

Romanian market – challenging prospects for businesses

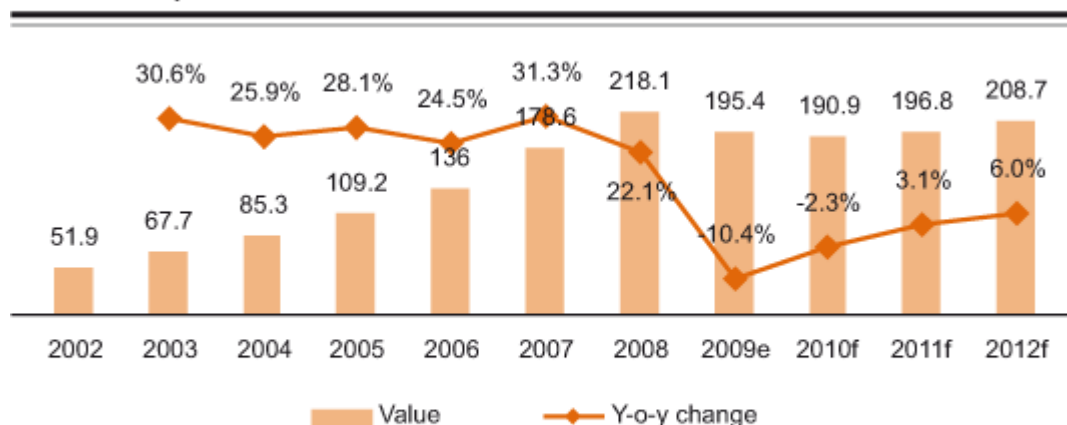
Prior to the outburst of the financial crisis, the Romanian economy had been among the most dynamically developing among the CEE countries. For several years, the retail sector had been generating a double-digit growth, fuelled mostly by easily available loans and abundant foreign investments. As the situation on the global market started deteriorating, Romania, largely dependent on foreign capital, slowly plunged into recession.

The economic downturn left its mark on the Romanian retail market. According to the latest report “Retail in Romania 2010” by the research and consulting company PMR, in 2009 the total value of the country’s retail trade declined by 10.4% year on year and reached RON 195.4bn (€46.2bn). This, however, is only if sales of cars and fuel are taken into consideration; otherwise, the decrease was even steeper.

To a high degree, the decrease was caused by the reduction of non-food sales, which went down by 13.5% in lei last year and reached RON 144.6bn (€34.1bn). Changes in consumers’ shopping behaviour as well as the decline of the value of purchased food goods have also strongly contributed to this drop.

According to PMR, the retail sector is expected to recover no sooner than in 2011 when the first moderate growth of the value of retail sales is expected to occur.

Value (RON bn) and growth rates (%) of retail sales in Romania, 2002-2012



Note: including sales of cars and fuel
e – estimate

f – forecast

Source: Report “Retail in Romania 2010”, PMR Publications, a division of PMR, 2010

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Despite the challenging market conditions, the retail market in Romania continues to give good prospects to investors. This is mostly due to aspects of the crisis that are favourable to businesses such as the dropping cost of labour as well as decreasing prices of real estate. Additionally, numerous insolvencies on the market have made it possible for retailers to take up vacated commercial areas in attractive modern shopping centres

abandoned by companies weakened by the crisis. It has also created new M&A possibilities.

In addition, the economic downturn has acted in favour of modern retail formats also in the way that large retail networks, with stable sources of financing, were much better prepared to endure price competition with other retailers and were able to attract customers by offering cheaper merchandise without excessive harm for the business. This trend was especially pronounced in the grocery segment, where modern retail gained a considerable market share in 2008-2009.

Furthermore, the Romanian retail market is still at an early stage of development and is highly fragmented while modern retail formats remain underdeveloped. The 15 largest groups active in retail accounted for an estimated 17.2% of the country's total retail sales in 2009, according to "Retail in Romania 2010." To compare, in 2008 the amount was 14.7% and 14.0% in 2007.

Eight of the leading retail groups in Romania are active in grocery retail, four in DIY, two in consumer electronics and one in cosmetics.

Leading groups involved in retail in Romania, by consolidated revenues (RON m), 2009

No.	Group	Revenues (RON m)		Sector of Activity	Chains
		2009	2008		
1	Metro	X,XXX	8,657	Grocery: cash and carry, hypermarkets	Metro Cash & Carry Real
2	Rewe	X,XXX	5,730	Grocery: cash and carry, supermarkets and discount stores	Billa, Selgros, Penny Market, Penny Market XXL
3	Carrefour	X,XXX	3,800	Grocery: hypermarkets, supermarkets	Carrefour, Carrefour Express
4	Schwarz Group	X,XXX	2,865	Grocery: hypermarkets	Kaufland
5	Louis Delhaize	X,XXX	1,909	Grocery: hypermarkets, discount stores	Cora, Profi
6	Praktiker	X,XXX	1,126	DIY	Praktiker
7	Bricostore	X,XXX	898	DIY	Bricostore
8	Auchan	X,XXX	1,170	Grocery: hypermarkets	Auchan
9	Tengelmann	X,XXX	1,250	Grocery: discount stores	Plus Discount
10	Dedeman	XXX	910	DIY	Dedeman
11	Altex	XXX	1,266	Consumer electronics	Altex, Media Galaxy
12	Ambient	XXX	852	DIY	Ambient
13	Domo	XXX	764	Consumer electronics	Domo Technomarket
14	Delhaize Group	XXX	486	Grocery: supermarkets	Mega Image
15	Avon	XXX	417	Cosmetics: direct sales	Direct sales
	Total	XX,XXX	32,100		

Source: Report "Retail in Romania 2010", PMR Publications, a division of PMR, 2010

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It is also worth mentioning that the Romanian market has been dominated by foreign retailers and only four of the 15 largest companies in 2009 were originally from Romania. Due to the global crisis international companies are expected to even further strengthen their position on the Romanian retail market. The economic downturn forced out several important Romanian players from the market while others held back the expansion due to the unfavourable economic situation and problems with financial liquidity.

Overall, in 2009, despite the difficult market conditions, international and domestic companies continued to invest in the country, contrarily to 2008, in almost all retail sectors. It is enough to name only several entrances of well-known international banners into Romania such as C & A, Decathlon, Kiabi, GAP and Camaieu while others are already queuing to make a footstep this year including Benetton, H & M, Lidl and Leroy Merlin.

The situation on the Romanian market, the second largest in the CEE region, as well as customer spending are expected to slowly stabilise and revive by 2012, and it is certainly worth being prepared for when that happens.

This press release is based on information contained in the latest PMR report entitled "[Retail in Romania 2010 - Market analysis and development forecasts for 2010-2012](#)".

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