CPAG

Consilium Policy Advisors Group

MACRO RISKS REPORT

Romania Economic Overview

January 2026

GDP Growth 9M2025	Inflation Dec 2025	Policy Rate Dec 2025	Budget Deficit, % GDP Nov 2025	Current Account Deficit, %GDP Nov 2025
0.9%	9.7%	6.5%	-6.4%	-7.2%

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Unemployment rate rising I Job vacancies declining

05 GDP Growth

Real annual growth 0.9% in 9M 2025

Romania Economic Snapshot

2025

Key Indicators Overview

1. Twin deficits remain Romania's core macroeconomic vulnerability, reflecting a structural imbalance where both the public and private sectors continue to spend more than they earn.

2. Fiscal and external imbalances remain elevated, with the consolidated budget deficit at 6.4% of GDP and the current account deficit at 7.2% of GDP in 11M2025, showing limited correction compared to last year.

3. Public debt has overtaken private debt and continues to rise, reaching 57.3% of GDP in Q2 2025, while private sector deleveraging continues — shifting the main sustainability risk toward public finances.

4. Financing costs for the state are increasing, as long-term government bond yields rose to around 6.9%, reflecting higher risk premia and tighter financing conditions.

5. Inflation surged close to 10% year-on-year, driven primarily by policy-induced shocks (energy price liberalisation and VAT increase), rather than demand-side pressures.

6. Disinflation is expected, but gradual, with inflation projected by the central bank to remain high through 2025 and only converge toward target levels in 2026.

7. The National Bank faces a difficult policy trade-off, maintaining the highest policy interest rate in the EU (6.5%) amid slowing growth and still-elevated inflation.

8. The higher interest rate differential moderated the currency pressures as the leu depreciated against the euro but the real exchange rate continued to appreciate — hurting external competitiveness.

9. Credit growth is lagging inflation, meaning bank lending is insufficient to compensate for the loss of purchasing power faced by households and companies.

10. Euroization is increasing again, both in deposits and loans, signaling declining confidence in the local currency and higher exposure to exchange-rate risk.

11. Labour market conditions are clearly cooling, with unemployment rising to 6% and job vacancies down by 13% year-on-year in 9M.

12. Labour shortages are easing, as the number of unemployed per vacancy increased — a shift that may reduce wage pressures but also reflects weaker economic momentum.

13. Net wage growth has decelerated sharply, from double-digit rates in 2024 to 7% in 11M 2025, reinforcing the slowdown in household consumption.

14. Economic growth remains fragile, with GDP expanding by only 0.9% in 9M, below last year's already modest pace.

15. Investment and net exports are the main bright spots, as construction-led capital formation and a positive contribution from net exports partially offset weak consumption and run down of inventories.

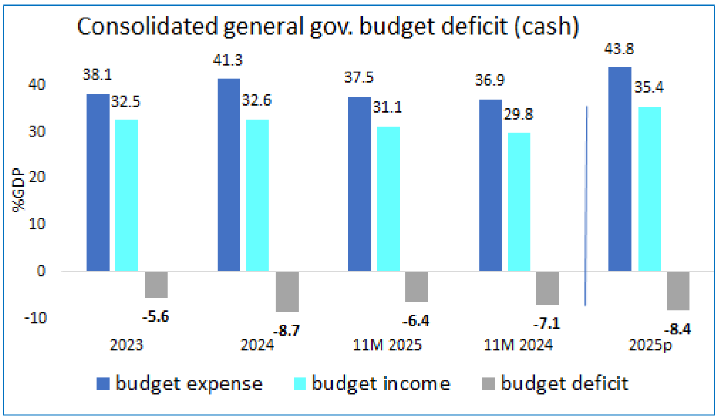
SECTION 01

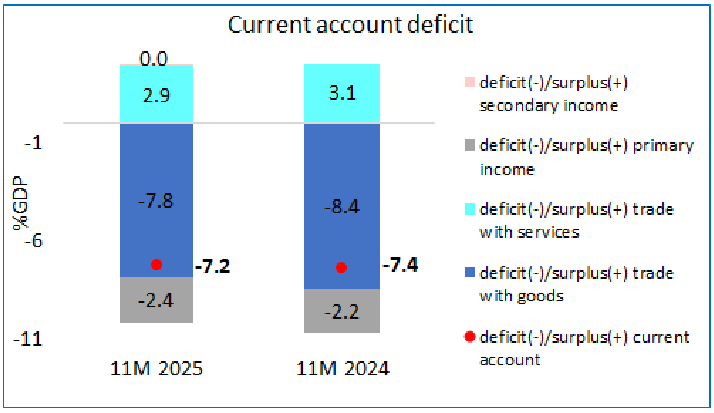
Twin Deficits

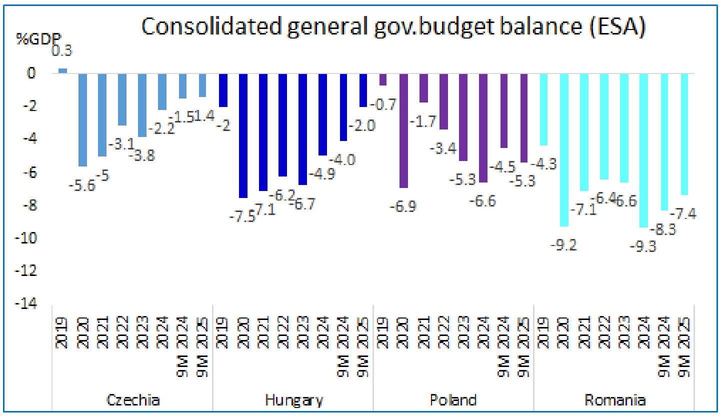
Beginning of the correction

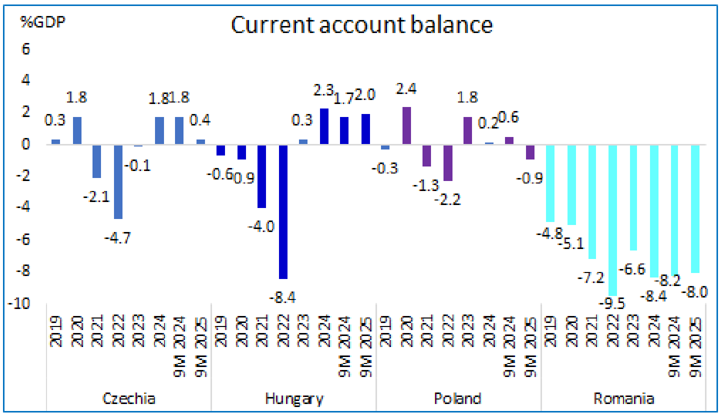
✓ **Twin Deficits - Beginning of Correction**

- Romania stands out with its large twin deficits in the region
- Romania: some correction of twin deficits in 11M 2025 compared to 11M 2024
- Public debt in GDP on the rise









