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COUNTRY REPORT Romania

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Contents

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Division, International Relations & Regional Policy

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1. General information: Romania

Geography

- Romania is the largest country in Southeastern Europe and the twelfth largest in Europe, having an area of 238,397 square kilometres (92,046 sq mi). It lies between latitudes 43° and 49° N and longitudes 20° and 30° E. The terrain is distributed roughly equally between mountains, hills, and plains. The Carpathian Mountains dominate the centre of Romania, with 14 mountain ranges reaching above 2,000 m or 6,600 ft—the highest is Moldoveanu Peak at 2,544 m or 8,346 ft. They are surrounded by the Moldavian and Transylvanian plateaus, the Carpathian Basin and the Wallachian plains.
- Capital city: Bucharest

Population

- Total Population: 18,879,838 (2023)
- Romania population is equivalent to 0.25% of the total world population.
- Romania ranks number 61 in the list of countries (and dependencies) by population.
- The population density in Romania is 84 per Km2 (216 people per mi2).
- 54.6 % of the population is urban (10,507,365 people in 2020)
- The median age in Romania is 43.2 years.

Ethnic Origins: 89.3% Romanians, 6.0% Hungarians, 3.4% Romani, 1.2% Others
Religion: 84.8% Christianity, 9.0% No religion, 5.8% Unanswered, 0.5% Others
Official Language: Romanian
Government: Unitary semi-presidential republic
• President: Klaus Iohannis
• Prime Minister: Nicolae Ciucă
National Currency: Romanian leu (RON)

Overview

Romania has made impressive strides in raising its economic performance and prosperity over the past two decades. However, the COVID-19 pandemic and Russia's invasion of Ukraine have tested the resilience of the Romanian economy and exacerbated its structural vulnerabilities, especially in terms of poverty and disparities in economic opportunity, persistently large gender gaps in labor force participation and employment, widening fiscal and current account deficits, and significant institutional constraints hindering the efficient use of resources.

Romania's economic growth was robust in 2022 at 4.8 percent, driven by strong private consumption and a pick-up in investment. Economic prospects are moderated by the spillovers from the war in Ukraine, and risks are tilted to the downside. Fiscal and current account deficits will remain elevated. Poverty reduction is expected to slow down as a result of inflationary pressures, mainly from food and energy, though some of the impact is mitigated by government support measures.

2. Economy

2.1. Economic and Political Overview

Due to the 2009 financial crisis, Romania endured an economic slowdown, especially in the automobile sector, which is subject to foreign demand. Financial difficulties pushed the country to seek financial help from the IMF, the European Commission and the World Bank. More recently, the Romanian economy was among the fastest-growing in the EU; nevertheless, the global crisis brought by the COVID-19 pandemic caused a drop in GDP in 2020, from which the country recovered fast in 2021. In 2022, the country continued on its growth path, with an estimated GDP increase of 4.5% thanks to strong gross fixed capital formation and private consumption (EU Commission). For 2023, the negative effect of still high inflation, tight financing conditions and weaker performance of partner economies are all set to lower Romania's real GDP growth to 2.5% (3.1% according to the IMF), with investment expected to remain strong, supported by the Recovery and Resilience Facility and other EU Funds. As internal and external conditions improve, the economy is expected to grow by 3% in 2024.

Concerning public finances, the country experienced an expansionary trend in recent years, with a government deficit averaging above 4%, largely driven by pension increases. This trend was reinforced by the impact of the COVID-19 crisis and of the measures taken to mitigate the impact of high energy prices, resulting in an estimated budget deficit of 5.8% of GDP in 2022. As the energy support schemes (including caps on electricity and gas to households and to a lesser extent firms) will be financed by windfall taxes, the impact on the budget should be limited in 2023, with the IMF projecting the deficit at 4.7% of GDP. At 49.7% in 2022, the debt-to-GDP ratio is expected to follow an upward trend over the forecast horizon, at 51.7% this year and 51.9% in 2024 (IMF). The 12-month average inflation stood at 12% in 2022 (EU Commission) as a consequence of high energy and food prices and the spill-over effect on other components. HICP inflation is projected at 9.7% for 2023 before slowing down to 5.5% in 2024 due to the extension of the energy price cap, lower commodity prices and base effects kicking in.

An ageing population, the emigration of skilled labour, significant tax evasion, insufficient health care, and an aggressive loosening of the fiscal package may compromise Romania's long-term growth and economic stability and are the economy's top vulnerabilities. Despite a relatively low level of unemployment (at 5.5% in 2022), Romania remains one of the poorest countries in Europe, with 34.4% of the population at risk of poverty or social exclusion (the highest ratio in the EU - data by Eurostat). The IMF estimated the country's GDP per capita (PPP) at USD 38,097 in 2022, still 29.4% below the EU average.

Table 1: (Romania Economic Forecasts - 2021-2024 Outlook)

Main Indicators	2020	2021	2022	2023	2024
GDP (billions USD)	249.51	284.09	299.89	311.55	337.21
GDP (Constant Prices, Annual % Change)	-3.7	5.9	4.8	3.1	3.8
GDP per Capita (USD)	12,909	14,795	15,619	16,228	17,566
General Government Balance (in % of GDP)	-5.3	-7.6	-5.8	-4.7	-4.9
General Government Gross Debt (in % of GDP)	49.6	51.4	49.7	51.7	52.9
Inflation Rate (%)	2.6	5.0	13.3	11.0	3.6
Unemployment Rate (% of the Labour Force)	5.0	5.6	5.5	5.5	5.4
Current Account (billions USD)	-12.44	-19.83	-25.31	-24.96	-22.57
Current Account (in % of GDP)	-5.0	-7.0	-8.4	-8.0	-6.7

Source: IMF – World Economic Outlook Database, October 2021

2.2. SWOT Analysis

Strengths

- A flexible currency and limited private sector indebtedness provide some space for policymakers to stimulate growth.
- Membership of the EU has deepened trade and capital market integration, fostering continued convergence with other members of the bloc.
- Relatively low wages and an educated workforce are making the country an attractive destination for foreign direct investment.
- Romania has a public debt load among the lowest in the region, at 48.8% of GDP in 2021.

