

Macroeconomic
and Market Research

Quarterly Report
UniCredit Bank



16 April 2026

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**The fiscal adjustment is taking shape,
but challenges remain significant**”

Outlook – We revised our growth expectations to 1% for 2026 in line with the growth pace of the past two years and to 2.3% for 2027 (from 1.5% and 3%, respectively). The fiscal adjustment is weakening consumption and consumer sentiment, while the main sources of growth for this year, external demand and EU funds, are both uncertain for now, implying that downside risks to growth persist. The risk of a sovereign rating downgrade decreased and we expect the fiscal adjustment to stay on track under the baseline scenario of the Middle East conflict fading by the summer, although the risk of fiscal slippage will remain a key concern under an adverse scenario of a prolonged conflict and disruption to oil flows. Although annual inflation will register a new jump in 2Q26 due to the shock from energy prices, it will embark on an overall downward trend as of July 2026 and could return within the target range in 2027. Key rate cuts are highly unlikely this year. Moreover, the central bank may be in a scenario of trying to avoid a key rate hike and we expect some monetary tightening through lower market liquidity. The EUR-RON exchange rate will likely move to the 5.10-5.20 trading range in 2H26.

The fiscal adjustment is taking shape, but challenges remain significant

Internal uncertainty decreased from 2025, but the geopolitical situation increased sharply the volatility

Investor sentiment towards Romania became more favorable at the beginning of 2026, after public finances started to improve. Yet, on 28 February a new geopolitical shock consisting of military operations of Israel and the US against Iran renewed global uncertainty and led to disruptions in energy supply, sending energy prices higher. Although the conflict in the Middle East was supposed to last only a few weeks, it is still unclear when and how it will end. The effects of the energy-price shock are larger for Europe than for the US, considering that the latter is a net exporter of energy, is not reliant on imports from the Middle East, and the economy was on a strong growth path before the conflict. This geopolitical shock is expected to have worldwide implications, consisting mainly of higher inflation, lower economic growth and tighter monetary policy to anchor inflationary expectations. The Investment Institute by UniCredit recently published the updated outlook for the global economy¹, with a baseline expectation that the conflict will fade by the summer, allowing oil flows to gradually normalize and decrease prices over time, although not back to pre-war levels. Yet, an adverse scenario is also analyzed due to the high uncertainty, in which a drawn-out conflict and sustained disruption to oil flows keep prices skewed to the upside, with oil prices touching even higher levels. These are the two scenarios we will be referring to in our analysis for Romania.

Fiscal risks are decreasing, but future progress depends on the external context

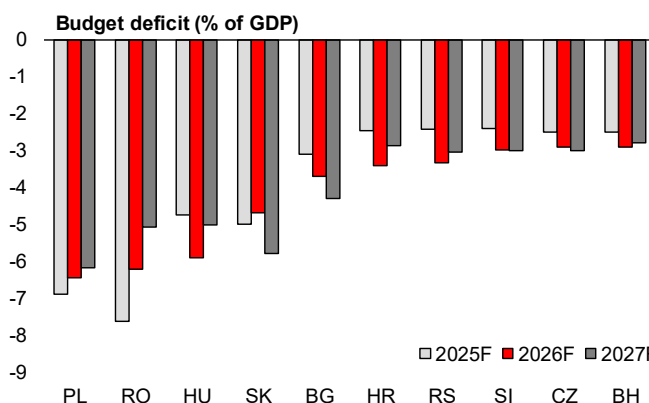
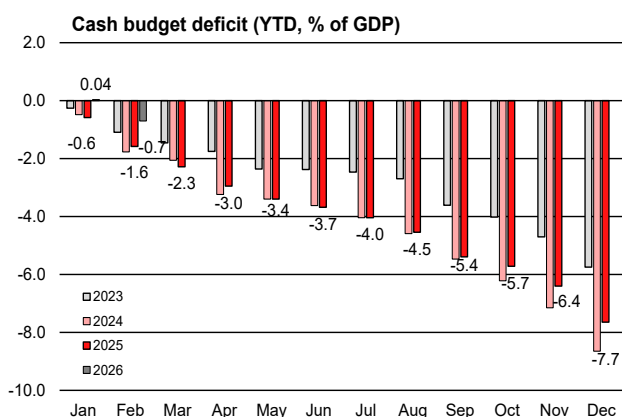
Romania's fiscal adjustment is progressing well, with double-digit growth of revenue, strict control of expenditure and a shift of investment from national funds to EU funds, especially grants. At the same time, the pending cost-cutting measures in the public administration were approved, the 2026 budget plan is credible and the deficit target of 6.2% of GDP is attainable if the external context does not deteriorate sharply. The main fiscal slippage risks stem from: 1) the evolution of the budget revenue in the context of tempering economic activity under the fiscal adjustment; 2) fiscal measures aimed at easing the price pressure from the soaring energy prices (such as lower fuel excise taxes and the cap on food prices extended until the end of June 2026); 3) increasing pressure from the population and the political factors to temper the adjustment and implement measures to boost the economic recovery; and 4) tensions within the broad four-party governing coalition, with a high likelihood of changes at the government level.

