INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/294

ROMANIA

November 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ROMANIA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Romania, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its November 7, 2025 consideration of the staff report that concluded the Article IV consultation with Romania.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 7, 2025, following discussions that ended on September 12, 2025, with the officials of Romania on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on October 15, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Romania.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR 25/368

IMF Executive Board Concludes 2025 Article IV Consultation with Romania

FOR IMMEDIATE RELEASE

- *The economy is expected to grow gradually in the near term amid necessary fiscal consolidation, which is essential to address the widening twin deficits. Inflation will remain elevated temporarily before falling within National Bank of Romania (NBR)'s tolerance band by the end of 2026.*
- *The recent reform package for 2025–26, including tax reforms, is welcome and marks an important step forward. Its full execution and additional adjustment measures from 2027 to reduce the fiscal deficit to below 3 percent of GDP are critical to restore fiscal and macroeconomic sustainability.*
- *The NBR's cautious approach remains appropriate, and policy rate cuts should resume only after inflation is on a firm downward trend. Greater exchange rate flexibility over the medium term would enhance resilience to shocks.*
- *Advancing structural reforms, including strengthening the efficiency of the state, are crucial to make full use of EU funds and support growth and the needed fiscal adjustment.*

Washington, DC – November 14, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation with Romania on November 7, 2025.[1] The authorities have consented to the publication of the Staff Report prepared for this consultation.

Romania's economic growth has been subdued, with real GDP growth softened to 0.9 percent in 2024, as strong private consumption on the back of robust wage growth was offset by continued contractions in investment activities. In the meantime, twin deficits have deepened further as rising fiscal deficits contributed to a widening current account deficit. The resilience of the banking system has improved with stronger balance sheets.

The economy is expected to grow gradually by 1.0 and 1.4 percent in 2025 and 2026, respectively, amid necessary fiscal consolidation addressing the widening twin deficits. Headline inflation, which rose to 9.9 percent (y/y) in September 2025 upon the removal of the electricity price cap and the VAT rate increase, is expected to remain elevated temporarily until mid-2026 before returning to the NBR's tolerance band by end-2026.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

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The risks to the outlook are tilted to the downside for growth and to the upside for inflation. A sovereign credit rating downgrade remains a risk as concerns persist regarding the execution of the planned fiscal consolidation for 2025–26 and the sustainability of public finances due to the still high fiscal deficit. On the upside, strong implementation of the fiscal adjustment and EU-funded investment projects could strengthen investor sentiment and lower risk premia faster than expected, resulting in higher private investment and growth. Stronger-than-expected wage growth, possibly driven by temporarily high headline inflation, could make inflation expectations unanchored and delay the projected normalization of core inflation.

Executive Board Assessment[2]

Executive Directors welcomed the recently adopted large fiscal reform package for 2025-26, which marks an important step in addressing the widening twin deficits. Amid a necessary large fiscal consolidation, and with risks tilted to the downside, Directors called for the right policy mix and ambitious structural reforms to support growth, restore fiscal sustainability, and safeguard financial stability.

Directors stressed the criticality of the full execution of the planned fiscal consolidation in 2025–26 followed by additional adjustment in the medium term to buttress market confidence and ensure fiscal sustainability. To facilitate a growth-friendly and equity-enhancing fiscal consolidation, they considered that further tax reform over the medium term should aim at mobilizing revenues and improving fairness while strengthening work incentives and remaining attractive to capital investments. A few Directors recommended caution in applying new tax measures to avoid further dampening domestic demand. Directors recommended continued efforts in fiscal structural reforms including in public financial management to improve fiscal governance and spending efficiency.

Directors agreed that the re-emergence of inflation pressures calls for a cautious monetary policy approach to ensure that inflation securely returns to the tolerance band. They recommended that policy rate cuts should resume only after growth of wages and prices moderate in a sustained manner. Directors noted that a gradual increase over the medium term in two-way exchange rate flexibility would enhance economic resilience to shocks; nonetheless, a number of Directors recommended a cautious approach toward greater exchange rate flexibility in the near term, given Romania’s sizable foreign exchange exposure.

Directors welcomed enhanced financial sector soundness, with stronger bank balance sheets. However, amid banks’ growing sovereign exposure, buoyant consumer credit growth, and sizable unhedged FX loans, they emphasized the need to continue monitoring asset quality, stress-testing liquidity conditions, and strengthening crisis management. Directors also recommended that the authorities should be prepared to recalibrate macroprudential policies and continue to enhance the AML/CFT framework.

Directors underscored the importance of advancing structural reforms under the authorities’ National Recovery and Resilience Plan and enhancing public investment management to unlock available European Union (EU) funds. These reforms together with full use of EU funds

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

will enhance medium-term growth potential and support fiscal consolidation and external rebalancing. Governance reforms, including better management of the large state-owned enterprise sector, and greater regulatory predictability are also critical to reinforce Romania's attractiveness for investment. Raising labor force participation through human capital investment would help mitigate the effects of an unfavorable demographic outlook. Romania's planned transition to a low-carbon economy, along with the completion of the EU-wide Energy Union, will help strengthen energy security.

Romania: Selected Economic Indicators, 2024–26

Population (millions)	18.9	Per capita GDP (€'000)	18,677
IMF quota (millions of SDRs)	1,811	Literacy rate (percent)	99.0
(Percent of total)	0.4%	Poverty rate (percent)[1/]	21.1

Main products and exports: Machinery and transport equipment, manufactured goods

Key export markets: EU (Germany, France, Italy)

GHG emissions per capita (tons of CO2 equivalent): 3.7

	2024	2025	2026
		(proj.)	
Output			
Real GDP growth (percent)	0.9	1.0	1.4
Employment			
Unemployment rate (percent)	5.4	5.9	5.8
Prices			
CPI inflation (period avg., percent)	5.6	7.1	6.7
General government finances (percent of GDP)			
Revenue	31.3	32.2	32.9
Expenditure	40.0	40.4	38.6
Overall balance	-8.7	-8.2	-5.8
Primary balance	-6.7	-5.3	-3.3
Public debt	57.5	61.2	62.5
Balance of payments			
Current account (percent of GDP)	-8.2	-8.0	-6.6
FDI, net (percent of GDP)	-1.3	-1.5	-2.2
External debt (percent of GDP)	57.5	59.5	63.5
Exchange rate			
REER (percent change)	2.5	...	...
Memorandum item:			
Nominal GDP (billions of euros)	354	373	380

Sources: Authorities' data, Eurostat, World Development Indicators, and IMF staff estimates and projections.

[1/] At risk of poverty rate (cut-off point: 60% of median equivalized income after social transfers).

INTERNATIONAL MONETARY FUND

ROMANIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

October 15, 2025

KEY ISSUES

Context. The Romanian economy is expected to grow gradually in the near term amid necessary fiscal consolidation addressing the widening twin deficits. The public finances have deteriorated, driven by significant increases in pension spending, public wages, and domestically financed capital expenditure, and added pressure on the current account. A large fiscal reform package aimed at reducing the deficit to below 6 percent of GDP in 2026, including a VAT rate hike and other tax measures, has helped avoid a cutoff of structural EU funds and a sovereign credit rating downgrade to non-investment status. Headline inflation is expected to remain elevated until mid-2026 due to the impact of the VAT rate hike and the end of energy price caps.

Policies. With deepening domestic and external imbalances, the right macroeconomic and financial policy mix, along with advancing structural reforms, will be essential for restoring fiscal sustainability and supporting growth while safeguarding financial stability.

- *Growth-friendly fiscal consolidation.* The full execution of the planned fiscal consolidation in 2025–26 and additional adjustment measures from 2027 to reduce the fiscal deficit to below 3 percent of GDP are critical to restore fiscal sustainability. Additional tax reform aimed at mobilizing revenues and improving fairness, while strengthening work incentives and remaining attractive to capital investments, would help facilitate a growth-friendly and equity-enhancing fiscal consolidation.

- *Cautious monetary policy approach.* The re-emergence of inflation pressures calls for a cautious monetary policy approach to ensure that inflation securely returns to the tolerance band. Policy rate cuts should resume only after wage growth and inflation moderate in a sustained manner.

- *Safeguarding financial stability.* While the resilience of the banking system has improved with stronger balance sheets, emerging vulnerabilities, such as growing sovereign exposure and sizable unhedged FX loans, warrants continued vigilance.

- *Reforms for sustainable growth.* Advancing structural reforms, including strengthening the efficiency of the state, are crucial to make full use of the available EU funds and support growth and the needed fiscal adjustment.

Approved By
Helge Berger (EUR) and Bergljot Barkbu (SPR)

Discussions took place during September 3–12, 2025. The team comprised Joong Shik Kang (Head), Ezequiel Cabezon, Nan Geng, Fazurin Jamaludin (all EUR), Carlos Granados (Senior Resident Representative), and Georgia Babici (Local Economist). The mission met Prime Minster Ilie Bolojan, Finance Minister Alexandru Nazare, Central Bank Governor Mugur Isarescu, other senior officials and private sector representatives. Mihai Copaciu (OED) joined the official meetings. Tina Kang, Cheryl Li, and Maciej Onoszko (all EUR) supported the mission.

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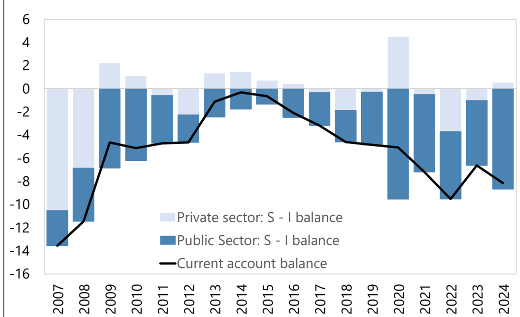
CONTEXT

1. **Romania's pace of income convergence has slowed in recent years after significant economic strides since joining the EU.** Average real GDP growth accelerated markedly after EU accession in 2007, and GDP per capita in PPP terms rose to 73 percent of the euro area average in 2024, up from 45 percent in 2007. However, the economy has slowed notably since 2024 due to weak investment, while productivity growth remains low.

2. **The deterioration of the fiscal balance has contributed to a widening current account deficit.** Since the mid-2010s, the current account (CA) balance has gradually deteriorated to very significant levels, reaching a deficit of 8.2 percent of GDP in 2024. The rising fiscal deficit has been the main driver, increasing to 8.7 percent of GDP in 2024.[1] While Romania maintains an investment-grade sovereign credit rating, one notch above speculative grade, all rating agencies have revised the outlook to negative since late 2024.

Government and Private Sector S-I Balance
(In percent of GDP)



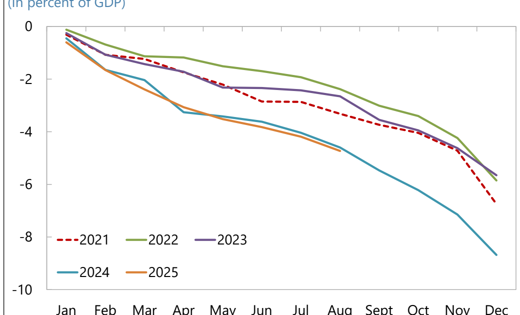
Sources: IMF WEO and IMF staff calculations.

3. **The authorities have adopted a large fiscal reform package to restore domestic and external balances.** Romanian asset markets were under pressure ahead of the second round of the presidential elections in May 2025 due to rising investor concerns about the feasibility of urgently needed fiscal consolidation. A new coalition government, which came into office in June, has adopted a large fiscal consolidation package for 2025–26, including a VAT rate hike and other tax measures, aimed at reducing the fiscal deficit to below 6 percent of GDP in 2026. The authorities have also committed to reducing fiscal deficits to below 3 percent of GDP by 2031, as envisaged in the medium-term fiscal structural plan (MTFSP) under the new EU fiscal rule.

RECENT DEVELOPMENTS

4. **Large fiscal slippage has resulted in considerable deterioration of public finances in 2024.** A costly pension reform and repeated increases in public wages lifted pension spending and the public sector wage bill by 40 percent and 24 percent, respectively, in 2024. Domestically financed public capital spending also increased significantly in an election-heavy year. As a result, the fiscal deficit rose by more than 3 percentage points to 8.7 percent of GDP, contributing to a 5-percentage point increase in the public debt-to-GDP ratio, which reached 57.5 percent. Although the government adopted a

General Government Fiscal Balance
(In percent of GDP)



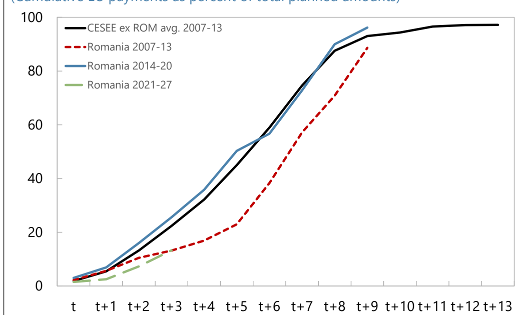
Sources: Haver Analytics and IMF staff calculations.

[1] On a cash basis. On an accrual basis (European System of Accounts), the fiscal deficit was 9.3 percent of GDP.

package of measures in late 2024 to contain further increases in the fiscal deficit, including a freeze on public sector wages, social assistance, and pensions in 2025, the large fiscal deficit persisted in the first eight months of 2025, driven by continued increases in current expenditure and carryover from last year's pension and public sector wage increases.

5. Slow progress in advancing key reforms has led to low absorption of EU funds. As of September 2025, NGEU disbursement remained at 38 percent of the originally committed amount, due to the under-execution of planned investment projects as well as slow progress in structural reforms.[2] The absorption of structural EU funds has also been slow, at about 17 percent, due to limited government administrative capacity in planning and investment management, as well as procurement bottlenecks.

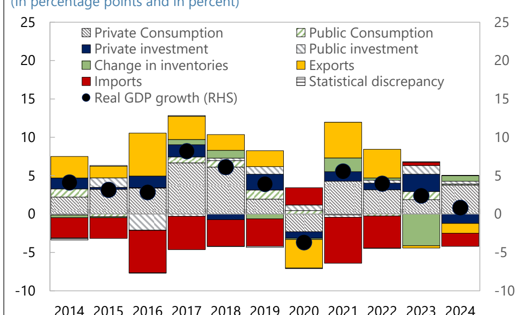
EU: Absorption of EU Structural Funds
(Cumulative EU payments as percent of total planned amounts)



Sources: European Commission and IMF staff calculations.

6. Despite the large fiscal slippage, real GDP growth slowed notably, and momentum remained weak in the first half of 2025. Despite strong private consumption supported by robust wage growth, GDP grew by only 0.9 percent in 2024, weighed down by subdued investment, weak exports, and a surge in imports, while a drought significantly affected agricultural production. Growth momentum of domestic demand remained weak in the first half of 2025 as significant political uncertainty ahead of the presidential elections in May weighed on economic sentiment. The output gap is estimated to have turned negative in 2025.

Contribution to Real GDP Growth
(In percentage points and in percent)



Sources: Haver Analytics and IMF staff calculations.

7. Headline inflation remains well above the National Bank of Romania (NBR)'s tolerance band (2.5±1 percent). Core inflation remained high at 8.1 percent (y/y) in September 2025, driven by persistent services inflation due to still strong, albeit moderating, nominal wage growth (6.7 percent). Headline inflation further rose to 9.9 percent (y/y), largely driven by the end of the electricity price cap, the VAT rate increase, as well as a renewed rise in food prices.

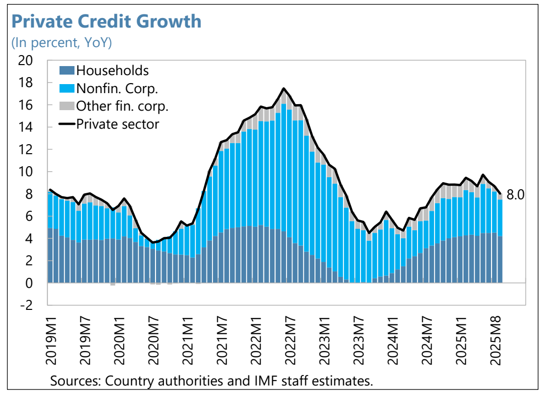
8. The CA deficit has widened, reflecting weak export performance and a surge in imports. While imports have grown broadly in line with an expansionary fiscal policy stance and strong domestic demand, merchandise exports have declined in real terms due to weak trading partner growth and a deterioration in competitiveness,[3] exacerbated by the continued appreciation of the ULC-based REER (11.6 percent in 2024) amid large wage increases. The expiration of tax

[2] In July 2025, reflecting the slow progress until mid-2025, the government and the EC reached an agreement to reduce the total amount to €21.6 billion, down from the originally committed €28.5 billion.

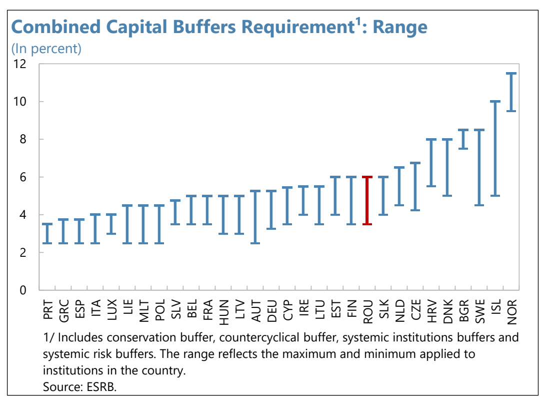
[3] High energy prices pose a significant challenge to competitiveness, with average wholesale electricity prices in Romania among the highest in Europe in 2024. ("Romania Country Report", European Commission, 2025)

incentives for the IT sector and the restructuring of the sector have also led to a notable decline in services exports. Amid widening twin deficits in 2023–24, Romania has increasingly relied on debt-creating flows to finance large CA deficits, with more than two thirds financed by portfolio and other investment flows. The external position in 2024 is assessed to be substantially weaker than the level implied by medium-term fundamentals and desirable policies (Annex I).

9. Private credit growth has accelerated from a low base, while financial euroization persists amid a stable exchange rate. Credit to the private sector has expanded significantly, reaching 8.0 percent (y/y) in August 2025, but at 24 percent of GDP, the overall level of private sector credit-to-GDP remains the lowest in the EU. Consumer credit has been growing particularly rapidly following increases in real income, while mortgage growth remains moderate. Amid rising interest rate differentials with the euro area, FX lending to corporates has increased by 10 percentage points since early 2022, accounting for about 47 percent of total corporate loans as of 2025Q2. Households are holding about 35 percent of their deposits in FX deposits.



10. The banking system has strengthened its resilience through stronger balance sheets. High interest margins have enabled banks to generate substantial profits (ROE of 18.2 percent in 2025Q2). High profits, combined with the NBR guidance on profits retention, increased capital adequacy to 24.2 percent, well above the regulatory requirement. Despite some recent deterioration, asset quality in the overall banking system remains healthy, with NPL ratio at 2.8 percent. The banking system has also maintained sizable liquidity buffers, with a liquidity coverage ratio above 250 percent. All banks have met the minimum requirement for own funds and eligible liabilities (MREL) since January 2024. In light of these developments, the NBR has relaxed the suspension on dividend payout for 50 percent of profits in 2025.



