



**Koninkrijk
der Nederlanden**

Romania – Economic Newsletter

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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 June 2008 exchange rates were:

1 EUR = 3.6557 RON

1 USD = 2.3506 RON

Source: National Bank of Romania (www.bnr.ro)

Contents

MACROECONOMICS	3
AVERAGE NET WAGE IN MAY 2008	3
INFLATION IN JUNE 2008	3
UNEMPLOYMENT IN FIRST QUARTER OF 2008.....	3
BNR INCREASES KEY INTEREST RATE TO 10%	3
ALL ECONOMIC SECTORS, BESIDES AGRICULTURE, CONTRIBUTE TO RECORD ECONOMIC GROWTH	3
WORLD BANK: ROMANIAN ECONOMY TO GROW MORE THAN 7% IN 2008, SLIGHTLY OVERHEATED.....	3
IMF INTENDS TO REVISE UPWARDS ESTIMATES ON ROMANIA'S ECONOMY.....	4
INTERNATIONAL TRADE	4
EUR 1.75 BILLION TRADE DEFICIT IN MAY 2008.....	4
LEGISLATION / TAXATION.....	5
COMBATING THE LATE PAYMENT OF OBLIGATIONS ARISING FROM COMMERCIAL AGREEMENTS.....	5
PROCEDURE FOR DECLARING A TAXPAYER INACTIVE	5
LAW NO. 10/2001- APPEAL IN THE BEST INTEREST OF THE LAW ADMITTED.....	5
EMERGENCY ORDINANCE REGARDING INVESTMENT STIMULATION WAS PUBLISHED	6
ON-LINE PAYMENTS OF DUTIES, TAXES AND OTHER CONTRIBUTIONS TO THE CONSOLIDATED BUDGET BY NATURAL PERSONS	7
COMPANIES MAY REGISTER ONLINE AT TRADE REGISTRY.....	7
AMENDMENTS TO THE FISCAL CODE	7
EU FUNDS	7

ROMANIA IS READY TO SIGN CONTRACTS WORTH EUR 2 BILLION FOR STRUCTURAL FUNDS	7
FOREIGN INVESTMENT	8
FOREIGN INVESTMENT AT THE END OF APRIL 2008	8
ENERGY	8
TRANSELECTRICA, COMMISSIONED WITH INSTALLING OF 2,600 MW WIND POWER	8
INFRASTRUCTURE & TRANSPORT	8
BANEASA AIRPORT TO INVEST EUR 11 MILLION IN CONSTRUCTION OF NEW TERMINAL	8
FINANCE MINISTRY TO ALLOCATE EUR 20 BILLION TO INFRASTRUCTURE	9
CONSTRUCTIONS	9
CONSTRUCTIONS FIELD UP 32% IN FIRST FOUR MONTHS OF 2008	9
IT&C	9
IT MARKET TO REACH EUR 1.87 BILLION THIS YEAR	9
AGRICULTURE & FOOD	9
POULTRY MEAT MARKET TRIPLES IN SEVEN YEARS	9
DAIRY IMPORTS ACCOUNT FOR ONLY 5% OF OVERALL CONSUMPTION	10
2008 – A GOOD AGRICULTURAL YEAR	10
RETAIL	10
ROMANIA'S TEN LARGEST RETAIL TRADERS REPORT EUR 5 BILLION TURNOVER IN 2007	10
AUTOMOTIVE	11
ROMANIAN AUTOMOTIVES MARKET UP 3.6% JANUARY - MAY	11
SMES	11
SIXTY-SIX COMPANIES SUBMIT PROJECTS FOR CONSULTING FUNDS	11
DUTCH PRESENCE IN ROMANIA	11
SPAR EXPANDS AT CHISINEU-CRIS FOLLOWING EUR 650,000 INVESTMENT	11
ROMANIA IS FOR UNILEVER MOST IMPORTANT MARKET IN THE REGION	11
FRIESLAND FOODS ROMANIA EYING EUR 137 MILLION IN TURNOVER	11
EVENTS & USEFUL WEB LINKS	12
WEEKLY BULLETIN REGARDING WATER PROJECTS IN ROMANIA	12
ROMANIA'S STATE SECRETARY FOR WATERS VISITED THE NETHERLANDS	12

Macroeconomics

Average net wage in May 2008

Data published by the National Statistics Institute shows that the average net salary in May 2008 was in value of RON 1,248, with RON 34 less as compared to the previous month.

Inflation in June 2008

According to the data published by the National Statistics Institute, in June 2008, the inflation stood at 0.28%.

