



**Koninkrijk  
der Nederlanden**

## **Romania – Economic Newsletter**

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Netherlands in Bucharest**

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*The Embassy of the Kingdom of the Netherlands in Bucharest publishes a monthly economic newsletter, distributed by e-mail. The material published in this newsletter is compiled by the staff in the Economic and Agriculture sections on the basis of publicly available information, from various sources (Rompres news bulletins, National Institute for Statistics, Nine O’Clock, Capital, Ziarul Financiar, Business Review) and reflects the developments of the month. It does not represent the opinion of the Embassy of the Kingdom of the Netherlands or any other official body. No responsibility for factual accuracy can be taken. Those interested in receiving the newsletter are requested to contact the above listed telephone and/or fax numbers or the e-mail address. Comments and suggestions are appreciated.*

### **EUR / USD exchange rates against RON**

Average March 2007 exchange rates were:

1 EUR = 3.3694 RON

1 USD = 2.5447 RON

Source: National Bank of Romania ([www.bnr.ro](http://www.bnr.ro))

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## Macroeconomics

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### **0.04% inflation in February 2007**

According to the data published by the National Statistics Institute the inflation was of 0.04% in February 2007.

### **February 2007 net average salary**

According to the data published by the National Statistics Institute, February 2007 net average salary was of RON 941, increasing by 2.5% as compared to the previous month.

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## Trade

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### **February 2007 trade deficit stood at EUR 1.336 billion**

According to the data published by the National Statistics Institute, Romanian FOB exports were in value of EUR 2.317 billion in February 2007, up by 10.2% as compared to the same period of 2006, while the CIF imports reached EUR 3.653 billion, up by 27.5% as against the same period 2006. As a result, the trade deficit was in February 2007 of EUR 1.336 billion. Romania's trade deficit rose to EUR 2.566 billion in the first two months of 2007, up with EUR 1.166 billion reported in the same period last year.

Between January-February 2007, the value of the intracommunitarian (EU 27) goods exchanges was of EUR 3.142 billion for outgoings – representing 71.9% of total Romanian exports, and EUR 4.972 billion for incomings – 71.7% of total Romanian imports.

According to the Ministry of Small and Medium-sized Enterprises, Commerce and Tourism, at 31.12.2006, the value of goods exchanged between Romania and the Netherlands, was of EUR 1.238 billion, up by 16.2% as compared to 2005. Exports from Romania to the Netherlands rose to EUR 637.3 million, and imports from the Netherlands to Romania amounted to EUR 739.6. The trade deficit was EUR 102.3 million.

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## Legislation

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### **New regulations regarding the secondment by EU/EEA companies to Romania**

Further to the implementation into the national legislation of Directive 96/71/EC on the posting of workers in the framework of transnational services (the Law no 344/2006), Romanian authorities have established the specific procedure regulating the secondment of expatriates by companies located in the European Union / European Economic Area. Romanian companies that engage expatriates from EU/SEE companies on a secondment basis should notify the Territorial Labour Inspectorate (ITM), by means of registration of:

- a secondment notification no later than the first day of activity in Romania,
  - a statement regarding the legality of the employment of the foreign secondee in the EU / EEA country that assigned him/her to the Romanian company – in case of non-EU nationals only
- The Romanian employers that engage expatriates seconded by EU/SEE companies should also produce supporting documentation, in the event of an ITM inspection, consisting of the cooperation contract with the EU/EEA seconding company, the secondment letter and evidence that the Romanian Labour Code is observed. In case of failure to comply with the obligation of notification, penalties might be imposed on the Romanian company.

### **New clarification from the National Customs Authority (NCA) on the discharge of suspensive customs regimes opened before Accession**

According to the recent instructions sent by NCA to all customs offices, when discharging the inward processing and temporary admission customs regimes by release of the goods for free circulation, the following items of law shall apply:

- Law no. 141/1997 for operations initiated before 18 June 2006;
- Law no. 86/2006 for operations initiated after 18 June 2006.

