

The Direct Foreign Investments in Romania by the End of 2013

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Abstract

Nowadays, the economic reform is directed mainly towards finalizing the restructuring and privatization of the large state-owned companies as well as towards securing the coherence between the different components of the reform. This is why, the foreign investments policy is aiming a continuous increase of the production and, on this ground, of the exports, the development of the small and medium companies as well as a balanced regional development, these targets being considered as major instruments allowing the premises of the European integration of Romania.

The foreign investments are holding a special place within the volume of the investments achieved in the Romanian economy. The foreign investments policy has to be considered as a first step for supplementing the domestic requirements of capital as well as a source for bringing in new technologies, know-how and performant management.

Key words: *economic reform, foreign investments, development, regional development, policy*

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¹ Anghelache Constantin, Marinescu Radu Titus, Manole Alexandru, „Utilizarea modelelor dihotomice în analizele economico-financiare”, Revista Română de Statistică, București, decembrie 2009, cod ISSN 1018-046X.

The ISD net flow for the year 2012 recorded the level of 2,138 million euro and is structured as follows:

- Net participations of the direct foreign investors to the capital of direct foreign investment from Romania, amounting 795 million euro (37.2% out of the IDS net flow). The net participations to capital are resulting from the diminishing of the capital participations, amounting 2,676 million euro, by the net loss, amounting 1, 881 million euro. The net loss resulted by deducting, out of the ISD companies profit recorded in 2012, amounting 4, 691 million euro, the dividends distributed for the year 2012, counting for 2,212 million euro, followed by diminishing this value with the losses recorded by the ISD companies in 2012, amounting 4,360 million euro. The calculation procedure is complying with the international methodology for setting up the re-invested profit by the ISD companies, respectively the net loss recorded by these ones.
- The net credit received by the companies with direct foreign investment directly from the direct foreign investors, including within the group, amounted 1,343 million euro, counting for 62.8% from the ISD net flow. Out of the data concerning the ISD net flow and its components (there are relevant conclusions to underline).
 - For the majority of the economic activity domains, where the ISD hold a significant weight, there are increases of the participation to capital as to the ISD companies, which means a continuation of the investment process during the year 2012. The domains recording the most significant increases of capital have been the industry (1, 072 million euro), in which frame, the manufacturing industry (529 million euro) and the energy (497 million euro) are leaders; other domains recording significant capital investment have been financial intermediations and insurances (646 million euro), as well as constructions and real estate transactions (295 million euro);
 - The main economic domains where the losses exceeded the profits have been financial intermediations and insurances (376 million euro profit, 1, 015 million euro loss) and constructions and real estate transactions (255 million euro profit, 747 million euro loss).
 - Through the distribution for the year 2012 of significant amounts as dividends within the above mentioned domains, the net loss gets deeper (profit minus distributed dividends, minus losses). Thus, dividends amounting 134 million euro have been distributed in the domain of financial intermediations and insurances and 158 million euro in constructions and real estate transactions.
 - A number of domains have taken the advantage of important financings, through net credits mother-daughter, respectively: the manufacturing (606 million euro), energy (173 million euro), trade (423 million euro), constructions and real estate transactions (213 million euro).

- As far as the industry is concerned, although significant losses have been recorded (1,491 million euro) and dividends amounting 960 million euro have been distributed, by the recorded capital participations level (1,072 million euro), the net credits (862 million euro) received and the achieved profit (2,345 million euro), it benefited of a net flow if ISD amounting 1,828 million euro, representing 85.5 % from the ISD net flow for the year 2012.

The ISD net flow for the year 2011 recorded the level of 1815 million euro. The net participations of the direct foreign investors to the capital of direct foreign investment from Romania, amounted 1512 million euro (83.3% out of the IDS net flow).

The net participations to capital are resulting from the diminishing of the capital participations, amounting 4009 million euro, by the net loss, amounting 2497 million euro. The net loss resulted by deducting, out of the ISD companies profit recorded in 2011, amounting 4710 million euro, the dividends distributed for the year 2011, counting for 2075 million euro, followed by diminishing this value with the losses recorded by the ISD companies in 2011, amounting 5132 million euro.

The net credit received² by the companies with direct foreign investment, directly from the direct foreign investors, including within the group, amounted 303 million euro, counting for 16.7% from the ISD net flow.

The ISD net flow for the year 2010 recorded the level of 2220 million euro and is structured as follows:

- The net participations of the direct foreign investors to the capital of direct foreign investment from Romania, amounted 1824 million euro (82.2% out of the IDS net flow).
- The net participations to capital are resulting from the diminishing of the capital participations, amounting 4067 million euro, by the net loss, amounting 2243 million euro. The net loss resulted by deducting, out of the ISD companies profit recorded in 2010, amounting 4222 million euro, the dividends distributed for the year 2010, counting for 4495. The calculation procedure is complying with the international methodology for setting up the re-invested profit by the ISD companies, respectively the net loss recorded by these ones.
- The net credit received by the companies with direct foreign investment, directly from the direct foreign investors, including within the group, amounted 396 million euro, counting for 17.8.7% from the ISD net flow.