Weaknesses

- Corruption not only leaves Romania vulnerable to EU-imposed fines but will also impede efficient resource allocation over the long term.
- Skills shortages may deepen over the longer term as qualified workers migrate to other parts of the EU in search of higher pay and better employment opportunities.

Opportunities

- Limited household indebtedness and a large consumer market provide scope for further demand-led growth over the medium to long term.

Threats

- Food makes up an especially large share of Romania's consumer price basket relative to EU peers, leaving inflation prone to fluctuations tied to weather and harvests.

- Foreign direct investment in Romania has yet to fully recover from a collapse following the 2008 financial crisis.
- Increased reliance on hot money inflows to finance its rapidly rising current account deficit puts the country in a more vulnerable position in the face of volatility.
- Persistent political instability could result in heightened investor concern.
- Romania's fiscal deficit of 7.1% in 2021 leaves it as the only EU Member State currently under an Excessive Deficit Procedure, with potentially painful fiscal reforms needed to bring it in line with EU guidelines once they come back into force after 2023.

2.3. Structure of the Economy

Romania has a labour force of 8.38 million people out of its 19.1 million population, though this number has been decreasing over the last decade due to the massive migration of Romanian workers to Western European countries. Agriculture represents around 4.3% of Romania's GDP and employs 21% of the country's active population (World Bank, latest data available). The main resources and agricultural production in Romania are cereals, sugar beets and potatoes. However, production remains very low in comparison with the country's potential capacity (more than one-third of the land is arable). About 25% of the country is covered by forests (especially around Transylvania), and the logging industry is developing very fast. Romania has a limited energy dependence thanks to coal, oil, gas and uranium reserves. According to data from Eurostat, Romania is the seventh-biggest agricultural producer in the European Union. The turnover of Romanian agricultural companies was estimated at RON 58 billion in 2022, a record level due to inflationary pressures and subsidies granted by the authorities, which counterbalanced a marked decrease in crop production (KeysFin).

The industrial sector contributes 27.8% of the country's GDP and employs 30% of the active population. Thanks to inexpensive labour, its industry is diversified and competitive. Historically, manufacturing companies and the industrial sector represent the backbone of Romania's economy. For this reason, foreign direct investors are involved in heavy industry (metallurgy, steel), the manufacturing of vehicle parts, building and construction, petroleum refining and textiles. According to figures from the World Bank, the manufacturing sector alone contributes 16% of GDP. Data from the national statistical office show that Romania's industrial production fell by an unadjusted 1.8% year-on-year in 2022 due to drops in electricity, thermal energy, gas, steam and air conditioning production and supply (-9.4%), mining industry (-2.8%) and processing industry (-0.4%).

Romania's economy is mainly centred on the services sector, which represents 58.2% of GDP and employs around 49% of the nation's workforce. Tourism, in particular, has been booming in recent years, reaching an all-time high of 13.26 million in 2019 (between domestic and foreign tourism). The sector showed positive signs of recovery in the first ten months of 2022 when the total number of tourists reached 9.6 million (of which 13.7% were foreigners – data INSEE). The technology sector has also seen consistent growth in recent years, due to the emergence of a high-qualified workforce whose cost is lower than the European average. Romania's ITC sector accounts for around 6.2% of GDP (Romanian Software Industry Association). The Romanian banking sector comprises 34 credit institutions: three banks with full or majority Romanian state-owned capital, four credit institutions with majority domestic, private capital, 19 banks with majority foreign capital and eight branches of foreign banks. About 68.2% of the Romanian banking sector's assets are held by institutions with foreign capital (European Banking Federation).

Table 2: Breakdown of Economic Activity By Sector

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	21.2	30.1	48.7
Value Added (in % of GDP)	4.3	27.8	58.2
Value Added (Annual % Change)	7.0	4.1	6.6

Source: World Bank, Latest Available Data. Because of rounding, the sum of the percentages may be smaller/greater than 100%.

2.4. Investment

According to UNCTAD's 2022 World Investment Report, FDI flows to Romania totalled USD 8.6 billion in 2021, 150% more than the level recorded a year earlier. In the same year, the total stock of FDI stood at USD 108.7 billion, around 38.4% of the country's GDP. According to data from the National Bank of Romania, the main sectors attracting FDI are manufacturing, construction and real estate transactions, trade, financial intermediation and insurance. The main investing countries are the Netherlands, Germany, Austria, Italy and Cyprus. Bucharest is the region that attracts the most foreign capital in the whole country. Figures from the National Bank show that the overall net inflows of foreign direct investments to Romania increased by 9% y-o-y to EUR 9.6 billion in 2022. However, the share of the year's GDP contracted to 3.1%, from 3.3% one year earlier. The inflow of equity FDI turned from EUR 2 billion inflows in 2021 to EUR 390 million outflows in 2022, mostly due to the EUR 883 million outflows related to the fact that the state-controlled company Romgaz took over a 50% stake in Neptun Deep offshore perimeter from a foreign-registered subsidiary of ExxonMobil.

In terms of FDI, Romania has numerous advantages: in addition to a large domestic market, the country has a strong industrial tradition, coupled with a cost of labour among the lowest in the EU and a well-educated workforce. This has been the reason for the development of a significant industrial sector, particularly car making, but also services. Furthermore, Romania has one of the lowest tax rates in the EU. The tax regime favours industrial investment and start-up initiatives equally. A gradual pick up of projects co-financed by EU funds brings further support for investment. On the other hand, corruption is still a problem, so as legislative instability and weak judicial independence. Romania introduced new legislation which tightens the FDI screening rules, in line with EU Regulation 2019/452: the

National Council for Country's Defence (CSAT), an executive body chaired by the President of Romania and having the Prime Minister as its co-chair, may stop an investment if it is deemed to pose a threat to national security. The sectors involved include security, energy, transportation, infrastructure, weapons, etc. The country ranks 49th out of 132 in the 2022 Global Innovation Index and 63rd out of 180 in the Corruption Perception Index. Furthermore, Romania ranks 39th out of 82 countries in the Economist Business Environment ranking.

