
THE BALANCE OF EXTERNAL PAYMENTS DECREASED IN OCTOBER 2023

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Abstract

In this article, the authors focused on the activity involving international trade, which has a particular effect on the formation and modification of the Gross Domestic Product. In this sense, it is known that imports mean consumption from the value of domestic productive activity, which through the currency exchange ensures their payment, and exports mean additional receipts. The research involved the dynamic analysis of exports, imports and trade balance (FOB/CIF) in the period January 2018 – October 2023, then the study of international trade by product groups according to CSCI Rev.4, in the first ten months of 2023 and then the evolution exports, imports and trade balances (FOB/CIF) Intra-EU27 and Extra-EU27 in the period between January 2021 and October 2023. From a methodological point of view, statistical indicators specific to international trade were used, the evolution from a time period to another through a chronological study and the data were interpreted, which were presented for easier understanding in a series of tables and graphs, which highlight the evolution of the analyzed indicators.

Keywords: import, export, balance of external payments, indicators, evolution and dynamics.

JEL classification:C10, H10

Introduction

The article analyzes the dynamics of the trade balance (FOB/CIF) of exports, imports and trade balance (FOB/CIF) from January 2018 to October 2023. Then, in the months of January to October 2023, it focuses on the study of international trade by groups of products according to CSCI Rev.4.

The authors then focus on changes in intra-EU27 and extra-EU27 exports, imports and trade balances (FOB/CIF) from January 2021 to October 2023.

Through a chronological study, the evolution from one period of time to another was analyzed and the data were interpreted and presented for a

better understanding in a series of tables and graphs, aiming in this way to highlight the analyzed indicators.

In the content of this article, a series of indications appear that induce the authors to feel that we are not witnessing a better calibration of the Romanian economy with the economy of the other member states of the European Union, the result of the reduction of the trade balance deficit (FOB/CIF), in the first ten months of 2023, compared to the first ten months of 2022, would be the effect of the reduction in the amount of imported goods consumed, a reduction mainly caused by the increase in prices, the decrease in the purchasing power of the population and the impossibility of sustaining the consumerism of the previous periods.

All this suggests that in the not too distant future, the dynamics of the Gross Domestic Product will tend towards lower values, being flattened both by the value of the net export indicator and by the restriction of consumption.

Literature review

The deficit of Romania's balance of external payments has been increasing since 1990 until now, and numerous researchers have investigated this phenomenon. Therefore, Anghelache C. et al. (2020) and Anghelache C., Anghel M.G. (2017) reviewed and shared several analyzes on the evolution of international trade in goods. These analyzes were carried out together with the use of some statistical-econometric models, based on which some estimates were made. The paper by Hummels D. (2007) examines transport costs in international trade in the age of globalization. Karacovalia B. and Limao N. (2008) examine aspects of trade liberalization in the EU. Elgstrom O. (2007) focuses on international trade activity in terms of negotiation content and techniques. Also, Fajgelbaum P. et al. (2011) conduct a study on income, output quality and international trade with aspects of ongoing foreign trade. A detailed analysis of international trade relations and relations with the European Union was published by Hill C. and Smith M. (2011). Bernard A.B. et al. (2012) examined the role of large global corporations in the international trade of goods. Mina-Raiu, L. (2014) emphasizes how the relationship between the public sector and the business environment affects economic and social progress.

Methodology

Data collected from the Intrastat and Extrastat statistical systems are used to establish statistics on international trade in goods and services. If the Intrastat system refers to the trade within the European Union, i.e. to the exchange of goods between Romania and the other European Union states, the

Extrastat system is identified with the trade of goods that Romania has with the states that do not belong to the European Union.

Intra-EU trade includes the delivery of goods from Romania to another EU member state and the delivery of goods from Romania to another EU member state.

Shipments of goods leaving Romania include:

- goods leaving the statistical territory of Romania to another EU member state;
- goods that have been shipped to Romania for active processing within the country or for processing under customs control in Romania and that are shipped to other member states.

The products that are introduced in Romania include:

- goods that can be transported without restrictions in an EU member state and that arrive on the statistical territory of Romania;
- goods that entered the statistical territory of Romania after being placed in the customs procedure for active processing or under customs control in another EU member state.

