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THE ECONOMICAL SITUATION OF ROMANIA DURING CRISIS, EUROPEAN INTEGRATION AND GLOBALIZATION

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Abstract *This paper analyzes the evolution of the economic situation of Romania in the period 2009 - 2012 which weakened because of the deepening of the economic and financial crisis worldwide, with devastating effects in our country. We collected data about representative macroeconomic indicators for the analyzed period from where we could detach the socio-economic situation and development trend of Romania in the future.*

Key words:
Globalization, labor market, crisis, Gross Domestic Product, investments, unemployment rate
JEL Codes:
J1, O47

1. Introduction

This paper presents a quantitative and qualitative analysis of main macroeconomic indicators of Romania in the period 2009 - 2012 and an analysis of forecast indicators for the next period, 2013-2015.

Romania struggles to cope with the effects of the financial and economic crisis that will grow in the coming years. The economic results of the years 2009 - 2012 have to be considered from the fact that the economic and financial crisis in the spring of 2007 in the U.S., in 2008 in Europe, including in the final in 2008 and Romania led to a series of global and individual negative effects with a degree of intensity different from country to country, and also the approaches for overcoming the crisis, both the global and national level.

The presence of Romania into the European Union shows that it needs a program of measures to ensure a unified framework and facilitate the implementation of the post-accession measures, especially the absorption of EU funds that are available to Romania. But our country has a major problem synthesized in programs and projects, especially in financing failure.

2. The methodology of research

This paper presents a descriptive analysis that involves collecting data, presenting them in the form of tables, graphs and establishing statistical indicators to be interpreted. In this work we performed a quantitative analysis that related to obtaining statistical or numerical percentage- measurable and a qualitative one that is based not so on calculations as the interpretation of various types of content. Qualitative analysis can be:

- analyzing thematic: we establish some important and current topic: the impact of financial crisis on Romania; effects of the crisis on employment;
- comparative analysis is a continuation of the thematic analysis, which compares the macroeconomic indicators of Romania obtained with average macroeconomic indicators of the European Union and with those obtained on worldwide.

3. Results

Data

The data used in this study are: GDP, private consumption, investment, unemployment and inflation rate, budget deficit, public debt and so on. The data source was the National Institute of Statistics and Economic Forecast Committee. Period was from 2009 to 2012.

Descriptive analysis

The situation of Romania in the period 2009 - 2012

During the analyzed period we have seen as a slight constant increase of GDP year to year (Table 1). Thus, in 2010 compared to 2009 GDP grew by 4.5%, in 2011 compared to 2010 by 6.4% and in 2012 compared to 2011 by 5.3%.

Gross domestic product, by category of resources

In the analyzed period, GDP was based on work carried out in the main branches of the national economy. The contribution was different in terms of gross value added that has been achieved in each branch (Table 2, Figure 1).

The analysis of gross domestic product by category of resources in 2009 shows that the largest share is held by the industrial sector (24.07%), followed by sectors: wholesale and retail; repair of motor vehicles and motorcycles; transport and storage; hotels and restaurants (18.83%), public administration and defense; social insurance of public sector; education; health and social assistance with a share of 11.11% in total GDP, construction (10.54%) and net taxes on products with a share of 10.07%. These groups of resources have together a share of 74.62 %. Real estate activities have absorbed 6.52% followed by the agriculture, forestry and fishing activities for 6.44 % in GDP. The situation is completely different for professional, scientific and technical activities; activities of administrative services and of support services, information and communication, shows, culture and recreation activities; repair of household goods and other services and financial intermediation and insurance each have a low share of 4.00%, 3.9%, 2.33% and 2.24% of GDP.

The structure analysis of gross domestic product by category of resources in 2010 shows that the largest share is held by the industrial sector (28.37%), followed by sectors: wholesale and retail; repair of motor vehicles and motorcycles; transport and storage; hotels and restaurants (13.32%), net taxes on products with a share of 10.98%, public administration and defense; social insurance of public sector; education; health and social assistance with a share of 10.81% in total GDP. These resource groups together have a share of 68.11%. Construction sector has absorbed 9.12%, real estate activities accounting for 8.83%, agriculture, forestry and fishing 5.7%, followed by the professional, scientific and technical activities; activities of administrative services and of support services with a share of 4.72% in GDP. The situation is quite different for the information and communication sector, shows, culture and recreation activities; repair of household goods and other and financial intermediation and insurance and each have a low share of 3.4%, 2.56% and 2.23% of GDP.

