

## Trends in Population Consumption in Romania

Nechita Daniela

[dnechita@ugal.ro](mailto:dnechita@ugal.ro)

Moisescu Florentina

[fmoisescu@ugal.ro](mailto:fmoisescu@ugal.ro)

Dunarea de Jos University of Galati, Romania

The main trends visible in the coming years in terms of consumption at national level would be the change in the perspective of producers on how to communicate with final consumers and intermediaries, change pricing policies, promotion and development of retail companies, but also internal and external communication policy of large producers. In addition, the commercial activity and implicitly the consumption imply a permanent adaptation of the companies first of all, through investments in economic growth and new technologies by shortening the distribution circuits. It is also estimated that the national consumer market will be in line with the current trend, trying to integrate faster into the global market, but with multiple valences of rationality in terms of consumption options, to which is added consumer behavior related to change, in general, and how they relate to markets.

Keywords: consumption, aggregate demand, consumer behavior, economic growth, trends.

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### 1. Introduction

In general, the South-East Region is a heterogeneous economic region with relatively modest prospects in terms of increasing consumption. Romania is considered a country with a conservative and less flexible attitude of consumers in relation to the regional average [1].

Regarding the standard of living, a significant percentage of the population of our country, compared to the average of the region, barely manages to cover their basic needs with the income obtained, mainly with certain compromises and to the detriment of other expenses (comfort, training). Thus, the following factors can be considered as the main factors that inhibit the consumption potential: the degree of indebtedness of the population, the increase of prices, the economic-social context, the system of taxes, etc.

Private consumption is seen as the main driver of economic growth, with some reluctance on the part of NBR experts in terms of potential GDP (gross domestic product) and a high degree of pro-cyclicality of fiscal and revenue policy, together with an inadequate structure of budgetary expenditures likely to stimulate, in particular, consumer demand and to increase the aggregate demand surplus and the current account deficit [2].

Sustaining a certain level of consumption implies on the part of households, in particular, the increase of the tendency towards saving, a priority in a stable economic and political environment. However, the realization of this process implies a high optimism among buyers, but also sustainable revenues. In this sense, in the long run, factors that can act directly on the saving trend are: a balanced relationship between revenues and previously accumulated amounts, low inflationary risk, low interest rates on consumer loans and a relaxed fiscal policy [3].

The phenomenon of lending to the population for consumption needs has registered multiple variations, over time. During 2018, this phenomenon experienced an increase in credit standards for the final consumption demand of the population. In this segment of consumer loans, the population demand decreased significantly throughout 2018, a trend that

was maintained in 2019. In general, the population's consumption behavior is conditioned by living conditions and socio-economic policies adopted. state, keeping, in essence, the characteristics of a consumerist behavior.

## 2. The level and structure of consumption on a national scale

The level and structure of a household's income are determined by the number of employed persons, the salary level, as well as the activity carried out by its members, criteria that generate income differentiations. Thus, if we take into account the average incomes of households grouped by occupational status of the head of the household, it can be seen that the highest incomes, both in 2018 and 2019, were achieved by employee households (on average by 36% higher than the average for all households), and the lowest for the unemployed households (on average 60% lower than the average).

