Macroeconomic and Strategic Analysis

UniCredit Weekly Report

The NBR revised upward its forecast for inflation in the May Inflation Report

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Weekly briefing

Romanian Economy

- **The NBR's May 2026 Inflation Report highlights a deterioration in the near-term inflation outlook** against a backdrop of weak economic activity, pointing to a stagflationary environment, part of a general European trend. **Inflation is projected to rise further in the short term**, peaking in mid-2026 at 10.3% (vs. 9.8% forecasted in February 2026), before declining amid base effects and fading energy shocks**, reaching 5.5%** (vs. 3.9% forecasted in February 2026) **by end-2026** and **converging towards target levels in 4Q2027**, **reaching 2.9% at end-2027** (forecast unchanged vs. February 2026).
- In yearly terms, **the total volume of construction works increased by 10.6%yoy** (gross data) **in March 2026**, decelerating slightly after 14%yoy in February 2026.
- **The Romanian current account deficit reached EUR 5.44 bn in the first quarter of 2026** (1.3% of GDP), improving from EUR 6.15bn in the same period of the previous year.
- **The European Commission's Spring 2026 forecast marks a clear deterioration in Romania's near-term macroeconomic trajectory** relative to Autumn 2025, with the baseline shifting from weak expansion to de facto stagnation. **Real GDP growth for 2026 has been sharply revised down to 0.1%** (from 1.1% previously), reflecting a stronger-than-anticipated contractionary impact of the fiscal consolidation and a renewed inflation shock, primarily via energy prices.

European Economy

- **The eurozone composite PMI declined to 47.5 in May**, from 48.8 in April, coming in below expectations [UniCredit: 48.5; consensus: 48.8] and marking the sharpest contraction since October 2023. **Services PMI fell to 46.4** (from 47.6) while **manufacturing remained in expansionary territory at 51.4** although momentum slowed down (from 52.2). **In Germany, the composite PMI edged up slightly to 48.6 in May** from 48.4 in April but remained in contractionary territory for a second consecutive month.
- On an annual basis, **German PPI rose 1.7%yoy**, rebounding from a 0.2%yoy decline in March and topping market expectations of 1.5%yoy, with the strongest reading since May 2023.
- **Germany's GfK Consumer Climate Indicator rose to -29.3 heading into June 2026**, up from a revised -33.1 in the previous month.
- **Germany's Ifo Business Climate Index rose to 84.9 in May 2026** from 84.5 in April, slightly above expectations [UniCredit: 84.5; consensus; 84.2], but remained at a weak level, pointing to fragile stabilization amid geopolitical uncertainty.

The **external calendar** for this week includes the **European Commission economic sentiment index**, the **US Personal income and expenditure, US PCE core inflation and US 1Q GDP growth 2nd estimate** (Thursday) and **German inflation rate** (Friday). The **Romanian calendar** includes the **Monetary indicators** (Wednesday), and the **Unemployment rate**(Friday).

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Data spotlight: 18 – 22 May

CURRENCIES - MAJORS

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.1634	0.28%	-0.64%
EURCHF	0.91	-0.32%	-1.20%
USDJPY	158.97	-0.05%	-0.32%
GBPUSD	1.3482	0.38%	-0.14%

CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.2355	-0.05%	-0.25%
EURHUF	357.45	-0.21%	-2.07%
EURCZK	24.27	-0.01%	-0.38%

CURRENCIES - RON

	EURRON	USDRON
25-May	5.247	4.509
22-May	5.250	4.521
21-May	5.250	4.517

FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
25-May	6.0	6.5	6.7	6.9
22-May	6.1	6.5	6.7	6.9
20-May	6.1	6.5	6.7	7.0

MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
25-May	5.65	5.80	5.85
22-May	5.70	5.80	5.85
21-May	5.50	5.88	5.75

MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
22-May	1.95	2.20	2.55
21-May	1.95	2.20	2.60
20-May	1.97	2.18	2.60
USDSFOR	1M	3M	6M
22-May	3.61	3.65	3.72
21-May	3.61	3.65	3.72
20-May	3.62	3.65	3.73

STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	7,473.5	0.37%	4.70%
FTSE	46,164.0	0.00%	0.07%
Hang Seng	65,158.2	2.87%	10.77%
Bucharest BET	25,606.0	0.86%	-2.13%

Romanian Economy

- **NBR published its May Inflation Report**

The NBR's May 2026 Inflation Report highlights a deterioration in the near-term inflation outlook against a backdrop of weak economic activity, pointing to a stagflationary environment, part of a general European trend. After a brief decline at the start of the year, headline inflation rose to 9.87% in March, mainly driven by higher energy and fuel prices following the Middle East conflict. While core inflation eased marginally to 8.2% on the back of weaker demand and slower wage dynamics, underlying pressures remain elevated, particularly in services, and short-term inflation expectations have picked up again.

