Regional Purchasing Power and Election Results

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Central theme: The recent presidential elections with a close result for the two options for Romania's future — continuing the European path or moving away from it — have shown the existence of a real social cleavage. The degree of economic development in the counties partially explains the result of the votes cast.

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01 Romania's Real Convergence

The highest degree of real convergence in the last quarter of a century

Key Takeaway

Romania has achieved the highest degree of real convergence in the last quarter of a century compared to the countries in the region, with GDP/capita in PPS from the EU average increasing from 26% in 2000 to 78% in 2023, which means that GDP/capita grew 2.9 times faster than GDP per capita in the EU.

The recent presidential elections with a close result for the two options for Romania's future — continuing the European path or moving away from it — have shown the existence of a real social cleavage. The degree of economic development in the counties partially explains the result of the votes cast. The inhabitants of counties lagging behind, with a lower GDP/capita (below half of the EU average), mostly opted for changing the European path (Fig. 1).

Romania achieved the highest degree of real convergence in the last quarter of a century compared to the countries in the region, with GDP/capita in PPS from the EU average increasing from 26% in 2000 to 78% in 2023 (remaining at this level in 2024), which means that GDP/capita grew 2.9 times faster than GDP per capita in the EU compared to 2.2 times in Bulgaria, 1.6 times in Poland, 1.4 times in Hungary and 1.2 times in the Czech Republic.

In all counties, GDP per capita in PPS compared to the EU average grew faster, but the growth varied between 1.9 and 3.8 times, equivalent to annual growth rates of 2.8% and 5.9%. Counties with low GDP/capita in 2000 tended to remain with low GDP/capita in 2023 as well. From the counties where the GDP/capita grew slower than the country, 64% of the voters for change came.

In 2022, compared to 2000, in 12 counties, GDP/capita grew faster than the national average. Out of these 12 counties in 4 (Dolj, Tulcea, Teleorman, Salaj) the reason for the faster advance was the population decrease faster than at the country level (-15%). In the other 8 truly winning counties (Alba, Bucharest, Cluj, Gorj, Maramureș, Prahova, Timiș, Sibiu), the faster advance of GDP/capita was due to the faster growth of GDP than the average growth per country (average annual rate of 14%).

