2024. That depreciation rate was not enough to contain the appreciation of real effective exchange rate with euro zone, up by 3.9% in Dec 2025 compared to Dec 2024.

Bank loans just partially offset the lost purchasing power due to inflation (expansion of non-government outstanding loans is below the inflation rate). Euroization of both loans and deposits is on rise.

Labor Market

The average unemployment rate increased to 6% in 2025 from 5.5% in 2024. The number of vacancies declined by 14% in 2025 compared to 2024. The labour market tightness declined (the number of unemployed per one vacant job increased from 13 in 2024 to 16 in 2025). The net monthly wages slowed. The 12M average net wage increased by 6.5% in Dec 2025 (13.4% in Dec 2024). The number of employees marginally increased (+8thou) in 2025 compared to 2024. Job creation in services was faster than job destruction in manufacturing in 2025. But the number of jobs created reduced, while the number of jobs destructed increased in 2025 compared to the annual average of 2019-2024 period.

Growth

GDP increased by 0.7% y-o-y in 2025 (0.9% y-o-y in 2024) according to the first provisional data. The engines of growth were agriculture and construction on the supply side and gross capital formation on the demand side.

Few surprises in the annual GDP growth from 2025:

On the supply side: Although services contracted, the contraction was not ubiquitous - IT, real estate and recreational activities expanded. Net taxes increased slightly (1% y-o-y).

On the demand side: Gross fixed capital formation had an outstanding growth (+4.1% y-o-y, driven mainly by the expansion of buildings), its contribution to GDP growth was supported by the accumulation of inventories. The negative contribution of net exports to GDP lowered consistently compared to 2024 (-0.6pp in 2025 vs. -2.8pp in 2024), due to the contribution of exports of both goods and services (1.4pp in 2025 vs -1pp in 2024) which was more than offset by the contribution of imports of goods and services (2pp in 2025 vs. 1.8pp in 2024). Although the import of goods moderated compared to 2024, the import of services rose significantly (+10.4% in 2025 vs 1.8% in 2024).

Labor productivity and labor cost reversed their dynamics from 2024. Labor productivity increased, while labor cost declined. Overall, doing business in RO is as profitable as in CZ, more profitable than in PL and less profitable than in HU.

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Twin Deficits

Larger correction than expected in H2 2025

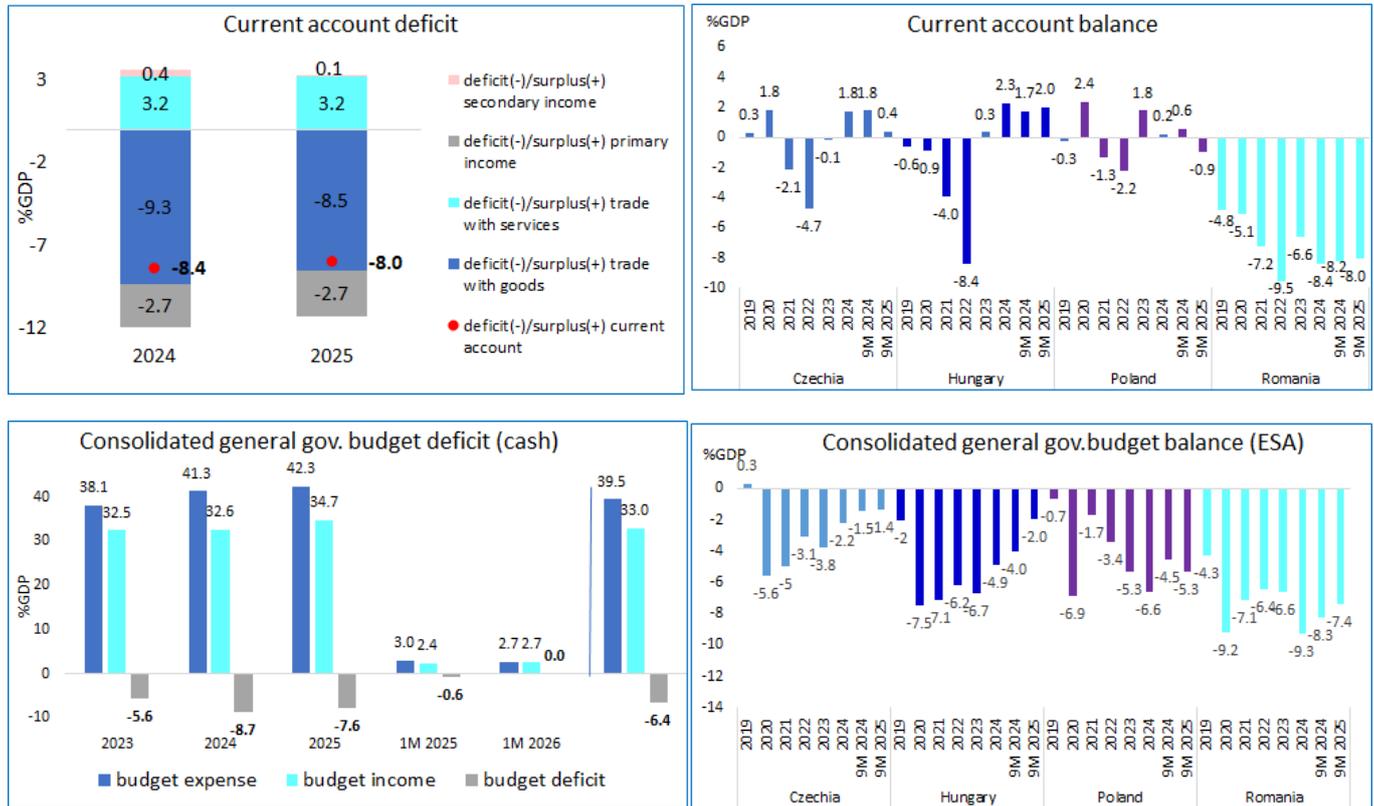
Source: Eurostat, Ministry of Finance, NBR

Key Assessment

Public debt in GDP exceeded the Maastricht threshold for the first time. Larger correction of the deficit than expected for 2025 and equilibrated budget execution in the first month of 2026.