Economic activity weakened significantly at the end of 2025, with GDP contracting in 4Q and annual growth slowing sharply. The outlook for 2026 remains subdued, with a widening negative output gap, as weak household consumption and fragile external demand continue to weigh on activity. The energy shock is expected to exert an additional, albeit moderate, drag on growth, mainly through its impact on real incomes, while investment (conditional on EU funds absorption) remains the key support to domestic demand, point emphasized thoroughly by the Governor in his speech.

Inflation is projected to rise further in the short term, peaking in mid-2026 at 10.3% (vs. 9.8% forecasted in February 2026), before declining amid base effects and fading energy shocks, reaching 5.5% (vs. 3.9% forecasted in February 2026) by end-2026 and converging towards target levels in 4Q2027, reaching

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Data spotlight: 18 – 22 May

Romania Economy (continued)

2.9% at end-2027 (forecast unchanged vs. February 2026). The upward revision of the path relative to the previous projections reflects stronger and more persistent cost pressures, including indirect effects on core inflation via production costs and imports.

The balance of risks is clearly tilted to the upside for inflation, mainly due to uncertainties surrounding energy prices, potential second-round effects, and heightened inflation expectations. At the same time, risks to growth remain on the downside, amid geopolitical tensions, domestic political uncertainty, and challenges related to fiscal consolidation and EU funds' absorption. In this context, the NBR has maintained its policy rate at 6.50%, signaling a cautious stance aimed at anchoring expectations while navigating a fragile macroeconomic environment.

The NBR Governor emphasized that the continuation of fiscal adjustment is crucial and the only viable way to solve the fiscal imbalances that Romania in facing. However, when asked by the press, the governor said that further taxation is not necessary and that fiscal adjustment should remain socially sustainable in the backdrop of the significant negative GDP deviation (negative output gap).

Moreover, Mr. Isarescu mentioned that foreign exchange interventions in the past weeks amid the heightened exchange rate volatility were significantly lower compared to the May 2025 episode, suggesting greater tolerance for exchange rate flexibility. He added that according to the central bank's calculations the current level of the EUR-RON pair on the market is feasible, due to comfortable level of reserves, but it needs to be supported by an end to the political instability with the appointment of a new government and continued fiscal adjustment.

The Romanian construction sector decreased slightly in March

The volume of construction works decreased by 1.1%mom in March 2026 (s.a. data), due to decreases in all sectors: residential buildings (-4.2%), civil engineering works (-3.3%mom) and non-residential buildings (-0.6%mom).

In yearly terms, the total volume of construction works increased by 10.6%yoy (gross data) in March 2026, decelerating slightly after 14%yoy in February 2026. In March, residential buildings surged by 22.5%yoy, civil engineering works increased by 8.2%yoy and non-residential buildings by 7.7%.

We expect the construction sector to continue to grow in 2026 (+8%yoy in 2025), supported by public investment through improved absorption of EU funds.

The current account deficit down by 13.3%yoy in 3M2026

The Romanian current account deficit reached EUR 5.44 bn in the first quarter of 2026 (1.3% of GDP), improving from EUR 6.15bn in the same period of the previous year. The headline evolution reflects mixed developments across components. The deficit on trade in goods narrowed by EUR 977m to EUR 7.38bn, while the services' surplus declined by EUR 334m, reaching EUR 3.3bn. This was mainly due to the wider negative balance of tourism, which reached EUR -1.1bn, up from EUR -880m in 1Q 2025.

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Data spotlight: 18 – 22 May

Romania Economy (continued)

Positive contributions came from transport services, where the surplus increased to EUR 1.55bn, and from IT&C services, whose surplus rose to EUR 1.92bn. The surplus generated by manufacturing services on physical inputs owned by others stood at EUR 636m, slightly less than in the previous year.

The primary income balance deteriorated from EUR -1288m to EUR -1593m, reflecting higher net income outflows, while the secondary income balance posted a surplus of EUR 324m, compared with EUR -153m in the same period of the previous year. Foreign direct investment inflows amounted to EUR 1.13bn in 1Q 2026, down from EUR 1.63bn in the corresponding period of 2025. The current account deficit is likely to decrease to levels closer to 6% of GDP in 2026 due to reduced demand for imports following the fiscal adjustment.

