Medium-Term Forecast 2026–2029, Spring Edition

A. International context and risks

Uncertainties and downside risks to the economic outlook intensified at the beginning of 2026 at both global and regional level, against the backdrop of the protracted conflict in Ukraine and the escalation of a new conflict in the Middle East. The latter generated an energy shock affecting all oil, natural gas, and fuel-importing countries in the region, disrupting not only the supply of energy products but also global supply chains for chemical fertilizers and other goods transiting the area.

The impact was felt most acutely by Asian countries dependent on oil and natural gas from the region, with energy product prices reacting rapidly and reaching historical highs in the second quarter of the current year. Subsequently, the price surge propagated to other regions, with international institutions expecting a deceleration in economic growth across most economies. At the same time, disruptions in fertilizer supply along regional routes could affect agricultural production in importing countries, adding further pressure on agricultural and food prices.

In this context, the **World Bank**'s April forecast for Central Europe marked downward revisions compared with estimates from the beginning of the year, by 0.3 percentage points for 2026–2027. The adjustments applied to all countries in the region (Romania, Croatia, Bulgaria, and Poland). In January, the World Bank estimated that the global economy would grow by 2.6% in 2026 and 2.7% in 2027, with expectations supported by the significant resilience shown in 2025 in the face of the new U.S. trade policy and geopolitical tensions. For Central European countries, growth is expected to reach 2.7% in 2026, with a similar level projected for the following year.

Recently, the **European Commission** also revised down its forecast for the economies of the European Union by 0.3 percentage points, to 1.1% for 2026 and 1.4% for next year, and for the euro area to 0.9% and 1.2%, below the levels projected in autumn. The revisions were applied to most Member States.

European Commission's economic growth projections for EU member states (%)

	Autumn Forecast 2025		**Spring Forecast 2026**	
	2026	**2027**	**2026**	**2027**
World economy	**3.1**	**3.2**	**2.8**	**3.2**
EU	**1.4**	**1.5**	**1.1**	**1.4**
Euro Area	**1.2**	**1.4**	**0.9**	**1.2**
Germany	1.2	1.2	0.6	0.9
France	0.9	1.1	0.8	1.1
Italy	0.8	0.8	0.5	0.6

Source: European Commission Forecasts

For **Romania**, the World Bank projected 0.5% economic growth for this year, which is 0.8 percentage points below the level estimated in January, followed by a recovery to 1.4% in 2027. The World Bank considers that public investment, including from EU sources, will partially offset the decline in consumption that occurred amid the government's fiscal consolidation efforts.

The European Commission estimates that Romania's economy will advance only marginally in 2026 compared with the previous year, with activity close to stagnation (+0.1%), before accelerating to 2.3% in 2027. Fiscal consolidation efforts and elevated inflation, driven by rising energy prices, will reduce domestic demand. EU-funded investment and net exports will make a positive contribution, mitigating the losses stemming from weaker consumption.

The recovery in 2027 will be supported by lower inflation and more favourable financing conditions. Unemployment is expected to increase moderately in 2026, before declining to 5.9% in 2027. The current account deficit is projected to improve to 6.4% of GDP over the forecast horizon.

World Bank and European Commission estimates of economic growth for Central European Countries

– year-on-year percentage changes –

	World Bank April 2026		**European Commission November 2025**		**European Commission May 2026**	
	2026	**2027**	**2026**	**2027**	**2026**	**2027**
Bulgaria	2,6	2,9	2,7	2,1	2,5	2,2
Croatia	2,6	2,5	2,9	2,5	2,7	2,5
Poland	3,1	2,6	3,5	2,8	3,5	2,8
Romania	**0,5**	**1,4**	**1,1**	**2,1**	**0,1**	**2,3**

Source: World Bank – *Economic Outlook for Europe and Central Asia*; European Commission – *Autumn 2025* and *Spring 2026 Forecasts*

Main risks

Risks are tilted to the downside for the economic outlook and are primarily linked to the evolution of the conflict in the Middle East and its implications for global energy markets. A prolonged conflict and a slower recovery of supply could generate strong inflationary pressures and lower economic growth. Persistently high inflation over a longer period may lead to a sharper contraction in consumption, while firms are likely to become even more cautious regarding investment decisions.

The Gulf region supplies refined petroleum products for transport and heating, which may generate spillover effects along global production and supply chains. Reduced access to fertilizers could affect agriculture and the food industry, which may also be disrupted by the emergence of potential climate-related shocks.