Unemployment in first quarter of 2008

Data published by the National Statistics Institute shows that the unemployment rate was of 6.3%

BNR increases key interest rate to 10%

Romania's Central Bank (BNR) announced on June 26 it would increase to 10% the key interest rate as of June 27. "In the June 26 meeting, the Board of BNR decided to increase the key interest rate to 10% per year from 9.75% per year, starting June 27, 2008," reads a BNR release for Rompres. BNR also decided to continue the firm management of the liquidity on the monetary market through the market operations and maintaining the current level of the mandatory minimum reserves applicable to the banks' liabilities in lei and forex. The Board of BNR will closely monitor the trend of the macroeconomic indicators, being ready to use the entire set the instruments it has to counter the inflationary pressures and ensures the resumption of the disinflation process at a pace compatible with reaching in sustainable manner the announced medium-term inflation targets, the release reads.

All economic sectors, besides agriculture, contribute to record economic growth

All economic sectors, besides agriculture, positively contributed to the record economic growth in the first quarter 2008, of 8.2%, according to the data presented on June 5, in a conference press, by representatives of the National Statistics Institute (INS). Services contributed by four percentage points to the 8.2% GDP growth, constructions - 1.7%, industry - 1.5% and net taxes on products (better taxes and customs collection included) - 1%. The reduction of gross added value in agriculture was determined by higher spending due to seasonal agricultural works, whereas the production specific to the first three months of the year is insignificant. Compared to Q1 2007, constructions posted a 32.4% growth, net taxes on products - 9.3%, services - 7.5%, industry - 5.4%. Services continue to account for the highest weight in GDP structure - 52.3%, followed by industry - 26.7%. As for the GDP growth factors according to users, the dynamics was boosted by household consumption - 12.5% and gross capital formation (investments) - 6.9%, whereas administration consumption stood at 0.3%, and net export and stocks variation had a negative influence, of 11.5%. As against the similar period in 2007, the final consumption climbed by 13.5%, and the gross capital formation - with 33.2%.

World Bank: Romanian economy to grow more than 7% in 2008, slightly overheated

The Romanian gross domestic product (GDP) will grow more than 7% in 2008, with the Romanian economy being slightly overheated, the Bucharest-based World Bank officials said on June 25. 'Romania is slightly overheating and I think we're going to have more than 7% growth, notably due to the domestic demand, meaning consumption and due to the investments in some sectors, like construction', senior economist with the Romanian-based World Bank Office, Catalin Pauna told Rompres. Romania posted record economic growth in the first quarter-year, at 8.2%. Such growth exceeded the economic analysts' expectations and the estimations made by Economy and Finances Minister Varujan Vosganian. According to him, this year's forecast economic growth put at 6.5% might be revised upwards by about one percentage point provided a favourable farming year is maintained and also taking into account the advance recorded in the first quarter. The Romanian economy expanded by 6% last year. Pauna unveiled on June 25 the most recent regular economic report on the EU 10 (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia), which examines the economic developments of these states in 2007 and launches predictions for 2008. With respect to Romania, the World Bank officials say the economy might slow down its growth pace after mid-year compared to Q1, particularly amid calmed positive evolution of the exports and a possible slowdown in the construction sector. The authors of the report say the main risk facing the region's economies is the inflation, which has risen significantly amid constant increase in the prices for foodstuffs and energy on a global level. See:

IMF intends to revise upwards estimates on Romania's economy

The International Monetary Fund (IMF) intends to revise upwards the estimate on this year's development pace of Romania, Business Standard daily writes. This decision is owed to the solid results regarding GDP in Q1, when Romania's economy grew 8.2%. The new prognosis will anticipate new significant growth in 2008. However, IMF estimates the economic growth will slow down in 2009. Romania's GDP rose in Q1 2008 by 8.2%, much above the analysts' expectations. This growth pace sparked concerns related to a possible overheating, taking into account also the fact Romania is being faced with an excessive current account deficit and accelerating inflation. The intention to revise upwards the data on the trend of the economy comes after the pessimistic forecasts published in April, when IMF estimated Romania's economy would grow this year by 5.4%, down versus the 6% growth in 2007. IMF estimated GDP would rise in 2009 by 4,7%. The possible slowdown in 2009 may be partially determined by the indirect effects of the turbulence on the international markets.

International Trade

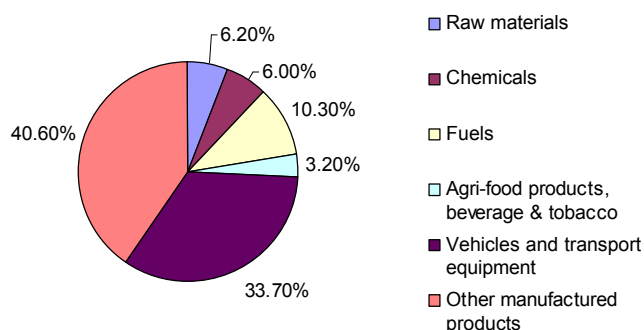
EUR 1.75 billion trade deficit in May 2008

Data published by the National Statistics Institute shows that FOB exports in May 2008 were in value of EUR 2.95 billion, up 19.4% as against May 2007, while the CIF imports were of EUR 4.7 billion, up 8.2% as compared to the same period of last year. As a result, trade deficit for May 2008 was in value of EUR 1.75 billion, as compared to EUR 1.87 in May 2007.

