
ANALYSIS OF DOMESTIC INVESTMENTS AND STAYS IN THE NATIONAL ECONOMY

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Abstract

Investment is a country's main avenue for economic growth. Through investments, a surplus can be achieved by creating jobs and ensuring competitive wages, by improving the quality of new products, as well as to improve management in companies acting in these areas.

In this article, the authors started from the need to present how domestic investments, foreign direct investments or investments based on the amounts distributed from the European Union budget in the field of the national economy have evolved.

Investments are mainly found in the field of construction, which involves the use of capital, labour and new resources that lead to the achievement of new economic objectives or at least the development of existing ones. Also, through these investments, capital repairs are carried out to a series of economic objectives in operation, current repairs, but especially the achievement of new objectives.

The authors set out to highlight the importance of these investments in the construction field by presenting the data recorded in recent years, emphasizing the fact that the economic crises starting with the Covid 19 crisis, continued with the economic and financial crisis and then with the energy and food crisis that have developed, and these investments have been quite low. In this context, the economic growth in Romania is still achieved mostly through consumption.

Analyzing the situation during the crises affecting the world economy, not only the one in Romania, the authors pointed out that it is necessary to increase the volume of investments in order to ensure a sustainable growth over time.

It is clear that investments are far superior to loans because they are made in order to produce new goods, produce and add newly created value. The loans can also ensure the increase of the Gross Added Value, but they also add investment costs through interest and other fees, which in the end have a negative effect on the growth of the Gross Domestic Product.

In fact, the construction activity is one with a seasonal character in the sense that during November-March a small volume of complex activities is carried out to ensure the growth of the products made through investments.

Methodologically in this article we used the data made available by the National Institute of Statistics and Eurostat on this field of activity and through statistical-economic methods (regressions, the study of seasonality and others) data were obtained that were analyzed in the context and that revealed the current trends.

Keywords: investments, national economy, crises, developments, data series, methods and models.

JEL classification: C10, E20

Introduction

Constructions are one of the important branches of the national economy, being one of the branches that absorb the most investments, amounts, through which economic objectives are achieved or modernized.

In this paper we used the existing data and compared how this activity evolved during the crisis that befalls the world economy and the Romanian economy.

We have highlighted the fact that domestic investments have nevertheless had a growth rate, foreign direct investments have tempered, but they have been better used by increasing the capital of already existing companies or have attracted and have been better exploited, the sources coming from the European Union.

The national recovery and resilience program sets out a number of positions calling for a more rapid use of the amounts allocated to make such necessary investments in the national economy.

At the same time, there is a slower pace of investments in the construction sector, because due to the galloping inflation, the increase in the prices of construction objectives, their capitalization on the domestic market is more difficult. In this respect, the specialized companies have carried out a smaller activity.

Keep in mind that in the field of construction, the labour needs are no longer covered by the domestic labour market. This is a paradox that shows that on the one hand, over 4 million Romanian citizens find a job abroad (due to economic reasons, better salaries), being necessary every year for two, three hundred thousand people with dedication to work in the construction field to be provided by foreign citizens, in overwhelming percentage of Asia. It is therefore hell that construction activity is not covered by internal labour that would result in unemployment or the unemployed population, but by the basically unskilled labour force from the outside.

The article is presented under synthesis conditions using tables, graphs, representative that more clearly highlight the situation in this area of investments / constructions.

Literature review

Many studies have taken into account the need for investment and the use of European Union funds for economic growth. Thus, Corti, F and others (2021) are concerned about comparing and evaluating recovery and resilience plans. D'Alfonso A. and Sapala M. (2015) are concerned about the payments that are made from the budgets adopted by the European Union. Darvas Z. (2020) is concerned about the ability of the Member States of the European Union to absorb and spend funding well on recovery and resilience. Erosa, A. and Cabrillians, A. (2008) conduct a study in which they treat the economic evolution against the background of the development of industrial branches in the context of the domestic and international market. Grand, D. and others dedicate their study to the analysis of industrial exchanges between the states of the European Union according to the individual capacity of each state and the structure of national economies. Herrendorf and Akos (2012) tried to identify the sectors of activity with the worst results in developing countries. Lee, D., Shin, H., Stulz, R. (2016) addressed in their study the condition that capital development in industry must be the main link in economic growth. Sapala M. (2020) examines the flexibility of the European Union budget in the multiannual financial framework.

