

LIVING STANDARD - HIPC

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Abstract: *The paper presents some aspects about indicators related to the standard of living in the European Union in general. The indicators took into consideration were government deficit/surplus, debt and associated data, percentage of gross domestic product, harmonised indices of consumer prices, annual average index, harmonised indices consumer prices-monthly data, annual rate of change, and food price monitoring tool. The results showed an increase of government deficit in almost all European Union countries as well as an increase of the inflation rate especially for commodity products like food.*

Key words: *government deficit/surplus, harmonised indices, monthly inflation.*

1. Introduction

In order to analyse living conditions, indicators have been used regarding the evolution of government deficit/surplus, debt and associated data like a percent of the gross domestic product, harmonised indices of consumer prices, annual average index, monthly data of HIPC like annual rate of change and food price monitoring tool.

According to EUROSTAT: “Annual inflation is the change of the price level of consumer goods and services between the current month and the same month of the previous year.

Monthly inflation is the change of the price level between the current month and the previous month.

A contribution shows how much of the annual inflation rate comes from a particular component of the HIPC.

The contributions are calculated according to a method which ensures their additivity (allowing for rounding).”

2. Methodology

The study uses official information from the EUROSTAT database, integrated government finance statistic presentation, April 2022, for annual GFS tables, euro indicators related to inflation in the euro area, September 2022.

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3. Results

An important indicator regarding the economy situation is the government deficit/surplus, debt and associated data, net lending (+)/net borrowing (-), calculated as percentage of gross domestic product (GDP).

In July 2022 EUROSTAT published: "In the first quarter of 2022, the seasonally adjusted general government deficit to GDP ratio stood at 2.3% in the euro area and 2.2% in the EU. Decreases in the deficits compared to the fourth quarter of 2021 were observed for the euro area and EU, but the deficit remained at a high level compared to the pre-pandemic period. The deficit to GDP ratio decreased due to stronger decrease in total expenditure as compared to the decrease in total revenue as well as due to a higher GDP in comparison with the fourth quarter of 2021. Total revenue and total expenditure continued to be influenced by policy responses to the COVID-19 pandemic, but to a lesser degree than in previous quarters. In the first quarter of 2022, most Member States continued to record a government deficit."

At the European Union level, the indicator evolution during 2012-2021 is presented in Figure 1. As it can be observed, in the European Union, on the entire analysed period, the indicator had a negative level. The government deficit increased year by year until 2020, when the highest level of 6.8% was registered. In 2021, the government deficit decreased slowly to 4.7%.

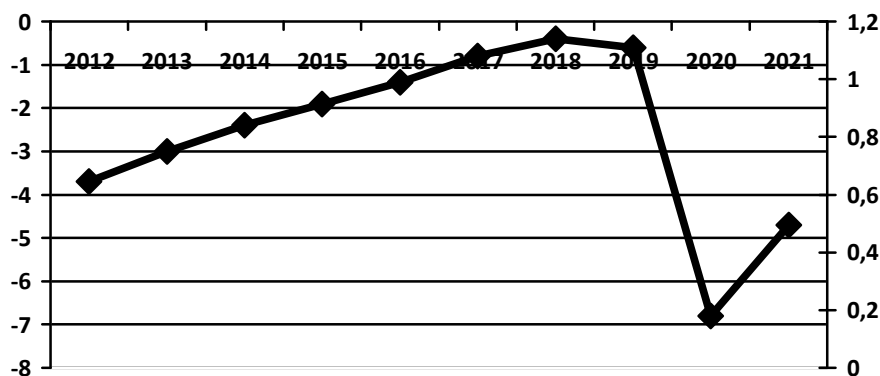


Fig. 1. EU: Government deficit/surplus debt

Data source:

<https://ec.europa.eu/eurostat/documents/2995521/14644647/2-21072022-BP-EN.pdf/0f2f3262-43ab-678c-ebc0-639cb23edc09>

The highest government deficit in 2021 was registered in Malta (-8%), Latvia (-7.3%), Italy (-7.2%), Romania (-7.1%). The lowest rates were in Cyprus (-1.7%), Lithuania (-1%), and Sweden (-0.2%). At the same time, Denmark registered a government surplus, by 2.3%, and also Luxembourg, by 0.9%.

