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GENERAL DATA

Official name	REPUBLIC OF MOLDOVA
Capital	Chisinau
President	Igor Dodon
President of the Parliament	Andrian Candu
Prime Minister	Pavel Filip
Parliament of the Republic of Moldova	101 deputies: Democratic Party of the Republic of Moldova – 42, Socialist Party of the Republic of Moldova – 24, Liberal Party – 9, European People’s Parliamentary Group – 9, Communist Party of the Republic of Moldova – 6, Liberal Democratic Party of Moldova – 5, Unaffiliated deputies – 6.
Independence was obtained on	August 27, 1991
Area	33.8 thousand km²
Administrative units	32 districts, 5 municipalities (Chisinau, Balti, Bender, Comrat, Tiraspol), ATU Gagauzia, Administrative-Territorial Units from the left of the Dniester
Resident Population	3550.9 thousand inhabitantS (beginning of 2017)
Main religions	Orthodox (93.34%), Protestant (1.98%), Old-Rite Christians (0.15%), Catholic (0.14%), etc.
National currency	Moldovan leu (average exchange rate, quarter IV, 2017 – 1 USD = 17.4 MDL, 1 EUR = 20.5 MDL)

ABBREVIATIONS

CEFTA	- Central European Free Trade Agreement
RCA	- Revealed Comparative Advantage
GATS	- General Agreement on Trade in Services
HACCP	- Hazard Analysis and Critical Control Points
IDA	- International Development Association
DCFTA	- Deep and Comprehensive Free Trade Agreement
ATP	- Autonomous Trade Preferences
PCA	- Partnership and Cooperation Agreement
EBRD	- European Bank for Reconstruction and Development
ILO	- International Labour Office
BMA	- Bureau for Migration and Asylum
NBM	- National Bank of Moldova
NPB	- National Public Budget
NBS	- National Bureau of Statistics
GAP	- Good Agricultural Practice
TBT	- Technical Barriers to Trade
NBC	- National Bank Certificates
EC	- European Commission
FCPA	- Final Consumption of Public Administration
FCH	- Final Consumption of Households
NCFM	- National Commission of Financial Market
TRC	- Total Regulatory Capital
EPC	- Effective Protection Coefficient
SITC	- Standard International Trade Classification
CIS	- Commonwealth of Independent States
TRQ	- Tariff Rate Quota
IPR	- Intellectual Property Rights
SDR	- Special Drawing Rights
AVE	- Ad-Valorem Equivalent
IMF	- International Monetary Fund
NIER	- National Institute for Economic Research

HHI	- Herfindahl-Hirschman Index
SMEs	- Small and Medium Enterprises
CPI	- Consumer Price Index
PPI	- Production Price Index
IIPP	- Index of Industrial Products Prices
FDI	- Foreign Direct Investment
IPV	- Index of Physical Volume
UVI	- Unit Value Index
MAFI	- Ministry of Agriculture and Food Industry
MAIB	- Moldova Agroindbank
MDL	- Moldovan Leu
MF	- Ministry of Finance
SPM	- Sanitary and Phytosanitary Measures
MFN	- Most Favoured Nation
NEER	- Nominal Effective Exchange Rate
NPC	- Nominal Protection Coefficient
OBSEC	- Organization of the Black Sea Economic Cooperation
ODSMEs	- Organization for Development of Small and Medium Enterprises
IOM	- International Organization for Migration
WTO	- World Trade Organization
UN	- United Nations
GDP	- Gross Domestic Product
CR	- Concentration Ratio
REER	- Real Effective Exchange Rate
GSP	- Generalised System of Preferences
MET	- Moldovan Economic Trends
TN	- Transnistria
VAT	- Value Added Tax
EU	- European Union
USD	- US Dollar
ATU	- Autonomous Territorial Unit
GVA	- Gross Value Added
SS	- State Securities

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

The end of 2017 was marked by several important events of political, economic and social nature.

October 6

The Parliament has voted the Law on activity of banks at final reading. The law provides for the completion of rights and responsibilities of the National Bank of Moldova, improvement of corporate governance framework in banks, harmonization of national bank legislation with international standards and principles, as well as development of supervisory tools in the banking system. The document sets the transition to the latest international principles of bank regulation – BASEL III. The banks will have a period of three years (by 2020) to comply fully with the new rules.

October 25

The Executive Board of the National Bank of Moldova has adopted the decrease of the base rate applied on the main short-term monetary policy operations by 0.5 percentage points, from 7.5% to 7.0% annually, as well as the interest rates on overnight loans by 0.5 percentage points from 10.5% to 10.0% annually and interest rate on overnight deposits by 0.5 percentage points, from 4.5% to 4.0% annually. At the same time, it was decided to maintain the required reserves ratio from means attracted in Moldovan lei and non-convertible currency at the actual level of 40.0% of the computation base and required reserves ratio from means attracted in freely convertible currency at the actual level of 14.0% of the computation base.

November 1

The Cabinet of Ministers has approved the Agreement between the Government of the Republic of Moldova and Government of Ukraine on joint control of persons, means of transport, commodities and objects at all joint border crossings of Moldovan-Ukrainian state border.

November 1

The National Defense Strategy and Action Plan on its implementation for 2017-2021 have been approved by the government. The Strategy sets the goals, stages and mechanisms for strengthening the capabilities of the national defense system. The Strategy provides for several actions, including: equipping the armed force with modern technology and equipments, reviewing the responsibilities of force structures, harmonizing the legal provisions which control the national defense system with the European norms.

November 23

The Republic of Moldova and European Union have signed the Agreement on macrofinancial assistance in the amount of 100 mln. EUR to our country at Brussels, of which 40 mln. EUR as a grant and 60 mln. EUR as a loan. The disbursements will be made in 2018, in three equal tranches according to the progresses registered in implementation of 28 conditions set with the European Union. These include fight against corruption, reforms in energy and financial sector and improvement of business environment.

November 29

The Republic of Moldova and Georgia have signed two documents on strengthening bilateral relations: Convention for avoidance of double taxation and tax evasion prevention on income taxes in order to support the development of collaboration between business communities and to encourage investment in national economies; as well as the Cooperation Program between the Ministry of Education, Culture and Research of Moldova and the Ministry of Culture and Monument Protection of Georgia during 2018-2021 to tighten the Moldo-Georgian cooperation in culture.

November 30

The government has approved the National Trade Facilitation Action Plan for 2018-2020. The document includes about one hundred actions on sector development, such as: simplifying payment of duty procedures, implementing the one-stop system for trade, improving the infrastructure, applying the modern information technology in state control procedures and other measures. 14 public authorities and institutions will be responsible to implement the plan. The estimated budget for all actions is about 137 mln. EUR, means allocated from the budget of responsible authorities and financial support of the external partners.

December 5

The Executive Board of the National Bank of Moldova has adopted the decrease of the base rate applied on the main short-term monetary policy operations by 0.5 percentage points, from 7.0% to 6.5% annually, as well as the interest rates on overnight loans by 0.5 percentage points from 10.0% to 9.5% annually and interest rate on overnight deposits by 0.5 percentage points, from 4.0% to 3.5% annually. At the same time, it was decided to maintain the required reserves ratio from means attracted in Moldovan lei and non-convertible currency at the actual level of 40.0% of the computation base and required reserves ratio from means attracted in freely convertible currency at the actual level of 14.0% of the computation base.

December 8

The NATO Liaison Office in Moldova has been inaugurated at Chisinau. The Prime Minister Pavel Filip and Deputy Secretary General of NATO Rose Gottemoeller participated at the event mentioning that the opening of the NATO Liaison Office in Moldova is an important step in the relations of the Republic of Moldova with North Atlantic Alliance. The NATO Liaison Office in Chisinau is a diplomatic mission with experts from states development partners of Moldova, without military implications and is established in line with the provisions of the Agreement signed in Brussels in 2016.

December 15

The Parliament of the Republic of Moldova has voted the Law on the Government Budget for 2018 at final reading. The government budget parameters estimate the revenues in the amount of 36.6 bln. MDL and government budget expenditures - 41.3 bln. MDL, increasing by 8.4% and 9.4%, respectively against the rectified government budget for 2017. The budget deficit for 2018 estimates 4.7 bln. MDL. At the same time, the deputies also voted the tax and customs policy and Law on state social insurance budget at final reading.

December 20

The Government approved the creation of the first information technology park „Moldova IT park”. The park is founded for 10 years and there is planned to attract about 400 IT companies. The aim of the new structure is to provide for an organizational platform with a set of innovative mechanisms and facilities to boost the growth of information technology industry, to create new

jobs and attract investment. The IT park will be virtual with the possibility of creating a physical infrastructure. The administrator is appointed by the Government for a period of 5 years and the administration is a legal entity and operates on self-financing.

December 20

The Republic of Moldova has signed agreements with the European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB) on financing the electricity networks interconnections of Moldova and Romania. EBRD and EIB will provide loans in the amount of 80 mln. EUR for each country. The financial sources will be used to build a back-to-back station in Vulcanesti, 400 Kv transport line between Vulcanesti and Chisinau and extension of transformation station from Chisinau. The total cost of the project is estimated to 270 mln. EUR. The Republic of Moldova shall conclude loan agreements with World Bank amounting to 70 mln. EUR and with EU NIF Grant Agreement to the tune of 40 mln. EUR.

December 21

The Board of Directors of the International Monetary Fund approved the second evaluation report of the Agreement with Moldova. As a result of assessing the progress registered in fulfilling the assumed commitments, the IMF allocated a new tranche of 22.2 mln. USD to the Republic of Moldova.

December 21

The Parliament has voted the „First Home” State Program, thus facilitating the access of young families to lending at final reading. The Program aims to provide state support to the citizens aged up to 45 years who want to buy a house but do not have sufficient funds and do not qualify for a mortgage loan. The program assumes that the individuals can access the mortgage loans securing them partially by the state. The guarantees on behalf of the state will be issued by the Organizations for Development of Small and Middle Enterprises Sector (ODSMES). The implementation of this project is also envisaged as a solution to reduce the migration among young people.

December 21

The European Union allocated a support for the Republic of Moldova in the amount of 36.3 mln. EUR of the requested 47 mln. EUR. The goals of this assistance are to create new jobs, to rise the exports on the European market, to strenghten the public administration, to boost the rural development and to achieve the police reform.

December 27

The Executive Board of the National Bank of Moldova has adopted the maintenance of the base rate applied on the main short-term monetary policy operations at the actual level of 6.5% annually. The interest rates on overnight loans are maintained at the actual level of 9.5% annually and on overnight deposits at the current level of 3.5% annually. At the same time, it was decided to maintain the required reserves ratio from means attracted in Moldovan lei and non-convertible currency at the actual level of 40.0% of the computation base and required reserves ratio from means attracted in freely convertible currency at the actual level of 14.0% of the computation base.

EDITION SUMMARY

Production

In 2017, **the gross domestic product** of national economy has registered an increase of 4.5% (in real terms) compared to the last year.

The following activities had the most significant influence on GDP growth: wholesale and retail trade – 1.3%; agriculture, forestry and fishing – 1.0%; mining industry and manufacturing industry; production and supply of electricity, heat energy, gas, hot water and conditioned air; water distribution; sanitation, waste management, decontamination activities – 0.4%; information and communications – 0.2%; constructions – 0.1%,

The industrial activities which registered the highest increases during that period were: manufacture of electrical equipments (+39.4%), manufacture of rubber products and plastics (+16.4%), other industrial activities n.c.a. (15.1%), manufacture of motor vehicles trailers and semi-trailers (+12%), wood processing, manufacture of wood and cork products, excepting furniture; manufacture of straw products and other twined vegetable fabrics (+11.4%) and food industry (+6.4%), etc.

In 2017, agricultural production in all types of households was up by 8.6% (comparable prices) compared to 2016. This was due to the increase of vegetable production by 13.1%, while livestock production reduced by 2.1% sply.

During 2017, the road, railway, fluvial and air transport enterprises have marked an increase of 23.8% sply of the volume of transported commodities amounting to 17.3 mln. tonnes in unit values. The mileage of commodities has also increased totaling 4630.1 mln. tonnes-km (+13.7% sply). In the respective period, the number of transported passengers by buses and minibuses decreased by 1.8% against the last year.

The volume of investment in fixed assets in 2017 amounted to 20996.6 mln. MDL (at current prices), by 1.3% higher compared to 2016. During the analyzed period, in structure of investment by types of tangible assets, the highest weight (33.1% against the total investment in fixed assets) belongs to transmission machinery, equipments and installations.

Prices and exchange rates

Average annual inflation rate for 2017 was slightly above the inflation target set in the medium-term monetary policy strategy and constituted 6.6%, which is a relative acceleration compared to the level recorded in the same period of the previous year (+0.3 pp). During the same period, there were recorded the following rises for CPI components: food productse – 7.9%, non-food products – 4.5%, services – 7.1%.

In quarter IV, 2017 the growth rate of CPI was 7.5%, increasing by 5 p.p compared to the similar period of the last year. At the end of the year, the CPI acceleration rate is mainly recorded by the food products and services as a result of the unfavourable weather conditions in the first case and the impact of tariff increase on several regulated services in the second one.

Core inflation since the beginning of 2017 has maintained within a relatively stable range of variation accounting for 5.1% sply, decreasing by 0.2 p.p compared to the same period of 2016. The annual rate of core inflation since the beginning of this year was situated on a less volatile variation range compared to CPI fluctuations, the appreciation of national currency against the

major reference currencies, as well as the exclusion of some prices on which the influence of monetary policy is less significant or nil: administered, volatile (vegetables, fruits, eggs, fuels), tobacco products and alcoholic beverages ones have contributed to these.

In quarter IV, 2017 other price indices have also recorded uneven increases which had the following developments compared to the same period of the previous year:

- ✓ industrial production price index increased by 0.1 p.p. and reached the level of 2.9% compared to the same period of the previous year;
- ✓ prices in construction sector decreased by 3.9 p.p., the growth rate being 5% in comparison with the same period of the last year;
- ✓ producer prices for agricultural products have reduced by 5.2% against the similar period of 2016;
- ✓ growth rate of fuel prices recorded a value of 8.7% sply, representing an increase of 10.9p.p, compared to the same period of the previous year.

In quarter IV, 2017 *the average nominal exchange rate* against the major reference currencies was 20.5 MDL/EUR and 17.4 MDL/USD, appreciating by 5.5% against the single European currency and by 13.3% against US dollar in comparison with the same period of the last year.

Monetary policy

During 2017, the monetary policy promoted by the National Bank of Moldova was influenced by the amplification of inflationary pressures generated mainly by the amendments in fiscal policy, adjustment of regulated prices to the new market realities and major liquidity excess in economy.

In the first half of 2017, the NBM maintained the *base rate* unchanged at the level of 9%, then it was reduced in four stages, decreasing by 2.5 p.p., up to 6.5% at the end of the year compared to the level recorded at the end of the previous year. On the same lines, the interest rate on overnight loans which reduced up to 9.5% and interest rate on overnight deposits to 3.5% have also amended.

In 2017, the *reserve requirement ratio* from means attracted in Moldovan lei and non-convertible currency rose in two stages, in April 2017 from 35% to 37%, then in May – to 40%, by 20 p.p. over the historical maximum of MMR rate recorded in 2008. The reserve requirement ratio from means attracted in convertible currencies remained unchanged at the level of 14%. Reserve requirement ratio from means attracted in convertible currencies remained unchanged at the level of 14%. Maintaining this rate at a sufficiently high level reflects negatively on the volume of lending the economy, which is already very low.

Volume of official reserve assets by the end of 2017 increased by 597.4 mln. USD since the beginning of the year and continues to rise. The balance of the official reserve assets at the end of quarter IV, 2017 amounted to 2.8 bln.USD, increasing by 27.1% sply.

In 2017, the *money supply* recorded a slowdown compared to the dynamics recorded in 2016. A more significant contribution to the increase of money supply have had the components of monetary aggregate M1, especially demand deposits in national currency similar to the one registered in the previous year.

Public finances

National public budget revenues were up by 16.2% in 2017. The state budget with a considerable weight of 47.5% followed by the social insurance budget with 24.93%, with a lower weight of receipts – local budgets with 18.8% have contributed to the formation of the public budget resources, and the lowest contribution had the MHIF with 8.8%.

During the analyzed period, the value of revenues from taxes and duties recorded 34476.0 mln.MDL, up by 17.9% or by 5244.91 mln. MDL compared to the previous year. At the same time there was registered a decrease of – 363.7 mln. MDL or 26.5% of revenues from grants. The highest contribution to the formation of the NPB revenues have had the taxes on goods and services with 46.11%, (or 71.4% of total tax revenues), of which VAT accumulated 31.60% of total NPB revenues and excise duties -11.15%, the highest part, about 96%, belonging to excise duties on imported goods. We mention that the low weight of income taxes compared to the taxes and duties on goods and services let us to say that the economy of the Republic of Moldova still bases on the model of consumer economy with a view to the import of goods and services.

In 2017, the **national public budget expenditures** amounted to 54524.1 mln. MDL, increasing by 6 061.5 mln. MDL or by 12.5% against the same period of the previous year. As a weight in GDP, these decreased by 4.86 p.p. from 40.27% of GDP in 2016 to 35.41% of GDP in 2017. The major weight in total expenditures belong to those made to fund the social field -66.06%, including social protection -34.97%, health care -13.33%, education -17.76% and the lowest expenditures, 0.27% are funds of environmental protection activities.

In 2017, the national public budget execution has resulted in a **budget deficit of 1144.7 mln. lei** given that for 2017 there was set a budget deficit target of 3.0% of GDP, it accounted for only 0.76% (estimated GDP data). There is the lowest level of the budget deficit recorded in the last 6 years and is due to a faster growth of public revenues against expenditures.

On December 31, 2017 the public debt balance declined by 851.4 mln. lei or by 1.4 % compared to the end of 2016 amounting to 58 451.7 mln. lei. According to the data on GDP for 2017, the weight of public sector debt in GDP on December 31, 2017 accounted for 38.9%, decreasing by 4.9 p.p. compared to the end of 2016. This is due not to the decrement of the absolute value of public debt but to the fast growth rate of GDP against the growth rate of public debt.

Banking sector

The major problem of the banking sector activity during 2017 is the decrease in the value of gross loan portfolio granted by the commercial banks which registered a depreciation of 3.71 percent or 1288.0 mln. MDL. The decline in the pace of lending was not associated with the decrease of the level of portfolio risk. Thus, during 2017, the value of non-performing loans has increased by 481.6 mln. MDL or 2.0% against December 31, 2016, their weight in total loan portfolio amounting to 18.38%. At the same time, there is observed the migration of loans from legal entities to individuals and from foreign in national currency due to the appreciation of Moldovan leu and to the increase in the demand for consumer loans against the business finance ones.

During 2017 the banking sector assets continued to rise, the banks maintaining the capital, liquidity and profitability at a high level. The rise in the value of assets was regrettably due especially to the increase of liquidities. Thus, the weight of liquid assets in total assets (liquidity principle II) registers 55.48%, more by 6.3 p.p. compared to December 31, 2016 and by about 2.5 times higher than the minimum requirement set by the NBM. The continuous increase of liquidities in the banking system is the result of tightening the monetary policy promoted by the NBM which aims to sterilize the excess of money supply in order to maintain the inflation target however it affects the ability of banks to lend. *Consequently we state an excessive increase of bank liquidities as well as a migration of a part of loan assets to low-risk liquid assets and acceptable profitability, such as the state securities.*

Problems of the banking system, previously identified are reflected by the financial result of the banks in 2017. On December 31, 2017, the banks' profit in the entire banking system amounted to 1 538.8 mln. MDL, up by 60.5 mln. MDL or 4.09% compared to the same period of the previous year. The increase in profit is due to the decrease in interest expenditures (deposits) by 37.1 percent, decline of depreciation on financial assets by 61.39 percent and

growth of non-interest revenues by 6.8 percent (mostly from duties and commissions by 10.8 percent). However, only 39.51% of total revenues is provided by the financial intermediation activity strengthening a low involvement of banks in fund redistribution activity, and implicitly in the economic growth by providing the necessary resources of the real economy. Thus, there is seen an increase of the revenues from the main activity of banks by 1.7 p.p., this increase in the weight of interest net revenues in total revenues was due to the decline of interest deposit payments and not to the increase in loan receipts.

The priorities of the Moldovan banking sector remain to ensure the transparency in shareholders' structure and to improve enforcement of the prudential supervision norm by domestic banks. The largest commercial banks of the Republic of Moldova remain under intensive supervision by 3 more months and on July 1, 2017 when the deadline for sale of equity stake of 41.09% of B.C. „Moldova-Agroindbank” S.A fell in, the NCFM has extended it for another 6 months because there was not found yet any buyer.

External sector

Balance of payments. In 2017, the current account of the balance of payments was increasing by 2.2 times against 2016. The current account of the balance of payments registered a deficit of 616.94 mln. USD. The balance of services increased up to 315.29 mln. USD. Compared to 2016, this growth was due to the rise in exports by 19.7%, and imports of services rose by 13.2%. The capital account registered a negative balance of 30.41 mln. USD. The financial account ended in net capital inflows in the amount of 569.77 mln. USD.

International investment position of the Republic of Moldova continued its trend from the previous periods recording a net debt balance of 3954.33 mln. USD, which increased by 30.3% compared to the end of 2016.

Total volume of remittances from abroad in favour of individuals from Moldova in 2017 amounted to 1199.97 million US dollars, up by 11.2%, in comparison with 2016.

External trade in goods, in 2017 accounted for 7256.5 mln. USD, up by 19.6% (1191.5 mln. USD), compared to the same period of the previous year, the growth of the external trade was influenced by the positive development of the agricultural sector.

Deficit of balance of trade in 2017 amounted to 2406.3 mln. USD, by 431.3 mln. USD (21.8%) more compared to 2016.

Degree of imports coverage by exports in 2017 was 50.2%, against 50.9% in 2016.

Business environment

Number of enterprises registered by Public Services Agency increased significantly in Q IV of 2017 compared to the same period of the last year, the index accounting for 115.5%. Globally, the number of enterprises registered in 2017 marked a 12.9% growth compared to the previous year. Thus, according to the Public Services Agency in 2017 there were recorded 6406 new enterprises in the State Register.

The growth trend in the *number of deregistered enterprises* continues also this year. In Q IV of 2017, the number of deregistered enterprises has marked the highest growth compared to the similar period of 2012-2016. Thus, in Q IV, 2017 the number of deregistered enterprises in the State Register increased by 2.3 times sply, amounting to 1936 units. Overall, in 2017 the number of deregistered enterprises totaled 8540 units or by 2.1 times more as compared to 2016.

Social sector

Demographic situation. In 2017, the total number of live births in the country amounted to 34059 pers., down by 3335 children or 8.9% compared to the previous year, the birth rate amounted to 9.6 live births per 1000 inhabitants decreasing by 0.9 p.p. sply. The number of deaths accounted for 36764 pers., declining by 1725 pers. or 4.5% sply and mortality rate reached 10.4 deaths per 1000 inhabitants, down by 0.4 p.p. sply. The number of deaths of children aged under 1 year in 2017 equated to 330 cases and reduced by 23 cases compared to the similar period of the last year. The natural decrease in 2017 numbered – 2705 persons (-1095 persons in the previous year) or – 0.8 persons per 1000 inhabitants (-0.3 persons per 1000 inhabitants in the previous year), increasing significantly compared to the last year and being the most pronounced natural decrease from the last 7 years. The total number of *marriages* in the country in 2017 amounted to 20921, declining by 1071 or 4.9% against the last year and marriage rate equated to 5.9 marriages per 1000 inhabitants, reducing by 0.3 p.p sply. In the case of divorces in the country, the indicator was 9312, decreasing by 1293 or 12.2% compared to the last year. The divorce rate equaled 2.6 divorces per 1000 inhabitants, by 0.4 p.p less sply. In 2017, both the number of divorces and divorce rate and the number of marriages and marriage rate had the lowest values in the last 11 years.

Labor market. In 2017, the economically active population amounted to 1259.1 thousand pers., declining by 1.1% or by 13.7 thousand pers. compared to 2016. At the same time, the activity rate of population was 42.2%, declining by 0.4 p.p. against the level of 2016. Employed population was 1207.5 thousand persons, decreasing by 1.0% compared to the previous year. Employment rate of population aged 15 and over reached 40.5%, declining slightly compared to 2016 (40.8%). Number of unemployed, amounted to 51.6 thousand persons, down by 3.2% compared to 2016 (53.3 thousand pers.) according to the International Labour Office. Unemployment rate in the country in 2017 was 4.1%, being almost at the same level as in the previous year (4.2%). Inactive population in the country (aged 15 and over) in 2017 amounted to 1724.7 thousand persons being 57.8% of total population of this age group, decreasing by 0.4 p.p. compared to the last year. In 2017, NEET group held a weight of 29.3% of population aged 15-29 years (excepted the population who went abroad to work or look for a job).

Labor remuneration. In 2017, the gross average monthly nominal salary amounted to 5697.1 MDL, rising by 12.1% as against 2016, and in real terms – by 5.2%. Q IV of 2017 is characterized by an increase of the average monthly nominal salary (6113.6 MDL) by 12.4% compared to the same quarter of the last year. The average monthly salary in public sector (5165.7 MDL) increased by 18.0% sply, in a greater degree than the average monthly salary in the real sector (6491.8 MDL), which rose by 10.3% sply. The highest-paying economic activities are: Financial and Insurance activities (13021.6 MDL), Information and communications (12875.5 MDL) and Production and supply of electricity, heat energy, gas, hot water and conditioned air (11127.5 MDL).

Household disposable revenues per month in 2017 amounted to 2244.9 MDL on average per capita, up by 9.0% sply. In real terms, the household revenues rose by 2.2% sply. The most important sources of revenues remain: salaries (43.1%), social benefits (23.4%) and remittances from abroad (16.5%).

Average monthly consumption expenditures of population in 2017 amounted to 2250.3 MDL per capita, increasing by 6.3% against 2016. In real terms, adjusted to the consumer price indices, household expenditures decreased on average by 1.0% sply. The highest part of expenditures continues to be directed towards: food consumption (43.4%), housing maintenance (18.6%) and clothing and footwear (10.4%).

Social protection of population. According to the data of the National Social Insurance House, the number of pensioners registered with the social protection bodies on January 1, 2018

amounted to 716.0 thousand persons or by 24.8 thousand persons more compared to January 1, 2017. The average amount of the monthly pension set on January 1, 2018 amounted to 1527.87 MDL, up by 19.8% compared to January 1, 2017.

Subsistence minimum. In 2017, the average monthly subsistence minimum amounted to 1862.4 MDL per capita, rising by 3.5% compared to 2016. In cities, the subsistence minimum amounted to 2072.6 MDL, more by 2.9% against 2016, in towns – 1861.6 MDL, by 5.5% more compared to the previous year, in villages – 1770.5 MDL, more by 2.7% compared to 2016. In cities, the subsistence minimum was by 11.3% higher than in towns and by 17.1% higher than in villages. By household categories, the greatest value of the subsistence minimum belongs to working age population – 1984.5 MDL and, especially to men – 2153.7 MDL.

Chapter I PRODUCTION¹

Gross domestic product

In 2017, the gross domestic product amounted to 150369 mln. MDL, at current prices, increasing by 4.5% in real terms, compared to the same period of the previous year according to the preliminary calculations.

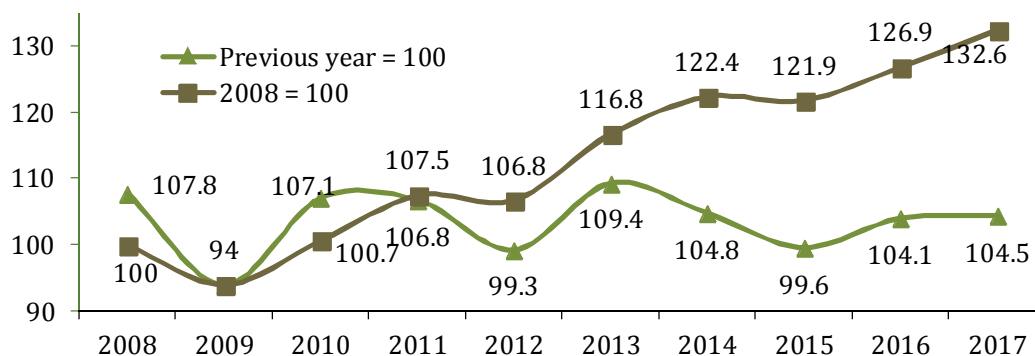


Figure 1.1. GDP dynamics during 2008 – 2017 (%)

Source: Compiled by author according to the data of the NBS.

During 2017, there were registered GDP increases during all 4 quarters.

Table 1.1. Quarterly GDP dynamics in 2017

	Q. I	Q.II	Q.III	Q.IV	Annually
GDP, mln. MDL (quarterly)	29670	34251	45523	40925	150369
In % compared to the same period of the previous year (quarterly dynamics)	103.1	102.5	105.4	106.4	104.5

Source: Compiled by author according to the data of the NBS.

Main branches which contributed to the GDP formation and increase were:

- Wholesale and retail trade; maintenance and repair of vehicles and motorcycles; transport and storage; accommodation and food service activities having a weight of 20.5% in GDP formation have contributed with 1.3% to its increase and with 6.6% to GVA growth;
- Agriculture, forestry and fishing accounted for 12.2% of GDP during the respective period, thus contributing with 1.0% to its increase and with 7.9% to GVA growth;
- Mining industry and manufacturing industry; production and supply of electricity, heat energy, gas, hot water and conditioned air; water distribution; sanitation, waste management, decontamination activities have contributed with 14.6% to the GDP formation, thus influencing on its increase by 0.4% and to GVA growth by 3.0%;
- Information and communications holding a weight of 5.7% contributed with 0.2% to GDP increase and 3.0% to GVA growth;

¹ The analysis is presented without the data on enterprises and organizations from the left bank of the Dniester River and Bender municipality based on the official statistics compiled by the National Bureau of Statistics. In some cases, appropriately specified, available data regarding the Transnistrian region, disseminated by the regional statistical body are presented.

- Constructions have contributed with 3.3% to GDP formation encouraging its increase by 0.1% and a 4.3% growth to GVA.

The GVA increased by 3.8% in total economy compared to 2016, thus contributing with 84.1% to GDP formation and with 3.3% to its increase.

During this period, the volume of taxes on products has also increased by 6.9% sply, contributing with 1.1% to GDP increase and with 16.3% to its formation.

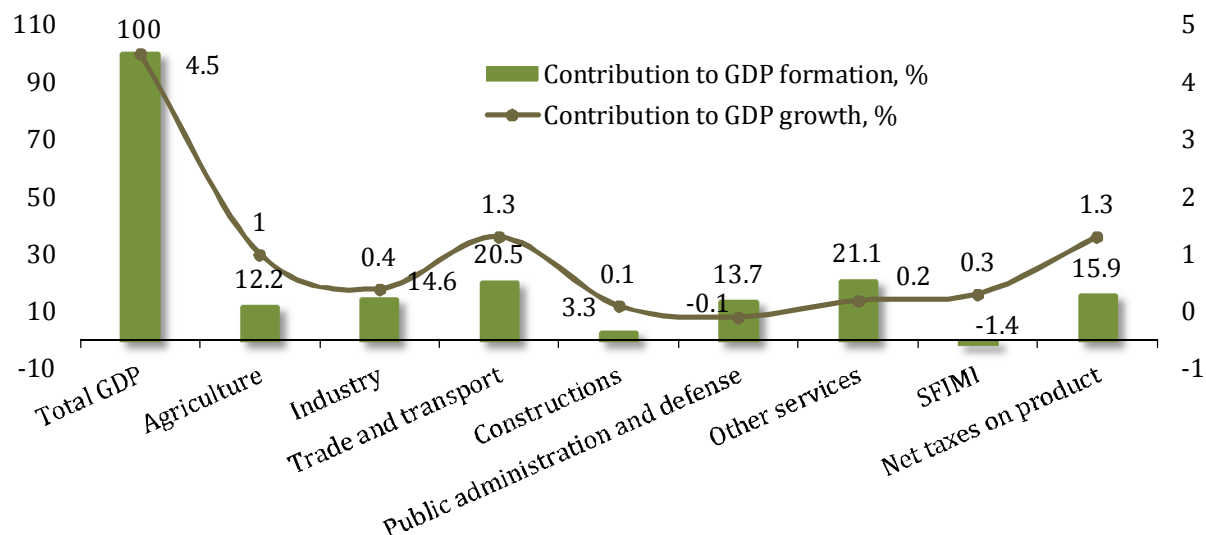


Figure 1.2. Contribution of resource components to GDP formation in 2017 and to its increase compared to 2016, %

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

In terms of uses, the GDP formation and increase were mainly due to the:

- Household final consumption – with a weight of 85.8% in GDP in 2017, which increased by 4.9% sply, thus influencing on the GDP increase by 4.2%.
- Gross fixed capital formation has contributed with 21.9% to GDP formation of its total, which rose by 5.3% during the respective period, arising the GDP by 1.2%.

Due to a greater influence of imports versus exports, the net export had a negative influence (-2.7%) to the GDP increase.

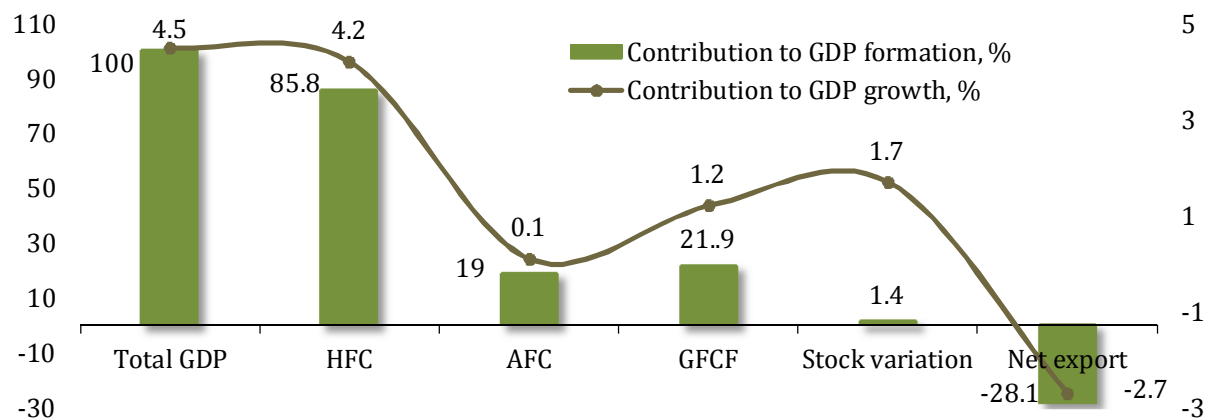


Figure 1.3. Contribution of components of uses to GDP formation in 2017 and to its increase compared to 2016, %

Source: Author's calculations according to the data of the National Bureau of Statistics.

Industry

Although, since the beginning of 2017, in January there was recorded an increase of 6.6% of industrial production compared to the similar period of the previous year, the growth rate was down month by month, showing a 0.8% decrease in April. During January-May – January-July there is attested an insignificant increase of the industrial production index, the end of the year being marked by a recovery in the growth rate of indicators, which implied an increase of 3.4% for January-December 2017 sply.

This result is mainly due to manufacturing industry which during 2017 rose by 4.5%. The most significant growth rates of the types of production which favoured the increase of the manufacturing industry were: manufacture of electrical equipments (+39.4%), manufacture of rubber and plastic products (+16.4%), other industrial activities n.c.a. (15.1%), manufacture of motor vehicles trailers and semi-trailers (+12%), manufacture of wood and products of wood and cork, except furniture; manufacture of straw products and other twined vegetable fabrics (+11.4%) and food industry (+6.4%).



Figure 1.4. Indexes of industrial production in 2008-2017 (%)

Source: Compiled by author according to the data of the NBS.

However, during the same period, there were also recorded decreases of the production indexes in such activities as: mining industry, which registered a reduction of 3.7% compared to the same period of the last year, production and supply of electricity, heat energy, gas, hot water and conditioned air - with a 1.7% decrease sply.

Table 1.2. Indexes of industrial production, previous year=100

	2011	2012	2013	2014	2015	2016	2017
Industry - total	113.4	97.6	108.6	107.3	100.6	100.9	103.4
Mining industry	127.2	78.8	122.2	100.2	91	84.2	96.3
Manufacturing industry	113.9	99.4	110.7	108.5	102.3	101.8	104.5
Production, transport and distribution of electricity	97.4	100.9	97	104.5	98.7	98.2	98.3

Source: Compiled by author according to the data of the NBS.

Analyzing the industrial production indexes during 2011-2017, we have to state that since 2015 their increase has taken place especially due to the manufacturing industry, however mining industry and production, transport and distribution of electricity influences negatively the volume of total industrial production.

Agriculture

During 2017, the Moldovan agricultural sector increased by 8.6% (comparable prices) against 2016. This is mainly due to the increase of the vegetable production by 13.1% sply. At the same time, livestock production has reduced by 2.1% sply.

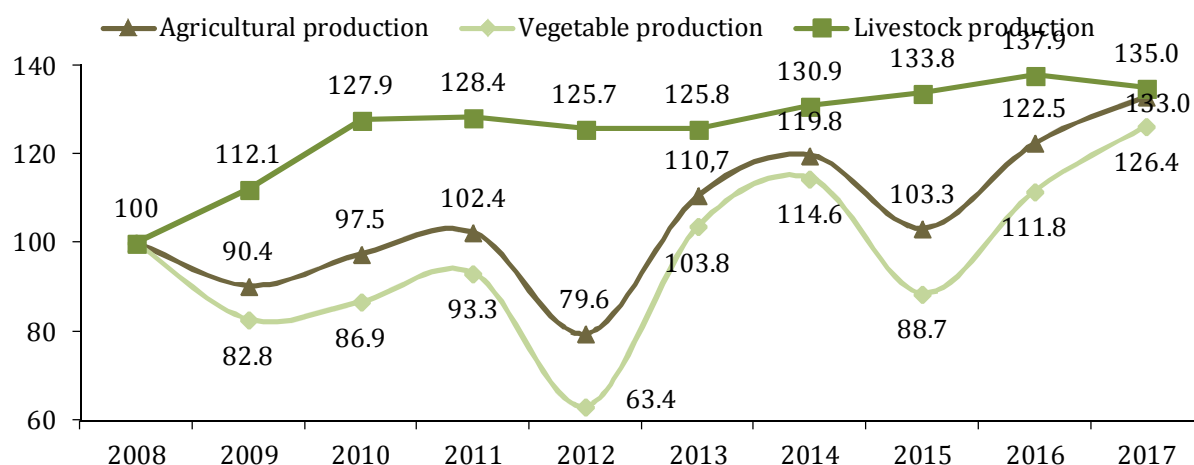


Figure 1.5. Dynamics of agricultural production in 2009-2017, compared to 2008, %
Source: Compiled by author according to the data of the NBS.

During this period, the increase of vegetable production is due to the good harvest on all types of vegetable products which contributed to the aforesaid growth at different paces, except potato and wheat production which marked reductions of 7.9% and 3.4%, respectively sply.

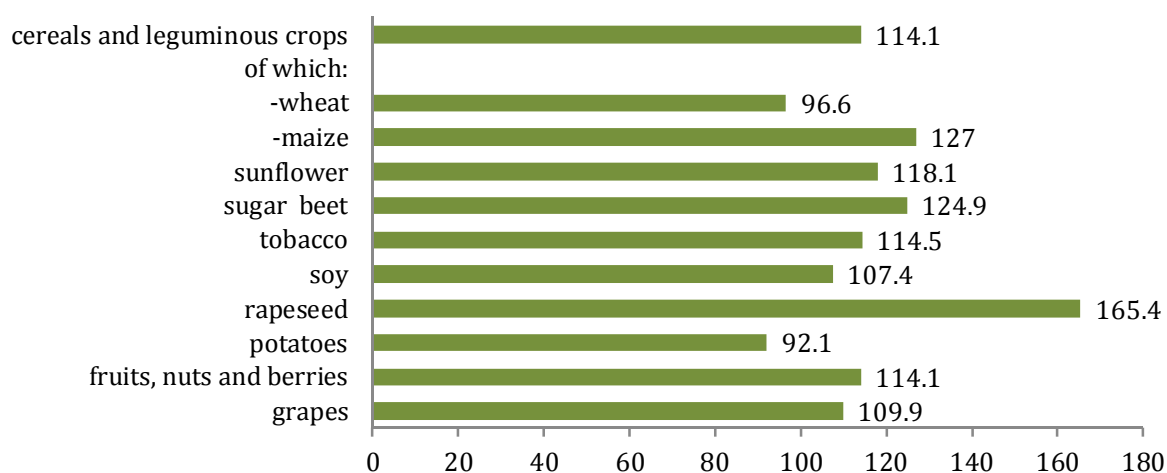


Figure 1.6. Index of agricultural production on the main crops in 2017 compared to the similar period of the previous year, %
Source: Author's calculations according to the data of the National Bureau of Statistics.

Table 1.3. Main types of livestock production, 2017

	Total	In % unto 2016	Weight in % unto total
A	1	2	3
Cattle and poultry breeding in live weight - total (thousand tonnes)	187.9	96.9	100
Of which:			
Agricultural enterprises	74.6	97.6	39.7
Households	113.3	96.3	60.3
Milk - total (thousand tonnes)	484.9	96.2	100
Of which:			
Agricultural enterprises	24.3	97.1	5.0
Households	460.6	96.1	95.0
Eggs - total mln. pieces	708.1	105.1	100

Table 1.3. – continue

A	1	2	3
Of which:			
Agricultural enterprises	317.1	108.4	44.8
Households	391.0	102.7	55.2

Source: Author's calculations according to the data of the National Bureau of Statistics.

Reduction of livestock production, in 2017 was due to the reduction of cattle and poultry breeding in live weight by 3.1% (agricultural enterprises – 2.4%, households – 3.7%) and reduction of milk production by 3.8% (agricultural enterprises – 2.9%, households – 3.9%). Only egg production during this period increased by 5.1% compared to 2016, as a result of production increase in agricultural enterprises by 8.4%, and in households by 2.7%.

Trade and other market services

In 2017, there is seen a turnover decrease in **retail trade** (excepting trade in vehicles and motorcycles) of 4.6%, while turnover in **wholesale trade** (excepting trade in vehicles and motorcycles) increased by 19.9% sply. At the same time, in 2017, **the trade in vehicles and motorcycles** enjoys a 12.9% increase of turnover compared to 2016. The turnover for **market services provided to population** during this period decreased by 0.4% against 2016, while the turnover for **market services provided mainly to enterprises** enjoyed an increase of 8.8% in comparison with the same period of the previous year.

Investment in long-term tangible assets

During 2017, the investment in fixed assets totaled 20996.6 mln. MDL (at current prices). This allowed a 1.3% growth of their value (in comparable prices) compared to 2016.

The aforesaid increase is partly due to the investment in tangible assets, accounting for 98.3% of total investment in fixed assets which during the respective period had an increase of 1% compared 2016. At the same time, compared to 2016, the investment in intangible assets show a growth of 20.1% sply.

Table 1.4. Structure of investment in fixed assets during 2017

	Achievements, mln. MDL	in % unto January - September 2016	in % unto total
Investment in fixed assets - total	20996.2	101.3	100.0
Intangible assets	350.3	120.0	1.7
Tangible assets, of which:	20646.3	101.0	98.3
- residential buildings	3039.5	88.2	14.5
- non-residential buildings	3954.7	88.7	18.8
- engineering constructions	3698.0	124.8	17.6
- machinery, equipment, transmission installations	6940.9	108.8	33.1
- means of transport	1893.2	99.9	9.0
- other tangible assets	1120.0	113.1	5.3

Source: Author's calculations according to the data of the National Bureau of Statistics

The most significant increases in tangible assets were registered by the investment in engineering constructions (+24.8%), investment in other tangible assets (+13.1%) and investment in machinery, equipment, transmission installations (8.8%). The most significant reductions in investment in tangible assets during this period compared to 2016 were recorded by investment in residential buildings (-11.8%), followed by investment in non-residential buildings (-11.3%) and investment in means of transport (-0.1%).

The sources of finances allocated for fixed investment were partly from own means of investors (65.6% of total fixed investment), which have been reduced by 3.2% sply, followed by the category of other sources with a weight of 16.7% and an increase of 10.2%, investment from the government budget with a contribution of 6.5% to total investment and an increase of 27.4%, administrative-territorial units budget with a weight of 6% and an increase of 33.2% and foreign sources with a weight of 5.2% of total and a reduction of 16.5% sply.

Table 1.5. Structure of investment in fixed assets by sources of funding during 2017

	Achievements, mln. MDL	in % unto January - December 2016	in % unto total
Investment in fixed assets – total	20996.6	101.3	100.0
Funded from:			
- government budget	1372.9	127.4	6.5
- administrative-territorial units budget	1251.5	133.2	6.0
- own resources	13768.7	96.8	65.6
- foreign sources	1095.5	83.5	5.2
- other sources	3508.0	110.2	16.7

Source: Author's calculations according to the data of the National Bureau of Statistics.

