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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

Political Talks Resume After Veștea's Rejection: Adrian Veștea's cabinet failed to win Parliament's backing. Parties remain divided over rival prime minister nominations (Sorin Grindeanu and Siegfried Mureșan), while President Nicușor Dan is expected to put forward a third candidate for prime minister.

EU Boosts Black Sea Connectivity and Regional Security: The European Commission launched a €2 billion connectivity initiative for the Black Sea region, while Eastern Flank leaders reaffirmed support for Ukraine, backed stronger EU-NATO defence cooperation, and confirmed Romania will host the next regional summit in 2027.

Fiscal Credibility and EU Integration: Romania's lower deficit improves short-term fiscal credibility, but debt risks, weak demand and EU convergence gaps keep pressure on fiscal discipline, business activity and structural reforms.

NRRP Funding Visibility: Romania's latest NRRP inflow improves short-term financing conditions, but ongoing reallocations and political dependence show that final absorption still depends on reform continuity and fast implementation.

Political Landscape

Domestic Political Dynamics

Veștea Government Fails to Win Parliament's Backing.

Romania's political crisis deepened this week after **Prime Minister-designate Adrian Veștea failed to secure parliamentary approval for his cabinet**. The proposed government, backed by PSD and a group of former **PNL members who have since been expelled from the party**, was widely expected to receive AUR's support after talks between the two sides. Instead, AUR walked out of the vote, leaving Veștea with just **189 votes** (well below the 233 needed for investment). With both of President Nicușor Dan's nominations now unsuccessful, the government formation process has been reset.

PNL Elects New Leadership and Moves Against Dissident Faction.

PNL completed its internal leadership overhaul at an extraordinary party congress, where **Ilie Bolojan was comfortably re-elected as party president**. The party also elected **a new leadership team**, with Dan Motreanu becoming First Vice-President, Robert Sighiartău appointed Secretary-General, and Mircea Abrudean, Oana Gheorghiu, Gabriela Horga, Alexandru Muraru, Siegfried Mureșan, Dragoș Pîslaru, Ioan Popa and Florin Roman elected as vice-presidents. The reshuffle is intended to consolidate Bolojan's control over the party following the recent internal split.

Minority Government Talks Hit Another Deadlock.

Following the failed vote, **President Nicușor Dan asked the pro-Western parties to negotiate a parliamentary agreement capable of supporting a minority government**, saying Romania urgently needs a fully empowered cabinet before Parliament enters recess and ahead of key PNRR deadlines. Two options were put on the table: **either a PSD minority government** or a **PNL-USR-UDMR minority cabinet**, with both relying on outside parliamentary support. However, negotiations at Vila Lac quickly reached an impasse.

PSD nominated party leader Sorin Grindeanu to head a PSD-only government, while **PNL, USR and UDMR jointly proposed MEP Siegfried Mureșan** as their candidate for prime minister. USR rejected a PSD-only cabinet, PSD refused to back a government including USR, and neither side proved willing to support the other's nominee. It remains to be seen, however, if the parties ultimately reach common ground on PNL's suggestion to sign **a parliamentary agreement for backing each other's government for the next 6 months** or USR's proposal for a **rotating governance**.

President Awaits a Political Solution. Next PM nomination, possibly on Sunday.

President Dan has repeatedly said that responsibility now lies with the political parties, urging them to present a negotiated parliamentary majority rather than expecting another presidential intervention. He acknowledged that both of his previous nominations were based on political assurances that ultimately collapsed and warned that Romania cannot afford prolonged uncertainty or early elections, citing both financial market confidence and the need to meet upcoming EU funding milestones. According to political sources, the **President is expected to nominate a new prime minister on Sunday**, hoping **Parliament can hold an investiture vote before the summer recess begins next week**.

***Impact:** The prolonged political deadlock is increasingly weighing on Romania's economy, with businesses delaying investment decisions and adopting a more cautious approach amid continued policy uncertainty. The absence of a fully empowered government also raises concerns over the implementation of reforms linked to the PNRR and the approval of key fiscal and regulatory measures. At the same time, persistent political instability is affecting consumer confidence, encouraging more cautious spending behaviour as households wait for greater clarity on the country's economic and political outlook.*

International & Geopolitical Affairs

EU Launches €2 Billion Connectivity Initiative for the Black Sea Region.

The European Commission this week launched the Connectivity Agenda Platform, a new framework designed to coordinate strategic investments in transport, energy, digital infrastructure and trade across the Black Sea region, the South Caucasus and Central Asia. As part of the initiative, the Commission signed agreements with international financial institutions expected to mobilise up to €2 billion for transport infrastructure, border crossings and trade facilitation projects. The Platform, established under the EU's Global Gateway strategy, also aims to strengthen the Trans-Caspian Transport Corridor by improving its efficiency and competitiveness, reflecting the EU's broader effort to enhance connectivity, resilience and economic links between Europe and its eastern partners.

Eastern Flank Leaders Reaffirm Support for Ukraine and Regional Security.

Speaking after the Eastern Flank Summit in Gdańsk, President Nicușor Dan said participating leaders presented a united front on regional security, reaffirming that Russia is viewed as a common threat and reiterating their commitment to supporting Ukraine. The leaders also agreed that the EU and NATO should play complementary roles in strengthening Europe's defence capabilities and stressed the need to increase defence spending and accelerate military procurement. Dan highlighted the importance of maintaining unity across NATO's Eastern Flank—from the Baltic to the Black Sea—and updated partners on Romania's progress in developing the EU-backed Black Sea Security Hub. He also called for Ukraine's wartime experience to be reflected in future European defence programmes and announced that Romania will host the next Eastern Flank Summit in early 2027.

