

FINANCIAL CONTROL AND RISK MANAGEMENT AT THE MACROECONOMIC LEVEL IN THE CONTEXT OF CURRENT ECONOMIC UNCERTAINTIES

CIURLĂU LOREDANA

LECTURER PH.D , CONSTANTIN BRANCUSI UNIVERSITY OF TARGU-JIU

e-mail: lciurlau@yahoo.com

Abstract

The intensification of economic, geopolitical, and financial uncertainties in recent years has prompted a reassessment of the role of financial control at the macroeconomic level. In an environment marked by persistent inflationary pressures, substantial fiscal deficits, rising public debt, heightened financial market volatility, and a temporary weakening of economic growth prospects, public financial control can no longer be confined to its traditional function of verifying the legality, regularity, and compliance of public resource utilization. Instead, it is increasingly assuming a strategic role as an instrument for anticipating and mitigating macroeconomic imbalances, strengthening fiscal discipline, and safeguarding the long-term sustainability of public finances.

This article examines the relationship between financial control and macroeconomic risk management, with particular emphasis on fiscal risk, sovereign debt risk, inflationary risk, external sector risk, and risks to financial stability. Particular attention is paid to the importance of integrating early-warning indicators, sensitivity analyses, scenario-based assessments, and fiscal stress-testing mechanisms into the financial control framework. Such instruments are essential for identifying emerging vulnerabilities, assessing the resilience of public finances to adverse shocks, and supporting timely corrective policy interventions.

The case study focuses on the Romanian economy over the 2025–2026 period and highlights the need to strengthen financial monitoring, oversight, and control mechanisms against the backdrop of a persistent fiscal deficit, an upward trajectory of public debt, and a pronounced slowdown in economic activity. These developments increase the exposure of the economy to both domestic and external shocks and reinforce the need for a more integrated approach to fiscal surveillance and macroeconomic risk assessment.

The findings underline the necessity of moving away from a predominantly retrospective model of financial control toward a preventive, forward-looking, and risk-based framework. Such an approach should be fully integrated into the formulation, implementation, and evaluation of macroeconomic policies, thereby contributing to improved fiscal resilience, enhanced policy credibility, and greater sustainability of public finances.

The contemporary economic environment is characterized by a particularly high degree of uncertainty, stemming from persistent inflationary pressures, financial market volatility, geopolitical tensions, fluctuations in energy prices, changing financing conditions, and the rapid acceleration of digital transformation. These interconnected developments have significantly increased the complexity of economic and financial decision-making and have amplified the range of risks confronting public authorities and financial institutions.

Within this context, financial control can no longer be regarded exclusively as a mechanism designed to verify the compliance, legality, and regularity of economic and financial operations. Rather, it should be embedded within a comprehensive risk management framework capable of identifying, assessing, monitoring, and mitigating vulnerabilities that may affect macroeconomic stability. Consequently, modern financial control is increasingly required to perform both a preventive and anticipatory function, supporting evidence-based decision-making and contributing to the resilience of the economy in the face of heightened uncertainty.

Keywords: financial control, risk management, fiscal risk, budget deficit, public debt, macroeconomic stability.

JEL Classification: E60, E62, H61, H63, G28.

1. Introduction

Public financial management currently operates in an environment characterized by a significant degree of uncertainty. Energy shocks, geopolitical tensions, price volatility, changing financing conditions, and the need for fiscal consolidation simultaneously affect budget revenues, public expenditure, debt-servicing costs, and the pace of economic growth.

At the European Union level, the European Commission forecasts economic growth of 1.1% for 2026, while inflation is projected at 3.1%. The economic outlook has also been adversely affected by a renewed energy shock and the persistence of geopolitical uncertainties.

Romania's economic situation appears considerably more vulnerable. According to the European Commission's forecast of 21 May 2026, real Gross Domestic Product (GDP) growth is expected to reach only 0.1% in 2026, compared with 0.7% in 2025. Harmonised inflation is projected at 7%, the general government deficit at 6.2% of GDP, and public debt at 61.6% of GDP. The current account deficit is also expected to remain high, at approximately 6.9% of GDP.

