ROMANIAN ECONOMIC HIGHLIGHTS

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SUMMARY

I. ECONOMY AT WORK

Trends in Romania's economy

BNR expert Lucian Croitoru: Recession predictable by economic rationale

The policy focused on growing budget expenditures in real terms and the authorities' wage policy have boosted the cyclical components of the GDP and large net capital inflows, comments Lucian Croitoru, advisor to the governor of the National Bank of Romania (BNR), in a leading article published by daily Business Standard.

This accentuated particular economic phenomena and took economic growth to "unsustainably high" levels. The prerequisites were thus set in place for relatively steep GDP falls like the one we witness today, explains Croitoru. The lesson these developments teach us is that good times do not last an eternity. "Moreover, we need to learn that massive capital inflows do not represent the implicit nod given by foreign investors to postponing the necessary reforms," writes the expert.

Commenting on the downward phase of capital inflows Romania is currently going through, Croitoru remarks that phenomena associated to it are inevitable. "We should not try to stop the crisis. Policies can only mitigate adverse developments," notes Lucian Croitoru.

He also underscores that such effect-cushioning can only take place within the limits set forth in agreements concluded with the EU and IMF. "It is tempting but dangerous to exceed those limits. If they got the lesson of history right, the politicians won't attempt to go against these agreements and, implicitly, break the limitations," emphasizes the advisor to the central bank governor.

In Croitoru's opinion, recession in Romania is not necessarily a consequence of the global financial meltdown triggered by the U.S. subprime mortgage crisis.

"Recession might have anyway showed up because like many other countries, Romania has put behind the upward phase of large capital inflows," considers the BNR expert. He reminded that Reinhart Consulting has showed that the frequency of financial crises is directly correlated with episodes of high capital inflows occurring simultaneously in many countries. Speaking the week before at the "Alexandru Ioan Cuza" University in Iasi (northeast of Romania), BNR governor Mugur Isarescu extensively tackled the issue, explaining the philosophy of the agreements with the EU and the IMF.

As a principle, there is no way to avoid the phenomena that appear in the upward and downward phase of capital inflows. Typical evolutions during the upward phase are the appreciation of the local currency, rising asset prices, excessively fast-paced credit growth, high GDP growth, improved fiscal positions, a rise in forex reserves and a severely degrading current account, Croitoru explains.

In the downward phase of capital inflows, all these trends are reversed. The author of the article considers that Romania has been for some time now in this second phase. "So we knew that recession will come, that there will be a depreciation of currencies (which happened in Romania between October 2008 and February 2009) and that there will be a reversal in the current account deficit, that asset prices will drop, etc.. Furthermore, knowing how the fiscal policy and the wage policies responded to developments in the upward phase, we knew that this would be a significant recession," argued Croitoru.

He mentioned that macroeconomic policies cannot prevent these trends, but can 'soften' their slopes in each stage. "Only that during the upward phase, the temptation to accelerate convenient trends is great," warns the author of the article.

Citi Bank: Romania's economy to shrink 6 pct in 2009

Romania's economy will shrink six percent this year, said Citi Bank Romania economists in their most recent analysis, with the figure adjusted downwards from the previous estimate of four percent; the revisal is the result of the worse than expected setback of the Gross Domestic Product in Q1 2009 (a 6.4pc fall, compared to a previous estimate of 2.5 percent).

At the same time, the current account deficit of around 0.7 billion euros in the first three months of 2009 was considerably lower than the about four billion euros in deficit registered over the similar period of 2008, which highlights the magnitude of Romania's current foreign deficit. Citi Bank Romania experts now estimate Romania's current account deficit will this year be about 6.5pc of GDP, as to 12.3pc in 2008.

According to the cited experts, the effects of the worse than anticipated contraction of Romanian economy in the first quarter of the year are as follows: a probably lower current account deficit, a high likelihood that the fiscal performance is affected by lower collections, whereas the

National Bank of Romania might have stronger reasons to reduce the benchmark interest rate. At the first look, the first implication appears to have positive effects on the exchange rate, whereas the other two seem to exert an adverse effect.

In the eventuality of a sharp fall of the global risk appetite and of a severe reduction, by BNR, of the benchmark interest rate, the aforementioned effects - in the context of the EUR 20 bln IMF and EC loan secured by Romania - will probably not influence the exchange rate evolution.

BNR is also expected not to take the interest rate too low, should it become evident that such a move affects the local leu. In addition, the IMF might be more lenient if the reason for missing the fiscal targets is mainly represented by lower revenues associated with an economic contraction past expectations.

A strong rise in delinquent loans, which could affect the financial stability and investor confidence, poses a major risk and therefore this factor requires careful monitoring, given its negative effects on the exchange rate.

Stiglitz: Romanian economy fares in correlation with global financial markets

Romania's economy might keep on sliding in the coming quarters at a pace similar to that registered in Q1, when it shrank 6.4 percent, should the crisis have tougher than expected effects on Europe, recipient of the Nobel Prize in Economics and former World Bank senior vice-President and chief economist Joseph E. Stiglitz told Business Standard. The erstwhile Chairman of the Council of Economic Advisers of former U.S. President Bill Clinton ponders an even sharper fall in Romania's 2009 Gross Domestic Product (GDP) than the 4.1 percent forecast by the International Monetary Fund (IMF). He warned of the risk that Romania might see an equally severe contraction in the next quarters, yet notes that global economic decline has slowed down, which could bode well for the evolution of Romania's GDP, underscoring that Romanian economy will fare in correlation with the evolution of global financial markets. "The Romanian government will only be able to control to a small extent the evolution of economy this year and in the coming years, because this mostly depends on the behavior of global markets," Stiglitz added.

According to the reputed expert, this is just the end of the beginning stage of the crisis, a relevant sign being the recent smoothening of the global decline. If this improvement trend persist, the IMF targets agreed upon with the Romanian authorities could be met.

Joseph Stiglitz considers that Romania's turning to international financial institutions for help in these moments has been well-advised because otherwise Romania would have been hit harder. All these institutions have definitely helped Romania and other East European countries mitigate the effects of the global financial meltdown, pointed out the American economist.

Commenting on pressure for fiscal consolidation by the IMF and or the EU on the countries they ink an agreement with, Stiglitz said that corrections are needed in the first place in countries that registered excess in this respect and there is need to give expansionist fiscal policy a chance, even if this implies a higher debt, in order to make a strong bounce-back.

The Nobel prize laureate considers the relaunch of lending does not depend on banks keeping money in Romania. "Even if the money is not repatriated to the financial institutions' home countries, this does not necessarily mean that banks will resume lending. They might prefer to invest in government stock, for instance. There are many ways for the banks to transfer money abroad and they are highly skilled in doing this. I am sure that regardless regulations or laws, the banks will find the loophole to bypass them," said Stiglitz.

Joseph Stiglitz advises establishment of domestically-owned banks

States should be more interested in establishing banks of their own in order to protect themselves from situations when foreign banks reduce their support in difficult periods, considers Professor Joseph Stiglitz, winner of the Nobel Prize in economics and former World Bank vice president, who was these days in Bucharest.

According to the reputed expert, it is important that countries develop local banking systems. Some interesting studies have been worked out showing that as a general rule, foreign banks tend to disburse loans rather to governments and large corporations than to small enterprises, which actually provide the bulk of jobs, pointed out Stiglitz cited by daily Ziarul financiar.

He mentioned that during difficult periods, foreign banks have the natural tendency to withdraw resources from their subsidiaries, in an attempt to protect their operations in their home markets. In Romania, banks with foreign-owned stake concentrate 88 pct of total assets, as all major banks, except for CEC Bank, were privatized after the problems occurred at the end of the '90s.

So far, the presence of foreign banks was considered an advantage, facilitating access to both capital and the experience of international groups.

Governor of National Bank of Romania (BNR) Mugur Isarescu pointed out that the distinction needs to be made between branches of foreign groups and local banks with foreign shareholders.

The latter are subject to BNR supervision and observe the regulatory framework in effect, said Isarescu. Of the major players on the local market, only Citibank and ING operate as branches of foreign banks, whereas the others are Romanian legal entities licensed by BNR.

Stiglitz says that overcoming the current financial crisis requires the rethinking of the financial system and of the regulatory framework. We should not revert to the same situation. The financial system was too large. Only the credit-disbursing part needs to be kept in place, the one that contributes corporate capital, considers Stiglitz.

Joseph Stiglitz: Romania has an edge over other states

Some countries did better than others during the current crisis, with Romania counting to the first category, said Professor Joseph Stiglitz on May 19, while in Bucharest where he delivered an address on the impact of the economic crisis on South-East European countries, at the Central and South-East European Financial Forum organized by Forum Invest.

In the opinion of the winner of the Nobel Prize in economics, Romania was able to resort to regulations on reserve cutting, it had a robust demand before the crisis and a healthy set of banking regulations. Professor Stiglitz believes that the very fact that it is a small state (in comparison with the U.S. – Ed. note) integrated in such a large market like Europe (which however faces problems itself), is yet again an element that benefits our country.

Another asset that helped deflect the crisis from Romania to a certain extent is the exchange rate flexibility and the lower reliance on foreign banks than that of other countries which have no more banks left running on domestic capital.

As regards the IMF requirements, Professor Stiglitz says that they were in no case any tougher than the measures Romania should have self-imposed to get out of the crisis.

The advice the Nobel Prize winner has for the Romanian authorities is for them to try to cushion the effects of the crisis by using available money for the creation of new financial institutions with Romanian capital, which should preferably provide loans to SMEs which create jobs and boost economy.

In his turn, governor of the National Bank of Romania (BNR) Mugur Isarescu, also attending the forum, said that foreign-owned banks in Romania are practically Romanian banks running on foreign capital, because they stand under BNR regulation and supervision. In his opinion, if a parent bank had problems, "contagion in Romania would not be financial, but would rather affect the institution’s name and create panic.” Isarescu also said that, although price stability is the priority of BNR, financial stability has not been left aside, because it is a prerequisite for long-term price stability.

BNR chief economist: Romania has three trumps compared to other countries in this region

Chief economist of Romania's National Bank (BNR) Valentin Lazea stated on May 22 at the conference "Program and anti-crisis measures following agreements with International Monetary Fund and European Commission. What we expect from the Government, the National Bank and the banks?", organized in Targu Mures (center), that even though Romania is in the possession of three trump cards when compared to the other countries in the region, they are less known to the rating agencies.

"Romania's trump cards, by comparison to the other countries in the region, are the following: first of all, in the field of exports it is less exposed to foreign markets. We have an export/GDP ratio of just 24 percent compared to 60-70 percent in countries as Hungary, the Czech Republic or Slovakia. In other words, if those export markets are suffering, we should suffer less than the others with higher export volumes", said Lazea.

A second trump card is that in Romania the non-governmental credit, as well as its share of the GDP, is of just 39 percent compared to 70-80 percent or even 100 percent in the case of other countries and that, "irrespective how badly the banking sector would perform, it should not affect the economy to the same extent as in the other countries."

A third argument presented by BNR chief economist is the import of energy products, of oil and gas, namely Romania being, alongside Poland, the least dependent in this zone on such imports and, as a result, the least vulnerable, when faced with price changes for energy products.

The BNR chief economist added that Romania, the same as the Czech Republic, could have entered this crisis head up, if there were not three major problems.

"Romania could have entered this crisis head up, the same as the Czech Republic, if there were not three major problems: a very high budget deficit, 5.3 percent, the highest in the last decade, a current account deficit of 12.3 percent of the GDP and a very high crediting pace, of more than 60 percent. Two of them are on the verge of correction: the current account declined and it is expected to fall at a fast pace and bank lending is also declining, maybe at a faster pace than it would be the case, or according to our expectations. The budget deficit continues to be a problem and, therefore, all solutions to be found - because the administrations want money - must not aggravate this last problem, the budget deficit issue, a problem Romania is still confronted with," underlined Valentin Lazea.

He stressed that already Romania has the highest inflation rate among the 27 European Union member countries, of 6.47 percent and this fact can lead to a less accentuated economic growth and to inflation increase.

"Inflation is not very high, but by relaxing now the monetary policy too much, in the hope this will generate an even higher economic growth, we risk not to achieve that economic growth we hoped for and to reach an inflation rate of more than 10 percent. And above 10 percent this might be a problem. GDP decline due to this inflation of more than 10 percent would lead to stagflation, much more dangerous in our case", emphasized the BNR chief economist.

Central bank’s Dijmarescu: Rating agencies could reassess Romania's outlook at the end of 2009

Credit rating agencies could reassess Romania’s outlook by the end of the year following the application of the provisions in the arrangement concluded with the International Monetary Fund, deputy governor of the National Bank of Romania (BNR) Eugen Dijmarescu said on May 20 at the end of a Central and Easter-European Financial Forum.

Standard & Poor’s ratings agency on May 14 affirmed at BB plus/B Romania’s foreign currency rating and at BBB minus/A minus 3 the country’s local currency rating, and affirmed at negative the country’s outlook.

Fitch Ratings rated at BB plus Romania’s long-term foreign rating and BBB minus its local currency rating, both with a negative outlook.

Moody’s affirmed this March Romania’s foreign currency rating at Baa3, stable outlook, investment grade.

WB: Romania to register 2 pc GDP contraction in 2009

Romania's Gross Domestic Product (GDP) will register this year a 2 percent contraction after a 7.1 percent growth in 2008 and in 2010, it will return to positive figures, with an estimated growth of 1 percent, followed by a three percent growth in 2011, says the latest economic report released on Thursday by the World Bank (WB), dedicated to the European Union (EU) newly entered member states.

"The impact of the international economic crisis upon the new EU member states proved to be more severe than anticipated a few months ago. The latest estimations indicate a GDP decline in EU10 of 2.9 percent in 2009, followed by a 0.3 percent growth in 2010. These estimations remain very uncertain because they depend, on their turn, on the estimations related to the recession turning point and the economic growth of the main commercial partners, mainly of those in the EU," the WB report further says.

The report draws attention upon some factors which explain the various impact the crisis had upon the new EU member states. A first factor is the reduced access to foreign funding, under conditions in which the foreign financing needs are lower in the countries with a current account deficit below 10 percent of the GDP (the Czech Republic, Hungary, Poland, Slovakia and Slovenia) compared to the countries with a higher than 10 percent deficit (the Baltic countries, Bulgaria and Romania).

A second factor which explains the differentiated impact of the crisis upon the EU10 is the stage of their banking system. The international banks, mainly in the EU member countries, play a very important role in the new member states and these banks' behavior in the current context is the one which determines to a great extent credit availability and the banking system's stability in EU10. In its turn, this behavior depends on the refinancing needs of the parent banks, on the incentives aimed at the reduction of the indebtedness degree in the current crisis context and on raised risks triggered by the adjustment of the exchange rate and the macro-economic decline.

A third factor of differentiation is the exchange rate type. There are two countries (Slovakia and Slovenia) which joined the European Exchange Rate Mechanism - ERM and therefore gave up the possibility to adjust the exchange rate and to have an independent monetary policy. There are countries with a fixed exchange regime (Estonia, Lithuania and Bulgaria) and countries with a floating exchange rate (the Czech Republic, Hungary, Poland and Romania). The WB report underlines that the countries with a floating regime registered a sudden depreciation of the exchange rate throughout the financial crisis.

EU10 includes Romania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. Reports in the series of "EU10 Regular Economic Report," published starting with March 2004, offer a summary of the economic evolutions in the region and analyses on current economic subjects.

Isarescu: A correction of current-account deficit to 8-9pc would suffice

A correction in the current-account deficit to 8-9 percent of the Gross Domestic Product (GDP) would be enough to Romania, Governor of the National Bank of Romania (BNR) Mugur Isarescu told a Central and South-Eastern European Financial Forum on May 21.

“The 2007 current-account deficit of 14 percent was too high. Even a 12-percent would have been too high a deficit. A correction in the current-account deficit to 8-9 percent would suffice to Romania,” said Isarescu.

He also mentioned that narrowing the current-account deficit should be achieved in a limited and gradual manner.

Romania’s balance of payments in the first quarter of 2009 was 709 million euros in deficit, down 82.1 percent from the first quarter of 2008, according to data with the BNR. A dominant influence on the narrowing of the current-account deficit was a decline by 67.2 percent in the first three months of 2009 of the foreign trade deficit from the first three months of 2008, standing at 1.337 billion euros.

The Q1 2009 current-account deficit was fully financed by direct investments of non-residents in Romania (compared with 42.8 percent in Q1, 2008), which stood at 1.456 billion euros, compared with 1.691 billion euros in Q1 2008. Out of the total of 1.456 billion euros, capital contributions made up 50.8 percent, intra-group loans 39.9 percent and reinvested profit 9.3 percent.

Romania’s National Economic Projection Board (CNP) has projected the 2009 current-account deficit at 7.3 percent of the GDP (9.39 billion euros), down from a previous 10.3-percent-of-the-GDP projection (14.84 billion euros), according to the spring projections for 2009-2013.

Isarescu says Romania not seeing technical depression

The Romanian economy is not in a technical depression, the governor of the National Bank of Romania (BNR) Mugur Isarescu said on May 21, adding he hoped the second quarter of 2009 would see an upturn and the economy would post a slight growth from the second quarter of 2008.

“Even with respect to seasonally adjusted figures, the comparison to a previous quarter is not the best one. A technical depression occurs when there is recorded a drop in two consecutive quarters from the same quarters of the previous year,” he explained.

Isarescu insisted he stands by his projection that the Romanian economy would recover and end 2009 on a plus compared to the prior year.

“The most difficult point has been overcome. The economy will pick up gradually, but on different bases,” the central bank head stressed.

The Romanian economy contracted in Q4 of 2008 from Q3 of 2008 as well as in Q1 of 2009 compared to Q4 of 2008. When compared to a similar quarter of the prior year, the national economy shrank in Q1 of 2009 only, i.e. by 6.4 percent

Eurostat: Romania's trade deficit halves over Jan-Febr. 2009

Romania’s trade deficit over January-February halved to 1.4 billion euros, from a negative balance of three billion euros in the same period of the previous year, according to figures carried on May 18 by the Eurostat (European Communities Statistical Office).

While Romania’s exports decreased 26 percent, up to 4 billion euros, over January-February 2009, as against 5.4 billion euros in the same period of 2008, imports shrank 36 percentage points, to

5.4 billion euros, in the first two months of 2009, compared to 8.4 billion euros over Jan-February 2008.

In the European Union, over January-February 2009, Romania ranks 7th with a deficit worth 1.4 billion euros.

Eurostat: Romania, third place in EU by construction works in March

The volume of construction works grew in Romania in March as against February by 1.7 percent, according to figures carried on May 19 by the Statistical Office of the European Commission (Eurostat).

Therefore, Romania ranked third in the European Union by performance of the construction sector, after Germany and Portugal.

In terms of annual pace, the construction works reported a shrinkage of 10.5 percent in the EU and a decrease of 8.7 percent in the euro area. Romania ranks ninth, the construction works reporting a diminution of 2.8 percent at annual pace.

Romania's construction sector, leader in Q1 but on downward trend

Romania’s construction sector reported the best performance in the European Union in the first quarter this year, according to the data submitted by the Statistical Office of the European Communities (Eurostat).

The construction sector advanced by 3.5 percent in the first three months this year against the same period of 2008, with Romania being the EU leader on this segment. However, the first two months have contributed the most to this result, as the sector reported a negative evolution in the third month. More exactly, the construction sector gained 14.7 percent in January, 3.4 percent in February and dropped by 2.8 percent in March. This evolution could point to a contraction of the construction sector in the coming months, which will significantly affect the Gross Domestic Product (GDP), reads the daily Business Standard. In the first three months of the year economists had bet on the construction sector to ease off the economic downturn, but this might turn out to be just wishful thinking in the coming months.

“We predict the construction sector will report a negative evolution in the next quarter and have a negative impact on the economy. In the first months it was only the residential segment that helped the construction sector report a positive evolution. But this will also record a negative trend in the next months, while the other segments will post even steeper decreases,” the daily cites Nicolaie-Alexandru Chidesciuc, ING Bank Romania senior economist as saying.

Compared to other states in the EU, the 2.8-percent decrease reported in March is not that drastic. The sector went down in ten member states and rose only in Germany and Poland.

Car market down almost 55 percent in four months

The sales of new cars on the Romanian market went down in the first four months of 2009 by 54.9 percent as against the same period of the previous year and stood at 49,971 units, compared to 110,839 units over January-April 2008, according to the statistics of the Association of Car Makers and Importers (APIA).

The most afflicted segments of the automotive market was the bus segment with a shrinkage of 88 percent and the trucks' segment (over 18 tons), with a diminution of 88.1 percent, whereas the car sales went down by 50.8 percent (44,558 units).

The domestic production stood at 83,042 cars, of which 78,048 cars, up by 2.1 percent as against the same period of the previous year (1.4 percent at cars).

Exports grew 62.4 percent, standing at 72,147 cars and car exports lowered by 54.4 percent, at 36,461 units, at cars the shrinkage being of 48.4 percent.

Inter-company investments, up by 570 mln euros in Q1

Romania’s external financing risks are lower than in other European states, reads the daily Financiarul (www.financiarul.com).

At the end of the first quarter this year, the stock of inter-company direct investments stood at nearly 16.62 billion euros, up by some 570 million euros against December 2008, according to data made public by the National Bank of Romania.

On the other hand, financing lines in the banking sector declined. While the external debt balance corresponding to the credit institutions reached nearly 25 billion euros (with short-term financing accounting for 42.7 percent) end-2008, the banks' external debt dropped to 23.2 billion euros (with short-term financing accounting for 39.8 percent) after the first quarter of 2009.

