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Overview of the SME Sector in ROMANIA

23 December 2009

Bucharest

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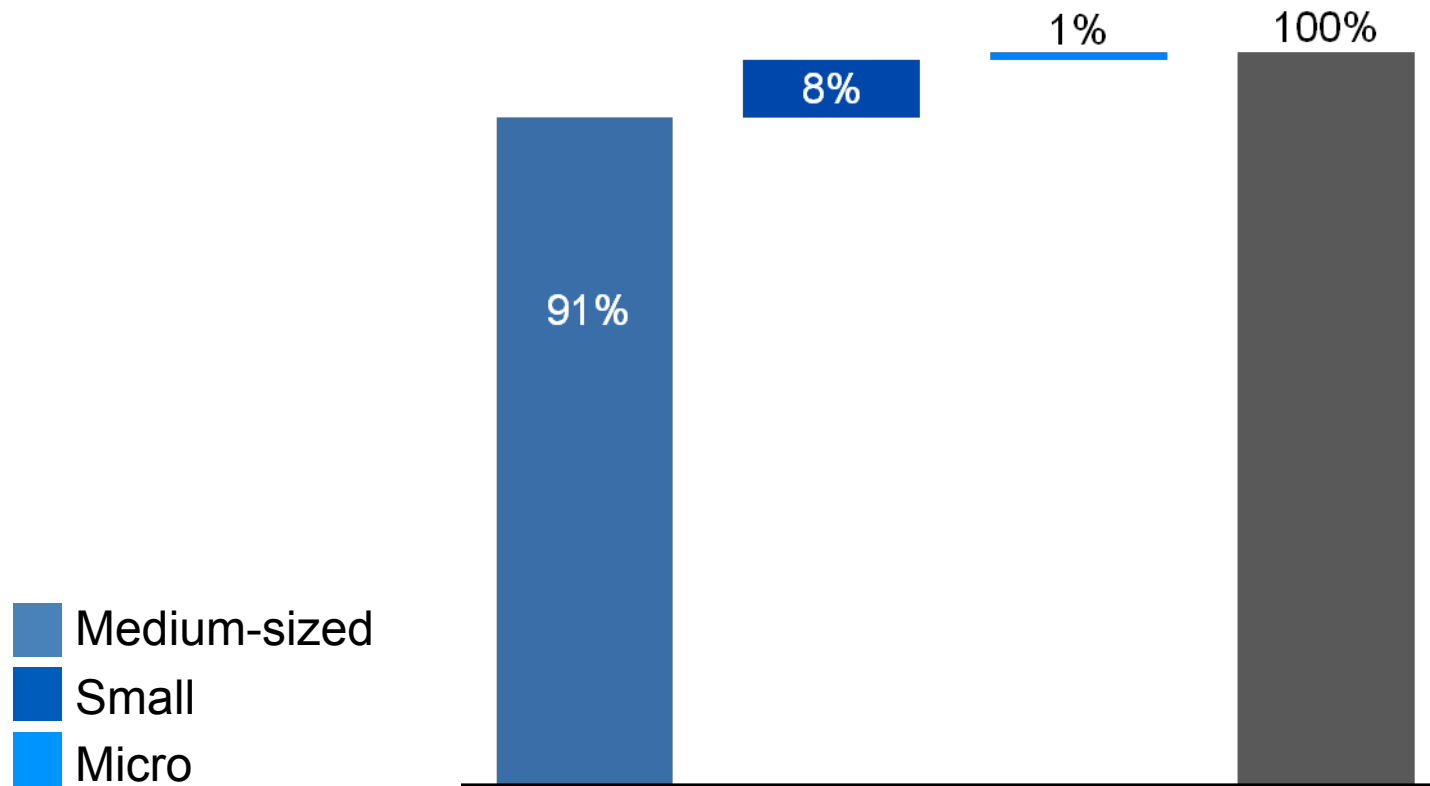
A. Key Figures

A.1. The Definition of SMEs

Enterprise category	Headcount: Annual Work Unit	Annual turnover (Euro)	Annual Statement of Financial Position total (Euro)
Medium-sized	< 250	≤ 50 million	≤ 43 million
Small	< 50	≤ 10 million	≤ 10 million
Micro	< 10	≤ 2 million	≤ 2 million

