ROMANIA: NATIONAL UNITY, INTRA–REGIONAL DISPARITIES AND ECONOMIC DEVELOPMENT

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Abstract: This article attempts to highlight a paradox of Romania's economic and social transition process: its economic progress, which is increasingly visible in recent years, is accompanied by a complex process of deepening disparities at an intra-regional level, a process which becomes alarming, accompanied by more and more socio-economic complex consequences. Moreover, the National Prognosis Commission's data on the projection of the main economic and social indicators in territorial aspect are not encouraging at all, indicating for the next three years, beyond the obvious economic progress of Romania and the presence of a parallel process of increasing disparities at regional level.

Keywords: actual Individual Consumption, cohesion, cross-border, disparity index, environment, gap, gross domestic product, growth, imbalance, international development cooperation policy, region, cooperation, territorial development territorial profile

1. Relative volumes of GDP per capita - EU 28

In general, a country's economic development is expressed as GDP, a macroeconomic indicator that basically stores the sum of the market value of all services and commodities destined for consumption produced by all economic branches over a year.

GDP per capita (GDP divided by the number of inhabitants) is an important indirect indicator of the overall living standard.

In the international comparison of national accounts data, it is desirable that interpretations not only relate to the numerical component (eg the euro), but also to the differences in price levels (purchasing capacity). That is why we will seek to draw attention to both the economic development indicator (GDP) and the one describing actual individual consumption (Actual Individual Consumption).[1]

From the GDP per capita perspective, here are the latest Eurostat data (see Table 1):

- There is a very large dispersion of GDP per capita between EU-28 Member States;
- Currently, Luxembourg has the highest GDP per capita (two and a half times the EU-28 average[2]);
- In 2017, Ireland recorded the second highest GDP per capita in the EU-28, at 84% above the EU-28 average;
- Amplification of disparities at the European level appears more visible in the EFTA countries: Iceland, Switzerland and Norway (30% to 50% above the European average);
- GDP per capita in Austria and in the Netherlands is + 22% above the EU average, while Denmark, Germany, Sweden and Belgium, with over 15%;
- Finland, the United Kingdom and France are close to the EU-28 average, while Malta, Italy and Spain have a lower GDP of around 10% than the EU-28 average;
- Among the ex-communist states, the Czech Republic (89%) and Slovenia (85%) are best placed, but Lithuania (78%), Slovakia (77%) and Estonia (77%) achieved a significant reduction in the gap;
- Poland (70%), Hungary (68%) and Latvia (67%) are positioned at a distance of about 10%, while Bulgaria remains the country with the lowest GDP per capita, below 51% of the average EU;
- At present, the pace of recovery is quite good for Romania (63% in 2017, compared with 40% in 2007, 8% only in the last four years).

1 See https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Actual_individual_consumption_%28AIC%29

2 It must be emphasized a special feature of the Luxembourg economy that explains the high GDP per capita: the large number of foreign residents who are employed in the country and who contribute to GDP, while at the same time they are not registered in the resident population.

Table 1 - Gross Domestic Product: 2014-2017

		2014	2015	2016	2017
		GROSS DOMESTIC PRODUCT / %			
	UE- 28	**107%**	**106%**	**106%**	**106%**
1.	Luxembourg	270%	267%	257%	253%
2.	Ireland	**137%**	**181%**	**183%**	**184%**
3.	**Switzerland**	**165%**	**165%**	**161%**	**158%**
4.	**Norvegia**	**176%**	**160%**	**148%**	**150%**
5.	**Iseland**	**119%**	**124%**	**128%**	**130%**
6.	Austria	130%	130%	127%	128%
7.	Netherland	130%	129%	129%	128%
8	Denmark	128%	127%	124%	125%
9.	Germany	126%	124%	124%	123%
10.	Sweden	124%	125%	123%	122%
11.	Belgium	119%	118%	118%	117%
12.	Finland	111%	111%	109%	109%
13.	United kingdom	109%	108%	108%	105%
14.	France	107%	106%	104%	104%
15.	Malta	88%	93%	94%	96%
16.	Italy	96%	95%	97%	96%
17.	Spain	90%	91%	92%	92%
18.	Czech republic	86%	87%	88%	89%
19.	Slovenia	82%	82%	83%	85%
20.	Ciprus	81%	82%	83%	84%
21.	Lithuania	75%	75%	75%	78%
22.	Slovakia	77%	77%	77%	77%
23.	Portugal	77%	77%	77%	77%
24.	Estonia	76%	75%	75%	77%
25.	Poland	67%	68%	68%	70%
26.	Ungary	68%	68%	67%	68%
27.	Latvinia	63%	64%	65%	67%
28.	Greece	72%	69%	68%	67%
29.	**Romania**	**55%**	**56%**	**58%**	**63%**
30.	Croatia	59%	59%	60%	61%
31.	Bulgaria	47%	47%	49%	49%