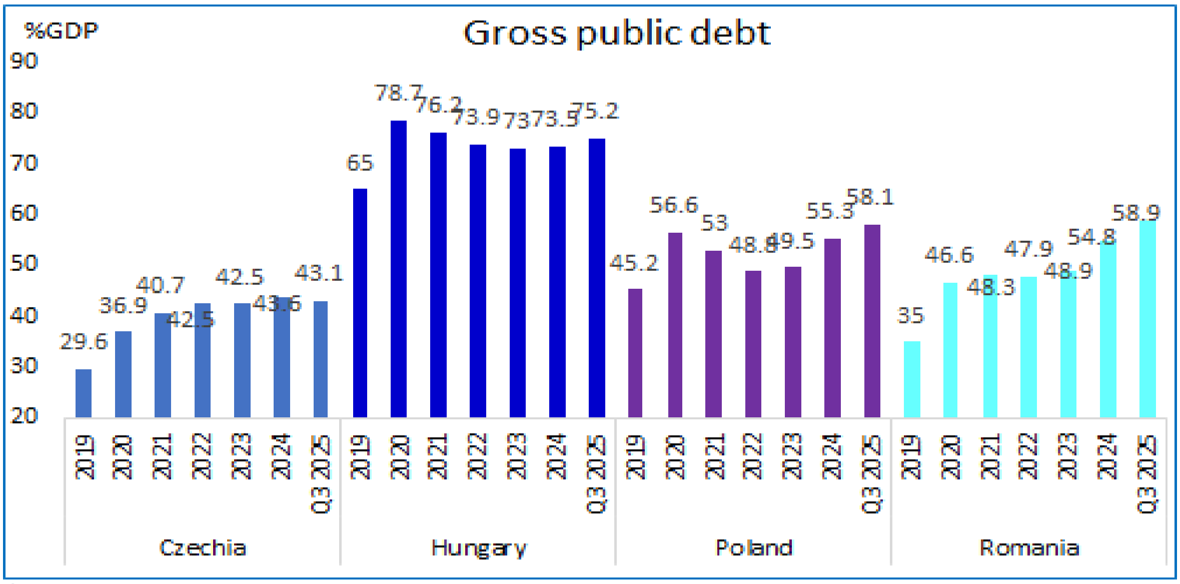
Source: Eurostat, Ministry of Finance, NBR

Key observations

- The twin deficits is the fundamental weakness of the Romanian economy.
- Both public and private sectors spend more than they earn. The consolidated budget deficit in 11M2025 was 6.4% of GDP down from 7.1% of GDP in 11M 2024. The current account deficit was 7.2% of GDP in 11M 2025 down from 7.4% of GDP in 11M 2024.
- However, the gross public debt was higher than the consolidated private debt (54.8% of GDP versus 40.2% pf GDP in 2024) and is increasing (58.9% of GDP in Q3 2025). The private debt to GDP ratio lowered from 41.2% of GDP in 2023.
- The long term gov bonds yield was 60 bps higher, up to 6.9% pa in 2025 from 6.3% pa in 2024.

Forecasts 2025-2026 (% GDP)

Indicator		2025f	2026f
Budget deficit (ESA)	Source: CPAG	8.3	6.8
Current account deficit		8	7.8
Gross public debt		59.5	62
Budget deficit (ESA)	Source: European Commission Autumn Forecast 2025	8.4%	6.2%
Current account deficit		7.9%	6.4%
Gross public debt		59.1%	61.1%



Source: Eurostat

SECTION 02

Inflation & Consumer Prices

Annual inflation at 9.69% in December 2025

✓ Inflation - Surge Due to Policy Changes

- Romanian annual inflation the largest in the region.
- Out of the 4.1pp increase in CPI in December since June 80% was due to energy prices. Producer prices do not exert inflationary pressures for consumer prices, excepting for durables (only 3% of consumer basket).
- For 2026 a gradual disinflation is expected to 3.7y-o-y in Dec, according to central bank estimation

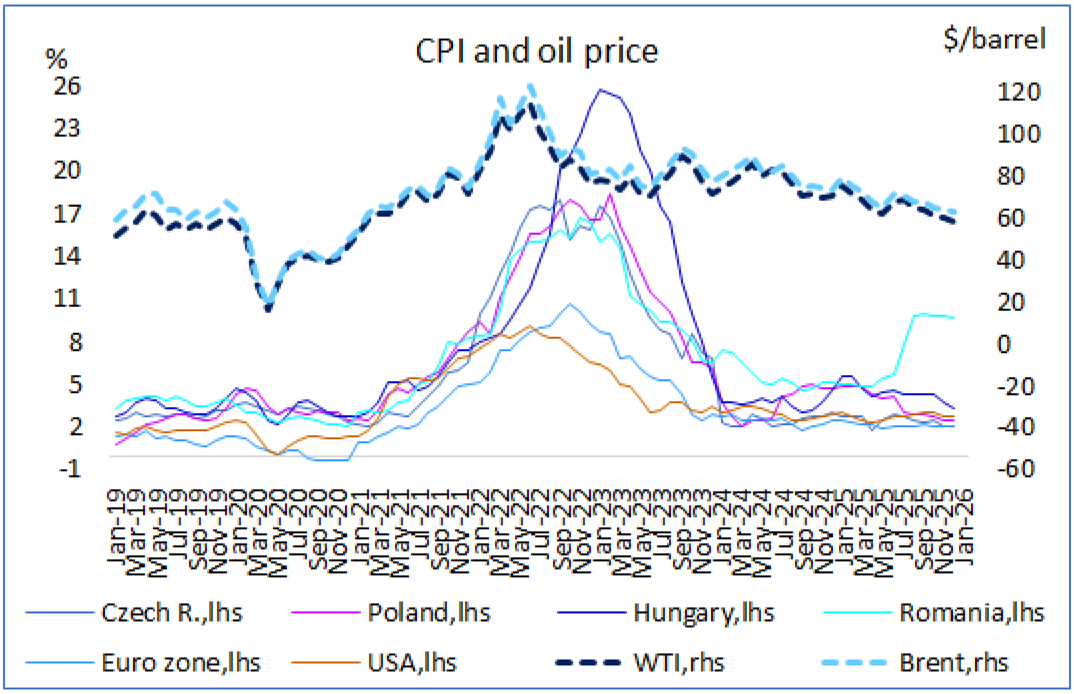
Latest Inflation, y-o-y

Country	Rate	Period
Romania	**9.7%**	Dec'25
Hungary	3.3%	Dec'25
US	2.7%	Dec'25
Poland	2.4%	Dec'25
Czechia	2.1%	Dec'25
Euro Zone	1.9%	Dec'25

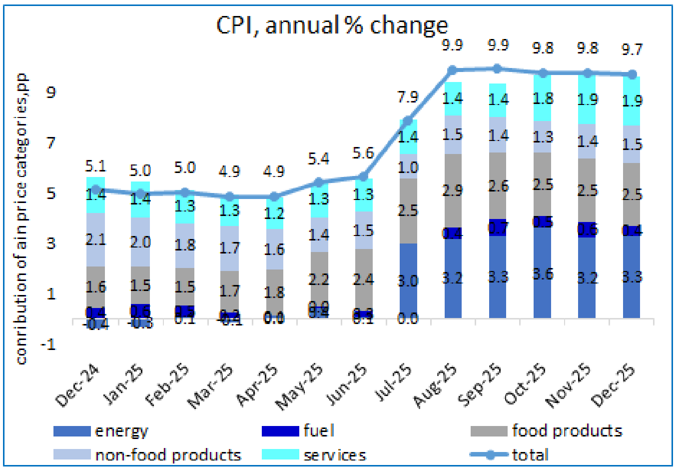
Source: National statistical offices, Eurostat

