



BR Business
Review
WHERE ROMANIA TALKS BUSINESS

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A portrait of a woman with dark hair pulled back, wearing a black, intricately patterned dress with a high collar and large earrings. She is smiling slightly and looking towards the camera. The background is a red wall with a white polka-dot pattern.

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Ready for a better 2024

2023 has been a challenging yet fruitful year for many sectors in Romania, from banking to retail & logistics, e-commerce, and real estate. Consumer spending saw a decline after several years of sustained growth. Paradoxically, though, while sales volumes fell, their total value increased. The main cause of this was inflation, which went over 10% in the first half of the year.

Although shopping centres have had many difficulties over the last few years, especially during the pandemic, 2023 has been a turnaround year, once again demonstrating the resilience of brick-and-mortar retail. It is one of the sectors that has the biggest experience in reinventing itself, and one that has managed to get stronger in the current economic context. According to Fulga Dinu, country manager at CPI Romania—a business leader to whom we've dedicated this month's cover story—business vision must be directed towards the customers and their needs, as it is essential to promote positive experiences during each phase of the customer journey.

Meanwhile, development in the logistics and sector continued, setting a new record for modern industrial premises. One piece of good news is that the online trade of goods and services in Romania is estimated to reach EUR 10 billion this year, which represents 60% of the EUR 17.6 billion total online trade in Eastern Europe.

With all the turbulence and uncertainty of 2023 behind us, all we can do is hope for 2024 to be better than we expect and for the local business environment to find ways to turn difficult situations into major opportunities!

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WHO'S NEWS

BR welcomes information for Who's News. Submissions may be edited for length and clarity. Get in touch at mihai.cristea@business-review.eu

**Nadia Calvino**

has received the support of EU Finance Ministers, in their capacity as EIB Governors, to become the next President of the European Investment Bank starting in January 2024. Calvino, who is First Vice-President of the Government of Spain and Minister of Economy, Trade, and Enterprise, will succeed Werner Hoyer, whose second mandate at the helm of the EU bank ends on December 31, 2023. An economist by training, Calvino previously served as Director-General for Budget at the European Commission, between 2014 and 2018.

**Dan Teodosiu**

was appointed to the Revolut Group Board as a Non-Executive Director. Dan has over 30 years of experience building and managing high-performing engineering and research teams, as well as scaling platforms and infrastructure that can support billions of customers. Dan has held senior positions at Google in Paris, at Microsoft in Redmond and Dublin, and at HP Labs in Palo Alto.

Kempinski Hotels unveils plans for Chic Ski Resort in Romania

By Mihai-Alexandru Cristea

*Bernold Schroeder, Kempinski Group*

Rock Holding will invest EUR 70 million in the construction of Kempinski Hotels, a luxury hospitality resort located in Poiana Brasov. With 120 guest rooms, the Kempinski Poiana Brasov mountain resort will be the first five-star hotel in the Transylvania region and the debut of the Kempinski brand in Romania. The investment marks Bucharest-based developer Rock Holding's first foray into the luxury hospitality space after the successful

development of a collection of high-end residential projects in the Romanian capital.

"The mountains of Eastern Europe are some of the most spectacular in the world and we are thrilled to have found a new home in the enchanting village of Poiana Brasov. Together with Rock Holding, we hope to bring elevated levels of luxury to the region's hospitality scene and provide a truly five-star experience for well-heeled travellers heading to Romania," says

Bernold Schroeder, the Chief Executive Officer of Kempinski Group and Chairman of the Management Board of Kempinski AG.

"Poiana Brasov is undoubtedly one of the most attractive parts of Romania and it holds great development potential.

Our vision for Kempinski Poiana Brasov is to create a luxurious mountain hideaway where visitors can choose to do as much or as little as they like, with a host of in-house facilities and an abundance of outdoor activities at their doorstep. The Kempinski Hotel will provide a luxury accommodation for anyone looking for a slice of paradise in the Carpathian Mountains," said Mircea Cotiga, Founder and CEO of Rock Holding.

Poiana Brasov is a gateway to some of the most spell-binding landscapes in Central Europe and a magnet for outdoor aficionados.

Al Dahra and Agreena announce carbon farming project on the EU's largest arable land

By Miruna Maccsim

A partnership between UAE agribusiness Al Dahra and Danish climate agtech firm Agreena will see the largest consolidated arable farm in the EU's transition to regenerative agriculture. More than 55,000 hectares of arable land on the Al Dahra-owned Agricost farm on the Great Braila Island in Romania

will enter Agreena's soil carbon programme.

The two global players signed a Memorandum of Understanding (MoU) at COP28, signifying a pivotal partnership between Al Dahra and Agreena.

"The agricultural industry is in a unique position to play a critical role in sequestering

Agreena supports farmers to turn their soils into carbon sinks

Strong private sector key to Romania's economic growth

By Aurel Dragan

Romania has made impressive strides in its economic performance over the last couple of decades, but the country is still facing a large convergence gap with EU living standards, as well as wide regional and social disparities internally. To address this, the country needs to harness its private sector to reignite sustainable, inclusive growth and create jobs, according to a new IFC-World Bank report. The Romania Country Private Sector Diagnostic (CPSD) says the private sector remains the engine of the country's economic development and can help create new, better-quality jobs, as well as drive connectivity, productivity, and competitiveness. The report also highlights concrete ways to boost economic opportunities through green and digital transitions, including new green value chains. Additionally, Romania could build on the success of its booming



The country needs to harness its private sector to reignite sustainable growth

IT sector and further boost its services sector by improving digital skills, increasing enrollment in tertiary education, and enhancing management practices among companies. There is also room to improve agricultural productivity and value addition or to advance climate-smart agricultural production. But the CPSD also highlights five cross-cutting constraints currently hampering development that, if addressed, could create a more dynamic and agile private sector and spur growth. These include skill shortages and mismatches;

governance and institutional shortcomings in the business environment; barriers to competition; limited innovation due to chronic underinvestment; and infrastructure and connectivity issues. "We are committed to continuing to strengthen our relationship with the Romanian government and contributing our global knowledge, expertise, and capital to help the country leverage these opportunities and create the quality jobs of tomorrow," said Rana Karadsheh, the IFC's Regional Director for Europe.



carbon dioxide (CO₂) from the atmosphere. The agrifood system accounts for approximately one third of global greenhouse gas (GHG) emissions, but the agricultural industry also has a significant opportunity to be a part of the climate solution. By incentivising farmers to transition from conventional to regenerative farming practices, Agreena supports farmers to turn their soils into carbon sinks, removing and storing CO₂ from the atmosphere," a company statement reads.



Julien Munch

has been appointed Chief Operating Officer at Carrefour France, to start in January 2024, after a three-year tenure in the Carrefour Romania team. During the transition period, Laurent Vallée, Carrefour Group Secretary General and CEO for the Northern Europe region, will act as interim CEO for Romania.



Raluca Stanislav

has joined Cushman & Wakefield Echinox as Head of Business Development. She has over 20 years of experience in the real estate and construction industry across the entire CEE region. Over the past 10 years, she has led various divisions within Skanska, one of the world's leading project development and construction groups.



Dina Tsybulskaya

has been appointed CEO at eSIM Plus, a global virtual sim provider. Tsybulskaya, a senior leader in Europe's telecommunications sector and the former CEO of Telekom Romania Mobile (2021-2023), has previously held high-ranking positions, including as a member of the board at three different telecommunications providers in Europe.

Real estate market ending a tough 2023

The housing market contracted in 2023 on both the supply and demand sides. The number of residential project completions in the first half of this year, compared to the same period of last year, decreased nationally by 2%, and the volume of construction works in the first 9 months of 2023 decreased by 7.2%, but with significant regional disparities, according to the latest Financial Stability Report from the National Bank of Romania (BNR).

By Aurel Dragan



As economic activity picked up, prices also resumed their rise, surpassing pre-pandemic levels

The trend is expected to continue in the coming period, given on the one hand the significant decrease in building permits for residential buildings, with -24% in January-September 2023 compared to the same period of 2022, and on the other hand the maintenance of the sustained

pace of increase in construction costs for residential buildings, with +15% in the first 9 months of the year.

Real estate transactions recorded a decline in the first three quarters of the year compared to January-September 2022, both nationally, by -18%, as well as in the main

regional centres, with -21% in Bucharest and Iasi, -16% in Constanta, -14% in Cluj, and -10% in Brasov. Territorial discrepancies were also evident in terms of trading activity, with the largest decrease in Olt County (-68%), followed by Teleorman (-55%). At the opposite end of the spectrum were Calarasi county

with +23% and Alba County with +21%. At the EU level, property prices showed divergent developments, with 9 of the 27 Member States recording declines in the second quarter of the year. The largest drop was in Germany (-10%), while Croatia recorded the fastest house price growth, with +14%. In Romania, residential property prices in Q2 2023 remained relatively constant compared to those in the previous year, at +0.1%, but regional disparities remain significant even from this perspective, following asymmetries in economic development. “Cluj county ranks among the regions with the highest housing prices at EUR 2,329/sqm in apartment blocks in Q2 2023,” the BNR Stability Report shows.

