

## PRESS RELEASE

### Statistical Survey on Foreign Direct Investment (FDI) in Romania in 2007

*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 stock of FDI as of 31 December 2007 based on the stock extant at the beginning of 2007 and on the flows during 2007 of resident direct investment enterprises.*

#### 1. FDI net flow in 2007

EUR 7,250 million of which:

- EUR 2,220 million equity stakes (31%);
- EUR 1,327 million net reinvested earnings (18%);
- EUR 3,703 million net credit received from foreign investors (51%).

#### 2. FDI stock as of 31 December 2007

EUR 42,770 million, of which:

- EUR 31,501 million equity stakes (74%);
- EUR 11,269 million net credit received from foreign investors (26%).

#### 2.1. FDI by main economic activity

By economic activity (according to NACE Rev. 1), the bulk of FDI went to manufacturing (32.9 percent of total), out of which the largest recipients were: metallurgy (7.5%), food, beverages and tobacco (5.2%), oil processing, chemicals, rubber and plastics products (4.4%), transport means (3.6%) and cement, glassware, ceramics (3.5%).

	FDI stock at 31 Dec. 2007		of which tangible and intangible fixed assets	
	EUR million	% of total FDI	EUR million	% of total FDI
<b>TOTAL, of which:</b>	<b>42,770</b>	<b>100</b>	<b>21,398</b>	<b>50,0</b>
Industry, of which:	17,409	40.7	11,447	26.8
<i>Mining</i>	2,046	4.8	1,654	3.9
<i>Manufacturing</i>	14,071	32.9	8,744	20.4
<i>Electricity, heating, natural gas, water</i>	1,292	3.0	1,049	2.5
Financial intermediation and insurance	9,961	23.3	1,517	3.5
Wholesale and retail trade	5,970	14.0	3,099	7.2
Construction and real estate	3,329	7.8	2,131	5.0
Post and telecommunications	2,784	6.5	1,948	4.5
Other	3,317	7.7	1,256	3.0

Other activities that have attracted significant foreign direct investment are financial intermediation and insurance, which include banking and insurance and account for 23.3% of total FDI stock, wholesale and retail trade (14%), construction and real estate (7.8%) and telecommunications (6.5%).

Tangible and intangible fixed assets stood at EUR 21,398 million at end-2007 and accounted for 50% of total FDI, thus inducing a considerable degree of foreign investment durability.

Substantial FDI in tangible and intangible fixed assets was recorded in industry (26.8 percent of total FDI), namely manufacturing (20.4 percent of total FDI, out of which metallurgy held 4.5 percent of total FDI), wholesale and retail trade (7.2 percent), telecommunications (4.5 percent), which largely overlap the fields benefiting from most of FDI.

## ***2.2. FDI distribution by development region***

From a territorial point of view, FDI went mainly to Bucharest-Ilfov region (64.3%), other development regions benefiting from significant FDI inflows were CENTER region (8.3%), SOUTH region (6.9%), SOUTH – EAST region (5.7%) and WEST region (5.5%).

	<b>EUR million</b>	<b>% of total FDI</b>
<b>TOTAL, of which:</b>	<b>42,770</b>	<b>100.0</b>
BUCHAREST	27,516	64.3
CENTER	3,541	8.3
SOUTH	2,942	6.9
SOUTH -EAST	2,448	5.7
WEST	2,365	5.5
NORTH - WEST	1,907	4.5
SOUTH - WEST	1,379	3.2
NORTH -EAST	672	1.6

## ***2.3. FDI by country of origin***

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

Top 5 countries by the share of total FDI stock as at 31 December 2007 are: Austria (21.4 percent of total stock at the end of 2007, down from 23 percent a year earlier), the Netherlands (16.3 percent, slightly down from 17.1 percent in 2006), Germany (11.7 percent compared with 10.1 percent in 2006), France (8.8 percent compared with 8 percent in 2006), and Greece (7.5 percent, staying flat year on year).

	<b>EUR million</b>	<b>% of total FDI</b>
<b>TOTAL, of which:</b>	<b>42,770</b>	<b>100.0</b>
Austria	9,161	21.4
The Netherlands	6,988	16.3
Germany	5,020	11.7
France	3,759	8.8
Greece	3,192	7.5
Italy	2,617	6.1
Switzerland	2,191	5.1
Cyprus	2,015	4.7
Turkey	822	1.9
Hungary	738	1.7
Luxembourg	633	1.5
USA	581	1.4
Other	5,053	11.9

### 3. FDI Types

The flow of equity capital in FDI enterprises is divided into: greenfield, mergers and acquisitions and corporate development (see methodological issues).

