The Evolution of the Industry over the Period 2001-2013

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Abstract
This paper presents the evolution of Romanian industry during the last fourteen years. Some of the key topics approached by the authors are the overall evolution of industry, the emphasis of the most significant branches of industry, which recorded growths or decreases, the analysis of the turnover in industry.

The statistical data concerning the situation recorded by the industry up to July 2013, published by the National Institute for Statistics, are offering a still discussable picture on the forthcoming foreseeable period.

If in 2000 the industrial production marked a slight increase as against the year 1999 (practically achieved due to almost exhausted resources), after the year 2001 it is possible to state out that a recovery process has been launched which, unfortunately, has been fractured as from the beginning of the IV quarter when the effects of the economic and financial crisis start of being felt.

This development occurred at the level of all branches, mainly the one of the electric and thermic energy.

Key words: industry, evolution, situation, forecast, effects

1. General evolution
If comparing the industrial production achieved in 2012 with that one recorded in the previous year, there is a slight increase in the absolute volume to be stated out which, to the extent we go forward becomes insignificant or gets deteriorated. Thus, in April it decreases by 9.1% as against the previous month while in June it decreases by 5.7% as against the
month of May. By June 30th 2013, the industrial production recorded an increase of 7.2% as against the first half of the year 2012.

Slightly positive results have been recorded by certain branches of the manufacturing industry, namely: tobacco products, road transport means, transport means not included in the category of road transport, wood and wooden products manufacturing, cellulose, paper and paper products, chemical substances and products, rubber and plastics products, building materials manufacturing, metallic constructions and other metal products, electrical machines and equipment, textiles, radio, television and communications equipment.

Decreases have been also recorded for certain branches, the most significant being: clothing articles, electric machines and equipment, printing houses, polygraphs and reproduction of recordings on supports, crude manufacturing, coal coking and nuclear combustibles treatment, leather and footwear.

As against the tendencies forecasted by the beginning of the year, the increase has been recorded at the level of the manufacturing industry within which, the branches producing goods of current use have to be noticed.

As regards the value of the stocks of finished products recoded by 31.12.2011, it represented 19.75% of the resources of the December month, keeping to record the same ratio in 2012 as well (19.30%) and during the first six months of the year 2013 (19.05%).

The total turnover recorded by the enterprises running the industry as main activity increased slower, being by 4.7% higher in June 2013 as against June 2012.

In the frame of the manufacturing industry, the volume of the turnover increased for the crude manufacturing, foodstuff and beverage, chemical substances and products, metallic constructions and metal products, electrical machines and equipment, road transport means etc.

The final consumption of electric energy in the economy has been constant during the analysed period as comparatively with the previous year, on an overall basis, in economy, public lightening and population consumption.

The data here submitted and analysed are emphasizing the fact that, on an overall basis, the industrial production is recording increases. The values of the industrial production indicators, calculated on the basis of the

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1 Anghelache, C-tin (2013). România 2013. Starea economică sub povara efectelor crizei, Editura Economică, București
chained indicators are reasonable if considering that the Romanian economy is still in full process of restructuring /privatizing and is affected by the period of economic crisis, in the context of the general economic crisis recorded worldwide.

The analysis on the data series covering all the twenty three years points out a slight rehabilitation of the industrial production and of the industrial potential of Romania to produce at an appropriate qualitative level and structured on those products required by the European economy.

There are also certain premises of recovering the industrial activity, mainly in the frame of the private sector.

Over the period 2010-2012 the industrial production showed a sinuous process of development. For the year 2011, on a total basis, the industrial production increased by 5.5% as against the year 2009. But the analysis of the data recoded for 2011 as to the evolution of the industrial production index comparatively with the year 2010, underlines a differential increase on the structure extractive industry, manufacturing industry and electric and thermic energy and natural gas. Thus, in 2011, all over the year, the industrial production indices recorded slight increases, excepting the months of March, July, August and October. Generally speaking, in the domain of the manufacturing industry production increases have been achieved. Nevertheless, the production of electric and thermic energy and natural gas recorded decreases. The trend reversed in 2012 and 2013 and production increases have been recorded by many sub-branches of the industry. In general terms, the analysis of the industrial production indices by the structure on “big industrial groups” shows a positive evolution, the most dynamic being the capital goods industry, the durable goods industry and current use goods industry.

