BT RESEARCH
OUTLOOK
2026

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By partnering with notable guest contributors, such as **Erik Nielsen** in today's issue, we strive to offer a broader perspective.

With every Outlook our goal is to deliver valuable, real-world guidance that makes a difference in the lives of those we serve.

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#BTOUTLOOK

ERIK NIELSEN

Senior Advisor

Erik Fossing Nielsen is Senior Advisor at the London-based advisory firm 'Independent Economics'. He has more than 40 years' experience in global economic policy issues, macro and financial markets. Since 2008 he has published one of the most widely read and quoted weekly financial markets columns, the Sunday Wrap, on current economic and market issues. He is a frequent guest on TV programs covering financial markets issues, including Bloomberg and CNBC.

Before joining 'Independent Economics' in September 2025, Erik spent three years as Group Chief Economics Advisor at UniCredit, following a decade as the bank's Global Chief Economist and head of research. Between 1996 and 2011 he worked for Goldman Sachs in New York and London, first as a senior economist in charge of Russia and Central Europe, then for five years as Chief European Economist with responsibility for the firm's economic research across Europe, Middle East and Africa.

Erik spent 10 years in Washington DC working for the IMF and the World Bank on economic reform programs in primarily Russia, Turkey and the Middle East as well as an international debt and financial markets expert on China and other countries.

After obtaining his degree in economics from the University of Copenhagen, he started his career as an economist at the Danish central bank, and he taught at the Copenhagen Business School for two years before leaving for Washington. Erik is now based in London and Berlin.

THE EUROPEAN OUTLOOK FOR 2026:

RISKS AND OPPORTUNITIES IN A CHANGING WORLD

According to the major forecasters, including the OECD, the IMF, and the European Commission, 2026 will be another pretty good year, with global growth across the major regions moving around their long-term averages and inflation remaining well behaved, if a bit elevated in the US.

Specifically, there is a broad consensus that global growth will ease from about 3.2% in 2025 to marginally below 3% in 2026, before it then moves back above 3% in 2027. This temporary decline will be caused primarily by a cooling of the US economy to a still very respectable 1.7% in 2026, and in Japan to 0.9% growth, while Europe is expected to repeat its 2025 growth rate of about 1.3%.

Inflation, according to the international organisations, will be virtually glued to the 2% target in Europe for the next two years, which explains the ECB's guidance of likely unchanged rates at 2% throughout the forecasting period. In the US, inflation is expected to pick up to about 3.0%, but – maybe due to concern about the labour market, maybe due to pressure from President Trump – markets expect the Fed to deliver roughly three additional rate cuts in 2026.

Baseline forecasts do not usually materialise, but rarely has the range of possible outcomes for European growth been wider than now. On the one hand, a number of recently reversed impulses, along with better policies, set the stage for accelerating growth. On the other hand, multiple risks of negative external shocks hover on the horizon.

They are generated by the fundamental transformation in global political and economic relationships now under way. It spells the end of 75 years of US-led multilateralism which, on balance, served the world well. It is too early to identify what comes instead, but early signs point towards an uncomfortable picture. Rather than relying on various multilateral institutions to guide policies and resolve conflicts, including the UN, the IMF, the OECD, and the WTO, the new global order is likely to be guided by extractive transactional deals shaped by explicit power, including military and control of raw materials, key technologies etc.

The changes have been under way for some years, but they accelerated in 2025 after Donald Trump returned to the US presidency and turned the US alliances into confrontations from which the US is attempting to extract direct financial gains, including for any continued US commitment to NATO. The new US National Security Strategy, published in early December, lays this bare.

China responded robustly to the US-imposed trade infringements, but from a global perspective not constructively so. The latest 5-year plan, agreed in 2025, includes continued priority to increasing supply capabilities and exports, which are now being redirected to other countries than the US, and by restricting its export of rare earths materials – and not only to the US but globally. Whether China sees the rest of the world as satellites of the US, or as acceptable innocent bystanders, remains to be seen. As a result of the rare earths ban, which threatened to impact even US defense equipment, Trump backed down in return for a one-year delay in the export controls.

The use of export restrictions is not a new Chinese invention. Part of the Middle East restricted its export of oil in the 1970s, and the US has restricted the export of specific strategic industrial goods for several years; a policy accelerated for the highest performing chips for the AI industry by Presidents Biden and Trump. The chips are critical for the development of AI, which promises substantial long-term productivity gains – but maybe also social turmoil, if it is not regulated appropriately.

All of these recent developments – the militarily aggressive Russia, the stunning U-Turn in US policies towards Europe and other allies, China's continued focus on building supply capabilities rather than boosting domestic demand and its willingness to ban outright the export of critical materials, as well as the emerging AI revolution – have left European policymakers scrambling to agree EU-wide, and national, responses. But now there are signs of progress.

As we enter 2026, therefore, it is difficult to imagine another average-like year in terms of growth and inflation. Rather, the European outlook will be defined both by the extent to which the unprecedented external developments turn into outright economic shocks, and by the policy reactions now under way.

On balance, the new world order that is emerging is not growth-enhancing, and it comes with significantly higher risk of shocks and conflicts. Yet disruption carries not only risks for the private sector and financial markets, but also opportunities.

At Independent Economics we believe that the following **five issues**, in particular, will shape 2026:

First, the outlook for the war in Ukraine will have a major impact on Europe in 2026. Budget policies have permanently shifted to prioritise greater spending on defence and other security related areas and, for the private sector, uncertainty will almost certainly remain elevated.

Second, and related, US politics during 2026 will define the direction of US foreign policies. The mid-term elections in November, and the opinion polls ahead of them, will be of utmost importance. Should the Democrats take back control of the House of Representatives, let alone the Senate, the traditional guardrails will become more effective again in constraining President Trump, including in foreign security policies.

This will have several direct impacts on Europe, including via US support for Ukraine, its evaporating commitment to NATO, as well as the US' approach to tariffs and EU policies affecting the US tech giants. In addition, it will have important indirect impacts via Chinese export restrictions of critical materials, including the expiration of the one-year delay they agreed in late 2025.

Markets are also likely to impact US policies, as set by President Trump, during 2026, particularly domestic economic policies. Trump is widely seen as particularly sensitive to higher mortgage rates and the stock market more generally. Recent behaviour suggests that he may also be swayed by the crypto market, where his family and advisors are heavily invested.

Third – and moving to the outlook for markets and the economy – the risk to US growth must be on the downside, particularly during the second half of 2026 after the statistical effects of the government shutdown run out in the spring. There is, of course, a scenario in which the fiscal expansion (from an already very high deficit) continues to stimulate the economy and rate cuts for political reasons stimulate rather than scare markets. But it is a tail-risk.

Who Trump nominates as the next Chair of the Federal Reserve to take over when Jay Powell steps down in May will impact markets during the early months of 2026. In addition, whether – or when –Trump-appointees will command a majority on the Board will be important. Three issues are of particular concern in this regard, namely: the speed and extent of further rate cuts; the Fed's continued commitment to its role as the world's "anchor central bank", and particularly the availability of swap lines to other central banks in cases of insufficient dollar liquidity; and its attention to US financial stability. Credit has increased dramatically to finance the AI-related investments (which, incidentally, account for something like 90% of all US growth in 2025), causing the price of the major tech companies completely to lose touch with any normal reality for company valuations.

