# Romanian construction sector steadies, relying on infrastructure to maintain momentum

Romania’s construction sector found some stability in 2025 after last year’s slump but faces cloudy prospects amid weak demand and fiscal shifts. EU-funded infrastructure remains the sector’s anchor, driving growth as companies adapt to a changing market landscape

A building renovation in Piatra Neamt, Romania

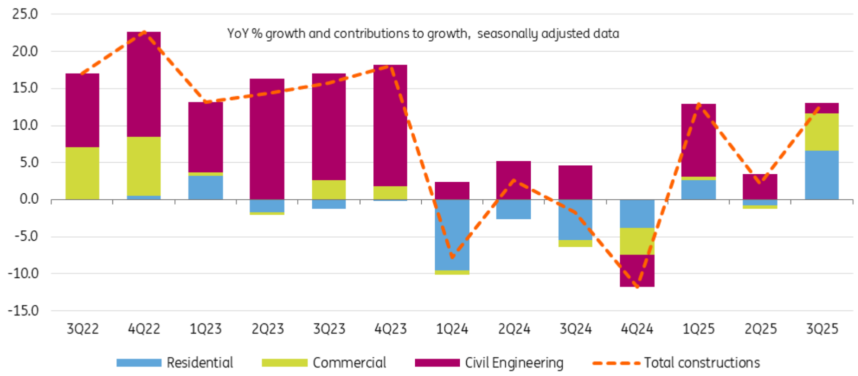
Romania’s construction sector has experienced a rebound in 2025 following a sharp downturn in 2024. After contracting by about 4.9% in 2024, construction activity picked up in 2025. Official data from the National Institute of Statistics (INS) indicate that in the first nine months of 2025, the volume of construction works was up by 9.2% (seasonally adjusted data) compared to the same period of 2024. This growth has been broad-based across segments, reversing some of the prior year’s decline.

Notably, there has been a shift from 'new build' projects to 'retrofits'. With capital repairs surging by around 50% year-to-date, the immediate opportunity seems to be in energy-efficiency upgrades, renovations, and technical maintenance rather than new residential developments.

## The 2025 rebound

- **Residential** (stabilising, but still fragile): after collapsing by 21.4% in 2024, activity increased by almost 10% in January–September 2025. However, this growth is probably coming mainly from developers finishing backlogged projects. Market reports indicate that completions dropped by about 5.0% in the first half of 2025, and while permit issuance has stabilised, the pipeline for new large-scale residential projects seems rather thin.
- **Non-residential** (mixed bag): up 5.9% year-to-date. New office projects seem nearly frozen due to vacancy concerns. Conversely, industrial and logistics continue to grow, driven by nearshoring and retail/distribution needs, alongside the expanding public motorway network which creates new opportunities.
- **Civil engineering** (the growth engine): infrastructure is the dominant force, growing 11% year-to-date. With 700+ km of motorways under construction, this segment consumes the bulk of raw materials (cement, steel, aggregates) and labour.

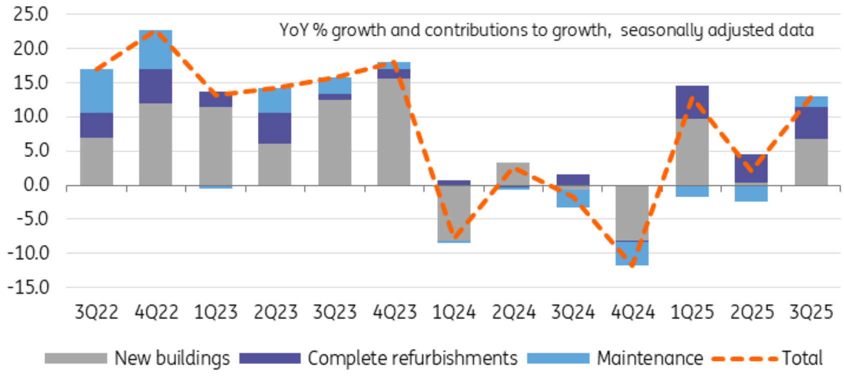
## A more balanced growth picture




Source: INS, ING

Notably, capital repairs have surged by 50% year-to-date. Asset owners seem to be predominantly choosing to modernise old buildings (HVAC, sanitary, insulation) rather than build new ones. This directly supports demand for technical and sanitary ranges. Given the natural inertia of this market, the trend could continue well into 2026.

