QUARTERLY ANALYSIS OF GROSS DOMESTIC PRODUCT EVOLUTION - SIGNIFICANCE OF GROWTH RATE

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Abstract

In this article, the authors propose to realize an analysis of the concrete results obtained by Romania in the first quarter of 2017. It is a quarterly analysis of the gross domestic product with a few elements that can help to more realistically forecast the evolution of this indicator of macroeconomic results, gross domestic product. The importance of studying the results achieved in the first quarter is also justified by the fact that it is the first in the governance program set for the period 2017-2020. The forecasts behind the substantiation of the income and expenditure budget were somewhat controversial. The National Forecasting Institute of Romania suggested the possibility of an increase of about 4.8% in 2017. Out of the European Union came results of a forecast at the level of the Union that led to a lower level of 3.8%. The program of measures aimed at an economic growth outlook of about 5.2% throughout the year 2017 and which, through the measures taken, led to a variant of economic growth based on consumption. In this context, the provisional results obtained and published by the National Institute of Statistics show that Romania gained 5.7%. This growth, based on the raw data series as well as the 5.6% increase based on the seasonally adjusted data series compared to the same quarter of 2016, is a positive fact. The authors compared comparatively the first-trimester result in parallel with that in the same period of 2015 and 2016, both in the gross series and the seasonally adjusted series, showing an increase. Compared to the last quarter of 2016, Romania achieved a growth rate of 1.7%. If we discuss the evolution of quarterly gross domestic product growth in the following quarters and then year-round using the chain-based index method, we can reproduce that Romania will achieve a growth rate by the end of 2017 compared with the previous year of about 6%. The authors interpret the data they have and graphically, being suggestive and highlighting a quarterly increase from 2010 constantly until the first quarter of 2017. The published data are used and
the authors believe that in the context of higher foreign direct investment, the allocation of additional funds for investment and the higher access to EU funds, Romania can stabilize for the year 2017 and even for the following years a rate of Annual growth of around 5-5.5%. The study is argued and there are presented relevant data attesting the easy return of Romania’s economy. Of course, economic growth based on consumption is specific to the stage that our country is crossing, but on this background if announced measures will be taken and available resources will be available, we can appreciate that an increase in the living standard of the population Romania.

**Keywords:** Growth, Gross Domestic Product, quarter, consumption, investment

**JEL classification:** E20, E27

**Introduction**

In this article, the authors undertook an analysis of the results obtained in the first quarter of 2017 compared to the same period in 2016 as well as the results obtained in the fourth quarter of 2016. The article is structured on the analysis of gross domestic product growth rate Based on raw data series as well as seasonally adjusted data series. In both situations, gross domestic product growth is higher than in the first quarter of 2016, but also in the last quarter of 2016, ie in the fourth quarter. The authors point out that this increase is at the expense of consumption and this increase in consumption was determined by the government measures plan for increasing the incomes of the population, both through salary and income increases and in an indirect form, due to redistribution of national income in favor of very low income population categories. The study is carried out using a longer series of data since 2007, sometimes since 2000, at other times the analysis over the last three years, all in order to extract the most relevant conclusions on how the quarterly growth of gross domestic product evolved. Of course, the influence of other factors may also arise on the quarterly growth of gross domestic product, but for the moment at the beginning of the government program it can be appreciated that there is some chance of reproduction in the sense of growth, the concrete results Romania will get in the next period.

