

## STUDY ON THE ECONOMIC ACTIVITY EVOLUTION IN ROMANIA'S NORTH-EAST REGION

ȘTEFANIA NISTOR<sup>1</sup>, ELENA SOARE<sup>1</sup>

<sup>1</sup> *University of Agronomic Sciences and Veterinary Medicine, Bucharest, Romania*  
*stefania\_nistor@yahoo.com ; elena\_soare@hotmail.com*

**Abstract:** *In this paper we present the economic evolution of Romania's North-East Region, in the interval 2005-2011. In order to perform this study we used a series of indicators, among which: the regional gross domestic product per capita (RGDP per capita); turnover for the active local business units; the industrial production value, the value of imports and exports. Among the above-mentioned indicators, the regional gross domestic product per capita provides relevant information about the economic status. From the analysis of the gross domestic product per capita in this region, we noticed that it recorded the lowest level as compared to the other regions in Romania, which demonstrates the need to make investments that will contribute directly to the economic growth of the region. In order to carry out this study we used the data provided by the National Institute of Statistics and various specialized materials were used, thus attempting to perform a research that captures the economic status of this region.*

**Key words:** *regional development; rural areas.;policy; North East Region; Romania*

### INTRODUCTION

At present, the European Union places great emphasis on regional development in its member states. It is well known that, regardless of its level of economic and social development, each country records significant discrepancies from one region to another. The differences in terms of economic and social development within countries started being visible especially when the idea of creating a single European framework first appeared.

The regional development policy aimed at improving the regional economic situation, especially on the long term. The priority of this policy is represented by the decrease in regional disparities and the creation of a relative economic and social stability in different regions.

We must mention that the region is the basic element in theoretical endeavours, as well as in practice, in order to achieve the economic and social development strategies at territory level. Romania is composed of eight development regions, the most important of which being the North-East region, with an area of approximately 36.8 thousand km<sup>2</sup> and a population exceeding 3.7 million inhabitants. This region is composed of the following counties: Bacau, Vaslui, Neamt, Iasi, Suceava and Botosani. The region has mineral resources, useful substances, mineral springs, carbonated waters and a balanced mix of landforms, namely: 30% mountains; 30% sub-Carpathian landforms; 40% plateau. The hilly and plain areas are allocated to agricultural crops, and the mountain areas may contribute significantly to tourist development.

The North-East region is the least economically and socially developed one in Romania, having a low degree of attractiveness and a balance of foreign direct investments of only 1627 million Euro (2011).

## MATERIALS AND METHODS

In performing this research, we used specialised books, magazines, studies, analyses and also statistical data provided by the following specialised institutions: The National Institute of Statistics, The Neamt County Regional Statistics Office and the National Prognosis Commission. The analysis of the economy in the North-East region of Romania was based on a series of specific indicators, among which: the regional gross domestic product per capita, the gross domestic product according to resource categories, the turnover of local active units, the value of imports and exports, etc. The study was based on usual statistical methods which contributed to the depiction of the regional economy as close to reality as possible.

## RESEARCH RESULTS

The GDP is a significant indicator of a country's development and economic growth. His is a macroeconomic indicator which expresses the total market value of all the goods and services produced by all the branches of the national economy during one year and meant for end consumption. In table 1 we present the GDP evolution at country level, as well as according to development regions, in the interval 2005-2011.

**Table 1**

**GDP evolution in Romania, according to development regions, in the interval  
2005-2011 (million lei, current prices)**

Specification	2005	2006	2007	2008	2009	2010	2011	2011/ 2005 (%)
Total economy	288954.6	344650.6	416006.8	514700.0	501139.4	523693.3	556708.0	192.6
<b>North-East</b>	33265.8	38429.9	45990.1	55021.9	54408.4	55669.0	60298.1	181.2
South-East	32852.1	38508.7	44273.0	53851.1	52706.0	56339.5	60840.8	185.1
South Muntenia	36855.4	44301.4	52013.5	64535.4	65141.8	66114.8	70923.0	192.4
South-West Oltenia	23920.5	28589.2	34419.6	49340.2	39953.8	41941.2	44840.6	187.4
West	29081.7	35788.9	42995.7	50393.4	49200.2	52983.3	56507.2	194.3
North-West	34323.1	40806.2	50724.1	58638.8	57900.2	59292.5	61369.2	178.7
Centre	33143.2	40291.2	49416.7	57303.0	57100.9	59120.1	63669.2	192.1
Bucharest-Ilfov	65307.1	77710.5	95798.2	134162.6	124288.8	131579.2	137579.3	210.6

