

ANALYSIS ON THE EVOLUTION OF THE INDUSTRY IN TIMIS COUNTY IN 2014

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Abstract:

This paper analyzes the evolution of the industry in Timis County, by using the results of a survey on the economic situation. The research compared the results of companies from Timis County to the ones in national companies. The analysis aims to explain the economic development in the Western region of Romania, particularly in Timis County, in the last 6 quarters.

Keywords: *production efficiency, foreign investments, welfare economics*

JEL classification: D24, D60, E220, E230

Introduction

In the period 2009 - 2011, Romania registered the largest budget deficits as a result of the consequences of the financial crisis and the pro-cyclical fiscal policy in the years before the crisis, which generated significant risks to economic growth and stability. The implementation of fiscal consolidation measures aimed at reducing the budget deficit and improving the situation of public finances. Romania has made, in recent years, considerable progress in reducing macroeconomic imbalances and restoring a fiscal and financial leeway, which, together with monetary policies and structural reforms, implemented or under implementation, helped maintaining the macroeconomic and financial stability.

In 2013, in Romania, the GDP grew by 3.5%, being the third year of growth (2.3% in 2011 and 0.6% in 2012), which reinforces the tendency to return from the economic and financial crisis that affected Romania in 2009 and 2010. The increase in 2013 was due, mainly, to the positive contribution of net exports, while the domestic demand was reduced due to lower gross fixed capital formation. The positive contribution of net exports of 4.4 percent was due to the increased foreign demand, which resulted in an increase in exports of goods and services, in real terms, by 13.5%, while imports of goods and services increased by 2.4%. [2]

In 2013, the economic growth was not sufficiently supported by the domestic demand and, especially, by the investment demand. The positive contribution of net exports has offset the 4.4 percent reduction in the domestic demand by 0.8.

According to the National Institute of Statistics, the Gross Domestic Product (GDP) estimated for 2014 was 669 509 200 000 lei current prices, increasing - in real terms - by 2.9%, compared to 2013. The estimated GDP for the fourth quarter 2014 was 198 830 700 000 lei current prices, increasing - in real terms - by 2.6%, from the fourth quarter of 2013.

The GDP in 2014 was, in real terms, up by 2.9%, compared to 2013. The main contributors to the GDP growth in 2014 were the fields of communications and industry. [1]

The most important contributions to the growth of the GDP in 2014, compared to 2013, were the industry (+0.9%), information and communications (+0.6%). The industry accounted for 24.0% of the GDP, and the volume of activity increased by 3.5%, while

information and communications had a share of 6.0% of the GDP and had a volume of activity increased by 11.0%. A positive contribution had the indirect taxes (+ 0.4%), whose share in the GDP was 11.5% and recorded an increase in their volume by 3,4%. Reducing the activity of financial intermediation and insurance, by 2.7%, had a negative impact on the GDP growth, its contribution to the GDP growth was -0.1%.

Investment activities were well below expectations, the gross fixed capital formation registering a fall of 3.3%, following 2011 and 2012, it recorded a recovery trend. This was caused by the increased uncertainty among investors, especially foreign investors and a low contribution of government investments.

In Romania, in recent years, there has been a focus on specific areas of the industry and, therefore, a differentiated socio-economic development, creating territorial disparities. Accordingly, in the case of Romania, the policy should not only contribute to the achievement of Romania's competitiveness, but also reduce regional disparities.

At the local economy level, according to the hierarchy of the Competitive Potential Index CPI¹ values, the first place is occupied by Argeş County, with an index value of 0.78, compared to a country average of 0.31, which reflects a large volume of total exports (the second per country), the highest ratio between exports and employed population (10.925 Euros/employee) and the largest weight of medium-high technology exports (20.3% of the total per country and 24% of the total per county). The second place, with an index value of 0.68, is occupied by Bucharest, having the highest export values, as well as the largest number of employed persons, while Timiș County occupies the third place.