OUTLOOK AND RISKS

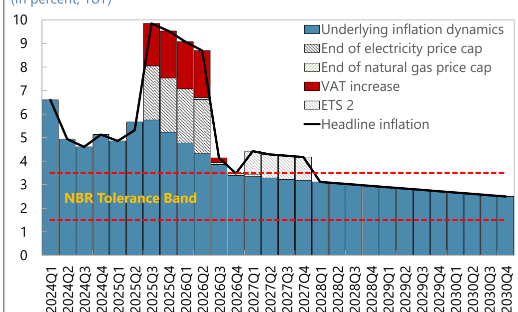
11. The economy is expected to grow gradually in the near term amid significant fiscal consolidation, converging to its growth potential over the medium term.

- Real GDP is expected to grow by 1.0 and 1.4 percent in 2025 and 2026, respectively. The acceleration of NGEU-funded investments before the expiration at end-2026 will partly offset a moderation in private consumption resulting from temporarily high inflation and the effects of fiscal consolidation. Meanwhile, net exports are expected to exert less drag on growth as overall domestic demand weakens. As the fiscal policy stance becomes broadly neutral from 2027 onwards, real GDP is projected to rise close to its potential rate of around 3¼ percent over the medium term.

- In line with ongoing fiscal consolidation and a recovery of trading partners' growth, the CA deficit is expected to narrow to 8.0 and 6.6 percent of GDP in 2025 and 2026, respectively, before stabilizing at around 5 percent in the medium term.

12. Headline inflation will remain elevated until mid-2026 before falling within the NBR's tolerance band by the end of 2026. Inflation is expected to remain high through mid-2026 due to the end of an electricity price cap in June, the VAT rate hike in August, and the upcoming removal of a natural gas price cap in March 2026, amid the lingering effects of the supply shock from the drought in 2024. As these factors dissipate and pressure from recent wage increases moderates amid a negative output gap, headline inflation is expected to decline to 3½ percent (y/y), the upper bound of the NBR's tolerance band, by the end of 2026.[4]

Inflation
(In percent, YoY)



Source: IMF staff calculations.

13. Risks are on the downside for growth outlook but tilted upward for inflation (Annex II).

- *Fiscal.* A sovereign credit rating downgrade remains a risk as concerns persist regarding the execution of the planned fiscal consolidation for 2025–26 and the medium-term sustainability of public finances due to still-high fiscal deficit.

- *Growth.* Domestically, delays in implementing critical structural reforms and continued large increases in unit labor costs would weaken exports and inward foreign direct investment (FDI). Externally, a slowdown among major trading partners, potentially coupled with higher trade barriers, uncertainty, and intensification of regional conflicts, would weigh on trade and FDI flows (Box 1).[5] On the upside, strong implementation of the fiscal adjustment and EU-funded investment projects could strengthen investor sentiment and lower risk premia faster than expected, resulting in higher private investment and growth.

- *Inflation.* The upside risks to inflation include increases in energy prices and adverse climate shocks affecting food prices. Stronger and more persistent-than-expected wage growth,

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[4] The implementation of the EU's Emission Trading System 2 (ETS 2) in 2027 is expected to lead to a temporary increase in energy and transport prices.

[5] The direct impact from U.S. tariff actions on Romania is expected to be limited, given that exports to the U.S. account for only 4 percent of total exports, but the Romanian economy could experience indirect effects through weaker growth prospects of major trading partners and tighter financial conditions.

possibly driven by temporarily higher inflation, could make inflation expectations unanchored and delay the projected normalization of core inflation.

Box 1. A Downside Scenario

The April 2025 World Economic Outlook outlines an illustrative downside scenario (Scenario A in Box 1.1). In this scenario, global divergence (e.g. weaker productivity growth in Europe and weaker domestic demand in China), a trade war (e.g., a ratcheting up of tariffs by the U.S. and other countries), an increase in global uncertainty, and tighter financing condition are projected to lower global GDP by 1.3 and 1.9 percentage points by 2025 and 2026, respectively, relative to the WEO reference forecast, while euro area GDP would be reduced by 1.0 and 1.8 percentage point by 2025 and 2026, respectively.

Under this scenario, the level of real GDP in Romania could be 0.9 percentage points below staff's baseline in 2026 before rebounding in 2027 and recovering close to the baseline projections by 2030. Lower growth would put a moderate strain on the budget with the primary deficit widening by 0.2 percentage points of GDP in each year of the forecast.

Given limited fiscal space, temporary and targeted fiscal support to the most vulnerable households and corporates could be considered while the planned fiscal consolidation should be implemented without delay. Enhanced FX flexibility can help mitigate the negative effects. Structural reforms should prioritize strengthening governance and the rule of law, improving the business environment, promoting foreign investment, enhancing the labor market, and implementing structural fiscal and financial reforms to bolster institutions and the effectiveness of policies.

Authorities' Views

14. The authorities broadly concurred with staff's assessment of the outlook and risks. They agreed that growth is expected to recover modestly this and next year as the slowdown in private consumption due to the impact of fiscal adjustment would be partly offset by higher NGEU-funded investments and the recovery of agriculture, which was hit hard by a drought last year. While expecting headline inflation to revert to the NBR's tolerance band by end-2026 as supply-side temporary effects will fade away, they acknowledged upside risks to inflation due to the uncertainty surrounding the potential effects of the removal of the gas price cap on prices in March 2026.

POLICY DISCUSSIONS

The planned large fiscal consolidation in 2025–26 marks an important step forward to improve public finances. Additional fiscal adjustment from 2027, through the upfront specification of concrete tax reform measures, is necessary to stabilize the public debt-to-GDP ratio over the medium term and uphold market confidence for fiscal sustainability. As inflation will remain high over the next 12 months and there is a heightened risk of inflation expectations becoming unanchored, the NBR should maintain a cautious approach to monetary policy and resume policy rate cuts only after wage growth and inflation moderate in a sustained manner. Structural reforms focusing on boosting labor force participation and improving governance, along with making full use of the available EU funds, would enhance Romania's medium-term growth potential and help support necessary fiscal consolidation.

A. Fiscal Policy

15. The planned near-term large fiscal consolidation is welcome and necessary, but without further adjustment, the public debt-to-GDP ratio will continue to rise over the medium term. As inflation remains well above target, the decisive implementation of significant fiscal tightening would also support monetary policy in completing the disinflation process.

- Since July 2025, the government has adopted a broad array of fiscal consolidation measures for 2025–26. The package includes tax reforms such as raising the standard and reduced VAT rates, taxing more items at the standard rate,[6] and increasing excise, property, and dividend taxes (see text table 1). The government will also prioritize public investment and freeze public sector wages and pensions in 2026.[7]

- As a result, fiscal deficits are expected to narrow notably from 8.7 percent of GDP in 2024 to 8.2 in 2025 and 5.8 percent in 2026. However, short of additional measures, the fiscal deficit is projected to remain high at about 5 percent of GDP by 2030. As a consequence, the public debt-to-GDP ratio will continue to rise by about 10 percentage points to close to 70 percent by 2030, posing a high risk of sovereign debt stress (Annex III).

Text Table 1. Fiscal Reform Package Announced Since July 2025
(In percent of GDP)

Measures	Implementation	2025	2026
TOTAL		**0.6**	**3.4**
REVENUE		**0.5**	**2.1**
Increase standard VAT rate of 19 percent to 21 percent	Aug-25	0.2	0.6
Increase reduced VAT rate of 9 percent to 11 percent	Aug-25	0.0	0.1
Increase reduced VAT rate of 5 percent to 11 percent	Aug-25	0.01	0.02
Broaden standard VAT base	Aug-25	0.1	0.2
Increase excise duty by 10 percent	Aug-25	0.1	0.2
Introduce health insurance contribution for pensions over 3000RON	Aug-25	0.1	0.2
Increasing the bank turnover tax from 2 to 4 percent	Aug-25		0.2
Increase dividend tax rate from 10 to 16 percent	Jan-26		0.2
Increase in property taxation	Jan-26		0.2
Others		0.03	0.2
EXPENDITURE		**-0.1**	**-1.3**
Freeze in public sector wages and pensions	Jan-26		-0.9
Others		-0.1	-0.4

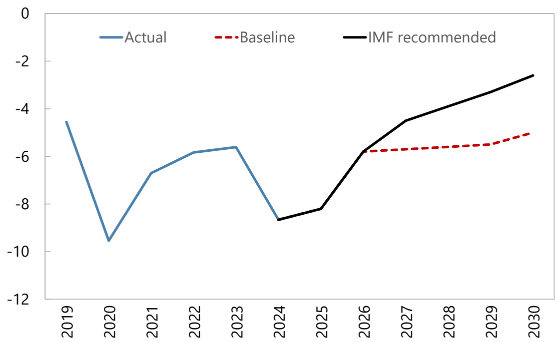
16. Further consolidation over the medium term is needed to stabilize public debt and uphold market confidence. Additional fiscal adjustments from 2027—about ⅔ percent of GDP per year on average—to lower the deficit to below 3 percent of GDP by 2030 are necessary to stabilize public debt at around 60 percent of GDP (see text table 2). Upfront specification of concrete

[6] All VAT-related measures became effective from August 1, 2025.

[7] The freeze of public sector wages and pensions will be implemented across all government sectors and retirees in nominal terms.

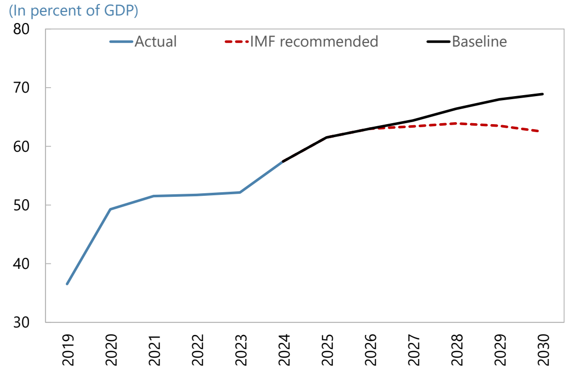
measures effective from 2027 would not only help restore credibility but also increase the predictability of tax policy, facilitating planning by households and companies and improving the investment climate.

Fiscal Balance
(In percent of GDP)



Source: IMF staff calculations.

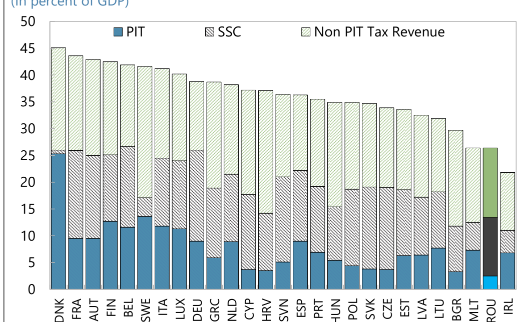
Public Debt
(In percent of GDP)



Source: IMF staff calculations.

17. Additional tax policy reforms should be the main source of fiscal adjustment to strengthen public finances in a sustainable manner. At 27 percent of GDP in 2023, Romania's tax revenue[8] as a share of GDP is among the lowest in the EU (average 40 percent) and insufficient to support increasing spending needs for social outlays and public services at levels aligned with EU averages. A tax reform package aimed at mobilizing revenues and improving fairness, while strengthening work incentives and remaining attractive to capital investments, would help facilitate a growth-friendly and equity-enhancing fiscal consolidation. Continued prudence is also needed with wage and pension policies beyond 2026.

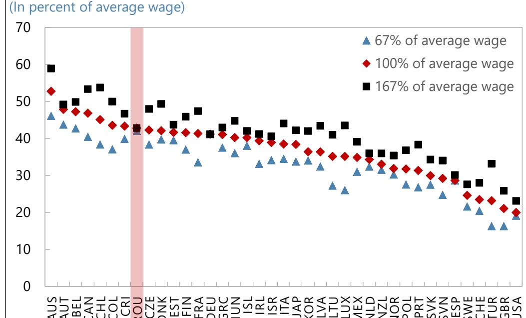
Tax Revenue in the EU, 2023
(In percent of GDP)



Sources: Eurostat and IMF staff calculations.

- A graduated personal income tax (PIT) with multiple tax brackets would help increase revenues (0.5 percent of GDP or more) as well as improve the fairness of the tax system. The impact of higher PIT rates on the labor tax wedge[9], could be moderated by reducing the health contribution. The high labor tax wedge at low wages, in particular, could be further reduced with more generous basic allowance or an in-work benefit

Labor Tax Wedge in Comparison to OECD Countries, 2024
(In percent of average wage)



Source: OECD Database 2024.

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[8] This includes social security contributions.

[9] According to OECD, labor tax wedge is defined as the sum of all labor-related taxes and contributions, minus any cash benefits received by the employee.

program. Increasing means-tested social transfers to low-income families would further protect low-income and vulnerable households.

- Staff welcomes the elimination of sectoral PIT exemptions in construction, agriculture, and IT sectors in 2025. As tax expenditures from remaining PIT exemptions, including those for pensioners, are still substantial (0.6 percent of GDP), these exemptions need to be further eliminated.

- While the planned introduction of a moderate carbon tax is a welcome step, tax-based decarbonization measures should increase over time to a level consistent with Romania's climate mitigation goals (see below). Strengthening carbon pricing—through higher excise duties and a predictable carbon tax trajectory—would incentivize energy efficiency and foster private investment in renewables and clean technologies, helping achieve both fiscal and environmental objectives as well as improving energy security.[10]

- Despite the planned increase in property taxation in 2026, Romania's recurrent property tax revenues are only about half of the EU average. A property tax reform that imposes taxes on market values while reducing exemptions would help increase revenues (0.1–0.2 percent of GDP annually).

- A bank turnover tax, which will be raised to 4 percent in January 2026 and will expire at end-2026, could weaken banks' financial buffers and already-low financial intermediation. Similarly, a turnover tax on large enterprises puts an unfair burden on companies with low margins. Therefore, the authorities need to consider less distortive measures.

- The threshold for registering as a microenterprise was reduced from €500,000 to €250,000 in 2025 and will be further lowered to €100,000 in January 2026. A further reduction, aligning with the VAT exemption threshold of €88,500, would help curb tax arbitrage opportunities.

Text Table 2. Medium-Term Projections: Baseline vs Recommended Scenario

(In percent of GDP)

	2025	2026	2027	2028	2029	2030
Budget deficit under current policies (IMF estimate)	**-8.2**	**-5.8**	**-5.7**	**-5.6**	**-5.5**	**-5.0**
IMF-recommended budget		**-5.8**	**-4.5**	**-3.9**	**-3.3**	**-2.6**
Implied adjustment relative to previous year		2.4	1.3	0.6	0.6	0.6
Implied adjustment relative to baseline	-	-	**1.2**	**1.7**	**2.2**	**2.3**
Measures needed (estimated cumulative yield relative to the baseline)			**1.2**	**1.7**	**2.2**	**2.3**
Revenue			**0.9**	**1.3**	**1.7**	**1.8**
PIT Reform			0.5	0.5	0.5	0.5
Gradual elimination of PIT exemptions			0.1	0.2	0.3	0.4
Increase in carbon taxation			0.2	0.3	0.4	0.5
Property reform			0.1	0.1	0.1	0.1
Tax administration reform				0.2	0.4	0.4
Spending			**-0.3**	**-0.4**	**-0.5**	**-0.5**
Implementing spending reviews in all parts of public sector			-0.3	-0.4	-0.5	-0.5

Source: IMF staff compilation.

[10] See "Making Romania Fit and Resilient for the Net-Zero Transition," IMF Selected Issues Paper, SIP/2023/063.

18. It is critical to make full use of the available EU support, including through strengthening public investment management framework. Amid significant fiscal consolidation, it is crucial to advance structural reforms in the National Recovery and Resilience Plan (NRRP) to unlock the committed EU funds. NGEU funds available through 2026 amount to about 6 percent of 2025 GDP, in addition to around 10 percent of 2025 GDP from the EU structural funds in the 2021–27 budget period. As noted in the recent IMF Public Investment Management Assessment (PIMA), Romania's public investment management framework should be further enhanced by strengthening coordination and monitoring, which will support efficient public investment planning, allocation, and implementation.

19. Advancing further fiscal structural reforms to enhance fiscal governance and improve efficiency are key to underpin effective implementation of fiscal adjustment.

- *Tax administration.* As noted in the recent Tax Administration Diagnostic Assessment Tool (TADAT) assessment, good progress has been made in tax administration reforms, including the development of a robust taxpayer registration database and the implementation of enhanced taxpayer services. The recently adopted fiscal reform package also includes measures, such as mandating bank accounts for all companies, to further improve tax compliance. In addition, the National Agency for Fiscal Administration (NAFA)'s new digital transformation strategy presents a good opportunity to strengthen tax administration and public service provision.

- *Budget process.* The planned introduction of a new digital budgeting platform is a positive development to strengthen information management and budget planning. To further improve spending efficiency, regular public sector spending reviews should be better integrated into annual budgeting. A stronger medium-term fiscal framework that incorporates credible medium-term revenue and expenditure strategies as well as contingency plans, would also help instill fiscal prudence and credibility.

Authorities' Views

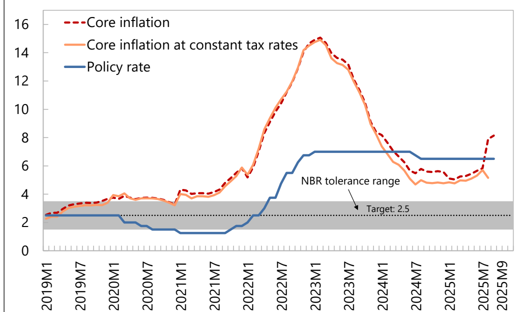
20. The authorities reaffirmed their commitment to restore public debt sustainability by reducing fiscal deficits as envisaged under the new EU fiscal rule. They highlighted the market's positive response to the recently adopted ambitious fiscal reform package for 2025–26, which they expected to be sufficient to reduce the fiscal deficit to 6 percent of GDP in 2026. The authorities agreed that additional adjustment is needed beyond 2026 and reiterated their commitment to further strengthening tax administration and spending efficiency, including through digitalization. They noted that the recent review and identification of NGEU projects feasible for completion by August 2026 will help secure the full disbursement of the renegotiated EU funds, which is essential for promoting investment and supporting growth amid fiscal consolidation.

B. Monetary Policy

21. The NBR has paused its policy easing while relying on FX and liquidity management instruments to stabilize the market during the stress period.

- With the re-emergence of inflation pressures, the NBR has appropriately paused its policy rate cuts since mid-2024 and maintained the policy rate at 6.5 percent. The slow disinflation process partly reflects relatively weak monetary policy transmission in Romania, due to the high share of food and energy in the CPI basket, financial euroization, stable exchange rate to the euro, and a small financial sector. Despite widening rate differentials between Romania and the euro area and higher carry trade returns, net capital inflows have been contained so far, due to concerns about fiscal sustainability and a potential downgrade in the sovereign credit rating.

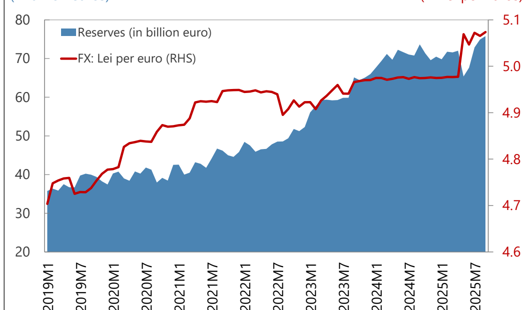
Inflation and NBR Policy Rate
(In percent)



Sources: Country authorities and IMF staff estimates.