If US interest rates were to be cut significantly at a time of rising inflation and when the US runs very large – and increasing – budget deficits, long-dated yields would be expected to move higher in anticipation of higher inflation. The resistance at 5% for 10-year yields, which we saw in 2025, would then be tested again – and probably broken. A steeper US yield curve would also be supported by stablecoin companies buying short-dated (but not long-dated) treasuries to underwrite their promise of parity to the dollar.

Fourth, if this were to be the main feature of US monetary conditions in 2026, the ECB would de facto import tighter financial conditions, further impacted by the likely appreciation of the euro. This should – and presumably would – lead to further rate cuts by the ECB, at least to 1.5%.

But sharply higher long-dated US yields would almost certainly have a knock-on effect on the US stock market, and on the excitement about AI-related investment. Because of the nature of private credit financing of the AI boom, and the opaque interconnectivities with the crypto world, this scenario would very likely cause a financial crisis in the US – with effects for Europe. This too would – and should – lead to lower ECB rates.

Of course, these various crisis scenarios for the US, or a bad development in Ukraine, are not part of the ECB's central narrative. Rather, it sees another decent year ahead, with growth at close to potential and inflation at its target. In that scenario, the intended stable policy rate at 2% makes sense.

Indeed, and **fifth**, should Europe avoid another negative shock from abroad, eurozone growth in 2026 is likely to be higher than the current 1.3%-odd consensus forecast. The reason is relatively simple: European growth has been compressed since the end of Covid for readily identifiable reasons, namely the commodity price shock, the unprecedented tightening in monetary policies in response to the inflation (to preserve credibility for the inflation target, but despite the erosion of real income and hence demand), some modest fiscal tightening, and the uncertainties stemming from Russia's attack on Ukraine and sabre rattling further abroad.

Short of another shock, these negative effects will not only evaporate in 2026, but will reverse. Oil and other commodity prices are already substantially lower, and the International Energy Agency and World Bank expect further declines during 2026. Monetary policy has been eased back to about a neutral stance, and fiscal policy is set to provide a measurable stimulus in Germany. First-round effects of lower oil prices and lower interest rates have already been supportive in 2025, but the lagged effects – as well as the fiscal impulse in Germany – are still to come through. The eurozone could well record growth in excess of 1.5% in 2026.

Nobody knows if Europe will get to enjoy a year without further negative shocks, in which case growth will be solid and inflation well-behaved – or whether the changing global environment will deliver further negative surprises.

Either way, 2026 will be a year of substantially stronger domestic demand, particularly in Germany, driven partly by public investment and the defence build-up, but also by private investment as home-sourcing is increasingly incentivised.

And 2026 will be a year of significant progress in European cooperation as measures are taken to protect the European Continent against the increasing threats across the commercial and military fields. Such cooperation will include defence, technologies, and financial markets – in varying groups of "the willing" rather than across the entire EU. Longer term, this will further raise potential growth in Europe.

ERIK NIELSEN
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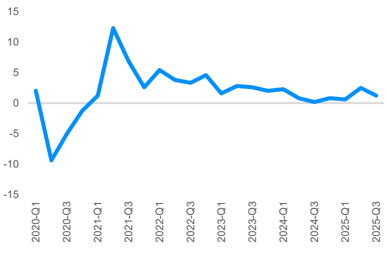
IOAN NISTOR
Chief Economist BT

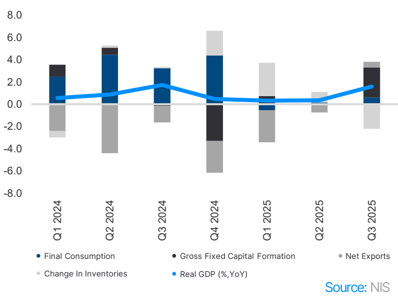
As your host – and following on Erik's remarks – we will focus on the Romanian recent developments and perspectives.

ROMANIA GDP GROWTH RATE % | Q/Q



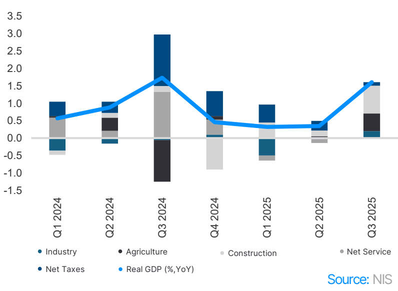
Source: Eurostat

CONTRIBUTION TO GDP (PP) – DEMAND



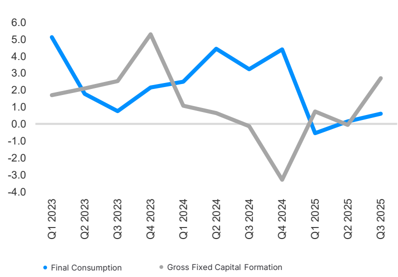
Source: NIS

CONTRIBUTION TO GDP (PP) – SUPPLY



Source: NIS

REAL GROWTH % | YoY



Source: Eurostat, NIS

ROMANIAN OUTLOOK

2026 THROUGH OUR LENS

The evolution of Romania's economy in the first nine months of 2025 continues to reflect the same environment of uncertainty, cautious adjustment, and structural rebalancing that we described in our September 2025 economic outlook. Growth has remained positive, yet modest, shaped by the mix between fiscal consolidation, still-elevated inflation, and the gradual rebound of the investments. In this sense, the new quarterly data do not alter the broader narrative presented, they rather reinforce it. We, therefore, **maintain our earlier GDP forecasts of 0.9% YoY** annual increase and update the analysis with the newest evidence.

GDP PERFORMANCE IN THE FIRST THREE QUARTERS OF 2025

The quarterly profile of GDP growth in 2025 remains uneven but broadly aligned with expectations. According to NIS data, economic activity showed a modest but positive growth in the first two quarters, followed by an annual rebound in the third quarter, yet accompanied by a slight contraction in quarter-on-quarter terms. Q3 economic activity strengthened to 1.6% y/y unadjusted (1.4% seasonally adjusted), yet the –0.2% q/q decline suggests a temporary softening of underlying momentum, partly driven by the pressure from demand moderation.

Taken together, these developments reconfirm that Romania is going through a year defined by **modest but resilient growth, not yet gaining strong traction**.

Nine-Month GDP Breakdown: A Slow but Positive Trend

Over the first 9 months of the year, GDP increased by 0.8% in unadjusted terms and by 1.4% on the seasonally adjusted series. Nominal GDP reached RON 1,336.4 bn (unadjusted) and RON 1,412.7 bn (seasonally adjusted).

The picture emerging from the nine-month period is one of **gradual recalibration**. The first half of the year was marked by softness in consumption and a cautious business environment. Q3 signaled some improvement in annual terms, though not yet sufficient to imply a robust acceleration. The composition of growth shifted decisively toward investment, while private consumption remained reduced and net exports continued to weigh on the aggregate outcome.

