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THE "DOBRESCU" MACROMODEL OF THE ROMANIAN MARKET ECONOMY* - 2005 VERSION- YEARLY FORECAST – PRELIMINARY RESULTS FOR 2007

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Macromodel of the Romanian Market Economy*****

In this article we present only the economic forecast of the variable of interest. For a description of the model see RJEF, No. 1/2007 of [4].

The macromodel estimates the short and medium-term economic implications for internal policies and changes in the international context.

This new 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 information 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.

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



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Therefore, we have considered more adequately to name this variant the macromodel of the Romanian market (not transition, as before) economy.

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

JEL Classification: C5, E2-E6, H6

Preliminary results for 2007

The most important forecasted indicators are presented in Table 1. The effect that the prolonged draught had on the economy manifested itself into a reduced growth rate of 6.44%, a reduced growth rate in the real private consumption from 10.6%, increased inflationary expectations of 5.66%, and a slightly increasing unemployment rate.

Table 1

Preliminary results for 2007

Indicators	Symbol	2007
GDP, current prices, bill. RON	GDP	382.4552
GDP index, current prices	IGDP	1.1169
GDP index, constant prices	IGDPc	1.0643
Household consumption index, constant prices	ICHc	1.1061
Gross fixed capital formation index, constant prices	IGFCFc	1.1645
Export of goods and services, bill. euros	XGSE	35.9632
Import of goods and services, bill. euros	MGSE	53.424
The deficit of the trade balance (% of GDP)	rNX	-0.1522
Labour force, mill. pers.	LF	10.0593
Employment, mill. pers.	E	9.4098
Unemployment rate	ru	0.0646
GDP deflator	PGDP	1.0494
Consumption price index	CPI	1.0566
Exchange rate, RON/EUR	ERE	3.3344
Revenues of the general consolidated budget (% of GDP)	br	0.3683
Expenses of the general consolidated budget (% of GDP)	be	0.3955
The general consolidated budget deficit (% of GDP).	cbb	-0.0272

Returning to the forecasted value for 2007, it can be observed that, the reduction in the inflationary expectation (in comparison to 2006) induces a compression of the nominal GDP, and an expansion in the real output (IGDPc is increasing). It is worth mentioning that the main resources of growth are the total factor productivity and the increase in capital. As expected, the premise for this evolution is a significant desinflation.



With respect to domestic demand, according to the hypothesis adopted, the dynamics of the gross fixed capital formation stays high, while the annual rate of household consumption tends towards 11%. The trade deficit remains troublesome. This means that the issue of actively stimulating exports and maintaining import expansion within reasonable limits should be a major preoccupation of Government institutions and the National Bank of Romania.

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