14. THE "DOBRESCU MACROMODEL" OF THE ROMANIAN MARKET ECONOMY - 2005 VERSION[1] YEARLY FORECAST - PRELIMINATE FOR 2009[2]

Macromodel of the Romanian Market Economy[3]

Abstract

The macromodel estimates the short and medium-term economic implications for internal policies and changes in the international context. 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 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. Therefore, we have considered more adequately to name this variant the macromodel of the Romanian market (not transition, as before) economy. In this article we present only the economic preliminate for 2009 of the variable of interest. For a description of the model, see RJEF, No. 1/2007 of [4].

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

JEL Classification: C5, E2-E6, H6

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[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 Pauna, Corina Saman, etc.*

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

Preliminary indicators for 2009, November estimations

The methodological changes introduced in the last projections (RJEF no. 1-3, 2009) were maintained. The assumptions adopted by the Stand-by Agreement with International Monetary Fund, European Commission, and World Bank also have been taken into consideration.

Previous forecasts were accommodated to the actual evolution of the Romanian economy during the period January-September 2009, including the general consolidated budget revenues and expenditures.

The main indicators are presented in Table no. 1.

Table 1

Preliminate for 2009

Indicators	Symbol	Dobrescu Macromodel
GDP, current prices, bill. LEI	GDP	498,579
GDP index, current prices	IGDP	0,989
GDP index, constant prices	IGDPc	0,921
Household consumption index, constant prices	ICHc	0,886
Gross fixed capital formation index, constant prices	IGFCFc	0,916
Export of goods and services, bill. EUR	XGSE	34,322
Import of goods and services, bill. EUR	MGSE	42,874
The deficit of the trade balance (% of GDP)	rNX	-0,073
Labour force, mill. pers.	LF	9,945
Employment, mill. pers.	E	9,123
Unemployment rate[4]	ru	0,083
GDP deflator	PGDP	1,074
Consumption price index	CPI	1,056
Exchange rate, LEI/EUR	ERE	4,265
The general consolidated budget deficit (% of GDP).	cbb	-0,073

1. Therefore, the present estimations come into sight a severe recession of the real economy, associated with a significant contraction of the domestic absorption. The leading macroeconomic indicators register important negative annual rates:

- the gross domestic product at constant prices -7.88%,
- the consumption of households at constant prices -11.39%, and
- the gross fixed capital formation also at constant prices -8.43%.

2. In such circumstances, a drastic adjustment of the former external disequilibrium has been achieved. The foreign trade is approximated by an export of goods and services at 34.32 billion Euros and a corresponding import at 42.87 billion Euros.

[4] *According to the ILO methodology.*

Consequently, the commercial deficit, as a ratio to gross domestic product, decreases from -14.56% in 2008 to -7.32% in 2009.

3. The reduction of internal demand maintained the price indices into relatively narrow band, but at higher level that other countries of European Union. Thus:

- the GDP deflator represent 7.40% and
- the consumer price index (yearly average) 5.63%.

Under these conditions, the compression of the imports and the interventions of National Bank Romania have limited the depreciation of Lei induced especially by the diminution of the foreign capital inflows: as an annual level, the exchange rate is estimated at 4.265 Lei per Euro.

4. Unfortunately, the public expenditures did not accommodate to obtainable under crisis revenues. As a result, the general consolidated budget deficit alarmingly expanded to -7.3%. The non-accommodation refers mostly to the expenditures on personnel.

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