Fig. 1 Presidential elections and GDP per capita

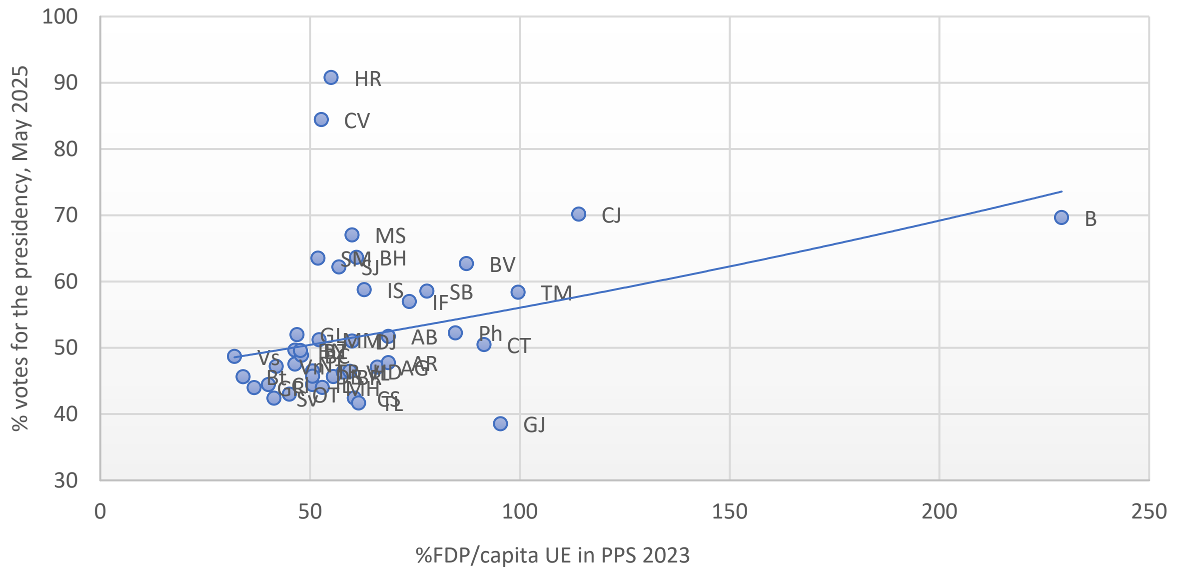
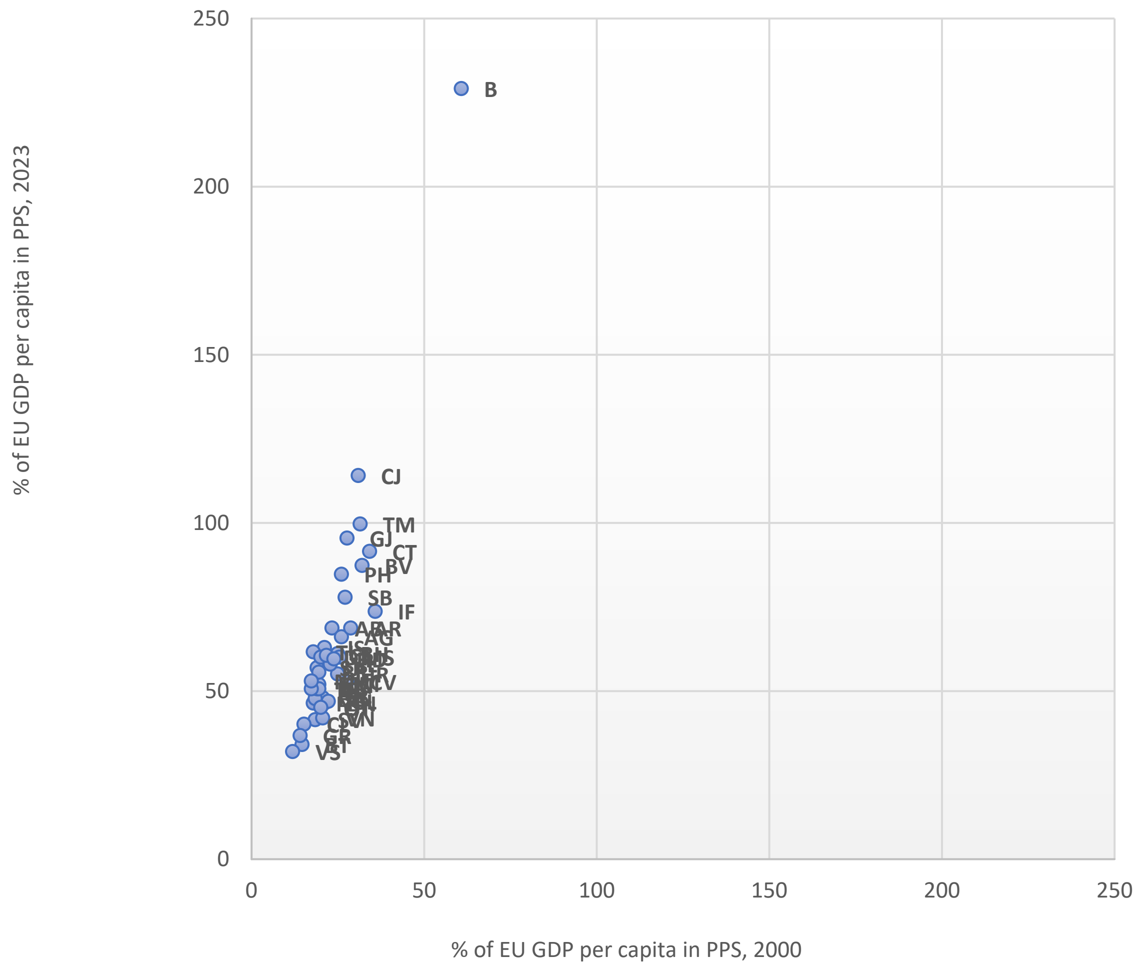


Fig. 2 GDP per capita



Source: own calculations based on INSEE and Eurostat data

02 Regional disparities

Growing differences, the largest gap in the region

Key Takeaway

GDP/capita in PPS compared to the EU average was 3.1 times higher in the richest region compared to the poorest region in 2000 and 4.1 times higher in 2023. Regional differences are increasing compared to countries in the area.

