

Romania

2008 – The end or just the beginning?

Whilst there is still great expectation as to what will happen in the near future on the FMCG market, let us go back to 2008 and see how Romanians reacted to the first rumours and indications of a possible crisis in our country.

In 2008, Romanians increased their consumption slightly in volume by 3.4% (a very small increase compared to past years) and also indulged a little in up-trading - +5.4%. These two factors, together with the inflation in food prices, have led to an increase in overall spending of 19.3%. Nevertheless, there are some significant differences in what happened in the second half of the year compared to the first. Whilst in the period January - June a 22% higher expenditure was seen due to both volume development (+4.4%) and up-trading (+4.9%), in July-December, a lower increase in household spending of 16.9% was registered, mostly due to the purchasing of more expensive products (+6.7%) combined with a significantly lower increase in volume (+1.7%).

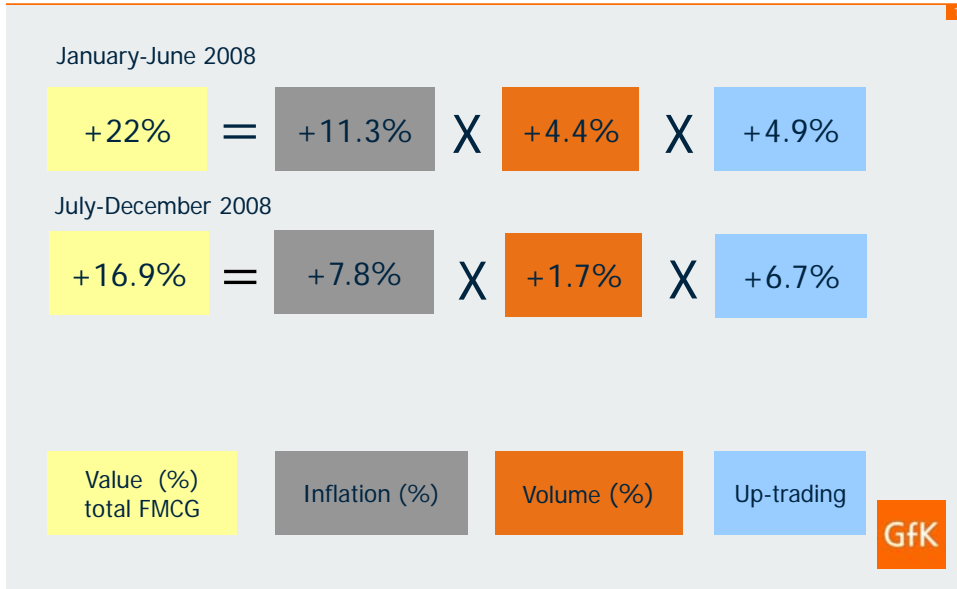
Taking into consideration that the effects of the global crisis had only begun to be noticeable in Romania in the second half of the year, it could be said that the first reaction of the Romanians was to moderate their consumption whilst buying more expensive products.

In the meantime, modern trade continues to sustain the growth in FMCG, mainly through discounters and hypermarkets. Compared to previous years, retail in Romania is starting to "grow up" and some competition is developing. In previous years, strong increases in market shares have been seen for any modern trade channels. Now the competition between them is getting tougher and supermarkets are losing share to hypermarkets in certain areas and amongst certain demographic groups such as in medium to large cities. It is a sign of maturity and it is only the beginning. Discounters have mainly expanded in smaller sized communities, accounting for only 6% of the market.

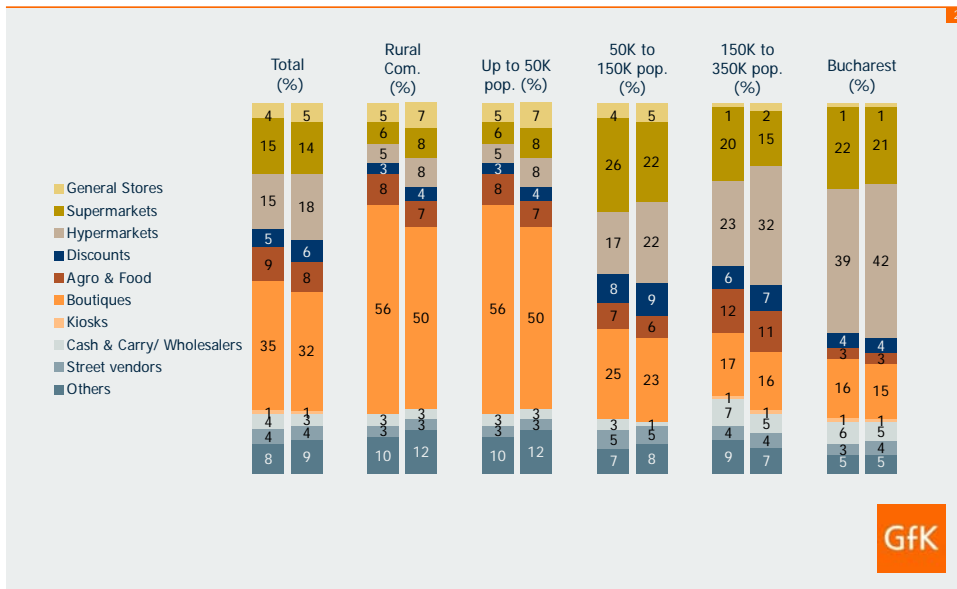
Alongside the growth of the modern retail formats, the importance of traditional trade to Romanian households should not be ignored as it accounts for half of in-home consumption in rural areas.

In conclusion, 2009 will be an interesting year, both for consumers and retailers, as the new challenges of an even more interesting market environment have to be faced up to.

How did Romanian consumers react to the price increases?



Retail Structure by Community Size FMCG 2008 vs. 2007 – Expenditures/RON (%)





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