

# Romania and the Euro's Adoption. Between Real and Nominal Convergence

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*Romania is one of the least developed countries of the EU, with a level of GDP/capita three times lower than the EU average (1:2,9 GDP/head and 1:6,8 GDP/person employed), with a relatively low contribution of services to the PIB achievement, having an excessive labor force in agriculture, a reduced potential of the educational and research infrastructure and the lowest convergence level compared to the EU. According to the Convergence Programme, published at the beginning of 2007, Romania will not accede to the EMU-2 sooner than 2012, which means that 2014 becomes for Romania the most appropriate period for the adoption of euro (The Romanian Government, Convergence Programme, 2007). According to the Government, this period appears to be necessary for the continuation of the structural reform process, necessary for the economy to support euro.*

Key words: *convergence, divergence, euro, economic and monetary union, structural reform*

JEL classification code: E52, E58

## 1. Convergence or divergence in the economic development process?

We can identify different points of view as answers to the question whether the continuation of the integration process leads to an increase in convergences or divergences in the economic development of member states.

Therefore, on the one hand, the neoclassical theories, such as the *Heckscher-Ohlin-Samuelson pattern*, lead to the conclusion that the agent incomes (interests and wages) tend to converge when the markets are open, following the creation of customs unions, by eliminating the tariff/non-tariff barriers. We should also mention that the truthfulness of the above-mentioned patterns depends on the cumulative existence of several conditions, among which a perfect competition and the lack of any barriers in front of the production factors circulation. In its turn, the pattern of *"the product life"* leads to the idea that we can create a certain degree of convergence between the different sectors of the new integration area, following the gradual knowledge absorption (advanced technologies, know-how, etc) in the sectors benefiting from direct investments during the development of a product. Those direct investments will support the own research and innovations, will increase the production quality and, in parallel, will support the capacity of sectors benefiting from ISD to provide increasing wages and profits.

On the other hand, according to other theories, such as *the new economic geography*<sup>1</sup>, divergence may appear as a result of asymmetrical economic development, generated by certain different original conditions. In time, inequalities will tend to accentuate because both the investments and the labour force will tend to concentrate in those regions where technology is more advanced, the demand for jobs is high and the wages much more attractive. All these evolutions lead, in the end, to a cumulative dynamic effect.

*The new economic theory* provides a new dimension to the debate between the advocates of convergence and those of divergence. The new economic theory brings about new important factors for the economic development process, such as: access to markets, human capital, technology, international competitiveness, scale economy, institutional efficiency etc. According to this theory, some states manage to ensure the best combination between the above-mentioned factors and a high rate

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<sup>1</sup> See, for example, Krugman (1991), Fujita et al (1999) or Porter (1990).

of economic development, while other states don't manage to ensure this alchemy specific for the economic development, being a step behind. For this theory, the initial situation no longer constitutes a determinant factor, while the result of the evolutions registered in the process of economic development depends, first of all, on the way in which economies are adapting to change.

### 1.1 European convergence between Beta ( $\beta$ ) and Sigma ( $\Omega$ )

We have to mention that, as a rule, there is a distinction **between the two types of convergence**: convergence  $\sigma$  and convergence  $\beta$  (Van-hove, 1999) within the analysis of the convergence process. While **convergence  $\sigma$**  shows the reduction of the dispersion GDP/inhabitant at the regional level, **convergence  $\beta$**  shows when there is a negative correlation between the development rate of the GDP/inhabitant and its initial level. In other words, convergence  $\beta$  refers to the rapidity with which the convergence phenomenon is produced.

*At the international level*, a series of *studies* have been undertaken lately meant to analyze the convergent or divergent character of the regional development and to allow the tendencies for the years to come<sup>1</sup>. Without reviewing all the significant contributions to the analysis of this process, we will choose only two significant contributions in this section, belonging to H. Armstrong and S.Brettell.

