EIB Group Survey on Investment and Investment Finance Country Overview: Romania
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About the EIB Investment Survey (EIBIS)
The EIB Group Survey on Investment and Investment Finance is a unique, EU-wide, annual survey of 12,500 firms. It collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that businesses face. Using a stratified sampling methodology, EIBIS is representative across all 28 member States of the EU, as well as for firm size classes (micro to large) and 4 main sectors. It is designed to build a panel of observations to support time series analysis, observations that can also be linked to firm balance sheet and profit and loss data. EIBIS has been developed and is managed by the Economics Department of the EIB, with support to development and implementation by Ipsos MORI. For more information see: http://www.eib.org/eibis.

About this publication
This Country Overview is one of a series covering each of the 28 EU Member States, plus an EU-wide overview. These are intended to provide an accessible snapshot of the data. For the purpose of these publications, data is weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

About the Economics Department of the EIB
The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The Department, a team of 30 economists, is headed by Debora Revoltella, Director of Economics.

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Disclaimer
The views expressed in this publication are those of the authors and do not necessarily reflect the position of the EIB.

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Ipsos Public Affairs works closely with national governments, local public services and the not-for-profit sector, as well as international and supranational organizations. Its c.200 research staff in London and Brussels focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. This, combined with our methodological and communications expertise, helps ensure that our research makes a difference for decision makers and communities.
The annual EIB Group Survey on Investment and Investment Finance (EIBIS) is an EU-wide survey of 12,500 firms that gathers quantitative information on investment activities by both SMEs and larger corporates, their financing requirements and the difficulties they face.

As the EU bank, the EIB Group responds to the need to accelerate investment to strengthen job creation and long-term competitiveness and sustainability across all 28 EU member States.

EIBIS helps the EIB to contribute to a policy response that properly addresses the needs of businesses, promoting investment.

This country overview presents selected findings based on telephone interviews with 476 firms in Romania in 2016 (July-October). Note: The results are weighted by value-added, reflecting firms’ contribution to the economy.

### Key results

<table>
<thead>
<tr>
<th><strong>Investment outlook:</strong></th>
<th>The investment outlook is mixed. About a third of Romanian firms expect an expansion of investment in the current financial year while the same percentage of respondents foresee a contraction. Overall, while investment has been rather low it is cautiously expanding, especially in services. In contrast, the construction sector sticks out due to a rather negative investment outlook.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment activity:</strong></td>
<td>Share of firms that invested in the last financial year in Romania is at 62%, well below the EU average (84%). Most investment goes to machinery and equipment. Around 55% of investment spending is on machinery and equipment and nearly half of investment is to replace buildings, machinery, equipment and IT. In contrast, R&amp;D investment is significantly lower than in the EU.</td>
</tr>
<tr>
<td><strong>Investment gap:</strong></td>
<td>Nearly three quarters of firms report that investment over the last three years was the right amount, while one in five respondents say they invested too little. The average share of machinery and equipment described as state-of-the-art is lower in Romania (38%) than in the EU (44%). On average, 32% of firms’ building stock in Romania meets high efficiency standards, compared to early 40% EU-wide.</td>
</tr>
<tr>
<td><strong>Investment barriers:</strong></td>
<td>Similarly to the EU, political and regulatory climate is perceived to be the main short-term barrier to implementing investment. Roughly six in ten firms consider uncertainty about the future (it is 70% EU-wide), poor transport infrastructure (40% in the EU), business regulations (60% in the EU) and availability of skilled staff (70% EU-wide) as the most important structural barriers to investment over the longer-term.</td>
</tr>
<tr>
<td><strong>External finance:</strong></td>
<td>Twelve per cent of firms are finance constrained in some way. This figure is similar across most sectors and company sizes. Overall firms in Romania want more of the type of external finance they are already using, especially bank loans.</td>
</tr>
<tr>
<td><strong>Firm performance:</strong></td>
<td>Productivity levels are well below the EU average with relatively little dispersion within and across sectors.</td>
</tr>
</tbody>
</table>
In contrast to relatively robust investment growth figures on the macro level, only 62% of firms in Romania report to have invested in the last financial year, well below the EU average (84%).