Source:- The Romanian Statistical Yearbook, 2012, National Institute of Statistics; Regional economic and social landmarks – Regional statistics. 2012 ;National Institute of Statistics Neamt County Regional Statistics Office, 2012; own calculations

From the table above we notice a differentiated GDP evolution from one year to another, both at country and at regional level. In 2011, in Romania the GDP amounted to 556708.0 million lei, current prices compared to 2005, when it recorded the value of 288954.6 million lei, current prices. This represents an increase of 92.5% in the GDP compared to the base year. In the North-East region, the GDP took an upward trend until the interval 2005-2008, in 2009 there was a decrease compared to 2008, of 1.1%, and from 2010 on this indicator had an upward trend. The most significant increase in the GDP in 2011 compared to 2005 was recorded in the Bucharest-Ilfov regions, namely 110.6%. This is mainly due to its high level of attractiveness to investors.

In table 2 we present the evolution of the GDP per capita at country and regional level, in the interval 2005-2010. During this interval we notice a differentiated GDP evolution both at country and at regional level. In 2010 compared to 2005, it increased in the eight regions, but the lowest increase was recorded in the North-East region (+68.5%). In this regions, the GDP per capita recorded a value lower than half the EU average. Although the GDP per capita is used as an indicator of the countries' welfare, it is not necessarily an adequate indicator for the analysis of the households' standard of living.

**Table 2**  
**The evolution of the GDP per capita in Romania, according to development regions, in the interval 2005-2010 (GDP/per capita) (lei/per capita)**

Specification	2005	2006	2007	2008	2009	2010	2010/2005 (%)
Total economy	13362.8	15967.6	19315.4	23934.6	23341.4	24435.9	182.8
<b>North-East</b>	<i>8907.6</i>	<i>10295.8</i>	<i>12340.9</i>	<i>14794.5</i>	<i>14649.3</i>	<i>15014.8</i>	<i>168.5</i>
South-East	11541.7	13569.8	15641.8	19098.9	18738.2	20076.8	173.9
South Muntenia	11068.5	13374.6	15757.8	19648.1	19913.7	20288.2	183.2
South-West Oltenia	10371.1	12463.2	15097.8	17831.8	17752.8	18735.1	180.6
West	15064.7	18570.1	22341.9	26173.2	25602.4	27640.0	183.4
North-West	12538.6	14946.6	18610.5	21542.1	21297.4	21827.2	174.0
Centre	13097.6	15920.2	19579.5	22707.7	22618.8	23428.3	178.8
Bucharest-Ilfov	29572.6	35012.1	43037.3	59680.2	55079.3	58137.0	196.5

Source:- The Romanian Statistical Yearbook., 2012, National Institute of Statistics; Regional economic and social landmarks – Regional statistics. 2012; National Institute of Statistics Neamt County Regional Statistics Office, 2012; own calculations

According to a study performed and published by Eurostat, for 2010. it is shown that the North-East region in Romania is on the second position in the hierarchy of the poorest regions in the EU. It shares the position with the Severen Tsentralen region in Bulgaria. These regions have a purchasing power equal to 29% of the EU average. An aspect which is not favourable to our country at all is that Romania has six regions in this

hierarchy, namely: North-East (29%) – 3.600 euro; South-West Oltenia (36%) – 4.500 euro; South-East (38%) – 4.800 euro; South-Muntenia (39%) – 4.800 euro; North-West (42%)– 5.200 euro; Centre (45%) – 5.600 euro. This situation indicates the substantial discrepancies between EU regions and Romanian regions.