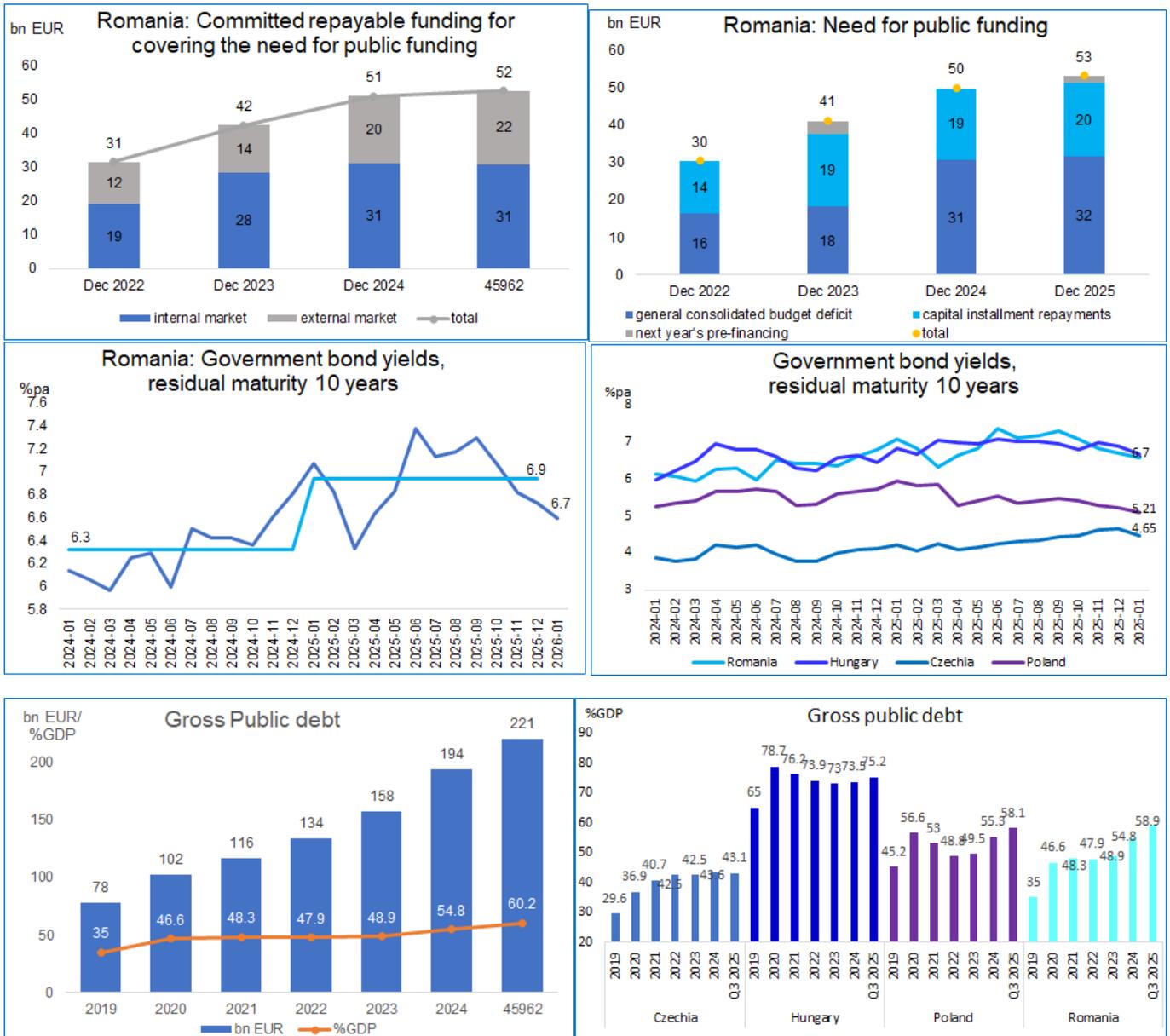
Key Facts

- Romania stands out with its large twin deficits in the region
- Gross public debt exceeded the Maastricht threshold (60% of GDP).
- The uncertainty surrounding last summer's fiscal adjustment pushed government bond yields higher, but yields continued to fall after markets acknowledged a larger-than-expected correction in H2 2025 and the equilibrated budget execution in the first month of 2026.
- Public financing need is expected to increase slightly in 2026, while the cost of public borrowing, although the highest in EU, is expected to decline.



Forecasts 2025-2026 (% GDP)

Indicator	2025	2026
Budget deficit (ESA)	8.3%	6.8%
Current account deficit	8%	7.8%
Gross public debt	59.5%	62%
Budget deficit (ESA)	8.4%	6.2%
Current account deficit	7.9%	6.4%
Gross public debt	59.1%	61.1%



Source: Eurostat, Romanian Ministry of Finance, NBR

Risk Assessment for Twin Deficits in 2026

On the downside:

- Faster deficit reduction if fiscal discipline strengthens with EU funding support
- Lower interest rates on government borrowing as markets acknowledge fiscal consolidation
- Private sector entering a saving mood due to geopolitical tensions

On the upside:

- Slower deficit reduction due to lower tax revenues from economic slowdown
- exports hit by geopolitical tensions