High construction costs have continued to put pressure on new housing prices, intensifying their increase compared to the prices of existing housing, by 4.4% versus -2% respectively in Q2 2023, year-on-year. As for the residential real estate market’s accessibility, the “price per income” indicator (the number of years of income needed to cover the price of a home) highlights important heterogeneities at the regional level, recording values ranging from over 11 years in Cluj or Constanta to 7 years in Bucharest.

COMMERCIAL MARKET

Concerns about dynamics in commercial real estate markets are growing at the European and global levels. In Europe, according to the latest European Central Bank (ECB) assessments, the commercial property market remains on a downward trajectory amid tighter financial conditions and macroeconomic uncertainties, which have led to a fall in demand, particularly in the office and retail segments. “The vulnerabilities faced by the commercial real estate market are

amplified by a number of structural changes that have taken place in recent years, such as the extent to which online trade has taken off, the need for more flexibility in terms of leased office space, and the impact of climate-related policies. Against the backdrop of the low interest rates of the past decade, the commercial real estate market went through a period of expansion, followed by sharp corrections at the onset of the covid-19 pandemic,” the report states.

As economic activity picked up, prices also resumed their rise, surpassing pre-pandemic levels. But starting in the second half of 2022, as interest rates rose, commercial real estate prices saw a decline. As a result, commercial property prices in the euro area fell by 10% year-on-year in the second quarter of 2023. Steep falls in com-

mercial property prices may have a negative impact on commercial property revenues and on the liquidity and solvency of firms in the construction and real estate sectors.

In Central and Eastern Europe, the volume of commercial real estate investments in the first three quarters of 2023 declined by 46% year-on-year, amid investor concerns about rising interest rates and uncertainty about macroeconomic developments, with the largest declines of around 60% in Romania and Poland.

Compared to capitals in the region, Bucharest has higher capitalisation rates for prime properties than Budapest and Sofia do for commercial space, and higher than just the Bulgarian capital for office space. In Romania, activity on the commercial property market slowed down in the first part of the year, in line with regional developments. Investment volume fell significantly, by about 63% in the first 9 months of 2023 compared to the same period of last year, to EUR 243 million.

At the regional level, the biggest drop in investment was recorded in Bucharest (-73%), while major regional centres such as Cluj, Brasov or Timisoara saw average declines of 47%. By destination, investments were mainly oriented towards commercial premises, followed by offices, with a share of 23%, and industrial premises, with 16%. The most important investors on the Romanian market in Q3 2022 by origin of capital were domestic investors, with a share of 38%, followed by Greek investors, with 32%, Belgians with 16%, and Germans with 14%.

Construction costs continued to put pressure on operations on the commercial property market, with the average cost index for non-residential construction rising by 9% in the January-September 2023 period in annual terms, but the pace of cost growth moderated from the previous corresponding period, when it had stood at +20%. At the same time, the volume of construction work for non-residential buildings increased marginally by 1.6%, significantly lower compared to January-September 2022 versus January-September 2021 when it was up 18%.

“The outlook is for activity to remain at the same levels, given that even though the number of building permits issued for non-residential buildings in the first 9 months of 2023 decreased by 4% year-on-year, the average usable floor area authorised for construction remained relatively stable. From a regional point of view, the decline in building permits by usable floor area occurred mainly in the Bucharest-Ilfov region (-43%) and the South-West region (-32%), while the remaining regions saw increases in the authorised usable floor areas,” the report reads.

Rental prices continued to increase across all segments in Q3 2023 compared to the same period of last year. The largest rises were in the office segment, +16%, followed by industrial spaces, +8%, and commercial space, +5%. Capitalisation rates for prime premises increased substantially in the office and commercial segments, by 15% and 7% respectively, while they increased moderately in the industrial segment, by 3%. The vacancy rate for industrial premises rose by 0.6% but remains at a low level of 4.2% compared to that of office premises, where the vacancy rate is around 13%.

18 percent

is de decline of real estate transactions
in the first three quarters of 2023





VISIONARY LEADER ENTRUSTED WITH CONSOLIDATING CPI'S PORTFOLIO IN ROMANIA

Through its takeover of the Immofinanz and S Immo portfolios, CPI Romania has become one of the top three investors on the local real estate market.

The company's assets include numerous office and retail properties, all positioned in very good areas across the country. The leadership style of **Fulga Dinu**, Country Manager at CPI Romania, has played a decisive role in the company's success on the local market. Driven by an agile and creative approach, her main priorities are to respond to customers' needs in the retail sector and to constantly upgrade and refurbish CPI's office assets in order to provide positive experiences to tenants.

By **Anda Sebesi**

What can you tell us about yourself as a leader and as a person?

I would say that as a leader I am committed, fair, and that I enjoy making decisions. I like solving problems and finding creative solutions, all in close cooperation with my colleagues. As a person, I am an incurable optimist, always in a good and joyous mood, and I joke a lot.

How would you describe your leadership style?

My leadership style is based on analysis, effectiveness, and efficiency, but also diplomacy. In other words, I believe that a leader of our times should possess deep knowledge of the industry in which they operate, while being able to have a 360-degree view of the consequences of any decision they make. I always consult with my colleagues, who are specialists in their respective fields, and we aim to make the best possible decisions. If there's something that I truly resent, it's the futile meetings or the "meetings about nothing" as I call them, so we try to keep things simple and straight to the point.

Has your leadership style changed over time as new generations of employees have joined your team?

I started my career in banking and began to lead teams very early in my professional life. Recently, I went to a gathering with my former colleagues from the banking sector. As people do at these kinds of events, we recounted all sorts of situations we had gone through together, and I realised that not much had changed in my personality since then. So, as a leader today, I still have the same values and principles as I did 20 years ago—and the same sense of humour, I am told—, albeit supplemented by a vaster professional and life experience.

What does CPI Romania represent in terms of its business and portfolio?

CPI Romania has become one of the top three investors on the market following its takeover of the Immofinanz and S Immo portfolios. Our assets include numerous office and retail properties, all located in very good areas. Our office buildings total 365,000 sqm of premium space situated in Bucharest; our retail properties, totaling approximately 270,000 sqm GLA, are located both in Bucharest as well as in other major cities across Romania.

What was 2023 like for the local office market and what will be the key trends in the sector in 2024?

Though we had a moderate start to the year, the Bucharest office

market recovered along the way, reaching high leasing volumes. This tendency has also been apparent within our own portfolio, as we've managed to sign approximately 50,000 sqm of office space so far which means 15% of the entire leasing activity on the market. At the same time, our state-of-the-art asset management capabilities have paid off, as our office spaces feature the environment and infrastructure that allow our tenants to increase their employees' physical presence in the office. Our buildings have an attendance level of approximately 70%.

At the same time, in the context of a generally limited new supply, we've continued to refurbish part of the office buildings in our portfolio. This year we finalised the remodelling process of myhive Victoria Park, which has resulted in the occupancy rate increasing from 50% at the beginning of the year to over 95% now.

Considering the geopolitical and macroeconomic climates, we believe that creativity and adaptability are becoming essential in the current environment. With this in mind, we have managed to secure a long-term lease with the second private hospital in our portfolio, as well as with one

of the biggest interior design brands on the local market. 2024 will be marked by multiple challenges, most of which will be generated by the impact of the conflict at our border and the one in the Middle East, with their respective macroeconomic consequences. However, we remain positive and confident that things will evolve in a positive manner as long as we continue to provide outstanding services and demonstrate flexibility and resilience.

What can you tell us about the retail market's performance this year and your expectations for 2024?

Shopping centres have had many difficulties over the last few years,



365,000 sqm

is the total area of premium office space in Bucharest

As a leader today, I still have the same values and principles as I did 20 years ago—and the same sense of humour.

especially during the pandemic, but 2023 has been a turnaround year, once again demonstrating the resilience of brick-and-mortar retail. It is one of the sectors that has the biggest experience in reinventing itself, and one that has managed to get stronger in the current economic context.

The business vision must be directed towards the customers and their needs; it is essential to promote positive experiences

during each phase of the customer journey—with a special emphasis on the word “experience.” This year, perhaps more than ever, together with our retail partners we focused on creating a special atmosphere in which to immerse the customers, across all our regional shopping centres that cover important parts of Romania: Bucharest, Cluj, Constanta, Iasi, Baia Mare, and Pitesti. This always

and refurbish our assets. We have made major investments in recent years in four of our office buildings to not only aesthetically modernise them, but also to replace and upgrade the technical and equipment components. Additionally, we constantly intervene across our portfolio with technical solutions that improve resource consumption and reduce any negative outputs.

This year, perhaps more than ever, together with our retail partners we focused on creating a special atmosphere in which to immerse the customers, across all our regional shopping centres that cover important parts of Romania.