Moreover, median investment per employee was slightly more than a third of the EU level.

Similar shares of large firms and SMEs invested in the last financial year. This is rather unique compared with the EU-wide trend as in other countries large firms tend to invest more than SMEs.

Investment activity in last financial year compared to previous

On balance, investment activity in Romania remained broadly unchanged year on year as the share of firms that increased investment is equal to the share of firms that invested less – about three in ten.

The share of firms which reduced their investment activity was significantly higher than the EU average (19%) and particularly high among manufacturing but also large firms.
One in three firms in Romania expects their investment in the current financial year to be the same as in the previous one.

A similar proportion and exactly the same share as in the EU (34%) expect investment to increase, while 31% expect it to fall compared to 26% in the EU as a whole. Hence, on balance, investment activity is likely to remain broadly unchanged year on year.

**Investment cycle**

Within the investment cycle, investment in Romania has been rather low but is cautiously expanding, especially in the service sector.

In contrast, the construction sector is quite an outlier with respect to the rather negative investment outlook.

SMEs are somewhat more positive about their investment plans than the aggregate and particularly than large firms.
INVESTMENT ACTIVITY

- At the macro level, equipment investment expanded by 9% in 2015 and contributed more than 10% of GDP. In line with that, 55% of investment in Romania – compared to 47% in the EU overall – is reported to go into machinery and equipment, followed by investment on land, business buildings and infrastructure.

- Concerning the two largest investment categories there is no major difference between large firms and SME.

- Investment on R&D is significantly lower in Romania (2.7%) than in the EU (8%).

Investment abroad

- Just one per cent of firms, both large and SME, in Romania invested in another country in the last financial year, compared with 12% of firms EU-wide.

- The gap vis-à-vis the EU-wide average is most pronounced among large corporates.

**Investment areas**

**Base:** All firms who have invested in the last financial year (excluding don’t know/refused responses)

Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company’s future earnings?

- Organisation/business processes
- Training of employees
- Software, data, IT, website
- R&D
- Machinery and equipment
- Land, business buildings and infrastructure

**EIB Group Survey on Investment and Investment Finance 2016 Country overview: Romania**
Almost half of investment in Romania (48%) is to replace existing buildings, machinery, equipment and IT.

Roughly one-third of investment in Romania, without large variations across sectors and company sizes, was in capacity expansion in Romania. In the EU it was only around one-quarter.

Firms in the service sector direct 22% of their investment to new products and services, compared to the national average of 15%.

Looking ahead, the priority for about a third of firms (35%) is replacing existing buildings, machinery, equipment and IT, and for another third (33%) it is capacity expansion.

Large firms and firms in the infrastructure sector are particularly keen to expand capacity for existing products and services.
Nearly three quarters of firms in Romania (73%) believe their investment over the last three years was about the right amount.

Around one in five firms (19%) believe that they invested too little.

Nearly two thirds of firms in Romania (64%), as opposed to half of firms in the EU, report to have operated at or above maximum capacity in the last financial year.

The share of firms operating at or above full capacity is lowest among construction firms (48%).
- The average share of machinery and equipment owned by firms in Romania that is described as state-of-the-art is lower than the EU average (38%, versus 44% for the EU as a whole).

- However, large firms in Romania are on par with the EU average in terms of state-of-the-art machinery and equipment.

- On average, firms in Romania consider that 32% of their building stock meets high efficiency standards – compared to nearly 40% EU-wide.

Average share of state-of-the-art machinery and equipment

Base: All firms
Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?

Average share of building stock meeting high energy efficiency standards

Base: All firms
Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?
As in the rest of the EU, the political and regulatory climate is cited as the main barrier to implementing planned investment in Romania in the current financial year.

