UniCredit Bank

Macroeconomic
and Market Research

Quarterly Report

UniCredit Bank

17 July 2026

“Hope on the horizon, challenges on the ground”

Outlook – We revised our growth forecast to 0.2% for 2026 (from 1.0%) due to a weak start of the year as the fiscal adjustment is denting consumption and consumer sentiment while external demand remains weak, but we maintained our growth forecast at 2.3% for 2027 as we anticipate positive effects from an improved external context and this year’s investments with the help of EU funds. Romania’s fiscal adjustment is progressing well, on track to meet the 6.2% of GDP deficit target this year, although we cannot rule out risks of a fiscal slippage in 2027, depending on the priorities of the next government. We do not see risks of a sovereign rating downgrade this summer, with the rating agencies likely to reiterate the past messages as the fiscal progress stays on track and Romania maintains its access to financing. After a new jump in 2Q26 due to the global shock from energy prices, annual inflation will embark on a sharp downward trend as of July 2026 and is forecasted to return within the target range in 2027. The central bank is likely to keep the monetary policy rate at the current level of 6.50% until 4Q27 with an easing bias to support economic activity, while using other instruments to deliver monetary policy changes if necessary. The EUR-RON exchange rate will likely stay within the 5.20-5.30 trading range in 2H26, with a gradual increase of 10bani/year in the following years.

Hope on the horizon, challenges on the ground

Investor sentiment towards Romania remained favorable in the first half of 2026, upheld by a continuous improvement in public finances, despite ongoing geopolitical shocks and resurfacing political uncertainty after the government led by Ilie Bolojan was ousted through a no-confidence vote on 5 May 2026.

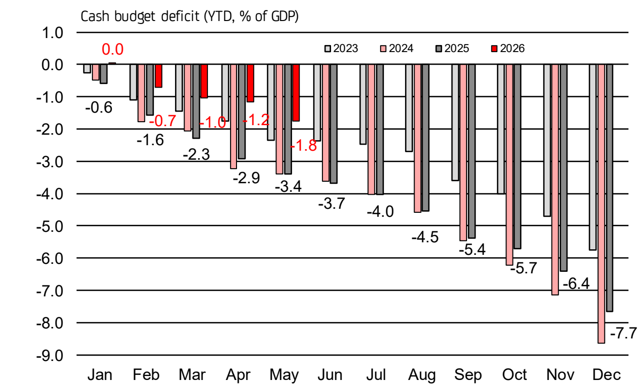
Optimism regarding the US-Iran conflict, but uncertainty regarding its end prevails

The conflict in the Middle East is ongoing, although optimism increased at the end of June after a memorandum of understanding between the US and Iran which started a period of 60 days for negotiations for a durable peace and created the conditions for a normalisation of shipping through the Strait of Hormuz. The Investment Institute by UniCredit recently published the updated outlook for the global economy[1], with a baseline expectation that the conflict will enter a stabilization phase. This is likely to provide immediate relief to the global economy and has led to a downward revision of the energy-price forecasts. Longer term, however, shipping traffic through the Strait of Hormuz is unlikely to return to pre-war levels and the recovery in flows through the strait will take time. At the same time, there is a risk that talks falter, hardline influence rises and tensions re-escalate, potentially into military confrontation, keeping the strait de facto closed. While the scenario of stabilization is expected to lead to lower risk premiums, Brent oil and TTF gas prices easing towards pre-war levels, an adverse scenario would lead to persistent upward pressure, with spikes driven by disruption risk and tighter balances.