We are fully committed and aligned with CPI Property Group’s key sustainability principles, meaning promoting a sustainable approach towards real estate development and management; contributing to environmental protection and the development of the local communities in which we operate; pursuing a sustainable business model that allows us to achieve our business objectives without placing an excessive burden on the environment; actively managing our assets to continually improve environmental performance, quality, and resilience; and encouraging proactive contributions from all our employees, tenants, and customers to meet all objectives in line with our principles.

results in increased loyalty and satisfaction among customers, who can also become brand ambassadors for our shopping centres.

Moving forward on this path, we always strive to follow the latest trends in our refurbishment projects, and we like to work with our retail partners to implement new concept stores and pop-ups that feel more like the novelty showroom style that enhances customer experience, alongside the big department store concepts and market-places for food vendors.

Another key aspect we have been working on this year is the continuous effort of renewing and refurbishing our buildings with the latest technologies in order to pursue our long-term commitment to sustainability and come up with viable solutions that have a positive impact on the environment.

All in all, 2023 has brought constant growth and has shown very promising development for the retail sector, with an almost 100% occupancy level in our centres and an ever-growing footfall and sales volume, mainly thanks to the fact that we are constantly adapting to the demands of our customers.

What kinds of investments are required to upgrade the old stock of buildings under ESG principles?

Our office portfolio is quite balanced in terms of the age of the buildings. As a diligent long-term landlord, we constantly upgrade

As a result, CPI Romania has implemented a number of measures, including the usage of e-car charging stations, green mobility bike stations, extensive LED usage, the enlargement of green areas, selective recycling, rainwater usage for irrigation—and the list could go on. We are also currently assessing the installation

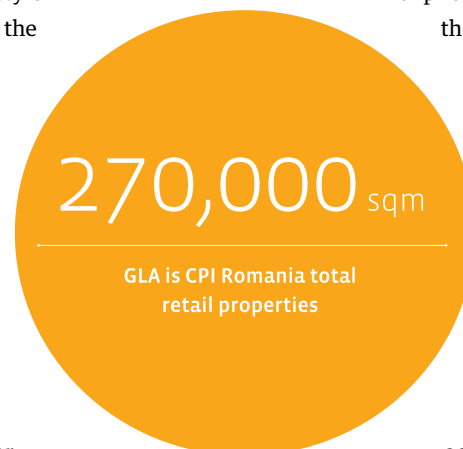
of photovoltaic equipment on our rooftops. On top of the above measures, all our office buildings are BREEAM certified and we are also very active in terms of the social component of ESG and we have finalized the Access4You certification for our entire office portfolio.

What are CPI’s plans on the Romanian market?

For the time being, the main aim is to consolidate our core assets. This means continuing to increase the occupancy rate in our office buildings and maintaining the high occupancy levels in our retail portfolio, while constantly increasing footfall and sales.

We will also continue to refurbish and remodel our assets, where need be, to consolidate their position on the market.

Also part of our strategy for next year is to divest those assets which we do not consider as being part of our long-term holding strategy. In a nutshell, we will continue to maintain our leading position on the market through our highly professional asset management capabilities, dedication to our customers, and observance towards the environment.



Consumer demand unlikely to recover in 2024

Consumer spending saw a decline in 2023, after several years of sustained growth. Paradoxically, though, while sales volumes fell, their total value increased. The main cause of this was inflation, which went over 10% in the first half of the year and only fell below 7% in November. Meanwhile, development in the logistics and sector continued, setting a new record for modern industrial premises. Online trade also grew, with specialists estimating it to reach the EUR 10 billion mark this year.

By Aurel Dragan



2024 will start with plenty of uncertainties

Since it was a year when consumers looked predominantly at prices, a good part of shopping migrated to retail channels that offered low prices and benefits, according to a study by RetailZoom Romania. “This year, a new retail channel has consolidated under local entrepreneurship, namely cash & carry stores or local warehouses, which offer attractive prices and benefits to shoppers,” says Bogdana Gheorghe, Managing Director at RetailZoom Romania, who adds that only convenience stores and supermarkets have managed to remain stagnant or slightly growing. The study shows that 55% of consumers looked for products on

sale, 32% bought smaller quantities, 31% went shopping with a list and tried not to deviate from it, 30% froze products to keep them longer, and 27% went for the cheapest products available. The survey also indicated a 3.3% decline in sales volume between January and July 2023 compared to the same period of 2022, while sales value increased by 15%.

“The course of the Romanian economy in 2023 was unpredictable. The uncertainties forced private consumers to allocate their available budgets more carefully. They gave up on buying products for long-term use, instead focusing on day to day needs

and special offers and promotions,” says Catalin Pozdarie, General Manager at Hervis Romania, who adds that “certain statistics show a decrease of the purchasing power in large cities in Romania compared to other cities in EU countries,” mainly due to inflation. In the retail sector, however, a distinction must be made between the food and non-food sectors. In the non-food sector it is easier to postpone a purchase or give it up altogether, while the same cannot be said for products in the food sector. The difference is evident if we look at the development of each sector. “While the food sector is still in full expansion—the market is allowing this

considering the fact that there is a limited number of competitors and the need to cover basic needs is still a priority for the average consumer—, the non-food market has been experiencing a slowdown in the pace of expansion, which also comes as a result of a slower development of new large-scale commercial centres. Even so, there are players, especially those from the discount segment, who open stores in small shopping centres located in towns with a small number of inhabitants,” Pozdarie adds.

One piece of good news is that the online trade of goods and services in Romania is estimated to reach EUR 10 billion this year,

DVDs (34%), restaurant deliveries (30%), and cosmetics or beauty products (27%).

The growth of online retail also generates growth in the courier industry, with the two being very closely linked. “I anticipate the upward trend on the courier market to persist, particularly due to the growing popularity of e-commerce and circular economy models. Despite macroeconomic challenges, Sameday sustained double-digit revenue growth in 2023 compared to the previous year, thanks to the commitment of our team and our digitally driven business model,” says Lucian Baltaru, the CEO of Sameday Courier.

“In terms of costs, the headline rent for a standard 5,000 sqm unit on a 5-year contract has risen to 4.5 sqm/month and it is expected to continue increasing into the first part of 2024, after which we expect a stabilisation period. Logistics have dominated demand with a share of 35%, but it was the Manufacturing sector that saw the highest y/y growth. It leapt to 25% of TLA by the end of Q3 2023, up from 8% in 2022, signalling a return to pre-pandemic trends. Looking towards 2024, we expect the East/Northeast regions to step into the limelight, as their ongoing infrastructure projects are attracting more of our clients’ and partners’ attention. The 200+ km of highways set to be delivered across the

„THE NON-FOOD MARKET HAS BEEN EXPERIENCING A SLOWDOWN IN THE PACE OF EXPANSION, WHICH ALSO COMES AS A RESULT OF A SLOWER DEVELOPMENT OF NEW LARGE-SCALE COMMERCIAL CENTRES,”
CATALIN POZDARIE, GENERAL MANAGER AT HERVIS ROMANIA

which represents 60% of the EUR 17.6 billion total online trade in Eastern Europe, according to the 2023 European E-commerce Report. With a consolidated 3.17% of GDP generated by the online sales of goods and services (e-GDP), Romania ranks third in Central and Eastern Europe and 12th in continental Europe. The report shows that 94% of Romanian shoppers prefer to order online from Romanian stores, while 21% have also ordered from foreign stores. At the European level, the most ordered products are clothes, shoes, and clothing accessories (68% of products ordered online), followed by books, CDs,

The same is true for the industrial & logistics sector, which has remained on the rise. “In 2023, Romania’s industrial & logistics (I&L) market stayed on the positive path of the last three years, surpassing the 7 million sqm modern stock threshold at the end of Q3, with a vacancy rate of only 4.3%. The year’s new deliveries are set to be around 630,000 sqm, reaching a total of 7.3 million sqm of modern stock by the end of the year. Leasing activity totalled 686,000 sqm in the first nine months of 2023, with take-up representing 88%,” says Calin Badea, Consultant for Industrial & Logistics Services at CBRE Romania.



country in 2024 provide a long-awaited, significant boost to the I&L sector. We anticipate that regional cities will capture 60-65% of the total demand by year-end, with possibly even a larger share in 2024,” Badea added.

EXPECTATIONS FOR 2024

2024 will start with plenty of uncertainties. The public budget is under high spending pressures in a year with four rounds of elections. The changes that have already been made to the tax code will again increase inflation, with direct effects on consumer spending. “Individual spending will be under pressure in 2024 as well. The immediate effect of the measures imposed by the current

government has been the revision of future investment budgets, personnel restructuring or a decline in the number of new engagements,” Pozdarie notes.

“We believe the Industrial & Logistic market will be shaped by five key trends in 2024.

numerous projects in which we’re engaging together with our partners,” Calin Badea explains.

