

**Foreign Direct Investment (FDI) in Romania
in 2009**

The statistical survey was conducted by the National Bank of Romania and the National Institute of Statistics. The major goal of the survey was to determine the FDI stock as of 31 December 2009 based on the stock outstanding at the beginning of 2009 financial year and on the flows during 2009 into resident direct investment enterprises.

METHODOLOGICAL NOTES

Foreign direct investment: long-term investment relationship between a resident and a non-resident entity; it usually involves a significant degree of influence exerted by the investor on the management of the direct investment enterprise in which he invested.

Foreign direct investment includes the following: paid-up capital and the reserves related to a non-resident investor holding at least 10 percent of the subscribed share capital of a resident enterprise, the loans between the investor or other foreign enterprise in the group to which the investor belongs and the direct investment enterprise as well as the reinvested earnings.

Equity in a resident enterprise on which a foreign investor has indirect significant influence is also considered **foreign direct investment**. This includes equity in the subsidiaries and affiliates of a resident enterprise in which a foreign investor holds at least 10 percent of subscribed share capital.

Foreign direct investor: legal entity, individual or group of entities acting jointly and holding at least 10 percent of the subscribed share capital (or of endowment capital in case of unincorporated entities) or at least 10 percent of the voting power in an enterprise located outside the country of residence.

Direct investment enterprise: an incorporated or unincorporated enterprise in which a foreign investor holds at least 10 percent of the subscribed share capital or the voting power, or the endowment capital in case of unincorporated entities (branches). A participation of at least 10 percent in the subscribed share capital or the voting power, or in the endowment capital, is the prerequisite for the establishment of the direct investment relationship.

Indirect direct investment enterprise: subsidiaries and affiliates of a direct investment enterprise.

Reverse direct investment: the investment relationship opposite to the foreign direct investment between a resident direct investment enterprise and a foreign direct investor, where the former holds a participation of less than 10 percent in the share capital of the foreign direct investor.

FDI components:

- **Equity capital** includes subscribed and paid-up capital, both in cash and through in-kind contributions, held by non-residents in resident enterprises, as well as the related share in reserves; in the case of branches, the available endowment capital shall be taken into account accordingly.

- **Net credit**, namely the direct investment enterprise's borrowings from the foreign direct investor or the group of non-resident companies the former belongs to, net of the loans extended by the direct investment enterprise either to the foreign direct investor or to another entity within the group of companies.

Types of FDI (by contribution to the equity flow in direct investment enterprises):

- ***Greenfield:*** establishment of enterprises by or together with foreign investors (*ex nihilo investment*);
- ***Mergers and acquisitions:*** partial or full takeovers of enterprises by foreign investors from residents;
- ***Corporate development:*** increase in foreign investors' equity capital of direct investment enterprises.

RESULTS OF THE 2009 FDI STATISTICAL SURVEY

1. FDI net flow in 2009

FDI net flows amounted to **EUR 3,488 million** of which:

- The foreign direct investors' **net equity** worth **EUR 1,729 million** (49.6 percent of net FDI flows). **Net equity** is the result of subtracting the **net loss** in amount of **EUR 1,389 million** from **equity stakes** in amount of **EUR 3,118 million**. **Net loss** was computed by subtracting **EUR 1,608 million** as distributed dividends in 2009 and **EUR 4,277 million** as FDI losses in 2009 from the FDI net profit in the year under review, amounting to **EUR 4,496 million**. Calculations are made in accordance with the international methodology for determining the profits reinvested by direct investment enterprises.
- **Net credit** from direct foreign investors, intra-group included, ran at **EUR 1,759 million**, or 50.4 percent of net FDI flows.

2. FDI stock as of 31 December 2009

The **FDI stock at end-2009** reached **EUR 49,984 million**, 2.4 percent higher than the 2008 FDI final stock, the amount including revaluations due to the exchange rate or price developments and also accounting restatements.

Equity stakes (reinvested earnings included) of direct investment enterprises at end-2009 increased 2 percent versus the same year-ago period, standing at **EUR 35,600 million** (71.2 percent of net FDI final stock). Total **net credit** received by direct investment enterprises from foreign direct investors, intra-group included, reached **EUR 14,384 million**, up 3.4 percent year on year (28.8 percent of net FDI final stock). Net credit includes both the medium- and long-term loans and the short-term loans granted by foreign investors to their direct investment enterprises in Romania, either directly or through other nonresident members of the group.

2.1. FDI stock by main economic activity

By economic activity (according to NACE Rev. 2), the bulk of FDI went to manufacturing (31.1 percent of total), out of which the largest recipients were: oil processing, chemicals, rubber and plastic products (6.3 percent), metallurgy (5.2 percent), transport means (4.7 percent), food, beverages and tobacco (4.1 percent) and cement, glassware, ceramics (3.3 percent). Despite their large potential, certain sectors – such as textiles, wearing apparel and leather goods – still hold a rather small share, i.e. 1.4 percent of total FDI.

