# The Contribution made by Beer to the European Economy

Romania - March 2020

Europe Economics

The Brewers of Europe

# Romania

## 1 | Country profile

Table 1. Country profile

| | 2018 |
|---|---|
| Population | 19,530,631 |
| Currency | Leu |
| GDP per capita in PPS (2012, EU28 = 100) | 65 |

Source: Eurostat and National Statistical offices.

## 2 | Highlights Romania

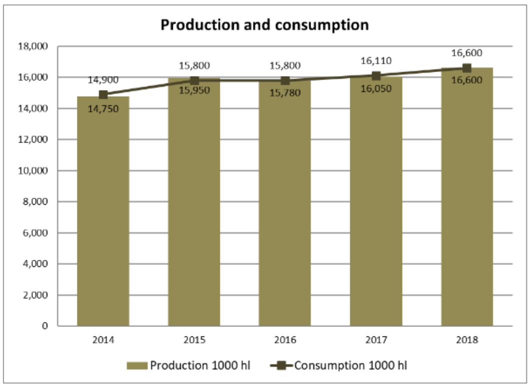
Table 2. Economic impact summary (and % change over the period)

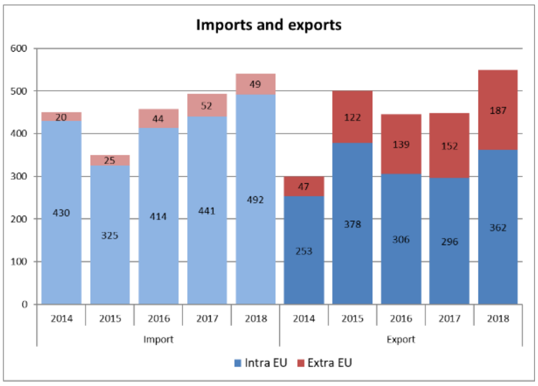
| | | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Total number of jobs | [-10.1%] | 67,525 | 64,533 | 57,563 | 60,672 |
| Value-added (mEuro) | [26.5%] | 560 | 682 | 683 | 708 |
| Government revenues (mEuro) | [-3.5%] | 551 | 498 | 503 | 531 |

Source: Calculations - different sources.

Romanian figures show a close link between its production and consumption. There is also some international trade reported (both in the imports and exports of beer) but the figures are very low: imports and exports do not account for more than 600 million hectolitres each, whereas the production and consumption figures are in the area of the 16 million.

Figure 1. Evolution of main indicators (2014-2018)




Source: National associations.

# 3 | A snapshot of the brewing sector

Total production has been broadly stable over the period, with an increase of only 600 million hectolitres in the last four years. However, what is striking to see is that the number of breweries and brewing companies has increased considerably. Soon after the introduction of the reduced excise for small producers, the microbrewing sector grew rapidly from 15 units in 2015, to 20 in 2016, 31 in 2017 and 50 in 2018. In volumes, however, they represent less than 1% of the total beer market, according to the national association in the country.

**Table 3. Basic characteristics of the beer sector (2015-2018)**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Total production (in hectolitres) | 15,950,000 | 15,780,000 | 16,050,000 | 16,600,000 |
| Brewing companies | 25 | 28 | 39 | 58 |
| Breweries (including microbreweries) | 30 | 34 | 45 | 64 |
| Microbreweries | 15 | 20 | 31 | 50 |

Source: National Associations.

# 4 | Looking at the beer market

As seen, the consumption of beer in Romania has followed closely the production, and this also involves only moderate increases in recent years. However, in terms of spending there has been a larger increase, reflecting changes in the prices of beer. Another interesting feature of the Romanian market is the small difference between prices of beer in on- and off-trade markets.

**Table 4. Basic characteristics of the beer market (2015-2018)**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Total consumption in hectolitres | 15,800,000 | 15,800,000 | 16,110,000 | 16,600,000 |
| Total consumer spending (in million Euro) | 1,572 | 1,594 | 1,644 | 1,793 |
| Consumption of beer per capita (in litres) | 80 | 80 | 82 | 85 |
| Beer consumption hospitality | 18% | 16% | 15% | 15% |
| Beer consumption retail | 82% | 84% | 85% | 85% |
| Consumer price hospitality (€ / litre)* | 1.52 | 1.58 | 1.59 | 1.66 |
| Consumer price retail (€ / litre)* | 0.88 | 0.90 | 0.92 | 0.98 |

Note: * Prices are averages inclusive of taxes and duties.

