

Households' Adjustment to the Economic Crisis and the Impact on the Retail Sector in Romania

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Abstract

This paper aims at a better understanding of how Romanian households' consumption volumes and trends have changed during the economic crisis and how retailers responded to these changes, a topic under-studied in the Romanian literature despite the fact consumption was the main driver of economic growth previously to the crisis.

A qualitative methodology is used, based mainly on secondary data of the Eurostat and the Romanian National Institute of Statistics.

Based on this data, we were able to observe that households' income in real terms has decreased during the crisis in Romania. For the period 2005 – 2012, real earnings have almost stagnated. In 2012, the real annual income represented 100.94% of the incomes of 2005, which indicates an important erosion of the purchasing power of Romanian salaries.

Negative evolutions were identified also for the retail sector, as the turnover of retail trade (except motor vehicles and motorcycles) businesses started to decrease in 2007, with a decline more accentuated in 2008, followed by a timid recovery in 2009 and a positive trend in 2012. This adjustments of the households to the effects of the crisis have made retailers to adapt business strategies to the new emerging type of consumer - "the wise consumer".

Keywords: households, spending, crisis, retail, business strategy.

JEL classification: L81, L1, O4.

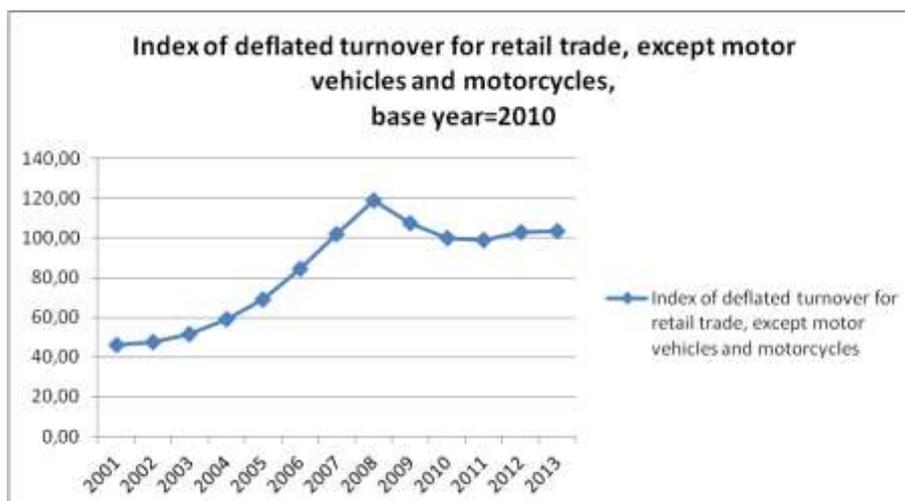
Introduction

Households' income in real terms has decreased during the financial and economic crisis in Romania, with impacted both the volume of consumption as its structure and trends.

These changes have, at their turn, influenced negatively the sales and profits of Romanian business, including the retail sector.

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A summary of the evolution of retail trade is presented below, in terms of the index of deflated turnover for the sector (except motor vehicles and motorcycles), with the base year 2010:



Graphic 1. Indexes of companies' domestic sales, consumption goods, 2007-April 2014, monthly basis, base year 2010

Source: INS, Eurostat

The turnover of retail trade (except motor vehicles and motorcycles) businesses started to decrease in 2007, with a decline more accentuated in 2008, followed by a timid recovery in 2009 and a positive trend in 2012. According to Eurostat latest statistics, in 2014, Romanian sales of consumption goods continued to show positive signs: in May 2014 compared to May 2013, Romania registered the second highest increase in total retail trade (of +10.3%), after Luxembourg (+16.7%). This positive result could be probably interpreted as an overall effect of an improved economy, after three consecutive years of GDP increase (2013: 3.5%, 2012: 0.6, 2011: 2.3%).

The households' cuts in the budgets meant an adjustment to the crisis that has affected not only sales in retail, but also, overall economic growth. The impact was even stronger as in Romania economic growth was built, prior to the crisis, exactly on high levels of consumption, largely based on credit. The reduced consumption of the households, corroborated with the severe contraction of consumption credits, has also led to difficulties in increasing public administration consumption, the public spending being limited by the reduced taxes collected from private consumption.

The governmental measures taken during the crisis consisting, among others, in a 25% reduction of salaries in the public sector and a 22% reduction of social transfers, have deepened poverty and contributed directly to the changes in consumption of Romanian households, redefining the destinations of earnings by

focusing mainly on essential needs and increasing self-consumption. The policy measures taken were oriented towards economic austerity and they were in line with other European policies. The negative social and economic impact of these measures have generated important critiques, such as nurturing insocial protection, facilitating the polarization of European society, threatening social cohesion and questioning the "welfare state" Stan (2012).