Transport

During 2017, road, railway, fluvial and air transport enterprises increased by 23.8% sply in the volume of transported commodities accounting for 17.3 mln. tonnes in unit value. At the same period, the mileage of commodities has also increased, totaling 4630.1 mln. tonnes-km (+13.7% sply). This is due to the rise of commodities transported by road, which holding a weight of about 71.4% of total commodities transported in 2017 marked an increase of 19.3% sply, followed by commodities transported by railway with a growth of 37.9% and air one rose by 2.2 times. The transport of commodities by river registered insignificant reductions (-0.6%).

Table 1.6. Volume of transported commodities during 2017

	2017	in % unto 2016	Weight in total transported commodities
Transported commodities - total, thousand, tonnes	17290.6	123.8	100.00
Of which, by mode of transport:			
- railway	4816.3	137.9	27.86
- road	12338.4	119.3	71.36
- fluvial	134.8	99.4	0.78
- air	1.1	2.2 ori	0.01

Source: Author's calculations according to the data of the National Bureau of Statistics.

In 2017, the most requested mode of transport (about 96.7% of total passengers) chose by passengers was by buses and minibuses, which during this year decreased by 1.8% compared to 2016. At the same time, the air transport chosen by passengers rose considerably by +45.4% sply.

Tourism

During 2017, the travel agencies and tour operators enjoyed an increase of 21.7% of services provided to tourists and excursionists compared to 2016, the number of tourists and excursionists amounting to 285 thousand. This increase is partly due to the growth in the number of participants in outbound and inbound tourism – by 29.4% and 11.7%, respectively

sply. During the same period there is seen a decrease in the number of participants in domestic tourism – by 7.7%.

The share of people who visited the Republic of Moldova by travel agencies and tour operators for rest, recreation and leisure accounted for 78.3% of total number of tourists, for business and professional activities – 17.2% and for treatment – 4.5%.

In 2017, the number of tourists and excursionists reached 229.3 thousand pers., increasing by 29.4% compared to the respective period of the last year. Most residents (98.9%) who left abroad intended to rest, recreate and relax, therefore the main destinations were Turkey (35.7%), Bulgaria (23.4%), Romania (13.6%) and Greece (10.3%).

Table 1.7. Tourists and excursionists participating in tourism through tourism agencies and tour operators

	Tourists and excursionists during January-June 2017	% unto January-June 2017
TOTAL	284 953	121.7
Inbound tourism (foreign citizens visiting our country)	17 497	111.7
Outbound tourism (Moldovan residents travelling abroad)	229 349	129.4
Domestic tourism (Moldovan residents travelling within the country, for tourism purpose)	38 107	92.3

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

The number of tourists and excursionists being provided with domestic tourism services in 2017 reduced by 7.7%, amounting to 38.1 thousand persons. The main agencies which benefited by providing domestic tourism services were from Chisinau (45.8%), development regions Center (27.2%) and South (24.1%).

Situation in the region of the Republic of Moldova to the left of the Dniester River and Bender municipality²

In 2017, the economy in the region of the Republic of Moldova to the left of the Dniester reduced the negative trends recorded in the last years, succeeding to direct the economic vector towards a positive growth direction.

According to the information disseminated by the statistical body of the Transnistrian region, in 2017, the industrial production index in the region to the left of the Dniester River and Bender municipality accounted for 114.9% compared to 2016. This is partly due to the increase in the indices of metallurgical industry which practically doubled during the respective period, electrotechnical industry which increased by 33.8%, machinery construction and metal processing industry with a 26.2% growth etc. during the same period, there were also recorded reductions in industrial production, especially in electroenergetic sector (-7.3%), chemical industry (-1.7%) and printing industry (-28.4%).

During 2017, the volume of investment in machinery, equipments and means of transport (holding a weight of 59.6% of total investment) reduced by 35.2%, the same trend being followed by the investment in construction and assembly works (holding a weight of 38.7% of total investment) which declined by 16.2%. Thus, the investment in tangible assets in this period

² According to the data of the statistical body of the Transnistrian region: <http://www.mepmr.org/gosudarstvennaya-statistika/informacziya>. Due to the partial implementation of international standards in the development of official statistics by the Transnistrian statistical body, as well as the reduced access to metadata, the comparability of data with those compiled by the NBS is limited and difficult to assess.

diminished by 30.6%. The dwellings which during this period were put into commission reached 50.6 thousand square meters, with 27.3% more sply.

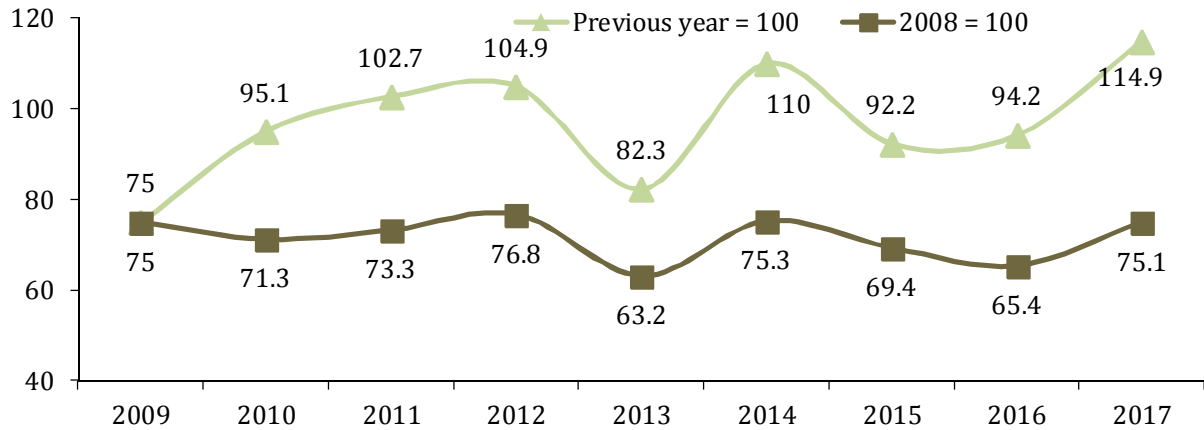


Figure 1.7. Annual dynamics of industrial production index 2009-2017 (%)

Source: Compiled by author according to the data of the statistical body of the region to the left of the Dniester River.

For agriculture, 2017 was not the most successful year in the left side of the Dniester River and Bender municipality, thus being registered an average of 40.4 quintals of cereals and legumes per hectare, by 9.8% less compared to 2016.

There were also recorded reductions in transport, therefore there were transported by 32.1% fewer commodities sply, the mileage of commodities has also reduced by 14.8% compared to the last year. In the respective period, only the transport of passengers registered increases (+9.6%) against 2016.

In 2017, retail trade enjoyed a 6.9% growth sply. This was due to the increase in turnover of non-food products sales (+10%) and turnover of food products (+4.6%). Only services provided to population declined by 0.4% sply.

Chapter II PRICES, EXCHANGE RATES AND MONETARY POLICY

2.1. Prices and exchange rates

Prices

In 2017, the average annual inflation rate has slightly exceeded the upper limit of the inflation target range set in the medium-term monetary policy strategy and amounted to 6.6%, which is a relative acceleration against the level recorded in the similar period of the last year (+0.3 p.p.). In the same period, there were recorded the following increases for CPI components: food products – 7.9%, non-food products – 4.5%, services – 7.1%.

In quarter IV, 2017 the growth rate of CPI was 7.5%, increasing by 5 p.p. compared to the same period of the previous year. In October-December, 2017 there were recorded the following increases for CPI components: food products – 10%, non-food products – 4.1%, services – 8.2%. There is noticed that the acceleration trend of CPI during this period, similar to the previous period, is especially given by the foods and services segments given the unfavourable weather conditions in the first case and the impact of tariff rises for several regulated services, ultimately.

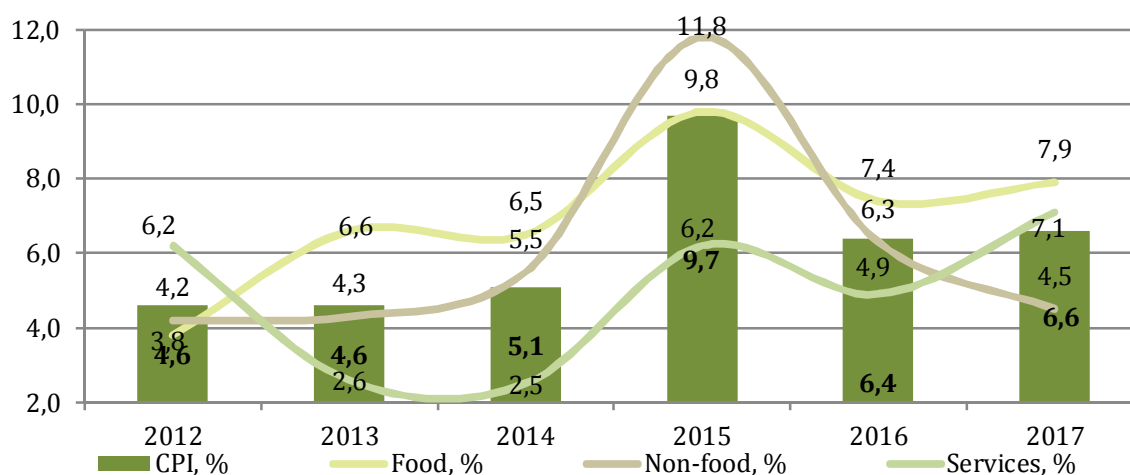


Figure 2.1.1. Annual growth rate of CPI and its components, %

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

In quarter IV 2017, the prices of food products increased by 10% which is an acceleration of the growth rate by 6.8 percentage points above the level recorded in quarter IV of the previous year (in monthly expression, compared to the similar period of the last year, there were produced the following increases: in October – 10.6%, in November – 9.6%, in December – 9.7%). The upward trend in prices of food products in quarter IV of 2017 was especially due to the rise of vegetables by 43%, including cabbage by 56.1%, potatoes – 29.9% etc., fresh fruits marked up by 22.5%, meat and meat products by 7.7%, etc. Relative price reductions were recorded only for butter, vegetable oil and garlic.

During 2017, the rise in prices of food products produced under the influence of several factors including unfavourable agrometeorological conditions from 2017, some sectoral shocks which affected especially meat prices and pricing dynamics in international markets.

The prices of non-food products in quarter IV of 2017 rose by 4.1% sply, the value of the indicator increasing by 0.6p.p. compared to the same period of 2016 (in monthly expression compared to

the similar period of the last year, the growths were: 4% in October, 4.2% in November and 4.1% in December). Similarly to the previous quarter, most non-food products, excepting vehicles, TVs and drugs recorded increases in prices. The highest increases in prices were recorded for: cigarettes – by 24.7%, clothing – 5.9%, fuels – 6.2% etc. The increase in prices of non-food products was mainly due to the rises in price of regulated products as well as the amendments made in fiscal policy which led to higher excise duties on several products.

In quarter IV of 2017, the price services have registered a downward adjustment advancing by 8.2% sply, or by 8 p.p. above the level of this indicator in 2016 and by 0.5 p.p. below the level recorded in quarter III, 2017. In monthly expression, compared to the similar period of the previous year there were registered the following increases: in October – 8.7%, in November – 7.9% and in December – 7.9%). In the reference period compared to quarter IV of the last year, the highest rises in price were recorded for health services – by 74.8%, public utility services – by 5.9%, including: water and sewage by 22.2%, hot water by 5.1% and central heating by 6.5%, the tourism services have also risen – by 15.3%. The increase in health services tariffs adopted by the Government in the previous quarter and rise in other regulated prices have vastly contributed to the rise in service prices.

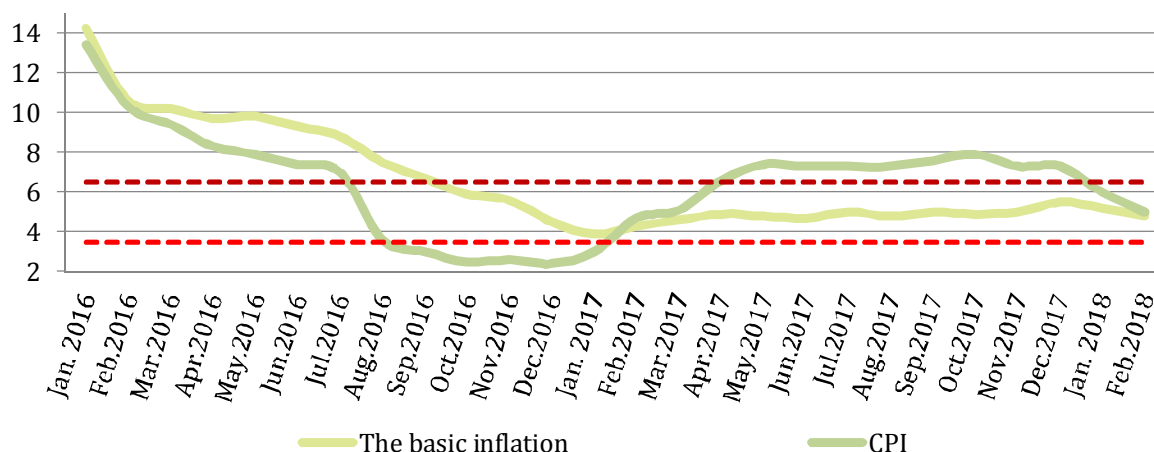


Figure 2.1.2. Annual growth rate of CPI and core inflation, %

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

Since the beginning of 2017, core inflation has maintained within a relatively stable variation range, recording lower values compared to CPI. During October-December, 2017 the core inflation index amounted to 5.1% sply, decreasing by 0.2 p.p. compared to the same period of 2016.

In monthly expression, compared to the same period of the last year, the growth rate of core inflation recorded the following increases: in October – 4.9%, in November – 5% and in December – 5.5%. The annual rate of core inflation since the beginning of this year was situated on a less volatile variation range compared to CPI fluctuations, the appreciation of national currency against the major reference currencies, as well as the exclusion of some prices on which the influence of monetary policy is less significant or nil: administered, volatile (vegetables, fruits, eggs, fuels), tobacco products and alcoholic beverages ones have contributed to this.

In quarter IV of 2017, dynamics of industrial production prices has registered a slight acceleration. In October-December 2017, the growth rate of annual index of industrial production prices increased by 0.1 p.p. compared to the same period of the previous year reaching 2.9%. In industry, the following rises sply have been recorded: mining industry – 3.0%, manufacturing industry – 2.6%, energy sector – 6.1%. The slight rise of growth rate of industrial production prices has produced against the rises in tariffs of production, supply and distribution of electricity and heat energy.

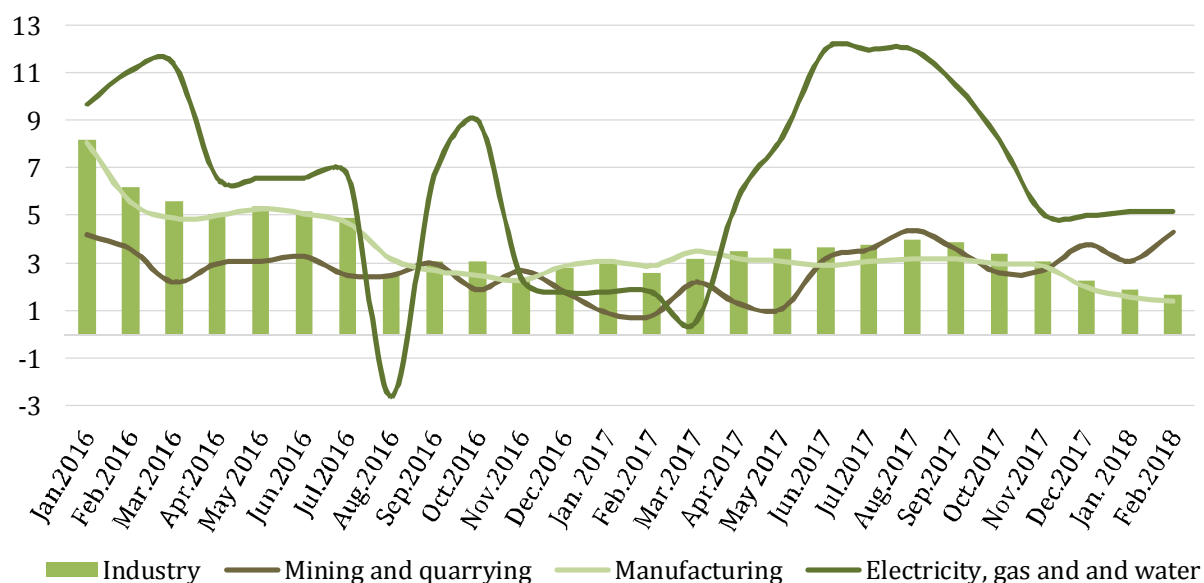


Figure 2.1.3. Annual growth rate of industrial production prices and its components, %
Source: According to the data of the National Bureau of Statistics.

In 2017, the growth rate of construction prices has decreased. If in the last 5 years, the growth rate of construction prices was relatively stable and was situating within 8%, then its value for 2017 decreased to 4.6% sply. The growth rate of construction prices, in quarter IV, 2017 dropped by 3.9 p.p. and amounted to 5% against the level recorded in the similar period of the last year.

In 2017, the growth rate of agricultural prices had a downward trend trend similarly to the previous year, reducing by 1.1% compared to the same period of 2016. In quarter IV of 2017, the agricultural producer prices have diminished by 5.2% against the similar period of 2016. During the reference period, the vegetable products, whose prices decreased by 4.1% sply and prices of livestock products registering a 13.8% decrease in comparison with the similar period of the last year have contributed to the decline of annual growth rate of this category of prices.

The rise of fuel prices in international markets have also affected their growth rate on the national market, which for 2017 recorded a value of 8.7% sply, attesting an increase of this indicator by 10.9 p.p. sply. In quarter IV of 2017, the growth rate of fuel prices amounted to 5.1% sply (in monthly expression, the fuel price indices have recorded the following values: in October – 6.2%, in November – 7.4% and in December – 5.1% compared to the same period of the last year).

Exchange rates

During 2017, the exchange rate of national currency against the major reference currencies posted a general decreasing trend. Overall, in 2017, the leu has appreciated by 5.8 percent in relation to Euro in nominal terms and by 10 percent in real terms. The national currency has appreciated by 6.6 percent against US Dollar in nominal terms and by 11.2 percent in real terms.

In quarter IV, 2017 the average nominal exchange rate against the major reference currencies was 20.5 MDL/EUR and 17.4 MDL/USD, appreciating compared to the same period of the previous year by 5.5% against the single European currency and by 13.3% against US dollar.

In monthly expression, the average exchange rate of the national currency against the single European currency has recorded the following values: in October and November – 20.5 MDL/EUR,

and in December – 20.3 MDL/EUR. During quarter IV, 2017 the average exchange rate of leu in relation to US dollar was 17.4 MDL/USD in October, 17.5 MDL/USD in November and 17.2 MDL/USD in December.

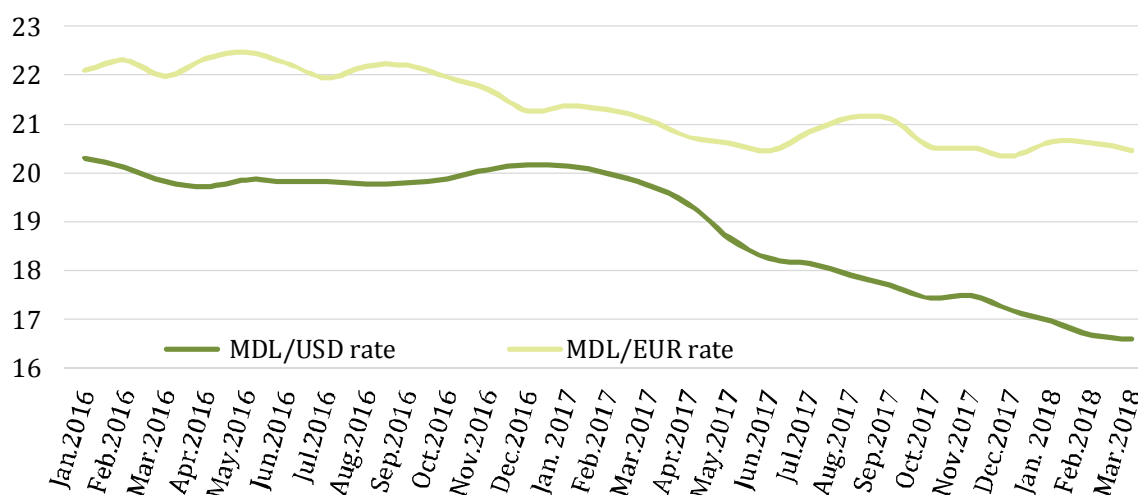


Figure 2.1.4. Development of average monthly nominal exchange rate of MDL in relation to USD and EURO

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

The appreciation of the nominal exchange rate in Q IV, 2017 consolidated also the position of the real exchange rate of the national currency. In real terms, Moldovan leu has appreciated during this period by 17.8% in relation to USD (in comparison with the same period of the last year) and by 10.6% against euro sply.

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

Since the beginning of 2017, the annual inflation rate in the region to the left of the Dniester River is situated on a relatively upward trend. The CPI in 2017 accounted for 7.9% sply, exceeding by 7.1 p.p. the value of this indicator recorded in the previous year.

In quarter IV of 2017 the annual growth rate of CPI amounted to 11.4% growing by 8.2 p.p. compared to the similar period of 2016. The highest inflationary pressures on CPI during this period came from prices of food products.

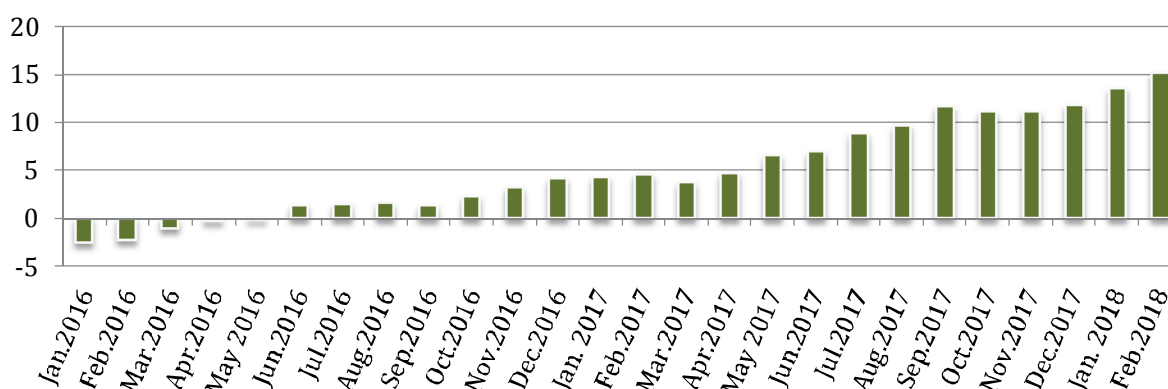


Figure 2.1.5. Annual growth rate of CPI in region from the left side of the Dniester River, %

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

A major impact on the economic situation in the region to the left of the Dniester River had the situation on the domestic foreign exchange market, where the exchange rate set by the Central Bank and foreign exchange intermediaries in the market reached a maximum deference.

Under these conditions, the Central Bank has intervened rising during 2017 the nominal exchange rate of ruble against US dollar, the first time in June, 2017, the fixed exchange rate of US dollar rose from 11.30 to 15.00 rubles, and then in November up to 15.50 rubles. As a result of these amendments, the real effective exchange rate index which is the main index in decision making on foreign exchange policy, has decreased.

After the interventions of the Central Bank, at the end of quarter IV, 2017 the Transnistrian ruble has slightly depreciated. The average nominal exchange rate, during the reference period was 18.0 rubles per one Euro, depreciating by 47.3% against the value of the similar period of the last year.

2.2. Monetary policy

During 2017, the monetary policy promoted by the National Bank of Moldova was influenced by the amplification of the inflationary pressures generated vastly by the amendments in fiscal policy, adjustment of prices regulated to the new market realities and major excess of liquidities in economy. However, taking into account the main goal of the central bank and macroeconomic conditions characterized by a stringent need to boost the lending, in 2017 the NBM operated new decreases of the monetary policy rates excepting the reserve ratios which has been increased to a new record level of 40%.

Monetary policy instruments

In the first half of 2017, the National Bank of Moldova maintained the base rate at the level of 9%, thereupon it was reduced in four stages, falling by 2.5 p.p. by the end of the year compared to the level recorded at the end of the last year.

In quarter IV, 2017, the NBM operated two amendments in the base rate, from 7.5% in August 2017 to 7% by the end of October and to 6.5% in December 2017. On the same lines, there have been amended the interest rate on overnight loans which declined to 9.5%, and interest rate on overnight deposits to 3.5%. This level of the monetary policy rates was also maintained in the first two months of 2018.

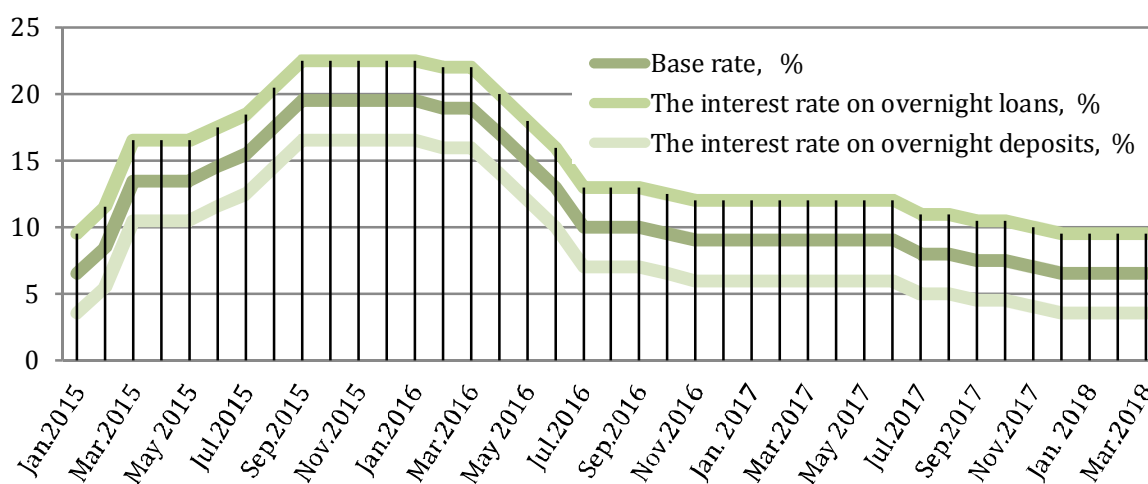


Figure 2.2.1. Development of interest rates on monetary policy instruments of the National Bank of Moldova during 2015-2018

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

Required reserves

The major excess liquidity in the market and the persistence of inflationary pressures determined the NBM to intervene with new amendments at the level of required reserves from means attracted in Moldovan lei and foreign currency during 2017

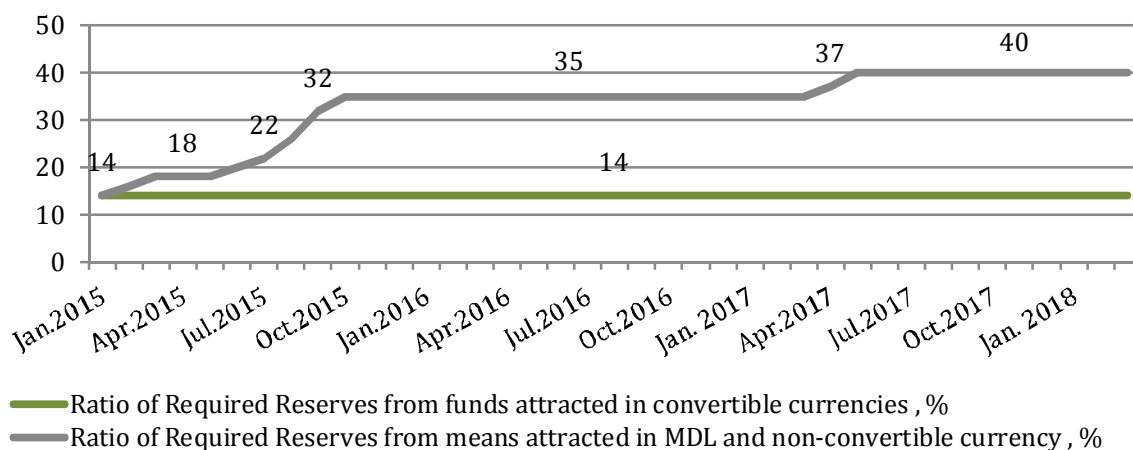


Figure 2.2.2. Ratio of Required Reserves at the NBM, %

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

In 2017, the ratio of required reserves from means attracted in Moldovan lei and non-convertible currency increased in two stages, in April 2017 from 35% to 37%, then in May – to 40%. The ratio of required reserves from means attracted in convertible currencies remained unchanged at the level of 14%.

Regarding the growth rate of inflation, the effect of the increase in the reserve ratio is still long in coming, mostly given a slight compression of money supply in 2014-2015, in 2016-2017 this returns to arise. *By maintaining the ratio of required reserves in this way there is obtained only the immobilization of a major part of resources of the commercial banks which could be directed to lend and fund the national economy.* We consider that the NBM should find other opportunities to sterilize the excess liquidities of the economy, especially given that the interest rate channel of monetary policy had failed.

Open market operations and standing facilities

In quarter IV, 2017 in order to sterilize the excess liquidities on the market, the volume of the NBM sterilization operations maintained its upward trend. During quarter IV of 2017 the average monthly balance of sterilization operations was higher compared to the same period of the previous year (up by 1.57 bln. MDL) amounting to 6.4 bln. MDL. The highest balance was recorded in December 2017 when the average daily balance of the NBC sales was – 7.7 bln. MDL.

In quarter IV of 2017, the demands for "overnight" deposits remained relatively constant, the average daily balance amounting to – 1071 mln. MDL, 1075 mln. MDL and 693 mln. MDL, respectively for October, November and December compared to the similar period of the previous year. The demand for "overnight" loans facility from the NBM on behalf of the commercial banks came only in December and amounted to 3.6 mln. MDL.

Foreign exchange market intervention

In quarter IV of 2017, the NBM has intervened on the foreign exchange market especially as a buyer of foreign currency to absorb the excess of freely convertible currency and mitigate the volatility of the NBM exchange rate. The volume of foreign currency purchases in quarter IV of 2017 amounted to about 110 mln. USD. These interventions were in accordance with the monetary policy promoted by the NBM and aimed to supply the official reserve assets.

During 2017, the activity of the NBM on the foreign exchange market determined the strengthening of the international reserves. By the end of 2017, the volume of the official reserve assets rose by 597.4 mln. USD since the beginning of the year and continues to

rise. By the end of quarter IV, 2017 the balance of the official reserve assets accounted for 2.8 bln. USD, increasing by 27.1% sply. The growth in the stock of the official reserve assets was determined by the NBM intervention on the domestic foreign exchange market as foreign currency purchases, registration of loans and grants in favour of the Ministry of Finance of Moldova, revenues from managing foreign exchange reserves etc.

Table 2.2.1. NBM activity on interbank foreign exchange market during January 2016-February 2018

Month	Volume of purchases, (equivalent mln. US dollars)	Volume of sales, (equivalent mln. US dollars)
January 2016	0.38	-
February 2016	0	-
March 2016	11	-
April 2016	108.8	-
May 2016	47.5	-
June 2016	20.6	-
July 2016	74.4	-
August 2016	94.3	-
September 2016	62.9	-
October 2016	5.98	10.7
November 2016	0	17.5
December 2016	0.59	-
January 2017	0.48	-
February 2017	0.46	-
March 2017	28	-
April 2017	9.5	-
May 2017	37.4	-
June 2017	52.81	-
July 2017	70	-
August 2017	58.9	-
September 2017	67	-
October 2017	80	-
November 2017	20	-
December 2017	10	-
January 2018	101	44.4
February 2018	41.6	-

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

Monetary indicators

In 2017, the money supply registered a slowdown compared to the dynamics recorded in 2016. A more significant contribution to the money supply increase have had the components of the monetary aggregate M1, especially demand deposits in national currency.

In this context, the stock of monetary aggregates on December 31, 2017 compared to the data registered on December 31, 2016 has developed as follows:

- monetary aggregate M0 increased by 10.3%, and amounted to about 19 bln. MDL;
- monetary aggregate M1 grew up by 23% reaching 34.6 bln. MDL;
- growth rate of monetary aggregate M2 rose by 14.1%, accounting for about 53 bln. MDL
- monetary aggregate M3 posted a growth of 9.3% and equated to 77 bln. MDL.

At the end of quarter IV of 2017, the volume of monetary base recorded an essential growth of 11% sply, amounting to 36.9 bln. MDL.

The money supply in national currency strengthens slightly its positions in total money supply, however from the increase in the volume of monetary aggregate M1. In quarter IV, 2017 major structural changes regarding the weight distribution of different components in money supply did not loosely occur.

On December 31, 2017 the money supply components were distributed as follow: monetary aggregate M0 (currency in circulation) – 24.7%; demand deposits – 20.2%; term deposits – 23.9% and deposits in foreign currency – 31.2%. Compared to the data at the end of quarter IV of 2016 it is mentioned a 2.9 p.p. reduction in the weight of deposits in foreign currency and a 2.1 p.p. decrease in the weight of term deposits in national currency sply. At the same time, the weight of monetary aggregate M0 and demand deposits have increased by 0.2 p.p. and 4.8 p.p., respectively.

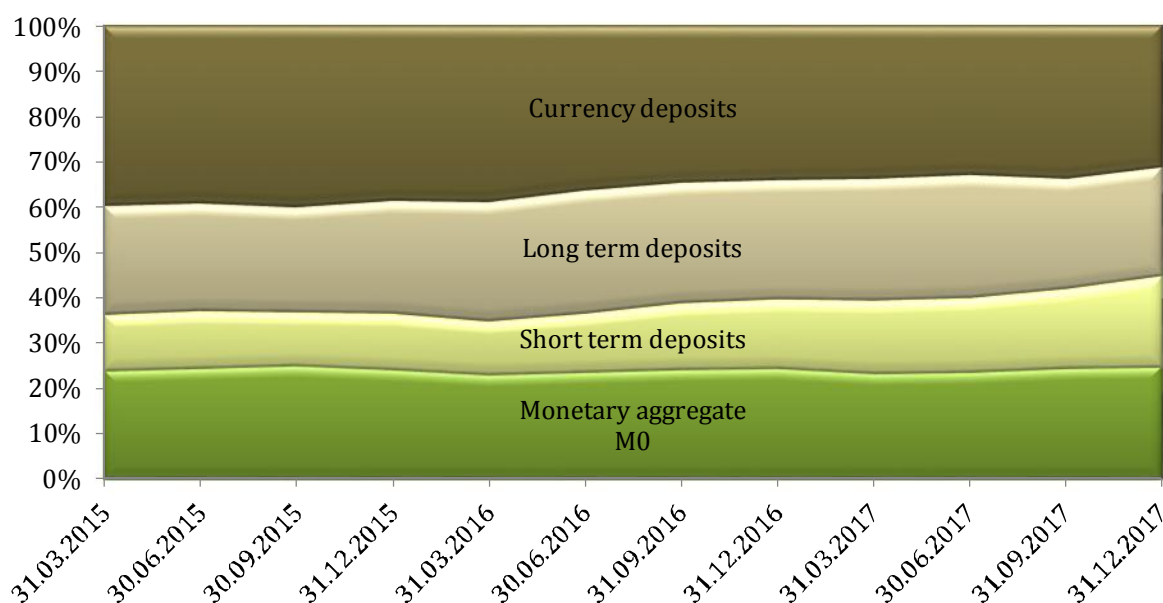


Figure 2.2.3. Structure of money supply M3

Source: Calculations according to the data of the National Bank of Moldova.

Monetary policy in the region from the left of the Dniester River

The monetary policy strategy of the central bank of the Republic of Moldova's region to the left of the Dniester River is based on the principle of overcoming the economic crisis in the region and maintaining the stability of the financial system. In this respect, in 2017 there was decided to maintain the model of promoting the monetary policy based on the exchange rate targeting.

During the fourth quarter of 2017, the refinancing rate of central bank was maintained at the level of 7% under several moderate inflationary processes in the region. The ratio of required reserves was maintained at the level of 12% set in February, 2017 for sources attracted in foreign currency and 15% for those attracted in rubles.

At the end of quarter IV, 2017, the money supply in the region from the left of the Dniester was 7433.9 mln. rubles (equivalent of about 6706.9 mil. MDL³), recording an increase of about 39%, compared to the volume of money supply recorded by the end of the previous year. This growth is due to the depreciation of ruble during this period by the central bank in the region of the Republic of Moldova from the left of the Dniester River (since June 2017, the fixed exchange rate of US dollar increased in several steps from 11.30 to 15.00 rubles).

³ Calculated according to the official exchange rate of the CBPMR on December 31, 2017, <http://www.cbpmr.net/?kv=1&lang=ru>

The amendments in monetary policy left their mark on the money supply structure too. On January 1, 2018 the money supply components were distributed as follow: monetary aggregate M0 (currency in circulation) – 13.2%; quasi money – 18.8%; money supply in foreign currency – 68.6%. Compared to the similar period of the previous year, by the end of the fourth quarter of 2017, the weight of money supply in foreign currency increased essentially by 14% and the weight of currency in circulation and quasi money decreased by 6 p.p and 7 p.p., respectively.

Chapter III FINANCES

3.1. Public finances

2017 exceled in a favourable economic situation for the national public budget execution, both in collecting revenues and in allocating expenditures with a pronounced social character. The national public budget revenues were collected in the amount of 53 379.4 mln. MDL or by 16.2% (6 061.5 mln. MDL) more compared to the similar period of the previous year, despite the pessimistic expectations.

In 2017, the total national public budget revenues were provided by the government budget in the amount of 33 947.6 mln. MDL, mandatory health insurance budget – 17 820.3 mln. MDL, public social insurance budget 6 256.6 mln. MDL and local budgets – 13 461.5 mln. lei. These revenues include intergovernmental transfers and do not reflect correctly the funds collection of different components of the NBP. Thus, if we look at the structure of revenues by components as presented by the reports of the Ministry of Finance, we can see that the government budget contributed 47.49% to total revenues formation, PSIB 24.93%, local budgets 18.83% and MHIF 8.75%. The distribution of revenues in this way is not the major problem which persists in the mechanism for collecting and distributing funds between the components of the National Public Budget.

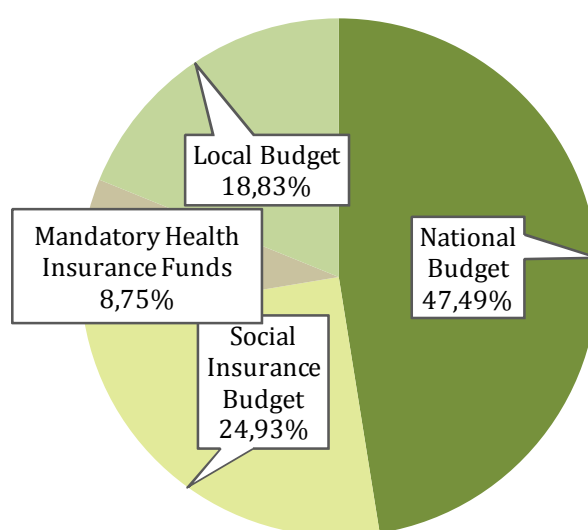


Figure 3.1.1. Structure of revenues in NPB in 2017, mln. MDL

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

The analysis of the net revenues structure of NPB (without transfers between budgetary components) reflects a significant weight of the national budget receipts, with 63.56% contributions in total revenues, followed by social insurance budget, with 22.25%, a lower weight of the local budget receipts with 7.32%, and the lowest contribution has had the MHIF with 6.86%.

At the same time, the local budgets were provided with the most considerable transfers, accounting for 52.78% of total transfers, their value being about 71% of total revenues of the local budgets. Thus, the ability to collect local budgets totaled 29% of its total revenues, the other ones being taken from the government budget account. The government budget has also ensured 41.44% of the MHIF

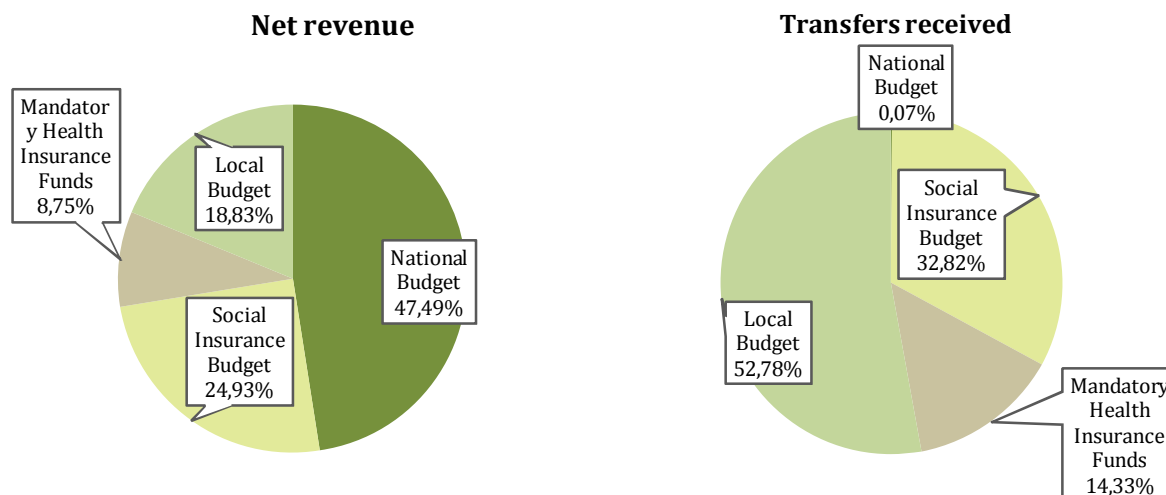


Figure 3.1.2. Structure of net revenues transfers in NPB in 2017, mln. MDL

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

revenues and 33.34% of the PSIB revenues. The amount of transfers between the components of the national public budget indicates a major discrepancy between their ability to collect funds and necessity to fund their expenditures. Therefore, from the government budget have been made transfers in the amount of 18 086.5 mln. MDL, however only 12.8 mln. MDL were collected, the highest ones being made in favour of local budgets and Public Social Insurance budget. Hence, the government budget provided 9 552.5 mln. MDL as transfers to local budgets, 2 593.0 – MHIF and 5 941.0 – social insurance budget. The funding trend of local budgets and other NPB components from the government budget is maintained during the last years putting the issue of amending the funding formation and administration mechanism at the level of each budget apart, either social or MHIF fund or local ones on the government agenda.

The value of tax and duties revenues during the analyzed period amounted to 34476.0 mln. MDL, increasing by 17.9% or by 5244.91 mln. MDL compared to the previous year. Almost the same increases in relative indices have had the revenues from insurance contributions – 16.9% or 2237.3 mln. MDL and non-tax revenues – 14.8% or 307.0 mln. MDL. At the same time, there was recorded a decrease of – 363.7 mln.MDL or 26.5% from grants incomes. The highest contribution to the NPB's revenue formation have had the taxes on goods and services with 46.11%, (or 71.4% of total tax revenues), of which the VAT accumulated 31.60% of total NPB revenues and excise duties – 11.15%, the largest part, about 96%, belonging to excise duties on imported goods. The income tax has contributed 14.47% to the NPB's revenue formation, taxes and duties from external trade – 2.98% and taxes on real estate had an insignificant value of 1.02%. We mention that the low weight of income taxes compared to the taxes and duties on goods and services let us to say that the economy of the Republic of Moldova still bases on the model of consumer economy with a view to import of goods and services.

Compared to the previous year, in 2017 the most rapidly have increased the receipts from taxes on real estate – by 35.4% and excise duties by 30.9%. The similar rate to the increase of total tax revenues (17.9%) have been registered by the rise of the VAT receipts – 15.8% and income tax, 18.0%, especially of the legal entities one, by about 21.2%, the duties from external trade increasing the most slowly – by only 9.6%. The rise of revenues from taxes on real estate does not indicate the growth in the value and volume of the Moldovan household wealth but is due to the receipts from wealth taxes which doubles several categories of real estate assets which are subject to double taxation (the same property wealth under certain conditions of value or size is taxed both on the wealth tax and on the tax on real estate, being the same administrative mechanism). The increase of the income tax of legal entities is explained by the relative stabilization of business environment and the growth of profitability of the real sector activity.

