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GENERAL DATA

Official name	REPUBLIC OF MOLDOVA
Capital	Chisinau
President	Nicolae Timofti
President of the Parliament	Igor Corman
Prime Minister	Iurie Leanca
Parliament of the Republic of Moldova	101 deputies (the Communist Party of the Republic of Moldova - 34, the Liberal Democrat Party of Moldova - 31, the Democrat Party of Moldova - 15, Liberal Party - 11, unaffiliated deputies - 10)
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	3,557.6 thousand (beginning of the 2014 year)
Main religions	Orthodox (93.34%), Protestant (1.98%), Old-rite Christian (0.15%), Catholic (0.14%), etc.
National currency	Moldovan Leu (average exchange rate, Q II, 1 USD = 13.6771 MDL, 1 EUR = 18.7664 MDL)

ABBREVIATIONS

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

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

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

The second quarter of 2014 was marked by many political, economic and social events.

April 3rd

On April 3rd, the Prime Minister of the Republic of Moldova, Mr. Iurie Leanca, and Mr. Qimiao Fan, Regional Manager for Ukraine, Belarus and Moldova of the World Bank, signed an Agreement between the Government of the Republic of Moldova and the World Bank in order to finance the development policies in the Republic of Moldova, of 30 million USD. The primary goal of the document is to provide support to the Republic of Moldova in implementing the agenda of structural reforms and to stimulate economic growth, by improving the business environment, promoting the stability and development of the financial sector, improving the fairness and efficiency of public expenditure. This action is within the measures of the Partnership Strategy of the World Bank and the Republic of Moldova for 2014-2017. The following operation, with the same value, is planned for H2 of this year. Prime Minister Iurie Leanca appreciated the support of the World Bank in implementing the development projects of the Republic of Moldova and mentioned the importance of the provided aid for increasing economic competitiveness, mitigating social risks and promoting ecological projects. The total value of the projects within the Strategy of Partnership with Moldova for 2014-2017 is 450 million USD. Out of this amount, 250 million will be provided by the International Development Agency and 200 million by the International Bank for Reconstruction and Development.

April 8th

The Ministry of Agriculture and Food Industry of the Republic of Moldova launched two grant programs for agricultural producers, with the objective of facilitating the access to sale markets, and also for increasing agricultural productivity by a durable management of the soil. Within the first program, the investment grants will be designed for purchasing technological equipment and machinery for the post-harvesting infrastructure in horticulture and will not exceed 50% of the investment, with a maximum threshold of 350 thousand USD. The money will be granted to the agricultural producers who will create associations of at least 5 members (natural persons and legal entities).

April 15th

On April 15, 2014, the Interim Chairman of ASM, academy member Ion Tighineanu had a meeting with the experts of the Swiss Development Agency (SDC Moldova). There were talks about the usefulness of implementing a new migration and development program for 2014-2017. The parties also discussed various initiatives implemented by Switzerland in the Republic of Moldova in the field of drinking water, health and irrigation. The representatives of SDC Moldova transmitted the intention of the Agency to launch a new technical assistance program in the field of migration and development. Within this program, Switzerland will contribute to the identification and development of innovative interventions which will aim the consolidation of the positive effects of migration and the decrease of the negative impact of this phenomenon.

April 17th

Republican senator John McCain conducted an official visit in the Republic of Moldova. The American official had a meeting with Mr. Iurie Leanca, the Prime Minister of Moldova, where they discussed details of the strategic dialog between the Republic of Moldova and USA, initiated by Washington. At the meeting were also discussed aspects related to the intensification of

political and commercial relations, attracting investments, security matters, regional developments and methods for resolving the Trans-Dniester conflict.

April 17th

Academy member Gheorghe Duca was reelected as the President of ASM at the General Assembly of ASM. Mr. Duca was elected with the vote of 100 members of the General Assembly out of 151 votes.

May 14th - 15th

The annual reunion of EBRD Governors' Council took place between May 14th and May 15th, at Warsaw, Poland. At this meeting, Mr. Iurie Leanca, Prime Minister of the Republic of Moldova, had a speech about the progress of the Republic of Moldova with the support of EBRD and the evolution of the relations between our country and the European Union. Mr. Leanca emphasized that the Republic of Moldova has many advantages in its European evolution, and our goods and services will gain access on the common market of the European Union. Mr. Leanca also launched a request to the Governors' Council of EBRD regarding the signing of a Memorandum of Understanding for the Anticorruption Initiative between the Republic of Moldova and EBRD, which would improve the business environment.

May 22nd

On May 22nd, the European Commissioner for agriculture and rural development, Mr. Dacian Ciolos visited the Republic of Moldova, where he met a group of representatives of the local public authorities. At this meeting, he mentioned that the European Union will grant to the Republic of Moldova 120 million EUR for agriculture and rural development within the ENPARD program, between 2014 and 2020.

The goal of this financial support is to support the competitiveness of the agriculture of the Republic of Moldova after signing the Free Trade Agreement.

May 30th

The delegation of the Republic of Moldova participated at the meeting of the Council of Government Leaders of the Commonwealth of Independent States. At the meeting, Mr. Iurie Leanca, the Prime Minister of the Republic of Moldova, signed with his counterparts from CIS countries several documents regarding the commercial and economic cooperation, tourism, sports and the cooperation in the technical-scientific, financial and social-humanitarian fields.

June 16th - 17th

Mr. Iurie Leanca made a business trip to Paris, where he met the French President François Hollande. The officials discussed the European perspective of our country, the situation from the region in the context of the Ukrainian crisis and bilateral cooperation. A strong focus was on attracting foreign investments in Moldovan economy. The Leader of the Moldovan Government also meetings with the Secretary General of OECD, Angel Gurría, representatives of LAZARD, and had a speech at a conference of the International Diplomatic Academy.

June 27th

The Republic of Moldova signed the Association Agreement with the European Union. The President of the European Commission, Jose Manuel Barroso, stated that this was a historical day for the Republic of Moldova, Ukraine and Georgia, for EU countries and for the entire Europe. EU committed to help the countries from the Eastern partnership to implement the necessary reforms in order to achieve a better quality of life.

June 28th

The restriction for cars registered in other states to be on the territory of the Republic of Moldova for only 180 days in one year was canceled by the Government. By this amendment, the authorities hope to contribute to the increase of the flow of transportation means which will be come into the country, which will contribute to the increase of the revenues collected at the state budget.

Thus, the amendment of the legal framework regarding the term for transportation means coming into the Republic of Moldova improves the conditions for letting in unregistered cars.

June 29th

The Minister of External Affairs and European Integration, Mrs. Natalia Gherman, had a meeting with her counterpart from Sweden, Mr. Carl Bildt. One of the topics of the meeting was the fact that Sweden will increase the financial aid for the Republic of Moldova from 11 million to 14 million EUR a year. The Republic of Moldova is regarded by Sweden as a country which is eligible for joining the European Union with full rights. According to the Minister of External Affairs, the money is to be granted for supporting the reform process. The fields which were selected aimed the consolidation of the state and democratic principles, the development of the market, fighting corruption, and reform of the central public administration.

EDITION SUMMARY

Production

The evolution of the real sector of the national economy in January-June 2014 was marked by the increase of production in most economic sectors. According to official statistics, in the 1st semester GDP was 47,695 million MDL, 3.9% more than in the same period of 2013 and 15% more than in the same period of 2008.

The increase of GDP in the first semester of 2014 creates premises for a significant increase of GDP in 2014 in general. At the same time, the expectations for maintaining the growth rate of GDP in 2014 on the level of the one achieved in the 1st semester of 2014 are moderate, considering the spectacular increase of GDP recorded in the 2nd semester of 2013, supported by the significant increase (by over 50%) of agricultural production. The embargo imposed on our country by the Russian Federation and the geopolitical tensions in the East decrease even more the most optimistic expectations for economic growth in the 2nd semester of 2014.

As a result of the important share of services in GDP (approximately 64%) and of the growth rate the 1st semester of 2014 of the activity volume of 4.3%, this sector caused the main increase of GDP – by 2.6%.

Regarding the expenditure elements, the most significant contribution to the increase of GDP was that of the evolution of international trade. The increase in January-June 2014 of the exports of goods and services by 6.7%, on the background of the decrease of imports by 0.2% generated the increase of GDP by 3.2%.

In January-June this year, compared to the same period of 2013, industrial production recorded a 4.4% increase, supported by the processing industry (+6.8%) and the mining industry (+9.1%). Nevertheless, industrial production in the 1st quarter of 2014 is lower than the one recorded in the same period of the pre-crisis year, 2008 (by 4.3%).

In the 1st semester of 2014 there were increases for companies operating in retail and services provided to the population, whose turnover increased (in real terms) by 3.5% and 8.5%, respectively, compared to the same period of 2013.

On the background of the moderate evolution of the foreign trade of goods and the implications caused by the geopolitical tensions in the East, there was a decrease of transportation activities, represented by the turnover of goods, which in the 1st semester of 2014 decreased by 3.2%. According to the updated data, the decrease of the transportation activity became even more accentuated in July and August this year.

In the field of tourism activities, in the 1st semester of 2014 there were positive evolutions of the outgoing and domestic tourism, and the flow of Moldovan tourists who went abroad by tourism agencies and tour operators increased by 11.7%, and the number of internal tourists increased by over 1.4 times. Concomitantly, there was a decrease of the number of foreign tourists who benefited from tourism services, which caused the decrease of the total number of tourists accommodated in collective tourism accommodation structures by 1.3%.

Prices, exchange rates and monetary policy

In the 1st semester of 2014 the consumer price index registered a moderate increase. In the first six months of the year, the consumer price index increased by 5.3% compared to the similar period of last year. In the same period, CPI components recorded the following increases: food products – 7.4%, non-food products – 5.0%, services – 2.7%.

In the 2nd quarter of the year the consumer price index recorded values that were similar to those from the same period of last year, namely 5.2%. The most significant contributor to the maintaining of the consumer price index was the decrease of the price pressure of food products, due to the seasonal decrease of prices for food products and the decrease of the prices of food products worldwide.

In the 2nd quarter of 2014, there were non-uniform increases of other price indexes:

- ✓ the prices of industrial production increased by 3.5% compared to the similar period of last year, and the growth rate was 6.7%. The highest price increases in the processing industry, for the respective period, were recorded for tobacco production, fruit and vegetable processing and preservation, production of clothing and dairy production.
- ✓ In the construction sector, the increase rate of prices decreased by 0.6% compared to the similar period of last year, namely 7.4%. The highest increases of construction prices were recorded in agriculture, telecommunications, production of social-cultural products, trade and public food and electricity.
- ✓ Fuel prices, in the 2nd quarter of 2014, decreased by 1.7% compared to the similar period of last year, and the annual growth rate was 3.1%. In the following months fuel prices manifest an increase trend, an evolution caused by the depreciation of the national currency in relation to the main reference currencies, and the increase of fuel prices on international markets.

In the 1st semester of 2014 the value of the national currency decreased in relation to EUR – 15.1% and in relation to USD – 10.2%, compared to the same period of last year. The average exchange rate in this period was 18.6 MDL/EUR and 13.5 MDL/USD.

In the 2nd quarter of 2014, the average exchange rate of the national currency was 18.8 MDL/EUR and 13.7 MDL/USD, and there was a decrease in relation to EUR by 16% and to USD by 10.4% compared to the similar period of last year. The depreciation of the national currency is according to the monetary policy promoted by NBM in order to adjust the internal economic evolutions to the macroeconomic policies promoted by the authorities. The accentuation of the trend of depreciation of the national currency in relation to the main reference currencies may create risks to the national economy. The depreciation could cause difficulties in the reimbursement of credits in foreign currencies (EUR and USD), which could cause a decrease in the quality of the portfolio of banking loans, the increase of the pressure on consumer prices and the decrease of consumers' buying capacity.

In the 1st semester of 2014, NBM promoted the monetary policy by adjusting its actions based on the economic conjuncture. Given a moderate internal demand, as a response to the deflationist pressures, NBM preserved the interest rates associated to the monetary policy instruments on the level reached in the second semester of last year and maintained unchanged the rate of mandatory reserves, at 14%.

In the 2nd quarter, in order to improve the excessive fluctuations of the exchange rate of the national currency in relation to the main reference currencies, NBM intervened on the currency market, mostly as a seller of foreign currency. These interventions caused the decrease of official reserve assets by 1.08% compared to their volume at the end of the 1st quarter of this year.

In the 2nd quarter, the volume of monetary mass, after a slight decrease in the 1st quarter of this year, resumed its increasing trend. Compared to the data from the end of the 2nd quarter, similar period of last year, the increase rate of the monetary mass components was maintained on a high level. In the structure of the monetary mass, the trend of decreasing the share of term deposits is maintained.

Public finances

Regarding public revenues, there is a decrease of collections from salary revenues, especially in the social sector (medical premiums and social contributions). We also notice a decrease of the growth rate of collections recorded by the Customs Service from VAT and excises, mostly because of the geopolitical situation from the area, and an increase of VAT values reimbursed from the budget (+156.7% compared to last year).

Regarding public expenditure, as a general trend, we notice an increase of social expenses (by 10.1% compared to last year – mostly due to health protection expenses), economic expenses (by 28.3% compared to last year – mostly due to expenses in agriculture, forestry management, fish management and water management) and environment protection expenses and hydrometeorology (by 45% compared to last year).

Compared to the situation as of January 01, 2014, the external state debt recorded an increase of 1888.0 million MDL, or by 11.2%. The recorded increase was caused by the net financing reaching a positive value and by an increase in the fluctuation of the exchange rate of USD in relation to other foreign currencies.

Banking sector

Overall, the banking sector of the Republic of Moldova is dynamically developing, and is recording positive trends in the performance indicators. In the 1st semester of 2014, the banking sector remains attractive for foreign investors. Thus, the share of foreign investments from the capital of Moldovan banks increased, and the weight of the national capital decreased. The concentration degree of the banking system, from the perspective of assets, credits and deposits, reflected by the weight of the first four banks from the system, is maintained on a moderate level in relation to other states from the region.

In the 1st semester of 2014, the banking sector recorded a good performance: banking assets increased by 5%, the credit balance increased by 7%, the deposit balance increased by 7.2% compared to December 31, 2013. Banking profits during the first 6 months of 2014, at 14 banks, continued to increase by 1.7%, to 494.4 million MDL) compared to December 31, 2013. However, Banca Comercială "Eximbank Gruppo Veneto Banca" S.A. recorded negative financial results in the 1st half-year of 115.2 million MDL and financial institution BC "Banca Socială" S.A. did not maintain the regulated level of 16%, and had a sufficiency of the risk-weighted capital of 14.57% as of June 30, 2014. Also in the 1st semester of 2014, Banca Comercială "EuroCreditBank" S.A. did not have 1st-tier banking capital corresponding to the minimum necessary capital of 200 million MDL.

Besides the accentuated positive trends from the analyzed period, the banking system faces problems which continue to prevent the dynamic development of the sector. Consequently, the regulating authority of the market, NBM, must ensure the financial stability of the entire banking system, by efficient cooperative governance (especially the protection of the legal shareholders).

External sector

In the first 6 months of the year, exports amounted to 1172.4 million USD, the nominal value increasing by 3.2% compared to the same period of last year. Imports amounted to 2547.2 million USD, down by 1.8% compared to the same period of last year. The modest evolution of foreign trade in the 1st half-year was predominantly caused by the evolution of exports and imports in the 1st quarter, imports maintaining its decreasing trend in the 2nd quarter.

Overall, in the 1st semester of the year, the net export of goods and services had a major positive contribution to the growth of the national economy. Exports had a better dynamics compared to

imports, which contributed to the improvement of the index of covering imports by exports and a continuous decrease of the commercial deficit.

The high supply of agricultural and food products from last year, the depreciation of MDL compared to the main reference currencies and the increase of the external demand from the Western partners were some important factors in determining the increasing trend of Moldovan exports in this period.

The dynamics of the exports to EU countries amortized the effects of the decrease in the delivery of goods to other states with a major share in Moldovan exports: Russian Federation, Ukraine, Turkey. Consequently, the position of the EU member states in the geographical structure of the Moldovan exports of goods was consolidated, and their share in this period reached 53%, becoming the main commercial partner, including for agricultural and food products.

At the same time, the negative evolution of international prices for agricultural products negatively influenced the export unitary value index compared to the same period of last year, which given the insignificant modification of the physical and value index of imports in the 1st semester of the year, contributed to the unfavorable evolution of the gross and net exchange ratio indexes.

Likewise, the goods structure of foreign trade does not indicate qualitative modifications, and the challenges for the second half-year are relatively high: the precarious economic situation from Ukraine and the Russian Federation, the Russian's trade policy harshening against food products imports from Republic of Moldova, the continuous decrease of international prices for agricultural products; the decrease of the activity in the electrical equipment production industry.

At the same time, the estimated high volume of the agricultural crops of this year, the good evolution from the clothing, textile and vegetable oil production industry, strongly oriented towards exports, could ensure a positive influence over the evolution of exports. Moreover, the depreciation of MDL in relation to EUR and USD will support the competitiveness of the internal products on the external markets. At the same time, this factor will negatively affect the industries which rely on imported raw materials, especially fuels, whose import unit value index have not decline as much as national currency – MDL depreciation.

Business environment

According to the data of the State Registration Chamber, 6,231 new companies were registered with the State Register in 2013.

The number of entities registered at the State Registration Chamber insignificantly decreased in 2013 compared to the previous year, and the index is 99.3%. The number of deregistered entities in 2013 was 2,808 units or 14.9% less than during the same period of last year.

At the end of 2013, NBS of the Republic of Moldova had records of 52.2 thousand companies. The absolute majority of companies (50.9 thousand) are part of the SME sector - 97.5%. In 2013, like in previous years, there was a durable growth trend for the number of SMEs, which report to NBS (50.9 thousand units in 2013, compared to 49.4 thousand units in 2012). The data shows an increase in the number of companies by 4.4%, out of which an increase in the number of SMEs by 3.0% compared to 2012.

In 2013, in companies of all sizes, the number of employees increased by 5.3 thousand persons. However, this increase is due to large companies, and in 2013 the SME sector there was a decrease in the number of employees compared to the previous period (-1.8 thousand persons).

Social sector

Demographic situation. One of the demographic trends which characterized the 1st semester was the increase of mortality with higher rates than the increase of birth rate (1.1 times), which caused the natural decrease of the population. In January-June 2014, the number of live births in the country was 18,248, according to NBS of RM, the birth rate was 10.3 live births per 1,000 people. The number of deceased represented 20,542 persons. The death rate was 11.6 deceased for every 1,000 people. The natural decrease rate was 2,294 persons, or 1.3 persons for every 1,000 people, compared to 1.2 in the 1st semester of 2013. The number of infants deceased in January-June 2014 increased by 9. The infantile mortality rate was 10.3 infants deceased for 1,000 live births. The total number of marriages in the Republic was 9,876, a 9.6% increase compared to the similar period of last year. The marriage rate was 5.6 marriages for every 1,000 people. The total number of divorces in the country was 5,653, a 2.7% increase compared to the similar period of last year. The divorce rate was 3.2 divorces for every 1,000 people.

Migration of population. In January-June 2014, according to NBS of RM, 1,462 foreign citizens and 133 repatriates received residence permits (permanent and temporary). The structure of immigrants by the goal of arrival was dominated by work – 40.6%, family – 36.6%, education – 5.5%, other causes – 17.3%. The number of persons declared by household units as having left to other countries looking for work was, according to the estimates of the NBS of RM, 343.9 thousand persons. – compared to 337.6 thousand in 2013. Mostly, declared as departed were persons from the rural area (approximately 72.5% of the population declared as departed), especially men (approximately 63.7% of the population declared as departed).

Labor market. One of the trends of the labor market which characterized Sem. I was the increase of the economically active population, while the inactive population decreased. In the 2nd quarter of 2014, the economically active population was 1,328.6 thousand persons, the activity rate of the population aged 15 years and over was 44.5%, practically on the level reported in the respective quarter of the previous year (43.1%). Employed population was 1,280.1 thousand persons, 4.3% more than in the 2nd quarter of 2013. The occupancy rate of the population aged over 15 was 42.8%. The number of unemployed persons, estimated according to the methodology of the International Labor Office was 48.5 thousand, 12.4 thousand less than in the 2nd quarter of 2013. The unemployment rate in the country was 3.7%. Registered unemployment, according to the data of the National Employment Agency, on Tuesday, July 01, 2014, 18.2 thousand registered unemployed persons were looking for a job, and every 10th had been laid off. Over 12% of the registered unemployed persons received unemployment benefits, whose average value was 1,073.0 MDL in June 2014.

Household disposable income. In the 2nd quarter 2014, the disposable income of the population represented in average per person per month 1,756.1 MDL, according to the data of the Household Budget Survey, 5.3% more than in the same period of 2013, and 6.4% than in the 1st quarter of 2014 (1,650.0 MDL). In real terms, the revenues of the population remained on the level of last year.

Average monthly consumption expenditure of the population in the 2nd quarter of 2014 were in average per person 1,807.6 MDL, according to the data of the Household Budget Survey, 2.6% than in the same period of last year, and 4.4% more than in the 1st quarter 2014 (1,731.9 MDL). In real terms, the population spent in average 2.6% less compared to the 2nd quarter of 2013.

Remuneration of labor. The general trend of the 1st semester in labor remuneration was different: at the beginning of the 1st semester we notice a decrease of salaries in February compared to January, which can be explained by the fact that in January the annual premium was paid (Government Order no. 180 of March 11, 2013 regarding the payment of the annual premium to the personnel from budget units), then from February until the end of the 1st semester we notice a stable salary increase trend.

Subsistence minimum. The size of the minimum subsistence value in the 1st semester of 2014 in average for one person was 1,667.7 MDL, an increase of 3.7% compared to the 1st semester of 2013. By categories of population, the maximum value of the subsistence minimum is that of the active population – 1,767.3 MDL, especially men – 1,913.2 MDL, compared to 1,611.4 MDL for women. The minimum subsistence value for children is 1,582.8 MDL per month, with a differentiation of this indicator depending on the child's age.

Social protection of the population. According to the data of the National Agency of Social Insurance, the number of pensioners registered by the social protection institutions as of July 01, 2014 was 662.9 thousand persons, or 9.9 thousand persons more compared to July 01, 2013. The average value of the monthly (indexed) pension was 1,084.6 MDL, 6.2% up compared to July 01, 2013. In the structure of pensioners as of July 01, 2014, the highest share is that of pensioners for age limit 75.5%, followed by disability and heir pensioners, with 20.2% and 2.5%, and other categories – 1.8%. Approximately 56 thousand persons benefit from social allowances, and the highest category of beneficiaries is that of disabilities acquired in childhood (48.4%). In January-June 2014, 75.2 thousand persons benefited from childcare payments, out of which 51.6% are insured persons.

Healthcare. The morbidity of the population from infectious diseases in January-June 2014, according to the preliminary data of the Ministry of Health, is characterized by the increase of the number of cases of acute intestinal infections, viral hepatitis, pediculos is and gonococcus infections. In case of the other infectious diseases, for most diseases there is a decreasing trend in the number of cases.

Crimes. According to the information provided by the Ministry of Internal Affairs, in January-June 2014 there were 19.6 thousand crimes, or 8.1% more than in the same period of the previous year. In average, for 10 thousand people there are 55 crimes in this period. The highest level of crimes was recorded in Chisinau and Balti, respectively 86 crimes for every 10,000 people, and 65 crimes for 10,000 people, and the lowest level is in Riscani – 27 crimes for 10,000 people.

Chapter I

PRODUCTION¹

Gross domestic product

The Gross Domestic Product (GDP) in January-June 2014 was 47,695 million MDL², 3.9% more than in the same period of last year. Thus, given the significant decrease in crisis year 2009 by 7.8%, and the increasing trend in the following period, during semester 1 of the period 2008-2014, GDP increased by 15%, with an average annual growth rate of 2.4%.

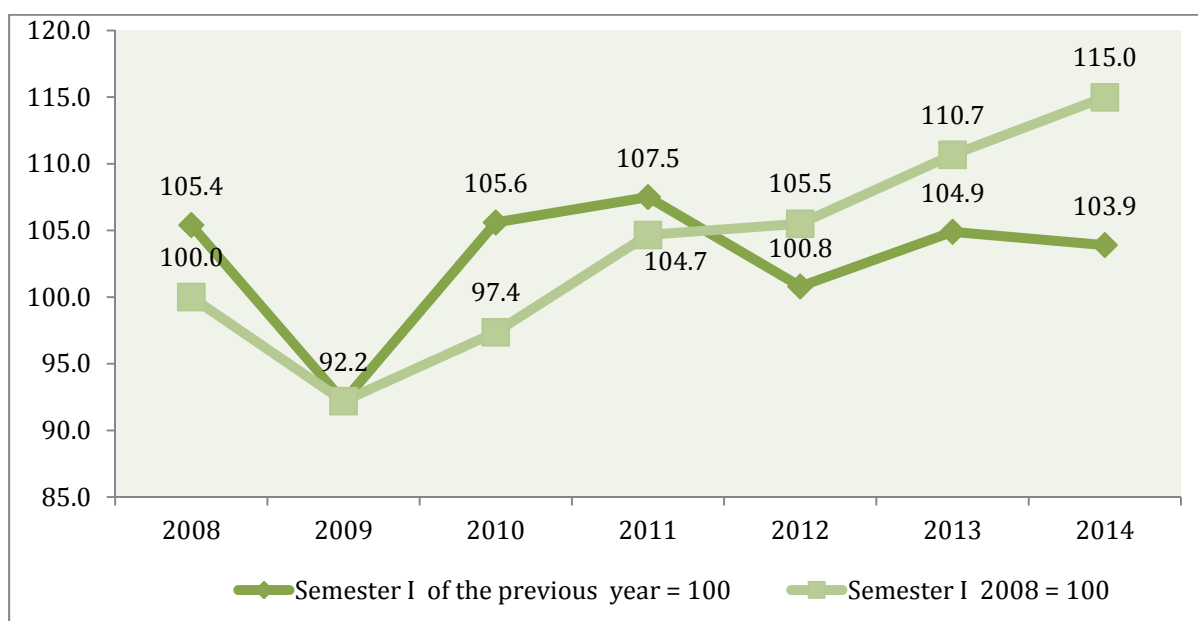


Figure 1.1. Evolution of GDP during January-June 2008-2014 (%)

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

It is remarkable that GDP in Q2 of 2014 significantly increased (104.2% compared to the similar period of last year) compared to the one recorded in Q1 of this year (103.6%). The acceleration of economic activities in Q2 of 2014 is also reflected in the growth rate of GDP in Q2 compared to Q1 (seasonally adjusted), namely 101.9%. The high rate of GDP in Q2 was especially generated by the more significant increase of volume of services, especially constructions, real estate transactions and services provided to companies. Concomitantly, there was a relative decrease of the growth rates of GVA in industry, trade, financial activities, hotels and restaurants, transportations.

