

Macroeconomic and Strategic Analysis

UniCredit Weekly Report



**The 7M26 budget deficit was 2.34% of GDP, almost 40%
lower than in the same period of 2025**

31 August 2026

*Please note that this report contains information covering the 3-28
August period in chronological order.*

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Weekly briefing

Romanian Economy

- **At its meeting on 10 August 2026, the NBR Board left the monetary policy rate unchanged at 6.50%**, while maintaining the lending and deposit facility rates at 7.50% and 5.50%, respectively, as well as existing reserve requirements.
- **The headline annual inflation eased further to 8.2%yoy in July** (from 10.4% recorded in the previous month), coming in line with our forecast [UniCredit: 8.1; consensus: 7.8]. Moreover, **the annual core inflation decelerated to 8.24%yoy** from 8.34%yoy in June.
- **The NIS released the flash estimate for 2Q2026 GDP showing -0.4%yoy in gross terms** (from -1.2%yoy in 1Q26). **On a quarterly basis, GDP was unchanged (0.0%qoq)** after the revised -0.1%qoq contraction in 1Q26, suggesting that the economy exited the technical recession recorded at the turn of the year but remained broadly stagnant.
- **International reserves (FX reserves plus gold) declined to EUR 75.0bn at end-July** from EUR 75.3bn a month earlier.
- **The budget execution for the first seven months of 2026 shows a deficit of 2.34% of GDP** (RON 48.1bn), significantly lower than the 3.99% of GDP deficit (RON 76.4bn) recorded in the same period of 2025. This marks a fiscal adjustment of almost RON 28.4bn.
- **In yearly terms, the total volume of construction works increased by 19.9%yoy** (gross data) in June 2026, accelerating from 16.2%yoy in May 2026

European Economy

- **The ZEW Indicator of Economic Sentiment for the Euro Area increased to 31.4 in August 2026**, its highest level in six months.
- **The eurozone flash composite PMI rose to 52.1 in August** from 52.0 in July, beating expectations (51.7) and reaching a nine-month high.

US Economy

- **The US ISM Services PMI increased marginally to 54.1 in July** from 54.0 in June.
- **In July 2026, the US labor market lost 23k jobs**, following the downwardly revised increase of 20k in June, indicating softer labor demand and marking the first decline in nonfarm payrolls in several years.
- **The unemployment rate edged down to 4.1% in July** from 4.2% in June.
- **US headline CPI inflation slowed to 3.4%yoy in July** from 3.5%yoy in June.

The external calendar for the upcoming week includes **Germany's inflation** (Monday), followed by the **GE retail sales**, **EMU inflation** and **US ISM manufacturing** (Tuesday), **US ISM services** (Thursday) and **GE factory orders**, **EMU retail sales** and **US nonfarm payrolls** (Friday). The Romanian calendar includes **international reserves** and **unemployment** (Tuesday), **industrial producer prices** (Wednesday) and **retail sales** (Friday).

Data spotlight: 3 – 28 August

CURRENCIES - MAJORS

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.1600	0.12%	1.17%
EURCHF	0.94	0.01%	1.02%
USDJPY	159.64	-0.34%	-2.42%
GBPUSD	1.3543	0.02%	1.30%

CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.3290	-0.28%	0.14%
EURHUF	364.40	-0.11%	0.18%
EURCZK	24.12	-0.06%	-0.24%

CURRENCIES - RON

	EURRON	USD RON
31-Aug	5.259	4.534
28-Aug	5.251	4.539
27-Aug	5.260	4.513

FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
31-Aug	6.1	6.5	6.6	6.8
28-Aug	6.1	6.5	6.6	6.9
26-Aug	6.1	6.5	6.6	6.9

MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
31-Aug	5.65	5.90	5.85
28-Aug	5.65	5.75	5.85
27-Aug	5.65	5.75	5.85

MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
28-Aug	2.29	2.57	2.76
27-Aug	2.28	2.56	2.75
26-Aug	2.25	2.55	2.77
USDSFOR	1M	3M	6M
28-Aug	3.65	3.64	3.66
27-Aug	3.65	3.64	3.66
26-Aug	3.65	3.64	3.66

STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	7,711.8	-0.25%	5.41%
FTSE	10,824.3	0.00%	0.06%
Hang Seng	25,567.0	-0.14%	7.18%
Bucharest BET	33,910.6	-0.07%	-1.23%

Romanian Economy

■ Romanian producer prices continued to rise in June

Romanian producer prices increased by 0.8%mom in June 2026, after a 1.4%mom increase in May, indicating that industrial price pressures remained elevated, albeit at a slower pace.

The largest increases were recorded in electricity, gas, steam and air conditioning supply (+1.7%mom), mining and quarrying (+1.3%mom), manufacturing (+0.5%mom) and water supply and waste management (+0.4%mom).

Within manufacturing, the strongest price increases were seen in the manufacture of machinery and equipment (+2.8%mom), wood products (+2.4%mom), chemicals (+2.0%mom), electrical equipment (+1.8%mom) and rubber and plastic products (+1.6%mom). In contrast, prices for coke and refined petroleum products declined by 3.5%mom, extending the correction seen in the previous month.

The annual growth rate of producer prices accelerated further to 12.7%yoy in June, from 12.1%yoy in May, reaching its highest level since 2023. Producer prices are likely to remain elevated in the near term, supported by still-high energy costs and persistent input price pressures across manufacturing, although lower oil prices could help contain further increases in petroleum-related sectors.

■ Romanian retail sales declined 5.7%yoy in June

Retail activity decreased by 1.2%mom (seasonally adjusted) in June 2026, after a

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Romanian Economy (continued)

downward revised 0.8%mom increase in May. The sales decreased for food, beverages and tobacco by 2.3%mom and for non-food products by 0.4%mom, while sales for automotive fuel in specialized stores declined by 0.9%mom.

On an annual basis, retail sales in Romania tempered their decline but remained strongly into negative territory, reaching -5.7%yoy (gross data) in June 2026, compared to the 4.8%yoy decrease seen in May. Annually, the biggest decreases were registered by retail of automotive fuel in specialized stores (-8.6%yoy), non-food products (-4.1%yoy) and by the sale of food products (-6.3%yoy). In 1H26 overall retail sales contracted by 5.6%yoy (gross data). At euro area level, retail sales increased by 0.7%yoy, showing a slowing rate of growth compared to May.