Extra-EU trade refers to trade in goods that takes place between Romania and non-member countries of the European Union. These include the direct import of goods for consumption, the import of goods that have been removed from customs warehouses or free zones for consumption, the export of goods of domestic origin and the export of imported goods that have been declared for domestic consumption.

In addition, they include occasional imports of foreign goods for active processing in the country, occasional exports of compensating products resulting from active processing, occasional exports of goods for passive processing (in other countries), compensating imports resulting from processing outside the country and imported goods or exported in the financial leasing system, respectively quasi-export.

International trade does not include goods that are in transit, goods that are temporarily admitted or taken out of the country (except for those that are for processing), goods that international companies have bought for their use in Romania, goods for repairs and spare parts related exchange.

FOB and CIF export prices are used to present value data.

The FOB price (Free on Board/Free on Board) is the price at the border of the exporting country, which includes the value of the product, the costs of transportation to the point of embarkation and all taxes that must be paid to be loaded on board.

The CIF price (Cost, Insurance, Freight/Cost, Insurance, Freight) is the price at the border of the importing country which includes the component costs of the FOB price, as well as insurance and international transport costs.

Value data are presented in two currencies: euro and lei. To convert the value data expressed in lei, which were collected from the Intrastat statistical declarations and customs declarations, two exchange rates are used: the monthly average exchange rate lei/euro communicated by the National Bank of Romania for the Intrastat system and the average exchange rate monthly lei/euro communicated by the National Bank of Romania for the penultimate Wednesday of the month for the Extrastat system. For intra-EU trade, data is drawn from:

- Intrastat statistical declarations are obtained directly from economic operators who exported or imported intra-EU goods that exceeded the Intrastat statistical threshold established for each flow and reference.

- customs declarations that are collected and processed by the Romanian Customs Authority (MF-AVR) of the Ministry of Finance for intra-EU trade with goods that are intended for internal processing or processing under customs control; these goods are transported from or to parts of the statistical territory of the EU which do not belong to the fiscal territory of the EU.

For trade outside the European Union: The Romanian Customs Authority of the Ministry of Finance (MF-AVR) is responsible for collecting and processing customs declarations for import and export. Economic operators authorized for simplified customs procedures use a form with a predetermined structure to transmit import or export information to the National Institute of Statistics.

The National Institute of Statistics also collects information on international trade in electricity and natural gas using statistical forms from importing and exporting companies, as well as from network operators (CN Tranelectrica SA and SNTGN Transgaz SA). Physical quantities of electricity and natural gas that are transported through pipelines within the country are not included in imports and exports.

Relative to the total volume of intra-EU imports and exports of goods, the degree of data collection through the Intrastat statistical survey was over 95.0 percent. Data estimates were made for the remaining approximately 5.0%, which represents the value of trade below the Intrastat statistical thresholds and non-responses.

Data, Results and Discussion

CIF imports in October 2023 totalled 11,208.1 million euros and FOB exports totalled 8,408.5 million euros, resulting in a deficit of 2,799.6 million euros.

Exports in October 2023 increased by 5.6% compared to October 2022, while imports decreased by 1.5%.

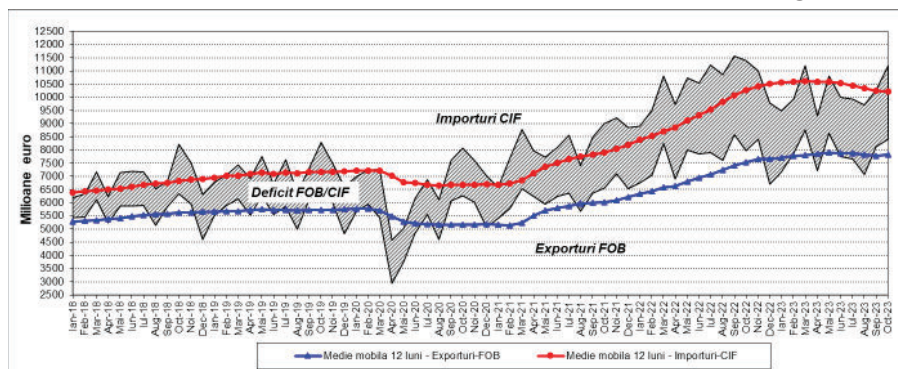
CIF imports totalled 101,892.9 million euros and FOB exports totalled 78,699.5 million euros during the first ten months of 2023.