“The demand for courier services is poised to rise in 2024 as consumers increasingly adopt online shopping, generating a

“THE COURIER INDUSTRY IS EXPECTED TO UNDERGO ADDITIONAL TECHNOLOGICAL ADVANCEMENTS, ESPECIALLY IN THE DEVELOPMENT OF LAST-MILE DELIVERY SERVICES,”

LUCIAN BALTARU, THE CEO OF SAMEDAY COURIER



Regional developments are gaining momentum, outpacing new deliveries in Bucharest, and leading to the emergence of new hubs. In the short to medium term, the headline rent is forecast to continue its upward trajectory, reflecting the robust demand in the sector. Nearshoring, after years of theoretical discussions, is finally starting to materialise, and we’re going to welcome even more of it in 2024. The rapidly advancing green energy segment, especially photovoltaics, is also a significant trend, as evidenced by the

need for efficient and reliable delivery solutions that are accessible both domestically and internationally. With a surge in the number of online stores in Romania, Hungary, and Bulgaria adopting marketplace business models or expanding into neighbouring countries, we anticipate a growing demand for cross-border deliveries—not only in the countries where Sameday has active branches, but everywhere in the CEE,” says Lucian

Baltaru. “Consequently, the courier industry is expected to undergo additional technological advancements, especially in the development of last-mile delivery services and the enhancement of the overall customer experience. Looking ahead, continuous progress in sending, returning, tracking, and visibility solutions is anticipated, ensuring customers receive real-time updates on the status and location of their shipments,” he concludes.



“NEARSHORING, AFTER YEARS OF THEORETICAL DISCUSSIONS, IS FINALLY STARTING TO MATERIALISE, AND WE’RE GOING TO WELCOME EVEN MORE OF IT IN 2024,” CALIN BADEA, CONSULTANT FOR INDUSTRIAL & LOGISTICS SERVICES AT CBRE ROMANIA



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BAT DBS Romania Hub is celebrating 15 years

Mario Calero Leyva, General Manager at DBS Romania Hub, sat down with Business Review and talked about the company's history on the local market, highlighting the added value it brings for the local business environment.

By Newsroom



How would you briefly describe BAT?

BAT is a leading, multi-category consumer goods business whose purpose is to build A Better Tomorrow by reducing its health impact through a greater choice of enjoyable and less risky* products for adult consumers. In Romania, BAT is represented by BAT

Trading (our commercial organisation), BAT Investment (our factory, located in Ploiesti), and BAT DBS Romania Hub (our global business solutions).

What is the role of BAT DBS Romania?

At DBS, we are switching our focus to end-to-

end solutions that are beyond our traditional scope, driven by market demands, in areas such as Finance, HR, Procurement, in order to unlock commercial value and help simplify the ways in which we do business. Inside DBS, we are continuously improving our operations and building new capabilities.

Who is Mario Calero Leyva?

I joined BAT Colombia in 2012, where I supported the merger of BAT and Protobacco after the latter had been acquired in 2011. I had the opportunity to support process redefinition operations and implement BAT standards, create a sustainable and engaging Talent Agenda, structure a collaborative Labour Relations agenda, and kickstart ways of transforming work.

In 2017 I joined the Talent & Organisational Effectiveness Centre of Excellence in the UK, where I had the chance to support Organisation Design projects, lead our employee listening strategy, and drive the creation of the first global HR Analytics Dashboard with live data.

In 2020 I moved to Romania to lead the DBS HR organisation, which continues to position itself as more customer-centric and leverage more from data and analytics to improve existing and new processes while being more effective and efficient. I am married and have been blessed with 2 great children (twins). I enjoy running, golfing, and good food.

What's the role of the BAT DBS Romania Hub in BAT's larger strategy?

BAT DBS Romania is in an acentric time zone and very close to our headquarters in London, which enables this hub to be a trailblazer of transformation by delivering

Value-Driven Simplification and Next-Gen Business Solutions. We host most of the global process lead roles, which means we are very well positioned to define and lead global process changes. We do this by adopting new tech and creating centralised dashboard and visual management centres of expertise.

What is DBS's ambition for the future?

DBS is all about end-to-end solutions that we bring to BAT to create value, leverage technology & data, and streamline processes. We'll further accelerate our automation, data, and innovation journey; empower our teams with data-driven insights and platforms; and deliver digital solutions at scale. As our people are our greatest asset, our underlying ambition is to create the best work environment so that together we can achieve our goals and at the same time help them develop meaningful careers. One of the major improvements we're making is moving to a brand new ESG-friendly office in January 2024, which is designed for collaboration and engagement with well-being, relaxation areas, and game rooms.

In Romania we've seen multiple global business service centres developing in recent years. What makes BAT DBS stand out?

I truly believe that BAT DBS Romania Hub stands out because we are focusing on personal and professional growth, a flexible work environment, and diverse experiences. We believe that work should complement your life. Our working practices offer adaptable arrangements to support people's professional and personal lives. We encourage our people to go beyond their daily tasks and focus on their long-term career journeys.

This year, BAT DBS Romania Hub is celebrating its 15-year anniversary. What do you think of its evolution over the years?

It's been a great 15 years of learning and growth. This hub has gone from being a functional and operational Global Business Solutions centre to becoming a true end-to-end process owner, leading in business partnerships and creating value for the business at scale, quality, and speed. It is a place where the young generation can develop capabili-

ties for the future by working in an environment where challenging the status quo is a mantra. Everyone can be in the driver's seat and strive to only do their best. This is why I believe we are among the best! We are more data-led than ever. This allows us to have quicker and more actionable insights, and this strategically positions us to deliver value and have a high impact within our business.

ences for connection and work, through new technologies and space design that supports interactivity. The new location also allows us to advance our sustainability goals, focused on ESG—an aspect that I personally support and that is very important to our entire centre and to BAT's mission to build a better tomorrow.

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Global Top Employer, with 50,000 people across more than 175 markets, with 45 factories in 43 countries.

Included in the Dow Jones Sustainability Index for 21 consecutive years.

The BAT factory in Ploiesti has the Alliance for Water Stewardship (AWS) certificate.

Diversity leader in the Financial Times and International Women's Day Best Practice winner.

BAT Romania is the leader of the local tobacco market, with a market share of over 50%, and one of Romania's biggest contributors to the state budget.

BAT employs over 3,000 people in Romania across its three organisations and generates another 30,000 jobs through its supply and distribution chain.

What can you tell us about the company's relocation to One Cotroceni Park?

We are excited about our new offices, which encourage different ways of innovating and working together, with spaces for collaboration and creative interaction—an important aspect for our global integrated services centre (BAT DBS Romania). The new offices will be structured to facilitate hybrid experi-

What is one piece of career advice you would give to our readers?

I would advise young people to focus on building a career, not just a job.

*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

Exim Banca Romaneasca building a solid and healthy foundation for future growth

Following the merger between EximBank and Banca Romaneasca at the end of last year, the newly formed universal bank, Exim Banca Romaneasca, has adopted an organic growth strategy based on increasing the degree of financial intermediation to consolidate its position on the financial-banking market. **Traian Halalai**, the Executive President of Exim Banca Romaneasca SA, told Business Review all about the bank's strategy in Romania.

By **Anda Sebesi**



What were the biggest challenges in the merger process between Banca Romaneasca and EximBank SA?

The merger with Banca Romaneasca was completed on December 31, 2022, so we are now approaching the first anniversary of our operations as Exim Banca Romaneasca, a new top Romanian universal bank. This year, the main challenge has been integrating the retail component to continue our mission of supporting prosperity growth in Romania and strengthening our role as a growth partner, aligning with customer expectations. I would say that we have successfully overcome this challenge.

It certainly helped a lot that many aspects had been adjusted even before the merger, namely internal operating mechanisms,

including procedures and regulations, so this year we've been able to focus on the functional aspects of the new operational model. We're talking about a substantial volume of work, and I want to thank the entire team for their involvement and results.

We have gone through a period of major transformation, but I want to emphasise that our mission remains the same: to support the growth of prosperity in Romania and to build sustainable partnerships for the social well-being and economic performance of our clients by accelerating financial intermediation.

Currently, Exim Banca Romaneasca operates on two key pillars: the activity it carries out in its own name and account—just like any other universal commercial bank on the

market—and the operations it performs on behalf of the state, which are independent of the commercial component and include state guarantees and insurance products, according to its mandate.

In this context, we have an organic growth strategy which is based on accelerating the pace of financial intermediation in order to consolidate our position on the financial-banking services market as a solid credit institution that is capable of dealing with any development in the Romanian economy, with all the ensuing challenges, all while acting with prudence and responsibility. Our goal is to build a solid and healthy foundation for future growth, and we are confident that we will be able to do so just like we have managed to develop at a rapid pace over the last 11 years, having built a strong brand on the banking market.

How is the banking system coping with this period of successive crises?

Unfortunately, the economic context continues to be extremely volatile and unpredictable, with risks coming simultaneously from multiple areas, making any attempt to anticipate the effects on the economy and society extremely difficult.