Date, results and discussions

Analyzing the results obtained by Romania, we find that overall investments have registered in time a decrease, of which investments for equipment and means of transport have decreased the most.

By destinations, investments in the industry lately have meant the replacement of old machines, the increase of production capacity, the modernization of technologies, environmental protection, labor protection and investments in other areas.

This means that imports of capital goods have achieved the replenishment of capital goods and ensured the increase, through capitalization, of the assets of companies.

For all three elements of investments (new construction works, machinery and means of transport and other expenses) the trends are similar to the one recorded on the total, with the observation that the construction works have surpassed, however, in all periods, the one related to machinery and means of transport.

Table number 1 shows the indices of construction works.

Indices of construction works

Table 1

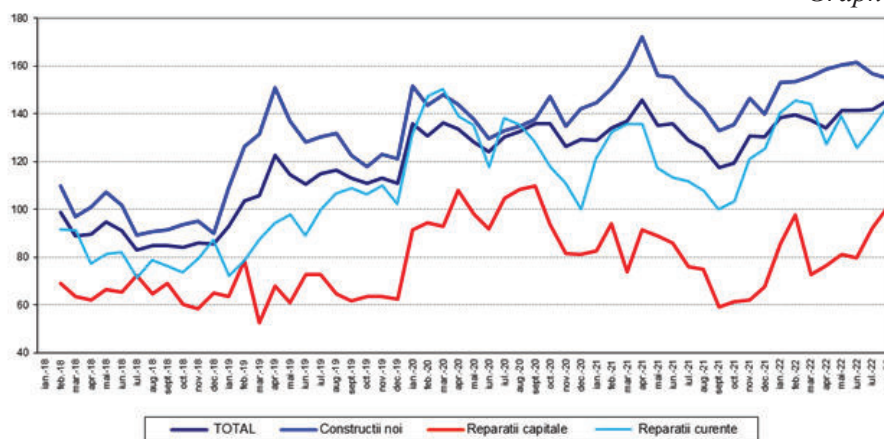
		AUGUST 2022 compared to:		1.I-31. VIII.2022/ 1.I-31. VIII.2021
		JULY 2022	AUGUST 2021	
Construction - total	B	108,0	115,7	106,6
	S	102,5	115,6	104,5
- by structural elements:				
New constructions	B	104,8	108,0	104,1
	S	98,8	108,9	102,2
Major repairs	B	123,1	136,9	105,8
	S	109,0	134,3	102,7
Current maintenance and repairs	B	110,8	131,9	114,8
	S	106,5	132,3	112,6
- on construction objects:				
Residential buildings	B	101,2	98,7	104,8
	S	98,4	98,8	106,1
Non-residential buildings	B	110,4	121,1	117,3
	S	106,8	121,5	115,9
Engineering constructions	B	110,3	123,4	101,1
	S	103,9	121,7	96,2

Source: National Institute of Statistics. Data processed by the authors.

For an easier visualization of the evolution of construction works, on structural elements was drawn up graph number 1.

The monthly evolution of construction works, by structural elements, according to NACE Rev.2 in the period January 2018 – August 2022, series adjusted according to the number of working days and seasonality, (2015 =100)

Graph 1



Analyzing comparatively the volume of construction works in August 2022 with the previous month, we find that it increased, as a gross series, by 8.0%, an increase highlighted for capital repair works (+23.1%), current maintenance and repair works (+10.8%) and for new construction works (+4.8%).

The volume of construction works increased, as a series adjusted for the number of working days and seasonality by 2.5%, an increase highlighted for capital repair works (+9.0%) and for current maintenance and repair works (+6.5%). New construction works fell by 1.2%.

In August 2022, compared to August 2021, the volume of construction works increased, as a gross series, by 15.7%, an increase highlighted for capital repair works (+36.9%), current maintenance and repair works (+31.9%) and for new construction works (+8.0%).

