CPAG

Consilium Policy Advisors Group

MACRO RISKS REPORT

Romania Economic Overview

September 2026

GDP GROWTH

H1 2026

-0.7%

vs -1.2% Q1

INFLATION

July 2026

8.2%

vs ~11% Q2avg

UNEMPLOYMENT

July 2026

6.4%

vs 6.0% 2025

BUDGET DEFICIT, % GDP

7M2026

-2.3%

vs -4.0% 7M25

CURRENT ACCOUNT DEFICIT, % GDP

H1 2026

-3.5%

vs -3.6% 6M25

01 Executive Summary

Macro Debriefing – Sep 2026

SO WHAT: A POLICY BIND WITH A NARROWING RUNWAY

The stagflation, twin-deficit, and labor-market strains in this report reinforce each other. Fiscal consolidation needed to bring the budget deficit down from Maastricht-breaching debt levels is the same policy suppressing GDP growth (-0.7% in H1 2026) and destroying jobs across every sector. Weaker growth then erodes the tax base the consolidation depends on. Meanwhile the central bank has no room to cut rates to offset the growth hit, since elevated inflation and RON depreciation pressure argue for holding or raising instead. Each lever - fiscal, monetary, labor - pulls against at least one of the others.

Base case: gradual disinflation continues through 2026 (NBR sees 6.1% by December), the budget deficit narrows towards the target (6%of GDP) on a cash basis, and growth stays flat-to-negative through H2 2026 before a modest recovery in 2027 as EU-funded investment offsets weak consumption.

Worse: an energy-price shock, from the Middle East conflict reinforced by the drought at home causing the closure of the nuclear plant (the source of 21% of electric energy production) and the weakening of hydropower plants capacity (the source of 24% of electric energy production), re-accelerates inflation, forcing a rate hike that chokes off the construction and capital-formation growth engines that are currently the only bright spots.

Better: faster-than-expected fiscal consolidation, credibly signaled to markets, lowers bond yields enough to ease the financing burden (EUR 54bn needed in 2026) and creates room for the central bank to cut without reigniting RON depreciation.

Watch: the labor market is the earliest indicator for either direction - job destruction accelerating beyond construction/retail signals the downside case winning; a stabilization in vacancy rates signals the base case holding.

Stagflation

The major hit on growth by the corrective measures for stabilizing the budget deficit and the re-bursting of inflation was taken in Q1 2026 (-1.2% y-o-y). In Q2 2026 the impact was milder (-0.4% y-o-y), so that the cumulated effect of the two quarters led to a GDP decline by 0.7% in H12026.

The decline among the various components of GDP was not ubiquitous. The engines of growth were construction on the supply side and gross fixed capital formation on the demand side.

As expected, inflation showed the first significant receding signs in July, when the annual inflation went down to 8.2% from almost 11% in the previous three months. The disinflation process is expected to continue in the second half of 2026. According to NBR's August estimation the CPI annual dynamics will gradually ease to 6.1% in Dec 2026. The August estimation was upwardly adjusted by 0.6pp compared to May estimation.

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). The interest rate differential vs. ECB main refinancing rate reduced to 4.1pp since ECB started its tightening cycle beginning with June 2026. The average exchange rate RON/EUR in the first 8 months of 2026 depreciated by 2.5% compared to 2025.

Bank loans just partially offset the lost purchasing power due to inflation (the annual growth rates of non-government outstanding loans in each of the first seven months of 2026 were below the inflation rates). Euroization of both loans enhanced, while that of deposits receded.

Labor Market

The average unemployment rate increased to 6.5% in 7M2026 from 6% in 2025. The number of vacancies declined by 14.4% in H1 2026 compared to H1 2025. The labor market tightness declined (the number of unemployed per one vacant job increased from 16 in 2025 to 20 in H1 2026). The net monthly wages slowed. The 12M average net wage increased by 4.1% in Jun 2026 (6.5% in Dec 2025). The number of employees declined (+61thou) in H12026 compared to H12025. Job destruction occurred in all sectors unlike in 2025 and as in 2025 was stronger in manufacturing.

Growth

Few surprises in the annual GDP growth in H1 2026:

The decline was driven mainly by inventory rundown offsetting the gross fixed capital formation expansion and by services contraction, partly cushioned by financial intermediation and recreational activities. Labor productivity improved relative to the EU average while labor costs fell, leaving Romania roughly as competitive as Czechia — see Section 06 (GDP Growth) for the full supply- and demand-side breakdown.

02 Twin Deficits

Impressive correction of the budget deficit: -2.3% of GDP in 7M2026 vs. -4% of GDP in 7M 2025

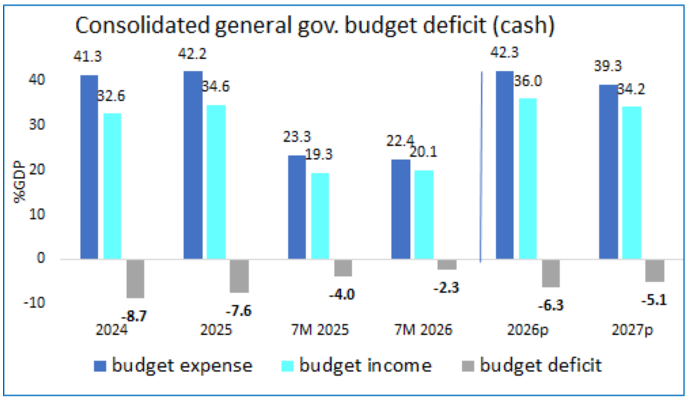
Source: Eurostat, Ministry of Finance, NBR

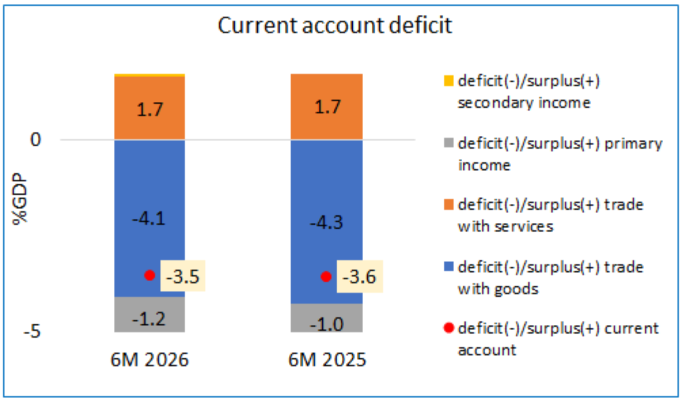
KEY ASSESSMENT

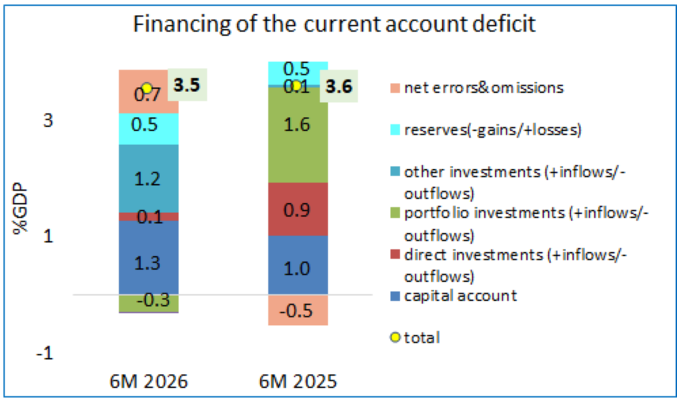
Asymmetricity in the deficits' evolution. Significant correction of budget deficit to -2.3% of GDP in 7M 2026 from -4% of GDP in 7M 2025 and tiny correction of current account deficit to 3.5% of GDP in H1 2026 from 3.6% of GDP in H1 2025. The primary budget deficit in 7M 2026 was narrow (-0.2% of GDP) since the deficit of the consolidated budget was almost equal to interest payments (2% of GDP). Public debt in GDP exceeded the Maastricht threshold for the first time in Q1 2026.