03 Inflation

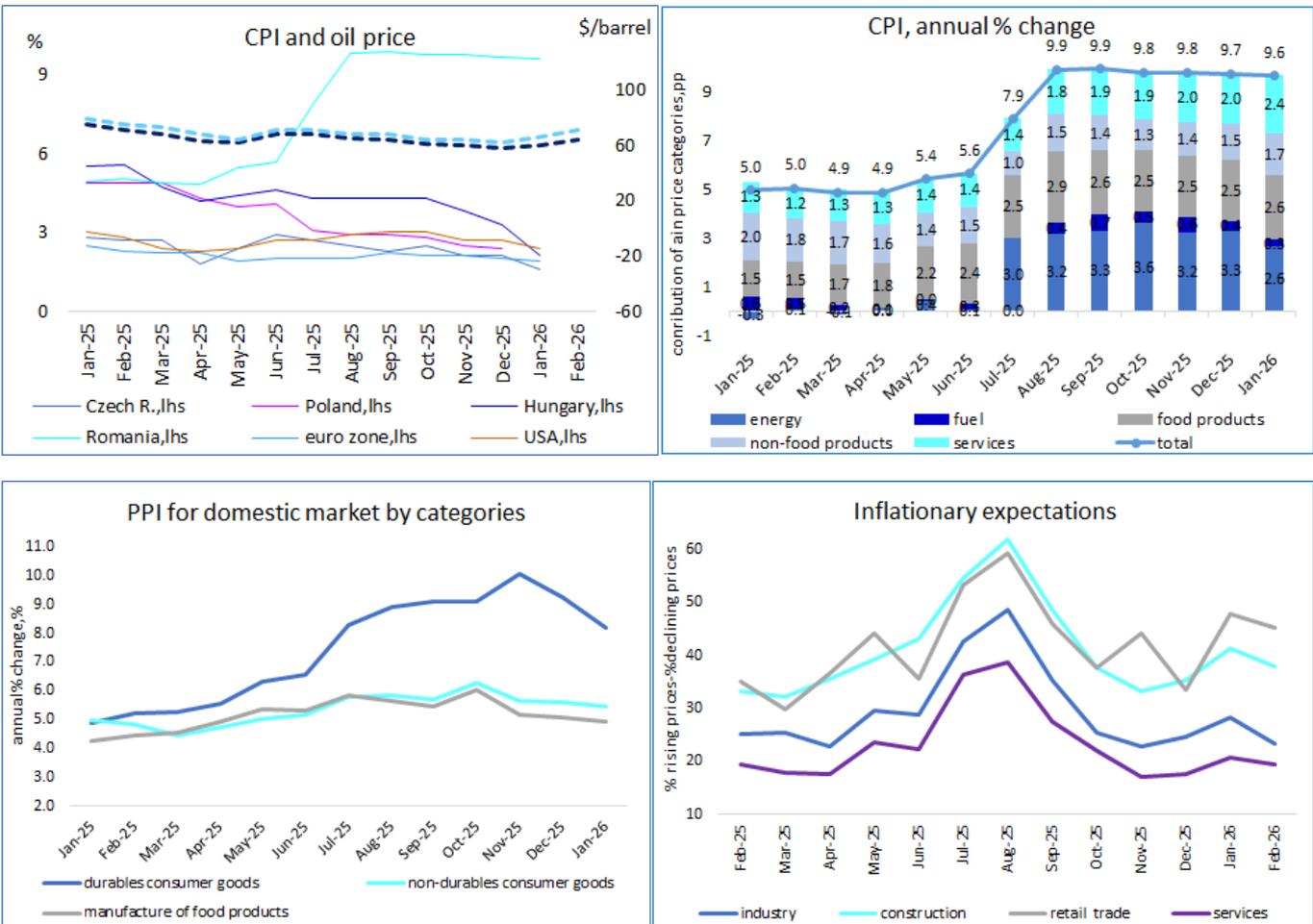
Annual inflation at 9.62% in Jan 2026

Source: INSS -Romanian National Statistics, central banks of RO, HU, CZ, PL, Federal Reserve Bank of Saint Louis, Eurostat, European Commission –Business Confidence Survey

Key Assessment
 Annual inflation at 9.62% in Jan 2026, the highest in the EU since Jan 2024, except for Jan-Feb 2025 when Romania ranked second. Central bank estimation: 3.9% in Dec 2026 and 2.9% in 2027.

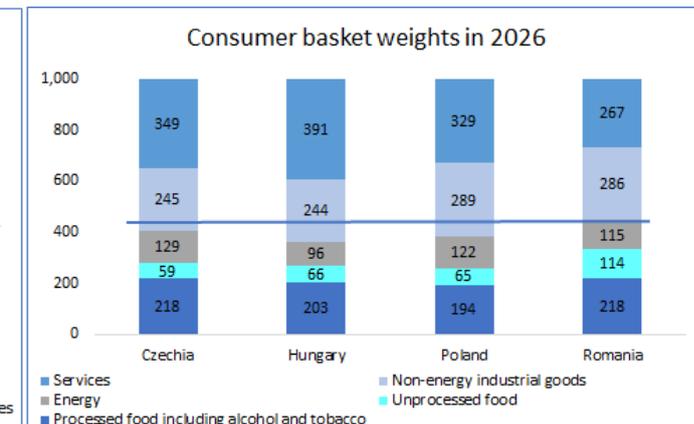
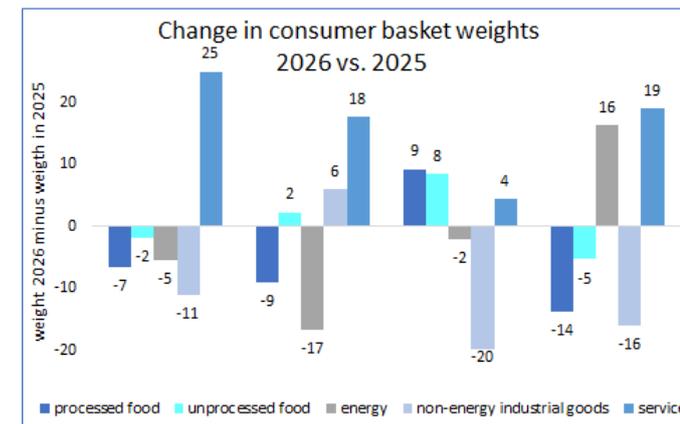
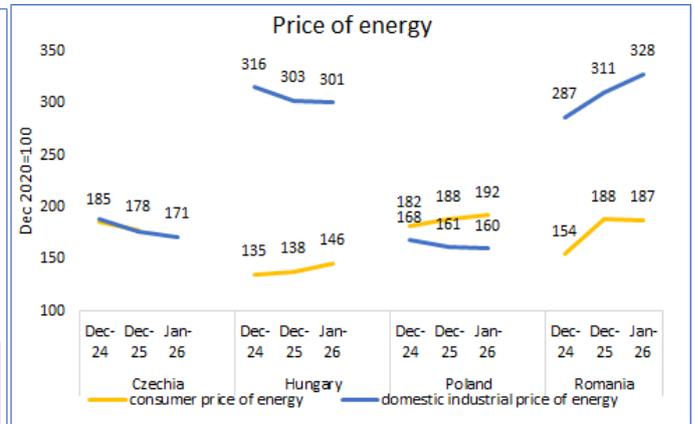
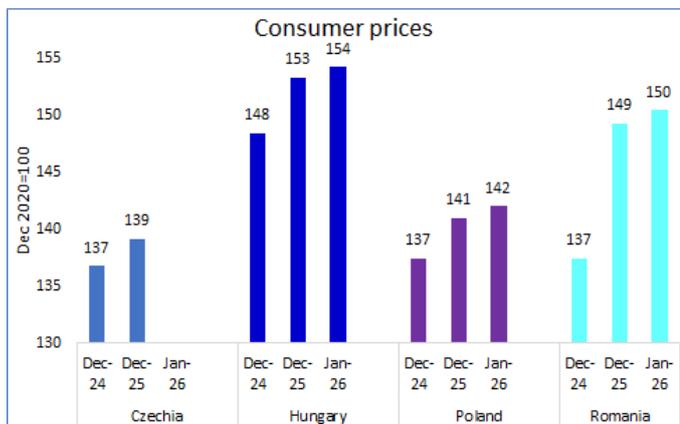
Key Facts

- Out of the 4pp increase in CPI since June almost 64% was due to energy prices
- Producer prices are decelerating slightly, nevertheless inflationary pressures for consumer prices maintain
- Inflationary expectations eased in all sectors after overshooting in Aug
- Romania has had the highest annual inflation rate in the EU since January 2024, except for January-February 2025 when it was the second highest.
- Changes in the consumer basket in 2026 compared to 2025- the weight of energy and services increased, while the weight for food (processed and unprocessed) and non-energy industrial goods declined. Nevertheless, food accounts for the largest share (35%) and services for the smallest share (25%) in the region;
- The prices of all five categories of goods are rising, in January 2026 compared with December 2020, processed food prices are up by 53%, unprocessed food by 58%, non-energy industrial goods by 40%, services by 47%, and consumer energy prices by 90%.