These instructions must be applied for discharge of customs operations as of 1 January 2007, which may mean that customs operations already closed must be reconsidered. The NCA further stipulates that goods that are released from D type bonded warehouse must be customs cleared according to EU rules, except for the exchange rate, which will be that in the initial bonded warehousing declaration.

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## **Taxation**

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### **The modification and completion of Law no.571/2003 regarding the Fiscal Code.**

Starting with 15th April 2007 and until 31st December 2008 the VAT related to imports should be paid to Customs Authorities. As an exception the reverse-charge mechanism can still be applied for VAT related to imports in case of taxable persons established and registered for VAT purposes in Romania that have obtained a certificate for postponing the payment of the VAT. Also starting with 15th April 2007 the VAT should be guaranteed to the Customs Authorities, in case of import of goods, including exempt goods. The conditions and procedure for the application of the above mentioned will be established by an Order of Ministry of Finance that will be issued within 5 working days from 15th April 2007. See *Government Ordinance no.22/2007 – Official Gazette no.230/ 3rd April 2007*.

### **New VAT provisions**

The Minister of Public Finance has issued Order no. 110/24.01.2007. Companies registered for VAT purposes in Romania can now request to use the semester or the year as their fiscal period. Companies performing taxable operations for a period of maximum 3 months during a semester can use the semester as a fiscal period. Companies performing taxable operations for a period of maximum 6 months during a year can use the year as a fiscal period. Order no. 273/20.02.2007 has been issued regulating the form and filling-in instructions of the "Certificate attesting the status of taxable person registered for VAT purposes". This certificate may be required by the tax authorities of another Member State or third country from Romanian companies claiming the refund of VAT from the respective country. The Certificate is valid for one year from its issuance.

### **Changes regarding VAT payment for import**

The Romanian Government has ratified an Emergency Ordinance regarding the payment of value added tax for the import of goods from outside the European Union. The Emergency Ordinance is to be published in the Official Gazette. From 15 April 2007 and effective until 31 December 2008, companies registered for VAT purposes are required to effectively pay the VAT for import of goods, unless they secure a deferment certificate. The requirements for issuance of a deferment certificate will be established at a later date, by order of the minister of public finance.

### **Amendment of the Orders regarding the administration of major and medium-sized taxpayers**

Order 327/2007 to amend and supplement Order 1074/2007 regarding the administration of medium-sized taxpayers at the Bucharest General Directorate of Public Finance ("DGPF Bucharest"). The Minister of Public Finance has also issued Order no. 328/2007 to amend and supplement Order no. 753/2006 regarding the administration of major taxpayers at the General Directorate of Major Taxpayers Administration ("GDMTA"). As of 1 April 2007, medium-sized taxpayers administrated by the DGPF Bucharest are to have their branches administrated by the competent local tax offices. Competent local tax offices will also administrate the branches of major taxpayers outside Bucharest and Ilfov. Major or medium-sized taxpayers are recategorised in the year following the fourth consecutive year in which they fail to meet the criteria of their respective category. The lists of major and mediumsized taxpayers have both been published.

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## **Foreign investment**

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### **Foreign investment at the end of February 2007**

At the end of February 2007, according to the data published by the National Office of the Trade Registry there were 134,331 companies registered in Romania with foreign participation in the social capital, total foreign investment amounting to EUR 15.6 billion. The top of the first five foreign investors was led by the Netherlands, with 2,750 companies registered and total invested capital of EUR 3.1 billion, followed by Austria with 4,303 companies and a total investment of EUR 2.2 billion, Germany with 14,433 companies and a total investment of EUR 1.6 billion, France with 4,806 companies and an investment of EUR 1.5 billion, and Italy with 22,011 registered companies and a total investment reaching EUR 0.7 billion.