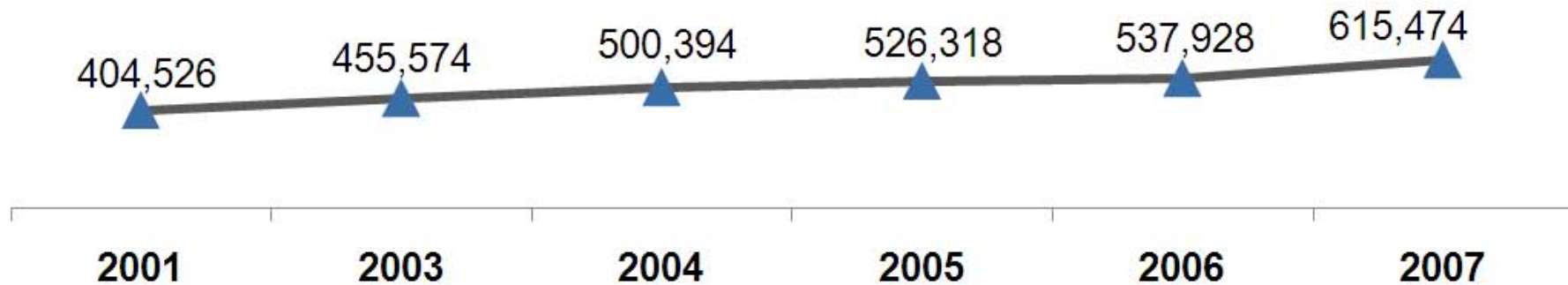
A. Key Figures

A.2. The Structure of SMEs by Size



A. Key Figures

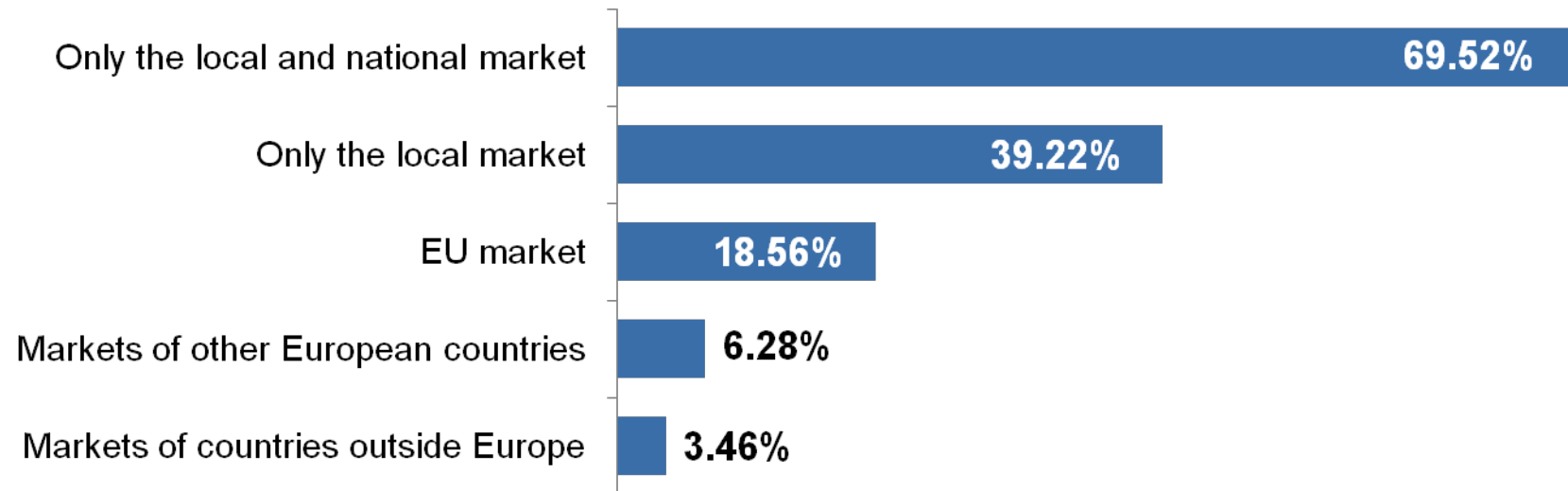
A.3. The Evolution of the SMEs



Between 2001 and 2007, the number of SMEs has increased by over 210,948 enterprises (+52.1%).

A. Key Figures

A.4. Romanian SMEs' Market

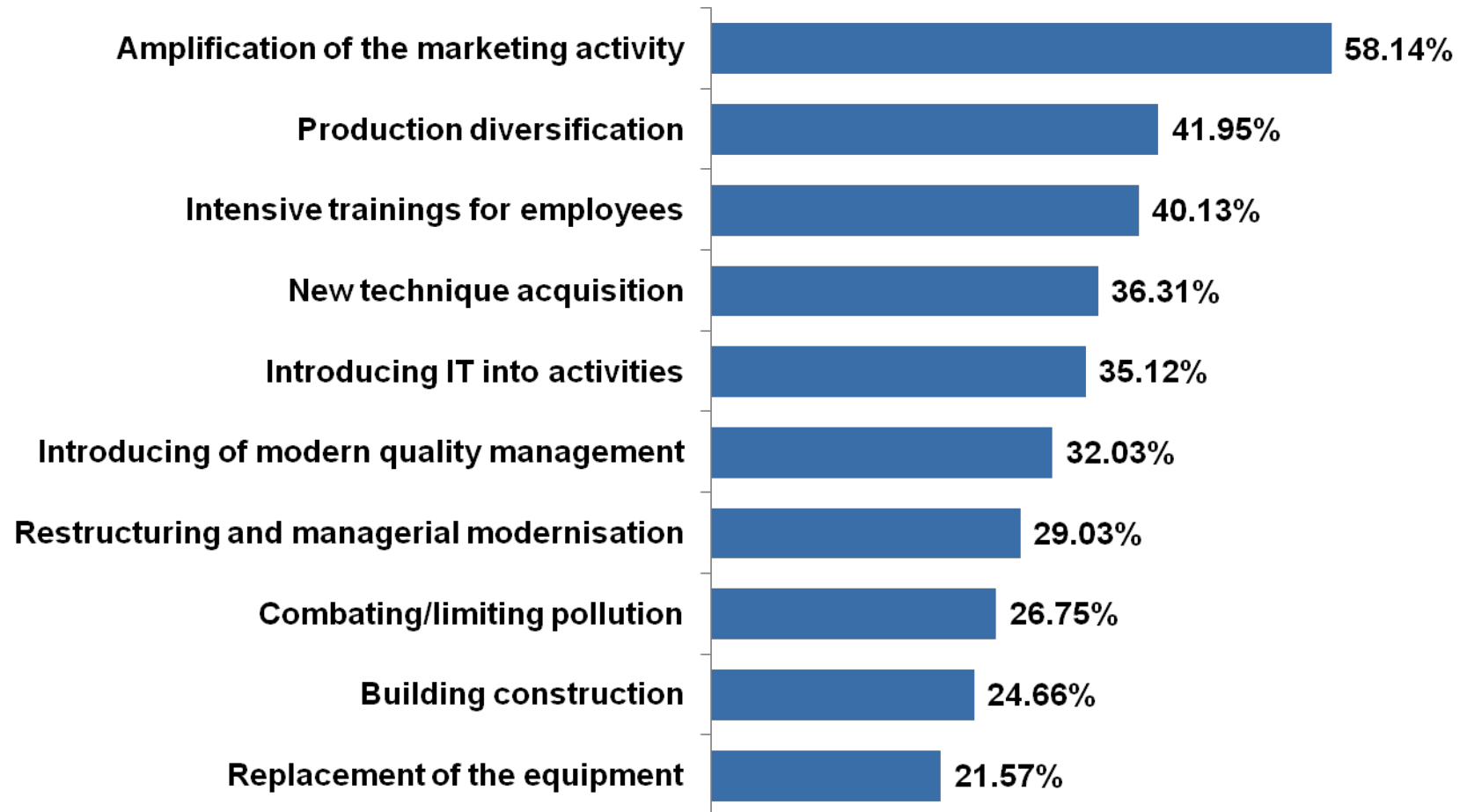


We can see that less than **40%** from the number of SMEs are acting only on the local market. They lack:

- do not meet foreign regulatory requirements, or
- the necessary knowledge and financing
- do not meet quantities or quality standards required by foreign customers

