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Weekly Fiscal and Political Report

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Political Updates

Fiscal and Economic Updates

Political Updates

Internal Affairs

ROMANIA'S RULING COALITION CLASHES OVER 2026 BUDGET.

Tensions are rising within Romania's governing coalition (PSD-PNL-USR-UDMR), as negotiations over the **2026 state budget** threaten to derail political stability. **PSD has warned it may block the budget unless its proposed "Solidarity Program," worth roughly RON 3.4 billion (0.4% of projected revenues), is fully included.** The package targets low-income pensioners, vulnerable families and children, and is presented by Social Democrats as a limited but socially essential intervention. PSD leaders, including party president Sorin Grindeanu, argue that **cutting the package while reducing taxes for multinationals sends the wrong signal**, accusing Prime Minister Ilie Bolojan of prioritizing fiscal concessions over social protection.

PNL rejects the accusations and **insists on a "realistic" and balanced budget built on credible revenue projections and controlled spending.** Liberals say they can allocate **around RON 1.7 billion for social support**, similar to last year's level, with additional funding to be sought from European sources, while prioritizing investments and NRRP-related spending. PM Bolojan maintains that coalition discussions were constructive and that **the draft budget will be sent to Parliament next week**, dismissing PSD's public criticism as politically counterproductive. However, PSD leaders continue to signal that diminishing the social package is "unacceptable," keeping the risk of a political impasse on the table.

For the business community, the public dispute underscores **ongoing policy unpredictability**: delays in budget adoption, uncertainty over fiscal priorities and renewed coalition frictions could weigh on investor confidence, slow public investment flows and complicate corporate planning in an already fragile macroeconomic context. With the budget already delayed and external economic pressures mounting, markets and investors will be watching closely whether the coalition can reach a durable compromise, or whether political bluffing will further test Romania's economic stability in 2026.

MIHAI DIMIAN APPOINTED ROMANIA'S NEW EDUCATION MINISTER.

The Government from Bucharest has **a new Education Minister** after President Nicușor Dan signed the decree **appointing university professor Mihai Dimian**, following a nomination by PNL. The position had been vacant since the resignation of Daniel David on December 22, 2025, with interim oversight provided first by PM Ilie Bolojan and later by Secretary General Ioana Lazăr.

According to his CV, Dimian has served as rector of “Ștefan cel Mare” University (Suceava) since 2024 and previously held academic and research roles in France and the United States. Holding degrees in mathematics and physics from “Alexandru Ioan Cuza” University (Iași) and a PhD in electrical engineering from the U.S., **Dimian is recognized for his work in nanotechnology and wireless communications**, as well as for his leadership in research and university development. Backed unanimously by PNL’s leadership as an independent candidate, **he is not affiliated with any political party** and has criticized the excessive politicization of Romania’s education system.

External Affairs

ROMANIA, INVITED TO TALKS ON FRANCE’S NUCLEAR DETERRENCE INITIATIVE.

Romania has been invited to join discussions on French President Emmanuel Macron’s initiative to expand France’s nuclear warhead stockpile and explore closer deterrence cooperation with interested European partners, Foreign Minister Oana Țoiu said in Warsaw. Speaking alongside Polish Foreign Minister Radosław Sikorski, Țoiu reaffirmed NATO’s Article 5 principle, stressing that allied military capabilities collectively serve as a deterrent for all member states. She described the French proposal as being at an early stage, with details of a potential framework still under discussion.

Țoiu emphasized that any decision regarding Romania’s involvement would fall under the authority of the Supreme Council for National Defence (CSAT), chaired by President Nicușor Dan. President Dan, also in Warsaw, reiterated that **Romania remains under NATO’s nuclear umbrella provided by the United States** and participates in alliance-level decisions concerning nuclear components, while highlighting the country’s expanding strategic partnership with France.

Fiscal and Economic Updates

Overview

CAPPING GAS PRICES FOR HOUSEHOLD CONSUMERS IN ROMANIA UNTIL APRIL 2027

This week, the Government adopted an emergency ordinance providing for the **capping of gas prices for household consumers in Romania until April 2027**, as the current price-capping and compensation scheme is set to expire on March 31, 2026. However, the measure will not apply to industrial consumers. The new scheme requires natural gas producers to sell quantities intended for consumption by the population and heat producers (for consumption by the population) at a price of 110 lei/MWh. Prime Minister Ilie Bolojan stated that the decision to introduce a mechanism preventing price increases was taken because Romania will almost double its gas supply capacity next year, meaning the country is approaching energy independence in this sector. Under these conditions, the moment becomes favorable for the liberalization of the gas market without the risk of major price shocks. The idea is that liberalization should occur when sufficient gas is available on the market, allowing supply to meet demand without sudden cost increases.

THE GULF CONFLICT RAISES OIL PRICES AND BENEFITS RUSSIA

The attack initiated by Donald Trump (without prior consultation with the U.S. Congress) against Iran, carried out together with Israel, has led to a rapid increase in oil prices on international markets. As expected, this development has been reflected in fuel prices in Romania. On the day the attack began, **February 28, diesel cost 8.27 lei and gasoline 7.96 lei. Within just six days, prices rose significantly, with diesel reaching even 8.7 lei in some OMV stations on Friday, while gasoline climbed to 8.24 lei.**

Should this be a cause for concern? Yes, because it is very possible that this conflict could last for a longer period of time. If the price of a barrel of oil surpasses \$100 and even reaches \$120 in the near future, it would place significant pressure on Europe and further benefit Russia, which would profit from higher oil prices to continue financing the war in Ukraine.

In Romania's case, the situation is even more problematic considering that inflation is now approaching 10%. A further rise in fuel prices would intensify inflation and place additional pressure on the business environment, especially on ordinary citizens whose salaries have not kept pace with inflation over the past year. The Government should probably consider reducing fuel excise duties, at least temporarily, because reaching the psychological threshold of **10 lei per liter of fuel** could cause much greater losses to the national economy and slow it down even further, potentially pushing the country directly into recession, given that Romania is already in a technical recession. At the

same time, the Government must closely monitor the energy market, since periods of conflict in the Middle East can sometimes be used as a pretext for artificially increasing prices beyond what market realities justify, opening the door to speculation.

On the Recovery Plan

MINISTER DRAGOȘ PÎSLARU: ROMANIA IS APPROACHING THE APPROVAL OF SIGNIFICANT FUNDS FROM THE NRRP

The Minister of Investments and European Projects, Dragoș Pîslaru, stated that Romania is approaching the approval of significant funding under the National Recovery and Resilience Plan. He explained that **payment request no. 4**, worth **€2.62 billion**, is expected to be received in full, while the remaining difference is related to **payment request no. 3**. There is also the possibility that the European Commission will analyze the two requests together and approve them through a single payment that would exceed **€3 billion**. According to the minister, reforms such as the reorganization of Romsilva and measures related to decarbonization have allowed several important milestones to be closed, and the Government aims to finalize all necessary clarifications by the end of March in order to obtain preliminary approval for both payment requests.

Pîslaru also noted that authorities are closely monitoring the implementation of the program and are preparing corrective measures where risks arise. He emphasized that, following the renegotiation of the PNRR, the number of milestones and targets has been significantly reduced (from around **500 to just over 200**) to make implementation more realistic. He added that the Government's analysis shows that most projects can still be completed, with the exception of a few specific measures representing **less than 5% of the total program value**. The main objective, he said, is not to estimate how much money Romania might lose, but rather to ensure that the country successfully absorbs the funds available through the NRRP.