



# Macroeconomic Insights

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This present edition of **Macroeconomic Insights**, AmCham's internal review of Romania's macroeconomic and fiscal developments, focuses on the dynamics of 2025, with some updates from the early months of 2026, and also includes an outlook on expected future trends. It explores economic growth and sectoral developments from both demand- and supply-side perspectives, while also assessing labor market conditions, financial market trends, the evolution of the twin deficits, and progress on project implementation under the NRRP.

## Data

The analysis is based on data released by the following official sources:

- The National Institute of Statistics (INS) – for information on economic growth, sectoral developments (construction, industry, services, final consumption, gross fixed capital formation, and net exports of goods), labor market indicators (employment, unemployment, and wage dynamics), inflation, and other key macroeconomic variables.
- The National Bank of Romania (BNR) – for data on credit and deposit developments, interest rates, as well as current account balance and foreign direct investment (FDI) flows.
- The Ministry of Finance – for data on budget execution.
- National Commission for Strategy and Prognosis (NCSP) – Autumn Forecast 2025, for projections of relevant macroeconomic indicators.
- European Commission – Autumn Economic Forecast for Romania, for macroeconomic projections.
- Eurostat – for comparative European statistics (HICP, unemployment rate, ESA fiscal deficit, etc.)

## Time Frame

The analysis reviews macroeconomic developments throughout 2025, with selected updates covering January and February 2026. It also takes a forward-looking perspective by including projections for 2026, highlighting expected trends and future developments.

## Methodological aspects

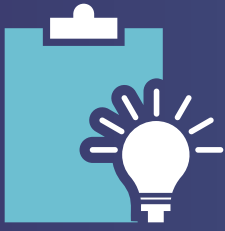
The analysis is both quantitative and qualitative, based on the processing and interpretation of statistical data on the volume and dynamics of key macroeconomic indicators, as well as on the analysis of factors and implications, where relevant.

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## Legend:

**YoY** – year over year  
**rha** – right hand axis  
**lha** - left hand axis  
**SA** – seasonally adjusted  
**CPI** – Consumer Price Index  
**HICP** – Harmonised Index of Consumer Prices



# Key Takeaways

- ▶ Romania's economy recorded **modest growth in 2025, with real GDP increasing by 0.7%** compared to the previous year, on the backdrop of tax rises aimed at fiscal consolidation and higher than expected inflation. Although economic performance showed a temporary improvement in the third quarter, overall momentum weakened significantly toward the end of the year.
- ▶ Economic growth in 2025 was primarily **driven by investment**, with gross fixed capital formation making the largest contribution to GDP expansion, while **household consumption supported growth to a lesser extent and government consumption had a slight negative impact**. As expected, net exports weighed significantly on overall performance, but there were signs of improvement in the fourth quarter, when net exports turned positive, suggesting a partial easing of external imbalances, supported by a moderation in import growth, on the backdrop of fiscal consolidation.
- ▶ From a supply-side perspective, the **construction sector made the largest positive contribution to economic growth**, while information & communication services and agriculture, also supported the overall performance. However, this was partly offset by negative contributions from wholesale & retail trade and professional & administrative services.
- ▶ **Projections for 2026 indicate modest economic growth of around 1%**, primarily driven by investment, while both private and public consumption are expected to weigh on economic expansion. On the supply side, construction and agriculture are forecasted to remain key growth contributors, with industry dynamics expected to turn positive.
- ▶ Romania's **labor market weakened in the second half of 2025**, driven by job losses in industry, agriculture, IT&C, and the public sector, with public employment ending the year below 2024 levels. Constructions and services were the only sectors showing modest gains. The unemployment rate peaked at 6.3% in November before easing slightly to 6.1% by year-end, reflecting both cyclical and structural labor market challenges. Wage growth slowed in the second half of the year and was outpaced by inflation, eroding purchasing power. Labor market tightness also declined sharply, with job vacancies falling to a record low, highlighting weaker labor demand amid softer economic conditions. The total number of employees in the economy is projected to remain flat in 2026, and the unemployment rate is expected to remain rather constant, to 6.1%.



- ▶ **Inflation accelerated in mid-2025** following the removal of the energy price cap and increases in VAT and excise duties, which added roughly 4 percentage points to headline inflation. By year-end, annual inflation stabilized around 9.7%, slightly **easing to 9.3% in February 2026**. Looking ahead, fading base effects, fiscal consolidation, and slower consumption are expected to ease inflation, though global risks - **including rising oil prices and Middle East tensions - pose upward pressure**. The extension of the natural gas price cap until March 2027 mitigates some domestic risks, **but external volatility could challenge the central bank's pre-conflict year-end inflation forecast of 3.9% for 2026**.
- ▶ In 2025, Romania's current account deficit slightly improved, to 7.9% of GDP from 8.2% in 2024, despite rising in nominal terms to €30.1 billion (+4.4% YoY). The improvement was largely **driven by the goods balance**, which, while still the main source of external imbalance, narrowed to -8.4% of GDP from -9.3% in 2024. The services surplus remained an important stabilizer, contributing 3.2% of GDP, slightly below 2024's level, while primary income widened slightly to -2.6% of GDP and secondary income flattened. For 2026, the current account balance is expected to **improve further, narrowing significantly to -6.6% of GDP** amid weaker final consumption. Net FDI inflows surged by 60% to €7.6 billion in 2025, and along with a 44% increase in capital transfers, helped finance 48% of the current account deficit through stable, non-debt-generating sources.
- ▶ Romania is expected to **continue its fiscal consolidation in 2026, with the Budget Plan aiming for a deficit of 6.2% of GDP**, with focus on boosting revenue collection and maintaining tight control over current expenditures. **Public investment is a key priority, projected at a record 8% of GDP** and supported also by EU cohesion funds and the Recovery and Resilience Plan financing, being expected to offset weak private demand and sustain growth. Risks regarding the budget execution stem from **rising interest costs** (to around 3% of GDP), as well as **global uncertainties**, notably the Middle East conflict, which could push inflation and borrowing costs higher, potentially slowing fiscal consolidation and complicating the achievement of the deficit target.
- ▶ Financial markets showed resilience in 2025, but faced **heightened volatility in March 2025 due to geopolitical tensions from the Middle East conflict**. The Bucharest Stock Exchange (BET) index rose sharply in early 2026, peaking in February, but later corrected slightly following the Middle East tensions. Long-term government bond yields fell to 6% by February 2026 on improved fiscal consolidation, before spiking above 7% in March amid global uncertainty. Borrowing costs remain sensitive to both domestic fiscal developments and international financial conditions.



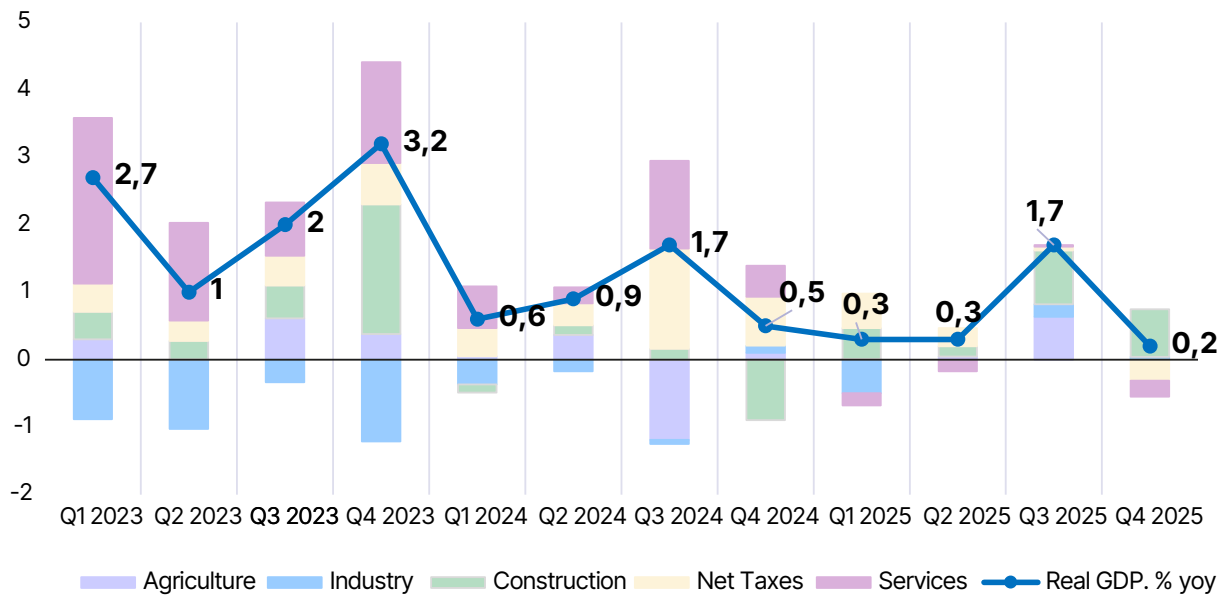
# GDP and Main Sectoral Dynamics

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### Contributions to Real GDP growth: Supply (pp)



Source: National Institute of Statistics, own calculations

Romania’s economy expanded modestly in 2025, with real **GDP increasing by 0.7% compared to 2024**. Economic activity showed a temporary strengthening in the **third quarter, when GDP grew by 1.7% year-on-year**, followed by a **subdued expansion of 0.2% in the fourth quarter**.