The limited training effects in the territory, both in spatial plan (from county to county) as well as in sectorial plan (from industry to industry) may be understood, on one hand, through the insufficient development of connections between various economic activities. The Romanian commercial surplus largely depends on the development of the auto industry in Argeş and the Bucharest-Ilfov region contributes more through the import demand than through the surplus of external sales. The competitive advantages, the Competitive Potential Index measured by participating in the exports, are concentrated in seven counties, situated in the Western and Central part of the country (Argeş 10%, Timiș 9%, Arad 5%, Constanța 5%, Bihor 4%, Braşov 4%, Sibiu 4%), which, together with Bucharest (17%), achieve 60% of the Romanian exports.

The formation of competitive advantages in industrial agglomerations has recently become a preoccupation at the public level, where the most important role is played by the projects of forming the competitiveness poles initiated as of 2009 by the Ministry of Economy, Commerce and Business Environment through the Industrial Policy Direction.

Material and methods

This is an analysis on the evolution of the industry in Timis County, using the survey on the economic situation developed by the National Commission for Prognosis (CNP), comparing the results at companies from Timis County with the national average. The analysis aims to explain the economic development in the Western part of Romania, particularly in Timis County considered, as it was mentioned before, according to the hierarchy of the Competitive Potential Index (CPI), to be in the third place.

The model used to perform surveys on the economic situation is based on a total of 14 indicators in the industrial sector, which are included in the questionnaire to be

¹ CPI is a composite index calculated by aggregating some derived simple indicators (GDP/inhabitants, Exports/employed population) and a complex indicator (Technological development index)

filled. It consists mainly of the need to define a quantifiable measure of developments in the national economy.

This model addresses the classification of certain predetermined limits - finite intervals for each type of indicator.

The essence of the questionnaire is to obtain information that provides quarterly data on the last quarter and the next quarter.

To better understand and interpret the results, we must review the zonal distribution, economic activities and the origin of investors in the industry nationwide, respectively in Timis County.

The foreign investors occupy a vital position in determining the specialization tendencies in the Romanian economy and, consequently, the way in which the competitive advantages are formed. According to the statistics 12, more than 72 % of the turnover for the large and very large enterprises from the industry is achieved by the branches of multinational companies residing in Romania. With respect to the presence on foreign markets, from the largest 100 exporters, which ensure over 52% of the total exports, 96 are foreign capital companies and from the total of the 34 sub-branches of the industry (according to CAEN), 25 have foreign capital companies as leaders.

In the geographic profile, there is a remarkable concentration of investments in the BUCHAREST-ILFOV region (61.7%) and an equally important absence in the NORTH-EAST, the least attractive region for foreign investors, with only 2.9% of the direct foreign investments. For the rest of the territory, the distribution is balanced, with relatively small differences between regions: the CENTER absorbs 7.6%, SOUTH MUNTENIA 7.4%, the WEST 7.2% and the SOUTH-EAST 5.4%.

In the West Development region, the county specialization on economic sectors in Timis are: parts and accessories for vehicles, electric and electronic equipment for vehicles, footwear, hats, umbrellas and similar articles; means of transportation.

The research focuses on a sample of 16 industrial enterprises in Timis County participating in drafting the national forecast. Businesses are representative of those fields, and ownership structure is, unfortunately, foreign at most of them.

Results and discussions

Analysis of the economic indicators, based on the respondents' estimates nationwide indicates a positive trend for most of the indicators, for the first quarter, compared to the corresponding period of the previous year.

In the first quarter of this year, industrial production is expected to increase by 1.9%, compared to the first quarter of 2014, supported mainly by the 5.4% increase in the external demand. Accordingly, the total industry turnover is expected to increase by 4.1%, while on the domestic market is expected to increase by 1.6%, compared with the first three months of the previous year.

Stocks of finished goods are expected to decline by 3.8%, compared to the first quarter of 2014.

