

# CPAG

Consilium Policy Advisors Group



# MACRO RISKS REPORT

## Romania Economic Overview

June 2026

<b>GDP Growth</b> Q1 2026	<b>Inflation</b> May 2026	<b>Unemployment</b> Apr 2026	<b>Budget Deficit,</b> % of estimated GDP 4M 2026	<b>Current Account Deficit,</b> % of estimated GDP 4M 2026
<b>-1.2%</b>	<b>10.9%</b>	<b>6.3%</b>	<b>-1.2%</b>	<b>-2%</b>

## 01

**Executive Summary***Macro Debriefing – June 2026***Stagflation**

The corrective measures for stabilizing the budget deficit and the re-bursting of inflation weakened the economic confidence and pushed the economy into recession.

GDP declined by 1.2% y-o-y in Q1 2026 (0.3% y-o-y in Q12025) according to the first provisional data. The engines of growth were construction on the supply side and gross fixed capital formation, net exports on the demand side.

The energy crisis determined by the conflict in Middle East pushed up annual CPI to almost 11% y-o-y. High inflation is expected to last until the second half of 2026. According to NBR's May estimation the CPI annual dynamics will gradually ease to 5.5% in Dec 2026. The May estimation was upwardly adjusted by 1.6pp compared to Feb 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 5 months of 2026 depreciated by 1.6% 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 four months of 2026 were below the inflation rates). Euroization of both loans and deposits maintained.

**Labor Market**

The average unemployment rate increased to 6.4% in 4M2026 from 6% in 2025. The number of vacancies declined by 13.3% in Q1 2026 compared to Q1 2025. The labor market tightness declined (the number of unemployed per one vacant job increased from 16 in 2025 to 18.5 in Q1 2026). The net monthly wages slowed. The 12M average net wage increased by 4.7% in Apr 2026 (6.5% in Dec 2025). The number of employees declined (+60thou) in Q12026 compared to Q12025. 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 Q1 2026:**

On the supply side: Although services contracted, the contraction was not ubiquitous financial intermediation and recreational activities expanded. Net taxes declined slightly (-0.7% y-o-y).

On the demand side: Gross fixed capital formation had an outstanding growth (+4.7% y-o-y, driven by the expansion of all types of assets), however its contribution to GDP growth was more than offset by the rundown of inventories. The contribution of net exports to GDP was positive (0.2pp in Q1 2026 vs. -2.8pp in Q12025), due to the faster increase of exports than imports.

Labor productivity lowered compared to UE average, while labor cost remained stable. Overall, doing business in RO is as profitable as in PL and less profitable than in HU and CZ.

02

## Twin Deficits

Impressive correction of the budget deficit in 4M2026

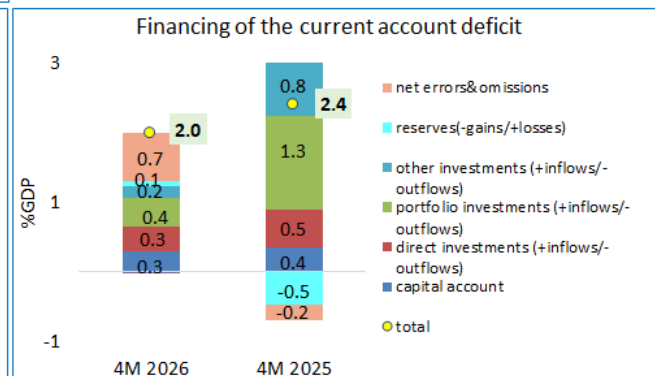
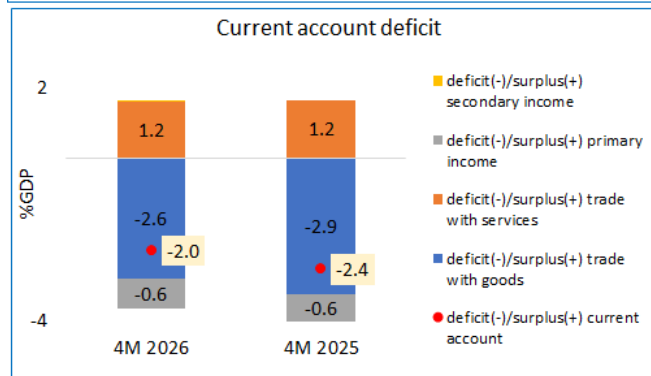
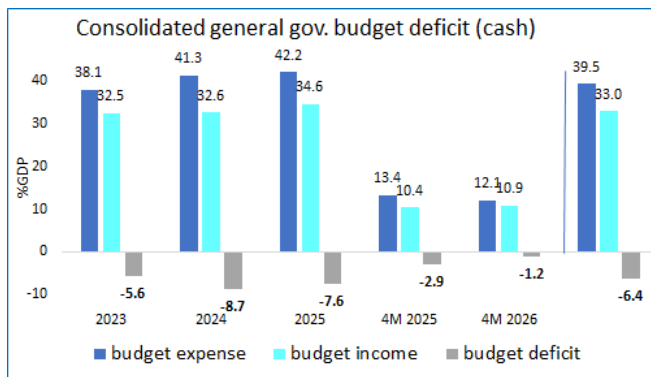
Source: Eurostat, Ministry of Finance, NBR

