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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

No Deal Yet on a New Government: Romania remains without a new government after another round of coalition talks ended without progress, as parties continue to disagree over how to share power.

Romania Faces New EU Cases; Region Reaffirms Support for Ukraine: The European Commission has opened several infringement procedures against Romania over delays in implementing EU legislation. Leaders meeting in Kyiv reaffirmed their support for Ukraine, regional security and continued cooperation on reconstruction and defence.

Disinflation Meets Fiscal Pressure: Inflation has begun to decline and external imbalances have narrowed, but weaker real incomes, falling industrial production and rating-agency scrutiny leave Romania dependent on sustained fiscal discipline, political stability and stronger productive investment.

Payment Progress, Execution Deadline: Romania is preparing an approximately EUR 2 billion NRRP payment request after revising the plan, but slow physical implementation and unresolved reform disputes leave final absorption exposed to an exceptionally tight completion window.

Political Landscape

Domestic Political Dynamics

President's Coalition Talks End Without a Breakthrough.

A new **round of consultations between President Nicușor Dan and the leaders of PSD, PNL, USR and UDMR again failed to produce a governing majority**. The President said the main obstacle is no longer the choice of prime minister, but the make-up of the future cabinet, as parties continue to reject governing formulas that include their political rivals. Dan reiterated that **he will not nominate a prime minister without a realistic chance of securing parliamentary support**. He argued that his earlier proposal for a temporary technocratic government would have been a viable solution. While informal discussions are continuing, Nicușor Dan said it is now up to the parties to find the 233 votes needed to form a government.

Parties' Positions Remain Unchanged.

The consultations confirmed that the main parties remain locked into the same positions that have blocked negotiations for weeks. PSD accused PNL and USR of refusing to reconsider their internal decisions not to govern with the Social Democrats, while insisting that **it will support only a government in which it participates**. PNL and USR maintained that **they will not return to a coalition with PSD**, while UDMR continued to push for a compromise, proposing a **temporary "armistice government" that could be followed by minority cabinets**. As the crisis continues, **early elections are increasingly being discussed** by PNL and USR as a possible fallback option, although President Nicușor Dan and UDMR continue to argue that a political agreement remains the preferred outcome.

PSD Signals Confidence as AUR Seeks a Deal.

With no agreement in sight, public attention has increasingly shifted to alternative parliamentary majorities. **AUR openly proposed a partnership with PSD**, offering support for a PSD-led government **in exchange for the Senate presidency**. At the same time, PSD leader Sorin Grindeanu **said he is optimistic that the party can secure the 233 votes** needed to pass a government **by August**, although he declined to explain where those additional votes would come from. The debate also exposed differences inside PSD, with senior vice-president Victor Negrescu publicly rejecting any governing arrangement involving AUR and arguing that the party should remain isolated despite ongoing speculation about possible cooperation.

Impact: *The longer Romania remains without a stable government, the greater the uncertainty for the economy and the business community. Key decisions on the budget, fiscal measures and public investment are likely to be delayed, while reforms and projects tied to the NRRP and EU's SAFE instrument could*

also move more slowly. At the same time, prolonged political uncertainty may weigh on investor confidence, increase pressure on Romania's sovereign credit rating and borrowing costs, and make both businesses and consumers more cautious about spending and investment. If the stalemate drags on or leads to early elections, the economic outlook could weaken further, creating a less predictable environment for companies operating in Romania.

International & Geopolitical Affairs

Romania Targeted in Multiple New EU Infringement Procedures.

The European Commission has opened **several infringement procedures** against Romania for failing to fully transpose several recently adopted EU directives before the applicable deadlines. As part of a broader package affecting multiple Member States, the Commission sent Romania letters of formal notice covering areas including migration and asylum rules, protection against abusive lawsuits (SLAPPs), environmental crime, the transport of dangerous goods, capital markets, financial services, building energy performance, equality bodies and internal market emergency rules.

Authorities from Bucharest now have **two months to notify the Commission that the missing measures have been fully transposed or explain the delays**. If the Commission considers the response unsatisfactory, it may move to the next stage of the infringement process by issuing a reasoned opinion. The cases concern delays in incorporating recently adopted EU legislation into Romanian law, a step required before the new rules can be fully applied.

Southeast European Leaders Reaffirm Support for Ukraine at Kyiv Summit.

Leaders from Ukraine and nine Southeast European countries signed a **joint declaration at the fifth Ukraine–Southeast Europe Summit in Kyiv**, reaffirming their support for Ukraine's independence, sovereignty and territorial integrity while strongly condemning Russia's military aggression. The statement, endorsed in the presence of European Commission President Ursula von der Leyen, says **any future peace must be "comprehensive, just and lasting"**, based on international law and the UN Charter. It also calls on Russia to end the war, withdraw its forces from Ukrainian territory, and accept a full ceasefire, while stressing that no decisions on Ukraine can be made without Ukraine. The declaration also **backs Ukraine's EU and NATO aspirations**, calls for tougher sanctions on Russia, and pledges **continued regional cooperation on security, energy, reconstruction and countering hybrid threats**.

