

TENDENCIES OF THE GROSS DOMESTIC PRODUCT AT THE LEVEL OF THE SOUTH-WESTERN DEVELOPING REGION OLTENIA

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Abstract: The gross domestic product, the main evaluation index of the economic growth of a country is used in the analysis of the South Western Developing Region Oltenia, in the retrospective period 2000-2005. One can notice from these data that the South-Western Region was on the last place in the classification of the eight developing regions of the countries. At the same time the authors point out, according to the historical data, the evolution tendency of the GDP in the period 2006-2010. Unfortunately, these prognosis do not bring any significant changes for the region Oltenia in the classification of the regions, because this still remains on a last position.

Key words: gross domestic product, prognosis, regional development.

The Gross Domestic Product (GDP) represents the value of goods produced in a society during a year and which are to be found in the last stage of the economic circuit. This value can be determined according to the branches of the national economy and it sums up at its level. As a rule, at the level of the national economy, GDP is calculated as a difference between the gross Global product and the intermediary consumption; at a branch level is calculated as a difference between the global gross production and the respective intermediate consumption. The global gross production expresses the value of the manufactured goods, no matter if they are a commodity or not. This way to define the GDP at the level of the branch is known under the name of production method. [Ciurlău Constantin, 2006].

The difference between the gross production and product and the intermediate consumption can be expressed and characterized in many ways, as for example consumption, expenses or final demand and added value, and this thing has led to the formulation of two specific methods for the calculation of the gross domestic product, and namely the incomes method and the expenses method.

According to the incomes method, which is best known one, the gross domestic product is calculated as a sum of the costs which form the added value for all the manufacturing institutions from the countries, and namely: net indirect taxes, that are indirect paid taxes minus the subventions, the fixed capital consumption or the amortization, the payments of the employees and other personnel expenditures and the exploiting exceeding. The indirect taxes are the amounts of money which the unities are paying to the state or to some international bodies and which they are including in their

production costs. And this refers to taxes on production, selling, purchasing or using the goods and import custom taxes. Here are not included the direct income taxes or wealth taxes paid by enterprises, because these are included in the added value as a part of the profit (operating income). The subsidies are granted by the state to the public or private enterprises for the partial covering of their costs. The subsidies are related to the value of the manufactured goods, exported or consumed, to the employment or the surfaces used for production as well as to the way of organizing and carrying out this production. The grants given by the state to the private enterprises for the financing of their investments, covering the damages or losses of the equipments and renewable assets are considered to be capital transfers and not subventions. The fixed capital consumption expresses the value of the goods, equipments which are consumed during a one year production, as a consequence of the normal physical use. The damages from different causes and taking them out of use because of their moral wear are considered to be fixed capital losses. The operating income is the difference between the product and the gross production, on one hand and on the other hand between the intermediate consumption, net indirect taxes, the fixed capital consumption and the payments of the employees; it is all about profit. The operating income may appear only in the enterprises which are turning to account the production at the market price; but this is not the case for the public administrations which are performing services to third parties at their costs. According to the expenditures method or the final used method, the gross domestic product may be calculated by summing up the final destinations of the production that are: the final public consumption (governmental), the final consumption of the population households (domestic), the final consumption of the private non-profit institutions, the gross formation of fixed capital, the fluctuation of the stocks and the net export.

The economic regional statistics plays an important role in formulating, implementing and evaluating the regional policies. It is especially used for the evaluation of the regional disparities and the eligibility of the region for certain objectives. The regionalization of the gross domestic product presupposes the regionalization of the gross added value, of the taxes per product and of the subventions per product.

Being a macroeconomic index and summing up the economic-social activity, the gross domestic product accomplished in Romania in the period 2000-2005 has evolved from 80.377,3 millions lei, current prices to 256.574 millions lei current prices.

At the level of the South Western Developing region Oltenia, the gross domestic product has grown from 7.488,9 millions lei current prices in 2000 to 22.291,9 millions lei current prices in 2005 (table 1, figure 1).

