UniCredit Bank

Macroeconomic
and Market Research

Quarterly Report

UniCredit Bank

15 December 2025

"Early signs of fiscal improvement, but still a long way to go"

Outlook – We expect an acceleration of growth to 1.5% in 2026 from below 1% in 2024 and 2025, but Romania will continue to have one of the lowest growth rates in the Central and Eastern Europe (CEE) region. Consumption and private investment are likely to be impacted by the started fiscal adjustment, while public investment could grow through an improved absorption of the EU funds. We expect the fiscal adjustment to stay on track, although additional budget-balancing measures cannot be ruled out. The risk of a rating downgrade decreased, the first signs of fiscal adjustment are visible and investor sentiment towards Romania improved. Although inflation will be on overall disinflationary trend without intervention from the NBR, upside risks prevail and a return within the target range is possible only in 2027. There is a high probability that key rate cuts will be postponed to 2H26. Yet, the NBR will maintain an accommodative monetary stance through good market liquidity, keeping the ROBOR rates under downward pressure. We expect the EUR-RON to trade within the 5.00-5.10 range by the end 2025, followed by a move to 5.10-5.20 in 2H26, if the inflationary pressures will subside.

Early signs of fiscal improvement, but there’s still a long way to go

Political stability, but some fiscal reforms are delayed due to conflicting views in the governing coalition and legislative hurdles

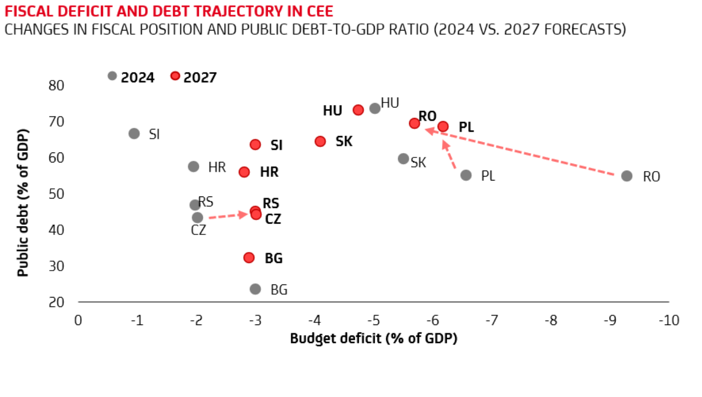
Romania enjoyed political stability in the second half of 2025, with a pro-european governing coalition consisting of the Social Democratic Party (PSD), the National Liberal Party (PNL), the Save Romania Union (USR), the Democratic Union of Hungarians in Romania (UDMR) and the other national minorities and led by Prime Minister Ilie Bolojan, the leader of PNL. To restore investor confidence, the government committed to implement three fiscal consolidation packages. The first package aimed at boosting revenue was announced at the beginning of July and implemented in two steps, as of August 2025 and January 2026, while the second package was split into six projects for efficiency, with two of them experiencing delays and still under debate due to legislative hurdles and conflicting views within the coalition members on sensitive issues, namely the magistrates' pensions and the local administration reform. There is a risk of a government reshuffle, depending on the speed of erosion of the support for the current government after the unpopular fiscal consolidation measures will propagate in the economy. Yet, the economic risks will be contained as long as there will be no political void and the fiscal adjustment remains on track.

The risk of downgrade to junk decreased considerably and the potential for a further reduction in funding costs is high

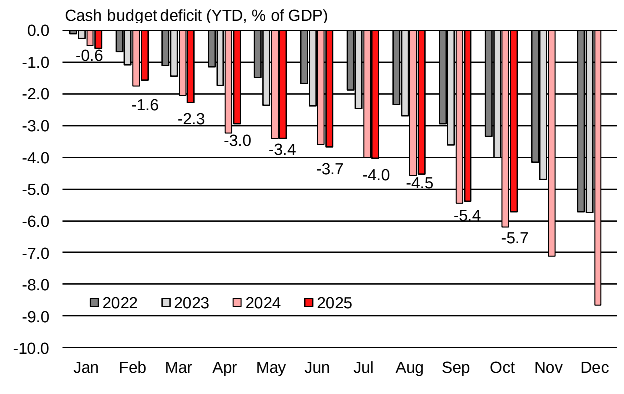
The deficit targets are attainable, although additional budget-balancing measures might be necessary in 2026

