

The Contribution made by Beer to the European Economy

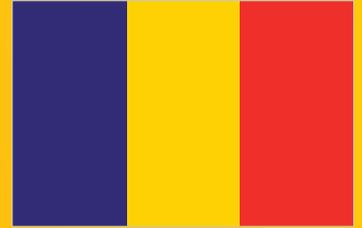
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POLICY RESEARCH


The Brewers of Europe



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Romania

1 | Highlights

Country profile	
Population ³⁹	21,462,186
Currency	Romanian Leu (RON)
GDP per capita in PPS (2009, EU27 = 100) ⁴⁰	46

Beer market	2008	2009	2010
Total production (in hectolitres)	20,640,000*	17,600,000	16,920,000
Total exports (in hectolitres)	19,760,000*	173,000	140,000
Total imports (in hectolitres)	500,000	170,000	220,000
Total consumption (in hectolitres)	20,200,000	17,600,000	17,000,000
Consumption of beer per capita (in litres)	93	81	78
Beer producing companies (excluding micro brewing companies)	13	13	13
Breweries (excluding micro-breweries)	21	21	18

› Sources: The Brewers of Europe Beer Statistics 2010 edition and Brewers of Romania Association

Economic impact	2010	Compared to 2008
Total jobs due to beer	76,000 jobs	-21.1%
Total value added due to beer	509 million euro	-34.7%
Total government revenues due to beer	651 million euro	-14.3%

› Source: Ernst & Young calculations

* There is an erratum: total production - 19.760.000, total exports - 60.000

³⁹ Source: Eurostat, data per december 31st 2010

⁴⁰ Source: Eurostat, 2011



2 | Market structure, trends and developments

→ Exports

In 2010 140,000 hectolitres of the beer that was produced in Romania, was exported. This is a decrease in comparison to 2009. The main export markets for Romanian beer are Hungary, Bulgaria, and Italy.

→ Imports

In 2010, approximately 220,000 hectolitres of beer was imported. The main import markets are Germany, Poland, and Hungary.

→ Consumption patterns

Beer consumption in Romania has been decreasing since 2008. The consumption per capita is now 78 litres. In 2009, it was the first time in ten years that domestic beer consumption has shown a sharp decline, according to the breweries.

	Beer in 2008	Beer in 2009	Beer in 2010
On-trade sales	35%	30%	28%
Off-trade sales	65%	70%	72%

→ Expenditures

In 2010 the breweries spent relatively more on packaging materials and relatively less on brewing materials because of decreasing volume of beer production compared to 2009.

→ Taxation

VAT level increased from 19% to 24% in 2010.

→ Malting barley

A new malt plant was opened in 2010 in Romania. This plant is located on the best barley-growing land and is supplying Romanian brewers with products made from high quality raw materials. Annual production is 106 000 tons of Pilsen malt.

→ Distribution and retail

The economic downturn has resulted in an increase in fuel prices. This is a particular burden on brewing companies as is the alignment with the European Union. This alignment has increased the pressure on distribution costs.

→ Brewing sector and market structure :

The most important threats the beer sector will face in Romania in forthcoming years are :

- ▶ Creating a deposit system for non-returnable packing
- ▶ Lower beer consumption.
- ▶ Higher risk of increased unfavourable regulations.
- ▶ Market trends.
- ▶ Higher production costs as a result of higher prices of raw materials.

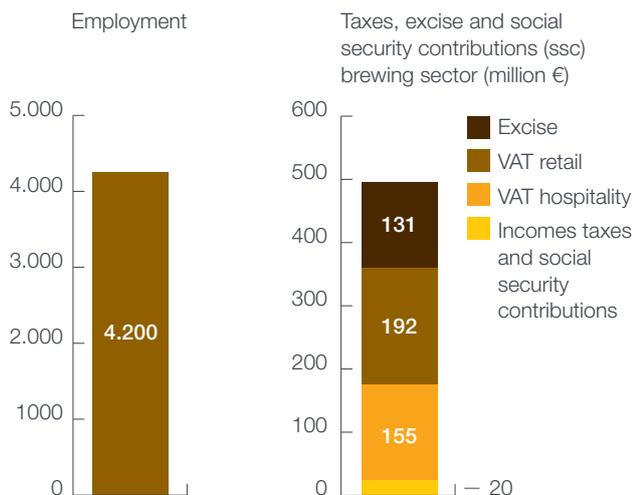
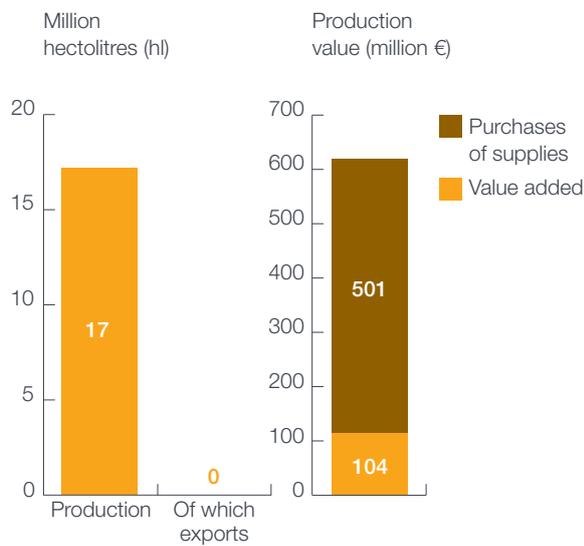
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3 | Direct effect of the brewing sector

