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# Weekly Fiscal and Political Report

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Political Updates

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Fiscal and Economic Updates

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# Political Updates

## Internal Affairs

### **PSD LEADS ROMANIA INTO A FULL POLITICAL CRISIS.**

Romania's ruling coalition is approaching a critical period, as the social democrats (PSD) prepare to decide on April 20 **whether to remain in government** with PNL, USR and UDMR. Tensions are centred on **Prime Minister Ilie Bolojan, whom PSD leaders want replaced**. Senior figures have made it clear that, most probably, Bolojan will be given up to **72 hours to step down**. If he refuses, as he has already indicated, **PSD ministers will all resign**, effectively breaking the coalition. President Nicușor Dan has been holding talks with party leaders ahead of the vote and has **ruled out appointing any future government involving PSD and AUR**, while coalition partners like UDMR continue to call for stability and respect for the existing rotation agreement set for 2027.

A PSD exit would likely leave Romania with a **minority government** formed by PNL, USR and UDMR, without a stable parliamentary majority. In that case, the cabinet would need to seek **a confidence vote within 45 days**, opening the door to political bargaining or even a failed vote. PSD would then face a difficult choice: back the minority government to avoid escalation or risk triggering a deeper crisis that could lead to **snap elections** (if they don't approve the new government for a second time in a row). An outcome that recent polling suggests would weaken the party, which would gain fewer mandates. At the same time, **opposition forces remain fragmented**, with disagreements over the timing of a no-confidence motion, while AUR has little incentive to intervene quickly and may benefit from letting the situation deteriorate.

For the economy and business environment, any of these scenarios would mean **increased uncertainty**. A minority or unstable government could slow decision-making, delay key reforms and complicate access to EU funds, while early elections would extend the period of political volatility. In an already fragile economic context, this raises risks around fiscal policy, investment planning and overall market confidence, making the coming weeks particularly important for both policymakers and the private sector.

### **PRESIDENT DAN FACES BACKLASH AFTER CONTROVERSIAL PROSECUTOR APPOINTMENTS.**

President Nicușor Dan has appointed **new leadership for Romania's top prosecutor offices**, following proposals from Justice Minister Radu Marinescu (PSD), triggering immediate attention given the political context. **Cristina Chiriac** has been appointed Prosecutor General, with former DNA head **Marius Voineag** as her deputy at the General Prosecutor's Office. At the National Anticorruption Directorate (DNA),

**Ioan-Viorel Cerbu** takes over as chief prosecutor, supported by deputies **Marius-Ionel Ștefan** and **Marinela Mincă**. At DIICOT, **Codrin-Horațiu Miron** has been named chief prosecutor, with former Prosecutor General **Alex Florența** as deputy. The president rejected one proposal for a DIICOT deputy over integrity concerns.

The **reaction has been swift and largely negative among parts of civil society**, as the critics cite concerns raised in investigative reporting, including the “Captured Justice” documentary. They argue that **some appointees have credibility or integrity issues that undermine trust in the system**. The episode risks **eroding Nicușor Dan’s reformist image** and weakening his political capital. This comes at a particularly sensitive moment, **amplifying the broader government crisis** triggered by PSD’s threat to withdraw support from Prime Minister Ilie Bolojan and adding another layer of instability to Romania’s political landscape.

## External Affairs

### HUNGARY TURNS THE PAGE AFTER ORBÁN ERA.

**Péter Magyar and his TISZA Party won Hungary’s parliamentary elections** in a landslide, ending Viktor Orbán’s 16-year rule and securing a strong majority that gives him full control over the government. His **pro-European, centre-right platform** marks a clear shift away from Orbán’s nationalist and Russia-friendly approach. For Romania, the change is expected to **improve bilateral relations**, with early signals pointing to **stronger cooperation on economic ties and energy projects**. Both sides have already emphasized the importance of stability and dialogue, including the role of the Hungarian minority in Romania as a bridge between the two countries.

At the European level, Magyar’s victory is seen as **a major reset**. Orbán had been one of the EU’s most difficult partners, frequently blocking key decisions on Ukraine, sanctions against Russia, and financial support packages. A more cooperative Hungary is likely to **ease decision-making in Brussels, unlock frozen EU funds, and strengthen unity** at a time of geopolitical pressure. This shift could also weaken pro-Russian influence within the Union and reinforce a more aligned, predictable European bloc, with positive implications for policy stability and long-term economic confidence.

