

The Services Sector in Romania Under the Incidence of the COVID-19 Pandemic

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Abstract

The services sector is constantly under the influence of many factors that influence it. Such factors can be economic, political, social, legislative, environmental, but they can also be unforeseen factors, such as health crises, which manifest themselves globally. Such a factor is represented by the COVID-19 pandemic that drastically affected the service sector worldwide, but also in Romania.

This paper aims at the incidence of the sanitary crisis of COVID-19 on the services sector in Romania, in order to identify the services that have been negatively or positively affected by this crisis.

Key words: services, COVID-19

J.E.L. classification: L80

1. Introduction

Unanticipated factors are those that can cause major disruptions in economic activity both in a country and globally. Such factors are unpredictable and therefore create major problems in establishing strategies and policies to be followed in order to reduce the negative effects on economic activity. One such factor is the health crisis generated by the COVID-19 pandemic, which has negative effects both nationally and internationally, seriously affecting the services sector as well.

2. Theoretical background

In economic theories are analyzed both the factors that influence the request for services and the supply of services, which act on the services market.

Such factors that influence the demand for services are: income and leisure; service providers; tariffs; demographic factors; psychological and social (Ioncica, 2003, p.173-174; Criveanu, 2007, p.139-140).

Other authors debate the factors that determine the internationalization of services. Thus, Cristureanu (Cristureanu, 2009, p.51; Cristureanu, 1999, p.39) and Hamzescu & Serban (Hamzescu *et al*, 2005, p.58-59) identify the following factors influencing services at the international level:

- assimilation of technical progress
- the extension of use information technology
- inclusion of information in the sphere of traded values
- associating services with goods in the same commercial package

Most services require direct producer-consumer interaction, which is an important factor that influences the form that international transactions with services can take (Bobirca, 2005, p. 86).

Consequently, although in economic theory there are many factors that influence services, so far no health crisis has been addressed triggered by the emergence of a pandemic, such as the COVID-19 pandemic.

3. Research methodology

In order to observe the incidence of the COVID-19 pandemic on the services sector in Romania, the indirect method based on the analysis of statistical data from different institutions such as the National Institute of Statistics and the National Bank of Romania is used.

This research method follows the evolution of different types of services in the Romanian economy during the analyzed period, such as: transport services, tourist services, services for the population, business services and tries to identify the evolution of Romania's international services.

4. The impact of the COVID-19 crisis on the service sector in Romania

In the analysis of services, we must take into account the fact that the provision of a service involves direct contact between the service provider and the service consumer.

The crisis generated by the COVID-19 pandemic had negative effects on services, both internationally and in our country, due to the impossibility of a direct meeting between the service provider and the service consumer. Thus, some services, such as education, financial-banking services, public services, have been transferred to the online environment, which led to the substitution of the direct relationship between provider and consumer, often with negative implications for that service.

But not all services can be provided without the physical presence of the consumer, so transport services, tourism services and other services have been severely affected by this pandemic crisis.

Such an example is the transport service used by people traveling for tourism, to travel outside Romania or to bring visitors to our country.

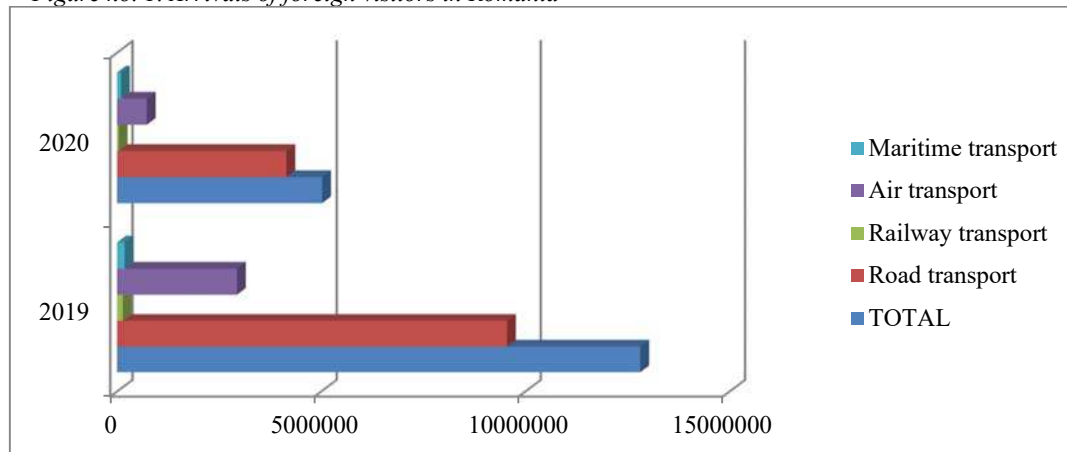
Table no. 1 Transport services used for tourist arrivals and departures

Arrivals / departures by type of transport	Arrivals of foreign visitors in Romania		The departures of Romanian visitors abroad	
	2019	2020	2019	2020
Road transport	9552146	4150797	15790856	6756787
Railway transport	141707	42836	115718	36437
Air transport	2936467	729878	7132213	2693728
Maritime transport	185110	99212	26983	23151
TOTAL	12815430	5022723	23065770	9510103

Sources: National Institute of Statistics, www.insse.ro

If we take into account the data from table number one regarding the tourist transport services and their typology, there is a decrease of 60.8% of the total number of visitors arriving in Romania, in 2020 compared to 2019, due to the COVID-19 pandemic.