In this way, the South-Western region is in the last position, in the classification of the GDP of the eight developing regions on a national level. Unfortunately for the inhabitants of this region, this situation was valid both in 2000, but it continued along the analyzed period. The GDP values of the Western region are close to the South Western region, while on the first place is the region Bucharest-Ilfov which due to the huge investments has a clear tendency to detach itself from the other regions.

The regional development in Romania is the result of the combination of some local developing patterns with the complex influences of the other factors, than the real regional tendencies, as it is shown in table 2.

Table 1. The Evolution of the Gross Domestic Product at the level of the developing regions in Romania

- millions lei (RON) current prices -

Region \ Year	2000	2001	2002	2003	2004	2005
1. North-East	9634,8	14339,7	18607,4	24619,1	29418,2	30477,3
2. South-East	9286,8	13165,2	17112,3	22263,8	29413,1	29677,8
3. South - Muntenia	9807,1	14312,3	18773,6	24776,0	31709,5	32216,9
4. South-West Oltenia	7488,9	10485,1	13000,1	17931,4	21962,5	22291,9
5. West	7526,8	11223,6	14714,0	19982,7	25296,9	26587,0
6. North-West	9501,0	13667,3	18018,7	24110,8	30269,8	31147,6
7. Centre	10177,5	14421,2	19113,5	24810,8	30096,4	31059,5
8. Bucharest - Ilfov	16879,2	25071,9	31976,9	38920,0	48077,6	53029,6
Total	80377,3	116768,7	151475,1	197564,8	246468,8	256574,0

Source: National Institute of Statistics, National Prognosis Commission

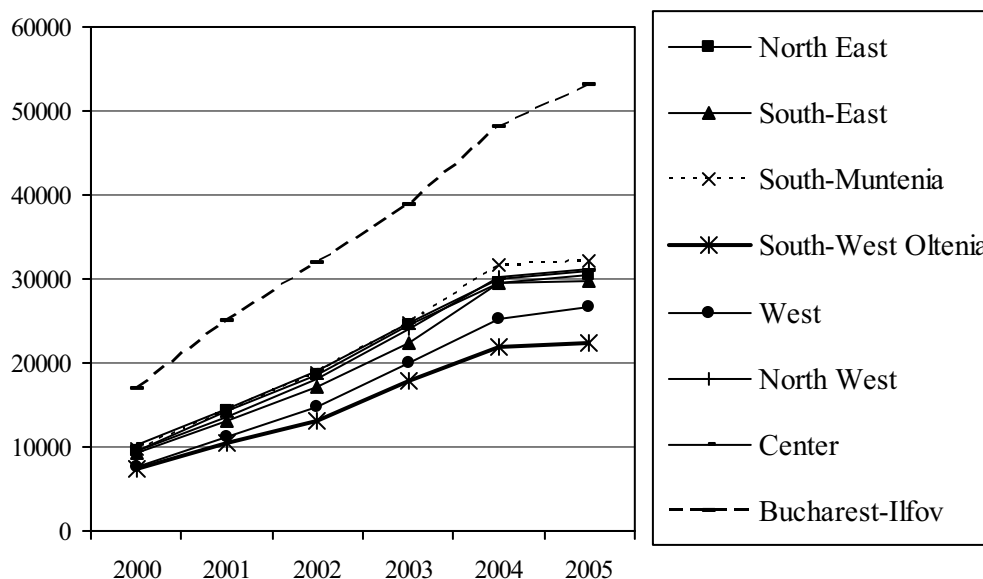


Figure no 1: The Evolution of the gross domestic product at the level of the developing regions from Romania in the period 2000-2005

The regional development was and is strongly influenced by the structure on branches of each region and by localization. So, in the regions North-East, South and South West, agriculture is the dominant economic activity, fact which hinders the sustenance of a fast developing rhythm. The regions West, North-West and Central taking advantage of the closeness towards the Western-European markets and the low dependence on the primary economic sector, have managed to draw a high number of foreign investors which contributed significantly to their development.

