

May 1-8, 2026

Weekly Fiscal and Political Report

Report prepared by Ana-Maria Anghel & Emilian Aignătoaei



Political Updates

Fiscal and Economic Updates

Political Updates

Internal Affairs

ROMANIAN GOVERNMENT COLLAPSES, POLITICAL CRISIS DEEPENS.

Prime Minister Ilie Bolojan's PNL-USR-UDMR government was dismissed on Tuesday by a no-confidence vote initiated by former coalition partner PSD together with the far-right parties AUR and PACE. The motion passed with 281 votes, formally ending the governing coalition and leaving the country under an **interim administration with limited powers**. The vote marked a major rupture within the pro-European political camp, as PSD's cooperation with AUR prompted both **PNL and USR to reject any future governing coalition with the Social Democrats**.

PNL formally decided to move into opposition and reaffirmed its support for party leader Ilie Bolojan, which most likely blew up the PSD strategy, which relied on an internal split in the PNL and the "annexation" of the liberals once again. Subsequently, **USR itself backed Bolojan and became allies with the liberals** to coordinate politically to defend the reform agenda. In a joint statement, the two parties pledged **closer cooperation during the crisis, including coordinated action in Parliament**, within the interim government **and during consultations with President Nicușor Dan**.

NO VIABLE PARLIAMENTARY MAJORITY IN SIGHT.

President Nicușor Dan has begun informal consultations with party leaders, but no governing formula currently appears capable of securing a stable parliamentary majority. The president is reportedly still **attempting to broker a reconstruction of the former PSD-PNL-USR-UDMR coalition, potentially under a compromise or technocratic prime minister** acceptable to all parties. This includes scenarios that would exclude Ilie Bolojan from the premiership, a scenario which Nicușor Dan seems to favour. For example, UDMR leader Kelemen Hunor strongly supports rebuilding the former coalition.

Several minority government formulas are also being discussed, including a **PSD-UDMR cabinet** supported externally in Parliament or a right-leaning **PNL-USR-UDMR arrangement**. However, political leaders acknowledge that **any minority government would likely be fragile and short-lived**. While parliamentary arithmetic theoretically leaves open the possibility of a PSD-AUR-supported government, both parties publicly deny pursuing such an alliance, UDMR rejects reliance on "sovereignist" votes, and President Dan has reiterated that he will not support cooperation with extremist parties in any future pro-Western governing arrangement.

CAN BOLOJAN BE NOMINATED AGAIN?

At the same time, constitutional interpretations following a 2020 Constitutional Court ruling suggest that **Ilie Bolojan could legally be reappointed prime minister despite the no-confidence vote**. But there are several conditions: (1) President Dan is not seeking to trigger snap elections, (2) a new parliamentary majority different from the previous coalition can be formed, and (3) a “reasonable period of time” has passed since the government’s dismissal. Given PNL’s decision to exclude a renewed coalition with PSD, there is no constitutional obstacle currently preventing Bolojan from being redesignated as prime minister under a new parliamentary formula. It all depends on the President, who shall take into account the popularity Bolojan has gained lately among the citizens: he achieved a spectacular increase of 8 points in the trust rankings after exposing political practices that are affecting the national well-being.

SNAP ELECTIONS REMAIN A GROWING RISK.

Although President Nicușor Dan has publicly rejected the prospect of early parliamentary elections, **the inability to form a stable governing majority increasingly raises the possibility of snap elections** if negotiations collapse entirely. Under Romania’s Constitution, Parliament can only be dissolved after repeated failed attempts to appoint a government, making the process politically sensitive and highly dependent on the outcome of ongoing consultations. Recent polling reportedly indicates **a significant reshaping of the political landscape compared with the 2024 elections**, with AUR consolidating its position as the main anti-establishment force, PSD suffering declining support, and both PNL and USR improving their standings.

These dynamics are increasing pressure on all political actors, who must now weigh the risks of prolonged instability against the unpredictability of a new electoral cycle. Especially since Romania risks losing significant EU funds, given that key PNRR milestones are in danger, while concerns are also mounting about **the possibility of a sovereign credit downgrade to junk status**.

External Affairs

EU – US TRADE DEAL TALKS STALL, RISKING TARIFF ESCALATION.

The **EU institutions failed to reach an agreement on implementing a transatlantic trade deal with the United States** after inconclusive negotiations in Brussels. This leaves the agreement’s future uncertain and raises the risk of renewed trade tensions. The talks aim to translate a 2024 handshake deal struck with the Trump administration into binding legislation, under which the EU would remove tariffs on US industrial goods while the US would cap duties at 15%. However, lawmakers have clashed over additional safeguards and conditions, delaying progress despite **warnings from Washington that 25% tariffs on European automobiles could be imposed if implementation**

stalls. EU Trade Commissioner Maroš Šefčovič and other officials have pushed for rapid adoption to stabilize relations with the US, but divisions remain over political guarantees, including concerns about potential US tariff actions and broader geopolitical risks. With no breakthrough reached, **negotiations are expected to resume later this month**, but officials warn that delays could undermine the agreement and escalate transatlantic trade friction, with significant implications for key export sectors, particularly the European automotive industry.

