

TRADE AND INVESTMENT OPPORTUNITIES IN ROMANIA

H1 2019

by FRD Center - www.frdcenter.ro

Romania is one of the most dynamic economies in Europe and a gateway to both the EU and Eastern European markets.



KEY SECTORS OF POTENTIAL OPPORTUNITY FOR EXPORT AND INVESTMENT TO ROMANIA, FOR SOURCING PRODUCTION AND FOR MARKET EXPANSION THROUGH ACQUISITION OF LOCAL PLAYERS INCLUDE:

- 1. Agriculture:** Precision, Organic, Machinery, **Investments**
- 2. BPO, SSC, Software and Outsourcing:** Main players in the market, New entries, **Market expansion**
- 3. Automotive Manufacturing:** OEMs, Components Manufacturing, Developments
- 4. Healthcare and Medical Services:** **Expansion** of Private Healthcare, Developments
- 5. Logistics and Infrastructure:** Developments, Investments, Suppliers
- 6. Cosmetics, Personal Care and Beauty products:** Imports, Developments, Investments, Main players
- 7. Circular Economy and Recycling:** Trends, **Developments**, Events



This opportunity report is produced by **FRD Center Market Entry Services** – www.frdcenter.ro - one of the pioneer privately owned market entry consulting firms in Romania. Since 2000, FRD Center offers tailor-made market intelligence, B2B matchmaking and market access consulting services to foreign organisations interested to enter the emerging markets in Europe as exporters, consultants, investors or joint-ventures, to relocate their operations, or to source in CE, SE and Eastern Europe.

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- **market research**, investment opportunities assessment, sector studies, market briefs
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- **B2B** matchmaking: <http://www.frdcenter.ro/b2b-business-matchmaking/>
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Sources consulted for this report: business mass media, the companies, official sources

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General Overview of Romania 2019



Area:	238,391 km ²
Resident population:	19,524 thousand inhabitants on 1st of January 2018
Real GDP growth rate:	4.1% in 2018, 7% in 2017
Population by education level:	14.4%: higher education, 41.4%: secondary education, 44.2%: low education
Native language:	Romanian
Main foreign languages:	English, French, German, Italian, Spanish, Portuguese, Russian
Religion:	86.8% Eastern Orthodox
Government:	Parliamentary democracy

Romania is a parliamentary republic and a constitutional democracy. The Parliament of Romania has a bicameral structure and includes the Chamber of Deputies and the Senate. The Deputies and the Senators are elected for a four year term by a popular vote. The latest elections have taken place in December 2016.

Romania has joined NATO on 29 March 2004 and the European Union on 1 January 2007. The country has been a member of the United Nations since 1955. Also, Romania is member of OSCE.

The current Prime Minister since January 2018 is Ms. Viorica Dancila from the center-left party, PSD. The Prime Minister is elected by the largest parliament group. PSD has formed a coalition with ALDE, a center party, in order to form the majority following the



December 2016 parliamentary elections. Currently, the Romanian Government includes 24 Ministers.

The current elected President is Mr. Klaus Iohannis, elected in November 2014 for a five years term. The next presidential elections will take place at the end of 2019.

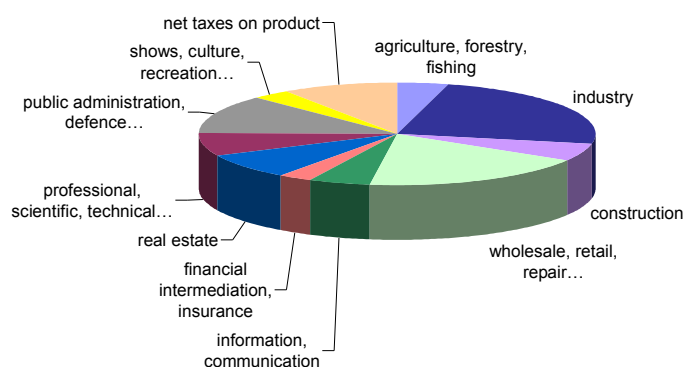
Economic Indicators

An EU member since 2007 and a NATO member since 2004, Romania is a dynamic market in the EU-28, with a population of almost 20 million.

The structure of the GDP in Romania in 2017 has been as follows:

- Agriculture, forestry and fishing	4.3%
- Industry	23.8%
- Construction	5.6%
- Wholesale and retail, repair of motor vehicles and motorcycles, transport and storage, hotels and restaurants	18.4%
- Information and communication	5.2%
- Financial intermediation and insurance	2.7%
- Real estate activities	8.0%
- Professional, scientific and technical activities, activities of administrative services and support services	7.2%
- Public administration and defence, social insurance of public sector, education, health and social assistance	12.2%
- Shows, culture and recreation activities, repair of households goods and other services	3.1%
- Net taxes on product	9.5%

