



## Medium-Term Forecast 2025-2029, Autumn Edition

### 1. International Context

The international context for the current autumn forecast continues to be complex and tense, given the persistence of the conflict between Russia and Ukraine. Nevertheless, efforts to improve the situation in the Middle East must be noted, as well as the easing of the effects stemming from the United States' protectionist policies.

The impact of the war in Ukraine persists in the member states of the European Union. Under the effect of sanctions imposed on Russia, European economies have been affected by energy product prices, although these stabilized in the first half of this year at a level close to that of the previous year. At the same time, the European Union is undergoing a full reconfiguration of its security architecture, which implies rising budgetary costs, leading to the prioritization of expenditures and creating risks for fiscal stability.

By contrast, the U.S. tariff policy has had a much smaller impact on global trade than expected, mainly due to increased imports in the first half of the year and bilateral negotiations on trade agreements with the United States. In the coming period, however, these tariffs will gradually be passed on to consumer prices, as their increase will no longer be absorbed by supply chains.

Against this backdrop, in October, the **International Monetary Fund** estimated a slight slowdown in global economic growth compared with 2024, adjusting its July projection downward by 0.2 percentage points (to 3.2%) and maintaining the forecast for 2026 (3.1%). For the **euro area**, a cautious economic expansion is expected (1.2% in 2025 and 1.1% in 2026), with a mild recovery of the German economy after the decline recorded both in 2023 and 2024 (up to 0.2% this year and 0.9% in 2026), driven by the rebound in private consumption.

In its latest forecast published in December, the **Organisation for Economic Cooperation and Development (OECD)** estimated a 3.2% global economic growth in 2025, followed by a slight slowdown the next year, and an escalation to 3.2% in 2027. The **euro area** is expected to surpass its 2024 performance and register a 1.4% increase in 2027.

For **Romania**, the OECD projected a 1.3% moderate economic growth in 2025, followed by a 1.0% increase in 2026, and a recovery to 2.2% in 2027. Private consumption is expected to remain subdued in the first part of 2026, as slowing wage dynamics and fiscal consolidation measures will affect real disposable incomes. Investments will support the economy as EU-funded projects accelerate, and exports will gradually recover.

Likewise, in November, the **European Commission** estimated a modest increase for Romania, of 0.7% in 2025 and 1.1% in 2026, as the fiscal consolidation will reduce both public and private consumption, also affected by high inflation in the first half of next year. The economy will



nonetheless continue to advance due to the gradual recovery of private investment, the acceleration of expenditures financed through the NRRP, and the improvement of net exports, which are expected to contribute positively in 2026. Starting 2027, the real GDP growth rate is projected to exceed 2%, as fiscal consolidation eases. Labour market tensions are expected to moderate, while the slowdown in private consumption, combined with resilient exports, will gradually reduce the high external deficit.

**Risks to the forecast** are predominantly tilted to the downside and stem mainly from escalating geopolitical tensions, political uncertainty, and global fragmentation. Moreover, the prospect of further changes in global trade policy remains concerning. Investments could also be affected by the slow pace of structural reforms and delays in absorbing EU funds. Price pressures, fuelled by disruptions in global supply chains and adverse weather events, may push inflation even higher. Positive risks may arise from potential tariff reductions following new rounds of negotiations with the United States, from accelerated reforms, and from the large-scale adoption of artificial intelligence - which would boost productivity - thus supporting medium-term growth.

		COM			OCDE		
	2024	2025	2026	2027	2025	2026	2027
<b>Economic growth (%)</b>	<b>0.9</b>	<b>0.7</b>	<b>1.1</b>	<b>2.1</b>	<b>1.3</b>	<b>1.0</b>	<b>2.2</b>
Inflation, annual average (%)	5.6	6.7	5.9	3.8	7.1	6.0	3.0
Current account balance (% in GDP)	-8.2	-7.9	-6.4	-6.0	-8.3	-7.3	-6.7
Unemployment rate (%)	5.4	6.1	5.8	5.6	6.3	6.3	5.9

Source: European Commission Autumn Forecast, November 2025; OECD Economic Outlook, December 2025