County differences were also transmitted to regions, larger territorial units (with at least 2.8 million inhabitants according to the definition of NUTS2 statistical territorial units in the EU). The regions whose GDP/capita in PPS is around 70% of the EU average (Center, North-West, West) and the Bucharest-Ilfov region with GDP/capita almost double the EU average voted overwhelmingly to keep the European path.

The other regions with GDP/capita in PPS lagging behind the EU average — North East (46% of the EU average), South East (61% of the EU average), South (60% of the EU average), South West (62% of the EU average) — voted overwhelmingly for the change (Fig. 3). Compared to the developed regions, the North-East region remained behind 10 years, being the region where the gap in 2023 widened compared to 2000, and the South-East, South and South-West regions remained behind 5 years even though in 2000 the level of GDP/capita was comparable.

Note: The numbers in the circles indicate the percentage of votes for the president.

Source: own calculations based on Eurostat data

Region	GDP/capita PPS (% EU, 2023)	Majority electoral option
Bucharest-Ilfov	~200%	**European Path**
Vest	~80%	**European Path**
North West	~70%	**European Path**
Center	~70%	**European Path**
South West	62%	**Change**
South	60%	**Change**
Southeast	61%	**Change**
Northeast	46%	**Change**

Regional differences are a widespread reality in both developed and developing countries, reflecting the trend of agglomeration that generates differences in productivity and living standards. Moving jobs to low-wage areas, or population migration to richer areas fail to level out the gaps. This is the situation of Romania with deeper and growing regional differences compared to the countries in the area.

GDP/capita in PPS compared to the EU average was 3.1 times higher in the richest region compared to the poorest region in 2000 and 4.1 times higher in 2023. This ratio increased from 1.8 to 2.5 in Bulgaria, from 2.5 to 3 in the Czech Republic, from 3.1 to 3.5 in Hungary, and in Poland it decreased from 3 to 2.9. The Covid effect of the spread of remote work especially in highly skilled sectors and occupations that allowed firms and employees to relocate from large urban agglomerations to the periphery interrupted the increase in discrepancies in Bulgaria, the Czech Republic and Poland, but not in Romania and Hungary (Fig. 4).