With the objective of analysing in parallel the evolution of Romanian households earnings and the evolution of the Romanian retail sector during and post crisis, the paper is organized as follows: the first section is dedicated to a better understanding of the unfavourable context in which these evolutions have taken place, i.e., the economic crisis in Romania, the second section is dedicated to the literature review of households adjustments to the crisis and the likely impact on the retail sector, section three addresses the evolutions of the retail sector in Romania and the last section draws conclusions.

The paper is based on a qualitative methodology, with no econometric modelling, which implies that a causal relationship between households' incomes and the sales of the Romanian retail sector is not demonstrated. Instead, we observe the problems and evolutions of these two issues, with the aim to understand better what the quantitative and qualitative shifts in consumption were during the crisis and after it. For these descriptive and analytical purposes I use statistical data mainly of the Eurostat and the Romanian National Institute of Statistics.

The economic crisis in Romania – brief overview

A heating economy prior to the crisis, with surprising growth rates at regional level also, Romania has paid a high price of its previous development starting with 2009, when the GDP declined by 6.6%. The long term evolution of the economic growth for Romania, compared to EU28 averages, is illustrated in the table 1 and graphic 2.

Table 1. Real GDP growth, %, compared to previous year

Country/year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU 28	1.3	1.5	2.6	2.3	3.2	0.4	-4.5	2.0	1.6	-0.4	-0.4	0.1
Romania	5.1	5.2	8.5	4.9	7.9	6.3	7.3	-6.6	-1.1	2.3	0.6	3.5

Source: Eurostat

The important decline in the GDP rate in 2009 meant an equally significant adjustment in terms of austerity measures. This adjustment was considered to be one of the most severe in Europe, based on a comparative assessment of the austerity programs for a selection of European countries, in the table 2.



Graphic 2. Real GDP growth, %, compared to previous year
Source: Eurostat

Table 2. Austerity programs in Europe

Austerity programme/ Country	Germany	Estonia	Greece	UK	Romania	Island
% of GDP	3.3	8.5	10.5	7.2	13.9	12
% of GDP per year	0.8	2-3	3	1.8-2	7	2.4

Source: Heise, Lierse, 2011, p. 505

As we can observe the Romanian austerity program accounted for 13.9% of GDP, more than in Germany, Estonia, Greece, UK and Iceland. There are many factors identified as “responsible” for such a negative evolution both in terms of GDP and consequently, in terms of the adjustment to the crisis. For example, Isarescu (2009), the Romanian National Bank governor, considers that the main channels through the crisis has propagated in Romania were: a) the trade channel, with exports slowing down and even decreasing, b) the financial channel, with a limited access to external financing that has determined a contraction of the crediting volume and difficulties with the private foreign debt, c) the exchange rate channel, in the sense of a national currency depreciation and d) the trust channel, that involved a withdraw of foreign investors from East-European countries. Potecea and Cebuc (2010) consider that other determinants of the vulnerability of Romania is the lack of governmental ability to increase domestic productivity and exports on short terms, but also, even more alarming, the inability to promote long-term macroeconomic policies, in the favour of political short term decisions. Voinea and Ion (2013) consider that important factors were the previous macroeconomic imbalances, the high corruption and the inefficient political processes. The high level of corruption was a characteristic of the public and private sector before 1989, but unfortunately it has perpetuated even after 20 years of democracy. Long term corruption in the public sector causes misallocation of resources, the erosion of inter-personal trust and social

cohesion and a negative image for foreign investors. Other determinants of the crisis were the polarization of incomes, the speculative bubble in the real estate market, the procyclical budgetary and fiscal policies, the delay of structural reforms and the deficient absorption of European funds.