Table 3: Foreign Direct Investment - UNCTAD, 2022

Foreign Direct Investment	2019	2020	2021
FDI Inward Flow (million USD)	5,791	3,432	8,610
FDI Stock (million USD)	99,201	111,387	108,743
Number of Greenfield Investments*	260	156	172
Value of Greenfield Investments (million USD)	6,059	3,843	5,310

Source: UNCTAD, Latest available data

Strong points for FDI in Romania:

The main assets of the country for attracting foreign investment are:

- The country's accession to the EU since 2005 has allowed it to improve the country's international relations and put an end to its relative isolation.
- The introduction since its accession to the EU of prudent monetary measures that have enabled the country to gain the confidence of foreign investors.
- A relatively low level of public debt and a favourable growth rate: 6% in 2021 (IMF).
- A relatively large domestic market with around 21.2 million inhabitants in 2021 (CIA World Factbook).
- A qualified and low-cost workforce.
- A strong agro-food industry (wheat, barley, rapeseed, etc.).
- Low energy dependence on coal, oil, gas and uranium.
- A total of 96 industrial park infrastructures offering companies access to utilities and special benefits according to their field of activity, as well as exemptions from property, building and planning taxes.

Weaknesses for FDI in Romania include:

Disadvantages for FDI in Romania include:

- Persistent political instability.
- Poor infrastructure.
- High risks of corruption.
- A large informal economy.
- Judicial, legislative, fiscal and regulatory unpredictability weakening the confidence of the business community.
- A relatively poor population with limited purchasing power and affected by a demographic decline (low birth rate and emigration of qualified young people).

- Fragility in the banking sector, which does not discourage investment and entrepreneurial risk-taking.
- High debt in foreign currencies the private sector.
- High external debt of the country.

Government Measures to Motivate or Restrict FDI:
Romania is actively seeking to attract foreign direct investment and has taken steps to strengthen tax administration, improve transparency and create legal means to resolve contractual disputes quickly. Similarly, since 2009, various governments have been able to reduce the budget deficit from 9.1% of GDP in 2009 to 4.4% in 2019 (according to the Romanian government). The rise in wages, and in particular the minimum wage at RON 2,300 (about EUR 458), makes it possible to boost growth through sustained household consumption. Finally, the application of a new tax code, adopted in September 2015, allowed the introduction of numerous tax adjustments in favour of the liberalisation of the economy, including a reduction of the VAT rate from 24% to 19% in 2017 and a dividend tax reduction of 16 to 5% in 2017.

2.5. Taxation

Company Tax: 16%

Tax Rate for Foreign Companies. Resident companies are taxed on their worldwide income, while non-resident companies are taxed on all income derived from Romanian taxpayers, regardless of whether the services are rendered in Romania or abroad.

Foreign businesses that have a permanent establishment are subject to the same income taxes as a Romanian company. An entity is deemed to be tax resident in Romania if it was set up under Romanian law or has its place of effective management in the country.

Representative offices of foreign businesses are subject to a fixed tax of RON 18,000 for each fiscal year.

Capital Gains Taxation: Capital gains derived by resident and non-resident entities from the sale of shares and real property are included in overall profits and taxed at the ordinary corporate tax rate of 16% (certain capital gains may be exempt). Capital gains from the sale/transfer of shares, as well as income arising from the evaluation or revaluation of shares held in a Romanian or foreign legal entity located in a country that has concluded a tax treaty with Romania, are exempt from tax if the recipient holds at least 10% of the share capital of the entity whose shares are sold/transferred or evaluated/revaluated for an uninterrupted period of at least one year.

Main Allowable Deductions and Tax Credits: Expenses incurred for business purposes are generally deductible. The Romanian Fiscal Code lists the following deductible expenses:

- expenses incurred for environmental protection and resource conservation.

- R&D expenses that are not recognised as intangible assets for accounting purposes.
- expenses related to benefits granted to employees as equity instruments settled with cash (if the benefits are subject to personal income tax).
- losses incurred when writing off client receivables (under certain conditions).
- travel and accommodation expenses related to business; including transportation of personnel to and from the workplace.
- expenses incurred from professional training and development of employees.
- business travel and accommodation expenses.
- marketing and advertising expenses.
- fines, interest, penalties, and other increased payments due under commercial contracts.

Other expenses can be deducted only up to certain specific limits:
- certain provisions and reserves.
- interest expenses and other borrowing costs.
- protocol expenses (up to 2% of the accounting profit).
- lunch vouchers and holiday vouchers.
- social expenses (capped at 5% of salary expenses).
- taxes and fees paid to non-government organisations or professional associations related to the taxpayer’s activity (maximum EUR 4,000/year).
- certain vehicle expenses.
- certain provisions and reserves (with limits).

Start-up expenses may be capitalised and depreciated over a maximum period of five years, but cannot be depreciated for tax purposes. Certain R&D expenses give rise to an extra 50% deduction. Furthermore, machinery and equipment used in R&D activities is subject to accelerated depreciation. Companies can carry forward fiscal losses declared in the annual profit tax returns for a period of a maximum of seven years (no inflation adjustment is allowed). Carryback of losses is not permitted.

Other Corporate Taxes: Other taxes on corporations include:
- a building tax, which differentiates between residential buildings (tax rate between 0.08% and 0.2%, applicable to the value resulted from the evaluation report for legal entities) and non-residential buildings (between 0.2% and 1.3%; 0.4% if the building is used for agricultural purposes). Legal entities pay an increased rate of 5% (if no revaluation was performed during the last five years).
- a land tax, established at a fixed amount per square metre, depending on the rank of the area where the land is located and the area or category of land use, in accordance with the classification made by the local council. Similar to the building tax, the land tax is paid annually in two equal instalments, by 31 March and 30 September, with a 10% reduction granted for full advance payment before the 31 March.
- stamp duties apply for judicial claims, issue of licenses and certificates, and documentary transactions that require authentication.

- social security contributions: employers are liable to pay 2.25% for insurance contribution and 4% for social insurance contribution for uncommon work conditions (8% for special work conditions).

