

TRENDS IN THE EVOLUTION OF ROMANIA'S PUBLIC EXPENDITURES IN THE PERIOD 2014 – 2023

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Abstract

Our analysis aims to capture the evolutions recorded by public expenditures in the reference interval, in order to formulate pertinent conclusions regarding the size of the state's financial effort and its distribution by objectives, actions and beneficiaries. We will develop the study on two levels, respectively using indicators expressed in nominal terms (current prices) and in real expression (constant prices) in order to eliminate the influences of the inflationary factor and faithfully reproduce the trends followed by these budgetary indicators.

Keywords: public spending, current spending, investment spending, consumer price index, current prices, constant prices.

1. Introduction

The general needs of society are met by contemporary states, especially through public goods and services. In order to produce them, it is mandatory to carry out a variety of public expenditures.

"Public expenditures express economic and social relations in the form of money that are manifested between the state, on the one hand, and natural and legal persons, on the other hand, on the occasion of the distribution and use of the state's financial resources, in order to fulfill its functions." [1]

The national legislation appreciates the budgetary expenditures as the amounts approved in the component budgets of the consolidated general budget, within the limits and according to the destinations established by the respective budgets. [2]

2. Paper body

In Romania, between 2014 and 2023, the nominal level of the total expenditures of the consolidated general budget, expressed in millions of lei, is shown in the following table:

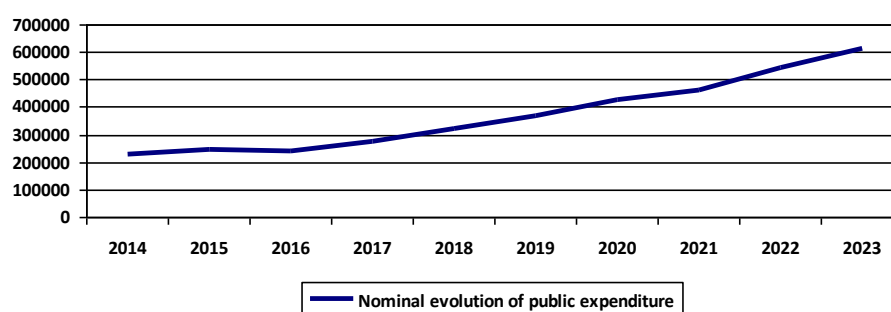
Table 1 Volume of total public expenditure in the period 2014 – 2023

Anul	Valoare
2014	226.326,8
2015	243.915,5
2016	242.016,3
2017	276.080,4
2018	322.454,5
2019	369.431,6
2020	424.434,8
2021	459.633,3
2022	541.092,3
2023	611.349,7

Data source: www.mfinante.gov.ro

The evolution of this indicator, during the analyzed period, is shown graphically below:

Figure 1 Evolution of public expenditure between 2014 and 2023



The nominal expenditure of the consolidated general budget registered a strong growth rate over the period under review. With one exception, in 2016, the size of public payments increased year-on-year, accelerating towards the end of the period. At the end of the interval, Romania's financial effort to meet collective needs is higher by + 385,022.9 million lei compared to 2014, representing a relative increase of + 170.11%.

In order to eliminate the influences of inflation on the analyzed indicator, we will determine the real annual level of total public expenditures, using the consumer price index, the values of which are presented below:

Table 2 Annual Consumer Price Index 2014 – 2023

Anul	2015/ 2014	2016/ 2014	2017/ 2014	2018/ 2014	2019/ 2014	2020/ 2014	2021/ 2014	2022/ 2014	2023/ 2014
IPC (%)	99,41	97,87	99,18	103,77	107,74	110,58	116,16	132,19	145,93

Data source: www.insse.ro

By relating the nominal amount to the consumer price index, we establish the annual expenses in the prices of 2014, these being rendered, in millions of lei, in the following table:

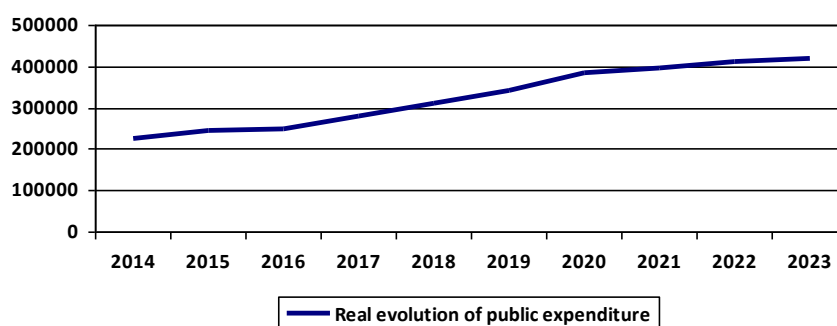
Table 3 Actual volume of total public expenditure in the period 2014 – 2023

Year	Value
2014	226.326.8
2015	245.363,1
2016	247.283,4
2017	278.362,9
2018	310.739,6
2019	342.891,8
2020	383.826
2021	395.689.8
2022	409.329,2
2023	418.933,5

Data source: own calculations

Graphically, the trend is illustrated as follows:

Figure 2 Evolution of actual public expenditure in the period 2014 - 2023



There is also an upward evolution of the real indicator, including in 2016, the only one in the interval in which, in nominal experience, expenditures decreased. However, the amplitude of the trend is smaller when we use constant prices. the volume of the financial effort being, at the end of the period compared to the first year, by + 192,606.7 million lei, respectively by + 85.1%.

The economic classification structures public expenditure into current expenditure and capital expenditure. Their nominal values, in million lei, are as follows:

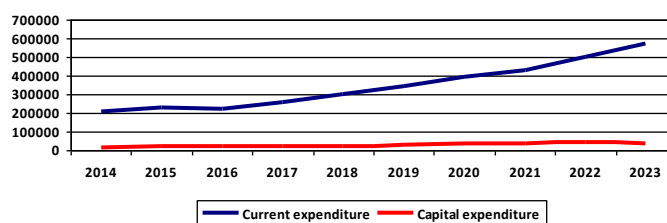
Table 4 Nominal levels of current expenditure and capital expenditure in the period 2014 – 2023

Year	Current expenses	Capital expenditure
2014	210.135,9	17.140,1
2015	226.688,1	18.263,4
2016	223.001,2	19.015
2017	257.735,3	19.556,6
2018	300.392,1	23.861,1
2019	343.030,6	30.070,1
2020	393.039,6	33.208
2021	427.477,7	33.842
2022	503.032	40.555.2
2023	574.562,4	38.817,7

Data source:: www.mfinante.gov.ro

The graphic illustration of the analyzed parameters is shown as follows:

Figure 3 Nominal evolution of current and capital expenditure in the period 2014 - 2023



We notice positive trends in both categories, but at different rates. While current expenditures have a sustained growth dynamic, capital expenditures evolve much more slowly. Compared to the beginning of the interval, at its end, it is allocated for current expenses by + 364,426.5 million lei more, i.e. a relative increase of +173.42%, while for investment expenses the absolute and relative increases are + 21,677.6 million lei, respectively + 126.47%.

In constant prices, in millions of lei, the values of the parameters are presented in the following table:

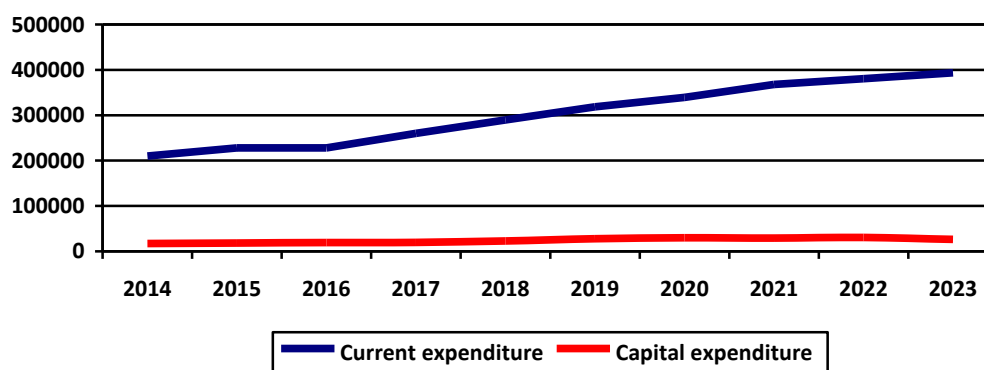
Table 5 Actual levels of current expenditure and capital expenditure in the period 2014 – 2023