A. Key Figures

A.5. Managerial Priorities within SMEs



A. Key Figures

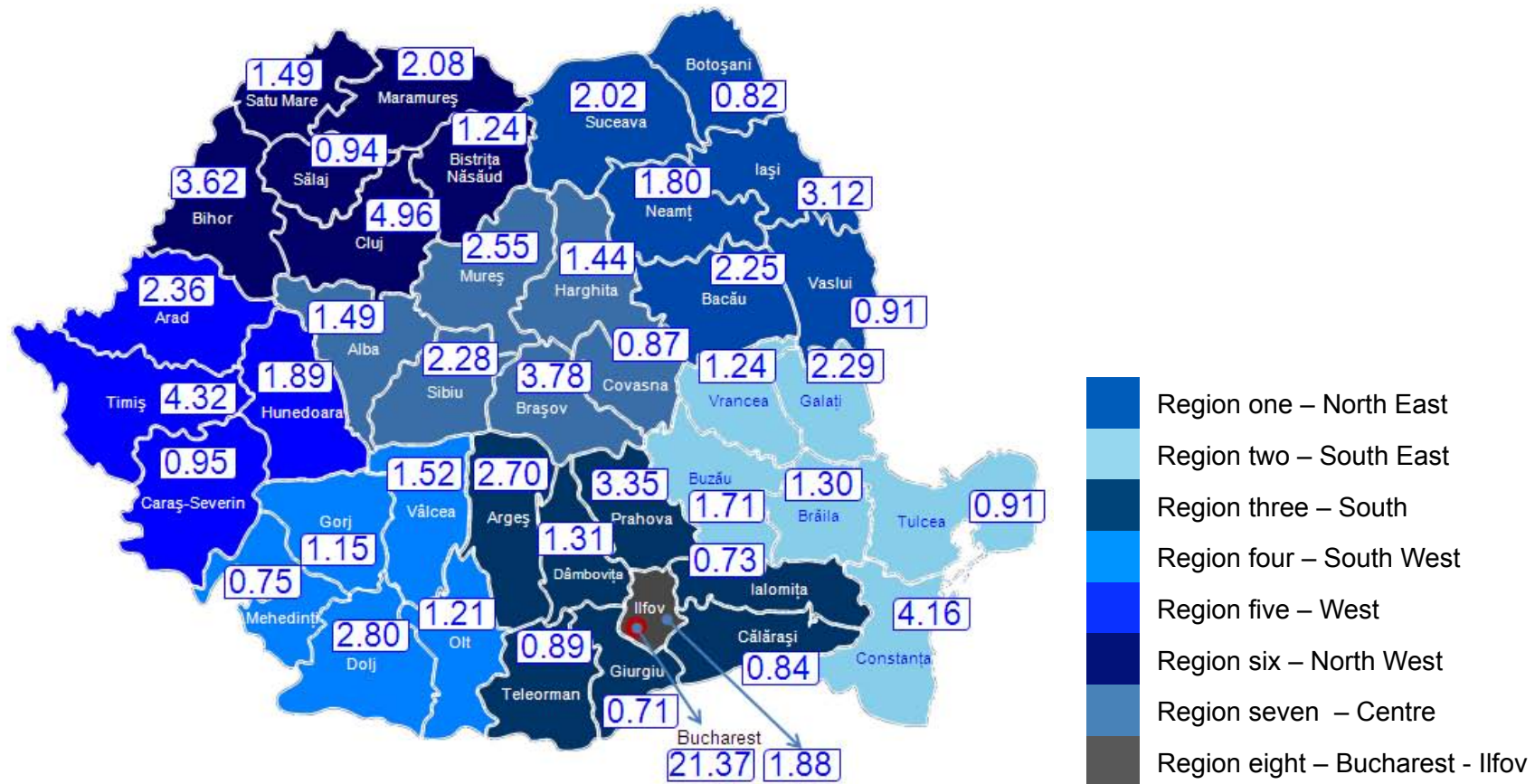
A.6. The Importance of SME Sector in Romania

In Romania, more than 99.68% of the active enterprises are micro, small and medium size enterprises

- the SME sector is the engine of the economic growth
 - is essential for a competitive and efficient market
 - develops entrepreneurial skills, utilises local raw materials and enhances market opportunities
 - creates and expands employment opportunities
 - makes important contributions to the growth of GDP.
- SMEs' share in the national GDP is 70%
- represents a key driver of innovation and technological development

B. The Geographical Distribution of SMEs

B.1. by Development Regions



B. The Geographical Distribution of SMEs

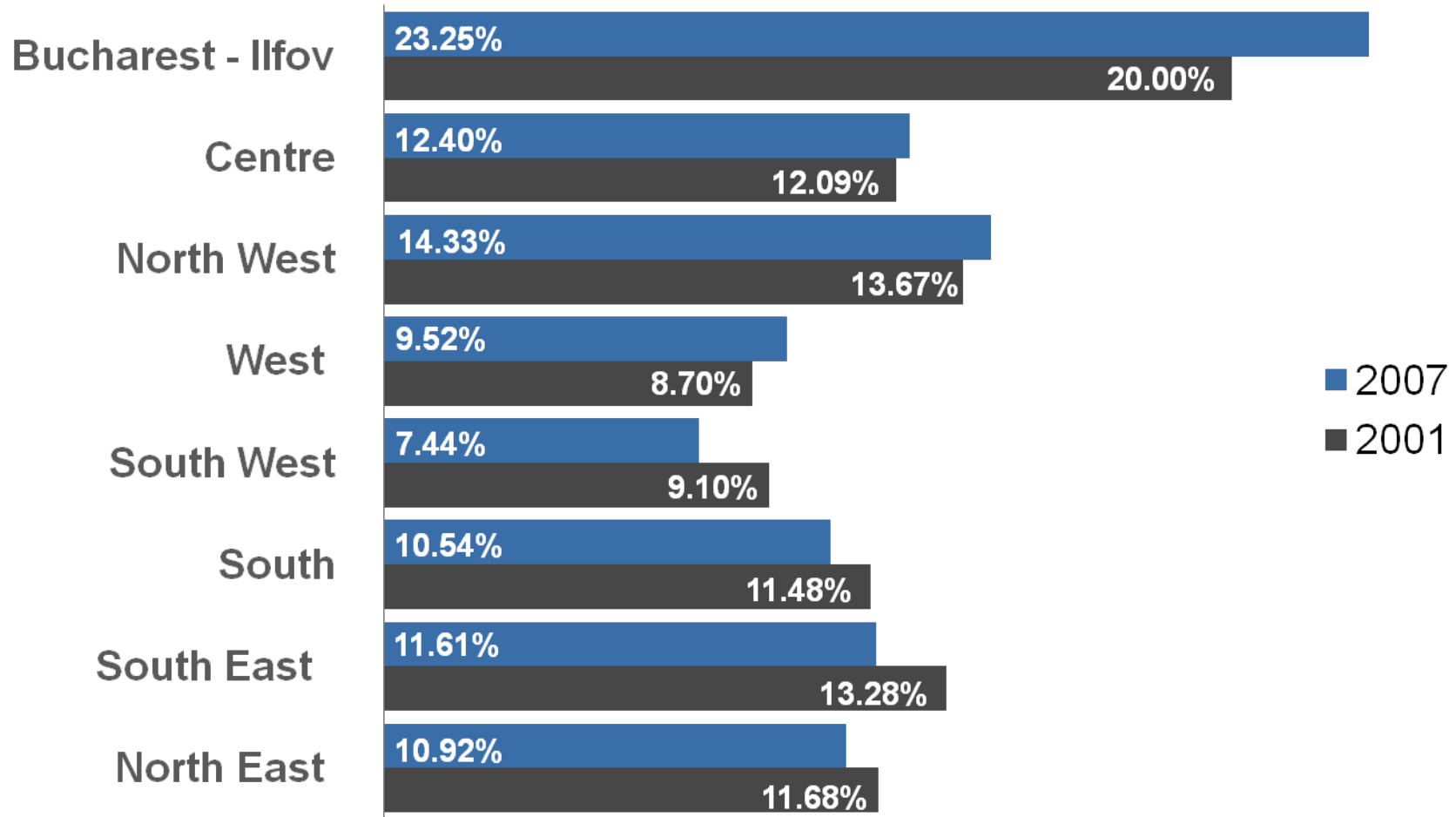
B.1. by Development Regions (cont.)