These developments highlight the need for an integrated approach to financial control and risk management. At the macroeconomic level, financial control should not be confined to the ex-post verification of how public funds are used. Rather, it should contribute to the early identification of economic and financial imbalances, the assessment of fiscal vulnerabilities, and the development of appropriate preventive measures.

The objective of this article is to analyse the role of financial control in macroeconomic risk management, with particular emphasis on the sustainability of public finances and the specific circumstances of the Romanian economy.

2. The macroeconomic dimension of financial control

At the macroeconomic level, financial control encompasses the mechanisms through which public authorities monitor the generation and allocation of government financial resources, ensure compliance with budgetary discipline, and assess the achievement of objectives established through fiscal and budgetary policies.

From this perspective, financial control is exercised through the monitoring of consolidated general government budget execution, the supervision of public debt, the assessment of public expenditure efficiency, the control of tax obligations, and the evaluation of risks associated with commitments undertaken by the public sector.

Financial control, however, should not be understood exclusively as a mechanism for identifying irregularities or deviations. Within a modern economic governance framework, it also performs an important preventive function.

When tax revenues fall below projected levels or public expenditure exceeds the established trajectory, financial control mechanisms should facilitate the timely identification of the underlying causes and enable the appropriate recalibration of public policies.

Consequently, the effectiveness of financial control at the macroeconomic level should also be assessed in terms of its capacity to prevent the accumulation of structural imbalances.

Macroeconomic stability is influenced by the interaction between fiscal policy, monetary policy, developments in the real economy, and the economy's external position.

A persistent budget deficit may lead to an increase in government financing requirements. This development contributes to the accumulation of public debt and may result in higher sovereign borrowing costs.

At the same time, an excessively expansionary fiscal policy may intensify inflationary pressures and contribute to a widening of the current account deficit.

For this reason, financial control should be integrated with the systematic monitoring of macroeconomic indicators and the assessment of systemic risks.

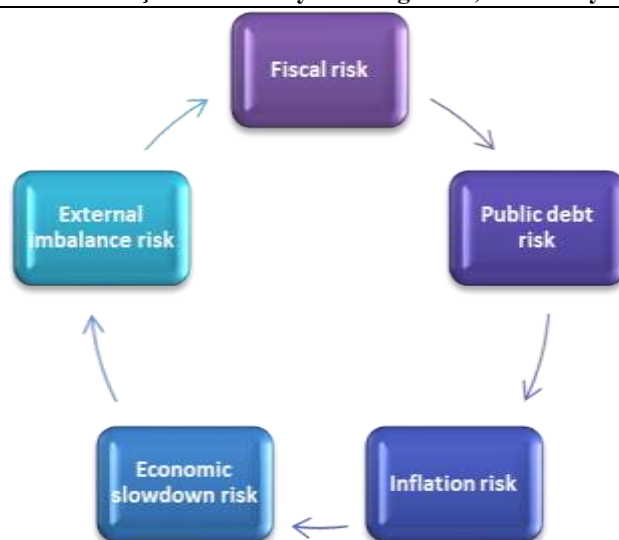


Figure no. 1 „ The main macroeconomic risks with implications for financial control

Fiscal Risk

Fiscal risk refers to the probability that public finance outcomes may deviate significantly from the targets established through the budgetary framework.

The sources of fiscal risk are diverse. They may arise from the overestimation of tax revenues, the underestimation of certain expenditure categories, a slowdown in economic growth, or the emergence of exceptional expenditures.

During periods of heightened uncertainty, a budget based on excessively optimistic assumptions may generate substantial deviations from the initial fiscal projections.

Financial control should therefore continuously monitor the discrepancies between projected revenues and actual collections, the dynamics of public expenditure, and changes in the overall budget balance.

For Romania, the level of the budget deficit represents one of the main macroeconomic risks. Following a deficit of 9.3% of Gross Domestic Product (GDP) in 2024 and 7.9% in 2025, the European Commission projects a reduction to 6.2% in 2026 and 5.8% in 2027.

Although the trajectory indicates a gradual fiscal adjustment, these levels remain significantly above the European reference threshold of 3% of GDP.

Public Debt Risk

The persistence of budget deficits leads to the accumulation of public debt.

