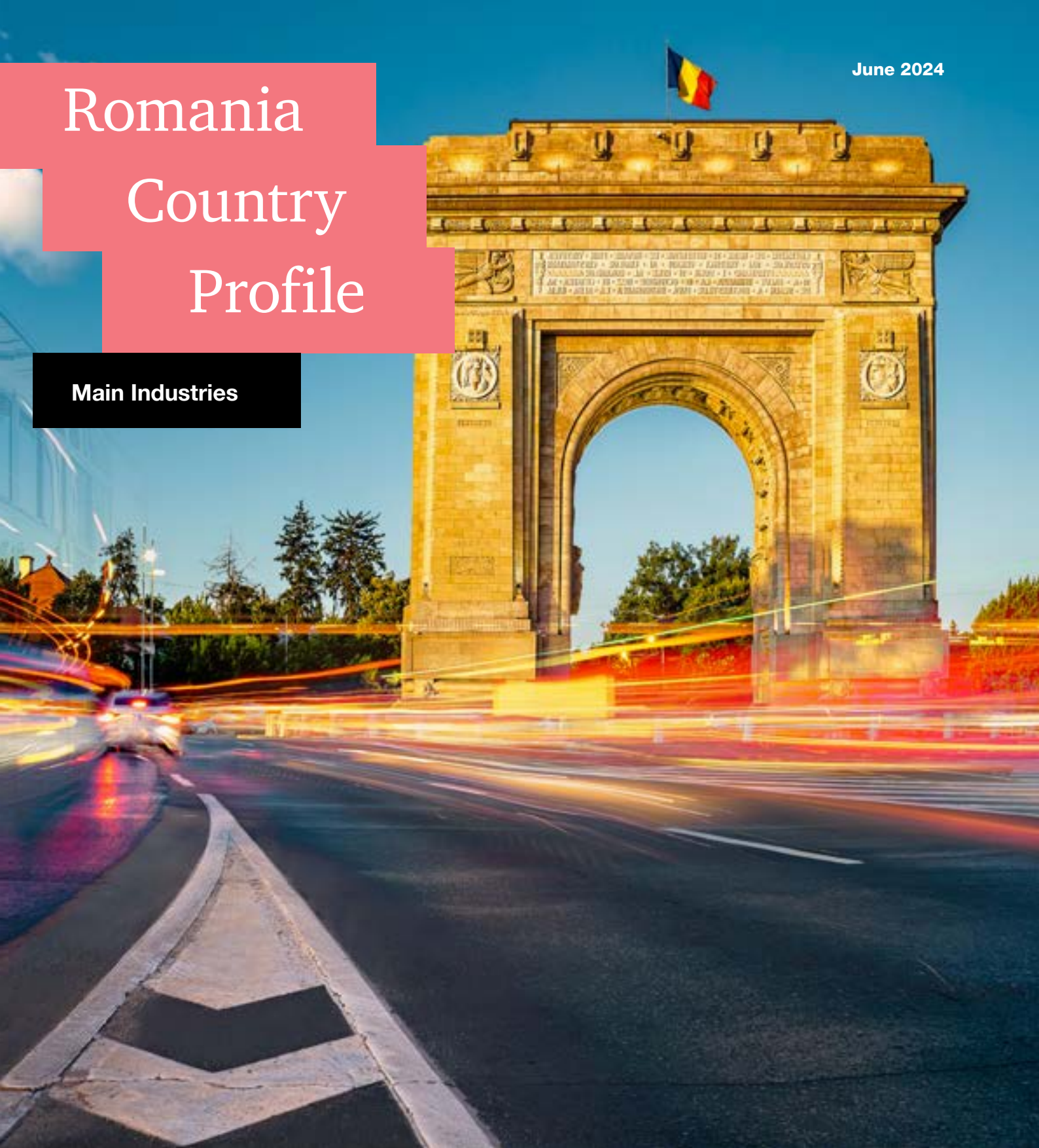


Romania Country Profile

Main Industries





Agriculture



**Banking &
Financial
Sector**



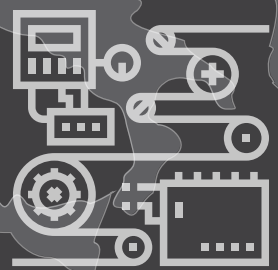
**Renewable
Energy**



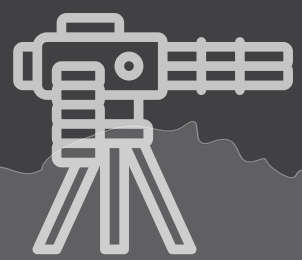
**Healthcare
Sector**



Romania



Manufacturing



**Defense &
Security**



IT&C



Romanian Market

Overview

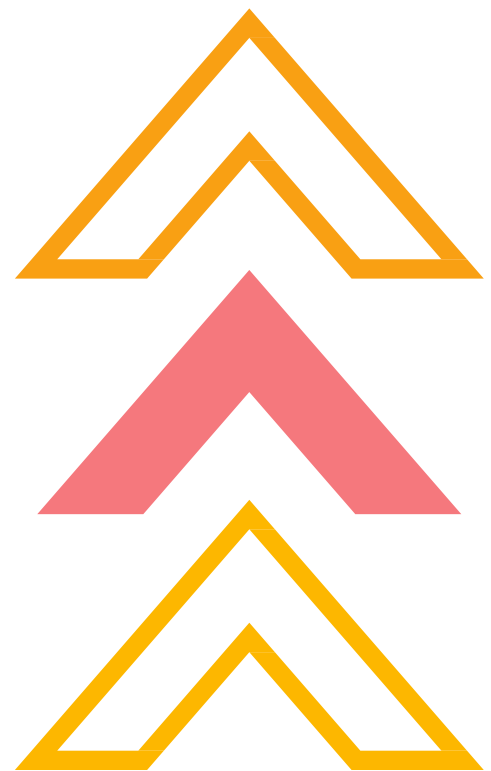
Why to invest

Romania is a European Union (EU) member state, and it is classified as a high-income, mixed economy with a very high Human Development Index and a skilled labour force. Romania is 12th in the EU by total nominal gross domestic product (GDP), and the country presents an attractive market opportunity in terms of size (8th in EU) and population (6th in EU). After joining the EU, real convergence expressed in GDP per capita in purchasing power standards significantly improved from 39% of the EU average in 2006 to 73% in 2021.

