



The Contribution made by Beer to the European Economy

Full Report
European & Country Chapters
Edition 2009



30 Romania: Economic impact of beer

30.1 Highlights of the economic impact

Total production (in hectolitres)	19,760,000
Total exports (in hectolitres)	60,000
Total imports (in hectolitres)	500,000
Total consumption (in hectolitres)	20,200,000
Number of brewing companies (excluding micro brewing companies)	13
Number of breweries (excluding microbreweries)	20

Source: Romanian Brewery Association: Asociația Berării României (2009)

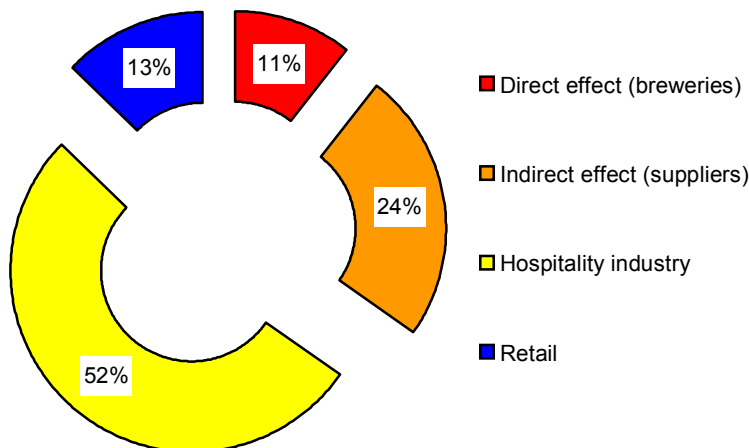
The economic impact of the brewing sector can be expressed as follows:

- ▶ With an annual beer consumption that grew from 17,700,000 hectolitres in 2006 to 20,200,000 in 2008, Romania has a rapidly growing market.
- ▶ There is price competition between brewers and a preference for low-cost beers among certain consumer groups.
- ▶ Approximately 10,300 people are employed in Romanian breweries.
- ▶ Because of goods and services bought in supplying sectors, additional indirect employment of around 23,300 jobs is generated.
- ▶ In the Romanian hospitality sector 50,500 employees can be attributed to the sale of beer while in the wholesale and retail sector 12,300 persons owe their jobs to beer sales.
- ▶ Total impact of the brewing sector in terms of employment is thus estimated as 96,400 jobs.
- ▶ The government also benefits from the brewing sector, receiving approximately 680 million euros. This amount consists of 163 million euros excise, 334 million euros VAT and 183 million euros in income-related taxes.



The employment impact of the brewing sector is presented below:

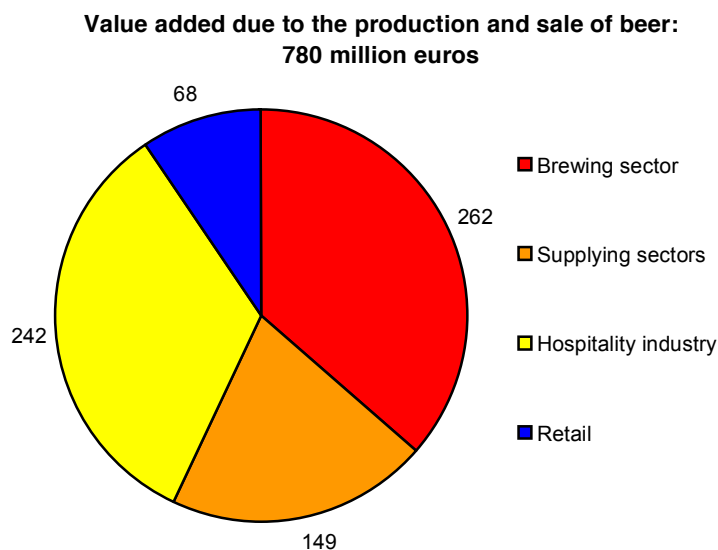
Total employment because of beer: 96,400 jobs



Source: Ernst & Young calculation (2009) (See Annex III for an explanation on methodology).