Figure no. 1. Arrivals of foreign visitors in Romania

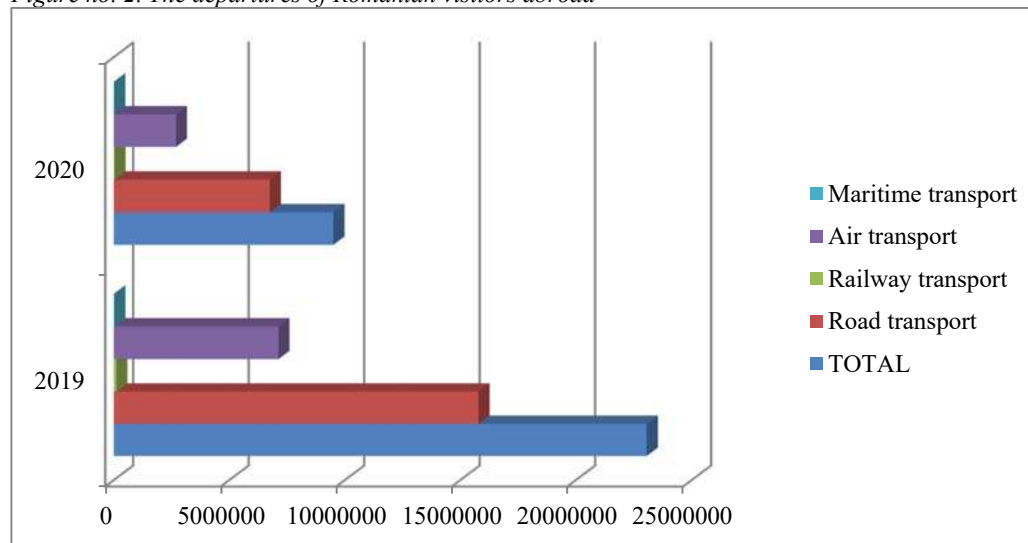


Source: Table no.1, National Institute of Statistics, www.insse.ro

The analysis of the transport services, by forms of transport, highlights significant decreases in the analysed period (see Figure no. 1.). So:

- road transport decreased by 56.5%
- railway transport decreased by 69,7%
- air transport decreased by 75,2%
- maritime transport decreased by 46,4%

Figure no. 2. The departures of Romanian visitors abroad



Source: Table no.1, National Institute of Statistics, www.insse.ro

From the point of view of the departures of Romanian visitors abroad, there is a decrease of 58.7% (see Figure no. 2.). Such trends were also registered in the structure:

- road transport decreased by 57,2%
- railway transport decreased by 68,5%
- air transport decreased by 62,2%
- maritime transport decreased by 14,2%

These data reveal that transport services and travel services for tourism purposes, both inside Romania and outside Romania, were severely affected in 2020 compared to 2019 by the pandemic crisis, generating numerous losses for service providers in these areas but and job losses from such economic activities.

Table no. 2 Romania's international trade in services under the influence of the COVID-19 Pandemic (EURO million)

Types of services	September 2019		September 2020	
	Export	Import	Export	Import
Goods processing services	6968	42	5844	30
Maintenance and repair services	96	77	96	54
Transport services	2047	987	1702	646
Tourism / travel	1049	1587	348	662
Construction services	123	14	141	18
Insurance services	18	50	18	59
Financial services	95	44	72	41
Telecommunications, computer and information services	1380	636	1488	648
Other business services	577	401	575	360
Personal, cultural and recreational services	22	25	22	10

Sources: National Bank of Romania (<https://www.bnr.ro>) <https://www.bnro.ro/Raport-statistic-606.aspx>

An important aspect that highlights the incidence of COVID-19 on services in Romania is represented by data on international trade in services in Romania in the period 2020-2019 (see Table no. 2).

Thus, the following aspects regarding Romania's exports and imports in EURO, regarding international services, can be deduced:

- The following trends were recorded in exports: in the case of certain services such as goods processing services, transport services, tourism and travel, as well as financial services, there were decreases in the values recorded. Thus, while goods processing and transport services each decreased by 16%, tourism and travel recorded the largest decrease of 66.8%.
- At import, the data analysis indicates the decrease of the values registered for the following services, namely, maintenance and repair services by 23 million EURO, transport services by 34.5% and tourism / travel a decrease by 925 million EURO, respectively by 58.2%

Although there is a significant decrease in these services, however, some services have seen increases due to this crisis, both in terms of exports and imports. So:

- the construction services increased by 18 million euros in 2020 compared to 2019, following export and by 4 million euros on imports
- the insurance services were not affected, registering an increase to imports of 9 million EURO
- the telecommunications and IT services increased by EURO 108 million to exports and by EURO 12 million to imports

5. Conclusions

Following the analysis, it is observed that the largest decreases were registered in the case of certain services, such as transport services, and within them, the most affected are air transport services due to travel restrictions imposed by the pandemic generated by COVID -19.

Tourism services, respectively travel, registered very large decreases both in terms of exports and imports of tourism. Thus, international tourist flows were severely affected, generating numerous negative effects both nationally and internationally.

The negative impact of the pandemic crisis on services in Romania determined:

- Increase of construction services by 18 million EURO in 2020 compared to 2019 for export and 4 million EUR for import
- Affecting the tourist services related to the packages of tourist services offered by the travel agencies (transport services, accommodation services, catering services, leisure services)
- Drastic decrease in revenues from the services sector;
- Reduction of employment and implicitly increase of unemployment;
- Increasing the number of bankruptcies in the case of service providers;
- Increasing the budget deficit;
- Impossibility to satisfy the needs of the consumers of services.

The pandemic generated by COVID-19 had a major negative impact on some services, changing the way they are provided, by eliminating the direct contact between the provider and the consumer (education services, banking services, administrative services). In the case of other services, such as medical services, it has determined the maximum use of the capacity to provide such services.

However, in the case of certain services such as IT services, there has been an increase in the services market, with a positive effect on the degree of digitalization in the provision of services.

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