

## STUDY ON THE ECONOMIC DEVELOPMENT OF ROMANIA'S WEST REGION

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### Abstract

*This paper highlights the economic situation of Romania's West Region for a period of five years, based on some specific indicators. The most relevant indicators which are part of the analysis of the regional economic evolution are as following: gross domestic product per capita; the turnover; the number of employees in active local units; gross and net investments. Within this scientific paper there was presented a prognosis of gross domestic product per capita, from 2015 to 2017. This macroeconomic indicator gives wide information over the economy in a region. The indicators analyzed in this study recorded oscillations from an year to another which demonstrates that the economy in the West Region is able to develop, but recording different growth rates. In comparison with other regions in Romania, the West Region will distinguish by an industrial branch that gathers almost all the areas. The development of this area is both due to direct foreign investments and qualified employees. An economic leader of the region is Timis country, followed by Arad country. West Region has a big potential of development given to the existent resources, geographic settlement and an entrepreneurial environment that is capable to transform the opportunities in profitable business.*

**Key words:** gross investments, net investments, gross domestic product per capita, West Region, turnover

### INTRODUCTION

West Region has a surface of 32034 km<sup>2</sup> which represents a percentage of 13.4% of Romania's territory. This region gathers four counties: Arad, Timiș, Caraș-Severin and Hunedoara [9, 15]. This region is remarkable because of the great number of foreign investments which had a direct contribution to regional economy development. In 2013, direct foreign investments recorded a percentage of 7.6 % in West Region, with a value of 4581 billion Euros [11]. In comparison with other developed regions, the West one had underground resources, fertile soils that contribute to a growth of agricultural production and qualified and flexible employees, being capable to adapt herself to the market's requirements [7,9,10]. The

economic and social factors as well as the geographic settlement have led to the creation of a stable and profitable business environment all over this region, as opposed to other Romanian regions [4, 6, 8].

### MATERIALS AND METHODS

In order to accomplish this study, there were obtained and processed some data from The National Institute of Statistics, The National Bank of Romania and The National Commission of Prognosis. For elaborating this paper work as realistic as possible there were consulted many studies, articles, magazines, specialized reports, mainly Romanian ones. An economic evolution within West Region was relieved through some representative indicators, as following:

gross domestic product per capita; the turnover; the number of employees in active local units; gross and net investments.

## RESULTS AND DISCUSSIONS

Macroeconomic results recorded in the West Region highlight a dynamic and attractive region for foreign investors. In table 1 is presented the evolution of GDP/capita within the West Region, during 2009–2013. The GDP/ capita report is an indicator providing probative information regarding the economic situation in a certain area [2].

Table1.Evolution of GDP/capita within the West Region, during 2009-2013 period of time (Euro/capita)

Specification	2009	2010	2011	2012	2013	2013/2009 (%)
Total Region	6042	6552	7351	7061	7617	126.0
Arad	5577	6026	6629	6448	6843	122.7
Caraş Severin	4684	5051	5752	5311	5718	122.0
Hunedoara	4724	5125	5774	5248	5686	120.3
Timiș	7906	8580	9636	9485	10276	129.9

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 2015, June 2012 [12]; own calculation

In this area, the GDP/capita report recorded values higher than the national average, occupying the second place after Bucharest - Ilfov Region. In the West Region, GDP represents 50.5% of the European Union's average [16]. Analyzing the year 2013 in comparison with 2009, one could observe a growing trend of GDP/capita both at regional and county level. Counties all over the region recorded growing trends similar to this indicator, between 20.3%-29.9%. A substantial difference was recorded for GDP/capita which is expressed in Euros/capita. The highest value of GDP/capita report was in Timiș county, in 2013 (10276 Euros/capita). The growing of GDP/capita was the result of certain representative sectors that directly contribute to regional economy accession, as following: automotive industry;

services; logistics and services; agriculture [17]. In table 2 one could observe a prognosis of GDP/capita report for West Region, during 2015-2017 period of time. According to the data given by the National Commission of Prognosis, until 2017 is expected at regional level a growth of GDP/capita of 12.6%. At county level, one could observe an increasing tendency of this indicator, during the analyzed period. The growth recorded at county level will be situated between 12.2% -13.0 %. The highest values of GDP/capita are expected to be recorded in Timiș county (12739 Euros/capita) and in Arad county (8664 Euros/capita), in 2017. The lowest values are expected to be recorded in Hunedoara (7149 Euros/capita) and in Caraş-Severin (7227Euros/capita). A particular contribution to the GDP/capita growth is the one of the sectors previous specified, but one expects an expansion information technology field [17].

