

## RESEARCH ON THE ECONOMIC DEVELOPMENT OF SOUTH-WEST OLTENIA REGION

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### Abstract

*Within this scientific paper is being analyzed the economy of South-West region of Oltenia, in Romania. This analysis highlights an evolution of certain indicators such as: regional gross domestic product; gross domestic product per capita; number of active companies; the staff in active local units; turnover in local active companies; gross and net investments. South-West region of Oltenia recorded a percentage of 12.3% of the country's total surface and at the same time, it has numerous landforms, along with a variety of natural economical resources. This area is both specialized in producing thermo and hydroelectric energy and in agriculture, using large plots of land. Nowadays, one could observe an increase of inter and intraregional disparities. There must be attracted massive investments all over this region in order to reduce unemployment rate. In this paper there are being introduced the main economic indicators, estimated from 2015 to 2017. In order to realize this scientific paper, there have been used data given by the National Institute of Statistics and by the National Committee of Prognosis.*

**Key words:** gross investments, regional gross domestic product, South-West region of Oltenia, turnover in local active units

### INTRODUCTION

South-West region of Oltenia consists in five counties and registers almost 12,3% of Romania's total surface. This area presents different landforms and has numerous natural resources such as: gases; coal; oil; salt; wood; mineral and thermal springs and so on. The South-West region of Oltenia has a considerable area for agriculture, but the productivity within this sector is quite reduced because there are not being used efficient equipments and developed technologies [7]. The main areas of economic concentration within South-West region of Oltenia are:

- Craiova- automotive industry and machine building one;
- Slatina- metallurgical industry;
- Râmnicu Vâlcea- chemical industry;
- Târgu Jiu- extractive industry;
- Drobeta Turnu Severin- energetic industry.

The capacity of attracting investments in this area is quite reduced, leading to a low rate of employment [11].

### MATERIALS AND METHODS

In order to realize this scientific research there were used certain indicators for characterizing the economic development level within the South-West region of Oltenia, as following: Gross Domestic Product; Regional GDP per capita; GDP by resources categories; the number of active companies; staff in local active units; turnover in local active companies; gross investments and net ones. The present research was based on data given by the National Institute of Statistics and the National Statistical Commission. With an eye on realizing a research that could picture the dynamics of South-West region of Oltenia economy, there was consulted a series of recent studies, specialized magazines; newspapers and specialized books.

### RESULTS AND DISCUSSIONS

The dynamics of economy in South-West region of Oltenia, during the analyzed period of time, was influenced by a whole series of

internal and external factors. In this context, it is necessary to remember Romania's integration in the European Union (2007) and also, the economic and financial crisis (2008). In order to develop this area, it was overwrought a Strategy of Oltenia Region for 2007-2013. The main objective of this strategy was represented by gaps reduction in comparison with other areas in Romania. Reducing disparities would directly lead to an increase of living standards in this region [9]. It is required to remember certain factors that determine the economic development at regional level, such as: current labour force and work productivity; level of capitalization; the usage of efficient technologies; distance

compared with other markets; facilities granted to entrepreneurial sector and so on [3].

The development level of a certain area is determined with a representative indicator, the Gross Domestic Product [6]. The dynamics of GDP within the South-West region of Oltenia, during 2007-2012 period is presented in table 1. In this region, the GDP recorded a growth from 33,682.6 million RON, in 2007, to 46,597.9 million RON, in 2012. In which it concerns the county's potential: 31.5% is realized in Dolj county; 23.0% in Gorj county; 18.2% in Valcea county; 17.3 % in Olt county and 9.8% in Mehedinți county

Table 1. Dynamics of Gross Domestic Product in South-West region of Oltenia, during 2007-2012 (millions RON)

Specification	2007	2008	2009	2010	2011	2012	2012/2007 (%)
SOUTH-WEST OLTENIA Region	33,682.6	40,742.1	40,401.5	42,368.6	44,583.5	46,597.9	138.3
Dolj	10,554.2	13,555.8	13,520.2	13,609.3	14,307.3	14,685.8	139.1
Gorj	7,340	8,150.5	8,876.9	9,758.2	10,242.1	10,749.4	146.4
Mehedinti	3,741.2	4,435.5	4,422.7	4,324.1	44,79.6	4,572.7	122.2
Olt	5,452.9	6,669.7	6,113.6	7,166.4	7,262	8,103.9	148.6
Valcea	6,594.3	7,930.6	7,468.1	7,510.6	8,292.5	8,486.1	128.6

