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*National Institute for  
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*Ministry of Economy  
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# MOLDOVAN ECONOMIC TRENDS

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## GENERAL DATA

Official name	<b>REPUBLIC OF MOLDOVA</b>
Capital	<b>Chisinau</b>
President	<b>Nicolae Timofti</b>
President of the Parliament	<b>Andrian Candu</b>
Prime Minister	<b>Iurie Leanca</b>
Parliament of the Republic of Moldova	<b>101 deputies</b> <b>(the Party of Socialists of the Republic of Moldova – 25,</b> <b>the Liberal Democratic Party of Moldova – 21,</b> <b>the Party of Communists of the Republic of Moldova – 20,</b> <b>the Democratic Party of Moldova – 19,</b> <b>the Liberal Party – 13,</b> <b>unaffiliated deputies – 3)</b>
Independence was obtained on	<b>August 27, 1991</b>
Area	<b>33.8 thousand km<sup>2</sup></b>
Administrative units	<b>32 districts, 5 municipalities (Chisinau, Balti, Bender, Comrat, Tiraspol), ATU Gagauzia, Administrative-territorial units from the left of the Dniester</b>
Resident population	<b>3,555.2 thousand (beginning of the 2015 year)</b>
Main religions	<b>Orthodox (93.34%), Protestant (1.98%), Old-rite Christian (0.15%), Catholic (0.14%), etc.</b>
National currency	<b>Moldovan Leu (average exchange rate, Q IV, 1 USD = 15.0185 MDL, 1 EUR = 18.7687 MDL)</b>

## ABBREVIATIONS

ATP	Autonomous Trade Preferences
ATU	Autonomous Territorial Unit
AVE	Ad-Valorem Equivalent
BMA	Bureau for Migration and Asylum
CEFTA	Central European Free Trade Agreement
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
CR	Concentration Ratio
DCFTA	Deep and Comprehensive Free Trade Agreement
EBRD	European Bank for Reconstruction of Development
EC	European Commission
EPC	Effective Protection Coefficient
EU	European Union
FCA	Final Consumption of Public Administration
FCH	Final Consumption of Households
FDI	Foreign Direct Investment
GAP	Good Agricultural Practice
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GSP	Generalised System of Preferences
GVA	Gross Value Added
HACCP	Hazard Analysis and Critical Control Points
HHI	Herfindahl-Hirschman Index
IDA	International Development Association
IIPP	Index of Industrial Products Prices
IMF	International Monetary Fund
IOM	International Organization for Migration
IPA	Intellectual Property Rights
MAFI	Ministry of Agriculture and Food Industry
MDL	Moldovan Leu
MET	Moldovan Economic Trends
MF	The Ministry of Finance

MFN	Most Favoured Nation
MFO	Microfinance Organization
NBC	National Bank Certificates
NBM	National Bank of Moldova
NBS	National Bureau of Statistics
NCFM	National Commission of Financial Market
NEER	Nominal Effective Exchange Rate
NIER	National Institute for Economic Research
NPB	National Public Budget
NPC	Nominal Protection Coefficient
ODSME	Organization for Development of Small and Medium Enterprises
PCA	Partnership and Cooperation Agreement
PP	Percentage Points
PPI	Production Price Index
RCA	Revealed Comparative Advantage
REER	Real Effective Exchange Rate
SDR	Special Drawing Rights
SITC	Standard International Trade Classification
SME	Small and Medium Enterprises
SPS	Sanitary and phytosanitary measures
TBT	Technical Barriers to Trade
TN	Transnistria
TRC	Total Regulatory Capital
TRQ	Tariff Rate Quota
UN	United Nations
USD	US Dollar
VAT	Value Added Tax
WTO	World Trade Organization
YoY	Year on Year

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## THE MAIN POLITICAL, ECONOMIC AND SOCIAL EVENTS FROM THE REPUBLIC OF MOLDOVA

*The end of 2014 was marked by various events both on political arena and economic and social life.*

### October 2

A trilateral meeting of the Prime Ministers of the Republic of Moldova, Romania and Ukraine was held in Kiev. Discussions focused on the areas of trilateral cooperation, development of political dialogue and of direct contacts between the three countries, as well as on the prospects of conflict resolution and consolidation of peace and security in the region. The issue of Transnistrian conflict settlement was also addressed in the light of the need for efforts in order to strengthen not only the bilateral relations, but also security in the region.

### October 2

Republic of Moldova became the first country of the Eastern Partnership that joined the European Union Program for the Competitiveness of Enterprises and Small and Medium Enterprises – COSME. Thus, an agreement formalizing the participation of the Republic of Moldova in COSME was signed. Adherence to this Program, which includes participation in some specific projects, such as Enterprise Europe Network is yet another step in the process of economic cooperation between the Republic of Moldova and the European Union. It will provide support to the country in creating a competitive environment for SMEs, being thus beneficial for the implementation of the Association Agreement.

### October 4

President of the Academy of Sciences of Moldova – Academician Gheorghe Duca had a meeting with the Kiev-based Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of Moldova – Toichi Sakata. The diplomat noted the good cooperation between Japan and the Republic of Moldova, emphasizing the successes marked during the mandate. In this regard, the official said that about 20 Moldovan-Japanese projects in various fields were implemented in 3 years, including the improvement of health services, renewal or purchase of equipment for schools (furniture, technique); each project is worth 100 thousand USD. The head of the Japanese mission said he would contribute further to the development of the cooperation with the Republic of Moldova, including in the area of science, assuring that the cooperation relations in research and innovation area will be developed and promoted constantly.

### October 9, 10

President of the Republic of Moldova Nicolae Timofti attended the summit of heads of state of the CIS (Commonwealth of Independent State) member countries, held in Minsk. At this event the intent to develop the bilateral relations between the CIS countries was reiterated. Mr. Timofti specified that the Free Trade Agreement between the Republic of Moldova and the European Union will not do harm to the relations with the CIS countries, on the contrary, the two economic areas being complementary. Also, several agreements were signed, among which the one on inter-parliamentary cooperation between the CIS member states, on Kazakhstan taking over of CIS presidency in 2015, and also on declaring 2016 the Year of Education in the CIS member states.

**October 22**

Russian Federal Service for Veterinary and Phytosanitary Surveillance – Rosselkhoznadzor announced that starting from 27 October the Russian Federation will stop meat imports from the Republic of Moldova as a result of inspections carried out in the country. Officials of the Russian Federation noted that during the controls it was established that some batches of goods were purchased from markets in villages, which does not guarantee a high level of safety and quality.

**November 1**

Republic of Belarus announced temporary suspension of pork imports from the Republic of Moldova and Montenegro. The decision of the Belarusian authorities was grounded on the fact that the inspections of the Moldovan enterprises carried out by Customs Union specialists from 13 to 17 October detected serious violations of the sanitary requirements and norms of the Customs Union. They also noted that during the inspections it was found that the National Agency for Food Safety fails to adequately oversee the meat and meat products produced by companies of the Republic of Moldova.

**November 13**

European Parliament ratified the Association Agreement between the Republic of Moldova and the European Union. In the resolution accompanying the agreement, approved by 529 votes to 96 and 46 abstentions, MEPs stressed that the signing on 27 June and its ratification "is not an endpoint" in EU-Moldova relations. MEPs also emphasized the need to implement the agreement in full and asked for a comprehensive information campaign about its benefits for Moldovan citizens. An important aspect mentioned was Transnistria, specifying that the agreement covers the "entire internationally recognized territory of the Republic of Moldova" and Transnistria, as an integral part thereof.

**November 14**

Prime Minister of the Republic of Moldova Iurie Leanca and Director for Transport of the European Bank for Reconstruction and Development Sue Barrett signed an agreement on financing the modernization project of the railway state-owned company IS "Calea Ferata a Moldovei". Under the agreement, the EBRD will invest about 53 million EUR. A part of this amount will be used for the acquisition of ten new multi-purpose locomotives. The whole project for modernization of railways in Moldova requires investment of 116.75 million euros. Thus, the European Investment Bank will back this project with a similar loan granted by EBRD – amounting to 52.5 million EUR. Additionally further grant financing worth 1.75 million euro will be provided by the EBRD's own funds, the Central European Initiative and the Czech government. The EBRD's loan comes in two tranches, where the second tranche of 27.5 million euro will be subject to the achievement of key milestones financed by the first tranche including grant financing.

**November 27**

Judges of the Court of Appeal Chisinau decided to exclude the political party Patria from the electoral race for the parliamentary elections in the Republic of Moldova.

**November 27**

US Ambassador in the Republic of Moldova William H. Moser and Moldovan Minister of Finance Anatol Arapu signed an intergovernmental agreement providing for the implementation of the stipulations set forth in the Foreign Accounts Tax Compliance Act (FATCA) to promote transparency between the two countries on tax matters. This agreement will become an effective instrument of international cooperation aimed at curtailing tax evasion.

**November 30**

Parliamentary elections were held in the Republic of Moldova. As result, representatives of the Party of Socialists, the Liberal Democratic Party, the Party of Communists, the Democratic Party and the Liberal Party have become members of Parliament.

**December 1**

Governor of the National Bank Dorin Dragutanu announced that Banca de Economii of Moldova returned to state ownership following the decision of the Supreme Court of Justice.

**December 11**

Council of Administration of the National Bank of Moldova adopted the decision to increase the base rate applied to the main short-term monetary policy operations. Thus, it will increase by 1 p.p. from 3.5 to 4.5 percent annually. Also, the Council of Administration decided to raise the interest rates on overnight loans by 1.0 percentage points, from 6.5 to 7.5 percent annually, and on overnight deposits by 1.0 percentage points, from 0.5 to 1.5 percent annually.

**December 12**

US Senate unanimously approved the bill entitled "Ukraine Freedom Support Act of 2014", according to which the Republic of Moldova, Ukraine and Georgia will be granted major non-NATO ally status.

**December 12**

Prime Minister Iurie Leanca and KfW Project Manager for Ukraine and the Republic of Moldova Gunnar Wälzholz, signed an Agreement on extending the German assistance programme by an additional sum of 2 million euros. The money is earmarked for the financing of energy efficiency projects in ten districts in the north of the country, as well as in the region to the left of Dniester River. The project's goal is the sustainable use of improved municipal services as well as a more efficient use of energy by consumers. Prime Minister Iurie Leanca said that these projects would bring significant economic and social benefits to residents of villages.

## EDITION SUMMARY

*Production*

The upward trend in the real sector of the national economy in 2014 was marked by increased production in most sectors of economy. According to the official statistics, the gross domestic product (GDP) amounted to 111,501 million lei, increasing by 4.6% compared to 2013. Thus, following the spectacular growth of the GDP in 2013 (by 9.4% compared to the previous year), the gross domestic product posted another leap, thus ensuring the overrun of over 1/5 of the pre-crisis 2008 level and an average annual growth rate of 3.4%.

In 2014 the services-producing sector, preponderant in the formation of the gross domestic product (with 59.4), with a growth rate of 4.2% in the volume of activity, underpinned the major GDP increase – by 2.4% compared to the previous year, while the goods-producing sector contributed to the GDP growth by 2.0%.

In terms of use, the main contribution to the GDP dynamics pertained to the increase in household final consumption that grew by 2.9% compared to the previous year boosting the GDP growth by 2.7%. Gross capital formation (GCF) also had an important contribution to the GDP growth, and accounting for 25.9% of the GDP (the high of the last six years) underpinned a 1.7% increase in the GDP. The GCF rise was due exclusively to the increase in gross fixed capital formation (10.1%).

During the analysed year, in comparison with 2013, the industrial production grew by 7.3%, underpinned by processing industry (+8.5%), production and supply of electricity and thermal energy, gas and hot water and air conditioning (+4.4), and by mining industry (+0.2%). Thus, the industrial output of 2014 for the first time surpassed the level posted in the pre-crisis year 2008 (by 6.2%).

Agricultural production registered a growth of 8.2% compared to 2013, being grounded on increases in the volumes of vegetable production – 10.4 percent and of animal production – 4.0 percent. Thus, the volume of agricultural production in 2014 recorded the highest value (in comparable prices) in the last decade.

In 2014 the enterprises of retail trade sector and those providing market services to population also posted an upward trend as their volumes of turnover increased (in real terms) by 7.5% and 7.4%, respectively, compared to 2013.

Against the background of the temperate development of external trade in commodities and the implications caused by geopolitical tensions in the east, there was a decrease in the transportation activity represented by commodities turnover, which decreased by 6.5% during the analysed period, while the volume of freight rose by 4.2%.

The year 2014 was also marked by positive developments in tourist activity. Thus, compared to 2013, the number of tourists accommodated in the collective tourist accommodation establishments grew by 4.2%, while the flow of tourists and excursionists to whom travel agencies and tour operators provided tourism services increased by 16.2%. However, although the number of tourists accommodated in the collective tourist accommodation establishments exceeded the 2008 level (by 0.9%) exclusively due to the growing influx of foreign tourists (over ¼ compared to 2008), the number of overnight stays accounted only for 88 percent of the level posted in that year.

### *Prices and exchange rates*

In 2014 the average annual inflation equated to 5.1% and prices have evolved relatively more uniformly compared to previous years. The main factor that triggered increases in prices in 2014 was the depreciation of the national currency against the major reference currencies. At the same time, the CPI growth was tempered by reduction in pressure on prices of food products due to their seasonal decrease, against the background of large agricultural crops obtained two years consecutively, as well as following the decline in food prices worldwide.

Core inflation continued its upward trend observed since the end of 2013, amounting to 5.5% in 2014, or 1.2 p.p. above the level achieved in the previous year. Since May 2014 the annual rates of CPI grew relatively slower than the core inflation. This trend was due to the reduction in pressure on the CPI from prices of food products, which are not taken into account in the calculation of core inflation.

During 2014 other price indices have also evolved upwards compared with the previous year:

- ✓ industrial production prices index rose by 5.5% compared to the same period last year, outpacing the annual growth rate recorded in 2013 by 2.2 p.p. Higher dynamics compared to the previous year were posted by price developments in the mining and quarrying and processing industries, with increases of 3.9% (+2.3 p.p.) and 6.5% (+1.7 p.p.), respectively. In the energy sector, on the contrary, prices registered a negative trend, the IPI decreasing by 1.4% cly.;
- ✓ in the construction sector, in particular, prices of investment in fixed capital and construction-assembling works continued the dynamic growth trend of the last two years. In the fourth quarter, there was a slowdown in the annual growth rates of prices of investments in fixed capital, machinery, installations and transport means compared to indicators registered in the same period last year – 5.9% and, respectively, 2.6% (declining by 0.6 p.p. and 2.2 p.p., respectively). However, in the first three quarters of the year, the latter marked the highest values of the annual inflation rate since the crisis of 2009;
- ✓ producer prices of agricultural products increased by 6.6% compared to the level posted in 2013, preponderantly due to the rise of 2.6% and respectively of 8.6% registered in the last two quarters. The major contribution to the increase in prices over the last quarter pertained to cereal products (10.6%), sunflower seeds (23.5%), tobacco (21.7%), animal products (13.2%). The latter created pressure on prices of agricultural products throughout the year, registering an annual growth of 14.8% sply.

In 2014 the nominal exchange rate of the national currency was 14.03 MDL/USD, which represents a depreciation of the national currency by 11.5% compared to 2013. While in relation to the single European currency, the quotations amounted to 18.63 MDL/EUR, posting a depreciation of 11.4%. Over the last years, the developments in the nominal exchange rate of the national currency against major reference currencies posted a relatively stable dynamics, but in the third quarter of 2013, the national currency began to actively depreciate.

During 2014 this trend has heightened as a result of changes in the major reference currencies quotations on external markets, as well as a result of the monetary policy promoted by the NBM with the view to adjust domestic economic developments to the macroeconomic policies promoted by authorities.

### *Monetary policy*

Nominal depreciation of the Moldovan leu against major reference currencies led to the continuation of the real depreciation trend in 2014, thus the real exchange rate of MDL/USD rose by 7.5 p.p., real exchange rate of MDL/EURO depreciated by 6.6 p.p.



At the end of 2014, against the background of higher pro-inflationary risks, the NBM after two years of loose monetary policy increased the rates of main monetary policy indicators. By promoting a restrictive policy it is aimed to achieve the primary objective of keeping the inflation within the forecast.

In the fourth quarter of 2014, the base rate gradually increased by 3 p.p., rising from 3.5% to 6.5% at the end of the year. Simultaneously with the base rate there were commensurate increases in the interest rate on overnight loans up to 9.5% and the interest rate on overnight deposits up to 3.5%. The rate of required reserves maintained by commercial banks with the NBM remained unchanged during 2014, i.e. at the level of 14% set in August 2011.

At the beginning of 2015, the NBM intervened with new changes in monetary policy interest rates, thus the base rate reached the level of 13.5%, the interest rate on overnight loans – 16.5% and the interest rate on overnight deposits – 10.5%. Also, in February, the rate of required reserves in MDL and other convertible currencies gradually increased up to 16%, and in March – to 18%.

Changes in the monetary policy promoted by the NBM will influence the interest rates on deposits in national currency (NBM aims to increase their volume), but also the interest rates on bank loans, which will have a negative impact on the volume of lending to the economy. Considering the contribution of banking sector to the development of the real sector, restricting the money supply and channelling the spare money towards savings will indispensably reduce the growth rate of investments in the economy, and, correspondingly, will lead to a slowdown in the growth rate of the economy.

In 2014, the NBM intervened actively in the interbank foreign exchange market particularly as a seller of foreign currency. The NBM interventions became more intense especially at the end of 2014, when, under the influence of processes pertaining to sharp depreciation of the national currency, the demand for foreign currency rose abruptly against the backdrop of constant cuts in the supply of foreign currency (preponderantly, due to decreased exports volumes and reduced volume of transfers in foreign currency made to individuals from abroad), which led to a profound gap between the demand and supply of foreign currency.

The balance of official reserve assets at the end of the fourth quarter of 2014 amounted to 2.16 billion USD, dropping by 18.7% compared to the balance recorded at the end of the previous quarter and by 23.5% compared to the level of reserves recorded at the end of 2013.

By the end of 2014 the majority of monetary indicators showed a slight decrease, except for the monetary aggregate M3. The volume of money supply recorded, in December 2014, a modest advance in real terms of 5.3% compared to December of the previous year. The monetary base decreased by 4.21%, amounting to about 20.9 billion MDL on December 31, 2014 compared to 23.25 billion MDL recorded in the same period last year.

### *Public finances*

Development over time of the weight of the NPB revenues in the GDP, showed a tendency toward the increase of this weight from 38% in 2010 to 44% in 2013, but in 2014 returned back to 38%, and it averaged out during the analysed period at 39.1%.

In 2014, the NPB revenues totalled 42,455.8 million MDL, which is 503.9 million MDL or 1.2% less than the amount planned for this period. Under-collection of budget revenues was effected on account of failure to accrue the amounts planned in terms of VAT (-171.6 million lei) and excises (-147.8 million lei). Thus, the tendency toward diminution of the growth rate of the revenues collected by the Customs Service as VAT and excise duties perpetuated largely because of the geopolitical situation in the region, while the amounts of the VAT refunded from the budget increased (+125% comparing with the last year).



Tax burden, determined as ratio between the tax revenues and the GDP equated to 32.0% during the examined period, decreasing by 6.8 percentage points compared to the value recorded in 2013. The level of this indicator in the years 2010-2014 averaged out at 33.2%.

The weight of BPN expenditures in the GDP increased from 41% in 2010 to 47% in 2013, but it dropped to 40% in 2014. This weight averaged out at 41.3% during the period under examination.

In 2014 budget spending totalled 44,402.5 million MDL, which is 2,828.1 million MDL or by 6.0% less than the amount planned for the period under examination, but by 5,751.2 million MDL or by 14.9% more compared to last year.

As a general trend, there was an increase in the social expenditure (largely on account of expenditures on social care and support), in the economic expenditures (mostly on account of expenditure on transport, road management, communications and informatics) and the expenditures on environmental protection and hydrometeorology.

National public budget execution in 2014 resulted in a deficit amounting to 1,946.7 million MDL or by 10.3% more than the deficit recorded in 2013 (1,764.6 million MDL). However its ration to the GDP continued to stay under the level of 3% (established by convergence criteria stated in the Maastricht Treaty) equating to 1.7%.

Public debt amounted to 27,470.7 million MDL (1,956.8 million USD), its weight in the GDP was 24.6% or by 3.7% compared to last year.

### *Banking sector*

In 2014, the financial system of the Republic of Moldova faced a series of risks interconnected at sartorial level. Thus, banking sector stability was disturbed by some negative effects that triggered the deterioration of prudential indicators. The problems in the banking sector were caused by dubious transactions of some commercial banks as well by their precarious financial situation. In this context, uncertainty about the quality of loans and that of bank capital will continue to persist in 2015.

The main indicators of the banking sector activity had a contradictory evolution in 2014. Thus, at the end of December 2014 in comparison with the end of December 2013, the main indicators of banking sector activity posted following deteriorations:

- ✓ Decline in bank profit by 23.7%, totalling 778.2 million MDL, due to the negative financial results recorded by three commercial banks: B.C. „Eximbank Gruppo Veneto Banca” S.A. – 217.8 million MDL, B.C. „Banca de Economii” S.A. – 202.5 million MD and BCR Chişinău S.A. – 3.7 million MDL;
- ✓ Increase in the volume of non-performing loans from 11.56% to 11.73%;
- ✓ Decrease in the balance of bank loans by 3.2%, down to 40,847.98 million MDL;
- ✓ Capital adequacy recorded a value inferior to the minimum requirement set by law ( $\geq 16\%$ ), amounting to 13.21% (a decrease of 9.81 p.p. compared to 31.12.2013), due the worsened financial situation in B.C. „Banca de Economii” S.A. (3.22%) and B.C. „Banca Socială” S.A. (2.56%);
- ✓ Increase in the risk-weighted assets by 92.6%;
- ✓ Decrease in ROE from 9.42% in 2013 down to 6.39% in 2014;
- ✓ Reduction in ROA from 1.56% in 2013 to 0.92% in 2014;
- ✓ Deterioration in the quality of credit portfolio of the banks: B.C. „Banca Socială” S.A. – 32.66%; B.C. „Banca de Economii” S.A. -72.59% and BCR Chişinău S.A. -31.75%;
- ✓ Decrease of liquid assets ratio (liquidity principle II  $\geq 20\%$ ) by 12.13 p.p. compared to 31.12.2013, registering 21.63%. Reduction of this indicator down to the limit set by the NBM was triggered by worsened situation in the case of three commercial banks: B.C. „Banca

Socială” S.A., B.C., „Banca de Economii” S.A. and B.C., „Unibank” S.A. and institution of special administration upon these 3 financial institutions.

However, despite the problems emerged in the sector because of these three commercial banks, some indicators posted positive developments, thus at the end of December 2014 compared to the end of December 2013 it was attested:

- ✓ Increase in the bank assets by 28%, up to 97,584.4 million MDL;
- ✓ Reduction, in absolute terms, in the non-performing loans by 2% down to 4,790.34 million MDL;
- ✓ Rise in the balance of bank deposits by 26.2%, up to 65,462.5 million MDL;
- ✓ Increase in the balance of bank deposits in national currency by 9.3% (preponderantly on account of the deposits of banks);
- ✓ Increase in the balance of bank deposits in foreign currency by 47%;
- ✓ Decrease in the average interest rate on loans in national currency from 12.51% in December 2013 down to 10.95% in December 2014;
- ✓ Decrease in the average interest rate on loans in foreign currency, from 8.91% in December 2013, down to 7.72% in December 2014;
- ✓ Decrease in banking margin for transactions in national currency from 6.69% in December 2013, down to 4.48%, or by 2.21 p.p.;
- ✓ Decrease in banking margin for transactions in foreign currency from 4.4% in December 2013, down to 3.7%, i.e. by 0.7 p.p.;
- ✓ Increase of the TRC by 10.6%;
- ✓ Increase in the I Tier capital by 9.8% up to 8,707.29 million MDL.

The NBM should closely monitor the developments in the economic and financial environment at the country level and possible risks to the financial sector, taking action to maintain an adequate level of prudential indicators by Moldovan banking sector.

### *External sector*

The unfavourable conjuncture of external factors led to the deterioration of the current account in 2014. According to preliminary data, the current account deficit amounted to 451.1 million USD, representing approximately (-) 5.7% of the GDP. In 2012-2013 it posted a decreasing trend, and according to adjusted data, this indicator dropped to the level of 5% of the GDP in 2013, which represents a decrease of 6 p.p. compared to 2011. The trend toward contraction of the current account deficit would have continued in 2014, if it were not for the negative developments occurred in the second half of the year, especially in the last quarter, which influenced the foreign currency inflows obtained from exports and remittances into the country.

According to the official preliminary data of the National Bureau of Statistics, foreign trade in goods decreased by 3.3% compared to last year. Being influenced by several factors, the imports posted modest dynamics in 2014, their value declining according to estimates by 3.2% compared to last year. The development of world prices for a series of products with a relatively high weight in Moldovan foreign trade, as well as a very small increase in the consumption prices on some of the markets that are on top of Moldova's trading partners makes trade, has influenced negatively the unit value of goods both for exports and imports, affecting the overall value of the Moldovan foreign trade. As a result of the Russian embargoes and the precarious economic situation in Ukraine and Russian Federation, against the background of the downward trend in prices for agricultural products on international markets, the rate of contraction in exports of goods outpaced even more that of imports. According to the preliminary data, the value of exports of goods amounted to 2,339.5 million USD, i.e. decreasing by 3.7% compared to the previous year.

Foreign trade in services accounted for approximately 20.4% of the total volume of foreign trade, decreasing by 0.5% compared to the last year. The balance of trade in services, according to preliminary data, resulted in 2014, in contrast to 2013, in a negative balance of -31.6 million USD. Exports equalling 958.9 million USD, posted a decrease of 2.9% in comparison with the last year, being influenced mainly by the contraction in transportation services in the context of reduced external trade in goods. At the same time, imports equating to 990.5 million USD continued to increase recording a modest rate of 1.9%.

In 2014, remittances from abroad for the second time in the last 10 years posted negative growth values. According to preliminary data, these totalled 1,900.9 million USD, dropping by 101 million USD, i.e. 5% compared to the previous year. In the context of tensioned economic and political relations with the Russian Federation, but also, probably, its reduced capacity to provide Moldovan migrants incomes comparable to previous years, there was a reduction in remittances from this country in amount of 6.7% compared to the last year, which influenced the overall decrease of this inflow of currency by 4.2% compared to last year. In 2014, given the increased weight of transfers in Russian rubles made in favour of individuals through the banking system and on account of decreased transfers in USD, in the context of the strong depreciation of the Russian ruble against the EUR and USD, including in relation the MDL, the purchasing power of this source of households income reduced, while strengthening the pressures related to the depreciation of Moldovan Leu against the USD on the Moldovan foreign exchange market.

In 2014, in order to ensure its interventions in the foreign exchange market and subdue the process of the progressive depreciation of the national currency against the Euro and USD, country's foreign assets managed by the monetary authorities<sup>1</sup> reduced by 538.5 million USD. In response to MDL depreciation in relation to major reference currencies, in 2014 cash in foreign currency held by residents, other than National Bank and commercial banks and the government sector, increased posting the highest value attested over the last 20 years (382.9 million USD). Whereas the net assets of commercial banks in the form of deposits and foreign currency decreased by 179.7 million USD.

Foreign investments attracted in the national economy continued the modest dynamics posted during the period after the 2009 crisis. Average annual growth of the net FDI inflows over the last 5 years amounted to 3%, whereas in three out of these five years negative annual growth rates were recorded. In 2014, the value of net FDI in the economy equalled 207.4 million USD (decreasing by 12.2% compared to last year), which represents less than one third of the maximum net inflow of foreign direct investment attracted in the economy in 2008. Preponderantly, as a result of fluctuations in the exchange rates, the stock of the FDI in the national economy posted even a smaller change at the end of 2014 comparing with December 31, 2013, increasing by about 32.4 million USD and amounting to 3,646.9 million USD (45.9% of GDP).

### *Business environment*

In the fourth quarter of 2014, the number of enterprises registered by the State Registration Chamber fell by 8.1% compared to the previous quarter; however this decrease was less significant comparing to the one occurred in the same period last year.

Nevertheless, unlike the previous two years, in 2014 the number of enterprises newly registered with the State Registration Chamber was on the rise comparing with 2013, increasing by 0.5%.

<sup>1</sup> At the end of 2014, the volume of reserve assets amounted to 2,156.6 million USD, the total change comparing with the end of 2013 equating to 664 million USD, partially the decrease is explained by foreign currency inflows in 2014.

According to the State Registration Chamber data, in 2014, 6,263 new enterprises were put into record in the State Register.

As for the enterprises de-registered from the State Register, in the fourth quarter their number declined by approximately 6.6% compared to the same period last year. Similarly, the overall number of enterprises deregistered in 2014 decreased in comparison with the previous year, amounting to 2,770 units, i.e. recording a decrease of 1.4%.

### *Social sector*

**Demographic situation.** One of the demographic trends that characterized the year 2014 was the increase in the death rate superior to the increase in the birth rates, which conditioned the negative natural increase in the population. The value of this indicator amounted to 3,556.4 thousand persons, while as of 1 January 2015 there was a lower number of resident population recorded – i.e. 3,555.2 thousand persons. In 2014, the total number of *live births* in the country was 38,622 persons, increasing by 2.0% compared to the previous year (in 2013 this indicator was 37,871 pers.). The birth rate was 10.9 births per 1,000 inhabitants. The number of *deceased* amounted to 39,489 persons. The overall mortality rose by 3.8% compared to last year (in 2013 the number of *deceased* was 38,060 persons). The death rate was 11.1 deaths per 1,000 inhabitants. *The number of deaths of children aged under 1 year* in this period was 368 persons, decreasing by 10 persons in comparison with the previous year. The infant mortality rate was 9.5 deceased aged under one year per 1,000 live births. The total number of *marriages* in the country was 25,624 in 2014, increasing by 4.8% in comparison with the previous year. The number of *divorces* amounted to 11,090, which is by 2.9% more than in the previous year. The divorce rate during this period was two times lower than that of marriages, equating to 3.1 divorces per 1,000 inhabitants.

**Migration of population.** In 2014, 4,187 foreign citizens and 440 repatriated received residence permits (permanent and temporary). Some foreigners immigrated to the Republic of Moldova for work, i.e. about 32.5%, others for family reasons – 29.7%, education – 22.2%, other reasons – 15.6%, etc. The number of Moldovans who emigrated in 2014 to settle down abroad amounted to 2,374 persons. Most emigrants, both women and men, were part of the economically active population, aged from 15 to 44 years.

**Internal migration.** During 2014, 35.8 thousand persons changed their place of residence within the country. Internal migration intensity can be measured by the number of arrivals and departures per 1,000 inhabitants. In 2014 the population mobility index recorded a value of 10.1 persons per 1,000 inhabitants compared to 9.4 in 2013. The intensity of departures was higher in 18 districts compared to the average at the country level.

**Labour market.** The economically active population of the Republic of Moldova in 2014 was 1,232.4 pers., decreasing by 0.3% (3,5 thousand pers.) compared to 2013, the activity rate of the population aged 15 and over, with slight variations, remained at the previous year – 41.2%. Due mainly good evolutions in agriculture, employed population has increased compared to previous year by 1%, which represents an increase of 12 thousand people. The number of unemployed, estimated according to ILO methodology was 47.5 thousand pers., by 15.6 thousand less than in 2013, leading to a reduction in the unemployment rate from 5.1% in 2013 to 3.9%. In the fourth quarter of 2014, the *economically active population* amounted to 1,153.4 thousand persons, decreasing by 4.3% (52.4 thousand persons.) in comparison with quarter IV of 2013. *Activity rate of population aged 15 and over* was 38.6%, registering a decrease comparing with Q IV of 2013 (40.4%). *Employed population* comprised 1,113.1 thousand persons, decreasing by 3.7% compared to Q IV of 2013 and remained at a low level compared to the similar period of 2011 and 2014. *The employment rate of persons aged 15 and over* was 37.2%, posting a slight decrease (1.5 p.p.) in comparison with Q IV of 2013.

**Labour remuneration.** The overall trend posted in the area of labour remuneration had distinct characteristics from January to December 2014: at the beginning of the period, i.e. in February there was a decrease in salaries compared to January, which can be explained by the fact that the annual bonus was paid in January (Government Decision no. 180 of 11.03.2013 on payment of the annual bonus to personnel of budget units). Subsequently, during the period from February to June wages increased steadily and in June reached the high given that on 1 May 2014 the minimum guaranteed salary in the real sector was established (Government Decision no. 165 of 09.03.2010 on the minimum guaranteed salary in the real sector, last amendment made through the Government Decision no. 299 of 23.04.2014) and payment of vacation bonuses to teachers. Until the end of the third quarter there was a downward trend in salaries, but by the end of the year a stable salary growth was observed.

**Social protection of the population.** As of 1 January 2015, the number of pensioners registered with the social protection bodies comprised 669.9 thousand, which is 10.3 thousand persons more than on 1 January 2014. The average amount of monthly pension as of 1 January 2015 was 1,087.6 MDL, posting an increase of 6.6% compared to 1 January 2014. About 56 thousand persons received social security benefits and the largest category of beneficiaries were the disabled since childhood (48.4%). As of 1 January 2015, 77.9 thousand persons were receiving allowances for childcare, 50.7% of which were insured persons. The average amount of monthly allowance for the insured persons was 1,096.9 MDL and for the uninsured – 400 MDL.

**Disposable income of the population.** In 2014, according to the Household Budget Survey *monthly disposable income* averaged out at 1,767.5 MDL per capita, increasing by 5.1% comparing with the previous year. In real terms the household income remained at the level of the last year.

**Average monthly consumption expenditure of the population** in 2014, according to the Household Budget Survey, averaged out at 1,816.7 MDL per capita, posting a 2.3% increase in comparison with the previous. In real terms population spent on average by 2.7% less than in 2013.

**Subsistence minimum.** In 2014, monthly subsistence minimum averaged at 1,627.1 MDL per capita, posting an increase of 0.9% compared to the previous year. Referring to the categories of population, the maximum value of the subsistence minimum pertained to the working age population – 1,726.8 MDL and especially men – 1,875.6 MDL. The subsistence minimum for children on average was 1,547.5 MDL per month, but there were differentiation in this indicator depending on the age of the child.

**Education.** At the beginning of the academic year 2014/15, the network of primary and general secondary education institutions comprised 1,347 units, including 1,345 day schools and 2 night schools. Most institutions of primary and general secondary education (98.9%) were in public property, and the 15 non-state-owned institutions operated only in urban areas. The network of vocational institutions comprised 61 units, including 46 vocational schools and 15 handicraft schools. Following the reorganization of secondary vocational education, handicraft schools attached to prisons were absorbed by other education institutions of the system, which led to a decrease in their number by 6 units compared to the previous academic year. However, two vocational lyceums continued their activity with the status of vocational school. The specialized secondary education was organized into 45 colleges, including 41 state colleges and 4 colleges with non-state ownership. At the beginning of the academic year the total number of pupils enrolled in colleges comprised 29.8 thousand persons, showing an increase of 1.9% over the previous academic year. Gender structure of pupils in the specialized secondary education institutions revealed a higher proportion of girls (52.8%). The network of higher education institutions consisted of 31 units, including 19 state institutions and 12 – non-state ones (one unit less than in the academic year 2013/14). Out of the total number of state institutions, only 2 institutions offered II Cycle – master degree.



**Healthcare.** According to preliminary information of the Ministry of Health, the morbidity of population of some infectious diseases in 2014 was characterized by increasing number of cases of hepatitis and acute intestinal infections. However, during 2014 there were fewer cases of infection with influenza, chickenpox, bacterial dysentery, epidemical parotitis, respiratory tuberculosis.

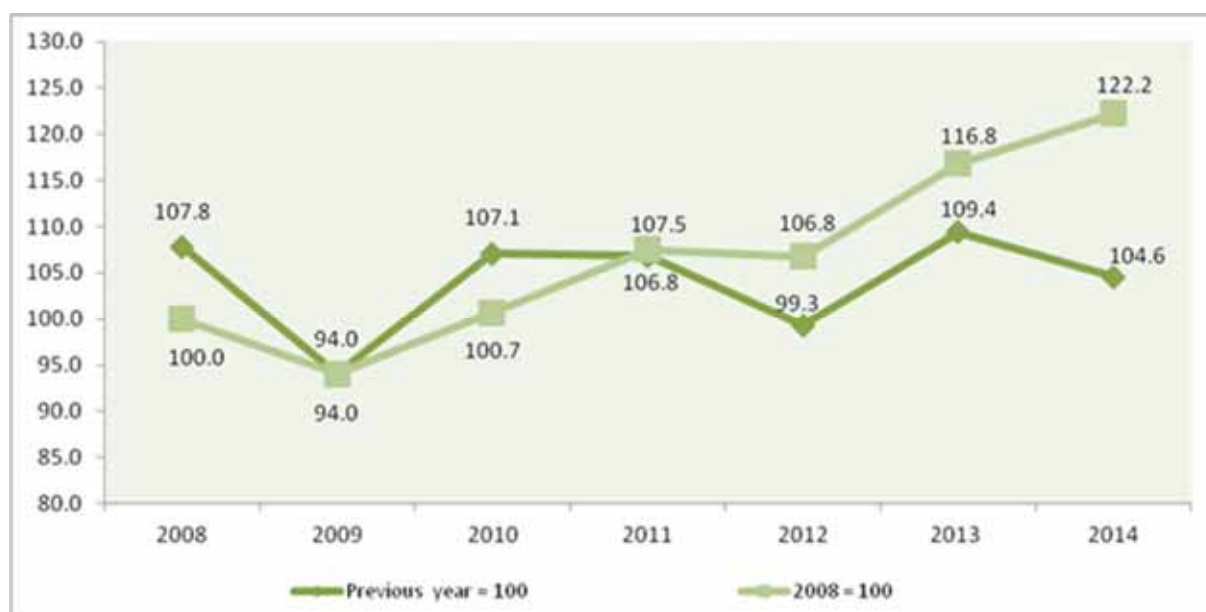
**Crimes.** Over the last years there was an increasing trend in crimes recorded, from 33.4 thousand in 2010 to 41.8 thousand in 2014.

# Chapter I

## PRODUCTION<sup>2</sup>

### Gross domestic product

The gross domestic product (GDP) in 2014, according to the preliminary estimates, totalled 111,501 million lei (in current market prices), increasing by 4.6% compared to 2013 (in comparable prices). In the period 2008 – 2014, the GDP posted an increase of 22.2% and an average annual growth rate of 3.4%.



**Figure 1.1. Evolution of GDP in 2008-2014 (%)**

**Source:** Author's calculations based on data of the National Bureau of Statistics.

Quarterly development of the GDP in 2014 was characterized by an ascending growth rate of the GDP, posting in the third quarter a maximum increase of 5.9% compared to the same period last year, but a slowdown in growth equating to 4.2% in the last quarter of the year.

**Table 1.1. Evolution of gross domestic product in 2014**

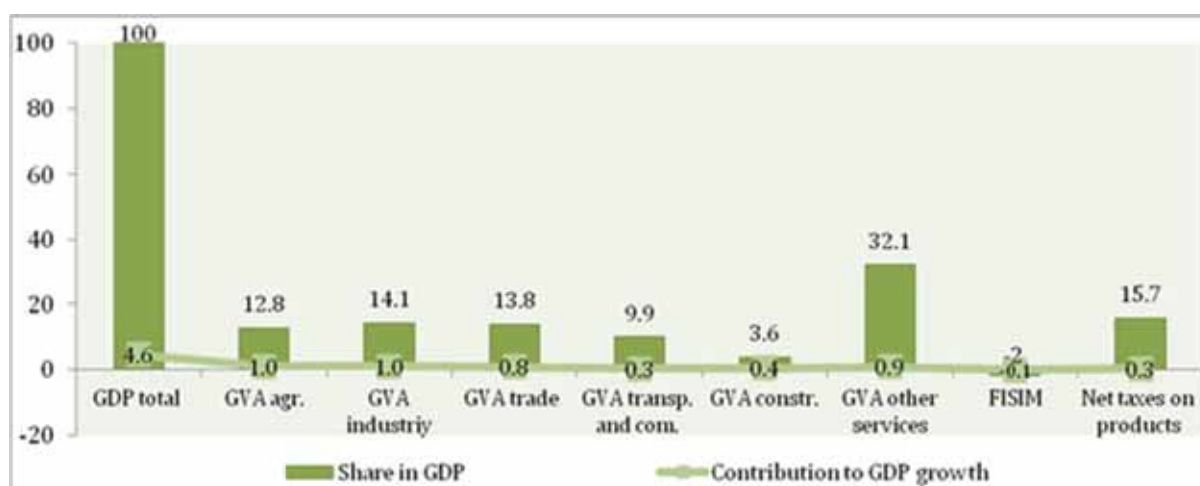
	Q. I	Q. II	Q. III	Q. IV	Year
<b>GDP, million lei</b>	21 469	26 226	34 027	29 779	111 501
<b>In%, compared to the respective period from previous year</b>	103.6	104.2	105.9	104.2	104.6

**Source:** According to the data of the National Bureau of Statistics.

The main contributors to the GDP growth in 2014, in comparison with the year 2013, were the following branches of national economy:

<sup>2</sup> The data provided by the National Bureau of Statistics does not include data on enterprises and organizations from the left bank of the Dniester River and mun. Bender. In some cases, having the appropriate remark, available data regarding the Transnistrian region submitted by the statistical authority of that region are presented.

- *Agriculture, hunting, forestry, fishing and fisheries* (with a weight of 12.8% in the structure of gross domestic product) whose volumes of activity increased by 8.2%, generating the GDP growth of 1.0%;
- *Industry* (with a weight of 14.1% in the GDP) whose volume of activity increased by 7.2%, leading to the GDP growth of 1.0%;
- *Wholesale and retail trade*, whose volumes of activity increased by 6.1%, influencing the GDP increase of 0.8%;
- *Construction* posted an increase in the volume of activity of 10.6%, generating the GDP increase of 0.4%;
- *Transport and communications*, whose volumes of activity rose by 3.4%, boosting the GDP growth of 0.3%.



**Figure 1.2. Contribution of components by categories of resources to the GDP formation in 2014 and to its increase compared to 2013 (%)**

**Source:** According to the data of the National Bureau of Statistics.

Thus, in 2014 the services-producing sector, preponderant in formation of the gross domestic product (with 59.4%), posting a growth rate of volumes of activity of 4.2%, underpinned the main increase in the GDP of 2.4%, while the goods-producing sector contributed to the GDP growth by 2.0%. Net taxes on products, accounting for 15.7% of the GDP, rising by 1.6%, led to its increase by 0.3 percent.

In terms of the GDP use, in 2014 compared to the previous year, there was an increase of 2.9% in the household final consumption that, given its major weight of 90.5% in the GDP, contributed to 2.7% GDP growth. It is remarkable that excessive contribution of the final household consumption to the GDP formation has been declining in 2014, the fourth year consecutively. In 2014 there was a moderate increase in the final consumption of public administration and non-profit institutions serving population households (0.2%), which also contributed to the decline of the total weight of final consumption in the GDP down to 110.9%, or minimum level posted over the last 9 years.

Gross capital formation (GCF), accounting for 25.9% weight (the highest value over the last six years) also had a positive impact on the GDP development in 2014 underpinning GDP growth of 1.7%. The increase in the GCF was due exclusively to the increase in gross fixed capital formation (by 10.1%), while the volume of stocks declined. Investment activity still remained relatively low, and gross fixed capital formation (GFCF) accounted for about 1/4 of the GDP in 2014, compared to more than 1/3 in pre-crisis years 2007-2008.





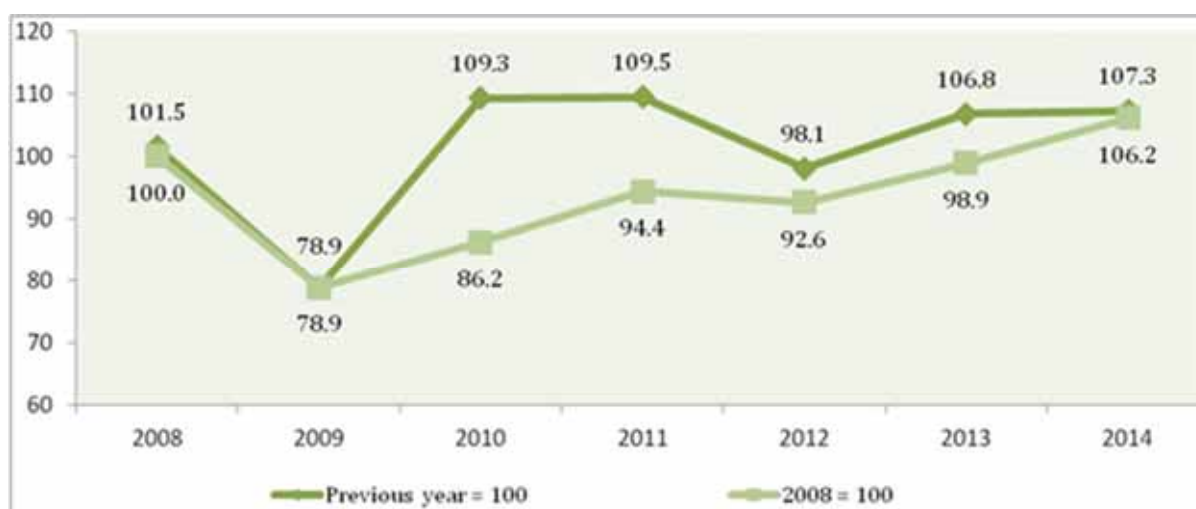
**Figure 1.3. The evolution of the contribution of components by use categories to GDP formation in 2008-2014 (%)**

*Source:* Author's calculations based on data of the National Bureau of Statistics.

A higher annual growth rate in 2014 of the volumes of exports of goods and services (+ 1.1%) compared to that of imports (+0.4%) contributed to the reduction of the negative value of net exports as contribution to the GDP formation to -36.8%, thus recording the lowest level of this indicator over the last five years.

### Industry<sup>3</sup>

In 2014 the industrial production grew by 7.3% compared to the previous year, surpassing for the first time the level posted in the pre-crisis year 2008 by 6.2% (see Fig. 1.4). The increase in the volume of production was grounded on processing industry (+8.5%), production and supply



**Figure 1.4. Industrial production growth rates in 2008-2014 (%)**

*Source:* Author's calculations based on the data of the National Bureau of Statistics.

<sup>3</sup> The data for 2008-2013 are presented according to the Classification of Activities in Moldovan Economy (CAME) Rev.1,1, and for 2014 – CAME Rev.2 (aligned with EU standard NACE Rev. 2) implemented in the Republic Moldova starting with 1 January 2014. Thus, there are limitations in terms of comparability of data pertaining to the scope of the industry before and after 1 January 2014.

of electricity, heat, gas and air conditioning (+4.4), and on mining industry (+0.2%), which underpinned the rise in the volumes of production in this important branch of the national economy by 6.9%, 0.7% and less than 0.1%, respectively (see Table 1.2).

**Table 1.2. Indices of industrial production by main kinds of activities in 2014 (%)**

Kinds of activities	2014/ 2013	Structure of gross value added	Contribution to the growth of industrial production (+/-)
<b>Industry - total</b>	107.3	100.0	7.3
<b>Mining industry</b>	100.2	2.4	0.0
<b>Manufacturing industry</b>	108.5	80,8	6.9
<i>out of which food and beverage industry</i>	112.3	23.9	3.1
<b>Production and supply of electricity, heat, gas and air conditioning</b>	104.4	14.5	0.7
<b>Water distribution, sanitation, waste management, decontamination</b>	88.4	2.2	-0.2

**Source:** According to the data of the National Bureau of Statistics.

However, it has to be mentioned that the activity pertaining to water supply, sanitation, waste management contracted by 11.6%, conditioning attenuated growth of industrial output by over 0.2%.

At disaggregated level, positive impact on the development of industrial production during the analysed year was exerted by: food industry, which rose by 12.3% compared to the last year, manufacturing of textiles – by 20.4%, clothing – 10.3% and manufacturing of chemicals and chemical products – by 1.4 times. These activities underpinned the increase in total industrial production compared to 2013, by 3.1%, 0.9%, 0.7% and 0.6%, respectively.

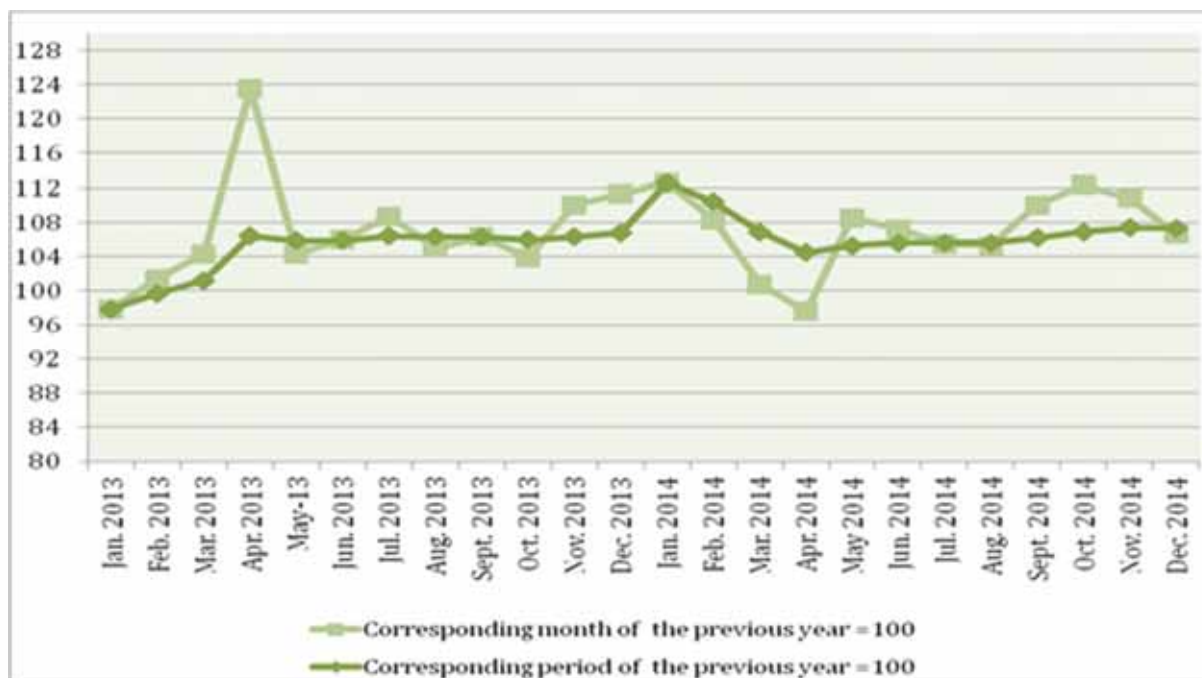
Positive developments in food industry, whose weight in the total gross value added in entire industry accounted for 23.9%, were influenced mainly by the increased production pertaining to: processing and preserving of meat and meat products (21.6%); vegetable and animal oils and fats, that increased by 2.1 times after the abrupt reduction recorded in 2013 (by 3.6 times compared to the previous year); dairy products (by 5.9%); processing and preserving of fruit and vegetables (by 5.9%), conditioning growth in total industry by 0.9%, 0.9%, 0.2 and 0.2%, respectively.

At the same time, there were reductions in production output in a series of activities of the food industry, those having the most significant impact were the following: production of wine from grapes – by about 15% (causing a reduction in the total industrial production by 0.7%); distillation, refining and blending of alcoholic beverages – by 13% (resulting in reduction of the total industrial production by 0.3%).

Negative impact on the development of industrial production in 2014 was also exerted by contracted volumes of production in the following activities: tobacco products manufacturing – by 40%; manufacturing of pharmaceutical products – 8%; manufacturing of machinery and equipment – 3%, thus conditioning reduction in the industrial output by 0.5%, 0.1% and 0.1%, respectively etc.

Annual index of industrial production during the year 2014 posted a downward trend in the first four months of the year: from 112.6% in January down to 97.6% in April 2014 compared to the same months of 2013, followed by intensification of production activity in the following months,

recording in December 2014 a rise of 6.7% compared with the same period of the previous year (see Fig.1.5).

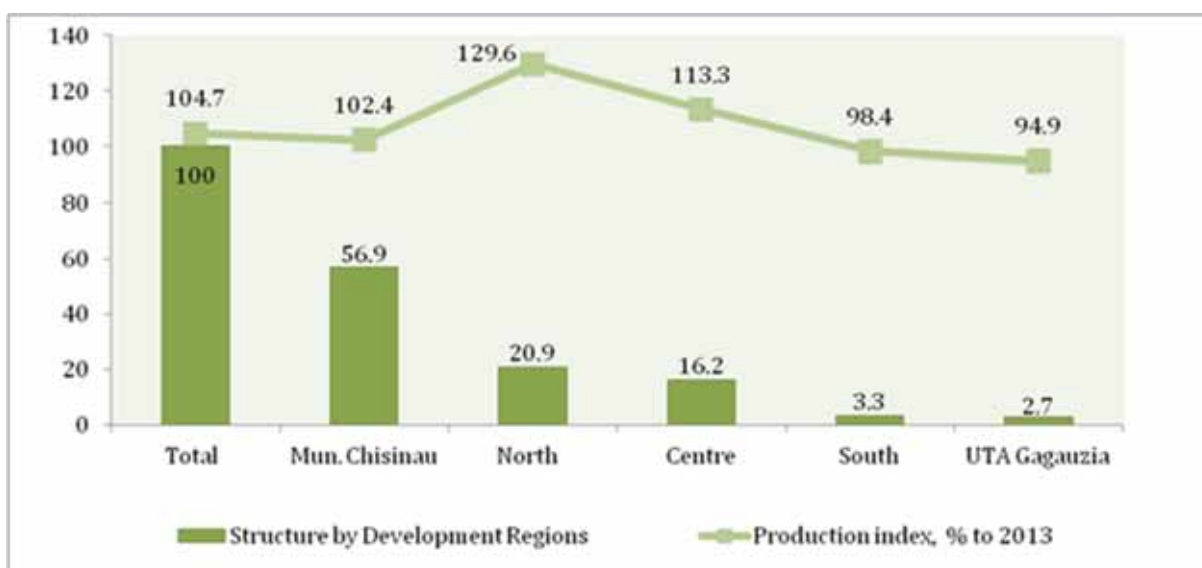


**Figure 1.5. Infra-annual indices of the industrial production volume in 2013-2014 (in % compared to the corresponding period of the previous year)**

*Source:* According to the data of the National Bureau of Statistics.

The weight of production supplied to the external market by industrial enterprises in 2014 amounted to 34.3% of the total production supplied, posting a decrease of 0.3 p.p. compared to 2013.

From territorial perspective, the analysis of industrial activity of the enterprises included in the monthly statistical research showed that the increased industrial output, 57% of which is concentrated in the municipality Chisinau, was driven by the upward development recorded in the regions of the North, Centre and municipality Chisinau (see Fig. 1.6).

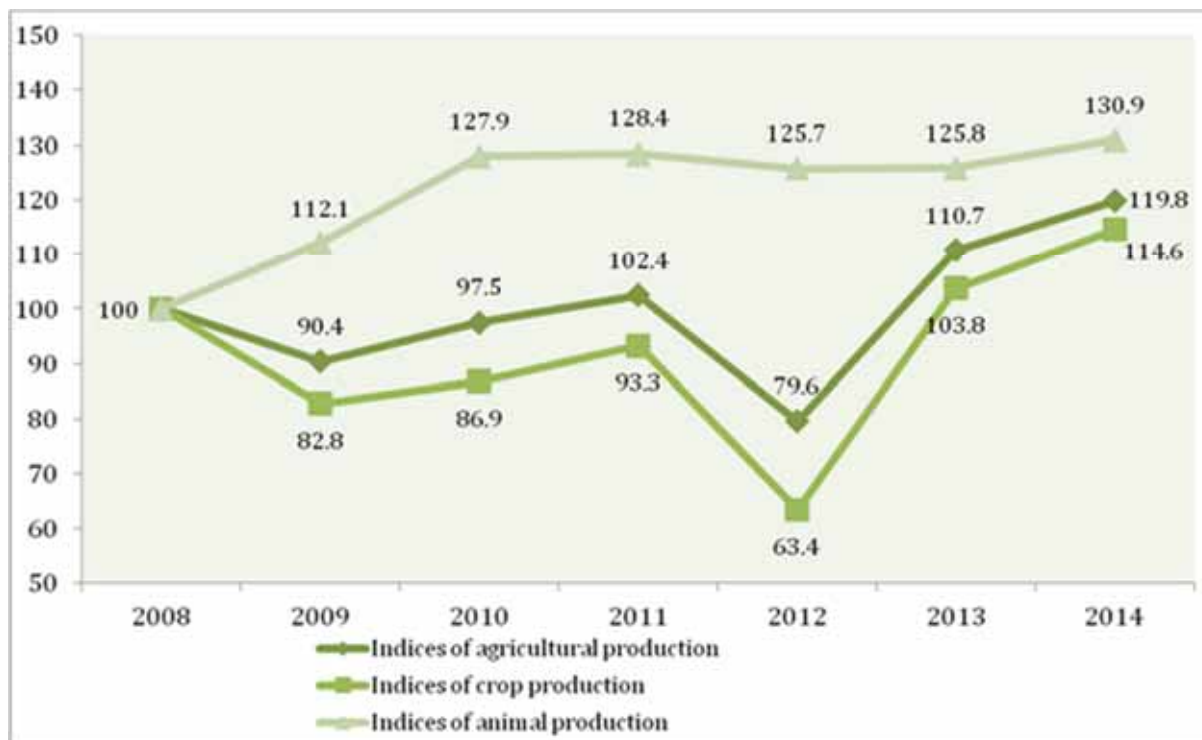


**Figure 1.6. Structure and dynamics of industrial production by development regions in 2014 (%)**

*Source:* According to the data of the National Bureau of Statistics.

## Agriculture

Agricultural production increased further in 2014, rising by 8.2% compared to 2013. This rise in agricultural production was generated by the increase in the volume of crop production by 10.4 percent and that of animal production by 4.0 percent. Underpinned by a sharp growth of agricultural production volume in 2013 of 39.1% compared to 2012, in 2014 the agricultural production posted an increase of about 1/5 compared to pre-crisis level, i.e. 2008. Thus, in 2014 the volume of agricultural production recorded the high (in comparable price) of the last decade.



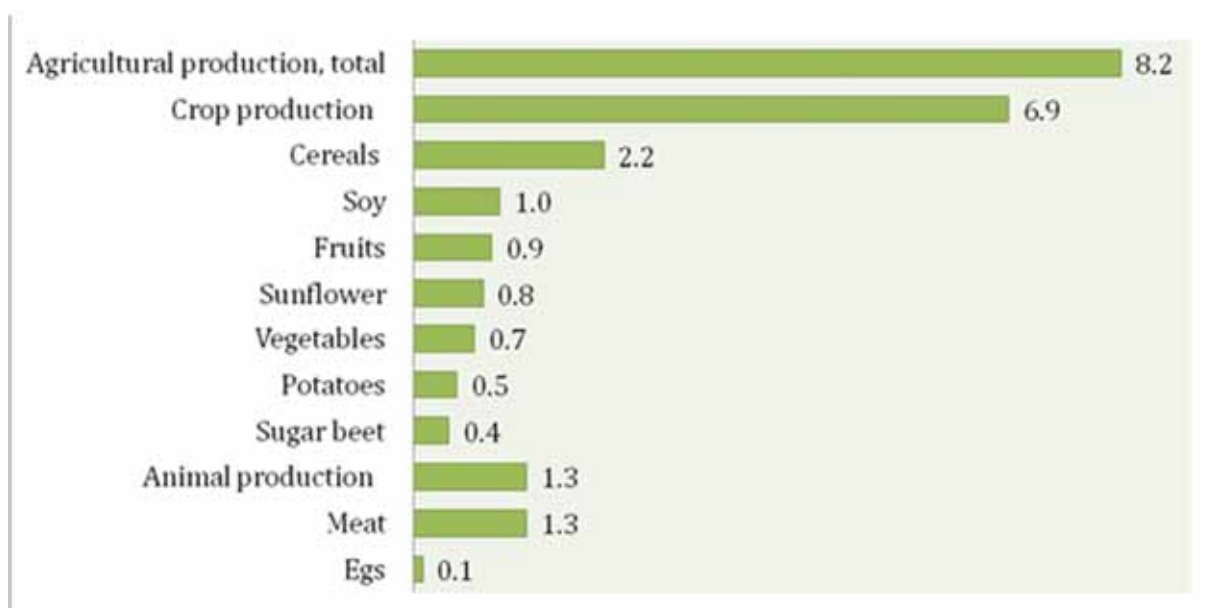
**Figure 1.7. Evolution of agricultural production volume in 2008-2014  
(in % compared to 2008)**

**Source:** Author's calculations based on the data of the National Bureau of Statistics.

The increase in crop production over the analysed period was driven mainly by the increasing yields in most main agricultural crops. Thus according to the official statistics, in 2014 there were increases in average yields of sugar beet and soya – by 1.3 times; field vegetables – by 18%; fruit – by 17%; potatoes – by 17%; cereals and legumes for beans – by about 10%. Simultaneously, during the reported period the average yields of grapes decreased – by about 8 percent and that of sunflower by 4 percent.

Animal production continued to be determined by the situation in population households, given their significant share in the livestock, holding, as of the end of 2014: 97% of the total number of sheep and goats, 93% – of cattle and 59% – of pigs. In total, in 2014, compared to 2013, there were increases in production pertaining to cattle and poultry breeding of about 7%, egg production rose by 3%. At the same time, the production of milk of all kinds reducing by about 1 percent.

Thus, overall, the increased crop production in 2014 underpinned the rise of 6.9% in global agricultural production, including increases in cereals production – 2.2%, soya – 1%, fruits – 0.9%, sunflower – 0.8%, vegetables – 0.7%, potatoes – 0.5 and sugar beet – 0.4%. Enhanced activity in the animal production generated an increase of 1.3% in total agricultural output, driven mainly by the expansion of production of cattle and poultry breeding (see Fig.1.8).