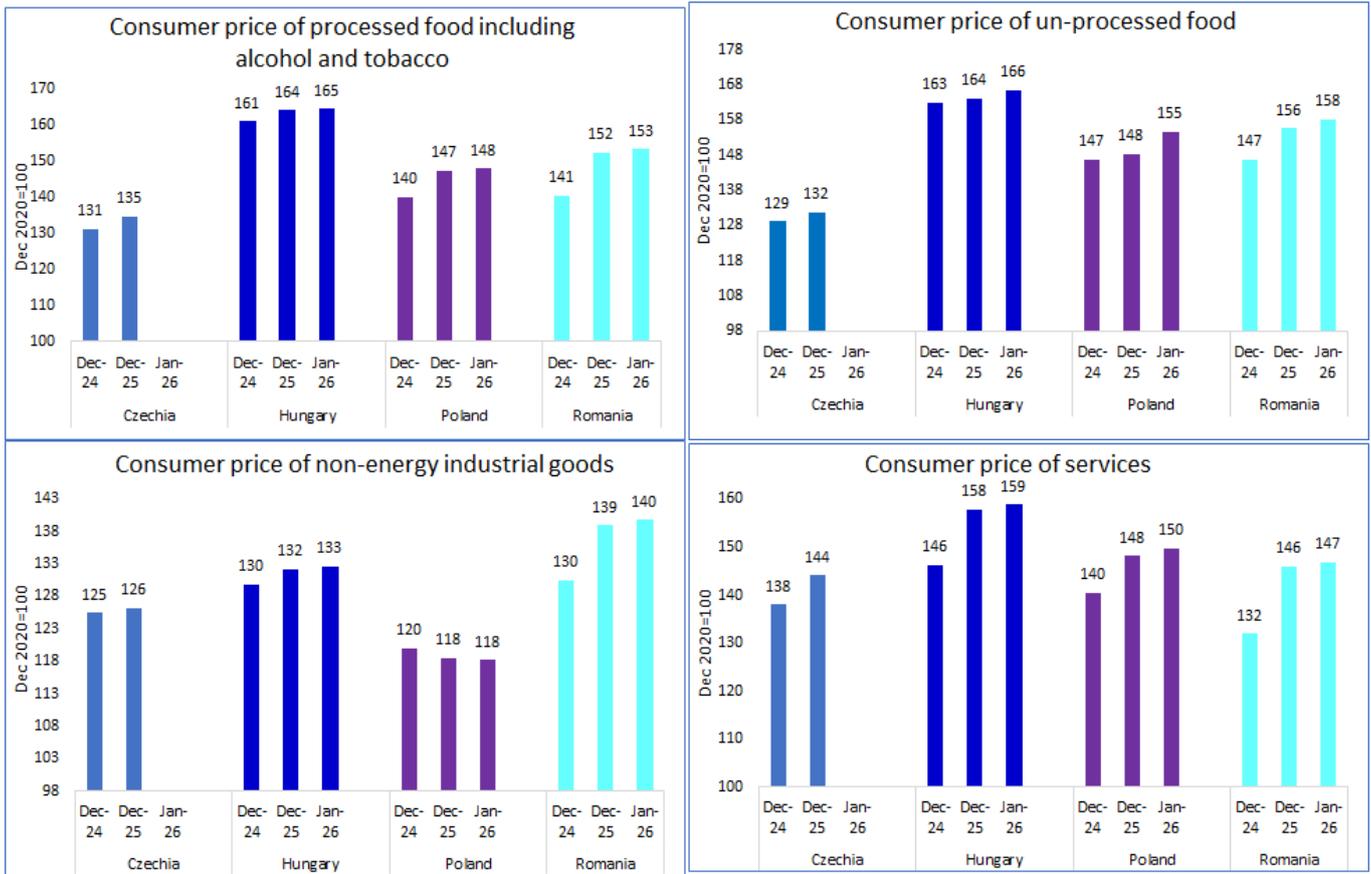
Latest Inflation (y-o-y) - January 2026

Country	Rate
Romania	9.62%
Czechia	1.6%
Poland	2.4%
Hungary	2.1%
Euro zone	1.9%
US	2.4%



Risk Assessment for Inflation in 2026

- The conflict in the Middle East if prolonged could increase the price of oil, natural gas and derivate oil products, such as fertilisers. All this may put an additional upward pressure on inflation in the coming months as the passthrough effect of higher oil prices in the economy materialises. In 2024 Romania imported 13 m tonnes of oil and petroleum products, out of which around 15% from the region. The final consumption of oil and petroleum products was 9.5m tonnes, 76% used in transport, 9% in industry, 4% in agriculture, 3% used by households and in construction.



