

THE EVOLUTION OF THE FINAL CONSUMPTION IN ROMANIAN ECONOMY

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Abstract:

This paper presents the evolution of the final consumption in Romania, as part of gross domestic product during the period 2009 - 2014. The analysis of the final consumption shows concern especially by observing the evolution of its two components: actual consumption achieved by households and the one achieved by public administrations. Final consumption has a high share within the gross domestic product, but the trend is one of diminishing it. The situation in which our country is found is no different from what occurs in other EU countries, where the final consumption has a significant share in GDP.

Keywords: final consumption, GDP, household consumption, public administrations consumption

JEL CODE: D00, E00, I19

1. Introduction

In today's economy, consumption is the main instrument through which consumers satisfy their needs constantly multiplying and developing. Consumption is, in fact, the social- human purpose of the individuals. The consumer society is considered to be the most efficient way of allocating resources between participants in economic life, one that can lead to sustainable and prosperous development of the states adopting it. [3]

Consumption aims the use of goods and immediate or gradual loss of their utility and can be structured in final consumption and intermediate consumption.[5] This paper proposes an analysis on the first component of consumption, namely the final consumption.

Final consumption includes those goods that are used for the satisfaction of needs and not producing other goods. In its turn, final consumption is divided into: individual final consumption of households and the public administration final consumption.

Along with the presentation and analysis of final consumption there will be analyzed the evolution of gross domestic product, hoping to see the trend of the two macroeconomic indicators. In the Romanian economy, for the period 1990 - 2009, it was established that there is a significant direct relationship (Anghelache, 2011) between GDP and final consumption.

2. Final consumption during the period 2009 - 2014 in Romania

At the Romanian economy level, gross domestic product is structured according to the use within the following elements:

- Actual final consumption;
- Gross capital formation;
- Net export.

The authors have proposed, in this paper, to analyze of the three components of gross domestic product only the first one, namely, final consumption for the period 2009 – 2014. Table no. 1 highlights the values recorded during the period under review for gross domestic product, final consumption and for the two components of final consumption. Values of the indicators are provided by the National Institute of Statistics through the publication Statistical Yearbook of Romania.

During the period 2009 - 2014, gross domestic product registered an upward trend, without fluctuations. While in 2009 the GDP reached 510.522,8 million lei at the end of the period under review it reached 667.577,4 million.

Thus, in the six years of the analysis we had, the indicator increased by 30,76%. Final consumption showed the same trend between 2009 - 2014, namely an upward trend, without fluctuations, and the increase was by 23,79%. Final consumption in 2009 was that of 404.803,3 million lei, and in 2014 reached 501.131,3 million. The difference in growth is determined by the evolution of the other two components of gross domestic product: gross capital formation and net exports.

Table no. 1. The evolution of GDP and of the final consumption in Romania
(Million lei current prices)

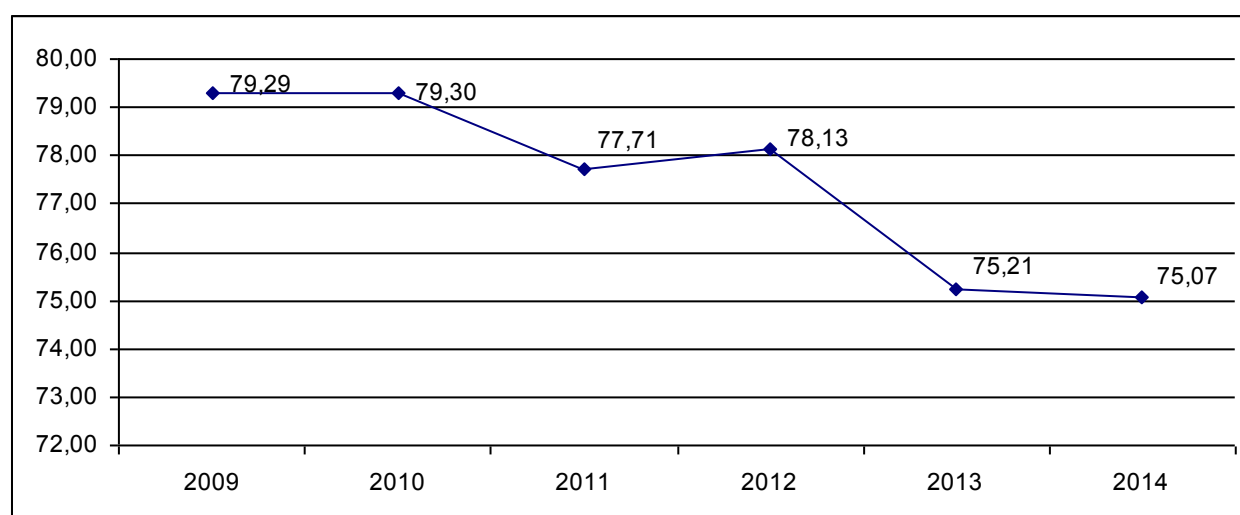
	PIB GDP	Final consumption	Household consumption	Administration consumption
2009	510522,8	404803,3	361734,5	43068,8
2010	533881,1	423393,2	386129,1	37264,1
2011	565097,2	439129,1	403943,3	35185,8
2012	595367,3	465156,9	427700,2	37456,7
2013	637456	479450,6	430463,8	48986,8
2014	667577,4	501131,3	451871,6	49259,7