Fig. 3 Real convergence across regions

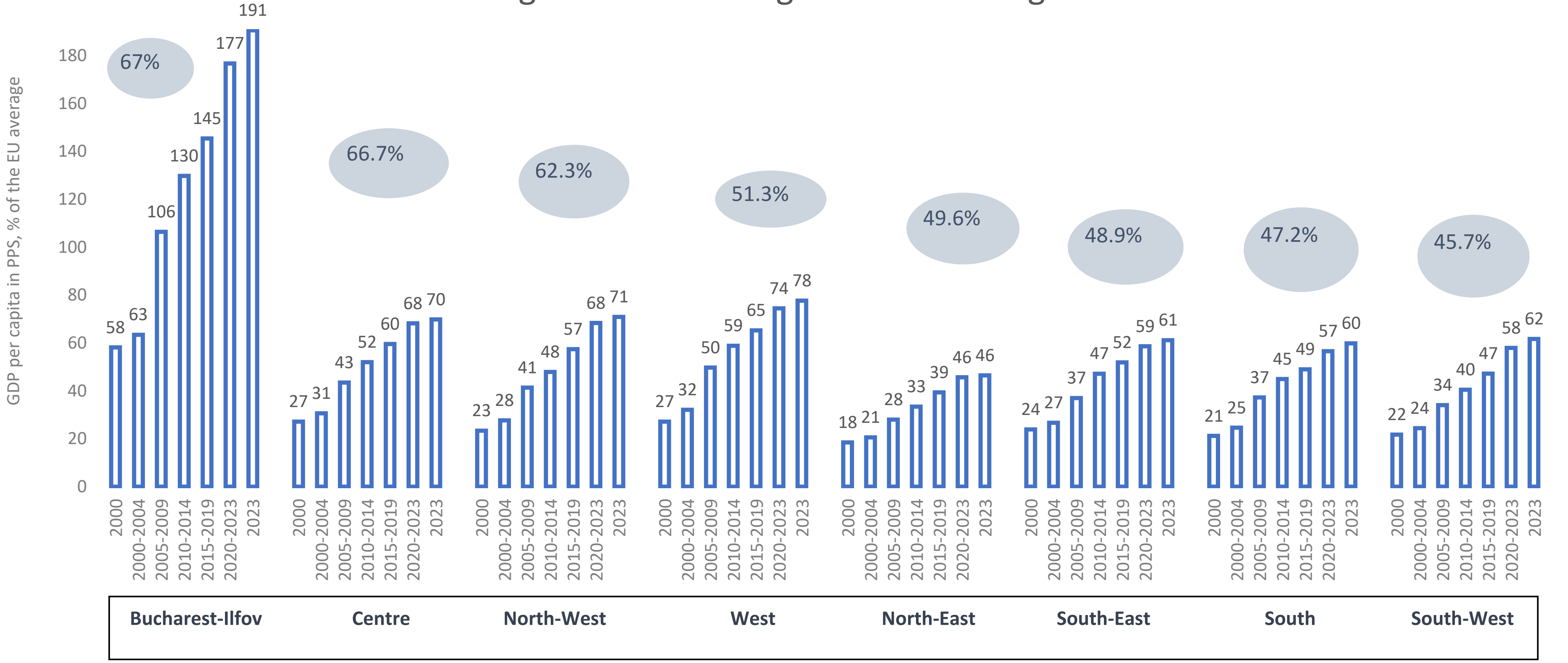
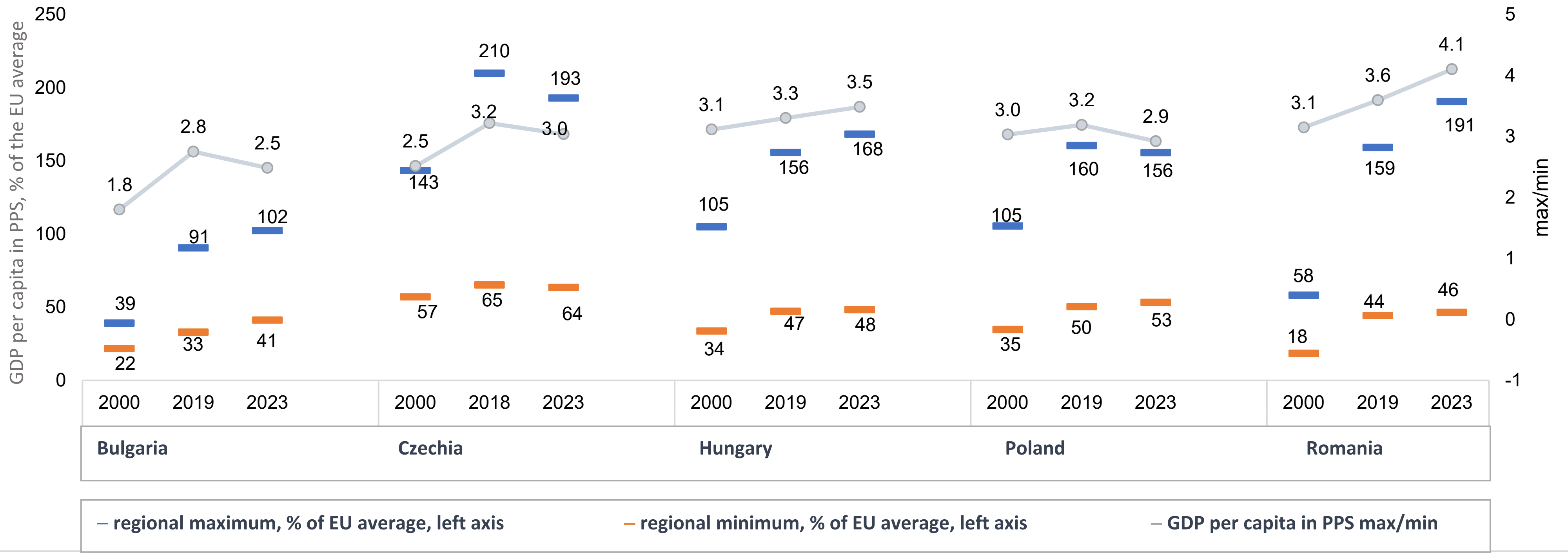


Fig. 4 GDP per capita in PPS



Source: own calculations based on Eurostat data

03 Productivity and Investment

Persistent concentration in high-productivity regions

Key Takeaway

Discrepancies in GDP/capita between regions are maintained by discrepancies in labour productivity, which explain the spatial location of investments. The persistent agglomeration of investments in the Bucharest-Ilfov region (37% in 2000, 44% in 2022) is explained by the productivity almost double the national average.