The above analysis has been performed on a data series adjusted depending on the number of working days. But even if analysing the brut data series the conclusion is the same.

The evolution of the industrial production, measured through the dynamics indices recorded over the year, calculated on the basis of indices of chained base against the previous month underlines uniform increases, keeping the same characteristics as submitted by the analysis as against the corresponding month of the previous year. This tendency kept on being indicated up to the year 2008 after which the decreases became drastic for

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certain products, while the increases were only slight and provisional for those domains of significance for the European market.  

There is also another significant element arising out of the analysis on brut data series, calculated as against the corresponding month of the previous year or the previous month, namely the labour productivity in industry which recorded in June 2012 a decrease of -3.9% comparatively with June 2011, due to the decrease by – 5.6% of the labour productivity at the level of the manufacturing industry, in the same comparable terms. But in 2013, the labour productivity increased by 5.5% as against the year 2012.

As far as the turnover is concerned, the evolution was conforming to the indices of the industrial production, both on an overall basis and in the structure by the traditional groups.

During the period 2012-2013 the index of the industrial production prices per total (domestic market and external market) has been kept at a controllable level. This evolution was conforming to the modification of the consumer prices index on the total of the national economy.

As far as the resources of prime energy are concerned, we note a balanced evolution for both the domestic production and the imports.

In 2013 the evolution of the industrial production has been a positive one, offering a better response to the requirements of the domestic and international markets. However, the fact that the presence of the Romanian products, mainly those of complex degree of manufacturing, on the external markets has been more reduced must be pointed out.

2. The Export of Industrial Products

The industrial production achieved in the years 2011, 2012 and 2013, mainly the one meant to the export, kept on being very low as comparatively with the situation recorded for the year 1989 and the immediately subsequent years, although it showed a slight increase as against all the previous periods. As a consequence of this involution, the exports of industrial goods, mainly those of high level of manufacturing, kept on remaining low this being one of the reasons which led to a large deficit of the foreign trade balance being recorded.

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5 Anghelache C. și alții (2013) – „The Industrial Production Indices” Romanian Statistical Review, Supplement no. 4/2013, pp. 64-68
The international trade with industrial goods indicated the following figures for the year 2010:

The FOB exports recorded for the year 2010 counted for 156977.6 million lei (37250.6 million euro), this value being by 27.3% higher as comparatively with the year 2009, calculated in values expressed in lei, respectively by 28.1% calculated on the basis of values expressed euro. In 2011, 2012 and mainly in 2013, the exports of industrial goods recorded increases, some of them even significant.

In the exports structure, three out of the ten sections of goods out of the Standard Classification for the International Trade (CSCI Rev. 4) hold together 75.5% of the total exports, as follows: transport machines and equipment (41.3%), manufactured goods, classified basically upon the raw material (18.2%) and various manufactured articles (16.0%).

The CIF imports recorded for the year 2010 counted for 196783.0 million lei (46710.8 million euro), their value being by 19.1% higher as comparatively with the year 2009, for values calculated in lei, respectively by 19.9% for values expressed in euro. In the imports structure, four out of the ten sections of goods out of the Standard Classification for the International Trade (CSCI Rev. 4) hold together 80.4% of the total imports, as follows: transport machines and equipment (35.3%), manufactured goods, classified basically upon the raw material (21.8%), chemicals and joint goods non-specified otherwise (13.2%) and mineral fuels, lubricants and joint materials (10.1%). A similar trend has been recorded for the period 2011-2013 while in 2013 the imported goods have been meant mainly to the production and investments.

