Economy and Finance

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Economic forecast for Romania

The latest macroeconomic forecast for Romania.

In 2024, real GDP growth is expected to decelerate markedly to 1.4%. Buoyant private consumption supported domestic demand and imports, while export growth remained subdued. A gradual recovery in external demand, easing of financial conditions and resilient private consumption and investment are set to accelerate growth above 2% in 2025 and in 2026. Headline inflation is projected to decelerate slightly, but to remain above 5% in 2024, as underlying price pressures are still high due to the continued increase in disposable income. Strong labour demand is set to further reduce unemployment. Romania's general government deficit is forecast to reach 8% of GDP in 2024, much higher than in 2023. It is expected to stay broadly at that level in 2025 and 2026, assuming no change in current policies. The debt-to-GDP ratio is projected to increase to close to 60% in 2026.

Indicators	**2024**	**2025**	**2026**
GDP growth (%, yoy)	1,4	2,5	2,9
Inflation (%, yoy)	5,5	3,9	3,6
Unemployment (%)	5,5	5,5	5,4
General government balance (% of GDP)	-8,0	-7,9	-7,9
Gross public debt (% of GDP)	52,2	56,1	59,7
Current account balance (% of GDP)	-8,3	-7,6	-6,9

Strong domestic demand pushes up imports

Over 2024, industrial production, residential construction, IT and transport services lost significant growth momentum due to sluggish external demand from Romania's main trading partners, a rapid increase in wages and high energy prices. At the same time, retail sales grew strongly as real disposable incomes increased at a fast pace. Nevertheless, buoyant private consumption was largely offset by the high negative contribution to GDP growth from net exports, while private investment growth was moderated by the uncertainty surrounding the expected fiscal consolidation measures. As a result, real GDP growth is forecast to slow to 1.4% in 2024 from 2.4% in 2023.

A gradual pick-up in external demand and exports, a further easing of financial conditions, resilient private consumption and an acceleration of private investment are forecast to lift real GDP growth to 2.5% in 2025 and 2.9% in 2026. EU-funded investment in public infrastructure is set to strongly support growth. Despite favourable terms of trade, the high negative contribution from net exports to GDP growth in 2024 is projected to widen the current account deficit to around 8% of GDP, from 7% of GDP in 2023. A recovery in exports and moderation of imports, supported by decelerating wage growth and competitiveness gains from on-going investments and structural reforms, are expected to somewhat reduce the current account deficit over the remaining forecast horizon.

Low unemployment and moderation of wage increases

Labour market pressures have eased, mainly reflecting slowing economic activity and a growing inflow of foreign workers. Yet, labour demand remains resilient, and the unemployment rate is expected to decline marginally over the forecast horizon. Nominal wages in both the public and private sector continued growing strongly at a double-digit rate in 2024. Yet, wage moderation is assumed to take hold in 2025 and 2026 given the already high increases in the minimum wage, lower inflation and abating labour market tightness.

Disinflation set to continue

A marked deceleration of energy and food prices is set to lead to a decline in headline HICP inflation, from close to 10% on average in 2023, to around 5.5% in 2024. Nevertheless, underlying price pressures remain elevated, due to strong domestic demand on the back of increases in wages and pensions and still high increases of services prices. Average HICP inflation is forecast to decelerate further and eventually fall within the central bank inflation target range of 2.5% ±1 percentage point, but only towards the end of 2026.

Government deficit projected to stay high in 2025 and 2026, under current policies

Romania’s general government deficit is forecast to reach 8% of GDP in 2024, much higher than in 2023 (6,5% of GDP). The higher-than-expected deficit reflects very fast growth in government spending, mostly due to large increases in public sector wages, expenditure in goods and services and social transfers, including pensions. It also reflects slightly slower revenue growth due to weaker-than-expected economic activity. Public investment as a share of GDP is expected to rise significantly, reflecting ambitious targets for both nationally and EU-funded investment projects.

In 2025 and 2026, the deficit is forecast to stay high. In 2025, the short-term cost of the pension reform and a further increase in interest payments (2.2% of GDP in 2026, vs 1.4% of GDP in 2022) are projected to keep the growth in government expenditure at a high level. Revenue growth should remain robust, in line with developments in economic activity. Importantly, the forecast does not include any impact from potential deficit-reducing measures on the revenue or the expenditure side included in the medium-term fiscal and structural plan that Romania submitted to the Commission on 25 October. These measures are not sufficiently specified at this stage. However, they have the potential to significantly lower the government deficit relative to this forecast, if properly designed and implemented in the context of the budget for 2025.

General government debt is expected to increase from 48.9% of GDP in 2023 to almost 60% in 2026, reflecting high deficits and slower nominal GDP growth in the coming years.

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