The South-Eastern region is a special case, combining less developed counties with the particularities of the counties Constanta, Galați and Tulcea. As a consequence the disparities between the regions have grown becoming an economic feature for

Romania. At the same time, the concentration of the economic growth around Bucharest generated a clear separation of some important regions from the country from the economic growth.

Table 2. Key indices for the regional development from Romania (national average = 100) -%

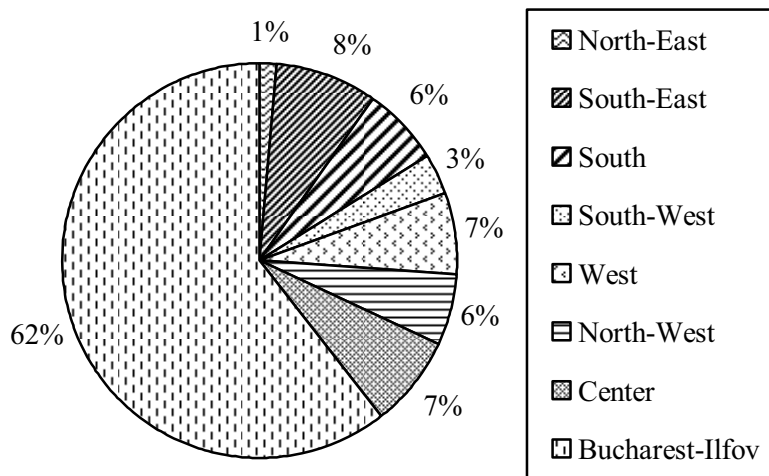
Region	GDP/capita		Unemployment rate		FDI/capita		SME/capita		Rural population	
	1998	2004	1998	2005	1998	2005	1998	2005	1998	2005
North-East	79,8	69,2	133,6	115,2	15,3	7,7	71,3	64,5	123,9	125,5
South-East	100,1	90,7	112,5	108,5	42,7	63,8	101,4	91,4	94,7	98,7
South	85,8	83,4	97,1	123,7	65,5	41,2	77,0	67,7	129,0	129,3
South-West	90,0	83,3	104,8	125,4	11,9	31,9	85,9	70,2	120,8	116,4
West	100,9	114,7	101,9	86,4	99,1	76,3	91,2	105,7	83,8	80,7
North-West	95,5	97,2	84,6	67,8	41,9	45,4	106,5	109,0	104,9	104,0
Center	105,9	104,2	98,1	123,7	87,7	62,9	101,1	105,7	87,1	88,9
Bucharest-Ilfov	162,2	191,5	47,1	40,7	598,3	593,5	194,1	228,2	24,8	21,1

Source: Calculations on the basis of the data from the Romanian Statistical Yearbook 1999, 2006

The main causes of this situation are: q) the high dependence of the economic growth towards the FDI volume and the concentration of the foreign investments around the capital – outside the region Bucharest-Ilfov; the foreign investments in the other seven developing regions, were only 39,4% from the total of the foreign direct investments in 2005; b) the liquidation of most of the old uncompetitive enterprises from the sector of the hard industry which were not always replaced (especially in some areas from the Southern and the Eastern part of the country) with SME's oriented towards the requirements of the market; b) the massive migration of the labor force, especially from the agricultural areas of the country as a consequence of the industrial restructuring and of the failure to replace the lost working places from the industry with another from the economic sectors, determining an important perturbation of the economic structure of the affected towns and countries.

The orientation of the foreign investments in Romania was done especially according to the accessibility to the Western markets and the urbanization degree of the respective markets, inclusively by the existence of an adequate level of facilities and services. So, it is not surprising that the region Bucharest-Ilfov is situated on the first place in what the foreign investments up to 2005 are concerned, registering 60,6% (13.264 millions Euro from a total of 21.888 millions Euro⁹ from the total of FDI from Romania. Another favorite location of the foreign investments was also the county Constanța from the South-Eastern region (figure 2).