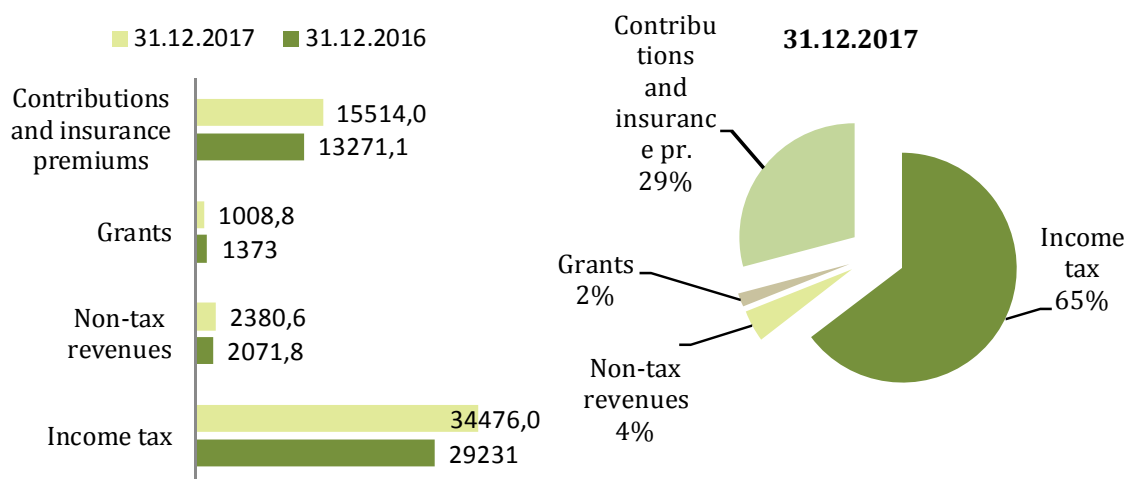


Figure 3.1.3. Structure of revenues by source in NPB in 2016-2017, mln. MDL

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

In 2017, The non-tax revenues amounted to 2 380.6 mln. MDL, by 14.8% more compared to 2016, however its components have significantly changed: „State property revenues totaled 425.4 mln. MDL, up by 23.2% compared to the similar period of the previous year, „Revenues from sale of goods and services” – 1 394.3 mln. MDL, up by 2.1% while the fines and sanctions increased by about 95%.

On December 31, 2017 contributions and required insurance premiums equated to 15514.0 mln. MDL, contributing 29.06% to the NPB formation, up by 16.9% compared to the same period of the previous year.

In 2017, the Republic of Moldova received grants in the amount of 1008.8 mln. MDL, which is only 73.5% of the amount received in the previous year. The most important donations were from international organizations while the governments of other countries transferred only 34.2% of the grants from 2016. *The external granters reduced the volume of funding by grants given that there is no predominantly political stability in regard to the future development of the country and several projects funded by the international bodies were frozen or postponed until certain conditions imposed by the granters are accomplished.*

The share of **national public budget expenditures** in 2017, accounted for 54 524.1 mln. lei, representing an increase of 6 061.5 mln. lei or by 12.5% against the similar period of the previous year. As a weight in GDP these have registered a 4.86 p.p. decrease, from 40.27% of GDP in 2016 up to 35.41% of GDP in 2017 and were distributed into the following components of the NPB:

- government budget – 35479.20 mln. MDL, including transfers amounting to 18086.50 mln. MDL.
- public social insurance budget – 17 616.10 mln. MDL,
- mandatory health insurance funds – 6 260.80 mln. MDL,
- local budgets – 13 274.60 mln. MDL.

In relative terms, the net expenditures (without transfers) in 2017 were distributed as follow: Government Budget – 31.9% of total expenditures, PSIB – 32.31%, MHIM – 11.48%, Local Budgets – 24.35%. During this period, the lowest increase of expenditures was registered in the government budget – 9.8%, followed by the expenditures from the mandatory health insurance funds – 10.4%, and the increase of expenditures of public social insurance budget and local budgets had a considerable rise amounting to 17.7% and 17.3%, respectively.

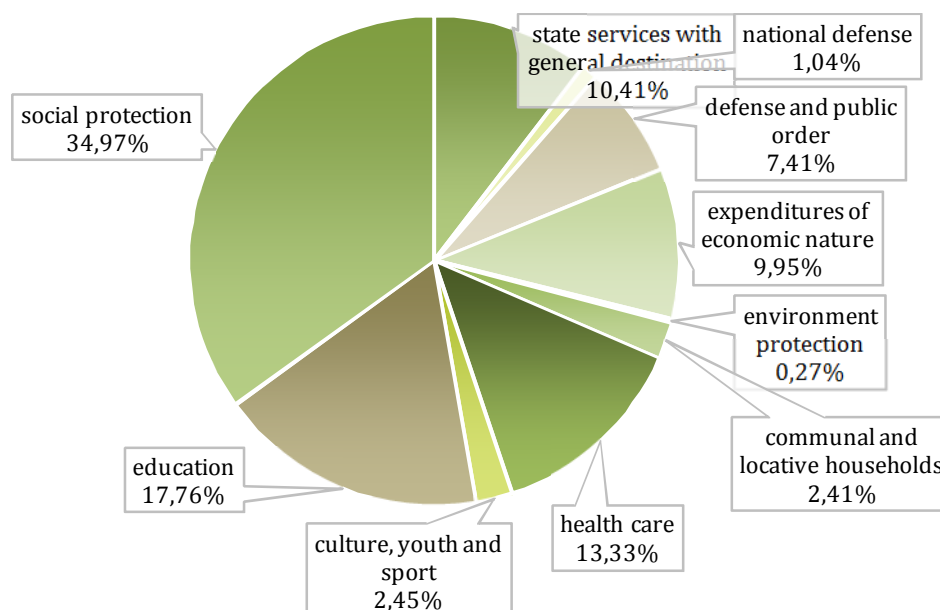


Figure 3.1.4. Structure of expenditures in NPB in 2017, %

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

The social sector funding has had the highest weight in the total, recording also the highest rises. Thus, the expenditures for social protection rose by 10.4% up to 19064.9 mln. MDL compared to the similar period of the previous year; education was funded by 13.1% more sply reaching 9682.1 mln. MDL; and health care expenditures increased by 11.17%, amounting to 7268.7 mln. MDL on December 31.2017. The expenditures for environmental protection declined by 15% compared to 2016. We mention a decrease in expenditures for environmental protection for the third consecutive year which cannot be considered a positive thing for the economic and social future of the Republic of Moldova.

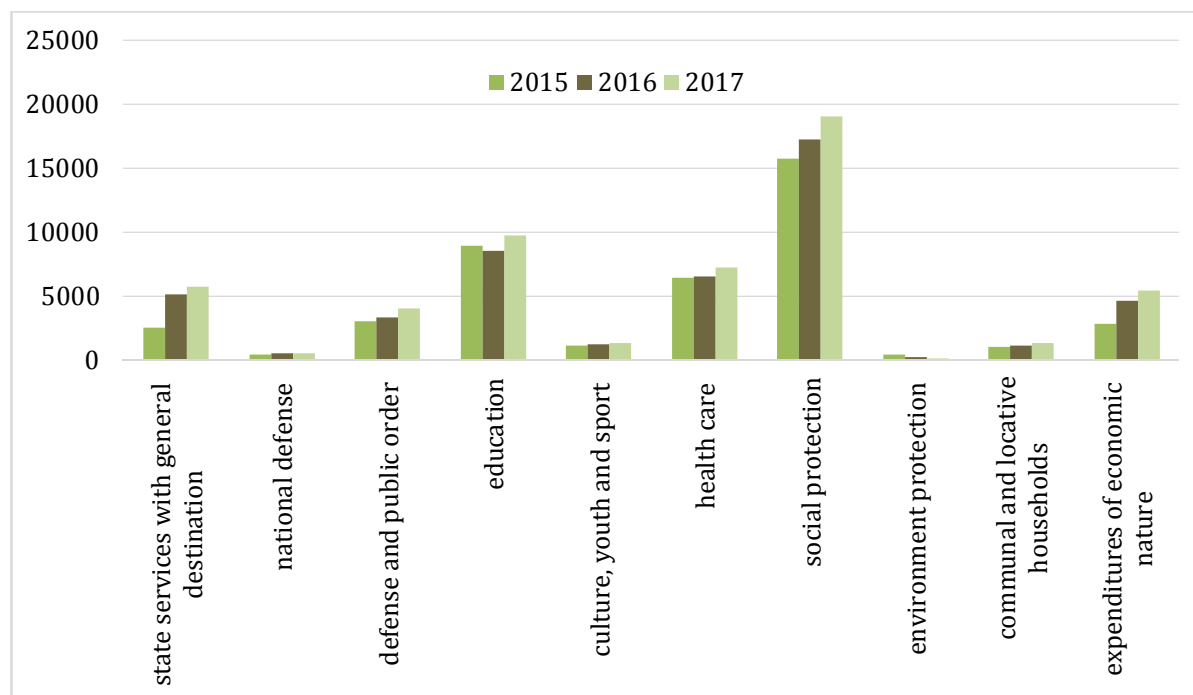


Figure 3.1.5. Dynamics of NPB expenditures according to the functional classification in 2015-2017

Sursa: According to the data of the Ministry of Finance.

In 2017, the national public budget has resulted in a budget **deficit** of 1 144.7 mln. lei given that for 2017 there was set a budget deficit target of 3.0% of GDP, it accounted for only 0.76% (estimated GDP data). It is the lowest level of the budget deficit recorded in the last 6 years and is due to a faster growth of public revenues against expenditures. From 3.1.6 figure there is seen that slowing the growth rate of revenues, respectively government expenditures, the deficit is growing – an eloquent example being 2015 and 2016 years.

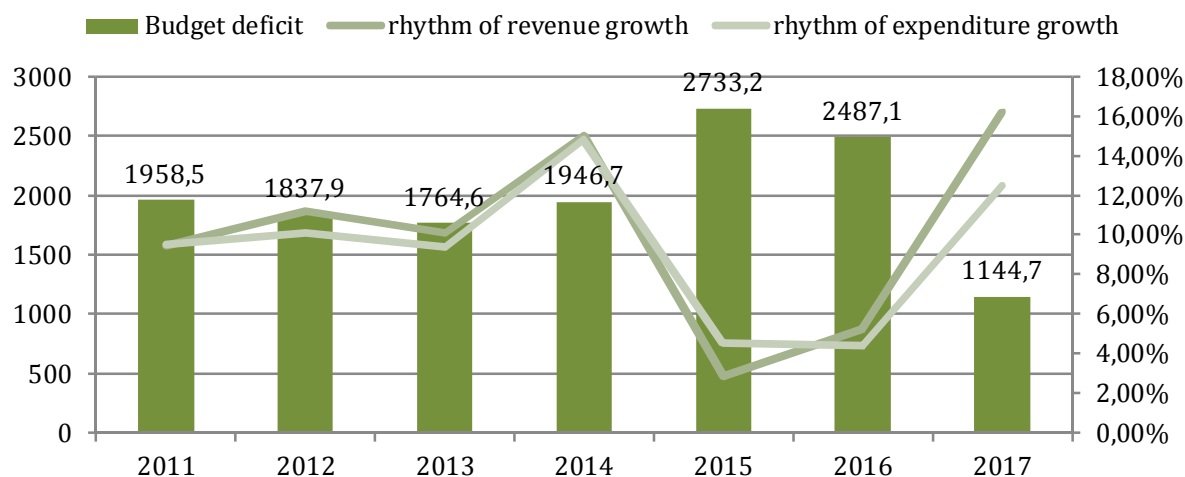


Figure 3.1.6. NPB deficit, mln. MDL

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

Two components of the NPB ended 2017 in a deficit, the highest one being in the Government Budget – 1 531.60 mln. MDL and MHIF – 4.2 mln. MDL. PSIB and Local Budgets registered an excess of 204.20 mln. MDL and 186.9 mln. MDL respectively, combined with intergovernmental transfers indicate a problem in NPB planning and execution by components.

In 2017, in the foreign currency accounts of the Ministry of Finance opened at the National Bank of Moldova, there were collected funds from the following sources:

- the loan granted to the Government of the Republic of Moldova by the Government of Romania amounting to 90.0 mln. Euro (1908.3 mln. lei);
- the loan granted by the International Monetary Fund in the amount of 26.4 mln. US dollars (475.9 mln. lei).

In addition, there were received funds in the form of loans from the IDA (International Development Association) for the sectoral development, as follow:

- 2.5 mln. USD (47.1 mln. lei) to strenghten the effectiveness of the social assistance;
- 1.8 mln. USD (32.6 mln. lei) to reform the education;
- 1.4 mln. USD (23.7 mln. lei) to modernize the health sector in Moldova;
- 0.1 mln. USD (2.0 mln. lei) to improve the competitiveness.

Moreover, on December 28, 2017 there have been received grants in total amount of 36.3 mln. Euro (739.6 mln. Lei) from the European Commission, including:

- 14.8 mln. Euro (302.3 mln.lei) ENPARD agriculture;
- 7.0 mln. Euro (142.4 mln.lei) for Police reform;
- 6.4 mln. Euro (130.2 mln.lei) for public finance reform;
- 5.1 mln. Euro (103.6 mln.lei) for Visa Liberalization Dialogue;
- 3.0 mln. Euro (61.0 mln.lei) DCFTA trade liberalization.

On December 31, 2017 the **balance of the public debt** decreased by 851.4 mln. lei or by 1.4 % compared to the end of 2016 and amounted to 58 451.7 mln. lei. According to the data on GDP for 2017, the weight of public sector debt in GDP on December 31, 2017 accounted for 38.9%, decreasing by 4.9 p.p. compared to the end of 2016. This is not due to the decrement of the absolute value of public debt but to the fast growth rate of GDP against the growth rate of public debt.

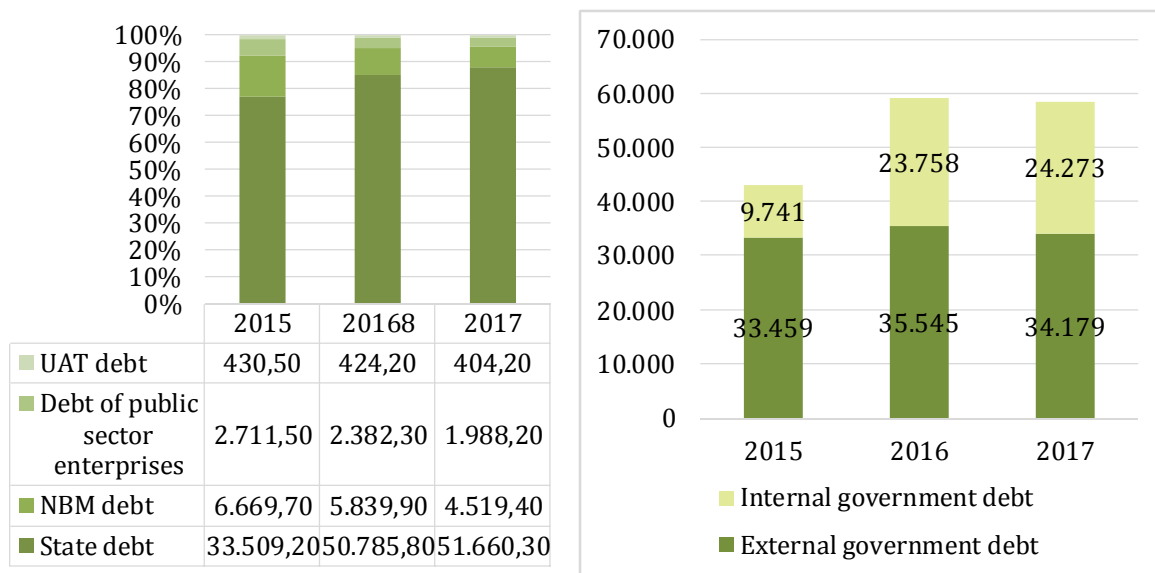


Figure 3.1.7. Structure of public sector debt during 2016-2017

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

According to the report of the Ministry of Finance, the decrease of the public sector debt balance by the end of 2017 is especially due to the decline of the NBM debt balance by 1 320.5 mln. lei, public sector enterprises by 386.8 mln. lei and direct debt of ATU by 18.6 mln. Lei compared to the end of 2016. At the same time, the public debt balance rose by 874.5 mln. lei, continuing to register the major weight in total public sector debt (88.4%).

The government debt deserves special attention given that the highest weight of the public sector debt belongs to it. On December 31, 2017 the government debt balance amounted to 51 660.3 mln. lei, rising by 874.5 mln. lei or by 1.7 percent compared to the end of 2016 on the account of the increase of the internal public debt balance by 1 058.9 mln. lei. At the same time, the external public debt balance decreased by 184.4 mln. lei. The increase in the balance of public debt was conditional on the positive net internal financing of SS in

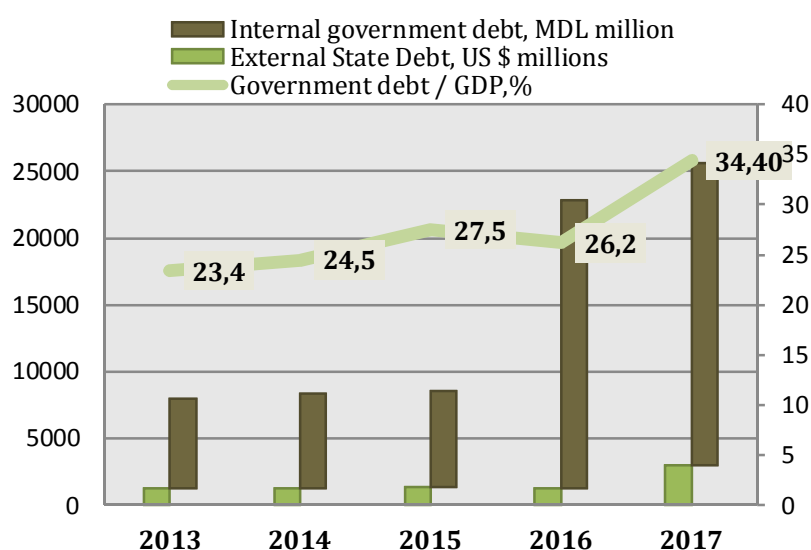


Figure 3.1.8. Relation of public debt types against GDP

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

the primary market and on the creation of the liquidity reserve in March, 2017 in order to manage efficiently the public debt risks.

On December 31, 2017 the weight of public debt in GDP accounted for 34.4%, recording a decrease of 3.2 p.p. compared to the end of 2016, though the absolute value of the public debt rose, its growth rate is lower than the growth rate of GDP leading to the decline of the public debt indicator in relative terms against GDP, according to the data on GDP for 2017.

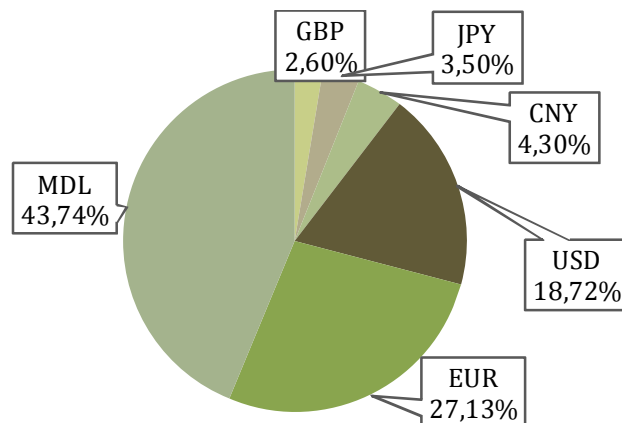


Figure 3.1.9. Public debt weight by currencies

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

The quality of public debt can be analyzed through four aspects : maturity, debt structure by currencies, interest rate and debt instruments.

1. **According to maturity**, the public debt can be considered of high quality if its reimbursement term is higher. In these parameters, the public debt of the Republic of Moldova can be considered qualitative being that its short-term component is only 20.6% which means that about a fifth of the public debt will reach to maturity within a year. The long-term debt amounts to 79.4 percent of the public debt portfolio, the longest periods of maturity being specific to the external public loans and state securities issued for the execution of the payment obligations derived from the state guarantees. At the same time, we mention that compared to 2016, the weight of public debt with short-term reimbursement rose by 1.9 p.p., from 18.7%.

2. Pursuant to the **public debt structure by currency**, the major weight belongs to the internal public debt in Moldovan lei – 43.74%, followed by the external public loans denominated in the SDR currency basket – 32.2%, Euro – 16.6%, USD – 5.6%, Japanese yen – 1.9% and sterling – 0.02%. In the public debt structure by currencies, with the decomposition of SDR currency basket, the main position is occupied by Moldovan leu – 42.8%, followed by Euro – 27.5%, US dollar – 19.1%, Japanese yen – 4.4%, Chinese Yuan Renminbi – 3.5% and sterling – 2.7%.

3. In terms of **types of interest rate**, as of December 31, 2017 the public debt increased in quality since the debt with floating interest rate amounted to 14.5 percent of public debt portfolio which is a decrease of 0.9 p.p. in comparison with the end of 2016 and by 6.4 p.p. against the end of 2015. At the same time, on December 31, 2017 the public debt with fixed interest rate accounted for 85.5 percent of the public debt portfolio. Therefore, it can be considered that the predictability of the cost managing this debt has increased, given that the high weight of the debt with fixed rate declines the negative consequences of the interest volatility for the process of budgetary planning. The debt instruments with fixed interest rate on December, 31, 2017 are:

- a) external public loans contracted from the international financial institutions (EIB, CEDB, IFAD, IDA, IMF), as well as from bilateral creditors (US Government, German Government, UniCredit Austria, Romanian Government, KfW German Bank, Turk Eximbank, JICA);
- b) SS issued for the execution of the payment obligations derived from state guarantees;
- c) Short-term SS (treasury bills);
- d) Convertible SS;
- e) Long-term SS (government bonds with maturities of 1, 2 and 3 years).

Instruments *with floating* interest rate are:

- a) external public loans with floating interest rate contracted by the international financial institutions (EIB, IBRD, EBRD), from bilateral creditors (Government of Japan, Government of Russia);
- b) SDR allocation from IMF ;
- c) Long-term SS (government bonds with maturity of 2 years).

4. In the public debt structure, by instruments, in 2017 the external public loans hold the major weight with 50.8 percent, by 0.7 p.p. less compared to the end of 2016 and by 18.1 p.p. in comparison with the same period of 2015. The second position is occupied by the SS issued for the execution of the payment obligations derived from state guarantees with the weight of 25.7%, followed by SS issued on the primary market with 14.0%, SDR allocation with 5.5%, and convertible SS (in NBM portfolio) with 4.0%.

In 2017, means in the amount of 1 929.0 mln. lei have been used from the government budget for public debt service, consisting of:

- a) External public debt service to the tune of 357.9 mln. lei (18.6%);
- b) Internal public debt service of 1 571.1 mln. lei (81.4%).

On December 31, the amount for the public debt service increased by 181.9 mln. lei or by 10.4 percent 2017 compared to the same period of 2016 and rose by 885.8 mln. lei, or by 1.8 times being highly influenced by the increment of expenditures for the internal public debt service compared to the end of 2015. The rise of the internal public debt service is especially due to the initiation of interest payment for the SS previously issued for the execution of payment obligations derived from the state guarantees. The weighted average annual nominal interest rate for the SS issued in the primary market in 2017 amounted to 6.76 percent, declining by 2.3 times compared to 2016.

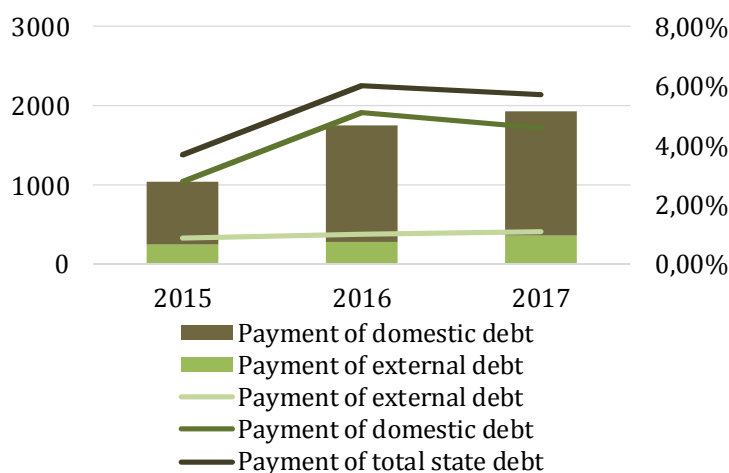


Figure 3.1.10. Public debt service

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

Moldova's rating was reviewed by the Moody's company in January 2017, changing the perspective of development from negative in stable, thus at the end of 2017, the country's rating was stable B3.

Public finances in the region from the left side of the Dniester River

In 2017, the republican budget collected revenues in the amount of 2 284.77 mln. Transnistrian rubles, including humanitarian aid transferred by the Russian Federation. The net receipts on the budget amounted to 1 810, 50 mln. Transnistrian rubles, which is 112% of the planned ones and by 301, 34 mln. Transnistrian rubles or by 20% more than the effective revenues for the same period of 2016. These revenues were obtained from the following sources:

- Tax revenue in the amount of 1 509.7 mln. rubles (69.6% of total government revenues), which is by 21.3% more than the tax revenues from 2016;
- Non-tax revenues – 268.36 mln. Transnistrian rubles or 11.7% of total revenues,

- Grants – 29.27 mln. Transnistrian rubles or 1.3%,
- Extra-budgetary funds – 246.86 mln. Transnistrian rubles or 10.8%,
- Revenues from economic activity – 149.54 or 6.6% of total government revenues.

The structure of tax receipts is due to the major weight of companies' income tax, followed by customs and excise duties.

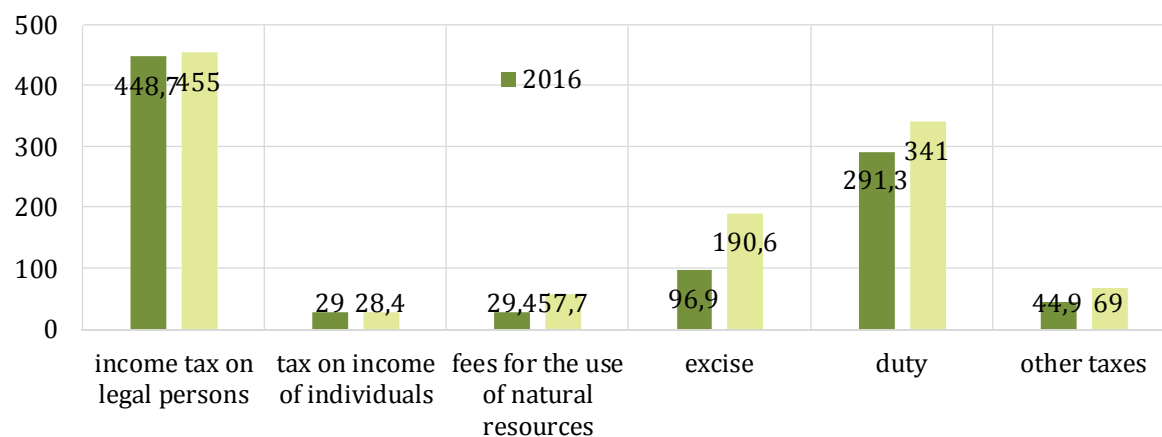


Figure 3.1.11. Structure of budget revenues in the region to the left of the Dniester River during 2016-2017

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

Thus, the tax budget revenues from the left of the Dniester in 2017 have been formed from the following sources:

- Tax revenues of organisations were collected in the amount of 455.04 mln. Transnistrian rubles or 99.1% of the planned ones but by 6.31 mln. Transnistrian rubles or 1.4% more than the real revenue collected from this taxes in 2016;
- Taxes on goods and services, licences and registration fees collected funds to the tune of 193.24 mln. Transnistrian rubles or 187.3% of the planned ones and by 1.9 times more than those of 2016;
- Customs duties amounting to 341.0 mln. Transnistrian rubles or 128.7% of the planned ones, by 17.1% more than these revenues collected in 2016;
- Payments for using the natural resources consisting of 57.7 mln. Transnistrian rubles or 100.4% of the plan approved for 2017, and by 2 times more compared to these effective revenues for 2016;
- Other taxes, duties and commissions of 54.78 mln. Transnistrian rubles or 171.6% of the plan and by 1.9 times more than the real revenue for 2016.

At the same time, for a number of tax payments have been collected lower amounts compared to 2016, including:

- Duties on gambling activities provided funds worthing 5.69 mln. Transnistrian rubles or 83.8% of the plan, by 36.7% less than the real revenues for 2016;
- Tax of organisations' revenues applying the simplified system of taxation, accounting and reporting collected funds in the amount of 4.8 mln. Transnistrian rubles or 110.3% of the plan, however by 0.7% less compared to 2016;
- Income tax of individuals collected funds worthing 28.4 mln. Transnistrian rubles or 116.3% of the plan, by 1.9% less than the real revenues for 2016.

Regarding the actual geopolitical situation, we would like to note the increase in the volume of the humanitarian aid from the Russian Federation, which has been transferred to the tune of

6.63 mln. Transnistrian rubles, by 9.4 times more against 2016. This aid aims to fund the commercial entities, repairs of social objects („Priority“ program), expenditures of social protection, including the pensions of Russian citizens living in the self-proclaimed Transnistrian Republic.

The Ministry of Finance of the self-proclaimed Pridnestrovian Moldavian Republic mentions that there are some problems regarding the tax administration, therefore 19 big companies did not pay taxes in the budget in the amount of 157.4 mln. Transnistrian rubles or 27.6% of tax revenues, especially „Energocapital“ - 67.9 mln. Transnistrian rubles or 63% of the debt, Tiraspolitransgaz - 15.1 mln. Transnistrian rubles or 24.5% of the debt and GRES Moldoveneasca – 15.1 mln. Transnistrian rubles or 10.2%. These companies are the large taxpayers and the decrease of their payments has a great impact on the budget revenues of the self-proclaimed Republic. At the same time, 28 big companies decreased their production activity, which is 33.3% of their total number and 3 big companies or 3.7% of total number did not start their activity in 2017.

In 2017, the national budget expenditures were funded to the tune of 3134.48 mln. Transnistrian rubles, by 356 mln. Transnistrian rubles more than in 2016, however only 80.1% of the planned ones. From the declarations of the separatist Republic authorities, the republican budget had a social nature, the weight of expenditures for social protection funding equated to 69.8% of total budget expenditures in this period or 2 188.22 mln. Transnistrian rubles. The structure of the budget expenditures shows a considerable gap between financing necessity and de facto funded components. Thus, the expenditures for national defense are the most consistent (17.41%), higher than those for health care (14.65%), culture and sport (8.43%) and even social protection (11.72%). In the context of a considerable deficit and low ability to fund the stringent needs of population, the considerable value of expenditures, which are increasing year by year, to maintain the army is irrational.

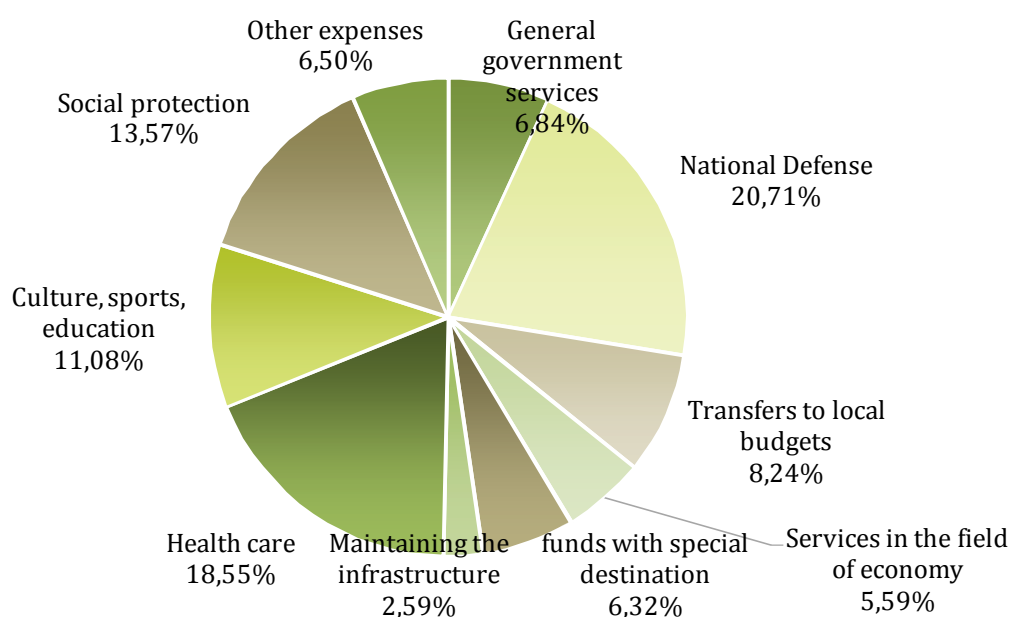


Figure 3.1.12. Structure of budget expenditures in the region to the left of the Dniester River during 2016-2017

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

The budget execution ended in a deficit balance of 849.71 Transnistrian rubles increasing by 45.5% compared to the budget expenditures, down by 592.39 or 41.08% compared to the similar period of the previous year.

Box 3.1. Assessing quality of budget expenditures under RFPC methodology

The quality of the economic growth depends on the efficiency of allocating and using the financial resources in the budget which are limited and adverse. The budgetary discipline is achieved only by balancing the budgetary revenues and expenditures during the economic cycles. In the last period, marked by the problems of the banking system, which have been left in budget expenditures' charge, the pursuance of quality of planning and executing the budget expenditures is a matter of great importance. The Ministry of Finance is assessed on the quality of public financial management through RFPC methodology compiled by the World Bank. RFPC is a methodology of assessing the performance of the public financial management, identifying 94 features (dimensions) and over 31 key components of the public financial management (indicators) in 7 big areas of activity (pillars). Such an analysis includes information for at least 3 years being presented for the Republic of Moldova during 2008-2011 and 2011-2014. In the absence of an (at least officially published) assessment of quality of the public financial management for a recent period of time, we decided to make its assessment using measurable indicators of the First Pillar of this methodology. The analysis has been made according to the data published on the website of the Ministry of Finance and templates recommended by the RFPC methodology (<https://pefa.org/pefa-assessment-templates>).

Assessing the performance of the public financial management under RFPC methodology demands a rating scale depending on the discrepancies between the levels planned by the budgetary and executed expenditures and revenues. The mode of assigning the final rating is presented in the table below:

Indicators	A	B	C	D
PI – 1.	Between 95% and 105%	Between 90% and 110%	Between 85% and 115%	Worse than letter C
PI – 2. 1 PI – 2. 2	5%	10%	15%	Worse than letter C
PI – 2. 3	3%	Between 3% and 6%	Between 6% and 10%	Worse than letter C
PI – 3.1	Between 97% and 106%	Between 94% and 112%	Between 92% and 116%	Worse than letter C
PI – 3.2	5%	10%	15%	Worse than letter C

According to the assessments achieved within the data presented in the official reports on budget execution for 2015-2017, the summative rating is rising from B in 2015 to A in 2017. The improvement of the RFPC indicators on budget credibility does not indicate by all means the amelioration of the public financial management framework. Of course, the foreign technical and financial assistance contributed to increasing the performance of the institutional framework of public financial management. At the same time, as long as the government budget will be drafted only under a single macroeconomic scenario, there will be the risk of worsening the CPRF performance indicators. This sensibility is observed assessing 2016 year, when there was recorded the worst level for PI-2.2 indicator, the discrepancy between the planned and executed expenditures by economic types and classifications being noted with D.

Name of indicator	2015	2016	2017
PI – 1. Deviation rate of expenditures compared to start-up approved budget	87,8% C	98,7% A	104,8% A
PI – 2.1 Difference between start-up budget, approved budget and result by the end of the year regarding the structure of expenditures based on functional classification	15,2% C	7,9% B	5,5% B
PI – 2.2 Difference between start-up budget, approved budget and result by the end of the year regarding the structure of expenditures based on economic classification	15,9% D	26,6% D	5,5% B
PI – 2.3 Unforeseen expenses executed from reserves	1,9% A	0,1% A	0,2% A
PI – 3.1. Amending revenues between start-up approved budget and final result of the year	97,4% A	98,2% A	100,9% A
PI – 3.1. Amending revenues between start-up approved budget and final result of the year	4,3% A	4% A	1,9% A
SUMMATIVE RATING	B	B	A

3.2. Banking sector

During 2017, the banking sector of the Republic of Moldova steer the path of the financial stability consolidation during 2017 eroded by the bankruptcy of 3 banks in 2015. The improvement was achieved in the banking activity regulation, including by adopting a new Law on banking activity (based on Basel III principles), which came into force on January 1, 2018, and not in the contribution of the banking sector on the economic growth of the country, the loan portfolio of the banks continuing to decrease.

On December 31, 2017 in the Republic of Moldova there were operated 11 banks licensed by the NBM, including 4 branches of the banks and foreign financial groups. During 2017, the banking sector assets continued to record an increase, the banks maintaining the capital, liquidity and profitability at a high level. At the same time the non-performing loans have slightly increased. There is also maintained a decreasing trend of lending. For the first 3 banks in the system, BC „Moldova -Agroindbank” S.A., and B.C. „Victoriabank” S.A., the intensive supervision regime has been kept with which the special supervision set on June 11, 2015 was replaced, following the amendments in legislation as of October 4, 2016 and for BC „Moldindconbank” S.A., the early intervention regime was introduced. This leads to some uncertainty in the future developments of the banking system because the above-mentioned banks currently hold 65.2% of the banking sector assets, 57.10% of capital and 72.03% of loans portfolio.

The National Bank of Moldova continues the process of improving the situation of the aforesaid banks by monitoring daily the financial situations and establishing a transparent shareholder's structure in order to attract new solid investors, assessing adequately the bank's management and identifying transactions put through with people affiliated to the banks. Therefore, in June 2017 the National Bank of Moldova has initiated the identification of the transactions concluded with people affiliated to the BC „Moldova -Agroindbank” S.A., and B.C. „Victoriabank” S.A., and BC „Moldindconbank” S.A. by a foreign audit company following to form an action plan in order to attract investors. It is worth mentioning that on January 16, 2018 the tender to which a considerable equity stake of B.C. „Victoriabank” S.A has been sold, took place in the regulated market of the Moldova Stock Exchange. Following this transaction, the VB Investment Holding B.V. dutch company became the investor, which in partnership with Banca Transilvania from Romania and European Bank for Reconstruction and Development will hold 66.77% of the bank's share capital. Unfortunately, despite of the efforts of the MSE and favourable financial situations, the considerable equity stakes of the „Moldova -Agroindbank” S.A. and BC „Moldindconbank” S.A., in positions opened to sale at the NBM did not found yet the desirable buyers to ensure a continuous stability development of these two banks.

During 2017, the bank assets recorded increasing trends, in both volume and quality. The growth rate of bank assets was situated on an upward trend, increasing by 6 594.6 mln. MDL or 9.04%, being 79 541 mln. MDL by the end of September 2017, especially from the increase of liquid assets account.

The risk-weighted assets have also arisen from 32 553 mln. MDL by the end of 2016 to 33 867.1 mln. MDL by the end of September 2017 or by 1 314.1 mln. MDL more. The growth in the volume of risk-weighted assets was lower than the growth rate of total assets so that the weight of risk assets in total assets registers a continuous decline since the beginning of 2017 reaching 42.6%, less by 2.05 p.p compared to the end of September, 2016.

At the same time, there is seen that only 2 banks B.C. „Victoriabank” S.A., and B.C. „Moldindconbank” S.A. improved their asset quality against the similar period of the previous year, by – 517.18 mln. MDL and 1 120.72 mln. MDL, respectively. The other banks arose the value of risk-weighted assets. BC „MOBIASBANCA - Groupe Societe Generale” S.A. may be named the head in this respect with 1 248.52 mln. MDL and B.C.„Moldova-Agroindbank”S.A. with 928.02 mln. MDL. Thus, two of the banks under intensive supervision improved their positions regarding this respect and „Moldova-Agroindbank” S.A. – worsened it.

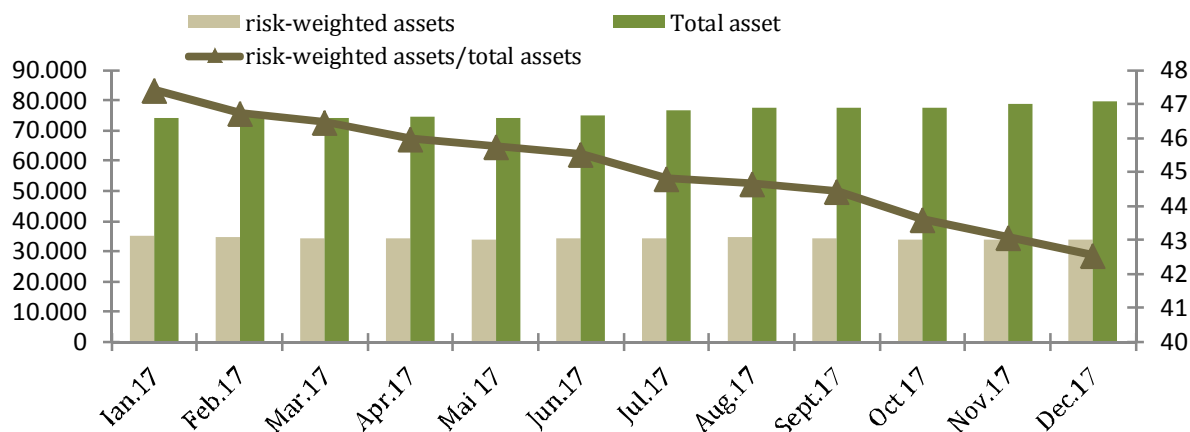


Figure 3.2.1. Development of structure of bank assets

Source: Authors' calculations according to the data of the National Bank of Moldova.

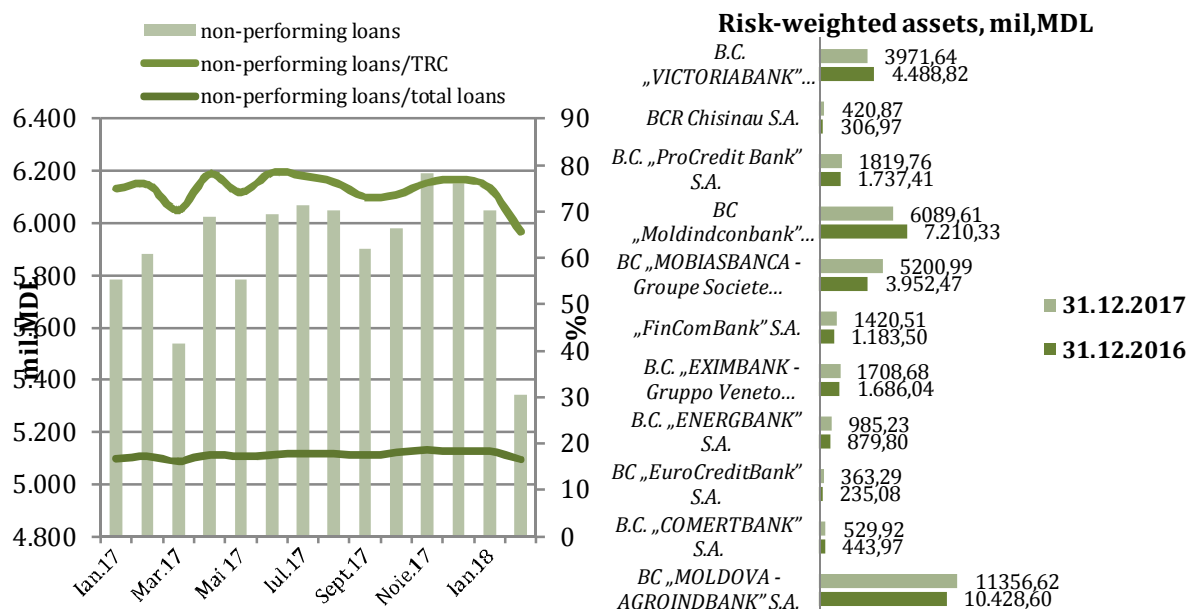


Figure 3.2.2. Development of quality of bank assets

Source: Authors' calculations according to the data of the National Bank of Moldova.

The quality of bank assets was also supported by the volume of equity capital, so that, the capital adequacy makes rings round the minimum imposed by the prudential requirements of 16% reaching on average 31.03% in the system. The slope of the chart representing the level of capital adequacy for 2017 attests the highest value in the entire history of the banking system development. With variations within the limit of 1.5% during the analyzed period, these can be considered insignificant at such a higher rate of capital adequacy. The sharp decrease of this indicator recorded in February, 2017 was the result of the increase in risk-weighted assets at a faster rate than the growth of Total Regulatory Capital. The high level of risk-weighted capital adequacy indicator allowed the banks to absorb the losses related to loan quality aggravation. The degree of capital adequacy for all banks ranges between 24.65 percent and 98.08 percent.