However, I am confident that the banking system will adjust its decisions based on current developments, just as it has done so far, because we must not forget that the last few years have been full of challenges. We have all gone through a difficult time, but we have also proven that we could adapt to changes and face difficult situations.

The banking system has played a decisive role throughout this period, and I am fully

convinced that it will continue to support the real economy prudently and responsibly, aligning its actions with government policies and the monetary policy of the national bank.

Meanwhile, we will continue to focus on our fundamental objective of providing appropriate and well adapted responses to the real needs of our customers, as well as conducting economically efficient financial intermediation operations.

In what ways do you support companies in the Romanian economy that have been affected by crises, most of which have been external?

We are constantly connected to economic developments and pay attention to the demands of our clients, which allows us to fulfil our promise of supporting Romanian companies by launching financial instruments that respond to the real needs of the market.

Exim Banca Romaneasca has always been one of the most proactive financial players, aligning its strategy with macroeconomic developments, client expectations, and the government's objectives. We have been involved in projects with similar institutions in Europe and beyond, to create favourable contexts for the development of the local economy.

In the context of the turmoil on the international scene (pandemic, energy crisis, rising raw material prices, the war, etc.), Exim Banca Romaneasca has coordinated with similar institutions in other EU member states and rapidly adapted its portfolio with products that offer Romanian companies equivalent operating conditions to those of companies in the rest of the European Union. I am particularly referring to the state aid schemes we have implemented, such as the Financial Programme to support large companies and SMEs (Covid-19) or the State Aid Scheme aimed at providing liquidity and access to financing for companies facing difficulties in the context of Russia's aggression against Ukraine.

Although we are now a new bank, we maintain our uniqueness on the Romanian market and, independently of the specific components of a universal bank, we continue to operate in the segment of state guarantees and insurance. We aim to implement support programmes that are well adapted to

the needs of the business environment and aligned with the macroeconomic coordinates and objectives set by state authorities.

How is the banking system in general, and Exim Banca Romaneasca in particular, adapting to digital transformation? What about ESG and sustainability criteria?

The Fintech sector has been seeing rapid expansion process for several years now, and the process has been hastened by the general trend whereby consumers expect banks to respond to requests with the same speed as online shops.

Clearly, we must become increasingly efficient and flexible and start using more and more technology. I believe this trend will manifest in all fields, not just in banking.

Digital transformation, especially in the financial-banking segment where trust is the most valuable asset, represents a complex process that needs to be customer-centric. It must provide increased agility and response speed under conditions of high security, stability, and availability.

In this context, with the completion of the merger, Exim Banca Romaneasca has entered a new phase of stabilisation, development, and modernisation, prioritising the consolidation and expansion of alternative customer interaction channels as well as the optimisation and automation of certain flows and processes to increase customer satisfaction and employee productivity.

As part of our digital transformation roadmap, we have launched a new internet banking solution for corporate clients, and by the end of this year, we plan to expand the platform with internet and mobile banking functionalities for retail clients. We have also diversified payment options by implementing contactless mobile phone payments and launched a digital enrolment platform offer-

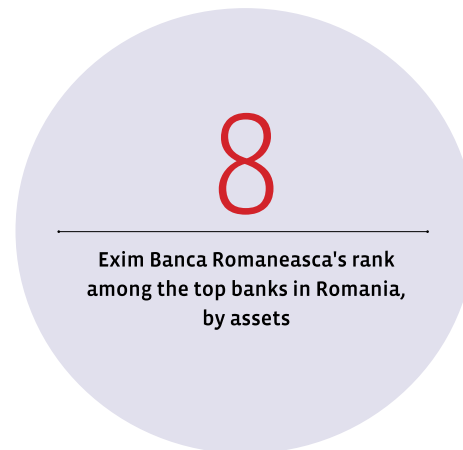
ing easy, fast, and secure online access to a complete package of products and services. We also aim to diversify and harmonise customer interaction and service methods by operationalising solutions that allow an omnichannel or omniaccess approach, as well as to enrich the experience by offering Kiosk or Front-end solutions in our branches.

Regarding the ESG area, as a leading universal bank, Exim Banca Romaneasca has the responsibility of offering safe, sustainable, and high-quality banking products that support the transition to a green economy. Accordingly, we have defined our goals and established strategic measures for sustainable activity using the concept of "double materiality," namely the impact of environmental, social, and governance factors on financial performance, alongside their impact on the environment and society.

We have already initiated projects that integrate the best sustainability practices, both in terms of internal processes—focusing on limiting our energy consumption and carbon footprint—and particularly by aligning our financing strategy with sustainability

regulations. For example, we have recently started transitioning our card portfolio to a sustainable, environmentally friendly alternative, so all newly issued cards will be made from recyclable material.

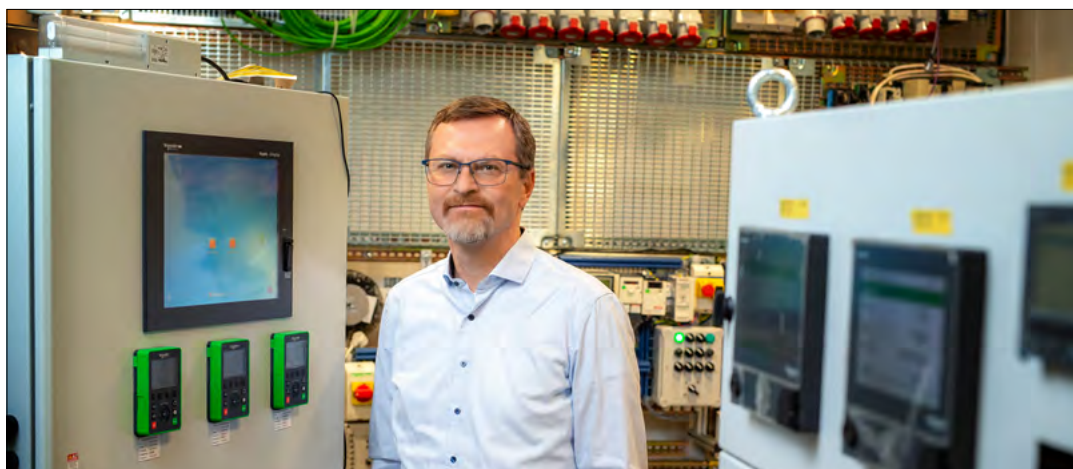
In addition to our existing portfolio, we will continue to develop products and services that feature sustainability components, be they dedicated products or ones that integrate ESG criteria into financing and investment decisions. Through our actions, we aim to amplify the positive effects that sustainable lending policies have on the community and the environment, since Exim Banca Romaneasca has both the capacity and the flexibility to propose solutions and support complex projects.



On a straight path to resilience, efficiency, and sustainability

Discovering the dynamic landscape of innovation and adaptability, **Petr Hermann**, the Cluster President CEO for Southeast Europe at Schneider Electric, shares insights into the latest initiatives driving operational efficiency and sustainability in Romania and the broader region.

By **Mihai-Alexandru Cristea**



much openness is there for their implementation?

Businesses in Southeast Europe are well informed about the benefits of automation and digitalization in all aspects of their operations, especially in the energy-related parts. But the world is changing and lately, changes have been massive and quick. One major push was generated by the pandemic, with overnight digitalization.

Another was generated by the

geopolitical situation, which caused surges in the prices of fuel and energy. And there is another one, just as significant, being caused by the spread of the AI, which feeds on electricity and requires more and more efficient data centres. Companies must quickly realise that they need to constantly review their expenses, processes, and their entire business infrastructure, to optimally face such new situations.

What is the way forward? What are the key directions of innovation?

Especially on the side of energy consumption but also in terms of the overall operational efficiency of big enterprises, there is one clear pathway leading to resilience, efficiency, and sustainability: electrification to reduce dependency on fossil fuels, achieved through more renewables, and digitalization that will drive efficiency and allow companies to make energy more visible and get a clearer understanding of how energy is used. All the necessary technology is already available today and it is a matter of fast adoption that will secure the path to more sustainable corporations. Of course, regulation can also help here by introducing specific policies that will encourage good practices.

What are Schneider Electric's latest projects in Romania and how does the regional organisation help capture the country's evolving customer needs?

Romania holds a special place in the Schneider Electric family, having been a vital part of our journey for over 26 years. Our team here is very skilled, understands industry innovations, and can integrate all our latest solutions, equipment, and services to meet our customer needs.

Here in particular, our subsidiary has established strong international collaborations with clients in the automotive segment, with major retailers, and last but not least, with the healthcare sector. We have successfully equipped several factories and commercial facilities in Romania with Schneider Electric's cutting-edge technologies, and we are now part of a large-scale upgrade of the Romanian healthcare infrastructure, in both the private and public health sectors. Wherever they are, our colleagues have an international mindset, and this reflects in the way projects are put together and implemented.

We know Schneider Electric to be a global leader in solutions for energy efficiency. How much does operational efficiency

increase after the implementation of your company's solutions?

