

# THE EVOLUTION OF ECONOMIC TERRITORIAL DISPARITIES IN ROMANIA

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## **Abstract:**

*This paper addresses the problem of inter-regional and inter-county development disparities existing in Romania and their evolution over time, in the context of the fact that the problem of development gaps receives increased attention in the European Union, especially through regional policy. For our study we used the values of GDP per capita expressed in Euro and Purchasing Power Standard. We have noticed that the differences of development existing among the regions of Romania are maintained although the differences between them and the EU 28 average tend to decrease slightly. Also, at the level of the counties, the development differences are maintained and the Bucharest Municipality records higher values compared to the counties and only it manages to have values of GDP / inhabitant expressed in PPS over the EU average, the values of the other counties getting slightly closer.*

**Key words:** disparities, regional development, regional policy, Romania, European Union

**JEL classification:** R58

## **INTRODUCTION**

The researchers have always been interested in the analysis of the evolution of economy in regional profile, thus resulting both theoretical and practical approaches in the frame of regional science, and of the regional economy, part of regional science. The main reason for the existence of the regional economy derives from the need to provide a theoretical and methodological scientific basis for the regional strategies and policies, namely for setting a coherent set of objectives and ways of mitigating regional imbalances, as well as for identifying the appropriate measures and instruments for achieving the established objectives (1), (2).

In the EU there are still high regional economic development disparities and in this context the regional policy aims at decreasing them, so the funds allocation for the European Structural and Investment Funds afferent for 2014-2020 period is high. A large share of the funds is for the Eastern and Central European countries, because EU aims at decreasing its economic disparities and the European Regional Development Fund has the highest proportion in the total funds. At EU regional level, the highest value of GDP/inhabitant expressed in Purchasing Power Standard (PPS) is more than 5 times the EU average and the lowest one is about a third of the EU average, the ratio between the highest value and the lowest value being almost 20. From our previous analyses we found that more than 25% of EU regions were less developed ones (GDP/inhabitant in PPS<75% of EU average), but the positive fact is that the number of regions with GDP under 50% of the EU-28 average decreased to about 7% of the number of EU regions in 2014 (3). In the countries from Eastern and Central Europe many of regional disparities persist, some regions having very low values compared to the regions that include the capital cities which register values above the EU average.

In order to carry out our research, we used the values of one of the most important macroeconomic indicators, namely the Gross Domestic Product.