Source: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Volume_indices_per_capita,_2014-2017_(EU-28%3D100).png

2. Actual Individual Consumption[3] – EU 28

While GDP is an important indicator of economic development, Actual Individual Consumption (AIC) describes much better the material well-being of households. From this perspective, here are the latest Eurostat data (see Table 2):

- Actual Individual Consumption (AIC) levels were somewhat more homogeneous, but still showed significant differences in Europe;
- Luxembourg indicated the highest level of AIC, 30% above the European average[4];
- EFTA countries - Iceland, Switzerland and Norway, are among the top AICs in the European area;
- They are followed by Germany (+ 22%) and Austria (+18%) with an AIC level of about 20% above the EU-28 average;
- What is interesting is that Ireland, which has the second highest GDP per capita in the EU-28, has a level of AIC at 6% below the EU-28 average;
- Romania is at 32% below EU-28, above Hungary (-37%), Croatia (-39%) and Bulgaria (-45%).

Table 2 – Actual Individual Consumption: 2014-2017

	2014	2015	2016	2017
	ACTUAL INDIVIDUAL CONSUMPTION / %			
Luxembourg	**138%**	**135%**	**132%**	**130%**
Ireland	**94%**	**96%**	**96%**	**94%**
Switzerland	**131%**	**131%**	**128%**	**126%**
Norvegia	**135%**	**135%**	**133%**	**132%**
Iseland	**114%**	**114%**	**114%**	**117%**
Austria	122%	121%	119%	118%
Netherland	113%	113%	111%	110%
Denmark	116%	116%	113%	112%

3 Actual Individual Consumption consists of goods and services actually consumed by individuals, irrespective of whether these goods and services are purchased and paid for by households, by government, or by non-profit organisations.

4 Even though cross-border workers contribute to Luxembourg GDP, their consumption expenditure is recorded in the national accounts of their country of residence

Germany	124%	123%	122%	122%
Sweden	113%	112%	110%	109%
Belgium	115%	114%	113%	112%
Finland	1114	115%	114%	113%
United kingdom	115%	115%	116%	114%
France	111%	110%	109%	109%
Malta	78%	79%	78%	78%
Italy	98%	97%	98%	98%
Spain	87%	89%	89%	90%
Czech Republic	78%	78%	78%	80%
Slovenia	76%	76%	76%	77%
Ciprus	91%	92%	92%	92%
Lithuania	81%	83%	85%	88%
Slovakia	76%	76%	76%	76%
Portugal	81%	82%	82%	83%
Estonia	69%	71%	72%	72%
Poland	74%	74%	74%	76%
Ungary	63%	63%	63%	63%
Latvinia	65%	65%	67%	70%
Greece	80%	79%	77%	77%
Romania	**56%**	**59%**	**62%**	**68%**
Croatia	59%	59%	59%	61%
Bulgaria	51%	53%	53%	55%

Source: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Volume_indices_per_capita,_2014-2017_(EU-28%3D100).png

Some conclusions on the evolution of the two indicators - GDP / capita and AIC for the period 2014-2017:

- For Romania, the pace of gap recovery is very good:
  - The evolution of the level of income measured by AIC is impressive: an increase from 56% to 68%;
  - Consistent is also the growth of GDP per capita, from 55% to 63%;
  - The difference between Romania and Bulgaria over the last 4 years has increased from 5% to 13% in the case of AIC
- Luxembourg is a special case: the large number of foreign citizens in neighboring countries raises GDP / capita, but they also

substantially decrease AICs because they generally consume in their own country;

