

May 8 - 15, 2026

Weekly Fiscal and Political Report

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COALITION TALKS CONTINUE WITHOUT A CLEAR MAJORITY.

One week after the dismissal of Prime Minister Ilie Bolojan's government through a no-confidence vote, **Romania's political parties remain unable to agree on a new governing formula.** Although President Nicușor Dan held informal consultations with pro-European parties last week, no parliamentary majority has emerged ahead of the official consultations scheduled for Monday, 18 May. Publicly, all major parties continue to insist on their red lines, significantly limiting coalition options and prolonging uncertainty around the formation of a new cabinet.

PARTIES REJECT KEY COALITION SCENARIOS.

The main obstacle remains the lack of political compatibility between the pro-European parties. **PSD has repeatedly ruled out both a governing alliance with AUR and any support for Ilie Bolojan** returning as prime minister. At the same time, PNL and USR have categorically rejected rebuilding a coalition with PSD after the no-confidence vote. While PSD leader Sorin Grindeanu had negotiations with Kelemen Hunor and representatives of parliamentary minorities, liberal leaders insist that “the collaboration with PSD is over.” The only theoretical parliamentary majority, PSD together with AUR and PACE, has been publicly excluded both by the president and by PSD itself.

TECHNOCRATIC OPTION GAINS VISIBILITY, BUT LACKS POLITICAL SUPPORT.

Against this deadlock, **the possibility of a technocratic prime minister has increasingly entered public discussion.** President Nicușor Dan confirmed this week that he is considering such a scenario, while political sources indicated that **presidential adviser Radu Burnete** and **central banker Șerban Matei** are among the **names informally discussed for the role.** However, support for a technocratic cabinet remains weak across the political spectrum. PSD, PNL, USR and UDMR have all expressed reservations, warning that a non-political prime minister without a stable parliamentary majority would struggle to govern effectively or implement reforms. UDMR nevertheless suggested that **a short-term compromise could involve a politically backed government led by a consensus technocrat.**

IMPLICATIONS FOR THE SOCIETY AND THE BUSINESS ENVIRONMENT.

The extension of interim governance poses **growing risks.** Such an executive has limited powers and **cannot effectively advance key legislative and reform packages** linked to Romania's European commitments, including EU acquis transposition, implementation of the National Recovery and Resilience

Plan (NRRP), OECD accession preparations and participation in the SAFE programme. Most of these measures would require **parliamentary approval and cross-party political consensus**, increasing the **likelihood of delays** amid the current political fragmentation and uncertainty.

External Affairs

B9 SUMMIT SIGNALS STRONGER EASTERN AND NORDIC NATO COORDINATION.

Leaders from the North Atlantic Treaty Organization Eastern Flank and Nordic countries gathered in Bucharest this week for the **B9 Summit, hosted by President Nicușor Dan** alongside Polish President Karol Nawrocki and NATO Secretary General Mark Rutte. The meeting focused on **strengthening NATO's eastern and northern security architecture** ahead of the Alliance summit in Ankara later this year. In the **Joint Declaration**, participating states described **Russia as the “most significant and direct long-term threat” to Allied security** and **reaffirmed continued military and political support for Ukraine**. Discussions also emphasized **closer coordination between Eastern Flank and Nordic allies**, reflecting a growing strategic continuum from the Black Sea to the Arctic region.

“NATO 3.0” BECOMES CENTRAL STRATEGIC THEME.

A key outcome of the summit was the formal **endorsement of the “NATO 3.0” concept, centered on a stronger European contribution within a stronger transatlantic alliance**. Leaders committed to increasing defence spending, accelerating military capabilities and rebalancing security responsibilities between Europe and the United States, while maintaining the transatlantic relationship as the foundation of NATO. **Romania confirmed defence spending of 2.5% of GDP this year**, with 40% allocated to new military equipment. President Nicușor Dan also highlighted concerns related to Russian hybrid threats in Moldova and security risks on Romania's eastern border, including drone incursions linked to the war in Ukraine.

Fiscal and Economic Updates

Overview

NEW DATA AND ESTIMATES ON INFLATION AND GROSS DOMESTIC PRODUCT.

The National Institute of Statistics (INS) has published **data on inflation** and price developments for April 2026. According to the data presented, **inflation increased by 0.73% (harmonized index HICP) in April 2026 compared to March 2026**. The **annual inflation rate (HICP) reached 10.7%, and the inflation rate since the beginning of the year (April 2026 compared to December 2025) was 3.1%**. The annual inflation rate in April 2026, compared to April 2025 calculated based on the harmonized index of consumer prices (HICP) and was 9.5%. Also, the data from the INS does not bring good news regarding **Romania's GDP, which decreased in the first three months of 2026 by 1.7%, on a gross series**, compared to the same period in 2025, and by 0.2%, compared to the previous quarter, thus creating a technical recession as a result of the consecutive decrease for two quarters.

While the deputy governor of the National Bank of Romania, Cosmin Marinescu, mentions the **war in the Middle East as one of the causes of inflation and the economic slowdown**, Prime Minister Ilie Bolojan specifies that **inflation and technical recession are also a result of the huge deficits** created by previous governments in 2023 and 2026. According to the Prime Minister, **inflation is expected to decrease to 8% in July and to 6% towards the end of the year**. On the other hand, some analysts estimate that inflation **will increase in the coming years to 11%-12%**, and fiscal consolidation must be achieved by reducing spending and not through new tax increases. At the same time, Daniel Dăianu, president of the Fiscal Council, stated that the current **inflation rate is a result of the fiscal adjustment** to correct the large deficit of previous years.

POSITIVE SIGNALS FOR THE COUNTRY RATING AND OECD ACCESSION.

In the context of the current economic situation, the **reduction of the budget deficit is of great importance** in terms of **improving the country's rating**, which is currently at investment grade, but with a negative outlook. The Romanian authorities maintain transparency in communication with rating agencies in order to have all the data at their disposal, and the **decrease in the budget deficit in the first quarter** to 1.04% of GDP, as well as the decrease in the trade and current account deficits, send a **positive signal**. It is expected that the **first assessment** of the economic situation and outlook in Romania will be made by the **Fitch agency in July, followed by Moody's in August and S&P in October**. A stable economic situation is necessary in terms of **Romania's accession to the OECD**, which President Nicușor Dan states **could take place this year**, an essential objective for consolidating the Romanian economy, an idea also supported by the Deputy Governor of the National Bank of Romania, Cosmin Marinescu, who declares that **accession to the OECD will be a**

boost to Romania's economic development.

On the Recovery Plan

ROMANIA RECEIVES MONEY FROM NRRP BUT IS AT RISK OF LOSING MORE.

The European Commission has approved **Romania's 4th payment request, worth €2.62 billion**, under the National Recovery and Resilience Plan (NRRP). The Commission found that Romania has satisfactorily **achieved the 38 milestones and 24 targets** set out in the Council's implementing decision. However, the interim government needs to **finalize another 35 milestones and reforms** in the next two weeks to unlock another €7.5 billion, according to the interim Minister of Investments and European Projects, Dragoș Pîslaru, and the interim Prime Minister, Ilie Bolojan. Dragoș Pîslaru also mentioned that the **Government is renegotiating the NRRP** with the European Commission this month in order **to obtain the remaining €4.9 billion in grants**, by prioritizing projects that have been completed or are at an advanced stage of implementation. However, **if Romania fails** to make the necessary reforms and doesn't close the negotiated projects in the coming period, it **could pay penalties of 15 billion euros**, more than the 13 billion it still has to collect from the PNRR.