The fiscal adjustment plan was well received by the market and worries were replaced by optimism regarding Romania’s future fiscal path, leading to several positive developments: 1) all the rating agencies maintained its investment grade rating and the risk of a downgrade to junk subsided significantly; 2) the European Commission (EC) suspended temporarily the Excessive Deficit Procedure (EDP), implying that no further procedural steps or sanctions will be taken at this stage, allowing it to maintain full access to EU funds; yet, the EDP remains officially open, with the progress to be reviewed again in spring 2026; 3) access to financing from both the external and internal markets was maintained, at decreasing costs, with a sharp drop from a peak for the 10Y yield of 8.45% on 5 May 2025 to levels of around 6.90% as of November 2025. The above-mentioned positive evolutions relied heavily on better risk perception and improved sentiment, leading us to believe that further compression of premiums and another significant decrease in yields will depend on improved data on public finances. While the 8.4% of GDP ESA deficit target for 2025 is attainable and some improvement versus 2024 was visible by the end of October, meeting the 2026 target of close to 6% of GDP is still uncertain, as some of the cost-cutting measures are still pending. The main risks stem from: 1) increasing pressure from the population and the political factors to temper the adjustment and implement measures to boost the economic recovery; 2) uncertain future evolution of the revenue from VAT, excise taxes, payroll and income taxes in the context of tempering wage growth and loss of purchasing power, likely to continue to weigh on consumption; 3) uncertain results in terms of cuts to employees or salaries in local administration as of 2026, although personnel expenses accounted for a lot of the

HIGH BUDGET DEFICITS LED TO 2nd HIGHEST PUBLIC DEBT IN CEE



FIRST POSITIVE SIGNS OF DEFICIT REDUCTION IN OCTOBER 2025



Source: national statistical offices and ministries of finance, Eurostat, The Investment Institute by UniCredit, UniCredit Bank Romania correction in 2025 due to measures taken at the beginning of the year (such as reduced bonuses for some categories of public sector employees and measures to freeze 2025 salary expenses at the level of November 2024). Starting from 2027 onwards, the planned fiscal adjustment will be easier to deliver, with only 0.7-0.8pp per year. Yet, the public debt will exceed 60% of GDP in 2025, with a sustainable return below this level possible only after 2032. After running budget deficits above the 3% of GDP limit since 2019, Romania is likely to have the second highest public debt in the region in 2026-2027, hence the urgency to reduce the deficit and slow down the accumulation of debt to enable a healthy growth and lower financing costs in the future.

Public debt will soon exceed the key level of 60% of GDP, and a return below this level is possible only after 2032.

Romania will maintain one of the lowest growth rates in the CEE region…

Economic growth in Central and Eastern Europe (CEE) is set to pick up in most countries in 2026, with household consumption continuing to play a key role as a driver of growth and a probable pick-up in fixed-investment activity supported by EU funds, lower interest rates and some improvement in external demand, although the latter might be felt to a larger extent only in 2027. Yet, Romania is likely to grow by 1.5% in 2026, trailing the 2.0%-3.5% growth pace in the CEE region, due to the ongoing fiscal consolidation limiting both consumption and private investment. Thus, 2026 will be a year for Romania to correct the imbalances and invest with the help of EU funds, in order to boost growth from 2027 onwards. Our forecast for an acceleration in 2026 after growth rates below 1% in 2024 and 2025 relies on the assumption that the country will prioritize the use of EU funds and make room for investment through cost-cutting measures, considering that it can access up to EUR 10bn under the Recovery and Resilience Facility (RRF) by August 2026, EUR 25bn funds from Multiannual Financial Framework (MFF) and EUR 16.6bn from Security Action for Europe (SAFE), mostly to be directed towards infrastructure, but supporting other investment as well, such as hospitals, digitalization, energy transition and modernization of public administration.