Apart from industry, activities that have also attracted significant FDI are financial intermediation and insurance, which include banks, non-bank financial institutions and

insurance companies and account for 19 percent of total FDI stock, construction and real estate transactions (12.9 percent), trade (12.3 percent), IT and communications (6.5 percent).

Foreign direct investment in Romania as of 31 December 2009

Distribution by main economic activity

	EUR million	
	Value	% of total FDI
TOTAL, of which:	49,984	100.0
Industry	20,680	41.4
<i>Mining</i>	2,221	4.5
<i>Manufacturing, of which:</i>	15,555	31.1
- food, beverages and tobacco	2,058	4.1
- cement, glassware, ceramics	1,629	3.3
- wood items, including furniture	962	1.9
- manufacture of computer, electronic and optical products	690	1.4
- machinery and equipment	943	1.9
- metallurgy	2,577	5.2
- transport means	2,373	4.7
- oil processing, chemicals, rubber and plastic products	3,132	6.3
- textiles, wearing apparel, leather goods	717	1.4
- other manufacturing	474	0.9
<i>Electricity, natural gas, water</i>	2,904	5.8
Administrative and support service activities	2,299	4.6
Agriculture, forestry and fishing	552	1.1
Trade	6,164	12.3
Construction and real estate transactions	6,453	12.9
Hotels and restaurants	213	0.4
IT and communications	3,235	6.5
Financial intermediation and insurance	9,510	19.0
Transports	684	1.4
Other	194	0.4

2.2. FDI - tangible and intangible fixed assets

Given the substantial contribution of tangible and intangible assets to economic growth, as well as the stable, persistent character they confer upon FDI, the survey aimed at determining the weight of these investment categories final destinations in the FDI balance at end-2009, as well as their distribution by main economic activity.

It should be noted that tangible and intangible assets, whose end-2009 balance stood at EUR 23,272 million, held 46.6 percent of total FDI, thus leading to a considerable foreign direct investment stability.

**Foreign direct investment in Romania
as of 31 December 2009**

**Tangible and intangible fixed assets
Distribution by main economic activity**

	EUR million	
	Tangible and intangible fixed assets	
	Value	% of total FDI
TOTAL	23,272	46.6
Industry	12,110	24.3
<i>Mining</i>	1,829	3.7
<i>Manufacturing, of which:</i>	8,655	17.3
- metallurgy	1,601	3.2
- food, beverages and tobacco	1,402	2.8
- transport means	1,263	2.5
- oil processing, chemicals, rubber and plastic products	1,198	2.4
- cement, glassware, ceramics	1,095	2.2
- wood items, including furniture	504	1.0
- textiles, wearing apparel, leather goods	455	0.9
- machinery and equipment	432	0.9
- manufacture of computer, electronic and optical products	410	0.8
- other manufacturing	295	0.6
<i>Electricity, natural gas, water</i>	1,626	3.3
Construction and real estate transactions	3,676	7.4
Trade	3,119	6.2
IT and communications	1,753	3.5
Financial intermediation and insurance	1,195	2.4
Administrative and support service activities	498	1.0
Transport	406	0.8
Agriculture, forestry and fishing	283	0.6
Hotels and restaurants	163	0.3
Other	69	0.1

2.3. Foreign direct investment stock distribution by development region

From a territorial point of view, FDI went mainly to Bucharest-Ilfov region (63.4 percent), other development regions benefiting from significant FDI inflows being CENTER region (7.4 percent), SOUTH region (7.2 percent), WEST region (6.2 percent) and SOUTH-EAST region (5.9 percent).

NORTH-EAST region is the least attractive to foreign investors, making up for a meager 1.9 percent of foreign direct investment.

The analysis of regional FDI dispersion should also take into consideration that the statistical research located FDI by registered office, which is not always the same as the business place.

**Foreign direct investment in Romania
as of 31 December 2009
Stock distribution by development region**

EUR million

	Total	
	Value	% of total FDI
TOTAL, of which:	49,984	100.0
BUCHAREST	31,699	63.4
CENTER	3,703	7.4
SOUTH	3,576	7.2
WEST	3,095	6.2
SOUTH-EAST	2,938	5.9
SOUTH-WEST	2,058	4.1
NORTH-WEST	1,940	3.9
NORTH-EAST	975	1.9

2.4. Foreign direct investment stock by country of origin

The distribution took into account the country of origin of the **direct holder of at least 10 percent in the share capital of resident direct investment enterprises** on an “immediate country basis”.

**Foreign direct investment in Romania
as of 31 December 2009**

Stock distribution by country of origin

EUR million

	Total	
	Value	% of total FDI
TOTAL, of which:	49,984	100.0
The Netherlands	10,907	21.8
Austria	9,037	18.1
Germany	6,718	13.4
France	4,259	8.5
Greece	3,281	6.6
Italy	2,528	5.1
Cyprus	2,344	4.7
Switzerland	2,115	4.2
Belgium	1,115	2.2
USA	1,054	2.1
Spain	841	1.7
Hungary	810	1.6
Luxembourg	638	1.3
Czech Republic	580	1.2
Turkey	569	1.1
United Kingdom	482	1.0
Virgin Islands, British	228	0.5
Israel	186	0.4
Finland	173	0.3
Poland	157	0.3
Sweden	146	0.3
EBRD	144	0.3
Lebanon	138	0.3
Ireland	137	0.3
Canada	125	0.3
Gibraltar	118	0.2
Denmark	111	0.2

Portugal	104	0.2
Other *	939	1.8

*) *countries which invested less than EUR 100 million*

Top 5 countries by the share of total FDI stock as at 31 December 2009 are: the Netherlands (21.8 percent, up from 17.2 percent in 2008), Austria (18.1 percent of total stock at the end of 2009, down from 18.8 percent a year earlier), Germany (13.4 percent, down from 15.4 percent), France (8.5 percent, the same as in 2008) and Greece (6.6 percent, staying flat year on year).