**Table 1. The level and structure of cash income in 2018 and 2019**

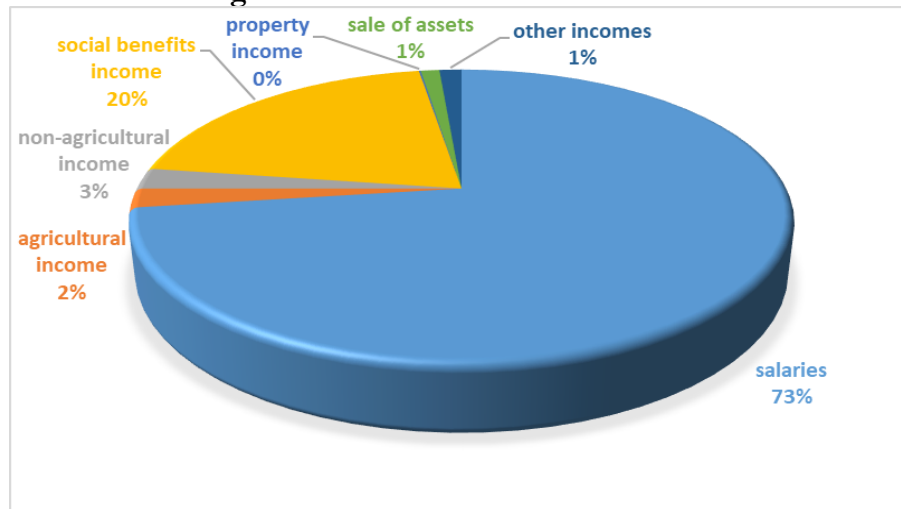
Average monthly cash income/person	Urban		Rural		Total	
	2018	2019	2018	2019	2018	2019
<b>Total</b>	<b>1890,57</b>	2156,26	<b>1054,65</b>	<b>1216,67</b>	<b>1504,22</b>	<b>1722,43</b>
<b>Employee</b>	2315,22	2622,46	1547,43	1757,91	2050,58	2330,32
<b>Self-employed</b>	943,13	1024,36	630,04	757,44	752,35	843,45
<b>Farmer</b>	699,32	588,83	582,17	615,39	590,90	613,53
<b>Unemployed</b>	762,52	875,27	427,79	601,01	585,01	746,85
<b>Pensioner</b>	1402,45	1524,74	951,25	1095,67	1184,45	1310,32

Source: <https://insse.ro/>

The income of households expresses the capacity, economic power and their possibility to get involved in market relations, being characterized, in the analyzed period, by relatively low general levels, with direct implications on the level and structure of consumption, the saving capacity of households and the development of the national economy.

In 2018, the average monthly level of money income was 1,504.22 lei per person, representing 92.2% of total household income, increasing by 1.9 percentage points compared to the previous year, for it to reach a threshold of 1,722.43 lei, in 2019, increasing by 14%. The highest monthly average incomes per household were achieved by employee households - an increase of approximately 14% compared to 2018 (2,050.58 lei per person in 2018 and 2,330.32 lei per person in 2019, respectively), and the smallest were in unemployed households with an average growth of 1.3% in 2019 [4].

The average money incomes of urban households were about 55-56% higher than those of rural households and accounted for 95.7% of the total income of urban households and 85.8% of those of rural households.

**Figure 1. The income structure in 2018**

Source: <https://insse.ro/>

During 2018, in urban areas, household incomes came in proportion of 78.1% of salaries, 18.3% of social benefits, income in kind representing 0.2% of the total. In rural areas, the main source of household income was salaries, which provided 62.1% of total income, but also social benefits of 24.4%. Most of them were formed by the equivalent value of the consumption of agri-food products from own resources (13% of the total income), the money income from agriculture providing only 5% of the total income of rural households.

**Figure 2. Income structure in 2019**

Source: <https://insse.ro/>

In 2019, the average income per household in urban areas was 43.9% higher than that of households in rural areas. In urban areas, household incomes came in proportion of 75.9% from wages, 16.9% of social benefits, income in kind representing 4% of the total. In rural areas, the main source of household income was agricultural production, which provided 17.5% of total income. Most of them were formed by the equivalent value of the consumption of agri-food products from own resources (12.7% of the total income), the money income

from agriculture providing only 4.8% of the total income of the rural households. An important contribution to the formation of rural household incomes was also represented by wage incomes (55%) and those from social benefits (21.2%) [5].

The total household expenditures were, in 2018, on average, 1,406.8 lei per person and represented 86.2% of total revenues (increasing by 1.5 percentage points compared to 2017). Among the categories of households analyzed, the highest level of total expenditures, average per person (1,862.07 lei per month), was encountered in employee households, which also have the highest incomes, and the lowest by unemployed households (641.94 lei). Low and below average levels in all households were also recorded in self-employed households in non-agricultural activities, farmers and retired.

The main destination of household expenditure, consumption, accounted, on average, for all households, for 62% of total expenditure. Consumption expenditures represented 2,272.2 lei per month per household, and cash expenditures for the purchase of food products (including expenditures in public catering units), non-food expenses and for the payment of services 2,070.8 lei per month (56.5% of the total expenditures) [4].