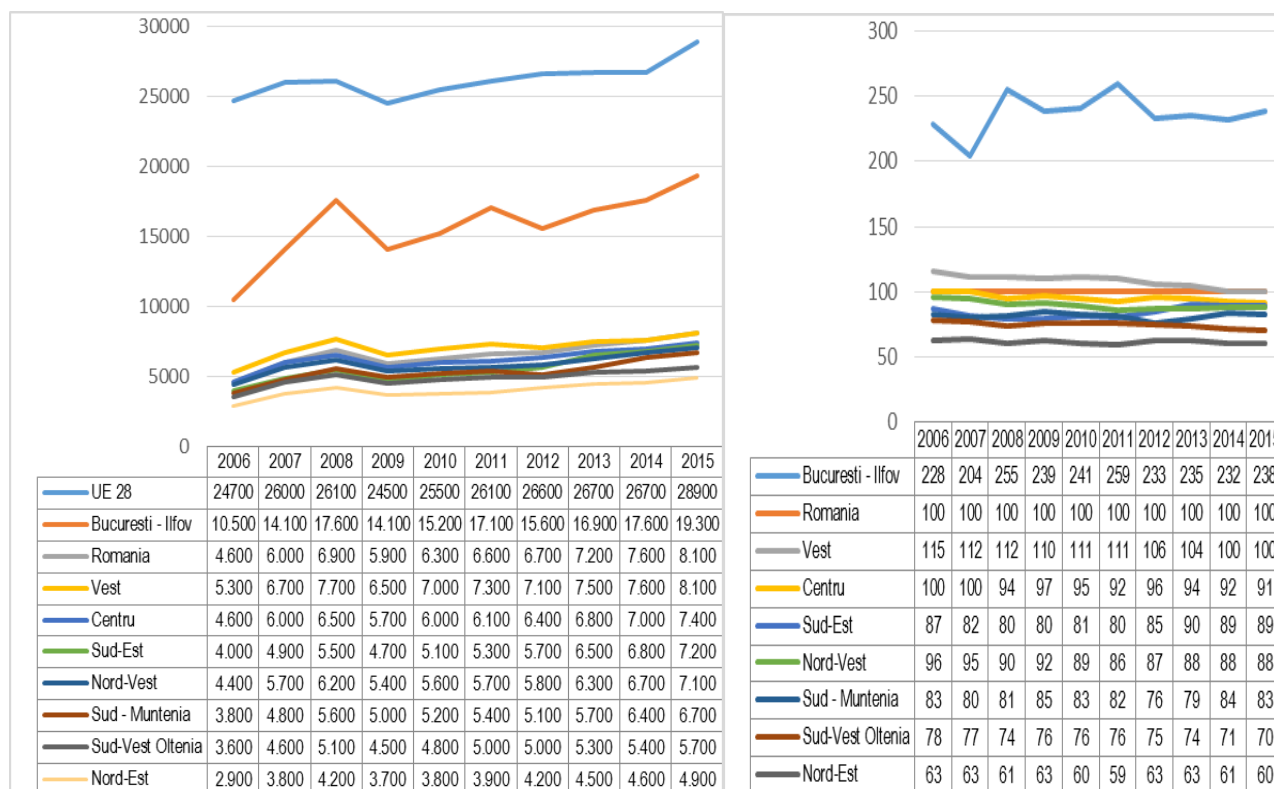
*Gross domestic product (GDP)* includes, in terms of value, the final output of goods and services produced for final consumption less the value of the goods used for their creation, obtained by all economic agents operating within the country. The measurement unit of GDP per inhabitant can be Euro or PPS (a conventional currency), in the last case the differences of the prices level among the countries/regions being cancelled. For calculation, the total value of the goods and services produced in an economy are divided at the number of inhabitants.

It is obvious that the EU countries and the NUTS 2 regions differs in terms of surfaces and populations. Their economies also differs, and so, the general level of prices is not the same everywhere, fact that affects the comparability of GDP per inhabitant expressed in Euro. That is why the GDP per inhabitant expressed in Purchasing Power Standard (PPS) is often used for some analyses, as well as for the determination of the regions eligibility for the regional policy funding allocation. In our analysis we will use both the GDP expressed in Euro and PPS.

### THE DYNAMICS OF REGIONAL ECONOMIC DISPARITIES IN ROMANIA

As in other countries in the European Union, Romania faces the problem of regional development gaps. As for the GDP expressed in Euro, it is clear that the Bucharest-Ilfov region has a considerable advance compared to the other regions, and this difference has increased over time (Figure no. 1.a). If in 2006 the Bucharest-Ilfov region recorded a value of 2,28 times higher than the national average, in 2015 the GDP per inhabitant of this region was 2,38 times higher. Apart from the region of capital city, only the West region managed to always record values above or equal with the national average. The lowest value over the analyzed period is in the North-East Region (0,63 of the national average in 2006 and 0,6 in 2015). It is therefore noticed that the regional disparities persisted over the past 10 years. Compared with the average GDP per capita of the EU expressed in Euro, Romania's average grew slightly from 0,18 to 0,28 of it, remaining significantly lower. The only region approaching the Community average is Bucharest-Ilfov, which reaches about 2/3 of the EU average, increasing from 0,42 in 2006.