The associated risk is determined not only by the absolute level of debt, but also by its growth rate, financing costs, the maturity structure of debt instruments, and the currency composition of the public debt portfolio.

The European Commission projects that Romania's public debt will increase from 59.3% of Gross Domestic Product (GDP) in 2025 to 61.6% in 2026 and approximately 63.4% in 2027.

International Monetary Fund data similarly indicate that Romania's public debt is expected to approach 62% of GDP in 2026.

This upward trend further increases the importance of closely monitoring interest expenditure and refinancing risk.

Inflation Risk

Inflation represents a major macroeconomic risk with direct implications for public finances.

In the short term, rising prices may lead to a nominal increase in certain categories of tax revenue. At the same time, however, inflation generates upward pressures on public expenditure related to goods and services, wages, investment, and social benefits.

For Romania, the European Commission projects an average Harmonised Index of Consumer Prices (HICP) inflation rate of 7.0% in 2026, compared with a projected European Union average of 3.1%.

Using its own methodology and underlying assumptions, the International Monetary Fund (IMF) projects an average consumer price inflation rate of approximately 7.8% for Romania in 2026.

The differences between these forecasts themselves reflect one of the defining features of macroeconomic uncertainty: projections are highly dependent on assumptions regarding energy prices, fiscal policy, domestic demand, and external economic conditions.

Economic Slowdown Risk

A slowdown in the pace of economic growth has significant implications for public finances.

A low level of economic activity may reduce revenues from Value Added Tax (VAT), corporate income tax, and social security contributions. At the same time, it may increase pressure on certain categories of social expenditure.

The European Commission's forecast indicates real GDP growth of only 0.1% for Romania in 2026, effectively pointing to economic stagnation. A recovery to a growth rate of 2.3% is projected for 2027.

This combination of very weak economic growth and persistently high inflation further complicates the fiscal consolidation process.

External Imbalance Risk

A persistent current account deficit may indicate a significant dependence on external financing and may increase the economy's vulnerability to changes in investor sentiment and international financial conditions.

For Romania, the European Commission estimates the current account deficit at 6.9% of Gross Domestic Product (GDP) in 2026, following a level of approximately 7.9% of GDP in 2025.

The International Monetary Fund (IMF) similarly projects an external deficit of approximately 6.8% of GDP for Romania in 2026.

The simultaneous existence of a substantial budget deficit and a large external deficit gives rise to the phenomenon commonly referred to in the economic literature as the “twin deficits.”

3. Integrating risk management into macroeconomic control mechanisms

Traditional financial control is primarily oriented toward the analysis of outcomes that have already materialized.

Under current economic conditions, this retrospective perspective should be complemented by a forward-looking dimension.

Public authorities should assess not only the actual budget deficit, but also the probability that it may exceed the projected level.

Similarly, public debt analysis should incorporate scenarios concerning the evolution of interest rates, exchange rates, and economic growth.

Risk management makes it possible to transform financial control into an early-warning mechanism.

At the macroeconomic level, a risk-oriented financial control system may rely on a dashboard comprising indicators such as:

Dashboard Indicators	
Indicator	Relevance for risk management
Budget deficit / GDP	Pressure on fiscal balance
Public debt / GDP	Sustainability of public finances
Interest expenditure / revenues	Debt-servicing burden
Current account deficit / GDP	External vulnerability
Inflation	Pressures on costs and real incomes
Real GDP growth	The economy's capacity to generate revenues
Government bond yields	Sovereign financing costs
Tax collection rate	Capacity to finance public policies
Public investment / GDP	Capacity to support economic growth
Foreign exchange reserves	Capacity to absorb external shocks

The integrated interpretation of these indicators enables the early identification of deteriorating macroeconomic conditions before imbalances become difficult to correct.

4. Public financial control and the sustainability of public finances

The sustainability of public finances refers to the government's capacity to meet its current and future obligations without accumulating imbalances that would be incompatible with economic stability.

Within this framework, financial control should address both the quantitative dimension and the quality of fiscal adjustment.

Reducing the budget deficit solely by cutting public investment may generate favourable fiscal outcomes in the short term, but it may also constrain the economy's long-term growth potential.

By contrast, improving expenditure efficiency, strengthening revenue collection, and prioritising investments with a high multiplier effect can contribute to a more sustainable process of fiscal consolidation.