This trajectory is fully in line with the assessment of Romania as being in a "question year", a period of transition and structural adjustment rather than vigorous expansion.

Demand-Side Drivers: Investment Steps Forward as Consumption Retreats

The expenditure components of GDP underline a fundamental change in the growth model: **consumption is no longer the dominant engine**. Instead, **investment has taken the lead,** just as anticipated in the previous report.

Private Consumption: A Year of Adjustment

Household consumption grew by only 0.5% in real terms over the first nine months, contributing a modest 0.3 pp to GDP growth. Public consumption even contracted slightly. These developments are a result of the real income pressures associated with still-high inflation, fiscal consolidation measures limiting public-sector wage and pension, higher indirect taxes (VAT and excise adjustments), and a cautious consumer sentiment, especially regarding discretionary expenditures.

This reduced consumption behaviour was anticipated in our September report, where we noted that the fiscal package would temporarily "cool" domestic demand. In 2025, private consumption is not a driver of the recovery, but rather a **stabilizer**, preventing deeper weakness while adjusting to new macroeconomic constraints.

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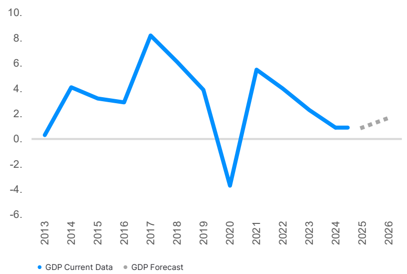
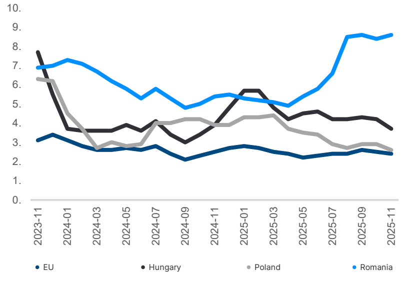
GDP ANNUAL GROWTH RATE % | YoY



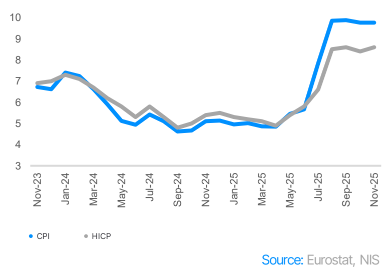
Source: Current data: Eurostat, Forecast data: BT

INFLATION (HICP) – ANNUAL RATE OF CHANGE %



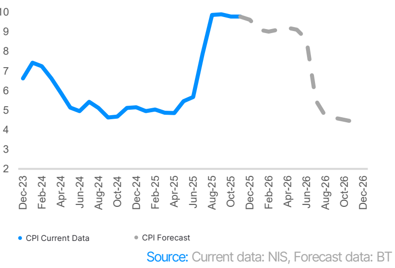
Source: Eurostat

INFLATION (RO) – ANNUAL RATE OF CHANGE %



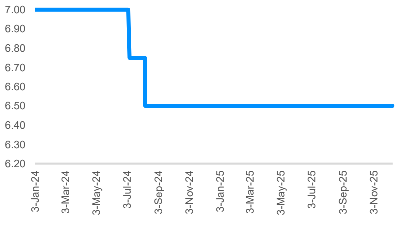
Source: Eurostat, NIS

INFLATION – ANNUAL RATE OF CHANGE %



Source: Current data: NIS, Forecast data: BT

NBR MONETARY POLICY INTEREST RATE %



Source: NBR

Investment: The Main Pillar of Growth

Gross fixed capital formation increased by 4.6% y/y in real terms during the first nine months of 2025, contributing 1.2 pp to GDP growth, with inventories adding another 0.3 pp. This makes investment the **principal positive contributor** to economic activity so far.

The expansion of investment is driven primarily by: Public infrastructure projects, supported by the national budget and EU structural funds, accelerated implementation under the Recovery and Resilience Facility (RRF), large projects in transport, energy transition, and digital infrastructure. Private investment remains more selective, constrained by financing costs and uncertainty, yet increasingly supported by EU programmes. The investment-led pattern confirms a reorientation of growth toward more sustainable, productivity-enhancing drivers.

Net Exports: A Persistent Headwind but Signs of Recovery Emerging in Q3

The external sector continues to put downward pressure on economic growth when viewed over the first nine months of 2025. Exports of goods and services increased by 3.7%, while imports rose by 5.1%, resulting in a negative contribution from net exports of –0.8 pp for the cumulative period. However, the quarterly data reveal a notable improvement in Q3, suggesting that the external environment may be stabilising and that a gradual recovery in Romania's export performance is underway. Q3 alone, net exports contributed a positive +0.5 pp to GDP growth, an important inflection point compared with the negative contribution seen in the first half of the year. This shift reflects a relative strengthening of export in the quarter and a moderation in import growth, especially in categories tied to consumption goods and certain industrial inputs.

This also signals an early adjustment to the fiscal consolidation measures, which tempered import-intensive consumption and reduced some of the pressures coming from domestic demand. While too early to declare a lasting trend, the Q3 data point to the possibility that net exports may be less of a drag in late 2025 and into 2026.

Even so, the structural vulnerabilities remain: a large and persistent trade deficit, elevated import dependence, and exposure to external shocks. Meaningful and sustained improvement in the external balance will depend on competitiveness gains, productivity enhancements, and continued strengthening of the export-oriented sectors. Nonetheless, the positive signal from Q3 introduces a welcome part to the overall assessment—suggesting that the external sector may gradually transition from being a persistent headwind to a milder constraint as Romania enters 2026.

Sectoral Contributions: Growth from Narrow Sources

The supply-side composition of growth remains uneven. A small number of sectors drive economic activity, while several others stagnate or contract.

- **Agriculture: A Rebound After a Difficult 2024**

  Agriculture added **+0.2 pp** to GDP growth. After the unfavorable conditions of 2024, the sector benefited from more stable weather and improved yields.

- **Industry: Still Searching for Momentum**

  Industry remains a weak component of Romania's growth profile in the first nine months of 2025. Over the cumulative period, industrial output declined by –0.4%, subtracting –0.1 pp from GDP growth. However, the quarterly breakdown from the NIS offers a better and notably more positive picture for Q3 and ahead.