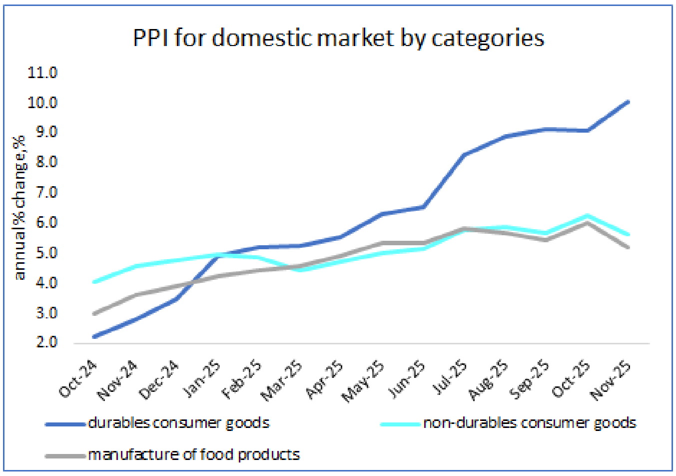
Key observations

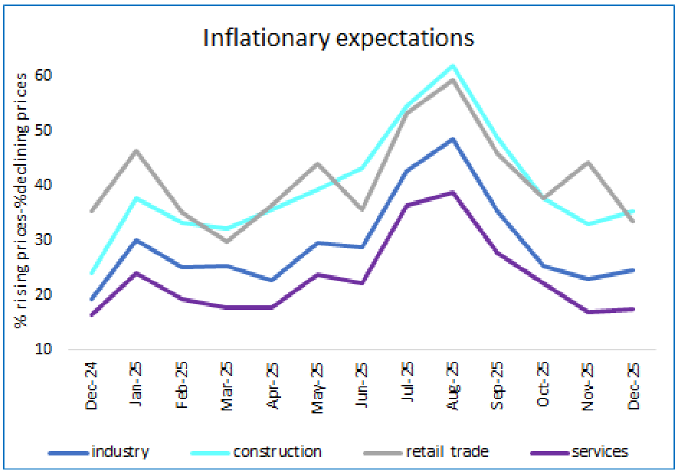
- Romania has the highest annual inflation in EU since Jan 2024, excepting Jan-Feb 2025 when second highest.
- The combined effect of the two major shocks - the lift of electricity price cap in July and the rise of VAT in Aug from 19% to 21% - pushed up CPI persistently by almost 10% y-o-y.
- According to NBR the CPI dynamics will gradually ease to 3.7% in Dec 2026.
- The disinflation will be sustained by the downward movement of energy prices and the diminished inflationary expectations of businesses across all sectors.

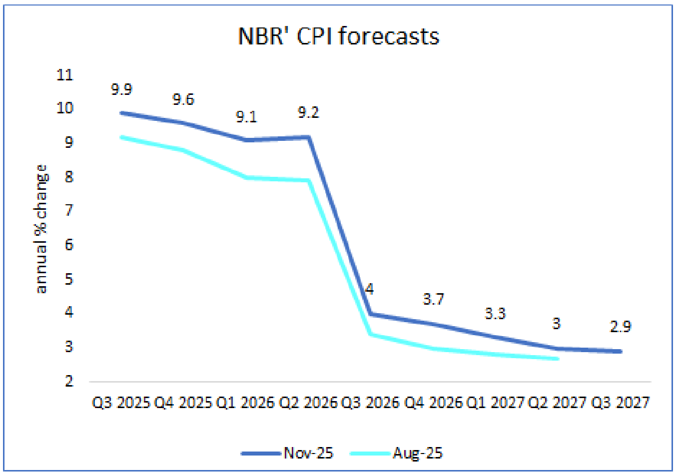


Source: INSSE -Romanian National Statistics, central banks of RO, HU, CZ, PL, Federal Reserve Bank of Saint Louis, Eurostat, European Commission –Business Confidence Survey









Source: INSSE -Romanian National Statistics, Eurostat, European Commission – Business Confidence Survey

⚠ Risk Assessment for Inflation 2026

On the upside:

- Persistent effect of 2025 Summer’s VAT and electricity price rise in the first half of 2026

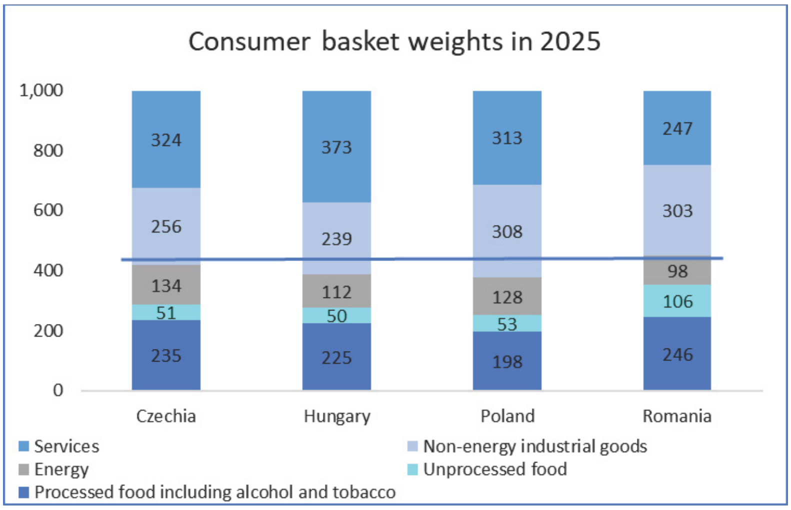
On the downside:

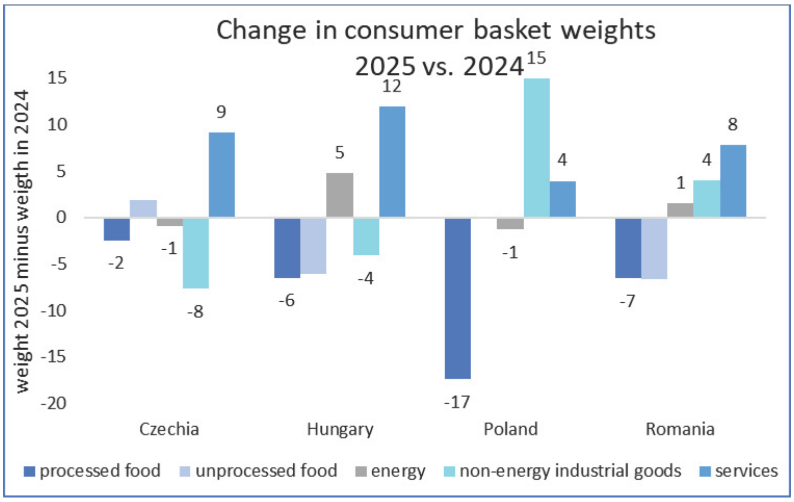
- Global trade uncertainty affecting global value chains
- Diminishing purchasing power at home, partially expected to be compensated by the rise in minimum wages from July 2026

Price dynamics since energy crisis

Key observations:

- Consumer prices on rise in Nov 2025 excepting for energy and unprocessed food
- Out of the consumer basket:
  - 10% is energy, the lowest among peers
  - 25% are services, the lowest among peers
  - 25% is processed food, the highest among peers
  - 11% is unprocessed food, the highest among peers