In 2019, the average income per household in urban areas was 43.9% higher than that of households in rural areas. In urban areas, household incomes came in proportion of 75.9% from salaries, 16.9% from social benefits, income in kind representing 4.0% of the total.

In rural areas, the main source of household income was agricultural production, which provided 17.5% of the total income. Most of them were formed by the equivalent value of the consumption of agri-food products from own resources (12.7% of the total income), the money income from agriculture providing only 4.8% of the total income of the rural households.

An important contribution to the formation of rural household incomes also went to wage incomes (55%) and those from social benefits (21.2%). In 2019, the average monthly level of money income was 4,453 lei per household (1,722.4 lei per person) and represented 93.0% of total household income, increasing by 0.8 percentage points compared to the previous year. The highest monetary incomes, monthly averages per household, were realized by the households of employees (6,705.4 lei), and the lowest households by farmers (2,037.8 lei) [5].

**Table 2. The level and structure of money expenditures in 2018 and 2019**

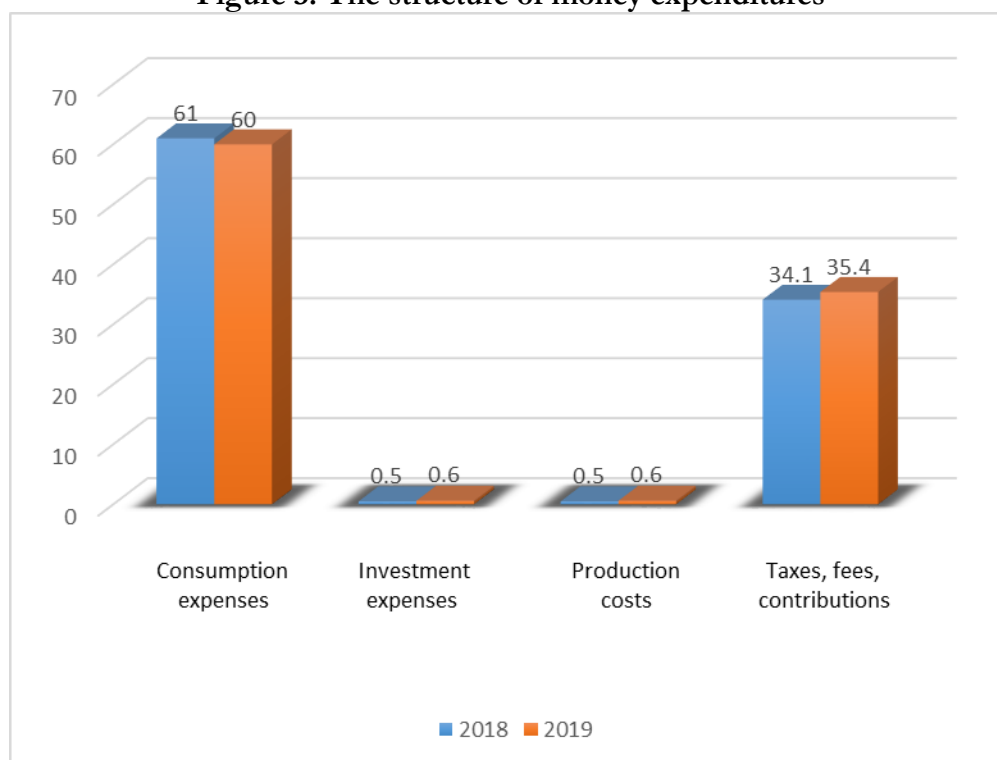
Average monthly expenditures/person	Urban		Rural		Total	
	2018	2019	2018	2019	2018	2019
<b>Total</b>	<b>1687,48</b>	1892,95	<b>1080,27</b>	<b>1221,09</b>	<b>1406,84</b>	<b>1582,74</b>
Employee	2067,85	2303,30	1470,85	1660,99	1862,07	2086,26
Self-employed	826,21	919,38	672,04	805,07	732,27	841,90
Farmer	827,50	742,28	771,66	834,96	775,82	828,47
Unemployed	802,19	877,94	500,01	658,97	641,94	775,41
Retired	1227,41	1315,76	998,07	1093,95	1116,60	1204,92

Source: <https://insse.ro/>

In 2018, among the categories of households analyzed, the highest average level of money expenditures (5,166.7 lei per month) was registered for employee households, with a share in total expenditures of 96.0%, and the lowest (1,708 .5 lei per month) to farmers' households (67.5% of total expenditures). The money expenditures of the rural households of 920.6 lei per month per person amounted only to 56.5% of the level of those realized in the urban environment. Their share in the total expenditures of urban households was 96.6%, and in the expenditures of rural households of 85.2% [4].

