

DYNAMICS OF HOUSEHOLDS CONSUMPTION IN THE ROMANIAN REGIONS [1]

Ph.D. Mihaela-Nona CHILIAN,

Institute for Economic Forecasting, Bucharest, Romania,
cnona@ipe.ro, mihaela_chilian@yahoo.com

Ph.D. Marioara IORDAN,

Institute for Economic Forecasting, Bucharest, Romania,
miordan@ipe.ro, mioaraiordan@hotmail.com

Abstract:

The financial crisis has triggered economic phenomena and processes that affected the economic progress and the performance decline recorded by the Romanian economy in recent years have been strongly felt by the population in all regions, irrespective of their development level. The paper presents a brief analysis of the evolution of consumption expenditure of households in the regions and macro regions of Romania between 2005 and 2009, trying to reveal the possible regional differences in consumption patterns.

The results reveal a possible "paradox of extremes" in terms of income and consumption expenditure - households in more developed regions seem to spend more on consumption because they have higher incomes, while households in less developed regions spend a higher proportion of their incomes because their level is lower. The highest levels of consumer spending by categories of expenditure were recorded by the București-Ilfov region and the other more developed regions, while the lowest mostly by some less developed regions. All categories of consumption expenditure were affected by the economic downturn in 2009, after a period of relatively sustained growth since 2005.

Keywords: households' consumption, regional consumption expenditure, categories of consumption expenditure

JEL Classification: P46, R20, R22

Introduction

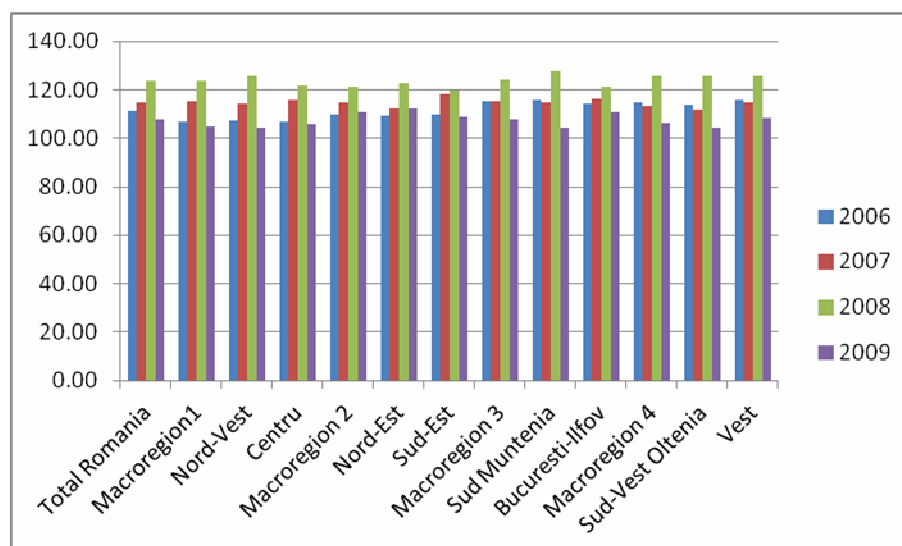
The financial crisis has triggered economic phenomena and processes that affected the economic progress and the performance decline recorded by the Romanian economy in recent years have been strongly felt by the population in all regions, irrespective of their development level. The paper presents a brief analysis

of the evolution of consumption expenditure of households in the regions and macro regions of Romania between 2005 and 2009, trying to reveal the possible regional differences in consumption patterns and the changes induced by crisis.