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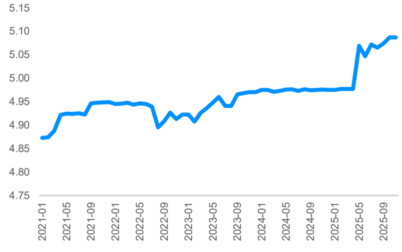
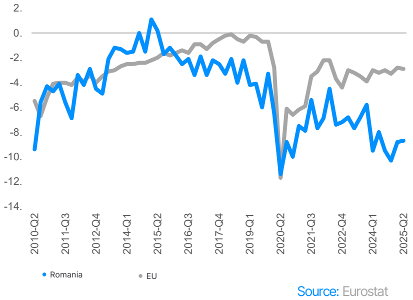
EXCHANGE RATE EUR/RON



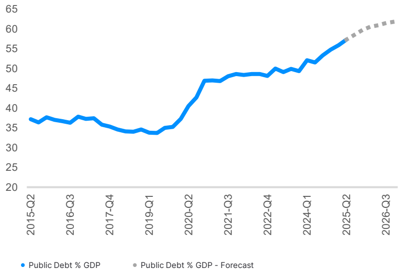
Source: NBR

GOVERNMENT DEFICIT % OF GDP



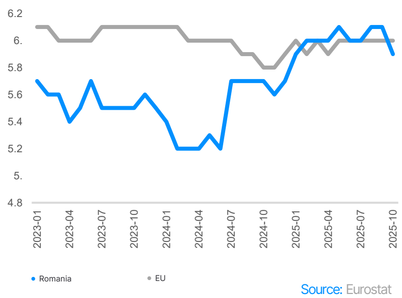
Source: Eurostat

GOVERNMENT DEPT/GDP %



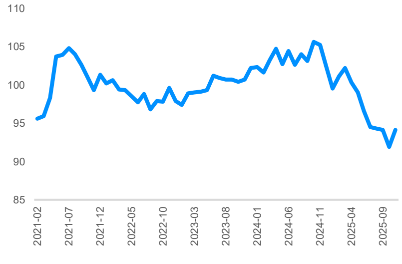
Source: Current data: Eurostat, Forecast data: BT

UNEMPLOYMENT RATE %



Source: Eurostat

ECONOMIC SENTIMENT INDICATOR



Source: Eurostat

While the cumulative result remains slightly negative, industry's contribution in the third quarter alone turned positive, pointing to a moderate but visible recovery. This improvement is consistent with the broader regional industrial uptick observed toward the end of the summer and suggests that the trough in industrial activity may have already been reached.

The Q3 turnaround appears to have been driven by a combination of factors: better performance in export-oriented manufacturing segments, stabilizing energy costs relative to earlier peaks, and a reduction in inventory corrections that weighed on the sector in the first half of the year. Although still modest, this renewed momentum may mark the beginning of a more sustained recovery. However, structural challenges persist, and the sector's recovery remains sensitive to both external conditions and domestic cost pressures.

- **Construction: The Strongest Contributor**

  Construction increased by 8.5%, contributing 0.5 pp to overall growth. Public infrastructure works dominate the expansion, while residential construction remains reduced. The sector continues to be one of the most reliable engines of the Romanian economy.

- **Services: Diverging Trends**

  Service-sector performance varies widely: ICT remains a key driver (+2.9%), adding 0.2 pp. Trade, transport, and hospitality are flat (+0.1%), reflecting weak consumption. Professional and administrative services show a significant decline (–3.7%), weighing –0.3 pp on GDP. Financial services and public services remain largely neutral.

  Romania's service economy is divided: modern, export-oriented services (ICT) continue to perform, while domestic, demand-sensitive services reflect the cooling effects of fiscal and inflationary pressures.

OUTLOOK FOR 2025 AND 2026: KEEPING OUR PREVIOUS FORECASTS

Given the available data and the macroeconomic policy environment, we maintain the real GDP growth forecasts:

- **0.9%** in 2025
- **1.67%** in 2026

2025: A Year of Controlled Adjustment

For the remainder of 2025, we expect:

- Slightly positive momentum from investment
- Continued weakness in household spending
- Some easing in inflation, but not enough to materially change consumption behavior
- A still-negative (but improved) contribution from net exports.

Thus, 2025 remains a transitional year: moderate growth, rebalancing of demand, and the early effects of fiscal consolidation.

2026: Investment-Led Recovery Takes Shape

The **1.67%** growth expected for 2026 rests on several structural drivers:

I. **Sustained EU-funded and public investment**, especially through the RRF, which will continue to support construction, energy transition, infrastructure digitalization, and innovation.

II. **Gradual recovery in industry**, supported by improving external conditions and reduced domestic cost pressures.

III. **Ongoing strength in ICT**, one of the sectors capable of generating productivity gains and export growth simultaneously.

IV. **Moderate stabilization of consumption**, thanks to easing inflation and gradual real income recovery, though without returning to previous consumption patterns.

V. **A slightly better external balance**, as lower import growth and stronger exports reduce, but do not eliminate, the negative contribution of net trade.

In essence, 2026 is expected to be the year when Romania's investment-led growth model becomes more visible, with the potential to enhance both medium-term productivity and economic resilience.

Risk Balance: Upside Potential and Downside Vulnerabilities

While our baseline scenario maintains a measured recovery path for 2025–2026, the balance of risks remains two-sided, reflecting both structural opportunities and persistent macroeconomic sensitivities. On the upside, Romania could outperform the current projections if the absorption and execution of EU funds accelerate beyond expectations, particularly in transport and energy infrastructure. In addition, the implementation of the SAFE program has the potential to reinforce economic resilience. Faster implementation would generate stronger multiplier effects through construction, business services, and industrial supply chains, potentially pushing growth above the current 2026 projection of 1.67%. A more rapid disinflation process could also enhance household purchasing power and permit an earlier easing of monetary conditions, supporting both consumption and private investment. Moreover, a stronger-than-expected recovery in the euro area would benefit Romania's export-oriented manufacturing and ICT sectors, gradually improving the external balance.

On the downside, several risks could weigh on Romania's trajectory. Domestically, the post-expiry adjustment of the natural gas price capping scheme represents a tangible inflationary risk: higher energy costs could affect both households and firms, dampening consumption and squeezing margins in energy-intensive sectors. Similarly, the lifting of the cap on mark-ups for basic food products may place upward pressure on food inflation, an area where Romanian households allocate a large share of income, potentially restraining real consumption more than currently assumed. Fiscal consolidation risks remain prominent: any delay in implementing the planned measures or any erosion of fiscal credibility could heighten financing costs, constrain public investment, and weaken the ability to co-finance EU-funded projects. Externally, the landscape is even more complex. Intensifying geopolitical tensions, including regional security concerns, could disrupt trade flows, increase energy price volatility, and raise investor risk premium. The rise of global trade conflicts, protectionist measures, and supply-chain realignments could negatively affect Romania's export sectors, particularly manufacturing segments integrated into European value chains. Climate-related shocks, especially to agriculture, remain a persistent vulnerability, capable of altering both growth and inflation outcomes.

Overall, the baseline outlook remains balanced but conditional, upside scenarios are tied to effective policy implementation and EU-fund-driven investment, while downside risks are linked to price re-adjustments, geopolitical tensions, and the challenges of sustaining fiscal discipline.

IOAN NISTOR
Chief Economist

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INFLATION OUTLOOK
ELEVATED THROUGH EARLY 2026

END-2025 FORECAST: 9.6%

- We expect inflation to close 2025 at **around 9.6%**, reflecting the full incorporation of energy price liberalization, indirect tax increases and second-round effects in services.
- Monthly inflation should slow marginally toward year-end, but base effects will keep the annual rate elevated.

END-2026 FORECAST: 4.3%

- In 2026, inflation should follow a gradually decreasing path in the first half of the year, followed by a more visible decline occurring in the second half of 2026, reaching **around 4.3%** by year-end.
- This is supported by the favorable base effects once the 2025 shocks drop out, weaker domestic demand under fiscal consolidation, easing wage pressures and a moderation in service inflation, and more neutral food-price change.