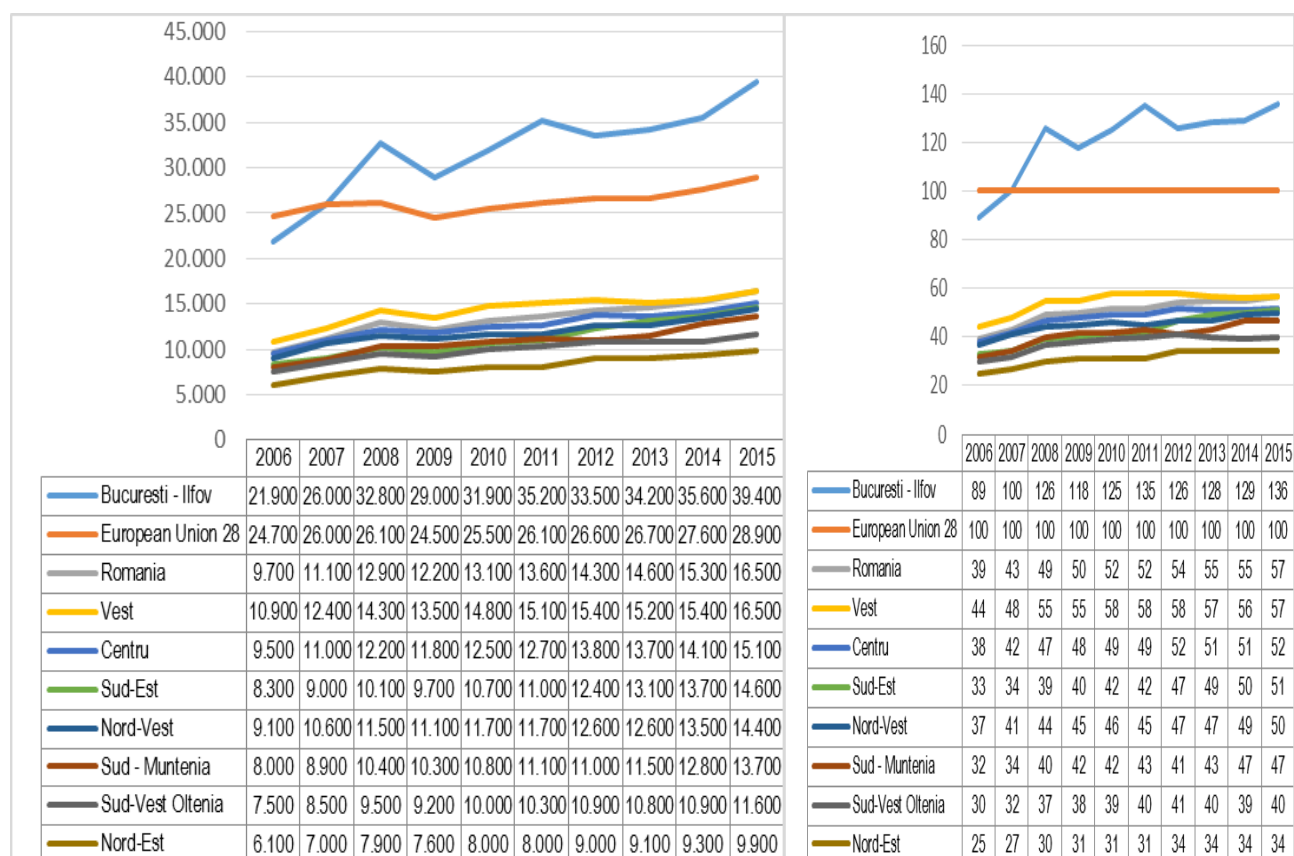
To better highlight the evolution of inter-regional disparities, we calculated the relative values of the regions as compared to the national average. We note the persistence of differences among regions and even decreases compared to the national average. The differences between the Bucharest-Ilfov region and the other regions slightly increased during the analyzed period (Figure no. 1.b).