Year	Current expenses	Capital expenditure
2014	210.135,9	17.140,1
2015	228.033,5	18.371,8
2016	227.854,5	19.428,8
2017	259.866,2	19.585,1
2018	289.478,7	22.994,2
2019	318.387,4	27.909,9
2020	339.412,4	30.030,7
2021	368.007,6	29.133,9
2022	380.537,1	30.679,5
2023	393.724,7	26.600,2

Data source: own calculations

The graphic evolution is reflected as follows:

Figure 4 Evolution in real terms of current and capital expenditure in the period 2014 - 2023



The nominal trends are also confirmed in the real world, with the obvious decrease in the rhythms. We note that. For both categories of expenditure, the highest annual amplitude was in 2019. In 2023, compared to 2014, in constant prices, current expenses increased by + 183,588.8 million lei, + 87.36%, and capital expenditures by + 9,460.1 million lei, i.e. + 55.19%.

The most important components of current expenditure are:

- personnel expenses;
- expenditure on goods and services;
- interest expenses;
- social assistance expenses.

The nominal and real values of these indicators, expressed in millions of lei, in the period 2014 – 2023 are presented below:

Table 6 Nominal and real levels of current expenditure structural elements in the period 2014 – 2023

Year	Values	Personnel expenditure	Goods and services	Interest	Social assistance
2014	Nominal	50.246,9	39.582,2	10.199,2	71.201,9
	Actual	50.246,9	39.582,2	10.199,2	71.201,9
2015	Nominal	52.025,6	40.808,3	9.571,7	75.945,5
	Actual	52.334,4	41.050,5	9.628,5	76.396,2
2016	Nominal	57.040,1	40.950,2	10.008,3	81.837,2
	Actual	58.281,5	41.841,4	10.226,1	83.618,3
2017	Nominal	69.620,5	40.623,5	10.124,6	92.571,8
	Actual	70.196,1	40.959,4	10.041,6	93.337,2
2018	Nominal	86.141,9	44.674,4	12.941,2	101.364,1
	Actual	83.012,3	43.051,4	12.471	97.681,5
2019	Nominal	102.341,2	52.782,3	12.151,2	114.739,2
	Actual	94.989	48.990,4	11.278,3	106.496,4
2020	Nominal	109.978,2	57.045,1	14.510,3	138.552,9
	Actual	99.455,8	51.587,2	13.122	125.296,5
2021	Nominal	111.906,3	64.037	17.979	147.248
	Actual	96.338,1	55.128,3	15.477,8	126.763,1
2022	Nominal	117.686,2	72.677,2	29.094,3	174.301,5
	Actual	89.028,1	54.979,3	22.009,5	131.856,8
2023	Nominal	132.695,5	77.158,8	30.620,1	191.013,8
	Actual	90.930,9	52.873,8	20.982,7	130.894,1

Data source:: www.mfinante.gov.ro and own calculations

Graphically, the evolution of each category of expenses, in current and constant prices, is illustrated as follows:

Figure 5 Nominal and actual evolution of personnel costs in the period 2014 - 2023