The acceleration of structural reforms aimed at strengthening the EU's competitiveness and growth potential remains the main upside risk to the forecast. At the same time, firm progress in the energy transition could further reinforce economic resilience. The resolution of the war in Ukraine could have a positive impact on global growth and on the economies of EU Member States.

B. Considerations regarding the medium-term estimates

The medium-term macroeconomic outlook has been developed in a difficult geopolitical context, with uncertainties amplified by the intensification of the conflict in the Middle East, which has triggered a major energy shock on the global market. The inflationary effect generated by rising fuel prices has overlapped with domestic efforts to correct macroeconomic imbalances through continued fiscal consolidation measures, leading to a deterioration of the outlook for the current year.

Another factor behind the downward revision of the forecasts is the flash data published by the National Institute of Statistics, indicating a 1.7% contraction of GDP in the first quarter compared with the corresponding quarter of the previous year (gross series), and a 0.2% decline compared with the last quarter of 2025 (seasonally adjusted series).

In addition, several high-frequency indicators for the first three months of the year performed below expectations, particularly those reflecting household consumption (retail trade, household services, wage earnings, etc.).

Therefore, for 2026, a downward correction of 0.9 percentage points is projected for economic growth, from 1.0% in the previous estimate to 0.1% under current macroeconomic conditions. On the other hand, the GDP deflator is revised upward by 1.1 percentage points, in line with the increase in average annual inflation. These opposite-direction deviations within the macroeconomic scenario are expected to partially offset each other, with a net positive effect on the nominal growth of GDP.

On the supply side, the near-stagnation projected for the current year reflects the continued decline in gross value added in industry, a trend observed over the past four years. Competitiveness losses resulting from rising costs, particularly energy costs, are delaying the return to positive territory. As a result, the gross value added rate is estimated at -0.3%, following a downward revision of 0.8 percentage points.

An unfavourable evolution is also expected for the services sector, with the impact of fiscal consolidation measures being more pronounced in certain categories of services, especially those rendered to household consumption.

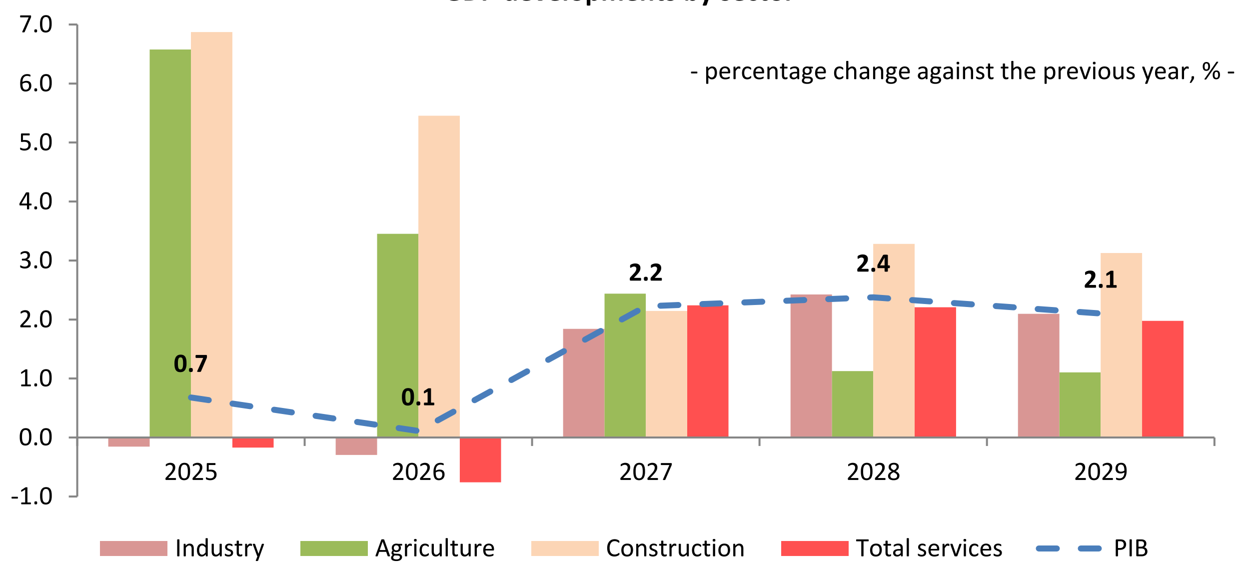
At the same time, construction continues to be the most dynamic sector, supported mainly by civil engineering works driven by the absorption of EU funds, as well as by a recovery in residential construction recorded in the first part of the year.

