

# The Regional Evolution of the Economic Welfare in Romania

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**Abstract** *This paper describes the evolution of economic welfare for Romanian development regions. The importance of the regions is evident in any macro-economic analysis, as the regions are subject to specific policies and programs, included in the broader, national or cross-border strategies. In order to underline the situation of our country from the point of view of the level of welfare, we shall pursue the comparative analysis, for the evolution of the GDP/capita and purchasing power.*

**Key words** Evolution, regional, development, strategy, rules, comparative analysis

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## 1. Introduction

Taking into account the fact that regional policies regarding development are one of the key instruments of public governance, the analysis of economic welfare per development region are an invaluable data source for decision factors and policy makers. Also, we must not underestimate the role of such data inside the decisional process at national and even European level, for members of various institutions with legislative and administrative powers.

## 2. Literature review

Anghelache *et al.* (2012) present valuable instruments of analysis in economy. Anghelache *et al.* (2010) study some aspects regarding the valuation of welfare. Also, the work of Bala (2014) is a significant contribution for welfare analysis, the case of Romania is studied. Vanberg (2014) discusses the contemporary challenges on welfare. Bleys and Whitby (2015) approach some indicators of economic welfare. Voineagu, Anghelache *et al.* (2013), Mitruț *et al.* (2010) and Dinu *et al.* (2013) study the evolution of Romanian economy from several viewpoints.

## 3. Research methodology and data

The study of regional evolution of the economic welfare is important when we analyze the general economic and social development of any country. Generally speaking, we must consider the base data and structure on the territorial area.

For this reason, the study might be done using statistical and econometrical models and methods. We can find data in the database of the National Institute of Statistics of Romania. A research on this subject is important as far as in the different regions of the country, there are different and limited resources.

Based on the result of the study, we can extend the data for the future development. Again, we might obtain such possibilities by using econometrical and statistical methods. The regional study of the economic welfare must be done based on a system of indicators calculated by the official statistic authority. In that mark, we focus on how the Romanian strategy follows the European Regulations no. 1059/2003, aiming to set up a joint system of statistical classification of the territorial units.

For the extension of the research we also used the statistical data in accordance with European Classification NUTS 2, and regulations issued by Eurostat, as governing institution at the European level.

#### 4. The analysis of the results

At a first stage, we shall refer to the partition of Romania by regions of development established in accordance with the legislative framework in force in order to emphasize afterwards the comparative analysis of the evolution of GDP/capita and the purchasing power (SPC), between various EU member states, as against the situation from our country, detailing the situation recorded at national level, by regions of economic development.

Thus, the 8 regions of development of Romania, stipulated by the Law no. 151/1998 of the regional development, amended by the Law no. 315/2004, which accommodates to the EC Regulation No. 1059/2003, (Figure 1), aiming to set up a joint system of statistical classification of the territorial units, are the following:

- **Region 1: North-East** including 6 districts: Bacău, Botoșani, Iași, Neamț, Suceava, Vaslui,
- **Region 2: South-East** including 6 districts: Brăila, Buzău, Constanța, Galați, Tulcea, Vrancea,
- **Region 3: South** including 7 districts: Argeș, Călărași, Dâmbovița, Giurgiu, Ialomița, Prahova, Teleorman,
- **Region 4: South-Vest** including 5 districts: Dolj, Gorj, Mehedinți, Olt, Vâlcea,
- **Region 5: West** including 6 districts: Arad, Caraș Severin, Hunedoara, Timiș,
- **Region 6: North-Vest** including 6 districts: Bihor, Bistrița-Năsăud, Cluj, Maramureș, Satu Mare, Sălaj,
- **Region 7: Center** including 6 districts: Alba, Brașov, Covasna, Harghita, Mureș, Sibiu,
- **Region 8: București - Ilfov** including the capital of the country and the District Ilfov.