For Romania, investments financed through European Union funds play an important role in supporting economic activity during the fiscal consolidation period. The European Commission projects an increase in public investment from approximately 6% of Gross Domestic Product (GDP) to nearly 7% of GDP in 2026, supported by the implementation of projects financed through European funding instruments.

This development highlights the need for financial control measures to distinguish between current expenditure and productive expenditure that contributes to enhancing the economy's potential growth.

5. Directions for modernizing financial control at the macroeconomic level

The first direction concerns the transition from ex-post control to the real-time monitoring of budget execution.

The digitalisation of fiscal and budgetary systems enables the rapid collection of information and the timely identification of deviations from established targets.

The second direction involves the implementation of macro-fiscal dashboards.

These should integrate information on revenues, expenditures, the budget deficit, public debt, financing costs, inflation, and external imbalances.

The third direction consists of the systematic use of sensitivity analyses and fiscal stress tests.

The fourth direction concerns strengthening the performance evaluation of public expenditure. Financial control should assess not only whether public resources have been spent

legally and in compliance with applicable regulations, but also whether they have generated the expected economic and social outcomes.

A fifth direction involves strengthening the independence and institutional capacity of the authorities responsible for overseeing public finances.

Within this framework, fiscal transparency, the quality of macroeconomic and budgetary forecasts, and the publication of risk assessments become indispensable components of effective macroeconomic governance.

6. Conclusions

In the context of current economic uncertainties, financial control at the macroeconomic level is acquiring an increasingly strategic dimension.

Its role can no longer be limited to verifying compliance with budgetary rules and procedures. Financial control should contribute to preventing macroeconomic imbalances, identifying emerging vulnerabilities, and supporting the formulation and implementation of sound fiscal and budgetary policies.

The analysis of the Romanian economy demonstrates the importance of such an approach.

In 2026, Romania is facing a challenging combination of near-stagnant economic growth, persistently high inflation, a substantial budget deficit, and rising public debt.

These developments require a transition from a predominantly retrospective control model toward a forward-looking system based on prevention and comprehensive risk management.

Early-warning indicators, alternative macroeconomic scenarios, fiscal stress tests, and the continuous monitoring of budget execution can contribute significantly to strengthening the resilience of public finances.

At the same time, fiscal consolidation should be implemented in a manner that safeguards productive investment and supports the economy's medium- and long-term growth potential.

Therefore, modern financial control should be regarded as an essential component of effective economic governance. Its effectiveness should be assessed not only in terms of its capacity to identify deviations and irregularities, but also through its ability to prevent the materialisation of risks, strengthen fiscal resilience, and support macroeconomic stability over the medium and long term.

7. References

- [1] Coca, D.-A. (2025), *Economia subterană. Analiza informațiilor și cartografierea riscurilor*, Editura Pro Universitaria, București;
- [2] Manolescu, M. (2025), *O viață în lumea fascinantă a finanțelor*, Editura ASE, București;
- [3] Munteanu, Adrian; Voinea, Ilie; Găbudeanu, Larisa; Drăgușin, George (2025), *Managementul riscurilor de securitate cibernetică. Reziliență într-o lume digitală*, Editura Universității „Alexandru Ioan Cuza” din Iași, Iași;
- [4] Păunescu, Mirela (2025), *Guvernanța corporativă, managementul riscurilor și controlul intern*, ediția a V-a, revizuită și adăugită, Editura CECCAR, București;
- [5] Soare, G. J. (2024), *Validarea și valorizarea adevărului contabil și a imaginii fidele în contabilitate prin auditul financiar. Misiune de interes public*, Editura Universitară, București;
- [6] Tilea, D. M., Bălăceanu, C. T., Nicolau, A. I., Dinu, A. M. (2026), *Auditul intern în organizațiile contemporane. Fundamente, procese și aplicații multisectoriale*, Editura Universitară, București;
- [7] European Commission (2026), European Economic Forecast. Spring 2026, Institutional Paper 341, Directorate-General for Economic and Financial Affairs, Brussels;
- [8] European Commission (2026), Economic Forecast for Romania, 21 May 2026, Brussels.