

ANALYSIS OF THE COMPETITIVENESS OF THE CONSTRUCTION INDUSTRY AND THEIR CONTRIBUTION TO ECONOMIC GROWTH IN ROMANIA

Veronica GROSU

Faculty of Economics and Business Administration, Stefan cel Mare University of Suceava, 720229, Romania
doruveronica@yahoo.it

Abstract

The objective of this paper is focused on the analysis of the evolution of GDP at the level of our country during the period 2011-2017, but also at the sector of activity, constructions, this being an important sector of the economic and social activity through which the movement of goods and people in space, with the objective of satisfying the material and spiritual interests of society.

Keywords: economic and financial indicators; GDP, construction industry, competitiveness.

JEL Classification: O4, O5

I. INTRODUCTION

Rapid globalization and the rapid evolution of technology that the company has encountered has made it difficult to survive construction companies in a competitive world.

Although our country has several rather important advantages such as: the over-qualified and cheap labor force, the impact of the economic crisis on the social and economic environment was strong (Grosu, 2018; Mates et al., 2010). The construction sector is generally considered to be the driving force of the growth due to close links with other sectors. The construction sector has an important strategic role for all countries as it restructures from buildings and infrastructure to the economy and society. There is a close link between construction activity and the economic growth of a country as this sector plays an important role in the aggregates of the economy by creating jobs and capital formation, thus increasing GDP and social and economic development.

In Romania, the construction industry is the second most important sector, it contributed to Romania's GDP by 6% in 2017; 28% of the total labor force was employed in this sector.

The economic and financial crises encountered by mankind in recent years have affected most of the national economic sectors, including the construction sector. The construction market is and will remain an important source of income for a country.

Without claiming to be one of the most developed regions in Romania, the North-East region is striving to become a safe and attractive investment environment. Of the total of 48,500 businesses active in the region, about 75% of businesses operate in the urban area and over 99% of them are SMEs. The most developed economic areas of the North-East Region are: "manufacturing, professional, scientific and technical activities, wholesale and retail trade, construction, transport and storage".

At the level of this region, micro-enterprises hold the majority in the total active units (over 88%) and operate mainly in transport, construction, commerce, hotels and restaurants. The more than EUR 36 million allocated by the REGIO micro-enterprises in the North-East Region in the urban area proved to be a real chance for development for the over 240 entrepreneurs in the fields of production, car maintenance, printing, IT and medical services carried out investments for the purchase of new equipment and technologies, but also for the construction or upgrading of the production or provision of services.²

Currently, SMEs in Romania apply to the national regulations stipulated by Order No. 1802 of 29 December 2014 in terms of the disclosure of financial and accounting information, which is the approval of accounting regulations on the annual individual and consolidated financial statements, regarding the annual financial statements - Order 1802/2014 repealed Order 3055/2009 approving the Accounting Regulations compliant with European Directives (Grosu, Socoliuc & Hlaciuc, 2017; Socoliuc, 2016).

Market Gross Domestic Product (PIBT) expresses the final result of the production activity of the resident producer units, during a periods, quarter, or year. In the official statistics of Romania, the Internal Product Gross at market price is estimated by several methods, ie the method production, expense method and revenue method (Anghelache et al, 2017).

² Broșura "Regiunea Nord-Est 2013", Inforegio Nord-Est 2007-2013, 2013, pag. 17

II. STATISTICS ON THE EVOLUTION OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS REGISTERED BY THE COMPANIES OPERATING IN THE CONSTRUCTION INDUSTRY

In 2017, there was a steady increase in the price of materials. Due to the increase in the price of materials and skilled work, construction companies have been put in a difficult situation. Prices are expected to remain high during 2018, which means construction companies need to start thinking about cost savings elsewhere if they want to stay competitive. One way companies can take the most out of the money they invest is by using new construction technologies. For example, with new mobile apps, you can track employee work and monitor where your content is at all times.

Economic growth also involves providing labor resources. This growth can be seen under two dimensions, given the quantitative aspects, meaning the number of workers and the ability of the market to accept them, but it can also be seen in qualitative terms, meaning the structure, level and the quality of the culture (Grosu, 2018).