GDP structure in Romania in 2017



Source: National Institute of Statistics, FRD Center

Snapshot of the Macroeconomic Environment, 2015 - 2018

Indicator	2015	2016	2017	2018
GDP - bn RON current prices	712.6	765.1	856.7	949.6
Real GDP growth rate %	3.9	4.8	7.0	4.1
GDP per capita in PPS -Purchasing Power Standards - EU28 = 100	56	59	63	n/a
Population - million	19.861	19.760	19.638	19.524
Unemployment rate %	6.8	5.9	4.9	4.2
FDI - bn EUR	3.035	4.517	4.586	4.936
HICP - inflation rate %	-0.4	-1.1	1.1	4.1
General government gross debt, % of GDP	37.8	37.3	35.1	n/a
Net external debt, % of GDP	27.2	21.7	20.9	n/a

Source: Eurostat, National Institute of Statistics, National Bank of Romania, National Commission for Prognosis, FRD Center



According to FRD Center analysis based on official provisional and revised data from National Bank of Romania, the foreign direct investment in Romania has reached 4.936 billion EUR in 2018, up by 2.9% compared to 2017.

According to latest data available, the average net wage has increased by 17.9% in February 2019 compared to February 2018.

Business Climate

The business climate in Romania is favourable.

According to the European Commission, in March 2019, the Economic Sentiment Indicator - ESI in Romania was of 102.3, compared to 105 in the EU.

International Trade

Trade, Exchange Rate and Current Account, 2015 - 2018

Indicator	2015	2016	2017	2018
Current account balance, % of GDP	-1.2	-2.1	-3.2	-4.5
Trade balance - mEUR	-8,366	-9,972.2	-12,959.8	-15,090
FOB Exports - mEUR	54,596.1	57,392.2	62,644.1	68,160
FOB Exports, % change	4.1	5.1	9.2	8.8
CIF Imports - mEUR	62,962.1	67,364.4	75,603.9	83,250
CIF Imports, % change	7.6	7.0	12.2	10.1
EUR/RON average exchange rate	4.4450	4.4908	4.5681	4.6535

Source: Eurostat, National Institute of Statistics, National Bank of Romania, National Commission for Prognosis, FRD Center

Credit Rating

- In March 2019, Standard & Poor's has maintained Romania's rating at BBB-/A-3, with a stable outlook.

- In August 2018, Moody's has affirmed Government of Romania's Baa3 long-term issuer and senior unsecured ratings, the Baa3 MTN programme rating and the Prime-3 short-term issuer ratings of Romania. The outlook remains stable.
- In November 2018, Fitch Ratings has maintained Romania's long-term foreign-currency issuer default rating (IDR) at BBB, with a stable outlook.

In 2018 compared to 2017 in Romania:

- **industrial production** has increased by 3.5% as gross series
- new orders in **manufacturing**, in nominal terms, have increased by 15.8%
- **turnover in industry**, in nominal terms, has increased by 11.8%
- **retail turnover volume**, excluding trade with motor vehicles and motorcycles, has increased by 5.4% as gross series
- retail turnover volume of food, beverages and tobacco has increased by 6.1% as gross series