The regions of the country, according to their specific have drawn up to the present different types of investors. So, in the Western and North-Western regions, there were concentrated a high number of companies with foreign participation, which often worked with subcontractors on a wage-basis or they exploited traditional business relation with Western Europe. The regions Bucharest-Ilfov, the Southern and South-Eastern regions have drawn many investments, especially from the non-Europeans.



Source: The Government of Romania, The Ministry of Development, Public Works and Housing, „The Regional Operational Program 2007 – 2013”

Fig. 2: FDI structure on Development Regions up to 2005 (%)

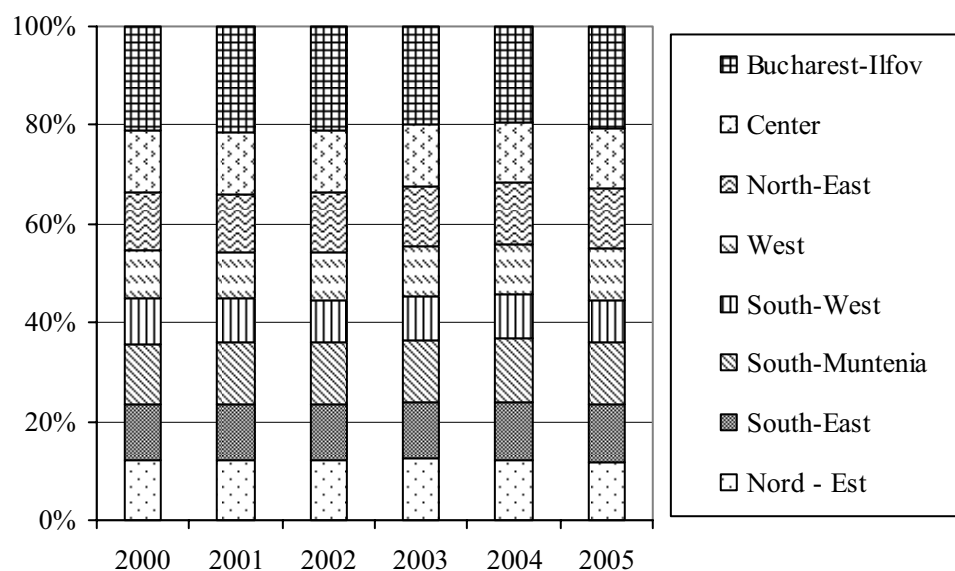
FDI has a positive effect on the labor market in these regions, because of the constant growth of the high-qualified labor force demand and the development of the services. The availability of the high-qualified labor force was and still is an important localization factor of the foreign investments. While the transfer of the productive and creative activities from Romania takes place, the high-quality labor force demand increases. The recent economic information point out the fact that in the regions where there were no considerable foreign investments, the enterprises are confronting with high difficulties in finding a highly qualified personnel.

At the same time, the contribution of the South-Western Developing Region at the formation of the national gross domestic product went down from 9,32% in 2000, to 8,69% in 2005 (figure 3). The most important percentage goes to the region Bucharest-Ilfov, which varies around the values of 20% the other regions have values between 8-13%.

The additional information regarding the GDP analysis at a regional level, points out the disparity index of the GDP/capita compared to the national average. So according to this index, the South-Western region is placed on the 6th place from the total of 8 regions, both in 2000 and 2006 and also in 2010, predicted values – table 3.

The prognosis for the GDP, at a national but also at a regional level, points out its growth in each sector (table 4). But the South-Western region is still on the last place. But the one thing which draws the attention is the tendency to increase the disparity between the South-Western region and the rest of the regions, on one hand but on the other hand between the Bucharest-Ilfov region, from the first place and the rest of the regions.

The GDP analysis for the South-Western Developing region Oltenia on counties points out the growth for all the component unities (table 5, figure 4). On the first place there is the county Dolj, being followed by the counties Gorj, Vâlcea, Olt and on the last place there is the county Mehedinți. In 2005, the counties Dolj and Gorj had 51,3 % from the gross domestic product of the region.