Overall, the prospects for the construction industry are appealing. As with any industry, it will have its difficulties. The best thing construction companies can do is remain familiar and open to new ideas and new ways to do things. The construction industry will continue to evolve in 2018, and construction firms have to decide whether or not to develop with it.

According to the INS Report, 2017, the volume of construction works increased by 8.4% in gross series in the first two months of 2018, with a significant evolution on all levels. Capital repair works advanced 40.4%, maintenance and repair by 37.5%, and new construction by 28%. The most dynamic segment, also judging by the number of construction permits, marks the residential sector, a segment in which the volume of construction works increased last year by 69.7%. In the year 2017, 41,603 building permits were issued for residential buildings, of which 88.9% for residential buildings with a dwelling.

Table 1 - Evolution of the main economic and financial indicators of the companies operating in the construction industry listed on BVB

Company name	Total assets			Turnover			Net income		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
TRANSILVANIA CONSTRUCTII SA	150.73	180.92	206.57	21.37	20.79	25.13	2.59	4.91	0.28
ATM - CONSTRUCT SA Ploiesti	9.54	8.76	7.49	7.62	7.58	8.81	0.00	-0.18	0.35
ALUMIL ROM INDUSTRY SA	62.63	65.11	74.55	59.37	57.93	69.22	2.14	1.23	12.65
COMNSTRUCTII COMPLEXE SA Buzau	5.83	6.51	6.48	6.42	11.24	6.52	0.08	1.08	0.93
SOCIETATEA DE CONSTRUCTII NAPOCA SA	59.58	58.06	55.30	40.05	76.55	63.97	0.26	1.12	1.62
IMPACT DEVELOPER & CONTRACTOR	410.03	435.17	587.32	110.82	148.75	117.80	-	29.61	52.31
CONSTRUCTII BIHOR SA Oradea	44.13	51.39	42.69	52.68	43.13	34.47	0.48	0.53	0.47
PREFAB Bucuresti SA	230.48	232.69	221.14	75.31	67.98	72.04	1.08	1.17	1.32
CEMACON	146.18	151.07	166.70	67.94	86.99	94.21	9.09	8.36	13.23
CONSTRUCTII MONTAJ SA Criseni	7.93	6.71	1.05	3.17	0.75	2.18	-	-0.92	-5.24

Source: Information taken from www.bvb.ro

A careful analysis reveals that the evolution of the indicator that reflects the total assets in the period 2015-2017 saw a slow growth in almost all companies, finding a signal that the construction market in our country is on the rise. At the same time, the evolution of performance indicators, such as turnover and net profit, have different evolutions, meaning that although most register a significant increase in turnover, the net profit is relatively low, demonstrating a concern for these companies for medium or long term investments.

Table 2 - Evolution of the main economic and financial indicators of companies operating in the non-listed construction industry

Company name	Equity			Turnover			Net Income		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
STRABAG SRL	206.47	155.57	112.28	1056.53	911.05	622.92	14.77	20.81	4.57
BOG'ART SRL	101.81	108.36	109.92	474.32	500.51	486.20	9.21	6.72	6.48
CONSTRUCTII ERBASU SA	107.01	92.86	-	406.67	380.27	-	27.46	7.34	-
CON-A SRL	109.55	112.65	123.47	251.51	362.61	548.40	16.55	17.92	28.87
ASTALDI SPA	-71.56	-70.45	-127.63	441.34	337.91	319.47	8.97	-70.92	-57.11
PAB ROMANIA SRL	54.14	49.96	67.97	192.45	276.57	247.78	17.29	30.37	10.76
DANYA CEBUS ROM SRL	88.58	116.57	130.82	174.90	188.43	148.89	61.42	55.14	59.41
BUILD CORP SRL	15.13	20.35	30.28	96.46	169.83	96.06	7.59	9.02	15.90
AKTOR SA	-57.72	-83.53	-134.15	210.92	169.21	144.13	-4.65	-25.99	-50.62
ACI CLUJ SA	40.55	39.89	41.06	113.93	150.27	156.77	2.00	3.40	1.16

Source: Information taken from www.topfirme.ro

Unlike quoted companies operating in the same fields, smaller firms registered a not-too-desired evolution of their own capital which is the main source of self-financing in the period 2015-2017, and although they also recorded a slow increase in turnover, the result was often loss and not profit.