Exports increased by 2.4% between January and October 2023, while imports decreased by 3.2%.

The trade balance remained in deficit in the first 10 months of 2023, registering a value of 23193.4 million euros, compared to the similar period of 2022, it is 18.4% lower.

Evolution of the Trade balance (FOB/CIF) for exports and imports (January 2018–October 2023)

Figure no. 1



Data source: National Institute of Statistics

It can be seen from the previous figure that the balance of the trade balance remained in deficit, it would be gratifying that against the background of the reduction in imports from the summer of 2023, that decrease is recorded by 18.4% compared to the similar period of the previous year. The negative part of the graph is that exports have remained at a constant level, which leads us to think that we are in a phase of deficit reduction amid the reduction of commercial activities.

Global trade of product groups, according to CSCI Rev.42, in the first 10 months of the year

Table no. 1

	Exporturi FOB			Importuri CIF		
	1.I-31.X 2023			1.I-31.X 2023		
	Milioane euro	Pondere în total export (%)	în % față de 1.I-31.X 2022	Milioane euro	Pondere în total import (%)	în % față de 1.I-31.X 2022
TOTAL	78699,5	100,0	+2,4	101892,9	100,0	-3,2
din care, în relație cu UE 27	57221,2	72,7	+2,7	74644,1	73,3	+0,5
Alimente și animale vii	6259,4	8,0	-2,1	8926,4	8,8	+10,1
din care, în relație cu UE 27	2975,8	3,8	+2,5	7295,1	7,2	+9,4
Băuturi și tutun	1792,7	2,3	+24,4	996,4	1,0	+12,6
din care, în relație cu UE 27	1017,9	1,3	+10,3	724,3	0,7	+11,8
Materiale crude, necomestibile, exclusiv combustibil³⁾	3118,3	4,0	-11,4	2430,5	2,4	-24,7
din care, în relație cu UE 27	2152,0	2,7	-7,8	1632,5	1,6	-0,9
Combustibili minerali, lubrifianți și materiale derivate	4528,9	5,8	-23,9	8667,8	8,5	-32,1
din care, în relație cu UE 27	2168,5	2,8	-25,5	3045,8	3,0	-45,6
Uleiuri, grăsimi și ceruri de origine animală și vegetală	360,9	0,5	-34,5	222,3	0,2	-36,9
din care, în relație cu UE 27	208,9	0,3	-54,6	189,0	0,2	-21,5
Produce chimice și produse derivate nespecificate în altă secțiune	3665,0	4,7	-2,3	13984,2	13,7	-8,8
din care, în relație cu UE 27	2447,4	3,1	-9,1	11341,2	11,1	-2,6
Mărfuri manufacturate clasificate în principal după materia primă	12746,7	16,2	-4,8	17838,9	17,5	-8,0
din care, în relație cu UE 27	9532,5	12,1	-4,3	12850,1	12,6	-5,5
Mașini și echipamente pentru transport	35087,3	44,6	+9,9	37135,1	36,4	+8,4
din care, în relație cu UE 27	28240,5	35,9	+10,5	29213,4	28,7	+11,2
Articole manufacturate diverse	10933,0	13,9	+12,3	11657,8	11,4	+7,1
din care, în relație cu UE 27	8384,7	10,7	+6,1	8325,1	8,2	+5,2
Bunuri necuprinse în altă secțiune din CSCI	207,1	0,3	+12,7	33,5	*)	-11,0
din care, în relație cu UE 27	92,9	0,1	+21,5	27,6	*)	-8,9

Data source: National Institute of Statistics

It includes manufactured goods, classified mainly by raw material (iron, steel, rubber, metal, etc.) and various manufactured items (clothing and accessories, footwear, etc.) 2) CSCI, Rev.4. - International Trade Standard Classification 3) Includes, mainly, seeds and oleaginous fruits; metal ores and metal waste; wood and cork; and other raw materials