The risk of downgrade to junk decreased considerably...

The rating agencies maintained Romania's investment grade rating with a negative outlook and the risk of a downgrade to junk subsided significantly. Yet, as highlighted by

THE FISCAL MEASURES REDUCE THE BUDGET DEFICIT...

...AND THE REGIONAL COMPARISON BECOMES MORE FAVORABLE



Source: national statistical offices and ministries of finance, Eurostat, The Investment Institute by UniCredit, UniCredit Bank Romania

¹Quarterly Updates: The Strait of Hormuz shock published on 30 March and available here https://www.research.unicredit.eu/DocsKey/xfistrategy_docs_2026_188527.ashx?EXT=pdf&KEY=KZGTuQCn4lsvclJnUqseVc3FbuQ10KutqSl3HcMpnb8ZIRzSOtOPXA==&T=1

... but could resurface in case of a prolonged conflict in the Middle East

Comfortable fiscal reserves allow selective issuance to maintain a low cost of debt

The CEE economies could grow by 2-3% with significant downside risks...

...while Romania will grow by at most 1% in 2026 due to the ongoing fiscal adjustment and uncertain external support for growth

The probability of a recession increases in an adverse scenario

The labour market is likely to show a deterioration in 2026, but the effects could be temporary in our baseline scenario

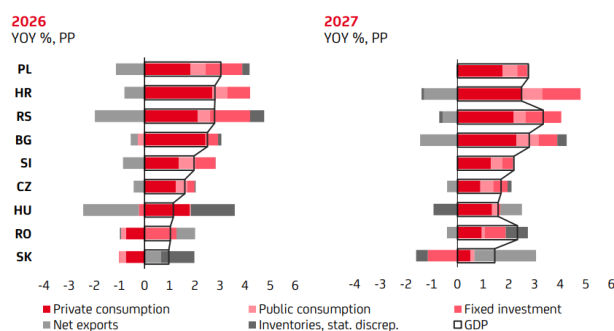
S&P recently, the risk of downgrade increases if: 1) Romania’s fiscal consolidation path deviates significantly from expectations, either due to insufficient consolidation measures or due to low economic growth hindering the effectiveness of the measures; or 2) the external pressures intensify and derail “Romania’s medium-term inflation expectations while materially weakening its growth, balance of payments position, and fiscal outcomes”.

Benefitting from the improved sentiment towards Romania, the Ministry of Finance placed bonds worth EUR 3bn and USD 2bn on the international markets at the end of February, thus boosting the fiscal reserves (which amount to around four months of gross financing needs). The geopolitical shock renewed pressure on yields, leading to an increase along the curve up to 122bp versus 27 February and we cannot rule out further increases considering the sharp decrease until February 2026, by 2 percentage points from a maximum of 8.45% on 8 May 2025. Yet, the fiscal reserves allowed the Ministry of Finance to continue its strategy to reduce the cost of debt by rejecting most of the bids on the primary market in March, while securing funding from alternative sources, such as private placements, at lower costs.