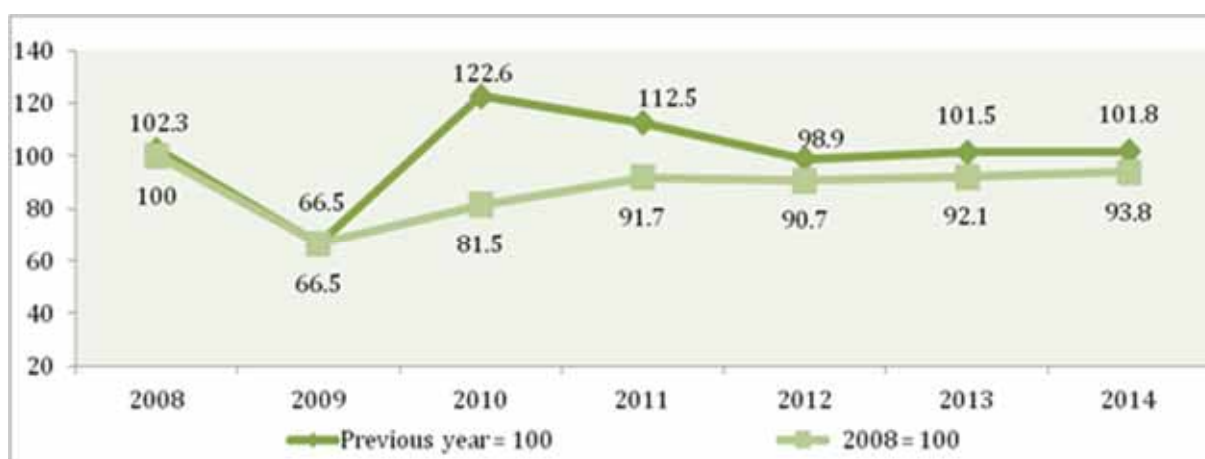


**Figure 1.8. Contribution of various types of agricultural products to the increase in global agricultural output in 2014 (in % compared to 2013)**

*Source:* According to the data of the National Bureau of Statistics.

### *Investments in long-term tangible assets*

In 2014, investments in the long-term tangible assets totalled 20,352.5 million lei, recording an increase of 1.8% in real terms compared to the previous year. Although it was the highest level of investments made over the last six years, however these represent only about 94 percent of the level reached before the pre-crisis year 2008 (see Fig. 1. 9).



**Figure 1.9. Evolution of investment in long-term tangible assets during 2008-2014 (%)**

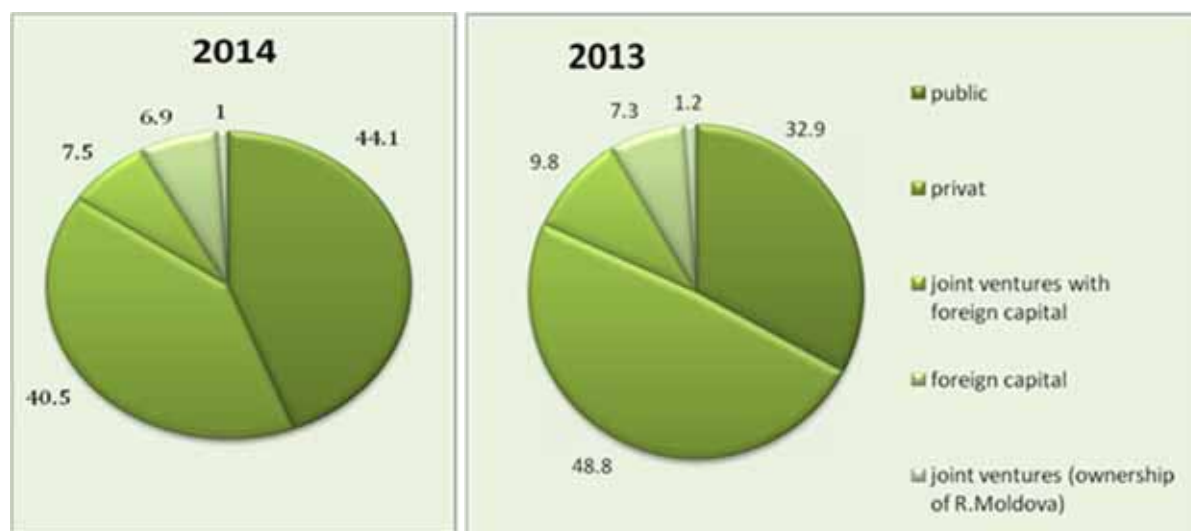
*Source:* Author's calculations based on the data of the National Bureau of Statistics.

In terms of technological structure elements of investments, during the analysed period the major increase was recorded in construction and assembly works (by 4.4%), and the volume of investments in equipment, machinery and means of transport also ascended by 1.7%. Simultaneously, there was a reduction of about 1/5 in the volume of "other expenses". As a result, the weight of construction and assembly works in the structure of total investments increased up to 52.5% (by 1.7 p.p. comparing with the previous year) while that of "other expenses" reduced to 4.9% (by 1.3 p.p.).



Investment analysis in terms of types of fixed assets indicated a positive development of investments in non-residential buildings and edifices construction – by 7%. However, residential construction sector declined by 7.2% compared to the level registered in the previous year. In physical expression, in 2014, residential buildings with total area of 475 thousand m<sup>2</sup> were put into use, which is about 8 percent lower than in the corresponding period of the previous year.

By forms of ownership, the enhancement of investment activity was determined by the public sector entities of the national economy, as the value of their investments increased by more than 1/3, underpinning an increase in the total investments volume of about 12% compared to the last year and a rise in the weight thereof in the investments structure up to 44.1% (see Fig.1.10). However, the investment activity of domestic private sector contracted by over 15%, that of joint ventures with foreign capital – by 22% and of joint ventures with fully foreign capital – by 4%, that of enterprises with local joint ownership – by 12%, causing attenuation of growth in total investments volume by: 7.6%; 2.2%; 0.3% and 0.1%, respectively.



**Figure 1.10. Structure of investments in long-term tangible assets by forms of ownership in 2013-2014 (%)**

**Source:** According to the data of the National Bureau of Statistics.

In 2014 the volume of construction works performed under contract posted an increase of 1 percent (in real terms) compared to 2013. In terms of structural elements of works performed, there were increases in capital repairs and current repairs, which rose by 14.7% and 6.6%, respectively. New constructions, the weight of which during the analysed year amounted to about 48% of the total volume of constructions, posted a decrease of about 8% in comparison with the previous year.

The volume of construction works performed under contract in 2014, by types of objects, increased only in the case of engineering constructions - by 16.7%. At the same time, the volume of construction works pertaining to residential and non-residential buildings, influenced by low demand in the immovable property market, decreased by about 12 percent during the same period.

### *Trade and other market services*

In 2014 the turnover of enterprises whose main activity is retail trade (except for trade in motor vehicles and motorcycles) rose by 7.5% (in real terms) compared to 2013. The annual increase of the turnover volumes of retail trade posted, at the end of the year, a high rate of 18.4% (December 2014 compared to the same month of the previous year) underpinned by its upward trend, especially in the second half of the analysed year (see Fig.1.11).



**Figure 1.11. Monthly development of the turnover volumes of enterprises whose main activity is retail trade in the years 2013-2014 (in % compering with the corresponding month of the previous year)**

*Source:* According to the data of the National Bureau of Statistics.

In 2014 the turnover of enterprises whose main activity is market services provided to the population increased by 7.4% compared to 2013 (in comparable prices). However, the dynamics of this indicator by the end of the analysed year (December 2014 compared to the corresponding month of the previous year) posted a decrease by of 2.2%.

The turnover of the enterprises dealing with wholesale trade (excepting the trade of motor vehicles and motorcycles) increased by 12% in 2014 compared to 2013 and that of the enterprises whose main activity is provision of services, in particular, to businesses - increased by 10.2% (in current prices).

### Transport

In 2014 the transportation companies carried 14.5 million tons of commodities, posting a 4.2% increase compared to 2013, thereby ensuring further positive development of this activity, since 2010.

A decisive contribution to the increase in the volume of freight pertained to auto transportation enterprises that have transported about 9.2 million tons of commodities or by 11.4% more than in 2013, generating a rise of 6.8% in the total volume of commodities transported (see Table 1.3).

The upward trend in the volume of transported goods was underpinned by the enhanced river transportation activity, which increased by 1.4 times compared to the level posted in 2013, thus contributing to the increase in the total volume of goods transported by 0.5%.

However railway transportation activity decreased by 7.8%, causing attenuation in growth of the total volume of goods transported by 3%.

In 2014 the turnover of goods totalled about 4.2 billion tonne-km, declining by 6.5% in comparison with the previous year. Over 2/3 of the total turnover of commodities pertained to road transportation, which reduced its activity by 7.6%, causing contraction of the total transport volume equated to 5.5%.

Table 1.3. Transportation of goods by transport means in 2014 (%)

	2014/ 2013	Structure by transportation means	Contribution to the increase in the volume / turnover of goods (+/-)
<b>Carried goods - total, thousand tones</b>	<b>104.2</b>	<b>100.0</b>	<b>4.2</b>
<i>out of which, by transportation means:</i>			
<i>railway</i>	92.2	34.7	-3.0
<i>road</i>	111.4	63.8	6.8
<i>river</i>	139.7	1.6	0.5
<i>air</i>	63.3	0.0	0.0
<b>Turnover of goods - total, mil. tones-km</b>	<b>93.5</b>	<b>100.0</b>	<b>-6.5</b>
<i>out of which, by transportation means:</i>			
<i>railway</i>	96.4	28.3	-1.0
<i>road</i>	92.4	71.6	-5.5
<i>river</i>	152.9	0.0	0.0
<i>air</i>	94.0	0.0	0.0

**Source:** Author's calculations based on data of the National Bureau of Statistics.

The turnover of goods pertained to rail transportation also declined – by 3.6%, causing a decrease of 1% in the volume of total transportation.

River transportation of commodities, although less significant in terms of weight (accounting for less than 2% in total freight) had positive dynamics, posting increases in volumes for both analysed indicators – more than 1/3 rise compared to 2013. However, the volume of freight carried by air transport continued the trend of previous years, recording during the analysed period a decline of about 37% in the volume of goods and of 6% in turnover of commodities, in comparison with 2013.

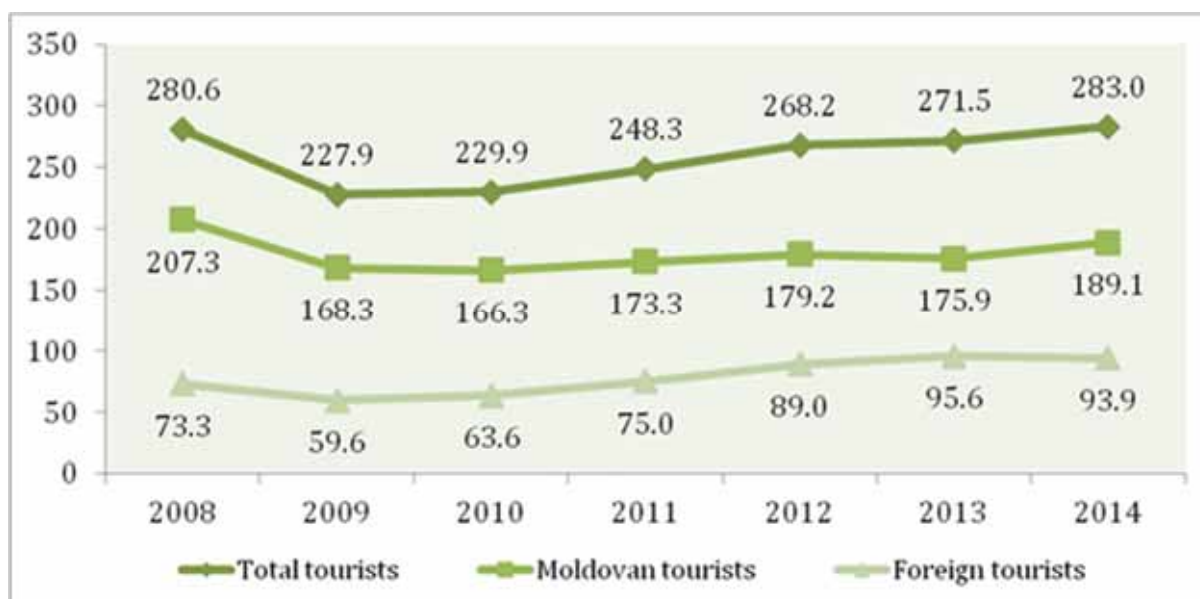
During the analysed period there was a decrease compared with the same period last year in the number of passengers carried by public transport (by 0.2%), while the passenger turnover slightly increased (by 1.0%). The decrease in the number of passengers was caused by reduced activity in the main public transport modes: railway – by 6%, buses and minibuses – by 6%, and taxis – by 23%. Passenger turnover dropped down in these modes by 22%, 10% and 22%, respectively. Moderate intensification in transportation by trolley (by 7 percent), river transportation (22 percent) and air transport (by about 1.5 times) mitigated the contracting passenger transportation activity.

### Tourism

In 2014 the number of tourists accommodated in the collective tourist accommodation establishments totalled 283 thousand persons, of which more than 2/3 were Moldovan tourists and 1/3 were foreigners (non-residents). Comparing with 2013, the total number of tourists accommodated in the above mentioned establishments rose by 4.2%, due to the higher inflow of Moldovan tourists (7.5%) against the background of 2% reduction in the number of non-resident tourists. It is worth mentioning that the number of tourists accommodated in the



collective tourist accommodation establishments reached the level of 2008, outrunning it by 0.9%, solely due to the growing influx of foreign tourists (over ¼ compared to 2008), while the number of local tourists decreased by about 9% (see Fig. 1.12).



**Figure 1.12. Number of tourists accommodated in collective tourist accommodation establishments in the years 2008-2014 (thousands)**

*Source:* According to the data of the National Bureau of Statistics.

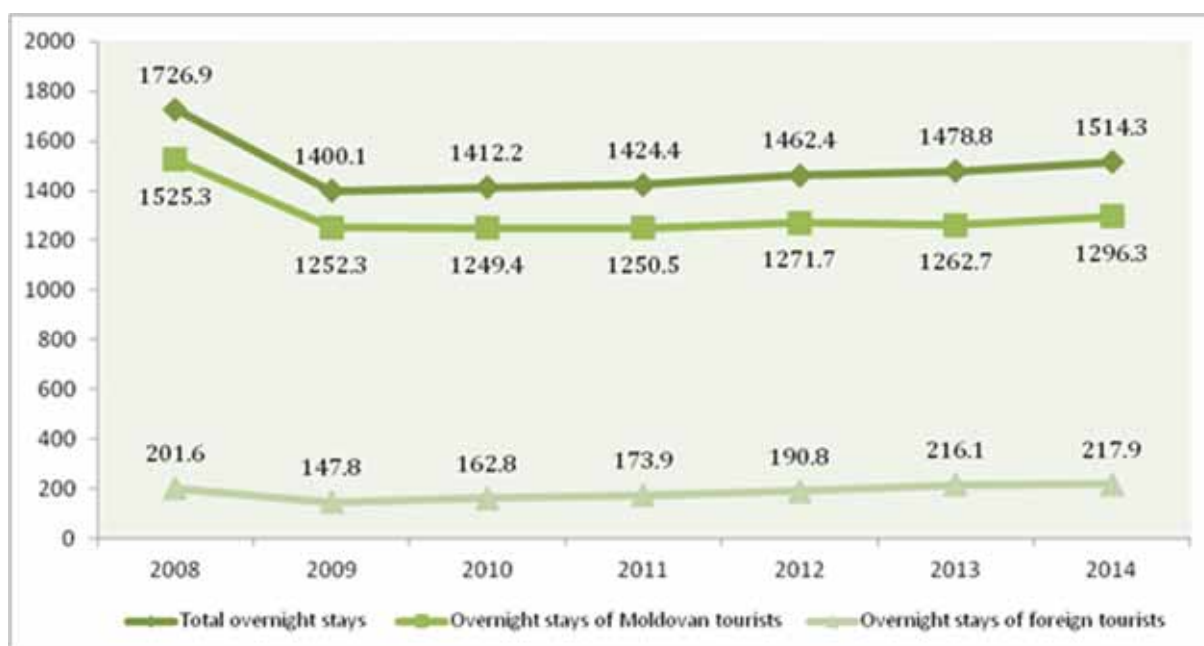
In terms of types of accommodation units, the number of persons accommodated in hotels and motels increased by 7.6%, in recovery facilities by 2.7%, as well as in touristic villas, holiday villages and other recreation structures (about 1.5 times).

About one fourth of the foreign tourists accommodated in the above mentioned structures during the analysed period arrived from Romania, 12% – from Ukraine, 9% – from the Russian Federation, 7% – from the US.

In 2014 there was an increase in the number of overnight stays in the collective tourist accommodation establishments (over 2% compared to 2013), both on account of increasing tourism activity of Moldovan tourists (by about 3%) and non-residents (by about 1%). It is remarkable to see also in 2014 the continuation of the upward trend posted since 2009, i.e. attendance of tourist establishments (see Fig.1.13). However, the number of overnight stays accounted only for 88 percent of the level posted in 2008 due to reduced tourist activity of residents.

In 2014, travel agencies and tour operators provided travel services to 238,1 thousand tourists and excursionists, which is by 16.2% more compared to the same period of the previous year, basically on account of domestic tourism (which increased by 26.0%), outbound tourism (14.7%) and inbound tourism (9.2%). It should be mentioned that the average travelling duration of Moldovan tourists going abroad increased over the analysed period, while the average number of days spent in average by a tourist in the country (both by resident tourists and foreigners) decreased.

Outbound tourism, which has the most important share in the tourist flow (about 76% of total tourists and excursionists), totalled 180.6 thousand persons. Moldovans' favourite tourist destinations remained: Turkey and Bulgaria (by over 1/3 of outbound tourism), Romania (10%), Greece (9%).



**Figure 1.13. Number of overnight stays of tourists accommodated in the collective tourist accommodation establishments in the years 2008 -2014 (thousand)**

*Source:* According to the data of the National Bureau of Statistics.

***Region of the Republic of Moldova from the left bank of the Dniester River and the city. Bender<sup>4</sup>***

*Enterprises from the region to the left of the Dniester River and the municipality Bender<sup>5</sup>, according to available information provided by the statistical authority of Transnistria, in 2014 manufactured by about 1.2 times more industrial production, in comparison with the level posted in the previous year (see Figure 1.14). The reported increase in industrial production was caused mainly by the rise in metallurgical industry output by 2.2 times, which occurred against the background of reduction in activity in this sector in 2013 – by more than 2 times comparing with the previous year.*

However, while during the analysed period the industrial enterprises of the Transnistrian region recovered considerably from the reduction in activity posted over the last years, the industrial output represented only 3/4 of the level recorded in pre-crisis year 2008.

The volume of investments in fixed assets<sup>6</sup> made *in the region from the left bank of the Dniester River and the mun. Bender* in 2014 decreased by 11% compared to the level marked in 2013, accounting for about 78% of the level reached in 2008 (see Fig. 1.1 5).

In 2014 there were considerable reductions in investment expenditures related to equipment, machinery and means of transport – more than 22 percent in comparison to 2013, but still these accounted for the major share in the structure of total investments (about 60 percent).

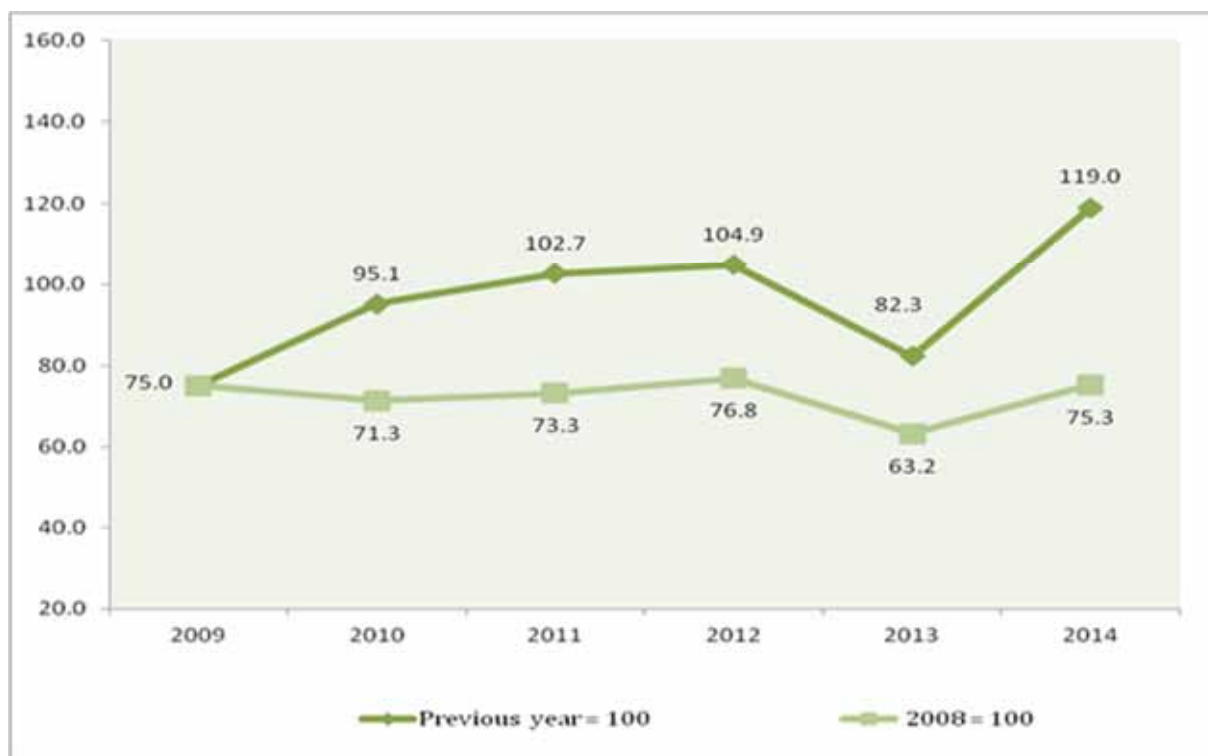
<sup>4</sup> According to the data of the statistical authority of the Transnistrian region:

<http://www.mepmr.org/gosudarstvennaya-statistika/informacziya/62-o-soczialno-ekonomicheskom-polozhenii-pmr>

Given the partial implementation of international standards in the development of official statistics by the statistical authority of the Transnistrian region and reduced access to metadata, data comparability between these data with those issued by the NBS is limited and is difficult to assess.

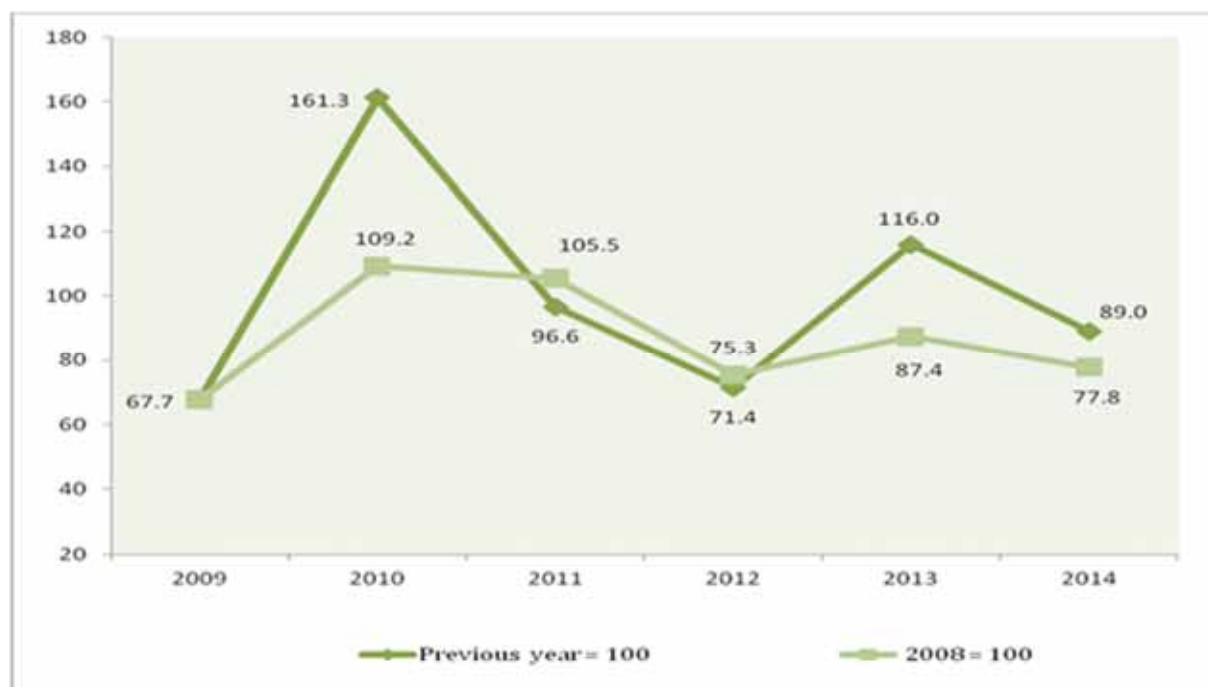
<sup>5</sup> Industrial enterprises, except for small business sector.

<sup>6</sup> The circle of enterprises except for small business enterprises.



**Figure 1.14. Indices of industrial production in 2009-2014 (%)**

*Source:* Author's calculations based on the data of the authority of the Transnistrian region<sup>4</sup>.



**Figure 1.15. Dynamics of volumes of investments in fixed assets in 2009-2014 (%)**

*Source:* Author's calculations based on the data of the statistical authority of the Transnistrian region<sup>4</sup>.

During the analysed period, the volume of construction works performed under contract in the Transnistrian region decreased by more than 4 percent, mainly due to the decline in the volume of new constructions (12%).

During the reporting period, there was a reduction in housing construction in the Transnistrian region, thus the total area of housing put into use decreased by over 31 percent, particularly in urban areas – by 37 percent.

The retail trade volumes of the region recorded a decrease of 4% in 2014, and services provided to the population posted an increase of more than 2 percent in comparison with level of the previous year.

## Chapter II

### PRICES, EXCHANGE RATES AND MONETARY POLICY

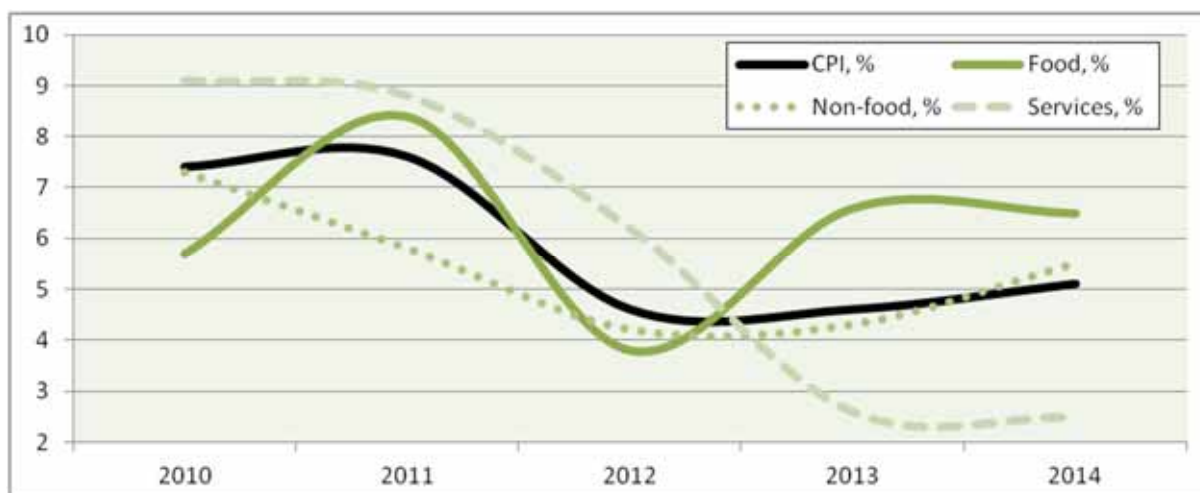
#### 2.1. Prices and exchange rates

##### Prices

During 2014 prices have evolved relatively more uniformly compared to previous years, and the average annual inflation was 5.1%. In the first quarter, driven by processes of the depreciation of the national currency against major reference currencies, prices continued their upward trend recorded at the end of 2013, thus inflation amounted to 5.4% compared to the same period last year. In the following quarters of 2014 the annual inflation rate slightly slowed down on account of reduction in pressure on food products prices due to their seasonal decrease and decline in food prices worldwide equating to 5.2%, 5.1% and 4.8% in the quarters II, III and IV respectively.

In the IV quarter of 2014, the annual inflation rate rose by 0.2 p.p. compared to the level posted in the similar period of the previous year. At the same time, the dynamics of prices for the main categories of products forming the CPI varied attesting the largest increase in case of non-food products – 6.3% and a more temperate rise in prices for food products – 5.1% and services – 1.9%.

The growth rate of prices in October, November and December 2014 was 4.8%, 4.8% and 4.7% respectively, compared to the same period of the previous year, when this indicator amounted to 4.7%, 4.9% and 5.2%. Diminution in the growth rate of consumer price index over this period was driven mainly by lower inflationary pressures from prices for food products.



**Figure 2.1.1. Annual growth rate of CPI and its components, %**

**Source:** According to the data of the National Bureau of Statistics.

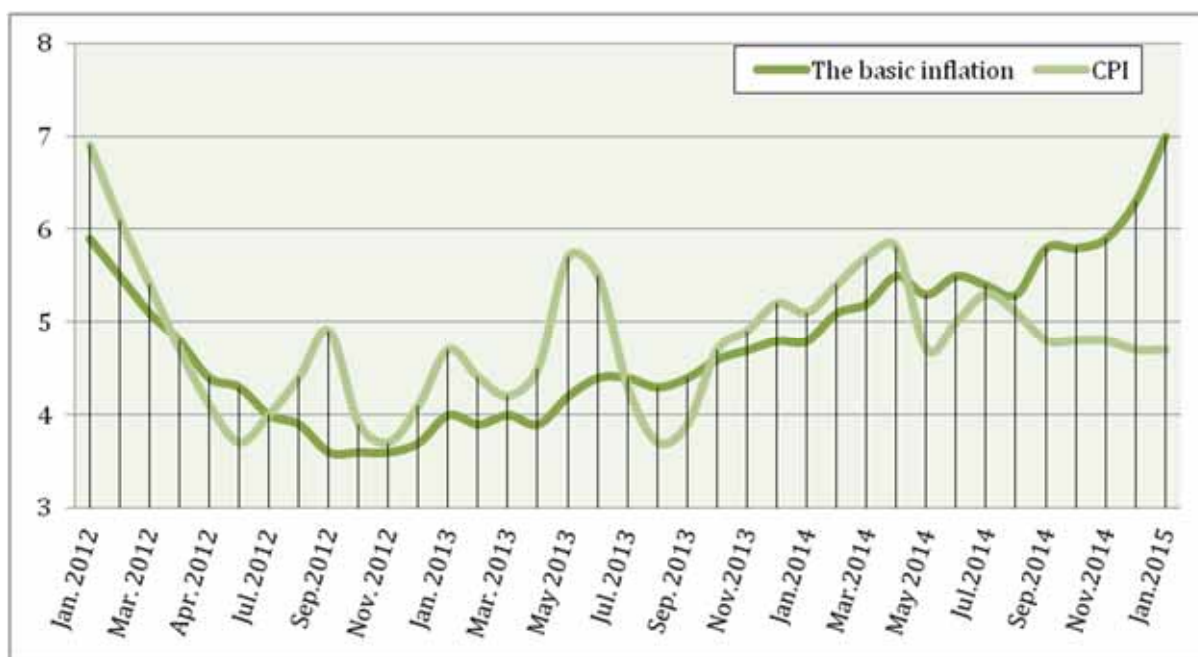
In the IV quarter of 2014, prices for food products rose by 5.1% compared to the same period last year, growth rate decreasing by 2 percentage points compared to the value of the same indicator posted in the IV quarter of the previous year (in monthly expression compared to the similar period of the previous year, the following increases occurred: in October – 4.8% in November – 5.5% in December – 5.1%).

In the IV quarter of 2014 prices of vegetables increased significantly by 12.6%, especially that of cabbage by 18.8% and legumes by 5.4%, that of walnuts by 14%, fresh fruit by 15.4%, milk and

dairy products by 6.8%, cow cheese by 8.6%, eggs by 7.1% and canned fish by 8.1% compared to the same period last year. However, there were considerable decreases in prices for potatoes, onions, carrots, garlic, vegetables due to lower prices for vegetables on international markets.

Prices for non-food products rose in the IV quarter of 2014 by 6.3% splay, posting a 1.8 p.p. increase above the value of this indicator recorded in the same period of 2013 (in monthly expression compared to the similar period of the previous year, increases amounted to 6.2% in October and November, and 6.5% in December). During this period the largest price increases were borne by: cigarettes – by 13.2%, automobile – by 7.9%, fuel – by 7.0%, refrigerators and freezers – by 6.7%, clothing for adults and children – by 5.6%, footwear – by 6.0%, medicaments – by 5.6% and cosmetic products – by 5.5%. The increase in prices of non-food products during this period occurred preponderantly under the influence of devaluation of the national currency against the US dollar and external factors. In this context, the armed conflict in Ukraine had a determinant role entailing a decrease in quantities of coal extracted and increase in fuel prices.

Services recorded a moderation in dynamics of annual inflation rate in the last quarter. These rose in price over this period by 1.9% s.p.l.y., and this increase was 0.7 p.p. lower than the level of this indicator in 2013 (in monthly expression compared to the similar period of the previous year the following increases were recorded: in October – 2.6%, in November and December – 1.6%). During the reporting period, comparing with the IV quarter of the previous year, the largest price increases were registered for tourist services – 25.7%, hotel accommodation – by 11.6%, passenger rail transportation – by 12.6%, housing repair and maintenance – by 7.2%, ritual – by 8.4%, passenger road transportation – by 8.1% and payment for housing – by 7.3%. However, prices for air transportation decreased by 2.3%.



**Figure 2.1.2. Annual growth rate of CPI and core inflation, %**

**Source:** According to the data of the National Bureau of Statistics.

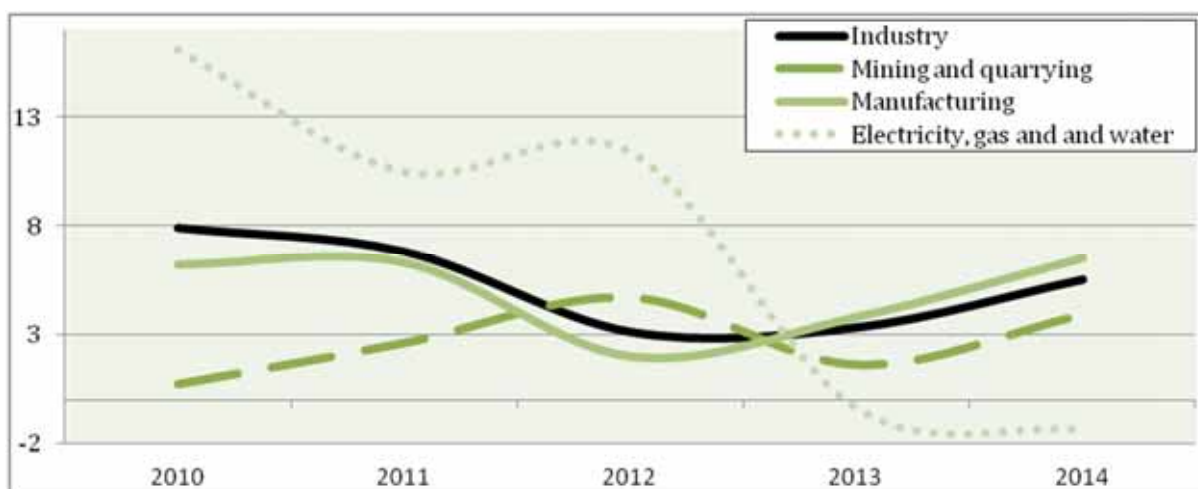
The annual rate of core inflation in 2014 was 5.5%, advancing the level reached in the same period of 2013 by 1.2 p.p. – upward trend maintained since the beginning of 2013. This increase was largely driven by the processes of depreciation of the national currency against the US dollar and the European single currency. From May 2014 the annual rate of core inflation rose faster than the CPI. This outrun was due to the reduction in pressure on the CPI from prices for food products, which are not taken into account in the calculation of core inflation.



In the IV quarter of 2014 the annual growth rate of core inflation was 6.0%, increasing by 1.3 p.p. compared to the level of this indicator posted in the same period last year. In monthly expression, comparing with the similar period of the previous year, there were following increases registered: in October – 5.8%, in November – 5.9% and in December – 6.3%. The acceleration of the annual growth rate of core inflation was underpinned by increased prices for clothing, means of transport, footwear, cigarettes, etc., as a consequence of the devaluation of the national currency against the currencies of major trading partners of the Republic of Moldova.

In 2014 the annual growth rate of industrial products prices was 5.5%, advancing by 2.2 p.p. the level achieved in the similar period of 2013. In branches of industry the following indices were recorded: mining and quarrying industry – 103.9%, processing industry – 106.5%, energy sector – 98.6%.

In the IV quarter of 2014 the annual index of industrial products prices increased compared to the same period of the previous year by 0.5 p.p. and reached the level of 104.2%. Compared to similar time last year, the following developments were registered in industries: in mining and quarrying and processing industry prices rose by 4.2% and 4.7% respectively, and while in energy sector prices remained unchanged. The largest price increases in processing industry, during this time span compared to the same period last year, were recorded in activities of manufacturing of tobacco products – by 26.9%, manufacturing of grain mill products – by 12.6%, manufacturing of machinery and equipment – by 11.4%, manufacturing of rubber and plastic products – by 9.4%.



**Figure 2.1.3. Annual growth rate of industrial production prices and its components, %**

**Source:** According to the data of the National Bureau of Statistics.

The annual growth rate of prices in construction increased in the IV quarter of 2014 by 0.2 p.p. compared to the similar period of the previous year and amounted to 8.3%. In the sectors of the national economy the largest annual increases in prices of construction, during the reference period, were recorded in transport – 10.2%, trade and public catering – 9.8%, construction of social and cultural objects – 9.3% and processing industry – 8.8%.

In 2014, producer prices of agricultural products increased by 6.6% compared to the level posted in 2013. To the increase of the annual growth rate of this category of prices during the reporting period contributed, especially, animal products, prices thereof increased by 14.8%. However, prices for vegetal products registered a more moderate annual growth equated to 4.7%.



**Figure 2.1.4. Dynamics of prices in construction, % (sply)**

**Source:** According to the data of the National Bureau of Statistics.



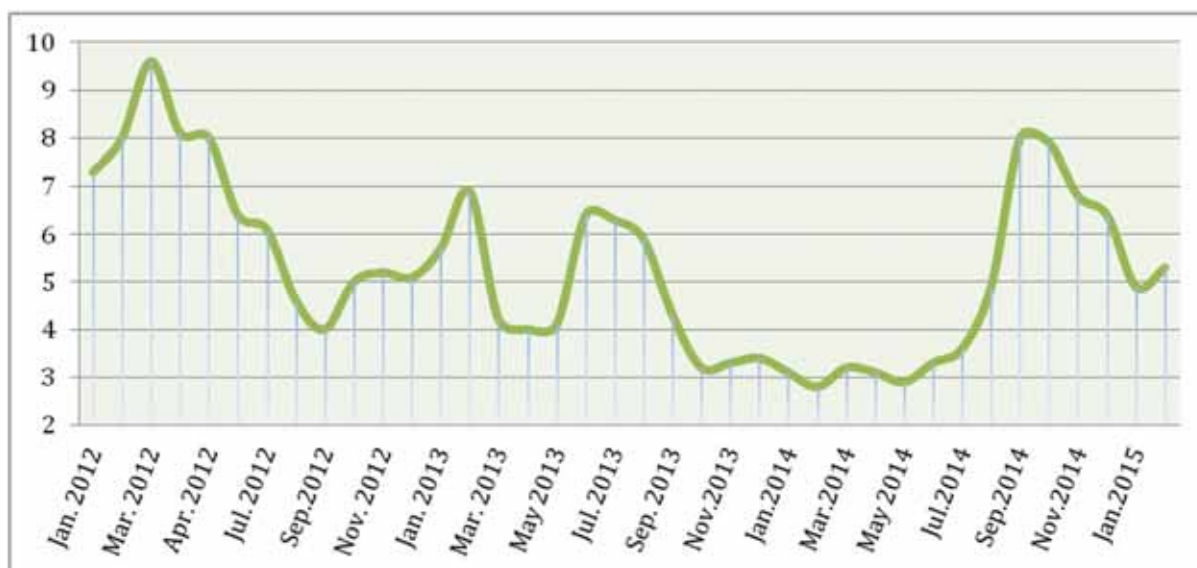
**Figure 2.1.5. Dynamics of producer prices of agricultural products, %**

**Source:** According to the data of the National Bureau of Statistics.

The average annual growth rate of fuel prices amounted to 4.3% in 2014. The largest price increases were recorded in the month of September, 2014 when these rose by 8% compared to the same period last year.

In quarter IV, in monthly expression, the annual growth rate of fuel prices declined to 7.9% in October, 6.8% – in November and 6.4% – in December compared to the same period of the previous year. The fuel prices volatility can be explained on the one hand by the lower oil prices on international markets, which led to a moderation in prices growth rate in the first half of the year, and on the other hand a hike in coal prices, driven by the internal armed conflict in Ukraine, Moldova's main supplier of coal.





**Figure 2.1.6. Dynamics of fuel prices, % (sply)**

**Source:** According to the data of the National Bureau of Statistics.

### *Exchange rates*

In 2014 the nominal exchange rate of the national currency was 14.03 MDL/USD, which represents a depreciation of the national currency by 11.5% compared to 2013. As against the single European currency, the exchange rate amounted to 18.63 MDL/EUR posting a depreciation of 11.4%. Over the last years, the movements in the nominal exchange rate of the national currency against major reference currencies posted a relatively stable dynamics, but in the III quarter of 2013 the national currency began to actively devalue.

In the fourth quarter of 2014, the nominal exchange rate was 15.0 MDL/USD and 18.8 MDL/EUR, and the depreciation accelerated in the first months of 2015.



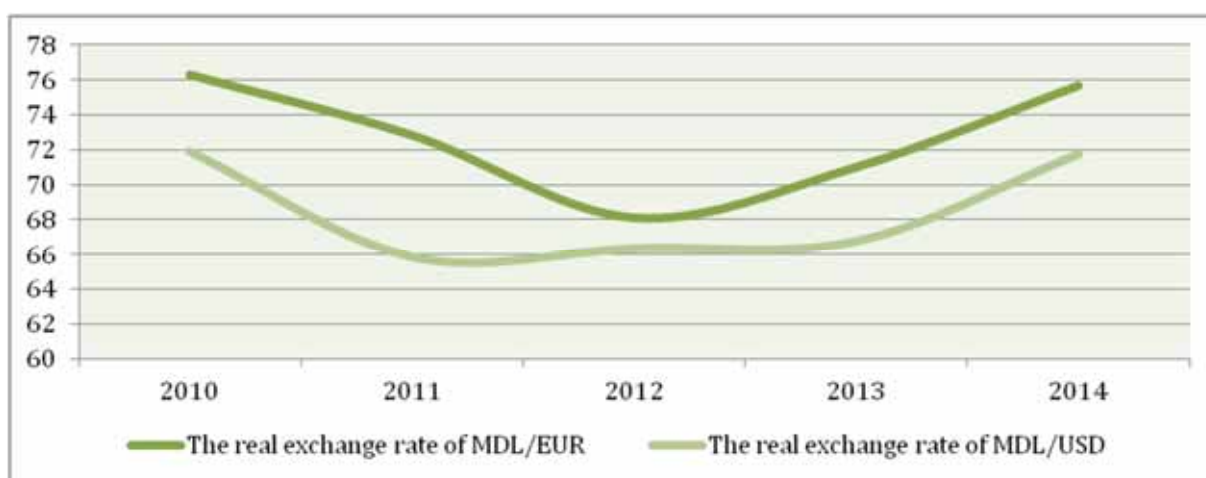
**Figure 2.1.7. Development of the monthly average nominal exchange rate of MDL in relation to USD and EURO**

**Source:** According to the data of the National Bank of Moldova.

In the fourth quarter of 2014 the average exchange rate of the national currency against the US dollar reached the high of the last three years. During this period the average exchange rate amounted to 14.7 MDL/USD in October, 15.0 MDL/USD in November and 15.4 MDL/USD in December. In January and February, 2015, the US dollar set new records registering values of 16.6 MDL/USD and 18.8 MDL/USD, respectively.

In monthly expression, the average exchange rate of the national currency against the single European currency posted a stable upward trend and equated to 18.6 MDL/EUR in October, 18.7 MDL/EUR in November and 19.0 MDL/EUR in December. In the first months of 2015 the average exchange rate recorded a steep rise equaling 19.4 MDL/EUR and 21.4 MDL/EUR in January and February, respectively.

As a consequence of the depreciation of the national currency, the real exchange rate of the national currency also increased. In the fourth quarter of 2014, the real exchange rate of Moldovan leu depreciated by 1.2% in relation to the single European currency and by 11.1% in relation to the US dollar (compared to the same period last year).



**Figure 2.1.8. Development of the real exchange rate of MDL in relation to USD and EUR (2005 = 100)**

**Source:** According to the data of the National Bank of Moldova.

In 2014 the real exchange rate of MDL/USD rose by 7.5 p.p., and the real exchange rate MDL/EURO depreciated by 6.6 p.p. This was driven by the continuous depreciation of Moldovan leu accompanied by increased daily variations in the exchange rate MDL/USD, whose value reached in the last days of 2014 the highest value recorded over the last 14 years (15.74 MDL/USD on December 20, 2014).

#### ***Region of the Republic of Moldova from the left bank of the Dniester River.***

The inflation rate in the region from the left bank of the Dniester river, having posted a downward trend over the last years recorded a more moderate development during this year compared to last year data. In the fourth quarter of this year, the annual growth rate of the CPI amounted to 1.4%, i.e. a 2.5 p.p. decrease compared to the same period of 2013. Unlike Moldovan region to the right of the river, rising inflation was mostly influenced by the services, whose annual growth rate of prices in October-December 2014 amounted to 7.7%. At the same time the growth rate of prices for food products was 2.5% and that of non-food products registered a negative trend, decreasing by 3.2% compared to the same period last year.

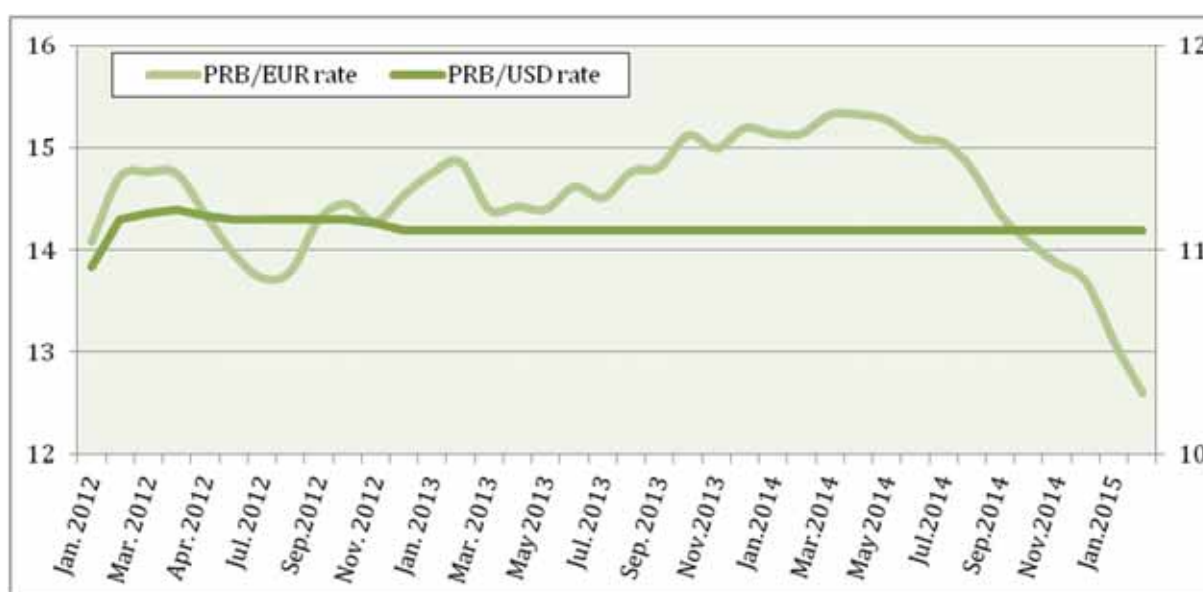
The low level of inflation in the region to the left of the Dniester River was mainly caused by contraction of economic activity in the region and reduction in domestic consumption. This situation fosters deflationary pressures and can have a negative impact on the economic conjuncture in the region.



**Figure 2.1.9. Annual growth rate of consumer prices and their components in the region from the left bank of the Dniester River, %**

**Source:** According to the data of the Central Bank of the region to the left of the Dniester River.

During the fourth quarter of 2014 the Central Bank of the region to the left of the Dniester River has kept the overall objective of monetary policy oriented towards targeting the currency exchange rate, established since December 2012. Under these circumstances the nominal exchange rate of the Transnistrian ruble in relation to the US dollar remained fixed at the level 11.1 PRB/USD.



**Figure 2.1.10. Development of the monthly average nominal exchange rate of PRB in relation to USD and EURO**

**Source:** According to the data of the Central Bank of the region to the left of the Dniester River.

However, in the fourth quarter of 2014 the Transnistrian ruble continued the positive trend posted in the previous quarter, and has slightly appreciated in relation to the single European currency. The average nominal exchange rate during the reference period was 13.9 rubles for one Euro, appreciating by 8.1% compared to the exchange rate recorded in the same period of the previous year.

## 2.2. Monetary policy

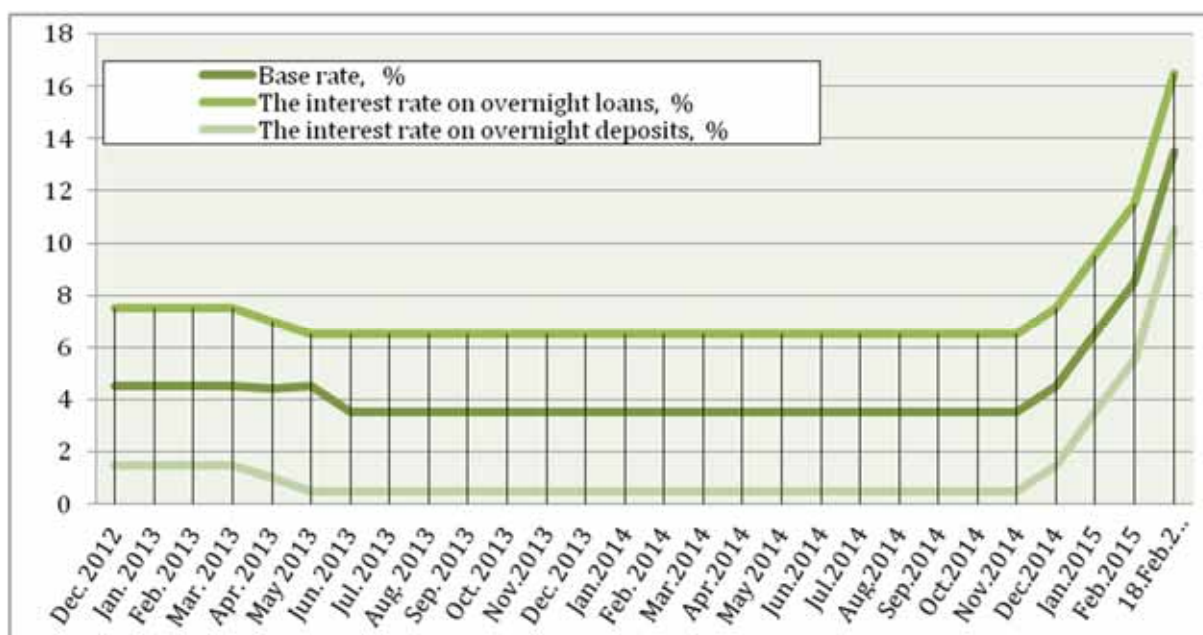
In the light of strengthened inflationary risks arisen from the emergence of negative anticipations and perceptions in the society related to the depreciation of the national currency and increases in prices in response to the situation in the banking system (special administration established for Banca de Economii and Banca Sociala), after two years of loose monetary policy, the end of 2014 was marked by the gradual tightening of monetary conditions in the country.

### *Monetary policy instruments*

At the end of the fourth quarter of 2014, the National Bank of Moldova approved tightening of the promoted monetary policy by gradual increase of monetary policy rates by 3 p.p. compared to the level maintained from the second half of last year.

In this context, in the fourth quarter of 2014, the base rate has increased by 1 p.p. on December 12, 2014 and by another 2 p.p. on December 30, 2014, amounting to 6.5% by the end of the year. Simultaneously with the base rate there were commensurate increases in the interest rate on overnight loans up to 9.5% and in the interest rate on overnight deposits up to 3.5%.

At the beginning of 2015, along with strengthened trends toward national currency depreciation and with the view to keep the inflation rate close to the target of 5.0 percent in the medium term, the NBM intervened with new changes in monetary policy rates, which were increased by 2 p.p. in January and 5 p.p. by February.



**Figure 2.2.1. Development of the interest rates on monetary policy instruments of the National Bank of Moldova, in the period 2012-2015**

*Source:* According to the data of the National Bank of Moldova.

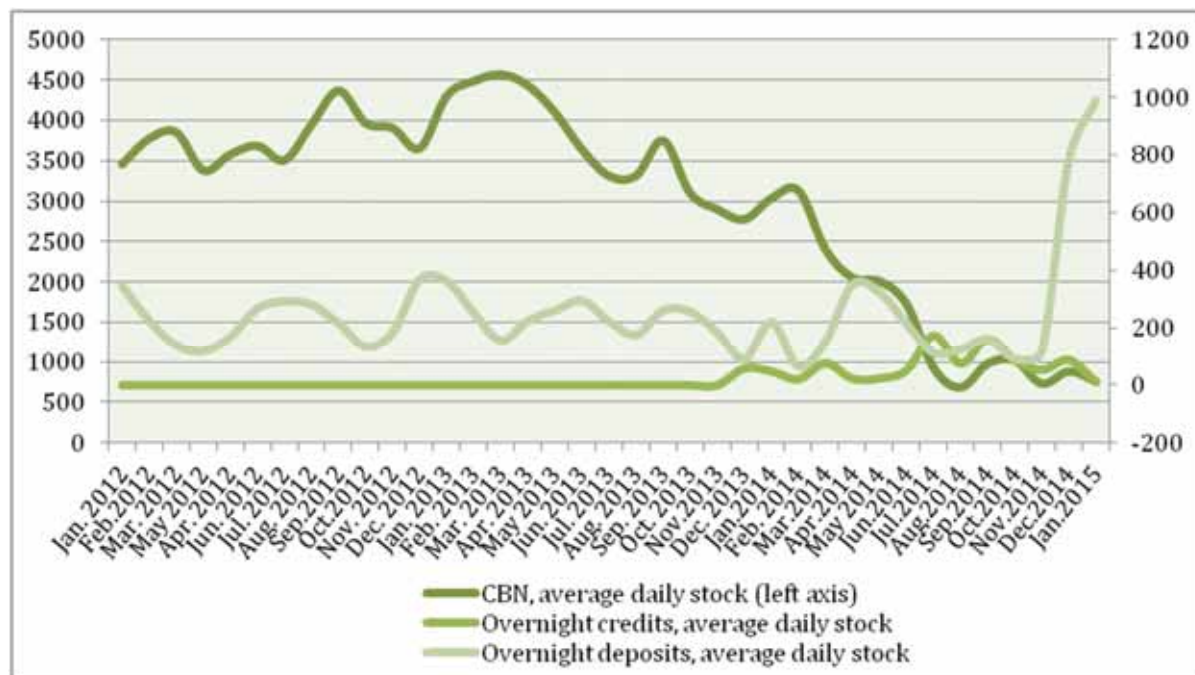
### *Open market operations and standing facilities*

In 2014 the dynamics of liquidity sterilization operations were characterized by a downward trend posted since June 2013. At the same time, by the end of the year the demand of commercial banks for overnight deposits at the NBM has increased significantly, which reflects the existence of excess liquidity in the banking system and tensions in the interbank market of the country.



During the fourth quarter of 2014, the average monthly balance of sterilization operations was slightly lower than the level posted in the same period of the previous year (minus 0.88 billion MDL) and amounted to 0.88 billion MDL. The highest balance was recorded in October 2014, when the average daily balance of the NBC sales equated to 1.02 billion MDL.

In the fourth quarter of 2014, the demand for overnight deposits posted an increased dynamic and the daily average balance in October, November and December 2014 amounted to 91.3 million MDL, 120.4 million and 784.6 million MDL, respectively. During the same period, commercial banks requested "overnight" credit facilities from the NBM for an average balance equating to 87.6 million MDL in October, 53.1 million in November and 87.7 million MDL in December.



**Figure 2.2.2. Monetary policy instruments, million MDL**

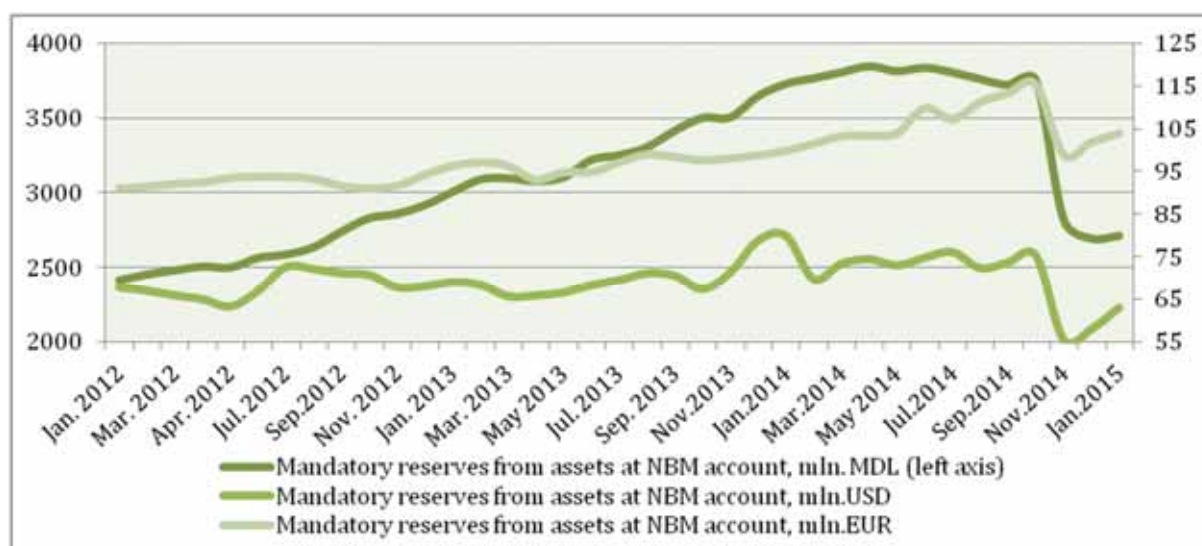
**Source:** According to the data of the National Bank of Moldova.

### Required reserves

During 2014 the rate of required reserves maintained by commercial banks at the NBM remained unchanged at the level of 14% established in August 2011. The volume of required reserves in national currency and in other convertible currencies hold by commercial banks with the NBM, after a period of steady growth posted over the last years, fell sharply by the end of 2014.

At the end of quarter IV, 2014, the volume of required reserves in MDL and other non-convertible currencies decreased abruptly and amounted to 2,693.3 million MDL, which shows a decrease by 26.2% compared to the same time last year. The foreign currency reserves (USD and Euro), at the end of the referenced period, recorded values of 58.1 million USD and 101.9 million EUR, respectively. The volume of required reserves hold with the NBM in USD dropped by 26.4% compared to the end of the fourth quarter of 2013, while the volume of required reserves in EURO, on the contrary, increased by 3.1%.

The reduction in the volume of required reserves held in accounts with the NBM, given that the required reserves rate was maintained constant, indicates a decrease in the basis of calculation, i.e. decrease in volume of deposits in the banking system. Such an abrupt diminution, as the one observed at the end of 2014, highlights the enhancement of uncertainty state in the economy and



**Figure 2.2.3. Development of required reserves attracted in MDL and major foreign currencies held with the NBM**

**Source:** According to the data of the National Bank of Moldova.

reduction of public confidence in the banking system stability. Under the influence of these factors, population withdrew money deposited in banks, which led to the decrease in volume of deposits. At the beginning of 2015, there was a noticeable change in the situation pertaining to deposits in EUR and USD, i.e. the volume of required reserves held in the account with the NBM in these convertible currencies modified slightly its direction of development. The increase of foreign currency deposits was mainly due to the migration of money from deposits in national currency.

### *Interventions in foreign exchange market*

In 2014, the NBM intervened actively in the interbank foreign exchange market particularly as a seller of foreign currency. NBM interventions became more intense especially at the end of 2014, when, under the influence of processes pertaining to the sharp depreciation of the national currency, the demand for foreign currency rose abruptly against the background of constant cuts in the supply of foreign currency (due to the decrease in exports volume and decrease in the volume of transfers in foreign currency made to individuals from abroad), which led to a profound gap between the supply and demand for foreign currency.

In the IV quarter of 2014, NBM intervened in the interbank foreign exchange market as a buyer and seller of foreign currency through SPOT and SWAP operations. In the fourth quarter, 2014 the NBM made sales of foreign currency against MDL through SPOT operations amounted to 497.6 million USD and purchases of currency – in amount of 11.6 million USD.

In quarter IV, 2014 there were also SWAP operations of sale and purchase of foreign currency in the amount equivalent to 101.1 million USD and 17 million USD, respectively. These interventions were consistent with the monetary policy promoted by the NBM and aimed at improving the situation on the domestic foreign exchange market.

The balance of official reserve assets at the end of the fourth quarter of 2014 amounted to 2.16 billion USD, dropping by 18.7% compared to the balance recorded at the end of the third quarter of this year and by 23.5% compared to the level of reserves recorded at the end of 2013. To the decrease in official reserve assets contributed the NBM interventions in the interbank foreign exchange market made in order to improve excessive fluctuations in the exchange rate of the national currency in relation to major reference currencies, with the view to narrow the gap between the demand and supply of foreign currency, as well as various payments related to RM's external debt service.



