10 THE "DOBRESCU MACROMODEL" OF THE ROMANIAN MARKET ECONOMY - 2005 VERSION-[1] YEARLY FORECAST - PRELIMINATE FOR 2008

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Macromodel of the Romanian Market Economy[2]

In this article we present only the economic preliminate of the variable of interest. For a description of the model, see RJEF, No. 1/2007 of [4].

Abstract

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.

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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.*

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

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.

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

JEL Classification: C5, E2-E6, H6

Scenarios for 2008

The computation hypothesis:

- 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.

In comparison with previous simulations, two main changes were operated:

- taking into account the evolution of nominal revenues during the period July-September and anticipations in this field for the last part of the year, the expected index of disposable income (IYDexp) for 2008 has been increased;
- since the statistical discrepancy between CPI and PK, on one hand, and GDP deflator, on the other, still existed, the equation which connects these price indices has been correspondingly accommodated."

Table 1 presents the Dobrescu preliminate together with the National Commission for Prognosis (NCP) prognosis.

Table 1

Preliminate for 2008

Indicators	Symbol	Dobrescu Macromodel	NCP
GDP, current prices, bill. RON	GDP	506.010	505.000
GDP index, current prices	IGDP	1.250	1.248
GDP index, constant prices	IGDPc	1.087	1.091
Household consumption index, constant prices	ICHc	1.112	1.100
Gross fixed capital formation index, constant prices	IGFCFc	1.201	1.270
Export of goods and services, bill. euro	XGSE	43.690	44.100
Import of goods and services, bill. Euro	MGSE	64.828	63.080
The deficit of the trade balance (% of GDP)	rNX	-0.155	-0.138
Labour force, mill. pers.	LF	10.111	10.116
Employment, mill. pers.	E	9.577	9.482
Unemployment rate	ru	0.053	0.063
GDP deflator	PGDP	1.150	1.144
Consumption price index	CPI	1.085	1.077
Exchange rate, RON/EUR	ERE	3.718	3.670
Revenues of the general consolidated budget (% of GDP)	br	189.691	NA
Expenses of the general consolidated budget (% of GDP)	be	204.535	NA
The general consolidated budget deficit (% of GDP).	cbb	-0.029	NA

It can be noticed, from the two columns from table 1 that there are no important differences between the macroeconomic variables in the two scenarios. The largest discrepancies are appearing in the evaluation of the inflation and of the variables concerning the labour market.

Referance

[1] Dobrescu Emilian, “Macromodel of the Romanian Market Economy (Version 2005)”, 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; http://www.cnp.ro/SiteNCP.pdf

[2] Dobrescu Emilian, “Integration of Macroeconomic Behavioural Relationships and the Input-Output Block (Romanian Modelling Experience)”, Paper presented at the International Conference on Policy Modelling

(Ecomod 2006), Hong Kong, June 28-30, 2006, http://www.ecomod.org/files/papers/1564.pdf.

[3] Dobrescu Emilian, *Macromodels of the Romanian Market Economy*, Editura Economică, Bucharest 2006, 326 pgs.

[4] Bianca Păuna, Ion Ghizdeanu, Cornelia Scutaru, Petre Fomin, Corina Sâman, (2007), "The «Dobrescu Macromodel» of the Romanian Market Economy – 2005 version – Yearly forecast, basic scenario", *Romanian Journal of Economic Forecasting*, 8(1): 115-.