In 2010, Romanian breweries had around 4,200 employees who together produced 16.9 million hectolitres of beer with a value of 605 million euro.⁴¹

A relatively high share of total turnover of 605 million euro remains within the brewing sector as value-added. Value-added equals total reward for production factors used: labour costs, interest paid and profits made.

› Graph 31.1. / Direct effect of the beer sector



› Source: Ernst & Young calculations

⁴¹ This included only the employees of the members of the Brewers of Romania Association. Eight breweries or beer producing companies are not members of this association.



4 | Indirect effects of the brewing sector

In 2010, 17% of production value remained within the Romanian brewing sector as value-added. The other 83% of 605 million euro in total turnover accrued to suppliers of goods and services.

This stimulus of 501 million euro has a significant economic impact on sectors outside the brewing sector, most substantially on the agriculture sector.

Sectors	Stimulus (mln. €)	Stimulus for Romania		Turnover per employee (in €)	Number of employees
		% spent in own country	(mln. €)		
Agriculture	106.2	55.7	59.1	6,523	9,066
Utilities	22.5	97.7	22	84,902	259
Packaging industry (in hectolitres)	66.8	53.3	35.6	33,581	1,061
Equipment	116.2	38.9	45.2	33,581	1,347
Transport	39.7	100	39.7	37,066	1,071
Media, marketing	75	89.2	66.9	25,461	2,629
Services	74.3	84.5	62.8	25,461	2,468
Total	500.7	-	331	-	17,901
First-round impact as % of total impact					65
Total indirect effect of brewing sector					27,539

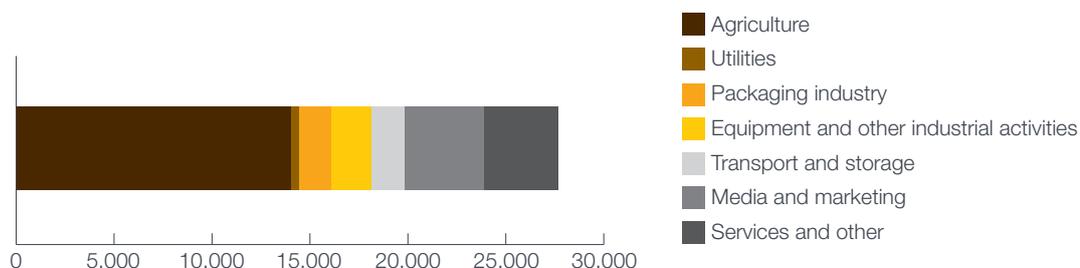
› Source: Ernst & Young calculations

In 2010, the majority of jobs created by the beer industry in the supply chain were in the agricultural sector. The total first-round employment effect of the brewing sector on supplying sectors is estimated to be approximately 17,900 employees.

This primary effect can be estimated at about 65% of the total impact. Thus, the total impact will be about 27,500 jobs.

Indirect employment effects are illustrated below:

› Graph 31.2. / Indirect employment



› Source: Ernst & Young calculations

5 | Induced effects of the brewing sector

6 | Total employment due to beer

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→ Hospitality sector

The economic impact of the breweries on the hospitality sector is assessed as follows:

- ▶ About 28% of all beer consumed in Romania is sold by the hospitality sector (on-trade), which means 4.8 million hectolitres is sold on-trade.
- ▶ The average consumer price of beer in Romanian pubs and restaurants is estimated to be 1.7 euro a litre (including VAT), so that total consumer spending on beer in the hospitality sector is almost 799.5 million euro (including VAT).
- ▶ Net consumer spending on beer is thus estimated at 644.9 million euro (using a 24% VAT rate).
- ▶ With an average hospitality turnover of 17,635 (excluding VAT) per person, this results in almost 36,600 hospitality sector jobs attributable to beer sales.