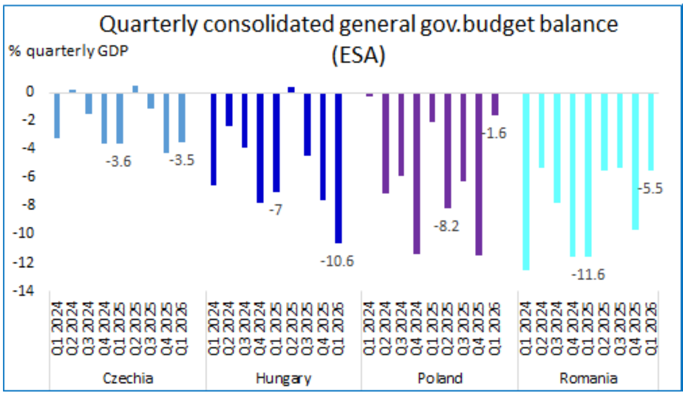
KEY FACTS

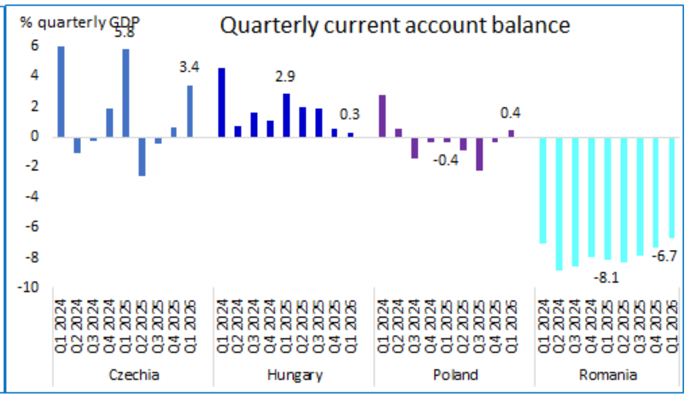
- Romania stands out with its large twin deficits in the region, the consolidated budget deficit was 2.3% of GDP in 7M, while the current account deficit 3.5% of GDP in H1 2026. Compared to the same period of 2025 the consolidated budget deficit to GDP was less than 42%, while the current account deficit to GDP almost the same. The net capital inflows had to be supplemented from the international reserves (equivalent to 0.5% of GDP) to cover the current account deficit as one year ago.
- The fiscal consolidation lowered the average bond yields in 7M 2026 below the level from 2024, and shifted the majority of the public finance need toward capital installment repayments (53%) in 2026.
- Gross public debt exceeded the Maastricht threshold (60% of GDP) in Q1 2026.
- Public financing need is expected to increase to EUR 54bn in 2026, up by 10.2% y-o-y.

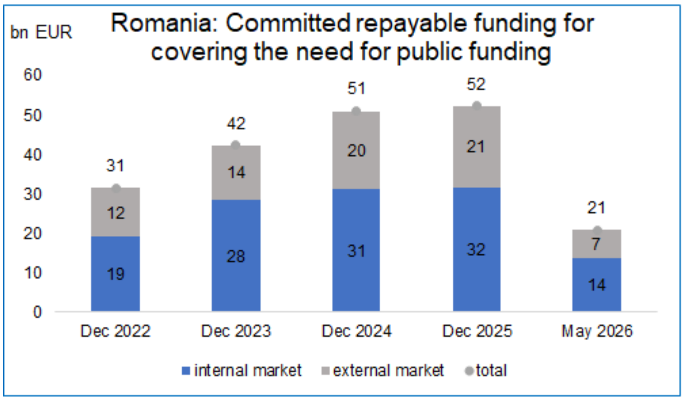


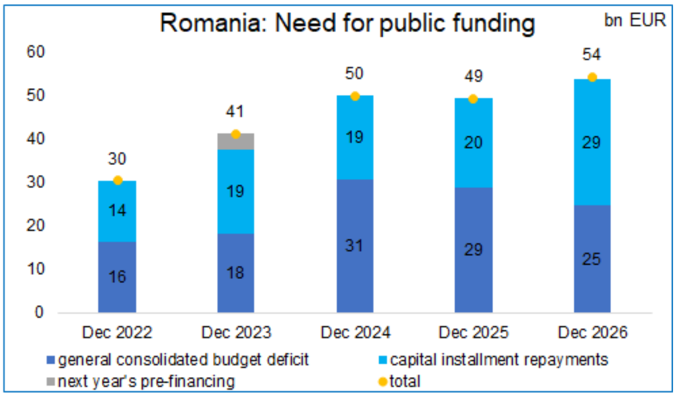


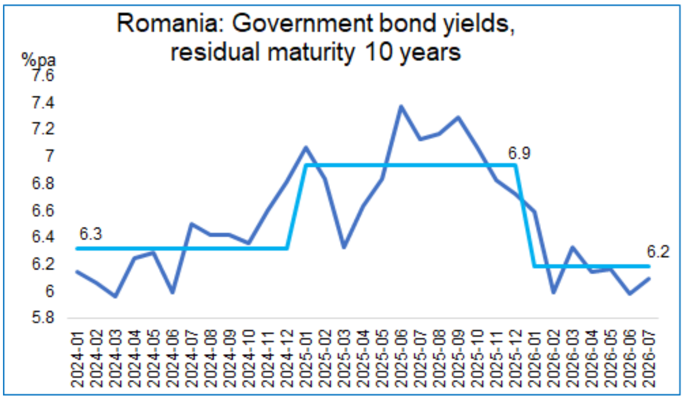


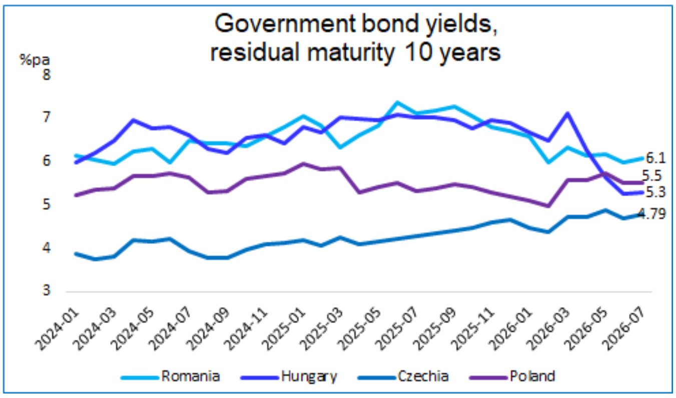


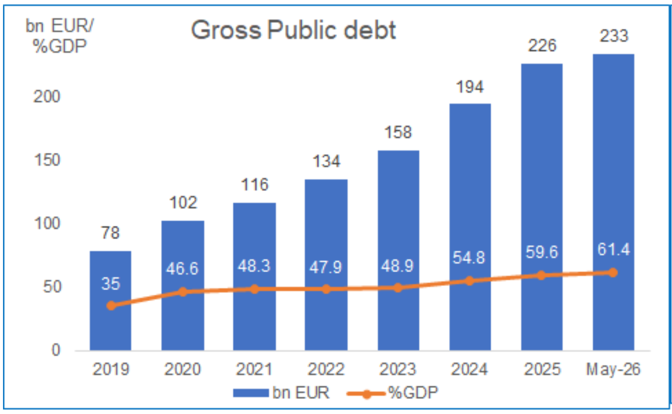


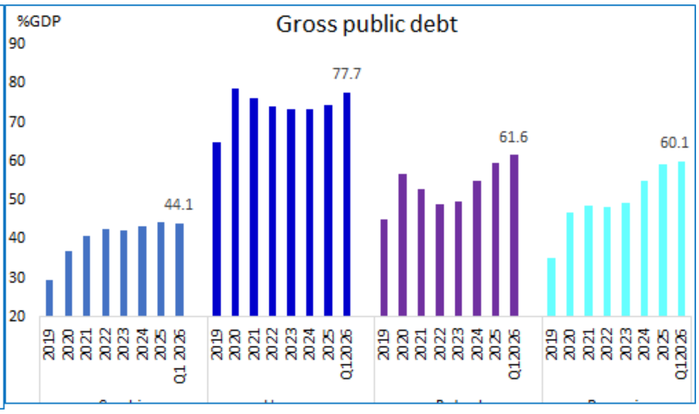












Source: Eurostat, Romanian Ministry of Finance, NBR

FORECASTS 2026-2027 (% GDP)

INDICATOR	2026	2027
SOURCE: CPAG		
Budget deficit (ESA)	6%	5.8%
Current account deficit	8%	7.8%
Gross public debt	62%	64%
SOURCE: EUROPEAN COMMISSION SPRING FORECAST 2026		
Budget deficit (ESA)	6.2%	5.8%
Current account deficit	6.9%	6.4%
Gross public debt	61.6%	63.4%

Note: the 2026 full-year forecasts above (ESA methodology, ~6% of GDP) are not directly comparable to the -2.3% of GDP cash-basis deficit reported for 7M2026 elsewhere in this section; ESA accounting includes accrued items (e.g. EU-funded capital spending, arrears) excluded from the cash-basis reading.