Source: National Institute of Statistics, National Prognosis Commission

Fig. 3: The structure of the gross domestic product on the developing regions from Romania, in the period 2000-2005

Table 3. GDP/capita disparity index compared to the national average (=100)

Region	Year	2000	2006	2006-2000	2010	2010-2006
1. North-East		0,700	0,678	-0,022	0,685	0,007
2. South-East		0,889	0,874	-0,015	0,869	-0,005
3. South-Muntenia		0,815	0,818	0,003	0,820	0,003
4. South-West Oltenia		0,838	0,829	-0,009	0,830	0,001
5. West		1,026	1,168	0,142	1,147	-0,021
6. North-West		0,930	0,951	0,021	0,947	-0,004
7. Center		1,071	1,050	-0,021	1,045	-0,004
8. Bucharest-Ilfov		2,068	2,008	-0,060	2,012	0,003

Source: National Prognosis Commission

The disparity indices, according to the Gross Domestic Product per capita, allow the completion of the analysis on the level of the South-Western Developing region Oltenia, Romania, in the period 2000-2005 (table 6, figure 5). So we notice that only the county Gorj is above the national level, while all the other counties are under the national average. One also notices that the county Dolj which has the first place in the GDP classification of the counties is now on the third place after Gorj and Vâlcea.

The contribution of the different branches of activity for the formation of the Gross Domestic Product is different both at a national and at a regional level. At the level of the South-Western Developing Region Oltenia, in the period 2000-2005, the highest percentage from the GDP is given to the industry, being followed by

agriculture, hunting and silviculture (table 7). The other branches register higher or lower growth but the tendency is certain for all the branches: ascending.

Table 4. The prognosis for the gross domestic product at the level of the developing regions from Romania, in the period 2006-2010

- million lei (RON) current prices -

Region	Year	2006	2007	2008	2009	2010
1. North-East		32336,4	34535,2	36814,6	39170,7	41638,5
2. South-East		31725,6	33470,5	35579,1	37749,5	40014,4
3. South - Muntenia		34633,1	36745,7	39060,7	41443,4	43930,0
4. South-West Oltenia		24298,2	25853,3	27404,5	29021,4	30704,6
5. West		28820,4	30578,4	32413,1	34260,6	36179,2
6. North-West		33203,4	35228,8	37377,7	39545,6	41799,7
7. Center		34010,1	36254,8	38393,8	40467,1	42611,9
8. Bucharest - Ilfov		57112,9	61453,4	65509,4	69439,9	73536,9
Total		276330,2	294291,7	312832,1	331289,2	350503,9

Source: National Institute of Statistics, National Prognosis Commission

Table 5. The dynamics of the gross domestic product at the level of the counties from the South-Western Developing Region Oltenia in the period 2000-2005

County	Year	2000	2001	2002	2003	2004	2005*
		mil. lei (RON)	2147,3	2931,4	3511,5	5099,5	6610,6
	%	28,67	27,96	27,01	28,44	30,10	30,10
Gorj	mil. lei (RON)	1668,1	2268,9	3350,1	4182,6	4659,9	4729,80
	%	22,27	21,64	25,77	23,33	21,22	21,22
Mehedinți	mil. lei (RON)	779,5	1293,2	1493,9	2251,0	2684,8	2725,07
	%	10,41	12,33	11,49	12,55	12,22	12,22
Olt	mil. lei (RON)	1387,7	1915,5	2045,6	2820,9	3759,8	3816,20
	%	18,53	18,27	15,74	15,73	17,12	17,12
Vâlcea	mil. lei (RON)	1506,3	2076,1	2599,0	3577,4	4247,4	4311,11
	%	20,11	19,80	19,99	19,95	19,34	19,34