In table 3 we present the GDP evolution, according to categories of resources, in the North-East region, in the interval 2005-2010. An important indicator which gives us valuable information about the economic status of the North-East region is represented by the contribution to the gross domestic product.

**Table 3**

**The evolution of the GDP, according to categories of resources, in the North-East region of Romania, in the interval 2005 - 2010 (million lei current prices)**

Specification	2005	2006	2007	2008	2009	2010	2010/ 2005 (%)
Agriculture, forestry and fishing	4224.4	4886.8	4212.7	5771.7	5437.9	4940.2	116.9
Industry <sup>1)</sup>	7271.7	7538.6	9377.3	10346.4	10559.8	13780.2	189.5
Constructions	1845.3	2671.1	4029.3	5347.5	5792.1	4861.5	263.4
Wholesale and retail trade; motor vehicles and motorcycles; transport and storage; hotels and restaurants	6277.8	7601.9	9468.2	1396.3	10923.0	8067.0	128.5
Financial brokerage and insurance	458.0	410.9	553.3	726.0	677.3	585.8	127.9
Real estate transaction, renting and business activities	4420.5	5597.8	6914.3	7867.9	4714.0	6086.6	137.6
Public administration and defence; public sector social security; education, health and social assistance	4646.6	5146.0	6137.4	8115.8	8276.0	8455.4	181.9
<b>Regional gross added value (VABR)</b>	29343.3	33853.1	40692.5	48894.4	48875.4	49645.5	169.1

Source:- The Romanian Statistical Yearbook. 2012, National Institute of Statistics; Regional economic and social landmarks – Regional statistics. 2012; National Institute of Statistics Neamt County Regional Statistics Office, 2012; own calculations

From the table above, we notice that in 2010 compared to 2005 there is an increase in the GDP (million lei current prices) in all activity sectors. We also notice that during the entire analysed interval services contributed significantly to the regional gross added value, followed by industry and agriculture. On the medium term, we notice the higher use of resources and the increase in agricultural sector productivity, first of all in order to cover the consumption needs, as well as for export.

In table 4 we present GDP forecasts in the North-East region in the interval 2013-2016. In the interval 2013-2016 according to the data provided by the National Prognosis Commission at the level of the North-East regions, the estimates for the evolution of the gross domestic product indicate positive and upward developments.

**Table 4**

**Estimates for the GDP evolution in the NORTH-EAST region of Romania  
(percentage changes)**

SPECIFICATION	2013	2014	2015	2016
<b>Actual increase in GDP (percentage changes)</b>				
Bacau	1.4	2.0	2.5	2.9
Botosani	1.3	1.8	2.4	2.8
Iasi	2.0	2.3	2.8	3.1
Neamt	1.8	2.2	2.7	3.1
Suceava	1.6	2.1	2.6	3.0
Vaslui	1.5	1.9	2.5	2.9
<b>GDP/per capita (euro)</b>				
Bacau	4626	4964	5294	5596
Botosani	3324	3562	3798	4016
Iasi	5435	5842	6244	6613
Neamt	3433	3694	3950	4186
Suceava	3843	4119	4389	4637
Vaslui	2835	3040	3243	3425

Source: National Prognosis Commission - February 2013

As we notice from the table above. in Iasi county the GDP per capita will record the highest increase of 6613 euro (2016), and at the opposite end there is Vaslui county with the lowest GDP per capita of only 3425 euro (2016). The annual evolutions of the gross domestic products are based on the increase in activity volume in all the respective sectors. Although an economic growth is forecast in the North-East region, this does not contribute substantially to the change in the regions percentage contribution to the national gross domestic product, on the medium term.

In table 5 we present the evolution of the turnover in local active units in the North-East region, in the interval 2008-2011. We can easily notice the decrease in turnover in 2011 compared to 2008, in total region (-3%), but also according to activity domains. The turnover decreased in eight of the thirteen analysed activity domains. The largest decrease was in the 'mining industry' (-65%), and the smallest decrease was recorded in the domain of 'real estate, renting and business activities' (-3.7%). This situation is mainly due to the

economic crisis, the decrease in purchasing power. the decrease in population revenues, the increase in inflation, the reorganisation of certain activity domains, etc.