Table 2. Appraisals on the GDP/capita evolution within West Region, during 2015-2017 (Euro/capita)

Specification	2015	2016	2017	2015/2017 (%)
Total Region	8488	8971	9565	112.6
Arad	7661	8112	8664	113.0
Caraş Severin	6401	6774	7227	112.9
Hunedoara	6357	6719	7149	112.4
Timiș	11352	11962	12739	112.2

Source :National Prognosis Commission- The projection of main economic and social indicators in TERRITORIAL PROFILE until 2017, November 2013, www.cnp.ro [12] ;own calculation

In table 3 there could be observed the turnover's evolution in the active local units both at national and West Region level, 2008-2012. At national level, in 2012 in comparison with 2008 there was recorded a turnover of 12.3%. This indicator, during 2008-2012, recorded an oscillatory evolution. West Region, in 2012 in comparison with 2008, records a growth of 26.9% of the turnover. According to some studies given to media, in 2009, the SMEs in West Region recorded a turnover of almost 6827 billion Euros. In this region, the entrepreneurial environment was able to exploit the opportunities given by many foreign investments [16].

In this area, the turnover had a different evolution one year to another. The analysis at county level highlights that in 2012 in comparison with 2008, the turnover recorded growths with values between 3.0%- 37.5 %.

Table 3. Turnover's evolution within local active units in West Region, during 2008-2012 (RON million RON, current prices)

Specification	2008	2010	2012	2012/2008 (%)
Romania -Total	974293	922743	1094326	112.3
Macroregiune 4	134116	125285	156454	116.6
West Region, in which	75677	73221	93049	126.9
Arad	17761	18658	24425	137.5
Caraş Severin	5303	5586	6521	122.9
Hunedoara	13913	11272	14334	103.0
Timiş	36780	35270	43947	119.4

Source: National Institute of Statistics, TEMPO-Online, www.insse.ro , 2014 [14]; Highlights regional economic and social -Territorial statistics, 2010, 2012, 2013, 2014, National Institute of Statistics; own calculations

The most significant turnovers are being recorded in Timis and Arad counties where one may find numerous enterprises with foreign capital. A significant contribution to regional economy development was the one of the workforce, because it represents a high degree of specialization and flexibility. In West Region, professional qualification is assured by public educational system. It guarantees qualified people in all domains of activity [16]. It is very important to take into account the fact that within this area a great number of people who were dismissed because of the economic restructuring after 1989, were able to integrate themselves faster on labor market in comparison with other developing areas [5].

Table 4. Employees' evolution in active local units at national level and in West Region, during 2008-2012 (persons)

Specification	2008	2010	2012	2012/2008(%)
Romania -Total	4654718	3950708	4101750	88.1
Macroregiune 4	844733	717245	746019	88.3
West Region, in which	486129	417479	433597	89.1
Arad	106235	92959	97926	92.1
Caraş -Severin	46613	39035	37177	79.7
Hunedoara	106643	84888	84969	79.6
Timiş	211259	185993	196910	93.2

Source: National Institute of Statistics, Tempo-Online, www.insse.ro , 2014; National Institute of Statistics[14]; Highlights regional economic and social - Territorial statistics, 2010, 2012, 2013, 2014, National Institute of Statistics; own calculations

In table 4 is presented the employees evolution in local active units at national level and in the West Region, during 2008-2012.