Compared to the first quarter of the previous year, the average number of employees is estimated to grow by 2.0% over industrial production growth, leading to a reduction of 0.7% in labor productivity in the industry.

Table. 1 Percentage changes compared to the corresponding period of the previous year (%), average nationwide

Indicator	Quarter III 2014	Quarter IV 2014	Year 2014	Quarter I 2015
1. Industrial output	4,2	2,4	6,1	1,9
2. Total turnover*	5,1	5,0	7,9	4,1
➤ internal	2,3	3,4	4,7	1,6
➤ external	8,6	7,4	11,8	5,4
3. Stocks of finished products	-0,2	-4,2	0,0	-3,8
4. Average number of employees	2,2	2,4	1,7	2,0
5. Productivity of labor	2,3	0,0	4,7	-0,7

Source: CNP processing based on NIS data; for quarter I – results from the survey on the economic situation; gross data

* deflated by the price index from industrial production

Table. 2 - Percentage changes compared to the previous quarter (%), nationwide

Indicator	Quarter II 2014	Quarter III 2014	Quarter IV 2014	Quarter 2015
1. Industrial output	3,2	-3,2	4,6	-2,5
2. Total turnover*	6,0	0,8	1,3	-3,8
➤ internal	13,7	3,1	-0,4	-13,0
➤ external	-1,1	-2,1	3,7	5,0
3. Stocks of finished products	-1,9	-11,5	10,9	-0,1
4. Average number of employees	1,0	0,2	0,0	0,8
5. Productivity of labor	2,1	-3,5	4,2	-3,3

Source: CNP processing based on NIS data; for quarter I – results from the survey on the economic situation; gross data

* deflated by the price index from industrial production

If we look at the specific situation on the sample of 16 companies from Timis County, we see that the whole period, starting from the last quarter of 2013, industrial production was in a process of decline, with no clear trend. For the first quarter of 2015, the decrease is about half the national average.

The domestic turnover is always lower than that the external one and the quarterly changes as we also presented in the county's economic structure and alternatively in the sample. Most companies have foreign capital and work exclusively for export, which is a component of the demand, which has supported Romania's economic growth in the last 2 years.

The explanation for the decrease in turnover for export is given by the decrease in consumption in the entire European Union, the companies in the sample having, in general, markets in EU countries.

Table no. 3 Percentage changes from the previous quarter (%) in Timiș County

Indicator	Quarter IV 2013	Quarter I 2014	Quarter II 2014	Quarter III 2014	Quarter IV 2014	Quarter I 2015
1. Industrial output	-0,6	-0,13	-0,44	-1,69	-0,31	-1,29
2. Total turnover*						
➤ internal	-0,86	-0,57	-2,09	-2,64	-2,0	-3,66
➤ external	-0,60	0,01	-0,12	-1,8	-0,31	0,02
3. Stocks of finished products	-1,16	-1,93	-1,37	-1,93	-2,18	-1,78

Source: own data processing of the results of survey on the economic situation; gross data

If we analyze the dynamics of the number of employees, nationwide, one could notice that in the fourth quarter of 2014, the average number of employees remained at the same level, slightly exceeding 1.3 million people, but increased by 2.4% over the corresponding quarter of 2013, which resulted in an increase of 1.7% in the year 2014 (see table).

Table no.4. Dynamics of the number of employees nationwide
- percentage changes compared to the corresponding period of the previous year (%)

	Quarter I	Quarter II	Quarter III	Quarter IV	Year
2013	1,9	0,9	0,3	0,1	0,8
2014	0,6	1,6	2,2	2,4	1,7
2015	2,0				

Source: CNP processing based on NIS data; for quarter I – results from the survey on the economic situation; gross data

Economic sectors (areas) where there have been significant increases in the number of employees were: computer, electronic and optical products (15.4%), other manufacturing activities (12.0%), manufacture of other means of transport (10.1%), manufacture of electrical equipment (9.9%) and textiles (9.8%) [3].

