Romania - Country overview

Area: 238,391 km²
Capital: Bucharest
Currency: RON
RON/ EUR: 4.6
Population: approx. 20M
Bucharest Metropolitan Area: 3M

GDP Growth
Best performance in EU

FDI stock €73.5B
FDI flow €4.6B

Bridge between East and West for 500M consumers market

2004 - NATO membership
2007 - EU membership
2019 - EU Presidency

Strategic US-Romanian partnership

S & P
Moody’s
Fitch
BBB-Stable
Baa3-Stable
BBB-Stable

2017
At a glance

- 2nd largest country in CEE and the largest in SEE in terms of size (the 9th in EU28) and population (the 7th in EU28)
- At the crossroads of 3 great markets: the European Union, the CIS (Commonwealth of Independent States) and the Middle East
- 2nd in EU for average peak connection speeds and 6th for 4 Mbps broadband adoption in Q1 2017*

Source: *Akamai Q1 2017 State of the internet report
Potential for Growth

GDP growth (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>4.2</td>
</tr>
<tr>
<td>2006</td>
<td>8.1</td>
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<tr>
<td>2007</td>
<td>6.9</td>
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<tr>
<td>2008</td>
<td>8.5</td>
</tr>
<tr>
<td>2009</td>
<td>-7.1</td>
</tr>
<tr>
<td>2010</td>
<td>-0.8</td>
</tr>
<tr>
<td>2011</td>
<td>1.1</td>
</tr>
<tr>
<td>2012</td>
<td>0.6</td>
</tr>
<tr>
<td>2013</td>
<td>3.5</td>
</tr>
<tr>
<td>2014</td>
<td>3.1</td>
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<tr>
<td>2015</td>
<td>3.9</td>
</tr>
<tr>
<td>2016</td>
<td>4.8</td>
</tr>
<tr>
<td>2017</td>
<td>7.0</td>
</tr>
</tbody>
</table>

(Source: Eurostat)

Forecast 2018: 6.1%

(Source: National Commission of Prognosis)
Potential for Growth

FDI Flows and Stock
(EUR bn.)

(Source: National Bank of Romania)
Inflation

Inflation started to be on a positive trend at the beginning of 2017 due to the persistence of the internal inflationary pressures associated with the increase of aggregate demand and the rise in wage costs.

(Source: National Institute of Statistics)

Target 2018: 2.5%

(Source: National Bank of Romania)
**Unemployment**

**Unemployment rate (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>7.2</td>
</tr>
<tr>
<td>2006</td>
<td>7.3</td>
</tr>
<tr>
<td>2007</td>
<td>6.4</td>
</tr>
<tr>
<td>2008</td>
<td>5.6</td>
</tr>
<tr>
<td>2009</td>
<td>6.5</td>
</tr>
<tr>
<td>2010</td>
<td>7.0</td>
</tr>
<tr>
<td>2011</td>
<td>7.2</td>
</tr>
<tr>
<td>2012</td>
<td>6.8</td>
</tr>
<tr>
<td>2013</td>
<td>7.1</td>
</tr>
<tr>
<td>2014</td>
<td>6.8</td>
</tr>
<tr>
<td>2015</td>
<td>6.8</td>
</tr>
<tr>
<td>2016</td>
<td>5.9</td>
</tr>
<tr>
<td>2017*</td>
<td>5.0</td>
</tr>
</tbody>
</table>

**Forecast 2018:**

4.8%

(Source: National Commission for Prognosis)

Minimum Wage in EU

Minimum Monthly Gross Wage in EU
January 2018 (EUR)

Source: EUROSTAT
Languages studied by Romanian students

- 97% of Romanian high school students study 2 or more foreign languages
- The predominant languages are English, French, German and Spanish, yet initiatives for teaching Japanese, Nordic languages or the entire Latin language family (Spanish, Italian, French) exist

University students in Romania are proficient in [% of total]:

- 90%
- 26%
- 17%
- 8%
- 5%

Source: ABL, NIS, Eurostat
Skilled labor force
**Romania**
Largest Market in the SEE

**Maximum broadband speed**

- **2** Second in EU for average peak connection speeds
  
  **Source:** Akamai Q1 2017 Report

**Natural gas & Electricity prices EU ranking (S1 2017)**

- **4** 4th lowest natural gas prices
  
  **6** 6th lowest electricity prices

**Hourly labor costs 2016**

- **2** One of the most competitive labor force in the CEE
  
  **Source:** Eurostat, Feb 2018

**World Bank ease of doing business**

- **45** Ahead of Italy, Hungary, Bulgaria, Croatia, Belgium, Cyprus, Turkey, Luxembourg or Greece

**Source:** World Bank Report, 2017

*Excluding VAT and other recoverable taxes and levies*
## Value for Money

<table>
<thead>
<tr>
<th></th>
<th>Bucharest</th>
<th>Berlin</th>
<th>London</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Prices</td>
<td>€100</td>
<td>€168</td>
<td>€205</td>
</tr>
<tr>
<td>Rent Prices</td>
<td>€100</td>
<td>€239</td>
<td>€549</td>
</tr>
<tr>
<td>Restaurant Prices</td>
<td>€100</td>
<td>€161</td>
<td>€238</td>
</tr>
<tr>
<td>Groceries Prices</td>
<td>€100</td>
<td>€167</td>
<td>€184</td>
</tr>
<tr>
<td>Standard of living equivalency net salary</td>
<td>€1,806</td>
<td>€3,325</td>
<td>€5,109</td>
</tr>
</tbody>
</table>

Source: Numbeo, January, 2018
Overview of the Romanian tax system

**VAT**

- **Food products**: 9%

**Income Tax**

- Starting January 1st 2018
  - **IT&C**: 0% income tax for employees
    - BA -14 technical specializations available
    - Employee is hired on a software engineer/programmer/software analyst position
    - Annual revenue per exempted employee must be over USD 10 000

**Social Security**

- **Rate**
  - **Employee**: 35%
  - **Employer**: 2.25%

- Starting January 1st 2018

**Corporate Tax**

- **Rate**: 16%

**Dividend Tax Rate**

- **Rate**: 5%

**Reinvested profit tax**

- **Rate**: 0%

R&D - 0% income tax for employees

Deduction of R&D eligible expenses:
- depreciation of R&D equipment, salaries for R&D personnel; 50% of these expenses can be deducted from the taxable income
Investment Support

STATE AID 2014-2020 Total Budget EUR 1.5B

STATE AID - GD 807/ 2014

Minimum EUR 10M investment
- Construction of new buildings
- Renting costs for existing buildings
- CAPEX aimed at technical installations and tools
- Acquisition of intellectual property

STATE AID - GD 332 / 2014

Minimum 10 new jobs/ per location
- Salary costs registered for a 2 consecutive year period resulted as a direct consequence of the investment
- Salary costs are comprised of gross average annual salary plus benefits

FISCAL INCENTIVES

Investors that set up manufacturing locations or offices in an industrial, scientific or technological park benefit from:
- Exemption on land, building and urban planning tax
- Taxes charged for changing land destination
State aid intensity, according to development region:

- North West – 50%
- North East – 50%
- South East – 50%
- South – 50%
- South West – 50%
- West – 35%
- Ilfov County – 35%
- Bucharest – 10%

Source: Ministry of Public Finance
Ports and Airports

- 130 direct flights leading to 76 destinations in 31 countries worldwide
- 14 international airports and 8 major ports
- Constanta Port - the deepest and largest port at the Black Sea.

