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Report Name: COVID-19 Transforms Romanian Retail and Food Service Sectors

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Report Highlights:

The fallout from COVID-19 and subsequent social isolation and government-imposed restrictions on businesses and have deeply affected Romania's hospitality, restaurant, and institutional (HRI), and food retails sectors. The impact of the pandemic will likely continue to reverberate across these sectors in both the near- and long-term. Although the Government of Romania (GOR) seeks to support these sectors through policy initiatives, many small- and medium-sized enterprises are at risk of going out of business. Since Romania's first COVID-19 case on February 26, 2020, Romanian consumers have dramatically shifted away from shopping in traditional markets and modern retail outlets in favor of online shopping. The restaurant industry is losing about \$460 million a month. Estimated losses in the hotel industry in 2020 will approach \$ 1.15 billion. On July 15, 2020, Romania reached almost 35,000 confirmed cases and its official state of alert was extended through mid-August 2020.

COVID-19 Infects Romania's HRI Sectors

Romania's HRI sectors have been among the Romanian economies most negatively affected by COVID-19. On March 17, 2020, the Minister of Internal Affairs declared a state of emergency, which was reduced to an official state of alert after almost two months. Following the state of emergency declaration, restaurants were forced to close, and sales dropped by 80 percent. During the state of alert, restaurants could reopen for outside seating only.

The GOR initially targeted July 15, 2020, as the date to allow restaurants to more fully reopen, with certain restrictions, but amid an ongoing spike in COVID-19 cases, authorities decided to extend the state of alert by 30 days. While restaurants will remain closed for indoor seating until at least mid-August, outdoor service can continue. The Minister of Health reviews this status regularly and the next decision deadline is August 1. The president of the Romanian Hotel and Restaurant Employers' Organization (HORA) said that financially, the restaurant industry is losing about \$460 million a month, but also noted that the industry's biggest loss is its workforce. The Romanian Hotel, Restaurant, and Catering (HORECA) Association's chairperson cited that over 10,000 units (30 percent of total restaurants) would permanently close. Many restaurants and hotels are working to keep upwards of 400,000 employees on their payrolls. Despite the ability to seat customers outdoors, distancing and maximum capacity requirements continue to prevent many restaurants from making a profit. At this point, most restaurants have partnered with delivery apps to optimize opportunities for home delivery.

Another consequence of the restaurant closures is a decrease in beer consumption. According to the Romanian Brewing Association, beer consumption has decreased by 10 percent since the onset of COVID-19 and the strongest impact will be felt in the third quarter of the year, which is usually the peak season for beer.

Besides the restaurant industry, the hospitality sector is also hurting. According to the president of the National Association of Travel Agencies (ANAT), from February to May, almost no hotel room reservations were made and up to \$55 million were refunded for cancelled services. About 400,000 Romanians there are employed in the tourism industry. According to Romania's National Institute of Statistics (INS), the May 2020 hotel accommodation rate was 97 percent below May 2019. The Romanian Customs Agency registered 81.5 percent fewer foreign visitors from 2019 and outbound Romanian departures were 83.9 percent compared to May 2019. Estimated losses to the hotel industry this year will approach \$1.15 billion.

HRI Goes Online

As much as possible, Romanian HRI businesses have turned to online and digital platforms. Food and beverage processors and distributors previously focused on HRI sales adapted their websites for direct-consumer distribution. In the absence of conferences and business events, consulting companies and specialized media have launched online webinars to help companies cope with the digital transformations, marketing strategies, and online communications.

- Bringo (delivery app) has rapidly expanded and as of June, was operating in 35 Romanian cities. Bringo is partnered with Carrefour, pharmacies, and pet shops for deliveries. It offers personal shoppers that will deliver groceries or pet food to customers 90 minutes.

- Glovo (delivery app) is available in 29 cities and charges a monthly fee of RON 29.99 (roughly \$7.20) for “prime” service featuring unlimited deliveries from restaurants and pharmacies, as well as alcoholic beverage, tobacco, and gifts shops.
- Foodpanda (the food delivery app) partnered with Cora hypermarket to deliver groceries in 60 minutes. It is available in the seven cities in Romania where Cora has stores. Foodpanda also took 90 percent of the restaurants in the Uber Eats portfolio, after the latter closed its business in Romania.
- Lola Market (Spanish delivery app) partnered with Auchan to deliver groceries in 60 minutes. Currently it is only available in Bucharest. For national deliveries, Auchan partnered with the Romanian Post Office for deliveries in up to 48 hours.
- Netopia launched MobilPay delivery, a platform for orders from local restaurants, shops, and local food manufacturers. During its pilot period, over 20 Bucharest restaurants enrolled. By the end of 2020, Netopia estimates listing more than 100 restaurant partners.
- Gault & Millau Romania (restaurants guide) launched an online Go-Mio restaurant. It offers the gift cards for gastronomic experiences and to reserve meals online at various restaurants.