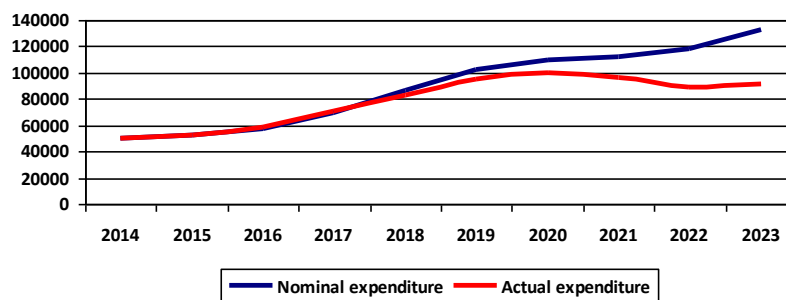
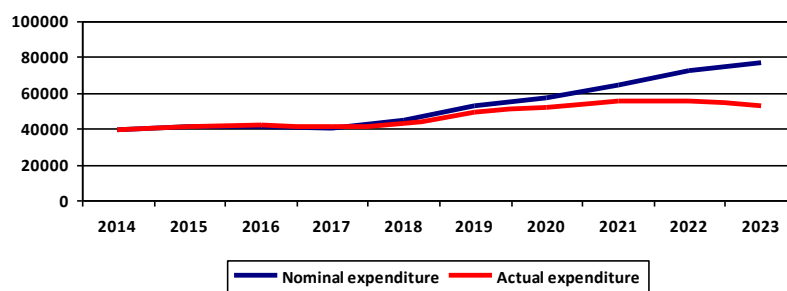
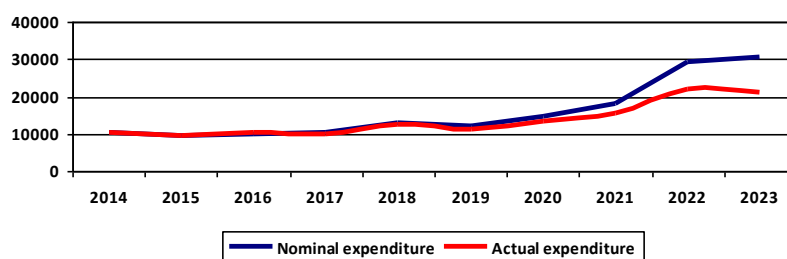
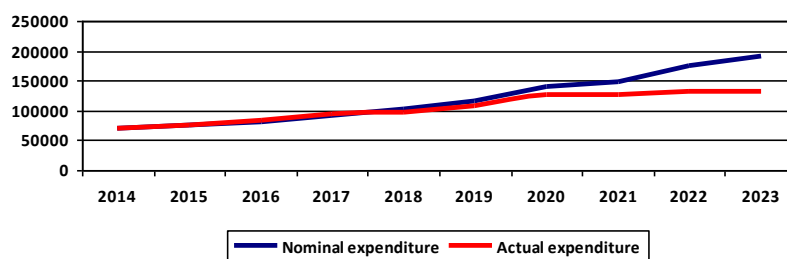


Figure 6 Nominal and real evolution of expenditure on goods and services in the period 2014 - 2023**Figure 7 Nominal and real evolution of interest expense in the period 2014 - 2023****Figure 8 Nominal and real evolution of social assistance expenditure in the period 2014 - 2023**

We note positive developments in all categories of expenditure, both nominal and real, but the rhythms are different. The absolute and relative increases, related to the studied interval, are as follows:

- ⇒ personnel expenses: in nominal expression + RON 82,448.6 million, respectively + 164.08%, and in real expression + RON 40,684 million, i.e. + 80.96%;
- ⇒ expenditure on goods and services: nominal + 37,576.6 million lei, +94.93% and real +13,291.6 million lei, + 33.57%;
- ⇒ interest expenses: in current prices + RON 20,427.9 million, i.e. + 200.28% and in constant prices + RON 10,783.5 million, respectively + 105.72%;
- ⇒ Social assistance expenditures evolved by +119,811.9 million lei in nominal terms, which represents +168.27% and by +59,692.2 million lei in real terms, the relative increase being +83.83%.

3. Conclusions

The analyses carried out on the indicators presented above allow us to formulate some assessments about the evolution and efficiency of the national budgetary policy, as well as on its influence on the sustainability of economic development:

- the public financial effort, reflected by the volume of expenditures, has registered a significant increase in this decade, unaltered by inflationary spikes, being a barometer of sustained economic growth;
- The evolutions of the structural elements reveal a relatively inefficient policy, mainly oriented towards the definitive consumption of gross domestic product, the volume and growth rate of current expenditures being much higher than that of gross capital formation. In this way, fiscal policy does not act as a financial multiplier, capable of generating new public resources in the future;
- Among current expenditures, the most solid evolution is in interest expenditures, an indicator that signals, on the one hand, the increase in the country's indebtedness, and, on the other hand, the increase in the cost of borrowing, elements that contribute negatively to the sustainability of public finances and future development;
- The magnitude of the increase in personnel and social assistance expenses also indicates an increase in the cost of organizing and functioning the state, with negative consequences on the capacity for economic development.

4. Bibliography

1. Văcărel Iulian – coordinator - Public Finance, Didactic and Pedagogical Publishing House, Bucharest, 2007
2. Law no. 500/2002 on public finances, art. 2, paragraph (1) point 8