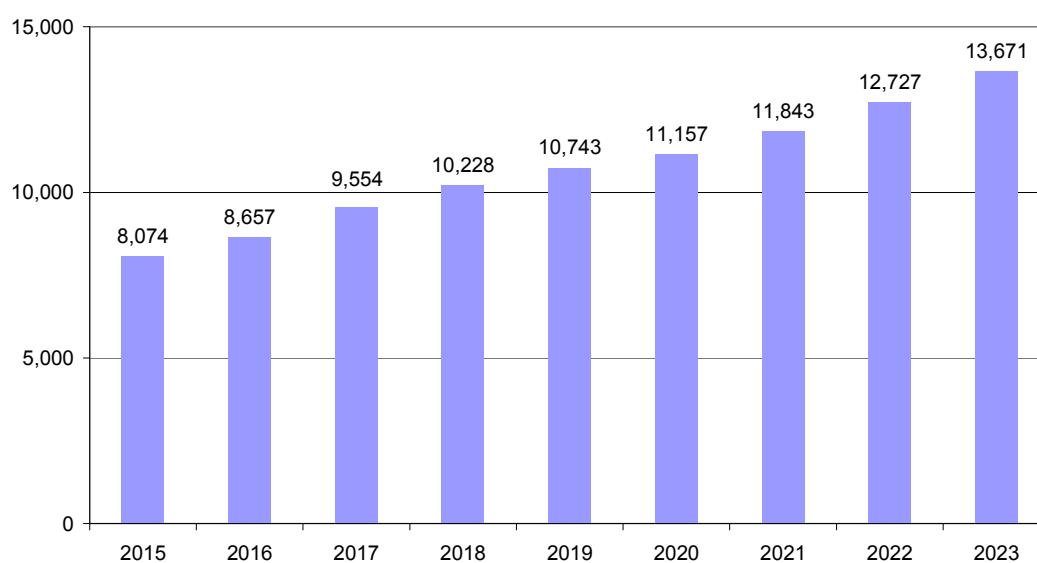
Forecasts

Indicator	2019	2020	2021	2022	2023
GDP per capita EUR	10,743	11,157	11,843	12,727	13,671
GDP bn EUR	211	219	233	250	268
GDP (ann. var. %)	3.3	2.8	2.8	2.7	2.7
Private consumption (ann. var. %)	4.3	3.5	3.2	3.1	3.0
Government consumption (ann. var. %)	2.1	1.3	1.4	1.5	1.6
Fixed investment (ann. var. %)	2.7	3.2	3.4	3.5	3.5
Industrial production (ann. var. %)	3.9	3.7	3.6	3.5	3.4
Disposable income (ann. var. %)	6.1	4.7	4.1	3.5	3.0
Unemployment (% of active population, aop)	4.2	4.5	4.7	4.8	5.0
Public debt (% of GDP)	35.7	36.7	37.2	37.5	37.9
Inflation (CPI, ann. var. %, aop)	3.2	3.0	2.9	2.8	2.7
Current account balance (% of GDP)	-4.4	-4.2	-3.9	-3.7	-3.4

Indicator	2019	2020	2021	2022	2023
Current account balance (bn EUR)	-9.3	-9.1	-9.1	-9.2	-9.1
Merchandise trade balance (bn EUR)	-15.5	-16.2	-16.7	-17.0	-17.1
Merchandise exports (bn EUR)	67.5	71.2	75.1	79.4	83.9
Merchandise imports (bn EUR)	82.9	87.4	91.8	96.3	101.0
Merchandise exports (ann. var. %)	7.1	5.5	5.5	5.6	5.7
Merchandise imports (ann. var. %)	7.5	5.4	5.0	4.9	4.8
External debt (% of GDP)	49.3	48.7	47.2	45.7	44.1

Source: FocusEconomics, FRD Center

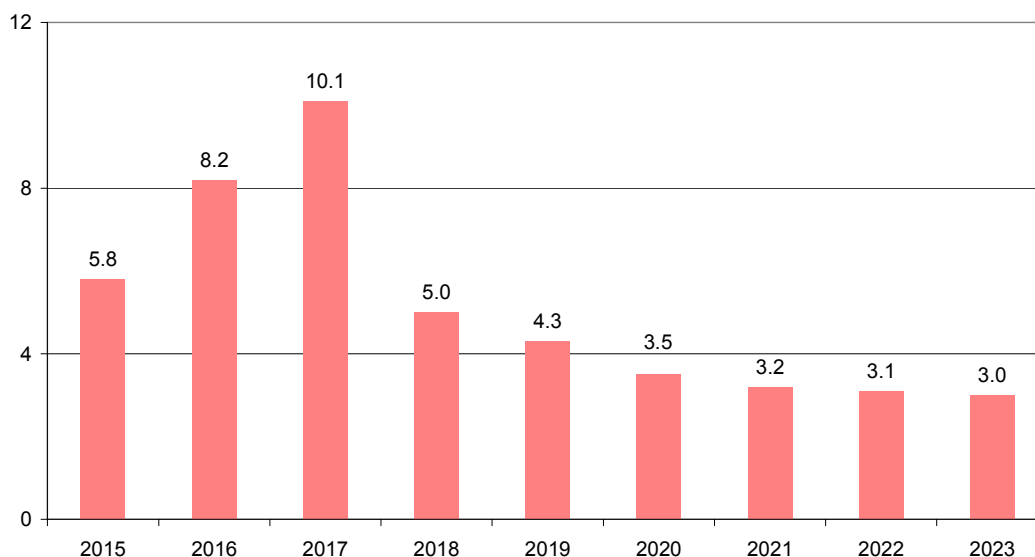
GDP per capita in Romania (EUR)



Source: FocusEconomics, FRD Center



Private consumption in Romania (ann. var. %)



Source: FocusEconomics, FRD Center

In mid-February 2019, the Romanian parliament approved the budget for the current year, which targets a fiscal deficit of 2.8% of the GDP and projects a GDP growth of 5.5% for 2019. Many analysts consider both projections to be optimistic.

Labour shortages and lower employment gains will weigh on consumer spending, while new taxes on corporations and rising labor costs will restrain investment. Downside risks stem from the large fiscal and current account deficits and recurrent political clashes with the EU. FocusEconomics analysts expect a GDP growth of 3.3% for 2019.

Founded in 2000, FRD Center (www.frdcenter.ro) is a pioneer privately-owned market entry and M&A advisory firm in Romania. FRD Center facilitates quality business relations between foreign and Romanian companies and assists local company owners in Romania in finding international investors and business partners. To International Export Promotion and Governmental Agencies, FRD Center provides services for incoming and out-going Trade Missions, market reports, B2B matchmaking with local decision makers in Romania and other markets in Emerging Europe.



1. Agriculture

Precision, Organic, Machinery, Investments

a) Sector brief

The Romanian agriculture has a great potential and attracts foreign attention from investors, exporters, manufacturers and processors. The agricultural outputs in Romania have reached record levels in the recent years.

Romania benefits from EU grants and Government co-financing under the National Rural Development Programme (NRDP) 2014 - 2020. By 28 March 2019, cumulated payments of approximately 3.4 bnEUR have been made in Romania within NRDP 2014 – 2020, out of which almost 89.5 mEUR for the Measure 11 - Organic Farming.