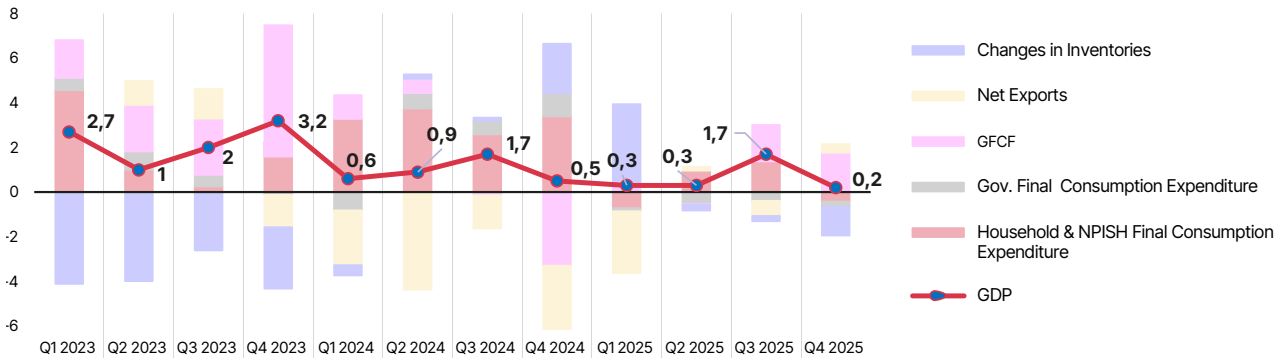
Nevertheless, developments on a seasonally adjusted quarter-on-quarter basis point to a deterioration in economic momentum toward the end of the year. Real GDP **contracted by 0.1% in Q3 and by 1.9% in Q4 compared to the previous quarters**, indicating two consecutive quarters of decline. As a result, **Romania entered a technical recession in the second half of 2025**, reflecting weakening domestic demand and softer economic dynamics.

From a supply-side perspective, economic growth in 2025 was largely supported by the **construction sector**, which made the most significant contribution, adding **0.5 percentage points (pp) to overall GDP growth**. Additional positive contributions came from **information and communication services (+0.3pp)**, **agriculture (+0.2pp)** and **net taxes on products (0.1pp)**.

In contrast, several sectors exerted a **dampening effect on overall economic performance**. **Professional and administrative services** reduced growth by **0.3pp**, while **wholesale and retail trade** subtracted **0.1pp** from total GDP growth. Meanwhile, **industry, real estate activities, and financial intermediation** had a **broadly neutral impact**, with their contributions to growth remaining largely unchanged as compared to 2024.



## Contributions to Real GDP growth: Demand (pp)



Source: National Institute of Statistics, own calculations

On the demand side, investment was the main driver of GDP growth in 2025, with gross fixed capital formation (GFCF) contributing 1.0 percentage point to overall expansion. Household consumption also supported growth, adding 0.4 percentage points.

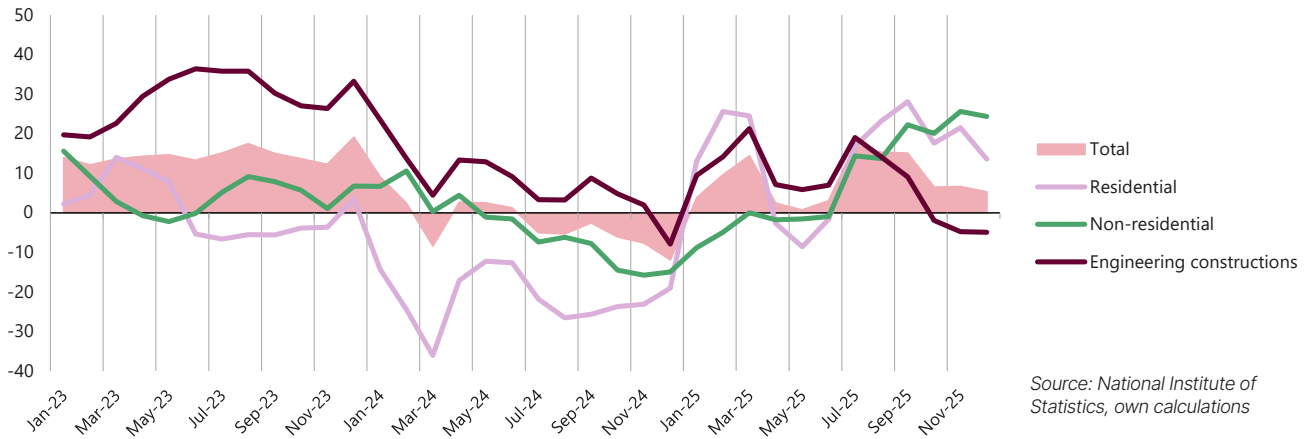
In contrast, government consumption exerted a slight negative effect, subtracting 0.3 percentage points, while net exports weighed on growth by 0.6 percentage points. This largely reflected the stronger dynamics of imports (-2.0 pp), which more than offset the positive contribution from exports of goods and services (+1.4 pp). In the fourth quarter of 2025, however, net exports contributed positively, suggesting a partial easing of external constraints on the economy toward the end of the year, on the backdrop of fiscal consolidation.

Sector	Contribution to GDP formation (%GDP)	Dynamics H1 2025/H1 2024	Contribution to GDP Growth (%)	Employees (end of September 2025)	
				thou. persons	% of total no. of employees
Agriculture	3	6.8	0.2	121.4	2.4%
Industry	16.8	-0.4	0.0	1239.7	24.2%
Construction	8.7	8.5	0.5	456.8	8.9%
Wholesale and retail trade; repair of motor vehicles and motorcycles, transport and storage, HoReCa	20.3	0.1	-0.1	1346.2	26.3%
Information and communications	7.1	2.9	0.3	237.3	4.6%
Financial intermediation and insurance	3.5	-0.6	0.0	80.9	1.6%
Real estate transactions	7.3	0	0.0	16.6	0.3%
Professional/ scientific / technical activities; administrative and support service activities	8.1	-3.7	-0.3	482.4	9.4%
Public administration/defense/ social insurance/ education/ health	12.1	-0.1	0.0	1020.3	19.9%
Arts, entertainment and recreation activities and other services	3.3	0.8	0.0	122.1	2.4%
Gross value added – total	90.2	0.6	0.6	5123.7	100.0%
Net taxes on products	9.8	2.9	0.1	-	-
GDP	100		0.7	-	-

Source: NIS



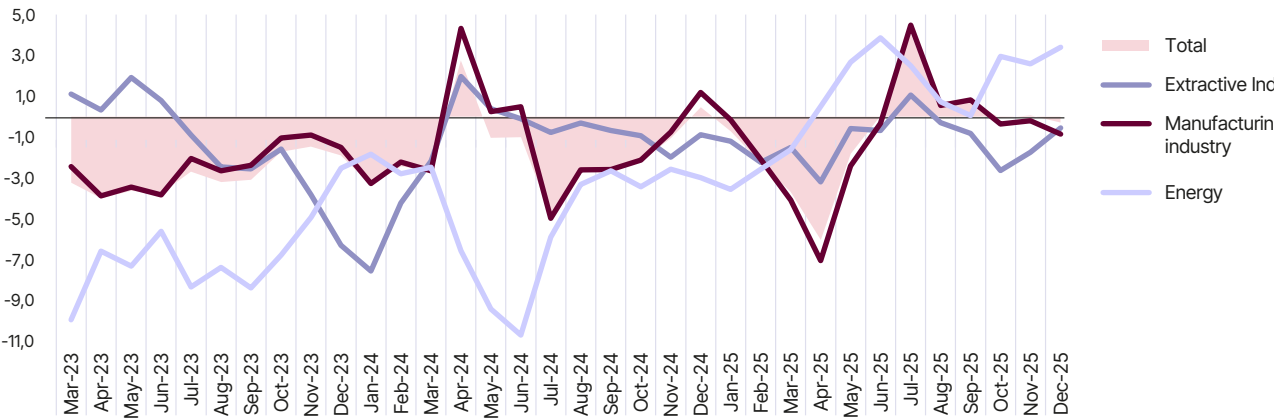
### Construction dynamics (%YoY), 3M Rolling Average



Source: National Institute of Statistics, own calculations

The **construction sector was the main driver of economic growth in 2025**, with the **volume of construction works rising by 8% compared to 2024**. By type of construction, non-residential buildings expanded by 13.0%, residential buildings by 11.4%, and civil engineering works by 4.5%. However, **engineering constructions recorded negative year-on-year growth in the final three months of 2025**, reflecting delays in the implementation of major infrastructure projects under the National Recovery and Resilience Plan (NRRP). Moreover, some of these projects (worth around 62 billion RON) have been removed from the plan, as their delayed implementation made them difficult to be completed by the NRRP deadline (August 2026). Such projects are set to be shifted to other funding sources, such as the Transport Programme, possibly to be phased after 2028, so that they will not have a positive impact on economic growth on the medium run.