The most important contributions to the increase of GDP during January-June 2014 in the annual calculation were those of the following national economy branches:

- *Industry*, whose volume of activity increased by 5.5%, with a weight of 15% in the structure of GDP, caused the increase of GDP by 0.8% (See Fig. 1.2);
- *Retail and wholesale*, as well as *transportation and communications*, whose contributions to the formation of GDP were 12.8% and 10.8%, influenced the increase of GDP by 0.6% and 0.5%, respectively;

¹ The analysis is presented without the data of the companies and organizations from the left side of the river Dniester and Mun. Bender, provided by the National Bureau of Statistics. In some cases, specifically indicated, available data on the Trans-Dniester region are presented, as published by the statistics body of the region.

² GDP in current market prices.

- *Agriculture, hunting, forestry, fishing and aquaculture*, whose volume of activity increased by 7.4%, with a weight of 7.1% in the structure of GDP, caused the increase of GDP by 0.5%.

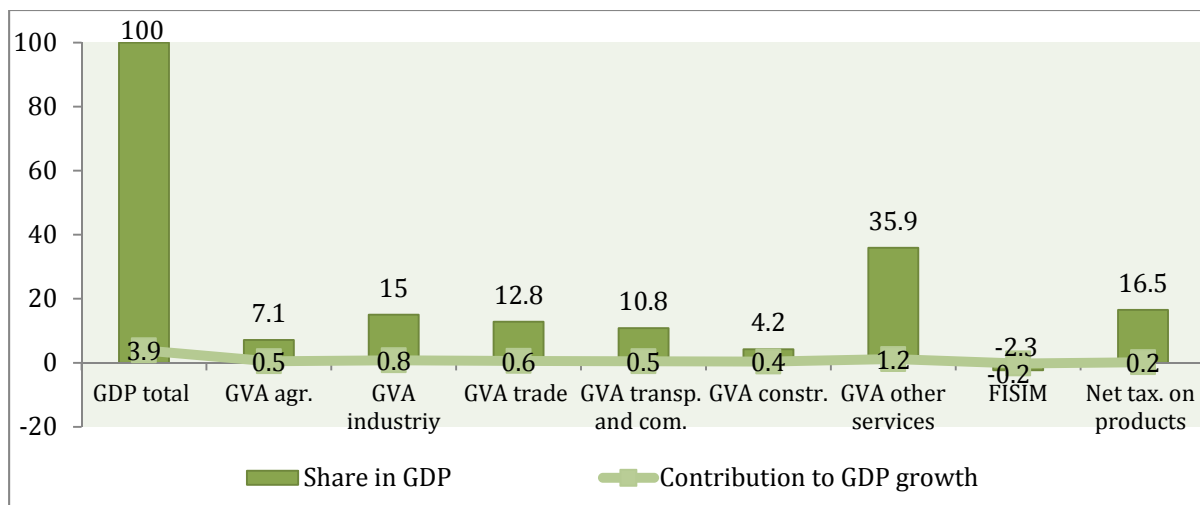


Figure 1.2. Contribution of components by categories of resources to the formation of GDP in January-June 2014 and to its increase compared to January-June 2013 (%)

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

As a result of the increased weight of services in GDP (approximately 64%) and of the growth rate during H1 of this year of the activity volume of 4.3%, this sector caused the main increase of GDP – by 2.6%. Goods production economic activities, although recorded a significant increase in the volume (by 6.1%), contributed to the GDP growth by only 1.3%. The moderate increase (by 1.0%) of the real value of products taxes stimulated the GDP growth by 0.2%.

Regarding the expenditure elements, the main contribution to the increase of GDP was marked by the evolution of international trade. The increase during January-June 2014 of the volume of exports for goods and services by 6.7%, on the background of the decrease of imports by 0.2% caused the decrease of the negative value of net exports as a contribution to the formation of GDP to (-)38.0%, and generated the increase of GDP by 3.2%.

The evolution of GDP during H1 of this year was positively marked also by the gross fixed capital formation (GCF), which, due to the fact that it increased by 8.0% and is 24.3% of GDP, caused the increase of its value by 1.8%. Concomitantly, the significant decrease in the volume of stocks (on the background of their increase during H1 of 2013) caused the significant attenuation of the GDP evolution in the analyzed period – by 2.2%.

Compared to the H1 of 2013, there was a low-rate increase of the final consumption of population households, FCH (+1.3%) and a continued decrease of the final consumption of the public administration and non-profit institutions serving households, FCA (-0.5%), which caused the decrease of the total contribution to the formation of GDP from 117.2% during H1 of 2013 to 114.4% during January-June this year (or by 2.8 p.p.).

The increase of GDP during H1 of 2014 supports the optimistic expectations regarding the annual GDP growth in 2014 in general. Nevertheless, maintaining the growth rate of GDP in 2014 on the level of H1 will be difficult, considering the significant increase of GDP, recorded in Q3 and Q4 of last year – by 12.9% and 11.2%, respectively, compared to the corresponding periods of the previous year, caused by the spectacular increase (by over 50%) of the agricultural production. The embargo imposed on our country by the Russian Federation and the geopolitical tensions in the East decrease even more the economic growth expectations for H2 to the level of H1.

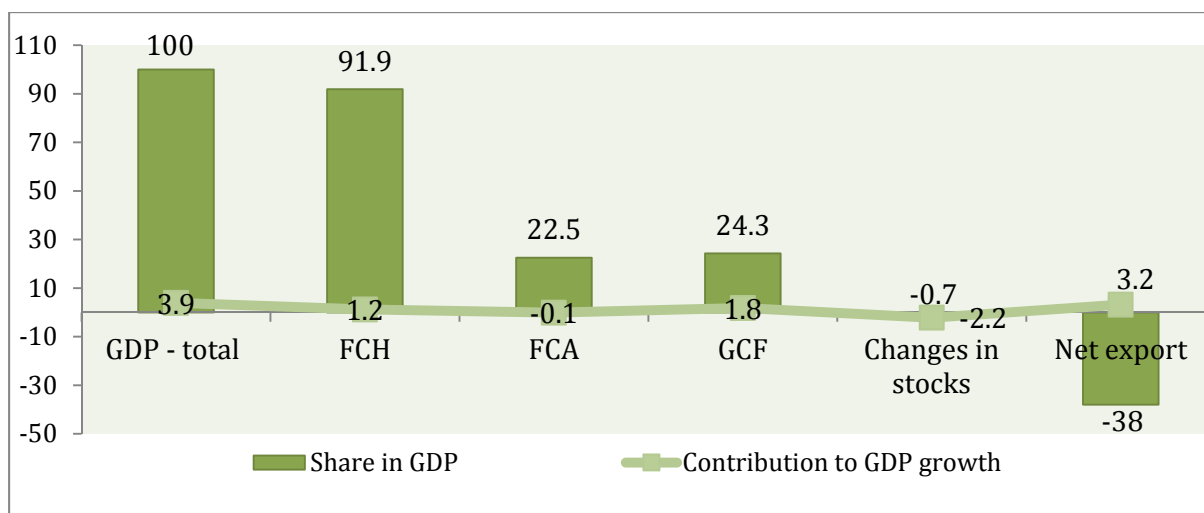


Figure 1.3. Contribution of components by categories of expenditure to the formation of GDP in January-June 2014 and to its increase compared to January-June 2013 (%)

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

Industry³

During January-June this year, compared to the same period of 2013, industrial production recorded an increase of 4.4%, supported by the processing industry (+6.8%) and the mining industry (+9.1%), which contributed to the increase of the total production volume in this important branch of the national economy, namely by 5.2% and 0.2%. Nevertheless, industrial production during H1 of 2014 is lower than that recorded during the same period of the pre-crisis year, 2008 (by 4.3%).



Figure 1.4. Industrial production indicators during January-June 2008-2014 (%)

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

Concomitantly, in the annual calculation, the production and supply of electricity, heat energy, gas and hot water decreased by 4.5%, causing attenuation in the increase of total industrial production by 0.9%.

³ The data for 2008-2013 are presented based on the Classification of Economic Activities of Moldova (CAEM) Rev. 1.1, and for H1 of 2014 – CAEM Rev. 2 (aligned to the EU NACE Rev. 2) implemented in the Republic of Moldova on January 01, 2014. Thus, there are limitations regarding the comparability of the data regarding the coverage of the industrial sector until and after January 01, 2014.

On a disaggregated level, important factors on the positive evolution of industrial production, in the analyzed period, were: food industry, with a 16.9% increase compared to the same period of last year, manufacturing clothes – with 17.1%, manufacturing electronic and optical products – by 1.7 times, and manufacturing textiles – by 19.9%. These activities contributed to the increase of total industrial production compared to H1 of 2013 by 3.2%, 1.3%, 1.0% and 0.9%, respectively (see Table 1.1).

Table 1.1. Evolution of industrial production by the main kind of activity during January-June 2014 (%)

Kind of activity	January-June 2014 compared to 2013	Structure of gross added value	Contribution to the growth of industrial production (+/-)
Industry - total	104,4	100,0	+4,4
Mining industry	109,1	2,4	+0,2
Manufacturing industry	106,8	80,8	+5,2
<i>out of which food and beverage industry</i>	116,9	23,9	+3,2
Production and supply of electricity, heat, gas, hot water and air conditioning	95,5	14,5	-0,9
Water distribution, sanitation, waste management, decontamination	91,7	2,2	-0,2

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

The positive evolution within the food and beverage industry, the weight of which in the gross value added per total industry is 23.9%, was influenced especially by the increase of production: vegetable and animal oils and fats, which, after the sudden decrease recorded during H1 of 2013 (by 10.8 times compared to the 1st half-year of 2012), marked a 4.2 times increase, meat and meat product processing and preservation (by 20.1%); dairy products (by 8.3%) and caused the increase per total industry by 1.2%, 0.8% and 0.4%, respectively.

At the same time, there were decreases in the production volume in the following activities of the food and beverage industry: making wine from grapes – by 28% (causing the decrease of total industrial production by 1.1%); distilling, refining and mixing alcoholic beverages – by 23.4% (causing the decrease of the total industry by 0.6%), manufacturing bakery products and flour-based products – by 1.8% (causing the decrease per total industry by 0.1%).

A negative impact on the evolution of industrial activity during H1 of 2014 was also caused by the decrease of the production volume in the following sub-branches: manufacture of electric equipment – by 15.2% (causing the decrease of global industrial production by 0.8%); manufacture of pharmaceutical products – by 24% (causing the decrease of total industrial production by 0.5%); manufacture of tobacco products – by 32.6% (causing the decrease of total industry production by 0.5%), etc.

The annual index of industrial production during H1 of 2014 recorded a decreasing evolution during the first four months of the year: from 112.6% in January to 96.2% in April this year compared to the same months of 2013, followed by the partial invigoration of the situation in the branch in the following two months, recording in June this year 104.8%, compared to the level of last year (see Fig. 1.5).

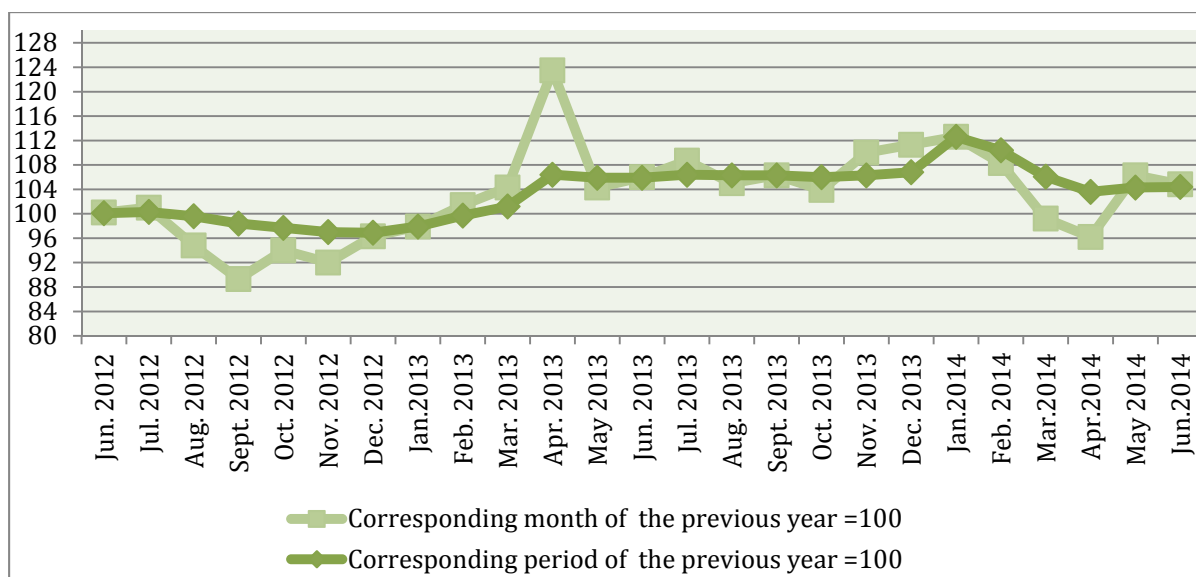


Figure 1.5. Industrial production volume infra-annual indexes in June 2012 - June 2014 (%)

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

The analysis of the evolution of the industrial activity from the regional point of view indicates that the increase of the industrial production volume, out of which approximately 2/3 is concentrated in Mun. Chisinau, was caused by the ascending evolution recorded in development regions North and Center (see Figure 1.6).

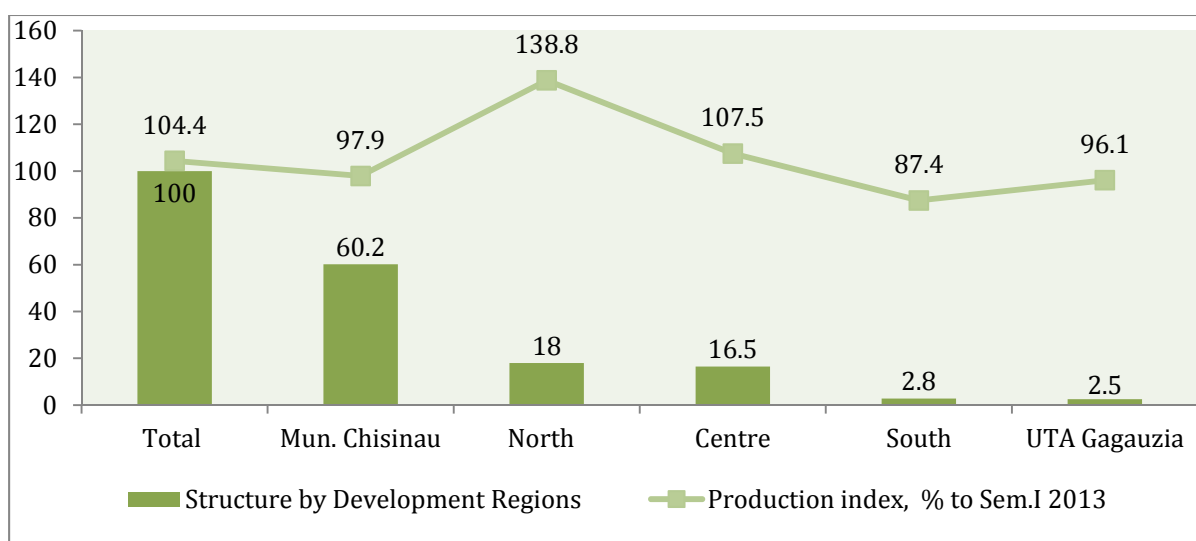


Figure 1.6. Structure and evolution of industrial production by development regions during H1 of 2014 (%)

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

The share of the production delivered on the external market by industrial companies in Q1 of this year was approximately 34.9% of the total delivered production and decrease by 0.6 p.p. compared to the respective period of 2013. A slightly increased level of industrial production for sale abroad was recorded by the manufacture of: textile products – 91% of the production delivered in the respective activity; electronic and optical equipment – 91%; fruit and vegetable processing and preservation – 84%; clothing – 80%; distilled alcoholic beverages – 80%; wine from grapes – 79%.

In the structure of the total production volume delivered on the external market, the highest weight was that of: food and beverage industry – approximately 26% (including fruit and vegetable processing and preservation – 12%, vine – 12%, alcoholic beverages – 5%), manufacture of textile products – 12%; manufacture of clothing – 10%, electrical equipments (including wires and cables) – 6,7%.

Agriculture

The agricultural production during January-June 2014 increased by 7.7% compared to the similar period of 2013. The increase of agricultural production was caused by the increase of the volume of crop production by 7.1% and animal production by 7.8%.

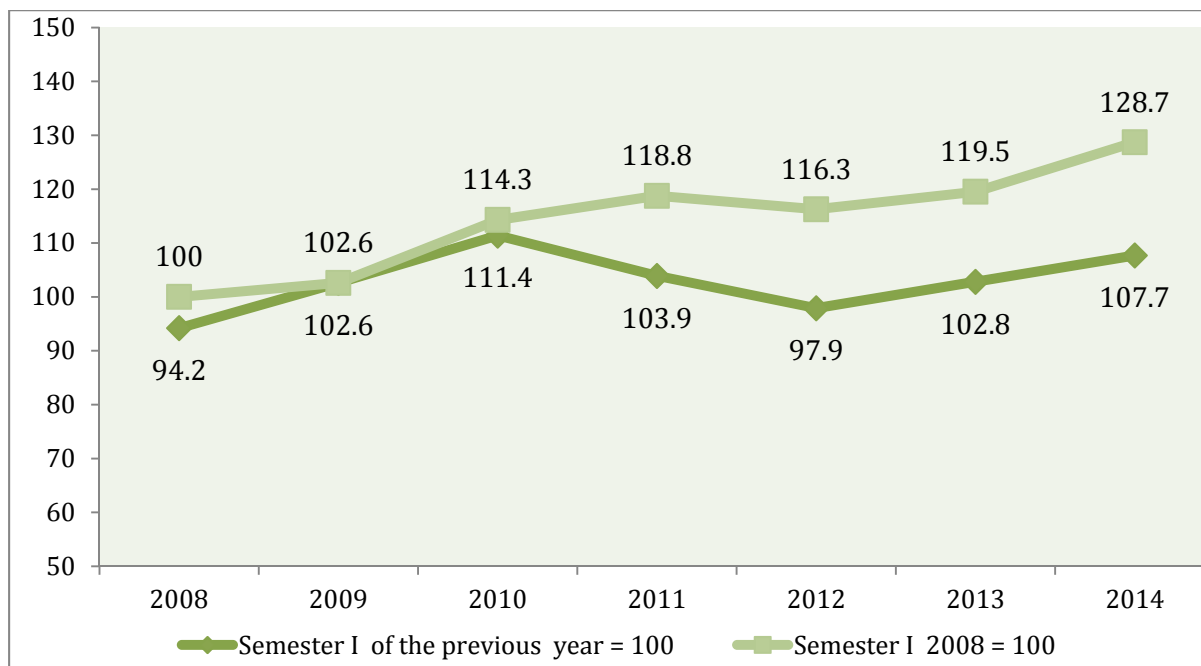


Figure 1.7. Evolution of the volume of agricultural production in January-June 2008-2014 (%)

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

In the phytotechnical sector there were important changes of the areas of some agricultural crops, and the total sown area was approximately 1.5 million ha, with a moderate increase – 0.5% – compared to 2013. The farmers' preferences are oriented towards technical crops, the total area of which increased this year by 9.6% following the considerable increase of the areas with sunflower – by 7.3%, soy – by 31.2%, rape – by 26.7%, and their share in the total sown area increased to 29%, 21.2%, 3.6% and 1.9%, respectively. At the same time, the areas with sugar beet decreased (by 5.3%) and especially tobacco – by 43%. There were also decreases in the areas of cultures for fodder (by approximately 6%), potatoes and vegetables (by 4%), grains – by 2.5%, out of which first group cereals – by approximately 5%.

Animal production continues to be determined by the situation in population households sector, which according to the situation of July 01, 2014, accounted for the biggest share of livestock: 97% of the total number of sheep and goats, 93% of the total number of cattle, and 60% of the total number of pigs. In the results, during H1 of the reference year the share of these holdings in dairy production was 96%, cattle and poultry breeding – 62%, egg production – 58%. Overall, cattle and poultry breeding increased by 6.7%, during January-June 2014, compared to the similar period of 2013, dairy production of all types – by 13.1%, egg production – by 1.3%.

Investments in long-term material assets

During January-June 2014 the investments in long-term tangible assets were 6126.4 million MDL, and recorded, in real terms, an increase of 4.5% compared to the same period of last year. Marking the highest level of investments performed during H1 of the last 6 years, they only constitute almost 83% of the pre-crisis level – reached in the year 2008 (see Fig. 1.8).

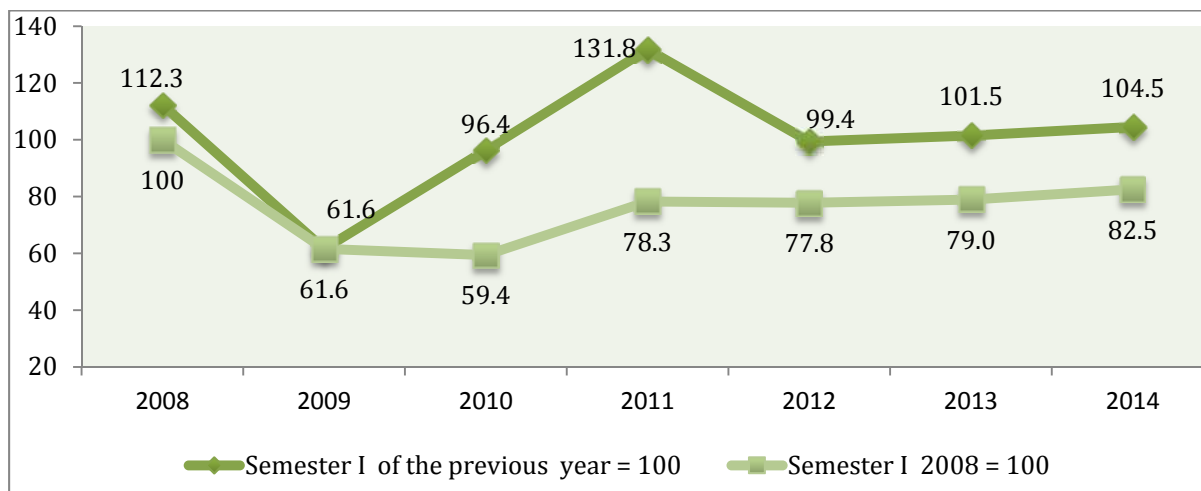


Figure 1.8. Evolution of investments in long-term tangible assets, January-June 2008-2014 (%)

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

We would like to mention that in the analyzed period there was an increase in the investment volumes in all 3 groups of technological structure elements: constructions-assembly works (by 4.6%), investments in machinery, equipment and transportation means (by 4.5%), and other expenses (by 3%). The share of the investments in machinery, equipment and transportation means remains dominant in the structure of total investments (47%). It exceeded the level of construction works by 1.8 p.p. and increased by 0.4% compared to H1 of 2013.

The analysis of investments regarding the types of fixed assets shows a positive evolution of investments in the construction of non-residential buildings and structures – by 23.5%. Residential construction works recorded a decrease by 3.2% compared to the level recorded during the first half of last year. In physical terms, during H1 of 2014, residential buildings were delivered with a total area of 127 thousand square meters, a volume which was lower than that registered during H1 of 2013 by 9.1%.

By ownership forms, the intensification of the investment activities was determined by the entities from the private sector of the national economy, the investment value of which increased by 10.2%, determining the increase of the total volume of investments by 4.8% compared to the same period of last year and of the weight in the structure of investments of up to 49.2% (See Fig. 1.9). The volume of the investments of the companies from the public sector increased by 4.1% and caused the increase of the total investment volume by 1.3%. At the same time, the sector of mixed companies (private and public, without foreign capital) recorded a decrease – by approximately 19%, which caused an attenuation of the growth of total investments by approximately 0.4%.

We would like to mention the decrease in the 1st half-year of 2014 of investment activities of the companies with foreign capital participation. Thus, on the background of the increase by 21.4% of the volume of investments made by entities with 100% foreign capital, the investments of joined venture companies decreased by 22.8%, and determined the cumulated contraction of the total volume of investments by 1.1%. Following the decrease by more than 2 times during

the analyzed period of the volume of investments made only by foreign investors – up to 255 million MDL (or 4.1% in the total investments), the volume of investments by the overall economy decreased by almost 5%.

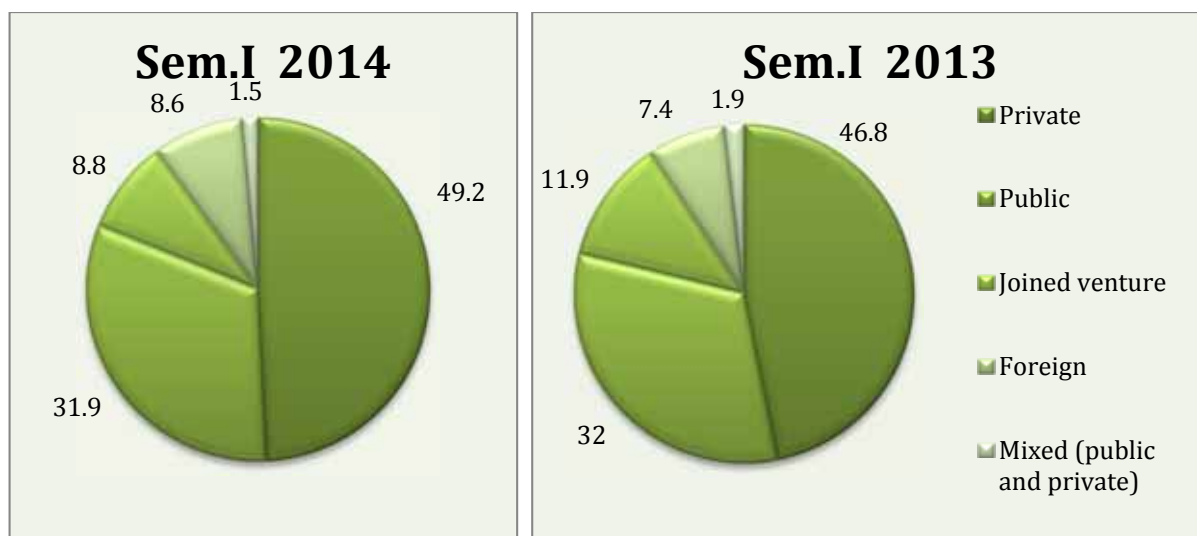


Figure 1.9. Structure of investments in long-term material assets by ownership forms during January-June 2013 and 2014 (%)

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

During H1 of 2014, the volume of contract-based construction works decreased by 0.3% (in real terms) compared to the respective period of 2013. The decrease of the activities of construction companies was caused by the reduction of the volume of new constructions by approximately 5%, which caused the decrease of their share in the total construction volume up to 60.5% (or by approximately 3 p.p. compared to H1 of 2013), and of the maintenance and current repair works – by 9%. The volume of overhaul and other works, which increased by 1.2 and 1,5 times compared to the level registered during H1 of 2013, did not allow the total attenuation of the effects of the decrease in the volume of works by the other structure element types.