In contrast, business prospects in the sector and availability of both external and internal finance are reported to have a positive effect on investment, although to a lesser extent compared to the EU on average.

**Short term influences on investment**

- **Political and regulatory climate**: Romania negative net balance EU positive net balance
- **Overall economic climate**: Romania negative net balance EU positive net balance
- **Business prospects in the sector**: Romania positive net balance EU positive net balance
- **Availability of external finance**: Romania negative net balance EU positive net balance
- **Availability of internal finance**: Romania negative net balance EU positive net balance

**Base**: All firms who have planned to invest in the current financial year

**Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?**

**Base**: All firms who have planned to invest in the current financial year and who invested too much, about the right amount or too little in the last financial year (excluding don’t know/refused/company didn’t exist three years ago responses)

**Net balance**: The share of firms seeing a positive effect minus the share of firms seeing a negative effect

- Firms that report to have invested below their needs over the last three years tend to have a gloomier view of factors influencing their investment.

- In terms of net balance, firms that report to have invested below their needs see the overall economic climate and internal finance as hampering their investment activities.
Approximately six in ten firms in Romania consider uncertainty about the future (compared to 69% EU-wide), poor transport infrastructure (38% in the EU), business regulations (58% in the EU) and availability of skilled staff (67% EU-wide) as structural barriers to investment over the longer-term.

**Long term barriers to investment**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Firms that invested sufficiently</th>
<th>Firms that invested too little</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty about the future</td>
<td><img src="Uncertainty_future.png" alt="Graph" /></td>
<td><img src="Uncertainty_future.png" alt="Graph" /></td>
</tr>
<tr>
<td>Availability of external finance</td>
<td><img src="Availability_finance.png" alt="Graph" /></td>
<td><img src="Availability_finance.png" alt="Graph" /></td>
</tr>
<tr>
<td>Adequate transport infrastructure</td>
<td><img src="Adequate_infrastructure.png" alt="Graph" /></td>
<td><img src="Adequate_infrastructure.png" alt="Graph" /></td>
</tr>
<tr>
<td>Business regulations</td>
<td><img src="Business_regulations.png" alt="Graph" /></td>
<td><img src="Business_regulations.png" alt="Graph" /></td>
</tr>
<tr>
<td>Labour market regulations</td>
<td><img src="Labour_market.png" alt="Graph" /></td>
<td><img src="Labour_market.png" alt="Graph" /></td>
</tr>
<tr>
<td>Access to digital infrastructure</td>
<td><img src="Access_digital.png" alt="Graph" /></td>
<td><img src="Access_digital.png" alt="Graph" /></td>
</tr>
<tr>
<td>Energy costs</td>
<td><img src="Energy_costs.png" alt="Graph" /></td>
<td><img src="Energy_costs.png" alt="Graph" /></td>
</tr>
<tr>
<td>Availability of staff with right skills</td>
<td><img src="Availability_skills.png" alt="Graph" /></td>
<td><img src="Availability_skills.png" alt="Graph" /></td>
</tr>
<tr>
<td>Demand for products or services</td>
<td><img src="Demand_products.png" alt="Graph" /></td>
<td><img src="Demand_products.png" alt="Graph" /></td>
</tr>
</tbody>
</table>

**Base:** All firms (data not shown for those who said not an obstacle at all/don’t know/refused)

Q. Thinking about your investment activities in Romania, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

- Firms whose investment in the past three years has been reportedly below their needs tend to have a somewhat more pessimistic view of factors hampering their long-term investment performance than firms that have invested sufficiently.
- In particular, availability of external finance and access to digital infrastructure are seen more often as a barrier to investment by those firms which have invested too little in the past.
INVESTMENT FINANCE

- Firms in Romania rely heavily on internal funds to finance their investment activities (71% of funding derived from this route).
- Overall, bank loans are relatively the most common source of external finance in Romania (49%), as is the case across the EU (56%).
- Firms using external finance are on balance (fairly or very) satisfied with all financing conditions.