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In the last quarter of a century, investments have been located in regions that initially had a high productivity even if it decreased over time, and contributed to maintaining the differences (Fig. 5). The persistent agglomeration of investments in the Bucharest-Ilfov region (37% in 2000, 44% in 2022) in the last 23 years, the only region where investments per capita exceeded the national average (almost 4 times) is explained by productivity almost double the national average.

Annual investments of 2-3% of GDP were located in the Center, North-West and SOUTH. Productivity in 2000 was 20% below the national average in the South region, at the level of the national average in the North-West and above the national level by 20% in the Center.

In the West, North-East and South-East regions, annual investments close to 2% of GDP were located — the initial productivity in the West exceeded the national average by 10%, in the South-East it was at the level of the national average and in the North-East it was below 40% of the national average.

In the West and North-East regions, labour productivity remained 10% above and 40% below the national average, respectively, and in the South and South-West regions, labour productivity improved but remained below the national average. In the other regions, labour productivity has fallen compared to 2000.

In regions with higher productivity, voters' choice was to continue the European path. Under similar productivity conditions, the North-West region attracted more investments per capita than the South-East.

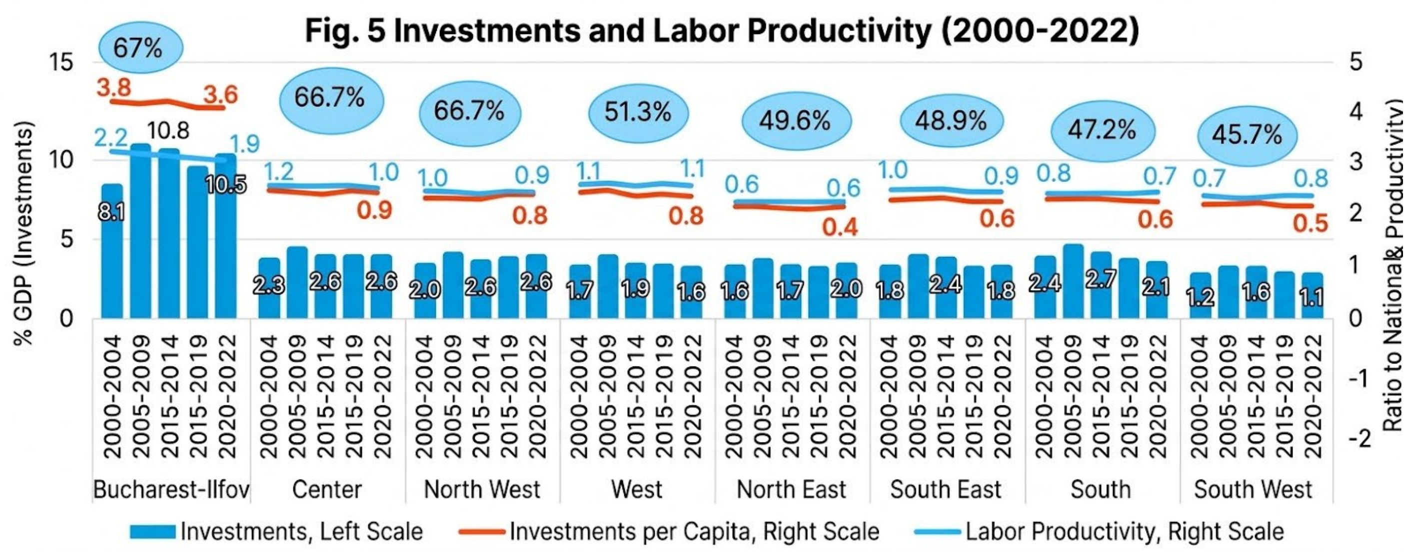
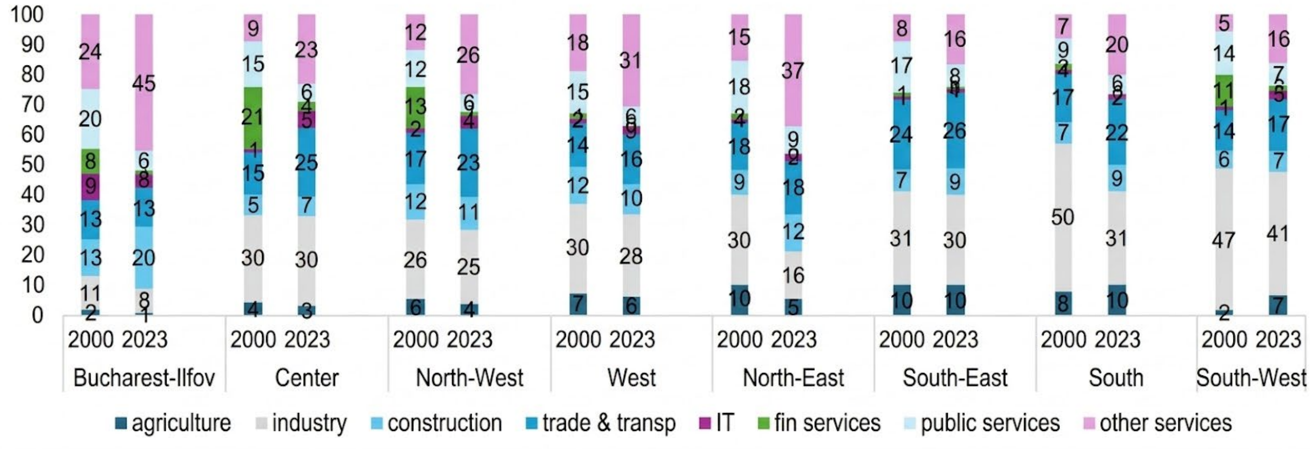