Fitch analysts predict Romania will report a 13.2-billion dollar financing deficit throughout 2009, which is close to the installments approved under the agreement concluded with the International Monetary Fund.

"The loans extended by the IMF and other international financial institutions should help prevent a crisis that would spread over the entire region. Similarly, the high level of foreign investments in the central and East European banking systems, as well as the European efforts to save the Western parent banks represent a vital factor in reducing the pressure in the Eastern banking systems," reads the Fitch report.

At the same time, Fitch analysts say that, generally, the IMF support benefits the ratings. However, this does not mean an improvement in the ratings of the countries that received external loans, as it is the financial support itself that highlights the risks those countries are dealing with.

Cereals and fruit traffic on the rise in Constanta port

Freight traffic in the Black Sea port of Constanta (southeastern Romania), both the sea and the river traffic, dropped by 20 percent in the first quarter against the same period last year, to 10.2 million tons, with the cereals, fruits and vegetables being some of the few goods that reported rising transport figures, reads the daily Ziarul financiar.

Chemical fertilizers recorded the steepest decrease, of more than 100,000 euros, by 77 percent lower than the quantity transported in the first three months of 2008. Iron ores and construction materials dropped by similarly equal percentage points (65 percent and 64 percent, respectively), while the gross oil transport went down by 33 percent, to 1.3 million tons.

Cereals were among the goods that reported rising transport figures over this period, thus increasing almost threefold compared to the first three months last year, to 2.7 million tons, while fruits and vegetables rose by nearly 40 percent against the same period. Glass, equipment and machinery posted a 20-percent increase, according to the same source.

However, the port officials believe there are no reasons for concern related to a severe drop in the freight transport via the Constanta port, even though they predict lower transit by 25 percent compared to 2008.

The port of Constanta reported last year a record traffic for the past 20 years, thus reaching 61.8 million tons, up by 7 percent against the volume reported in the previous year. Imports accounted for nearly 40 percent of the total goods shipped via the Constanta port, while exports for 23 percent. The difference is made up by the goods in transit.

The port representatives announced early this year three investment projects amounting to some 170 million euros in the expansion of the port's capacities, with the financing of the organization works to be ensured from European funds.

The first project targets the development of the railway capacity in the fluvial-maritime area of the port, with the investment being assessed at some 17.6 million euros. The second project relates to the construction of a bridge over the Danube-the Black Sea Canal necessary to connect the port to the national road network. The investment value reaches 30.2 million euros. The third project, worth 121 million euros, targets the expansion of the port's dam, and is currently being assessed by the European Commission, the publication reports.

Romania's poverty rate goes up

The poverty rate grew in Romania in 2009 from 5.7 percent to 7.4 percent, the number of poor population reaching 1.59 million persons, of which 351,000 are children aged between 0-14 years, according to a UNICEF report, said Ileana Savu, State Secretary with the Ministry of Labor, Family and Social Protection.

In 2008 there were reported 1.22 million people, of which 256,000 children, living in absolute poverty. "After eight years of sustained economic growth, Romania will experience in 2009 an economic slowdown, the consequence of global slowdown. According to the latest estimates, the gross domestic product will contract 4 percentage points in 2009," said the State Secretary with the Ministry of Labor, Family and Social Protection.

According to the Romanian official, a shrinkage by 4 percent in the GDP means a growth by 100,000 in the number of the unemployed. According to UNICEF experts, the poverty will continue to be more visible in rural areas, however, this year the poverty will increase quicker in the urban environment, as an outcome of the number of laid-off persons. Afflicted by poverty will be also children. Therefore, children aged between 0-14 years and young people between 15-24 years will continue to be exposed to the highest risk of poverty. The two age groups account for 43 percent of the poor population.

Therefore, said Ileana Savu, the diversification of local social services is necessary to effectively protect most children in need.

Isarescu: Romania to see rising living standards again in 1-1/2 years

The rise in the Romanian living standards will resume in one and a half years, the governor of the National Bank of Romania (BNR) Mugur Isarescu told a Central and Eastern European Financial Forum held in Bucharest on May 21.

He explained that the other four components of the crisis had already been overcome in Romania – the country had overcome the toughest points in terms of the exchange rate, the balance of payments, the inflation (as a cost of the adjustment of the current account deficit) and the capital liquidity crisis.

The central bank head explained that the economic crisis in Romania is V-shaped, i.e. it doesn’t last long at its lowest point; the lowest point was recorded over Nov. 2008 – March 2009, he added.

Isarescu warned, however, that should a fresh escalation of the wages begin, the current exchange rate would no longer be one to provide balance.

Investments in Romania

FM Logistic platform in Timisoara

French company FM Logistic, one of the European leaders on the logistic parks market, has recently inaugurated in the village of Dudestii Noi, near Timisoara (western Romania) its first logistic platform for a greenfield project, reads the daily Financiarul (www.financiarul.com).

Upon the completion of the investment, the warehouse will cover some 86,000 square meters and has already found a client in Nestle, which leased a storage area of 14,000 square meters.

According to the FM Logistic development plan for 2010, this warehouse will be expanded by another module, thus reaching 21,000 square meters. The new location provides storage, handling, internal and international transport, co-packing services.

“FM Logistic is the forerunner of the multi-client and multi-activity logistic platform, a concept that supports the synergy between the actions of the human resources and the equipment, targeting the increase in efficiency of operations and the costs reduction. The FM Logistic presence in Timis is a large opportunity both for the domestic and foreign distributors and retailers that require logistic services and co-manufacturing solutions,” the daily cites Catalin Olteanu, the company’s regional manager as saying.

FM Logistic was set up in 1967 as a family business and opened offices in many countries. It has some 14,000 employees, of which 250 are working in Timisoara and more than 100 in Dudesti, at the new logistic platform, while 250 are active in the logistic park located in Bucharest.

Investments scheduled on Constanta shipyard in 2009

Shareholders of the Constanta Shipyard approved for 2009 investments worth 12.6 million lei, according to a release sent to the Bucharest Stock Exchange.

The General Shareholders Ordinary Assembly of May 18 approved in the budget of revenues and spending, revenues worth 548.131 million lei in 2009 and expenditures worth 541.233 million lei.

Last year the Constanta Shipyard reported net profit worth 2.136 million lei on a turnover worth 564.8 million lei. Revenues totaled 631.479 million lei and expenditures 629.343 million lei.

Situated in the Black Sea area, the Constanta shipyard is among the biggest shipyards for vessel construction and repair in Europe. SNC Constanta Shipyard has delivered over four million tdw to Romanian and European ship owners, new ships of various sizes from 1,100 tdw – like those used for chemical products to Aframax / Suezmax, to cargo ships Capesize or platform supply vessels.

Rompetrol invests 10 mln dollars in gas stations

Rompetrol Downstream, the retail division of the Rompetrol Group completed over January – April 2009 the construction works of 14 new gas stations, with the total investment value exceeding 10 million dollars, according to a release of the company.

Out of the 14 new gas stations, five are company-own stations and nine are mobile Rompetrol Expres stations.

“We plan to open further 75 gas stations in Romania in 2009, of which 5 own stations, 40 Rompetrol Expres and 25 internal bases dedicated to the large fuel consumers”, the Rompetrol Downstream director general, Retail and Marketing vice-president with the Rompetrol Group Titov Buzescu said.

The gas stations are located in Cluj (central Romania), Constanta (southeastern), Targu Mures (central), Golesti (southern) and Tecuci (eastern), while the Rompetrol Expres stations are based in Iasi (eastern, Bivolari locality), Olt (southern, Serbanesti and Redea), Braila (southern, Victoria and Gropeni), Arges (southern, Lunca Corbului), Gorj (southern, Ticleni), Teleorman (southern, Buzescu) and Dolj (southern, Motatei).

The company has recently introduced in its own gas stations network and the partner stations the new Alto premium fuel range. The Alto101 petrol fuel ensures the enhancement of vehicle performance, as well as engine efficiency and reliability, while Alto 55 diesel fuel provides an enhanced engine power due to its high cetane number and a significant decrease in consumption.

Rompetrol Downstream operates more than 450 gas stations and seven fuel deposits on the local market, being the first network that has been selling only Euro fuels ever since 2003.

Rompetrol Downstream is to reach 525 fuel supply points compared to over 450 held at present, a higher number compared to the number of stations which operate under Petrom’s logo on the local market, 449 units.

The main difference between the two networks is, however, the fact that in Petrom’s case all the supply points belong to the company, but they are administered by dealers, and there are no stations such as Expres, whereas in Rompetrol’s case many petrol stations are in the Partner system, namely they are held by another owner, but they sell Rompetrol fuel and there’s the system of mobile petrol stations Expres, such as the one of internal bases.

Through the 14 petrol stations opened in the first four months of the year, Rompetrol Downstream set up 110 new jobs. Rompetrol Downstream reported in the first three months of the year net profit worth $14.7 million compared to losses worth $8.4 million in the same period one year ago and turnover worth $344 million, down 33 percent over $510.1 million of the first three months of 2008.

The company reported a 2-percent curbing in the sales of fuel made through the retail segment, 22 percent in the system of partners and 11-percent rise in the wholesale segment, according to the company’s financial report.

EUR 3 million investment in BMW facility

As of May 16, Sibiu motorists have a new BMW facility with showroom and service beckoning them, an investment worth three million euros carried out thanks to the efforts of Contempo Cars Sibiu, member of Bavaria Automotive Group. The new facility joins auto sales operations, service and sales of parts and accessories and is located in the close proximity of the Sibiu airport, which operates flights to financial centers in Germany, Austria, Italy or Spain, but also regular flights to Bucharest.

Michael Schmidt, president of Automobile Bavaria Group and MHS Truck & Bus, importer of MAN lorries, explained at the inauguration the timeliness of the investment. "Sibiu is a very important city for Bavaria Automotive Group, both economically and strategically, also because of the history our companies have had here. After the recent inauguration of the MAN headquarters a few months ago, we completed a new project in Sibiu in an investment worth three million euros," Schmidt said.

The complex has a total area of over 6,000 square meters, of which about 500 square meters are dedicated to the showroom. Showcased are all models of the BMW range, which are present in Sibiu immediately after their European launch.

Impact to build two hotels in northern Bucharest

Real estate developer Impact Bucharest plans to build two hotels and an office building in the Pipera area and between the Baneasa and Otopeni airports (northern Bucharest), Dan Ioan Popp, the company’s general manager told a recent press conference.

According to the corporate strategy, Impact Bucharest will expand its activity to include the development of hotel units and offices for small businesses.

"The northern part of Bucharest has developed a lot over the past years and there is a severe shortage of hotel rooms. We initiated in 2008 a feasibility study and identified the need for hotel rooms in the Pipera area and between the Baneasa and Otopeni airports," Oana Trifu, investor relations director with Impact Bucharest, said.

The two hotels to be built in northern Bucharest will have approx. 200 rooms, with their market value amounting to 30,000 – 40,000 euros per room, Popp said, adding he is already negotiating with two investors for the construction of the two hotels.

The company's financial results in the first quarter of 2009 have exceeded the predictions made at the beginning of the year. Impact posted in Q1 2009 a gross profit of 2.89 million lei, up by 62 percent compared to the initially estimated gross profit for the first quarter this year.

The result is due mainly to the sales of housing units reaching 20.15 million lei, above the projections made at the beginning of the year. In the first quarter of 2009 the company sealed 46 contracts worth 20.15 million lei.

"The sales volume reported in the first three months has exceeded our initial predictions, thus failing to support the pessimism recorded at the beginning of the year based on the sale figures reported in the first quarter of 2008. Thus, the posted results confirm an existing demand for turnkey homes, and the success of the housing solutions we have lately launched. More than 75 percent of the contracts sealed are based on the housing solutions rolled out by Impact for the first time on the local market, starting with last fall", Carmen Sandulescu, Impact Developer & Contractor CEO said.

Compared to the first quarter of 2008, revenue and expenditure indicators have reported drops due to the slowed down work pace of the ongoing projects.

Romania's workforce market

IMF: Unemployment will continue to rise in Romania

Unemployment will continue to rise in Romania in 2009 and early 2010, because this is an indicator with a delayed reaction to economic growth. When the economy decreases, unemployment reacts later, and when economy bounces back, the decline in unemployment is also delayed, IMF Mission Chief for Romania Jeffrey Franks said on May 22, on a visit to Bucharest as part of an ongoing mission to assess the developments in a stand-by arrangement between Romania and the IMF.

Franks said there are reasons for satisfaction in the way the Romanian authorities reacted to achieving the objectives included in the arrangement, adding that the abrupt drop in Romania's Gross Domestic Product (GDP) in Q1, 2009 does not warrant a revision of conditions included in the arrangement, at least not for now, although the drop was more abrupt than economists were expecting.

A positive sign, he said, is that the largest nine foreign parent banks of banks incorporated in Romania agreed on May 19 to adjust the solvency indicator from 8 to 10 percent for the 24 months of the arrangement. This will mean about 1 billion euro will be injected into the Romanian banking system in two installments, in September 30, 2009 and March 2010. This buffer capital is provided between the bleakest scenarios from the stress tests conducted by the IMF and the National Bank of Romania. There is tight interdependence between Romania and European countries, which makes that results in countries like Austria depend on the results in Romania and the other way around.

The effects of a forecasted drought on Romania could be a shock, but what is important is the social effects of the drought. Franks said that 2009 will be a difficult year even with the IMF assistance.

He added that the optimism he found in Romania and other countries is the result of economic downturn having slowed down, but growth has not resumed yet. Franks also argued that any pay rises should be considered against economic performance, and they will have to be discussed by the Romanian Government with the IMF. There is currently a weaker collection of Government revenues, but there is a possibility of the parameters agreed upon with the IMF in the arrangement to be released in the weeks ahead, being met.

Nearly 30,000 lay-offs by October

The number of jobs that could be cut until October 2009 reaches 27,982, over 1,400 of the notifications being recorded in the past week, according to the data released by the National Employment Agency (ANOFM).

Most of the jobs to be made redundant are announced in Bucharest (5,910) and the counties of Prahova (2,432), Timis (2,306), Brasov (1,422), Teleorman (1,386), Arges (1,207), Cluj (1,033), Gorj (820), Ialomita (720), Dolj (709), Arad (668) and Maramures (658).

Per total, some 295 against 270 commercial companies recorded last week have announced jobs cuts. In the first four months of 2009, the companies announced lay-offs of another 92,154 jobs.

Number of banking system employees, down by almost 1,200

President of the Romanian Banking Institute (IBR) Petru Rares stated on May 22 at the conference "Program and anti-crisis measures following agreements with International Monetary Fund and European Commission. What we expect from the Government, the National Bank and the banks?", organized in Targu Mures (center), that nationwide, the number of banking staff was reduced, also translating into a halt of the territorial chain development.

Petru Rares said that at the end of 2008 there were 70,622 employees in the banking system, but that unfortunately the 6,553 branches have shed a number of 1,200 employees.

He emphasized that "complex" times are ahead for the banking system, generated by international and national challenges, the risk perception and consumers' restraint - both corporate and individuals - in relation to the banking system and that IBR, together with the National Bank of Romania (BNR) and other specialized bodies in this field, is trying to increase population's knowledge about the financial banking community.

The IBR president also said that, according to some analyses made during some other worldwide periods of crisis, economy revival might take approximately 1.9 years and the average GDP decline is of 9.3 percent.

"Starting 1990, cross-border capital fluctuations accounted for 5.2 percent of the global GDP and now they account for a fifth of the global GDP. (...) China has turned into the world's locomotive. Bank representatives in Romania consider the number 1 priority at the moment is the preservation of their client base, given that in the past six months it has started to dwindle anyhow. At the same time, the bankers said that the lending pace will never see highs as in the past four years," Petru Rares also said.

Project on creation of a Romanian community point in Brussels

The Romanian Social Democrats Organization in Brussels had on May 20 a meeting with Jacques Ouziel, responsible in the Belgian Executive with the labor market restrictions in Belgium, occasion with which a project for the establishment of a Romanian community point in Brussels was presented, reads a press release of the aforementioned organization in the Capital of Belgium.

"We do not really know the Romanian community in Belgium. We need such organized structures to carry out an articulated dialogue", said Jacques Ouziel. "The idea of the community centers is welcome, and the project is well defined and argued. Most certainly, we will help its development", added the Belgian official.

Present at the meeting, Dan Luca, candidate of PSD+PC Alliance for the European Parliament, said that "it is important to work together with our Belgian colleagues in order to identify all sort of issues, which might be a barrier for our fellow nationals' access on the labor market in Belgium".

According to Romania's Embassy in Belgium, approximately 40,000 Romanians currently live in this country.

In December 2008, the Council of Ministers of Belgium approved a project which stipulates the lengthening of the transitory restrictions period imposed to Romanian and Bulgarian workers on the labor market for another three years, from Jan. 1, 2009 to December 31, 2011. Subsequently, these restrictions might easily be applied for another two years - the total period being in the case of Romania and Bulgaria being of seven years since their EU accession.

Romania’s business markets

Ministry of SMEs concludes 105 mln euros worth of contracts based on structural funds

The Ministry of SMEs, Commerce and Business Environment (MIMMCMA) has contracted structural funds in the amount of 105 million euros on the competitiveness program, announced on May 19 State secretary with MIMMCMA Maria Parcalabescu while attending the Central and South-Eastern European financial forum organized in Bucharest.

"We started in February and contracted 105 million euros. This week, the first five bills from the first five beneficiaries, who signed with us in Feb. - March, have come for payment. Till the end of May, we will finalized all the four programs - small investments, standardization, consultancy and internationalization - and we hope to finalize the big investment program, as well," stressed Maria Parcalabescu.

She added that the European funds allocated to MIMMCMA in 2009 are up to 196 million euros and that she hopes that in October - November the money will reach the market for this new projects offer, given that the time from project submission till signing was reduced to 60-90 days and a pre-financing of 35 percent has been introduced.

According to MIMMCMA official, 714 projects were submitted in the big investment program, but half were rejected due to the administrative chapter. Of the 324 projects reaching the final stage, 270 were judged zero according to the technical economic parameters and of the 52 eligible projects the money will reach just 35.

In 2009, 80 million euros were allocated to this program.

The State secretary also mentioned that an agreement was concluded with the Ministry of Communications for a new project of implementation of 10 software parks in eight regions, where 5,000 new jobs will be created and that MIMMCMA also prepares the launch of a large project for technological parks and a project with the Ministry of Labor for vocational training centers.

Industries that took a blow in Q1

Medical services performed best in Q1, advancing about 30pc, followed by the express delivery services with an increase of 15-20pc, writes Business Standard daily in an analysis on how the global economic crisis affected the Romanian economy, based both on the results already published by the companies, as well as on a poll conducted among the most important players in each industry.

Other industries upbeat after the first three months of the year in terms of turnover are consulting (10pc), dairy (10pc), food retail (5-10pc) and the brewing industry (5pc).

At the opposite end, the industries that witnessed the steepest decrease in Q1 were home appliance retail (that went down 30-35pc), HR consulting and recruitment (30-35pc), automotives, textiles and IT hardware (30pc). The industries that stagnated in Q1 were pharmaceuticals, air transport, meat processing and the milling industry.

The companies listed on the Stock Exchange fell about 20pc in the first quarter of 2009 compared to the same period of last year, while the Financial Investment Companies – SIFs declined 14pc in average, reports the cited paper.

Amid the economic crisis, the main players on the healthcare market announced spectacular growth in turnover: MedLife advanced 73pc in Q1, whereas Unirea Medical Center went up by 61pc. The 30pc advance of the overall market was the result of robust investments made in the sector, of the poor quality of public services and the still early development stage of the market, estimated at 350-400 million euros, one of the lowest figures in Eastern Europe.

Q1 2009 was the time when the crisis also rippled to food retail, where the effects of the change in consumption habits started to show. The depreciation of the local leu also had a negative impact on all trade sectors. The worst hit was electric equipment retail, with the market plunging 30-35pc over Jan - March.

The construction industry reported 4.4pc growth in statistics, but the market effectively sees an activity shrinkage. “There was an 8-10pc contraction of the construction market over the first three months of the year, compared to the same period of 2008. The reasons for such developments were delays in state payables to companies under public contracts and the gridlock hit by financing for private projects,” says Laurentiu Plosceanu, president of the Romanian Construction Contractors Association, cited by Business Standard. As many as 20,000 workers were laid off in the first quarter of the year out of about 400,000 on the local market; the job loss threat is looming over another 75,000.

The local telecom market, estimated at over five billion euros in 2008, recorded in the first quarter of 2009 a decline of 20-30pc, generated mainly by the negative evolution of the GSM retail chains, whereas Internet and cable services maintained their growth pace since last year, said industry players cited by the paper.

The activity slowdown registered by the large industrial consumers dealt a severe blow to the natural gas market, that fell 10pc in the first three months of this year on the background of a 16pc decline in consumption compared to Q1 2008. The fuel distribution market was also seriously affected in T1, falling by about 5-10pc in total amount, due to lackluster sales and prices driven downwards by oil growing cheaper.

In the transport industry, business drifted downwards especially on the rail segment and less on the land or air transport, which kept flat. Overall, while the air transport market stagnated, land carriers fell by a slight 10pc, whereas the railway industry rolled backwards by about 20pc in turnover in Q1 2009. The passenger land transport segment was also subject to a decrease as deep as 20pc in turnover and profit.

The textile industry experienced one of the steepest declines, of 30pc in Q1. The textiles market has been on a downward trend since 2005, and the economic crisis seriously thinned out the clientele of the domestic manufacturers, as a result of production relocation to Asia, plunging sales and a massive reduction by over 30pc in the amount of orders, reports the paper.