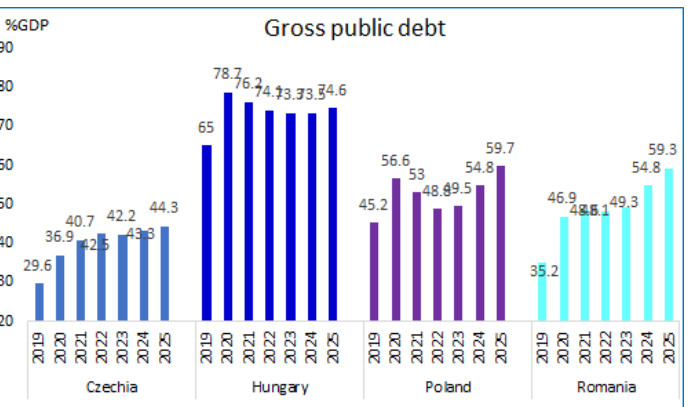
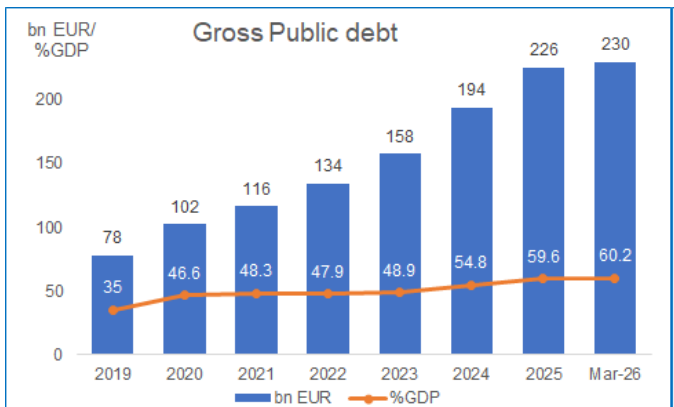
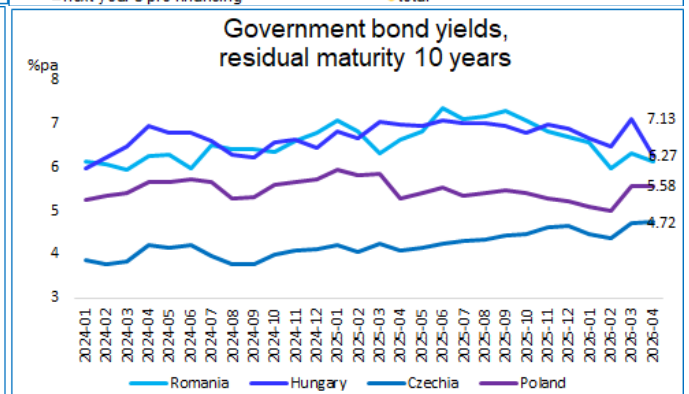
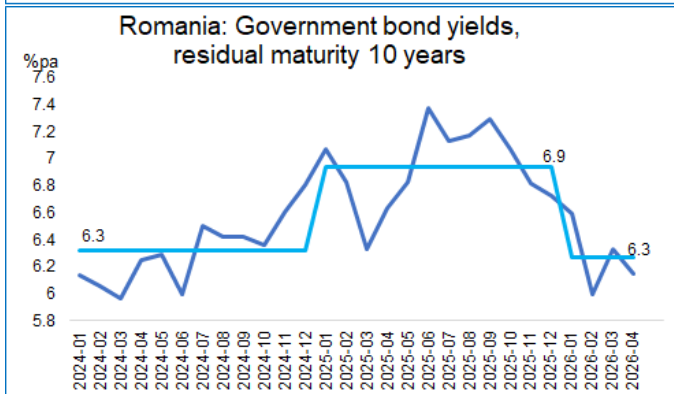
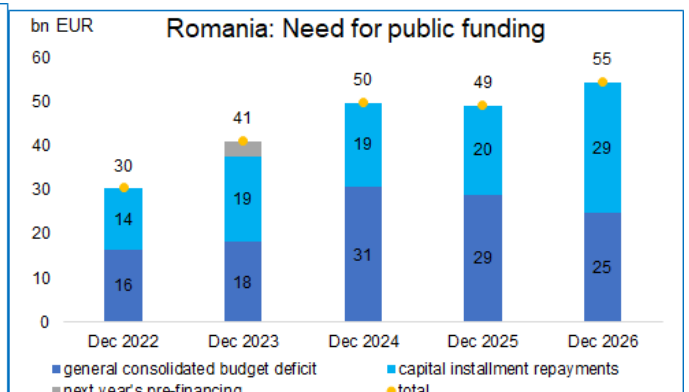
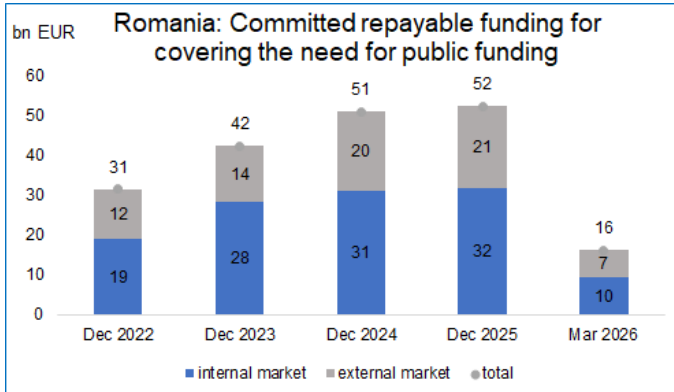
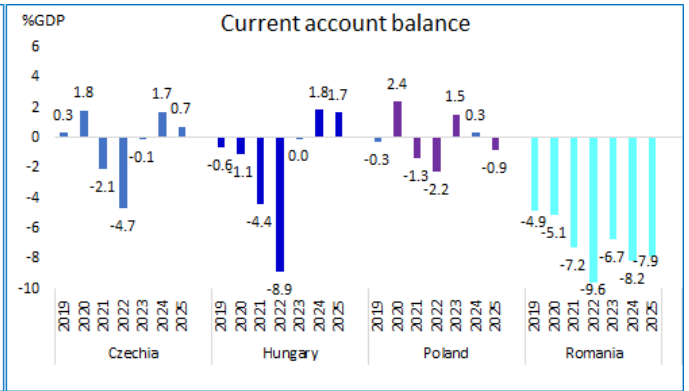
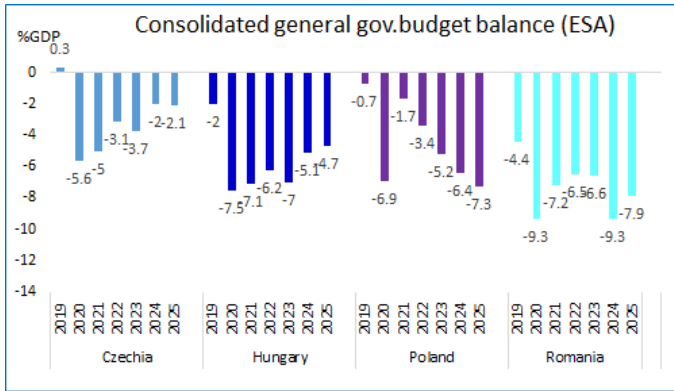
### Key Assessment

Equilibrated primary budget deficit in the first 4months of 2026 since the deficit of the consolidated budget was approximately equal to interest payments (1.2% 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 1.2% of GDP, while the current account deficit 2% of the estimated GDP in 4M 2026. Compared to the same period of 2025 the consolidated budget deficit to GDP was less than half, while the current account deficit to GDP less by 20%. The net capital inflows had to be supplemented from the international reserves (equivalent to 0.1% of GDP) to cover the current account deficit, unlike one year ago when the net capital inflows allowed the accumulation of international reserves (equivalent to 0.5% of GDP).
- The fiscal consolidation lowered the average bond yields in 4M 2026 back to 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 55bn in 2026, up by 12.2% y-o-y.





Source: Eurostat, Romanian Ministry of Finance, NBR

**Forecasts 2026-2027 (% GDP)**

Indicator		2026	2027
Budget deficit (ESA)	Source: CPAG	- 6.6 %	- 5.8%
Current account deficit		- 7.7%	- 7.5%
Gross public debt		62%	64%
Budget deficit (ESA)	Source: European Commission Spring Forecast 2026	- 6.2%	- 5.8%
Current account deficit		- 6.9%	- 6.4%
Gross public debt		61.6%	63.4%

**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 might be hit by geopolitical tensions

**03****Inflation**

*Annual CPI inflation at 10.9% in May 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*