From this economic survey it results that in the first quarter of the current year, the number of employees in the industry will increase as compared to the first quarter of 2014 (2.0%) and compared to the fourth quarter of 2014 (0.8%).

Although Timiș County is one of the counties with the lowest unemployment rate, on a national level, there is a continuous decrease in the number of employees, obviously linked to the decrease in industrial production.

Table 5. Utilization of production capacities nationwide (%)

	Quarter I	Quarter II	Quarter III	Quarter IV
2013	74,8	76,1	69,0	80,9
2014	78,1	74,5	77,0	75,0
2015	74,5			

Source: data from the CNP survey on the economic situation

For the utilization of the production capacity, businesses that are part of the national sample estimate a slight reduction in the first quarter of 2015, reaching around 74.5% of the production capacity; after 2014, the average utilization was 76.15%.

For Timis County, in Table 6 we see a reduced level of production capacity utilization in the period analyzed (66%), compared to the national average.

Table. no 6. Utilization of production capacities in Timis County (%)

Indicator	Quarter IV 2013	Quarter I 2014	Quarter II 2014	Quarter III 2014	Quarter IV 2014	Quarter I 2015
Utilization of production capacities	68	69,3	70,6	67,5	63,7	69,3

Source: own data processing of the results of the survey on the economic situation; gross data

Regarding the stocks of finished products nationwide, one can notice in Table 1 and 2 that they were reduced by 4.2% in the fourth quarter of 2014, compared to the same period in 2013, while, in the first quarter, they increased by 10.9%. In the context of the annual growth of industrial production by 6.1%, stocks remained at the same level, compared to 2013. Stocks of finished products will be reduced in the first quarter of this year by 3.8%, as for the same period of past year, according to the assessments of traders, while compared to the previous quarter, a slight decrease is estimated to occur (-0.1%).

Businesses were expecting for the stocks of raw materials in the first quarter of 2015 to increase by about 2.9%, compared with the previous quarter (Table 7), after 2014, they had a sinuous evolution, alternatively recording increases and decreases quarterly.

Table. no.7. Evolution of stocks of raw materials nationwide - percentage changes compared to the previous quarter (%) -

Year	Q I	Q II	Q III	Q IV
2013	3,3	1,1	1,7	1,7
2014	2,8	0,6	2,4	1,6
2015	2,9			

Source: data from the CNP results of the survey on the economic situation (total period)

Unlike national variations, we observe that, in Timis County (8), stocks of finished goods decreased during every period as opposed to the previous period, within limits close to 3%. The reason is that the majority of the companies surveyed work for export (some EU parent companies), so it is not practical to storage the finished products, potential stocks resulting from orders that span over more than a single quarter.

Table. no 8 Evolution of stocks of raw materials and finished products in Timis County - percentage changes compared to the previous quarter (%) -

Indicator	Q IV 2013	Q I 2014	Q II 2014	Q III 2014	Q IV 2014	Q I 2015
1.Stocks of raw materials	-3,66	-2,66	-3,12	-1,87	-4,43	-3,57
2.Stocks of finite products	-0,33	-3,00	-1,25	-2,50	-4,50	-3,57

Source: own data processing of the results of the survey on the economic situation; gross data

In terms of the stocks of raw materials the explanation is the same, they all come from imports, most companies just rendering production services for external partners

(both the footwear industry and the automotive industry). The just-in-time production is characterized by firm orders without formation of stocks.

Analyzing the variation rhythm of raw materials prices in the selected companies from Timis County, one can notice that by the end of 2014 they had a downward trend, despite the devaluation of the real currency. Throughout the analyzed period, we can see that quarterly increases in raw material prices (Tab. 9) are much higher than those of finished products, the difference being covered by the low level of employment in Romania, as opposed to the EU average.