04 Monetary Policy

Reference rate unchanged at 6.5%

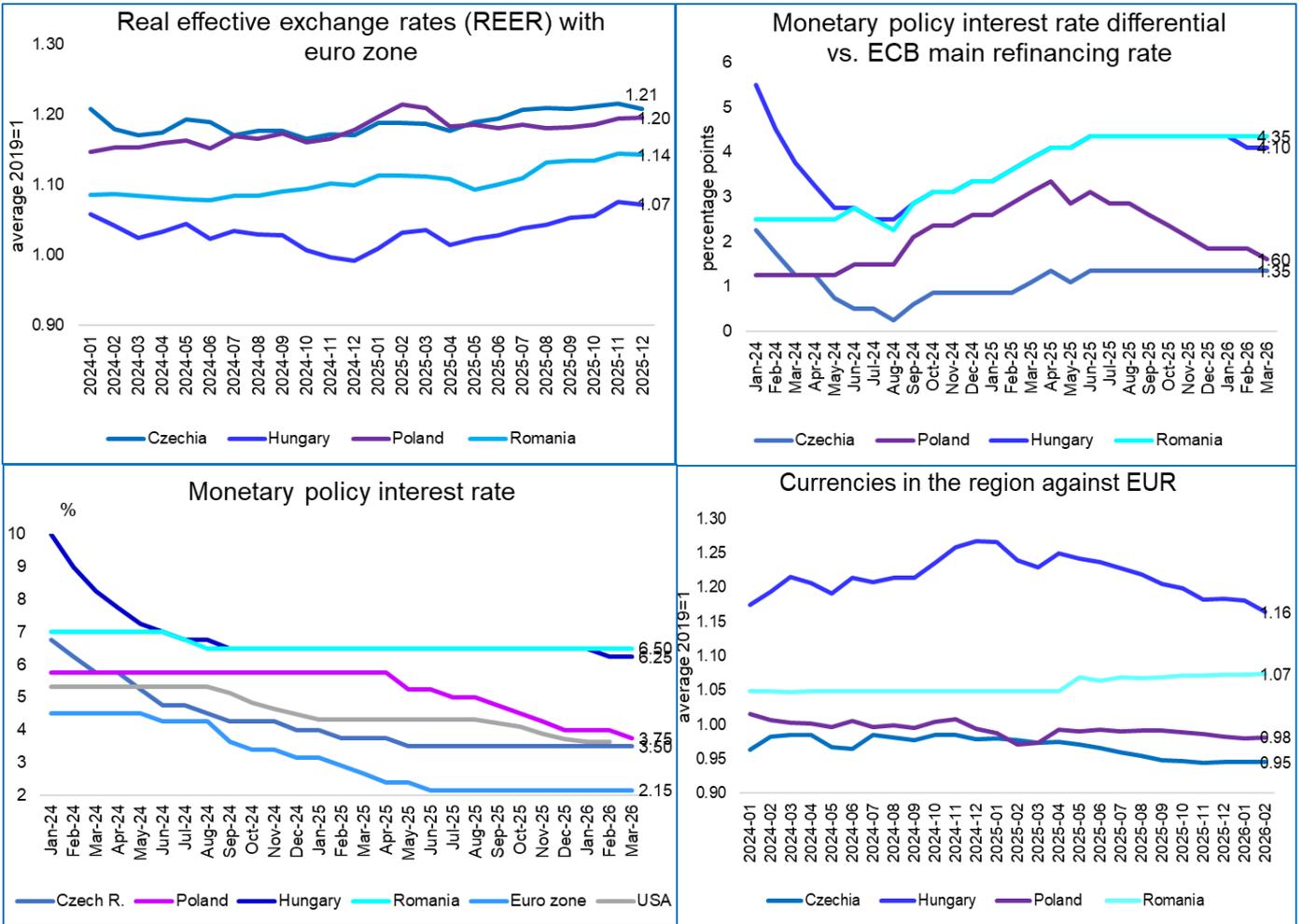
Source: central banks of RO, HU, CZ, PL, Eurostat, ECB

Key Assessment

Monetary policy interest rate 6.5%pa (held since Aug 2024). Interest rate differential vs. ECB main refinancing rate at 4.35pp. No change likely at next meeting April 7, 2026.

Key Points

- The central bank caught between the slowdown of the economy and the rising inflation decided to maintain the monetary policy interest rate at 6.5%pa (the largest in EU)
- The interest rate differential between RO and ECB monetary policy interest rates seems enough for RON/EUR exchange rate stability
- Compared with December 2025, monetary policy reference rates in March 2026 were lower by 25 bps in Poland and Hungary, while unchanged in Czechia and Romania.
- Gross reserves to GDP remained broadly stable in Romania.
- RON depreciated against EUR since May 2025
- RON REER (real effective exchange rate) with euro zone is appreciated by 14% in Jan 2026 compared to 2019 and by 3.9% compared to Dec'24
- Bank loans just partially offset the lost purchasing power due to inflation
- Euroization of both loans and deposits is on rise



Risk Assessment for Monetary Policy in 2026

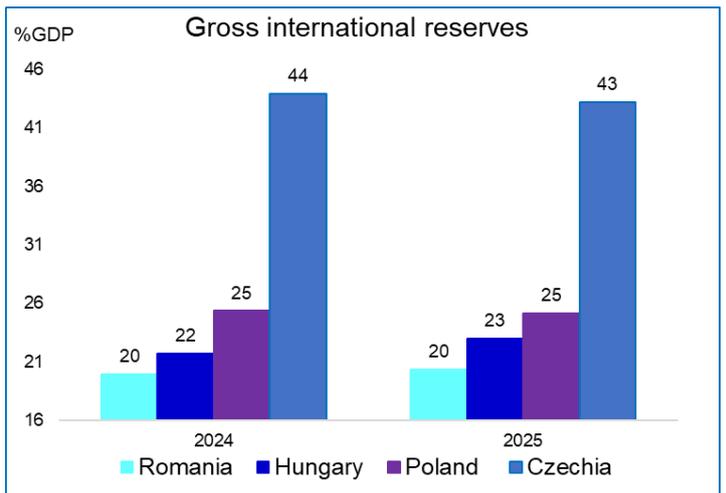
Lower reference rates:

- If inflation decelerates faster than expected (below 7% in H1 2026)
- If regional monetary policy rates decline significantly following potential ECB cuts

Higher reference rates:

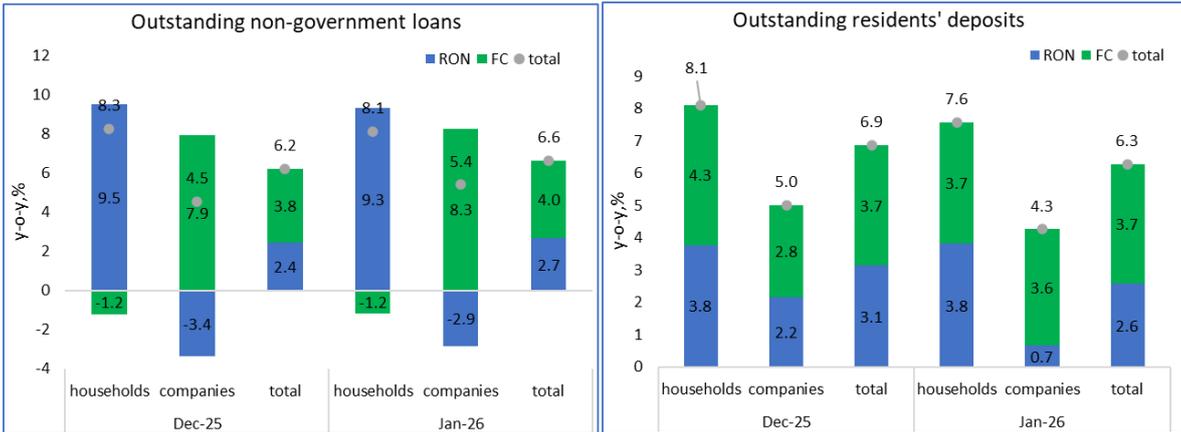
- If inflation remains sticky above 7% throughout 2026 due to VAT and energy shocks
- If depreciation pressures on RON intensify beyond what is considered harmful for inflation