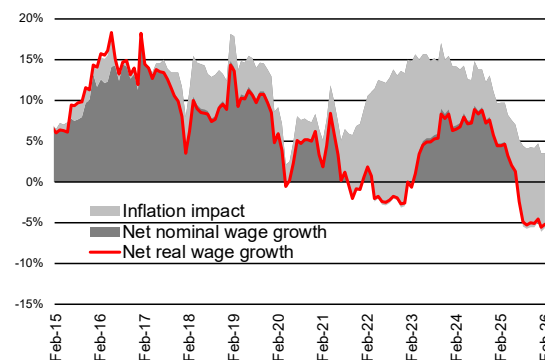
Economic growth in Central and Eastern Europe (CEE) is projected to remain at around 2-3% in most countries, but with significant downside risks. Domestic demand will remain the main growth engine, supported by private consumption, faster absorption of EU funds and a modest pickup in external demand, aided by fiscal stimulus in Germany. Yet, in an adverse scenario, growth could drop to the 0-2% range in most countries in both 2026 and 2027. For Romania, the main sources of growth for this year are external demand and EU funds, both uncertain for now. This led us to revise downwards our baseline growth expectation for 2026 to 1% from 1.5% previously, implying a growth pace similar to the one in the previous two years. The growth forecast for 2027 was revised downwards as well, to 2.3% from 3% considering the high uncertainty and a likely timid recovery. The 2026 investment plan amounts to around 8% of GDP and the figure is expected to decrease to 6.1% of GDP in 2027, 5.7% of GDP in 2028 and 5.2% of GDP in 2029. Yet, the multiplier effect in the economy takes time and the impact is not immediate. The energy shock poses increased risks for industry (although in the baseline scenario we expect this sector to experience a mild growth in 2026 after four years of contraction) and for agriculture. The probability of a recession increases proportionally with the length of the conflict, considering the risk of monetary tightening and the ongoing fiscal adjustment which already resulted in a technical recession in 2H25 and weakened consumer sentiment.

The labour market held on better than we were anticipating so far, but we continue to expect some deterioration this year, considering the firing plans announced by several companies and the cost-cutting plans in the public sector. Thus, we anticipate a slight increase in the 2026 unemployment rate, with a decrease possible already as of 2027 in our baseline scenario. The yearly growth of the average wage in the economy has been

CEE GROWTH STAYS MODEST AND DOWNSIDE RISKS PERSIST



LOWER DISPOSABLE INCOME LIMITS ROMANIAN GROWTH



Source: national statistical offices, Eurostat, Macrobond, NIS, The Investment Institute by UniCredit, UniCredit Bank Romania

on a sharply decelerating trend (+4.8%yoy at the end of 2025 vs. +11.1%yoy at the end of 2024) and, as of August 2025, no longer covers the annual inflation rate. We expect the average net wage growth for 2026 to be in the 3-4% area, indicating a loss of purchasing power, which is likely to continue to dent consumer sentiment and retail sales.

C/A deficit to temper further in 2026 and stay fully funded by EU transfers, FDI and sovereign external borrowing

The C/A deficit is likely to continue to decrease in 2026 due to weak domestic demand but will remain the highest in the CEE region. A sharper drop in 2027 will depend on the pickup in external demand. The C/A deficit will remain fully funded by EU transfers, FDI and sovereign external borrowing.

EUR-RON to trade within the 5.00-5.10 range until 2H26, when it could increase to 5.10-5.20

The EURRON was under upward pressure due to the Middle East conflict, but the 5.10 level continued to pose significant resistance, although on 3 March the pair briefly spiked to 5.15. We maintain our expectation that the 5.10 level will act as a strong resistance level for now if there will be no significant escalation in the conflict to worsen investor sentiment. Yet, we continued to expect an increase of the pair to the 5.10-5.20 trading range in 2H26. This transition could occur even earlier (similar to the one from May 2025), in case of high depreciation pressure on the RON.