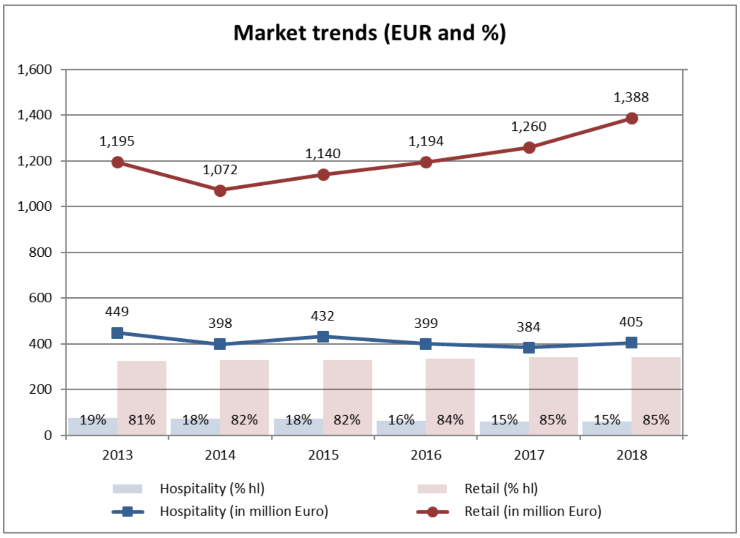
Source: National Associations.

Following a favourable excise duty treatment between 2015 and 2018, the beer market showed a small, but steady increase in Romania. After no growth between 2015 and 2016, the industry saw a 2 per cent increase between 2016 and 2017, and a 3 per cent expansion between 2017 and 2018. The increment was also reflected in product diversification, expanding into beer variety and assortment, especially towards premium brands. This evolution has had implications on the packaging types, with reductions in the use of PET bottles (of 3.4% in the last four years) and increases in the use of glass bottles and cans.

# 5 Trends and developments

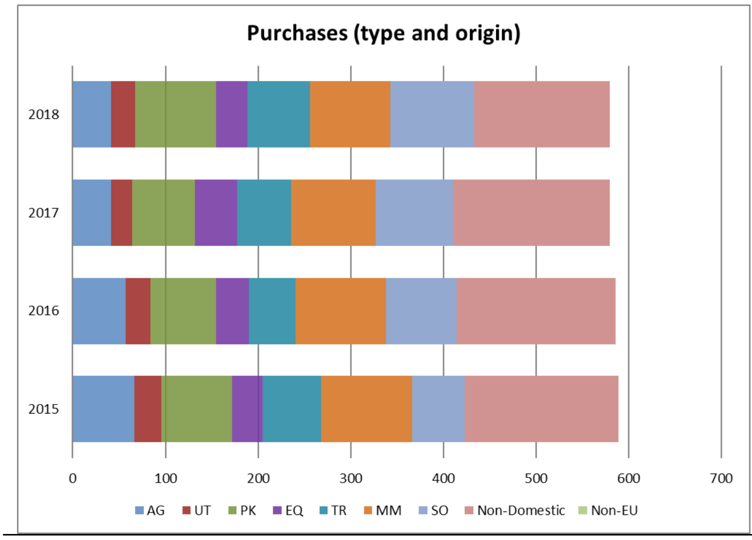
The beer consumption in the on-trade sector is low in Romania, and it continued to decrease between 2015-2018: from 18% in 2015, to 16% in 2016, and 15% in 2017 and 2018. The split of volume towards the off-premises together with a small price differential between the beer sold in on- and off-trade imply a higher market value of the beer sold in off-trade markets. This trend may be reversed in the future as a reduction in the on-trade VAT has been introduced to encourage tourism. From November 1st, 2018, the VAT level for restaurant and catering services, including draught beer, was lowered to 5%, and this may indirectly, increase the consumption of beer in the on-trade segment, according to the national beer association in Romania.

Figure 2. Recent consumption trends (2013-2018)




The total purchased amount has not changed significantly over the recent years, but it is noticeable that a significant share of such inputs is being purchased from non-domestic markets (imported from abroad). Based on the survey to individual brewers, our latest data reflects domestic purchases of around 50% across the period for the agricultural and packaging (the remaining sectors showing all domestic purchases of close to 90% or more).

