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Weekly Political & Economic Outlook

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This Week at a Glance

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This Week at a Glance

▮ **Tomac Builds a Cabinet, Not a Majority:** The designated prime minister has assembled a ministerial team, but parliamentary backing remains elusive as parties harden their positions.

▮ **Security and Competitiveness on the EU and NATO Agenda:** Romania gained support for stronger Black Sea security within NATO, while the EU progressed plans for Digital Business Wallets to facilitate business across the Single Market.

▮ **Inflation and Weak Consumption:** Romania's economy remains fragile as high inflation, falling real wages and weaker household consumption outweigh the positive signal from higher investment.

▮ **Fiscal Policy Constraints:** Romania's growth outlook has been cut sharply, while fiscal consolidation, weak demand and limited budgetary room reduce the likelihood of tax relief or broad policy support.

▮ **EU and Global Risk Pressure:** EU budget priorities are shifting toward security and competitiveness as global conflict risks, tighter ECB policy and IMF warnings point to a more disciplined and less supportive policy environment.

▮ **NRRP Funding Progress:** Romania moved closer to receiving **€2.62 billion** from payment request no. 4, but full use of NRRP funds still depends on meeting the **August–September 2026** deadlines, preserving reforms and delivering eligible investments.

Political Landscape

Domestic Political Dynamics

Eugen Tomac's Cabinet Takes Shape.

According to media reports citing political sources, the **designated Prime Minister Eugen Tomac** has finalised his proposed cabinet, although no official list has been published yet. Reported nominees include:

- **Deputy PM** – Valeriu Nistor;
- **Interior** - Trifan Tiberiu;
- **Finance** - Bogdan Glăvan;
- **Justice** - Cosmin Soare Filatov;
- **Health** - Șerban Dragoslovescu;
- **Foreign Affairs** - Luca Niculescu;
- **Education** - Sorin Costreie (Education);
- **Culture** - Adrian Papahagi (Culture);
- **Labour** - Diana Morar;
- **Development** - Vladimir Ionaș;
- **Economy** - Florin Duma
- **Defence** - Dan Neculăescu;

- **Energy** - Corina Popescu;
- **Transport** - Ionuț Mașala;
- **Environment** - Teodor Dulceață;
- **Agriculture** - Nicolae Istudor;
- **European Funds** - Carmen Moraru.

Tomac has repeatedly stated that he remains **open to replacing any nominee and incorporating proposals from parliamentary parties**. He even offered a ministry to his liberal main critic: Bucharest Mayor Ciprian Ciucu, who refused. However, this would no longer align with his promise of a “technic” government.

Parliamentary Support Remains Out of Reach.

Throughout the week, **Tomac met leaders of the main parliamentary parties in an attempt to secure backing** for his technocratic government. However, his chances of winning a confidence vote appear increasingly limited. **PNL has formally decided not to support the cabinet**, with party leader Ilie Bolojan describing it as a “cover” designed to shield PSD from political responsibility. **USR is expected to adopt a similar position**, with internal consultations reportedly showing overwhelming opposition to supporting the government.

PSD's position has been more ambiguous. While party leaders initially welcomed Tomac’s nomination and have recently indicated that several PSD policy priorities could be included in the government programme, the **party has also signalled that it is unlikely to be the sole political force voting in favour of the cabinet**. At the same time, **AUR has already announced it will not support a government in which it does not participate**, significantly reducing Tomac’s path to a parliamentary majority. In the end, **UDMR still waits for the governing programme before taking a decision**.

Political Tensions Escalate.

As the prospects of the Tomac cabinet weaken, political rhetoric has intensified. **President Nicușor Dan publicly appealed to parties to act responsibly** and resume dialogue, arguing that Romania needs a functioning government to avoid prolonged instability. His intervention, however, was interpreted by many PNL leaders as **indirect pressure on Ilie Bolojan and USR**, while largely **avoiding criticism of PSD**, the party that triggered the current crisis by supporting the no-confidence motion against the previous coalition government.