- Specialists believe that the huge difference between GDP / capita and AIC (184% to 94%) in Ireland is due to Brexit, a decision that has led to relocation of some major UK companies to Ireland;
- We note significant differences between GDP / capita and AIC in the Netherlands (-18%), Malta (-18%), Denmark (-13%), Sweden (-13%) and Austria (-10%), all negative in terms of actual consumption;
- There are some countries close to both European average: Germany (122% / 123%), Italy (98% / 96%), Spain (90% / 92%), Slovakia (76% / 77%), Croatia (61% / 61%);
- Eurostat data sets two models: states with GDP per capita higher than AIC and vice versa, GDP per capita lower than AIC (where Romania also falls).

Figure number 1: GDP / AIC 2017

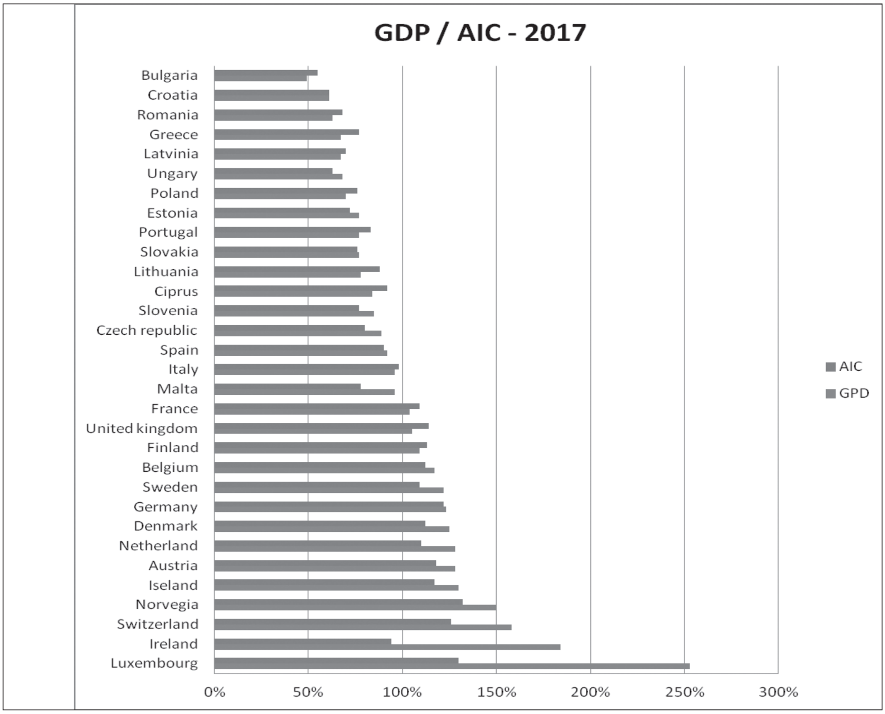

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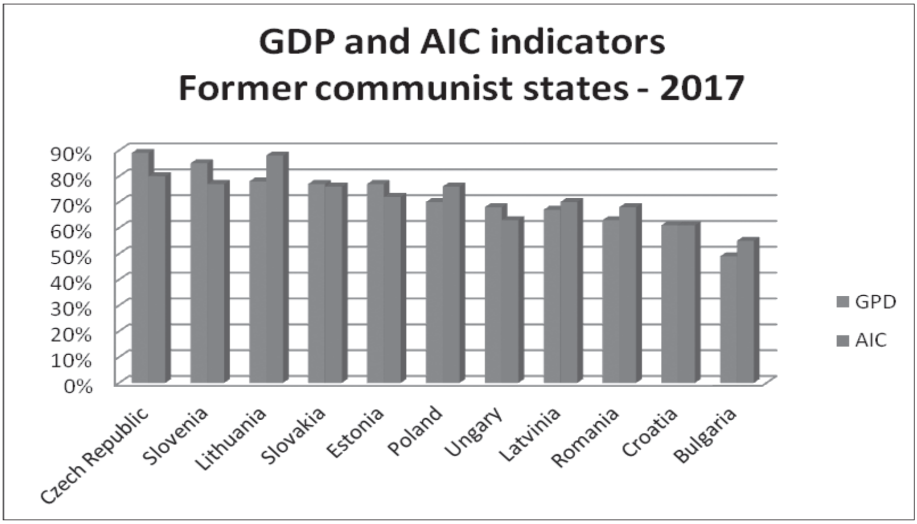
Figure number 2 describes better the level reached by the two indicators at the end of 2017 in the former Communist bloc states:

