The Economy of Romania during the Period 2000-2012

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Abstract
A key element in economic stability analysis is the consumer price developments in the national economy. In 2000, it had a very high rate and objective successive governments during that period was represented by undertaking measures to ensure stability and evolution influenced by economic measures aimed at consumer prices.

Key words: economic, stability, analysis, evolution

JEL Classification: E20, E30

• The evolution of the consumption prices
An essential element in analyzing the economic stability is given by the evolution of the consumption prices in the frame of a national economy. In the year 2000, this recorded a very high rhythm and the targets of the governments which succeeded one another during the respective period has been represented by taking those steps meant to secure the stability and an evolution influenced by the economic steps aiming the consumption prices.

In this respect, the complex of macroeconomic steps taken into account by each executive aimed with priority the achievement of inflation meant to lead to the launching of the entire economic activity. For instance, in the year 2001, the increasing rate of the inflation (of the population consumption prices) counted as 30.3% as comparatively with the year 2000. As a result of the macroeconomic policies and of the general overall evolution in 2002 the inflation rate reached the level of 17.8%, in 2003 of 14.1%, in 2004 of 9.3%, while in 2005 it reached 8.6%

and 4.9% in 2006. The year 2007, the first one after the adhesion, has been difficult enough, being the first year in which the inflation rate of increase started to increase, leveling up to 6.6% as against 2006, in 2008 to 6.3% as comparatively with 2007. Starting with the year 2009, until 2011 (ten months), the inflation rate oscillated around the level of 4.5 percentage points per year. Of course, the biggest weight in the inflation rate diminishing, from one period to another, is due to the macroeconomic strategy of development but, under certain circumstances, the reduction of the inflation has been based on the effect of some administrative steps as well, taken by the executive. Normally, an evolution close to the economy and the forecasted strategy for the evolution of the consumption prices has been obtained and this has been reflected in the power given by the comparison of the increase rhythms of various indices (GDP, wages level, labor force occupation etc.)

For the period up to 2003, the analysis of the consumption prices has been relevant as well through the prism of their comparison with the evolution of the exchange rate of the national currency. Through complex measures, economic and those administrated by the National Bank, starting with the year 2001, he evolution of the consumption prices as a form to measure the inflation, followed up a somehow predictable course. To keep in mind the fact that, after the denomination of the leu, in 2004, a total separation occurs between the evolution of the consumption prices index and the evolution of the exchange rate of the national currency. In this context, we take into consideration that the Romanian leu, as a necessary and vital step meant to secure an efficient process of denomination, followed a course of appreciation and, thus, the confidence of the population in the national currency has been regained, the speculative effects of the foreign exchange and of the preoccupations of those holding foreign currency (euro or USD) have disappeared etc.

This evolution concerning the consolidation of the Romanian leu is beneficial for the post-denomination development. On the other hand, the inflation kept on being generated by the evolution of the administrated prices, those which compulsory must be maintained after the adhesion to the European Union as well. If we proceed to analyze the evolution of the consumption prices over the entire period, we shall state out that the administrated prices, with an increased effect during the last period of time, had a major influence on the inflation evolution.

The other prices on the market, for alimentary and non-alimentary goods and for services have been theoretically reasonable, being generated by the conditions of the free market and, also, by the balance between the offer and the financial resources available with the population. When talking about the financial resources available with the population we have in mind, mainly, the controlled resources since, depending on the methods utilized for estimating the foreign currency reserves (euro, USD and the other foreign currencies) on the un-controlled market, we can conclude that they are big enough. Thus, for instance, they are estimated to exceed 2 billion of euro in3. In the context, we can point out

that during the period 2009-2011, the inflation exceeded the forecasted level and it is to anticipate that during the forthcoming period, the need to administrate the prices of a series of products belonging to the range of those for which we have to line up with the level of the European market, has however a negative effect.

The indices of the consumption price during the period 2001-2012
- December previous year = 100 -

*) Estimated data.

Data source: National Institute of Statistics

Consequently, it is probable that the inflation evolution will be slightly superior to the forecasted levels. In the same sense, we can expect a development after the adhesion to the European Union as well, when certain general European policies may imply an effect of increasing for certain prices.

- The evolution of the industry and production prices

The industry represented and keeps on representing a basic branch of the national economy. It recorded a growth rhythm somehow steady in the sense that the restructuring process in the extractive industry, the manufacturing one and the field of electric energy production followed up the same course. The industry has been restructured, a number of energy-consuming enterprises, huge consumers of raw materials, materials and energy, with low profitability, disappeared. Meantime, the state owned commercial companies and the autonomous administrations having no perspectives have been abandoned or closed up, given the “competition in the free market of the European Union”, after the adhesion.