The very precise calculations made by H. Armstrong (Armstrong, 2002, 2000, 1997, 1995) revealed coefficients of the variation GDP/inhabitant of 0.37 in 1970, 0.35 in 1980, 0.31 in 1990, showing a very slow reduction tendency in the 1990s. Therefore, the period between 1950 and 1990 can be analyzed considering the following aspects:

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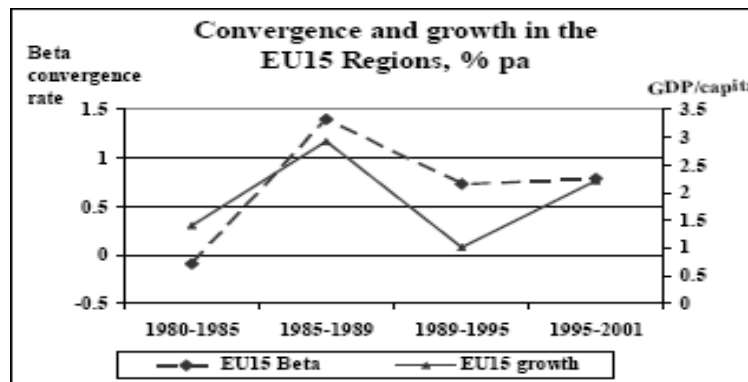
<sup>1</sup> In order to review the significant contributions in the last 10-15 ani, see Daniela-Luminița Constantin, Gabriela Drăgan, Gabriela Carmen Pascariu, *Evoluții în modelarea și cercetările exploratorii privind convergența în creșterea economică regională*, the "Studies and research on economic calculation and economic cybernetics" review, Faculty of Cybernetics, Statistics and Economic Informatics, no.4, 2006, vol.40.

- Between 1950 and the beginning of the '70s, there was a significant reduction of regional disparities;
- The period between the mid '70s and the mid'80s is characterized by regional divergence;
- Regional convergence begins to appear again from the mid '80s. Only the beginning of the '90s is an exception, when the extension of disparities was influenced by the integration of lands in the Eastern Germany. On the whole, the convergence dynamics beginning with the '80s was more reduced than in the '50s and '60s;

As such, H. Armstrong stated that there was a reduction of disparities between the analyzed regions, mostly due to the convergence of the development levels of the member states. In its turn, the convergence of the development levels was the result of approaching the structures of these countries secondary and tertiary sectors.

On the other hand, S. Brettell research led to the conclusion that the Union enlargement was associated with small but positive development in the convergence process. On different analyses made within Cambridge Econometrics (2004), S.Brettell measured the two levels of regional convergence, beta and sigma, focusing on the effect generated by the Union enlargement towards the South and proved the existence of a positive correlation between the periods of economic development and fast convergence (see picture no.1).

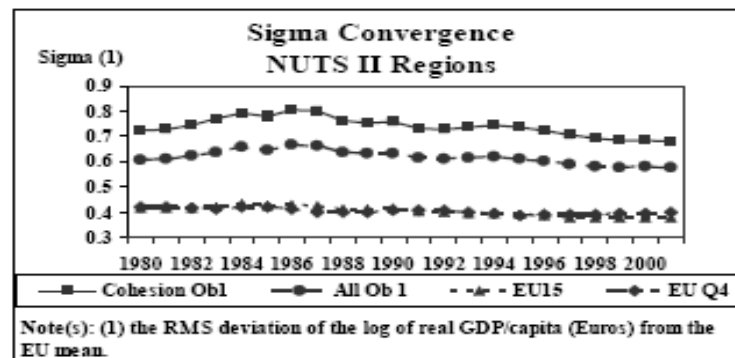
**Picture 1: Correlation between convergence  $\beta$  and economic development**



Source: Brettell, S. (2004)

The analysis of the Sigma ( $\sigma$ ) Convergence, for the same period 1980-2001, shows the way in which the regional variation of the GDP/inhabitant changed throughout time and the constant dispersion decline (see picture no. 2).

**Picture 2: Convergence  $\sigma$  at the level of the EU-15**



Source: Brettell, S. (2004)

Despite the fact that the studies mentioned here, as well as other studies/research made so far certify the existence of positive effects gener-

ated by the enlargement, the conclusions of the neoclassical theory are not confirmed, as long as the convergence rates were low and the rate of gaining on the discrepancies was rather slow.