Evolution of consumption expenditure of households in Romania's regions

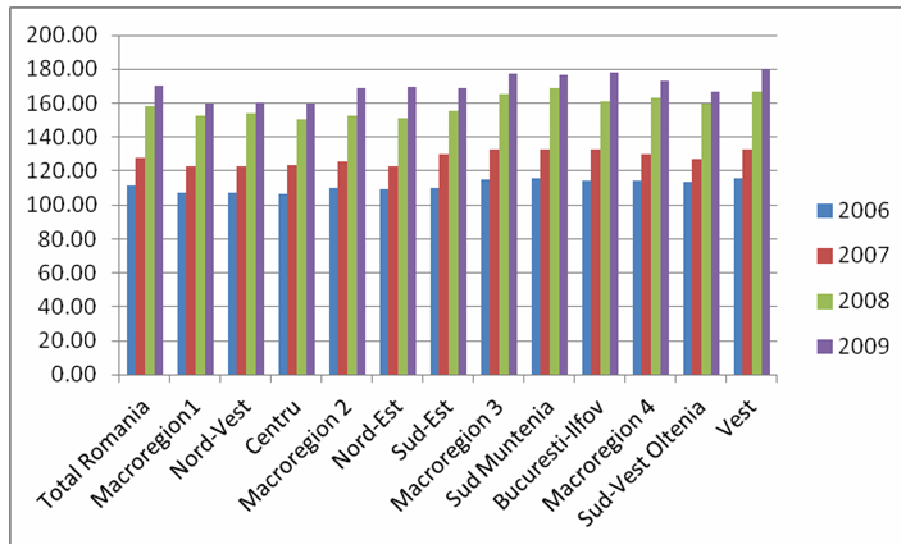
One of the most important indicators for consumption and consumer behavior analysis is obviously, the *consumption expenditures of households*. Similar to total incomes and total expenditures, they have recorded sustained growth in 2005-2008 in all regions of Romania, followed by a slowdown next year (Figure 1). Across the entire period, the highest consumer spending increases were recorded in the Vest region (by 80%) and the lowest in the Centru and Nord-Vest (by approx. 60% - Figure 2).

Figure 1. Consumption expenditures of households in Romania, by macro regions and regions - index of annual change, %



Source: Authors' computations, on the basis of *Statistica Teritorială 2011*, NIS, Bucharest.

Figure 2. Total household consumption expenditures by macroregions and regions - global growth index, 2005=100.0, %



Source: Authors' computations, on the basis of *Statistica Teritorială 2011*, NIS, Bucharest.

At regional level, in the case of consumer spending significant gaps are highlighted in relation to the national level between the Bucuresti-Ilfov region (130% in 2009) and the other regions, the lowest level being recorded by the Sud-Vest Oltenia region (88 % in 2009 - Table 1).

Table 1. Deviation of total household expenditure, total Romania = 100.0

	2005	2006	2007	2008	2009
Total Romania	100.00	100.00	100.00	100.00	100.00
Macro region 1	104.65	100.45	100.71	100.82	98.46
Nord-Vest	105.20	101.28	100.89	102.59	99.30
Centru	104.07	99.58	100.52	98.94	97.56
Macro region 2	94.48	93.05	93.08	91.38	94.00
Nord-Est	95.66	94.03	92.02	91.42	95.25
Sud-Est	93.00	91.81	94.44	91.34	92.41
Macro region 3	105.49	108.91	109.57	110.22	110.28
Sud Muntenia	91.30	94.93	94.81	97.75	95.01
Bucuresti-Ilfov	124.84	127.90	129.50	126.98	130.72
Macro region 4	95.24	97.99	96.74	98.32	97.18

Sud-Vest Oltenia	89.25	91.05	88.65	90.20	87.38
Vest	102.13	105.98	106.02	107.60	108.36

Source: Authors' computations, on the basis of *Statistica Teritorială 2011*, NIS, Bucharest.

