

STUDY ON ECONOMIC DEVELOPMENT OF SOUTH-EAST REGION IN ROMANIA

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Abstract

This paper shows the economic development of the South- East Region of Romania, since 2007 until present. The research questions are the following: which are the main indicators that can determine the economic development on the level of Region and, also, which are the predictions about economic development of the Region? In this order were identified and analyzed significant economic indicators, such as gross domestic product at regional level; gross domestic product by category of resources; GDP per capita; number of private entrepreneurs; the number of active local units; staff of active local units; gross and net investments. Economic development of the South- East Region is possible because of foreign investments that contributed to replace old technologies with new technologies, to create jobs and increase productivity. For this study data were taken from the National Institute of Statistics and the National Forecast Commission.

Key words: GDP, gross investments, South- East Region, Romania

INTRODUCTION

South East-Region has an area of 35,762 km² and contains six counties such as Constanta, Tulcea, Braila, Galati, Buzau, Vrancea. This region holds 15% of the total area of the country, is the second largest of the eight regions of Romania [12]. It was found that, the specifics of this region are the disparities between the points of consolidation activities in the industrial sector and the tertiary complex industrial centers, tourist areas and grain and vineyard area [4,6,7]. Counties in South-East Region presents a differentiated of attractiveness degree for investors. In these areas the companies with foreign capital contributed to the development of the entrepreneurial environment. According to data from the National Trade Register Office in July 2012 in South-East Region were registered companies with foreign capital as follows: Constanta-19 companies (the

subscribed share capital in national currency 12.2 thousand lei ; Galati -2 companies (0.4 thousand lei); Braila-3 companies (0.9 thousand lei); Buzau-1company (22.3 thousand lei); Vrancea-1 company (0.2 thousand lei); Tulcea 4 companies (4.6 thousand lei) [15]. Currently, the South-East has 10,726 companies with foreign participation, coming on the 5th position among the eight regions of Romania. Regarding the capital subscribed, South-East is on the 6th position with Euro billion 1.83. In this region, Constanta County is in the top with over 6,000 companies with foreign participation totalizing Euro 768 million capital. The opposite is Vrancea county with 707 firms, but with a share capital of 14,500,000 euros only. In the situation in which we take into account only the number of firms with foreign participation, Tulcea County recorded the fewest companies, namely 463. The most numerous investors

come from Holland, Italy and Germany [18]. An important role in socio-economic development of the South-East are the numerous natural resources. It is necessary to mention gas, oil reservoirs, salt, granite. South-East Region can be developed in the future, if will be used appropriate the Danube ports and tourist resources [12].

MATERIALS AND METHODS

The data were taken from the National Forecasting Commission and National Institute of Statistics. Also, the data were assured from journals and specialized books. Data were retrieved and processed resulting in information which was used in the paper. For the present work, were analyzed more specific indicators such as gross domestic product at regional level; gross domestic product by category of resources; GDP per capita; number of private entrepreneurs; the number of active local units; staff of active local units; Gross and net investments the investments. Analysis of key indicators was performed using the usual statistical methods. Also, the analysis of the material is based on economic interpretation and correlation between indicators.

RESULTS AND DISCUSSIONS

The analysis begins with 2007, a representative year for Romania because of accession to the European Union on 1st January. This year is significant for the national economy, but also for the regional economy, as it does, on the one hand allowed access to a growing number of foreign investors, on the other hand a large number of people of working age have left European Union to work. Another turning point for the economy is the economic and financial crisis in late of 2008. This has produced negative effects until 2012. For these reasons the study started with analysis of GDP both nationally and at regional. In table 1 is shown the evolution of GDP in 2007-2012. GDP is the most synthetic indicator of Romania and in the analyzed period varied from one period to another one [1,2,3]. In 2012 there is an

increase in this indicator with 42.6% compared to 2007. For the period 2010-2012 there was a decrease in FDI (foreign direct investments) and never reached inflation target. [17] In Southeast Region there is an increase in the GDP of 44,446.4 million lei in 2007 to 63,313.2 million lei in 2012. In 2012 the highest value of this indicator was recorded in Constanta (25,032.9 million lei) and the lowest value was recorded in Tulcea (4,860.5 million lei). In South East's contribution to national GDP was 10.6% in 2012.

In table 2 is shown the evolution of GDP by resource category in South-East in 2007-2012. Gross domestic product based on work carried out resulted in the most important economic branches. Note that the contribution of gross value added was different [2]. The data presented in this table can be seen an increase in GDP in 2012 compared to the reference year (2007).