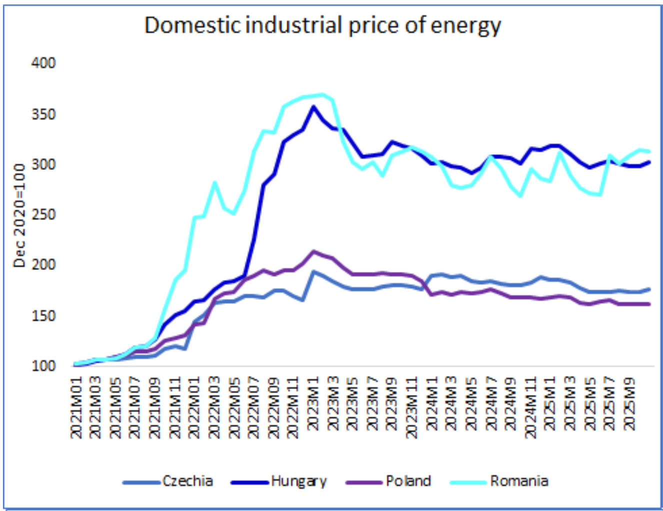


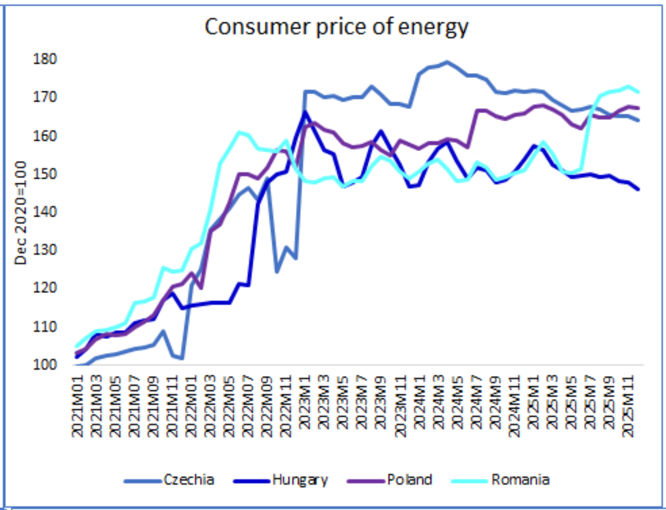


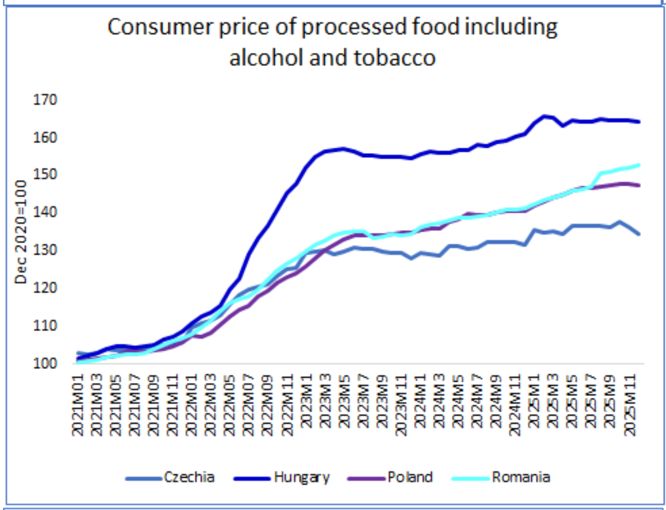
Source: Eurostat

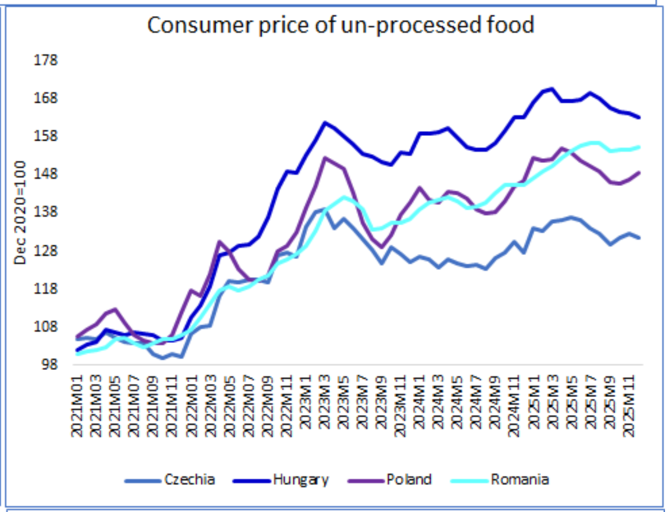
✓ Compared to the beginning of energy crisis (Dec 2020)

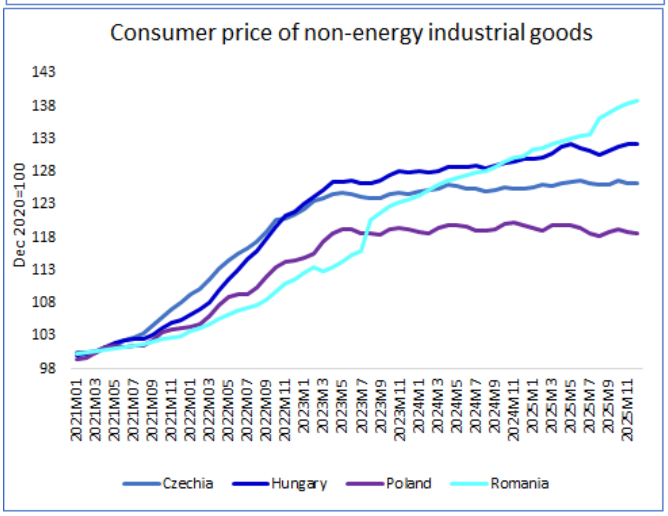
- Industrial energy prices higher by 3.1 times
- Consumer energy prices up 73%
- Food prices (processed and unprocessed) up 52-55%
- Services inflation at 45%
- Non-energy goods showing lowest increase at 38%