- While exchange rate volatility has been limited under the de facto stabilized exchange rate regime, the NBR has helpfully allowed more flexibility in response to large capital outflow pressures—with the Romanian leu (RON) depreciating by almost 3 percent to above 5 RON per euro for the first time in history—while intervening to prevent excessive volatility.[11] During the stress period, the NBR also mopped up liquidity, leading market rates to increase close to the ceiling of the interest corridor, to mitigate the large sell-off of Romanian assets.

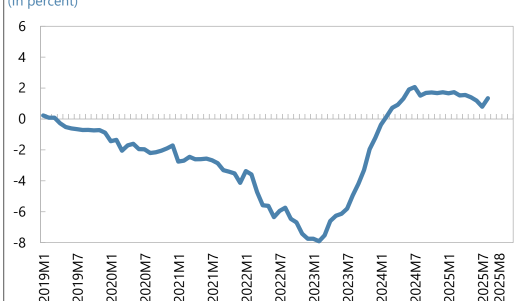
International Reserves and Exchange Rate
(In billion euros) (In Lei per Euros)



Sources: Country authorities and IMF staff estimates.

22. **The re-emergence of inflation pressures calls for a cautious monetary policy approach to ensure that inflation returns within the NBR's tolerance band.** As the primary drivers of the expected temporary increase in inflation are supply-side factors, and the large fiscal consolidation amid a negative output gap is expected to further moderate inflation pressures, underlying inflation is expected to normalize with the current policy rate. However, the impact of the VAT rate hike and the end of the energy price caps—although temporary—combined with considerable uncertainty regarding food and energy prices as well as ongoing wage pressures, has heightened the risk of inflation expectations becoming unanchored. Therefore, the current monetary policy stance remains appropriate, and the NBR should resume policy rate cuts only after wage growth and inflation moderate in a sustained

Real Policy Rate[1]
(In percent)



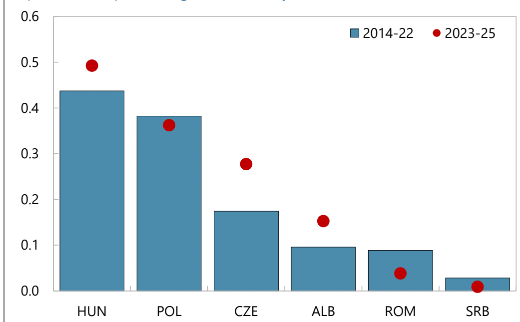
1/ Policy rate deflated by core inflation at constant taxes.
Source: IMF staff estimates.

[11] The IPF framework recognizes balance sheet mismatches in the context of large shocks as a possible justification for FX interventions amid relatively shallow FX market and financial euroization. See Annex I in the 2023 Article IV Staff Report.

manner, while standing ready to adjust the policy rate based on prevailing economic conditions and price dynamics.

23. A gradual increase in two-way exchange rate flexibility would enhance resilience to external shocks. Stable exchange rates against the euro have created imbalances, such as hedged and unhedged carry trade positions and FX mismatches in the balance sheets of non-financial corporations. Additionally, overvalued exchange rates have contributed to a deterioration in competitiveness. Therefore, a gradual increase in FX flexibility, accompanied by clear communication, would help accommodate interest rate differentials as needed to address asymmetric shocks to inflation, limit opportunities for carry trade and balance sheet mismatches, and improve competitiveness, thereby enhancing the economy's resilience to external shocks.

Nominal Exchange Rate Volatility
(In percent; Interquartile range based on daily data)



Sources: Country authorities and IMF staff estimates.

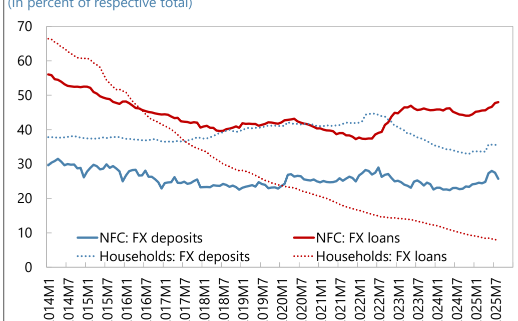
Authorities' Views

24. The NBR concurred with staff's advice for a cautious monetary policy approach given the upside risks to inflation. Despite slowing economic growth and moderating underlying inflation, given the projected high inflation—albeit temporary—and heightened upside risks, they agreed that policy rates should not be cut until growth of wages and prices is on a firm downward path such that the tolerance range is clearly within reach. The NBR noted that FX stability remained a key anchor for economic stability at the current juncture, while acknowledging that increased FX flexibility could enhance the economy's resilience to external shocks.

C. Financial Sector Policy

25. While financial sector systemic risk remains limited, there are emerging vulnerabilities. The sovereign-bank nexus has increased due to a rising share of sovereign bonds in banks' balance sheets. As of the end of 2024, sovereign bonds account for about 26 percent of total assets, up from 20 percent before the pandemic. The impact of recent interest rate increases on banks' capital has been limited.[12] Also, as a significant share of FX corporate loans remain unhedged, the capacity of unhedged borrowers to service FX debt could deteriorate quickly if the RON depreciates. Asset quality could deteriorate amid weak economic activity.

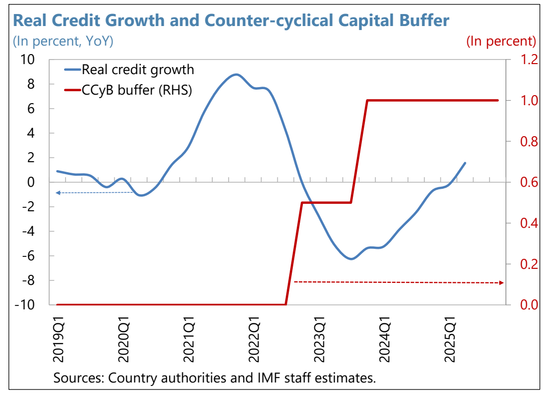
Euroization
(In percent of respective total)



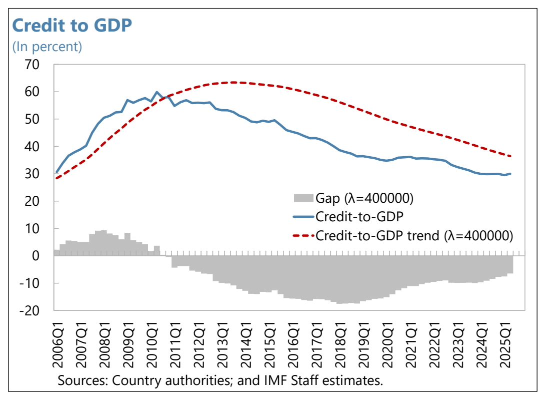
Sources: Country authorities and IMF staff estimates.

[12] Interest rate increases create a risk to banks if they had to sell bonds at lower market prices before the maturity date to cover liquidity shortfalls.

26. Supervisors should continue monitoring asset quality and stress-testing bank liquidity conditions, while strengthening crisis management framework. The NBR should continue to scrutinize the extent to which banks deploy adequate provisioning policies, supported by proper collateral valuations. Targeted reviews of loan origination practices, including assessments of consumer credit portfolios, would help ensure compliance with the relevant guidelines set forth by the European Banking Authority (EBA).[13] To enhance the emergency liquidity assistance (ELA) scheme in line with the FSAP recommendations, the NBR has expanded ELA-eligible collateral beyond government bonds and the next step is to develop a risk-based haircut framework to bring different types of collaterals to a risk-equivalent status. Additional amendments to ELA scheme should incorporate a framework to provide ELA in FX.[14]



27. The macroprudential policy instruments could be calibrated to align with evolving risks and enhance the resilience of the banking system. NBR guidelines to retain profits combined with the increased countercyclical capital buffer (CCyB) have bolstered capital and releasable buffers. Against potential severe market stress, the authorities should be prepared to recalibrate macroprudential policies to reduce the risks of credit crunch. Borrower-based measures for household lending could also be adjusted to address emerging risks. For example, if consumer credit growth accelerates, posing a risk to households' capacity to repay, the cap on the debt service-to-income (DSTI) ratio (40 percent) or its exceptions (15 percent) could be lowered.



28. Continued improvements to Romania's AML/CFT framework and implementation are important. Romania has a relatively robust AML/CFT legal framework, which is implemented with moderate effectiveness, as assessed in MONEYVAL's 2023 Mutual Evaluation Report. A recently developed National AML/CFT Strategy and improvements to risk-based supervision of the financial sector are positive steps in enhancing implementation. Key money laundering risks include tax evasion and corruption, including by organized crime and through the abuse of legal persons. Addressing these risks and implementing more effective measures to combat tax evasion and corruption will support fiscal structural reforms to enhance fiscal governance. The authorities should

[13] EBA (2020) Guidelines on Loan Origination and Monitoring, EBA.

[14] ELA in FX should be subject to more stringent safeguards and risk management measures, including tightened conditionality and additional collateral haircuts to cover FX risk.

also develop their risk understanding of legal persons, further develop beneficial ownership controls, and strengthen cooperation between the financial intelligence unit (FIU) and tax authorities.

Authorities' Views

29. The authorities highlighted the resilience of financial system with strong banks' balance sheets. While agreeing with the need for continued vigilance amid slowing growth, the NBR noted that its stress testing suggested the banking system had sufficient capital and liquidity buffers to withstand a severe adverse scenario with the emerging risks such as cyber risks or financial market stress. They acknowledged the importance of being prepared to recalibrate macroprudential policies to align with evolving risks and ensure enhanced resilience, while emphasizing their ongoing efforts to further strengthen the crisis management framework including the expansion of ELA eligible collateral.

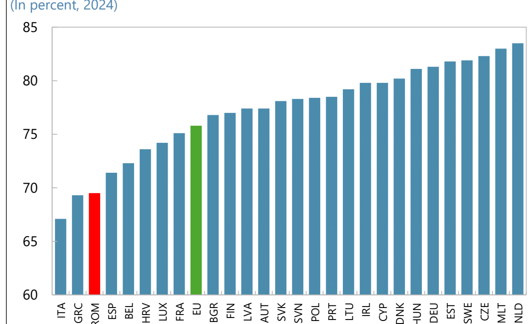
D. Structural Reforms

30. Advancing structural reforms and improving governance would help boost growth and support necessary fiscal consolidation by unlocking the committed EU funds and reducing informality.

- The establishment of a new independent agency to monitor the large state-owned enterprises (SOE) sector is welcome. A timely appointment of its board members would allow the agency to function at its full capacity and strengthen oversight and enhance competition and efficiency in SOE-dominated sectors. Improving governance, including speeding up the processing of anti-corruption proceedings, would help create a better business environment and reduce informality and inequality. Enhancing the predictability and quality of regulations would also improve the investment climate and reduce informality.

- Raising labor force participation (LFP) would help address unfavorable demographic trends and improve public finances. Romania's overall LFP rate at just under 70 percent in 2024 is the third lowest in the EU, and LFP is lower than the EU average across almost all demographic groups, particularly for female LFP. Staff analysis suggests that closing the LFP gap with the EU average could increase the labor force by 14½ percent and raise potential GDP by 6½ percent. Policies should focus on helping women work in the formal economy through better availability of childcare and investment in the quality of education.[15]

EU: Labor Force Participation
(In percent, 2024)



Sources: Eurostat and IMF staff calculations.

[15] See "Labor Force Participation in Romania", IMF Selected Issues Paper, SIP/2023/062.

31. The transition to a low-carbon economy, along with the completion of the EU-wide Energy Union, will help strengthen energy security. In the fall of 2024, the authorities submitted their updated Integrated National Energy and Climate Plan and National Energy Strategy 2025–35 to achieve net zero GHG emissions by 2050. To achieve this goal, additional incentives could be considered to ease the transition to the EU Emissions Trading System 2 (ETS2) regime, including a complementary carbon tax in the transport and building sectors and additional excise taxes on fossil fuels.[16] In the meantime, climate-related financial risks should be carefully monitored and proactively managed. For example, over-reliance on increased gas-powered plants as a transition strategy poses risks of investments turning into stranded assets. As noted in the Budapest Declaration, for energy security, it is important to build a genuine EU-wide Energy Union with a fully integrated and interconnected energy market.

Authorities' Views

32. The authorities concurred with staff on priority areas and the importance of advancing structural reforms to support growth and achieve energy security. They reiterated their commitment to fulfill all reforms under the NRRP to unlock the available EU funds in a timely manner. The authorities also noted their efforts to advance reforms to improve fairness and the efficiency of the state, including the creation of a new independent monitoring agency which will help strengthen the SOEs' performance and governance. They emphasized the criticality of advancing the EU-level energy market integration to help reduce energy costs and share the benefits of the green transition with consumers and businesses.

STAFF APPRAISAL

33. Growth is expected to rise gradually to moderate levels in the near term amid necessary fiscal consolidation and low productivity. Economic activities have been subdued as significant uncertainty weighted on economic sentiment, while the external position in 2024 was substantially weaker than the level implied by fundamentals and desirable polies. The acceleration of NGEU-funded investments will partly offset a moderation in private consumption resulting from temporarily high inflation and the effects of fiscal consolidation. The government has introduced a large fiscal reform package for 2025–26, which includes a VAT rate hike and other tax measures. Headline inflation is expected to remain elevated temporarily before falling within the NBR's tolerance band by the end of 2026.

34. The risks to the outlook are tilted to the downside for growth and to the upside for inflation. A sovereign credit rating downgrade remains a risk as concerns persist regarding the execution of the planned fiscal consolidation for 2025–26 and the medium-term sustainability of public finances due to the still high fiscal deficit. On the upside, strong implementation of the fiscal adjustment and EU-funded investment projects could strengthen investor sentiment and lower risk premia faster than expected, resulting in higher private investment and growth. Stronger-than-

[16] See "Making Romania Fit and Resilient for the Net-Zero Transition," IMF Selected Issues Paper, SIP/2023/063.

expected wage growth, possibly driven by temporarily high headline inflation, could make inflation expectations unanchored and delay the projected normalization of core inflation.

35. The full execution of the planned fiscal consolidation in 2025–26 followed by additional adjustment in the medium term is critical to restore fiscal sustainability and market confidence. Further tax reform over the medium term aimed at mobilizing revenues and improving fairness, while strengthening work incentives and remaining attractive to capital investments, would help facilitate a growth-friendly and equity-enhancing fiscal consolidation. Upfront specification of concrete measures effective from 2027 would help restore credibility and increase the predictability of tax policy, facilitating planning by households and companies and improving the investment climate.

36. The re-emergence of inflation pressures calls for a cautious monetary policy approach to ensure that inflation securely returns to the tolerance band. The temporary impact of the VAT rate hike and the end of energy price caps as well as ongoing wage pressures have heightened the risk of inflation expectations becoming unanchored. Therefore, policy rate cuts should resume only after growth of wages and prices moderate in a sustained manner. A gradual increase in two-way exchange rate flexibility over the medium term would enhance economic resilience to shocks.

37. While financial sector systemic risk remains limited, emerging vulnerabilities warrant continued vigilance. The resilience of the banking system has improved with stronger balance sheets, but supervisors need to continue monitoring asset quality and stress-testing liquidity conditions amid banks' growing sovereign exposure, buoyant consumer credit growth, and sizable unhedged FX loans. The authorities should be prepared to recalibrate macroprudential policies to align with evolving risks and ensure enhanced resilience.

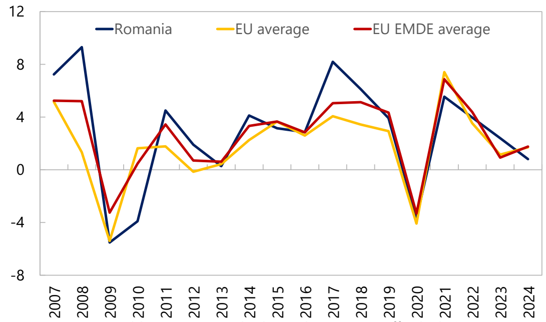
38. Advancing structural reforms is vital to unlock the committed EU funds and sustainably boost growth and support necessary fiscal consolidation. A timely appointment of the board of the independent agency monitoring the large SOEs would strengthen oversight and enhance efficiency in SOE-dominated sectors. Enhancing the predictability and quality of regulations would improve the business climate and reduce informality. With an aging population, it is also important to raise labor force participation and productivity, including through better availability of childcare and investment in the quality of education. Romania's transition to a low-carbon economy, along with the completion of the EU-wide Energy Union, will help strengthen energy security.

39. It is recommended that the next Article IV consultation take place on the standard 12–month cycle.

Figure 1. Romania: Recent Developments—Slowing Growth and Rising Inflation

Growth momentum has slowed in recent years, …

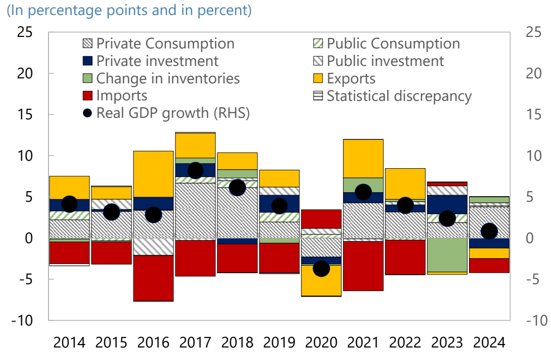
Real GDP Growth
(In percent)



Sources: World Economic Outlook Database, IMF staff calculations.
Note: EU EMDE = Bulgaria, Hungary, Poland, Romania.

…driven by falling investment and exports, while imports have surged…

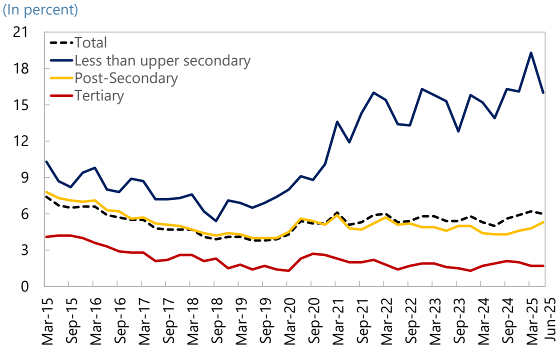
Contribution to Real GDP Growth
(In percentage points and in percent)



Sources: Haver Analytics and IMF staff calculations.

…leading to an uptick in unemployment rates.

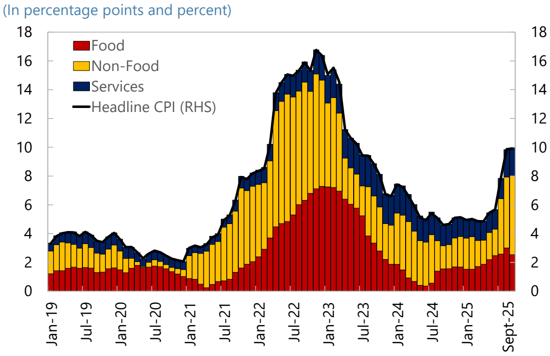
Unemployment Rate
(In percent)



Sources: Haver Analytics and IMF staff compilation.