Figure number 2: GDP and AIC indicators / Former communist states - 2017[5]



Source: Author

- In the AIC ranking, Lithuania performs the most advanced in terms of current individual consumption (with the 88% of the EU average exceeded Portugal in present);
- Lithuania is followed in present by the Czech Republic (80%), Slovenia (77%), Poland (76%) and Slovakia (76%);
- **In the last 4 years, the most spectacular advance was made by Romania, which recovered 12% of the European average (from 56% to 68%**);
- Slovakia (76%) and Hungary (63%) have not advanced for the last four years, while Poland (76%) and Croatia (61%) have recovered only 2%;
- Regarding GDP per capita, the Czech Republic (89%) and Slovenia (85%) are the best, with indicators approaching to 90% of the European average;
- The two are followed by a group of three states with indicators

5 Percentage statistical data is related to the European average

close to the border of 80% of the European average: Lithuania (78%), Slovakia (77%), Estonia (77%);
- **Over the last four years, Romania has recovered 8% of the European average (from 55% to 63%)**, now surpassing Croatia (61%) and moving away from Bulgaria (49%);
- As a model, Romania falls into the group of countries with a significant percentage increase of actual individual consumption above GDP per capita.

3. Regional development in Romania

According to data provided by Eurostat, "the regional GDP per capita, expressed in terms of purchasing power standards, ranged from 29% of the European Union (EU) average in the Bulgarian region of Severozapaden, to 611% of the average in Inner London - West in the United Kingdom".[6]

According to the data, three of the eight regions of Romania were at the beginning of 2017 in the top of the poorest 21 regions of the EU in terms of GDP per capita versus purchasing power parity:
- **The North East Region** with a GDP / capita in PPS of **only 36% of the EU average is the fifth poorest region in the EU** (the top four being Severozapaden BG / 29%, Mayotte FR / 33%, Severen Tsentralen BG / 34% and Yuzhen Tsentralen BG / 34%);
- **The South-West Region**, with a GDP / capita in PPS of **42% of the EU average, ranks 7th in this top** (the two Romanian regions being separated by the Bulgarian region Severoiztochen - 39%);
- Neither **the South-Muntenia Region** is very far off, **with a GDP / capita in PPS of 46% of the EU average, is ranked thirteenth** in this reversed welfare ranking of EU regions (8-12 positions being occupied by a region in Bulgaria, three regions in Hungary and one in Greece).[7]

6 http://www.nsi.bg/sites/default/files/files/pressreleases/ECP_GDP-Regional_2016_en.pdf

7 http://www.nsi.bg/sites/default/files/files/pressreleases/ECP_GDP-Regional_2016_en.pdf

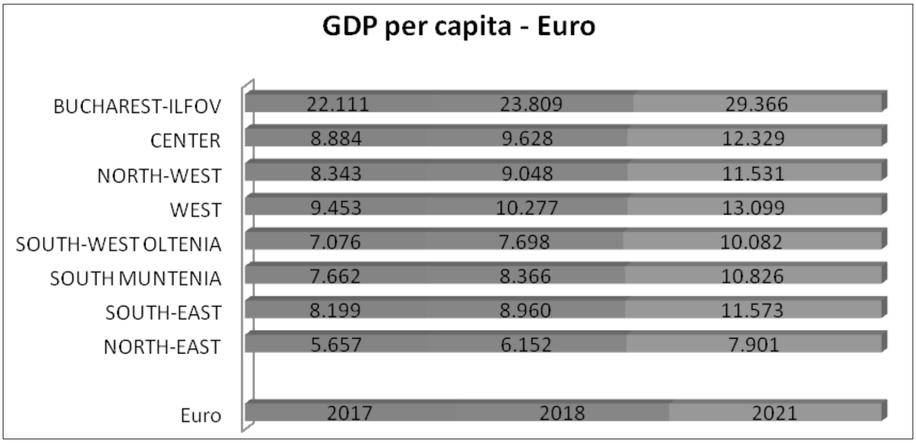
Table 3 : Regional GDP in the European Union, 2016, ROMANIA

