



## PRESS RELEASE

### FIC Business Sentiment Index

Bucharest, 8 April 2015

The Foreign Investors Council - FIC has continuously provided input for policy makers in their effort to achieve a better business environment that will result in improved economic results for Romania. FIC represents a significant business segment in respect of investments in Romania and its members account for approximately two thirds of all total foreign investments in Romania.

In their effort to provide further input FIC developed its business sentiment index to bring its members assessment of their 1) expectations of results of operations and growth expectations 2) capital investment outlook for the coming year 3) attractiveness of Romania compared to other similar geographic locations of their respective group companies 4) workforce plans and 5) administrative, legislative and fiscal environment when conducting their businesses.

The FIC members, for the periods December 31, 2013, June 30, 2014 and December 31, 2014, note their sentiment as follows:

#### **Result of operations and business outlook**

62% of the respondents now expect their revenues to grow with 14.28 % expecting a significant growth. This compares well to December 2013 expectation of 51.5% of growth and a small group of respondents (3.85%) that expected significant increase in their revenues. This also compares slightly better than June 2014 expectations.

*Similarly, compared to June 30, 2014, the number of respondents expecting contraction in their revenues decreased from 20% to 8.57% in December 31, 2014. However, this remains slightly higher than the expectation of December 31, 2013 of 6%.*

Companies that felt their business will remain unchanged this year, has gone down from 39.3% in December 30, 2013 to 28.5%. However it is still higher compare to June 30, 2014 of 19.2%

One of the key changes is respondents take on domestic market growth. Respondents now expect growth to come from Domestic market slightly more than export market. The respondents' expectation about contraction have subsided quite significantly from a year ago and the number of respondents expecting contraction is at 8.65%.

All in all, this point towards increased sentiment and companies are expecting to have an increase in their business activities more than a year ago.

#### **Capital investments and workforce plans**

Although there is an increased expectation in revenue and results growth, however, respondents do not see much change in their capital investments that remain at similar levels i.e. 46.15% compare to 48% in 2013. 28.20% see the capital investments to increase compare to 24.14% in 2013, while 23.07% would see to invest less compare to last year.

However, we note a small increase in sentiment by respondents 44.4% in December 2014 compared to 38.2 % in December 31, 2013, when asked about attractiveness of their capital projects in Romania. However a significant portion of respondents, 38.8% still points towards this not being



competitive with another 16.66 percent considering it to be not relevant.

Similarly, no major change in workforce plan is noted with 53.84% respondents expecting similar workforce as in prior year compare to 55.5% in prior year. However, 28.2% are now planning a small increase, compare to 24% in prior period.

**Increase revenue growth expectation coupled with slightly higher albeit not a considerable change, in respect of capital investments or labor intake, indicates increased confidence in economic stability and growth prospects but still points towards underutilized asset base that has room to service even a higher demand than present, as well as the need to carry out further concerted efforts to harness the full potential of Romanian economy. Respondents in the banking sector felt this quite extensively and note that “In Banking there are several initiatives with significant negative impact on the sector”.**

#### **Legislative environment and administrative effectiveness**

Legislative environment and administrative effectiveness remains one of the key challenges and bottlenecks for businesses. A large number of respondents, 57.5% feel that the legislative environment and administrative effectiveness has not changed since last year. Only 15% of respondents feel that it has moderately improved. Respondents note that “The fiscal environment for the business sector remains absolutely unpredictable”. “Bureaucracy and unpredictable legislation remain as a key challenge”. Public sector needs stability related to personnel (human resources). The often changes of the staff does not help public-private interactions and jeopardize the continuity of the ongoing projects. Additionally, respondents note that there is a lack of co-operation in common projects to facilitate lowering the unemployment or development in various domains: technology, infrastructure, research, etc.

***Fiscal, regulatory and administrative capacity issues and lack of clarity and stability remains one of the key challenges that seem not to go away.***

The Foreign Investors Council (FIC) is an association of the leading investors in Romania. The FIC was established in 1997 when it officially began its activity with 25 companies as members.

Today, the FIC has 115 member companies whose cumulated investments in Romania exceed EUR 35 billion representing approximately two thirds of the total foreign direct investment made since 1990.

The FIC includes multinational companies providing the Romanian economy with a variety of goods and services and creating almost 200,000 direct and indirect jobs.

In Top 10 largest companies by turnover, 6 companies are FIC members, and 21 member companies are included in Top 50 – as per the report “Major Companies in Romania” published in 2014, by IBP.

**Foreign Investors Council (FIC) – [www.fic.ro](http://www.fic.ro)**