The rise of the asset value was regrettably due more to the liquidity increase than loans. On December 31, 2017 the gross loan portfolio amounted to 42.1% of total assets or 33 473.3 mln. lei decreasing by 3.71 percent (1 288.0 mln. Lei) during 2017. Taking into account that the real sector lending is the main pillar which ensures a tenable growth of the country, this trend can be

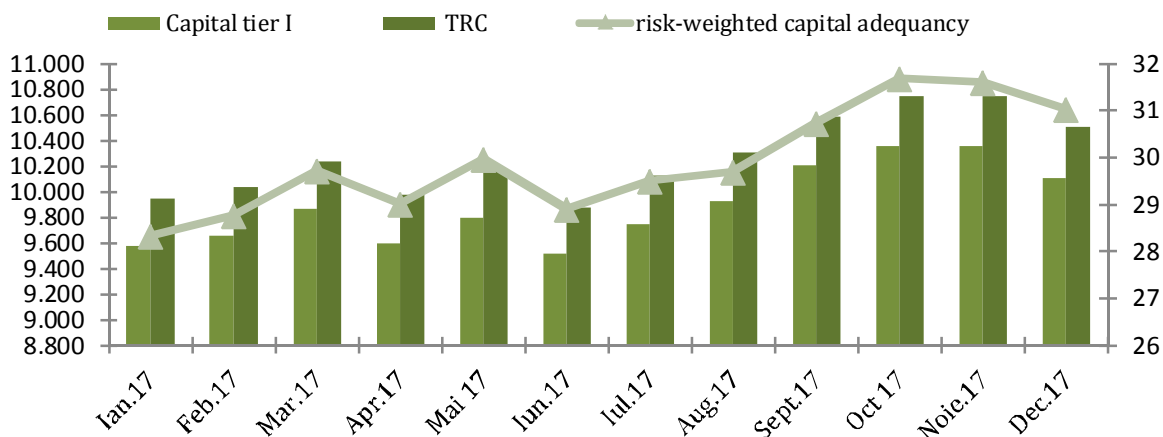


Figure 3.2.3. Development of quality of bank capital

Source: Authors' calculations according to the data of the National Bank of Moldova.

considered a negative one. The investment in securities (National Bank certificates and state securities) have recorded a weight of 7.32 % of total assets being by 0.92 p.p higher compared to the end of 2016, despite the drop of the base rate from 9 percent to 7.5 percent. The liquid assets amounting to 48.39 percent, up by 3.46% compared to the beginning of 2017 are maintained by banks in the accounts opened at the National Bank, in other banks, cash etc. forming with the state securities, the component of liquid assets which are taken into account in the calculation of liquidity principle II. This explains the continuing increase of current liquidities in the banking system and decrease of the level of liquidity in the long term.

During 2017, the liquidity indicators of the banking sector fall within the prudential limits set by the NBM, the weight of liquid assets in total assets (liquidity principle II) registers 55.48%, more by 6.3 p.p. against December 31, 2016 being by about 2.5 times more than the minimum limit set by the NBM. The value of the long-term liquidity indicator (liquidity principle I (≤ 1)) of the entire banking system amounted to 0.61, as of December 31, 2017 less by 0.02 compared to December 31, 2016. *Consequently, we state an excessive increase of bank liquidities as well as a migration of a part of loan assets to low-risk liquid assets and adequate return such as the state securities.*

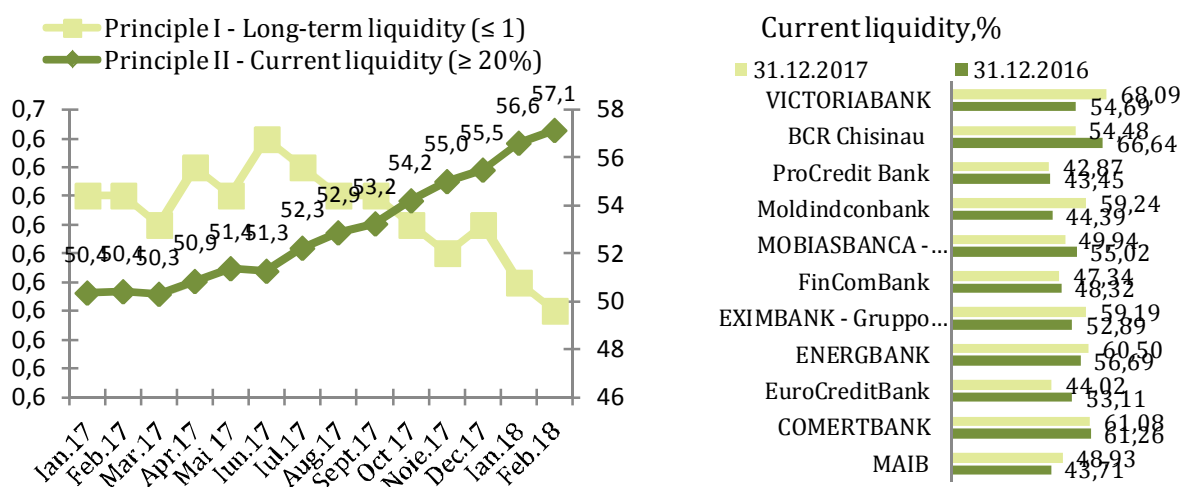


Figure 3.2.4. Level of liquidity in the banking sector on December 31, 2017

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

Most banks register an excess liquidity, the actual liquidity indicator being increasing permanently. B.C. „Comertbank” S.A. with 61.26%, B.C. „Victoriabank” S.A. with 68.09% and B.C. „Energbank” S.A. with 60.50% are leaders in this respect. B.C. „BCR Chisinau” S.A. decreased considerably the weight of liquid assets from 66.64% at the end of last year to 54.48% as of December 31, 2017. Except for B.C. „Victoriabank” S.A., which increased its liquidity as a result of amending its credit risk assessment strategy given the intensive supervision, a liquidity excess report the banks with low capital which under intensive supervision choose to reorient their activity from lending to placements of means in low-risk assets but with an acceptable level of profit. Unfortunately, this situation is encouraged by the NBM which maintains the interest rate on securities issued by it, and deposits attracted by banks at a fairly high level.

The slowdown in the volume of new loans which began at the end of 2014 transformed in a moderate reduction of lending during 2015 and 2016, continuing also in 2017. The gross loan portfolio granted by the commercial banks had a negative development in 2017. Though, in January there was recorded a sharp increase in loans provided to legal entities by 6 425 mln. MDL, which can be considered as an abnormality. Moreover, this abnormal value of loans appeared in January, was not found either in February or June, by the end of the year, the value of loans being even lower than at the beginning of the year.

At the same time, there is observed the migration of loans from legal entities to individuals and from foreign to national currency (41.7%). This is due to the stability of national currency which during 2017 registered an increase in relation to reference currencies. If the foreign exchange risk is expeled from the nominal interest rate, the loans in national currency will become cheaper than those in foreign currency. Thus, the loans provided to individuals increased by 1181.0 mln.MDL and those provided to legal entities decreased by 8922.0 mln.MDL during the last 12 months, against the reduction in the total volume of loans. The increasing trend in loans provided to individuals from 15.61% of total loans in January 2016 to 22.77% in December 2017 confirms the Moldovan consumer economy (individuals are mainly credited with consumer loans) as well as a high level of uncertainty to real economy development which makes the business unable or unwilling to be lent.

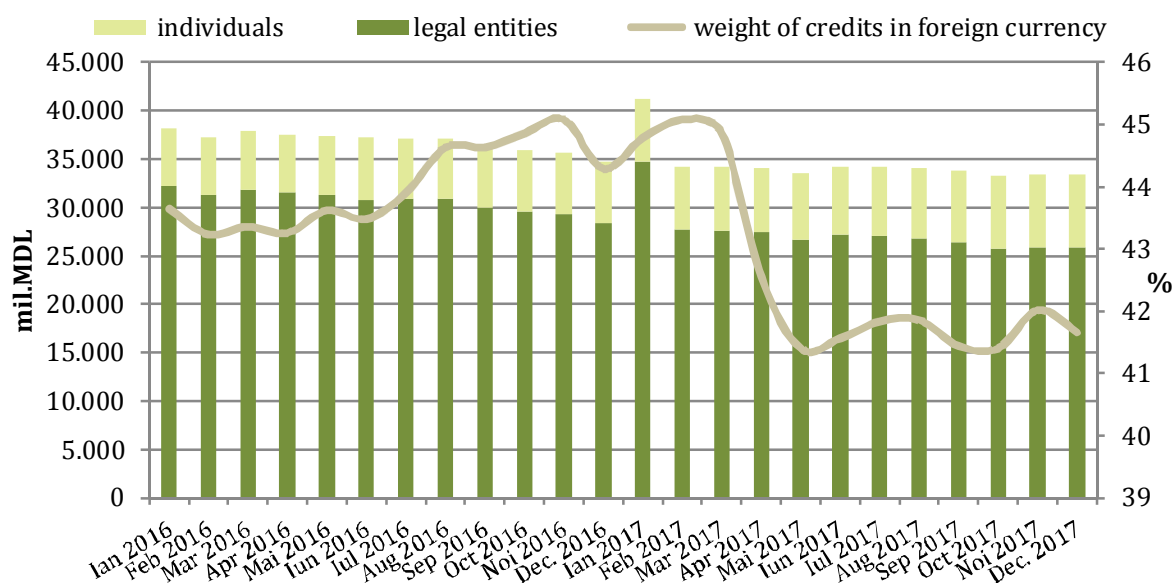


Figure 3.2.5. Loans dynamics by currency and debt category

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

In 2017, the weight of (substandard, doubtful and compromised) non-performing loans in total loans increased by 2.0 p.p. compared to the end of 2016 amounting to 18.38 percent on December 31, 2017 as a result of loan reclassification in non-performing risk categories following a more prudential approach on loan portfolio classification by banks. The mentioned indicator ranges from bank to bank, the highest value accounting for 34.05% at B.C. „EXIMBANK – Gruppo Veneto Banca” S.A., followed by B.C. „Victoriabank” S.A. with 33.03% and BC „Moldindconbank” S.A. with 29.42%.

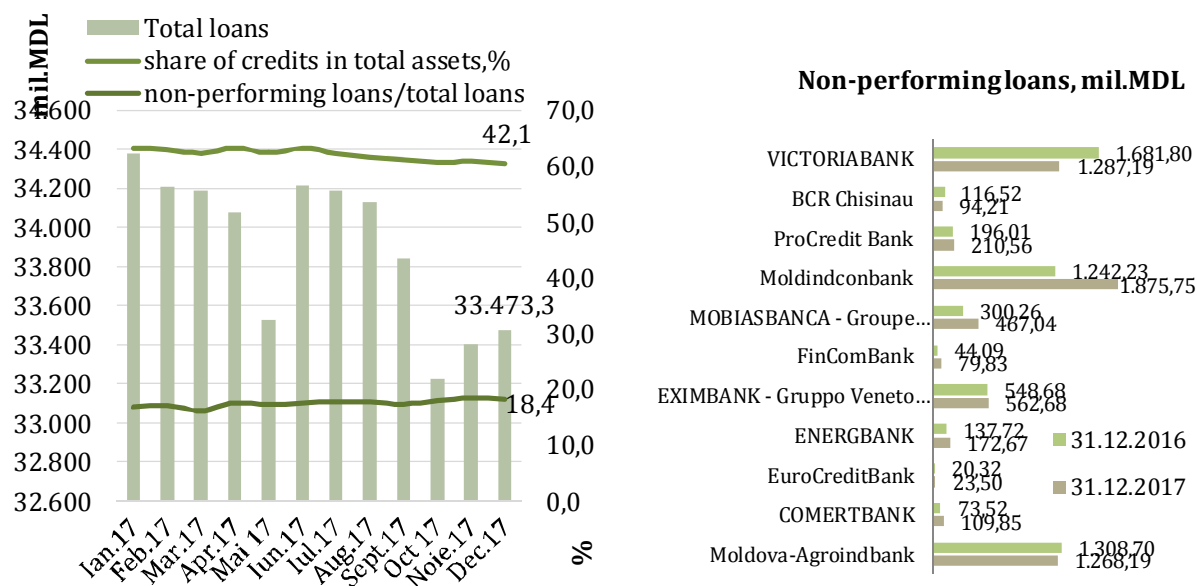


Figure 3.2.6. Dynamics of non-performing loans in banking sector

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

Looking at the absolute indicators, we see that the volume of non-performing loans as of December 31, 2017 has significantly increased by 481.6 mln. MDL or 8.49% compared to December 31, 2016 with the highest level at the end of 2017. The aforesaid indicator ranges from one bank to another, the highest value accounting for 1875.75 mln. MDL for B.C. „Moldindconbank” S.A, 1681.8 for B.C. „Victoriabank” S.A, and 1308.7 mln. MDL for B.C. „Moldova-Agroindbank” S.A. Thus, all banks under intensive supervision registered a considerable growth in this indicator, attesting the loan increase during 2017 in both absolute and in relative indicators.

The weight of non-performing loans in total TRC reached 58.53%, up by 0.6% against the end of 2016. The banks which reached the level of this indicator above average are B.C. „Moldindconbank” S.A. – 111.28%, B.C. „Victoriabank” S.A, – 94.17%, and also B.C. „EXIMBANK – Gruppo Veneto Banca” – 65.53%. It should be mentioned that during the year B.C. „Victoriabank” S.A, reduced this indicator by 26.10 p.p. from 120.27%.

In 2017, the risk distribution by loan purpose was uneven, the highest level being registered in loans for constructions field with a value of 63.74% of non-performing loans in total loans, followed by loans for provision of services field with 53.51%, non-performing loans in total, loans for energy industry, where 36.39% are low-quality loans, trade sector with 21.13% non-performing loans. It is worth mentioning that constructions sector worsened considerably the portfolio during 2017, with a 28.42% growth of non-performing loans and the energy sector one – 14.62%.

The least risky are loan portfolio granted to non-commercial organizations, non-banking financial environment and surprisingly – consumer loans, which are classed in financial theory as high-risk loans but which registered only 4.07% of non-performing portfolio in the domestic

Table 3.2.1. Structure of loan portfolio by branches in 2016-2017

No	Loan branch	Total balance, MDL		Weight of non-performing loans, %		Deviation p.p.
		31.12.2016,	31.12.2017	2016	2017	
1	Loans for agriculture	2 552 191 831	2 486 949 927	16.27	18.75	+2.49
2	Loans for food industry	3 514 796 253	3 514 423 304	19.67	17.31	-2.36
3	Loans for constructions field	933 715 404	611 311 637	35.31	63.74	+28.42
4	Consumer loans	3 353 818 405	4 134 620 883	4.73	4.07	-0.66
5	Loans for energy industry	828 022 029	759 931 742	21.78	36.39	+14.62
6	Loans for productive industry	2 538 482 578	2 297 054 328	11.57	21.13	+9.56
7	Trade loans	10 283 464 314	9 737 102 178	17.51	20.57	+3.06
8	Loans for non-banking financial environment	1 457 404 175	1 298 282 405	1.79	8.38	+6.58
9	Loans for real estate purchase/construction	2 303 660 276	2 635 856 901	5.80	6.43	+0.64
10	Loans for non-commercial organizations	125 046 823	2 993 052	0.05	0.00	-0.05
11	Loans for employed individuals	869 130 645	745 517 566	9.45	10.76	+1.31
12	Loans for transport, telecommunication and network development field	1 999 092 296	1 569 799 876	15.95	10.32	-5.63
13	Loans for provision of services field	2 274 369 387	1 958 223 120	48.28	53.51	+5.23
14	Other loans	1 585 346 541	1 721 222 966	8.20	9.99	+1.78
	Total	34 618 540 958	33 473 289 885	16.38	18.38	+2.00

Source: Authors' calculations according to the data of the National Bank of Moldova.

banking system, being one of the few categories with a reduction in loan risk during 2017. The general risk level of loan portfolio is 18.38%, which can place it on medium to high risk position. At the same time, concentration of loans in several sectors reflects the Moldovan economy model, where 29.09% are trade loans (decreasing by 0.63p.p. of market position) 12.35% – consumer loans and 10.50% – agri-food industry. The other sectors are below 10%, demonstrating an acceptable degree of loan portfolio diversification by activity fields.

In 2017, the average interest rates carried out by the commercial banks on loans and deposits decreased by 1.6 p.p. and 2.16 p.p., respectively, being situated at the level of 9.58% on new loans and 5.19% on new deposits. The much faster decline in interest rate on deposits against loans points a downward trend of interest rates still carried out by banks, which will discourage the population to put aside money. Although in February, there was attested an increasing interest rate on deposits up to 6.68%, it was in the short term returning on a decreasing trend in the coming month.

The faster decrease of interest rates on bank liabilities compared to the investment ones maintains a net margin of sufficient interests at the level of 4.61%, though it decreased by 0.89% during 2017. However, the value of this indicator, lower than the inflation rate leads to the real value erosion of bank investment, discouraging the long-term lending.

During 2017, the growth trend of the balance of deposits continued in the banking sector. According to the NBM reports, these increased by 9.2 percent during the reference period amounting to 59 896.88 mln. MDL. The deposits of individuals accounted for 66.2 percent of total deposits, deposits of legal entities – 33.6 percent and banks' deposits – 0.2 percent. The highest impact on the deposits' increase has had the growth of deposits of legal entities with 3104.32 MDL or 18.3 %, as the balance of deposits of individuals increased by only 1954.01 mln. MDL or 5.2%.

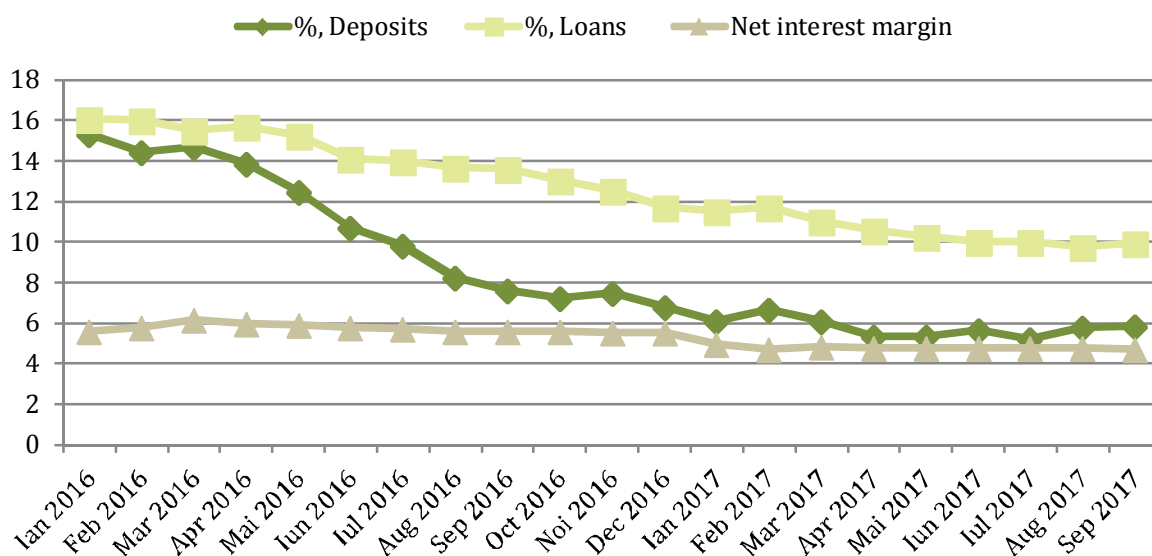


Figure 3.2.7. Development of net banking margin, average interest rates on new deposits and loans in MDL, %

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

At the same time, the balance of deposits in lei continued to rise and during 2017 increased by 4909.90 mln. MDL or 16.7 percent up to 34 264.61 mln. MDL, the growth being also recorded for the balance of deposits in foreign currency – by 148.47 mln. MDL or 0.4 percent up to 25632.27 mln. MDL. This increase is due to the increment of remittance flow and lack of other savings instruments in the Moldovan financial market. At the same time, the growth of deposits of legal entities leads to the conclusion that the business is waiting for a change of the economic situation and is not investing, choosing to hold the free funds in bank accounts to the detriment of funding some investment activities.

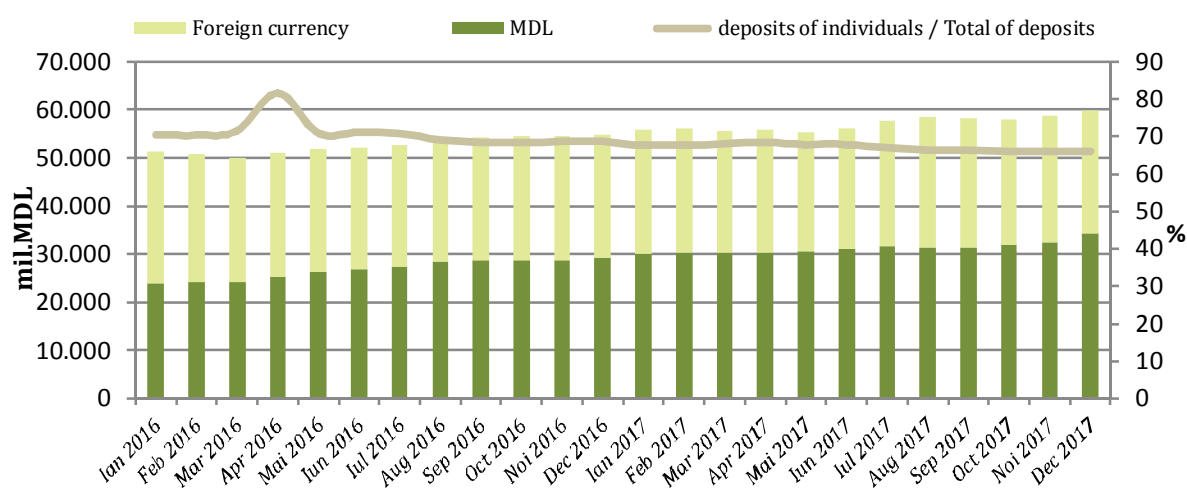


Figure 3.2.8. Development in the balance of deposits in banks, mln. MDL

Source : Authors' calculations according to the data of the National Bank of Moldova.

Bank deposits getting cheaper for two reasons:

1. Supersaturating the banking system with resources in the absence of a profitable and reasonably risky investment offer and

2. Deposits became the most expensive resource attracted by the banking system, given the high ratio of required reserves, wherefore is very complicated to find investment which would cover the attracting and managing costs.

At the same time, it is remarkable that the volume of deposits had an upward trend, even against the reduction of interest rates, indicating the desire of population to use the banking deposit as a mean of collecting and not saving the money. Additionally, the population has no choice as long as the market of other savings instruments is poorly developed, some segments being even missing.

The problems in the banking system, previously identified are reflected by the financial result of the banks in 2017. On December 31, 2017, the bank's profit in the entire banking system amounted to 1 538.8 mln. MDL, up by – 60.5 mln. MDL or 4.09% in comparison with the same period of the previous year. The increase in the profit is determined by the rise in non-interest revenues by 6.8% and decrease of non-interest expenditures by 7.6%. A significant weight in non-interest revenues are revenues from duties and commissions – 61.7%, which increased by 10.8% compared to December 31, 2016 pursuant to the increment in the number and volume of transactions made through SAPI, SWIFT payment systems, as well as the number and volume of card transactions issued in Moldova. The net revenue from duties and commissions on December 31, 2017 amounted to 1086.77 mln. MDL, increasing by 8.5% during the period 31.12.2016-31.12.2017.

At the same time, the interest expenditures from the interest rate reduction on deposits account have declined by 37.1% or 1097.02 mln. MDL. The interest revenues totaled 4746.16 mln. MDL, down by 1469.49 mln. MDL against the similar period of the last year. These were also generated especially by the loans and claims of 3813.22 mln. MDL. There is seen a positive impact on the profit by reducing the managing expenditures of the credit risk. Thus, the depreciation of financial assets which are not fairly assessed through profit or loss, have decreased by 746.58 mln. MDL, from 1216.14 mln. MDL to 469.56 mln. MDL.

Under the growth of revenues in absolute form there was also recorded a decrease in relative indicators of return – ROE and ROA by 0.9 p.p and 0.1 p.p, respectively reaching the weight of 11.07% for return on equity and 1.85% for return on assets. The decrease of relative indicators was due to a faster growth in the volume of capital and assets compared to the growth rate of profits. However, only 39.51% of total revenues are provided by the financial intermediation activity confirming a low involvement of banks in funds redistribution activity and implicitly in the economic growth by providing the real economy with necessary resources. Although, there is attested a 1.7 p.p. increase of revenues from the main activity of banks, this increment of the *net interest revenue* weight in total revenues was due to the *decline in interest payments on deposits* and not to the increase in loan receipts.

The analysis of each bank's contribution to the net profit formation of the banking system reveals that only 4 banks of 11 have registered an increase in the value of profits, the other banks recording a negative trend. Thus, compared to December 31, 2017 BC „MOLDOVA-AGROINDBANK” S.A. increased its profit by 54.6 mln. MDL or 11.93%, B.C. „Moldindconbank” S.A. by 83.3 mln. MDL or 22.91%, B.C. „VICTORIABANK” S.A. by 61.1 mln. MDL or 21.66% and B.C. „ProCredit Bank” by 3.6 mln. MDL or 9.67%. The highest decrease was registered by B.C. „COMERTBANK” S.A. by 17.9 mln. MDL or 100.18%, B.C. „BCR Chişinău” S.A by 14.4 mln. MDL or 81.94%, B.C. „EuroCreditBank” S.A by 4.0 mln. MDL or 40.43% and B.C. „EXIMBANK – Gruppo Veneto Banca” by 75.7 mln. MDL or 113.31%. It has to be noted that the last bank is the only one in the system, which registered losses, registering profit only in 2016 in the last 4 years, while the rest of the banks in the list of those registering considerable profit decreases, being quite small are subject to the risk of diminishing the increase of equity capital from internal resources.

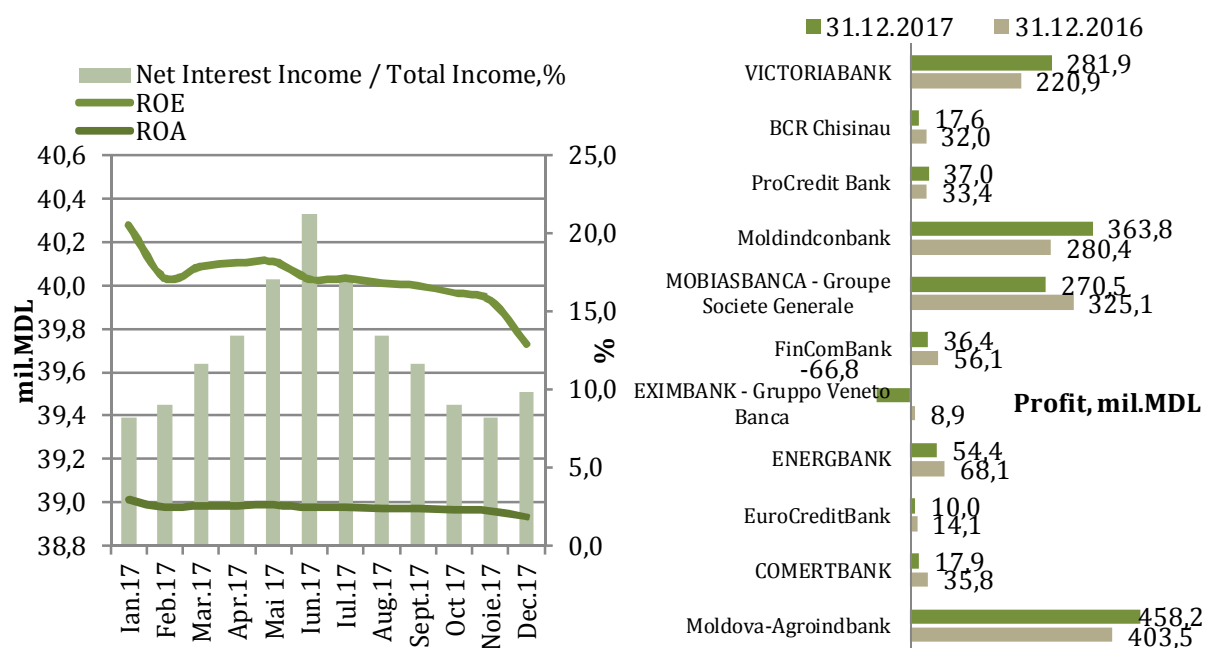


Figure 3.2.9. Development of banking return and profitability in 2016-2017

Source: Authors' calculations according to the data of the National Bank of Moldova.

The large banks have also recorded moderate declines, which had an increasing trend in the profit during 2017. Thus, BC „MOBIASBANCA – Groupe Societe Generale” S.A. declined its profit by 54.5 mln. MDL or 20.15%, BC. „FinComBank” S.A., by 19.7 mln. MDL or 54.27% compared to 2016.

Banking sector in the region to the left of the Dniester River

In 2017, the banking sector in the region to the left of the Dniester River has recorded revival trends in the main activity indicators. At the same time, the banking system of the self-proclaimed Republic lost 2 banks by restructuring and adhering to the state-owned bank „Eximbanc” and one by liquidation. Therefore, on December 31, 2016, 3 banks with 15 subsidiaries were operating in this territory, by 6 subsidiaries less compared to December 31, 2016. Even in this situation, the banking sector has a considerable concentration of 0.6 (banks per 100 thousand persons), higher than in the Republic of Moldova by 0.3, Ukraine by 0.2 and Russia by 0.4. The number of territorial banking units reduced by 69 units during 2017 reaching 207.

During the analyzed period of 2017, the average annual growth rate of bank assets in Transnistrian region was situated on an upward trend increasing by 28.41% sply or 1813.30 mln. rubles, forming the value of 8196.1 mln. Transnistrian rubles⁴ on December 31, 2017.

The balance of loans provided to the economic sector reached the amount of 4178.70 mln. Transnistrian rubles on December 31, 2017, by 143.9 mln. Transnistrian rubles more or by 3.57% against December 31, 2016. The excessive increase of assets takes place against the decrease of bank capital by – 349.30 mln. Transnistrian rubles or 19.75% due to the liquidation and reorganization of problematic banks. There is seen that the banking system in Transnistrian region faces the same problems as the banking system of the Republic of Moldova – the increase of assets from liquidities and not from loans account. During this period, the loans of individuals accounted for 784.20 mln. Transnistrian rubles, by 4.18% more against December 31, 2017 and

⁴ www.cbpmr.net

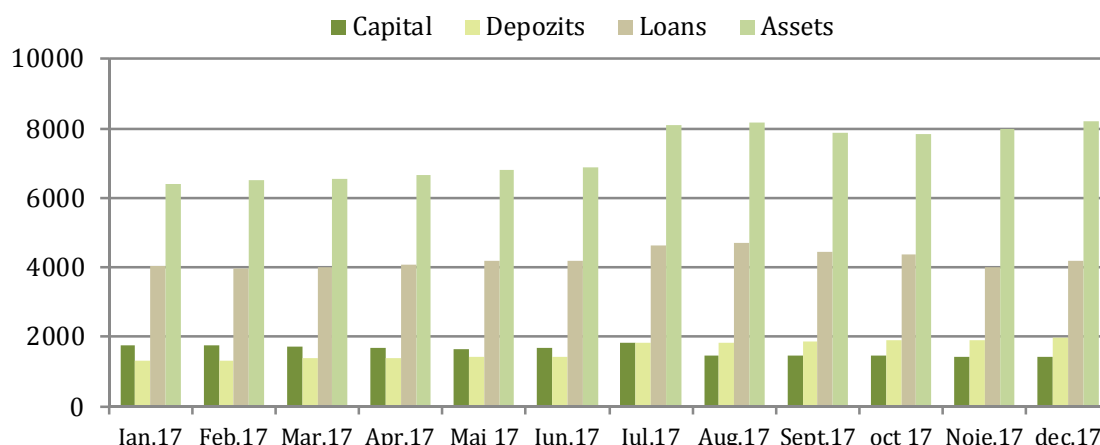


Figure 3.2.10. Annual growth rate of bank assets, deposits and loans in Transnistrian region, %

Source: Author's calculations according to the data of the Transnistrian Bank.

loans provided to real sector totaled 3394.5 mln. Transnistrian rubles, by 112.4 mln. Transnistrian rubles more or by 3.42%. At the same time, it is attested a much higher growth rate of reductions for the losses on loans proving the increase in credit risk. Hence, the amount of reductions went up by 24.24% reaching 507.80 mln. Transnistrian rubles.

On December 31, 2017 the balance of bank deposits from population accounted for 1986.9 mln. rubles, increasing by 51.29% or 673.60 mln. Transnistrian rubles compared to December 31, 2016. Due to the major discrepancies between the attracted deposits and volume of loans demanded by economy, the banks are forced to make greater efforts to attract funds on the interbank market. Thereby, the volume of attracted resources except those from population's deposits amounts to 4798.7 mln. rubles increasing by 1489.00 mln. rubles or 44.98%. In the case of the banking sector to the left of the Dniester River there is also an important problem regarding the transparency of the Transnistrian banks' shareholders and a major credit risk. The local banking sector is getting harder to face the foreign currency risk due to the depreciation of Transnistrian ruble.

Box 3.2. Situation with regard to debt repayment of banks under liquidation

The bankruptcy of the 3 banks in 2016 had a repercussion on the banking system stability and on its reputation at the international level. Therefore, the situation concerning the recovery of assests of these banks and loans repayment from the NBM and state guarantees, which became state securities, is permanently public for citizens and decision-makers. However, the recovery of assets is unfortunately slowly and the the payment of debts in the account of issued State Securities is difficult. Since the withdrawal of licences (16.10.2015) of the Banca de Economii S.A., BC „BANCA SOCIALĂ” S.A. and B.C. „UNIBANK” S.A. and until 31.12.2017, these banks collected funds in the total amount of 1002596,6 MDL. These returns were in the ratio of about 78,43% of the loan recovery and sale of pledge, 16,52% of the sale of bank assets and 5,05% of other returns.

Name	Banca de Economii S.A.	BC „BANCA SOCIALĂ” S.A.	B.C. „UNIBANK” S.A.	Total
Total loans repayment and sale of pledge	304395,4	367178	114792,8	786366,2
Returns from sale of fixed assets	111252,7	40659,8	10197,6	162110,1
Returns from sale of other assets	1821,7	656,3	1054,4	3532,4
Total sale of assets	113074,4	41316,2	11252,1	165642,7
Other returns	34456	8279,1	7852,6	50587,7
TOTAL returns	451925,8	416773,3	133897,5	1002596,6

The recovery of assets is made in normal circumstances, as in the case of any bank in liquidation, namely, the loans which can be taken over from the debtors or the pledge on which can be instituted proceedings are reimbursed, except those transferred on the foreign accounts. At the same time, not all the recovered amount has been transferred for the payment of debts converted through SS issuance. Only 290,6 thousand lei have been transferred in the account of these securities, the remaining balance accounting for 13 050 600 thousand lei.

Bank	Amount of loans	Repayment by 03.10.2016	Amount of unpaid loans to NBM and converted in SS	Cumulative repayments to Ministry of Finance from 04.10.2016 to 31.12.2017	Total cumulative repayments	Balance of remaining loans
Banca de Economii S.A.	9,273,217	190,217	9,083,000	138	328,217	8,945,000
BC „BANCA SOCIALĂ” S.A.	2,700,000	308	2,392,000	134	442	2,258,000
B.C. „UNIBANK” S.A.	2,148,541	282,341	1,866,200	18,6	300,941	1,847,600
TOTAL	14,121,758	780,558	13,341,200	290,6	1,071,158	13,050,600

The situation regarding the recovery of these debts is doubtful since the balance of assets of each of these 3 banks is lower than its debts. Thus, Banca de Economii S.A. holds assets in the amount of 481229 thousand lei, of which loans to recovery 287787 thousand lei, and debts to the tune of 11789750 thousand lei, of which 1526505 thousand lei deposits, including 96036 thousand lei – deposits in favour of individuals and legal entities, the rest – in favour of banks. BC „BANCA SOCIALĂ” S.A holds assets to the tune of 15172446 thousand lei, of which 14990184 thousand lei loans for recovery and total debts 14845366 thousand lei, of which 12435742 thousand lei – deposits, including 40906 – in favour of individuals and legal entities, the rest – in favour of banks. B.C. „UNIBANK” S.A. holds assets of 637950 thousand lei, including debts as loans 605609 thousand lei. The debt of this bank amounts to 2568700 thousand lei, including deposits – 680678 thousand lei, of which in favour of individuals and legal entities -365789 thousand lei.

Chapter IV EXTERNAL SECTOR

Balance of payments

The degree of dependence of the national economy to outside still remains high. The current account of the balance of payments of the Republic of Moldova during 2017 was up by 2.2 times compared to the last year. The current account of the balance of payments registered a deficit of 616.94 mln. USD (of which 93.03 mln.USD – in quarter IV, 2017). The worsening of the current account was entirely caused by the increase in the deficit of external trade in goods by 23%, the other components recording rising surplus balances.

Table 4.1. Balance of payments of the Republic of Moldova, mln. USD (preliminary data)

Anul	2013	2014	2015	2016	2017	2017/ 2016 (%)
Current account	-490.31	-567.69	-467.72	-285.58	-616.94	216
Goods	-3138.41	-3040.71	-2123.47	-2087.98	-2569	123
Services	154.50	121.25	125.02	218.20	315.29	144.5
Primary revenues	894.13	822.33	450.11	460.65	510.8	110.9
Secondary revenues	1599.47	1529.44	1080.62	1123.55	1125.97	100.2
Capital account	107.10	147.18	54.87	-20.79	-30.41	146.3
Financial account	-298.40	-500.81	-458.05	-214.56	-569.77	265.6
Direct investment	-211.12	-301.02	-209.12	-74.68	-205.77	275.5
Portfolio investment	-2.98	-7.23	-4.04	-0.36	-1	277.8
Other investment	-366.24	346.5	62.3	-671.15	-893.77	133.2
Reserve assets	282.05	-538.45	-306.49	531.14	531.20	100
Remittances from abroad made in favour of individuals through licensed banks, net	1609.0	1612.9	1129.4	1079.0	1199.97	11.2

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

The balance of services grew up to 315.29 mln. USD. The increase was due to the growth of exports by 19.7% and imports of services by 13.2% compared to 2016. There were registered growths for both *exports of travel services* by 28.2%, especially personal trips by 27.5% and *transport services* by 16.9%, especially air transport by 27.9%. The exports of raw material processing services have also considerably increased by 27.8%, as well as IT services by 55.9%. The increase in imports of services was also mainly due to the growth of imports in travel services by 20% and transport by 15.9%.

Capital account recorded a negative balance of 30.41 mln. USD (of which 7.41 mln. USD in quarter IV, 2017), determined by the net capital outflows recorded in the private sector (44.46 mln. USD) and the inflows of external assistance received by public administration to fund the investment projects (14.05 mln. USD). The balances of the current account and capital account show that the national economy faced the necessity of external funding in the amount of 647.35 mln.USD, as a result of current and capital transactions of Moldovan residents living abroad.

Financial account resulted in net capital inflows amounting to 569.77 mln. USD (of which 123.07 mln. USD in quarter IV of 2017) as a result of net increase of the national economy liabilities compared to foreign ones by 622.38 mln. USD as a result of the effective transactions while the external financial assets of the residents increased by 52.61 mln. USD.

International investment position

The international investment position of the Republic of Moldova continued its trend from the previous periods, recording a net debit balance amounting to 3954.33 mln. US dollars, which advanced by 30.3% against the end of 2016.

During 2017, the net flow of direct investment in national economy amounted to 204.9 mln. US dollars, recording an increase of 43% compared to 2016 (143 mln. USD). The gross inflows amounted to 324.09 mln. US dollars, of which: share capital – 41.5 mln. USD (other sectors – 41.4 mln. USD and banks – 0.09 mln. USD), reinvested income – 86.81 mln. USD (of which banking sector – 23.50 mln. USD and other sectors – 63.31 mln. USD) and other capital – 195.77 mln. USD (other sectors). The FDI net flow in relation to GDP accounted for 2.5%.

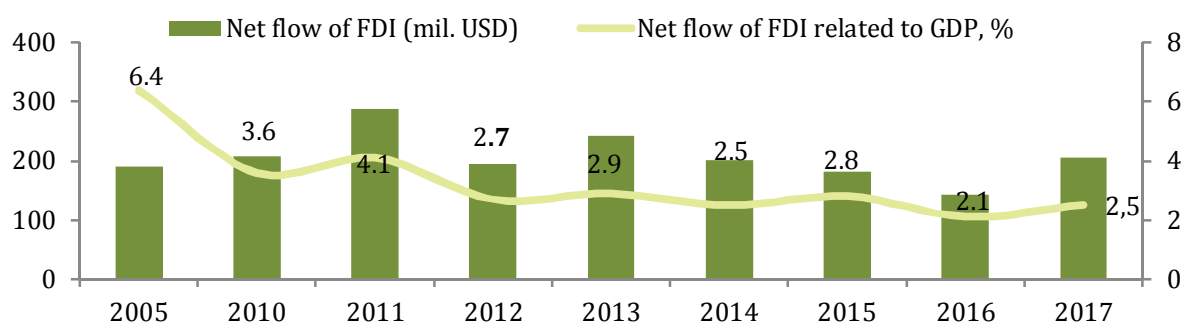


Figure 4.1. Dynamics of FDI net flow during 2005-2017, mln USD

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

During 2017, the main economic activity which benefited by FDI is financial and insurance activities 26.1%, followed by manufacturing industry 25.3%. Other activities which attracted foreign investors were trade, energy industry, information and communications, transport and storage, real estate transactions.

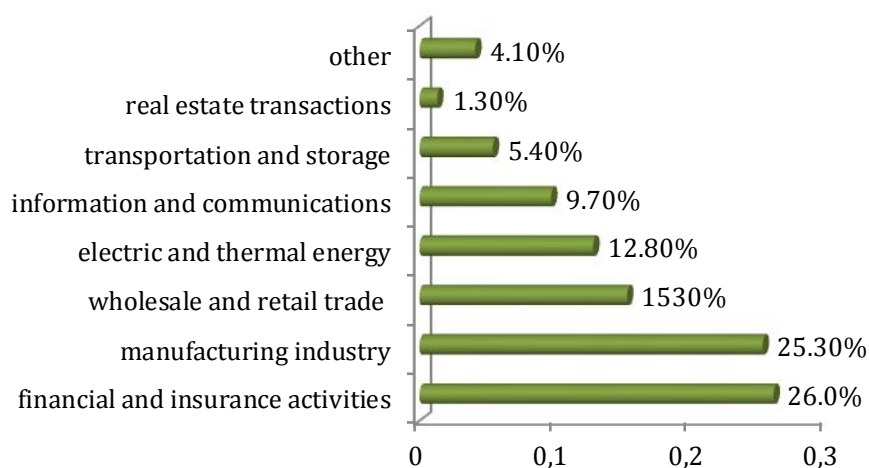


Figure 4.2. Direct investment, liabilities, equity capital accumulated on December 31, 2017, by economic activities, %

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

In the geographical distribution of direct investment as shares to accumulated capital, the investors in the EU countries held the major weight of 80.7%. The investors from CIS countries had a weight of 6.3% of total accumulated capital, those from other countries hold investment in the ratio of 13%.

Remittances from abroad

In 2017 the total volume of remittances from abroad in favour of Moldovan individuals amounted to 1199.97 million USD. Compared to 2016, the volume of remittances from abroad increased by 11.2%, including by 0.6 p.p. as a result of the appreciation of euro and ruble against dollar.

Though, this is the highest level of remittances from the last three years, it is by about a third lower compared to 2013-2014, before the bank fraud and crisis from 2015. The remittances remain one of the main sources of revenue for Moldovan citizens and a key factor in the development of economy representing about 15% of GDP.

The most money coming in Moldova were dollars – 570.54 million, then euro 522.37 million, rubles 94.4 million, other currencies holding 12.66 million dollars.