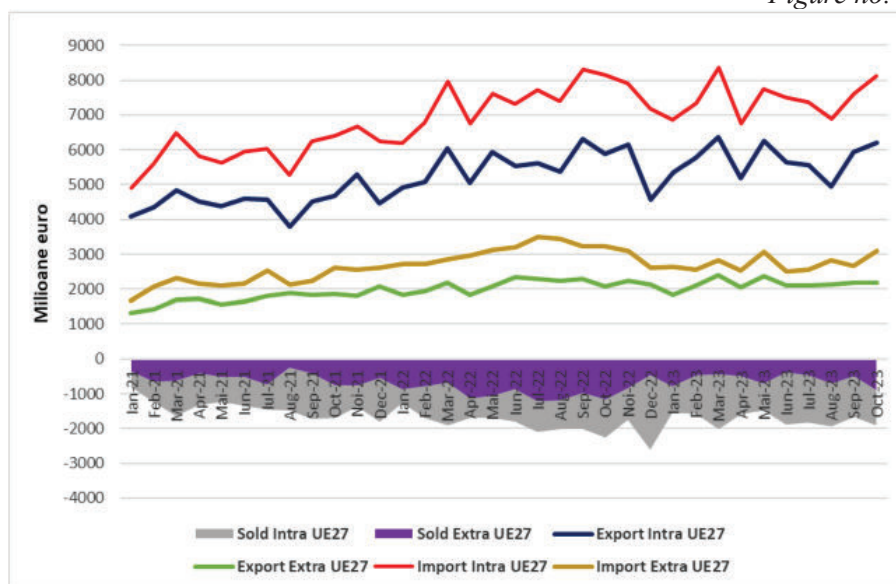
A significant impact on the structure of exports was made by the groups Machinery and transport equipment (44.6% in export and 36.4% in import) and other manufactured products (30.1% in export and 28.9% in import).

In the period 1.I-31.X 2023, intra-EU27 exchanges of goods amounted to 57,221.2 million euros in shipments and 74,644.1 million euros in imports. These amounts represent 72.7% of total exports and 73.3% of total imports.

In the period 1.I-31.X 2023, the exchange of extra-EU27 goods was 21478.3 million euros for export and 27248.8 million euros for import. These values represent 27.3% of total exports and 26.7% of total imports.

Intra-EU27 and extra-EU27 trade balances for exports, imports and trade balances (FOB/CIF) from January 2021 to October 2023

Figure no. 2



Data source: National Institute of Statistics

Graph 2 shows us a possible explanation for the 18.4% reduction in the trade balance deficit, we can see that it is mostly explained by the extra-EU balance, even if the intra-EU balance also recorded lower values compared to the previous year. We can say that Romania in the first 10 months of 2023, had a tendency to carry out exchanges mainly with the member states of the European Union.

Conclusions

Enormous sums were spent during the pandemic, post-pandemic and energy crises on unemployment, compensatory wages, unemployment benefits and other measures, and most of the workforce left the country. Currently, we are forced to turn to companies abroad to fulfill the responsibilities that Romania had. There is a need to review the performance of international trade at the macroeconomic level and find solutions to reduce the deficit in the balance of external payments or to equalize imports with exports to achieve zero net export.

We find that EU states hold the largest share of international, intra-EU and extra-EU trade, particularly in terms of imports. Consequently, although the deficit in the trade balance of external payments is no longer growing, the

economy is still constrained and dependent on exports to cover its imports. First of all, the structural reduction of the industry prevents Romania from participating in significant projects. Many years ago, the oil rig manufacturing industry was one of the strongest to facilitate participation in international projects.

A reduction in Romania's imports can also be translated as a reduction in the consumption of the population, which can be a consequence of the reduction in the allocation of available resources to satisfy the consumption appetite, or it can also be explained by the reduction in the quantities consumed against the background of the price increase. In any case, it would seem that this decrease in the trade balance deficit does not come on the background of sustainable and sustainable economic growth, or on the background of the increase in the competitiveness of the goods produced by the national economy, but is rather a random reduction, caused by unfavorable circumstances that have acted on the economy and the life of Romanian society lately.

After successive passes through the pandemic, energy and food crisis, there are fewer and fewer signs that the economy could generate an increase in exports to reach the distant goal of zero net exports.

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