Compared to *total revenue*, household consumption expenditure grew at a slower pace, allowing increased coverage of consumption expenditure by income (Table 2). There were significant differences between regions, the most favorable situation being recorded in Bucuresti-Ilfov and Sud-Vest Oltenia, positioned at the extremes in terms of both income levels and consumer spending. Opposite to the total expenditure, the worst situation was recorded in the Vest region, one of the most developed, but also in some less developed regions such as the Nord-Est region. Compared to *cash income* (Table 3), the most favorable situation was recorded once more in Bucuresti-Ilfov, while the worst case is recorded in the Nord-Est region. Such developments reiterate the "paradox of extremes" in terms of income and consumption expenditure - households in more developed regions seem to spend more on consumption because they have higher incomes, while households in less developed regions spend on consumption a higher proportion of their incomes because their level is lower.

Table 2. Ratio of consumption expenditure to total revenue, by macro regions and regions

	2005	2006	2007	2008	2009
Total Romania	0.713	0.694	0.655	0.641	0.634
Macro region 1	0.719	0.684	0.651	0.636	0.634
Nord-Vest	0.732	0.693	0.648	0.639	0.642
Centru	0.706	0.675	0.653	0.633	0.626
Macro region 2	0.731	0.701	0.665	0.651	0.653
Nord-Est	0.734	0.696	0.658	0.653	0.656
Sud-Est	0.727	0.707	0.675	0.649	0.650
Macro region 3	0.702	0.698	0.644	0.628	0.614
Sud Muntenia	0.705	0.726	0.640	0.648	0.620
Bucuresti-Ilfov	0.699	0.672	0.648	0.609	0.609
Macro region 4	0.694	0.692	0.663	0.650	0.638
Sud-Vest Oltenia	0.672	0.666	0.640	0.628	0.621
Vest	0.716	0.719	0.686	0.673	0.656

Source: Authors' computations, on the basis of *Statistica Teritorială 2011*, NIS, Bucharest.

Table 3. Ratio of consumption expenditure to cash income, by macro regions and regions

	2005	2006	2007	2008	2009
Total Romania	0.895	0.860	0.808	0.771	0.758
Macro region 1	0.909	0.852	0.798	0.780	0.765
Nord-Vest	0.941	0.872	0.797	0.797	0.797
Centru	0.878	0.832	0.800	0.762	0.733
Macro region 2	0.961	0.913	0.866	0.817	0.808
Nord-Est	0.978	0.926	0.880	0.853	0.844
Sud-Est	0.941	0.898	0.850	0.775	0.765
Macro region 3	0.829	0.817	0.752	0.712	0.704
Sud Muntenia	0.912	0.933	0.829	0.785	0.773
Bucuresti-Ilfov	0.760	0.725	0.689	0.650	0.649
Macro region 4	0.891	0.868	0.829	0.795	0.769
Sud-Vest Oltenia	0.890	0.849	0.826	0.789	0.766
Vest	0.892	0.887	0.832	0.801	0.772

Source: Authors' computations, on the basis of *Statistica Teritorială 2011*, NIS, Bucharest.

In general, all *categories of consumer spending* increased in 2005-2008 in all regions, followed by slow or even significant reduction in some regions in 2009 (*expenditures on hotels, cafes and restaurants, education spending, expenditure on recreation and culture, transport costs, costs for furniture, household equipment and maintenance, expenditure on clothing and footwear*). With regard to overall increases over the analyzed period, there were large differences in the regions among the categories of expenditure.

Consumer spending on food and non-alcoholic beverages registered the largest increases in the Bucuresti-Ilfov region (by 77.5%) and the lowest in the Sud-Vest Oltenia region (by approx. 50%) and Nord-Vest and Centru regions (by 52-53%), while *spending on alcoholic beverages and tobacco* registered some of the largest increases, ranging from 80% in the Sud-Vest Oltenia region to 140.5% in the Vest region. Also the Vest region recorded the largest increase in *consumer spending on apparel and footwear* (by almost 100%), while the Sud-Est region recorded the lowest one (by only 44%). The Vest region and the Sud Muntenia and Sud-Vest Oltenia regions recorded the largest increases in *consumer spending on housing, water, electricity, gas and other fuels*, and the Centru region the lowest, while the highest increases in *consumption spending on furniture, household*