Source: [14]; own calculations

In order to highlight the GDP evolution, one required it's analysis by resources categories. The dynamics of Gross Domestic Product by resources categories within the South-West region of Oltenia, during 2007-2012 period is presented in table 2. The Gross Domestic Product has been realized on the basis of activities in different economy's sectors [2]. One could observe an increase of GDP by resources categories, in 2012 in comparison with 2007. This growth is different, ranging between 2.8% and 86.5%. During the analyzed period, the most significant contribution to creating GDP was the one of services' sector, closed followed by industry, constructions and agriculture. According to specialists' opinion, the GDP/capita represents an important indicator which is

being used when one deserve to characterize the developing level of a certain area. It must not be forgotten the fact that there is a close connection between GDP/capita and population's living standard [15]. In accordance with official data given by Eurostat, Romania is on the 27<sup>th</sup> place, regarding the living standard measured through GDP/capita. In Romania, the living standard records, nowadays, a quarter of European Union's living standard at gross level [8]. It must not be forgotten that, in the situation of using GDP/capita at regional level one would identify a breach concerning the economic performance of the area in comparison with other regions [5].

Table 2. Dynamics of Gross Domestic Product by resources categories in South-West region of Oltenia from Romania, during 2007-2012 (millions RON)

Specification	2007	2008	2009	2010	2011	2012	2012/2007 (%)
Agriculture, forestry and fishing	1,873.1	3,471.9	3,240	3,394.1	4,111	3,144	167.8
Mining and quarrying; manufacturing; production and supply of electricity and heat. gas. steam and air conditioning; water distribution; sanitation. waste management. remediation activities	9,229.8	10,331.9	10,432.3	13,498	14,975	14,189.5	153.7
Construction	3,468.6	4,577.5	4,533.8	4,352.2	3,798.7	4,309.4	124.2
Wholesale and retail trade; repair of motor vehicles and motorcycles; transport and storage; hotels and restaurants	5,864.4	7,079.4	6,716.6	5,137.3	4,931.2	7,257.5	123.7
Information and communication	466.4	578.4	526.5	593.3	537	657.9	141.0
Financial and insurance	356	453.4	422	422.4	243.2	529.5	148.7
Real Estate	3,167.4	3,017.7	3,446	3,210	2,979.8	3,256.5	102.8
Professional activities. scientific and technical; activities of administrative services and support service activities	909.8	1,027.6	1,088.7	1,213.1	1,481.7	1,386.6	152.4
Public administration and defense; social security insurance; education; Health and social care	4,020.4	5,200.4	5,425.7	5,360.2	5,179.3	5,274.1	131.1
Entertainment activities. entertainment and recreation; repair of household goods and other services	504.3	589.3	617.5	757.2	886	940.8	186.5
Regional gross value added (RGVA)	29,860.2	36,327.5	36,449.1	37,937.8	39,122.9	40,945.8	137.1
Taxes on products	3,948.4	4,480.1	4,041.9	4,587.2	5,340.5	5,649.6	143.0

Source : [14]; own calculations

The dynamics of GDP/capita within the South-West region of Oltenia from Romania, during 2007-2013 is presented in table no. 3. Analyzing the data from the table, one could observe an increase of the GDP per capita in the South-West region of Oltenia, with 18.8%

in 2013 than in 2007. In 2013, in Gorj county was recorded the highest level of GDP/capita of 7,149 Euro. On the opposite site one could find Mehedinti county where it was recorded the smallest value of GDP/capita, 3,938 Euro.

Table 3. Dynamics of Gross Domestic Product per capita within the South-West region of Oltenia from Romania, during 2007-2013 (Euro/capita)

Specification	2007	2008	2009	2010	2011	2012	2013	2013/2007 (%)
SOUTH-WEST OLTENIA Region	4,524	4,842	4,190	4,264	4,741	4,851	5,376	118.8
Dolj	4,491	5,139	4,468	4,455	4,905	5,160	6,022	134.0
Gorj	5,978	5,757	5,476	5,509	6,204	6,660	7,149	119.5
Mehedinti	3,767	4,042	3,513	3,565	3,809	3,613	3,938	104.5
Olt	3,506	3,836	3,078	3,326	3,783	4,002	4,315	123.0
Valcea	4,957	5,215	4,275	4,349	4,854	4,488	4,843	97.7

Source : [12]; own calculations

Analyzing the GDP/capita, one could observe that the South-West region of Oltenia is on the last but one place through the country's areas. It is very easy to see that GDP/capita is under the national average in this region. In order to reduce disparities in comparison with the other regions in Romania, it is necessary to attract both foreign and national investors. These investments could lead to: creating new jobs; exploitation of natural resources places; exploitation of touristic potential; growth of

regional competitiveness and so on.

