

## Political upset in Romania

Today's successful no-confidence motion against the PNL government opens the way to early elections, but also to an extended period of political instability



Source: Shutterstock

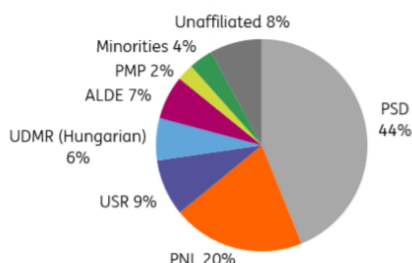
The PSD-led opposition toppled the PNL government today, following a no-confidence vote against the government over the new electoral law proposed by the PNL. The law would have resulted in mayors being elected under a two-round system instead of the current one-round-winner-takes-all system.

**What the Constitution says:** The procedure to call early elections might sound simple, but many unknowns could become apparent as this procedure has never actually been implemented before. In short, two consecutive proposals for a new Prime Minister need to be rejected by the Parliament within a 60-day period. If this were to happen, the President can dissolve the Parliament and early elections can be triggered.

**The reality:** Looking forward, a period of uncertainty is expected to follow. Under the usual timetable, general elections would be scheduled to take place in December 2020. However, with some opinion polls rating the PNL above 40% - with the added support of the newly re-elected

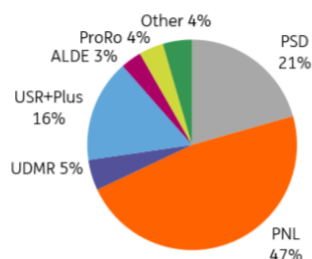
president Klaus Iohannis – the party has indicated many times that it favours early general elections before or at the same time as the local elections, which are scheduled for early June. Unless polls are not completely decoupled from reality, early general elections would place the PNL in a strong position when negotiating political alliances but also give more time to tackle this year’s fiscal challenges – namely the 40% pension hike scheduled for September.

**Current Parliament structure**



Source: cdep.ro

**Latest opinion polls**



Source: IMAS

The PSD, on the other hand, scores historically low in the polls and is likely to try to extend the process leading to early elections by as much as possible. During this time, it might attempt to corner the interim-PNL government by trying to push through Parliament more fiscal-expansive measures that the government would be unable to implement anyhow.

Although it is a very close call, we tend to believe that early elections will take place by mid-summer. The road to that will certainly be bumpy and markets will scrutinise closely the entire process. Of course, the sooner the country has a new government, the better it will be for the economy, especially when considering the serious fiscal adjustments needed this year. We expect the National Bank of Romania to remain in ‘damage-control’ mode throughout this period and continue to tightly manage the FX.

## Author

### Valentin Tataru

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).