Risk Assessment for Twin Deficits in 2026

On the upside:

- 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 downside:

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

03 Inflation

Annual CPI inflation at 8.2% in July 2026

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

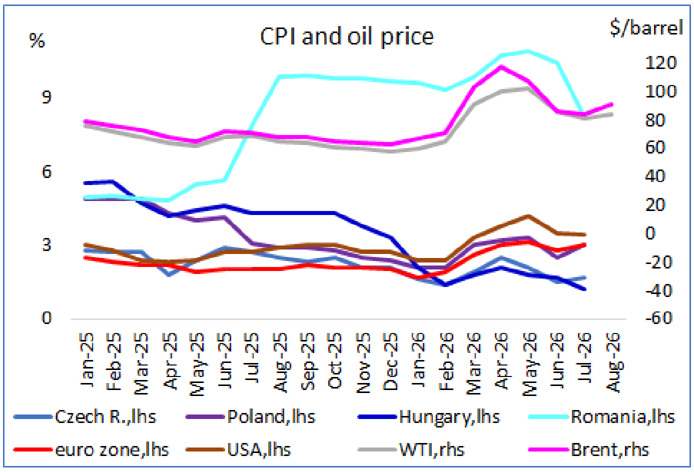
KEY ASSESSMENT

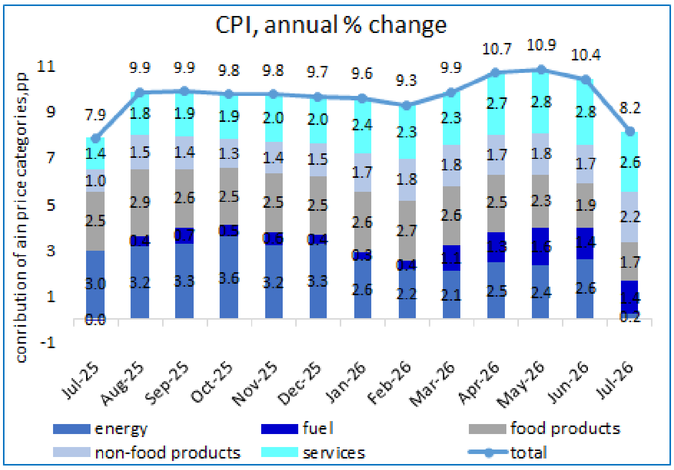
Although significantly lower than in the previous three months, harmonized annual inflation at 8.2% in July 2026 remained the highest in the EU since Jan 2024, except for Jan-Feb 2025 when Romania ranked second. The rising energy price due to the Middle East conflict determined the central bank to upwardly adjust the annual CPI estimation both for end 2026 to 6.1% from 5.5%, and end 2027 to 3.4% from 2.9%.

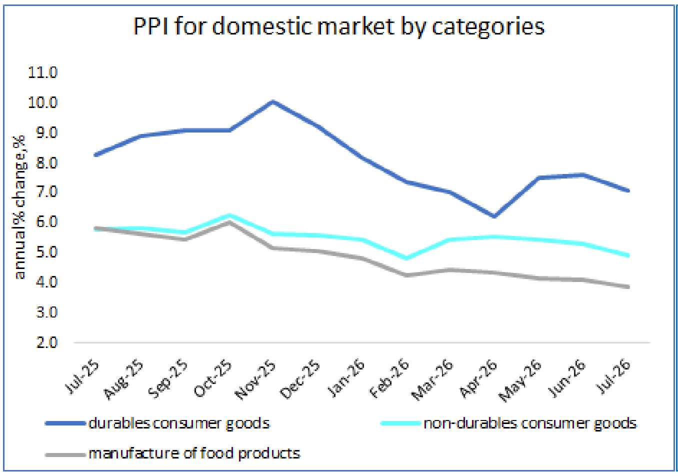
KEY FACTS

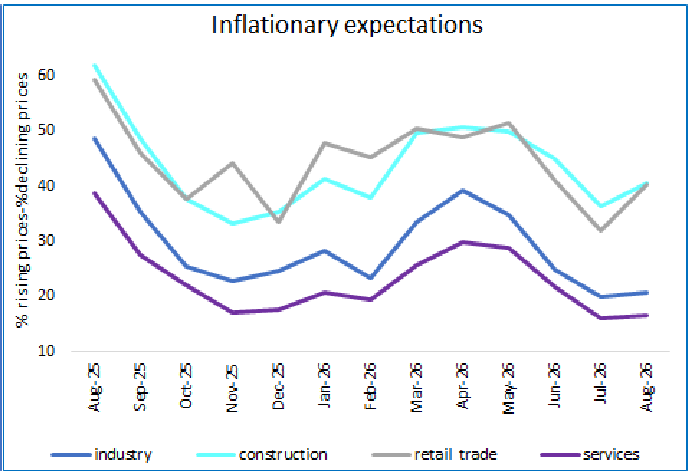
- The deceleration of inflation reflects a base effect. In July 2025 consumers went back to market prices, and electricity tariffs jumped roughly 62% that month alone as the government lifted the price caps on 1 July. That created an unusually high electricity price level in the July 2025 baseline. So even if electricity prices rose from June 2026 to July 2026 (4.4%), the year-on-year percentage looks much smaller, simply because the denominator (last year's price) was already so high.
- Producer prices are decelerating slightly
- Inflationary expectations are rising again in construction and retail trade
- Despite the inflation deceleration in July 2026, Romania continues to have 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 harmonized prices of all five categories of goods, excepting unprocessed foods, are rising. In July 2026 compared with December 2020, processed food prices are up by 57%, unprocessed food by 58%, non-energy industrial goods by 43%, services by 54%, and consumer energy prices by 90%.



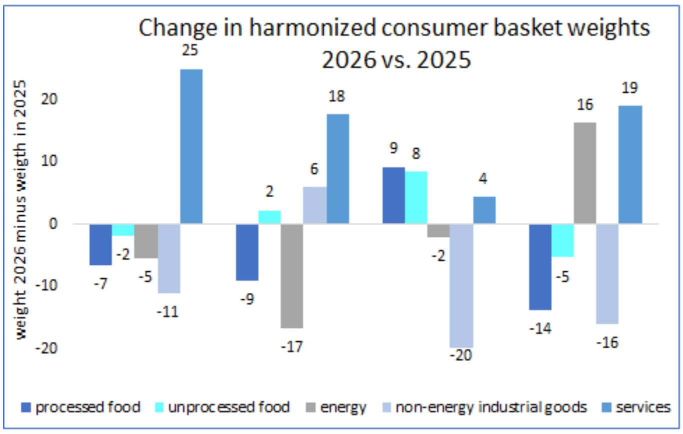


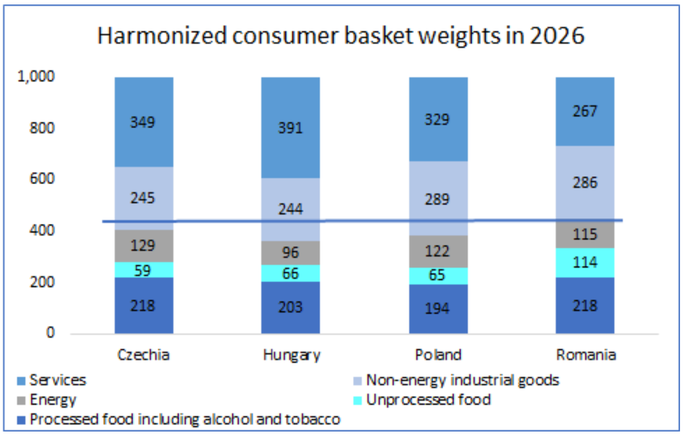


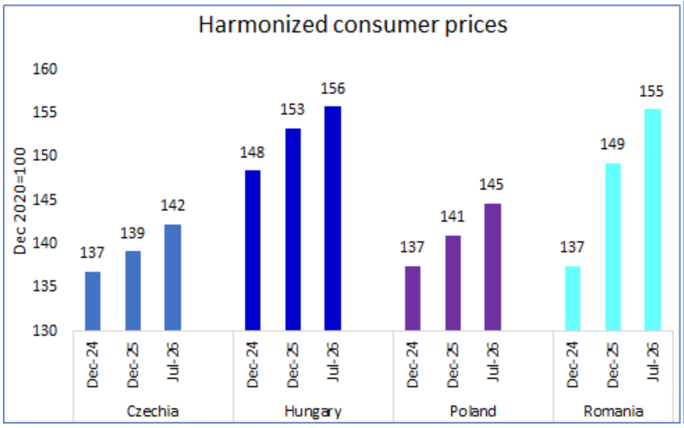


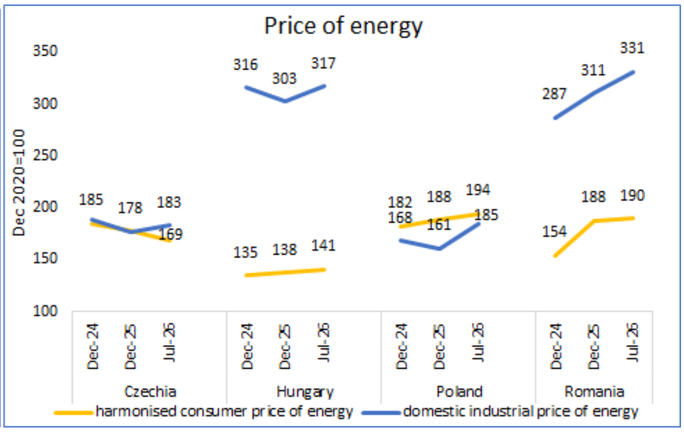
LATEST INFLATION (Y-O-Y)

