



# MARKET AND INVESTMENT OPPORTUNITIES IN ROMANIA

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## About Romania

Romania is located in South-Eastern Europe, bordering Hungary, Ukraine, Moldova, Bulgaria and Serbia. In 2010 the population is estimated at 21.4 million, making it one of the largest countries in the region.

- It has direct access to the Black Sea and to other large emerging markets and LCCs in the region: Russia, Turkey, Ukraine and Poland.
- Romania is an EU member state since 2007.

Some of Romania's key economic advantages are:

- solid banking system
- well trained workforce with unemployment in 2010 under 9%
- good IT&C infrastructure



## KEY SECTORS OF POTENTIAL OPPORTUNITY

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### FASHION RETAIL

#### a) Sector brief

Some factors attracting investors to the Romanian clothing retail sector are:

- approx. half of the population lives in towns and cities
- the area covered by shopping centres has doubled over the last few years
- the young persons want to buy international brands

The German retailer C&A plans to open two or three new stores in Romania this year, depending on the available space in the shopping centres. C&A currently has five stores in Romania, out of which three in Bucharest. Iditex Group, which owns brands such as Zara and Pull & Bear, has recently opened its fourth Bershka store in Bucharest. The two-floor store covers 1,200 sqm and is located in the Unirea Shopping Center. The store was launched following investments of some 3.5 million EUR.

The Swedish retailer H&M will open its first store in Romania in the spring of 2011. The store will be located in the AFI Palace Cotroceni Mall in Bucharest. Also, other four H&M stores are expected to be launched in malls in the Bucharest area. The H&M presence in Romania reveals the significant long-term potential of the Romanian clothing retail sector.

#### b) Opportunities: BRANDS, FRANCHISE, MERCHANDISING, QUALITY CONTROL, ACCESSORIES FOR RETAIL AND STORE FITTINGS



## KEY SECTORS OF POTENTIAL OPPORTUNITY



### WINE IMPORT, RETAIL AND PRODUCTION

#### a) Sector brief

According to the strategy of the Ministry of Agriculture, Romania will reach a wine consumption of 37.1 litres per capita by 2014, this representing an increase of 66% compared to the consumption of 22.3 litres per capita at present.

At present, the imports of wine in Romania reach some 400,000 hectolitres per year. On the wine retail market in Romania, some major wine producers announced expansion plans through the opening of own cellars. According to the National Vineyard Growers and Wine Producers Association, the production of wine in Romania will record some 5.5 million hectolitres in 2010. According to the National Inter-Professional Wine Organisation, the estimated wine production in Romania in 2014 is of eight million hectolitres.

According to MEMRB, the wine sales in Romania recorded 148 million EUR, during the period December 2009 - July 2010.

**b) Opportunities: BRANDS, MERCHANDISING, QUALITY CONTROL, EQUIPMENT FOR WINE PRODUCTION, KNOW HOW**



## KEY SECTORS OF POTENTIAL OPPORTUNITY

### INDUSTRIAL MANUFACTURING

#### a) Sector brief

According to the National Institute of Statistics, in the first eight months of 2010 compared with the same period of the previous year, the gross industrial production index in Romania increased by 5.3%.

This growth was supported by:

- the production and supply of electricity, gas, steam and air conditioning (+10.4%)
- the manufacturing industry (+5.5%)

In the manufacturing industry in the first eight months of 2010 compared with the similar period of 2009, the highest production increases were recorded in the following sectors:

- the production of motor vehicles, trailers and semi-trailers (+36.3%)
- the production of basic metals (+34.9%)
- the production of electrical equipment (+34.4%)

According to the National Institute of Statistics, in the first eight months of 2010 compared with the similar period of 2009, the turnover in the industry per total, in nominal terms, increased by 10.3%, due to the increases registered in the energy industry (+17.5%), the capital goods industry (+16.7%), the intermediate goods industry (+12.9%) and the durable goods industry (+5.2%).

#### b) Opportunities: EQUIPMENT, TOOLS, MATERIALS, QUALITY CONTROL



## KEY SECTORS OF POTENTIAL OPPORTUNITY



### AUTOMOTIVE COMPONENTS MANUFACTURING

#### a) Sector brief

Trelleborg Automotive Romania estimates for 2010 a turnover of 35 million EUR, up by some 43% compared to the previous year.

Johnson Controls will launch a production unit in Craiova, following investments of over ten million EUR. The plant will start the production in 2012 and will have some 160 employees. At present, Johnson Controls owns production capacities in Romania with over 2,000 employees.

Key Safety Systems (KSS) finalised the construction of its fourth plant in Romania, located in the Arad - Curtici Free Zone. This unit represents the biggest KSS plant in Romania and covers 12,000 sqm. The plant will have an estimated number of 450 employees in 2011.

Rombat will invest 15 million EUR in the expansion of the production capacities and in the production of batteries for mini-hybrid auto vehicles that will start in 2012. Preh Automotive will hire over 150 persons in its plant in Ghimbav, Brasov county, following the expansion of the unit's production capacity. For 2010, the company estimates a turnover of 18 million EUR, this representing a triple level compared to 2009.