Under these circumstances, the existence of coherent public policies may influence decisively the rate and rapidity of the convergence process through the government interventions, having as a result a proper balance of the two traditional reasons of every public intervention, efficiency and equity. On the one hand, the economic arguments in favour of efficiency aim that the decided and implemented measures within certain policies such as the regional or social policy, lead to an efficient allotment of resources and to the general economic development. On the other hand, the social-political arguments in favour of equity state that significant groups of people think inequity is unacceptable. Under these circumstances, the general wealth can increase only if inequalities between groups and regions are eliminated.

## **2. Euro and the convergence programmes of the candidate countries for the euro area. Romania's case**

Going back to the conditionalities imposed by the passage to a superior stage in the integration process, namely ERM, it must be emphasized that the actual economic challenges include, on the one hand, scenarios concerning the best strategy to accede to the euro area and, on the other hand, concerning the accession results. The perspective of reduced transactional costs and of more stable temporary planning spaces both for the exporters and for the importers turns euro into an extremely attractive currency. Despite the agreement between all points of view concerning the positive effects generated by euro on trade exchanges (Nitsch 2002, Micco et al.2003), some authors even tend to exaggerate them. Thus, Rose (2001) states that the adoption of the single currency will lead to the trebling of trade exchanges between the member states, although the European Commission and the IMF, rather balanced, only anticipated that the integration into the EMU will lead to

economic increases of 1-2 per person/year in the new member states (Feldman et al 2002).

However, as the economic progress differs between the old and the new member states, the time for accession to the euro area must be chosen carefully. Thus, considering the strong differences between the GDP/inhabitant and between the economic structures (the weight of the agricultural sector being three times greater than the EU average), the lack of harmonization of the economic cycles, as well as the fact that the shocks of the demand and supply of the new member states differ significantly from those of the euro area, the decision concerning a fast or late adoption of euro must be carefully made.

Romania is one of the least developed countries of the EU, with a level of GDP/capita three times lower than the EU average (1:2,9 GDP/head and 1:6,8 GDP/person employed), with a relatively low contribution of services to the PIB achievement, having an excessive labor force in agriculture, a reduced potential of the educational and research infrastructure and the lowest convergence level compared to the EU (DCEI, DBI). On the other hand, Romania seems to be one of the most dynamic economies of the EU (6% average growth rate 2007-2013) with an quite attractive business environment (high level of business investment and intensity of FDI).

## Dynamic Analysis

Dynamics of the convergence RO-EU, 1999-2008									
	2000	2001	2002	2003	2004	2005	2006	2007*	2008*
Real GDP growth (%)									
- EU27	3,9	2,0	1,2	1,3	2,5	1,8	3,0	2,9	2,7
- RO	2,1	5,7	5,1	5,2	8,5	4,1	7,7	6,7	6,3
GDP/head in PPS (EU25=100)	24,5	26,1	27,8	29,8	31,8	32,7	35,9	37,5	39,0
GDP/ person employed (EU27=100)	-	23,5	28,3	30,4	32,9	33,8	36,5	37,9	39,3
Rate of employment (% of total active population)	63,0	62,4	57,6	57,6	57,7	57,6	58,8	59,9	60,8
Employment in agriculture	41,3	40,85	36,15	37,7	31,9	32,3	30,5	-	25,5
Gross domestic expenditure on R&D (% of GDP)	0,49	0,4	0,37	0,39	0,38	0,4	0,42	-	-
Sources: Eurostat, BNR, INS									

According to the *Convergence programme 2006-2009*, made public at the beginning of 2007, in Romania, the completion of the pre-accession period (2000-2006) and the beginning of a new period (2007-2013) of preparation for the adoption of euro constitutes both the way and the means to continue the reforms and to reduce regional economic disparities (*The Romanian Government, Convergence Programme, 2007*). The measures towards meeting the objectives of real and nominal convergence must be taken so that the macroeconomic balance is not affected.