The reading showed a downward trend in retail sales and the June figures contracted more than in recent months. The combination of elevated inflation, weakened wage growth, weaker consumer confidence, fiscal tightening measures and heightened political uncertainty are curbing consumption, which has been the primary contributor to Romania's economic expansion in recent years.

■ **The NBR kept the key rate unchanged at 6.50% on 10 August, as expected**

At its meeting on 10 August 2026, the NBR Board left the monetary policy rate unchanged at 6.50%, while maintaining the lending and deposit facility rates at 7.50% and 5.50%, respectively, as well as existing reserve requirements.

Annual inflation eased to 10.42% in June from 10.85% in May, mainly due to lower volatile food and fuel prices. However, inflation remained well above the 9.87% level seen in March, reflecting earlier increases in energy and administered prices. CORE2 inflation edged up to 8.3% in June from 8.2% in March, while HICP inflation rose to 9.2% from 9.0%.

Economic activity remained weak in 1Q26, with GDP contracting by 1.2% yoy after growing 0.2% in the previous quarter, amid weaker consumption, slower investment and a larger drag from inventories. More recent data point to a modest recovery in 2Q26, supported by construction activity, although industrial output remained weak.

Labour market conditions showed some stabilisation. Employment fell at a slower pace in April-May, the unemployment rate edged down from the 6.4% average in 1Q26, and hiring intentions improved. Wage growth continued to moderate to historically low levels.

Financial conditions were broadly stable. Government bond yields moved slightly higher amid renewed Middle East tensions, while the EUR/RON exchange rate remained close to the elevated levels reached in late May. Private sector credit growth accelerated further to 8.4% yoy in June from 7.7% in May.

The NBR expects inflation to decline sharply in 3Q26 as the effects of earlier VAT, excise duty and electricity price increases fade. Inflation is projected to gradually return within the target band by

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Romanian Economy (continued)

end-2027, supported by weaker domestic demand and fiscal consolidation, although risks remain linked to energy prices, drought conditions, fiscal policy and geopolitical developments.

We expect the NBR to keep the key rate unchanged at 6.50% for the rest of 2026. While inflation should decelerate markedly in the coming quarters, underlying price pressures remain elevated, prompting the central bank to maintain a cautious stance.

■ **NBR's August Inflation Report shows upward revision to the inflation forecast**

The NBR's August 2026 Inflation Report points to a somewhat less favorable macroeconomic outlook compared to the May projection round, with inflation expected to remain above the previously forecast path while economic activity continues to be constrained by weak domestic demand. The report continues to describe a stagflationary environment, driven by the energy shock generated by the Middle East conflict, elevated inflation expectations and persistent geopolitical uncertainty.

Economic activity remained weak at the start of 2026. Private consumption continued to deteriorate amid falling real incomes, higher unemployment and increased household caution, while investment remained the main support for economic activity, particularly through construction and EU-funded projects. The NBR expects the negative output gap to remain sizeable throughout the forecast horizon, exerting disinflationary pressures, although these will only gradually offset the inflationary impact of higher energy costs, exchange-rate depreciation and persistent services inflation. As in previous reports, the central bank emphasizes the crucial importance of EU funds absorption and investment projects in supporting growth and facilitating economic adjustment.

Inflation is projected to decline sharply in 3Q26, largely due to favorable base effects associated with the 2025 electricity-price liberalization and tax increases. Headline CPI is expected to fall to 5.9% in September 2026 and reach 6.1% by the end of 2026, an upward change compared to 5.5% projected in the May Inflation Report. Inflation is forecast to continue declining thereafter, reaching 3.4% at end-2027 and 2.8% by 2Q28, with a return inside the target band expected in 4Q27. Core inflation is projected at 5.4% at end-2026 and 3.1% at end-2027. Relative to the May Report, the entire inflation path has been revised upward, by 0.6pp for end-2026 and 0.5pp for end-2027. The revision mainly reflects stronger core inflation pressures arising from the depreciation of the leu, the removal of the cap on food prices and indirect effects of the energy shock.

The balance of risks remains tilted to the upside for inflation. The main risks stem from the Middle East conflict, local energy-market volatility, potential disruptions to trade routes through the Strait of Hormuz and the Red Sea, elevated inflation expectations and stronger pass-through of higher production costs into consumer prices. Additional domestic risks are related to the implementation of fiscal consolidation measures, political stability and the successful completion of PNRR milestones. Conversely, a weaker-than-expected domestic and external demand environment could generate additional disinflationary pressures.

The report also highlights the importance of continuing fiscal consolidation, as the pace of current account correction, inflation convergence and financial-market stability remain heavily dependent on

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Romanian Economy (continued)

the credibility of fiscal policy. In addition, the NBR notes that financial conditions have improved compared with the periods of heightened stress seen earlier this year, although sovereign risk premia and government bond yields remain above the levels recorded at the beginning of 2026.

Moreover, Mr. Isarescu mentioned in the Q&A section the importance of continuing fiscal consolidation, even as social and political headwinds intensify, especially as the public sector wage freeze is coming to an end and indexation is due in the budget for 2027. Furthermore, when asked about the key rate path he avoided giving a clear guidance, stating that first inflation must decrease to levels below the policy rate and stabilize to allow cuts to the key rate, also mentioning that he believes discussions of rate cuts could start in the first quarter of 2027. Moreover, he reiterated the fact that the central bank has intervened less in the FX market compared to last year and emphasized that flexibility is higher for the EUR-RON pair, letting markets figure out the right trading range. Mr. Isarescu also added that the results of the rating reviews by Moody's and Fitch were fair and correct.

■ **The Romanian trade deficit came in at EUR 2.9bn in June, higher by 23.6%yoy**

The trade deficit increased to EUR 2.9bn in June 2026, as exports increased by 5.9%yoy while imports rose 9.9%yoy. During 6M26, exports increased by 3.0%yoy, while imports increased by 1.7%. As a result, the cumulative trade deficit reached EUR 16.5bn, lower by 2%yoy.

On the export side, the largest increases in volumes were seen for manufactured goods classified mainly by raw materials (+7%yoy, EUR 485mn), machinery and transport equipment (+1.7%, EUR 376mn), mineral fuels, lubricants and related materials (+10.9%yoy, EUR 309mn), food and live animals (+7.8%yoy, EUR 276mn), chemicals and related products (+5.0%yoy, EUR 138mn) and animal and vegetable oils, fats, waxes (+74.9%yoy, EUR 108mn). The only major export categories that decreased were miscellaneous manufactured articles (-5.4%yoy, EUR -329mn) and beverages and tobacco (-11.3%yoy, EUR -149mn).