The wheat production has recorded 10,272 thousand tonnes in 2018 in Romania, which ***according to the FRD Center analysis*** represents up by 2.4% compared to the previous year. Furthermore, the Romanian barley production has reached 1,392 thousand tonnes in 2018, up by 9.4% compared to 2017.

The area under organic farming has a share of approximately 1.9% in the total utilised farming area in Romania. The country has favourable conditions for the organic agricultural production in terms of climate, natural conditions and soil. The utilised organic agricultural area in Romania has reached 258,471 hectares in 2017, up by 14.2% compared to 2016, ***according to the FRD Center research***.

The largest organic agricultural surface in Romania is that cultivated with cereals, followed by industrial crops, permanent grassland, plants harvested green, permanent crops, fruits from temperate climate zones, grapes, fresh vegetables and strawberries.

Orgapic has an organic certified surface of 3,698 hectares in 2018. The company is certified to produce wheat, barley, soy, sunflower, triticale, sugar beet, pea and

According to the FRD Center research, some examples of relevant players certified in the organic agriculture in Romania are: Orgapic (vegetal farming), Emiliana West Rom (vegetal farming), Agricultural Cooperative Bio Carpathia (animal farming), Senator Wine (vineyards), Lena Fruct Sylvania (fruits and vegetables) etc.



mustard. Based in Iasi county, NE Romania, Orgapic is certified as organic producer by Austria Bio Garantie Enzersfeld, Bucharest Subsidiary.

The Agricultural Cooperative Bio Carpathia has been founded in 2014 through the association of three organic milk producers. Currently, Bio Carpathia includes 52 farmers which supply organic milk to the dairy producers Napolact and Covalact. Bio Carpathia has benefited from an EU funding of 50,000 EUR. Bio Carpathia has forecasted a turnover of around 2.4 mEUR in 2018, a double level compared to 2017.

According to the FRD Center analysis, some of the most dynamic importers and dealers of agricultural machinery operating on the Romanian market are: IPSO, Mewi Import Export, General Leasing, Agritehnica Service, NHR Agropartners, Titan Machinery etc.

The agrotechnology market in Romania is quite competitive and the offering is varied, with both imported and domestically produced agricultural machinery and equipment.

Investments in Romanian agriculture represent interesting opportunities for foreign investors.

Romania's strategic advantage is its position as a GATEWAY to the EU, on one hand, and to large markets in the region such as Russia, Turkey, Kazakhstan, Ukraine etc. that are not part of the EU. ***FRD Center facilitates quality business relations between foreign and local companies and assists local company owners in finding international investors and business partners.***

For a foreign agriculture private equity fund or strategic investor, acquiring a local player in the organic agriculture sector in Romania could present a good opportunity.

Also a good opportunity for market expansion for a foreign organic food processor is to acquire a Romanian firm in view of turning it into a producer of bio foods and beverages to address the local market demand.

Acquisition of agricultural land in Romania in order to set up organic cultivates is also a good opportunity for a foreign player.

Other good investment opportunities for foreign company in Romania include:

- Acquire and develop storage and logistic facilities
- Develop supply chains for organic raw materials to processors and end-users



For example, the UAE-based Al Dahra has acquired in August 2018 the Romanian agricultural farm Agricost for approximately 230 mEUR. In the next five years, Al Dahra intends to invest 500 mEUR in Romania in various projects: to develop a grain collection point with the capacity to manage two million metric tonnes of cereals, to acquire an operating point at the Constanta Port to facilitate grain exports, to modernise the existing portfolio of agricultural machinery and technologies, to purchase additional agricultural land etc.

The precision agriculture in Romania requires the introduction of advanced technologies and equipment in order to make the agricultural process more efficient and to ensure the production control.

The precision agriculture is considered a big step towards progress for the farms in Romania which have started to acquire modern technologies, such as: automated GPS systems, soil sensors, agricultural drones, agricultural applications etc.

The digitalisation in agriculture is a priority at the EU level and therefore special funds are targeted for the new Common Agricultural Policy 2021 - 2027. For Romania, in the rotating Presidency of the Council of the EU between 1st of January and 30 June 2019, the modernisation of the agricultural sector through digitisation is considered as a priority pillar.

The 3rd edition of the Precision Agriculture Forum has taken place in Bucharest in February 2019. The event has included a Conference, AgTech Show and Business Cocktail. The special guest of the event has been Mr. Jacob van den Borne, one of the pioneers of the precision agriculture in the Netherlands, present for the first time in Romania. He is an active member of the working group dedicated to the precision agriculture in the European Commission (EIP-AGRI).

b) Opportunities: *CROSBORDER MERGERS&ACQUISITIONS, KNOW-HOW EXCHANGE, PROCESSING TECHNOLOGIES, STORAGE FACILITIES, INVESTMENTS, EU FINANCING MODERN AGRO-TECHNOLOGIES*

Are you a foreign player interested to make the best of the Market and Investment Opportunities in Romania? Perhaps the FRD Center team could be of assistance to you.