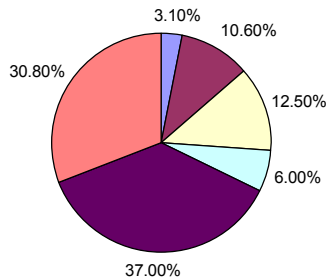
	FOB exports		CIF imports		FOB/CIF balance (billion EUR)	
	Value (bill. EUR)	% as against May '07	Value (bill. EUR)	% as against May '07	May 2008	May 2007
Intracommunitarian trade (EU 27)	2.02	112.4	3.14	101.8	-1.11	-1.29
Extra-communitarian trade (extra EU 27)	0.93	138.3	1.56	124.0	-0.63	-0.59
TOTAL	2.95	119.4	4.7	108.2	-1.75	-1.87

In the period January – May 2008, the highest percentages in total exports and imports are held by product group "Vehicles and transport equipment", with 33.7% of exports and 37% of imports, and by "Other manufactured products", with 40.6% of exports, and 30.8% of the imports. See *graphs below*.

**January - May 2008 FOB Exports
breakdown on main categories of goods**



**January - May 2008 CIF Imports
breakdown on main
categories of goods**



Legislation / taxation

Combating the late payment of obligations arising from commercial agreements

Law no. 118 dated 27 May 2008 is approving with amendments and supplements Emergency Ordinance no. 119/2007 regarding combating the late payment of obligations arising from commercial agreements. The above-mentioned Law brings the following amendments and supplements: - Extends the application area of the normative act, containing the definition of the notion of 'Contracting authority' and other legal subjects; - Establishes the court of law competent to settle claims regarding payment debts of the price arising from public acquisition contracts; - States that all debts generate interest, as opposed to only the debts regarding the recovery of the price as provided by GEO 119/2007; - States a 10-day time limit, as of conveying the payment order, in which the annulment claim can be filed. *See the Romanian Official Gazette no. 410/2.VI.2008, part I*

Procedure for declaring a taxpayer inactive

Ministry of Economy and Finance Order no.819/19.05.2008 provides the procedure for declaring a taxpayer inactive. It concerns not only legal persons but also entities which have not submitted any declarations for two consecutive terms and no derogatory measures have been applied. Similar to the procedure for declaring a taxpayer inactive, a taxpayer may also be reactivated when the declaring duties are fulfilled or a derogatory regime is instituted by the relevant tax authority. The re-activation or declaration of a taxpayer as inactive enters into force on the date the National Agency for Tax Administration President's order concerning the List of Idle or Re-activated Tax Payers is published in the Romanian Official Gazette. Until the final List is completed, the Order provides taxpayers the opportunity to fulfil their declaration duties and avoid the consequences of the Procedure. Furthermore, a record of inactive taxpayers is published on the National Agency for Tax Administration and monthly updated. Inactive status has severe tax implications for a taxpayer's activity and on other taxpayers with which they conduct commercial relations. As such, we note that in accordance with the Tax Code provisions: • The tax authorities can disregard a transaction concluded by an inactive taxpayer. • Expenses based on a document issued by an inactive taxpayer and registered in accounting records are not deductible when calculating the taxable profit. *See the Romanian Official Gazette no. 404/29.V.2008, part I*

Law no. 10/2001- appeal in the best interest of the law admitted

The High Court of Cassation and Justice admitted the appeal in the best interest of the law concerning the admissibility of a claim based on common law provisions, having as object the claim for certain real estates abusively taken over during the period 6 March 1945 – 22 December 1989 submitted after Law no. 10/2001 came into force, setting the following: • No claim based on common law provisions may be submitted after Law no.10/2001 came into force; • The courts may note the inconsistency between Law no. 10/2001 and the European Convention for Human Rights and allow the claim based on the common law provisions, but only for cases involving the ownership right of the State. *Source: High Court of Cassation and Justice official web site.*

Emergency Ordinance regarding investment stimulation was published

Emergency Government Ordinance no. 85/2008 on the encouragement of investments (the "Ordinance") was published. The Ordinance establishes the general framework applicable to state aid that can be granted for the encouragement of certain types of investment. Types of incentives The Ordinance provides the following types of incentives that can be granted based on state aid schemes or on individual aid approved by legislation or administrative acts: - Non-refundable amounts for the acquisition of tangible or intangible assets; - Financial contributions from the state budget for jobs newly created ; - Subsidized interest on contracted loans, as well as other types of incentives prescribed by the legislation in force. Types of investments Based on the Ordinance, the

relevant authorities shall issue state aid schemes/ individual aid for investments ("Investments") consisting in: - The acquisition of tangible or intangible assets regarding the setting-up of a new unit, the extension of an existing unit, the diversifying of production, the fundamental change of the production process; - The acquisition of fixed assets directly linked to a closed unit or to one that that would have been closed; - The commencement of certain research and development projects; - The creation of new jobs; - The professional training of employees; - The commencement of projects regarding the use of renewable energy resources, environment protection and lasting development. In order to benefit of state aid based on the Ordinance, the Investments should contribute to the achievement of one of the objectives provided by the Ordinance ("Objectives") and to be implemented in one of the areas set-up by the Ordinance ("Areas"). The Ordinance regulates the following Objectives: - Development and regional cohesion;