According to this first edition of the convergence programme, the schedule for the adoption of euro is related to time optimization, in which the results of the cost-benefit analysis decide upon the evolution rapidity. The objectives are:

- (i) Meet the criteria of nominal convergence on a solid base;



- (ii) Achieve a satisfactory level of the real convergence criteria;
- (iii) Reduce the period of time spent in *the exchange rate mechanism 2* (ERM 2) at 2 years minimum.

According to the programme, Romania won't accede to the ERM 2 earlier than 2012; this means that 2014 becomes for Romania the closest year to adopt Euro (*The Romanian Government, Convergence Programme, 2007*). According to the Government, this period appears necessary to allow the continuation of the process of structural reform, meant to allow the economy to support euro.

Therefore, the process of structural reform will continue in parallel with actions meant to allow the maintenance of the macroeconomic stability, by continuing the disinflation process and limiting the charge account deficit, as well as by managing efficiently the financial resources, by providing improved public services which include a good system of education and professional training, a modern transport network and quick and good services in the health field.

The four directions of action mentioned in the Convergence programme and meant to allow the economy to support euro are:

- Development of the labour market;
- Improvement of the business area;
- Balanced regional development;
- Reform of public administration.

For the participant/candidate countries in the euro area, the structural reforms continue to be necessary both to allow the development of flexibility and competitiveness, productivity, degree of labour force employment and to reinforce the capacities of those economies facing internal and external shocks.

For example, the institutions and regulations on the labour market or on the market of goods and services generate the so-called “*structural*

*rigidities*’, that can take the shape of, for example, the rigidities of the nominal or real wage or the price rigidities<sup>1</sup> and prevent companies and workers from reacting flexibly to the changes in the level of the demand and supply. Thus, the structural reforms on the labour market or on the market of goods and services aim at improving the functioning of these markets by eliminating structural rigidities associated with relevant institutions and regulations. In a particular way, they aim at facilitating the entry on the market of companies and workers so as to allow the increase in the level of employment by reducing profits and rents to wages created in the presence of oligopolistic structures on the market (Blanchard & Giavazzi, 2003). A number of empiric studies made in the last years tried to estimate the degree of rigidity on decrease of wages in the states of the euro area. The results suggested there was indeed such a rigidity of wages, although there is considerable variation in the member states of the EU<sup>2</sup>. The studies made at the level of the European Central Bank (Nadine Leiner-Killinger & all, 2007) underlined the fact that the reform of the financial markets, aiming at greater efficiency, increase in competition and consolidation of integration, contributes to increasing the potential for economic development in the euro area.

## 2.1 Labour force development

In comparison with the UE average, the labour market from Romania is characterized by a relatively low employment rate (62.4% compared to 71.6% in the UE] and high unemployment rates for the youth (ages between 15-19 and 20-24). Moreover, the industrial restructuring and privatisation generated the migration of population towards the rural area, especially towards agriculture, contributing thus to increasing the employment rate in the non-fiscal agriculture over time. However, the favourable economic progress in the latest years, plus the possibility to

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<sup>1</sup> Limits in decreasing nominal wages appear in the case of the minimum wage, of unlimited contracts etc.

<sup>2</sup> For a brief review of the literature, see “Rigidity of wages in the euro area and in the USA” from ECB Monthly Bulletin, January 2007, article “Changes in the structural features of the euro area labour markets over the last decade”.

work outside the national borders, allowed for the gradual attraction of the population employed in agriculture by the subsistence towards non-agricultural activities. Consequently, we estimate that in 2009 the population employed in the agricultural sector will be 5.8 pp less numerous than in 2005, reaching 26.3%. In the case of the active and employed population, the activity and employment rates will reach 63.3% and 59% in 2009 (*The convergence programme, 2007*).

The three priorities provided by the reviewed Lisbon Agenda, namely: attract and maintain more people on the labour force market, improve adaptability and increase investments in human capital, correlated with demography and migration, social exclusion, as well as associated elements such as population health and poverty are action directions on the Government agenda as well.