**Literature review**

Anghelache, Manole, Anghel and Diaconu (2016) develop on the main correlations established between macroeconomic variables, and a major focus is put on the system of indicators that influence the formation and evolution of the Gross Domestic Product. Savor and Wilson (2013) consider the approach and behaviour of the investors towards macroeconomic risk, their study outlines
the fact that the evolution of some capital market indicators are influenced by the scheduled announcements on macroeconomic topics. Koulakiotis, Lyroudi and Papasyriopoulos (2012) have studied the cause-effect relationship between inflation and GDP in fourteen European countries, they have emphasized a two-ways interdependence between these macroeconomic variables, with a level of significance of 10%. Aisen and Veiga (2013) evaluate the impact, supposed to be negative, of the political instability on the economic growth, the authors have use a sample for an extensive group of countries for a relevant time interval, and they found that there is a relevant negative influence of the considered factor, whose main effects are the decrease of productivity growth and even the accumulation of capital. Anghelache, Manole and Anghel (2015) have estimated the dimension of the influence of the two components of final consumption on the Gross Domestic Product evolution in Romania, the analysis is based on a multiple regression model and a significant dataset, the findings outline the sizable positive influence of the public consumption, while the private consumption’s influence, less major, is still favourable and also there are some additional factors that have a total non-favourable impact on the main indicator. Anghelache (2008) is a reference work in economic and theoretical statistics, among the main subjects discussed in the book by the author we can outline the statistical indicators, selection, dispersion analysis, correlation between economic variables. Fleurbaey (2009) has studied the initiatives taken towards the measurement of social welfare and well-being, at the individual level, which have been used to develop alternative GDP measures. Azzimonti, Battaglini and Coate (2016) develop a quantitative model which allows the measurement of costs and benefits deriving from the complex of decisions related to the public debt: maintaining vs. increasing, economic and social consequences. Anghel and Diaconu (2016) describe a set of models dedicated to macroeconomic forecasting activity: dVAR-like model, EqCM model, dRIM autoregressive model, they conclude that all models are prone to post-factum discontinuities. Kehoea, Pujolàsd and Ruhle (2016) have studied the case of a trade model with an exogenous set of heterogeneous firms having fixed operating costs, they conclude that this model produces the same outcomes as a span-of-control model. Dobrodolac (2011) focuses on the usefulness of econometric instruments in forecasting, as tools dedicated to this specific attribution of the management, the econometric models are seen by the author as prone to success in such applications. Anghelache, Manole, Anghel and Popovici (2016) study the correlations between the indicators of the external payment balance and the macroeconomic aggregates of results, they outline the distinction between Gross Domestic Product and Gross National Product, and emphasize the contribution of each sector to the situation of the
external payment balance. Anghelache and Anghel (2014) present the role and instruments of economic modelling. Anghelache, Anghel and Popovici (2015) apply multiple regression to study the evolution of the final public and private consumption, the study presents the significant impact of both factors on the final consumption in Romania. Foerster and Choi (2016) have presented a study that explains the causes of slow increase of consumption following the economic crisis, namely the slow recovery of the labor market, the financial conditions and the productivity. Rolsky, Schmidli, Schmidt and Teugels (2009) is a reference book on financial and insurance modelling through stochastic processes, the authors approach instruments such as Markov, martingales, point processes. The work of Anghelache, Manole, and Anghel (2015) outlines the influence of final consumption and gross investment evolution on the dynamics of Romania’s Gross Domestic Product, through the application of regression. Nalewaik (2012) has emphasized the potential of the Gross Domestic Product growth rate to offer better prediction on recession beginning, compared to the growth rate for the real GDP. Anghel, Diaconu, and Sacală (2015) study the evolution of Romanian Gross Domestic Product from the viewpoint of influences posed by the categories of uses: final consumption, weight of the public and private components of the national economy etc. Gali and Gambetti (2015) use a VAR model to measure the evolution of stock prices under the impact of monetary policy shocks. Anghelache, Partachi, Sacală and Ursache (2016) develop on the applications of econometric method in measuring the correlation between two macroeconomic indicators, on a dataset specific for Romania, the indicators studied are the GDP and FDI, Anghelache and Anghel (2015) develop on a similar topic, the authors present the evolutions of DFI across the European Union countries. Bhandari and Frankel (2015) present a simple theoretical model outlining the criteria under which targeting of GDP takes precedence over inflation targeting and price-oriented policies. Reis (2009) has re-evaluated the issue of fluctuation costs by putting emphasis on the aggregate consumption, he places these within the 0.5% - 5% range, which is considered to be significant. Anghelache and Anghel (2016) is a reference work on econometrics, the authors approach the regression method, both as simple and multiple. Dix-Carneiro (2014) presents a structural dynamic equilibrium model for the labor market of Brazilia, the purpose of the model is the analysis of the trade-induced transitional dynamics. Dumitrescu, Anghel, and Anghelache (2015) study the impact of structural variables on the evolution of GDP in Romania, by applying VAR models. Panagiotis and Pantelis (2013) evaluate the influence of capital, labour, human capital influence on the economic growth, together with the impact of the cultural factor.