Region (NUTS 2013)	GDP E UR milion	Share in the national GDP %	GDP per capita EUR	GDP per capita (PPS)	GDP per capita PPS, EU 28 = 100
EU	**14 907 852**	-	**29 200**	**29 200**	**100**
ROMANIA	169.771	1,1	8.600	17.000	58
North-West	19.519	11,5	7.600	14.900	51
Center	18.761	11.1	8.000	15.800	54
North-East	17.081	10,01	5.300	10.400	36
South-East	18.159	10,7	7.400	14.500	50
South - Muntenia	20 583	12.1	6 800	13 400	46
Bucharest - Ilfov	46 994	27.7	20 500	40 400	139
South-West Oltenia	12 451	7.3	6 300	12 400	42
West	16 081	9.5	8 900	17 600	60

Source – Author (see http://www.nsi.bg/sites/default/files/files pressreleases/ ECP_GDP-Regional_2016_en.pdf)

And the estimates of the National Commission for Prognosis are not encouraging, according to the data, the three areas remain poor areas with a very low GDP / capita compared to other developed regions of Romania (the ratio measuring the difference between the richest and the poorest regions changes from 3.86 to 3.72).

Figure number 8: GDP per capita –Regional differences EURO



Source: Author (National Prognosis Commission data)

The existing inequalities between different regions of the EU have several causes - globalization (relocation and outsourcing of production and services), economic systems inherited from the communist regime, socio-economic developments, geographical distance, availability of resources (including human resources).

Generally, they are in the form of social deprivation, influencing equally the quality of housing, healthcare or education, higher levels of unemployment or inadequate infrastructure.

Remedies for such disparities belong to each European government, which should develop regional policies to concentrate most of the funds in less developed regions, helping them to recover.

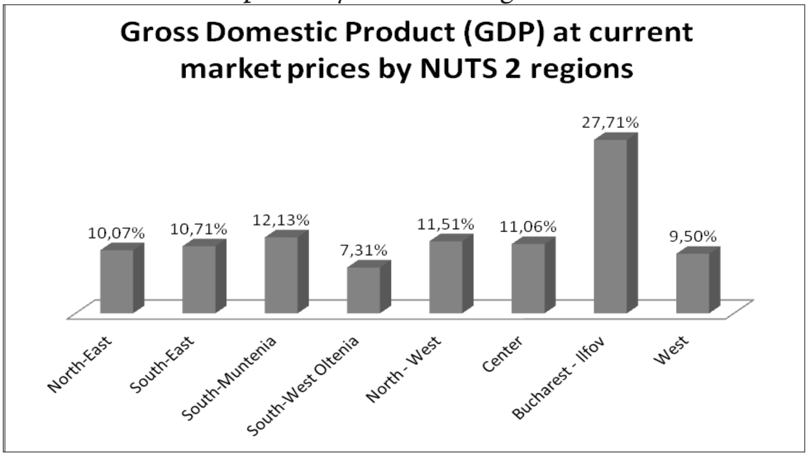
This was, moreover, the purpose of allocating Cohesion Funds by shifting the emphasis on supporting countries with „Gross National Income (GNI) per capita (2012-2014) at less than 90% of the EU average."

According to Eurostat data, for the most recent reference period for which data are available at regional level (2015), „primary in EU-28 was an average of 19.0 thousand PPP per capita", ranging from „one high level of 56.3 thousand PPCS per inhabitant in Inner London-West to 4.5 thousand PPCS in Severozapaden, a factor of 12.5 per 1 „. What seems interesting and should be noted is that both the highest and the lowest rates „were recorded for the same regions as GDP per capita, where the difference between the two regions was 20.7 per 1".[8]

For 2016, the contribution of the eight regions of Romania in terms of Gross Domestic Product (GDP) at current market prices according to NUTS 2 regions was the following: North-East Region - 17,081 million EUR; South-East Region - 18,159 million EUR; South-Muntenia Region - 20,583 million EUR; South-West Oltenia Region - 12,451 million EUR; North West Region - 19,519 million EUR; Center Region - 18,761 million EUR; Bucharest-Ilfov Region - 46,994 million EUR and West Region - 16, 081 million EUR (Romania - Gross Domestic Product = 169,771 EUR).