According to the Convergence Programme (2007), we will pay great attention to education, meant to allow the labour force to acquire new abilities, extremely necessary in a knowledge-based economy and in a globalized world. Nowadays, Romania scores a low rate of participation in education and training among people aged 25-64 (1.1% - 2001, 1.1% - 2002, 1.3% - 2003, 1.6% - 2005). The low number and insufficient geographical coverage of adult trainers, low interest of entrepreneurs in investments in the development of human resources, as well as the training offer that focused more on general ability programmes (use of computer, foreign languages, and accountancy) and less on specific abilities, generated a low rate of participation in these programmes.

## **2.2 Improvement of the business environment quality**

In order to improve the quality of the business environment, the Programme mentions the necessity of continuing the process of transposing the Common Market directives and of promoting the simplification of the legislation in the overregulated fields. Moreover, the administrative and technical barriers will continue to be eliminated and the simplification of legislation in the field of services will be promoted.

Other measures aim at limiting the state aids and orienting them for the support of horizontal objectives and reduction of economic and social disparities between the Romanian regions, completing the process of market liberalization in the field of energy and natural gases, generalizing the electronic system of on-line transmission of requests related to getting authorizations, notifications, licenses and permits necessary for the carrying on of the economic agent activities.

The programme emphasizes the positive evolutions in this field so far, making reference to a report of the World Bank (2006), which situated Romania on the first place in the region and on the second place among 175 economies on performances in the business environment reform. The position is due to the introduction of simplified procedures of issuing notices for buildings and creation of the single office for processing applications. Moreover, the reforms on the labour legislation allowed for an extension up to 24 months of the fixed-time labour contract validity, by stimulating the initial employment. We also mention the progress registered in the case of customs procedures, as the new procedures reduce by half the necessary time to observe the legal clearance.

#### **Measures meant to allow for the improvement of the business sector in Romania**

- Draw impact studies and make analyses related to cost-benefit for the adoption of the new legislation;
- Implement the objectives from the paper “The state aid policy” (2006-2013)”;
- Modernize the procedures and legislation in the field of intellectual property;
- Improve communication with the business area, create a web page where all the necessary information to get necessary authorizations, licenses, permits for the carrying on of the economic agent activities are published;

- Develop business “incubators”, integrate companies within industrial and technological clusters;
- Create portals to promote electronic trade and business networks.

*Source: The Convergence programme (2007), p.15*

### 2.3 Balanced regional development

After the accession, Romania will benefit from important funds to support the country development and reduce disparities in comparison with the other member states of the EU. Complementary correlated development of cities and villages and the reduction of regional disparities will take place by supporting sustainable urban development, reinforcing the regional business environment, developing tourism and improving infrastructure.

Despite an economic development rate and a decreasing inflation, the economic polarisation degree, measured by means of the GDP/inhabitant distribution for the eight development regions was increasing. As shown by the following table, the relation between the maximum values (Western region) and the minimum values (North-Eastern region) of the GDP/inhabitant are currently about 1.7<sup>1</sup>, in comparison with 1.56 in 2003.

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<sup>1</sup> The comparison excluded the region of Bucharest, with a higher GDP/inhabitant.

**Table 3. Indices of regional disparities**

	2003	2004	2006	2009
The North-Eastern Region	0.723	0.692	0.675	0.676
The South-Eastern Region	0.857	0.907	0.845	0.841
The Southern Muntenia Region	0.812	0.834	0.822	0.822
The South-Western Region	0.847	0.833	0.843	0.840
The Western Region	1.129	1.147	1.149	1.140
The North-Western Region	0.966	0.972	0.920	0.915
The Central Region	1.072	0.042	1.087	1.084
The Bucharest-Ilfov Region	1.940	1.915	2.44	2.067

Source: INS for 2003 and 2004; CNP prognosis for 2006 and 2009.

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In Romania, as well as in other countries, we can identify a reduced number of increase poles (among which the capital of the country) benefiting from competitive advantages compared to the other regions and, as a consequence of the relation effects, leading to the much faster development of these regions in relation with the national average. Under these circumstances, the regional development policy becomes essential for ensuring balanced economic development and recapturing discrepancies which separate us from the other member states.