…although we could see an acceleration in 2026 through a prioritization of EU funds

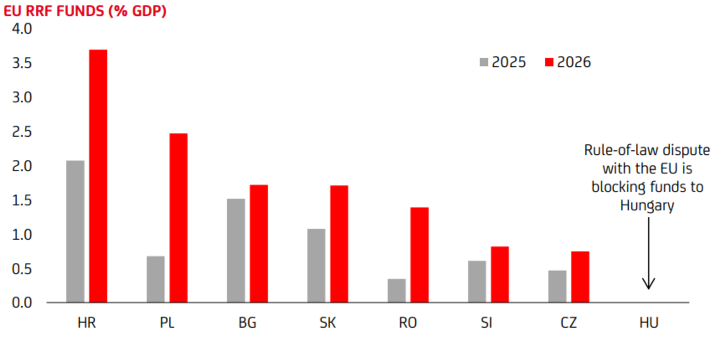
The labour market is likely to show a deterioration in 2026, but the effects will be temporary if Romania invests to boost future growth

The labour market will not be immune to the fiscal adjustment, with private companies in a wait-and-see mode and private investment postponed, while the cost-cutting plans in the public sector include lowering the number of employees. Thus, we anticipate a slight increase in the 2026 unemployment rate, with a decrease possible already as of 2027 in our baseline scenario of Romania staying on a predictable and fundamentally improved course. The yearly growth of the average wage in the economy has been on a sharply decelerating trend (+4.3%yoy in October 2025 vs. +11.1%yoy at the end of 2024) and, as of August 2025, no longer covers the annual inflation rate. Consumer sentiment worsened and retail sales already showed the first signs of deterioration, with a drop of 3.6% during August-October 2025 versus the corresponding period of 2024. We expect this negative yearly dynamic in real wages and retail sales to continue until August 2026, when the direct impact of higher taxes will be eliminated.

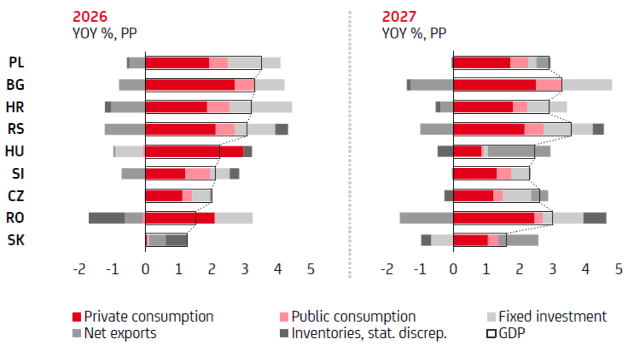
C/A deficit to temper in 2026 and stay fully funded by EU transfers, FDI and sovereign external borrowing

The C/A deficit is likely to show a mild correction in 2026 due to the weak domestic demand but will remain the highest in the CEE region. A sharper drop is possible in 2027, when we could experience a larger positive effect from external demand. The C/A

EU FUNDS REMAIN KEY PILLARS OF ECONOMIC GROWTH



ROMANIAN GROWTH TO ACCCELERATE, BUT LAGS BEHIND CEE



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

Barring new fiscal and political tensions, we expect the EURRON to trade within the upper half of the 5.00-5.10 trading range for the rest of 2025 and in 1H26. Yet, we expect the pair to resume its gradual uptrend and transition to a new 5.10-5.20 trading range in the second half of 2026, if annual inflation starts to decline.