Banking Sector



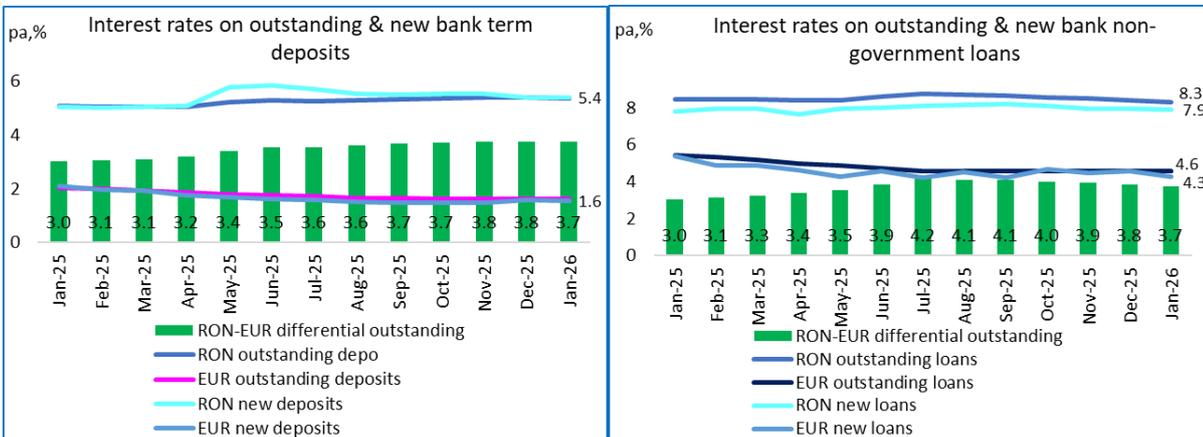
Key Assessment

Annual growth of non-government outstanding loans exceeded annual growth of outstanding deposits in Jan'26. Deposits' rate is slowing down vs. Dec'25.



Loan and Deposit Dynamics

- 60% of non-government annual growth rate due to the expansion of FC loans in Jan'26 (61% in Dec'25)
- 59% of term deposits annual growth rate due to the expansion of FC term deposits in Jan'26 (54% in Dec'25)



Interest Rate Environment

- RON interest rates exceed EUR interest rates (by 3.7pp for deposits and loans in Jan'26) enough for borrowing in EUR but not enough to contain the weakened confidence for saving in RON
- The smaller IRCC (benchmark interest rates for retail loans) made borrowing cheaper for retail in 2026
- The convergence between new and outstanding interest rates on deposits indicates cost maintenance for banks
- The lower interest rates for new loans than for outstanding loans, in both RON and EUR, indicate pressure for refinancing and declining revenues for banks.
- IRCC is lower in 2026, further reducing the borrowing cost for retail clients.

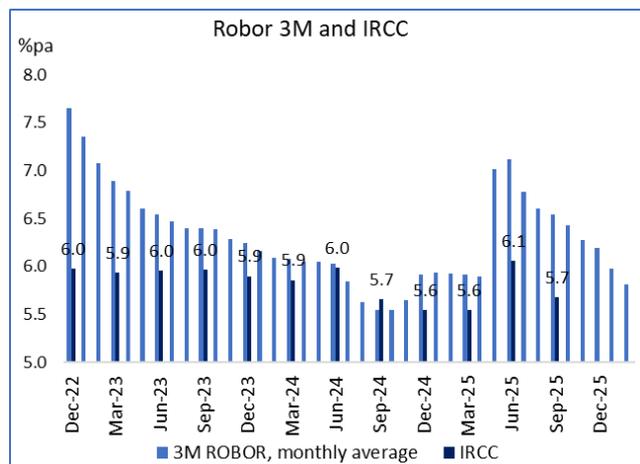
Risk Assessment for Banking Sector in 2026

On the upside:

- Stabilization of deposit rates as confidence in RON improves
- Increased lending supported by state guarantees

On the downside:

- Continued euroization trend reducing bank profitability in RON
- NPL ratio increase if unemployment rises faster than expected
- Margin compression from lower rates and increased competition



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Unemployment

On a higher plateau and wage inflation below CPI since July 2025

Source: Eurostat, European Commission –Business confidence survey, INSSE - Romanian National Statistics

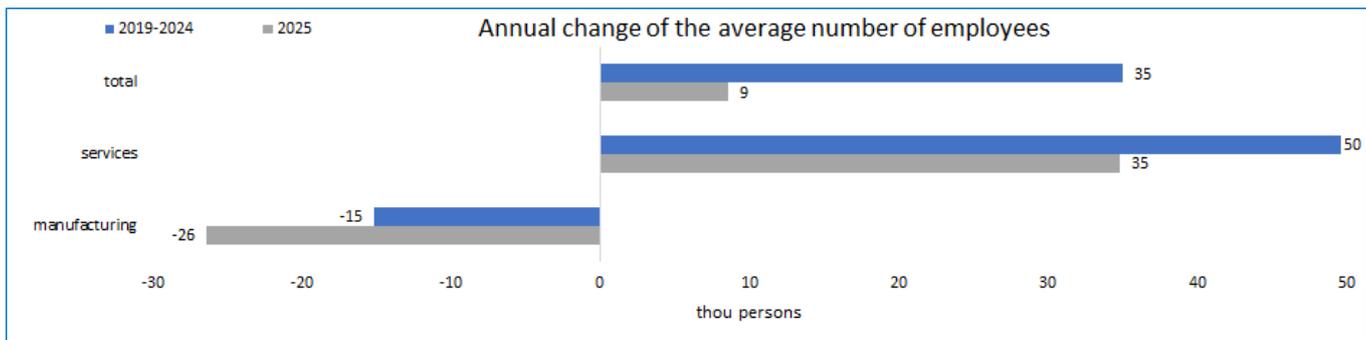
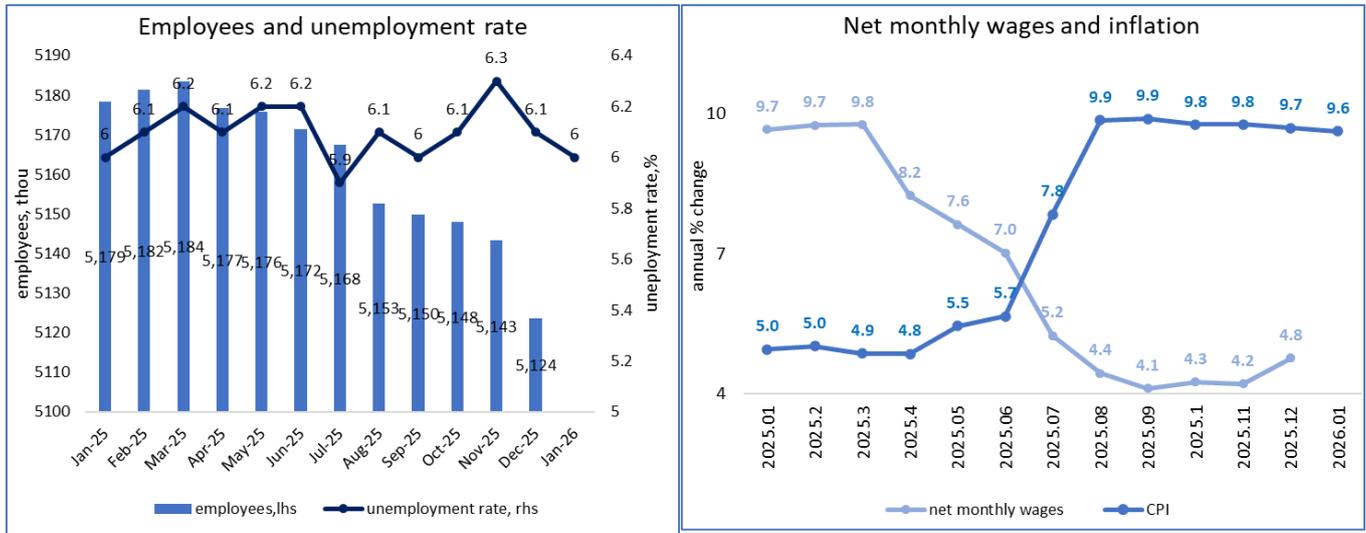
Key Assessment

