CBI MARKET SURVEY

The natural stone and stone products market in Romania

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Introduction

This CBI market survey gives exporters in developing countries (DC) information on some main developments in the natural stone and stone products market in Romania. The information is complementary to the information provided in the CBI market survey 'The natural stone and stone products market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

Note: In Chapter 1 Market description: consumption and production, the following product groups are addressed:
- blocks & slabs
- landscape design
- monumental and funeral

Monumental & funeral is an aggregate of flooring & cladding and funeral & other arts sub products groups which are disaggregated and dealt with separately in the Import/Export section. For more information about the product groupings, please refer to Appendix A in the CBI survey 'The natural stone and stone products market in the EU'.

1 Market description: consumption and production

Consumption

Romania is inhabited by 22 million people making it the 8th most populated in the EU. Romania is a small market for finished stone products in the EU. It consumes about 0.8% of the total EU consumption and is ranked 14th based on consumption, above Cyprus (0.5%) and below Denmark (1.2%). In 2008, 3,266 thousand tonnes of natural stone and stone products were consumed, of which 264 thousand tonnes of finished stone[1], with a value of € 57 million.

Table 1.1 Romanian consumption per product group, 2004 – 2008, € million/1'000 tonnes

	2004		2006		2008		CAGR*
Product group:	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	
Blocks & slabs	n.a.	n.a.	8.5	1'500	19	3'002	96%
Landscape design	0.7	8.0	3.6	41	3.6	146	51%
Monumental & funeral	16	37	33	83	54	118	36%

*CAGR: Compounded annual growth rate
Source: Eurostat (2009)

In 2008, Romanian consumption of natural stone consisted of monumental & funeral (71%), landscape design (25%) and blocks & slabs (4.8%). With the accession of Romania to the EU in 2007, came significant financial support explaining the strong growth of the natural stone sector. However, even though East European countries are the least affected by the economic situation, construction outputs are under pressure.

[1] Finished stone products are the sum of product groups landscape design, and monumental & funeral, and therefore excludes blocks & slabs.

Whilst May 2009 still saw an increase in the construction of residential buildings (+8%), permits issued at that same time were down (-49%). Non-residential construction also experienced a decrease however with only 7.1%. Therefore, the construction market will remain dependent on credit and consequently be dominated by a wait and see attitude with renovation of houses being the only exception. The market for natural stone is therefore not expected to grow as fast as in recent years. Chances for natural stone especially lie in the market for renovation market (e.g. 10mm tiles). Nevertheless, also Do-It-Yourself (DIY) stores such as Praktiker Romania, the largest in the country, experienced an annual reduction (-3.0%) in sales in May 2009 with net sales down to € 110 million.

The Romanian economy is however expected to recover by 2011. Although Romanian minimum wages are among the lowest in of the EU (€ 113 per month), the standard of living is slowly increasing. Also Romania will continue to receive EU funds for construction and development till at least 2014. In the long run therefore the market is expected to continue the strong growth from before the economic crisis till at least 2014.

EU funding
Because Romania has recently joined the EU it is receiving many funds in the period 2007-2013 (http://www.structural-funds-romania.ro) that are going towards improving infrastructure, medical and educational facilities etc. Usually these projects entail large quantities of flooring & cladding and landscape design. Orders for construction are allocated through tender processes. If you are interested you are advised to contact the relative municipalities and local contractors this year. After 2013 EU funding will go down drastically and the demand for natural stone will be strictly dependant on the actual demand of Romanian consumers.

Market segmentation
The Romanian market can be divided into the following segments:
- Building industry (construction): by far the biggest consumer of natural stone.
- Natural stone processing industry: a traditional industry that used to be state owned and dominated and is in a state of transition towards private ownership and modernisation.
- Funeral industry: a large retail sector selling funerary art, such as tombstones, gravestones and urns. Natural stone for funeral art is very common in Romania.
- Consumer market: other retailers including DIY outlets, garden centres and tiles specialists continue to gain market share.

The segmentation is generally similar to the trade channels discussed in this survey. Therefore for more information regarding these segments in Romania please refer to chapter 2. For more information on market segmentation in the EU please refer to chapter 1 of the CBI survey 'The natural stone and stone products market in the EU'.