Tour operators were not spared a significant decline of some 15pc in Q1 revenues either, as foreign visitor arrivals to Romania in this period were by 14.8pc less than last year, and the Romanians' outbound trips were slashed by 5.6pc by the crisis. Major tour operators registered growth only on the tourism and business segments.

The express delivery market saw a 20 pc increase in Q1 compared to the same period of 2008. The main trend noticeable on this segment in the period of reference is a shift from the air dispatch to road dispatch services for cost-cutting reasons.

With companies ailing in Q1, the personnel were not better off either. Thus, the number of jobless exceeded for the first time in the last five years half a million and the unemployment rate advanced abruptly from 4.9pc in January to 5.6pc in March, notes Business Standard.

Software industry organizations: Romanian IT industry down 10 pct in 2009

The Romanian IT industry will drop this year 10 pct compared to the year before, when it reached EUR 900 million, of which exports accounted for EUR 500 million, said Liviu Dragan, president of the Employers' Association of the Software and Services Industry (ANIS).

"Overall, the turnover on the IT segment is falling and I don't think it will stop in Q2, 3 and 4," said Dragan, cited by daily Ziarul financiar.

According to the source, one of the reasons for the fall of the Romanian IT industry is the postponement or even freezing of IT investments by private sector clients.

"This is a natural process. In general, IT investments in a growing economy like Romania's was, take place when companies witness growth of 30-40 pct, creating chaos and determining the management to reach out for solutions to optimize and control the process. When there is no more growth, the private sector shelves investments. If they did not make them in 2008, you cannot convince them to do them now," said Dragan.

He added that the public sector did not bring IT companies any higher revenues either.

"There is hope for H2, but I still see investments being rolled over to quarters three or four," said Dragan. "External clients in outsourcing projects have an unpredictable behavior. The only positive effect would be the rise in competitiveness," he added.

In addition, there was no disbursement of European funding for projects submitted by IT companies in Romania. "The government did not take the necessary time or interest in the submitted projects," said the ANIS president. "I would also recommend the state to approve the projects that have access to European funding and launch new projects, especially in the e-government line," added Dragan.

Varujan Pambuccian, member of the Chamber of Deputies' IT Committee, suggested two solutions for bringing the national financial situation in balance. The first consists of rising the VAT from 19 to 25 pct and scrapping the profit tax. The second refers to paying public dues the moment compensation for services is cashed, not at the moment of invoicing, notes the paper. "I believe EU funds will be delayed because Union members will try to keep money at home, but that does not mean that the industry will die," said Pambuccian. "Retail will be the most affected. Its only chance is to for it to switch to online exclusively," he added.

Pambuccian strongly advises the adoption of the "Google model", that is providing free content, while advertising generates the revenues. "But at this moment, this model is not ripe in our country, so the only way to survive is to adjust," said Pambuccian. He believes that what affects Romania is not a crisis, but an economic depression marking the end of the socialist model of Roosevelt Romania adhered to 70 years ago.

"We experienced two forms of socialism. We now live the end of monetary socialism and there will not be just one, but a sequence of depressions every 5-6 years until the system is changed," he added. The IT Committee representative said that the private system is short of money and the

Romanians are now paying the price for the prosperity of the '50s. "Bills and debts have been piling up for our generation now to pay," contends Pambuccian.

Leasing companies reorient their activity

Leasing companies are reorienting this year towards less risky fields, such as the medical sector, infrastructure or communications, considering that the sectors worst hit by the crisis in the past two years are the auto segment and the transportation goods industry, reads the daily Business Standard.

Players on the leasing market expect a drop of at least 40 percent in this sector in 2009.

The Romanian leasing market fell three percent in 2008, to an estimated total of 4.817 billion euros, after previous years brought increases of over 45 percent. “We will direct our portfolio towards viable sectors, the medical sector, infrastructure, and niche sectors, communications, agriculture. The latter will be a success only if the government provides subsidies and sustainable programs for farmers,” the daily cites Mihaela Mateescu, head of Raiffeisen Leasing as saying.

Companies have claimed back nearly 5,000 goods in Q1 this year, according to some of the biggest players on the market. “Up to 5,000 goods have been recovered, of which 150 belong to UniCredit Leasing, given that we have more than 35,000 active contracts.”

Financing dropped by 60-70 percent in Q1 compared to the same period last year. I believe the market will shrink by 40 percent in 2009, but nothing can be taken for granted, as this business is like a lottery”, Dan Constantinescu, UniCredit Leasing manager said.

The level of repossessed goods rose 300 percent at Raiffeisen Leasing in the first part of this year compared to the same period in 2008. “We regained possession over 200 goods this year, compared to 50 goods last year, due to the crisis, the exchange rate and the freeze on salaries. I believe the market will fall 60-70 percent in 2009,” Mateescu said.

Raiffeisen Leasing financed 3,000 contracts in 2008 totaling 191 million euros, down against the previous year, when it reached 261 million euros. Last year, the equipment accounted for 22 percent of the total financing volume, vehicles – 75 percent and real estate leasing – 3 percent.

Crisis affects durables market

The domestic durables market dropped by 33.4 percent in the first quarter against the same period last year, according to a study conducted by GfK TEMAX Romania, GfK Retail and Technology submitted to Agerpres on May 18. The average was exceeded by the office and photography equipment, which reported slumping sales by more than 40 percent. The large household appliances, brown goods and IT segments have also decreased one third.

The global market of electric goods monitored by GfK TEMAX stood at 356 million euros in Q1 this year, the lowest value in the past two years.

The small household appliances were the least affected in Q1, with sales falling by only 16 percent. In this category, fryers and electric kettles were the only products that reported better sale figures. Categories of major products, such as cooking devices, irons and vacuum cleaners recorded negative results that determined a slump in the overall sector.

In the first quarter of 2009, the telecommunication device market fell by 26.7 percent compared to the same period last year. The decline in the sales of traditional mobile phones was partly compensated by the high performance of the smart phones.

According to GfK TEMAX Romania, the large household appliances market reported similar negative figures, dropping by 35.9 percent in this period, thus reaching 66 million euros in the first quarter this year.

In Q1 the brown goods market totaled 59 million euros. The negative trend already visible on all categories of electronic products monitored by GfK TEMAX in the first quarter of 2008, has also affected the overall landscape in the first quarter of 2009.

Plasma and LCD TVs accounted for nearly two thirds of the sales of electronic products monitored by GfK TEMAX.

The domestic IT sector slumped by 34.3 percent in Q1 this year compared to the same period of 2008 due partly to the falling sales of products such as monitors and desktop computers. Notebooks were the least hit by the crisis due to the rising demand for cheap laptops (small-sized notebooks with high portability).

The photo product market reported sales worth 7 million euros, down by 41.5 percent against the same period of 2008. Compact digital photo cameras accounted for the largest part of the sales reported by this sector, which recorded a sudden decrease in demand and a steep decline in prices.

The office equipment sector generated some 14 million euros in Q1 this year, down by 44.9 percent compared to the same period of 2008. The transition to multifunction printers, which reported a better evolution, was not enough to compensate the rapid decline in the sales of printers.

Private medical services, a rising market in 2009

The crisis does not affect the private healthcare sector, daily Financiarul reports, stressing that in the region, the market will go up 20 percent a year to reach in 2011 as many as 24 billion euros, according to the latest surveys.

In Romania, the market of private medical services is among the few which defy the economic crisis. Operators have reported businesses up to 73 percent in Q1, 2009 as against the same period of 2008.

The main active companies in the segment of private medical services reported an advance in the corporate segment, subscriptions for companies and in the individual segment fee-for-service.

The financial results of the main players show that in general the economic crisis is not a threat to this sector of activity. Therefore, Medlife reported in Q1 a turnover worth some 28 million lei, up 73 percent as against the same period one year ago.

The business of Unirea Medical Centre grew significantly over the same period, the turnover standing at some 14 million lei, up by 60 percent as against the same period of 2008.

Gral Medical ended Q1 with 8.5 million lei, up by 30 percent as against Q1 of 2008. At group level, which includes the businesses of Gral Medical and medical Centre Gral, the rise was of about 20 percent from 7.95 million lei to 9.4 million lei.

Multinational brewers hit 85 percent market share

Multinational brewers present in Romania last year increased their market share to about 85 pct from 70 pct in 2006, leaving domestic producers with only 15 pct of the market pie in May 2009; European Drinks, the company controlled by brothers Ioan and Viorel Micula, and Romaqua – which entered the sector with a greenfield investment in 2008, hold the bulk of this share.

“This is a perfectly normal situation. There are countries where only three companies jointly control that much of the market, which sharpens the battle among the players,” Shachar Shaine, president of the Romanian Brewers Association told Business Standard, adding that the four foreign companies that control the local market have over 30 brands in their portfolio, some of which might however disappear in the next period.

According to Business Standard estimates, local independent producers have a share higher than 3 pct, the most important players being Martens Galati, Bermas Suceava and Albrau Orastie, which have a combined annual production of around 700,000 hl per year. European Drinks – with the Burger brand - and Romaqua - with Albacher – hold the rest up to 15 pct.

"It looks like we hit the upper limit of production, the battle will now start among multinational companies for grabbing market share, but we should not forget local independent companies either," Vifor Versescu, president of the Independent Romanian Brewers Organization, told Business Standard.

He added that there has been a significant slowdown in the growth of the domestic market in recent years and that sales fell by about 9 pct in the first quarter of 2009 overall. According to Versescu, independent brewers are represented by Martens Galati, Bermas Suceava and Albrau Orastie, which together have an annual production of around 700,000 hl, plus six other factories that jointly produce over 100,000 hl (located in Sibiu, Rosiori de Vede, Satu Mare, Margineni - Bacau, Valenii de Munte, Cozla - Piatra Neamt).

Bere Azuga was recently taken over by Ursus Breweries, which meanwhile announced that it would transfer production to other units of the group.

Local brewers generally have a seasonal production, and their brands mainly sell at regional level, as they can hardly make it to the shelves of large retail networks, because of the high merchandising fees charged. Their number reduced significantly from 1995, the year when the major beer producers set up shop in Romania, when there were some 100 plants operating in the country. The Romanian beer market recorded a 4.1 pct growth in 2008 to 20.2 million hectoliters, reports the “Romanian Brewers” Association which includes multinational companies and Romaqua.

The main players are Heineken, Ursus Breweries, InBev, United Romanian Breweries Bereprod, European Drinks and Romaqua.

The production of the association members increased from 15.5 million hl in 2007 to 16.46 million hl in 2008, Bere Mures excluded. According to Business Standard estimations, the production of Heineken last year amounted to 4.8 million hl, to which add the 1.16 million hl produced by Bere Mures (following the company's takeover); Ursus Breweries - 5.5 million hl; InBev - 4.1 million hl and URBB - 1.7 million hl.

Host of hotels put up for sale

The hospitality industry saw a host of hotels put up for sale by their owners in Bucharest, seaside or mountain resorts or other cities, at the beginning of the year, amid slumping demand for rooms by 26.4 percent in the first quarter, and falling accommodation prices.

At the same time, as a result of liquidity shortage required to finish constructions or finance further projects, over 20 hotels, valued at 80 million euros by their owners, were put up for sale.

"There are a lot of hotels for sale on the Romanian seaside, on Prahova Valley - over 10 hotels, in Bucharest and major cities such as Sibiu, Brasov, Timisoara at this moment," daily Ziarul financiar cites Mircea Draghici, project manager with the hotel unit of CB Richard Ellis/Eurisko (CBRE) real estate consultancy as saying.

In the past four years, sustained economic growth and the favorable economic conditions have bolstered lending for hotel investments and have implicitly led to the emergence of new rooms on the market through the development of new hotels. Solely in 2008 in Bucharest the offer rose by 30 percent against the previous year due to the inauguration of new large-sized hotels, totaling 10.300 rooms, according to CBRE.

"However, the economic crisis raised lending costs by rising the interest rate both for the existing and the new loans. Also, it eroded demand and implicitly the occupancy rate of hotels in major cities and, last but not least, generated tougher competition amid the permanently falling accommodation rates," Draghici said.

Because of these imbalances, already operated hotel investments are registering cash flow and profitability problems. "Practically, on a cash-drained market, a surplus supply of accommodation spaces has emerged for which there is no solvent demand," Mircea Draghici explained.

Hence the flood of hotels put up for sale on the market.

For instance, businessman Josef Goschy, a major hotel owner in Romania, with 3,500 rooms in 25 hotels through Unita Holding, put up for sale six properties, that is 18.6 percent of the accommodation capacity.

The total sum he could get from these properties amounts to 25 million euros. The explanation for these units being put up for sales relates to the need of cash to revamp other hotels.

Another example is the four-star NH hotel located in Piata Unirii in Bucharest, held by a Spanish company that was put up for sale for 16 million euros early this year.

Other items

President Basescu: The Renault example in Romania is incredible

While on an official visit to Paris on May 18 – 19, President Traian Basescu highlighted the presence of French companies in Romania, pointing out that the Renault model is incredible.

"As far as the French companies are concerned, as you probably know, they are successful in Romania. The Renault example is incredible. These days, the Dacia Renault automotive factory has reached its highest output. It is working seven days a week, three shifts, and needs to expand its output capacity. This is a pleasant surprise that also somehow balances Romania's export deficits, particularly to Germany," the Romanian President told the attendees of a working breakfast at the MEDEF French employers' association headquarters.

He added that Romania's economy has been affected by contracting export markets in a series of European countries, but not by the economic situation in Ukraine, given that Romania does not export massively to Ukraine.

The President said Romania's objective is to avoid economic slippages, mentioning that the arrangements with the International Monetary Fund and the European Union allowed for an increase in the credibility of the Romanian Government and economy. He said the 5 billion euros received as the first tranche of the IMF loan has not been used up yet, adding that the arrangement halted further depreciation in the local currency, the leu (RON).

"Romania's market picture has started to improve after the economic mistakes of 2008, when we thought economic growth will go on indefinitely and Romania will be spared the crisis. Unfortunately, the country was indeed affected," said the President.

Basescu also made a brief presentation of the latest developments in the Romanian economy, showing that after eight years of an average economic growth of 6 percent, the first quarter of 2009 witnessed a 6.4 percent decline from Q1, 2008. At the same time, the first three months of 2009 saw a decreased industrial output, but there were also positive elements, including a 4 percent increase in the real estate sector compared with the similar period of the year before. Basescu underscored that the interest of foreign companies in the Romanian market has been proved by an increase in foreign direct investment.

The President pointed out that Romanian Government's revenues in April 2009 were larger than April 2008 revenues, saying that this can be seen as a positive signal after the May and June developments are out. Romania, he said, will focus on infrastructure development, with motorway building being a main priority of the Romanian Government.

MEDEF honorary chairman Francois Perigot thanked President Basescu for his attendance, saying that meeting him again is an opportunity to facilitate interaction between politicians and business people. France is a good partner to Romania, he said, voicing hope that France and Romania will successfully overcome the ongoing economic downturn.

Traian Basescu: Puma helicopter maintenance base could be set up at IAR Ghimbav

The possible setting up of a maintenance base for Puma helicopters at IAR Ghimbav (near the central Brasov city) and the establishment of a technological air park at Ghimbav were two of the economic issues discussed by President Traian Basescu with French President Nicolas Sarkozy and Prime Minister Francois Fillon during an official visit to Paris on May 18 and May 19.

"Let us hope these projects will be achieved in the upcoming period", Basescu said on arriving back home on May 19.

He said that he, President Sarkozy and Prime Minister Fillon made an analysis of the economic circumstances in Romania and France with respect to the manner in which the economic crisis is affecting the production and the unemployment.

"Our conclusion was that the measures taken on a European level and on an individual basis by either country represent the solutions that could be tackled at minimal costs. Of course, Romania at least cannot afford to allot huge amounts of money, which it should have to borrow in order to subsidize each company in difficulty, which is a procedure that France applied. As far as France is concerned, we must underscore that the French Government's determined action with respect to financially backing Renault Group has had a very good impact on Dacia Renault Plant based in Pitesti," said Basescu in relation to the carmaker based in southern Romania.

During the meetings with the French business executives, the Romanian head of state found there is full confidence in the positive developments in the Romanian market.

"The French investors are determined to continue their investments in Romania, be they in the auto industry – the Renault president very clearly said they will continue the project at Titu this year – or in the retooling of hydro-electric plants (…), the rehabilitation of the railway systems or the technology transfer in any sector, from transports to the nuclear energy," Basescu explained.

He said his talks with Prime Minister Fillon also approached the Nabucco gas pipeline project that "Romania and France too back unreservedly not as being a project turned against (Russian) Gazprom, but as a project that should generate competition in the gas supply to the European countries."

Basescu announced that in talks with the French Prime Minister and with the Transportation Minister too he had tackled the Danube River issues as a European transport corridor as well as the need to expand the TGV project – the French high-speed railway service – from Budapest to Bucharest.

The talks between Basescu and Sarkozy placed special emphasis on the European Union's agricultural policy, with both Romania and France supporting, without reserves, an agricultural policy that should guarantee the increased farm production in the EU.

In order for this to be achieved, "there is need to pursue with the policy of subsidizing the farm production and the farmers as a safe solution for the foodstuffs in Europe to remain relatively cheap and to be in sufficient quantities, not only for Europe but for other regions from across the globe, where the issue of providing food to the population is felt as a problem that must be resolved," Basescu stressed.

Energy Authority to perform check on Petrom

Petrom is the next natural gas producer to undergo a verification by the National Energy Regulatory Authority (ANRE) for the rationale underpinning the incorporation of fixed costs, repairs and maintenance in gas tariffs, said on May 19 ANRE president Peter Lificiu. "We've completed the check on Romgaz and hope to have a relevant report ready in a week. The next company in for verification is Petrom. Transporters, natural gas distributors and suppliers will follow. ANRE checks all the companies in the system for the justification of the incorporation of fixed costs, repair and maintenance expenditures in gas tariffs," said Lificiu.

The ANRE president said that the Authority made gas price cut simulations, but currently does not have a reliable formula to reduce the tariff.

"We made a simulation of reducing gas tariffs within a bracket of zero to 30 percent, analyzing the consequences of a potential cut. We hope to have results soon," said Peter Lificiu.

Starting May 1, 2009, the price of gas was lowered by three percent, although the ANRE president had stated in early March that this will not happen. This is the first tariff cut in the past years, whereas the steepest tariff was operated in 2005, from 500 lei per thousand cubic meters to over 820 lei per thousand cubic meters in 2006. In 2008 ANRE increased gas tariffs twice: in February by 8.8 percent and as of July 1 by 12.5 percent.

The Chamber of Deputies Abuse Committee decided to start an investigation on all energy operators for potential abuse in establishing consumption and the price of natural gas.

Gov't approves public pension system law principles

The Romanian Government on May 20 approved seven principles underpinning the draft law for the public pension system, which should come into force on January 1, 2010, Prime Minister Emil Boc announced after a Government meeting the same day.

"The same as we want a uniform pay law for all the employees paid by public money, so we want a uniform pension law. The most important step we took today was to agree that there will be only one public pension law. This means all pensioners will be equal before law, while the principle of pay according to contributions will make sure everybody will get a pension commensurate with the personal contributions to the pension fund," said Boc.

In other words, people earning bigger salaries and paying higher pension contributions will have a bigger old age pension, said Boc.

He added that the new law is conceived as a justice act in the pension system, and the Government wants to finalise the draft law this year, so that the law may come into force on January 1, 2010.

The seven principles approved are single treatment, obligation, pay according to contributions, equal treatment, repartition, social solidarity and autonomy.

The Government has excluded the occupational principle in order to avoid any misunderstanding that it would attempt to find some puncture in the law through which the existing special laws might be reintroduced through the backdoor, Boc explained.

The single treatment principle states that the Government organises and guarantees the public pension system and proposes the existence of a uniform pension system for all the salaried professional categories. Pensions will be computed against the personal contributions of each employee and the length of the contributions to the pubic pension system.

According to the obligation principles, individuals and legal persons must contribute to the public pension system, as social security rights will be correlated with the obligation being met.

Social security funds will be set up on contributions owed by individual and legal persons that are contributors to the public pension system.

The contributors to the public pension system – taxpayers and beneficiaries – will be extended equal treatment without discrimination as far as the rights and obligations mentioned in the law are concerned. This fourth principle stipulates that all pensions will be equally computed for all the employees. The funds collected will be redistributed for the payment of the obligations incumbent on the public system.

The new law introduces the principle of social solidarity, according to which the contributors to the public pension system reciprocally assume obligations and qualify for rights in the prevention, containment or dispelling of the social risks mentioned in the law.

There will be autonomous management for the public pension system, to be entrusted to pension houses.

II. ROMANIAN COMPANIES

Italy's Pirelli plans double tire production at Slatina facility in coming four years

Italian tire producer Pirelli, which also owns a production facility in Slatina (Romania center southwest), intends to double the plant's production capacity as well as its number of employees in the next four years. Despite the hardships challenging it due to the financial crisis, Pirelli announced the start of the second investment stage at the Slatina facility, estimated at around EUR 180 million.

"The total investment in the Slatina plant stands around EUR 350 million, and the total production capacity of the facility will reach nearly ten million tires per year starting 2013. As far as the number of employees is concerned, our plan is to have 2,500 persons hired by 2012-2013, as a result of production growth," said Enrico Malerba, general manager of Pirelli Romania, in an interview with television station The Money Channel, cited by daily Business Standard.

In 2008, the Slatina-sited plant produced three million tires and the target this year is four million units. "Our goal is to reach a production of five million tires in 2010 and double the figure as of 2013," said Malerba.