Headline inflation rose significantly in recent months…

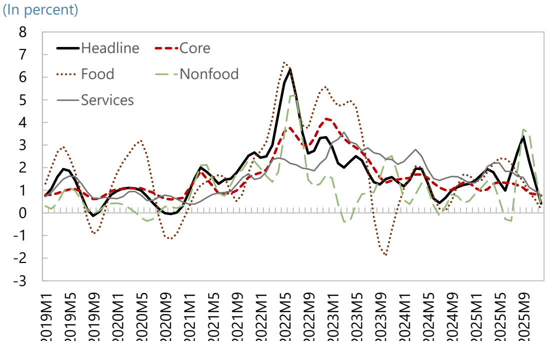
Contribution to Year-on-Year Inflation
(In percentage points and percent)



Sources: Haver Analytics and IMF staff calculations.

…upon the removal of the electricity price cap and the VAT rate increase…

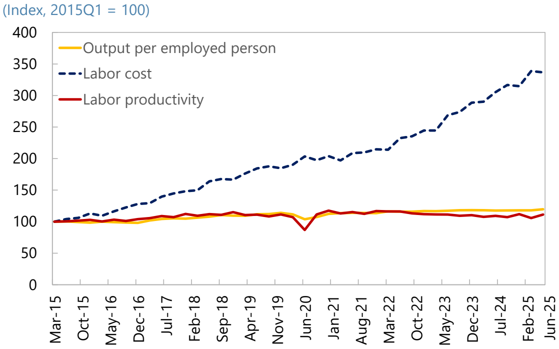
Inflation Momentum (rolling 3m on 3m change)
(In percent)



Sources: Haver Analytics and IMF staff calculations.

…amid continued strong wage growth.

Labor Cost and Productivity
(Index, 2015Q1 = 100)

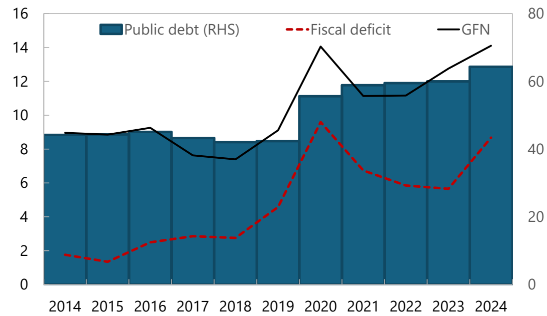


Sources: Haver Analytics and IMF staff calculations.

Figure 2. Romania: Fiscal—Large Slippages

Public finances have further deteriorated in 2024 with significant fiscal slippage…

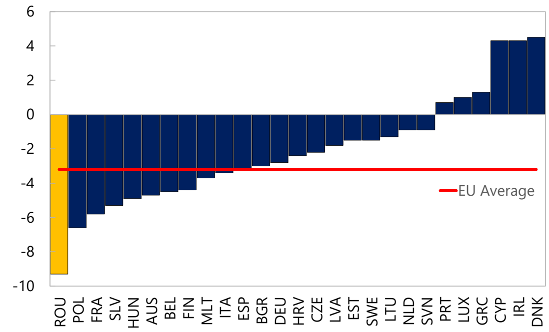
Fiscal Deficit, Public Debt, and Gross Financing Needs
(In percent of GDP)



Sources: Romanian authorities and IMF staff calculations.
Note: Fiscal deficit is reported on a cash basis.

…resulting in the largest fiscal deficit in the EU.

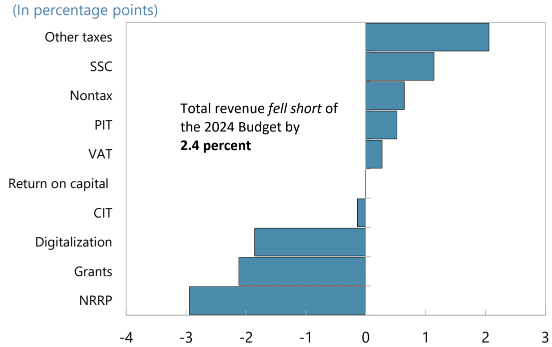
2024 Fiscal Outturn Comparison
(In percent of GDP)



Sources: Haver Analytics and IMF staff compilation.

The revenue underperformance was driven by less-than-expected disbursement of EU funds…

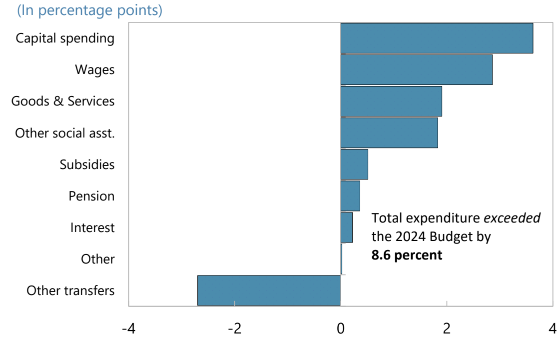
2024: Contribution to Revenue Deviation from the Budget
(In percentage points)



Sources: Romanian authorities and IMF staff calculations.

…while capital spending and public sector wages contributed to larger-than-expected expenditures.

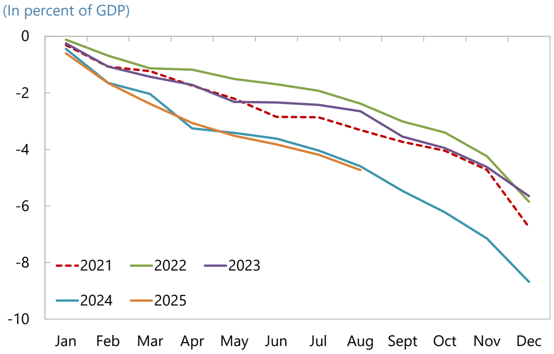
2024: Contribution to Spending Deviation from the Budget
(In percentage points)



Sources: Romanian authorities and IMF staff calculations.
Note: Capital spending reflects domestically financed public investment.

Fiscal deficits have continued to widen in the first half of 2025…

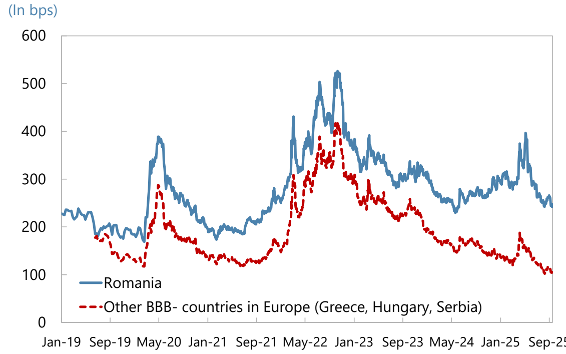
General Government Fiscal Balance
(In percent of GDP)



Sources: Haver Analytics and IMF staff calculations.

…resulting in tighter financing conditions with higher sovereign yields.

Sovereign Spread Comparison
(In bps)



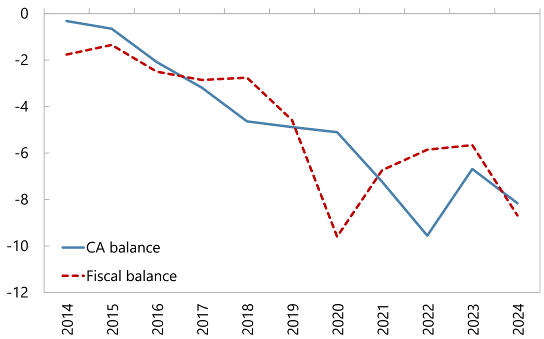
Sources: IMF Sovereign Debt Monitor (SDM) and IMF staff calculations.

Figure 3. Romania: External—Widening Imbalance

The current account deficit widened again in 2024 due to larger fiscal deficits…

Fiscal Balance and Current Account Balance

(In percent of GDP)

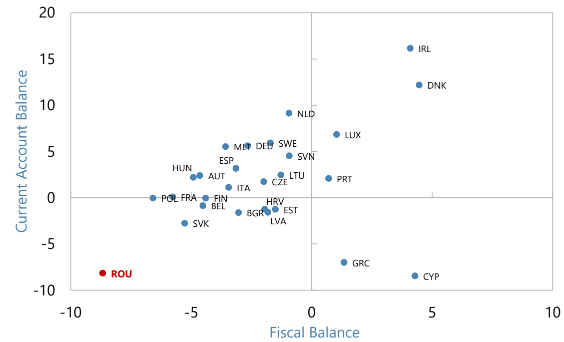


Sources: Country authorities and IMF staff estimates.

…further deepening the twin deficit.

Fiscal Balance and Current Account Balance, 2024

(In percent of GDP)

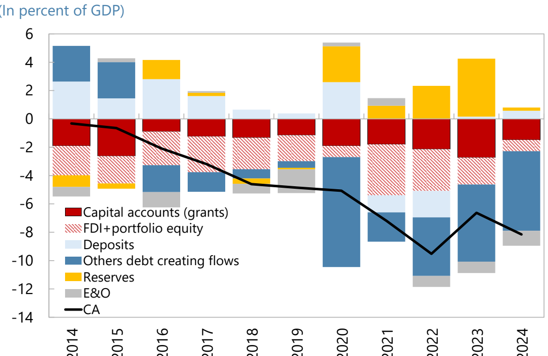


Sources: IMF WEO and IMF staff estimates.

Romania has increasingly relied on debt-creating external flows to finance larger CA deficits.

CA and Financing

(In percent of GDP)

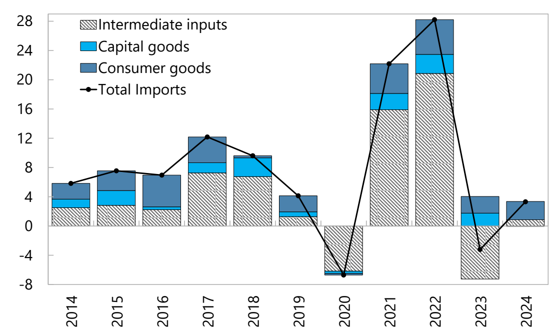


Sources: Country authorities and IMF staff estimates.

While imports rose further driven by strong domestic demand…

Imports of Goods

(Year-on-year percent change)

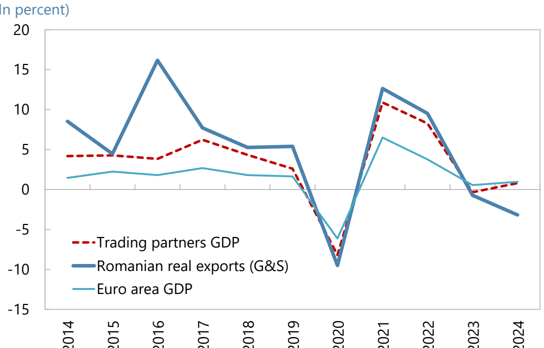


Sources: Country authorities; and IMF staff estimates.

…exports declined amid ongoing weak growth among trading partners…

Real Exports Growth and Trading Partners Growth

(In percent)

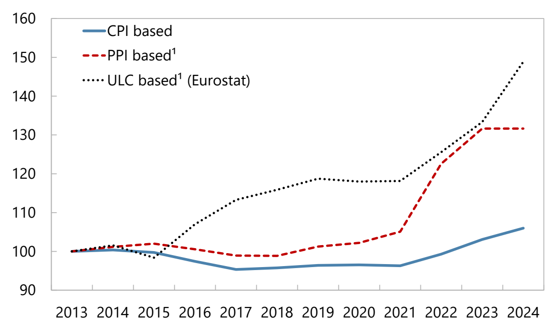


Sources: Country authorities and IMF staff estimates.

…and continued real effective exchange rate appreciation.

Real Effective Exchange Rates

(2013=100)



Sources: IMF, INS; Eurostat; and IMF staff esitmates.

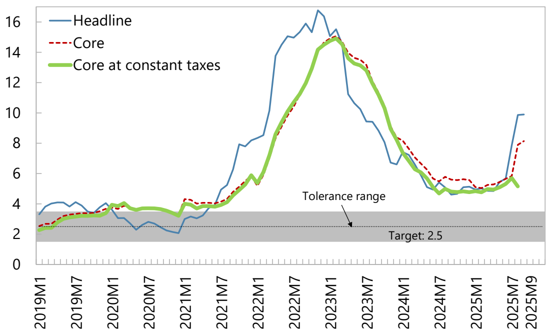
1/ relative to 20 Euro area trading partners.

Figure 4. Romania: Monetary—Cautious Approach

As headline inflation remains well above the target band…

Annual Inflation

(In percent)

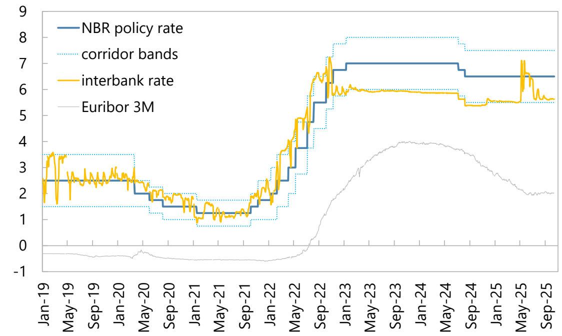


Sources: Country authorities and IMF staff estimates.

…the NBR has paused policy rates cuts since mid-2024.

Selected Interest Rates

(In percent)

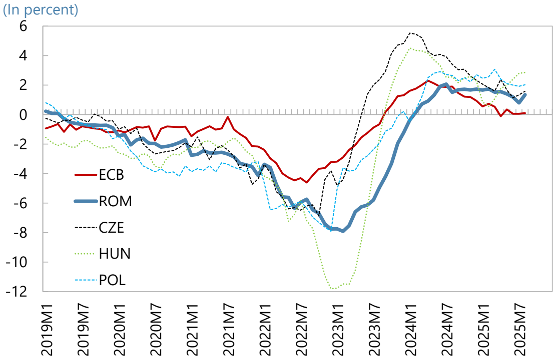


Sources: Country authorities and IMF estimates.

With the real policy rate remaining positive…

Real Policy Rate based on Core Inflation at Constant Taxes

(In percent)

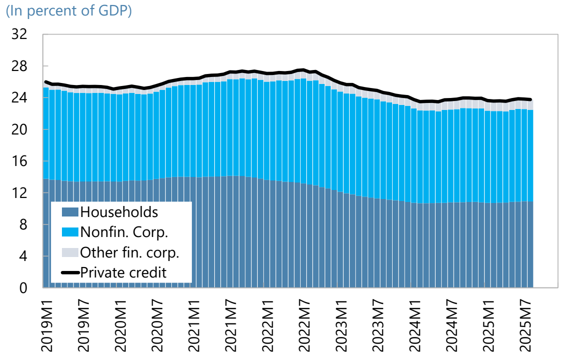


Sources: Haver Analytics and IMF staff estimates.

…credit growth has moderated in recent years in line with slowing economic growth.

Credit to Private Sector

(In percent of GDP)

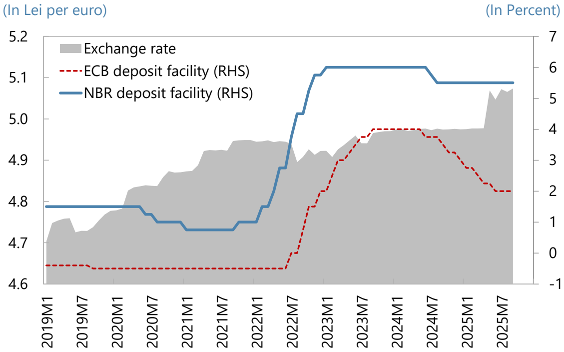


Sources: Country authorities and IMF staff estimates.

Amid stable exchange rates, the policy rate gaps between the NBR and the ECB have widened…

Exchange Rate and Deposit Facility Rates

(In Lei per euro) (In Percent)

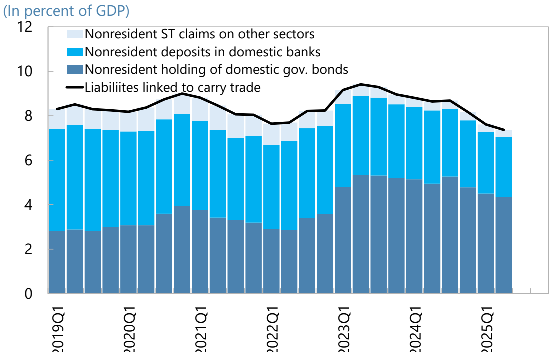


Sources: Country authorities and IMF staff estimates.

…leading to capital flows from carry trades, especially into domestic government bonds.

Selected Short term External Liabilities

(In percent of GDP)



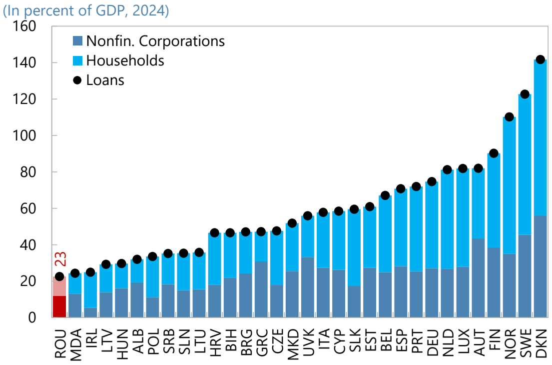
Sources: Country authorities and IMF staff estimates.

Figure 5. Romania: Banking—Healthy Balance Sheets

On the back of low outstanding credit from banks to the domestic private sector…

Banks Credit to the Domestic Private Sector

(In percent of GDP, 2024)

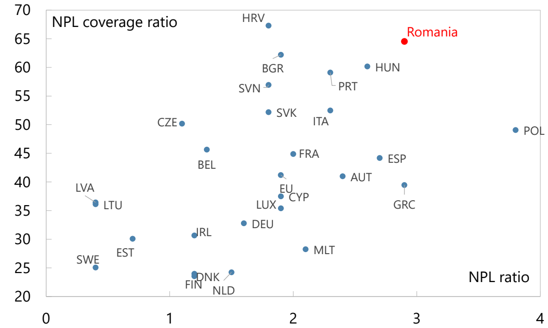


Source: IMF estimates based on MFS.

…asset quality remains sound, supported by high provisions.

EU: NPL Ratio and NPL Coverage Ratio

(In percent, December 2024)

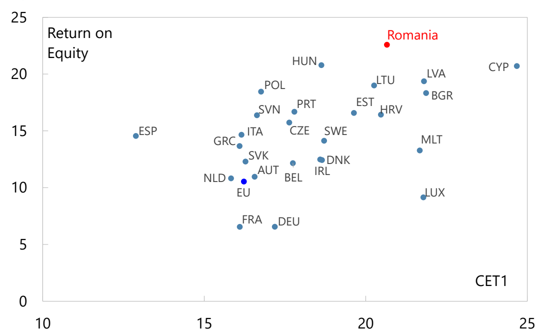


Source: European Banking Authority.

Banks are well-capitalized, while also maintaining high profitability…

EU: Return on Equity and Capital CET1

(In percent, December 2024)

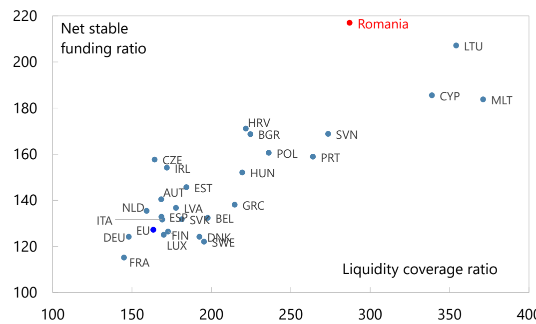


Source: European Banking Authority.

