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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 Deepens: Adrian Veștea's nomination as PM triggers PNL backlash and coalition rejection. Corruption investigations and court rulings affecting key political figures intensify perceptions of politicisation and add pressure ahead of decisive political votes.

EU Policy Direction and Energy Geopolitics Shift: Ireland's EU Presidency prioritises competitiveness, investment and regulatory simplification, while the US – Iran deal eases energy tensions but leaves major geopolitical uncertainty unresolved.

Business Confidence Weakens, External Vulnerabilities Increase: Weak sentiment, financial stress and rising external debt increase Romania's vulnerability, despite broader EU efforts to support growth and stability.

NRRP Delivery Race: Romania accelerates reforms to secure EU funds, but tight deadlines and implementation bottlenecks keep execution risk elevated.

Political Landscape

Domestic Political Dynamics

Adrian Veștea, Designated PM, Faces Mounting Pressure.

Romania's political crisis deepened after **President Nicușor Dan nominated PNL First Vice President Adrian Veștea as Prime Minister** following Eugen Tomac's resignation. The move triggered an unprecedented conflict inside the **liberal party (PNL)**, whose leadership said it had **neither been consulted nor informed about the nomination**. PNL, alongside USR and UDMR, reaffirmed its **opposition to a Veștea-led government**, arguing that the President interfered in the party's internal affairs by promoting a candidate rejected by the party's governing bodies. Party leader Ilie Bolojan described the nomination as an “*attempt to split*” the PNL and **called for a new round of political consultations**.

Government Formation Remains Uncertain.

Throughout the week, **Veștea sought support across the political spectrum, including discussions with PSD-backed figures** and the fair-right smaller parties (SOS and POT). However, the parliamentary arithmetic remains highly unfavorable. **PSD keeps helping Veștea** secure a majority, while publicly declaring it will decide on Sunday if it supports the nominated PM or not. Although **AUR officially denied negotiations and support for the PM**, reports of **indirect contacts and mixed signals from some party representatives** fueled speculation that Veștea's only realistic path to Parliament may depend on votes from ultranationalist and sovereigntist parties. President Dan, meanwhile, stated that securing a parliamentary majority is the responsibility of the designated Prime Minister, not the Presidency, even though he promised not to appoint a PM that would have to secure the votes of those fair-right parties.

Power Struggle in PNL Escalates.

The crisis evolved into a broader battle for control of the PNL. After the **party voted against supporting a Veștea government, decided to expel Veștea from the party this Sunday and any member who would back it**, 16 liberal politicians challenged the decisions in court. Several hours after this challenge was submitted (!!!), the **Ilfov Tribunal suspended the party resolutions pending a final ruling**, prompting accusations from the PNL leadership that the judiciary was being drawn into an internal political dispute. Hours later, **Veștea announced his candidacy for the PNL presidency and requested that Sunday's extraordinary party congress be postponed** by one week so he could challenge Ilie Bolojan for leadership. The PNL leadership rejected any change of direction and signalled it **will proceed with the congress as scheduled (Sunday, June 21)**. The party will also appeal this decision, while calling on all political actors to “*refrain from using justice in the political struggle*”.

Judicial Decisions Seem a Coincidence and Add Further Pressure.

The political turmoil intensified on Thursday after a series of high-profile judicial developments. **PNL First Vice President Ciprian Ciucu, one of Bolojan's closest allies, was placed under judicial supervision by anti-corruption prosecutors in a bribery investigation**, allegations he denies. On the same day, Romania's **High Court upheld an integrity ruling against USR leader Dominic Fritz**, confirming a **conflict-of-interest** finding that could bar him from running for elected office until 2030. Fritz announced he will challenge the decision before the European Court of Human Rights. Taken together with the court intervention in the PNL dispute, the developments have further increased political tensions ahead of a decisive weekend, as **Veștea postponed the submission of his government programme and ministerial list for next Monday** and continues efforts to secure enough support for an investiture vote expected next week. As Recorder said in its infamous documentary, **the judicial system indeed seems to be “captured”, and the rule of law seems under attack.**

***Impact:** The prolonged political deadlock is increasing uncertainty for businesses and investors, delaying key fiscal, regulatory and budgetary decisions at a time when Romania faces significant economic challenges. The absence of a stable governing majority also risks slowing reforms linked to EU funding, public investment projects and Romania's OECD accession process, where institutional predictability and policy continuity remain critical requirements. At the European level, the crisis weakens Romania's ability to actively shape policy discussions and negotiate strategic priorities, while domestically it further erodes public confidence in political institutions and deepens political polarization.*

International & Geopolitical Affairs

Ireland's EU Presidency to Focus on Competitiveness and Regulatory Reform.

Ahead of **taking over the Presidency of the Council of the European Union on 1 July, Ireland has outlined an agenda** strongly centred on **economic competitiveness, regulatory simplification and investment**. Key priorities include reducing administrative burdens for businesses, deepening the Single Market, advancing the Savings and Investment Union, strengthening trade relationships and accelerating investment in strategic sectors such as artificial intelligence, semiconductors, biotechnology and clean energy. Ireland also plans to push forward the forthcoming EU Biotech Act and reforms to medical devices legislation, with the aim of creating a more innovation-friendly environment, attracting clinical research and improving Europe's global competitiveness. The Presidency will additionally play a leading role in negotiations on the EU's 2028–2034 budget, while **supporting initiatives designed to strengthen energy security, digital infrastructure and supply-chain resilience** across the bloc.

US - Iran Initial Peace Deal to End Conflict and Reopen Strait of Hormuz.