Regiunea	2001		2007		%
	Number of companies	%	Number of companies	%	
Region one – North East	47,275	11.68	67,188	10.92	142.1
Region two – South East	53,723	13.28	71,442	11.61	132.9
Region three – South	46,468	11.48	64,845	10.54	139.5
Region four – South West	36,728	9.1	45,800	7.44	124.7
Region five – West	35,204	8.7	58,608	9.52	166.5
Region six – North West	55,299	13.67	88,168	14.33	159.4
Region seven – Centre	48,921	12.09	76,339	12.40	156.0
Region eight – Bucharest - Ilfov	80,908	20.00	143,084	23.25	176.8
TOTAL	404,526	100.00	615,474	100.00	152.1

B. The Geographical Distribution of SMEs

B.1.1. Share by Regions

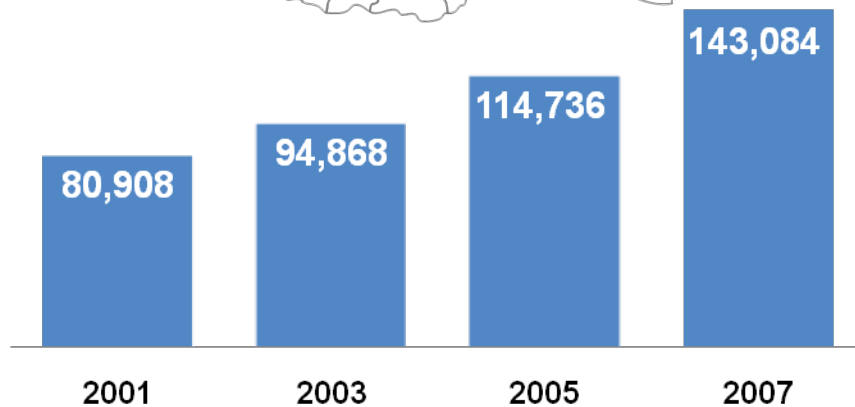


B. The Geographical Distribution of SMEs

B.1.2. The Bucharest-Ilfov Region



The Bucharest –Ilfov region shows the highest level of gross and net profitability.



– 126 enterprises registered in Romania in 2007
an annual turnover exceeding 50 million Euros

– 121 from them are located in Bucharest-Ilfov region

B. The Geographical Distribution of SMEs

B.2. by Category and Annual Turnover

Turnover category	Enterprise category				Total
	Micro	Small	Medium-sized	Large	
■	556,304	42,597	4,792	170	603,863
■	1,582	4,552	3,948	682	10,764
■	122	428	1.023	746	2,319
■	13	26	87	333	459
Total	558,021	47,603	9,850	1,931	617,405

The annual turnover by categories:

- < 2 million Euros
- < 10 million Euros
- < 50 million Euros
- > 50 million Euros

The exchange rate used is 3.3373 RON/EUR (2007)

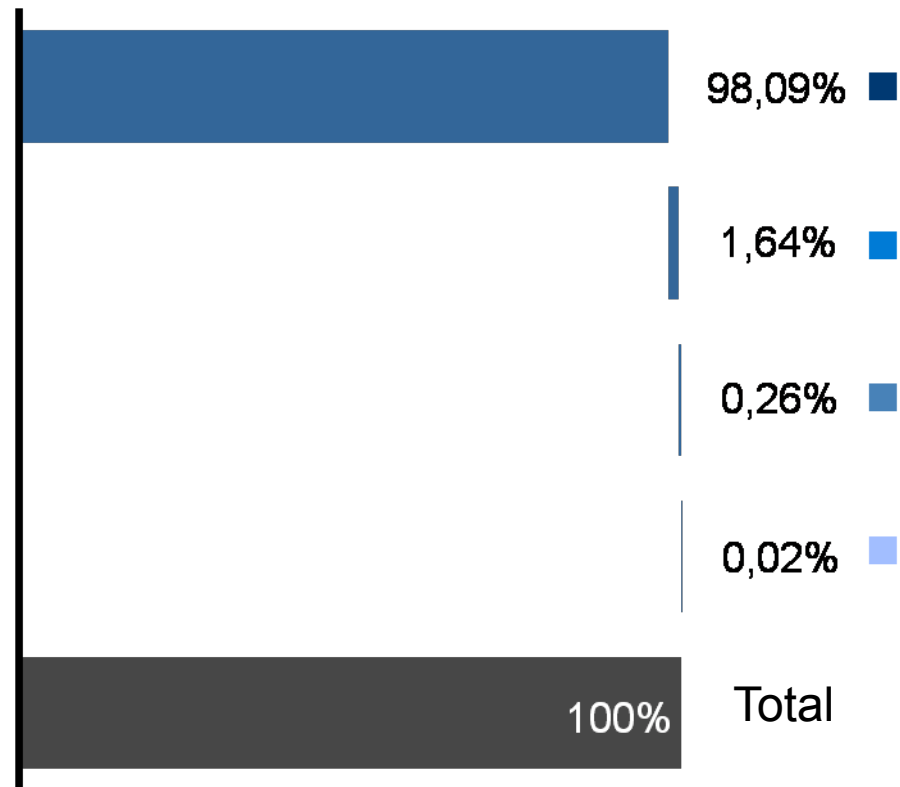
B. The Geographical Distribution of SMEs

B.2. by Annual Turnover

The annual turnover by categories:

- < 2 million Euros
- < 10 million Euros
- < 50 million Euros
- > 50 million Euros

The exchange rate used is 3.3373 RON/EUR (2007)



B. The Geographical Distribution of SMEs

B.3. by Regions and Size Classes

Region	Micro		Small		Medium-sized		SMEs TOTAL	
	Number	(%)	Number	(%)	Number	(%)	Number	(%)
North East	60,649	10.9	5,479	11.5	1,060	10.8	67,188	10.92
South East	64,994	11.6	5,383	11.3	1,065	10.8	71,442	11.61
South	58,561	10.5	5,164	10.8	1,120	14.4	64,845	10.54
South West	41,948	7.5	3,248	6.8	604	6.1	45,800	7.44
West	52,900	9.5	4,665	9.8	1,043	10.6	58,608	9.52
North West	80,022	14.3	6,922	14.5	1,224	12.4	88,168	14.33
Centre	68,627	12.3	6,406	13.5	1,306	13.3	76,339	12.40
Bucharest - Ilfov	130,320	23.4	10,336	21.8	2,428	24.7	143,084	23.25
TOTAL	558,021	100	47,603	100	9,850	100	615,474	100

