EVOLUTIONS IN CONSTRUCTION ACTIVITIES IN ROMANIA

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Abstract: Construction, in the conception of several specialists, are a part of the tertiary sector and therefore are considered service activities. Lately we are witnessing a significant increase in services activities, be it civil or industrial construction, be it interior design or road construction.

One of the most dynamic sectors of the Romanian economy is the construction industry, and we say this because we are witnessing in recent years to an increase of specialized companies number, entering the Romanian market of a large number of companies representing multinationals and major investments in projects scale. Another determining factor in the evolution of the construction market in Romania refers to increasing the comfort level required by the population, something that sets new construction, modification of existing investments in interior design of living spaces or industrial ones.

We will try in this paper to support the idea that construction are service activities and present trends of development of this highly specific branches of the national economy. We will make a trip in time to determine the trend of development but also in space to have an overview of the level of construction development in various regions of the country. We will use in this sense the specialty literature and statistical data available at the moment.

Keywords: construction, services, evolution, Romania, regional level

1. Introduction

The clearest definition of service activities bring to the fore, primarily, that is a branch of the national economy, which is conducted the execution of construction works, for the creation of fixed assets and maintaining existing buildings at a level technical constructive as close to the original. Construction works represent all the activities for the production of materialized real estate. Construction works can be executed at residential buildings, nonresidential and engineering construction.

Stage of knowledge

The construction sector has a strategic importance for the EU as it offers to society buildings and necessary infrastructure. It is the largest economic activity and the largest industrial employer in Europe (directly it employs approximately 20 mil. people and according to FIEC, directly and indirectly affects 44 mil. workers), representing over 10% of GDP of the Union Europe, more than 50% of gross fixed capital formation and 40-45% of Europe's energy consumption represents buildings and 5 -10% over this value represents consumption from processing, transport of construction materials for buildings. Public infrastructure investments represent between 0.5 and 2% of GDP in European countries.1

The construction sector effectively promotes an European growth, sustainable and competitive by: - creating an energy efficient environment and integrating renewable energy; - establishing a modern infrastructure for the transport sector; - reducing the environmental footprint of products and services. The construction sector is the largest industrial employer in Europe. The construction industry has been subject to a cyclical pattern of historical development more pronounced than the overall economy or other areas of economic activity. Looking at the special production model worldwide for the past four decades, we see a general upward trend, dotted with peaks of growth and periods of decline.2

The evolutions in construction sector and real estate still deserve attention in the context of vulnerabilities that they have demonstrated during the crisis. Companies from the two industries are characterized by high levels of indebtedness, with significant levels above the average in the economy (lever indicator of firms from real estate sector stood at 6.2 in December 2014 and 3.8 for construction, while at the economy level the ratio between debt and equity was 2.2). Moreover, the payment subject of the companies in the two sectors remains at a low level, these being responsible for about 16% of the total back payments arising from non-financial companies in 2014, similar to last year. These firms generate a significant proportion of major payment incidents in the economy (22%, but decreasing compared to 2013, when the share stood at 40%). In the first six months of 2015, the total share of major

incidents payments related to companies in the construction and real estate sector was 17%, almost half compared to
the same period of the previous year3.

Construction and real estate sectors are strongly procyclical, they recorded significant adjustments in
economic activity over the last economic cycle. Thus, gross value added in the construction sector was reduced from
about 11% in 2008-2009 to 8% in 2014 (share in total gross added value of non-financial corporations sector). Low-
tech degree and high duration of achievement during the housing create prerequisites for a high degree of
inelasticity of housing supply and cause a significant vulnerability for companies in this sector. To this is added also
the significant reliance on funding from non-residents (11 billion euros, or 31% of total external funding from non-
financial corporate sector attracted to September 2015), more than half of it being on short term4.

2. Characteristics of construction activities

Including construction services in large family of services is based on the specificity of these activities very
similar to other services and we refer here to the most important characteristics of services that respond als the
activities treated in this paper.

When it comes to construction activities we mention about providing products and construction elements -
the organization works, building construction, plumbing, rental of building machinery, professional services
(architecture, including engineering services and controlling costs). In addition, it include the real estate sector,
which is the main beneficiary of the construction sector. So, we mention about the various activities that get
benefits, utilities, benefits through the provider’s effort to achieve specific works nor about the building materials
that represent elements underlying these activities along with machines tools, installations, etc.

The National Statistics Institute interesting divides construction activities, namely: construction production,
construction supplies and current construction and repair works.

Production of building material represents in the material form construction works, construction and
installation of equipment by processing and incorporation into investment objectives or overhaul of material, labor
and services, and their value in monetary form; can be made under contract or in administration.