² Mădălina Gabriela ANGHEL – Actual Romanian Capital Market Characteristics, ART ECO - Review of Economic Studies and Research, Vol. 3/No. 3, Editura Artifex, 2012, pg. 10 – 13, ISSN 2069 - 4024

The final sold of the ISD by December 31st, 2012 recorded the level of 59,126 million euro, 7.2% higher as against the final ISD sold relating to the year 2011. This outcome resulted out of adding to the sold of the initial net flow of the ISD the positive/negative value differences originating both in the re-evaluations due to the alterations of the exchange rate of leu and certain assets prices and to accounting reconsideration of the initial sold of certain reporting companies.

The final sold of the ISD by December 31st, 2011 recorded the level of 55,139 million euro, 4.9% higher as against the final ISD sold of the year 2010. This outcome resulted out of adding to the sold of the initial net flow of the ISD the positive/negative value differences originating both in the re-evaluations due to the alterations of the exchange rate of leu and certain assets prices and to accounting reconsideration of the initial sold of certain reporting companies.

The participations to the social capital (including the re-invested profit as well) of the companies with direct foreign investment recorded, by the end of the year 2012, a value 39,266 million euro (66.4% of the ISD final sold), while the total net credit which they have received from the direct foreign investors, including within the group, recorded the level of 19,860 million euro, representing 33.6% of the ISD final sold.

The final sold of the ISD by December 31st, 2010, resulting out of adding to the sold of the initial net flow of the ISD the positive/negative value differences originating both in the re-evaluations due to the alterations of the exchange rate of leu and certain assets prices and to accounting reconsideration of the initial sold, recorded the level of 52,585 million euro, 5.2% higher as against the final ISD sold of the year 2009.

The final sold of the ISD for the year 2009, resulting out of adding to the sold of the initial net flow of the ISD the positive/negative value differences originating both in the re-evaluations due to the alterations of the exchange rate of leu and certain assets prices and to accounting reconsideration of the initial sold, recorded the level of 49,984 million euro, 2.4% higher as against the final ISD sold of the year 2008.

The evolution of the net flow and sold of the direct foreign investments is submitted in the following table :

Table 1. Indicators of the foreign investment in Romania 2008-2012

Indicators	2008	2009	2010	2011	2012
ISD net flow (mil.euro)	9496	3488	2220	1815	2138
ISD sold (mil.euro)	48798	49984	52585	55139	59126

From the point of view of the distribution of the ISD in 2012, by economic branches (according to CAEN Rev. 2), they have been concentrated mainly in the manufacturing industry (31.3 % of total). In the frame of this industry, the best

represented branches are the crude processing, manufacturing of chemicals, rubber and plastics (6.7% of the total ISD), the conveyance means industry (5.4%), metallurgy (4.9%), foodstuff, beverage and tobacco (3.7%) and cement, glass and ceramics (2.8 %).

Besides industry, the other activities which have drawn significant ISD are the financial intermediations and insurance (representing 18.5 % of the total ISD), the trade (11.4%), constructions and real estate transactions (9.2%), information technology and communications (4.8%).

To note that the corporal and non-corporal immobilizations, recording a sold of 27,412 million euro by the end of the year 2012, are representing 46.4 % of the total sold od ISD which leads to a significant degree of stability of the foreign investment. The economic activities where the ISD are found as corporal and non-corporal immobilizations at a significant level are: the industry (27.7% of the total ISD, while in this frame the manufacturing industry counts for 17.9 % of the total ISD); trade (5.9%) as well as constructions and real estate transactions (4.8%).

Table 2. ISD by economic activities, 2008-2012

Million euro

Activities	2008	2009	2010	2011	2012
Total, off which	48798	49984	52585	55139	59126
Industry, off which	20138	20680	23093	24487	27455
Extractive industry	2158	2221	2388	2753	3225
Manufacturing industry	15236	15555	16840	17372	18509
Electric energy, gas and water	2744	2904	3865	4362	5721
Vocational, scientific, technical and administrative activities and supporting services	1617	2299	2560	2679	2843
Agriculture, forestry and fishing	707	552	1068	1316	1402
Commerce	6060	6164	6519	6282	6714
Constructions and real estate transactions	6155	6453	4746	5897	5466
Hotels and restaurants	181	213	417	431	348
Information technology and communications	3283	3235	10055	10026	2854
Financial intermediations and insurances	10026	9510	3081	2967	10914
Transports	500	684	788	787	876
Other activities	131	194	258	267	254

From the point of view of the distribution of the ISD in 2011, by economic branches (according to CAEN Rev. 2), they have been concentrated mainly in the manufacturing industry (31.5 % of total). In the frame of this industry, the best represented branches are the crude processing, manufacturing of chemicals, rubber and plastics (6.3% of the total ISD), the conveyance means industry (5.2%), metallurgy (4.9%), foodstuff, beverage and tobacco (4.1%) and cement, glass and ceramics (3.2 %). Other activities which have drawn significant ISD are the financial intermediations and insurance (representing 18.2% of the total ISD), the trade (11.4%), constructions and real estate transactions (10.7%), information technology and communications (5.4%).