Trade and other market services

During H1 of 2014 the turnover of the retail companies increased by 3.5% (in real terms), compared to the respective period of 2013 and was supported by the ascending evolution of the trade activity during January-April and June this year (see Figure 1.10).

During H1 of 2014, the volume of the turnover at the companies whose main activity is market services provided to the population increased compared to the corresponding period of 2013 by 8.5% (under comparable price conditions). The annual increase of this indicator at the end of the analyzed period (June 2014 compared to the respective month of last year) was low – only 3.5%.

Transportation

During January-June 2014, transportation companies carried 5.6 million tons of goods, a 11.5% increase compared to the similar period of last year, and thus continued the positive evolution of this activity starting with 2010.

The most significant contribution in the increase of the volume of transported goods was that of road transportation companies, which transported over 3.2 million tons of commodities, 14.1% more than during H1 of 2013, determining the increase of the total volume of transported goods by 8.0% (see Table 1.2).

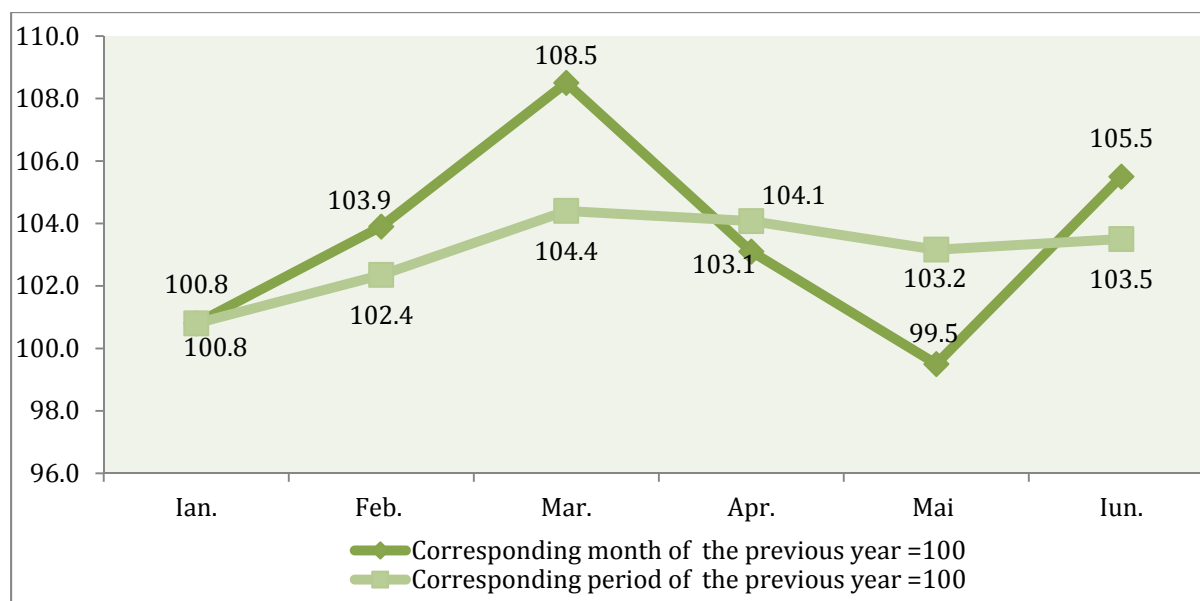


Figure 1.10. Monthly evolution of the turnover volume at the companies whose main activity is retail during January-June 2014 (%)

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

Table 1.2. Commodity transportation activity, by transportation means during January-June 2014 (%)

	Sem. I 2014/ Sem. I 2013	Structure by transportation means	Contribution to the increase in the volume / turnover of goods (+/-)
Carried goods - total	111,5	100	11,5
<i>out of which, by transportation means:</i>			
<i>railway road</i>	107,4	40,5	3,1
<i>road</i>	114,1	58,1	8,0
<i>river</i>	130,4	1,4	0,4
<i>air</i>	56,6	0,0	0,0
Turnover of goods - total	96,8	100	-3,2
<i>out of which, by transportation means:</i>			
<i>railway road</i>	105,4	28,7	1,4
<i>road</i>	93,7	71,3	-4,6
<i>river</i>	129,9	0,0	0,0
<i>air</i>	80,9	0,0	0,0

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

The ascending evolution in the transportation activity during January-June this year was also sustained by the increase of transportation of goods by railway, which accounted for 2.3 million tons. This volume increased by 7.4% in relation to the level of H1 of 2013, thus contributing to the increase of the total volume of transported commodities by 3.1%.

The turnover of goods amounted to 1.9 billion tons-km, a 3.2% decrease compared to last year. Over 2/3 of the total turnover of commodities belongs to road transportation, which decreased its activity by 6.3%, causing the decrease of the total transportation volume by 4.6%. Due to the

intensification of railway transportation, the commodity turnover by this transportation means increased by 5.4%, partially attenuating the effect of the decrease of the road transportation volume.

The activity of river transportation of goods, although insignificant as weight (under 1% of the total transported commodities) also had a positive evolution, marking the increase of volumes for both analyzed indicators – by approximately 1.3 times. At the same time, the volume of airway transportation of commodities continued the trend of last year, marking during H1 of this year a decrease compared to the similar period of last year by 43% in the volume of commodities and by 19% in the turnover of goods.

During H1 of this year, compared to the respective period of last year, there was a decrease of the number of passengers transported by public transportation (by 3.7%) and the increase of passenger turnover (by 0.6%). The decrease of the number of transported passengers was caused by the decrease of activities for the main public transportation means: railway transportation – by 7.1%, buses and vans – by 2.7%, trolleybuses – by 4%, and taxis – by 26.5%. Passenger turnover by these means of transportation decreased, respectively by 18.5%, 7.9%, 2.7% and 25%.

The activities of air and river passenger transportation significantly increased (by 1.1 and 1.5 times, respectively), which caused the partial attenuation of the decrease in the number of transported passengers and the increase of the total passenger turnover.

Tourism

During H1 of 2014, the number of tourists accommodated in collective tourism facilities was 110.8 thousand persons, out of which 63% were Moldovan tourists and 37% foreign (non-resident) ones. The total number of tourists in the nominated structures decreased by 1.3%, compared to January-June 2013, following the decrease by 6.3% of the number of foreign tourists. The modest increase, by 1.9%, of Moldovan tourists was not sufficient for attenuating the negative impact of the decrease in the flow of foreign tourists. Tourism activities decreased by over 12% compared to pre-crisis year 2008 exclusively because of the decrease in the number of resident tourists by approximately 1/4. The flow of foreign tourists increased in the same period by approximately 1/5 (see Figure 1.11).



Figure 1.11. Number of tourists accommodated in collective tourism accommodation structures during January-June 2008-2014 (thousand persons)

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

Regarding the types of accommodation units, there was an increase in the number of persons accommodated in health-care structures (by 5.9%), hotels and motels (by 4.1%), which accounted for over 2/3 of the total number of tourists.

Over a quarter of the foreign tourists accommodated in the aforementioned structures came from Romania, 10% – from Ukraine, 9% – from the Russian Federation, 7% – from USA. Because of the decrease during H1 of this year of the number of non-resident tourists and also of the duration of stay in the collective accommodation structures in average, of all tourists, there was a decrease in the total number of overnight stays – by 6.2% compared to the same period of last year.

During H1 of 2014 the tourism agencies and tour operators intermediated tourism services for 94.2 thousand tourists and excursionists, 16.5% more compared to the similar period of last year, due to the outgoing and domestic tourism, which increased by 11.7% and 44.5%, respectively. Incoming tourism recorded a decrease of 2%.

Outgoing tourism, which accounts for the most important part of the tourism flow (approximately 73% of the total number of tourists) amounted to 69 thousand persons. The tourism destinations preferred by Moldovans remained Turkey (33% of the outgoing tourism), Bulgaria (30%), and Romania (12.5%).

Region of the Republic of Moldova from the left side of the river Dniester and Mun. Bender⁴

The companies from the left side of the river Dniester and Mun. Bender, according to the available information published by the statistics body of the Trans-Dniester region, during January-June this year manufactured 1.6 times more industrial production compared to the level of the same period of last year (see Fig. 1.12). The declared increase of industrial production was caused by the increase of metallurgic industry production, which occurred due to the accentuated decrease of activities in this branch during H1 of last year – by approximately 98.4% compared to H1 of 2012.

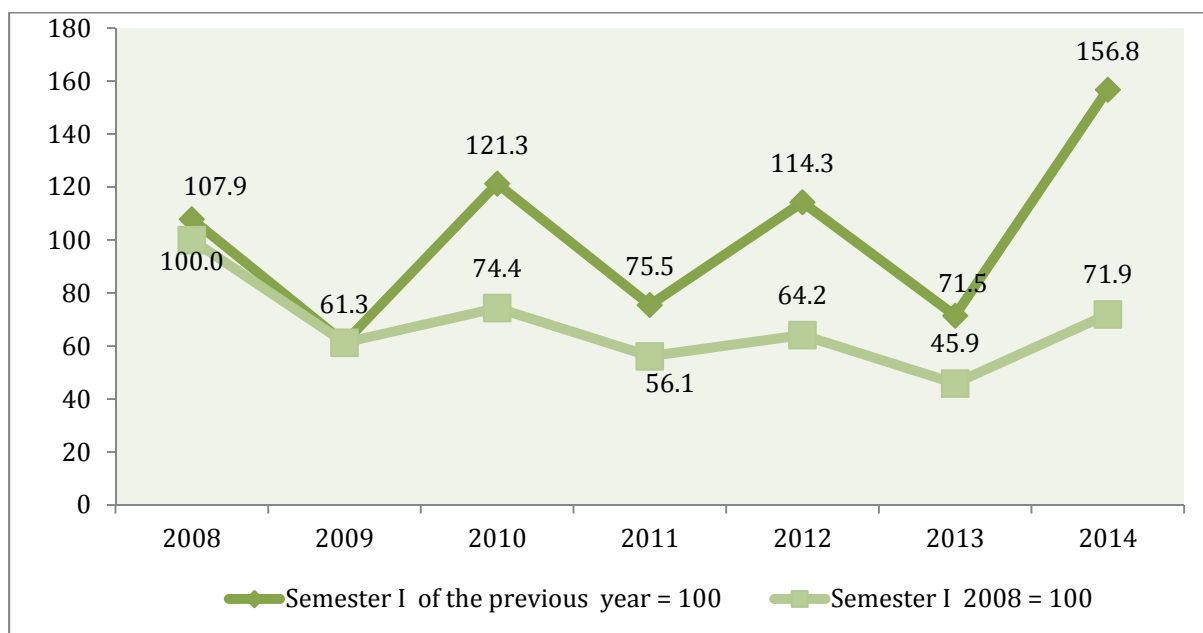


Figure 1.12. Industrial production indicators during January-June 2008-2014 (%)

Source: Author's calculations based on the data of the statistics body from the Trans-Dniester region⁴.

⁴ According to the data provided by the statistics body from the Trans-Dniester Region: <http://www.mepmr.org/gosudarstvennaya-statistika/informacziya/62-o-soczialno-ekonomicheskome-polozhenii-pmr/2076-soczialno-ekonomicheskoe-razvitie-pmr-za-yanvar-mart-2014-goda-okonchatelnye-dannye> Because of the partial implementation of the international standards in the official statistics in the Trans-Dniester region, as well as because of the low access to metadata, the comparability of these data with the data compiled by the National Bureau of Statistics is limited and difficult to be evaluated.

Nevertheless, although the industrial companies from the Trans-Dniester region in the analyzed period considerably recovered, the industrial production volume accounted for only 71.9% of the level recorded in January-June 2008 (compared to 95.7% in average for the industrial companies from the rest of the country).

The volume of investments in fixed assets during H1 of 2014 in the region from the left side of the river Dniester and Mun. Bender decreased by 17.4% in relation to the level of H1 2013, and recorded almost 93% of the level reached in the similar period from the pre-crisis year 2008 (see Fig. 1.13).

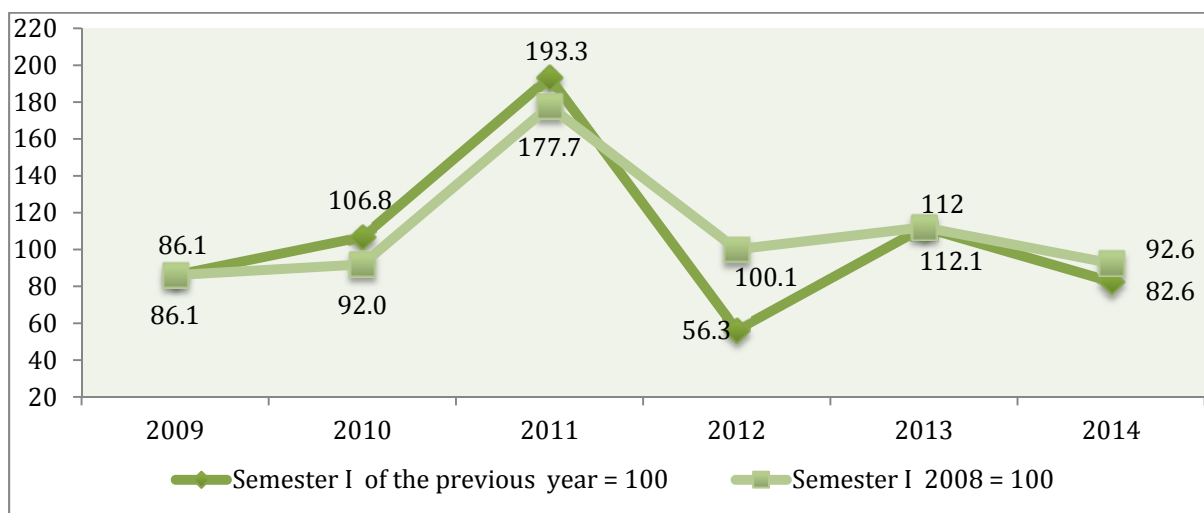


Figure 1.13. Evolution of the volume of investments in fixed assets, January-June 2008-2014 (%)

Source: Author's calculations based on the data of the statistics body from the Trans-Dniester region⁴.

There were considerable decreases in investment expenses related to machinery, equipment and transportation means – by approximately 13%. Despite the tendency, these investments still accounted for the most important part of the total investments (approximately 58%).

The volume of contract-based construction works in the Trans-Dniester region increased by 7.7%, during H1 of 2014, despite the decrease in the volume of new constructions (by 3.8%). The increase in the volume of construction works were caused by the increase in the volume of overhaul and current repairs, as well as of other works.

In the reference period there was a decrease in the volume of residential constructions in the Trans-Dniester region – by over 1/3, especially in the urban area – by approximately 44%.

The volume of retail in the region during H1 of 2014 decreased by 1.2% and the volume of the services provided to the population increased by 4.5% in relation to the level recorded in the respective period of last year.

Chapter II

PRICES, EXCHANGE RATES AND MONETARY POLICY

2.1. Prices and exchange rates

Prices

The consumer price index, at the beginning of this year, recorded a moderate increase trend. In the first six months of the year, the consumer price index increased by 5.3% compared to the similar period of last year. In the same period, CPI components recorded the following increases: food products – 7.4%, non-food products – 5.0%, services – 2.7%.

In April-June 2014, the annual inflation rate was 5.2%, on the level of the same period of last year. In the same period, the evolution of the prices of the main categories of products which compose the CPI varied; the highest increase was that of food products – 6.9%, and there was a lower increase of the prices of non-food products – 5.2% and services – 2.8%.

In the 2nd quarter of 2014, the inflation level was characterized by relatively lower values, compared to the evolutions of the same period of last year. The price growth rate was 5.8% in April, 4.7% in May and 5.0% in June, compared to the respective periods of last year, when this indicator was 4.5%, 5.7% and 5.5%. The main cause which determined the attenuation of the growth rate of the consumption price index, in this period, was the decrease of the pressure on prices in food products, because of the seasonal decrease of prices of food products and the decrease of the prices of food products worldwide.

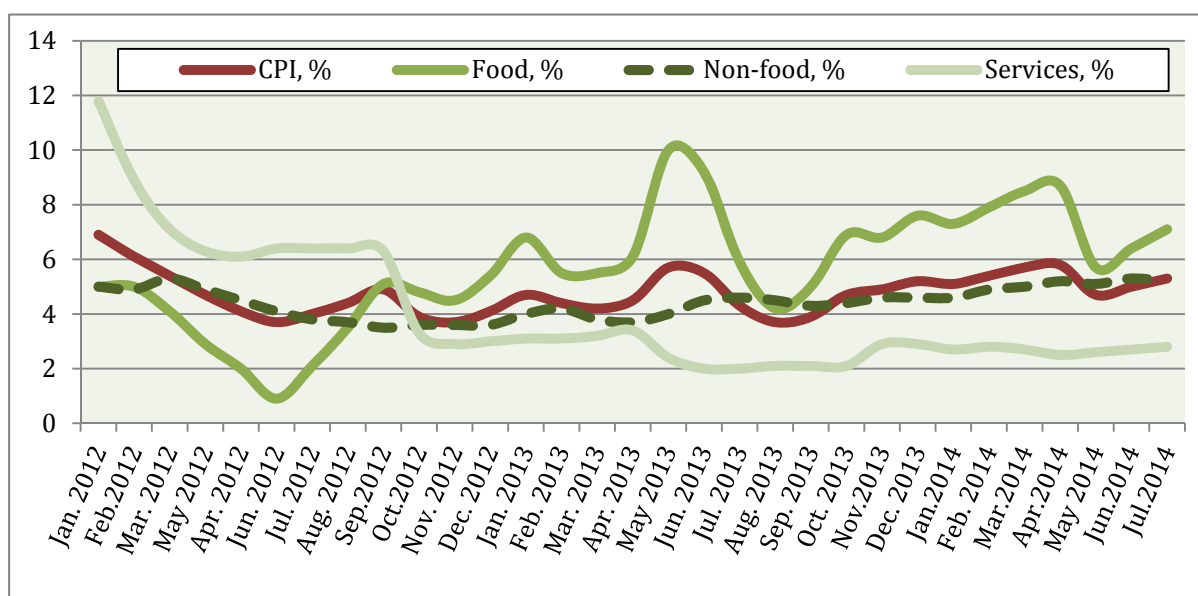


Figure 2.1.1. Annual growth rates of CPI and its components, %

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

In the 2nd quarter of 2014, the consumer price index for food products increased by 6.9% compared to the same period of last year (on a monthly basis, compared to the similar period of last year, there were the following increases: in April – 8.7%, in May – 5.7%, and in June – 6.4%). In the 2nd quarter of 2014 there were considerable increases in the prices of: onion – by 28.7%, cucumbers – by 23.0%, nuts – 20.2%, grapes – by 19.3%, milk and dairy products by 10.2%, compared to the same period of last year. At the same time, due to the high demand of vegetable

products after a very good harvest obtained in the second semester of 2013, there were price decreases for vegetable oil, wheat flour, sugar, garlic, citric fruits and other fruits.

The prices of non-food products in the 2nd quarter of 2014 increased by 5.2% compared to the same period of last year (on a monthly basis, compared to the similar period of last year, the increases were of: 5.2% in April, 5.1% in May and 5.3% in June). In this period the highest price increases were for: cigarettes – by 8.9%, construction materials – by 6.1%, and clothing – by 6.0%.

There were price increases also for services, whose prices were 2.6% higher in the 2nd quarter of 2014 than in the same period of last year (on a monthly basis, compared to the similar period of last year, there were the following increases: in April - 2.5%, in May - 2.6%, and in June - 2.7%). In the reference period, compared to the 2nd quarter of 2013, the highest price increases were recorded for passenger road transportation services by 26.3%, tourism services by 11.1%, and residential maintenance and repairs, by 5.7%.

The increase trend of consumer prices continued also in July this year, as CPI increased by 5.3% compared to the same period of last year. There were increases especially in the prices of food and non-food products, with annual growth rates of 7.1% and 5.2%. The consumer price index for services continued its increasing trend, noticed in the 2nd quarter of 2014, and the annual inflation rate in July was 2.8%.

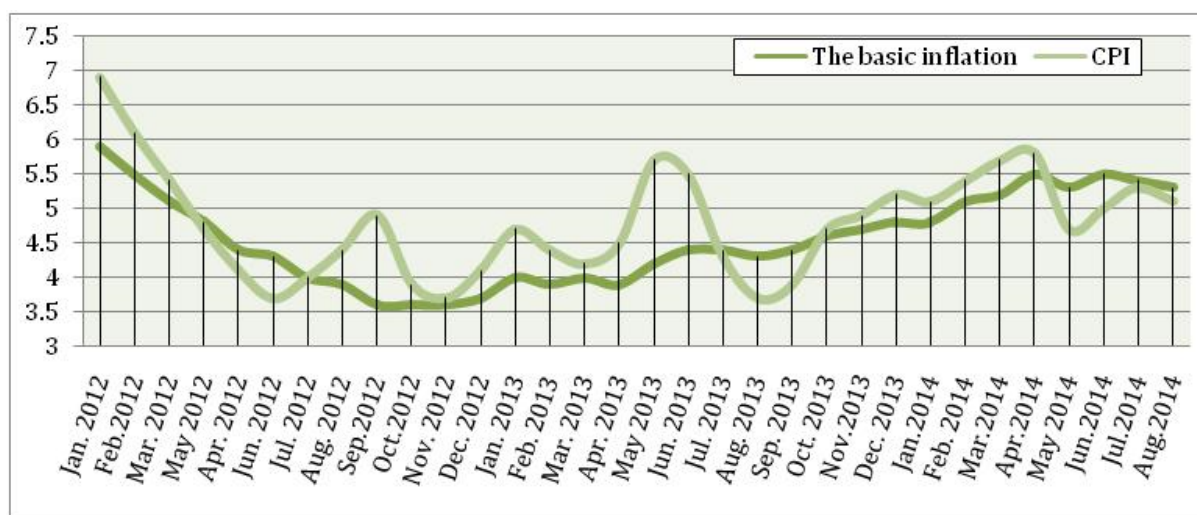


Figure 2.1.2. CPI and base inflation annual increase rate, %

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

The annual growth rate of basic inflation in the 2nd quarter of 2014 was 5.4%, 1.2% higher than the one recorded in the same period of last year. On a monthly basis, compared to the similar period of last year, there were the following increases: in April – 5.5%, in May – 5.3%, and in June – 5.5%. The acceleration was mostly caused by the processes of devaluation of the national currency compared to USD and EUR, which started to become more accentuated in August last year.

In the first semester of 2014, the index of industrial production prices increased by 5.8%, compared to the similar period of last year. The following increases were recorded in the branches of industry: mining industry – 3.1%, processing industry – 6.9%, energy sector – 2.5%.

In the 2nd quarter of 2014, the growth rate of the annual index of industrial production prices increased by 3.5% compared to the similar period of last year and reached the level of 6.7%.

Compared to the same period of last year, the following evolutions were recorded in the industry branches: in the mining industry and the processing industry, prices increased by 4.9% and 7.9%,

respectively, and in the energy sector prices decreased by 2.5%. The highest price increases in the production industry, in this period, were recorded for tobacco production – by 27.5%, processing and preservation of fruits and vegetables – by 18.1%, production of clothing products – by 12.0% and production of dairy products – by 11.7%, compared to the same period of last year.

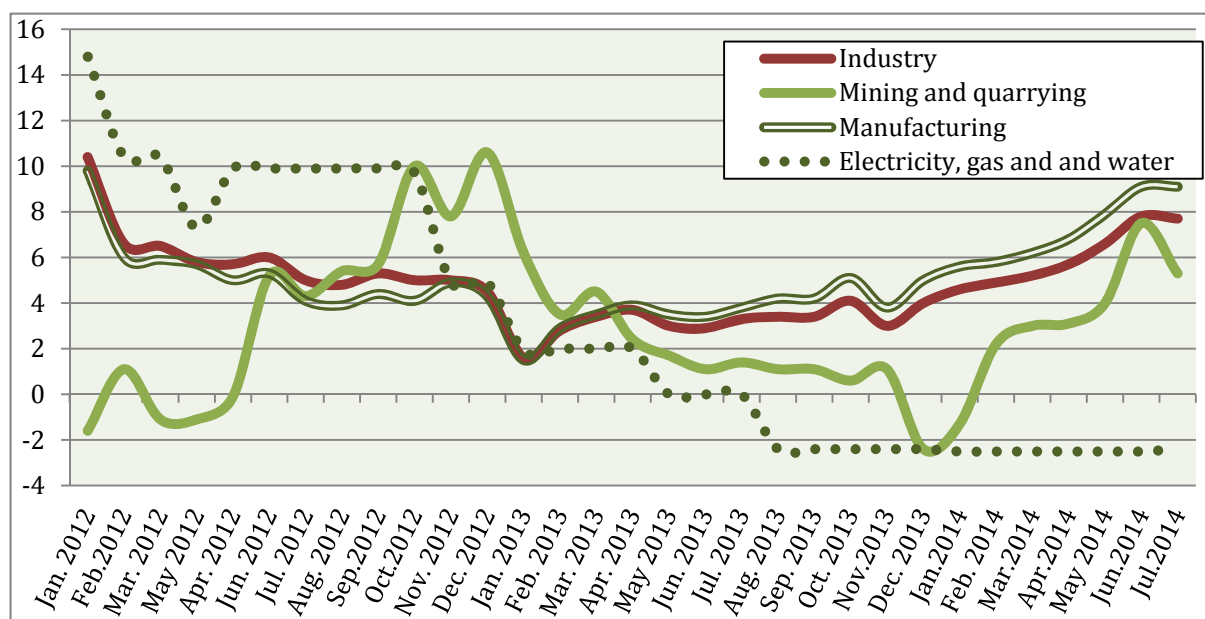


Figure 2.1.3. Annual increase rate of industrial production prices and their components, %

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

The growth rate of construction prices, in the 2nd quarter of 2014 decreased by 0.6% compared to the same period of last year, and was 7.4%. In the sectors of the national economy the highest annual increases of construction prices, in the reference period, were recorded in agriculture – 10.2%, telecommunications – 10.5%, construction of social-cultural items – 9.3%, trade and public food – 9.2% and electricity – 8.5%.



Figure 2.1.4. Evolution of construction prices, % (compared to the same period of last year)

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

In the first semester of 2014, production prices for agricultural products decreased by 8.5% compared to the same period of 2013. Contributors to the decrease of the annual growth rate of this price category, in the corresponding period, were especially vegetable products, whose

prices decreased by 20.5%. At the same time, the prices of animal products increased by 16.8% compared to the same period of last year.

The highest price increases, between January and June 2014, compared to the same period of 2013, were recorded for the following product categories: potatoes – by 41.8%, vegetables – by 33.7%, fruits and berries – by 29.5%. At the same time, there were price decreases for grapes – by 47.4%, grain cultures and leguminous beans – by 29.5%, and sunflower – by 21.9%.