According to the general manager, on the backdrop of the crisis, the company was compelled to reconsider its internal structure, yet without letting this affect the investment strategy.

"Pirelli, just like all the other companies in the automotive sector, was strongly affected by the crisis. Overall production plummeted and we were forced to reconsider the entire internal structure. But regardless the general crisis and the downfall of production, we will increase the capacity and production at this plant. We invest in Romania, because our efficiency is higher here than in other countries," said the Pirelli director, cited by the paper.

Between January-March 2009, Pirelli produced about a million tires in Slatina, yet the figure is below expectations. 'Initial plans for Q1 were sapped by the crisis. We had a production slowdown, after being forced to halt production in December 2008 and in March this year," explained the Pirelli representative in Romania.

However, said Malerba, the Q1 production still matches the company's annual plans to roll out about four million tires by the end of the year, adds Business Standard.

Factoring, Alro Slatina's solution to thin out stocks

More than half of the sales performed this year by Alro Slatina, member of Vimetco Group, will be financed through factoring, an instrument providing the seller 'zero' commercial risk and enabling the improvement of the client's payment conditions, Marian Nastase, vice-president and CFO of Vimetco plant told daily Business Standard.

Factoring is one of the measures included by the Alro Board in the anti-crisis strategy, which - according to Nastase, proved correctly tailored to reality. "All adopted measures were correct," explained the Alro official. For 2009, the aluminum producer is contemplating outsourcing of ancillary services, which will result in a 10pc reduction of the personnel. The company official says that planned layoffs this year do not exceed 600, of which one third are employees of the outsourced services. For the rest, the voluntary job quit list will be opened, with the company paying between 17 and 18 compensation wages, depending on the length of service.

At the end of the previous week, Alro Slatina reported a turnover of 389 million lei (118.7 million dollars), down 22pc compared to the same period the previous year and a net profit of 27.3 million lei (8.3 million dollars), more than four times below the net figure in Q1 2008. Alro returned to profit in the first quarter of 2009, after having seen nearly 16 million dollars in losses in Q4, 2008, as an effect of the crisis. The restructuring strategy implemented by Alro consisted of freezing investments, aggressive stock liquidation, aggressive renegotiation of acquisition prices and payment deadlines, staff downsizing and shutdown or reduction of costly capacities.

"This year, investments will be limited at 6.5 million dollars, the amount required to finalize already started projects. The 25pc production cut decided at the end of last year stays in effect throughout 2009. This measure, together with a flexible sales policy, allowed us to bring to normal the stocks that had piled up to triple in December 2008," explained Marian Nastase.

Factoring transactions allow customers to pay within 60 days, although the contract is honored in 21 days.

Dacia brand, increasingly more popular on German market

The car scrap program on the German car market rescued the business of Romanian manufacturer Automobile Dacia this spring, as well as Romania's exports, and could contribute decisively to pulling the Romanian economy out of recession in the second quarter of the year, after the disastrous first quarter, reads the daily Ziarul financiar.

Dacia sold more than 11,100 cars on the German market in April, almost three times more than on the Romanian market, according to statistics of the KBA (the Federal Motor Transport Authority) in Germany.

"Exports account for 80 pct of Dacia sales in 2009, because the relaunch of the Romanian market continues to be late in coming, despite all the measures adopted so far," Constantin Stroe, vice-president of Automobile Dacia said.

Dacia accounts for more than 1 percent of Romania's GDP and for over 8 percent of overall exports on the Romanian market after sales on Western-European markets tripled in the first quarter of this year, according to the same source.

Three out of 100 Germans that bought a car in April opted for the model produced at Mioveni. The Sandero model promoted as “the 5,000-euro car” is the only model in the top 20 cars that was not present on the German market a year ago.

Over the first four months, Dacia sold 22,785 cars, double against the sales on the local market. Individuals account for more than 90 percent of the Dacia sales on the German market, writes the publication.

Car maker Automobile Dacia supplements production almost 90 pct in April

Car maker Automobile Dacia, which accounts for 8 pct of Romania’s exports, registered in April a rise of almost 90 pct in production to almost 30,167 units compared to the same period of 2008, hitting a two-year peak, as show statistics of the Automotive Manufacturers and Importers Association.

After six months of worrisome evolutions, during which Dacia considered laying off 3,000 workers due to slumping domestic sales, the car maker returned to the upward trend due to the old car scrappage programs running in Romania, France, Germany and Italy that will be joined by those in Spain and Great Britain; for the latter, Dacia plans rolling out the Sandero with the right-side steering wheel. Dacia’s production advanced 2.3 pct Jan-April compared to the same period of 2008, a quite noticeable evolution after the 20 pct production drop registered in Q1. In the first four months of the year, Dacia’s exports went up by almost 60 pct to 72,147 cars, with April alone witnessing a threefold rise of the monthly outbound figure to almost 23,000 units. Thus, over 80 pct of the cars produced at the Mioveni facility are export-bound. This positive evolution is exclusively due to the Sandero; with 37,278 exported units, the model accounts for more than 55 pct of Dacia's four-month exports. Most of the cars are equipped with 1.4 l/75hp gas engines.

“We are aware that old car scrappage programs that run on West European markets favor Dacia exports and that this cannot go on forever. The problem is what we will be doing after 2010. For this reason Dacia will continue the range renewal program by releasing new models such as Sandero Stepway and the future SUV,” said Dacia vice-president Constantin Stroe. To support exports, Renault launched early this year the Dacia brand on Mideast markets, wooing clients with Logans and Sanderos equipped with automatic transmission.

As of June 15, the plant's production pace will rise from a daily 1,200 to 1,340 cars. Dacia officials expect the facility to hit an all-time production peak of over 36,000 cars in July.

Bosch Romania reports 161 mln euros in 2008 turnover

The Bosch Group reported rising turnover by 18.4 percent in 2008 in Romania compared to 2007, from 136 million euros to 161 million euros, despite the unfavorable economic situation at global level, according to the data submitted by the company on Wednesday, May 20.

Bosch Romania had 839 employees end-2008 compared to 570 in the previous year.

“The main engines of this growth were represented by the motoring technology and the thermal technology,” Brigitte Eble, Robert Bosch general manager and Bosch Group representative in Romania told a press conference.

However, this year’s predictions are moderate. “We will continue to invest in Romania, although we estimate 2009 to be one of the most difficult years since the establishment of the company in 1994. According to our projections, the first signs of stabilization are to be seen in the second quarter, but at a rather low level”, Eble added.

Bosch Communication Center provides outsourcing services for business processes at international level. The communication center located in Timisoara supports the activity of the local administration via an assistance telephone line for information purposes aimed at receiving the citizens’ requests and offer administrative support. Bosch Communication Center operates both in Romania and internationally. This year Bosch plans to increase its headcount within Bosch Communication Center Timisoara (western Romania) from 266 to 375.

The investment targeting the expansion of the production unit in Blaj (central) is currently in full process and the new production hall has already been commissioned in December 2008. The Blaj plant had 385 employees at the end of last year. Bosch Rexroth had invested some 23 million euros in the construction of the production and administrative units of the new plant until the end of the year.

The Bosch division of car equipment and components in Romania offers a variety of automotive products and services, thus essentially contributing to the positive results reported in the previous year. The increase posted by this sector, from spare parts and accessories, diagnosis and control systems to the issue of the service concept used within the Bosch Car Service organization, was much higher than the market growth. Moreover, Bosch Service network expanded in 2008 by 15 new partners, reaching 74 units in 36 cities in Romania at the end of last year.

The Electric tools department has also reported an upward trend last year, with the turnover rising significantly in this area as well. Thus, Bosch is leading the domestic market of portable electric tools, accessories, electric garden tools, measurement instruments and stationary electric tools.

Nearly 35 percent of the turnover reported by Bosch electric tools department last year was due to some products launched on the market two years ago tops. There was a special demand for products with Lithium-Ion batteries.

Bosch is a European leader on the production market of solar equipment and heat pumps and one of the top world producers of ecological heating and hot water preparation systems. Bosch is present on the local market with two renowned international brands, Junkers and Buderus.

The Bosch Group entered the Romanian market in 1994 and currently holds five companies in three locations. The first company set up in Romania fifteen years ago was Robert Bosch, followed by BSH Electrocasnice in 1999 and the Bosch Rexroth branch. In 2004, Bosch took over the German company Buderus AG and the Buderus Romania branch. A new company of the Group, Bosch Rexroth was opened in 2005. Bosch purchased Business Relations in 2007 in view of consolidating its activities within the Bosch Communication Center. On January 1, 2009, Robert Bosch took over the entire Buderus business in Romania.

UCM Resita losses double in Q1 2009

UCM Resita hydropower machinery and equipment manufacturer closed Q1, 2009 on losses of RON 16.432, twice the Q1, 2008 losses, according to financial information disclosed to the Bucharest Stock Exchange. The company’s business turnover increased 1.5 times, to RON 24.569 million, while revenues diminished 10 percent, to RON 32.096 million. Spending was up 9.5 percent, to RON 48.528 million.

As of March 31, 2009, UCM was RON 282.28 million in debt and had RON 112.442 million worth of claims to retrieve. UCM Resita management is expecting the company to post a 2009 gross profit of RON 582,789, almost two times smaller that the 2008 profit of RON 1.05 million.

The total revenues for 2009 are projected at RON 207.05 million, up from RON 195.11 million in 2008, on total spending estimated to reach 206.46 million, more than 194.01 million in 2008.

The turnover approved for 2009 is set at RON 187.38 million.

UCM Resita is traded on the third tier of the Bucharest Stock Exchange, having a market capitalisation of nearly RON 23.567 million.

Shareholders in UCM are Inet Ag Tenlingen CHE, with a 96.38-percent stake, and other investors, with 3.61 percent.

ArcelorMittal Hunedoara halts production for ten days

Steel producer ArcelorMittal Hunedoara (west) halted on May 20 its production for a ten-day period, with the company employees going to take, by rotation, their summer vacation and technical unemployment.

"We concluded the production program for this month. We estimate that production could be re-started at the beginning of June," announced manager of ArcelorMittal Hunedoara Remus Patan.

This period will be used to carry out repair and maintenance works, according to the plans, and part of the plant's workers are to be involved in those.

In his turn, prime vice-president of the "Steel worker" trade union at ArcelorMittal Hunedoara Dorin Redinciuc said that during the production stoppage period the plant's staff will take by rotation five days of vacation each, followed by a technical unemployment period, the last one going to be paid with 75 percent of the respective wage, to which the seniority benefit will be added.

This year, the production of steel and rolled products at Hunedoara-based plant was stopped several times because of the lack of orders on the backdrop of the world economic downturn.

Amonil's profit down almost 3 times in Q1

Chemical fertilizer producer Amonil Slobozia reported net profit worth 6.25 million lei in Q1 this year, almost three times lower as against the net result of 17.878 million lei reported in the same period of the previous year, according to financial information sent to the Bucharest Stock Exchange (BVB).

The company reported in the aforementioned period a turnover worth 62.183 million lei, up 17.4 percent lower as against the first three months of last year. The company’s revenues totaled 126.972 million lei and expenditures 120.722 million lei.

On March 31, Amonil had to pay debts worth 128.7 million lei and to retrieve claims worth 50.785 million lei.

The company’s shareholders general ordinary assembly approved gross profit worth 2.26 million lei in 2009, down as against 2008 when it stood at 6.92 million lei.

For 2009 there were stipulated overall revenues worth 536 million lei and total expenditures worth 354 million lei. The chemical fertilizer maker Amonil Slobozia is listed with the Bucharest Stock Exchange and the capitalization amounts to some 12.684 million lei. The company’s shareholders are Zalois Ltd with a 32.19 percent stake, Jovline with 18.2262 percent, non-resident customers – Citibank Nominee SAL with a 13.5489-percent stake and other minority shareholders.

Azomures places 500 employees on temporary layoff

Chemical fertilizer plant Azomures Targu Mures (center Romania) announced that starting May 20 it would place on temporary layoff about 20-25% of the overall employees.

The leader of the Azomures trade union Alternativa 2000, Dumitru Boanta, said on May 19 that he did not know the exact number of the employees who will be placed on temporary layoff, but the figure stands at some 400-500. He said these employees are working in the NPK section that will be closed because of lack of orders and existing stocks at present.

Boanta said that there are promises from the employers’ association that there will be no massive layoffs and that the solution of temporary layoff is the sole way for maintaining employees.

The trade union leader stressed that the temporary layoff period will expand most likely until the end of July, but in case there will be orders for the external market, the activity of closed sections might be resumed within 24 hours at most.

He said that the NPK section has been closed for over a month but employees remained to work because maintenance works were made at the installations.

MOL Romania: fuel sales down 5.8 pc in Q1

The overall fuel volume sold by MOL Romania in Q1, 2009 went down by 5.8 percent compared to the same period of the previous year because of the economic crisis, the company reports.

Partially, the decrease is explained through the fact that in the first quarter of 2008, MOL Romania's portfolio of products included leaded petrol, Eco Premium, a product which was withdrawn on April 1, 2008. According to MOL, without this shrinkage of the portfolio, the diminution of the first quarter would have been of only 3.5 percent.

MOL Romania’s market share maintained at about the same level as against 2008, reporting a slight reduction from 11.3 percent in the first three months of 2008 to 10.8 percent in the first quarter of this year.

The segment of fuel sales to corporate customers was also afflicted by the economic conditions, decreasing in terms of volume 14.1 percent in Q1, 2009 as against the same period of the previous year.

In Q1, 2009, the performances reported by shops located within petrol stations were less afflicted buy the financial crisis, with a 2 percent rise (in RON) as against the period of the previous year.

Recently, MOL Romania has opened a new petrol station in Codlea (Brasov County, north of Bucharest). This is strategically situated near the junction with the future Transylvania motorway (Brasov-Bors). The new petrol station covers an area of 2,000 sq.m. and entailed a Greenfield investment worth one million euros (without the price of the land). The overall network of MOL Romania petrol stations is of 134.

Blue Air, more passengers in Q1, 2009

Blue Air, leader of the low-cost air market in Romania, which exceeded last year 100 million euros in turnover, in the first three months of this year transported 201,000 passengers, by 10.4 percent more as compared to the same period of 2008, Ziarul Financiar daily reports.

The air operator has not yet made public its turnover for the first three months of this year, but in 2008 it posted 23 million euros in Q1, with fewer passengers.

By year-end company representatives are expecting a turnover of 170 million euro against 115 million euro last year.

In comparison, the number of passengers that flew with the Tarom air company dropped by 16.3 percent to 312,300 people, with an occupancy rate of 46.1 percent, the lowest one among the members of the European Association of Air Companies.

Wizz Air carries two million passengers on Romanian market

Wizz Air has carried 1.9 million passengers since it joined the Romanian air transport market three years ago, according to a release issued by the above-mentioned company.

Romania is the fastest growing market for Wizz Air. Three years after its first flight from Targu Mures (central Romania), the company became the leader of the low cost segment in Romania, with a 35 percent market share in April 2009.

During his time span the company mentioned before carried over 1.9 million passengers from and to Romania.

Wizz Air, the biggest low cost air transport company in Central and Eastern Europe, celebrates today the 5th anniversary of its first flight. It carried 18 million passengers all this time.

Since it launched its operations in Romania Wizz Air has permanently invested in the development of services and the transport network, the company's latest novelties for the local market including the opening of the third operational base in Timisoara (western Romania) in February, the allotment of two new A320 aircraft to the bases in Bucharest and Timisoara (a third one will be allotted to the base in the central Romanian city of Cluj-Napoca in June), the doubling of the transport capability, the development of the team by employing new crew members and by increasing the frequency for several flights.

Currently Wizz Air operates flights to 21 countries, along more than 130 routes, the flight network of the aforementioned company being permanently on the increase. In Romania the company mentioned above offers flights on 24 routes, to ten destinations, from Bucharest, Cluj, Targu Mures and Timisoara.

Xerox Romania and Moldova relies on outsourcing

Xerox Romania and Moldova, the branch of the US IT equipment and services supplier, carried out an internal restructuring process, thus converting some 20 percent of the equipment sales experts into IT specialists that should develop services outsourcing solutions, reads the daily Business Standard.

This action aims at supporting the repositioning of the company's strategy amid the crisis to the supply of outsourcing services for business processes. This area represents a growth potential for the company given the companies' need to cut back costs under the pressure of the current economic situation, Marius Persinariu, director general with Xerox Romania and Moldova said.

Our market strategy targeted the identification of the opportunities that would allow us to increase our business. We turned to service outsourcing, whereas everybody feels the pressure to reduce costs during this crisis period. There should be a much larger opening in order to outsource functions other companies can perform better and cheaper. We have identified the technical solutions we can promote. Xerox has the advantage of being an international company, so that we can take over and adjust globally developed solutions.

Should the current situation be preserved, the share will definitely rise. The outsourced services area is the one that is currently supporting our growth. The equipment sales dropped amid slumping consumer appetite for investments. No one knows how its business is going to develop, whether it is wise to make an investment or not, so that we should provide it a product useful for its business. Outsourcing of the services can cut back the corporate costs between 20 and 70 percent.

No one was interested in outsourcing a labor-intensive process several years ago, as the workforce was cheap. Nowadays, this might prove rather interesting in terms of costs reduction. At some point this crisis will have to come to a end, people will have to start building, give up waiting. I think the toxic assets that generated the loss will vanish; banks must assume such losses, but they are not willing to at the moment.

There is still a shortage of IT specialists. We are very much interested in the organizational culture, we base our recruitment policy on the values, the attitude of the potential employee. As a matter of fact, you can teach people how to develop software, but not how to behave in a certain way. Thus, if their values do not match those of the company, they fail the recruitment test.

There are people that have seen their pay rise depending on their performances. Our policy is not to downgrade, to limit. Whoever is efficient earns more money than last year. Employees are assessed on a monthly, quarterly or yearly basis, depending on their position within the company.

Xerox Romania and Moldova is the branch of the US company Xerox Corp. Xerox has been present on the local market for more than 35 years, being one of the main players on the document management service and printing market. The company projects a maximum 10-percent rise in this year's turnover amid falling sales due to the economic crisis. The best-case scenario sees a 10-percent advance, with the company's growth to plunge 50 percent against the 2008 to 2007 y-o-y growth.

Vodafone Romania, operational profit on the decrease

In the fiscal year 2008-2009 Vodafone Romania registered an operational profit by 3.5 percent smaller than the one posted in the previous year, reads a company release.

The operational profit reached 527 million euro against 546 million euro in the fiscal year 2007-2008. The operational profit this year accounted for 45.1 percent of the revenues this year.

The company's number of customers went up between April 1, 2008 and March 31, 2009 and so have its revenues from services. On March 31, 2009, Vodafone registered 667,212 new customers and a total number of 9.58 million customers, of whom 38.3 percent are subscribers to the Vodafone services, up 14.6 percent year-on-year. The number of 3G users in the Vodafone Romania Network reached 1.13 million on March 31, 2009, which stands for an annual increase of 78.3 percent.

Revenues from services reached 1.11 billion euro, with an annual increase of 1.4 percent. Total revenues stood at 1.16 billion euros with an annual growth of 0.7 percent.

"We are satisfied with the financial results of the past fiscal year, given the macroeconomic changes, especially over the few months. New regulations, slower consumption and depreciation of the Romanian currency slowed down the growth pace against challenges felt in all commercial activities in the second half of the fiscal year," says Liliana Solomon, Chief Executive Officer Vodafone Romania. Vodafone Romania is a division of Vodafone Group Plc.

Romsoft Iasi looking for expansion opportunities to Europe

Iasi-based IT solutions provider Romsoft is staking on a rise of 15-20 percent in turnover in 2009, as against 3 million lei (725,000 euros) reported one year ago.

The company has been participating for the past six years in the IT fair CeBIT, being present in this year's edition, alongside a delegation of the Ministry of Communications.

"Our goal was to extend to the European markets. We are holding talks with an institute of microelectronics from Germany, which might materialize in commercial contracts or research collaborations," said Dorin Cristea, one of the company's shareholders, cited by daily Ziarul Financiar.

Romsoft reported turnover worth 2.2 million lei (531,000 euros) in 2007 and an error margin of 17 percent.

The company will develop mainly medical software but also CRM solutions (customer relationship management) or Sales Force Automation). Romsoft was established was established in 2001 by Dorin Cristea and Nicu Popescu, each with a 50-percent stake. The company has 27 employees.

IT solutions provider Crescendo ups 20 pct in Q1

IT solutions provider Crescendo reported a turnover worth 15.31 million lei (3.6 million euros) in the first three months of the year, up 20 percent as against 2009.

The rise was ensured by the finalization of contracts concluded in 2008.

General manager of Crescendo, Marius Tulea, quoted by daily Ziarul Financiar said that fewer contracts have been signed lately. Tulea said that in the first three months the gross profit grew 5 percent from 1.8 million lei (0.4 million euros).

This year, Crescendo aims to maintain the turnover reported in 2008 (18.16 million euros).

"Despite a good Q1, I do not expect an outstanding Q2 and I predict a dramatic Q3, allowing for the summer. I expect a recovery in Q4, but I cannot predict whether we'll maintain the turnover or whether we'll go down, said Tulea.

In general, the customers' appetite for investments has decreased a lot, said Crescendo's official and many projects were put off or cancelled.

At present Crescendo has 100 employees, however, the general manager said that he looks proudly at the number, but also with concern, allowing for the economic crisis.

"We are employing people in the commercial segment, but selectively for a certain type of expertise."

The bulk of the company's turnover is unfolding in the enterprise segment (companies with over 200-300 users in IT), whereas the public segment accounted for 15-20 percent one year ago. Tulea said that he received offers to sell the company, however, the talks did not materialize.