**Table 2.2.1. NBM activity on the interbank foreign exchange market during the period January 2013-februarie2015**

Month	Volume of purchases, (equivalent in mln. USD)	Volume of sales (equivalent in mln. USD)
January 2013	1.59	0
February 2013	12.25	0
March 2013	13.04	3.0
April 2013	35.0	20.0
May 2013	25.0	15.0
June 2013	15.0	15.0
July 2013	91.78	50.92
August 2013	191.38	62.28
September 2013	147.18	69.35
October 2013	21.0	13.7
November 2013	0	0
December 2013	0	0
January 2014	0.15	6.0
February 2014	0	73.0
March 2014	0.18	0
April 2014	0	0
May 2014	0	18.84
Iunie2014	0	52.3
July 2014	0	70.06
August 2014	47.53	21.61
September 2014	0	26.0
October 2014	1.84	30.65
November 2014	26.1	179.8
December 2014	0.6	388.4
January 2015	0	122.9
February 2015	0.2	125.2

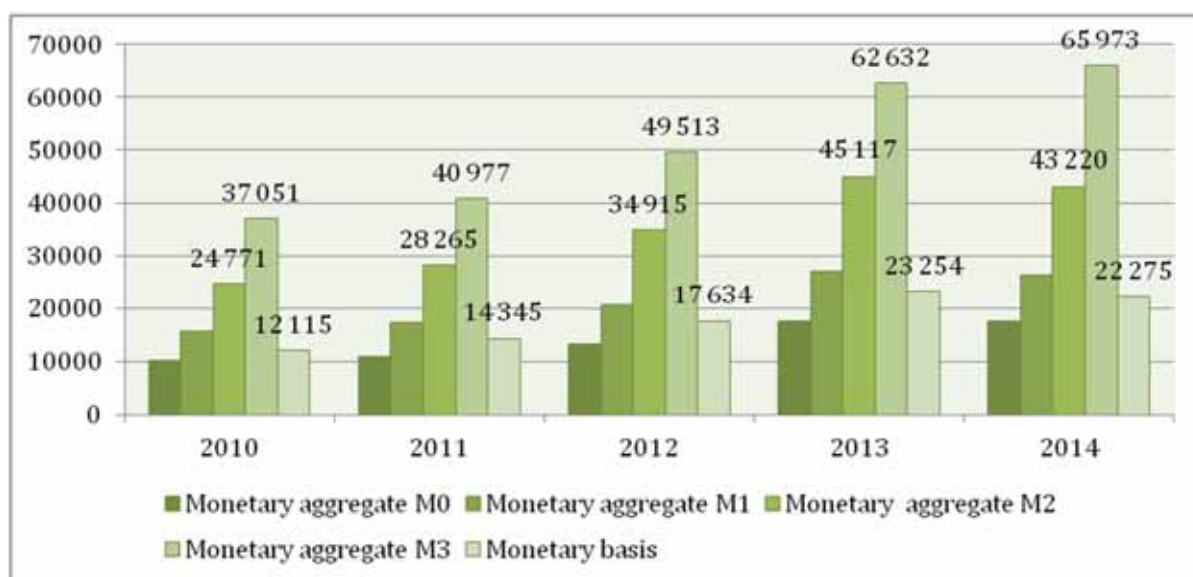
**Source:** According to the data of the National Bank of Moldova.

### *Dynamics of monetary indicators*

The year 2014 resulted in an obvious decrease in the growth rate of money supply, which starting with 2010 recorded increases of over 10% annually. The slowdown in the growth rate of money supply was driven in particular by the compression of money supply in national currency. The decrease in money supply was influenced largely by the economic processes that took place outside the country, the issues pertaining to RM's bilateral relations the with the country's main trading partner – Russia, and also domestic: national currency depreciation, economic and political uncertainty, that hit severely the economic operators, including the activity of real sector. Compared with data from the end of 2013, by the end of 2014, most monetary indicators posted a slight decrease, except for the monetary aggregate M3:

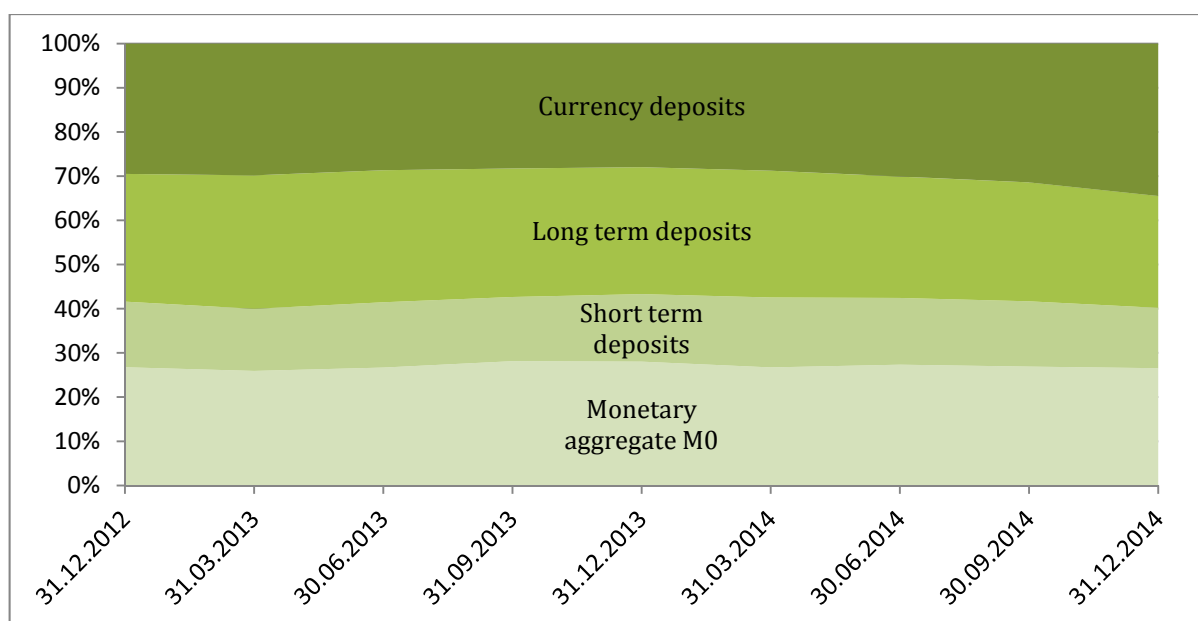
- monetary aggregate M0 posted a decrease of 0.24% and amounted to about 17.5 billion MDL;
- monetary aggregate M1 fell by 2.24% and reached the level of 26.5 billion MDL;
- monetary aggregate M2 decreased by 4.2% and constituted 43.2 billion MDL;
- monetary aggregate M3 recorded a modest increase of 5.3% and amounted to 67.5 billion MDL.

A similar dynamic was observed also in the case of monetary base. Compared with data from late 2013, the monetary base decreased by 4.21% by the end of the fourth quarter of 2014 and amounted to 20.9 billion MDL.



**Figure 2.2.4. Development of monetary aggregates and monetary base, million MDL**

*Source:* According to the data of the National Bank of Moldova.



**Figure 2.2.5. Structure of money supply M3**

*Source:* Author's calculations according to the data of the National Bank of Moldova.

On December 31, 2014, the components of money supply were distributed as follows: monetary aggregate M0 (currency in circulation) – 26.5%; demand deposits – 13.6%; term deposits – 25.3% and deposits in foreign currency – 34.5%. At the end of 2014 there was a trend toward the decrease of weight of the term deposits in money supply. Their weight decreased by 3.4 p.p. in the fourth quarter of this year, compared to the data recorded in the same period last year. During the period the weight of currency in circulation in the total money supply decreased by 1.5 p.p. and that of demand deposits – by 1.6 p.p. sply.

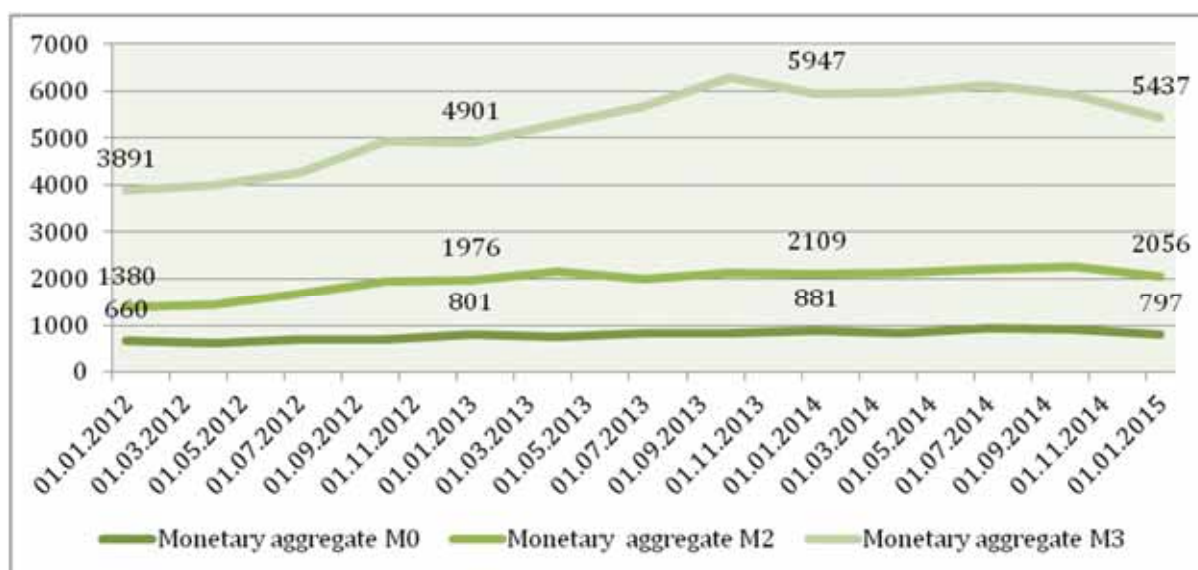
By the end of the fourth quarter of 2014 deposits in foreign currency consolidated their position in the structure of the national money supply by 6.5 p.p. sply, and this trend was driven by sharp depreciation of the national currency against major reference currencies.

*Region of the Republic of Moldova from the left bank of the Dniester River.*

In 2014, the Central Bank of the region of the Republic of Moldova from the left bank of the Dniester river promoted a policy oriented to maintenance of stability in the financial system and support the economic growth, based on targeting the exchange rate at the level of 11.1 PMR/USD.

During the fourth quarter of 2014, under the conditions of stable moderate inflationary processes in the region, the central bank refinancing rate was 3.5%. The required reserves rate for means attracted in foreign currency and means attracted in rubles equated to 14%.

Money supply in the region to the left of Dniester, at the end of the fourth quarter of 2014, amounted to 5,437million rubles (about 7,654.5 million MDL<sup>7</sup>), recording a decrease of 8.5% compared to the volume of money supply registered in the same period of 2013.



**Figure 2.2.6. Development of monetary aggregates in the region to the left side of Dniester River, million rubles <sup>8</sup>**

**Source:** According to the data of the Central Bank of the region to the left of Dniester River.

On 01.01.2015 the components of money supply were distributed as follows: monetary aggregate M0 (currency in circulation) – 20.4%; quasi money – 23.1%; money supply in foreign currency – 62.1%. Comparing with the similar interval of the previous year, by the end of the fourth quarter of 2014 there were some insignificant changes in the structure of money supply: the weight of quasi money in the total money supply increased by 12 p.p., while the weight of currency in circulation and money supply in foreign currency decreased by 9.5 p.p. and by 3.6 p.p., respectively.

<sup>7</sup> Calculated according to the official exchange rate of CBPMR on 01/01/15

<http://www.cbpmr.net/?kv=1&lang=ru>

<sup>8</sup> Money supply of the region of the Republic of Moldova to the left of the Dniester River (M3), according to CBPMR data, includes the money supply in PMR currency (M2) and money supply in foreign currency. M2 – includes currency in circulation (M0) and quasi money.

## Chapter III

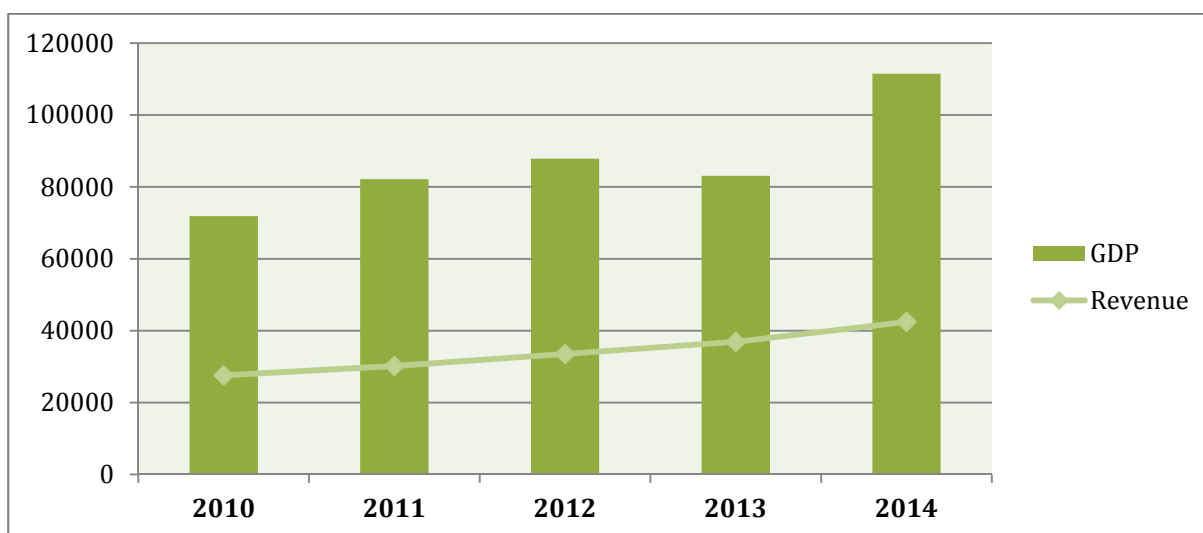
### FINANCES

#### 3.1. Public finances

##### *National Public Budget revenues*

In 2014, the NPB revenues totalled 42,455.8 million MDL, which is 503.9 million MDL or 1.2% less than the amount planned for this period. Comparing with the same interval of 2013, revenues increased by 5556.3 million MDL or by 15.0%.

Having analysed the development over time of the weight of the NPB revenues in the GDP, we noticed a trend toward the increase, from 38% in 2010 to 44% in 2013, returning back to 38% in 2014, and averaging out during the analysed period at 39.1%.



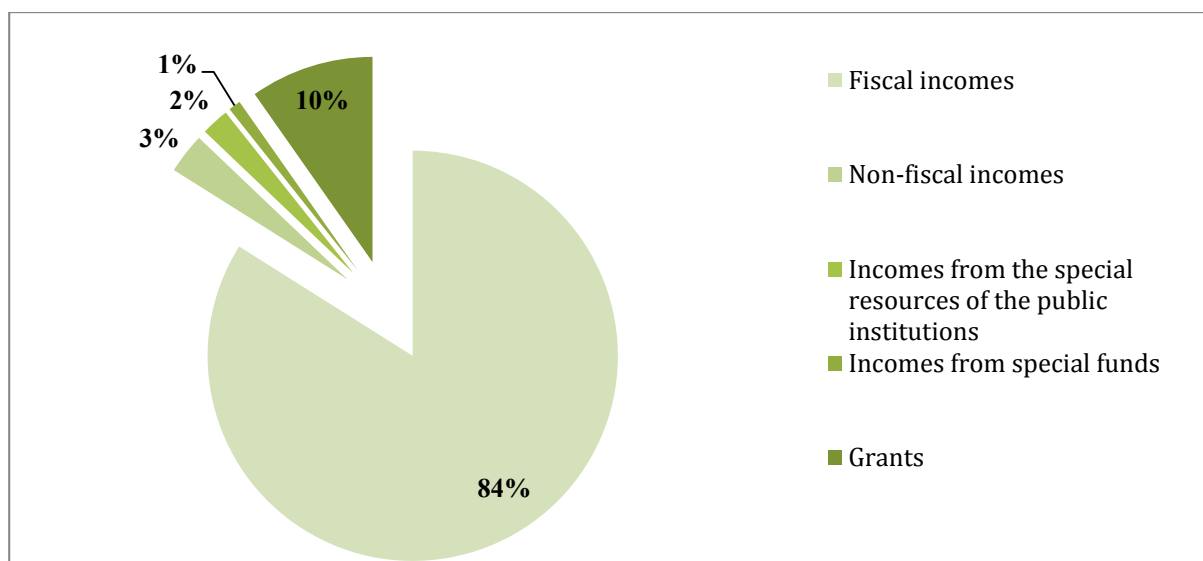
**Figure 3.1.1. Development of revenues accrued to the national public budget and of the GDP in 2010-2014, million MDL**

**Source:** According to the data of the Ministry of Finance and of the National Bureau of Statistics.

Overall, it shows that under-collection of budget revenues was effected on account of failure to accrue the planned amount in terms of VAT (-171.6 million lei) and excises (-147.8 million lei). Thus, the tendency toward diminution of the growth rate of revenues recorded by the Customs Service as VAT and excise duties perpetuated largely because of the geopolitical situation in the region, while the amounts of VAT refunded from the budget increased (+ 125% compared to the previous year).

Having examined the structure of NPB revenues in the year 2014, we noticed that its dominant share continuously pertained to tax revenues (84.0%), the structural composition thereof is shown in Figure 3.1.2.

In terms of tax revenues, had the most important weight pertained to VAT collections – 36.1% (in 2013 – 37.8%), followed by social contributions – 23.5% (in 2013 – 24.2%), income tax – 13.7% (in 2013 – 13.2%), excises – 9.6% (in 2013 – 10.9%) and mandatory health insurance premiums – 6.8% (in 2013 – 6.1%).



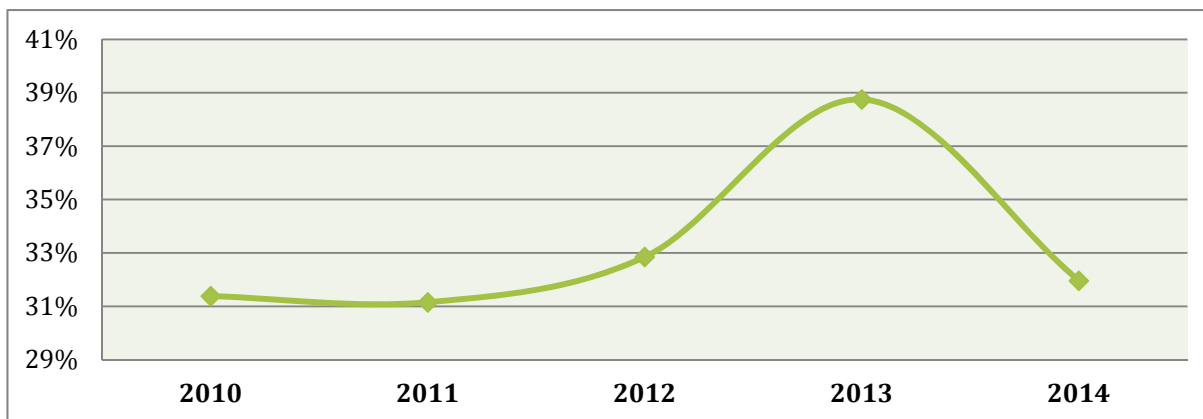
**Figure 3.1.2. Structure of National Public Budget revenues in 2014**

*Source:* According to the data of the Ministry of Finance.



**Figure 3.1.3. Structure of tax revenues in the years 2013 and 2014, million MDL**

*Source:* According to the data of the Ministry of Finance.



**Figure 3.1.4. Level of tax burden in the years 2010-2014, million MDL**

*Source:* According to the data of the Ministry of Finance.

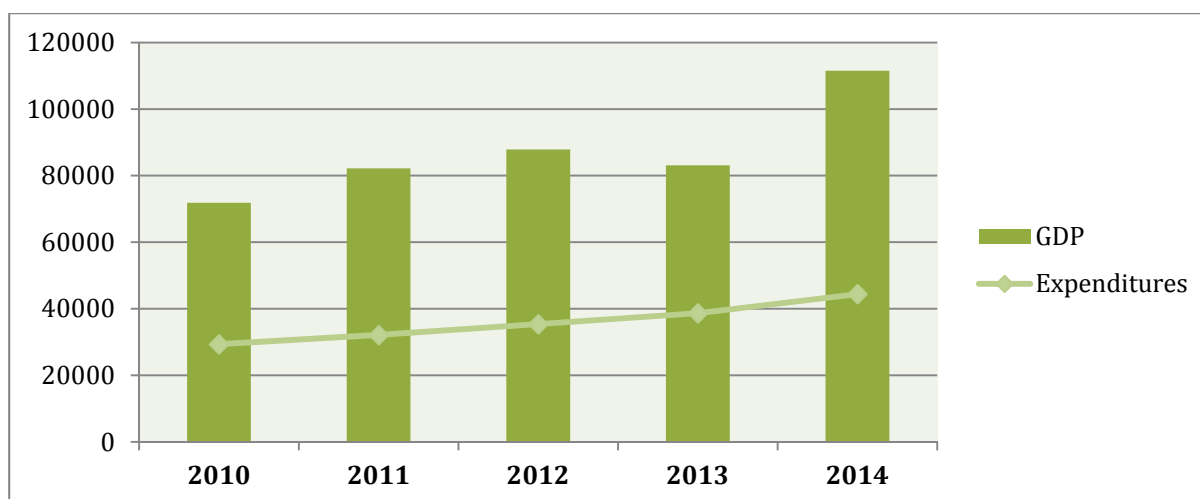
Thus, as a general trend, there was a decrease of 3.3 percentage points in tax revenues comparing with last year, while revenues from grants increased by 4.1 percentage points. Non-tax revenues posted a downward trend, decreasing by 0.5 percentage points compared to 2013.

The tax burden, determined as ratio between the tax revenues and the GDP equated to 32.0% during the examined period, decreasing by 6.8 percentage points compared to the value recorded in 2013. The level of this indicator, in the years 2010-2014, averaged out at 33.2%.

### *National public budget expenditures*

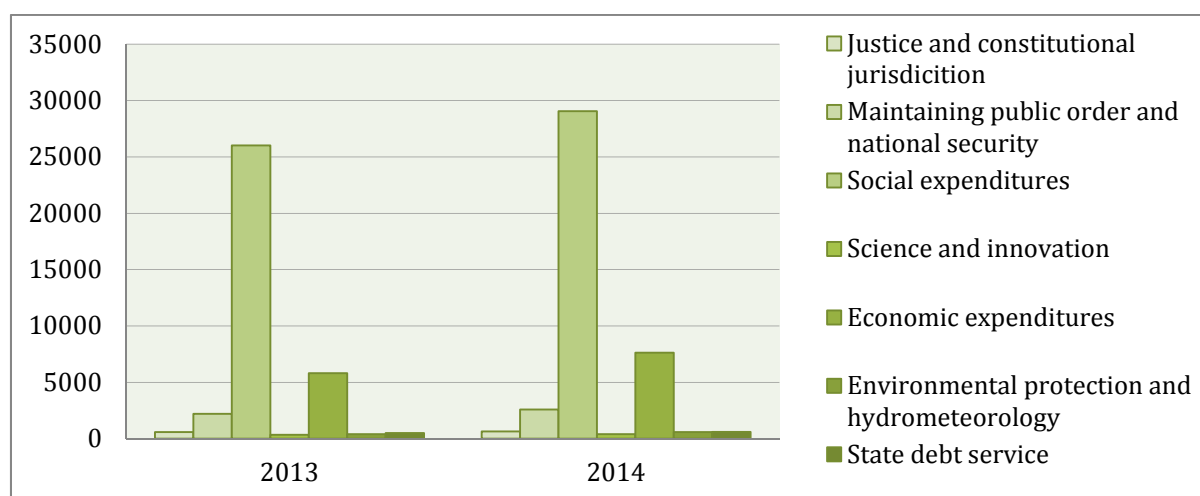
In 2014 budget spending totalled 44,402.5 million MDL, which is 2828.1 million MDL or by 6.0% less than the amount planned for the period under examination. In comparison with 2013, the national public budget expenditures increased by 5,751.2 million MDL or by 14.9%.

Having analysed the development over time of the weight of the NPB expenditures in the GDP, we observed a tendency toward the increase of this weight from 2010 (41%) to 2013 (47%), but in 2014 it dropped to 40%. This weight averaged out at 41.3% during the period under examination.



**Figure 3.1.5. Development of the national public budget expenditures and of the GDP in the years 2010-2014 (million MDL)**

*Source:* According to the data of the Ministry of Finance.



**Figure 3.1.6. Volume of the NPB spending in 2013 and 2014, million MDL**

*Source:* According to the data of the Ministry of Finance.



Looking at the structure of the NPB expenditures in 2014, it shows that the dominant share continuously pertained to social expenditure (65.4%, in 2013 – 58.6%), the structural composition of expenditures is shown in Figure 3.1.6.

As a general trend, there was an increase in the social expenditure (by 11.7% compared to the previous year – largely on account of expenditures on social care and support), in the economic expenditures (by 31.4% compared to the previous year – mostly on account of expenditure on transport, road management, communications and informatics) and in the expenditures on environmental protection and hydrometeorology (by 47.8% comparing with the previous year).

### **Budgetary financial result**

National public budget execution in 2014 resulted in a **deficit** amounting to 1,946.7 million MDL or by 10.3% more than the deficit recorded in 2013 (1,764.6 million MDL).

Balances of the accounts of the National Public Budget, as of December 31, 2014, increased by 434.0 million MDL compared to the value posted on January 1, 2014 and amounted to 3,249.5 million MDL.

### **State debt**

As of December 31, 2014, the balance of the state debt was 27,470.7 million MDL, increasing by 3,949.1 million MDL (+ 16.8%) comparing with the same time of 2013. The state debt ratio in the GDP forecast for 2014 amounted to 24.6% or 3.7% less than in 2013.

With regard to the *structure of state debt by debt type*, as of December 31, 2014, it consisted of external state debt – 74.2% and internal state debt – 25.2%, and in terms of *debt structure by currency*, the external debt is examined both including SDR and with SDR split-up as depicted in Table 3.1.1.

**Table 3.1.1. Structure of state debt by currency debt, % of total state debt**

Currency type	SDR	USD	EURO	JPY	GBP	MDL
<b>SDR split-up</b>	-	30.9	32.0	5.0	6.2	25.8
<b>Including SDR</b>	51.4	7.4	13.8	1.4	0.05	25.8

**Source:** According to the data of the Ministry of Finance.

In 2014, for the state debt service, means in the amount of 1297.7 million lei were used from the state budget, including:

- external debt service totalling 920.0 million MDL (70.1%);
- internal debt service amounting to 377.7 million MDL (29.1%).

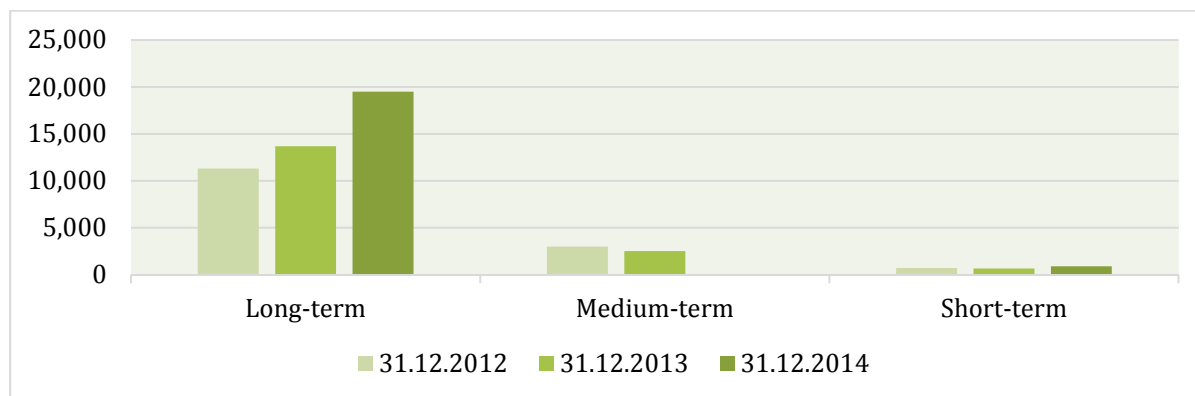
### **External state debt**

As of December 2014, the external state debt totalled 20,395.3 million MDL (1,306.1 million USD). Compared to the same time last year, the external public debt increased by 3,549.5 million MDL or by 21.1%.

Analysing the external state debt by *maturity* as of 31.12.2014, it appeared that it was composed of long-term external debt in proportion of 95.6% and short-term external debt equating to 4.4%. This situation is relatively similar to that recorded at the same time of 2013.

Multilateral creditors continue to have the major stake (about 86.8% as of December 31, 2014) in the *structure of external debt* contracted by the Government of the Republic of Moldova. External state debt owed to bilateral creditor amounted to 13.1% of the total and that owed to

commercial lenders – 0.1%. The largest share in the balance of external state debt to multilateral creditors pertained to IDA – 40.9%, followed by IMF – 23.6%, EIB – 9.5%, IFAD – 4.7%, etc.



**Figure 3.1.7. Structure of external state debt as of December 31 in the years 2012-2014, million MDL**

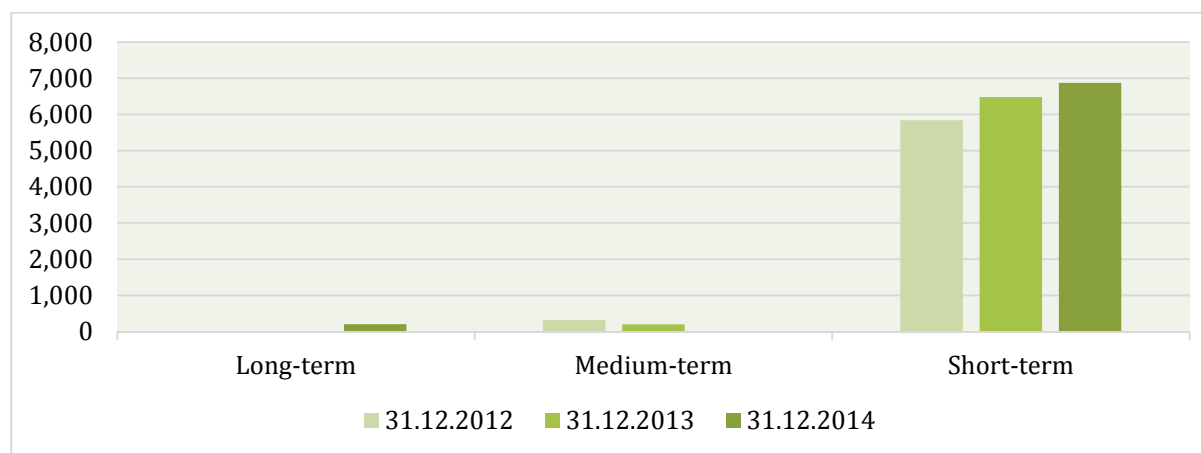
**Source:** According to data of the Ministry of Finance.

In terms of dynamics, an upward trend in external state debt owed to multilateral creditors was observed. At the same time, the external state debt owed to bilateral creditors and to commercial creditors continued to decline.

### Internal State Debt

As of December 31, 2014, the internal public debt amounted to 7,075.4 million MDL and was entirely composed of government securities. Compared to the similar period of the previous year, the internal public debt rose by 399.6 million MDL or by 6.0%. The increase in the internal debt was largely due to the additional issuance of government securities in the primary market.

The analysis of the internal state debt *in terms of its components* showed that 69.5% of it pertained to government securities issued in the primary market, 29.2% – converted government securities, 1.3% – government securities issued for financial stability.



**Figure 3.1.8. Structure of internal state debt as of December 31, 2012-2014, million MDL**

**Source:** According to the data of the Ministry of Finance.

Government securities with maturity up to one year were issued for three terms: treasury bills of 91 days, 182 days and 364 days, whose share in total government securities traded through auctions amounted to 97.5%. The largest share in GS issued pertained to 182 days treasury bills (42.5%), followed by 364 days treasury bills (30.4%). These shares remained relatively constant

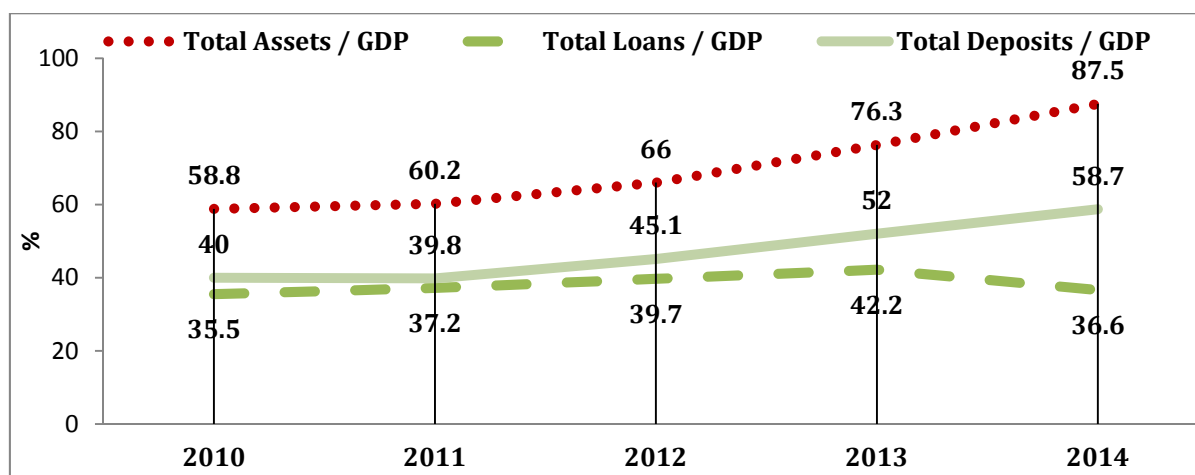
comparing with the same period of the previous year (42.8% – 182 T-bills and 28.0% – 364 days T-bills).

Having analysed the internal state debt by *maturity*, as of 31.12.2014, we found that the short-term internal public debt had the largest share of 97.1%, followed by long-term domestic public debt (2.9%), the latter posting a very low level. Thus, the trend set out in the previous editions persisted, namely the increase in the weight of the short-term debt.

### 3.2. Banking sector

#### *Degree of financial intermediation*

The degree of financial intermediation of the banking sector in the Republic of Moldova (determined as weight of assets, loans and deposits in the GDP) improved significantly over the period 2010-2014, though posting a slight deviation in the 2014 in terms of loans granted in relation to GDP. The weight of bank assets in the GDP increased from 58.8% in 2010 up to 87.5% in 2014. Similar developments were recorded in the case of deposits in relation to GDP. Thus, the weight of deposits in relation to the GDP increased from 40% in 2010 to 58.7% in 2014. The year 2014 was characterized by a significant increase of 6.7 p.p. in this indicator by the end of 2013, the rise of this indicator was primarily due to the increase (by 26.2%) in balance of deposits at the end of 2014 on account of increase in deposits of individuals by 53%, and in deposits of legal entities by 47.2% (see Figure 3.2.1). The growth rate of the intermediation degree pertaining to assets and deposits was more pronounced in 2014 than in the previous year.



**Figure 3.2.1. Degree of financial intermediation, %**

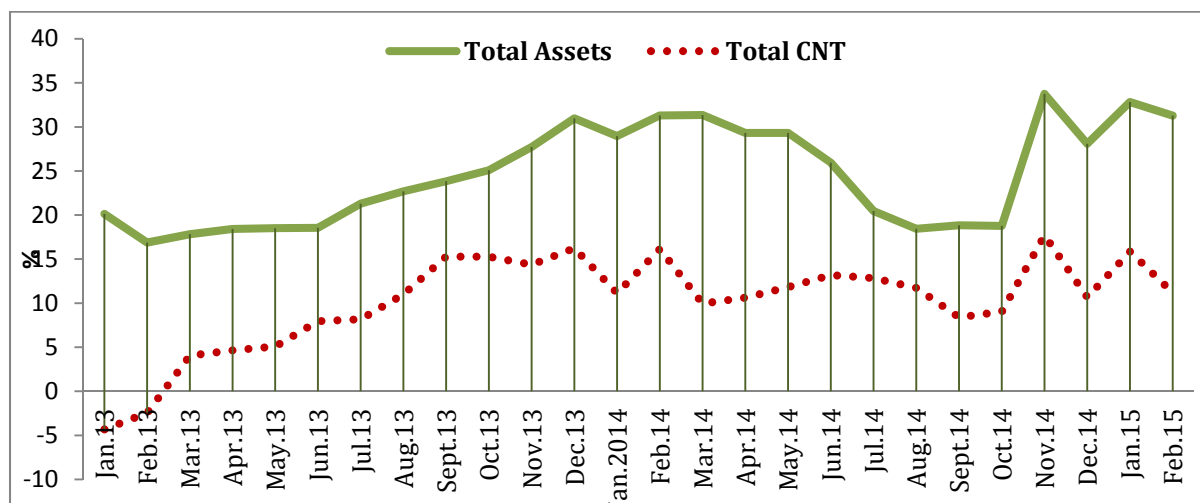
**Source:** Authors' calculations based on the data of the National Bank of Moldova.

Deterioration in the quality of banks' loan portfolio (B.C. „Banca Socială” S.A., B.C. „Banca de Economii” S.A. and BCR Chişinău S.A.), and additionally the institution of special administration upon 3 financial institutions (B.C. „Unibank” S.A., B.C. „Banca Socială” S.A. and B.C. „Banca de Economii” S.A.), continued to affect negatively the degree of financial intermediation, calculated as a percentage of loans provided by banks to the GDP, and at the end of 2014 its value equaled 36.6%, posting a decrease of 5.6 p.p. compared to the end of 2013. The decrease in this indicator will continue to record negative dynamics also in 2015, against the background of problems in the banking sector, which may gradually disturb the stability of the sector.

#### *Dynamics of bank assets*

Similar to the situation posted in 2013, total bank assets showed positive dynamics in 2014 and following an increase of 28% totaled 97,584.4 million MDL. Profit-generating assets accounting for 44% of total assets, however compared to December 31, 2013 there was a decrease of

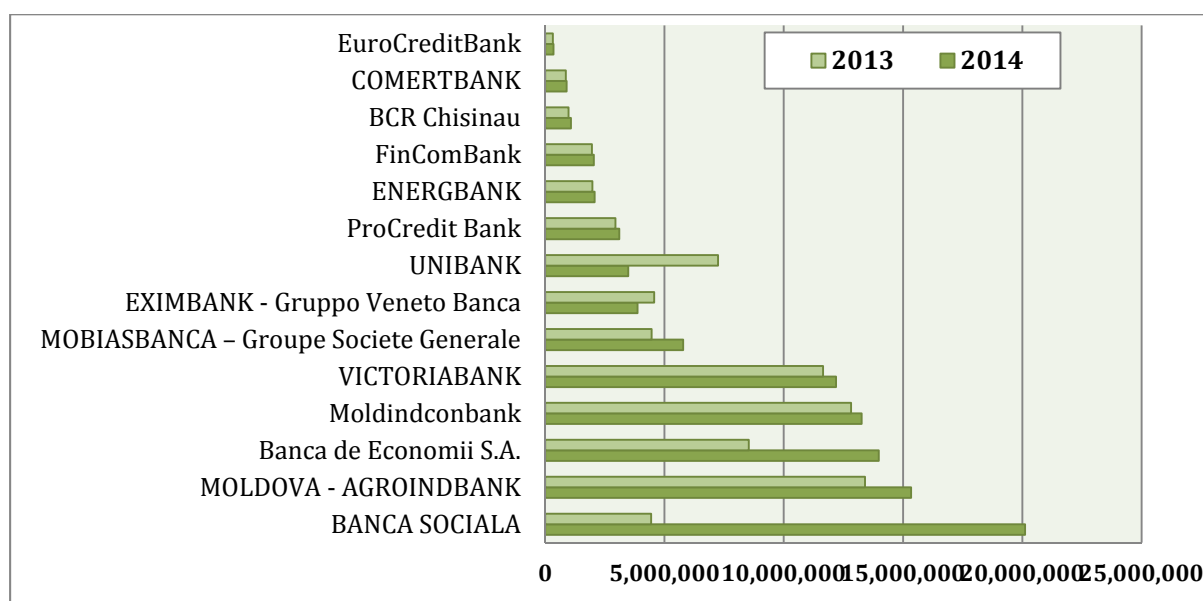
13.4%. By the end of 2014, the annual growth rate of bank assets was on the rise. This increase was clearly reflected from October 2014 (18.76%) until December 2014 (28.09%).



**Figure 3.2.2. Annual growth rate of assets and of TRC, %**

**Source:** Authors' calculations based on the data of the National Bank of Moldova.

In 2014, in terms of competition of banking assets held by the top 5 banks in total assets, there was a negative trend. Correspondingly, as of December 31, 2014 the weight of assets held by the top five banks in the aggregate assets accounted for 76.75% posting an increase of 6.32 p.p. in comparison with December 31, 2013. Assets are the one generating the greatest risks for commercial banks therefore there is need for cautious management thereof.



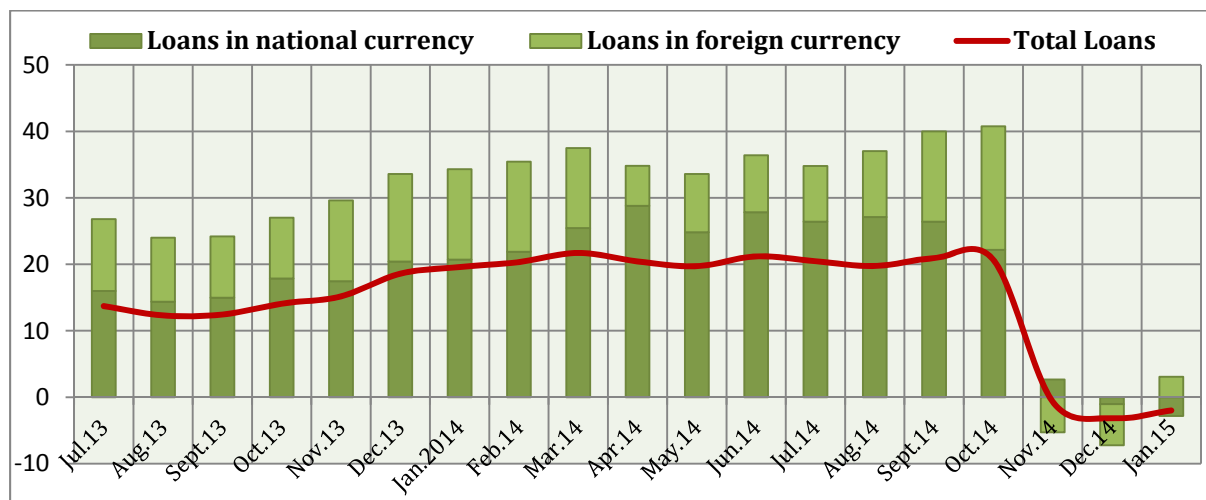
**Figure 3.2.3. Development of commercial banks assets, MDL**

**Source:** Authors' calculations based on the data of the National Bank of Moldova.

### Development of bank loans

In 2014, the lending activity in the Republic of Moldova posted contradictory developments. As of December 31, 2014 the *balance of bank loans* amounted to 40,841.98 million MDL, i.e. decreasing by 3.2% compared to December 31, 2013. After a period when the lending activity was on the rise, which lasted almost 10 months (from December 2013 to October 2014), in November 2014 the loan portfolio decreased considerably. Thus, the annual growth rate of loans

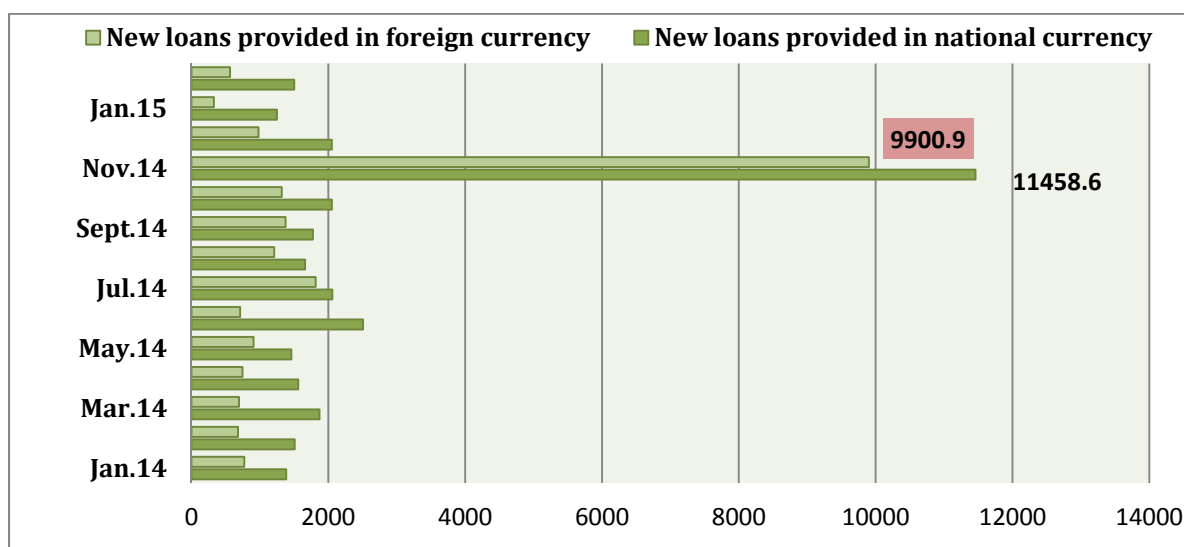
provided by banks in November 2014 decreased by 0.67% compared to the same period last year and in December 2014 by 3.17% splay. The largest contribution to the decrease posted in November 2014 pertained to loans in foreign currency reduced by 17.4% and loans in national currency by 13.6% compared to October 2014.



**Figure.3.2.4. Annual growth rate of loans in the banking sector, loans in foreign currency and in national currency, %**

*Source:* According to the data of the National Bank of Moldova.

At the same time, in November 2014 there was an excess of new loans made in amount of 21,359.5 million MDL (accounting for 52.5% of total loans in the whole banking sector), respectively, loans provided in national currency accounted for 53.6% of total new loans and in foreign currency – 46.4%. According to reports published by the NBM, we observe that the excess new loans, granted in November 2014, were made to legal persons in national currency with maturity of 2 to 5 years in the amount of 10,235,072 thousand MDL at an average interest rate of 9.68% and to legal entities in foreign currency (in amount of 9,317,864 thousand MDL) at an average interest rate of 8.20%.

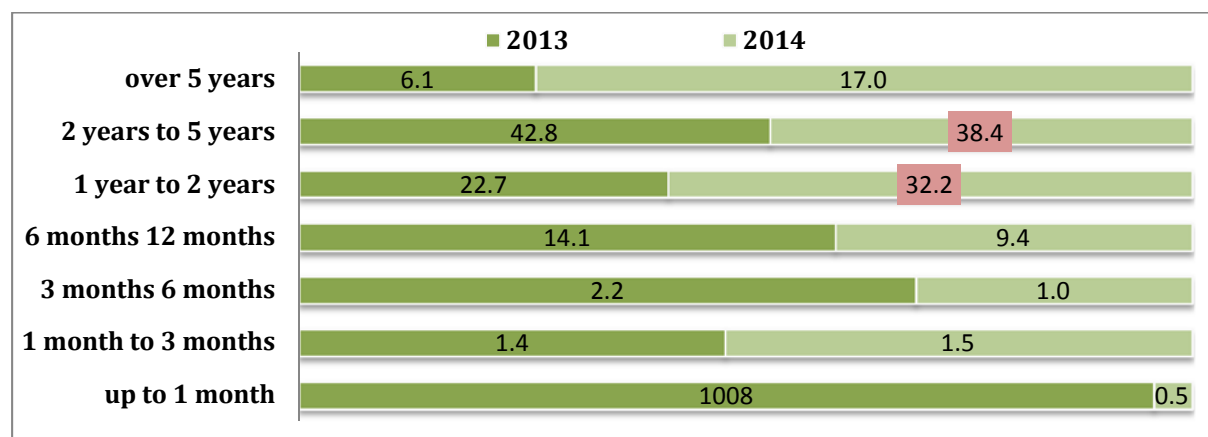


**Figure 3.2.5. Volume of new loans provided in MDL in foreign currency, million MDL**

*Source:* According to the data of the National Bank of Moldova.

In this context, the analysis of the loan structure by maturity date in 2014 showed that the loans with maturity from 2 years to 5 years remained the most attractive also in December 2014. Thus,

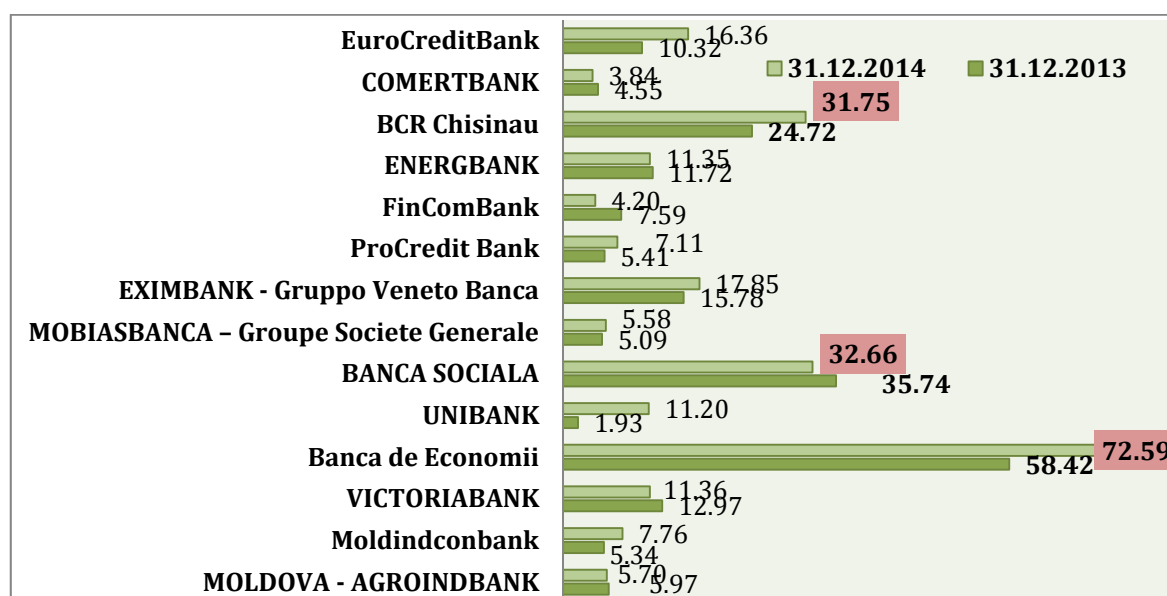
their share in the total volume of loans provided in national currency amounted to 38.4% in December 2014, and average interest rate on these loans was 11.35%. Most of the loans provided in MDL were made to legal entities, i.e. accounting for 79% of total loans in MDL and the average interest rate as of December 2014 was 10.64%.



**Figure 3.2.6. Structure of new loans provided by banks in national currency by maturity, %**

**Source:** Authors' calculations based on the data of the National Bank of Moldova.

By the end of 2014, there was an improvement of the loan portfolio quality in the banking sector, as the value of non-performing loans decreased by 2%<sup>9</sup> compared to the beginning of the year. As of December 31, 2014, the weight of non-performing loans in total loans increased by 0.17 p.p., compared to December 31, 2013, equaling 11.73%. Another indicator that showed higher risks for capital loss was the weight of net non-performing loans in the total regulatory capital; as of December 31, 2014, it decreased by 6.6 p.p. down to 53.04% compared to December 31, 2013.



**Figure. 3.2.7. Weight of non-performing loans in the banking sector as of 31.12.2013 and 31.12.2014, %**

**Source:** According to the data of the National Bank of Moldova.

<sup>9</sup>As of 31.12.2014, in absolute terms, non-performing loans amounted to 4,790.34 million MDL and as of 31.12.2013 – 4,876.44 million MDL.

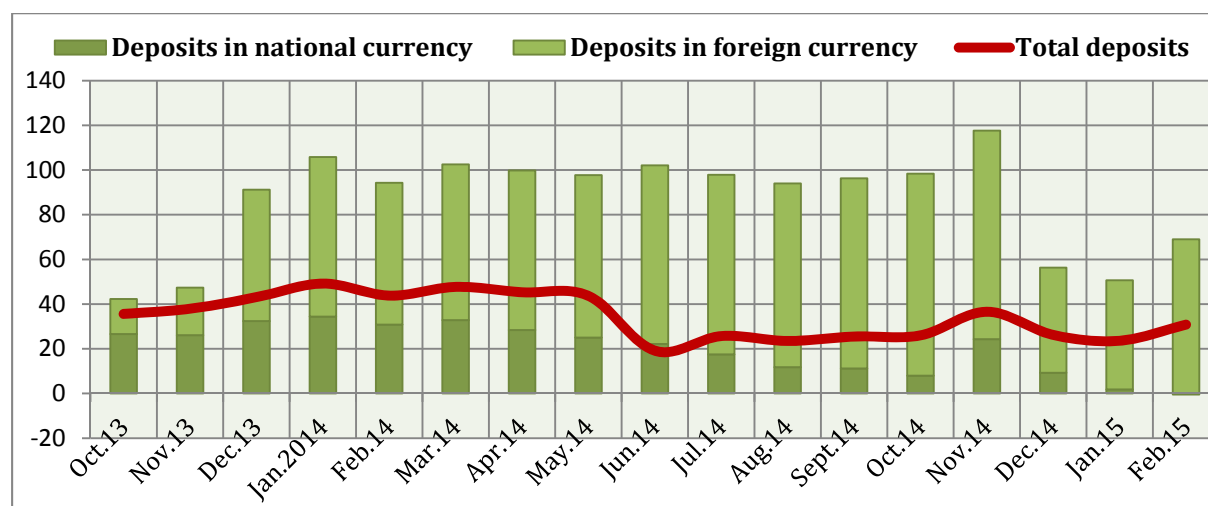


At the end of 2014, the highest weights of nonperforming loans pertained to three commercial banks (B.C. “Banca Socială” S.A. – 32.66%; B.C. „Banca de Economii” S.A. – 72.59% and BCR Chişinău S.A.-31.75%) out of 14 banks. The upward trend of this indicator reflects deterioration in the quality of the credit portfolio of these banks as well as the low level of stability of the entire banking system.

Lending activity remains to be the main loss-generating source in a bank. Thus, to avoid the lending-related risks, financial institutions turn to make loans to profitable industries. In this context, we noted that in 2014 the highest weight in the total loans pertained to loans provided to trade (32.9%), followed by loans made to food industry (9.8%), consumer loans (7.4), loans to processing industry (7.4%), credits to services providers (7%), followed by loans to agriculture (6.4%).

### *Dynamics of bank deposits*

The *balance of deposits* in the banking system as December 31, 2014, amounted to 65,462.5 million MDL, increasing by 26.2%, compared to December 31, 2013. This ascending trend was largely due to the increase in the balance of deposits in national currency by 9.3% and that of deposits in foreign currency by 47%, compared to December 31, 2013. Following the depreciation of the national currency over the last period, population gave preference to deposits in foreign currency, which accounted for 52.1% at the end of September 2014, while the deposits in national currency represented 47.9% of total deposits. This is explained by the fact that the average interest rate on deposits in the banking system is more attractive in the case of deposits in foreign currency (in December 2014 - 3.98%, or 0.56 p.p. increase compared to January 2014) than the interest rate on those in national currency (in December 2014 – 6.47%, or 0.62 p.p. decrease January 2014). Decrease in population bank deposits in national currency was caused by high fluctuations of the exchange rate in 2014, nominal depreciation of the MDL against the USD and EURO were more than 11% compared to previous year, also savings in national currency are exposed to a reduction in purchasing power.



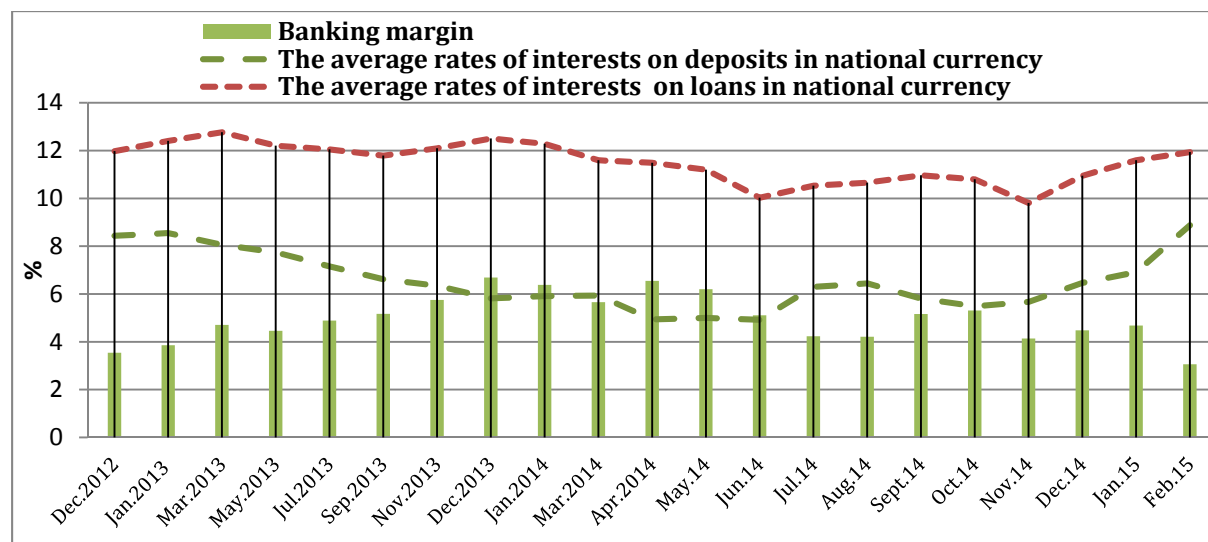
**Figure. 3.2.8. Annual growth rate of deposits in the banking sector, deposits in foreign currency and in national currency, %**

**Source:** According to the data of the National Bank of Moldova.

In terms of maturity of the deposits in national currency, population mostly preferred term deposits for 6 to 12 months. Thus, in December 2014, the highest weight in the total term deposits attracted in national currency still pertained to deposits for terms of 6 to 12 months (41.7%). Correspondingly, the term deposits in foreign currency for terms of 6 to 12 months also had a maximum weight of 44.1% and an average rate of 4.25%.

### Development of the average interest rate in the banking system

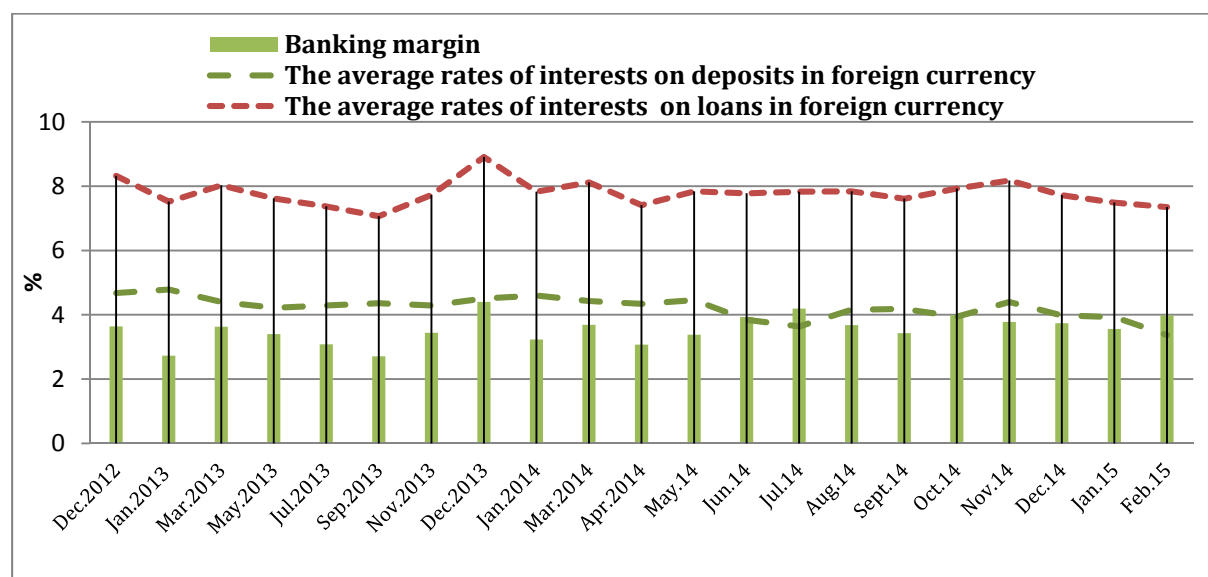
As of December 31, 2014, the bank loans cheapened by 1.34 p.p., the average interest rate on new loans provided in the banking system decreased from 12.29% in January down to 10.95% in December. Correspondingly, the average interest rates on loans in foreign currency also fell by 0.11 p.p., from 7.83% in January 2014, down to 7.72% in December 2014. New deposits in national currency were attracted by commercial banks, in December 2014, at an average rate of 6.47%, i.e. an increase of 0.56% compared to January 2014 (5.91%). At the same time, the average interest rates on deposits in foreign currency declined from 4.60% in January 2014 to 3.98% in December 2014, decreasing by 0.62 p.p.



**Figure 3.2.9. Development of the banking margin\*, average rates of interests on deposits and loans in MDL, %**

**Source:** Authors' calculations based on the data of the National Bank of Moldova.

**\*Note:** The banking margin index was calculated as the difference between the average rate on loans in MDL and average rate on deposits in MDL.