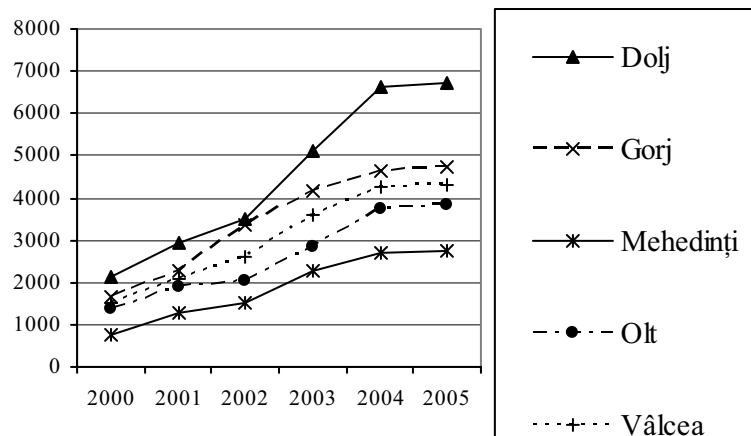
Source: Regional Statistics Bureau Dolj

*) estimated value

The prognosis of the National Prognosis Commission referring to the Gross Domestic Product from the South Western Developing Region, although it shows some increases for the analyzed years are not positive if we take into account the position where the region is in the national GDP classification.

So, the economic growth of the South-Western region is estimated to be above the national average 7,2% just for the year 2006, being supported by an industry with a dynamics of 7,2%. The industrial production of countries presents significant growths in the countries where this production declined in 2005 (in Gorj with 10%, Vâlcea with 15%). County Mehedinți continues to register, for the second year a reduction in the industrial production. The agriculture plays an important role with a GDP percentage above the national average, and after the serious decline from 2005, the estimated level

of the gross added value is of 0,5%. The constructions (16%) and the services (6,6%) are the other two large sectors of the economy which contribute to the economic growth of the South-Western region. The exterior trade of the region, with an estimated dynamics for 2006 of above the national average both in exports (25,6%) but also imports (28,8%) still continues to increase the percentage in the national foreign trade. One has to mention that these regions represent a surplus of the trade balance.



Source: Regional Statistics Bureau Dolj

Fig. 4: The dynamics of the gross domestic product at the level of the counties from the South-Western Developing Region Oltenia in the period 2000-2005

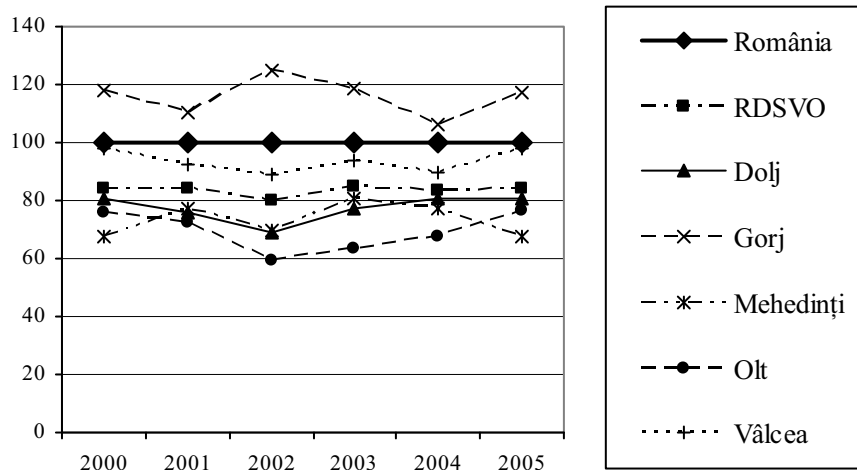
Table 6. The gross domestic product per capita – disparity indices at the level of Romania, the South-Western Developing Region Oltenia, in the period 2000-2005