Despite the persistent inflation, tight financing conditions and low growth in trading partners at the global level in recent years, Romania's economy has continued to grow, registering long years of uninterrupted GDP growth. In 2024, Romania is set to grow by 3.3%, the second highest rate in the EU.

Industrial manufacturing and services make the largest contributions to the Romanian economy. Romania's top 10 exports are electrical machinery equipment, vehicles, machinery (including computers), mineral fuels, cereals, iron and steel, rubber and rubber articles, iron and steel articles, furniture, bedding, lighting, signs and prefabricated buildings, and optical, technical and medical apparatus.

Romania offers numerous opportunities for investors, in a wide range of sectors. Foreign direct investment (FDI) amounted to EUR 107.9 billion as at 31 December 2022. The largest shares of FDI stock are in Manufacturing (30%), Trade (18%) and Construction and Real Estate (17%), given the high CAPEX needed for greenfield investments and value chain development. However, in recent years, especially as of 2021, most FDI flows were directed towards Financial Services, Manufacturing and IT, confirming the trend towards a service-intensive economy and more value-added activities.



The attractiveness for investments

The country's strategic position

Romania sits at the nexus of several large markets, including the EU, Eurasia and the Middle East, and it is crossed by three important pan-European transport corridors linking Europe: West to East, North to South and by facilitating inland water transportation on the Danube.



NATO and EU membership

Romania joined NATO 20 years ago and now benefits from the strongest security guarantees in its history. Romania is a strategic partner for the US, as the Eastern frontier of the Euro-Atlantic structure and a major geopolitical actor on the Black Sea. In 2007, the country became an EU member state, benefitting from large amounts of EU funds, which gradually improved its competitiveness.

Room for growth

Real GDP growth in Romania is set to remain above 3% over the next few years, thanks to accelerating private consumption supported by higher real disposable incomes. Financial conditions are expected to ease and public investment to remain robust. Romania's sovereign rating was reaffirmed by S&P in 2024 at BBB-, in accordance with the other two major rating agencies. The country's sovereign rating has a 'stable' outlook.

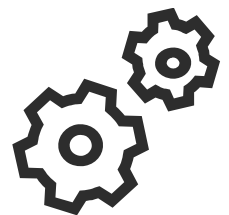


Supply of well-educated labour

Romania has a resilient labour market, very attractive unit labour costs, which are the 2nd lowest in the EU, and a highly educated workforce, as evidenced by the United Nations' Human Development Indicators 2020: skilled employees constitute 81.7% of the Romanian labour force.

Fast lane to further development

As an EU member state, Romania is a beneficiary of the EU Recovery and Resilience Plan, which is aimed at both institutional and legislative reform and impact on the economy: delivery of goods, services and knowledge. The total funds available to Romania amount to EUR 28.5 billion. The business environment has an essential role in the process of implementing the Plan as a beneficiary of the EU funds in various areas such as digitalisation, renewable energy and medical equipment.



In this booklet, we highlight Romania's main industries – Agriculture, Banking and Financial sector, Defence, IT&C, Manufacturing, Medical sector and Renewable Energy – with their top strengths, opportunities for investment and the government strategy of development and incentives.



“We believe in Romania’s potential to attract capital and investments. From the IT sector to energy, healthcare, agriculture, and financial banking services, there are numerous opportunities we will bring to the attention of American investors at the U.S. - Romania Economic Forum. Like other countries in the region that have managed to attract major American investments, Romania needs such business bridges and platforms that promote the existing bilateral partnership, the success of past investments, and, very importantly, connect investors with opportunities. We are convinced that this AmCham initiative will contribute to the shared goal of building sustainable long-term economic benefits for both countries.”



Dinu Bumbăcea
Country Managing Partner
PwC Romania

About the “U.S-Romania Economic Forum”

The “U.S.-Romania Economic Forum” is AmCham Romania’s premier platform for transatlantic dialogue, bringing together policy makers in Washington, D.C. and Bucharest, local decision-makers and stakeholders, and leaders and professionals in the American and Romanian business communities. Launched in 2022, with the support of the United States Embassy in Romania, to mark the 25th anniversary of the Strategic Partnership between the United States and Romania, the Forum serves as a space to recognize and celebrate achievements in the bilateral economic relation and, more importantly, to look at challenges and seize emerging opportunities to renew this partnership.

The Forum primarily aims to raise awareness of the unexplored areas that promise to further cooperation between the two nations, complementing the special role the United States of America play in Romania’s national security and foreign policy and Romania’s geostrategic and economic significance in the transatlantic community.

About AmCham Romania

The American Chamber of Commerce in Romania is the leading business association in the country connecting U.S., international and Romanian companies to business opportunities and facilitating an informed and wide-ranging public-private dialogue. AmCham Romania is affiliated to the United States Chamber of Commerce, the largest business organization in the world, and is part of the AmChams in Europe Network (ACE).

With more than 30 years of activity in Romania, AmCham’s business community counts almost 570 member companies, whose total investment in the country stands above USD 30 billion, supporting 250.000+ jobs.

Agriculture

12.7 mil ha

utilised agricultural area ranking sixth among EU-27 states

4.1%

contribution to GDP formation, as compared to below 2% at EU-27 level

1.8 million

persons employed in agriculture, corresponding to c. 21% of total employment

8.2 mil ha

arable land the equivalent of 65% of UAA, slightly higher than the EU-27 average

EUR 19.8 bn.

production output, with 74% from crop production (half of which consists of cereals and industrial crops)

2.9 mil farms

90% less than 5ha. in size with an average farm size of 4.4 ha. four times less than EU-27 average farm size

EUR 15.9 bn.

in subsidies allocated to Romania as per EU CAP budget for the 2023 – 2027 period

Romania accounts for

- 8% of EU UAA
- **one third** of EU agricultural holdings
- 4% of EU agricultural output
- **19%** of EU agri workforce

With **7%** cereals production (equivalent to c. 19 million tonnes), Romania ranks fifth among the EU member states



68%

cereals harvested being exported, more than two thirds to extra EU-27 countries

Top strengths

Romania has one of the largest agricultural area within Europe, with 12.7 million hectares utilised agricultural area of which circa 65% arable land.

Romania is an important agricultural producer, ranking among top 5 cereals and oilseeds producing countries in the EU-27.