…and ample liquidity.

EU: Net Stable Funding and Liquidity Coverage Ratios

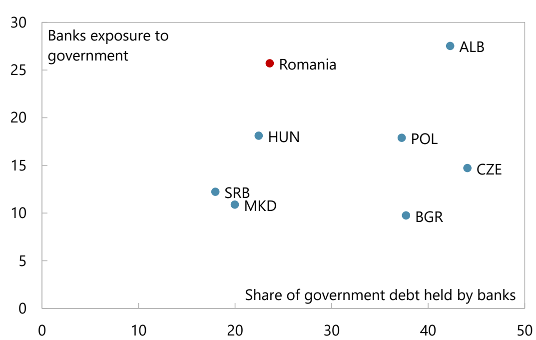
(In percent; December 2024)



Source: European Banking Authority.

However, the share of sovereign bonds on banks' balance sheets has increased…

Banks' Exposure to Government, 2024

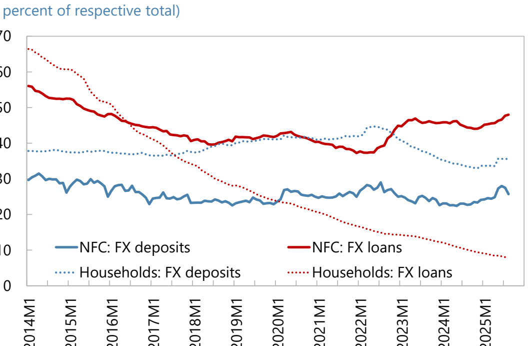


Sources: IMF, MFS, ECB, country authorities, and IMF staff estimates.

…and financial euroization has continued, particularly in NFC's FX loans.

Euroization

(In percent of respective total)



Sources: Country authorities and IMF staff estimates.

Table 1. Romania: Main Economic Indicators, 2021–30
(Annual percent change, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
							Proj.			
NATIONAL ACCOUNTS										
Real GDP	5.5	4.0	2.3	0.9	1.0	1.4	2.7	2.9	3.1	3.3
Consumption	5.2	3.6	2.8	4.7	0.1	-0.9	1.7	2.8	3.1	3.4
Private	7.0	5.1	2.5	5.7	0.2	-1.0	2.4	3.4	3.8	4.1
Public	-0.6	-1.4	4.0	1.2	-0.2	-0.3	-1.1	0.5	0.4	0.4
Gross capital formation	11.3	6.0	-0.6	-0.1	2.3	10.2	6.6	3.1	2.5	2.5
Gross fixed capital formation	4.0	5.4	12.3	-2.5	6.1	9.9	6.4	3.0	2.5	2.4
Inventories (contribution)	1.8	0.3	-3.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Net exports (contribution)	-1.3	-0.5	0.1	-2.9	-0.4	-0.5	-0.4	-0.3	-0.2	-0.1
Exports of goods and services	12.6	9.5	-1.4	-2.6	2.8	1.4	2.8	2.7	3.1	3.4
Imports of goods and services	14.6	9.4	-1.3	4.0	3.1	2.2	3.1	2.7	2.8	2.9
Investment (percent of GDP)	26.3	27.0	26.2	25.0	26.1	31.9	30.9	30.7	30.0	29.7
Gross national savings (percent of GDP)	19.1	17.4	19.5	16.8	18.1	25.4	24.8	24.8	24.6	24.7
Potential output	3.0	3.0	2.5	2.5	2.0	1.8	2.5	2.8	3.0	3.3
Output gap (percent potential GDP)	1.5	2.5	1.9	0.4	-0.3	-0.7	-0.4	-0.2	-0.1	0.0
LABOR MARKET										
Labor force (15-64)	-6.7	0.9	0.8	1.0	0.7	0.7	0.7	0.7	0.7	0.7
Employment	-9.0	0.7	-1.4	2.0	0.9	0.7	1.0	1.1	1.3	1.4
Unemployment rate (percent of labor force)	5.6	5.6	5.6	5.4	5.9	5.8	5.6	5.4	5.2	5.0
PRICES										
Consumer prices (avg)	5.0	13.8	10.4	5.6	7.3	6.7	4.3	3.1	2.8	2.6
Consumer prices (eop)	8.2	16.4	6.6	5.1	9.5	3.5	4.2	3.0	2.7	2.5
Core CPI (eop)	5.8	14.7	8.4	5.6	8.3	3.5	3.7	3.0	2.4	2.4
GDP deflator (avg)	5.6	12.1	12.4	9.6	7.2	6.5	4.2	3.0	2.7	2.5
MACRO-FINANCIAL										
Broad money	15.8	6.9	10.7	11.1	9.4	9.3	8.9	7.9	7.9	7.8
Private sector credit	14.8	12.1	6.5	8.8	8.6	7.3	7.1	6.3	6.5	6.5
Corporations	19.8	18.8	10.3	7.1	7.0	6.1	...	...	...	...
Households	9.7	4.3	1.4	9.2	10.9	9.4	...	...	...	...
10 year bond spread (basis points)	231	459	401	322	...	...	...	...	...	...
Nominal effective exchange rate (+ = appreciation)	-0.5	0.3	2.5	1.2	...	...	...	...	...	...
Real effective exchange rate (+ = appreciation)	1.0	3.7	5.4	2.5	...	...	...	...	...	...
GENERAL GOVERNMENT FINANCES (percent GDP)										
Net lending/borrowing	-6.7	-5.8	-5.7	-8.7	-8.2	-5.8	-5.7	-5.6	-5.5	-5.0
Primary balance	-5.2	-3.8	-3.8	-6.7	-5.3	-3.3	-3.0	-2.7	-2.6	-2.1
Structural primary balance (percent of potential GDP)	-6.7	-4.3	-4.5	-7.0	-4.9	-3.1	-2.9	-2.7	-2.6	-2.1
Gross debt	51.5	51.7	52.6	57.5	61.2	62.5	64.1	66.0	67.8	69.1
EXTERNAL SECTOR (percent of GDP)										
Current account balance	-7.2	-9.5	-6.7	-8.2	-8.0	-6.6	-6.1	-5.9	-5.4	-5.0
External debt	58.9	54.6	56.9	57.5	59.5	63.5	67.4	70.5	71.7	73.0
Net international investment position	-46.8	-42.3	-41.4	-41.3	-44.2	-47.8	-51.6	-54.7	-56.2	-57.1
International reserves (stock, bn €)	45.8	52.3	66.0	70.5	70.6	75.2	79.8	85.3	91.4	100.7
MEMORANDUM ITEMS										
Nominal GDP (bn lei)	1,192	1,389	1,591	1,759	1,906	2,057	2,202	2,335	2,474	2,619
percent change	11.5	16.5	14.9	10.6	8.3	7.9	7.1	6.0	5.9	5.8
Nominal GDP (bn €)	242	282	321	354	373	380	389	401	422	443

Sources: Authorities' data and IMF staff estimates and projections.

Table 2. Romania: Fiscal Accounts, 2021–30[1/]

(In percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
							Proj.			
Revenue	**30.3**	**31.5**	**31.3**	**31.3**	**32.2**	**32.8**	**32.3**	**32.3**	**32.1**	**32.2**
Revenue excl. grants	28.6	29.6	28.5	30.2	30.4	30.9	31.2	31.0	30.9	30.8
Tax revenue	26.3	26.7	25.8	27.4	27.6	28.2	28.6	28.4	28.3	28.3
Direct taxes	15.6	15.2	15.1	16.4	16.9	16.9	16.7	16.5	16.4	16.4
Of which: Corporate income taxes	1.9	2.2	2.1	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Personal income taxes	2.5	2.5	2.6	2.9	3.1	3.2	3.2	3.1	3.1	3.1
Social security contributions	10.7	10.1	10.0	10.8	10.9	10.7	10.5	10.4	10.3	10.3
Indirect taxes	10.7	11.4	10.6	11.0	10.8	11.3	11.9	11.9	11.9	11.9
Of which: VAT	6.7	6.8	6.6	6.9	7.0	7.3	7.6	7.6	7.6	7.6
Excises	2.9	2.5	2.3	2.6	2.5	2.5	2.8	2.8	2.8	2.8
Nontax revenue	2.2	2.9	2.7	2.8	2.7	2.6	2.6	2.5	2.5	2.5
Grants 2/	1.7	1.9	2.8	1.0	1.8	1.9	1.1	1.2	1.2	1.3
Expenditure	**37.0**	**37.4**	**37.0**	**40.0**	**40.4**	**38.6**	**38.0**	**37.9**	**37.6**	**37.2**
Expense	34.2	34.4	34.5	36.2	37.2	35.4	34.5	34.4	34.4	34.2
Personnel	9.4	8.5	8.3	9.4	8.9	8.5	8.5	8.6	8.5	8.4
Goods and services	5.4	5.2	4.9	5.3	5.1	4.9	4.9	4.9	4.9	4.9
Interest	1.5	2.1	1.9	2.1	2.9	2.6	2.8	2.9	2.9	3.0
Subsidies	0.7	1.3	1.1	1.0	0.9	0.7	0.7	0.7	0.7	0.7
Transfers	17.3	17.5	18.3	18.6	19.3	18.6	17.5	17.3	17.3	17.2
EU-related 2/	2.0	2.1	3.7	2.6	3.1	3.1	1.9	1.5	1.5	1.6
Social assistance	12.4	12.5	12.0	12.7	13.3	12.8	12.9	13.0	13.0	12.8
Pensions	7.5	7.1	7.0	7.7	8.3	7.8	8.0	8.1	8.1	7.9
Other	4.8	5.5	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.9
Other transfers	3.0	2.8	2.7	3.3	2.9	2.7	2.7	2.7	2.7	2.7
Other expenses	-0.1	-0.1	-0.1	-0.1	0.1	0.1	0.1	0.1	0.1	0.1
Capital	2.8	2.9	2.4	3.7	3.2	3.3	3.5	3.4	3.2	3.0
Primary balance	-5.2	-3.8	-3.8	-6.7	-5.3	-3.3	-3.0	-2.7	-2.6	-2.1
Net lending/borrowing 3/	**-6.7**	**-5.8**	**-5.7**	**-8.7**	**-8.2**	**-5.8**	**-5.7**	**-5.6**	**-5.5**	**-5.0**
Financing	**6.7**	**5.8**	**5.7**	**8.7**	**8.2**	**5.8**	**5.7**	**5.6**	**5.5**	**5.0**
Domestic	3.0	2.7	2.8	4.5	4.1	3.3	3.3	3.3	3.3	3.3
External	2.9	3.3	3.5	4.5	4.0	2.5	2.4	2.3	2.2	1.7
Of which: EU loans, net 4/	...	0.0	0.2	0.7	0.7	0.5	0.5	0.0	0.0	0.0
Other (use of deposits and privatization proceeds)	0.9	-0.1	-0.7	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Gross debt (authorities' definition) 5/	51.5	51.7	52.6	57.5	61.2	62.5	64.1	66.0	67.8	69.1
Gross debt (Maastricht definition)	48.3	47.9	49.3	53.9	57.4	58.6	60.1	61.9	63.6	64.8
MEMORANDUM ITEMS										
Fiscal balance (ESA 2010)	-7.1	-6.4	-6.6	-9.3	...	...	...	...	...	...
Cyclically adjusted primary balance (percent of potential GDP)	-5.8	-4.6	-4.6	-6.9	-5.2	-3.1	-2.9	-2.7	-2.6	-2.1
Structural balance (percent of potential GDP)	-8.2	-6.4	-6.5	-9.0	-7.8	-5.6	-5.6	-5.5	-5.5	-5.0
Total capital spending	4.7	5.0	5.8	6.2	6.0	6.1	5.4	5.0	4.8	4.7
Nominal GDP (bn lei)	1,192	1,389	1,591	1,759	1,906	2,057	2,202	2,335	2,474	2,619

Sources: Authorities' data and IMF staff estimates and projections.

1/ Cash basis. The general government is composed of the central and local governments, the Social Security Fund, and the Road Fund Company.
2/ Excludes direct EU agricultural payments.
3/ The fiscal deficit for 2024 was 9.3 percent of GDP when calculated using the European System of National and Regional Accounts (ESA) methodology.
4/ From Resilience and Recovery Fund.
5/ Includes guarantees.

Table 3. Romania: Balance of Payments, 2021–30
(Annual percent change, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
							Proj.			
BALANCE OF PAYMENTS										
Current account	**-7.2**	**-9.5**	**-6.7**	**-8.2**	**-8.0**	**-6.6**	**-6.1**	**-5.9**	**-5.4**	**-5.0**
Merchandise trade balance	-9.5	-11.4	-9.0	-9.3	-7.9	-7.6	-7.6	-7.4	-7.1	-6.9
Exports (f.o.b)	29.0	30.5	26.9	24.4	23.0	22.2	22.7	22.9	22.9	22.9
Imports (f.o.b)	38.5	41.9	35.9	33.7	30.9	29.8	30.3	30.3	30.0	29.8
Services balance	3.9	4.5	4.1	3.3	2.8	3.3	3.8	4.0	4.1	4.4
Exports of nonfactor services	11.5	12.8	12.3	11.2	10.8	10.6	11.1	11.4	11.3	11.3
Imports of nonfactor services	7.6	8.3	8.2	7.9	7.9	7.3	7.3	7.4	7.2	6.9
Primary income, net	-1.8	-3.0	-2.5	-2.4	-3.0	-2.4	-2.4	-2.7	-2.6	-2.6
Secondary income, net	0.2	0.4	0.7	0.2	0.0	0.1	0.1	0.2	0.2	0.1
Capital account	**1.8**	**2.1**	**2.8**	**1.5**	**1.9**	**2.0**	**1.2**	**1.3**	**1.3**	**1.4**
Of which: Capital transfers, net 1/	1.8	2.1	2.8	1.4	1.9	2.0	1.2	1.3	1.3	1.3
Financial account	**-5.9**	**-6.6**	**-3.1**	**-5.6**	**-6.5**	**-4.6**	**-4.9**	**-4.6**	**-4.1**	**-3.6**
Direct investment, net	-3.7	-3.3	-2.0	-1.3	-1.5	-2.2	-2.4	-2.5	-2.5	-2.6
Portfolio investment and financial derivatives, net	-1.4	-1.6	-4.2	-3.5	-3.2	-1.9	-1.8	-2.2	-2.1	-2.0
Other investment, net	-1.9	-4.0	-1.0	-1.0	-0.9	-1.7	-2.1	-1.6	-1.3	-1.5
Of which: trade credit net	-0.1	-0.4	-0.2	0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1
Reserve assets	0.9	2.3	4.1	0.2	-0.8	1.2	1.4	1.7	1.8	2.4
Errors and omissions, net	**-0.5**	**0.8**	**0.8**	**1.1**	**-0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
BALANCE SHEET										
Int'l investment position, net	**-46.8**	**-42.3**	**-41.4**	**-41.3**	**-44.2**	**-47.8**	**-51.6**	**-54.7**	**-56.2**	**-57.1**
Assets	42.3	40.4	42.8	42.7	41.9	43.7	45.1	46.3	46.7	47.7
Liabilities	89.2	82.8	84.2	84.0	86.0	91.4	96.7	101.0	102.9	104.8
Gross external debt	**58.9**	**54.6**	**56.9**	**57.5**	**59.5**	**63.5**	**67.4**	**70.5**	**71.7**	**73.0**
MEMORANDUM ITEMS										
International reserves (bn €)	**45.8**	**52.3**	**66.0**	**70.5**	**70.6**	**75.2**	**79.8**	**85.3**	**91.4**	**100.7**
In percent of short-term debt (orig. maturity)	119.9	119.7	148.9	143.8	139.9	149.9	150.8	153.1	155.1	161.2
In percent of broad money	40.2	42.9	49.2	47.3	45.9	46.7	47.8	47.8	47.8	49.1
In percent of ARA metric	96.2	98.2	110.6	108.2	101.3	101.6	101.0	99.8	99.7	106.3
Months of prospective imports	3.9	4.4	3.1	5.8	6.0	6.2	6.3	6.5	6.7	7.0
Nominal GDP (bn €)	242	282	321	354	373	380	389	401	422	443

Sources: Authorities' data and IMF staff estimates and projections.

1/ Largely EU structural funds and Common Agricultural Policy (CAP) payments.

Table 4. Romania: Monetary Survey, 2021–26
(In billion lei, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026
					Proj.	
NATIONAL BANK OF ROMANIA						
Net foreign assets	217	246	314	329	312	338
Net domestic assets	-74	-86	-133	-145	-108	-114
Credit to general government, net	-32	-39	-54	-64	-64	-64
Credit to banks, net	-16	-23	-53	-39	-19	-19
Other	-26	-24	-26	-41	-24	-30
Reserve money	143	160	181	184	205	224
BANKING SYSTEM						
Net foreign assets	241	251	327	352	336	362
Of which: Commercial banks	23	5	14	23	23	25
Net domestic assets	324	353	340	390	476	525
Domestic credit	445	464	486	552	640	721
Credit to general government, net	121	101	98	131	183	230
Credit to the private sector, net	324	364	387	421	457	491
Other items, net	-121	-112	-145	-163	-164	-195
Broad money (M3)	564	603	668	742	812	888
Quasi money	158	205	258	294	320	350
Narrow money (M1)	407	398	409	448	492	537
Currency outside banks	96	101	110	126	140	153
Overnight deposits	311	297	299	322	352	385
	(Annual percent change, unless otherwise indicated)					
MONETARY INDICATORS						
Broad money	15.8	6.9	10.7	11.1	9.4	9.3
NFA contribution	0.8	1.8	12.8	3.7	-2.2	3.2
NDA contribution	15.0	5.1	-2.0	7.4	11.6	6.1
Reserve money	43.6	11.7	13.0	2.0	11.0	9.3
NFA contribution	19.5	19.7	42.7	8.3	-9.1	12.4
NDA contribution	24.1	-8.1	-29.7	-6.3	20.1	-3.0
Domestic credit	19.8	4.3	4.6	13.8	15.8	12.7
Public sector	35.5	-16.7	-2.2	33.3	39.1	26.0
Private sector	14.8	12.1	6.5	8.8	8.6	7.3
To nonfinancial corporations	19.8	18.8	10.3	7.1	7.0	6.1
To households	9.7	4.3	1.4	9.2	10.9	9.4
MEMORANDUM ITEMS						
Net foreign assets of the NRB (bn €)	44	50	63	66	59	61
Share of foreign currency private deposits (commercial banks, percent)	35.3	34.3	30.3	30.0	31.9	31.5
Share of foreign currency private loans (commercial banks, percent)	27.6	31.2	31.6	30.0	29.7	29.4
Velocity	2.1	2.3	2.4	2.4	2.3	2.3
Nominal GDP growth (percent)	11.5	16.5	14.5	10.6	8.3	7.9

Sources: National Bank of Romania and IMF staff estimates and projections.