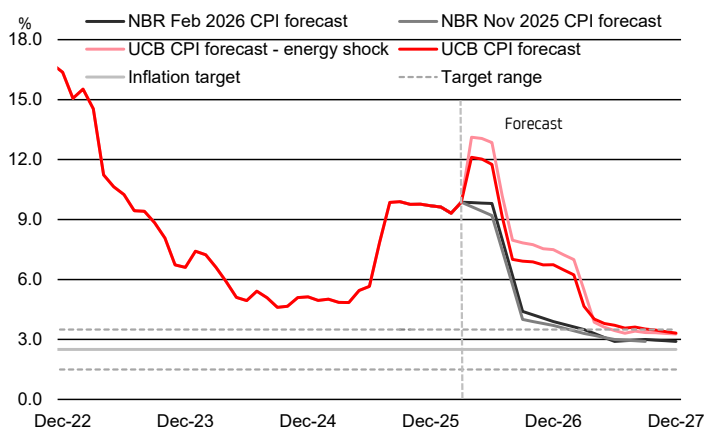
Inflation to miss the target in 2026, with a return below 3.5% possible in 2027 if second-round effects are limited

The jump in energy prices represents a new supply-side inflationary shock on top of the 2025 shocks still visible in the annual inflation figure, which will lead to a spike above 10% in 2Q26 followed by a gradual decrease as of July, when last year's shocks will start to be eliminated from the calculation basis. Thus, annual headline inflation is likely to end the year slightly below 7% and could return within the target range in 2027 if the shock lasts only until year-end and second-round effects are limited. If the second-round effects are stronger, inflation could stay above 3.5% even in 2027, but for now we see this likely only in the adverse scenario. Core inflation could enter the 1.5-3.5% target range in 4Q26, as consumption is tempering due to the ongoing fiscal adjustment.

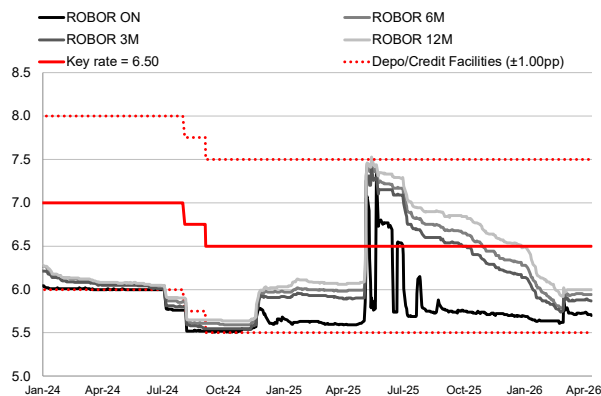
NBR to avoid hiking as much as possible, but can tighten monetary policy through lowering excess liquidity

A tighter monetary policy is needed to anchor inflationary expectations, with the major central banks likely to act soon. We no longer expect key rate cuts from the National Bank of Romania (NBR) in 2026, but we expect the NBR to try to avoid, as much as possible, hiking the key rate, given the high starting point (6.50%) and the ongoing fiscal tightening which already tempers economic activity. Moreover, it can deliver monetary tightening by decreasing excess interbank liquidity (~RON 35.5bn in March 2026).