For certain activities (e.g. dangerous hazardous substances, activities that generate polluting emissions, etc.), companies have the obligation to declare and to pay (as the case may be) related contributions and taxes to the Environmental Fund. Several environmental taxes apply (packaging and packaging waste management; plastic bags; sale of wast; industrial oil; air emission; electric and electronic equipment; batteries and accumulators; etc.).
Entities in the tourism, hotel, restaurants, bars, and catering sector pay a specific tax, regardless of the size of the turnover and the level of profits. The tax is calculated according to the area of the business, the location and other criteria.

3. Buying and Selling

3.1. Marketing opportunities

Consumer Profile: The purchasing power in Romania is one of the lowest in the EU (USD 12,757.5 - World Bank, 2020). Nonetheless, the Romanian consumer market has grown significantly in recent years and stood at EUR 135.5 billion at the end of 2019 (Eurostat). Purchases of food and non-alcoholic beverages account for 33.7% of total consumption expenditure, followed by housing and energy costs, which represent 16.4% of expenditure (Romanian National Institute of Statistics, 2020). The Romanian population is ageing, marked by declining birth rates and an increase in the share of older people. According to CIA World Factbook, among the 21.2 million Romanians, 14.12% of the population is 0-14 years old whereas 17.58% of the population is 65 years and over (2020 est.). As reported by Eurostat, in 2020, the median age of the population was 42.8 years old (slightly below the EU average). Furthermore, Romania's natural growth rate is negative (-0.38% - CIA World Factbook, 2021 est.). In 2019, the urbanisation rate was 54.08% (one of the lowest in the EU) (World Bank, latest data available).

Consumer Behavior: Since the economic crisis, Romanian consumers have remained cautious and tend to adopt responsible and moderate behavior. Consumers are not devoted to a single brand, but product availability plus an acceptable price/quality ratio are factors that influence the consumption of a certain brand. Consumers are ready to pay a price premium for branded, higher quality products. Recent trends in the urban retail market indicate a clear preference for fresh, branded, attractively packaged products. The concept of after-sales customer service is still developing, but Romanian consumers are increasingly sensitive to the quality of after-sales services in making their purchasing decisions.

While Romania has an Internet penetration rate lower than the EU average (86% as opposed to 91% - Eurostat, 2020), most Internet users are avid online shoppers. Out of the 15.49 million Internet users, in 2021, 72.7% purchased a product online (Global Web Index).

3.2. Internet and Ecommerce

Internet access: In 2017, there were 14.3 million internet users, placing the penetration rate at 73.5%. Romania is well-wired, and the majority of hotels offer some form of Internet access, normally wi-fi. Many bars, cafes and restaurants offer free wi-fi for customers, though the strength and reliability of the signal can vary considerably. Romania ranks 8th in the ranking of least expensive countries for broadband, with an average cost of US$ 13.47 per month, according to Statista. Additionally, the country has some of the best internet speeds in the world, mainly due to a system of neighbourhood networks which allow that 16% of the internet connections in Romania have extremely high internet speeds of 100 Mbps. Romania consumes more Internet on average than any European country, with an average monthly traffic of 91 GB for fixed broadband lines. The country has set an ambitious target to achieve 100% Internet penetration by 2020. According to Statista, the smartphone penetration rate in Romania was estimated to be 47.58% in 2018. Social media is an important venue for web users in Romania. According to Gemius Audience, the five most popular social media websites were visited by about 80.5% of Internet users in 2017: Facebook (79.8% with 5,530,000 users), Pinterest (10.5% with 724,000), Instagram (9.5% with 661,000), Linkedin (9.3% with 644,000) and Twitter (8.4% with 582,000). As of September 2018, the most popular search engines in the country by market share were Google (98.2%), Yahoo! (0.86%) and Bing (0.7%). As for browsers, the most popular ones were Chrome (71.14%), Safari (9.16%), Firefox (7.83%), Samsung Internet (3.58%), Opera (3.2%) and IE (1.88%).

E-commerce market: According to the European Ecommerce Report 2017, Romania has one of the biggest e-commerce industries in Southeastern Europe. E-commerce represents 1.2% of GDP. In 2017, Romanians purchased US$ 3.2 billion worth of products online, at least 40% more than the previous year, not including services, tickets, bookings, holidays, etc. On average, consumers made 8.4 online purchases in 2016, and there are more than 7,000 e-shops in the country, a number that is expected double by the end of 2018. There are currently 10.26 million e-commerce users in Romania, out of which 3% are cross-border shoppers. Furthermore, about 8 in 10 shoppers live in cities, and 44% of urban Internet users made at least one purchase a month. The biggest online stores in Romania are eMAG.ro, Altex, Domo and Elefant. As for how Romanians make online purchases, most prefer computers and laptops, but the number of people using their smartphones to shop is increasing. In 2017, 18% of people shopped online using a mobile device. Romania has one of the fastest e-commerce growth rates in Central and Eastern Europe in terms of the number of visits from mobile devices, with an average growth of 41%. According to data from GPeC, the 90% of online consumers in Romania prefer to pay cash-on-delivery. But when it comes to utilities payments, travel, event tickets and other online services, paying using cards is the preferred method (according to mobilPay and PaU processors, online card payments have increased from 8% in 2016 to 14% in 2017). Total online card payment was valued at US$ 1.4 billion in 2017. The average online shopper is between 25 and 35 years old. Regarding B2B e-commerce, IT, home appliances, the auto sector, deco, fashion and related agricultural products have the largest share in Romania, the last two areas recording accelerated growth. Electronics & media is currently the leading product category in Romania, accounting for US$ 788.1 million market share, followed by fashion, which generated US$ 538.3 million in sales. Romanians are primarily looking for free and fast delivery, discounts and free returns (even though the law leaves the cost of the return to the shopper). Some of the most popular e-commerce websites in the country include olx.ro, emag.ro, altex.ro, pcgarage.ro, Aliexpress, and Amazon.

3.3. Distribution: Distribution of goods and services in Romania is similar to other European countries. Wholesale and retail tiers, and support services such as packaging, warehousing and merchandising, are fully developed in Romania. Modern retail is an about EUR 11 billion market with more than 2,000 stores, dominated by ten international groups. The main modern retail food store formats are hypermarkets, supermarkets, convenience stores, discount stores and cash & carry stores, which make up a EUR 8,8 billion market and 57% market share. The sector continued to expand in 2017, at the same rate (around 8,0% yearly) in as the last few years when 150 to 250 stores have been opened annually.

