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## MACROECONOMIC EVOLUTIONS IN ROMANIA BY THE END OF THE YEAR 2014

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### Abstract

*This paper outlines the main evolutions recorded at macro-economic level in Romania during the year 2014. All data are drawn from official statistic databases. The key topics covered by this paper are the evolution of GDP, the direct foreign investments, the trade, services and human resources. The indicators that describe these dimensions of the national economy form a powerful instrument for analyses, syntheses, useful conclusions and decision making, not only for government or other public agencies, but also for the representatives of the private sector.*

**Key words:** *macro-economic evolutions, economic growth, Gross Domestic Product, consumption prices, direct investments*

During the year 2014, Romania tries to face the effects generated by the economic and financial crisis which, either as a development wave or as a new wave, is going to extend its effects over the forthcoming years.

The presence of Romania within the European Union is emphasizing the fact that the need for a program of steps meant to secure an unitary framework and to facilitate the enforcement in practice of the pot-adhesion steps, mainly the absorption of the communitarian funds put at the disposal of Romania, is obviously felt.

The outcomes of the years 2010-2014 must be analysed taking into account the fact that the economic and financial crisis starting in the USA in the spring of the year 2007 and in Europe in the year 2008 including Romania by the end of this year as well, generated a series of negative, global and individual, effects, of different degrees of intensity from one country to another, as well as approaches meant to help overpassing the crisis, both at the global level and on national plan. As the crisis in Romania stroke later, in 2009-2010, it generated negative economic and financial effects hard to conceive.

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### The Gross Domestic Product evolution

In the year 2013, based on the semi-final data, there is an annual increase of 3.4% of the GDP, in real terms, as against the year 2012. In absolute figures, the GDP value counted in 2013 for 637,583.1 million lei, current price.

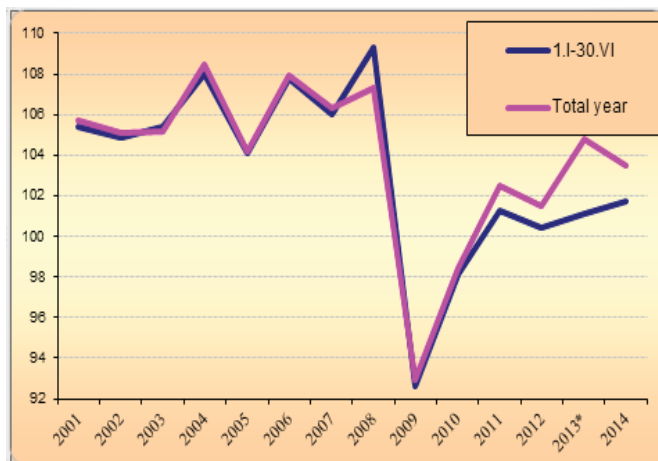
During the first half of the year 2014, the evolution of the GDP stagnated, if considering the current- non-revised data, although a sensible increase, due to the deflation, does exit. The macroeconomic indicators of results have recorded a negative evolution during the period January 2009-January 2012, as a result of the effects of the economic and financial crisis, the lack of efficiency of the governmental activity and the lack of a coherent anti-crisis program, based on pro-active steps.

The GDP per capita calculated on the basis of the purchasing power parity counted in 2013 10,759 units of standard purchasing parity (the monetary unit of reference at the European Union, as conventional currency which excludes the influences of the various national prices).

If comparing the level of the GDP increase in Romania in 2012 with some countries of the European Union we shall notice that it was almost the lowest one. The analysis will get a more significant contour if we look at the mode in which the GDP behaved during the first two quarters of the year 2014.

**The GDP evolution during the period 2001- 2014  
(the corresponding period of the previous year = 100)**

*Fig. 1.*



\* provisional data estimated for 2014

**Data source:** National Institute of Statistics, press release no. 243/08.10.2014

In the year 2013, as well as in the first six months of the year, the GDP has been achieved on the account of the activities carried on by the main branches of the national economy. The contribution differed from the point of view of the gross added value achieved at the level of each branch.

During the first half of the year 2014, the net taxes on product recorded a positive contribution, representing 13.2% of the GDP, the services activity contributed with 3.1% to the GDP, the constructions stagnated. The industry recorded an increase of 0.7%.