**Table 5**

**The evolution of the turnover in local active units in the NORTH-EAST region in the interval 2008-2011 (million lei current prices)**

Specification	2008	2009	2010	2011	2011/2008 (%)
Mining industry	716	251	249	245	34.2
Processing industry	16397	13979	15368	19217	117.1
Electric and thermal power, gas, hot water and air conditioning production and supply	2761	2711	2807	1321	47.8
Water supply; sanitation, waste management, decontamination activities	941	739	983	1143	121.4
Construction	8751	7374	6805	7942	90.7
Wholesale and retail trade; motor vehicles and motorcycles;	32152	27570	27192	30082	93.5
Transport, storage, postal and courier activities	2969	2564	2557	2558	86.1
Hotels and restaurants	1003	910	954	947	94.4
Information and communications	1210	1181	1236	1245	102.8
Real estate transactions, renting and business services	2243	2159	2058	2162	96.3
Education	66	43	42	50	75.7
Health and social assistance	227	211	287	284	125.1
Other collective, social and personal services	638	722	817	783	108.0
<b>Total</b>	<b>70074</b>	<b>60414</b>	<b>61355</b>	<b>67979</b>	<b>97.0</b>

Source:- The Romanian Statistical Yearbook, 2012, National Institute of Statistics; Regional economic and social landmarks – Regional statistics, 2012; National Institute of Statistics Neamt County Regional Statistics Office, 2012; own calculations

Increases in the turnover were recorded in 2011 compared to 2008 in the following activity sectors: ‘‘processing industry’’ (+17.1%); ‘‘water supply; sanitation, waste management, decontamination activities’’ (+21.4%); ‘‘information and communications’’ (+2.8%); ‘‘health and social assistance’’ (+25.1%); ‘‘other collective, social and personal service activities’’ (+8.0 %).

In terms of foreign trade in the North-East region, in 2011, according to the regional sources, it materialised in food exports amounting to 1.96 billion euro. The

highest percentage in the overall exports is accounted for by Iasi county. In 2011 this county recorded an exports value of 533 million euro. The main partners in the export activity are: first of all Europe; South Korea; China; USA; Egypt; Brazil; Japan; Australia, etc. Also in 2011, according to the data published by the Iasi county Statistics Office, the following products were exported: electric machines, appliances and equipment (310.3 million euro); generic metal products and items (82.66 million euro); textiles (59.06 million euro); chemical industry products (16.16 million euro); various goods and products (15.86 million euro); food products, alcoholic beverages and tobacco (11.18 million euro). We must remind that Neamt county is on the second position in the exports hierarchy (412.70 million euro); and Bacau county is on the third position with an exports value of 346.1 million euro. In order to boost exports, it is necessary to establish an exports strategy at national level. According to regional sources, the elaboration of the export strategy in public-private partnership is a prerequisite in order to increase the competitiveness of all the counties in the North-East region.

### CONCLUSIONS

- The North-East region is the least economically and socially developed one in Romania. This region has a low degree of attractiveness to investors, recording a balance of foreign direct investments of only 1627 million Euro in 2011;
- The GDP per capita in this region recorded a smaller value than the EU average. The North-East region in Romania fills the second position in the hierarchy of the poorest regions at EU level in 2010;
- In 2010, compared to 2005, there is an increase in GDP (million lei current prices) in all activity sectors;
- In the interval 2013-2016 positive and increasing evolutions of the gross domestic product per capita are forecast in the North-East regions;
- The turnover decreased in 2011 compared to 2008 (-3%) in total region. The factors which contributed to this situation are: the economic crisis; the decrease in purchasing power; the decrease in population revenues; the reorganisation of certain activity domains at regional level;
- In 2011 the food exports in the North-East region amounted to 1.96 million euro; in the same year, the Iasi county was the exports leader, followed by Neamt and Bacau counties.

In order to achieve economic growth in the North-East region of Romania, the following are required: the higher use of resources, the increase in productivity, the increase in the level of attractiveness to foreign investors; the elaboration of a export strategy at regional level, aiming first of all at increasing competitiveness at international level.

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