8 http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10r_2gdp&lang=en

Figure number 3: Gross Domestic Product (GDP) at current market prices by NUTS 2 regions



Source: Author (See http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=-nama_10r_2gdp&lang=en)

It can be seen from Figure 3 that the Bucharest - Ilfov Region is the richest region of Romania, the Gross Domestic Product (GDP) at current market prices by NUTS 2 regions in 2016 reaching 27.71% (7.31% South - West Oltenia Region).

The analysis of the convergence / divergence process at national level can be achieved in Romania by carefully examining economic and social developments in the eight development regions, but also in the counties, the only relevant territorial units.

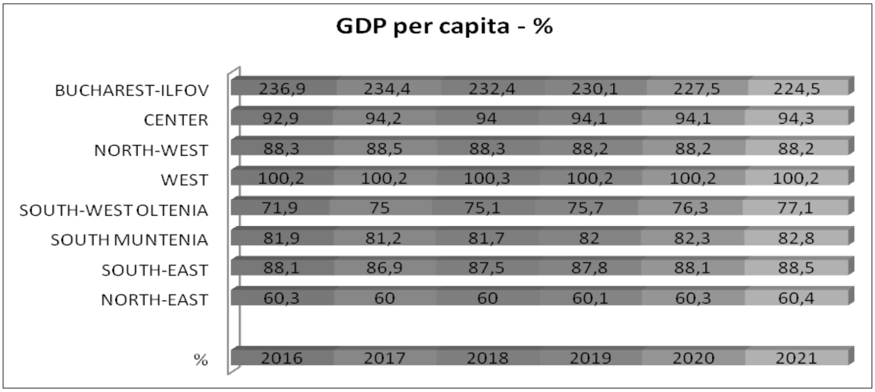
Examining carefully the latest economic and social developments in Romania in recent years, we are currently seeing a significant imbalance in economic development between the eight regions of Romania and between the counties within the regions.

For example, according to the National Prognosis Commission, while 2017 in Vaslui county the GDP / capita was 4.244 EUR or in Teleorman county it was 4.981 EURO, in Timis County the level reached was 11.917 EUR, in the county of Cluj was 12.123 EUR, and in the City of Bucharest 25.034 EUR.[9]

9 See http://www.cnp.ro/user/repository/prognoze/prognoza_profil_teritorial_mai_2018.pdf

Here's how it looks, according to the National Prognosis Commission, the most important indicators of social parity - GDP / capita and earnings during the period 2016-2021 (disparity indices)[10]:

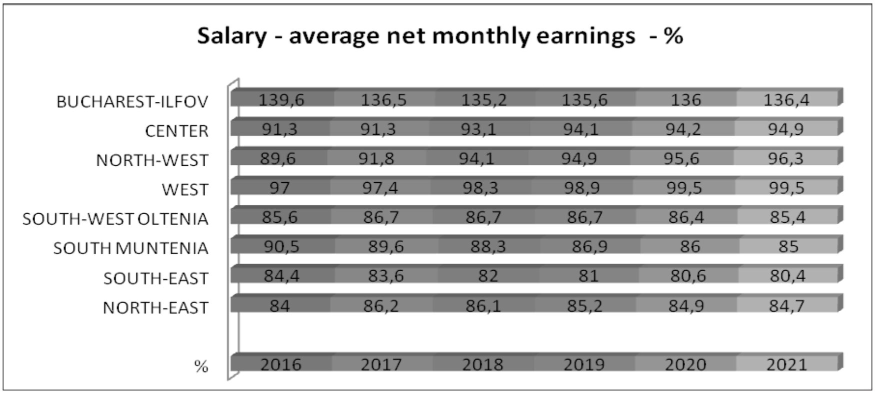
Figure number 4: GDP / capita, %



Source: Author (National Prognosis Commission data)

Figure 4 tells us that by 2021 there will be no major changes in GDP / capita at regional level. The North-East Regions (comprising the counties of Bacău, Botoşani, Iaşi, Neamţ, Suceava, Vaslui) and South-West Muntenia (comprising the counties of Dolj, Gorj, Mehedinţi, Olt, Valcea) remain the poorest regions of Romania.