Fig. 6 Structure of investment by sector



Note: investments represent gross fixed capital formation, labor productivity is calculated as the ratio of GDP in current prices to the employed population; The figures in the circles indicate the percentage of votes for the president. Source: own calculations based on Eurostat data

04 Revenue redistribution

Partial reduction of gaps through public policies

Key Takeaway

In Romania, the ratio between the regional maximum primary income per capita and the regional minimum was 3.7; following the redistribution it became 2.5 in 2022. The mitigation of regional differences through redistribution was greater in Romania compared to the other countries in the region.

If market forces alone do not lead to convergence between regions, a first line of action is public policies to redistribute income through the leverage of social contributions and benefits. In Romania, the ratio between the primary income (result from work and income from property) per capita regional maximum and regional minimum was 3.7, following the redistribution (the addition to primary income of the social benefits received and the decrease in taxes and social contributions paid) became 2.5 in 2022.

In the countries in the region, the mitigation of regional differences was smaller: from 2.5 to 1.8 in Bulgaria, from 1.5 to 1.4 in the Czech Republic, from 2.3 to 2.2 in Hungary and from 1.8 to 1.6 in Poland.

Table 1 — Discrepancies in primary income and disposable income per capita

	Bulgaria		Czech Republic		Hungary		Poland		Romania	
	2000	2022	2000	2022	2000	2022	2000	2022	2000	2022
Primary income/capita, max/min	1.9	2.5	1.6	1.5	2.7	2.3	2.3	1.8	3.1	3.7
regional maximum, % average per country	73	64	87	88	66	70	77	79	67	63
regional minimum, % average per country	136	159	136	130	175	161	180	142	208	231
Disposable income/capita, max/min	1.6	1.8	1.5	1.4	2.3	2.2	1.8	1.6	2.2	2.5
regional maximum, % average per country	82	78	79	80	63	66	77	76	75	74
regional minimum, % average per country	127	141	115	112	141	144	140	123	167	186