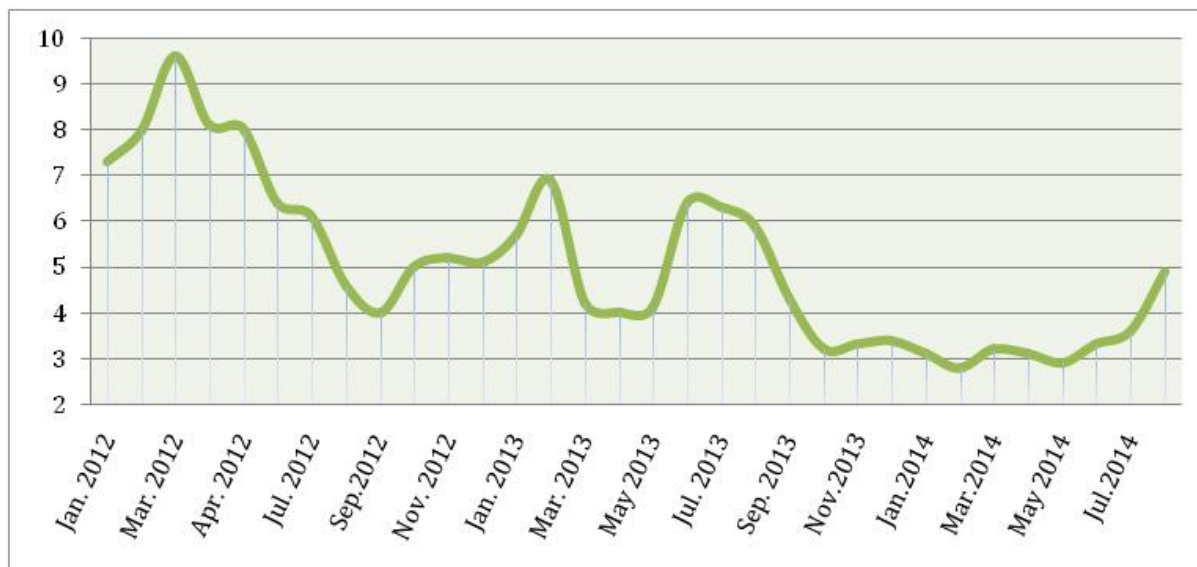


Figure 2.1.5. Evolution of fuel prices, % (compared to the same period of last year)

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

Overall, the fuel prices growth in the first semester of 2014 were attenuated compared to the evolutions recorded in the similar period of last year. In the 2nd quarter of 2014, the annual growth rate of fuel prices decreased by 1.7% compared to the similar period of last year, and was 3.1%. In the following months the fuel prices moderately increased, an evolution conditioned by the increase of fuel prices on international markets.

Exchange rates

In the first semester of 2014 the value of the national currency decreased in relation to EUR – 15.1% and in relation to USD – 10.2%, compared to the same period of last year. The average exchange rate in this period was 18.6 MDL/EUR and 13.5 MDL/USD.

In the 2nd quarter of 2014 of 2014, the average nominal exchange rate compared to the main reference currencies was 18.8 MDL/EUR and 13.7 MDL/USD, a decrease of 16% in relation to EUR and of 10.4% in relation to USD, compared to the same period of last year.

On a monthly basis, the average exchange rate of the national currency in relation to EUR continuously increased: in April – 18.6 MDL/EUR, in May – 18.8 MDL/EUR, and in June – 18.9 MDL/EUR. In July 2014 the average exchange rate reached 19 MDL/EUR, and in August the national currency modestly recovered its positions, as the average exchange rate decreased to 18.4 MDL/EUR.

The average exchange rate of MDL in relation to USD in the 2nd quarter of 2014 continued to increase, and recorded the following values: 13.4 MDL/USD in April, 13.7 MDL/USD – in May, and 13.9 MDL/USD in June. In July and August the average exchange rate was 14 MDL/USD and 13.8 MDL/USD, respectively.

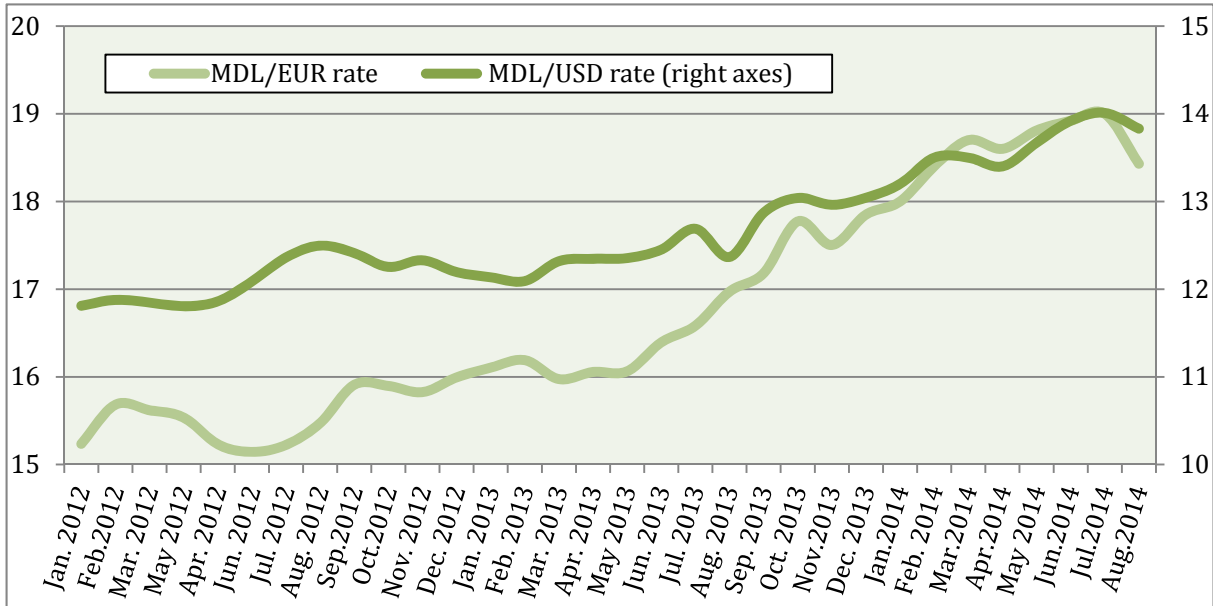


Figure 2.1.6. Evolution of the average monthly nominal exchange rate of MDL compared to USD and EUR

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

As a consequence of the depreciation of the national currency, there was an increase in the real exchange rate of the national currency. In the 2nd quarter of 2014 the real exchange rate of MDL decreased in relation to EUR by 12.1% and in relation to USD by 7.1%, compared to the same period of last year.

Region of the Republic of Moldova from the left side of the river Dniester

Recording a decrease in the last years, on the region from the left side of the river Dniester, the evolution of the inflation rate was more attenuated this year, compared to the levels of last year. In the 2nd quarter of 2014, the annual growth rate of CPI was 2%, 4.3% less than in the same period of last year. Unlike the region of the Republic of Moldova from the right side of the river, the highest influence on the inflation rate was that of services, and the annual growth rate of

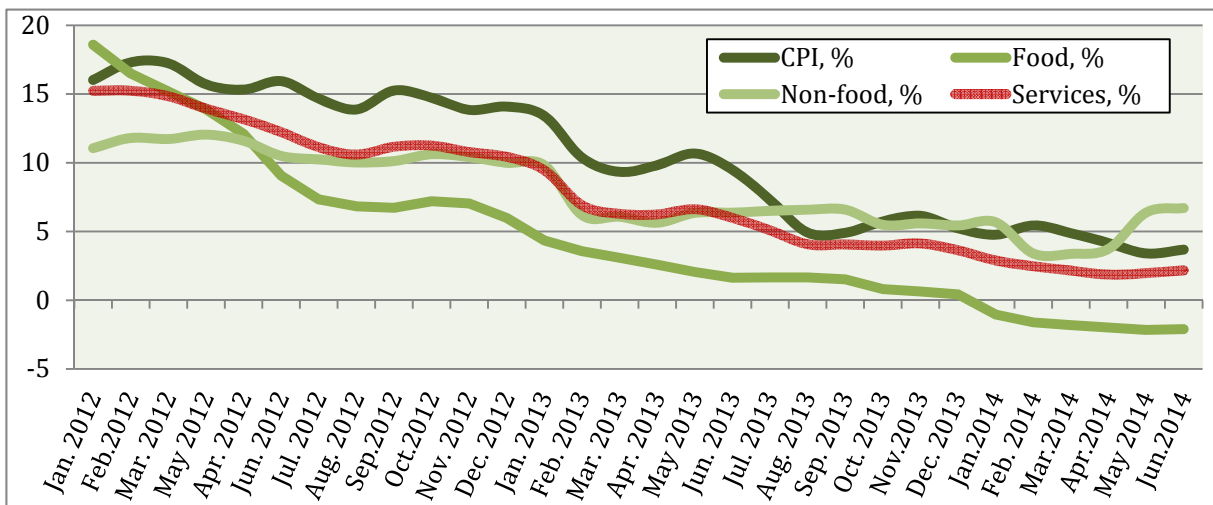


Figure 2.1.7. Annual growth rate of CPI and its components in the region from the left side of the river Dniester, %

Source: According to the data of the Central Bank from the left side of the river Dniester.

prices in April-June 2014 was 5.6%. At the same time, the growth rate of the prices of food products was 3.7%, and that of non-food products decreased by 2.1% compared to the same period of last year.

According to the general objective of the monetary policy promoted by the Central Bank from the left side of the river Dniester, oriented towards maintaining the exchange rate, the nominal rate of the Trans-Dniester ruble in relation to USD has not changed since December 2012, and remained on the level of 11.1 PRB/USD.

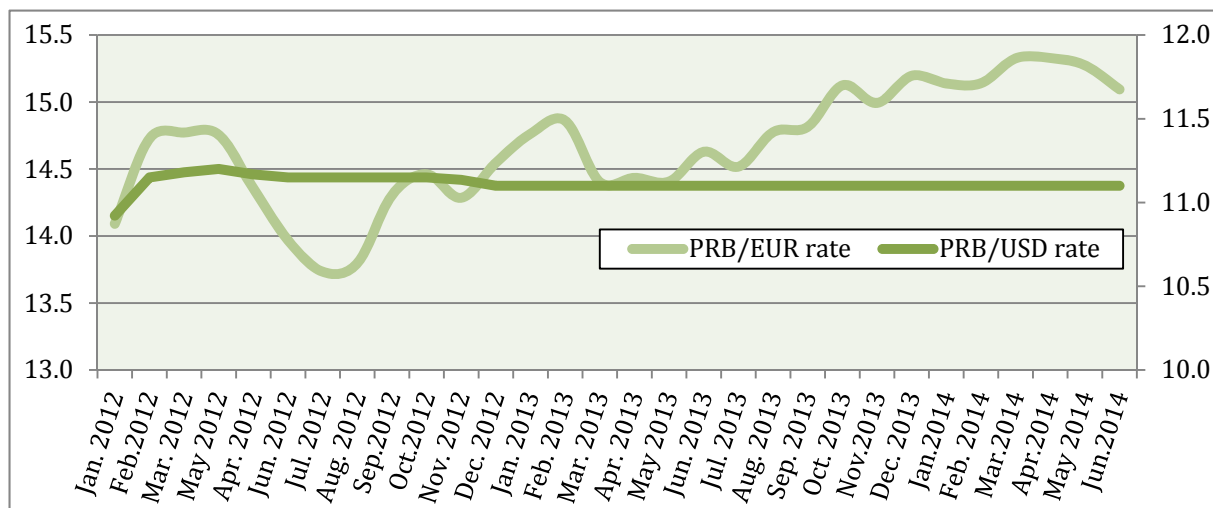


Figure 2.1.8. Evolution of the average monthly nominal exchange rate of PRB compared to USD and EUR

Source: According to the data of the Central Bank from the left side of the river Dniester.

At the same time, in relation to EUR, the Trans-Dniester ruble continued its decreasing trend, which started in mid 2012. In the 2nd quarter of 2014, the nominal exchange rate was 15.2 rubles for one EUR, and exceeded the values of the same period of last year by 4.8%.

2.2. Monetary policy

Ensuring the stability of prices and maintaining the inflation rate on a low level constitutes the general target of the policy promoted by NBM, as it helps create a relatively stable economic environment that would allow the development of the economy and a sustained level of economic growth. For 2014 NBM set the inflation target calculated based on the consumer price index of 5.0% p.a. with a possible deviation of ± 1.5 p.p.

Monetary policy instruments

Given a low demand and deflationist estimates, in order to ensure a sustainable economic growth, NBM preserved the interest rates associated to the monetary policy instruments on the level reached in the second semester of last year.

In this context, in the 2nd quarter of 2014, the basic rate was maintained on the level set of July 2013 and was 3.5%. The interest rate of overnight credits was and continues to be maintained on the level of 6.5%, and the interest rate of overnight deposits is 0.5%.

Open market operations and permanent facilities

Liquidity sterilization operations followed the same decreasing trend noticed ever since June 2013. In the 2nd quarter of 2014, the average monthly balance of the sterilization operations was on a lower level than the same period of last year (minus 2.12 billion MDL) and was 1.92 billion MDL.

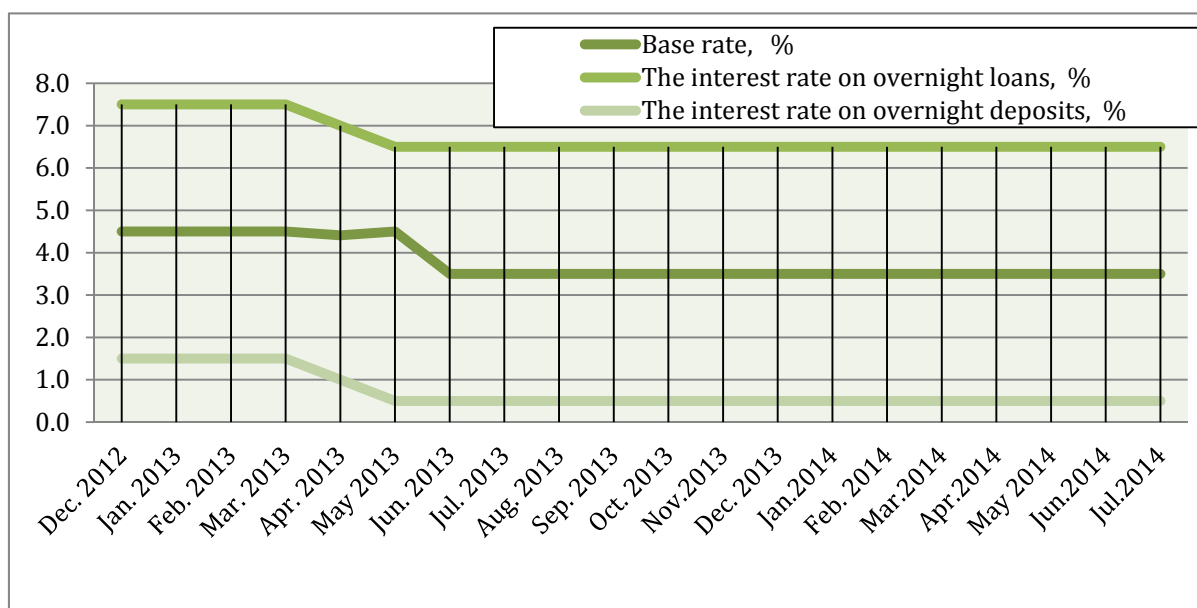


Figure 2.2.1. Evolution of the interest rates for the monetary policy instruments of the National Bank of Moldova, in 2012-2014

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

The highest balance was recorded in April 2014, when the average daily balance of CBN sales was 2.0 billion MDL.

In the 2nd quarter of 2014 the overnight deposit demand had a volatile dynamics, and the average daily balance for April, May and June 2014 was 351.6 million MDL, 324.7 million MDL and 215.7 million MDL, respectively. In the same period, commercial banks requested overnight credit facilities from NBM, with an average balance of 22.7 million MDL in April, 24 million MDL in May and 52.2 million MDL in June.

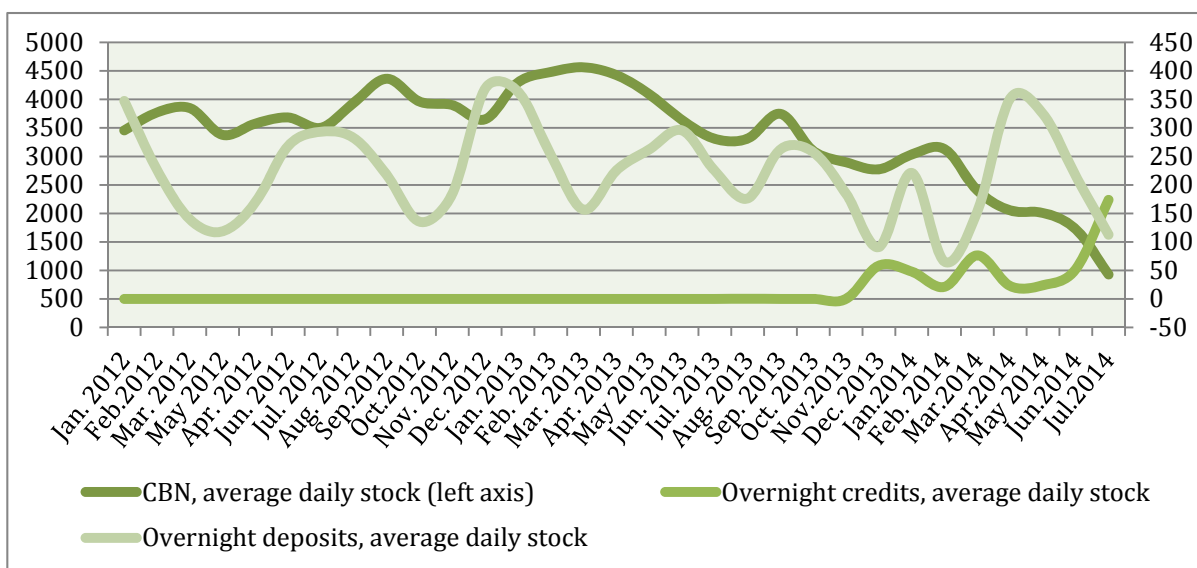


Figure 2.2.2. Monetary policy instruments, million MDL

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

In July 2014, the average daily balance of the CBN sales decreased to 928 million MDL, the overnight deposit demand increased to 112 million MDL, and the volume of overnight credits was 173 million MDL.

Mandatory reserves

In the 2nd quarter of 2014, the rates of the mandatory reserves maintained by the commercial banks with NBM remained unchanged, and have been 14% since August 2011. At the same time, the volume of mandatory reserves maintained by commercial banks with NBM in the national currency and in convertible currencies gradually increased.

At the end of the 2nd quarter of 2014, the volume of mandatory reserves attracted in MDL and other non-convertible currencies attenuated its growth rate, and was 3840.4 million MDL, which represents a 19% increase compared to the same period of last year. The reserves in foreign currencies (USD and EUR) recorded values of 74.9 million USD and 109.9 million EUR, respectively at the end of the reference period. The volume of mandatory account reserves maintained with NBM in USD increased by 9.5% compared to the end of the second quarter of 2013, and the volume of reserves in EUR by 15%.

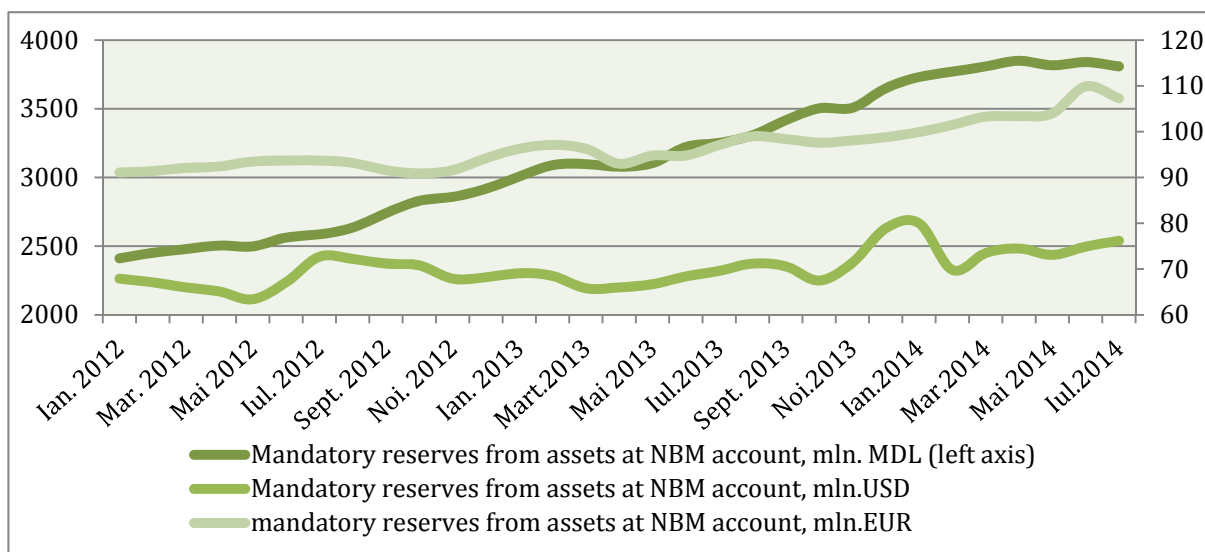


Figure 2.2.3. Evolution of the volume of mandatory reserves from assets attracted in MDL and in the main foreign currencies with NBM

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

The increase of the volume of mandatory account reserves with NBM, under the conditions of maintaining a constant rate of mandatory reserves, indicates the increase of the calculation base, namely of the monetary assets attracted from deposit accounts and other similar liabilities subject to reservation from class II "Bonds" of the balance sheets of the banks.

Interventions on the currency market

In the 2nd quarter of 2014, NBM intervened on the inter-banking market only as seller of foreign currency. Currency sales were made by SPOT and SWAP operations. Currency sale SPOT operations were recorded in May and June and amounted to 5.0 million USD and 36.0 million USD, respectively. The volume of foreign currency sales decreased by 18% in the 2nd quarter of 2014, compared to the same period of 2013. Also in June 2014, there were foreign currency sale SWAP operations, in equivalent value of 13.8 million USD. These interventions were according to the monetary policy promoted by NBM and their goal was to improve the situation on the internal currency market.

The balance of official reserve assets at the end of the 2nd quarter of 2014 was 2.74 billion USD, 1.08% less than the balance recorded at the end of the 1st quarter of this year. A factor in the decrease of official reserve assets was also represented by the NBM interventions on the inter-banking currency market, in order to improve the excessive fluctuations of the exchange rate of

the national currency in relation to the main reference currencies and various payments corresponding to the external debt service of RM.

**Table 2.2.1. NBM activity on the inter-banking currency market
in January 2013 - July 2014**

Month	Procurement volume (equivalent value in million USD)	Sales volume (equivalent value in million USD)
January 2013	1.59	0
February 2013	12.25	0
March 2013	13.04	3.0
April 2013	35.0	20.0
May 2013	25.0	15.0
June 2013	15.0	15.0
July 2013	91.78	50.92
August 2013	131.98	62.28
September 2013	147.18	69.35
October 2013	21.0	13.7
November 2013	0	0
December 2013	0	0
January 2014	0.15	6.0
February 2014	0	73.0
March 2014	0.18	0
April 2014	0	0
May 2014	0	5.0
June 2014	0	36.0
July 2014	0	37.0

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

Dynamics of monetary indicators

At the end of the 2nd quarter of 2014, the volume of monetary mass, after a slight decrease in the 1st quarter of this year, resumed its increasing trend. Compared to the data from the end of the 2nd quarter, similar period of last year, the increase rate of the monetary mass components was maintained on a high level. In this context, the inventory of monetary aggregates on June 30, 2014 compared to the data recorded on June 30, 2013 evolved as follows:

- monetary aggregate M0 recorded an increase of 25.8% and was approximately 17.6 billion MDL;
- monetary aggregate M1 increased by 25.8% and reached a level of 27.4 billion MDL;
- the growth rate of monetary aggregate M2 was 20.5% and was 45 billion MDL;
- monetary aggregate M3 recorded an increase of 22.9% and was approximately 64.8 billion MDL.

A similar dynamics was also noticed in the case of the monetary base. Compared to the data from the end of the 1st quarter of 2014, at the end of the 2nd quarter of the same year, the monetary base recorded an increase of 6.3% and was 23 billion MDL. At the same time, compared to the similar period of 2013, the volume of the monetary basis recorded an increase of 26.2%.

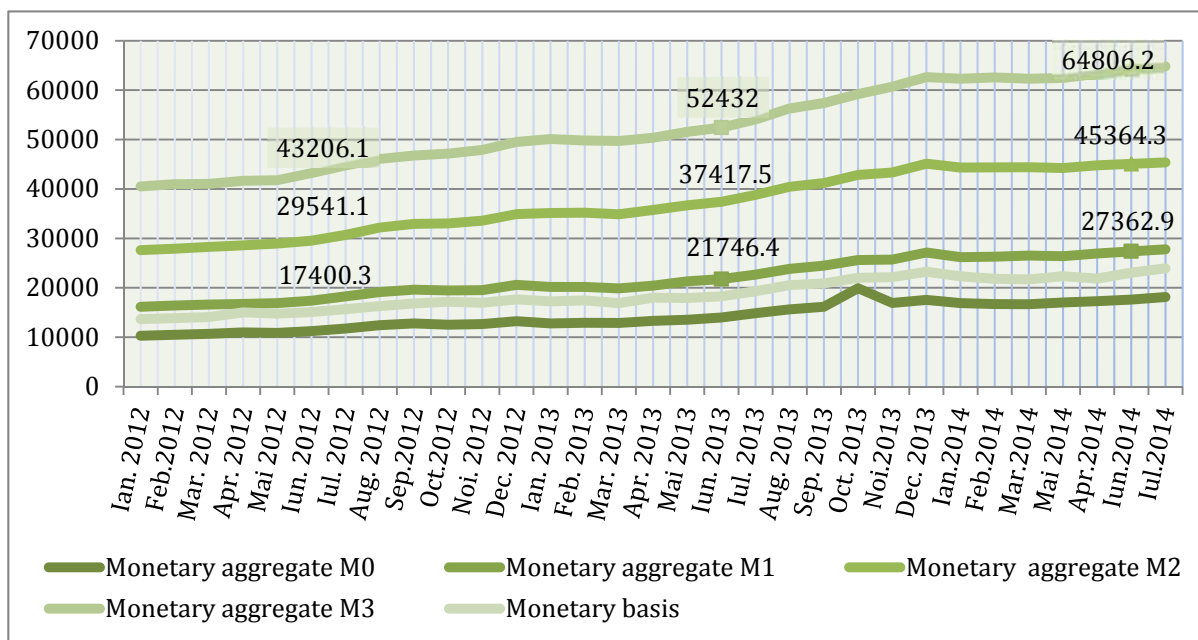


Figure 2.2.4. Evolution of monetary aggregates indexes and the monetary basis, million MDL

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

At the end of the 2nd quarter of 2014, in the structure of the monetary mass there were no essential modifications. As of June 30, 2014, the components of the monetary mass were distributed as follows: aggregate monetary index M0 (circulating money) – 27.3%; on-demand deposits – 15.1%; term deposits – 27.5% and foreign-currency deposits – 30.1%. The decreasing trend of the share of term deposits in the monetary mass continues to be maintained; they decreased the share from the 2nd quarter of this year by 2.4% compared to the data recorded in the similar period of last year. At the same time, in the 2nd quarter of 2014, compared to the data from the end of the 2nd quarter of 2013, there was an increase of circulating money by 0.6%, sight deposits by 0.4% and foreign-currency deposits by 1.4%.