**Figure 3.2.10. Development of banking margin\*, average rates of interests on deposits and loans in foreign currency, %**

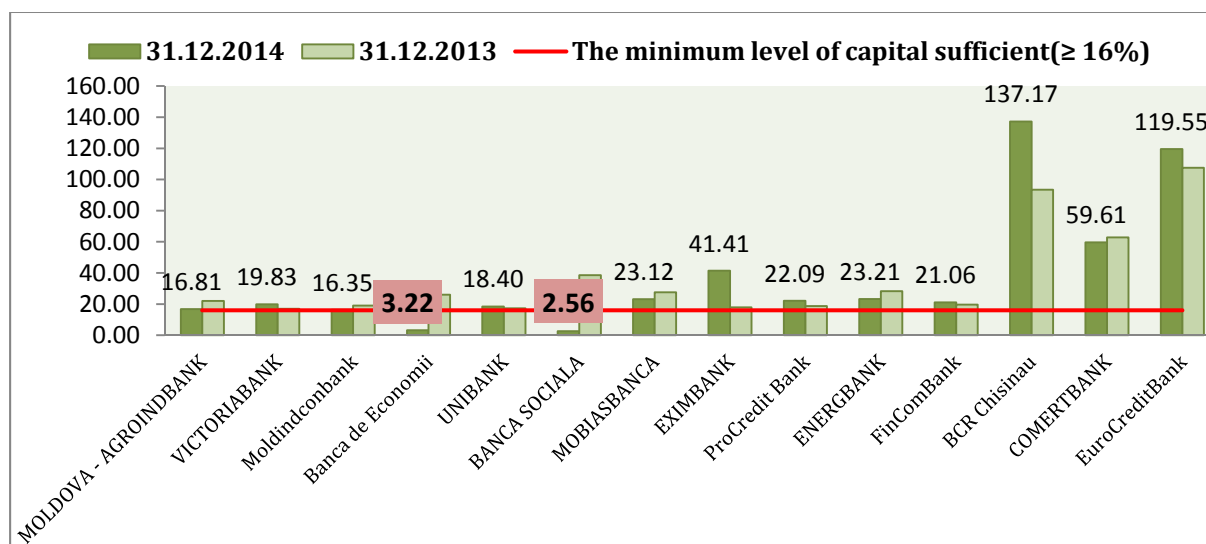
**Source:** Authors' calculations based on the data of the National Bank of Moldova.

**\*Note:** The banking margin index was calculated as the difference between the average rate on loans and deposits in MDL and average rate on deposits in foreign currency.

The banking margin for transactions in foreign currency had a smaller variation margin compared to that for transactions in national currency. In December 2014, the banking margin for transactions in national currency was at the level of 4.48%, decreasing by 2.21 p.p. compared to December 2013, while the low (4.14%) of 2014 was posted in November 2014. Correspondingly, in December 2014, the margin related to foreign currency transactions recorded a stable development, reaching the level of 3.74%, though posting a slight decrease of 0.66 p.p. compared to December 2013.

### Development of bank capital

At the end of 2014 the *solvency ratio* in the banking system recorded a value inferior to the minimum requirement set by law ( $\geq 16\%$ ), amounting to 13.21% (a decrease of 9.81 p.p. compared to 31.12.2013), due to worsened financial situation in B.C. „Banca de Economii” S.A. (3.22%) and B.C. „Banca Socială” S.A. (2.56%). Despite the under level of the risk-weighted capital adequacy throughout the banking system, at the end of 2014 there was a positive dynamic in the TRC, which posted an increase of 10.6% as of December 31, 2014, compared to December 31, 2013. Correspondingly, as of December 31, 2014, Tier I capital increased by 9.8% up to 8,707.29 million MDL compared to December 31, 2013. The risk-weighted assets recorded in 2014 an increase of 92.6% compared to 2013



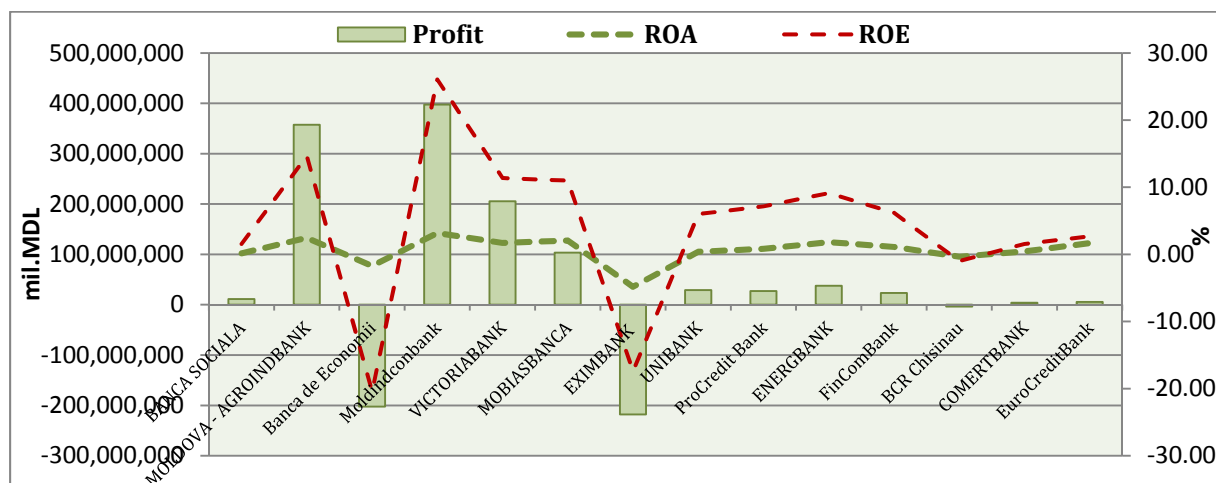
**Figure 3.2.11. Average of the risk-weighted capital adequacy in the banking sector, %**  
**Source:** Authors' calculations based on the data of the National Bank of Moldova.

The share of foreign investments in the banks' capital increased from 72.24%, as of December 31, 2013 to 76.75% as of December 31, 2014. However, this contributed to lowering of the market concentration degree: by December 31, 2014 the weight of the 5 largest banks' assets in total assets declined to 67.48%. Four licensed banks have fully foreign owned capitals (B.C. „EXIMBANK-Gruppo Veneto Banca” S.A.; B.C. „ProCredit Bank” S.A.; BCR Chişinău S.A.; B.C. „COMERTBANK” S.A.), followed by B.C. „Mobiasbancă – Groupe Société Générale” S.A. with 96.69% foreign capital and B.C. „Euro Credit Bank” S.A. – 98.82%.

### Development of bank profitability and liquidity

The indicator *return on equity* (ROE) throughout the banking sector recorded a lower level than that of the previous year (6.39% in 2014 compared to 9.42% in 2013). ROE analysis based on determinants, revealed a slight deterioration in remuneration pertaining to bank capital as a result of the diminished capacity of assets to generate profit (from 1.56 in 2013 to 0.92% in 2014). The return on assets (ROA) in the banking system measures the effect of managerial capacity to use financial and real resources of the banking society with the view to generate

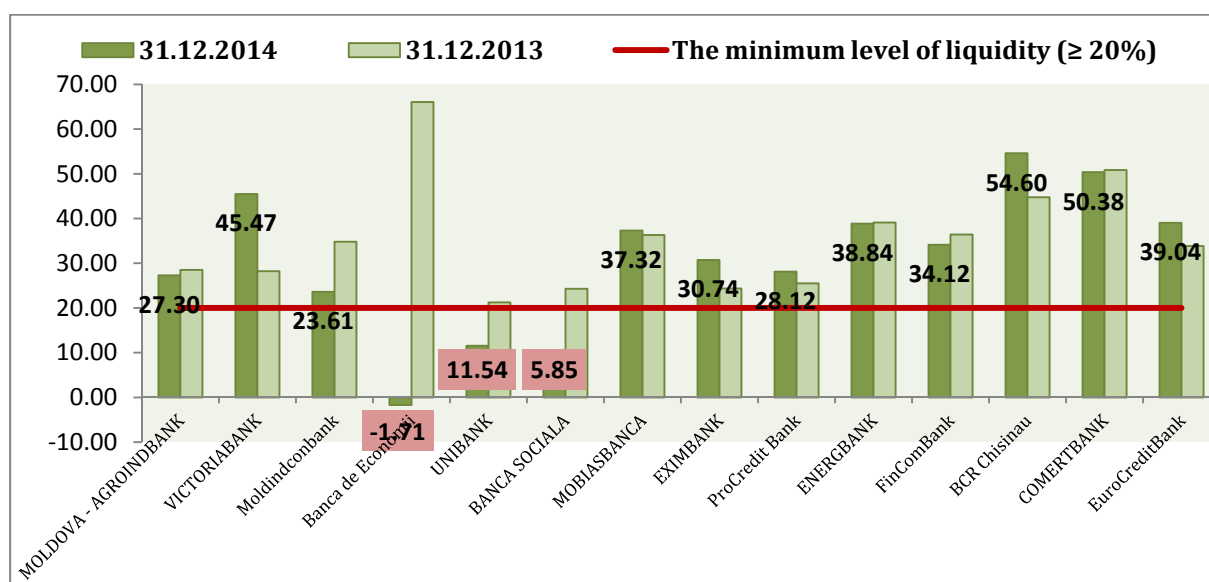
profit. In December 2014, overall banks' profit amounted to 778.2 million, which is 23.7% less compared to the same period of 2013.



**Figure 3.2.12. Development of profitability and return of commercial banks, as of December 31, 2014**

**Source:** According to the data of the National Bank of Moldova.

Therefore, three commercial banks recorded negative financial results at the end of December 2014: B.C. „Eximbank Gruppo Veneto Banca” S.A. – 217.8 million MDL, followed by Banca de Economii S.A. – 202.5 million MDL and BCR Chişinău S.A. – 3.7 million MDL. In terms of profit, it has to be mentioned that at the end of December 2014, B.C. „Moldindconbank” S.A. was leading with the profit equaling 397.5 million MDL, followed by B.C. „Moldova Agroindbank” S.A., that obtained profit in amount of 357.5 million MDL and B.C. „Victoriabank” S.A. with 205.4 million MDL.



**Figure 3.2.13. Liquidity indicators of the banking sector, %**

**Source:** According to the data of the National Bank of Moldova.

At the end of 2014, *liquidity indicators* of the banking sector registered values above the regulated level, liquid assets ratio (liquidity principle II) accounted for 21.63%, or 12.13 p.p. less compared to December 31, 2013. Long-term liquidity throughout the banking system recorded 1.54%, as of December 31, 2014, or by 0.83 p.p. more compared to December 31, 2013. However, on December 31, 2014 there were three commercial banks (B.C. Banca Socială” S.A.,

B.C. „Banca de Economii” S.A. and B.C. „Unibank” S.A.) posting values lower than those regulated by the BNM – minimum level of liquidity ( $\geq 20\%$ ). Thus, ensuring adequate liquidity is one of the most important objectives of the management of any banking institution. In order to avoid difficulties in procuring the necessary resources with the view to meet own commitments at any given time, banks to have to tackle the liquidity risk.

### *Analysis of market concentration indices in the banking sector*

Having analyzed the market concentration index (Herfindahl-Hirschman Index), as of December 31, 2014, we found that the market concentration ratio in the banking sector is moderate in terms of value of deposits (1,361.6 points) and value of loans (1,560.9 points) (see Table 3.2.1).

As of the end of 2014, in terms of bank assets value the market was concentrated. Four commercial banks held 64.2% of total assets. Referring to assets value, as of December 31, 2014, the market leader was BC Banca Socială S.A. with total assets of 20,115.9 million MDL, i.e. an increase by 4.5 times compared to 31.12.2013, recording a share of 20.6% of total assets in the sector. It was followed by BC Moldova-Agroindbank S.A. whose volume of assets totaled 15,341.4 million MDL, posting an increase of 14.4 million MDL, compared to 31.12.2013, bank's market share was 15.7%.

**Table 3.2.1. Concentration index in the banking sector, %**

Nr.	Name of the Bank	Market share by value of assets (%)		Market share by value of loans (%)		Market share by value of deposits (%)	
		31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014
A	1	2	3	4	5	6	7
1	BC "MOLDOVA - AGROINDBANK" S.A.	17.6	15.7	22.8	26.5	18.3	17.5
2	B.C. "VICTORIABANK" S.A.	15.3	12.5	16.6	14.1	18.2	14.7
3	BC "Moldindconbank" S.A.	16.8	13.6	18.8	21.8	18.0	13.7
4	B.C. Banca de Economii S.A.	11.2	14.3	3.7	3.3	11.3	10.8
5	B.C. "EXIMBANK - Gruppo Veneto Banca" S.A.	6.0	4.0	2.5	5.6	3.9	3.1
6	BC "BANCA SOCIALA" S.A.	5.8	20.6	7.2	4.8	5.8	21.2
7	BC "MOBIASBANCA - Groupe Societe Generale" S.A.	5.9	5.9	6.9	8.4	5.7	6.2
8	B.C. "UNIBANK" S.A.	9.5	3.6	8.3	2.3	8.7	4.0
9	B.C. "ProCredit Bank" S.A.	3.9	3.2	5.5	5.6	3.1	2.7
10	B.C. "ENERGBANK" S.A.	2.6	2.1	2.5	2.6	2.6	2.1
11	B.C. "FinComBank" S.A.	2.6	2.1	2.6	2.6	2.2	2.1

Table 3.2.1 – continue

A	1	2	3	4	5	6	7
12	BCR Chişinau S.A.	1.3	1.1	1.2	1.1	0.9	0.8
13	B.C. "COMERTBANK" S.A.	1.1	0.9	1.0	1.0	1.1	0.9
14	BC "EuroCreditBank" S.A.	0.4	0.4	0.4	0.4	0.2	0.2
<b>HHI index (points)</b>		<b>1178.2</b>	<b>1303.1</b>	<b>1385.3</b>	<b>1562.9</b>	<b>1298.6</b>	<b>1361.64</b>
<b>CR-4index (%)</b>		<b>60.9</b>	<b>64.2</b>	<b>66.5</b>	<b>70.8</b>	<b>65.8</b>	<b>67.1</b>

**Source:** Authors' calculations based on the data of the National Bank of Moldova.

As of December 31, 2014, BC Moldova Agroindbank S.A. maintained its market leader position in terms of lending. Thus, the bank's share in all loans provided accounted for 26.5%, a position which would not be lost in a short time (total balance of 10,826.1 million MDL, which increased by 18.0% compared to December 31, 2013). The second market leader was B.C. Moldindconbank with a market share of bank loans amounting to 21.8%, followed by B.C. Victoriabank S.A. (14.1%). With regard to the structure of deposits, at the end of December 2014, the market leader position in terms of balance of attracted deposits was held by BC Banca Socială S.A. with a total balance of 13,903.1 million MDL, recording an increase by 5 times compared to December 2013. The bank's market share was 21.2%. It is followed by BC Moldova-Agroindbank S.A. (17.5%), as of December 31, 2014, it posted balance of attracted deposits totaling 11,487.7 million MDL, or by 20.7% less compared to December 31, 2013

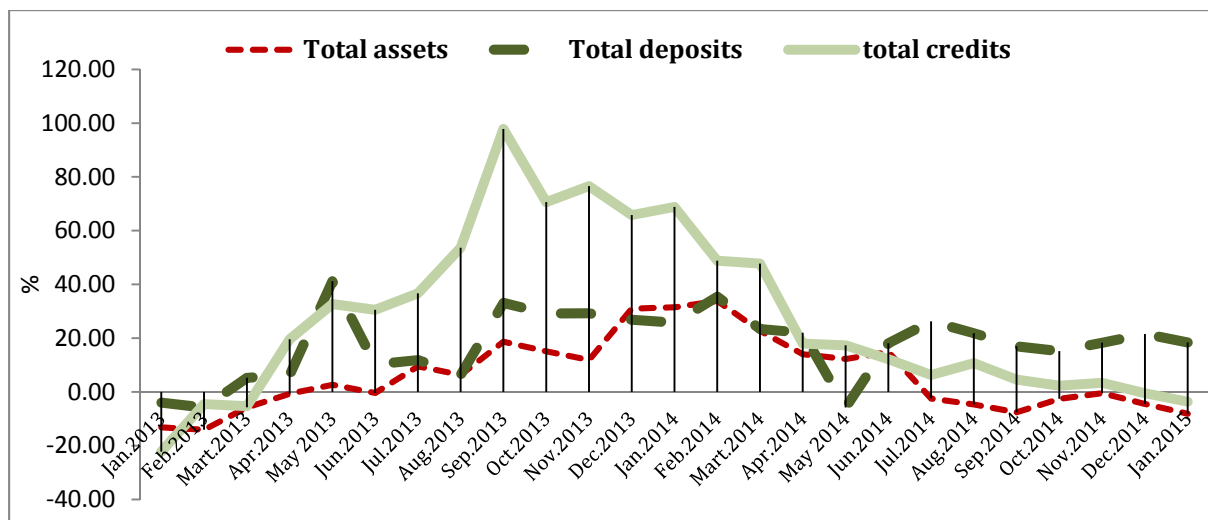
### *Region of the Republic of Moldova from the left bank of the Dniester River*

In 2014, main activity indicators of the banking sector in the region to the left of the Dniester River had contradictory development. As of January 1, 2015, total assets of the banking system of the region amounted to 6,137.2 million rubles, or by 4.48% less than on January 1, 2014. The exchange rate of the Transnistrian region ruble in relation to MDL was 0.8494 rubles/MDL, as of January 1, 2014, while on January 1, 2015 exchange rates of the ruble against major reference currencies were 0.7103 rubles/MDL, 11.1000 rubles/USD, 13.5187 rubles/EURO.

At the end of 2014, the annual growth rate of bank assets of the region posted a downward trend. Thus, although in June 2014 there was a slight increase of 14.85% compared to last year, already in December the decrease amounted to 4.48% compared to last year. A similar dynamic was seen in the case of bank loans, thus in December 2014 there was a decrease of 0.48% compared to last year (see Figure 3.2.14).

As of January 1, 2015, banks' own capital amounted to 1,397.3 million rubles, increasing by 0.10% compared to January 1, 2014 (1,395.9 mil. rubles). The share capital of banks in the region of the Republic of Moldova to the left of the Dniester river of January 1, 2015 totaled 1,043.1 million rubles. The balance of loans made to the economic sector as of January 1, 2015, amounted to 4,183.9 million rubles, or by 0.5% less compared to January 1, 2014. Loans provided to individuals during this period equated to 1,159.3 million rubles, or by 22% more compared to January 1, 2014, while loans made to legal entities totaled 3,251.6 million rubles, which is 7% less compared to the end of the previous year. As of January 1, 2015, the balance of attracted bank deposits equaled 3,047.6 million rubles, i.e. 21% more compared to the same date of the previous year. Respectively, deposits made by individuals, as of January 1, 2015, equated to 1,334.03 million rubles, posting a decrease of 9% comparing with 01.01.2014 (1,466.20 million rubles).





**Figure. 3.2.14. Annual growth rate of assets, deposits and bank loans in the Transnistrian region, %**

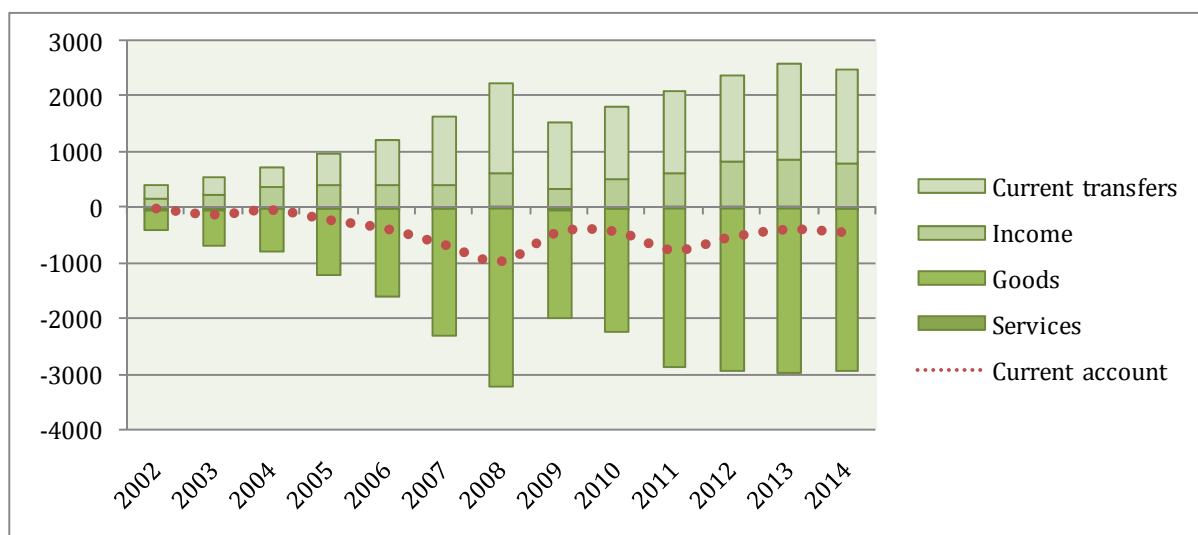
**Source:** Authors' calculations according to the data of the Transnistrian Bank.

## Chapter IV

### EXTERNAL SECTOR

#### Balance of payments

**Current account.** According to preliminary data, the current account deficit in 2014 amounted to 451.1 million USD, representing approximately (-)5.7% of GDP. In 2012-2013 it posted a decreasing trend, and according to adjusted data this indicator dropped to the level of 5% of the GDP in 2013, which represents a decrease of 6 p.p. compared to 2011. The trend toward contraction in the current account deficit would have continued in 2014, if it were not for the negative developments occurred in the second half of the year, especially in the last quarter, which influenced the foreign currency inflows into the country obtained from exports and remittances. In the fourth quarter, exports both of goods and services, income and current transfers made by non-residents to residents from Republic of Moldova decreased compared to the same period of the previous year by -13.5%, -4.9%, -17.7% and 16.2% respectively.



**Figure 4.1. Dynamics of the current account of the Republic of Moldova, million USD 2000-2014**

**Source:** According to the data of the National Bank of Moldova.

**Note:** Data for 2014 are preliminary.

Overall, the current account deficit (according the preliminary data) increased in 2014 by 13.2% comparing with previous year, i.e. by 52.5 million USD, after a contraction of 25.9% in 2013, compared to 2012. The main contribution in this regard pertained to the reduction in exports both of goods and services, incomes obtained from abroad, in particular as remuneration paid by non-residents to Moldovan residents for their labour, transfers to individuals.

Imports which represent the basic component forming the current account deficit, declined in 2014 by 3.4% or 184.7 million USD compared to same period last year (according to data from the balance of payments) fitting into the general trend toward mitigated growth observed over the last two years. At the same time, as a result of the Russian embargoes and the precarious economic situation in Ukraine and Russian Federation, against the background of the downward trend in prices for agricultural products on international markets, the rate of contraction in exports of goods outpaced even more that of imports (a more detailed description of the trends in trade in goods is presented in the sub-chapter on foreign trade in goods).

The income balance posted in 2014 an annual decrease of 7%. On the one hand, incomes obtained by residents as remuneration of labour from non-residents declined by 4.8% amounting to 1,064.2 million USD (about 95% of total incomes). On the other hand incomes from the investment activity of non-residents continued to grow under the influence of higher reinvested incomes and undistributed profits of the subsidiaries of companies with foreign capital (60 million USD in 2014 versus 19 million USD in 2013). This was reflected in the increased net inflow of the FDI in this period (see the subchapter on FDI). Simultaneously, comparing with the previous year, there was a reduction in dividends and profits distributed to non-resident subsidiaries, which totalled 82.3 million USD – the lowest level in the period 2009-2014.

**Table 4.1. Balance of Payments – Current Account (2012-2014, synthetic presentation)**

	Nominal value, mln. USD			Growth rate, YoY, %	
	2012	2013	2014	2013	2014
<b>Current account</b>	-538.2	-398.6	-451.1	-25.9	13.2
<b>Goods</b>	-2924.2	-2982.5	-2911.9	2.0	-2.4
<i>Export</i>	2228.5	2466.2	2352.1	10.7	-4.6
<i>Import</i>	-5152.7	-5448.6	-5264.0	5.7	-3.4
<b>Services</b>	9.1	15.6	-31.6	70.5	-302.6
<i>Export</i>	902.0	987.8	958.9	9.5	-2.9
<i>Import</i>	-892.9	-972.2	-990.5	8.9	1.9
<b>Income</b>	814.2	860.8	795.7	5.7	-7.6
<i>Receipts</i>	1049.4	1163.4	1117.2	10.9	-4.0
<i>Payments</i>	-235.1	-302.6	-321.5	28.7	6.2
<b>Current transfers</b>	1562.6	1707.6	1696.7	9.3	-0.6
<i>Receipts</i>	1689.0	1844.6	1849.8	9.2	0.3
<i>Payments</i>	-126.4	-137.0	-153.1	8.4	11.7

**Source:** According to the data of the National Bank of Moldova.

In 2014, the balance of trade in services, in contrast to 2013 resulted, according to preliminary data, in a negative balance of -31.6 million USD. Exports decreased by 2.9% YoY, while imports rose by 1.9%. At the same time, its low value ensures an appropriate contribution to the modification of the current account. Exports of services accounted for approximately 29% of the total Moldovan exports in 2014, while the weight of imports in the total value of imports was significantly lower – 15.8% (see the Annex External sector).

In 2014, the contracted exports of transportation services alone influenced the change in the total amount of exports by about 3 p.p., a trend that accompanied the contraction in exports of goods and in commodities mileage in 2014. Major contribution of transports to the change in the value of exports of services was provided by their significant weight in the total – about 39% (see the Annex External sector). Similarly, in 2014 there was a decline in export of communications services, business travels and other business services in amount of (-)6.1%, (-)1.2% and (-)4.5%, respectively, influencing the decrease in import of services by another 1.4 p.p. These effects were partially offset by the increases posted in the area of computer and information services and personal travels.

The current transfers balance also influenced negatively the current account deficit in 2014. Transfers made by non-residents increased slightly being sustained by the increased government transfers (from 208 million USD in 2013 up to 319 in 2014), despite the decrease of personal transfers (from 867 million USD in 2013 down to 819 million USD in 2014).

These trends could continue also in 2015, given that the prospects for growth in exports of goods and in remittances are poor. But the current transfers received by the government sector

and the investment income could reduce in the uncertain and unstable business environment, political factor having a major role in this context.

**Capital and financial account.** By the end of the year, according to preliminary data, the current account deficit totalled 80.9 million USD. Under the influence of transfers made migrants from abroad and other capital transfers, its value increased by 28.4 million USD, comparing with 2013.

Mostly as a result of developments occurred in the last quarter, the financial account balance, net debtor, increased, compared to the previous year, by 58.9% or 215.5 million USD. In 2014, to ensure its interventions in the foreign exchange market and mitigate the progressive depreciation of the national currency against the Euro and USD, country's foreign assets managed by the monetary authorities<sup>10</sup> reduced by 538.5 million USD, determining a negative trend in the net assets recorded in the balance of payments. In response to MDL depreciation in relation to major reference currencies, in 2014 cash in foreign currency held by residents, other than National Bank and commercial banks and the government sector, increased posting the highest value attested over the last 20 years (382.9 million USD). Whereas the net assets of commercial banks in the form of deposits and foreign currency decreased by 179.7 million USD.

Similarly, the commitments to non-residents also showed a decreasing trend 2014. Foreign direct investments, which represent a significant share of external commitments, decreased by about 12% compared to last year. According to preliminary data, the net FDI inflow amounted to 207.4 million USD, i.e. declining by 0.9 million USD comparing to 2009. In 2014 there were repayments of loans, previously contracted by the government sector, the National Bank and other sectors, which exceeded the amount of attracted loans by 39.2 million USD. Cash in national currency decreased, current accounts and deposits in the national banking system of non-residents decreased by a tremendous amount of approximately 107.9 million USD.

**Table 4.2. Balance of payments – Capital and financial account  
(2012-2014, synthetic presentation)**

	Nominal value, mln. USD			Growth rate, YoY, %	
	2012	2013	2014	2013	2014
<i>A</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<b>Capital and financial account</b>	<b>452.9</b>	<b>330.3</b>	<b>518.9</b>	<b>-27.1</b>	<b>57.1</b>
<b>Capital account</b>	<b>-36.7</b>	<b>-35.5</b>	<b>-62.4</b>	<b>-3.4</b>	<b>76.0</b>
<i>Inflows</i>	<b>18.1</b>	<b>17.0</b>	<b>18.4</b>	<b>-6.1</b>	<b>8.3</b>
<i>Outflows</i>	<b>-54.8</b>	<b>-52.5</b>	<b>-80.9</b>	<b>-4.3</b>	<b>54.0</b>
<b>Financial account</b>	<b>489.6</b>	<b>365.8</b>	<b>581.3</b>	<b>-25.3</b>	<b>58.9</b>
<b>Direct investments</b>	175.3	207.4	166.2	18.3	-19.9
<b>Portfolio Investments</b>	21.3	9.8	13.2	-54.3	35.0
<b>Financial derivatives</b>	-0.2	0.1	0.6	-145.8	454.5
<b>Other investments</b>	790.9	430.6	-137.2	-45.6	-131.9
<b>Reserve assets</b>	-497.6	-282.1	538.5	-43.3	-290.9
<b>Assets</b>	<b>-284.5</b>	<b>-429.5</b>	<b>238.1</b>	<b>51.0</b>	<b>-155.4</b>
<b>FDI</b>	-19.8	-28.9	-41.2	46.0	42.6
<b>Portfolio Investments</b>	7.0	-0.4	2.9	-105.7	-817.5
<b>Financial derivatives</b>	-0.2	-0.1	-0.1	-50.0	-8.3
<b>Other investments</b>	226.2	-118.0	-262.0	-152.2	122.0

<sup>10</sup>At the end of 2014, the volume of reserve assets amounted to 2,156.6 million USD, the total change comparing with the end of 2013 equalled 664 million USD, partially the decrease is explained by foreign currency inflows in 2014.

Table 4.2 – continue

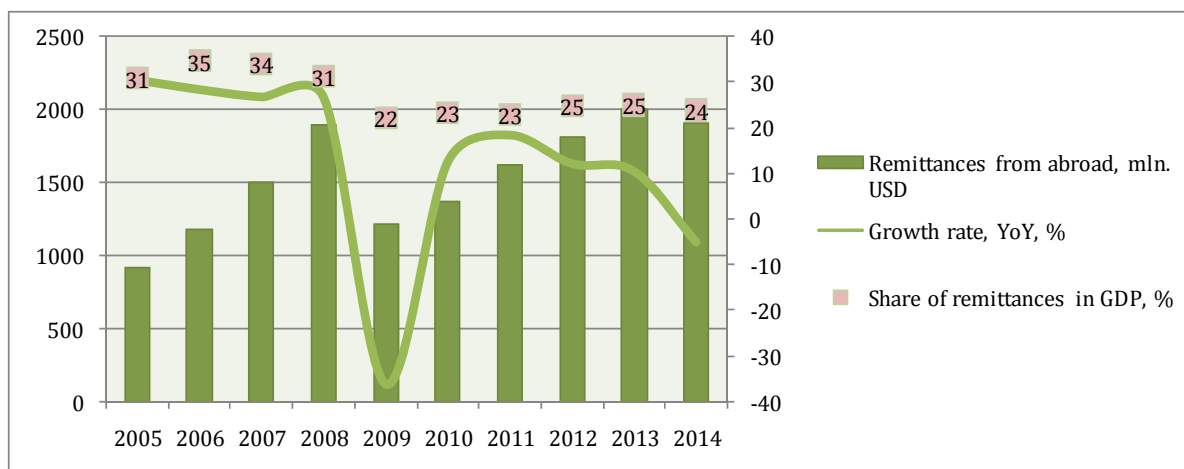
<i>A</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<b>Reserve assets</b>	-497.6	-282.1	538.5	-43.3	-290.9
<b>Liabilities</b>	<b>774.1</b>	<b>795.3</b>	<b>343.2</b>	<b>2.7</b>	<b>-56.8</b>
<b>FDI</b>	195.1	236.3	207.4	21.1	-12.2
<b>Portfolio Investments</b>	14.4	10.2	10.3	-29.2	1.5
<b>Financial derivatives</b>	0.0	0.2	0.7	-	213.0
<b>Other investments</b>	564.7	548.6	124.8	-2.9	-77.3

**Source:** According to data of the National Bank of Moldova.

These developments could continue also in 2015. The credibility of the Moldovan banking system was damaged. Developments in the foreign exchange market are uncertain. Prospects for the increasing foreign currency inflows are reduced for the short term and with the view to stabilize exchange rate of the Moldovan Leu in relation to the Euro and USD and reduce inflationary pressures in the country, the National Bank could make new interventions in the foreign exchange market, thus affecting negatively the stock of reserve assets.

### Remittances

In 2014, remittances from abroad for the second time in the last 10 years posted negative growth values. According to preliminary data, these totalled 1,900.9 million USD, dropping by 101 million USD, i.e. 5% compared to the previous year. The annual growth rates remained at a low level during all the four quarters, however in the last three months they have reached the minimum level. In October-December 2014, the value of remittances decreased by 20.6% compared to the last year and by about 20% in comparison with the previous quarter, amounting to 438.8 million USD (see Fig.4.2.).

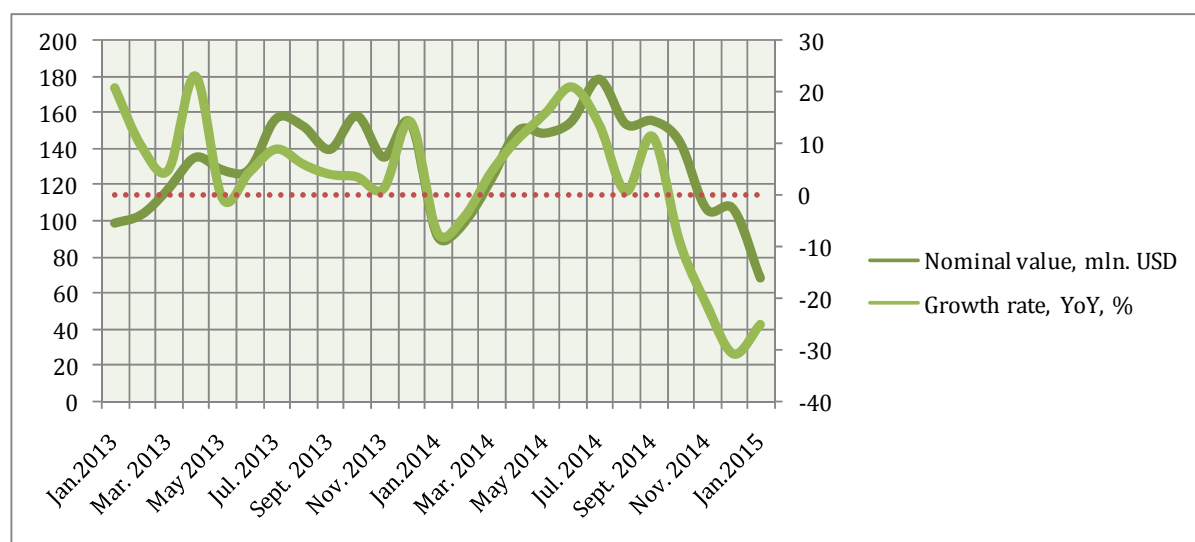


**Figure 4.2. Dynamics of the remittances inflow in the years 2005-2014**

**Source:** According to the data of the National Bank of Moldova.

In the context of tensioned economic and political relations with the Russian Federation, but also given its reduced capacity to provide Moldovan migrants incomes comparable to previous years, there was a reduction in remittances from this country in amount of 6.7% compared to the last year, which influenced the overall decrease of this inflow of currency by 4.2% compared to last year.

Available data on transfers from abroad made in favour of individuals using the banking system in 2014 reflect an increase in weight of those made in Russian rubles by 3.1 p.p. compared to last year. According to the NBM data, 63.1% of these transfers originated from CIS (compared with 20.2% in the EU), the Russian Federation alone accounting for 61.6% or 993.7 million USD of the total. Out of this amount, approximately 53.4% were transfers in Russian rubles.



**Figure 4.3. Dynamics of transfers from abroad made in favour of individuals through the banking system in 2013-2014**

**Source:** According to the data of the National Bank of Moldova.

In the context of the strong depreciation of the Russian ruble against the EUR and USD by the end of 2014, including in relation the MDL, these trends are reducing the purchasing power of this source of income of households. And the reduction in the inflow of transfers in dollars was one amongst the factors that has put pressure on the exchange rate MDL/USD on the foreign exchange market, boosting the depreciation of national currency.

**Table 4.3. Structure of transfers made to individuals through the banking system, by foreign currency, in 2013-2014**

	Value of transfers from abroad made in favour of individuals through the banking system, mln. USD	Foreign currency structure, %		
		EURO	RUB	USD
<b>2013</b>	1609	35.1	33.6	31.3
<b>2014</b>	1613	36.1	36.7	27.2

**Source:** According to the data of the National Bank of Moldova.

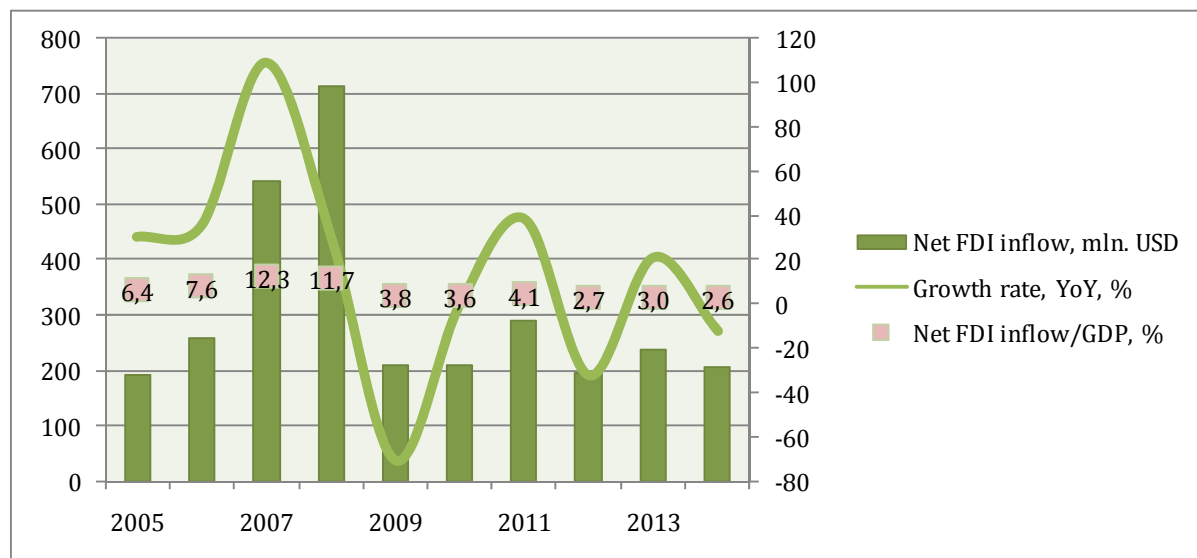
Developments that took place in the first month of 2015 indicate a decrease of about a quarter in the transfers made to individuals through banking system compared to January 2014, amounting to 68.6 million USD. At the same time, the conjuncture of external factors do not favour increases in remittances in 2015. Russian economy is stagnating, and the construction sector employing most Moldovan migrants has been declining for two years consecutively.

### Foreign Direct Investment

Investment activity in the Republic of Moldova has not marked high performances in 2014. Net direct investment made by residents abroad reached a historical high over the transition period, but their value is very small, approximately 41 million USD. As for the foreign investments attracted in the national economy, these continued the modest dynamics attested during the period following the 2009 crisis. The average annual growth of the net FDI inflows over the last 5 years amounted to 3%, whereas in three out of these five years negative annual growth rates were recorded. In 2014, the value of net FDI in the economy equalled 207.4 million USD (decreasing by 12.2% compared to last year), which represents less than one third of the maximum net inflow of foreign direct investment attracted in the economy in 2008. Preponderantly, as a result of fluctuations in the exchange rates, the stock of FDI in the national



economy posted even a smaller change at the end of 2014 comparing with December 31, 2013, increasing by about 32.4 million USD and amounting to 3,646.9 million USD (45.9% of GDP).



**Figure 4.4. Net inflow of FDI in the economy of the Republic Moldova in the years 2005-2014**

**Source:** According to the data of the National Bank of Moldova.

Nearly three quarters of the net inflow of foreign direct investments attracted in 2014 were made in the share capital of companies, while their value (155.4 million USD) decreased by 2.1% compared to last year. Also, the net value of other investments, including intra-group loans, decreased attesting net outflow of capital in amount of 8 million USD. On the other hand, a positive influence on FDI net inflow occurred on account of reinvested income which increased from 19.2 million USD in 2013 up to 60.1 million USD. However this value is lower than the level of such investments in 2007-2008 and 2011 (112.8 million USD, 98.7 million USD and 86.7 million USD, respectively), although higher compared to other years of the last two decades.

These developments may indicate the positive expectations of foreign investors operating in the national economy, while altogether the volume of foreign investments from abroad is too small compared to the needs of the national economy. The year 2015 most likely will not post major leaps in investment activity, given the series of economic and political factors that determine the uncertainty of investment environment - political instability, the Russian-Ukrainian conflict and low predictability of the evolution of economic and political relations between Moldova and Russia. However, in the medium term, provided that there will be some clarity brought on the role in the Transnistrian region in Moldova's Euro-integration process and the Association Agreement will be successfully implemented, the interest of foreign investors for the national economy could increase.

### *Foreign trade with goods*

The year 2014 has been characterized by a series of factors, mostly external, that have determined a decrease of the foreign trade in goods. The external demand during 2014 had a very little effect on the consumption of Moldovan GDP. According to the preliminary data, the exports volume modestly increased by 0.2% compared to the previous year. Otherwise, the supply of goods was beyond expectations, the volume of agricultural and industrial output increased by 8.2% and 7.3%, respectively, compared to last year. (see chapter Production).

Being influenced by several factors, imports posted a more modest dynamics in 2014. According to estimates, the imports volume decreased by 0.2% compared to the previous year (see chapter

Production). The development of world prices for a series of products with a relatively high weight in Moldovan foreign trade, as well as a very small increase in the consumption prices on some of the markets that are on top of the main countries with which the Republic of Moldova makes trade, has influenced negatively the unit value of goods both for export and import, affecting the overall value of the Moldovan foreign trade.

According to the official preliminary data regarding the foreign trade in 2014, the value of goods traded with external partners amounted to 7,656.5 million USD, showing a decrease of 264.2 million USD or -3.3% compared to the previous year. Even though in relative terms the negative dynamics of exports exceeded that of the imports, in absolute terms, the imports have had a larger decrease (-175.4 million USD vs. -88.8 million USD), a fact that contributed to the reduction of the trade deficit in goods by 2.8% (see table 4.4.).

**Table 4.4. The main indicators of foreign trade in goods of the Republic of Moldova**

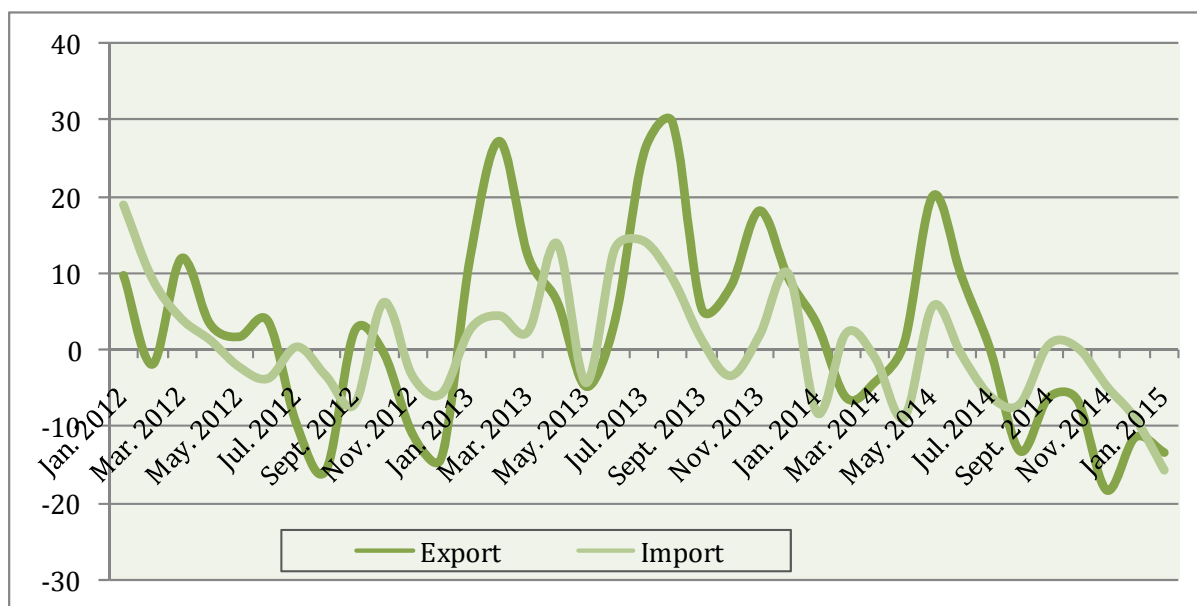
Indicator	2008	2009	2010	2011	2012	2013	2014
<b>Nominal export, million USD</b>	<b>1591.1</b>	<b>1283.1</b>	<b>1541.5</b>	<b>2216.8</b>	<b>2161.8</b>	<b>2428.3</b>	<b>2339.5</b>
<i>Nominal export, growth rate, previous year=100%</i>	18.7	-19.4	20.1	43.8	-2.5	12.3	-3.7
<b>Nominal re-export, million USD</b>	605.5	503.0	606.1	1001.6	772.3	808.5	809.9
<b>Nominal re-export, growth rate, previous year =100%</b>	22.1	-16.9	20.5	65.3	-22.9	4.7	0.2
<i>Re-export/Total export, %</i>	38.1	39.2	39.3	45.2	35.7	33.3	34.6
<b>Nominal import, million USD</b>	4898.8	3278.3	3855.3	5191.3	5212.9	5492.4	5317.0
<i>Nominal import, growth rate, previous year =100%</i>	32.8	-33.1	17.6	34.7	0.4	5.4	-3.2
<b>Nominal trade deficit, million USD</b>	-3307.7	-1995.2	-2313.8	-2974.5	-3051.1	-3064.1	-2977.5
<i>Nominal trade deficit, growth rate, previous year=100%</i>	40.8	-39.7	16.0	28.6	2.6	0.4	-2.8
<b>Import coverage by export, %</b>	32.5	39.1	40.0	42.7	41.5	44.2	44.0
<b>Export per capita, USD</b>	445.3	359.7	432.6	622.6	607.3	682.2	657.6
<b>Import per capita, USD</b>	1371.2	918.9	1081.8	1458.1	1464.5	1543.0	1494.5
<b>Export/GDP, %</b>	26.3	23.6	26.5	31.6	29.7	30.4	29.5
<b>Import/GDP, %</b>	80.9	60.3	66.3	74.0	71.6	68.8	66.9

**Source:** Author's calculations based on the data of the National Bureau of Statistics.

### Exports

The developments of 2014 highlighted the deficiencies of the Moldovan foreign trade that both influences and reflects the situation of the national economy. For most of the year 2014 both values of the export and of import have registered negative growth rates, which became even more notable by the end of the year (fig. 4.5)

In spite of the relatively high supply of goods in 2014, the nominal value of the exports has posted a lower level, compared to the previous year. Internal constraints deriving from the poorly developed business environment and the export structure which is vulnerable to different shocks, under the influence of external factors that resulted into the reduced inflow of foreign currencies obtained from trade activities carried out on foreign markets.



**Figure 4.5. Monthly dynamics of exports and imports, %, same period last year**

*Source:* According to the data of the National Bureau of Statistics.

**Factors that influenced the decrease in exports in 2014**

**Table 4.5. Structure and dynamics of exports by groups of products, in 2014**

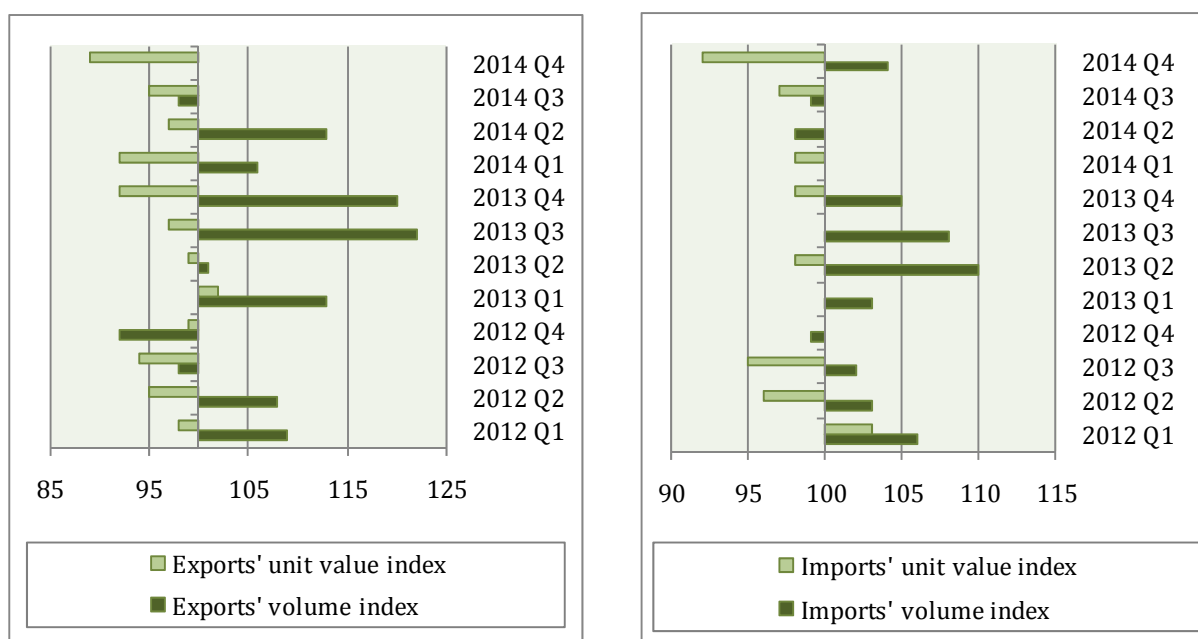
Name of product	Nominal value, mln. USD	Structure, %		Growth rate YoY, %		Degree of influence increase/decrease YoY, %	
	2014	2013	2014	2013	2014	2013	2014
<b>Total</b>	<b>2339.5</b>	<b>100.0</b>	<b>100.0</b>	<b>12.3</b>	<b>-3.7</b>	<b>12.3</b>	<b>-3.7</b>
<b>Agricultural and food products</b>	<b>1061.1</b>	<b>41.7</b>	<b>45.4</b>	<b>15.6</b>	<b>4.8</b>	<b>6.3</b>	<b>2.0</b>
<i>Fruits and vegetables</i>	268.7	12.1	11.5	4.6	-8.2	0.6	-1.0
<i>Cereals and cereal-based products</i>	200.8	5.7	8.6	168.2	44.3	4.0	2.5
<i>Alcoholic and non-alcoholic beverages</i>	191.8	10.4	8.2	17.1	-23.7	1.7	-2.5
<i>Oleaginous seeds and fruits</i>	153.3	6.8	6.6	67.6	-7.4	3.1	-0.5
<i>Oils</i>	77.4	1.8	3.3	-50.9	76.1	-2.1	1.4
<b>Fuels</b>	<b>16.1</b>	<b>1.1</b>	<b>0.7</b>	<b>73.4</b>	<b>-40.2</b>	<b>0.5</b>	<b>-0.4</b>
<b>Inedible crude materials, excluding sunflower seeds and fuels</b>	<b>57.8</b>	<b>3.6</b>	<b>2.5</b>	<b>29.7</b>	<b>-33.8</b>	<b>0.9</b>	<b>-1.2</b>
<b>Manufactured products</b>	<b>1204.6</b>	<b>53.6</b>	<b>51.5</b>	<b>8.2</b>	<b>-7.5</b>	<b>4.5</b>	<b>-4.0</b>
<i>Clothing and accessories</i>	277.6	10.7	11.9	2.4	6.6	0.3	0.7
<i>Electrical machinery and appliances and parts thereof</i>	244.2	9.8	10.4	23.7	2.3	2.1	0.2
<i>Pharmaceutical products</i>	125.2	4.7	5.4	20.3	10.5	0.9	0.5
<i>Furniture and parts thereof</i>	108.9	4.4	4.7	15.6	2.9	0.7	0.1
<i>Yarn, fabric and textiles</i>	63.5	3.2	2.7	-14.7	-19.4	-0.6	-0.6
<i>Non-metallic mineral items</i>	51.4	2.2	2.2	42.1	-5.3	0.7	-0.1

*Source:* Author's calculations based on the data of the National Bureau of Statistics.

*The development of prices for agricultural and food products on international markets and the decreasing external demand of the main Eastern partners have been the factor that disadvantaged the exporters during the whole year (figure 4.6.).*

The reduction in international prices for agricultural and food products, that represented about 45.4% of Moldovan exports in 2014 and the feeble demand from the main Eastern partners have been the determinant factors that triggered the decrease in export prices.

During 2014, on average, the unit value of the exported goods decreased by approximately 6% compared to the previous year, and the fourth quarter was marked by the minimal quarter value in the last 5 years - (-) 11%. The decrease in the unit value has occurred in cases of a series of exported agricultural and food products: oil, wines, fruit juices, cereals (including wheat and corn), oilseeds, sugar, fruits, especially apples and grapes etc. This fact affected the value of exports both to the East and to the West.



**Figure 4.6. Indices of the unit value and volume of the foreign trade in goods**

**Source:** According to the data of the National Bureau of Statistics.

These trends determined the negative evolution of the terms of trade that registered values below 1 throughout the year, given that the decrease in prices for exports has been more visible than in the case of imports.

**Table 4.6. Dynamics of the terms of trade in foreign trade in goods**

Indices	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit value index of exports	98.0	95.0	94.0	99.0	102.0	99.0	97.0	92.0	92.0	97.0	95.0	89.0
Unit value index of imports	103.0	96.0	95.0	100.0	100.0	98.0	100.0	98.0	98.0	100.0	97.0	92.0
Terms of trade	95.1	99.0	98.9	99.0	102.0	101.0	97.0	93.9	93.9	97.0	97.9	96.7

**Source:** According to the data of the National Bureau of Statistics.

This index being below 1, points out the non-performing structure of the exports. We import mainly high value added products and we export raw materials or lower value added products. Sometimes we import finished goods at higher prices than the goods produced and exported by Moldovan economic agents (an explanation lies in the category and quality of products), maintaining at the same time a trade deficit on these tariff headings in spite of the availability of raw materials in large quantities. With regard to this, the foreign trade with wheat flour is a relevant example.

*The Republic of Moldova is a net importer of wheat and meslin flour. In 2014, 7.7 thousand tonnes of wheat and meslin flour were exported at an average unit price of approximately 0.29 cents/kg. At the same time, approximately 35.5 thousand tonnes were imported at an average unit price of 0.34 cents/kg. In nominal terms, exports amounted to 2.2 million USD, while the value of imports accounted for 11.8 million USD. This is happening although the Republic of Moldova is a net wheat exporter, and in 2014 it delivered abroad wheat worth 81.3 million USD at an average unit price of 0.19 cents per kg.*

***The embargoes imposed by the Russian Federation in 2014 and toughened trade policy applied to Moldovan products have deepened the decrease in exports in the last two quarters of the year.***

In 2014 the exports towards the Russian Federation decreased by 32.9%, influencing negatively total exports by 8.6%. The prohibitions applied on the import of fruits, beef, canned fruits and vegetables from the Republic of Moldova had a major contribution to this trend, and have deepened the decrease generated by the effects of contracted wines exports and by the anaemic demand on this market. Another factor that had a negative influence was the tightening of the trade policy applied to some non-food products, including furniture. In 2014 the exports of furniture to the Russian Federation equated to approximately 14 million USD, decreasing by 10.8 million USD or 43.5% compared to the previous year and thus influencing the decrease in total exports by 0.4%. During the last two quarters<sup>11</sup> the exports to the Russian Federation declined by 40.2% and 45.4% respectively, in comparison with the previous year, contributing thus to the decrease in total exports during this period by approximately 11% and 9.6%, respectively.

In 2014, the Republic of Moldova exported to the Russian Federation fresh refrigerated beef, grapes, apples, pears and quince, apricots, sweet cherries and sour cherries, peaches and plums, wine and grape must, as well as different canned fruits and vegetables (see table 4.7.) in amount that is by 85 million USD less compared to the previous year, contributing by 3.5% to the decrease in total exports.

**Table 4.7. Main exported products affected by the Russian embargo**

Destination/ Product	Nominal value, mln. USD			Change, YoY, mln. USD		Growth rate, YoY, %		Degree of influence on total change in exports, %	
	2012	2013	2014	2013	2014	2013	2014	2013	2014
A	1	2	3	4	5	6	7	8	9
<b>Total</b>	<b>2161.9</b>	<b>2428.3</b>	<b>2339.5</b>	<b>266.4</b>	<b>-88.8</b>	<b>12.3</b>	<b>-3.7</b>	<b>12.3</b>	<b>-3.7</b>
<b>Export to the Russian Federation</b>	655.1	631.9	423.7	-23.2	-208.2	-3.5	-32.9	-1.1	-8.6

<sup>11</sup>We would like to mention that in September, 2013 the Russian Federation has responded to the opening of the Moldovan trade policy towards liberalisation of trade with the EU by banning Moldovan wines, and the embargoes continued in 2014. In April 2014, the access of Moldovan pork products on the Russian market has been banned. The ban for fruits, vegetables and products made of these followed in July and the ban for all types of meat was imposed in October.

Table 4.7 – continue

<i>A</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
<b>Fresh or refrigerated beef</b>	<b>8.2</b>	<b>11.9</b>	<b>5.2</b>	<b>3.6</b>	<b>-6.7</b>	<b>44.1</b>	<b>-56.4</b>	<b>0.2</b>	<b>-0.3</b>
<i>including Russian Federation</i>	<i>8.2</i>	<i>11.9</i>	<i>4.7</i>	<i>3.6</i>	<i>-7.1</i>	<i>44.1</i>	<i>-60.0</i>	<i>0.2</i>	<i>-0.3</i>
<b>Fresh, refrigerated or frozen horse, donkey, mule, hinny meat</b>	<b>1.4</b>	<b>1.4</b>	<b>0.3</b>	<b>0.0</b>	<b>-1.1</b>	<b>-2.5</b>	<b>-77.7</b>	<b>0.0</b>	<b>0.0</b>
<i>including Russian Federation</i>	<i>1.4</i>	<i>1.4</i>	<i>0.3</i>	<i>0.0</i>	<i>-1.1</i>	<i>-1.3</i>	<i>-77.7</i>	<i>0.0</i>	<i>0.0</i>
<b>Fresh or dried grapes</b>	<b>14.5</b>	<b>17.0</b>	<b>20.1</b>	<b>2.5</b>	<b>3.1</b>	<b>17.5</b>	<b>18.2</b>	<b>0.1</b>	<b>0.1</b>
<i>Including Russian Federation</i>	<i>10.9</i>	<i>12.6</i>	<i>11.9</i>	<i>1.7</i>	<i>-0.7</i>	<i>15.2</i>	<i>-5.3</i>	<i>0.1</i>	<i>0.0</i>
<b>Fresh apples, pears and quinces</b>	<b>40.4</b>	<b>48.0</b>	<b>25.3</b>	<b>7.6</b>	<b>-22.8</b>	<b>18.9</b>	<b>-47.4</b>	<b>0.4</b>	<b>-0.9</b>
<i>including Russian Federation</i>	<i>37.8</i>	<i>43.7</i>	<i>9.0</i>	<i>5.9</i>	<i>-34.7</i>	<i>15.7</i>	<i>-79.5</i>	<i>0.3</i>	<i>-1.4</i>
<b>Fresh apricots, sweet cherries, sour cherries, peaches, plums and sloes</b>	<b>28.9</b>	<b>26.2</b>	<b>21.7</b>	<b>-2.7</b>	<b>-4.5</b>	<b>-9.5</b>	<b>-17.2</b>	<b>-0.1</b>	<b>-0.2</b>
<i>Including Russian Federation</i>	<i>27.2</i>	<i>21.1</i>	<i>11.5</i>	<i>-6.0</i>	<i>-9.6</i>	<i>-22.2</i>	<i>-45.5</i>	<i>-0.3</i>	<i>-0.4</i>
<b>Wine and grapes must</b>	<b>142.1</b>	<b>149.6</b>	<b>111.8</b>	<b>7.5</b>	<b>-37.8</b>	<b>5.2</b>	<b>-25.2</b>	<b>0.3</b>	<b>-1.6</b>
<i>including Russian Federation</i>	<i>40.5</i>	<i>34.4</i>	<i>10.2</i>	<i>-6.1</i>	<i>-24.2</i>	<i>-15.1</i>	<i>-70.4</i>	<i>-0.3</i>	<i>-1.0</i>
<b>Vegetables, fruits prepared or preserved by vinegar or acetic acid</b>	<b>4.6</b>	<b>3.0</b>	<b>1.3</b>	<b>-1.6</b>	<b>-1.7</b>	<b>-34.9</b>	<b>-55.9</b>	<b>-0.1</b>	<b>-0.1</b>
<i>including Russian Federation</i>	<i>3.8</i>	<i>2.5</i>	<i>0.5</i>	<i>-1.3</i>	<i>-2.0</i>	<i>-35.0</i>	<i>-80.4</i>	<i>-0.1</i>	<i>-0.1</i>
<b>Tomatoes prepared or preserved otherwise than by vinegar or acetic acid</b>	<b>1.3</b>	<b>1.2</b>	<b>0.7</b>	<b>-0.1</b>	<b>-0.5</b>	<b>-10.4</b>	<b>-42.2</b>	<b>0.0</b>	<b>0.0</b>
<i>including Russian Federation</i>	<i>1.1</i>	<i>1.0</i>	<i>0.4</i>	<i>-0.1</i>	<i>-0.6</i>	<i>-12.0</i>	<i>-58.1</i>	<i>0.0</i>	<i>0.0</i>
<b>Other vegetables prepared or preserved otherwise than by vinegar or acetic acid</b>	<b>14.7</b>	<b>14.3</b>	<b>12.9</b>	<b>-0.4</b>	<b>-1.4</b>	<b>-2.7</b>	<b>-10.0</b>	<b>0.0</b>	<b>-0.1</b>
<i>including Russian Federation</i>	<i>10.3</i>	<i>10.8</i>	<i>6.7</i>	<i>0.5</i>	<i>-4.2</i>	<i>4.9</i>	<i>-38.5</i>	<i>0.0</i>	<i>-0.2</i>
<b>Fruit juices and vegetable juices, unfermented without alcohol</b>	<b>34.2</b>	<b>52.6</b>	<b>38.2</b>	<b>18.4</b>	<b>-14.5</b>	<b>53.7</b>	<b>-27.5</b>	<b>0.9</b>	<b>-0.6</b>
<i>including Russian Federation</i>	<i>1.6</i>	<i>0.9</i>	<i>0.4</i>	<i>-0.7</i>	<i>-0.5</i>	<i>-41.4</i>	<i>-55.8</i>	<i>0.0</i>	<i>0.0</i>

Source: Author's calculations based on the data of the National Bureau of Statistics.



