DECISIONS AND INFLUENCES – THE PREMISES OF RESTRICTIVE ECONOMIC AND BANKING POLICIES IN THE CURRENT ECONOMIC AND SOCIAL CONTEXT

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ABSTRACT

Purpose- This scientific approach aims to review the decisions taken by the European Union regarding the sanctions applied to Russia and analyze the impact they have in the economies of the European Union countries and on companies in Romania in particular. The regional development policy, which has as its main objective the achievement of an inter- and intra-regional distribution within the activities and their results as efficient and equitable as possible, is one of the most important and complex policies of the European Union. The steps taken so far, regarding the removal of the economies of the European states from the economic crisis they are in, have the role of helping the various sectors of activity to overcome the difficulties they are going through and to relaunch the areas of activity that are at a standstill due to the restrictions in regarding the export and import of raw materials, materials and goods. Thus, the study wants to highlight the needs that the European economies and implicitly the sectors of the Romanian economy have at this moment.

Methodology- In this study, the research methodology was carried out using the random effects model, analyzing the data series from the panel. The descriptive analysis provided an assessment of the main characteristics of the data series: average, standard deviation, minimum and maximum values. The generated results highlight a good distribution of resources, thus determining a better financial performance, measured by the composite index, ROA, ROE and EPS. The practical implications are relevant for the proper functioning of the entire economic system of societies and for the continuity of the activity itself.

Findings- From an econometric point of view, economic variables have been studied in terms of the influences they have exerted on other economic variables and the influences that other variables have exerted on them. The links that were identified between the variables were established both in terms of causality and by the intensity established between them. In addition to the specific stages of the regression analysis, it was also important to determine the intensity of the connection between the variables included in the econometric model. Thus, the determination of the intensity of the connection is the object of the analysis.

Conclusion- The research is intended to be an X-ray of the existing situation in the economy of the European Union and Romania, Therefore, it becomes a useful tool for the Romanian business environment in terms of short-term adaptation to current market conditions and long-term decision making.

Keywords: Economic indicators, instability, crisis, sanctions and restrictions, economic policies
JEL Codes: C20, C23, C33

1.INTRODUCTION

After the first half of the year that Europe was believed to be recovering from the COVID 19 pandemic, the EU economy has entered a much more difficult phase. The shocks triggered by Russia's war of aggression against Ukraine are affecting global demand and strengthening global inflationary pressures.

The EU is among the most exposed advanced economies because of its geographical proximity to the war and its strong dependence on Russian gas imports.We wanted to answer two questions through our research: How does the post-covi economic crisis and the restrictions imposed on Russia, the economy of Europe and the economy of Romania affect in particular? What measures do shareholders apply to deal with distortions in the economic activity of companies, disruptions due to the current social and political economic environment?

2.LITERATURE REVIEW

Acording to the Europena Commission " the sharp rise in inflation under pressure from energy, food and other raw materials prices is hitting a global economy that is still struggling with the economic consequences of the pandemic crisis. The EU is among the most exposed economies because of its geographical proximity to war and its massive – though much less – dependence on fossil fuel imports." (Europen Commission , 2022). The current economic situation puts policy makers in a very difficult position.

In order to cope with the changes and developments that manifest themselves in all aspects of life, we need adaptation, the capacity to anticipate and understand the phenomena that are revealed to us with unprecedented rapidity (Campbell et all, 1997). The key factor in such an environment is the maintenance of a constant and integrated flow of information directed to a variety of areas of interest in society (Brueckner, 2003).

However, information is not always an answer, but often seems to be part of the problem (Iwata et all, 2010). Thus, the higher the volume and diversity of information, the more difficult it is to select it and identify the truth. It becomes evident, therefore, that in any type of study of information, it is indispensable to analyze its quality, in terms of usefulness, the accuracy with which it describes a particular event or process and to satisfy the expectations of its recipients (Onofrei, 2007).

3. DATA AND METHODOLOGY

In our scientific approach, the research methodology was quantitative and panel data were used (Bond, 2002), then making a comparative analysis of the chosen entities (Arellano, 2003). 10 companies that have Russian citizen shareholders or are parties affiliated with Russian companies were chosen. The data was collected from the annual financial statements sent by the companies to the Ministry of Finance and comprises a three-year period between 2019 and 2021. They referred to the fluctuation in revenues made by companies and the number of employees over the analyzed period.

For starters, however, I made a brief presentation and an analysis of the current economic and social situation in order to better understand the economic consequences of the economic crisis and the war on the borders of Romania, on the analyzed companies. We also wanted to present a prediction for the future evolution of the economic sector in order to be able to identify in the future the best measures for continuing the activities in good conditions and to avoid closing companies. For these presentations, data presented by the European Commission and the National Bank of Romania were used.

According to the European Commission's 2023 forecast, GDP will be lower than 2022, inflation will fall in 2023 and the budget deficit will be higher than in 2022. However, we will not get out of recession in 2023, prices continue to be high this year.