RISKS TO THE FORECAST

Upside Risks (Higher Inflation)

- Timing and sequencing of price-cap removals remain critical. The elimination of the price cap on commercial mark-ups for basic food goods and the natural gas price cap could generate renewed price jumps if implemented abruptly or in an unfavorable market environment.
- Energy price volatility, especially in natural gas and electricity, could amplify both direct and second-round effects.
- Climate-related shocks affecting agricultural output would push food prices higher.
- Persistent wage pressures in services could delay the moderation of core inflation.

RISKS TO THE FORECAST

Downside Risks (Lower Inflation)

- A more pronounced contraction in domestic demand driven by fiscal consolidation and weaker real incomes could accelerate disinflation, particularly in non-food goods and discretionary services.
- Gradual and well-communicated extension or phased removal of price caps, combined with favorable global energy prices, could smooth the adjustment and limit inflationary spikes.

The decrease of the inflation is now clearly a **2026 story**, with inflation projected to fall to **4.3% by year-end**, but the path remains highly sensitive to policy choices, particularly the timing and manner of removing price caps, as well as energy and climate-related shocks.

INFLATION: PERSISTENCE THROUGH 2025, MEANINGFUL EASING POSTPONED INTO SECOND PART OF 2026

Recent evolution: inflation driven by synchronized pressures across components

Inflation in the second half of 2025 has been shaped by a synchronization of price pressures across food, non-food goods and services, following successive fiscal and administrative shocks layered on top of still-elevated domestic cost pressure. The annual CPI inflation reached 9.8% in November 2025, while prices were 9.5% higher than in December 2024, confirming that inflation has remained glued at high single-digit levels toward year-end.

Monthly price increases remain elevated: consumer prices rose by 0.42% m/m in November, with all major CPI components contributing positively, an important signal that inflationary pressures are still broad-based rather than isolated.

Services: source of inflation persistence

Services inflation remains the most persistent and structurally driven component of inflation. In November 2025, services prices were around 11.0% higher year-on-year, increasing by 0.71% m/m, the strongest monthly advance among CPI components.

The most important drivers were the labour-intensive services that continue to reflect elevated wage pressure, which has eased only gradually. Then, utility- and transport-related services that incorporate higher electricity prices following market liberalization and rents and euro-denominated services that remain sensitive to exchange-rate mechanisms.

Given the rigid cost base and low-price elasticity of demand in key service segments, service inflation is likely to decline only slowly, remaining a key source of inflation into first part of 2026.

Non-food goods: fiscal pass-through meets weakening demand

Non-food inflation accelerated in the second half of 2025, reaching 10.7% y/y in November, with a 0.41% m/m increase. The increase reflects the VAT and excise duty hikes effective from August, higher energy and transport costs passed across supply chains, and exchange-rate pass-through into import prices.

At the same time, demand-side conditions are deteriorating. Weaker real incomes and tighter credit conditions are increasingly constraining pricing power for discretionary non-food items. This suggests that while non-food inflation will remain elevated in the near term, its contribution should moderate gradually, before decreasing much stronger into the second part of 2026.

Food prices: volatile, climate-sensitive, and policy-dependent

Food prices increased by 7.6% y/y in November, with a 0.25% m/m rise, with significant dispersion across subcategories.

Price pressures are concentrated in: Fruits, coffee, sugar and eggs, affected by adverse weather and higher global commodity prices, Processed foods, where energy, transport and labour costs feed into retail prices. Seasonal declines in vegetables and potatoes have partially offset these increases, but food inflation remains highly exposed to supply-side shocks and policy decisions.

NATIONAL BANK OF ROMANIA POLICY RATE: EASING PUSHED INTO LATE 2026

- **Current status:** policy rate held at 6.50%

The National Bank of Romania (NBR) has kept the policy rate unchanged at 6.50%, alongside a deposit facility at 5.50% and a Lombard rate at 7.50%. This decision, most recently reconfirmed in November 2025, reflects the central bank's assessment that inflationary pressures remain too elevated and too persistent to allow for premature easing. The rationale for maintaining the policy rate at this level is closely tied to the inflation profile and its risk balance. Headline inflation has re-accelerated sharply in the second half of 2025, driven by electricity price liberalization, indirect tax increases and strong second-round effects, particularly in services and processed food prices. Core inflation has also moved decisively higher, confirming that inflationary pressures are no longer confined to volatile or administratively influenced components.

At the same time, the policy rate must be seen against a complex macro environment. Fiscal consolidation is tightening domestic demand, but the disinflationary effects of weaker demand are delayed and uncertain, while inflation expectations remain sensitive to energy prices, fiscal decisions and exchange-rate developments. The decision to stay on hold reflects this uncertain and sensitive situation.

Forward-looking perspective: first cut only after clear disinflation signal

Looking ahead, monetary policy is expected to remain on hold throughout the first part of 2026, with the first rate cut likely only in the second part of the year, once there is clear and sustained evidence that inflation is firmly on a downward path.

Under our baseline scenario, inflation remains high in early 2026 and declines more visibly only in the second half of the year. We, therefore, project the policy rate to decline gradually toward 5.75% by end-2026, implying a cautious easing cycle rather than an aggressive normalization.

Risks to the policy rate outlook

- <u>Upside risks (easing delayed):</u> Persistent inflation pressures, especially in services, adverse energy price developments, including the expiration of the natural gas price cap and other administered price measures, fiscal slippage or policy uncertainty, which could weaken confidence, pressure the exchange rate and complicate disinflation.
- <u>Downside risks (earlier or deeper easing):</u> A sharper-than-expected slowdown in domestic demand under fiscal consolidation, accelerating disinflation, a positive development of the external environment, with lower energy prices.

EXCHANGE RATE: RELATIVELY STABLE RON WITH MILD DEPRECIATION VS EURO

Over 2025 the EUR/RON exchange rate showed moderate depreciation of the Romanian RON against the Euro, as a result of the domestic economic pressures (fiscal consolidation weighing on growth and confidence).

Annual history shows the rate averaged at 5.04 in 2025, with a high near 5.12 in May and a low near 4.97 early in the year.

But 2025 brought the weakening beyond the psychological 5.0 EUR/RON level in the first half of the year as a result of the political uncertainty. In May 2025, the RON depreciated by more than 2% in a single session due to post-election stress, and crossed above RON 5 per euro.

Drivers of exchange rate movements

The most important internal factors that shaped the EUR/RON trajectory in 2025:

- **Monetary policy:** The National Bank maintained the policy rate at 6.50%, signaling a continued focus on price stability thus limiting pressure on the RON from potential rate cuts.
- **Fiscal policy:** Domestic fiscal consolidation measures weighed on growth

expectations and, at times, currency sentiment, but greater clarity on the budget path stabilized the RON after mid-year adjustments.