Our impact largely depends on the nature of the business, the starting conditions, and of course, on the solutions we implement. The more we are allowed to do, the more savings we can generate. However, what we've been seeing in Romania lately is that we are more often involved in projects from the design stage, which is great, because we can recommend complete solutions and achieve the highest savings if we do so. When comparing two similar projects from the same industry, one built the "traditional way" and the other incorporating our new systems and solutions, savings can be anywhere between 15-30%. Apart from the efficiency that our systems and solutions generate over time, there is also the question of how all modern technology is managed. This is where we can generate significant additional benefits: our solutions can work remotely, they enable experts to be on call and actively respond as often as needed, they prevent downtime, and provide a vastly superior level of operational safety and efficiency.

To what extent do companies recognise the importance of such solutions and how



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Software industry still on the rise as sales of electronics and appliances drop

In 2023, the technology sector was under the sign of Artificial Intelligence, which took a big leap forward with generative AI. It should not come as a surprise that there will be generative AI tools in all the devices we use, with new apps and features that will change the way we interact with technology. Changes will also appear in the way business is conducted in various sectors, as new processes are being developed with the help of generative AI.

By Aurel Dragan



The software industry's turnover increased from almost 1.3% in 2013 to over 2.5% in 2022

As far as sales on the electro-IT market are concerned, they followed the trend seen across the economy in 2023, meaning lower volumes due to declining demand and higher prices. According to GfK data, the sales of appliances went up, with big numbers for fryers and vertical vacuum cleaners, but there were double-digit drops for laptops, PC units, and printers. Interestingly, the data suggests that consumers have more money to spend on things that they could not afford in the past. Sales

of laptops and smartphones—devices people need for work—were down all over the world as many consumers had already changed their devices in recent years.

The situation is similar on the smartphones market. The volume of sales went down by 5-6%, but the total value of the 3 million smartphones sold during the year went up, according to estimates, by 8-10%, to about EUR 1.5 billion. The main reason is that superpremium phones, priced at over EUR 1,000, now account for a third of the entire

market. Meanwhile, premium devices, worth over EUR 600, have a market share of about 60%.

The increase in the average price of a smartphone in recent years, from EUR 150-200 to EUR 400, is mimicked by other segments as well, including TVs or household appliances, as Romanians' purchasing power has gone up. "In terms of value, in the first nine months of the year, sales of surveillance cameras and digital cameras increased compared to the same period of 2022, while office

equipment suffered, especially multifunction devices and printers. Also, after two years of sustained growth, sales of laptops and desktop computers got on a downward trend, with consumer needs having already been covered by purchases they made during the pandemic,” GfK representatives wrote.

As for PC units and laptops, global sales will see a record drop of almost 14% in 2023 compared to 2022, according to International Data Corporation (IDC), to 252 million units. For 2024, analysts estimate that the market will return to growth, with a 3.7% rise compared to this year, to 261.4 million units. That level will be higher than 2018’s (259.6 million), but still below 2019’s deliveries.

THE SOFTWARE INDUSTRY

On the services side of the industry, the one that is producing 8% of the GDP, in 2022 there were 29% more companies in the Romanian software industry that saw turnover growth compared to 2021, according to a study by KeysFin. 2023 data has not yet been made available by the Ministry of Finance.

“Despite the growth rate tempering, we estimate the uninterrupted trend of the last 10 years to continue and reach a new all-time high this year, of over EUR 14 billion. We have chosen to publish the results of the latest report on the development of the software industry close to December 1st, because we can see that software is consolidating its key role in the development and digitalization of the economy and turning Romania into a regional hub, with one of the fastest growth rates in the last 10 years, if not the fastest, its value having multiplied more than fourfold,” said KeysFin economic analyst Diana Florescu. In 2022,

over 37,000 companies were operating in the software industry in Romania, 19% more than in 2021 and 148% above the 2013 level. Of these, 35,500 were microenterprises, 1,200 were small companies, 398 medium-sized companies, and 32 were categorised as large companies.

mately EUR 2.2 billion, representing 17% of the market’s total.

The net profit recorded by companies in the local software industry in 2022 increased substantially to almost EUR 2 billion, 28% above the 2021 level and almost 9 times that of 2013. At the same time, the software industry generated 77% of the net profits recorded by the entire IT&C sector and over 5% of the net result of all non-financial companies in Romania in 2022.

CONTRIBUTION TO THE LOCAL ECONOMY

Romanian software companies’ share of total turnover in the IT&C sector increased from 40% in 2013 to 64% in 2022, thanks to a much faster advancement of the software component. Their turnovers saw a fourfold growth compared to a 2.6-fold increase in the overall IT&C sector since 2013.

As a share of the total turnover generated by non-financial companies in Romania, the software industry’s turnover increased from almost 1.3% in 2013 to over 2.5% in 2022.

COMPUTING SERVICES EXPORTS

Exports of computing services increased by 17%—to EUR 5.8 billion in the first 9 months of 2023—compared to the same period of the previous year, as did imports, to EUR 2.1 billion, according to data from the National Bank of Romania. This means a record trade surplus in computing services reaching EUR 3.7 billion in the first 9 months of 2023. Data on export and import of services is compiled according to the methodology ensured by the IMF’s sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) and classified according to EBOPS (Extended Balance of Payments Classification).

“AFTER TWO YEARS OF SUSTAINED GROWTH, SALES OF LAPTOPS AND DESKTOP COMPUTERS GOT ON A DOWNWARD TREND, WITH CONSUMER NEEDS HAVING ALREADY BEEN COVERED BY PURCHASES THEY MADE DURING THE PANDEMIC,”

GFK REPORT

3 mln

smartphones are estimated to have been sold in 2023, down about 5% compared to 2022

UiPath remained the industry leader by turnover after the largest annual nominal advance of EUR 126 million and the largest annual percentage increase in the top 10 of 38%, to EUR 459 million in 2022. Bitdefender stayed in second place, with a turnover of almost EUR 295 million in 2022, followed by Endava Romania, which surpassed IBM Romania, with an annual increase of 37% to a turnover of EUR 261 million in 2022.

The combined turnover of the 10 largest companies in the industry reached approxi-

Technical excellence in green urban development

Acvatot's main objective is to build efficient and modern urban infrastructure across the country. General Manager **Calin Bichir** spoke to Business Review about today's most pressing challenges for the construction engineering sector and the company's plans for the years to come.

By **Anda Sebesi**



For cities and communities to develop smartly and sustainably, it is no longer enough to just have a highly developed construction engineering sector. Increasing emphasis is being placed on smart engineering infrastructure. What does this concept mean and how is Acvatot implementing it in Romania?

Developing cities and communities smartly and sustainably requires a holistic approach in which intelligent engineering infrastructure plays a crucial role, as it involves the integration of advanced technologies to optimise the efficiency, sustainability, and functionality of urban systems. In this context, our company has focused primarily on equipment and vehicles with low or even zero carbon footprint. This effort reflects an awareness of our environmental impact and commitment to sustainable mobility because

investing in such technologies reduces pollution and promotes a more efficient and environmentally friendly transport infrastructure.

In terms of our work in urban environments, we have taken a significant step forward by acquiring specialised machinery which eliminates possible vibrations and does not affect buildings with seismic risk in the areas where we carry out work. Furthermore, this year, we have embarked on several innovative projects that focus on implementing technologies based on renewable resources. This decision was not by chance, but a decisive step towards building a sustainable and green infrastructure. By integrating these technologies into our projects, we aim to reduce our carbon footprint and promote the use of efficient energy sources, reducing dependence on conventional resources.

>RON **380** mln
is the turnover posted in 2023

Recently, the construction engineering industry in Romania has grown significantly. Can you talk about the factors that have contributed to this growth, including technological ones?

The significant growth in construction engineering in Romania is attributed to a mix of factors emphasising sustained efforts towards adopting innovative technologies and processes. This performance reflects the industry's continued commitment to integrating advanced solutions that significantly improve work efficiency and reduce operational costs. The growth trend in engineering works is mainly due to the significant increase in investments in road infrastructure and water, sewerage, and gas networks, with a large part of the funding in these segments coming from European funds.

Forging strong partnerships and exploring emerging opportunities in related areas, such as energy efficiency and increased comfort in residential construction, have also played a key role in expanding activities in the construction engineering sector. These collaborations have brought experience, know-how, and additional resources, leading to portfolio diversification and adaptation to changing market demands.

Last year, our company strengthened its position in the construction engineering sector, generating a turnover of over RON 288 million. Based on the balance sheet at the end of 2022, we were first in the national industry ranking by gross profit, turnover, and overall performance in the large enterprise category. In the first half of 2023, our turnover exceeded RON 165 million, with our forecast indicating that at the end of the year, we will reach a turnover of over RON 380 million.

What sorts of challenges do builders face on the Romanian market, and how can they overcome them?