Romania's range of retail outlets is likewise European and includes specialty shops, supermarkets, hypermarkets, cash and carry, department stores, gas station convenience stores, do-it yourself shops, kiosks, street vendors, open-air markets and wholesale centers. For several years the local market has been dominated by Carrefour and Cora on the hypermarket (or Big Box) segment, while Metro and Selgros have competed on the cash-and-carry market. The Government is considering legislation that would require large retailers in Romania (with an annual trunover exceeding €2 million/$2.2 million) to purchase at least 51% of total volume of meat, eggs, vegetables, fruits, honey, dairy products, and bakery products from local producers and to promote products of Romanian origin.

Market share: The distribution of goods and services in Romania is similar to that of other European countries. The market is made up of Romanian and European mass retailers and includes specialist shops, supermarkets, hypermarkets, cash shops, department stores, convenience stores, DIYers, kiosks, street vendors, open-air markets and wholesalers. Romania is one of the main target markets in Eastern Europe for retailers such as Metro, Carrefour and Selgros, whose local large format stores have had the strongest growth in sales.
The leaders of the Romanian retail sector are Kaufland, Carrefour, Metro Cash & Carry, Auchan, Lidl and Penny Market. They all make more than EUR 1 billion in sales per year.
There are more than 2,350 stores in Romania, the majority of which being convenience stores (989), followed by supermarkets (475) and discount stores (445) (USDA, latest data available).
In 2020, the Lower House (Chamber of Deputies) passed a bill to make substantial changes to the "Supermarket Law", removing the 51% requirement (minimum percentage of meat, eggs, vegetables, fruit, honey, dairy and bakery products that supermarkets had to buy from local producers).

3.4. Customs

International Conventions: Party to the Montreal Protocol on Substances That Deplete the Ozone Layer
Party to the Wassenaar Arrangement on Export Controls For Conventional Arms and Dual-Use Goods and Technologies
International Economic Cooperation: Member of the European Union
Member of the European Economic Area which has guaranteed, since 1 January 1993, the free movement of most goods between European countries.
Multilateral agreements and bilateral agreements with many countries.
Member of the ASEM (Asia-Europe Meeting).
Non-Tariff: Romania does not impose import quotas or tariffs. Import permits are required for the import of pharmaceuticals, chemicals and medical products. Health and safety standards are in force along with pollution standards for products which could harm the environment. Agricultural safety certificates are required for the importation of plants and vegetation.
Customs Duties and Taxes on Imports: Customs duties no longer exist for commercial trade with other EU countries. For other countries, customs duties are generally low, and Romania applies the European Union's Common External Tariff.
Customs Classification: Customs duties were removed upon Romania's accession to the EU. Joining the AEO status, Agreed Economic Operator, allows the unloading of merchandise at the destination to be considered then to be customs cleared.
The official model for written declarations to customs is the Single Administrative Document (SAD). The SAD describes goods and their movement around the world and is essential for trade outside the EU, or of non-EU goods.
Single Administrative Document is the documentary basis for customs declarations in the EU.
The Summary Declaration is filed by:
- the person who brought the goods into the customs territory of the Community or by any person who assumes responsibility for carriage of the goods following such entry; or
- the person in whose name the person referred to above acted.

As part of the 'SAFE' standards set forth by the World Customs Organisation (WCO), the European Union has set up a new system of import controls, the 'Import Control System' (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community Programme eCustoms, has been in effect since 1 January 2011. Since then, operators are required to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.
The Modernised Customs Code, which entered into force in 2008, simplifies procedures, by computerising and centralising transactions. Since 1 July 2009, all companies established outside of the EU are required to have an Economic Operator Registration and Identification (EORI) number if they wish to lodge a customs declaration or an Entry/Exit Summary declaration.

For more information, please visit the website of Romanian Customs.
Import Procedures: Romania customs authorities encourage the use of an ATA (Admission Temporaire/Temporary Admission) Carnet for the temporary admission of commercial samples.

3.5. Transport

Main Useful Means of Transport: The rail network covers 11,385 km; the road network covers 198,817 km, of which 60,043 km are paved roads (including 228 km of expressway); and there are 1,731 km of navigable waterways (including 1,075 km on the Danube, 524km on secondary networks, and 136 km of canals).
Ports: The Port of Tulcea
Airports:
Cluj Avram Iancu International Airport, Timișoara 'Traian Vuia' International Airport, Iași International Airport, George Enescu International Airport, Târgu Mureș Transylvania Airport
Sea Transport Organisations: Romanian Ministry of Transportation
Air Transport Organisations: Romanian Civil Aviation Authority
Road Transport Organisations: Ministry of Transportation, State Inspectorate for Road Transport Control
Rail Transport Organisations: Ministry of Transportation, Romanian Railway Licensing Body

3.6. Suppliers

Type of Production: In Romania, industry represents more than 40% of the GDP and less than 30% of employment. Main industrial sectors include equipment and electrical machinery, textiles and footwear, automobile assembly, construction materials, metallurgy and oil refining.

Multi-sector Directories:

- All.biz - Romania - Directory of companies in Romania
- Doingbusiness.ro - Major Romanian companies
- Expat.com - Romania business directory
- Express Business Directory - Romania business directory
- ezilon Europe - Romania business directory
- Findbiz.gr - Business directory for Greece, Bulgaria, Romania and Serbia
- Infocompanies - Romanian business directory
- Paginiaurii.ro - Romania's Yellow Pages
- Romanian Yellow and White pages - Business directory in Romania.

4. International Trade (doing business)

4.4. Imports - Exports

Romania is open to foreign trade, which represents 87% of its GDP (World Bank, latest data available). The country mainly exports machinery and mechanical appliances, electrical equipment, sound and image recorders and reproducers (26.3%); vehicles and associated transport equipment (15.5%); base metals and articles of base metals (10.1%); and mineral products (7.6%). Imports are led by machinery (24.2%); mineral products (12.6%); chemical products (11%); and base metals (10.9% - data INSEE 2022).