Romania has varied transportation means, such as road, rail and inland waters (Danube river), benefiting as well from direct access to the Black Sea (through the port of Constanta), which facilitates maritime trade routes.

Opportunities of Investments

Romanian agricultural sector presents good prospects for investments, with a large agricultural area, exhibiting consolidation potential given the high number of small farms; fertile and rich soils and climate supporting cultivation of a wide range of crops; relatively low prices of arable land when compared to other EU countries; access to EU subsidies and support programmes; intense trading activity and varied transportation means.

Current land fragmentation and relatively low yields - as compared to other top producing EU countries, display room for improvement, both for farms consolidation and enhancement of efficiency and productivity.

Investments in modern agricultural technologies, such as precision farming and advanced irrigation systems, will further support the sustainable growth and competitiveness of the sector.

Furthermore, investments in food processing infrastructure together with the increased awareness for organic and sustainably produced food may represent a valuable market opportunity for farmers and food producers, supporting the development of higher value added products.

Incentives

For the 2023–2027 period, the EU Commission approved Romania's Common Agricultural Policy ("CAP") strategic plan, worth EUR 15.9 billion, focused on increasing the economic viability of farms, reducing income disparities between farms and increasing the market orientation and competitiveness of the Romanian agricultural sector as a whole.

Additional funding is available through European financial institutions and different support mechanisms financed from the national budget.

Overview

Romania has one of the largest utilized agricultural area ("UAA") in Europe, covering 12.7 million hectares, of which 8.2 million hectares of arable land used to produce crops for human and animal consumption.

The country is home to nearly a third of the EU-27's agricultural holdings, with approximately 2.9 million farms as per the 2020 agricultural census. Although a trend towards consolidation has been observed over the years - agricultural production shifting to larger farming operations, still more than 72% of farms have a surface under 2 hectares and are producing mainly agricultural products for self-consumption, small-scale farming continuing to be a prevalent practice in the country.

The decrease in the number of farms witnessed over the past years (by close to 1.4 million between the two agricultural censuses from 2005 and 2020) led to an increase in the average utilised agricultural area per farm, up to 4.4 hectares in 2020 - still considerably lower than EU-27 average of 17.4 hectares. While, large farms with over 100ha represent only 0.6% of the number of farms, and account for 48% of the agricultural area.

Cereals are the dominant crop in Romania, occupying about 65% of the total cultivated area, with the southern and western regions being the primary cereal-growing areas. In 2022, Romania harvested 18.9 million tonnes of cereals and 3.6 million tonnes of oilseeds, positioning itself as one of the EU's largest cereals and oilseeds producers - as of 2022, Romania was the second largest EU producer of sunflower seed as well as a top five producer of maize grains, wheat, soy and rapeseed.

Romania primarily exports raw agricultural products, while remaining a net food importer, which negatively impacts the agricultural trade deficit, which surpassed EUR 1bn.

Agriculture plays an important role in Romania's economy, contributing between 4% to 6% to GDP over the past decade - in 2022, the gross value added totalled EUR 10.8bn. It also provides significant employment opportunities (21% of total employment), Romania having the highest percentage of people employed in agriculture among EU-27 states.

Banking and Financial Sector



Financial Services penetration

69.1%

Banked population
(owning an account with
a financial institution,
aged +15)

13.1%

Total households
debt to GDP, 2022

5.8%

Debt-service to
disposable income,
2022

Romanian Banking sector

21.2%

Return-On-Equity,
Q4 2023

+13.2%

Retail Loans
New Production
CAGR, 2019-2023

+10.4%

Corporate Loans
New Production
CAGR, 2019-2023

3.6%

Net Interest Margin, Q4
2023

2.4%

Non-Performing
Loans, Q4 2023

22.7%

Capital Adequacy
ratio, Q4 2023

Overview

The Romanian financial services sector is structurally distributed as follows: the banking sector (at 75.7% of total financial assets in the country), followed by private pension funds (11.4%), non-banking financial institutions (5.6%), insurance providers (3.8%), and investment funds (3.5%).

Banking and non-bank financial institutions

There were 29 commercial banks authorized in 2023. The banks in Romania ended last year with net assets RON of 803.3 billion (over USD 172.5 billion), an increase of 15% from compared to December 2022. Return-on-equity-wise, the Romanian banking sector is one of the most profitable in Europe. At the end of last year, the return on assets rose to 1.8%, which was the highest since 2005.

Many smaller players rely on legacy systems and are yet to substantially digitize their operations. Rising personal incomes (retail) and higher economic growth forecast (corporates) underpin future banking perspectives.

Pension Funds, Insurance, and Capital Markets

There were 17 pension funds active in the country. The pension fund market is structurally different than more mature European markets, with the bulk of assets being mandatory funds (i.e Pillar 2, mandatory private pension), and thus fewer elective funds or occupational pensions.

In 2023, 25 insurance companies were authorized to carry out activity on the insurance market. The subscribed gross premiums of last year increased of approximately 10% compared to 2022. The insurance market in Romania remains oriented towards general insurance activity, which has a share of 84% of the total gross premiums written, with a smaller life insurance market.

Asset management is a relatively small (but growing) market. Through the local Bucharest Stock Exchange, investors can buy stakes in profitable companies (i.e energy, banking, etc).

Incentives

- The Romanian government encourages foreign participation in the financial services sector, and there are no caps on foreign ownership or significant localisation equity requirements. Romania allows for 100% foreign ownership in the sector without having to take on a local partner.
- Banks and non-banking financial institutions previously approved for operation in other EU countries need only notify the NBR of their intention to commence the provision of services in Romania to be able to do so ("passporting"). Non-EU banks require permission from the NBR.
- No bank-specific levies or other targeted taxes are in place

Top strengths

High growth market driven by large underbanked population

- Romanian account ownership at a financial institution (% of population ages 15+ in 2021) at 69.1% versus 95.0% in the US
- Significant upside for all FS penetration, as banking assets to GDP currently at 50.2% (for reference mean in EU at 292%, Q4 2023), private pension to GDP at 7.1% (for reference OECD mean at 87%, 2022)
- High-interest in digitally-delivered financial services from younger generations, with high adoption of mobile wallets, platforms, online banking, remote lending