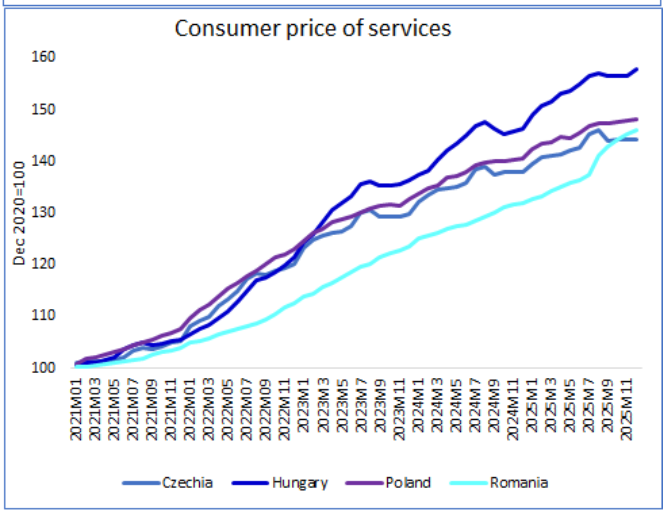












Source: Eurostat

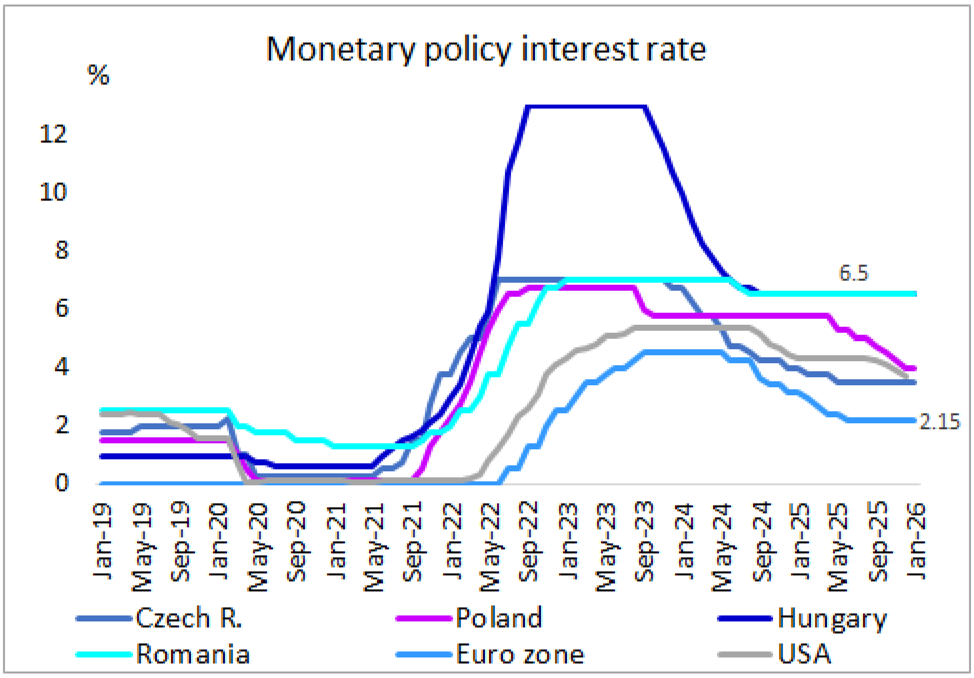
SECTION 03

Monetary Policy & Banking Sector

Reference rate unchanged at 6.5%

✓ **Monetary Policy - Balancing Act**

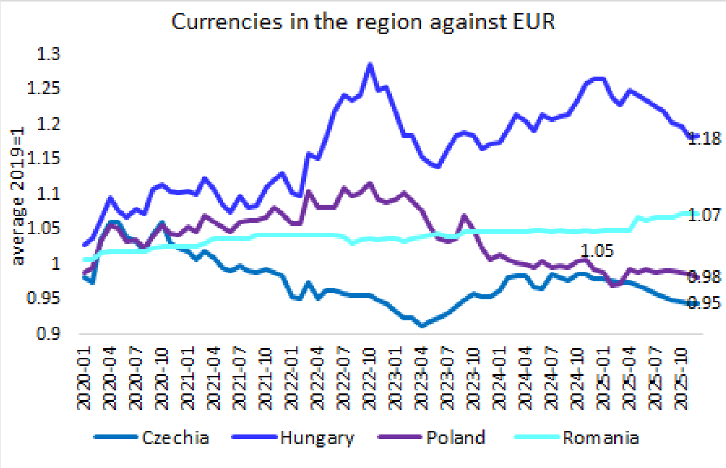
- Monetary policy reference rate in Dec 25 and its evolution compared to Dec 24:
  - 6.5%pa in RO and HU unchanged,
  - 4%pa down by 150bps in PL,
  - 3.5%pa down by 50bps in CZ
  - 2.15%pa down by 100bps in euro zone
- RON depreciated against EUR in 2025
- RON REER with euro zone appreciated by 3.1% compared to Dec 2024
- The interest differential between monetary policy rate and ECB main refinancing rate on the rise
- Gross reserves to GDP declining in RO

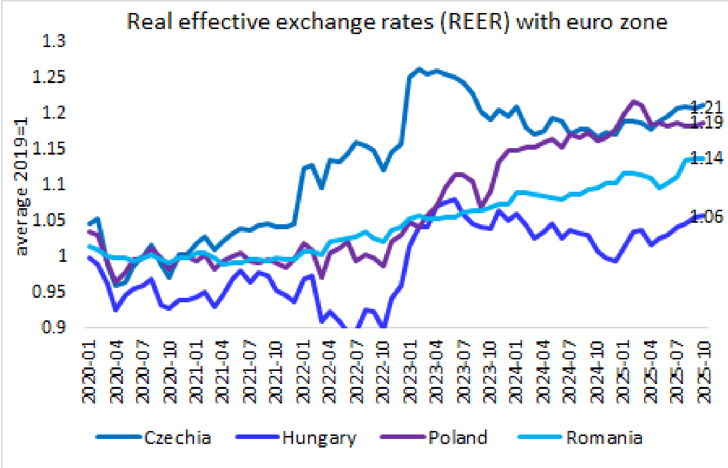


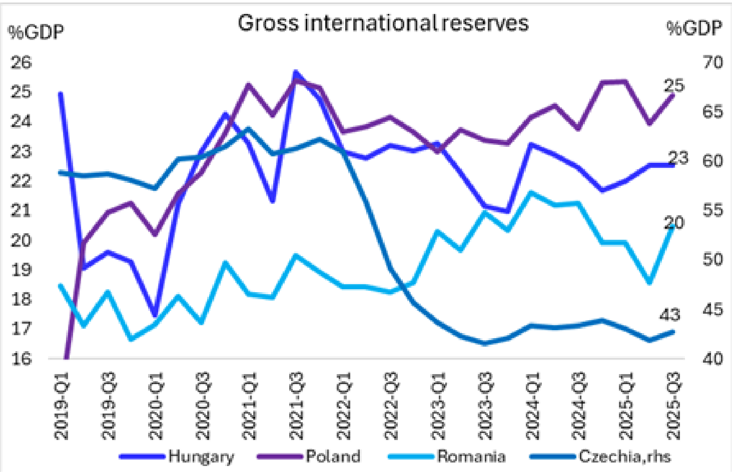
Source: NBR, ECB, central banks of RO, HU, CZ, PL

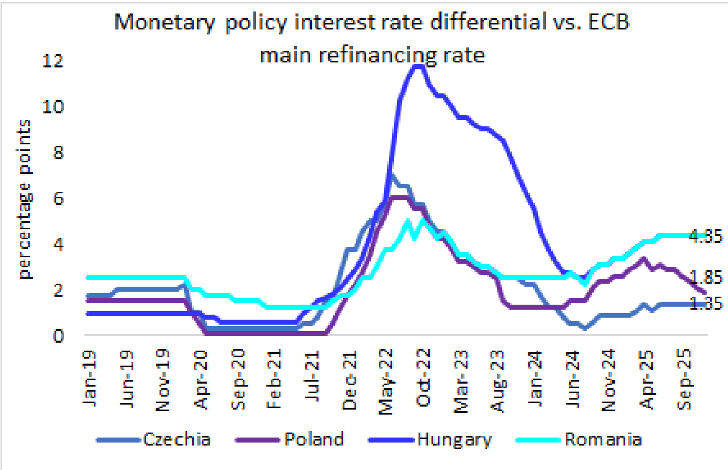
Key Observations

- 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 increased by 100bps since Dec 2024 (to 4.35pp in Dec 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 exchange rate, up by 3.2% in Oct 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 on rise.
- Monetary policy interest rate is currently 6.5%pa. In the next meeting on February 17, 2026 no change in monetary policy interest rate is likely.









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

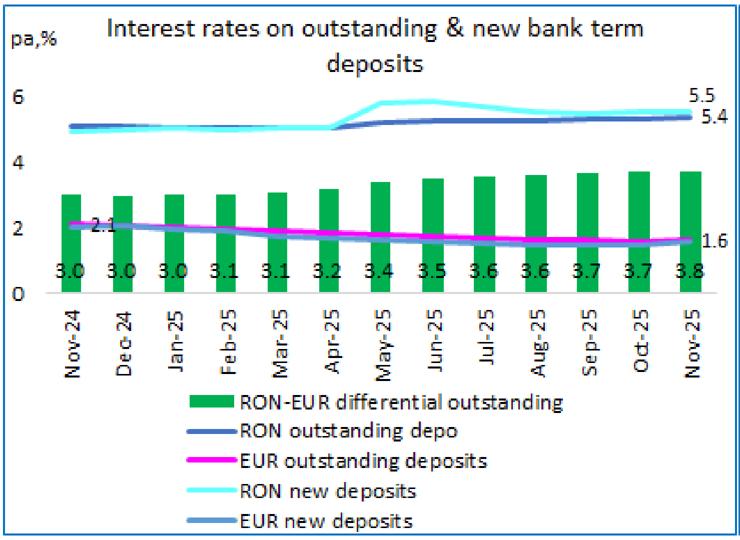
Lending and saving slowdown

Monthly Average Interest Rates - Nov'25 vs. Dec'24

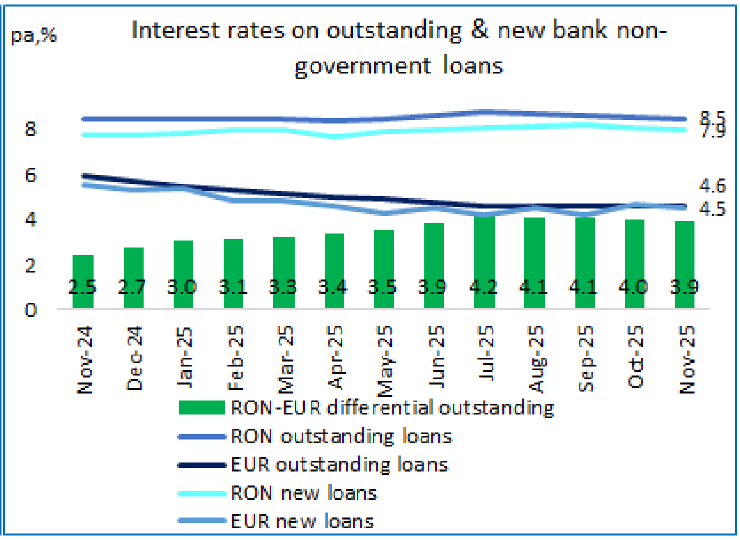
Monthly average interest rates	Nov'25 vs. Dec'24		Nov'25 vs. Dec'24	
	RON	Euro	Robor 3M	Euribor 3M
outstanding deposits	0.3pp	-0.5pp	+0.4pp	-0.8pp
outstanding loans	0.1pp	-1.1pp		