B. The Geographical Distribution of SMEs'

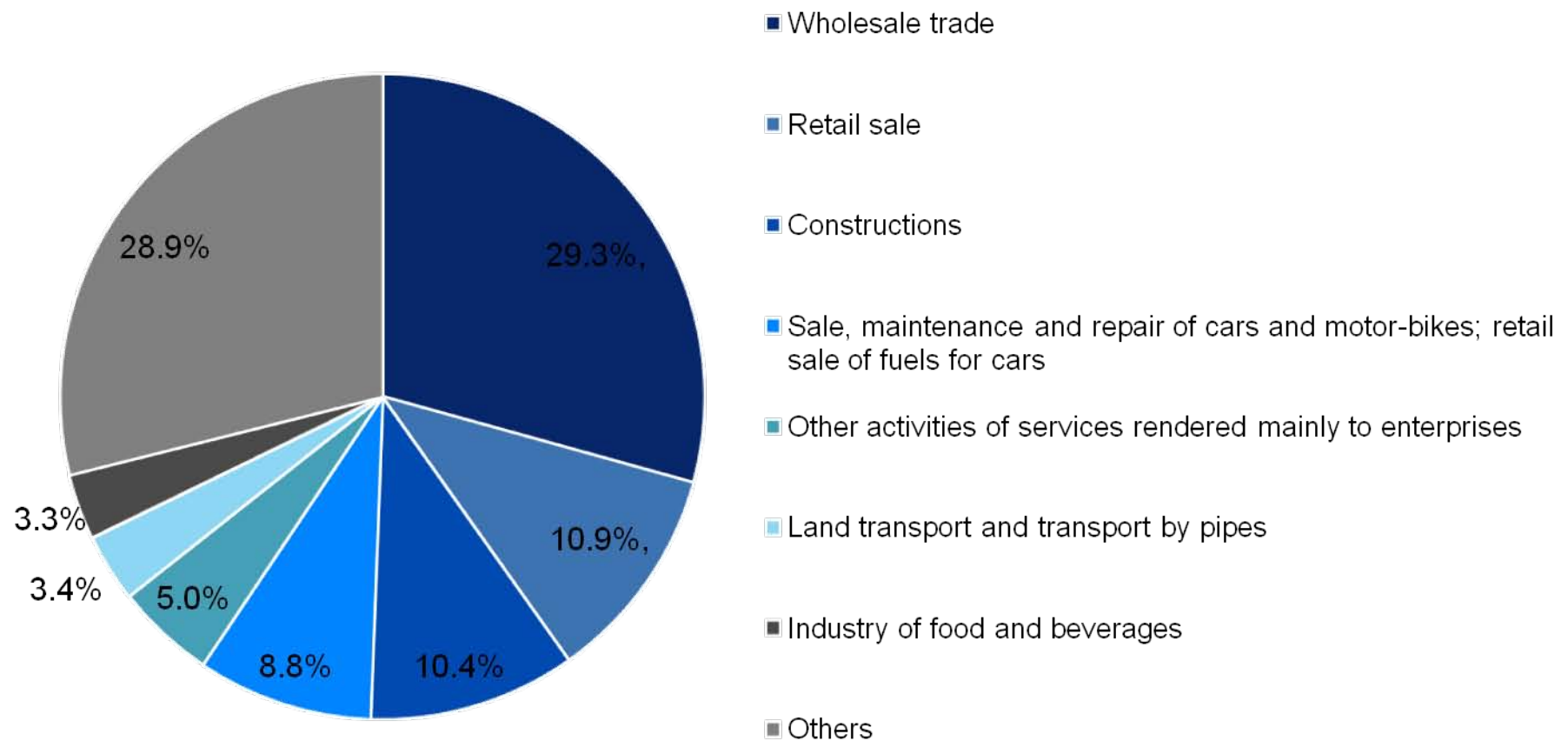
B.4. Annual Turnover by Development Regions

Region	Annual turnover (RON)	the SMEs number	(%)	The annual turnover per company
North East	34,400,000,000	67,188	7.72	511,996
South East	39,700,000,000	71,442	8.42	555,619
South	41,900,000,000	64,845	8.89	646,200
South West	22,100,000,000	45,800	4.69	482,711
West	35,500,000,000	58,608	7.53	605,143
North West	49,800,000,000	88,168	10.57	565,220
Centre	44,900,000,000	76,339	9.53	588,048
Bucharest - Ilfov	201,000,000,000	143,084	42.65	1,402,952
TOTAL	471,300,000,000	615,474	100.00	765,751

C. Turnover Structure of SME Sector by Activity Types

Activities	Annual turnover (RON)	the SMEs number	(%)	The annual turnover per activity
Wholesale trade	138,000,000,000	69,999	29.29	1,969,030
Retail sale	51,700,000,000	155,025	10.97	333,697
Constructions	48,900,000,000	56,102	10.38	871,165
Sale, maintenance and repair of cars and motor-bikes; retail sale of fuels for cars	41,100,000,000	19,826	8.72	2,073,189
Other activities of services rendered mainly to enterprises	23,900,000,000	73,512	5.07	325,368
Land transport; transport by pipes	15,800,000,000	33,085	3.35	477,163
Industry of food and beverages	14,600,000,000	12,018	3.10	1,217,511
TOTAL (partial)	334,000,000,000	419,565	-	796,063