From the territorial point of view it is obvious that the ISD have been directed mainly towards the development region BUCUREȘTI-ILFOV (60.6%), the next to count as beneficiaries of ISD being the following development regions: CENTER (7.8%), WEST (7.6%), SOUTH-MUNTENIA (7.2%) and SOUTH-EAST (5.5%). To note the fact that the ISD have been located from the territorial point of view according to the social headquarter of the companies with direct foreign investments, which does not always correspond to the actual place the activity is carried on.

Table 3. Number of companies with foreign participation to capital

Sold by the end of the period	Number of companies		Value of the subscribed social capital					
			Total expressed in national currency		Total expressed in foreign currency equivalent		Total expressed in foreign currency equivalent	
	Nr.	%	mii Lei	%	mii USD	%	mii EURO	%
0	1		2		3		4	
December 31st, 2013, off which	192.416	103,6	129.484.939,1	108,8	50.548.651,9	106,6	37.692.344,7	106,7
December 31st ¹ , 2012	185.792	103,6	119.055.965,0	111,9	47.398.370,7	108,4	35.336.541,0	108,8
December 31st, 2011	179.407	103,7	106.351.276,3	110,6	43.719.608,5	111,9	32.480.124,4	111,9
December 31st 2010	173.030	103,8	96.160.790,2	122,1	39.059.823,5	115,2	29.150.692,0	115,5
December 31st 2009	166.728	104,3	78730295,5	124,1	33915262,8	116,6	25236251,3	116,2
December 31st 2008	159927	108,3	63426984,9	131,1	63426984,9	125,6	63426984,9	122,5
December 31st 2007	147663	100,0	48392059,2	100,0	23173116,8	100,0	17739208,0	100,0

Depending on the *origin*, in the year 2013 the number of entries of commercial companies with foreign participation to the subscribed social capital is reflecting a close connection of the Romanian economy with the European economy. Thus, 85.83% of the investments are coming from Europe and only 6.57% only from countries located in Asia, North America or other regions of the world.

In December 2013, the top ten of the values of the total subscribed social capital, expressed in euro, by residence countries of the investors, included: France, Germany, Cyprus, Italy, Holland, China, Luxembourg, Poland, USA and Russia.

Although the factor foreign investments is considered as fundamental for the positive development of any national economy³, there have been not enough steps taken in order to increase the attractiveness of Romania for the perception of the foreign capital. A series of major difficulties in this respect are given by certain provisions of the economic legislation and fiscal policies, so that the impact of certain fiscal steps on the vision of the existing and potential foreign investors was not always *a priori* evaluated.

It is necessary to have convincing and energetic steps adopted in order to draw additional funds of capital from abroad, steps meant to improve the reticence among the foreign investors.

Presently, it is stated out that investors from certain countries⁴ are showing an increased reticence as regards the potential opportunities offered by our country. Thus, out of the analysis of the data for the year 2013, the Czech Republic, Spain, Switzerland, Belgium, the United Kingdom and Turkey hold a low weight in the invested foreign capital. Among the neighboring countries, Russia is the only partner country in this field holding a more significant weight.

As far as the Arabic countries are concerned, the only notable presence is Lebanon.

The territorial profile of the foreign investments for the year 2013 is reflecting significant disparities between districts. If in București, Timiș, Ilfov, Constanța or Cluj, we can note a high participation of the foreign capital to the economic activity, in Alba, Bistrița-Năsăud, Buzău or Călărași, this aspect is not reflecting the actual potential of the respective districts.

Meantime, to note that part of the foreign investors belong to the diaspora, being of Romanian nationality.

³ Păunică Mihai, Țurlea Carmen, Matic Liviu Marian, Manole Alexandru, „Proiectarea depozitelor de date prin prisma instrumentelor analizei economico-financiare”, Revista Română de Statistică, București, iunie 2009, cod ISSN 1018-046X.

⁴ Anghelache, Gabriela Victoria, Mădălina Gabriela ANGHEL – Efectele crizei economico-financiare asupra pieței de capital din țara noastră, Simpozionul Științific Internațional „Efecte și soluții pentru criza economico-financiară”, Editura Artifex, București, 2009, pg. 174 – 177, ISBN 978-973-7631-63-3

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