#### b) Opportunities: TOOLS, EQUIPMENT, SPECIAL MATERIALS, LOGISTICS, QUALITY CONTROL

## KEY SECTORS OF POTENTIAL OPPORTUNITY

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### MOTORCYCLES AND MOTOR SPARE PARTS

#### a) Sector brief

According to the National Institute of Statistics, the turnover volume of the enterprises in Romania having as main activity the wholesale and the retail, the maintenance and the repair of the motor vehicles and the motorcycles, registered a growth of 8.4% in June 2010 compared with June 2009.

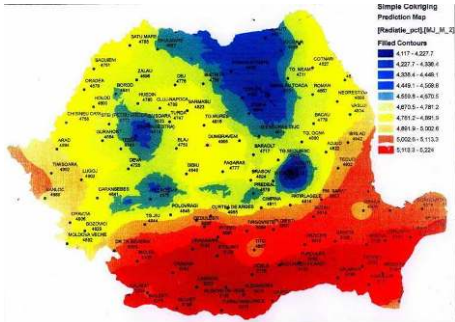
Harley Davidson Romania sold 26 motorcycles in the first six months of 2010, this representing an increase of almost 20% compared to the similar period of the previous year. The company targets sales of over 40 motorcycles in 2010. The best selling Harley Davidson model on the domestic market is Sportster.

Some of the main importers of motorcycle spare parts in Romania are: Motoboom, United Motors International, Actionland, Compauto, Niba Servicom 2000, Kawa Motors AB, Promotor International etc.

#### b) Opportunities: SPARE PARTS, ACCESSORIES, LOGISTICS



## KEY SECTORS OF POTENTIAL OPPORTUNITY



### PHOTOVOLTAIC PANELS AND SOLAR ENERGY INSTALATIONS

#### a) Sector brief

According to Roland Berger, in the total potential of the renewable energy sources (RES) in Romania of around 135 TWh/year (including electric and thermal energy potential and excluding large hydro), the solar energy accounts around 12%. The most abundant solar resources in Romania are located in the southern part of the country and the Dobrogea area.

The Swedish retailer IKEA intends to make investments in order to secure the energy for its store in Romania through the solar energy. It is estimated that the current store could need some 20,000 solar panels. This measure is part of the IKEA global strategy to perform all its activities using exclusively renewable energy.

Renovation Solar, part of the Renovatio Group, finalised an investment of ten million EUR in the first photovoltaic panel plant in Romania. The plant is located in Satu Mare and will have the annual production of over 200,000 panels, the equivalent of an installed capacity of 50 MW.

Other small photovoltaic parks in Romania have been recently announced (i.e. parks in Gura Ialomitei, partly developed by the Ialomita county authorities).

**b) Opportunities: INVESTMENT, CONSULTING, EXPERTISE, TECHNOLOGY, EQUIPMENT, TOOLS, GREEN CERTIFICATES, QUALITY CONTROL, AUTOMATION**



## KEY SECTORS OF POTENTIAL OPPORTUNITY

### MICROHYDRO POWER PLANTS

#### a) Sector brief

According to Roland Berger, in the total RES potential in Romania (including electric and thermal energy potential and excluding large hydro), the small hydro energy (under 10 MW) accounts 4%. The analysis of the total small hydro potential in Romania reveals the possibility to install around 780 small hydroelectric plants (of below 10 MW/unit), with a total power of 2,150 MW, able to provide approximately 6 TWh per year. At the moment, small hydro plants in Romania account for a total capacity of 1,125 MW, but this capacity is not entirely functional.

The state-owned company Hidroelectrica, the biggest electricity producer in Romania, is currently exploiting 139 micro hydro-power plants, with an installed power of 111.1 MW. The company intends to invest some 300 million EUR in the next five years in the modernising of its micro hydro-power plants. Also, the company intends to build new micro hydro-power plants.

The main hydro-graphic basins in Romania, which are relevant for micro hydro potential, are: Olt, Mures, Crisuri, Timis, Jiu, Arges, Somes, Ialomita and Siret.

#### b) Opportunities: INVESTMENT, M&A, EQUIPMENT, AUTOMATION, TECHNOLOGY





## KEY SECTORS OF POTENTIAL OPPORTUNITY

### WATER AND WASTE WATER MANAGEMENT

#### a) Sector brief

According to the EU Water Framework Directive, the main objective of the water management policy in Romania is to reach by 2015 “good ecological status” for all waters, through the integrated management of the water resources.

Some necessary steps for the improvement of the water management in Romania are:

- the improvement of the infrastructure of water supply, sewerage and water treatments systems
- the extension of water supply and sewerage systems in rural localities
- the improvement of the water quality by the reduction of the pollution caused by the hazardous substances discharged into the aquatic environment
- the flood effects mitigation, the drought effects mitigation, the control of the soil erosion and the land degradation
- the use of the water power potential level, the protection of the Black Sea coast against the erosion and the beach rehabilitation

The EU stipulated transition periods for wastewater treatment are as follows:

- at the latest 31 December 2015 for all discharges from agglomerations of more than 10,000 p.e.
- at the latest 31 December 2018 for all discharges from agglomerations of between 2,000 and 10,000 p.e.