"The sale is not a purpose in itself. We are listening, because many times project opportunities show up, even if no transaction is made," said Marius Tulea Crescendo's general manager.

Zentiva Romania profit, up 6.8 pct in Q1

Drug producer Zentiva posted a net profit of 6.127 million lei in the first quarter of 2009, up by 6.8 percent against the same period last year, according to the financial information submitted to the Bucharest Stock Exchange.

The gross profit stood at 7.353 million lei compared to 7.418 million lei in the first three months of 2008.

The net turnover reached 51.474 million lei, up by 32 percent versus January-March 2008.

The company's revenues totaled 57.921 million lei (plus 20 percent), while expenditure amounted to 50.568 million lei (plus 23.26 percent).

On March 31, Zentiva had total debts worth 52.090 million lei that had to be paid within one year. The company's accounts receivable stood at 119.837 million lei.

Zentiva projected a turnover exceeding 225.47 million lei this year, according to the revenue and expenditure budget approved by the General Assembly on April 28. The gross profit was assessed at 20.632 million lei, while net financial revenues at 7.143 million lei. Operating expenses are estimated to reach 211.982 million lei.

The company posted some 23.184 million lei in last year's net profit and a gross profit worth 30.069 million lei. The turnover reached 218.505 million lei.

GSK to produce in Brasov a medicine for HIV treatment

The British pharmaceutical group GlaxoSmithKline (GSK) will produce in Brasov (north-west of Bucharest), starting the end of the year, a drug used in the treatment of HIV-AIDS, daily Ziarul Financiar reports.

The medicine is to be exported as of 2011 and is the second drug whose production has been transferred from other plants of the company to the Romania-based facility.

"Besides Seroxat (antidepressant), our plant from Brasov will manage the production transfer for Retrovir tablets, a treatment for the HIV/AIDS. The project has already started, the production tests and the quality control being schedules for the end of this year. The first exports are scheduled to start in Q1 of 2011, after the conclusion of registration procedures," said the general manager of GSK Romania, Patrick Desbiens.

Until 2011, the company estimates that 10 million tablets of Retrovir will be produced in the Brasov-based plant.

Farmexim's turnover gains 15 pct in Q1 on portfolio expansion

Farmexim, one of the top five players on the pharmaceutical distribution market, registered a 15 percent increase in business in the first quarter, reaching 180 million lei, due to a natural increase in distributed volumes, and as a result of the expansion of its over-the-counter medication portfolio, reads the daily Business Standard.

The company reported a 156-million lei turnover in the same period last year.

The distributor posted a profit worth 3.4 million lei in this year's first three months, after registering significant losses last year, due to regulatory problems for imported medicines, which make up most of the pharmaceutical market.

The prices of medicines, which are being set by the Ministry of Health, have not been updated in accordance with the evolution of the exchange rate, because this would have meant higher prices. This led to low margins, even negative margins for distributors of medications, most of which were in the red at the end of last year.

For 2009, Farmexim estimates total turnover worth 725 million lei, up 20 percent against end-2008, and targets third place on the Romanian medication distribution market.

HelpNet, the group's retail network, with more than 100 drugstores, has reported a 23-percent sales rise in the first quarter of the year following the liberalization of the drugstores' ceilings late last year. The company posted some 62 million euros in last year's turnover.

Green Net was established within the group in 1998, an importer and distributor of premium cosmetics and skincare products, food supplements and top natural products from the international market. Set up in 1990 by Ovidiu Buluc (the group's president), Farmexim is the first private medicine importer and distributor established after the Revolution of 1989. The organization has nearly 5,000 products in its portfolio from 200 suppliers and it covers the medicine requirements of more than 3,500 clients, drugstores and hospitals countrywide.

There are some 6,000 pharmacies nationwide. The domestic pharmaceutical market worth 1.8 billion euros is predicted to rise by 15 percent in 2008. The main competitors of Farmexim are A&D Pharma, Relad, Farmexpert, Fildas.

Discovery Networks sees fast-paced growth in Romania

Discovery Networks announced a rise in audience, revenues from advertising and cash-ins after having recently launched two new channels in Romania - the Discovery HD and ID Investigation Discovery, and having made some logo changes, rebranding and relaunch efforts, reports daily Business Standard

In this period characterized by a high degree of risk, Discovery announced plans to grow into a market leader among thematic channels in Romania.

Of all Central European countries, Romania is one of the territories with the fastest growth pace, representing a strategic market for Discovery Networks, Katarzyna Kieli, Discovery Networks Central Europe general manager, said in an interview for the cited paper.

She mentioned that Romania is the second largest market after Poland and has a high penetration rate of cable and satellite distribution systems - one of the highest in Central Europe - demonstrating a solid and continuous growth potential.

Also, Kieli noted that there is a high demand among TV watchers and business partners in Romania for high-quality content, a diversified portfolio of channels and creative, innovative portfolios. “We are determined to maximize our growth here, which is also where our decision resides to invest in local operations instead of further expanding our localization strategy,” said Katarzyna Kieli.

Commenting on the number of subscribers, the Discovery Networks official said that their total number across the region is in excess of 44 million, and in Romania, distribution levels increased by over 21pc in 2008 compared to 2007.

PayPoint network in Romania, 20 pct of global business

PayPoint electronic payment processor ended last year with a total number of 5,467 terminals in Romania, thus accounting for 20 percent of the PayPoint network at international level.

PayPoint is the first multi-client service on the local market that allows all bills issued by service and utility companies, with which the company has signed contracts, to be made at the same point. In Romania, the company entered the second stage of development of the bill payment service by forming new partnerships, with nine active and operational clients at present: Allianz Tiriac, Distrigaz Sud, ENEL, E.ON Gaz Romania, E.ON Moldova Furnizare, Focus Sat, Romtelecom, UPC and Zapp.

The company entered the domestic market in 2007 by taking over Pay Store and has also been present for more than 12 years on the UK market and in Ireland.

Real Hypermarket sales, up by more than 10 pct in April

Real Hypermarket sales rose by more than 10 percent in April 2009 compared to the same period last year and the company posted a one-digit increase in the first quarter this year against the same period of 2008, Real Hypermarket Romania director general Tjeerd Jegen told a press conference on Tuesday, May 19.

Real Hypermarket launched on May 19 its own brand Real Quality. In terms of quality, the products included in this category are similar to those “A brand”, but their prices are 20 percent lower.

On the medium term, Real plans to see the sale of its own brands account for 20 percent of the food sales. The Real Quality products are sold both in the 21 stores opened in Romania and the 450 Real hypermarkets in Germany, Poland, Russia and Turkey.

Out of the total 200 items, 60 are made in Romania, and the rest in Germany. The company’s representatives said they plan to increase the share of the products made in Romania.

In addition to the Quality range, Real introduced in stores its own brands Real Bio, biological products, and Real Selection, which are premium items. The company plans to introduce in stores some 140 products of the two brands by the end of the year.

The Real division is part of the Metro group. Real opened 350 hypermarkets in Germany and 210 stores in Romania, with further five to be inaugurated.

Albalact invests 4 mln euros in dairy farms

Dairy producer Albalact Alba Iulia (ALBZ), controlled by Ciurtin family, plans to double this year their dairy farms output capacity and to move the entire cheese production to Raraul factory, acquired by them last year, the programmed investments to this end being of some 4 million euros.

This information is contained in the investment fund quarterly report of RC2, which controls more than 25 percent of the dairy producer's stock, Ziarul financiar daily reports.

Albalact management is to focus this year on sales boost, distribution and logistics upgrading. In April, the company finalized the investment in a logistics center in Bucharest, which is to have a significant impact on the presence of Albalact products on the shelves, RC2 quarterly report reads. Albalact is the producer of Zuzu and Fulga brands. The company will continue to invest in the development of the dairy farms, staking on a production capacity twice as much as up to now, to 30,000 liters/day from 12,000 liters/day. The investment cost is 2 million, of which 1 million euro to be provided from non-repayable European funds.

After last year it acquired a stake of 77 percent in Raraul cheeses and dairy producer, based on a transaction of 3.7 million euros, Albalact is to concentrate this year on the integration of Raraul businesses. One of the first measures taken by Albalact management at Raraul was a 25 percent cut in the number of staff.

Albalact is the first investment of the Cypriot fund locally, which joined the dairy producer's shareholders in 2006 through the acquisition on the Stock Exchange of a minority share package. A year later, in 2007, when the exchange reached historical maximums, the sale of a 7.6 percent stake in Albalact multiplied four-fold RC2 investment. The dairy producer has become as such the most profitable investment domestically, according to RC2 representatives.

Starting 2008, when the shares went much cheaper under the crisis impact, RC2 steadily acquired Albalact equity, climbing from a participation of almost 10 percent in 2008 to 25.3 percent at the end of March 2009. The Ciurtin family controls some 48 percent of Albalact, the remainder being held by some other shareholders.

At the end of March, RC2 participation in Albalact valued 7.4 million euros, under conditions in which the investment cost reached 13.3 million euros and the 7.6 percent participation, sold by RC2 in 2007, generated a profit of 8 million euros, according to the report.

Dole takes over Distrifruit

Distrifruit Company, with a 31-million euro turnover in 2007, the largest fresh fruit importer in the country, was taken over by its supplier, the US producer Dole, a transaction approved on May 19 by the Competition Council.

Thus, Dole, the largest fresh fruit producer and supplier worldwide, with annual sales worth nearly 7 billion dollars, directly enters the domestic market, by taking over the local supplier of its products.

Distrifruit was set up in 1998, with its shareholders being prior to this transaction the Lebanese holding Na-Plus SAL, with a 99.38-percent stake and the Romanian businessman of Lebanese origin Said Slim (0.62 percent), according to the Trade Register data.

Distrifruit reported a turnover of some 31 million euros and a 3-million loss in 2007.

The transaction was made via the European branch of the fruit producer, Dole Europe.

Distrifruit had a 50-percent share on the banana market in 2005, according to the latest available data. The company’s portfolio included in 2005 the brands Dole and Le Fruit D’Or, with the company being the sole supplier of the two brands.

The domestic fresh fruit market is currently dominated by imports. In some hypermarkets, imported vegetables and fruits account even for 70-80 percent. Retailers say Romania’s agriculture is insufficiently developed in order to supply the quantities of fruits and vegetables required by the modern trade.

According to the report issued by the Competition Council, following the analysis of the transaction sealed between Distrifruit and Dole, the effects of this economic concentration on the competition environment are not significant and the operation did not result in the creation or consolidation of a dominant position on the identified relevant markets.

Investments worth 1.5m euros in first drive-thru KFC in Romania

KFC has invested some 1.5 million euros in Romania’s first drive-thru KFC, in Sibiu, the company reports.

The restaurant opened on Sunday in Sibiu (north-west of Bucharest) covers an area of 500 sq.m. and has a capacity of 150 seats, the terrace included, and will ensure some 60 new jobs. A playground was set near the restaurant.

All the national KFC promotions will be valid also in the Sibiu-based KFC drive-thru.

Drive-thru KFC will be opened 24/7, whereas the timetable for the remainder of the restaurant is from 7 a.m. until midnight.

The KFC restaurant in Sibiu is Romania’s 34 KFC restaurant. Last year KFC Romania reported net 40.5 million euros, whereas in Q1, 2009, the turnover amounted to 8.40 million euros.

III. TRADE

CCIB promotes Romanian-American cooperation on third markets

In terms of investments, Romania is still highly attractive, Sorin Dimitriu, chairman of the Bucharest Commerce and Industry Chamber (CCIB) said during a meeting with Justin Berg, deputy economic consultant with the US Embassy in Bucharest.

Some of the identified interest areas were infrastructure, energy, especially the green energy, and the waste management. Moreover, despite the crisis, Bucharest has a special potential in the economic sector. Thus, Romania’s capital has the highest absorption degree of the community funds in Romania, according to Sorin Dimitriu.

Another collaboration segment relates to the cooperation on third markets. The CCIB chairman pointed out that the CCIB economic missions in the southern part of the former Soviet area have encountered a special interest for this type of projects, especially as regards the complex installations for plants (for construction materials, machinery, etc).

CCIB plans to strengthen cooperation with the American Chamber of Commerce in Romania (AmCham), with one of the identified projects being the organization of a business forum in 2010. For this purpose, the CCIB chairman has required the support of the US Embassy in Bucharest.

According to Sorin Dimitriu, the Romanian - American cooperation can also be consolidated at university level (student and professor exchanges), as well as by initiating some research projects on top international fields, such as nanotechnology and aeronautics.

Export climbs Antibiotice business

Drug maker Antibiotice Iasi, north-eastern Romania, reported in Q1 sales 18.4 percent higher, to 57.5 million lei (or 13.5 million euros), both due to the positive evolution of the sales in the domestic market, and to the 44 percent surge in exports.

Also, the program of cut in costs, implemented since mid last year, as well as the raise in the prices of the domestic drugs has resulted in an advance of 43 percent in profit, to ten million lei (or 2.3 million euros). The gross profit has seen a rise of 55 percent, to 13 million lei (or three million euros).

The advance in exports to 11.07 million lei (or 2.6 million euros) has at its basis the main product of the company, Nystatin, a substance at the basis of the production of other medication," writes daily Business Standard.

The percentage of export in the turnover surged to 20 in 2009, from 12 in 2008, and six percent in 2007. The export strategy was aimed at the consolidation of the development of finished products and the cut in exposure to the currency risk.

For 2009, the company expects a rise in turnover by ten percent, compared with 2008, and by 20 percent in the net profit, as well as the increase in the percentage of export in the turnover, from 12 in 2008, to 15 this year.

CCIB opens representation office in United Arab Emirates

The Bucharest Chamber of Commerce and Industry (CCIB) will open in September a representative office in the United Arab Emirates (UAE), in the Sharjah Emirate, which is to serve the entire gulf area, informs a CCIB release.

According to the UAE Ambassador Yacub Yousif Alhosani, the Chamber’s representative office to be opened in Sharjah is an opportunity for the Romanian business people to discover the region.

“It must have, however, good connections both within the UAE and outside the Emirates”, the foreign official pointed out.

Following the success reported by the economic mission organized by CCIB in the UAE this April, a new specialty mission is currently being prepared targeting the companies in the field of industrial and civil engineering and architecture.

“This segment expressed interest in the UAE. There are companies that have already signed up for this mission, though the event is to take place no sooner than September”, CCIB president Sorin Dimitriu said.

“On this occasion we hope to seal the cooperation agreements with the chambers of commerce in Abu Dhabi and Dubai as well, following the agreement concluded in April with the Chamber of Commerce and Industry in Sharjah,” the CCIB president added.

A permanent exhibition of Romanian products will be opened in the Emirates based on this agreement, with a similar exhibition of UAE products to be inaugurated in Romania.

Another area in which the Romanian-UAE cooperation can be consolidated relates to the university activities, namely the student and professor exchanges, Sorin Dumitriu said.

He underscored that Romania has drawn, despite the crisis, the highest amount of foreign investments compared to the other East European countries. The CCIB president pointed out that sectors like infrastructure, agri-food industry, tourism, especially the spa tourism, have a high potential, especially because there are financing possibilities for the projects targeting those sectors via numerous national and international programs.

Praising the projects initiated by CCIB on the UAE market, Ambassador Yacub Yousif Alhosani underscored his total availability to facilitate the contacts between the two business environments.

CCIB will cooperate with the UAE Embassy in Bucharest in view of performing its projects under best circumstances aimed at developing the Romanian-UAE economic ties. This was one of the conclusions of the meeting Sorin Dimitriu, CCIB president and CCIR vice-president had with Yacub Yousif Alhosani, UAE Ambassador extraordinary and plenipotentiary in Bucharest.

UAE are Romania’s most important economic partner in the Middle East and Africa, a considerable market for the Romanian goods and an important transit point for the domestic exports to other Gulf States. The value of the bilateral exchanges stood at over half a million dollars end-2008, of which Romania’s exports to the UAE accounted for 462 million dollars, and UAE imports for more than 60 million dollars.

Eurostat: Romania's deficit in relations with China surges 23 times

Romania's exports to China rose from 93 million euros in 2000 to 160 million euros in 2008, with the imports surging from 189 to 2.397 billion euros.

Thus, the deficit of the trade balance of Romania with China rose 23-fold, from 96 million euros in 2000 to 2,237 billion euros in 2008, according to data presented on May 18 by the European Statistics Office, Eurostat.

All the member states registered a deficit in the trade with China in 2008, with Romania ranking 12th, with a deficit of 2.237 billion euros in 2008.

The European Union-China Summit took place Prague, on May 20.

Eurostat: Romania's exchange deficit with Russia grows to bln. 2.719 euros

Romania’s exports to Russia grew from 97 million euros in 2000 to 610 million euros in 2008, while the imports grew from 1.218 to 3.329 billion euros, say data of the Statistical Office of the European Communities (EUROSTAT).

Thus, Romania’s exchange deficit with Russia grew 2.4 times from 1.121 billion euros in 2000 to 2.719 billion euros, last year, ranking 11th among the EU countries.

The European Union’s exchange deficit with Russia totaled 68 billion euros in 2008 overall, up from 41 billion euros in 2000.

The European Union-Russia Summit took place in Khabarovsk, Russia, on Friday, May 22

Eurostat: Romania's deficit with South Korea up in 2008

Romania’s exports to South Korea grew from 30 million euros in 2000 to 100 million euros in 2008, considering that imports went up from 229 to 523 million euros, according to figures centralized by the Statistical office of the European Commission (Eurostat).

Thus, Romania’s trade balance deficit in the relation with South Korea grew 2 times from 199 million euros in 2000 to 423 million euros last year and places Romania on the 13th place in the European Union at this chapter.

The European Union-South Korea Summit was scheduled for May 23 in Seoul.

IV. FINANCE-BANKS

Nicolae Danila: Leu appreciation stimulates banks' appetite for gain

Foreign banks grasp the opportunity of the appreciation of the national currency following the signing of the EUR 12.95 billion loan agreement with the IMF to buy euro for profit and take the money out of the country, transferring it to their parent institutions, said Nicolae Danila, former executive chairman of the Board of Banca Comerciala Romana (BCR).

Danila reminded that Romania has borrowed the money from international financial organizations in order to support the currency and, indeed, the local leu has taken to an upward trend, but now the massive purchase of euros has set in, accompanied by the outflow of the money as the banks shift its category from 'exposure on Romania' into 'resource'.

According to Danila, the leu should have been kept weaker, to benefit exporters and discourage the acquisition of foreign currency, whereas other means should have been identified to support the clients with credits in euro – such as interest rate state subsidies.

According to the National Bank of Romania (BNR), between September 2008 and March 2009, Greek and Austrian banks have taken 2.3 billion euros out of Romania. "Foreign bankers play a shrewd game claiming to have investors who need to gain. They request support invoking the crisis, but some of them widened interest margins instead of narrowing them and they will probably not reduce interest rates on loans very soon," said Danila cited by Ziarul Financiar.

Banking system's solvency ratio topped 12 pct in Q1

The solvency ratio of the Romanian banking system exceeded 12 pct at the end of Q1 2009, but this will not change the authorities' decision to increase the lower limit to 10 pct in September this year. Following this requirement, banks will have to supplement their equity capital by approximately one billion euros, of which about one third has already been transferred into the country, notes daily Financiarul (www.financiarul.com).

At the end of Q1 2009, the average solvency ratio of the Romanian banking system has been of 12.03 pct, well above the lower limit of 8 pct imposed by the National Bank of Romania (BNR). BNR governor Mugur Isarescu had said two months ago that head of the central bank's Surveillance Department Nicolae Cinteza requires banks to permanently maintain their minimum solvency ratio at 10 pct. The reason is to ensure a safety buffer for strengthening the institutions' capacity to grant loans.

"At the end of March, the highest solvency level has been 236 pct, but the value is not relevant for the Romanian banking system because it was registered by a housing bank," head of the BNR Surveillance Department told the cited publication. At the category of universal banks, the highest level was 32 pct, added Cinteza.

Under the agreement concluded with the International Monetary Fund, the minimum solvency ratio for Romanian banks shall be raised from 8 pct to 10 pct as of September, notes the paper. The central bank pledged to determine by stress tests the additional equity capital commercial banks need to bring in so as to make sure that the solvency of each institution is maintained above the new level. Risk scenarios banks were subjected to tracked their response in the eventuality of four shocks: economic growth, interest rate in domestic lei, interest rate in foreign currency and exchange rate.

Stress analyses were applied to all banks with a market share in terms of assets higher than 1 pct and to smaller credit institutions selected according to the quality and vulnerability of their credit portfolios, the evolution of bad loans in the past year and the current solvency ratio.

Under these circumstances, BNR calculated that some 1 billion euros are needed in additional equity capital. "Of this amount, the banks that were already notified to increase their equity capital transferred to the country 200-300 million euros," said BNR's Nicolae Cinteza.

He explained that this requirement does not affect whatsoever the costs of the institutions running their business in Romania, as the necessary funds can also be made available from loans. "This additional capital might however affect the shareholders' resources," added Cinteza.

In the East-European context, the Romanian banking system is not the only one to require banks to increase their equity capital following a stress analysis. For example, proceedings were just the same in Hungary and the central bank governor said early this month that an extra EUR 700-900 million is needed. On the other hand, in Poland, the results posted by banking institutions for the first quarter of the year showed the solvency ratio is higher than 8 pct, determining the central bank to give up raising the minimum solvency level from the current 8 pct, said the cited newspaper.

Bucharest hosts South-East European Financial Forum

More than 250 business people, banking executives and politicians attended the 6th edition of the South-East European Financial Forum on the future of money, hosted by Bucharest City May 19-22.