Consumption trends and developments
- ***Traditional and authentic taste:*** In general Romanians are highly price sensitive, given their low purchasing, however favour foreign natural stone products. For residential buildings, beige and brown with brushed finish for flooring and polished finish for cladding dominate. Polished black, brown and beige are predominant for emerging international companies in the hot spots.
- ***Neighbouring countries:*** Romania has many bordering nations. Poland is the largest East European economy in the region. However German and Turkish companies are also investing (for example Praktiker is German and Tekzen is Turkish owned) in Romania. Turkish companies are also involved in many tourism accommodation projects along the coast. This provides good opportunities for DC exporters that want to supply other countries as well.
- ***Alternatives:*** Cheaper alternative materials such as composite materials like quartz for tiles and kitchen are growing in popularity. The quartz market is dominated by two brands: Silestone and Caesarstone. Price predominates in choice.

- ***Ageing population:*** Romania's population is slowly ageing and is expected to decline with 20-30% in 2016; almost 15% (2.4 million) now is over 65 years old. In contrary to Western Europe, elderly in Eastern Europe are generally not wealthy. However, in the long term there will be an increased demand for funerary art (tombstones and urns).
- ***Hot spots:*** The Romanian market is relatively small with a low percentage of the population living in urban settings. There are however some large urbanized areas most notably the Bucharest (2.2 million), Constanta (0.6 million), Brasov and Lasi (both 0.4 million). The average GDP per capita is higher in these areas than in other areas in Romania; there lies the highest concentration of housing and highest purchasing power. Bucharest for example has development plans to expand its metropolitan area to twenty times its current size in the next 10 years. Also along the coast line developments are emerging and since 2009 foreign DIY companies are also targeting cities with a population over 40,000. The best prospects for DC exporters are to be found in those urbanised areas.
- ***Investing property:*** It is forecasted that the market for natural stone products for in and around the house will continue to rise as social housing is giving way to home ownership. A similar trend is forecasted for commercial property driven by international developers and large infrastructural projects driven by EU subsidies in the hot spots.

Production

In 2008, Romania produced 132 thousand tonnes of finished stone products representing a value of € 21 million. As such, Romania accounts for 0.3% of total EU production of finished products and ranks 15th, above Czech Republic (0.2%) and below Denmark (0.5%). Production consisted of 56% for monumental & funeral products and 44% for blocks & slabs. Production of finished stone products has been increasing at a rate of 8.8% per year following the increase in consumption (+36%).

Table 1.2 Romanian production per product group, 2004 – 2008, € million/1,000 tonnes

	2004		2006		2008		CAGR*
Product group:	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	
Blocks & slabs	n.a	n.a.	6.9	1'501	16	2'998	n.a.
Landscape design	0.3	6.9	2.9	36	n.a.	106	n.a.
Monumental & funeral	15	26	21	32	21	26	8.8%

*CAGR: Compounded annual growth rate
Source: Eurostat (2009)

Romanian quarry owners and stone masons have benefitted from the favourable economic situation in Romania and abroad. The demand for local and foreign products has gone up significantly. In the mean time foreign demand for Romanian marble and travertine, which is relatively cheap, has increased as well. However the Romanian have not yet established many trade channels to sell their products abroad. Coming years production is expected to be slower as demand is dropping in Romania as well as abroad and due to the increased market share of DC products in general.

Moreover the Romanian natural stone branch is not capable of meeting the demand and in need of modernisation in order to become more effective and efficient. In order to make these steps Romanian companies are open for various forms of cooperation and partnerships. Tenders are therefore also often responded upon by international coalitions. Tenders are listed at the Electronic System for Public Acquisitions, www.e-licitatie.ro.

Romania's natural stone industry is reasonable big. Best known natural stones are: Ruschita (Light) Pink, Ruschita Orange, Ruschita White Yellowish, Ruschita Whitish and Ruschita Yellowish. The National Agency for Mineral Resources (http://www.namr.ro/main_en.htm) is the competent administrative body and can provide a list of the companies that have a licence to mine. An other good portal is Info Mine (http://www.infomine.com/countries/romania.asp).

Alternatives
If you offer natural stone that is similar to local stone you might be able to compete with local suppliers on price. Therefore it good to be well informed before approaching buyers. For more information about the natural stone types extracted in Romania visit the website of the Graniteland (http://www.graniteland.com).

Opportunities and threats

+ The size of the Romanian market makes is an attractive market.
+ The increasing standard of living is making natural stone a more popular material for the business as well as the consumer market.
± Although growth in the construction market and the economy is expected to drop, the natural stone market is expected to keep growing, however not as much as before.
± There are good opportunities for DC to sell blocks and finished products of marble and granite as well as to buy Romanian marble and travertine and to sell these (with added value) elsewhere.
- Although the Romanian natural stone market does not have the capacity to meet the demand it is still can be a serious competitor.
- Wages are still low decreasing the low-cost advantage of DC.