Since the Romanian market is one of the fastest growing beer markets of Europe, many multinational brewing companies own a brewery in Romania. Productivity in terms of value-added per employee is relatively high in the Romanian brewing sector. Besides the entry of international companies into the Romanian brewing sector, high productivity is caused by investments in modernising breweries. Thus the brewing sector share in overall value-added arising from the production and sale of beer is 36%, far higher than the brewing sector share in total employment arising from beer (11%).

The total value-added generated by beer production and sales in Romania is estimated at 780 million euros:



Source: Ernst & Young calculation (2009)



30.2 Industry and market structure, trends and developments

Since 2006 the volume of the Romanian beer market has grown 14% to 20,200,000 hectolitres in 2008.¹⁴¹ Sales of beer in cans has increased particularly rapidly, with a growth of 25% in 2008. Annual consumption per capita increased from 66 litres of beer in 2004 to 93 litres in 2008. Certain consumer groups have a preference for low-cost beers; 46.5% of beer consumption was sold in PET bottles.

Type of packaging (% total beer sales)	2004	2005	2006	2007	2008
PET	24.4	31.4	40.4	56.6	46.5
Can	8.0	7.8	8.7	10.4	13.0
Bottle	61.9	54.5	46.2	40.5	37.5
Draught	5.7	6.3	4.7	3.5	3.0

Source: Brochure Asociatia Berarii Romaniei (2009)

Although imported beer is available in Romania, the majority of beer sold is locally-brewed. Most big multinational breweries have subsidiaries in Romania and they cover a large part of the Romanian beer market, but there are also local breweries. A total of 13 brewing companies operate in Romania with 20 brewing plants. In 2008 they produced 19,760,000 hectolitres of beer of which 60,000 hectolitres was exported. Approximately 500,000 hectolitres of beer was imported into Romania.

Factors that influence the impact of the brewing sector on the Romanian economy are the following:

Brewing sector internal characteristics:

- ▶ Fast-growing market.
- ▶ Increasing popularity of cheap beers, especially those packed in PET bottles.
- ▶ Many multinational brewing companies have entered the Romanian brewing sector, resulting in a very competitive market.

Context in which the brewing sector operates:

- ▶ Romania joined the European Union in 2007. Partially because of this, wages and overall price level in Romania have increased significantly in recent years.

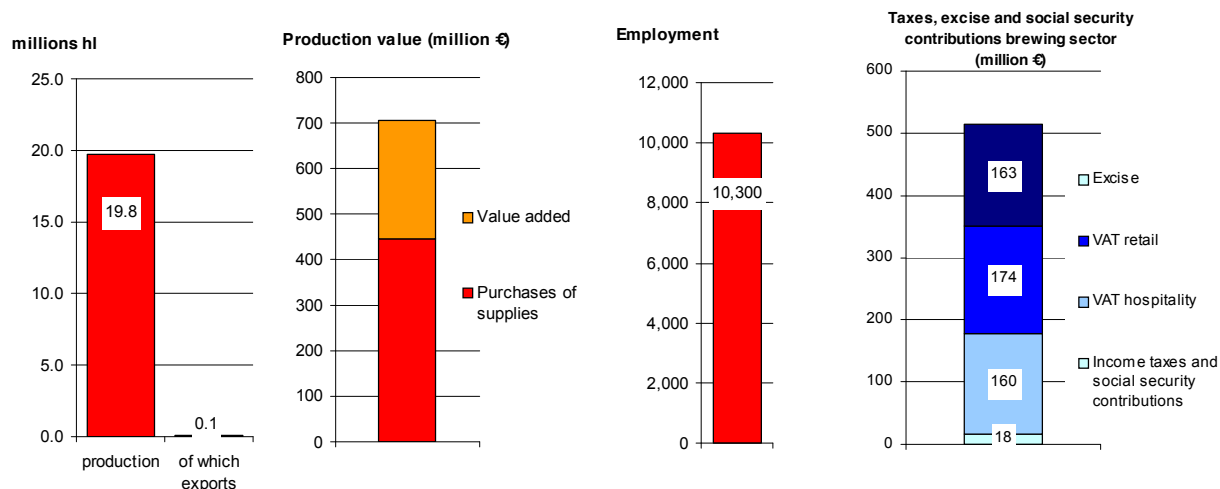
30.3 Direct effect of the brewing sector