Inflation to miss the target in 2025-2026, with a return below 3.5% possible only in 2027

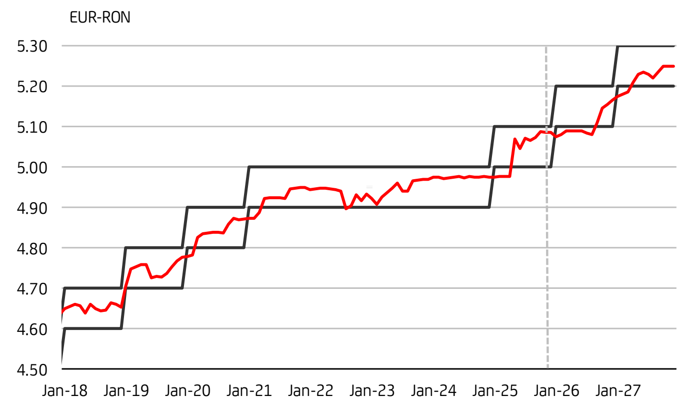
As expected, annual inflation surged because of the fiscal measures, especially the rise in VAT and excises, and the liberalization of the electricity market. Although we expect headline inflation to follow an overall downtrend, to 9.6% at the end of 2025 and 4.5% at the end of 2026, a return within the 1.5%-3.5% target range is possible only in 1Q27. Moreover, upside risks for inflation linger, with planned excise hikes for alcohol, tobacco and fuel as of January 2026 and the removal of gas and food price caps as of April 2026, along with persistent risks of new budget-balancing measures in case the ones already implemented do not provide the desired correction. Despite the high headline figure, we estimate that core inflation will enter the 1.5-3.5% target range in 4Q26. The current supply-side shock is transitory and does not need a tighter monetary policy, but the high inflation levels prevent the central bank from cutting the key rate to support the economic activity. Consequently, we expect the NBR to keep the key rate at the current level of 6.5% until mid-2026, with rate cuts resuming only next summer and totaling up to 1pp by the end of 2026. Meanwhile, the abundant liquidity should keep ROBOR on a downward trajectory toward the 5.5% deposit facility, supporting the economic activity. Monetary conditions became supportive this autumn, after the market sentiment improved, with the excess liquidity increasing to just above RON 22bn in October from a low of RON 3.9bn in June, supporting a sharp decrease of the ROBOR rates. Yet, the growth of loans has been tempering throughout the year and this trend is likely to continue into 2026, consistent with fewer acquisitions of households and investment by companies.

NBR to keep the key rate unchanged until 2H26, but support economic activity through high liquidity

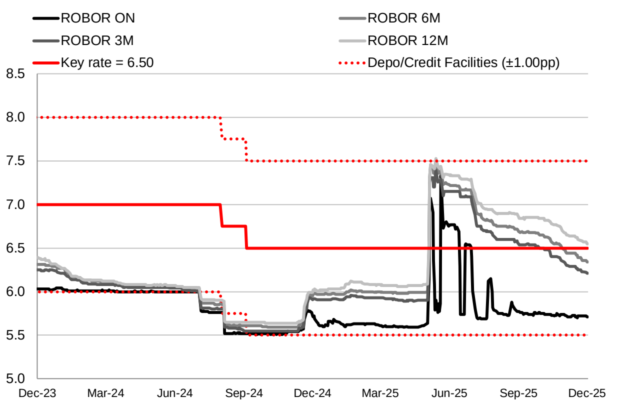
KEY DATES/EVENTS

- 9 January: GDP growth rate (qoq/yoy final)
- 9 January: PPI (yoy)
- 14 January: Inflation rate (mom, yoy)
- 19 January, 17 February: monetary policy decision