Note that the above-mentioned developments and trends can be an opportunity for one exporter and a threat for another. Therefore, exporters should analyse the developments and trends discussed in the previous chapters to make their own analyses. The outcome of this analysis depends on the specific situation of an exporter. For an example of such an analysis, please refer to Chapter 7 of the CBI market survey 'The natural stone and stone products market in the EU'.

2 Trade channels for market entry

The Romanian market is diverse. Large companies can act as producer, importer, wholesalers and distributors or a combination of any of these. The trade channels in Romania are for a large part integrated into the German and Turkish (with whom it shares the Black Sea) trade channels.

Wholesaler/importers buy their natural stone directly from supplying countries. The Romanian importers are generally small companies and only a few players are active nationwide. These companies active in the stone sector are still very much in development. They sometimes do not have websites yet making it harder to find them. To get into contact with new suppliers however they do use internet or visit trade fairs. Find below some importers/wholesalers active in Romania:

- Maer Romanian - http://www.maergroup.com – largest importer of natural stone in Romania with product from all over the globe and quarries in Brazil and India
- Tehnostone - http://www.piatra-naturala.ro - wholesaler/importer
- Marmura - http://www.marmura-granit-travertin.ro - wholesaler/importer
- http://www.romanian-companies.eu/search.asp – for a selection of wholesale/ importers

Retailers like Do-It-Yourself (DIY) stores and tiles specialists buy mainly from wholesalers and importers, although the larger DIY stores are also known for buying from exporters directly. Do-It-Yourself (DIY) stores such as Praktiker Romania, the largest in the country, experienced an annual reduction (-3.0%) in sales in May 2009 with net sales down to € 110 million. Retailers mainly focus on the consumer market but some installers and contractors also get their material from retailers. Examples retailers active on the Romanian market are:

- Praktiker - http://www.praktiker.ro/praktiker-international/html/en/869/index.html - the largest DIY company of Romania with 26 stores.
- Bricostore - http://www.bricostore.ro – main competitor of Praktiker.
- Marmur Art - http://www.marmurart.ro – provider of marble and granite products.

- SC Stoneage - http://www.afacerist.ro/firma/sc_stoneage_srl_2303.html - retailer of natural stone products.
- Baratin - http://www.baratin.ro – processor and retailer of granite & marble products.

The natural stone processing industry buys from wholesalers/importers, quarries its own stones or, depending on the size of the company, buys directly from supplying countries. The processing industry processes raw material and/or semi-finished products and supplies the retail market with their value added product. There are also processing companies that act as retailers. There are some quarries in Romania that are owned by the state and therefore are receiving government funding. This makes it harder to compete against. Examples of processing companies active on the Romanian market are:

- CMC - http://www.cmc.ro – extractor, processor and importer of blocks & slabs
- Ghida faceri - http://www.ghidafaceri.ro - a processing company which uses Italian equipment to finish of natural stone products.
- Titan Mar Marmosim - http://www.titanmar.ro - large quarry owner and producer of pink marble in the world, according to their website it accounts for 95% of the national production of marble and limestone blocks and about 75% from the finished tiles production.

Independent buyers in Romania are major (mainly international) companies which often buy directly from supplying countries for large building projects. Other main projects are generated through the Romanian government and have to undergo tender processes.

Romanian partnerships
In response to the large demand for natural stone and the economic situation many Romanian companies seek partnerships. Tenders are therefore most often responded upon by international coalitions. Tenders are listed at the Electronic System for Public Acquisitions, www.e-licitatie.ro. Over time it is expected that the Romanian natural stone industry will become more of a niche market to supply for monumental renovations, authentic Bulgarian and specialized high end constructions and products.

For additional information on trade channels please consult the CBI market survey ‘The natural stone and stone products market in the EU’.

Price structure

Unfortunately the Romanian companies contacted for the purpose of this survey were not willing or able to share there margins or prices. This shows that this topic should be dealt with in a sensitive manner. Before starting about prices and margins establish a relationship with your trading partner. Refer to the websites listed in Chapter 4 to get an idea of the prices Romanian companies are asking for their natural stone products. Based on your findings you can determine whether you are able to offer a competitive price. For more information about price structure please refer to chapter 3 of the CBI survey ‘The natural stone and stone products market in the EU’.