The austerity program involved a drastic adjustment of the budget deficit, by reducing investments and cutting social spending in the period 2010-2011 with almost 5 percentage points. The most significant reductions in public spending that started in July 2010 included a 25% reduction of salaries in the public sector, a 22% reduction of social transfers, collective dismissals in the public sector, limitation of current expenses and the increase of the VAT from 19% to 24%. The adequacy of the austerity measures was controversial, as it was in the rest of the countries. For the case of Romania, the arguments against these measures underlined that Romania was (and still is) the second poorest country of the EU, which made the country vulnerable and its citizens in risk of poverty. Governmental measures were based on mainly on expenditure cuts and designed to decrease aggregate demand, the main growth driver before recession. Unfortunately, no other drivers for growth were supported to counterweight this policy. As a response, in 2009, consumption was jeopardized by the decreases in wealth, tighter credit constraints and high uncertainty (Pop, 2009). Even in 2011 household consumption continued to contract by 3.2 percentage points as compared to 2010, while public consumption decreased by 0.9 percentage points. As no other economic sector was able to contribute more to economic growth, the recession has continued. The same arguments also take into account that the Romania austerity plan was borrowed from other countries' model, without a sufficient adaptation to the particular Romanian socio economic context. The VAT increase and the cuts in social expenditure were considered by the population as an unfair adjustment, mostly because they were not targeted. High-income earners were exempted from the collective responsibility for correcting the budget deficit. The measures were characterized by "no differentiation between income groups; the across-the board cuts will leave those on low incomes comparatively worse off" and "high-income and wealthy strata are exempted from collective responsibility for correcting the budget deficit (Heise and Lieser, 2011).

Also, as a peculiarity of an ex-communist country, the existence of a weak middle class (Heyns, 2005), formed rather on debt than on capital accumulation, has made worsen off the situation, as the customer base in the retail sector is primarily the middle class.

Households adjustments to the crisis and impact on the retail sector – literature review

De Beer (2012) shows that the theory on the effects of an economic crisis and of business cycles on wages is ambiguous, and so are the results of empirical studies. One main debate initiated in the literature regards the (counter) cyclicity of real wages, which is of interest for private business as the available income of consumers depends on this (counter) cyclicity. Of the studies survived related to

this aspect, the empirical investigation of Messina et al (2008) on the influence of the business cycle on real wages is comprehensive. They conclude that the more open economies are, they tend to show counter-cyclical wages and a positive correlation between the cyclicity of real wages and the cyclicity of employment. Also, in their opinion, differences in real wage cyclicity across countries could reflect a different prevalence of supply versus demand shocks over time. In particular, when wages are not fully flexible over the business cycle, pro-cyclicality of real wages could be the outcome of price declines (increases) as a result of dominant positive (negative) aggregate supply shocks. Counter-cyclicality of real wages could in turn reflect price changes in response to demand shocks. The empirical results group countries in three categories: a) countries with consistent pro-cyclical real wages over the business cycle, such as Germany, Japan, United Kingdom and the United States, b) countries with counter-cyclical wages, such as Ireland, Spain, Canada and New Zealand, and c) countries for which results vary depending on the use of either consumer or producer wages, such as France and Sweden. As a relevant conclusion, Messina et al (2008) consider that what explains the adjustment of both quantities and prices in the labour market are the labour policy and the diversity in institutional frameworks. Thus, national differences in real wage cyclicity are in fact explained by different governmental responses to economic shocks.

Independently of income (counter) cyclicity, it is commonly accepted that in times of economic recession, households re-analyse their spending and thus the consumption of households modifies. Changing purchasing habits affects the retail sector, as clients re-orientate from different categories of products to others. In Romania, the retail sector was one of the sectors that had mostly developed, benefiting both from foreign and local investment. The main reasons might be rooted in the existence, for over 50 years, of a planned economy, in which the supply of consumption goods was limited. After the fall of communism, in 89, the demand for consumption goods has increased and diversified, driven by the households' desire to compensate the past shortages, increasing incomes and increasing credits. In the last twenty years, at least two important trends were observed related to the Romanian households consumption:

- 1) the polarization of the access to consumption for basic goods and services from the first years of transition;
- 2) the formation of consumerist trends, thanks to large access to credit, especially in households with employees and entrepreneurs during the period 2002–2007 Stanciu (2010).

During and after the economic crisis, retailers had to identify new business and economic models, reflected in their business strategies, as raising profits cannot be only a matter of cutting expenses.

Current changes in consumption also affect economic growth. Anghelache (2011), for example, shows in one study a significant relationship between the evolution of the GDP value and the value of final consumption, in Romania, between 1990 and 2009, using econometric modelling. According to Anghelache (2011), an

increase by one monetary unit of the final consumption will lead to an increase by 1.21 monetary units of the GDP value.