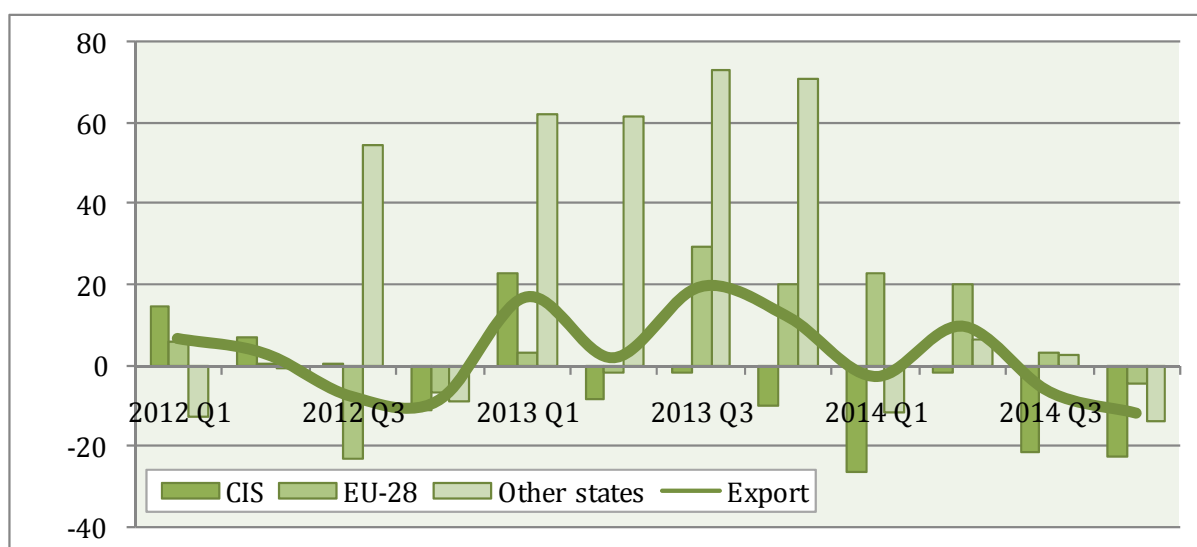
The influence of embargoes on other product categories was less significant, either because these products have a smaller concentration and the volumes supplied to the Russian market are lower or because the losses generated by the contracted deliveries to this market have been compensated by redirecting the supply to other markets.

Overall, both vegetables and meat exports increased during 2014. The deliveries of vegetables increased by about 2.5 million USD, which is approximately 19.9% compared to the previous year, totalling 15 million USD. The export of meat rose by approximately 88% compared to the previous year, which is about 35.3 million USD (the high in the last 10 years), i.e. approximately 1.5% of the total value of exports. It should be mentioned that the Republic of Moldova is a net importer of vegetables and meat, and in 2014 the deficit amounted to about 15 million USD and 19 million USD, respectively.

*In the category of meat products, the producers of beef and sheep meat depend the most on the Russian market. At the same time, while the first ones have registered a decrease in the deliveries to the Russian market comparing to the previous year, specifically the producers of fresh meat (from 11.9 million USD down to 4.7 million USD), the supply of sheep and goat meat and frozen beef (to the Russian Federation) increased by 39.6% and 25.5% respectively. The volumes of these products which are meant for export are relatively low: 648.9 tonnes of frozen beef, including 609.9 tonnes to the Russian Federation; 876.3 tonnes of sheep and goat meat, including 859.3 tonnes to the Russian Federation (according to the data of 2014). In 2014, the increase in meat export in comparison with the previous year was largely underpinned by the increased volumes of pork, from 87 kg (600 USD) in 2013 up to 5.2 thousand tonnes (22.3 million USD) in 2014, these being delivered mainly to Belarus (about 96.6%).*

***The economic crisis in Ukraine and Russia determined the decrease of the demand for Moldovan products.***

Based on the above-mentioned figures, we may conclude that the Russian embargoes imposed in 2014 and the increase in trade tariffs for some products imported from the Republic of Moldova underlain about half of the decrease in the exports of goods to the Russian Federation, compared to 2013. While, the rest of the losses may be explained by the general trend toward contraction of Russian imports, against the background of Russian economic stagnation and moderation in the growth rate of domestic consumption.



**Figure 4.8. Dynamics of exports by main destinations**

**Source:** According to the data of the National Bureau of Statistics.

Moldovan exports to the Russian market continued to register negative growth rates during 7 quarters consecutively, starting with the second quarter of 2013. In 2014 the product range that posted decreases compared to the previous year was much larger and included, besides agricultural and food products, also other products like ornaments, decorations, fittings of base metals for furniture, doors, ladders, windows etc. (by 97.6% or 26 million USD); spare parts and accessories for vehicles (by 85.3% or 18.4 million USD); tubes, pipes, hoses and accessories from plastic materials (by 48.9% or 2.6 million USD); machines and appliances for air conditioning (by 94% or 1.3 million USD less) and others.

The economic decline in Ukraine caused the contraction in Moldovan exports to this market by 22.2% compared to the previous year, influencing the total exports by 1.3%. The decrease in deliveries of sunflower seeds, products distilled from wine and grapes to Ukraine determined an annual reduction in the total exports value by 1.13%.

Following the negative trends in exports to the Russian Federation and Ukraine, the weight of the CIS countries has diminished to 31.4%, which is by 6.6 less compared to the previous year. On the account of the changes that took place, the weight of the EU partners increased by 6.5 percentage points during this period, given that in 2014 53.3% of exports were intended for this market. Otherwise, during this year Romania was in the top of main markets for products delivered from the Republic of Moldova, with a share of 18.6% from the total value of the exports.

However, despite this fact, the exports to the EU registered a relatively slow dynamics, compared to the prospects provided by the trade regime that Moldovan exporters may benefit from on this market. In the third quarter, deliveries to the EU slowed down the growth to 3% comparing with the same period of the previous year, and dropped down by 4.3% in October - January. The exports to Poland have been decreasing during all the four quarters. The exports to Italy reduced during the last two quarters of the year by 6.2% and 3.8% versus the comparable period of the previous year. During the last quarter there was a contraction in the deliveries of goods to the following countries: Germany (13.7%), France (17.4%), Switzerland (45.8%), Lithuania (13.3%) etc. Otherwise, the exports to destinations other than EU and CIS also diminished by 13.8% in the fourth quarter compared to the same period of the previous year.

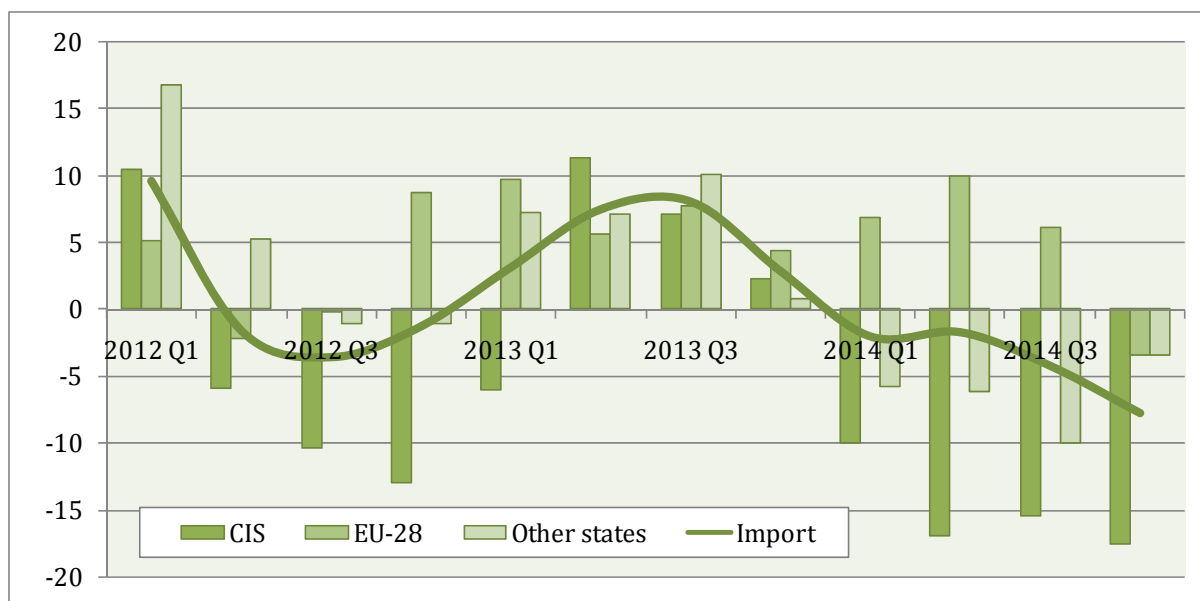
***The factors that had a positive influence on exports in 2014 are:*** the high volume of the agricultural production in 2013 and 2014 that allowed to maintain the upward trend on the account of increasing the exported volumes, especially cereals and sugar; the positive dynamics of the exports to the EU states that, at aggregated level, registered posted an annual growth of 9.6%. Supporting the increase of deliveries to this destination was possible due several factors, including on the account of positive trends in the clothing manufacturing, cable manufacturing, furniture manufacturing, and vegetable oils production.

### ***Imports***

Over the last years imports registered very modest dynamics, compared to those prior to the crisis of 2009, and this fact has been reflected in more moderate growing rates of the trade deficit in goods, which registered a decrease compared to 2013.

Like in the case of the exports, the determinant factor that influenced the value of imports in 2014 was the decrease in unit value. The imported inflation from the EU was low, because of the strong disinflationary pressures. Also there was a slowdown in price growth in China, wherefrom about 8.7% of the total value of imports originate. The volume of goods supplied by the CIS countries, mostly coming from the Russian Federation and Ukraine where, on the contrary, the inflationary pressures have increased, registered a significant decrease.

The dynamics of the fuel prices on the international markets influenced the unit value of petroleum products imported in the Republic of Moldova. The volume and value of the imported electric energy, coming preponderantly from Ukraine almost halved.



**Figure 4.9. Dynamics of imports by main origins**

**Source:** According to the data of the National Bureau of Statistics.

The rich harvest conditioned the increase in exports and, on the contrary, the decrease in imports (contributing to reduction thereof by 1.1 p.p.), which determined the increase in the positive balance of trade balance pertaining to agricultural and food products from 256.6 million USD in the previous year up to 367.6 million USD in 2014.

As well, in 2014 the import of non-food manufactured products decreased under the influence of several factors: the decrease in unit prices and the slowing down of both internal and external demand for products imported on the customs territory of the Republic of Moldova and re-exported afterwards. Overall, this group of products decreased by 0.3% compared to the previous year. At the same time, these were more resilient compared to the import of other large product categories (see table 4.8).

**Table 4.8. Structure and dynamics of exports by product groups, in 2014**

Name of product	Nominal value, mln. USD	Structure, %		Growth rate, YoY, %		Degree of influence on increase/decrease YoY, %	
	2014	2013	2014	2013	2014	2013	2014
<i>A</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
<b>Total</b>	<b>5317.0</b>	<b>100.0</b>	<b>100.0</b>	<b>5.4</b>	<b>-3.2</b>	<b>5.4</b>	<b>-3.2</b>
<b><i>Agricultural and food products</i></b>	<b>693.5</b>	<b>13.8</b>	<b>13.0</b>	<b>5.1</b>	<b>-8.2</b>	<b>0.7</b>	<b>-1.1</b>
<i>Fruits and vegetables</i>	117.8	2.3	2.2	-1.0	-6.6	0.0	-0.2
<i>Cereals</i>	74.6	1.5	1.4	-1.5	-9.0	0.0	-0.1
<i>Meat and meat products</i>	56.0	0.9	1.1	9.0	16.3	0.1	0.1
<i>Drinks</i>	57.3	1.4	1.1	12.6	-24.2	0.2	-0.3
<b>Fuels</b>	<b>1136.0</b>	<b>22.5</b>	<b>21.4</b>	<b>3.1</b>	<b>-8.1</b>	<b>0.7</b>	<b>-1.8</b>
<i>Coal, coke and briquettes</i>	17.4	0.5	0.3	11.9	-38.4	0.1	-0.2
<i>Oil, petroleum products and related products</i>	610.4	11.8	11.5	4.8	-6.0	0.6	-0.7
<i>Gas and industrial products from gas</i>	458.3	8.3	8.6	-7.8	0.1	-0.7	0.0

Table 4.8 – continue

<i>A</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
<b><i>Electric energy</i></b>	49.9	1.8	0.9	75.8	-50.3	0.8	-0.9
<b>Inedible crude materials, excluding sunflower seeds and fuels</b>	92.6	1.8	1.7	8.3	-5.0	0.1	-0.1
<b>Manufactured products</b>	3394.9	62.0	63.8	6.2	-0.3	3.8	-0.2
<b><i>Electrical machinery and appliances and parts thereof</i></b>	316.2	6.3	5.9	8.2	-9.0	0.5	-0.6
<b><i>Medicinal and pharmaceutical products</i></b>	275.0	4.7	5.2	17.2	5.5	0.7	0.3
<b><i>Yarns, fabrics and other textiles</i></b>	254.4	5.0	4.8	-2.1	-8.0	-0.1	-0.4
<b><i>Vehicles</i></b>	252.5	4.7	4.7	5.2	-1.3	0.2	-0.1

**Source:** Author's calculations based on the data of the National Bureau of Statistics.

### ***Challenges for the year 2015 and lessons learnt in 2014***

The challenges that relate to the evolution of the foreign trade in 2015 are major and many, and the year 2014 has taught a series of lessons on how to streamline the development strategies to both Moldovan entrepreneurs and authorities. The future success relies on the understanding of the mistakes from the past.

***Prerequisites for the increase in the supply of goods in 2015 are poor.*** Moldovan exports still highly depend on the development of the agricultural sector. During two straight years the climate conditions favoured a rich harvest, and therefore encouraged exports. Either because of the lack of the storage infrastructure or entrepreneurs' weak abilities of economic planning, or other reasons, during these two years we sold large volumes of agricultural products on foreign markets, in spite of the decreasing prices on the international markets, resulting in lower foreign currency receipts for the exporters. In 2015, the probability of having a lower harvest is high, so the exports might be negatively affected, if the downward trend in international market prices for agricultural and food products persists.

The uncertain political situation in the country, conditioned by the tightening of the monetary policy, creates prerequisites for intimidation of the business environment, of investments and production of goods.

***The risks and challenges related the foreign demand are still high.*** In addition to these, the situation in the trade relations between the Republic of Moldova and the Russian Federation remains uncertain, and to what extent the access of Moldovan agricultural and food products on this market will be restored. Under the conditions of the new trade regime, Moldovan products will become less competitive on the Russian market.

Due to the quality parameters, some products may be harder to export on European markets, where food security requirements are stricter.

The probability that the Russian Federation will face a recession in 2015 and maintained downward trend of the Ukrainian economy will affect overall the demand for products exported from the Republic of Moldova.

The decrease in imports releases their pressure on the current account balance, but influences negatively the fiscal revenues obtained from imported goods and foreign trade operations. Under these conditions it is absolutely necessary to stimulate the business environment so as to increase the taxable base in order to meet the budget expenses.

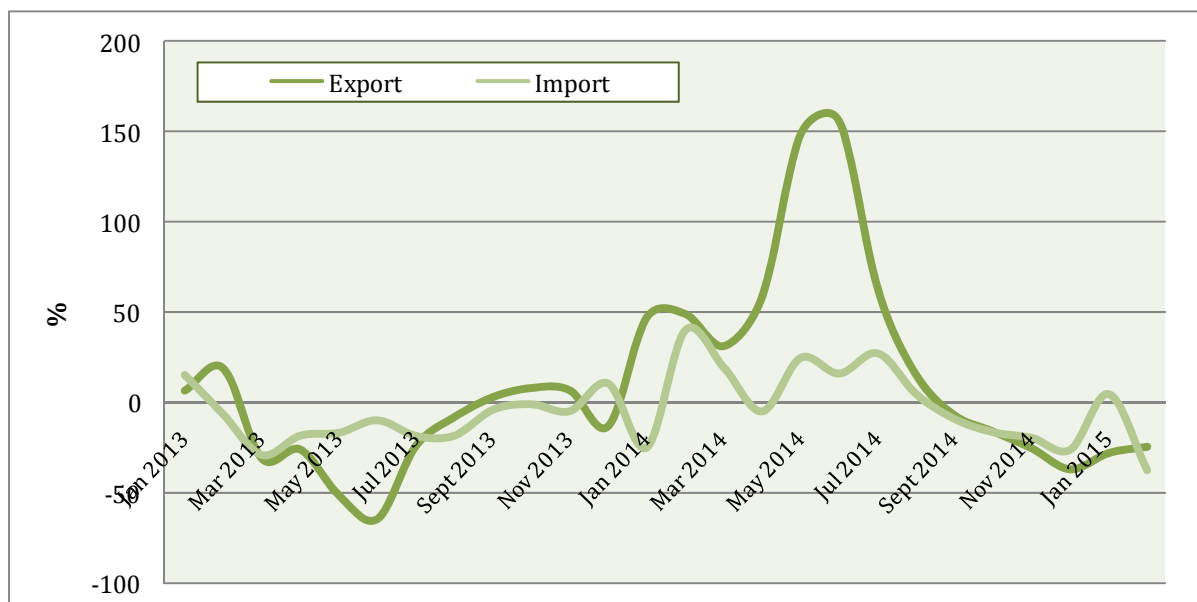
***Several important actions to be undertaken to diminish the consequences of the current risks and to increase the prospects for growth in the future.***

- The situation created in the trade relations between Moldova and Russia is yet another lesson for Moldovan producers: in an open economy an efficient export management is essential, and concentration on one market bears high risks that one needs to take. This is a rule that does not apply only to the Russian market, but is also valid in relations with other trade partners.
- Our natural resources must be managed efficiently. The land that we have would offer higher receipts from export and would lower the expenses for export if we deliver abroad not just wheat and corn of low quality, but higher quality cereals, flour and cereal products.
- Continuation of political crises and procrastination of structural reforms could result into a failure to implement the Association Agreement and thus miss the opportunities for development offered by it.

### ***Region of the Republic of Moldova to the left of the Dniester River***

Foreign trade of the region of the Republic of Moldova to the left of the Dniester River amounted to 2,349.7 million USD in 2014 (as declared by customs authority of the region, including trade to the right side of the territory of the Republic of Moldova), which is about one third (30%) of the value of foreign trade of the region to the right of the river. In 2014 the region exported goods worth 715.9 million USD, while imports equated to 1,634.7 million USD.

The amount of foreign trade of the region was on the rise comparing with the previous year. At the same time, infra-annual developments reflect synchronization in trends in the last quarter on both sides of the river. Moreover, in the fourth quarter, both exports and imports of goods in the Transnistrian region recorded a more pronounced downward trend compared to the last year (by -25.2% and - 20.9%, respectively).



**Figure 4.9. Monthly dynamics of imports and exports of the region from the left bank of the Dniester River, % (YoY)**

**Source:** According to the State Customs Committee of the region to the left of the Dniester River.

These trends determined an overall decrease in imports of goods in the region throughout the year. However, exports, due to the dynamics posted in the first half of the year, rose by 22% in comparison with 2013. This increase appears very high compared to developments recorded in the previous years, but when taking into account the low basis of comparison this growth rate seems less impressive.

Table 4.9. Structure and dynamics of imports by product groups in 2014

	2010	2011	2012	2013	2014
Export, mln. USD	584.9	691.8	696.6	586.9	715.9
Exports' growth rate, %	1.3	18.3	0.7	-15.7	22.0
Import, mln. USD	1294.6	1736.1	1800.2	1661.2	1634.7
Imports' growth rate, %	16.3	34.1	3.7	-7.7	-1.6
Trade balance of goods, mln. USD	-709.7	-1044.3	-1103.6	-1074.3	-918.8
Degree of imports coverage by exports, %	45.2	39.8	38.7	35.3	43.8

**Source:** Author's calculations based on data of the Ministry of Economic Development of the Transnistrian Moldovan Republic.

The structure of the foreign trade of the region differs from the cross-border trade of the other part of the territory, and factors that underpinned the change in the value of commercial transactions were, to some extent, of a different nature. Main trading partners for both imports and exports are represented by the CIS countries, especially those to the right of the Dniester River, i.e. the Russian Federation, Ukraine and Belarus. CIS countries absorbed 60.6% of the region's exports (decrease by 5.9 p.p. compared to last year), and provided 76.1% of imports (rise of 2.2 p.p. over the previous year). However, if we exclude the transactions with the region to the right of the river, these weights would diminish down to 22% and 69%, respectively.

About 31.5% of the total exports of goods of the region in 2014 pertained to supplies of metals and products thereof, exported mainly to the EU countries -Poland and Romania. Increasing by 98.9% compared to last year, the exports of this product category contributed in amount of 19 p.p. to the increase in the total value of exports over this year.

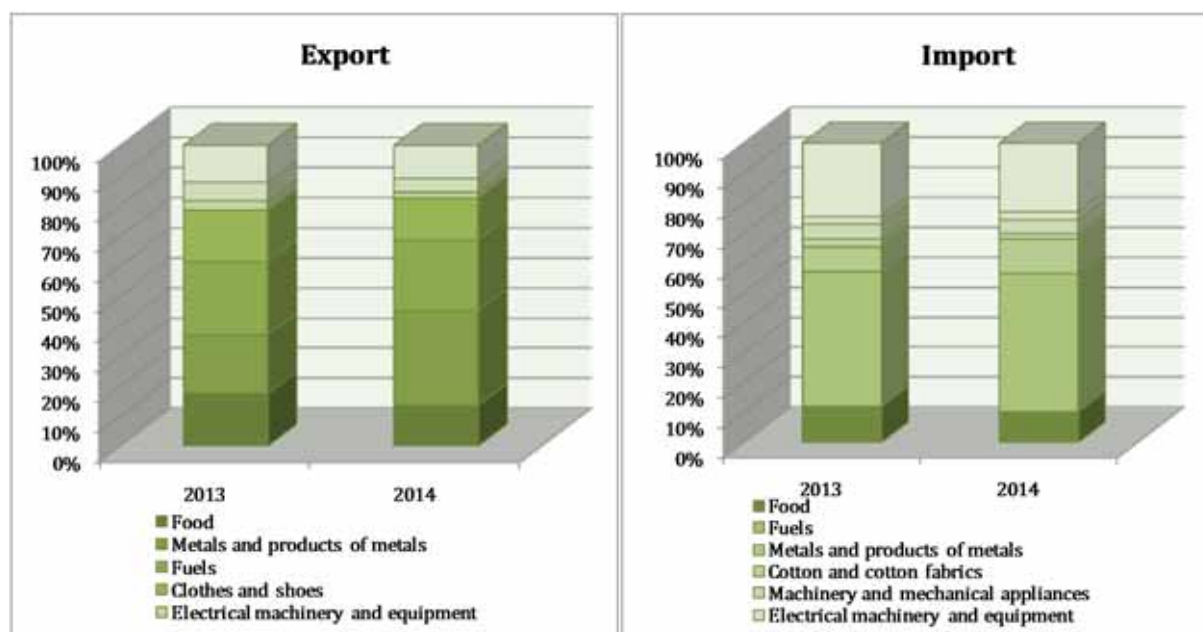


Figure 4.10. Structure of foreign trade of the region to the left of the Dniester River by product groups, %

**Source:** Author's calculations based on the data of the Ministry of Economic Development of the Transnistrian Moldovan Republic.

Similarly, there were increases in the exports of electrical energy and fuels in amount of 16.3% compared to last year, pertaining preponderantly to the electrical energy supplied to the territory of the Republic of Moldova from the right bank. The weight of this product category



accounted for 23.3% of the total exports. However, there were decreases in the exports of clothing, cotton and cotton fabrics and electrical appliances and equipment, which reduced the total growth of the exports of goods.

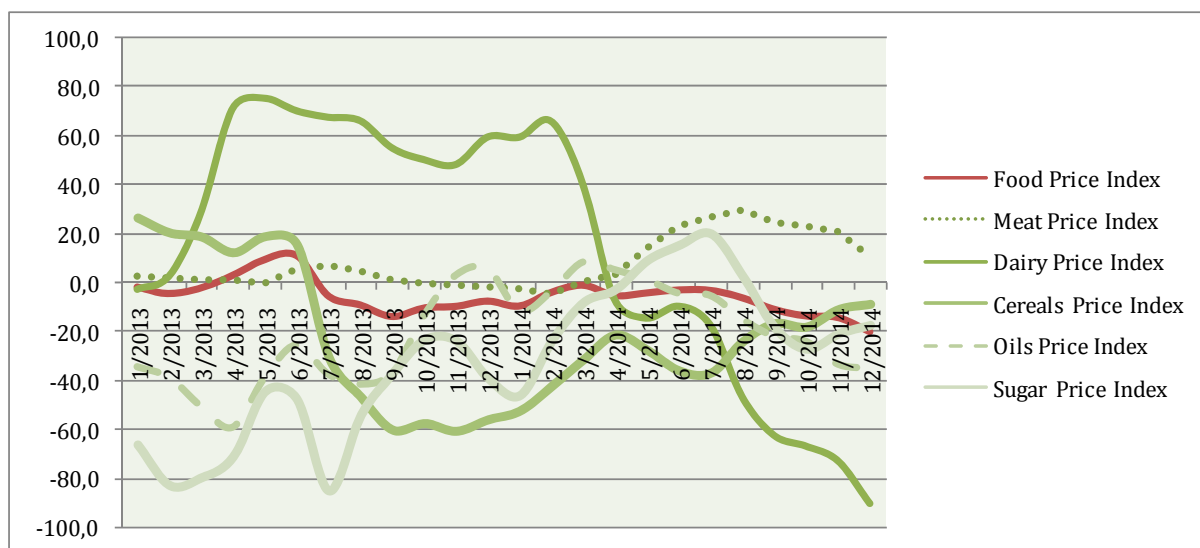
Exports to the Russian Federation declined by 2.7%, reducing the weight thereof down to 14% compared with 17.6% in 2013.

On the other hand, during this period there was a significant increase in exports to the rest of the country (+18.9%), Poland (by 2.9 times), Romania (by 79%), Turkey and Bulgaria by 2.1 times et. al.

Imports of goods declined for the second year consecutively. Their dynamics in 2014 were influenced negatively by contracting imports of agricultural and food products (-14.7%), including meat products, dairy products, oilseeds and alcoholic beverages. Other non-food products also recorded a more moderate growth, increasing only by 1.2% compared to last year, driven, amongst others, by decreased import of cotton and cotton fabric and electrical equipment by 32.5% and 6.9%, respectively. It needs to be mentioned that in 2014, 57.8% of the value of total imports consisted of mineral fuels (46.3%) and metals and products thereof (11.5%).

#### *Trends and policies in the countries that are the main economic partners of the Republic of Moldova*

In 2014, several economic and political events occurred which had a contradictory influence on world economy: the decrease in international prices of crude oil and agricultural and food products, strengthening of the American dollar and depreciation of national currencies of some countries, the political and military conflict in Ukraine etc. These factors had a direct influence on Moldovan economy, given that the foreign trade in goods is the main transmission channel.



**Figure 4.11. Annual growth rate of world prices for food products, % ( YoY )**

**Source:** According to FAO data.

Overall, according to the preliminary estimates of the World Bank, the world GDP increased by 2.6% in 2014, compared to the previous year (Global economic prospects, January 2015), – temperate growth rate maintained, with small deviations, during the period following the 2009 crisis.

Some states with a significant weight in the world economy, like USA, Great Britain succeeded in registering a relatively good performance in 2014, while other states showed backlogs with

regard to the main macroeconomic indicators. Eurozone, Japan, China, but also other small economies continued to face difficulties in their attempts to boost the economic growth.

Taking a look at the neighbouring countries of the Republic of Moldova, the situation is discouraging both in the West –as the EU struggles with the economic stagnation, and East – the political and military conflict in Ukraine and the economic crises in Russia. The data of the Statistical Committee of the CIS have shown a moderate annual growth of the GDP of the CIS members, which equals about 1% in 2014, or slowing down by 1.1 p.p. compared to the economic growth registered in 2014. The investment activity is precarious, the investments in fixed capital, in this region, showed a decrease of 2.6% compared to the similar period of the previous year (in 2013, investments registered an annual growth of 1,2%), inclusively 8,5% in Belarus, 2,5% in Russia [*Ibidem*], 23% in Ukraine, declines that will be felt soon.

**Table 4.10. Development trend of the main economic partners of the Republic of Moldova (% YoY )**

Indicator/ Country	Period	USA	EU-28	Romania	Russian Federation	Ukraine
<b>GDP</b>	<b>Q. III 2013</b>	2.3	0.5	4.0	1.3	-1.1
	<b>Q. IV 2013</b>	3.1	0.9	5.0	2.1	3.4
	<b>Q. III 2014</b>	2.7	1.2	2.9	0.9	-5.4
	<b>Q. IV 2014</b>	2.4	1.3	2.6	0.4	-14.8
<b>Unemployment rate</b>	<b>Q. III 2013</b>	7.2	10.9	7.1	5.2	7.6
	<b>Q. IV 2013</b>	7	10.7	7.1	5.5	7.7
	<b>Q. III 2014</b>	6.1	10.1	6.7	4.9	9.3
	<b>Q. IV 2014</b>	5.7	9.9	6.6	5.2	9.7
<b>Annual inflation rate</b>	<b>Oct. 2013</b>	1.0	0.9	1.2	6.3	-0.1
	<b>Nov. 2013</b>	1.2	1	1.3	6.5	0.2
	<b>Dec. 2013</b>	1.5	1	1.3	6.5	0.5
	<b>Oct. 2014</b>	1.7	0.5	0.8	8.3	19.8
	<b>Nov. 2014</b>	1.3	0.3	1.5	9.1	21.8
	<b>Dec. 2014</b>	0.8	-0.1	1.0	11.4	24.9
<b>Export of goods</b>	<b>Q. III 2013</b>	2.7	7.1	21.6	4.2	-9.1
	<b>Q. IV 2013</b>	4.0	5.9	18.9	-0.2	-3.8
	<b>Q. III 2014</b>	4.2	-1.2	6.1	-4.0	-14.3
	<b>Q. IV 2014</b>	-	-	-	-	-
<b>Import of goods</b>	<b>Q. III 2013</b>	1.6	-1.2	11.2	0.0	-1.7
	<b>Q. IV 2013</b>	1.1	-1.1	9.8	-0.1	-6.8
	<b>Q. III 2014</b>	3.7	1.6	4.1	-7.9	-37.8
	<b>Q. IV 2014</b>	-	-	-	-	-

**Source:** According to the OECD, Eurostat, CIS STAT data and national statistical offices of Russia and Ukraine.

**Note:** The unemployment rate for Ukraine is presented according to the official data of Ukraine and reflects the value of this indicator at the beginning of the year (cumulatively).

### *The United States of America*

In the post-crisis period (2010-2014), the economy of the USA registered an average annual growth of 2.3%; in 2014, the real GDP growth amounted to 2.4%.

During the last quarter, the annual inflation rate was 0.6% – this low rate is explained by the reduction in the oil prices and the appreciation of the dollar. The unemployment rate in QIV was equal to 5.7%, decreasing from 6.7% in January of the same year.

The industrial production index increased by 4.5% compared to the previous year. Meanwhile, the exports of goods slowed down the growth rate from 4.0% in QIV of 2013 down to 1.1% in the similar period of 2014. Imports grew at an annual rate of 3.6% in QIV. The differences in growth rates of the two trade flows are explained by the strengthening of the US dollar which stimulates imports and discourages exports. The US trade balances, during 2014, increased its negative balance from 39.1 billion USD (January) to 46.5 billion USD (December).

### *EU - 28*

In 2014, the euro zone economy slightly accelerated the economic growth, compared to the last year developments. In the last two quarters, the GDP volume was on the rise by about 1.2% and 1.3% compared to last year. The highest evolutions in the last quarter were registered in such countries as Hungary (3.4%), Poland (3.2%), United Kingdom (2.7%), Romania (2.7%), Sweden (2.6%), Estonia (2.6%) etc. However, major European economies, such as Italy (-0.5%), Austria (-0.2%), Finland (-0.2%), posted negative quarterly developments comparing with the same period last year. It is worth mentioning that there are signs of economic recovery recorded by certain economies severely affected by the 2009 crisis. Spain, for example, achieved an annual growth rate of 2.0% QIV of 2014, compared to - 0.1% in QIV of 2013. Also the Greek GDP manages to correct its economic development, posting an annual increase of 1.3% in QIV of 2014 compared to -3.1% in the same period of the last year.

The annual inflation rate in the EU 28 was 0.6% in 2014, with the highest values in Austria and Romania, and negative values in such countries as Bulgaria (-2.3%), Greece (-1.7%), Spain (-0.2%). The unemployment rate remains high in Greece (26%), Spain (24%), and Portugal (16%). The European Commission reports forecast an improvement of the European economies due to the decrease in the oil prices, unless the banks will increase the interest rates under the influence of the inflationary expectations. In addition, the monetary policies agreed at European level and materialized in the EU Investment Plan aim mainly at keeping the interest rates at a low level, in order to encourage consumption and investments. In the last two years, the driver of growth – although modest – of the European economies was the external private consumption, as well as stimulating policies of the European authorities.

### *Romania*

In 2014, the economy of Romania grew by 2.9% compared to the last year. In October-December 2014, the real GDP growth equated to 2.6<sup>12</sup>%, posting slower than in the same period of 2013 (5.0%). Overall, in 2014, the GDP grew only under the impulse of final consumption (3.6 p.p.), and this, under the conditions of negative contribution of investments (-0.7) and nil influence from net exports.

The generous harvest, but especially the decrease in oil prices determined a general price reduction. The annual inflation rate in 2014 was 1.4%, the lowest rate after the 2008 crisis. The average unemployment rate was 6.8%, posting during the year a decreasing trend, i.e. from 7% in January to 6.5% in December. After 2012, when Romania's economy has tempered the growth to only 0.6%, followed an overall rebound, stimulated and maintained by agriculture and industry, in the production area, and by the increasing exports of goods and services, in terms of GDP uses. The growth rates of exports in the last two years (14% and respectively 6%) exceeded the growth rate of imports in that period (4.6% and 5.8%), which determined a reduction of the negative balance in the trade balance.

### *Russian Federation*

In 2014, the Russian Federation registered the most modest economic development after the 2009 crisis, with a GDP increase of only 0.6%, in comparison with the same period of the last

<sup>12</sup> Seasonally adjusted series.

year. The main sources for the creation of the national added value remain trade activity (17.5% of GDP), manufacturing (15.2%) and real estate transactions (10.5%). At the same time, in some areas of activity, the created added value recorded decreases, in comparison with the same period of the last year: inclusively, constructions, that declining for the second straight year – (-5,2%), hotel and restaurants sectors – (-2.4%), production and supply of electricity, gas and water (-0.1%), education (-0.7%) etc.

According to the federal service of statistics of the Russian Federation, final consumption has significantly slowed down, and the index of physical volume of final household consumption decreased from 103.7% in the I quarter down to 100.8% in the second and third quarters.

In 2014, the Russian economy has encountered various constraints. The reduction in international oil prices has affected the current account of the balance of payments, exerting depreciation pressures on the Russian ruble. The nominal rate of the Russian ruble has depreciated by about 20% against the US dollar and by around 20% against the euro.

In 2014, gross investments accounted for 20.1% of Russia's GDP; posting over the last year an average monthly decline rate of 4.3% (YoY), which could be explained, inclusively by the limited access of the population and companies to foreign funds as a result of West's sanctions, but also by the overall situation of uncertainty in the economy.

In comparison with the results of the western partners, the inflation rate in the Russian Federation has reached the highest rates after the 2008 crisis; the CPI amounted to 111.4% comparing with the previous year. As result of the Russian sanctions on imports from certain markets and against the background of increasing mitigation in the output of goods-sector the overall demand for goods was affected, which determined a greater increase in prices.

After the 2009 crisis, when a sharp decrease (over 30%) was registered, in 2010-2011 the goods export began to quickly recover. In 2011, the level of exports, attested in 2008 was reached and even outstripped. In 2012-2013, the nominal value of exports has significantly tempered the growth, and in 2014 recorded a decline of approximately 5.8% (according to customs statistics on external trade of the Russian Federation).

The same dynamics were posted by imports of goods. In the first 2 post-crisis years, the Russian economy increased its imports by 34% and 30% respectively (YoY), followed by a sharp reduction in the growth rate in 2013 (+ 1.7%) and ending the five-year cycle with a negative rate of -9.8% comparing with the previous year.

In 2014, the unemployment rate in the Russian economy registered the lowest level attested over the last 10 years, dropping to 5.2%. In the third quarter it reached a minimum of 4.8%. The modest annual growth rates of the last two years (1.3% in 2013 and 0.6% in 2014), the annual rate of unemployment (5.5%) maintained during the last 3 years at this historically minimum level, concomitantly with the mitigated real growth rate of household disposable incomes are arguments in favour of the assumption that the Russian economy operates at its potential level. In addition to this, the population and enterprises mistrust in macroeconomic policy, promoted in the last two years, indicates the need for Russia to restructure its economic paradigm.

### *Ukraine*

After the 2008 crisis, during the following two years, Ukraine has registered annual economic growth of 4.1% and 5.3%. At the same time, by the end of 2012, Ukraine fell into recession. After five quarters of negative economic growth, in the last quarter of 2013 the GDP volume grew by 3.3%, due to this, the GDP was at the same level with the one of the previous year. Ukraine opened the year 2014 with Euromaidan, followed by annexation of Crimea to the Russian Federation and the outbreak of the military conflict in the South-Eastern part of the country. The military clashes were decisive for further economic development, Ukraine falling back into

recession, posting a GDP decrease of 6.8% compared to the previous year, mainly conditioned by the annual GDP reduction in Q.IV by 14.8%.

Industrial production declined by 16.8% in Q.IV, and overall there was an annual decline of 11% in 2014. The annual inflation rate was continuously increasing throughout 2014, culminating in December with an increase of 24.9%.

In January-September, the unemployment rate amounted to 9.3%, rising by 1.7 p.p. comparing with the previous year. Other macroeconomic indicators also declined. Thus, exports of goods decreased by 13.5% in 2014, posting a dramatic decline of 29% in Q.IV. Ukraine's imports decreased in the last three months of 2014 at an annual rate of 37%.

## Chapter V

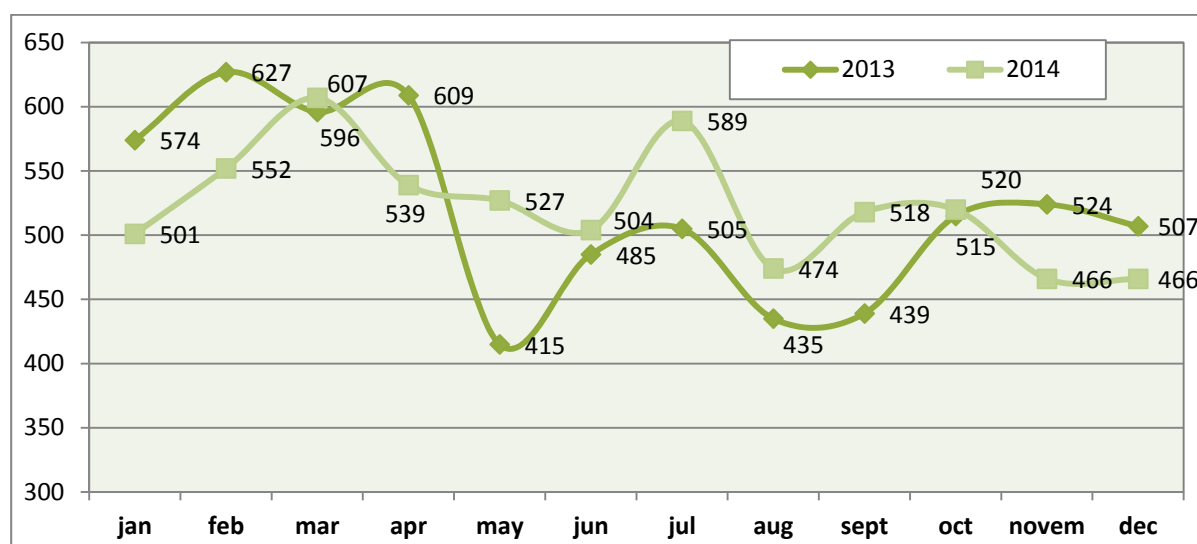
### BUSINESS ENVIRONMENT

#### *Dynamics of enterprises registered and deregistered in 2013-2014.*

According to the data of the State Registration Chamber, as of February 01, 2015 the State Register included information about 168,273 legal entities and individual entrepreneurs.

The number of enterprises registered with the State Registration Chamber declined slightly in the fourth quarter of 2014 compared to the same period last year, this index amounting to 93.9%. At the same time, it decreased by 8.1% compared to the third quarter of 2014.

Overall, the number of enterprises registered in 2014 marked an insignificant increase of 0.5% compared to the previous year. Thus, according to the data of the State Registration Chamber, 6,263 new enterprises were put on record in the State Register in 2014.



**Figure 5.1. Dynamics of the number of enterprises registered in the period 2013-2014**

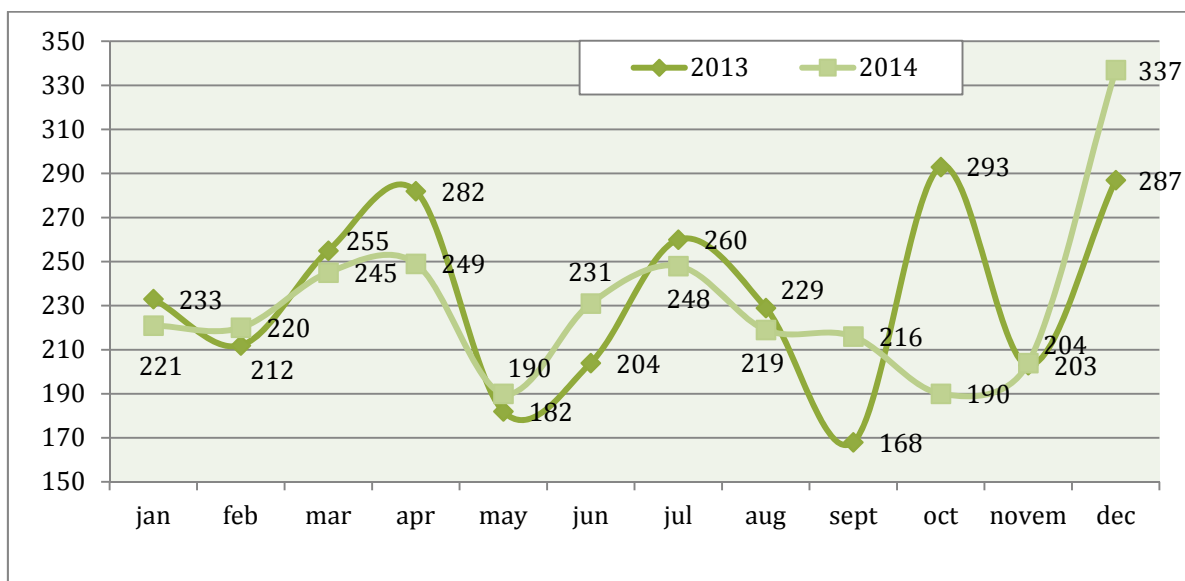
**Source:** According to the data of the State Registration Chamber.

Despite the slow dynamics of newly registered enterprises in 2014, a good indicator is the reduction in number of deregistered enterprises. Thus, in 2014, the number of enterprises that were deregistered totalled 2,770 units, posting a 1.4% decrease compared to 2013. Including in the last quarter of the year, the number of deregistered enterprises amounted to 731 units or by 6.6% less compared to the same period last year.

According to the State Registration Chamber, the dynamics of the number of registered and deregistered enterprises during the years 2013-2014 posted a less positive performance. In 2014 the number of registered enterprises exceeded by 2 times the number of liquidated/deregistered (officially excluded from the Register) ones and the net increase in the number of enterprises amounted to 3,493 units, however, in comparison with the previous year, this indicator increased insignificantly, equating to 102% compared to the level posted in 2013 (see Table 5.1). At the same time, on average the monthly number of registered enterprises increased (521.9 units), while the number of companies removed from the register decreased (from 234 in 2013 to 230.8 in 2014). Here, it is necessary to take into account that the enterprises registration procedure is relatively easy, whilst the procedure pertaining to official closing of the business is extraordinary complex



and long-lasting. This could also indicate that not all entrepreneurs who have ceased the activity and intend to close down the business managed to achieve it.



**Figure 5.2. Dynamics of the number of enterprises deregistered in the period 2013-2014**  
**Source:** According to the data of the State Registration Chamber.

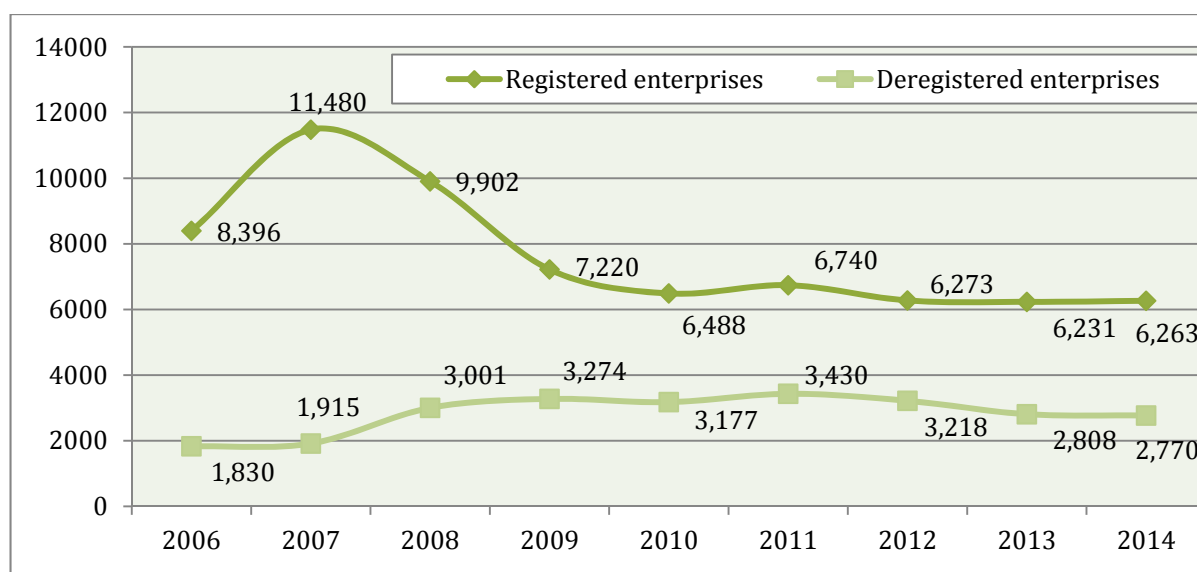
**Table 5.1. Number of enterprises registered and liquidated/deregistered in 2012-2014, according to the data of the State Registration Chamber, units**

Period	2014			2013			2012		
	Registered Enterprises	Deregistered Enterprises	Net	Registered Enterprises	Deregistered Enterprises	Net	Registered Enterprises	Deregistered Enterprises	Net
Jan.	501	221	280	574	233	341	496	270	226
Feb.	552	220	332	627	212	415	562	284	278
March	607	245	362	596	255	341	699	298	401
April	539	249	290	609	282	327	451	219	232
May	527	190	337	415	182	233	559	271	288
June	504	231	273	485	204	281	489	270	219
July	589	248	341	505	260	245	438	362	76
Aug.	474	219	255	435	229	206	445	288	157
Sep.	518	216	302	439	168	271	495	195	300
Oct.	520	190	330	515	293	222	564	211	353
Nov.	466	204	262	524	203	321	584	207	377
Dec.	466	337	129	507	287	220	491	343	148
<b>Total</b>	<b>6,263</b>	<b>2,770</b>	<b>3,493</b>	<b>6,231</b>	<b>2,808</b>	<b>3,423</b>	<b>6,273</b>	<b>3,218</b>	<b>3,055</b>
<b>Average in 12 months</b>	<b>521.9</b>	<b>230.8</b>	<b>291.1</b>	<b>519.25</b>	<b>234</b>	<b>285.2</b>	<b>522.8</b>	<b>268.2</b>	<b>254.6</b>

**Source:** Author's calculations based on the data of the State Registration Chamber.

In the period 2006-2014 there was a trend toward a slight decrease in the number of registered enterprises. Compared to 2006, when there were 8,396 registrations throughout the country, in 2014 this indicator dropped to 6,263 registrations, posting a decrease of 25.4%.

On the other hand, compared to 2006 when 1,830 enterprises were removed from the State Register at the country level, in 2014 there were 2,770 de-registrations, showing a rise of approximately 51.3%.



**Figure 5.3. Dynamics of registrations and de-registrations of the State Register, 2006-2014, units**

*Source:* According to the data of the State Registration Chamber.

***Business development indicators in the region from the left bank of the Dniester River***

The overall number of enterprises/organizations registered in the Single State Register of Enterprises and Organizations of the region from the left bank of the Dniester River, at the end of 2013, amounted to 10,352 units. In 2013 their number increased by 9.3% compared to 2009.

**Table 5.2. Number and classification of enterprises/organizations in the region to the left of Dniester River at the end of 2013**

Indicator	2013
<b>Number of enterprises/organisations, units</b>	<b>10,352</b>
Including, by form of ownership, %:	
State and municipal, %	11.7
Mixed ownership, %	5.7
Ownership of public organizations, %	11.8
Private, including:	70.7
Foreign ownership, %	1.3
Mixed without participation of foreign capital, %	1.7
Mixed with participation of foreign capital, %	2.13
<b>Including, by type of activity, %:</b>	
Industry	9.4
Agriculture	6.3
Transport and communications	1.9
Constructions	5.7
Trade and public catering, general commercial activities	35.1
Housing and communal services	5.1
Real estate transactions	2.4
<b>Including: number of small business sector enterprises, units</b>	<b>4,732</b>

*Source:* According to data of the Statistic Yearbook, 2013.

Enterprises of the small business sector represent a small proportion of 45.7% of the total number of businesses/organizations, and their number slightly increased compared to the previous year. Thus, during this period, 4,732 enterprises operated in the region from the left bank of the Dniester River, which is 1.5% more compared to the previous year.

The data on the development of small business from the left bank of the Dniester River are not comparable with the data of the NBS of Moldova, given that the region to the left of the Dniester River uses a different classification of enterprises by sector and has distinct criteria for small business sector enterprises (organizations whose form of ownership is not state property and with a number of employees not exceeding 100 persons).

Table 5.2., illustrates some indicators characterizing the activity of enterprises and organizations in the region to the left of Dniester River.

There are some significant discrepancies in the structure of enterprises by forms of ownership between the left bank of the Dniester River and the RM. Thus, state- and municipally-owned enterprises and public organizations from the left bank of the Dniester River account for nearly a quarter (23.5%) of the total number of registered enterprises and organizations, considerably exceeding thus the weight of enterprises with public ownership (state and municipal) of the RM, which represent only 2% of the total number of enterprises.

## Chapter VI

## SOCIAL SECTOR

**Demographic situation.** One of the demographic trends that characterized the year 2014 was the increase in the death rate superior to the increase in the birth rates, which conditioned the negative natural increase in the population.

In 2014 the annual number of resident population in the Republic of Moldova continued the downward trend posted in the previous years. Thus, in this period the value of this indicator amounted to 3,556.4 thousand persons, while as of 1 January 2015 there was a lower number of resident population recorded – i.e. 3,555.2 thousand persons. Reduction in this indicator at the country level occurred against the background of exacerbated natural population decline, a trend that characterized predominantly rural areas.

In 2014, the total number of *live births* in the country was 38,622 persons, increasing by 2.0% compared to the previous year (in 2013 this indicator was 37,871 pers.). The birth rate was 10.9 births per 1,000 inhabitants.

The number of *deceased* amounted to 39,489 persons. The overall mortality rose by 3.8% compared to last year (in 2013 the number of *deceased* was 38,060 persons). The death rate was 11.1 deaths per 1,000 inhabitants. *The number of deaths of children aged under 1 year* in this period was 368 persons, decreasing by 10 persons in comparison with the previous year. The infant mortality rate was 9.5 deceased aged under one year per 1,000 live births.

As a result of these developments, in 2014 the natural decrease in population amounted to 867 persons, exceeding by 4.6 times the level of this indicator posted in the previous year (in 2013 this indicator was 189 persons). From the territorial perspective the values of this indicator reflect major discrepancies (see Table 6.1). While the natural increase in population registered positive values in the mun. Chisinau and ATU Gagauzia, in other regions of the country: North, Centre, South it posted pronounced negative values. These dynamics can be explained, amongst other things, by the differences that exist between rural and urban areas in terms of health care quality and incomes of population.

**Table 6.1. Demographic processes by development regions in 2014, thousand persons**

	Live births, persons	Deceased persons	Deceased infants, persons	Natural increase	Number of marriages	Number of divorces
<b>Municipality Chişinău</b>	9,843	6,400	117	3,443	6,456	2,677
<b>North</b>	10,048	12,864	98	-2,816	6,279	2,884
<b>Center</b>	11,506	12,222	94	-716	8,050	3,464
<b>South</b>	5,274	6,179	49	-905	3,614	1,520
<b>A.T.U. Găgăuzia</b>	1,902	1,814	10	88	1,209	459

**Source:** According to the data of the National Bureau of Statistics.

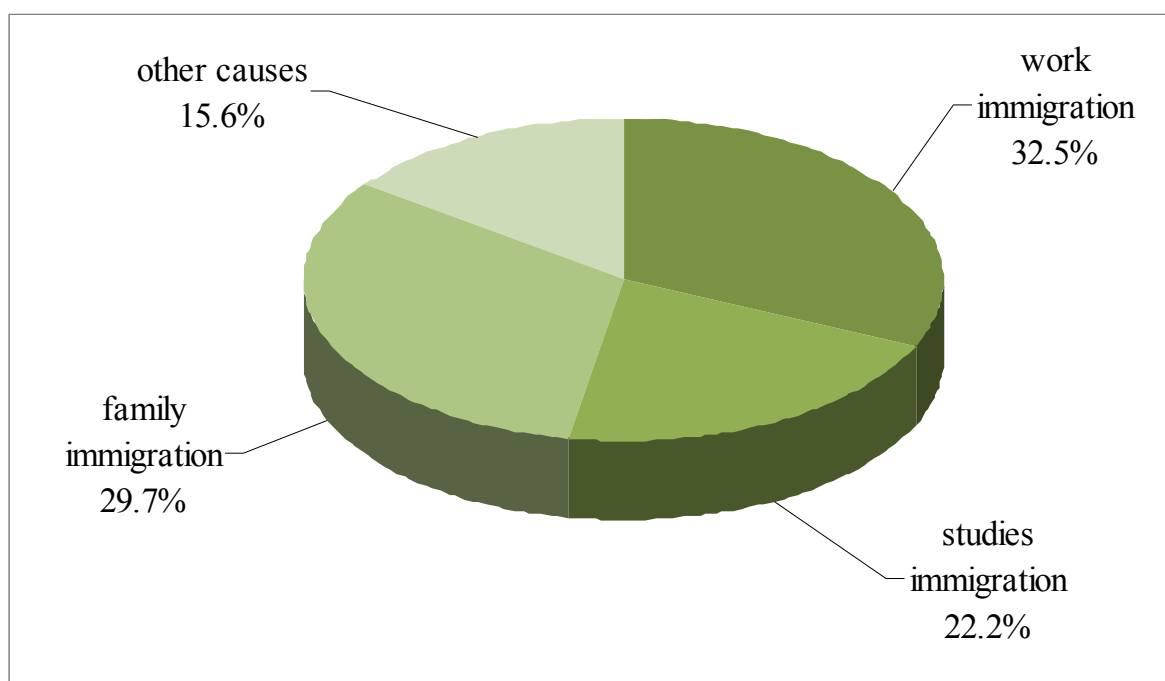
Structure of mortality by causes of death reveals that most deaths, about 57.8% were caused by diseases of circulatory apparatus. Malign tumours caused the death of 15.2% of the total number of deceased, digestive system diseases – 9.1%, accidents, intoxications and traumas – 7.6%, respiratory diseases – 4.4%, other – 5.9%.

A positive indicator that characterized the demographic developments in 2014 was the increase in number of marriages with a higher rate than the increase in divorces, as well as the increase

in marriage rates to 7.2 marriages per 1,000 inhabitants. The total number of *marriages* in the country was 25,624 in 2014, increasing by 4.8% in comparison with the previous year. At the same time, the number of *divorces* amounted to 11,090, which is by 2.9% more than in the previous year. The divorce rate during this period was two times lower than that of marriages, equating to 3.1 divorces per 1,000 inhabitants.

**Migration of population.** In 2014, according to the Ministry of Internal Affairs, 4,187 foreign citizens and 440 repatriated received residence permits (permanent and temporary). Some foreigners immigrated to the Republic of Moldova for work, i.e. about 32.5%, others for family reasons – 29.7%, education – 22.2%, other reasons – 15.6%, etc.

Also the countries of origin of the immigrants varied: Romania – 852 persons, Ukraine – 534 persons, Israel – 525 persons, Russian Federation – 516 persons, Turkey – 421 persons, Italy – 206 persons, United States of America – 199 persons, Germany – 59 persons, France – 42 persons, India – 40 persons, Azerbaijan – 37 persons, Bulgaria – 37 persons, other countries – 685 persons.



**Figure 6.1. Foreign citizens, by purpose of arrival in the RM in 2014, %**

**Source:** According to the data of the Ministry of Internal Affairs.

According to official data of the Ministry of Information and Communication Technology, the number of Moldovans who emigrated in 2014 to settle down abroad amounted to 2,374 persons. About half of them went abroad to settle down in the Russian Federation – 788 persons and Ukraine – 602 persons. The number of citizens of the Republic of Moldovan who emigrated to other destinations was essentially smaller: 285 persons to USA, Germany – 223 and in Israel – 210. Most emigrants, both women and men, were part of the economically active population, aged from 15 to 44 years.

**Internal migration.** During 2014, 35.8 thousand persons changed their place of residence within the country. Internal migration intensity can be measured by the number of arrivals and departures per 1,000 inhabitants. In 2014 the population mobility index recorded a value of 10.1 persons per 1,000 inhabitants compared to 9.4 in 2013. The intensity of departures was higher in 18 districts compared to the average at the country level. The largest relative number of departures was found in the following districts: Dondușeni, Florești, Fălești, Râșcani, Soroca,

Călărași, Rezina, Telenеști, Ungheni, Șoldănești, Căușeni, Cantemir and Leova (10-14 departures per 1,000 inhabitants) and 16 departures per 1,000 inhabitants in the district Dubăsari. The lowest number of departures, by the way the same situation was observed in the previous year, was recorded in Balti, Ialoveni, Taraclia and ATU Gagauzia (less than 8 departures per 1,000 inhabitants). The intensity of arrivals was higher in Chisinau (16) and Dubasari district (17 arrived per 1,000 inhabitants), while in absolute terms, most arrivals were registered in Chisinau (13 thousand persons), Balti (1.3 thousand persons) and Cahul and Ungheni districts (almost 1.0 thousand persons). The number of administrative-territorial units that posted a positive internal migration balance is small; among these were municipalities Chisinau and Balti, and the districts Dubasari and Ialoveni.

The demographic profile of persons who have been the subject of internal migration processes in 2014 could be characterized as being predominated by the population of working age (over 90%), mainly between 20-49 years, mostly women (58% of migrants). Approximately 2/3 of the total number of migrants came from rural areas.

**Labour market.** The economically active population of the Republic of Moldova in 2014 was 1,232.4 pers., decreased by 0.3% (3,5 thousand pers.) compared to 2013. The activity rate of the population aged 15 and over, with slight variations, remained at the previous year – 41.2%. Due mainly good evolutions in agriculture, employed population has increased compared to previous year by 1%, which represents an increase of 12 thousand people. The number of unemployed, estimated according to ILO methodology was 47.5 thousand pers., by 15.6 thousand less than in 2013, leading to a reduction in the unemployment rate from 5.1% in 2013 to 3.9%.

In the fourth quarter of 2014, the *economically active population* of the Republic of Moldova amounted to 1,153.4 thousand persons, decreasing by 4.3% (52.4 thousand persons.) in comparison with quarter IV of 2013. During this period, the weight of employed population increased from 95.9% to 96.5% compared to the QIV of the previous year. There were no important disparities by genders and areas amongst economically active persons: the weight of men (50.2%) was comparable to that of women (49.8%), while the weight of economically active persons from rural areas was commensurate with that from the urban area, posting 52.0% and 48.0%, respectively.

*Activity rate of population aged 15 and over* was 38.6%, registering a decrease comparing with QIV of 2013 (40.4%). At the same time, this indicator posted relatively higher values among men – 40.9% and among urban population, about 43.2%. Likewise, this indicator reflected higher values when being assessed based on the number of active population aged 15-64 years (working age in EU countries according to Eurostat methodology) – 42.8%.

*Employed population* comprised 1,113.1 thousand persons, decreasing by 3.7% compared to QIV of 2013 and remained at a low level compared to the similar period of 2011 and 2014. Similarly to economically active population in the structure of employed population there were no major disparities by genders or origins in terms of residence areas, thus with a very little difference women (50.3% of total) and persons from rural areas (52, 4%) prevailed.

*The employment rate of persons aged 15 and over* was 37.2%, posting a slight decrease (1.5 p.p.) in comparison with QIV of 2013. That of men was higher (39.0%) compared to women – 35.6%. In terms of distribution by residence area, the employment rate equated to 41.3% in urban areas and to 34.2% in rural areas. The employment rate of the working age population (16-56/61 years) was 43.9% that of the population aged 15-64 years – 41.3% and in the age group of 15-29 the value of this indicator equalled 26.1%.