The average income of households in urban areas in 2019 was 1.6 times higher than that of households in rural areas and accounted for 96.0% of total income of urban households and 87.3% of rural households.

**Figure 3. The structure of money expenditures**



Source: <https://insse.ro/>

Total household expenditures in 2019 were, on average, 4,091.8 lei per month per household and 1,582.7 lei per person and accounted for 85.4% of total income (down 0.8 percentage points compared to of the year 2018). Among the categories of households analyzed, the highest level of total expenditures, average per person (2,086.3 lei per month), was achieved by employee households, which also have the highest incomes, and the lowest by unemployed households (775.4 lei). Low and below average levels in all households were also recorded in self-employed households in non-agricultural activities, farmers and retired. Consumption expenditures represented 2,497.1 lei per month per household, and cash expenditures for the purchase of food products (including expenditures in public catering units), non-food expenses and for the payment of services 2,286.7 lei per month (55.9% of the total expenditures). The other part of consumption expenditures, the value of human consumption from own resources (those food and non-food products from own resources that are consumed by household members) was equal to 210.4 lei per household and represented 5.1% of total expenditures [5].

The money expenditures of the rural households of 1059.9 lei per month per person amounted only to 57.9% of the level of those realized in the urban environment. Their share

in the total expenditures of urban households was 96.8%, and in the expenditures of rural households of 86.8%.

**Table 3. Dynamics of money and consumption expenditures in 2017-2019**

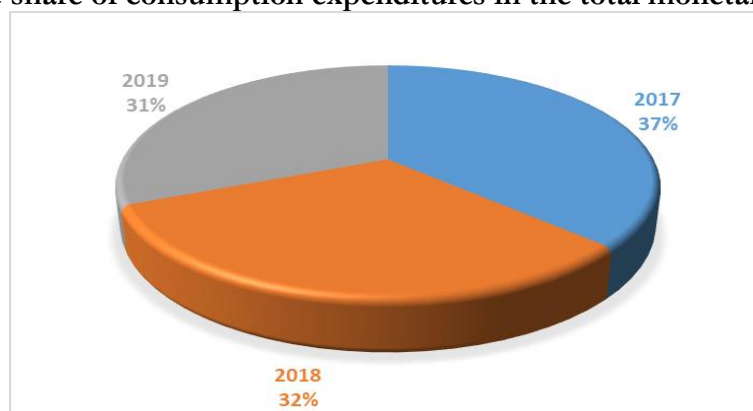
	2017	2018	2019
Total money expenditures	2.591,93	3.393,93	3.813,95
Consumption expenses	1.841,40	2.070,79	2.286,73
▪ Expenses for food and drink	577,68	638,27	698,72
▪ Expenses for non-food products	735,14	850,35	952,21
▪ Expenses for services payment	528,58	582,17	635,80

Source: <https://insse.ro/>

In relation to the average level of total consumption expenditures registered on all households (871.8 lei per month per person) only that of salaried households exceeded the average in 2018 (by 15.1%), and that of retired households, it was very close to the average (only 2.3% lower). The other categories of households analyzed were below average: for the unemployed with 42.7%, for farmers with 37.5%, self-employed with 31.5%. In 2018, food expenditures accounted for 37.0% of total consumption expenditures for all households, down by 1 percentage point compared to 2017 [4].

On average, for all households, the share of non-food expenditures in total consumption expenditures was 37.4% (36.1% in 2017). The amplitude of the variation of this share by the categories of households analyzed, depending on the occupational status of the head of the household, was 6.2 percentage points, the highest share being registered in the households of employees (39.0%), and the lowest to the unemployed (32.8%). Expenditures for payment for services have, on average, for households as a whole, a share of 25.6% in total consumption expenditures, down 0.3 percentage points compared to 2017.