The participants discussed ways to speed up the accession of European Union structural funds, and how to increase the amounts of money for less red tape so as to increase the efficiency of money.

The future of the luxury market in a time of crisis was also be tackled, including banking services, insurance services, security services and individual tourism services. Talks also focused on the 2009-2011 economic projections.

The attendees discussed investing in sustainable business, the future of the Central and Eastern European stock exchanges, redefining the role of commercial companies adjusted for the investment risks existing in the region. Also approached were the insurance business in a time of crisis and how profitable insurance is.

Attending the event was US Nobel prize winner Joseph Stiglitz, the former Senior Vice President and Chief Economist of the World Bank, Chairman of the Council of Economic Advisers during the Clinton Administration, and economic adviser to incumbent US President Barack Obama.

Governor of the National Bank of Romania Mugur Isarescu; Romania's Public Finance Minister Gheorghe Pogea; Romanian Minister for European Affairs Vasile Puscas; Chairman of the Romanian Senate Mircea Geoana; International Monetary Fund representative for Romania and

Bulgaria Tony Lybek; former chairman of the International Organisation of Pension Supervisors John Ashcroft, and Romanian Prime Minister's adviser Ionut Popescu also attended the event.

Also participating were governor of the National Bank of Bulgaria Kalin Hristov; Deputy governor of the National Bank of Romania Eugen Dijmarescu; Bucharest General Mayor Sorin Oprescu and Romanian Senator Varujan Vosganian.

BNR: 10 pc solvency for banks, to stay the same at least during IMF agreement applicability period

The 10 pct solvency ratio for Romanian commercial banks is expressly mentioned in the Agreement concluded with the International Monetary Fund (IMF) and there is no danger that this requirement is not fulfilled, at least during this agreement's applicability period (till May 2011), stated on May 20 prime vice-governor of Romania's National Bank (BNR) Florin Georgescu present at the Central and South-Eastern European Financial Forum.

Currently, commercial banks in Romania must have a solvency indicator (equity capital/total liabilities) of minimum 8 percent and they must attain the increased level, of 10 percent, in several months.

All banks in Romania now fulfill the legal solvency level and, after the stress tests, those in need of re-capitalization will do that, said BNR official who also noted the May 19 renewed commitment in Brussels of the largest nine foreign banks active in Romania.

Georgescu said that in certain situations BNR can even ask for a solvency ratio in excess of 10 percent, but at there is currently no need for this, as it has not been the case in the past 5-6 years

Isarescu: Banks recapitalization does not exceed one bln euros

The recapitalization of banks in Romania to the aim of attaining a solvency rate of minimum 10 percent in September, cumulated, does not exceed one billion euros, stated on May 21 Romania's National Bank (BNR) Governor Mugur Isarescu present in the Central and Eastern-European Financial Forum, organized in Bucharest.

He pointed out that, following the stress tests, no bank had a solvency rate below eight percent, as the minimum legal level is at present, with some banks having had this indicator between 8 and 10 percent, so that they must increase their capital.

The solvency indicator for the commercial banks in Romania, of 10 percent, is expressly stipulated by the agreement with the International Monetary Fund (IMF) and there is no danger the banks will not observe it, at least for the duration of this accord (till May 2011), stated on May 20 BNR prime vice-governor Florin Georgescu on the occasion of the aforementioned forum.

Romania prepares Eurobond issue

Romania will start preparations for an Eurobond issue that could be launched in the second half of the year, head of the state Treasury with the Finance Ministry Stefan Nanu said, cited by the international press agencies.

The bond issue will be denominated in euro and correlated with the Government's strategic objectives, he said. Romania's financing costs fell after the international financial bodies have given green light to a foreign financing worth 20 billion euros, Nanu informed last week.

As many as 750 million euros with a 10-year maturity were drawn at the last Eurobond issue launched by Romania in June 2008.

Parent banks of largest foreign banks reaffirm support for their Romanian subsidiaries

The parent banks of the largest nine foreign banks operating in Romania (Erste Group Bank, Raiffeisen International, Eurobank EFG, National Bank of Greece, Unicredit Group, Société Generale, Alpha Bank, Volksbank, Piraeus Bank) on May 19 reaffirmed support in Brussels for their Romanian subsidiaries, in line with their commitment of Vienna of March 26.

The economic and financial state of affairs in Romania was discussed at a meeting on May 19 in Brussels, attended by nearly 60 persons – officials of the European Commission, of the International Monetary Fund, other international financial institutions, commercial banks and supervisory institutions. The nine banks agreed on a precautionary increase in the minimum capital adequacy ratio for each subsidiary, from 8 to 10 percent, for the duration of the IMF programme.

European Commission spokesman Mark English told Agerpres that the commitments of the parent banks made on May 19, coupled with a financial package to help with the balance of payments could help the Romanian banking system better weather the ongoing economic crisis, rebuild investor confidence and put the economy back on track for sustainable growth. The European Commission will continue efforts to make cooperation easier among all players, the banks included, in order to promote the economic recovery of the European Union.

A first meeting of the parent banks with subsidiaries in Romania happened on March 26 in Vienna, when the May 19 meeting was scheduled. Similar meetings are also held by countries receiving assistance to redress their balance of payments. Since the meeting in Vienna, the National Bank of Romania has conducted stress tests. The results have been discussed with the banks and the outcome confirms that they are well capitalised and have high liquidity buffers.

The parent banks say they are ready to pledge these commitments under multilateral assistance programs, on bilateral bases with the National Bank of Romania, with the involvement of the supervisory authorities from the home countries, and in accordance with the European and national rules in the field. A new meeting of the nine main foreign banks in Romania will be held within six months, Steven van Groningen, president of Raiffeisen Bank Romania, told the Central and Southeast European Financial Forum in Bucharest on May 20.

Authorities not yet to outsource to banking system European projects' assessment

The Romanian authorities will not outsource, for the time being, the assessment of projects for structural funds from the European Union, but they will study the issue in the years to come, according to the general manager of the Central Authority for Structural Instruments Stefan Cioban.

"In 2008, there were problems with the low speed of approval of the projects. The externalization of the evaluation of the projects towards the banking system is an option. Some member states have made that choice but not from the first years. We decided that in the first two or three years after accession, the outsourcing is to be made towards consulting companies or independent evaluators. When a more advanced outsourcing will be needed, we will study this possibility with the banking system and other member states, without prejudicing the correctness of the use of funds, said, on May 19 Stefan Cioban, at the Central and South-East European Financial Forum in Bucharest.

Head of the Department for European Affairs Vasile Puscas said that the process of outsourcing began for the projects of small and medium sized companies, as many projects found eligible are considered "non-bankable".

The projects submitted for funding through European structural funds do not need a profit rate higher then 9 pct, whereas banks require it to be a minimum of 15 pct in order to provide co-financing.

BNR empowered to request changes in banks' management and stock ownership structure

The National Bank of Romania (BNR) will have more power in requiring troubled banks to operate changes in the structure of their management and stock ownership, said National Bank of Romania chief economist Valentin Lazea.

There is no systemic risk looming, but depending on the specific case, BNR might require banks to recapitalize or make changes in their management or shareholders, the BNR official on May 20 told the Central and South-East European financial forum in Bucharest.

Lazea underscored that in no way would a troubled bank be recapitalized on public money.

According to Lazea, a high share of foreign-owned banks in a national system is currently perceived as a drawback, although in the past years it was considered an advantage. From this point of view, Romania ranks fourth of 11 Central and East-European states, with foreign-owned banks accounting for 88 percent of the total, after Estonia - 97 percent, the Czech Republic - 97 percent, and Croatia - 91 percent.

In the opinion of the BNR chief economist, the high exposure to foreign banks is an issue only if the foreign banking debt accounts for a very high share of the GDP and can be rapidly withdrawn, and if foreign currency lending is dominant and there is a high probability of default.

As far as the foreign banking debt is concerned, Romania ranks seventh with 20 percent of GDP, and fifth by lending denominated in foreign currency – with such loans accounting for 58 percent of the total.

Lazea mentioned that banks should recapitalize in order to meet the new requirements on the minimum solvency rate that was raised from 8 to 10 percent and added that under financial crisis conditions, a central bank's forex reserves are no longer measured by the import coverage ratio, but by the coverage of short-term debts. In Romania, this parameter (next year included) is 99 percent. In April, forex reserves fell four percent and the short-term debt shrank seven percent. According to Lazea, coverage ratios will improve in the next period, but not very fast.

Tax Code to be endorsed in H2

The Government will endorse the Tax Code in the second half of the year, as it is to be enforced in 2010, the Public Finance minister Gheorghe Pogea said on May 20.

Recently he stated that the draft law of the Fiscal Code should be publicly debated.

"The Fiscal Code will not come into force any sooner than six month from now. Many of the projects or alterations will be enforced commencing with 2010, exception making the calendar of acceleration of the excises for tobacco and alcoholic drinks, which could be known from April", the Minister had specified in March.

Pogea said that the Fiscal Code draft law should "pass through the experts filter, in order to avoid possible problems or disagreements". As for the non-taxation of the reinvested profit, the provision will be enforced during 2009, Pogea added.

Gov't modifies Tax Code application rules

The interest rate on forex loans to be considered for the computation of taxable profits will be set at 8 percent as from fiscal year 2009, according to a decision adopted by the Government in its meeting on May 20.

The Government passed a normative act amending point 701 in the application rules for Law 571/2003 concerning the Tax Code.

The new normative act is said to have been necessary for the updating of fiscal data in accordance with Article 23(5)(b) of Law 571/2003 concerning the Tax Code, according to which interest on forex loans taken from other entities than Romanian or foreign credit institutions, non-banking financial institution or similar organizations, as well as on forex loans raised from group member companies, shareholders, or business partners shall be updated under the decision of the Government. For the computation of taxable profits starting with 2007, the interest on forex loans was 7 percent.

In the context of the latest economic developments and in order to support the business environment, deductibility of interest rates on forex loans will be expanded to include such loans raised from group member companies, shareholders, or business partners, currently limited at 7 percent. Interest rates on forex loans taken from other entities than Romanian or foreign credit institutions, non-banking financial institution or similar organizations are fully deductible.

Finance Ministry mandated to receive decisions on CEC capitalization

The Public Finance Ministry has been mandated to receive all the approvals of the European Commission on the capitalization of CEC Bank, particularly in relation to co-financing small and medium-sized enterprises, Deputy Chairman of the Democratic Liberal Party (PD-L) Gheorghe Flutur announced on May 18 at the end of a meeting of the ruling coalition.

“This is about European projects in need of matching funds and our intention is to win all the approvals necessary from the European organizations, observing the European legislation for priority co-financing for small and medium-sized enterprises and their projects, as well as for necessary co-financing in the period immediately ahead,” said Flutur.

Under an emergency ordinance, the Finance Ministry was mandated in November 2008 to increase the share capital of CEC Bank by issuing new shares with a nominal value equal to the existing shares, that is RON 100 apiece. At the same time, the Finance Ministry will pay out RON 900 million in two equal tranches, to increase the share capital of CEC Bank, with the money being budgeted in the 2009 Budget, as mentioned in the ordinance.

The normative act was motivated in the context of the ongoing world crisis, which determined banks to emphasize deposits to the detriment of lending. Amidst restricted cash resources on the world financial markets, more attention should be attached to secure the necessary financial resources for the Romanian credit institutions in order to support their lending business, says the ordinance.

Companies operating intra-Community acquisitions will pay monthly VAT, starting May 25

Romanian companies operating intra-Community acquisitions will be subjected to the VAT regime on a monthly basis, starting May 25, according to the Chairman of the National Tax Administration Agency (ANAF) Sorin Blejnar.

Until now, companies making such acquisitions were paying the VAT every three months, but ANAF made a proposal to the Government to implement this new measure aimed at breaking such rings specialized in fraud in the VAT field, the head of the Fiscal Agency told a press conference on May 18.

The ANAF Chairman underlined that frauds in the VAT field involving intra-Community trade all over Europe have reached an alarming level. “We face a real problem related to Europe-wide VAT frauds. There already exist such specialized networks in Romania too.”

In the first four months of the year, the Financial Guard (GF) has monitored 13,680 intra-Community operations, with all-points bulletins having been issued for 214 economic operators which had disappeared, the deputy general commissioner of GF Gabriel Carbunaru specified, also adding that the losses exceed 134 million lei (some 31.59 million euros).

ARB: First Home Program to reduce interest rates on mortgage loans

The First Home Program by which the state guarantees the mortgage loans up to 60,000 euros, might determine the reduction of the interest rates on mortgage loans, representatives with the Romanian Banks’ Association (ARB) said on Thursday, May 21.

“If the guarantee is certain, and the risk is lower, we can see a decrease in the interest rates on mortgage loans,” Petre Bunescu, ARB prime vice president and deputy general manager of BRD Societe Generale said.

“If this law is appropriately drafted, than the risk can be taken over by the state and we could see a drop in the interest rates,” Sergiu Oprescu, Alpha Bank CEO and member of ARB Board of directors said.

ARB president Radu Ghetea said the measure would encourage economy by raising the lending pace and developing the associated industries, such as the construction materials sector.

“If we consider only the guarantee when extending a loan, than this program will cut back interest rates, but we take into account the client’s revenues, and if they are insufficient, the program will fail to have a significant influence. However, it is true that the risk is getting lower, so the interest rates can be consequently influenced. We shall wait and see,” Steven van Groningen, Raiffeisen Bank president said.

The ARB representatives said they are awaiting the methodological norms for the program implementation, which should also take into consideration the people who have already contracted mortgage loans. “The Government approved on May 20 the ‘First Home’ Program aimed at supporting the people who have never benefited from a mortgage loan before buying their first home. The amount allocated for this program reaches 1 billion euros,” PM Emil Boc said on Wednesday, May 20, after the government’s sitting.

The state guarantees 80 percent and the maximum value of the guaranteed loan amounts to 60,000 euros. This is deemed as the average price of a home countrywide.

Boc announced the program would be operational within maximum 60 days and that all people interested in buying their first home who meet the requirements would be able to benefit from this program.

Banks required to keep early loan repayment free of penalty

Keeping early loan repayments free of penalty and the system for the technical assessment of the building pledged as security are the requirements banks need to meet in order to qualify for the credit guarantee program for the acquisition of the first home, Prime Minister Emil Boc on May 21 evening told a televised broadcast.

These two requirements add to a previously announced pair of conditions – a maximum advance of 5 pct and a low interest rate. “For instance, let's say I take out a 30-year loan, but after 10 or 5 years I have enough money to fully repay it. Now I get penalized. Our requirement is that there should be no early repayment charge. You want to repay the loan, you can do it all right. The system for the assessment of the building pledged as guarantee will also be a criterion, because banks have all kinds of assessment systems in place,” said Emil Boc on the B1 TV channel.

The Prime Minister mentioned that the program, which is supposed to come in effect within 60 days, will be "multiplied" if it proves successful, by supplementing governmental guarantees. He reiterated that in its next Wednesday meeting, the government will amend the emergency ordinance on the guarantee fund, extending its scope for the grant of housing loans.

The government decided this May 20 to secure mortgage loans for first home buyers. Basically, this is about state guarantees, said Premier Boc, and the maximum loan subject to guarantee is 60,000 euros.

The beneficiaries are individuals, especially young people who wish to purchase a new home – either a new building, or one from the existing housing stock – and who have never before received a mortgage loan and own no property. The banks participating in this program need to meet particular eligibility requirements.

Raiffeisen Bank plans investments worth 39.5 mln euros

Raiffeisen Bank, one of the top five players on the domestic banking market, has budgeted for 2009 investments worth nearly 39.5 million euros, with the increase in leu terms being by 17.6 percent higher than the amount allocated in 2008.

Investments in IT systems will account for the largest share, which are to receive more than 47 percent of the total value. Moreover, the bank is to spend more than 1.24 million euros on security and protection electronic systems, according to the investment plan approved by the shareholders.

For this year, the bank's shareholders have budgeted a net profit of some 95 million euros (398.57 million lei), that is less than 60 percent of the profit reported in 2008, according to the Romanian accounting standards.

Steven van Groningen, Raiffeisen president, believes this is a reasonable target given that lending has just started to unblock in March-April and the bank focuses on the strict cost management, reads the daily Ziarul financiar.

At the same time, van Groningen said the share capital would have to be increased, as Raiffeisen is one of the best capitalized banks on the domestic market.

The 2009 revenues are estimated at 1.94 billion lei (461 million euros), up by 33 percent against the level approved under the revenue and expenditure budget of last year, while total expenses are predicted to reach 1.46 billion lei (349 million euros), by 41 percent higher than the amount approved by the shareholders for last year.

Raiffeisen posted a net profit of 17 million euros in the first quarter this year, down by 50 percent compared to the same period of 2008, due to the substantial provisions established in order to cover the rising credit risk amid the depreciation of the national currency.

Top ten life insurers after Q1

The first quarter was difficult for the life insurance market, with some companies witnessing declines, after years of ongoing sales growth, Ziarul Financiar daily reports on May 22.

The ranking of the top ten life insurers changed in the first quarter compared with the end of last year, with a player from the middle, Asiban, falling close to the bottom end of the ranking, while others, such as Allianz-Tiriac or Generali, climbed.

The leading position was still held by ING, with gross underwritten premiums worth 130.2 million lei (30.5 million euros), and a 4.5 percent turnover drop from a year ago. The entire life insurance market had a steeper decline, of 6 percent, to 392.3 million lei (92 million euros), according to Insurance Supervision Commission data.

AIG Life, ranking second on the market, kept the same position. The insurer did not publish its figures after first quarter, but, according to ZF estimates, gross underwritten premiums fell by 10 percent to 61 million lei (14.3 million euros).

As far as the life insurance market is concerned it is unit-linked policy sales that are going down as their returns plummeted on financial market turmoil. On the other hand, the number of clients canceling their policies also rose, meaning insurers no longer collect the premiums these had to pay.

Just like in 2008, ranking third on the life insurance market is BCR Viata, whose turnover advanced by 60 percent, to 35.2 million lie (8.3 million euros). This is the biggest increase a top ten insurer posted in the first three months.

Asirom, coming fourth, did not publish its first-quarter figures, but its gross underwritten premiums shrank by 10 percent on the life insurance segment, to 31.7 million lei (7.4 million euros). Allianz-Tiriac, leader of the insurance market (general and life insurance), climbed one position, to the 5th. Aviva went down one position, being the sixth largest player on the life insurance market after the first quarter.

Generali climbed two positions in the top, ranking 7th. Austria's Grawe stayed on the 8th position, being among the few life insurers whose turnovers rose during this period.

Instead, Asiban, the fourth biggest insurer on this market in 2008, fell on the 9th position, with a 23 percent turnover decline on this segment, the steepest slump a top ten insurer has so far announced. The tenth player in the ranking, Omniasig Life, saw a 10 percent turnover drop, to 11.9 million lei (2.8 million euros), according to ZF estimates.

Assets of private pension funds gained 10.7 pct in April

The net assets of the 14 privately managed pension funds (Pillar II) stood at 1.33 billion lei end-April, up by 10.7 percent against March 2009 and by nearly 14 times higher compared to May 2008, according to the data published in the monthly bulletin of Romania's private pensions supervisory authority (CSSPP).

Contributions worth 111.31 million lei (some 27 million euros) were made in April for 3.44 million participants. The average contribution stood at 32 lei, reported to the number of participants for which contributions were paid in April.

Pillar II had as many as 4,291,109 participants in April 2009, for which contributions have been collected since the initiation of the system in May 2008. The number of participants rose by 34.3 percent against May 2008.

Some 164,790 participants contributed to 11 optional pension funds administered by nine trustees end-April 2009, thus preserving the upward trend related to the rising number of participants since the introduction of the system – a 1.6-percent rise compared to March 2009 and a twofold increase compared to April 2008.

Net assets have also reported a constant growth in April 2009, thus reaching 121,806,254 lei (29 million euros), up by nearly 10.2 percent against March 2009 and threefold higher than in April 2008.

As regards the involvement of the employees in the optional pension system, contributions were paid by the employers for 55 percent of the participants, while 32 percent paid the contributions themselves and 13 percent paid them together with their employers.

In terms of investment structure, some 57.29 percent of the assets held by the optional pension funds have been invested in government bonds, reporting a slight increase against the previous month. Municipal bonds, which reported a fall against March, reached 9.45 percent of the assets in April.

Non-governmental foreign bonds accounted for 2.66 percent of the assets, down versus the previous month. Corporate bonds totaled 18.01 percent of the assets in April, up compared to the previous month. Bank deposits dropped against the previous months, and accounted for 5.74 percent of the assets, while shares accounted for 5.89 percent, up constantly against March and February 2009.

Romania's private pension funds market to exceed 1 billion euros

The domestic private pension funds market might exceed 1 billion euros in the coming years, provided that the legislation does not suffer any more changes, Cristian Rosu, director general of Romania's private pensions supervisory authority (CSSPP) said on May 20.

According to Rosu, the amount could be lower if the legal changes will stipulate a lower contribution percentage. The CSSPP official pointed out that less than 20 percent of the assets held by the private pension funds in Romania are invested in foreign markets.

“Compared to the private pension market in Eastern Europe the domestic market has not reported any losses,” Cristian Rosu said, adding that CSSPP plans to liberalize such market in terms of investments.

The recent CSSPP data showed that nearly 70 percent of the assets held by the private pension funds in Romania were invested in the domestic market in April this year, while the rest in the foreign markets. The volume of privately managed assets stood at 318 million euros on April 30.

