

# 16. THE DOBRESCU MACROMODEL OF THE ROMANIAN MARKET ECONOMY - 2005 VERSION<sup>1</sup> YEARLY FORECAST SPRING FORECAST 2011<sup>2</sup>, MARCH ESTIMATE

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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 utilization 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 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 behavioral 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 **Spring forecast for 2011**.

**Keywords:** model, input-output analysis, econometric relationships, simulations

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

<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 Office – 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 Saman etc.

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

## Spring Forecast 2011, March Estimates<sup>4</sup>

As the previous estimations, the present ones are based on the 2005 version of the Romanian macroeconomic model, amended with several corrective coefficients, which reflect some methodological changes in the statistical indicators and the specific conditions induced by the global environment.

In the case of several indicators, the preliminary data for 2010 (published in *RJEF* 4/2010) were corrected according to the first official estimates of the National Institute of Statistics. The input-output coefficients were also updated based on the all available tables.

1. The main scenario (base one) of the macromodel simulations are based on the following premises:

- The post-crisis recovery of the world economy (including international trade) is continuing; the Romanian export and import also expand.
- As a result of a possible improvement of the domestic business environment, the foreign direct and portfolio investments in Romania move at slightly positive rates and the absorption of European structural funds improves significantly.
- The main components of the general consolidated budget are estimated according to the agreements of the Romanian Government with the International Monetary Fund, the European Commission and the World Bank.
- Either the monetary framework or the policies concerning the nominal revenues continue to be cautious.
- The Romanian economy comes out of recession and the inflation is kept under control. These circumstances and the available international reserves allow to the National Bank of Romania to maintain the fluctuations of the exchange rate of RON within reasonable limits.

The simulated indicators for the Base Scenario are presented in Table 1.

**Table 1**

### Base Scenario for 2011, March Estimates

Indicators	Symbol	Dobrescu Macromodel
GDP, current prices, bill. RON	GDP	547.63437
GDP index, current prices	IGDP	1.06068
GDP index, constant prices	IGDPc	1.01210
Household consumption index, constant prices	ICHc	0.99240
Gross fixed capital formation index, constant prices	IGFCFc	1.00643
Export of goods and services, bill. EUR	XGSE	46.07293
Import of goods and services, bill. EUR	MGSE	54.37068
The deficit of the trade balance (% of GDP)	rNX	-0.06456

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

Indicators	Symbol	Dobrescu Macromodel
Labor force, mill. persons	LF	9.93600
Employment, mill. persons	E	9.15228
Unemployment rate	ru	0.07888
GDP deflator	PGDP	1.05475
Consumption price index	CPI	1.05120
Exchange rate, RON/EUR	ERE	4.26089
The general consolidated budget deficit (% of GDP).	cbb	-0.04619

2. The second scenario (slightly improved one) takes into account a possible stabilization of the business environment, inducing a relaxation of banking credits for the private sector, a more favorable context for the foreign direct and portfolio investments, a small recovery of the domestic demand.

The simulated indicators for the Slightly Improved Scenario are presented in Table 2.

**Table 2**

**Slightly Improved Scenario for 2011, March Estimates**

Indicators	Symbol	Dobrescu Macromodel
GDP, current prices, bill. RON	GDP	550.26210
GDP index, current prices	IGDP	1.07088
GDP index, constant prices	IGDPc	1.02183
Household consumption index, constant prices	ICHc	1.01228
Gross fixed capital formation index, constant prices	IGFCFc	1.03304
Export of goods and services, bill. EUR	XGSE	46.72840
Import of goods and services, bill. EUR	MGSE	55.78768
The deficit of the trade balance (% of GDP)	rNX	-0.06990
Labor force, mill. persons	LF	9.93600
Employment, mill. persons	E	9.15465
Unemployment rate	ru	0.07864
GDP deflator	PGDP	1.04972
Consumption price index	CPI	1.05007
Exchange rate, RON/EUR	ERE	4.24594
The general consolidated budget deficit (% of GDP).	cbb	-0.04639

3. A third variant – worsened scenario – has been also simulated. It takes into account a possible aggravation of the international oil market, which would accentuate the inflationary pressure on economy. Under these conditions, a new wave of bankruptcies is unavoidable. The recession could not be surpassed. Due to the limited growth of exports and growing difficulties in accessing the foreign financial resources, the imports would be compressed. The main indicators of such a scenario are detailed in Table 3.


Table 3

**Worsened Scenario for 2011, March Estimates**

Indicators	Symbol	Dobrescu Macromodel
GDP, current prices, bill. RON	GDP	551.40389
GDP index, current prices	IGDP	1.04362
GDP index, constant prices	IGDPc	0.99582
Household consumption index, constant prices	ICHc	0.95355
Gross fixed capital formation index, constant prices	IGFCFc	0.99584
Export of goods and services, bill. EUR	XGSE	45.65902
Import of goods and services, bill. EUR	MGSE	50.38884
The deficit of the trade balance (% of GDP)	rNX	-0.03874
Labor force, mill. persons	LF	9.93600
Employment, mill. persons	E	9.14468
Unemployment rate	ru	0.07964
GDP deflator	PGDP	1.07937
Consumption price index	CPI	1.07598
Exchange rate, RON/EUR	ERE	4.51686
The general consolidated budget deficit (% of GDP).	cbb	-0.05123

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*The Dobrescu Macromodel of the Romanian Market Economy* 

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**Institute for Economic Forecasting - Romanian Academy, Bucharest**  
**Centre for Macroeconomic Modeling - Romanian Academy, Bucharest**