

— ROMANIA —

# Beyond Dracula: Romania's economic journey upwards

TEXT International Affairs, Chamber of Commerce

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## Romania

### Facts & figures

**Political capital:** Bucharest

**Top Business cities:** Bucharest, Timisoara, Cluj-Napoca

**Business language(s):** Romanian, English

**Business currency:** Romanian Leu

**Working days:** Monday – Friday

**Time-zone:** Eastern European Standard Time (UTC+2)

**Climate:** Temperate continental

**Surface:** 238,391 sq km

**Population:** 18,326,327 (2022 est.)

**GDP per capita (at Purchasing Power Parity (PPP)):**

41,887.9 (2022, current international \$), 40<sup>th</sup> in the

world ranking (Luxembourg is 1<sup>st</sup>)

**Unemployment rate:** 5.4% (2022)

**Inflation rate:** 13.8% (2022)

**Growth rate:** +4.8% (2022)

**Exports of goods and services (2022):** \$128.15

billion (+8,6% compared to 2021)

**Exports of goods and services (2022):** \$148.95

billion (+9,2% compared to 2021)

**Trade Balance:** \$-20.8 billion (2022)

**Logistics Performance Index:** 3.20 / 5 (2022, Luxembourg's score is 3.6)

**Corruption indicator:** Romania ranked 63<sup>rd</sup> among the 180 countries in the Index, where the country ranked first is perceived to have the most honest public sector.

**Main economic sectors:**

**Agriculture, forestry and fishing:** 4.5% (2022)

**Industry:** 28.8% (2022)

**Services:** 57.5% (2022)

**Country risk classification (COFACE):** B

**Business Climate** A3

Sources: CIA World Factbook, Coface, World Bank, OECD

With its 20 million inhabitants, Romania is a very pro-European country. Romania's evolution from a low-wage country to a developed, industrialised EU country has put it as one of the main trading partners for many EU countries. Romania is increasingly establishing itself as a near- and reshoring destination for various industrial and IT processes.

Romania saw robust economic growth in 2022 driven by private consumption and investments. Yet, in 2023 this growth has been slowed by high inflation, tighter financial conditions, and the consequences from the Russian-Ukraine war. However, as Romania is a cereal exporter and relatively independent for its energy supply, around 70% of energy demand is covered by domestic production. The already limited energy imports from Russia (especially crude oil) were drastically reduced thanks to imports from other countries such as Kazakhstan, Iraq, Azerbaijan, and the UAE.

These days Romania is a changed place. Funding has been offered to startups and entrepreneurs. With the help of EU funds in 2014, the government introduced diaspora grants and implemented policies used to tempt the diaspora home. Aided by an EU boost of € 30 billion, Romania is projected to be the 3rd fastest growing economy in the EU this year. And the country is already now the largest economy in southeastern Europe. Since January 1<sup>st</sup>, the Romanian city of Timisoara is one of three cities holding the title of European Capital of Culture for 2023.

As Luxembourg and Romania are both members of the European Union and hold strong bilateral ties, Romania offers an attractive investment landscape, bolstered by a diverse range of sectors that are also in focus in Luxembourg's economy.

## IT/ICT

Romanians have a great pride in information technology (IT). The country offers a lot of incentives to train, attract and keep software programmers in the country by, for example, lowering the income tax for IT professionals. Romania has witnessed a significant surge in its IT and innovation sector in recent years. With a large pool of highly skilled and cost-competitive IT professionals, the country has become a regional hub for software development, IT outsourcing, and cutting-edge research. More than 220,000 Romanians are part of the IT scene, mainly as employees, freelancers, and remote workers for foreign companies capitalising on the local talent pool. Romania further hosts the European Cybersecurity Competence Center (ECCC) which only recently inaugurated its new headquarters in Bucharest.