Impact: For Romania, these initiatives reinforce the country's growing strategic role on NATO's Eastern Flank and as a regional logistics and connectivity hub. The planned investments in transport infrastructure, border crossings and the Black Sea corridor could improve trade flows and create new opportunities for companies operating in logistics, infrastructure, energy and related sectors. At the same time, increased EU and NATO focus on regional security is expected to support further defence investment and strengthen Romania's attractiveness as a destination for long-term strategic and industrial projects.

Economic & Fiscal Outlook

Business Environment Developments

Fiscal Consolidation Improves, but Debt Risks Remain High.

Romania's budget execution improved visibly in the first five months of 2026, with the deficit falling to **1.75% of GDP**, compared with **3.35% of GDP** in the same period of 2025, supported by higher fiscal revenues, stronger VAT collection and better use of EU and NRRP funds, while public investment was maintained. Finance Minister Alexandru Nazare presented the data as an argument for Romania's ability to continue fiscal consolidation ahead of discussions with rating agencies, but also warned that the second half of the year remains difficult and that the current improvement should not lead to fiscal relaxation. Economists are more cautious, arguing that it is still too early to treat the lower deficit as a structural improvement, especially because spending pressures, interest costs and the need for credible medium-term measures remain high.

The broader message from the central bank's analysis is similar: financial sustainability is becoming a key condition for long-term growth, and inflation and deficit targets should be respected regardless of the political composition of future governments. At the same time, debt dynamics remain a major risk, with warnings that public debt could reach **90% of GDP earlier than 2036** if fiscal adjustment is delayed or economic growth remains weak. Overall, the data bring short-term relief for Romania's fiscal credibility, but do not remove the need for continued consolidation, disciplined spending and predictable fiscal policy.

Consumption Signals Remain Mixed.

Romania still has one of the lowest consumer price levels in the EU, including the cheapest food and non-alcoholic beverages in 2025, but this does not fully translate into stronger demand because purchasing power remains weak. Trade activity shows some resilience, with turnover rising by **1.8%** in the first four months, suggesting that parts of distribution and wholesale activity are still holding up. However, business-to-business market services weakened in April, with turnover down **8.1%** compared with March, pointing to more cautious corporate demand and slower activity in services used by companies. Overall, the data suggest a fragmented consumption picture: some trade segments remain positive, but weak purchasing power and lower business services demand continue to limit the strength of the recovery.

EU Simplification and Digital Integration Agenda.

The EU is moving on several fronts to strengthen competitiveness and financial integration, while Romania's structural gaps remain visible. Brussels' new

fiscal simplification package could reduce administrative costs for companies by around **€8 billion annually**, including through easier rules for cross-border payments, tax reporting and compliance obligations. At the same time, EU-level data confirm that SMEs remain the backbone of the European economy, generating **51.7% of value added** and **63.7% of jobs**, but Romania still has one of the lowest SME densities in the EU and has lost employment in this segment. The digital euro file is also advancing, with the European Parliament supporting a pilot in **2027** and a possible full issuance by the ECB in **2029**, as part of a broader effort to reduce dependence on non-European payment systems and preserve access to public money in digital form. However, Romania remains outside the euro adoption path for now, as the Commission's 2026 convergence assessment says the country does not currently meet the conditions for joining the euro area, despite public support of **65%** for adopting the single currency. Overall, the EU agenda points toward lower administrative burdens, deeper payment integration and stronger SME competitiveness, while Romania still needs fiscal convergence, stronger business density and better structural alignment with the single market.

***Impact:** The combined signals point to a more disciplined but still fragile economic environment. The lower deficit may support Romania's credibility with investors and rating agencies, but high debt risks and limited fiscal space reduce the room for tax relief or broad public support. At the same time, mixed consumption data and weaker business services suggest that demand remains uneven, while the EU simplification agenda and digital integration could lower administrative costs over time. Romania's main challenge remains to align fiscal stability, SME competitiveness and structural convergence with the broader EU market.*

Recovery & Resilience Plan

NRRP Cash Inflow Improves, but Reallocation Continues.

Romania received another **€2.25 billion** from the NRRP, bringing total funds received to over **60% of the allocation** and easing short-term Treasury pressure by covering upcoming payments without new borrowing. At the same time, negotiations over the revised plan keep investment priorities under adjustment: Romania aims to preserve major transport financing, including **€4.7 billion** for motorways and railways, while part of the money initially allocated to digitalisation and private investment is being reduced and redirected. The Government is also presenting a more optimistic absorption outlook, with the possibility of reaching **95% PNRR implementation** if political and administrative discipline is maintained. The political dimension is also becoming more visible, as the finalisation of the NRRP is being framed as one of the main priorities for the next government, alongside budget and economic policy, reinforcing the idea that EU funding remains tied to government stability and reform continuity. Overall, the latest developments improve short-term funding visibility, but they also confirm that Romania is still actively reshaping the plan to protect deliverable investments before the final deadline.

***Impact:** The new NRRP payment improves short-term liquidity and reduces pressure on public financing, especially by helping cover due payments without*

additional borrowing. However, the continued reallocation of funds shows that investment priorities remain under adjustment, which may affect predictability for projects linked to digitalisation, private investment and public infrastructure. The main business relevance remains tied to implementation speed, political stability and the ability of the next government to preserve EU-funded investments before the final deadline.