- **The European Commission's Spring 2026 forecast indicates an expected growth for Romania's economy of only 0.1% this year**

The European Commission's Spring 2026 forecast marks a clear deterioration in Romania's near-term macroeconomic trajectory relative to Autumn 2025, with the baseline shifting from weak expansion to de facto stagnation. Real GDP growth for 2026 has been sharply revised down to 0.1% (from 1.1% previously), reflecting a stronger-than-anticipated contractionary impact of the fiscal consolidation and a renewed inflation shock, primarily via energy prices.

The demand mix has become more adverse, with private consumption now expected to contract materially as real disposable incomes are eroded by persistently high inflation (7.0% in 2026 vs. a previously expected disinflation to ~5.9%). Investment, supported by EU funds, and a modest positive contribution from net exports remain the only growth offsets, albeit insufficient to prevent a near-zero headline outcome.

On the policy side, the fiscal path is broadly unchanged (deficit at 6.2% of GDP in 2026), but its cyclical cost is more visible, with consolidation exerting a stronger drag on domestic demand than previously assessed. The external balance continues to improve via demand compression, while labour market deterioration remains contained.

Looking ahead, the recovery is largely pushed into 2027 (2.3% growth), contingent on disinflation and easing financial conditions. Overall, relative to Autumn 2025, the European Commission now embeds a higher-for-longer inflation path and a deeper short-term growth sacrifice, consistent with a more front-loaded and growth-negative macroeconomic adjustment.

However, the forecasts show a deterioration in the macroeconomic conditions for the whole European Union, with GDP growth expected to be 1.1% (from 1.4%) and inflation to rise to 3.1% (from 2.1%).

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Data spotlight: 18 – 22 May

European Economy

The eurozone, German and French PMIs in contractionary territory in May

The eurozone composite PMI declined to 47.5 in May, from 48.8 in April, coming in below expectations [UniCredit: 48.5; consensus: 48.8] and marking the sharpest contraction since October 2023. The deterioration reflects a broad-based weakening in activity, driven primarily by the services sector, where the PMI fell to 46.4 (from 47.6), the steepest decline in over five years, as elevated energy prices and weak demand weighed on consumption. In contrast, manufacturing remained in expansionary territory at 51.4 although momentum slowed down (from 52.2). New business declined across both sectors, while input cost inflation accelerated to a three-year high, leading firms to raise output prices and reduce staffing levels further. Both subcomponents of the PMI came in under consensus expectations.

In Germany, the composite PMI edged up slightly to 48.6 in May from 48.4 in April but remained in contractionary territory for a second consecutive month. The weakness continued to be driven by subdued demand and persistent inflationary pressures. Services activity improved marginally (47.8 vs. 46.9) but remained below the 50 threshold, while manufacturing weakened notably, slipping back into contraction (49.9 vs. 51.4) as factory orders declined.

Meanwhile, France saw a much sharper deterioration, with the composite PMI falling to 43.5 in May from 47.6 in April, significantly below expectations [consensus: 47.7] and marking the steepest contraction since November 2020. The downturn was broad-based, driven by a deeper contraction in services and renewed weakness in manufacturing. New orders declined at the fastest pace since late 2020, while employment fell and inflationary pressures intensified, with both input costs and output prices rising at their strongest pace in at least three years.

Overall, the latest PMI data point to a slight weakening in eurozone economic activity, with the services sector now driving the downturn, while manufacturing resilience appears increasingly fragile.

German producer prices increased in April

German producer prices (PPI) increased by 1.2%mom in April 2026, slowing from a 2.5%mom rise in March, marking a second consecutive monthly gain.

On an annual basis, PPI rose 1.7%yoy, rebounding from a 0.2%yoy decline in March and topping market expectations of 1.5%yoy, with the strongest reading since May 2023. The increase was driven mainly by higher prices for intermediate goods (+2.6%) and energy (+2.0%), notably a sharp rise in mineral oil prices (35.5%), while non-durable goods fell 1.0% due to lower food prices.

Excluding energy, producer prices rose 1.6%yoy, pointing to a moderate increase in underlying price pressures.

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Data spotlight: 18 – 22 May

European Economy (continued)

The GfK consumer confidence indicator in Germany improved in June

Germany's GfK Consumer Climate Indicator rose to -29.3 heading into June 2026, up from a revised -33.1 in the previous month and above market expectations of a further decline to -34. The improvement was driven mainly by a rebound in income expectations, which jumped to -13.0, supported by the non-escalation of the Middle East conflict and prospects of government relief measures. Economic expectations edged up to -11.2 (vs. -13.7), although consumers still anticipate weaker conditions ahead. Meanwhile, willingness to buy increased slightly to -13.2 (vs. -14.4) but remained subdued. The saving propensity declined to 13.9 (vs. 16.1) yet stayed elevated, while inflation concerns eased markedly, with price expectations dropping to -0.4 (vs. 5.8).