√ Banking sector: slowdown of both lending and saving

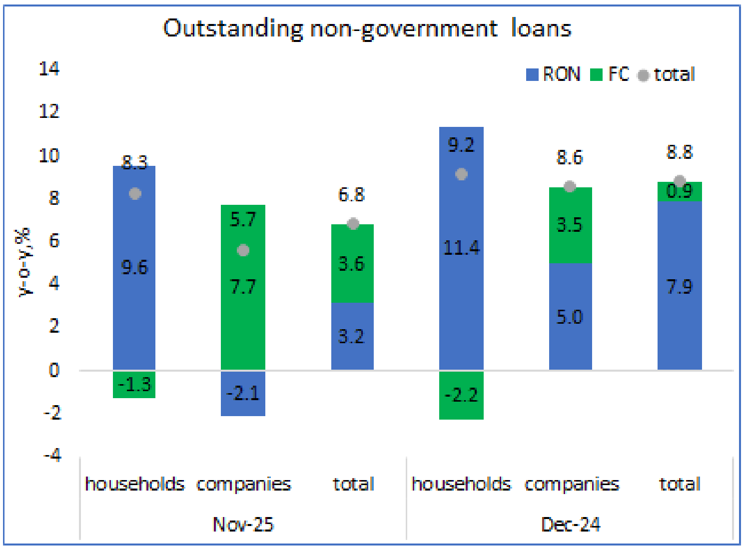
- 53% of non-government annual growth rate due to the expansion of FC loans in Nov’25 (10% in Dec’24).
- 84% of term deposits annual growth rate due to the expansion of FC term deposits in Nov’25 (28% in Dec’24).
- RON interest rates exceed EUR interest rates (by 3.8pp for depo and 3.9pp for loans in Nov’25) enough for borrowing in EUR but not enough to contain the weakened confidence for saving in RON.
- The increased IRCC (the benchmark interest rates for retail loans) weakened the borrowing incentives of retail in 2025, but its latest fall back will support lending 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 (both RON and EUR) indicates pressure for refinancing and declining revenues for banks.



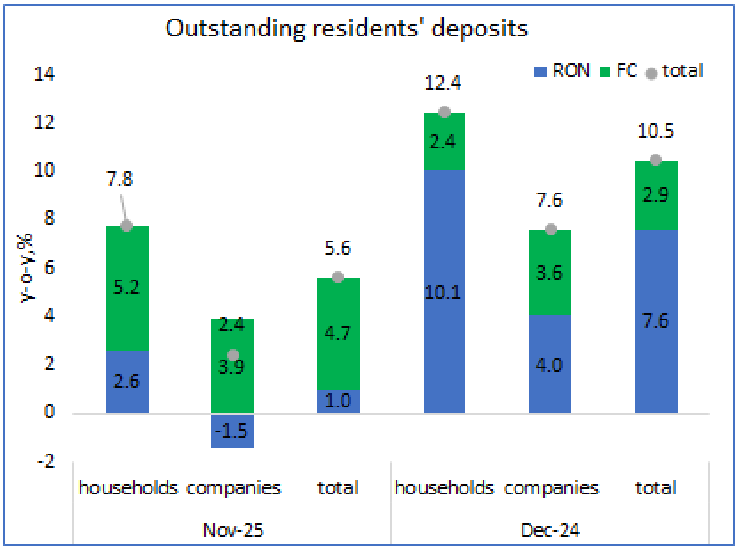
Interest rates on outstanding & new bank term deposits
pa,%
6
4
2
0
5.5
5.4
2.1
1.6
3.0 3.0 3.0 3.1 3.1 3.2 3.4 3.5 3.6 3.6 3.7 3.7 3.8
Nov-24 Dec-24 Jan-25 Feb-25 Mar-25 Apr-25 May-25 Jun-25 Jul-25 Aug-25 Sep-25 Oct-25 Nov-25
RON-EUR differential outstanding
RON outstanding depo
EUR outstanding deposits
RON new deposits
EUR new deposits



Interest rates on outstanding & new bank non-government loans
pa,%
8
6
4
2
0
8.5
7.9
4.6
4.5
2.5 2.7 3.0 3.1 3.3 3.4 3.5 3.9 4.2 4.1 4.1 4.0 3.9
Nov-24 Dec-24 Jan-25 Feb-25 Mar-25 Apr-25 May-25 Jun-25 Jul-25 Aug-25 Sep-25 Oct-25 Nov-25
RON-EUR differential outstanding
RON outstanding loans
EUR outstanding loans
RON new loans
EUR new loans



Outstanding non-government loans
RON FC total
y-o-y,%
14
12
10
8
6
4
2
0
-2
-4
8.3
9.6
-1.3
5.7
7.7
-2.1
6.8
3.6
3.2
9.2
11.4
-2.2
8.6
3.5
5.0
8.8
0.9
7.9
households companies total households companies total
Nov-25
Dec-24



Outstanding residents' deposits
RON FC total
y-o-y,%
14
12
10
8
6
4
2
0
-2
7.8
5.2
2.6
2.4
3.9
-1.5
5.6
4.7
1.0
12.4
2.4
10.1
7.6
3.6
4.0
10.5
2.9
7.6
households companies total households companies total
Nov-25
Dec-24