The **United States and Iran have signed an initial peace agreement** aimed at ending the conflict and **reopening the Strait of Hormuz**, one of the world's most critical energy trade routes. The Memorandum of Understanding (MoU) establishes an **immediate ceasefire, creates a 60-day framework for negotiating a comprehensive deal**, and introduces a roadmap for the gradual lifting of sanctions on Iran in exchange for commitments related to its nuclear program. The agreement has already eased concerns over a prolonged disruption to global energy supplies, contributing to a **decline in oil prices** and improving market sentiment. While markets are likely to welcome the de-escalation and improved outlook for energy security, significant uncertainty in the MoU remains regarding whether the parties can ultimately reach a durable and comprehensive settlement.

***Impact:** Together, these developments are broadly positive for businesses in Romania and the EU. The potential stabilization of energy flows through the Strait of Hormuz can help ease energy price volatility, which is particularly important for energy-intensive industries and inflation-sensitive economies in Europe. At the same time, Ireland's EU Presidency agenda signals stronger efforts to reduce regulatory burdens, deepen the Single Market, and accelerate investment in strategic sectors like AI, biotech and clean energy, all of which could improve access to capital and growth opportunities for EU companies, including those in Romania. However, lingering uncertainty over the Iran deal and global geopolitics means businesses will still need to plan in a relatively volatile external environment.*

Economic & Fiscal Outlook

Business Environment Developments

Labour Market Weakness Meets Industrial Support Measures.

Romania's latest data show further pressure on the labour market and industrial activity, while the Government is trying to offset the slowdown through targeted support for production. The unemployment rate increased to **6.5% in Q1 2026**, up **0.2 percentage points**, with much higher unemployment in rural areas (**10.3%**) and among young people aged 15–24 (**27.4%**). At the same time, wages weakened in real terms: the average net salary fell by almost **RON 100** in April, to below **RON 5,900**, while purchasing power declined by **6.5%** over the past year. Industrial production also remained negative, falling by **2.2%** in January–April 2026, mainly because of declines in manufacturing (**-3.5%**) and extractive industry (**-1%**), although energy production increased by **5.7%**. Against this backdrop, the Government approved a **RON 5.313 billion** state-aid programme for large investments in manufacturing, targeting projects of at least **RON 50 million**, through direct grants or tax credits, with financing agreements issued between **2026 and 2032** and payments between **2027 and 2036**. The measure signals a shift from short-term consumption support toward rebuilding local production capacity, but its effects will depend on how quickly eligible investments are approved and implemented.

Business Confidence Weakens as Operating Risks Rise.

The latest signals from the business environment show that companies are facing a more difficult operating context, shaped by **weaker consumption, political instability, higher costs and tighter liquidity**. More large firms are showing signs of financial distress, suggesting that liquidity problems and delayed payments are spreading through business chains. Surveys indicate that most companies see **economic uncertainty** as a critical risk for the business environment. Lower consumption, political instability and rising operational costs are already affecting companies' investment, hiring and expansion plans. At the same time, business representatives are asking for **predictable fiscal policy, lower energy-cost pressure, stronger tax collection instead of new tax increases, and more support for innovation and competitiveness**. Together, these developments suggest that companies are moving from expansion plans toward **caution, cash-flow protection and resilience**.

External Vulnerabilities and Competitiveness Risks Increase.

Romania's external position remains under pressure, as external debt increased by more than **€1 billion** in the first four months of 2026, while foreign direct investment weakened and the current-account adjustment appears linked more to softer imports than to stronger external performance. At the same time, Romania lost **12 positions** in the global competitiveness ranking, signalling weaker performance in areas such as economic efficiency, infrastructure,

institutional capacity and business attractiveness. At EU level, authorities are preparing measures to protect bank liquidity in case of a new financial shock, showing that financial stability risks remain high in a context of tighter funding conditions. A more positive signal comes from the European Parliament's approval of the application of the EU-US tariff agreement, which could support trade flows for selected products and reduce part of the uncertainty around transatlantic commercial relations. Overall, the data point to an economy exposed to external financing risks and competitiveness weaknesses, with some relief coming from trade facilitation and EU-level financial safeguards.

Impact: *The combined signals point to a more fragile business environment, where weaker labour-market conditions, lower purchasing power and declining industrial output are reinforcing caution across the economy. Companies are likely to remain focused on liquidity, cost control and delayed investment decisions, especially as financial distress and payment delays spread through business chains. The new state-aid programme may support medium-term production capacity, but external debt, weaker competitiveness and tighter financing conditions keep pressure on business planning and investor confidence.*

Recovery & Resilience Plan

NRRP Enters Final Delivery Race.

Romania is entering a critical stage of NRRP implementation, with only a **short period left to recover major EU funding** and avoid losing several billion euros. Business representatives warn that the **optimistic scenario still involves significant losses, while a more negative scenario could affect Romania's fiscal position** and investor confidence. Parliament is being pushed to **approve urgent milestones** financed from the state budget, including reforms needed to keep the plan on track. At the same time, lawmakers adopted a mechanism allowing **some projects removed from the NRRP to continue through other financing sources**, reducing the risk of implementation blockages. Pressure is especially visible in infrastructure, where key road projects remain in a race against the NRRP deadline, and in water-sector reform, where a new milestone was submitted to Parliament. Overall, the picture is one of accelerated political and administrative action, but also high execution risk, as Romania tries to preserve eligible investments, avoid funding losses and complete reforms before the final deadlines.

Impact: *The NRRP remains a central source of funding and confidence, but execution risk is increasing as deadlines approach. Companies linked to public investment, infrastructure and EU-funded projects may benefit from efforts to preserve financing and continue projects through alternative sources, but delays in milestones, project screening and reform approval could still create payment uncertainty, contract adjustments and weaker investment predictability.*