Research methodology and data
The Gross Domestic Product indicator is the most complex result indicator. It expresses the results obtained at a time in the national economy. By reporting it to the population we get gross domestic product per capita. The two indicators express, dynamically or in comparison with other countries, the evolution of the results of the national economy in Romania, as well as the capacity of the national economy to recover from the gaps existing between our country and the other countries of the European Community or other countries in the world. To this indicator. Of course, gross domestic product is the result indicator that provides the capability and possibility to calculate a number of other indicators and, in particular, to be able to predict the consolidated economy perspective of the national economy over a period of time. We affirm this because, from the results obtained, the national economy can provide resources for the allocation in the priority areas of the national economy. An analysis should be made especially in the context of the fact that Romania’s national budget for 2017 for non-scientific reasons has been subjected to interpretations and often to analyzes that are not realistic. Importantly, gross domestic product must be calculated in terms of current prices or comparable prices, quarterly and then annually. This quarterly and yearly calculation methodology is one that permits gross domestic product calculation. In this perspective, it would be necessary to analyze the evolution of the gross domestic product in the last two years and three months in order to be able to reveal the trend of the macroeconomic indicator of results of the national economy. There are a number of interpretations, but from a scientific point of view, we can say that most of these are interpretations based on a political interest which, unfortunately, often, if not always, has negative effects on the evolution of the outcome of the national economy and As a consequence of the living standard of the Romanian population. Being at the end of the quarter, the first in 2017, for which the results of the quarterly growth of the gross domestic product for the first quarter of 2017 were calculated and finalized on May 12, we appreciate a few issues. A first opinion would be that in some months from the beginning of 2017, at a macroeconomic level some opinions were expressed, indicating an unrealistic gross domestic product growth program, a non-sustainable income and expenditure budget, While others, even less documented, questioned the results and indicators calculated by the National Institute of Statistics. In scientific terms, we would like to address these few issues. The first issue is that between political leadership and macroeconomic management there is a big difference. Macroeconomic management needs to be sustained by the very standard and stage of development at a given moment, the measures taken and a precise quantitative analysis that gives the perspective of the evolution of the national economy further. The second issue concerns the
fact that in the macroeconomic forecast we do not have to take into account the political guidelines in the context in which they have a different substrate than to implement 100% measures of adjustment and growth of the national economy. The third issue is that the national economy can not grow, fall, or change only through concrete measures. Summing up in this article just so, I want to get down to the level of giving an interpretation of Romania’s gross domestic product growth rate in the first quarter of 2017 compared to the first quarter of 2016 compared to the level recorded in the fourth quarter of 2016. In both hypotheses, GDP was calculated on the basis of the gross series of seasonally adjusted series. The year 2017 began economically under two circumstances: the first is that after the technocratic governance, the results were not consistent or eloquent. The second circumstance is that during this period, the majority of the government has launched a social-economic program. Both situations are interpretable if you want and questionable. One thing remains firm and precise to analyze Romania’s macroeconomic evolution on the basis of macroeconomic indicators and mathematical and econometric models expressing rhythms of growth of the national economy and to state the realistic estimation of the evolution trend of the Romanian economy. From this perspective, we can state, on the basis of statistical data, that until the finalization will remain provisional, that in the first quarter of 2017, Romania recorded a growth rate of 5.7%, on gross data series compared to the same quarter in 2016, and 5.6% on the seasonally adjusted series in 2017 as compared to the first quarter of 2016. The seasonally adjusted series of quarterly gross domestic product was recalculated as a result of including estimates for the first quarter of 2017, the revision being insignificant compared to the published version totally provisional in 2017.