Figure 1: Economic Forecasts for 2023 Compared to 2022
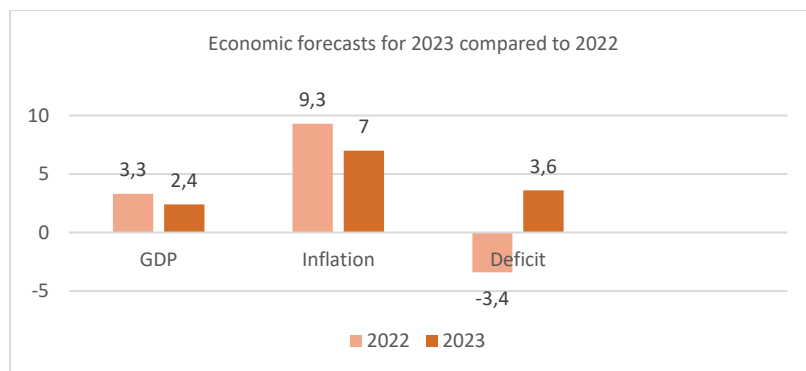
 Source: Europen Commission forecast 2023

After a strong 2022, Romania's economy is set to slow down with real GDP growth of around 2% in the coming years, due to higher inflation, tighter financial conditions and the consequences of Russia's war of aggression against Ukraine. Inflation is expected to peak at the end of 2022, remaining still high in 2023, before falling in 2024. Unemployment will oscillate around 5-6%. The general government deficit is expected to gradually fall to 4.8% in 2024, due to strong revenues and a fall in current expenditure as a share of GDP, mainly amid high nominal GDP growth. The debt-to-GDP ratio is expected to be 47.6% in 2024.

The forecast made by the European Commission, presented in the table below shows the evolution of indicators for Romania in the period 2021-2024

Table 1: Economic Forecast for Romania for the Period 2021-2024

Indicators/Period	2021	2022	2023	2024
Growth of GDP	5,1	5,8	1,8	2,2
Inflation	4,1	11,8	10,2	6,8
Unemployment	5,6	5,4	5,8	5,4
The balance of public administration	–7,1	–6,5	–5,0	–4,8
Gross public debt	48,9	47,9	47,3	47,6
Current account balance	–7,5	–9,1	–8,8	–8,4

Source: European Commission: Forecast for Romania for the period 2021-2024

The restrictions imposed on Russia have slowed the expected economic growth after the exit from the COVID-19 pandemic.Thus, we have noticed that the largest share of all Russian inexpeditials is occupied by coal, followed by ingots of other forms of iron or steel and natural gas liquefied or not. The entire industry was affected and the member states of the European Union had to find alternative solutions to ensure the supply of raw materials and materials.

Figure 2: Most Traded Goods between UE - Russia and the Share in Total Imports by Category (2021)
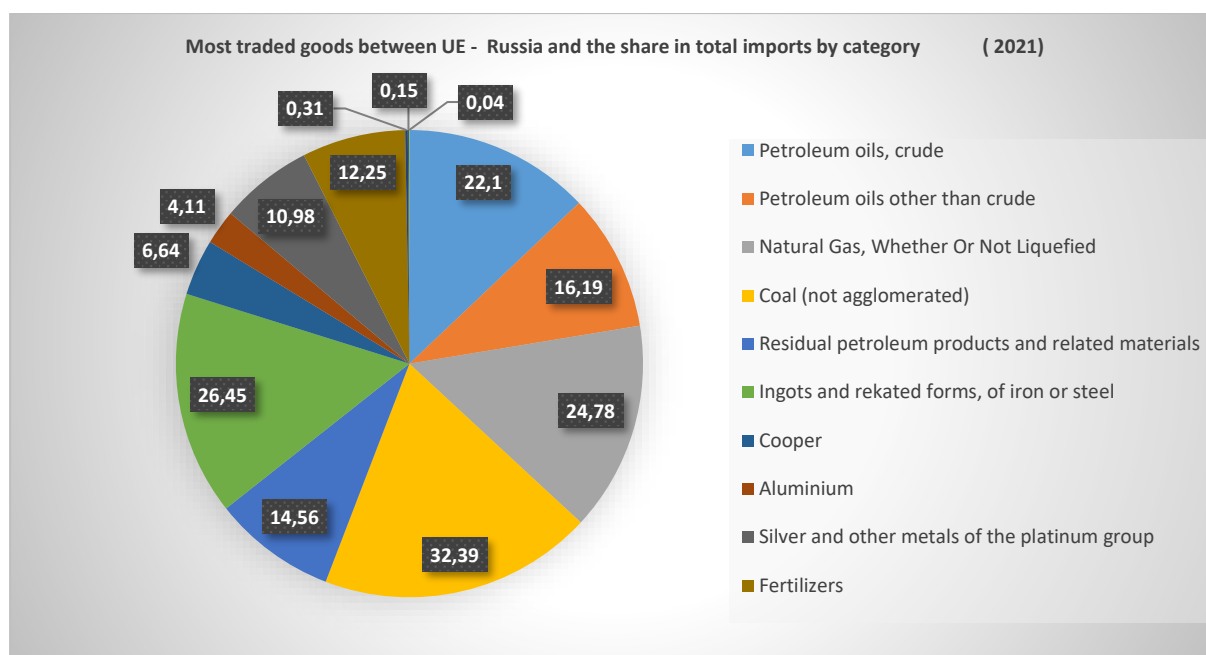
Source: European Commission : Economical and Financial Report, 2021