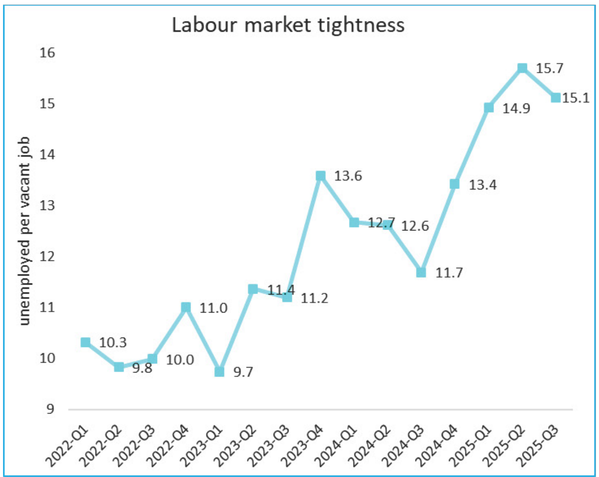
Source: NBR

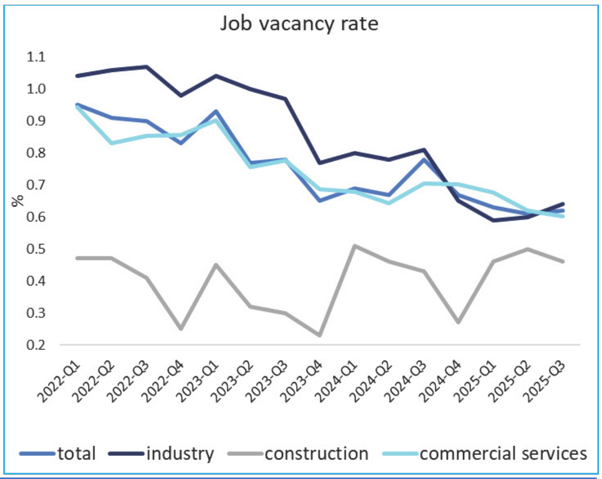
SECTION 04

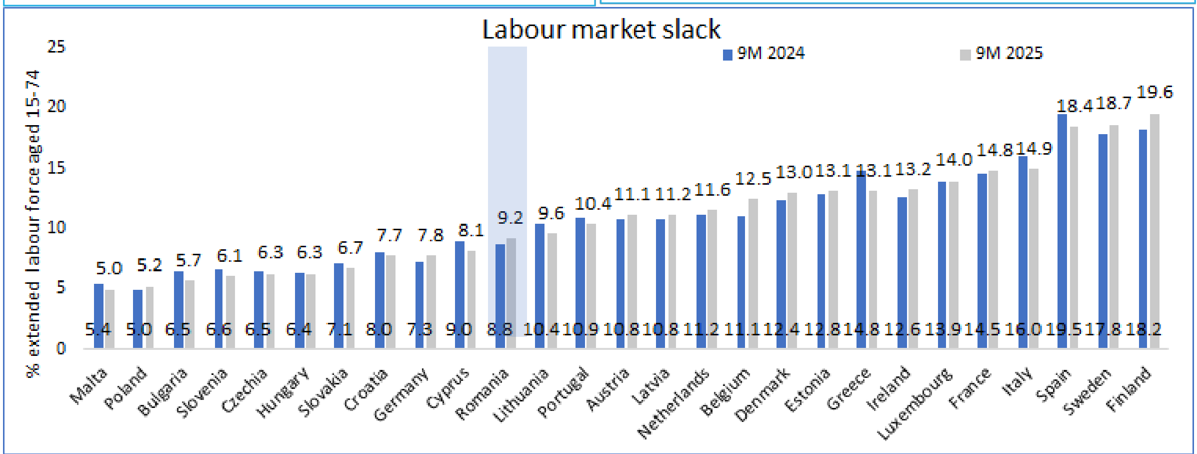
Labour market

Unemployment rate rising I Job vacancies declining

> ✓ **Labor Market - Gradual Weakening**
>
> Unemployment on a higher plateau and wage inflation below CPI since July 2025
> Labor market tightness is easing, the vacancy rate on a declining tendency, excepting in construction
> Unemployment rate higher than one year ago and annual wage inflation below annual CPI inflation
> Employment decline is expected, excepting in retail trade





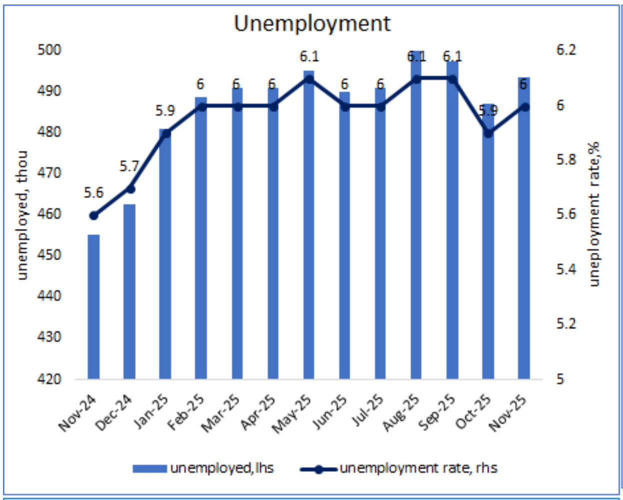


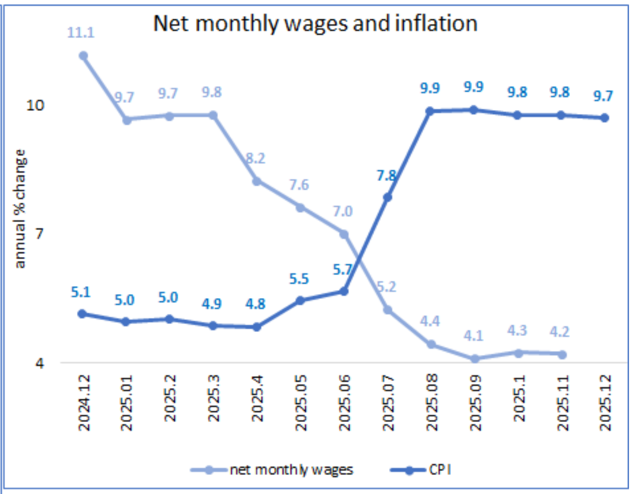
Source: Eurostat, INSSE - Romanian National Statistics

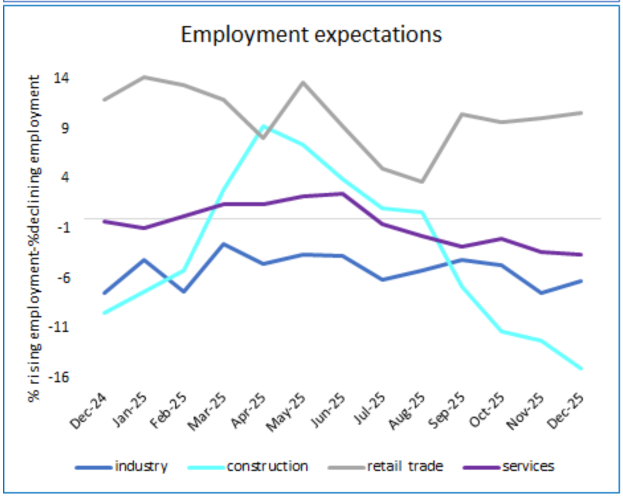
Labour market slack includes unemployed, underemployed part time workers wishing to work more and supplementary unemployed (a/ persons seeking work but not immediately available, b/persons available to work but not seeking work). Extended labour force is the labour force augmented with supplementary unemployed.

Key observations:

- The average unemployment rate increased to 6% in 11M2025 from 5.4% in 11M 2024.
- The number of vacancies declined by 13% in 9M 2025 compared to 9M 2024.
- The labor market tightness declined (the number of unemployed per one vacant job increased from 13 in 9M 2024 to 15 in 9M 2025.
- The net monthly wages slowed. The 12M average net wages increased by 7.1% in Nov 2025 (13.8% in Nov 2024).







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

⚠ Risk Assessment for Unemployment 2026

On the upside:

- low vacancy rates
- uncertainties in global trade might lower employment in export sectors (industry and services)
- impact of AI biased towards job destruction rather than job creation