Construction supplies represent the amount of maintenance works and current repairs on buildings and
existing constructions. The value of construction works (production and provision) refers to the value of the
received and accepted estimate assets for payment by the beneficiary, expressed in current estimate prices. The
current maintenance and repair works represent all the operations performed on an existing building to ensure
continuity in its use, prevent depreciation of the building and prolong its operation.

Thus we can say that the construction activities include all the efforts of providers in order to perform
certain operations such as the supply of building materials, specialized services, construction works, streets works,
interior design, equipment rental, real estate, etc.

These issues have led specialists to bring these activities closer to the tertiary sector. In the classification of
the national economy, buildings are in a separate section, classified separately and include general construction and
special activities for buildings and civil engineering. Section includes new works, repairs, additions and alterations,
the erection of prefabricated buildings or structures on the site and also construction of temporary nature. The
subtasks of this section are: development (promotion) estate, construction work of residential and non-residential,
construction of roads and railways, construction works of utility projects, construction of other civil engineering
projects, demolition and site preparation, electrical works and technical plumbing and other construction installation
works, finishing works, other special construction works.

To a simple enumeration of specific activities in this field it is found that they are active service and in
support of this idea we present how buildings satisfy the main features of services, namely: intangibility,
inseparability, heterogeneity, perishability.

Construction intangibility is rendered by the impossibility to make their characterization using physical,
chemical and organoleptic parameters until contracting and consumption time. Constructions as activities are
operations through which are made buildings, works or design, architectural designs, construction, finishing works,
etc. which are invisible until actual execution. There is also elements of tangibility such as price and promotional
information provided by the portfolio of work but also the provider that can cause the client to seek the services in
question.

Inseparability refers to the impossibility of separating the construction works of their supplier and in many
cases of their consumer, be it the owner of the building to be constructed or who continuously monitor and give
instructions related to their needs, whether it’s the interaction between builder and operator of rented equipment or
architect that makes the project or the consumer or real estate agent who sells or rents a building to a client.

Heterogeneity shows that construction activities cannot be rendered identically from time to time even from
the same manufacturer, claims being different, building materials being different state provider being different from
day to day depending on his feelings, health issues that put their mark on the quality of performance.

3 http://www.bnro.ro/Publicatii-periodice-204.aspx
Perishability requires that construction works cannot be stored for consumption when there is demand for it. For example, seasonality is affecting construction activities, but the impossibility of rendering them in winter, their storage does not allow to be provided as soon as weather permits.

The price of building services is a price of demand and brings forward the fact that a customer has a choice to make between realizes himself the construction activities or purchases them from an authorized provider in this sense. Even in the latter case the price is of the customer because has the possibility to choose on a scale of values that provider that offers the best quality -price query and responds best to his needs.

Given these issues we can appreciate that construction activities shows many of the characteristics services activities can be included in the tertiary sector of any economy.

3. Evolution of construction activities in Romania

In Romania, the dynamic of real estate market and construction market is supported both by factors of demand and offer. Existing data shows that since 2015 it is registered an accelerating of construction sector activity, especially residential construction segment. The volume of investments in new construction works increased in the first quarter of 2015 by 16.2% in annual terms.

To present the evolution of construction activities in Romania per total economy but also regionally we present the following statistical data available at this time regarding the number of companies in the construction segment, the number of people employed in construction, the contribution of construction in GDP, investment in this area and others.

Table no.1. The number of active enterprises in the national economy and in construction and by class size

<table>
<thead>
<tr>
<th>Class sizes of enterprises</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>55496</td>
<td>3094</td>
<td>54169</td>
<td>3162</td>
<td>49180</td>
<td>2413</td>
<td>45201</td>
</tr>
<tr>
<td>0-9 persons</td>
<td>49501</td>
<td>2634</td>
<td>48571</td>
<td>2748</td>
<td>43840</td>
<td>2071</td>
<td>39405</td>
</tr>
<tr>
<td>10-49 persons</td>
<td>48131</td>
<td>3632</td>
<td>48739</td>
<td>3433</td>
<td>43805</td>
<td>2862</td>
<td>47737</td>
</tr>
<tr>
<td>50-249 persons</td>
<td>9939</td>
<td>868</td>
<td>8577</td>
<td>643</td>
<td>8047</td>
<td>507</td>
<td>8605</td>
</tr>
<tr>
<td>250 persons and over</td>
<td>1878</td>
<td>98</td>
<td>1614</td>
<td>62</td>
<td>1553</td>
<td>53</td>
<td>1609</td>
</tr>
</tbody>
</table>

Source: www.insse.ro

It finds that in the period for which there is data, active enterprises in the total economy experienced a peak in 2008 after which there were declining until 2011, a year after that resumes an uptrend, but the difference compared to 2008 remains quite high, specifically 47 527 companies with less than 2014, ie 8.5% less than in 2008. In the case of construction enterprises return on the uptrend begins with precisely one year later in 2012, the last year of analysis being with 6 286 fewer than in 2008, ie 22% less. Dividing by class size brings us forward that the most numerous are small and medium enterprises with a reduced number of employees but also with financial power reduced, but with an upward trend at the expense of large enterprises and very large decreases were recorded.