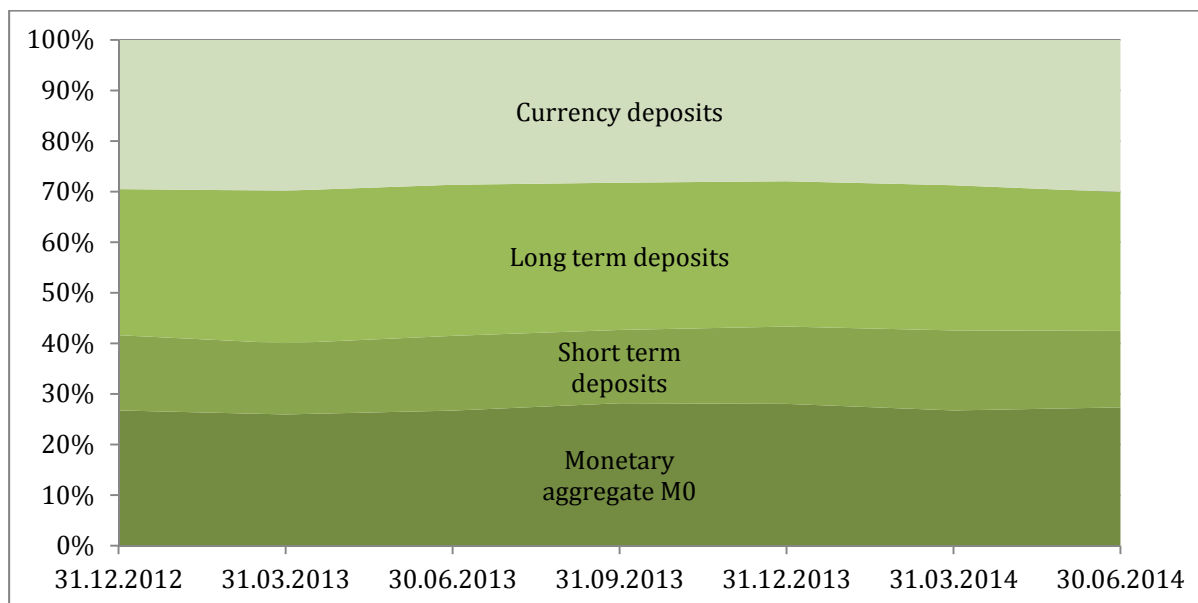


Figure 2.2.5. Structure of the monetary mass M3

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

Region of the Republic of Moldova from the left side of the river Dniester

In the 1st semester of 2014, the exchange rate of USD was maintained on the level of 11.1 PMR/USD according to the monetary policy promoted by the central bank from the region of the Republic of Moldova from the left side of the River Dniester, which is oriented towards maintaining the stability of the financial system and supporting the economic growth based on targeting the exchange rate.

In the 2nd quarter of 2014, given the stable moderate inflationist processes in the region, the refinancing rate of the central bank from 4.5% to 4%. The rate of the mandatory reserves for the sources obtained in foreign currencies was maintained on the level of 14%, and for the sources obtained in rubles increased in two stages from 8% to 10% and 12%.

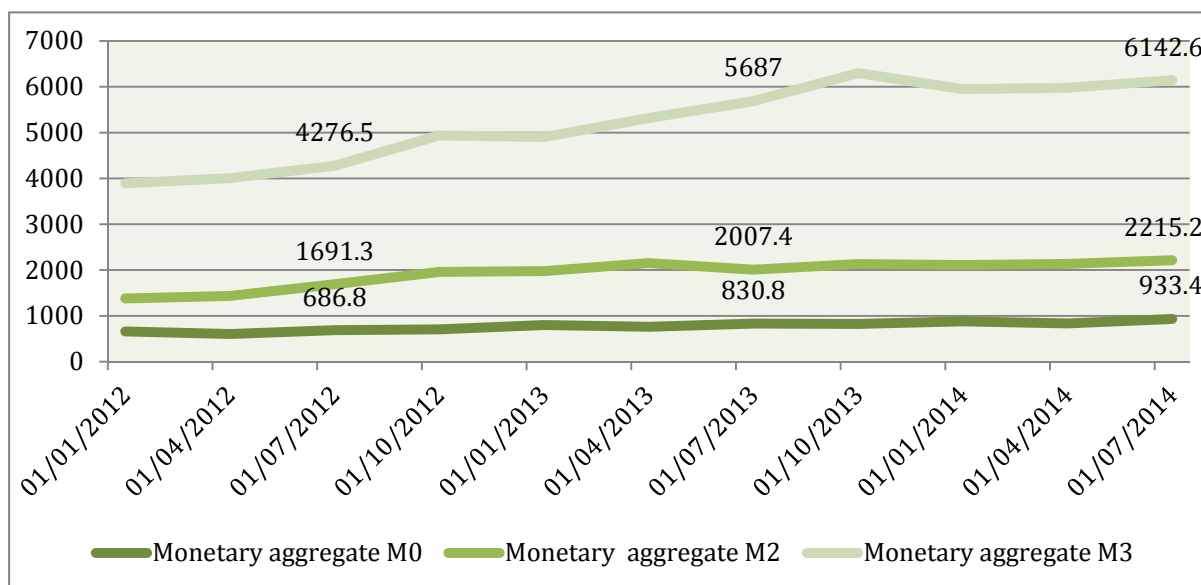


Figure 2.2.6. Evolution of monetary aggregates in the region from the left side of the River Dniester, million rubles⁵.

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

At the end of the 2nd quarter of 2014, the monetary mass in the region from the left side of the River Dniester was 6142.6 million rubles (namely approximately 4864.32 million MDL⁶), and recorded an increase of 8% compared to the volume of the monetary supply recorded in the same period of 2013.

As of July 01, 2014, the components of the monetary mass were distributed as follows: monetary aggregate M0 (circulating money) – 23.9%; quasi-currency – 20.8%; monetary mass in foreign currency – 63.9%. Compared to the similar period of last year, at the end of the 2nd quarter of 2014 there were some insignificant changes in the structure of the monetary mass: the share of the circulating money volume in the total monetary mass increased by 1.12%, the share of the quasi-currency decreased by 1%, and the share of the monetary mass in the foreign currency decreased by 0.02%.

⁵ The monetary mass from the region of the Republic of Moldova from the left side of the River Dniester (M3), according to the data of CBPMR, includes the monetary mass in the currency of PMR (M2) and the monetary mass in foreign currencies. M2 - includes circulating money (M0) and the quasi-currency.
⁶ Calculated according to the official exchange rate of CBPMR on July 01,2014 <http://www.cbpmr.net/?kv=1&lang=ru>

Chapter III

FINANCES

3.1. Public finances

Revenues of the national public budget

In the first semester of 2014 the NPB accumulated total revenues of 18847.0 million MDL, 488.4 million MDL or by 2.5% less than the value planned for this period. Compared to the similar period of 2013, the collections increased by 2128.9 million MDL, or by 12.7%.

Overall, we see that revenues are not fully collected in the budget for certain strategic components (taxes on natural persons' revenues – 97.2%, mandatory state social insurance contributions – 98.6%, mandatory healthcare insurance premiums – 95.9%, excises – 85.9%, special means of public institutions – 86.0%, revenues of special funds – 79.5%, etc.) Thus, there is a decrease of collections from salary revenues, especially in the social sector (premiums and contributions). At the same time, we notice an increasing trend in the difference between the planned revenues and the collected revenues from the lease of assets by natural persons. We also notice a decrease of the growth rate of collections recorded by the Customs Service from VAT and excises, mostly because of the geopolitical situation in the area, and an increase of VAT values reimbursed from the budget (+156.7% compared to last year).

By examining the structure of NPB revenues in the first semester of 2014, we find that the dominant part continues to consist of fiscal revenues (84.8%), and their structural composition is presented in Figure 3.1.

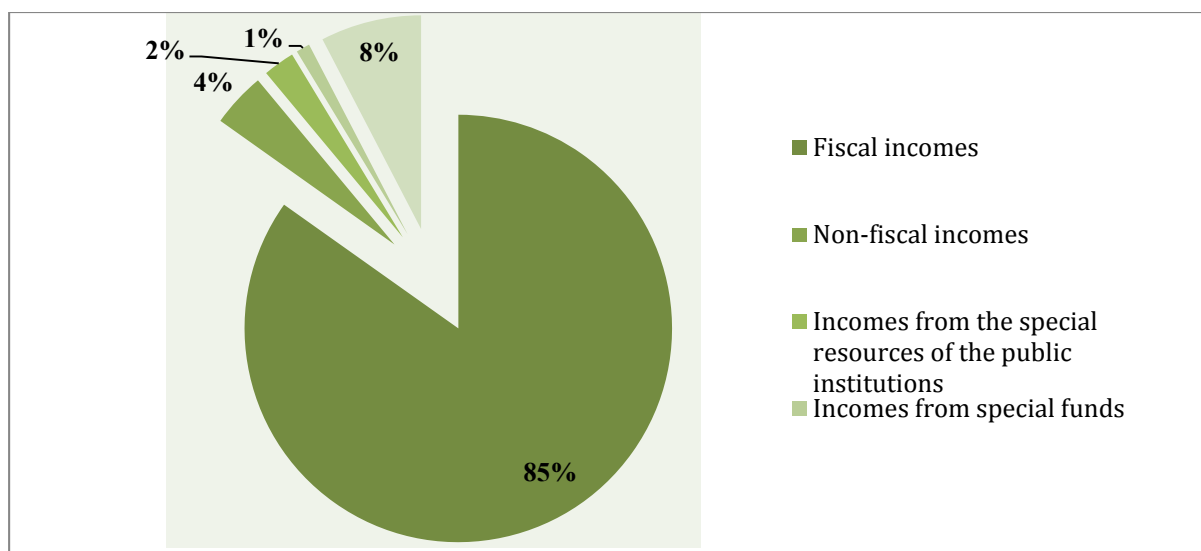


Figure 3.1.1. Structure of the revenues of the national budget in the 1st semester of 2014

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

In the fiscal revenues, the most important share is represented by revenues from VAT (37.1%, in the 1st semester of 2013 – 36.0%), social contributions – 24.4%, income taxes – 13.8% (in the 1st semester of 2013 – 15.0%), excises – 10.2% and compulsory healthcare premiums – 6.5%.

Thus, as a general trend, we notice a decrease of fiscal revenues by 4.4% compared to last year, and an increase of 6.1% in grant revenues. At the same time, non-fiscal revenues record a decreasing trend of 0.7%, compared to the same period of 2013.

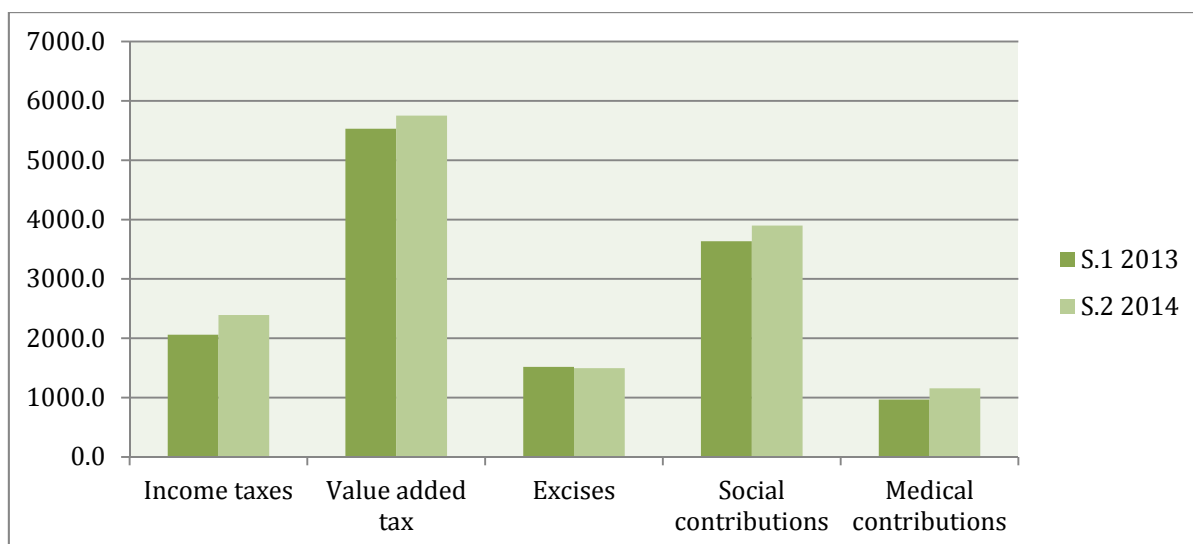


Figure 3.1.2. Structure of fiscal revenues in the 1st semester of 2013 and 2014, million MDL

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

Expenditures of the national public budget

In the first semester of 2014, the budget incurred total expenses of 19312.0 million MDL, 3939.7 million MDL or 26.9% less than the value planned for the examined period. Compared to the similar period of 2013, the expenditures of the national public budget increased by 2143.6 million MDL, or by 12.5%.

By examining the structure of NPB expenses in the first semester of 2014, we find that the dominant part continues to consist of social expenses (69.7%), and their structural composition is presented in Figure 3.3

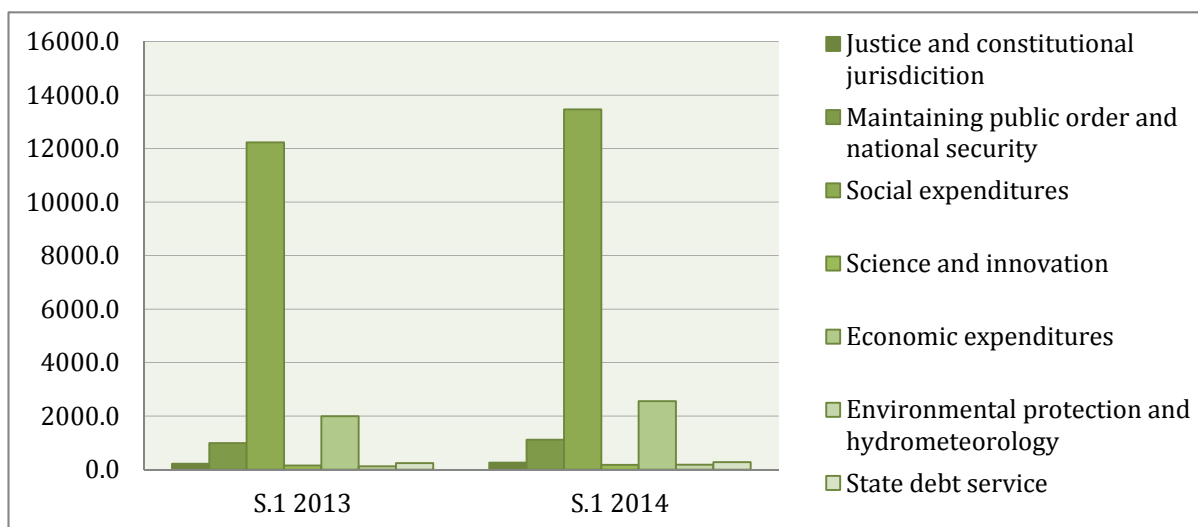


Figure 3.1.3. Volume of expenses from NPB in the 1st semester of 2013 and 2014, million MDL

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

As a general trend, we notice an increase of social expenses (by 10.1% compared to last year – mostly due to health protection expenses), economic expenses (by 28.3% compared to last year – mostly due to expenses in agriculture, forestry management, fish management and water management) and environment protection expenses and hydrometeorology (by 45% compared to last year).

Budget financial result

The performance of the state budget in the 1st semester of 2014 resulted in a **deficit** of 465.0 million MDL, namely 3.3% less than the deficit from the same period of 2013.

The financing sources of the deficit were:

- revenues from the sale of state movable assets (+536.7 million MDL);
- redemption of public securities issued for ensuring financial stability (-46.6 million MDL);
- loans paid from external sources (+892.9 million MDL);
- reimbursement of principal (-319.8 million MDL);
- assets from the sale and privatization of the public property (+124.4 million MDL);
- change of balances (219.1 million MDL);
- other sources (+54.8 million MDL).

The balances of the accounts of the national public budget as of June 20, 2014 increased, compared to January 01, 2014, by 763.8 million MDL and were 3579.3 million MDL.

Public debt

As of June 30, 2014, the balance of the public debt was 25,899.7 million MDL, an increase of 4158.7 million MDL (+19.1%) compared to the similar period of 2013. Compared to the beginning of the year, the balance of the state debt increased by 2378.2 million MDL (+10.1%).

Regarding the *structure of the state debt by debt type*, the state debt as of June 30, 2014 was 72.3% – external state debt and 27.7% internal state debt, and based on the *debt structure by currency*, the external debt is examined without the decomposition of DST and with the decomposition of DST.

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

Currency type	DST	USD	EUR	JPY	GBP	MDL
With the breakdown of DST	-	30.0	31.0	4.6	6.4	27.7
Without the breakdown of DST	51.9	7.9	11.6	0.6	0.1	27.7

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

External state debt

As of June 30, 2014, the internal state debt was 18733.7 million MDL (1336.5 million USD). Compared to the situation as of January 01, 2014, the external state debt recorded an increase of 1888.0 million MDL, or by 11.2%. The share of the external state debt is 16.4% (1% more compared to the same period of last year). Compared to the situation from the same period of last year, the external public debt increased by 3383.6 million MDL, or by 22.0%.

The recorded increase was caused by the net financing reaching a positive value and by an increase in the fluctuation of the exchange rate of USD in relation to other foreign currencies.

By analyzing the external state debt *depending on the maturity* as of June 30, 2014, we find that it is 81.7% made up of the long-term external public debt, 15.0% of medium-term external debt and 4.0% short-term external debt – a situation that is similar to that recorded in the same period of 2013.

Depending on the *currency structure of the debt*, the external debt is examined without the breakdown of DST and with the breakdown of DST.

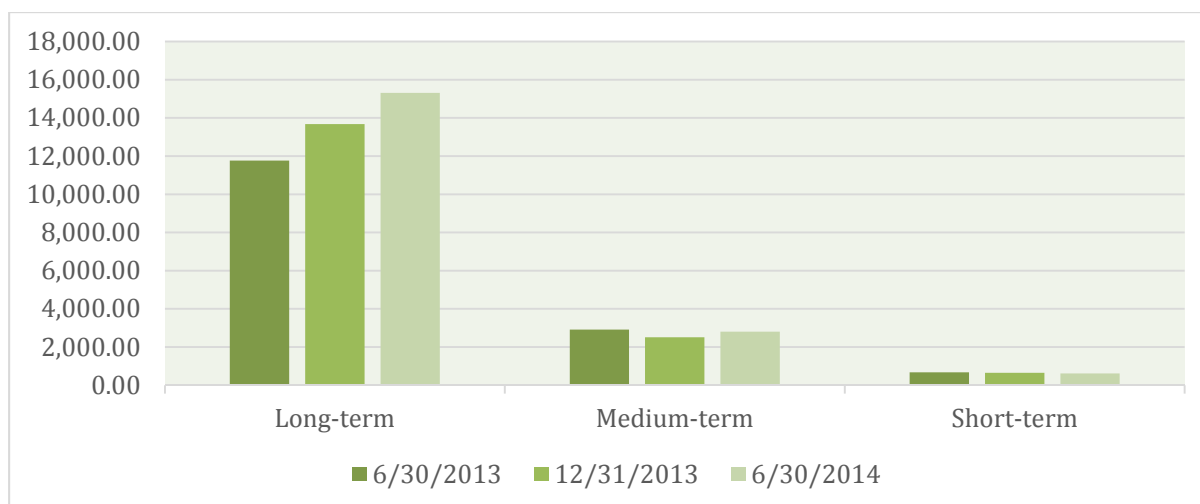


Figure 3.1.4. Structure of external state debt as of June 30, 2013, December 31, 2013 and June 30, 2014, million MDL

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

In the *structure of the external state debt by creditors*, multilateral creditors continue to be the main creditors of the Government of the Republic of Moldova. The external state debt to multilateral creditors, as of June 30, 2014, was 86.7% of the total external state debt, to bilateral creditors – 13.1%, to commercial creditors - 0.2%. The highest share in the balance of the external state debt to multilateral creditors is that of IDA with 41.3%, followed by IMF – with 24.6%, EIB – with 7.3%, IFAD – with 4.9%, etc.

As an evolution, we notice the ascending trend of the external public debt to multilateral creditors. At the same time, the external public debt to bilateral and commercial creditors continued to drop.

Internal public debt

As of June 30, 2014, the internal state debt was 7166.0 million MDL and is completely formed of state movable assets. Compared to the situation as of January 01, 2014, the internal state debt recorded an increase of 490.2 million MDL, or by 7.3%. The share of the external state debt is 6.6% (0.2% more compared to the same period of last year). Compared to the same period of last year, the internal public debt increased by 775.1 million MDL, or by 12.1%. The increase of internal debt is mostly due to the additional issuance of state movable assets on the primary market.

By analyzing the internal state debt based on *its components*, we notice that 69.3% represent state securities issued on the primary market, 28.8% – converted state securities and 1.9% – state securities issued for ensuring financial stability. Mostly, the internal state debt was modified due to the increase of VMS emissions on the primary market of 536.8 million MDL and VMS redemption for ensuring financial stability of 46.6 million MDL.

The state movable assets with maturities up to a year were issued with three terms: T-notes of 91 days, 182 days and 364 days, whose share in the total SMA traded by tenders was 97.9%. The highest share in issued state securities belonged to T-notes on 182 days (43.8%) and 364 days (28.5%) – shares which remained relatively constant in relation to the similar period of last year (43.1% for BT of 182 days and 25.8% for BT of 364 days).

By analyzing the internal state debt *depending on the maturity* as of June 31, 2014, we find that the highest share is that of the short-term internal debt (97.2%), followed by medium-term internal public debt (2.8%), and long-term internal public debt is completely absent. Thus, the trend mentioned in the previous editions, namely the increase of the share of short-term debt is emphasized.

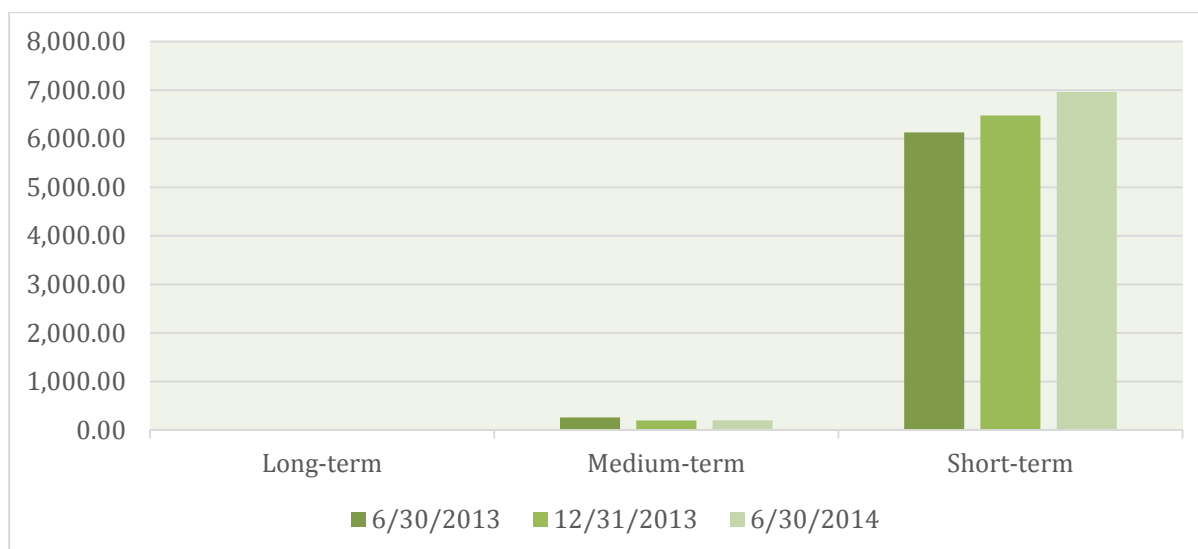


Figure 3.1.5. Structure of the internal state debt as of 6/30/2013, 12/31/2013 and 6/30/2014, million MDL

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

State debt service

In the 1st semester of 2014 for the state debt service, assets of 377.2 million MDL were used from the state budget, out of which: external state debt service of 421.8 million MDL (97.8% of the amount provided for the respective period) and the internal state debt service of 174.1 million MDL (90.8% of the estimated value). Out of the total external public debt, the amount of 319.8 million MDL was used to reimburse the main amount and 102.0 million MDL - for the external state debt service.

Region of the Republic of Moldova from the left side of the river Dniester

In the 1st semester of 2014, the revenues of the budget of Transnistria were 1086.3 Transnistrian rubles (1331.1 million MDL), namely 7.1% of the total revenues obtained from the territory controlled by the Republic of Moldova, out of which: 1086.0 million MDL in fiscal payments (81.6%); 13.0 million MDL in non-fiscal payments (1.0%); 111.1 million MDL revenues

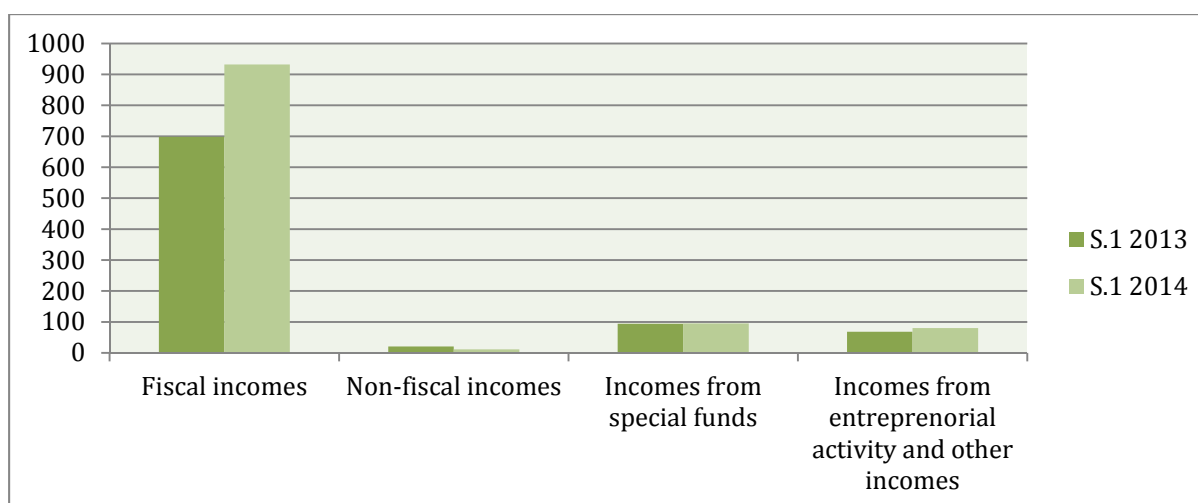


Figure 3.1.6. Structure of Trans-Dniester revenues in the 1st semester of 2014 compared to the same period of 2013, million MDL

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

from special funds (8.3%); and 93.6 million MDL revenues from entrepreneur business and other revenues (7.0%). Compared to the planned period, there were collections of 99.6%, a 26% increase compared to the same period of 2013. This increase is mostly due to the issuance, in the 1st quarter of 2014, of state securities (treasury bonds) of 266.4 million MDL.