Food Retailers Get Bigger and Get Online

Although grocery shopping in brick-and-mortar stores is still preferred by most Romanian consumers, 35 percent of consumers now shop for at least some of their groceries online. According to industry sources, 86 percent of them say they intend to maintain this habit even after social distancing measures end. By the end of 2020, online grocery sales are expected to be 28 percent higher than in 2019. Total online retail sales are expected to be almost \$6.5 billion in 2020. The pandemic has demonstrated the benefits of online shopping and dramatically influenced consumer behavior in short time.

During the Covid-19 pandemic, Romanian consumers tended to buy more local products, particularly staple goods. Many consumers abstained from purchasing non-essential products because of budget uncertainties. 25 percent of consumers believe that they will not fully return to their previous shopping habits in the future. Also, many consumers wanted to support local producers during the novel coronavirus crisis and the digital marketplace answered by creation online sales platforms focused on specific areas of Romania and local producers.

Despite the uptick in e-commerce during the COVID-19 outbreak, during the first six months of 2020, Romania’s largest retail outlets opened over 170 new stores nationally. Profi led the charge with 114 new stores. Profi was followed by Mega Image with new 29 stores, Lidl with 15 stores, Carrefour with six stores, Penny with five stores, and Kaufland also with five new stores. Kaufland also relaunched its pop-up outdoor dining concept, featuring 2200 sqm outdoor dining facilities with a 120-person capacity. Kaufland’s restaurants comply with social distance and safety requirements and are expected to operate until August 30, 2020.

Non-food retail was most affected by the state of emergency measures. A study conducted by Colliers International found among 84 tenants and 21 retail owners in Romania, 45 percent of (non-food) retail tenants expect a 20 percent drop in business in 2020. Another 39 percent predict a decline of up to 30

percent. During the emergency state months, 88 percent of non-food retailers applied for unemployment benefits, 48 percent will also make use of tax deferments offered by the GOR, and 33 percent will suspend loan payments until the end of the year. Some retailers expressed their belief that consumption patterns will slowly start to return to normal in September. 67 percent of retail owners and 51 percent of tenants expect to return to a satisfactory level of business (compared to pre-COVID-19 epidemic level) by the end of 2021.

COVID-19 Takes a Bite out of Romania's Food and Agricultural Trade

According to Eurostat data, U.S. food and agricultural exports to Romania from January to April, 2020 were mixed. Horticultural products and tree nut exports more than double over the same period in 2019. U.S. fish and fish product exports increased by 76 percent, while trade in the coffee, tea, and spices category increased by about 69 percent. Other U.S. products decreased significantly during this period, include a 31-percent decline in alcoholic beverages and distilled spirits and a 96-percent decrease in U.S.-origin confectionary products.

As of late May 2020, Romania's total exports reached \$27 billion, while imports exceed \$31 billion. However, January through May 2020 Romanian exports decreased by 40.1 percent from same period in 2019. Total imports also declined by 35.4 percent compared to the same period in 2019.

The GOR Responds to COVID-19

The GOR is implementing various support measures for the sectors most negatively affected by COVID-19. It has a 160 million RON (\$37 million) budget to subsidize affected business for rents for up to three months. Another example is that on July 15, the President of Romania announced that the law on reducing food waste would be amended to offer tax incentives to companies which donate food products near expiration dates. The GOR has 30 days as of July 15 to issue an implementing regulation.

Throughout the alert period, the National Sanitary Veterinary and Food Safety Authority (ANSVA) has continued its efforts to ensure that veterinary sanitary food safety regulations were met. ANSVA ensured that quick service restaurants, pizzerias, cafes, catering companies, supermarkets, grocery stores, canteens, confectioneries, pastry shops, food delivery companies, and restaurants were compliant.

Since June, COVID-19 cases in Romania have tracked upward, from roughly 350 daily cases in June, to 700 - 900 daily cases in early July, to over daily 1,000 cases in the fourth week of July. The Minister of Health announced that if the figures exceed three cases per one thousand people, the GOR will likely decide to enforce self-isolations again in the affected counties or cities.

Related: [Preliminary Assessment of COVID 19 on Romanian Food and Agriculture](#)

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Attachments:

No Attachments.