

## ***Evolution of Auto Market in Romania***

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***Abstract:*** *The article presents the evolution of car market in Romania and its influencing factors, in the context of the economic crisis. The methods used in order to achieve this purpose are: analysis, synthesis, comparison, observation and statistics. These help us to configure the market tendencies and offer some recommendations in order to stabilize the market on the future.*

*The most important factors that affect the car market in our country are the global economic and social crisis and the legislative changes. The population is affected through its income, because the purchasing power of Romanian decreased a lot in recent years. The article and its conclusions is important because it represents an alarm signal for the community and officials that should make some changes to make the market more stable and reliable. We made some proposals and recommendations for this to take place.*

***Keywords:*** *car market, Romania, crisis, income, legislation*

### **Introduction**

The car market in Romania has an instable evolution from 2008 when the global economic crisis occurred also in our country. Obviously, the social and economic crisis affected the disposal income of population that did not have much money for the acquisition of a new car.

The two main influencing factors of the car market in Romania are the evolution of the purchasing power of Romanians and also the changes in legislation regarding the pollution tax for cars, at the moment of buying or selling.

#### **1. The Purchasing Power and Living Standard.**

##### **The Legislation Regarding Auto Tax and Pollution Tax**

According to National Institute of Statistics of Romania, from October 2010 to October 2011, the net wage increased slightly above the inflation. At the end of October 2011, the average net nominal wage increased by 8.9% compared with same month previous year, while the annual inflation was at the end of October, 3.55%.

According to data gathered from National Institute of Statistics, real earnings increased compared to the same period last year by 5%. The year 2011 seems to be marked as a reversal of the first years of crisis, when the standard of living has eroded continuously.

Even there appeared the signs for an economic recovery, we are still far from the standard of living and the level of earnings from 2008, before the economic and financial crises appeared also in our country.

So, in October 2011, the medium net wage was of 1,457 lei, with just 9.4 higher than in the same month of 2008. But, because of the higher inflation, the purchasing power of Romanian is less than that in 2008. During the last three years, the consumption prices index increased by 16.51%. So this rise is much higher than the increase of wages.

We must correlate these figures with the cut of salaries in the public sector in 2010 and also with the increase of the added value tax in 2010 from 19% to 24%, without becoming effective any reductions for alimentary products.

Non-alimentary foods increased their prices with almost 22%, even more than food or similar products that registered an increase of 8%. According to officials from Romanian National Bank, the standard

of living in 2008 was artificially higher, because of relaxation of credits and economic boom that was just partially sustainable.

In 2010, according to EUROSTAT, Romania placed on the penultimate place, after us just Bulgarians are. This classification is made function to the Purchasing Power Standard (PPS) in countries from European Union. We place at 46% from the EU average, in 2010 compared to 2009, when Romania was at 47%.

In European Union, there are also countries with their PPS indicator above the average: in Luxemburg, this is 2.5 more than the average and in Holland, PPS is with a third above it. Spain and Cyprus place at the level of the average in European Union.

From the introduction of the auto tax in 2007, the changes made in the legislation were numerous, destabilizing the market and imports of cars from the other countries in the European Union. Almost immediately, the European Commission considered it discriminatory because it was applied not to all cars, but only those from other countries.

Many people gained their rights in justice, against the Government and so appeared other variants for the tax, in the attempt to make it legal and non-discriminatory. In response to these arguments, the Government tried different alternatives for this tax, the last following to be implemented in 2013, 1 January. It states that the pollution tax, in order not to be discriminatory, will be applied to all cars, no matter the country is. So, even for selling the cars in our country, the tax will be paid.

## 2. Evolution of the Auto Market in Romania

Association of Producers and Importers of Automobiles in Romania (APIA) offers monthly statistics regarding the evolution of this market in Romania. According to this organism, the automotive industry registered a decrease in 2011 compared to previous year.

A stimulant for this decrease of sales was the National Program for renewal of automobile park called Rabla (in Romania, the noun refers to an old car that is not good any more, safe or friendly environmental). Through this program, there were sold 39,000 new cars, almost 41% from the total.