EU DELAYS KEY AI RULES TO EASE BUSINESS COMPLIANCE.

The European Parliament and EU Council reached a provisional political agreement on Thursday to **simplify the implementation of the EU AI Act**, in a move aimed at reducing compliance burdens and improving legal predictability for businesses across the bloc. Under the deal, **enforcement of rules for high-risk AI systems will be postponed** until **December 2027** for standalone systems and **August 2028** for AI embedded in products such as machinery, medical devices, giving companies additional time to adapt before the regulations take effect. The agreement also **extends certain regulatory exemptions to small mid-cap companies**, clarifies the relationship between the AI Act and sector-specific product safety legislation to avoid overlapping requirements, and expands access to regulatory testing environments for AI developers. EU institutions said the changes are designed to support innovation and competitiveness while maintaining safeguards for high-risk AI applications. The package now awaits formal approval by the European Parliament and member states before final adoption in the coming weeks.

Fiscal and Economic Updates

Overview

THE DEFICIT CONTINUES TO DECREASE, AND THE ECONOMY IS SLIGHTLY BALANCED.

The Ministry of Finance published this week the **updated results of the macroeconomic correction** and stabilization process and states that the **current account deficit continued to increase** in 2025, but at a reduced pace - 3.4%, compared to 34.4% in 2024. At the same time, **the trade deficit in goods began to correct slightly**, recording a decrease of 1.4% in 2025, after a deterioration of almost 14% in the previous year. In addition, investment flows increased by over 45% in 2025, reaching approximately 8.1 billion euros. Thus, **Romania is beginning to enter a more balanced adjustment phase**, after the deterioration accumulated in 2024-2025, with visible progress in reducing the deficit, **stabilizing external imbalances and regaining investor confidence**, and the **economy is beginning to approach a healthier balance**, consuming closer to the level of domestic production, reducing dependence on external financing and regaining the trust of international investors.

SUPPORT PROGRAMS FOR ECONOMY MUST CONTINUE AND POSSIBLE ECONOMIC GROWTH.

After the dismissal of the Government Bolojan this week, Romania has entered a period of interim government. Finance Minister Alexandru Nazare said that this **political situation should not lead to an economic crisis**, and the **Government must accelerate support programs for the economy because companies need quick access to financing and investments**. According to the minister, **international rating agencies are monitoring the situation in Romania** in real time, and **developments in the coming period will be decisive for maintaining the rating and avoiding a downgrade**. Moreover, the President of the Fiscal Council, Daniel Dăianu, stated that **Romania risks being penalized by investors if the process of reducing the budget deficit is abandoned**, and at this point, there can be no talk of an economic recovery. However, the Minister of Investments and European Projects, Dragoș Pîslaru, is optimistic and announces **economic growth by the end of the year** based on the high investments that will take place starting with the second quarter of the year.

HIGH PRICES FOR FUEL AND EURO BECAUSE OF THE IRAN WAR AND POLITICAL CRISIS.

The **fuel price rose again at the beginning of this month** to almost 10 lei/litre amid the escalation of the conflict in the Middle East, with the possibility of even exceeding this threshold. It is also expected that **gas prices will remain high** in the coming period, with the possibility that the winter and spring of 2027 will be quite difficult in terms of tariffs. Amid the political crisis caused by the dismissal of the

Government through a motion of no confidence, the **price of the euro increased and reached a record level**, with the National Bank of Romania posting this week an exchange rate of 5.2688 RON for one euro, with the possibility, according to economists, that the **euro could even reach the threshold of 6 RON**.

On the Recovery Plan

ROMANIA RECEIVES BUT ALSO LOSES MONEY FROM THE PNRR.

Romania is set to **receive 2.62 billion euros from the European Commission for the PNRR** request no. 4, according to the Minister of Investments and European Projects, Dragoș Pîslaru, who announced that 62 targets and milestones for this request have been met, including: tax reform, decarbonization, corporate governance in state-owned enterprises or financial instruments for the private sector. On the other hand, Romania **lost 458.7 million euros from the PNRR** payment request no 3 due to unfulfilled reforms in previous governments. The PNRR request number no. 5 could be submitted to the European Commission in June, but the **PNRR-related projects must continue without delay**, this **being a priority for the current interim Government**, given that the deadline is 31 August.