2. BPO, SSC, Software and Outsourcing

Main players in the market, New entries, Market expansion

a) Sector brief

According to international players, if you need to outsource your software development or part of your business processes, Romania is hard to beat as a destination for ITO and BPO. The Romanian outsourcing market has had a significant evolution, and according

Romania is a recognised hub for BPO and SSCs in Europe, competing with global destinations such as India, and a popular near-shoring location due to an appropriate working mindset and attitude of employees, a wide range of foreign languages spoken, strong IT, finance and accounting skills, good labour arbitrage and lower costs compared to Western Europe.

to a recent CBRE study, it has tripled. 47% of the Romanian outsourcing companies are offering software services, both development, and maintenance, 17% are active business service providers for accounting, support or human resources, while 12% mainly provide call center services.

The business services and outsourcing market has recorded significant growth and maturity in Romania in the recent years, being characterised by valuable solutions,

diversification of services, innovation, intelligent automation adoption, focus on data analytics, digital incorporation into the business model, high quality employment etc.

For a FRD Center [Case Study regarding BPO market expansion support](http://www.frdcenter.ro/portfolio/acquisition-target-search-in-romanian-bulgarian-bpo/) in the region go to: <http://www.frdcenter.ro/portfolio/acquisition-target-search-in-romanian-bulgarian-bpo/>

A recent report also highlighted that the cost of call center outsourcing in Romania is cheaper than when relying on Indian resources.

Around 6.000 professionals are estimated to be hired in the outsourcing sector in Romania in 2019, according to a study conducted by Romanian Business Service Leaders Association (ABSL) and consultancy company KPMG. The Romanian outsourcing industry is among the most dynamic in the region, with a potential of 300.000 people enrolled in the sector, doubling the current staff.



Various foreign players are setting up their European operations in Romania. They are acquiring local independent players or setting up Greenfield operations.

According to the FRD Center analysis, some of the main providers of BPO services in Romania are: Genpact, Computer Generated Solutions, Accenture, Webhelp, Wipro Technologies, WNS Global Services, Comdata etc.

According to the FRD Center research, some examples of software developers in Romania which have experience in the healthcare sector are: Mida Soft Business, Ortec, Cegeka, Datanet Systems, Star Storage etc. As an example, Mida Soft Business has launched in 2018 a solution for the medical field, called ERA Medical.

The Romanian software market is one of the most dynamic sectors in Europe, presenting numerous opportunities for foreign players interested to enter the region.

The modernisation of the key economic sectors in Romania, such as digitalisation, is expected to continue offering opportunities for providers in the IT sector in the healthcare, banking, oil, gas, energy and telecommunications sectors.

According to the FRD Center analysis, some examples of players in Romania providing IT and Software Outsourcing services are: Cronus eBusiness, Connections Consult, EXE Software, Zitec Com, Cegeka etc.

Established in 2005, Connections Consult has experience in software outsourcing, with projects in the areas such as energy, services, public sector etc. The company has recorded in 2017 a net turnover of 5.1 mEUR.

Software services provider SoftOne Romania, the development hub of the Greek company SoftOne Technologies in Southeast Europe, ended the year 2018 with revenues of approximately 850,000 Euro, up 40% over the previous year. The company estimates revenue growth of around 37% for the end of 2019.

b) Opportunities: *M&A, CROSSBORDER PARTNERSHIPS, SERVICES, EXPERTISE, EMPLOYMENT, TECHNOLOGY EXPORT, TRAINING*

Are you looking to expand on the Romanian or Eastern European BPO market through the acquisition of a local player? A Merger&Acquisition?



3. Automotive Manufacturing

OEMs, Components Manufacturing, Developments

a) Sector brief

The turnover generated by the automotive industry in Romania has increased by 20% in 2018 compared to 2017, reaching 28 bn EUR, according to the ACAROM Association. It has been the fastest annual increase in the last seven years in Romania. More details at <https://market-entry-romania.blogspot.com/2019/02/romanian-automotive-manufacturing.html>

The local automotive industry includes two car producers - Dacia and Ford - and over 400 automotive parts manufacturers.

Dacia has produced 335,262 vehicles in 2018, which according to the FRD Center research, is up by 6.8% compared to 2017. The manufacturer has sold 54,593 vehicles in Romania in 2018, up by 26.2% compared to 2017, reaching a market share of over 30% in the total sales of new vehicles on the domestic market. Furthermore, Dacia has sold over 646,000 vehicles on international markets in 2018, up by 7% compared to the previous year.

Automobile Dacia, acquired by the Renault Group in 1999, is the main producer of auto vehicles in Romania. Dacia produces in its plant in Arges county, Southern Romania, the following models of auto vehicles: Logan, Logan MCV, Logan MCV Stepway, Sandero, Sandero Stepway, Duster, Lodgy, Lodgy Stepway, Dokker, Dokker VAN.