## 2. Domestic Context

### 2.1 Recent Macroeconomic Developments

Economic activity in the first nine months of 2025 continued to be shaped by a difficult environment, marked by rising uncertainties both Romania and worldwide. In addition to the tensions generated by the Russia-Ukraine war and the conflict in the Middle East, the tariff policy promoted by the United States led to a deterioration of international trade relations. At the same time, pressures stemming from high labour and utility costs accumulated in previous years weakened companies' competitiveness and the supply-side response to domestic demand. In this background, Romania's economy recorded modest growth, with GDP increasing by 0.8% (gross series) compared with the same period in 2024.



From the perspective of **expenditure components**, investment remained the main driver of economic growth. With major infrastructure projects carrying on and new nationally significant investment objectives being launched, **gross fixed capital formation** returned to positive territory, posting a notable increase in Q3 of 2025 (8.3%), reflected in a 34.2% investment rate. Overall, for the first nine months of 2025, the 4.6% increase contributed 1.2 percentage points to the GDP dynamics. This result is consistent with the evolution of investment expenditures which were 10.3% higher than in the first 9 months of 2024 (according to the January-September 2025 budget execution), with a significant share coming from national funds' investments (around 59% of total investment spending). Conversely, the slowdown in households' purchasing power dynamics led to a deceleration of private consumption from 5.7% in 2024 to 0.5% in the first nine months of 2025.

Amid a slight resilience of external demand, exports of goods and services increased by 3.8% in the third quarter, while imports of goods and services - affected by the slowdown in final and intermediate consumption demand - rose by only 1.8% in volume. This pattern, expected to continue in the coming period, allowed for a correction of the negative contribution of net exports to -0.8 percentage points in January-September 2025, compared with the high level recorded in the previous year (-2.8 percentage points).

**On the supply side**, it must be mentioned that, unlike in the first semester - when growth was mainly supported by net taxes - the situation reversed over the January-September interval, with gross value added (GVA) contributing 0.5 percentage points to real GDP growth. **By sector**, construction accelerated to 8.5%, driven mainly by the strong performance in Q3 (+12.1%), contributing 0.5 percentage points to GDP dynamics. Although industrial activity showed a recovery in the third quarter (+1.1%), overall performance in the first nine months remained negative (-0.4%), due to still-weak external demand in the first part of the year. In agriculture, substantial results in Q3 (+9.2%), supported by high yields for several crops, led to an overall increase of 6.8% and contributed 0.2 percentage points to economic growth.

The evolution of the services sector was volatile. The **information and communications** branch stood out, with a GVA growth rate of 6.1% in Q3 and 2.9% over the entire period, contributing 0.2 percentage points to the economic growth. At the opposite end, **professional, scientific, and technical activities** saw a 3.7% decline in GVA, with a negative impact of 0.3 percentage points on GDP. These opposing trends offset each other at the aggregate level of the tertiary sector, which maintained an almost constant gross value added in the first nine months, with a marginal decline of -0.1%, reducing economic growth by 0.1 percentage points.

**Consumer prices have followed an upward trend since July**, driven by two successive shocks: the expiration of the electricity price cap scheme starting July 1, and the increase in VAT rates and excise duties from August 1, in line with the fiscal consolidation package. In this context,



the annual inflation rate reached 9.8% in November, with Romania remaining the EU member state with the highest inflation rate. Inflationary pressures were felt particularly in service tariffs (annual increase of 11.0%) and non-food goods (+10.7%, due to rising electricity and heating prices), while food prices increased by 7.6%. As an annual average, inflation reached 7.1% in the first eleven months of 2025 (above the 5.6% level in 2024), driven by the fiscal-budgetary measures applied from the third quarter onward.

**The current account deficit of the balance of payments** reached €24.64 billion in the first ten months of 2025, increasing by 4.2% compared with the same period of the previous year. The main causes of the deterioration in the current account balance originated from the income side. Thus, the deficit of the primary income balance (driven by higher payments for long-term interest and a deeper deficit in direct investment income) widened by €807 million (+11.0%), reaching -€8.2 billion, while the surplus of the secondary income balance decreased by €694 million. On the positive side, the goods and services balance deficit narrowed by 3% (-€16.4 billion compared with -€16.9 billion), supported by a 5.7% increase in the services surplus, even though the trade deficit widened only marginally by 0.2%.