**Figure 4. The share of consumption expenditures in the total monetary expenditures**



Source: <https://insse.ro/>

In dynamics, the share of consumption expenditures in total monetary expenditures in the analyzed interval experienced significant reductions, in the sense that compared to 2017, it



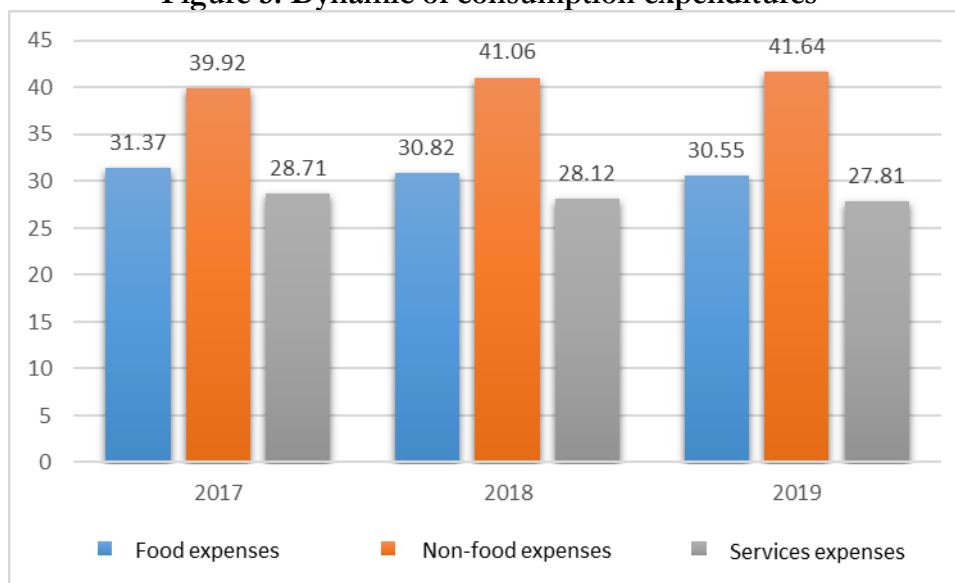
registered a decrease of approximately 14.5%, for the reduction to be one percentage point and in next year. Thus, in the period 2017-2019, this share decreased by 16.20%.

In 2018, of the total monetary expenditures for the purchase of food and alcoholic beverages, those intended for the purchase of bread and bakery products decreased compared to the previous year (from 11.6% in 2017 to 11.4% in 2018). This share amounts to 16.7% (17.6% in 2017) in the case of farmers' households and to 14.6% (15.1% in 2017) in the case of rural households. The average monthly level of expenses for the purchase of non-food goods was, in 2018, 850.4 lei per household and 326.3 lei per person. Their share in total consumer spending increased compared to the previous year (from 36.1% in 2017 to 37.4% in 2018).

By categories of households analyzed, the size of expenditures for non-food goods, monthly averages per household, varied between 1,129.9 lei for employed households and 522.3 lei for unemployed households. In 2018, on the whole households, the expenses for the payment of services have a relatively low weight: 25.6% in the total consumption expenses and 28.1% in the total consumer money expenses.

The expenses for the payment of the services amount, on average, to 582.2 lei per household per month. Of this total, those related to housing have by far the largest share, both in 2018 and in the previous year (47.9%, respectively 50.8% in 2017). Within them, those for electricity and natural gas have large shares, reaching 59.7% of total expenditures for housing services, increasing (by 1.2 percentage points) compared to the previous year [4].