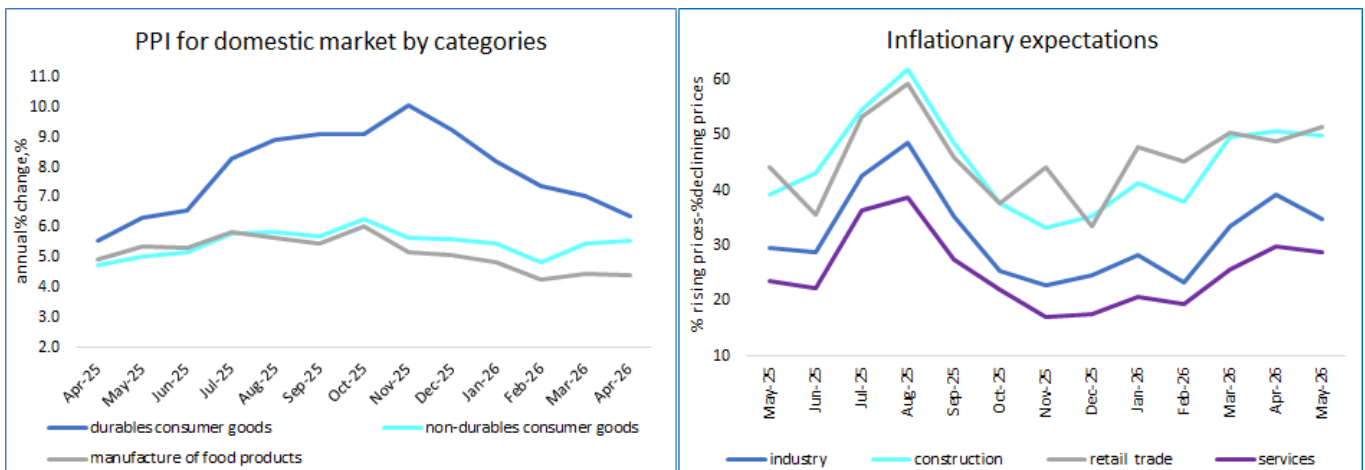
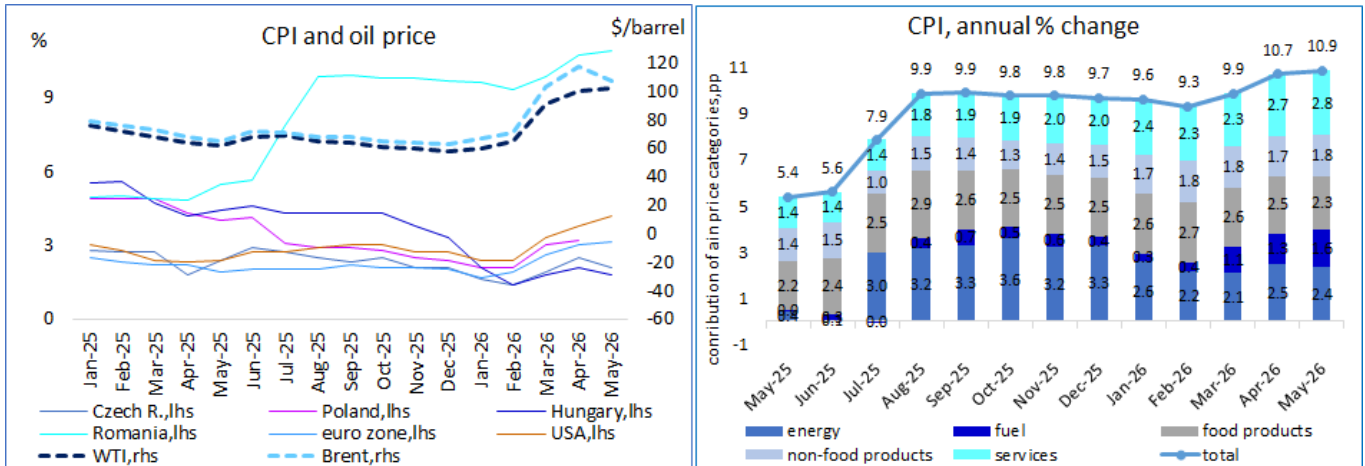
**Key Assessment**

Harmonized annual inflation at 9.7% in May 2026, 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 for end 2026 to 5.5% from 3.9%, while keeping the end 2027 the annual CPI inflation estimate unchanged at 2.9%.

**Key Facts**

- Out of the 1.6pp increase in CPI from May compared to February almost all (94%) was due to energy prices
- Producer prices are decelerating slightly for durables, but keep rising for non-durable consumer goods
- Inflationary expectations eased in industry and services after overshooting in March, and maintained in construction and retail trade

- 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 are rising, in April 2026 compared with December 2020, processed food prices are up by 55%, unprocessed food by 63%, non-energy industrial goods by 41%, services by 50%, and consumer energy prices by 85%.

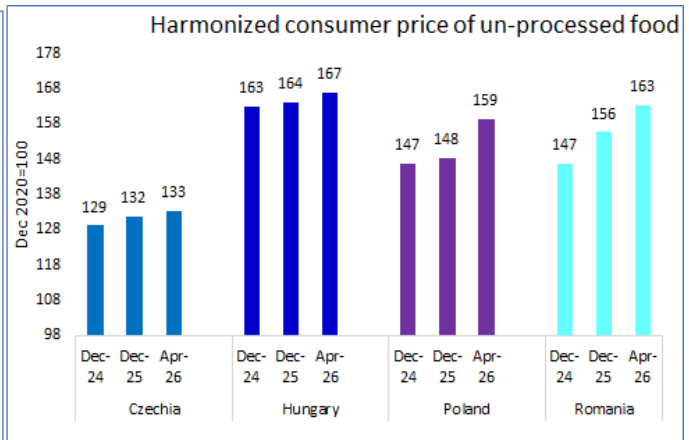
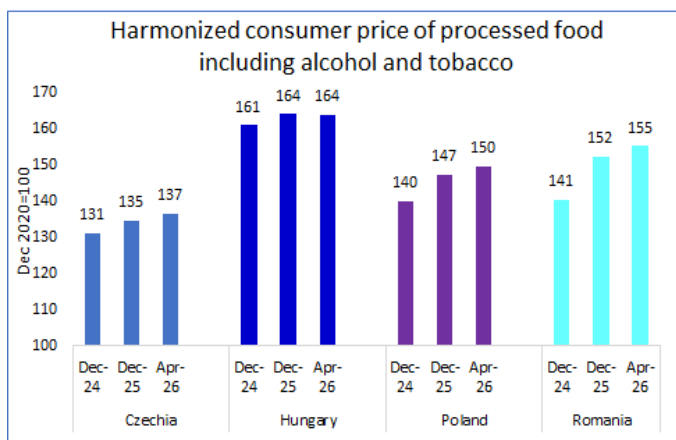
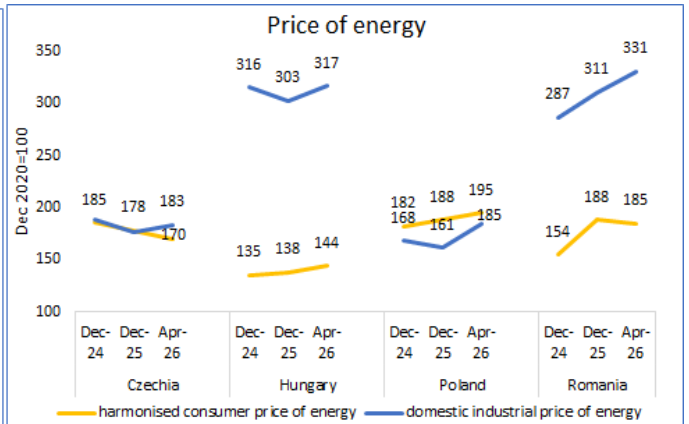
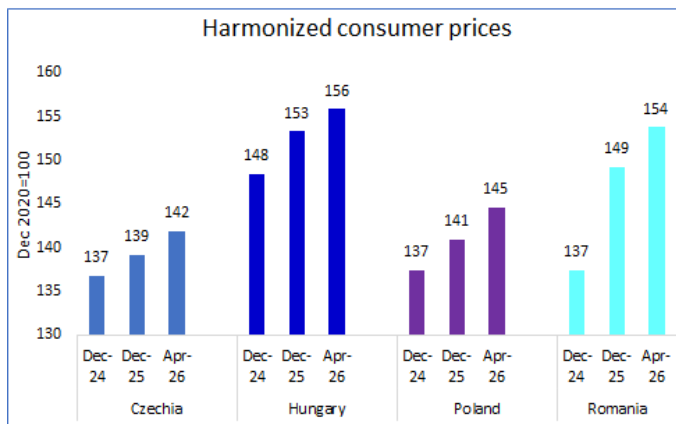
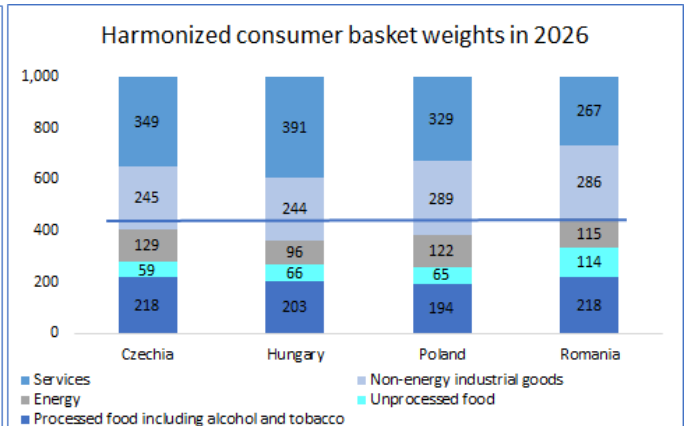
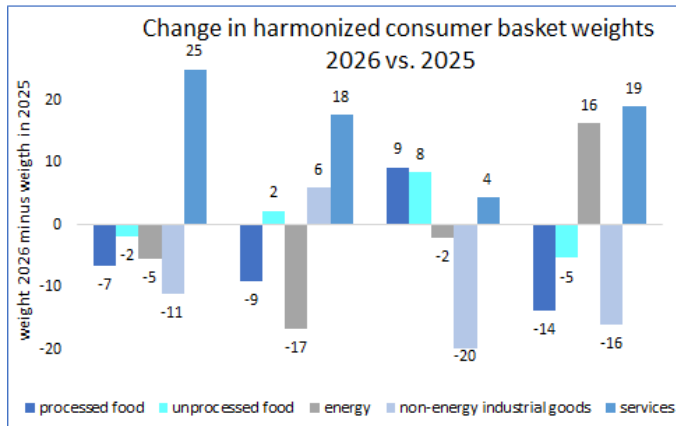