In 2011, in terms of the structure of GDP by categories of resources, the largest share is owned by the industry with 28.82%, followed by net taxes on products with 12.11%, wholesale and retail trade; repair of motor vehicles and motorcycles; transport and storage; hotels and restaurants with 11.31% and public administration and defense; social insurance of public sector; education; health and social services with 10.02%. Real estate and construction activities hold 8.41% and 8.07%, agriculture, forestry and fishing 6.52%, professional, scientific and technical activities; administrative service activities and support services hold 5.57% and the lowest percentages in gross domestic product are owned by the information and communication activities by 3.4%, followed by shows, culture and recreation activities; repair of household goods and other services with 2.86 % and financial and insurance with only 2.51%.

Net taxes on products and have made a positive contribution in 2012, business services contributed with 11.72% to the GDP, construction rose with 0.5% from previous year, the industry had a decrease of 0.57%. Also in 2012, the agriculture, forestry and fishery marked a worrying setback materialized results in the evolution of GDP.

Table 1. GDP, by category of resources during the period 2009-2012(million current prices)

	2009	**2010**	**2011**	**2012**
Agriculture, forestry and fishing	32297.8	29874.2	36341.6	28638.1
Industry	120637.4	148553.1	160643.4	165747.0
Construction	52809.4	47762.3	44950.3	50292.5
Wholesale and retail; repair of motor vehicles and motorcycles; transport and storage; hotels and restaurants	94359.5	69740.4	63038.1	68757.6
Information and communication	19520.6	17811.8	18975.9	20821.9
Financial intermediation and insurance	11250.1	11681.0	14010.7	14390.6
Real estate activities	32699.0	46250.9	46888.8	48057.4
Professional, scientific and technical activities; activities of administrative services and of support services	20044.0	24716.8	31050.5	36239.5
Public administration and defence; social insurance of public sector; education; health and social assistance	55668.2	56607.7	55872.5	61473.0
Shows, culture and recreation activities; repair of household goods and other services	11693.1	13398.8	15961.4	17694.6
Gross value added– Total	**450979.1**	**466397.0**	**487733.2**	**512112.2**
Net taxes on product [1]	50442.9	57516.7	67503.5	72082.7
Gross domestic product	**501139.4**	**523693.3**	**557348.2**	**586749.9**

Table 2. The structure of GDP, by category of resources during the period 2009-2012

	2009	2010	2011	2012
Agriculture, forestry and fishing	6.44%	5.70%	6.52%	4.88%
Industry	24.07%	28.37%	28.82%	28.25%
Construction	10.54%	9.12%	8.07%	8.57%
Wholesale and retail; repair of motor vehicles and motorcycles; transport and storage; hotels and restaurants	18.83%	13.32%	11.31%	11.72%
Information and communication	3.90%	3.40%	3.40%	3.55%
Financial intermediation and insurance	2.24%	2.23%	2.51%	2.45%
Real estate activities	6.52%	8.83%	8.41%	8.19%
Professional, scientific and technical activities; activities of administrative services and of support services	4.00%	4.72%	5.57%	6.18%
Public administration and defence; social insurance of public sector; education; health and social assistance	11.11%	10.81%	10.02%	10.48%
Shows, culture and recreation activities; repair of household goods and other services	2.33%	2.56%	2.86%	3.02%
Net taxes on product	10.07%	10.98%	12.11%	12.29%

