

come from the capacity utilisation rate in industry¹⁹, which went up versus the previous quarter, and from the ILO unemployment rate that inched down to 6.8 percent in November 2012.

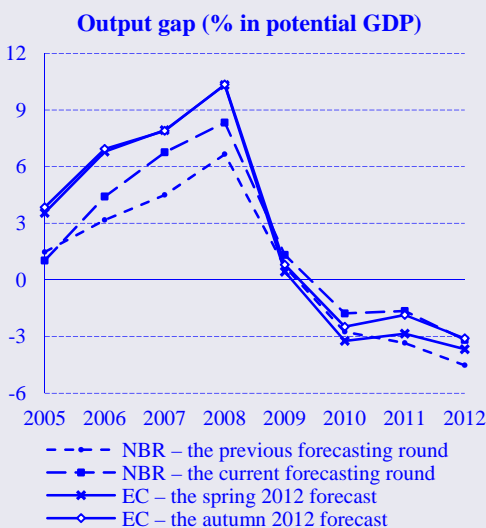
Given the estimated starting point of the indicator and under the impact of the determinants of this indicator, the output gap projected in the following eight quarters shows, compared with the November 2012 Inflation Report, less negative values, yet standing at significant and persistent levels. Following the revision of the deviation of real effective EU GDP from its trend to less negative values²⁰, external demand is expected to have, in relative terms, a less restrictive impact on domestic economic activity, as well as the discretionary component of fiscal policy, whose impact is seen also less restrictive starting with 2014 Q2, while the repositioning of the real exchange rate following the recent appreciation of the leu against the euro and the USD is foreseen to have a somewhat tighter projected effect.

Reassessment of potential GDP dynamics and GDP deviation

Within the model for analysis and medium-term forecasting (MAMTF), trend and cyclical components of macroeconomic variables are subject to recurrent reassessments. For instance, the quarterly revision of the seasonally-adjusted real GDP data series released by the NIS has a bearing on GDP deviation and potential GDP dynamics past values. Against this background, the latest data revision by the NIS (in January 2013) is envisaged to have an unfavourable statistical effect, stronger in recent periods, on the estimated potential GDP growth rate. Moreover, in the event of substantial changes in the information set incorporated in the MAMTF, the reassessment may, via the Kalman filter, lead to significant differences for the unobservable components of some macroeconomic variables, such as trends. In addition, the analysis and forecasting exercise includes regular reassessments of potential GDP dynamics in order to incorporate a broad range of corroborative data and analyses that the model cannot capture.

In the current analysis and forecasting round, the persistence of weak GDP growth rates, amid the high inertia of the fallout from the global financial crisis, suggests a downward revision of potential GDP dynamics compared to the previous rounds. A revision is called for as regards both recent periods and, by reassessing the

contribution of economic growth fundamentals, the pre-crisis period (of economic expansion). As a consequence, but also considering the persistent demand-pull inflation in the Romanian economy, GDP deviation is implicitly reassessed to higher positive values during the pre-crisis period and lower negative values in the post-crisis period.



Source: European Commission (European Economic Forecast Spring 2012, European Economic Forecast Autumn 2012), NBR assessments

Similar qualitative reassessments of potential GDP and GDP deviation dynamics were performed by some international organisations (the IMF, the EC, the OECD) and central banks for the euro area or for countries like Hungary and Poland. In particular, for Romania, the EC published on a semi-annual basis, starting with the European Economic Forecast Autumn 2006, recurrent reassessments of potential GDP and GDP deviation. Once the crisis broke out, the magnitude of the positive output gap for the period 2006-2008 was reassessed upwards (implying slower potential GDP dynamics). Over the last two projection rounds of 2012, potential GDP growth rates for the past few years were reassessed downwards and the negative output gap for the period 2010-2012 was slightly compressed.

¹⁹ The indicator capturing the factors limiting industrial production, ESI and the capacity utilisation rate are provided by EC-DG ECFIN surveys.

²⁰ For further details, see Section 1.1. External assumptions.