

# 14. THE "DOBRESCU MACROMODEL" OF THE ROMANIAN MARKET ECONOMY - 2005 VERSION -<sup>1</sup> YEARLY FORECAST PRELIMINATE FOR 2010<sup>2</sup>

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## Macromodel of the Romanian Market Economy<sup>3</sup>

### 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 prelude for 2010 of the variable of interest. For a description of the model see **Romanian Journal of Economic Forecasting**, 8(1): 115-125.

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

**JEL Classification:** C5, E2-E6, H6

### Preliminary Estimations for 2010 November estimations

Similar to the previous estimations the present ones are based on the 2005 version of the Romanian macroeconomic model, amended with several corrective coefficients,

<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.

<sup>2</sup> 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 Săman etc.

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

which reflect some methodological changes in statistical indicators and the specific conditions induced by the global environment.

The last macromodel simulations are based on the following premises:

- The world economy, including international trade, moved to positive growth rate; the Romanian export and import also recovered.
- Due to the anterior accumulated structural imbalances and the current institutional uncertainties, the global output of Romania does not recover from the recession. Nevertheless, the improved evolution of the industrial output registered during the second and the third quarters cannot be ignored.
- The budget policy continues to be dominated by the need to compress the public deficit to sustainable levels; the last measures negotiated with International Monetary Fund and European Commission were taken into account.
- The available international reserves and the support of the mentioned organizations allowed to the National Bank of Romania to maintain the fluctuations of the exchange rate of RON within reasonable limits.
- The level of European structural funds effectively introduced in the economy was estimated according to the real potential revealed by the statistical data for the period January-September 2010. Unfortunately, the absorption rate of these resources remains relatively low.

**Table 1**

**Preliminary for 2010, November estimations**

Indicators	Symbol	Dobrescu Macromodel
GDP, current prices, bill. LEI	GDP	512.378
GDP index, current prices	IGDP	1.043
GDP index, constant prices	IGDPc	0.977
Household consumption index, constant prices	ICHc	0.939
Gross fixed capital formation index, constant prices	IGFCFc	0.872
Export of goods and services, bill. EUR	XGSE	42.118
Import of goods and services, bill. EUR	MGSE	50.039
The deficit of the trade balance (% of GDP)	rNX	-0.066
Labour force, mill. pers.	LF	9.966
Employment, mill. pers.	E	9.126
Unemployment rate <sup>4</sup>	ru	0.084
GDP deflator	PGDP	1.067
Consumption price index	CPI	1.064
Exchange rate, LEI/EUR	ERE	4.262
The general consolidated budget deficit (% of GDP)	cbb	-0.06897

Next charts display the estimated forecasts for the year 2010.

<sup>4</sup> According to the ILO methodology.

### Scenarios:

1. **Spring Forecast for 2010**, February estimates (see *Romanian Journal of Economic Forecasting*, 13(1): 215-217).
2. **Summer Forecast for 2010**, May estimations, Base Scenario (see *Romanian Journal of Economic Forecasting*, 13(2): 320-324).
3. **Summer Forecast for 2010**, May estimations, Worsened Scenario W1Sc (see *Romanian Journal of Economic Forecasting*, 13(2): 320-324).
4. **Summer Forecast for 2010**, May estimations, Worsened Scenario W2Sc (see *Romanian Journal of Economic Forecasting*, 13(2): 320-324).
5. **Autumn Forecast for 2010**, August estimations, Base Scenario (see *Romanian Journal of Economic Forecasting*, 13(3): 187-190).
6. **Autumn Forecast for 2010**, August estimations, Worsened Scenario WSc (see *Romanian Journal of Economic Forecasting*, 13(3): 187-190).
7. **Preliminary for 2010**, November estimates Scenario (see *Romanian Journal of Economic Forecasting*, 13(4): 208-212).