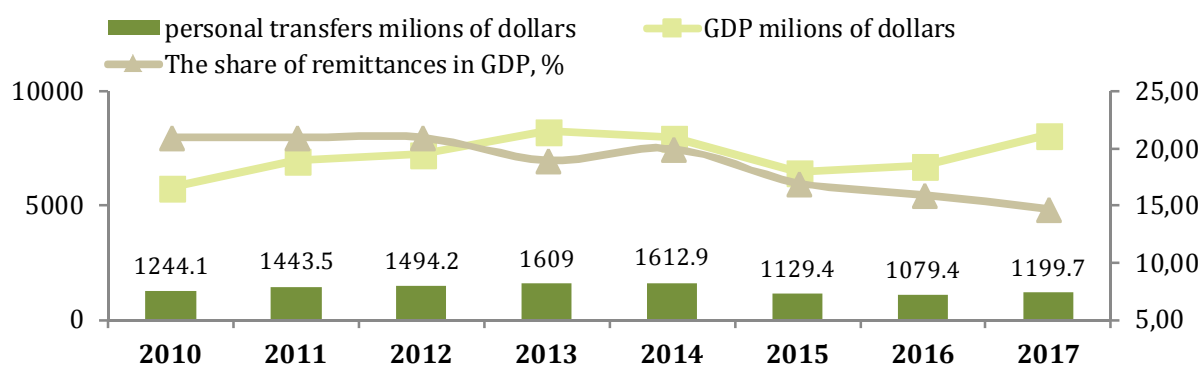


Figure 4.3. Remittances from abroad made in favour of individuals through Moldovan banks in 2007-2017, mln. USD

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

According to geographical origin, in the last five years, the remittances from CIS had a decreasing trend and those from EU recorded an increasing trend (**figure 4.4**). Therefore, in 2017 the remittances from both CIS and EU have registered relatively equal weights, according to the geographical origin of the remittances in favour of individuals. The remittances **from CIS** held a weight of 34.9% amounting to 418.7 mln. USD, up by 4.3% compared to 2016. The remittances **from EU** recorded a weight of 34.4% accounting for 412.7 mln. USD, increasing by 20.3% in comparison to 2016. The remittances **from other countries**, excepting CIS and EU held a weight of 30.7% constituting 368.3 mln. USD. The weight of remittances from Israel, USA and Turkey of total by other countries were 85.5% and 82.5%, respectively.

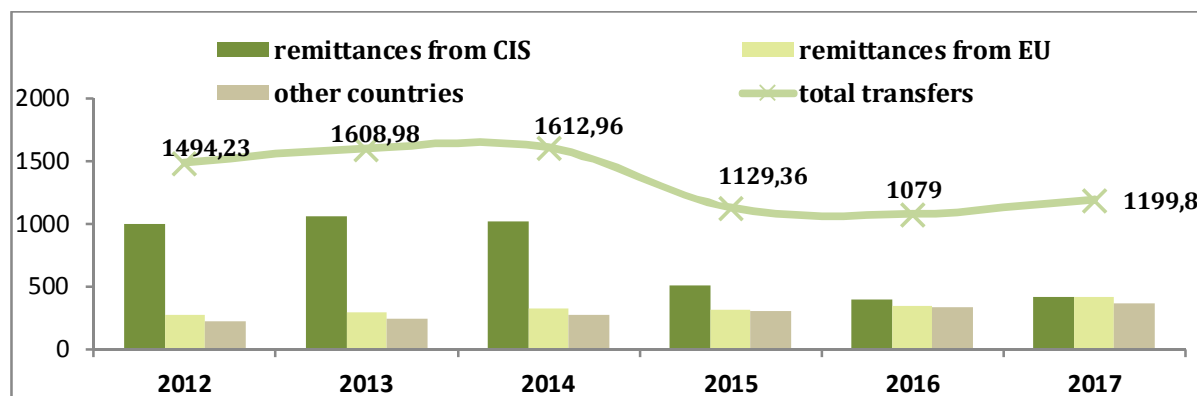


Figure 4.4. Trends of remittances from abroad, according to geographical origin during 2012-2017, mln. USD

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

Russia leads the *remittances from CIS* holding a weight of over 96%. The remittances from other CIS countries have the following weights: Ukraine 1.3%, Kazakhstan 1%, Belarus 0.5%, Azerbaijan 0.3%, Uzbekistan 0.3% and the rest of CIS countries 0.4%.

In *remittances from EU*, the highest weight is held by Italy 35%, followed by remittances from Great Britain and Germany each 14%, France 8%, Spain 3.3%, Ireland 3%, Poland 2.8%, Czech Republic 2.6%, Portugal 2.5%, Romania 2.4%, Belgium 2.1%, Cyprus 1.8% and Greece 1.3%.

By countries distribution, the Russian Federation held a weight of 33.6% of total remittances (402.63 mln. USD) down by 2.4 percentage points compared to 2016. The second position is occupied by the remittances from Israel, with a weight of 17.1% (205.02 mln. USD), and the third position – Italy, with 12% (143.83 mln. USD), USA 7.9% (95.13 mln. USD), the United Kingdom of Great Britain and Northern Ireland 4.8% (57.88 mln. USD), Germany 4.8% (57.56 mln. USD), France 2.8% (33.60 mln. USD), Turkey 1.3% (15.30 mln. USD), Spain 1.1% (13.74 mln. USD), Ireland 1% (12.31 mln. USD), Poland 0.9% (11.39 mln. USD), Czech Republic 0.9% (10.64 mln. USD), Portugal 0.9% (10.33 mln. USD), Romania 0.8% (10.10 mln. USD), Belgium 0.7% (8.53 mln. USD), The United Arab Emirates 0.6% (7.77 mln. USD), Cyprus 0.6% (7.43 mln. USD), Canada 0.6% (6.63 mln. USD), Ukraine 0.4% (5.28 mln. USD), Greece 0.4% (5.20 mln. USD) and Kazakhstan 0.4% (4.33 mln. USD). The remittances in these twenty one countries (including Russia) represent 93.7% of total remittances of the Republic of Moldova (1124.62 mln. USD).

Foreign trade in goods

In 2017, the increase of foreign trade in goods was influenced by the positive development of the agricultural sector. The foreign trade in goods amounted to 7256.5 mln. USD, increasing by 19.6% (1191.5 mln. USD), compared to the same period of the previous year. The dynamics of trade has determined the improvement in external demand, development of global energy and food prices, recovery of production in some industrial sectors, as well as positive dynamics in transport services, economic situation in the region and appreciation of national currency. Also, one of the main factors influencing the external trade was the positive development of the agricultural sector during 2016-2017.

The exports of goods in 2017 amounted to 2425.1 mln. USD, up by 18.6%, *the imports* were 4831.4 mln. USD, increasing by 20.2%, in comparison with the same period of the last year.

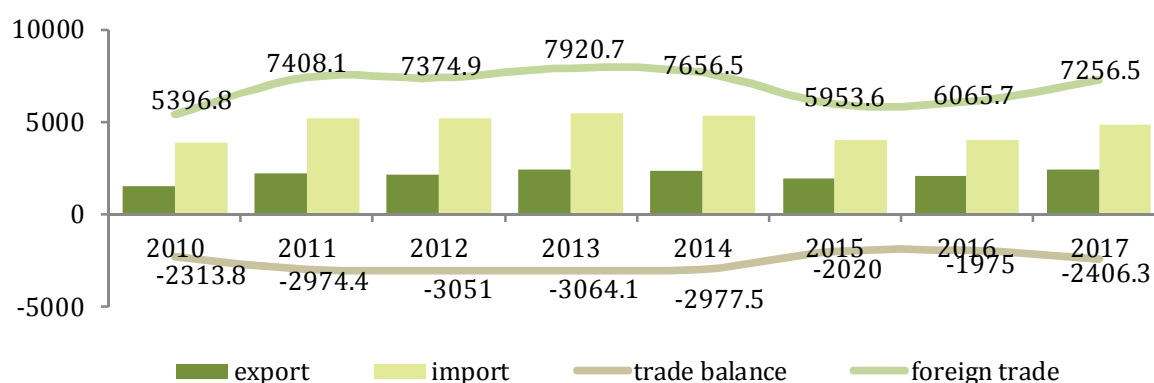


Figure 4. 5. Trends of external trade in goods

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

In 2017, the gap in the development between the exports and imports determined the accumulation of *the balance of trade deficit* of 2406.3 mln. USD, by 431.3 mln. USD (21.8%) more compared to 2016.

Degree of imports coverage by exports in 2017 amounted to 50.2%, against 50.9% registered in 2016.

The value of exported goods rose by 18.6% compared to 2016 (380.5 million dollars), this increment was due to the rise of external demand, given that the increase of the global economy was beyond expectation. The domestic goods amounted to 67.7%, and re-export 32.3% of total exported goods.

In comparison with 2016, *the exports of domestic goods* accounted to 1640.7 mln. USD, up by 21.5%, contributed to the increase in total exports by 14.2%. *The re-exports of foreign goods* amounted to 784.4 mln. USD, up by 13.1%. The re-exports of goods after processing (clothing, footwear and parts of shoes, chairs, electrical wires and cables) held 21.9% in total exports and the re-exports of classical goods, which did not experienced essential transformations (drugs, fibres, knitted or crocheted fabrics, furniture, essential oils, toilet preparations, cosmetics, fuels, vehicles) 10.4%.

Table 4.2. Dynamics of trade exchanges in January-September 2016-2017, mln. US dollars

	2016	2017	Dynamics 2017/2016
	mln. USD	mln. USD	%
Foreign trade in goods	6065	7256.5	19.6
Export	2044.6	2425.1	18.6
<i>Including:</i>			
<i>EU countries</i>	1331.9	1596.9	19.9
<i>CIS countries</i>	414.2	462.9	11.8
<i>Other countries</i>	298.5	365.3	22.4
Import	4020.4	4831.4	20.2
<i>Including:</i>			
<i>EU countries</i>	1973.7	2389.1	21.0
<i>CIS countries</i>	1027.4	1206.1	17.4
<i>Other countries</i>	1019.2	1236.2	21.3
Balance of trade	-1975.7	-2406.3	21.8
Degree of imports coverage by exports	50.9%	50.2%	-0.7p.p.

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

The exports of goods to EU countries hold a weight of 65.9% of total exports and those to CIS 19.1%, the rest (15.1%) are exports in other countries, including Turkey 4.3%, Switzerland 1.8%, China 0.8% etc. The exports of goods aimed to *EU countries* amounted to 1596.9 mln. USD (by 19.9% more compared to 2016), holding a weight of 65.8% in total exports (65.1% in 2016). The main partners are Romania (24.8% of total export), Italy (9.7%), Germany (6.9%), Great Britain (5.6%), Poland (4.2%) and Bulgaria (3.2%). The exports to Poland increased by 40.2%, totaling 102.9 mln. USD, Germany by 31.2%, numbering 166.1 mln. USD, Italy by 19.3%, integrating 236 mln. USD, Great Britain by 19.1%, adding up 136.2 mln. USD, Romania by 17.1%, totaling 600.6 mln. USD and Bulgaria by 2.8%, with 78.1 mln. USD.

CIS countries hold also an important weight of 19.1% (20.3% in 2016), in total volume of Moldovan exports. The value of the volume exported to these countries amounted to 462.9 mln. USD. The exports of goods to these countries increased by 11.8%, compared to 2016. The highest weight belongs to Russian Federation 10.5% in total volume of export, totaling 254.5 mln. USD, Belarus 4.5% (110.1 mln. USD) and Ukraine 2.7% (65.5 mln. USD).

The deliveries to *other countries* hold the lowest weight (15.1%) in total export and in 2017 numbered 365.3 mln. USD, by 22.4% more against 2016. Among these, there are observed the exports to Turkey 104.1 mln. USD, Switzerland 44.1 mln. USD, China 19 mln. USD, USA 18.8 mln. USD, Georgia 18 mln. USD, Iraq 13.2 mln. USD, San Marino 11.6 mln. USD and Serbia 11 mln. USD.

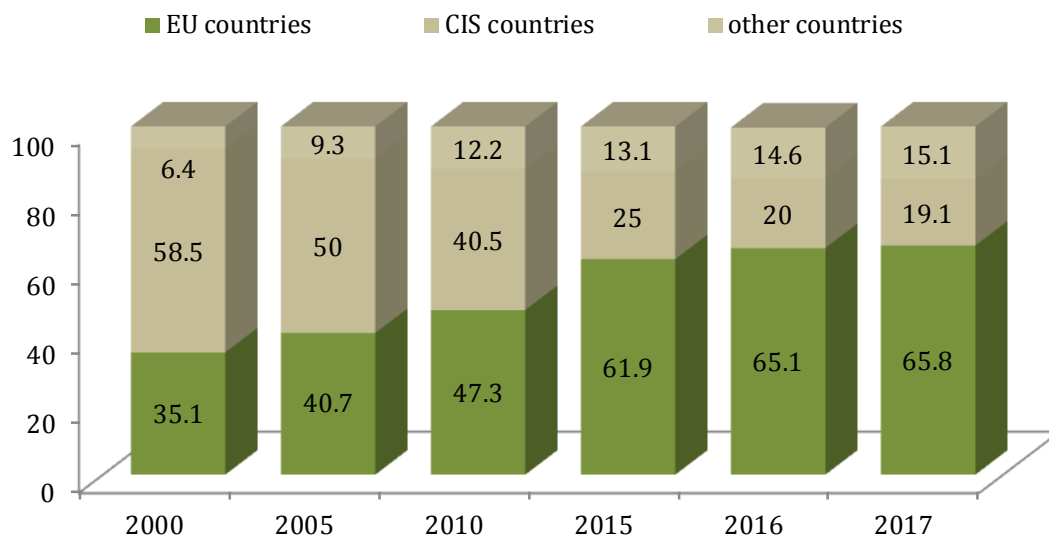


Figure 4.6 Structure of exports by groups of countries, %

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

The export of fruits and vegetables being up by 95.1 mln. USD compared to 2016 has had the highest influence on the increase of export in 2017. Additionally, there were registered increases for export of machinery and electrical equipment and its parts by 92.4 mln. USD, oil seeds and oleaginous fruits by 39.2 mln. USD, clothing and accessories by 34.2 mln. USD, cereals and cereal preparations by 26.2 mln. USD, beverages by 24.6 mln. USD, other transport equipment by 15 mln. USD, medicinal and pharmaceutical products by 13.7 mln. USD, other articles by 13.7 mln. USD, furniture and its parts by 12.7 mln. USD, petroleum, fuel and related products by 11.5 mln. USD, organic chemicals by 5.3 mln. USD, yarns, fabrics and textile items by 5.1 mln. USD, raw and processed tobacco by 5.1 mln. USD, footwear by 4.4 mln. USD, metallic minerals and metal wastes by 4.3 mln. lei etc.

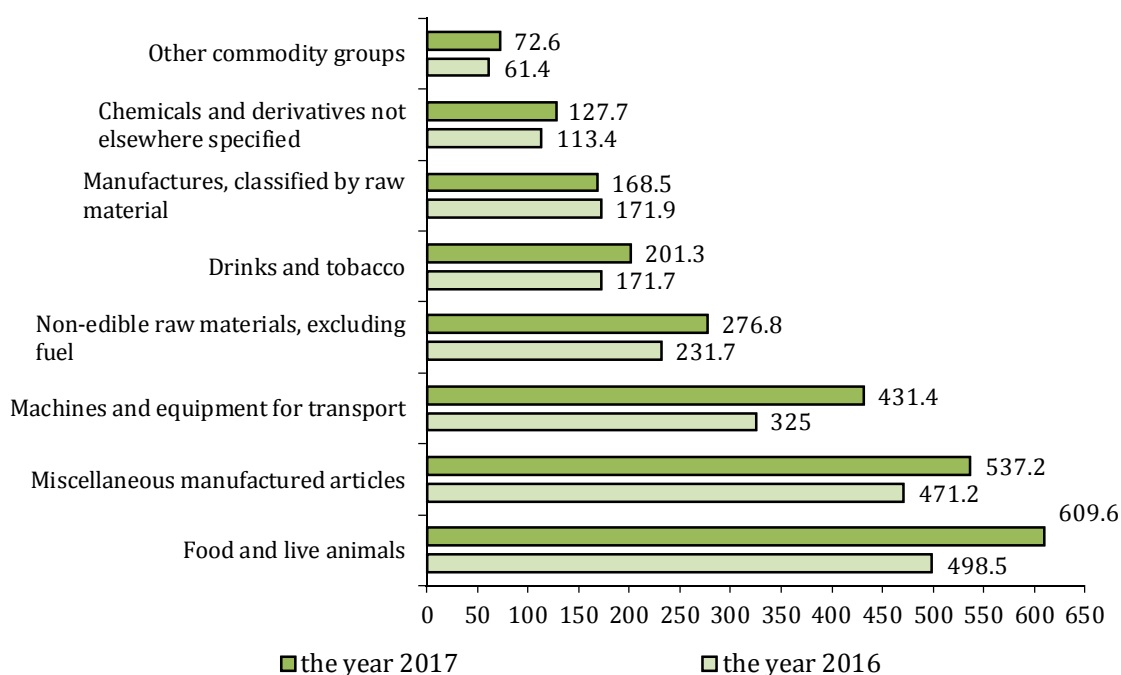


Figure 4.7. Dynamics of exported goods in 2016-2017, mln. US dollars

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

At the same time, there were recorded reductions for: sugar, sugar preparations and honey by 11.6 mln. USD, processed rubber by 10.2 mln. USD, essential oils, fragrances by 7 mln. USD, etc.

In 2017, the value of imported goods increased by 20.2%, this rise was due to the increment of domestic demand fuelled by the real rise of the salary, increase of remittances from abroad and appreciation of national currency. The imports of goods amounted to 4831.4 mln. US dollars, rising by 811 million dollars compared to the similar period of the previous year.

The imports of goods from EU countries hold a weight of 49.4%, and from CIS countries – 25% of total imports, the rest represents the import from other countries, including China – 10.5%, Turkey – 6.3%, USA – 1.5% etc. The imports of goods from *Eu countries* numbered 2389.1 mln. USD, by 21.1 % more than in 2016 (by 0.4 p.p. more in relation to 2016). The highest weight of imports were from Romania to the tune of 694.5 mln. USD, by 25.9% more than in 2016, Germany – 390.6 mln. USD (+23.4%), Italy – 331.2 mln. USD (+18%), Poland – 165.7 mln. USD (+25.4%), France – 112.7 mln. USD (+25.3%). The imports of goods from *CIS countries* compared to 2016, rose by 17.4%. The imports of goods accounted for 1206.1 mln. USD, holding a weight of about 25% in total import (by 0.6 p.p. more compared to 2016). The import of goods in these countries was from: the Russian Federation – 5717 mln. USD, by 6.8% more than in 2016, Ukraine – 511.1 mln. USD (+33.1%) and Belarus – 114.6 mln. USD (+13.1%).

The import from *other countries*, in 2017 raised by 21.3% against 2016. The volume of these imports amounted to 1236.2 mln. USD and held a weight of 25.6% in total import (by 0.2 p.p. more compared to 2016). The most significant imports were from China in the amount of 505.4 mln. USD (+28.4%), Turkey 304.3 mln. USD (+11.9%), USA 70.2 mln. USD (+31.8%).

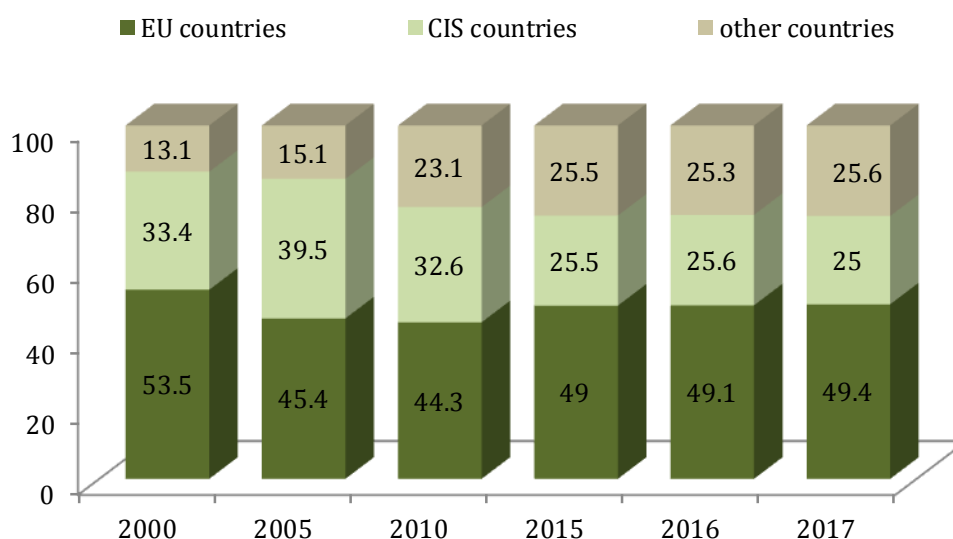


Figure 4.8 Structure of imports by groups of countries, %

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

During 2017, the highest influence on the increase of import has had the import of petroleum, fuel and related products with a growth of 26.9%, electricity by 224.8 times, machinery and electrical equipment and its parts 20.4%, road vehicles 24%, medicinal and pharmaceutical products 18.8%, appliances and equipments 35.6%, non-ferrous metals by 1.6 times, specialized machinery and appliances for specific industries 25%, clothing and accessories 28.2%, general industrial machinery and equipment 24.1%, yarns, fabrics and textile items 10.7%, iron and steel 21.0%, processed metal items 15.2%, non-metallic mineral products 15.8%, footwear by 1.6 times, coal, briquettes by 2.5 times, fruits and vegetables 15.7%, wood products 25.6%, processed plastics 15.3%, professional, scientific and control apparatus and appliances 32.4%, mineral or chemical fertilizers 23.5%, meat and meat products 46.1%, dairy products and eggs

27.8%, sugar, sugar preparations; honey 37.2%, office machines and equipments 25.1%, raw and processed tobacco 15.2%, paper, cardboard and cellulose items 10.9%, travel items; bags and similar by 2.8 times, prefabricated buildings 20.8%, cereals and cereal preparations 11.4%, plastics in primary forms 13.8%, processed leather and fur 15.6%, wood and cork 21.3%, power generating machines and their equipments 47.4%, alcoholic and non-alcoholic beverages 11.3%, furniture and its parts 12.4%, animal feed 16.2%, vegetable, refined or fractional fats and oils by 1.6 times, fish, shellfish, molluscs 9.3%, coffee, tea, cacao, spicery 8.1%, tanning and coloring products 13.4%, thus facilitating the increase in total imports by 19%.

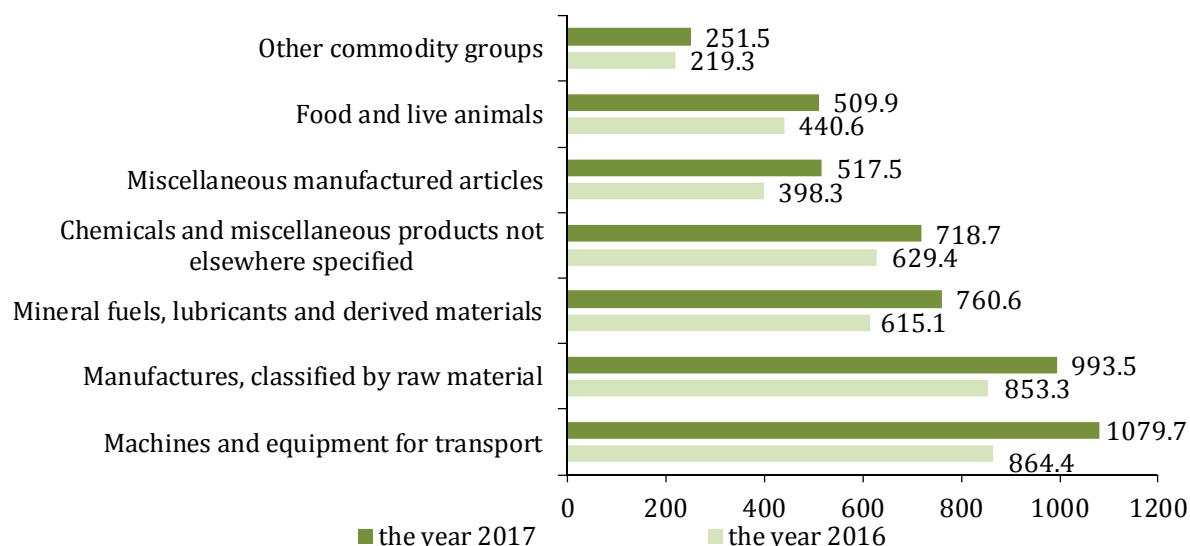


Figure 4.9 Dynamics of imported goods in 2016-2017, mln. US dollars

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

At the same time, the imports of gas, industrial gas products decreased by 27.1 mln. USD, processed rubber by 0.7 mln. USD, live animals by 0.3 mln. USD, etc.

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

The foreign trade of Transnistrian region in 2017 recorded an increase of 16.4%, compared to the same period of the last year (1388.9 mln. USD). The foreign trade of Transnistrian Region amounted to 1616.0 mln.USD. Both the exports and the imports increased compared to the similar period of the previous year. The exports of goods rose by 19.2%, and imports by 14.6%. **The balance of trade** accounted for 349.5 mln. USD.

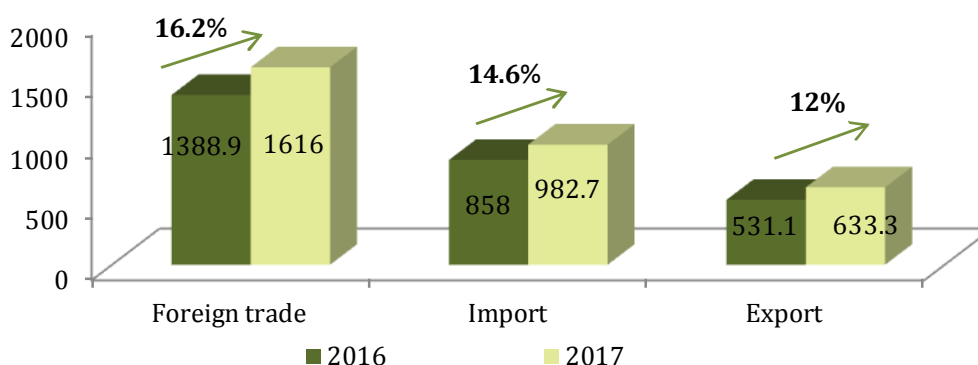


Figure 4.10. Dynamics of external trade in Transnistrian Region during the period 2016 – 2017, mln. USD

Source: According to the data: <http://mer.gospmr.org/>

In 2017, Transnistrian Region made external trade transactions with 92 countries (in 2016 with 85 countries) including 10 CIS countries. Taking into account Transnistrian external trade with EU countries and Eurasian Customs Union countries, we see that the trade with the Eurasian Customs Union prevails, amounting to 489 mln. USD or 29% of total trade. The trade with EU amounted to 438.4 mln. USD or 26% of the external trade.

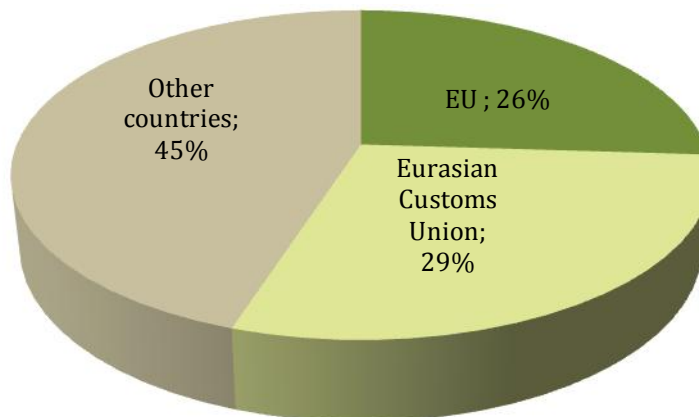


Figure 4.11. Structure of external trade of Transnistrian Region with Eurasian Customs Union and EU countries in 2017, %

Source: According to the data: <http://customs.gospmr.org/wp-content/uploads/2018/01/Pokazateli-statistiki-vneshney-torgovli-PMR-v-2017-godu1.pdf>

The main trade partners of Transnistrian Region in 2017 were the Russian Federation, the Republic of Moldova and Ukraine.

- The value of trade in goods of Transnistria with the *Russian Federation* in 2017 amounted to 420 mln. USD (25% of total turnover), less by 10% compared to 2016 (value of trade accounted for 465.3 mln. USD). At the same time, it should be noted that the imports of goods decreased by 16% (from 419.3 million US dollars in 2016 to 353.8 million US dollars in 2017) and exports increased by 44% (from 46 million US dollars in 2016 to 66.3 million US dollars in 2017).
- The total trade with the *Republic of Moldova* in 2017 amounted to 316.6 mln. US dollars (19% of total turnover) less by 10% against the last year (353.6 mln US dollars in 2016). At the same time, the imports rose by 17% (102.4 million USD in 2016, 119.9 million USD in 2017), while the exports declined by 22% (251.2 million USD in 2016, 196.7 million USD in 2017).
- The turnover with *Ukraine*, increased by 90% and amounted to 358.8 mln. USD against 188.9 mln. USD in 2016. In this case, the import of goods rose by 93% (in 2017 the value of imports increased by 235.9 million USD compared to 122.1 million USD in 2016), while the exports raised by 84% (66.8 million USD in 2016, against 122.9 million USD in 2017).

Additionally, Transnistrian Region made also external trade transactions with Romania (141.3 mln. USD), representing 8% of total trade, Germany (74.2 mln. USD, constituting 4% of total trade), Italy (61.2 mln. USD) with a weight of 4% of total turnover, Belarus (50.5 mln. USD) with a weight of 3% of total turnover.

In 2017, **the exports of goods** amounted to 633.3 mln. USD. Compared to 2016, the exports increased by 19.2%. The metals and metal products hold the highest weight of about 35% of total export, increasing by 2.5 times (up to 203 mln. USD) of the exported goods. The highest part of metals and metal products were exported in Romania, Ukraine, Moldova and Poland. There are also registered increases on export of *food products and raw materials* by 13%, up to 85.1 million USD; *in light industry*: materials and textiles (7.1%), clothing (10.5%) and footwear (4.6%). The main countries where the products of light industry have been delivered were Italy,

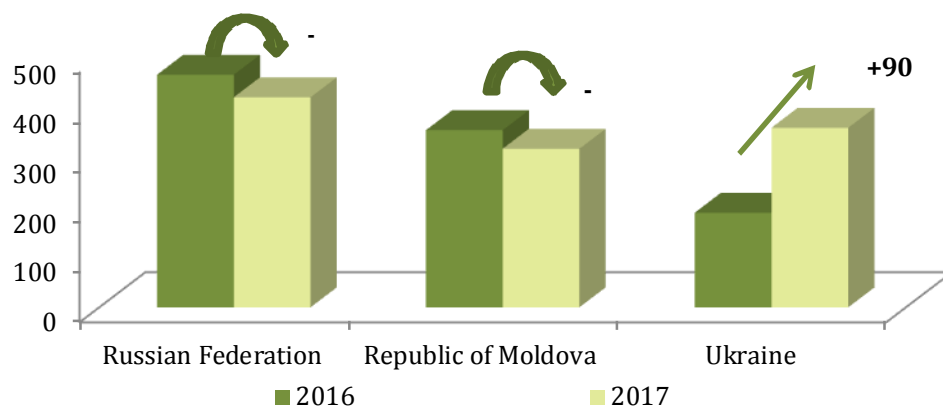


Figure 4.12. Transnistrian trade with main partners during 2016-2017, mln. USD

Source: According to the data: <http://customs.gospmr.org/wp-content/uploads/2018/01/Pokazateli-statistiki-vneshney-torgovli-PMR-v-2017-godu1.pdf>

Germany and Russia, where the deliveries increased by 1.7 times. A positive trend has also maintained for the *export of mineral products* by 17% and *machinery and equipment* by 49.9%. At the same time, there were seen reductions in fuel and energy resources, which previously dominated the structure of exports by 44.1%.

Imports of goods accounted for 982.7 mln. USD. Compared to the similar period of the previous year, the imports of goods rose by 14.6%. In 2017, a significant impact on the dynamics of Transnistrian import in comparison with 2016 have had the following products: fuel and energy products declining by 75.2 million USD (or 18%), ferrous metals increasing by 126 million USD, i.e. by 4 times more, transport services rising by 8.8 million USD or 49%, tobacco products registering a growth of 8.7 million USD or 55%.

Chapter V BUSINESS ENVIRONMENT

Dynamics of registered and deregistered enterprises in 2016-2017.

On March 1, 2018 the State Register had informations about 169.124 legal entities and individual entrepreneurs, down by 1.5% sply according to the Public Services Agency.

In Q IV, 2017 the number of enterprises registered by the Public Services Agency has significantly increased compared to the same period of the previous year, the index accounting for 115.5%. At the same time, these were increasing by 4.1% against Q III, 2017. In Q IV, 2017, 1.639 new enterprises were recorded in the State Register.

Globally, the number of enterprises registered in 2017 marked a 12.9% growth compared to the previous year. Thus, according to the data of the Public Services Agency, 6.406 new enterprises were recorded in the State Register in 2017.

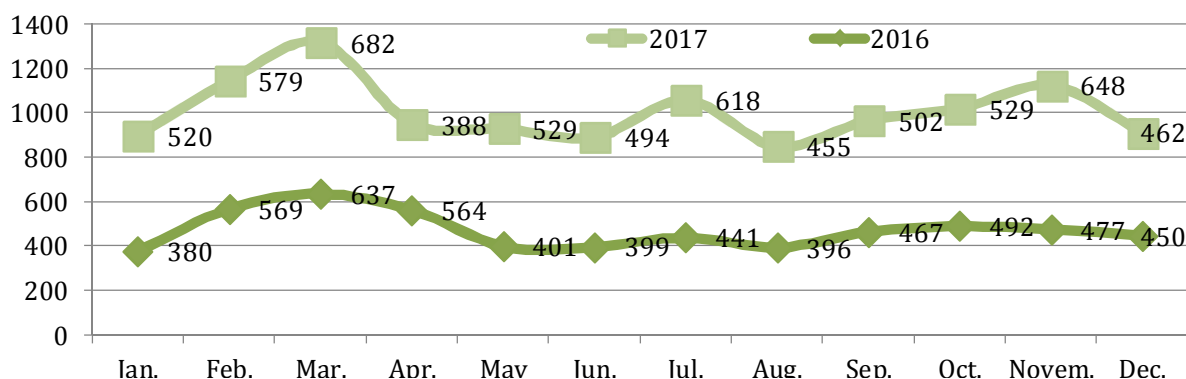


Figure 5.1. Dynamics of registered enterprises in 2016-2017

Source: According to the data of the Public Services Agency.

The growth trend of deregistered enterprises continues also this year. Thus, in 2017, the number of deregistered enterprises amounted to 8.540 units or by 2.1 times more against 2016.

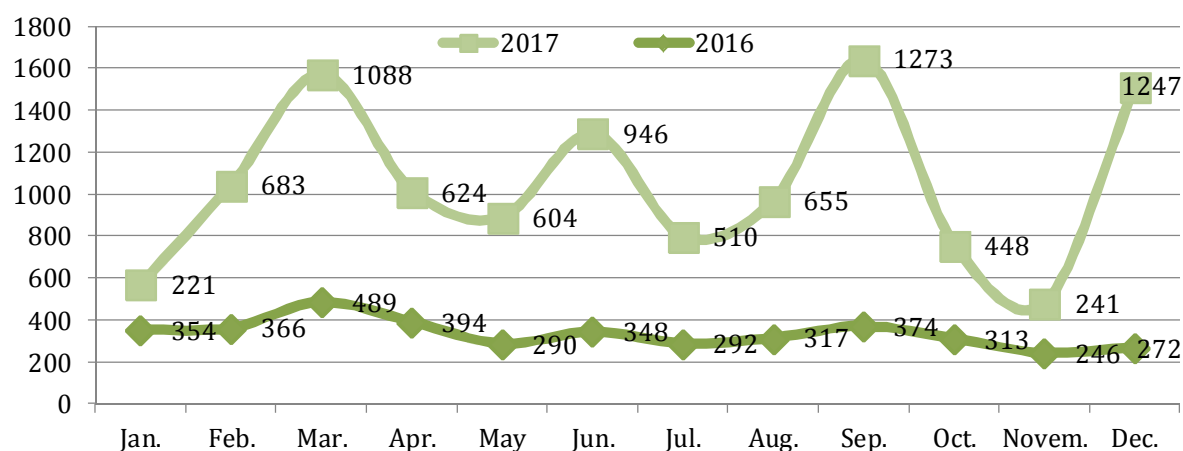


Figure 5.2. Dynamics of deregistered enterprises in 2016-2017

Source: According to the data of the Public Services Agency.

Simultaneously, in Q IV, 2017 the number of deregistered enterprises marked the highest increase compared to the similar period of 2012-2016. Therefore, in Q IV, 2017, the number of deregistered enterprises in State Register raised by 2.3 times, sply constituting 1.936 units.

Table 5.1. Growth indices in the number of registered and deregistered enterprises in Q IV 2012-2017 compared to the same period of the previous year, %

Period	Registration of enterprises	Deregistration of enterprises
Q IV 2012	100.1	94.3
Q IV 2013	94.3	102.9
Q IV 2014	93.9	93.4
Q IV 2015	105.2	149.5
Q IV 2016	92.9	76.0
Q IV 2017	115.5	233.0

Source: Author's calculations according to the data of the Public Services Agency.

At the same time, in Q IV of 2012-2017, there is seen a declining trend in the net number of newly created enterprises (excepting Q IV, 2016 which marked a slight increase in the net number of newly created enterprises sply, with a growth rate of 35.5%). Furthermore, in Q IV, 2017, the net number of newly created enterprises indicated a negative value, meaning that the number of deregistered enterprises during this period exceeded considerably the number of registered enterprises (Fig. 5.3.).

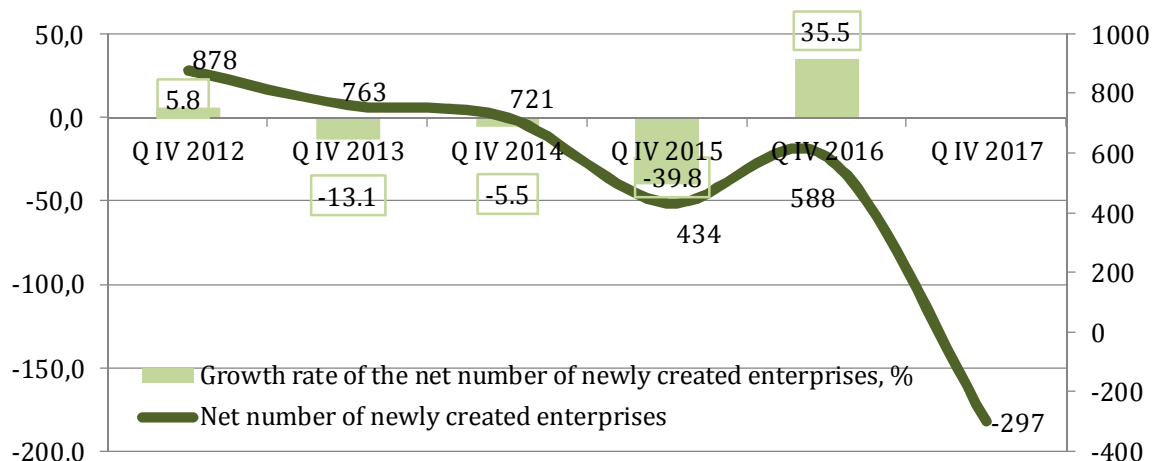


Figure 5.3. Dynamics in net number of newly created enterprises in State Register in Q IV 2012-2017

Source: Author's calculations according to the data of the Public Services Agency.

It is worth mentioning, that in 2017, the number of liquidated enterprises exceeded that of registered enterprises for the first time in the last 20 years. Therefore, overall, the net number of newly created enterprises in 2017 amounted to -2.134 units. This indicator declined due to the fact that in 2017 sply in spite of the increase in the number of newly created enterprises (by 12.9%), the number of deregistered enterprises in the register was significantly higher (by 2.1 times). One of the main factors determining the increase in the number of liquidated enterprises aims to simplify the procedure of liquidation of enterprises.

Main business development indicators in 2016

By the end of 2016, the NBS registered 52.3 thousand active enterprises, with a slight increase of 2.1% sply.

In 2016, the increase in the number of enterprises produced firstly due to the large, middle and micro enterprises, which registered a growth in the number of enterprises of 4.9%, 2.4% and 2.5%, respectively sply.

During 2015-2016, the total number of employees in all Moldovan enterprises, registered with the statistical bodies marked a slight increasing trend, of 0.4%, following the positive development in large enterprises. The SMEs in 2016, reduced by 1.1% in the number of employees sply. Within SMEs, a more significant decline in the average number of employees was produced in small enterprises, down by 2.3% sply.

During the analyzed period, the sales revenues of enterprises continue the growth trend from the previous years (2014-2015), including the SMEs sector registered an increase in turnover during this period. In 2016, this indicator rose by 6.5% compared to the previous year. In 2016, the annual growth rate of sales revenues in the SMEs sector accounted for 4.7% sply.

In 2016, the financial result until taxing increased considerably in total enterprises, rising by 4.3 times sply, including the SMEs sector recorded a significant growth of this indicator during the analyzed period, the index being 202.3%.

Table 5.2. Dynamics of main indicators of business activity in 2015-2016

Indicators	Total			SMEs		
	2015	2016	Indices %	2015	2016	Indices %
Number of enterprises, thousand units	51.2	52.3	102.1	50.6	51.6	102.0
Average number of employees, thousand pers.	510.3	512.5	100.4	316.9	313.5	98.9
Sales revenues, mln. MDL	282,253.4	300,733.4	106.5	119,398.8	124,954.4	104.7
Financial result until taxing. Profit (+) Loss (-), mln. MDL	3,453.47	15,026.07	435.1	2,905.0	5,878.5	202.4

Source: Authors' calculations according to the data of the National Bureau of Statistics.

Recently, on December 16, 2016 a new Law on supporting SMEs, law No. 179 of July 21, 2016 came into force. The new law establishes the legal work framework of micro, small and middle enterprises, as well as the state support measures for their creation and development.

As stated in prenoted law, the small and middle enterprises are defined according to three criteria: average annual number of employees, annual sales revenues and total assets of the annual balance sheet.

In terms of these criteria, the enterprises are classified in the following categories:

- micro enterprise – up to 9 employees, achieves an annual turnover up to 9 million lei or holds total assets up to 9 million lei;
- small enterprise – from 10 to 49 employees, achieves an annual turnover up to 25 million lei or holds total assets up to 25 million lei;
- medium enterprise – from 50 to 249 employees, achieves an annual turnover up to 50 million lei or holds total assets up to 50 million lei.

In 2016, most enterprises belonged to SMEs sector (98.7%), according to the NBS. In structure of SMEs sector, the micro enterprises prevail (86.3%), small enterprises accounts for 11.2%, middle enterprises -2.5% of total SMEs (Table 5.3).

An important indicator, which allows the assessment of quantitative and qualitative elements of SMEs contribution in the economic development of the country, is their weight in GDP. This indicator (since 2007 by 2010, including 2012 and 2016) was characterized by a decreasing trend: only in 2011, 2013, 2014 and 2015 this indicator marked a slight growth.

Table 5.3. Main indicators of SME sector in 2016

Indicators	Total SME	Middle	Small	Micro
Number of enterprises, unit.	51.626	1,299	5.780	44.547
% of Total	98.7	2.5	11.2	86.3
Average number of employees of SME sector, thousand pers.	313.533	101.529	107.156	104.848
% of Total	61.2	32.4	34.2	33.4
Sales revenues, mln. MDL	124.954.4	41.304,7	50.079.3	33.571.4
% of Total	41.5	33.1	40.1	26.9
Financial result until taxing. Profit (+) Loss (-), mln. MDL	5.878.5	2.101.3	2.229.8	1.547.4
% of Total	39.1	35.7	37.9	26.3

Source: Authors' calculations according to the data of the National Bureau of Statistics.



Figure 5.4. SMEs share in GDP, 2008-2016, %

Source: Data of the National Bureau of Statistics.

Business development indicators in the region to the left of the Dniester River

In the first 9 months of 2017, in the region to the left of the Dniester River, 3.800 enterprises were included in the small business. In January-September, 2017 in the small business sector, there were 19.440 employees, up by 2.2% sply, including small and micro enterprises (except for individuals). During this period, the following economic sectors register a decreasing trend in the number of employees (a decrease of -3.8% in Transport, -10.3% in Communications, -3.7% in Real estate operations, etc.).

At the same time, during the analyzed period (January-September 2017) the following economic sectors mark a growing trend in the average number of employees sply: Agriculture, Trade and food service, Logistics and distribution, General Trade Activity, Publishing, Housing and utility services household, Health and social insurance, Culture and Art, Sport, Recreation and Tourism (Table 5.4.)

Table 5.4. Data on average number of employees in small business sector enterprises , including small and micro enterprises (without individuals) from the left of the Dniester by types of activity, in January-September 2017

	January-September 2017, pers.	January-September 2016, pers.	Indices, %
A	1	2	3
Total	19.440	19.020	102.2
Industry	3.034	3.023	100.4
Agriculture	2.316	2.118	109.3

Table 5.4. – continue

<i>A</i>	<i>1</i>	<i>2</i>	<i>3</i>
Transport	841	874	96.2
Communications	78	87	89.7
Constructions	1.837	2.001	91.8
Trade and food service	7.118	7.069	100.7
Logistics and distribution	42	40	105.0
Real estate operations	873	907	96.3
General trade activity	385	299	128.8
Publishing	101	97	104.1
Housing and utility services household	533	501	106.4
Health and social insurance	250	234	106.8
Education	251	254	98.8
Culture and art	133	123	108.1
Sport, recreation and tourism	521	441	118.1
Other branches	404	428	94.4

Source: «Main indicators of small businesses activities, including micro and small enterprises (without individuals), for January -September 2017».

