

FOREIGN DIRECT INVESTMENT IN ROMANIA

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Abstract: *The paper presents an analyse of foreign direct investments in Romania. There were taken into consideration a few indicators in order to determine the evolution of chosen indicators and the impact of foreign direct investment in local economy. The chosen indicators refer to foreign direct investment balance, turnover, average number of employees and exports. All these indicators were analysed for a period of eight years, during 2009 and 2016. There were also presented the most important countries which developed foreign direct investments in our country. In the end it was observed the fact that a lot of those investments are new investment (greenfield), and also the impact of exports over the trade balance.*

Key words: *investment, turnover, exports*

1. Introduction

According to UNCTAD in Handbook of Statistics 2017, foreign direct investments (FDI) is defined as an investment reflecting a lasting interest and control in one economy, in an enterprise resident in another economy (foreign affiliate). FDI inflows comprise capital provided by a foreign direct investor to a foreign affiliate, or capital received by a foreign direct investor from a foreign affiliate.

The benefits of FDI are important for both sides involved.

For the incoming economy we observe the increase of work places which positively affect the living standard. Also, the state budget receives much more money from companies' taxes meaning the increase of GDP.

In the same time the foreign companies bring new knowledges, a performant management and their own organizing methods. All of these and, of course the new technologies means the increase of productivity.

A lot of multinational companies implement some continuous learning processes. Thus, the employees improve their abilities, get new skills which improve their activity with a positive effect over productivity also.

For the foreign companies the benefits refer to low costs, the possibility of using local raw materials, labour force well trained. All of those mean the increasing of the company's profit.

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2. Objectives

The paper analyses the evolution of Foreign direct investment in Romania taking into consideration the importance of that field in countries economy.

The objective is to observe the among of FDI in Romanian economy, the impact over labour force, and over the total foreign companies turnover.

There will be also presented the main foreign countries which invested in Romania.

3. Methodology

The data sources were from official statistics from EUROSTAT, BNR, INSSE, UNCTAD, World Bank.

There were applied statistical indicators, time series indicators in order to analysed the information.

Also, the main information was synthetized in graphics and tables.

4. Foreign Direct Investment in Romania

4.1. Foreign direct investment balance in Romania

In Romania, especially after 2007 when adhered to the European Union, a large number of multinational companies choose to open businesses in our country.

From that moment, the foreign direct investment balance evolution is presented below (Figure 1):

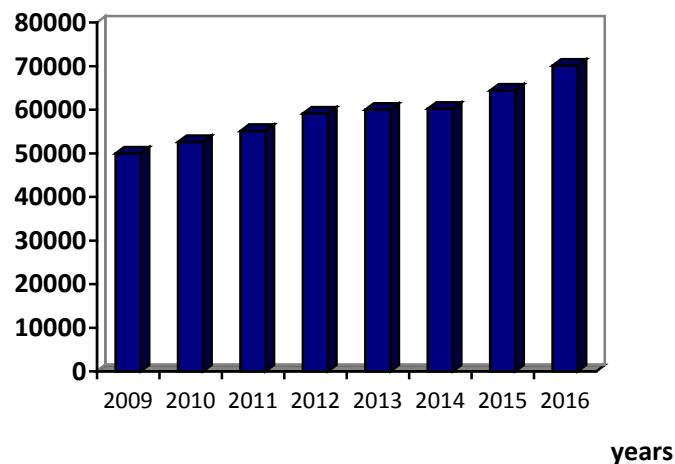


Fig. 1. *FDI in Romania at 31st of December (source BNR)*

As we can observe from the figure, FDI in Romania increase on the entire analysed period.

In comparison with the based year 2009, the FDI increased every year, with 2601

millions EURO in 2010, representing 5,2% and reaching in the final year of analyse to an increase with 20129 million EURO in 2016, meaning an increase with 40,27%.

If we compare the FDI evolution in each year in comparison with the previous one we can observe also an increase in each period. The highest increase was in 2016 in comparison with the previous year 2015, meaning with 5680 million EURO, that is 8,82% more. In 2017, in Romania, FDI balance reached to 70113 million EURO (data source BNR).