On the expenditure side, given the more significant effects generated by the implementation of fiscal consolidation measures, overlapping with the inflationary impact of the conflict in the Middle East, a sharper moderation of private consumption is projected for 2026 compared with the previous forecast, resulting in a negative contribution to economic growth. In the context of the National Recovery and Resilience Plan coming to an end in August, the assumption of an accelerated pace of absorption of funds allocated through the *Next Generation EU* instrument is maintained; under responsible management, these funds are expected to generate a 4.2% increase in gross investment. Gross fixed capital formation thus remains the main driver of domestic demand. Nevertheless, the risk of insufficient absorption of EU funds persists, which would represent a vulnerability for the investment process and, implicitly, for economic growth.

International trade dynamics have been revised downward due to the deterioration of growth prospects for Romania's main external partners, as well as supply chain disruptions caused by global conflicts. Net exports will have a positive impact as exports of goods and services are expected to increase by 1.7%, while imports of goods and services are projected to quasi-stagnate (+0.1%), reflecting weaker domestic demand.

Over the medium term, economic growth projections remain unchanged for 2027–2029, with an average annual GDP growth rate of 2.2%, supported mainly by the continued expansion of the investment process.

GDP developments by sector



On the supply side, growth is expected to be driven by a performance of the construction sector above overall GDP, with an average annual rate of 2.8%. At the same time, the industrial sector is expected to gradually recover and return to positive territory, thereby supporting the economy's expansion. For the tertiary sector, a rebound is anticipated after the modest developments recorded in 2025–2026, mainly through the expansion of modern, high value-added activities. The sector is projected to grow at an average annual rate of 2.1%, providing the largest contribution to economic growth.

On the demand side, gross investment—growing at an average annual rate of 2.7%, will continue to represent the main pillar supporting economic growth. Particular attention will be given to the allocation of available resources, whether from EU, government, or private sources, to ensure the completion of major infrastructure projects. After the decline in 2026, private consumption is expected to grow at an average annual pace above that of GDP, reflecting the gradual fading of the effects of fiscal consolidation. Net exports will have a slightly negative contribution to economic growth over the medium term, as the average growth rate of imports of goods and services is projected to outpace that of exports, in line with the recovery of domestic demand.

The macroeconomic forecast is, however, subject to a high degree of uncertainty. The persistence of the conflict in the Middle East, deviations from fiscal consolidation reforms, or a tightening of international trade policies are all risks that could deteriorate macroeconomic balances.

Inflation estimates for the current year have been revised upward by 1.7 percentage points for the end of the year and by 1.4 percentage points for the annual average, due to the intensification of the conflict in the Middle East. The impact was initially felt in fuel prices, with second-round effects expected to gradually spill over into other categories of goods and services, particularly transport. The disinflationary trajectory, interrupted in March, is expected to resume in the third quarter, once the statistical effects of higher electricity tariffs and the application of new VAT and excise rates fade out. **The exchange rate forecast** has also been revised, taking into account the significant increases recorded in May. Although the downward trend in inflation is maintained over the forecast horizon, this year's increases will also be reflected in next year's annual average. There remains, however, a risk of additional upward pressure on consumer prices in 2027, stemming from the re-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 dampen household consumption.

Adjustments were also made to industrial production prices and construction costs, reflecting developments in the first months of the year and the pressure from energy and raw material prices. These increases, together with higher inflation, led to an upward revision of the GDP deflator.

The current account deficit is projected to improve more markedly in 2026, supported by fiscal consolidation measures, weaker domestic demand, increased absorption of EU funds, and improved external competitiveness of domestic goods. The projections regarding the improvement in the balance of payments assume a gradual recovery of the European and global context and a rebound in external demand, which will stimulate trade relations and the services sector.

Starting from the second half of 2025, Romania's **labour market** has been characterised by a general slowdown in hiring and increased employer caution amid an uncertain economic climate. Estimates for the average number of employees in 2026 indicate a decline of around 28 thousand persons, leading to an increase in the ILO unemployment rate to 6.3%.