In table no. 4 it is presented a prognosis of GDP/capita in South-West region of Oltenia in Romania, for 2015-2017 period of time. Within this area, one could estimate an increase of 13.3%, in 2017 compared to 2015. The highest value of GDP/capita is considered to be recorded in Gorj county (9075 Euro), while the lowest one could be in Mehedinti county (4,958 Euro), in 2017.

Table 4. Assessments on the dynamics of GDP/capita within the South-West region of Oltenia during 2015-2017 (Euro/capita)

Specification	2015	2016	2017	2017/2015 (%)
SOUTH-WEST OLTENIA Region	6,047	6,412	6,854	113.3
Dolj	6,800	7,232	7,750	113.9
Gorj	8,018	8,494	9,075	113.1
Mehedinti	4,404	4,653	4,958	112.5
Olt	4,866	5,167	5,527	113.5
Valcea	5,425	5,728	6,100	112.4

Source: [13]; own calculations

The evolution of regional economy also depends on the number of active companies. The dynamics of active companies within the South-West region of Oltenia in Romania, during 2007-2013 period of time, is being presented in table no.5. One could easy

observe an oscillatory trend from a period to another one concerning the companies in this region. In 2013, in comparison with 2008, it was recorded a decrease of active companies, both at regional and county level.

Table 5. Dynamics of active companies in South-West region of Oltenia in Romania, during 2008-2013 (number of units)

Specification	2008	2009	2010	2011	2012	2013	2013/2008 (%)
SOUTH-WEST OLTENIA Region	39,780	38,967	35,956	33,258	34,849	35,360	88.8
Dolj	14,446	14,116	13,157	12,271	13,091	13,400	92.7
Gorj	6,492	6,445	5,993	5,532	5,710	5,776	88.9
Mehedinti	4,179	4,010	3,639	3,226	3,357	3,278	78.4
Olt	6,555	6,576	6,129	5,725	6,052	6,160	93.9
Valcea	8,108	7,820	7,038	6,504	6,639	6,746	83.2

Source : [14]; own calculations

The distribution of active companies at county level within the South-West region of Oltenia in 2013 is presented as follows: Dolj county (37.8%); Vâlcea county (19%); Olt county (17.4%); Gorj county (16.3%) and Mehedinti county (9.2%). The industrial activity within this area recorded an increase from 2005 to 2007, and during 2008-2009 it recorded a decrease due to the economic and financial crisis [9]. The decrease of active companies'

number shows very clear, a state of economic regress of South-West region of Oltenia [15].

The turnover represents the total incomes realized from the commercial activity of a company, during a period of time. Turnover does not comprise financial and extraordinary incomes. Turnover is an essential element when there is been realized a company evaluation. Modifying the turnover influences the main economic-financial indicators,

marking the company's efficiency degree [16]. In accordance with the speciality literature, net turnover represents an indicator of profit and loss Account, consistent in total incomes realized after trading products and services of the company's current activity, including investments subventions, after deducting trade with discounts. Turnover offers numerous

information about: companies' activities dynamics; company's placement on the market; company's self-financing capacity and so on [4].

Turnover dynamics within active companies by sectors of activity in South-West region of Oltenia, during 2008-2013 is being presented in table 6.

Table 6. Turnover dynamics within active companies by sectors of activity in South-West region of Oltenia, during 2008-2013 (millions RON in current prices)

Specification	2008	2009	2010	2011	2012	2013	2013/2008 (%)
Total	954,790	852,424	900,240	1,001,627	1,057,270	1,049,538	109.9
Industry	320,665	284,312	322,283	366,288	384,966	389,965	121.6
Construction	93,210	79,737	72,874	77,878	77,720	68,879	73.8
Wholesale and retail trade, maintenance and repair of vehicles and motorcycles	48,771	31,401	31,457	34,866	36,928	29,914	61.3
Wholesale trade excepting vehicles and motorcycles	118,183	108,515	114,962	131,244	142,631	144,609	122.3
Wholesale trade excepting vehicles and motorcycles	220,690	203,733	210,409	232,999	244,517	240,560	109.0
Market services for population	14,234	12,669	12,377	13,299	14886	14,693	103.2
Market services to enterprises	139,037	132,057	135,878	145,053	155622	160,918	115.5

Source : [14]; own calculations

In 2013 compared to 2008, turnover at regional level increased with 9.9%. Concerning the turnover realized by active companies in different activity sectors, one could observe a distinct evolution in 2013 than in 2008.

There were registered increases associated with the turnover, as following: the industrial sector (+21.6%); Market services for companies (+15.5%); Wholesale trade excepting vehicles and motorcycles (+9.0%); Market services for population (+3.2%). At the opposite side, there are being registered significant reductions, such as: Wholesale and retail trade, maintenance and repair of vehicles and motorcycles (-38.7%) and constructions (-26.2%).