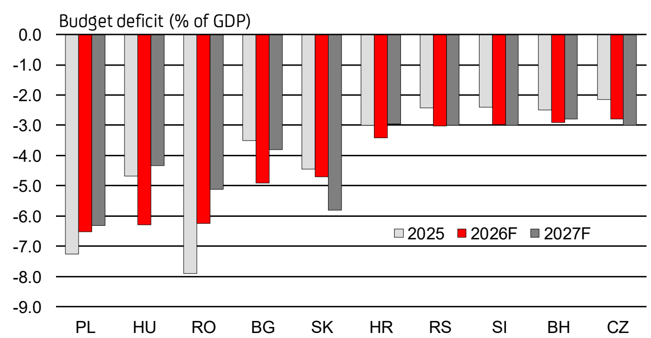
Political uncertainty likely to continue, not necessarly impeding further fiscal progress and a rebound in economic activity

We do not see an easy solution to the current political stalemate, but we do not expect a deterioration of Romania's risk profile if the interim government will continue the fiscal adjustment and will meet the key milestones to absorb the EU funds under the RRF (above EUR 4.5bn in grants and EUR 3.5bn in loans). Our optimism relies on the following pieces of information: 1) President Nicușor Dan aims to form a new pro-Western government; 2) the old government coalition members agreed to prioritize the reforms necessary for absorbing EU funds and to continue the fiscal adjustment, although there is disagreement and intense negotiations on some of the legislative details; 3) after concluding the consultations with the European Commission, acting Prime Minister Ilie Bolojan will submit the legislative proposals to the parliamentary groups, party leaders, and the leadership of both Chambers for debate, with target of adoption in the second half of July; and 4) the budget execution at the end of May confirms the ongoing fiscal progress (deficit of only 1.75% in 5M26, sharply down from 3.35% of GDP in 5M25), with Romania able to meet the 6.2% of GDP deficit target for this year without additional measures. We expect political uncertainty to prevail until the parliamentary elections in 2028, considering that: 1) we already

FISCAL DISCIPLINE ENABLED A SHARP REDUCTION OF THE DEFICIT…



…WITH ROMANIA IMPROVING ITS POSITION IN THE CEE REGION



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

[1] Quarterly Updates: Reopening Hormuz, Booming AI published on 1 July and available here https://www.research.unicredit.eu/DocsKey/fxfistrat-egy_docs_2026_188783.ashx?EXT=pdf&KEY=KZGTuQCn4lsvclJnUgseVC3FbuQ10Kut48cuJWieqQRZtKVnCP0y6w==&T=1

have two failed attempts to appoint a new cabinet, clearly indicating that the parties are not willing to make significant concessions yet; 2) the current Parliament is split and the various political parties (even the members of the old governing coalition) have conflicting views on several important matters; 3) the Constitution grants President Nicușor Dan the right, not the obligation to dissolve the Parliament and call for early elections, implying that the interim government could continue (with limited powers) for an undetermined period, despite the 45 days within which a new government must be sworn in; and 4) the latest opinion polls indicate a similar parliamentary picture in case of early elections.

Fiscal risks are decreasing and future progress depends on the next government…

Romania's fiscal adjustment is progressing well, supported by a combination of higher revenue, strict control of expenditure and a shift of investment from national funds to EU funds, especially grants, despite minor progress in the reform of the public administration and improving revenue collection. We do not see a risk of fiscal slippage this year, but we cannot rule it out in 2027, depending on the priorities of the next government. The fiscal deficits are likely to stay elevated in the CEE region in 2026 due to high spending on energy support and defense, implying that Romania could benefit from credit spread compression if it regains political stability and continues to improve its fiscal credibility. The upcoming rating reviews are likely to be uneventful (Fitch on 31 July and Moody's on 7 August), with Romania maintaining its lowest investment grade rating with a negative outlook and a reiteration of the past messages: 1) the risk of downgrade increases if the fiscal consolidation path deviates significantly from expectations (due to insufficient measures or low economic growth); 2) more efforts are needed to put the public debt on a downward trend; 3) renewed energy price shocks would increase risks of sovereign rating pressure for higher-deficit countries; and 4) the balance of payments must continue to improve.