On the entire period 2009-2016 the total FDI balance in Romania situated at a level of 471536 million EURO.

In average every year, the FDI balance in Romania increase with 58942million EURO which represents 4,95% more, every year.

The most important contribution in FDI in Romania belongs to Netherland with 24,3% from the entire FDI balance, Germany with 13,2%, Austria with 11,9%, France with 6,9%, Ciprus with 6,5% followed at short distance by Luxembourg with 6,3%.

Over 47% from total are new investment objects (greenfield).

Like a percent in total FDI even during the economic crises the level of new investment was over 47%. In 2015 almost 57% from total FDI were invested in greenfield, meaning that Romania is an attractive country for foreign investors and able to offer proper condition for developing new businesses.

On the main regions the situation is like in Table 1.:

FDI balance on regions at 31st of December 2016 Table 1

Region	Million EURO	%
Total	70113	100
Bucuresti-Ilfov	42021	59,9
Centru	6379	9,1
Vest	5605	8,0
Sud-Muntenia	4837	6,9
Nord-Vest	4108	5,9
Sud-Est	3477	4,9
Sud-Vest-Oltenia	2080	3,0
Nord-Est	1606	2,3

Source: BNR

We can observe that the highest level on FDI balance is situated in Bucuresti-Ilfov region, with 59,9%, followed by Centru region with 9,1% and Vest region with 8,0%. But it seems that those statistics are not always corresponding with reality.

The reason is the way that those information are read. It seems that are a lot of companies which start their businesses in a place but the activity is in another place.

The FDI value in a region is taking into consideration not by the place that company works but by the registered office.

On the main activities the allocation of FDI balance at 31st of December 2016 was mostly in industry 44,2%, constructions 14%, trade 12,8% insurance 12,6%.

4.2. Turnover and average number of employees

The next analyse refers to the turnover obtain by foreign companies in Romania, during the same period 2009-2016. On the entire analysed period the total FDI turnover was at the level of 1091627 million EURO.

The evolution of the turnover during this period is presented in Figure 2:

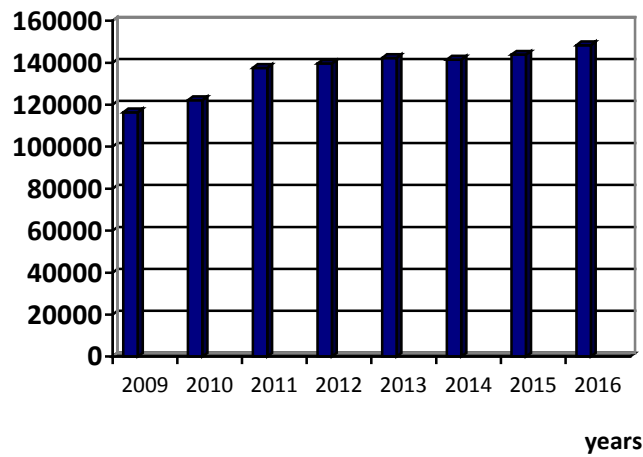


Fig. 2. *Multinational companies' turnover in Romania (source BNR)*

Total FDI companies' turnover situated between 116422 million EURO in 2009 and 148364 million EURO in 2016.

In comparison with 2009, the first year of analyse, turnover increase every year, with 5736 million EURO in 2010 meaning with 4,93% more and reaching to an increase of 31942 million EURO in 2016 which represents with 27,44% more.

The turnover analyse every year in comparison with the previous year show that the situation in almost the same, meaning a continuous increase, except one year. The exception was in 2014 in comparison with previous year 2013 when the total companies FDI turnover decrease with 697 million EURO which represent 3,12%. In the other years there were only increases, the highest one being in 2011 in comparison with the previous year 2010 with 15340million EURO, representing with 12,56% more. On the entire period, in average, the annual total FDI turnover was at the level of 136453million EURO.

