

12. THE "DOBRESCU MACROMODEL" OF THE ROMANIAN MARKET ECONOMY – 2005 VERSION¹ - YEARLY FORECAST - AUTUMN FORECAST FOR 2010²

Macromodel of the Romanian Market Economy³

Abstract

*The macromodel estimates the short and medium-term economic implications of the internal policies and the international environment. This version of the Romanian macromodel incorporates the experience accumulated through the utilisation of its previous forms - either experimental (tested during 1991-1995) or operational (developed during 1996-2003). At the same time, it introduces some methodological and informational improvements. The most significant of them is the structural decomposition of the economy, associated with input-output techniques. Due to the relatively advanced stage of the transitional processes in Romania, the behavioural functions were accommodated - as much as possible - to the standard relationships. Unlike the versions that used the statistical series beginning in 1980, the present one is based exclusively on information concerning the period 1989-2004. Therefore, we have considered more adequately naming this variant the macromodel of the Romanian market (not transition, as before) economy. In this article, we present the **Autumn forecast for 2010 (August estimates)**.*

Key-words: model, input-output analysis, econometric relationships, simulations

JEL Classification: C5, E2-E6, H6

¹ PHARE Programme RO2003/005-551.02.03 "Strengthening the capacity for analysis, macroeconomic forecast and elaboration of economic policies within the National Commission for Prognosis, the Ministry of Economy and Trade and the Prime Minister's Cabinet" – Romanian Center for Economic Policies.

² This is a continuation of the forecasts published so far in **Romanian Journal of Economic Forecasting**. The team working on these forecasts consists of specialists from the Institute for Economic Forecasting, the National Commission for Forecasting and the Centre for Macroeconomic Modelling: Cornelia Scutaru, Ion Ghizdeanu, Lucian-Liviu Albu, Bianca Păuna, Corina Săman, etc.

³ Source: Emilian Dobrescu: "Macromodels of the Romanian Market Economy", Editura Economică, Bucharest, 2006.

Autumn Forecast for 2010, August estimates⁴

Similarly to previous estimates, the current one is based on the 2005 version of the Romanian macroeconomic model, amended with several corrective coefficients, which reflect some methodological changes in statistical indicators and the specific conditions induced by the crisis. The indicators for 2009 have been updated. The demographic parameters are similar to the official forecasts. The simulations are based on the following common qualitative premises:

- The world economy, including international trade, switches from negative to positive growth rates; the Romanian export and import also recover.
- Due to previous accumulated structural imbalances and the current institutional uncertainties, the global output of Romania does not surpass the recession.
- The budget policy is dominated by the need to compress the public deficit to sustainable levels; the last measures negotiated with the International Monetary Fund and the European Commission are taken into account.
- The available international reserves and the support of the mentioned organizations allow the National Bank of Romania to maintain the fluctuations of the exchange rate of RON within reasonable limits.
- The structural funds from the European Union are approximated based on the actual absorption capacities of the economy (the statistical data for the first semester of 2010).

Unlike the Summer Forecast (RJEF No. 2/2010), the Autumn Forecast retains two simulations.

1. The Base Scenario (BSc), is generally built on the macroeconomic policies envisaged in the recently updated Stand-by Agreement with the International Monetary Fund. The resulted estimates are presented in Table 1.

Table 1

Base Scenario for 2010, August estimates

Indicators	Symbol	Dobrescu Macromodel
GDP, current prices, bill. RON	GDP	511.56900
GDP index, current prices	IGDP	1.04131
GDP index, constant prices	IGDPc	0.97959
Household consumption index, constant prices	ICHc	0.93331
Gross fixed capital formation index, constant prices	IGFCFc	0.79807
Export of goods and services, bill. EUR	XGSE	41.20128
Import of goods and services, bill. EUR	MGSE	48.87217
The deficit of the trade balance (% of GDP)	RNX	-0.06369
Labour force, mill. pers.	LF	9.96618

⁴ For a short description of the model, see *Romanian Journal of Economic Forecasting*, 8(1): 115-125.

Indicators	Symbol	Dobrescu Macromodel
Employment, mill. pers.	E	9.08455
Unemployment rate	Ru	0.08846
GDP deflator	PGDP	1.06301
Consumption price index	CPI	1.05782
Exchange rate, RON/EUR	ERE	4.24740
The general consolidated budget deficit (% of GDP).	Cbb	-0.06865

2. The second simulation - named the Worsened Scenario (WSc) - assumes less favorable conditions for the Romanian economy, especially with respect to the total factor productivity and the foreign capital inflows. The National Bank of Romania is able to keep the exchange rate of RON in a fluctuation band close to the Base Scenario (BSc). The main indicators of the Worsened Scenario (WSc) are presented in Table 2.

Table 2

Worsened Scenario WSc for 2010, August estimates

Indicators	Symbol	Dobrescu Macromodel
GDP, current prices, bill. RON	GDP	511.58463
GDP index, current prices	IGDP	1.04134
GDP index, constant prices	IGDPc	0.96883
Household consumption index, constant prices	ICHc	0.92163
Gross fixed capital formation index, constant prices	IGFCFc	0.78770
Export of goods and services, bill. EUR	XGSE	40.84349
Import of goods and services, bill. EUR	MGSE	48.05132
The deficit of the trade balance (% of GDP)	RNX	-0.06050
Labour force, mill. pers.	LF	9.96618
Employment, mill. pers.	E	9.08013
Unemployment rate	Ru	0.08891
GDP deflator	PGDP	1.07484
Consumption price index	CPI	1.06977
Exchange rate, RON/EUR	ERE	4.29435
The general consolidated budget deficit (% of GDP).	Cbb	-0.06843

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