

CBI MARKET SURVEY

THE CHEMICALS MARKET IN ROMANIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the chemicals market in Romania. The information is complementary to the information provided in the CBI market survey 'The chemicals 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>.

1 Market description: consumption and production**Consumption**

- Figures on industrial demand for chemicals are not yet available for Romania. Nevertheless, overall economic indicators for the Romanian economy offer some insight, as the performance of the chemical sector is closely related to the overall economic development. In 2006, the Romanian economy grew fast, recording a growth rate of 7.7%, according to the Romanian Statistics Office.
- According to Marketresearch.com, a major market research company, demand for paints and coatings is increasing fast, driven by high growth rates in the construction sector (+20% annually since 2004) and a growing number of international Do-It-Yourself stores. The strong growth of the Romanian construction industry is confirmed by BASF, a leading chemicals producer in the EU. Decorative paints account for approximately 64% of total sales of paints and coatings.
- According to Euromonitor, another leading market research company, the market for household care products is also growing fast in Romania. Consequently, the demand for detergents will increase as well. Affordable prices still have a high priority among Romanian consumers. Only in the major cities are consumers becoming less price-sensitive and more demanding regarding quality.

Production

- Romania is a small producer of chemicals in the EU. According to figures of Eurostat, the statistics department of the European Commission, the production value increased from € 1.37 billion in 2000 to € 1.70 billion in 2004. The latter figure represents only 0.35% of total production value of the EU27. Moreover, the value added by the Romanian industry only accounts for 0.27% of total value added by the EU27. This indicates that the Romanian industry produces mostly products with low added value.
- Between 2001 and 2005, chemical sales (excluding pharmaceuticals) increased by an average of 19% annually, accounting for € 2,835 million. In 2006, sales decreased by 5%.
- The chemical industry accounts for approximately 5.2% of the total production value of the manufacturing industry. This is relatively low compared to the average of 6.6% in the EU27.
- A relatively small percentage of the chemical production is produced by Small- and Medium sized Enterprises (SMEs) (25%). This indicates that the sector is relatively concentrated, with large companies dominating the market.
- Romania had a leading chemicals industry before the Soviet Union fell apart (1991) and economic reforms led to a decline in production. The industry is striving to become a leading industry again and has a good base on which to build. The country is rich in raw materials, has a good knowledge base and can profit from the large EU market. Its main problem is the outdated infrastructure and production facilities, which is due to a lack of investment in the reform period.

- Although value addition is low, R&D investments are considerable at 1.09% of production value. This is lower than in major producing countries such as Germany, but higher than in most other Central and East European countries.
- Romania's chemical industry is diverse. The country has large oil and gas reserves and a considerable petrochemical industry. It also has large salt reserves and is a particularly large producer of sodium and chlorine based products. Finally, it has significant paints and pharmaceutical industries.
- The largest producer of petrochemicals is Petrom (<http://www.petrom.ro/>). One of the largest producers of (basic) inorganic and organic chemicals in Romania is Chimcomplex S.A. Borzesti (<http://www.chimcomplex.ro/>). Another large producer of inorganic and organic chemicals is Oltchim (<http://www.oltchim.ro/>).

Opportunities and threats

- The growth of the Romanian economy is expected to have positive effects on the demand for chemical products, as the performance of the chemical industry is strongly dependent on the performance of other industries in the same economy.
- The growth of the construction industry could offer good opportunities for suppliers of (raw materials for) coatings, adhesives and other building materials.
- The Romanian chemical industry has traditionally been a large producer of salt-based chemicals and it will thus be difficult to export these chemicals to Romania.
- The growth of the Romanian economy has drawn the attention of multinationals such as BASF. It is advisable to keep an eye on the developments herein, as competition could become much fiercer with the entrance of multinationals in the market.

2 Trade channels for market entry

- In general, the trade channels in Romania do not differ from the trade channels which have been mentioned in the CBI market survey covering the EU market for chemicals. The traditional approach of contacting traders, intermediate processing companies, agents and wholesalers (either with or without processing capacity, dependent on the chemical) remains the most effective method.
- A list of companies active in the Romanian chemical industry can be found at: http://www.romanianbusiness.eu/find_partner~type-ro~cat-8.html. Another list of major chemical companies in Romania: <http://mcir.doingbusiness.ro/c03/index.html>

3 Trade: imports and exports

Imports

- Romania is a small importer of chemicals, accounting for 0.7% of EU imports.
- In 2006, Romania imported € 380 million / 430 thousand tonnes of chemicals, representing an average annual increase of 14% during the review period. This is in line with the growth of the economy and the expected growth in demand for chemicals.
- In 2006, developing countries supplied 24% of all Romanian imports, which is far above the EU average. Imports from developing countries increased dramatically, by an annual average rate of 32% in the period reviewed, amounting to € 91 million / 147 thousand tonnes in 2006. The main developing country suppliers to Romania are Ukraine (12%) and Turkey (4%). Their proximity to Romania explains their large shares.
- The main suppliers of chemicals to Romania are France (13%), Czech Republic (9%) and Germany (8%).
- Romanian imports of chemicals consisted of organic chemicals (40%), oleo chemicals (41%), dyes and pigments (13%) and inorganic chemicals (6%).

Exports

- Romania is a small exporter of chemicals. Between 2002 and 2006, Romanian exports of chemicals increased by an annual average rate of 21%, amounting to € 149 million / 279 thousand tonnes in the latter year.

- During the review period, all selected product groups showed an increase in exports. Exports of inorganic chemicals increased dramatically, by an annual rate of 116%.

Opportunities and threats

- Romanian imports of chemicals have increased at a high rate in recent years and there are no signs that this will change in the next few years.
- Romania is a strong net importer of chemicals, except for inorganic chemicals. This confirms that Romania is a large and competitive producer of some inorganic chemicals, such as sodium and chlorine based products and paints. This is a threat to developing country exporters of these products.
- Developing countries have a relatively large share in the imports of chemicals to Romania. However, this is mainly accounted for by Ukraine and Turkey, which have the advantage of proximity to the Romanian market.

Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>

4 Price developments

- The CBI market survey, which covers the EU market for chemicals, presents general information on prices. These price indications do not differ from those in Romania.
- The prices of most commodity chemicals can be found relatively easily. Useful sources are <http://www.cnionline.com> (subscription site with information on companies, markets, products, strategies, mergers, acquisitions, capacity expansions, forecasts and trends in the chemical industry) and <http://www.icislol.com> (subscription site for prices on the petrochemical and oil markets).
- However, the prices of fine and specialty chemicals are more difficult to obtain. They are not published and can vary widely from one application area to another. Obtaining reliable price information in these segments often requires asking a distributor, or asking a producer for a quotation.

5 Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country's government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- For more information, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>.

6 Business practices

Trade associations:

- FEPACHIM (Romanian Federation of Chemical and Petrochemical Industry): http://fepachim.3x.ro/p1_ro.html.
- Lubrichem (Association of Producers, Importers of Automotive Lubricants, Chemicals and Accessories): <http://lubrichem.ro/>.

This survey was compiled for CBI by ProFound – Adviser in development in collaboration with Jan Ramakers Fine Chemical Consulting Group

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