In average, during the entire analysed period the total companies FDI turnover increase with 4563 million EURO which represent with 3,52% more.

The average number of employees in total companies FDI evolution in presented in Figure 3:

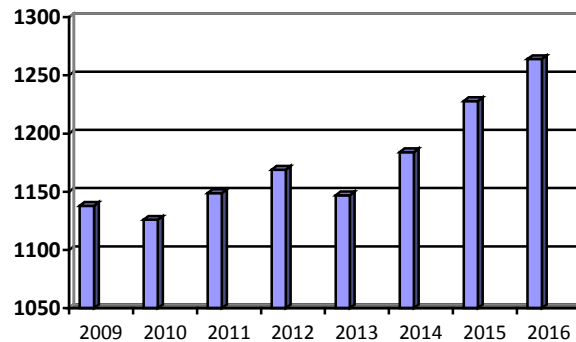


Fig. 3. *Multinational companies' average number of employees (source BNR)*

The average number of employees during the entire period situated at a level of 9405 thousands persons. The average number of employees was not constant every year. In comparison with the first year of analyse 2009, the average number of employees decrease in 2010 with 12 thousands of persons, meaning with 1,05% less. In the following years the average number of employees increase every year reaching in the last year of analyse 2016 at 126 thousands persons which represents with 7,91% more. If we analyse the evolution of the average number of employees in every year in comparison with the previous year, we can observe small differences. A different situation was in 2013 in comparison with the previous year 2012 when the average number of employees decrease with 22 thousands persons meaning with 1,08%. In the other periods we have only increases. The highest increase of the average number of employees was in 2015 in comparison with the previous year 2014, with 44 thousands persons, which represents with 3,72% more. In average, in average, every year the average number of employees situated at a level of 1176 thousands of persons. In average, every year, the average number of employees increase with 18 thousands of persons which represent an increase with 1,1%.

4.3. FDI companies exports

The evolution of FDI exports in Romania during 2009-2016 is presented in Figure 4. In Romania during the entire analysed period the total FDI export were at the level of 218608 million EURO (source BNR). The export increase during the entire analysed period. If we compare exports from each year with the first year from the series we can observe a permanent increase, reaching in the last year of the series 2016 to be higher with 18498 million EURO which represents with 94,14% more. If we analyse the evolution of FDI companies exports for the each year in comparison with the previous year the situation is presenting small differences. In 2012 in comparison with the previous year 2011 we observe a small decrease of FDI company's exports with 746 million EURO, representing 2,3% less. The highest increase was in 2010 in comparison with the previous year 2009 with 6307 million EURO meaning with 32% more.

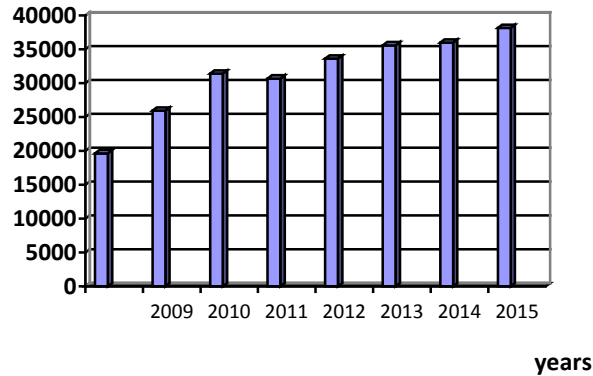


Fig. 4. *FDI exports (source BNR)*

Also in the last year of series 2016 the FDI companies exports increase with 2153 million EURO, which represent with 7,2% more in comparison with 2015. According to BNR this has a huge impact over the Romanian trade balance in a positive way and in average FDI companies' exports represents almost 70% from total exports.

5. Conclusions

The importance of FDI in Romania is obvious, creates new work places, increase the living standard level. From the economic point of view increase the GDP level thru taxes paid to the state budget. As we also observe increases the trade balance. On the other hand we can also talk about the attractiveness of Romanian economy, and of course the existence of good social conditions, financial ones, truthful institutions

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