Investments realized in different sectors of the national economy represent the basis of economic development. Decision of an economic agent regarding investments' realisation is based on compared analysis of a series of economic indicators, as following:

-The ratio between the current income value, which is going to be achieved through

investment and its' cost;

-The ratio between updated net income rate and real interest rate;

There is a series of factors that influence the investments size: investments demand; state policy in investments field; general situation of national economy; investors prognosis about the dynamics of trade and profit and so on [1].

Gross dynamic of investments by activity sectors in the South-West region of Oltenia, during 2008-2013 is presented in table 7.

In table 8 is presented the net investments dynamics in local units by national economy's activities within the South-West region of Oltenia, during 2008-2012.

Net investments had a different evolution, a period to another. In 2011 this area had a percentage of 8.1% of net investments.

In 2013, net investments increased by 70.4% compared to 2008, for "Agriculture, hunting and ancillary services". "Real estate, renting and service activities provided mainly to enterprises" sector declined by -6.7%) in the same analyzed period.

Table 7. Gross dynamic of investments by activity sectors in the South-West region of Oltenia, during 2008-2013 (millions RON)

Specification	2008	2009	2010	2011	2012	2013	2013/2008 (%)
Total	143,102	99,048	91,520	14,2796	119,988	109,376	76.4
Industry	53,182	40,602	41,382	83,777	54,400	51,355	96.5
Construction	24,191	16,943	12,865	17,251	25,778	22,123	91.4
Wholesale and retail trade, maintenance and repair of vehicles and motorcycles	3,486	1,735	1,405	1,113	1,397	1,303	37.3
Wholesale trade excepting vehicles and motorcycles	8,497	5,446	5,929	6,713	5,988	4,995	58.7
Wholesale trade excepting vehicles and motorcycles	11,316	7,116	5,522	5,760	5,577	5,365	47.4
Market services for population	3,872	2,110	2,460	1,968	1,992	1,497	38.6
Market services to enterprises	38,558	25,096	21,957	26,214	24,856	2,2737	58.9

Source : [14]; own calculations

Table 8. Net investments dynamics in local units by national economy's activities within the South-West region of Oltenia, during 2008-2012 (millions RON)

Specification	2008	2009	2010	2011	2012	2012/2008 (%)
Total	5,492	4,736	4,996	6,148	6,086	110.8
Agriculture, hunting and ancillary services	149	144	162	245	254	170.4
Forestry and Logging	13	8	16	15	17	130.7
Fishing and Aquaculture	0	0	2	2	7	-
Industry, construction, trade and other services	5,330	4,584	4,816	5,886	5,808	108.9
Real estate, renting and service activities provided mainly to enterprises	166	105	98	197	155	93.3

Source : [14]; own calculations

In table 9 it is presented the staff dynamics in South-West region of Oltenia, during 2008-2012. local units by economy's activities within

Table 9. Staff dynamics in local units by economy's activities within South-West region of Oltenia, during 2008-2012 (number)

Specification	2008	2009	2010	2011	2012	2012/2008 (%)
Total	358,604	319,654	299,766	309,437	312,422	87.1
Agriculture, hunting and ancillary services	6,171	6,089	6,259	6,045	6,415	103.9
Forestry and Logging	3,664	3,650	3,218	4,001	4,082	111.4
Fishing and Aquaculture	71	59	75	137	89	125.3
Industry, construction, trade and other services	348,698	309,856	290,214	299,254	301,836	86.5
Real estate, renting and service activities provided mainly to enterprises	24,339	25,049	24,146	26,266	27,839	114.3

Source: [14]; own calculations

At regional level, one could observe a decrease of staff in local units, with 12.9% in 2012 in comparison with 2008. At county level, the highest percentage is the one of staff in "Industry, construction, trade and other services" sector, while the lowest one is in "Agriculture, hunting and ancillary services;

Forestry and Logging; Fishing and Aquaculture" sector. As investments will increase within South-West region of Oltenia, number of employees will grow too.

## CONCLUSIONS

According to the analysis of main specific

indicators, one could conclude, as following:

-The GDP realized in South-West region of Oltenia increased in 2012 with 38.3 % in comparison with 2007;

-The GDP per capita that was realized in 2013 had a value of 5376 Euros, compared to 4524 Euros in 2007;

-In 2013, active companies registered a diminution than in 2008;

-The turnover at regional level increased with 9.9% (2013) compared to 2008;

-Gross and net investments oscillated one period to another, particular by the activity sector;

-Staff that took part in developing economic activities within local units was reduced in 2012 in comparison with 2008.

Profile until 2017, November 2013

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