Source: <http://www.femrrom.ro/>

Figure 1. The Romania's chart by regions of economic development

Hence, the regions of development are representing the framework for elaborating implementing, monitoring and evaluating the politics of regional development, inclusive the strategies of regional development and the programs of economic and social cohesion, as well as for collecting the specific statistical data, in accordance with the European regulations issued by EUROSTAT, for the second level of territorial classification NUTS 2, existing in the European Union.

The main indicator of this analysis exercise is GDP/capita. Thus, we can notice that in the years 2003 - 2004, the gross domestic product per capita in Romania counts for 2500€ - 2900€/inhabitant representing 11%, respectively 13% of the EU-28 average, but due to the steps implemented through "The strategy for National Development", which aims to reduce and eliminate the disparities between the regions of our country, the consolidated situation, recorded at national level improved. In this context, it is important to mention the fact that Romania did major efforts in the process of lining up with the standards of reference required by the EU.

We remark that during the statistical interval 2005 -2013, the indicator GDP/capita kept on steadily increasing. This strategy aiming to maintain the situation of economic stability, corroborated with a

tendency of slow growth on a long term basis, is representing the way for recovering the economic situation of Romania, taking into account the present situation of the national economy.

In fact, according to the situations published by EUROSTAT, from 2005 up to 2013, the level of the indicator GDP/capita, at the level of our country, improved significantly, representing 27.5%, of the UE-28 average, at the level of the year 2013. This aspect might be translated by an annual increase of 1.61%, recorded in the period 2004 -2013.

Although from the point of view of the statistical results published by EUROSTAT as regards the evolution of the GDP/capita, there is a gradual improvement of the economic situation to be underlined, at the level of Romania, our country is still faraway of the average recorded by the GDP/capita in the developed countries, such as Germany, France or Great Britain, a series of actions requiring an immediate implementations have to be considered in order to eliminate the existing disparities between the regions which are composing it. In this respect, it is to remarks the evolution published by EUROSTAT, as to the GDP/capita, at the level of the regions from our country.

*Table 1.* The Gross Domestic Product per capita expressed in current prices, by regions  
 EUR/capita

Zone/Year	2009	2010	2011	2012	2013
<b>Romania</b>	<b>5,900</b>	<b>6,300</b>	<b>6,600</b>	<b>6,700</b>	<b>7,200</b>
Bucuresti - Ilfov	14,100	15,200	17,100	15,900	17,400
West	6,500	7,000	7,300	7,300	7,900
Center	5,700	6,000	6,100	6,300	6,800
North-West	5,400	5,600	5,700	5,800	6,300
South - Muntenia	5,000	5,200	5,400	5,000	5,500
South-East	4,700	5,100	5,300	5,600	6,000
South-West Oltenia	4,500	4,800	5,000	5,100	5,400
North-East	3,700	3,800	3,900	4,200	4,500

**Source:** EUROSTAT (<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>)

It is noticeable that, during the period 2009 -2013, from the point of view of the evolution of the GDP/capita there are large gaps between regions. Thus, the region București-Ilfov is recording in 2013, a GDP/capita by 241% higher as against the average recorded at the national level, the majority of the economic activities being concentrated in capital. The region Bucharest-Ilfov is followed by the region West from the point of view of the economic welfare, reflected through the GDP/capita, a region which is also exceeding the average recorded at national level.

The region Center is also slightly approaching the values evidenced by the economic situation of the region West of the country, but for regions such as North-East, South-West Oltenia or South -Muntenia, the situation is not at all happy. Out of the regions of economic development of Romania, the region North-East is submitting a non-favorable economic situation being on the last place as regards the values recorded by the GDP/capita, representing 62.5% only from the national average, at the level of the year 2013. This one is preceded by the region South-West Oltenia which, at the level of the year 2013, represented approximately 75% of the average of the gross domestic product per, recorded at the level of the country.

We can sense the fact that the regional disparities were not reduced too much in certain regions of the country, the situation remaining steady. Practically the national average increased gradually from one year to another, due to the pronounced exploitation and, implicitly, to a considerable improvement of the economic situation of regions of reference, such as Bucharest-Ilfov, West and Center.