### Industrial production (% YoY), 3M Rolling Average

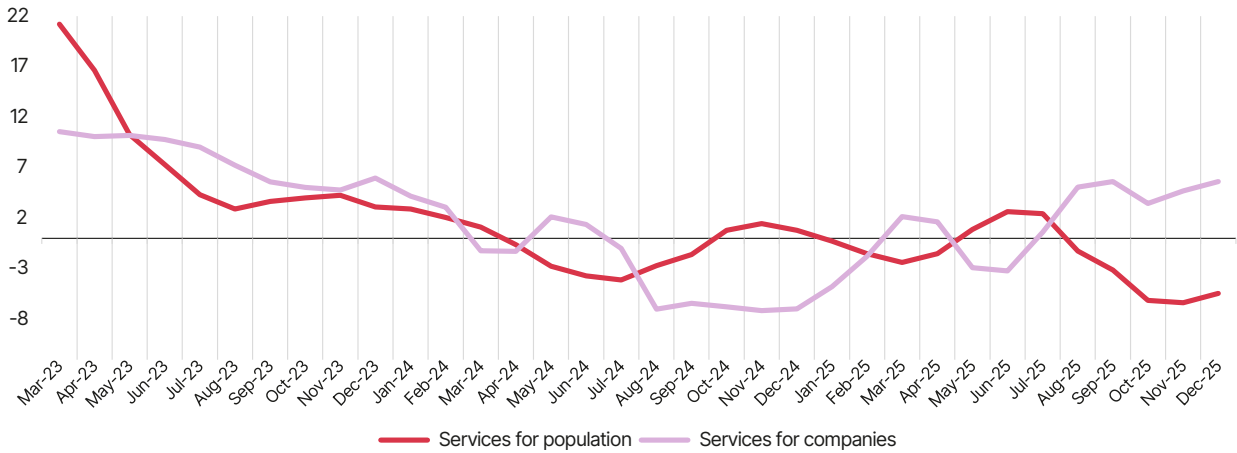


Source: National Institute of Statistics, own calculation

In 2025, **industrial production contracted by 0.9% compared with 2024**, driven by declines in **manufacturing (-1.2%) and extractive industry (-0.9%)**. By contrast, **production and supply of electricity and thermal energy, gas, hot water, and air conditioning expanded by 1.2%**, providing a limited offset to the overall reduction in industrial output. Romania’s industrial sector has faced persistent constraints from sluggish external demand, particularly from key export markets such as Germany, which, despite a modest recovery in 2025, experienced significant challenges over the previous two years. At the same time, rising production costs and heightened competition from non-EU trading partners have put **additional pressure on domestic competitiveness**, highlighting the structural vulnerabilities of the sector and limiting its capacity to fully benefit from periods of external recovery.



### Services Dynamics (% YoY), 3M Rolling Average

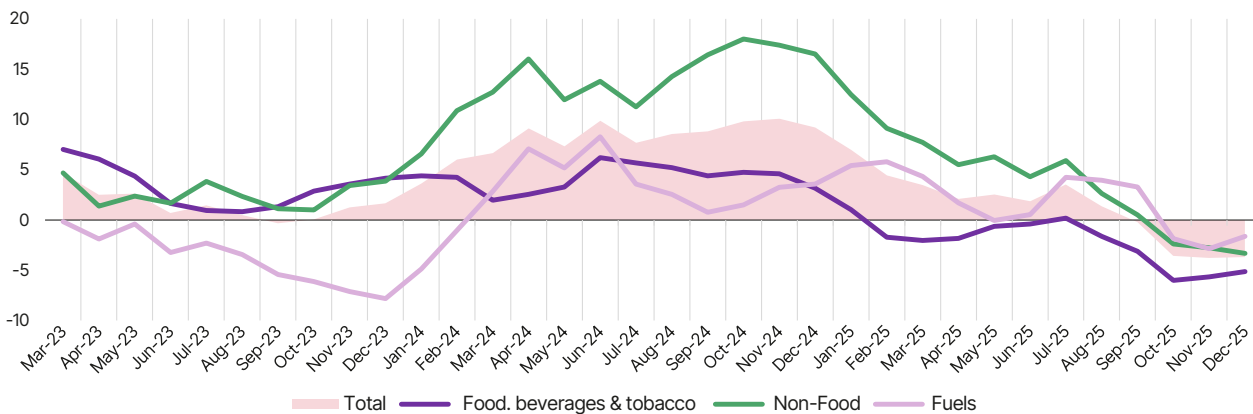


Source: National Institute of Statistics, own calculations

In 2025, the **turnover in market services provided to enterprises increased by 2.4%**, as compared to 2024, primarily driven by higher turnover in information technology and IT services (+4.8%), telecommunications (+3.7%), and other services (+2.8%). By contrast, media production and broadcasting decreased by 14.5%, while transport activities registered a marginal decline (-0.2%).

On the other hand, the **turnover in market services provided to households declined by 2.2% compared to 2024**. The decrease was mainly determined by lower turnover in travel activities (-13.9%), cleaning (-3.2%), gambling (-3.1%), and accommodation and food service activities (-1.9%). By contrast, hairdressing and other beauty treatment activities recorded growth of 7.6% over the same period.

### Retail volume (% YoY), 3M Rolling Average



Source: National Institute of Statistics, own calculations

The **volume of retail trade turnover (excluding motor vehicles and motorcycles) increased only marginally in 2025 compared with 2024, by 0.2%**. The modest expansion was supported by higher **sales of non-food products (+1.9%)** and **retail sales of automotive fuel in specialised stores (+1.5%)**. In contrast, **sales of food products, beverages and tobacco declined by 2.7%** over the same period.

Developments over the course of the year were **uneven**. In the **first part of the year (January–July)**, retail trade turnover recorded **stronger growth rates**, while in the **second half of the year activity weakened**, with retail sales mostly declining amid the **increase in VAT and persistently high inflation**, which weighed on household purchasing power.



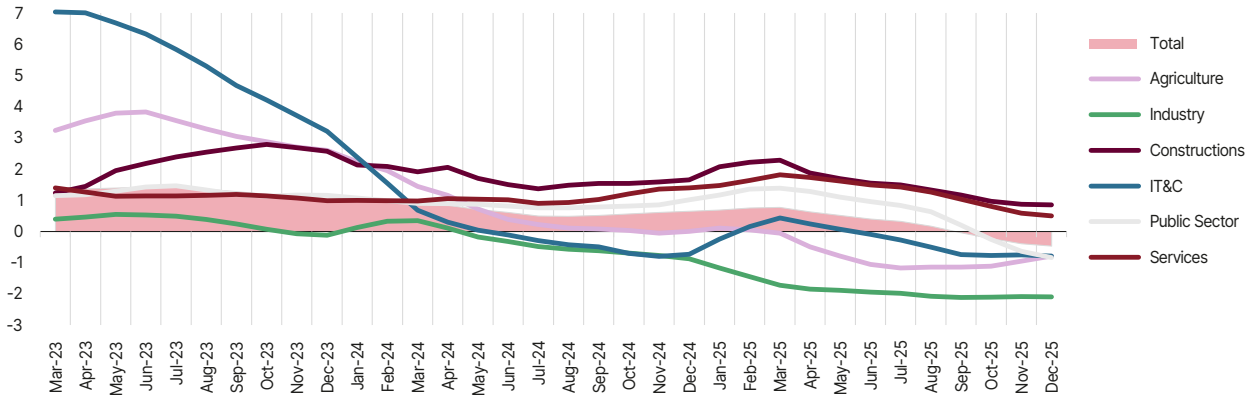
# Labor Market Evolutions

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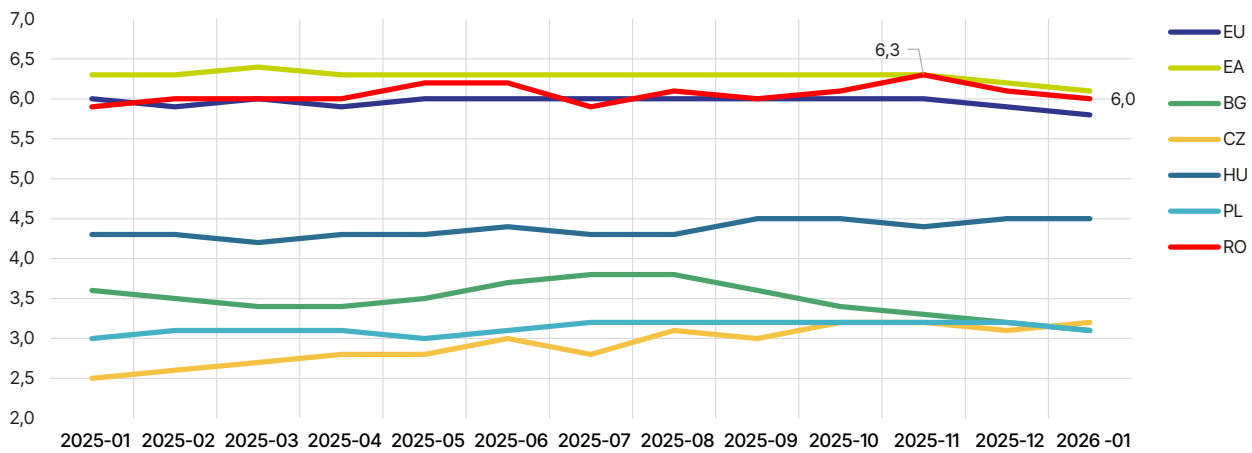
### No. of employees (% YoY), 3M Rolling Average