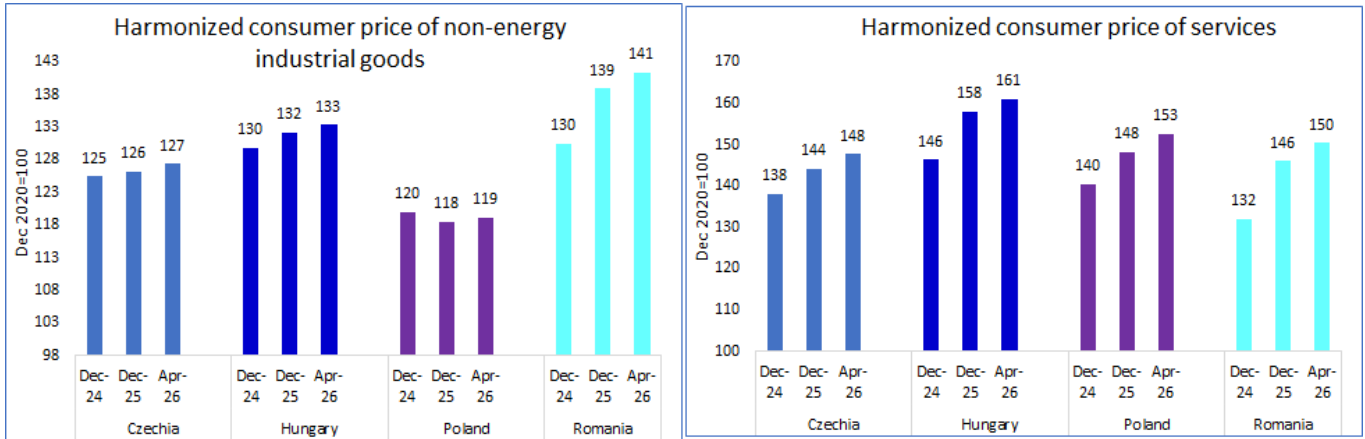
**Latest Inflation (y-o-y)**

Country	CPI rate	HICP rate
<b>Romania</b>	<b>10.9% (May 2026)</b>	<b>9.7% (May 2026)</b>
Czechia	2.1% (May 2026)	1.8% (May 2026)
Poland	3.1% (May 2026)	3.3% (May 2026)
Hungary	1.8% (May 2026)	2.3% (May 2026)
Euro zone		3.2% (May 2026)
US	4.2% (May 2026)	

**Risk Assessment on the upside**

- The conflict in the Middle East if prolonged will increase the price of oil. 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%

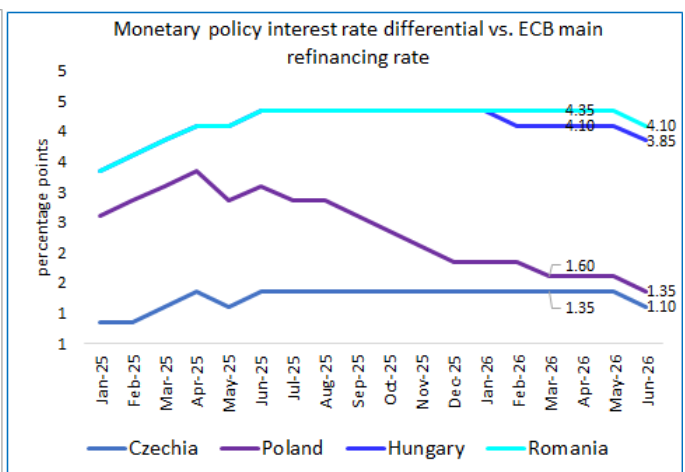
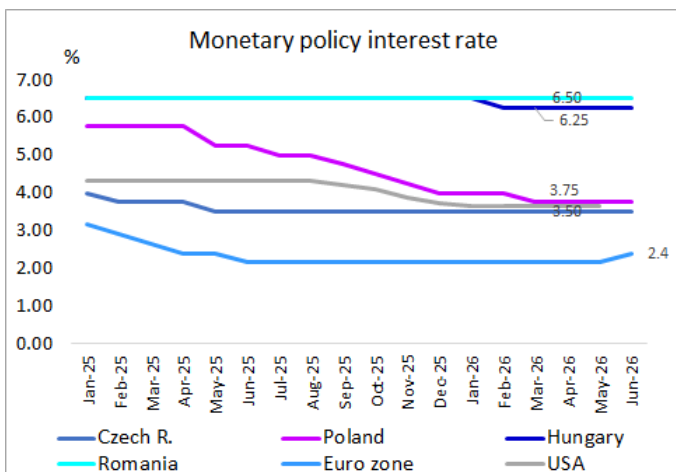
Source: central banks of RO, HU, CZ, PL, Eurostat, ECB

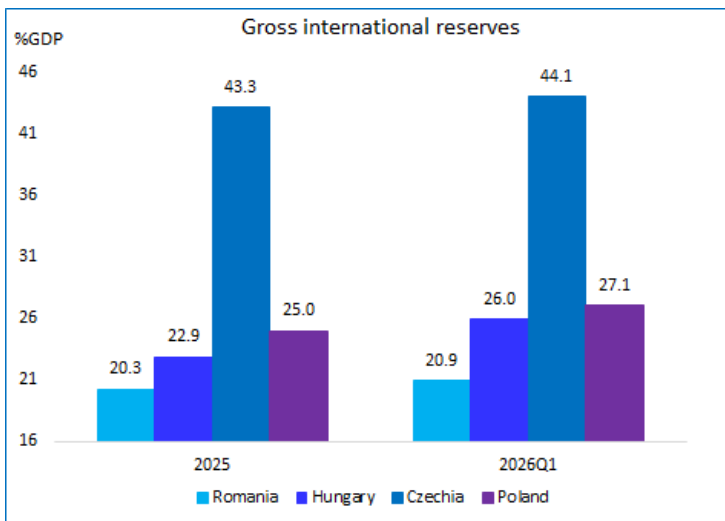
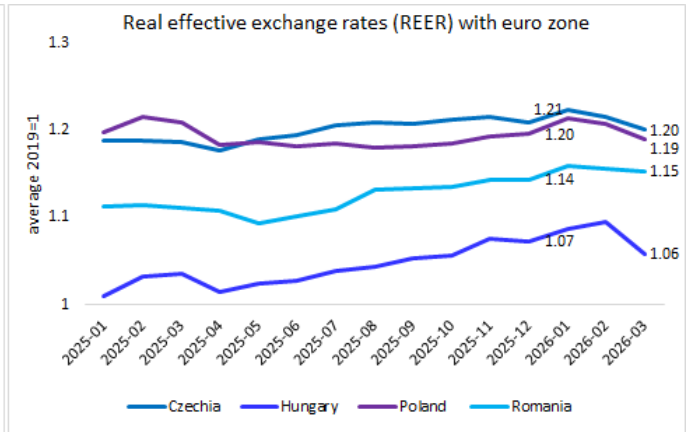
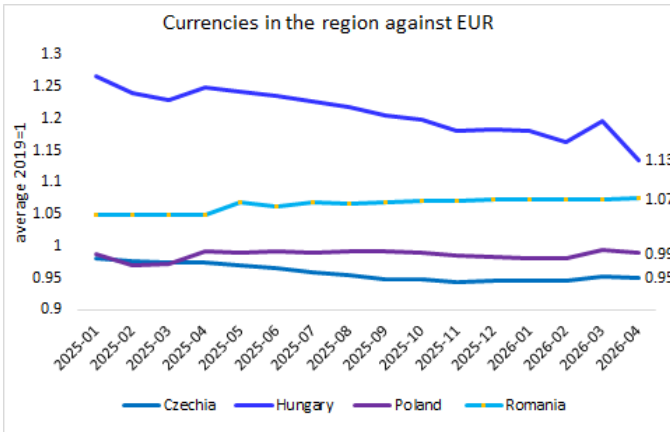
### Key Assessment