**Figure 5. Dynamic of consumption expenditures**



Source: <https://insse.ro/>

The average monthly expenses for the purchase of food products (including the expenses in public food units) were, in 2019, of 698.7 lei per household and 270.3 lei per person. The share of expenditures for the purchase of food products (including expenditures in food service units) in the total expenditures for food consumption - average per household - increased compared to the previous year (from 76.0% in 2018 to 76.9% in year 2019), weighted by categories of households, areas of residence and regions. Expenditures for the purchase of food and alcoholic beverages (including leftovers, processing, animal data, etc.) amounted, in 2019, on average, 278.2 lei per month per person, by 9.0% more large compared to the previous year. In 2019, out of the total money expenditures for the purchase of food and alcoholic beverages, those intended for the purchase of bread and bakery products

increased compared to the previous year (from 11.4% in 2018 to 11.5% in 2019). This share amounts to 17.0% (16.7% in 2018) in the case of farmers' households and to 14.3% (14.6% in 2018) in the case of rural households. The average monthly level of expenditures for the purchase of non-food products was, in 2019, of 952.2 lei per household and 368.3 lei per person. Their share in total consumer spending increased compared to the previous year (from 37.4% in 2018 to 38.1% in 2019).

By categories of households analyzed, the size of expenditures for non-food goods, monthly averages per household, varied between 1,274.1 lei for employee households and 590.3 lei for unemployed households. The expenses for the payment of services amount, on average, to 635.8 lei per household per month. Of this total, those related to housing have by far the largest share, both in 2019 and in the previous year (48.1%, respectively 47.9% in 2018). Within them, those for electricity and natural gas have large shares, reaching 59.2% of total expenditures for housing services, decreasing (by 0.5 percentage points) compared to the previous year [5].

As a result of the isolation measures adopted by the government to limit the coronavirus pandemic (COVID-19), the Romanian economy registered a significant decline in 2020, private consumption decreased as a result of restrictions on population movement and lower incomes.

### 3. Determinants in the population consumption dynamics

According to specialists, the most significant factor globally, which will influence the evolution of consumption, is represented by the economic and social growth of emerging countries, the increase of the population of these countries, the increase of basic food prices and the development of technology [6]. The effects of these factors would lead to changes in buyers' preferences, to the manufacturer's focus on active consumer satisfaction, to the development of technology, to the disappearance of fixed prices and on the accentuation of the development of retailers' own product brands [7]. It is expected that the main trends visible in the coming years in terms of consumption at national level would be to change the perspective of producers on how to communicate with final consumers and intermediaries, change in pricing policies, promotion and development of retail companies, but also the policy of internal and external communication of major manufacturers.

It is also estimated that the national consumer market will be in line with the current trend, trying to integrate faster into the global market, with multiple valences of rationality, however, in terms of consumption options.

The most important **factors** that influence and will influence the consumption dynamics in the future are:

- *income level* – which is influenced by the level of training and education of the consumer, by the utility and priority of the purchased goods, by the buying and consuming habits;
- *the level of prices* – in general, the tendency of increasing prices for most foods, of strict necessity, and not only, leads, automatically to the change of consumption habits, the orientation of buyers towards substitute products, much cheaper, but also to a re-hierarchization, respectively prioritization of consumption needs and implicitly of goods;
- *the number of buyers* – with the increase of prices for most normal goods, the level of population consumption also decreases, which generates changes in the aggregate supply, as well as a reconsideration of the commercial policies of the producers. In addition, the decrease of the population number and the aging of the population both at national and global level, will lead to the restriction of the consumer market, to the



appearance of new market segments, structural changes in the range of products offered to the population.

- *social media and internet development* – the absorption of technology, according to statistics, was rapid in our country, generating the growth and diversification of online services, but also web content, which activated and boosted consumption, changing, in the same time, and communication strategies of manufacturers.

In order to obtain a sustainable consumption at global and national level, it aims, first of all, to shape the behavior of consumers, starting from the premise that they will become important actors in the economy, increasingly aware of their purchasing power, their ability to negotiate at the level of markets. In this sense, the manufacturing companies will have to stimulate private consumption by developing and diversifying the assortment range existing on the market, with emphasis on superior quality and various prices and, last but not least, on strong marketing communication campaigns.

#### 4. Conclusions

The perspective of the European economy continues to be marked by uncertainties, generated by investment risks, protectionist trade policies and a gloomy forecast of the population's income. The Romanian economy, an economy based on consumption, is also marked by uncertainties and socio-economic risks, mainly due to the consumption habits of the population, the state of consumer distrust and the future dynamics of real incomes, the dynamics of labor and goods and services markets.

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