Table 3 presents the evolution of GDP per capita in the South East-Region in 2007-2013. GDP per capita is a very important indicator of economic analysis underlying the South East-Region of Romania. In case of using GDP/capita at regional level check the existence of a breach in the performance of the region compared to other regions [5]. This indicator highlights the standard of living for the population of the South-East, the productivity caused by the investments and demand for goods and services. GDP per capita in the region is below the national average. In 2013 GDP per capita in South-East Region increased by 14.9% compared to 2007. GVA's (Gross Value Added) analysis shows the trend of the regional economy, namely that it is based on services [8]. In table 4 shows the forecast on the evolution of GDP /capita in the South-East of Romania. For the period 2015-2017 is expected to increase this indicator GDP per capita in all counties in South-East Region. These increases are between 12.2%-13.1% a in 2017 compared to 2015.

After analyzing data of table 4 can easily observe significant differences between counties.

Constanta County stands out from the other

counties, so for 2017 are estimated 9,929 GDP per euro.

Table 1. Evolution of GDP in South East Region, during 2007-2012 (million lei)

Specification	2007	2008	2009	2010	2011	2012	2012/2007 (%)
Romania	418,257.9	524,388.7	510,522.8	533,881.1	565,097.2	596,681.5	142.6
South East Region	44,446.4	54,042.6	53,357.8	56,735.2	59,515.8	63,313.2	142.4
Braila	5,621.3	6,675.7	6,783	6,263.9	7,062	7,028.8	125.0
Buzau	6,206.7	7,789.1	7,740.1	7,845	7,967.7	8,603.9	138.6
Constanta	16,316.9	19,307.6	19,680.6	21,245.8	22,203.6	25,032.9	153.4
Galati	8,533.6	10,608.7	9,745.2	11,066.5	11,343.5	11,484.7	134.5
Tulcea	3,225.5	4,128.8	4,011.9	4,525.8	5,205.5	4,860.5	150.6
Vrancea	4,542.4	5,532.7	5,397	5,788.2	5,733.5	6,302.4	138.7

Source: National Institute of Statistics, TEMPO-Online, www.insse.ro, 2015; own calculations, [11]

Table 2. Evolution of GDP on category of resources in South East Region, during 2007-2012 (million lei)

Specification	2007	2008	2009	2010	2011	2012	2012/2007 (%)
Agriculture, forestry and fishing	2,610.2	5,277.2	4,772.6	5019.8	6,657.6	4,556.4	174.5
Mining and quarrying; manufacturing; production and supply of electricity and heat. gas. steam and air conditioning; water distribution; sanitation. waste management. remediation activities	10,460.1	12,230.2	12,063.9	16,494.2	17,766.4	16,834.4	160.9
Construction	4,744.8	6,374.6	6,309	6,049.8	5,176.3	6,445.2	135.8
Wholesale and retail trade; repair of motor vehicles and motorcycles; transport and storage; hotels and restaurants	8,814.7	9,923	10,005.9	7,173.8	6,935.2	10,732.5	121.7
Information and communication	642.5	704.5	658	727.8	615.6	815.2	126.8
Financial and insurance	539.2	662.9	619.1	583.7	323.6	749.4	138.9
Real Estate	4,572.1	4,160.7	4,882.9	5,448.4	5,054.9	5,684.5	124.3
Professional activities, scientific and technical; activities of administrative services and support service activities	1,363	1,567.5	1,448.8	1,749.5	2,104.1	1,917.2	140.6
Public administration and defense; social security insurance; education; Health and social care	4,590.1	6,175.5	6,172.5	6,183.3	5,993.2	6,009.9	130.9
Entertainment activities, entertainment and recreation; repair of household goods and other services	964.4	1,140.3	1,217.2	1,347.8	1,566.6	1,790.8	185.6
Regional gross value added (RGVA)	39,301.1	48,216.4	48,149.9	50,778.1	52,193.5	55,535.5	141.3
Taxes on products	5,196.7	5,946.2	5,339.4	6,139.9	7,124.7	7,662.8	147.4

Source: National Institute of Statistics, TEMPO-Online, www.insse.ro, 2015; own calculations, [11]

Table 3. Evolution of GDP/capita, during 2007-2013 (euro/capita)