- **FX intervention and reserves:** The BNR's communication has emphasized that the exchange rate remains "within a range of balance"

Outlook — near term and 2026 forecast

Near-term closing of 2025

Heading into year-end, the EUR/RON exchange rate is likely to close 2025 in the 5.09–5.10 range, marginally below the 5.11 forecast. This slightly stronger-than-expected outcome reflects an improved short-term fiscal credibility following the consolidation package, continued active exchange-rate smoothing by the NBR, and relatively stable external financing conditions toward the end of the year.

Near-term perspective (H1–H2 2026)

We keep the EUR/RON forecast with a 2026 year-end exchange rate projection near 5.17 EUR/RON, a mild ongoing RON depreciation as inflation eases and internal balances adjust.

This path assumes slowing of inflation, continued fiscal policy credibility, and balanced external flows, a scenario where the exchange rate adjusts gradually rather than experiencing abrupt revaluations or sharp swings.

Risk factors

- <u>Downside risks (stability/stronger RON)</u>: Strong EU fund inflows and a stronger external-sector performance boosting capital inflows could support RON appreciation or limit depreciation.
- <u>Upside risks (weaker RON)</u>: Renewed political uncertainty, persistent inflation outliers (e.g., energy or administered prices), or fiscal slippages could pressure the RON beyond the baseline path.

Overall, we see the exchange rate **remaining relatively stable with mild depreciation toward 5.17 EUR/RON by year-end 2026**, reflecting structural changes in both domestic fundamentals and regional FX markets.

BUDGET BALANCE AND PUBLIC DEBT

The fiscal imbalances will still be one of the key macro vulnerabilities over the 2025–2026 horizon. Following the agreement between the European Commission and the government, the target for the year end general government deficit has been revised to 8.4% of GDP. This represents a significant revision from the initial deficit assumed and gave the possibility for the government to implement the fiscal consolidation measures over a longer period of time, thus avoiding a possible significant decline in the overall economic activity.

BUDGET BALANCE

By October, the deficit published by the Ministry of Finance reached 5.72% of GDP, a marginal improvement versus 6.22% of GDP from October 2024. The narrowing reflects the impact of the fiscal package adopted in late summer (higher VAT and excises, base broadening, rationalisation of exemptions), strong nominal growth in tax bases, particularly wages and consumption in earlier quarters and some restraint in discretionary primary spending.

However, the underlying situation remains challenging. Interest payments have increased by about 42.3% year-on-year and already absorb close to 2.5% of GDP. This reflects both the elevated stock of public debt and persistently high funding costs in the context of high inflation, sovereign risk premium and large gross financing needs. The rapid rise in interest outlays is a structural concern because it compresses fiscal space for priority spending (investment, social protection) and limits the scope for growth consolidation. It also increases the sensitivity of the budget to market shocks (rating actions, global risk-off episodes, renewed inflation surprises) and creates a vicious cycle: high deficits → higher debt → higher interest costs → tighter future consolidation needs.

Against this backdrop, we now look at the 2025 general government deficit at 8.4% of GDP, in line with the revised target agreed with the European Commission.

For 2026, we project a further, but still gradual, correction in the fiscal deficit to around 6.5% of GDP. This reflects our assumption of full-year impact of the 2025/2026 consolidation package (wage and pension freezes, higher indirect taxation, spending caps), additional expenditure restraint measures in 2026, including public-sector headcount reductions and administrative rationalization and only modest cyclical support from growth and a cautious assumption on revenue compliance gains.

While the October deficit reading is consistent with the 8.4% annual target if discipline is maintained, the margin for slippage is narrow given the profile of capital spending, seasonal spending pressures in Q4, and the rising interest payments.

PUBLIC DEBT

Public debt has continued to increase because of large deficits and need for financing. In mid-2025, the debt-to-GDP ratio was 57,3%, up from less than 50% two years earlier. We now expect general government debt to reach 59.7% of GDP by end-2025 and 61.8% in 2026.

The upward revision reflects the higher starting deficit in 2025 (8.4% vs. 7.5% previously assumed), a modest nominal growth path, and still-elevated inflation.

The 2026 funding program, with gross needs estimated at 270–290 bn RON and high rollover volumes, points to the importance of a stable market access. The debt structure remains relatively favorable (extended maturities, a growing share of EU-linked funding), but vulnerabilities come from elevated reliance on non-resident investors, euro-denominated issuance and the rising share of the budget absorbed by interest payments.

Forward-Looking Perspectives

Looking ahead, the consolidation path shows a gradual narrowing of the deficit in 2026 and further. The adjustment is expected to be driven by:

- full-year impact and possible extension of current consolidation measures (wage and pension freezes, hiring limits, rationalization of local administrations)
- additional revenue measures focused on base broadening and compliance, rather than headline tax hikes
- sustained EU-funded capital spending that supports growth and helps stabilize the debt ratio

Risks to the Outlook

Upside risks (worse fiscal outcomes)

Key risks that could lead to higher deficits and debt than in our baseline scenario include:

- <u>Weaker growth and slower disinflation</u>: A more pronounced slowdown or renewed inflation shocks would undermine revenues and raise expenditures, while keeping nominal yields elevated.

- Political and social resistance to consolidation: Reversal or dilution of recently adopted measures (public-sector employment cuts, tax base broadening) could derail the agreed adjustment path.
- Additional expenditure pressures: Higher-than-planned defence spending, renewed climate-related disasters requiring budgetary support, or further social support packages could widen the deficit.
- Financing and rating risks: A sovereign rating downgrade or a broader change in risk perception could push yields higher, increasing interest costs and complicating rollover of the large 2026 financing needs.

Downside risks (better fiscal outcomes)

Several factors could yield better fiscal outcomes than we project:

- Stronger-than-expected revenue performance, supported by improved tax compliance and digitalization of tax administration
- Accelerated EU-fund absorption that boosts growth and allows a higher share of investment to be financed under this scheme
- Faster disinflation and lower risk premium, translating into lower nominal yields and a slower increase in interest expenditure than in our baseline.
- Stronger political commitment to medium-term consolidation, including credible multi-year expenditure ceilings and more structural reforms.

UNEMPLOYMENT

The labour market remains calm, though signs of pressure appear on the horizon. According to the latest estimates from the NIS, the seasonally adjusted unemployment rate declined slightly to 5.9% in October 2025, down from 6.1% in September. In annual terms, unemployment remains higher than in October 2024 (5.7%), confirming a gradual but persistent increasing trend rather than a sharp deterioration.

In a European context, Romania continues to sit close to the EU average, which remains broadly stable despite weak growth. The domestic labour market thus continues to show resilience, even as macroeconomic headwinds intensify.

The recent evolution of unemployment is a result of:

- **Fiscal consolidation effects:** Higher indirect taxes and tighter public spending have reduced domestic demand, particularly in consumer-facing services, weakening hiring. Vacancy data confirm this trend, with the number of available jobs declining for several consecutive quarters.
- **External demand softness:** Reduced industrial activity in the euro area has constrained export-oriented sectors, limiting employment growth in manufacturing and related services.

From a structural perspective, youth unemployment remains a key vulnerability. The unemployment rate among those aged 15–24 stood at 26.9% in the July–September 2025 period, significantly above the headline rate and highlighting persistent challenges in school-to-work transitions and sectoral absorption capacity.