High-ROE, profitable FS market

- Compared to Western Europe, Romania has relatively high lending rates (8.4% average in Romania vs 3.8% EU for household loans, April 2024)
- Banking ROE at 21.2% in Q4 2023, above the European average for the past 9 years, benefitting from resilient economy

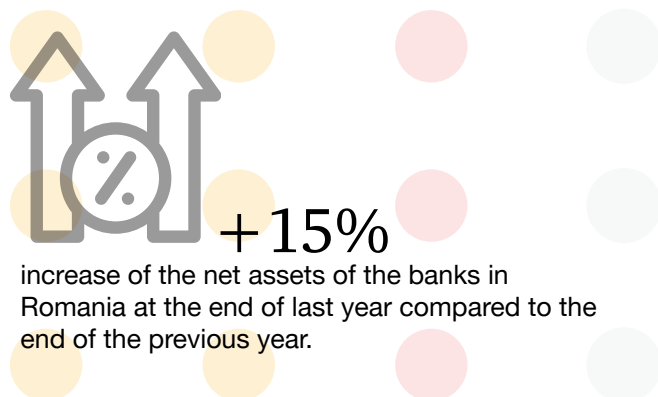
Market still competitive, thought consolidating rapidly

- Despite a consolidation wave accelerating in recent years, the market remains competitive. The top five banks account for around 62% market share.

Opportunities of Investments

There are no significant barriers for new entrants wanting to capitalize on the Romanian market. The competitive nature of the Romanian market (for example the banking sector is neither hyper-concentrated, nor dominated by state-owned banks) and the comparatively low penetration rates across all financial services (lending, payments, leasing, insurance, asset management, factoring, etc) – offer substantial opportunities for market entry.

Romania's good economic prospects (GDP growth estimated by the IMF at +3.8% CAGR across 2025-'2027 horizon versus +2.0% growth projected for the United States) will support consumers' and corporates' steady incomes, which will in turn support the demand for financial services. In addition, private investors can access financial assets directly, through the local stock exchange.



Defense



Defense expenditure as a share of GDP (%)

Share of real GDP (%)	2014	2023
Albania	1.35	1.76
Belgium	0.97	1.13
Bulgaria	1.31	1.84
Canada	1.01	1.38
Croatia	1.82	1.79
Czechia	0.94	1.50
Denmark	1.15	1.65
Estonia	1.93	2.73
Finland	1.45	2.45
France	1.82	1.90
Germany	1.19	1.57
Greece	2.22	3.01
Hungary	0.86	2.43
Italy	1.14	1.46
Latvia*	0.94	2.27
Lithuania*	0.88	2.54
Luxembourg	0.37	0.72
Montenegro	1.50	1.87
Netherlands	1.15	1.70
North Macedonia	1.09	1.87
Norway	1.54	1.67
Poland*	1.88	3.90
Portugal	1.31	1.48
Romania*	1.35	2.44
Slovak Republic	0.98	2.03
Slovenia	0.97	1.35
Spain	0.92	1.26
Türkiye	1.45	1.31
United Kingdom	2.14	2.07
United States	3.72	3.49
NATO Europe and Canada	1.43	1.74
NATO Total	2.58	2.64

Top strengths

Membership of NATO and the EU facilitates the procurement of advanced military equipment.

The Romanian defence industry retains manufacturing capabilities in segments such as armored vehicles, small arms, ammunition and artillery.

Rising tensions in the Black Sea region have accelerated Romania's modernization process of its army and defense industry.

Overview

Romania is a key player in the Central and Eastern European geopolitical scene, hosting several NATO bases vital for the alliance's eastern flank. Since the start of the war in Ukraine, the Romanian defense industry has accelerated its development efforts.

To achieve its objective, Romania needs to strengthen its military profile by actively participating in the consolidation of the European defense industry and research and development initiatives. Romania is supporting the participation of the national defense industry in projects aimed at priority capabilities. Some of the major investments announced for this sector include:

Rheinmetall, Germany's largest weapons manufacturer, has bought a 70% stake in Romanian vehicle manufacturer Automecanica Mediaș. They are currently producing components for the defense industry with plans to develop the facility for the production of Lynx armoured vehicles, one of the most common vehicles in the NATO alliance.

Last year, government officials announced a partnership between Beretta and UM Plopeni based on a memorandum signed in 2019. The collaboration is projected to start at the end of August this year and aims to produce assault rifles at one of the two facilities in Cugir.

The national company ROMARM is the largest local industry player for military equipment, ammunition and maintenance services, with 15 active facilities. ROMARM is under the authority of the Ministry of Economy and Trade, defense Industry Department. Romania is preparing, through ROMARM and with the support of the European Commission, the construction of a powder factory.

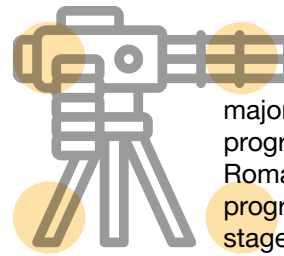
Incentives

Expenditures of 2% to 2.5% of GDP for defense, of which at least 20% is for endowment and modernisation, and 2% is for research, development and innovation.

The European Defense Fund complements national funding that is already used for this purpose and acts as an incentive for Member States to cooperate and invest more in defense. The fund supports cooperation throughout the entire development cycle of defense products and technologies.

2% of GDP

is the minimum amount Romania has committed to spend annually on defence as a NATO member state.



20

major military procurement programmes are underway in Romania and 60 endowment programmes are in various stages.

Opportunities of Investments

As of 2022, The Romanian defense budget was increased to 2.5% of the GDP, adding 1 billion USD for acquisition of military equipment. The increase in spending levels offer clear opportunities for U.S defense equipment and service providers.

The Romanian army currently has 20 major military procurement programmes underway, but at the level of the Ministry of Defense there are over 60 endowment programmes in various stages. Of these, 15 major new programmes are to be launched in 2024, two of which directly targeting the navy.

Current defense procurement priorities include: Tracked and Wheeled-Armoured Vehicles; Artillery Systems; Missiles Systems and Rockets; Fighter Aircraft; Helicopters (medium and heavy); Unmanned Aerial Systems; C4ISTAR Systems; Satellite Communication and Surveillance Services, Infrastructure (air bases and military sites).