3. Income from FDI

Direct foreign investors' net revenues in 2009 amounted to EUR 694 million, down EUR 2,244 million year on year.

Net earnings from equity made up a large part, i.e. EUR 219 million or 31.6 percent of total net revenues. Net earnings from equity represent the net profits obtained by direct investment enterprises, amounting to EUR 4,496 million, minus the losses incurred by direct investment enterprises worth EUR 4,277 million.

Subtracting EUR 1,608 million as distributed dividends in 2009 from the net income from equity (EUR 219 million) indicates a net loss on all FDI in the amount of EUR 1,389 million, calculated according to the international methodology for determining reinvested earnings.

Net income from interest paid to foreign direct investors on loans granted to their enterprises in Romania is EUR 475 million, accounting for 68.4 percent of total net income.

4. Types of FDI

The flow of equity stakes into direct investment enterprises is divided into greenfield, mergers and acquisitions, and corporate development (see *methodological issues*).

During 2009, *corporate development* accounted for 98.3 percent of FDI equity (EUR 3,065 million), *mergers and acquisitions (M&A)* made up 1.1 percent of equity (EUR 34 million), while only 0.6 percent of FDI, i.e. EUR 19 million, went into *greenfield investment*.

The accumulation of foreign direct investment in enterprises established as greenfield investment companies, called *greenfield enterprises*, was highlighted in order to assess the lasting impact of greenfield investment on the economy.

The distribution of FDI stock in greenfield enterprises by main economic activity at end-2009 was as follows:

	Foreign direct investment in greenfield enterprises	
	EUR million	% in total FDI
TOTAL, of which:	25,375	50.8
Industry	6,565	13.1
Mining	224	0.4
Manufacturing, of which:	6,067	12.1
- food, beverages and tobacco	922	1.8
- cement, glassware, ceramics	355	0.7
- wood items, including furniture	777	1.6
- manufacture of computer, electronic and optical products	371	0.7

- machinery and equipment	398	0.8
- metallurgy	431	0.9
- transport means	1,036	2.1
- oil processing, chemicals, rubber and plastic products	916	1.8
- textiles, wearing apparel, leather goods	589	1.2
- other manufacturing	272	0.5
Electricity, natural gas, water	274	0.6
Administrative and support service activities	1,643	3.3
Agriculture, forestry and fishing	454	0.9
Trade	5,339	10.7
Construction and real estate transactions	5,137	10.3
Hotels and restaurants	105	0.2
IT and communications	2,095	4.2
Financial intermediation and insurance	3,342	6.7
Transports	522	1.0
Other	173	0.4

5. Exports and imports of direct investment enterprises

The overall activity of foreign direct investment enterprises had a positive impact on Romania's trade balance, contributing 69.8 percent to total exports and 60.1 percent to total imports.

The export/import activities of direct investment enterprises refer to companies investigated exhaustively (over 20 employees). Export/import data economy-wide, taken into consideration in determining the relative size, are reported by operators having exceeded the reporting thresholds for 2009 set for Intrastat declarations.

	EUR million			
	Exports (FOB)		Imports (CIF)	
	Direct investment enterprises	% of total sector	Direct investment enterprises	% of total sector
TOTAL, of which:	19,643	69.8	22,525	60.1
Industry, of which:	17,264	79.3	15,155	76.5
<i>Manufacturing</i>	16,440	79.7	14,423	78.8
Trade	1,827	51.7	6,214	45.4
Other	552	19.3	1,156	29.0

NOTE: Exports and imports are aggregated by the companies' core business, according to NACE Rev. 2, excluding exports and imports of NACE divisions: 84 Public administration and 97/98 Household activities.

*

* *

A number of 6,022 foreign direct investment enterprises were subject to a comprehensive survey, including enterprises with at least 20 employees (5,777 entities), all the credit institutions with foreign capital (39 entities), all the insurance undertakings with foreign capital (37 entities), as well as enterprises referred to as atypical, namely (all the foreign direct investment enterprises whose turnover or share capital is of at least RON 30 million, i.e. 169 entities).

The direct investment enterprises that were not subject to the comprehensive survey (around 38,000) were represented by a sample comprising 1,199 entities. The total number of entities subjected to the survey (comprehensively + sample) equaled 7,221.

The final results of the FDI survey at end-2009 (stocks and flows) have an error margin of ± 3 percent, a probability of 97 percent being warranted.