**Figure no. 1. Gross domestic product (GDP) at current market prices by NUTS 2 regions of Romania (Euro per inhabitant) (a); (% of Romania average) (b)**

Source: Eurostat (<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>) (a), own elaboration based on Eurostat data (<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>) (b)

The regional GDP expressed in PPS shows somewhat smaller differences than in the case of GDP in expressed in Euro. The same ascending trend is observed in the 10 years analyzed. We also included the EU28 average, and the only region that has managed to exceed this average is Bucharest-Ilfov. The other regions are at a big distance from the capital city one, the difference growing over time. The West Region has values equal to the average and even above the average of Romania in some years. It follows the Center, South-East and North-West regions. The lowest values are in the North-East region. Compared to the EU28 average, the Bucharest-Ilfov region recorded in 2015 a 1,36 times higher value, increasing. Romania's average was 57% of the EU average in 2015, up from 39% in 2006. The other regions have values below the EU28 average, ranging from 34% to 57%. The lowest value, registered in the North-East region, is 34%, rising from 25% in 2006. Therefore, the regional values of Romania show an increase, both in absolute terms and in comparison with the EU28 average (Figure no. 2.a and 2.b).



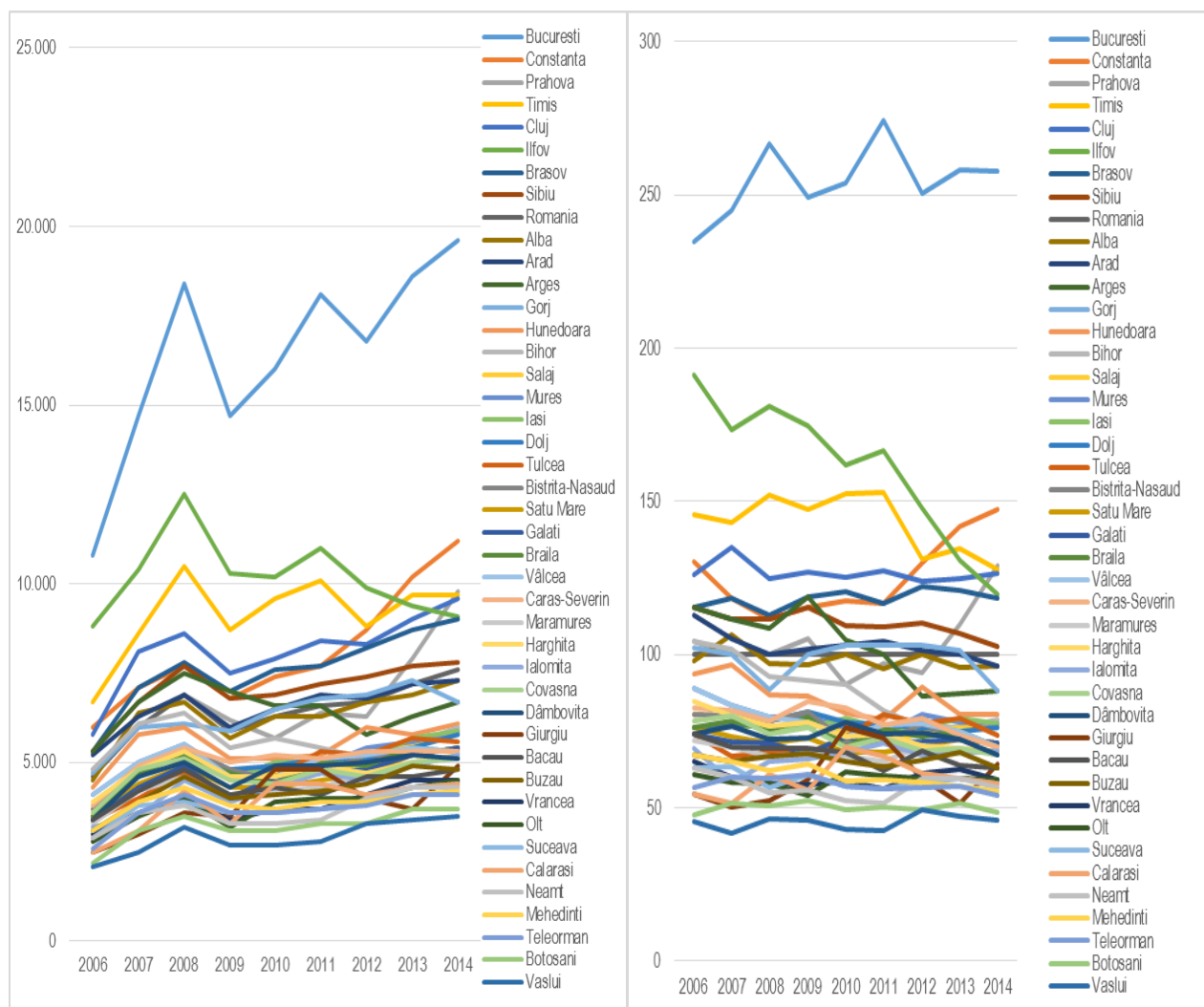
**Figure no. 2. Gross domestic product (GDP) at current market prices by NUTS 2 regions of Romania (Purchasing power standard (PPS) per inhabitant) (a), (Purchasing power standard (PPS) per inhabitant in percentage of the EU average) (b)**

