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Weekly Political & Economic Outlook

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This Week at a Glance

Political Landscape

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This Week at a Glance

Government Formation Crisis: Negotiations for a future PM collapse as parties reject technocratic compromise, while Eugen Tomac becomes the President's preferred PM choice.

EU Regulatory Pressure: Romania faces infringement risks over delayed green consumer rules, while simultaneously pushing for relaxed carbon pricing.

Macro Pressure and Fiscal Adjustment: European inflation risks and tighter financial conditions contrast with Romania's improving deficit, as high prices, currency volatility and weak demand continue to weigh on businesses.

NRRP Deadline Pressure: Romania is accelerating the review of NRRP projects and key reforms to avoid losing EU funding, with risks concentrated around unfinished investments, green energy projects and the public-sector wage law.

Political Landscape

Domestic Political Dynamics

Government Formation Talks Remain Blocked.

Romania is yet to have a prime minister with full powers, as the **negotiations between President Nicușor Dan and parliamentary parties are blocked**, with no major party willing to compromise. Political discussions increasingly focused on the possibility of a technocratic-style cabinet supported primarily by PSD and potentially involving parties from the former governing coalition. However, both PNL and USR rejected the scenario, arguing that a technocratic government would effectively allow PSD to return to power without formally taking responsibility for leading the executive.

Eugen Tomac Emerges as President's Preferred Option.

The name most frequently linked to the presidency's plans is **Eugen Tomac, presidential adviser, MEP and leader of the extra-parliamentary PMP**. Sources close to the negotiations said President Dan views Tomac as **the leading option for prime minister**, alongside other non-partisan or institutional figures such as presidential adviser Radu Burnete, IMF official Delia Velculescu and central bank official Șerban Matei. **Tomac signalled openness** to the role, saying only that “*the country needs a government.*” PSD reportedly lobbied lawmakers from PNL and USR to support a Tomac-led cabinet, presenting it as a presidential solution necessary for political stability.

Political Resistance and “My Government” Comparisons.

The prospect of Eugen Tomac's nomination triggered **resistance across the political spectrum**. PNL reiterated that it would not support any government dependent on PSD, while AUR publicly announced it would vote against Tomac, arguing he is “*a politician, not a technocrat,*” and too closely associated with former President Traian Băsescu. UDMR adopted a more cautious position, saying it could work with Tomac personally but warning against a government reliant on AUR votes for parliamentary confirmation. Given all these details, we can easily draw comparisons to former President Klaus Iohannis' heavily criticized “**my government**” **approach**, under which the president sought to install cabinets politically aligned with him. UDMR leader Kelemen Hunor and liberal leaders warned that **appointing a close presidential adviser could expose Nicușor Dan directly to the political costs** of any future government failure.

Impact: *The ongoing political impasse is increasing uncertainty for businesses, investors and consumers, amid concerns over fiscal stability and policy predictability. Delays in forming a fully empowered government could slow reforms and funding linked to the NRRP, affecting infrastructure, energy and*

digital projects, while also creating risks for Romania's strategic commitments under the EU's SAFE initiatives. The unstable political climate may further weaken consumer confidence, delay investment decisions and increase pressure on the broader business environment.

International & Geopolitical Affairs

Bucharest Faces EU Pressure Over Green Consumer Rules.

Romania is among the EU member states targeted by the European Commission for **failing to fully transpose the Directive on Empowering Consumers for the Green Transition** into national legislation before the March 2026 deadline. The rules are designed to improve transparency around sustainability claims, combat greenwashing and provide consumers with clearer information on product durability, repairability and guarantee rights. Brussels has now launched **infringement procedures** and given Romania **two months to complete the transposition process**, warning that failure to comply could lead to further legal steps. Given that Romania still lacks a full-power Government, the only solution for transposing this Directive is through political agreement and a full legislative parliamentary process.

Romania Pushes EU to Ease Carbon Emissions Rules for Industry.

Romania has joined several Central and Eastern European states in **urging the European Commission to slow planned cuts to free CO2 emissions allowances for industry**, arguing that rising energy costs are putting additional pressure on energy-intensive sectors. The request comes as the EU prepares broader reforms to its Emissions Trading System (ETS), with Bucharest warning that **stricter rules could weaken industrial competitiveness**, accelerate factory closures or push production outside the EU. Romanian officials have increasingly aligned with other member states **calling for a more flexible approach to climate policies**, particularly as businesses continue to face high energy prices and growing geopolitical uncertainty linked to the conflict in Iran.