On the import side, the largest decreases in volumes were seen for miscellaneous manufactured articles (-4%yoy, EUR -265mn), beverages and tobacco (-7%yoy, EUR -47mn) and animal and vegetable oils, fats, waxes (-6.6%yoy, EUR -13mn). The largest increases were recorded for machinery and transport equipment (+2%yoy, EUR 585mn), mineral fuels, lubricants and related materials (+11.7%yoy, EUR 584mn) and chemicals and related products (+2.9%yoy, EUR 257mn).

Around 73% of Romania's trade activity was with the European Union. Even if there was an uptick in the trade balance deficit in June, we expect the trade deficit to continue narrowing gradually, as it was in prior months, supported by subdued import growth and resilient exports.

■ **The annual headline inflation dropped to 8.2% in July**

The headline annual inflation eased further to 8.2%yoy in July (from 10.4% recorded in the previous month), in line with our forecast [UniCredit: 8.1; consensus: 7.8]. Moreover, the annual core inflation decelerated to 8.24%yoy from 8.34%yoy in June.

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Romanian Economy (continued)

The monthly increase for the consumer basket was 0.6%, with prices rising as follows: +1%mom for services and +1%mom for non-food products while food products decreased by 0.3%mom.

In the food category, prices declined overall, driven by volatile items. The largest decreases were registered for fruit and tinned fruit (-3.5%mom) and for vegetables and tinned vegetables (-3.2%mom), mainly due to falling prices for fresh fruit (-4.0%mom) and potatoes (-6.1%mom). Among the major categories posting increases, the largest were seen in oil, lard, fats (+0.9%mom), cocoa and coffee (+0.5%mom), sugar, confectionery and honey (+0.4%mom) and milling and bakery products (+0.3%mom).

In the non-food category, the biggest rise was registered by electricity, gas and central heating (+2.7%mom), with electricity prices increasing by 4.4%mom. Fuels increased by 0.9%mom, reflecting an increase of 4.6%mom in diesel and a decrease of 0.8%mom in petrol prices. Elsewhere, price increases were relatively modest, with the largest gains seen in tobacco products (+2.5%mom) along with chemicals (+0.5%mom).

For services, the biggest increases were seen in post and telecommunications (+2.5%mom), followed by water supply, sewage collection, refuse collection and interurban transport (+1.7%mom), with air transport prices rising by 18.7%mom, and other services (+0.7%mom).

After prices experienced a peak in May, followed by a slight easing in June, July registered a 2.2 percentage points drop in headline inflation as the 2025 electricity market liberalization was removed from the calculation basis. Moreover, we expect this disinflationary trend to continue with another similar drop in August as the tax hikes also leave the annual base, followed by a slower but steady easing trend towards around 5.7% by year-end and with a return within the 1.5%-3.5% target range possible only in 2027. However, upside risks persist, especially for next month's CPI data release due to the August energy crisis, caused by severe drought. At the same time, oil prices remain elevated.

■ **The average net salary increased by 0.9%mom in June**

The average net salary increased by 0.9%mom in June, to RON 5,734, broadly in line with our forecasts [UniCredit: 5760]. The annual growth pace increased slightly, to 3.5%yoy in June 2026 from 3.2%yoy in May 2026.

The most significant increases in the average net earnings were recorded as follows: 13.9% increase in telecommunication; 12.7%mom in manufacture of other transport equipment and 12.5% in manufacture of basic pharmaceutical products and pharmaceutical preparations.

The most significant decreases in the average net earnings were recorded as follows: 12.84% in mining of metal ores and 11.9% in extraction of crude petroleum and natural gas, except compulsory social security; between 5.0% and 7.0% in warehousing, storage and support activities for transportation, activities auxiliary to financial services and insurance activities, electricity, gas, steam and air conditioning supply; between 2.0% and 4.5% in programming, broadcasting, news agency and other content distribution activities, financial service activities, except insurance and pension

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Romanian Economy (continued)

funding, repair, maintenance and installation of machinery and equipment, manufacture of coke and refined petroleum products, remediation activities and other waste management service activities.

In real terms, the average wage decreased by 6.3%yoy in June 2026 (from -6.9%yoy in May).

■ **Moody's affirmed Romania's sovereign rating at Baa3 with a negative outlook**

Moody's recognized the country's progress in reducing its fiscal deficit while highlighting significant risks to the sustainability of fiscal consolidation. The rating agency noted that Romania has outperformed expectations on deficit reduction in 2025-2026 and now expects the budget deficit to fall to 5.8% of GDP in 2026, supported by expenditure restraint and resilient revenues. This has helped slow the deterioration in debt dynamics and supports the affirmation of the investment-grade rating.

However, the negative outlook reflects concerns over the implementation of Romania's ambitious multi-year fiscal adjustment program. Following political instability and delays in forming a new government after a no-confidence vote in May, Moody's sees an increased risk that fiscal consolidation efforts could lose momentum. Sustained political support for reforms and fiscal discipline will be crucial for stabilizing public debt and borrowing costs. Moody's expects public debt to continue rising, reaching around 64.5% of GDP by 2028 from 59.3% in 2025, while interest costs are projected to increase amid high financing needs. Romania's credit profile remains supported by its EU membership, solid long-term growth potential, and relatively high income levels, but is constrained by governance weaknesses, large current account deficits, and elevated geopolitical risks stemming from the war in neighboring Ukraine.

The outlook could return to stable if authorities maintain broad political support for fiscal reforms and adopt a credible deficit-reducing 2027 budget. Conversely, weakening fiscal discipline, reform reversals, or a deterioration in geopolitical conditions could lead to a downgrade. Overall, the statement from Moody's paints a slightly more positive picture compared to Fitch.

■ **The Romanian industrial production seriously continued to contract to 3.5%yoy in June**

Industrial production decreased by 0.7%mom (seasonally adjusted data) in June 2026, after a 2.8%mom decrease in the previous month. Among major categories, manufacturing declined by 0.5%mom, electricity, gas, steam and air conditioning supply was down by -0.2%mom while mining and quarrying increased by 2.7%mom. Compared to the corresponding month of 2025, the Romanian industrial production decreased by 3.5%yoy (gross data), slowing its decline from May's -7.4%yoy figure. This outcome came as drops were recorded for the manufacturing activity (-3.9%yoy), electricity, gas, steam and air conditioning supply (-2.5%yoy) while mining and quarrying increased (0.3%yoy). Industrial production declined by 3.3%yoy in 6M26, reflecting a weaker first half of the year. In Romania, sentiment measures remained below the 50-point threshold in June but showing an upward trend culminating in July with a positive reading of 50.1.