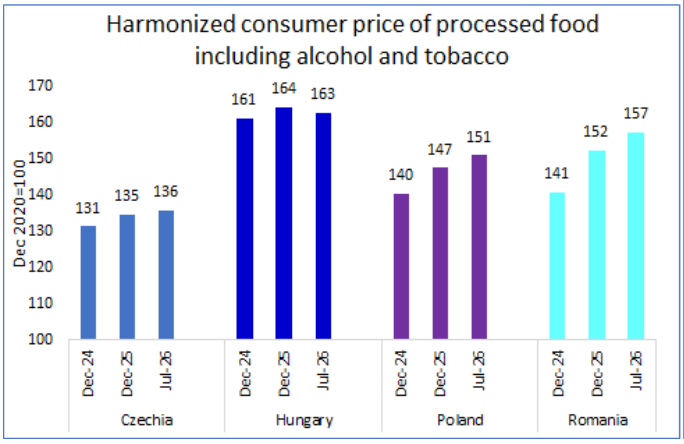
COUNTRY	CPI RATE	HICP RATE
Romania	**8.2% (Jul 2026)**	**8.2% (Jul 2026)**
Czechia	1.7% (Jul 2026)	1.3% (Jul 2026)
Poland	3% (Jul 2026)	3.1% (Jul 2026)
Hungary	1.2% (Jul 2026)	1.6% (Jul 2026)
Euro zone		3% (Jul 2026)
US	3.4% (Jul 2026)	

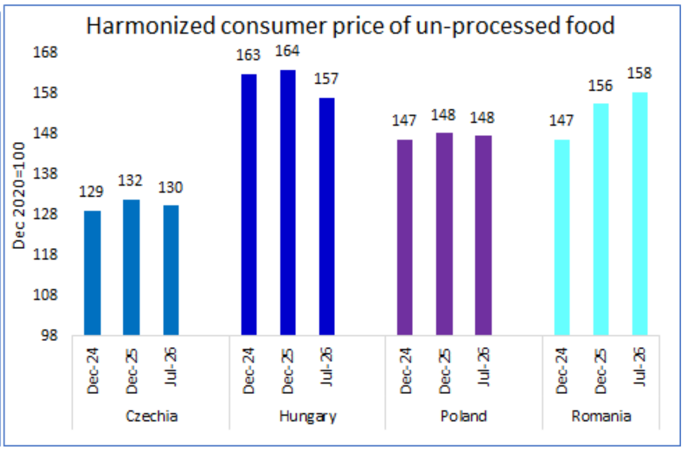


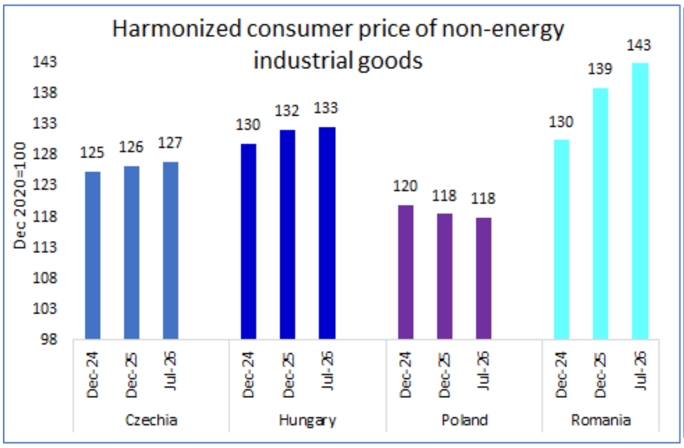


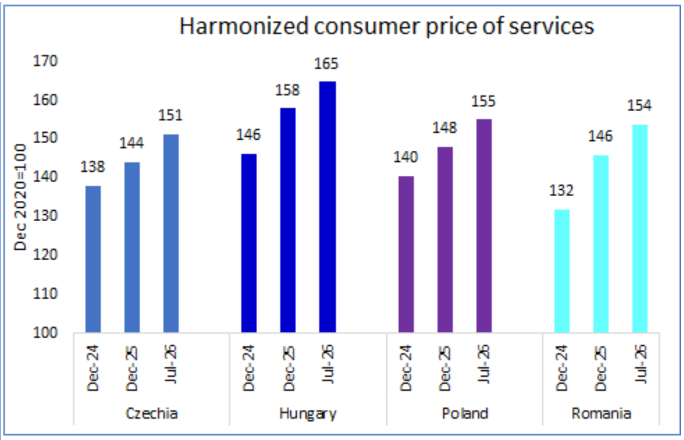












Risk Assessment on the upside

- The conflict in the Middle East makes the oil price volatile. 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.

- The drought at home and the temporary closure of the nuclear power plant will increase the energy imports and the exposure to the market prices.

04 Monetary Policy

Reference rate unchanged at 6.5%

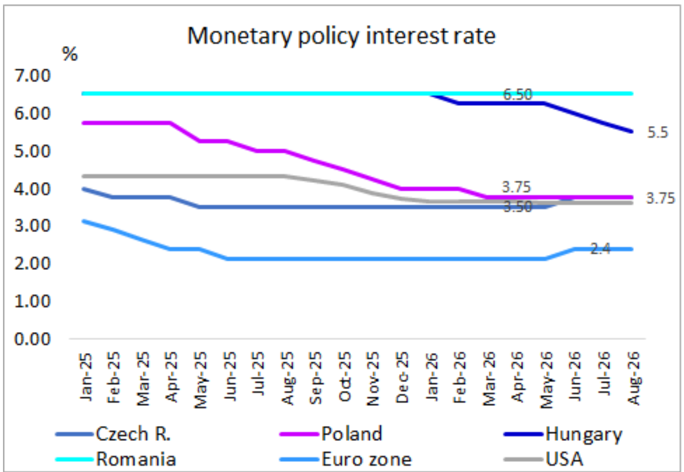
Source: central banks of RO, HU, CZ, PL, Eurostat, ECB

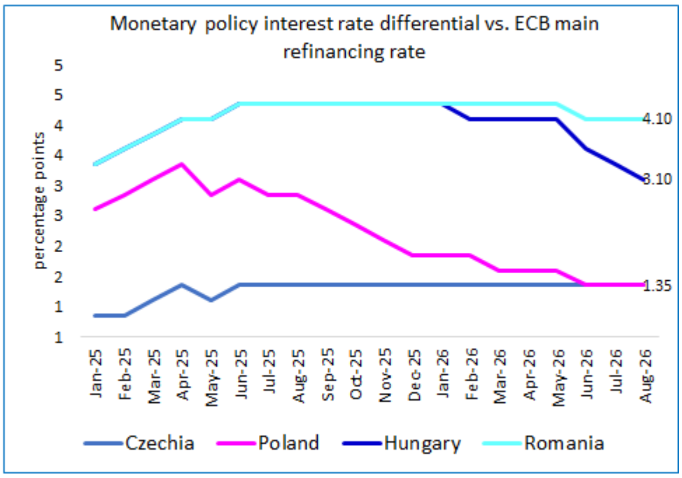
KEY ASSESSMENT

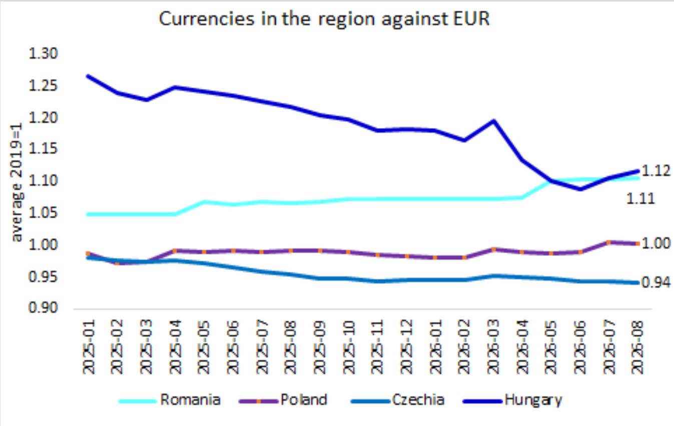
Monetary policy interest rate 6.5%pa (held since Aug 2024). Interest rate differential vs. ECB main refinancing rate at 4.1pp. No change likely at next meeting Oct 8, 2026.