Thus, at the level of the capital, the rate of the increase for the GDP/capita counted for 12.5% at the level of the year 2011, respectively 9.43%, at the level of the year 2013, exception made by the year 2012 which recorded a diminishing by 7%, as against 2011.

We have to point out the outcomes recorded in the regions South-Muntenia and South-West, which are marking a certain progress as to compensate the recorded gaps, comparatively with the national

average. Thus, the level of the GDP/capita of the region South-Muntenia increased by 10%, in 2013, if comparing it with the situation of 2009, while for the region South-West Oltenia, the increase rate counts for 20%, in 2013, comparatively with 2009.

Although a slight increase of the economic level for certain regions has to be noticed, in order to improve the national economic situation, a series of steps are compulsory to be implemented, aiming a maximum exploitation of the potential of each region, eliminating thus the regional gaps, qualifying thus Romania for better positions in the classifications for economic welfare at the European level.

### **5. The analysis of the purchasing power at regional**

By expressing the gross domestic product in standards of the purchasing power, this analysis allows us to eliminate the level differences between the prices in force at European level, achieving thus a comparison in absolute values of the living standards within significantly different economies.

This is how we can analyze the situation of our country from the point of view of the citizen's purchasing power, comparatively with other countries of the zone euro.

In this respect, the situations published by EUROSTAT, are evidencing the place of Romania at European level, from the point of view of the living standard. At a first analysis, we notice that our country is classified far below the UE-28 average which, for the year 2013 was at the level of 13,520,970 million SPC. According to this indicator, we see that our country is better placed than other countries from Europe which, from the point of view of the GDP level were placed among the leaders (ex. Finland, Ireland), but which, according to the level of SPC in million euro/capita do not record similar performances due to their very expensive living.

Certainly, countries such as Germany, Great Britain, France or Spain, with developed economies, very well consolidated are the leaders of the classification due to the high remuneration generating a high living standard, quite different from the living standard of the East European countries. Nevertheless, Romania made big progresses from the economic point of view, in the attempt to eliminate the existing gaps at the European level. In this context, we can refer to the evolution of the purchasing power from the year 2007, up to the level of the year 2013.

We can notice that, if in 2007, the standard of the purchasing power, expressed in million SPC reached the level of 224,391, in 2013 it reached a new point of maximum, counting for 289,249. Comparing the evolution recorded at the level of our country with the situation of Austria, strictly from the point of view of the evolution of the indicator GDP expressed in million SPC, we notice that in 2007, Austria was much better than Romania at this chapter, reaching a level of 264,100 million SPC.

But, at the level of the year 2013, due to the evolutions within the zone euro, Austria reached a position slightly below the standard of the purchasing power recorded at the level of our country, aspect being evidenced by the situations published by EUROSTAT, which mark a level of 288,924 million SPC. As already specified in the context of the analytical comparisons previously achieved, Romania has to continue the process of implementing the strategies for diminishing up to eliminating the gaps existing at the European level, a series of steps should be urgently taken in this respect.

In the context of the achieved analysis, we shall extend the comparisons made from the point of view of the purchasing power expressed million SPC/capita, at the level of the eight regions of economic development at the national level.

In this respect, we shall submit further on the available data, according to the statistical situation published by EUROSTAT, as regards the dynamics of the GDP, expressed in million SPC/capita, at the level NUTS 3, respectively by regions.

According to the data published by *EUROSTAT*, we shall analyze the evolutions up to the level of the year 2011. There is a major discrepancy to be noted between the levels of the purchasing power recorded at the level of the region Bucharest-Ilfov, comparatively with any other region of the country. Practically, the living standard of the citizen acting in the activity sectors developed at the level of the capital is sensitively better than the one of the other 7 regions of the country, the purchasing power being 2 times bigger in this region.