Pension funds keep assets in government stock and banks

Mandatory private pension funds (operating under Pillar II) further bet on government stock in April, investing in such instruments almost 54pc of the assets pooled from the 4.3 million clients who have employers paying their contributions.

The funds' total investments stand at 1.32 billion lei (316 million euros), reports daily Ziarul financiar.

According to the most recent data of the Private Pension System Surveillance Commission (CSSPP), government stock accounts for more than 50pc of the investment portfolios of almost all funds. The bulk of these securities are issued by the Romanian state, ING being the only fund that had, at the end of April, investments in EU government securities; ING is anyway the largest player on the market, and these investments represent about 1.6pc of its placements.

The second financial instrument by weight are corporate bonds, which represent 31pc of the investments of mandatory pension funds. The share of both corporate bonds and government stock of the funds' investment portfolios remained almost unchanged from late March. The only of the 14 funds in the local business with no placements in corporate bonds is KD, a small-size player that will merge this year with the fund managed by Eureko. KD keeps its assets in government stock (81.9pc) and bank deposits (18.1pc).

CSSPP data points to a slight increase in bank deposits' share of the funds' portfolios from 6.6pc in March to 7.3pc in April. Overall, pension funds keep about 60pc of the clients' money, specifically 810 million lei (193 million euros), in government stock and bank deposits.

In April, stock placements also inched up to 2.5pc from about 1.9pc the month before. However, the funds will stay aloof from the Stock Exchange for some time, given that nobody can predict when financial markets will sail into safe water.

Municipal bonds account for 4.2pc of the funds' total investments, 2.5pc thereof being issued by EU entities and the remaining 1.7pc by Romanian issuers. Investments in mutual funds account for the lowest share of the placements, standing at a mere 0.8pc at the end of April.

Two new funds on optional pension market

Two new optional pension funds BRD PRIMO and BRD MEDIO, administered by SC BRD Private Pension Funds Administration Company SA, have been authorized on Tuesday, May 19, by the Council of the Commission for the Surveillance of the Private Pension System (CSSPP) to manage optional pensions (Pillar III), CSSPP informs in a release remitted to AGERPRES.

So far, 12 optional pension funds were operational on the pension fund market, as well as 10 authorized administrators, monitored and controlled by CSSPP, namely AZT Moderato (Allianz-Tiriac Private Pensions), AZT Vivace (Allianz-Tiriac Private Pensions), Concordia Moderat (Asirom Concordia Pensions), My pension (Aviva Life Insurance), Max Pension (Aviva Life Insurance), BCR Prudent (BCR Life Insurance), Eureko Comfort (Eureko Pensions), Generali Stable (Generali Pensions), ING Classical (ING Life Insurance), ING Optimum (ING Life Insurance), OTP Strateg (OTP Garancia Insurance) and Raiffeisen Accumulation (Raiffeisen Asset Management).

The risk profile of the two new optional pension funds is low for BRD PRIMO and respectively average for BRD MEDIO.

According to the legislation, each optional pension fund is associated with a certain risk degree. A low risk degree corresponds to 85 percent to 100 percent of the total fund assets being invested into low risk instruments (treasury bills, bonds issued by non-governmental foreign bodies, other financial instruments fully guaranteed by the state).

As for the average risk degree, such instruments account for 65 percent to 85 percent of the total fund assets and as for a higher risk degree they account for 50 percent and 65 percent of the total of fund assets. According to the latest available data, at the end of April this year, a number of 164,790 participants were involved into the optional pension fund system and the net accumulated assets stood at almost 122 million lei.

Sibex hits over 1 million contracts since year-start

The Sibiu-based Monetary, Financial and Commodities Exchange on May 20 hit the threshold of one million contracts concluded since the beginning of the year, informs the institution.

Contract No. 1 million was concluded at 10:26 on DESIF5, due in June 2009, for the price of 0.856 euro/share. "After an extremely difficult start of the year, with a financial crisis which left no economic activity unaffected, our exceeding the limit of one million contracts in 2009 is an achievement and an important psychological element that will determine future developments. We are happy that we succeeded in rising our turnover from one month to another and we want to keep this pace, so that we can accomplish our target set for 2009. The reason that caused the rise in liquidity compared to the end of last year was primarily the evolution of quotations which bounced back in March and April after having hit successive lows at the beginning of the year. Quotations are again having a period of volatility with frequent fluctuations that encourage speculation," said Sibex president Teodor Ancuta.

SSIF Broker ends Q1 with losses worth 2.3m lei

The company of financial investment services (SSIF) Broker Cluj reported losses worth 2.297 million lei in Q1 of 2009 as against a profit worth 1.426 million lei in the same period of the previous year, according to the financial information sent to the Bucharest Stock Exchange (BVB).

The value of net turnover stood at 468,784 lei, up over three times as against January-March 2008.

The company's revenues totaled 1.058 million lei (7.4 times lower as against the first three months of 2008) and expenditures 3.356 million lei (down 46.6 percent).

On March 31, SSIF Broker reported total debts worth 1.588 million lei and claims worth 4.486 million lei.

V. INDUSTRY-AGRICULTURE

President Basescu: Romania is interested in European technology for new nuclear power plant

President Traian Basescu on May 18 told a working lunch he had with President of the French Republic Nicolas Sarkozy that Romania was interested in the European nuclear technology for building a second nuclear power plant, said official sources at the Elysee Palace. President Nicolas Sarkozy told his Romanian counterpart that France is ready to help Romania build the new nuclear power station. Sarkozy offered "France's cooperation, its expertise and that of its companies" to build a reactor that would go online in 2020, the French Presidency said.

Several European companies including France's GDF Suez, Enel from Italy and E.ON from Germany have expressed an interest in the contract to build Romania's second nuclear plant.

The two Heads of State also talked about the question of supplying energy for Europe. Basescu appreciated that Russia had the vocation of imposing itself to the neighbours especially in matters connected to energy. In this context Sarkozy pointed out that a coherent European policy in the field was necessary.

On the second day of his visit to France, Basescu toured the nuclear power station at Flamanville, where there is a third generation nuclear reactor; the Romanian President said that Canadian technology would further be used for reactors 3 and 4 of the nuclear power station at Cernavoda (south-eastern Romania), but that the developments of modern life make it imperative to plan a higher safety level for the second nuclear power station that is to be built.

"It is clear that we must too consider future technological developments. Who knows what will be when we start building the second power station. For the time being we are going to use the same technology for reactors 3 and 4, Canadian technology. It is out of the question to use something else, as the maintenance would be too expensive, but it is quite clear that the development of modern life and the risks of the future force us to also plan a higher level of safety than the one at Cernavoda, as such a technology already exists," said Basescu.

The Romanian Head of State emphasized the fact that the reactor at Flamanville is a third generation one, that features an improved level of safety as far as core damage risks but also the outer hazards are concerned.

"For instance, this reactor may be hit by a missile and it will not be affected. It may be hit by a plane in a situation resembling the one on September 11 and it will not be affected, it will be safe. The safety systems are at the level at which the reactor should not be affected by terrorist attacks. The only risk for the reactor is the nuclear bomb," said the President.

On the building site at Flamanville the Romanian Head of State also met some of the 200 Romanian people working here.

President Basescu was accompanied in Flamanville by Minister of Economy Adriean Videanu, Minister of Foreign Affairs Cristian Diaconescu, Minister of Transports Radu Berceanu, Minister of Tourism Elena Udrea, as well as by former tennis player Ilie Nastase.

Joint Romanian-Russian commission seeks solutions for Romgaz-Gazprom direct cooperation links

Moscow hosted talks between members of the Romanian delegation and the Russian authorities, with positive outcomes, and a joint commission was set up, which is going to present in two months to the energy ministries in the two countries solutions for Romgaz-Gazprom direct cooperation links, announced on May 20 Romanian Economy Minister Adriean Videanu on a TV channel.

He pointed out that Romgaz will eventually import natural gas directly from the Russian Federation and a joint company might be set up in charge with the gas storage, creating the premises for a possible gas tariff reduction.

At present, Romania imports gas from the Russian Federation through Russian-German Wintershall Co. The Economy Minister declined to make an estimation linked to a possible cut in gas price starting July 1, saying that this is an exclusive prerogative of the National Energy Regulatory Authority.

The Minister of Economy paid a visit to Moscow on May 20 and May 21 aimed at the preparation of the future session of the Romanian-Russian Inter-governmental Joint Commission for Economic Cooperation. On this occasion the two sides examined the stage of the cooperation projects in the energy field, as well as the needed approaches for the implementation of the respective projects.

The delegation accompanying Minister Adriean Videanu to the Russian Federation included representatives of the Ministry of Economy, the Ministry of Small and Medium-Sized Enterprises, Trade and Business Environment, as well as of companies in energy field - Romgaz, Transgaz and Transelectrica.

Romania, Russia might cooperate in building power plants

Romania and Russia might cooperate in building natural gas firing power plants, the Romanian Economy Ministry reports in a press release.

Romanian Economy Minister Adriean Videanu was on an official visit to the Russian Federation, where he has introduced to Russian Energy Minister Sergey Smatko the possibility of the two countries building gas-firing electric power plants.

Part of his Russian tour, Videanu has also met Minister of Education and Sciences Andrey Fursenko and officials of the TMK corporation.

At the meeting with Smatko, Videanu discussed Romanian energy issues, rehabilitation and upgrading projects for Romanian power plants, heat plants and hydropower plants, which is to the common interest of both countries because they are using Russian technology to operate.

Also discussed were projects for future energy corridors, which were further detailed at a meeting with the Gazprom management.

The two officials agreed that a working group will be set up in the next two months to identify concrete cooperation projects.

At the meeting with Russian Minister Fursenko, Videanu discussed cooperation within the Joint Romanian-Russian Commission, which will convene in meeting this autumn at the proposal of the Russian party.

During the meeting with TMK management officials, the effects of the ongoing global crisis on the steel markets was approached, and an analysis was made of the TMK subsidiaries operating in Romania. The Romanian party voiced readiness to support the TMK member companies in Romania overcome crisis through job preservation measures and the continuation of investments in Romania.

The TMK corporation, one of the world’s leading three largest steel pipe makers, owns two factories in Romania: the Resita Iron and Steel Works and the pipe factory in Slatina.

Three bids for new Craiova steam power plant

CEZ of the Czech Republic, AES Corporation of the US and a third firm, unknown so far, are competing for a 650 million euro investment in a 500 MW power plant in Craiova (country south), reports daily Romania libera.

A novelty in this energy competition is the U.S. AES Corporation possibly coming to Romania. Founded in 1981 in Arlington - Virginia (USA), AES Corporation is currently one of the biggest players on the world energy market, with over 25,000 employees and business in 29 countries on five continents. AES Corporation seeks this project to have its way paved to Romania after it tested the markets in the region. Currently, the company is building in Bulgaria the largest steam power station in the past 20 years, which is supposed to enter commercial exploitation this year.

CEZ Group is one of the largest investors on the energy market in Central and Eastern Europe, and entered Romania following the purchase of the majority stake in Electrica Oltenia in 2005. It is currently one of the leading energy investors in the country. The Czechs also participate in the construction of a EUR 1.1 billion wind park in Dobrogea and in the construction of reactors 3 and 4 of the Cernavoda nuclear power plant, worth EUR 4 billion.

"In 30 days at the most we will examine the bids and see which is the most convenient," said CE Craiova director Constantin Balasoiu, cited by Romania libera. Through this investment, the Craiova steam power plant becomes the second largest in Romania, with 1430 MW, after Turceni. The minimum investment would be 650 million euros, with the complex participating in kind with the Islalnita platform.

Currently, CE Craiova has an installed capacity of 930 MWh, being one of Romania's largest energy producers. The new project would increase by over half the complex capacity. A pre-feasibility study shows that the bodywork of the six decommissioned units of the Isalnita branch can serve as foundation for the construction of a group of 500 MW installed power.

State subsidies for the mining sector

The Government endorsed on May 20 a draft law regarding the grant of subsidizes to the National Company of Pitcoal in Petrosani and the Uranium Combine Works in Bucharest, the Romanian PM Emil Boc said, after the government meeting.

"The Government has adopted a draft law for the approval of the subsidies on goods and social protection to the companies, the national companies and the commercial companies in the mining sector in 2009. We are referring particularly to the approval of the subsidies for the National Company of Pitcoal in Petrosani and the Uranium Combine Works in Bucharest," Emil Boc said.

As regards the infrastructure, the Government has endorsed a draft law for the Arad city belt road (north-west of Bucharest), with a view to start procedures of expropriation to finalize the project.

Green energy enhances companies' efficiency

There is an obvious political will to enhance our responsibility towards the environment. But you can rightfully raise the question: What do you get as business people? Which would be the reasons to make you opt for a greener approach in your business? The answer resides in economic arguments, said the British Ambassador to Bucharest, H.E. Robin Barnett present in the seminar on "Renewable energy sources: a responsible solution for environment," organized by the Chamber of Commerce and Industry of Bucharest Municipality (CCIB) and the Embassy of Great Britain to Bucharest.

"More than ever we need to introduce all allowed incentives in the European Union legislation in the field of green energy and environment. As such, we must boost through all legal means the production of energy from renewable sources, increase of energy efficiency, investments in non-polluting technologies and efficient management of waste materials. The strategy in the energy field - realistic and coherent - must be also aimed at giving an impetus to research-development in this sector", appreciated on the same occasion CCIB President, University Professor Dr. Engineer Sorin Dimitriu, CCIB informs in a release remitted to Agerpres.

Amid advantages for a business person who makes use of renewable energy, are the cut and stabilization of operating costs, cut in greenhouse gas emissions, which represent a financial an regulatory risk and last, but not least, the fact that the use of renewable energy can contribute to the company's image upgrading.

As well, the companies committed since the inception to the development of green technologies will benefit of the "first to come, first served" advantage, will turn out more competitive and will be better placed to reap the fruit of their efforts, when the economy is re-launched, Ambassador Robin Barnett also underlined.

The seminar represented an opportunity for the more than 100 present Romanian economic operators to hold talks with representatives of the Romanian authorities involved in the green energy field (Ministry of Economy, Ministry of Environment, Administration of the Environment Fund, National Regulatory Agency in Energy Field, Romanian Agency for Energy Conservation).

The renewable resources are an essential alternative to fossil fuel. They already account for 13 percent of the global energy output and for 18 percent of electricity production worldwide. As an EU member state, Romania agreed that by 2020 it will boost to 24 percent the weight of renewable sources in the national energy consumption, from the level of 17.8 percent registered in 2005.

Cotnari wine receives further 10 medals

SC Cotnari wine maker based in the county of Iasi (eastern Romania) has won most medals at this year's edition of the International Wine Contest organized in Bucharest.

The contest was held under the patronage of the International Vine and Wine Organization, whose representative, the organization's deputy general director Yann Juban, said that "since the first edition until today we have noticed an evolution, in terms of quality, of the wines presented in the contest."

Catalin Grecu, the Cotnari marketing director on May 20 told a press conference that attending the contest were 36 participants, of which 26 from Romania and 10 from abroad, wine producers and distributors. There were 201 samples, of which 174 Romanian and 27 from countries like Argentina, Australia, Bulgaria, Chile, France, Germany, Spain and Hungary.

According to the same source, Cotnari won four gold medals for the Grasa de Cotnari 1984, 2003 and 2005 and for Blanc de Cotnari 2006. Moreover, Cotnari was awarded further six silver medals for Grasa de Cotnari 2004 and 2002, Francusa Paraclis 2008, Tamaioasa Romaneasca and Feteasca Alba 2008 and Tamaioasa Romaneasca 2007.

"These medals are the result of our teamwork. Furthermore, there is no performance without technology, which is also supported by the increasingly higher number of medals we receive each year," Catalin Grecu said.

Romania-Canada bilateral cooperation in farming and forestry fields

Romanian Minister of Agriculture Ilie Sarbu received on May 18 the official visit of Canada Senate's delegation headed by Chairman Noel Kinsella, the main discussed topics being the strengthening of the bilateral cooperation relations between the two countries, the Ministry of Agriculture, Forestry and Rural Development (MAPDR) informed.

According to MAPDR, growing potatoes, forestry and fish breeding were the main cooperation fields identified by the two sides.

In the field of growing potatoes, cooperation established with the Canadian side is targeting the potato processing, research - improvement of the seed potato technology production by using bio-technologies, development of some joint research for the organic potato cultivation and use of potato as raw material in non-food industry. Romania, with 280,000 potato growing hectares and a production of some four million tons per year, ranks second in Europe, on a par with Germany, and after Poland. As well, potato growing is part of Romania's food security policy.

In forestry field the officials convened to carry out some joint research programmes and to organize working and experience exchange visits.

Romania was represented at these talks by State secretary Catalin Rosculete, State secretary Liviu Harbuz, Deputy state secretary Gica Duta and Sorin Chiru, general director of the National Institute for Research and Development of Potato and Sugar Beet.

More than 172 mln euros for Romanian farmers

Romanian farmers have so far received more than 172 million euros of the financial support dedicated to payments per hectare from European funds and the national budget, according to the data submitted to Agerpres by the Payment and Intervention Agency for Agriculture (APIA).

The payments made by APIA correspond to the applications submitted by nearly 333,588 beneficiaries for the area support schemes within the Single Area Payment Scheme 2008 campaign (SAPS), when as many as 1,130,150 farmers were registered.

By the end of June, APIA must transfer to the farmers' account some further 654 million euros, whereas the 2008 financial allocation stood at 826.1 million euros.

The area support schemes/measures are financed from the European Agricultural Guarantee Fund (EAGF), the European Agricultural Fund for Rural Development (EAFRD) and the state budget, via the Ministry of Agriculture, Forestry and Rural Development (MAPDR).

In 2007, the first year when these aids were granted, farmers received 97 euros per hectare from the European funds and the national budget, while the allocated amount rose to 109 euro per hectare last year. For the 2009 campaign, the financial allocation is valued at some 1 billion euros, thus accounting for nearly 115.9 euros per hectare.

According to the APIA data, as many as 1,048,096 applications for financial support from European funds and the national budget had been submitted until May 14, 2009 nationwide. Most applications were submitted in the counties of Dolj (55,741), Suceava (52,686) and Olt (47,709).

150 mln euros in payments for agriculture and environment fields, till June 30

Some 200,000 farmers will receive till June 30 this year, in the agricultural and environment payments framework afferent to 2008, the total amount of 150 million euros, announced on May 18, in a press conference, Mihai Constantinescu, EU programs adviser with the Ministry of Agriculture, Forestry and Rural Development (MAPDR).

During the presentation conference of the World Wide Fund for Nature (WWF) report on with high natural value (HNV) farmland in Romania and Bulgaria, the MAPDR adviser stressed that the agricultural and environmental payments seek to compensate income losses suffered by the farmers practicing an extensive farming, compatible with environment protection, including of bio-diversity, water, soil and landscape. In other words, those who practice traditional farming methods, do not use chemical fertilizers and respect nature.

"The continuation of traditional farming practices is a guarantee for maintaining animal and plant species diversity, of habitats of European and national interest in these zones", underlined Luminita Tanasie, coordinator of WWF Romania branch.

She also pointed out that WWF report, funded by the European Commission, seeks to promote agricultural zones with high natural value in Romania and Bulgaria, of the respective cultural and natural values, as well as farmers' encouragement to continue traditional farming methods and, last but not least, to facilitate access on the market of the respective domestic farming products.

"We are about to lose something extremely valuable and irreplaceable. Romania is an extraordinary country for many reasons and one of them is existence in a very great number of the high natural value farming zones, with fantastic landscapes and unique traditional farming products", said Mark Redman, WWF consultant and author of the report on HNV.

WWF consultant appreciated that these zones threatened with disappearance are already targeted by the Ministry of Agriculture, where "the level of grasping the issue and support are amid the highest in Europe".

WWF report recommendations have in view both the development of the market for farming products from HNV zones and the attraction of political and public support.

According to the report, Romania has one of the richest resources of semi-natural pastures still existing in Europe, recognized as HNV pastures and with a large bio-diversity.

Romania is also staking on its National Rural Development Program (PNDR) 2007-2013 for accessing the European Fund for Agriculture and Rural development which, through Measure 214 Agri-Environmental Payments, grants to small farmers non-repayable financial aid.

Some 23pc of Romania's areas under wheat and rye, damaged

Some 23 percent of Romania’s areas under wheat and rye are damaged, Daniel Botanoiu, adviser to the State Secretary with the Ministry of Agriculture, Floristries and Rural Development Catalin Rosculete, told Agerpres on May 20.

Botanoiu said that there are more than one million hectares under cereals, out of a total of seven million hectares under seed. Out of the one million hectare, more than 600,000 hectares are 50 percent destroyed and 320,000 hectares more than 50 percent damaged.

Agriculture Minister Ilie Sarbu told the opening on May 20 of the INDAGRA Food&Drinks international exhibition of food and drink industry equipment and products that he will contact the National Weather Authority to get the necessary documentation so that he may declare the calamity state because of a forecast drought.

He said that the irrigated areas will have no problems, mentioning that in four years since coming to office he managed to have the irrigation system recovered over 500,000 hectares, up from just 60,000 when he became a minister. Nevertheless, the current irrigation system will not suffice to weather drought problems.

If the calamity state is declared, compensations will have to be paid out, and money for such cases should exist with the special intervention fund managed by the Government, Sarbu explained.

“It is sure thing that June has been forecasted as a very dry month,” said Sarbu.

VI. EUROPEAN INTEGRATION

No customs operation without EORI numbers as of July 1

No customs operation will be made by persons that have not been assigned an Economic Operator Registration & Identification (EORI) number as of July 1, 2009, according to a release submitted on May 19 to Agerpres by the National Customs Authority (ANV).