Romanian brewing companies employed approximately 10,300 people in 2008.¹⁴² Together the breweries realised a production value of 706 million euros, of which 445 million is spent in supplying sectors. This means that the value-added of the Romanian brewing sector was 262 million euros.

Another substantial direct effect of the brewing sector concerns taxes and excises paid by beer brewers and consumers. Excises account for 163 million euros and total VAT income for the Romanian government was estimated at 334 million euros. Personal income taxes and social security contributions paid by employees of the brewing sector are 18 million euros.

¹⁴¹ Source: Brochure Asociatia Berarii Romaniei, 2009

¹⁴² Source: EY questionnaire, completed by Asociatia Berarii Romaniei, 2009



Source: Ernst & Young calculation (2009)

30.4 Economic impact of breweries on goods and services suppliers

Since 63% of the total production value of the Romanian brewing sector is spent on purchasing goods and services, breweries have an important economic impact on supplying sectors. The largest proportion of supplies is purchased from the services sector, with further significant spending on agricultural products, media and marketing, transport and packaging. With 8,900 jobs, the employment effect due to the production and sale of beer is the largest in the agricultural sector.

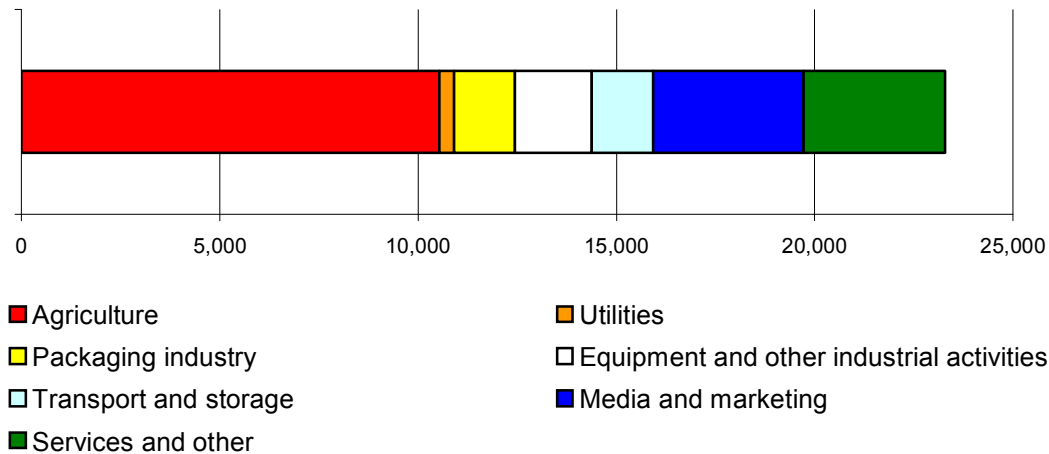
Sectors	Stimulus	Stimulus for Romania		Turnover per employee	Number of employees
	(mln. €)	%	(mln. €)	(in €)	
Agriculture	94	55.7	53	7,667	6,848
Utilities	20	97.7	20	80.400	243
Packaging industry	59	53.3	32	31,800	995
Equipment	103	38.9	40	31,800	1,262
Transport	35	100.0	35	35,100	1,004
Media, marketing	67	89.2	59	24.111	2,465
Services	66	84.5	56	24,111	2,314
Total	445		294		15,130
First-round impact as % of total impact					65
Total indirect effect of brewing sector					23,277

Source: EY Questionnaire among breweries (2009); Eurostat (2006)



Indirect employment effects are illustrated below:

Indirect employment



Source: Ernst & Young calculation (2009)