Source: National Institute of Statistics, own calculations

Starting September 2025, overall employment shifted into negative territory after several months of only marginal growth (monthly, YoY). This **downward trend intensified in the final quarter, driven by declines in industry (-2.1%), as well as in agriculture, IT&C, and the public sector (each around -0.8%) compared with Q4 2024. Employment in the public sector began to contract in September and continued to deteriorate in the following months, with the number of public employees in December 2025 standing 1% below the level recorded in December 2024. By contrast, construction and services were the only sectors to post employment gains, increasing by 0.85% and 0.5%, respectively (YoY).**

### Unemployment rate - EU, RO and peers (% , SA)

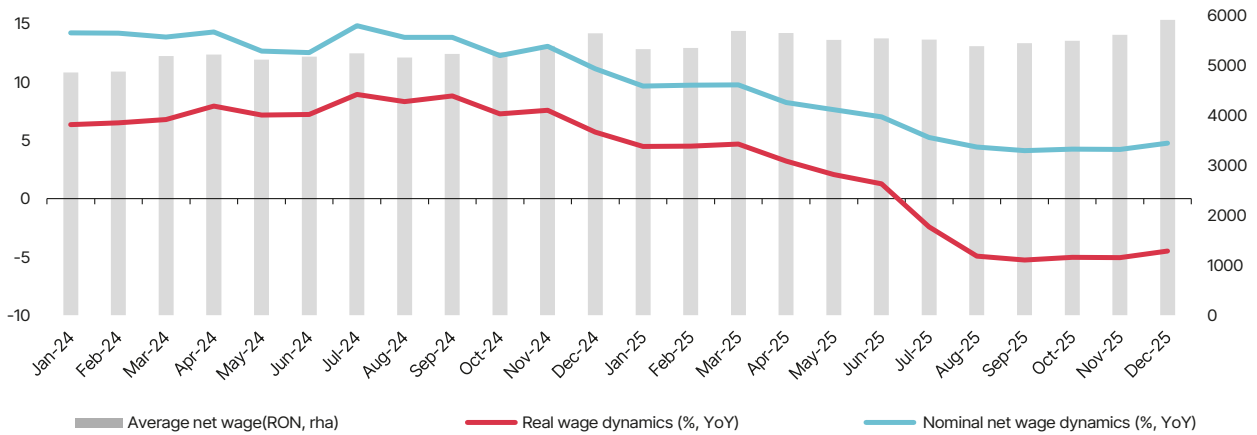


Source: National Institute of Statistics, own calculations

Against the backdrop of the negative employment dynamics outlined above, the **unemployment rate rose to a peak of 6.3% in November, before easing to 6.1% at the end of 2025**, as slowdown in economic activity toward the end of the year likely amplified the upward pressure on unemployment. Although the subsequent decline to **6% in January** suggests a degree of short-term stabilization, the figures remain above the EU average, which raises additional concerns beyond cyclical factors about structural challenges, competitiveness and labor market resilience, calling for targeted policy responses. The unemployment rate is set to remain around 6.1% in 2026.

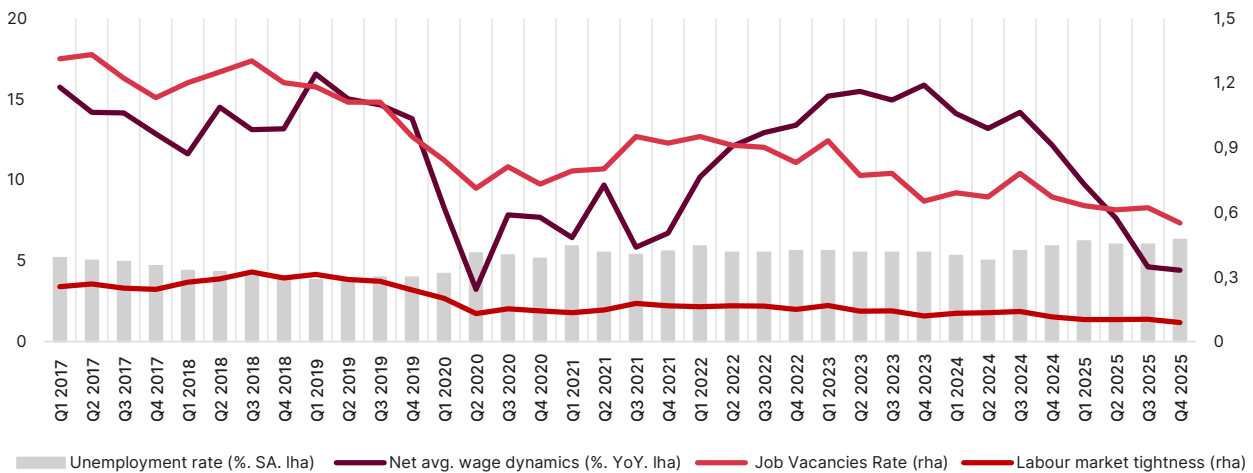


## Wage dynamics



Source: National Institute of Statistics, own calculations

## Labour Market Tightness



Source: National Institute of Statistics, own calculations

In 2025, the **average nominal wage across the economy increased by 6.5% year-on-year**, reaching RON 5,536. However, wage growth began to lose momentum from August onward, with **monthly increases moderating to around 4%**. These nominal gains were **outpaced by rising prices, leading to a decline in the purchasing power of wages**. Therefore, real wage dynamics followed a downward trajectory throughout 2025, and, after turning negative in July, real wages contracted by approximately 5% between August and December, compared to the same periods in 2024. **Real wages are projected to remain negative in 2026**, registering a slight decline of 0.9% compared with 2025. Under the circumstances of weaker demand, in 2025 **labour market tightness fell below levels observed during the COVID-19 pandemic**. The indicator declined to 0.09 in the fourth quarter of 2025, as the job vacancy rate dropped to 0.55%, a record low level, while the unemployment rate increased to 6.3%.



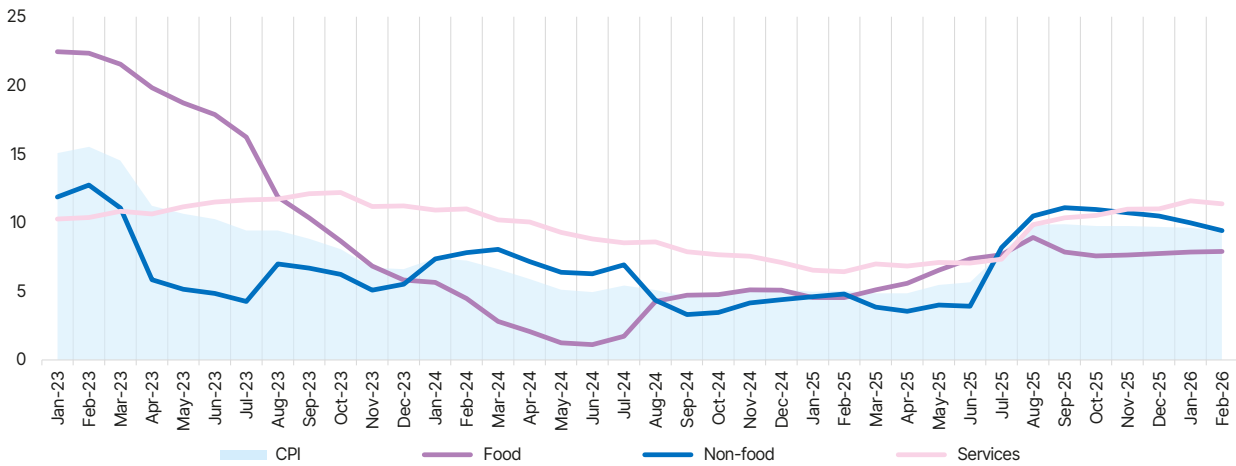
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## Inflation dynamics (%)

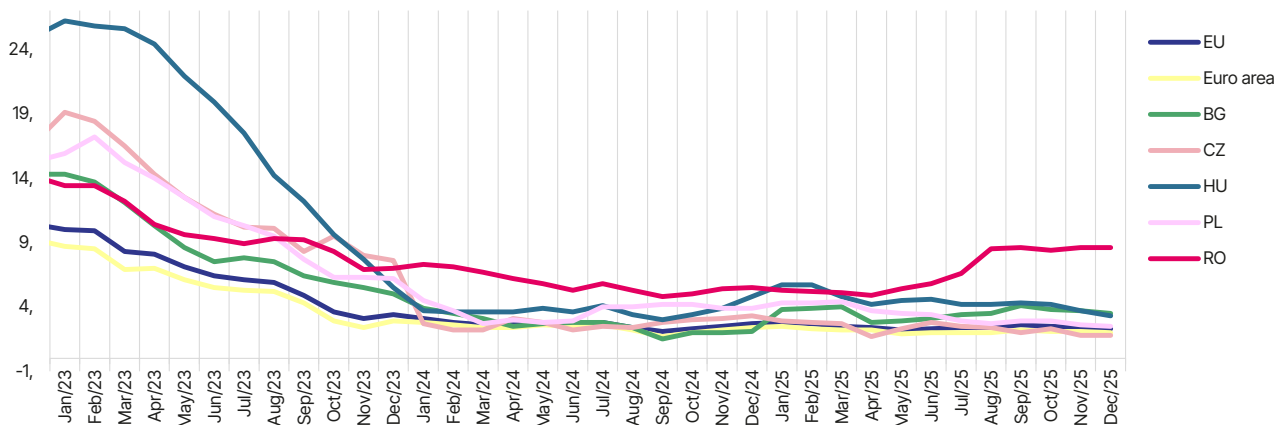


Source: National Institute of Statistics, own calculations

After fluctuating slightly around 5% in the first part of the year, **inflation accelerated in July and August**, driven by the removal of the energy price cap effective July 1 and by increases in indirect taxation as of August 1. These included higher excise duties and an increase in the standard VAT rate from 19% to 21%, as well as a narrower application of reduced VAT rates, with an overall impact of 4pp on the inflation rate.