…but we do not see a risk of a downgrade to junk this summer

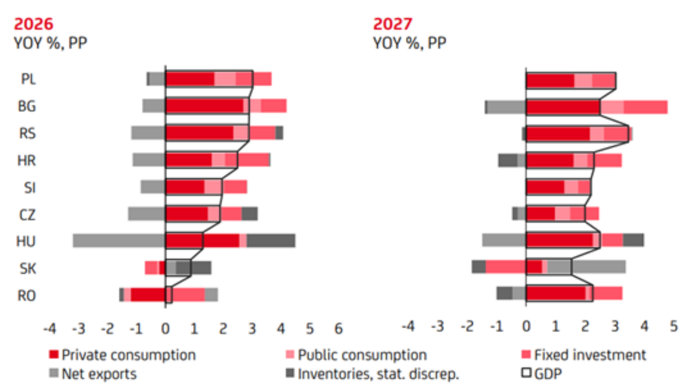
High financing costs, but good access to financing and ample fiscal reserves

Romania continues to be an outlier in the region in terms of financing costs, with local 10Y yields higher by 1.3-2.0pp than the other countries. Yet there are some bright spots to mention: 1) it enjoys good access to financing, with the issuance plan on the domestic market executed up to 58% already and the one for the external market up to 35%; 2) fiscal reserves remain ample and grant flexibility in the timing of debt issuance to reduce the cost of debt as much as possible; and 3) the latest shocks (geopolitical and local political uncertainty) led to upward pressure along the curve, but it was only temporary, with the current 10Y levels only up to 50bp above the level prevailing on 27 February, similar to the increase seen in the rest of the region.

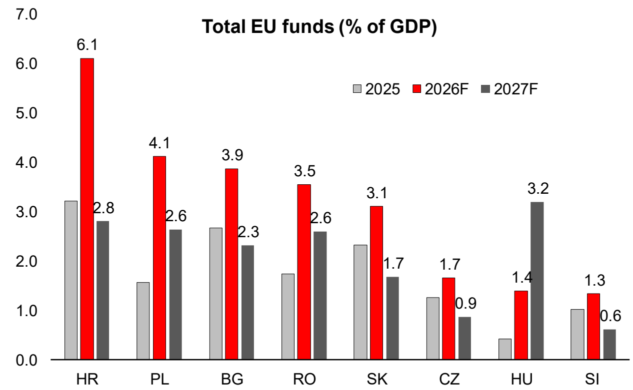
The CEE economies are expected to grow by 2-3% except for Slovakia and Hungary…

Economic growth in Central and Eastern Europe (CEE) is projected at around 2-3% in most countries, but with Slovakia and Romania likely to lag due to fiscal consolidation and Hungary due to weak investment. Growth is expected to pick up in 2027 across most countries, with EU-CEE growth rising from around 2.0% to 2.5% due to an improving external environment and additional support from Germany's fiscal stimulus. For Romania, the risk of an economic recession in 2026 increased, considering the ongoing fiscal

ROMANIAN ECONOMIC ACTIVITY LIMITED BY FISCAL ADJUSTMENT…



…WITH HOPES THAT EU FUNDS WILL HELP RESTORE GROWTH



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

…while Romania will grow by at most 0.2% in 2026 due to the ongoing fiscal adjustment and could even experience a mild contraction

adjustment which weakened consumer sentiment along with the still unfavorable external context, which led to -1.2%yoy in 1Q26. The main sources of growth are a recovery of consumption towards year-end as the real wage dynamic tempers its drop, improving external demand and investment with the help of EU funds, all still uncertain. Based on the latest evolutions, we revised downwards the growth rate for this year to a marginal +0.2%yoy, from 1% at the previous round of forecasts, while keeping the growth expectation for 2027 at 2.3%, as we anticipate positive effects from an improved external context and this year's investments with the help of EU funds (8% of GDP according to official plans). The data so far indicates a good agricultural year in 2026 and a slight decrease for industry, with downside risks to the two sectors persisting in case the negative effects of the energy shocks drag on. Meanwhile, constructions accelerate and will remain the main growth engine.