On this ground, we can talk about an increase of the sectors efficiency which are still running the activity in industry, a phenomenon accompanied by the raise of the unemployment, since the production of services and the development of the SME-s could not secure the absorption of the labor force dismissed in the industrial branch of the national economy. The weight of certain branches kept increasing their weight, such as: the alimentary production of beverage, the wood manufacturing and wooden products, polygraphy, the reproduction of supports of

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the recordings, oil processing, the coal processing to coke and the treatment of the nuclear fuels, the construction of road transportation means, furniture and other industrial activities, which became domains where a series of commercial companies followed up the modern program of achievement, hold an updated technology (not to say an advanced one) and work with an adequate productivity, fit to the economy of our country.

The prices of the industrial production followed up a moderate course, as shown by the diagram below. Romania carried on a large amount of lohn production activity in the field of ready-made clothes, textiles, clothing articles, leather goods etc., which, at the end of the day proved to lack efficiency and, normally, gradually, this activity started to reduce its weight in the frame of the macroeconomic activity. We might, eventually, discuss, as a negative element, the fact that, today, the Romanian industry is not enough prepared to impose, within the concert of the European Union after the adhesion, a number of products marked „Made in Romania”. As a matter of fact, according to the Agreement and Protocols signed with the member countries of the European Union, it is to anticipate that during the following years, a series of industrial activities will have to be modernized as, contrary, there is the risk of getting them ceased.

Indices of the industrial production – gross series

Data sources: National Institute of statistics

In this frame of the analysis, we should underline the fact that the economy of Romania must clearly grow, through compelling its recognition on the European market for certain goods bearing the seal of the results which it is in the position to acquire.

• The evolution of the agriculture

The agriculture of Romania, both the vegetal and animal sector, developed in an oscillatory manner, depending on the natural conditions (meteorological). This is due to the fact that, according to the Low no. 18, the arable surface of the country has been broken down, I would say now without discernment, and due to this situation, there are few possibilities for an actual laboring of the agricultural terrains.
The qualitative degradation of the agricultural production of our country kept on going on, as a result of the utilization in an unconvincing rhythm of the fertilizers, herbicide, insecticides, fungicides etc. as well as to the laboring of the entire potential agricultural surface by classical agro technical methods. Other negative elements stated out over the entire period are given by the fact that agriculture of Romania developed based on a non-scientific process, starting from the inappropriate (there are only the surfaces over 200 hectares which can be labored in convenient conditions), the collapse and vanishing of companies specialized in the agriculture mechanization as well as the difficulties to labor the small surfaces by mechanized means and, the last but not the least, the diminishing of the irrigations which secured uniform conditions over the entire year and, moreover, the collapse of the utilization of the crops rotation.

From this point of view, the agriculture production of agriculture goods and services, the vegetal and animal production recorded somehow sinuous courses. If, in the case of the livestock, we state out a positive evolution but only after a strong reduction of its level during the first 12 years before the analyzed period, so that we consider that a stabilized level has been reached, which is adequate to the Romania requirements.

The agricultural productions of goods and services in the vegetal production followed up positive courses in a way or another.

Indices of the production of the agriculture branch (2000=100)

![Indices of the production of the agriculture branch (2000=100)](image)

*) Provisional data. **) Partial data

**Data source:** National Institute of Statistics

There is a single positive element within this evolution, in the sense that by the “natural” mode to carry on the agricultural activities, we secured, volens-nolens, an ecological process of the agriculture production, which can be positive in the perspective of steps to be taken in order to reach the possibility of utilizing the advanced agro technical methods.

The vegetal production recorded different evolutions, with growths from one period to another, influenced by the effects of the natural conditions.\(^5\)

In the year 2005, when 622,000 hectares have been damaged by the floods, the productions decreased for all the categories, being smaller as comparatively with the year 2004. During the period 2006-2011 also, larger surfaces of terrains have been drawn out of the productive circuit due to floods.