Table 5. Romania: Financial Soundness Indicators, 2021–25

(In percent, unless otherwise indicated)

	2021 Dec	2022 Dec	2023 Dec	2024 Dec.	2025 Jun.
Capital					
Regulatory capital/risk-weighted assets	23.3	23.4	23.6	24.9	24.2
Regulatory tier 1 capital/risk-weighted assets	20.9	20.5	20.7	22.2	21.6
Tier 1 capital/total assets	8.7	8.6	8.2	8.6	8.7
Asset quality					
Nonperforming loans (NPLs)/total loans	3.4	2.7	2.4	2.5	2.8
NPLs net of provisions/total loans	7.8	6.5	6.2	5.8	6.6
NPL provisions/NPLs	66.1	65.5	64.6	66.0	64.5
Earnings and profitability					
Return on assets	1.4	1.5	1.8	1.7	1.7
Return on equity	13.3	16.4	20.1	18.4	18.2
Net interest income/gross income	58.8	61.8	63.2	64.1	62.6
Noninterest expense/gross income	58.9	58.2	52.9	55.7	56.3
Personnel expense/noninterest expense	39.6	38.0	40.1	37.7	37.4
Personnel expense/gross income	23.3	22.1	21.2	21.0	21.1
Liquidity					
Liquid/total assets	30.9	29.3	32.1	31.7	33.8
Liquid assets/short-term liabilities	40.4	38.9	43.7	43.0	46.2
Liquidity coverage ratio	238.8	212.0	280.6	254.7	234.6
Net stable funding ratio	175.0	174.0	193.6	197.3	191.9
Foreign exchange risk					
Net open foreign exchange position position/regulatory capital	4.5	0.9	0.2	0.9	0.7
Foreign exchange liabilities/total liabilities	29.3	29.8	…	…	…
Foreign exchange loans/total loans	27.6	31.1	…	…	…
Market risk					
Net derivatives position/capital	-0.2	-0.7	-0.4	0.0	-0.3
Derivatives (assets)/capital	0.5	1.5	1.0	1.1	1.0
Derivatives (liabilities)/capital	0.7	2.2	1.4	1.1	1.3
Commercial real estate loans/total loans	17.9	17.3	16.9	15.6	16.5
Residential real estate loans/total loans	28.1	25.6	23.5	21.0	21.5
Other indicators (of deposit taking institutions)					
Leverage ratio	8.6	8.5	8.1	8.6	8.7
Customer deposits/total loans	130.9	125.5	133.3	126.9	127.3
Lending-deposit rates spread (bps)	493	610	577	557	560.3

Sources: National Bank of Romania and IMF staff estimates.

Annex I. External Sector Assessment

Overall Assessment: *The external position of Romania in 2024 is assessed to be substantially weaker than the level implied by fundamentals and desirable policies, although the magnitude of this imbalance is subject to large uncertainty given the sizable residual. The current account (CA) deficit, which widened to 8.2 percent of GDP in 2024 primarily driven by rising imbalances in the government sector, is expected to narrow in the medium term on the back of the planned large fiscal consolidation. Foreign exchange reserves are assessed to be adequate according to most metrics.*

Potential Policy Responses: *The authorities need to decisively implement the planned large fiscal consolidation in 2025–26 to address widening twin deficits and restore domestic and external imbalances. Romania should also consider greater exchange rate flexibility as part of the policy mix, both to address a persistent currency overvaluation and to maintain reserve coverage. Structural reforms to boost productivity and competitiveness, as well as investments in infrastructure and human capital, are also necessary.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Romania's net international investment position (NIIP) deteriorated in 2024 to -41 percent of GDP due to the widening of CA deficit. While external liabilities have increased on the back of strong inward direct and other investment over the last decade, portfolio liabilities have risen since 2023 to finance government deficits. The assets-to-GDP ratio has remained relatively stable, and reserves comprise almost half of external assets. The NIIP-to-GDP is projected to remain broadly constant in the medium term with gradually narrowing CA deficits.

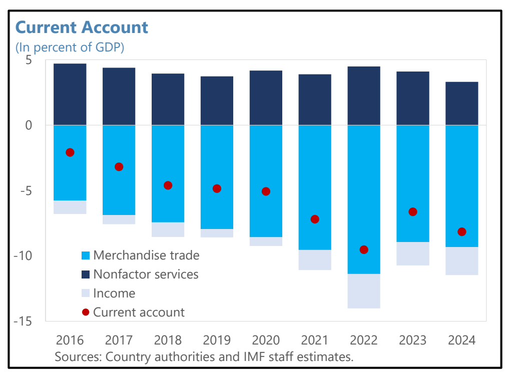
Assessment. The external balance sheet does not appear to be a major source of risk for external sustainability. While gross market borrowing needs remain elevated, external liabilities are concentrated in direct and other investment, with a moderate share in debt securities.

2024 (% GDP)	NIIP: -41	Gross Assets: 43	Debt Assets: 3	Gross Liab.: 84	Debt Liab.: 32

Current Account

Background. Romania's CA deficit widened to 8.2 percent of GDP in 2024, up from 6.7 percent in 2023, driven by weak export performance and a surge in imports amid large fiscal deficits. The CA deficit is projected to narrow to 8.0 and 6.6 percent of GDP in 2025 and 2026, respectively, with ongoing fiscal consolidation and a recovery of trading partners' growth.

Assessment. The EBA CA model assessment using the 2024 CA suggests a CA gap of -6.2 percent of GDP, with a moderate policy gap of -1.2 percent, reflecting a small cyclical adjustment and a negative EBA norm (-1.8 percent). A sizable residual (-5.0 percent) implies a high degree of uncertainty about the drivers of Romania's CA and the extent of its misalignment with fundamentals. The large residual is also associated with EU grants—that augment the CA deficit without entailing new liabilities—which are not incorporated in the CA norm. The CA deficit has been financed to a large extent by capital transfers from the EU and FDI, limiting vulnerabilities, but Romania has increasingly relied on debt-creating flows more recently. The External Sustainability (ES) approach of the EBA also finds a sizable CA gap of -5.4 percent of GDP.

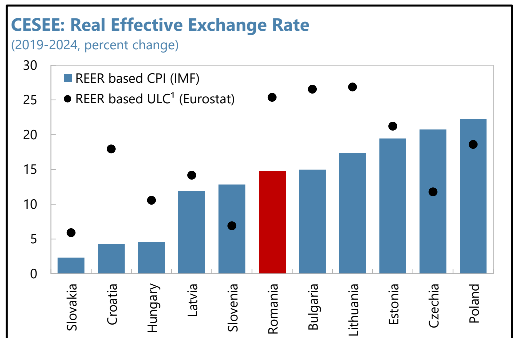


2024 EBA Model Estimates
(Percent)

	CA	ES	REER Index	REER Level
CA-Actual	**-8.2**			
Cyclically adjusted	-8.0			
Adjusted CA norm	-1.8			
CA Gap	**-6.2**	**-5.4**	**-2.7**	**9.3**
Of which: Policy gaps	-1.2			
Residual	-5.0			
Elasticity	0.33	0.33	0.33	0.33
REER Gap (percent)	**18.5**	**16.1**	**8.1**	**-28.0**

Real Exchange Rate

Background. While the CPI- and PPI-based REERs (IMF data) appreciated moderately by 2.8 and 0.1 percent, respectively, in 2024, the ULC-based REER appreciated more notably by 11.6 percent. However, Romania's cumulative REER appreciation has been similar to that of many CESEE peers since 2019.



Sources: Eurostat; and IMF staff estimates.
1/ Relative to 20 Euro area trading partners.

Assessment. The EBA CA gap implies a REER gap of 18.5 percent (overvaluation) for 2024 (applying an estimated elasticity of 0.33). The EBA REER index regression estimates the REER gap to be 8.1 percent in 2024, while EBA REER level regression estimates the REER gap of 28 percent. Both EBA REER models are subject to measurement uncertainty, with large unexplained residuals. Hence, staff consider EBA REER model results less reliable and favor the EBA CA model assessment as the overall assessment.

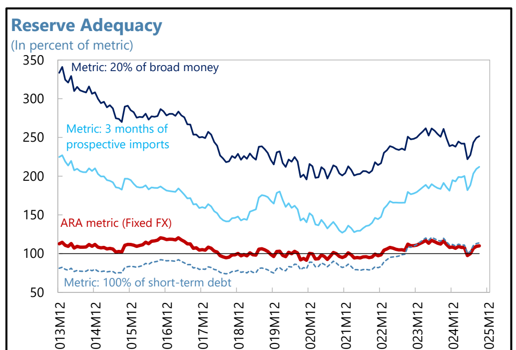
Capital and Financial Accounts: Flows and Policy Measures

Background. Capital account inflows declined to 1.5 percent of GDP in 2024, down from 2.8 percent in 2023, primarily reflecting lower EU grants with delayed reforms. Net FDI and portfolio inflows declined to 1.3 and 3.5 percent of GDP, respectively, down from 2.0 and 4.2 percent in 2023, with the latter largely for government funding needs. Other investment inflows were relatively stable at 1.0 percent of GDP and are largely the loans received under the EU's Recovery and Resilience Facility and IFIs. As a result, there was less reserves accumulation in 2024 than in 2023. There are no restrictions on capital and financial accounts.

Assessment. Capital account inflows are expected to continue as EU-funded projects ramp up, including those under the Next Generation EU (NGEU) which will expire in 2026. There is also scope for higher absorption of large structural EU funds in the 2021–27 multi-annual EU budget. FDI inflows are expected to edge up to 2.6 percent of GDP, underpinned by attractiveness as a destination for reshoring investments. Portfolio investment flows into sovereign bonds would decline, given the planned large fiscal consolidation.

FX Intervention and Reserves Level

Background. De facto exchange rate arrangement has been classified as stabilized since September 2021. Reserves have risen substantially since 2019, supported by inflows of EU funds. Overall, gross international reserves stood at 19.9 percent of GDP at end-2024 (20.3 percent as of end-September 2025) and could cover about 5.7 months of prospective imports or about 48 percent of M2 and 106 percent of short-term debt by residual maturity.



Sources: Country authorities and IMF staff estimates.

Assessment. Reserves are assessed to be adequate. Romania's reserve coverage is around 108 percent of the Fund's metric for assessing reserve adequacy (ARA) for emerging markets with a de-facto 'fixed' exchange rate regime by December 2024 (110 percent by September 2025).[1] Reserve adequacy would be above 151 percent of the ARA metric if a floating exchange rate regime were assumed and are adequate by most other standard metrics by December 2024 (153 percent by September 2025). In the medium term, reserves are projected to remain at robust levels, as CA deficits are expected to narrow in line with the planned large fiscal consolidation.

[1] Romania's exchange rate was re-classified retroactively as crawl-like from floating from July 2016, and subsequently reclassified retroactively as stabilized from crawl-like from September 2021. In this context, Romania's reserve adequacy metric in recent years is based off that for a 'fixed' exchange rate regime.

Annex II. Risk Assessment Matrix[1]

Risk	Transmission Channels	Expected Impact	Policy Response
Global Risks			
Likelihood **Escalating Trade Measures and Prolonged Uncertainty**	**High.** Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge, especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	**High.** Second round effects can be significant given Romania's integration into regional value chains and trade links with major regional economies. This would occur through trade, capital flows, investment, and confidence effects on financial markets, further weakening fiscal revenues.	With limited fiscal space, priority should be temporary and targeted support to the most vulnerable. Enhanced FX flexibility can help to mitigate the impact. Structural reforms should be advanced to facilitate the resource reallocation and enhance competitiveness.
Likelihood **Fiscal Vulnerabilities and Higher Long-Term Interest Rates**	**High.** Rising public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions. These developments could amplify capital flow volatility, tighten financial conditions, threaten sovereign debt sustainability, and trigger global spillovers. To the extent that major economies are affected, market imbalances (such as reduced investor capacity to absorb sovereign debt) could emerge, exacerbating risks from a close sovereign-financial nexus.	**Medium.** Capital outflows and rising risk premia could complicate domestic monetary policy and government funding, leading to excessive FX and financial volatility.	The planned fiscal consolidation should be implemented without delay. Monetary policy should focus on preserving price stability, while temporary and targeted financial stabilization measures could be used to maintain financial stability.
Likelihood **Financial Market Volatility and Correction**	**High.** Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among NBFIs further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.	**Medium.** Capital outflows and rising risk premia could complicate domestic monetary policy and government funding, leading to excessive FX and financial market volatility.	The planned fiscal consolidation should be implemented without delay. Monetary policy should focus on preserving price stability, while temporary and targeted financial stabilization measures could be used to maintain financial stability.
Likelihood **Geopolitical Tensions**	**High.** Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	**Medium.** Romania is largely self-sufficient in energy and a significant grain producer. However, negative spillovers through energy prices, trade, capital flows, and investment could impede growth, further weakening fiscal revenues amid rising borrowing costs.	Overly costly and broad-based price support measures should be avoided while providing temporary and targeted support to the most vulnerable households. Investment projects and structural reforms should be accelerated, financed where possible with EU support.

[1] The Risk Assessment Matrix shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risk	Transmission Channels	Expected Impact	Policy Response
Likelihood **Commodity price volatility**	**High.** Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	**Medium.** Supply disruption will lead to high and volatile food and energy prices in the region. However, Romania is largely self-sufficient in foods and energy, which limits its exposure.	Overly costly and broad-based price support measures should be avoided while providing temporary and targeted support to the most vulnerable households. Monetary policy should focus on preserving price stability to rein in second-round effects on inflation.
Domestic Risks			
Delays in fiscal consolidation and necessary reforms	**Medium.** The implementation of the planned large fiscal consolidation and NRRP reforms are delayed due to social and political pressures.	**High.** Investor confidence in the credibility of the medium-term fiscal consolidation plan could be eroded, heightening the risk of losing the investment grade of the sovereign rating. Financial stability risks may also increase through negative feedback loops in the sovereign-bank nexus.	The planned fiscal consolidation should be implemented without delay. If market stress reemerges, the NBR should implement a mix of policy rate adjustments, liquidity management, and FX intervention to preserve financial stability.

Annex III. Debt Sustainability Analysis

Annex III. Table 1. Romania: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**High**	The overall risk of sovereign stress is assessed to be high. Despite planned large fiscal consolidationin 2025-26, a sovereign credit rating downgrade to speculative status remains a risk as investor concerns about the medium-term sustainability of public finances persist due to still high fiscal deficit levels.
Near term 1/			
Medium term	**High**	**High**	Medium-term risks are assessed as high. Despite the recent improvement in investor confidence and the moderation in financing costs, absent additional fiscal consolidation measures beyond 2026, public debt as a percentage of GDP is expected to continue to increase in the medium term. Average gross financing needs over the medium term are also projected to be relatively high.
Fanchart	**High**	...	
GFN	**High**	...	
Stress test		...	
Long term	...	**Moderate**	Long-term risks are assessed to be moderate due to continuously strong growth prospects, significant scope for revenue mobilization and inward investment, and expected structural improvements propelled by Romania's EU membership and continued integration into the EU.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			No

DSA Summary Assessment

The fiscal consolidation measures adopted in July 2025 mark an important step in the right direction, however more fiscal adjustment is needed to stabilize the public debt in the medium term. In addition, fiscal pressures arising from the need to build fiscal space to meet spending pressures from climate action, demographic pressures, and defence priorities, further underline the need for action.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex III. Figure 1. Romania: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						
Subsectors captured in the baseline					Inclusion	
1 Budgetary central government					Yes	
2 Extra budgetary funds (EBFs)					No	Limited amounts
3 Social security funds (SSFs)					Yes	
4 State governments					Yes	
5 Local governments					Yes	
6 Public nonfinancial corporations					No	
7 Central bank					No	
8 Other public financial corporations					No	
3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/	
4. Accounting principles:	Basis of recording		Valuation of debt stock			
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/	
5. Debt consolidation across sectors:		Consolidated		Non-consolidated		

Subsector groupings: CG = rows 1–3; GG: expected = rows 1–5; NFPS = rows 1–6; CPS = rows 1–8.

Chosen coverage: GG; Currency & deposits, Loans, Debt securities; Cash basis; Nominal value 5/; Non-consolidated. Missing from recommended coverage: Extra budgetary funds (EBFs); Oth acct. payable 2/; IPSGSs 3/.

Color code: chosen coverage | Missing from recommended coverage | Not applicable

Reporting on Intra-Government Debt Holdings

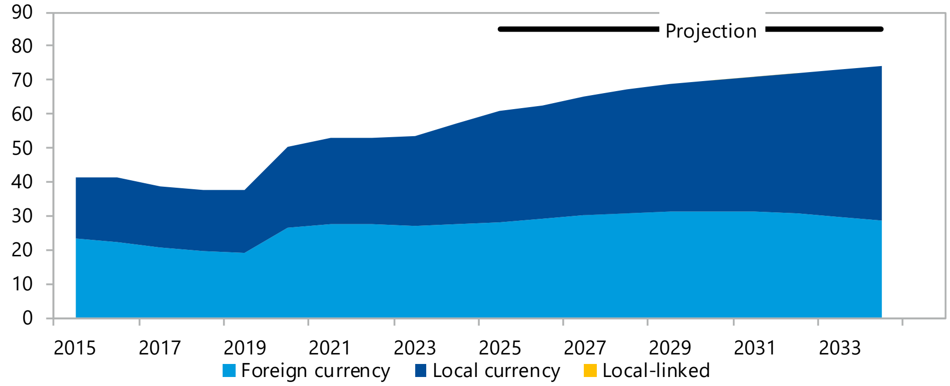
Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1 Budget. central govt									0
2 Extra-budget. funds									0
3 Social security funds									0
4 State govt.									0
5 Local govt.									0
6 Nonfin pub. corp.									0
7 Central bank									0
8 Oth. pub. fin. corp									0
Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Debt statistics and budgetary reporting are compliant with EU standards.