Chapter VI SOCIAL SECTOR

Demographic situation

In 2017, the decreasing trend in the number of stable population continues, the number of urban population increases and the rural one declines, influencing the reduction in the number of live births, deaths, marriages, divorces, at the same time declining the birth, mortality, marriage, divorce rates and the natural decrease and its rate reached the lowest level in the last 7 years. Both the number of arrivals in rural and urban areas, and the departures from villages and cities decreased. The number of migrant labor force from urban area rose.

On January 1, 2018 the number of resident population in the country amounted to 3547.5 thousand inhabitants, down by 3.4 thousand or by 0.1% compared to the same period of the previous year, according to the data of the NBS. As in the previous years, 51.9% of population were women, which is 108 women per 100 men. Rural areas cover 57.1% of country's population, down by 0.2 p.p. compared to the last year. The weight of urban population rose by the same rate compared to the previous year amounting to 42.9% on January 1, 2018. Population density per 1 km² reduced by 0.2 inhabitants/km², reaching 116.8 inhabitants/km² at the beginning of 2018.

In 2017, the total number of live births in the country amounted to 34059 pers., decreasing by 3335 children or by 8.9% compared to the last year, the birth rate was 9.6 live births per 1000 inhabitants, down by 0.9 p.p. compared to s.p.l.y. The number of deaths accounted for 36764 pers., recording a decline of 1725 pers. or by 4.5% compared to s.p.l.y. and mortality rate reached 10.4 deaths per 1000 inhabitants, reducing by 0.4 p.p. compared to s.p.l.y. The number of deaths of children aged under 1 year in 2017 amounted to 330 cases reducing by 23 cases compared to the similar period of the last year. The natural decrease in 2017 numbered -2705 persons (-1095 persons in the previous year) or -0.8 persons per 1000 inhabitants (-0.3 persons per 1000 inhabitants in the last year), increasing strongly compared to the previous year and being the most pronounced in the last 7 years (!).

The total number of *marriages* in the country, in 2017 amounted to 20921, declining by 1071 or by 4.9% compared to the same period of the last year and marriage rate equated to 5.9 marriages per 1000 inhabitants reducing by 0.3 p.p. compared to s.p.l.y. In the case of *divorces* in the country, this indicator reached 9312, declining by 1293 or by 12.2% compared to the previous year. The divorce rate amounted to 2.6 divorces per 1000 inhabitants, by 0.4 p.p. less compared to s.p.l.y. In 2017 both the number of divorces and divorce rate and the number of marriages and marriage rate have the lowest values in the last 11 years (!).

Regarding domestic migration determined by the relocation in 2017, the total number of arrivals within the country amounted to 30732 persons, by 2592 pers. or by 7.8% less compared to s.p.l.y. 18713 of these were arrivals in urban area, by 1.0% less compared to s.p.l.y. and 12019 arrivals – in rural areas, by 16.7% less compared to s.p.l.y. 13209 of total number of departures were from urban areas, by 1.3% less compared to s.p.l.y. and 17523 pers. – from rural areas, by 12.1% less compared to s.p.l.y. The highest weight of arrivals was in urban areas (60.9%), and departures – of rural areas (57.0%). The highest part of population leaving the rural areas are young people aged between 15 and 34 years old (60.1%), followed by population aged between 35 and 59 years (33.3%). The highest weight of population leaving the urban areas is the population aged between 35 and 59 years old (46.5%), followed by young people between 15

and 34 years (40.2%). The young people aged between 15 and 34 years old hold also the highest weights of arrivals (51.2% – in urban areas, 52.0% – in rural areas), followed by population between 35 and 59 years (38.9% – in urban areas, 39.1% – in rural areas).

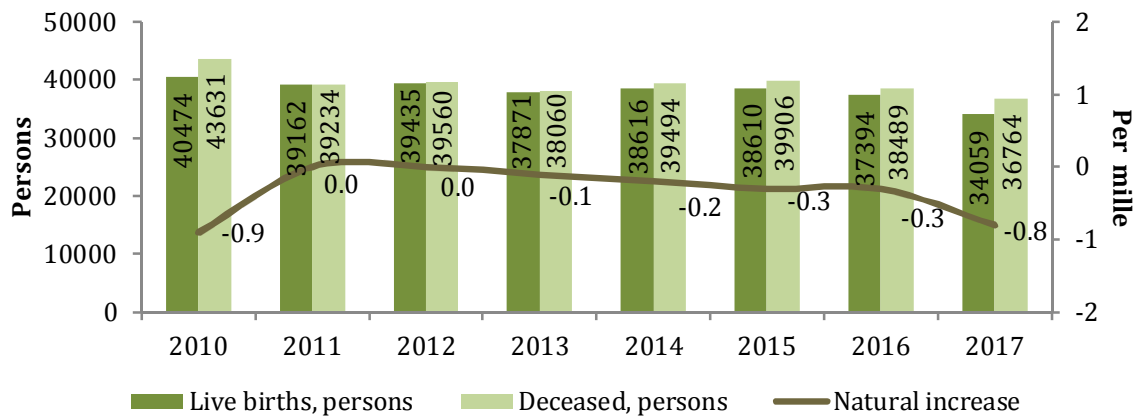


Figure 6.1. Natural movement of population in 2010-2017

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

Concerning labor migration, in Q IV of 2017, 332.7 thousand persons emigrated out of the country, by 15.3 thousand pers. or by 4.9% more compared to s.p.l.y. Most of these people are men – 217.9 thousand (by 9.0 thousand pers. or by 4.3% more compared to s.p.l.y.) or 65.5%, while 112.8 thousand were women (by 6.3 thousand pers. or by 6.0% more compared to s.p.l.y.), holding a weight of 34.5%. 71.7 thousand men or 32.9% of total men emigrated from urban areas (by 10.4 thousand pers. or by 17.0% more compared to s.p.l.y.), and 146.1 thousand men or 67.1% – from rural areas (by 1.5 thousand pers. or by 1.0% less compared to s.p.l.y.). 34.1 thousand women or 30.2% of total women emigrated from urban areas (by 8.8 thousand pers. or by 34.8% more compared to s.p.l.y.), and 78.7 thousand or 69.8% – from rural areas (by 2.5 thousand pers. or by 3.1% less compared to s.p.l.y.). Among urban population there are no major discrepancies between men and women regarding the migrant structure by age groups (migrants from cities aged 25-34 years – 45.6%, aged 35-44 years – 22.9%, aged 45-54 years – 15.3%, those in the other age groups – 16.2%). Among rural population, there are significant differences between men and women in the migrant structure by age groups. The men who emigrated from villages aged 25-34 years hold the highest weight – 42.2%, those aged 15-24 years – 21.6%, those aged 35-44 years – 20.4%, men in the other age groups – 15.6%. The women who emigrated from villages aged 35-44 years hold the highest weight – 28.0%, those aged 25-34 years – 26.6%, those aged 45-54 years – 21.4%, women in the other age groups – 24.1%.

Labor market. In 2017 the most indicators on economic activity of labor force, such as: economically active population, employed population, inactive population, activity rate, employment rate, number of unemployed and unemployment rate have reduced compared to the last year.

In 2017, the economically active population amounted to 1259.1 thousand pers., declining by 1.1% or by 13.7 thousand pers. in comparison with 2016. At the same time, the activity rate of population was 42.2% and reduced by 0.4 p.p. compared to the level of 2016. Among economically active population, this indicator was higher for men (45.3%) than women (39.4%). There are discrepancies concerning the area of residence, too, the activity rate being higher in urban area (44.5%) than in rural one (40.4%). In the age group of 15-29 years, the activity rate of economically active population accounted for 30.1%, and in the group of 15-64 years – 46.9%. The economic activity rate of working age population (according to national legislation: 16-56 years – women and 16-61 years – men) constituted 49.4%.

Employed population amounted to 1207.5 thousand pers., down by 1.0% in relation to the last year. There were no major differences by gender – men – 50.5% and women – 49.5%. The weight of employed population in urban area was lower than in rural one: in urban areas – 45.6%, in rural areas – 54.4%.

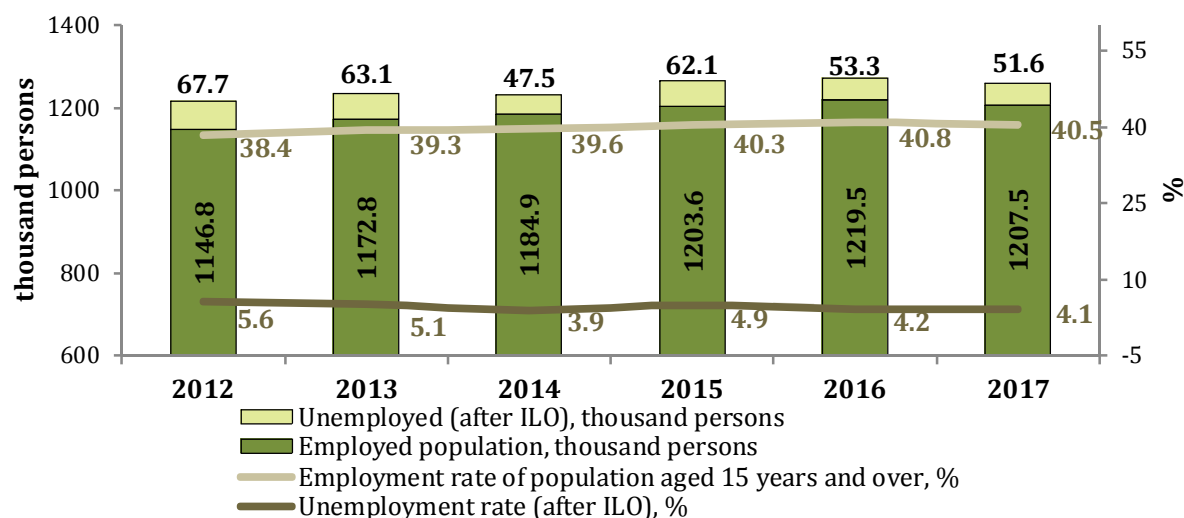


Figure 6.2. Dynamics of activity, employment and unemployment rates of population aged 15 and over in 2012-2017

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

Employment rate of population aged 15 and over reached 40.5%, declining slightly compared to 2016 (40.8%). The employment rate of men – 43.1% was higher than that of women (38.1%). By distribution of residence area, the employment rate in urban area was – 41.9%, exceeding slightly that in rural area – 39.3%. The employment rate of working age population (16-56/61 years) accounted for 47.2%, of people aged 15-64 years old – 44.9%, and in the age group of 15-29 years – 27.6%.

The number of unemployed, amounted to 51.6 thousand pers., less by 3.2% compared to 2016 (53.3 thousand) according to the International Labour Office. The unemployment was higher among men – 59.9% of total unemployed as well as among people in urban areas – 64.7%.

The unemployment rate across the country in 2017 was 4.1%, being almost at the same level as in the previous year (4.2%). The unemployment rate for men accounted for 4.8%, and for women – 3.3%. There were discrepancies in the unemployment rate between urban and rural areas (5.7% and 2.7%, respectively). Among young people (15-24 years) the unemployment rate was 11.8%, and in the age group of 15-29 years – 8.1%.

The inactive population in the country (aged 15 and over) in 2017 amounted to 1724.7 thousand pers., forming 57.8% of total population of this age group decreasing by 0.4 p.p. compared to the last year. Inactive population includes:

- people who don't want to work (1382.4 thousand pers.), of them:
 - a) pensioners (616.6 thousand pers.);
 - b) people who don't want to work, as they study or learn (254.1 thousand pers.);
 - c) people who don't want to work for an income, because they take care of family (198.9 thousand pers.);
 - d) people who live in the country, but don't want to work in Moldova because they have already a (permanent or seasonal) job abroad or people who plan to work abroad (216.2 thousand pers.);
- people announced by households as working or looking for a job (318.4 thousand pers.);
- people discouraged to find a job in the country (7.7 thousand pers.).

In Figure 6.3 there can be seen that the number of people announced by households as working or looking for a job abroad has strongly increased in the first 3 quarters of 2017 (by 26.6% or by 73.7 thousand persons), so that in Q IV, 2017 to reduce by 20.3 thousand pers. or by 5.8% compared to the previous quarter. At the same time, in the first three quarters of 2017, the number of discouraged persons to find a job in the country has strongly reduced (by 9.9 thousand persons or by 74.4%), which can be a consequence of the fact that a large part of these persons would have left abroad rather than they found a job in the country, however their number rose by 2.1 times or by 3.8 thousand pers. in Q IV, 2017 compared to Q III, 2017.

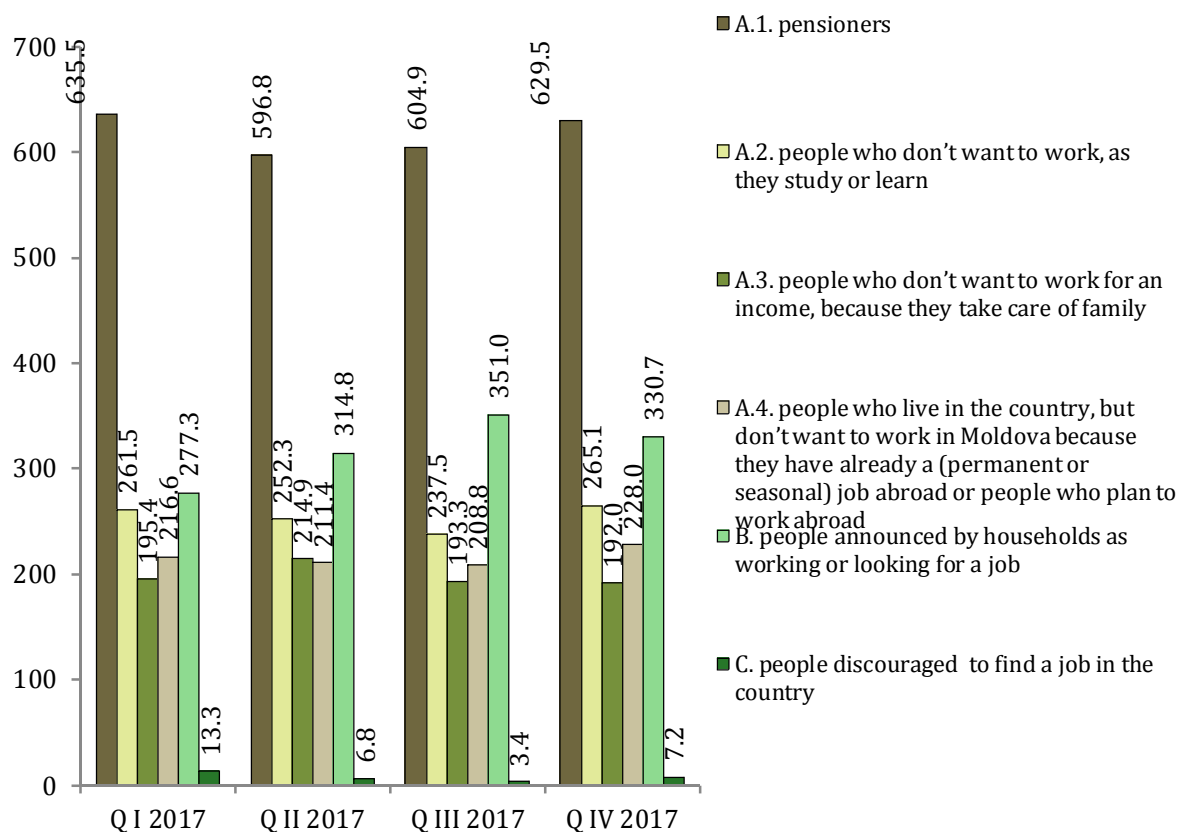


Figure 6.3. Dynamics of several types of persons of inactive population during Q I 2017 – Q IV 2017, thousand persons

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

Box 6.1. Updating the system of employment records

in the Republic of Moldova

The Parliament has adopted the Law no. 123 of July 7, 2017 on amending and completing several legislative acts, published on July 19, 2017 in the Official Journal no. 252, which came into force on January 1, 2018 and abolishes the employment record books since January 1, 2019. According to this law, the provisions on the employment record books of the Labour Code are abolished.

This law has been legislated in order to simplify the process of financial and statistical reporting by launching a single online reporting platform, on which the State Tax Inspectorate, National Social Insurance House, National Health Insurance Company will be connected to exclude the double information presented to public institutions by the economic agents.

The employment record books issued until January 1, 2019 remain effective against third parties and are applicable until January 1, 2019.

Source: <http://lex.justice.md/md/370937/>

Remuneration of labor

In 2017, the gross average monthly nominal salary amounted to 5697.1 MDL, rising by 12.1% compared to 2016, and in real terms – by 5.2%. Q IV of 2017 is characterized by an increase in the average monthly nominal salary (6113.6 MDL) by 12.4% compared to the same quarter of the last year. The average monthly salary in public sector (5165.7 MDL) increased by 18.0% compared to s.p.l.y., in a greater degree than the average monthly salary in the real sector (6491.8 MDL), which rose by 10.3% compared to s.p.l.y. The highest-paying economic activities are: Financial and Insurance activities, Information and communications and Production and supply of electricity, heat energy, gas, hot water and conditioned air.

In 2017, the gross average monthly nominal salary amounted to 5697.1 MDL, increasing by 12.1%, and in real terms (adjusted to the consumer price index) - by 5.2% compared to 2016. In Q IV, 2017, the average monthly salary was 6113.6 MDL and rose by 12.4% compared to Q IV, 2016. The average monthly salary in public sector was 5165.7 MDL (by 18.0% more compared to Q IV of 2016), in real sector – 6491.8 MDL (by 10.3% more compared to Q IV of 2016). According to the types of economic activities, the highest average monthly salary in Q IV, 2017 has been registered in: *Financial and Insurance activities* – 13021.6 MDL (213.0% of the average salary), *Information and communications* – 12875.5 MDL (210.6% of the average salary), *Production and supply of electricity, heat energy, gas, hot water and conditioned air* – 11127.5 MDL (182.0% of the average salary). In Q IV of 2017 the lowest salaries were found in the following economic activities: *Art, leisure and recreation activities* – 3460.2 MDL (56.6% of the average salary), *Accommodation and food service activities* – 4106.0 MDL (67.2% of the average salary) and *Agriculture, forestry and fishing* – 4254.2 MDL (69.6% of the average salary).

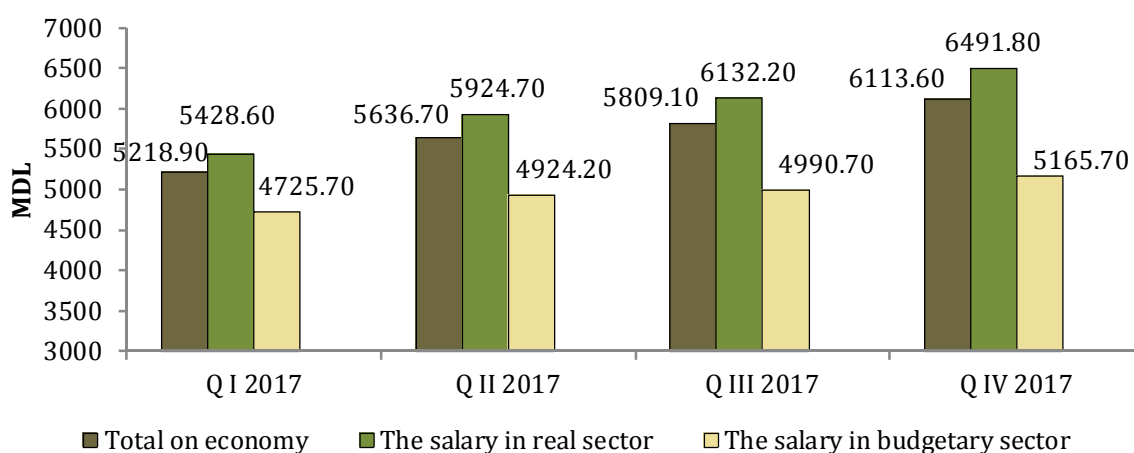


Figure 6.4. Dynamics of nominal salary in public sector and real sector in Q I – Q IV 2017, MDL

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

In 2017, the disposable monthly revenues of population amounted to 2244.9 MDL on average per capita, up by 9.0% compared to s.p.l.y. in real terms, the revenues of population rose by 2.2% compared to s.p.l.y. The most important sources of revenues remain to be: salaries (43.1%), social benefits (23.4%) and remittances from abroad (16.5%).

In 2017, the disposable monthly revenues of population amounted to 2244.9 MDL on average per capita, by 9.0% more than in the previous year, and in real terms (adjusted to the consumer price index) increased by 2.2%. The contribution of salaries in the revenues structure of population still remains the most important financial source. The revenues from salaries represent 43.1% of total disposable revenues, their weight being up by 1.0 p.p. compared to

2016. The social benefits are the second significant source of revenues of Moldavians amounting to 23.4%, growing by 1.3 p.p. compared to the last year. The self-employment activities with a weight of 13.3% of the average monthly revenues per capita of which from agricultural individual activities – 7.8%, and from non-agricultural individual activity – 5.5% have also contributed to the formation of revenues. Another important source for the household budget are the remittances from abroad. These represent 16.5% of total revenues or by 0.5 p.p. less compared to 2016. The household revenues from urban area were on average by 754.0 MDL or by 1.4 times higher than those from rural area. For the population in urban area, the main sources of revenues are the salaries which ensured the revenues of population in the ratio of 55.4% (increasing by 0.9 p.p. compared to 2016) and social benefits – 21.6% (increasing by 0.8 p.p. compared to 2016). The revenues of population in rural area are generated on the basis of salaries in the ratio of 29.9%, and their contribution is by 1.9 times lower than in urban area. At the same time, the revenues from agricultural individual activity had a weight of 15.2% of total disposable revenues. The revenues of population in rural area depend to a greater extent on the social benefits and remittances from abroad in relation to revenues of population in urban area. Thus, the social benefits in villages are in the ratio of 25.4%, while in urban areas their weight was 21.6%, and remittances from abroad in villages hold a weight of 22.3%, while in cities this weight represents 11.0%.

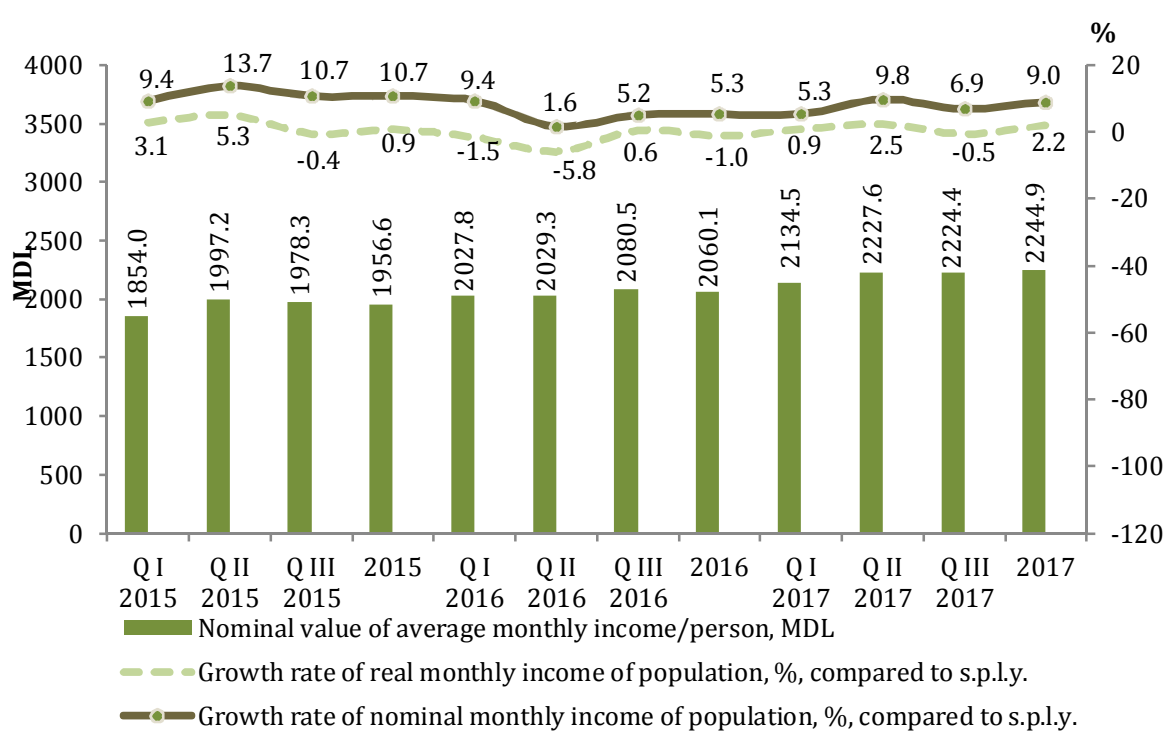


Figure 6.5. Dynamics of household disposable revenues, nominal value and growth rates by quarters, 2015 – 2017

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

Average monthly consumption expenditures of population in 2017 amounted to 2250.3 MDL per capita, increasing by 6.3% against 2016. In real terms, adjusted to the consumer price indices, household expenditures decreased on average by 1.0% sply. The highest part of expenditures continues to be directed towards: food consumption (43.4%), housing maintenance (18.6%) and clothing and footwear (10.4%).

In 2017, the average monthly consumption expenditures of population amounted to 2250.3 MDL per capita increasing by 6.3 % compared to the last year. In real terms (ajusted to the consumer price index), the household expenditures decreased on average by 1.0% compared to the previous year. In 2017, the food consumption represents the highest part of expenditures –

43.4% (42.6 in 2016). The housing maintenance expenditures had a weight of 18.6% of total consumption expenditures on average per capita (17.8% in 2016). The clothing and footwear expenditures accounted for 10.4% (10.5% in the previous year), health services – 5.9% (6.4% in 2016), communications – 4.5%, housing facilities – 3.9%, transport – 3.7%, education – 0.5%, etc.

Box 6.2. Changing natural gas tariffs and prices

Since March 17, 2018, the Decision No. 88 of March 16, 2018 on natural gas tariffs and prices has been published in the Official Journal:

- household consumers with a monthly consumption up to (including) 30 m³ will pay 4 705 MDL/1000 m³, which is by 1187 MDL or by 20,1% less in relation to the previous price;
- household consumers with a monthly consumption over 30 m³ will pay 4895 MDL/1000 m³ by 1243 MDL or by 20,3% less in relation to the previous price.

The regulated natural gas prices and tariffs for 2018 have been examined according to the principles and calculation method set out in the *Methodology for calculation and application of regulated tariffs and prices for natural gas*, approved by the Decision of the NERA Managing Board no. 678 of August 22, 2014, with subsequent amendments and completions.

The main factors, which led to the natural gas price decrease were:

- average annual purchase price of imported natural gas;
- amending the exchange rate of national currency.

Source: <http://lex.justice.md/md/362878/>

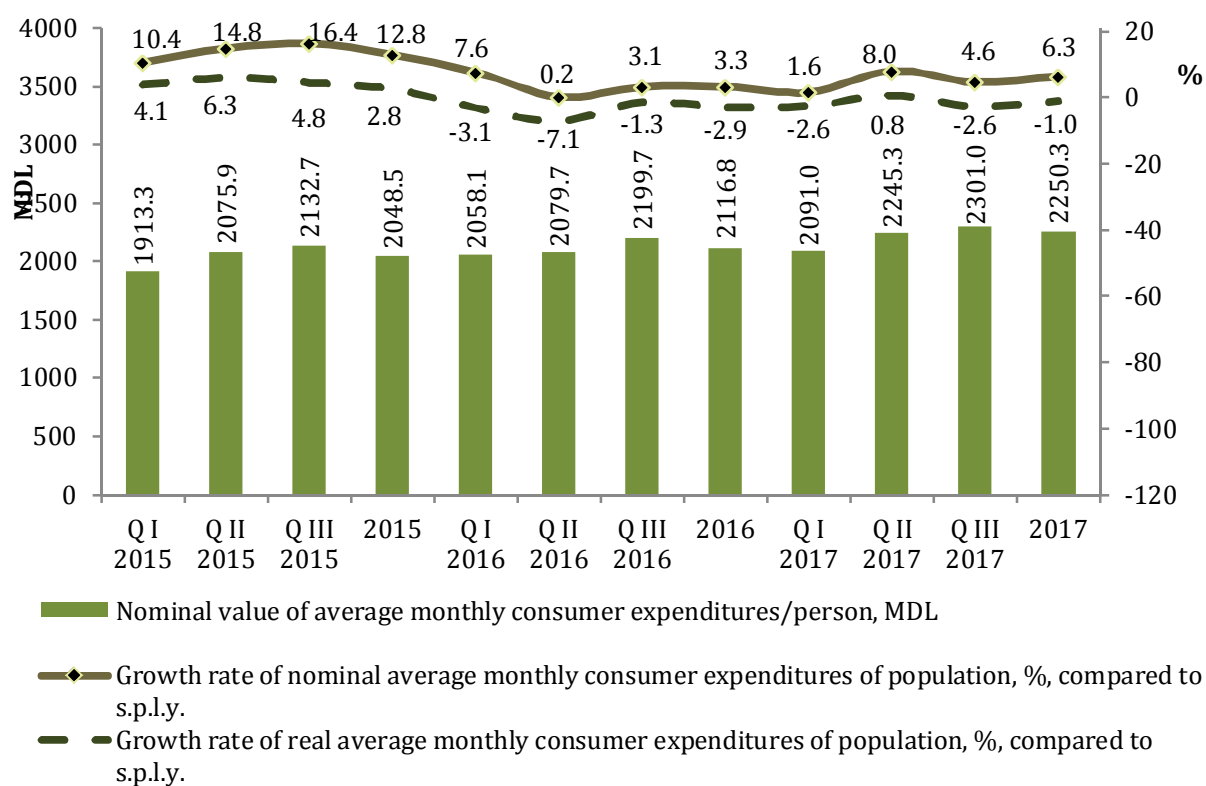


Figure 6.6. Dynamics of consumer expenditures, nominal value and growth rates, by quarters, 2015 - 2017

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

The monthly consumption expenditures of population in urban area equated to 2680.0 MDL on average per capita, by 760.3 MDL or by 1.4 times more as in rural area. The population in urban area directed 40.8% of monthly consumption expenditures (40.1% in 2016) towards food consumption, and in rural area – 46.2% (45.4% in 2016). At the same time, the urban population spent more for housing maintenance – 19.3% versus 17.8% in rural area, for communications – 4.7% versus 4.3%, for transport – 4.1% versus 3.3%, for hotels, cafes and restaurants – 2.8% versus 0.7%, leisure services – 2.0% versus 0.6%. The rural population spent more for housing facilities 4.1% versus 3.8% in urban area, for clothing, footwear – 10.8% versus 9.9%, for health services – 6.2% versus 5.6%, for alcoholic beverages and tobacco – 1.5% versus 1.4%.

Box 6.3. “First home” program

On January 19, 2018, the Law on several measures for the implementation of the „First Home” State Program has been published in the Official Journal. The law has been drafted in order to *create the legal framework for the implementation of the Program and facilitate the access of individuals to buying a dwelling by contracting partially state guaranteed mortgage loans.*

The program is intended for individuals, these mortgage loans in the „First Home” Program can be granted by any Moldovan licensed bank. The concept stipulates that the banks which will grant loans in the „First Home” Program have to check whether the beneficiary meets the following eligibility criteria:

- *The beneficiary is up to 45 years at the time of requesting the mortgage loan;*
- *He is a Moldovan citizen, works in the Republic of Moldova and holds official incomes;*
- *Does not own a dwelling alone or with the husband/wife or with other persons and has not at the moment a mortgage loan for the purchase of dwelling;*
- *Monthly payment of the beneficiary — interest and basic amount — will not exceed 50% of the official cumulative net salary revenues of the beneficiary's family;*
- *He is engaged to keep the purchased dwelling in the first 5 years from the date of acquisition, except in the case of full payment.*

The amount of the payment for the authentication of the dwelling sale and purchase agreements in the „First Home” State Program, as well as for the authentication of the mortgage agreements under this program will be in the ratio of 0,1% of the transaction value.

The law also stipulates that the receiver fee for the sale of pledged or mortgaged dwellings at the creditor's request, which have been purchased through „First Home” State Program, will be calculated according to the provisions of Article 38 of the Enforcement Code, but will not exceed 5000 MDL.

Source: <https://monitorul.fisc.md/tag/prima%20casa/>

Social protection of population. According to the data of the National House of Social Insurance, the number of pensioners registered to the social protection bodies as of January 1, 2018 amounted to 716.0 thousand pers. or by 24.8 thousand pers. more compared to January 1, 2017. On January 1, 2018 the monthly average pension amounted to 1527.87 MDL, up by 19.8% against January 1, 2017.

Subsistence minimum. In 2017, the subsistence minimum amounted to 1862.4 MDL on average per capita, increasing by 3.5% against 2016. In cities, the subsistence minimum amounted to 2072.6 MDL, by 2.9% more compared to 2016, in towns – 1861.6 MDL, by 5.5% more in comparison with the last year, in villages – 1770.5 MDL, by 2.7% more compared to 2016. In cities, the subsistence minimum was by 11.3% higher than in towns and by 17.1% higher than in villages. By categories of population, the utmost value of the subsistence minimum belongs to working age population – 1984.5 MDL and, especially to men – 2153.7 MDL.

Social development of the region to the left bank of the Dniester River⁵

Demographic situation. In 2017, the natural decrease of population amounted to 2184 pers., up by 4.9% compared to the previous year. There were recorded 4500 live births, their number decreased by 176 pers. or by 3.8% compared to the last year. The number of deaths reached 6684 pers., by 1.1% less than in 2016.

In 2017, the number of deaths caused by digestive diseases increased by 3.9%, neoplasmas – by 3.3%, while the deaths caused by poisons, lesions and murders decreased by 10.7%, vascular brain lesions – by 3.5%, coronary heart diseases – by 1.0% compared to 2016. In 2017, *the infant mortality rate* of children under the age of 1 year amounted to 31 pers., by 24.0% more than in 2016. The structure of the main causes of infant mortality is: conditions from perinatal period (11 cases); congenital abnormalities (10 cases).

The number of *marriages* registered in 2017 was 2765, increasing by 0.8% in comparison with 2016. The number of *divorces* reached 1802, rising by 3.9% compared to the last year.

Migration increase of population in 2017, taking into account internal and external migration reached 522 pers., compared to the previous year when there was a migration reduction of 1759 pers. During 2017, 8676 pers. (out of the region – 3819 pers.) arrived, representing 143.7% of total number of arrivals during the same period of the previous year, of them children under 16 years – 1940 pers., or 22.4% of total number of arrivals. 8154 pers (out of the region – 3160 pers.) left or 104.6% of those who left during 2016 including children under 16 years – 1351 pers. or 16.6% of total number of departures. Of total number of arrivals in the region – 49.0% are men (4249 pers.), the number of men who had left the region is 49.4% (4029 pers.). In 2017, 5874 pers. arrived in urban areas and 5665 pers. left, which is 145.6% and 105.0%, respectively compared to 2016. 2914 pers. arrived out of the region and 2541 pers. left the region. 2802, pers. arrived in rural areas and 2489 pers. left, which represents 140.0% and 103.8%, respectively compared to the same period of the previous year. 905 pers. arrived out of the region and 619 pers. left the region.

Labor market. On January 1, 2018 the number of employees in the organizations of all economic sectors (except for small enterprises, religious and non-profit organizations, security structures and customs authorities) amounted to 95.5 thousand pers., decreasing by 2058 pers. or by 2.1% compared to the same period of the previous year. Since the beginning of 2017, the number of citizens registered to the employment agencies who get a job numbered 18206 pers., of them 976 pers. – to newly created and additional jobs. The percent of substitution of redundant employees with new staff was 92.1%. During 2017, 19766 persons layed off from institutions and organizations representing 20.4% of the number of employees since the beginning of the year. The main reason of dismissal is worker's own motion, this category includes 16286 pers. (82.4%).

According to the Social Insurance Fund of Transnistria, at the end of 2017, the number of citizens officially registered as unemployed amounted to 5189 pers., by 21.8% more against the end of 2016. 2645 pers. or 51.0% of total number of registered citizens are women. In 2017, through territorial bodies of the Transnistrian Agency for Employment, 11775 pers. were recorded as looking for a job, of them 5641 pers. are women (47.9% of total number of registered citizens). In 2017, 23700.9 thousand rubles⁶ were spent for payment of unemployment benefits. 4207 pers. received unemployment benefits, their average amount totaled 416.1 rubles or 30.7% of the average subsistence minimum budget per capita.

Remuneration of labor. For 2017, the average monthly nominal salary calculated for an employee in the region (except for small enterprises, religious and non-profit organizations,

⁵ The analysis was conducted based on the Statistical Service of Transnistria.

⁶ The official average exchange rate of the monetary authority of the region to the left of the Dniester River in January-December 2017 – 1 US dollar=13.3797 rubles (https://www.cbpmr.net/data/sv_K_n_itog_02_01_18.pdf).

power structures and customs authorities) amounted to 3977 rubles, which is 103.4% compared to 2016. The average monthly salary at public organizations amounted to 2731 rubles, increasing by 0.8% against the previous year.

In 2017, the average monthly nominal salary of an employee was higher than the average salary in the region in the following economic branches: „Electrical- and radio-communication” (10198 rubles or 762 US dollars), „Insurances” (7136 rubles or 533 US dollars), „Banks and credits” (7120 rubles or 532 US dollars), „Information and computer services” (5324 rubles or 398 US dollars), „Industry” (5322 rubles or 398 US dollars), „Constructions” (4575 rubles or 342 US dollars), „Housing and utility services household” (4165 rubles or 311 US dollars), „Editorial offices and publishing houses” (4151 rubles or 310 US dollars), „Transport” (4128 rubles or 309 US dollars), „Trade and food service” (3990 rubles or 298 US dollars).

In 2017, in almost all industry sub-branches, excepting "Ferrous metallurgy", "Electro-energetics" and "Machine Building and Metalworking", the average monthly nominal salary of employees was lower than the average in industry. The highest average monthly nominal salaries for 2017, were recorded in the following industry sub-branches: "Ferrous Metallurgy" (6505 rubles or 486 US dollars), which is higher than the average salary in the region by 63.6%; "Electroenergetics" (6239 rubles or 466 US dollars) – by 56.9% higher than the average salary; "Machine Building and Metalworking" (5751 rubles or 430 US dollars), by 44.6% higher than the average salary in the region; "Food industry" (4841 rubles or 362 US dollars), by 21.7% higher than the average salary in the region; "Building materials industry" (4453 rubles or 333 US dollars), by 12.0% higher than the average salary in the region; "Light industry" (4449 rubles or 333 US dollars), by 11.9% higher than the average salary in the region; "Flour, cereals and mixed fodder industry" (4430 rubles or 331 US dollars), by 11.4% higher than the average salary in the region; "Chemical industry" (4293 rubles or 321 US dollars), by 7.9% higher than the average salary in the region.

Social protection of population. At the end of 2017, the number of pensioners amounted to 118981 pers., by 5.6% less compared to the last year. In Q IV, 2017 the number of pensioners amounted to 119691 pers., of them 115482 pers. benefit by labour pension and 4209 pers. - by social pension. In Q IV, 2017 the average amount of the pension accounted for 1343.55 rubles (labour pension – 1369.31 rubles and social pension – 636.93 rubles).

Subsistence minimum. In 2017, the subsistence minimum amounted to 1355 rubles per capita, which is by 5.4% more than in 2016.

Table 6.1. Subsistence minimum on average per capita in the region from the left bank of the Dniester River in 2017, rubles per month

	Total population	Including:				
		Able to work		Pensioners	Children	
		Men 16-59 years	Women 16-54 years		Under 6 years	From 7 up to 15 years
January	1317	1447	1369	1111	1219	1464
February	1310	1440	1362	1106	1211	1457
March	1301	1429	1352	1098	1203	1447
April	1315	1446	1366	1110	1216	1464
May	1333	1467	1383	1125	1231	1487
June	1390	1530	1438	1172	1290	1565
July	1379	1519	1428	1160	1283	1553
August	1356	1494	1404	1138	1262	1522
September	1369	1511	1413	1149	1274	1542
October	1383	1528	1426	1161	1292	1558
November	1395	1541	1437	1171	1306	1572
December	1411	1559	1452	1184	1320	1589

Source: According to the data of the Transnistrian Statistical Body.

Crimes. In 2017, according to the public order protection bodies, 11184 requests and reports on crimes have been registered which is by 6.7% more than in 2016. During the analyzed period, 4510 crimes have been registered in the region which is by 0.3% more compared to the same period of the last year. Of total number of recorded crimes – 871 cases (19.3%) were classified as serious and 315 cases (7.0%) – extremely serious. It should be mentioned that compared to 2016, the number of extremely serious crimes increased by 6.8% and serious ones – by 0.6%. During 2017, there were registered 1281 thefts, 624 drug related crimes, 379 crimes against public order, 185 crimes related to illegal trafficking in arms; 167 scams; 116 hooliganisms; 100 robberies; 84 rapes and other crimes against sexual inviolability; 52 serious health injuries; 34 murders; 32 corruption crimes; 30 crimes committed by use of arms, munitions and explosives; other crimes – 1355 cases. In 2017, 4338 crimes were investigated of which 780 (18.0%) crimes were committed by persons previously convicted, 493 (11.4%) – women, 539 (12.4%) – group of persons, 262 (6.0%) – crimes committed by minors. During 2017, 518 (11.9%) crimes were committed in drunkenness, drugging or in any other nature condition. As a result of these crimes, 2445 pers. suffered, including 40 pers. (1.6%) died, and 59 pers (2.4%) were subjected to serious health injuries.

Chapter VII FORECAST FOR 2018

(preliminary version)

Results of national economic activity in 2017

In 2017, Moldovan economy in the main branches and fields registered significant improvements, the final results exceeding the forecast ones by more experts during this period according to the official statistical data. It is worth mentioning that this year was one of the most favourable for the agricultural sector, thus influencing also other branches of the national economy, as well as the economic results globally.

Gross Domestic Product (GDP). In 2017, GDP amounted to 150.4 bln. MDL, with a 4.5% growth in real terms compared to the previous year, according to the preliminary calculations of the National Bureau of Statistics. Wholesale and retail trade, transport and storage, accommodation and food service (+1.3%), agriculture, forestry and fishing (+1.0%) contributed to the GDP increase. Manufacturing industry with mining industry; production and supply of electricity, heat energy, gas, hot water and conditioned air have contributed 0.4%, information and communications (+0.2%), constructions (+0.1%). The GVA exceeded by 3.8% the level of the previous year in total economy, contributing by 3.3% and 84.1%, respectively to the GDP increase and formation. The volume of taxes on products rose by 6.9% compared to the last year, contributing 1.1% and 16.3%, respectively to the GDP increase and formation.

The policy promoted by the National Bank of Moldova in order to maintain the stability of the **exchange rate of national currency and inflation** allowed that the exchange rate to appreciate by 7.1% against the US dollar and by 5.6% in relation to EUR, during the year. At the same time, it failed to maintain the average annual inflation index (CPI) at the level of 105+-1.5%, which increased by 7.3% compared to 2016.

The foreign exchange reserve assets of the state (stock) at the end of 2017 reached 2803.3 mln. USD, rising by 27.1% or by 597 mln. USD compared to the assets recorded at the end of the last year (in January 2018 the foreign exchange reserves of the state increased by 100.2 mln.USD, reaching a record level for the Republic of Moldova – 2903 mln. USD). With the increase of foreign exchange reserves there was also recorded a growth (+1.7%) of the **(internal and external) public debt** managed by the Government, reaching 51.7 bln. MDL.

Agriculture. The global agricultural production in all types of households, in 2017 was by 8.6% higher compared to 2016. The volume of agricultural production from 2017 exceeded the record volume set in the previous year and amounted to about $\frac{3}{4}$ of that until starting reforms. The increase of agricultural production was globally due to the growth of vegetable production (+13.1%), while livestock production was down (-2.1%). The yield for other crops, excepting potato was higher compared to the last year. Regarding the livestock production, there is seen a reduction of 2.8% in meat production and 3.6% in milk production.

Industry. Since the beginning of the year, the industrial production ran around zero, and only in the second half of the year there was recorded a steady increase, allowing for the year to end in a surplus of 3.4% compared to the previous year. The modest results of this branch have been influenced by the reduction of 3.7% in mining industry production and 1.7% in electricity, heat energy, gas, hot water and conditioned air production. At the same time, manufacturing industry has increased (+4.5%), especially, due to the processing of the agricultural production available to the enterprises of this branch.