The regional operational Programme for 2007-2013<sup>1</sup> established the following priorities:

- Support of the urban development, by regenerating the small and medium towns as well as certain regions from the big towns– „the urban action areas”, by financing the integrated urban regeneration projects aiming at rehabilitating the buildings

<sup>1</sup> The regional operational Programme 2007-2013, the Ministry of Development, Public Works and Houses

and urban centres, public areas, the business environment and facilities, quality of life and social inclusion;

- improvement of the local and regional transport infrastructure;
- consolidation of the regional and local business environment;
- sustainable development and tourism promotion.

The Convergence programme states that “the reduction of economic discrepancies is a long process” and that, “along with the increase in regional development, based on the structural funds”, there will be a slight reduction in the regional discrepancies on medium term<sup>1</sup>.

#### **2.4 The reform of public administration**

The actual Convergence Programme concerns the reform of the public administration as both a way to maintain the sustainable economic development, by promoting and supporting an efficient labour force market, by avoiding the blocking of potentially available resources on the labour force market, despite the private sector and to use efficiently the public funds, including the Community funds.

In order to reinforce and consolidate the administrative capacity of ministries and public institutions, the efforts will have to go towards extending the performance public management, using specific instruments and procedures for the strategic planning, for the programme-based budgeting system, both at the central level and at the local level, of procedures of drawing up, planning and coordinating the public policies, as well as ensuring the closest connection between the issuing law process and the planning / drawing up and implementation process of the public policies.

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<sup>1</sup> The Convergence programme, 2006-2009, page 17

In the case of the decentralization process, there will be actions towards strengthening the local autonomy, administrative and fiscal decentralization. Starting from the implementation of the subsidiarity principle and in accordance with the principle of the European Charter on local government, the government intervention scope will be limited at the local level only for the cases where certain public services, programmes or projects cannot be made by means of the local resources and by the local authorities.

In order to improve the regulation process, we will act towards a systematic impact assessment of the regulation procedures, at the central level first of all, then, at the local level, all the interested factors will be asked an opinion, the intermediary and final assessments of the public policies will be extended, the existent regulations will be simplified and we will act towards improving inter-institutional cooperation.

### **Conclusions**

The advocates of functionalism/neo-functionalism believe that the consolidation of the European integration process is inevitable, the existence of a more integrated Union [*“ever closer Union”*] being not only a desire but also a necessity. The logical questions are whether the consolidation of the integration process leads to an increase in the convergence level<sup>1</sup> between the member states, whether every new stage in the integration process must be prepared in a particular way and whether, taking into account the relation between costs and benefits, only states that are prepared enough should go further.

Continuing the reasoning, in the case of integrating into the Economic and Monetary Union (EMU), is a real and sustainable convergence compulsory or only desirable? We should notice that The European

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<sup>1</sup> The EU papers use for convergence the name of “real convergence”, different from “nominal convergence”. The latter aims the objective of establishing prices, rally and maintenance of main balances in the field of public finances and international balance of payments.



Union Treaty, known as The Maastricht Treaty (1991/1993) states only the obligation to meet certain financial and nominal convergence criteria, on the level of the inflation rate, of the interest rate, currency, public debt and budgetary deficit, excluding certain structural and real convergence criteria. Logically, we raise the question whether the observance of nominal criteria is enough both in the previous period and especially after it, after the accession to the euro area?

All these questions are difficult to answer to. This study tried to provide a point of view on the previously mentioned aspects, insisting particularly on the directions of action mentioned in the Convergence Programme 2006-2009 (*The Romanian Government, Convergence Programme, 2007*).

According to the Programme, Romania will not accede to the ERM 2 earlier than 2012, which means that 2014 becomes for Romania the closest year for the adoption of euro (*The Romanian Government, Convergence Programme, 2007*). This period is necessary according to the Government, to allow the continuation of the structural reform process meant to allow the economy to support the euro.

However, as the economic progress in the old and new member states is different, the right time for accession to the euro area must be chosen carefully. Thus, taking into account the great differences between the GDP/inhabitant in the different member states and their economic structures (the share of the agricultural sector is three times bigger than the EU average), the lack of synchronization of the economic cycles, as well as the fact that the way in which the shocks of demand and supply are absorbed in the new member states differs considerably from that of the euro area, the decision of a rapid or slow adoption of euro must be carefully made.