In Arad and Timiş counties there were recorded the lowest decreases in 2012 in comparison with 2008: (-7.9%) as well as (-6.8%). The decrease of employees number within active local units in West Region, during 2008-2012, was the result of many causes, as following: economic crisis that led to bankruptcy of many companies; the movement of certain companies with foreign capital in other areas where the taxes are lower. The development at national and regional level could be possible thanks to private and public investments realized. Economic performance on long term is determined by capital goods acquisitions. Potential rates of growing are being directly influenced by workforce and capital [10].

In table 5 is presented the evolution of gross investments at national level and in West Region. Gross investment in 2012 in comparison with 2008 recorded a decrease both at national and regional level. A decrease at national level (-10.8%) was lower in comparison with the one recorded at regional level (-27.5%). Gross investments of active local units within this area had a different weight, one year to another, of the investments realized at national level, as following: 9.5 % (2008); 9.7%(2009); 7.3% (2010); 5.8% (2011); 7.7% (2012). The highest level of investments was recorded at regional level in 2008 (RON billion 14,189 ), and at national level in 2011 (RON billion 149,858). Within this area, the highest percentage of gross investments is the one of industrial sector, mainly auto one, followed by constructions and services ones.

Table 5. Evolution of gross investments at national level and West Region, during 2008-2012 (RON million, current prices)

Specification	2008	2010	2012	2012/2008 (%)
Romania -Total	148349	99663	132424	89.2
Macroregiune 4	23168	15221	22372	96.5
West Region, in which:	14189	7367	10289	72.5
Arad	1946	1383	1619	83.1
Caraş- Severin	1156	775	1147	99.2
Hunedoara	1681	848	1682	100.0
Timiş	7854	3748	4416	56.2

Source Highlights regional economic and social -Territorial statistics, 2010, 2012, 2013, 2014, National Institute of Statistics [14]; own calculations

In table 6 there is presented an evolution of net investments both at national level and in West Region. The analysis made during 2008-2012 highlights an oscillatory evolution of net investments at national level and West Region. At national level, in 2012 in comparison with 2008, there was recorded a decrease of 9.5% of net investments.

Table 6. Evolution of net investments at national level and West Region, during 2008-2012 (RON million, current prices)

Specification	2008	2010	2012	2012/2008(%)
Romania -Total	88279	62073	79914	90.5
Macroregiune 4	12863	9481	11956	92.9
West Region, in which	7371	4485	5870	79.6
Arad	1235	904	1114	90.2
Caras-Severin	748	450	667	89.1
Hunedoara	1084	486	638	58.8
Timiș	3681	2314	2904	78.8

Source: Highlights regional economic and social -Territorial statistics, 2010, 2012, 2013, 2014, National Institute of Statistics [14]; own calculations

At regional level, in 2012 in comparison with 2008, one could observe a significant decrease of 20.4%. This decrease is higher than the one recorded at national point, during the same period of time. In order to attract foreign investment, for increasing the economy, the legislation must be improved by offering facilities for important investors. Domestic capital should not be overlooked and in order to attract it, one should give credits and financings in proper and advantageous conditions [1].

A positive impact onto the national and regional economy is the one of direct foreign investments, type green-field. These investments were orientated, in 2013, mainly through the following activity fields: manufacturing industry (33.6%); trade (18.2 %); constructions and real estate (12.9 %); insurance and financial intermediation (11.2%). Within West Region, the percentage of these investments is 9.9 % of direct foreign investments balance [13].

## CONCLUSIONS

The economic indicator which were analyzed for the West Region of Romania led to the following conclusions:

-GDP/capita report recorded values above the national average;

-The highest value of GDP/capita report was recorded in Timiș county, in 2013 (Euro 10,276 per capita);

-The turnover recorded in 2012 in comparison with 2008, an increase of 26.9%;

-Timiș and Arad counties recorded the highest values of turnover;

-Employees from active local units had a negative evolution in 2012 in comparison with 2008. It has been recorded a decrease of 10.9%;

-Gross investments associated with active local units in the area registered a percentage that varied one year to another, of the investments realized at national level: 9.5% (2008); 9.7 % (2009); 7.3 % (2010); 5.8 % (2011); 7.7 % (2012);

-Direct foreign investments of green-field type in West Region had a contribution to the impulsion of certain activity fields.

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