Romanian construction workers are being deeply affected by the introduction of healthcare contributions (CASS) to salaries. The exemption was initially meant to remain in place until 2028, and it represents about 20% of the salary fund. However, Acvatot has decided to bear the CASS expenses for its team because it has always supported and backed its employees.

Another notable challenge for the constructors is the increase in the minimum wage in construction to 4,582 RON. We as an organization wanted this measure to keep the few skilled staff, we have been attracting very hard, but it represents a challenge for the field in which we operate.

OUG 90/2023, which introduced measures to reduce budgetary expenditure for 2023, is another concern for us. It threatens to reduce the pace of work and sometimes may even lead to complete pauses. As a high-cost, time-critical industry, construction needs help maintaining productivity.

At the same time, the prospect of paying VAT and corporate tax upfront while dealing with late receivables adds further pressure on companies' cash flows. This can lead to industry-wide financial difficulties, with negative consequences for smaller firms, including potential insolvencies and bankruptcies. Instead of supporting the budget, these measures may contribute to a drop in receipts, with potential side effects such as increased unemployment among construction workers.

Faced with these issues, Romanian construction companies must reassess their financial strategies, look for cost-cutting solutions, and intensify dialogue with the authorities to propose legal adjustments that take into account the specifics of industries with long cashflow cycles. Collaboration between the private and public sectors is essential in order to find sustainable solutions that maintain economic balance in the industry.

What projects does Acvatot currently have under development, and is 2024 looking from this perspective?

Acvatot is carrying out ambitious projects, focusing on rehabilitating and expanding critical water and sanitation infrastructure in various areas. One of these projects concerns Pantelimon and Branesti, where the rehabilitation and extension of water and sewerage networks are underway. A sewerage exten-

in Dambovitita county. Additionally, we are carrying out major projects in the counties of Buzau, Vrancea, and Covasna, covering the design, technical assistance, and works to implement and extend the natural gas distribution system.

With a diversified portfolio, including projects for rehabilitating the heating system in Bucharest, Acvatot is working hard to build an efficient and modern urban infrastructure.

ABOUT

WITH A HISTORY OF OVER 30 YEARS IN ROMANIA, ACVATOT LAUNCHED THE CONCEPT OF A COMPLETE BUILDING PACKAGE—WATER, SEWERAGE, GAS, HEATING, LIGHTING, ROAD—ENABLING IT TO TACKLE COMPLEX WORKS FOR CLIENTS. THE COMPANY FOCUSES ON THE QUALITY OF EXECUTION AND ENCOURAGES RESPECT FOR THE ENVIRONMENT, SUPPORTING NON-INVASIVE AND SUSTAINABLE DEVELOPMENT SOLUTIONS.

sion project in the Independentei district of Bragadiru is also in full swing, together with rehabilitation and extension works of water and sewerage networks in Petrachioaia, Cernica, and Glina. In addition to these multi-annual projects, our company is involved in four-year framework agreements covering a diverse range of works for the Public Domain Administration of Sector 1. These include street maintenance and repair works,

road signage works, upgrading the urban infrastructure in Sector 1 of Bucharest, and repairs and upgrades in Sector 4.

Regarding natural gas distribution, Acvatot focuses on optimising systems, carrying out earthworks to remedy faults for a major natural gas supplier.

New projects also include extending water and sewerage networks in the Fundulea and Ileana localities in Calarasi county as well as in Baleni, Bucsani, and Finta

Ongoing contracts, valued at around RON 500 million, indicate a robust medium-term commitment, with multiple projects planned over the next three years, mostly financed through European funds.

How much does technological progress influence the sustainability and durability of construction projects?

Technological progress significantly influences the durability and sustainability of construction projects. By integrating new technologies, more robust and energy-efficient building materials can be developed, reducing the carbon footprint of projects. The use of sensors and intelligent systems allows for real-time monitoring of the performance of structures, facilitating preventive interventions and extending their lifetime. Advanced renewable energy technologies can also help reduce resource consumption and implement eco-friendly solutions in construction. Technological advancements are crucial in making projects more environmentally sustainable and economically viable.

RON 500 mln
is the value of ongoing contracts

How new generations interact with brands online

Online experiences are increasingly capturing consumers' attention, especially among the younger generations, according to the Deloitte Digital Media Trends 2023 report, which was conducted on over 2,000 US consumers. Half of Generation Z and Millennials believe that online experiences are meaningful substitutes for in-person ones and say they spend more time interacting with others on social media than in the physical world. At the same time, only 20% of Generation X, Baby Boomers, and Matures share the same opinion and behaviour.

By Romanita Oprea



Gen Z's favorite genre is entertainment

Immersion and community are big draws to a wide range of entertainment activities. The top three favourite digital entertainment activities for consumers are watching TV shows or movies (30% of Generation Z and Millennials; 55% of Generation X, Baby Boomers, and Matures), listening to music (26% of Generation Z and Millennials; 22% of Generation X, Baby Boomers, and Matures) and watching user-generated content (19% of Generation Z and Millennials; 6% of Generation X, Baby Boomers, and Matures). The ranking of activities is completed by playing video games (19% of Generation Z and Millennials; 6% of Generation X, Baby Boomers, and Matures) and listening to podcasts (4% of Generation Z and Millennials; 2% of Generation X, Baby Boomers, and Matures). Younger generations turn to different kinds of digital activities to meet their need for social connec-

tion, the report suggests. Generation Z and Millennials feel most connected to a community while watching user-generated content (27%), playing video games (19%), watching TV shows or movies (18%), and listening to music (17%) or to podcasts (10%). In contrast, 45% of Generation X, Baby Boomers, and Matures say they do not feel socially connected while performing these activities.

Gen Zs and Millennials churn—and return—through paid SVOD services at higher rates than older generations. 88% have a paid SVOD subscription in the household, while 44% of the respondents have cancelled a paid SVOD service in the last 6 months. Moreover, the study shows that the economy is having a noticeable impact on entertainment subscriptions, especially for Millennials. As a natural progression of things, the convenience and relevance of free user-generated content keep

consumers coming back for more.

"We're seeing the media and entertainment landscape become more interconnected and interdependent. The report shows that half of consumers often watch shows or movies on video streaming platforms after learning about them on social media, frequently discover new music while playing video games, and wish that more of their favourite movies and TV shows were converted into gaming experiences. In this context, it becomes apparent that brands need to transform the way they connect with different categories of consumers, integrating all these new realities into the business strategies based on which they will develop and promote products and services," said Andrei Ionescu, Consulting and Risk Advisory Partner-in-Charge at Deloitte Romania, and Leader of the technology, media, and telecommunications industry.

Although not currently the most popular online activity, viewing user-generated content is gaining ground. According to the study, consumers choose to watch this type of content because it is available for free (39%), relevant (35%), can be accessed anytime, from anywhere (30%), and always offers something new to see (28%). Moreover, for many people, content creators are not just entertainers, but influencers whose opinions they consider when trusting a brand and making buying decisions. No less than 64% of Generation Z, 57% of Millennials, followed by 41% of Generation X respondents and 16% of Baby Boomers and Matures say they are more likely to purchase a product after watching a review

by a content creator or an influencer they follow.

Video games are another entertainment activity that provides consumers with different benefits, the study also reveals. They can support players' emotional needs, such as boosting their self-confidence (73% of Generation Z and Millennials; 47% of Generation X, Baby Boomers, and Matures) and improving their self-image (49% of Generation Z and Millennials; 19% of Generation X, Baby Boomers, and Matures). For consumers who regularly play video games, this activity also provides social benefits, as 75% enjoy playing games with their families, while 62% feel that meeting up with their friends in video games is an important way to spend time together.

USER-GENERATED VIDEO FEEDS OFFER UTILITY, COMMUNITY, AND TRUST

Content creators play a big role in helping younger consumers make purchasing decisions. 70% of Generation Z and 68% of Millennials consider that user-generated videos help them discover new products and services that they want to use, with only 47% of the Generation X and 24% of the Boomers + Matures having the same opinion. At the same time, the majority of Generation Z and Millennials are willing to trust a content creator's opinion over an online review and are more likely to purchase a product after they've watched a review by an online content creator or influencer they follow (64% of the Generation Zs and 57 of the Millennials).

According to GWI's report on Generation Z, memes are a big part of how Gen Z communicate and how they spend time online. They're not just something they look to for entertainment. Among Gen Z who use them, a large proportion say they use memes to process emotions and express ideas they'd struggle to communicate. For brands looking to engage with Gen Z online, a relatable meme could be the way to go when used correctly.

Among Gen Z who use memes, 64% say they like it when a company uses them for marketing purposes. It makes sense too, as the most distinctive things Gen Z want brands to be are young, trendy, and funny. It's all

about a relatable human side rather than anything traditional or corporate. Netflix is a good example of a brand that uses memes in their marketing: they often use their own content to create new memes to post on their social pages. But it's not just brands who can get involved. Even US state agencies have started using memes. The Washington State Department of National Resources used a meme to educate people about what to do if they encounter a bear. It's a clever way of showing people the human side behind an organisation. Brands and companies should be aware though that meme trends change, as does what's funny or trending, so it's all about

70% of Generation Z and 68% of Millennials consider that user-generated videos help them discover new products and services that they want to use

being on the pulse; a meme used at the wrong time could be seen as cringey and uncomfortable.