EUR-RON TO MOVE TO 5.10-5.20 IN 2H26



ROBOR RATES DECREASE DUE TO ABUNDANT LIQUIDITY



Source: NBR, UniCredit Bank Romania

MACROECONOMIC DATA AND FORECASTS

	2022	2023	2024	2025F	2026F	2027F
GDP (EUR bn)	281.7	324.4	353.8	376.6	396.4	415.5
Population (mn)	19.0	19.1	19.1	19.0	19.0	19.0
GDP per capita (EUR)	14,790	17,024	18,556	19,784	20,857	21,894
Real economy, change (%)						
GDP	4.0	2.4	0.8	0.8	1.5	3.0
Private Consumption	5.1	3.0	6.0	1.4	2.9	3.3
Fixed Investment	5.4	14.5	-3.3	3.5	4.3	4.5
Public Consumption	-1.4	6.3	0.7	-1.8	-0.8	2.0
Exports	9.3	-0.8	-3.1	2.7	4.8	4.7
Imports	9.3	-1.1	3.8	4.9	4.6	6.1
Monthly wage, nominal (EUR)	1303	1489	1710	1828	1895	1977
Real wage, change (%)	-2.2	3.6	9.4	1.0	-2.2	3.2
Unemployment rate (%)	5.6	5.6	5.5	6.0	6.8	6.6
Fiscal accounts (% of GDP)						
Budget balance	-6.4	-6.6	-9.3	-8.4	-6.4	-5.7
Primary balance	-4.3	-4.7	-7.2	-5.7	-3.6	-2.9
Public debt	47.9	48.9	54.8	62.5	66.7	69.3
External accounts						
Current account balance (EUR bn)	-26.8	-21.5	-28.9	-31.0	-28.4	-28.3
Current account balance/GDP (%)	-9.5	-6.6	-8.2	-8.2	-7.2	-6.8
Extended basic balance/GDP (%)	-4.1	-1.9	-5.5	-4.7	-3.3	-2.5
Net FDI (% of GDP)	3.3	2.0	1.3	1.5	1.7	2.1
Gross foreign debt (% of GDP)	54.6	56.4	57.5	58.7	61.3	61.2
FX reserves (EUR bn)	46.6	59.8	62.1	66.4	69.1	70.7
Months of imports, goods & services	4.0	5.1	5.1	5.1	5.1	4.9
Inflation/Monetary/FX						
CPI (pavg)	13.7	10.5	5.6	7.3	7.3	3.4
CPI (eop)	16.4	6.6	5.1	9.6	4.5	3.2
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	5.50	4.50
3M money market rate (Dec avg)	7.66	6.25	5.91	6.20	5.09	4.49
USDRON (eop)	4.63	4.50	4.78	4.31	4.38	4.38
EURRON (eop)	4.95	4.97	4.97	5.08	5.17	5.25
USDRON (pavg)	4.68	4.57	4.60	4.47	4.34	4.38
EURRON (pavg)	4.93	4.95	4.97	5.04	5.10	5.22

GOVERNMENT GROSS FINANCING REQUIREMENTS

EUR bn	2024	2025F	2026F	2027F
Gross financing requirement	**47.5**	**52.5**	**56.7**	**49.7**
Budget deficit	30.7	31.6	25.3	23.8
Amortization of public debt	16.8	20.9	31.4	26.0
Domestic	12.5	16.3	25.7	21.0
Bonds	7.6	7.4	15.5	10.7
Bills	1.4	4.1	3.7	3.0
Loans and retail bonds	3.6	4.9	6.4	7.3
External	4.3	4.5	5.7	5.0
Bonds and loans	3.7	3.9	2.8	3.1
IMF/EU/Other IFIs	0.6	0.6	2.9	1.9
Financing	**47.5**	**52.5**	**56.7**	**49.7**
Domestic borrowing	27.5	29.8	34.0	31.0
Bonds	16.8	18.8	22.0	20.0
Bills	4.1	1.7	3.0	3.0
Loans and retail bonds	6.6	9.4	9.0	8.0
External borrowing	16.7	23.8	20.5	18.0
Bonds	15.7	15.5	10.0	12.0
IMF/EU/Other IFIs	1.0	8.3	10.5	6.0
Fiscal reserve change (- = increase)	3.3	-1.1	2.2	0.7