Monetary policy interest rate 6.5%pa (held since Aug 2024). Interest rate differential vs. ECB main refinancing rate at 4.1pp. No change likely at next meeting July 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 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 in the first 5M 2026 by 1.6% compared to 2025.
- RON REER (real effective exchange rate) with euro zone is appreciated by 15% in Mar 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

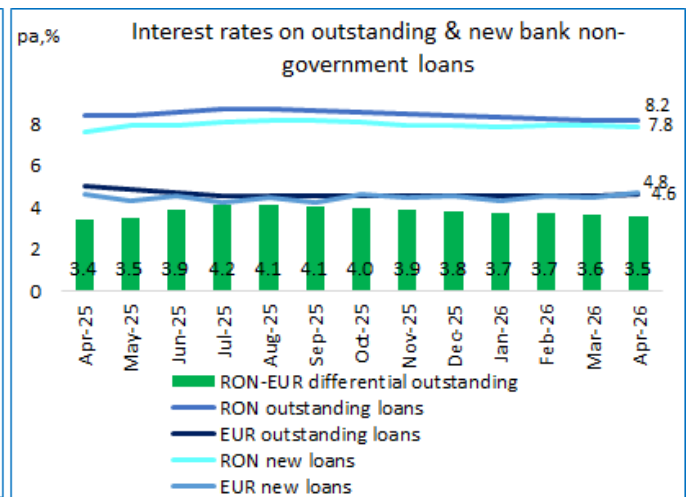
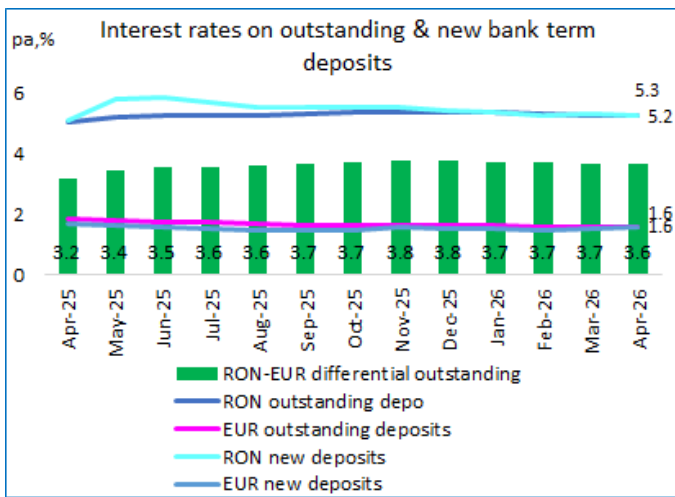
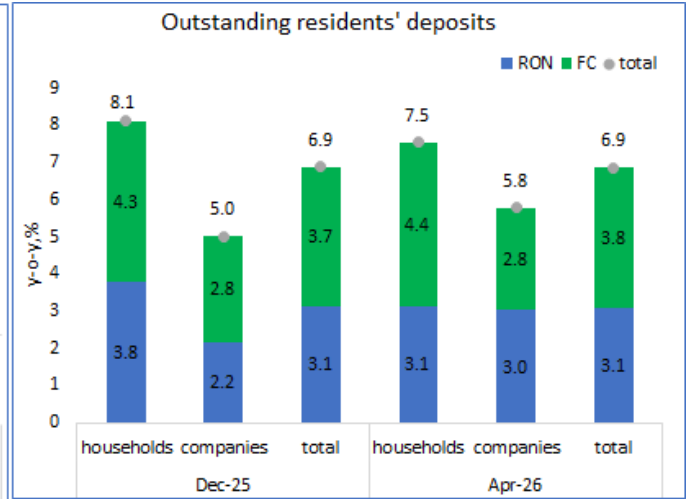
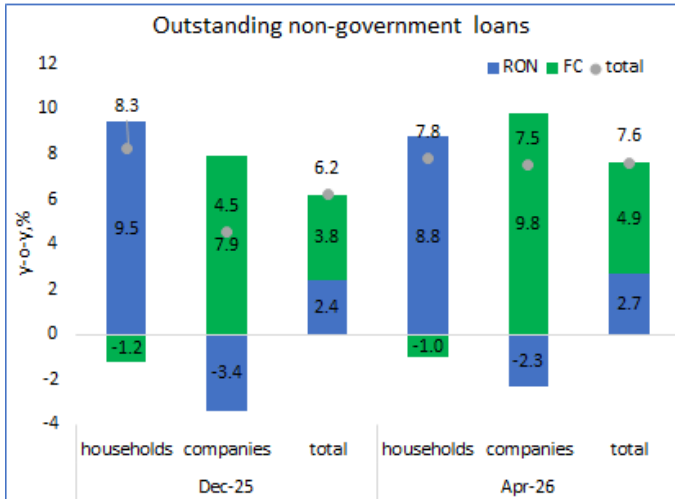
**Banking Sector**

**Key Assessment**

Annual growth of non-government outstanding loans exceeded annual growth of outstanding deposits in Apr'26. Deposits' rate maintained as in Dec'25.

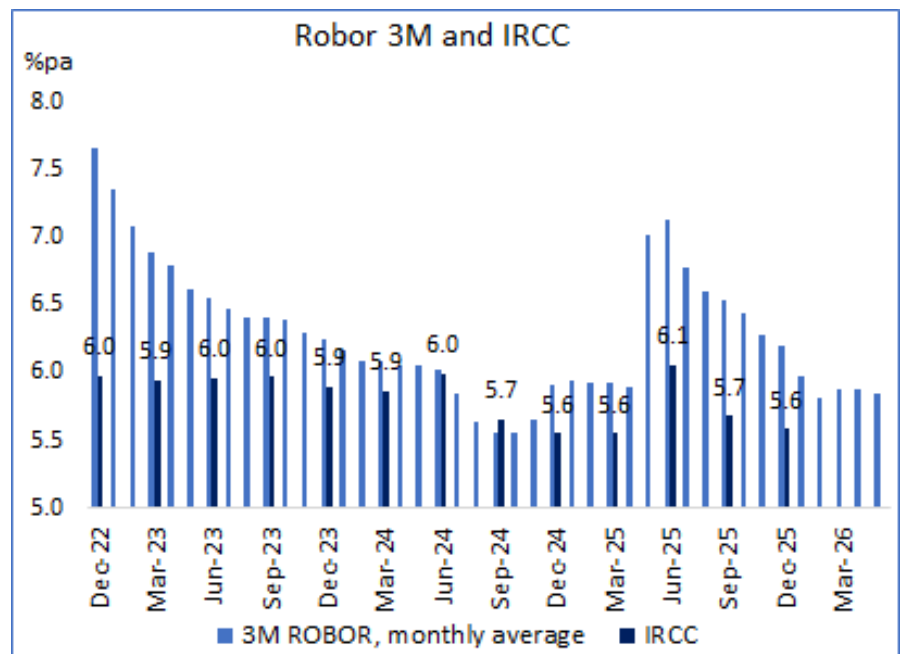
**Loan and Deposit Dynamics**

- 64% of non-government annual growth rate due to the expansion of FC loans in Apr'26 (61% in Dec'25)
- 55% of term deposits annual growth rate due to the expansion of FC term deposits in Apr'26 (54% in Dec'25)