Households' adjustment to the crisis and the impact on the retail sector in Romania

In Romania, net earnings have registered significant increases until the crisis, being considered a source of inflation and lacking correlation with increases in productivity. In 2009, net earnings have decreased with almost 10%; in 2012 there was also a 5% decrease, these being the only adjustments that were made in terms of net earnings, as the following table illustrates:

Table 3. Annual net earnings in Romania and European Union, €

Country/Year	2006	2007	2008	2009	2010	2011	2012
European Union (27 countries)	11,300.40	11,631.74	11,662.08	11,559.79	11,985.78	12,211.68	12,697.13
Euro area (17 countries)	11,972.96	12,173.37	12,626.58	12,916.63	13,194.37	13,433.16	13,695.36
Romania	1,430.55	1,824.56	2,066.27	1,866.09	2,068.19	2,203.04	2,083.82

Source: Eurostat

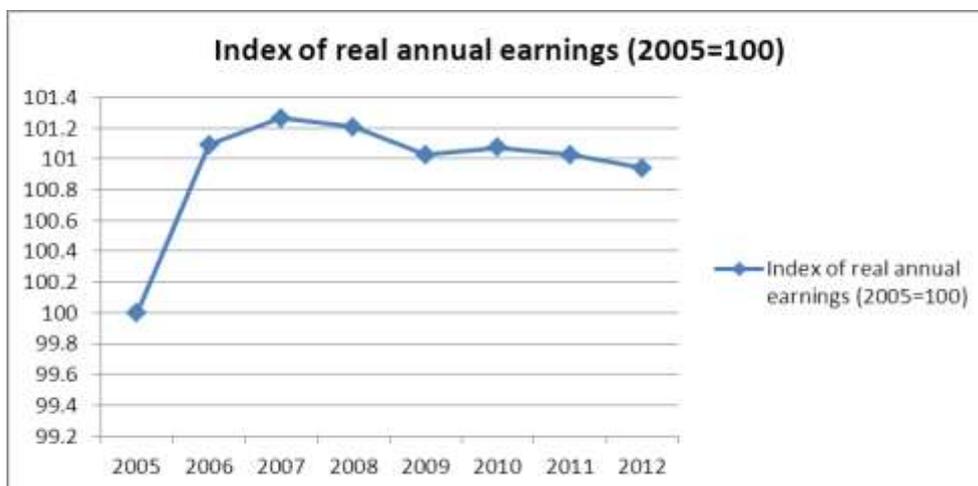
If instead of nominal earnings we study real earnings, the situation is different. For this, we have calculated the index of real annual earnings, by dividing the indices of annual net earnings to the HICP.

Table 4. Index of real annual earnings

Year	2005	2006	2007	2008	2009	2010	2011	2012
Index of annual net earnings (2005=100)	100.00	116.19	141.48	145.77	130.73	144.85	146.99	138.70
Harmonised index of consumer prices (HICP, 2005=100, annual data)	100.00	106.60	111.84	120.69	127.43	135.17	143.04	147.88
Index of real annual earnings (2005=100)	100	101.09	101.26	101.21	101.03	101.07	101.03	100.94

Source: authors' computation

Following this table and the graphic bellow, we can observe that real earnings have almost stagnated, compared to 2005, one of the growth years of Romania. In 2012, the real annual income represented 100.94% of the incomes of 2005, which indicates an important erosion of the purchasing power of Romanian salaries. The indexes of real annual earnings also illustrate that incomes manifested more cyclical, than counter cyclical, starting with 2007-2008, which is a mixed result between labour market flexibility and lax governmental policy regarding employment, according to the theory.



Graphic 3. Index of real annual earnings

Source: authors' computation

Not only the decrease and further stagnation of real earnings influence the consumption of households, but also unemployment. If total unemployment was relatively constant from 2009 to 2013, with a pick in 2011 of 7.4%, youth unemployment is relatively more severe in Romania than the European average. These figures are shown in the following tables:

Table 5. Total unemployment rate in Romania and EU

Country/year	2006	2007	2008	2009	2010	2011	2012	2013
European Union (28 countries)	8.3	7.2	7.1	9.0	9.7	9.7	10.5	10.9
European Union (15 countries)	7.8	7.1	7.2	9.2	9.6	9.7	10.6	11.1
Romania	7.3	6.4	5.8	6.9	7.3	7.4	7.0	7.2

Source: Eurostat

Table 6. Youth unemployment rate in Romania and EU (under 25 years)

Country/year	2006	2007	2008	2009	2010	2011	2012	2013
European Union (28 countries)	17.6	15.7	15.8	20.1	21.1	21.5	23	23.5
European Union (15 countries)	16.2	15.2	15.7	19.9	20.4	20.7	22.3	22.9
Romania	21	20.1	18.6	20.8	22.1	23.7	22.7	23.6

Source: Eurostat

What is important regarding the situation of youth unemployment is not only its alarming level, but the fact that the phenomenon is a structural one. In 2006, for example, when European average was 17.6%, the value for Romania was of 21%. The structural unemployment reflects the lack of efficient labour market policies to create jobs for young people, together with inappropriate educational policies, that could support areas of study more required on the labour market. As young people represent market segments for different retail businesses, companies need to adjust pricing policies to the occupational status and limited budget of young consumers, in order to still benefit from gains from this segment.