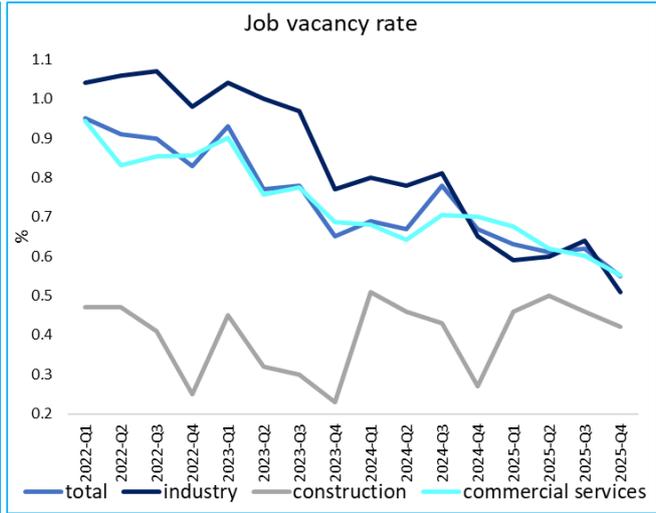
Unemployment rate at 6% in 2025. Annual wage inflation below annual CPI inflation since July 2025. Labor market tightness is easing, the vacancy rate scarcer in all sectors. The average number of employees is rising marginally.

Unemployment and Wage Dynamics

Unemployment rate as one year ago and annual wage inflation below annual CPI inflation:

- The average unemployment rate increased to 6% in 2025 from 5.5% in 2024
- The number of vacancies declined by 14% in 2025 compared to 2024
- Labour market tightness declined (the number of unemployed per one vacant job increased from 13 in 2024 to 16 in 2025)
- The net monthly wages slowed. The 12M average net wages increased by 6.5% in Dec 2025 (13.4% in Dec 2024)
- Labor market tightness is easing, the vacancy rate scarcer in all sectors
- Annual wage inflation below annual CPI inflation since July 2025 - purchasing power erosion continues
- Balanced job creation in services with job destruction in manufacturing so far, a medium-term feature. But job creation weakened and job destruction amplifies in 2025 compared to the annual evolution of the previous five-year period.





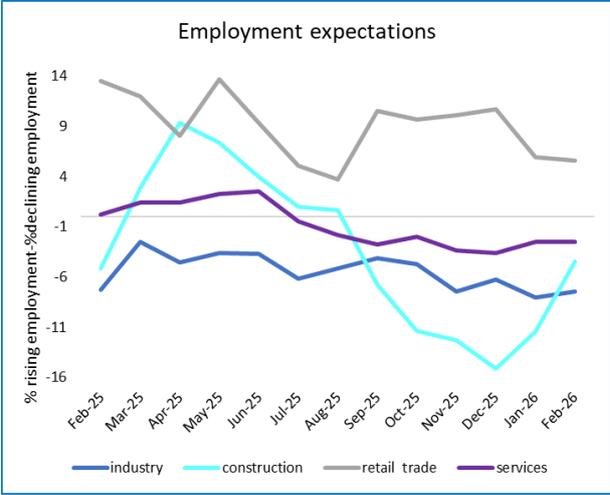
Risk Assessment for Labor Market in 2026

Downside risks dominate:

- Low vacancy rates across all sectors reduce hiring despite wage pressure
- Uncertainties in global trade might lower employment in export sectors (industry and services)
- Impact of AI biased towards job destruction rather than job creation
- Real wages continuing to decline as wage growth remains below inflation

Limited upside:

- Retail trade sector continues to expand hiring
- EU funded investments supporting construction employment



Employment Outlook:

The vacancy rate is scarcer across all sectors indicating limited hiring capacity.

06 GDP Growth
Real annual GDP growth 0.7% in 2025

Source: Eurostat, European Commission (EC) Autumn 2025 Forecast, IMF World Economic Outlook October 2025, World Bank Growth Economic Prospect, Jan 2026, National Commission of Prognosis (CNP) Autumn Forecast 2025, INSSE

Key Assessment
Real annual GDP growth 0.7% in 2025 - the lowest in the region. Weaker growth expected in Romania than in peers in 2026&2027.