In the last quarter of 2025, **annual inflation rate stabilized around 9.7%** (9.69% in December), followed by a **slight reduction to 9.3% in February 2026**. The impact of rising food prices slightly intensified in the first two months of 2026 (to almost 7.7%), but was markedly lower than that of non-food goods and services, which appear to be following divergent trends: price increases for non-food goods are moderating (9.4% in Feb.), while services inflation is slightly intensified as compared to December 2025 (11.6% in Jan and 11.4% in Feb).

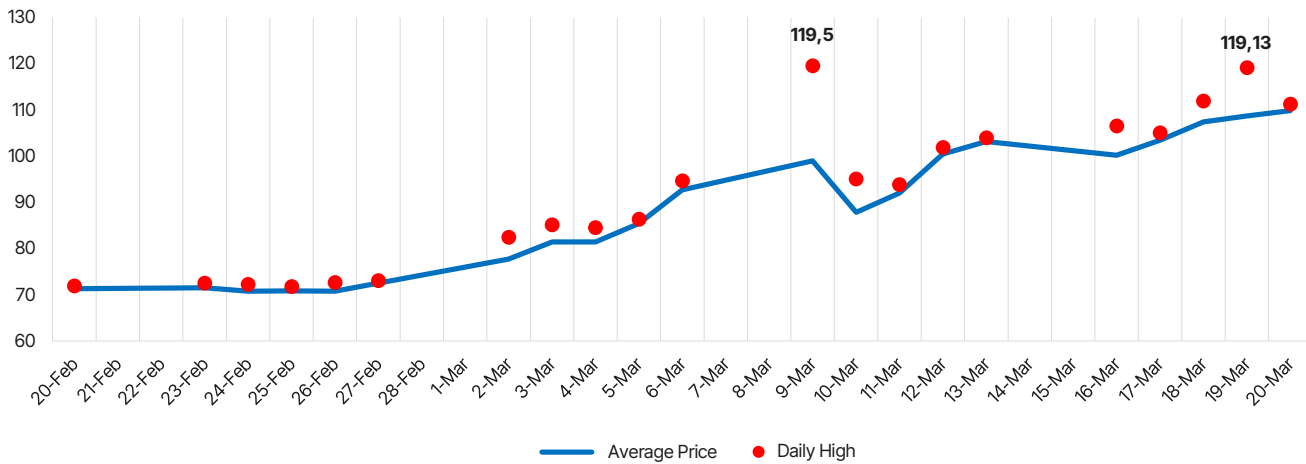
## HICP Inflation rate - %, y/y



Source: National Institute of Statistics, own calculations

Compared with the EU average and regional peers, Romania continued to record by far the highest inflation in the EU – 8.6% versus 2.3% for the Harmonized Index of Consumer Prices (HICP)—with current global pressures expected to add further upward impetus.

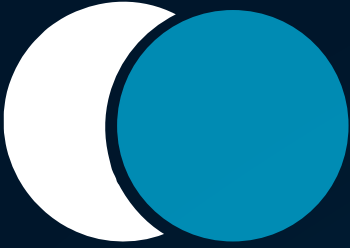
## Volatility of Brent Oil price (\$/barrel)



Source: investing.com, own calculations

Looking ahead, the **base effects stemming from last year's energy price and VAT increases are set to fade in Q3**, resulting in a visible decline in headline inflation. Moreover, fiscal consolidation and the decrease of final consumption projected for this year are expected to help ease inflationary pressures, **although supply-side factors will exert upward impulses, depending on the duration and intensity of the conflict in the Middle East**. On the other hand, risks related to the liberalization of natural gas prices as of April 2026 have been mitigated by the Government's decision to extend the price cap for an additional year, until the end of March 2027.

Prior to the outbreak of the conflict involving Iran, the central bank projected inflation to reach 3.9% by the end of 2026. However, the current global environment—marked by rising oil prices and increasing risks of supply chain disruptions due to disturbances to key transport routes and production facilities—will exert additional upward pressure on inflation. The **escalation of tensions in the Middle East has already led to significant volatility in energy markets**, with the price of Brent crude oil rising to a maximum of close to 120\$/barrel (the highest level since 2022), peaks occurring immediately after major conflict escalations, including attacks on infrastructure and disruptions in the Strait of Hormuz.



# Twin Deficits and Fiscal Perspectives

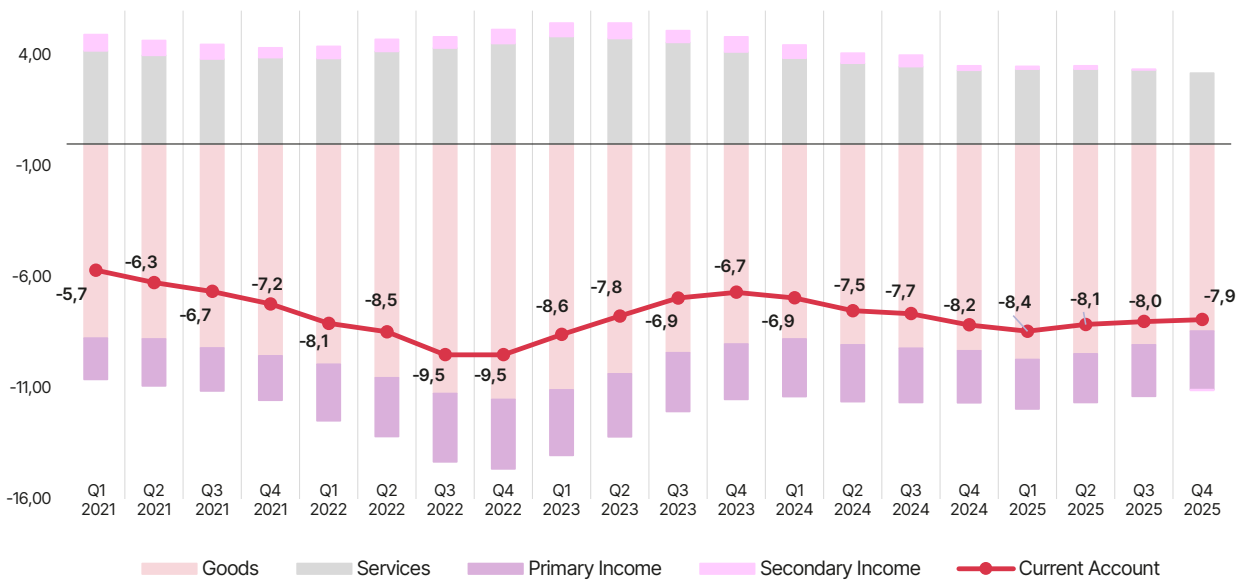
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Amid the combined effects of fiscal consolidation measures and persistent inflationary pressures, **subdued domestic demand curbed import growth**, leading to negative dynamics in the last quarter of 2025, and subsequently to a further reduction in the trade deficit. This adjustment played a central role in the **improvement of external balances, being the main factor behind the narrowing of the current account deficit to 7.9% of GDP in 2025.**