**Interest Rate Environment**

- RON interest rates exceed EUR interest rates (by 3.4pp for deposits and 3.6pp for loans in Apr'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 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.
- IRCC is kept declining, further reducing the borrowing cost for retail clients.
- The rise of the EUR interest rates due to ECB tightening cycle will lower the interest rate differential and thereby lower the incentive of borrowing in EUR and increase the incentives to save in EUR



## 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

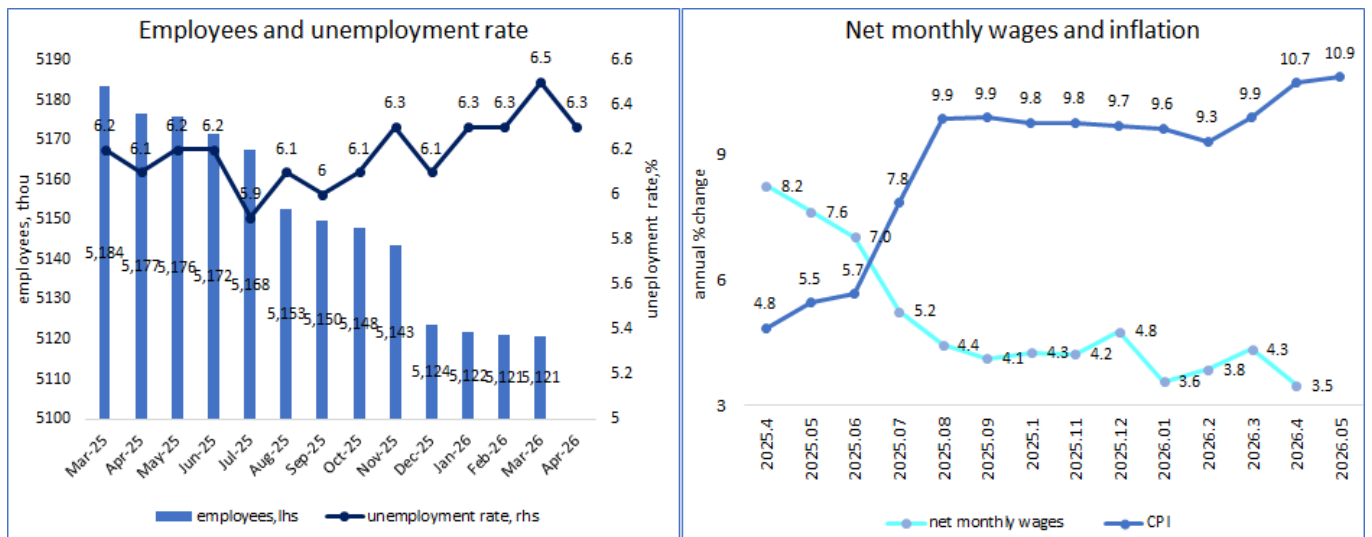
### Key Assessment

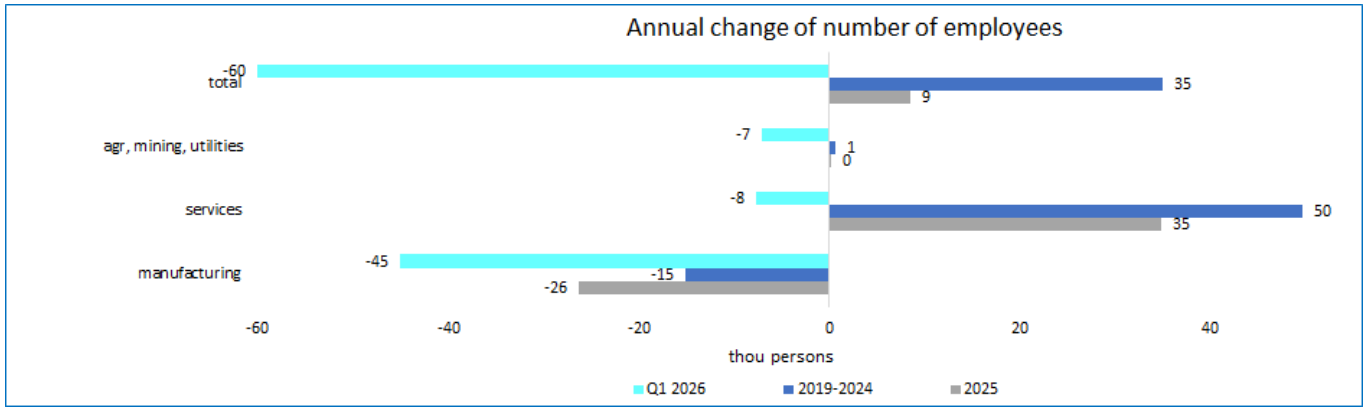
Unemployment rate at 6.4% in 4M2026. Annual wage inflation below annual CPI inflation since July 2025. Labor market tightness is easing, the vacancy rate scarcer in all sectors. The average number of employees is declining.

### Unemployment and Wage Dynamics

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

- The average unemployment rate increased to 6.4% in 4M2026 from 6% in 2025
- The number of vacancies declined by 13.3% in Q12026 compared to Q12025
- Labour market tightness declined (the number of unemployed per one vacant job increased from 16 in 2025 to 18.5% in Q1 2026, the highest since 2014)
- The net monthly wages slowed. The 12M average net wages increased by 4.7% in Apr 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 Q1 2026 compared to Q1 2025 , unlike in 2025 and in medium term.

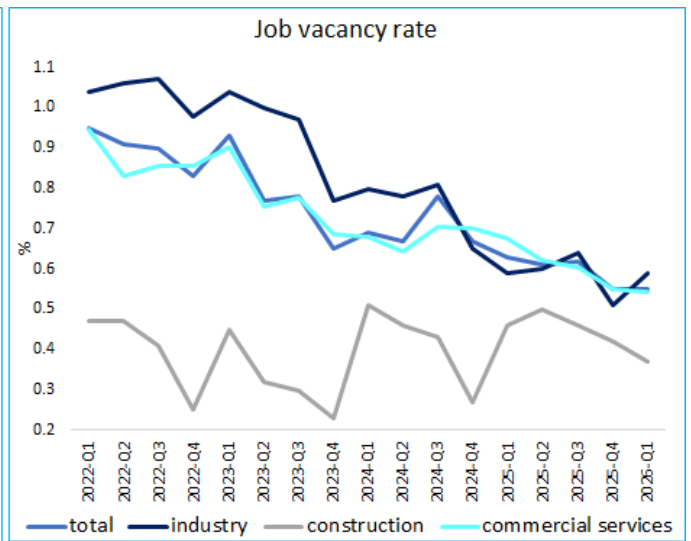
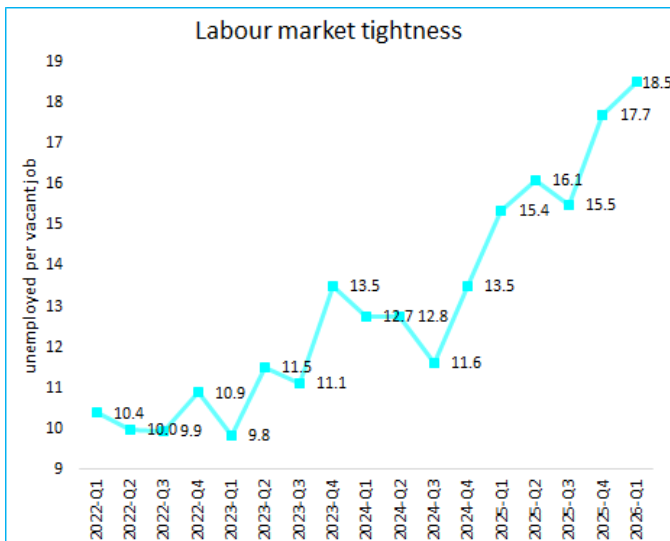
**Risk Assessment for Labor Market in 2026**