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## Energy

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### **Over 62 billion KWh generated in Romania in 2006**

As many as 62.207 billion KWh were generated in Romania in 2006, up 4.7% (2.808 billion KWh) from 2005, say data from the National Statistics Institute. Co-generation plants produced the largest amount - 38.237 billion KWh, up 13.6% from 2005, hydropower stations generated 18.339 billion KWh, down 9.3%. The nuclear power plant in Cernavoda (south-eastern Romania) produced 5.631 billion KWh, up two percent from 2005. In 2006, Romania imported 989.3 million KWh and exported 5.261 billion KWh. Of the total amount of electricity, 40.784 billion KWh (64.5%) went to the economy, 8.957 billion KWh (14.2%) to households and 606,500 million KWh (one percent) to public lighting. Own technological consumption in stations and grids stood at 7.587 billion KWh (12% of the output), up 1.2% from 2005. The main resources of primary energy totalled in 2006 as many as 41.951 million oil equivalent tonnes, of which 24.591 million tonnes from domestic consumption and 17.36 million tonnes from import.

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## Infrastructure & transport

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### **EUR 1.6 billion Bucharest - Brasov highway construction officially inaugurated**

The construction of the Bucharest - Brasov highway officially begun on March 15. The estimated value of the project is EUR 1.8 billion, with a deadline set for 2012. The first segment of the construction connects Ploiesti to Moara Vlasiei. The highway, set to cross four counties, was first supposed to cost EUR 1.6 billion but the price grew due to the general price growth for construction materials. The construction will be 173.3 kilometres long, in five sections, will have two lanes per direction and 14 parking and service facilities are to be built along the road.

### **Rehabilitation of southern branch of Pan-European transport corridor IV to exceed EUR 450 million**

The rehabilitation of the southern branch of pan-European transport corridor IV will require investment of over EUR 450 million, with the last segments to be rehabilitated in 2012, according to data with the Romanian National Motorways and National Roads Corporation (CNADNR) released to Rompres. The rehabilitation of the southern branch - Alexandria-Craiova-Drobeta Turnu Severin-Caransebes - is expected to end in 2012, with the last section to be repaired being Alexandria-Craiova. The 855-km northern branch of the same corridor - Constanta-Bucharest-Pitesti-Sibiu-Deva-Timisoara-Arad-Nadlac - is expected to be fully rehabilitated by 2013. Total costs of Corridor IV are put at EUR 4.75 billion and they will be covered from European structural funds and allocations from the Romanian Government.

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## Agriculture & food

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### **Romania's National Rural Development Plan Available for Public Debate**

The Romanian Ministry of Agriculture published for public debates the draft National Plan for Rural Development, or NPRD, which includes the main areas for which farmers will be able to file in applications to receive a total of EUR 8 billion worth EU funds between 2007 and 2013. The rural development plan needs the approval of the European Commission and it is expected that farmers will be able to send in projects as of June or July. One of the financing measures included in the NPRD stipulates that Romanian farmers will be able to access EU funds to cover the costs for modernising their farms and will temporarily benefit from subsidies of EUR 150/month if they sell, donate, or lease their farms to youngsters who move to the countryside. The rural plan stipulates that the producers who want to modernise their farms will be able to access funds to cover between 50% and 100% of the costs. The financing will come from EU funds - 80% and from the state budget - 20%, with the public non-reimbursable financing to reach EUR 1 million per project. In case of projects that involve renewable energy, the ceiling of the non-reimbursable financing reaches EUR 1.5 million/project. Farmers who wish to form agricultural associations might receive funds of up to EUR 100,000/project. Another provision of the rural plan is that semi-subsistence farms can receive a yearly fix subsidy of EUR 1,500 for a maximum period of five years. Farmers in less favoured areas will receive yearly subsidies ranging between EUR 45 and EUR 68 per hectare, while farmers in protected areas who must observe certain restrictions will receive compensations of up to EUR 200/hectare of cultivated land yearly. In exceptional cases, the subsidies can reach EUR 500 yearly. The yearly subsidies for organic crops will range between EUR 81/hectare and EUR 414/hectare. Projects in food processing can receive up to EUR 2 million

as subsidy. The rural development plan includes also financing for afforestation, tourism development, village rehabilitation and development, consultancy services or professional training.