The commercial deficit for the year 2010 counted for 39805.4 million lei (9460.2 million euro) in FOB/CIF prices, by 2020.9 million lei (408.8 million euro) lower that the one recorded for the year 2009. In 2011 the balance kept on remaining on deficit, month by month. In 2012 and mainly in 2013, the sold of the foreign payments balance (Export FOB / Import CIF) diminished, amounting for the first six months 2.5532 billion euro only.

Romania must participate at the international division of labour both through exports and imports. Meantime, Romania must find out its place in the frame of a series of co-operations which are achieved on the international plan.

It is clear that the production should be achieved at the level of the European, and to a larger extent, international market requirements, as it

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became compulsory that the separating approach of the kind “production for the domestic market” and “production for export” should disappear for ever.

The consolidation of the market economy and the adhesion to the European Union must stimulate the production of quality. There are still problems occurring in the industry field where, on one side, the great industry, built up in many cases according other criteria that the economic ones, is in the situation of holding already obsoleted equipment while, on the other side, the industrial units are in the situation to run their activities under conditions not exactly consistent with the external market requirements.

Hence, the privatisation and restructuring occurred as a keen need to reset the Romanian economy, mainly the industry, on such criteria which are meant to lead to productions for covering the domestic and exporting needs and, mainly, to aim the goal of achieving productions adequately sized from quantity point of view and competitive from the point of view of the quality and prices.

Despite all these targets, we have to notice that the privatization process in the frame of the general reform of the Romanian economy did not produce up to now any industrial objective to represent now a premise and to concede a perspective for development in the future.

On the other hand, as a consequence of using and, mainly, not using, the equipment held by the great enterprises from our country depreciated to a large extent from both physical and moral point of view, the processes of modernizing and re-technologizing (which represent a major component of the economic reform) becoming over the time, apart few exceptions, simple desiderata exceeded by other conceptual components of the reform.

On this ground, doubled by the deficiencies of the privatization process and the increase of the weight of the “liquidation” component of the restructuring process, without putting something else in the place of the restructured industry, a series of social consequences arouse, consisting of discharges, sending workers to unemployment with or without compensations etc., implying inevitable social convulsions.

It is well known that an industrial objective, even if the project of its achievement is well grounded and scientifically established, involves a period between three and six to seven years for accomplishment. In this context, during the period 2009-2013, a significant number of economic units with industrial production either reduced their activity or

9 Anghelache C. și alții (2013) –„The Industrial Production Indices” Romanian Statistical Review, Supplement no. 4/2013, pp. 64-68
were privatized through selling to foreign investors and, in certain situations, even to Romanian investors.

However, during the period of over twenty years, from 1990 up to now, there is no way to state out that at least one major project has been initiated aiming the building of an enterprise or a commercial company of top industrial field.

It is easy to underline the why the Romanian investors went for reducing the production capacities and for setting up smaller enterprises which, although productive and efficient, are limited by the resources and economic potential available with the respective economic agent.

This situation is involved by the fact that in Romania it is quite out of question to approach the subject of achieving an economic industrial objective based on credits.

The interests in force, which kept on developing around certain high values, do not give the opportunity, not even to the most daring ones, to apply for such loans meant to materialize such projects.

Therefore, it is absolutely impossible to understand why the external credits obtained by Romania have not been materialized in projects, letting thus an unique possibility getting lost as regards the achievement of even a start to launch the balancing, restructuring and sizing the Romanian economy, the industrial production, depending on the possibilities, on the needs of our country and on the accessible markets for Romania, firstly the European one.\(^1\)

There is also another delicate element, namely the fact that there are permanent talks regarding either the cease of activity for certain state owned commercial companies or autonomous administrations, or their division as profit centres, all of them proving to be, by the end of the day, inefficient.