- Environment protection and rehabilitation; - Increase of energetic efficiency, production and use of energy from renewable resources; - Encouragement of research and development and innovation processes; - Employment and training of workforce. The Ordinance establishes the following Areas: - Agro-industrial processing; - Manufacturing industry; - Energy production and supply; - Environment protection; - Water supply, sanitation, waste management; - IT&C; - Research, development and innovation; - Services related to the workforce. Eligibility criteria In order to benefit by state aid based on the Ordinance, an Investment must meet one of the following criteria: - Is localized in regions with a weak level of economical development; - Is localized in regions with high unemployment rate; - Aims at reaching new infrastructure objectives or to modernising existing ones; - Involves research and development, innovation activities, or high use of technology; - Leads to the improvement of energetic efficiency and use of renewable energy resources; - Has a positive impact on the environment; - Provides the development of human resources, the performance of professional improvement and training programs. In case an Investment project can be supported by nonreimbursable funds obtained from the European Union or from other sources, the said project will not be eligible for state aid under the Ordinance. In order to benefit from state aid under the Ordinance, an investor ("Investor") must be a legal entity performing investments in Romania and meeting the following cumulative criteria: - It does not have debts to the state budget; - It has not requested the Ministry of Economy and Finance to perform payment of outstanding debts under internal/ external loans guaranteed by the state or by

the risk fund; - It did not benefit from state guarantees; - It is not under forced execution or insolvency, dissolution procedure or any other case provided by the law; - It was not subject to any state aid recovery decision or, in case decision was issued, it has been duly executed in accordance with the law. The approval of state aid schemes or individual aid In accordance with the Ordinance,

state aid shall be granted by means of scheme or individual grants based on legislation or administrative acts issued by the relevant authorities. State aid schemes shall be published in the Romanian Official Gazette and on RAI (Romanian Agency for Investments) web site. State aid provided by these pieces of legislation or administrative acts shall be granted to eligible Investors based on an in principle approval signed by the competent authority. The Investment shall not start prior to the signing of this in principle approval. Romanian Agency for Investments The Romanian Agency for Foreign Investments is restructured as the Romanian Agency for Investments ("RAI"). RAI is responsible with the promotion of investments, it publishes on its web site the list of state aid schemes and grants the investors, at their request, technical assistance and guidance regarding existing schemes based on which investors can request financing from the competent authority. The Ministry of Economy and Finance shall publish, within 45 days, the regulation regarding RAI's organization. *See the Romanian Official Gazette no. 474/27.06.2008.*

On-line payments of duties, taxes and other contributions to the consolidated budget by natural persons

Order no. 718/25.05.2008 on the approval of the categories of duties, taxes and other contributions to the consolidated state budget that may be paid online (through the internet) by natural persons has been published. According to the Order, natural persons may pay online, to the state budget, obligations representing income tax, anticipated income tax, set-offs and related obligations, for the following categories of income: - income from commercial activities; - income from freelance activities; - income from intellectual property rights; - income from lease of goods; - gains from transfer of securities; - gains from currency forward agreements; - income from agricultural activities; - income from the transfer of immovable goods from own patrimony; - employment income for which the liability to declare and pay the tax rests with the employee. In this respect, the National Agency for Tax Administration will conclude agreements with selected banks. *See the Official Gazette of Romania no.347/6.05.2008.*

Companies may register online at Trade Registry

Companies will have the possibility to electronically send registration applications or observations at the Trade Registry in a streamlined procedure without the prior application of the judicial stamp, the Government decided on June 19. According to the press office of the Government, the Romanian executive adopted in this respect an emergency ordinance which removes the hindrances encountered by traders in view to the online registration with the Trade Registry and assures them the effective access to the system of intelligent electronic applications of the National Office of Trade Registry (ONRC), functional at all the offices of the Trade Registry. *Source: Rompres.*

Amendments to the Fiscal Code

Emergency ordinance no. 91 of 24 June 2008 on the amendments to Law 571/2003 on the Fiscal code has been published. The amendments shall be applicable starting with the 1st of January 2009. The Ordinance sets forth a series of amendments to the Fiscal code in the areas of profit tax, income tax, withholding tax and car tax, part of these amendments being a direct consequence of the European Commission's notification on the discriminatory treatment of withholding tax on dividends, interest and royalties paid to residents of the European Union ("EU") and of the European Free Trade Association ("EFTA"), i.e. Iceland, Liechtenstein and Norway. Thus, the following will apply: - The reduced withholding tax rate of 10% (0% starting with 2011) on interest and royalties currently applicable to companies resident in an EU member state which fulfil certain conditions (the beneficial owner holds minimum 25% of the value / number of shares in the