### **Consumers like hypermarkets better than supermarkets**

Hypermarkets are currently the main food shopping outlets for around 18% of Romanian consumers, a share that increased from 11% in early 2006. *Hypermarkets* have left supermarkets behind in Romanian consumers' preferences, according to a survey Gfk market research institute and Incoma Research (Czech Republic) conducted on the Central and East European market. *Supermarkets*, where 22% of Romanian consumers used to do their food shopping in 2006, lost ground to the other forms of modern trade, but also to specialised stores that saw their weight increase in consumers' preferences. Thus, 16% of consumers said supermarkets were the outlets they went to most frequently to do their food shopping. This could be explained by the fast expansion of the hypermarket networks, for which 2006 was the most lucrative year. These reached 38 operational outlets at end-2006, almost four times more than in the previous period. In turn, *discount store* networks doubled their number of outlets last year to over 100, and also managed to get consumers' attention. The survey points out that around 8% of Romanian consumers do their shopping in a discount store, from less than 1% in 2006. *Cash & carry* stores are the main food shopping location for 11% of Romanian consumers, double the percentage posted last year, according to Gfk data. *Specialised food stores* also made considerable headway in consumers' preferences, with more than 8% of consumers choosing them, from around 2% in 2006. The most dramatic decline was registered on the segment of *mini-markets*, which has seen its weight in consumers' preferences shrink to 6% from 12% last year. *Traditional (convenience) stores* still hold the leading position in terms of weight, given that 33% of consumers buy their food mainly from these locations. These are followed by hypermarkets and supermarkets. Traditional retail is likely to lag farther behind modern retail in the following years, amid international retail networks' expansion plans, as well as due to consumer behaviour.

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## **Dutch presence in Romania**

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### **Centrum invests EUR 6-8 million in warehouse space**

Centrum Romania will invest between EUR 6 million and EUR 8 million to set a storing space with a surface of 22,000 sqm in Cefin Logistics Park Beta in Bucharest. Centrum previously had a surface rented in Cefin Logistics Park which was transferred to Altex group. The company offers logistics services to companies like Petrom, Henkel, Unilever and Philips. The company's logistics division estimates this year a turnover of some EUR 10 million compared to EUR 7 million registered last year.

### **ING Securities sees 22% increase in profit**

ING Securities registered last year a net profit of EUR 2.1 million, a 22% increase on 2005 and a turnover of EUR 4 million, a 32% increase on the previous year. In 2005, the company's profit reached EUR 1.8 million and the turnover totalled EUR 3 million. Starting with this year, ING Securities activity is integrated within ING Bank.

### **ING Bank registers 15% increase in income**

ING Bank Romania saw a 15% increase in income to EUR 91 million, while the bank's assets increased with 6.5% to EUR 2.15 billion. The bank's gross profit halved to EUR 10.5 million. In 2005, the bank had a gross profit of EUR 20 million. The bank has a network of 114 units within which 32 units were opened in 2006. The company, plans by year-end to open 10 branches.

### **Heineken had a 24% increase in turnover in 2006**

Beer producer Heineken Romania previously named Brau Union posted a 24% increase on 2005 and a 20% increase in the sales volume. The total sales volume was of 4.3 million hectoliters. The company registered in 2005 a turnover of EUR 1.9 billion. Heineken Romania will invest in the next three years EUR 80 million.

### **TNT Romania estimates 30% increase in 2007 turnover**

TNT Romania posted some EUR 25 million in its 2006 turnover and estimates a 30% increase in 2007, according to data supplied by the company. TNT Romania estimations are based on both the market's upward trend, mainly generated by the boosting of the international trade, and also on the company's development plans. The company purchased in 2007 a new Boeing 737-300F (16.5 tons) on Henri Coanda Airport where is to develop a new international center. Also, the

company's development strategy includes investment programmes devoted to centers in Timisoara (western Romania), Cluj-Napoca (center northwest)) and Brasov (center), as well as the launch of new services in the range of TNT personalized solutions. TNT is Europe's leading business-to-business express delivery company, employing more than 45,000 people and serving over 200 countries across the globe. With more than 19,000 road vehicles and 42 aircraft TNT Express has the biggest road and air express delivery network in Europe and aims to be the fastest and most reliable provider of on-demand and time-definite delivery services for documents, parcels and freight across the world. TNT Romania is part of TNT N.V., headquartered in the Netherlands, that provides businesses and consumers worldwide with an extensive range of services for their mail and express delivery needs; it reported revenues of EUR 10.1 billion in 2005, up 11.1% against 2004. TNT NV's revenues will increase 15% in 2007 according to company estimations.