**Type of external finance used for investment activities**

**Source of investment finance**

**Satisfaction with external finance**

*Base: All firms who used external finance in the last financial year (excluding don’t know/refused responses)*

*Caution very small base size less than 30*

Q. Approximately what proportion of your investment in the last financial year was financed by each of the following?

Q. How satisfied or dissatisfied are you with ...?
Overall firms in Romania tend to want more of the type of external finance they are already using, especially bank loans.

Twelve per cent of firms in Romania can be considered external finance constrained, compared to 5% EU-wide.

There is not substantial variation across different sectors or size groups regarding the share of finance constrained companies.

Share of finance constrained firms

- Twelve per cent of firms in Romania can be considered external finance constrained, compared to 5% EU-wide.
- There is not substantial variation across different sectors or size groups regarding the share of finance constrained companies.
PROFILE OF FIRMS

Contribution to Value-Added

- Large firms contribute 53% to the overall value-added in Romania, in line with 50% in the EU, and also the sectoral breakdown is very similar to the EU average.

- Employment dynamics in Romania are comparable to the EU.

- In terms of productivity, only a very tiny fraction of firms compare to EU-wide best performers. In fact, a vast majority of firms in Romania are among the least productive ones in their respective sectors.

Employment dynamics in last 3 years

Distribution of firms by productivity class

Share of firms by productivity class (Total Factor Productivity). Productivity classes are sector specific; they are defined on the basis of the entire EU sample (for a particular sector).
MACROECONOMIC INVESTMENT CONTEXT

Investment Dynamics over time

The graph shows the evolution of total Gross Fixed Capital Formation (in real terms) against the series ‘pre-crisis trend’. The data has been indexed to equal 100 in 2008. Source: Eurostat.

Investment Dynamics by Institutional Sector

The graph shows the evolution of total Gross Fixed Capital Formation (in real terms) by institutional sector. The data has been indexed to equal 100 in 2008. Source: Eurostat.

Note: chart is based on provisional quarterly data which deviates slightly from annual data.

Investment Dynamics by Asset Class

The graph shows the evolution of total Gross Fixed Capital Formation (in real terms) by asset class. The data has been indexed to equal 100 in 2008. Source: Eurostat.

Note: chart is based on annual data.

- In 2015, aggregate investment in Romania was still significantly below its 2008 level, mainly on account of corporate investment and investment in buildings, structures, machinery and equipment.

- Yet in 2008 the pre-crisis investment boom fueled by large capital inflows and EU accession peaked. Abstracting from that period, investment has - after a massive correction in 2009 - performed in parallel with the long-term pre-crisis trend.
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The final data are based on a sample, rather than the entire population of firms in Romania, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

### Approximate sampling tolerances applicable to percentages at or near these levels

<table>
<thead>
<tr>
<th></th>
<th>EU</th>
<th>Romania</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
<th>Infrastructure</th>
<th>SME</th>
<th>Large</th>
<th>EU vs Country</th>
<th>Manufacturing vs Construction</th>
<th>SME vs Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% or 90%</td>
<td>(12483)</td>
<td>(476)</td>
<td>(130)</td>
<td>(131)</td>
<td>(87)</td>
<td>(128)</td>
<td>(407)</td>
<td>(69)</td>
<td>(12483 vs 476)</td>
<td>(130 vs 131)</td>
<td>(407 vs 69)</td>
</tr>
<tr>
<td>30% or 70%</td>
<td>1.0%</td>
<td>3.5%</td>
<td>5.9%</td>
<td>6.1%</td>
<td>8.0%</td>
<td>6.5%</td>
<td>2.7%</td>
<td>6.2%</td>
<td>3.7%</td>
<td>8.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td>50%</td>
<td>1.5%</td>
<td>5.4%</td>
<td>9.0%</td>
<td>9.3%</td>
<td>12.2%</td>
<td>10.0%</td>
<td>4.1%</td>
<td>9.4%</td>
<td>5.6%</td>
<td>12.9%</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

### Glossary

#### Investment
A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company’s future earnings.

#### Investment cycle
Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.

#### Productivity
Total factor productivity is a measure of how efficiently a firm is converting inputs (capital and labor) into output (value-added). It is estimated by means of an industry-by-industry regression analysis (with country dummies).