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Romanian Economy (continued)

Consequently, we expect industrial output to improve in the following month. However, risks persist as energy prices remain elevated with the Middle East conflict continuing while new internal pressures resurfaced due to adverse climate conditions which affected the energy production of the country. Overall, it looks likely that the industrial sector will contract again in 2026, albeit at a milder pace.

■ **The Romanian 2Q26 flash GDP came in slightly better than the weak 1Q26 reading, but still points to a contracting economy**

The NIS released the flash estimate for 2Q2026 GDP showing -0.4%yoy in gross terms (from -1.2%yoy in 1Q26), while the seasonally adjusted series indicates a 2.0%yoy decline. On a quarterly basis, GDP was unchanged (0.0%qoq) after the revised -0.1%qoq contraction in 1Q26, suggesting that the economy exited the technical recession recorded at the turn of the year but remained broadly stagnant. The GDP figures for previous quarters were only marginally revised, with 1Q26 adjusted from 0.0%qoq to -0.1%qoq, while the sharp -1.9%qoq decline in 4Q25 remained unchanged. According to the high-frequency data available so far, the stabilization in quarterly activity was likely supported by the construction sector on the supply side and a gradual improvement in exports on the demand side. However, industrial production and retail sales remained weak, while the annual contraction suggests that sectors such as manufacturing, transport and parts of the services sector continued to underperform. The economy contracted by 0.8%yoy in the first half of 2026 in gross terms, highlighting the persistence of growth headwinds. The details for the GDP components will be published on 7 September, when the provisional estimate for 2Q26 GDP is released.

This release confirms that the Romanian economy remains weak in 2026. While the flat quarterly dynamics in 2Q26 suggest that the recessionary phase may have bottomed out, the negative carry-over from the sharp contraction in late 2025 and the decline recorded in the first half of this year imply significant downside risks to annual GDP growth. A modest recovery remains possible in the second half of the year, but weak external demand, fiscal consolidation measures, the impact of the summer drought on agriculture, high energy prices and still elevated uncertainty continue to pose risks to our 0.2% growth outlook.

■ **The current account deficit was up by 4.8%yoy in 6M2026**

The Romanian current account deficit reached EUR 14.2bn (3.54% of GDP) in January-June 2026, deepening in nominal value from EUR 13.55bn (3.57% of GDP) in the same period of the previous year. The headline evolution reflects mixed developments across components. The deficit on trade in goods widened by EUR 121m to EUR 16.4bn, while the services' surplus remained broadly unchanged at EUR 6.7bn. This was despite the wider negative balance of tourism, which reached EUR -2.5bn, compared with EUR -1.96bn in 6M2025. Positive contributions came from transport services, where the surplus increased to EUR 3.2bn, and from IT&C services, whose surplus rose to EUR 3.6bn. The

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Romanian Economy (continued)

surplus generated by manufacturing services on physical inputs owned by others stood at EUR 1.39bn, almost unchanged from the previous year.

The primary income balance deteriorated considerably from EUR -3.8bn to EUR -4.7bn in January-June 2026, reflecting higher net income outflows, while the secondary income balance posted a surplus of EUR 200m, compared with a deficit of EUR 62m in the same period of the previous year. Foreign direct investment inflows amounted to EUR 669mn in 6M2026, down significantly from EUR 3.72bn in the corresponding period of 2025 and from EUR 2.2bn in May. The drop can be partially explained by repatriated profits and by the fact the big foreign retailer (Carrefour) sold its stake to a local firm in June. June marks the first time this year in which the current account deficit in nominal terms surpassed last year's data. However, we still believe that the current account deficit is likely to decrease to levels slightly below 7% of GDP in 2026 due to reduced demand for imports following the fiscal adjustment.

■ **Romanian foreign exchange reserves decreased in July 2026**

Foreign exchange reserves declined by EUR 0.3bn to EUR 63.2bn at end-July 2026, from EUR 63.5bn at end-June.

During the month, inflows amounted to EUR 1.0bn, mainly reflecting changes in credit institutions' foreign currency denominated required reserves with the NBR, inflows into the Ministry of Finance's accounts and other operations.

Outflows totaled EUR 1.3bn, driven by changes in credit institutions' foreign currency denominated required reserves with the NBR, interest and principal payments on foreign currency denominated public debt (approximately EUR 0.7bn), as well as other payments.

The gold stock remained unchanged at 103.6 tons, while its value decreased slightly to EUR 11.7bn following movements in international gold prices. As a result, international reserves (FX reserves plus gold) declined to EUR 75.0bn at end-July from EUR 75.3bn a month earlier.

Looking ahead, the NBR noted that payments due on foreign currency denominated public and publicly guaranteed debt amount to approximately EUR 1.5bn in August 2026.

■ **The Romanian construction sector increased in June**

The volume of construction works increased by 4.9%mom in June 2026 (seasonally adjusted data), due to growth across all segments: non-residential buildings (+6.0%mom), residential buildings (+4.7%mom) and civil engineering works (+2.4%mom).

In yearly terms, the total volume of construction works increased by 19.9%yoy (gross data) in June 2026, accelerating from 16.2%yoy in May 2026. In June, residential building works surged by 43.9%yoy, non-residential buildings increased by 21.5%yoy and civil engineering works rose by 12.7%yoy.

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Romanian Economy (continued)

We expect the construction sector to continue to grow in 2026, supported by public investment through improved absorption of EU funds. Consequently, we expect the sector to remain a key driver of economic growth this year.

■ **Non-governmental loans decreased while deposits increased in July**

Non-governmental loans decreased by -0.3%mom in July 2026, driven by decreases in both FX lending (-0.3%mom vs. +2.1%mom in June) and local currency loans (-0.2%mom vs. +1.7%mom in June 2026). In yearly terms, the non-governmental loans decelerated their growth to levels seen in May to 7.6%yoy (+8.4%yoy in June), as FX loans slowed down their pace to 16.6%yoy (from 18.9%yoy in June) while RON lending also decelerated its growth to 3.6%yoy in July (from 3.9%yoy in the previous month).