C. Turnover Structure of SME Sector by Activity Types (cont.)



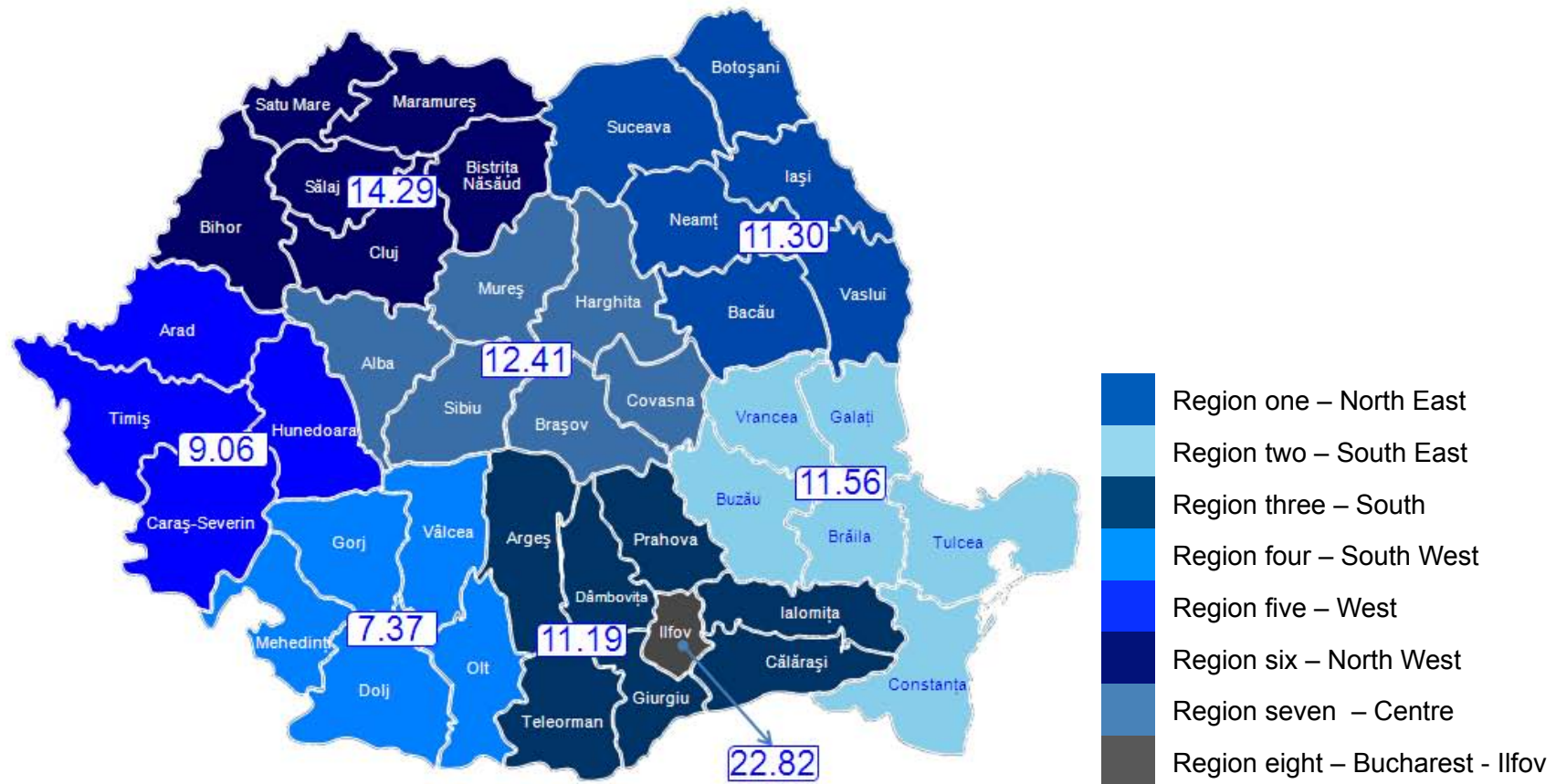
D. The Profitability of SMEs

D.1. According to their Size

Enterprise category	Net Financial Result (%)			TOTAL
	Profit	Loss	Nil Result	
Micro	47.96	40.57	11.47	100
Small	79.98	19.98	0.04	100
Medium-sized	81.50	18.45	0.05	100
TOTAL	50.98	38.62	10.40	100