Approximately 2.1% of the revenues of Transnistria represent non-reimbursable financial aid from the Russian Federation.

The expenses of the budget of Transnistria represented 1698.2 million MDL or 8.8% of the total expenses incurred on the controlled territory of the Republic of Moldova, which constitutes 74.2% variation from the established plan of expenses.

3.2. Banking sector

In the 1st semester of 2014, the banking sector from the Republic of Moldova maintained its financial stability, and recorded satisfactory financial results in the main activity indicators.

At the end of June 2014, compared to the end of December 2013, the following positive and negative evolutions were recorded in the main indicators of the Moldovan banking sector:

- ✓ Increase of banking assets by 5% to 79991.1 million MDL;
- ✓ Increase of the banking credit balance by 7% to 45113 million MDL;
- ✓ Increase of the banking deposit balance by 7.2% to 55631.9 million MDL;
- ✓ Increase of the share of bad credits in the total credits from 11.6% to 11.9%;
- ✓ Decrease of the average interest rate for the credits in the national currency, from 12.29% in January 2014 to 10.03% in June 2014;
- ✓ Decrease of the average interest rate for the credits in foreign currencies, from 7.83% in January 2014 to 7.78% in June 2014;
- ✓ Decrease of the banking margin from 6.69% in December 2013 to 4.59%;

Banking asset dynamics

The total assets of the banking sector were 79991.1 million MDL as of June 30, 2014, 5% more than on December 31, 2013. This increase was caused by the profit-generating assets (with a share of 58% from the total assets), which recorded an increase of 7% compared to December 31, 2013. In the first seven months of 2014, the annual growth rate of banking assets was decreasing. Obviously, this decrease is reflected from May 2014 (29.3%) to July 2014 (20.4%) compared to last year.

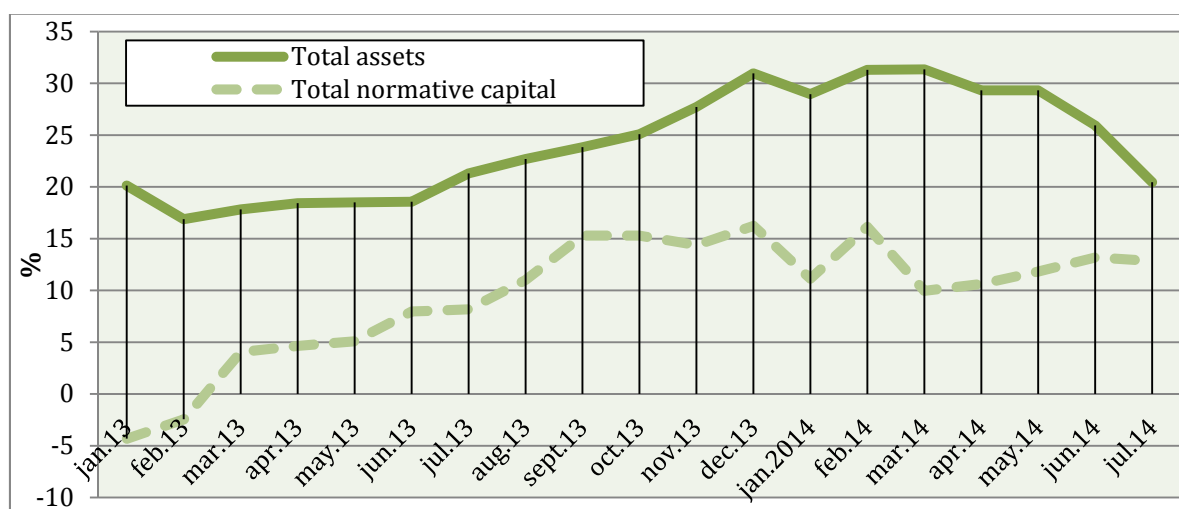


Figure 3.2.1. Annual growth rate of assets and total normative capital, %

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

On June 30, 2014, compared to June 30, 2013, there were the following modifications in the structure of the banking assets:

- increase of cash by 4 p.p., to 24082 million MDL;
- decrease of financial assets available for sale by 0.3 p.p., to 229 million MDL;
- decrease of financial assets available for sale by 0.1 p.p., to 462.7 million MDL;
- decrease of loans and receivables by 3 p.p., to 47167.1 million MDL;
- increase of other assets by 0.2 p.p., to 900.6 million MDL.

Table 3.2.1. Evolution of banking assets by volume and structure, %

Indicator name:	6/30/2013	12/31/2013	6/30/2014
	% of total assets		
Total assets, out of which:	100	100	100
1. Cash and cash equivalents	25.6	32.3	30.1
2. Financial assets held for trading	0.6	0.3	0.3
3. Financial assets available for sale	0.7	0.6	0.6
4. Loans and receivables	62.3	56.9	59.0
5. Investments held to maturity	5.3	5.2	5.3
6. Tangible assets	3.1	2.5	2.5
7. Intangible assets and tax receivables	0.6	0.4	0.5
8. Other assets	1.8	1.8	2.0

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

Evolution of banking credits

In the 1st semester of 2014, there was a decrease of the quality of the credit portfolio in the banking sector, and the value of bad credits increased by 10.3%⁷ compared to the beginning of the year. Namely, by June 30, 2014 there was an increase of bad credits by 12.4% compared to June 30, 2013. The share of bad credits in the total credits as of June 30, 2013 increased by 0.4% compared to December 31, 2013, to 11.9%. Another indicator which indicates the increase of the risks of capital losses is the share of net bad credits in the total normative capital, which as of June 30, 2014 had increased by 0.7% to 17.3% compared to December 31, 2013.

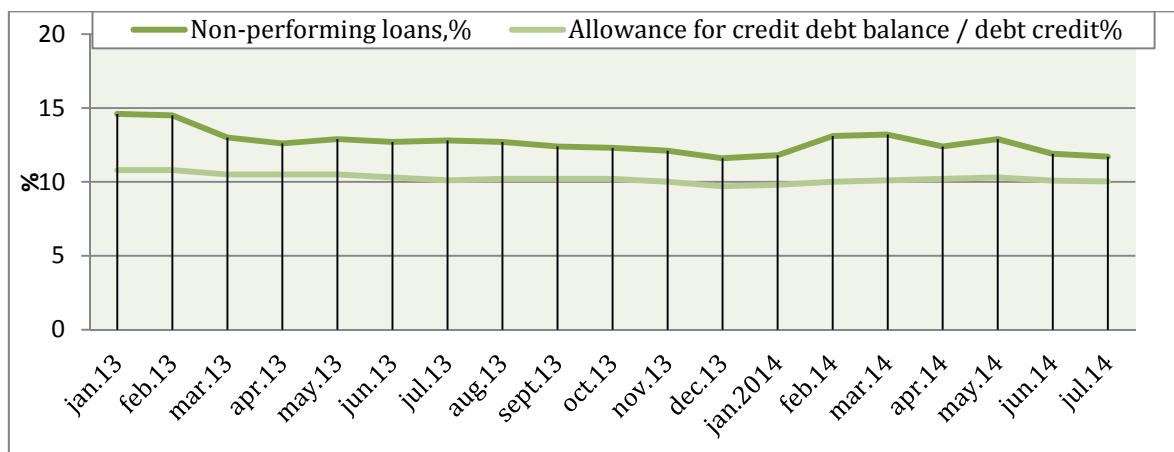


Figure 3.2.2. Evolution of banking credit quality, %

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

In this context, in the 1st semester of 2014, “Banca de Economii” remained one of the banks which continued to be subject to the pressure of the bad credit rate of 41.04%, however it

⁷ As of June 30, 2014, bad credits were in absolute values 5384.9 million MDL and as of December 31, 2013 – 4883.0 million MDL

managed to consolidate the sufficiency of the risk-shared capital from 10.23% on June 30, 2013 to 19.27% on June 30, 2014.

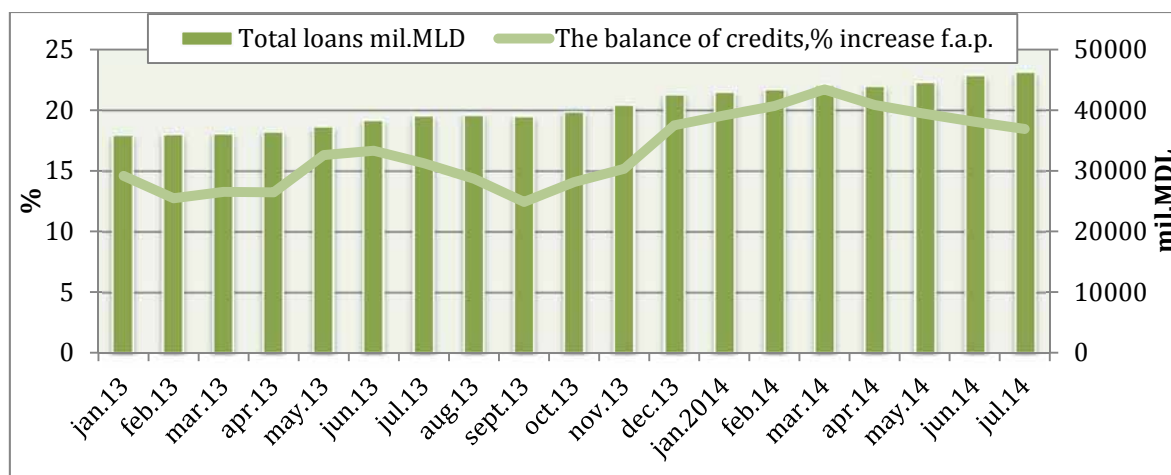


Figure 3.2.3. Evolution of credit balances – annual value and increase, %

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

The balance of banking credits was 45113 million MDL as of June 30, 2014, 7% more than on December 31, 2013. Despite the increase of the credit balance in the 1st semester of 2014, the annual growth rate of the credits granted by banks slightly decreased starting with April 2014 - 20.4% compared to last year, and until June 2014 it was 19.05% compared to last year.

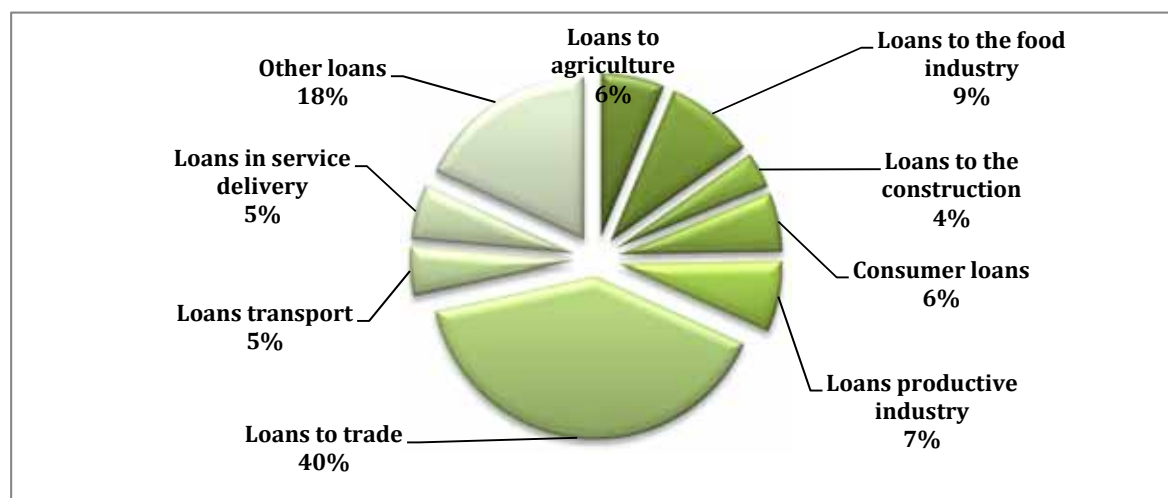


Figure 3.2.4. Structure of the credit portfolio by branches, as of June 30, 2014, %

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

In the 1st semester of 2014, the increase of credits in MDL occurred because of the increase of credit balances granted to all the sector of the economy. Thus, as of June 30, 2014, the highest share in the total credits was that of credits granted in the trade sector (40%), followed by credits granted in the food industry (9%), credits granted in the processing industry (7%) and consumer credits (6%).

By analyzing the structure of the credits by contractual maturities in the 1st semester of 2014, we notice that credits granted with terms of up to 2 and 5 years continued to be the most attractive in June 2014. In this context, their share of the total volume of credits in national currency was 56.3% in June 2014 and was granted at an average interest rate of 9.08%. Most

credits are granted to legal entities - 80.7% out of the total credits in MDL, at an average interest rate of 9.51% in June 2014.

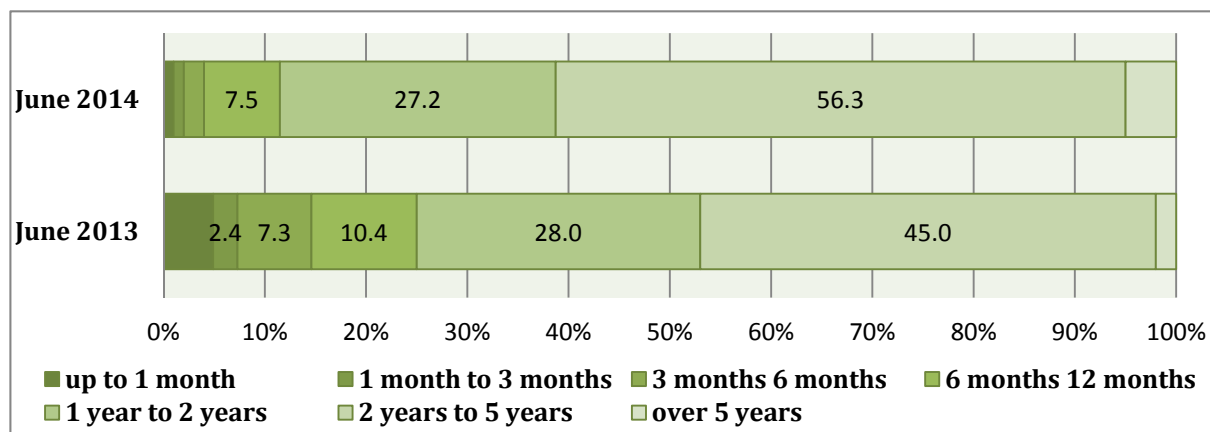


Figure 3.2.5. Structure of new credits granted by banks in the national currency by due dates, %

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

Banking deposit dynamics

The balance of deposits in the banking system as of June 30, 2014 was 55631.95 million MDL, 7.2% more than December 31, 2013. In this context, as of June 30, 2014 we notice a decreasing trend for the deposits in the national currency by 0.3%, and foreign-currency deposits increased by 16.5% compared to December 31, 2013.

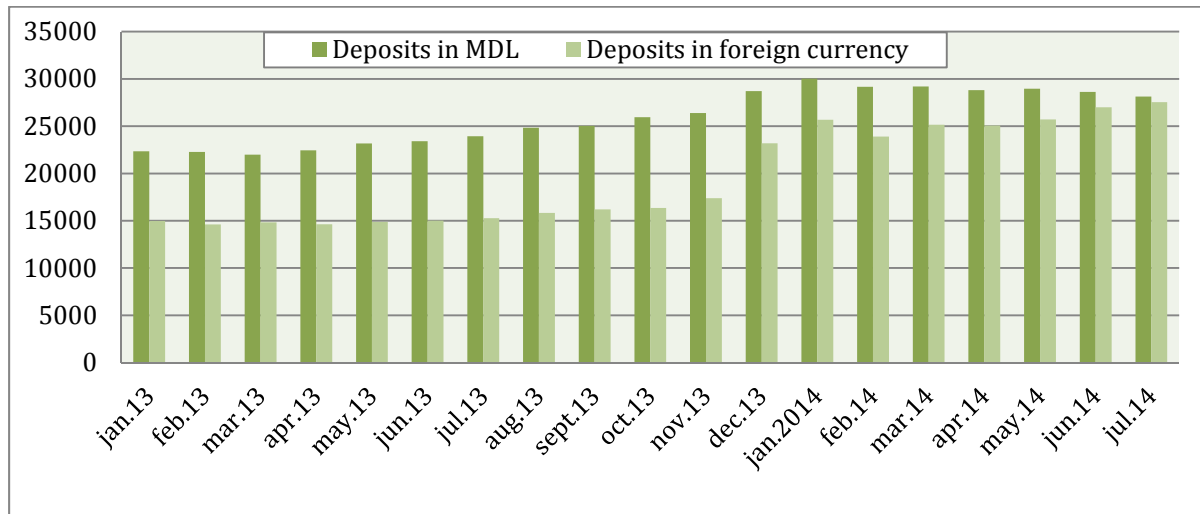


Figure 3.2.6. Structure of deposits in the banking sector, million MDL, in 2013-2014

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

The population continues to prefer deposits in the national currency, which had a share of 51.5% at the end of June 2014, and deposits in foreign currencies had a share of 48.5% out of the total deposits. This is explained by the fact that the average interest rate in the banking system for national-currency deposits is more attractive than the rate of foreign-currency deposits, and is conditioned by the depreciation of the national currency in the last year.

By the profile of the maturity of deposits in the national currency, the population mostly prefers deposits with terms of 6 to 12 months. Thus, in June 2014, the maximum share out of the total

term deposits in the national currency is that of deposits with terms from 6 to 12 months (36.21%), followed by terms of up to a month (28.53%) and from 3 to 6 months (20.11%).

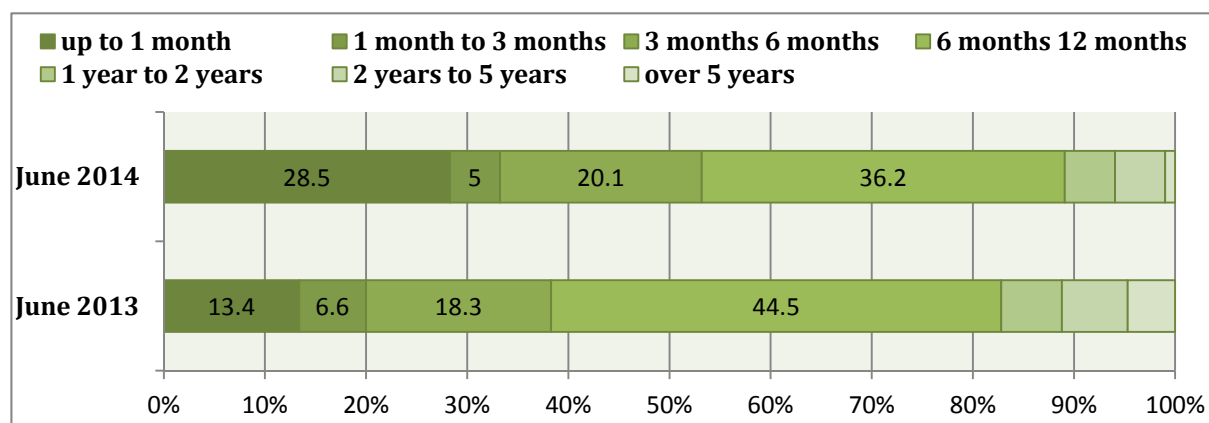


Figure 3.2.7. Structure of new deposits obtained by banks in the national currency by due dates, %

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

Evolution of the average banking interest rate

In January-June 2014, the average interest rates for the credits in the national currency decreased from 12.29% in January 2014 to 10.03% in June 2014. The average interest rates for credits in foreign currencies decreased by 0.05 p.p., from 7.83% in January 2014 to 7.78% in June 2014.

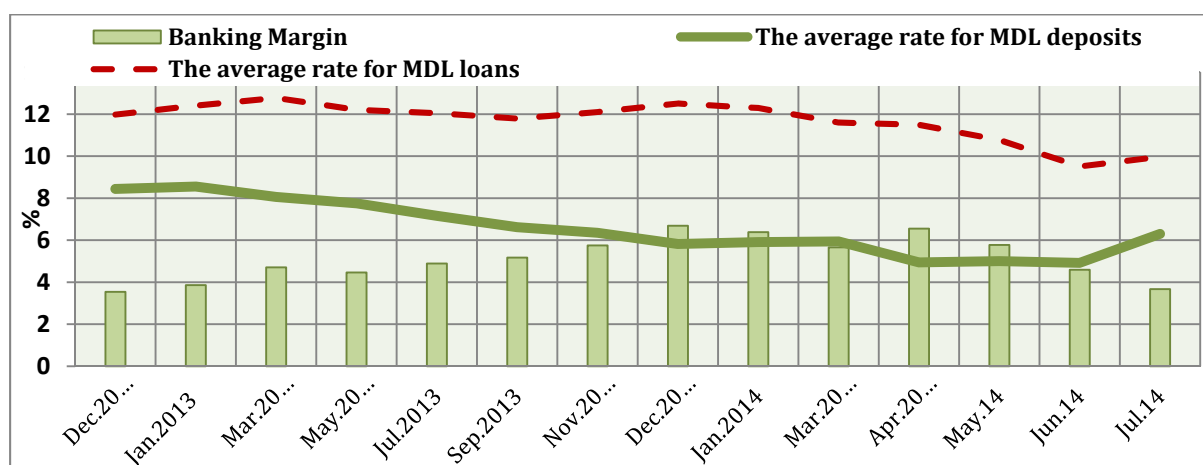


Figure 3.2.8. Evolution of the banking margin*, of average interest rates of deposits and credits in MDL, %

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

*NB: The banking margin indicator was calculated as the difference between the average interest rate of deposits in MDL and the average rate of credits in MDL.

New deposits in the national currencies were obtained by commercial banks in June 2014 at an average rate of 4.92%, 0.99% less than in January 2014 (5.91%). At the same time, the average interest rates for the deposits in foreign currencies decreased from 4.60% in January 2014 to 3.85% in June 2014, by 0.75 p.p.

The banking margin for the operations in the national currency in June 2014 recorded a minimum level of 4.59%, 2.10 p.p. less than in December 2013, and the lowest level of 2014 was recorded in July 2014, 3.67%.

Evolution of the banking capital

The 1st Tier capital, as of June 30, 2014, decreased by 2.7% to 8140.4 million MDL compared to December 31, 2013. Consequently, all commercial banks from the Republic of Moldova, except for BC "EuroCreditBank" S.A. (176.81 million MDL) had a 1st tier banking capital corresponding to the minimum necessary capital of 200 million MDL.

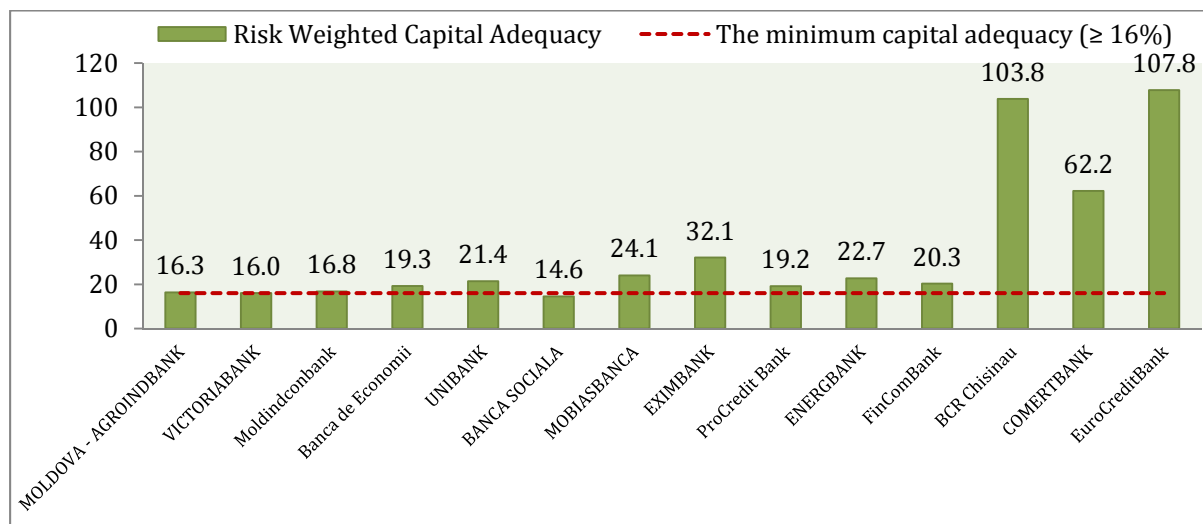


Figure 3.2.9. Average of risk weighted capital adequacy by banking sector as of June 30, 2014, %

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

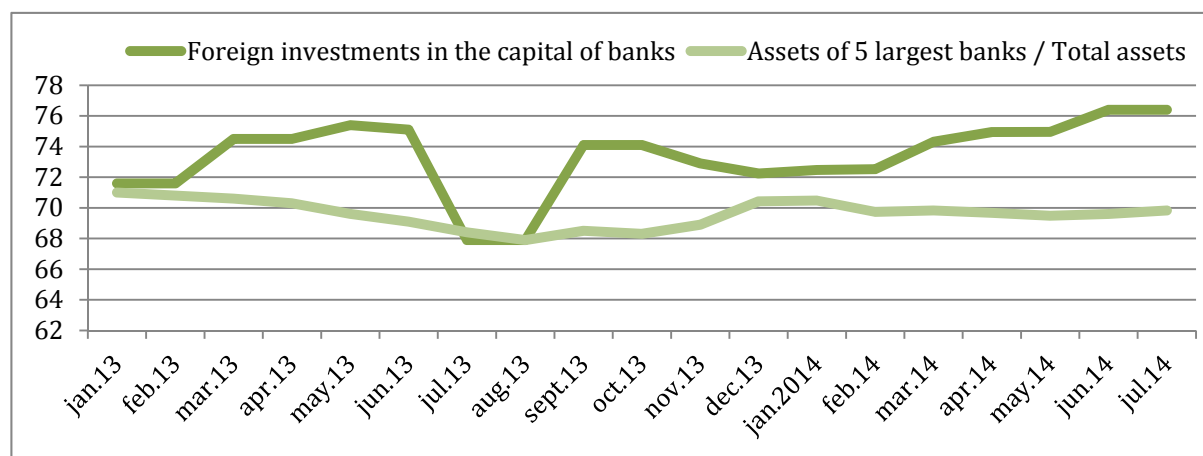


Figure 3.2.10. Share of foreign investments in the capital of banks and share of the assets of the 5 largest banks in the total assets, %

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

Although in decline by 3.13 p.p. compared to December 31, 2013, the capital adequacy ($\geq 16\%$) is maintained on a high level, and was 19.8% on June 30, 2014. Nevertheless, BC „BANCA SOCIALA” S.A. is the only commercial bank which failed to maintain the capital adequacy as of June 20, 2014, recording 14.57%.