Romanian company, for an uninterrupted period of at least 2 years, which is met at the payment date) shall also apply to companies resident in an EFTA member state; - The withholding tax rate applicable to dividends received by non-residents from Romania is reduced from 16% to 10%, for both EU and EFTA member states' companies; - The reduced withholding tax rate of 0% for dividends currently applicable to companies resident in an EU member state shall also apply to companies resident in an EFTA member state, if the conditions provided for in the Fiscal code are met (i.e. the beneficiary of the dividends holds minimum 15% - 10% starting with 2009 - of the shares of the Romanian company, for an uninterrupted period of at least 2 years, which is met at the payment date). In addition to the above, the Ordinance exempts from tax income obtained by resident and non-resident individuals, as well as non-resident companies, from holding and trading treasury bills and /or municipal bonds. Another important amendment is that fiscal losses accumulated starting with the 2009 financial year, as declared in the annual profit tax return, can be carried forward for a period of up to 7 years, as opposed to 5 years at present. *See the Official Gazette of Romania no. 480/30.06.2008.*

With thanks to PriceWaterhouseCoopers Romania – Tax Department

EU funds

Romania is ready to sign contracts worth EUR 2 billion for structural funds

Romania has already prepared over 1,000 projects for structural fund financing worth more than EUR 2 billion, Director General with the Ministry of Economy and Finance (MEF) Razvan Cotovelea told a seminar on June 24 on structural funds. 'There are some 1,075 projects worth almost EUR 2 billion under all the operational programmes that will be financed with structural funds,' said Cotovelea. He added that in 2007, the balance was favourable to Romania as regards the

situation of European funds, and the Romanian Ministry of Economy and Finance reported a positive balance of EUR 560 million. In 2008, Romania will receive some EUR 640 million worth of such funds. Cotovelea indicated that Romania is the first member state of the European Union to have approved six medium-term funding projects worth EUR 653 million for 2007-2013. According to data with MEF, Romania will pay RON 4.239 billion in contributions to the EU budget in the first half of 2008. Computed against an exchange rate of RON 3.18 to the euro, provided for the 2008 Budget Law, Romania's contribution is some EUR 1.33 billion. Under the 2007 Finance Law, Romania paid some EUR 1.1 billion into the budget of the EU, computed mainly against the Romanian Government's VAT revenues from the previous year. In 2007, Romania received some EUR 1.573 billion in funding from the European Union. The contributions to the EU Budget come from customs duties, VAT revenues of EU member states and are computed against the gross domestic product according to a harmonised European norm. The European Union's Budget may not be in the deficit. The European Budget is used to fund all the European policies and the spending of the EU institutions. The spending and revenues of the European Union are provided for under the Budget based on annual programmes. The 2008 Budget is standing at EUR 120.3 billion, the largest to date. In 2007-2013, the European Commission will earmark EUR 19.67 billion to Romania from structural and cohesion funds. *Source: Rompres.*

Foreign investment

Foreign investment at the end of April 2008

At the end of April 2008, according to the provisory data published by the National Office of the Trade Registry there were 152,1658 companies registered in Romania with foreign participation in social capital, total foreign investment amounting to EUR 19.48 billion. The top of the first five foreign investors was led by the Netherlands, with 3,247 companies registered and total invested capital of EUR 3.73 billion, followed by Austria with 5,068 companies and a total investment of EUR 2.14 billion, Germany with 15,952 companies and a total investment of EUR 2 billion, France with 5,585 companies and an investment of EUR 1.64 billion, and Italy with 25,430 registered companies and a total investment reaching EUR 0.8 billion.

Energy

Transelectrica, comissioned with installing of 2,600 MW wind power

Transelectrica has so far received requests to connect to the electricity transport network some power producing capacities from wind power sources, totalling 2,600 MW, projects in an advanced implementation stage, said general director of the Electricity Market Department with the National Authority for Energy Regulation (ANRE), Dan Ionescu. According to him, there is a special interest from companies in the field to install wind power plants with total power of 8,000 MW. "A power consumption of 6,000-7,000 MW is recorded in Romania, so the installing of all these capacities would mean an excess power in the national energy system. And, given that the wind resource is varying, there would be big problems when this electricity will not be produced," Ionescu explained. *Source: Rompres.*