#### Manufacturing sector
Based on the NACE classification of economic activities, firms in group C (manufacturing).

#### Construction sector
Based on the NACE classification of economic activities, firms in group F (construction).

#### Services sector
Based on the NACE classification of economic activities, firms in group G (wholesale and retail trade) and group I (accommodation and food services activities).

#### Infrastructure sector
Based on the NACE classification of economic activities, firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).

#### SME
Firms with between 5 and 249 employees.

#### Large firms
Firms with at least 250 employees.
## EIBIS 2016 – COUNTRY TECHNICAL DETAILS

### Base sizes

<table>
<thead>
<tr>
<th>Base definition and page reference</th>
<th>EU</th>
<th>Romania</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
<th>Infrastructure</th>
<th>SME</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13</td>
<td>12483</td>
<td>476</td>
<td>130</td>
<td>131</td>
<td>87</td>
<td>128</td>
<td>407</td>
<td>69</td>
</tr>
<tr>
<td>All firms (excluding don't know/refused responses), p. 2</td>
<td>11838</td>
<td>423</td>
<td>122</td>
<td>115</td>
<td>75</td>
<td>111</td>
<td>361</td>
<td>62</td>
</tr>
<tr>
<td>All firms (excluding those who have no investment planned/don't know/refused responses), p. 5</td>
<td>12159</td>
<td>465</td>
<td>128</td>
<td>128</td>
<td>85</td>
<td>124</td>
<td>398</td>
<td>67</td>
</tr>
<tr>
<td>All firms (excluding 'Company didn't exist three years ago' responses), p. 6</td>
<td>12453</td>
<td>475</td>
<td>130</td>
<td>130</td>
<td>87</td>
<td>128</td>
<td>406</td>
<td>69</td>
</tr>
<tr>
<td>All firms (excluding don't know, refused and missing responses), p. 13</td>
<td>12162</td>
<td>450</td>
<td>126</td>
<td>124</td>
<td>79</td>
<td>121</td>
<td>386</td>
<td>64</td>
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<tr>
<td>All firms who invested in the last financial year, p. 2</td>
<td>12281</td>
<td>471</td>
<td>128</td>
<td>130</td>
<td>87</td>
<td>126</td>
<td>402</td>
<td>69</td>
</tr>
<tr>
<td>All firms who invested in the last financial year, p. 4</td>
<td>10881</td>
<td>381</td>
<td>108</td>
<td>105</td>
<td>68</td>
<td>100</td>
<td>319</td>
<td>62</td>
</tr>
<tr>
<td>All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4</td>
<td>10060</td>
<td>338</td>
<td>94</td>
<td>93</td>
<td>61</td>
<td>90</td>
<td>289</td>
<td>49</td>
</tr>
<tr>
<td>All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5</td>
<td>9682</td>
<td>317</td>
<td>97</td>
<td>80</td>
<td>58</td>
<td>82</td>
<td>264</td>
<td>53</td>
</tr>
<tr>
<td>All firms who invested in the last financial year (excluding don't know/refused responses), p. 10</td>
<td>9093</td>
<td>343</td>
<td>98</td>
<td>98</td>
<td>62</td>
<td>85</td>
<td>286</td>
<td>57</td>
</tr>
<tr>
<td>All firms who have planned to invest in the current financial year and who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses), p. 8</td>
<td>10536</td>
<td>354</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 10, p. 11</td>
<td>4344</td>
<td>115</td>
<td>31</td>
<td>37</td>
<td>13</td>
<td>34</td>
<td>90</td>
<td>25</td>
</tr>
</tbody>
</table>

### Percentage rounding

Percentage with value of less than 0.5 but greater than zero has not been displayed in the charts.