The share of foreign investments in the capital of banks increased from 72.24% on December 31, 2013 to 76.4% on June 30, 2014. At the same time, this contributed to the decrease of the market concentration level: the share of the assets of the largest 5 banks in the total assets decreased to 69.6% on June 30, 2014. Four licensed banks own completely foreign capital (B.C. "EXIMBANK-Gruppo Veneto Banca" S.A.; B.C."ProCredit Bank" S.A.; BCR Chişinău S.A.; B.C. "COMERTBANK"

S.A.), followed by BC "Mobiasbanca – Groupe Société Générale" S.A. which owns 96.69% and BC "EuroCreditBank" S.A. – 77.45%.

Evolution of banking profitability and liquidity

The values of the profitability indicators of the banking sector (net revenues related to assets – ROA, and net revenues related to shareholder capital – ROE) were 1.25% and 8.24%, respectively, on June 30, 2014. In this context, in June 2014, the profit of the banks for the entire system was 494.4 million MDL, 1.7% more than in the same period of 2013.

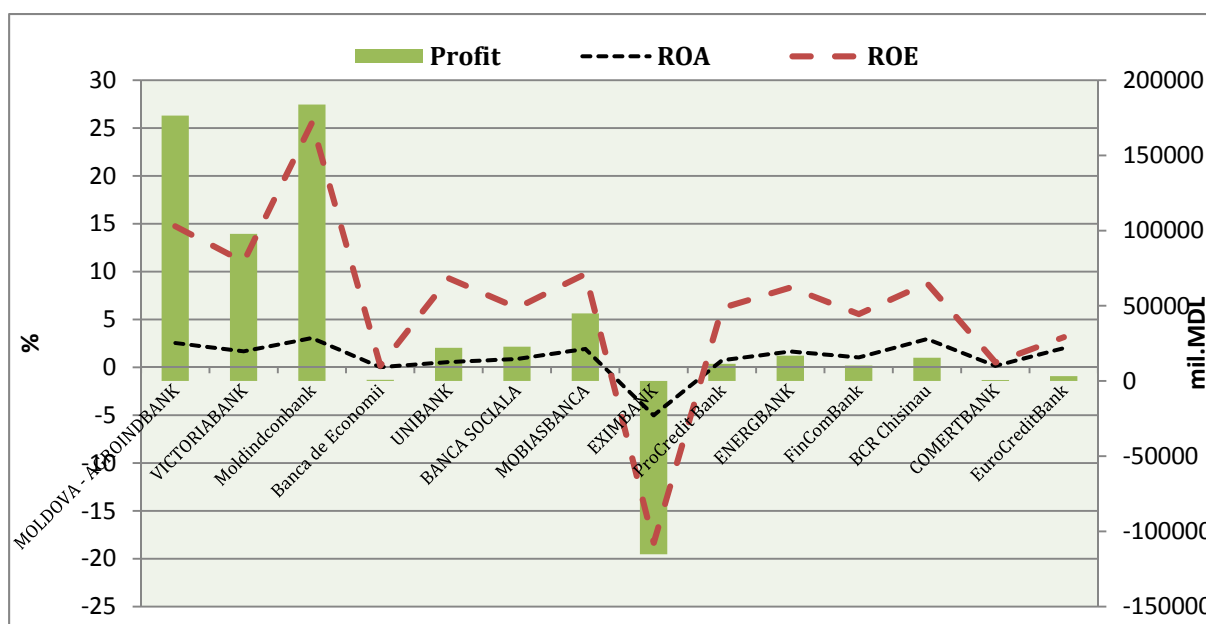


Figure 3.2.11. Evolution of profitability and return of commercial banks on June 30, 2014
 Source: According to the data of the National Bank of Moldova.

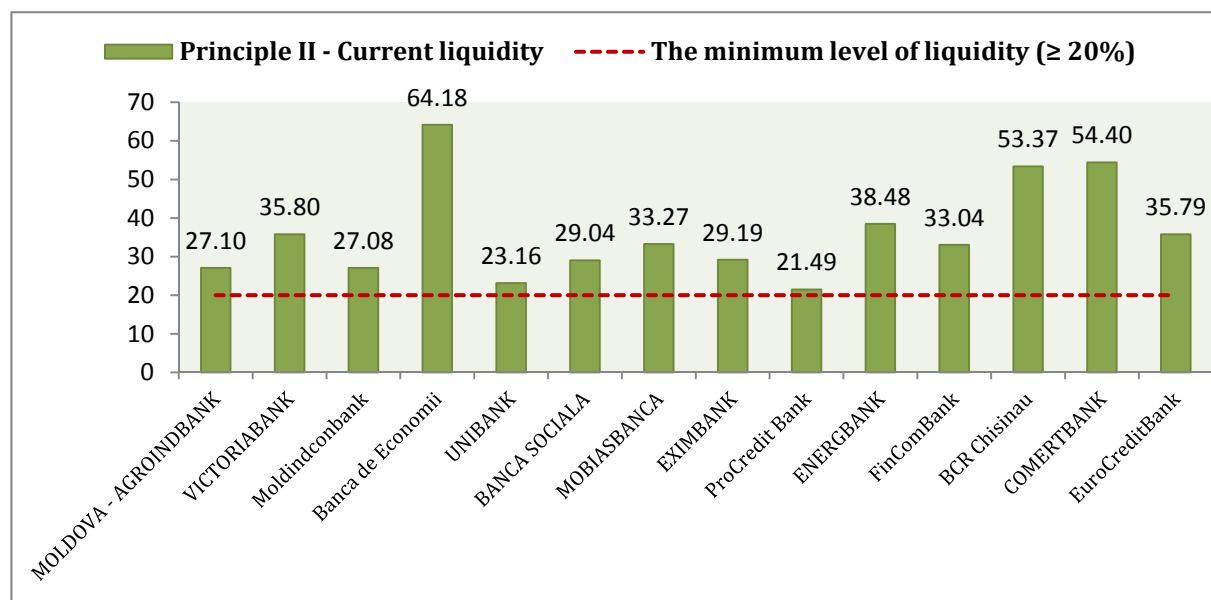


Figure 3.2.12. Banking sector liquidity indicators on June 30, 2014, %
 Source: According to the data of the National Bank of Moldova.

The only commercial bank which recorded negative financial results at the end of June 2014 - 115.2 million MDL, is B.C. "Eximbank Gruppo Veneto Banca" S.A. At the end of June 2014, B.C.

"Moldindconbank" was the profit leader, with the value of 183.8 million MDL, followed by B.C. "Moldova Agroindbank", with a profit of 179.4 million MDL and B.C. "Victoriabank" with 97.8 million MDL. The profit of the 3 leaders represents 93.2% of the entire profit recorded in the banking system.

Banking liquidity may be regarded both based on the share of liquid assets in the total assets, and based on bonds, which the bank is bound to pay. Thus, at the end of June 2014, the share of the liquid assets (2nd principle of liquidity) was 34.3%, 0.54 p.p. more than on December 31, 2013. Long-term liquidity or the 1st principle of liquidity for the entire banking system recorded 0.72% as of June 30, 2014. These values of the liquidity indicators show the existence of adequate sources for supporting payments corresponding to bonds.

Analysis of banking sector concentration indicators

By analyzing the market concentration index (Herfindahl-Hirschman index) as of June 30, 2014, we find that the banking sector is within the limits of a banking market with a moderate concentration degree (1238 points) – by the value of deposits (1263.7 points) – by the value of credits (see table 3.2.2).

Table 3.2.2. Banking sector concentration indicators, %

No.	Bank names	Market share by the value of assets (%)		Market share by the value of credits (%)		Market share by the value of deposits (%)	
		6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014
1	BC "MOLDOVA - AGROINDBANK" S.A.	19.2	17.7	21.4	21.9	19.3	18.4
2	B.C. "VICTORIABANK" S.A.	17.8	14.7	17.8	14.6	21.1	16.9
3	BC "Moldindconbank" S.A.	15.7	14.4	18.1	17.0	16.7	14.8
4	B.C. Banca de Economii S.A.	9.0	12.8	4.6	5.4	10.0	13.7
5	B.C. "EXIMBANK - Gruppo Veneto Banca" S.A.	7.4	5.6	8.0	6.0	4.9	3.6
6	BC "BANCA SOCIALA" S.A.	6.2	6.7	6.5	7.3	6.5	6.9
7	BC "MOBIASBANCA - Groupe Societe Generale" S.A.	5.7	6.0	6.1	6.9	5.1	5.9
8	B.C. "UNIBANK" S.A.	5.2	10	3.4	8.5	5.2	9.3
9	B.C. "ProCredit Bank" S.A.	4.7	4.0	5.9	5.3	3.1	3.0
10	B.C. "ENERGBANK" S.A.	2.9	2.6	2.7	2.3	2.9	2.5
11	B.C. "FinComBank" S.A.	2.7	2.5	2.5	2.4	2.4	2.5
12	BCR Chişinău S.A.	1.6	1.5	1.5	1.1	1.1	1.2
13	B.C. "COMERTBANK" S.A.	1.4	1.1	1.1	0.8	1.2	1.0
14	BC "EuroCreditBank" S.A.	0.5	0.4	0.4	0.4	0.2	0.2
<i>HHI indicator (points)</i>		<i>1207.6</i>	<i>1145.0</i>	<i>1330.9</i>	<i>1263.7</i>	<i>1341.8</i>	<i>1238.0</i>
<i>CR-4 indicator (%)</i>		<i>61.7</i>	<i>59.6</i>	<i>65.3</i>	<i>62.0</i>	<i>67.1</i>	<i>63.8</i>

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

According to the statement from the end of June, 2014, by the value of banking assets, the market is concentrated. Four commercial banks own 59.6% of the total assets. According to the value of the assets, the market leader is BC Moldova-Agroindbank, which on June 30, 2014 reached a total value of assets of 14170.2 million MDL, 5.7% more than on December 12, 2013, with a share of 19.2% of the total assets from the sector. The following position is held by BC Victoriabank with an asset volume of 11729.8 million MDL, an increase of 82.30 million MDL compared to June 30, 2013, and the market share of the bank is 14.7%.

As of June 30, 2014, BC Moldova-Agroindbank maintained its market leader position regarding credit granting. The share of the bank from the total volume of granted credits is 21.9%, a

position which it cannot lose too soon (with a total balance of 9901.3 million MDL, 7.8% more than on December 31, 2013), followed by BC Moldindconbank, which is second on the market of banking credits with a share of 17.0%, in front of BC Victoriabank (14.6%). Regarding the structure of deposits, at the end of June, the market leader position by the balance of obtained deposits is held by BC Moldova-Agroindbank, with a total balance of 10242.9 million MDL, 7.6% more than in December 2013. The market share of this bank is 18.4%. The following position is held by Victoriabank (16.9%), as of June 30, 2014, with a balance of obtained deposits of 9402.2 million MDL, 0.22% less than on December 31, 2013 (see fig. 3.2.13).

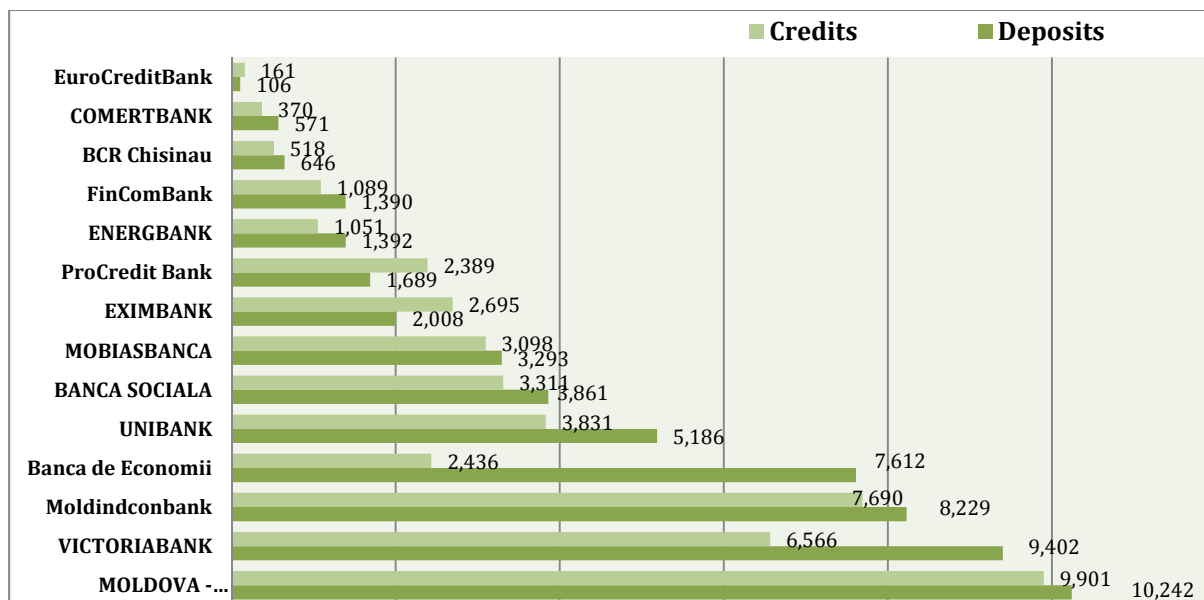


Figure 3.2.13. Deposits and credits of the banking sector on June 30, 2014, million MDL.
Source: According to the data of the National Bank of Moldova.

Region of the Republic of Moldova from the left side of the river Dniester. In the 1st semester of 2014, the banking sector from the left side of the river Dniester recorded positive growth trends in the main indicators. The total assets of the banking system of the region on July 01, 2014 were 6707.7 million rubles, 4.4% more than on January 01, 2014. The exchange rate of the ruble in the region left of the River Dniester compared to MDL on January 01, 2014 was 0.8494 rubles/MDL. On July 01, 2014, the exchange rate of the ruble in relation to the main reference currencies was 0.7919 rubles/MDL, 11.1000 rubles/USD, 15.1426 rubles/EUR.

In the first seven months of 2014, the annual growth rate of banking assets in the region showed a descending trend. Thus, although in April and June 2014 there was a slight increase of 14.06% and 14.85% compared to last year, in July there was a decrease of 2.44% compared to last year. A similar dynamics is also obvious regarding banking credits, as in July 2014 there was an increase of 6.28% compared to last year (see fig. 3.2.14).

As of July 01, 2014, the equity of the banks was 1377.7 million rubles, 1.3% less than on January 01, 2014 (1395.9 million rubles). The shareholder capital of the banks from the left side of the river Dniester was on July 01, 2014 1043.1 million rubles. The balance of the credits granted in the economic sector was on July 01, 2014 of 4240.9 million rubles, 0.9% more than on January 01, 2014. Natural persons' credits in this period amounted to 1065.03 million rubles, 11.8% more than on January 01, 2014, and the credits granted to legal entities amounted to 3175.9 million rubles, 2.3% more than at the end of last year. On July 01, 2014, the balance of obtained banking deposits was 2721.4 million rubles, 8.5% more than on the same date of last year. Namely, the deposits obtained by natural persons on July 01, 2014 amounted to 1430.5 million rubles, 2.4% less than on January 01, 2014 (1466.2 million rubles).

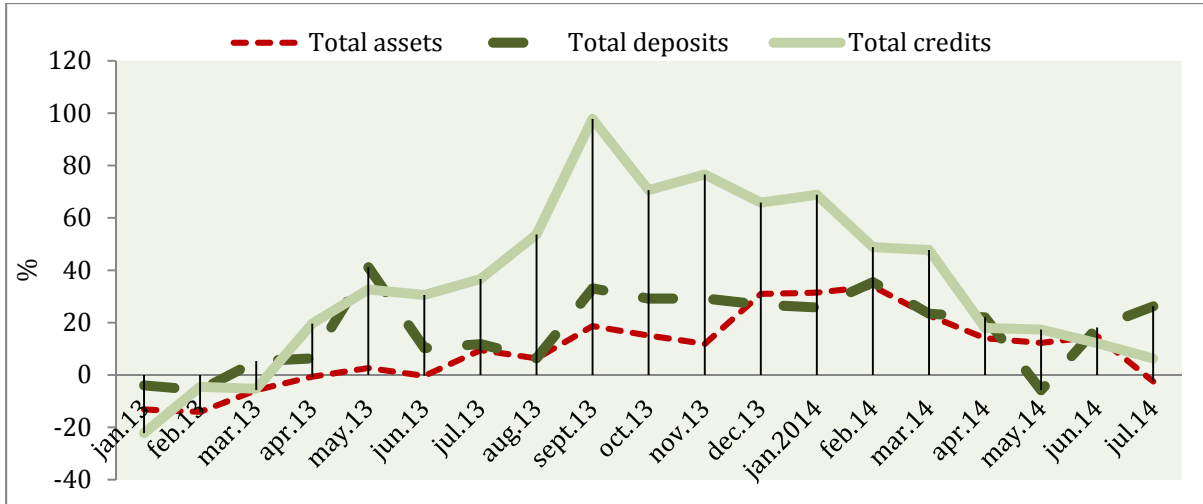


Figure 3.2.14. Annual increase rate of Trans-Dniester assets, deposits and banking credits, %

Source: Author's calculations according to the data of the Trans-Dniester Bank.

Chapter IV

EXTERNAL SECTOR

Balance of payments

Current account. During the first half of this year, the deficit of the current account continued to decrease, with the lowest level in the six months from 2006 to 2014 – 144.7 million USD. It fell down to 18.7 million USD during Q2, 91% less than during the same period of last year. The main causes in this regard were the decrease of trade deficit in goods and the increase of the income and current transfers balance surplus.

Despite the unfavorable external conjuncture in the Eastern region, the exports of goods increased by 2.3%⁸ during the first half of the year, while on the background of an anemic increase of internal demand, and also of external demand for Moldovan re-exports, the value of the imports of goods decreased by 2.3% (a more comprehensive description is presented in the corresponding subchapter).

Table 4.1. Balance of payments – Current account (synthetic presentation)

	Nominal value, million MDL			Annual growth rate compared to the same period of last year, %	
	H1 of 2012	H1 of 2013	H1 of 2014	H1 of 2013	H1 of 2014
Current account	-279.0	-343.3	-144.7	23.0	-57.8
Goods	-1342.8	-1416.9	-1332.0	5.5	-6.0
<i>Export</i>	1072.3	1151.9	1178.5	7.4	2.3
<i>Import</i>	-2415.1	-2568.8	-2510.6	6.4	-2.3
Services	-1.0	-0.5	-18.4	-52.4	by 37.5 times
<i>Export</i>	417.4	460.4	460.6	10.3	0.0
<i>Import</i>	-418.4	-460.9	-478.9	10.2	3.9
Income	350.9	351.6	388.0	0.2	10.4
<i>Receipts</i>	468.4	517.9	540.0	10.6	4.3
<i>Payments</i>	-117.6	-166.3	-152.0	41.4	-8.6
Current transfers	714.0	722.6	817.7	1.2	13.2
<i>Receipts</i>	772.1	785.4	889.6	1.7	13.3
<i>Payments</i>	-58.0	-62.8	-71.9	8.3	14.4

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

The deficit of the balance of trade on services increased during the first 6 months of the year, but its contribution to the modification of the current account balance is insignificant, given the low contribution of services to its formation. Foreign trade with services represented one fifth of the foreign trade with goods and service of the country in the first half of the year, and recorded a 0.4% increase compared to the same period of last year. Reported to GDP, the exports and imports of services represented approximately 13% and 13.6%, respectively.

The exports of services remained at the level of last year, while imports increased by 3.9% compared to the same period of last year, extending the deficit of trade balance in services 37.5 times.

⁸ According to the data from the Payment balance.

The modest evolution of the trade with services during the first 6 months of the year, compared to the same period of last year was primarily caused by the decrease of exports (-3.1%) and imports in transportation services (-1.8%), whose weight in the foreign trade with services is significant (table 2). A negative influence on the trade in services was also played by the decrease in the exports of communications services their weight in total exports continuing to decline in the last 5 years (January-June).

Table 4.2. Evolution of foreign trade in services during first half-year of 2014

	Export			Import			Commercial balance, million USD
	Nominal value, million USD	Annual growth rate compared to the same period of last year, %	Structure, %	Nominal value, million USD	Annual growth rate compared to the same period of last year, %	Structure, %	
Total	460.6	0.0	100.0	478.9	3.9	100.0	-18.4
Transportation	183.0	-3.1	39.7	183.5	-1.8	38.3	-0.5
Travel	103.5	2.0	22.5	171.1	12.2	35.7	-67.7
<i>Business travel</i>	30.5	2.0	6.6	86.7	8.9	18.1	-56.2
<i>Personal travel</i>	73.0	2.0	15.8	84.4	15.9	17.6	-11.5
Communications services	63.4	-5.9	13.8	23.7	-0.2	4.9	39.8
Construction services	2.6	47.8	0.6	5.3	34.8	1.1	-2.6
Insurance services	0.5	48.4	0.1	1.4	-29.7	0.3	-1.0
Financial services	2.7	13.8	0.6	3.5	16.6	0.7	-0.7
Computer and informational services	35.1	21.0	7.6	21.0	12.0	4.4	14.1
Royalty services and license fees	3.5	35.5	0.8	11.4	6.4	2.4	-7.8
Other business services	48.3	0.6	10.5	35.9	-0.1	7.5	12.4
Personal, cultural and recreational services	1.1	65.7	0.2	1.1	-24.5	0.2	0.1
Governmental services not included elsewhere	16.8	-5.9	3.7	21.2	-4.6	4.4	-4.3

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

The **Income** balance was positive, amounting 388 million USD, 10.4% more than during the same period of last year. The income receipts from work compensations of Moldovan residents, which represent approximately 95.6% of the total amount of earnings within the respective balance, continued their growth in this year, although at a moderate rate. On the other hand, the payments of nonresident income from investments made in the country, which amounted to 120.1 million USD, or approximately 70% of the payments made within this sub-account,

decreased by 13.9% compared to the same period of last year: the distributed dividends and profits of the branches decreased from 61 million USD to 47 million USD, and the reinvested revenues and undistributed profits decreased from 35 million USD to 26 million USD.

Predominantly, under the influence of increasing personal transfers to residents, grants, technical and humanitarian assistance received from abroad, **current transfers** made in the country, in the first six months of the year, increased to 889.5 million USD. The value of personal transfers, which represents 45.6% of the total volume of the current transfers made in the country increased by 3.5% compared to the same period of last year. The grants and technical assistance provided to the Republic of Moldova were 206.3 million USD, by 78% higher than in the same period of last year.

Capital and financial account

The negative balance of the **Capital account** continued to increase in the second quarter, to 14.1 million USD, and in first half of the year its value was 25.7 million USD, 9.3 million USD more than the level recorded in January-June 2013.

The excess of the **financial account** in the first half-year of 2014 decreased by 43% compared to the first half of last year, to 191.6 million USD. The change of the financial account balance was caused, on one hand, by the increase of the external assets, which were 56.7 million USD in net value in this period, while external liabilities decreased from approximately 272 million USD in the first half-year of last year to 257.3 million USD this year.

External assets, in the first half of the year, rose, especially due to the increase of assets as foreign currency and deposits held by the banking sector (105.3 million USD) and the private sector in the first quarter (49.9 million USD). In the second quarter, the change of these elements of the balance of payments was less significant. Assets as deposits and foreign currency of commercial banks increased by 34.8 million USD, while those of other sectors decreased by 26.7 million USD.

Despite the fact that, in the second quarter, the net direct foreign investments in the national economy exceeded 3 times the volume of FDI in the previous quarter, the investment activities this year is very low. In Q1 of the year, the value of the net inflow of FDI decreased by approximately 75% compared to the same period of last year, and in Q2 the decrease was of 13%. Cumulatively in H1 of the year the value of net FDI inflows in the national economy was 75.5 million USD, 57.6 million USD less than in the same period of last year. At the same time, the liabilities increased due to the government sector loan draws in net value of 69.6 million USD, and by the growth in liabilities of licensed banks to non-residents as foreign currency and deposits.

Table 4.3. Balance of payments – Capital and financial account (synthetic presentation)

	Nominal value, million USD			Growth rate compared to the same period of last year, %	
	H1 of 2012	H1 of 2013	H1 of 2014	H1 of 2013	H1 of 2014
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
Capital and financial account	160.1	319.8	165.9	99.7	-48.1
Capital account	-18.3	-16.4	-25.7	-10.0	56.4
<i>Inflows</i>	7.1	6.6	7.3	-7.5	10.4
<i>Outflows</i>	-25.4	-23.0	-33.0	-9.3	43.3
Financial account	178.4	336.2	191.6	88.5	-43.0
Direct investments	79.9	123.9	65.4	55.2	-47.2

Table 4.3 – continue

1	2	3	4	5	6
Portfolio investments	9.9	6.4	9.2	-36.1	44.9
Financial derivatives	-0.1	0.2	0.1	-337.5	-57.9
Other investments	202.9	195.6	34.9	-3.6	-82.1
Reserve assets	-114.2	10.1	81.9	-108.8	712.0
Assets	-150.1	72.6	-56.7	-148.4	-178.1
FDI	-9.4	-8.2	-9.0	-13.1	10.4
Portfolio investments	8.1	-0.5	1.7	-106.1	-451.0
Financial derivatives	-0.1	0.0	-0.1	-62.5	266.7
Other investments	-43.9	63.0	-140.2	-243.6	-322.6
Reserve assets	-114.2	10.1	81.9	-108.8	712.0
Liabilities	337.9	271.8	257.3	-19.5	-5.3
FDI	89.3	132.1	74.5	48.0	-43.6
Portfolio investments	1.9	6.8	7.5	269.7	9.4
Financial derivatives	0.0	0.2	0.2	-	-13.6
Other investments	246.7	132.7	175.2	-46.2	32.1

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

Remittances

In the first half of the year remittances continued to slow down. In the first quarter remittances from abroad decreased by 0.3% compared to the same period of the last year. In the second quarter, they increased at an annual rate of 7%.