Over the medium term, the labour market is expected to follow a positive trajectory, offering improved prospects across all employment categories. During 2027–2029, total employment is projected to grow at an average annual rate of 0.4%; the number of employees is expected to increase by 0.8%, while other categories of employed persons, mainly self-employed workers, will experience a marginal adjustment. The ILO unemployment rate is expected to continue its slight decline, reaching 5.3% at the end of the forecast horizon.

Wage adjustments in 2026 will be tempered by the need for fiscal balance and by inflationary pressures. The competitive sector will contribute positively to average wage growth through employee retention in key industries, while the public sector will remain at the December 2025 level. Real wages will stay in negative territory, reflecting the interaction between moderate nominal wage increases and price dynamics. Although increases in the gross minimum wage provide a favourable boost to disposable income, the effect on purchasing power remains limited.

For 2026, the average gross wage is projected to increase by 5.8%, reaching 9,217 lei, a moderate rise consistent with efforts to balance wage expenditures. The 6.8% increase in the minimum wage starting July 1, 2026, to a level of RON 4,325, will boost base pay for a significant portion of the workforce, having a moderate effect on the overall average, but with prospects of stimulating the economy (Government Decision no. 146/2026).

In 2027, wage earnings could experience a balanced recovery above inflation, depending on the success of fiscal consolidation and the easing of inflationary pressures. In the competitive sector, the pace will vary: competitive industries will continue to attract labour with motivating wages, while traditional sectors will follow more cautious trends influenced by labour costs.

Over the medium term, the average annual growth rate of the gross wage is projected at 5.9%, consistent with an increase in purchasing power of around 2.6%. Wage earnings will evolve favourably overall, though at a more prudent and differentiated pace across professional categories.

C. Short-term developments shaping the macroeconomic forecast

Inflationary pressures intensified significantly at the beginning of 2026. After averaging 9.6% in the first quarter, the upward trajectory of prices exceeded the 10% threshold in April, reaching an annual increase of 10.7%, driven by the cumulative effect of price hikes over the past 12 months. These include the liberalisation of the electricity market, higher VAT rates and excise duties, as well as rising fuel prices induced by geopolitical tensions in the Middle East.

In terms of structure, **annual inflation** (April 2026/April 2025) was supported by increases in service prices (+13.0%) and non-food goods (+12.0%), while food prices recorded a more moderate yet still elevated rise (+7.4%). The most significant annual increases were observed for electricity (+54.2%), rents (+43.8%), and fuels - particularly diesel (+32.7%) and gasoline (+22.4%) - reflecting the direct impact of energy costs and fiscal measures on price dynamics. In the food segment, the largest increases were recorded for coffee (+21.8%), eggs (+14.8%), beef (+12.2%), fresh fruit (+11.8%), and cow's milk (+11.0%), while other basic products continued to show more moderate growth.

At sectoral level, the latest high-frequency indicators point to a slowdown in economic activity across most sectors, amid weakening domestic demand, persistent cost pressures, and an economic environment marked by uncertainty. Sharp declines were recorded in household services, retail trade, transport, the IT sector, and several industrial branches.

(%) compared to the similar period

Sectoral indicators	2024	T1_25	T2_25	T3_25	T4_25	2025	T1_26
Industrial production	**-1.6**	-3.7	-0.2	0.9	-0.4	**-0.9**	-2.0
Construction works	**-5.9**	10.6	3.2	14.4	5.0	**8.0**	8.2
Turnover volume in:							
- Retail	**8.6**	3.5	1.9	-0.2	-3.6	**0.2**	-5.8
- Services rendered to the population	**-0.9**	-2.4	2.6	-3.2	-5.5	**-2.2**	-9.9
- Transport	**-7.3**	3.9	-6.9	3.9	-1.1	**-0.2**	-5.4
- IT services activities	**-4.1**	-5.0	-3.8	15.0	14.9	**4.8**	-5.6

Source: NIS

The prospects for a solid recovery of the industrial sector remain cautious, given the ongoing conflict in Ukraine, the tensions in the Middle East, the uncertainties associated with global trade policies, and the persistence of elevated energy costs. At the same time, the recovery of external demand is picking up slowly, particularly in Romania's main trading partners, which continues to weigh on the short-term growth dynamics of industrial activity.