Near-term outlook (rest of 2025)

We continue to expect the seasonally adjusted unemployment rate to hover around 5.8–6.0% on average for 2025, broadly in line with the previous quarter's assessment.

Overall, unemployment is expected to remain broadly sideways into year-end, with limited volatility. The balance of risks is slightly tilted to the upside, as a sharper-than-expected slowdown in domestic demand or a renewed weakening of euro-area activity could push unemployment temporarily above 6%.

Medium-term perspective (2026)

Looking into 2026, the unemployment trajectory will depend mostly on the fiscal adjustment, investment execution, and private-sector absorption capacity. Planned public-sector headcount reductions and hiring freezes are likely to generate a temporary increase in unemployment, as displaced workers transition into the private sector.

If economic growth remains reduced and financial conditions tight, the private sector's capacity to absorb these workers may be delayed, particularly outside major urban centres. This would imply moderate upward pressure on unemployment, especially in lower-productivity sectors.

However, under our baseline scenario—which assumes continued EU-funded investment in infrastructure, energy, and public works—private-sector job creation should gradually offset public-sector downsizing. As in previous adjustment episodes, unemployment could rise temporarily before easing as investment projects scale up and labour reallocates across sectors.

Risks to the outlook

- Upside risks (higher unemployment): A sharper domestic slowdown driven by deeper fiscal consolidation, further weakening of euro-area demand, or delays in EU fund disbursements.
- Downside risks (lower unemployment): Faster disinflation restoring real incomes, stronger-than-expected investment execution, and targeted labour market policies supporting re-skilling and mobility.

We, therefore, forecast the unemployment rate at 6%, expecting to remain contained, with only a modest and temporary rise in the context of ongoing macroeconomic adjustment.

ECONOMIC SENTIMENT INDEX: STABILIZATION AFTER A DEEP Q4 TROUGH

Economic Sentiment Indicator (ESI) confirms a marked deterioration in Romania's confidence cycle through 2025, followed by a modest stabilization late in the year. After starting 2025 close to (or slightly above) the long-term average of 100 and peaking in March (102.2), sentiment weakened steadily into autumn: 94.1 (Sep) → 91.9 (Oct), before recovering mildly to 94.1 (Nov). The Jan–Nov 2025 average is approx. 97.1, materially below 2024's average (103.5), consistent with a transition from above-trend optimism to a more cautious behaviour across households and firms.

The decline reflects a combination of macro "real income" pressure and policy uncertainty. First, inflation re-accelerated mid-year and tax/administrative price changes amplified price pressures, compressing purchasing power and weighing on consumer-facing sectors. Second, fiscal consolidation (including the VAT/excise changes implemented from August 2025) increased near-term uncertainty for both households and corporate planning. Third, external demand remained uneven, keeping industry confidence reduced, while financing conditions remained restrictive. These factors also map into the sector signals: consumer confidence deteriorated sharply (around -30 by Jul–Nov), retail confidence moved from strong positive early 2025 to negative readings from May onward, and services confidence slid toward zero/negative in Sep–Oct.

Near-term outlook (next 1–2 quarters)

Our base case is for the ESI to remain below 100 into early 2026, fluctuating broadly in the mid-90s to high-90s, rather than rebounding quickly to the long-term average. The November improvement suggests the pace of deterioration has slowed, but the underlying drivers—fiscal consolidation, still-elevated inflation, and tight monetary conditions—argue for only gradual confidence repair. A sustained recovery in sentiment requires clearer “line of sight” on disinflation and disposable income, plus continued investment activity tied to EU-funded projects.

Medium-term perspective (2026)

Looking through 2026, sentiment should improve only gradually and remain sensitive to execution risk. Our baseline view shows a modest GDP growth in 2026 under the weight of consolidation, with the recovery profile leaning more on investment and EU/RRF execution than on consumption. In that setup, the ESI can recover toward (or closer to) 100 if inflation normalizes and rate-cut expectations become credible, EU-funded investments translates into visible activity (construction and supplier services), and external demand stabilizes sufficiently to lift industry orders.

Risks to the outlook

- Upside risks (stronger sentiment / faster rebound): quicker-than-expected disinflation and easing of inflation expectations; improved credibility/communication of the fiscal path; faster EU/RRF disbursements translating into project delivery and hiring; a firmer euro-area cycle supporting Romania’s exporters.
- Downside risks (weaker sentiment / prolonged sub-100 ESI): renewed food/energy price increase; additional fiscal tightening beyond what is currently priced by households and firms; delayed EU/RRF implementation or reform slippage; renewed external weakness (euro-area demand) hitting industry and business services.

BOND MARKET: FROM VOLATILITY TO CONSOLIDATION

Romania’s government bond market went through a two-phase adjustment in 2025. The first half of the year was characterized by elevated volatility and upward pressure on yields, driven by a combination of persistent inflation, fiscal slippage concerns, and large gross financing needs. During the summer, the 10-year RON yield moved into the 7.3–7.5% range, reflecting both domestic risks and a still-tight global monetary environment. Investor positioning remained cautious, and the curve stayed relatively flat to mildly inverted, signalling expectations of prolonged restrictive monetary policy.

From early autumn onwards, the tone began to change. The announcement and partial implementation of the fiscal consolidation package, alongside improved communication with EU institutions and markets, helped reduce risks related to ratings and market access. At the same time, inflation started to show early signs of stabilization, and global risk appetite toward higher-yielding emerging and CEE assets improved. As a result, RON yields compressed gradually, with the 10-year benchmark declining toward 6.9–7.0% by December 2025. The rally was orderly rather than aggressive, indicating a repricing of risk premium rather than a full re-rating of Romania’s fundamentals.

Importantly, market access remained solid throughout the year. Domestic auctions were generally well covered, and external issuance was executed without major disruptions, despite the still-challenging macro environment. This reinforced the view that Romania is not facing a near-term funding stress scenario, even though its risk premium versus regional peers remains elevated, reflecting structural fiscal vulnerabilities and high public borrowing requirements.

Outlook for 2026: gradual decline, not a rapid rally

Looking ahead, our baseline scenario for 2026 is one of gradual yield reduction rather than a sharp rally. We expect the 10-year RON yield to decline slowly toward around 6.2% by end-2026, conditional on three key assumptions: continued disinflation, credible fiscal execution, and orderly debt management.

First, inflation is expected to trend lower over the course of 2026. While inflation will remain above the euro-area average, the direction should allow markets to increasingly price the beginning of a cautious NBR easing cycle, most likely in the second half of 2026. This should anchor expectations at the long end of the curve and support a gradual decline in nominal yields.

Second, fiscal policy remains the central risk factor, but also the main potential support. The authorities' intention to reduce reliance on external market funding, increase the role of domestic issuance and EU-related financing, and actively manage maturities is constructive for bond pricing. A credible reduction of the deficit toward the 6.5% of GDP in 2026 would help allow yields to go lower, even in the absence of strong growth.

Third, from a technical perspective, Romania's yield levels remain attractive in a regional context. As global financial conditions normalize and volatility declines, this should continue to draw investor interest.