The labour market is resilient, but shows signs of weakness which could amplify by year-end

The labour market proved more resilient than expected so far this year, but hiring intentions decreased and the unemployment rate rose slightly to an average of 6.4% in 5M26 (vs. an average of 6.1% in 2025) with a further increase likely by year-end, but a relief possible already in 2027. The yearly growth of the average wage in the economy maintained a sharply decelerating trend (+3.7%yoy in 5M26 vs. +6.5%yoy on average in 2025) although the 6.8% increase in the minimum wage as of 1 July 2026 will appease the pressure on the low-income categories. In real terms, consumers continue to experience a decrease in purchasing power, considering the strong increase in prices. We expect the average net real wage to drop 3.5% in 2026, resulting in weak consumer sentiment and retail sales, with a return in positive territory likely only in 2027.

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 is possible if external demand picks up. The C/A deficit will remain fully funded by EU transfers, FDI and sovereign external borrowing.

EUR-RON to trade within the 5.20-5.30 range until the end of 2026 …

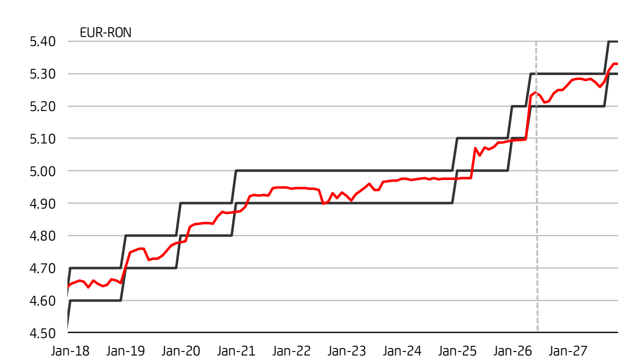
… and maintain a gradual upward trend in the following years

The EURRON experienced a stronger and earlier rise than we were anticipating for this year, but the pair seems to have stabilized around the 5.23-5.25 level. According to the latest statements from the NBR Governor, Mugur Isărescu, the NBR intervention is low, allowing more flexibility for the exchange rate to let investors determine the equilibrium level, which we believe is currently the 5.20-5.30 range. We expect this range to prevail until the end of 2026, with decreases towards the lower bound possible during the summer months, in line with the usual seasonality. At the same time, we revised upwards our exchange rate expectations over the forecasting horizon, maintaining a gradual increase of the trading range by 10bani/year. The RON was under strong depreciation pressure already from the start of the Middle East conflict, with the 5.10 level posing strong resistance. A second shock of local political instability at the end of April-beginning of May caused the RON to depreciate by up to 4% against the EUR, reaching highs close to 5.30 and marking the first significant movement since May 2025, when the currency depreciated by more than 2.5%.

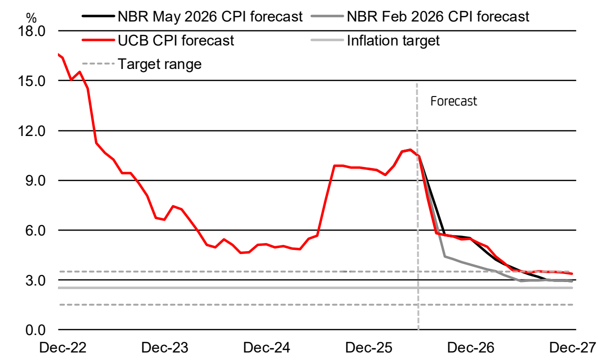
Inflation to miss the target in 2026, with a return below 3.5% possible in 2027

The current inflation overshooting is driven by transitory supply-side shocks and annual inflation will embark on a sharp downward trend as of July, with the 2025 supply side

EURRON ON A GRADUAL UPTREND AFTER THE JUMP IN 2026



INFLATION TO DROP SHARPLY AND RETURN BELOW 3.5% IN 2027



Source: NBR, UniCredit Bank Romania

shocks totaling almost 5pp exiting the calculation basis, namely the expiry of the electricity price capping scheme in July 2025 and the hikes in VAT and excise duties in August 2025. We forecast a decrease in annual inflation from 10.4% in June to 5.5% at year-end and further down due to the fading of the global energy-price shock and weak consumer demand, within the 1.5-3.5% target range by the end of 2027. Core inflation is also likely to enter the target range in 4Q27. Our current forecast for the end of 2026 is lower by 1pp than the one in our April report due to a lower-than-expected jump in fuels prices due to the Middle East conflict according to the data of the National Institute of Statistics and a better inflationary outlook on hopes of reopening the Strait of Hormuz.