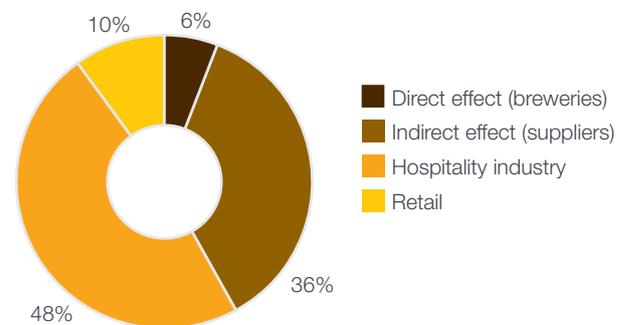
→ Retail

The importance of the brewing sector for retail can be similarly assessed:

- ▶ About 72% of total beer consumption (12,2 million hectolitres) in Romania is beer sold by supermarkets and other retail outlets.
- ▶ With an average consumer price of 0.8 euro per litre (including VAT), total retail consumer spending on beer is estimated at 991.4 million euro.
- ▶ Total consumer spending excluding VAT is thus 799.5 million euro.
- ▶ With turnover per employee estimated at 104,122 euro (excluding VAT), this means around 7,700 people owe their jobs to retail beer sales.

In 2010, approximately 4,200 persons were employed in Romanian breweries.⁴² In addition, 27,500 jobs were created in the supplying sector. Some 36,600 jobs were created in the hospitality sector and 7,700 jobs in the wholesale and retail due to sales of beer. Therefore, total employment due to beer was 76,000 jobs.

› Graph 31.3. / Total employment because of beer: 76,000 jobs



› Source: Ernst & Young calculations

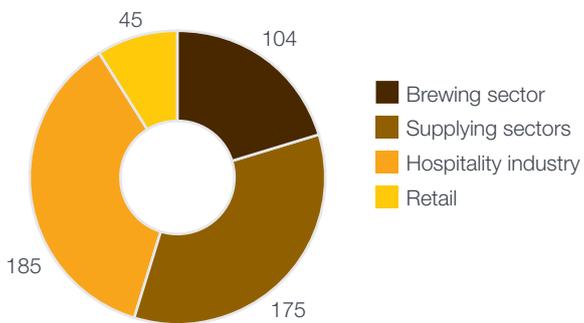
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7 | Total value added due to beer

The contribution of the brewing sector to the Romania economy can also be expressed in terms of value-added. The total value-added generated by the 76,000 jobs due to beer is estimated at 509 million euro.

› Graph 31.4. / Value added due to the production and sale of beer: 509 million euro



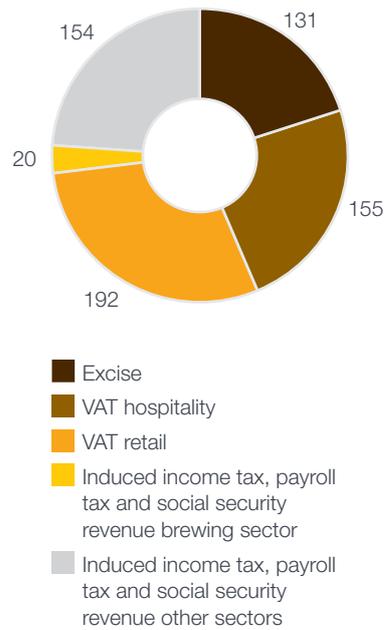
› Source: Ernst & Young calculation (2011)

8 | Total government revenues due to beer

The 2010 revenue from VAT and income-related contributions due to beer production and sales was estimated to be 651 million euro :

- ▶ VAT revenue was estimated to be 347 million euro.
- ▶ Total excise revenue from beer was 131 million euro.
- ▶ Income-related revenue due to beer production and sales was approximately 164 million euro, comprising 36 million euro income tax, 49 million euro social security contributions paid by employees and 111 million euro social security taxes and payroll taxes paid by employers.

› Graph 31.5. / Government revenues due to the production and sale of beer: 651 million euro



› Source: Ernst & Young calculations