In Romania, in the same period, 2012-2021, the evolution of the government deficit/surplus is presented in Figure 2:

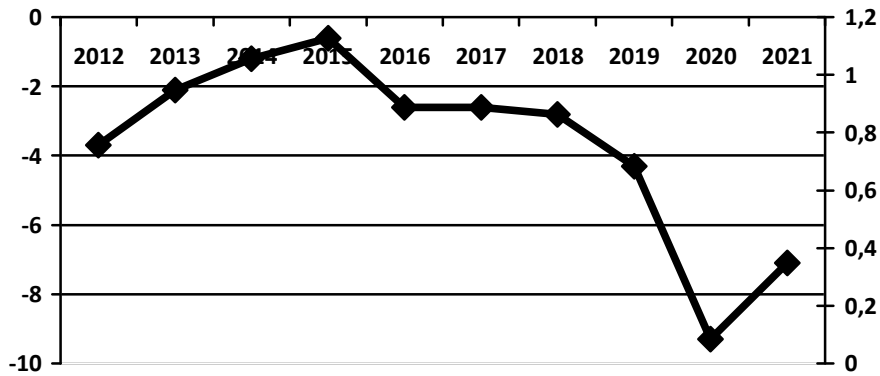


Fig. 2. ROMANIA: *Government deficit/surplus debt*

Data source:

<https://ec.europa.eu/eurostat/documents/2995521/14644647/2-21072022-BP-EN.pdf/0f2f3262-43ab-678c-ebc0-639cb23edc09>

As it can be noticed, in Romania there was a government deficit every year with a slowly decrease from 2012 (-3.7%) to 2015 (-0.6%). From 2016, the government deficit increased every year to -9.3% in 2020. In 2021 the situation improved and the indicator level was -7.1%, still not a convenient value, taking into consideration that, at European Union level, it is situated on the fourth place.

The second indicator chosen for this analysis was the harmonised indices of consumer prices, annual average index (HIPC).

At European Union level, the evolution of this indicator is presented in Figure 3:

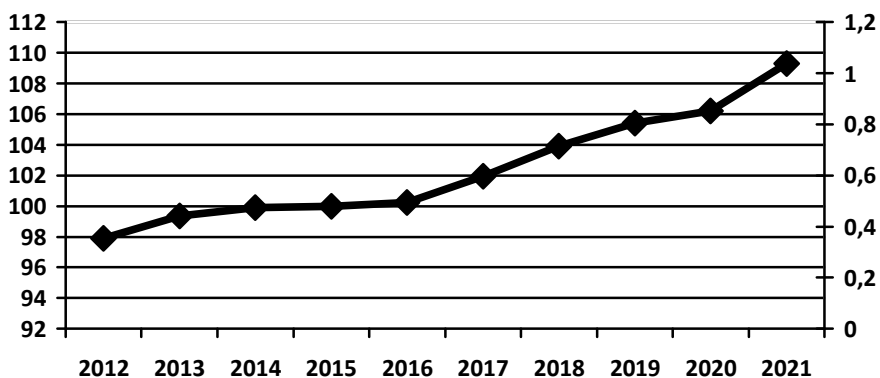


Fig. 3. EU: *Harmonised indexes of consumer prices*

Data source:

https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_hicp_aind&lang=en

It can be observed that in the first years under analysis, 2012-2014, there was a price decrease, the indicator being under 100%.

From 2015, HIPC started to increase every year, reaching 109.28% in 2021.

The lowest levels of HIPC in 2021 were in Denmark (104.9%), Portugal (104.55%), Ireland (103.6%) and Cyprus (101.92%).

The highest levels were in Lithuania (115.75%), Norway (117.2%) and Hungary (119.04%).

In Romania, in the same period 2012-2021, the evolution of HIPC, the annual average index is presented in Figure 4:

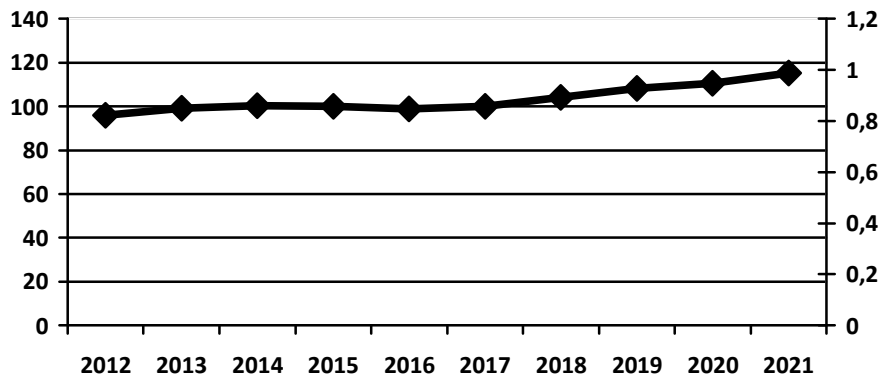


Fig. 4. ROMANIA: Harmonised indexes of consumer prices

Data source:

https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_hicp_aind&lang=en

In Romania, the decrease in prices was registered only in the first two years 2012 and 2013, followed by four more years when the prices were almost constant.