Useful sources

For other potential trading partners please use the following links:

- Major companies in Romania - http://mcir.doingbusiness.ro ➔ go to ‘Building industry’
- Construct Ambient Expo - http://www.constructexpo-ambient.ro ➔ go to ‘Exhibitors’
- Camex - http://www.camex.ro ➔ select a fair of your interest ➔ go to ‘Archive’ for a list of past exhibitors
- Stone contact - http://www.stonecontact.com ➔ go to ‘Companies’ ➔ write down ‘Stone’ and press ‘Search’ ➔ go to the box that says ‘All countries’ and click on it to select Romania for an overview of a several natural stone companies
- Europages - http://www.europages.com – international directory that includes natural stone companies in Romania ➔ fill in ‘natural stone’ and select Romania

3 Trade: imports and exports

Imports

In the Romanian natural stone market, about € 45 million or 147 thousand tonnes of natural stone and stone products were imported in 2008. Romanian imports increased by an annual average of 37% in value between 2004 and 2008. EU imports in total increased at a slower pace (+4.7% per year). Romania is the 14th largest importer in the EU accounting for 1.2% of EU imports; just above Sweden (1.1%) and below Portugal (1.5%).

Table 3.1 Romanian imports per product group between 2004 – 2008, € million/1'000 tonnes

	2004		2006		2008		CAGR*
Product group:	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	
Blocks & slabs	2.1	9.0	2.5	8.3	2.8	7.0	7.8%
Landscape design	0.6	3.5	1.0	7.8	4.4	42	64%
Flooring & cladding	5.7	16	6.8	27	13.9	41	25%
Funeral & other art	4.3	8.1	14	37	23.5	57	53%
Total	**13**	**37**	**24**	**80**	**45**	**147**	37%

*CAGR: Compounded annual growth rate
Source: Eurostat (2009)

In 2008, Romanian import of natural stone consisted of funeral & other art (53%); landscape design (9.8%) and blocks & slabs (6.3%).

When comparing figures it becomes clear that the increase in the consumption of monumental & funeral products[2] (+53% per year) between 2004 and 2008 benefitted both its production (+8.8%) as well as imports (+39%). However growth of the latter was more significant implicating that Romania is becoming more reliant on imported natural stone at the expense of Romanian processors. In addition, Romanians in general favour foreign stone implying that a large amount of the domestic production is exported.

Imports from DC

Approximately 34% was imported from intra-EU countries, 0.6% from extra-EU countries and 65% from DC. The share of imports from DC has increased substantially over the years from 34% in 2004 to 65% in 2008. In 2007, China (34%) was the most important country exporting to Romania. Other large DC suppliers were Turkey (19%), and India (5.6%). The DC market share is especially high in the finished stone product groups: funeral & other art (72%), flooring & cladding (72%) and landscape design (37%). DC account for 25% of imported intermediate stone products. DC imports especially increased in the product groups funeral & other art (+86%), flooring & cladding (+53%) and landscape design (+33% per year). Market share of intermediate products from DC however decreased by 3%.

The future for imports from DC is still reasonably positive. There will be a drop in demand because Romania is affected by the global economic turndown. However in recent years DC imports (+61% per year) have grown well above the average level of growth (+37%) and are expected to keep growing however not as pronounced as in previous years.

Exports

In the Romanian natural stone market, about € 6 million or 10 thousand tonnes of natural stone and stone products were exported in 2008 which means a considerable decrease from 10 thousand tonnes worth € 7 million in 2007. Romania exports only 0.1% of the total EU export. It ranks 20th below Ireland (0.3%) and above Luxembourg (0.1%).

[2] Because production and consumption figures of other product groups are partly missing, conclusions can only be drawn for monumental & funeral products.

Table 3.2 Romanian export per product group between 2004 – 2008
€ million/1,000 tonnes

	2004		2006		2008		CAGR*
Product group:	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	
Blocks & slabs	0.8	10	0.9	8.4	0.6	2.6	-8.6%
Landscape design	0.3	2.4	0.3	2.9	0.7	1.6	29%
Flooring & cladding	5.2	9.8	4.3	9.1	2.6	4.3	-16%
Funeral & other art	3.7	3.6	3.7	3.1	1.8	1.8	-17%
Total	**10**	**26**	**9.5**	**24**	**5.7**	**10**	-13%

*CAGR: Compounded annual growth rate
Source: Eurostat (2009)

In 2008, Romanian exports consisted of flooring & cladding (46%); funeral & other art (31%); landscape design (13%) and blocks & slabs (9.7%). Exports have been decreasing in recent years due to increased international competition and reduced demand as a result of the economic situation. However domestic demand has been increasing a lot making it easier for Romanian producer to sell their products locally. Expectations are that exports will drop in coming years and stabilize in the long run.

Opportunities and threats

+ All products groups show significant growth potential for DC exporters.
+ The Romanian market is increasingly dependent on imported stone from DC and this is expected to continue in the future.
+ Romanian enterprises are seeking coalitions providing chances for DC to work together with the Romanian sector.
± Whilst prices from DC imports and other extra-EU imports increased, prices from intra-EU decreased however are in general still higher.
- Romania is still a relatively small importer of natural stone and stone products.
- Competition both from other DC as well as from local producers is likely to be high.