Investors with the capability to transfer technology to the two factories in Cugir are being sought to facilitate the production of NATO-standard weapons. UM Cugir manufactures rifles of various calibres, automatic and semi-automatic, 9 mm pistols and accessories. It produces for the US civilian market, mainly semi-automatic weapons for hunting and target shooting, and on the military side, it manufactures AKMs for foreign contracts.

The first EU Defense Industrial Strategy proposes an ambitious set of new actions to support the competitiveness and readiness of the EU defense industry. Setting a new framework, it harmonises the production and commercialisation of defense products developed in collaboration. The European Armament Programme is open to EU Member States and Associated Countries to facilitate armament cooperation through dedicated EU funding. These funding opportunities create a baseline for future Romanian-American collaborations.

IT&C

Overview

Romania's software and IT services industry became a key economic sector in the last two decades, establishing the country as a key player in the European technology sector.

The industry experienced a growth rate of three times that of the Romanian economy in general. For example, between 2015– 2020, Romania's economic growth was 6%, and the IT&C sector registered a 17% surge.

In 2023, IT&C continued to develop, being the second most important contributor to Romanian GDP growth. The software and services industry contributes 7.1% of GDP, according to the National Institute of Statistics. By 2025, the contribution of the sector is estimated to reach 9.6%, according to the National Bank of Romania.

According to the Employers Association of the Software and Services Industry the industry reached revenues of EUR 20 billion in 2022. Around 44,000 companies were registered in this sector, of which 60% were in software development.

Romania is a destination of choice for nearshoring, with tech majors such as Microsoft, Google, Hewlett-Packard, Oracle, SAP, Intel expanding local footprint, alongside a strong contingent of BPO service providers.

The country's centre point for IT development is the capital region of Bucharest (63% of nationwide revenue), followed by business centers in the northwest (18%); west (5%); central (6%); and northeast (5%).

IT&C Industry in Romania



GDP share



Number of Employees

2019	5.2%	142.600
2020	6.1%	150.300
2021	6.7%	165.700
2022	6.6%	180.700
2023	7.1%	186.400

Opportunities of Investments

According to the Digital Decade 2023 Country Report published by the European Commission, Romania is still a long way to go before reaching the EU Digital Decade target of 75% of local businesses using advanced technologies – cloud, artificial intelligence and big data – by 2030.

Addressing this gap, the main growth driver over the medium term will be investment by the private and public sector in digital solutions, especially for public cloud services. Digitalisation is one of the key pillars of Romania's National Recovery and Resilience Plan reforms, enabling both specific verticals (e.g. healthcare) but also the digital-backed transformation of local private companies and public institutions.

Investments underpinning the reforms include the development of the government cloud, digitalisation of healthcare, justice, environment, employment and social protection, public procurement, non-governmental organisations, connectivity in white zones, ensuring cybersecurity for various structures and improving the skills of both public servants and the general population. At least 30 public institutions will be connected to and use the government cloud.

Other opportunities include the development of a telemedicine system, the preparation and migration of the Romanian judicial system to a centralised electronic case management system, developing the necessary infrastructure to monitor, control and ensure the integrity of forests and timber transport, improve the resilience and cyber security of internet service provider infrastructure for public administrations in Romania.

Romania needs to accelerate its connectivity efforts, particularly in rolling out 5G and leveraging all financing sources to support private investments in non-commercially viable areas.

The Data Centre market is nascent but poised for growth, supported by digital transformation, green energy potential, low labour costs, and low corporate taxes. Additionally, Romania's efforts in semiconductors and quantum computing should be sustained to strengthen the EU's position in these areas.

The startup market has flourished in the past five years, with transactions increasing fivefold and their value twelvefold between 2017 and 2022. While UiPath is the only local unicorn, the fintech sector is rapidly evolving, driven by growing demand for digital financial services.

Top strengths

Skilled workforce – Romania is the leader in Europe, and sixth in the world, regarding the number of certified IT specialists per 1,000 inhabitants. Also, The CAGR of the number of graduates is twice the CAGR of the employed ICT specialists. This trend ensures organic availability of ICT workforce in the future.

Competitive costs – cost-effective business environment compared to other European countries.

Digital infrastructure – Romania ranks 13th in the world in terms of fixed broadband speed, and Fixed broadband coverage rate in the country currently stands at 80%

Growing IT&C Sector – boasting robust growth over the past decade, the country is becoming a regional tech hub, attracting significant foreign investment from major global players.

Innovation and Startup Ecosystem – Thriving startup hubs emerged in major cities such as Bucharest, Cluj, Constanța, and Iași. A robust network of tech accelerators and incubators is active in the country, providing entrepreneurs with the resources they need to launch and grow successful businesses.

Supportive Government policies – ranging from R&D grants to tax exemptions and promoting initiatives that grow innovation and drive digital transformation.

Incentives

The Romanian legislation offers incentives for R&D, such as:

- Income tax exemption for employees working in research and development projects.
- Profit tax exemption for taxpayers with exclusively research-development activities in the first 10 years of activity (currently not applicable in the absence of state aid measures).
- Additional deduction, at up to 50%, of expenses incurred for research and development activities.
- Application of the accelerated depreciation method in the case of apparatus and equipment intended for R&D activities.

Manufacturing

25%

Contribution of the sector to the country's GDP

23.5%

Of the country's workforce employed in the sector

EUR 45 billion

Export of manufactured goods in 2022

Overview

Romania's industrial base is among the largest in the Central and Eastern European region, with manufacturing being by far the largest industrial subsector, and with more complex segments, such as motor vehicles and machinery production, becoming increasingly important.

Manufacturing accounts for about 25% of Romania's GDP, with almost 78,000 active enterprises and over 1.1 million people working in this field, accounting for 23.5% of the total local working force.

The number of active enterprises in manufacturing has increased steadily in recent years in most sectors. The low- and medium-tech sectors, food, textiles, clothing and footwear, wood products and furniture, metal construction and metal products, account for more than 60% of the total number of enterprises and about 44% of the total number of employees.

According to the National Institute of Statistics, in 2023, the companies in the Romanian manufacturing industry invested over RON 42 billion (~EUR 8,4 billion) or 22.3% of the total investments in the local economy.

The most important manufacturing segment in Romania is the automotive industry, representing approximately 13% of GDP, with vehicles being one of Romania's most important exports. In the past years, annual production has exceeded 0.5 million vehicles. The country is home to major automotive manufacturers like Dacia (Renault) and Ford, as well as numerous component suppliers.