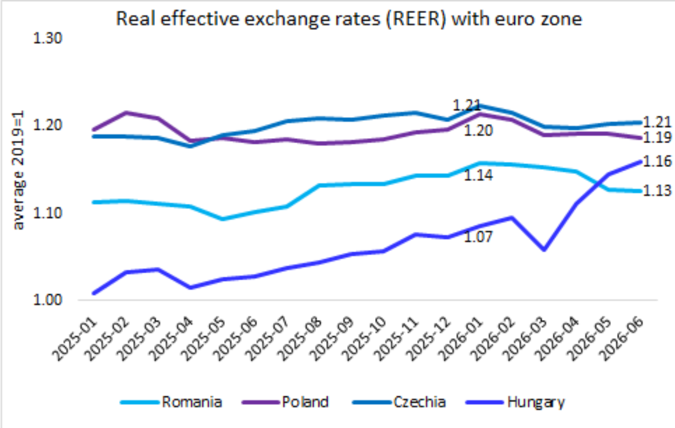
KEY POINTS

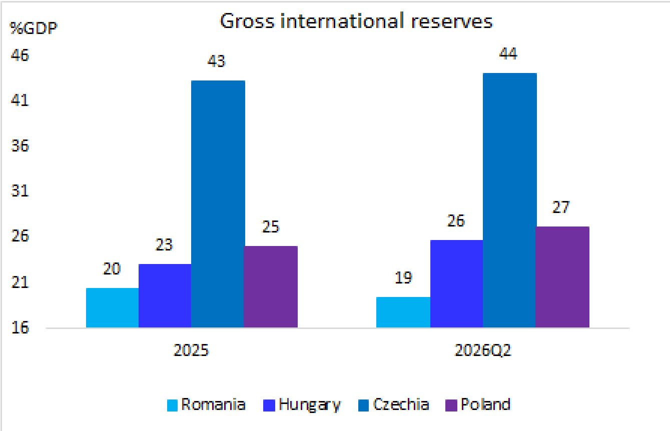
- The central bank caught between the slowdown of the economy and the rising inflation decided to maintain the monetary policy interest rate at 6.5%pa (the largest in EU)
- The lower interest rate differential between RO and ECB monetary policy interest rate (the first hike by 0.25pp was decided on June 11, 2026) might create depreciation pression for RON/EUR exchange rate
- Compared with December 2025, monetary policy reference rates in August 2026 were lower by 100 bps in Hungary and 25 bps in Poland and higher by 25 bps in Czechia, while unchanged in Romania.
- Gross reserves to GDP declined in Romania.
- RON depreciated against EUR in the first 8M 2026 by 2.5% compared to 2025
- RON REER (real effective exchange rate) with euro zone is appreciated by 13% in Jun 2026 compared to 2019 and almost unchanged compared to Dec 2025
- Bank loans just partially offset the lost purchasing power due to inflation











Risk Assessment for Monetary Policy in 2026

Lower reference rates:

- If inflation decelerates faster than expected

Higher reference rates:

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

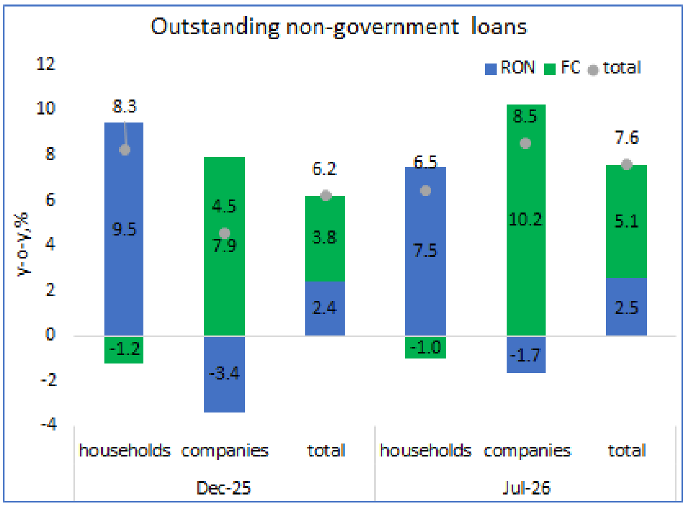
Banking Sector

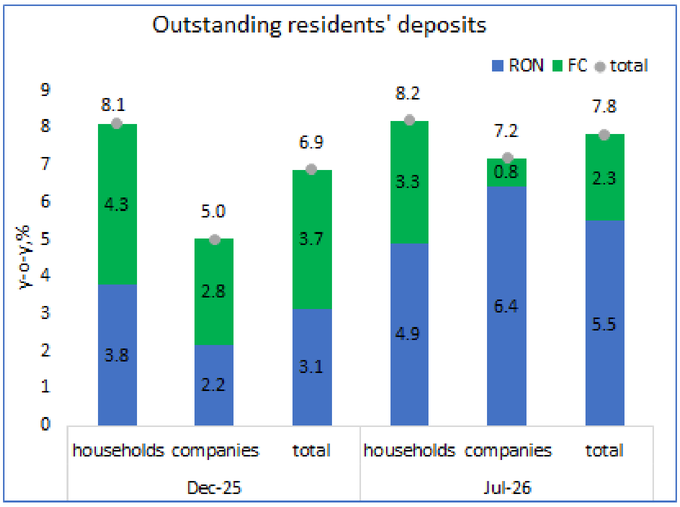
KEY ASSESSMENT

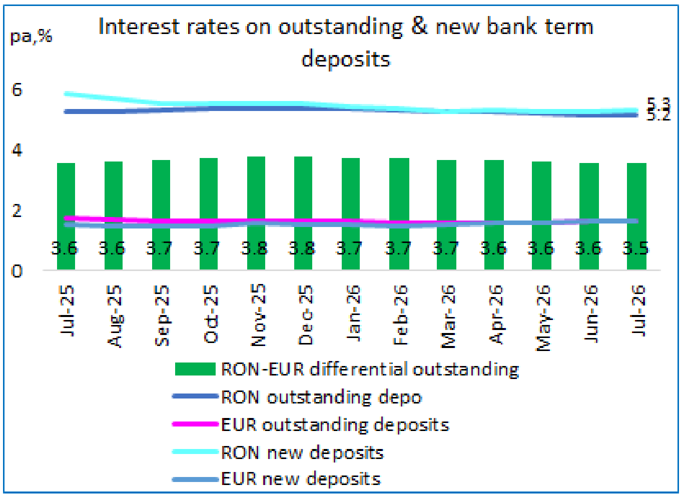
Non-government outstanding loans and deposits grew almost in tandem in Jul 2026, both faster than in Dec 2025.

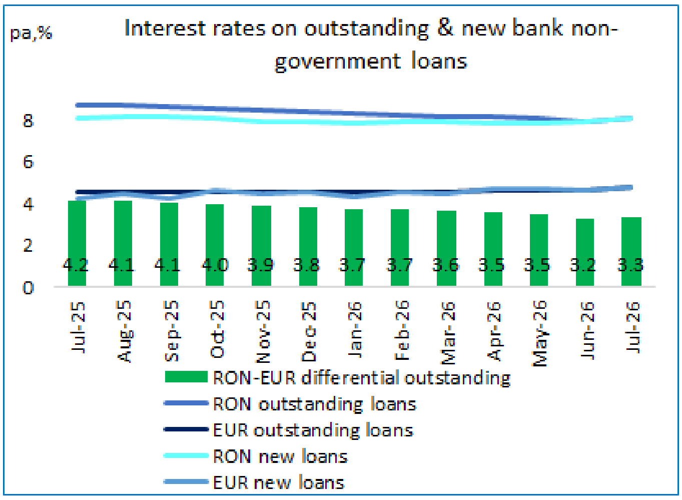
LOAN AND DEPOSIT DYNAMICS

- 67% of non-government annual growth rate due to the expansion of FC loans in Jul'26 (61% in Dec'25)
- 30% of term deposits annual growth rate due to the expansion of FC term deposits in Jul'26 (54% in Dec'25)