# Fiscal and Economic Updates

## Overview

### **INFLATION REACHES 9.9% AS PRICES RISE AND BNR MAINTAINS THE MONETARY POLICY INTEREST RATE**

The National Institute of Statistics (INS) recently published **data on inflation and consumer price developments** for March. According to these data, the **annual inflation rate increased to 9.87% in March, from 9.31% in February**, as services increased in price by 11.05%, non-food products by 10.89%, and food by 7.67%. The consumer price index in March 2026 compared to February 2026 was 100.78%. The inflation rate since the beginning of the year (March 2026 compared to December 2025) was 2.3%. **The annual inflation rate in March 2026 compared to March 2025 was 9.9%**, Romania still being the country with the highest inflation rate in the EU where the average rate is 2.8%. The average rate of change in consumer prices in the last 12 months (April 2025 - March 2026) compared to the previous 12 months (April 2024 - March 2025) was 8.5%.

The National Bank of Romania (BNR) is not optimistic about the evolution of inflation and forecasts that the **annual inflation rate will increase above previous estimates in the period March-June 2026**, mainly due to the increase in fuel prices. In this context, the BNR decided to **keep the monetary policy interest rate at 6.50% per year**, as well as for the other instruments, namely the interest rate for emergency loans (Lombard) at 7.50% and the interest rate on deposits at 5.50%.

### **IMF AND WORLD BANK CUT ROMANIA GROWTH FORECASTS AS INFLATION RISKS RISE**

The International Monetary Fund (IMF) has **reduced Romania's economic growth forecast for 2026 from 1.4% to 0.7%**, but estimates an **acceleration of the economy in 2027**, when the advance should reach 2.5%, according to the latest "World Economic Outlook" (WEO) report. In the same report, the IMF also revised upwards the inflation forecast. Thus, the **annual inflation rate is estimated at 7.8% in 2026**, compared to 6.7% as indicated in the autumn forecast. For 2027, the institution estimates a moderation of inflation, up to 3.9%. Regarding external imbalances, the IMF expects a reduction in Romania's current account deficit. For 2026, the **deficit is estimated at 6.8% of GDP**, down from 8% in 2025.

The World Bank (WB) also revised its estimates for the evolution of the Romanian economy in 2026, based on higher energy costs, which are holding back consumption, and uncertainties affecting investments, **forecasting economic growth of only 0.5%**, from 1.3% as estimated in January. The WB estimates that **Romania's budget deficit will fall below 6% of GDP by 2027**, but the economy will only

register an advance of 1.4%, compared to 1.9% as expected in January.

## GLOBAL ECONOMIC RECESSION SCENARIOS AND JOBS DEFICIT

The forecasts are not more optimistic at the global level either, with the **IMF warning** in the same "World Economic Outlook" report that the **global economy could be on the verge of recession** if the conflict in Iran worsens and the price of a barrel of oil remains above \$100 by 2027. At the same time, the IMF also presented the **optimistic scenario** indicating a short-term war in Iran and predicting a **growth of the global economy of 3.1% in 2026**, with the average price of a barrel of oil being at \$82 throughout this year, but also the **pessimistic scenario** in which the war will be long-lasting, the price of a barrel of oil will be around \$100, and gas and food prices will also increase suddenly and will remain high this year and next - **global economic growth could fall below 2% in 2026**. The World Bank also estimates that the global economy could face a **deficit of approximately 800 million jobs**, considering that in the next 10-15 years **1.2 billion people will reach working age**, but economies, especially developing ones, will create **only 400 million jobs**.

## On the Recovery Plan

### ROMANIA NEGOTIATES PNRR FUNDS, TARGETS €3BN INFLOW AND DEADLINE

Minister of Investments and European Projects Dragoş Pîslaru stated that he has **reserved optimism regarding** the decision that the European Commission will make regarding **the payment request 3 of the NRRP**, given that the **milestone 215 of the PNRR on special pensions was implemented late**. Even though initially, 231 million euros from the payment request 3 were considered lost because of the failure to meet this milestone, Romania is negotiating in this regard with the European Commission. In December 2025, Romania also submitted the payment **request 4 of the NRRP, worth 2.62 billion euros**, and with the money remaining from the request 3, it would mean approximately **3 billion euros that would enter Romania** if the European Commission approves the 2 requests.

Minister Dragoş Pîslaru also mentioned that the Government will **accelerate the implementation of the reforms in the NRRP**, to ensure the completion of the PNRR **by August 31**, both in the reform and investment components, which total approximately 10 billion euros.