Figure number 5: Salary average net monthly earnings - %



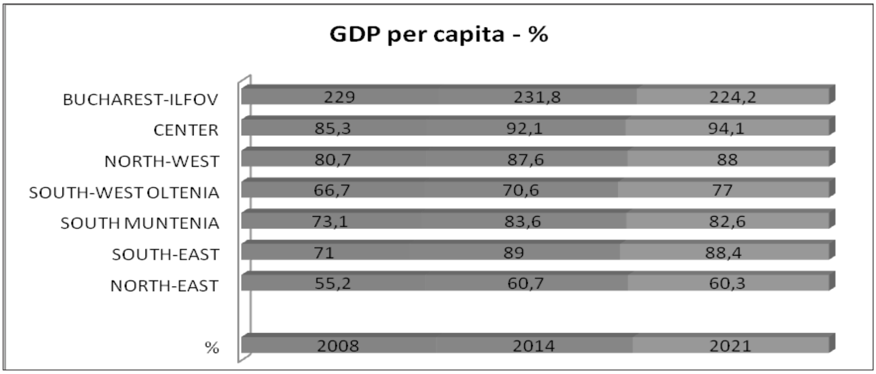
Source: Author (National Prognosis Commission data)

10 They were calculated according to the methodology of the National Institute of Statistics, by reporting the regional level at national level

According to Figure 5, we also find strong disparities in net average earning. But worrying seems to be the situation of three regions in southern Romania (South-East Region, South-West Oltenia Region, South Muntenia Region), which shows declining wage trends.

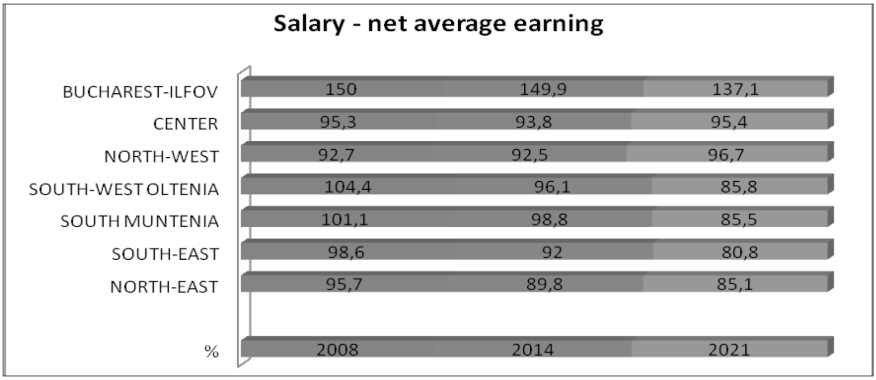
Figures 6 and 7 are edifying with regard to the existence of severe regional gaps. The most important social parity indicators - Gross Domestic Product (GDP) per capita and earning - will also be lower than average in poor areas in 2021, according to the National Prognosis Commission. Two regions will have a GDP per capita at the end of 2021 well below the national average: North-East (60.3%) and South-West Oltenia (77.00%).

Figure number 6: GDP / capita – Regional differences -%



Source: Author (National Prognosis Commission data)

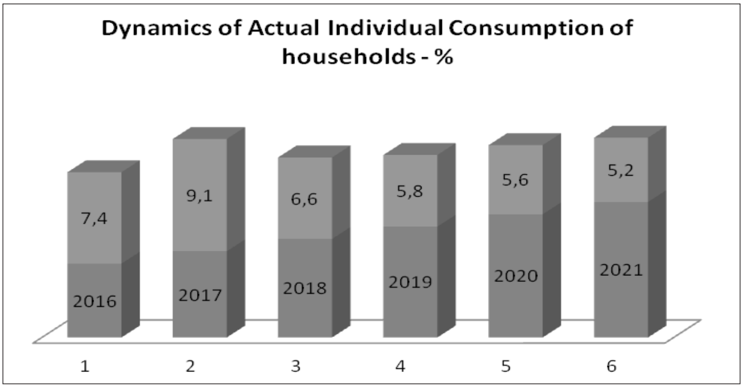
Figure number 7: Salary – net average earning / Regional differences -%



Source: Author (National Prognosis Commission data)

The National Prognosis Commission estimates for the next three years a decrease in individual consumption as can be seen from Figure 9.