The dispute has deepened an already visible divide between the presidency and several parliamentary parties.

Meanwhile, the **President has reportedly begun planning alternative scenarios**, including a new technocratic nomination or a return to a broad PSD-PNL-USR-UDMR governing coalition (improbable) if Tomac fails to secure parliamentary approval.

***Impact:** For the business community, the prolonged uncertainty is becoming a growing concern. With no clear parliamentary majority and increasing political confrontation, key decisions linked to fiscal policy, economic reforms, EU funds absorption and NRRP implementation remain exposed to delays. As attention shifts from governance to political positioning ahead of future elections, businesses face a higher risk of postponed reforms and an increasingly uncertain economic policy environment.*

International & Geopolitical Affairs

EU Advances Digital Business Wallets.

EU member states have agreed on the Council's position regarding the creation of **European Digital Business Wallets**, a new tool designed to simplify and secure interactions between companies and public authorities across the bloc. Built on the eIDAS2 framework, the wallets would allow businesses to verify identities, exchange authenticated documents, sign contracts electronically and manage cross-border administrative procedures through a single digital solution. The initiative aims to reduce administrative burdens, strengthen the Single Market and support a more competitive and digitally connected European economy. **Negotiations with the European Parliament are expected to begin once Parliament adopts its own position**, with EU institutions targeting a **final agreement by the end of 2026**.

NATO Focuses on Black Sea Security.

President Nicușor Dan welcomed the outcome of a NATO meeting in Brussels focused on Black Sea security, highlighting strong Allied solidarity with Romania following recent drone-related incidents. According to the president, **Allies agreed to accelerate NATO projects addressing aerial and maritime drone threats ahead of the upcoming Ankara Summit**. Dan also underlined the strategic importance of Black Sea security for protecting critical infrastructure and energy projects such as **Neptun Deep**, reaffirming Romania's commitment to strengthening the Alliance's Eastern Flank.

***Impact:** The two developments carry different but complementary implications for Romania's business environment. NATO's renewed focus on Black Sea security and commitments to strengthen defence and counter-drone capabilities in the region provide additional reassurance for investors, particularly in strategic sectors such as energy, logistics and critical infrastructure. Meanwhile, the EU's Digital Business Wallet initiative promises to reduce administrative burdens and simplify cross-border operations, creating opportunities for Romanian companies to interact more efficiently with partners and public authorities across the Single Market.*

Economic & Fiscal Outlook

Business Environment Developments

Inflation and Weak Consumption Keep Romania Under Pressure.

Romania's latest macroeconomic data confirm that the economy remains under pressure from **weak consumption, high inflation** and **lower real incomes**, even though investment is still providing some support. GDP stagnated compared with Q4 2025 and fell by **1.1% year-on-year** in Q1 2026 on the seasonally adjusted series, while household consumption declined by **1.8%**, and trade, transport, HORECA, industry and IT&C had negative contributions to growth. At the same time, the trade deficit narrowed to **€10.8 billion** in January–April 2026, down **7%** year-on-year, but mainly because imports softened while domestic demand weakened, not because of a broad export acceleration. A positive signal comes from investment, with net investments reaching **RON 41 billion** in Q1 2026, up **4.8%**, supported by **machinery and transport equipment (+19.2%)** and **new construction works (+10.1%)**. However, inflation increased again to **10.85% in May**, with services up **13.53%**, non-food goods up **12.54%** and food goods up **6.78%**, while the average net wage fell to **RON 5,843 in April**, down **1.6%** from March, and the real wage index stood at only **93.5%** compared with April 2025. Overall, the data point to a mixed but fragile environment: investment in construction and equipment may support selected sectors, but high inflation and falling real wages continue to limit household purchasing power, reduce retail demand and increase pressure on pricing, inventories, margins and cash flow.

Fiscal Policy Constraints Grow as Economic Forecasts Deteriorate.