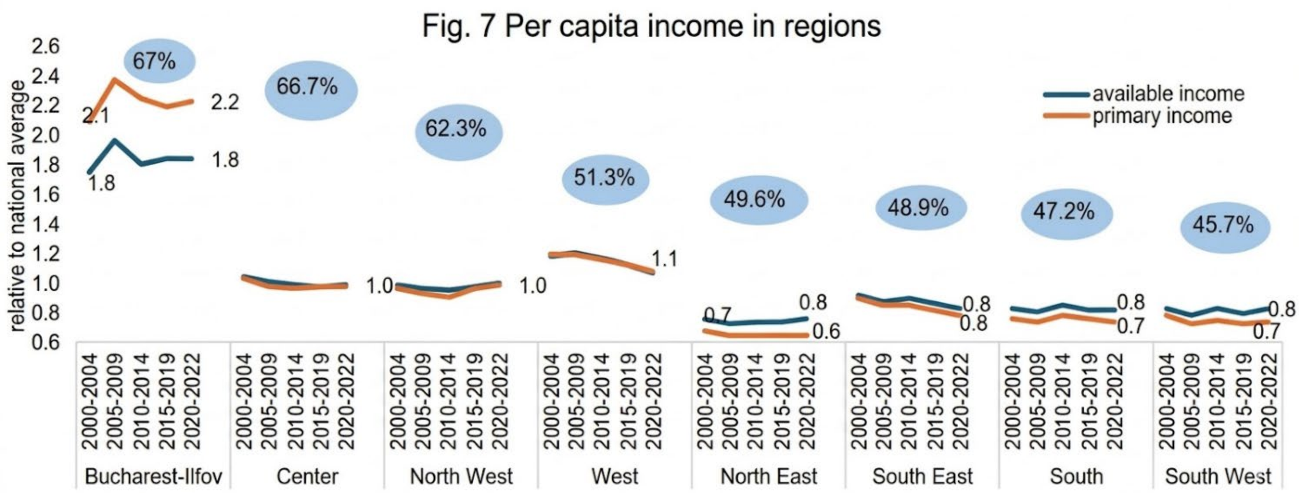
Source: own calculations based on Eurostat data

The regions where the vote for the change of course of Romania was in the majority are the regions where the disposable income of households per capita was 80% of the average level per country (North-East, South-East, South and South-West regions, Fig.7). In the other regions where the disposable income of households per capita was at the level of the national average (North-West, Center) or above the average level per country, almost twice in Ilfov-Bucharest and by 10% in the West, the majority voted for Romania's continuation of the European path.

The latter regions account for most of the primary income of households (62% in 2022, 56% in 2000). At the same time, these regions are net payers of taxes and social contributions. The Bucharest-Ilfov region was a net payer of taxes and social contributions throughout the period 2000-2022, the average annual value being equivalent to 2.4% of GDP.

Thus, the population in the region lost income representing 17% of primary income in the period 2000-2022. The North-West, Central and West regions have become net payers since 2013, and the amounts paid annually represented 0.2% of GDP.

Poor regions benefited from annual net social benefits in different amounts between 2000 and 2020: the North-East region received 0.9% of GDP annually (8.4% of regional GDP) contributing to the increase of primary income per capita by an average of 14%, the South-East region received 0.3% of GDP annually (2.8% of regional GDP) which allowed the increase of primary income per capita by 4%, the South and South-West regions received 0.6% of GDP annually (4.9% of regional GDP) and 0.4% of GDP (5.1% of regional GDP), which led to an increase in average per capita income by an average of 9%.



Note: The figures in the circles represent the share of votes for the president. Source: own calculations based on data from INSSE and the Central Electoral Bureau

05 Conclusions

Prioritising investments in lagging areas

Top recommendation

Now, with the reanalysis of public spending, priority should be given to investments in areas that have to recover consistent gaps. Such a strategy would not only benefit the overall evolution due to the great potential for growth of the areas left behind, but would repair over time the weakened social cohesion that endangers political stability.

Summary of findings

The recent presidential elections have shown that there is a real social cleavage in Romania, with a strong correlation between the level of county/regional economic development and the electoral option. The inhabitants of counties and regions with GDP/capita below the EU average by more than 40% opted for changing the country's European path.

At the national level, Romania achieved the fastest real convergence in the region — GDP/capita in PPS increased from 26% to 78% of the EU average between 2000 and 2023. However, domestically, regional disparities have widened. The ratio of GDP to capita of the richest and poorest region increased from 3.1 to 4.1 between 2000 and 2023, the largest internal gap in the region.

Private investments followed the logic of productivity, concentrating in the already advanced regions, especially in Bucharest-Ilfov. Redistribution through public policies has partially reduced the gaps — the max/min ratio of disposable income is 2.5 compared to 3.7 for primary income — but has failed to compensate for differences in productivity and investment.

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