## Current account dynamics (%GDP, annualized)



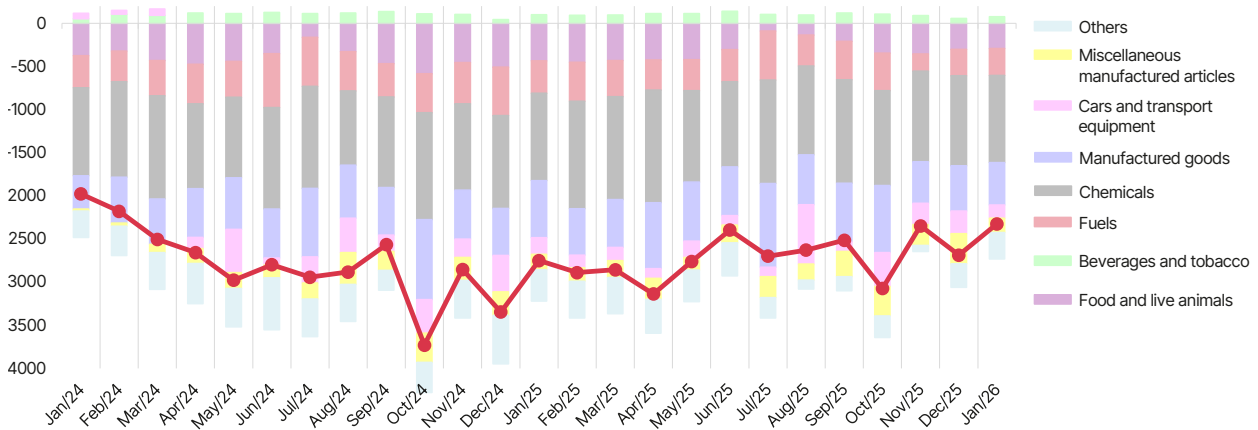
Source: Eurostat, own calculations

For 2025 as a whole, the **current account deficit showed an improvement, narrowing to 7.9% of GDP** from 8.2% GDP in 2024. In nominal terms, the current account deficit amounted to €30.1 billion (4.4% higher compared to 2024). This improvement was primarily **driven by developments in the goods balance**, which, although remaining the main source of external imbalance, improved by the end of the year, reaching **-8.4% of GDP** (from 9.3% of GDP in 2024). **The surplus in services continued to provide a relatively stable and important offset, although it declined slightly to 3.2% of GDP in 2025** (from 3.4% in 2024). Despite moderating in the second half of the year, services remained a key factor in mitigating the external imbalance. **Primary income remained negative and widened slightly to -2.6% of GDP in 2025**, mainly as a result of a 15% increase in outflows related to investment income. Meanwhile, **secondary income flattened to zero in the second half of the year**, providing no additional support to the external balance, after contributing a surplus of 0.2% of GDP in 2024.

**Net foreign direct investment (FDI) inflows rose sharply by 60% year-on-year, reaching EUR 7.6 billion in 2025.** Overall, 48% of the current account deficit was financed through stable, non-debt-generating sources—namely FDI and capital transfers—also underpinned by a 44% increase in capital transfers compared to 2024.



## Goods: Structure (mil. euro)

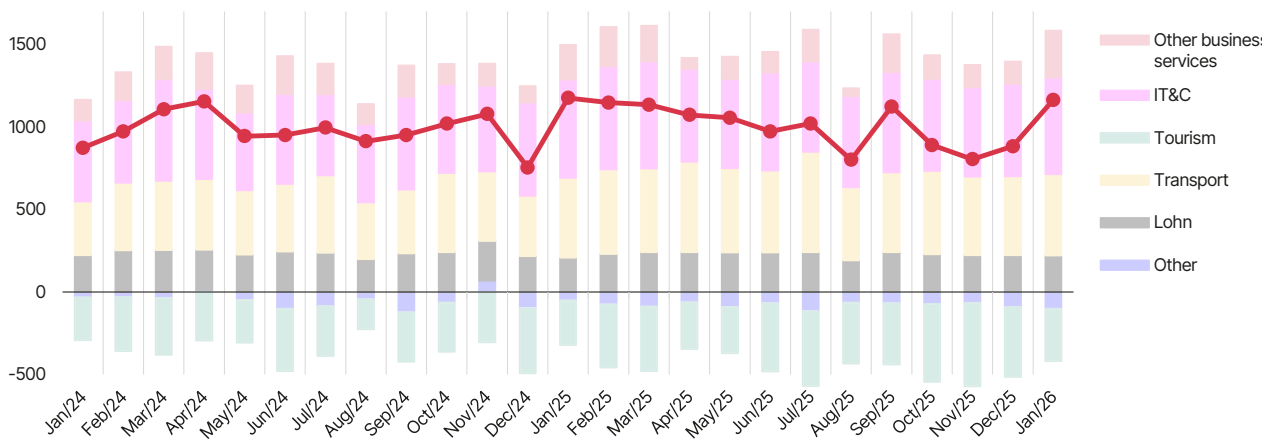


Source: National Institute of Statistics, own calculations

**The trade deficit narrowed by 2% in nominal terms in 2025** compared to the previous year. This improvement was driven by favorable developments in several categories, notably food and live animals, where the deficit contracted by more than 20%, and fuels (-16.3%), while the surplus in crude materials tripled.

In contrast, **larger deficits were recorded in manufactured goods (+8.7%), miscellaneous manufactured articles (+20%), chemicals (+4.6%), and machinery and transport equipment (+10%).**

## Services: Structure (mil. euro)



Source: National Bank of Romania, own calculations

**The services sector surplus maintained a positive nominal growth in 2025 (+3.1% compared with 2024),** supported primarily by strong increases in **transport services (+25%) and IT&C services (+10%),** which remain key contributors to the overall surplus. In contrast, the surplus from Lohn production-related services declined by 2.4% year-on-year (in nominal terms).

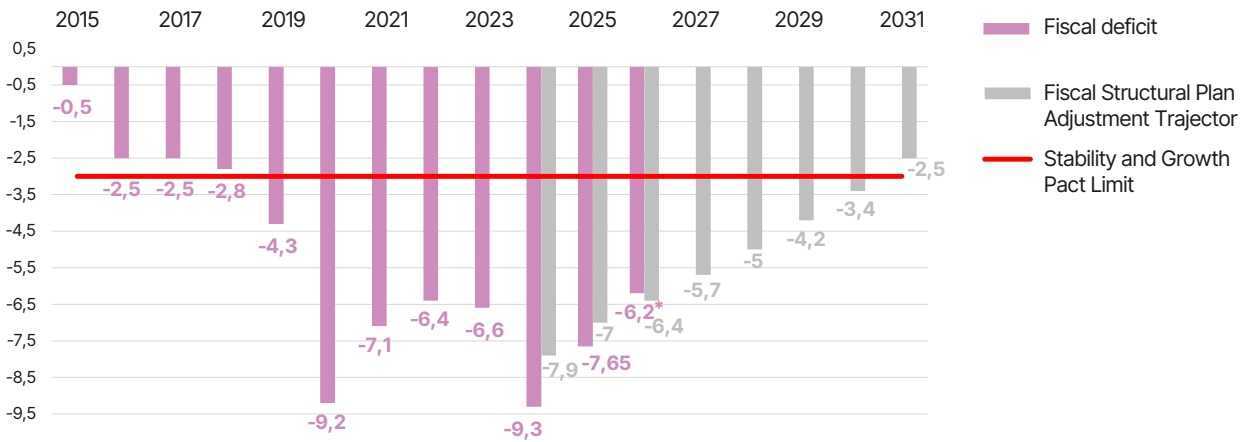
**Tourism services continued to exert a negative impact,** with the deficit widening by 27% year-on-year. At the same time, the surplus in other business services decreased by 4%, while the financial services deficit rose significantly, tripling to EUR 403 million.



Fiscal consolidation is set to continue in 2026, with the **Budget Plan targeting a deficit of 6.2% of GDP**. The strategy focuses on improving revenue collection and maintaining tight control over current spending, to ensure a gradual adjustment over the period outlined in the Medium-Term Budgetary Structural Plan approved by the European Commission.

A central pillar of the 2026 budget is the **strong emphasis on public investment as the main driver of economic growth**, with spending projected to reach a record level of around **8% of GDP**, reflecting a **strategic shift toward investment-led growth**, and supported largely by EU cohesion funds and the Recovery and Resilience Plan (which is set to be concluded in August 2026). In a context of subdued domestic demand in the private sector, these investments are expected to offset weaker consumption and sustain an overall modest economic momentum. At the same time, the budget reflects a series of political compromises and reallocations across spending categories. Priority areas include defense, energy, digitalization, and EU-funded projects, alongside continued social support measures, such as one-off assistance for pensioners. Conversely, the authorities aim to maintain tighter control over public wages and other current expenditures, while some sectors, such as health, face relative reductions. Overall, the spending framework highlights a clear tension between the need for fiscal discipline and mounting social and political pressures, with investment-led growth acting as the key balancing mechanism. However, the **budget framework raises concerns regarding interest expenditures**, which are projected to rise to almost 3% of GDP in 2026. This increase comes against the backdrop of consolidated gross public debt hitting the 60% of GDP threshold, coupled with persistently high borrowing costs. At the same time, the **macro-fiscal projections do not account for the potential adverse effects and heightened uncertainty stemming from the ongoing conflict in the Middle East**. The main risks related to a prolonged oil shock regard higher-than-expected financing costs for the Government, higher inflation and weaker economic growth translated in lower revenue collection, as well as potential pressures on expenditure from energy prices and geopolitical developments. Together, these factors could weigh on the pace of fiscal consolidation and complicate the achievement of the deficit target.

## Fiscal deficit (%GDP)



\* the value for the fiscal deficit for 2026 is the estimation according to the 2026 Budget

Source: Eurostat, own calculations

In 2025, Romania's budget deficit **improved by 1 percentage point compared to the previous year, to 7.65% of GDP**, part of the multi-annual consolidation effort that needs to be continued in the following years.