### Vegetal production

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sun flower</td>
<td>1.003</td>
<td>1.506</td>
<td>1.558</td>
<td>1.341</td>
<td>1.605</td>
<td>535</td>
<td>635</td>
<td>580</td>
<td>610</td>
<td>687</td>
<td>475</td>
</tr>
<tr>
<td>Soya beans</td>
<td>146</td>
<td>225</td>
<td>299</td>
<td>313</td>
<td>330</td>
<td>104</td>
<td>215</td>
<td>204</td>
<td>197</td>
<td>206</td>
<td>102</td>
</tr>
<tr>
<td>Fruit</td>
<td>952</td>
<td>2.089</td>
<td>1.744</td>
<td>1.647</td>
<td>1.312</td>
<td>995</td>
<td>1.340</td>
<td>1.051</td>
<td>1.275</td>
<td>1.360</td>
<td>985</td>
</tr>
<tr>
<td>Vegetables</td>
<td>1.077</td>
<td>1.078</td>
<td>1.230</td>
<td>506</td>
<td>948</td>
<td>826</td>
<td>914</td>
<td>870</td>
<td>906</td>
<td>909</td>
<td>840</td>
</tr>
</tbody>
</table>

* Provisional data ** Partial data

** Data source: National Institute of Statistics

We have to underline that Romania needs and has to pay certain efforts in order to be able to secure an upwarding rhythm to the evolution of the agriculture which, whether we like it or not, must remain, due to the natural conditions as well, a significant branch of the national economy.

Meantime, the livestock effectives, the three main categories, bovines, porcins, sheep, recorded a course somehow stable, with growths during the last two years, mainly as far as the porcins and sheep are concerned which, I believe, secure part of the conditions required for the Romanian economy carrying on.

### Livestock effectives during the period 2004-2012

(Thousand heads)

* Provisional data by June 30th, 2012

** Data source: National Institute of Statistics
• Investment and constructions

From the year 2000 up to the year 2008, the investment recorded an upward course, with growths of over 9% de from one year to another. From the year 2009, the investment and the production marked a downward course, with very large decreases in 2010 and 2011. So, for instance, in the year 2001 an increase of 9% has been recorded in the field of investments and constructions, while during the following years until the year 2008, this rhythm of growth kept on being approximately similar. After the year 2009, we faced very large reductions. From the point of view of dwellings also, we state out an increase in the sense that, from one year to another, their number increased as absolute figures, until 2008, afterword the decline of the investments getting set up.

The year 2006 represents the year when, through the 1,540 dwellings for the victims of the disaster, the increase has been by far superior as against the previous years.

The same rhythm is recorded in respect of the achievement of engineering constructions, residential buildings, dwellings under execution etc., where there are steady but certain increases. The investments came, for their majority, from integrally private funds, a master role being played, during the last two years, by the possibility of civil constructions, including dwellings based on credits, which have been more easily granted and which, by this mortgage might mean an advantage during the periods to come.

<table>
<thead>
<tr>
<th>Number of finalized dwellings</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Number of the finalized dwellings – total</td>
</tr>
<tr>
<td>2004</td>
</tr>
<tr>
<td>-----------------------------</td>
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<tr>
<td>30127</td>
</tr>
<tr>
<td>Out of which:</td>
</tr>
<tr>
<td>- for victims of disasters</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>- from integrally private funds</td>
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<tr>
<td>25160</td>
</tr>
</tbody>
</table>

*) Provisional data

Data source: National Institute of Statistics

Investments have been made in respect of the achievement of new constructions, the purchasing of equipment and transportation means or the repair and modernization of the present fix means, already existing.

The evolution of the construction works 2001-2012
(previous year = 100)

Data source: National Institute of Statistics

From the point of view of the structure by destinations of the investments in industry, they have been directed to the replacement of the old equipment, the increase of the production capacity, the modernization of technologies, the environment protection, the labor protection and other sectors which required investments.

Of course, the investments for the environment protection and the technologies modernization should increase, along with those meant to the labor protection where the provisions of the Labor Code as well as, mainly, the requirements arising from the adhesion documents, must be implemented.

Investments-Constructions
(percentages as against the previous year)

Data source: National Institute of Statistics
Certainly, the economic agents have focused their efforts merely towards the increase of the production capacities and the replacement of the old equipment but, from the point of view of the harmonization with the European Union requirements, significant amounts should be allocated, mainly for the environment and labor protection.

Out of a preliminary study it is resulting that in the frame of the privatization contracts of certain companies and autonomous administrations, the investment plans and obligations for the environment protection field are not in accordance with those being agreed upon.

From this point of view, the environment is affected and its consequences on the general natural situation will generate particular effects. Nothing to do but to watch the way the putting into practice of the whole program concerning the environment protection, drawn up by the present government team is achieved.

To see also that the imports of capital goods have been focused on these structural elements of the investments and that they counted for about 16.97% of the total imports, which is a positive fact.

References