Decreasing real earnings, unemployment, credit restrictions and the overall context of the crisis impacted purchasing habits of Romanian consumers.

The percentage of private consumption of households in the GDP, at market prices, shows that the consumption goods bought decreased with 2.02 percentage points in 2009, when the GDP decreased by 6.6%, and has maintained at lower levels than the one of 2008 in the interval 2010-2013, as illustrated in the following table:

Table 8. Private consumption of households, in billions Ron and as a % in the GDP, at market prices

Indicator/Year	2007	2008	2009	2010	2011	2012	2013
Private consumption of households, billions Ron	313.2	381.1	360.4	382.4	402.1	424.5	449
GDP, billions Ron	416	514.7	501.1	523.7	557.3	586.7	631.1
Private consumption of households, in billions Ron and as a % in the GDP, at market prices	75.29	74.04	71.92	73.02	72.15	72.35	71.15

Source: National Institute of Statistics

Analysing the evolution of private consumption of households' evolution in real terms, the same path can be observed:

Table 9. Real terms, in %, as compared with the previous year

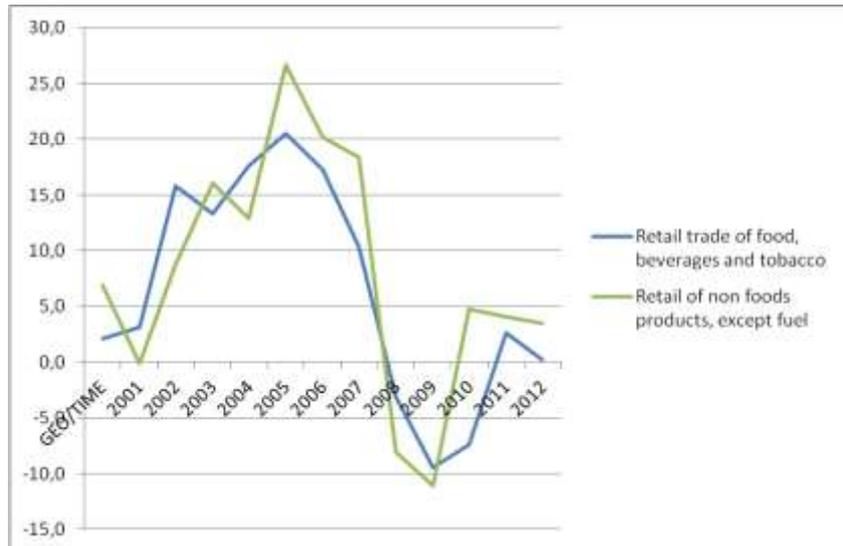
	2007	2008	2009	2010	2011	2012	2013
Private consumption of households evolution, in %	10.3	8.9	-9.1	0.2	1.4	1.5	0.7

Source: Romanian Ministry of Public Finance

Consumption of private households, the pillar of the boom years prior to the crisis, decreased in real terms by 9.1%, as compared to 2008. This drastic adjustment of the households to the effects of the crisis has made retailers to adapt business strategies to the new type of consumer - “the wise consumer” (Catana, 2012). The wise consumer is more judicious, less optimistic and more precautionous in buying decisions, thus redefining the destinations of his income by focusing on essential needs, cutting budgets destinations and increasing self-consumption. The adjustments of Romanian households to the effects of the economic crisis meant a reorganization of their budget, that involved at its turn, a reshape of their life style. In a very short horizon of time, the “objectives” of consumption have changed from a better standard of living to resisting uncertainty, vulnerability and accomplishing basic needs.