The outstanding loans to households in RON rose by 0.7%mom (vs. +0.9%mom in June), while those in FX decreased by -1.3%mom (vs. -1.7% in June). Companies' loans decreased by -1%mom (vs. +2.8%mom in June), as RON loans declined by -1.9%mom while the FX component decreased slightly by -0.2%mom (vs. +2.5% mom the previous month). In yearly terms, the lending to individuals slowed down further to 6.5%yoy in July (from +7.1%yoy). Consumer lending growth slowed down for the fourth month in a row to +7.5%yoy (from +8%yoy in June), while mortgage lending decelerated significantly to 5.7%yoy (after a growth rate of around 6.5%yoy during October 2025 - June 2026). The loans to companies decelerated to +8.5%yoy, ending the accelerating trend of six consecutive months, with the main engine of growth being the FX component (+20.5%yoy), while RON lending remained in negative territory (-3.4%yoy).

The residents' savings increased by 0.5%mom (after -0.4%mom in June), with RON deposits rising by 0.9%mom (after -0.7%mom) and FX deposits decreasing by 0.2%mom (after +0.4%mom the previous month). Monthly growth rates are volatile, with multiple months showing increases followed by sudden decreases. Deposits of households increased by 0.5%mom (vs. +0.4%mom in June), almost equally due to FX (+0.4%mom) and RON savings (+0.5%mom), while companies' deposits increased by 0.6%mom, with FX savings decreasing while the RON component registered a positive evolution.

In yearly terms, the growth of total deposits decelerated to 7.8%yoy (from 8.2% in June). Companies' savings pace slowed down to 7.2% in July due to a smaller increase in RON deposits of 8.9%yoy followed by the FX corporate deposits halving their pace to +2.8%yoy (vs. +5.6%yoy in June). Individuals' savings improved their growth pace to 8.2%yoy, with the RON component rising by +7.6%yoy and FX deposits accelerating slightly to 9.3%yoy.

The first month of the second half of the year comes with a slowdown in the lending pace, especially for households, which remains significantly weaker compared to the same period of 2025. Moreover, the jump seen in corporate lending in June has tempered slightly, returning to levels similar to May while still surpassing the pace seen in July 2025. This phenomenon underlines the resilience of the private sector to tougher economic conditions and is expected to continue in the following months, helped by favorable base effects. One surprise of the monetary indicators' data was the fall in

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Romanian Economy (continued)

household mortgages, which is usually a less volatile lending category. Even though it is too early to say, this could be a signal that individuals' confidence in taking on long-term obligations is decreasing as disposable income is taking a hit due to inflationary pressures. Therefore, as inflation eases and real wage growth can recover and support a rebound in lending to individuals.

■ **The 7M26 budget deficit was 2.34% of GDP, almost 40% lower than in the same period of 2025**

The budget execution for the first seven months of 2026 shows a deficit of 2.34% of GDP (RON 48.1bn), significantly lower than the 3.99% of GDP deficit (RON 76.4bn) recorded in the same period of 2025. This marks a fiscal adjustment of almost RON 28.4bn. Total revenues increased by +11.2%yoy (+RON 41.5bn), while total expenditure rose by only +2.9%yoy (+RON 13.2bn).

The main contribution to revenue growth came from fiscal revenues (+RON 28.7bn; +15.4%yoy), driven primarily by higher proceeds from taxes on goods and services (+RON 21.7bn; +19.8%yoy), of which VAT receipts increased strongly (+RON 18.6bn; +26.5%yoy). Revenues from income, profit and capital gains taxes also posted solid growth (+RON 4.6bn; +7.1%yoy), mainly supported by income tax (+RON 3.0bn; +8.6%yoy) and corporate income tax (+RON 2.2bn; +8.3%yoy). Property taxes recorded a significant increase (+RON 2.5bn; +29.8%yoy). Social insurance contributions rose by +RON 8.1bn (+6.7%yoy), confirming their role as one of the main drivers of revenue growth. Revenues from EU funds and other external sources saw a moderate increase (+RON 4.6bn; +30.3%yoy), while PNRR grants expanded strongly (+RON 8.9bn; +124.4%yoy). Expenditure increased only moderately compared to January-July 2025 (+RON 13.2bn; +2.9%yoy), reflecting a mixed evolution across spending categories. The largest declines were recorded in capital expenditure (-RON 5.5bn; -17.2%yoy), personnel expenses (-RON 4.1bn; -4.1%yoy), other expenditure (-RON 2.7bn; -24.2%yoy) and social assistance (-RON 1.0bn; -0.6%yoy). In contrast, spending increased for goods and services (+RON 6.0bn; +11.2%yoy), while interest payments rose significantly (+RON 8.4bn; +26.5%yoy), reflecting the higher cost of debt. Expenditure on projects financed from non-reimbursable EU funds increased (+RON 7.0bn; +39.1%yoy). In line with the government's strategy to maximize the absorption of non-reimbursable European financing, expenditure on projects financed from PNRR grants increased substantially (+RON 10.9bn; +122.2%yoy).

The budget execution continues to signal the effectiveness of the fiscal consolidation measures implemented so far. The deficit narrowed by almost 1.7pp of GDP compared to the first seven months of last year, as robust revenue collection, particularly from VAT and other fiscal revenues, continued to outpace expenditure growth. At the same time, the fiscal adjustment remains supported by restraint in personnel spending and capital expenditure as well as a stronger absorption of European funds. However, interest expenditure continues to grow at a rapid pace, highlighting the burden of higher financing costs on the public finances. Looking ahead, maintaining the current pace of consolidation will be essential for achieving the government's fiscal objectives, while risks remain linked to possible spending pressures and the need to preserve the momentum of revenue-enhancing measures.

Data spotlight: 3 – 28 August

European Economy

■ **German factory new orders rose strongly in June**

German factory orders increased by 3.1%mom in June, accelerating from the downwardly revised May figure and comfortably beating market expectations of 0.3%. The rise was driven by strong demand for data processing, electronic and optical products (22.7%mom) and mechanical engineering (12.7%mom), while automotive orders also increased (3.8%mom). In contrast, orders for aircraft, ships, trains and military vehicles fell sharply by 41.7%mom after a strong May.

Orders rose for capital goods (6.4%mom) and consumer goods (4.2%mom), while intermediate goods declined (-2.5%mom). Domestic demand surged by 7.8%, while foreign orders edged up by 0.2%, supported by non-euro area countries (+10.2%mom) and offsetting a sharp decline in euro area demand (-14.0%mom).