In the fourth quarter of the year, slightly more than a quarter of the employed population worked in the agricultural sector, about 297.7 thousand persons, despite the fact that this number decreased compared to the previous year by 13.9 thousand persons or 4.5%. The number



of persons employed in non-agricultural activities (815.4 thousand), in relative terms, decreased more moderately – 3.5%, while in absolute values the difference amounted to 29.4 thousand persons compared to same period last year.

The number of employed persons in *non-agricultural activities* amounted to 815.4 thousand, posting a decrease of 29.4 thousand or 3.5% in comparison with QIV of 2013. The share of persons employed in *industry* was 13.4% (12.2% in 2013) and in construction – 5.2% (5.8% in 2013). The number of persons employed in industry rose by 5.3%, while the number of those employed in construction fell by 14.4%, compared to the levels of the previous year. In the *services* sector worked 54.7% out of the total employed, i.e. this share decreased by 0.3 p.p. compared to QIV of 2013, while, in absolute terms, the number of persons employed in the services sector fell by 27.3 thousand.

According to the NBS estimates, in the last quarter of the year about 17.7% of the total employed in the economy worked in the *informal sector*, and 31.0% had an *informal job*.

According to official estimates (based on the methodology of the International Labour Office), in 2014, both in the fourth quarter and the first three quarters of the year the number of unemployed declined compared to the same periods last year. In the last quarter, their number was estimated at 40.2 thousand persons, a decrease of 9.1 thousand compared to QIV of 2013. Unemployment hit a higher proportion of men – 65.4% out of total unemployed, and persons from urban areas – 58.4%.

*The unemployment rate* at the country level accounted for 3.5% in QIV, increasing by 0.2 p.p. compared to the previous period, but decreasing by 0.6 p.p. compared to the same period last year. Major disparities in terms of this indicator were observed in rural areas -2.8%, compared to 4.2% in urban areas; also it was lower among women (2.4%) than amid men (4.5%). Significantly higher values of unemployment rate were recorded amid youth (7% for young people aged 15-29 years), especially those age dup to 24 years (8.7%).

*The number of officially registered unemployed* in January-December 2014 amounted to 42 166 persons, according to the data of the National Agency for Employment. Women accounted for 50.4% (21,244 persons) of the total number of unemployed. The number of officially registered unemployed who worked as manual workers was 17,161 persons, of which 7,810 were women. The number of officially registered unemployed who worked as civil servants equalled 5,445 persons, of which 3,306 were women. Unemployed persons that had previously been employed amounted to 13,303 persons, of which 6,630 were women. Unemployed persons that have returned to labour market after a break equalled 9,303 persons, of which 4,486 were women. Unemployed persons who were looking for a job for the first time equated to 19,560 persons, of which 10,128 were women.

**Table 6.2. Number of unemployed registered with the NAE  
in January-December 2014, persons**

Indicators	Registered		Employed	
	Total	Women	Total	Women
<b>Number of unemployed – total</b>	<b>42,166</b>	<b>21,244</b>	<b>16,366</b>	<b>8,768</b>
<b>including worked as manual workers</b>	17,161	7,810	12,760	6,279
<b>Including worked as civil servant</b>	5,445	3,306	3,606	2,489
<b>Unemployed who had previously been employed</b>	13,303	6,630	5,866	3,091
<b>Unemployed who have returned to labour market after a break</b>	9,303	4,486	2,670	1,388
<b>Unemployed who are looking for a job for the first time</b>	19,560	10,128	7,830	4,289

**Source:** According to the data of the National Agency for Employment.

The number of unemployed that were registered at the beginning of the year amounted to 20,873 persons, including 11,462 women, 5,849 young people aged 16-29 and 13,510 rural inhabitants. Number of unemployed put on record from the beginning of the year comprised 42,166 persons, of which 21,244 were women, 14,204 – young people aged 16-29 and 26,076 persons were rural inhabitants. From the beginning of the year 16,366 unemployed were placed in labour market, including 8,768 women, 6,261 young people aged 16-29 and 8,651 rural inhabitants. The number of unemployed deregistered from the beginning of the year equalled 25,947 persons, including 13,253 were women, 8,254 – young people aged 16-29 and 16,278-rural inhabitants. The number of unemployed that were registered at the end of the reporting period amounted to 20,726 persons, including 10,685 women. As for the visits made by unemployed, 261,813 persons addressed the employment agency from the beginning of the year, of which 144,117 were women, 67,826 – young people aged 16-29 and 162,714 – rural inhabitants.

**Table 6.3. Dynamics of the number of unemployed in January-December 2014, persons**

Indicators	Total	Out of the total:		
		Women	Young people aged 16-29	Rural inhabitants
<b>Registered at the beginning of the year</b>	20,873	11,462	5,849	13,510
<b>Put on record from the beginning of the year</b>	42,166	21,244	14,204	26,076
<b>Placed in labour market from the beginning of the year</b>	16,366	8,768	6,261	8,651
<b>Deregistered from the beginning of the year</b>	25,947	13,253	8,254	16,278
<b>Registered at the end of the reporting period</b>	20,726	10,685	5,538	14,657
<b>Visits made by unemployed to the employment agency from the beginning of the year</b>	261,813	144,117	67,826	162,714

*Source:* According to the data of the National Agency for Employment.

According to the data derived from the statements of economic operators regarding job vacancies, as of January 13, 2015 there were 5,213 vacancies registered in the records of the National Agency for Employment. According to data recorded by territorial employment agencies, in each district of the country were the following numbers of vacancies available: mun. Chişinău – 1,780 vacancies, mun. Bălţi – 259, Orhei – 228, Floreşti – 227, Soroca – 213, UTA Găgăuzia – 208, Călăraşi – 171, Ungheni – 163, Rezina – 160, Sîngerei – 128, Cahul – 125, Anenii Noi – 124, Ialoveni – 117, Nisporeni – 103, Briceni – 95, Cimişlia – 94, Căuşeni – 70, Şoldăneşti – 53, Cantemir – 29, etc. The main occupations are: doctor, manager, inspector, cashier, consultant, social worker, accountant, engineer, trade agent, conductor, civil servant, mechanic, electrician, programmer, foreman, insurance agent, laboratory assistant, secretary, agronomist, legal adviser, technologist, etc. At the national level, there were 1,683 job offers for people with higher and specialized secondary education, which accounted for 32% of total vacancies. For those with general secondary and vocational secondary education the National Agency for Employment provided 3,530 jobs, or 68% of the total number of vacancies. Also there were jobs provided for unskilled workers as follows: auxiliary worker, caretaker for service and production premises, sorter, sweeper, porter, nurse, guard (doorkeeper), stacker, vehicle washer, territories cleaner, etc.

**Labour remuneration.** The overall trend posted in the area of labour remuneration had distinct characteristics from January to December 2014: at the beginning of the period, i.e. in February there was a decrease in salaries compared to January, which can be explained by the fact that the annual bonus was paid in January (Government Decision no. 180 of 11.03.2013 on payment of the annual bonus to personnel of budget units). Subsequently, during the period from February

to June wages increased steadily and in June reached the high given that on 1 May 2014 the minimum guaranteed salary in the real sector was established (Government Decision no. 165 of 09.03.2010 on the minimum guaranteed salary in the real sector, last amendment made through the Government Decision no. 299 of 23.04.2014) and payment of vacation bonuses to teachers. Until the end of the third quarter there was a downward trend in salaries, but by the end of the year a stable salary growth was observed.

In December 2014, the gross nominal average salary earnings amounted to 4,865.4 MDL, posting an increase of 13.7% compared to December of 2013. The index of real salary earnings for December 2014, in comparison with December 2013, was 108.6%. In the public sector the average salary earnings equalled 4,000.4 MDL in December (+14.4% compared to December 2013), while in the (real) economy sector the salary earnings were 5,233.5 MDL (+13.7% compared to December 2013).

In 2014 the average gross nominal salary earnings in the national economy amounted to 4,172.0 MDL and it increased in nominal terms compared to 2013 by 10.8%, while the real salary (adjusted to consumer price index) rose by 5.4%.

Starting with the January 2014, according to the NBS of RM, the new version of Classification of Activities in Moldovan Economy (CAME Rev.2), fully harmonized with the Nomenclature of Economic Activities in the European Community (NACE Rev. 2) was implemented in practice. The new classifier differs significantly from the previous version (CAME Rev.1). In Annexes to Social sector there is a Table on Labour Remuneration by economic activities in 2014.

**Social protection of the population.** As of 1 January 2015, the number of pensioners registered with the social protection bodies comprised 669.9 thousand, which is 10.3 thousand persons more than on 1 January 2014. The average amount of monthly pension as of 1 January 2015 was 1,087.6 MDL, posting an increase of 6.6% compared to 1 January 2014.

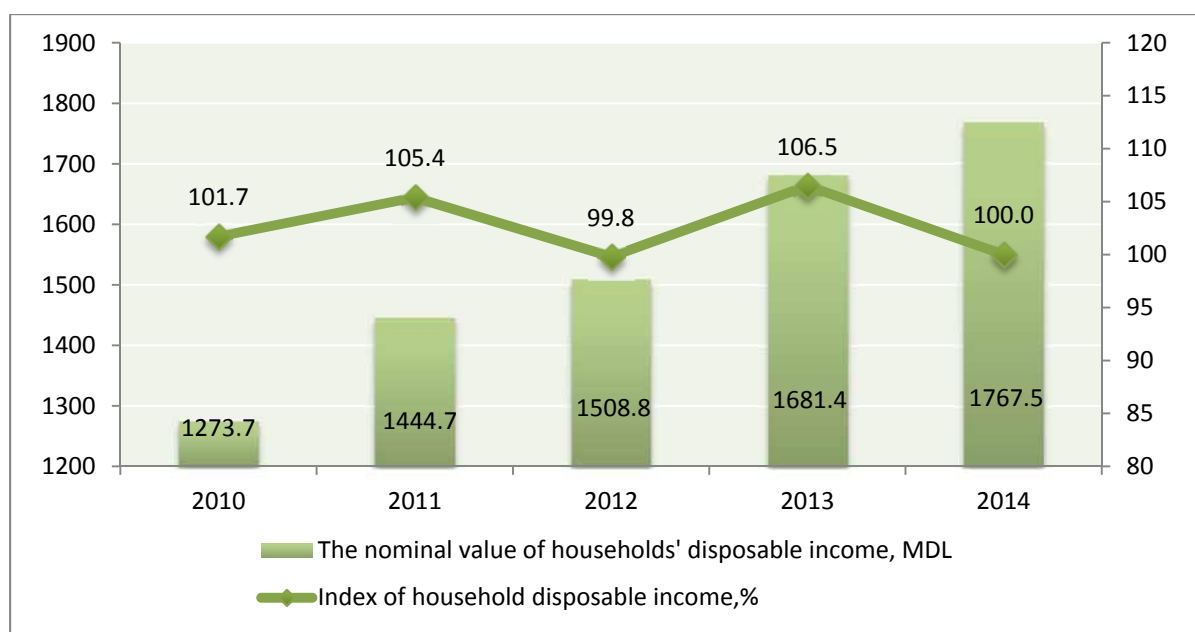
Regarding the structure of pensioners, the old age pensioners had the largest share - 75.8%, followed by the category of disabled pensioners and survivors, with 20.0% and 2.5% respectively.

About 56 thousand persons received social security benefits and the largest category of beneficiaries were the disabled since childhood (48.4%). As of 1 January 2015, 77.9 thousand persons were receiving allowances for childcare, 50.7% of which were insured persons. The average amount of monthly allowance for the insured persons was 1,096.9 MDL and for the uninsured – 400 MDL.

**Disposable income of the population.** In 2014, according to the Household Budget Survey *monthly disposable income* averaged out at 1,767.5 MDL per capita, increasing by 5.1% comparing with the previous year. In real terms the household income remained at the level of the last year. Salary earnings were the most important source of income for the population, accounting for 41.6% of total disposable income, i.e. the level of 2013. Income from self-employment activities amounted to 16.1% of the average monthly income of a person; agricultural individual activities were preponderant with a share of 9.5%. Incomes obtained from non-agricultural individual activity contributed to the formation of population's income in proportion of 6.6%.

With regard to the residence area, it was found that incomes of urban population were on average by 605.4 MDL or 1.4 times higher than in rural areas. For urban population the main sources of income are employment representing 54% of the income of population and social security benefits – 19.4%.

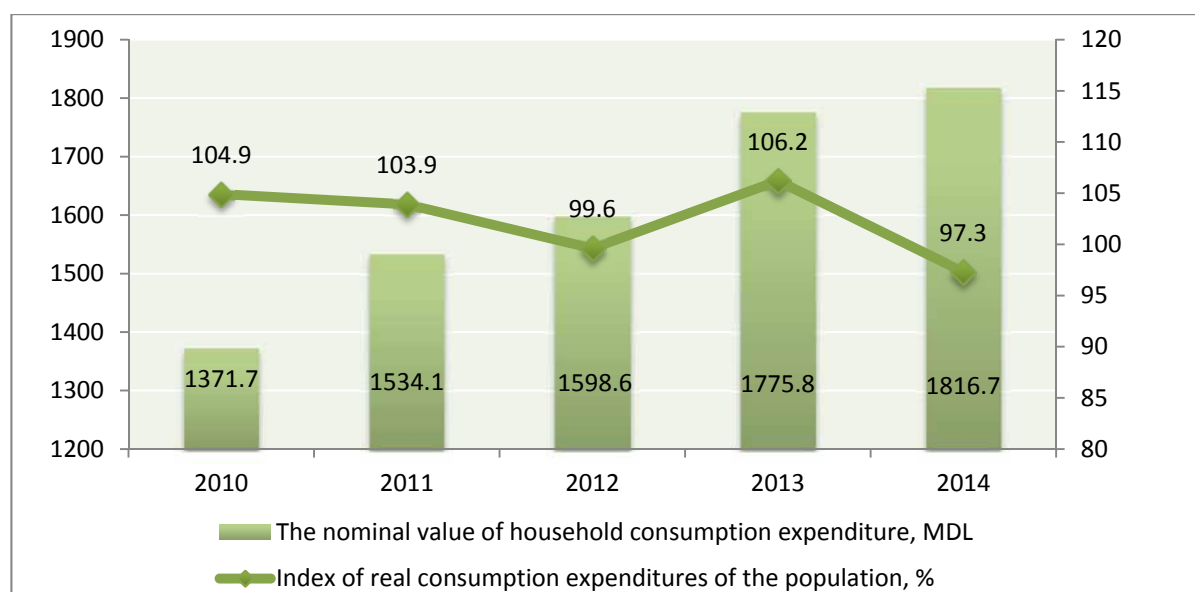
Figure 6.2 illustrates the evolution of the disposable income in nominal terms and their real index during the period 2010-2014.



**Figure 6.2. The evolution of the disposable income in nominal terms and their real index, 2010-2014**

*Source:* According to the data of the National Bureau of Statistics.

*Average monthly consumption expenditure of the population* in 2014, according to the Household Budget Survey, averaged out at 1,816.7 MDL per capita, posting a 2.3% increase in comparison with the previous. In real terms population spent on average by 2.7% less than in 2013. The decrease in expenses was driven by rising prices of food and non-food products, but also was dependent on the real level of income obtained by population. Most of the expenses were meant to cover food consumption needs – 43.8% (by 1.0 p.p. more than in 2013). For housing maintenance a person allocated in average 18.9% of total consumption expenditure (-0.3 p.p.) and for clothing and footwear – 10.6% (+0.3 p.p.). Other expenses made comprised:



**Figure 6.3. The evolution of consumer expenditure in nominal value of their real index, 2010-2014**

*Source:* According to the data of the National Bureau of Statistics.

health (5.6% compared to 5.7% in 2013), transport (4.4% compared to 4.7%), communications (4.3% compared to 4.2%), housing facilities (3.5% compared to 3.6%), education (0.7% compared to 0.8%), etc.

Given that population from urban area has higher incomes, correspondingly consumer expenditures of this category of population are by 562.0 MDL or 1.4 times higher than the expenditures of rural population. In urban areas, to ensure consumption of food products population allocated 42.1% of the monthly consumption expenditure (40.9% in 2013) while in rural areas – 45.6% (44.9%). At the same time, urban population in comparison with the rural population spent more for housing maintenance (20.0% versus 17.9%), transport (4.8% versus 3.9%), communication services (4.6% versus 4.0%), hotels and restaurants (2.3% versus 0.6%), recreational services (1.7% compared to 0.8%).

Figure 6.3 shows the evolution of consumer expenditure in nominal value of their real index during the period 2010-2014.

**Subsistence minimum.** In 2014, monthly subsistence minimum averaged at 1,627.1 MDL per capita, posting an increase of 0.9% compared to the previous year. There were significant differences in the amounts of subsistence minimum depending on the area of residence; the highest value was recorded for the population of large cities (municipalities Chisinau and Balti) – 1,785.8 MDL, which is by 8.3% more compared with the subsistence minimum for other cities – 1,648.6 MDL and by 14.7% more than in rural areas – 1,556.6 MDL.

Referring to the categories of population, the maximum value of the subsistence minimum pertained to the working age population – 1,726.8 MDL and especially men - 1875.6 MDL. The high of the subsistence minimum was recorded in the first half of the year for working-age men from large cities – 2,048.8 MDL. The subsistence minimum for children on average was 1,547.5 MDL per month, but there were differentiation in this indicator depending on the age of the child, from 618.6 MDL for a child aged under 1 year up to 1,747.6 MDL for a child aged 7-17 years. Also there were differences depending on the area of residence, thus the subsistence minimum for children in cities was 14.9% higher compared with rural areas, and in case of children aged 1-6 years this difference amounted to 18.9%.

**Education. Activity of primary and general secondary education institutions in the academic year 2014/15.** At the beginning of the academic year 2014/15, the network of primary and general secondary education institutions comprised 1,347 units, including 1,345 day schools and 2 night schools. Most institutions of primary and general secondary education (98.9%) were in public property, and the 15 non-state-owned institutions operated only in urban areas.

**Table 6.4. Primary and general secondary education institutions in academic years 2012/13 - 2014/15, units**

	2012/13		2013/14		2014/15	
	Total	including state institutions	Total	including state institutions	Total	including state institutions
<b>Total</b>	<b>1,397</b>	<b>1,379</b>	<b>1,374</b>	<b>1,356</b>	<b>1,347</b>	<b>1,332</b>
<b>Day schools</b>	1,394	1,377	1,372	1,354	1,345	1,330
<b>Primary schools</b>	108	108	112	112	105	105
<b>Gymnasiums</b>	767	767	771	771	794	794
<b>Lyceums</b>	491	474	466	448	424	409
<b>Schools for children with deficiencies in intellectual or physical development</b>	28	28	23	23	22	22
<b>Night school</b>	3	2	2	2	2	2

**Source:** According to the data of the National Bureau of Statistics.



*Day School.* In accordance with the Program for modernization of the educational system in the Republic of Moldova (2005-2015), including the transition to the funding of primary and general secondary education institutions based on the cost per pupil, in the academic year 2014/15 the total number of institutions decreased by 27 units compared to the previous academic year. Most affected education institutions were from rural areas, where 21 units were closed, including 11 primary schools, 9 gymnasiums, 1 lyceum and 1 auxiliary school. Overall, at the country level 12 primary schools, 12 gymnasiums, 3 lyceums and 1 auxiliary school ceased their activity. At the same time, 32 units changed their status from lyceum to gymnasium and 13 units were transformed from gymnasiums into primary schools, of which 29 units and 12 units, respectively, were from rural areas. Currently in the country are functioning: 105 primary schools, 794 gymnasiums, 424 lyceums and 22 schools for children with impairments in intellectual or physical development. At the beginning of the academic year 2014/15 one theoretical-vocational lyceum started its activity in the city Calarași.

Out of the total number of primary and general secondary education institutions, 329 institutions were operating in urban areas and 1,016 in the rural area. In the urban area lyceums were prevailing (68%), while in the rural area – gymnasiums (72%). At the beginning of the academic year 2014/15, 339.9 thousand students were attending primary and general secondary day institutions, showing a decrease of 3.4% in comparison with the previous academic year. Most students enrolled in primary and general secondary education (98.8%) were studying in public institutions. On average, there were 955 students per 10 thousand inhabitants, compared to 989 in the academic year 2013/14. From the territorial perspective, the highest value of this indicator was recorded in mun. Chisinau (987 students per 10,000 inhabitants), and the lowest value in the North (897 students per 10,000 inhabitants) where the highest coefficient of population ageing was registered.

As for the distribution of pupils amongst primary and general secondary education institutions by levels of education, it was presented as follows: 40.8% were pupils enrolled in primary schools, 47.7% – gymnasiums and 11.5% – lyceums. Compared with the academic year 2009/10 there was a reduction in the weight of pupils attending gymnasiums and lyceums, of 2.5 p.p. and 3.7 p.p., respectively, and a 6.7 p.p. increase in the case of primary education.

Primary and general secondary education institutions represent the levels recording the highs in terms of gender parity, i.e. the share of girls amounts to 49.4% of the total. The proportion of girls in lyceum classes is higher (57.1%), since after gymnasium education more boys are turning to vocational education, including to labour market.

The diminution in the number of pupils by about 18% comparing with the academic year 2009/10 resulted in a reduction in number of classes by 4,792 units (-22.2%). The average number of pupils per class was 20 persons; in urban areas there were 24 students per class while in rural areas – 18 students per class.

*The network of special education* institutions consists of 22 units. The number of pupils enrolled in special education equated to 1,538 persons and it dropped significantly compared to the academic year 2013/14 (by 14.9%). 74.8% of the pupils of these institutions are with impaired intellectual development, 12.1% – hearing impaired, 6.0% – visually impaired, 3.7% – deaf and 3.3% – post polio and cerebral palsy. At the same time, there was an increase in the number of children with special needs integrated into mainstream schools (by 70%).

**Secondary vocational education.** In the academic year 2014/15 the network of vocational institutions comprised 61 units, including 46 vocational schools and 15 handicraft schools. Following the reorganization of secondary vocational education, handicraft schools attached to prisons were absorbed by other education institutions of the system, which led to a decrease in their number by 6 units compared to the previous academic year. However, two vocational lyceums continued their activity with the status of vocational school.



At the beginning of the academic year 2014/15, the number of pupils in secondary vocational education institutions totalled 17.5 thousand persons, or 4.1% less than in the previous academic year. The proportion of pupils in handicraft schools was 8.5%, decreasing by 3.9 p.p. in comparison with the academic year 2013/14. Of all pupils enrolled in secondary vocational education, 91% are studying in institutions in urban areas. This level of education is more required by the boys, their share amounting to 68.8%.

Secondary vocational education is organized preponderantly in state institutions (99% of all pupils). Also, for the majority of pupils studies are financed from the budget, in the academic year 2014/15 their share amounted to 96.1%.

**Specialized secondary education.** In the academic year 2014/15, the specialized secondary education was organized into 45 colleges, including 41 state colleges and 4 colleges with non-state ownership. At the beginning of the academic year the total number of pupils enrolled in colleges comprised 29.8 thousand persons, showing an increase of 1.9% over the previous academic year. Gender structure of pupils in the specialized secondary education institutions revealed a higher proportion of girls (52.8%).

Of the total number of pupils, 28.0 thousand students were studying in state institutions (93.9%), posting an increase of 1.4% compared to the academic year 2013/14. In the case of students funded from the budget there was a decrease by 3.6%. The proportion of pupils studying on a contract basis in state institutions amounted to 40.4% or 3.1 p.p. more than in the previous academic year. In the non-state institutions, the number of pupils increased overall by 10%, compared with the academic year 2013/14,

**Activity of higher education institutions in the academic year 2013/14.** The network of higher education institutions consisted of 31 units, including 19 state institutions and 12 – non-state ones (one unit less than in the academic year 2013/14). Out of the total number of state institutions, only 2 institutions offered II Cycle – master degree.

The number of students in higher education has declined significantly over the last two years, i.e. by about 13 thousand. At the beginning of the academic year 2014/15, the number of students amounted to 89.5 thousand persons (excluding foreigners), of which 81% were enrolled in state institutions. The reduction in number of students was recorded both by the state institutions (6.4 thousand persons in comparison with the academic year 2013/14) and by the non-state ones (by 1.3 thousand persons). Out of the total number of students, over 69% were studying on a contract basis.

In the state institutions, most obvious was the diminution in the number of students enrolled on a contract basis, i.e. by 16.8% in the case of full time education and by 5.1% in the case of part-time education. At the same time, the number of tuition-free students registered small variations around the value of 28 thousand.

On average there were 252 higher education students per 10 thousand inhabitants, compared to 273 students in the previous academic year. Part time students accounted for 35.3% or 1.4 p.p. more than in the academic year 2013/14. Out of the total number of part-time students, of which tuition-free students represented 6%. In terms of gender, women remained preponderant- 57.5% of total students or by 0.9 p.p. more than in the academic year 2013/14.

Distribution of students in higher education by programs reveals a major decline registered in the licentiate degree program (by 6.9 thousand), especially in the case of students studying on a contract basis in state institutions (by 5.2 thousand persons). The number of students in master degree programs fell by 0.6 thousand, while the budgeted number of tuition-free students in these programs has remained at the level of the previous academic year.

**Table 6.5. Students in higher education institutions  
in academic years 2012/13-2014/15, pers.**

	2012/13			2013/14			2014/15		
	Total students	of which:		Total students	of which:		Total students	of which:	
		Women	On a contract basis		Women	On a contract basis		Women	On a contract basis
<b>Total</b>	<b>102,458</b>	<b>57,371</b>	<b>74,118</b>	<b>97,285</b>	<b>55,067</b>	<b>69,187</b>	<b>89,529</b>	<b>51,496</b>	<b>62,059</b>
<b>Full-time</b>	70,253	39,851	43,794	64,352	36,852	38,223	57,940	33,993	32,426
<b>Part-time</b>	32,205	17,520	30,324	32,933	18,215	30,964	31,589	17,503	29,633
<b>State Institutions</b>	<b>83,008</b>	<b>47,639</b>	<b>54,668</b>	<b>78,919</b>	<b>45,586</b>	<b>50,821</b>	<b>72,474</b>	<b>42,345</b>	<b>45,004</b>
<b>Full-time</b>	57,982	33,511	31,523	53,656	31,084	27,527	48,417	28,515	22,903
<b>Part-time</b>	25,026	14,128	23,145	25,263	14,502	23,294	24,057	13,830	22,101
<b>Non-state institutions</b>	<b>19,450</b>	<b>9,732</b>	<b>19,450</b>	<b>18,366</b>	<b>9,481</b>	<b>18,366</b>	<b>17,055</b>	<b>9,151</b>	<b>17,055</b>
<b>Full-time</b>	12,271	6,340	12,271	10,696	5,768	10,696	9,523	5,478	9,523
<b>Part-time</b>	7,179	3,392	7,179	7,670	3,713	7,670	7,532	3,673	7,532

**Source:** According to the data of the National Bureau of Statistics.

**Graduates.** In 2014, 17.1 thousand persons graduated I Cycle, posting a decrease of 3.8% compared to 2013. As for II Cycle, the number of such graduates increased by 1.1% and totalled 6.4 thousand persons. Higher medical and pharmaceutical studies were completed by 0.8 thousand persons or by 4.8% more than in 2013. In terms of distribution of the number of graduates by general areas of studies, there were higher percentage of graduates in areas such as economics (27.3% of all graduates), education (14.8%), law (12.4%) and engineering activities (8.8%). Referring to graduates of Master degree, 27% have graduated economics, 20% – law and 15% – education.

At the beginning of the academic year 2014/15, the number of foreign students amounted to 2.5 thousand persons, which is 15% more than in the previous academic year. Most foreign students are from Israel – 70.0%, Ukraine – 6.5%, Romania – 6.4%, Turkey – 5.2% and Russia – 2.9%.

**Teachers.** Higher education institutions employed 5.4 thousand teachers (core staff) or 6.4% less than in the academic year 2013/14. Teaching staff with a scientific degree comprised 2.7 thousand persons, including 2.3 thousands – PhD and 0.4 thousands – ScD. The proportion of women in teaching staff was over 54%, this proportion being much higher in amongst the positions of assistant professor, university lecturer/senior university lecturer, i.e. more than 60%.

**Healthcare.** According to preliminary information of the Ministry of Health, the morbidity of population of some infectious diseases in 2014 was characterized by increasing number of cases of hepatitis and acute intestinal infections. However, during 2014 there were fewer cases of infection with influenza, chickenpox, bacterial dysentery, epidemical parotitis, respiratory tuberculosis.

In the structure of infectious diseases, acute respiratory infections were most commonly spread. In the year 2014, on average there were 6.7 thousand cases of acute respiratory infection morbidity per 100 thousand inhabitants, the highest level of incidence was registered in municipalities Chisinau and Balti, with 16.7 thousand cases and 12.4 thousand cases per 100 thousand inhabitants, respectively. From the territorial perspective the following districts stood

outs: Anenii Noi – 9.7 thousand cases per 100 thousand inhabitants, Criuleni – 8.3 thousand, Ialoveni – 7.8 thousand, Telenești – 7.1 thousand, Sângerei – 6.4 thousand cases etc.

Almost every second case of acute respiratory system infections with multiple locations was recorded in children. Most cases were registered in the municipality Chisinau - (63.4 thousand or 48.8 thousand cases per 100 thousand inhabitants), municipality Balti (17.9 thousand or 71.5 thousand cases per 100 thousand inhabitants), in districts Anenii Noi, Ialoveni, Criuleni, Strășeni etc. In 2014, on average per 100 thousand population there were 488 cases of acute intestinal infection, 77 cases of respiratory tuberculosis, 7 cases of viral hepatitis and 249 cases of chickenpox. Over the last five years there was a significant decrease in bacterial dysentery cases, i.e. from 511 cases in 2010 (14 cases per 100 thousand inhabitants) to 182 cases in 2014 (5 cases per 100 thousands inhabitants). The number of cases of viral hepatitis varied, dropping to 163 cases in 2012 (about 5 cases per 100 thousand population) and increased in 2014 up to 630 cases (17.7 cases per 100 thousand inhabitants). In terms of "socially determined diseases" there was a decrease in morbidity, especially in cases of respiratory tuberculosis and syphilis, by 323 and 389 cases, respectively. Vaccination and appropriate preventive measures have contributed to the continuous reduction in cases of epidemical parotitis, namely in 2010 there were 3.5 cases per 100 thousand inhabitants, while in 2014 only 1.4 cases per 100 thousand inhabitants. In 2014, the number of carriers of human immunodeficiency virus (HIV) amounted to 586 persons or by 119 cases more than in 2013, thus on average there were 16.5 cases of HIV per 100 thousand inhabitants. Also there were 88 cases of acquired immunodeficiency syndrome (AIDS).

**Crimes.** According to the information of the Ministry of Internal Affairs, over the last years there was an increasing trend in crimes recorded, from 33.4 thousand in 2010 to 41.8 thousand in 2014. Of the total number of recorded crimes, 3.3% or 1,376 cases were exceptionally serious and particularly serious crimes, 6.7 thousand (16.1%) – serious crimes, but most were less serious crimes – 22.7 thousand cases or 54.4%. Over the last 5 years the number of petty crimes increased by 1.7 times. The number of crimes registered per 10 thousand inhabitants amounted to 117 compared to 94 crimes in 2010. In Chisinau the crime rate was 186 crimes per 10 thousand inhabitants, which exceeds the average rate in the country by 1.6 times. A high level of crime was also recorded in Balti - 128 crimes per 10 thousand inhabitants.

In 2014 compared to 2013 there was an increase in the number of crimes against family and minors (by 1.6 times), including in cases of domestic violence by 1.7 times. At the same time, the number of economic crimes rose by 30.2%, crimes against security and public order – by 11.0%, crimes against public health and social living – by 10.3%. However, there were fewer cases of crimes against life and health of the person.

Every eighth offense was committed in public places, and during 2014 there were 54 cases involving the use of firearms, explosives and grenades, including 16 cases of intentional injury, 13 cases of hooliganism, 4 cases of robberies and 6 cases of murder. As a result of crimes committed during 2014 663 persons died, or 35 fewer than in 2013. The main causes of death were traffic accidents (34.2%), murders (19.9%) and intentional injuries (16.0%), domestic violence (5.9%). Out of the total number of recorded crimes 19.0% were committed by people of working age, but unemployed. The proportion of crimes committed by minors or with their participation was 3.0% of the total number of crimes. On average there were 25 criminals per 10 thousand inhabitants age up to 18 years. In 2014, 2,564 road accidents were recorded, their number decreased by 1.6% compared to the previous year. In average there were about 7 traffic accidents every day, as result of which 324 persons died, including 20 children and 3,080 persons were injured, including 391 children.

The number of fires in 2014, according to the data of Civil Protection and Exceptional Situations Service of the Ministry of Internal Affairs, increased by 8.2% compared to the previous year, and amounted to 1890 cases. These fires caused 118 deaths and 53 injuries.

*Region of the Republic of Moldova from the left bank of the Dniester River<sup>13</sup>*

**Labour market.** As of January 01, 2015, the *employed population* of the region from the left bank of the Dniester River totalled 102.5 thousand persons, decreasing by 1,504 persons or 1.4% in comparison with 2013. On January 01, 2015, the number of citizens registered with the employment offices, who were not engaged in any activity, amounted to 5,157 persons which is 20.5% more compared to the same date of the previous year. Of the total number of citizens registered 2,863 persons were women (55.5%). Overall, in 2014, 2,095 persons were employed through the Transnistrian Employment Agency. In 2014 professional consultations were conducted with students: 281 group consultations that covered 4,722 persons and 650 individual consultations for 636 persons; and with adult population: 6,440 individual consultations covering 6,228 persons. Thus, for professional training were spent 334.0 thousand rubles, including payment of scholarships in amount of 171.1 thousand rubles, and for payment of unemployment benefits – 18,926.2 thousand rubles. The average amount of *unemployment benefits* in 2014 was 427.4 rubles or 32.4% of the average subsistence budget per capita.

**Labour remuneration.** In 2014, the calculated *average monthly nominal salary* of an employee, except for small business entities, was 4,039 rubles (or 364 USD at the official exchange rate of the monetary authority of the region to the left of the Dniester River) representing 105.8% compared to the level posted in 2013<sup>14</sup>. The average salary paid in budgetary organizations amounted to 2,673 rubles, which is 6.8% more than in the previous year.

During the analysed period, the average monthly nominal salary calculated for an employee was higher than the average salary in the region in the following economic branches: "Electro- and radio- communications" (9,545 rubles or 860 USD), "Banks and credits" (8,440 rubles 760 USD), "Collection of ferrous and nonferrous metals waste" (5,368 rubles or 484 USD), "Insurance" (5,659 rubles or 510 USD), "Construction" (5,179 rubles or 467 USD), "Physical culture, entertainment and tourism" (4,800 rubles or 432 USD), "Industry" (5,139 rubles or 463 USD), "Transport" (4,398 rubles or 396 USD), "Trade and public catering" (4,320 rubles or 389 USD), "General trade activity" (4,345 rubles or 391 USD).

At the same time, the average monthly nominal wage calculated for an employee was lower than the average salary in the region in the following economic branches: "Forestry" (1,964 rubles or 177 USD), "Geology and Meteorology" (1,905 rubles or 172 USD), "Social assistance" (2,032 rubles or 183 USD), "Postal communications" (2,110 rubles or 190 USD), "Culture and Art" (2,412 rubles or 217 USD), "Administration bodies" (2,572 rubles or 232 USD), "Health" (2,712 rubles or 244 USD), "Education" (2,670 rubles or 241 USD), "Science" (2,849 rubles or 257 USD), "Agriculture" (3,344 rubles or 301 USD).

Referring to industry, the highest monthly average nominal salary in 2014 was recorded in case of workers of the following areas: electricity – 510 USD, which is 40.3% more than the average salary in the region, steel industry – 629 USD or 72.8% above the average salary in the economy, construction materials industry – 472 USD or by 29.8% more than the average salary in the economy. The lowest average monthly nominal salary, calculated for 2014, had the workers of the following sub-branches of industry: other branches industries – 245 USD, which is 32.8% less than the average salary in the region; wood processing industry – 254 USD, which is 30.2% less than the average salary; printing industry – 334 USD, or 8.3% less than the average salary in the region, chemical industry – 365 USD, which is 0.2% more than the average salary in the economy.

<sup>13</sup>The analysis of the social sector of the region of the Republic of Moldova from the left bank of the Dniester river was elaborated based on the data provided by the Statistical Service of Transnistria

<sup>14</sup>Official average exchange rate of the monetary authority of the region to the left of the Dniester River in the period January - December 2014: 1 USD=11.1000 rubles; 1 MDL=0.7930 rubles ([http://www.cbpmr.net/resource/svk\\_narast\\_itog\\_2014\\_08\\_01\\_15.pdf](http://www.cbpmr.net/resource/svk_narast_itog_2014_08_01_15.pdf)).

**Social protection of the population.** The average number of pensioners in the period October – December 2014 totalled 140,724 persons, of which 136,447 were receiving labour pension and 4276 – social pension. The average amount of monthly pension in the period October-December 2014 was 1351.25 rubles (labour pension – 1373.87 rubles and social pension – 629,44 rubles), which is 3.1% more compared to October-December 2013.

**Subsistence minimum.** In 2014, the average subsistence minimum per person was 1,317.39 rubles per month, or 7.1% more than in 2013. In December 2014 the amount of subsistence minimum by categories of population able to work was: for men – 1,432.49 rubles per month, women – 1,353.78 rubles per month, the subsistence minimum of pensioners amounted to 1,095.57 rubles per month, that of children under 6 years – 1,189.31 rubles per month and the subsistence minimum of children aged 7 up to 15 years was 1,442.45 rubles per month.

**Table 6.6. Subsistence minimum of the population from the region of the Republic of Moldova to the left of Dniester River in 2014**  
(average per person, rubles per month)

	Total population	Including				
		Able to work		Pensioners	Children	
		Men	Women		under 6 years	from 7 to 15 years
<b>January</b>	1,314.27	1,446.26	1,353.68	1,098.19	1,184.64	1,454.96
<b>February</b>	1,319.64	1,452.41	1,358.69	1,102.99	1,189.50	1,460.80
<b>March</b>	1,313.28	1,443.48	1,353.66	1,097.48	1,184.92	1,455.10
<b>April</b>	1,321.11	1,451.68	1,362.36	1,104.19	1,193.26	1,461.47
<b>May</b>	1,363.48	1,495.13	1,403.00	1,142.39	1,238.56	1,516.67
<b>June</b>	1,350.52	1,481.97	1,390.97	1,131.31	1,222.70	1,497.57
<b>July</b>	1,310.13	1,433.66	1,352.31	1,096.35	1,194.30	1,453.66
<b>August</b>	1,293.67	1,415.93	1,336.80	1,082.96	1,177.63	1,429.07
<b>September</b>	1,302.95	1,427.74	1,345.98	1,089.81	1,184.30	1,438.81
<b>October</b>	1,302.61	1,426.52	1,346.65	1,090.85	1,182.81	1,434.97
<b>November</b>	1,308.30	1,431.98	1,352.88	1,094.96	1,189.33	1,443.61
<b>December</b>	1,308.76	1,432.49	1,353.78	1,095.57	1,189.31	1,442.45

**Source:** According to data of Statistical Service of Transnistria.

**Education.** At the beginning of the academic year 2014/2015 there were 169 state and non-state owned education institutions providing general day schooling for 45,799 pupils. Out of the total number of schools, at the beginning of the current academic year, there were 9 specialized schools for children with mental and physical disabilities, in which 985 pupils were enrolled. The 163 general education institutions of the Ministry of Education of Transnistria taught 44,849 people. The number of students decreased by 279 compared to the beginning of the academic year 2013/2014, including by 446 pupils in rural areas, while in urban areas this indicator increased by 167 persons. The proportion of pupils attending general education institutions of different types (excluding special schools for children with mental and physical disabilities) has slightly changed compared to the previous academic year. At the beginning of the academic year 2014/2015, the proportion of pupils studying in lyceums fell from 5.4% to 5.1%; that of pupils from schools with lyceum classes dropped from 8.1% to 6.6%. The share of gymnasium pupils has not changed and was 9.1%; that of pupils from schools with gymnasium classes increased from 1.6% to 3.4%.

**Crimes.** In 2014, public order protection bodies registered 10,891 complaints and reports of crimes or 4.9% less than in 2013. There were 4,599 crimes recorded, which is 6.1% less than in the previous year. Out of total crimes registered: 45 were murders, 77 – intentional serious injuries, 212 crimes related to illegal arms trafficking, 88 crimes committed by use of arms,



munitions and explosives, 467 – crimes against public order, 588 – drug-related crimes, 152 – swindles, 1,125 – thefts, 152 – robbery and other crimes – 1,142, etc. As a result crimes committed 2,688 persons suffered, of which 85 persons (3.2%) died and 69 persons (2.6%) had serious health injuries.



## Chapter VII

### FORECAST FOR 2015

#### (Preliminary version)

Whereas 2013 was marked by the most imposing performances throughout the period of transition to market economy (GDP increase of 9.4% over the previous year), given the high base of growth, cyclical effect in agricultural sector and anticipated external risks, the economic growth estimates for 2014 were essentially lower comparing with the previous year. The uncertain situation persisted throughout the year, which made the main macroeconomic indicators forecasting exercise more difficult.

However, the results of 2014, proved to be above the expectations formulated in the short-term estimates made by various institutions knowledgeable in forecasting macroeconomic indicators, including those of the NIER. The deviation from the economic growth forecasted by the NIER and presented at the beginning of the year (12 edition of MET) represents 0.9 p.p. of the actual value estimated by the NBS (preliminary data). After a very good year for the country's agriculture in 2013, another even better year followed that has been observed for the first time in the development of this sector over the last 15 years. But, contrary to the expectations and external risks, which largely materialized, during the reference year there were positive influences on the increase in the GDP that were exerted by other components.

#### *World economy growth forecasts for 2015*

The global economic and financial crisis that started in 2008 hitherto continues to adversely affect the normal course of development of many countries. The Republic of Moldova being an open economy perceives the impulses originating from the outside.

According to the World Bank estimates made in winter 2015, the developing countries should feel this year some acceleration of the growth rate and relatively favourable prices for petroleum products, advancing US economy, keeping low refinancing rates on markets etc. contribute positively in this regard.

Following the economic growth, which according to estimates would amount to 2.6% in 2014, pursuant to forecasts, the volume of the world GDP will increase by 3% in 2015, 3.3% in 2016 and 3.2% in 2017. The economic growth rate in developing countries in 2014 would equate to 4.4%, and is anticipated to increase up to 4.8% in 2015, 5.3% in 2016 and 5.4% in 2017, respectively.

#### *Challenges and risks to the economic growth of the Republic of Moldova in 2015*

Despite the relatively stable development of the national economy posted in the last 5 years (average annual GDP increase of 5.4%) it seems that the Republic of Moldova has entered a phase of uncertainty and political and economic instability triggered by both internal factors and external to economy. Under such circumstances it is hard to anticipate the maintenance of high dynamics of economic growth in this year.

Developments in the national economy in 2015 could be disrupted by a number of risk factors:

- ***Reduction in remittances and exports to major destinations from the Eastern area, reduction in the inflow of foreign currency into the country and depreciation of the national currency against major reference currencies – Euro and USD.*** Given these risks, the most likely scenario for 2015 could be an insignificant economic growth or even recession. High dependence of the economy on external factors, in particular, on the situation

in Russia and Ukraine, but also reduced functionality of some state institutions, amplify the existing risks and reduce the probability of taking viable measures to counteract the effects of materialization of the current risks. The depreciation of the Moldovan leu will create inflationary pressures in the domestic market, while inflation in its turn will reduce the purchasing power of consumers, factors that will discourage production and export. To the reduction of the purchasing power of the population whose living is partly covered by remittances will contribute, amongst other, the appreciation of the leu against the Russian ruble, which has a relatively high share in the volume of money transfers made through the banking system in favour of individuals. In order to reduce the inflationary pressures, starting with 2014, the National Bank began to actively intervene in the foreign exchange market and tightened the monetary policy. But these in turn, given the lack of other incentives for business, jeopardize the investment activity and reduce the production activity.

- **Significant worsening of the situation in financial and foreign exchange market.** The precarious situation created in the national banking system, determined by the worsening financial and economic activity indicators of three banks – Banca de Economii, Banca Socială and UniBank entailed disruption of the financial and foreign exchange system. For the bailout of the above-mentioned banks, the National Bank introduced special administration upon them along with provision of substantial financial support, which further might be converted into internal debt of the Government with all the derived negative consequences for the budget system.
- **Negative influence of events in Ukraine.** The military conflict in Ukraine will have serious consequences on the Moldovan economy. Investors perceive Moldova as a high risk area, given the possible Russian military expansion. Creation of minority majority will keep the country in suspense due to the permanent risk of early elections. These factors protract the reforms set out in the agenda.
- **High level of corruption in most industries, especially the judiciary.** This scourge fully affects the process of reforms, in particular, with the view to improve the investment climate and conditions business promotion, which could have a positive influence on the economic growth and raise living standards of the population.

Beyond the risks mentioned above, there are prerequisites to overcome them, whereas this depends on the consistency and political will of the current government to realize strictly the implementation of the Association Agreement with the EU.

The EU responded positively to Moldovan request related to the prolongation of High-level policy advice mission with European experts who will facilitate the process of internal reforms and implementation of the Association Agreement. At the same time, the Moldovan side mentioned its commitment to take the opportunities offered by the Free Trade Area, including by increasing European direct investments in the national economy, especially in rural areas. "The EU will continue to provide further assistance and expertise for the Republic of Moldova", EU Commissioner Johannes Hahn confirmed at the reunion in Bucharest. This support from the EU makes us bank on a positive evolution the economic development of the country.

The forecast for 2015 was made based on the macro-econometric model for simulation of the economic development of the NIER, taking into account the existing conjuncture of internal and external factors, the forecasts of international institutions on the global economic outlook and, in particular, that of the Republic of Moldova and the opinions of local experts in this area.

Taking into account the risks listed above and given the internal and external uncertain situation, both economic and political, it was difficult to identify one single substantiated scenario of economic developments in 2015. Thus, two forecast scenarios were developed for 2015: optimistic and pessimistic. The "optimistic" scenario foresees that although the risks are

quite high, the economy of the country, however, will remain afloat, posting a slight increase. According to the pessimistic scenario the economy of the country will fall into recession.

**Table 7.1. Dynamics of the main macroeconomic indicators in 2010-2014 and forecast for 2015**

	Unit of measurement	2010	2011	2012	2013	2014	2015	
		Actual					Optimistic scenario	Pessimistic scenario
<b>Nominal GDP</b>	bln. lei	71.9	82.3	88.2	100.5	111.5	117.3	115.4
<b>Compared to the previous year in comparable prices</b>	%	107.1	106.8	99.3	109.4	104.6	100.6	98.0
<b>Annual average consumer price index</b>	%	107.4	107.6	104.6	104.6	105.1	105.7	108.5
<b>Average exchange rate</b>	lei/USD	12.36	11.73	12.11	12.59	14.04	17.0	18.5
<b>Export of goods</b>	mln.USD	1542	2217	2162	2428	2340	2387	2187
<b>Compared to last year</b>	%	120.1	143.8	97.5	112.3	96.3	102.0	93.0
<b>Import of goods</b>	mln.USD	3855	5191	5213	5492	5317	5325	5049
<b>Compared to last year</b>	%	117.6	134.7	100.4	105.4	96.8	100.2	95.0
<b>Trade balance</b>	mln.USD	-2313	-2974	-3051	-3064	-2977	-2938	-2862
<b>Industrial production in current prices</b>	bln. lei	28.1	34.2	36.4	39.0	42.2	44.0	41.0
<b>Compared to the previous year in comparable prices</b>	%	109.3	109.5	98.1	106.8	107.2	102.6	95.0
<b>Agricultural production in current prices</b>	bln. lei	19.9	22.6	19.9	23.8	27.1	28.0	26.0
<b>Compared to the previous year in comparable prices</b>	%	107.9	105.0	77.6	139.1	108.2	100.0	90.0
<b>Investments in long-term tangible assets</b>	bln. lei	13.8	16.4	17.1	18.6	20.4	21.8	21.4
<b>Compared to the previous year in comparable prices</b>	%	122.6	112.6	98.9	101.5	101.8	101.5	100.0
<b>Average nominal monthly salary</b>	lei	2972	3042	3386.2	3674	4172	4456	4277
<b>Compared to last year</b>								
<b>nominal</b>	%	108.2	102.4	111.3	108.5	113.6	106.8	102.5
<b>real</b>	%	100.7	95.1	106.4	103.7	105.1	101.0	94.5
<b>Labour remuneration Fund</b>	bln.lei	31.4	34.5	39.7	42.9	45.2	49.0	46.0
<b>Labour force (economically active population)</b>	Thou. pers.	1235	1258	1214.5	1236	1153.4	1130	1130
<b>Number of employees in the national economy</b>	thou pers.	1143	1173	1146.8	1172.8	1113.1	1087	1080
<b>Unemployment rate</b>	%	7.4	4.6	5.6	5.1	3.6	4.0	4.6
<b>Remittances from abroad</b>	mln.USD	1244	1444	1494	1609	1613	1500	1450

*Source:* Elaborated by the authors.

### *Interpretation of the forecasts for 2015*

In 2015, according to calculations made, the optimistic scenario foresees an increase in the GDP of 0.6% compared to 2014, the pessimistic scenario – a reduction of 2%. The results are conditioned by possible variations of other influential indicators as follows:

**Consumer price index and the exchange rate of the Moldovan leu.** The negative effects that began in late 2014 will spread also to the year 2015. The foreign exchange rates will be the determining factor in the price stability. And the first indicator and the second, under the pessimistic scenario, will post much worse dynamics than in the optimistic scenario. Thus, if the optimistic scenario foresees stability for the Moldovan leu at 17 lei/USD, the pessimistic one - 18,5 lei/USD, which will push the level of inflation upwards to 5.7% and 8.5%, respectively.

**Agricultural production.** It is expected that in the best case the volume of global agricultural production will reach the level of the previous year, while according to the pessimistic scenario an annual fall of 10% is possible, given that even this level is 5% higher than the average posted in the last 5 years (2010-2014).

**Industrial production.** In 2014 the high internal supply of agricultural products formed, among other, on the account of reduced access to the Russian market has stimulated the food industry. Moreover, the food industry has a relatively large contribution to the formation of industrial production. Given the anticipated developments in the agricultural sector, the increase in interest rates on loans, which will affect the investment activity and in the context of other constraints in the business environment, all these could lead to an annual reduction of 5% of the industrial production under the pessimistic scenario. According to the optimistic scenario an increase of this indicator by 2.6% compared to the previous year would be possible.

**Foreign trade.** Unfavourable foreign trade conditions, which were observed during 2014 will persist, at least in the first half of 2015, and according to the pessimistic scenario a decrease in value of both flows: exports (-) 7%, and import – (-5%) is anticipated. But the optimistic scenario foresees an increase of 2% in exports and of 0.2% in imports.

**Investments in long-term tangible assets.** In reaction to strengthened monetary policy instruments of the National Bank the investment activity of economic operators could contract. The effects of this measure could be amplified by the uncertain overall situation in the country and in the Eastern area. Under the optimistic scenario an increase in investments in long-term tangible assets of 1.5% could be possible in 2015, whereas the pessimistic scenario estimates maintenance of the volume of investments at the level posted in the previous year.

**The average nominal monthly salary,** according to the optimistic scenario, will increase by 6.8% and real one by 1%. An increase in the average monthly nominal salary of 2.5% is anticipated even in the pessimistic scenario, but the real one will decrease by 5.5% due to high inflation.

## ASSESSMENT OF THE CAPACITY OF MOLDOVAN EXPORTS TO PENETRATE FOREIGN MARKETS

Dr. Louka T. KATSELI & Silvia MOSNEAGA

### 1. The Need for an Active Trade and Investment Promotion Strategy

The EU-Moldova Association Agreement signed on June 27, 2014 includes under Title V provisions for a Deep and Comprehensive Free Trade Agreement (DCFTA). DCFTA represents a major “trade regime switch”, whereby a preferential trade relationship is established between the European Union (EU) and the Republic of Moldova (Moldova). DCFTA grants open access to the EU market for Moldovan goods and services based on mutually advantageous treatment.

DCFTA’s successful implementation requires significant reforms and modernisation of Moldova’s economy to improve competitiveness and enhance investment, export capacity, growth and employment. The needed policy reforms have been identified in the “Roadmap for Increasing the Competitiveness of Moldova’s Economy” (November, 2013) and are being promoted via the implementation of 15 DCFTA Chapters.

Whether or not these reforms would lead to a sustainable transformation of Moldova’s economy, driven by investment, productivity and export growth and accompanied by job creation, will foremost depend on the capacity of private sector stakeholders to reap the opportunities that DCFTA offers. This would require significant upgrading of productive capacities and the development of dynamic supply capabilities. In other words, open access to EU markets and the dismantling of barriers to trade is a necessary but not sufficient condition for trade expansion. Supply capabilities of domestic producers need to be concomitantly expanded to satisfy evolving EU and global market needs, meet quality standards and maintain competitive advantages in a highly competitive global environment. Because markets are increasingly differentiated, dynamic and volatile, producers need to develop the dynamic capabilities which are required to sustain a profitable presence in foreign markets. Meeting this challenge requires the implementation of a coherent, long-term *Trade and Investment Promotion Strategy* on the part of Moldova’s Ministry of Economy to mobilise, guide and support private sector initiatives in meeting this national challenge.

### 2. Present Situation and Risks

Moldova needs to address serious competitiveness problems. Its trade deficit, amounting to US\$ 2.98 billion in 2013, reached 37.2% of GDP. The high trade deficit was largely covered by net income receipts (US\$ 884.7 million) and net current transfers (US\$ 1.7 billion) from abroad which succeeded in limiting the current account deficit to US\$ 384.7 million, i.e. to 4.8% of GDP. Moldova has thus relied on remittances<sup>15</sup> and Official Development Assistance (ODA)<sup>16</sup> to finance growth, led by consumption, and for reducing its high poverty rate. Since 2000, the country’s gross domestic saving rate is negative and falling while the coverage of imports by exports hovers around 44% and is rising (44.2% in 2013 as opposed to 41.5% in 2012 and 39.1% in 2009).<sup>17</sup>

#### *Limited Product Diversification and Geographic Concentration*

By 2013, the share of services in gross value added expanded to 67% (including business, information technology and personal services) at the expense of agriculture and other primary

<sup>15</sup>According to the official statistics, 2013 net inflows of remittances recorded as “Money Transfers from Abroad Made in Favour of Natural Persons” amounted to US\$ 1.4 billion, i.e. 18% of GDP.

<sup>16</sup>According to the Official Creditors Reporting System of the DAC, ODA reached US\$ 604.8 million in 2013, i.e. 8.3% of GDP.

<sup>17</sup>National Institute for Economic Research (NIER), Moldovan Economic Trends, No. 14, Q II, 2014, p. 140.



sector activities. The primary sector comprised 14.6% of gross value added in 2013<sup>18</sup> but employed a third of the domestic labour force (31.4% as opposed to 19.3% in industry and manufacturing and 49.3% in services). Despite fertile soil and favourable climate, it is characterised by low labour productivity with yields below the levels reached in the EU or in Central and Eastern European countries. The bulk of agricultural products are still produced for the home market, with primary exports in 2008 representing only 14.9% of total primary production. Over 25% of domestic demand for primary products is still satisfied by imports. Industrial production is marginal, contributing only 0.1% of gross value added in 2013, while construction activities contribute an additional 4.1%.

The structure of exports reflects the shallow productive base and the dependence of the economy on the agro-food sector. Agricultural and food products comprised 41.7% of total commodity exports and their contribution rose in the first quarter of 2014 to 44.6%.<sup>19</sup> Fruits, vegetables and seeds contributed 20.9% of total commodity exports in 2013 and alcoholic and non-alcoholic beverages another 10.7%. Exports of non-food manufactured products fell between 2013 and 2014, contributing 53.8% of total exports in 2013 and 52.6% in the first quarter of 2014. The structure of non-food manufactured exports reflects the low capital and technological intensity of Moldova's productive capacity. Apparel and accessories as well as yarns and fabrics accounted for 13.3% of total commodity exports in 2013 and rose to 14.6% in 2014, electrical machinery and parts contributed 8.9% in 2013 and 10.2% in 2014, pharmaceutical products 4.0% and 4.7% respectively while furniture and parts contributed an additional 4.0% in 2013 and 4.7% in 2014.<sup>20</sup>

Despite the redirection of trade towards the EU market over recent months, the concentration of exports to the CIS countries, particularly to Russia is still high, making Moldova extremely vulnerable to political and economic volatility of import demand by CIS countries. In fact, the share of exports directed to the EU market fell between 2009 and 2013 from 52% to 47% while the share of exports to the CIS markets remained stable at 38%. Over the first quarter of 2014, the corresponding CIS share fell to 32.9% while the EU share rose to 53%. Vulnerability is especially high in particular sectors such as the agro-food sector where 85% of vegetable exports (US\$10.75 million) and 97.5% of their re export (US\$10.04 million) are oriented towards a single market, namely the Russian market.<sup>21</sup>

Expansion of export demand from EU countries and the redirection of trade from the CIS countries to the EU and non-CIS markets is expected to continue as DCFTA is implemented. However, translating this increased expected demand into higher export value requires expansion of the quantities exported, improved composition of exports towards commodities with higher value-added and increased competitiveness both in terms of price and quality. Outcomes will critically depend on the capacity of Moldovan companies to enhance productive capacity and productivity, differentiate products and upgrade productive processes, improve quality and maintain price competitiveness as well as their capacity to maintain their competitive advantage in traditional markets while entering new ones.

### 3. Assessing the Capacity of Moldovan Exports to Penetrate Foreign Markets

To access the capacity of Moldovan-based companies to meet these challenges, a Questionnaire was designed by the "Support to the DCFTA Process in the Republic of Moldova" project, to be filled approximately by 100 companies presently located in Moldova. The aim of the survey was three fold:

<sup>18</sup> NIER, Moldovan Economic Trends, No. 12, Q IV, 2013, p. 115.

<sup>19</sup> NIER, Moldovan Economic Trends, No. 13, Q I, 2014, p. 59.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.



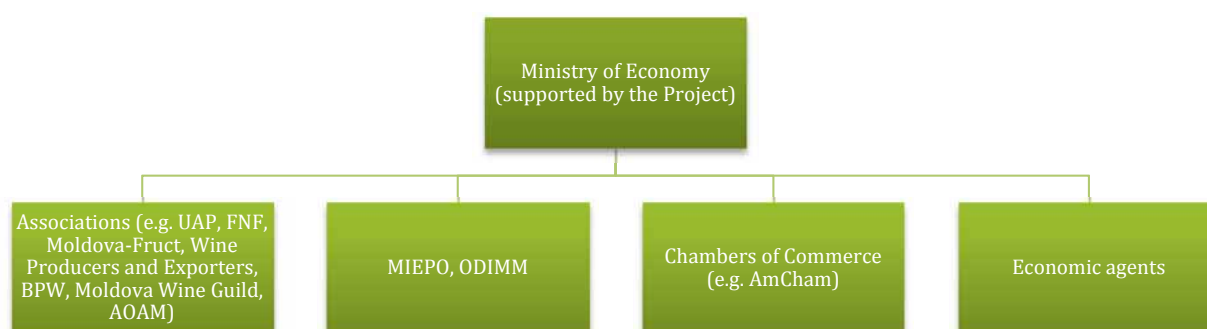
- a) to access the current status of Moldovan exports in foreign markets and the profile of the companies concerned (size, employment, turnover, sector etc.);
- b) to identify the most common obstacles faced by Moldovan exporters in expanding their trade activities and improving competitiveness and export performance; and
- c) to identify the actions and support needed to overcome these barriers, expand trade capacity and diversify into new products and/or new markets.

The results obtained would assist the Ministry of Economy in gaining a better understanding of assistance and capacity-building needs for trade facilitation and trade expansion in the process of DCFTA implementation.

### Methodology

The survey, conducted between March 2014 and May 2014, was administered on behalf of the Ministry of Economy (the Beneficiary) via email to approximately 120 actual and potential exporters, i.e. local and foreign companies based in the Republic of Moldova. To ensure a higher response rate, the Beneficiary also decided to distribute the Questionnaire via local business liaison networks including Business Associations, MIEPO and ODIMM, the Chamber of Commerce and individual contacts (see Figure 1 below). To our knowledge, approximately 200 companies have received the Questionnaire. However, as the Project had no direct control over total distribution, there might be an overlap of companies which received the survey from different sources, rendering the total number of recipients substantially smaller.

By the end of the period assigned, 39 responses have been collected (approximately 20% of the total number of presumed respondents) from exporting or potential export companies.



**Figure 8.1. Illustration of the distribution of the survey**

### Profile of responding companies

Out of a total number of 37 responses that answered the particular question on the profile of companies, the vast majority of the enterprises were more than 10 years in operation (78%) and were mostly local companies (73%); only a small number (7 companies) were international companies or subsidiaries to international companies. Over 70% of the responding companies employed more than 50 workers and approximately a third of the total (13 companies or 34.2% out of 38) were actually large firms even by EU standards. The annual turnover of 18 of these companies is exceeding 50 million MDL (approximately 2.6 million Euro) while only 11 companies had an annual turnover of less than 10 million MDL (approximately 529,000 Euro). Most of the companies (61.7% of the companies) have been making profits for some years (29.4% of the companies) if not every year (32.3% of companies). The vast majority of the companies that responded (almost 70%) characterised themselves as experienced exporters, while 86% responded that they had some or lots of exporting experience.