The strategy and the distribution of the funds on the environment sectors in Romania are performed through the Sector Operational Programme Environment.

#### b) Opportunities: TECHNOLOGY, EQUIPMENT, AUTOMATION, CONSULTING, KNOW HOW

## KEY SECTORS OF POTENTIAL OPPORTUNITY

### MEDICAL EQUIPMENT AND DEVICES

#### a) Sector brief

In 2010, the Romanian market of medical equipment and supplies is estimated at some 300 million EUR. Some 90% of the medical equipment and devices in Romania are imported.

The domestic market of medical equipment and devices increased significantly in the last years, as the general level of the health spending increased and new diagnostic equipment was purchased for hospital refurbishments. The market is expected to grow by an average of 9.2% during the period 2011 - 2015.

New investments are expected both in the private and public medical sectors in Romania in the next years and this fact will have a strong positive impact on the medical equipment and devices market.

GE Healthcare, one of the major providers of medical equipment in Romania, recorded sales of over 20 million EUR in 2009, both directly through General Electric Medical Systems Romania SRL, and through other commercial partners. The biggest percentage of the company's sales is generated by the collaboration with private companies. For the next period, the company's objectives are to diversify its portfolio and to collaborate on local public projects.

**b) Opportunities: M&A, EQUIPMENT, DEVICES, CONSUMABLES, PACKAGING, LOGISTICS, QUALITY CONTROL**





## KEY SECTORS OF POTENTIAL OPPORTUNITY

### PRIVATE MEDICAL SERVICES

#### a) Sector brief

The private medical services market is one of the fastest developing markets in Romania. Some of the factors that influence the development of this market are:

- the insufficient number of public ambulatory centres
- the development of the private hospitals infrastructure
- a higher demand for better medical services due to the increase in health awareness and the growing needs of an ageing population
- the demand for more sophisticated laboratory tests, which require the use of the latest technological developments
- the development of the prepaid medical services by the private providers of medical services

The Swedish Group Medicover will invest some 70 - 80 million EUR in order to build a general care hospital with 200 beds, a smaller facility specialised in births and orthopaedics and a Synevo regional lab. The operator of private medical services MedLife, controlled by the Marcu family, has an investment programme that includes the acquiring of clinics and the development of four hospitals. The company intends to record a turnover of 38 million EUR in 2010 and of 53 million EUR in 2011. The operator of private medical services Centrul Medical Unirea (CMU), controlled by the investment fund Advent International, estimates a turnover of over 60 million EUR in the next 2 – 3 years. The company has recently taken over Euroclinic Hospital & Medical Centers owned by Eureka, in a transaction estimated at some 15 million EUR CMU has an aggressive development plan and intends to acquire also other private centres in the future.

#### b) Opportunities: INVESTMENT, M&A, FACILITIES, EQUIPMENT, DEVICES, CONSUMABLES, LABORATORY, HEALTH INSURANCE

## KEY SECTORS OF POTENTIAL OPPORTUNITY



### MEAT PROCESSING

#### a) Sector brief

Cristim intends to invest seven million EUR in 2011 in order to increase the production capacity and to modernise the logistics system. The Cristim Group includes animal farms, meat processing plants and a retail network.

Aldis recorded a sale increase of 20% in the first six months of 2010 compared to the similar period of the previous year, mainly due to the growth of the fresh meat sales to modern retail networks. Also, the company hired 100 persons in the first semester of 2010. Aldis recorded a turnover of 69 million EUR in 2009 and intends to continue the investments in its activities during the next period.

**b) Opportunities: INVESTMENT, M&A, EQUIPMENT, TOOLS, REFRIGERATION, INGREDIENTS, QUALITY CONTROL, PACKAGING**

## KEY SECTORS OF POTENTIAL OPPORTUNITY

### IT&C

#### a) Sector brief

The domestic IT&C market is estimated to register a growth of 10 - 15% annually, in the next 3 - 5 years.

According to the National Institute of Statistics, the manufacturing of computers, electronic and optical products in Romania in July 2010 recorded an increase of 22% compared to July 2009. In the first seven months of 2010 compared with the similar period of 2009, in the production sector of the computer, electronic and optical products, the total turnover value index recorded an increase of 38.5% and the value index of new orders recorded a growth of 40.5%.

FIT Distribution, one of the biggest IT&C retailers on the domestic market, recorded in T3 2010 an increase of the IT sales by some 10% compared to the similar period of the previous year and by some 5% compared to T2 2010.

**b) Opportunities: M&A, INVESTMENT, TECHNOLOGY, EQUIPMENT, CONSULTING, EXPERTISE, LOGISTICS**





## FRD Center Market Entry Services



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