Excluding large-scale contracts, orders increased by 0.5%mom. On a three-month basis, demand rose by 1.3% in April-June versus the previous three months, although it was unchanged when large orders were excluded, pointing to a still gradual recovery in underlying industrial demand.

■ **Eurozone and German investor sentiment (ZEW) improved further in August**

The ZEW Indicator of Economic Sentiment for the Euro Area increased to 31.4 in August 2026, its highest level in six months and above market expectations of 25.4. The assessment of the current situation improved sharply, with the index rising 16.2 points to -21.5, while inflation expectations declined to 2.4.

Germany's ZEW Economic Sentiment Index rose to 34.2 in August, exceeding market expectations of 30 and reaching its highest level since February. Confidence was supported by strong corporate results, resilient exports and government infrastructure spending, despite ongoing geopolitical risks.

Sector sentiment improved broadly in August, led by the automotive industry. Consumer expectations also strengthened, although exceptionally low water levels on the Rhine remain a risk for transportation and economic activity.

■ **The eurozone PMI improved further in August, while Germany remained in expansion territory and France continued to contract**

The eurozone flash composite PMI rose to 52.1 in August from 52.0 in July, beating expectations (51.7) and reaching a nine-month high. Growth was supported by stronger manufacturing activity, rising new orders and the first increase in export demand in four and a half years. Employment continued to increase, while price pressures eased further.

Data spotlight: 3 – 28 August

European Economy (continued)

In Germany, the composite PMI slipped slightly to 51.0 in August from 51.3 in July, below expectations (51.3) but still indicating expansion. Manufacturing remained the main growth driver, with the manufacturing PMI jumping to 54.1, its highest level in more than four years, while services activity weakened to 48.5. Employment stabilized and business expectations improved.

Meanwhile, France's composite PMI declined to 48.8 in August from 49.4 in July, missing expectations (49.5) and signaling an eighth consecutive month of contraction. Weakness stemmed from the services sector, while manufacturing returned to expansion (51.5). Firms continued to report soft demand conditions, with some citing the impact of extreme summer temperatures on activity.

Overall, the August PMI survey points to a gradual strengthening of eurozone growth momentum, led by a robust manufacturing recovery and improving demand. Germany remains the main engine of the recovery, while France continues to underperform due to persistent weakness in services activity.

■ **German GfK Consumer Climate Indicator improved heading into September**

Germany's GfK Consumer Climate Indicator rose to -26.6 heading into September 2026 from a revised -29.4 in August, marking its least pessimistic reading since March and beating market expectations for a decline to -29.6. The latest reading suggests that consumer sentiment is gradually improving, supported by stronger income prospects and a somewhat firmer economic backdrop.

The improvement was driven mainly by income expectations, which jumped 16.2 points to 1.7, their highest level in six months. Economic expectations also increased for a fourth consecutive month, rising 2.4 points to -3.9, supported by Germany's economy expanding by 0.3%qoq in 2Q26. However, both willingness to buy and willingness to save point to continued consumer caution. The propensity to save edged down 1.5 points to 15.5 but remained at a historically elevated level, while willingness to buy was broadly unchanged at -9.8, remaining close to the -10-point mark seen over the past four years. Price expectations also increased to 0.2 from -2.1.

Data spotlight: 3 – 28 August

US Economy

■ **US ISM Services PMI edged higher in July**

The US ISM Services PMI increased marginally to 54.1 in July from 54.0 in June. The reading remained comfortably above the 50-point threshold, signaling continued expansion in the services sector.

Underlying details were generally positive. Business activity accelerated significantly to 59.1 from 55.4, while new orders strengthened to 57.2 from 55.1. Inventories also rose slightly to 51.4 from 51.2. In contrast, employment fell back into contraction territory at 47.4, down from 51.2, reversing June's return to expansion and pointing to renewed softness in hiring conditions.

Price pressures intensified, with petroleum-related products and plastics were again cited among commodities experiencing price increases. At the same time, the number of commodities reported as declining in price rose to six from three in the previous month, suggesting some pockets of easing cost pressures.

■ **The US employment report pointed to a further weakening in labor market momentum**

In July 2026, the US labor market lost 23k jobs, following the downwardly revised increase of 20k in June, indicating softer labor demand and marking the first decline in nonfarm payrolls in several years. Employment gains were concentrated in health care, while local government education, retail trade, and financial activities recorded job losses. Revisions to prior months were negative. May payrolls were revised down to 63k from 129k, while June payrolls were revised down to 20k from 57k, leaving employment in the two months combined 103k lower than previously reported.

The unemployment rate edged down to 4.1% in July from 4.2% in June, while the number of unemployed persons remained broadly unchanged at 6.9 million. The labor force participation rate declined further to 61.4% from 61.5% in June. Average hourly earnings were broadly unchanged in July, increasing by just 2 cents to \$37.62. Annual hourly wage growth slowed to 3.2%yoy from 3.4%yoy in June, suggesting a gradual easing in wage pressures.

■ **US inflation eased further in July for a second month in a row**

US headline CPI inflation slowed to 3.4%yoy in July from 3.5%yoy in June. On a monthly basis, prices increased 0.1%mom, rebounding from the 0.4%mom decline recorded in June. The moderation in annual inflation was largely driven by easing energy prices as the impact of the Iran-related energy shock continued to unwind.

Within energy, gasoline inflation slowed to 24.6%yoy from 26.7%yoy, while gasoline prices fell 2.9%mom. Fuel oil inflation also eased to 39.1%yoy from 42.9%yoy in June. Elsewhere, food inflation

Data spotlight: 3 – 28 August

US Economy (continued)

remained unchanged at 3.0%yoy, while shelter inflation moderated to 3.2%yoy from 3.3%yoy.

Core CPI inflation slowed to 2.5%yoy in July from 2.6%yoy in June, matching forecasts. On a monthly basis, core prices rose 0.2%mom after being flat in June.

Overall, the July CPI report confirms that the energy-driven inflation shock is continuing to unwind. Lower energy inflation and softer shelter dynamics pushed headline inflation lower for a second consecutive month, while core inflation edged down further. Nevertheless, both headline and core inflation remain above the Fed's 2% target.

■ **FOMC Minutes July 28-29**

The July FOMC minutes showed a Committee that remains concerned about inflation persistence and retains a tightening bias, despite leaving the federal funds rate unchanged at 3.50-3.75%. The decision was passed by a 9-3 vote, with Hammack, Kashkari and Logan preferring an immediate 25bp hike.