GROSS EXTERNAL FINANCING REQUIREMENTS

EUR bn	2024	2025F	2026F	2027F
Gross financing requirement	**66.9**	**70.3**	**70.4**	**70.3**
C/A deficit	28.9	31.0	28.4	28.3
Amortization of medium and long term debt	18.3	19.3	20.6	19.7
Government/central bank	5.0	5.3	6.9	6.0
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**	**70.3**	**70.4**	**70.3**
FDI (net)	4.7	5.7	6.8	8.5
Portfolio equity, net	0.1	0.1	0.1	0.1
Medium and long-term borrowing	29.4	30.5	30.9	28.1
Government/central bank	17.8	18.1	18.8	16.0
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	7.7	8.5	9.3
Change in FX reserves (- = increase)	8.2	5.4	3.2	3.0
Memoranda:				
Nonresident purchases of LC govt bonds	-0.2	2.4	2.5	0.0
International bond issuance, net	12.1	11.5	7.2	8.9

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

Anca Maria Negrescu
Chief Economist
UniCredit Bank
Anca.Negrescu@unicredit.ro
+40 723 103 008

Alexander-Constantin Ragea
Junior Macroeconomic Economist
UniCredit Bank
Alexander-Constantin.Ragea2@unicredit.ro

Nicoleta Iulia Lungu
Market Analyst
UniCredit Bank
NicoletaIulia.Lungu@unicredit.ro

Legal Notices

Glossary

See a comprehensive glossary for many of the terms used in the report on our website: https://www.the-investment-institute.unicredit.eu/en/glossary

MARKETING COMMUNICATION

This publication constitutes a marketing communication of UniCredit Bank S.A., UniCredit S.p.A., UniCredit Bank Austria AG, Schoellerbank AG and UniCreditBank GmbH (hereinafter jointly referred to as the "UniCredit Group") is addressed to the general public and is provided free of charge for information only. It does not constitute investment recommendation or consultancy activity by the UniCredit Group or, even less, an offer to the public of any kind nor an invitation to buy or sell securities. The information contained herein does not constitute an investment research or financial analysis since, in addition to the lack of content, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

UniCredit Group, including all its group companies may have a specific interest in relation to the issuers, financial instruments or transactions detailed herein. Relevant disclosures of interests and positions held by UniCredit Group are available at: ConflictsofInterest_PositionsDisclosures. Any estimates and/or assessments contained in this publication represent the independent opinion of the UniCredit Group and, like all the information contained therein, are given in good faith on the basis of the data available at the date of publication, taken from reliable sources, but having a purely indicative value and subject to change at any time after publication, on the completeness, correctness and truthfulness of which the UniCredit Group makes no guarantees and assumes no responsibility. Interested parties must therefore carry out their own investment assessments in a completely autonomous and independent manner, relying exclusively on their own considerations of the market conditions and the information available overall, also in line with their risk profile and economic situation. Investment involves risk. Before any transaction in financial instruments please refer to the relevant offering documents. It should also be noted that:

1. Information relating to the past performance of a financial instrument, index or investment service is not indicative of future results.

2. If the investment is denominated in a currency other than the investor's currency, the value of the investment can fluctuate strongly

according to changes in exchange rates and have an undesirable effect on the profitability of the investment.

3. Investments that offer high returns can undergo significant price fluctuations following any downgrading of creditworthiness. In the event of bankruptcy of the issuer, the investor may lose the entire capital.

4. High volatility investments can be subject to sudden and significant decreases in value, being able to generate significant losses at the time of sale up to the entire capital invested.

5. In the presence of extraordinary events, it may be difficult for the investor to sell or liquidate certain investments or obtain reliable information on their value.

6. If the information refers to a specific tax treatment, it should be noted that the tax treatment depends on the individual situation of the customer and may be subject to change in the future.

7. If the information refers to future results, it should be noted that they do not constitute a reliable indicator of these results.

8. Diversification does not guarantee a profit or protect against a loss.