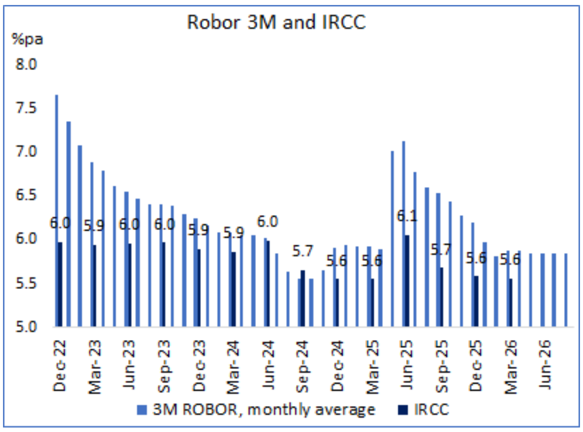






INTEREST RATE ENVIRONMENT

- RON interest rates exceed EUR interest rates (by 3.5pp for deposits and 3.3pp for loans in Jul'26) enough for borrowing in EUR and saving in RON
- The smaller IRCC (benchmark interest rates for retail loans) made borrowing cheaper for retail in 2026
- The lower interest rates for new deposits than for outstanding deposits indicates cost reduction for banks
- The convergence between interest rates for new loans and outstanding loans, in both RON and EUR, indicates no pressure for refinancing and stable revenues for banks.
  - The rise of the EUR interest rates due to ECB tightening cycle was transmitted partially into the interest rate on new non-government loans (+19bps, in July compared to June), but not into the interest rates on new non-government deposits.



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

05 Unemployment

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

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

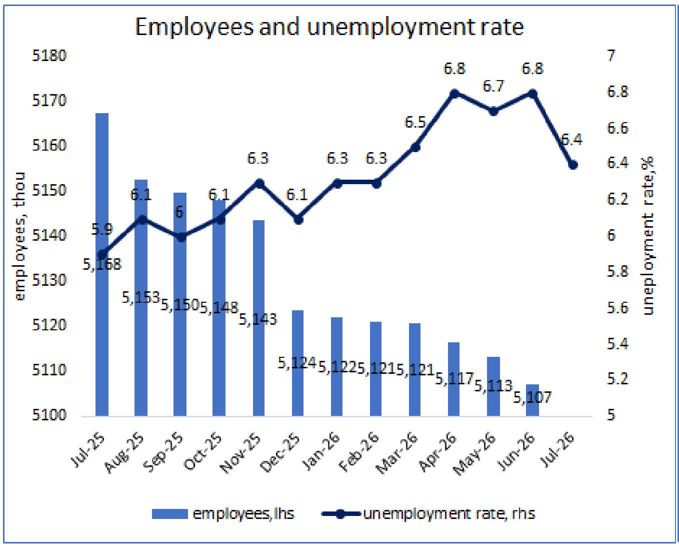
KEY ASSESSMENT

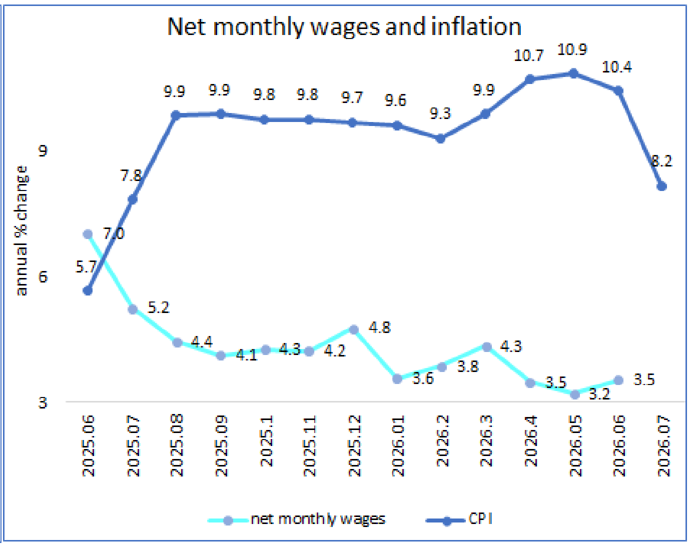
Unemployment rate at 6.5% in 7M2026. Annual wage inflation below annual CPI inflation since July 2025. Labor market tightness is easing, the vacancy rate scarcer in all sectors. The average number of employees is declining.

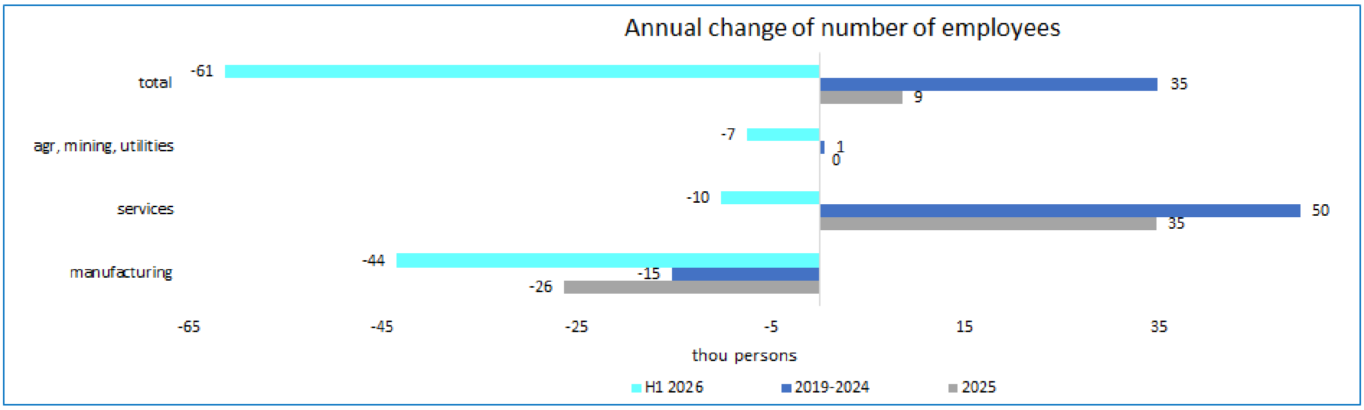
UNEMPLOYMENT AND WAGE DYNAMICS

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

- The average unemployment rate increased to 6.5% in 7M2026 from 6% in 2025
- The number of vacancies declined by 14.4% in H12026 compared to H12025
- Labour market tightness declined (the number of unemployed per one vacant job increased from 16 in 2025 to 20 in H1 2026, the highest since 2014)
- The net monthly wages slowed. The 12M average net wages increased by 4.1% in Jun 2026 (6.5% in Dec 2025)







- 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
  - Job destruction in all sectors in H1 2026 compared to H1 2025, unlike in 2025 and in medium term.

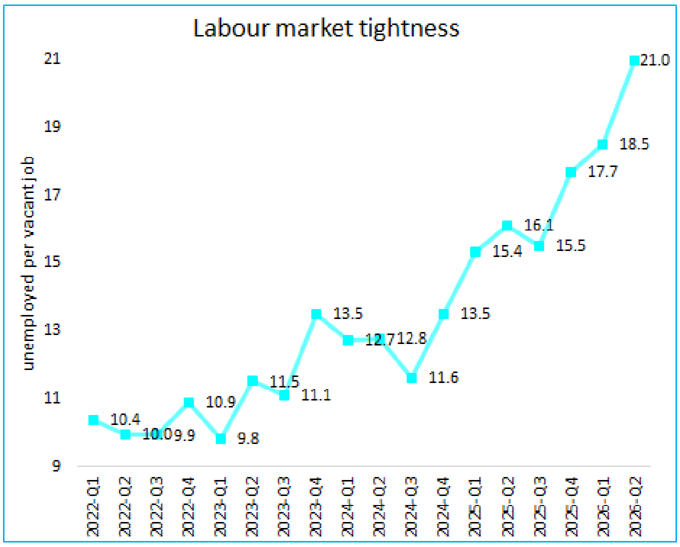
Risk Assessment for Labor Market in 2026