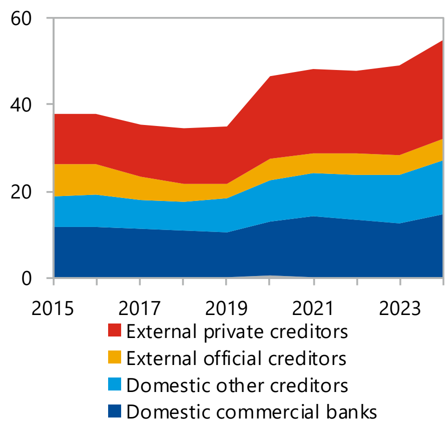
Annex III. Figure 2. Romania: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)

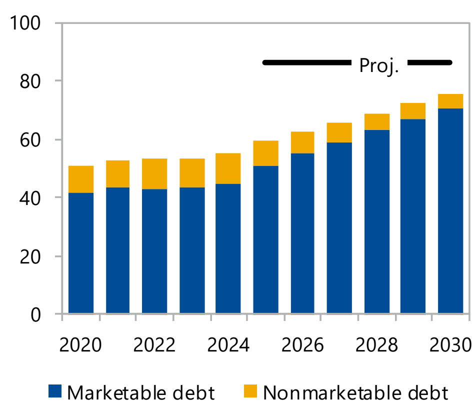


Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)

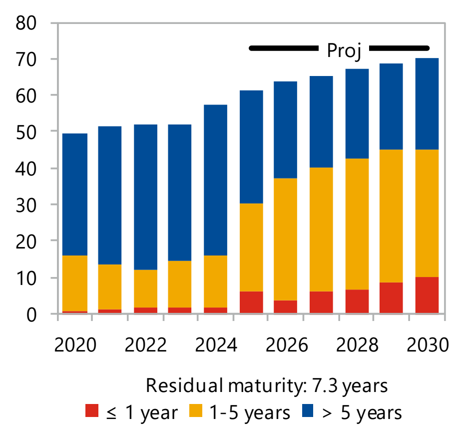
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

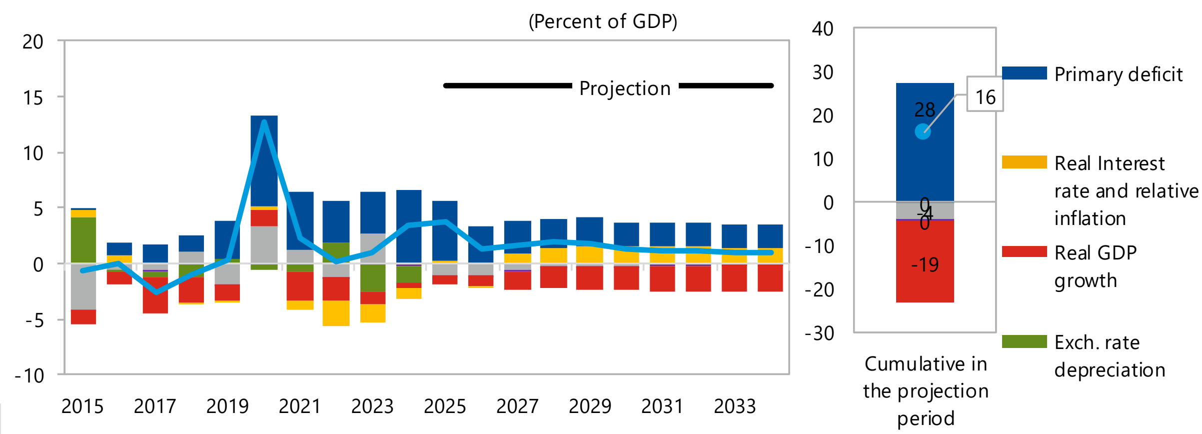
With around half of public debt denominated in or linked to foreign currencies (excluding debt to multilaterals), and the projected increase in the share of foreign currency-denominated debt, financing is vulnerable to market sentiment.

Annex III. Figure 3. Romania: Baseline Scenario

(Percent of GDP, unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	57.5	61.2	62.5	64.1	66.0	67.8	69.1	70.2	71.3	72.3	73.3
Change in public debt	3.5	3.7	1.3	1.6	1.9	1.8	1.3	1.1	1.1	1.0	0.9
Contribution of identified flows	3.6	4.8	2.4	2.2	2.2	2.0	1.5	1.3	1.2	1.1	1.1
Primary deficit	6.7	5.3	3.3	3.0	2.7	2.6	2.1	2.1	2.1	2.1	2.1
Noninterest revenues	31.2	32.2	32.8	32.3	32.2	32.1	32.1	32.1	32.1	32.1	32.1
Noninterest expenditures	37.9	37.5	36.1	35.3	35.0	34.7	34.2	34.2	34.2	34.2	34.2
Automatic debt dynamics	-3.0	-0.5	-0.9	-0.7	-0.5	-0.5	-0.6	-0.8	-0.9	-1.0	-1.0
Real interest rate and relative inflat	-0.9	0.3	0.0	0.9	1.3	1.5	1.6	1.5	1.5	1.5	1.4
Real interest rate	-2.6	-0.8	-1.1	0.3	1.1	1.2	1.4	1.3	1.3	1.3	1.3
Relative inflation	1.7	1.1	1.1	0.6	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Real growth rate	-0.5	-0.7	-0.8	-1.7	-1.8	-2.0	-2.1	-2.3	-2.4	-2.4	-2.4
Real exchange rate	-1.6	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-0.1	-1.1	-1.1	-0.6	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1
Gross financing needs	14.1	13.4	11.4	9.8	11.7	12.1	13.6	14.6	13.3	14.1	14.2
of which: debt service	7.5	8.2	8.1	6.9	9.0	9.5	11.6	12.5	11.3	12.0	12.1
Local currency	5.3	5.7	5.6	4.3	6.0	6.3	7.3	7.9	7.0	7.7	7.8
Foreign currency	2.2	2.5	2.5	2.6	3.0	3.3	4.2	4.7	4.2	4.3	4.3
Memo:											
Real GDP growth (percent)	0.9	1.3	1.4	2.7	2.9	3.1	3.3	3.5	3.5	3.5	3.5
Inflation (GDP deflator; percent)	9.6	6.9	6.5	4.2	3.0	2.7	2.5	2.5	2.5	2.5	2.5
Nominal GDP growth (percent)	10.6	8.3	7.9	7.1	6.0	5.9	5.8	6.0	6.0	6.0	6.0
Effective interest rate (percent)	4.2	5.5	4.5	4.7	4.8	4.7	4.6	4.6	4.5	4.4	4.4

Contribution to Change in Public Debt



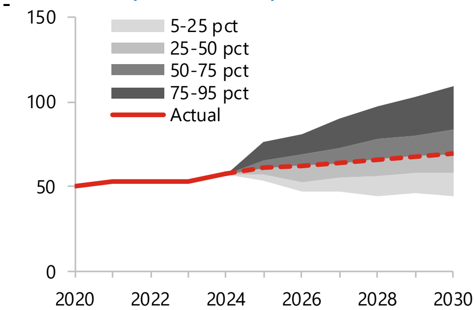
Despite the planned large consolidation in 2025 and 2026, the fiscal deficit is projectd to narrow only gradually after 2027 and the public debt-to-GDP ratio is expected to continu to rise in the medium to long term. Average gross financing needs (GFNs) over the medium term remain considerable at around 11 percent of GDP.

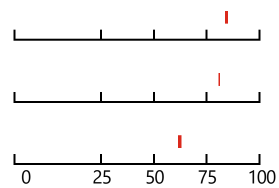
Annex III. Figure 4. Romania: Medium-Term Risk Assessment

Debt fanchart module

	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	64.2	0.9	
Probability of debt non-stabilizaiton *(percent)*	92.8	0.8	
Terminal debt-to-GDP x institutions index	39.2	0.9	
Debt fanchart index (DFI)		2.6	
Risk signal: 3/		**High**	

Final Fanchart (Percent of GDP)

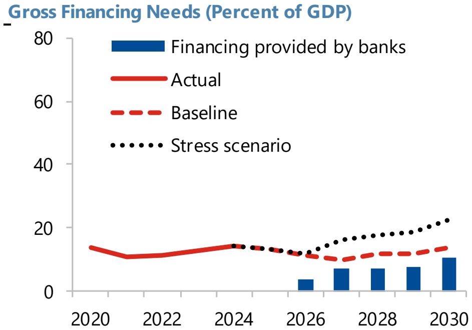


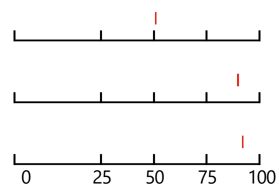


Gross financing needs (GFN) module

	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	12.0	4.1	
Initial Banks' claims on the gen. govt *(pct bank assets)*	27.0	8.8	
Chg. In banks' claims in stress *(pct banks' assets)*	33.7	11.3	
GFN financeability index (GFI)		24.1	
Risk signal: 4/		**High**	

Gross Financing Needs (Percent of GDP)

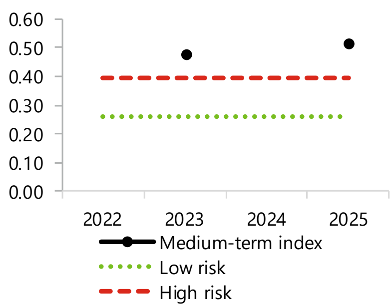




Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	2.6	0.6	0.5	0.3
GFN finaceability index	24.1	0.5	0.5	0.2
Medium-term index		0.5		
Risk signal: 5/		**High**		
Final assessment:		**High**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 72.7 pct.

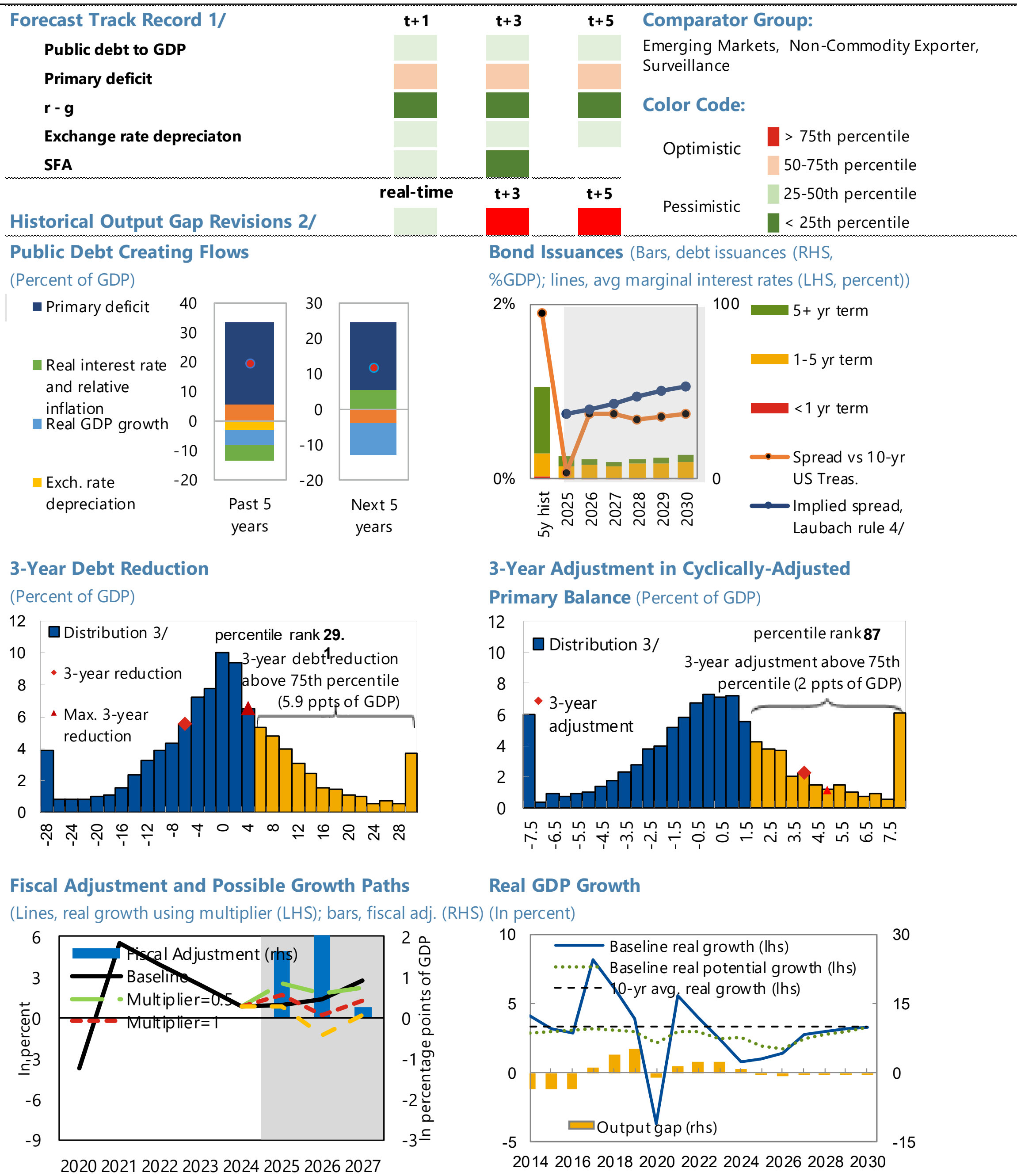
Prob. of false alarms, 2025-2030, if stress predicted: 3.4 pct.

The fiscal trajectory under the baseline point to a high risk of debt distress in the medium term, in absence of additional fiscal consolidation measures beyond 2026.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex III. Figure 5. Romania: Realism of Baseline Assumptions



Macroeconomic forecasts are affected by fluctuating base effects stemming from frequent revisions to historical data.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex III. Figure 6. Romania: Triggered Module—Climate Change Mitigation

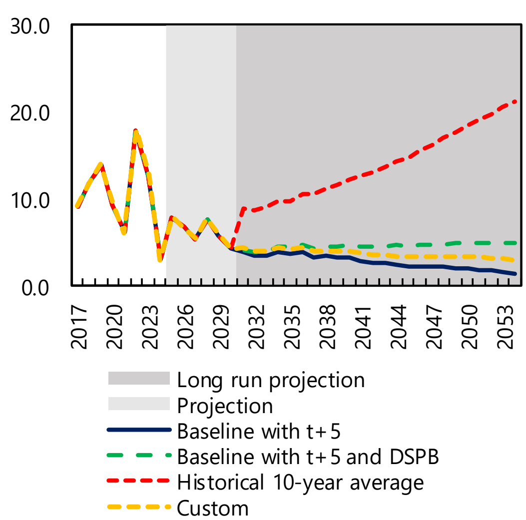
Large amortizations	Pensions	Climate change: Adaptation	Natural Resources
	Health	**Climate change: Mitigation**	

Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

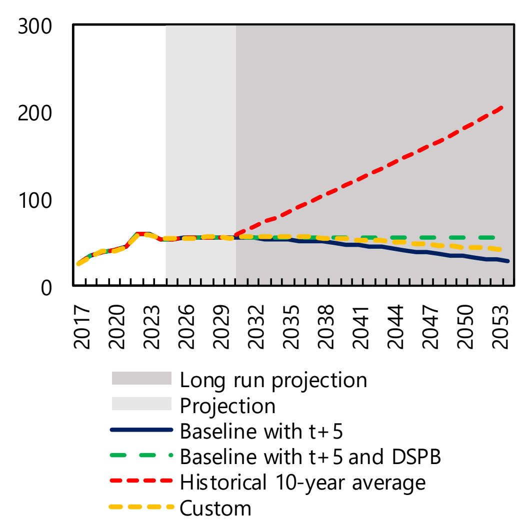
Projection	**Variable**	**Risk Indication**
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Variable	**2030**	**2034 to 2038 average**	**Custom Scenario**
Real GDP growth	3.3%	-17.2%	3.5%
Primary Balance-to-GDP ratio	-2.1%	-1.7%	-2.1%
Real depreciation	-2.4%	-2.4%	-2.4%
Inflation (GDP deflator)	2.5%	-18.0%	2.5%

GFN-to-GDP Ratio

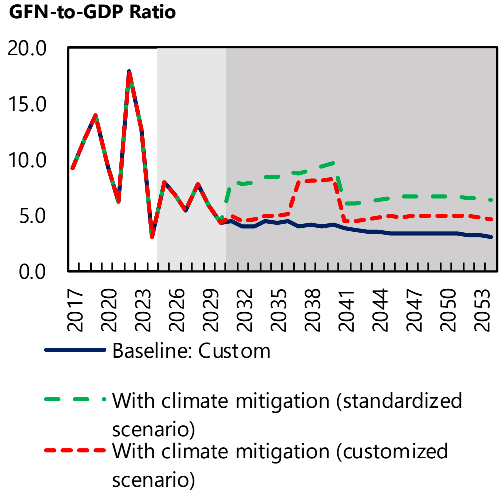


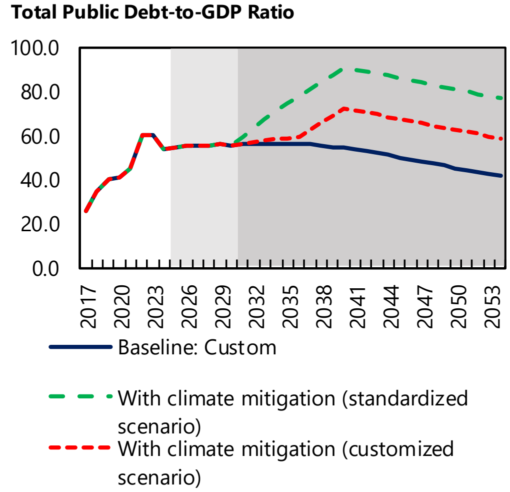
Total Public Debt-to-GDP Ratio



Despite the deterioration in the medium-term fiscal outlook, the long-term scenario remains favorable compared to past fiscal performance. Spending pressures from climate action and demographic trends pose the most important risks to long-term debt sustainability.

Annex III. Figure 6. Romania: Triggered Module—Climate Change Mitigation (concluded)





Urgent climate change mitigation measures represent the most critical source of spending pressures in the long term, underlining the urgency of revenue mobilization and fiscal consolidation.

Annex IV. Implementation of Past Article IV Recommendations

<table>
<tr><th>Key Recommendations (2023 Article IV)</th><th>Authorities Policy Response</th></tr>
<tr><td colspan="2">Fiscal</td></tr>
<tr><td>Further fiscal consolidation is needed. Staff advised to reduce the fiscal deficit to 3 percent by 2025.

Recommended consolidation efforts included:
• Efficiency improvements in expenditure and tax administration.
• Removing loopholes and tax privileges in VAT and personal income taxes, as well as considering progressive income taxation.</td><td>Implementation in progress. The authorities committed to reduce the deficit to below 3 percent of GDP by 2031 as envisaged in MTFSP.

A September 2023 package included the reduction of PIT exemptions, in line with staff recommendation.

A December 2024 package included the further removal of SSC and PIT exemptions and lower tax rate on dividends.

A large package in summer 2025 included the VAT rate hike and higher excise and dividend taxes as well as measures to further strengthen tax administration.</td></tr>
<tr><td>Ensure fiscal policy becomes more predictable. Staff advised to adopt a credible path for fiscal consolidation and announce tax reforms in advance to help firms and households adjust. Staff also recommended the adoption of formulas for pension and wage increases that ensure fiscal sustainability.</td><td>Implementation in progress. The pension reform in late 2023 aims to support pension sustainability over the longer term but entails large upfront fiscal costs.