According to the authors Florian Neagu, Florin Dragu, Adrian Costeiu, in the study „After 20 years: structural changes in the Romanian economy in the first decades post December” found that the biggest increase in the number of companies has been in construction and real estate (over 12 times in 1994-2014 interval, the starting point is still low; Also it can be seen the fact that construction sector recorded the highest frequency of companies with negative net result (almost 40%).

These companies have conducted to the next evolution of construction works by mode of execution:


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47
Table no. 2. Construction works by way of execution

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>29625.7</td>
<td>42970.4</td>
<td>62490.8</td>
<td>88856.3</td>
<td>76689.3</td>
<td>70055</td>
<td>74418</td>
<td>74295.9</td>
<td>65567.3</td>
<td>65815.5</td>
</tr>
<tr>
<td><strong>New construction and workover</strong></td>
<td>22222.2</td>
<td>33517.6</td>
<td>50051.6</td>
<td>72840.8</td>
<td>61554</td>
<td>57336.8</td>
<td>59708.1</td>
<td>58504.8</td>
<td>51508.9</td>
<td>51152.7</td>
</tr>
<tr>
<td><strong>New construction and workover - under contract</strong></td>
<td>22109.9</td>
<td>33250.6</td>
<td>49704.4</td>
<td>72368.4</td>
<td>61252</td>
<td>57007.5</td>
<td>59092.5</td>
<td>58192</td>
<td>51172.8</td>
<td>50632</td>
</tr>
<tr>
<td><strong>New construction and workover – in administration</strong></td>
<td>112.3</td>
<td>267</td>
<td>347.2</td>
<td>472.4</td>
<td>302</td>
<td>329.3</td>
<td>615.6</td>
<td>312.8</td>
<td>336.1</td>
<td>520.7</td>
</tr>
<tr>
<td><strong>Current maintenance and repair</strong></td>
<td>7403.5</td>
<td>9452.8</td>
<td>12439.2</td>
<td>16015.5</td>
<td>15135.3</td>
<td>12718.2</td>
<td>14709.9</td>
<td>15791.1</td>
<td>14058.4</td>
<td>14662.8</td>
</tr>
</tbody>
</table>

Source: www.insse.ro

It notes that overall construction works recorded a peak in 2008 after which the construction value gradually declined, with a slight recovery in 2014. An evolution is observed in new buildings and workover in administration that in the last year of analysis had a sustained positive development of the real estate market, in administration being conducted generally houses.

For an overview of the number of houses and housing permits related, we present the Figure No. 2.

![Figure no. 2. The number of houses completed and housing permits related](source:INS)

It is observed a gap between obtaining construction permits time and their realization. From 2003 to 2007 there were obtained more permits than the constructions completed and since 2008 constructions are numerous than permits. It can be said that the gap is somewhat adjusted but we interpret this difference uncovered by avoiding legal issues regarding the authorization to perform construction. Moreover, it can be seen an increase in the number of demolitions of unauthorized construction or numerous requests to legal entry as soon as possible.

The volume of construction works, structure elements and construction objects during 1.1-30.IX.2015 compared to the period 1.1-30.IX.2014, as series adjusted by number of working days and seasonality, increased in total by 10.5%. By structure elements, the volume of construction works increased as follows: workover by 17.5%, maintenance and repair works by 10.5% and new construction works by 9.0%. By construction object, increases were recorded as follows: 8.6% non-residential buildings, residential buildings by 6.7% and by 6.4% engineering constructions.

Data on gross domestic product and construction area are shown below:

Table no. 3. Gross domestic product, by resource category and categories of uses
It is noted that construction area contributes in a large proportion to GDP in Romania, value that if it is added to services we can see the major contribution to achieving GDP of tertiary sector compared to the other two sectors.

So in terms of contribution to GDP creation of the main activities (%) in 2011 and 2014 compared situation, it is shown in the figures below:

Figure no. 3. The contribution to GDP creation of main activities (%) in 2011

Figure no. 4. The contribution to GDP creation of main activities (%) in 2014

There is a decrease of all activities contribution including construction in favor of services activities within which we include also services as we previously established.