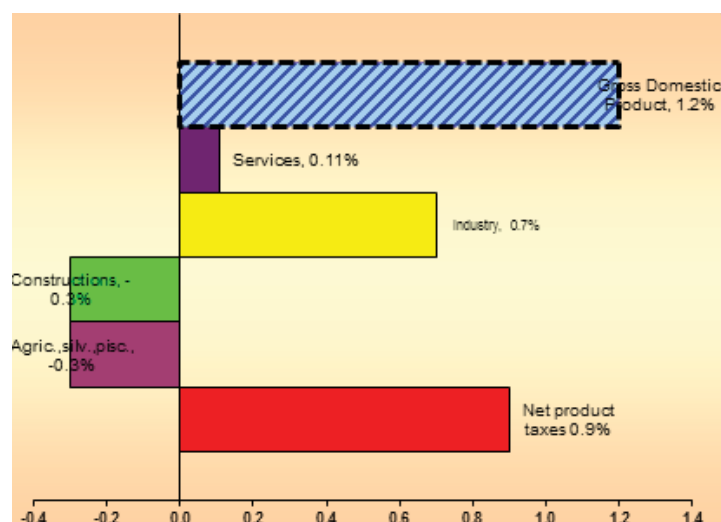
In 2014, the agriculture, forestry and fish breeding had a low contribution and counted for 3% of the GDP during the first six months of the year 2014.

Thus, during the first quarter 2014, the GDP increased by 3.9%, gross series (3.7% adjusted series), while during the second quarter it increased by 1.2% gross series (1.5% adjusted series) as against the corresponding quarter of the previous year.

The period 2013 – June 2014 was characterized by the fact that a number of sectors of activity kept on being privatized, those already privatized kept on increasing their patrimony (the capitals), by drawing new autochthonous and foreign investments, which is an aspect to consider from the point of view of the effects on the structure of the national economy.

#### Contributions to the GDP alteration, , by categories of resources 2014 / 2013 (first half)

Fig.2



Data source: National Institute of Statistics, Press release no. 243/08.10.2014

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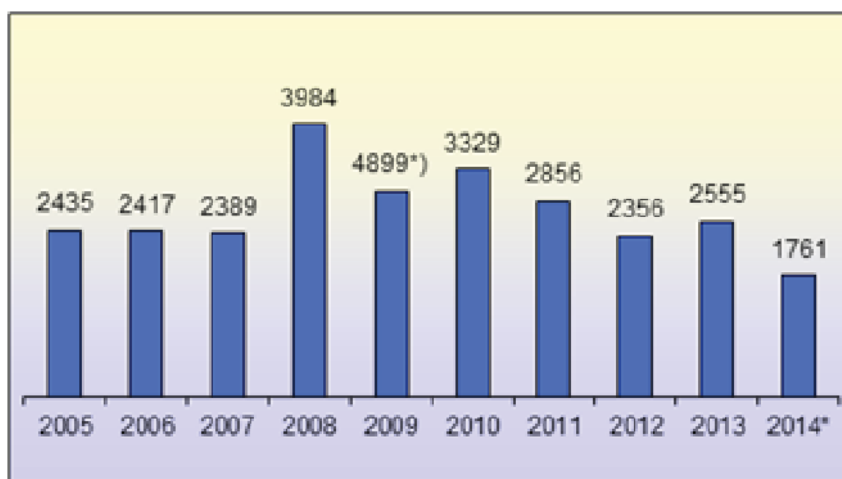
### Foreign Direct investments evolution

According to the data supplied by the National Office of the Trade Register, in 2010 the total value of the foreign direct investment in Romania counted for 3,914 million euro, in 2011 for 3,329,432.4 thousand euro, in 2012 for 2,856,416 thousand euro, in 2013 for 2,355,803 thousand euro, and for 1,761,585 thousand euro for the first seven months of the year 2014.

FDI increased by 11% during the first eleven months, up to 2,122 million euro, after the highest level reached in 2014 in, with 531 million euro drawn in November.

#### Foreign direct investment in commercial companies (million euro)

*Fig. 3*



**Data source:** National Institute of Statistics.

A significant element to consider when evaluating the economic evolution of a country over a given period of time is given by the mode of the evolution of the consuming prices both on an overall basis and by groups of goods and services, as well as the dual comparison with planned, forecasted target and the outcomes of the previous year.

