

# 16. THE "DOBRESCU MACROMODEL" OF THE ROMANIAN MARKET ECONOMY - 2005 VERSION<sup>1</sup> YEARLY FORECAST - SPRING FORECAST 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 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 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 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 2010.*

**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 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 Păuna, Corina Săman, etc.

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

## Spring Forecast for 2010, February estimates<sup>4</sup>

The methodological corrections introduced in the previous projections (RJEF Nos. 1-4, 2009) were maintained.

The updated Standby Agreement with the International Monetary Fund, the European Commission, and the World Bank has also been taken into consideration.

The present forecast is based on several leading assumptions:

- the domestic absorption continues to decrease, but in a smaller proportion than during the previous year;
- the global output registers stabilization, under the circumstances of extended unemployment;
- the general consolidated budget expenditures are compressed, in order to reach a reduction in the public deficit without changing the taxation system;
- the external commercial deficit remains within sustainable limits;
- the above-mentioned circumstance combined with the interventions of the National Bank can induce a relatively stable evolution of the nominal exchange rate.

The main indicators are presented in Table 1.

Table 1

### Scenario for 2010

	Symbol	Dobrescu Macromodel
GDP, current prices, bill. RON	GDP	539.336
GDP index, current prices	IGDP	1.066
GDP index, constant prices	IGDPc	1.013
Household consumption index, constant prices	ICHc	0.968
Gross fixed capital formation index, constant prices	IGFCFc	0.997
Export of goods and services, bill. EUR	XGSE	39.039
Import of goods and services, bill. EUR	MGSE	48.732
The deficit of the trade balance (% of GDP)	rNX	-0.764
Labor force, mill. pers.	LF	9.966
Employment, mill. pers.	E	9.097
Unemployment rate	ru	0.087
GDP deflator	PGDP	1.053
Consumption price index	CPI	1.039
Exchange rate, RON/EUR	ERE	4.248
The general consolidated budget deficit (% of GDP).	cbb	-0.053

The present macromodel estimations are close to the ones used by the government to build the general consolidated budget for 2010.

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

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