

Romanian sovereign debt: the consolidation imperative

With debt set to exceed 60% of GDP in 2026, Romania must pursue sustained fiscal consolidation. High financing needs, weak revenues and rating-agency pressure make fiscal discipline the key determinant of sovereign risk, shifting the country's narrative from convergence to fiscal repair



We think Romania's budget draft is broadly realistic. The main risks are related to its implementation.

The end of fiscal ambiguity

As Romania enters 2026, its sovereign debt dynamics have shifted into a crucial phase of structural adjustment. Recent debt developments have made it clear to markets and global rating agencies alike that the fiscal consolidation measures introduced in 2025 were not merely political choices but mathematical necessities. With public debt expected to surpass the 60% of GDP threshold – rising from around 54% in 2024 to an estimated 61.3% by end 2026 (ING forecast) – the option of postponing correction has vanished.

We believe that Romania's public debt sustainability now depends entirely on the consistent implementation of a multi annual fiscal adjustment programme. While short term liquidity risks remain contained thanks to solid non market financing and strong local demand, medium term solvency indicators watched closely by rating agencies are still under strain. The 2026–2027 period will be defined by elevated gross financing needs and strictly monitored deficit cutting targets, making fiscal discipline the decisive factor for investors assessing Romanian sovereign risk.

Debt dynamics and sustainability

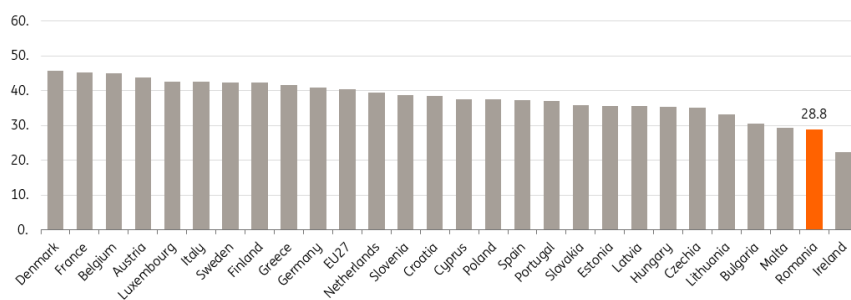
The primary lens through which external credit evaluators are currently viewing Romania is no longer focused solely on the absolute level of debt, but has extended to monitoring the debt trajectory and its affordability. For many years, Romania benefited from a favourable “snowball effect,” with nominal GDP growth persistently outpacing the implicit interest rate on public debt. This made it possible to run moderate deficits without pushing the debt ratio higher.

However, the dynamics shifted drastically in the post-pandemic period and especially in the last couple of years. A combination of large deficits (peaking above 9% of GDP in 2024) and a period of higher interest rates has fundamentally changed the picture. Among others, rating agencies have flagged two main sources of vulnerability:

- **Persistent primary deficit:** Romania’s debt has been driven primarily by rigid current spending (wages, pensions and social transfers) and to a lesser extent by investment, despite a considerable pick-up in the latter as well. This has created “unproductive debt” that generates limited future revenue streams to service it. The fiscal measures adopted in 2025 – including tax adjustments and expenditure ceilings – were necessary to prevent the debt trajectory from becoming exponential.
- **The revenue rigidity:** Often, creditors emphasise debt relative to revenue rather than GDP. With one of the lowest tax to GDP ratios in the EU (typically around 27%-28%), Romania’s real repayment capacity appears much weaker than the headline debt-to-GDP ratio suggests. Although the latest fiscal measures aim to improve collection, until revenues rise structurally, the debt load remains heavier compared to peers.

As a result, debt sustainability can no longer be assumed. Crossing the 60% of GDP boundary invites tighter surveillance and eliminates the fiscal buffer that previously allowed Romania to absorb shocks by simply borrowing more.

Revenues from taxes and social contributions in 2024, % of GDP



Source: Eurostat

Issuance strategy and funding needs in 2026

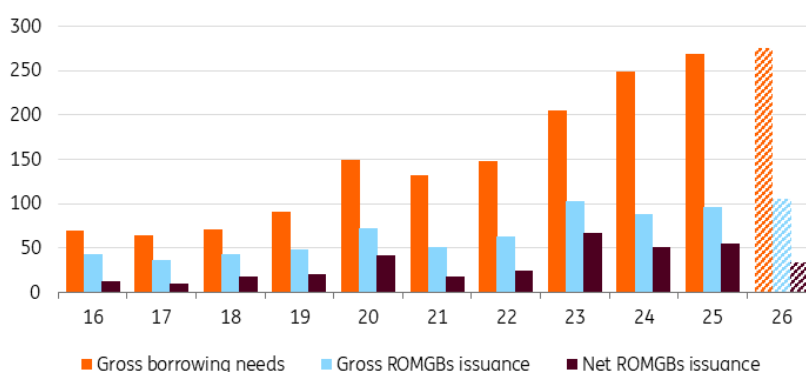
Romania’s financing requirements for 2026 and 2027 are substantial, driven by high gross financing needs (GFN). GFN comprises the budget deficit plus maturing debt that must be refinanced.