Under the circumstances of real concerns as regards the adjustment of the system of collecting the incomes, based on the unique quota of taxation, as well as the process of bringing the Fiscal Code to terms correlative with the actual situation in the country, a series of events took place in 2010-2013 which deserve of being underlined.

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First of all, the negotiations between the Government of Romania and the IMF have been materialized so that the granted loan has been transferred. Practically, the over 20 billion euro agreed have been totally transferred in 2011. There were a number of elements which the IMF, intransigent and aiming to see a market economy in action, disagreed with.

There have been many concerns as to get the IMF approval for a higher deficit of the GDP or to keep on accepting the situation of certain subsidies at the level of the national economy. The second essential phenomenon during the period 2010-2013 is given by the divergent evolution between the index of the consumption price, as an overall and by structure comparatively with the evolution and the appreciation of the national currency as against the two currencies making up the currency basket, namely euro and USD.

### **Dynamics of industrial and commercial sector**

The indices of the industrial production in 2010-2014 are showing a slight increase as against the similar periods of the previous year, being influenced by the restructuring of the extractive sector as well as by the diminishing of the production in Lohn which generated a slower rhythm recorded for the manufacturing industry.

The labour productivity per employee in industry followed an upward course during the period 2010-2014. The development of the industrial production is representing the sector which marked positively the evolution process of the period 2009-2014.

In the year 2014, the industrial production increased by 6.1% (gross series) as comparatively with the year 2013, due to the increase of the manufacturing industry (+7.5%) and the extractive industry (+1.0%). The production and supply of the electric and thermic energy, gas, hot water and conditioned air decreased by 4.7%.

In 2012, 2013 and 2014, the industry showed a slight upward course. However, those increases by groups have been counter-balanced by diminishes as for the group of current use long term use goods.

The indices of the industrial production over the period 2010-2014 comparatively with the years 2009 and 2008, are showing that, both per total and per the branches of the extractive and manufacturing industries, there were decreases as far as the extractive industry is concerned, all over all the quarters.

When analysing the results recorded by Romania for the period 2010-2014 we state out that on an overall basis the investments recorded decreases as against the previous year, pointing out that the investments for equipment and conveyance means decreased to the most.

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By destinations, the investments in industry in 2012 and even in 2013 meant actually the replacement of old equipment, the increase of the production capacity, the modernization of technologies, the environment protection and investments in other domains.

By means of imports of capital goods, the completion of the capital goods has been achieved and also the increase, through capitalisation, of the commercial companies' assets has been secured. For all three elements of investment (new construction works, equipment and conveyance means and other expenses), the trends are similar to the one recorded for the total, noticing however that the construction works outrun, during all the periods, the investment for equipment and conveyance means.

During the period 2009-2014, comparatively with the previous year (2008), the indices of the market services supplied to the population as well as of the indices of retail trade, have recorded a decrease. This decrease is generated by the domestic demand (element of the GDP utilisation), which recorded a pronounced decrease due to the decrease of the incomes. Meantime, the services reached a high weight in the GDP, out of which there is only the retail trade recording a slow trend.

If considering the increases recorded each month during the year 2008, as against the corresponding month of the year 2007, as regards the international exchanges of the period from 2009 up to 2012, there is a significant step back as percentage difference and the passing from the positive increase to the negative one, for both imports and exports. As from 2013 on, there is a refreshment of the imports to notice.