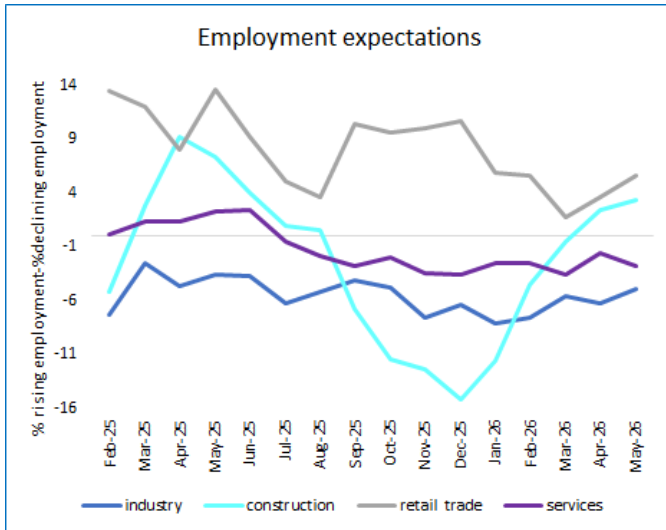
**Downside risks dominate:**

- 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

**Limited 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 -1.2% in Q1 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 -1.2% in 2026 - the lowest in the region. Weaker growth expected in Romania than in peers in 2026&2027.

**-1.2%**

**GDP Growth 2026 Q1**

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

**Growth Drivers**

Supply Side: Romania - Construction; Region - Services

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

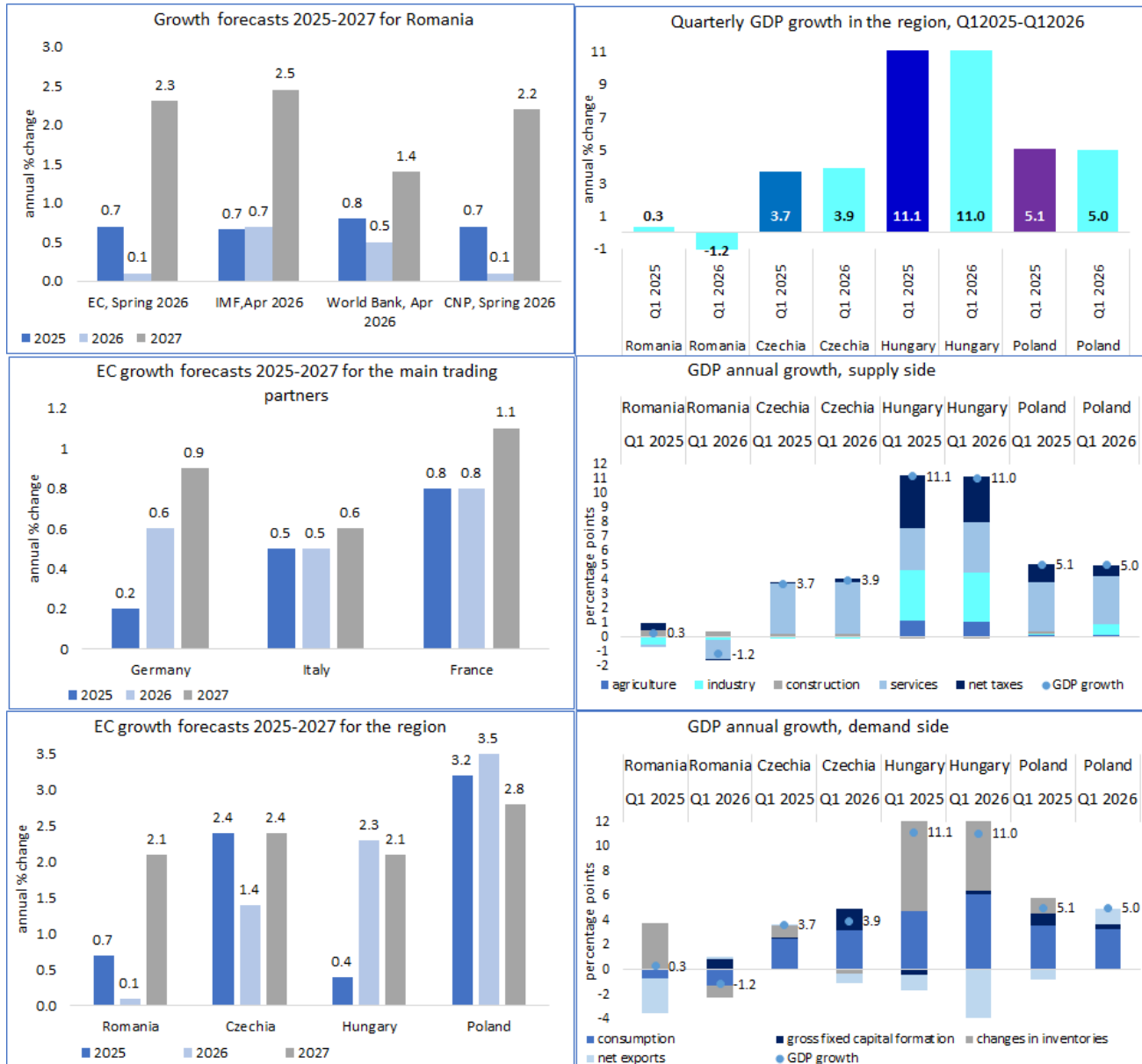
Recent forecasts for Romania were revised downward below peers, while growth expectations for the main trading partners also remain weak.

**Key Developments in Q1 2026**

On the supply side: Although services contracted, the contraction was not ubiquitous financial intermediation and recreational activities expanded. Net taxes declined slightly (-0.6% y-o-y).