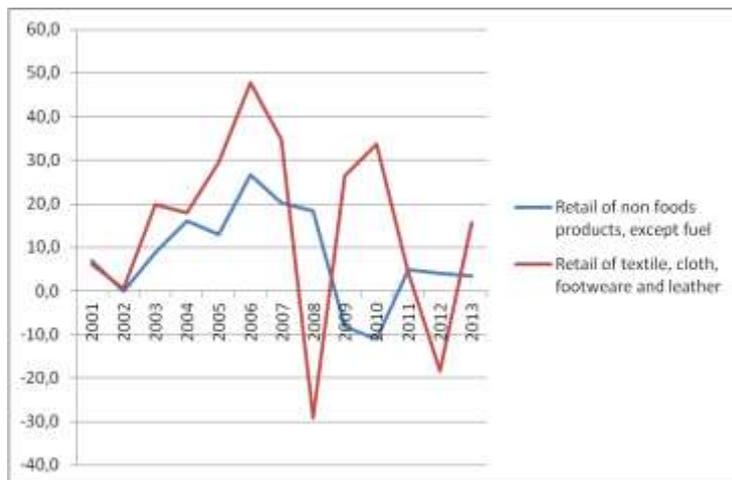
The evolution of the sales of the different retail sectors is a proxy for the changing consumption habits of Romanian households. To obtain a deeper understanding of these changes, we analyse the index of deflated turnover data for the period 2011-2013, as percentage change compared to the previous year, for different retail sectors.

The sales of food, beverages and tobacco versus compared to those of non-food products show that both type of goods had similar evolutions, with pick years in 2006, followed by a drastic decline in 2009. Sales of food, beverages and tobacco have decreased in there consecutive years (2009, by -3.1, 2010, by -9.4 and 2011, by -7.4). In 2012 and there was a timid recovery of 2.6%, followed by an unconvincing 0.2% increase in 2013. This trend shows that consumers have cut budgets even for basic goods, such as food and beverages, by limiting the quantity and quality of the goods bought. The highest adjustment was for non-foods products, with sales decreasing by 8.1% in 2009 and 11.1% in 2010. Despite this, the recovery was more consistent than for food, beverages and tobacco, the turnover increasing by 4.8% in 2012 and 3.5% in 2013, which reflects increasing optimism in purchasing.



Graphic 4. The index of deflated turnover data, as %, compared to the previous year for retail of food, beverages and tobacco and non-food products
Source: Eurostat

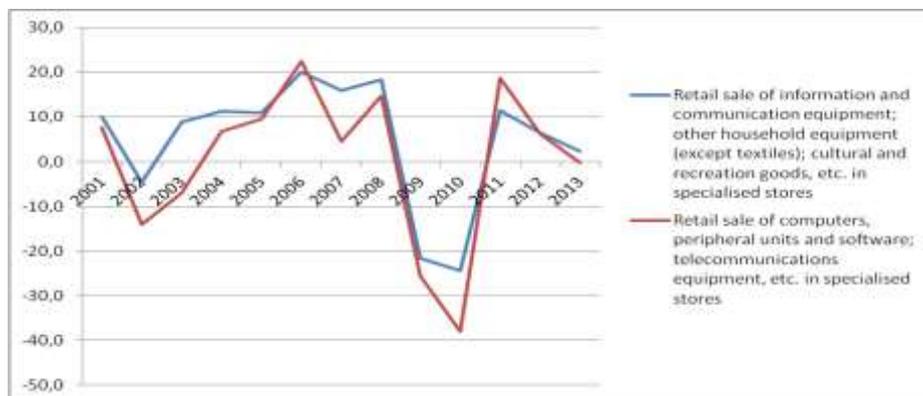
Analyzing the evolution of textile, cloth, footwear and leather and comparing it to that of other non food products, we can observe that preferences for this category of goods was singular and different within the wider category of non-food items, as is shown in the table below:



Graphic 5. The index of deflated turnover data, as %, compared to the previous year for retail of non-food products and textiles, cloth and leather
Source: Eurostat

The sales decreased sharply in 2008, with 29.2%, before other retail sectors started to decline. In 2009, the turnover for these items increased by 26.4 and in 2010 by 33.7%. In 2011, sales increased only by 4.2, in 2012 they decreased by 18.3% and in 2013 they increased by 15.7%. The economic logic that could explain these relatively chaotic evolutions deserves more investigation, but some presumptions could be made. In 2008, consumers decreased drastically their purchasing of textile, cloth, footwear and leather probably based on signals that the market transmitted regarding the deterioration of the economic conditions. They gave up textiles, clothes, footwear and leather as they could be easily replaced with the existing ones, without the necessity of new acquisitions. In the previous year, past purchasing habits and the appetite for nurturing a good social image based on clothing proved to be strong and probability supported the rapid recovery of the sales in 2010 and 2011. Finally, the adjustment was made starting with 2011, as shown in the insignificant increases in the deflated turnover of businesses in the field. This evolution could possible reflect that some purchasing habits take time to be changed and the adjustment to new situations is not that rapid. Also, the evolution of the turnover could be an effect of wise business strategies followed by retailers, that are, in their majority, international companies (in the group of large retailers).