Overall, the improvement in fiscal outcomes in 2025 was primarily revenue-driven, underpinned by both discretionary policy measures and enhanced EU funds absorption, alongside a macroeconomic environment characterized by more subdued domestic demand.

Total budget revenues increased by 2.05 percentage points of GDP, reaching 34.7% GDP (+15.3% in nominal terms) compared to 2024. This rise was driven by both stronger fiscal revenues and improved absorption of EU funds. At the same time, total expenditures grew by 1.2 percentage points, to 42.4% of GDP, mainly reflecting higher spending on projects financed through European funds.

## Revenues developments in 2025

Revenues from the personal income tax rose by 20% YoY, driven primarily by a surge in dividend revenues (+78%), reflecting changes in dividend policy ahead of announced legislative measures introducing higher taxation from 2026. Also, receipts from taxes on wages increased by 20%, following the removal of tax exemptions in sectors such as construction, agriculture, and IT. Social security contributions also recorded solid growth of nearly 10%.

In the business sector, corporate tax revenues grew by 14%, in line with improved profitability. Net VAT collections rose by almost 11%, benefiting from rate adjustments introduced in 2025, despite higher refunds. Excise revenues posted more moderate growth (+4.3% year-on-year), mainly driven by increased collections from energy products (+14.7%).

At the same time, inflows of European funds increased significantly by 79%, reaching RON 75.9 billion in 2025, particularly under the Recovery and Resilience Plan (PNRR) and cohesion policy instruments. This category recorded a sharp rise toward the end of the year, reflecting changes in the financing structure of investment projects, with some expenditures reclassified from loan-based to grant-based financing.

## Expenditure developments in 2025

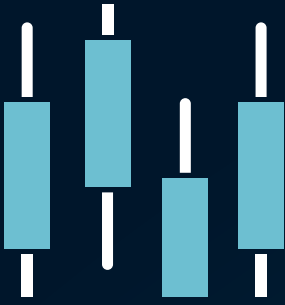
Expenditure developments were mixed across categories, with tighter control over the wage bill but higher pressures from interest and social expenditures.

Personnel expenditures increased slightly by 1.9% year-on-year, while declining as a share of GDP to 8.8% (-0.6 pp), given the measures to limit public sector wage spending (including cuts to certain bonuses), with a visible downward trend in monthly spending starting July 2024.

Spending on goods and services increased by 7.8% (5.3% GDP, same as in 2024), driven in part by higher healthcare-related costs (+12.9%), particularly reimbursements for medicines, and also higher expenditures at the local level (+3.8%). At the same time, interest expenditures rose sharply, by almost 40%, compared to 2024, to RON 50.5 billion (2.6% GDP).

Social assistance remained a key driver of expenditure growth, rising by 12% to RON 250.9 billion (13.1% GDP, up 0.4pp compared to 2024), largely due to the pension recalculation implemented in September 2024, alongside higher spending on energy compensation schemes and medical leave benefits.

Capital and EU-related spending recorded strong dynamics, underpinning overall expenditure growth. Investment spending increased by 15.7% to RON 138.2 billion, with more than half directed toward projects financed through EU funds and the Recovery and Resilience Plan (PNRR). Similarly, expenditures on externally funded projects reached RON 90.3 billion. In contrast, other expenditure category declined, while subsidies remained relatively contained, mainly targeting transport, agriculture, and energy support schemes.



# Financial Markets

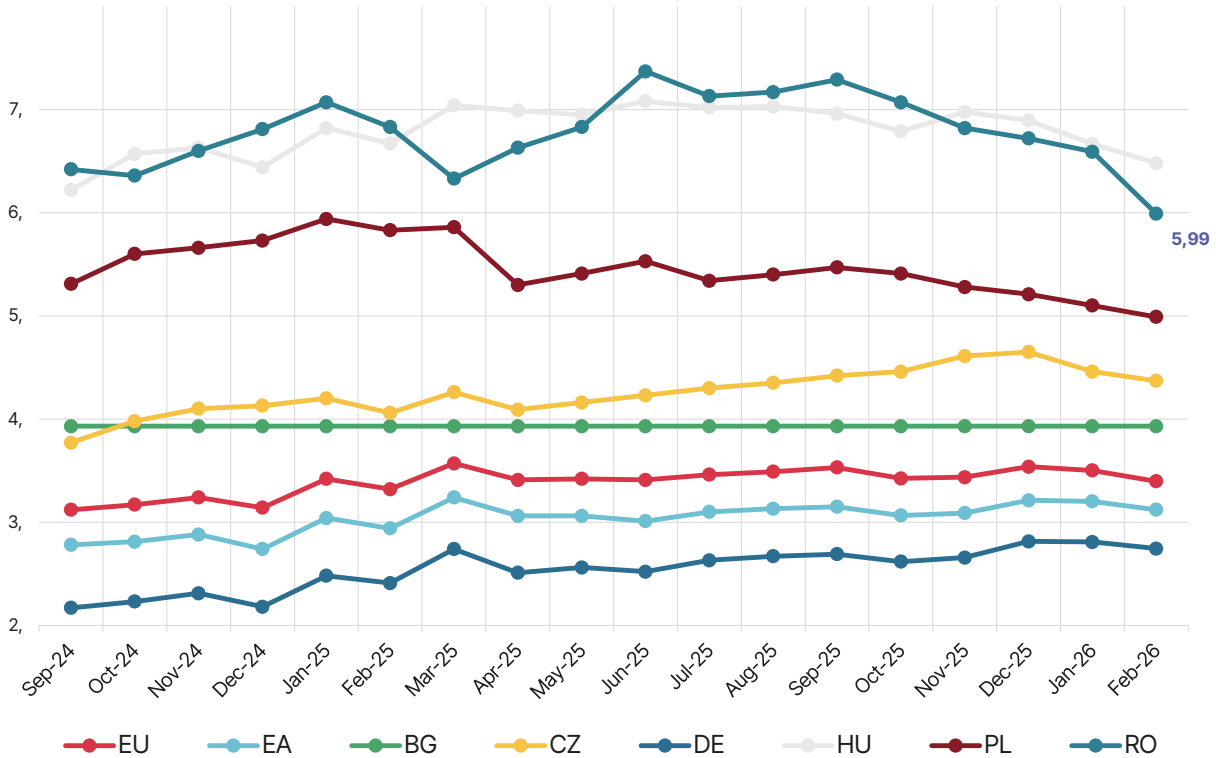
Macroeconomic Insights

#2 / 2026



After a resilient start of the year, Romania's financial markets experienced increased volatility in March 2026, driven by geopolitical tensions from the ongoing Middle East conflict, which fueled a surge in global financial uncertainty.

### Long term Gvt Bond Yields (% , monthly average)



Source: Eurostat, own calculations

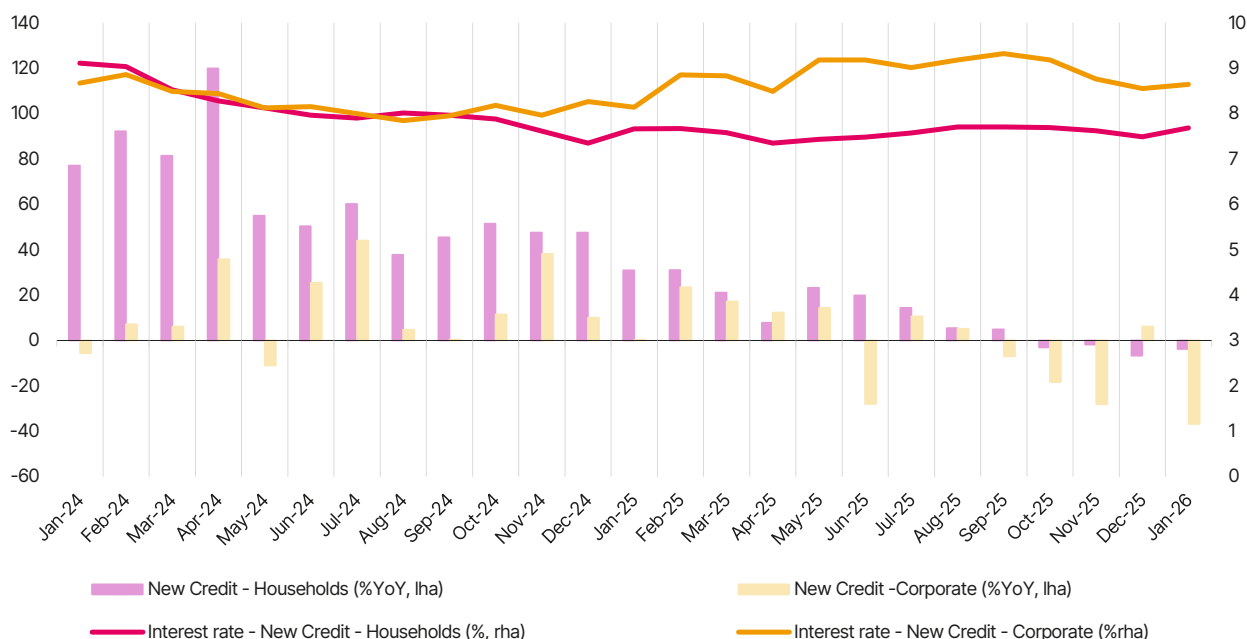
Given the relatively positive outlook for budget consolidation, Romania's risk profile improved in the latter part of 2025 and the first two months of 2026, reflected in a steady decline in long-term government bond yields, which fell to 6% in February 2026. However, in March 2026, amid heightened global financial uncertainty related to the ongoing conflict in the Middle East, **yields on long-term government bonds climbed above 7%, peaking at 7.4%, driven by rising risk premiums and increased volatility in international capital markets.**

Similar developments were also registered in developed countries like Germany, where the 10-year Bund yield rose above 3%, nearing 15-year highs, as Middle East tensions and rising oil prices stoked inflation fears, which rises investors' expectations two to three ECB rate hikes, while German consumer confidence fell to a two-year low, reflecting the conflict's economic impact.