Infrastructure & transport

Baneasa Airport to invest EUR 11 million in construction of new terminal

Aurel Vlaicu - Baneasa International Airport is to have, starting with 2009, a new international departures terminal, the investment in the construction of this terminal being of EUR 11 million, airport director Stefan Mladin told ROMPRES on June 9. "For the time being we are elaborating the task book for this terminal. We still do not know if it will be built in association or in leasing by a private company. We are looking forward to receive the Ministry of Transport's approval", explained the official. Stefan Mladin said that the new terminal works are to be launched in the autumn this year, and the inauguration is set to take place in the first half of next year. At present, the airport has an international departures terminal and an arrivals one, with a capacity of some one million passengers annually. In 2007, the airport invested some EUR 20 million in the upgrading of a big segment of the runway and in the expansion of the departures and arrivals airport terminals, construction of some parking places, as well as of some commercial spaces and restaurants. With the modernization programme finalized, the airport will have nine check-ins

compared to four at present, 300 parking places, as well as commercial spaces and restaurants in the departures terminal. *Source: Rompres.*

Finance Ministry to allocate EUR 20 billion to infrastructure

Economy and Finance Ministry will allocate EUR 20 billion both from the budget and from EU funds to the development of the road and railway infrastructure by 2013, FinMin Varujan Vosganian told a news conference, on June 12. Infrastructure is a priority for Romania, taking into account the development of the economy. I think all the governments must observe this ambitious programme. The Budget Law will include money for 2009 and 2010, FinMin Vosganian explained, pointing out that the funds would be spent for the motorway and the ring road projects in the airports in Suceava (north-east) Bacau (east) and Sibiu (central) and for the upgrading of the railways infrastructure. *Source: Rompres.*

Constructions

Constructions field up 32% in first four months of 2008

The volume of construction works went up 32% in the first four months of 2008 against the same period of 2007, according to the National Statistics Institute. All types of constructions posted growth: non-residential buildings (33.9%), residential buildings (32.9%) and engineering constructions (30.9%). On structure elements, growth was posted in all components: capital repairing works (33.3%), maintenance and current repairing works (32.3%) and new construction works (31.5%).

IT&C

IT market to reach EUR 1.87 billion this year

The IT market in Romania can reach EUR 1.878 billion this year, compared with EUR 1.22 billion euros last year, according to recent estimates of IT research and consultancy company International Data Corporation (IDC). The IT market will rise 31.3% this year from last year, the hardware segment will advance the most, 36.6%, followed by services, 19.6%, and software, 13.7%. The hardware market will be this year larger than the entire IT market last year, it is expected to reach EUR 1.43 billion in end 2008. According to IDC, over 2008-2012, the main growth engines will be the purchase of hardware, which will stand by 2012 at more than 70% of the local IT market, and the swift adoption of broadband Internet services. In the software market, IDC expects 211 million euros at the end of this year, with slower growth rates, because of still high piracy, firstly. For the service market, the estimate stands at EUR 233.5 million. In point of investment, competition is fierce in hardware, and the profit margins shrank a lot, so the production and distribution of hardware will be, neither in the future, a key factor for drawing investors, IDC analysts believe. In 2008, we can see some relocations or the purchase of big IT retail chains. The software and IT services market are very attractive for investors. *Source: Rompres.*

Agriculture & food

Poultry meat market triples in seven years

According to the Romanian Union of Poultry Breeders (UCPR), poultry meat consumption grew 3.5 times over the last 7 years, reaching about 21 kg of meat per capita, compared to 6 kg in 2000. The most spectacular evolution of consumption was registered over 2000-2004, followed by a slow down in consumption growth, also because of the bird flu crisis. UCPR believes that the price of eggs is not correlated with the production costs eggs being sold at a lower price than the cost of production. This situation might force producers to halt the egg production for consumption and focus on eggs for hatching. Meat producers are affected by the rise in the price of utilities, but also by the increase of the fodder price. UCPR has noticed an unusual situation as regards poultry meat. When costs are higher, the prices stabilise or even decrease. As of September 2007 the poultry price increase ranged between 5-10%, although it should have been higher because all the costs of production almost doubled. For instance, the price of maize went up from RON 0.32/per one kilogram (about EUR 0.1/kg) to RON 0.8 per kg (about EUR 0.22/kg). Even if the poultry meat price evolution is hard to anticipate at present, the UCPR officials believe that no

substantial increases will take place in the next coming period. UCPR hopes that through the investments made so far in poultry farms and which were supported by the constant growth of the market, the exports of poultry meat - especially of chicken legs - will be boosted.