### **Shell exits Romania**

Shell sold its liquefied petroleum gas (LPG) business in Romania and in another five European states to France-based Rubis on March 21, a move through which the Dutch-British group has exited the Romanian market. The transaction involves Shell's LPG business in Romania, Germany, Bulgaria, Spain, the Czech Republic and Switzerland, and will amount to a maximum of EUR 90 million, according to a Rubis release. For Romania, the transaction is conditioned on the non-exercising of the pre-emption right, according to Rubis. Shell Gas Romania was set up in 1996 in the form of a joint venture, where Shell holds 55% of the shares, whilst Petrom holds the remaining 45%. According to Rubis, following the transaction it will become the leader of the LPG market in Romania and Switzerland, having significant market shares. The total annual turnover for the companies taken over is valued at around EUR 180 million. *Source: Ziarul Financiar.*

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## **Events & Useful web links**

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### **Business delegations from the Netherlands are visiting Romania in April 2007**

Between 15 and 20 April 2007 a delegation of the Ministry for Economic Affairs from the Netherlands is visiting Romania. The delegation is headed by the Director of the International Business Directorate, Mr. Bart van Bolhuis and official and business meetings will take place both in Bucharest and Timisoara. Mr van Bolhuis will welcome Romania as a new EU Member state and he will discuss the strengthening of bilateral relations in the economic field.

In that same period a business delegation from the metal sector is also visiting the Timisoara region. This delegation is organized by the Netherlands Metaalunie.

### **Koninginnedag in Bucharest on April 26**

The Embassy of the Kingdom of the Netherlands will invite the Dutch community to celebrate the National Day on Thursday, the 26th of April 2007, in Bucharest.

### **Dutch transport & logistic trade mission in Romania in May 2007**

With the support of EVD, Transport en Logistiek Nederland is organising a trade mission in Romania, between 20th and 24th of May 2007. The objective of the mission is to give support to the Dutch entrepreneurs involved in the transport & logistic sector during their orientation on the Romanian market, as well as putting them in contact with interested Romanian partners. Meetings are going to take place both in Bucharest and Constanta.

- Embassy of the Kingdom of the Netherlands in Bucharest - [www.netherlandsemb.ro](http://www.netherlandsemb.ro)
- Agency for International Business and Cooperation -EVD - [www.evd.nl](http://www.evd.nl)
- The Netherlands – Romanian Chamber of Commerce - [www.netherlands.ro](http://www.netherlands.ro)
- Romanian Government - [www.gov.ro](http://www.gov.ro)
- Romanian Ministry of Agriculture, Forestry and Rural Development - [www.maap.ro](http://www.maap.ro)
- Romanian Ministry of Communications and Information technology - [www.mcti.ro](http://www.mcti.ro)
- Romanian Ministry of Economy and Commerce - [www.minind.ro](http://www.minind.ro)
- Romanian Ministry of Environment and Water Management - [www.mmediu.ro](http://www.mmediu.ro)
- Romanian Ministry for European Integration - [www.mie.ro](http://www.mie.ro)

- Romanian Ministry of Public Finance
- Romanian Ministry of Transports, Constructions and Tourism
- National Institute for Statistics
- Agency for Small and Medium Sized Enterprises

- [www.mfinante.ro](http://www.mfinante.ro)
- [www.mt.ro](http://www.mt.ro)
- [www.insse.ro](http://www.insse.ro)
- [www.animmc.ro](http://www.animmc.ro)