## MOLDOVAN ECONOMIC TRENDS

Years of Operation	Number of companies
<b>1-3 years</b>	3
<b>4-6 years</b>	2
<b>7-9 years</b>	3
<b>more than 10 years</b>	29
<b>Total valid responses</b>	37

Local Company	Number of companies
<b>Yes</b>	27
<b>No</b>	10
<b>Total valid responses</b>	37

Local/Subsidiary/International Company	Number of companies
<b>Subsidiary</b>	1
<b>International</b>	6
<b>None of the options</b>	30
<b>Total valid responses</b>	37

Number of Employees	Number of companies
<b>less than 9</b>	5
<b>10 to 49</b>	6
<b>50 to 249</b>	14
<b>more than 249</b>	13
<b>Total valid responses</b>	38

Annual Turnover	Number of companies
<b>less than 3 million, in MDL</b>	5
<b>3 to 10 million, in MDL</b>	6
<b>10 to 50 million, in MDL</b>	9
<b>more than 50 million, in MDL</b>	18
<b>Total valid responses</b>	38

Profitable Operations	Number of companies
<b>last year</b>	5
<b>last 2-3 years</b>	8
<b>some years</b>	10
<b>every year</b>	11
<b>Total valid responses</b>	34

The majority of the responding firms (20 out of 38 i.e. 53%) are engaged in manufacturing and possess significant exporting experience. The sectorial distribution of the responding companies and their experience is provided below:

Sectorial Distribution of Companies	Number of companies
<b>A - Agriculture, forestry and fishing</b>	7
<b>C - Manufacturing</b>	20
<b>E - Water supply; sewerage; waste management and remediation activities</b>	1
<b>G - Wholesale and retail trade; repair of motor vehicles and motorcycles</b>	2
<b>H - Transporting and storage</b>	2

<b>J - Information and communication</b>	1
<b>K - Financial and insurance activities</b>	1
<b>Multi-sector</b>	4
<b>Total valid responses</b>	38

Export Experience	Number of companies
<b>None</b>	4
<b>New</b>	1
<b>Some experience</b>	6
<b>Experienced</b>	25
<b>Total valid responses</b>	36

### *List of impediments encountered*

According to the responses received, among firms with some or adequate experience in exporting, the five most serious impediments to initiate or expand export activities as ranked by respondents' total score (total score between 63-83; note that a lower score implies greater importance) include: high costs of entry into foreign markets, the disruption of normal trade relations, costly transportation, costly and lengthy custom procedures in Moldova and lack of appropriate contacts with potential importers. Moderate impediments (total score between 87-95) include tariff barriers in foreign markets, costly and lengthy customs procedures in foreign markets, exchange rate volatility, limited own production, lack of formal accreditation or standardisation and entrenched presence of competitors in foreign markets.

It is interesting to note that too high costs of finance or highly bureaucratic export procedures do not appear to be binding constraints for these firms probably due to their relatively large size and entrenched position in export markets.

Impediment	Total no. of responses	Highest ranked (1-3)		Total score, sum
		No. of responses	% of total number of resp.	
<b>Limited own production</b>	19	6	32%	95
<b>Own production not price competitive</b>	20	6	30%	113
<b>Own production not meeting quality standards</b>	17	6	35%	98
<b>Lack of formal accreditation or standardisation (e.g. phytosanitary, technical)</b>	19	8	42%	95
<b>Inadequate finance or credit availability</b>	19	4	21%	121
<b>Too high costs of finance</b>	24	10	42%	118
<b>Lack of information about export potential in foreign markets</b>	20	7	35%	99
<b>Lack of appropriate contacts/networking with potential importers</b>	20	9	45%	83
<b>Entrenched presence of competitors in foreign markets</b>	21	7	33%	95
<b>High costs of entry in foreign markets (overall or specific)</b>	16	9	56%	63
<b>Presence of tariff barriers in foreign markets</b>	18	7	39%	87
<b>Presence of non-tariff barriers in foreign markets</b>	14	3	21%	99

## MOLDOVAN ECONOMIC TRENDS

<b>Exchange rate volatility</b>	23	12	52%	91
<b>Disruption of normal trade relations in traditional export market</b>	19	11	58%	71
<b>Costly transportation</b>	18	8	44%	74
<b>Highly bureaucratic export procedures in Moldova</b>	19	6	32%	97
<b>Costly and lengthy customs procedures in Moldova</b>	18	9	50%	79
<b>Costly and lengthy customs procedures in foreign markets</b>	16	6	38%	88

Exporters identify the following severe and moderate impediments:

No.	Severe impediments (63-83)	Moderate impediments (87-95)
1.	High costs of entry in foreign markets (overall or specific)	Presence of tariff barriers in foreign markets
2.	Disruption of normal trade relations in traditional export market	Costly and lengthy customs procedures in foreign markets
3.	Costly transportation	Exchange rate volatility
4.	Costly and lengthy customs procedures in Moldova	Limited own production & Lack of formal accreditation or standardisation (e.g. phytosanitary, technical)
5.	Lack of appropriate contacts/networking with potential importers	Entrenched presence of competitors in foreign markets

### *Intended Market and Product Diversification*

To address the challenges presented and the impediments to export expansion, 24 companies (63% of total 38 companies with valid responses to the questionnaire) replied that they were considering to diversify their export markets and 14 (37% of the 38 companies) to proceed with commodity diversification. The countries mentioned more frequently as potentially interesting new markets include CIS countries (i.e. Russian Federation, Ukraine, Belarus, Kazakhstan), EU member states (i.e. Romania, Poland, Baltic countries, Germany, UK), USA, Canada as well as some Middle East countries (i.e. Turkey, Israel, Egypt, UAE, Yemen).

Intention for Commodity Diversification of Export Base	Number of companies
<b>Yes</b>	14
<b>No</b>	4
<b>Total valid responses</b>	18

Intention for Geographic Diversification of Exports	Number of companies
<b>Yes</b>	24
<b>No</b>	1
<b>Total valid responses</b>	25

### *Assistance needed to expand exporting capacity and activities*

The responding companies consider the following types of assistance of highest priority: assistance in finding appropriate land at reasonable costs and in finding appropriate importing partners. The respondents also referred to the need of securing finance at reasonable costs,

investing in new machinery and equipment and finding strategic investors. Among moderate assistance needs, companies identified the following sectors: proper accreditation and standardisation, improvements in infrastructure, lowering time and costs at borders, merging or acquiring other firms and integrating into regional or global value chains.

Type of Support/Assistance Needed	Total no. of responses	Highest ranked (1-3)		Total score, sum
		No. of responses	% of total number of resp.	
<b>Find skilled people</b>	22	9	41%	101
<b>Retrain employees</b>	19	7	37%	101
<b>Invest in new machinery/equipment</b>	25	13	52%	90
<b>Find strategic investor</b>	21	10	48%	90
<b>Secure finance at reasonable cost</b>	18	5	28%	89
<b>Find appropriate land at reasonable cost</b>	14	9	64%	59
<b>Have infrastructure improved (e.g. road, water)</b>	21	10	48%	91
<b>Secure lower cost of energy</b>	24	9	38%	101
<b>Meet quality standards of production</b>	17	7	41%	94
<b>Secure accreditation or standardisation for exports</b>	17	8	47%	90
<b>Relocate in the Free Trade Zone</b>	18	4	22%	123
<b>Locate partner(s) in export markets</b>	24	11	46%	107
<b>Lower time and costs at customs</b>	20	10	50%	92
<b>Become part of a regional or global value chain</b>	18	8	44%	94
<b>Merge or acquire other company</b>	14	2	14%	93
<b>Partner with other importing companies</b>	17	9	53%	75

No.	Top assistance needs (59-90)	Moderate assistance needs (90-94)
1.	Find appropriate land at reasonable cost	Secure accreditation or standardisation for exports
2.	Partner with other importing companies	Have infrastructure improved (e.g. road, water)
3.	Secure finance at reasonable cost	Lower time and costs at customs
4.	Invest in new machinery/equipment	Merge or acquire other company
5.	Find strategic investor	Become part of a regional or global value chain

### Views on DCFTA

Among the 32 companies which chose to share their views on DCFTA, 18 companies (56%) said that DCFTA will improve the company's profitability and 17 (53%) that it will enhance export prospects. Seven companies (22%) responded that it will not change or will worsen profitability and export prospects.

Impact of DCFTA on Profitability	Number of companies
<b>It will improve it</b>	18
<b>It will not change it</b>	5
<b>It will make it worse</b>	2
<b>Do not know</b>	7
<b>Total valid responses</b>	32

Impact of DCFTA on Export Prospects	Number of companies
It will improve them	17
It will not change them	6
It will make it worse	1
Do not know	8
Total valid responses	32

#### 4. Implications for Policy Priorities

The above analysis of the situation and the responses received allow drawing a number of conclusions:

- a) The SME sector, as understood in the European context, is relatively underdeveloped in Moldova; the country's corporate structure is relatively dual, comprising a number of relatively well established large firms and a plethora of micro and informal firms. *Therefore, private sector development including the development of a formal SME sector is a prerequisite for positive gains from DCFTA implementation and should be a key priority of an active industrial policy aiming at economic transformation.*
- b) Bottlenecks pertain both to domestic costs and supply conditions (most notably high cost of financing, exchange rate risk, high energy prices, inadequate infrastructure, limited investment capacity) but equally so to demand conditions (inadequate information about export potential, lack of access to potential importers, enhanced competition in foreign markets, high costs of entry in foreign markets). *Thus, to enable firms to expand their productive capabilities and promote exports, both supply and demand constraints need to be jointly addressed and progressively relaxed.*
- c) The companies which are most likely to benefit from DCFTA, at least in the short run, are relatively large, profitable and experienced companies. These companies face a number of constraints on the supply and demand sides. On the supply (or Moldovan side), these include costly transportation, costly and lengthy custom procedures and inadequate formal accreditation and standards; on the demand (or trade partners' side), they include high costs of entry into foreign markets, the disruption of normal trade relationships with traditional trading partners, high tariffs in foreign markets, lack of appropriate contacts with potential importers and difficulty of entry due to the entrenched presence of competitors in foreign markets. *Therefore, DCFTA reforms aimed at easing supply-side constraints need to be complemented with active support for penetration into new markets, creation of new market networks and integration into regional and global value chains.*
- d) Attracting foreign investment and/or enticing multinational companies to partner with local ones is probably the most effective way to integrate Moldovan firms into EU and global value chains. Such integration would enable them to expand production, exports and employment and would create incentives for the development of an SME sector. The experience of European countries – both positive and negative – suggests that *attracting foreign direct investment requires a clear sectorial strategy and coordinated and targeted marketing efforts supported by the provision of appropriate incentives and an enabling environment, including clear political commitments to long-term credible policies, transparency and accountability.*

**The contents of this publication are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union.**



## ON TAX BUOYANCY IN MOLDOVA: ANALYSIS AND ECONOMETRIC ESTIMATES

Apostolos PAPAPHILIPPOU, PhD

### 1. Introduction

The aim of this paper is to analyse briefly the concepts of tax buoyancy and tax elasticity, provide some empirical estimates of tax buoyancy in Moldova, and determine areas for further work aiming at assisting the analysis of fiscal policy and revenue forecasting.

The paper is organised as follows: Section 2 introduces the concepts of tax buoyancy and tax elasticity, and discusses their estimation using time series data. Section 3 provides a brief overview of Moldova's revenue performance. Section 4 presents and discusses empirical estimates of the buoyancy of total tax revenues in Moldova, as well as the buoyancy of the four main taxes (namely the corporate income tax, the personal income tax, the Value-Added Tax (VAT) and excise taxes). Section 5 concludes by providing a few brief comments on tax reform taking into account Moldova's Public Financial Management reform objectives. Section 5 also suggests areas for further work aiming at: (i) addressing a number of econometric issues and increasing the efficiency of the derived econometric estimates; and (ii) generating econometric estimates of tax elasticity which will facilitate fiscal analysis and revenue forecasting in Moldova. Finally the paper's annex presents the primary data used for generating the graphs and empirical estimates reported in this paper.

### 2. On the concepts of tax buoyancy and tax elasticity

The concept of tax buoyancy provides an indication of the responsiveness of taxes to changes in income abstracting from the discretionary changes in the tax system that were induced by changes in tax policy through time. Tax buoyancy may refer to the buoyancy of total taxes or to the buoyancy of a particular tax under consideration.

The buoyancy of a tax,  $B$ , is defined by the ratio of the percentage change of the revenues generated over the percentage change of the tax's base according to the equation:

$$B = (\text{percentage change of revenues}) / (\text{percentage change of the tax base}) \quad (1)$$

In equation (1) the base is frequently the country's Gross Domestic Product (GDP), though other bases may be more appropriate depending upon the particular tax under consideration. Thus, for example, for the cases of VAT and import tariffs, more appropriate bases are consumption and imports respectively.

For the buoyancy of total tax revenues the appropriate base is the GDP. The buoyancy of total taxes provides an indication regarding how much would economic growth increase total tax revenues through time: thus a buoyancy estimate greater (less) than one implies that tax revenues are likely to grow faster (slower) than GDP growth.

One way to provide an estimate of the buoyancy of total taxes is to: (i) calculate the evolution of the annual buoyancy over a period of years (through calculating the ratio between the rate of growth of tax revenues over the rate of growth of nominal GDP for each year); and then (ii) calculate the buoyancy of total taxes as the average of these annual buoyancy estimates. A drawback of this method is that the estimated average is likely to be influenced by outliers (i.e. by very high or very low values of the annual buoyancy over the period under consideration).

A variant of the above method is to calculate the buoyancy of total taxes as the ratio between the rate of growth of the tax revenues generated over the rate of growth of nominal GDP between the beginning and the end of a period spanning several years. A drawback of this method is the sensitivity of the buoyancy estimate on the particular years chosen as the beginning and the end of the period under consideration.

An alternative and widely-used method to estimate the buoyancy of taxes is to use time-series data to regress the logarithm of tax revenues on the logarithm of the appropriate tax base. In equation (2) below:

$$\log \text{Tax Revenues}_t = a + b \log \text{Tax Base}_t + e_t \quad (2)$$

- The parameters  $a$  and  $e$  represent the constant term and the error term of the equation to be estimated through the use of time series data; while
- The econometric estimate of parameter  $b$  in equation (2) provides an estimate of the buoyancy of the tax.

As noted already the concept of tax buoyancy abstracts from the discretionary changes induced by policy changes over the period of its estimation. In so doing the buoyancy does not provide us with any detailed insight or analysis regarding the reasons for the apparent behaviour of the tax through time. Clearly, and in addition to the changes in macroeconomic conditions, the evolution of tax revenues through time could be attributed to a combination of changes in the tax's rate, the tax's base, or in the efficiency of tax administration.

Now, and in contrast to tax buoyancy, the concept of tax elasticity attempts to disentangle the effect of the changes induced by tax policy through time. The elasticity of a tax is defined as the ratio of the percentage change in revenues over the percentage change of the tax's base under the condition that there is no change in the tax system over the period. By disentangling the effect of changes induced by tax policy through time the elasticity of a tax provides an indication of the automatic response of the tax under consideration to changes in macroeconomic conditions.

As our paper focuses on the buoyancy of taxes (rather than the elasticity of taxes) it suffices to note here that:

- The concept of tax elasticity is a useful concept for analytical and forecasting purposes; and that
- The estimation of the elasticity of a tax may be undertaken through either (i) the incorporation of dummy variables in equation (2); or (ii) through the so-called "proportional adjustment method". More specifically:
  1. In the case where very few changes have taken place in the corresponding tax law over the period analysed (say one, two or three changes) then one possible method to estimate the tax buoyancy may be through the incorporation into the log-linear equation (2) of dummy variables to capture these changes. These dummy variables would take the value of 0 prior to each change and the value of 1 thereafter. While this method does not require detailed information about the changes in the tax law itself, its drawbacks include: (i) the fact that the method can only be applied in the case where the changes were very few through time; and (ii) the fact that the introduction of dummy variables reduces the degrees of freedom for the econometric estimation of the buoyancy estimate.
  2. Alternatively the proportional adjustment method attempts to remove from the time series of the generated tax revenues the discretionary component of the revenues that are due to changes in policy through time. This adjusted revenue data time-series is then regressed on the tax base as per equation (2). And the econometric estimate of the coefficient  $b$  in equation (2) provides an estimate of the elasticity of the tax under consideration. The proportional adjustment method requires more detailed information

on the changes in tax policy through time. The method has the advantage of preserving the degrees of freedom for the econometric estimation of the tax elasticity and allowing the incorporation of the additional information on the changes induced by tax policy through time.

### 3. A note on Moldova's revenue performance

We now turn to provide a brief overview of Moldova's revenue performance which sets the stage for the empirical estimates presented in section 4 below.

Table 9.1 provides a detailed breakdown of Moldova's revenue performance over the period 2009-2013 as a share of GDP. In addition figure 9.1 depicts the evolution of Moldova's total tax revenues as a share of GDP over the period 1999-2013. This is the period we rely upon to generate our empirical and econometric estimates we present in section 4. The primary data used for generating these estimates are reproduced in the paper's data appendix.

**Table 9.1. Moldova's revenues as a share of GDP (2009-2013)**

	2009	2010	2011	2012	2013 1/
<b>Revenues and Grants</b>	38.9	38.3	36.6	37.9	36.8
<b>Revenues</b>	36.8	35.5	34.5	36.1	34.7
<b>Tax revenues</b>	32.0	31.0	30.7	32.0	31.5
<b>Corporate income</b>	0.7	0.7	0.7	2.2	2.0
<b>Personal income</b>	2.4	2.1	2.1	2.3	2.2
<b>VAT</b>	12.6	12.7	12.7	12.1	12.1
<b>Excises</b>	2.5	2.9	3.2	3.3	3.5
<b>Foreign trade</b>	1.5	1.5	1.4	1.5	1.4
<b>Other</b>	0.7	0.6	0.5	0.5	0.5
<b>Social Fund contributions</b>	9.3	8.3	8.0	8.1	7.8
<b>Health Fund contributions</b>	2.3	2.1	2.0	2.0	2.0
<b>Non-tax revenues</b>	1.7	2.4	1.8	2.2	1.9
<b>Revenues of special funds</b>	3.1	2.2	2.0	1.9	1.3
<b>Grants</b>	2.1	2.8	2.1	1.8	2.1
<b>Domestic</b>	0.2	0.1	0.0	0.0	0.0
<b>External</b>	1.9	2.7	2.0	1.8	2.0
<b>Budget support<sup>2/</sup></b>	1.3	1.8	1.1	0.9	0.7
<b>Project</b>	0.6	0.8	0.8	0.8	1.2
<b>Other public institutions</b>	0.0	0.0	0.1	0.1	0.1

*Source:* IMF (2014).

*Notes:* 1/ In 2013 a change in the scope of government reduces both revenue and expenditure by about 0.5% of GDP.

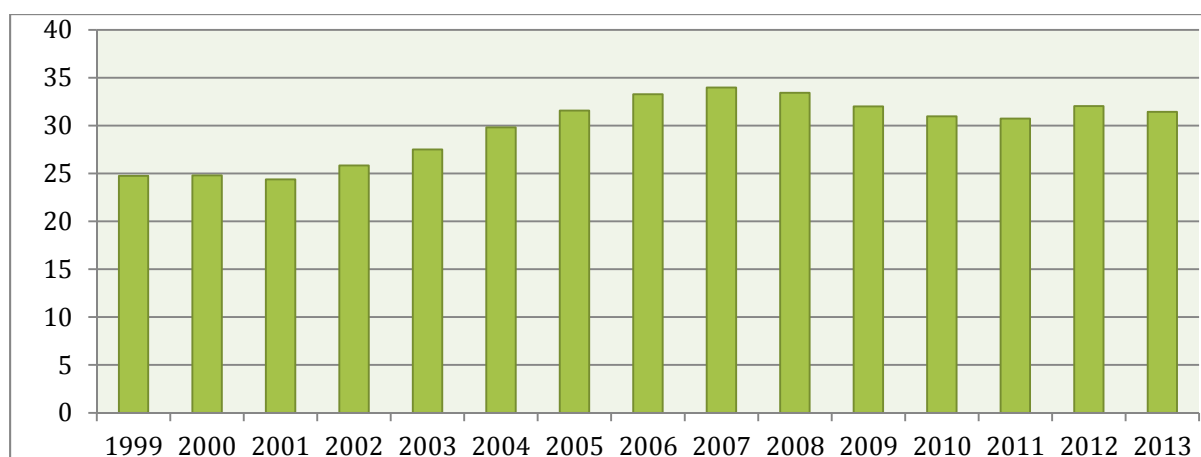
2/ In 2009 an EU project grant of € 15 million was reclassified as budget support given that no actual expenditure took place.

As this paper focuses on the buoyancy of taxes (rather than the elasticity of taxes) we will not be analysing in detail any particular tax. The only exception will be the corporate income tax, where a brief analysis is indispensable in order to:

1. Provide an insight into the corporate income tax's recent evolution noted in table 9.1 (namely the very significant increase of corporate income tax revenues from 0.7% of GDP over the period 2009-2011 to 2.2% of GDP in 2012);

and also

2. Inform our econometric analysis and the specification we use in section 4 below to estimate econometrically the buoyancy of the corporate income tax.



**Figure 9.1. Moldova's tax revenues as a share of GDP (1999-2013, %)**

Moldova's corporate income tax was introduced in 1992 with a rate of 32%. The main changes in the corporate income tax over time are summarised in table 9.2 below.

**Table 9.2. Main changes in Moldova's Corporate Income Tax (CIT)**

1992	Law on CIT adopted with tax rate at 32%
1999	CIT rate reduced to 25%
2001	CIT rate raised to 28%
2002	CIT rate lowered to 25%
2003	CIT rate lowered to 22%
2004	CIT rate lowered to 20%
2005	CIT rate lowered to 18%
2006	CIT rate lowered to 15%
2008	CIT rate set to 0%, except for few categories of entrepreneurs and reinvested profit (15%)
2012	CIT rate re-introduced at the rate of 12%, along with sizable reductions in tax exemptions

**Source:** The entries for 1992 to 2008 are reproduced from Qehaja (2012). The entry for 2012 summarises the changes in the CIT of that year as reported in Kinda (2012).

As Qehaja (2012) noted, over the period from 1999 to 2008, the corporate income tax rate was reduced to zero. However, in 2012, the corporate income tax was re-introduced at the rate of 12%, along with sizable reductions in the corporate income tax's exemptions [Kinda (2012)].

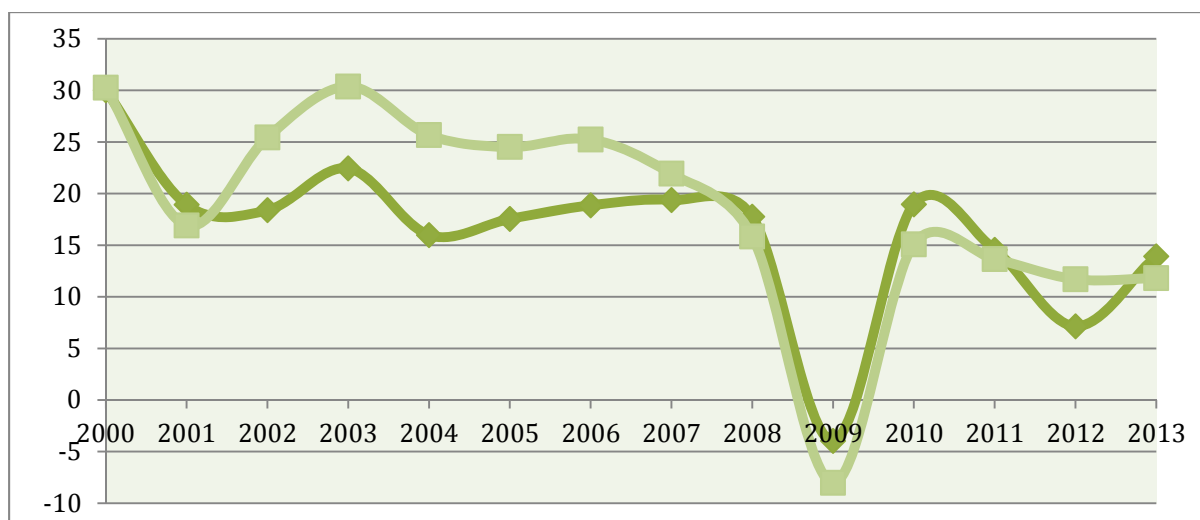
#### 4. Empirical estimates

As noted already the buoyancy of Moldova's total tax revenues is determined by the ratio of: (i) the rate of growth of the tax revenues generated; over (ii) the rate of growth of nominal GDP.

Figure 9.2 presents the evolution of the annual rate of growth of nominal GDP and the annual growth of total tax revenues, which depicts the joint evolution of the numerator and denominator of the above-mentioned ratio that defines the annual buoyancy of total taxes.

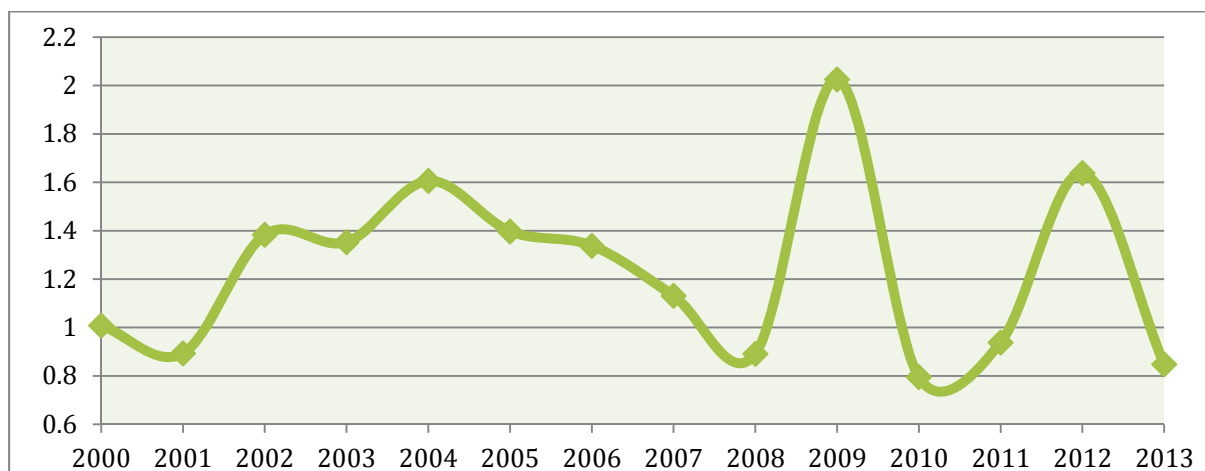
Figure 9.3 presents the evolution of the buoyancy over the period 2000-2013.

Clearly the buoyancy of total taxes exhibited significant volatility over the period 2000-2013 in Moldova, with annual values which ranged from a low of 0.8 to a high of 2. The highest value of the buoyancy occurred in 2009 when, due to the impact of the financial crisis on the Moldovan economy, the rate of decrease in nominal taxes was twice the rate of decrease in Moldova's nominal GDP (as depicted in figure 9.2).



**Figure 9.2. Annual rates of growth of nominal GDP and total tax revenues (%)**

**Note:** The evolution of the annual rates of the growth of nominal GDP and the growth of total tax revenues is depicted in blue and red colour respectively.



**Figure 9.3. The evolution of the annual buoyancy of total tax revenues (2000-2013)**

As noted in section 2 two possible methods to estimate the tax buoyancy include:

1. Averaging the annual buoyancy estimates over a period. The average buoyancy of the annual estimates portrayed in figure 9.3 over the period 2000-2013 equals 1.23.
2. Calculating the buoyancy of total taxes as the ratio between the rate of growth of the generated tax revenues over the rate of growth of nominal GDP between the beginning and the end of a period spanning several years. Using this method, and taking the beginning and the end of the period as 1999 and 2013 respectively, implies that the estimated buoyancy of total taxes would equal 1.31.

Table 9.3 presents the buoyancy estimates following these two methods for Moldova's total tax expenditures and also for the four main taxes. The reported estimates are rounded to the second decimal and are calculated on the data covering the period 1999-2013 that appear in the paper's data appendix.

It is notable that due to the reduction of the corporate income tax rate to zero with very few exceptions over the period 2008-2011, the buoyancy estimate derived by averaging the annual buoyancies of the corporate income tax revenues is nonsensical and has been excluded from table 9.3.

**Table 9.3. Buoyancy of Moldova's total tax revenues and its four main taxes**

	Average of annual buoyancies	Estimated end-period buoyancy
Total tax revenues	1.23	1.31
Corporate income tax	...	1.09
Personal income tax	1.09	1.27
VAT	1.36	1.30
Excises	0.85	0.75

**Notes:** The table reports (i) the average of the annual buoyancy estimates over 2000-2013; and (ii) the ratio between the rate of growth of tax revenues over the rate of growth of the tax base for each tax between 1999 and 2013. For the first three rows the tax base in GDP, while for the remaining two (covering VAT and Excise taxes) the base is Total Final Consumption.

We now turn to provide econometric estimates of tax buoyancy. Table 9.4 provides least-squares estimates of the parameters  $a$  and  $b$  of equation (2) for Moldova's total tax revenues and its four main taxes utilising annual data over the period 1999-2013 inclusive.

In more detail:

- In table 9.4 under the  $\underline{a}$ ,  $\underline{b}$  and  $\underline{R^2}$  columns we present the estimated parameters,  $a$  and  $b$ , and the  $R^2$  of equation (2) when we regress real variables. More specifically:
  - For the first three regressions reported in table 9.4 (that refer to total revenues, the corporate income tax and the personal income tax), the actual nominal values of these taxes that are reported in the paper's annex were deflated by the GDP deflator and regressed over real GDP.
  - For the remaining two taxes (namely VAT and excise taxes), the nominal revenues were deflated by the GDP deflator and regressed over a proxy base for real consumption over the period (obtained by deflating the nominal values of Total Final Consumption time-series reported in the paper's annex by the GDP deflator).
- Table 9.4 provides also the estimated buoyancy obtained when we regress the nominal variables of the respective tax on its base. These buoyancy estimates are reported under the  $b(nom)$  column in table 9.4.

**Table 9.4. Least squares estimates of equation (2) over the period 1999-2013**

TAX	BASE	$\underline{a}$	$\underline{b}$	$\underline{b(nom)}$	$\underline{R^2}$
Total tax revenues	GDP	-5.881	1.477	1.152	0.968
Corporate income 1/	GDP	-7.139	1.336	1.101	0.891
Personal income	GDP	-7.744	1.402	1.125	0.896
VAT	Consumption	-6.749	1.453	1.168	0.951
Excises	Consumption	1.318	0.504	0.816	0.489

**Notes:** By  $\underline{a}$ ,  $\underline{b}$  and  $\underline{R^2}$  we refer to the estimated parameters  $a$  and  $b$  and the  $R^2$  of equation (2) when we regress real variables. In contrast the  $b(nom)$  column provides the estimated buoyancy when we regress the nominal variables of the respective tax on its base.

1/ The estimates for the corporate income tax refer to the estimates of a variant of equation (2) which includes a dummy variable for the period 2008-2011 (which covers the period when, with a few exceptions, the corporate income tax rate was set to zero).

We now turn to provide a brief analysis of the econometric estimates that are reported in table 9.4:

- The parameter estimates reported under the columns  $\underline{a}$  and  $\underline{b}$  in table 9.4 are statistically highly significant, with the only exception being the constant term in the excise taxes' regression. In addition the goodness-of-fit of the regression for excise taxes is significantly lower than the goodness-of-fit of the other regressions reported in table 9.4, with the  $R^2$  of



the regression for excise taxes (at close to 0.49) being significantly lower than all the other  $R^2$  reported in table 9.4 (which range from 0.89 to close to 0.97).

- The estimates for the corporate income tax refer to the estimates of regressing variant of the specification presented by equation (2): in addition to the two terms in equation (2), the estimated regression includes one more variable, namely a dummy variable for the period 2008-2011. The introduced dummy variable takes the value of 1 for the years 2008 to 2011 inclusive, and zero otherwise. The dummy variable thus captures the 2008-2011 period when, with a few exceptions, the corporate income tax rate was set to zero. It is notable that the regression results of the original specification (i.e. without the incorporation of this dummy variable) resulted in: (i) parameter estimates which were not statistically significant; and (ii) a very low  $R^2$  for the original regression (which was close to only 0.02, with the adjusted  $R^2$  statistic turning negative).
- With regard to the buoyancy estimates reported in table 9.4 it is notable that:
  - In line with one's prior expectations the estimated buoyancy of excise taxes reported in table 9.4 is lower than 1 (as were the estimated buoyancy of excise taxes reported in table 9.3 utilising the other methodologies);
  - The remaining five buoyancy estimates reported in table 9.4 are greater than 1 (this, again, holds for the buoyancy estimates reported in table 9.3 utilising the other methodologies);
  - The above observations hold regardless upon whether the econometric estimates were generated through regressing real variables or through regressing nominal variables; in other words they hold for all the estimates that appear under columns  $\underline{b}$  and  $b(nom)$  in table 9.4. However, if one compares the buoyancy estimates that appear under these two columns for each individual tax, it is notable that the estimates under the  $b(nom)$  column are closer to the value of 1. This is not surprising: as Haughton (1998) noted, regressing nominal variables rather than real variables are likely to bias the calculated buoyancy estimate towards the value of 1.

In table 9.5 below we reproduce the buoyancy estimates reported in table 9.3 and the econometric estimates of the buoyancy reported in table 9.4 (with the later estimates rounded to the second decimal point in order to facilitate the comparison between the different estimates reported in table 9.5).

**Table 9.5. Estimates of tax buoyancy generated through different methods**

	Average of annual buoyancies	Estimated end-period buoyancy	Econometric estimate using real data $\underline{b}$	Econometric estimate using nominal data, $b(nom)$
Total tax Revenues	1.23	1.31	1.48	1.15
CIT 1/	....	1.09	1.34	1.10
PIT	1.09	1.27	1.40	1.13
VAT	1.36	1.30	1.46	1.17
Excises	0.85	0.75	0.50	0.81

**Note:** The table reproduces the buoyancy estimates reported in tables 9.3 and 9.4 (with the latter estimates rounded to the second decimal point).

1/ The econometric estimates for the corporate income tax refer to the estimates of a variant of equation 2 which includes a dummy variable for the period 2008-2011 (which covers the period when, with a few exceptions, the corporate income tax rate was set to zero).

Table 9.5 reproduces the estimated buoyancies that were derived under the different methodologies we have used in this paper. It is notable that some caution and judgement is called for when assessing these empirical results and using them for fiscal analysis.

In more detail the above estimates provide only an indicative range of possible values for a number of inter-related reasons:

- One should keep in mind that the transition period in Moldova was characterised by: (i) significant structural changes in the economy; along with (ii) frequent changes in the tax legislation. For the case of Moldova's corporate income tax the frequency and magnitude of these legislative changes becomes apparent from the entries summarising the legislative changes through time we reported in table 9.2. Frequent legislative changes were, however, a general characteristic of Moldova's tax system as analysed in more detail in the paper by Qehaja (2012).
- It follows from the above observation that the buoyancy estimates provide a range of values for the average behaviour of tax buoyancy over the period which, unsurprisingly, has exhibited significant volatility from year-to-year (as is clearly portrayed in figure 9.3 for the buoyancy of total taxes).
- Finally it should be noted that the small data sample (comprising 15 annual observations) coupled with the non-stationary of the variables used for generating the econometric estimates we reported in table 9.4 have well-known adverse repercussions with regard to the efficiency of the derived econometric estimates. On the other hand these econometric estimates of tax buoyancy do provide an indicative range of possible values which both: (i) complement; and (ii) are not very far away from the buoyancy estimates generated by the other two methods.

The analysis of tax buoyancy in this paper provides a base for further research work to assist the analysis of fiscal policy and revenue forecasting in Moldova. A brief discussion of possible areas for further work is provided in the concluding section which follows.

## 5. Concluding comments on policy and suggestions for further work

Fiscal consolidation and the maintenance of fiscal and debt sustainability are core objectives of Moldova's reform programme in the area of Public Financial Management. The programme is formulated in the "Development Strategy in the Area of Public Financial Management 2013-2020" adopted by the Government of Moldova in June 2013, and the recent "Law on Public Finance and Fiscal Responsibility", No 181 of 25.07.2014 which was published in the *Monitorul Oficial* of 08.08.2014.

Looking forward an important component of the effort to attain and safeguard fiscal and debt sustainability will concern the reform of Moldova's tax system. Components of this tax reform effort are likely to include:

- The further simplification of the tax system, coupled with the broadening of the tax base through a reduction of exemptions; and
- Sustained efforts to increase the efficiency of tax administration, fight tax avoidance and tax evasion, and strengthen tax compliance.

The design of tax reform should also take into account Moldova's international commitments (including those foreseen in the Association Agreement with the EU) and should be based on an analysis of the likely effects of possible fiscal policy options.

Finally the efficient design of tax reform in Moldova is likely to benefit from further empirical and econometric analysis in general and the estimation of the tax elasticity for a number of taxes in particular. This is a natural area for further work following the analysis contained in the current paper which, given the frequent changes in Moldova's tax legislation, will have to rely on the proportional adjustment method outlined in section 2 for the econometric estimation of tax elasticity. An effort should also be made to utilise quarterly rather than annual data for the analysis and derivation of empirical estimates. The use of quarterly data will provide a sufficient number of observations for efficient statistical inference. And this, in turn, is likely to increase the efficiency of the derived econometric estimates and their usefulness for policy analysis and revenue forecasting.

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## Data Appendix

The table below provides the primary data used for generating the graphs and empirical estimates reported in the paper.

	GDP	TFC	TTR	CIT	PIT	VAT	Exc	GDP deflator (%)
1999	12322	11090	3050	233	219	940	445	39.8
2000	16020	16503	3973	275	265	1333	658	27.3
2001	19052	19263	4645	350	348	1498	681	12.1
2002	22556	23289	5827	428	467	2034	658	9.8
2003	27619	30451	7597	578	623	2792	888	14.8
2004	32032	33298	9547	780	797	3428	910	8.0
2005	37652	41368	11888	709	962	4623	1172	9.3
2006	44754	50972	14889	1079	1128	6194	1071	13.4
2007	53430	60618	18154	1388	1329	7587	1392	15.9
2008	62922	71451	21030	718	1480	9097	1574	9.2
2009	60430	68574	19343	443	1465	7596	1540	2.2
2010	71885	83240	22261	484	1545	9146	2074	11.1
2011	82349	96091	25301	571	1769	10464	2667	7.2
2012	88228	103063	28261	1967	2027	10672	2894	7.9
2013	100510	113169	31599	2053	2206	12174	3508	4.5

**Source:** IMF (2006, 2008, 2012, 2014). More specifically data to the year 2007 are taken from the International Monetary Fund’s Statistical Appendix reports for Moldova for 2006 and 2008 [IMF (2006, 2008)], while data from 2008 onwards are taken from the International Monetary Fund’s country reports for 2012 and 2014 [IMF (2012, 2014)].

**Notes:** GDP: Gross Domestic Product; TFC: Total Final Consumption; TTR: Total Tax Revenues; CIT: Corporate Income Tax; PIT: Personal Income Tax; VAT: Value-Added Tax; Exc: Excise Taxes.

With the exception of the GDP deflator series, all the figures in the table are nominal estimates of the relevant variables, expressed in MDL million and rounded to the nearest integer. The GDP deflator series expresses the annual rate of growth in the GDP deflator, and is rounded to the first decimal.

*STATISTICAL ANNEX*





Sources of GDP														
Period	GDP		GVA		Agriculture		Industry		Constructions		Other activities		Net taxes on products	
	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year
2010	71885.5	107.1	59920.7	106.2	8657.4	107.4	9534.8	108.9	2437.5	112.7	39291	105.1	11964.8	111.7
2011	82348.7	106.8	68390	106.3	10095	105.2	11518	110.2	2720	101.9	45831	101.3	13959	109.6
2012	88227.8	99.3	73686	99	9896	79.9	12314	100.8	3041	101.8	50178	103.2	14542	100.8
2013	100510.5	109.4	83719	110.2	12383	146.6	14328	107.6	3373	105.3	55346	103.9	16791	105.1
2014	111501.4	104.6	93973.6	105.2	14314.2	108.2	15688	107.2	3998.5	110.6	62224.3	103.8	17527.8	101.6
Quarter I 2012	18095.8	101	15268	101.5	821	101.6	2771	97.9	395	109.8	11698	102.4	2828	98.4
Quarter II 2012	21199.4	100.6	17821.6	100.5	1929.6	92.5	2914.5	104.3	1105	100.9	12277.7	101.2	3377.8	101.3
Quarter III 2012	26106.8	98.3	22026.6	97.4	3923.3	69.2	3389.6	102.3	1059.2	100	14092.5	104.4	4080.2	103.4
Quarter IV 2012	22445.3	97.5	18203.5	96.5	2911.3	70.8	3232.9	96.5	482.1	101.8	12109.6	104.6	4241.8	101.4
Quarter I 2013	19672.7	103.5	16201	102.9	824.8	102.3	2960	102.2	522.5	110.5	12283.7	102.5	3471.8	106.6
Quarter II 2013	23703.3	106.1	19649	105.9	2064.3	103.8	2961.7	113.4	1182.5	100.8	13388.1	104.6	4054.4	106.7
Quarter III 2013	29936.4	112.9	25436.1	114.2	5847.4	159.8	3836	107.5	1128.7	102.2	15117.7	104.3	4500.3	105.6
Quarter IV 2013	26566.7	111.2	21792.1	112.5	3430.7	152.2	3633.8	107.4	600.4	116	14610.8	104.5	4774.6	105.2
Quarter I 2014	21469.2	103.6	17888	104.2	984.1	107.2	3294.5	107.1	601.2	108.5	13543.3	103.4	3581.2	100.9
Quarter II 2014	26226.1	104.2	21931.9	104.9	2381.0	107.4	3836	104.2	1414.7	110.4	14865	104.5	4294.2	101.2
Quarter III 2014	34027.3	105.9	29283.9	106.3	7036.1	108.6	4254.7	105.7	1283.2	113.8	18546.1	104.9	4743.4	103.3
Quarter IV 2014	29778.9	104.2	24869.7	105.0	3912.9	108.1	4303	111.8	699.3	106.9	16551.9	102.4	4909.0	100.6

Source: According to the National Bureau of Statistics data.



Perioada	Uses of GDP											
	GDP			Final consumption		Gross capital formation		Stock variation		Net exports		
	mil. lei, current prices	%, previous year	mil. lei current prices	mil. lei current prices	%, previous year	mil. lei current prices	mil. lei current prices	%, previous year	mil. lei current prices	%, previous year	mil. lei current prices	
2010	71885.5	107.1	83240.3	107.3	107.3	16262.6	117.2	648.1	157.9	-28265.5	114.8	
2011	82348.7	106.8	96090.5	107.3	107.3	19178.8	113	725.2	x	-33645.8	x	
2012	88227.8	99.3	103062.6	100.9	100.9	20864.1	101.8	-3.2	x	-35695.7	x	
2013	100510	109.4	113169	105.2	105.2	23062	103.8	1721	x	-37442	x	
2014	111501.4	104.6	123659.7	102.4	102.4	27441.3	110.1	1433.6	x	-41033.3	x	
Quarter I 2012	18095.8	101	23464.8	101.9	101.9	2439	101	272.2	105.3	-8080.2	x	
Quarter II 2012	21199.4	100.6	24687.8	99.6	99.6	5001	99.1	74.3	x	-8563.7	x	
Quarter III 2012	26106.8	98.3	30085.8	101	101	4538.7	100.8	504	x	-9021.6	x	
Quarter IV 2012	22445.3	97.5	27514.7	100.7	100.7	5493.2	100.5	-196.4	x	-10366.1	x	
Quarter I 2013	19672.7	103.5	23400.8	102.6	102.6	4219.7	106.6	-85.3	x	-7862.5	x	
Quarter II 2013	23703.3	106.1	27408.2	106.2	106.2	5576.7	103	627.7	x	-9909.3	x	
Quarter III 2013	29936.4	112.9	32009	107.4	107.4	6667.3	101.2	716.9	x	-9456.7	x	
Quarter IV 2013	26566.7	111.2	30485.2	104.2	104.2	6103.1	103.6	478.2	x	-10499.9	x	
Quarter I 2014	21469.2	103.6	24961.5	100.4	100.4	4975.2	108.6	-238.8	x	-8228.6	x	
Quarter II 2014	26226.1	104.2	29 604.9	101.4	101.4	6647.1	107.6	-106.9	x	-9918.9	x	
Quarter III 2014	34027.3	105.9	35478.3	103.3	103.3	8118.5	111.5	957.9	x	-10527.3	x	
Quarter IV 2014	29778.8	104.2	33615.1	103.9	103.9	7700.6	112.1	821.5	x	-12358.4	x	

Source: According to the National Bureau of Statistics data.

Consumer prices				
	Growth rate of CPI, % (compared to the same period of previous year)	Growth rate of food prices, % (compared to the same period of previous year)	Growth rate of non-food prices, % (compared to the same period of previous year)	Growth rate of prices for services, % (compared to the same period of previous year)
2010	7.4	5.7	7.3	9.1
2011	7.6	8.4	5.8	8.8
2012	4.6	3.8	4.2	6.2
2013	4.6	6.6	4.3	2.6
2014	5.1	6.5	5.5	2.5
Quarter I 2012	6.2	4.7	5	9.2
Quarter II 2012	4.2	1.9	4.5	6.3
Quarter III 2012	4.4	3.6	3.7	6.4
Quarter IV 2012	3.9	4.9	3.6	3.1
Quarter I 2013	4.4	5.9	4	3.1
Quarter II 2013	5.2	8.4	4.1	2.6
Quarter III 2013	4.0	5.0	4.5	2.1
Quarter IV 2013	4.9	7.1	4.5	2.6
Quarter I 2014	5.4	7.9	4.8	2.7
Quarter II 2014	5.2	6.9	5.2	2.6
Quarter III 2014	5.1	6.1	5.6	2.6
Quarter IV 2014	4.8	5.1	6.3	1.9

Source: According to the National Bureau of Statistics data, author's calculations.

	Consumer prices				Growth rate of prices for services, % (compared to the same period of previous year)
	Growth rate of CPI, % (compared to the same period of previous year)	Growth rate of food prices, % (compared to the same period of previous year)	Growth rate of non-food prices, % (compared to the same period of previous year)	Growth rate of prices for services, % (compared to the same period of previous year)	
January 2013	4.7	6.8	4	3.1	
February 2013	4.4	5.5	4.2	3.1	
March 2013	4.2	5.5	3.8	3.2	
April 2013	4.5	6.1	3.7	3.4	
May 2013	5.7	10.0	4.0	2.4	
June 2013	5.5	9.2	4.5	2.0	
July 2013	4.3	5.9	4.6	2.0	
August 2013	3.7	4.2	4.5	2.1	
September 2013	3.9	5.0	4.3	2.1	
October 2013	4.7	6.9	4.4	2.1	
November 2013	4.9	6.8	4.6	2.9	
December 2013	5.2	7.6	4.6	2.9	
January 2014	5.1	7.3	4.6	2.7	
February 2014	5.4	7.9	4.9	2.8	
March 2014	5.7	8.5	5.0	2.7	
April 2014	5.8	8.7	5.2	2.5	
May 2014	4.7	5.7	5.1	2.6	
June 2014	5.0	6.4	5.3	2.7	
July 2014	5.3	7.1	5.2	2.8	
August 2014	5.1	6.6	5.4	2.5	
September 2014	4.8	4.7	6.3	2.6	
October 2014	4.8	4.8	6.2	2.6	
November 2014	4.8	5.5	6.2	1.6	
December 2014	4.7	5.1	6.5	1.6	
January 2015	4.7	4.5	7.0	1.8	

Source: According to the National Bureau of Statistics data, author's calculations.



Producers prices				
	Growth rate of IPPI, % (compared to the same period of previous year)	Growth rate of prices in mining industry, % (compared to the same period of previous year)	Growth rate of prices in manufacturing industry, % (compared to the same period of previous year)	Growth rate of prices in energy sector, % (compared to the same period of previous year)
2010	7.9	0.7	6.2	16.1
2011	6.8	2.6	6.3	10.5
2012	5.7/3.1*	3.8/4.7*	5.1/2.0*	9.2/11.4*
2013	3.2/3.3*	1.6/1.6*	3.8/3.8*	-0.4/-0.4*
2014	5.5*	3.9*	6.5*	-1.4*
Quarter I 2012	7.1	-0.5	6.4	11.8
Quarter II 2012	5.8	1.3	5.3	9
Quarter III 2012	5	5.1	4.1	9.9
Quarter IV 2012	4.8	9.5	4.4	6.5
Quarter I 2013	2.6	4.7	2.6	2.0
Quarter II 2013	3.2	1.7	3.6	0.7
Quarter III 2013	3.4	1.2	4.1	-1.6
Quarter IV 2013	3.7	-0.2	4.6	-2.4
Quarter I 2014	4.9	1.3	5.9	-2.5
Quarter II 2014	6.7	4.9	7.9	-2.5
Quarter III 2014	6.4	5.1	7.4	-0.8
Quarter IV 2014	4.2	4.2	4.7	0

*Source:* According to the National Bureau of Statistics data, author's calculations.

\* Since January 2014 the statistical data on CPI are elaborated based on Classification of Economic Activities of Moldova (CEAM), rev. 2 developed in harmony with NACE, rev 2. The IPPI for 2012-2013 years was recalculated from CEAM, rev.1 to CEAM, rev.2.

	Producers prices			
	Growth rate of IPP1, % (compared to the same period of previous year)	Growth rate of prices in mining industry, % (compared to the same period of previous year)	Growth rate of prices in manufacturing industry, % (compared to the same period of previous year)	Growth rate of prices in energy sector, % (compared to the same period of previous year)
January 2013	1.6	6.2	1.5	1.9
February 2013	2.8	3.5	2.9	2.0
March 2013	3.4	4.5	3.5	2.0
April 2013	3.7	2.4	3.9	2.0
May 2013	3.0	1.7	3.5	0.0
June 2013	2.9	1.1	3.4	0.0
July 2013	3.3	1.4	3.8	0.0
August 2013	3.4	1.1	4.2	-2.4
September 2013	3.4	1.1	4.2	-2.4
October 2013	4.1	0.6	5.1	-2.4
November 2013	3.0	1.1	3.8	-2.4
December 2013	4.0	-2.4	5	-2.4
January 2014	4.6	-1.3	5.6	-2.5
February 2014	4.9	2.2	5.8	-2.5
March 2014	5.2	3.0	6.2	-2.5
April 2014	5.7	3.1	6.8	-2.5
May 2014	6.6	4.0	7.9	-2.5
June 2014	7.8	7.5	9.1	-2.5
July 2014	7.7	5.3	9.1	-2.4
August 2014	6.2	5.3	7.0	0.1
September 2014	5.3	4.7	6.0	0.0
October 2014	4.3	4.5	4.9	0.0
November 2014	4.3	3.8	4.9	0.0
December 2014	4.0	4.4	4.4	0.1
January 2015	4.6	7.0	7.0	0.8

Source: According to the National Bureau of Statistics data, author's calculations.

Exchange rates						
	MDL/USD nominal exchange rate	MDL/EUR nominal exchange rate	Growth rate of MDL/USD nominal exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/EUR nominal exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/USD real exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/EUR real exchange rate, % (compared to the same period of previous year)
<b>2010</b>	12.4	16.4	11.3	5.8	6.1	0.6
<b>2011</b>	11.7	16.3	-5.1	-0.4	-8.4	-4.5
<b>2012</b>	12.1	15.6	3.2	-4.7	0.7	-6.5
<b>2013</b>	12.6	16.7	3.9	7.4	0.6	4.3
<b>2014</b>	14.0	18.6	11.4	11.4	7.5	6.6
<b>Quarter I 2012</b>	11.8	15.5	-1.8	-5.9	-4.7	-8.9
<b>Quarter II 2012</b>	11.9	15.3	2.5	-8.6	0.6	-10.0
<b>Quarter III 2012</b>	11.9	15.3	8.0	-4.6	5.4	-6.1
<b>Quarter IV 2012</b>	12.4	15.5	4.2	0.2	2.3	-1.2
<b>Quarter I 2013</b>	12.2	16.1	2.9	3.7	0.2	1.4
<b>Quarter II 2013</b>	12.4	16.4	3.9	5.7	0.2	2.2
<b>Quarter III 2013</b>	12.8	16.9	2.8	8.9	-0.6	7.6
<b>Quarter IV 2013</b>	13.0	17.7	6.1	11.3	2.1	8.5
<b>Quarter I 2014</b>	13.4	18.3	9.8	13.9	5.4	10.1
<b>Quarter II 2014</b>	13.7	18.8	10.4	16.0	7.1	12.1
<b>Quarter III 2014</b>	14.1	18.7	10.0	10.3	7.5	5.2
<b>Quarter IV 2014</b>	15.0	18.8	15.4	6.0	11.1	1.2

Source: According to the NBM, NBS, OECD data, author's calculations.



Exchange rates						
	MDL/USD nominal exchange rate	MDL/EUR nominal exchange rate	Growth rate of MDL/USD nominal exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/EUR nominal exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/USD real exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/EUR real exchange rate, % (compared to the same period of previous year)
January 2013	12.1	16.1	2.8	5.9	-0.2	3.2
February 2013	12.1	16.2	2.5	3.1	-0.4	1.0
March 2013	12.3	16.0	3.5	2.2	1.3	0.0
April 2013	12.3	16.0	4.6	3.3	1.3	0.5
May 2013	12.3	16.0	4.2	5.4	0.0	1.5
June 2013	12.4	16.4	3.0	8.4	-0.6	4.6
July 2013	12.6	16.5	2.6	8.7	0.3	7.5
August 2013	12.4	17.0	-1.0	9.7	-3.2	8.6
September 2013	12.9	17.2	3.7	8.0	1.0	6.5
October 2013	13.0	17.8	6.4	11.8	2.5	9.2
November 2013	13.0	17.5	5.1	10.6	1.1	7.8
December 2013	13.0	17.9	7.0	11.6	2.8	8.3
January 2014	13.2	18.0	8.8	11.8	4.4	8.2
February 2014	13.5	18.4	11.6	13.6	6.7	9.8
March 2014	13.5	18.7	9.6	17.1	5.2	12.4
April 2014	13.4	18.6	8.5	15.8	4.8	11.1
May 2014	13.7	18.8	10.7	17.1	7.9	13.7
June 2014	13.9	18.9	11.8	15.4	8.6	11.6
July 2014	14.0	19.0	10.4	14.6	6.8	9.1
August 2014	13.8	18.4	11.8	8.6	8.0	3.6
September 2014	14.3	18.5	11.3	7.7	7.7	3.0
October 2014	14.7	18.6	12.5	4.7	8.9	0.1
November 2014	15.0	18.7	15.3	6.7	11.1	1.9
December 2014	15.4	19.0	18.3	6.6	13.3	1.5
January 2015	16.6	19.4	25.8	8.0		
February 2015	18.8	21.4	39.5	16.3		

Source: According to the NBM, NBS, OECD data, author's calculations.

Monetary aggregates					
	Monetary aggregate M0, mil. MDL (stock at the end of period)	Monetary aggregate M1, mil. MDL (stock at the end of period)	Monetary aggregate M2, mil. MDL (stock at the end of period)	Monetary aggregate M3, mil. MDL (stock at the end of period)	Monetary base, mil. MDL (stock at the end of period)
2010	10107.6	15720.2	24770.7	37051.2	12115.0
2011	10864.5	17385.6	28265.4	40977.1	14345.2
2012	13240.8	20607.3	34914.6	49513.2	17633.5
2013	17550.5	21119.4	45177.1	62631.5	23254.2
2014	17508.7	26513.2	43219.9	65973.0	22274.6
January 2013	12772.2	20180.2	35120.9	50100.8	17251.7
February 2013	12902.8	20183.1	35189.5	49808.9	17437.4
March 2013	12892.8	19878.5	34882.4	49705.1	16914.1
April 2013	13293.0	20437.1	35740.5	50362.7	17994.7
May 2013	13523.0	21302.8	36690.3	51573.6	17928.0
June 2013	13997.7	21746.4	37417.5	52432.0	18254.7
July 2013	14867.3	22653.2	38801.1	54065.5	19309.5
August 2013	15626.0	23823.7	40454.4	56278.9	20526.6
September 2013	16155.8	24488.3	41185.2	57393.9	20887.1
October 2013	19899.0	25616.2	42843.9	59205.0	22019.9
November 2013	16937.9	25721.9	43327.3	60707.8	22149.0
December 2013	17550.5	21119.4	45177.1	62631.5	23254.2
January 2014	16900.7	26179.4	44349.8	62300.0	22319.2
February 2014	16715.9	26279.5	44360.4	62555.9	21807.8
March 2014	16656.2	26522.4	44408.9	62328.5	21678.0
April 2014	17027.5	26398.7	44252.4	62481.4	22335.2
May 2014	17301.2	26942.1	44776.8	63316.9	21847.9
June 2014	17610.6	27362.9	45067.5	64455.1	23049.1
July 2014	18137.3	27770.8	45364.3	64806.2	23915.3
August 2014	17988.8	27373.9	44996.6	64675.8	23554.0
September 2014	17531.3	27185.7	44727.1	65213.2	22699.6
October 2014	17600.5	27645.8	45040.5	65882.8	22925.9
November 2014	17452.0	26613.4	43885.6	65504.6	22765.5
December 2014	17508.7	26513.2	43219.9	65973.0	22274.6
January 2015	16635.9	25264.0	41613.5	67516.2	20964.5

Source: According to the National Bank of Moldova.



	Monetary instruments						Reserve rate for MDL resources, %
	Base rate, %	CNB, mil. MDL (average daily stock)	Interest rate for overnight credits, %	Overnight credits, mil. MDL (average daily stock)	Interest rate for overnight deposits, %	Overnight deposits, mil. MDL (average daily stock)	
January 2013	4.5	4298.4	7.5	-	1.5	363.8	14
February 2013	4.5	4480.7	7.5	-	1.5	252.8	14
March 2013	4.5	4563.3	7.5	-	1.5	156.6	14
April 2013	4.41	4426.6	7.5\6.5	-	1.5/0.5	225.5	14
May 2013	4.5	4092.6	6.5	-	0.5	262.1	14
June 2013	3.5	3637.3	6.5	-	0.5	295.6	14
July 2013	3.5	3308.6	6.5	-	0.5	224.5	14
August 2013	3.5	3312.9	6.5	0.3	0.5	176.3	14
September 2013	3.5	3746.6	6.5	-	0.5	262.4	14
October 2013	3.5	3096.8	6.5	-	0.5	257.4	14
November 2013	3.5	2897.6	6.5	-	0.5	184.7	14
December 2013	3.5	2773.9	6.5	58.4	0.5	91.0	14
January 2014	3.5	3034.0	6.5	48.0	0.5	221.0	14
February 2014	3.5	3129.6	6.5	21.2	0.5	65.4	14
March 2014	3.5	2403.4	6.5	76.7	0.5	153.4	14
April 2014	3.5	2052.9	6.5	22.7	0.5	351.6	14
May 2014	3.5	2009.6	6.5	24.0	0.5	324.7	14
June 2014	3.5	1725.8	6.5	52.2	0.5	215.7	14
July 2014	3.5	928.9	6.5	173.8	0.5	112.7	14
August 2014	3.5	689.4	6.5	75.2	0.5	125.0	14
September 2014	3.5	984.4	6.5	161.1	0.5	160.6	14
October 2014	3.5	1022.6	6.5	87.6	0.5	91.3	14
November 2014	3.5	733.5	6.5	53.1	0.5	120.4	14
December 2014	3.5/4.5/6.5	886.3	6.5/7.5/9.5	87.7	0.5/1.5/3.5	784.6	14
January 2015	6.5/8.5	763.4	9.5/11.5	11.1	3.5/5.5	988.3	14
February 2015	8.5/13.5		11.5/16.5		5.5/10.5		16
March 2015	13.5		16.5		10.5		18

Source: According to the National Bank of Moldova.

Period	Public finance					
	PNB revenues, MDL million	Increase on PNB revenues, % (compared to the previous period)	PNB expenditures, MDL million	Increase on PNB expenditures, % (compared to the previous period)	Sources of financing public deficit, MDL million (end of period balance)	Tax burden, %
2010	27550.9	17%	29328.9	7%	1778.0	31%
2011	30150.5	9%	32117.0	10%	1958.5	31%
2012	33526.1	11%	35364.0	10%	1837.9	31%
2013	36908.5	10%	38673.1	9%	1764.6	37%
2014	42455.8	15%	44402.5	15%	1946.7	32%
Q.I 2012	6582.7	8%	7363.5	11%	780.8	
Q.II 2012	8744.5	16%	8898.9	6%	935.2	
Q.III 2012	8613.5	13%	8486	11%	807.7	
Q.IV 2012	9585.4	8%	10615.6	12%	1837.9	
Q.I 2013	7521.8	14%	7598.5	3%	76.7	
Q.II 2013	9196.3	5%	9569.9	8%	578.1	
Q.III 2013	9090.1	6%	9283.0	9%	642.5	
Q.IV 2013	11099.6	16%	12221.7	15%	1764.6	
Q.I 2014	8413.2	12%	8483.2	12%	70.0	
Q.II 2014	10433.8	13%	10828.8	13%	465.0	
Q.III 2014	11607.0	28%	11221.6	21%	260.5	
Q.IV 2014	12001.8	8%	13868.9	13%	1946.7	

Source: According to the data of the Ministry of Finance of Republic of Moldova.

Public finance					
Period	PNB revenues, MDL million	Increase on PNB revenues, % (compared to the previous period)	PNB expenditures, MDL million	Increase on PNB expenditures, % (compared to the previous period)	Sources of financing public deficit, MDL million (end of period balance)
January 2013	2179.2	9%	2199.4	5%	20.2
February 2013	2350.2	20%	2588.6	3%	258.6
March 2013	2992.4	13%	2810.5	2%	76.7
April 2013	3172.6	9%	3173.6	16%	77.7
May 2013	2715.6	-5%	3005.1	-3%	367.2
June 2013	3308.1	11%	3391.2	11%	450.3
July 2013	3177.6	8%	3305.4	7%	578.1
August 2013	2836.6	7%	2943.7	5%	685.2
September 2013	3075.9	2%	3033.9	17%	642.5
October 2013	3608.9	19%	3397.5	9%	431.8
November 2013	3290.6	8%	3310.5	6%	451.7
December 2013	4200.1	20%	5513.7	26%	1764.6
January 2014	2359.7	8%	2395.3	9%	35.6
February 2014	2658.6	13%	2958.6	14%	274.6
March 2014	3394.9	13%	3129.3	11%	70
April 2014	3383.7	7%	3405.4	7%	91.7
May 2014	2971.7	9%	3422.4	14%	542.4
June 2014	4078.4	23%	4001	18%	465
July 2014	3323.2	5%	3375.2	2%	517
August 2014	4774.3	68%	3928.3	33%	329
September 2014	3509.5	14%	3918.1	29%	260.5
October 2014	3784.3	5%	4284.7	26%	580
November 2014	3443.6	5%	3944.4	19%	1080.8
December 2014	4773.9	14%	5639.8	2%	1946.7
January 2015	2620.3	11%	2853.1	19%	232.8

Source: According to the data of the Ministry of Finance of Republic of Moldova.