Therefore, Romania's borrowing costs will be subject both to internal developments regarding the adjustment of the fiscal deficit, as well as to global financing conditions.



## New Credit in RON: Monthly Dynamics and Interest Rates



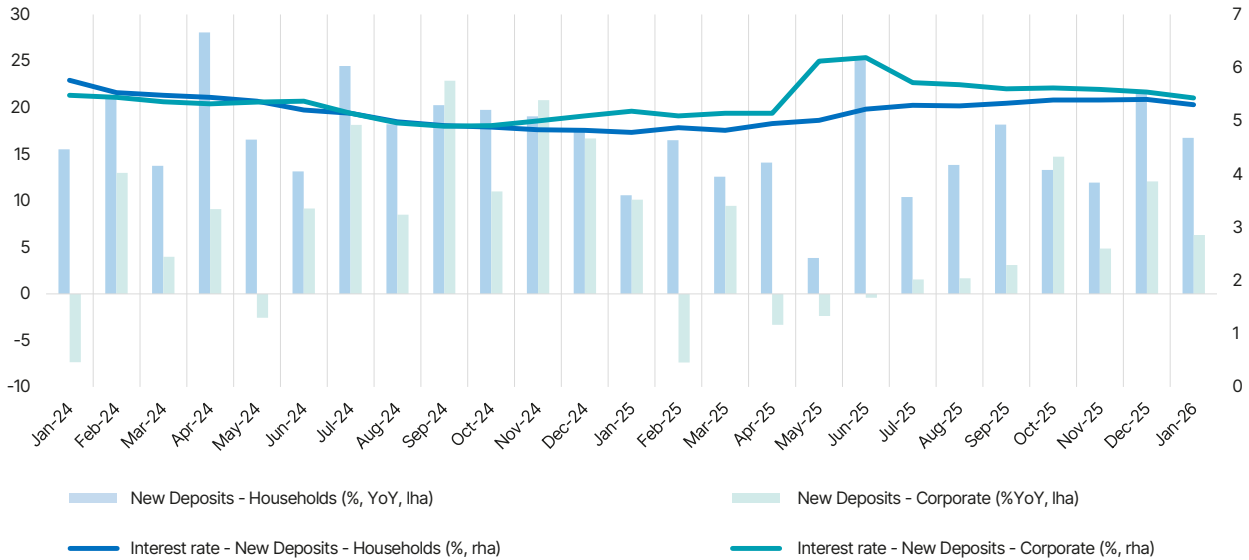
Source: National Bank of Romania, own calculations

**New RON credit increased by 7% in 2025**, reflecting divergent dynamics between households and the corporate sector (+11% vs. -2%). However, lending activity slowed markedly towards the end of the year, a trend that continued into January 2026. New credit to households decelerated sharply, turning negative by year-end (-3.8% in Q4 2025 compared to the same period in 2024). This pattern persisted in January, pointing to a clear cooling in retail lending after the strong growth recorded earlier in the year. At the same time, **credit to businesses remained highly volatile**. Lending contracted significantly in October (-18% YoY) and November (-28% YoY), followed by a temporary rebound in December (+6% YoY), before declining sharply again in January (-37% YoY). This evolution highlights increased uncertainty and uneven financing conditions in the corporate sector.

Interest rates on new household loans remained relatively stable throughout this period, fluctuating within a narrow range of **7.6-7.7%**, with a slight dip to around **7.5% in December** and a marginal increase in January. Similarly, rates on business loans declined towards the end of 2025 (to around **8.5% in December**), before edging up slightly in January 2026 (8.6%), against the backdrop of weaker credit demand.



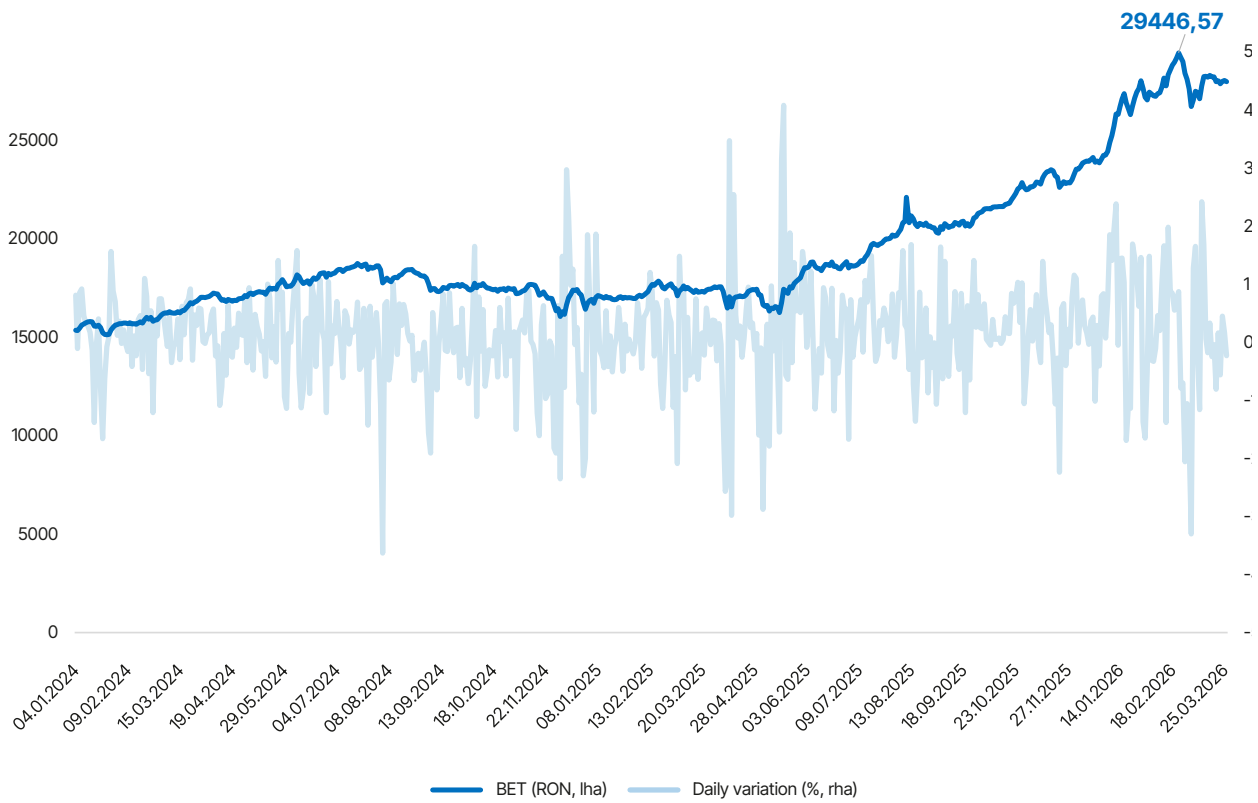
## New Deposits in RON: Monthly Dynamics and Interest Rates



Source: National Bank of Romania, own calculations

Similar to new credit, new deposits in RON also increased by **7% in 2025**, with stronger dynamics in the household sector (**+14%**) compared to the business sector (**+3.5%**). The value of new RON deposits continued to grow towards the end of 2025 and into January 2026, supported primarily by household inflows. Household deposits rose by **16% YoY in Q4 2025**, peaking at 21.6% in December, before moderating to **16.7% in January 2026**. Corporate deposits showed a slightly more moderate but consistent positive trend over the same period, increasing by **11% YoY**, with growth reaching 12% in December and slowing to **6.3% in January 2026**.

Interest rates on new household deposits increased marginally in Q4 2025 compared to Q3, hovering around **5.4%**, before dipping slightly to **5.3% in January 2026**. For corporate deposits, interest rates remained relatively stable in Q4, fluctuating between **5.5% and 5.6%**, before easing modestly to **5.4% in January 2026**.



Source: Bucharest Stock Exchange, own calculations

After a strong performance in 2025 (+46% year-end growth compared to end-2024), the benchmark index of the Bucharest Stock Exchange — BET — continued its upward trajectory during the first two months of 2026. In the final week of February, the index reached a peak of **29,446 points**, marking an increase of approximately **20% compared to its end-2025 level**.

However, the outbreak of the conflict in Iran triggered a market correction. By the end of March, the index had declined to around **28,000 points**, representing a **5% drop from its recent peak**. Despite this short-term adjustment, the BET index still reflects a solid performance overall, remaining **up by approximately 14.5% compared to end-2025 levels**.

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