III. CONTRIBUTION OF THE CONSTRUCTION INDUSTRY TO GDP CREATION

The main factors of GDP growth in the last years were mainly the industry, which in the year 2017 had a contribution of 1.9% and the largest share in the formation of the Gross Domestic Product (24.2%), the trade, with a contribution growth of 1.6% and agriculture by 0.7%, while information and communications contributed 0.6% to GDP growth.

In terms of usage, household consumption was the main driver of GDP growth last year, with a weight of 6.4%, while gross fixed capital formation (investment) contributed 1.2% and exports had a negative impact on GDP growth of -0.8%, as a result of the 9.5% increase in the volume of exports of goods and services correlated with a higher increase in the volume of imports of goods and services, by 11.1%. Household final consumption expenditure increased by 10.3% in 2017 and investment by 5.4%. Overall, the Gross Domestic Product estimated for 2017 was ROL 856.3 billion current prices, rising in real terms, by 7% as compared to 2016.

Table 3 - Evolution of Gross Domestic Product Quarterly

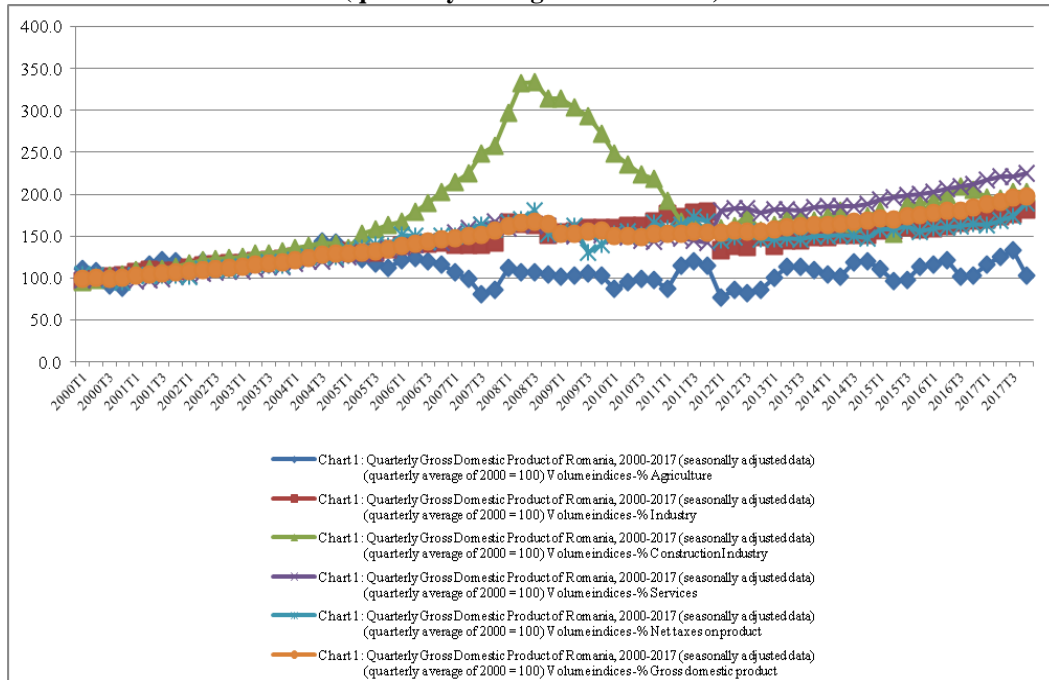
	Quarter I	Quarter II	Quarter III	Quarter IV	Year	
- in % compared to the corresponding period of the previous year -						
Gross series	2016	104,3	106,0	104,3	104,8	104,8
	2017	105,7	106,1	108,8	106,7	106,9
	2018	104,0	-	-	-	-
Seasonally adjusted series	2016	104,2	106,0	104,1	104,9	-
	2017	105,9	106,1	108,4	106,6	-
	2018	104,2	-	-	-	-
-in% compared to the previous quarter -						
Seasonally adjusted series	2016	101,4	101,4	100,0	102,0	-
	2017	102,4	101,6	102,2	100,3	-
	2018	100,0	-	-	-	-