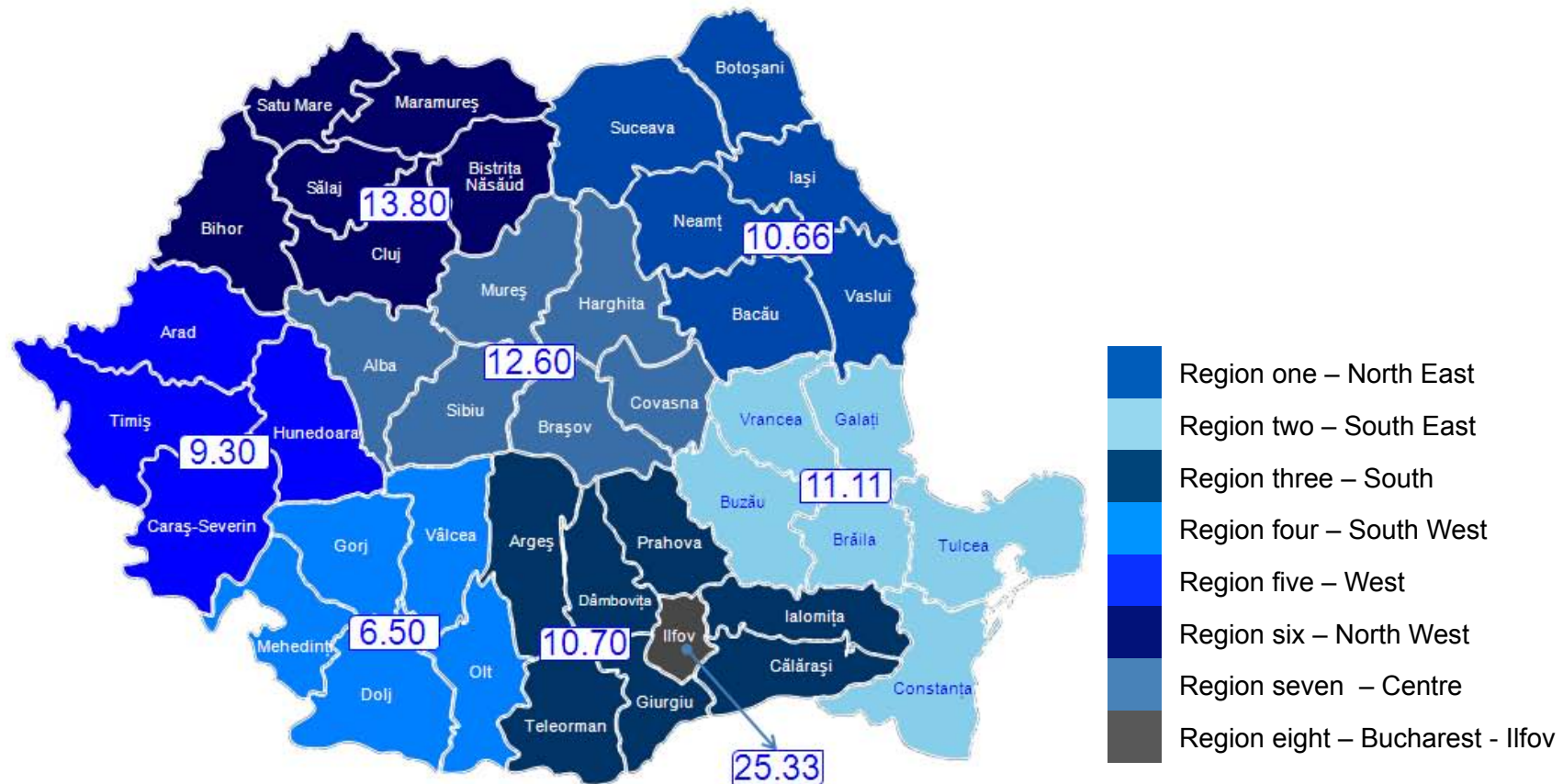
D. The Profitability of SMEs

D.2. The Regional Distribution of Profitable SMEs



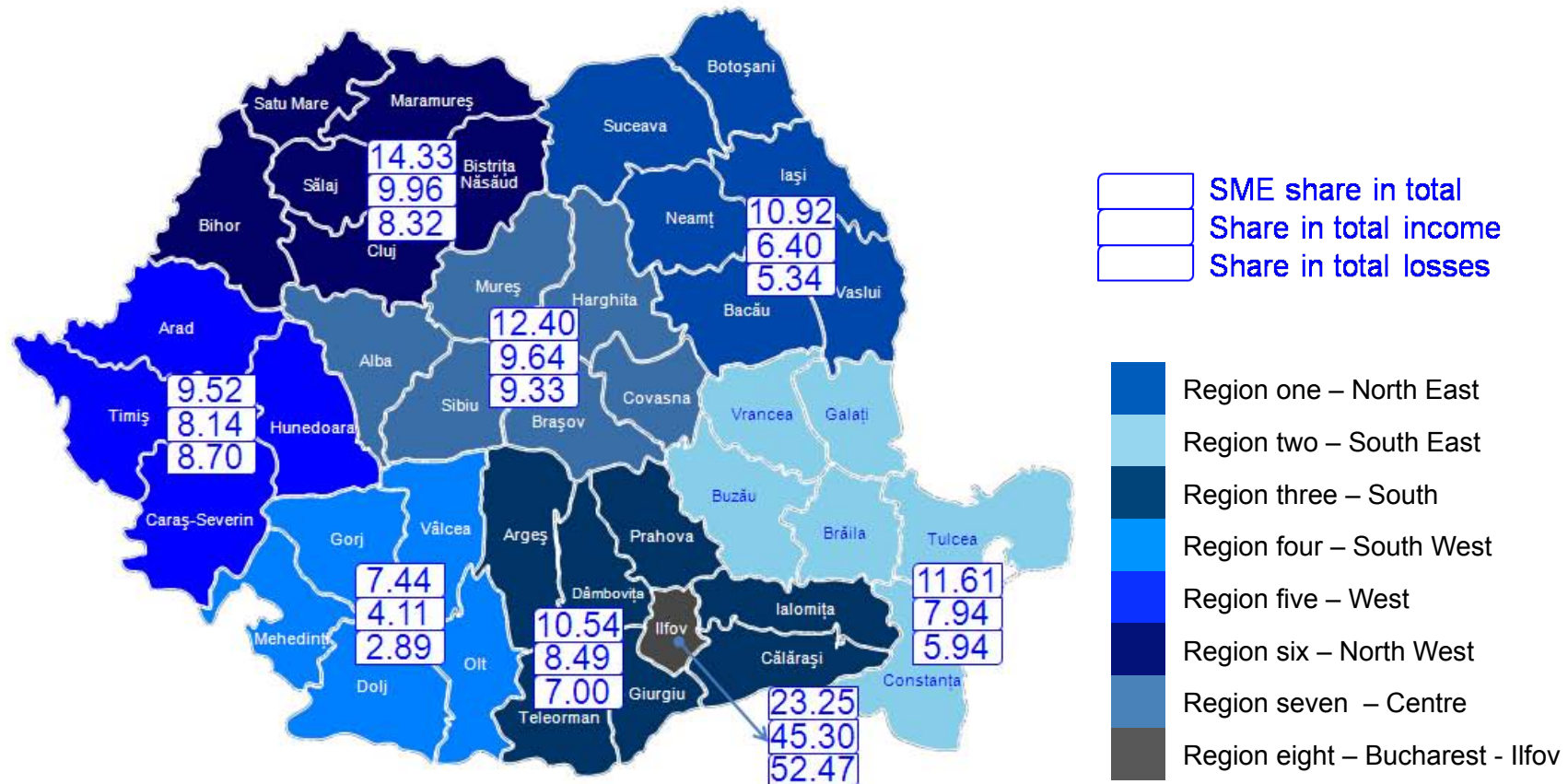
D. The Profitability of SMEs

D.3. The Distribution with SMEs with an Annual Turnover that Exceeded RON 200,000



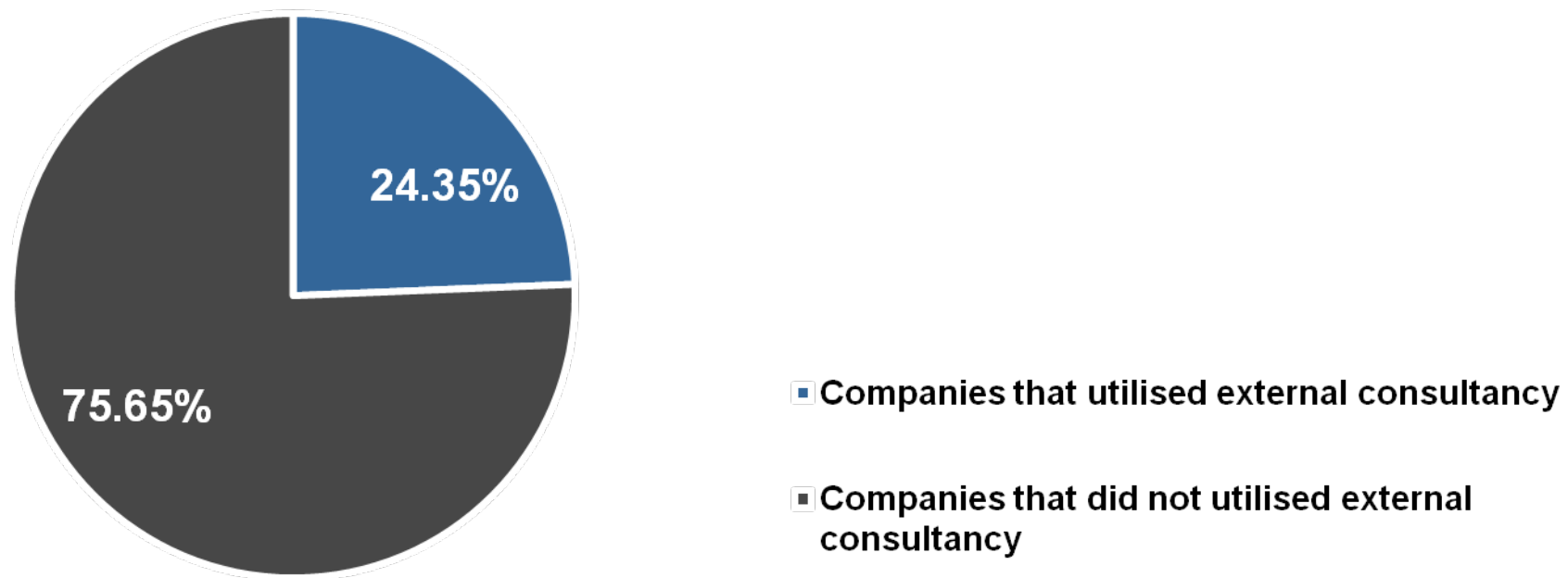
D. The Profitability of SMEs

D.4. Share Comparative Performance of SMEs by Regions



E. Usage of Consultancy Services

Professional consultancy is absolutely needed for Strategic Business Planning and development of SMEs. Unfortunately, in 2008, only in 24.35% of Romanian SMEs have turned to outside consultants.