## Shifts from new builds to renovations



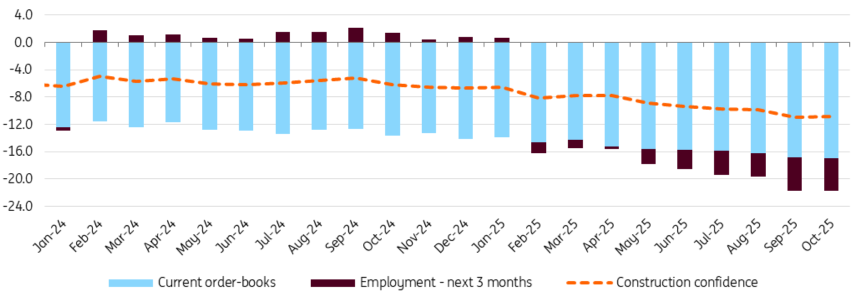

Source: INS, ING

## The new fiscal reality

The market sentiment shifted in 3Q25 with the passage of the fiscal measures aimed at correcting Romania's budget deficit:

- VAT shock: effective 1 August, the standard VAT rate rose from 19% to 21%. This affects all general construction materials.
- Romania has overhauled the reduced VAT regime. The previous 5% and 9% rates are replaced by a single 11% rate that started 1 August 2025. A transitional 9% VAT applies to housing under strict conditions (usable area <120 sqm, price RON600,000).
- Property tax reprieve: the 'market value' property tax reform was postponed from 2026 to 1 January 2027. This delay provides a temporary relief for developers and investors for the upcoming year. Nevertheless, Parliament recently approved a law (currently with the Constitutional Court of Romania) that significantly raises the taxable values for buildings, updating valuations from 2015 levels. Even with a transitional phase-in until 2027, homeowners will feel significant hikes starting in 2026, with most estimates for a common apartment pointing to a 70-80% higher annual taxation.

## Construction sentiment drifts lower




Source: INS, ING

## Key challenges and drivers

- Labour market: the sector employs 460.7k workers as of September 2025 (very close to the all-time high 462.3k reached in July 2025), yet skilled labour is scarce. The removal of tax

exemptions for construction workers has raised the effective cost of labour for firms, squeezing margins.
- Financing costs: interest rates remain relatively high, given the high inflation. With inflation easing more slowly than expected, mortgage lending is cooling – driven more by reduced household disposable income than by interest rate levels, which are still deeply negative in real terms. Developers appear to be deleveraging rather than expanding.
- Economic quasi-stagnation: GDP growth for 2025 will likely end at around 1.0%, but the economy has contracted by 0.2% in the third quarter versus the previous quarter. While the risk of a full-year contraction has diminished, a temporary recession remains possible.

## Outlook for 2026–2027

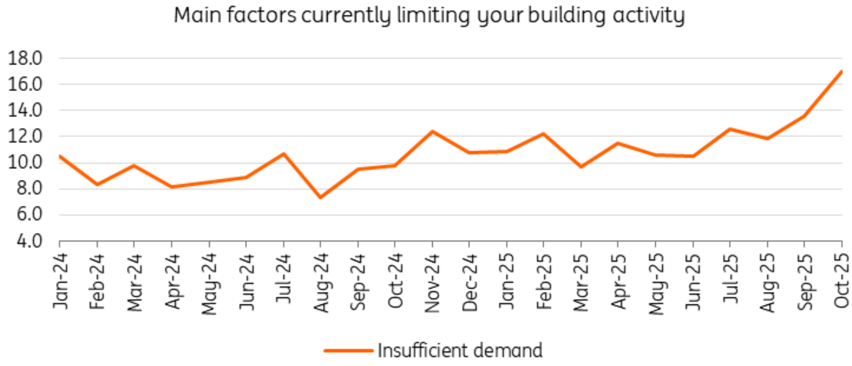
The construction sector is entering a more moderate phase. Growth should continue, but at a slower pace, with infrastructure remaining the main driver. Our main expectations:

- **Moderate growth, driven by infrastructure**: while the GDP growth in 2025 may disappoint many, 2026 is unlikely to look radically different. We estimate a 1.4% advance in 2026, with accelerating EU-funded investments acting as the main engine. Civil engineering works should remain strong throughout 2026, potentially peaking as National Recovery and Resilience Plan (PNRR) projects near completion. Even after PNRR winds down in 2026, Romania plans to leverage EU Cohesion and SAFE funds to maintain infrastructure spending, ensuring public works continue to support the sector.
- **Residential sector challenges**: housing activity is expected to stay subdued in 2026, with only gradual improvement likely in 2027. Mortgage costs should remain broadly unchanged through mid-2026, while new tax burdens and weak disposable incomes will keep demand under pressure. Developers may delay or scale down projects until clearer signals emerge on interest rate cuts, consumer spending, or policy support.
  If inflation doesn't surprise to the upside and the central bank begins to cut rates in mid-2026, as we expect, mortgage conditions might ease somewhat going into 2027, allowing for a slow recovery. But any rebound will likely be gradual. Affordability will be key as the market may pivot toward smaller, more energy-efficient units that minimise costs for developers and buyers. On the supply side, the evolution of building permits in 2024–2025 is more likely to translate into fewer project completions in 2026, so new housing stock should grow relatively slowly.
- **Commercial real estate outlook**: commercial construction looks set for mixed fortunes. The industrial/logistics segment should stay resilient, supported by some ongoing investments in manufacturing, warehouses, and energy projects. Romania's still marginally competitive wages and improving transport links could attract more industrial development. In contrast, office construction could be sluggish due to rising vacancy rates as companies remain cautious about expanding office footprints. Any new office projects are likely to be highly pre-leased or niche. Retail construction may see incremental growth through retail parks in smaller cities and refurbishments of older shopping centres, but no major boom is anticipated. Foreign direct investment continues to hold up in industrial and logistics facilities, which should keep activity steady in those sub-sectors.

## Construction activity looks to normalise

After the pandemic-era surge and the 2024 correction, the sector will probably return to a more normal pace rather than experience a hard landing or boom. The tight labour market is expected to cool slightly as activity plateaus. Profit margins could remain under pressure given the fiscal changes and demand uncertainties. Renovation and energy-efficiency upgrades (supported by government/EU programmes as well) could become a growing niche as new builds slow.

## Insufficient demand emerges as the leading constraint for companies




Source: EC, ING

## What we make of it

Domestically, fiscal consolidation will continue in 2026, with further tax changes and spending optimisation expected, which could dampen construction demand through lower public consumption and household disposable income. The ability to implement all PNRR investments on schedule remains a key upside factor, but execution risks persist. Any significant delays could result in Romania forfeiting funds, directly impacting construction projects. On the positive side, fiscal tightening is expected to ease by 2027, and monetary policy should become more supportive, potentially unlocking private investment.

Externally, the European economy's performance will influence Romania's exports and financing conditions. While not directly tied to construction, a stronger EU economy could improve investor confidence locally. Conversely, any new surge in energy or material prices, or an international credit squeeze, would pose a downside risk.

As of late 2025, the Romanian construction sector finds itself at a crossroads: lifted by infrastructure projects and stabilising after a difficult 2024 yet facing significant challenges ahead. Companies will need to navigate higher costs, policy changes and uncertain demand. For those linked to residential and commercial construction, the near term may feel sluggish, but there may still be opportunities for renovation, efficiency upgrades, and niche developments. Infrastructure should continue to be a backbone, backed by the sizeable EU-funded pipeline. The perspective for 2026–2027 is one of cautious optimism – no boom is expected, but a measured, sustainable growth path could emerge if Romania successfully manages its fiscal adjustments and fully leverages available investment funds.

## Author

**Valentin Tataru**
Chief Economist, Romania
valentin.tataru@ing.com

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