**Evolution of Quarterly Gross Domestic Product**

*Table no. 1*

<table>
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<th>Year</th>
<th>Quarter I</th>
<th>Quarter II</th>
<th>Quarter III</th>
<th>Quarter IV</th>
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<td>105.7</td>
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<td>2017</td>
<td>105.6</td>
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- In % compared to the corresponding period of the previous year -

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<th>Year</th>
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<th>2016</th>
<th>2017</th>
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<tr>
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<td>2017</td>
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Source: National Institute of Statistics
Studying the data in table no. 1, the evolution of the gross domestic product quarterly in 2017 showed the following evolutionary paths. As gross series, comparing the first quarter with similar quarters in 2014, 2015, 2016, we see that compared to an increase of 104.4% in 2014, 104.3% in 2015, in 2016 in the first quarter the increase was 105.7 %. As a seasonally adjusted series, quarter-on-quarter gross domestic product growth was 4% in 2015 compared to the same quarter in 2014, 104.0% in 2016 as compared to 2015 and 105.6 % in 2017 compared to 2016. These indicators show a growing trend, because between 2015 and 2016 when political seizures occurred, quarterly gross domestic product not only stagnated, but also declined. In 2017, it resumed its growth rate in both variants as gross series or seasonally adjusted series. Comparing the Gross Domestic Product Index in the first quarter of 2017 with the last quarter, ie using the chain-based indices, we find the same trend. In 2015, gross domestic product growth was 1.3% over the fourth quarter of 2014, in the first quarter of 2016 it was 1.1% compared to the fourth quarter of 2015, and in 2017 it was 1.7% Compared to the fourth quarter of 2016. Here, therefore, we are also seeing a consistent increase in this regard, as 0.6% compared to 2016 represents a lot, in absolute terms, of the gross domestic product indicator. In calculating all three possibilities for assessing Gross Domestic Product, we find that in 2016, a year with questionable macroeconomic management, the results were not very positive. By trying to make a prognosis for the outlook for gross domestic product growth throughout the year 2017, we thought to make an assessment of average gross domestic product growth rates in 2015 and 2016. We note that on the basis of quarterly increases in 2015, At the end of the year, gross domestic product growth rate was 3.9%. In 2016, when after the first quarter the indicators in the second quarter and then even III and IV diminished, the increase was 4%. If we apply the growth rate without taking into account insignificant factors of influence, although in reality this is not the case, we will find that by studying the GDP growth index in the first quarter compared to the same indicator in the following quarters, mathematically reaches a prediction that the Gross Domestic Product Growth Index is about 5.9 - 6%. The same results would be obtained by taking into account the seasonally adjusted series data and the same data would also result if we considered the seasonally adjusted series calculated quarterly as compared to the previous quarter. Thus, in 2016 in the first quarter, the growth rate was 1.1%. In Q2 1.6%, so 0.5% higher. In the quarter no. III of 0.7%, thus by 0.1% higher than in the second quarter. And in the fourth quarter, 1.5% more than double that of the third quarter. By extrapolating statistically the data obtained by Romania in the first quarter of 2017, trying to understand that the continuity
of the program of measures will continue, an annual gross domestic product growth of about 6% is forecast in 2017 as compared to 2016. In the analysis we undertake can invoke a wealth of data that have a precise meaning on the evolution of gross domestic product. There will be talks about the possibility of increasing gross domestic product on consumption, which is the variant that we do not want to apply in Romania, that we will have a small share of the investments and especially the foreign direct investments made in Romania on the growth of gross domestic product, or that the level of consumption and investment harmonization will be better regulated. On one hand, without relying on the factors behind this development in the first quarter, we hope that both the program of macroeconomic measures and labor efficiency, the number of employees, foreign direct investment, domestic investments will make gross domestic product reach the levels we talked about. In chart no. 1, presents the results obtained in the first quarter of 2017 compared to the quarterly revenues for the period 2000-2017.