In the top product exports for 2022, accumulating a little over 50% of the total, the first five positions are road vehicles (16.7% of the total), electrical equipment (12.4%), cars and equipment (8%), agricultural products (7.8%) and metal products (6.2%).

In 2022, Romania had a trade surplus of almost EUR 1 billion only in exchanges with France, Cyprus, Croatia, Sweden, Estonia, Portugal and Latvia.

Incentives

The Ministry of Economy manages several multi-annual schemes of grants or state aid for initial investments of companies in the manufacturing industry or expansions of activity that generate new jobs. In 2023, according to government data, the companies in Romania benefitted from state aid totalling about EUR 6 billion, which is about 2% of GDP.

Top strengths

Positioning between the European and Asian markets supports exports and incentivises manufacturers to produce in the country.

Lower labour costs compared with the more advanced Central and Eastern European markets.

Diversified energy mix, with renewables development accelerated

Top European level clusters, with automotive assembly and parts production leading the growth

Highly performant IT&C sector, providing local competencies in key industry 4.0 enablers – AI, big data, communication infrastructure, data security

Opportunities of Investments

The Ministry of Economy, Entrepreneurship and Tourism developed the Draft Industrial Strategy of Romania for the period 2023–2027, outlining the key growth dimensions of the country's manufacturing industry.

Modernisation of the industry through advanced technology adoption and sustainable innovation is to be pursued, aligned with growth of key enablers (especially IT&C capabilities).

Development of integrated verticals, such as copper mining through to high value-added finite products, in conjunction with the development of the automotive sector.

There are opportunities to increase graphite processing capabilities, ultimately aiming for local production of batteries for EV or other applications.

Drawing from its strong automotive industry presence, the country aims to support the development of production facilities for EV parts and subassemblies.

As Romania is focusing on sustainable development and green energy, manufacturing components for renewable energy systems, such as wind turbines and solar panels, presents a lucrative investment opportunity.

The agri-food sector in Romania is expanding, offering opportunities for investment in food and beverage processing, packaging, and logistics. The demand for high-quality processed food products is on the rise both locally and internationally.

Last but not least, as the supply chains consider nearshoring as an option to increase resilience, Romania could benefit from its excellent geographical position to meet the needs of its European neighbours.

Healthcare sector

76.6 years

average life expectancy at birth in Romania in 2023, improving by 1.5 years as compared to previous year

6.5%

healthcare expenditure in 2021 (EUR 817 per inhabitant), significantly lower than the expenditure at EU-27 level (EUR 3 562 per inhabitant)

544

hospitals in 2022, about a third of which were private. Additionally, 160 healthcare units are providing day care hospitalisation services

3.9 years

healthy life expectancy at age 65 in 2022, considerably lower than 9.1 years at EU-27 level

EUR 15.6 bn.

total healthcare spending in 2021, of which EUR 3.7 bn. represents pharmaceutical spending (1.5% of GDP, c. 24% of total healthcare spending)

309

licensed physicians per 100 thou. inhabitants (c. 59 thousands licensed physicians in 2021) and 92 nurses per 100 thou. inhabitants

695

total treatable and preventable mortality rate¹ in Romania in 2021 considerably above the EU-27 average of 294

¹ per 100 thou. persons aged less than 75 years

78.3%

of total healthcare expenditure is publicly funded while 20.9% consists in out-of-pocket payments and below 1% from voluntary health care payment schemes

6

public medical universities², with 26.2 physicians graduates per 100 thou. inhabitants in 2021, higher than EU-27 average of 15.3

² with additional medicine faculties operating within other universities

Overview

Romanian healthcare system is based on a social health insurance model, which remained highly centralized despite efforts to decentralize some regulatory function; the Ministry of Health is responsible for the stewardship of the system and for its regulatory framework. The other key actor at the central level is the National Health Insurance House, which administrates and regulates the social health insurance system. The health system is organized at two main levels, national and district - the former responsible for implementing government health policy, while the latter for ensuring service provision according to the rules set centrally. Compulsory social health insurance contributions are paid by working residents, while several categories like unemployed people, pensioners and children and students younger than 26, are exempt from making contributions. Overall, Romania has increased substantially its health spending over the last decade, however it records the second lowest health expenditure at EU-27 level both on a per capita basis and as a share of GDP. The public share of health spending remained elevated, with out-of-pocket spending as a share of total health expenditure of c. 21% (well above the EU-27 average of 15%). Inpatient care continues to account for the largest share in contrast with the rather low spending on other function - the proportion of financing to outpatient care is the lowest in the EU, still focusing on primary care and promoting preventive health remains a priority topic for the policy agenda. Romanians' health status experienced improvements, still remains far below the EU average. In 2023, life expectancy at birth in Romania was at 76.6 years, up from 75.1 in 2022, compared to EU average of 81.5 years, up from 80.6. Healthy life years at 65 in Romania are 3.9, as compared to EU-27 average, which is 2.3 times higher. From a medical infrastructure angle, more than 540 inpatient facilities are currently in operation. When including day inpatient units as well, it exceeds 700 units. However, most facilities require significant investments in modernization both in terms of infrastructure as well as medical equipment. The majority of hospital units opened in recent years in Romania were private initiatives, with most being operated by private providers. Preventive healthcare services are mainly provided by private entities, which have significantly expanded their network of polyclinics and ambulatory services. Romanian pharmaceutical sector in Romania enjoys the presence of medicine producers operating domestic production facilities of a range of generic and over-the-counter drugs, but still relies significantly on imports, especially innovative and specialized medicines. This context creates growth opportunities particularly in areas like biosimilar, innovative therapies, as well as research and development. As the second largest market in CEE in terms of pharmaceutical spend with (1.7% of total EU-27 pharma spend), Romania showcases its growth potential within the region.

Top strengths

Highly educated and skilled workforce in the healthcare sector

Domestic production of medicines, with a significant number of pharmaceutical manufacturing facilities

Efforts channelled towards the adoption of digital health technologies, including telemedicine and electronic health records

EUR 15.6 billion

2021 health expenditure in Romania.