0.7%

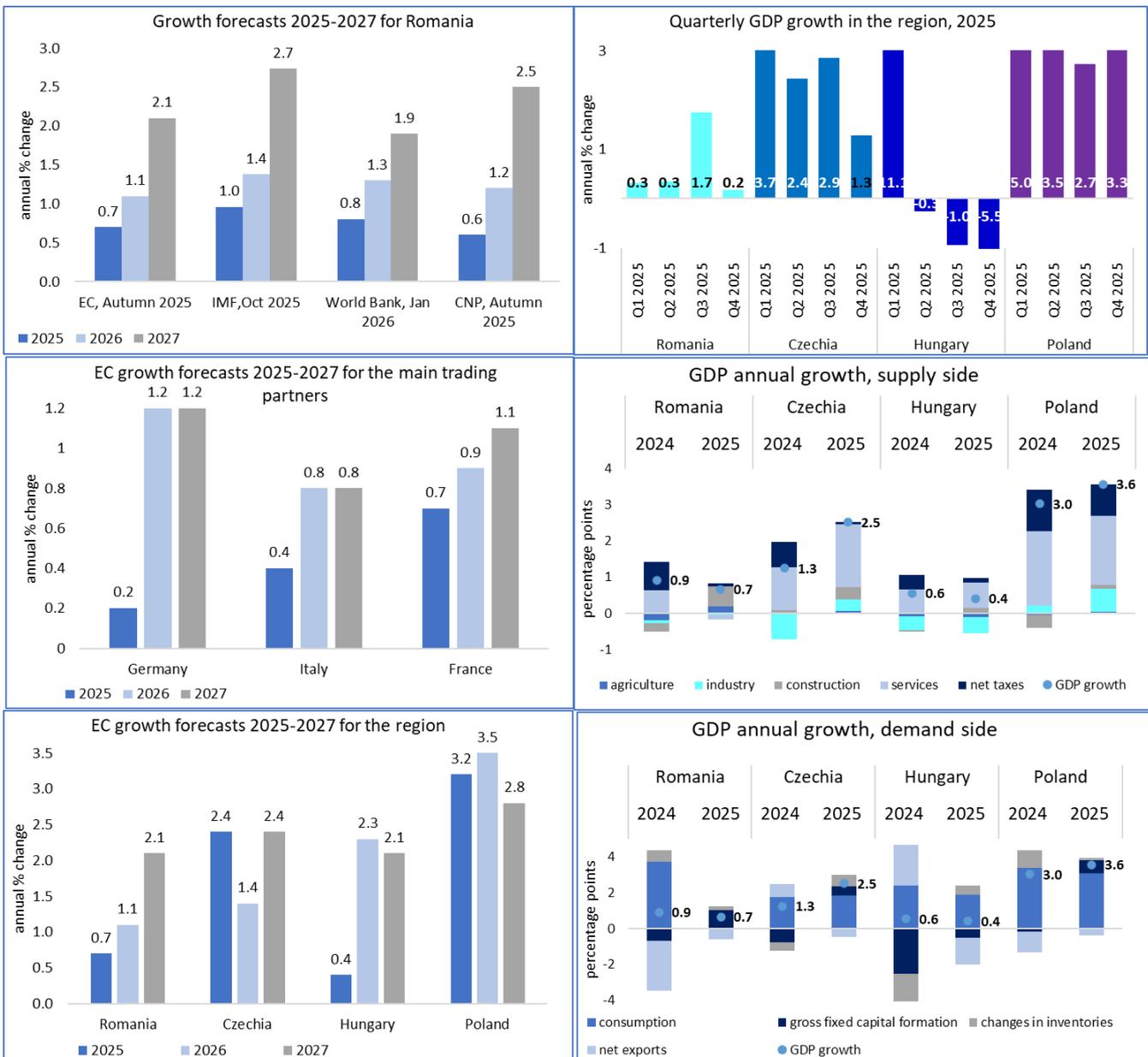
GDP Growth 2025
Lower than Czechia and Poland, engines: agriculture and construction

Growth Drivers

- Supply Side: Romania - Agriculture and construction; Region - Services and industry (CZ&PL)
- Demand Side: Romania - Gross capital formation; Region - Consumption and gross capital formation (CZ&PL)
- Recent forecasts for Romania were revised downward below peers, while growth expectations for the main trading partners also remain weak.
- Romania entered 2026 with a rebound in construction, stagnation in industry, and contraction in retail trade.

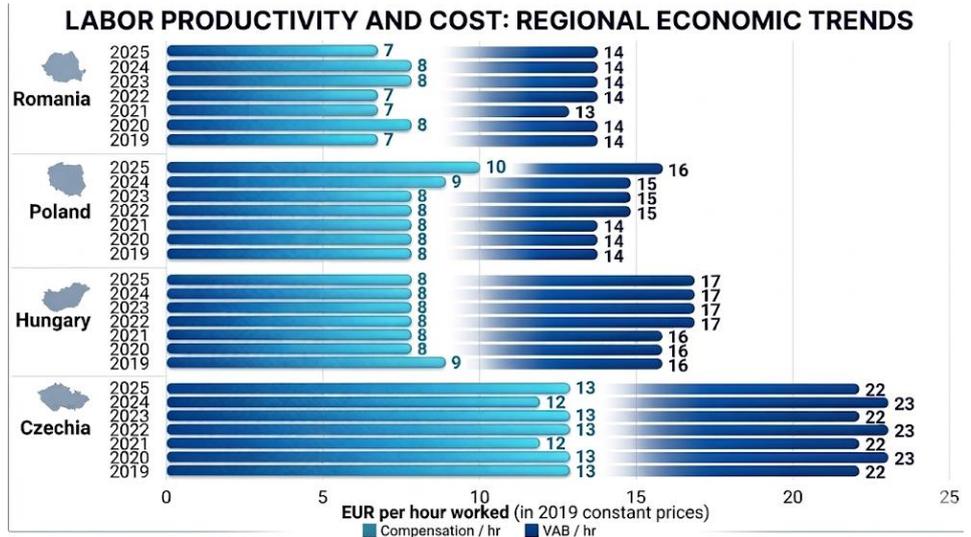
Key Developments in 2025

- On the supply side: Although services contracted, the contraction was not ubiquitous - IT, real estate and recreational activities expanded. Net taxes increased slightly (1% y-o-y).
- On the demand side: Gross fixed capital formation had an outstanding growth (+4.1% y-o-y, driven mainly by the expansion of buildings), its contribution to GDP growth was supported by the accumulation of inventories. The negative contribution of net exports to GDP lowered consistently compared to 2024 (-0.6pp in 2025 vs. -2.8pp in 2024). Although the import of goods moderated compared to 2024, the import of services rose significantly (+10.4% in 2025 vs 1.8% in 2024).



Labor Productivity & Costs

- Labor productivity increased: +3.8% in RO
- Romanian labor productivity is lower by 11% than in PL, 14% than in Hungary and 35% than in CZ
- Labor cost declined: -0.3% in RO
- Romanian labor costs are lower by 15% than in PL, by 34% than in CZ, at the same level as in HU
- Labor productivity per labor cost in Romania stands at 1.7, compared with 2.0 in Hungary, 1.7 in Czechia, and 1.6 in Poland. Hence, overall, doing business in RO is as profitable as in CZ, more profitable than in PL and less profitable than in HU



Risk Assessment for Growth in 2026

Headwinds (downside risks):

- Inflation persistency reduces consumer purchasing power and consumption
- Fiscal consolidation path limits government spending and investment support
- US tariffs (20% on EU products, 25% on steel, aluminum) reduce exports

Tailwinds (upside support):

- Accession of EU funds supports investments and gross capital formation
- Negative real interest rates support for borrowings and business expansion

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