Source: INS, Comunicat de presa, no. 126, May, 2018,

http://www.insse.ro/cms/sites/default/files/com_presa/com_pdf/pib_tr1r2018.pdf

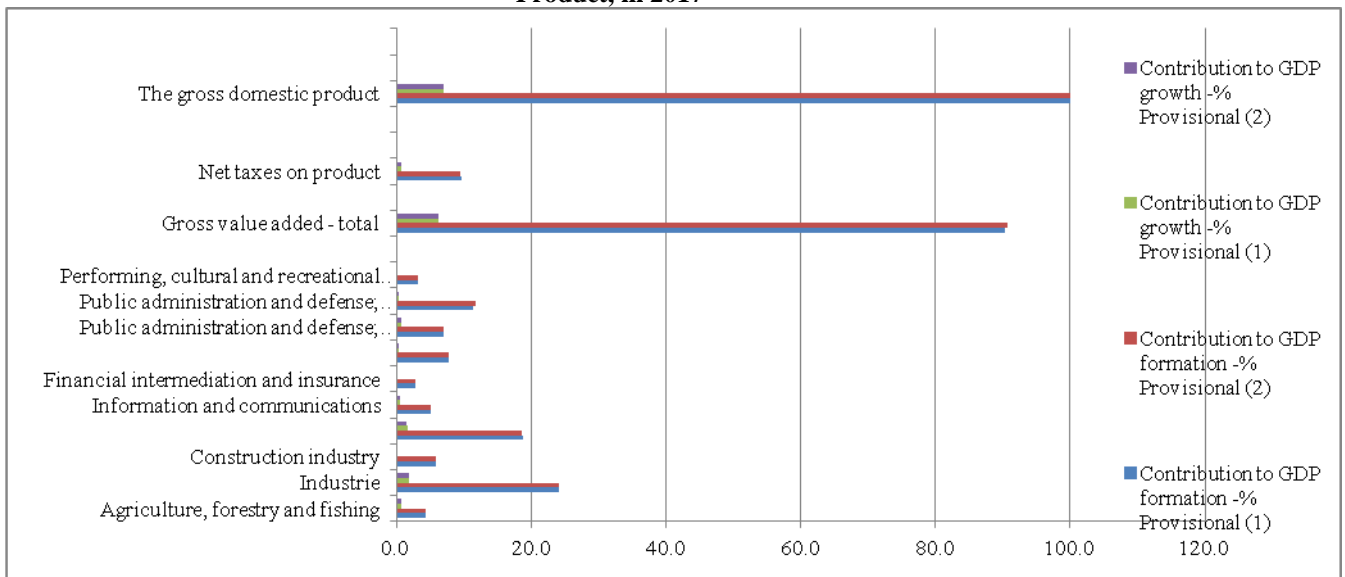
Compared to the same quarter of 2017 Gross Domestic Product, in the first quarter of 2018, increased by 4.0%. The sectoral structure of the economy (determined by their contribution to GDP formation) showed a convergence trend towards the euro area between 2011-2017. Analyzing chart no. 3, we can see a steady growth of GDP, but the construction sector has a declining percentage from year to year, which shows an economic growth from the other basic sectors: agriculture, services and industry.

Chart 1- Quarterly Gross Domestic Product of Romania, 2000-2017 (seasonally adjusted data) (quarterly average of 2000 = 100)



Source: http://www.insse.ro/cms/sites/default/files/com_presa/com_pdf/pib_tr4r2017_2.pdf

Chart no. 2- Contribution of resource categories to the formation and growth of Gross Domestic Product, in 2017



Sursa: http://www.insse.ro/cms/sites/default/files/com_presa/com_pdf/pib_tr4r2017_2.pdf

The study shows a steady trend of GDP growth, both in absolute figures and relative figures compared to 2016, or in quarters, taking into account the results of each corresponding period in 2016.

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medical services carried out investments for the purchase of new equipment and technologies, but also for the construction or upgrading of the production or provision of services.

IV. CONCLUSION

An increasingly important role in the economy is played by services, but the construction industry has not contributed significantly to economic growth, most likely because of public investment in the sector.

In this situation, it is quite difficult to believe that the economic advance will continue at the same level and in future periods, especially because of the uncertain political context and continued tax interventions that have caused market disarray.

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