LET THEM ENTERTAIN YOU

As Gen Z are an entertainment-driven generation, things like how-to videos, bite-size educational videos, and other expert-driven content are likely to resonate. Banks and fintech companies could lean on influencers, who've been making waves on platforms like TikTok and are likely to capture the attention of Gen Z.

Gen Z's favorite genre is entertainment/variety, which has knocked movies off the top spot. Part of this is likely due to this generation becoming used to digesting shorter forms of content—think Instagram Reels, TikTok, and YouTube Shorts. This is another reason why the visual media space has become so competitive: linear and streaming TV providers not only have to compete with each other, but also with video viewing on other online platforms. This means providers will need to work even harder to capture Gen Z's

attention. Prices and the cost of living crisis are also adding to the pressure. Many are looking to make cuts where they can so any TV subscription service that doesn't deliver in terms of content or is deemed too expensive is likely to be on the chopping block. Gen Z are a key audience for these services, but 37% are looking to cut back on the number they subscribe to.

What is also very interesting in GWI's study is the fact that for this generation, content matters more than price. Content that's relevant to their interests, original content, new content being regularly added, and a large amount of content are most important for this audience when it comes to paying for a streaming service. For brands looking to keep this group engaged, content really is king.

Moreover, social has become the top source of brand discovery and product research for Gen Z, beating out search engines. Part of this shift is the need to get more recommendations and ideas from real people before taking the plunge on a purchase, with 3 in 10 Gen Z saying they use social media as a place of inspiration. Just as Deloitte showed as well, user-generated content is a key way brands can get involved here—by showcasing their products with real people.

According to GWI, while Instagram is Gen Z's most-used platform outside China overall, TikTok is a big part of social media's growth. Their use of TikTok outside of China has grown the most of all the social media platforms tracked, rising by an impressive 37% since Q4 2020. With 83% of Gen Z TikTok users saying they use the platform for entertaining/funny content, the app is clearly the go-to place for some light-hearted relief. One of the big pulls of apps like TikTok is also the ability to get real views or opinions from real people, making it more relatable. As a result, Gen Z are often going to TikTok before Google for advice about anything from finances, travel or beauty trends. According to research by Google, nearly half of young people look to TikTok or Instagram instead of Google Maps or Search for answers. It's a big shift in behaviour, and something brands should be mindful of.

A Winter's Tale: The most Instagrammable places in Bucharest

As winter descends upon us, it brings with it a transformative magic that turns ordinary landscapes into enchanting scenes worthy of capturing and sharing on our Instagram feeds. From snow-covered landscapes and cozy cafes to historic landmarks illuminated by a soft winter glow, the world becomes a canvas for the season's aesthetic wonders. Business Review invites you to embark on a visual journey to explore some of the most Instagrammable places that come alive during the winter season in Bucharest.

By **Oana Vasiliu**

Dimitrie Bolinteanu House 16 Negustori Street



The Dimitrie Bolinteanu House, one of Bucharest's architectural jewels, reopened its doors earlier in 2023, after extensive restoration work costing approximately EUR 2 million. The location, unique in its setting, history, and design, is available for events, conferences or private parties. Situated in one of the capital's picturesque neighbourhoods, on Negustori Street, the venue has been restored based on plans crafted by renowned architects, seamlessly blending over a century of the villa's history with contemporary elements.

Before the winter holidays, the villa became a fairy-tale setting. The decor creatively blends classic and innovative elements, highlighting the strong historical significance of the building, which was valued at 6 million euros in 2023 after the renovation works that took two years.

The centrepiece of the Christmas decor is the tree: an impressive 8-meter-high art

installation. The metal structure covered with Noble Fir branches is illuminated by over 5,000 Twinkly LEDs distributed over a installation spanning more than 320 metres. The arrangement was done in partnership with Florist Club Romania and City Flowers, and the Twinkly smart installations were provided by Smart Decorations.

Mita Biciclista House 9 Biserica Amzei Street



Renowned for its captivating restoration, the Mita Biciclista House stands out as one of the most beautifully rejuvenated landmarks in town, and this Christmas season, it is unveiling a truly enchanting display of festive ornaments. The exterior of the building has been transformed with the assistance of 11 special lamps, towering at an impressive 2.5 metres each. Adorning the facade are nearly 50 giant candles, stretching over 200 metres of Christmas garlands and a dazzling array of 2,000 metres of LED lights. Completing

this festive spectacle are six Christmas trees, proudly standing at a majestic height of four metres.

This extraordinary decoration not only pays homage to the spirit of Christmas but also adds a touch of magic to the very place where Mita Biciclista, the daughter of a laundress, lived her entire life. The house now radiates an air of luxury and celebration, creating a visual feast that undoubtedly captivates both locals and visitors alike.

Boiler X Guido Café 143 Calea Victoriei



Boiler X Guido is a collaborative project between Boiler Coffee Shop and the GUIDO Coffee roastery, which opened its doors in early June 2022, reshaping the Calea Victoriei area. The design project for the new Boiler draws inspiration from the history of the interwar building in which it is located—the first privately-owned apartment building in Bucharest.



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The design concept serves as a bridge between the interwar past of Calea Victoriei, reflected in decorative ceilings, and the present state of the thoroughfare, now transformed into a new promenade space featuring minimalist elements.

Amidst this historical and contemporary fusion, Boiler X Guido promises not only a unique coffee experience but also an aesthetically pleasing atmosphere. As the holiday season approaches, visitors can anticipate being enveloped in a beautiful Christmas decor, further enhancing the charm of this collaborative venture. The fusion of historical elements with a touch of modernity creates a space where the spirit of Christmas comes alive in a truly distinctive and inviting manner.

The Marmorosch Hotel 2 Doamnei Street



Inspired by the optimism and promise of the Belle Époque, The Marmorosch Hotel has reinvented the classic art of fine living by adding an exciting touch of modernity. Housed in the former building of Romania's most influential bank during the late 19th century, The Marmorosch Hotel is the perfect venue to relive history.

At the Marmorosch Hotel, visitors can experience the high life of old inside the exquisite rooms, dive into Romania's rich culinary scene, enjoy cocktail wizardry in the authentic bank vault bar, and uncover Bucharest's hidden gems.

This year, their holiday theme draws inspiration from the legendary Orient Express, a concept that seamlessly aligns with their

hospitality philosophy—an unwavering commitment to providing guests with a dedicated journey of care, from arrival to departure. The Orient Express is synonymous with the unmatched elegance of the Belle Époque, serving as a bridge between the splendours of the East and West, creating a journey that transcends both borders and decades. Embodying the same era of grandeur and refined opulence, The Marmorosch rekindles that very essence, setting the scene for a festive voyage filled with decadence and wonder.

Maison DADOO 8 Locotenent Aviator Radu Beller Street



Among the pioneers embracing the festive spirit, the florists at Maison DADOO are once again preparing for the holiday season with an added sprinkle of Christmas magic. This year, their beloved iconic car, which is known for its charm, has undergone a joyful transformation, capturing hearts and spreading delight throughout the community.

Renowned for their exquisite floral arrangements, Maison DADOO has brought a touch of holiday enchantment to the Dorobanti area. The florists, donned in festive attire, epitomise the essence of giving and celebration, creating an atmosphere that resonates with the joyful spirit of the season.

In addition to transforming the flower shops, Maison DADOO has extended its festive touch beyond retail spaces, collaborating with several office buildings around town to infuse them with a Christmas spirit. Their skilled florists have worked their magic to turn corporate environments into merry and

bright spaces. Providing everything from elegant wreaths adorning reception areas to festive floral arrangements gracing boardroom tables, the florists have brought a touch of holiday magic to the professional world. The result is a cityscape that reflects the collective effort to make every corner of town a haven of Christmas cheer.

Florens FlowerShop 13 Paris Street / Florens Baneasa Shopping City / Florens Pipera



Florens Flowershop are ushering in the festive season by adding beautiful Christmas decorations to their flower shops across the city. Known for their artful floral arrangements, Florens Flowershop have transformed each of their locations into a winter wonderland, creating an enchanting atmosphere that captivates customers and passersby alike.

Adorned with twinkling lights, festive wreaths, and a symphony of red and green hues, the shops evoke the warmth and joy of Christmas. Each storefront is a visual feast, offering a delightful escape into the holiday spirit. Florens Flowershop's commitment to spreading cheer extends beyond their exquisite bouquets; it permeates the very ambiance of their spaces. As customers step into any Florens Flowershop, they are greeted not only by the fragrance of fresh blooms but also by the festive magic that permeates every corner, making it a delightful destination for those seeking the perfect touch of seasonal beauty.



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