In foreign investment made in the construction sector it can be seen that at the end of 2015, the distribution by main economic activity of foreign direct investment in greenfield enterprises are as follows:

Table no. 4. Foreign design investments on the activities of the national economy in 2015

<table>
<thead>
<tr>
<th>Activity</th>
<th>Foreign direct investments</th>
<th>Foreign design investments in greenfield enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mil. euro</td>
<td>Mil. euro</td>
</tr>
<tr>
<td>TOTAL, from which:</td>
<td>64 433</td>
<td>36 484</td>
</tr>
<tr>
<td>Industry</td>
<td>28 746</td>
<td>13 303</td>
</tr>
<tr>
<td>Extractive industry</td>
<td>1 952</td>
<td>141</td>
</tr>
<tr>
<td>Manufacturing industry</td>
<td>20 477</td>
<td>11 052</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>6 317</td>
<td>2 110</td>
</tr>
<tr>
<td>Trade</td>
<td>7 861</td>
<td>6 056</td>
</tr>
<tr>
<td>Construction and real estate</td>
<td>7 877</td>
<td>5 734</td>
</tr>
<tr>
<td>Professional, scientific, technical, administrative and support services</td>
<td>4 056</td>
<td>3 566</td>
</tr>
<tr>
<td>Financial intermediation and insurance</td>
<td>8 428</td>
<td>3 087</td>
</tr>
<tr>
<td>Information and communication technology</td>
<td>3 690</td>
<td>2 172</td>
</tr>
<tr>
<td>Other activities</td>
<td>3 775</td>
<td>2 566</td>
</tr>
</tbody>
</table>

In construction sector have recoveres 12% of total investments in the economy and 72.8% of these were represented by greenfield investments. In terms of distribution by main economic activity, foreign direct investment in greenfield enterprises were channeled primarily into manufacturing (30.3% of total FDI in greenfield enterprises). Other branches - Foreign direct investment in Romania in 2015 where these investments have a significant percentage were: trade (16.6%), construction and real estate (15.7%) and professional, scientific, administrative and support services (9.8%).

Not irrelevant are data on international trade in construction services for which we show the table below:

**Table no. 5. International trade in construction services in Romania**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>15102</td>
<td>9234</td>
<td>5868</td>
<td>16645</td>
<td>9847</td>
<td>6795</td>
</tr>
<tr>
<td>Debit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction services</td>
<td>411</td>
<td>112</td>
<td>299</td>
<td>374</td>
<td>114</td>
<td>158</td>
</tr>
<tr>
<td>Foreign construction services</td>
<td>369</td>
<td>59</td>
<td>311</td>
<td>346</td>
<td>65</td>
<td>279</td>
</tr>
<tr>
<td>Construction services in Romania</td>
<td>41</td>
<td>54</td>
<td>-12</td>
<td>29</td>
<td>50</td>
<td>-20</td>
</tr>
</tbody>
</table>

Construction services - include the total value of construction works performed in a shorter period of 1 year. There are gross recorded the creation, renovation, repair or extension of buildings, facilities or other technical categories (including roads, bridges, dams, etc.).

It seems like if in the sector of services, the value of trade balance is favorable to our country and is also growing, in which it concerns us, constructions services are well developed abroad where the balance is positive but going down from the previous year by 32 million euros. We can’t say the same thing about construction services in Romania because the balance is negative with a deficit which is bigger and bigger-12 million euro in 2014-20 to 20 million euro in 2015.

**Conclusions**

It is found that construction activities are activities grouped in a separate structure of the national economy, well individualized structure given the importance of these activities both nationally and regionally. It seems like the constructions activities are grouped activities in a separated structure of the national economy. It’s a well individualized structure given by the importance of these activities both nationally and regionally.

The construction sector contributes in a large proportion to the PIB of Romania, value which if we add to the services domain we see a major contribution at achieving the PIB of the tertiary sector compared to the other two economic sectors.

Construction works registered a maximum in 2008 after which the value of them gradually declined, with a slight recovery in 2014. An atypical evolution can be observed in new construction works and capital repairs, which in 2014 had a successful evolution sustained by the estate market in general homes being realized.

The businesses in the construction field returned to an upward trend in 2012, after the economic boom from 2008, in 2014 there are with 6286 fewer companies in construction than in 2008, more exactly with 22% less. The divisor on classes based on size brings us to the forefront the fact that the most numerous businesses are the small ones with a reduced number of employees but also with reduced financial power, but with an upward trend at the expense of large and larger enterprises which have registered declines.

In 2015 the construction field had been given 12% of total investments in the economy and of these 72.8% were represented by investments greenfield.

The construction sector is the largest industrial employer in Europe. The construction industry has been historically subject to a cyclical pattern of development more pronounced than the overall economy or other areas of economic activity.

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