Opportunities of Investments

Romania demonstrates substantial room for growth in its healthcare sector, given the challenges it faces such as underfunding, regional disparities in accessing health, alongside increased pressures on health budget given the ageing population as well as current state of public infrastructure. Promoting comprehensive screening programs and introducing innovative diagnostic technologies can address major health issues in Romania, where chronic diseases such as cardiovascular disease and cancer continue to have high prevalence rates. By focusing on early detection and preventive care, these programs can reduce the burden on the healthcare system by avoiding late-stage treatments, while reducing mortality rates from preventable causes. Moreover, increased access to investigations supported by medical devices can sustain better diagnosis and treatments. In addition, the growing elderly population is expected to drive the demand for healthcare products and services, including assisted living.

With planned investments from the National Recovery and Resilience Plan, significant funding is planned to be directed towards the modernisation of the public healthcare infrastructure (including the construction of regional hospitals). Private health operators and medical equipment providers may capitalise on this opportunities by supplying advanced diagnostic equipment and offering digital health solutions, such as telemedicine services, which are already used across many medical specialities, especially in the private sector. Rising income levels and the current state of the public health facilities have fuelled the growth of the private medical sector, driven by the demand for higher quality and faster access to medical services.

Romania has the potential to position itself as a competitive location for clinical trials, with its large patient population, trained medical and clinical research professionals and a competitive cost-effective environment for clinical research. Moreover, efforts to simplify the regulatory process, such as reducing approval times and enhancing predictability, would further enhance Romania's attractiveness in this area.

Furthermore, cooperation between foreign universities/ research institutions and Romanian counterparts can accelerate the development of the healthcare startup's ecosystem and foster innovation.

Incentives

Investments under Romania's Recovery and Resilience Plan for the Health component of EUR 4.4bn. The Ministry of Investments and European Funds will launch the National Investment Programme in the Infrastructure of Hospital Units, a programme with an allocation of EUR 2 billion for the period 2024–2030. In addition, there are state aid schemes for large investments with a major impact on the economy, including in the health sector and manufacturing industries.

Renewable Energy

Overview

Efforts to decarbonise the power sector have begun to take shape in the Romanian power market that will lead to a growth of non-hydropower renewables share in total electric energy.

Romania's electricity generation matrix is well diversified, comprising a mix of fossil fuels (historically, heavily depended on fossil fuels, especially coal and natural gas, to meet energy demands), renewables, and nuclear energy.

Romania aims to be an energy supplier state and a factor of energy stability in the southern European area. Romania intends to replace an important energy capacity based on sources with high emissions with renewable energy sources, aiming high energy efficiency, including natural gas mixed with hydrogen and increasing nuclear energy capacity, these playing an important role in the decarbonisation of the national energy sector.

In this respect, the Integrated National Energy and Climate Plan sets ambitious targets to reach almost 76% out of the total domestic energy production from RES, by 2030.

The evolution of the electrical energy production mix according to the updated project for Romania's National Energy and Climate Plan 2021-2030 (version from December 2023) - GW.



Nuclear



Coal



Natural gas



Hydro



PV



Wind



Biomass



H2 CHP

	Nuclear	Coal	Natural gas	Hydro	PV	Wind	Biomass	H2 CHP
2019	1.4	4.8	3.2	6.7	1.4	3.0	N/A	N/A
2025	1.4	2.6	3.5	6.7	4.3	5.0	0.2	N/A
2030	1.9	N/A	5.4	6.9	8.3	7.6	0.2	0.02
2050	3.3	N/A	4.4	7.5	30.5	16.0	0.3	0.5

Opportunities of Investments

Romania has a huge potential in all sectors of renewable energy; however, most of this potential is still unexploited. Its decarbonisation reform of the energy sector, with a focus on electricity generation, to achieve its climate change targets includes two main measures: phasing out coal and increasing electricity generation capacity from renewable energy sources and alternative energy sources such as green hydrogen.

Romania is thought to have some of the strongest potential SEE for wind generation, helped by the size of the country, its low population density and its mountainous and coastal areas. Additionally, the Black Sea, will also become a source of significant RES capacity. The solar sector in particular will see the largest increase in support with 3.7 GWh of new installed capacity target.

Industrial chain for the production and/or assembly and/or recycling of batteries, PV cells and panels (including ancillary equipment) and new electricity storage capacity are also in scope.

Romania also intends to develop pilot projects using technologies of the future – gas/hydrogen together with innovative storage solutions and green hydrogen. In this respect, it has developed a hydrogen strategy: the implementation cost for 2030 is EUR 10.4 billion and the increase in production by almost 50% is foreseen.

Incentives

Romania will be able to access European funding for energy projects mainly through the National Recovery and Resilience Plan and the Modernization Fund, allocations exceeding EUR 20 billion. The investments cover areas such as renewable energy, energy storage, coal replacement, nuclear energy, high-efficiency cogeneration, biofuels and modernization of the energy infrastructure.

The European Commission approved a EUR 3 billion Romanian scheme to support installations producing electricity from onshore wind and solar photovoltaic, from the Modernization Fund. The scheme is designed to support a broad range of low-carbon emissions technologies.

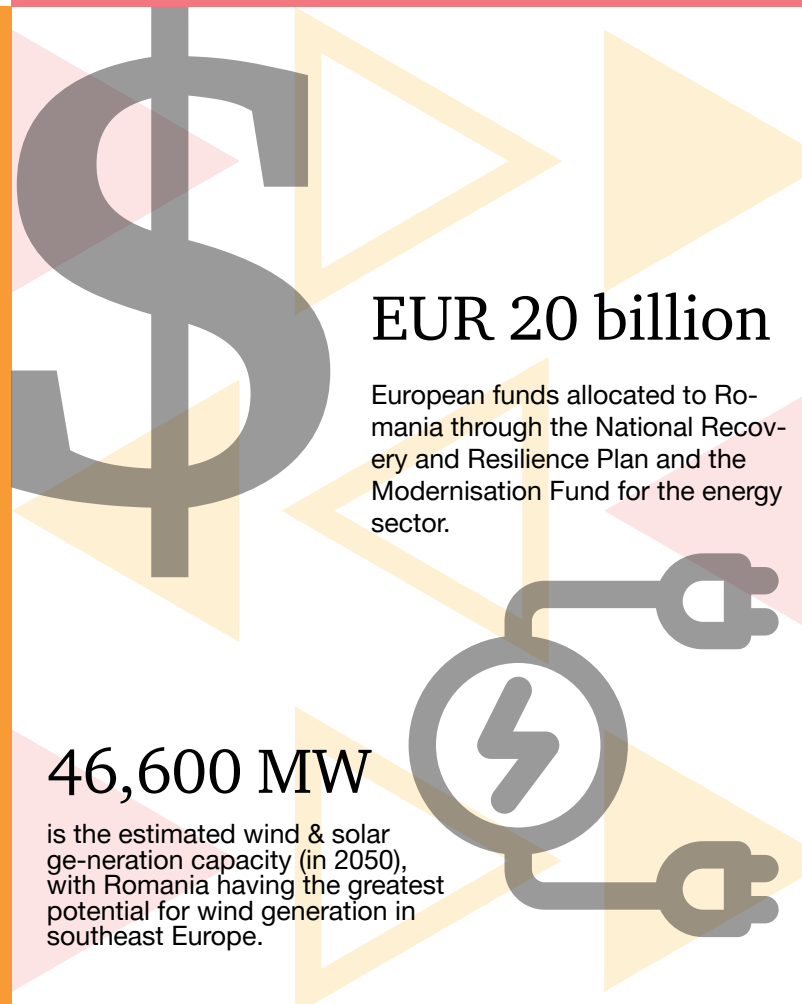
One of the funding implementation measures will be granting through competitive bidding procedures and will take the form of a two-way contract for difference (CfD). The first rounds of CfD auctions are dedicated to eligible onshore wind and solar photovoltaic projects, auctions being planned to be organized in 2024 and 2025.