Transport of commodities. In 2017, the volume of transported commodities by all types of transport amounted to 17.3 mln. tonnes, by 23.8% above to the level of 2016, the mileage of commodities has also risen (+13.7%) and reached 4.6 bln. tonnes/km. Railway, road and air transport enterprises increased both in the volume of transported commodities and in their mileage and only fluvial transport ones have declined on both indicators compared to the previous year. 102.4 mln. passengers have been transported by all types of transport or by 1.3% less than in 2016.

External trade. The export of goods amounted to 2425.1 mln. USD, increasing by 18.1% compared to the exports from 2016. The imports of goods totaled 4831.4 mln. USD, rising by 20.2% compared to the last year. The balance of trade deficit constituted 2406.3 mln. USD, by 431 mln. USD above the level of 2016. The weight of exports and imports to EU countries continued to grow (from 65.1% in 2016 to 65.8% in 2017 for exports and from 49.1% to 49.4% for imports, respectively). Simultaneously, the weight of exports to CIS countries has decreased: from 20.3% in 2016 to 19.1% in 2017, and for imports – from 25.6% to 25%. In comparison with 2016, the highest growth in export of goods (+46.1%) has had the export of fruits and vegetables. The export of machinery and electrical equipment rose by 37.1%, oleaginous products by 19.5% etc. At the same time, it should be noted the increase of 811 mln. USD in import of goods. The experts believe that this increase is based on the increment of internal consumption as a result of the real rise of salaries, increase in remittances and appreciation of national currency against USD and EUR.

Investment in fixed assets. The volume of investment in fixed assets amounted to 21.0 bln. MDL, increasing by 1.3% compared to 2016. 13.8 bln. MDL of total volume of investment are investors' own resources, or 65.6% of the total, 2.6 bln. MDL – budget sources (12.5%), 1.1 bln. MDL – foreign sources (5.2%) and 3.5 bln. MDL – other sources (16.7%). The means from government and local budgets have contributed to the increase of investment compared to the previous year, their growth accounting for 29% and other sources (+10.2%), while the investors' own means have reduced by 3.2%, and the foreign ones – by 16.5%.

Turnover in trade and services. In 2017, the turnover in retail trade has declined by 4.6%, and turnover for market services provided to population – by 0.4% as against 2016.

Average monthly nominal salary of an employee in national economy amounted to 5697 MDL, up by 12.1% compared to the last year, and its real value rose by 5.2%.

Remittances from abroad accounted for 1200 mln. USD, by 120 mln. USD more compared to the previous year.

In 2017, the economic growth falls exactly within the average level achieved in 2000-2016. The results of the year would have been even better, but they were negatively affected by the increased uncertainty among businessmen regarding the unfavourable socio-political and economic situation in the country which prevented the normal business lending, extension of private domestic and most of all foreign investment implementation.

The forecasting calculations for 2018 were based on macroeconomic model compiled by the NIER, taking also into account the trends in the development of national economy of recent times and the impact of some unexpected moments which could take place (Table 7.1).

According to the calculations based on this model and adjusted by experts, the development of **agricultural production** in 2018 will increase (+4.1%). The importance of the agricultural sector for the national economy still remains predominant, as long as the activity of industry, foreign trade and transports, provision of internal market with food products etc. depends on the results of this sector.

Table 7.1. Dynamics of main macroeconomic indicators during 2015-2017 and forecast for 2018

	Measurement Unit	2015	2016	2017	2018
			Actual		Forecast
Nominal GDP	mild.MDL	122.6	134.9	150.4	160.5
Compared to the previous year in comparable prices	%	99.6	104.3	104.5	103.5
Average annual consumer price index	%	109.7	106.4	107.3	105.3
Average exchange rate	MDL/USD	18.82	19.92	18.5	17.5
Export of goods	mil. USD	1967	2045	2425	2640
Compared to the previous year	%	84.1	104.0	118.6	108.9
Import of goods	mil. USD	3987	4020	4831	5244
Compared to the previous year	%	75.0	101.0	120.2	108.6
Balance of trade	mil. USD	-2020	-1975	-2406	-2606
Industrial production at current prices	mild. MDL	45.7	47.0	50.1	54.6
Compared to the previous year in comparable prices	%	100.6	100.9	103.4	105.8
Agricultural production at current prices	mild. MDL	27.2	32.7	36.0	38.5
Compared to the previous year in comparable prices	%	86.6	118.6	108.6	104.1
Investment in fixed assets	mild. MDL	21.1	19.4	21.0	24.9
Compared to the previous year in comparable prices	%	90.6	86.1	101.3	106.5
Average monthly nominal salary	MDL	4611	5084	5697	6345
Compared to the previous year					
Nominal	%	110.5	110.3	112.1	111.4
Real	%	100.7	103.7	105.2	104.8
Labor remuneration fund	mild. MDL	50	59.1	65.7	74.6
Labor force (economically active population)	mii pers,	1266	1273	1259	1250
Number of employees in national economy	mii pers,	1171	1227	1250	1240
Unemployment rate	%	4.2	3.6	4	3.8
Remittances from abroad	mil. USD	1130	1079	1200	1300

Source: Compiled by authors according to the statistical data.

Taking into account that our country is currently unable to cover its needs from its own sources and has to import a large part of livestock products, the situation in this field has to be permanently on competent bodies' radar. The country has the potential to double the meat and milk production.

For 2018, the *industrial production* will increase by 5.8% and amount to 54.6 bln. MDL. The increase will be provided by the processing of a good part of the rich fruit from the last year and creation of new jobs, especially in the result of extending the existing and new industrial parks, improving the business environment.

The forecasts show that in 2018, the growth rates of *imports* of goods will be lower than the *exports* ones, but not to the extent to improve the *balance of trade*. As a result, the balance of trade deficit will reach this year 2606 mln. USD, or by 200 mln. USD more than in 2017.

The foreseen growth rate of *investment in fixed assets* of 6.5% is relatively good, but not adequate to boost a visible growth of the national economy, especially given that in recent years, the trend of this indicator was negative.

Maintaining a high growth rate of nominal *salary* for 2018 (+11.4%) will also determine a rise in the real salary of 4.8%. It is foreseen that the *unemployment rate* to be around 3.8%.

Economic growth premises

One of the main factors which will positively influence the dynamics of the economic development of the Republic of Moldova is the *Agreement on economic reform program* supported by a 3 year financing arrangement through Extended Fund Facility (EFF) and Extended Credit Facility (ECF) concluded between the International Monetary Fund (IMF) and our country. Thus, according to this agreement with the IMF, there is forecast the allocation of a financial aid amounting to 179 mln. USD during 3 years.

The conclusion of the agreement with the IMF, institution of a relatively stable political situation in the country, improvement of the investment climate, other measures in promoting the reforms stipulated in the *Association Agreement concluded between the RM and EU*, contributed to the opening of more international financial institutions by providing with financial aids to support the budget, as well as the implementation of several programs and projects to Moldova. The European Union will allow in the coming years (if a set of reforms will be fulfilled) a financial aid in the amount of 100 mln. EUR into three tranches as a macrofinancial support, of which 40 mln. EUR as a grant and 60 mln. EUR – medium-term loans at advantageous conditions.

A decisive premise for the economic development is the ability of government to create *favourable conditions to boost the business and attract investment*. In recent years, there were carried on several actions to improve the situation. According to the World Bank's *Doing Business Annual Report - 2017*, Moldova ranks 44th of 190 countries included in the ranking by the level of business facilitation. In this respect, Moldova had a good development moving gradually from 82nd position in 2013 to 63rd in a year, then in 2015 to advance up to 52nd and in the end 44th place already mentioned.

Weaknesses in the development of national economy

A heavy burden for the country's economy is the *excessive increment of public debt* which by the end of 2016 reached almost 51 bln. MDL. 29 bln. MDL of the total amount belong to the external public debt, and the rest of 22 bln. MDL – to the internal public debt. This record increase is partially due to the Government's decision to assume the responsibility on converting the emergency loans granted by the NBM in 2014 and 2015 to the three banks involved in the billion dollar fraud in public debt. In 2017, the growth trend of the external and internal public debt continued by lower paces amounting to 29.1 bln. MDL and 22.6 bln. MDL, respectively by the end of the year.

A significant impediment in boosting and expanding the foreign trade is caused by the continuation of *restrictions on domestic production export* brought about by the embargo imposed to the Republic of Moldova by the Russian Federation. Though, after several meetings of the high-level policy makers between our countries recently there have been opportunities, to improve the trade relations with this country, so far tangible results have not been observed.

Macroeconomic situation and actual challenging policy do not contribute to the economic growth. According to the IMF experts, the budget and fiscal policy of the Republic of Moldova has limited capacities to support the internal economic activity, especially until the new authorities will develop a fiscal policy and government expenditures policy that will lead to the strengthening of the national public budget capacity to achieve the goals on the development agenda. The poor governance in the banking sector produces high costs for the economy. Removing the deficiencies in banking supervision is a long-awaited challenge and its achievement will play a key role in the revival of macroeconomic stability. Socially and politically, the dissensions between the state exponents, following the elections of the country's

President question the maintenance of a political stability, which in turn is against the successful development of the country. The parliamentary elections forecast to take place by the end of 2018 will also influence negatively the normal development of the national economy, taking into account that the course of the election campaign is expensive and will be an additional burden for the country. Amending the electoral system, from proportional to mixed one under which the parliamentary elections will take place is not the best option for a country claiming for a true democracy.

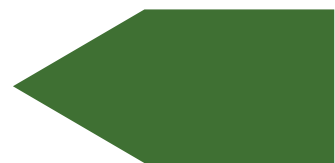
Worsening country image in international ranking. In the global ranking on annual ***democracy*** index published by ***The Economist***, Moldova continued to degrade during the last ten years. Therefore, in 2016 the Republic of Moldova ranked 76th of 167th countries, giving up six positions compared to 2015, being classified as a defective state, with a democracy index of 6.01, against 6.35 in the previous year. In 2017, Moldova was in 78th place (of 113 assessed countries), with a democracy index of only 5.94, for the first time internationally it is recognised as a hybrid regime country.

In another ranking, compiled by the ***Transparency International*** organization, in 2017 our country lost 20 positions in the world ranking on ***corruption*** perception index, being in 122th place of 180 countries, where it is also said that the situation in our country is from worse to worst and it is not about the ordinary corruption as for corruption at the highest level, including in politics and this led to a captive nation. Contrary to the Republic of Moldova, Georgia and Romania are placed higher, being in 46th and 59th positions, respectively. At the same time, Ukraine and Russia are inferior – 130th and 135th positions. In the report quoting our country it is said that the public confidence in the government decreased dramatically, following the bank fraud from 2014. Moldova continues to be the last in Europe, according to the Gross National Product index per capita after PPC with 5.2 thousand USD, this being a proof of the government failure in the administration of the country.

The actual forecast version of the main macroeconomic indicators for 2018 after the GDP growth rates of 3.5% can be considered as a moderate one. This GDP growth rate corresponds to the economic potential of the country and average level of 3.4% registered during 2012-2016. At the same time, if we compare with the rate from the period of economic growth (2000-2016), which accounted for 4.5%, this seems too pessimistic. However, taking into account the actual socio-economic situation of the country and that parliamentary elections take place this year, the foreseen growth rate can be considered a real one.

To achieve the expected goals during the forecasting period, it is strictly necessary to ensure a macroeconomic stability, firstly in the financial-banking and monetary-accreditation sectors, as well as a political stability in the country.

STATISTICAL ANNEXES



GDP RESOURCES															
Period	GDP		GVA		Agriculture		Industry		Constructions		Other activities		Net taxes on products		
	mln. lei current prices	in % sply	mln. lei current prices	in % sply	mln. lei current prices	in % sply	mln. lei current prices	in % sply	mln. lei current prices	in % sply	mln. lei current prices	in % sply	mln. lei current prices	in % sply	
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	111757.4	104.6	94228.3	105.2	14111.8	108.2	16246.8	107.2	3964.8	110.6	62112.3	103.8	17529.1	101.5	
2015	121850.9	99.5	103160.8	99.6	14267.8	86.6	14919.3	103.4	4359.7	100.6	69441.4	102.8	18690.1	99.2	
2016	134476.6	104.1	114531.6	104.8	16409.4	118.2	20254.2	102.1	4388.4	93.3	73479.6	102.2	19945.0	100.6	
2017	150369.3	104.5	126440.9	103.8	18357.6	107.9	21952.2	103.0	4928.6	104.3	81202.6	102.4	23928.3	108.6	
Quarter I 2014	21499.2	103.7	17917.5	104.4	977.2	110.2	3373.0	105.7	597.9	108.9	13497.8	103.8	3581.7	100.7	
Quarter II 2014	26280.9	104.3	21985.9	104.9	2354	108.7	3959.1	103.9	1403.4	110.5	14823.9	104.4	4295	101.1	
Quarter III 2014	34115	105.8	29372.9	106.2	6931.1	108.4	4420.0	106.1	1271.1	113.7	17293.1	104.8	4742	103.4	
Quarter IV 2014	29862.3	104.2	24951.9	104.9	3849.6	107.3	4495.0	112.7	692.4	106.7	16497.5	102.2	4910.4	100.7	
Quarter I 2015	24423.2	104.8	20473.7	105.2	914.7	104.4	4001.4	107.9	708.6	106.2	15763.5	105.2	3949.4	103.1	
Quarter II 2015	28526.8	102.5	23958.3	102.7	2064.6	102.7	4569.5	104.6	1521.4	101.1	16755.0	103.5	4568.5	101.5	
Quarter III 2015	35889.6	96.3	30723.9	96.1	6484.8	82.6	4846.8	102.5	1393.5	98.2	19030.7	101.2	5165.7	97.6	
Quarter IV 2015	33011.3	96.7	28004.8	96.9	4803.7	81.7	4010.9	98.1	736.2	98.9	19002.6	106.2	5006.5	95.6	
Quarter I 2016	27097.4	100.8	23018.9	100.6	1005.9	105.1	4529.9	101.14	697.3	96.0	17143.0	98.8	4078.4	102.2	
Quarter II 2016	31433.8	101.8	26575.5	102.4	2078.4	104.1	4839.2	100.00	1410.5	85.5	18247.4	102.5	4858.3	98.7	
Quarter III 2016	39749.3	106.3	34143.8	107.1	8202.8	124.2	4647.6	101.2	1463.3	97.2	19099.6	101.3	5605.5	101.7	
Quarter IV 2016	36196.0	106.5	30793.2	107.6	5122.2	117.6	5506.9	106.2	817.3	99.8	19346.8	105.5	5402.8	100.1	
Quarter I 2017	29669.65	103.1	24685.63	103.7	990.94	101.8	4685.5	101.2	834.96	102.7	18174.2	103.7	4984.02	100.1	
Quarter II 2017	34251.17	102.5	28336.6	101.1	2140.64	93.1	5091.95	100	1592.77	105.5	19511.2	102.1	5914.57	110	
Quarter III 2017	45523.5	105.4	38896.8	104.6	9241.1	106.0	6100.4	104.9	1625.5	104.0	21929.8	102.1	6626.7	110.1	
Quarter IV 2017	40925.0	106.4	34521.9	105.3	5985.0	118.5	6074.3	105.1	875.3	104.3	21587.3	101.7	6403.0	113.3	

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

Period	USES OF GDP														
	GDP			Final consumption			Gross capital formation			Stock variation			Net export		
	mln. lei Current prices	in % sply	in %	mln. lei Current prices	in % sply	in %	mln. lei Current prices	in % sply	in %	mln. lei Current prices	in % sply	in %	mln. lei Current prices	in % sply	in %
2011	82348.7	106.8	107.3	96090.5	107.3	113	19178.8	113	x	725.2	x	x	-33645.8	x	x
2012	88227.8	99.3	100.9	103062.6	100.9	101.8	20864.1	101.8	x	-3.2	x	x	-35695.7	x	x
2013	100510	109.4	105.2	113169	105.2	103.8	23062	103.8	x	1721	x	x	-37442	x	x
2014	111757.4	104.6	102.4	123357.5	102.4	110.1	27608.2	110.1	x	1447.4	x	x	-40655.8	x	x
2015	121850.9	99.5	98.1	131230.0	98.1	98.8	29492.3	98.8	x	-1952.2	x	x	-36919.2	x	x
2016	134476.6	104.1	103.0	142112.0	103.0	97.0	30021.5	97.0	x	172.5	x	x	-37829.5	x	x
Quarter I 2014	21499.2	103.7	100.5	24926.1	100.5	108.6	4993.3	108.6	x	-238	x	x	-8182.2	x	x
Quarter II 2014	26280.9	104.3	101.4	29542.5	101.4	107.6	6683.6	107.6	x	-109.3	x	x	-9835.9	x	x
Quarter III 2014	34115	105.8	103.3	35387.1	103.3	111.5	8173.6	111.5	x	973.4	x	x	-10419.1	x	x
Quarter IV 2014	29862.3	104.2	103.9	33501.8	103.9	112.1	7757.7	112.1	x	821.4	x	x	-12218.6	x	x
Quarter I 2015	24423.2	104.8	100.3	27244.8	100.3	107.8	5972.5	107.8	x	-73.9	x	x	-8720.3	x	x
Quarter II 2015	28526.8	102.5	100.1	31504.5	100.1	98.5	7053.9	98.5	x	-865.8	x	x	-9165.7	x	x
Quarter III 2015	35889.6	96.3	95.4	36492.0	95.4	95.2	8534.7	95.2	x	594.4	x	x	-9731.5	x	x
Quarter IV 2015	33011.3	96.7	97.6	35988.8	97.6	97.1	7931.1	97.1	x	-1606.9	x	x	-9301.7	x	x
Quarter I 2016	27097.4	100.8	101.9	29742.0	101.9	96.4	5946.8	96.4	x	449.7	x	x	-9040.6	x	x
Quarter II 2016	31433.8	101.8	101.8	34136.9	101.8	90.6	6838.3	90.6	x	113.1	x	x	-9654.5	x	x
Quarter III 2016	39749.3	106.3	104.1	39624.7	104.1	98.9	8667.7	98.9	x	889.1	x	x	-9432.2	x	x
Quarter IV 2016	36196.0	106.5	103.7	38608.8	103.7	101.0	8568.7	101.0	x	-1279.3	x	x	-9702.1	x	x
Quarter I 2017	29669.7	103.1	103.4	32357.3	103.4	103.3	6657.4	103.3	x	830.5	x	x	-10175.5	x	x
Quarter II 2017	34251.2	102.5	103.2	37579.8	103.2	106.3	7449.2	106.3	x	756.6	x	x	-11534.37	x	x
Quarter III 2017	45523.5	105.4	104.6	447566.8	104.6	98.9	9662.6	98.9	x	1866.6	x	x	-10762.5	x	x

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

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)
2013	4.6	6.6	4.3	2.6
2014	5.1	6.5	5.5	2.5
2015	9.7	9.8	11.8	6.2
2016	6.4	7.4	6.3	4.9
2017	6.6	7.9	4.5	7.1
Q I 2015	6.1	5.8	9.3	1.9
Q II 2015	8.0	8.7	11.1	2.6
Q III 2015	11.1	10.7	12.8	8.6
Q IV 2015	13.4	14.1	13.8	11.4
Q I 2016	11.0	12.2	10.0	10.5
Q II 2016	7.9	8.3	7.1	7.7
Q III 2016	4.5	6.2	5.0	2.1
Q IV 2016	2.5	3.2	3.5	0.2
Q I 2017	4.3	4.5	4.7	3.1
Q II 2017	7.1	8.4	4.9	8.2
Q III 2017	7.4	8.9	4.4	8.7
Q IV 2017	7.5	10.0	4.1	8.2

Source: According to the data of the National Bureau of Statistics, NIER's calculations.

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)
January 2015	4.7	4.5	7.0	1.8
February 2015	6.5	6	10.2	1.9
March 2015	7.1	7	10.7	2.1
April 2015	7.6	7.8	11	2.6
May 2015	8.1	9	11	2.6
June 2015	8.3	9.2	11.4	2.7
July 2015	8.6	8.7	12.2	3
August 2015	12.2	10.9	13.4	11.3
September 2015	12.6	12.6	12.9	11.4
October 2015	13.2	13.5	13.5	11.7
November 2015	13.5	14.5	13.8	11.3
December 2015	13.6	14.3	14.1	11.3
January 2016	13.4	14.6	13.3	11.3
February 2016	10.3	11.8	8.8	10.0
March 2016	9.4	10.1	7.9	10.1
April 2016	8.3	9.3	7.2	7.8
May 2016	7.9	8.1	7.3	7.7
June 2016	7.4	7.6	6.9	7.6
July 2016	7	7.9	5.9	7.4
August 2016	3.6	6.2	4.5	-0.4
September 2016	3	4.6	4.6	-0.8
October 2016	2.5	3.5	3.9	-0.5
November 2016	2.6	3.2	3.5	0.6
December 2016	2.4	2.8	3.2	0.5
January 2017	3	3.8	3.9	0.3
February 2017	4.7	4.8	5.1	3.9
March 2017	5.1	5	5.2	5.1
April 2017	6.6	7	5.5	7.5
May 2017	7.4	9.1	5	8.1
June 2017	7.3	9	4.2	8.9
July 2017	7.3	8.9	4.2	8.8
August 2017	7.3	8.4	4.9	8.6
September 2017	7.6	9.4	4.2	9.2
October 2017	7.9	10.6	4	8.7
November 2017	7.3	9.6	4.2	7.9
December 2017	7.3	9.7	4.1	7.9
January 2018	6.0	8.4	3.4	5.4
February 2018	5.0	8.1	2.8	3.0

Source: According to the data of the National Bureau of Statistics, NIER's calculations.

INDUSTRIAL PRODUCER 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)	Growth rate of prices in constructions, % (compared to the same period of previous year)	Growth rate of prices for agricultural products, % (compared to the same period of previous year)
2013	3.2/3.3*	1.6/1.6*	3.8/3.8*	-0.4/-0.4*	8.3	-22.2		
2014	5.5*	3.9*	6.5*	-1.4*	8.2	6.6		
2015	6.3	4.4	6.8	2.8	8.0	22.5		
2016	4.5	2.8	4.3	6.2	8.6	-3.4		
2017	3.3	2.5	3.0	6.8	4.6	-1.1		
Q I 2015	5.7	5.6	6.3	0.7	7.7	1.0		
Q II 2015	4.5	4.2	5.0	0.3	7.9	-13.8		
Q III 2015	6.1	3.5	6.5	3.4	8.3	27.6		
Q IV 2015	8.9	4.6	9.2	6.8	8.2	33.0		
Q I 2016	6.7	3.3	6.2	10.7	9.1	-0.4		
Q II 2016	5.2	3.1	5.1	6.6	7.6	7.8		
Q III 2016	3.5	2.7	3.5	3.6	8.7	-7.5		
Q IV 2016	2.8	2.1	2.6	4.4	8.9	-4.8		
Q I 2017	2.9	1.3	3.2	1.4	6.6	0.8		
Q II 2017	3.6	1.9	3.1	8.7	4.6	-1.1		
Q III 2017	3.9	3.9	3.2	11.5	2.1	1.2		
Q IV 2017	2.9	3.0	2.6	6.1	5	-5.2		

Source: According to the data of the National Bureau of Statistics, NIER's calculations.

* Since January 2014 the statistical data on industrial producer prices 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.

INDUSTRIAL PRODUCER 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)
January 2016	8.2	4.2	8.1	9.7
February 2016	6.2	3.6	5.6	11.1
March 2016	5.6	2.2	4.9	11.4
April 2016	5.1	3.0	5.0	6.6
May 2016	5.4	3.1	5.3	6.6
June 2016	5.2	3.3	5.1	6.6
July 2016	4.9	2.5	4.7	6.7
August 2016	2.5	2.5	3.2	-2.6
September 2016	3.1	3	2.7	6.7
October 2016	3.1	1.9	2.5	9
November 2016	2.4	2.7	2.3	2.4
December 2016	2.8	1.8	2.9	1.8
January 2017	3	0.9	3.1	1.8
February 2017	2.6	0.8	2.9	1.8
March 2017	3.2	2.2	3.5	0.5
April 2017	3.5	1.3	3.2	5.8
May 2017	3.6	1.1	3.1	8.3
June 2017	3.7	3.2	2.9	12
July 2017	3.8	3.6	3.1	12
August 2017	4	4.4	3.2	12
September 2017	3.9	3.6	3.2	10.5
October 2017	3.4	2.6	3	8.2
November 2017	3.1	2.7	2.9	5.1
December 2017	2.3	3.8	2	5
January 2018	1.9	3.1	1.6	5.2
February 2018	1.7	4.3	1.4	5.2

Source: According to the data of the National Bureau of Statistics, NIER's calculations.

	EXCHANGE RATE					
	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)
2013	12.6	16.7	3.9	7.4	1.5	4.3
2014	14.0	18.6	11.1	11.4	6.2	6.6
2015	18.8	20.9	34.3	12.4	19.7	2.2
2016	19.9	22.1	5.3	5.7	0.7	-0.6
2017	18.5	20.8	-6.6	-5.8	-11.2	-10
Q I 2015	18.0	20.4	34.7	10.9	25.7	4.2
Q II 2015	18.1	20.1	32.6	6.9	21.7	-1.1
Q III 2015	19.4	21.6	38.1	15.8	22.0	3.3
Q IV 2015	19.9	21.8	32.5	16.2	16.7	2.6
Q I 2016	20.1	22.1	11.4	8.8	1.0	-2.0
Q II 2016	19.8	22.4	9.2	11.5	1.4	3.3
Q III 2016	19.8	22.1	2.1	2.3	-1.5	0.2
Q IV 2016	20.0	21.6	0.7	-0.7	-1.4	-2.6
Q I 2017	20.0	21.2	-0.6	-0.4	-2.6	-6.4
Q II 2017	18.8	20.6	-5.3	-7.9	-10.2	-12.7
Q III 2017	17.9	21.0	-9.5	-4.9	-14.2	-10.2
Q IV 2017	17.4	20.5	-13.3	-5.5	-17.8	-10.6

Source: According to the data of the NBM, NBS, OECD, NIER's calculations.

PUBLIC FINANCES						
Period	NPB revenues, MDL million	Increase on NPB revenues, % (compared to the same period of previous year)	NPB expenditures, MDL million	Increase on NPB expenditures, % (compared to the same period of previous year)	Sources of financing of NPB, MDL million (balance at the end of period)	Tax burden, %
2011	30150.5	9	32117	1	1958.5	31
2012	33526.1	11	35364	10	1837.9	31
2013	36908.5	10	38673.1	9	1764.6	37
2014	42446.8	0.15	44393.1	15	1946.7	32
2015	43660.7	2.86	46393.9	4.51	2733.2	35.8
2016	45946.9	5.24	48434	4.40	3 298.5	
Quarter I 2014	8413.2	0.12	8483.2	12	70	
Quarter II 2014	18847	0.13	19312	13	465	
Quarter III 2014	30454	0.18	30533.6	15	260.5	
Quarter IV 2014	42446.8	0.15	44393.1	15	1946.7	
Quarter I 2015	10173.8	20.93	9830.5	15.88	343.3	
Quarter II 2015	20790.5	10.31	21463.9	11.14	673.6	
Quarter III 2015	31822.5	4.49	32687.1	7.05	864.6	
Quarter IV 2015	43660.7	2.86	46393.9	4.51	2733.2	
Quarter I 2016	9916.9	-2.5	9826.4	-0.04	-90.5	
Quarter II 2016	21031.3	1.2	21709.4	1.1	678.1	
Quarter III 2016	32470.3	1.8	33516.0	2.5	1045.7	
Quarter IV 2016	45946.9	2.4	48434	2.8	3 298.5	
Quarter I 2017	11 993.2	20.8	12 260.7	24.7	678.8	
Quarter II 2017	24 909.2	18.5	25 010.7	15.2	101.5	
Quarter III 2017	38425.5	18.3	37 263.4	11.2	-1162.1	
Quarter IV 2017	53 379.4	16.2	54 524.1	12.5	1 144.7	

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

PUBLIC FINANCES								
Period	NPB revenues, MDL million	Increase on NPB revenues, % (compared to the previous period)	NPB expenditures, MDL million	Increase on NPB expenditures, % (compared to the previous period)	Sources of financing of NPB, MDL million (balance at the end of period)	Public debt, MDL million	Internal public debt by maturity, MDL million	External public debt by maturity, MDL million
January 2015	2620.3	11.04	2853.1	19.11	232.8	30105.0	7239.8	22865.3
February 2015	5449.0	8.58	6323.4	18.11	874.4	31168.6	6988.5	24180.1
March 2015	10173.8	20.93	9830.5	15.88	343.3	29901.3	6829.6	23071.7
April 2015	13550.4	14.86	13738.3	15.56	187.9	29883.2	6788.6	23094.6
May 2015	16693.2	13.03	17252.8	16.82	559.6	29926.3	6937.7	22988.6
June 2015	20790.5	10.31	21463.9	11.14	673.6	31225.7	7090.7	24135.0
July 2015	24634.1	11.11	25583.4	12.77	949.3	31259.9	7168.2	24091.7
August 2015	28020.7	3.99	29181.6	9.64	1160.9	32951.4	7224.8	25726.5
September 2015	31822.5	4.49	32687.1	7.05	864.6	33554.1	6714.2	26824.7
October 2015	35468.3	3.59	36499.4	4.83	1031.1	32947.2	6400.3	26546.9
November 2015	39214.3	4.07	40567.1	4.65	1352.8	32714.7	6432.5	26282.2
December 2015	43660.7	2.86	46393.9	4.51	2733.2	33508.8	7225.4	26283.4
January 2016	2582.0	-1.5	2485.1	-13	-96.9	34897.1	7439.7	27457.4
February 2016	5567.4	2.2	6042.5	-4.4	475.1	34626.1	7884.8	26741.2
March 2016	9916.9	-2.5	9826.4	-0.04	-90.5	34794.7	8184.5	26610.2
April 2016	13579.6	0.2	14042.1	2.2	462.5	35356.5	8406.9	26949.6
May 2016	17018.1	1.9	17715.0	2.7	696.9	35556.3	8420.8	27135.5
June 2016	21031.3	1.2	21709.4	1.1	678.1	35596.4	8530.4	27066.0
July 2016	24620.9	-0.01	25780.9	0.7	1160.0	35580.1	8741.0	26839.1
August 2016	28354.7	-1.19	29619.5	1.50	1264.8	37380.32	8615.9	28764.40
September 2016	32470.3	2.04	33516.0	2.54	1045.7	37207.89	8526.81	28681.08
October 2016	36297.5	2.34	37921.7	2.90	1624.7	50343.66	21784.05	28559.61
November 2016	40172.5	2.44	42311.7	4.30	2139.2	50585.34	21695.67	28889.67
December 2016	45946.9	5.24	48434	4.40	3 298.5	59371.9	23827.2	35544.7
January 2017	3 328.6	29.1	3 545.3	42.8	216.7	51 076.5	21 364.8	29 711.7
February 2017	6 878.0	23.4 %	7 690.4	27.2%	812.4	51 853.9	21 382.2	30 471.7
March 2017	11 993.2	20.8 %	12 260.7	24.7%	678.8	51 649.2	21 793.4	29 855.8
April 2017	15 851.1	16.7 %	16 310.5	16.1%	495.4	51 537.0	21 586.4	29 950.6
May 2017	19 963.9	17.3 %	20 382.9	15.0%	419.0	50 416.2	21 577.5	28 838.7
June 2017	24 909.2	18.5%	25 010.7	15.2%	101.5	50 657.3	21 526.6	29 130.7
July 2017	29198.3	18.6%	29203.2	13.3%	4.9	50963.3	21536.8	29426.4
August 2017	33599.1	18.5%	33267.1	12.3	332	50963.3	21641.6	29258.1
September 2017	38425.5	18.3%	37263.4	11.2%	-1162.1	51209.2	21911.9	29297.3
October 2017	42 890.8	18.2 %	42 307.4	11.6	-583.4	50 874.4	22 153.6	28 720.8
November 2017	47 190.4	17.5	47 069.7	11.2	-120.7	51 206.4	22 367.1	28 839.3
December 2017	53 379.4	16.2	54 524.1	12.5	1 144.7	51 660.3	29 081.8	22 578.5

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

BANKING SECTOR																
Period	Indicators				Deposits structure, %				Earnings and profitability, %		Liquidity ratio, %		Deposits interest rate, %		Loans interest rate, %	
	Bank assets (stock at the end of period), million MDL	Bank liabilities (stock at the end of the period), million MDL	Loans (stock at the end of period) MDL million, volume per years	Deposits (stock at the end of period), million MDL	Deposits of individuals/total deposits	Deposits of legal entities/total deposits	Deposita in foreign currency/total deposits	Return on assets	Return on equity	Principle I	Principle II > 20 %	In national currency	In foreign currency	In national currency	In foreign currency	
2011	47707.8	39613.5	30963.0	30112.1	63.36	32.21	46.16	1.95	11.51	0.69	33.17	7.54	3.69	14.37	8.75	
2012	58304.4	48058.4	35948.2	36272.3	64.1	31.9	43.8	1.1	5.6	0.7	32.9	7.59	4.3	13.34	8.28	
2013	76183.9	64752.9	42632.7	45081.0	65.8	34.2	44.7	1.6	9.4	0.7	33.8	7.23	4.41	12.26	7.77	
2014	97584.4	85152.9	40841.9	65462.5	52.8	26.1	52.0	0.9	6.3	1.5	21.6	5.72	4.19	10.59	7.99	
2015	69095.5	57330.1	38187.6	50201.4	69.7	29.9	52.4	2.10	12.78	0.70	41.55	14.22	2.12	15.58	6.93	
2016	72 942.18	46318.71	34 761.3	54838.51	68.69	31.0	46.47	1.97	11.95	0.63	49.22	18.44	1.91	16.4	6.33	
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	5.94	4.43	11.60	8.12	
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	4.92	3.85	10.03	7.78	
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	5.81	4.18	10.97	7.61	
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	6.47	3.98	10.95	7.72	
Quarter I 2015	98270.1	85608.5	41974.3	66764.8	52.4	25.4	56.4	1.1	9.7	1.5	25.2	11.61	2.63	13.49	7.43	
Quarter II 2015	101176.4	88267.8	42780.1	66751.6	52.8	24.8	56.0	1.1	8.9	1.5	27.0	11.34	2.26	13.91	6.83	
Quarter III 2015	104504.0	91248.3	43779.0	66808.6	68.4	30.8	55.4	2.6	16.1	0.7	38.8	13.80	2.08	15.44	6.70	
Quarter IV 2015	69095.5	57330.1	38187.6	50201.4	69.7	29.9	52.4	2.10	12.78	0.70	41.55	14.22	2.12	15.58	6.93	
Quarter I 2016	69662.1	57582.4	37851.2	50071.9	71.5	28.3	51.8	2.60	15.73	0.68	42.31	14.69	2.06	15.53	6.14	
Quarter II 2016	70578.5	58563.8	37236.2	52216.2	71.1	28.5	78.7	2.37	14.39	0.68	45.02	10.71	2.20	14.15	6.14	
Quarter III 2016	72727.7	60202.6	36336.5	54263.3	68.9	30.8	47.0	2.47	15.01	0.65	47.20	7.60	2.12	13.59	5.78	
Quarter IV 2016	72 942.18	46318.71	34 761.3	54838.51	68.69	31.0	46.47	1.97	11.95	0.63	49.22	18.44	1.91	16.4	6.33	
Quarter I 2017	70 233.77	60 956.72	38 165.62	55 616.51	67.89	32.11	45.71	2.5	15.6	0.7	42.6	6.12	1.96	11.03	5.33	
Quarter II 2017	76567.63	61853.28	34216.57	55 370.36	67.87	32.13	45.16	2.4	14.6	0.64	51.3	6.35	1.79	10.55	5.87	
Quarter III 2017	77547.5	66956.8	33841.9	58178.80	66.19	33.81	45.99	2.4	14.3	0.6	53.2	5.82	1.44	9.96	4.9	
Quarter IV 2017	79 541.8	69 435.1	33 473.3	59 896.88	66.15	33.85	42.79	1.85	11.07	0.61	55.48	5.19	1.37	9.58	4.66	

Source: According to the data of the Balance of Payments, National Bank of Moldova.

Source: According to the data of the Balance of Payments, National Bank of Moldova.

BANKING SECTOR														
Period	Indicators				Deposits structure, %				Earnings and profitability, %		Liquidity Ratio, %		Deposits interest rate, %	
	Bank assets (stock at the end of period), million MDL	Bank liabilities (stock at the end of the period), million MDL	Loans (stock at the end of period) million MDL	Deposits (stock at the end of period), million MDL	Deposits of individuals/tot al deposits	legal entities/total deposits	Deposits of	Return on assets	Return on equity	Principle I	Principle II>20%	In national currency	In foreign currency	Loans interest rate, %
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
February 2015	102170.8	89465.8	42831.8	69410.5	52.1	25.7	58.1	1.9	15.9	1.5	10.5	8.88	3.37	11.94
March 2015	98270.1	85608.5	41974.3	66764.8	52.4	25.4	56.4	1.1	9.7	1.5	25.2	11.61	2.63	13.49
April 2015	98700.7	85844.7	41792.4	66295.4	52.8	25.2	55.6	1.2	9.7	1.5	26.1	11.76	2.40	13.66
May 2015	99643.2	86598.7	41756.9	65902.9	52.4	25.5	55.2	1.4	11.2	1.5	27.6	11.58	2.38	13.85
June 2015	101176.4	88267.8	42780.1	66751.6	52.8	24.8	56.0	1.1	8.9	1.5	27.0	11.34	2.26	13.91
July 2015	101387.9	88361.2	42664.2	65505.5	52.5	24.7	55.9	1.2	9.7	1.5	12.7	11.93	2.02	14.37
August 2015	102187.4	88919.2	43199.3	65708.8	52.9	23.6	56.3	1.41	11.33	1.58	14.08	13.25	2.15	14.54
September 2015	104504.0	91248.3	43779.0	66808.6	68.4	30.8	55.3	2.64	16.07	0.73	38.83	13.80	2.08	15.44
October 2015	69254.1	57389.9	39358.7	50120.1	69.0	30.3	54.9	1.82	14.41	0.73	39.73	14.02	2.31	15.75
November 2015	68862.2	56884.1	38731.9	49505.2	69.7	29.8	53.5	1.83	14.17	0.72	40.23	14.35	2.06	15.67
December 2015	69095.5	57330.1	38187.6	50201.4	69.7	29.9	52.4	2.10	12.78	0.70	41.55	14.22	2.12	15.58
January 2016	70351.8	58468.9	38165.3	51314.1	70.4	29.2	53.5	2.54	15.55	0.69	42.59	15.33	2.20	16.08
February 2016	69742.6	57667.9	37307.9	50676.4	70.3	29.3	52.1	2.65	16.05	0.67	43.25	14.44	2.05	16.01
March 2016	69662.1	57582.4	37851.2	50071.9	71.5	28.3	51.8	2.60	15.73	0.68	42.31	14.69	2.06	15.53
April 2016	69885.5	57647.5	37576.6	50940.0	71.5	28.1	50.1	2.57	15.46	0.67	43.58	13.86	2.45	15.67
May 2016	70843.1	58705.8	37383.6	51942.8	70.8	28.9	49.5	2.83	17.04	0.67	44.83	12.48	2.12	15.23
June 2016	70578.5	58563.8	37236.2	52216.2	71.1	28.5	78.7	2.37	14.39	0.68	45.02	10.71	2.20	14.15
July 2016	70925.1	58746.1	37104.7	52546.6	70.7	28.9	47.7	2.40	14.60	0.67	45.14	9.85	2.15	14.00
August 2016	72473.6	60118.1	37157.8	54047.2	69.1	30.7	47.6	2.41	14.88	0.67	46.09	8.24	2.15	13.70
September 2016	72727.7	60202.6	36336.5	54263.3	68.9	30.8	47.0	2.47	15.01	0.65	47.20	7.60	2.12	13.59
October 2016	73189.7	60523.8	35929.3	54564.4	68.4	31.4	47.1	2.41	14.66	0.65	47.61	7.24	2.14	13.05
November 2016	72873.2	60145.3	35621.7	54421.7	68.8	31.0	47.1	2.24	13.59	0.64	48.09	7.48	1.86	12.56
December 2016	72942.2	60318.7	34761.3	54838.5	68.7	31.0	46.5	1.97	11.95	0.63	49.22	6.79	1.91	11.74
January 2017	74012.28	64931.1	34212.9	55880.71	67.64	32.36	46.09	2.92	17.61	0.62	50.36	6.08	1.94	11.55
February 2017	74589.06	64180.6	34188.2	56157.82	67.72	32.28	45.70	2.44	14.69	0.62	50.44	6.68	1.97	11.74
March 2017	70233.77	60956.72	38165.62	55616.51	67.89	32.11	45.71	2.5	15.6	0.7	42.6	6.12	1.96	11.03
April 2017	74699.2	60835.87	33529.6	56793.97	68.49	31.51	45.11	2.6	15.5	0.63	50.9	5.35	1.87	10.6
May 2017	74114.0	61590.51	34216.6	55433.14	67.88	32.13	44.74	2.6	15.6	0.62	51.4	5.33	1.66	10.726
June 2017	76567.63	61853.28	34216.57	55370.36	67.87	32.13	45.16	2.4	14.6	0.64	51.3	5.67	1.70	10.03
July 2017	76567.6	6444.6	34189.6	57599.85	66.94	33.06	45.09	2.5	14.7	0.63	52.3	5.24	1.62	10
August 2017	77712.9	67402.4	34128.6	58485.53	66.31	33.69	46.46	2.4	14.4	0.62	52.9	5.76	1.52	9.76
September 2017	77547.5	66956.9	33841.9	58178.80	66.19	33.81	45.99	2.4	14.3	0.6	53.2	5.82	1.44	9.96
October 2017	77686.2	67329.8	33226.0	57599.85	65.96	34.04	45.10	2.32	13.88	0.61	54.23	5.72	1.32	10
November 2017	78893.7	68538.8	33406.0	58485.53	65.89	34.11	44.85	2.25	13.47	0.60	55.02	5.57	1.29	9.8
December 2017	79541.8	69435.1	33473.3	59896.88	66.15	33.85	42.79	1.85	11.07	0.61	55.48	5.19	1.37	9.58

Source: According to the data of the Balance of Payments, National Bank of Moldova.

EXTERNAL SECTOR: INVESTMENT AND REMITTANCES						
Period	Share capital	Reinvested revenue	Other capital	Worker's compensation	Personal remittances	
2012	144.6	-11.0	61.5	1010.0	976.5	
2013	160.3	19.2	63.2	1118.1	1073.6	
2014	165.5	33.1	1.9	1068.2	1015.4	
2015	73.9	159.6	-	799.5	753.9	
2016	66.2	96.18	25.1	713.5	750.4	
2017						
Quarter I 2012	39.1	3.6	-3.9	194.9	196.6	
Quarter II 2012	56.5	-4.1	-2.0	255.9	236.0	
Quarter III 2012	-4.2	1.7	46.3	281.2	265.3	
Quarter IV 2012	53.1	-12.2	21.0	278.0	278.6	
Quarter I 2013	49.1	14.5	1.9	214.5	221.4	
Quarter II 2013	22.7	20.4	25.3	284.1	254.6	
Quarter III 2013	34.9	9.0	13.5	311.7	295.2	
Quarter IV 2013	53.6	-24.7	22.6	307.8	302.4	
Quarter I 2014	37.2	13.9	-21.4	214.7	215.7	
Quarter II 2014	71.4	8.0	-19.4	295.9	271.6	
Quarter III 2014	15.7	39.6	17.8	309.3	298.8	
Quarter IV 2014	41.2	-28.5	24.9	248.4	229.4	
Quarter I 2015	20.5	41.9	13.1	174.7	168.1	
Quarter II 2015	17.4	82.2	4.6	211.2	200.6	
Quarter III 2015	13.9	15.0	-18.0	207.3	192.0	
Quarter IV 2015	18.5	20.5	-	191.7	191.3	
Quarter I 2016	16.4	24.66	16.0	148.4	166.13	
Quarter II 2016	9.6	15.6	2.6	186.2	194.5	
Quarter III 2016	16.25	57.9	10.37	185.78	190.9	
Quarter IV 2016	33.33	-7.23	25.06	200.06	198.9	
Quarter I 2017	6.74	33.05	28.47	176.35	176.4	
Quarter II 2017	4.24	16.36	30.24	214.61	199.6	
Quarter III 2017	14.6	43.58	37.81	225.67	213.4	

Source: According to the data of the Balance of Payments, National Bank of Moldova.

EXTERNAL SECTOR: FOREIGN TRADE										
Source	Total foreign trade, mln. USD	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	8798.0	6663.2	2134.8	2933.1	1805.5	1127.6	5864.9	4857.7	1007.2	
2015	6907.8	5102.1	1805.7	2481.8	1507.0	974.8	4426.0	3595.1	830.9	
2016	7033.6	5151.3	1882.3	2594.5	1547.4	1047.1	4439.1	3603.9	835.2	
2017	8474.5	6284.4	2190.1	3110.4	1857.7	1252.7	5364.1	4426.7	937.4	

Source: According to the data of the Balance of Payments, National Bank of Moldova.