We must not ignore the fact that the presence in the MRS II means both an early loss of the monetary autonomy and the danger of speculative attacks. On the other hand, the rapid accession into the MRS II provides the opportunity of adopting euro quickly, the new members

being able to benefit from the reduced transactional costs, from the balance of prices and the presence of solid fiscal policies. As there is not a single solution for all the possible situations [“one size fits all”], the decision on the right time will have to take into account the realities from the potentially candidate country. In other words, we can conclude saying that the best strategy for the accession to the MRS II, the compulsory stage to introduce euro is neither the fastest one, nor the slowest one, but that which takes into account the concrete conditions in the candidate country.

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## Annexes

## The Convergence programme 2006-2009

Table 1a. Macroeconomic projections

	ESA Code	2005	2005	2006	2007	2008	2009
		1 <sup>st</sup> level <sup>1)</sup> Billions of lei	Change of percentage				
1. Real GDP	B1*g	256.7	4.1	8.0	6.5	6.3	5.9
2. Nominal GDP	B1*g	288.0	16.9	18.6	13.8	11.6	10.1
<b>Real GDP components</b>							
3. Private consumption expenses	P3	186.8	9.6	11.8	8.1	7.2	6.7
4. Government consumption expenses	P3	43.4	9.0	3.7	3.5	3.8	3.1
5. Gross accumulation of fixed capital	P51	60.6	12.6	15.0	14.0	11.5	11.0
6. Change of net stocks and acquisitions (% of the GDP)	P52+ P53	- 2.2					
7. Exports of goods and services	P6	95.7	8.1	11.8	10.9	7.6	7.3
8. Imports of goods and services	P7	129.3	16.6	20.8	15.0	11.2	10.3
<b>Contributions to increasing the GDP</b>							
14. Final domestic demand		-	10.8	12.3	9.6	8.6	8.0

15. Change of net stocks and acquisitions	P52+ P53	-	- 2.2	- 0.8	0.0	0.2	0.1
16. Exports	B11	-	- 4.5	- 5.1	- 3.1	- 2.5	- 2.2

\*<sup>1)</sup> The real level of the GDP and its components can be found in the prices of the previous year.

**Table 1b. Price evolution**

	ESA Code	2005	2005	2006	2007	2008	2009
		Level	Change of percentage				
GDP deflator			12.2	9.8	6.8	5.0	3.9
Private consumption deflator			7.1	5.9	4.3	3.1	2.5
Balanced index of consumption prices			9.1	6.6	4.5	4.3	3.2
Public consumption deflator			20.9	10.2	4.9	3.0	2.3
Investment deflator			9.7	9.5	6.0	4.0	3.0
Export deflator (goods and services)			- 0.9	2.8	3.3	2.9	2.6
Import deflator (goods and services)			- 3.6	- 0.8	- 0.7	- 0.8	- 0.5

## The Convergence programme 2006-2009

**Table 1c. Evolution of the labour force employment**

	ESA Code	2005	2005	2006	2007	2008	2009
	Level of thousands of people	Change of percentage					
Employed population (according to the definition of the National Accounts) – thousands of people		9147	- 0.1	0.6	0.3	0.3	0.2
Unemployment rate – levels (according to the BIM definition) - %			7.2	6.8	6.7	6.6	6.5
Labour productivity per person (real GDP / employed person)			4.2	7.4	6.2	6.0	5.7
Employee compensation	D1		17.4	15.6	11.8	9.9	9.4

**Table 1d. Sectoral balances**

% of the GDP	ESA Code	2005	2005	2007	2008	2009
Net balance, compared with the rest of the world	B9	- 7.9	- 10.2	- 8.9	- 8.3	- 7.8
Of which:						
- the balance of goods and services		- 10.3	- 11.8	- 11.7	- 11.5	- 11.4
- balance of income and transfers		1.6	1.4	1.4	1.3	1.5
- capital account		0.8	0.2	1.4	1.9	2.1