Top strengths

Diverse energy mix: Romania has one of the most diverse energy mixes in the EU, hence managing to ensure energy security and stability, being highly independent from energy imports. Romania is committed to eliminate polluting sources, further investing in increasing RES capacities, while maintaining a diverse energy mix.

High RES potential: electricity generation from wind has experienced rapid growth in Romania due to the high wind potential and supporting policies for renewable energy production – overall potential estimated to be around 16 GW, completed by solar with an estimation of ~31 GW entire potential.

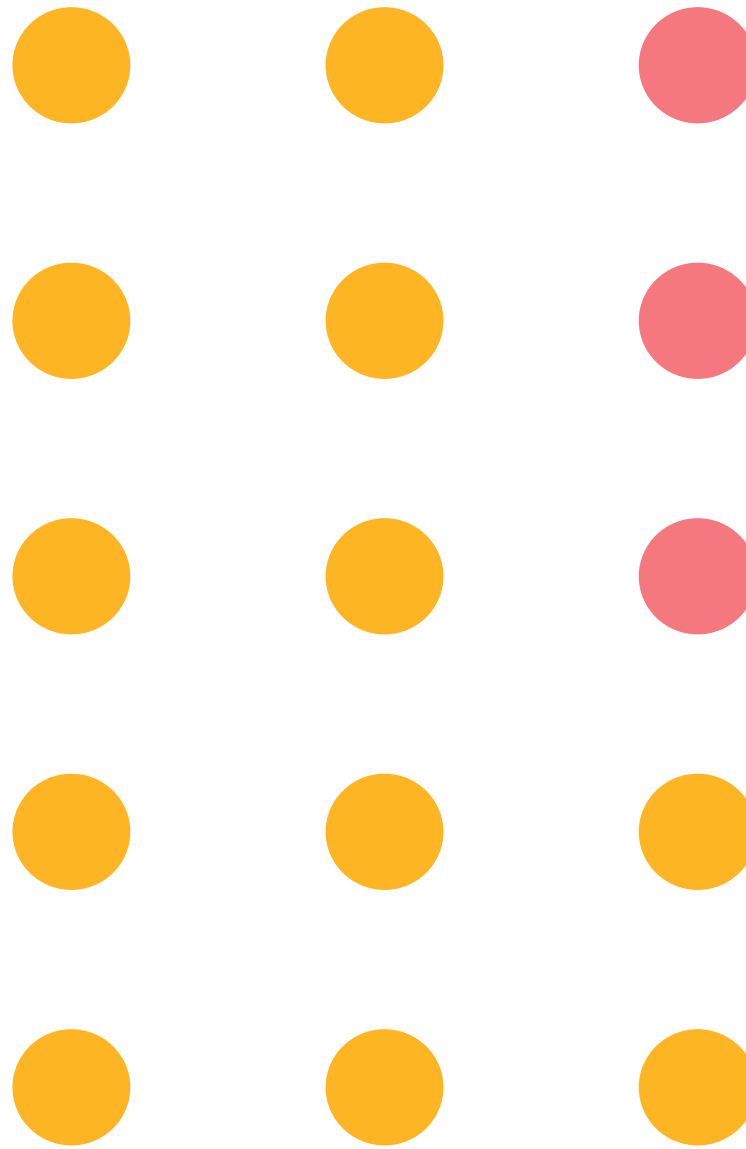
Focus on domestic energy production: national estimation for 2030 is the reach of an installed capacity for electricity production of 30.4 GW (increase of 47% vs. 2019). Out of this approximately 76% will come from RES, thus ensuring the use of domestic resources for the production of electricity. Along this, Romania also intensifies efforts for launching offshore wind production on the Black Sea.



About PwC

Present in Romania since 1991, PwC is one of the most important consulting companies on the local market, offering a full range of consulting services to local and multinational companies, as well as to public institutions. The company's activity is divided into three main pillars: financial audit and non-audit services, business and management consulting, tax and legal consulting.

At PwC, our purpose is to build trust in society and solve important problems. With offices in 151 countries and more than 364,000 people, PwC is among the leading professional services networks in the world, helping organizations and individuals create the value they are looking for, by delivering quality in Assurance, Tax and Advisory services. In FY23, PwC firms provided services to 87% of the Global Fortune 500 companies and registered gross revenues of USD 53.1 billion.



Sources

The open sources used to create this booklet: European Commission, Eurostat, Employers' Association of the Software and Services Industry (ANIS), International Monetary Fund (IMF), International Finance Corporation (IFC), Ministry of Finance, Ministry of National Defence, Ministry of Economy, Entrepreneurship and Tourism, Ministry of Energy, Ministry of Agriculture and Rural Development, Ministry of Investments and European Projects, Ministry of Health, Ministry of Research, Innovation and Digitalization, The North Atlantic Treaty Organization (NATO), National Institute for Statistics, National Bank of Romania, National Energy Regulatory Authority (ANRE), World Bank and also BMI, a FitchSolutions Company.