As a series adjusted for the number of working days and seasonality, the volume of construction works increased, in total, by 15.6%. On structural elements, there were increased increases in capital repair works (+34.3%), current maintenance and repair works (+32.3%) and new construction works (+8.9%).

In the first eight months of 2022 compared to the same period of the previous year, the volume of construction works, as a gross series, increased, on the total, by 6.6%. On structural elements, increases occurred in current

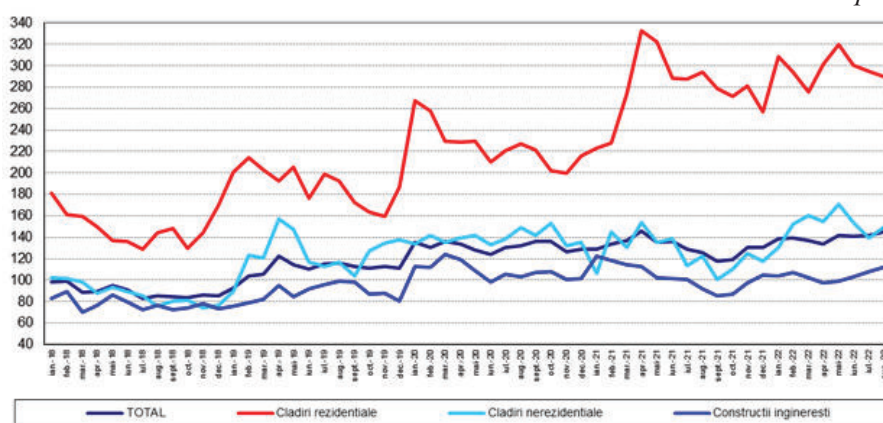
maintenance and repair works (+14.8%), capital repair works (+5.8%) and new construction works (+4.1%).

The value of construction works increased as a series adjusted for the number of working days and seasonality by 4.5%, an increase highlighted in current maintenance and repair works (+12.6%), capital repair works (+2.7%) and new construction works (+2.2%).

Chart number 2 shows the monthly volume of construction works, on construction objects between January 2018 and August 2022.

The monthly evolution of construction works, on construction objects, according to CAEN Rev. 2 in the period January 2018 – August 2022, series adjusted according to the number of working days and seasonality (2015 = 100)

Graph 2



In August 2022 compared to the previous month on construction objects, there were increases in non-residential buildings (+10.4%), engineering construction works (+10.3%) and residential buildings (+1.2%).

On construction objects, the volume of construction works increased for non-residential buildings (+6.8%) and for engineering constructions (+3.9%). Residential buildings fell 1.6%.

In August 2022, compared to the same month of the previous year on construction objects, there were increases in engineering construction works (+23.4%) and non-residential buildings (+21.1%). Residential buildings fell 1.3%.

Also, on construction objects, the volume of construction works increased for engineering constructions (+21.7%) and non-residential buildings (+21.5%). Residential buildings fell 1.2%.

In the first eight months of 2022 compared to the same period of the previous year on construction objects, there were increases in non-residential buildings (+17.3%), residential buildings (+4.8%) and engineering constructions (+1.1%).

At the same time, on construction objects, increases occurred in non-residential buildings (+15.9%) and residential buildings (+6.1%). Engineering construction fell by 3.8%.

Conclusions

From the study of this article, some especially practical conclusions emerge. First of all, the construction activity is one of strict necessity in the national economy. The construction activity, however, analyzed structurally shows that mainly machine constructions, complex constructions, no longer have the previous scope, the constructions generally referring to buildings intended for homes or offices or places where some national and multinational companies will carry out their activity.

In conclusion, we can appreciate that the activity of investments in this field is primarily carried out by private companies, some multinationals, which reserve from the profit obtained year by year amounts allocated for the development of the activity itself and transfer them in enviousness. There is a reduced correlation between the allocation of R&D investment in construction and collateral to be able to ensure an increase in future investment.

Constructions have continued to operate at a better pace than the other branches of the national economy even during the Covid 19 pandemic, because they are carried out outdoors, in working formations and have been able to avoid imposing restrictions that have substantially affected production in other areas of activity, especially those that take place in closed spaces.

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