Romania's policy room is narrowing as both domestic and European data point to weaker growth and persistent inflation. Eurostat revised Q1 data showing a slight contraction in the euro area and the EU compared with Q4 2025, while Romania's economy stagnated quarterly, confirming that the slowdown is not only domestic, but part of a weaker regional environment. At national level, the CNSP cut Romania's 2026 growth forecast from **1% to 0.1%**, citing high inflation, fiscal consolidation, weaker consumption and geopolitical pressure, while also raising the average annual inflation forecast to **7.9%** and the end-year CPI estimate to **5.3%**. The same forecast shows pressure on household income: the average gross wage is expected to rise by **5.8%**, to **RON 9,217**, but real wage growth remains negative because inflation continues to erode purchasing power. Politically, premier-designate Eugen Tomac signalled that the future government's priorities would be **PNRR implementation**, deficit reduction and avoiding tax increases, but fiscal experts close to the interim government warned that Romania currently has **no budgetary room for tax or VAT cuts**. This creates a difficult mix of weak demand, limited fiscal flexibility and policy uncertainty, with continued pressure from inflation, slower wage-adjusted consumption and

stricter budget discipline, while any relief through lower taxes appears unlikely unless the deficit path improves.

EU Budget Priorities Shift as Global Risks Increase.

The European Commission proposed a **€199.9 billion EU budget for 2027**, the last budget of the current 2021–2027 financial framework, with funding focused on **defence, competitiveness, energy, migration, border protection and support for Ukraine**, while agriculture and cohesion policy remain among the largest beneficiaries. This comes as external risks are increasing: the World Bank warned that an expansion of global conflicts could hit the world economy through energy prices, supply chains and weaker growth, while the ECB raised its key interest rate by **0.25 percentage points, to 2.25%**, after almost a year of pause, in response to renewed inflation pressure linked to energy costs. In parallel, the IMF warned euro area countries against further fiscal relaxation and called for stricter fiscal policy, especially in high-debt economies, arguing that additional spending could amplify vulnerabilities instead of cushioning the shock. Taken together, these developments show a European policy environment increasingly shaped by **security spending, energy risks, tighter monetary conditions and fiscal discipline**, rather than broad-based stimulus.

Impact: The combined signals point to a more cautious business environment, shaped by weak domestic demand, persistent inflation and limited fiscal room. Statistical data are reinforced by warnings and forecasts from European and international institutions, which indicate slower growth, tighter monetary conditions and higher exposure to external shocks. This may keep pressure on costs, financing, pricing decisions and investment planning, while reducing expectations for fiscal relief or broad public support.

Recovery & Resilience Plan

NRRP Progress Improves, but Deadline Pressure Remains.

Romania has received a positive signal on NRRP implementation after the EU Economic and Financial Committee approved payment request no. 4, worth **€2.62 billion**, with all **38 milestones** and **24 targets** evaluated positively and no suspensions or financial corrections. After the payment, Romania would reach around **€12.97 billion** attracted through the NRRP, equal to about **61%** of the total **€21.41 billion** allocation. However, the next stage remains critical: Finance Minister Alexandru Nazare warned that all reforms and investments must be completed in **2026**, while the last payment request must be submitted by **30 September 2026**. Dragoş Pîslaru also stressed that the final deadline for implementation is **31 August 2026**, and that the ongoing revision of the NRRP is focused on saving as many deliverable investments as possible, not reducing the plan's ambition. Politically, premier-designate Eugen Tomac linked the future government programme directly to NRRP priorities, including digitalisation, administrative reform and continuity of commitments. The overall picture is more positive than in previous weeks, but Romania's ability to fully use the funds still depends on fast project delivery, reform continuity and political stability.

Impact: The approval of payment request no. 4 improves short-term confidence in Romania's NRRP implementation and may support liquidity for public investment, contractors and ongoing projects. However, the tight **August–September 2026** deadlines keep execution risk high, especially if reforms, procurement procedures or project delivery are delayed. The main business impact remains linked to predictability: companies dependent on EU-funded investments may benefit from faster payments and prioritised projects, but still face uncertainty over which investments remain fully deliverable under the revised NRRP