Ford has a plant in Craiova, SW Romania, acquired in 2008. Ford has produced 141,507 auto vehicles in 2018, this representing a significant increase of 184.3% compared to 2017. The Ford plant in Craiova has tripled the production of its EcoSport SUV model in 2018 compared to the previous year.

Romania is an attractive market for the foreign manufacturers of automotive components. The manufacturing of the auto components is a dynamic sector in Romania, benefitting from ongoing foreign investments, an educated and productive labour force and a long tradition of industrial manufacturing, metal working and casting.

According to the FRD Center analysis, the domestic market of automotive components is dominated by big foreign companies that have manufacturing facilities in Romania, such as: Continental, Michelin, Autoliv, Takata, Schaeffler, Johnson Controls, Pirelli, Delphi, TRW Automotive, Leoni, Draxlmaier, Yazaki, Daimler etc.

Key foreign manufacturers of automotive components have been attracted in Romania by the investments made by the domestic manufacturers of auto vehicles Dacia and Ford.

Continental has invested 240 mEUR in its local operations in 2018, in infrastructure, equipment and cutting-edge technology. Continental has seven production units and four research and development centers with over 20,000 employees in Romania, being among the largest employers on the domestic market.

Sogefi Suspensions Eastern Europe will invest approximately 50 mEUR for the construction of an automotive suspension components plant in Oradea, NW Romania.

How to select automotive manufacturers in Romania? From the FRD Center activity to date: Search and Selection of providers of complex services in technology manufacturing in Romania for a major global automotive OEM. More details at <http://www.frdcenter.ro/portfolio/technology-sourcing-for-automotive-oem> For almost 20 years, FRD Center provides market entry consulting services to foreign companies interested in market expansion to Eastern Europe.

b) Opportunities: *CROSSBORDER ACQUISITIONS OF LOCAL PLAYERS, TECHNOLOGY EXPORT-IMPORT, FACILITIES, PRECISION TOOLS AND MACHINERY, INDUSTRIAL ROBOTS, GREENFIELD INVESTMENT*





4. Healthcare and Medical Services

Expansion of Private Healthcare, Developments

a) Sector brief

The Romanian healthcare sector is undergoing considerable reform and development. Both the public and private healthcare systems are expected to improve, expand and develop in the next years.

According to the FRD Center research, the main private providers of healthcare services in Romania are: MedLife, Regina Maria, Sanador, Synevo, Gral Medical, Polisano, Medicover, Sante, Monza etc.

MedLife, the leader of the private medical services market in Romania, has recorded a turnover increase of 29% in 2018 compared to 2017, while EBITDA has increased by 33%. In January 2019, MedLife has announced its first

international acquisition, namely the majority stake of the Rozsakert Medical Center network in Hungary. MedLife is the first Romanian private healthcare group to expand abroad. The company's acquisition plans, as well as its development on other business segments, will continue in 2019.

Regina Maria, the second largest provider of private medical services in Romania, has announced in January 2019 the acquisition of a network of five imaging centers in Timis county, with business worth over 1.7 mEUR in 2018. Thus, Regina Maria consolidates its presence in the Western region of Romania.

More details about the Expansion of the Romanian Private Medical System at

<https://market-entry-romania.blogspot.com/2019/02/expansion-of-romanian-private-medical.html>

The public healthcare system in Romania continues to receive financial support for acquisition of new equipment, for refurbishment and modernisation. ***According to the FRD Center analysis*** some examples are:

- The County Emergency Hospital Dr. Constantin Opris in Baia Mare, NW Romania has put into operation a new national radiotherapy center in April 2019. The building has been built with the Hospital's own funds while the equipment worth 2.2 mEUR has been acquired by the Ministry of Health within a project with the World Bank.

- The Ministry of Health allocates around 2mEUR to the hospitals in Arad county, Western Romania in order to acquire medical equipment.
- The Ministry of Health has delivered in March 2019 a nuclear magnetic resonance device to the County Hospital in Ramnicu Valcea, SW Romania. The Ministry has invested around 2mEUR in the Hospital for the acquisition of new equipment.
- The investment project in the children neuro-psycho-motor recuperation department within the Techirghiol Balnear & Rehabilitation Sanatorium, SE Romania has started in March 2019. The project made by the National Investment Company is estimated at approximately 5.6 mEUR.
- The Romanian Government has approved in March 2019 investments of around 15 mEUR at the Bucharest Emergency University Hospital. The investment project targets the acquisition of new medical equipment for 11 surgery rooms.
- The construction works at the Sf. Spiridon Hospital in Mioveni, Southern Romania are expected to be finalised in H2 2019, with investments of 68 mEUR. It is the most expensive state hospital built in Romania after 1989.

One significant investment in the public healthcare sector in Romania has been made at the Suceava County Hospital, located in the NE region of Romania. The Hospital has completed in 2018 an investment of 50 mEUR in rehabilitation and modernisation, started in 2009. For this investment, the hospital has used own funds, EU funds and money from the Ministry of Health, Suceava County Council and Suceava Local Council.

b) Opportunities: *MERGERS & ACQUISITIONS, MODERN TECHNOLOGIES, EQUIPMENT, DEVICES, CONSUMABLES, LABORATORY, TENDERS, CROSSBORDER ACQUISITIONS*





5. Logistics, Transportation and Infrastructure

Developments, Investments, Suppliers

a) Sector brief

According to the FRD Center research, the European Commission has approved on 2 April 2019 grants amounting to approximately 1.9 bn EUR for four major infrastructure projects in Romania.