Source: Statistical Yearbook of Romania, 2015

The two components of the final consumption had slightly different developments. Individual final consumption of households showed an upward trend. In 2009 this indicator reached 361.734,5 million and in 2014 reached 451.871,6 million lei, increasing by 24,91%. Instead, public administrations final consumption registered an upward trend, but there were fluctuations during the analyzed period. In the first three years, in public administrations consumption decreased from 43.068,8 million lei in 2009 to 35.185,8 million lei in 2011. But in the next three years has increased from 37.456,7 million lei in 2012 to 49.259,7 million in 2014. For the entire period under review, consumption of public administration grew by 14,37%.

Along with the absolute values of the indicators, necessary for the analysis undertaken, relative values are also important. Given that GDP consists of three elements, it is necessary to see how much the final consumption represents. Chart no. 1 shows the share of the final consumption in GDP.

Chart no. 1. The share of the final consumption in GDP



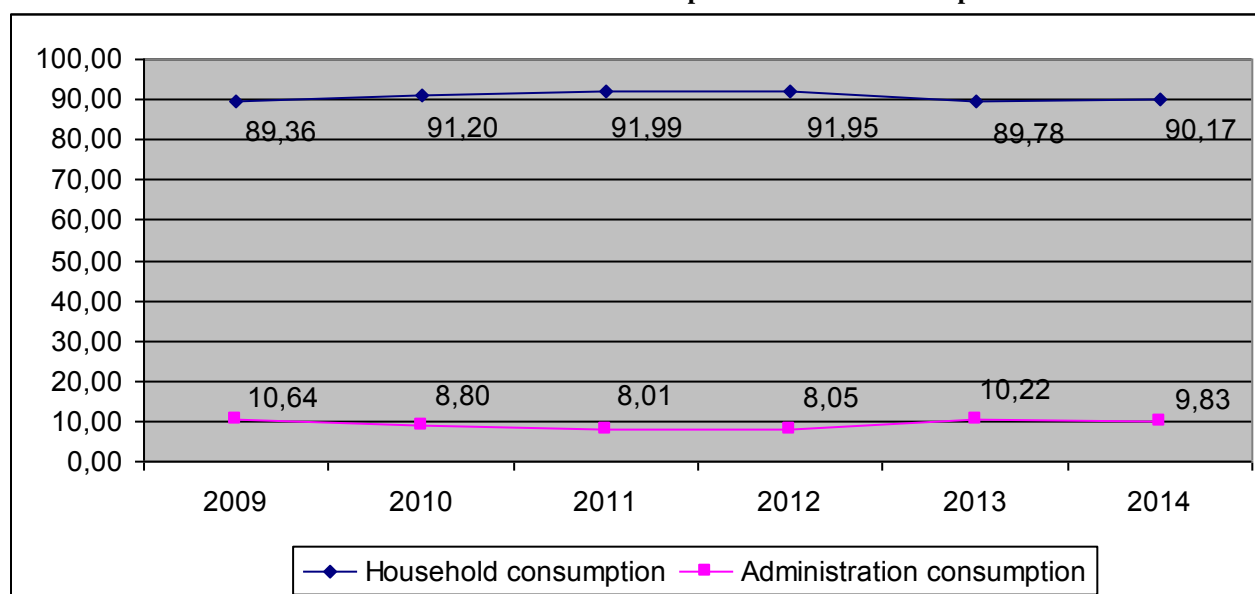
Source: Created by authors based on data published in the Statistical Yearbook of Romania, 2015

Even if the evolution of the two indicators was an increasing one, we must note that the share of the final consumption in GDP has a downward trend, with some fluctuations. In 2009 the share of the final consumption in GDP was that of 79,29%, slightly increased the next year reaching to 79,30% and in 2011 fell to 77,71%. In 2012 it reached 78,13% in the next two years to fall continuously to 75,21% in 2013 and 75,07% in 2014.