Note that the above-mentioned developments and trends can be an opportunity for one exporter and a threat for another. Therefore, exporters should analyse the developments and trends discussed in the previous chapters to make their own analyses. The outcome of this analysis depends on the specific situation of an exporter. For an example of such an analysis, please refer to Chapter 7 of the CBI market survey 'The natural stone and stone products market in the EU'.

Useful sources

- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu
- Eurostat – official statistical office of the EU – http://epp.eurostat.ec.europa.eu
- Understanding Eurostat: Quick guide to easy Comext – http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4 Price developments

Import figures show that the average price of natural stone and stone products decreased by 3% per year. Prices of all product groups in the finished stone category dropped; landscape design (-12% per year), funeral & other art (-6% per year) and flooring & cladding (-1%). Prices of blocks & slabs however increased significantly (+15%). Prices in the EU as a whole increased by 6.3% per year. Prices of natural stone imported from DC has increased (+5% per year) however not as much as prices from extra EU (+19%) while imports from other within the EU decreased (-10%).

Despite the fact that DC are exporting products with more added value to Romanian market, it is threatened by increased competition from DC suppliers. In recent years technology and know-how have slowly transferred to low-wage countries. Some manufacturers of raw material in important supplying countries like China and India are now able to produce according to the quality demands of the Romanian market. These countries are also in the comfortable position of having the first pick of raw material giving them an important competitor advantage. As a result Romania will increasingly import cheap but quality stone.

Prices are usually available on request. There are some companies that include them on their website. Find below several websites that include price data:

- Baratin - http://www.baratin.ro – prices are available throughout the website
- Praktiker - http://www.praktiker.ro - prices are published in their brochure ➔ go to 'Praktiker Prospect'
- Bricostore - http://www.bricostore.ro – prices are published in their brochure ➔ go to 'download' ➔ go to 'Catalog actual'
- Stone contact - http://www.stonecontact.com ➔ go to 'Pricelist' ➔ write down 'Stone' and press 'Search' ➔ go to the box that says 'All countries' and click on it to select Romania for an overview of a several Romanian natural stone companies that display there prices online
- Stone source - http://www.stoneource.com go to 'stone selector' in the left side ➔ make a selection per material, price range or other criteria
- http://stonemarket.uv.ro/pricelists_limestone.htm# ➔ go to 'Pricelist' ➔ choose type of stone

5 Market access requirements

As a manufacturer in a developing country preparing to access Romania, you should be aware of the market access requirements of your trading partners and the Romanian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select natural stone products and Romania in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm

Tariffs and quota

In general, products entering the EU are subject to import duties. For beneficiary countries under the Generalised System of Preferences (GSP), however, reduced tariffs, or no tariffs, are applied. The list of beneficiary countries is regularly updated. For natural stone and stone products, a zero-tariff applies for exports from beneficiary countries of the GSP. Information on the required value added tax (VAT), please consult the following website: http://ec.europa.eu/taxation_customs/common/about/welcome/index_en.htm.

Information on tariffs and quota can be found at http://exporthelp.europa.eu/index_en.html

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Romania, visit the following websites on the following page:

Trade associations

- Romanian Association of Building Contractors - http://www.araco.org
- Chamber of Commerce - http://www.ccir.ro
- Nation Statistics Institute - http://www.insse.ro/cms/rw/pages/index.ro.do

Trade shows

- Construct Expo - http://www.constructexpo-antreprenor.ro – international exhibition construction materials held yearly in Bucharest: next event to be held in March 2010
- Construct Ambient Expo - http://www.constructexpo-ambient.ro – fair for interior design products including finishing materials, wall & floor coverings held annually in Bucharest: next event expected in May 2010
- Camex - http://www.camex.ro – construction material fairs held throughout the year in different places: for coming events please visit the website
- Stone Tec - http://www.stone-tec.com – largest European trade fair held biennially in Nuremberg, Germany: next event 22-25 June 2011

Trade press

- Revista Bursa Constructiilor - www.constructiibursa.ro – website for the construction industry with daily updates (in Romanian)
- News ring - http://www.newsring.ro – website that includes Romanian news with daily updates (in Romanian)
- Bursa - http://www.bursa.ro/on-line/s=english_section.html - website that includes Romanian news with daily updates (in English)
- Reporternet - http://www.reporternet.com/search?searchword=praktiker – Balkan business news in English with daily updates

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