Other categories of goods that suffered adjustments are those of information and technology (ITC) and communication equipment, households' equipment, computers and software, as shown in the following table:



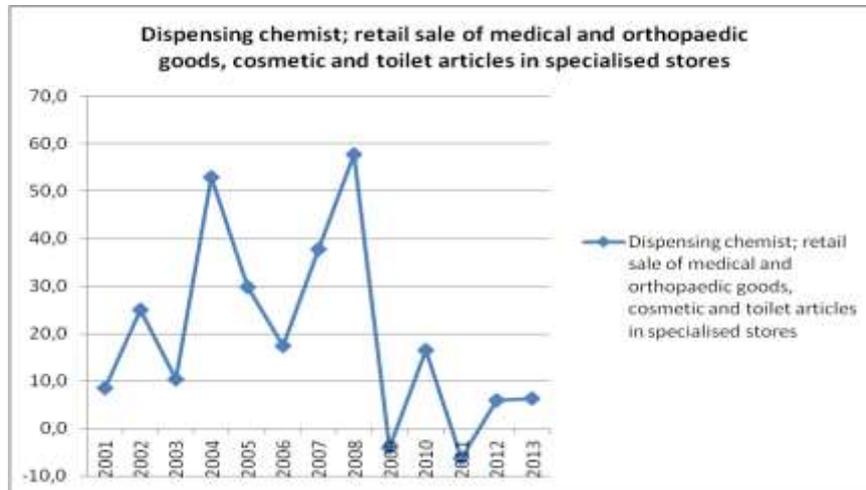
Graphic 6. The index of deflated turnover data, as %, compared to the previous year for retail of ITC, communication equipment, households' equipment, computers and software

Source: Eurostat

Both type of products (ITC, domestic equipment) and software have followed similar paths. The first category has decreased by 21.6% in 2009 and 24.4 in 2010, meanwhile the second one has declined by 25.6% and 38% respectively.

This is the only category of goods that has suffered such severe losses for two consecutive years, which is an indication of the low “attachment” of Romanian consumers to these type of products.

Other category of products that has suffered severe losses are those of dispensing chemist; retail sale of medical and orthopaedic goods, cosmetic and toilet articles in specialised stores, as it can be seen in the graphic below:



Graphic 8. The index of deflated turnover data, as %, compared to the previous year for retail of dispensing chemist, medical and orthopaedic goods and cosmetics

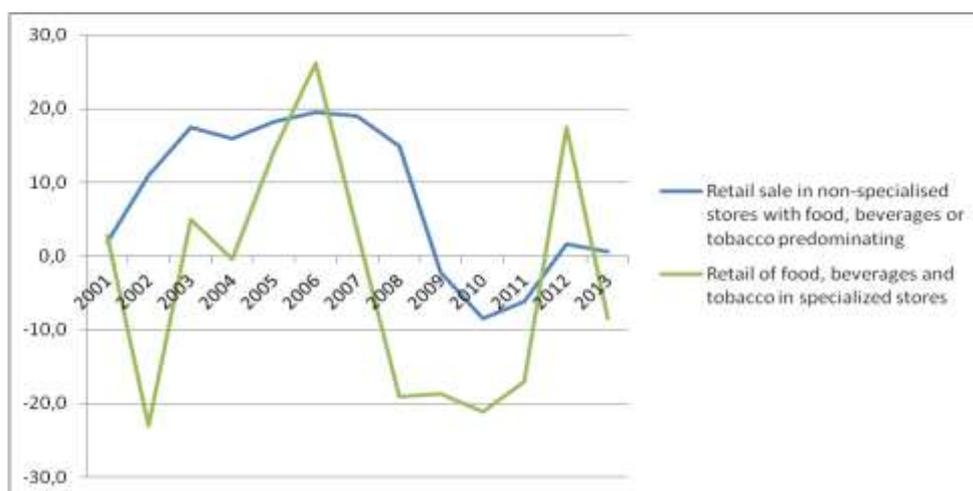
Source: Eurostat

After buoyant growth rates of the sector of 37.8% in 2007 and 57.7% in 2008, the highest growth of all the retail sectors in Romania, the sector showed sharp contractions in 2009, with a decrease of only 4.%, but with an important base effect, followed in future years by modest recovery.

Not only the preferences and consequently the sales of different consumption goods has changed, but also the preference for the different types of retailers.