Balance of risks

- Upside risks to yields (worse outcome): delays or slippage in fiscal consolidation; renewed inflation shocks (energy, administered prices); political instability that undermines policy credibility.
- Downside risks to yields (better outcome): faster-than-expected disinflation; clearer signals of NBR rate cuts; stronger EU fund absorption reducing net market supply; and improved confidence from rating agencies.

CAPITAL MARKET

Romania's capital market added a strong third act in late-2025: the rally broadened into autumn, turnover accelerated, and benchmarks set fresh all-time highs into December.

At the end of July 2024, the BET index reached 18,629, while total market capitalization stood at RON 352 bn (RON 252 bn, excluding Erste Group Bank) with a monthly turnover of RON 1.35 bn. From there, the market exhaled. Through autumn, prices and activity softened; turnover slipped to just RON 0.83 bn in October, while the BET declined to 16,345 by the end of November, before stabilizing into year-end at 16,721, with turnover at RON 1.21 bn in December. Broader baskets traced the same contour: BET-XT fell from 1,587 in July to 1,445 in December; ROTX from 40,936 to 37,232. Total market cap amounted to RON 350 bn at end-2024; excluding EBS, market cap stood at RON 229 bn.

Starting January 2025, prices advanced rather monotonically, with the BET reaching 17,000 at the end of the month, then rising to 17,521 in February, before retreating to 17,157 in April. As the political uncertainty cleared up after the May presidential election rerun, the index advanced decisively into the summer: from 18,305 at end-May to 18,736 in June, closing July at a new high of 20,189, up ~20.7% YTD.

By the end of 3Q '25, BVB reported RON 10.9 bn of quarterly liquidity (+11% y/y), the BET reached 21,337 (+27.6% YTD), and total adjusted capitalization (Main Market + AeRO) amounted to RON 275bn up 18% vs. the start of the year).

The advance continued into October, when monthly turnover reached RON 4.62 bn and adjusted market cap printed at RON 288.5 bn, with the BET closing the month at 22,516 (+5.53% m/m). In addition, Cris-Tim successfully carried out a

RON 454.3m IPO in October, and its shares subsequently started trading on 26 November.

November extended the gains: total market capitalization climbed to RON 294bn and monthly turnover tallied RON 4.46 bn, while the BET settled at 22,842 at the end of the month (+1.45% m/m); the BET-FI moved higher as well, climbing to 90,254 (+12.37% m/m). Within the month, two special transactions on Aquila (AQ) were executed, worth RON 331m.

On 11 December, benchmarks set new all-time highs: the BET touched 23,948 (+2.76% m/m); the BET-NG ticked up to 1,765 (+1.71% m/m); and the BET-FI rose to 92,547 (+5.43% m/m). Also, as of 11 December the BET is up 43.3% YTD, confirming the scale of the 2025 move.

In short, 3Q '25 established breadth and depth: liquidity expanded, equities participation grew, and large ticket primary instruments (Fidelis, corporate bonds, tender offers) kept the buy side engaged. October translated that foundation into bigger capitalization and heavier primary flow, with the indices advancing in a steady, well-behaved manner. November added episodic block trade activity inside an otherwise strong month for public offers and indices, culminating in a higher end month BET and RON 294bn market cap, setting the stage for December's record prints across the headline benchmarks.

CONCLUSIONS

Romania's economic environment in 2025 is defined by resilience and persistent vulnerabilities. Growth remains modest, constrained by fiscal consolidation, elevated inflation, and reduced household demand, while public investment and EU fund absorption have become the main engines of activity. Inflation, though expected to gradually moderate, remains high, and the fiscal deficit continues to test the country's credibility and market confidence. Despite these challenges, the economy has avoided a sharp downturn, with investment and construction providing support.

Looking ahead, 2026 should be understood not as a rebound year in the traditional sense, but as the point at which Romania's economic reconfiguration becomes visible and testable. The economy enters 2026 after several years of overlapping adjustments—pandemic distortions, energy shocks, inflationary re-pricing, and delayed fiscal correction—that have collectively exhausted the old consumption-led growth model. What emerges instead is a slower, more disciplined, but structurally more coherent growth path, anchored in investment, productivity, and external competitiveness rather than domestic demand expansion.

In this context, the expected acceleration to around 1.7% growth in 2026 is not driven by a return of household consumption to its former role, but by the cumulative effect of investment execution. EU and RRF-funded projects move from planning into implementation, with tangible spillovers into construction, industrial supply chains, business services, and ICT. These projects also improve the economy's productive capacity rather than merely boosting short-term demand: better transport infrastructure lowers logistics costs, energy investments reduce vulnerability to price shocks, and digitalization improves efficiency across both public administration and private firms. This is how 2026 becomes a year **of qualitative growth improvement**, even if headline numbers remain moderate by historical standards.

At the same time, industry is expected to transition from stagnation to gradual recovery, supported by three reinforcing forces: stabilizing external demand, lower energy-related cost volatility, and the fading of inventory and margin adjustments that dominated the post-inflation phase. The recovery will likely be uneven and selective, favoring firms integrated into European value chains and those able to leverage automation, digitalization, and EU-supported investment. This selective recovery is critical: it signals not a broad industrial boom, but a filtering process that raises average productivity and resilience.

Consumption, meanwhile, plays a different role in 2026 than in the past decade. As inflation decelerates and real incomes slowly recover, household spending stabilizes rather than accelerates. This stabilization is sufficient to support services activity without reigniting external imbalances or inflationary pressures. The result is an economy where growth is less volatile, less import-intensive, and less dependent on policy stimulus—an important structural improvement even if it comes at the cost of lower short-term growth rates.

Viewed through this lens, 2026 is best described as a **validation year**. It will test whether Romania can convert fiscal adjustment and EU funding into durable productivity gains, whether investment execution can compensate for weaker consumption, and whether policy credibility can anchor expectations in a lower-inflation, lower-volatility environment. Success is not defined by rapid acceleration, but by balance: a narrower current account deficit, more predictable inflation behaviour, a gradual easing of financial conditions, and an economy better aligned with its financing capacity.

If this process holds, **Romania exits 2026 with stronger fundamentals than it entered 2026**, not because growth was spectacular, but because the economy learned to grow under tighter constraints. That shift, more than any single data point, is what defines the strategic significance of the 2026.

IOAN NISTOR
Chief Economist

In this context, it is worth recalling Vincent van Gogh's insight: "Great things are done by a series of small things brought together." Romania's incremental progress, through targeted reforms, prudent policy, and gradual improvements, lays the groundwork for future resilience and growth.

FORECAST	END OF 2025	2026
Real GDP (%, YoY)	0.90%	1.67%
Inflation (CPI) (%, EOP, YoY)	9.60%	4.30%
Unemployment rate (%)	5.90%	6.00%
Monetary Policy Rate (%)	6.50%	5.75%
Budget Deficit (% of GDP)	8.40%	6.50%
Public Debt (% of GDP)	59.70%	61.80%
EURO/RON (EOP)	5.10	5.17

DISCLAIMER

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