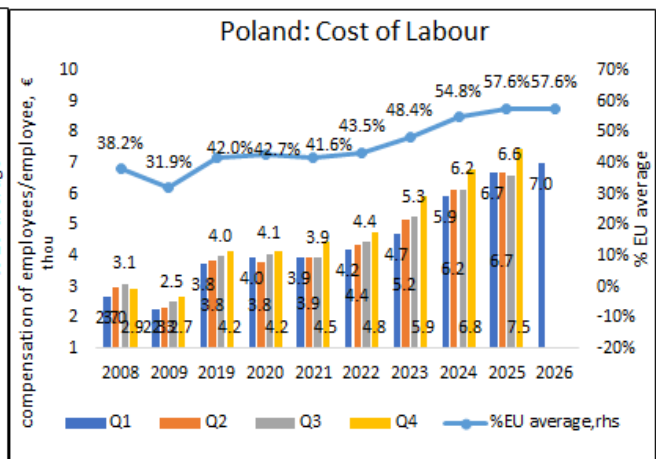
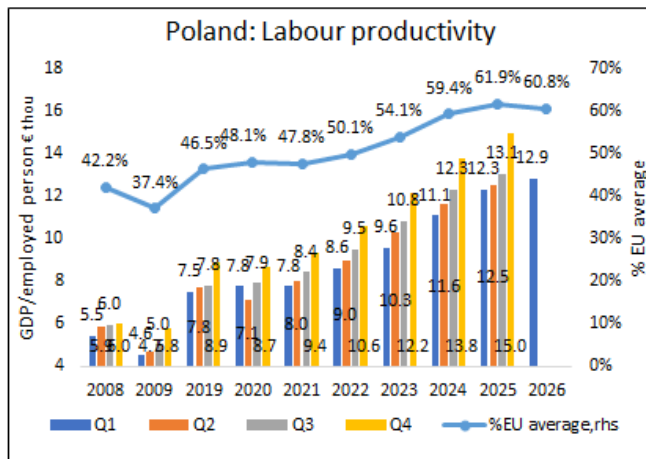
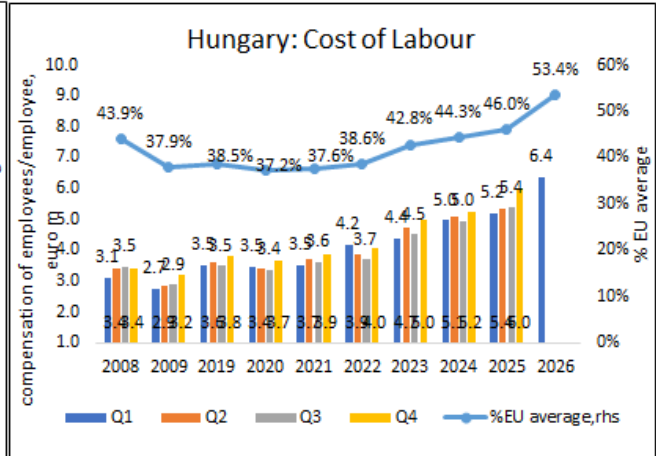
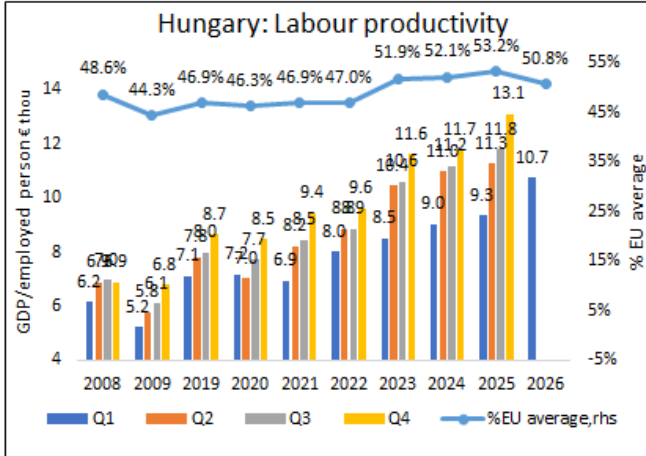
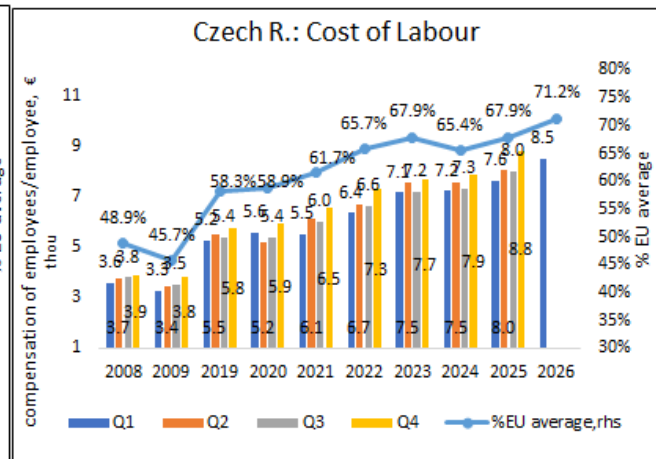
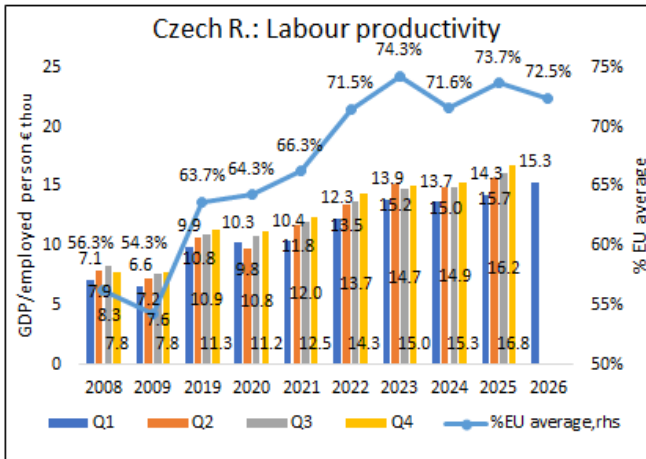
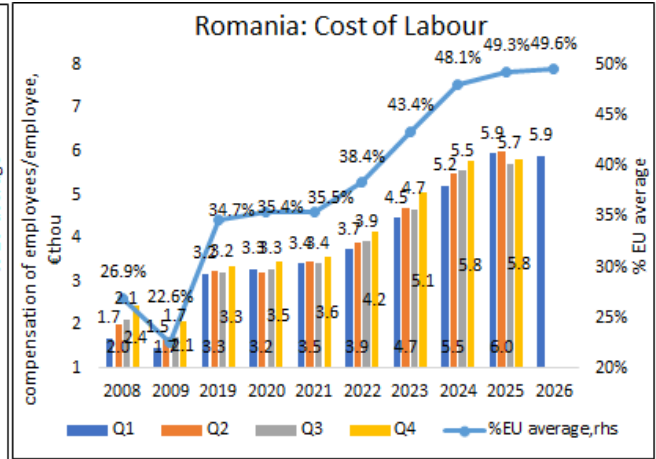
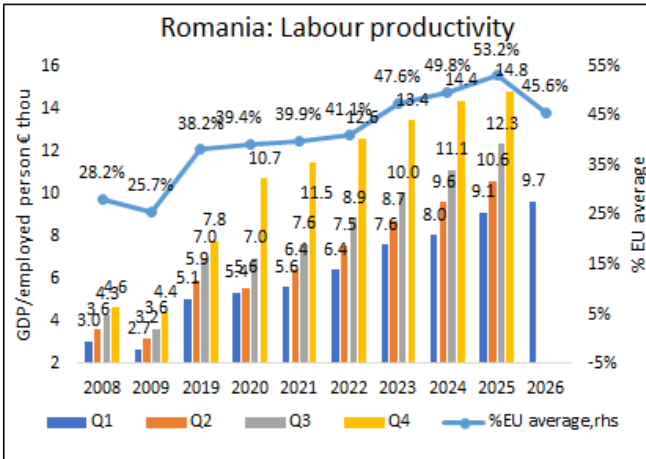
On the demand side: Gross fixed capital formation had an outstanding growth (+4.7% y-o-y, driven mainly by the expansion of all types of assets), however its contribution to GDP growth was more than offset by the rundown of

inventories. The contribution of net exports to GDP was positive (0.2pp in Q1 2026 vs. -2.8pp in Q1 2025). Exports increased faster than imports (1.9% y-o-y) the import (1.2% y-o-y). The expansion of exports was due to the outstanding growth of exports of goods (1.4% y-o-y) and the expansion of exports of services (0.7% y-o-y). In case of imports, the expansion was due entirely to the expansion of imports of services (+10.7% y-o-y), since the imports of goods contracted (-0.9% y-o-y).



### Labor Productivity & Costs

- Labor productivity was just 46% of the EU average, the lowest in the region in Q1 2026 (as in Q1 2025).
- Romanian labor productivity is lower by 25% than in PL, 9% than in Hungary and 37% than in CZ
- Labor cost approached 50% of EU average
- Romanian labor costs are lower by 8% than in HU, 16% than in PL, by 30% than in CZ,
- Labor productivity per labor cost in Romania stands at 1.8, compared with 2.1 in Hungary, 2 in Czechia, and 1.9 in Poland. Hence, overall, doing business in RO is almost as profitable as in PL, less profitable than in CZ and 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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