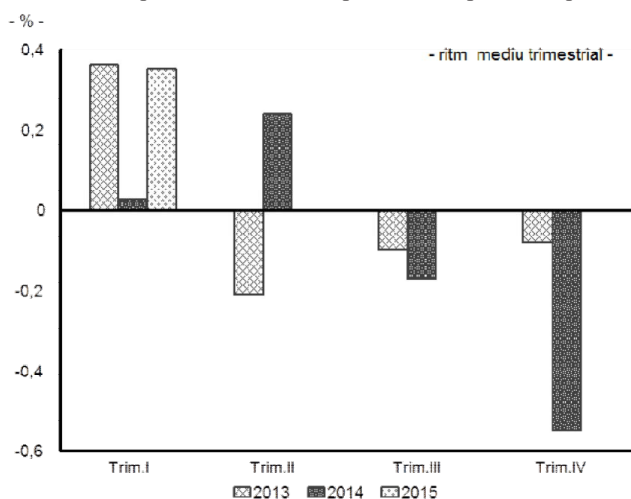
Table. no. 9 Trends in prices of raw materials and finished products in Timiș County - percentage changes compared to the previous quarter (%)

Indicator	Q IV 2013	Q I 2014	Q II 2014	Q III 2014	Q IV 2014	Q I 2015
Prices of raw materials	0,93	0,80	0,50	0,62	0,12	0,43
Prices of finite products	0,20	-0,13	0,01	0,06	0,25	0,14

Source: own data processing of the results of the survey on the economic situation; gross data

In Timis County, the industrial producer prices had a slight tendency to increase during 2014, the growth in the fourth quarter of 2014 being higher than the increase during the current year (0.25% compared to the previous quarter), close to the national average.

In terms of the national industrial production prices of chart. 1, there is a decrease of 1.06% in the fourth quarter of 2014, compared to the previous quarter



Trim. I 2015 - estimări realizate pe baza anchetei de conjunctură

Chart. 1 Evolution of industrial production price percentages nationwide

Source: NCP

(reducing the external component by 1.84%, while domestic producer prices decreased by only 0,68%). In the month of December 2014 (compared to December 2013), the industrial producer prices decreased by 1.36%.

Estimates of the survey on the economic situation lead to an average quarterly rate of producer prices of 0.35%, for the first quarter of this year, so higher level than in the previous quarter (-0.55%) and that of the first quarter of 2014 (0.03%).

However, production prices are expected to decrease by 0.7% in the first quarter of this year, compared to the same period and for the month of March 2015, compared to December 2014, where an increase of about 1.0% was expected.

Conclusions:

The analysis performed on sample estimates of industrial companies for the 6 quarters (fourth quarter 2013-first quarter 2015) shows that the Romanian economy is still in the process of recovering from economic and financial crisis. The industrial sector in particular is recovering very slow, being dependent on foreign investments that were very low in the analyzed period - in Timis County, they had an insignificant average quarterly growth.

Despite the fact that foreign investments in Romania were made with the clear purpose of obtaining profit, foreign investors are not interested in the real growth of the Romanian economy and a balanced economic territorial development.

The foreign investors occupy a vital position in determining the specialization tendencies in Romanian economy and consequently, the way in which the competitive advantages are formed.

Competitive advantages, the COMPETITIVE POTENTIAL INDEX measured by participating in the exports, are concentrated in seven counties, situated in the Western and Central part of the country.

Although Timis County is among the regions with a high COMPETITIVE POTENTIAL INDEX, the comparative analysis between the sample economic survey carried out in Timis County and the national survey results show that there are big differences between production in our county and the national average. The advantage comes from the location of Timis County at the western border of the country, which allows easy access to Western Europe. Unfortunately, skilled labor produced by the Timisoara University Center is not exploited, many IT companies having their headquarters in the capital.

Major foreign investments in the county have a low added value, including the clothing industry, footwear or subassemblies in the automotive field, using unskilled and cheap labor.

The sustainable development of the Romanian economy should be based on supporting those industrial fields that produce a high added value, having in Romania a full production cycle, involving as many internal resources.

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