The programme of reform and restructuring, mainly in the industrial field, cannot be done by hazard.\(^1\)

For this sector, it is necessary to have programmes which, considering the duration involved by their achievement should cover medium and long term provisions, such as:\(^1\)

- Sources on which the respective project is supported;
- Fiscal facilities for the investors in the field;

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\(^{11}\) Anghelache, C-tin (2013). România 2013. Starea economică sub povara efectelor crizei, Editura Economică, București

\(^{12}\) Anghelache, C-tin (2013). România 2013. Starea economică sub povara efectelor crizei, Editura Economică, București

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• Kind of “symbolic” interests in order to secure the finalization of the project;
• Granting specialized technical assistance, in the situations requiring such assistance;
• Granting governmental guaranties in case imports for completions or technology imports are involved.

These facilitating conditions, which must be secured for the Romanian or foreign investors, are compulsory in the context it is wished, and it must be wished, to initiate certain projects to the benefit of the investors, in the first place, but to the benefit of the national economy as well. Another delicate issue is given by the fact that probably over the time, in the frame of this restructuring process a number of big enterprises from the industrial sector get transformed, becoming simple “halls” since the equipment is out-dated since long time ago.

On the other hand, one must underline the fact that over the time, depending on the so-called concrete conditions from our country, a large range of privatizing methods have been applied.

Certainly, these methods hit their targets as the small and medium enterprises, which used to be very profitable, have been transferred to the hands of certain individuals, becoming thus private companies.

No more need to debate now whether the price being paid was a real one, whether this “encouragement” for the employees’ participation to the privatization has been advantageous but there is one thing worth wise to point out, namely: after each more serious privatization, invariably, a process or an inquiry followed, which proves that neither those who done them have a clear conscience about the correctness of the process.

Under the circumstances, many wrong steps have been taken on the way of the reform and privatization. For instance, we can notice that thousands of commercial locations all over the country reached practically an advanced degree of degradation as a result of the fact that they were not privatized through selling, as normally would have been, although being well known that the private ownership is the basic element for the development of any initiative on the free market.

This is how, because of the concessions, renting over various periods of time, sometimes for special prices, the ones getting their use went for “exploiting” them only, neglecting the thoughts as regards their maintenance, improvement, development etc. This is why I do believe that the declarative process deciding to go for the sale of all this facilities should be promptly accomplished, supporting the process by payments in several instalments. There are a lot of things to discuss in connection with this
process of privatization, mainly as regards the industry. It is to foreseen that, in the future, the industrial production, mainly in its expression as physical units, increases even if slowly, as a result of the steps intended to be taken.

This will be not a problem in the conditions that, simultaneously, the basis for developing the activity in certain sectors would be set up, allowing them to become solid and representative for Romania.

On this ground, there are only the detailed, rigorously drawn up and with chances to succeed projects and programmes may represent the starting elements of this project.

On the other hand, the executive, the coordinating ministers are bound to analyze in details the situation of the production and services from our country, so that they identify those sectors which can achieve production meant to export and fix thou delay the means for stimulating the achievement of these exports.

Of course nobody wants to go back to certain practices from before the year 1989, such as „lei-hard currency“ at different exchange rates but, for launching the export of industrial goods, securing the financial and foreign currencies availabilities, getting the equilibrium of the foreign trade balance, it would be advisable to stimulate the export so that, even if certain subsidies for export will be granted internally in lei, they will be of the nature to lead to a settlement of the position of the national currency as against the other currencies and, meantime, to lead to the stabilization of a level for purchasing the dollar or the hard convertible currency for our country. In the case such steps would be not taken, we shall keep on facing, during the forthcoming periods as well, deficits of the foreign trade balance, the increase of the external debt which has to be reimbursed during the next years, insignificant increases of the real value of the Gross Domestic Product and the more and more larger wandering of Romania from the actual process of getting out of the crisis. An anti-crisis programme, based on steps aiming to stimulate the industrial production and the export, is a multidimensional one, well-articulated, taking into account the release of all the elements which can contribute to maintaining, at a reasonable level, the economic activity, as a starting point for an economic growth in the immediate perspective. This analysis issued seven years after the adhesion of Romania to the European Union is now important since we have to pay contributions to the European budget and we shall be in the position to access the allocated funds only to the extent that there are concrete projects of interest for the European Union as well.
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