Overall, **international trade in goods** showed a positive dynamic in January-October 2025, with imports increasing by 3.4%, a slower pace compared with exports (+4.3%). This trend in trade flows reflects a recovery in external demand in the second half of the year and a contraction of imports consistent with the more moderate evolution of domestic demand.

A share of 46.5% of exports have been supported by machinery and transport equipment, which increased by 3.4% compared with the same period of 2024. Manufactured goods (iron, steel, rubber, metal, wood - excluding furniture - clothing and accessories, footwear, furniture and parts thereof, etc.) amounted to €21.9 billion, representing 27% of the total. Similarly, imports consisted mainly of automotive industry products and manufactured goods, accounting for 36.6% and 28.4%, respectively, of the structure of goods purchased from external markets.

## 2.2 Outlook

Macroeconomic developments in the first nine months and sectoral indicators for the January-October 2025 period highlight a significant improvement in certain areas of activity, particularly in the second half of 2025.

A specific example is the **construction sector**, where budgetary reimbursements for investment projects and the private sector's behaviour of accelerating certain works - amid the introduction of new fiscal measures - generated an unexpected 40% increase in construction output in July. Subsequently, the government's firm policy of reimbursing investment expenditures supported the sector, such that the **overall impact of construction** on the autumn forecast led to **an upward revision of GDP dynamics by 0.3 percentage points, from 0.6% to**



**0.9%** for 2025. Accordingly, for gross value added in construction, the autumn scenario foresees a substantial upward adjustment of 3.8 percentage points, from 3.8% to 7.6%.

With regard to industry, the GVA dynamics was still in negative territory, as it had also been in the previous scenario, although with a slight improvement ~~of~~ (-0.1%). A near-stagnation is also estimated in the current scenario (-0.1%) for the tertiary sector, with most of the support coming from information and communications activities. At the same time, in the final part of the year, the impact of the government's fiscal consolidation measures is expected to become more visible in certain categories of services, especially those aimed at household consumption.

**The aggregate effect of these developments supports the upward economic growth revision for 2025, from 0.6% in the summer forecast to 0.9% in the current version.**

On the demand side, considering the very strong result of gross fixed capital formation in Q3, a **positive reassessment of gross investment dynamics** for the current year was necessary (+5.0%), representing a 2.2 percentage points increase compared with the previous forecast. At the same time, given the effects of fiscal consolidation measures - namely a stronger moderation of consumption than previously estimated - a slight reduction in private consumption is expected (-0.1% compared with the 1.1% growth projected previously ~~earlier~~). Regarding government consumption, developments in the third quarter led to an upward revision of the annual growth rate by 1.4 percentage points. Net exports will reduce their negative impact compared with the previous estimate, lowering economic growth by only 0.5 percentage points, as imports of goods and services (+4.5%) maintain a higher growth rate than exports of goods and services (+3.7%).

**Inflation** estimates for the end of 2025 have been revised upward by 0.7 p. p., due to the sharper increase in electricity prices in July following market liberalisation, as well as a higher transmission coefficient than previously estimated (0.6) for the application of new VAT rates and higher excise duties. Consumer price growth is thus expected to reach 9.6% in December, resulting in only a marginal deviation of 0.2 percentage points for the annual average.

The **current account deficit** forecast remains at the level of previous estimates, namely 8.0% of GDP, although some structural adjustments have been made. The negative impact of the trade balance deficit has been reduced due to improved goods exports in the second half of the year, alongside a slowdown in imports. However, a more pronounced negative contribution is projected to come from primary and secondary incomes. Their share in GDP is estimated to increase by 0.5 percentage points.