Table 2. The gross domestic product in current prices expressed in million SPC/capita at the regions level

TIME	2007	2008	2009	2010	2011
ROMANIA	222,990	251,578	237,706	250,900	259,640
Nord-Vest	27,052	28,629	27,425	28,413	28,439
Centru	26,168	28,016	27,050	28,310	28,630
Nord-Est	24,307	26,868	25,762	26,707	26,576
Sud-Est	23,864	26,363	25,042	27,042	27,661
Sud - Muntenia	27,913	31,651	30,981	31,716	32,542
Bucuresti - Ilfov	53,208	65,473	58,935	62,851	69,105
Sud-Vest Oltenia	18,172	19,737	18,980	20,142	20,696
Vest	22,104	24,620	23,324	25,407	25,755

Source: EUROSTAT

After the region Bucharest which is leader from the point of view of the purchasing power at national level, next position is held by the region South-Muntenia, with a recorded level of 32,542 million SPC/capita at the level of the year 2011.

Nonetheless, we note that there are regions which made progresses from this point of view, the living standard improving sensibly over the 2007 -2011. An example in this respect is given by the region West, which SPC/capita increased by approximately 17%, from 2007 up to the level of the year 2011, when it recorded 25,755 million SPC/capita.

A similar evolution to the one of the region West, can be identified at the level of the region South-East, where the standard of the purchasing power per capita increased from 23,864 million SPC/capita in 2007, to 27,661 million SPC/capita in 2011, with a recorded increasing rate of approximately 16 %, over a four years interval. Improvements of the living standard, evidenced by increases of the level of SPC/capita have been recorded also by the other regions, but the evolutions were not as significant as in the case of the regions West or South-East.

The region with the lowest level of the purchasing power standard is the region South-West Oltenia, which counts as the poorest of the regions, recording 20,696 million SPC/capita at the level of the year 2011, practically with approximately 25% less than the region West, respectively with 34% less than the situation shown by the region South-East. Presently, the biggest discrepancy identified at the level of the year 2011, leave apart the situation represented at the level of the capital, is between the region South-West Oltenia and the region South-Muntenia, the second one recording by 57% more from the point of view of the SPC level.

Table 3. The gross domestic product in current prices expressed in SPC/capita at the regions level

TIME	2007	2008	2009	2010	2011
ROMANIA	10,400	11,700	11,100	11,700	12,200
Nord-Vest	9,900	10,500	10,100	10,500	10,500
Centru	10,400	11,100	10,700	11,200	11,400
Nord-Est	6,500	7,200	6,900	7,200	7,200
Sud-Est	8,400	9,300	8,900	9,600	9,900
Sud - Muntenia	8,500	9,600	9,500	9,700	10,000
Bucuresti - Ilfov	23,900	29,100	26,100	27,800	30,700
Sud-Vest Oltenia	8,000	8,700	8,400	9,000	9,300
Vest	11,500	12,800	12,100	13,300	13,500

Source: EUROSTAT

All the aspects previously underlined are illustrated also by the evolution of the GDP by regions expressed in SPC/per capita.

## 6. Conclusions

The analysis of our data reveals the fact that the value of GDP per capita increased in a coherent manner between 2005 and 2013. This is a sign that the economy of Romania can pursue a path of growth, supported by a strategy focused on economic stability and, as mentioned, by the trend of slow but steady increase on long term intervals. This fact encourages all economic and social actors about the future evolution of the Romanian economy.

The regional analysis, based on the method of comparison across years, outlines the best and the least performances in terms of values per indicators analyzed. For the final year of the interval tested, the best results are presented by region București – Ilfov and West, while the smallest values correspond to regions North-East, South-West Oltenia and South – Muntenia. However, the trend of the indicator is positive, the values for all regions have increased across the interval studied, and the North-East region is characterized by a growth index (2013 / 2009) which is at least comparable to other regions placed on higher places in the hierarchy (for 2013).

The analysis of the purchasing power at national level also outlined the specificities of each region, starting from the point values of the indicator and the trend over the period analyzed.

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