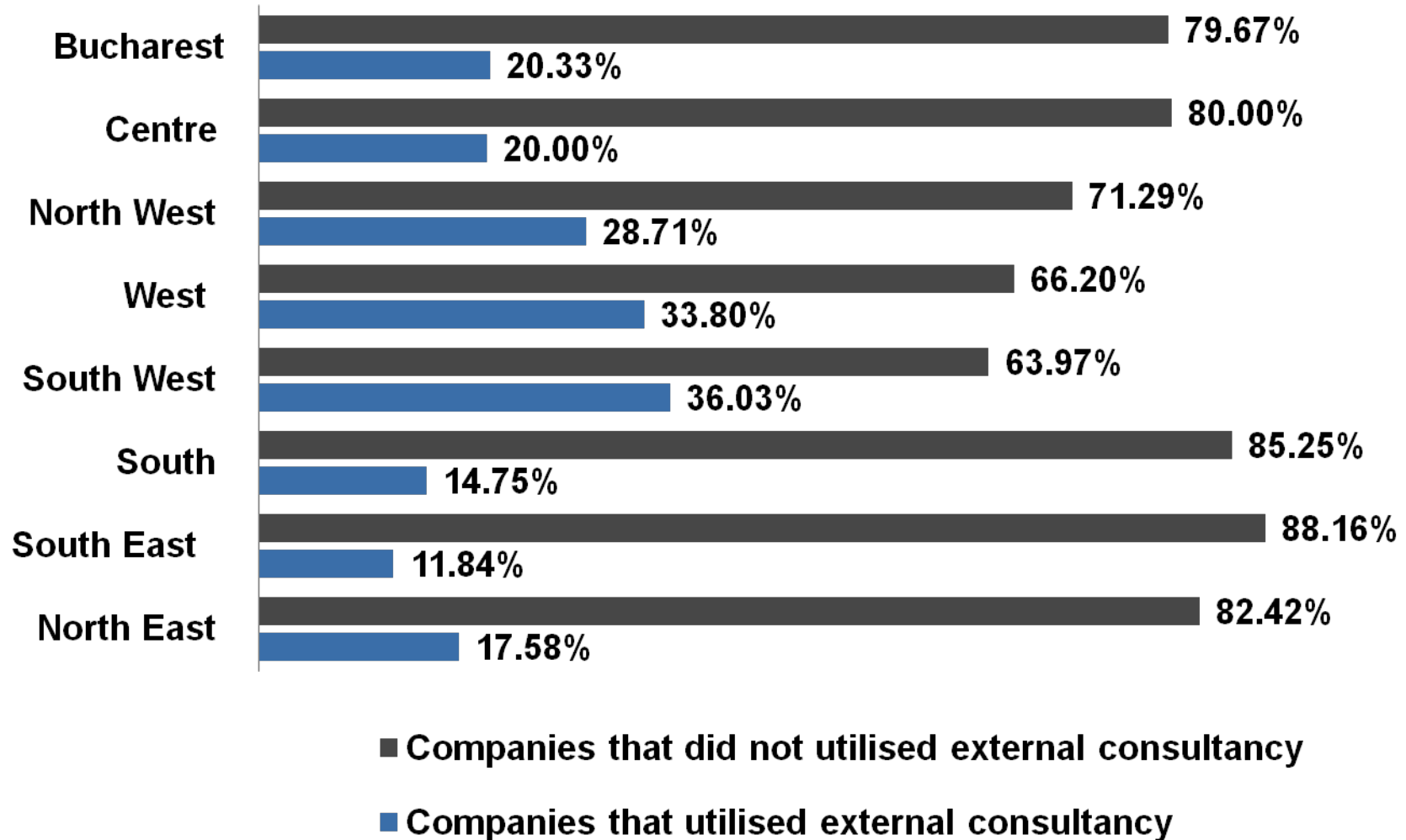


E. Usage of Consultancy Services (cont.)

No	Use of Advisory Services	Age of SMEs (years)			
		<5	5-10	10-15	>15
1.	Companies that utilised external consultancy	24.73%	24.11%	18.90%	28.06%
2.	Companies that did not utilised external consultancy	75.27%	75.89%	81.10%	71.94%

No	Use of Advisory Services	Enterprise category		
		Micro	Small	Medium-sized
1.	Companies that utilised external consultancy	15.10%	33.81%	40.00%
2.	Companies that did not utilised external consultancy	84.90%	66.19%	60.00%

E. Usage of Consultancy Services (cont.)



F. Conclusion

- ▶ The development of SMEs sector is essential for the future of Romanian economy
- ▶ Despite of a continuous increase as number, ponder in the total economy and turnover SMEs are still vulnerable and limited in the international market
- ▶ SMEs are perceived of as being significantly more “flexible” than large firms, possessing the reputation of being able to respond readily to customers’ changing needs
- ▶ Bucharest is the most important SMEs centre in terms of turnover and profitability

F. Conclusion (cont.)

- ▶ SMEs rely too much on their own resources because of difficult access to financing. Thus, they need assistance through the process of obtaining funds
- ▶ SMEs need management consultancy in order to improve their decision making process and operations
- ▶ Risk management and cash flow management advisory are most important topics for consultancy

G. Useful links

European portal for SMEs:

http://ec.europa.eu/enterprise/sme/index_ro.htm

Statistic data for european SMEs:

<http://epp.eurostat.ec.europa.eu/>

Standardisation and SMEs:

<http://ec.europa.eu/enterprise/entrepreneurship/craft/craft-priorities/craft-standardisation.htm>

European Investment Bank:

<http://www.eib.org>

The European Investment Fund (EIF):

<http://www.eif.org>

EU policies regarding access to finance for SMEs:

http://ec.europa.eu/enterprise/policies/finance/index_ro.htm

Quick guide to funding

http://ec.europa.eu/enterprise/policies/finance/guide-to-funding/index_en.htm

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