The European Union is the main trading partner, accounting for 72.6% of total exports and 70.7% of imports in the first eleven months of 2022. The leading countries for exports were Germany (20%), Italy (10.1%), Hungary (7.3%), and France (6%). Imports follow a similar path, with Germany (17.8%) being the main destination for Romania's exports, followed by Italy (8.2%), Bulgaria (6.8%), Hungary (6.5%), Poland and China (5.9% each – data INSEE).

Romania's foreign trade figures for 2021 published by WTO show that merchandise exports amounted to USD 87.3 billion (+23.5% year-on-year), while imports increased at a faster pace (+26.1%), to USD 116.2 billion. On the other hand, the country is a net exporter of commercial services, with exports totalling USD 33 billion against USD 21.7 billion in imports (+22% and +33.3%, respectively). Overall, Romania has a structurally negative trade balance, which has been widening in recent years: for 2021, it stood at around 5.7% of the country's GDP (from 4.3% one year earlier - World Bank). According to figures from the national statistical office INSEE, in the first eleven months of 2022 exports of goods totalled EUR 85.2 billion (+25% y-o-y) against EUR 116.2 billion in imports (+29.9 y-o-y).

Table 4: Romania's Foreign Trade Indicators

Foreign Trade Indicators	2017	2018	2019	2020	2021
Foreign Trade (in % of GDP)	87.2	86.5	84.5	78.1	87.4
Trade Balance (million USD)	-14,551	-18,019	-19,960	-21,676	-27,291
Trade Balance (Including Service) (million USD)	-5,304	-8,157	-10,282	-10,875	-16,177
Imports of Goods and Services (Annual % Change)	11.5	8.6	8.6	-5.2	14.6
Exports of Goods and Services (Annual % Change)	7.8	5.3	5.4	-9.5	12.5
Imports of Goods and Services (in % of GDP)	44.8	44.9	44.3	41.2	46.5
Exports of Goods and Services (in % of GDP)	42.3	41.5	40.2	36.9	40.8

Source: World Bank; Latest available data

Table 5: Romania's Foreign Trade Values

Foreign Trade Values	2017	2018	2019	2020	2021
Imports of Goods (million USD)	85,486	97,747	96,544	92,124	116,228
Exports of Goods (million USD)	70,761	79,660	76,867	70,721	87,384
Imports of Services (million USD)	14,023	18,206	20,522	16,275	21,699
Exports of Services (million USD)	23,314	28,088	30,273	27,064	33,015

Source: World Bank; Latest available data

Table 6: Romania's Foreign Trade Forecasts

Foreign Trade Forecasts	2022	2023 (e)	2024 (e)	2025 (e)	2026 (e)
Volume of exports of goods and services (Annual % change)	5.9	3.7	5.9	6.3	6.5
Volume of imports of goods and services (Annual % change)	9.1	6.0	6.6	6.6	6.7

Source: IMF, World Economic Outlook; Latest available data

4.5. Greece – Romania Trade Relations

The total value of Greek exports to Romania in 2022 reached a record high of €1,8B (versus €1,4B in 2021), presenting an increase of 31.2%. At the same time, the total value of imports from Romania amounted to €1B (versus €860.9 million in 2021), showing an increase of 19.2%. Consequently, the total amount of the bilateral trade balance also reached a record high of €2,849.6 million (versus €2,250.7 million in 2021), showing an increase of €598.9 million or by 26.6%.

Table 7: Value of Greek Imports from Romania (Eurostat, 2023)

IMPORTS - Value in Euro (€)	2020	2021	2022
Food and Live Animals	127.216.166	174.267.523	182.874.309
Beverages and Tobacco	61.571.684	64.264.976	62.884.753
Crude Materials, Inedible, Except fuels	30.637.451	50.998.163	85.664.341
Mineral Fuels, Lubricants and Related Materials	71.013.684	53.443.427	39.054.524
Animal and Vegetable, Oils, Fats and Waxes	6.680.050	9.616.117	11.591.316
Chemical and Related Products, N.E.S.	61.493.312	78.135.935	113.555.151
Manufactured Goods Classified Chiefly by Material	153.171.224	199.067.546	232.543.388

Machinery and Transport Equipment	108.562.472	142.437.445	156.926.646
Miscellaneous Manufactured Articles	62.654.680	86.558.627	141.091.962
Commodities and Transactions not Classified Elsewhere in the SITC	1.212	88	101
Total	**683.001.935**	**858.789.847**	**1.026.186.491**

Table 8: Value of Greek Exports to Romania (Eurostat, 2023)

EXPORTS - Value in Euro (€)	2020	2021	2022
Food and Live Animals	258.100.347	274.999.657	316.957.920
Beverages and Tobacco	6.916.180	6.306.204	12.270.486
Crude Materials, Inedible, Except fuels	15.582.021	22.137.501	26.922.471
Mineral Fuels, Lubricants and Related Materials	32.725.155	35.123.985	163.332.645
Animal and Vegetable, Oils, Fats and Waxes	8.766.609	13.563.420	19.402.469
Chemical and Related Products, N.E.S.	187.322.742	253.048.721	349.977.326
Manufactured Goods Classified Chiefly by Material	343.819.020	471.261.908	490.716.180
Machinery and Transport Equipment	101.637.578	125.284.348	168.495.830
Miscellaneous Manufactured Articles	168.881.847	186.804.589	271.579.622
Commodities and Transactions not Classified Elsewhere in the SITC	654.243	1.431.519	3.761.424
Total	**1.124.405.742**	**1.389.961.852**	**1.823.416.373**

4.6. Leading Sectors for Exporters

Agricultural Sectors - Machinery and Equipment: While Romania has an abundance of rich soil, the predominance of subsistence farming means that the country has a minimal amount of arable land per holding. Some small commercial farms are realizing that they can increase profitability by voluntarily forming associations to aggregate production and marketing. Relatively few large farms coexist with many small ones, which influences the competitiveness of Romanian agriculture. Discounted land prices, good-quality soil, low labor costs, and the potential for increasing productivity gains are attractive opportunities for foreign investors. These offer opportunities for silos, agricultural machinery, irrigation equipment, clean energy (solar & wind farming technologies), greenhouses, and agricultural inputs such as fertilizers and feed supplements.