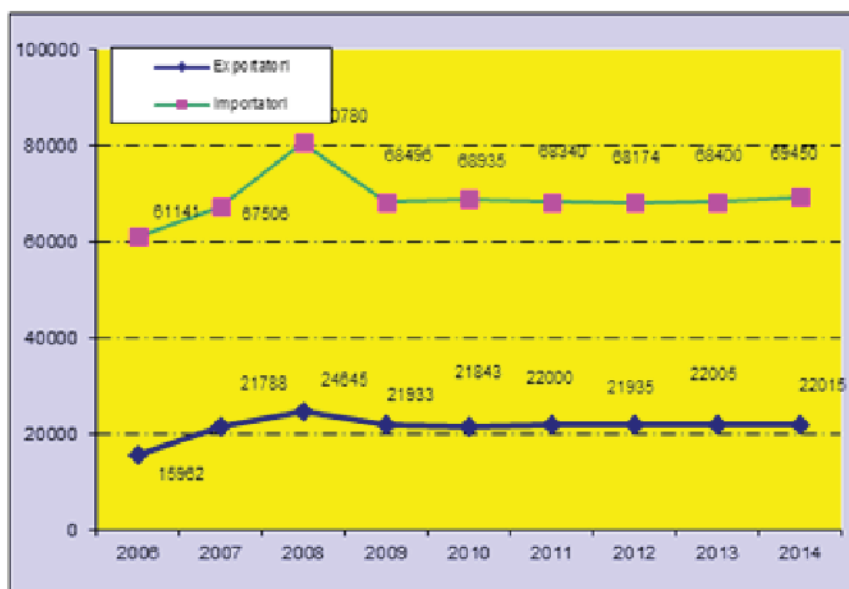
The ultimate imports exceeded the ultimate exports by almost 25%, while the exports meant to active manufacturing, namely abroad manufacturing, by using foreign labour force, counted for more than double as comparatively with the active manufacturing, namely imports achieved with the purpose to continue the processing in the country aiming the export afterwards.

As regards the exports and imports achieved by the EU states during the period 2007-2013, there are at least three common characteristics to point out.

The first characteristic consists of the fact that the evolution of the imports and exports in 2013 as against 2012 marked positive trends, leave apart small exceptions such as Ireland, Malta, Finland and the United Kingdom for exports and Estonia, Ireland, Latvia and Malta for imports, of course, differentiated from country to country.

### The evolution of the number of exporters and importers during the period 2006-2014

Fig. 4



**Data source:** National Institute of Statistics, Statistical Bulletin no. 7/2014.

### Significant trends on the labor force market

In 2014, Romania, with a rate of occupation of 61.8%, se counted among the countries recording values below the EU28 average (for which the indicator value was 64.5%). The highest values of the rate of occupation, in 2011, have been recorded in: The Netherland (76.3%), Denmark (74.1%), Sweden (72.9%), Austria (71.4%) and Germany (71.0%). For most of the EU 28 member states, the rate of occupation in 2014 was increasing, excepting 4 member states in which case slight decreases have been recorded (between 0.1 and 0.4 percentage points): Portugal, Lithuania, Luxembourg and Belgium.

The increase of the occupation in 2014 comparatively with the previous periods occurred on the ground of the shifting towards agriculture, which phenomenon is visible when considering:

- the reduction of the salaried employees weight;
- the increase of the weight of the non-salaried employees in agriculture;

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In 2014, the rate of occupation for the population of working age counted for 60.5%; increasing by +0.2 p.p. as against the end of the year 2013.

Through the prism of the distribution by development regions, the lowest rate of occupation has been recorded for the region Centre (53.2%) while the highest rate has been recorded by the region North East (65.3%). Rates of occupation higher than the country average (60.1%) have been recorded for two regions only, where the agricultural sector is significant - North East (65.3%) and South Muntenia (63.2%), as well as in București Ilfov (62.8%) where the labour force is absorbed by the services sector.

The salary gain, both in nominal and real terms, increased in 2011 as against the previous periods. In July 2014, the monthly gross average salary counted for 2,378 lei.

By activities of the national economy, the maximum values of the average net salary gain are held by the activities of financial intermediaries (with percentages between 115 – 146% over the average of the economy).

At the opposite pole, with the lowest average net salary gains, there are the activities of hotels and restaurants (with percentages between 41 – 43% below the average of the economy). To notice the fact that both sections are holding close weights as number of employees at the level of the national economy (about 2-3% each).

In 2014, comparatively with the previous year, the average net salary gain showed a slight tendency of increase for most of the economic activities (excepting those belonging to the budgetary sector, hotels and restaurants, real estate transactions and activities of entertainment, cultural and leisure).

In 2014 the average net salary gain achieved in various activities of the national economy recorded both increases and decreases, almost to an equal extent. Thus, in the economic sector, there have been slight increase recorded, the largest one being recorded in the activity of production and supply of electric and thermic energy, gas, hot water and conditioned air (+1.8%).

### **Acknowledgement**

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