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

## THE DYNAMICS OF ECONOMIC DISPARITIES AT COUNTIES LEVEL IN ROMANIA

GDP/inhabitant expressed in Euro at the counties level had a fluctuating evolution also due to the economic conjuncture. We notice downward evolutions due to the economic crisis in the 2009-2010 period. Later on, there was an increasing trend in most counties, which shows positive developments in the Romanian economy. The difference between Bucharest and the counties of the country increased during 2006-2014. Overall there were no significant mutations, but there were also some notable increases in Bucharest and the counties of Constanța, Brașov, Cluj, Prahova and Timiș (Figure 3.a).

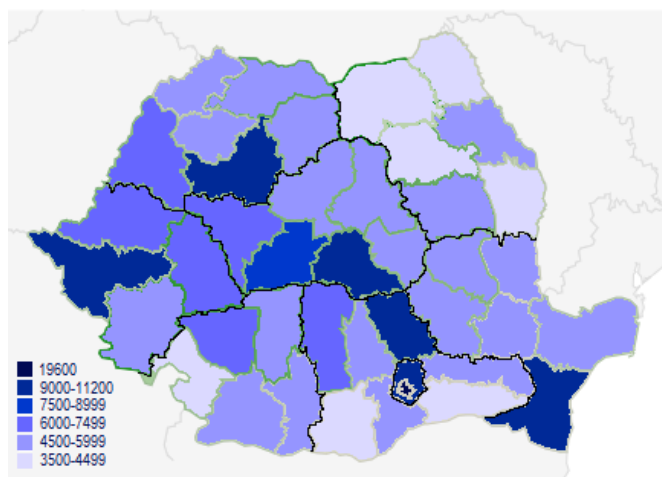
A clearer perspective on the evolution of inter-county differences in GDP per capita is given in the Figure 3.b. Here are highlighted county values relative to Romania's average. So, the difference between Bucharest Municipality and the counties of the country is increasing. Bucharest had a value of 2,5 times higher than the national average in 2014. The counties that had values over the national average in 2014 were Constanța, Prahova, Timiș, Cluj, Ilfov, Brașov and Sibiu. The smallest values, registered in Vaslui and Botoșani, are almost 50% of the national average, which shows that the development gaps are quite large.