Dairy imports account for only 5% of overall consumption

The weight of dairy imports in the overall market is not higher than 5%, despite the importers' expectations of a higher amount. According to the Romanian Dairy Association (APRIL), sales of dairy products boomed in 2007 in the wake of the abolishment of custom duties for intra-community trade on January 1, 2007. Importers then launched a diverse range of products on the Romanian market in various hypermarket networks. In 2007, the major dairy importers in Romania included Delaco, Macromex, Nordic, Whiteland (for Hochland), Amagra, Parmalat, Friesland and Danone. APRIL believes that the diversification of products offered by importers on the Romanian market, doubled by the development of the hypermarket network, led to a spectacular increase in imports last year, which will be no longer witnessed this year - in terms of dynamics. This year, imports will continue, particularly in terms of raw materials, but also in the case of some cheese specialties. Domestic producers embarked on portfolio diversification campaigns and this is expected to balance the domestic, as well as the export supply, especially the one which goes to EU countries. One of the reasons behind the spectacular surge in imports is related to the increasing imports of unprocessed milk and concentrated milk, required to cover the domestic milk shortage that emerged following the gradual alignment to European standards. Following the significant increase in the price of milk produced in the EU in the autumn of 2007 - compared with the price of domestic raw milk - dairy imports shrank in the last quarter of 2007. At present, there is stagnation, but if prices of milk across Europe are falling, while the domestic price is increasing, imports are expected to resume their growth. The biggest domestic dairy producers are Friesland, Danone, Hochland, Albalact and Covalact.

2008 – a good agricultural year

The year 2008 might be for Romania one of the best agricultural years in the past three decades and the summer crops, namely wheat and rape, will be 100% higher than last year. The estimations made by the Ministry of Agriculture indicate for this year a production of cereals and other arable crops of 21.2 million tonnes, almost three times as much as the one in 2007, when the domestic production amounted to 8.6 million tonnes due to severe drought. Economic analysts however believe that the result of a very good agricultural year will not be able to influence the inflation rate, neither will it influence the prices of food. Agriculture accounts for 6% of Romania's GDP. According to analysts, the good yield will not influence inflation as Romania does not really have commodity markets and producers will not export much of their cereals. In the opinion of the National Bank of Romania, the extraordinary agricultural production might contribute with 1% to the GDP growth. Last year the wheat crop was about 3 million tonnes, almost half of the one in the previous year, when the production amounted to 5.52 million tonnes. Romania has 14.7 million hectares of agricultural, ten million of which is arable land.

Retail

Romania's ten largest retail traders report EUR 5 billion turnover in 2007

Europe's largest retails are massively investing in Romania, betting on rising local purchasing power. 2007 witnessed a record expansion pace of the traders, with 30 new hypermarket openings. At the same time, hypermarkets were one of the most active employers in Romania, having created some 10,000 new jobs for their openings during October 2006 - October 2007. The top 10 retail traders operating in Romania are Metro Group (Metro Cash&Carry, Real Hypermarket), Rewe Group (Selgros Cash&Carry, Billa, Penny Market), Carrefour, Louis Delhaize (Cora, Profi), Schwarz (Kaufland), Auchan, Tengelmann (Plus Discount), Artima, Interex and Pic Grup. They have reported a 2007 business turnover of EUR 5 billion. The international trading companies are the ones that have introduced the discount shops in Romania, with the first such shops opened in 2000. Over the past two years, the retail networks have expanded at a high pace, doubling the number of their outlets from one year to the other. As of end-2007, German and French discount traders were operating 156 discount shops in Romania, which they opened on total investments of EUR 100 million. The segment is still eyed by strong retail chains, such as Lidl and Aldi. Findings of a recent study indicate that retail sales in Romania, including those recorded by traditional shops, markets and modern trade channels, could increase this year by 16.5% compared to 2007, to EUR 38 billion, with more than half of the estimates to be provided by food. Food is generating annual sales of approximately EUR 20 billion.

Automotive

Romanian automotives market up 3.6% January - May

Sales of new motor vehicles on the Romanian market increased 3.6% in the first five months of 2008 from the similar period of 2007, hitting 140,009 units, reveal statistics published on June 16 by the Association of Automotive Manufacturers and Importers (APIA). The most active segment of the automotives market was that of buses, that increased almost threefold (198.8%), followed by utility vehicles of 3.5 - 6 tons, that advanced 178.4%, whereas car sales dropped 1.6% (114,058 units). The domestic output stood at 107,742 motor vehicles of which 100,476 cars, up 8.3% from the same period of the previous year (6.1% for cars). Exports advanced 21.4%, reaching 48,447 motor vehicles, of which 48,157 cars. Imports of motor vehicles increased 15.1% to 100,412 units and the advance on the car segment was 10.9% (78,788 units).

SMEs

Sixty-six companies submit projects for consulting funds

Sixty-six companies have so far submitted projects for consulting funds granted under programmes carried out by the Ministry for Small and Medium-Sized Enterprises, Commerce, Tourism and Liberal Trades, the ministry reports in a press release. The budget earmarked for this call for projects is standing at EUR 6.34 million and the submission of projects started on May 20. The consulting assistance for SMEs operation has a total budget of EUR 60 million for 2007- 2013, EUR 49.64 million of which are made up of European grants under the European Fund for Regional Development and EUR 10.35 million is provided by the Romanian Government. The funds may cover 70% of the project value and the applicant companies have to provide the remaining 30% of the funding.