The *national production* decreased with 4.5% in 2011 (335,232 units), compared to 2010. According to European Automobile Manufacturers' Association (ACEA), 90% of national production is exported to countries, mainly from European Union.

The *exports* decreased with 3.1%, and comparing the types of auto vehicles, we can say the decrease is more important for commercial vehicles (8.4%) – fig. 1.

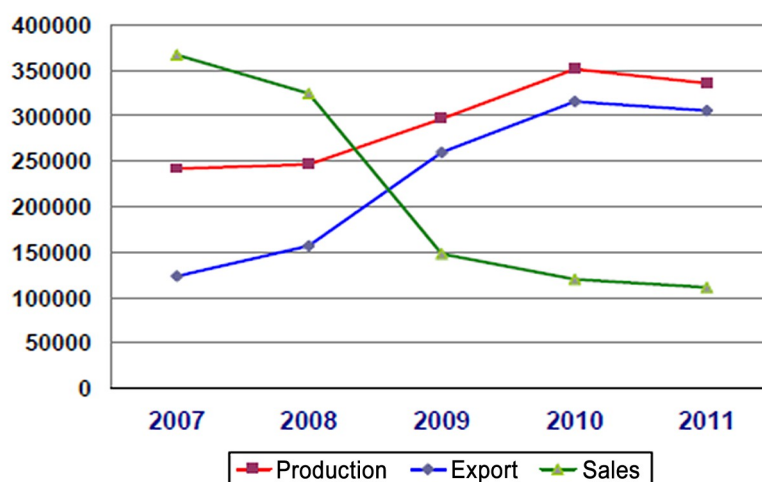


Figure 1 Evolution of production, export and sales in Romania, in 2011 compared to 2010

Source: [1]

For cars, in 2011, the sales from imports decreased with 7.8% and local sales with 17.6%. Units sold from imports are 66,287, compared with previous year, when there were sold 71,928 cars. Local sales in 2011 were of 28,337 units, compared with 2010, when there were sold 34,400 cars.

Table 1 reflects the Romanians' preferences for brands, preference in accordance with the income also: Dacia represents almost 30% of sales (28,837 units), followed by Volkswagen (10.6%), Skoda (8.7%), Renault (7.6%), Ford (5.9%) or Opel (5.1%).

**Table 1 Romanians' preferences for car sales in 2011**

TOP BRANDS (2011)	UNITS
Dacia	28,337
Volkswagen	10,043
Skoda	8,260
Renault	7,229
Ford	5,547
Opel	4,872
Hyundai	3,405
Chevrolet	3,027
Toyota	2,902
Peugeot	2,425
Suzuki	2,111

Source: [2]

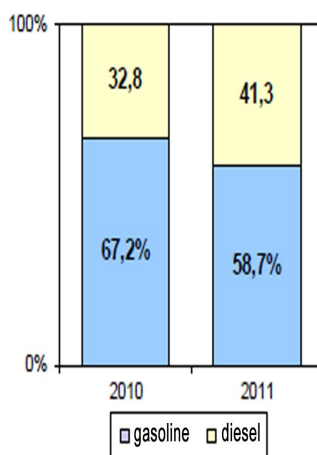
APIA also offered information regarding the models preferred in 2011 by Romanians that buy a car. So, this classification is illustrated in the following table:

**Table 2 Preferences of Romanians for models of cars**

TOP OF CAR MODELS (2011)	UNITS
Dacia Logan	15,808
Dacia Duster	7,249
Skoda Octavia	4,318
Renault Clio	3,920
Volkswagen Golf	2,922
Dacia Logan MCV	2,761
Dacia Sandero	2,519
Opel Astra	2,222
Volkswagen Polo	1,957
Volkswagen Passat	1,750
Opel Corsa	1,655

Source: [2]

Also, in 2011, gasoline cars sales decreased from 67.2% to 58.7% and increased the sales for diesel cars, from 32.8% to 41.3%.



**Figure 2 Report of sales for gasoline and diesel cars, in 2011 compared to 2010**

Source: [2]

The preference for Dacia model is explained by the reduced purchasing power of population. According to the recent data offered by APIA, Dacia is on the first place also in the first two months of 2012. In February, position of Duster changed with position of Logan, Skoda Octavia continuing to be on the third place.