**Figure no. 3. Gross domestic product (GDP) at current market prices by NUTS 3 regions of Romania: Euro per inhabitant (a), % of Romania average (b)**

Source: Eurostat (<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>) (a); own elaboration based on Eurostat data (<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>) (b)

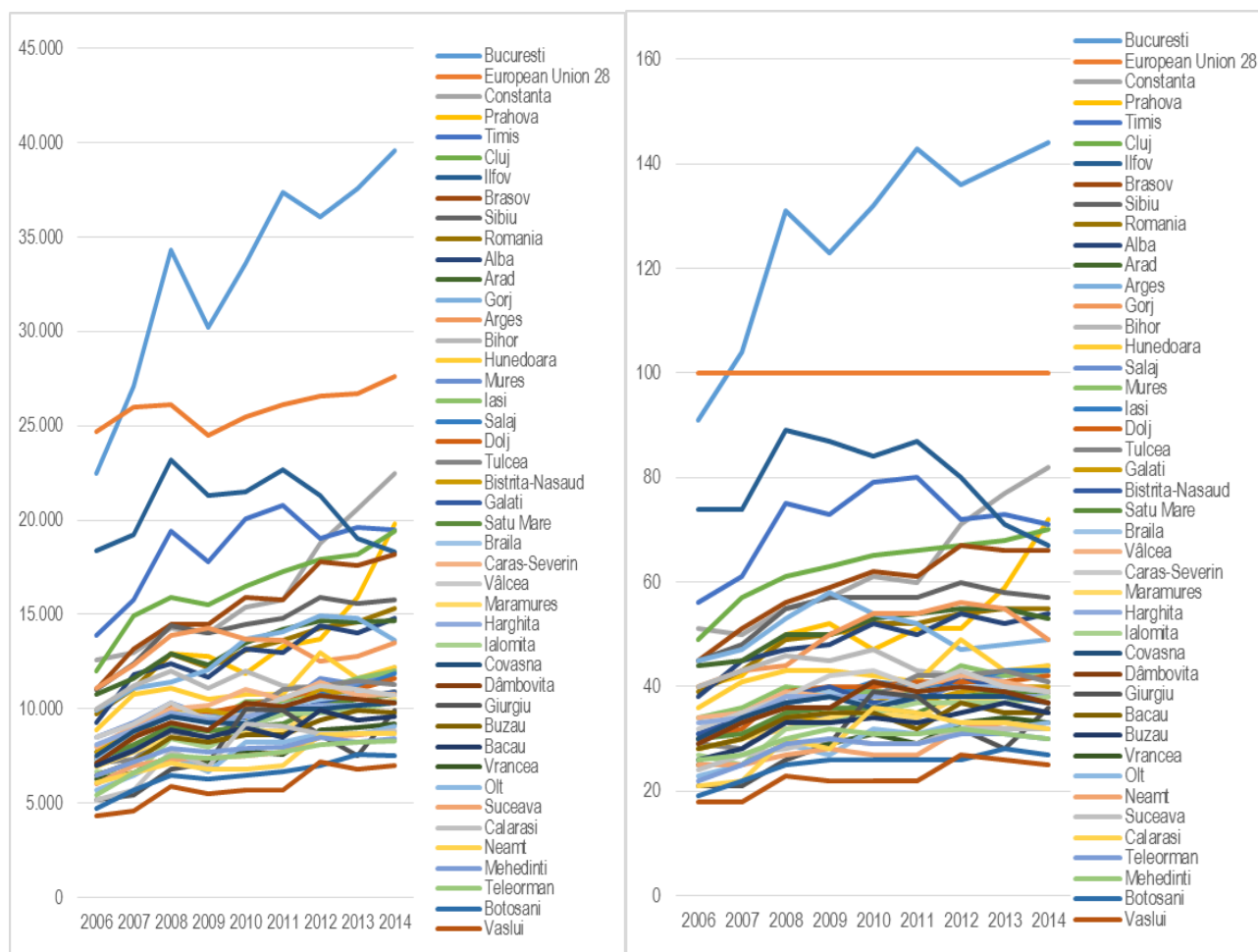
To better highlight the distribution of inter-county disparities, we have elaborated Figure no. 4, where we can see that the most developed areas are around the capital city and around a few important cities: Timiș, Cluj-Napoca, Ploiești, Constanța, Brașov and Sibiu, and the less developed ones are in a few counties in the south and northeast of the country: Mehedinți, Teleorman, Călărași, Suceava, Botoșani, Neamț and Vaslui. So, the west side of the country contrasts from this point of view with the eastern and southern sides.