The trend of reducing the share of the final consumption in GDP is a commendable one, leading to the development of other components of the indicator. However, it should be noted that in the early years of the crisis, which has also affected our country, the final consumption had a share of almost 80% of GDP, boosting consumption being one of the levers that helped the attempt of overcoming the crisis.

From Table. 1 we could notice that most part of the final consumption belongs to individual final consumption of households. This reality is complemented by calculation and presentation of the share of the two types of consumption, in the final consumption of the Chart. 2.

Chart no. 2. The share of the two components of final consumption



Source: Created by authors based on data published in the Statistical Yearbook of Romania, 2015

The shares of the two components in the final consumption are diametrically opposed, because most part of the final consumption is directed towards consumption achieved by households. This type of consumption holds around 90% of shares with slight variations during the same period. The share of consumption achieved by public administrations varies around 10%.

3. Final consumption. Comparisons in the European Union

Official data provided by Eurostat regarding the level reached by GDP and final consumption in EU countries are presented in Tables. 2 and 3. These information concerns the years 2013 and 2014.

Table no. 2. The share of final consumption in 2013 in EU countries

	GDP (millions of euros)	Final consumption (millions of euros)	Share of final consumption in GDP(%)
UE 28	13558657,6	10588324,3	78,09
Bulgaria	42011,5	33218,4	79,07
France	2115256	1683217	79,58
Germany	2826240	2107888	74,58

Source: Created by authors based on data published in

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

In 2013, the share of final consumption in GDP for the 28 EU countries was 78,09%. Compared to the medium calculated for the European Union, only Bulgaria and France exceed it, recording shares of 79,07% and 79,58%. Romania and Germany are found below this medium, recording shares of 75,21% and 74,58%.

Table no. 3. The share of final consumption in 2014 in EU countries

	GDP (millions of euros)	Final consumption (millions of euros)	Share of final consumption in GDP(%)
UE 28	14000670,9	10860859,2	77,57
Bulgaria	42762,2	33999,1	79,51
France	2139964	1700762	79,48
Germany	2923930	2155414	73,72

Source: Created by authors based on data published in

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

In 2014, the share of final consumption in GDP for the 28 EU countries was 77,57% lower than the result recorded a year before. Compared to the medium calculated for the European Union, as in 2013, Bulgaria and France exceed it, recording shares of 79,51% and 79,48%. We must notice that the share calculated for Bulgaria is higher than in 2013, while the situation is completely opposite for France, whose share decreased. Romania and Germany are found below the EU mean in 2014, recording shares of 75,07% and 73,72%. Both states recorded decreases in the shares of final consumption in GDP.

In the European Union the final consumption registered an upward trend between 2004 - 2014, the growth being of 9%. However, it should be noted that this increase was not annual, as in 2009 and 2012 final consumption decreased. Considered from the point of view of the two components, the evolutions are different. Public administration final consumption had a 13% increase in noted period. Household consumption decreased in 2009, increased in the next two years to 0,8% in 2010 and 0,3% in 2011. This positive development was not maintained since the indicator began to decline in 2012 with -0,7% and -0,1% in 2013. In 2014, household consumption increased by 1,3%. [7]

We note that the share of final consumption in GDP is quite close between EU countries presented in Tables 2 and 3, the values being fit within the range of 70-80%.

4. Conclusions

For the analyzed period 2009 – 2014, in the Romanian economy can be noticed that there is a growing trend of final consumption in absolute value, but also a reduction as a share of gross domestic product. Normally, most part of final consumption consists of actual consumption achieved by households. In the next period is expected an increase of consumption in our country, this being the result of the measures adopted lately by increasing wages and reducing VAT.

It is noteworthy that having a significant share of final consumption in GDP is a reality in our economy in the last years, as economic growth has been supported by policies to stimulate consumption, especially consumption achieved by households. [1]

J.M. Keynes believes that economic actors are rational, and the decisions we take are rational, though, economic reality has shown that in terms of consumer choices, we are far from being rational. This thing happens, not necessarily because we do not want to be rational, but mostly because we are influenced and not aware of modern marketing techniques.

GfK Romania has achieved in 2011 the study “How Romanian consumers perceive the advertising and some of the conclusions include the fact that:

- 78% of those living in urban areas have taken over the behavior seen in advertisements in daily life;
- 57% of those living in urban areas prefer to buy discount products. [8]

Consumer behavior is determined by a number of factors, but it should be noted that education is one of the most important ones (Burghilea, Aceleanu, 2014). Education will enable consumers to make the most appropriate choices to meet their needs without being influenced by those around him, by advertising or other ways of attracting consumers.

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