THE INFLUENCE OF AGGREGATED OFFER UPON THE GROSS INTERNAL PRODUCT OF ROMANIAN ECONOMY

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Abstract: We have started the elaboration of this paper from the gross internal product calculated owing to the production method and we have followed its evolution according to resources categories during the period 2004-2007. At the same time, the approach also focuses upon aspects regarding the influence of the main components of aggregated offer on the growth of real gross internal product as well as the evolution of the gross internal product according to activity branches, during the same period, namely 2004-2007. The previously mentioned aspects emphasize their various consequences upon Romania's economy.
Key words: economy, offer, evolution, results.

1. INTRODUCTION

The paper approaches the issues of the influence of aggregated offer upon the gross internal product of Romanian economy. Specialized works as well as practice show a great deal of interest in such an approach.

Starting from a thorough documentation and relying upon the official data of the National Statistics Institute, we have elaborated this analysis trying to clear up the manner aggregated offer influences the gross internal product of Romanian economy both regarding the main components of offer and regarding the evolution of GIP according to branches of activity.

The analysis has emphasized the main consequences of this issue upon Romanian economy, namely to intervene whenever possible with necessary corrections.

In the future we are going to go thoroughly into this approach watching and analyzing the influence of aggregated offer upon Romania's gross internal product during the following years: 2008, 2009, and 2010.

2. THE INFLUENCE OF AGGREGATED OFFER UPON THE GROSS INTERNAL PRODUCT OF ROMANIAN ECONOMY

The offer of goods and services represents the sum of the amounts of final goods and services (monetarily expressed) produced by all economic agents. Offer is expressed as a relation between the amount of offered goods and services and the level of prices, the other elements being considered as constant (Babeanu, 2005). The relationship between the two elements depends on the manner time is considered.

Consequently, aggregated offer represents the total amount of the newly created goods and services of an economy during a determined period of time, one year, as a rule. Aggregated offer is determined as a difference between production value and intermediary consumption (raw materials, materials, and services expenditures used during the production process). Accordingly, *on a short term,* aggregated offer shows the relation existing between the levels of the real gross internal product and prices in when the other elements that influence the production program (salaries, raw materials' prices, services

tariffs, etc.) do not change. *On a long term,* aggregated offer indicates the relationship between the real offered GIP and the level of prices when completely using production factors (real GIP is equivalent with potential GIP). Accordingly, the level of the real GIP does not depend on the level of prices (Parvu, 2007).

In order to study the contribution of aggregated offer to the increase of GIP we are going to start from GIP that represents the final result of the production activities of resident productive units, calculated owing to the production method with the relation: **GIP = GVA + PT + CT − PS,** where: GIP = gross internal product (market prices); GVA = gross value added (basic prices); PT = products taxes; CT = customs taxes (taxes upon imports); PS = products subsidies (The National Statistics Institute, Statistics Year Book, 2008).

The evolution of the gross internal product calculated owing to this method is displayed by Table no. 1.

- Million lei current prices -

No.	Indices	2004	2005	2006	2007
1	PIB	247368	288954.6	344650.6	412761.5
2	Gross value added	220931.3	255232.7	304269.8	365966.7
3	Product taxes	25322.8	33126.1	38711.5	48028.1
4	Imports taxes	2531.7	2685.7	3238.3	354.5
5	Product subsidies	-1417.8	-2089.9	-1569.5	1587.8

Tab. 1. Evolution of the gross internal product according to resources categories during the period 2004-2007

No.	Indices	2004	2005	2006	2007
1	Real GIP	8.5	4.2	7.9	6.2
2	Industry	2.1	1	1.9	1.5
3	Agriculture, forest growing, fruit growing, forest exploiting	1.1	0.4	0.6	0.4
4	Constructions	0.5	0.3	0.6	0.6
5	Total services	3.9	2	4.7	3
6	Net product taxes	0.9	0.5	0.1	0.7

Tab. 2. Influence of offer's main components upon the increase of real GIP during the period 2004-2007

- Percent changes as compared with the previous year -

No.	Indices	2004	2005	2006	2007
1	PGIP	8.5	4.2	7.9	6.2
2	Industry	7.6	2.6	7.2	5.3
3	Agriculture	18.7	-17.2	3.4	-16.5
4	Constructions	9.4	11.2	23.4	33.6
5	Services	7.3	7	2.7	6.3

Tab. 3. Evolution of GIP according to activity branches during the period 2004-2007

Gross value added estimates what a company, a branch or an institutional field has added besides the value of the goods consumed during the production process. It is determined as a difference between production value and intermediary consumption (in case of market production) and as a sum of

components (payment of the incomes for employed labor, production taxes, and fixed assets' amortization) in case of the units that do not produce for the market. In such a case, the incomes rooted in the company's activity and in its patrimony are conventionally considered to be equal with zero. At the same time, the consumption of banking services are globally eliminated from the value added at the level of the economy as they represent intermediary consumptions. As a rule, gross value added is calculated according to the current prices of the market. At constant prices, gross value added is determined according to the method of double deflation as a difference between the production value expressed in constant prices and intermediary consumption expressed in constant prices (Genereux, 2000).