INFLATION TO JUMP AGAIN, BUT COULD RETURN BELOW 3% IN 2027



UPSIDE RISKS PERSIST FOR INTEREST RATES



Source: NBR, UniCredit Bank Romania

MACROECONOMIC DATA AND FORECASTS

	2022	2023	2024	2025	2026F	2027F
GDP (EUR bn)	280.7	321.6	353.6	378.9	409.2	426.5
Population (mn)	19.0	19.1	19.1	19.0	19.0	19.0
GDP per capita (EUR)	14,739	16,877	18,546	19,898	21,523	22,465
Real economy, change (%)						
GDP	4.2	2.3	0.9	0.7	1.0	2.3
Private Consumption	5.4	2.5	5.7	0.6	-1.0	1.3
Fixed Investment	5.4	12.3	-2.5	4.1	4.7	2.9
Public Consumption	-1.4	4.0	1.2	-1.9	-1.5	1.0
Exports	9.3	-1.3	-2.5	3.9	4.6	5.7
Imports	9.3	-1.5	4.0	4.8	2.4	5.2
Monthly wage, nominal (EUR)	1303	1489	1710	1832	1867	1930
Real wage, change (%)	-2.2	3.6	9.4	1.2	-5.4	1.4
Unemployment rate (%)	5.6	5.6	5.5	6.1	6.8	6.6
Fiscal accounts (% of GDP)						
Budget balance	-6.4	-6.6	-9.3	-7.6	-6.2	-5.1
Primary balance	-4.3	-4.7	-7.2	-5.0	-3.3	-2.1
Public debt	48.1	49.3	54.8	59.6	64.6	67.6
External accounts						
Current account balance (EUR bn)	-26.8	-21.5	-28.9	-30.1	-26.1	-25.7
Current account balance/GDP (%)	-9.6	-6.7	-8.2	-8.0	-6.4	-6.0
Extended basic balance/GDP (%)	-4.1	-2.0	-5.5	-4.1	-2.3	-1.4
Net FDI (% of GDP)	3.3	2.0	1.3	2.0	2.2	2.7
Gross foreign debt (% of GDP)	54.8	56.9	57.5	60.0	62.1	63.6
FX reserves (EUR bn)	46.6	59.8	62.1	64.8	71.3	74.1
Months of imports, goods & services	4.0	5.1	5.1	5.0	5.3	5.2
Inflation/Monetary/FX						
CPI (pavg)	13.7	10.5	5.6	7.3	9.1	4.2
CPI (eop)	16.4	6.6	5.1	9.7	6.7	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	6.70	6.10
USDRON (eop)	4.63	4.50	4.78	4.34	4.34	4.34
EURRON (eop)	4.95	4.97	4.97	5.10	5.17	5.25
USDRON (pavg)	4.68	4.57	4.60	4.47	4.36	4.36
EURRON (pavg)	4.93	4.95	4.97	5.04	5.11	5.22

GOVERNMENT GROSS FINANCING REQUIREMENTS

EUR bn	2024	2025	2026F	2027F
Gross financing requirement	47.5	49.9	53.0	44.3
Budget deficit	30.7	29.0	25.5	21.7
Amortization of public debt	16.8	20.9	27.5	22.6
Domestic	12.5	16.4	24.2	18.9
Bonds	7.6	7.4	15.5	9.6
Bills	1.4	4.1	3.0	3.0
Loans and retail bonds	3.6	4.9	5.6	6.2
External	4.3	4.5	3.4	3.7
Bonds and loans	3.7	3.9	2.8	3.1
IMF/EU/Other IFIs	0.6	0.6	0.6	0.6
Financing	47.5	49.9	53.0	44.3
Domestic borrowing	27.5	30.0	30.0	30.0
Bonds	16.8	19.0	20.0	20.0
Bills	4.1	3.0	3.0	3.0
Loans and retail bonds	6.6	8.0	7.0	7.0
External borrowing	16.7	22.0	22.0	15.0
Bonds	15.7	20.0	15.0	12.0
IMF/EU/Other IFIs	1.0	2.0	7.0	3.0
Fiscal reserve change (- = increase)	3.3	-2.2	1.0	-0.7

GROSS EXTERNAL FINANCING REQUIREMENTS

EUR bn	2024	2025	2026F	2027F
Gross financing requirement	66.9	69.5	65.8	66.4
C/A deficit	28.9	30.1	26.1	25.7
Amortization of medium and long term debt	18.3	19.3	18.3	18.3
Government/central bank	5.0	5.3	4.6	4.7
Banks	6.5	6.5	6.2	6.2
Corporates/Other	6.8	7.6	7.5	7.5
Amortization of short-term debt	19.8	20.0	21.3	22.3
Financing	66.9	69.5	65.8	66.4
FDI (net)	4.7	7.6	9.1	11.4
Portfolio equity, net	0.1	0.1	0.1	0.1
Medium and long-term borrowing	29.4	34.5	34.5	28.1
Government/central bank	17.8	22.1	22.4	16.1
Banks	5.2	5.2	5.0	5.0
Corporates/Other	6.4	7.2	7.1	7.1
Short-term borrowing	19.6	20.9	20.9	21.2
EU structural and cohesion funds	4.8	6.9	7.6	8.4
Change in FX reserves (- = increase)	8.2	-0.6	-6.5	-2.8
Memoranda:				
Nonresident purchases of LC govt bonds	-0.2	-0.3	2.2	2.5
International bond issuance, net	12.1	16.1	12.2	8.9

Data Source: Eurostat, NBR, NIS, Ministry of Finance, UniCredit Bank Romania

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