German Ifo Business Climate Index edged higher in May

Germany's Ifo Business Climate Index rose to 84.9 in May 2026 from 84.5 in April, slightly above expectations [UniCredit: 84.5; consensus; 84.2], but remained at a weak level, pointing to fragile stabilization amid geopolitical uncertainty.

The improvement was driven mainly by better current conditions, with the index rising to 86.1 (vs. 85.4), while expectations edged up only modestly to 83.8 (vs. 83.5).

Across sectors, developments were mixed: services rebounded notably, while manufacturing and trade improved only slightly, and construction sentiment weakened further, highlighting the still uneven recovery.

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Data spotlight: 18 – 22 May

International and Romanian Markets

■ The EUR-RON was under upward pressure, returning to levels close to 5.25

The EUR-RON traded with an upward bias between 5.1945 - 5.2503 last week. Although the pair seemed to have stabilized around 5.20 and even attempted to descend towards 5.19 in mid-April, we saw renewed upward pressure after the press conference on 19 May, where the NBR Governor Mugur Isarescu signaled that the central bank may allow the leu to move more freely around the current levels, since Romania holds sufficient reserves to prevent excessive market swings. The longer the pair persists above 5.20, the higher the probability that it will stabilize within the 5.20-5.30 trading range, with 5.20 becoming a support level. A return below 5.20 cannot be ruled out in case of a fast improvement of the political landscape and substantial inflows of EU funds.

■ The ROBOR curve was on a slight downward trend last week

The ROBOR rates decreased along the curve but mostly at the short end last week. Compared to the previous week (15 May), the ON ROBOR was down by 5bp to 5.64%, the 1M down by 1bp to 5.76%, the 3M down by 1bp to 5.84% while the 1W remained unchanged at 5.71%. The ROBOR rates remained mostly unaffected by the current political uncertainty, aided by ample excess liquidity in the market (RON 36bn in April).

■ MinFin auctions

On Monday, the Ministry of Finance held an auction for a 8.2Y T-bond. The bids exceeded the planned amount, at RON 1026mn vs. RON 400mn, with MinFin placing RON 400mn. The average accepted yield was 6.98% (max 6.98%), 18bp lower than in April.

Last Thursday, the Ministry of Finance held auctions for a 1.9Y T-bond and a 8.9Y T-bond. For the shorter maturity bond, the bids exceeded by a wide margin the planned amount, at RON 1705.7mn vs. RON 400mn, with MinFin placing RON 920mn. The average accepted yield was 6.38%, 51bp higher than at the previous reopening in February. For the 8.9Y T- bond, the bids also exceeded the planned amount, at RON 1379.6mn vs. RON 400mn, with MinFin placing RON 563mn. The average accepted yield was 6.96% (max 6.96%), 2bp higher than at the reopening at the beginning of April.

■ FX markets

The EUR-USD traded between 1.1575 - 1.1661 last week, with a slight downward bias, ending the week at 1.1602.

Looking ahead, the outlook for EUR-USD will continue to depend on the developments in the Middle East, but the rise in UST yields, if it were to persist, might represent another important driver to be monitored, and not only because it would represent a first key test for the Fed under new chair Kevin Warsh.

If US and Iran negotiations break down again and US President Donald Trump opts for another

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International and Romanian Markets (continued)

military strike in the coming days, the renewed spike in risk aversion is set to drive the greenback up sharply, reinforcing its role as the world's safe-haven currency. In this case, the marginal decline of EUR-USD below 1.16 seen so far will likely accelerate, potentially even towards its YTD low of 1.142 reached in mid-April.

On the other hand, a possible breakthrough or a deal that would satisfy all major countries involved in the Middle East crisis, including Israel, the Gulf states, China and Russia, would spark a new wave of risk appetite across assets and would prove USD-negative. Yet investors will probably wait for clear evidence of increasing passage of ships through the Strait of Hormuz before taking more directional positions against the USD.