In 2026, GFN is expected to remain high at RON 265–275 billion (around 13.5% of GDP), fuelled by a still large deficit of around 6.0–6.5% of GDP and a heavy concentration of maturities from short

term issuances during the volatile 2022–2024 period. To manage this load without spiking yields, the Treasury is executing a pivot in its issuance profile:

- **Reduced Eurobond dependence:** After record external issuance in 2024–2025, eurobond volumes in 2026 are projected to drop to roughly EUR 10 billion (from EUR 17 billion in 2025). This should help preserve secondary market performance and prevent spread widening versus peers.
- **Domestic saturation and retail focus:** Although domestic banks remain liquid, their exposure to sovereign debt is already high. To mitigate the crowding out effect, the Treasury will continue to tap into household savings through the Tezaur and Fidelis programmes. These retail instruments have proven to be a stable, albeit not necessarily cheaper, pillar of funding, diversifying the holder base away from volatile foreign portfolio flows.
- **Non market funding:** A crucial stabiliser for 2026–2027 is the reliance on non market sources. Significant inflows from National Recovery and Resilience Plan loans and specific defence related financing (Security Action for Europe) act as a substitute for more expensive market debt. Even in a conservative base case scenario, 2026 should be a record year for Romania in terms of EU fund inflows. Considering all sources, we are looking at a minimum of EUR15 billion of inflows. While not everything can be counted as financing for the Treasury, we believe that even in a mildly conservative scenario, we could see around EUR5.5 billion in EU money covering some of the 2026 financing needs.

Gross financing needs and ROMGBs issuance (RONbn)



Source: MinFin, ING estimates

Lowest ROMGBs net issuance since 2022

Romanian government bonds (ROMGBs) should see a slight increase in gross issuance from RON97bn to RON106bn due to greater focus on local bonds in the funding setup and record high redemptions this year. On the other hand, net issuance should fall to RON33bn, the lowest level since 2022, which should ease pressure on the funding side. On the demand side, ROMGBs have seen an admirable recovery since January with the 10y yield falling from 7.50% to the current 6.60% driven by successful fiscal consolidation and the return of positive sentiment to the market. As the market has regained some confidence in the fiscal numbers following last year's better than expected budget deficit, and current developments suggest continued consolidation efforts, market attention remains on the policy environment. The main risk seems to be a change in the government's stance on the approved measures. However, overall, the combination of

ongoing public finance consolidation and the prospect of a restart of NBR rate cuts this year should maintain the high demand and positive sentiment in the ROMGBs market that we have seen in recent months.

Financing needs for 2026 (RONbn)

	MinFin	ING
State budget		130.0
Domestic redemptions		97.9
Foreign redemptions		47.1
Total financing needs	265-275	275.0
ROMGBs issuance	} 160-170	105.5
ROMGBs EUR-denominated		5.0
Retail bonds		50.0
T-Bills issuance		10.0
FX issuance		51.0
EU money		30.6
Supranational loans and private placements		23.0
Gross borrowing requirement		275.0
Net ROMGBs Issuance		33.4

Source: MinFin, ING estimates

Outlook: Consolidation as a multi-annual project

For the country to sustainably put its finances in good order, the recent fiscal consolidation should be viewed as part of a long-term structural change in how public finances are managed and not a temporary adjustment. That said, for the short to medium term – until robust confidence is gained in the authorities' longer-term fiscal intentions – Romania is likely to still face rating pressures as credit assessors will probably maintain a "wait and see" approach in 2026. We see an upgrade as unlikely given the debt levels, and the primary goal is to avoid a downgrade to junk status. At this point, the investment grade anchor is held in place merely by the credibility of the deficit reduction path.

In essence, we believe that what agencies will want to convince themselves of will be the political neutrality of debt. The sheer size of the debt service costs (interest payments alone will exceed 3% of GDP in 2026) means that any future governments will have limited fiscal room for manoeuvre. In this situation, fiscal consolidation should be a multi annual project that transcends electoral cycles.

In summary, Romania's sovereign debt dynamics have forced a more disciplined fiscal approach. Crossing the 60% debt to GDP mark has imposed strict constraints and prompted difficult decisions. For investors, Romania has transitioned from a "convergence story" to a "turnaround narrative," where returns depend primarily on the government's capacity to prioritise stability over short term stimulus.

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