Figure number 9: GDP per capita –Regional differences EURO



Source: Author (National Prognosis Commission data)

Conclusion

- According to Eurostat:
  - The leading regions in the ranking of regional GDP per capita in 2016, after Inner London - West in the United Kingdom[11] (611% of the average), were the Grand Duchy of Luxembourg (257%), Southern & Eastern in Ireland (217%), Bruxelles/Brussel in Belgium and Hamburg in Germany (both at 200%);
  - There were 19 regions with GDP per capita 50% or more above the EU average in 2016: five were in Germany, three in the United Kingdom, two in Austria, one each in Belgium, the Czech Republic, Denmark, Ireland, France, the Netherlands, Slovakia and Sweden, as well as the Grand Duchy of Luxembourg;
  - After Severozapaden in Bulgaria (29% of the average), the lowest regions in the ranking were Mayotte in France (33%), Severen tsentralen and Yuzhen tsentralen in Bulgaria (both 34%) and **Nord-Est in Romania (36%)**;

11 Capital region of London consists of 5 regions at NUTS2 level.

- **According to the data, three of the eight regions of Romania were at the beginning of 2017 in the top of the poorest 21 regions of the EU** in terms of GDP per capita versus purchasing power parity;
- Among the 21 regions with GDP per capita below 50% of the EU average, five were in Bulgaria and Poland, four in Hungary, three in Romania and Greece and one in France.[12]

- Currently, Germany has the lowest regional gaps in the EU, although Berlin is well below Bucharest (in terms of GDP per capita);
- All eight regions of Romania recorded increases in the period 2007-2016 (in the North-East, North-West and South-West regions, however, the increases were lower than 10%, compared to the other five, which had an increase that exceeded 10%).
- The most important indicators of social parity - Gross Domestic Product (GDP) per capita and earnings will also be in 2021, according to the National Prognosis Commission, well below the average in the poor areas of Romania;
- As in 2018, the leading regions in the ranking of regional GDP per capita in 2021 will be Bucharest-Ilfov, and the lowest regions in the ranking will be in Moldova and Oltenia;
- The gap in which the maximum is more than three times the minimum will be maintained in 2021; moreover, the differences may increase;
- Currently, **the poorest county in Romania is Vaslui** (GDP / capita estimated at 2018 for **4664 EUR**; for Bucharest, the estimates are for the same year of **27,189 EUR**);
- **Harghita and Covasna are the poorest counties in Transylvania** (12.228 EUR / capita, respectively 12.198 capita);
- Near the capitals are the richest counties and some of the poorest (Ilfov / Teleorman, Giurgiu);
- According to the National Prognosis Commission, four of the eight regions of Romania will be at the end of 2021 below 86% of the average in terms of net earning;
- The National Prognosis Commission estimates for the next three years a slowdown in individual consumption, on the background a stagnation in net average wage growth, a situation that does not

12 http://www.nsi.bg/sites/default/files/files/pressreleases/ECP_GDP-Regional_2016_en.pdf

exclude any deepening of the disparities between the regions of Romania;

- The regional disparity index in Romania shows that in Bucharest the standard of living will be 214.6% of the national average in 2021, which means that in Bucharest it will live twice as good as any other region of Romania;
- The West Region will have an index around 100%, which means that the standard of living is medium;
- All other regions of the country will be in 2021 with a living standard below average;
- In the Center region it will be 90.9%, in the South-East of 83.1%, in the North-West of 84.6%, and in South Muntenia by 77.4%;
- The South-West and North-East regions are the poorest, with living standards at 73.9% and 58.7% respectively;
- At present, the pace of recovery is quite good for Romania (63% in 2017, compared with 40% in 2007, 8% only in the last four years);
- Regional convergence is a slow process, the gaps between regions are difficult to mitigate and they last.

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