EXTERNAL SECTOR: FOREIGN TRADE IN GOODS																
Period	Value of external trade in goods, mln. USD				Exports, mln. USD				Imports, mln. USD				Net export, mln. USD	Degree of imports coverage by exports, %		
	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	-2313.8	40.0		
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	-2974.5	42.7		
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	-3051.1	41.5		
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	-3064.1	44.2		
2014	7656.5	2184.9	3813.7	1657.9	2339.5	735.6	1246.1	357.8	5317.0	1449.3	2567.6	1300.1	-2977.5	44.0		
2015	5953.7	1510.4	3171.7	1271.6	1966.9	492.3	1217.6	257.0	3986.8	1018.1	1954.1	1014.6	-2019.9	49.3		
2016	6065.7	1441.6	3306.1	1317.5	2045.3	414.2	1332.4	298.7	4020.4	1027.4	1973.7	1019.2	-1975.1	50.8		
Quarter 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	-699.6	41.9		
Quarter 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	-719.5	42.7		
Quarter 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	-766.2	39.8		
Quarter 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	-865.8	41.5		
Quarter 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	-653.0	47.5		
Quarter 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	-804.6	40.5		
Quarter 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	-771.4	43.9		
Quarter 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	-835.1	45.1		
Quarter I 2014	1791.2	565.1	867.9	358.2	573.0	180.8	318.9	73.3	1218.2	384.3	549.0	284.9	-645.2	47.0		
Quarter II 2014	1928.0	523.3	995.7	409.0	599.2	204.5	301.9	92.8	1328.8	318.8	693.8	316.2	-729.6	45.1		
Quarter III 2014	1884.0	520.1	954.1	409.8	565.2	184.3	284.0	96.9	1318.8	335.8	670.1	312.9	-753.6	42.9		
Quarter IV 2014	2053.3	576.4	996.0	480.9	602.1	166.0	341.3	94.8	1451.2	410.4	654.7	386.1	-849.1	41.5		
Quarter I 2015	1464.3	394.0	753.3	317.0	488.1	104.0	320.0	64.1	976.2	290.0	433.3	252.9	-488.1	50.0		
Quarter II 2015	1513.5	354.6	835.0	274.4	504.8	137.5	306.1	61.2	1009.1	217.1	528.9	262.7	-503.9	50.0		
Quarter III 2015	1432.7	360.8	772.4	299	455.5	125.2	273.1	56.7	977.2	235.6	499.3	242.3	-521.7	46.6		
Quarter IV 2015	1543.5	400.8	811.2	331.5	519.2	125.5	318.8	74.9	1024.4	275.3	492.4	256.6	-497.1	50.8		
Quarter I 2016	1306.6	335.5	692.7	278.4	417.2	85	266.2	66	889.4	250.5	426.5	212.4	-472.2	46.9		
Quarter II 2016	1496.6	324.7	832	339.5	488.9	102.7	308.0	78.2	1007.7	222	524	261.3	-518.8	48.5		
Quarter III 2016	1554.2	369.9	853.4	330.9	527.3	113.3	341	73	1026.9	256.6	512.4	257.9	-499.6	51.3		
Quarter IV 2016	1737.8	411.6	956.4	369.8	612.6	113.3	417.9	81.4	1125.2	298.3	538.5	288.4	-512.6	54.4		
Quarter I 2017	1559	377.5	826.3	355.2	528.2	106.0	335.6	86.6	1030.8	271.5	490.7	268.6	-502.6	51.2		
Quarter II 2017	1650.7	382.2	898.7	369.8	500	110.8	316.6	72.6	1150.7	271.4	582.1	297.2	-650.7	43.5		
Quarter III 2017	1880.9	427.2	964.4	398.3	623.6	119.5	414.5	89.6	1257.3	307.7	549.9	308.7	-633.7	49.6		
Quarter IV 2017	2166.2	482	1205.8	478.4	773.5	126.5	503.4	116.6	1392.7	355.5	675.4	361.8	-619.2	55.5		

Source: According to the data of the Balance of Payments, National Bank of Moldova.

EXTERNAL SECTOR: FOREIGN TRADE IN GOODS

Period	Value of external trade in goods, mln. USD				Value of export, mln. USD				Value of import, mln. USD				Net export, mln. USD	Degree of imports coverage by exports, %
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries		
January 2016	324.1	93.8	163	67.3	116.7	19.7	78	19	207.4	74.1	85	48.3	-90.7	56.2
February 2016	425.5	109	222	94.3	138.5	28.6	89.8	20.1	287.0	80.4	132.2	74.2	-148.5	48.2
March 2016	557	132.8	307.5	116.7	162.0	36.7	98.4	26.9	395.0	96.1	209.1	89.8	-233.0	41
April 2016	533.5	122.9	289.1	121.5	178.5	38.6	105.9	34.0	355.0	84.3	183.2	87.5	-176.5	50.3
May 2016	481.0	101.9	264.7	113.4	153.0	29.8	98.1	25.1	328.0	73.1	166.6	88.3	-175	46.6
June 2016	482.1	98.9	278.6	104.6	157.4	34.3	104.0	19.1	324.7	64.6	174.6	85.5	-170.3	48.5
July 2016	479.8	110.6	272.7	96.5	165.7	35.2	107.8	22.7	314.1	75.4	164.9	73.8	-148.4	52.8
August 2016	519.1	124.9	277.6	116.6	168	40.9	103.1	24.0	351.1	84.0	174.5	92.6	-183.1	47.8
September 2016	555.3	134.4	303.1	117.8	193.6	37.2	130.1	26.3	361.7	97.2	173.0	91.5	-168.1	53.5
October 2016	581	141.4	322.4	117.2	200.8	42.5	132.1	26.2	380.2	98.9	190.3	91	-179.4	52.8
November 2016	571.5	129.3	322.9	119.3	217.9	37.1	153.2	27.6	353.6	92.2	169.7	91.7	-135.7	61.6
December 2016	585.3	140.9	311.1	133.3	193.9	33.7	132.6	27.6	391.4	107.2	178.5	105.7	-197.5	49.5
January 2017	406.3	102.3	212.2	92.4	139.5	26.6	92.2	20.7	266.8	75.7	120	71.7	-127.3	52.3
February 2017	509.3	126.3	270.4	112.6	176.6	34.5	117.0	25.1	332.7	91.8	153.4	87.5	-156.1	53.1
March 2017	643.3	148.8	343.7	150.8	212.1	44.9	126.4	40.8	431.2	103.9	217.3	110.0	-219	49.2
April 2017	515.7	130.5	276.1	109.1	154.2	37.2	94.1	22.9	361.5	93.3	182	86.2	-207.3	42.7
May 2017	575.1	123.3	317.2	134.6	174.7	34.5	112.3	27.9	400.4	88.8	204.9	106.7	-225.7	43.6
June 2017	559.9	128.4	305.4	260.7	171.1	39.1	110.2	21.8	388.8	89.3	195.2	104.3	-217.7	44.0
July 2017	588.4	130.7	335.1	122.6	191.6	38.3	126.1	27.2	396.8	92.4	209	95.4	-205.2	48.2
August 2017	637.3	149.2	354	134.4	207.6	72.3	137.3	28.3	429.7	106.9	216.7	106.1	-222.1	48.3
September 2017	654.9	147.3	366.3	141.3	224.1	38.9	151.1	34.1	430.8	108.4	215.2	107.2	-206.7	52
October 2017	734.1	157.4	419.2	157.5	268.2	43.6	187.9	36.7	465.9	113.8	231.3	120.8	-197.7	57.6
November 2017	727.4	164.9	409.9	152.6	272.1	47.7	185.2	39.2	455.3	117.2	224.7	113.4	-183.2	59.7
December 2017	704.7	159.7	376.7	168.3	233.2	35.2	157.3	40.7	471.5	124.5	219.4	127.6	-238.3	49.5

Source: According to the data of the National Bureau of Statistics, author's calculations.

EXTERNAL SECTOR: FOREIGN TRADE IN GOODS

Period	Total growth in value of merchandise trade sply, %				Growth rate of exports sply, %				Growth rate of imports sply, %				Growth rate of net export sply, %		Degree of imports coverage by exports sply, %
	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	-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	
2015	-22.2	-30.9	-16.8	-23.3	-15.9	-33.1	-2.3	-28.2	-2.5	-29.8	-23.9	-2.2	-32.2	112	
2016	1.9	-4.6	4.2	3.6	3.9	-15.9	9.4	16.2	0.8	0.9	1.0	0.5	-2.3	103	
2017															
Quarter 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	
Quarter 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	
Quarter 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	
Quarter 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	
Quarter 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	
Quarter 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	
Quarter 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	
Quarter 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	
Quarter I 2014	-2.2	-16.1	12.2	-7.1	-2.8	-26.6	22.5	-11.8	-2.0	-10.0	6.9	-5.8	-1.2	99.1	
Quarter II 2014	1.6	-11.6	12.9	-3.5	9.6	-1.8	20.2	6.4	-1.7	-16.9	10.0	-6.1	-9.3	111.5	
Quarter 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	97.5	
Quarter IV 2014	-7.1	-17.5	-4.8	3.6	-12.4	-29.1	-2.5	-7.9	-4.7	-11.6	-6.0	6.8	1.7	91.9	
Quarter I 2015	-18.3	-30.3	-13.2	-11.5	-14.8	-42.5	0.3	-12.6	-19.9	-24.5	-21.1	-11.2	-24.3	106.4	
Quarter II 2015	-21.5	-32.2	-16.1	-32.9	-15.8	-32.8	1.4	-34.1	-24.1	-31.9	-23.8	-16.9	-30.9	110.9	
Quarter III 2015	-24.0	-30.6	-19.0	-27.0	-19.4	-32.1	-3.8	-41.5	-25.9	-29.8	-25.5	-22.6	-30.8	108.6	
Quarter IV 2015	-24.8	-21.5	-19.6	-31.1	-13.8	-24.4	-6.4	-21	-29.4	-32.9	-24.8	-33.5	-41.5	122.4	
Quarter I 2016	-10.8	-14.9	-8.1	-12.2	-14.6	-18.3	-16.9	2.9	-8.9	-13.7	-1.6	-16.1	-3.3	93.8	
Quarter II 2016	-1.2	-8.4	-0.4	23	-3.2	-25.4	0.6	27	-0.2	22	-1	-0.5	2.9	97.9	
Quarter III 2016	8.4	2.5	10.4	10.6	15.8	-9.5	24.9	28.7	5.0	8.9	2.9	6.4	-4.3	110.0	
Quarter IV 2016	11.8	11.2	12.0	11.8	16.2	1	26.6	11.5	9.6	16.3	5.1	11.8	-2.6	106	
Quarter I 2017	19.3	12.5	19.2	27.6	26.6	20.4	26.4	31.2	19.7	8.4	23.2	26.5	-6.4	109.4	
Quarter II 2017	10.3	17.7	8	8.9	2.3	7.9	2.8	-7.2	14.2	22.3	14.1	13.7	-25.4	89.6	
Quarter III 2017	25.7	15.5	13	20.4	18.3	5.5	21.6	22.7	22.4	19.9	7.3	19.7	-26.8	96.7	
Quarter IV 2017	24.7	17.1	26	29.4	26.3	11.7	20.5	43.2	23.8	19.2	25.4	25.5	-20.8	-	

Source: According to the data of the National Bureau of Statistics, author's calculations.

EXTERNAL SECTOR: FOREIGN TRADE IN GOODS													
Period	Total growth in value of merchandise trade sply, %				Growth rate of exports sply, %				Growth rate of imports sply, %				Degree of imports coverage by exports sply, %
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	
January 2015	-14.9	-33.4	-4.2	-3.6	-13.4	-48.4	8.5	-16.0	-15.7	-26.8	-13.5	0.4	-18.3
February 2015	-22.2	-34.1	-15.6	-19.2	-12.1	-43.7	5.2	-9.4	-26.8	-29.8	-27.5	-21.6	-39.0
March 2015	-17.2	-23.5	-16.8	-9.9	-18.4	-36.3	-10.1	-12.7	-16.6	-16.9	-20.2	-9.2	-15.2
April 2015	-24.6	-33.2	-18.1	-29.6	-22.2	-46.1	0.4	-39.2	-25.7	-25.4	-25.5	-26.2	-28.3
May 2015	-21.1	-30.3	-16.8	-21.1	-14.3	-30.9	1.1	-35.1	-24.3	-29.9	-25.3	-17.4	-33.1
June 2015	-18.8	-33.0	-13.5	-10.9	-11.0	-23.3	2.7	-26.3	-22.3	-39.4	-20.5	-6.9	-31.5
July 2015	-22.3	-27.6	-18.4	-25.1	-19.3	-29.2	-3.1	-46.3	-23.7	-26.6	-24.8	-18.4	-27.5
August 2015	-27.7	-30.1	-25.2	-30.9	-27.8	-32.3	-19.1	-45.9	-27.7	-29.1	-27.8	-25.7	-27.6
September 2015	-22.2	-34.1	-14.0	-25.4	-11.6	-35.4	10.1	-31.8	-26.4	-33.5	-24.1	-23.7	-36.4
October 2015	-24.3	-33.5	-18.5	-26.0	-11.3	-29.8	2.1	-19.0	-30.0	-35.5	-28.3	-27.7	-44.8
November 2015	-25.4	-31.3	-19.7	-30.7	-19.7	-27.4	-17.8	-14.0	-28.0	-32.8	-20.8	-34.5	-34.6
December 2015	-24.9	-26.6	-17.4	-36.4	-9.8	-12.0	-2.2	-27.8	-30.2	-30.8	-24.6	-37.2	-41.6
January 2016	-22.3	-22.4	-21.9	-23.4	-21.1	-31.9	-22	0.5	-23	-19.4	-21.7	-29.9	-25.4
February 2016	-9.5	-13.5	-9.4	-4.8	-16.4	-14.7	-18.9	-4.8	-5.7	-13.1	-1.3	-4.8	6
March 2016	-3.6	-9.8	2.5	-10.4	-7.3	-11.8	-9.8	11.6	-1.9	-9	9.5	-15.4	2.2
April 2016	10.9	9.3	7.5	22	17.9	13.5	11.7	51	7.7	7.5	5.2	14	-1.0
May 2016	-4	-8.7	-5.9	4.8	-11.5	-32.9	-10.7	34	1.0	8.7	-2.8	-1.4	13
June 2016	-9.4	-24.3	-2.3	-10.1	-12.8	-4.2	2.3	-4.1	-7.6	-9.7	-4.8	-11.4	-0.3
July 2016	-5.2	-15.2	-0.2	-5.5	0.4	-31.4	12.4	28.9	-7.9	-4.7	-7	-12.7	-15.7
August 2016	21.9	10.6	24.0	31.5	32.1	14.6	40.5	35.6	17.6	8.8	16	30.4	-6.8
September 2016	10.8	14.4	10.0	8.8	18.5	-2.7	25.3	22.9	7.1	22.6	0.8	54	-3.6
October 2016	4.6	5.2	6.4	-0.6	3.7	14.2	1.5	-0.4	5.1	1.7	11.0	-0.6	-6.7
November 2016	-1.7	-8.9	0.2	1.8	8.5	-12.7	15.9	5.3	-7	-6.8	-10.9	0.8	-14.4
December 2016	2.4	8.9	-3.7	11.7	-11.1	-9.2	-13.4	1	10.7	16.3	5.2	15.3	45.5
January 2017	25.4	9.1	30.2	37.3	19.5	35	18.2	8.6	28.7	2.2	41.3	47.2	40.3
February 2017	19.7	15.9	21.8	19.4	27.5	20.6	30.3	25.0	15.9	14.2	15.8	18.0	5.1
March 2017	15.5	12	11.8	29.2	31.5	22.4	29.3	51.7	17.6	8.3	20	22.6	-6.1
April 2017	-3.4	6.2	-4.5	-10.2	-13.6	-3.6	-11.1	-32.6	1.8	10.6	-0.7	-1.5	17.4
May 2017	19.6	21	19.8	18.7	14.2	15.8	14.5	11.1	22	21.5	23	20.8	29
June 2017	16.1	29.8	9.6	49.2	8.7	11.1	6.0	14.1	19.7	38.2	11.8	22	27.8
July 2017	22.6	18.2	23.1	27	15.6	8.8	17	19.8	26.3	22.5	26.7	29.2	-38.6
August 2017	22.8	19.5	27.5	15.3	23.6	3.4	33.2	17.9	22.4	27.3	24.2	14.6	-21.3
September 2017	17.9	9.6	20.9	19.9	15.8	4.6	16.1	29.7	19.1	11.5	24.4	17.2	-23
October 2017	26.4	11.5	30	34.4	33.6	2.6	42.2	40.1	22.5	15.1	21.5	32.7	-10.2
November 2017	27.3	27.5	27	27.9	24.9	28.6	20.9	42	28.8	27.1	32.4	23.7	-35
December 2017	20.4	13.3	21.1	26.3	20.3	4.5	18.6	47.5	20.5	16.1	23	20.7	-20.7

Source: According to the data of the National Bureau of Statistics, author's calculations.

EXTERNAL SECTOR: INDICES OF TRADE IN GOODS							
Period	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), %	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	114.0
2011	143.8	134.7	107.0	110.0	134.0	122.0	122.0
2012	97.5	100.4	97.0	99.0	101.0	101.0	101.0
2013	112.3	105.4	98.0	99.0	113.0	106.0	106.0
2014	96.3	96.8	94.0	96.0	102.0	101.0	101.0
2015	84.1	75.1	83.0	78.5	101.5	95.8	95.8
2016	104	101.5	96.2	68.8	108.3	108.4	108.4
2017	118.5	116.4	104.6	104.7	113.4	114.7	114.7
Quarter I 2012	106.7	109.7	98.0	103.0	109.0	106.0	106.0
Quarter II 2012	102.9	98.5	95.0	96.0	108.0	103.0	103.0
Quarter III 2012	92.2	96.5	94.0	95.0	98.0	102.0	102.0
Quarter IV 2012	91.3	98.8	99.0	100.0	92.0	99.0	99.0
Quarter I 2013	115.4	103.2	102.0	100.0	113.0	103.0	103.0
Quarter II 2013	100.4	107.5	99.0	98.0	101.0	110.0	110.0
Quarter III 2013	119.4	108.1	97.0	100.0	122.0	108.0	108.0
Quarter IV 2013	112.0	102.9	92.0	98.0	120.0	105.0	105.0
Quarter I 2014	97.2	98.0	97.2	98.0	106.0	100.0	100.0
Quarter II 2014	109.6	98.3	97.0	100.0	113.0	98.0	98.0
Quarter III 2014	93.5	95.8	95.0	97.0	98.0	99.0	99.0
Quarter IV 2014	88.1	92.3	89.0	92.0	100.0	104.0	104.0
Quarter I 2015	85.2	80.1	80.0	79.0	106.0	101.0	101.0
Quarter II 2015	84.2	75.9	79.0	79.0	107.0	96.0	96.0
Quarter III 2015	80.6	74.1	84.0	78.0	96.0	95.0	95.0
Quarter IV 2015	86.3	70.6	89.0	78.0	97.0	91.0	91.0
Quarter I 2016	85.5	91.1	95.0	88.0	90.0	104.0	104.0
Quarter II 2016	96.6	99.9	98.0	93.0	99.0	107.0	107.0
Quarter III 2016	115.9	105.1	95.9	94.2	120.9	111.5	111.5
Quarter IV 2016	118.0	109.8	95.7	98.9	123.3	111.1	111.1
Quarter I 2017	126.8	119.7	99.4	99.7	127.6	120.1	120.1
Quarter II 2017	102.3	114.3	97.4	100.8	105	113.3	113.3
Quarter III 2017	118.3	107.9	107.7	107.9	109.8	113.4	113.4
Quarter IV 2017	126.4	123.8	113.9	110.5	111	112	112

Source: According to the data of the National Bureau of Statistics, author's calculations.

EXTERNAL SECTOR													
Value of exports, mln. USD													
	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/2016	Q3/2016	Q4/2016	Q1/17	Q2/17	Q3/17	Q4/17	
Total export	488.0	504.8	455.4	519.2	417.2	488.8	527.3	612.7	528.2	500.0	623.6	773.6	
<i>Agri-food products</i>	243.6	233.2	177.6	131.5	176.1	205.8	230.6	329.4	238.7	191.4	282.6	418.2	
<i>Fruits and vegetables</i>	70.9	59.6	42.7	81.0	41.5	34.1	32.8	61.4	48.8	25.4	43.8	112.6	
<i>Cereals</i>	38.4	29.1	37.7	23.5	14.2	37.7	70.3	43.1	32.9	20.5	76.4	53.2	
<i>Oil seeds</i>	51.4	52.0	26.1	47.9	36.3	49.6	33.4	82.7	58.3	44.9	54.3	85.2	
<i>Beverages</i>	33.1	35.1	40.1	46.5	35.5	42.8	45.8	43.0	41.8	49.1	52.5	62	
<i>Oils</i>	22.7	25.7	1.2	22.4	13.3	11.5	1.4	28.0	13.2	11.7	1.2	27.7	
<i>Minerals</i>	2.2	2.5	3.8	1.6	2.2	2.9	4.3	4.5	6.0	6.0	8.5	8.3	
<i>Electrical equipment and machinery</i>	57.8	62.0	59.5	56.2	53.0	62.7	66.4	69.2	70.2	80.4	90.4	105.4	
<i>Clothing</i>	51.0	61.9	62.1	54.5	54.8	61.8	67.0	59.3	61.6	63.7	73.5	76.2	
<i>Drugs</i>	13.4	21.4	17.5	23.9	4.5	11.5	14.0	18.9	11.6	14.4	19.2	17.5	
<i>Furniture</i>	22.9	22.4	25.0	27.4	29	29.7	34.4	31.6	31.8	34	36.9	41	
Value of imports, mln. USD													
	Q1/15	Q2/15	Q3/15	Q4/15	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1/17	Q2/17	Q3/17	Q4/17	
TOTAL	976.1	1009.2	977.0	1024.4	861.1	1007.2	1026.9	1125.2	1030.7	1150.7	1257.4	1392.6	
<i>Food products</i>	20.6	23.3	25.7	30.3	23.2	24.9	28.7	30.2	27.3	31.8	35.0	37.2	
<i>Oils, fats</i>	4.9	5	4.6	5.8	4.7	6.3	7.2	5.8	5.2	6.4	7.9	6.3	
<i>Beverages and tobacco</i>	16.2	26	30.8	26.3	22.7	27.5	29.9	29.6	17.5	31.2	37.6	37.9	
<i>Mineral products</i>	237.0	168.1	156.2	172.3	159.3	130.4	140.9	199.5	177.5	175.6	184.5	236.7	
<i>Pharmaceutical products</i>	38.0	47.1	41.9	69.9	28.1	44.9	46.4	64.6	47.9	55.9	56.5	63.3	
<i>Machinery and equipments, recorders...</i>	76.9	75.9	87.3	87.4	61.8	79.2	92.5	110.2	84.2	93.9	108.1	143.4	
<i>Plastics and plastic products</i>	50.7	65.5	72.0	65.7	51.4	66.1	75.0	65.3	53.8	72.7	82.6	83	

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

BUSINESS ENVIRONMENT		
Period	Enterprises registration	Enterprises deregistration
Quarter IV 2012	1639	761
Quarter IV 2013	1546	783
Quarter IV 2014	1452	731
Quarter IV 2015	1527	1093
Quarter IV 2016	1419	831
Quarter IV 2017	1639	1936
Jan. 2016	380	354
Feb. 2016	569	366
Mar. 2016	637	489
Apr. 2016	564	394
May 2016	401	290
Jun. 2016	399	348
Jul. 2016	441	292
Aug. 2016	396	317
Sep. 2016	467	374
Oct 2016	492	313
Novem. 2016	477	246
Dec. 2016	450	272
Jan. 2017	520	221
Feb. 2017	579	683
Mar. 2017	682	1088
Apr. 2017	388	624
May 2017	529	604
Jun. 2017	494	946
Jul. 2017	618	510
Aug. 2017	455	655
Sep. 2017	502	1273
Oct 2017	529	448
Novem. 2017	648	241
Dec. 2017	462	1247

Source: According to the data of Public Services Agency.

Period	DEMOGRAPHIC SITUATION												
	Live-births		Deceased		Infant deaths		Natural increase		Marriages		Divorces		
	Number of live-births- total (pers.)	Per 1000 people live- births	Number of deceased - total (pers.)	Per 1000 people - deaths	Number of infant deaths - total (pers.)	Per 1000 people	Natural increase (pers.)	Per 1000 people	Number of marriages - total (number)	Marriages per 1000 people	Number of divorces - total (number)	Divorces per 1000 people	

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

Period	LABOR MARKET													
	Activity rate of population, %				Number of employees (thou. pers.)				Employment rate of population, %				Number of ILO unemployed (thou. pers.)	
	Total	men	women	urban	rural	Total	men	women	urban	rural	Total	men	women	urban
	Unemployment rate, %	men	women	urban	rural	Total	men	women	urban	rural	Total	men	women	urban
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
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
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
2015	1265.6	42.4	45.1	39.9	44.9	40.4	1203.6	40.3	42.3	38.4	42.0	38.9	62.1	4.9
2016	1272.8	42.6	45.4	40.1	45.0	40.8	1219.5	40.8	43.1	40.0	43.0	42.3	53.3	4.2
2017	1259.1	42.2	45.3	39.4	44.5	40.4	1207.5	40.5	43.1	38.1	41.9	39.3	51.6	4.1
Quarter I 2015	1151.9	38.6	41.2	36.1	43.7	34.5	1054.0	35.3	36.6	34.1	39.7	31.8	97.9	8.5
Quarter II 2015	1339.2	44.8	47.9	42.1	44.3	45.2	1284.0	43.0	45.4	40.8	41.6	44.1	55.1	4.1
Quarter III 2015	1349.2	45.2	48.2	42.4	45.5	44.9	1305.2	43.7	46.4	41.3	43.2	44.1	44.0	3.3
Quarter IV 2015	1222.3	40.9	43.2	38.9	46.0	36.9	1171.1	39.2	41.1	37.5	43.4	35.8	51.2	4.2
Quarter I 2016	1198.1	40.1	43.1	37.5	44.9	36.3	1123.7	37.6	39.5	35.9	41.1	34.8	74.4	6.2
Quarter II 2016	1362.9	45.7	48.3	43.3	45.3	46.0	1307.9	43.8	45.6	42.2	42.2	45.1	55.0	4.0
Quarter III 2016	1337.0	44.8	47.8	42.1	45.1	44.5	1298.3	43.5	46.2	41.1	43.2	43.7	38.7	2.9
Quarter IV 2016	1193.3	40.0	42.7	37.5	44.6	36.3	1148.3	38.5	40.6	36.5	42.6	35.2	44.9	3.8
Quarter I 2017	1201.6	40.3	43.7	37.2	45.0	36.5	1125.7	37.7	40.2	35.5	41.7	34.6	75.8	6.3
Quarter II 2017	1316.0	44.1	48.1	40.5	44.4	43.9	1270.3	42.6	46.3	39.2	42.2	42.9	45.7	3.5
Quarter III 2017	1308.7	43.9	46.9	41.1	45.1	42.9	1264.1	42.4	45.2	39.9	42.4	42.3	44.6	3.4
Quarter IV 2017	1210.2	40.6	42.5	38.8	43.5	38.3	1169.9	39.2	40.8	37.8	41.4	37.5	40.3	3.3

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

Period	REMUNERATION OF LABOR							
	Average monthly salary – Total				Index of nominal monthly salary (comparative to previous year), %			Index of real monthly salary (comparative to previous year), %
	MDL	USD	EUR	MDL	USD	EUR		
January 2015	4260.6	256.5	219.1	112.8	89.4	104.1	107.7	
February 2015	4241.2	225.2	198.1	114.1	81.7	98.0	107.1	
March 2015	4397.3	236.0	217.1	112.4	81.5	103.6	104.9	
April 2015	4526.5	251.3	233.2	112.9	84.2	108.0	104.9	
May 2015	4524.0	252.0	225.7	112.2	85.5	105.3	103.8	
June 2015	4732.7	256.7	228.6	112.6	85.0	102.9	104.0	
July 2015	4882.6	257.4	233.8	112.8	83.4	102.6	103.9	
August 2015	4669.1	245.8	220.4	109.2	79.5	95.0	97.3	
September 2015	4694.9	239.0	212.6	110.0	80.2	92.2	97.7	
October 2015	4564.9	229.2	203.8	105.9	78.0	88.0	93.6	
November 2015	4613.4	230.7	214.5	105.9	79.2	91.9	93.3	
December 2015	5227.7	263.6	243.0	107.4	83.6	95.0	94.5	
January 2016	4665.8	229.7	211.4	109.5	89.6	96.5	96.6	
February 2016	4650.6	231.5	208.3	109.7	102.8	105.1	99.5	
March 2016	4749.7	239.7	216.1	108.0	101.6	99.5	98.7	
April 2016	4909.6	249.1	219.8	108.5	99.1	94.3	100.2	
May 2016	4863.9	244.9	216.5	107.5	97.2	95.9	99.6	
June 2016	5169.7	260.9	232.4	109.2	101.6	101.7	101.7	
July 2016	5274.0	266.2	240.3	108.0	103.4	102.8	100.9	
August 2016	5242.8	265.2	236.4	112.3	107.9	107.2	108.4	
September 2016	5170.6	261.3	232.9	110.1	109.3	105.9	106.9	
October 2016	5109.2	261.7	237.0	111.9	114.2	116.3	109.2	
November 2016	5204.4	254.6	235.5	112.8	110.4	109.7	109.9	
December 2016	6003.7	297.8	282.3	114.8	113.0	116.2	112.1	
Quarter I 2017	5218.9	261.5	245.6	111.3	112.0	115.9	106.7	
Quarter II 2017	5636.7	300.6	273.7	113.2	119.5	122.8	105.7	
Quarter III 2017	5809.1	324.2	276.3	111.1	122.7	116.8	103.4	
Quarter IV 2017	6113.6	352.0	298.8	112.4	129.7	118.9	104.6	

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

REMUNERATION OF LABOR BY ECONOMIC ACTIVITIES																	
Economic activities	Total economy	Agriculture, forestry and fishing	Industry	Constructions	Wholesale and retail trade, maintenance and repair of vehicles and motorcycles	Transport and storage	Accommodation and food service activities	Information and communications	Financial and insurance activities	Real estate transactions	Professional, scientific and technical activities	Activities of administrative and support services	Public administration and defense; mandatory social insurance	Education	Health and social assistance	Art, recreation and leisure activities	Other service activities
January	4260.6	2602.8	4514.4	3950.8	3552.4	4130.6	2827.6	8533.6	7683.3	4014.8	5735.9	3634.2	5460.4	3579.9	4149.9	3086.1	5647.1
February	4241.2	2576.2	4445.4	4011.3	3559.2	3940.4	2781.9	8889.3	7305.5	3942.7	5790.8	3291.5	5568.9	3664.6	3984.6	3069.4	6582.6
March	4397.3	2834.8	4707.1	4229.2	3657.1	4113.4	2904.1	9650.7	8825.2	4028.8	6064.7	3534.9	5792.4	3609.6	4028.2	2922.5	6015.5
April	4526.5	2815.9	4994.9	4369.0	3797.5	4406.4	2851.2	10443.5	9595.3	4257.0	5785.6	3531.6	5493.6	3549.6	4454.3	2882.5	6776.7
May	4524.0	2900.1	4845.4	4581.7	3826.5	4566.5	2970.3	9400.4	8092.1	4259.6	6248.4	3641.5	5503.1	3811.8	4469.8	2996.3	6870.4
June	4732.7	2936.6	4936.5	4687.3	3974.5	4369.3	3081.0	9611.4	8471.0	4119.4	6558.3	3715.0	5997.0	4304.3	4562.2	3180.2	7943.6
July	4882.6	3233.9	5076.0	4762.1	4054.1	4541.4	3219.2	9640.5	10121.3	4316.4	6854.3	3739.9	6604.3	4122.9	4726.5	3113.3	7183.5
August	4669.1	2878.7	5027.4	4690.4	3977.6	4615.6	3181.1	9392.6	8235.3	4112.6	6442.1	3816.8	5841.1	4109.8	4398.1	2839.3	6609.8
September	4694.9	3484.0	5150.1	4781.2	4034.8	4596.3	3204.1	12024.8	8005.3	4195.9	6449.9	3729.6	5347.9	3778.1	4243.6	2954.1	7398.9
October	4564.9	3395.4	4942.8	4761.8	4013.8	4485.7	3220.2	9725.0	8736.8	4231.5	6362.7	3773.5	5324.0	3648.5	4250.2	2918.1	7143.9
November	4613.4	3363.1	5007.2	4637.6	3937.5	4271.0	3131.7	9553.1	8246.3	4247.8	6661.0	3635.6	5771.7	3735.3	4404.6	3107.2	7141.6
December	5227.7	3713.0	5884.1	5145.5	4453.4	4907.6	3290.8	10429.6	10685.4	4922.9	7102.4	4039.9	6279.6	3878.5	5518.1	3118.6	8574.9
2015	4610.9	3072.3	4962.8	4559.0	3903.2	4411.3	3055.6	9770.7	8659.6	4218.7	6320.2	3669.7	5749.2	3813.6	4430.2	3015.8	6965.4
January	4665.8	2677.1	4837.7	4423.8	4221.7	4372.5	3194.0	9534.2	9040.2	4290.3	6349.3	3790.8	6126.9	3708.5	4354.4	3109.9	8351.3
February	4650.6	2861.0	4843.2	4539.2	4171.1	4303.8	3193.0	9928.7	8723.3	4370.7	6497.7	3756.7	6143.5	3789.3	4097.6	3147.8	8513.1
March	4749.7	3003.2	4982.5	4648.6	4284.5	4399.2	3317.0	12310.5	10503.5	4384.4	6803.8	4034.6	5593.3	3686.0	4207.1	2948.7	8911.4
April	4909.6	3096.1	5290.6	4712.5	4394.5	4557.8	3361.3	11153.8	11206.1	4684.5	6646.1	3891.4	6067.9	3715.8	4672.7	2984.7	8484.0
May	4863.9	3040.6	5159.1	4841.4	4483.4	4790.6	3420.8	10869.0	9136.3	4739.2	6552.9	4110.8	5771.0	3908.7	4492.4	3062.0	8404.5
June	5169.7	3122.1	5275.1	4995.4	4607.0	4695.7	3542.7	10933.8	9828.6	4875.5	6959.8	4074.6	6683.2	4438.3	4903.5	3257.6	9434.2
July	5274.0	3567.7	5466.3	5132.4	4604.6	4772.6	3591.4	10800.3	10025.2	4967.0	7045.1	4215.2	6785.3	4279.0	5460.3	3221.9	9082.8
August	5242.8	3283.0	5608.1	5339.3	4739.9	5224.5	3607.8	10593.0	9714.1	4799.1	6649.9	4335.0	6310.2	4354.8	5093.8	2920.8	9136.6
September	5170.6	3745.3	5455.6	5344.5	4716.6	5014.4	3585.0	12900.0	9259.6	4803.0	6616.8	4292.0	5733.0	4115.0	4909.5	3140.9	9381.8
October	5109.2	3474.4	5370.4	5351.0	4627.9	4864.0	3565.5	10882.5	9783.2	4938.1	6770.2	4295.0	5685.9	3977.3	5499.4	3107.2	9053.7
November	5204.4	3672.7	5468.4	5413.8	4645.6	4682.0	3450.2	10490.5	10335.9	4921.6	7127.9	4380.4	5975.4	4156.7	5353.8	3304.2	9530.1
December	6003.7	4154.0	6446.6	5762.3	5209.7	5316.3	3657.5	11962.2	16536.4	5599.0	7673.1	4585.8	6859.3	4125.0	7061.8	3399.0	10678.5
2016	5084.0	3321.4	5353.7	5064.5	4558.0	4746.3	3454.8	11027.5	10338.9	4779.6	6806.8	4144.3	6147.2	4017.7	5010.0	3130.1	9081.0
Quarter I 2017	5218.9	3265.6	5276.5	4784.8	4713.4	4797.7	3495.2	11567.4	9821.9	4634.6	6908.5	4336.6	7197.4	4085.6	5066.8	3318.1	7039.6
Quarter II 2017	5636.7	3554.6	5812.6	5577.6	5047.8	5244.8	3680.1	12553.8	10503.2	5016.0	7448.0	4651.2	7258.2	4530.6	5718.6	3307.2	7406.0
Quarter III 2017	5809.1	4035.5	6112.6	5884.2	5204.7	5650.6	3965.9	12775.1	10763.9	5337.0	7413.5	5019.8	7272.2	4565.9	5517.3	3209.3	7547.7
Quarter IV 2017	6113.6	4254.2	6367.7	6225.1	5398.2	5881.1	4106.0	12875.5	13021.6	5475.8	7814.9	5012.5	7727.9	4663.9	6234.9	3460.2	8353.7
2017	5697.1	3798.0	5902.7	5649.8	5120.1	5389.6	3812.9	12443.7	11034.7	5107.2	7392.1	4752.3	7361.4	4459.0	5634.6	3323.9	7592.9

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

Note: Information contains the units from the real sector with 4 or more employees and all public institutions regardless the number of employees.

Period	HOUSEHOLD DISPOSABLE REVENUES						
	Household disposable revenues MDL	Structure of household disposable revenues, %					
		Employment activity	Agricultural individual activity	Non-agricultural individual activity	Property	Social benefits	Other sources
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
2015	1956.6	41.4	9.0	6.9	0.2	20.9	21.6
2016	2060.1	42.1	8.3	6.6	0.2	22.1	20.8
2017	2244.9	43.1	7.8	5.5	0.1	23.4	20.1
Quarter I 2015	1854.0	40.2	9.6	5.3	0.2	21.4	23.3
Quarter II 2015	1997.2	43.5	9.3	6.6	0.1	19.9	20.6
Quarter III 2015	1978.3	39.9	8.5	7.5	0.2	21.5	22.4
Quarter IV 2015	1999.4	41.7	8.9	8.2	0.2	20.9	20.1
Quarter I 2016	2027.8	42.4	8.7	6.2	0.2	19.5	23.0
Quarter II 2016	2029.3	41.1	9.2	6.7	0.0	21.4	21.6
Quarter III 2016	2080.5	41.6	7.6	7.0	0.1	24.3	19.4
Quarter IV 2016	2105.2	42.9	8.0	6.6	0.3	23.2	19.1
Quarter I 2017	2134.5	40.2	8.6	5.4	0.0	23.7	22.1
Quarter II 2017	2227.6	43.2	7.3	6.5	0.0	22.0	21.0
Quarter III 2017	2224.4	43.5	8.0	4.4	0.1	25.8	18.2
Quarter IV 2017 ¹	2404.0	45.1	7.5	5.5	0.3	22.0	19.6

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

¹ Preliminary data

Period	HOUSEHOLD CONSUMER EXPENDITURES													
	Household consumer expenditures MDL	Household consumer expenditures structure, %												
		Food products	alcoholic beverages, tobacco	clothing and footwear	household and maintenance	endowment house	health	transport	communications	recreation	Education	hotel, restaurant, cafes	other goods and services	
2012	1598.6	43.2	1.7	10.6	18.6	3.5	5.6	4.2	4.4	1.5	1.0	1.7	4.0	
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	
2015	2048.5	42.1	1.4	11.2	17.9	3.9	6.5	4.5	4.3	1.4	0.7	1.7	4.4	
2016	2116.8	42.6	1.5	10.5	17.8	4.0	6.4	4.8	4.7	1.3	0.7	1.5	4.4	
2017	2250.3	43.4	1.5	10.4	18.6	3.9	5.9	3.7	4.5	1.3	0.5	1.8	4.5	
Quarter I 2015	1913.3	41.5	1.4	11.0	17.1	3.5	7.7	4.9	4.4	1.6	0.6	1.7	4.8	
Quarter II 2015	2075.9	41.9	1.4	11.0	17.9	4.0	6.3	4.8	4.5	1.1	0.6	2.0	4.6	
Quarter III 2015	2132.7	41.6	1.4	11.8	18.9	4.1	6.2	4.0	4.1	1.6	0.7	1.4	4.3	
Quarter IV 2015	2072.9	43.3	1.5	11.0	17.6	4.1	5.9	4.6	4.2	1.3	0.7	1.8	4.1	
Quarter I 2016	2058.1	42.0	1.4	9.7	17.5	3.6	6.3	7.3	4.3	1.2	0.6	1.1	5.0	
Quarter II 2016	2079.7	43.4	1.5	10.7	18.5	3.8	5.8	4.1	4.4	1.1	0.8	1.5	4.5	
Quarter III 2016	2199.7	41.3	1.7	10.8	18.0	4.1	7.4	4.3	4.4	1.7	0.7	1.6	4.1	
Quarter IV 2016	2129.8	43.9	1.4	10.8	17.3	4.4	5.9	3.3	5.6	1.1	0.6	1.6	4.1	
Quarter I 2017	2091.0	44.1	1.4	9.7	18.7	3.8	6.3	3.5	4.6	1.5	0.7	1.5	4.3	
Quarter II 2017	2245.3	44.3	1.6	10.4	18.4	3.8	5.5	3.9	4.5	1.2	0.5	1.4	4.3	
Quarter III 2017	2301.0	43.0	1.4	10.8	19.8	4.0	5.7	3.5	4.2	1.1	0.3	1.8	4.3	
Quarter IV 2017 ²	2358.5	42.4	1.5	10.6	17.6	4.1	6.0	3.9	4.6	1.5	0.7	2.3	4.9	

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

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

² Preliminary data

Period	CRIMES																															
	Recorded crimes – total, (cases)		Crimes against life and health of the person (cases)		Crimes against public health and social coexistence (cases)		Crimes against property (cases)								Crimes against family and minors (cases)		Economic crimes (cases)				Crimes against public security and public order (cases)											
	Total		Murder		Premeditated severe injuries		Total		Robbery		Fraud		Pocket-picking		Scam		Total		Drug related crimes		Total		Trafficking in children		Contraband		Manufacture of counterfeit currency		Total		Hooliganism	
	Total		Total		Total		Total		Total		Total		Total		Total		Total		Total		Total		Total		Total		Total		Total		Total	
	1755	223	325	617	360	18751	14294	167	1175	1651	540	64	1785	1575	953	20	1928	163	1156	1514	1284											
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										
2015	39782	1389	177	252	639	303	20588	15363	113	994	2077	1011	67	1362	1191	2058	38	1429	229	433	1752	1491										
2016	41921	1505	189	250	642	341	22440	16238	128	1082	2390	1598	92	1330	1153	1836	28	1132	240	216	1954	1699										
2017	35581	1250	154	196	592	301	17224	12154	98	846	2159	1217	69	1411	1269	1025	41	1060	212	194	1653	1447										
Quarter I 2015	8875	276	39	63	130	63	4601	3339	40	239	439	264	12	332	299	529	5	324	47	104	421	358										
Quarter II 2015	18696	599	74	118	286	139	9615	7143	72	462	919	514	23	716	632	1039	19	713	97	259	847	722										
Quarter III 2015	28583	950	118	171	478	224	14462	10793	87	714	1429	704	47	1079	955	1563	30	1012	145	333	1289	1100										
Quarter IV 2015	39782	1389	177	252	639	303	20588	15363	113	994	2077	1011	67	1362	1191	2058	38	1429	229	433	1752	1491										
Quarter I 2016	9808	351	46	68	141	65	5338	3916	43	247	546	365	23	285	244	466	5	247	47	47	426	366										
Quarter II 2016	20588	724	88	127	316	170	11147	8149	66	485	1193	771	47	597	508	1065	14	560	120	105	925	797										
Quarter III 2016	30719	1088	140	181	480	264	16381	11942	93	792	1707	1096	72	1001	880	1581	23	810	150	144	1436	1245										
Quarter IV 2016	41921	1505	189	250	642	341	22440	16238	128	1082	2390	1598	92	1330	1153	1836	28	1132	240	216	1954	1699										
Quarter I 2017	8287	n/d	41	48	n/d	59	n/d	2835	34	198	n/d	n/d	n/d	n/d	287	n/d	n/d	n/d	n/d	n/d	n/d	331										
Quarter II 2017	16778	n/d	76	89	n/d	136	n/d	5754	49	367	n/d	n/d	n/d	n/d	564	n/d	n/d	n/d	n/d	n/d	n/d	635										
Quarter III 2017	25818	n/d	113	137	n/d	215	n/d	8735	65	612	n/d	n/d	n/d	n/d	961	n/d	n/d	n/d	n/d	n/d	n/d	1052										
Quarter IV 2017	35581	1250	154	196	592	301	17224	12154	98	846	2159	1217	69	1411	1269	1025	41	1060	212	194	1653	1447										

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