Data for the first quarter of 2026 place **industrial production volume** in negative territory, with a decline of 2.0%, driven mainly by contractions in manufacturing (-3.3%) and mining and quarrying (-1.0%). The most affected branches were manufacture of coke and refined petroleum products (-26.7%), mining of coal and lignite (-23.5%), manufacture of tobacco products (-18.9%), other industrial activities (-17.9%), and manufacture of textiles (-16.0%), pointing to weakening demand and persistent difficulties in export and investment-oriented sectors. On the other hand, several positive developments were recorded, including a substantial increase in mining support activities (+44.0%), as well as more moderate gains in manufacture of wood (+4.7%), manufacture of computers (+4.5%), manufacture of food products (+4.2%), and the manufacture of other transport equipment (+4.1%), reflecting greater resilience among consumer-oriented industrial products.

In the energy production and supply sector, output rose markedly by 6.1% in the first three months of the year, mainly due to favourable results in hydropower and wind power generation.

Construction activity expanded by 8.2% in the first quarter of 2026, supported by positive developments across the sector's main segments, despite a weaker start to the year due to a high base effect. Structurally, growth was driven primarily by new construction (+9.8%), financed from both domestic resources and EU funds, as well as by maintenance and repair works (+7.0%). By type of objective, the strongest increases were recorded in the residential segment (+16.1%) and civil engineering works (+8.5%).

Retail trade registered a significant decline of 5.8% in the first quarter, reflecting the reduction in households' real disposable income. The overall contraction was fuelled by simultaneous decreases across all three major segments: non-food products (-9.3%), food, beverages and tobacco (-2.7%), and fuel sales (-2.5%). The downturn was partially offset by positive results in **wholesale trade** (+2.3%), an evolution strongly influenced by the rebound in March (+8.6%), driven by sales of IT equipment (+29.0%), other specialised products (+21.0%), and consumer goods (+12.7%).

Price pressures also weighed on **services rendered to the population**, which fell by 9.9% in the first three months of 2026, following significant declines in turnover for hotels and restaurants (-13.3%), gambling activities (-14.1%), and hairdressing services (-18.4%). **Services rendered mainly to enterprises** also recorded decreases in turnover, notably in IT and computer services (-5.6%), transport (-5.4%), and other services rendered to enterprises (-2.8%).

International trade in goods in the first quarter of 2026 showed a slight correction of the trade imbalance, driven by **higher exports** and **lower imports**. Exports of goods increased by 1.1%, reaching €23.8 billion, while imports decreased slightly by 1.7%, totalling €31.5 billion. Deliveries of goods were supported by machinery and transport equipment, which accounted for 46.8% of total exports and grew by 2.9% compared with the same quarter of 2025, as well as by manufacturing industries (iron, steel, rubber, metal, wood excluding furniture, clothing and accessories, footwear, furniture and components, measuring and control equipment, etc.), which amounted to €6.5 billion, representing 27.2% of the total. Imports consisted mainly of automotive products and manufactured goods, with a share of 36.6% and 27.3%, respectively, of total external purchases.

The trade balance (FOB–CIF) recorded a deficit of €7.7 billion, 9.3% below the level of the same quarter in 2025, a value difference of €792.1 million, of which approximately 84% (€662.5 million) resulted from the reduction of the extra-EU trade deficit. At the same time, chemical products remained the main source of external imbalance, accounting for over 43% of the total deficit, equivalent to €3.3 billion.

The current account deficit stood at €5.34 billion in the first quarter of 2026, down 13.3% from the same period in 2025 (€6.15 billion), driven by an 11.7% reduction in the goods trade deficit (FOB–FOB). The improvement was also supported by the secondary income balance, which returned to positive territory (a surplus of €324 million) due to higher receipts from international cooperation and increased remittances from Romanian workers abroad.

The year 2026 began with a significant reduction in the **number of employees**, down by 60 thousand persons in January-March 2026 compared with the same period of the previous year. The largest decline - over 50 thousand persons - came from industry, which remains a key sector.

Wage earnings in early 2026 evolved moderately overall, influenced by the contrast between stagnation in the public sector and the cautious dynamics of the private sector. The gross base salaries of public-sector employees remained at the same level as in December 2025 (Law no. 141/2025). In this context of high inflation (+9.6%), the purchasing power reflected by **real net wages** recorded a substantial decline (–5.2%), with an immediate visible impact on the reduction of GDP (–1.7%) and private consumption in the first quarter.