



## THE "DOBRESCU MACROMODEL" OF THE ROMANIAN MARKET ECONOMY - 2005 VERSION YEARLY FORECAST<sup>1</sup> AUTUMN FORECAST

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### Macromodel of the Romanian Market Economy<sup>2</sup>

#### Abstract

*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.*

<sup>1</sup> 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.

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<sup>2</sup> Source: Emilian Dobrescu: "Macromodels of the Romanian Market Economy", Editura Economică, Bucharest, 2006.

Therefore, we have considered more properly 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

## Scenarios for 2008

The computation hypothesis for the base scenario:

- the exogenous variables related to the dynamics of the nominal revenue and the structure of the general consolidated budget is according to the announced government policies;
- the structural funds received from the European Union were included explicitly in the general consolidated budget revenue, and their main destination was to increase the gross fixed capital formation;
- we anticipate a prudent policy in the area of non-governmental credit, which will lead to a moderate expansion of domestic consumption;
- the National Bank's monetary policy will work towards the stabilization of the exchange rate around its end of year value;
- the exogenous variables related to the rest of the world economy are according to the relative optimistic prognosis of the international environment.

Given the above hypothesis we consider that the forecasted values are a desirable scenario.

In comparison with the previous simulation, this one includes two changes:

- due to the measures recently announced by the Government concerning nominal revenues, the index of expected disposable income has been increased;
- taking into account the evolution of real economy in the first semester, the corrective coefficient applied to the production function has been slightly ameliorated.

The most important forecasted indicators are presented in Table 1.

Table 1

Scenarios for 2008

Indicators	Symbol	Autumn forecast
GDP, current prices, bill. RON	GDP	457.926
GDP index, current prices	IGDP	1.182365
GDP index, constant prices	IGDPc	1.072657
Household consumption index, constant prices	ICHc	1.092364
Gross fixed capital formation index, constant prices	IGFCFc	1.042247
Export of goods and services, bill/ euro	XGSE	41.58394

Indicators	Symbol	Autumn forecast
Import of goods and services, bill. euros	MGSE	58.76054
The deficit of the trade balance (% of GDP)	rNX	-0.13346
Labour force, mill. pers.	LF	10.11067
Employment, mill. pers.	E	9.574322
Unemployment rate	ru	0.053048
GDP deflator	PGDP	1.102278
Consumption price index	CPI	1.099837
Exchange rate, RON/EUR	ERE	3.697764
Revenues of the general consolidated budget (% of GDP)	br	0.37606
Expenses of the general consolidated budget (% of GDP)	be	0.404211
The general consolidated budget deficit (% of GDP).	cbb	-0.02815

Any deviation of the real evolutions from the above premises as well as the changes in the 2006-2007 statistical data will be included in future forecasts.

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