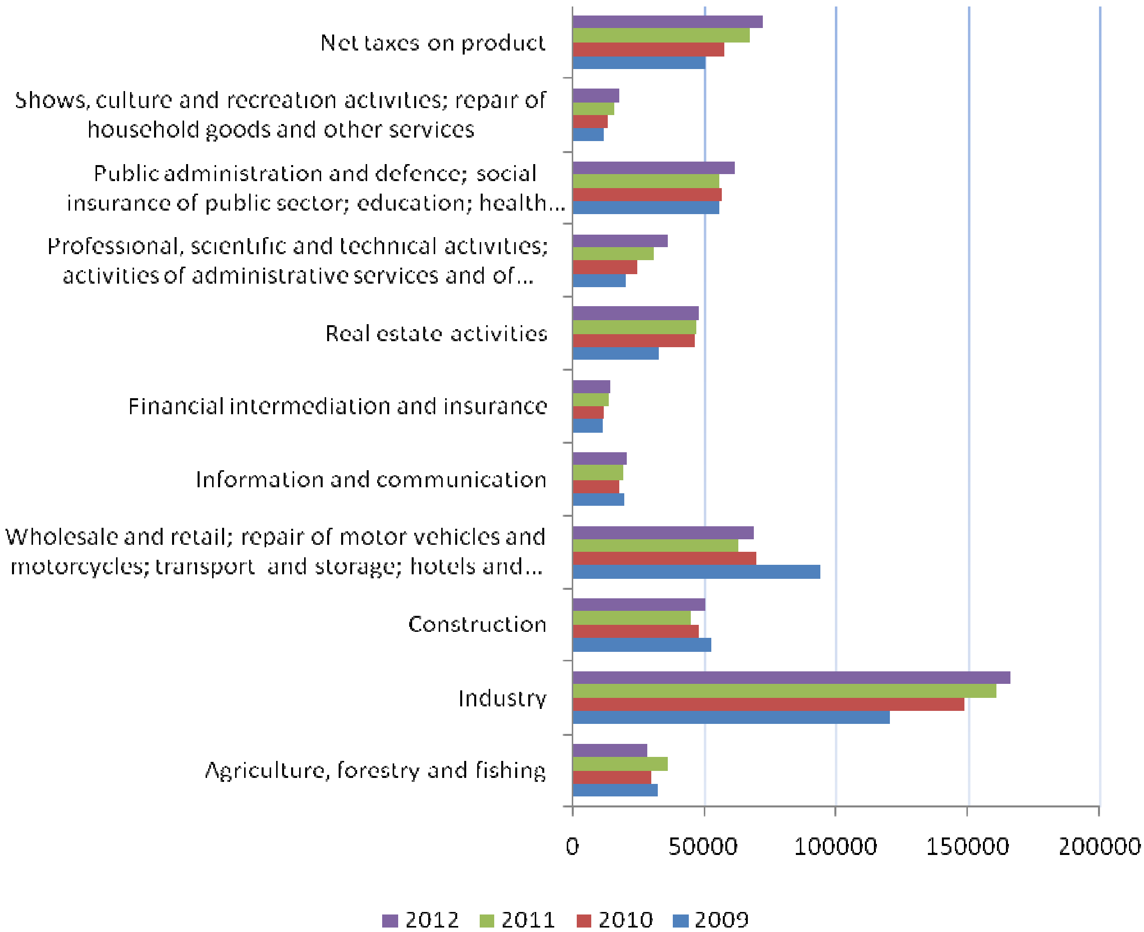

Figure 1. The evolution of Gross Domestic Product, by category of resources during the period 2009-2012

Gross domestic product, by category of uses

In terms of the uses, we note that gross capital formation, government's actual collective and household's actual individual final consumption hold the largest share in GDP (Table 3, Table 4). During the review we find the negative effect of foreign trade activity that had negative contributions to PIB, the minimum point of the period under investigation was reached in 2009.

For the 2009 data analyze we have to start from the actual situation that our country recorded that year. Changes in inventories had a lower final contribution, and net exports, i.e. the difference between exports and imports, had a lesser effect due to the reduction in international trade deficit.

In these circumstances, we find that to the making of the GDP in terms of uses, actual individual households final consumption contributed with 71.92%, gross fixed capital formation by 24.43% and government's actual collective final consumption with only 8.75 %, which leads us to the following conclusions:

- the households actual individual final consumption, gross fixed capital formation, government's actual collective final consumption and change in inventories had a positive influences in achieving GDP;
- the net exports had a negative influence on GDP.

The analysis of factors that influence the formation of GDP in 2010 by category of use can be emphasized through the analysis of the main categories of uses considered to GDP. So, the household's actual individual final consumption owns 73.03%, gross fixed capital 24.71 a share in GDP and government's actual collective final consumption with 7.13%. A negative effect on achieving GDP had net exports.

In the period 2011 - 2012 the same structure of the main factors that influence the formation of GDP in the categories of uses is recorded. In this period the impact of net export on GDP remains negative and the change in inventories in 2012 contributes to lower GDP by 0.31%.