Intermediary consumption represents the value of the goods and services excluding the fixed assets used as entries in the production process and which are either changed or totally consumed during the production process. Consequently, gross value added represents, at the level of the national economy, the measure of aggregated offer.

The goods and services that form aggregated offer are produced by the companies belonging to all the national branches of the economy so that, at a national level, offer's main components which take part in carrying out GIP are considered to be the following: industry, agriculture, wine growing, fruit growing, forest exploiting, constructions, and services. Consequently, when analyzing GIP's evolution according to activity branches during the period 2004-2007 (table no. 3) one can notice that the acceleration of GIP's growth rhythm during the period 2004-2007 (6.7% per year) was accompanied by certain positive results regarding offer's adaptation to demand's requirements. At the same time, the dynamics of gross value added has registered an average yearly growth rhythm of 5.7% (http://www.insse.ro, 2008). The most significant growth occurred in 2004 (+7.6% as compared with 2003) as well as in 2006 (+7.2% as compared with 2005).

In 2004 and 2006 we witnessed the ascendant trend of gross value added in industry; its growth was supported by all the three sub-fields: extractive, processing, and energetic. The most representative evolutions were registered by: food industry, a branch that has benefitted, during the last years, from the growing support of foreign investors attracted by the market's potential as well as by the important financings given owing to various programs (SAPARD); metallurgy, as a result of the increase of the internal demand of industrial and buildings operators; electrical machines and devices; road transport means. The last two branches have increased their growth especially due to export deliveries. Nevertheless, one may also notice that the increase of gross value added in industry did not overpass GIP's increase (Macris, 2008).

GVA's dynamics in agriculture has been strongly influenced by meteorological and climate characteristics, especially in 2005 and 2007. During the whole analyzed period the average yearly growth rhythm of gross value added in agriculture represented -11.6%. Gross value added in agriculture witnessed highs and lows depending on the meteorological and climate factors; this is especially evident in the case of vegetal production which, in 2006, significantly grew as compared with 2005; yet, its growth only partly compensated the negative rhythm of animal breeding.

The most important growth was witnessed by the constructions field which registered an average yearly rhythm of 19.4%. The field's major contribution occurred in engineering constructions and residential buildings as a result of the growing investments in economy (gross formations of fixed capital).

During the last years, under the circumstances of the constant increase of GVA in the buildings industry, one also notices a redirection of offer towards building residential districts (meant to meet the demand of average and high incomes population) and commercial centers, storage houses, and office buildings.

Services, both in their evolution and amount, have registered a fluctuant trend, this field's average yearly growth rate representing 5.8%. The most significant growth was registered by the services field which had the largest contribution to the increase of real GIP (3.9% in 2004 and 4.7% in 2006 of the real growth of GIP was due to this field).

The growth of the services field has mainly occurred owing to the activities belonging to retail, transports, telecommunications, real estate transactions, and services for companies that have registered yearly rates of the amount of their financial result higher than the field average.

3. CONCLUSION

The research emphasizes the progress witnessed by all fields of activity determined significant mutations of the fields within GIP's structure. Nevertheless, one should notice the slow improvement of offer in industry as a result of the delays within the process of rare restrictions (having a direct impact upon the degree of technological endowment and upon the level of professional qualification). At the same time, as a result of not having observed the correlation between labor productivity's dynamics and that of labor costs, within certain branches market quotations have been affected both internally and externally by native producers. Besides, the appreciation of the national currency increased, especially beginning with 2005, competition pressure determined by complementary imports.

The consequences of the previously mentioned drawbacks are more visible at the level of the clothes industry where technological and professional gains given by largely practicing Lohn production are menaced.

Metallurgic industry that owns vast production capacities displays quite a paradox. The fact that the main internal producer is of a monopolist type and its production is export-directed (in order to gain new markets and to exploit favorable circumstances) has determined the following situation: although internal offer increased, nevertheless satisfying internal demand mainly occurred owing to completion imports. Offer's improper quality of certain branches as a result of de-capitalizing certain profile companies determined the increase of import supplies (especially in the case of textile and leather industry, etc); such facts are going to generate serious problems of the process of integrating native production (mainly of clothes and shoes).

Yet, Romanian industry also includes segments characterized by a significant flexibility of offer (cars industry, for example). Despite all these previously mentioned drawbacks, industry and services had an important contribution to the increase of the real GIP during the period 2004-2007.

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