The amount of over 1 bn EUR is allocated for Bucharest's southern ring road project stretching over 51 km including for road junctions.

The amount of 100 mEUR is approved for the upgrade of Bucharest's subway line M2, including technical interventions and works, acquisition of subway trains, reconstruction of the track, electrical and sanitary infrastructure along the 19 km underground line.

Another 600 mEUR will target a project to prevent coastal erosion on the Black Sea coast while 135 mEUR will go into water and sewage networks in Timis county, Western Romania.

The Romanian Ministry of Transport intends to begin projects worth approximately 3 bn EUR in 2019. Among the targeted projects are the railway link between the central station and the airport in Bucharest and the 6th Line of the Bucharest subway network.

All these projects approved by the European Commission are part of the Large Infrastructure Operational Programme.

Various investments currently take place in the Constanta Port, the biggest port in Romania. The company that manages the Port - Constanta Maritime Ports Administration - has awarded the Italian group Impresa di Costruzioni Ing. E. Mantovani a 30 mEUR contract for modernising the infrastructure of Constanta Port. The contract has been signed in November 2018 and the Italian company has 20 months to complete the works, which include deepening the port's basins from 7 meters to 9 meters.

One example of private investment in the Constanta Port is the one made by the operator Comvex. The company will complete in 2019 the construction of a cereal

terminal in the Constanta Port with investments of around 51 mEUR. The terminal will include separate spaces for the storage of bio products.

The Norwegian shipbuilder Vard has signed in 2018 a contract worth 527 mEUR to build in its shipyard in Tulcea, SE Romania three coast guard vessels for the Norwegian Defence Materiel Agency. The vessels will be equipped and delivered starting with 2022. Furthermore, the Vard shipyard in Tulcea builds the hull of a ship for the Italian cable producer Prysmian, with 170 mEUR, which will be used for installing underwater cables.

The Romanian Rail Reform Authority has launched in April 2019 tender for 40 electric units to operate on suburban and regional routes with an option for another 40 trains. The total estimated cost is around 360 mEUR for the first 40 electric units and could amount to 960 mEUR for the total of 80 trains, with maintenance for 30 years. The bids can be submitted until 3 June 2019 and evaluated by 5 August 2019. The project financing is provided through the Operational Programme Large Infrastructure and the co-financing is ensured from the state budget.

FRD Center is closely monitoring the Logistics and Transportation sector, generates on-demand market research and facilitates direct contact with decision makers and players in the industry. More details at <http://www.frdcenter.ro/portfolio/target-origination-in-aggregates-market-in-romania/>

b) Opportunities: TECHNOLOGY, CROSSBORDER PARTNERSHIPS, EQUIPMENT, FACILITIES INVESTMENT AND DEVELOPMENT, QUALITY CONTROL, SERVICES, EU FUNDING





6. Cosmetics, Personal Care and Beauty products

Imports, Developments, Investments, Main players

a) Sector brief

According to FRD Center analysis based on official data from the National Institute of Statistics, the retail turnover volume of non-food products in Romania has increased as gross series by 12.6% in February 2019 compared to February 2018 and by 6.1% in 2018 compared to 2017.

The Romanian market of beauty products and cosmetics is estimated at 1.2 bnEUR. The market has registered an advance of approximately 4.5% y-t-y and continues to expand, based on imported brands as well as locally produced ones.

According to the FRD Center research, some of the main beauty retail chains operating on the Romanian market are: Sephora, Kiehl's, Douglas, dm, Beautik, D&P Perfumum, Kendra, Inglot, Marionnaud and Melkior.

L'Oreal Romania, the second most important player in the local cosmetics industry, has reached a network of 12 own stores with the opening of a Kiehl's unit in January 2019 in Timisoara, Western Romania. L'Oreal Romania has recorded a turnover of approximately 81 mEUR in 2017, up 17% compared to 2016.

To answer the increasing market demand for beauty and cosmetics products, Kaufland Romania has inaugurated in

February 2019 in Bucharest its first beauty shop. Named K Beauty, it is located in the shopping gallery next to the food court area and has a sales area of over 13 sqm. The make-up products available in the K Beauty shop come from the brands L'Oreal, Revlon, Bourjois, Rimmel or Maybelline and perfume brands such as Burberry, Calvin Klein, Hugo Boss, Dolce & Gabbana, Escada, Issey Miyake, Joop, Gucci, Cerruti etc.

The dm Group has entered the Romanian market in 2007. Currently, it has a chain of approximately 100 stores, out of which around 15 new stores opened in 2018. The retailer has recorded in Romania a net turnover of 67 mEUR in 2017, up 20% compared to 2016. For the next years, dm targets to open new stores with bigger surfaces and in locations with street visibility.