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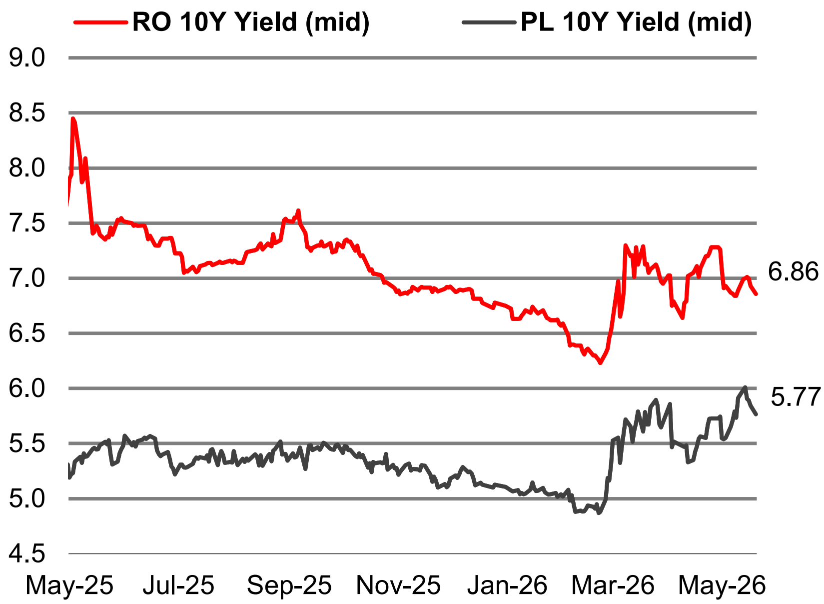
Focus Ahead: 25 – 29 May

MinFin Issues



Data Source: Refinitiv Workspace

- According to the fixing levels, the Romanian yields increased for longer term maturities last week. Overall, compared to the previous Friday (15 May), the 1Y remained stable, the 3Y rose by 10bp, the 5Y by 5bp and the 10Y increased by 3bp. Demand for bonds surpassed expectations, especially due to high interest from local investors, defying the upward revisions to the inflation forecast. The main factors supporting the demand are: the lower supply of bonds, good appetite for CEE bonds and the likelihood of a persistence of the liquidity surplus in money markets supporting low interest rates, if the exchange rate will fluctuate more freely.
- MinFin will auction RON 400mn in a 7.6Y T-bond on Monday and RON 400mn in a 3.5Y T-bond, along with RON 300mn in a 11.9Y T-bond on Thursday.

BOND ISSUES - May

ISIN Code	Auction Date	Maturity Date	Months	Planned Amount (mn)	Currency	Total Applications	Total Allocated	Yield (avg)
RON4D08H94V4	28-May-26	29-Oct-29	42	400	lei			
RO0DU3PR9NF9	28-May-26	24-Feb-38	143	300	lei			
ROWLVEJ2A207	25-May-26	30-Oct-33	91	400	lei			
ROCDG04X8WJ7	21-May-26	26-Apr-28	24	400	lei	1,706	920	6.38
RODFIUK7ZV55	21-May-26	25-Apr-35	109	400	lei	1,380	563	6.96
ROTM7EDD92S2	18-May-26	31-Jul-34	100	400	lei	1,026	400	6.98
ROQNDCF89GE6	14-May-26	23-Nov-26	6	500	lei	2,518	2,082	6.01
ROYNCLHRHVV6	14-May-26	29-Jul-30	51	400	lei	1,367	666	6.65
ROJ5G0VNJI67	13-May-26	15-May-28	24	200	euro	792	781	3.64
ROPG9LZUB0O2	11-May-26	27-Jul-33	88	400	lei	1,182	670	6.86
ROG0T8PGU181	7-May-26	10-May-27	12	500	lei	1,500	1,193	6.11
ROOFOYB15203	4-May-26	27-Jul-31	64	500	lei	1,474	629	7.05

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Focus Ahead: 25 – 29 May

Data Calendar – May 2026

	Country	Indicator/Event	Period	UniCredit forecast	Consensus	Previous
27.05.2026	RO	Money supply (M3, yoy%)	Apr	-	-	7.30
28.05.2026	EMU	EC Economic sentiment (index)	May	93.00		93.00
	US	Personal income (% mom)	Apr	0.50	0.40	0.60
	US	Personal expenditures (% mom)	Apr	-	-	0.90
	US	PCE core inflation (% yoy)	Apr	3.30	3.30	3.20
	US	Real GDP (% qoq, 2nd estimate)	1Q	2.00	2.10	2.00
29.05.2026	RO	Unemployment rate (%)	Apr	6.10	-	6.10
	GE	Consumer price index, CPI (% yoy)	May	3.00	2.90	2.90

Data Source: Bloomberg

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Economic Forecasts

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

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Glossary

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