SECTION 05

GDP Growth

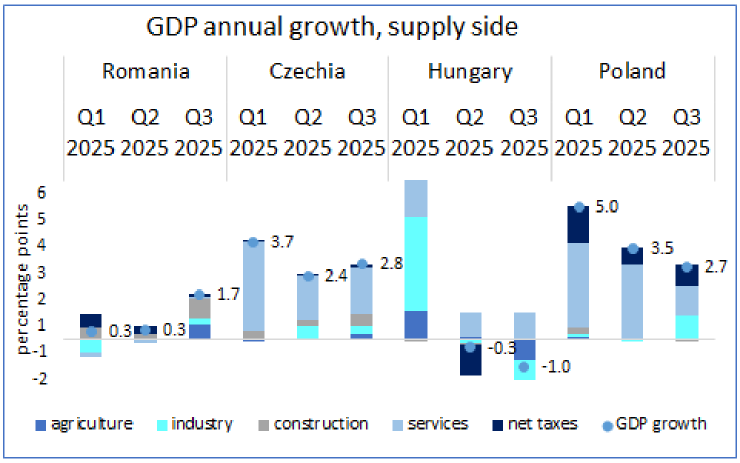
Real annual GDP growth 0.9% in 9M 2025

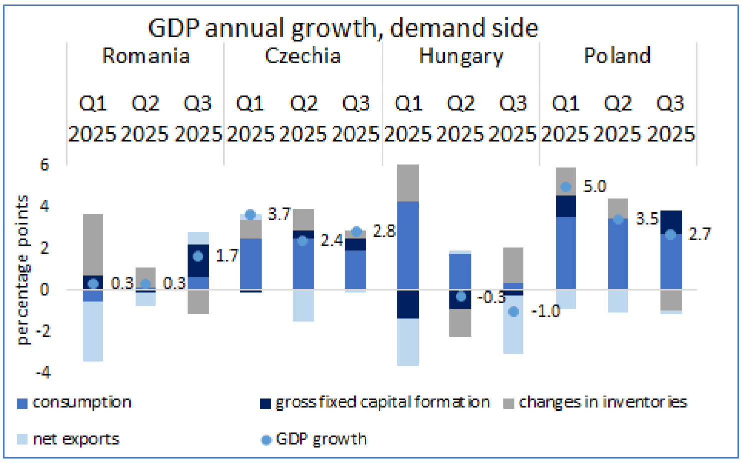
✓ GDP Growth - Slowdown Continues

- GDP increased by 0.9% y-o-y in 9M2025 (1.1% in 9M 2024)
- Recent forecasts for RO downwardly adjusted below peers, weak growth forecasts for the main trading partners
- Romania: rebound of construction, and industry, contraction of retail trade

Key observations:

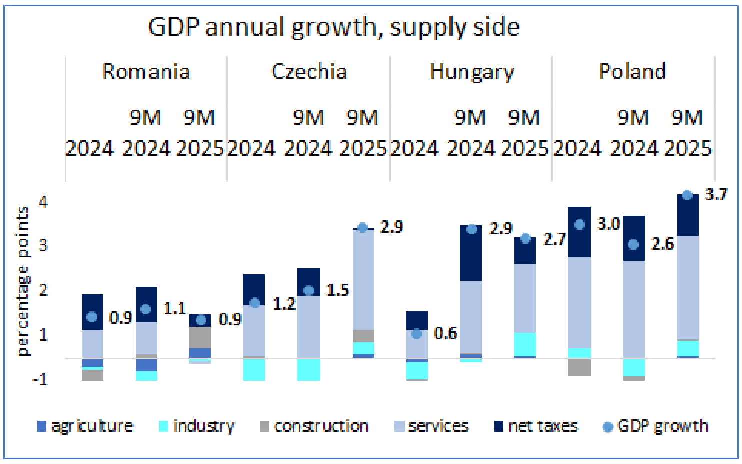
- GDP increased by 0.9% y-o-y in 9M2025 (1.1% y-o-y in 9M 2024) according to the second provisional data. The engines of growth were agriculture and construction on the supply side and gross capital formation of the demand side.
- Several surprises in the annual GDP growth from Q3 2025:
  - on the supply side: 1/industry expanded after the contraction in the previous two quarters, alongside agriculture and construction, while services stayed still after contracting in the previous two quarters, the expansion of IT offset the contraction of professional activities 2/ net taxes still expanded, but at a slower pace than in the previous two quarters,
  - on the demand side: 1/government consumption expanded after contracting in the previous two quarters, 2/ gross fixed capital formation had an outstanding growth (+5% y-o-y, driven by the expansion of buildings), but its contribution to GDP growth was offset by the decline of inventories, 3/ the net exports changed course, for the first time after 7 quarters its contribution to GDP growth became positive, since the expansion of exports of goods more than offset the expansion of imports of goods and services .

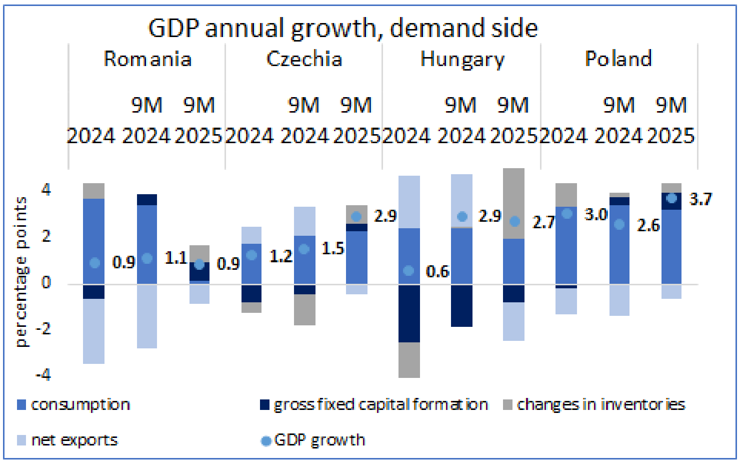




Source: Eurostat, INSSE

Weaker growth engines in Romania than in the region in 9M 2025		
	Growth engines-supply side	**Growth engines-demand side**
Romania:	agriculture and construction	gross capital formation
Region:	services and industry	consumption and gross capital formation





Source: Eurostat, INSSE

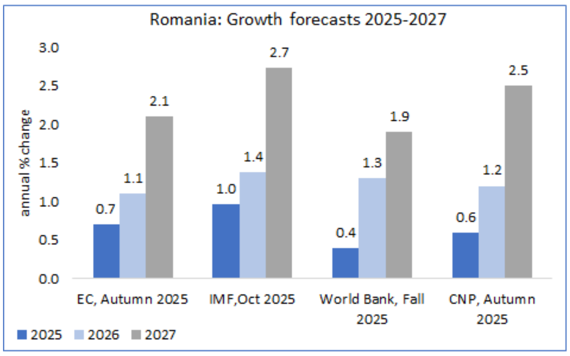
⚠ Risk Assessment for Growth 2026

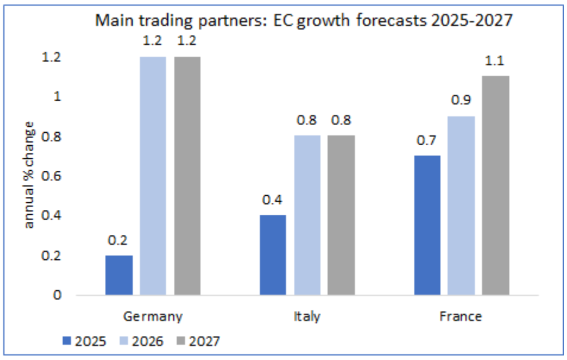
Headwinds:

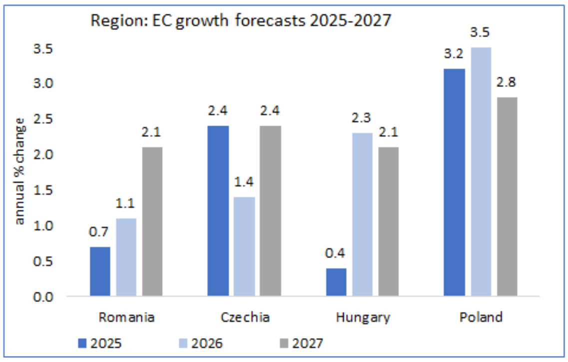
- Inflation persistency=> lower consumption
- Fiscal consolidation path => lower consumption
- Uncertainty regarding tariffs

Tailwinds:

- Accession of EU funds (SAFE funds, RRF funds) support for investments
- Negative real interest rates support for borrowings







Source: European Commission (EC) Autumn 2025 Forecast, IMF World Economic Outlook October 2025, World Bank Europe, Central Asia Report, Fall 2025, National Commission of Prognosis (CNP) Autumn Forecast 2025

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