Specification	2007	2008	2009	2010	2011	2012	2013	2013/2007 (%)
South East Region	4,687	5,380	4,446	4,581	4,869	5,063	5,387	114.9
Braila	4,293	5,170	4,399	4,537	4,834	4,134	4,391	102.2
Buzau	3,833	4,310	3,584	3,708	3,952	4,214	4,484	116.9
Constanta	6,798	7,780	6,521	6,709	7,119	7,439	7,899	116.1
Galati	4,195	4,832	3,827	3,938	4,179	4,516	4,802	114.4
Tulcea	3,886	4,572	3,690	3,806	4,048	4,465	4,778	122.9
Vrancea	3,536	3,852	3,162	3,242	3,424	3,730	3,969	112.2

Source: National Prognosis Commission-The projection of main economic and social indicators in Territorial Profile until 2017, November 2013; The projection of main economic and social indicators in Territorial Profile until 2014, March 2011 ; own calculation, [10]

This growth of GDP per capita will be based on increased activity in the regional industry and tourism. We must not forget the

significant contribution made by Constanta port. The lowest GDP per capita of 4,953 euro will be provided in Vrancea County in 2017.

Table 5 shows the evolution of private entrepreneurs. The analysis refers to the number of familial enterprises, on the one hand, and independent persons, on the another hand. It is found that familial enterprises decrease in 2013 compared 2007.

Number of family enterprises has significantly decreased in 2013 compared to 2007.

Table 4. Forecasting of GDP/capita, during 2015-2017 (euro/capita)

	2015	2016	2017	2017/2015 (%)
South East Region	6,023	6,379	6,800	112.9
Braila	4,931	5,229	5,578	113.1
Buzau	5,036	5,340	5,692	113.0
Constanta	8,803	9,309	9,929	112.7
Galati	5,361	5,677	6,046	112.7
Tulcea	5,341	5,665	6,045	113.1
Vrancea	4,414	4,660	4,953	112.2

Source: National Prognosis Commission, The Projection of the main economic and social indicators in Territorial Profile until 2017, November 2013; own calculation [10]

While in 2007 there were 14,213 family enterprises, in 2013 we find only 2,341 such companies. The decline is 83.6%. In terms of private entrepreneurs, independent individuals Southeast Region in 2013 is recorded only a modest increase of 3.2% compared to 2007. In the period under review the number of private entrepreneurs registered an oscillating trend. Table 6 shows the evolution of local units active in the South-East in 2007-2013. One can easily find a variation from one period to another one. One thing is certain, active local units decreased by 13.6% in 2013 compared to 2007. According to data published in 2011, in South-East was created a number of 16120 new enterprises and the rate was by 4.2% [13].

Table 7 presents the evolution of the turnover in local units active in the South-East Region between 2008-2012. Turnover is presented both total and on specific size classes of enterprises. The total turnover recorded a growth of 17.1% in 2012 compared to 2008. This increase in turnover correlates with the evolution of local units active in the same period.

As the number of these units decreased and increased turnover, we conclude that this

increase is not based on an increase in economic competitiveness in turn was due to price increases. All the data presented in this table may notice a decrease in turnover for the enterprise over 250 employees. This decrease is 5.1% in 2012 compared to 2008. Another issue is presented in table 8. Is about the evolution of gross and net investments. Also, is presented number of personnel during the period 2008-2012. Three indicator decreased in 2012 compared 2008, as follow: gross investments (-14%); net investments (-8.2%); personnel (-16%). After analyzing the evolution of gross investments related local units active in 2009 compared to 2008 reveals that in the Southeast region are part of the growing trends in terms of the share of investment sectors: manufacturing, construction, real estate transactions. We found a trend of decreasing share of investments in transport, trade, storage and postal and courier activities [16]. Decreased of personnel in local units active are closely with reducing the number of firms that acted in the local economy. In the South-East Region, Constanta is a leader in terms of number of employees and salaries. In this county we find 182,000 employees, with an average monthly wage of 1,503 lei, 2.1 percentage points above the national average. It must be recalled that, Constanta county has a third of the workforce in the South-East. In this county has the lowest unemployment rate of 5.5% compared to 9.6% rate recorded in the counties of Galati and Buzau [14]. To economic development of the South East-Region is required:

- increasing the degree of attraction the investments, especially in counties where unemployment rate is high, by upgrade of infrastructure;
- an appropriate exploitation of natural resources;
- creation of a more flexible labor market in order to adapt job offer to the requirements of entrepreneurs;
- modernization of the agricultural sector and diversifying economic activities;
- increasing competitiveness on medium and long term [9].