The Commission Regulation (number 312 from April 16, 2009) will enter into force on July 1, 2009 on the European Union (EU) territory, regarding the use of the EORI numbers. The EORI number is a number, unique throughout the European Community, assigned by the customs authorities or other authorities appointed by the member states to economic operators and other interested persons, in order to be used during all customs operations carried out throughout the EU starting with July 1, 2009. ANV is the authority in charge with the registration and assignment of the EORI numbers in Romania.

According to the information published on the ANV website, the EORI numbers will be applied for by the interested parties to the regional offices for excises and customs operations with competence in the territory where their head office is located/they reside or, in exceptional cases, to the customs offices.

Vasile Puscas: Romanian market of services has enormous potential

Minister Vasile Puscas, head of the department for European Affairs (DAE) hails the approval by the government, in its May 20 meeting, of an emergency ordinance on the freedom of settlement of service providers and the freedom to supply services in Romania, a normative act transposing Directive 2006/123/EC regarding the services within the internal market of the European Union (EU).

"The domestic market of the European Union relies on the free movement of people, goods, services and capital, and Romania, under the ordinance adopted, accesses the components of the third freedom, that of services. The economic growth will be stimulated as well as a cut in unemployment, both at the level of the developed countries and of the recent EU entrants. The directive is in direct answer to the new trends at world level and to the effects of globalization," Puscas said in a release made public on May 21, by the Foreign Affairs Ministry.

According to the source, this normative act is a first result of a complex process of consultations among the ministries involved in the transposition and implementation of the Directive on Services. The European Normative Act institutes the obligation of the member states to ensure the service providers in the EU the remote access to the procedures of authorization necessary for setting or providing cross-border services.

The new regulation will stimulate investment, the economic growth in Romania, where the market of services has not yet been developed much enough, having an enormous potential," Puscas stressed.

The development of the service market is an important source of economic growth, due the increase, first of work productivity. The free access to the single market will accelerate also competitiveness, work productivity, inviting the providers of services to render efficient the quality of products, it will encourage the firms to make investment in modern technologies, which will finally lead to an increase in the weight of the workforce employed in the sector of services, the release also says.

Ruling coalition directs focus on absorption of European funds

The presidents in office of the eight regional development agencies will meet next week, on May 26, to review the situation of the absorbed European funding, particularly through the Regional Operational Program (ROP), PD-L vice-president George Flutur said at the end of the ruling coalition's meeting.

According to Flutur, during the May 18 meeting of the coalition's Central Coordinating Political Bureau, Minister of Regional Development Vasile Blaga presented a report on the absorption of European funds through ROP in 2008, which shows contracting stands at an average of 30 pc of the value assigned.

"We also made an analysis by development regions. The efforts of the North-Eastern and Center Regions, which have more than 35pc and 32pc, respectively, signed contracts earned appreciation, but there are other regions with a very low percentage, such as Bucharest-Ilfov – 1.7pc, the Southern and also the Western region. We decided to proceed next May 19 to an analysis of the absorption of EU funds, especially under the Regional Operational Program, where all presidents in office of the Regional Development Agencies will be invited for us to see what happens in particular regions, the reason why the submission of projects was delayed. We plan to give the process a boost and to share the positive experience of some regions which performed very well," said Flutur.

Six of seven authorities of structural funds management, audited

Six of the seven authorities of structural funds management have been audited and the seventh, in the field of transport, is in ongoing auditing process, stated on May 19, in Bucharest, head of the Department for European Affairs Minister Vasile Puscas on the occasion of the Central and South-Eastern European financial forum.

He said that there is an avalanche of projects for European funds, but Romania has to insist on relevant projects regionally.

In his opinion, modalities of accessing the European funds must be clarified, simplified and become more transparent. As well, even though in the past four months important steps were made from the institutional, procedural and legislative standpoints, communication and information activities of public authorities, companies and financial groups are further needed.

Minister Puscas underlined that in case Romania will not have the capacity to absorb the European Union (EU) money, penalties and corrections will be just secondary "punishments", the most important shortcoming being that it will fail to generate its development directions.

According to vice-president of the Association of Romanian Business People (AOAR) Constantin Bostina, an European Commission analysis in March pointed out that Romania lacks the administrative capacity to manage the structural funds, a warning for Bucharest authorities concerning eventual "fund cuts".

Over 2007-2013, Romania is earmarked to receive from the EU some 32 billion euros and its contribution to the Community budget is of seven billion euros, according to EC representative to Romania Nicolae Idu.

As such, Romania would eventually benefit of some 25 billion euros, compared to 10 billion euros in the case of Bulgaria or 65 billion euros for Poland. In 2009, Romania's contribution to the EU budget is likely to attain some 1.4 billion euros, Idu said.

PM Boc: Over 700mln euros to be assigned for village development

Over 777 million euros will be allocated this year from the EU funds for the development of the villages, and June 15 has been set to start lodging the projects, PM Emil Boc announced at the Victoria Palace (Govt's hqs), on May 19.

For the agriculture, the local administrations mostly required the Measure 322 related to the rehabilitation and the development of the villages and the improvement of the basic services for the rural economy and population, namely works of road building, sewerage and water supply.

“The EU has allocated 1.5 billion euros to Romania for the Measure, over 2007-2013, while the local administrations applied for 3 billion euros, therefore twice more than we have from the EU,” PM Boc said.

As much as 777 million euros has still to be allotted to projects of the same Measure, PM Boc added.

“We decided to allocate all the money in 2009 and not wait till the years to come. The EU Commission also agreed with our decision. Therefore the Measure will be allocated the rest of the money in 2009, too,” PM Boc stressed, adding that June 15 has been established as the deadline to start the first round of projects for the development of the villages and the rural environment, to allocate them the rest of 777 million euros.

Financing works totaling 1.2 billion euros will be signed under this Measure this year, also taking into account the projects assessed in the last months, Boc pointed out.

If the money allocated to other structural funds is not spent, the Government will ask the EU Commission to transfer it to this Measure, the prime minister concluded.

Official in charge: Money for SAPARD payments coming in a month

We will receive nearly 98 million euros from the European Union (EU) for the projects submitted within the SAPARD program in a month, at the most, State Secretary with the Ministry of Agriculture, Forestry and Rural Development Liviu Harbuz said on Wednesday, May 20.

The official pointed out the documentation submitted for the settlement of the SAPARD payments was 95 percent approved by the European Commission (EC).

“We make payments from EU money. We must get it end-June or early July, as the procedure has been 95 percent approved. There are some formulas they use. There were 112 million euros, so 95 percent account for 98 million euros, and we will receive the money within one month at the most”, Harbuz said.

The Minister of Agriculture, Forestry and Rural Development Ilie Sarbu early-April said the money paid from the state budget for the projects submitted under the SAPARD program could be recovered from the EC by the end of May.

The MAPDR official pointed out that, although the SAPARD program was blocked for 6 months, farmers were paid from the state budget, and that the blockage currently relates only to the recovery of the money from Brussels.

The Payment Agency for Rural Development and Fishery (APDRP) expected an answer from the Commission by the end of April, which would have meant that the settlements could have been carried out starting with May.

EC has extended the Annual Financing Agreement (AFA) until end-2009 relating to 2006 for the SAPARD program, with 400 projects benefiting from the extension of the execution deadline. The applications for the repayment of the costs related to the 400 projects can be submitted until end-September 2009, with the amounts to be paid to beneficiaries reaching nearly 90 million euros.

The SAPARD payments to Romania were halted last summer, following an audit mission conducted by the EC early June that revealed deficiencies in the management and control system relating to the authorization of the payments to the beneficiaries of the SAPARD funds. The blocked amounts were valued at some 28 million euros, with 582 payment application having been approved at that time, totaling 62 million euros.

The Romanian government resumed the payments in September 2008 from the national budget, with the EU executive to decide the reimbursement of these payments to Romania.

As many as 6,567 projects worth 1.985 billion euros were submitted under the SAPARD program, of which 4,549 financing projects worth 1.41 billion euros have been sealed, accounting for 92.74 percent of the total allocations of the program. Payments amounting to 1.27 billion euros have been made so far, accounting for 84.05 percent of the total allocations of the SAPARD program.

Romania can access 10.9 million euros for LIFE plus program

Starting September 15, 2009, the Romanian public and/or private institutions and bodies can access 10.9 million euros that the European Commission (EC) allocated to the new session of LIFE+ projects, for the current year, the Environment Ministry informs.

The applicants can send specific project proposal forms to the relevant ministry, starting this May 15. All the files lodged within the above-mentioned deadline are forwarded to Brussels, and the EU experts are later to analyze, select and monitor projects covering all the three LIFE+ components.

The projects proposed in 2009 will start on January 1, 2011 at the soonest, and in this respect, the Commission recommends the applicants to take into account the aspect when they schedule the proposals enactment’s agenda.

The Romanian Environment Ministry officials recommend the possible applicants to start preparing the projects using the application package 2008.

LIFE+ general goal is to contribute to the enactment, the updating and the development of the EU policy and laws on the environment, the environment’s integration in other policies included, contributing thus to the sustainable development. LIFE+ aims at the enactment of the 6th EU action program for the environment, the theme strategies included, and it funds measures and projects with European added value in the EU countries.

VII. TOURISM AND OTHER TOPICS

Hotel managers compete for 800,000 sq.m. of beach

Hotel managers on the Romanian seaside will take part in the competition for the lease of 800,000 square meters of beach, half of the total surface of the tourist beach, following an initiative of the Tourism Ministry and the Environment Ministry on the leasing of the beaches.

The amount to be collected from the beach lease could reach 2.8 million euros, according to the calculations made by the daily Ziarul financiar, which considers a maximum price of 15 lei per square meter/year, charged three years ago. The Romanian Dobrogea Littoral Waters Directorate (DADL) administering the beaches and the state will collect half of the amount.

"The hotel managers are interested in these beaches given that they will be able to provide integrated services to a tourist seeking accommodation in that unit. The fiercest competition will be among the hotel managers in the Mamaia resort, with their number reaching almost 100 here", Catalin Anton, DADL spokesman said.

No tenders will be arranged for the beach lease in this summer season due to the short time available for their organization, according to some previous statements made by the Tourism Minister Elena Udrea.

Anton also said all tourists will have free access to the leased beaches (as no fences will be provided) and those tourists that have not rented a room at a hotel and bring their own blankets will have no problem in finding a spot on the beach.

"Former norms stipulated that 80 percent of the beach should have various facilities and the remainder should be left unoccupied. I believe this is what the hotel managers will do, they will not place chaise longues on their entire beach surface," he added.

There are unoccupied beach sectors that will be divided among the hotel managers in all seaside resorts, except for Costinesti, which has already been assigned to the beach operators. The other half of the tourist beach has already been allocated to some beach operators that took part in tenders in 2006, companies like Romned Port Operator, Delta Aurora, Zoom or Tracon.

The highest advantage of leasing the beach relates to the elimination of a broker (the beach operator that is not a hotel manager) that leases the beach to the hotel manager and benefits thereof. Moreover, tourists that buy package holidays have access to chaise lounges and beach umbrellas, with their price being included in the package deal. Furthermore, the beaches will be better organized and maintained if they are leased.

DADL had already spent some 240,000 euros until April this year for the maintenance and organization works corresponding to the tourist beach.

Estimations on Romania's high season

The most popular Romanian destinations for the summer season this year are the Black Sea coast, mountain resorts, spas and rural boarding houses, said Corina Martin, the new chairman of the National Association of Travel Agencies - ANAT.

According to the estimations by ANAT-member travel agencies, domestic tourism might rise this year by about 15 percent, should all conditions be in place for the use of holiday vouchers at maximum efficiency, whereas the outgoing tourism will stagnate.

As far as spa tourism is concerned, 2009 is perhaps the first year when travel agencies note a trend towards prevention and recovery rather than towards treatment. Not only has the age of spa-goers decreased considerably (especially those seeking modernized resorts) but they also prefer upgraded 3- and 4-star hotels.

As far as rural tourism is concerned, travel agencies are having more contracts with rural boarding facilities but issues still persist related to joint work such as invoicing, failure to observe booking, grabbing the clients of travel agencies (in disregard of travel agencies' capability to ensure a permanent flow of tourists).

As for incoming visitors, ANAT argues that this year cannot be better than 2008, given the crisis and the streamlining undergone by international tourist movement. Despite this situation, the ITS Concern has decided to continue operating in Romania in 2010 too, based on a set of measures which the Ministry of Tourism seems ready to promote. ITS currently serves the Romanian seaside from the Varna Airport, and not from the Mihail Kogalniceanu air travel hub, located near Constanta. Belgian tour operator Maxitour, which has been in business in Romania for 25 years now, is expected to bring about 3,000 visitors.

TUI travel agency shows an ever growing interest to return in 2010 on the Romanian market, provided that a set of conditions are met, said ANAT. DERTOUR too will further operate in Romania, bringing about 2,000 tourists; with some major German tour operators already present on the market, it all depends on the Romanian authorities that others follow and that those present send a higher number of visitors to all the country's sightseeing attractions.

Planned 93 weekly charter flights expected to bring EUR 2.3 million in revenues

The 93 weekly charter flights scheduled this summer to foreign holiday destinations are expected to funnel EUR 2.3 million a week into the travel agencies' accounts, shows an analysis by daily Ziarul Financiar. The number of flights is by 30pc less compared to 2008, but the agencies bet on a higher seat occupancy rate; according to the National Association of Travel Agencies (ANAT), the main destinations are Turkey, Greece, Spain, Tunisia or Egypt, with almost half of the flights bound for Turkey.

For its analysis, the paper assumed an average aircraft capacity of 120 seats and an average fee of 200 euros.

"Last year almost 200,000 people flew the holiday season by charter services, and we hope the number stays the same this year. Although flights will be less frequent, we bet on a higher seat occupancy rate and on a 95pc flight carrying out rate," said Traian Badulescu, ANAT spokesperson.

Air transport represents 40pc of the total price of a holiday package abroad.

"Depending on the destination, airplanes have a capacity between 50 and 200 seats," said Mircea Vladu, owner of travel agency Prestige Tours, which will operate this year three charter flights to Antalya (Turkey), two flights to each Crete and Rhodes, and one to each of the destinations Kos Island (Greece), Palma de Mallorca, Tenerife and Sardinia.

Most charter flights are bound for Turkey (40) - headed for Antalya, Kusadasi, Bodrum, Izmir - and Greece respectively (27).

"There is an incipient trend among travel operators to set up alliances to fully occupy the aircraft flying to certain destinations," said Traian Badulescu, adding that this strategy helps avoid operating the aircraft at a low seat-occupancy rate.

Sorin Vaduvoiu, executive director of Perfect Tour travel agency, said that this summer the company will operate, in its own regime, charter flights to Taba in Egypt.

“We expect to have up to 2,000 tourists for this destination for which we rented an 180-seat airplane. We also flow charter trips to Greece and Turkey, but for these destinations we joined forces with other agencies."

The price for a charter flight holiday package in Turkey starts at 450 euros for a one-week stay at a four-star hotel. For Greece, rates start at 200 euros, in a three-star hotel, said Vladu.

"Aircraft rental costs start from 18,000 euros and can go as high as 70,000 euros, depending on the capacity, airport taxes excluded. Revenues are rewarding, as they are several times higher compared to the costs incurred," say representatives of agencies that sell charter flight holidays.

Tarom, 50 euros per ticket for external flight, taxes excluded

The passengers of Tarom, the biggest air carrier on the Romanian market, might buy by June 1 tickets for the external destinations of the company at a price starting from 50 euros, without airport taxes, the price varying depending on destination between 92 euros and 173 euros, daily Ziarul Financiar reports.

The price is valid for the flights made over June 20-June 24, respectively September 6-December 15, 2009, according to the flag airline.

The lowest price of Tarom’s offer is Sibiu-Munich (92 euros) and the most expensive Bucharest-Amsterdam (173 euros).

Tarom had an occupancy rate of 46.1 percent in the first three months of this year, down 13.2 percent as against the same period of the previous year, putting the company on the last place, according to figures of the Association of European Airlines.

Caverns in Apuseni Mountains to be fitted out for the public

Over 35 caverns from the Apuseni National Park will be arranged for the public, daily Cotidianul writes on May 19.

Cetatile Ponorului, Piatra Altarului and Ghetarul de la Focul Viu are only a few of the tens of caverns of the Apuseni National Park that will be prepared for the visits of the tourists as part of a project of the Center of Initiative for Environment Cluj-Napoca, in cooperation with the Administration of Apuseni National Park.

The project supposes the drawing up of a plan of intervention in case of underground accidents and the making of a documentary film about these caverns in the Romanian, Hungarian, English, French and German languages.

In the visiting centers of Apuseni Park, placed will be four information points, endowed with monitors, which will offer details about the 35 caverns.

The project is due to run until March 2011, in the counties of Cluj, Alba and Bihor, all of them in Western Romania, included in the National Park of Apuseni. It will cost 1.2 million lei.

Bran Castle returned to Habsburgs, opens to public on June 1

The Bran Castle on May 18 was returned to the Habsburg family as the takeover document was signed at noon, lawyer to the Habsburg family Corin Trandafir told Agerpres.

Thus, three years after court restitution, during which time it was administered by the Romanian Government, the Bran Castle is now privately operated.

The castle will officially open to the public on June 1, with the inauguration tour to include a private visit of the castle and the launch of the Chateau-Bran-Merlot 2007 limited vintage wine edition (10,410 bottles) and the Cabernet Sauvignon vintage wine edition (1,377 bottles, all carrying the original signature of Dominic of Habsburg.

The castle will be open to the public as from June 1, 09:00-18:00. A special programme for children called “The Mediaeval School” will start off at Bran, with the inauguration, with heraldic and icon painting workshops, as well as epee handling and archery lessons.

Trandafir says the redecoration of the castle was made using items from the private collections of the Habsburgs, plus some new items. For one month, the visit hours of the castle were modified to allow items from the castle to be moved to the Mediaeval Customs Museum and the redecoration of the castle with items brought in by Dominic of Habsburg.

The Mediaeval Customs Museum, in the vicinity of the castle, will be inaugurated on May 31 by Culture Ministry officials, Bran Museum Compound Director Dorin Ioan Narcis told Agerpres. A special moment in the inauguration of the new Mediaeval Customs Museum is the importation of the case containing the heart of Queen Maria. The heart, stored in a small case brought by Queen Maria from England, to be enwrapped in the flag of the queen, will stay at Bran throughout 2013, when the Bran Customs will also be returned to Dominic of Habsburg. The case will be displayed in a special niche in Queen Maria’s bedroom. Alongside the cased heart, an icon donated by Queen Ana in May 2007 to Romania’s National Museum of History and now loaned out to the Bran Castle, will be exhibited.

“I would have liked the collections belonging to the Romanian State to stay at the castle, but financing a castle without gaining any benefits is unconceivable. The Habsburg family have not displayed the flexibility I would have expected, but they said they want the castle to be open to the public and maybe bought back. Talks will take long to complete, and I insist that an objective evaluation should be made agreed upon by both parties,” says Romanian Culture Minister Theodor Paleologu.

The Bran Castle was returned in court to Dominic of Habsburg in May 2006. Dominic is the son of Archduke Anton of Habsburg and Princess Ileana of Romania, the daughter of King Ferdinand and Queen Maria. As a member of the Habsburg-Lothringen lineage of the Habsburg House, he inherited the titles of Archduke of Austria and Grand Duke of Toscana.

The Bran Castle is one of Romania’s main tourist highlights, attracting foreign visitors because of its association with fiction character Count Dracula. The first records of the castle date to November 1377.

Small-size copy of Burj Al Arab in Mamaia

A small-size hotel of the famous Burj Al Arab of Dubai will be achieved in the Black Sea resort of Mamaia (south-east) by an investment fund of Asia, starting next year, a construction which aims to revolutionize the architectonical design of the area.

The Asian investment fund has recently bought in exchange for 550,000 euros a plot of land of 442 square meters on the bank of Siutghiol Lake of Mamaia, the construction’s project and the city planning certificate to carry out a small-size copy of the hotel in Dubai.

The Black Pearl project was bought from ECSIF Properties, an investment fund in the segment of luxury real state.

The new construction of Mamaia, situated near hotels Rex ad Scandinavia, will be named Boutique Hotel and will have 78 floors, 17 luxury apartments facing the sea and the lake.

According to representatives of ECSIF Properties despite the financial crisis, the luxury remains a safe and attractive investment in Romania and the plots of land in downtown Mamaia are well assessed and sought-after by real estate investors.

Burj Al Arab is one of the world’s highest and luxurious hotels, a symbol of Dubai, situated on an artificial island of 280 meters away from the Jumeirah beach. The building has 60 floors and is 321-m high.

Ski resort project in the Jiu Valley

A new ski resort will be built near the town of Vulcan in the Jiu Valley (northwest of Bucharest), dubbed "The Castle in the Carpathians" worth 26 million euros.

The Pasul Valcan resort is located 7 kilometers away from the city of Vulcan, at an altitude of 1,200 meters in the Valcan massif.

The project includes the construction of five ski tracks, the longest of which is 5 kilometers.

"The project has been completed. We have now got 10 million lei to start the construction of a telegondola for tourists. Moreover, construction works on the access road towards Pasul Valcan. The first two kilometers are ready, with the support of the Hunedoara County Council," said mayor of Vulcan, Gheorghe Ile. According to Ile, the resort will benefit from running water, sewerage systems and electricity.

The project is financed based on the national program "Super-ski in Romania" and the necessary amounts are granted from governmental funds. The resort will be ready to welcome tourists in about two years.

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