In the long run, European countries will have to replace lost imports from their main supplier of raw materials. This will keep prices high both in the short and long term. Another sector affected by the crisis and the war in Ukraine is the banking sector.Banks that have subsidiaries in Russia will face a difficult and costly process if they decide to close their business in Russia, complicating decisions on their withdrawal.

For an oil company, giving up Russian refinery assets could be as simple as leaving the keys and leaving, but a one-sided exit is not possible for a financial services firm," said Dan Awrey, a professor at Cornell Law School. specialized in financial regulation. Under normal circumstances, banks would not be able to leave a country without the consent of regulators and the central bank. They would also need a buyer willing to take control of loans and other commitments.

U.S. banks have already reduced their exposures after sanctions were imposed on Russia following the annexation of Crimea in 2014. However, banks such as JPMorgan Chase & Co, Morgan Stanley and Citigroup continued to subscribe and advise Russian businesses.

Refusal of access to SWIFT also has indirect consequences, as follows:payments not made in significant amounts and blocking of the financial system, making international trade more difficult and increasing global prices. The impeding of international trade and rising global prices will likely cause Russian banks and other banks to use alternative communication platforms more.

In Romania, several companies that have commercial relations with Russia had to look for other suppliers for the raw materials they used.Most of them are from the oil, aluminum or metallurgy industries.The scientific research is an analysis of the main financial economic indicators for 10 companies that have trade relations with Russia.

Table 2: Financial economic indicators in most important companies with russian sharesholders period 2019-2021

Company Name	Industry	Inc. 2019 mil. Euro	Inc. 2020 mil. Euro	Inc. 2021 mil. Euro	Nr. of Emp. 2019	Nr. of Emp. 2020	Nr. of Emp. 2021
Lukoil Romania SRL	Oil	1.603€	1.236€	1.337€	2195	1608	1603
Petrotel-Lukoil	Oil	1.225€	786€	827€	525	501	498
Alro SA	Aluminium	537€	482€	421€	2514	2427	2324
TMK Artrom SA	Metallurgy	252€	208€	195€	1498	1444	1358
NIS Petrol	Oil	77€	68€	54€	28	65	60
CERVA Romania		87€	50€	46€	27	27	21
XM Textiles	Textiles	22€	20€	18€	81	70	68
Standard Park Rom		7€	9€	8€	35	31	24
Gazpromneft MB	Oil	4€	5€	6€	9	12	10
Lukoil Lunricant	Oil	3€	5€	6€	16	18	11

Source: National Institute of Statistics, Ministry of Finance, Registery of Comerce Romania, 2022

4. FINDINGS

From the analysis of the financial economic indicators it was noted that companies' incomes decreased in 2022, being affected by the economic crisis. The number of employees also decreased, companies being forced to reduce the number of employees in order to reduce costs, to be able to cope with the disturbances in the economy and to avoid their closure. The scientific approach shows the links between indicators and how they influence each other.

5. CONCLUSION

In times of economic decline, uncertainty has very high values (Zaharia et all, 2010). Predictability of events is difficult to achieve, and management decisions are primarily based on keeping economic activity at the level before the crisis. The speed with which the effects of the crisis are spreading requires accurate information of managers and shareholders in order for them to take early measures for the safe continuity of economic activity. Against the background of high uncertainty, high pressure on energy prices, erosion of household purchasing power, a weaker external environment and tighter financing conditions, the EU is expected, the euro area and most member states will go into recession in the last quarter of the year.

The outlook for 2023 is significantly weaker in terms of economic growth and higher in terms of inflation compared to the European Commission's interim forecast.The economic outlook remains marked by an exceptional degree of uncertainty as Russia's war of aggression against Ukraine continues and the potential for further economic disruption is far from exhausted.The biggest threat is the negative developments in the gas market and the risk of shortages, especially in the winter of 2023-2024. Beyond gas supplies, the EU remains directly and indirectly exposed to new shocks on other commodity markets that respond to geopolitical tensions.

The limits of scientific research are given by the number of companies, the period analyzed, but also by the number of indicators that were used in the analysis. In the future we will expand the research both in terms of the period and in cee regarding the number of economic and financial indicators analyzed.

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