### 3. Sales of Second Hand Cars

Regarding second hand cars imported from other countries, in 2011, we can notice an increase of buying cars younger than 10 years. If in 2010, their proportion was of 39%, this increased in 2011 to 70%.

In the period 2008-2011, sales of second hand cars from import decreased as a consequence of the introduction of pollution tax that was high and unfair (figure 3).

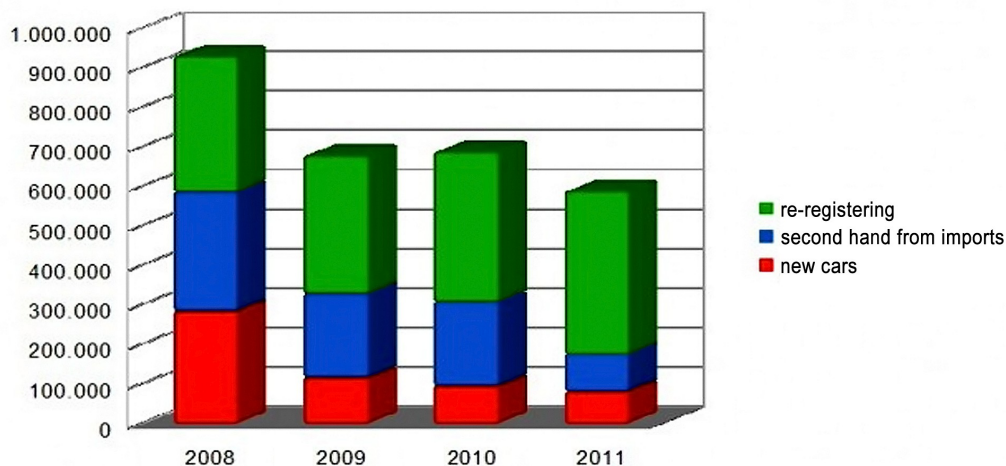


Figure 3 Evolution of second hand and new cars sales in the period 2008-2011

Source: [3]

We observe that sales of new cars also decreased in 2011, on one hand due to the reduced purchasing power and devaluation of the national currency in comparison the European currency (the euro-leu rate of exchange) and on the other hand, as a consequence of instability of the legislation regarding the auto tax imposed by Government.

### Conclusions

Regarding the evolution of this market in 2012, this will be positively influenced by “Rabla” Program resumption. Moreover, important influences (-/+) can occur as a consequence of the general economic situation (at European or even national and local levels). So, there are conditions (but also uncertainties) for the sales to register a slightly increase in comparison with the volumes reached in 2011.

In conclusion, we can say that the political and legislative factors have a great impact on the auto market in our country, because the measures taken by the Government in relation to taxes affects the capacity of people to buy cars. Considering the purchasing power of Romanians, people cannot afford to buy new and expensive cars.

So, they are rather trapped between the possibilities to buy a second car from import (considered better than those from the national park) and the taxes that are higher increase a lot the price of the car and eventually discourages the selling and buying, at least with legal acts, because there are cases in which the selling is not official and we can call this a black market. So, at last, the state has to lose, together with people, if the taxes are not adjusted to the realities.

## References

- [1] Association of Producers and Importers of Automobiles in Romania (APIA), *Report of sales for gasoline and diesel cars, in 2011 compared to 2010*, 23.01.2012
- [2] Association of Producers and Importers of Automobiles in Romania (APIA), *Evolution of production, export and sales in Romania, in 2011 compared to 2010*, 23.01.2012
- [3] <http://0-100.hotnews.ro/2012/01/10/analiza-evolutia-lunara-si-anuala-a-pietei-auto-romanesti-in-ultimii-4-ani/>

## Supplementary recommended readings

European Automobile Manufacturers' Association (ACEA), *New vehicle registration in 2011*, Statistics available at [www.acea.be/news/news\\_detail/new\\_vehicle\\_registrations\\_by\\_country](http://www.acea.be/news/news_detail/new_vehicle_registrations_by_country)  
[http://ec.europa.eu/enterprise/sectors/automotive/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/automotive/index_en.htm)