Participants acknowledged that inflation remains elevated, with price pressures still broad-based and supported by tariffs, AI-related demand, and geopolitical disruptions linked to the Middle East conflict. While most members expect inflation to moderate over coming quarters, many noted that inflation could prove more persistent than anticipated and judged risks to remain skewed to the upside.

Importantly, the pause was not driven by concerns over economic weakness. Policymakers described economic activity as expanding at a solid pace, supported by resilient consumer spending, strong business investment, and continued AI-related capital expenditure. Labor market conditions were also viewed as stable, with unemployment holding at 4.2%.

Regarding the policy outlook, the minutes delivered a clear hawkish message. Many participants stated that further policy tightening would likely be necessary if inflation does not decline, while some argued that financial conditions may not yet be restrictive enough to ensure a sustainable return to the 2% inflation target. Several participants favoring a hike at this meeting suggested earlier action could reduce the need for more aggressive tightening later.

The minutes support the view that the Fed is not considering rate cuts anytime soon. The combination of persistent inflation, resilient growth and a stable labor market keeps the door open for additional tightening. September remains a live meeting, and the balance of the discussion suggests that risks are tilted toward a further 25bp hike rather than an easing of policy.

Data spotlight: 3 – 28 August**US Economy (continued)****■ US core PCE inflation unchanged in July**

US core PCE inflation, the Federal Reserve's preferred gauge of underlying price pressures, increased by 0.2%mom in July 2026, picking up slightly from 0.1%mom in June. On a year-on-year basis, core inflation remained stable at 3.3%yoy, pointing to a stabilization in underlying price pressures.

US personal income increased in July, rising by 0.4%mom, following a 0.2%mom gain in June and marking the ninth consecutive increase in personal income. US personal spending expanded by 0.2%mom in July, moderating from the 0.3%mom increase recorded in June.

Data spotlight: 3 – 28 August

International and Romanian Markets

■ **The EUR-RON traded with an upward bias, ending August above 5.25**

The EUR-RON traded between 5.2305 - 5.2600 in August, before ending Friday's trading session at 5.2505, higher versus the 5.2410 closing on 31 July. We do not regard the recent upward pressure as worrisome, considering that the pair is still within the 5.20-5.30 range which we expect to prevail until the end of the year. Yet, the move contrasts the usual downward bias seen in the summer months due to seasonality. Moreover, we expect higher volatility in the next couple of days as: 1) the PNRR window is coming to an end and the extent to which Romania will access the remainder of EU funds will become clear; and 2) the negotiations for a new government will be resumed. A disappointing result might translate to more volatility on the EUR-RON pair.

■ **The ROBOR curve was unchanged for the whole month of August**

The ROBOR rates remained unchanged in August, retaining the values from the previous period (31 July): the ON ROBOR remained at 5.63%, the 1W at 5.71%, the 1M at 5.74%, 3M at 5.84%. A less eventful month combined with ample liquidity conditions (RON 29.2bn in July) prolonged the stabilization of ROBOR rates. We expect ample liquidity to prevail for the rest of the year.

■ **MinFin auctions**

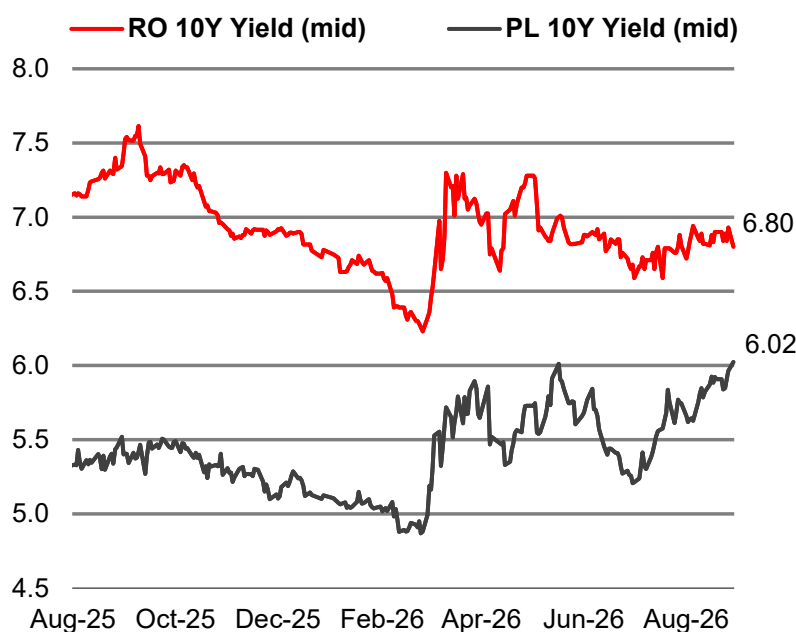
In August, the Ministry of Finance issued RON 7.4bn worth of bills and bonds and EUR 520mn worth of foreign currency denominated local bonds. This represents 110% of the planned amount with one more RON 800mn auction set for 31 August.

■ **FX markets**

The EUR-USD continued to be volatile in August, trading within 1.1499-1.1710, being on a clear upward trend since the end of July. The first rally of the EUR was mostly fueled by key rate hike expectation of the ECB, uncertainty on the Fed policy, better than expected growth for the eurozone and improved European sentiment. However, the reason for the second hump on the graph is more difficult to pinpoint. Mainly, the movement is explained by the market reaction to the US Treasury intervening in the US bond market to try to stabilize rising yields, combined with joint intervention to help the Japanese yen, both actions displaying various level of success. Alongside spillover effects from these interventions, investors are reassessing the fundamentals of the US as its nominal debt reached USD 40tn for the first time, reviving concerns about the fiscal deficits and public debt. In the last week of August, the dollar made a slight comeback with the pair reaching 1.16. It is likely that the pair will remain volatile at least until the Fed's September meeting, which could provide more clarity to markets of the approach the new Chair wants to implement.