Year	2000	2001	2002	2003	2004	2005*
Romania	100,0	100,0	100,0	100,0	100,0	100,0
South-West Region	83,8	84,0	79,9	84,7	83,5	83,9
Dolj	80,5	75,8	69,2	77,3	80,7	80,6
Gorj	117,9	110,2	124,5	118,9	106,4	117,1
Mehedinți	67,6	77,4	69,5	80,6	77,3	67,7
Olt	76,2	72,6	59,5	63,2	67,9	76,3
Vâlcea	97,6	92,4	89,1	94,0	89,8	97,7

Source: Regional Statistics Bureau Dolj

*) estimated values

The prognosis for the next two years provides for a growth of the GDP in the South-Western region of 6,2% for 2007 and of 6% for 2008, both values being under the national average. The constructions will have an important role in supporting the economic growth with dynamics of 14,2%, respectively 11%. Services (6,2%, respectively 6,1%) contribute to a great extent to the annual growth of the GDP, the accent being on the capitalization of the tourism potential of the region, but also for the development of the financial-banking services and the insurance services, the transport, social, collective and personal services. For agriculture, under normal climate circumstances, the growth for the years 2007 and 2008 are foreseen to be of 3% , respectively 3,2%. In industry, the rhythms of growth are of 4,9%, respectively 5,3%.



Source: Regional Statistics Bureau Dolj

Fig. 5: The gross domestic product per capita – disparity indices at the level of Romania, the South-Western Developing Region Oltenia, in the period 2000-2005

Table 7. The evolution of the gross domestic product in the South-Western Developing Region Oltenia, on branches of activity, in the period 2000-2005

- millions lei (RON) current prices -

Branch of activity \ Year	2000	2001	2002	2003	2004	2005*
Agriculture, hunting and silviculture	1039,5	2076,5	1510,6	2577,9	3562,0	3615,4
Fishing and pisciculture	-	0,1	0,2	0,4	2,9	2,9
Industry ¹⁾	2469,8	3205,9	4387,0	5093,0	6338,3	6433,4
Constructions	413,1	625,6	830,9	1108,4	1397,1	1418,1
Trade	584,3	725,2	947,8	1214,1	1524,0	1546,9
Hotels and restaurants	142,6	202,9	252,5	290,4	335,4	340,4
Transport, warehouse and communications	600,6	877,7	1158,9	1542,4	1788,9	1815,7
Financial brokerage	72,2	129,3	188,2	183,1	272,5	276,6
Real estate transactions, rents and services carried out for the enterprises	688,4	808,0	1254,4	1638,0	2020,4	2050,7
Public administration and defense	343,5	425,1	602,8	1301,9	1284,8	1304,1
Education	241,2	323,6	414,5	604,2	778,4	790,1
Health and social care	162,3	178,3	289,8	446,2	566,9	575,4
Financial brokerage indirectly measured ²⁾	-80,6	-162,4	-144,9	-	-	-
Gross regional added value	6676,9	9415,8	11692,7	16000,0	19871,6	20169,7
Product taxes ³⁾	826,6	1100,3	1359,6	2013,4	2373,7	2409,3
Rights on the imports (custom taxes)	85,0	81,6	80,7	121,3	147,5	149,7
Product subsidies	-99,6	-112,6	-132,9	-203,3	-430,3	-436,8
Regional gross domestic product	7488,9	10485,1	13000,1	17931,4	21962,5	22291,9
Regional gross domestic product /capita	3001,0	4378,1	5553,1	7698,0	9476,3	9618,4

Source: Regional Statistics Bureau Dolj

*) estimated value

1) Including electric and heat energy, gas and water.

2) Starting with 2003, the the FISIM value was relocated on branches of activity and institutional sectors.

3) VAT included.

Unfortunately for the inhabitants of the South-Western regions, the prognosis point out the same last place in the classification of the regions according to GDP. But, because the prognosis are based especially on historical data (the current events are not being taken into consideration), there is still the hope that the economic changes which took place in this region (the privatization of the factory Electroputere and the purchase of the factory Daewoo by Ford), will bring the necessary surplus for the sustainable development of the region.

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