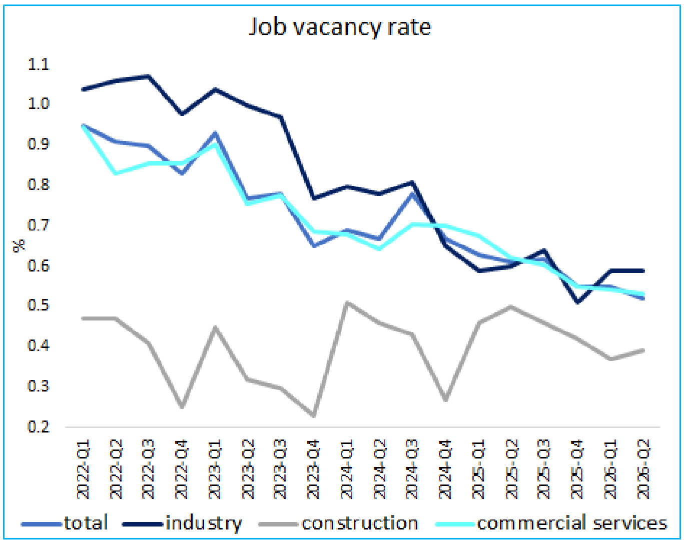
On the downside:

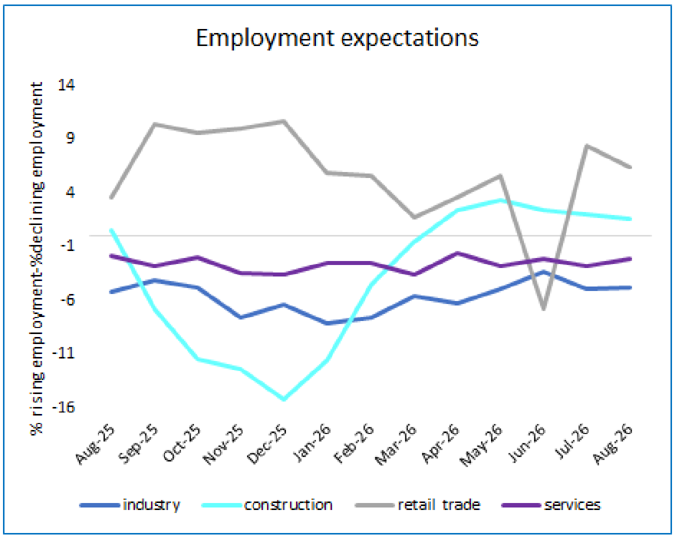
- Low vacancy rates across all sectors reduce hiring
- Uncertainties in global trade might lower employment in export sectors (industry and services)
- Impact of AI biased towards job destruction rather than job creation
- Real wages continuing to decline as wage growth remains below inflation

On the upside:

- Retail trade and construction sectors continue to expect rising employment
- 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 H1 2026

Source: Eurostat, European Commission (EC) Spring 2026 Forecast, IMF World Economic Outlook April 2026, World Bank Growth Economic Prospect, Jun 2026, National Commission of Prognosis (CNP) Spring Forecast 2026, INSSE

KEY ASSESSMENT

Real annual GDP growth -0.7% in H1 2026 - the lowest in the region. Weaker growth expected in Romania than in peers in 2026 and 2027.

-0.7%

GDP Growth 2026 H1

engine: construction on the supply side, gross fixed capital formation on the demand side

GROWTH DRIVERS

Supply Side: Romania - Construction; Region - Services and industry

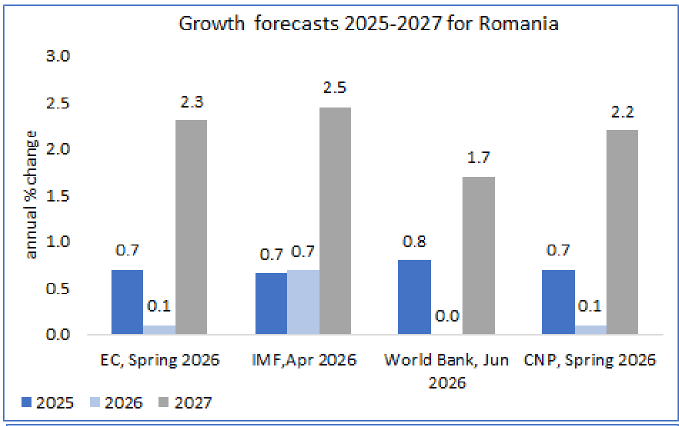
Demand Side: Romania - Gross fixed capital formation; Region - Consumption and gross capital formation

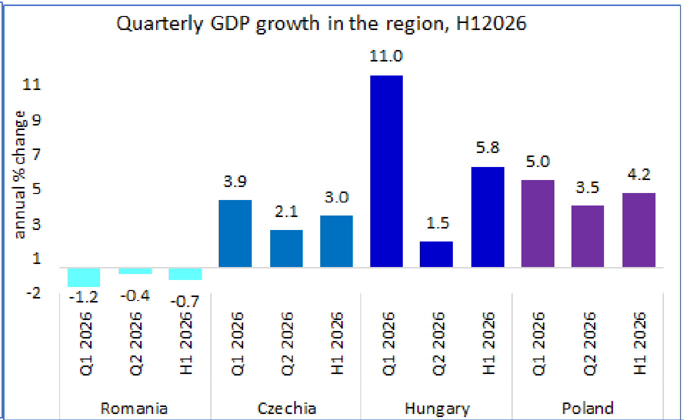
Recent forecasts for Romania were revised downward below peers, while growth expectations for the main trading partners also remain weak.

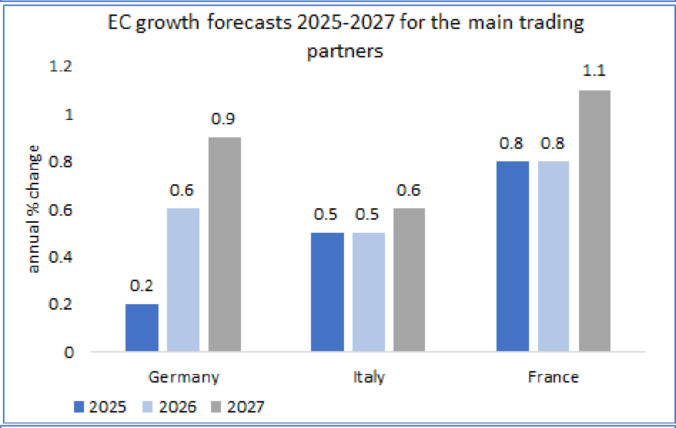
KEY DEVELOPMENTS IN H1 2026

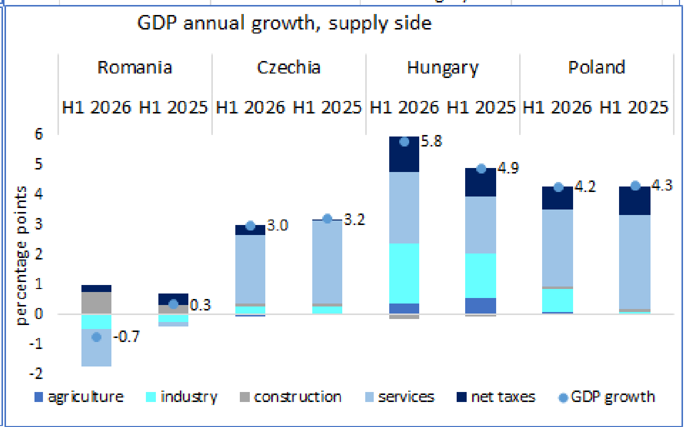
On the supply side: Although services contracted, the contraction was not ubiquitous financial intermediation and recreational activities expanded. Net taxes increased slightly (2.5% y-o-y).

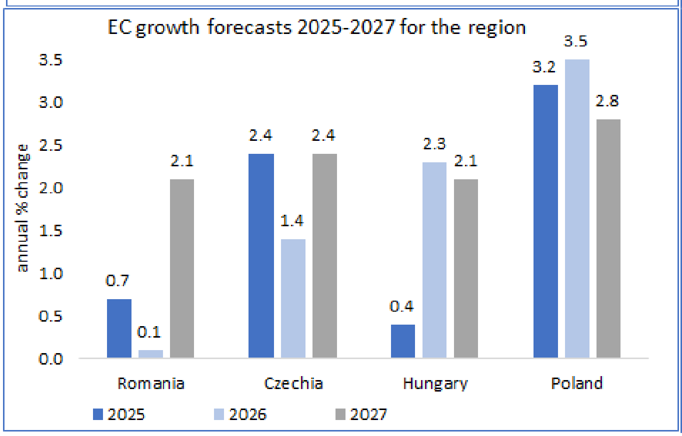
On the demand side: Gross fixed capital formation had an outstanding growth (+10.9% y-o-y, driven mainly by the expansion of buildings and machineries), however its contribution to GDP growth was almost completely offset by the rundown of inventories. The contribution of net exports to GDP is less negative than one year ago (-0.2pp in H1 2026 vs. -1.2pp in H1 2025). Exports increased slower than imports (1.3% y-o-y) the import (1.6% y-o-y). The expansion of exports was due to both goods (1.5% y-o-y) and services (1.1% y-o-y). In case of imports, the expansion was due to the expansion of imports of services (+3.3% y-o-y) and the imports of goods (1.1% y-o-y).