Impact: *First of all, companies operating in retail, manufacturing and consumer goods could soon expect a new normative act transposing the Consumer Protection and Sustainability Directive. Secondly, Romania's push for softer ETS rules signals increasing concerns over industrial competitiveness, especially for energy-intensive sectors already affected by high energy prices and geopolitical instability. Together, the developments point to a more cautious business environment, with companies likely to face both regulatory uncertainty and continued pressure from rising operational costs.*

Economic & Fiscal Outlook

Business Environment Developments

Fiscal consolidation improves, but inflation and business pressure remain high

Romania's fiscal position improved after the first four months of 2026, with the **budget deficit falling to 1.17% of GDP**, from 2.92% in the same period of 2025, supported by higher fiscal revenues, stronger VAT collection and controlled spending. Finance Minister Alexandru Nazare presented the adjustment as an **important signal for investors and rating agencies**, but also warned that the consolidation path remains dependent on EU and NRRP fund absorption.

At the same time, the macroeconomic environment remains fragile: the **NBR expects inflation to reach 10.3% around mid-year and 5.5% in December**, while exchange-rate risks remain elevated amid large external imbalances, political uncertainty and global risk aversion. Business activity shows mixed signals, as market services for companies rose by 14.9% month-on-month in March, but remained 2% below the level recorded one year earlier. The pressure is also visible among SMEs, with an IMM Romania survey showing that **74.2% of entrepreneurs are affected by inflation**, the lack of a functional government and economic instability, while around 10% are considering staff cuts or closing their companies.

ECB and IMF warn over inflation and fiscal pressure in Europe

European institutions are signalling a **more difficult macroeconomic environment**, as the war in the Middle East and higher energy prices continue to keep inflationary pressure elevated. ECB officials warned that the **energy shock could have persistent effects on inflation, including through second-round effects on wages, services and core prices**, while the 2% inflation target remains the central priority of monetary policy. Markets are already pricing in further ECB rate increases, as **euro area inflation rose to 3% in April**, from 2.6% in March. In parallel, the IMF urged EU countries to **accelerate reforms, strengthen fiscal consolidation and consider common borrowing for strategic areas** such as defence, energy and innovation. IMF warns that without policy changes, the **debt of an average European country could reach 130% of GDP by 2040**. The overall message points to tighter financial conditions, higher fiscal discipline and continued pressure on companies exposed to energy costs, financing costs and weaker demand.

***Impact:** The combined fiscal and macroeconomic signals point to a cautious business environment in Romania and the wider EU. Lower budget deficit improves short-term fiscal credibility, but persistent inflation, energy price pressure, exchange-rate risks and expected fiscal discipline may keep financing costs elevated and limit demand. Companies, especially SMEs and energy-intensive sectors, may continue to face pressure from higher operating costs, weaker consumption and uncertainty over taxation, public spending and investment decisions.*

Recovery & Resilience Plan

Romania accelerates NRRP screening as reform deadlines tighten.

Romania is entering a critical phase of NRRP implementation, with the Government warning that **projects financed through grants must be completed by the end of August 2026** or the country could lose the related EU funding, even for investments close to completion. Interim Prime Minister Ilie Bolojan asked ministries to finalise the assessment of more than 10,000 NRRP projects, while the **Government is negotiating with the European Commission to preserve financing and adjust some milestones**.

Separately, interim Agriculture Minister Tanczos Barna warned that Romania risks losing €771 million unless Parliament adopts the legal framework allowing degraded state-owned land managed by ADS to be used for green energy investments. The reform agenda also includes **the new public-sector wage law, a key NRRP milestone**, which has been published in public consultation and is **expected to apply fully from 1 January 2027**, with capped bonuses and no phased implementation or special derogations for professional categories.

***Impact:** The accelerated NRRP screening may create short-term uncertainty for companies involved in public procurement, construction, energy and infrastructure projects, as some investments could be resized, delayed or removed from financing. At the same time, projects that remain eligible may benefit from faster administrative decisions and payment prioritisation. The wage reform and negotiations with the European Commission are also relevant for fiscal predictability, as delays or missed milestones could reduce EU funding and increase pressure on the national budget.*