Figure 3. Importance up the chain



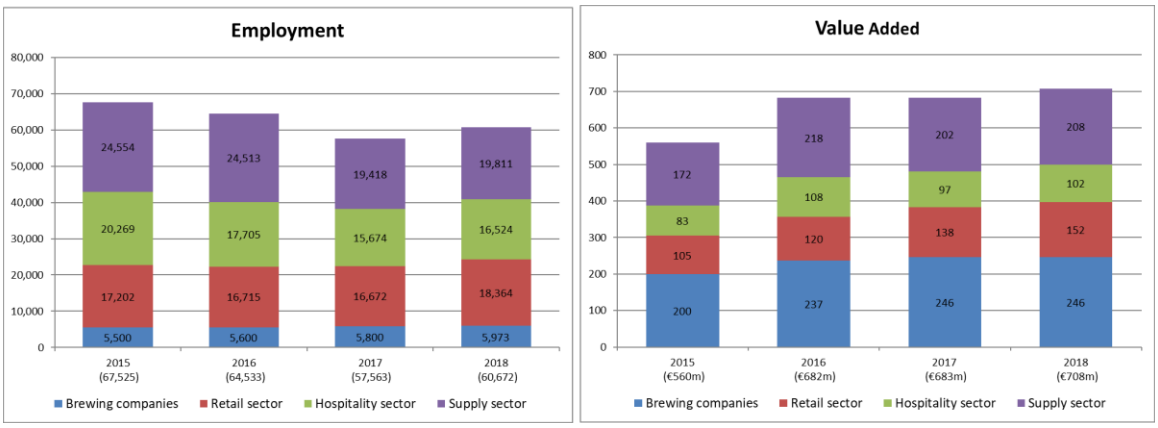

Note: AG – Agriculture; UT – Utilities; PK – Packaging; EQ – Equipment; TR – Transport; MM – Media / marketing; SO – Other services.
Source: Calculations based on data from Eurostat, and the Individual Brewers Questionnaire.

# 6 | The impacts beyond the sector: related jobs and value added

Employment in Romania is almost equally divided between the supply, hospitality and retail sectors. We also observe a slight decrease in employment between 2015 and 2018 which is mainly driven by a decrease in total employment in the supply sector.

Value added can mainly be attributed to the brewing companies. Opposite to employment patterns, we can observe an increase in value added in the same time period.

**Figure 4. Change in employment and value added (2015-2018).**



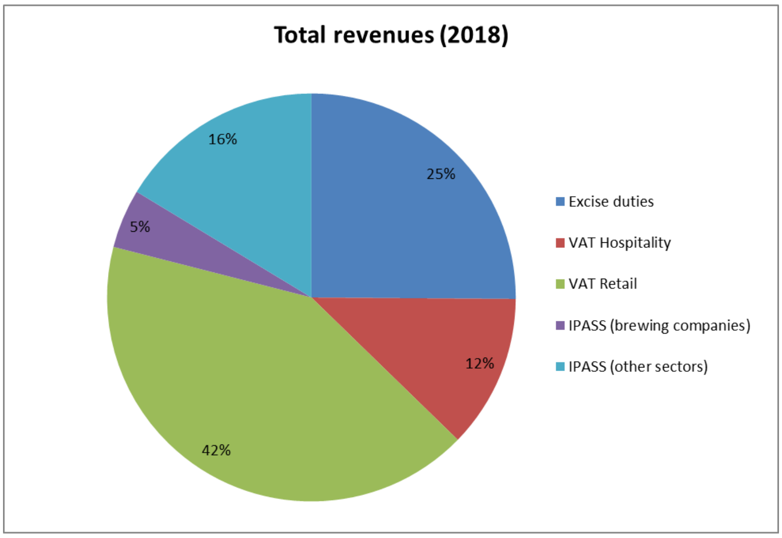

Source: Calculations based on data from Eurostat, National Associations, and the Individual Brewers Questionnaire.

The employment in the supply sector can be broken down using the estimates from the responses to the survey to brewers. These imply a job breakdown of: 7,638 jobs in agriculture, 1,945 jobs in packaging, 2,037 jobs in transport, 4,275 jobs in media and marketing (the remaining corresponding to utilities, equipment, other).

# 7 | Government revenues related to beer

Government revenues in Romania are dominated by the indirect taxes (VAT in retail and excise duties).

Figure 5. Government revenues generated by beer in 2018




Source: Calculations based on data from Eurostat, and the National Associations.

Government revenues have remained stable in recent years at around half a billion Euros. IPASS refers to taxation related to income, payroll, and social security estimates for the brewing companies and the remining sectors (suppliers, hospitality and retail sectors), and stands at 25 and 87 million, respectively.

Table 5. Government revenues, mEuro (2015-2018)

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Excise duties | 158 | 138 | 134 | 133 |
| VAT Hospitality | 84 | 67 | 61 | 65 |
| VAT Retail | 221 | 199 | 201 | 222 |
| IPASS (brewing companies) | 22 | 22 | 25 | 25 |
| IPASS (other sectors) | 66 | 72 | 82 | 87 |
| **Total government revenues** | **551** | **498** | **503** | **531** |

Note: IPASS refers to taxation related to income, payroll, and social security.
Source: Calculations - different sources.

The national beer association has remarked the importance this sector makes annually to the state budget (including the direct and indirect impacts) and also the fact that the beer industry has "zero tax evasion" in the production chain. So the benefits are palpable as long as the potential harmful effects are highlighted, something the association does as part of its regular campaigns (stressing how moderate consumption of beer can be part of a healthy life style and emphasizing the beer industry's responsibility towards community, along with promoting campaigns on the risks associated with drunk driving and prevention of alcohol consumption among teenagers).

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