In the years 2000 non-specialized stores were the main providers of Romanian consumers for basic goods such as food and beverages. The trend inversed in 2006, when the specialised stores started to growth at higher rates than non-specialized stores, a trend that is characteristic for markets that are in process of development and sophistication. But the past preferences were resilient and protected non-specialist stores during the crisis, when the sector decreased at lower rates that the specialized one. Other factors that could explain this evolution could be the desire of rural population to save transportation costs to the large specialised retailers and their reorientation to a narrower product portfolio, with more basic

and cheaper products of non-specialized retailers. Still, in 2012, the specialized retailers have shown their supremacy, registering an increase of 17.5% of their sales, as compared to a much modest 1.6% of non-specialized stores.



Graphic 9. The index of deflated turnover data, as %, compared to the previous year for retail food, beverages and tobacco in specialized and non-specialized stores

Source: Eurostat

As these evolutions show, Romanian households changed their consumption habits. A study undertaken by GFK România 2010 identifies examples of specific changes indicating that during the crisis, Romanian households:

- spent 32% less money on clothing and footwear;
- reduced holidays and travel expenses by 28%;
- allocated 25% less money for savings and investment;
- spent 23% less on having dinner with friends, 21 % less on dining outdoors;
- decreased by 20% mobile costs;
- reduced 19% budget for housing decoration;
- reduced 18 % electricity costs that households own.

In order to compensate for these budget cuts, Romanian consumers have focused on less costly activities, such as meeting guests at home, walking in parks or going to the cinema, that have reported in 2009 earnings 70% higher than in 2008.

These evolutions have made that a series of small, local retailers despair from the market, which improved the competitive position of medium and large retailers. Those that remained into the business have taken strategies such as cost reduction (72%), negotiations with suppliers (50%), replacing imports with local

products (8%), increased advertising (12%), assortment restrictions (20%), development of private labels (10%), price reduction (28%) (Nistorescu, Puiu, 2011). In consequence, Romanian retailers have opted for cost strategy rather than differentiation, as a direct effect of decreasing revenues and an increased price sensitivity.

Conclusions

The aim of this paper was to analyse the evolution of Romanian households earnings and the evolution of the Romanian retail sector during and post crisis, in order to understand how consumption volumes and trends of consumption have changed and how retailers responded to these changes. The significance of the topic is even greater in the context in which Romania's economic growth was built, prior to the crisis, on high levels of consumption, largely based on credit.

Based on the statistical data used, we were able to observe that households' income in real terms has decreased during the crisis in Romania. For the period 2005 – 2012, real earnings have almost stagnated. In 2012, the real annual income represented 100.94% of the incomes of 2005, which indicates an important erosion of the purchasing power of Romanian salaries.

Negative evolutions were identified also for the retail sector, as the turnover of retail trade (except motor vehicles and motorcycles) businesses started to decrease in 2007, with a decline more accentuated in 2008, followed by a timid recovery in 2009 and a positive trend in 2012. For the first months of 2014, Eurostat data shows significant improvements on the retail trade. If this trend is a sustainable one and will be that significant to influence future economic growth is an open question at this moment.

This adjustments of the households to the effects of the crisis have made retailers to adapt business strategies to the new emerging type of consumer - "the wise consumer" (Catana, 2012). During the crisis, this new wise consumer has cut his expenses generally starting with 2009. The cuts were done both for basic goods, such as food and beverages, both for non-foods products. The highest cut was in 2009 for computers, software's and telecommunications equipment, worth almost 30% of the value of 2008, for which there were significant increases in the sales in the previous years. Other sector that was buoyant before the crisis but registered a severe contraction was that of dispensing chemist, medical and orthopaedic goods and cosmetics. Also, during the crisis, the sector of non-specialist stores decreased at lower rates than the specialized one, issue that could be explained by the desire of (rural) population to save transportation costs to the large specialised retailers and their reorientation to a narrower product portfolio, with more basic and cheaper products of non-specialized retailers.

The paper has its limitations, such as the fact that that we did not analysed directly the evolution of expenditures of Romanian households, due to the lack of available up to date data. Also, as mentioned previously, there is no econometric

modelling of households' incomes and the sales of the Romanian retail sector, that could have confirmed or inquired the hypothesis of a direct causal relation between the two variables. The influence of other factors that affect sales in the retail sector, together with a deeper analysis of each retail sector, are also missing, due to limitations in the length of the article. All these matters could be addressed in future research, being of interest both for academics and entrepreneurs, that could prepare based on research findings more successful business strategies.

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