	Public debt								
	Central Government Debt, mil. USD	Domestic debt by maturity	Long-term	Medium-term	Short-term	External debt by maturity	Long-term	Medium-term	Short-term
January 2013	21290.6	6224.3	0.0	318.5	5905.8	15066.3	11539.7	2835.9	690.7
February 2013	21212.6	6275.0	0.0	316.2	5958.9	14937.5	11608.7	2636.9	692.0
March 2013	21163.7	6228.0	0.0	290.5	5937.5	14935.7	11640.4	2592.1	703.2
April 2013	21136.8	6269.6	0.0	286.1	5983.4	14867.2	11545.7	2673.8	647.8
May 2013	21493.7	6341.7	0.0	286.2	6055.6	15152.0	11818.6	2679.7	653.7
June 2013	21741.0	6390.9	0.0	260.9	6130.0	15350.1	11765.2	2910.0	674.9
July 2013	22110.1	6388.0	0.0	264.0	6124.1	15722.7	12419.8	2621.6	681.2
August 2013	22419.5	6464.2	0.0	265.5	6198.7	15955.2	12983.5	2332.5	639.3
September 2013	22822.7	6535.5	0.0	236.3	6299.1	16287.2	13220.7	2382.5	684.0
October 2013	22907.0	6596.3	0.0	231.8	6364.5	16310.8	13264.6	2412.1	634.0
November 2013	23307.4	6647.1	0.0	221.1	6426.0	16660.3	13554.7	2460.2	645.4
December 2013	23521.5	6675.8	0.0	198.4	6477.4	16845.8	13677.7	2514.3	653.8
January 2014	24200.8	6899.3	0.0	212.0	6687.3	17301.5	14053.6	2574.0	674.0
February 2014	24701.0	7028.7	0.0	219.5	6809.2	17672.3	14429.0	2635.5	607.7
March 2014	24456.0	7006.7	0.0	194.1	6812.6	17449.3	14256.0	2600.0	593.3
April 2014	25061.1	7079.3	0.0	208.4	6870.9	17981.8	15189.0	2192.3	600.5
May 2014	25588.1	7142.1	0.0	219.8	6922.3	18446.0	15119.7	2709.2	617.1
June 2014	25899.7	7166.0	0.0	202.0	6964.0	18733.7	15313.3	2803.4	617.0
July 2014	25409.0	6905.9	0.0	187.0	6718.9	18503.1	15121.6	2767.5	614.0
August 2014	25361.4	6916.0	0.0	189.8	6726.2	18445.4	14944.5	2790.3	710.6
September 2014	25982.2	7025.4	0.0	200.7	6824.7	18956.8	15346.9	2930.3	679.6
October 2014	26367.2	7162.4	0.0	223.1	6939.3	19204.8	14915.2	3420.8	868.8
November 2014	26564.0	7183.5	0.0	232.1	6951.4	19380.5	14999.4	3495.9	885.2
December 2014	27470.6	7075.4	202.7	0.0	6872.6	20395.3	19491.3	0.0	903.9
January 2015	30105.0	7239.8	194.2	-	7045.6	22865.3	21849.0	-	1016.3

Source: According to the data of the Ministry of Finance of Republic of Moldova.



Period	Banking sector																			
	Indicators				Deposits structure, %			Earnings and profitability, %		Liquidity Indicators, %		Deposit interest rates, %		Loans interest rates, %						
	Bank assets (stock at the end of period) million. MDL	Bank liabilities (stock at the end of period) million. MDL	Loans, (stock at the end of period) million. MDL	Bank Deposits (stock at the end of period) million. MDL )	Deposits of individuals, %	Corporate deposits, %	Currency deposits, %	Return on assets	Return on equity	Bank assets (stock at the end of period) million. MDL	Bank liabilities (stock at the end of period) million. MDL	In national currency		foreign currency		in national currency		foreign currency		
2010	42269.5	35010.8	23429.8	26942.4	63.3	34.0	48.5	0.5	2.6	0.7	34.2	7.6	3.4	16.3	9.9					
2011	47707.8	39613.5	30963.0	30112.1	63.4	32.2	46.2	2.0	11.5	0.7	33.2	7.5	3.7	14.4	8.8					
2012	58304.4	48058.4	35948.2	36272.3	64.1	31.9	43.8	1.1	5.6	0.7	32.9	7.6	4.3	13.3	8.3					
2013	76183.9	64752.9	42632.7	45081.0	65.8	34.2	44.7	1.6	9.4	0.7	33.8	7.2	4.4	12.3	7.8					
2014	97584.4	85152.9	40841.9	65462.5	52.8	26.1	52.0	0.9	6.3	1.5	21.6	5.7	4.2	10.6	8.0					
Quarter I 2012	50878.8	40711.2	31952.8	30675.6	65.3	30.7	45.8	2.7	13.4	0.7	31.8	7.2	3.9	14.3	8.6					
Quarter II 2012	53572.2	43421.0	32945.6	31962.1	63.4	31.3	45.7	2.3	11.6	0.7	32.3	7.6	3.8	13.7	7.9					
Quarter III 2012	55791.1	45476.7	34736.0	27287.1	64.0	31.9	44.4	2.0	10.5	0.7	31.6	7.9	5.0	12.6	7.8					
Quarter IV 2012	58168.4	48155.6	35948.2	36272.3	64.1	31.9	43.8	1.1	5.6	0.7	32.9	8.4	4.7	12.0	8.3					
Quarter I 2013	59948.3	49275.5	36190.7	36812.1	67.2	32.8	43.6	1.9	10.9	0.7	33.1	8.1	4.4	12.8	8.0					
Quarter II 2013	63516.1	52817.9	38435.9	38434.2	67.1	32.9	42.0	1.6	9.3	0.8	31.2	6.8	4.4	12.0	7.6					
Quarter III 2013	69094.0	57949.1	39631.3	41238.0	67.6	32.4	43.1	1.8	10.5	0.7	32.3	6.6	4.4	11.8	7.1					
Quarter IV 2013	76183.9	64752.9	42632.7	45081.0	65.8	33.2	46.1	1.0	6.9	0.7	34.4	5.9	4.6	12.3	7.8					
Quarter I 2014	78744.2	66729.5	43292.3	54360.3	59.7	29.7	46.2	1.2	8.5	0.7	34.6	5.9	4.4	11.6	8.1					
Quarter II 2014	79991.1	67845.4	45113.0	55631.9	60.2	29.1	48.5	1.1	7.8	0.7	34.2	4.9	3.9	10.0	7.8					
Quarter III 2014	82113.9	69712.2	47228.4	57845.1	58.6	29.3	51.8	1.2	8.4	0.7	34.2	5.8	4.2	11.0	7.6					
Quarter IV 2014	97584.4	85152.9	40841.9	65462.5	52.8	26.1	52.0	0.9	6.3	1.5	21.6	6.5	4.0	11.0	7.7					

Source: According to the National Bank of Moldova data.

**Source:** According to the National Bank of Moldova data.

Banking sector															
Perioda	Indicators				Deposits structure, %			Earnings and profitability, %		Liquidity Indicators, %		Deposit interest rates, %		Loans interest rates, %	
	Bank assets (stock at the end of period) million. MDL	Bank liabilities (stock at the end of period) million. MDL	Loans, (stock at the end of period) million. MDL	Bank Deposits (stock at the end of period) million. MDL )	Deposits of individuals, %	Corporate deposits, %	Currency deposits, %	Return on assets	Return on equity	Bank assets (stock at the end of period) million. MDL	Bank liabilities (stock at the end of period) million. MDL	in national currency	foreign currency	in national currency	foreign currency
January 2013	59960.8	49620.3	35955.6	37328.4	66.7	33.3	44.4	1.8	10.5	0.7	34.8	8.55	4.79	12.41	7.52
February 2013	59270.1	49058.0	36077.0	36906.0	66.9	33.1	43.8	1.9	10.9	0.7	34.2	8.56	4.41	13.23	8.13
March 2013	59948.3	49275.5	36190.7	36812.1	67.2	32.8	43.6	1.9	10.9	0.7	33.1	8.06	4.4	12.77	8.03
April 2013	60798.2	50047.6	36529.4	37069.5	67.3	32.7	43.1	1.8	10.4	0.7	32	7.33	4.22	12.4	7.27
May 2013	61416.6	51713.6	37310.6	38050.5	66.4	33.6	42.8	1.8	10.5	0.7	32.2	7.75	4.22	12.21	7.62
June 2013	63516.1	52817.9	38435.9	38434.2	67.1	32.9	42.0	1.6	9.3	0.8	31.2	6.79	4.36	12.03	7.59
July 2013	66481.7	55643.4	39079.5	39198.1	67.6	32.4	40.3	1.7	9.9	0.8	30.2	7.16	4.29	12.05	7.37
August 2013	67673.8	56713.5	39263.0	40652.8	66.3	33.8	42.3	1.8	10.5	0.8	32.1	7.18	4.64	12.09	7.45
September 2013	69094.0	57949.1	39631.3	41238.0	67.6	32.4	43.1	1.8	10.5	0.7	32.3	6.62	4.36	11.79	7.07
October 2013	70177.5	58921.1	40229.3	42306.0	67.3	32.7	42.2	1.8	10.5	0.7	32.5	6.54	4.16	11.94	7.33
November 2013	72734.3	61381.1	41242.1	43769.9	67.0	33.0	43.2	1.8	10.5	0.7	32.0	6.35	4.29	12.10	7.74
December 2013	76183.9	64752.9	42630.7	45081.0	65.8	34.2	44.7	1.6	9.4	0.7	33.8	5.82	4.51	12.51	8.91
January 2014	77327.9	65795.0	42295.3	55704.6	57.5	28.5	46.1	1.0	6.8	0.7	34.3	5.91	4.60	12.29	7.83
February 2014	77824.4	66163.2	42676.2	53063.2	61.3	29.0	45.0	1.2	8.4	0.7	34.2	5.84	4.61	11.96	8.39
March 2014	78744.2	66729.5	43292.3	54360.3	59.7	29.7	46.2	1.2	8.5	0.7	34.6	5.94	4.43	11.60	8.12
April 2014	78629.6	66555.9	43344.2	53878.5	60.4	29.1	46.5	1.2	8.3	0.7	34.0	4.94	4.34	11.49	7.41
May 2014	79433.2	67328.9	43968.1	54669.9	60.3	28.8	47.0	1.3	9.1	0.7	34.0	5.00	4.46	11.20	7.84
June 2014	79991.1	67845.4	45113.0	55631.9	60.2	29.1	48.5	1.1	7.8	0.7	34.2	4.92	3.85	10.03	7.78
July 2014	80078.6	67894.8	45612.0	55669.8	60.3	28.6	49.4	1.1	7.8	0.7	33.7	6.30	3.64	10.53	7.83
August 2014	80154.0	67852.1	46170.4	56582.3	59.4	28.5	50.9	1.2	8.3	0.7	33.5	6.45	4.16	10.66	7.84
September 2014	82113.9	69712.2	47228.4	57845.1	58.6	29.3	51.8	1.2	8.4	0.7	34.2	5.81	4.18	10.97	7.61
October 2014	83345.4	70806.7	47981.3	59172.3	57.8	29.3	52.6	1.3	8.8	0.7	34.8	5.49	3.94	10.80	7.93
November 2014	97305.7	84612.4	40654.2	66404.5	51.6	27.9	50.6	1.3	9.4	0.6	22.3	5.67	4.40	9.81	8.18
December 2014	97584.4	85152.9	40841.9	65462.5	52.8	26.1	52.0	0.9	6.3	1.5	21.6	6.47	3.98	10.95	7.72
January 2015	102707.6	90163.6	42139.9	68823.5	52.7	25.9	55.5	1.5	12.6	1.5	24.4	6.92	3.93	11.60	7.49

Source: According to the National Bank of Moldova data.



Period	External sector							
	Equity capital	Reinvested earnings	Other capital	Total net FDI inflow	Compensation of employees	Personal transfers	Migrant's transfers	Total remittances inflow
2010	157.0	14.6	36.4	207.9	743.0	608.5	12.1	1363.5
2011	143.9	86.7	57.6	288.2	899.0	701.4	14.3	1614.7
2012	144.6	-11.0	61.5	195.1	1010.1	783.2	18.1	1811.4
2013	160.3	19.2	56.8	236.3	1118.2	866.8	16.9	2001.8
2014 <sup>1</sup>	155.4	60.1	-8.1	207.4	1064.2	818.9	17.8	1900.9
Q. I 2012	39.1	3.6	-3.9	38.8	193.7	163.6	3.5	360.8
Q. II 2012	56.53	-4.1	-12.0	50.5	255.7	191.5	3.6	450.7
Q. III 2012	-4.17	1.7	46.3	43.8	282.5	207.6	5.1	495.1
Q. IV 2012	53.1	-12.2	21.0	62.0	278.3	220.6	5.9	504.8
Q. I 2013	49.1	14.5	1.1	64.7	214.2	184.7	3.3	402.2
Q. II 2013	22.7	20.4	24.3	67.4	283.3	207.0	3.1	493.4
Q. III 2013	34.9	9.0	11.1	55.0	313.7	235.8	4.2	553.7
Q. IV 2013	53.6	-24.7	20.3	49.2	307.1	239.2	6.3	552.5
Q. I 2014	36.1	10.8	-21.0	26.0	213.4	182.5	2.7	398.5
Q. II 2014	66.5	15.3	-21.0	60.7	295.0	215.0	4.5	514.5
Q. III 2014	15.4	40.5	17.3	73.2	308.4	234.0	6.7	549.2
Q. IV 2014	37.5	-6.5	16.6	47.5	247.4	187.5	3.9	438.8

Source: According to the National Bank of Moldova data, author's calculations.

	Total external trade, mil. USD	External sector							
		Goods	Services	Export	Goods	Services	Import	Goods	Services
2000	1613.2	1247.1	366.2	641.4	476.8	164.6	971.9	770.3	201.6
2001	1824.0	1444.3	379.7	735.5	564.6	170.9	1088.5	879.7	208.8
2002	2170.8	1697.2	473.6	876.4	659.7	216.7	1294.5	1037.5	257.0
2003	2777.4	2233.2	544.2	1055.0	805.1	249.9	1722.4	1428.1	294.3
2004	3427.4	2742.3	685.1	1326.2	994.1	332.1	2101.3	1748.2	353.1
2005	4219.3	3400.7	818.6	1503.5	1104.6	398.9	2715.8	2296.1	419.7
2006	4659.1	3704.3	954.7	1527.9	1060.8	467.1	3131.2	2643.5	487.6
2007	6323.3	5044.8	1278.5	2001.8	1373.3	628.4	4321.5	3671.4	650.1
2008	8198.8	6517.8	1681.0	2489.8	1645.9	843.9	5709.0	4871.9	837.1
2009	5988.6	4602.7	1386.0	2000.0	1326.9	673.1	3988.6	3275.7	712.9
2010	6784.5	5400.3	1384.2	2270.8	1590.4	680.4	4513.7	3809.9	703.8
2011	9115.4	7424.9	1690.5	3138.7	2277.8	860.9	5976.7	5147.1	829.5
2012	9176.2	7381.3	1794.9	3130.6	2228.5	902.0	6045.6	5152.7	892.9
2013	9874.7	7914.8	1959.9	3453.9	2466.2	987.8	6420.8	5448.6	972.2
2014	9565.4	7616.0	1949.4	3311.0	2352.1	958.9	6254.4	5264.0	990.5

Source: According to the National Bank of Moldova data, author's calculations.



External sector												
Value of export by categories of services, mil. USD												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Export	398.9	467.1	628.4	843.9	673.1	680.4	860.9	902.0	987.8	958.9		
Transportation	169.6	197.0	263.8	357.0	253.5	244.5	343.0	363.1	403.6	373.5		
Travel	103.2	116.6	170.6	216.4	172.5	163.2	186.4	198.5	225.5	232.9		
Business travel		30.3	43.3	60.9	56.3	48.9	50.2	56.6	67.6	66.8		
Personal travel		86.4	127.3	155.6	116.2	114.3	136.2	141.9	157.9	166.1		
Communications services	59.4	71.2	85.7	114.6	105.2	126.1	135.0	140.0	137.4	129.0		
Construction services	6.1	10.7	15.0	15.4	26.8	4.1	5.2	3.3	5.3	5.1		
Insurance services	0.6	0.8	2.1	4.0	2.1	1.2	1.5	0.9	0.8	0.6		
Financial services	3.2	4.0	4.1	4.6	3.1	3.1	4.6	3.7	5.3	5.7		
Computer and information services	3.6	8.0	14.3	26.3	29.8	33.4	47.8	55.8	62.7	71.3		
Royalties and license fees	1.6	1.7	6.2	3.9	4.3	4.9	5.3	4.6	6.1	7.1		
Other business services	36.2	38.3	47.4	81.4	54.0	62.1	89.6	91.6	99.3	94.8		
Personal, cultural, and recreational services	0.8	0.6	0.3	0.4	0.0	0.1	0.3	1.3	1.6	2.1		
Government services, n.i.e.	14.8	18.3	19.1	19.9	21.7	37.8	42.0	39.2	40.2	36.8		
Structure of services' export, %												
Export	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Transportation	42.5	42.2	42.0	42.3	37.7	35.9	39.8	40.3	40.9	39.0		
Travel	25.9	25.0	27.2	25.6	25.6	24.0	21.7	22.0	22.8	24.3		
Business travel	0.0	6.5	6.9	7.2	8.4	7.2	5.8	6.3	6.8	7.0		
Personal travel	0.0	18.5	20.3	18.4	17.3	16.8	15.8	15.7	16.0	17.3		
Communications services	14.9	15.2	13.6	13.6	15.6	18.5	15.7	15.5	13.9	13.5		
Construction services	1.5	2.3	2.4	1.8	4.0	0.6	0.6	0.4	0.5	0.5		
Insurance services	0.1	0.2	0.3	0.5	0.3	0.2	0.2	0.1	0.1	0.1		
Financial services	0.8	0.9	0.7	0.5	0.5	0.5	0.5	0.4	0.5	0.6		
Computer and information services	0.9	1.7	2.3	3.1	4.4	4.9	5.6	6.2	6.3	7.4		
Royalties and license fees	0.4	0.4	1.0	0.5	0.6	0.7	0.6	0.5	0.6	0.7		
Other business services	9.1	8.2	7.5	9.6	8.0	9.1	10.4	10.2	10.0	9.9		
Personal, cultural, and recreational services	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2		
Government services, n.i.e.	3.7	3.9	3.0	2.4	3.2	5.6	4.9	4.3	4.1	3.8		

Source: According to the National Bank of Moldova data, author's calculations.



External sector												
Value of import by categories of services, mil. USD												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Export	419.7	487.6	650.1	837.1	712.9	703.8	829.5	892.9	972.2	990.5		
Transportation	147.1	172.1	245.3	324.9	256.8	264.8	346.2	362.5	379.9	380.7		
Travel	141.2	189.6	232.6	287.7	243.0	241.4	276.7	307.6	333.7	349.2		
Business travel		100.2	107.4	134.8	111.6	124.7	148.7	164.1	177.1	177.5		
Personal travel		89.3	125.2	152.9	131.5	116.7	128.0	143.5	156.6	171.7		
Communications services	27.3	29.0	37.6	47.4	39.2	38.1	42.5	40.2	51.6	51.7		
Construction services	2.5	4.2	7.3	9.6	24.3	11.7	8.0	8.9	9.1	7.6		
Insurance services	3.1	5.6	5.2	13.0	11.9	15.7	13.3	4.7	3.6	2.9		
Financial services	3.6	4.9	6.7	6.9	5.2	6.5	6.5	7.2	6.3	7.6		
Computer and information services	4.4	5.9	15.7	16.0	24.0	23.6	23.0	37.1	41.1	42.5		
Royalties and license fees	2.3	4.0	7.2	14.9	10.6	12.8	16.6	18.7	22.8	22.0		
Other business services	58.2	41.4	54.5	70.1	61.9	56.6	58.9	69.5	76.0	83.7		
Personal, cultural, and recreational services	0.6	0.7	0.7	0.9	0.9	1.1	1.3	1.5	2.9	2.6		
Government services, n.i.e.	29.5	30.3	37.4	45.7	35.1	31.7	36.6	35.0	45.3	40.0		
Structure of services' export, %												
Export	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Transportation	35.0	35.3	37.7	38.8	36.0	37.6	41.7	40.6	39.1	38.4		
Travel	33.6	38.9	35.8	34.4	34.1	34.3	33.4	34.5	34.3	35.3		
Business travel	0.0	20.6	16.5	16.1	15.7	17.7	17.9	18.4	18.2	17.9		
Personal travel	0.0	18.3	19.3	18.3	18.4	16.6	15.4	16.1	16.1	17.3		
Communications services	6.5	5.9	5.8	5.7	5.5	5.4	5.1	4.5	5.3	5.2		
Construction services	0.6	0.9	1.1	1.1	3.4	1.7	1.0	1.0	0.9	0.8		
Insurance services	0.7	1.2	0.8	1.6	1.7	2.2	1.6	0.5	0.4	0.3		
Financial services	0.9	1.0	1.0	0.8	0.7	0.9	0.8	0.8	0.6	0.8		
Computer and information services	1.0	1.2	2.4	1.9	3.4	3.4	2.8	4.2	4.2	4.3		
Royalties and license fees	0.6	0.8	1.1	1.8	1.5	1.8	2.0	2.1	2.3	2.2		
Other business services	13.9	8.5	8.4	8.4	8.7	8.0	7.1	7.8	7.8	8.4		
Personal, cultural, and recreational services	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3		
Government services, n.i.e.	7.0	6.2	5.8	5.5	4.9	4.5	4.4	3.9	4.7	4.0		

Source: According to the National Bank of Moldova data, author's calculations.

Period	External sector											
	Value of external trade in goods, mil. USD				Exports, mil. USD				Imports, mil. USD			
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries
2010	5396.8	1880.9	2433.1	1082.8	1541.5	624.0	728.9	188.6	3855.3	1256.9	1704.2	894.2
2011	7408.1	2632.7	3339.3	1436.1	2216.8	919.3	1083.0	214.5	5191.3	1713.4	2256.3	1221.6
2012	7374.7	2551.8	3332.0	1490.9	2161.8	928.1	1013.4	220.3	5212.9	1623.7	2318.6	1270.6
2013	7920.7	2595.5	3609.4	1715.8	2428.3	923.2	1137.3	367.8	5492.4	1672.3	2472.1	1348.0
2014 <sup>1</sup>	7656.5	2184.9	3813.7	1657.9	2339.5	735.6	1246.0	357.9	5317.0	1449.3	2567.7	1300.0
Q. I 2012	1708.8	655.1	720.4	333.3	504.6	201.1	252.2	51.3	1204.2	454.0	468.2	282.0
Q. II 2012	1793.5	572.0	853.0	368.5	537.0	227.2	255.8	54.0	1256.5	344.8	597.2	314.5
Q. III 2012	1779.6	609.9	799.4	370.3	506.7	238.9	213.1	54.7	1272.9	371.0	586.3	315.6
Q. IV 2012	2092.8	714.8	959.2	418.8	613.5	260.9	292.3	60.3	1479.3	453.9	666.9	358.5
Q. I 2013	1832.4	673.2	773.8	385.4	589.7	246.3	260.3	83.1	1242.7	426.9	513.5	302.3
Q. II 2013	1897.8	592.1	881.7	424.0	546.6	208.3	251.1	87.2	1351.2	383.8	630.6	336.8
Q. III 2013	1981.0	631.7	907.3	442.0	604.8	234.4	275.8	94.6	1376.2	397.3	631.5	347.4
Q. IV 2013	2209.5	698.5	1046.6	464.4	687.2	234.2	350.1	102.9	1522.3	464.3	696.5	361.5
Q. I 2014	1791.3	565.2	867.9	358.2	573.1	180.9	318.9	73.3	1218.2	384.3	549.0	284.9
Q. II 2014	1928.2	523.3	995.8	409.1	599.3	204.5	302.0	92.8	1328.9	318.8	693.8	316.3
Q. III 2014	1884.2	520.1	954.1	409.8	565.2	184.3	284	96.9	1318.8	335.8	670.1	312.9
Q. IV 2014	2010.6	564.8	1007.8	438	605.6	181.8	335.1	88.7	1405	383	672.7	349.3

Source: According to the National Bureau of Statistics data.

<sup>1</sup> Date provizorii



Perioda	External sector										
	Value of external trade in goods, mil. USD				Exports, mil. USD				Imports, mil. USD		
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU
Jan 2013	513.6	192.8	208.8	112.0	165.4	63.7	82.3	19.4	348.2	129.1	126.5
Feb 2013	607.3	220.2	262.3	124.8	200.8	79.0	89.9	31.9	406.5	141.2	172.4
Mar 2013	711.5	260.2	302.7	148.6	223.5	103.6	88.1	31.8	488.0	156.6	214.6
Apr 2013	679.1	207.8	315.9	155.4	193.0	70.6	88.0	34.4	486.1	137.2	227.9
May 2013	577.8	173.3	272.6	131.9	168.0	62.7	77.8	27.5	409.8	110.6	194.8
Jun 2013	640.9	211.0	293.2	136.7	185.6	75.0	85.3	25.3	455.3	136.0	207.9
Jul 2013	680.8	217.5	316.1	147.2	204.8	79.4	95.0	30.4	476.0	138.1	221.1
Aug 2013	647.3	209.1	291.2	147.0	202.9	76.7	93.7	32.5	444.4	132.4	197.5
Sept 2013	652.9	205.1	300.0	147.8	197.1	78.3	87.1	31.7	455.8	126.8	212.9
Oct 2013	707.8	220.5	343.5	143.8	227.5	79.1	116.4	32.0	480.3	141.4	227.1
Nov 2013	742.1	225.4	362.7	154.0	255.0	84.6	131.8	38.6	487.1	140.8	230.9
Dec 2013	759.6	252.6	340.4	166.6	204.7	70.5	101.9	32.3	554.9	182.1	238.5
Jan 2014	490.3	181.6	217.6	91.1	170.7	56.0	92.2	22.5	319.5	125.5	125.4
Feb 2014	603.9	191.3	290.1	122.5	188.2	59.5	105.4	23.3	415.7	131.8	184.6
Mar 2014	697.1	192.3	360.2	144.6	214.1	65.3	121.2	27.6	483.0	127.0	239.1
Apr 2014	637.7	168.1	328.3	141.3	194.5	63.1	94.4	37.0	443.2	105.1	233.8
May 2014	635.3	160.1	338.0	137.2	201.7	64.3	108.6	201.7	433.5	95.8	229.4
Jun 2014	655.1	195.0	329.5	130.6	203.0	77.1	98.9	203.0	452.1	117.9	230.6
Jul 2014	651.3	180.2	334.7	136.4	204.3	72.5	99	204.3	447	107.7	235.7
Aug 2014	589.0	161.6	299.1	128.3	176.1	52.7	90.7	176.1	412.9	108.9	208.4
Sept 2014	643.8	178.4	320.3	145.1	184.8	59.1	94.3	184.8	458.9	119.2	226
Oct 2014	694.3	195.5	354.3	144.5	212.5	69.7	113.4	212.5	481.8	125.8	240.9
Nov 2014	672.7	191.1	333.2	148.4	208.3	53	127.4	208.3	464.3	138	205.8
Dec <sup>1</sup> 2014	686.4	189.9	308.5	331.8	181.3	43.3	100.5	181.3	505.1	146.6	208
Jan <sup>1</sup> 2015	417.1	120.8	208.5	216.7	147.8	28.9	100	147.8	269.3	91.9	108.5

Source: According to the National Bureau of Statistics data.



External sector														
Period	Annual growth in value of merchandise trade, %				Annual growth in value of merchandise exports, %				Annual growth in value of merchandise imports, %				Annual growth of net exports in goods, %	Index of imports coverage by exports, %
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries		
2010	18.3	15.2	16.5	28.8	20.1	27.2	9.2	50.5	17.6	10.1	19.9	25.0	16.0	102.2
2011	37.3	40.0	37.2	32.6	43.8	47.3	48.6	13.7	34.7	36.3	32.4	36.6	28.6	106.8
2012	-0.5	-3.1	-0.2	3.8	-2.5	1.0	-6.4	2.7	0.4	-5.2	2.8	4.0	2.6	97.1
2013	7.4	1.7	8.3	15.1	12.3	-0.5	12.2	67.0	5.4	3.0	6.6	6.1	0.4	106.6
2014 <sup>1</sup>	-3.3	-15.8	5.7	-3.4	-3.7	-20.3	9.6	-2.7	-3.2	-13.3	3.9	-3.6	-2.8	99.5
Q. I 2012	8.7	11.6	5.3	10.9	6.5	14.3	5.6	-12.9	9.7	10.4	5.1	16.7	12.0	97.2
Q. II 2012	-0.3	-1.2	-1.5	4.4	2.9	6.8	0.3	-0.2	-1.5	-5.9	-2.2	5.3	-4.6	104.5
Q. III 2012	-4.8	-6.4	-7.3	4.5	-7.8	0.5	-22.8	54.5	-3.5	-10.4	0.0	-1.0	-0.5	95.6
Q. IV 2012	-3.5	-12.3	3.5	-2.2	-8.7	-10.9	-6.6	-8.8	-1.2	-13.0	8.7	-1.0	4.9	92.4
Q. I 2013	7.2	2.8	7.4	15.6	16.9	22.5	3.2	62.0	3.2	-6.0	9.7	7.2	-6.7	113.2
Q. II 2013	5.8	3.5	3.4	15.1	1.8	-8.3	-1.8	61.5	7.5	11.3	5.6	7.1	11.8	94.7
Q. III 2013	11.3	3.6	13.5	19.4	19.4	-1.9	29.4	72.9	8.1	7.1	7.7	10.1	0.7	110.4
Q. IV 2013	5.6	-2.3	9.1	10.9	12.0	-10.2	19.8	70.6	2.9	2.3	4.4	0.8	-3.5	108.8
Q. I 2014	-2.2	-16.0	12.2	-7.1	-2.8	-26.6	22.5	-11.8	-2.0	-10.0	6.9	-5.8	-1.2	99.1
Q. II 2014	1.6	-11.6	12.9	-3.5	9.6	-1.8	20.3	6.4	-1.7	-16.9	10.0	-6.1	-9.3	111.5
Q. III 2014	-4.9	-17.7	5.2	-7.3	-6.5	-21.4	3.0	2.4	-4.2	-15.5	6.1	-9.9	-2.3	97.7
Q. IV 2014	-9.0	-19.1	-3.7	-5.7	-11.9	-22.4	-4.3	-13.8	-7.7	-17.5	-3.4	-3.4	-4.3	95.6

Source: According to the National Bureau of Statistics data.

External sector												
Perioda	Annual growth in value of merchandise trade, %				Annual growth in value of merchandise exports, %				Annual growth in value of merchandise imports, %			
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries
Jan 2013	5.6	-0.6	9.3	10.6	12.2	17.3	10.0	6.6	2.7	-7.5	8.9	11.4
Feb 2013	11.0	-3.4	14.6	38.5	27.2	19.9	16.8	112.7	4.5	-12.9	13.6	23.7
Mar 2013	5.3	11.6	0.7	4.7	12.1	28.1	-12.3	75.7	2.5	2.8	7.2	-5.7
Apr 2013	11.7	5.7	11.9	20.3	6.3	-9.3	4.4	76.4	13.9	15.5	15.0	10.3
May 2013	-4.4	-7.6	-7.0	6.4	-4.8	-13.4	-9.2	49.5	-4.3	-4.0	-6.0	-1.1
Jun 2013	10.4	12.4	5.6	18.6	3.7	-2.6	-0.6	57.1	13.3	22.7	8.4	12.3
Jul 2013	17.5	9.6	16.4	34.4	25.6	0.5	37.5	104.0	14.3	15.6	9.2	23.5
Aug 2013	14.9	7.5	16.2	24.5	29.6	1.2	47.8	86.8	9.3	11.5	5.5	13.7
Sep 2013	2.5	-5.4	8.2	3.6	5.3	-6.9	8.1	41.5	1.4	-4.5	8.3	-3.5
Oct 2013	0.1	-4.5	3.0	0.6	8.2	-16.6	19.5	77.8	-3.4	4.0	-3.9	-10.5
Nov 2013	7.0	-3.9	10.2	18.4	18.1	-7.2	27.6	80.4	1.9	-1.8	2.3	6.2
Dec 2013	9.8	1.3	14.8	14.3	9.3	-5.7	11.2	54.5	10.0	4.3	16.4	7.5
Jan 2014	-4.5	-5.8	4.2	-18.7	3.2	-12.1	12.0	16.0	-8.2	-2.8	-0.9	-25.9
Feb 2014	-0.6	-13.1	10.6	-1.8	-6.3	-24.7	17.2	-27.0	2.3	-6.7	7.1	6.9
Mar 2014	-2.0	-26.1	19.0	-2.7	-4.2	-37.0	37.6	-13.2	-1.0	-18.9	11.4	0.1
Apr 2014	-6.1	-19.1	3.9	-9.1	0.8	-10.6	7.3	7.6	-8.8	-23.4	2.6	-13.8
May 2014	10.0	-7.6	24.0	4.0	20.1	2.6	39.6	633.5	5.8	-13.4	17.8	3.7
Jun 2014	2.2	-7.6	12.4	-4.5	9.4	2.8	15.9	702.4	-0.7	-13.3	10.9	-7.0
Jul 2014	-4.3	-17.1	5.9	-7.3	-0.2	-8.7	4.2	572.0	-6.1	-22.0	6.6	-11.3
Aug 2014	-9.0	-22.7	2.7	-12.7	-13.2	-31.3	-3.2	441.8	-7.1	-17.7	5.5	-16.5
Sep 2014	-1.4	-13.0	6.8	-1.8	-6.2	-24.5	8.3	483.0	0.7	-6.0	6.2	-2.1
Oct 2014	-1.9	-11.3	3.1	0.5	-6.6	-11.9	-2.6	564.1	0.3	-11.0	6.1	3.0
Nov 2014	-9.4	-15.2	-8.1	-3.6	-18.3	-37.4	-3.3	439.6	-4.7	-2.0	-10.9	4.4
Dec 2014	-9.6	-24.8	-9.4	99.2	-11.4	-38.6	-1.4	461.3	-9.0	-19.5	-12.8	12.1
Jan 2015	-14.9	-33.5	-4.2	137.9	-13.4	-48.4	8.5	556.9	-15.7	-26.8	-13.5	0.4

Source: According to the National Bureau of Statistics data.



Period	External sector					
	Value indices of exported goods (the same period of the previous year=100), %	Value indices of imported goods (the same period of the previous year=100), %	Unit value indices of exported goods (the same period of the previous year=100), %	Unit value indices of imported goods (the same period of the previous year=100), %	Volume indices of exported goods (the same period of the previous year=100), %	Volume indices of imported goods (the same period of the previous year=100), %
2010	120.1	117.6	103.0	103.0	117.0	114.0
2011	143.8	134.7	107.0	110.0	134.0	122.0
2012	97.5	100.4	97.0	99.0	101.0	101.0
2013	112.3	105.4	98.0	99.0	113.0	106.0
Q. I 2012	106.7	109.7	98.0	103.0	109.0	106.0
Q. II 2012	102.9	98.5	95.0	96.0	108.0	103.0
Q. III 2012	92.2	96.5	94.0	95.0	98.0	102.0
Q. IV 2012	91.3	98.8	99.0	100.0	92.0	99.0
Q. I 2013	115.4	103.2	102.0	100.0	113.0	103.0
Q. II 2013	100.4	107.5	99.0	98.0	101.0	110.0
Q. III 2013	119.4	108.1	97.0	100.0	122.0	108.0
Q. IV 2013	112.0	102.9	92.0	98.0	120.0	105.0
Q. I 2014	97.2	98.0	97.2	98.0	106.0	100.0
Q. II 2014	109.6	98.3	97.0	100.0	113.0	98.0
Q. III 2014	93.5	95.8	95.0	97.0	98.0	99.0
Q. IV 2014	88.1	92.3	89.0	92.0	100.0	104.0

Source: According to the National Bureau of Statistics data.

Period	External sector													
	Annual growth rate of exports of goods of the main trade partners, y-o-y, %							Annual growth rate of imports of goods of the main trade partners, y-o-y, %						
	World	USA	EU 28 intracom.	EU 28 extracom.	Romania	Russia Federation	Ukraine	World	USA	EU 28 intracom.	EU 28 extracom.	Romania	Russia Federation	Ukraine
2009	-30.3	-29.4	-28.7	-27.5	-26.9	-33.3	-36.6	-30.6	-30.5	-28.7	-33.3	-29.5	-31.6	-38.7
2010	-40.1	-40.2	-37.3	-42.9	-44.0	-42.9	-40.7	-39.7	-38.4	-37.3	-35.4	-40.1	-44.8	-40.6
2011	19.8	16.0	15.9	20.7	27.3	30.3	33.0	19.3	15.1	15.9	18.6	23.4	30.2	35.6
2012	0.0	4.3	-7.0	0.1	-8.2	1.4	0.1	0.3	3.1	-7.0	-4.0	-8.2	3.6	2.5
2013	2.1	2.2	3.2	6.6	13.8	-1.1	-6.1	1.4	-0.3	3.2	-3.2	4.6	1.8	-9.3
Q. I 2012	5.2	8.6	-2.1	3.7	-4.7	16.3	5.1	5.6	8.4	-2.1	1.9	-2.9	12.1	3.1
Q. II 2012	-1.1	4.8	-11.6	-0.9	-9.2	-1.5	0.3	-1.2	3.7	-11.6	-8.1	-10.4	-1.2	9.9
Q. III 2012	-4.1	1.1	-11.2	-2.7	-14.3	-3.5	0.2	-3.4	0.0	-11.2	-7.9	-12.3	2.5	1.2
Q. IV 2012	0.7	2.8	-2.9	0.4	-4.3	-3.2	-4.3	0.9	0.7	-2.9	-1.7	-6.6	2.8	-3.2
Q. I 2013	0.3	0.4	-2.2	4.3	5.5	-5.0	-1.5	-0.3	-2.6	-2.2	-6.2	-0.3	5.0	-6.2
Q. II 2013	1.1	1.6	2.3	8.8	9.4	-3.4	-9.8	0.8	-1.2	2.3	-3.8	-2.4	2.9	-21.9
Q. III 2013	3.3	2.7	6.8	7.1	21.6	4.2	-9.1	2.8	1.6	6.8	-1.2	11.2	0.0	-1.7
Q. IV 2013	3.8	4.0	6.9	5.9	18.9	-0.2	-3.8	2.4	1.1	6.9	-1.1	9.8	-0.1	-6.8
Q. I 2014	1.5	2.5	7.5	1.2	14.2	-1.6	-10.8	2.0	2.0	7.5	1.9	13.7	-5.4	-20.4
Q. II 2014	2.6	3.3	7.3	-1.8	10.9	3.9	-8.2	2.4	4.5	7.3	4.6	12.3	-4.7	-18.8
Q. III 2014	2.5	4.2	2.9	-1.2	6.1	-4.0	-14.3	1.6	3.7	2.9	1.6	4.1	-8.5	-37.8

Source: According to the WTO data.



Period	External sector													
	Annual growth rate of exports of goods of the main trade partners, y-o-y, %							Annual growth rate of imports of goods of the main trade partners, y-o-y, %						
	World	USA	EU 28 intracom.	EU 28 extracom.	Romania	Russia Federation	Ukraine	World	USA	EU 28 intracom.	EU 28 extracom.	Romania	Russia Federation	Ukraine
Jan 2013	7.8	4.5	5.6	9.6	10.1	-2.2	-3.8	7.6	1.0	5.6	3.0	5.1	12.3	-5.0
Feb 2013	-2.1	-0.1	-3.0	2.2	11.1	-7.3	7.9	-4.8	-0.7	-3.0	-7.9	2.3	6.3	-7.3
Mar 2013	-1.6	-2.5	-8.2	1.8	-3.2	-5.0	-7.5	-4.1	-7.8	-8.2	-13.1	-6.7	-1.2	-6.1
Apr 2013	4.7	1.6	4.1	13.5	14.8	-1.4	4.6	4.4	0.7	4.1	-3.2	4.3	11.0	-8.1
May 2013	0.1	1.4	-1.0	8.6	2.3	-10.3	-20.9	-2.0	-0.8	-1.0	-5.7	-8.7	-6.4	-33.5
Jun 2013	0.6	1.7	4.0	4.5	11.8	2.2	-12.6	-0.6	-3.6	4.0	-2.4	-2.2	4.6	-23.6
Jul 2013	5.1	4.9	9.2	11.3	27.3	5.9	-9.5	5.3	2.4	9.2	4.7	19.6	1.7	-5.9
Aug 2013	2.9	3.1	2.9	2.9	16.6	3.0	-10.8	0.5	-0.9	2.9	-5.2	5.9	-5.5	-6.7
Sep 2013	2.5	0.2	7.9	7.0	20.6	3.8	-6.7	2.5	3.4	7.9	-2.7	8.2	4.2	7.9
Oct 2013	4.9	6.4	6.2	6.8	18.5	-5.6	-9.5	2.4	3.2	6.2	-2.4	6.5	-2.8	-3.9
Nov 2013	3.6	4.7	4.1	2.3	12.8	3.0	-6.4	-0.1	-2.9	4.1	-1.3	11.4	-0.9	-6.7
Dec 2013	4.7	0.9	11.3	8.7	27.3	2.0	5.4	4.3	3.1	11.3	0.8	12.4	3.3	-9.7
Jan 2014	3.0	3.6	5.2	0.8	8.0	2.0	-14.3	1.0	-0.2	5.2	-1.2	6.5	-3.7	-11.4
Feb 2014	0.5	0.2	6.5	3.1	14.9	-12.9	-12.0	1.8	-0.4	6.5	0.0	16.9	-9.3	-23.5
Mar 2014	2.0	3.8	11.0	-0.9	19.4	5.8	-6.4	2.9	6.5	11.0	6.8	17.3	-3.8	-24.4
Apr 2014	2.4	3.4	8.0	-2.7	8.1	7.2	-16.2	1.2	5.2	8.0	2.5	8.8	-7.3	-30.2
May 2014	2.7	3.9	8.2	-4.0	14.4	7.5	1.3	1.4	1.8	8.2	6.0	14.5	-1.1	-4.4
Jun 2014	3.3	2.6	6.2	0.6	10.0	-2.9	-7.8	4.4	6.8	6.2	5.1	13.7	-5.3	-18.0
Jul 2014	5.3	4.8	7.9	0.5	9.7	5.7	-7.9	2.4	3.5	7.9	6.8	8.0	-3.5	-33.9
Aug 2014	0.2	4.0	-0.3	-8.1	1.3	-2.5	-18.2	-1.4	1.9	-0.3	-3.1	-3.6	-11.0	-41.8
Sep 2014	3.8	3.8	2.3	3.0	6.7	-14.9	-16.8	3.3	5.8	2.3	0.7	7.2	-9.6	-37.7
Oct 2014	-1.1	2.6	-3.8	-5.0	-2.7	-5.4	-24.8	-2.2	2.9	-3.8	-7.1	-4.5	-12.2	-39.8
Nov 2014	-4.2	-0.8	-6.1	-5.6	-4.7	-21.7	-28.6	-5.2	0.7	-6.1	-10.8	-4.1	-21.8	-35.3
Dec 2014 <sup>1</sup>	-2.5	1.4	-5.4	-5.1	-11.3	-24.1	-32.7	-3.4	6.9	-5.4	-7.5	-5.9	-24.0	-35.1
Jan 2015 <sup>1</sup>	-10.4	-4.7	-17.0	-16.7	-9.0	-30.5	-32.0	-13.9	-2.7	-17.0	-18.6	-10.9	-40.4	-33.6

Source: According to the WTO data.

Period	Business environment		
	Registration of enterprises	Liquidation of enterprises	Net registered enterprises
2010	6488	3177	3311
2011	6740	3430	3310
2012	6273	3218	3055
2013	6231	2808	3423
2014	6263	2770	3493
Quarter I 2012	1757	852	905
Quarter II 2012	1499	760	739
Quarter III 2012	1378	845	533
Quarter IV 2012	1639	761	878
Quarter I 2013	1797	700	1097
Quarter II 2013	1509	668	841
Quarter III 2013	1379	657	722
Quarter IV 2013	1546	783	763
Quarter I 2014	1660	686	974
Quarter II 2014	1570	670	900
Quarter III 2014	1581	683	898
Quarter IV 2014	1452	731	721
Jan 2014	501	221	280
Feb.14	552	220	332
Mar.14	607	245	362
Apr.14	539	249	290
May 2014	527	190	337
Jun. 2014	504	231	273
Jul. 2014	589	248	341
Aug. 14	474	219	255
Sep. 14	518	216	302
Oct.14	520	190	330
Novem. 2014	466	204	262
Dec. 14	466	337	129

Source: According to the data of the State Registration Chamber.



Demographic situation																
				Live-births		Deceased		Infant deaths		Natural increase		Marriages		Divorces		
				Number of live-births - total (pers.)	per 1000 people - births	Number of deceased - total (pers.)	per 1000 people - deaths	Number of infant deaths - total (pers.)	per 1000 live-births - infant deaths	Natural increase (pers.)	natural increase per 1000 people	Number of marriages (number)	per 1000 people - marriages	Number of divorces (number)	per 1000 people - divorces	
2013	Q1															
	Q2															
	Q3															
	Q4															
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Source: According to the National Bureau of Statistics.



Labour market																								
		Number of economically active population (thou. pers.)	Activity rate, %				Number of employed (thou. pers.)	Employment rate, %				ILO unemployed (thou. pers.)	Unemployment rate, %											
			Total	men	women	urban		rural	Total	men	women		urban	rural	Total	men	women	urban	rural					
2010	1235.4	41.6	45.0	38.6	47.2	37.5	1143.4	30.5	40.9	36.4	42.7	35.4	92.0	7.4	9.1	5.7	9.6	5.4						
2011	1257.5	42.3	45.6	39.3	48.0	38.0	1173.5	39.4	42.1	37.1	44.1	36.0	84.0	6.7	7.7	5.6	8.2	5.2						
2012	1214.5	40.7	43.5	38.2	47.0	36.0	1146.8	38.4	40.6	36.5	43.6	34.6	67.7	5.6	6.8	4.3	7.3	3.9						
2013	1235.9	41.4	44.5	38.6	45.6	38.1	1172.8	39.3	41.8	37.0	42.8	36.6	63.1	5.1	6.0	4.1	6.3	4.1						
2014	1232.4	41.2	44.1	38.6	44.1	39.1	1184.9	39.6	42.1	37.4	41.8	38.0	47.5	3.9	4.6	3.1	5.2	2.7						
Q1	January	1103.7	37.0	38.8	35.3	45.6	30.5	1023.9	34.3	35.2	33.6	41.9	28.6	79.8	7.2	9.5	5.0	8.1	6.2					
	February																							
	March																							
Q2	April	1266.9	42.5	45.6	39.6	46.3	39.6	1209.3	40.5	43.1	38.2	43.2	38.6	57.6	4.5	5.4	3.6	6.8	2.6					
	May																							
	June																							
Q3	July	1286.9	43.1	46.0	40.5	46.5	40.7	1224.7	41.1	43.3	39.0	43.1	39.6	62.2	4.8	5.9	3.7	7.3	2.8					
	August																							
	September																							
Q4	October	1200.7	40.3	43.6	37.2	49.6	33.3	1129.3	37.9	40.6	35.4	46.2	31.8	71.4	5.9	7.0	4.9	7.0	4.8					
	November																							
	December																							
Q1	January	1121.0	37.5	39.7	35.6	45.8	31.5	1030.2	34.5	35.7	33.4	42.0	29.0	90.8	8.1	10.2	6.0	8.2	8.0					
	February																							
	March																							
Q2	April	1288.4	43.1	47.2	39.5	45.0	41.7	1227.6	41.1	44.5	38.0	42.1	40.3	60.8	4.7	5.6	3.8	6.4	3.3					
	May																							
	June																							
	July																							
Q3	August	1328.2	44.5	47.7	41.6	46.0	43.3	1276.8	42.7	45.7	40.1	43.5	42.1	51.4	3.9	4.1	3.6	5.3	2.7					
	September																							
Q4	October	1205.8	40.4	43.4	37.6	45.8	36.2	1156.5	38.7	41.3	36.4	43.5	35.1	49.3	4.1	4.8	3.3	5.2	3.0					
	November																							
	December																							
Q1	January	1128.1	37.7	40.4	35.4	43.9	33.2	1070.6	35.8	37.9	33.9	41.2	31.8	57.5	5.1	6.1	4.1	6.0	4.2					
	February																							
	March																							
Q2	April	1328.6	44.5	47.8	41.5	45.0	44.1	1280.1	42.8	45.8	40.1	42.3	43.2	48.5	3.7	4.1	3.2	5.8	1.9					
	May																							
	June																							
	July																							
Q3	August	1319.6	44.2	47.5	41.1	44.5	43.9	1275.7	42.7	45.6	40.0	42.4	42.9	43.9	3.3	4.0	2.6	4.6	2.3					
	September																							
	October																							
Q4	November	1153.4	38.6	40.9	36.5	43.2	35.2	1113.1	37.2	39.0	35.6	41.3	34.2	40.2	3.5	4.5	2.4	4.2	2.8					
	December																							

Source: According to the National Bureau of Statistics.

Remuneration of labour									
		Nominal monthly wage - Total			Index nominal monthly wage (comparative to previous year), %			Index real monthly wage (comparative to previous year), %	
		MDL	USD	EUR	MDL	USD	EUR		
2012	Q1	January	3139.0	265.8	206.1	110.7	114.5	118.6	103.5
		February	3166.0	266.5	201.9	109.8	111.0	114.8	103.4
		March	3273.5	276.3	209.6	109.7	110.6	117.3	104.1
	Q2	April	3350.3	283.8	215.6	106.9	105.9	116.0	102.1
2013		May	3489.8	294.2	229.1	108.5	106.1	118.8	104.2
		June	3913.5	323.8	258.4	110.0	105.5	121.0	106.1
	Q3	July	3574.9	289.2	234.8	109.6	102.3	118.6	105.4
		August	3503.6	280.4	226.4	110.4	100.5	116.3	105.7
2014		September	3421.5	275.7	215.1	108.3	101.2	109.1	103.2
	Q4	October	3482.3	284.2	219.1	110.1	106.0	111.9	106.0
		November	3527.8	286.1	222.9	109.2	103.8	109.8	105.3
		December	3888.8	318.9	243.1	104.9	101.4	102.0	100.8
2015	Q1	January	3413.5	281.3	212.0	108.7	105.8	102.9	104.0
		February	3380.1	279.5	208.8	106.8	104.9	103.4	102.4
		March	3638.7	295.4	227.8	111.2	106.9	108.7	106.7
	Q2	April	3739.7	302.9	232.9	111.6	106.7	108.0	106.8
2016		May	3758.5	304.2	234.0	107.7	103.4	102.1	101.9
		June	3859.0	309.9	235.4	98.6	95.7	91.1	93.5
	Q3	July	3908.5	308.3	235.7	109.3	106.6	100.4	104.8
		August	3832.4	300.5	225.8	109.4	107.2	99.7	105.5
2017		September	3758.5	292.0	218.8	109.8	105.9	101.7	105.7
		October	3785.4	290.3	213.0	108.7	102.1	97.2	103.8
	Q4	November	3793.6	292.7	216.7	107.5	102.3	97.2	102.5
		December	4278.7	328.1	239.7	110.0	102.9	98.6	104.6
2018	Q1	January	3777.4	286.9	210.4	110.2	101.6	98.9	104.9
		February	3717.9	275.6	202.1	109.8	98.4	96.6	104.2
		March	3912.4	289.5	209.6	107.3	97.8	91.8	101.5
	Q2	April	4009.1	298.5	216.0	107.2	98.5	92.7	101.3
2019		May	4032.6	294.9	214.3	107.3	96.9	91.6	102.5
		June	4203.9	301.9	222.1	108.9	97.4	94.4	103.7
	Q3	July	4328.8	308.8	227.8	110.8	100.2	96.6	105.2
		August	4276.9	309.2	232.1	111.6	102.9	102.8	106.2
2020		September	4267.7	298.0	230.5	113.5	102.1	105.3	108.3
		October	4309.5	293.7	231.6	113.8	101.2	108.7	108.6
	Q4	November	4354.9	291.4	233.3	114.8	99.6	107.7	109.5
		December	4865.4	315.2	255.7	113.7	96.1	106.7	108.6

Source: According to the National Bureau of Statistics.





Household disposable income									
		Disposable income MDL	The structure of the disposable income, %						etc.
			employment activity	individual agricultural activity	individual non- agricultural activity	property income	social benefits		
2012	2010	1273.7	42.6	9.8	6.8	0.1	18.7	22.0	
	2011	1444.7	44.7	10.0	6.8	0.4	18.1	20.1	
	2012	1508.8	42.7	9.6	7.2	0.2	19.2	21.2	
	2013	1681.4	41.6	9.1	6.9	0.2	19.9	22.3	
	2014	1767.5	41.6	9.5	6.6	0.1	20.2	21.9	
	January	1439.3	43.9	10.1	5.9	0.1	18.4	21.6	
	February								
	March								
	April								
	May	1523.1	43.7	9.8	6.3	0.6	19.0	20.7	
	June								
	July								
2013	August	1507.3	41.4	9.1	8.5	0.0	20.6	20.4	
	September								
	October								
	November	1572.5	41.7	9.3	8.0	0.1	18.8	22.1	
	December								
	January	1559.8	42.5	9.1	6.4	0.3	19.4	22.3	
	February								
	March								
	April	1667.2	43.7	10.0	6.3	0.1	18.8	21.0	
	May								
	June								
	July	1755.5	41.9	8.8	7.2	0.2	20.3	21.7	
2014	August								
	September								
	October	1743.0	38.7	8.4	7.5	0.2	20.9	24.3	
	November								
	December								
	January	1650.0	42.6	10.1	5.9	0.1	20.0	21.2	
	February								
	March								
	April	1756.1	43.0	10.4	5.6	0.0	18.8	22.2	
	May								
	June								
	July	1787.4	40.7	9.0	6.6	0.1	21.4	22.3	
2014	August								
	September								
	October								
	November	1877.8	40.1	8.8	8.1	0.2	20.7	22.0	
December									

Source: According to the National Bureau of Statistics.

Household consumer expenditure													
		The structure of the consumer expenditure, %											
	Consumer expenditure MDL												
		food	alcoholic beverages, tobacco	clothing, footwear	household maintenance	endowment house	medical and health care	transportation	communications	recreational activity	education	hotels, restaurants, cafes etc.	etc.
2010	1371.7	40.8	1.8	10.8	17.8	3.9	6.4	4.9	4.6	1.7	1.3	2.2	3.8
2011	1534.1	42.5	1.8	10.4	18.1	3.6	5.4	5.2	4.4	1.7	1.1	1.9	4.0
2012	1598.6	43.2	1.7	10.6	18.5	3.5	5.6	4.2	4.4	1.4	1.0	1.7	4.1
2013	1775.8	42.8	1.5	10.3	19.2	3.6	5.7	4.7	4.2	1.5	0.8	1.5	4.0
2014	1816.7	43.8	1.3	10.6	18.9	3.5	5.6	4.4	4.3	1.3	0.7	1.5	4.0
January													
February	1510.8	43.7	1.6	10.9	18.3	3.0	6.2	3.8	4.5	1.1	1.1	2.1	3.7
March													
April													
May													
June													
July													
August													
September													
October													
November													
December													
2012													
January	1675.3	42.0	1.7	10.3	19.0	4.1	6.5	4.3	4.3	1.9	1.0	1.3	3.6
February													
March													
April													
May													
June													
July													
August													
September													
October													
November													
December													
2013													
January	1656.1	43.4	1.7	9.6	18.3	3.2	6.7	4.6	4.5	1.3	0.8	1.8	4.1
February													
March													
April													
May													
June													
July													
August													
September													
October													
November													
December													
2014													
January	1798.5	43.0	1.6	10.9	19.1	4.2	5.5	4.1	4.1	1.8	0.8	1.2	3.8
February													
March													
April													
May													
June													
July													
August													
September													
October													
November													
December													
2014													
January	1733.7	43.9	1.2	10.4	18.6	3.2	6.6	4.4	4.5	1.2	0.6	1.2	4.1
February													
March													
April													
May													
June													
July													
August													
September													
October													
November													
December													
2014													
January	1807.9	44.9	1.4	10.3	18.3	3.2	5.5	4.4	4.5	0.9	0.9	1.6	4.1
February													
March													
April													
May													
June													
July													
August													
September													
October													
November													
December													
2014													
January	1832.0	43.6	1.2	10.7	19.9	3.8	5.3	4.1	4.2	1.2	0.7	1.5	3.8
February													
March													
April													
May													
June													
July													
August													
September													
October													
November													
December													
2014													
January	1893.7	42.9	1.5	11.1	18.7	3.9	5.2	4.4	4.2	1.7	0.7	1.5	4.1
February													
March													
April													
May													
June													
July													
August													
September													
October													
November													
December													

Source: According to the National Bureau of Statistics.



Crimes																						
	Recorded crimes - total, (cases)	Crimes against life and health of the person (cases)			Crimes of sexual life (cases)		Crimes against property (cases)							Offenses against public health and social coexistence (cases)		Crimes against family and minors (cases)		Economic crimes (cases)			Crimes against public security and public order (cases)	
		Total	murder	premeditated severe injuries	Total	rape	Total	theft	brigandage	robbery	fraud	pocket-picking	blackmail	Total	drug related crimes	Total	trafficking in children	Total	contraband	manufacture of counterfeit currency	Total	hooliganism
2010	33402	1892	265	416	557	368	18104	13646	185	1204	1841	395	64	1983	1794	204	23	1053	170	376	1122	955
2011	35124	1799	216	360	461	291	19340	15060	152	1151	1574	554	44	1810	1658	597	24	1384	211	681	1342	1152
2012	36615	1755	223	325	617	360	18751	14294	167	1175	1651	540	64	1785	1575	953	20	1928	163	1156	1514	1284
2013	38157	1647	215	324	608	349	20391	15378	146	1144	2065	741	88	1305	1166	1474	20	1002	151	344	1625	1444
2014	41786	1542	172	320	647	352	21875	16729	125	1127	2068	836	77	1439	1288	2423	24	1305	216	286	1804	1614
January																						
Q1		326	55	66	154	91	4630	3535	47	267	424	182	17	308	274	317	7	224	30	84	383	341
February																						
March																						
April																						
Q2		767	114	140	306	172	10004	7563	83	550	1002	378	39	568	496	663	14	492	68	188	784	694
May																						
June																						
July																						
Q3		1175	150	220	455	258	14624	11037	121	829	1513	494	67	951	850	1067	17	724	103	256	1151	1025
August																						
September																						
October																						
Q4		1647	215	324	608	349	20391	15378	146	1144	2065	741	88	1305	1166	1474	20	1002	151	344	1625	1444
November																						
December																						
Q1		336	42	67	156	91	4489	3350	28	245	467	173	25	316	276	492	6	319	54	46	389	352
February																						
March																						
Q2		769	115	140	306	172	10012	7563	84	550	1007	378	41	575	503	663	14	501	73	188	786	694
April																						
May																						
June																						
July																						
Q3		1116	129	223	497	279	15620	11828	83	840	1577	571	55	1093	979	1810	14	930	156	176	1296	1163
August																						
September																						
Q4		1542	172	320	647	352	21875	16729	125	1127	2068	836	77	1439	1288	2423	24	1305	216	286	1804	1614
October																						
November																						
December																						

Source: According to the National Bureau of Statistics.

	Education																													
	Institutions of primary and general secondary education										Institutions of secondary vocational education																			
	Day institutions, number						Evening schools, number				Number of pupils, by groups of classes - total, thou.pers.			Number of institutions, number			Number of pupils - thou.pers.			Matriculation, thou.pers.		Graduates, thou.pers.								
							schools for children with mental or physical handicap						lyceums			gymnasiums			primary schools			Day schools - total			Total			schools of trades		vocational schools
Number of institutions - total, number						1512	1505	91	708	492	35	7	413.7	2.2	141.2	207.5	62.8	75	23	52	22.2	2.5	19.6	13.4	2.5	10.9	12.8	2.8	10.0	
2009/2010							1489	1484	85	763	495	33	5	395.1	2.1	138.4	193.1	61.4	75	23	52	21.4	2.6	18.8	14.2	2.6	11.6	13.2	2.3	10.9
2010/2011							1460	1457	83	829	497	29	3	380.2	1.7	138.1	181.9	58.5	70	21	49	20.3	2.4	17.9	13.0	2.3	10.7	12.0	2.2	9.8
2011/2012							1397	1394	108	767	491	28	3	366.0	1.6	138.3	171.9	54.2	67	21	46	19.6	2.4	17.2	11.9	2.3	9.6	10.4	2.0	8.4
2012/2013							1374	1372	112	771	466	23	2	352.0	0.2	138.4	166.8	46.6	67	21	46	18.2	2.3	16.0	11.2	2.2	9.0	10.4	2.0	8.4
2013/2014							1347	1345	105	794	424	22	2	339.9	-	138.5	162.3	39.1	61	15	46	17.5	1.5	16.0	10.9	1.4	9.5	9.7	1.5	8.2
2014/2015																														

Source: According to the National Bureau of Statistics.

	Education							
	Colleges				Higher education institutions			
	Number of institutions, number	Number of pupils – thou. pers.	Matriculation, thou. pers.	Graduates, thou. pers.	Number of institutions, number	Number of pupils – thou. pers.	Matriculation, thou. pers.	Graduates, thou. pers.
2009/2010	47	32.2	9.5	7.1	33	109.9	27.1	26.6
2010/2011	48	32.2	9.1	6.8	33	107.8	27.9	28.4
2011/2012	48	31.4	9.0	7.2	34	103.9	28.2	27.8
2012/2013	47	30.7	8.8	7.4	34	102.5	28.1	26.7
2013/2014	45	29.3	8.2	7.4	32	97.3	26.4	24.8
2014/2015	45	29.8	9.0	6.5	31	89.5	24.4	24.3

Source: According to the National Bureau of Statistics.

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