Table 3. The evolution of GDP, by category of use during the period 2009 to 2012 (million current prices)

	2009	2010	2011	2012
Households actual individual final consumption [2]	360402.1	382446.2	402129.9	424490.5
Government's actual collective final consumption [3]	43873.4	37355.0	35225.4	37445.6
Gross fixed capital formation	122441.9	129421.8	145193.4	154279.8
Change in inventories	4695.5	4476.8	4428.3	-1794.5
Net exports of goods and services	-30273.5	-30006.5	-29628.8	-27671.5
Gross Domestic Product	**501139.4**	**523693.3**	**557348.2**	**586749.9**

Table 4. The structure of GDP, by category of use during the period 2009 to 2012

	2009	2010	2011	2012
Households actual individual final consumption	71.92%	73.03%	72.15%	72.35%
Government's actual collective final consumption	8.75%	7.13%	6.32%	6.38%
Gross fixed capital formation	24.43%	24.71%	26.05%	26.29%
Change in inventories	0.94%	0.85%	0.79%	-0.31%
Net exports of goods and services	-6.04%	-5.73%	-5.32%	-4.72%

The domestic and international economic and financial environment

The indicator that summarizes the macroeconomic results obtained by a country is represented by the gross domestic product. It is calculated from all countries and represents quantitative and qualitative evolution recorded by a country in a given period of time.

At the global level, the economical growth rate was positive in 2010/2009 to 5.2%, but it fell slightly in 2011/2010 being to 3.8% reaching to 3.1% in 2012/2011. In 2013 it is estimated that the growth rate to fall to 2.9%, then climb to 3.6% in 2014/2013 and to 3.9% in 2015/2014.

Throughout the Community, the economic growth rate has slowed significantly in 2010/2009 being 2%, in 2011/201 1.7% and in 2012/2011 was negative with a decrease of 0.1%. For 2013 is expected to increase of 0.1% from 2012, the growth that remains will be confirmed for 2014/2013 (1.6%) and 2015/2014 (%).

Unlike the U.S., China and rest of the world, Europe is in recession during 2009-2012 and it is expected to remain so in 2013 amid declining absolute volume of private consumption and especially real rate of productive investment. (Table 5)

Table 5. Comparison between the European Union and the U.S., Japan and China

	Real rate of GDP growth (% change on preceding year)				**FORECAST Real rate of GDP growth (% change on preceding year)**		
	2009	2010	2011	2012	2013	2014	2015
European Union	-4,5	2	1,7	-0,4	0,1	1,6	2
For comparison:							
U.S.	-2,8	2,5	1,8	2,8	1,9	2,9	3,2
Japan	-5,56	4,7	-0,5	1,4	1,6	1,6	1,3
China	9,2	11,6	9,4	7,8	7.7	7.4	7.4
World GDP	-0,9	5,2	3,8	3,1	2.9	3.6	3.9

Source: European Commission: „European Economic Forecast, Winter 2014", 17.02.2014

Table 6. European Union - The evolution of the main macroeconomic indicators during 2010-2015

INDICATORS	**2010**	**2011**	**2012**	**2013***	**2014***	**2015***
- Gross domestic product, volume (% change on preceding year)	2	1,7	-0,4	-0,1	1,6	2
- Private consumption expenditure, volume (% change on preceding year)	1.1	0,3	-0,7	-0,4	1,1	1.7
- Total investment, volume (% change on preceding year)	-0.2	1,6	-3,0	-1,7	3.0	4.2
- Unemployment rate (number of unemployed as % of total labour force)	9,7	9,7	10,5	11,1	10,7	10.4
- Harmonised index of consumer prices (% change on preceding year)	2.1	3,1	2,6	1,8	1,2	1.5
- Budget Deficit (as a % of GDP) =Total revenue, general government (as a % of GDP) - Total expenditure, general government (as a % of GDP)	-6.5	-4,4	-3,9	-3,4	-2,6	-2.7
- Gross debt, general government (as a % of GDP)	80	82,8	86,6	89,8	89,7	89.5
- Current-account balance (as a % of GDP)	-0.1	0,2	0,9	1,6	1,7	1.7

***forecast**

Source: *European Commission: „European Economic Forecast, Winter 2014", 17.02.2014*

Table 7. Romanian - The evolution of the main macroeconomic indicators during 2010-2015