30.5 Retail and hospitality sectors

Hospitality sector

Employment in hospitality arising from beer sales is estimated at 50,500 jobs:

- ▶ Approximately 35% of Romanian beer consumption takes place in the hospitality sector.
- ▶ With a total consumption of 20,200,000 hectolitres in 2008 this means 7,070,000 hectolitres were consumed in pubs and restaurants.
- ▶ The average consumer price of beer is around 1.42 euros per litre (including VAT). This leads to an estimate of 1,004 million euros (VAT included) spent by consumers on beer in the hospitality sector, or 844 million euros (VAT excluded)
- ▶ Turnover per employee in the Romanian hospitality sector is 16,700 euros a year. Total employment in hospitality sector arising from beer sales is thus 50,500 jobs.

Retail

The employment effect from beer sales in retail consists of 12,342 jobs:

- ▶ About 65% of the total beer consumption in Romania is sold by supermarkets and other retail companies.
- ▶ This means that supermarkets and other retail companies sold 13,130,000 hectolitres.
- ▶ With an average consumer price of 0.83 euros (incl. 19% VAT) per litre, total consumer spending on beer in retail is estimated at 916 million euros (excl. VAT).
- ▶ Because the annual turnover per employee is estimated at 74,200 euros, this means that 12,300 people owe their jobs to retail beer sales.

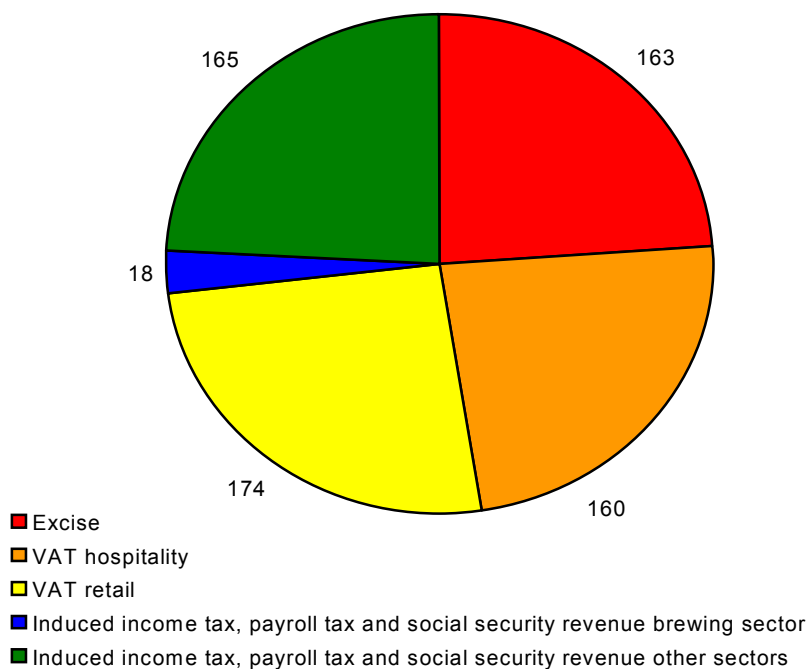


30.6 Government revenues

The revenues of excise, VAT and income-related contributions due to beer production and sales are estimated at 680 million euros:

- ▶ VAT revenues due to the sales of beer are approximately 334 million euros.
- ▶ The excise revenue due to beer production and sales in 2008 amounted to 163 million euros.¹⁴³
- ▶ The total income-related government revenues due to beer production and sales are approximately 183 million euros. Of this amount 26 million euros consists of personal income tax, 48 million euros of social security contributions paid by employees and 108 million euros are income-related taxes and contributions paid by employers.
- ▶ The tax burden for Romanian breweries has increased in recent years. For example the excise rate and the packaging tax (which is not included in the 680 million euros government revenues) increased significantly.¹⁴⁴

**Government revenues due to the production and sale of beer:
680 million euros**



Source: Ernst & Young calculation (2009)

¹⁴³ Source: Asociatia Berarii Romaniei, 2009

¹⁴⁴ Source: EY Questionnaire among breweries, 2009