Dutch presence in Romania

Spar expands at Chisineu-Cris following EUR 650,000 investment

Holland retailer Spar increased its Romanian-based supermarket chain with the 16th unit at Chisineu-Cris in Arad county, following an investment of EUR 650,000. The supermarket delivers 700 sqm total area and by the end of 2008, the retailer plans 10 more supermarket openings, the company said. Spar entered Romanian market in 2005 and reported sales worth EUR 37.5 million for the 14 units operated in Romania in 2007. In 2006, the retailer attained sales worth EUR 6.14 million. *Source: Rompres.*

Romania is for Unilever most important market in the region

Romania is the most important market in the region, both in size and in growth pace, for Unilever South Central Europe (USCE), a branch of the British-Dutch Unilever, one of the most important makers of consumer goods at world level. USCE is coordinating in Bucharest operations in seven countries in the region, i.e. Romania, Bulgaria, Serbia, Montenegro, Albania, Macedonia and Moldova. USCE is employing 690 people, 620 of them in Romania alone, which concentrates the entire regional production, in a factory in Ploiesti (south), one of the most modern of the group. Local investment exceeded EUR 100 million. In 2006, Unilever's turnover in Romania stood at EUR 163 million. USCE management believes that in Romania, in the segment of consumer goods, consumption per capita stays far from the European average, but it is on the rise, with the purchasing power and the offer going up, while big players are holding campaigns and modern trade is developing, which leads to changes in consumption habits. At local level, Unilever is present on two big markets of consumer goods, that of foods and that of home and personal care. *Source: Rompres.*

Friesland Foods Romania eyeing EUR 137 million in turnover

Friesland Foods Romania, leader on the local market of dairy products, branch of the Dutch Friesland group, stakes on businesses worth EUR 137 million in 2008, up 20% points as against the previous year. According to the company's representatives, sales went up over 15% in the first five months of 2008 compared to the same period one year ago, for the entire year being expected an increase of some 20%. The growth pace estimated for this year is double compared to 2007. The companies that make up Friesland Foods Romania are Friesland Romania (Satu Mare, north-west), Industrialiazarea laptelui (centre) and Napolact Cluj (centre). The group shut down two plants one year ago where it plans to build local logistics centres. The 2008 investments

in the development of production, sales and logistics stand at EUR 4 million. The Dutch group is present in Romania with the brands Napolact, Oke and Milli. Milli is expected to reach cumulated sales worth EUR 100 million in Romania and Hungary, according to Friesland. The domestic market of dairy products will exceed EUR 1.2 billion in 2008. Other important players on the Romanian dairy market are Danone, LaDorna, Hochland, Albalact and Covalact.

Events & Useful web links

Weekly Bulletin regarding water projects in Romania

The Embassy of the Kingdom of the Netherlands in Bucharest started publishing, in partnership with EVD and NWP, a weekly bulletin regarding water projects in Romania, distributed by e-mail. The material published in the bulletin is compiled on the basis of publicly available information, from various sources (the Electronic Systems for Public Acquisitions, the national press, the websites of the relevant Romanian authorities, etc.).

Those interested in receiving the bulletin are requested to contact Violeta Cozianu, at +40-21-208 6039 or bkr-ea@minbuza.nl.

Romania's State Secretary for Waters visited the Netherlands

Mrs. Lucia Ana Varga, State Secretary for Waters within Romanian Ministry of Environment and Sustainable Development, has visited the Netherlands between 22 and 27 June. The main scope of the visit was the signing of a Memorandum of Agreement between the Romanian National Waters Authority "Apele Române" and the Dutch Union of Waterboards. Mrs. Varga and the Romanian delegation have been received by State Secretary Tinneke Huizinga and had a meeting with the Netherlands Water Partnership. During the visit, that included locations in the North, Centre and South-East of the Netherlands, the Romanian delegation had the chance to acquire knowledge on state-of-the-art technologies, to see landmarks of the water sector and to discuss the future of the already excellent bilateral cooperation.

- Economic network of the Netherlands in Romania
 - Embassy of the Kingdom of the Netherlands in Bucharest
 - Agency for International Business and Cooperation - EVD
 - The Netherlands – Romanian Chamber of Commerce
 - The Dutch-Romanian Association
 - Romanian Ministry of Agriculture and Rural Development
 - Romanian Ministry of Economy and Finance
 - Romanian Ministry of Environment and Sustainable Development
 - Romanian Ministry of Transport
 - National Institute for Statistics
 - Ministry of SMEs, Trade, Tourism and Liberal Professions
 - Exhibitions in Romania
 - Information on EU funds
- www.hollandtrade.ro
 - www.netherlandsemb.ro
 - www.evd.nl
 - www.netherlands.ro
 - www.nederland.ro
 - www.mapam.ro
 - www.mefromania.ro
 - www.mmediu.ro
 - www.mt.ro
 - www.insse.ro
 - www.mimmc.ro
 - www.romexpo.org
 - www.fonduri-structurale.ro