NBR on hold with an easing bias as much as possible

We expect the NBR to keep the monetary policy rate at the current level of 6.50% until 4Q27, while using other instruments to deliver monetary policy changes if necessary. Overall, we expect an easing bias as: 1) the ongoing fiscal tightening tempers economic activity; 2) the current inflation overshooting is driven by transitory supply-side shocks, with annual inflation embarking on a sharp downtrend in July, returning within the target range in 2027; 3) interbank excess liquidity is abundant (RON 28bn in June); 4) exchange rate flexibility favors abundant liquidity; and 5) most of the central banks in CEE are expected to stay on hold in spite of the tightening anticipated from the ECB and the Fed, implying only low pressure to tighten coming from monetary policy decisions of the other central banks.

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

GOVERNMENT GROSS FINANCING REQUIREMENTS

EUR bn	2024	2025	2026F	2027F
Gross financing requirement	**47.5**	**49.9**	**53.9**	**46.3**
Budget deficit	30.7	29.0	25.0	21.5
Amortization of public debt	16.8	20.9	28.8	24.9
Domestic	12.5	16.3	25.5	21.0
Bonds	7.6	7.4	15.3	11.5
Bills	1.4	4.1	4.1	3.0
Loans and retail bonds	3.6	4.9	6.1	6.4
External	4.3	4.5	3.4	3.9
Bonds and loans	3.7	3.9	2.8	3.3
IMF/EU/Other IFIs	0.6	0.6	0.6	0.6
Financing	**47.5**	**49.9**	**53.9**	**46.3**
Domestic borrowing	27.5	30.4	31.0	30.0
Bonds	16.8	19.3	20.0	20.0
Bills	4.1	1.7	3.0	2.0
Loans and retail bonds	6.6	9.5	8.0	8.0
External borrowing	16.7	20.7	20.7	18.0
Bonds	15.7	15.5	10.0	12.0
IMF/EU/Other IFIs	1.0	2.0	6.7	3.0
Private placements	0.0	3.2	4.0	3.0
Fiscal reserve change (- = increase)	3.3	-1.3	2.1	-1.7

GROSS EXTERNAL FINANCING REQUIREMENTS

EUR bn	2024	2025	2026F	2027F
Gross financing requirement	**66.9**	**69.2**	**71.2**	**74.2**
C/A deficit	28.9	29.9	29.3	30.3
Amortization of medium and long term debt	18.3	19.3	20.3	20.7
Government/central bank	5.0	5.3	4.6	5.0
Banks	6.5	6.5	7.2	7.2
Corporates/Other	6.8	7.6	8.5	8.5
Amortization of short-term debt	19.8	20.0	21.6	23.2
Financing	**66.9**	**69.2**	**71.2**	**74.2**
FDI (net)	4.7	7.5	7.2	8.9
Portfolio equity, net	0.1	0.1	0.1	0.1
Medium and long-term borrowing	29.4	30.5	31.6	29.8
Government/central bank	17.8	18.2	17.8	16.0
Banks	5.2	5.2	5.8	5.8
Corporates/Other	6.4	7.2	8.0	8.0
Short-term borrowing	19.6	21.2	21.8	22.1
EU structural and cohesion funds	4.8	7.0	11.4	12.5
Change in FX reserves (- = increase)	8.2	2.9	-0.8	0.7
Memoranda:				
Nonresident purchases of LC govt bonds	-0.2	-0.3	-0.7	2.4
International bond issuance, net	12.1	11.5	7.2	8.7

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

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