According to the FRD Center research, some of the main producers of cosmetics, personal care and beauty products in Romania are: Farmec, Gerocossen, Ivatherm, Cosmetic Plant, Genmar Cosmetics etc.

FRD Center regularly provides B2B matchmaking services in the beauty and skin care sector in Romania and in other markets in the region, such as Poland, Serbia, Bulgaria, Lithuania and Hungary.

As an example, FRD Center assisted a Greek producer of beauty and skin care items looking to expand its presence onto the Emerging Markets in Europe, such as Romania, Poland and Hungary.

The Client have commissioned FRD Center to carry out market scan and comprehensive B2B matchmaking with relevant players in these markets, B2B with Decision Makers in skin care market in Eastern Europe. More details at

<http://www.frdcenter.ro/portfolio/b2b-with-eastern-europe-decision-makers-in-skincare>

b) Opportunities: *CROSSBORDER COLLABORATIONS, EXPORT-IMPORT, CHEMICAL SUBSTANCES, TECHNOLOGY, BRANDS, PRIVATE LABEL, PACKAGING, RETAIL*





7. Circular Economy and Recycling

Trends, Developments, Events

a) Sector brief

Being a major part of the sustainable development, the opportunities in the circular economy are directly related to the environmental protection and the increase of the competitiveness, innovation and technological research.

Romania is at risk of missing the 2020 target of 50% preparation for re-use / recycling of municipal waste. Currently, Romania recycles only 5% of the municipal waste.

The Romanian Government has adopted the Emergency Ordinance no 74 / 2018 which brings changes to the legislation on the packaging market starting with 1 January 2019, by increasing the minimum recycling targets as follows:

- overall recovery target from 60% to 65%
- overall recycling target from 55% to 60%
- paper-cardboard recycling target from 60% to 70%
- plastic recycling target from 22.5% to 45%
- glass recycling target from 60 to 65%
- aluminium recycling target from 21 to 30%
- wood recycling target from 15 to 50%

Further actions to support Romania's efforts to improve its waste management include:

- spending of EU funds
- communication and awareness-raising
- technical support to local authorities
- separate collection
- economic incentives
- extended producer responsibility (EPR) schemes

According to the FRD Center analysis, some of the Romanian players that are taking steps towards the implementation of circular economy measures include:

The Romanian producer of construction materials TeraPlast Group has set up TeraPlast Recycling Company, following the separation of its recycling business line. During August 2018 - March 2019, the recycling section has operated at a monthly average capacity of 650 tonnes of rigid PVC. The recyclable material comes from both own production and purchases.



The Romanian company GreenWeee International, specialised in the treatment and recycling of waste electrical and electronic equipment (WEEE), has recorded a turnover of over 20 mEUR in 2018, up by 29% compared to 2017.

The Coalition for Circular Economy is an active association in Romania targeting to accelerate the transition to a sustainable and resource-efficient economy. It has organised various seminars and conferences. One example is their conference

"Reporting and settlement mechanisms regarding the fulfilment of waste disposal targets in packaging", organised in January 2019 in cooperation with the Romanian Association of Waste Management.

Terran has inaugurated in 2018 a concrete tile factory in Campia Turzii, Cluj county, NW Romania, following an investment of 5 mEUR. The production unit has a closed technological process, through which the environmentally-friendly raw materials are reused after a recycling process.

At this Conference, have participated representatives of the central authorities (Ministry of Environment, Ministry of Economy, Environmental Fund Administration, National Environmental Guard, Environment Commissions of the Chamber of Deputies and the Senate etc), representatives of the local authorities (City Halls, County Councils etc), representatives of the business environment (recyclers, collectors, sanitation operators etc), professional associations and NGOs. There where discussed topics such as: Waste flow and funding for separate collection, Producers' costs for packaging waste management, Prospect of achieving recycling targets in Romania.

IRCEM – the **Romanian Institute for Research in Circular Economy and Environment** “Ernest Lupan” is a non-governmental organisation, set up in 2012 at the initiative of the Technical University in Cluj Napoca. It has successfully implemented 30 projects, such as: Development of Cluster for Circular Economy and Organisational Sustainability – CESCO, Eco-responsible Entrepreneurship Student Festival, Conference “Technology and Cooperation in Business – Circular Economy and Resources’ Efficiency” etc.

b) Opportunities: *CONSULTING, EXPERTISE, TECHNOLOGY, EQUIPMENT, QUALITY CONTROL, CROSSBORDER PARTNERSHIPS*



Market entry with FRD Center

FRD Center is monitoring the market and investment opportunities in Romania.

Upon demand, FRD Center analyses the specific sectors and the dynamics of the players and generates market intelligence, competitor and sector analyses.

For 20 years, FRD Center facilitates commercial relations between foreign manufacturers, investors, exporters with local key decision makers and provides B2B matchmaking, M&A advisory, Trade Missions, Inward Buyer Missions, Roundtables etc.



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For tailored Market Research, New supplier qualification, B2B Matchmaking with local players in the sector, Deal Origination and M&A assistance feel free to contact

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