The weaker-than-expected economic performance this year has led to downward revisions of **labour market** forecasts. The deceleration in the monthly number of employees' dynamics throughout 2025 has led to a moderate estimate for the average number of employees (+0.3%



compared to +0.6% in the previous version). Likewise, the average gross wage is expected to increase at a similar pace (+8.0%), only 0.1 percentage points above the level projected in the summer 2025 forecast, while households' purchasing power will experience a more substantial deterioration due to the stronger-than-anticipated effects of inflationary shocks.

In 2026, the impact of fiscal adjustment measures will be more pronounced and will be felt especially through the reduction in households' purchasing power, as a result of persistently high inflation in the first part of the year and a decline in disposable income. Consequently, **in the current scenario, economic growth for 2026 is forecast at 1.0%, slightly lower than the estimates in the summer forecast.**

By activity sectors, construction remains the most dynamic sector, supported by the continuation of infrastructure projects financed through European funds. A slight recovery is anticipated in the industrial and services sectors, although their growth rates remain modest.

On the demand side, in the context of the conclusion of the National Recovery and Resilience Plan (end of 2026), an advance in the absorption of funds allocated through the *Next Generation EU* instrument is expected. With responsible management, these funds will generate a 4.0% increase in gross investment. However, there is a **risk of insufficient utilisation of EU funds**, which would represent a vulnerability for the investment process and, **implicitly, for economic growth.**

In the current economic context, affected by measures to reduce the budget deficit, households' propensity to consume will decline significantly, leading to a **significant deceleration of private consumption (-0.8%)**. Net exports, driven by a 2.7% increase in exports of goods and services, alongside a slower rise in imports (+1.2%) due to weaker domestic demand, will contribute 0.5 percentage points to real economic growth.

Economic developments subject to investment-related risks in 2026 have led to a downward revision of the projection for the monthly number of employees, resulting in an annual average stagnation of employment, compared to the previously projected 0.5% increase. Over the medium term, however, a slight upward trend is anticipated, in line with economic growth, leading to an average annual increase of 1.2% in the number of employees.

Regarding the average gross wage, an increase of 5.5% is expected for next year, considering the competitive sector's practice of aligning wage adjustments with inflation and minimum wage policy, as well as a slight reduction in public sector earnings due to fiscal consolidation measures. For the following period, an average annual growth rate of 5.7% is predicted, accompanied by rising purchasing power and a return to the disinflationary process.

With respect to medium-term macroeconomic developments (2027-2029), the current scenario anticipates a gradually improving domestic macroeconomic environment, with corrections to



internal and external deficits, supporting an average annual GDP growth rate slightly above 2.0%. **Construction will continue to be the most dynamic sector of the economy**, with an average annual growth rate of 2.8%, exceeding that of GDP. The autumn forecast anticipates a medium-term recovery of the industrial sector, with an annual growth rate of around 2%, while services - after modest performance in 2025-2026 - are expected to rebound, mainly due to high value-added activities.

On the demand side, **gross investment, with an average annual growth rate of 2.7%, will continue to be the main pillar supporting economic growth**, with particular attention given to the allocation of available resources - European, governmental, and private - for the completion of major infrastructure projects. After the decline in 2026, private consumption will grow at an average annual rate of 2.6%, exceeding GDP growth by 0.4 percentage points. Net exports will have a medium-term negative contribution of around -0.2 percentage points, as the average growth rate of imports (3.3%) will slightly exceed that of exports (3.2%).

The inflationary process will ease throughout the forecast period, except for the first half of 2026, when the effects of fiscal sustainability measures and energy market liberalisation will be temporarily felt. However, **risks of additional upward pressure on consumer prices persist in 2026, stemming from the liberalisation of natural gas prices** and the removal of the cap on commercial mark-ups for basic food products. These shocks could slow the disinflation process and lead to a more significant contraction in household consumption. According to the estimated trajectory, inflation at year-end is expected to fall within the National Bank of Romania's target range starting in 2027. For the RON/EUR exchange rate, the forecast assumes an average annual depreciation of 1.0%.

Externally, the medium-term current account deficit will continue its correction process, more visibly in 2026, supported by budget deficit reduction measures, increased absorption of European funds, and improved external competitiveness of domestic goods.