The MTFSP in 2024 envisages the fiscal consolidation path by 2031, and some supporting measures were announced in a large fiscal package in summer 2025.</td></tr>
<tr><td colspan="2">Monetary and Financial</td></tr>
<tr><td>Follow a cautious approach for monetary easing to ensure inflation returns to the target range by early 2025. Staff advocated delaying policy rate cuts until core inflation was on a firm downward path.</td><td>Implemented. After two policy rate cuts (25 bps each), with the re-emergence of inflation, the NBR has paused its policy rate cuts since mid-2024 and maintained the policy rate at 6.5 percent.</td></tr>
<tr><td>Gradually increase two-way exchange rate flexibility over the medium term. Staff advocated a gradual increase in exchange rate flexibility to support external competitiveness, and to help absorb external shocks.</td><td>Implementation in progress. The exchange rates against the euro have remained stable. However, in response to large capital outflows pressures in May 2025, the NBR allowed more flexibility with a 3 percent depreciation.</td></tr>
<tr><td colspan="2">Structural Reforms</td></tr>
<tr><td>Maximize the use of the available EU support. Staff advised strengthen the budget framework, develop a centralized coordination mechanism, and a pipeline of appraised investment projects across sectors.</td><td>Implementation in progress. The coordination of reforms as needed to be granted EU funds has been strengthened. The government has identified NGEU projects feasible for completion by August 2026 to secure the full disbursement of the renegotiated EU funds. Nonetheless, slow progress in specific reform efforts has delayed EU disbursements.</td></tr>
<tr><td>Reenergize governance reforms to enhance administrative capacity and transparency, fight corruption, and make SOEs more efficient.</td><td>Implementation in progress. The authorities established an independent agency to monitor the large state-owned enterprises (SOE) sector, but the board of the agency remains to be appointed, and the related NRRP commitments have not yet been implemented.</td></tr>
<tr><td>Raise labor force participation to mitigate the effects of a falling population. Staff advised to increase opportunities for women to join the formal labor force and improve education outcomes.</td><td>Still outstanding.</td></tr>
</table>

Annex V. Data Issues

Annex V. Table 1. Romania: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating [1/]

A

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	A	A	A	A	A	A

Detailed Questionnaire Results

Data Quality Characteristics	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
Coverage	B	A	A	A	A		
Granularity 3/	B		A	B	A		
			B		B		
Consistency			A	A		A	
Frequency and Timeliness	A	A	A	A	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment: Data provision is adequate for surveillance. Romania's economic and financial statistics are comprehensive, generally of high quality, and are provided to the Fund in a comprehensive manner, along with a calendar of dates for the main statistical releases. Overall, the timeliness and reporting standards are sound, and it has adopted the European System of Accounts 2010. To further improve the coverage and granularity of the SNA, publishing decomposition of public and private investment in quarterly GDP releases would be instrumental. Further improvement should be considered to reduce the discrepancies between the production- and expenditure-side quarterly GDP, thereby attenuating the fluctuations in changes in inventories, which are used as a balancing item with the statistical discrepancies in the expenditure approach. Expanding the coverage financial soundness indicators (FSIs) would enable a comprehensive assessment. There is also room to enhance the granularity of government debt stocks and amortizations for more timely assessment as well as the granularity and dissemination of external debt indicators (including amortization, interest payments, and stocks of debt at remaining maturity) for more timely monitoring of external risks.

Changes since the last Article IV consultation. No changes.

Corrective actions and capacity development priorities. NBR is working to transition to the 2019 FSI guideline.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff do not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. None.

Annex V. Table 2. Romania: Data Standards Initiatives

Romania adheres to the Special Data Dissemination Standard (SDDS) Plus since November 2019 and publishes the data on its National Summary Data Page. The latest SDDS Plus Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Annex V. Table 3. Romania: Table of Common Indicators Required for Surveillance

As of October 14, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Romania[8]	Expected Timeliness[6,7]	Romania[8]
Exchange Rates	13-Oct-25	14-Oct-25	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Sep-25	Oct-25	M	M	M	M	1W	1W
Reserve/Base Money	Aug-25	Sep-25	M	M	M	M	2W	1M
Broad Money	Aug-25	Sep-25	M	M	M	M	1M	1M
Central Bank Balance Sheet	Aug-25	Sep-25	M	M	M	M	2W	1M
Consolidated Balance Sheet of the Banking System	Aug-25	Sep-25	M	M	M	M	1M	1M
Interest Rates[2]	Aug-25	Oct-25	M	M	D	...	...	...
Consumer Price Index	Sep-25	Oct-25	M	M	M	M	1M	12D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Aug-25	Sep-25	M	M	A/Q	Q	2Q/12M	100D
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Aug-25	Sep-25	M	M	M	Q	1M	1M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Jun-25	Sep-25	Q	Q	Q	Q	1Q	1Q
External Current Account Balance	Aug-25	Oct-25	M	M	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	Aug-25	Oct-25	M	M	M	M	8W	40D
GDP/GNP	Jun-25	Sep-25	Q	Q	Q	Q	1Q	NLT 75D
Gross External Debt	Jun-25	Aug-25	Q	Q	Q	Q	1Q	1Q
International Investment Position	Jun-25	Sep-25	Q	Q	Q	Q	1Q	3M

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

INTERNATIONAL MONETARY FUND

ROMANIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

October 15, 2025

Prepared By	European Department

CONTENTS

FUND RELATIONS

(as of September 30, 2025)

Membership Status	Joined 12/15/72	Article VIII
General Resources Account	**SDR million**	**% Quota**
Quota	1,811.40	100.00
Fund holdings of currency	1,811.40	100.00
Reserve Tranche Position	0.00	0.00
SDR Department	**SDR million**	**% Allocation**
Net cumulative allocation	2,720.91	100.00
Holdings	2,739.16	100.67
Outstanding Purchases and Loans	**SDR Million**	**% Quota**
Stand-By Arrangements	0.00	0.00

Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
Stand-By	09/27/13	09/26/15	1,751.34	0.00
Stand-By	03/31/11	06/30/13	3,090.6	0.00
Stand-By	05/04/09	03/30/11	11,443.00	10,569.00
Stand-By	07/07/04	07/06/06	250.00	0.00
Stand-By	10/31/01	10/15/03	300.00	300.00
Stand-By	08/05/99	02/28/01	400.00	139.75
Stand-By	04/22/97	05/21/98	301.50	120.60
Stand-By	05/11/94	04/22/97	320.50	94.27
Stand-By	05/29/92	03/28/93	314.04	261.70
Stand-By	04/11/91	04/10/92	380.50	318.10

Overdue Obligations and Projected Payments to Fund[1]

(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2025	2026	2027	2028	2029
Principal					
Charges/interest	0.00	0.01	0.01	0.01	0.01
Total	0.00	0.01	0.01	0.01	0.01

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Exchange Rate Arrangement

Romania has accepted the obligations of Article VIII, Sections 2(a), 3, and 4, and maintains an exchange rate system free of multiple currency practices and restrictions on making of payments and transfers on current international transactions except for those maintained solely for preservation of national or international security in accordance with UNSC resolutions and that have been notified to the Fund under the procedure set forth in Executive Board Decision No. 144-(52/51). The de jure exchange rate arrangement is managed floating and the de facto exchange rate arrangement is classified as “stabilized”.

Technical Assistance

Capacity building in Romania has been supported by substantial technical assistance from multilateral agencies and bilateral donors. Expert Fund assistance has focused in recent years mostly on structural fiscal reforms, in particular modernizing tax administration, strengthening public financial management, and reviewing tax policy options.

Date	Purpose	Department
	Tax Administration	
February-March 2022	Addressing VAT non-compliance (virtual)	FAD
March-April 2022	Addressing tax noncompliance by multinational enterprises (virtual)	FAD
March-April 2022	Managing tax risks related to e-commerce/platform economy (virtual)	FAD
March-April 2022	Taxpayer services (virtual)	FAD
July-August 2022	Human Resource Development	FAD
September – October 2022	Large taxpayer compliance	FAD
November 2022	High wealth individuals	FAD
January-February 2023	Compliance risk management training program	FAD
July-August 2023	Compliance risk management analytical capability (virtual)	FAD
September-October 2023	Remote support preparation TADAT assessment	FAD
March-April 2024	Developing a new Strategic Plan	FAD
June 2024	Progressing Strategic and Reform Planning	FAD
	Tax Policy	
March-April 2022	Strengthening property taxes (virtual)	FAD
May 2022	Improving progressivity of individual income tax	FAD
January 2023	Property taxes follow-up	FAD
January 2023	Tax gap integration with CRM (virtual)	FAD
June 2023	Evaluating fiscal regimes of hydrocarbons (royalties)	FAD
October-November 2024	A Tax Mix to Achieve Fiscal Sustainability and Fairness	FAD
	Public Financial Management	
March 2022	Public Investment Management Assessment	FAD

Article IV Consultations

Romania is on a 12-month consultation cycle. The previous Article IV consultation was concluded by the Executive Board on December 8, 2023.

FSAP and ROSC

A joint IMF-World Bank mission conducted an update assessment of Romania's financial sector as part of the Financial Sector Assessment Program (FSAP) during October 21-November 31, 2017, and January 11–23, 2018. The Financial Sector Assessment Report (FSSA) was discussed at the Board in June 2018.

A pilot of the IMF's new Fiscal Transparency Evaluation took place in February 2014 and the findings were published in March 2015. It assessed the government's fiscal reporting, forecasting, and risks management practices against the IMF's revised Fiscal Transparency Code.

Resident Representative

Since September 2025, the local Fund office in Bucharest is overseen by the Senior Regional Resident Representative, Mr. Carlos Mulas Granados.

COLLABORATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- As of October 15, 2025, Romania has collaborations with the World Bank Group, the European Bank for Reconstruction and Development, and the European Investment Bank.

- Further information can be obtained from the following hyperlinks.

International Financial Institution	Hyperlink
The World Bank Group	https://www.worldbank.org/en/country/romania/overview#2
The European Bank for Reconstruction and Development (EBRD)	https://www.ebrd.com/home/what-we-do/where-we-invest/romania.html
The European Investment Bank	https://www.eib.org/en/projects/regions/european-union/romania/index.htm

Statement by Mr. Clicq, Executive Director for Romania, and Mr. Copaciu, Senior Advisor to Executive Director
November 7, 2025

On behalf of the Romanian authorities, we would like to thank the mission team, led by Mr. Kang, for their constructive approach and insightful discussions during the Article IV consultation. The Romanian authorities broadly agree with the thrust of staff's appraisal and consent to the publication of the report.

Growth Outlook: Navigating Headwinds with Reform Momentum

The first half of 2025 was marked by a challenging economic environment, with high and rising political and policy uncertainties both domestically and globally. This impacted growth which remained weak, at only 0.3 percent year-on-year. The authorities expect slightly lower growth rates than staff for the current (+0.6 percent) and next year (+1.2 percent), as fiscal consolidation and higher inflation dampen consumption, both private and public, while accelerated National Recovery and Resilience Plan (NRRP) implementation supports investment. The external position is expected to gradually improve, driven by fiscal consolidation measures that restrain import demand. This will be accompanied by an enhanced financing structure, with a gradual increase in the share covered by stable, non-debt-creating flows, especially in 2026, supported by higher EU funds-related capital transfers.

Inflation: A Temporary Surge with a Path to Stabilization

CPI inflation rose sharply in July–August following the expiration of the electricity price cap in July and the implementation of VAT and excise duties increases in August. Annual inflation reached 9.9 percent in September (up from 5.7 percent in June), driven largely by the surge in electricity prices (up 69.2 percent y-o-y in September) and indirect taxes effects. Core inflation also climbed to 8.2 percent, reflecting strong passthrough of VAT increases amid still-resilient demand in some segments, especially services, and indirect effects from higher electricity and fuel prices through higher short-term inflation expectations. After the 2025Q3 hike, CPI inflation is expected to gradually decline, with a sharper drop expected in 2026Q3 as base effects fade and the negative output widens. Fiscal measures will continue to weigh on demand, and monetary conditions will remain restrictive. The latest NBR forecast places end-2026 inflation at 3.5 percent, at the upper limit of the variation band around the 2.5 percent target.

Growth at Risk and Upside Inflation Risks

While the outlook remains marked by relatively high uncertainty, the authorities agree with staff that risks are tilted to the downside for growth and upside for inflation. Any deviation from the fiscal consolidation path could affect growth and slowdown the disinflation process. The end-March 2026 expiry of capping measures on gas and basic food prices might add to inflationary pressures. Externally, spillovers from a volatile trade environment and a slowdown in external demand could negatively affect activity. Russia's war on Ukraine continues to expose the economy to heightened security risks, inflationary pressures, and fiscal demands linked to energy and defense.

Fiscal Policy: Consolidation and Reform Delivery—A Turning Point

After a period of accumulating large budgetary imbalances, the authorities are advancing a critical fiscal consolidation effort to restore long-term public finance sustainability, underpinned by a strong commitment to prudent policymaking and ambitious reform implementation.

The consolidation effort builds on the large packages adopted in the second half of the year, combining revenue increases and expenditure cuts. More than two-thirds of the adjustment is estimated to come from revenue-enhancing measures. The headline deficit is projected to decline from 9.3 percent of GDP in 2024 to around 8.4 percent in 2025, and further to 6.0 percent in 2026 (ESA terms). The fiscal adjustment is broader in terms of the primary deficit, which is expected to narrow cumulatively by around 4.3 percentage points of GDP over 2025–2026. In structural terms, the deficit is projected to improve by about 3.5 percentage points, confirming an effective strengthening of the fiscal position, particularly in 2026. Given the magnitude and scale of the recently adopted consolidation packages – with several key measures only taking effect from January 1, 2026 - their full fiscal, economic, and social impact remains to be fully assessed. Once implementation data is available, the authorities will be well equipped to evaluate the need for further action, while remaining strongly committed to meeting fiscal targets and ensuring long-term debt sustainability.

In parallel, the authorities accelerated reform efforts, most of them related to achieving the NRRP milestones, including enhancing health sector spending efficiency, strengthening corporate governance of SOEs, restructuring regulatory bodies, reinforcing fiscal discipline, and intensifying the fight against tax evasion. The authorities remain firmly committed to achieving the magistrates' pensions reform, notwithstanding its recent rejection by the Constitutional Court. Moreover, discussions within the governing coalition are at an advanced stage regarding the reduction of personnel expenditures across both central and local public administration. Planned measures to optimize staffing and improve operational efficiency support fiscal consolidation and lay a solid foundation for the 2026 budget, which will be prepared through the new NRRP-financed digital platform that enables direct data input and greatly enhances transparency. The authorities have also moved from a broad vision to a more detailed plan for reforming National Fiscal Administration Agency (ANAF), focusing on institutional reorganization, performance-based tax collection, and enhanced enforcement. Key actions include performance indicators tied to tax collection rates, modernizing IT systems, improving insolvency legislation, tightening transfer pricing procedures, and boosting transparency through regular public reporting on VAT gaps and operational performance.

Public investment is expected to remain elevated in 2026, helping offset the contractionary impact of fiscal consolidation. The authorities estimate around €15 billion in EU-funded investment will be available, approximately two-thirds from NGEU grants and one-third from cohesion funds, underpinned by a targeted focus on high-priority, high-impact, and well-advanced NRRP projects. To maximize execution and ensure timely absorption ahead of the August 2026 deadline, the government is prioritizing viable projects under the NRRP initiatives, while reallocating others to cohesion policy or suspending them in response to delays.

To cushion the impact of ending the electricity price cap, the government introduced a means tested support scheme for 2.1 million vulnerable households through March 2026, aligned with EU energy price rules and costing about 0.05 percent of GDP.

Monetary Policy: Anchoring Expectations Amid Uncertainty

As inflation remains above target and risks are tilted to the upside amid still relatively high uncertainty, the authorities concur with staff that maintaining a prudent and data-dependent monetary policy stance is warranted to keep inflation expectations anchored and support a sustainable return to target.

Short-term inflation expectations have ticked up following recent supply-side shocks, but medium-term expectations (e.g., for end-2026) have only slightly moved upwards and close to the upper limit of the interval around the central bank's target. As aggregate demand weakens, both directly from fiscal consolidation and indirectly via a cooling labor market, underlying price pressures should ease and medium-term expectations stay contained, lowering the risk of pronounced second-round effects next year.

Financial markets conditions normalized after the May 2025 Presidential elections, especially after the adoption of the fiscal consolidation packages by the newly installed government. Strengthened investor confidence and improved market conditions were also reflected in a relatively lower sovereign risk premium, enabling the government to attract larger volumes of external and internal financing at lower marginal costs. Interbank money market rates accordingly edged lower, albeit at a slower pace than the government securities. Following the depreciation triggered by political uncertainty surrounding the May 2025 Presidential elections, the EUR/RON exchange rate remained broadly stable, while trading within a broader range and with greater volatility than in the pre-election period. This evolution reflects improved market confidence amid Romania's political consolidation and reform momentum as well as global external developments.

Financial Sector: Resilient and Well-Capitalized

Romania's banking sector remains resilient. Core risk indicators for solvency, liquidity, profitability, and asset quality sit in the EBA's low-risk bucket, with most outperforming EU averages. Capital ratios are adequate, substantially above Basel III minima, supported by a conservative dividend distribution policy and calibrated capital requirements (including O-SII buffers) aligned with NBR's (and EBA) guidance. Profitability remains strong, well above EU averages, and while the temporary one-year turnover tax set to take effect in 2026 may reduce earnings, the authorities do not expect it to pose systemic risks to the banking sector. Liquidity is also strong, comfortably above the EBA best-bucket threshold. This partly reflects banks' relatively large sovereign-bond holdings which, while not without potential allocation distortions, serve as high-quality liquid assets. These holdings bolster liquidity shock-absorption, limit mark-to-market volatility, and help mitigate duration mismatches. Asset quality remains solid: NPLs 2.8 percent (August 2025) with coverage by provisions at 62.3 percent. According to the latest ECB-methodology stress test, while the severely adverse scenario - prolonged macroeconomic imbalances, heightened geopolitical tensions, and elevated tariffs - would imply a compression of banks' solvency ratios, the system continues to demonstrate robust resilience.

With slightly less than half of corporate loans denominated in foreign currency, mostly unhedged at the borrower level, banks maintain strong hedging positions—reflected in a low net open FX position to capital of 0.68 percent (2025Q2)—and FX NPLs continue to be contained. Moreover, around 60 percent of these exposures are currently held by large firms, and about 40 percent finance equipment acquisition. These modernization efforts are expected to improve productivity and buffers, mitigate credit risk, and lead to lower probability of default over the medium-term. However, if foreign-currency lending to non-financial corporates were to generate rising vulnerabilities resulting from negative balance sheet effects, the authorities are prepared to deploy further targeted macroprudential measures.

Structural Reforms: OECD Accession and Green Transition

The authorities remain firmly committed to Romania's accession to the OECD, with the objective of securing full membership by 2026. Romania is undergoing technical assessments in 25 sectoral committees, up to this date securing 16 formal opinions on alignment, including on education, corporate governance and SOEs, competition policies, digitalization, statistics, employment, and social affairs. The authorities are advancing a suite of reforms, amending governance legislation for state owned and listed companies, strengthening private-pension regulation, enhancing waste management and environmental standards, and modernizing capital market oversight, all aligned with OECD benchmarks.

The authorities acknowledge that additional, targeted reforms are needed to address persistent structural labor force participation gaps. Several measures have been implemented in recent years, such as expanding early childhood education to support working parents, modernizing vocational training, and promoting youth (including rural youth) employment. These efforts provide a solid foundation for further progress and continued momentum in strengthening labor market inclusiveness.

To foster the transition to a low-carbon economy, the authorities are advancing the implementation of the EU Emissions Trading System 2 (ETS2) alongside key reforms under its NRRP. Starting 2027, ETS2 will price carbon emissions from buildings and road transport, encouraging cleaner technologies. Complementing this, the new electronic tolling system (TollRo), launching in July 2026, will apply distance- and emissions-based charges on heavy vehicles, reinforcing the "polluter pays" principle.

The authorities concur with staff that further EU-level efforts are needed to advance a common Energy Union, particularly in strengthening cross-border interconnections. Romania will continue to prioritize investments in nuclear energy, renewable capacity, and storage infrastructure to diversify its energy mix and enhance security of supply.

Romania's authorities remain strongly committed to restoring macroeconomic stability through disciplined fiscal consolidation, targeted structural reforms, effective EU funds absorption, and prudent monetary policy. While challenges remain, reform momentum is strong, laying the groundwork for resilient and inclusive growth over the medium-term.