Aircraft traffic reached 16M passengers in 2016, up by 20.5% compared to 2015
Industrial Parks

Status at regional level (January, 2018)

- North West Region: 18 parks
- West Region: 6 parks
- South West Region: 7 parks
- South Region: 22 parks
- South East Region: 2 parks
- North East Region: 6 parks
- Center: 17 parks
- Bucharest: 2 parks

- 80 industrial parks spread across Romania - both private and public ownership
- Access to utilities & benefits packages according to their focus
- Exemption on land, building and urban planning taxes

Source: Ministry of Regional Development and Public Administration
By economic activity, FDI stock was channeled primarily to manufacturing, with the following largest recipients:

- transport equipment
- oil processing
- chemical
- rubber and plastic products
- metallurgy
- food
- beverages and tobacco
- manufacture of computer
- electronic
- optical and electrical products

### FDI Stock by Field of Activity
at 31 December 2016

<table>
<thead>
<tr>
<th>Sectors</th>
<th>EUR million</th>
<th>% of total FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>70,113</td>
<td>100.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>22,435</td>
<td>32.0</td>
</tr>
<tr>
<td>Construction and real estate transactions</td>
<td>9,794</td>
<td>14.0</td>
</tr>
<tr>
<td>Trade</td>
<td>8,994</td>
<td>12.8</td>
</tr>
<tr>
<td>Financial intermediation and insurance</td>
<td>8,844</td>
<td>12.6</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>6,713</td>
<td>9.6</td>
</tr>
<tr>
<td>Professional, scientific, technical and administrative activities and support services</td>
<td>3,908</td>
<td>5.6</td>
</tr>
<tr>
<td>IT&amp;C</td>
<td>3,628</td>
<td>5.2</td>
</tr>
<tr>
<td>Mining</td>
<td>1,831</td>
<td>2.6</td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>1,836</td>
<td>2.6</td>
</tr>
<tr>
<td>Other</td>
<td>2,130</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: National Bank of Romania
### Key facts for top tech oriented industries in Romania

<table>
<thead>
<tr>
<th>Industry</th>
<th>Size (2017)</th>
<th>Key Players</th>
<th>Key Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AEROSPACE</strong></td>
<td>EUR &gt;430M</td>
<td><a href="#">Premium Aerotec</a> EUR 50M investment</td>
<td>-Premium Aerotec EUR 50M investment</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="#">Sonaca</a> EUR 12M investment</td>
<td>-Sonaca EUR 12M investment</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="#">Airbus Helicopters</a> EUR 15M investment</td>
<td>-Airbus Helicopters EUR 15M investment</td>
</tr>
<tr>
<td><strong>IT&amp;C</strong></td>
<td>EUR 4.1B*</td>
<td><a href="#">Siemens</a> software dev. worked on the Mars Rover</td>
<td>-Siemens software dev. worked on the Mars Rover</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="#">Deutsche Bank</a> EUR 40M investment</td>
<td>-Deutsche Bank EUR 40M investment</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="#">LiveRail</a> was acquired by Facebook EUR 600M</td>
<td>-LiveRail was acquired by Facebook for EUR 600M</td>
</tr>
<tr>
<td><strong>AUTOMOTIVE</strong></td>
<td>EUR 23.5B**</td>
<td><a href="#">Continental</a> EUR 175M investment in 2017</td>
<td>-Continental EUR 175M investment in 2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="#">Daimler</a> EUR 300M investment for gear boxes</td>
<td>-Daimler EUR 300M investment for gear boxes</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="#">Ford</a> EUR 200M investment for production of new model</td>
<td>-Ford EUR 200M investment for production of new model</td>
</tr>
</tbody>
</table>

*Source: ABSL, Report 2017 (estimation), ACAROM, Report Feb 2018*
InvestRomania in a nutshell

- “one-stop-shop” for foreign investors, assisting and advising international companies for project implementation in the country
- Promoting and facilitating foreign investment in Romania
- Main interface between foreign companies and central / local authorities
- Assisting worldwide entrepreneurs in project implementation
- Tailored and individually custom-made solutions for developing new or current units
- Consultancy and guidance during all stages of the decisional process (state aid & fiscal incentives)
“one-stop-shop” for foreign investors

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