Table 5 . Number of private entrepreneurs, during 2007-2013

Specification	2007	2008	2009	2010	2011	2012	2013	2013/2007 (%)
Familial enterprises (number)								
South East Region	14,213	4,549	3,246	1,759	1,692	1,472	2,341	16.4
Braila	1,951	757	476	324	319	100	321	16.4
Buzau	1,174	170	21	:	:	343	290	24.7
Constanta	4,738	979	545	519	520	222	488	10.2
Galati	3,847	1,531	1,411	643	600	508	857	22.2
Tulcea	1,346	222	255	77	74	200	147	10.9
Vrancea	1,157	890	538	196	179	99	238	20.5
Independent persons (number)								
South East Region	25,117	29,653	31,240	31,139	30,489	28,331	25,932	103.2
Braila	3,089	3,256	3,715	3,822	4,205	3,490	3,983	128.9
Buzau	5,137	5,270	5,424	5,041	4,271	4,317	4,505	87.6
Constanta	7,100	9,511	9,648	9,722	9,265	8,255	7,917	111.5
Galati	2,689	4,862	5363	5,531	5,978	5,991	4,931	183.3
Tulcea	3,576	3,101	3,110	3,099	2,849	3,129	1,524	42.6
Vrancea	3,526	3,653	3,980	3,924	3,921	3,149	3,072	87.1

Source: National Institute of Statistics, TEMPO-Online, www.insse.ro , 2015; own calculations , [11]

Table 6. Active local units, during 2007-2013 (number)

Specification	2008	2009	2010	2011	2012	2013	2013/2008 (%)
South East Region	67,203	65,939	60,002	54,972	56,997	58,101	86.4
Braila	7,445	7,306	6,605	6,056	6,248	6,377	85.6
Buzau	10,553	10,367	9,498	8,397	8,751	8,890	84.2
Constanta	24,256	23,874	21,606	19,950	20,536	20,904	86.1
Galati	13,062	12,742	11,526	10,435	11,039	11,321	86.6
Tulcea	4,937	4,819	4,475	4,219	4,492	4,506	91.2
Vrancea	6,950	6,831	6,292	5,915	5,931	6,103	87.8

Source: National Institute of Statistics, TEMPO-Online, www.insse.ro , 2015; own calculations, [11]

Table 7. Turnover of active local units, during 2008-2012 (million lei, current price)

Specification	2008	2009	2010	2011	2012	2012/2008 (%)
Total	103,706	90,059	97,577	108,884	121,541	117.1
0-9 people	19,808	18,043	20,882	22,902	24,356	122.9
10-49 people	24,907	23,223	25,278	28,172	34,892	140.0
50-249 people	22,468	21,442	21,963	25,095	27,628	122.9
250 people and over 250	36,523	27,351	29,454	32,715	34,665	94.9

Source: National Institute of Statistics, TEMPO-Online, www.insse.ro, 2015; own calculations ,[11]

Table 8. Gross and net investments, personnel, during 2008-2012

Specification	UM	2008	2009	2010	2011	2012	2012/2008 (%)
Gross investments	Million lei	12,643	9,610	11,651	12,035	10,880	86.0
Net investments	Million lei	8,522	6,388	7,959	7,581	6,972	81.8
Personnel	Number	536,666	480,348	436,646	446,486	450,920	84.0

Source: National Institute of Statistics, TEMPO-Online, www.insse.ro, 2015; own calculations, [11]

CONCLUSIONS

Taking into account all the consideration above, a final answer to the research questions is that significant economic indicators are found, such as GDP at regional level; GDP by category of resources; GDP per capita; number of private entrepreneurs; number of active local units; gross and net investments. These indicators have a central role for describe the economic development of South-East Region. Also, these indicators are a real support in predictions about economic development. This conclusion has implications for the design of economic development.

Resorting to data was found the following:

-GDP per capita in South-East Region increased by 14.9%, in 2013 compared to 2007;

-GVA indicate the trend of the regional economy, which means that regional economy is based on services;

-Number of family enterprises has decreased significantly in 2013 compared to 2007;

-Active local units decreased by 13.6% in 2013 compared to 2007.

-Total turnover increased by 17.1% in 2012 compared to 2008;

-The increase of turnover is based on an increase of price;

-Gross investments decreased at a rate of 14%, in 2012 compared to 2008;

-Net investments decreased by 8.2% in 2012 compared to 2008;

-Personnel of active local units decreased by 16% in 2012 compared to 2008;

The decline of active personnel in the local units active are closely linked to the reduced number of firms operating in the local economy.

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