IT hubs have been created throughout the country most notably in the cities of Bucharest, Cluj-Napoca, Timisoara, and Iasi. Outside the capital of Bucharest, the city of Cluj-Napoca has managed to build a name for itself, adopting a global mindset in its vision for growth. The city has positioned itself both as a Smart City in the making and as an IT cluster.

## Startups

Boasting a strong startup ecosystem rooted in Eastern Europe, Romania offers

Bucharest, Romania



entrepreneurs affordable and highly talented professionals as well as access to the European market. With strong internet connectivity, a healthy number of accelerators and incubators, and a network of entrepreneurs determined to put their ecosystems on the map, the Romanian startup ecosystem is developing rapidly.

## Space

Romania is an important actor in the international space sector, being a member of the European Space Agency (ESA).

Romania achieved full membership within ESA in 2011 and is involved in several European flagship space programs. The *National Strategy for Space and Related Fields* is a strategic project funded through the Romanian Space Technology and Advanced Research Program (STAR). One of the project goals is to identify national space - related technological capabilities and possible niches for Romania within the European space industry, as well as to identify cooperation opportunities within the mandatory and optional ESA programs. This presents opportunities for exchange of experience in the field of space applications, such as satellite communications, remote sensing, geographic information systems and global information.

## Culture

Romania boasts a rich cultural heritage, picturesque landscapes, and historical landmarks, making it an increasingly popular tourist destination.

Romania stands at the forefront of Eastern Europe when it comes to economic opportunities. With mutual interests in sectors such as information technology, space, tourism, and the startup community there are many opportunities for cooperation and mutual growth. By capitalising on Romania's skilled workforce, strategic location, and dynamic market, Luxembourgish businesses can establish a strong foothold in Eastern Europe and leverage this gateway.

### Go International

Companies interested in the Romanian market are kindly invited to join the country seminar on Romania as well as the Trade Mission to be held in 2024. More information and exact dates are to be announced on [www.cc.lu](http://www.cc.lu)

## Useful contacts

### Luxembourg Chamber of Commerce

International Affairs

Georgia Kossmann, International Affairs Advisor

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### Embassy of Luxembourg to Romania (based in Athens)

Ambassador: H.E. Elisabeth Cardoso

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**Casius Morea**

CEO, EmailTree AI

***“The Romanian market is brimming with potential, particularly in technology.”***

### What are your current business activities and relations with Romania?

Having been born in Romania and now living in Luxembourg, I find a sense of resonance and purpose in nurturing our ties with the Romanian market. Ever since 1998, our activities involve fostering relationships with potential partners, encouraging talent connections, and exploring avenues for collaboration. Building in time two groups of companies (e-commerce and SaaS industry) was possible due to the complementarities between Luxembourg and Romania.

### What opportunities do you see in this market?

The Romanian market is brimming with potential, particularly in technology. The nation's rich pool of skilled professionals and its vibrant tech ecosystem create a fertile ground for innovation and growth. This opens doors to exciting opportunities such as research and development partnerships and access to diverse skill sets. More concretely, Romania is the birthplace of the RPA (Robotic Process Automation) worldwide leader, which inspired us and many other startups on the journey to AI and Automation.

### What risks or difficulties do you face?

However, as with any market, there are nuances that require attention. Navigating regulatory frameworks, manoeuvring through administrative processes, and understanding the nuances of local business practices can present challenges. To overcome these, a thoughtful and well-informed approach is essential. Not to forget the most important, our local devoted team who brings all this to life.

### What advice would you give to companies wishing to work with this country?

For those contemplating engagement with Romania, my advice would be rooted in the power of relationships. Building strong connections with local stakeholders, understanding the unique cultural context, and forming partnerships can go a long way. Moreover, taking the time to delve into the dynamics of the market and fostering transparent communication can help mitigate potential risks.

To succeed in Romania requires more than just business acumen; it requires empathy, cultural sensitivity, and a genuine interest in collaboration. By embracing these values, businesses can navigate challenges and establish a foothold that contributes to sustainable growth.