**Figure no. 4. Gross domestic product (GDP) at current market prices by NUTS 3 regions of Romania (Euro per inhabitant), 2014**

Source: own elaboration based on Eurostat data (<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>)

The evolution of GDP/capita expressed in PPS at county level is generally increasing in the 2006-2014 period, with the exception of the economic crisis period. The differences among the counties remain, and Bucharest has higher values compared to the rest of the country (Figure no. 5.a). Bucharest also has a GDP/capita expressed in PPS higher than the EU28 average (Figure no. 5.b).



**Figure no. 5. Gross domestic product (GDP) at current market prices by NUTS 3 regions (Purchasing power standard (PPS) per inhabitant) (a), (purchasing power standard (PPS) per inhabitant in percentage of the EU average) (b)**

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



The counties with the highest values are Constanța, Prahova, Timiș, Cluj, Ilfov and Brașov, and the lowest values are recorded in Vaslui, Botoșani, Teleorman and Mehedinți. The highest increases are found in Prahova, Giurgiu, Constanța, Bucharest, Călărași and Brașov.

Compared to the EU28 average, Bucharest has a 1,4 times higher value. With reference to the Community average, we notice a slight increase in the county values during 2006-2014. The lowest value in 2014 was 25% of it, up from 18% of it in 2006. GDP values over 70% of the EU average are found in Constanța, Prahova, Timiș and Cluj counties.

## CONCLUSIONS

The issue of development gaps is of great relevance in the EU. These are manifested not only at EU level, but often also within the Member States. Using the values of the GDP/inhabitant expressed in Euro and PPS we highlighted the evolution of regional and county development gaps in Romania. Thus, it has been noticed that at the regional level the disparities persist, and the difference between the Bucharest-Ilfov region and the rest of the regions tends to increase. Compared with the EU average, Romania's regional values have increased, but only the Bucharest-Ilfov region has managed to exceed this average at GDP/capita expressed in PPS. Next to the Bucharest-Ilfov region, the highest values are recorded in the West, Center and South-East regions, average values are in the South-Muntenia region, and on the last places are the North-East and South-West Oltenia regions.

At the county level the differences of development are also kept, increasing slightly to the EU average. Bucharest has higher values compared to the counties, only it having values of GDP/capita expressed in PPS above the EU28 average. The highest values are in Bucharest Municipality and in the counties of Constanța, Prahova, Timiș, Cluj, Ilfov, Brașov and Sibiu, and the smallest are in Neamț, Suceava, Călărași, Teleorman, Mehedinți, Botoșani and Vaslui.

We think that the Community and national actions for decreasing the regional disparities should be continued and even intensified, so that in the underdeveloped regions the economic activity and the efficiency of it increase. A more intense accession of European Structural and Investment Funds allocated for these regions should be a priority, as well as, the use of these to consolidate the competitive capacity, getting to a equilibrated and durable development. By decreasing these economic disparities, EU can lead to a real unity and cohesion.

## ENDNOTES

- (1) Constantin D.L., *Economie regională*, Editura Oscar Print, București, 1998, p. 12
- (2) Nicolae V., Constantin D.L., *Noi tendințe în dezvoltarea regională și reflectarea lor în demersul științific actual*, in Constantin D.L. (coord.), *Probleme actuale ale dezvoltării regionale în România, Lucrările Primului Simpozion Național al Asociației Române de Științe Regionale, 25-26 aprilie 2001*, București, Editura Oscar Print, București, 2002, p. 118
- (3) Scutariu A.L., *The E.U. regional policy and the economic development*, The USV Annals of Economics and Public Administration, Volume 16, Issue 1(23), 2016

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9. <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>