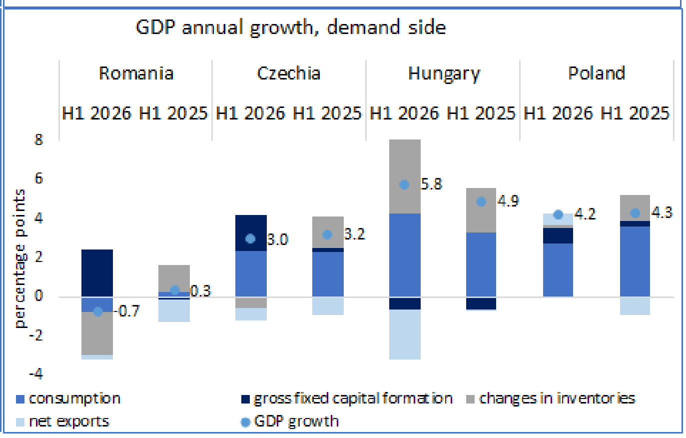








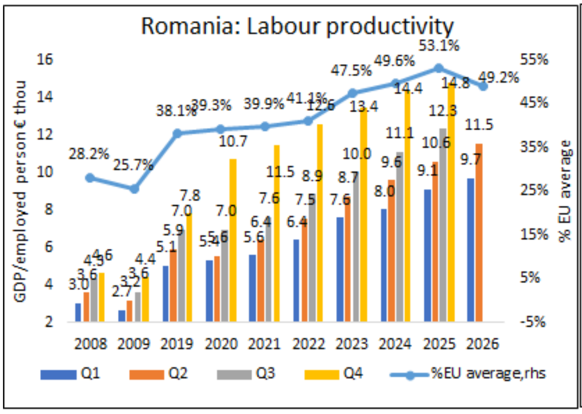


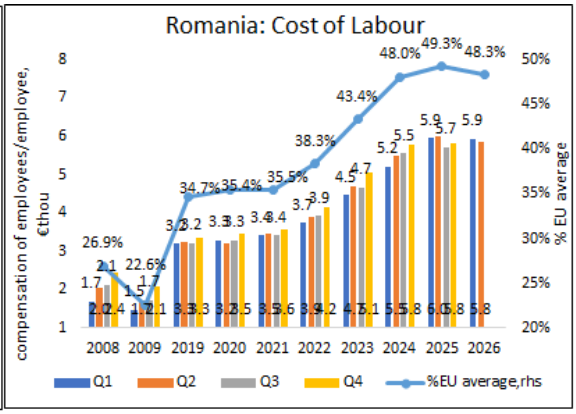


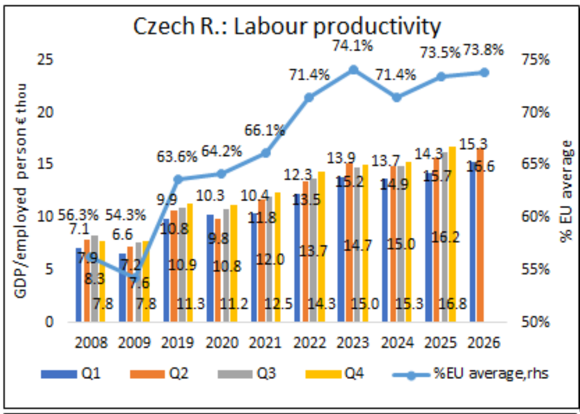
LABOR PRODUCTIVITY (GDP/DOMESTIC EMPLOYMENT IN NUMBER OF PERSONS) & LABOR COSTS (COMPENSATION OF EMPLOYEES/EMPLOYEES IN NUMBER OF PERSONS)

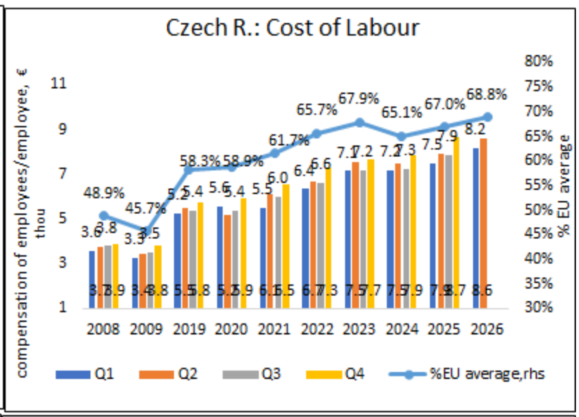
- Labor productivity was just 49% of the EU average, the lowest in the region in H1 2026 (up from 47% in H1 2025).
  - Romanian labor productivity is lower by 18% than in PL, 11% than in Hungary and 33% than in CZ
- Labor cost approached 48% of EU average in H1 2026 (down from 51% in H1 2025)
  - Romanian labor costs are lower by 9% than in HU, 17% than in PL, by 30% than in CZ,

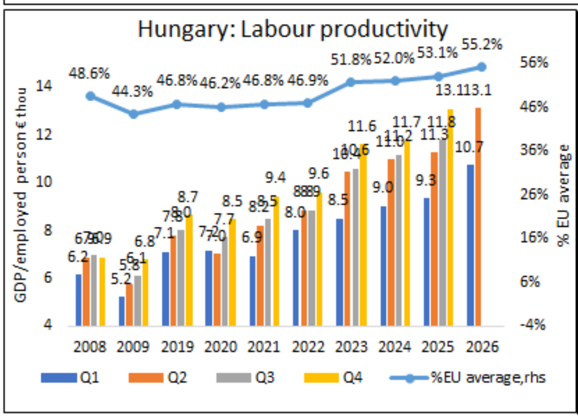
- Labor productivity per labor cost in Romania stands at 2, compared with 2.1 in Hungary, 2 in Czechia, and 1.9 in Poland. Hence, overall, doing business in RO is as profitable as in CZ, less profitable than in HU and more profitable than in PL.

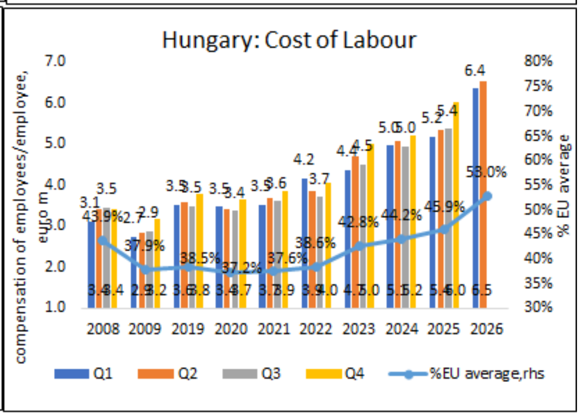


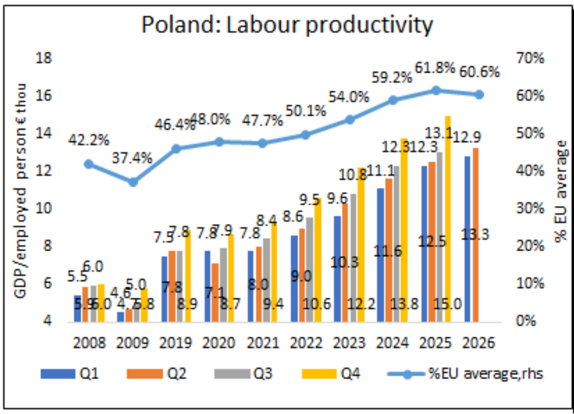


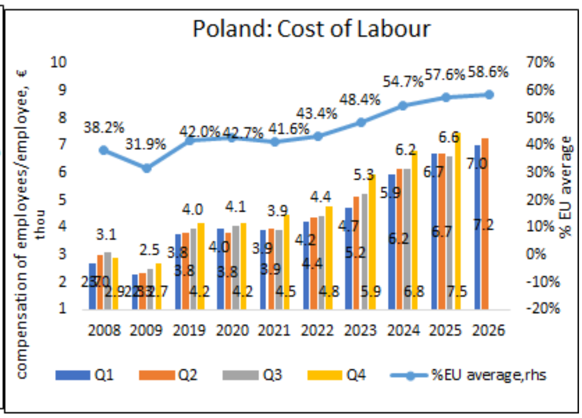












Source; own computation based on Eurostat data on quarterly GDP, domestic employment in persons, compensation of employees and number of employees in persons

Risk Assessment for Growth in 2026

On the downside:

- 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

On the upside:

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