equipment and maintenance were recorded by the Vest, Sud-Vest Oltenia and Sud-Est regions, and the lowest also by the Centru region. *Consumer spending on health* has large relative increases in all regions, ranging from 70% in the Nord-Vest region to 122% in the Vest region, while *education spending* registered the highest differences between regions – from nearly tripling level in the Sud Muntenia region to reducing by approx. 10% over the period in the Vest region. *Costs for transport* had the largest increases in the Bucuresti-Ilfov region (doubling their volume) and the lowest in the Centru region (by only 18%), while *communication costs* revealed smaller differences between regions, ranging from increase by 52% in the Bucuresti-Ilfov region to increase by 103% in the Vest region. Large increases were also recorded by *expenditure on recreation and culture* (between 53% in the Centru region and 110% in the Bucuresti-Ilfov region), by *expenditure on hotels, cafes and restaurants* (between approx. 45% in the Sud-Est region and 116% in the Sud Muntenia region), but especially by the *spending on various goods and services* (from 81% in the Nord-Vest region to 151% in the Vest region).

Regarding the gaps towards national levels, for most categories of consumer spending the highest levels were recorded by the Bucuresti-Ilfov region, but in the case of the lower levels, a wide variety of cases for various categories of expenditures may be revealed. The Vest, Nord-Vest and Centru regions recorded higher levels for different categories of consumer spending. Thus, in the case of *consumer spending on food and non-alcoholic drinks*, the lowest levels compared with the national level were recorded by several regions (Sud-Vest Oltenia, Sud Muntenia and Sud-Est) while for *consumer spending on alcoholic beverages and tobacco* the lowest levels were recorded by the Vest and Nord-Est regions. The Sud-Est and Nord-Est regions had the lowest levels of *consumer spending on apparel and footwear*, and *consumer spending on housing, water, electricity, gas and other fuels*. The Sud-Vest Oltenia region recorded the lowest levels compared to the national average also for other categories of expenditure (*consumption expenditures on furniture, household equipment and maintenance, consumer spending on health, transport expenditure and expenditure on various products and services* and, partly, *communications expenditures, costs of recreation and culture and education spending*). Also, the Nord-Est, Sud Muntenia and Sud-Est regions recorded the lowest levels for certain categories of expenditures (*expenditures on hotels, restaurants and cafes, spending on recreation and culture,*

communication expenditures, consumption expenditure on housing, water, electricity, gas and other fuels and consumer spending on apparel and footwear).

Conclusions

Affected by the overall performance of the economy, the consumption expenditure of households also recorded sustained growth in 2005-2008 in all regions of Romania, followed by a slowdown next year, the first year of crisis impact. Compared to *total revenue*, household consumption expenditure grew at a slower pace, allowing increased coverage of consumption expenditure by income, with differences between regions, the most favorable situation occurring in Bucuresti-Ilfov and Sud-Vest Oltenia regions, positioned at extremes in terms of both income and consumer spending levels. Opposite to the total expenditure, the worst situation was recorded in the Vest region, one of the most developed, but also in some other less developed regions, developments that reiterate the "paradox of extremes" in terms of income and consumption expenditure - households in more developed regions seem to spend more on consumption because they have higher incomes, while households in less developed regions spend a higher proportion of their incomes because their level is lower. In general, all categories of consumer spending increases in 2005-2008 in all regions, followed by slowdown or even significant reduction in some regions in 2009. The highest levels of consumer spending by categories of expenditure were recorded by the Bucuresti-Ilfov region and other more developed regions (Vest, Nord-Vest and Centru regions), while the lowest mostly by some less developed regions (Sud-Vest Oltenia, Nord-Est and Sud-Est).

[1] The paper presents some results of the research theme “**Tendintele sociale si stilul de viata. Consumul si consumatorii in context european**”, coordinator Dr. Marioara Iordan – Institute for Economic Forecasting, Bucharest, Romania, 2012.