INDICATORS	**2010**	**2011**	**2012**	**2013***	**2014***	**2015***
- Gross domestic product, volume (% change on preceding year)	-1.1	2.2	0.7	3.5	2.3	2,5
- Private consumption expenditure, volume (% change on preceding year)	-0,3	1,1	1,1	0,9	1,5	2,5
- Total investment, volume (% change on preceding year)	-1,8	7,3	4,9	-2,7	3.4	4.5
- Unemployment rate (number of unemployed as % of total labour force)	7,3	7,4	7,0	7,2	7,2	7,1
- Harmonised index of consumer prices (% change on preceding year)	6,1	5,8	3,4	3,2	2,4	3,4
- Budget Deficit (as a % of GDP) =Total revenue, general government (as a % of GDP) - Total expenditure, general government (as a % of GDP)	-6.6	-5.5	-3.0	-2.6	-2,2	-1.8
- Gross debt, general government (as a % of GDP)	30.5	34.7	38	38.3	39.3	39.2
- Current-account balance (as a % of GDP)	-4.4	-4,5	-4.4	-1	-1,2	-1.6

***forecast**

Source: *European Commission: „European Economic Forecast, Winter 2014", 17.02.2014*

Comparative analysis Romania vs. E.U. (Table 6, Table 7)

The fourth quarter of 2008 put us in front of the first negative GDP developments, the aspect that emphasized seriously in 2009. In 2009, the brutal effect of the crisis resulted in a decline in GDP was noticed. The trend continued in 2010, when it was a decrease of 1.1% compared with 2009, In 2011 we recorded a reversal of the trend of growth rate of GDP, this was 1.1% higher than in 2010. In 2012 to 2011, Romania has slowed the economic growth because of the unfavorable economic climate (0.7%). For the next three years we expect an increase of GDP from year to year by 3.5%, 2.3% and 2.5%. Compared with the European Union, Romania has registered positive growth rates higher both in 2011 and 2012 as well as in forecast period.

During 2010 - 2012 the share of public debt in GDP is growing and for the projected period 2013 - 2015 remains the same uptrend. Romania is ranked 7 in the EU-27, with 30.5% of GDP, compared to the European average of 80% of GDP in 2011, 4th in 2011 and 2012 and in 2013 is forecast at 3 in EU-28, with 38.3% of GDP, compared to the European average of 89.4% of GDP. For the years 2014 and 2015 5th place in the EU-28 is estimated.

Increasing public debt in Romania would not be a difficult problem if there were a forecast, even in the short or medium term in which the quantification of real income, that could be attracted in the state budget. In present conditions, the budget revenues are net outweighed by the costs determined by the state budget and therefore it can be used to balance the budget by increasing domestic debt and foreign debt. This domestic public debt is interest-bearing and therefore it will increase costs to the state budget with the effect of higher prices of life.

The budget deficit in 2012 was placed in limit within the target agreed with external partners of 3% of GDP on the EU methodology (ESA 95). For the forecast period 2013 - 2015 we see that this indicator will be below 3% and even 1.8% in 2015.

In terms of unemployment rate, Romania is below of the average of the EU both in 2010 - 2012 and in the period of the forecast.

The evolution of unemployment rate in the period after November 2008 is influenced by the global financial crisis is Romania. The financial crisis has affected the entire banking system in our country that has led to increased cost (price) of loans and therefore economic operator has taken to smaller loans. This vicious circle has an indirect effect on reducing general activity and increasing the number of unemployed as a result of layoffs.

The inflation rate in 2012 was at a reasonable level, it was 3.4 % in 2012 compared to 2011, while the EU-27 levels were in 2012 at a level of 2.6%. In 2012 there was the most serious depreciation of the national currency. Without economic support this negative trend will increase. We know that the money in circulation at a time influences the inflation rate. Increasing consumption propensity of the population required to take measures to stop it. Thus, the interest rates reduced on household deposits, after that to increase the attractiveness for savings was again raised with a single purpose: to temper the household consumer desire. The austerity measures undertaken stopped the consumption by population, with immediate effect on degradation of quality of life. On the other hand, the concern of inflation targeting, Central Bank sought to implement and control permanently the evolution of exchange rate, so the position of the national currency against to the two currencies - the euro and dollar.

During 2009 - 2012 the share of the private sector to achieve GDP remained constant with slight modifications around 70%. This idea is strengthened by the positive growth rate that was recorded from year to year: in 2011/2010 to 1.1%, the same trend in 2012/2011 forecasting to grow in 2015/2014 to 2.5%. This aspect is significant in that it explains how the market economy becomes functional, healing, given that the private sector starts to be dominant.

It also takes into account the balance of payments that has to be analyzed in terms of indicators, from witch essential is: the balance of trade and its balance, the coverage of imports by exports, the value of main exports, the current account balance to the GDP and so on.