FDI in 2007 by type of investment and by main economic activity is shown below:

	<b>Greenfield</b>		<b>Mergers and acquisitions</b>		<b>Corporate development</b>	
	<b>EUR million</b>	<b>%</b>	<b>EUR million</b>	<b>%</b>	<b>EUR million</b>	<b>%</b>
<b>TOTAL, of which:</b>	<b>385.05</b>	<b>17.3</b>	<b>233.38</b>	<b>10.5</b>	<b>1,601.52</b>	<b>72.2</b>
Industry, of which:	166.83	7.5	140.65	6.3	242.40	10.9
<i>Mining</i>	0.00	0.0	0.00	0.0	4.12	0.2
<i>Manufacturing</i>	160.64	7.2	140.65	6.3	306.19	13.8
<i>Electricity, heating, natural gas, water</i>	6.19	0.3	0.00	0.0	-67.91	-3.1
Financial intermediation and insurance	156.07	7.0	50.30	2.3	856.72	38.6
Wholesale and retail trade	7.91	0.4	0.98	0.00	180.79	8.1
Construction and real estate	14.92	0.7	32.84	1.5	160.24	7.2
Post and telecommunications	0.00	0.0	0.00	0.0	7.89	0.4
Other	39.32	1.7	8.61	0.4	153.48	7.0

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 the FDI stock in greenfield enterprises by main economic activity at end-2007 was as follows:

	TOTAL FDI EUR million	of which:	
		Foreign direct investment in greenfield enterprises	
		EUR million	% in total FDI
<b>TOTAL, of which:</b>	<b>42,770</b>	<b>23,667</b>	<b>55.3</b>
Industry, of which:	17,409	7,316	42.0
<i>Mining</i>	2,046	147	7.2
<i>Manufacturing</i>	14,071	6,625	47.1
<i>Electricity, heating, natural gas, water</i>	1,292	544	42.1
Financial intermediation and insurance	9,961	4,685	47.0
Wholesale and retail trade	5,970	5,393	90.3
Construction and real estate	3,329	2,327	69.9
Post and telecommunications	2,784	1,430	51.4
Other	3,317	2,516	75.9

#### 4. Exports and imports of FDI enterprises

	EUR million			
	Exports (FOB)		Imports (CIF)	
	FDI enterprises	% of total sector	FDI enterprises	% of total sector
<b>TOTAL, of which:</b>	<b>20,563</b>	<b>70.8</b>	<b>29,675</b>	<b>59.2</b>
Industry, of which:	18,273	77.5	18,111	78.2
• <i>Manufacturing</i>	17,349	77.2	17,252	78.2
Wholesale and retail trade	1,876	62.7	9,646	47.7
Other	414	16.8	1,918	28.5

NOTE: Exports and imports are aggregated by the activity of companies, according to NACE Rev. 1. Excluding exports and imports of NACE divisions (release 1): 75 Public administration and 96/97 Household activities.

The activity of foreign direct investment enterprises as a whole had a positive impact on Romania's trade balance, its contribution to total exports and total imports being 70.8% and 59.2% respectively.

## **METHODOLOGICAL ISSUES**

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

Foreign direct investment is considered the following: paid-up capital and the reserves related to a non-resident investor owning at least 10 percent in the subscribed share capital of a resident enterprise, the loans between the investor and the direct investment enterprise as well as the reinvested earnings.

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

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

**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 below 10 percent of 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 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 from the group of non-resident companies that the former belongs to, less 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:** foreign direct investors' increase in the capital of direct investment enterprises.

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*A number of 5,918 enterprises were subject to comprehensive survey, including enterprises with 20 or more employees (5,760 entities), all credit institutions with foreign capital (38 entities), all insurance undertakings with foreign capital (32 entities), as well as enterprises referred to as atypical (all foreign direct investment enterprises whose turnover or share capital is of at least RON 30 million, i.e. 88 entities).*

*Representativeness at the level of development region and NACE division is ensured by direct investment enterprises subject to comprehensive survey holding 91 percent of total FDI stock as at 31 December 2007.*

*Out of the direct investment enterprises that were not subject to comprehensive survey (around 37,800) a sample comprising 1,119 entities was selected. The total number of entities subjected to the survey (comprehensively + sample) equalled 7,037.*

*Based on the coefficients of variation arising from the extension of data reported by the enterprises included in the sample, the final results of the FDI survey at end-2007, stocks and flows, have an error margin of  $\pm 3$  percent, a probability of 97% percent being warranted.*

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