Defense Industry: Starting in 2017, Romania has committed to spend at least 2.0% of GDP annually on defense through 2027. In 2022 the defense budget was increased to 2.5% of GDP, or an additional 1 billion USD to use especially for acquisition of military equipment. The increased spending level offers a clear opportunity for U.S. defense equipment and service providers. Romania is also looking to modernize its own defense industry through international partnerships.

Agricultural Products: Agriculture plays an integral and unique role in Romania's economy. Nearly one-fifth of Romanians are employed in agricultural-related activities, compared to the European Union (EU) member average of 4 percent. Romania's 2.9 million agricultural landowners account for one-third of the EU's agricultural holdings. Since the average farm size (4.42 hectares (HA) is considerably smaller than the EU average of 15 HA, many of these farms are subsistence and semi-subsistence farms producing for their family's needs.

Romania accounts for 10 percent of EU grain and oilseed production. Corn remains Romania's top grain crop in terms of both area and production, followed by wheat and barley. Romania is Europe's largest sunflower producer as well as a top three producer for corn, wheat, and soybeans. In 2022, grain and oilseed production is forecast to return to normal levels after a historically high level of production in the previous year. The reduced grain production is expected to result in a 22-percent reduction in exports. On average, about half of the harvest is exported.

In recent years, Romanian farmers have consistently sought to maximize production efficiencies and, therefore, have become increasingly open to smart agriculture. Land conservation practices, chemical mapping, and variable densities based on soil structure and nutrient levels are being increasingly adopted by Romanian farmers. The severe drought in 2020 highlighted the need to improve the irrigation infrastructure. Some of the old and non-functioning pumping stations have been refurbished. Farmers close enough to water supplies accessed EU financing to set up irrigation systems. However, for many farmers, access to irrigation can only come from large-scale irrigation infrastructure, including large canals and pumping stations. This level of large-scale irrigation is still not available widely.

Despite its prominence in agricultural commodity production, Romania remains a net food importer, though the trade deficit shrunk considerably last year. Elevated commodity prices and abundant crops led to a 41 percent increase in Romania's agricultural exports in 2021. Imports increased by only 17 percent, allowing Romania to cut its agricultural trade deficit to a fourth of the previous year figure (Table 1). Major imports consisted of meat, horticulture, dairy, feed ingredients, and beverages in 2021. Exports consisted of grains, oilseeds, live animals, and fats.

Energy: Romania's energy sector is key to its evolving economy and security policy. The country finds itself having a diverse energy mix based on natural resources such as gas, nuclear power, and renewable energy. Romania plans to complete Cernavodă Nuclear Power Plant (NPP) Units 3 and 4 and to extend the lifetime of Unit 1 (projects valued at 8.5-9.5 billion USD) and be at the forefront of small modular reactor (SMR) deployment in Europe, where Romania will develop an additional 6.9 GW capabilities compared to 2015 level. The National Recovery and Resilience Plan calls for phasing out coal and lignite by 2032 and replacing them with renewable and low-carbon energy sources, including clean hydrogen.

Information & Communications Technology (ICT): Romania is the leader in Europe, and sixth in the world, in terms of the number of certified IT specialists, with density rates per 1,000 inhabitants, greater than in the US or Russia.

Romania also hosts the new EU Cybersecurity Competence Centre and is home to an impressive number of international technology companies (including Amazon, HP, IBM, Microsoft and Oracle, etc.), with 50 of the largest tech companies present in Romania having quadrupled their businesses and teams throughout the past years.

The Romanian IT&C industry has also been recently credited with bringing Romania's GDP "close to pre-crisis level" in Q1 of 2021.

Romania also scores high in terms of telecom networks and Internet speeds. Although the measures taken during the COVID-10 crisis significantly increased demand for Internet capacity, due to the significant infrastructure investments telecom operators succeeded to maintain and quite often to increase the quality of the electronic communication services provided. Thus, companies in Romania have transitioned to remote working without major disruptions.

This comes as no surprise, since Romania ranks 6th place in the top of the fastest-growing countries for fixed broadband and 43rd place among fastest countries for mobile internet. With the introduction of 5G services in Romania, the same scores a 2nd place in terms of downloading speed and 1st place in terms of upload speed, proving once again the high quality of the Romanian mobile networks.

The INS report shows that the cumulative turnover of these companies was over 78 billion lei, with a 4.9% share in the total turnover of companies engaged in economic activity. Of the total turnover, 31.3% accounted for the share of telecommunications companies.

At the same time, the entire Romanian economic sector invested less money in hardware products, namely 88.3 million lei, about 11% less than in 2019. Per 1,000 lei of total net investment, companies in industry and construction invested only 6.3 lei in hardware products, those in trade invested 29.4 lei, and companies providing services - 24.7 lei.

According to the NSI report, Romania's ICT sector is comprised by manufacturers of electronic components, computers and peripheral equipment, communication equipment, consumer electronics and magnetic and optical recording media; software publishing; telecommunications; information technology services; web portal, data processing, web page administration and related activities; repair of computers and communication equipment.

The countries' center point for IT development is Bucharest, holding 63% of revenues, along with regions North-West with 18%; West with 5%; Central with 6%; and North-East with 5%.

The Digital Agenda for Romania also sets priorities for key sectors for the Romanian economy and society: Employment, Research and Development (R&D), Climate Change and Energy Sustainability, Education, and Fighting Poverty and Social Exclusion.

Healthcare: Healthcare in Romania is dominated by the public sector, which owns most of the hospitals and provides national health insurance to almost all Romanian citizens. The cost of healthcare in Romania in 2021 was USD16.7 billion, or USD872.3 per person and 5.9 percent of GDP, one of the EU's lowest per capita. Government healthcare spending, which made up 78.5 percent of this total, is greater than in other Eastern European markets like Russia, Moldova, and Ukraine, but slightly lower than in countries like Croatia. Despite attempts to promote primary care, the amount of health spending dedicated to primary and ambulatory care (18.6%) is the second lowest in the EU (behind Bulgaria). In 2018-19, Romania established new screening programs, yet per capita spending on prevention is the second lowest in the EU.