Figure 1

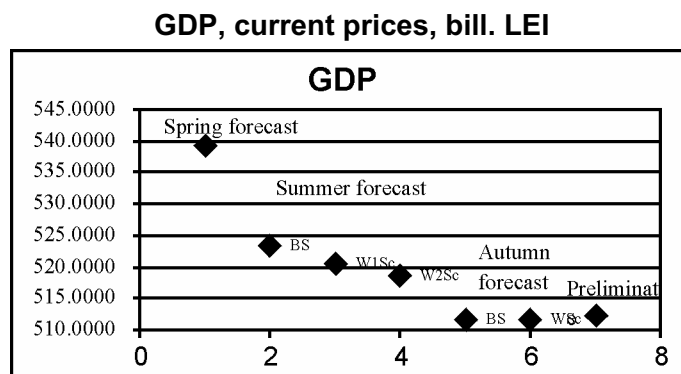


Figure 2

**Gross fixed capital formation index, constant prices**

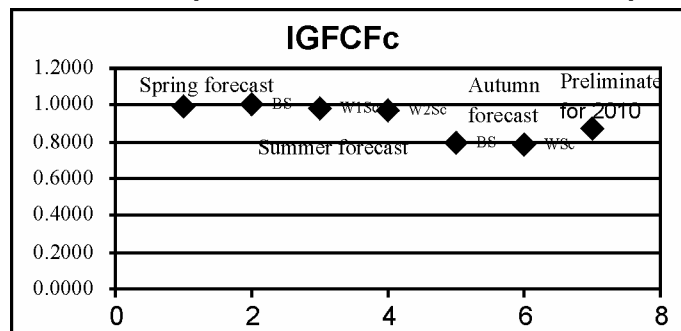


Figure 3

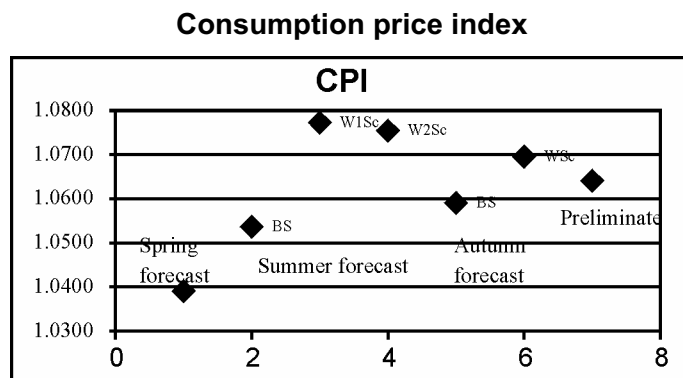


Figure 4

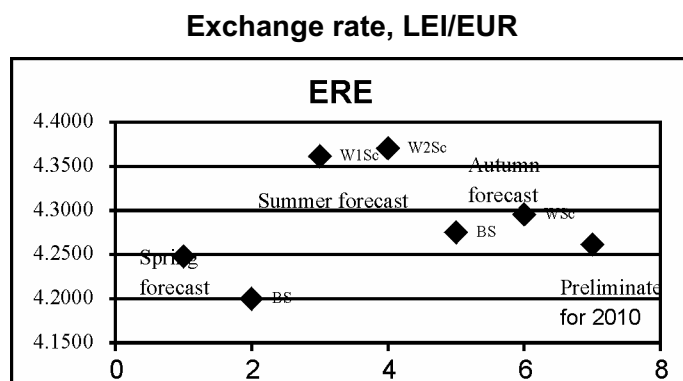
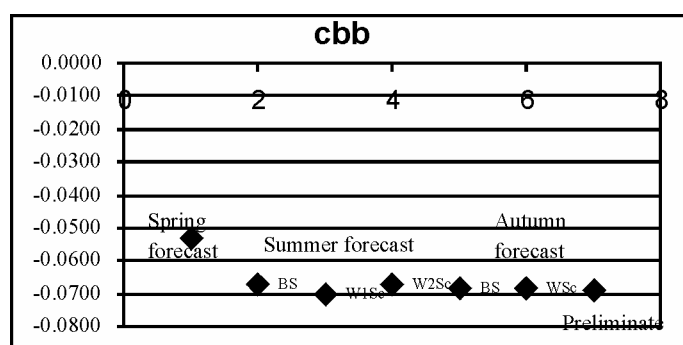


Figure 5

The general consolidated budget deficit (% of GDP)



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