In 2010-2012 we find coverage of imports by exports and implicit negative balance of foreign trade. In 2013 - 2015 we find a slight reduction in imports and a higher growth of exports with adverse effect on the balance of foreign trade balance. Although, still negative (deficit) the evolution expresses a trend approach to normality.

4. Conclusions

The short-term measures for economic growth and job creation have the following objectives:

- Maintain the financial stability and investment attractiveness of Romania, boost the investment opportunities and active promoting them, boost the investment by absorption of the European funds and increase the quality of investment spending to accelerate the economic growth. The increase of foreign investment in Romania need to provide a climate that encourages investment: review and clearly define of the strategic areas to attract foreign

investment; developing proposals for the removal of barriers to foreign investors in Romania; inventory of foreign investment projects; the organization of promotion to attract foreign investment; expanding the base of information on the Internet; restarting the relations with the financial institutions; organize the participation in international programs; transition to the development of twinning with specialized institutions.
- Stimulating the industrial production and export has to be developed multidimensional and considering releasing all the elements that can contribute to maintaining a reasonable level of economic activity to the starting point of economic growth in the immediate future.
- Creating jobs and protecting the economic interests of the population: purchasing power, ability to repay bank loans and ensuring social security. It has to be considered to create minimum conditions for all citizens to participate in social life, to provide collective guarantees and legislative that all in one place leading to increased individual responsibility in society and at the same time, the degree of security that benefit the citizen.
- Boosting the health and performance of the local business environment because the domestic investment were reduced or were used inefficiently and the foreign investment practically disappeared.
- Provide favorable conditions to continue of the economic convergence with other EU Member States, while maintaining the principle objective of adopting the euro on 1 January 2015 adapted to the economic and financial realities.
- Reduction of the competitiveness gaps compared with the E.U. by stimulating the investment in research and development so as the intellectual potential of the Romanian people to be capitalized.
- Outlining a package of economic stimulus measures leading to creating jobs, stimulating investment, improving access to financing aid schemes and state guarantees, cultivating entrepreneurial spirit, decreasing the administrative and tax burden and increasing the competitiveness of the Romanian economy: measures to support companies that hire unemployed people; access to finance program for young entrepreneurs; supporting industry and sustainable development; operational public-private partnership.
- Reduction of administrative burdens and financial: merging or elimination of taxes and tariffs; reducing the period of setting up a business to 3 days.
- Supporting agriculture subsidies and direct aid.
- Measures to support taxpayers in difficulty: rescheduling of tax obligations for a maximum period of five years; encouraging voluntary payment of outstanding tax obligations; regulating compensation law: eliminating state and taxpayer debts when both have each to other; change the order of eliminating tax obligations; diminishing interest on tax debts to the state budget.
- Tax incentives granted to businesses and public institutions: introducing the possibility of choice between payment system quarterly and annual income tax; supporting civic activities: lowering expenditure of sponsorship from profit tax, up to 20% from profit tax and 3‰ of turnover.
- Stimulating economic activity and development, especially of small and medium enterprises (middle class), so that this correlated with ability to support the national economy of the reform to create more jobs and lead to reducing expenditure which will be perform by the state, especially in state insurance chapter for supporting the unemployment.
- Creating the labor market switching to optimize curricula, especially vocational education; development of retraining programs; intensification of diversified information services, counseling, mediation and qualifications within the National Agency for Employment and Training.
- Promote a realistic wage policy to ensure stopping the quality of life degradation.
- Improve the social security system.
- Improving working conditions, approval of the Law on insurance against accidents at work and occupational diseases which requires to introduction in this system of insurance all the employees with individual employment contract.
On the long term, Romania has strong growth prospects. To achieve this performance it requires some improvements related to business, increasing flexibility in the labor market and maintaining fiscal discipline. Romania needs specialization based on own resources and the technology used to ensure that the product on quality parameters accepted by the market segment considered, this is the only way to enter the inter-European collaboration and remains as a potential partner or needed.

Notes

[1] The difference between taxes owed to the state budget items (VAT, excise and other taxes) and product subsidies paid from the state budget.
[2] They include: the expenditure by households to buy goods and services to meet the needs of their members, the individual consumption expenditure of general government (education, health, social security and social activities, culture, sport, recreation, waste collection) and the expenditure by individual consumption of non-profit institutions serving households religious organizations, trade unions,

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political parties, unions, foundations, cultural associations and sports).

[3] They includes: the collective consumption expenditure of general government (general public services, national defense and security, the maintenance of public order and security, legislative and regulatory activities, research and development and so on).

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