Impact: *While neither development has an immediate impact on day-to-day business operations, they send important signals to the market. Romania's multiple infringement procedures highlight continued delays in implementing EU legislation, which may raise concerns about the pace of reforms, legal predictability and the country's ability to absorb EU funding efficiently. At the same time, the Kyiv Summit reaffirmed long-term political and security support for Ukraine, suggesting that defence spending, reconstruction projects and sanctions on Russia will remain high on the regional agenda.*

Economic & Fiscal Outlook

Business Environment Developments

Disinflation Begins, but Purchasing Power Remains Under Pressure.

Annual **inflation eased to 10.42% in June** from 10.85% in May, with monthly prices broadly stable, but services and non-food goods still recorded increases of 13.67% and 12.29%, respectively, while food prices rose by 5.75%. Employers consider that **inflation may have passed its peak and could decline towards 6% by year-end**, although previous price increases have already weakened consumer confidence and demand. At the same time, the **average net wage fell by 2.7% month-on-month in May to RON 5,684**, while annual wage growth remained below inflation, further reducing household purchasing power. More broadly, renewed geopolitical, energy or trade shocks could interrupt disinflation, meaning that weaker price growth will provide only gradual relief for consumers and demand-sensitive companies.

Rating Pressure Keeps Fiscal Consolidation at the Centre.

Romania intensified **discussions with Fitch and Moody's** as the **authorities seek to preserve the country's investment-grade rating**, which directly affects investor confidence, sovereign borrowing costs and the financing conditions faced by the wider economy. Almost **half of the 2026 financing plan has already been secured**, including RON 58.6 billion raised domestically, but Romania's large financing requirement leaves it exposed to any deterioration in market perception. Fiscal experts argue that **recent tax increases were unavoidable** given the large deficit and weak growth, while political instability remains the main threat to reform continuity and rating credibility. Taken together, fiscal discipline remains essential not only for public finances, but also for private-sector funding costs and investment confidence.

External Adjustment Masks Weaker Investment and Industrial Activity.

The **current-account deficit narrowed to EUR 11.43 billion in January–May**, from EUR 12.08 billion one year earlier, partly due to a EUR 536 million reduction in the goods deficit. However, **foreign direct investment declined from EUR 2.91 billion to EUR 2.20 billion**, while total **external debt exceeded EUR 230 billion**, limiting the strength of the external adjustment. **Industrial production also fell by 3.3%** in the first five months, driven by a 4.5% contraction in manufacturing, although activity improved month-on-month in May. Against this weaker domestic backdrop, Romania's participation in the EU's ETCI 2.0 initiative could facilitate **access to growth capital from a platform targeting up to EUR 80 billion for innovative technology companies**. Overall, improved external balances remain fragile unless accompanied by stronger productive investment, industrial competitiveness and access to European capital.

Impact: *Businesses face a gradually improving inflation outlook, but household purchasing power, industrial demand and investment appetite remain weak. Preserving the investment-grade rating would contain sovereign and corporate financing costs, while fiscal slippage or renewed political instability could rapidly increase risk premiums. Lower inflation and access to European technology financing offer medium-term opportunities, particularly for innovative and scalable companies, but SMEs remain more exposed to taxation, expensive credit and subdued consumption. The main challenge is therefore to combine credible fiscal consolidation with measures that protect productive investment and prevent adjustment from relying excessively on weaker domestic demand.*

Recovery & Resilience Plan

Revised Plan Improves Payment Visibility, but Execution Risk Peaks.

The Government completed ***the third revision of the NRRP, reducing the plan to EUR 20.1 billion—EUR 13.6 billion in grants and EUR 6.5 billion in loans—and preparing Payment Request No. 5 for submission in early August.*** The request covers ***75 milestones and targets, including 21 reforms and 54 investments, with a gross value of EUR 2.66 billion*** and an estimated net payment of approximately EUR 2 billion following the Commission’s assessment. Progress includes a ***completed milestone supporting more than EUR 17 million*** in robotic process automation for public institutions, intended to reduce bureaucracy and response times. However, many of the ***more than 20,000 planned investments remain only slightly above 50% completion,*** while ***political disagreements continue to threaten timely adoption of the unitary pay law.*** Overall, payment visibility has improved, but the shrinking implementation window makes administrative execution and political agreement decisive for final absorption.

Impact: *The prospective payment would provide significant short-term liquidity and support public investment, while the revised plan offers greater clarity regarding projects considered deliverable. However, beneficiaries face an increasingly compressed implementation timetable, with delays creating risks of incomplete works, unreimbursed expenditure and pressure on national or local budgets. Final absorption depends on rapid procurement, construction and verification, as well as timely adoption of politically sensitive reforms. Predictability therefore remains strongest for advanced projects, while investments with limited physical progress face a materially higher risk of reduction or loss of funding.*