![Chart 1. Quarterly Gross domestic Product of Romania, during 2000 – 2017 period (seasonally adjusted data)](chart)

Source: National Institute of Statistics
Quarterly Gross Domestic Product of Romania, 2000-2017
(seasonally adjusted data)

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Source: National Institute of Statistics

The analysis is carried out over a period of 17 years, between 2000 and 2017, the data being seasonally adjusted. We find that after 2009 we have a steady growth of gross domestic product, small syncopes have no special significance because they did not constitute possibilities for collapse of the gross domestic product. If we compare the data with the first quarter of 2000, we find a „huge” increase over the possibilities that existed. The data we have presented show the increases registered by the gross domestic product during the analyzed period. We still have a few points to make. Gross domestic product will evolve on account of its growth factors. According to Cobb-Douglas’ production function, two elements will be important, namely labor and capital. In the case of Romania, as a member of the European Union, with more delicate problems in the economic development will have an important effect. Going forward, we will find that an even more important role will be given to accessing EU funds, which Romania as a member of the European Union will have to access and use in order to achieve a consistent economic growth. There are many elements that can be taken into account, but for the moment we find that the beginning of 2017 is hope-making and that there is a possibility that through a macroeconomic...
strategy (macroeconomic management) we will have a period in which the major interest will focus on the possibility of accessing Community funds, the attraction of foreign capital directly and, especially, by increasing Romania’s gross domestic product as the only real source that determines economic growth. In relation to the quarterly GDP analysis, it should be noted that further developments may occur in the future quarter, either due to syncope in the macroeconomic management program or due to a complex economic situation, or to say only that Possibility of re-entering the European and world economy into recession. These days, we are explicitly aware that Greece recorded in two consecutive quarters (Q4 2016, Q1 2017) declines in domestic macroeconomic results, which means entering or nearing the recession. From this point of view, by abstracting and considering that Greece is a country with big problems, we can expand the analysis and find that such developments can occur in other European countries and, if we do not summarize, we can appreciate that it would Could increase the risk that several countries will end up in this phase. The 2007 crisis began as a result of the evolution of the economy of China and some Asian countries and the evolution of the US economy, and not of European countries, including those of the European Union, in a certain sense. That is why analysis can also be a factor in thinking about the prospect of the evolution of the world economy. At European Union level, Eurostat made analyzes comparing the level of growth, using a system of indicators, of EU countries in 27 format, without questioning Brexit and other three major world powers, respectively China without Hong Kong, the United States and Japan. These analyzes have shown that China’s most important growth is recorded. The United States and Japan somehow enter the rhythm of growth of the national economy in the group of European countries. I note that if we expand the import-export analysis into and out of the European Union, we will see the position of the Member States towards relations with the other three or four outstanding economic powers in the world. The analysis in this article stops here, considering that the analysis of the Gross Domestic Product Indicator has obtained significant data, which are hopeful for the evolution of the Romanian economy, but at the same time it is also a hard point to maintain at the same pace and during the period next. As a conclusion, we can say that the European economy with some small, but more significant, troubles than it does appear to have a positive evolution, and Romania, despite other internal difficulties that it crosses, manages to have one of the highest macroeconomic growth rates.

Conclusion
From the authors’ analysis, some conclusions emerge that reveal the prospect of increasing Romania’s gross domestic product quarter-on-quarter
compared to similar periods in 2016 and other previous years, this being at the expense of consumption. It is also concluded that by increasing final consumption, a lever is being developed to increase gross domestic product. The study also concludes that this increase, only on account of consumption, can not go to infinity, which is why it is necessary to attract foreign direct investments, to allocate additional resources for investments, Romania’s participation in economic and technical-scientific projects and programs In the European Union, but also a broader plan and, last but not least, the rational use of both investment and consumption to ensure and maintain macroeconomic equilibrium. Another conclusion is that Romania needs to use more efficiently the European funds allocated in order to improve the activity in a number of areas such as infrastructure, agricultural production, forest renewal, environmental protection, development of some branches of industry, Of tourism and transport, in which Romania has expertise. Last but not least, it is concluded that Romania has a great potential for better macroeconomic organization, rational use of resources, use and improvement of the quality of the labor force, all of which can ensure a high rate of economic growth. It should also be stressed that Romania still has much to do to implement the programs of measures established by the European Union, thus creating a real foundation on which to increase the gross added value in all sectors of the national economy. Of course, this analysis can also be extended by considering a structural interpretation to highlight the contribution of each industry sector to the formation of the Gross Domestic Product.

References