Almost all significant global corporations operate in Romania, despite challenges with reimbursement, harsh claw-back taxes, and payment delays. Due to the nation's accessible position to Western Europe and affordable labor force, multinationals have also established industrial operations there. Numerous generic drug manufacturers also have operations in Romania, but in recent years, problems like the claw-back tax and pricing concessions required by the National Health Insurance House (CNAS) have compelled numerous businesses to remove their goods from the Romanian market, lay-off employees, or scale back their operations in the nation. Because of this, Romanian producers of generic medications have concentrated on designating the nation as a manufacturing base from which to export their products to more profitable markets.

5. Accessing the local market

A local business presence is essential to success in the Romanian market. This can take the form of distributor agreements, subsidiaries, joint ventures, or acquisitions. Regardless of the form of investment or entry strategy, foreign businesses considering the Romanian market should research their specific prospects thoroughly, perform due diligence, and be prepared to adapt their business models as necessary. Firms are encouraged to retain legal and financial counsel with solid knowledge of Romanian law and develop relationships with other service providers, such as banks and accountants.

6. Business Culture and Communication

Business Customs: Romanian nationals are friendly, and foreigners are usually made very welcome. Shaking hands is the normal form of greeting (sometimes a man, usually from the older generation, may kiss the hand of a woman in greeting); normal courtesies are observed when visiting a person's home. It is important to take business cards to meetings and to give a card to each person present.

Flowers are very popular in Romanian culture, and are given for almost every occasion, including name day celebrations, weddings, and visits to Romanian homes. Always buy an odd number of flowers (even numbers are used at funerals). Casual wear is the most suitable form of dress for most social occasions, but attire may be more formal when specified for entertaining in the evening or in a restaurant or theater. Romanians use the formal addresses of "domnul" (sir) and "doamna" (madam) when addressing one another, although first names are used among younger people and in business with English-speaking partners. It is customary to say "pofta buna" (bon appétit) before eating, and "noroc" (cheers) before drinking.

Visa Requirements: You must have a valid passport to enter Romania. Per Regulation no. 610/2013 of the European Union, the passport of third state nationals who travel to Romania or another EU country must meet the following criteria: the passport must be valid for at least three months after the estimated day of exit from the EU country and must have been issued within the last 10 years.

It is advised that your passport has at least six months of validity beyond your dates of international travel to avoid unintended travel disruptions. To ensure that your travel plans are not disrupted, plan ahead to renew your passport before traveling.

Currency: The RON/USD exchange averaged RON, in 2022 is 4,73. The Euro is used for larger and legal transactions, especially in sectors such as real estate.

Using ATMs to exchange currency is generally safe but exchange rates can be disadvantageous compared with exchange offices. Use of ATM machines eliminates the need to carry large amounts of cash as traveler's checks are not used for purchases. ATMs are always generally functional and are located throughout the city, especially at large stores, around public institutions and outside banks. Visa and MasterCard are also accepted for purchases in medium and large retail chains. A PIN is usually required to make credit card purchases.

Telecommunications/Electric: The telecommunication industry in Romania developed significantly over the last 20 years, providing the country with one of the best infrastructures for mobile and fixed data. The telecommunication market proved itself, especially during the coronavirus (COVID-19) pandemic, when the entire infrastructure was tested after the country entered in a state of emergency as of

March 2020, followed by a state of alert in May 2020. In other words, millions of students and employees depend on the telecommunication industry, specifically on the ability of their providers to implement the best telephony connection and internet speed necessary to carry out the home-office workload.

7. Useful contacts

Embassy in Bucharest
Address : 1-3, Pache Protopopescu, Sector 2, Bucharest
Tel. : (004021) 2094170-4
Fax : (004021) 2094175
E-mail : gremb.buc@mfa.gr
Web Site : www.mfa.gr/bucharest
Head of Mission : Sofia Grammata

Consular Office in Bucharest
Address : Ferdinand I Boulevard Nr. 4-6, Sector 2, Bucharest
Tel. : (004021) 2094190-1-2
Fax : (004021) 2094193
Emergency phone: (only for cases of loss or theft of travel documents and for cases of death, injury, disappearance or arrest of a Greek citizen) 0040 - 766 714976 (whatsapp and viber enabled)
For your better service, please address to the Consular Office by mail and submit your questions.
E-mail : grgencon.buc@mfa.gr
Office Hours for the Public: Monday - Friday 09:30 - 14:30
Call centre schedule: Monday-Friday 09:30 - 15:30
For our consular services, please arrange an appointment.
No appointment is needed for legalisation of a signature, acts of authorisation, acts of solemn declaration, transporting of deceased for burial service and ratification of hospitalisation documents.

For visas:
https://www.mfa.gr/missionsabroad/en/visas.html?mission=buc&mis=romania
For other consular services: https://www.mfa.gr/missionsabroad/romania/other-services

The last working day of every month, the Consular Office is not open to the public, due to auditing works.

Head of the Consular Office: Pelagia Gkountra Second Secretary (Political)

Commercial Section in Bucharest
Address: Piata Pache Protopopescu nr.1, Et.1, Ap. 3, sector 2, RO 021401, Bucuresti
Tel. : (004021) 2100748 2115724
Fax : (004021) 2119893
E-mail : ecocom-bucharest@mfa.gr

Web-Site: http://www.agora.mfa.gr/en/offices-of-economic-and-commercial-affairs
Head: Pantelis Giannoulis, Counsellor for Economic and Commercial Affairs

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Facebook: Greece in Romania, Twitter: @GreeceRomania
Head: Nikolaos Vlahaki

8. Sources

- European Commission
- Euromonitor International
- Fitch Solutions: BMI Research
- IMF
- OECD
- Societe Generale
- Statista
- The World Bank Group
- TradingEconomics
- UNCTAD
- StandardTrade
- Doingbusiness
- U.S. Department of Commerce, International Trade Administration
- World Economic Forum
- Wolters Kluwer

Financial Institutions

- Eurobank: Export Gate