AS of 2018, the harmonised indexes of consumer prices increased every year from 104.08% in 2018, 108.15% in 2019, 110.67% in 2020 to 115.21% in 2021.

But those indexes are determined as an average, meaning that the prices for some commodity products for population increased more than others. These commodity products include, for example food, gas, electricity, products which influenced all the economic fields and, of course, the standard living for the entire population.

Because the highest changes were found in the last two years, the HIPC was analysed –monthly data, annual rate of change from eleventh month in 2021 to eighth month in 2022.

The evolution of HIPC – monthly data at the European Union level is presented in Figure 5:

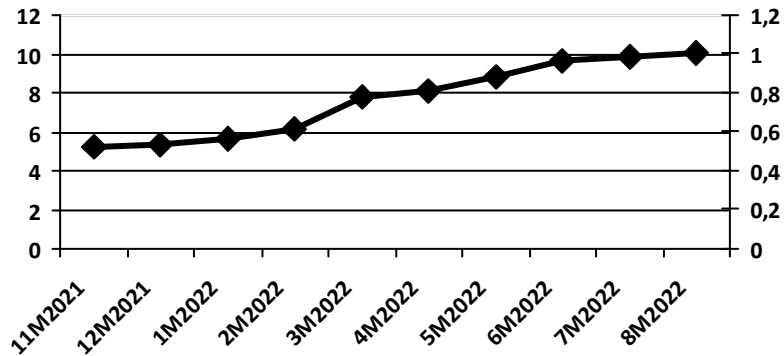


Fig. 5. EU: *Harmonised indexes of consumer prices, monthly data (annual rate of change)*

Data source:

https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_hicp_manr&lang=en

On the analysed period, the annual rate of prices changes increased year by year from month eleven in 2021 by 5.2% to eighth month in 2022 by 10,1%.

In the eighth month of 2022, the lowest level of the annual rate of change were registered in Switzerland (3.3%), Ireland (5.5%), France (6.6%), Malta (7%) and Norway (7.1%). The highest increases of prices were in Estonia (25.2%), Latvia (21.4%), Lithuania (21.1%), Hungary (18.6%) and Czech Republic (17.1%).

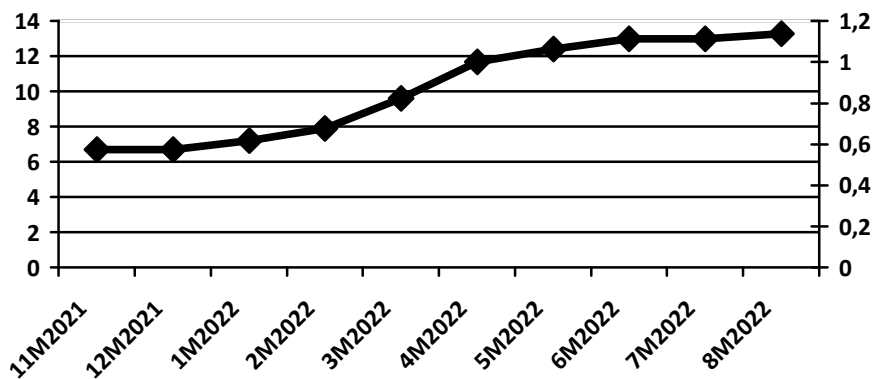


Fig. 6. ROMANIA: *Harmonised indexes of consumer prices, monthly data (annual rate of change)*

Data source:

https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_hicp_manr&lang=en

In Romania, in the same period, the evolution of HIPC-monthly data, calculated as annual rate of change is presented in Figure 6.

The inflation rate in Romania had the same evolution like the average at the European Union.

The prices increased constantly from month eleven 2021 (6.7%) to 13.3% in the eighth month of 2022.

That is due to the increase of energy and gas price, all over the world, COVID crisis also and the war from Ukraine.