Data spotlight: 3 – 28 August

MinFin Issues



Data Source: Refinitiv Workspace

- According to the fixing levels, Romanian yields decreased slightly along the short end and increased along the long end of the curve in August. Overall, compared to 31 July, the 1Y decreased by 1bp, the 3Y by 5bp, while the 5Y increased by 1bp and the 10Y jumped by 9bp. Short term yields declined slightly as a result of the confirmation of the investment grade rating by both Moody's and Fitch at the beginning of the month, as worries by investors regarding an immediate downgrade disappeared. However, the increases on the long end suggest that structural problems persist for the Romanian economy as the NBR revised its inflation forecast upwards and EU fund absorption depends on the political battle between parties. Besides that, local yields didn't suffer additional significant changes in August, most likely due to a lack of meaningful news during the summer holiday.
- MinFin will auction RON 800mn in a 3.3Y T-bond on Monday. The September auction calendar was not published yet.

BOND ISSUES - August									
ISIN Code	Auction Date	Maturity Date	Months	Planned Amount (mn)	Currency	Total Applications	Total Allocated	Yield (avg)	
ROVRZSEM43E4	31-Aug-26	2-Dec-29	40	500lei					
RON4D08H94V4	27-Aug-26	29-Oct-29	39	800lei		1,316	800	6.48	
ROOFOYB15203	24-Aug-26	27-Jul-33	84	800lei		1,048	875	6.7	
ROPG9LZUB002	20-Aug-26	27-Jul-33	84	700lei		605	540	6.87	
ROY7I8D6C5F8	19-Aug-26	28-Jun-27	10	100euro		182	101	3.23	
ROMSXV88TOE9	19-Aug-26	27-Jun-29	35	300euro		436	420	3.97	
ROYNCLHRHV6	17-Aug-26	29-Jul-30	48	800lei		868	800	6.65	
RO677ZOKPGQ8	13-Aug-26	30-Jul-40	170	200lei		507	200	7.03	
RO5Y1LY7D1U4	13-Aug-26	28-Jul-27	12	800lei		988	930	6.09	
RODFIUK7ZV55	10-Aug-26	25-Apr-35	106	700lei		1,797	809	6.82	
RO3WE4HG1QE2	6-Aug-26	29-Oct-36	125	300lei		479	297	7.02	
ROA03UZDWG16	6-Aug-26	24-Feb-27	7	600lei		1,319	882	6.06	
ROP40KW7AAJ5	3-Aug-26	26-Jul-28	24	1,000lei		1,339	1,099	6.25	



Focus Ahead: 31 August – 4 September

Data Calendar – September 2026

	Country	Indicator/Event	Period	UniCredit forecast	Consensus	Previous
31.08.2026	GE	Consumer price index, CPI (% yoy)	Jul	3.0	-	2.8
01.09.2026	RO	Unemployment rate (%)	Jul	6.4	-	6.3
	RO	International reserves (EUR mn)	Aug	77.0	-	74.9
	GE	Retail sales (% mom)	Jul	-	-	-0.7
	EMU	Consumer price index, CPI (% yoy)	Aug	3.4	-	2.9
	EMU	Core inflation (% yoy)	Aug	2.5	-	2.5
	US	ISM Manufacturing Index	Aug	-	-	55.6
02.09.2026	RO	Industrial production prices index (PPI, % mom)	Jul	-0.10	-	0.80
03.09.2026	US	ISM Non-Manufacturing Index	Aug	-	-	54.1
04.09.2026	RO	Retail sales (% yoy)	Jul	-4.8	-	-3.5
	GE	Factory orders (% mom)	Jul	-1.0	-	3.1
	EMU	Retail sales (% yoy)	Jul	-	-	0.7
	US	Average hourly earnings (% mom)	Aug	-	-	3.2
	US	Unemployment rate (%)	Aug	4.2	-	4.1
	US	Nonfarm payrolls (change thousands mom)	Aug	80.0	-	-23.0

Data Source: Bloomberg

Economic Forecasts

MACROECONOMIC DATA AND FORECASTS

	2022	2023	2024	2025	2026F	2027F
GDP (EUR bn)	280.7	321.6	353.6	380.1	401.0	418.8
Population (mn)	19.0	19.1	19.1	19.0	19.0	19.0
GDP per capita (EUR)	14,739	16,877	18,546	19,961	21,090	22,063
Real economy, change (%)						
GDP	4.2	2.3	0.9	0.7	0.2	2.3
Private Consumption	5.4	2.5	5.7	0.5	-1.7	2.9
Fixed Investment	5.4	12.3	-2.5	3.4	5.2	4.0
Public Consumption	-1.4	4.0	1.2	-2.6	-1.9	1.0
Exports	9.3	-1.3	-2.5	4.3	2.4	4.6
Imports	9.3	-1.5	4.0	4.9	1.1	4.3
Monthly wage, nominal (EUR)	1303	1489	1710	1832	1857	1921
Real wage, change (%)	-2.2	3.6	9.4	1.2	-3.5	1.5
Unemployment rate (%)	5.6	5.6	5.5	6.1	6.8	6.6
Fiscal accounts (% of GDP)						
Budget balance	-6.5	-6.6	-9.3	-7.9	-6.2	-5.1
Primary balance	-4.4	-4.7	-7.2	-5.3	-3.3	-2.1
Public debt	48.1	49.3	54.8	59.4	62.7	65.5
External accounts						
Current account balance (EUR bn)	-26.8	-21.5	-28.9	-29.9	-26.7	-26.4
Current account balance/GDP (%)	-9.6	-6.7	-8.2	-7.9	-6.7	-6.3
Extended basic balance/GDP (%)	-4.1	-2.0	-5.5	-4.0	-3.1	-2.3
Net FDI (% of GDP)	3.3	2.0	1.3	2.0	1.7	2.1
Gross foreign debt (% of GDP)	54.8	56.9	57.5	59.8	59.3	58.8
FX reserves (EUR bn)	46.6	59.8	62.1	64.8	68.3	65.6
Months of imports, goods & services	4.0	5.1	5.1	5.0	5.1	4.6
Inflation/Monetary/FX						
CPI (pavg)	13.7	10.5	5.6	7.3	8.1	3.9
CPI (eop)	16.4	6.6	5.1	9.7	5.5	3.3
Central bank target	2.50	2.50	2.50	2.50	2.50	2.50
Central bank reference rate (eop)	6.75	7.00	6.50	6.50	6.50	6.00
3M money market rate (Dec avg)	7.66	6.25	5.91	6.19	5.80	5.30
USDRON (eop)	4.63	4.50	4.78	4.34	4.49	4.48
EURRON (eop)	4.95	4.97	4.97	5.10	5.25	5.33
USDRON (pavg)	4.68	4.57	4.60	4.47	4.46	4.47
EURRON (pavg)	4.93	4.95	4.97	5.04	5.19	5.29

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