Last, but not the least, the harmonised index of consumer price for food was analysed. The evolution of this indicator in the European Union is presented in Figure 7:

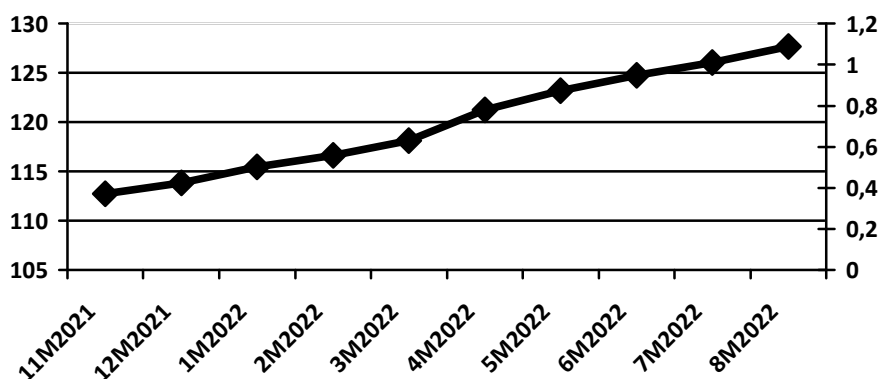


Fig. 7. EU: Harmonised indexes of consumer prices-food prices (2015=100%)

Data source:

https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_fsc_idx&lang=en

As it can be observed, the food prices in the European Union increased constantly during the entire analysed period from 112% in month eleven 2021 to 127.65% in month eight 2022.

In August 2022, the lowest levels were registered in Switzerland (104.45%), Cyprus (114.53%), Finland (114.8%), Italy (117.8%) and Greece (117.86%).

The highest levels were registered in Hungary (170.22%), Lithuania (150.44%), Latvia (147.90%), Slovakia (141.46%), Estonia (145.98%) and Bulgaria (149.96%).

For some base food categories the prices increase was higher.

For example, in month eight of 2022, the price for fresh whole milk increased by 36.57%, for eggs by 34.51%, oil and fats by 55.56%, butter by 66.7%, fish and seafood by 29.29%, cheese and curd by 29.92%, meat by 28.56%.

For meat, the highest price increase was for poultry by 35.16% and for pork, by 30.24%

In the same period of time, the evolution of the harmonised index of consumer price for food in Romania is presented in Figure 8:

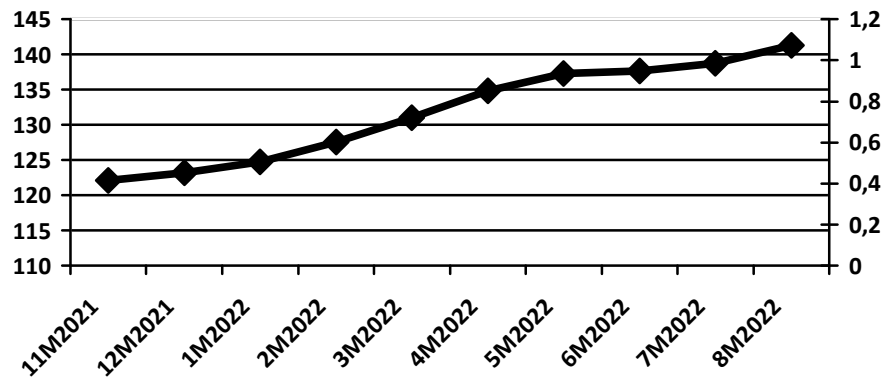


Fig. 8. ROMANIA: *Harmonised indexes of consumer prices-food prices (2015=100%)*

Data source:

https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_fsc_idx&lang=en

In Romania, in the same period, the evolution of the harmonised index of consumer price for food had the same tendency like that at European Union level.

Thus, the average prices for food increased from 122.09% in November 2021 every month until 141.32% in August 2022.

For some base categories of food, the price increase was also higher than average.

For example the eggs price increased by 43.06%, for oil add fats by 80.97%, for butter by 68.32%, for bread by 52.82%, for fresh whole milk by 39.85%, for cheese an curd by 37.6% and for meat by 34.94% (for pork by 39.6% and for poultry by 30.23%).

4. Conclusions

Even if the standard of living refers to a large number of aspects, the paper analyses mainly the harmonised index of consumer price.

This indicator has a huge impact in all fields of activity like economy in general and also on its components, industry, agriculture, construction, trade and so on, and also influences social conditions.

As it was observed, in the last period, the harmonised index of consumer price has increased in all countries and it does not appear that it will stop increasing. The government deficit/surplus was also analysed.

During the pandemic period, almost all governments spent large sums of money in order to ensure all necessary measures required for stopping the pandemic. It was important also to support some fields of economic activities.

For that purpose, governments borrowed large sums of money and most of them increased their deficit triggering an increase in the interest rate by financial institutions and in the inflation rate.

Also, the huge increase of prices for gas and energy leads to an increase of the harmonised index of consumer price.

There were also the social compensations and measures for supporting the standard of living for the population.

In September, EUROSTAT stated: „In August, the highest contribution to the annual euro area inflation rate came from energy (+3.95 percentage points, pp), followed by food, alcohol & tobacco (+2.25 pp), services (+1.62 pp) and non-energy industrial goods (+1.33 pp).”

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