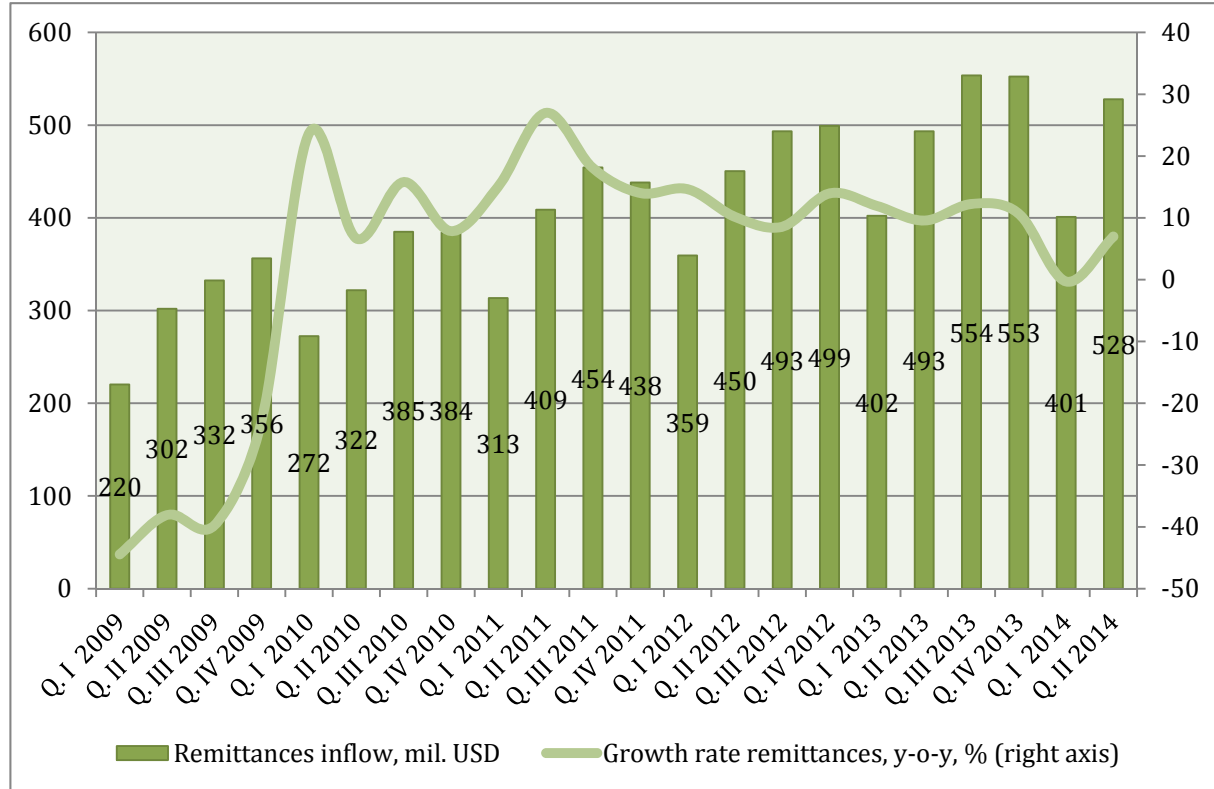


Figure 4.1. Evolution of the remittance inflow in 2009-2014

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

In the first half of the year, according to the data available in the balance of payments, the value of remittances from abroad was 928.9 million USD, a modest increase compared to the same period of last year. Both, the revenues obtained from the compensation of work of Moldovan residents abroad and from personal transfers tempered in this period, recording an annual growth rates close to the average value of 3.7%.

Despite the expectations of a drastic decrease of remittances from the Russian Federation, where 61% of these financial inflows originate, they continued to increase. The attenuation of the growth rates of the total volume of remittances was influenced by their evolution from the Russian Federation, as well as from other destinations.

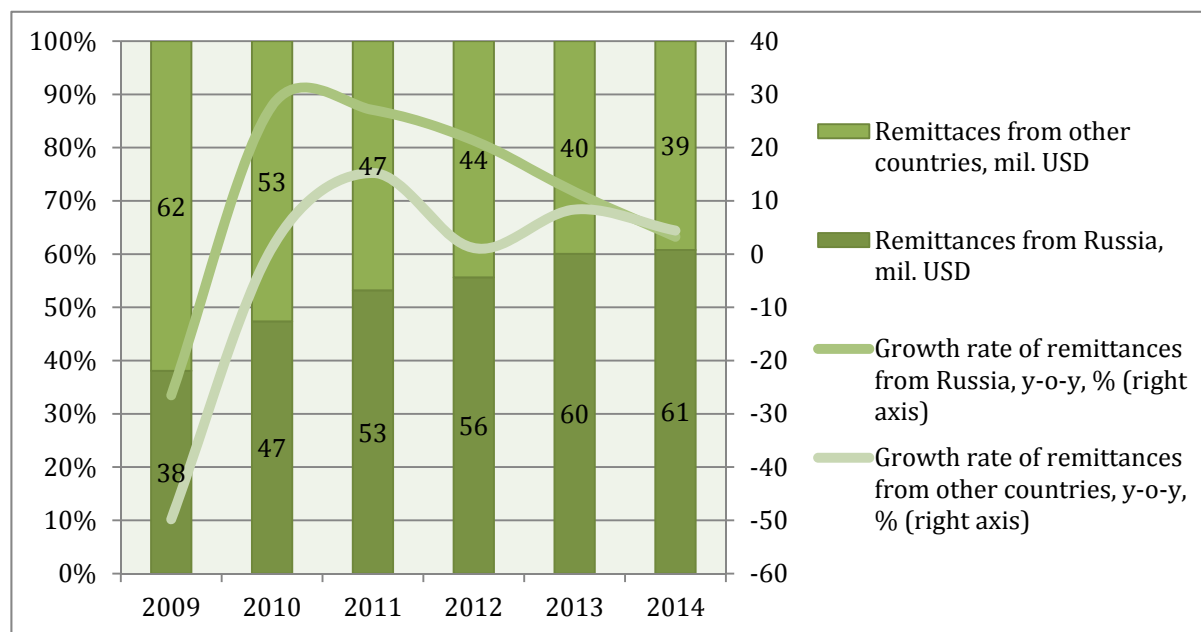


Figure 4.2. Remittances to the Republic of Moldova from the Russian Federation, January-June 2009-2014

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

Direct Foreign Investments

In H1 of the year the value of the foreign direct investments net inflow in the national economy was only 74.5 million USD, representing the lowest level recorded for the similar period of 2005-2014. In the period after the crisis of 2009, FDI had a volatile evolution, and in Q1 of 2014, according to the preliminary data, their relative modification compared to the same period of last year was close to the level recorded in the crisis period, while the nominal dropped even at a lower level. In Q2 the net DFI exceeded almost four times the value of the investments made in Q1, although they remained below the level of the same period of last year. The stock of FDI in the national economy amounted to 3.6 billion USD at the end of June of this year.

The negative dynamics of investments this year was caused by repayment of intercompany loans previously contracted by the affiliated entities from their foreign direct investor company, which net value accounted 75.3 million USD in the first 6 months of the year. On the other hand, a compensating effect was that of the increase by 43% of the net inflow of DFI, predominantly in the share capital of companies, except for those from the banking sector, mostly originating from Austria, the Netherlands, Switzerland and Italy. The value of the investments made on account of the undistributed revenues of foreign investors was 26 million USD, and their value decreased by approximately 9 million USD compared to the same period of last year.

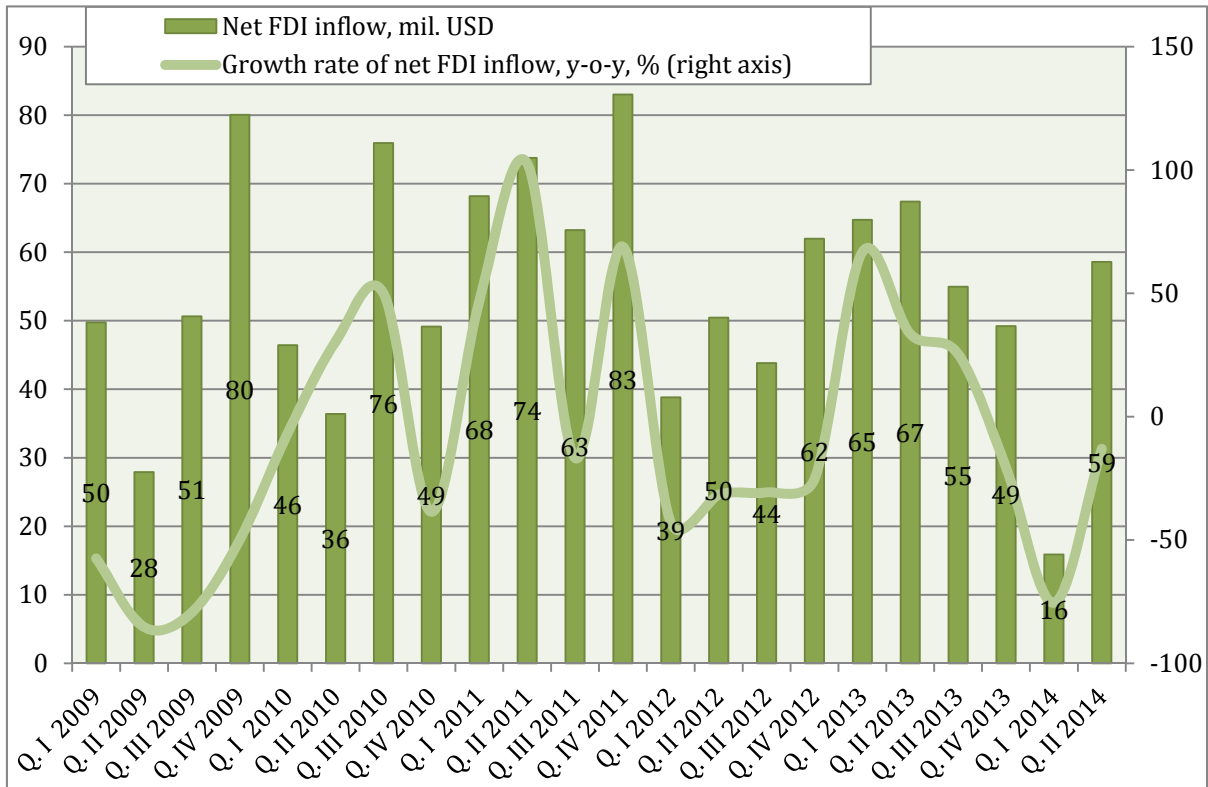


Figure 4.3. FDI net inflow in Republic of Moldova in 2009-2014

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

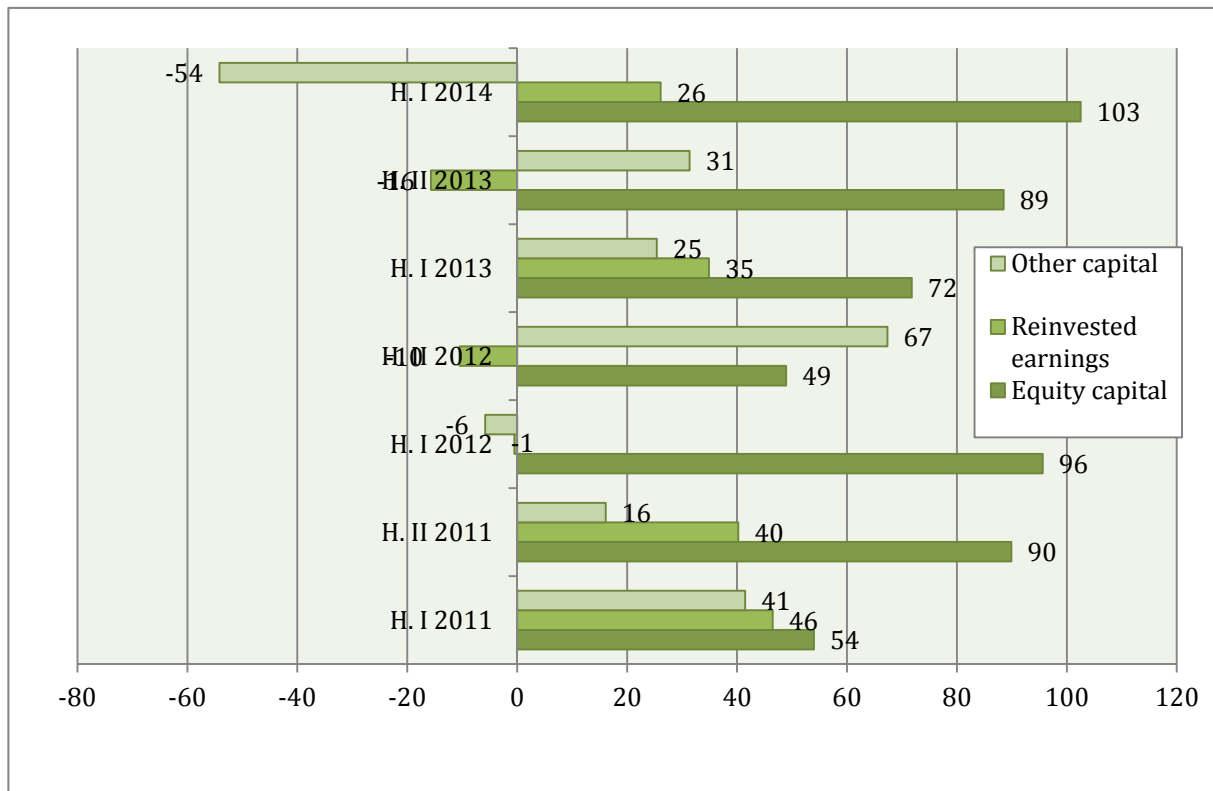


Figure 4.4. FDI net inflow by capital forms

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

Foreign trade with goods

In the first 6 months of the year, the foreign trade with goods was 3719.6 million USD, 0.3% lower than in the same period of last year. Exports were 1172.4 million USD, 3.2% higher, while imports amounted to 2547.2 million USD, 1.8% lower than the same period of last year. The decreasing trend in H1 was caused, predominantly, by the evolutions of exports and imports in Q1, while the latter has maintained their decrease trend in Q2.

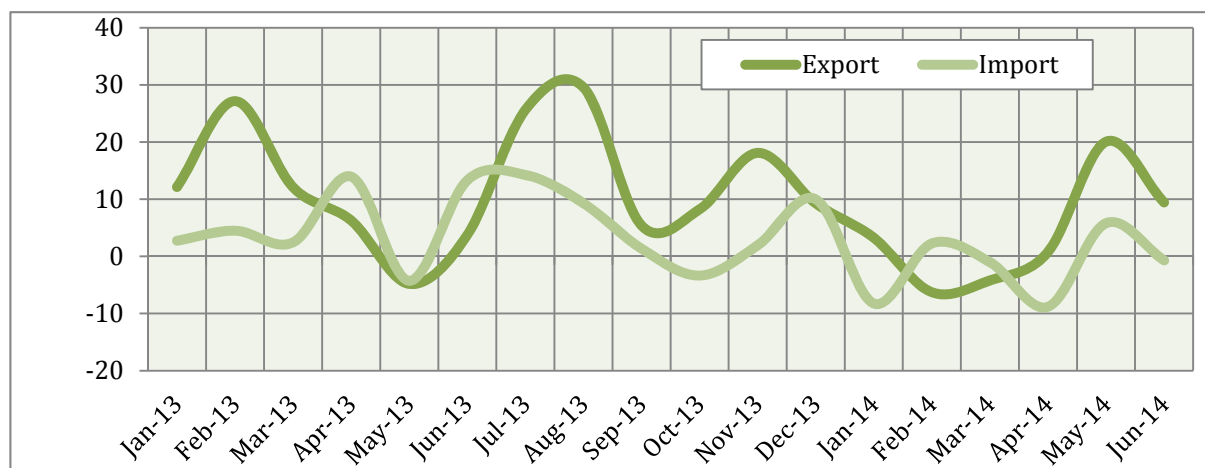


Figure 4.5. Monthly evolution of foreign trade, % compared to the same period of last year

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

1. The index of the gross exchange ratio represents the ratio between the index of the physical value of exports in the current period compared to the basic period (PVI_E) and the index of the physical value of imports calculated for the same period of time (PVI_M).
2. The index of the net exchange ratio represents the ratio between the index of the physical value of exports in the current period compared to the basic period (IVF_E) and the index of the unit value of imports (IVU_M) calculated for the same period of time.
3. The Purchasing power index of exports represents the net exchange ratio index calculated in a current period in relation to a basic period multiplied by the index of the physical volume of exports calculated for the same period of time.

After a decrease of the value index in January-March this year, in Q2, exports increased by 9.7% compared to the same period of last year (table 4.4). This evolution of exports on the background of the continuous decreasing trend of imports in Q2 contributed to the improvement of the index of imports coverage by exports, and consequently to the decrease of the trade deficit. It amounted to 729.6 million USD in Q2 and 1374.8 million USD in the first half of the year.

At the same time, in both quarters there was an unfavorable evolution of the indexes of the gross and net exchange ratio. Quantitatively, exports had a better dynamics, compared to imports. At the same time, there was a more pronounced decrease in the exports unit value compared to imports unit value.

This trend can be explained by the specificity of the commodity structure of Moldovan exports. Agricultural and food products have a high weight in the structure of Moldovan exports. On the background of the general trend for the decrease of the international food prices (FAO food price index), the high supply of agricultural products of last year and the depreciation of MDL in relation to the main reference values (EUR and USD) influenced the level of export prices for these products.

Table 4.4. Foreign trade efficiency indicators

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
VI_E (same period of last year=100),%	115.4	100.4	119.4	112.0	97.2	109.7
VI_M (same period of last year=100),%	103.2	107.5	108.1	102.9	98.0	98.3
UVI_E (same period of last year=100),%	102.0	99.0	97.0	92.0	92.0	97.0
UVI_M (same period of last year=100),%	100.0	98.0	100.0	98.0	98.0	100.0
PVI_E (same period of last year=100),%	113.0	101.0	122.0	120.0	106.0	113.0
PVI_M (same period of last year=100),%	103.0	110.0	108.0	105.0	100.0	98.0
Import coverage by exports, %	47.5	40.5	43.9	45.1	47.0	45.1
Index of the degree of import coverage by exports, %	1.13	0.95	1.10	1.09	0.99	1.11
Gross exchange ratio index	1.10	0.92	1.13	1.14	1.06	1.15
Net exchange ratio index	1.02	1.01	0.97	0.94	0.94	0.97
Purchasing power index of exports, %	115.3	102.0	118.3	112.7	99.5	109.6

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

Exports

In the first six months of this year exports slowed down, amounting to 1172.4 million USD, which represents an increase of 3.2% compared to the similar period of 2013 (Table 4.4). At the same time, despite the unfavorable conjuncture of external factors, unlike the first quarter, in the second quarter, exports nominal value increased by 9.6%, compared to the similar period of last year and by 4.6% compared to the previous period.

The main factors which influenced the modification of exports were:

- High supply of agricultural products;
- Depreciation of MDL compared to the main reference currencies, which positively influences the competitiveness of the national products on external markets;
- Increase of external demand from Western partners and other states, outside CIS zone.

Structure of exports by groups of products

The acceleration of food exports in Q2 (which increased by approximately 39.9%, compared to the similar quarter of 2013) ensured a significant contribution to the increase of exports in H1 of the year. The volume of exported grains, seeds and oleaginous fruits, sugar and sugar-based products, edible fruits and nuts predominantly increased in April-June, being delivered especially to Western Europe and other markets, except for CIS countries.

In January-June this year, the increase of the volume of exported agricultural products influenced the increase of the total value of exports by 7.4%, thus compensating the decrease of deliveries in the other large product categories. The availability of large agricultural production volumes and the relative flexibility of exporters to penetrate new markets were favoring factors in this regard. We especially refer to the exports of grains and sunflower seeds, which are easily transportable across long distances. The volume of wheat and meslin exported in H1 doubled,

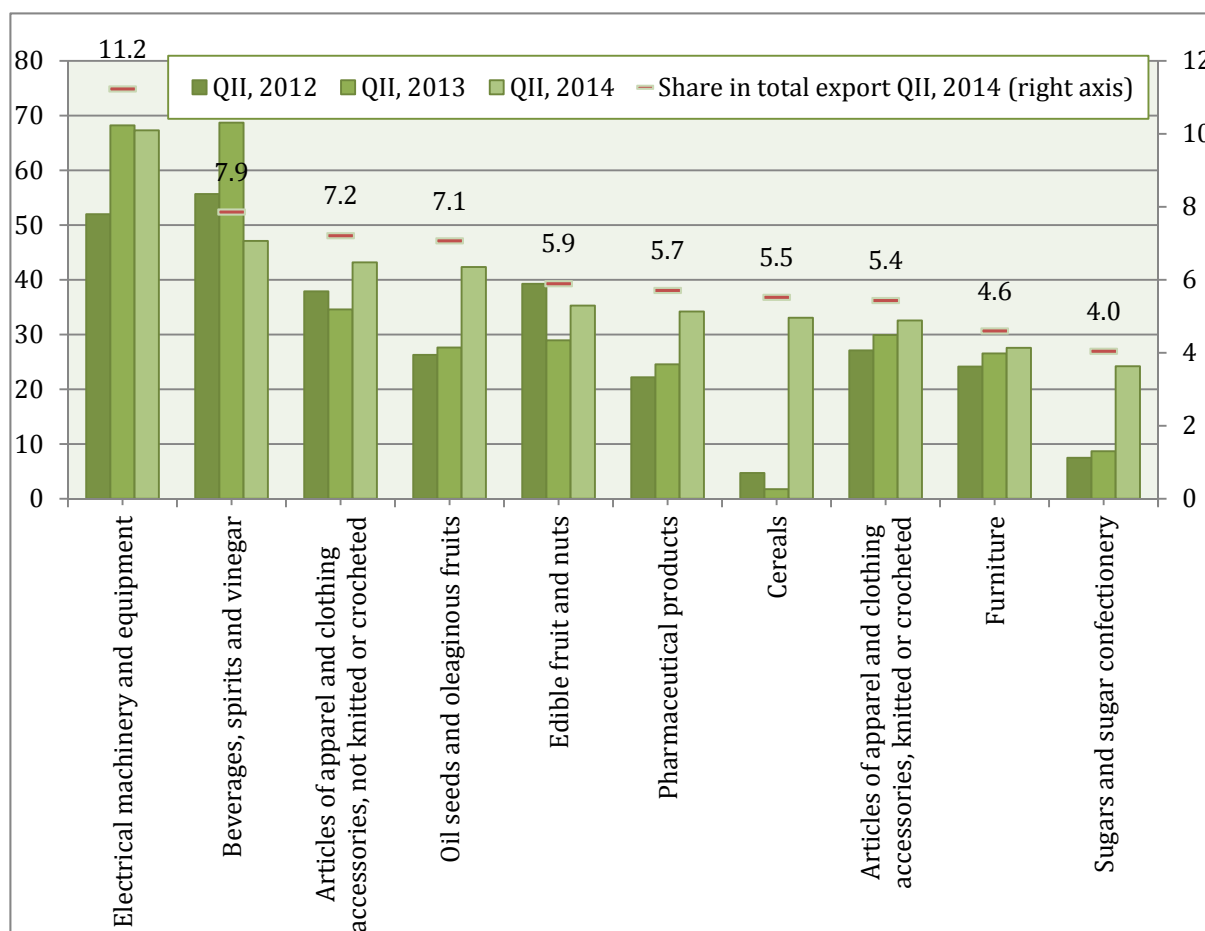


Figure 4.6. Evolution of exports by the main product categories, million USD

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

compared to the similar period of last year and was exported predominantly to other states, except for EU and CIS (51.4 thousand tons or approximately 93% of the exported volume) countries. There was a 20-time increase in the quantity of exported corn compared to the same period of last year, namely approximately 300.5 tons of corn (in value of 62.2 million USD). Almost 89.5% of the exported corn was delivered to EU countries and other states, except for EU and CIS one. The export of sunflower seeds increased by, approximately 38.9% in quantitative values, amounting to 160.7 thousand tons in value of 71.6 million USD. Exports flows recorded to less traditional destinations are relevant in this regard: Switzerland (wheat, corn), Lebanon (wheat), Indonesia (wheat), Egypt (wheat, corn), New Zealand (corn), Panama (corn), Vietnam (nuts), Hong Kong, China (sunflower seeds), Pakistan (sunflower seeds) etc.

Approximately 41.6% and 23%, respectively, of the agricultural and food products were delivered to EU countries and other states, except for EU and CIS. Their value recorded an annual increase of 42.6% and 20.7%, respectively, in H1 of 2014 compared to the same period of last year.

At the same time, the rise in exported volumes did not have adequate a great contribution to the increase of the nominal value of exports; most agricultural and food products with a relatively high weight in exports recorded a decrease in the unit value. Likewise, the value of the exports of this product category to CIS countries decreased. A high influence in this regard had the decrease in wine and grapes exported volume, which was approximately 60% of the volume reached in the same period of last year. In H1 of this year approximately 4.8 million dal of wine of grape must were exported, including 3.3 million dal to CIS countries. In the same period of last year, 6.9 million dal and approximately 5.2 million dal were exported. Although the exports of

wine and grape must decreased to most markets this year, the drastic decrease in the volume delivered to the Russian Federation (from approximately 2 million dal in H1 of 2013 to approximately 448.8 thousand dal in the same period of this year) had a determinant influence. Thus, the weight of the Russian Federation in Moldovan wine exports decreased from 28.7% to 9.3% in this period. Likewise, although restrictions for Moldovan fruits exports to the Russian market were imposed in July, in H1 the quantity of fruits delivered on this market, especially apples and citric fruits decreased.

Table 4.5. Structure and evolution of exports by groups of products in January-June 2013-2014

Product name	Nominal value, million USD	Structure, %		Annual growth rate compared to the same period of last year, %		Influence rate, %	
		2013	2014	2013	2014	2013	2014
Total products	1172.3	100.0	100.0	9.1	3.2	9.1	3.2
Agricultural and food products	515.0	38.0	43.9	4.9	19.4	1.9	7.4
<i>Fruits</i>	84.0	6.8	7.2	-14.9	8.5	-1.3	0.6
<i>Beverages</i>	87.7	11.6	7.5	38.7	-33.4	3.5	-3.9
<i>Grains and grain-based products</i>	84.8	2.3	7.2	27.9	228.3	0.5	5.2
<i>Oleaginous seeds and fruits</i>	84.1	7.1	7.2	57.1	4.9	2.8	0.3
<i>Vegetable fats and oils</i>	54.1	1.4	4.6	-73.0	245.7	-4.1	3.4
Fuels	9.0	1.0	0.8	118.0	-17.0	0.6	-0.2
Inedible raw materials, except for sunflower seeds	29.5	5.1	2.5	63.4	-49.6	2.2	-2.5
Non-food manufactured products	618.9	55.9	52.8	7.8	-2.6	4.4	-1.5
<i>Clothing and accessories</i>	145.7	10.9	12.4	-3.0	17.3	-0.4	1.9
<i>Electrical machinery and devices and parts thereof</i>	123.6	10.5	10.5	23.2	3.8	2.2	0.4
<i>Medicinal and pharmaceutical products</i>	70.9	4.3	6.1	26.5	46.3	1.0	2.0

Source: Drafted by the author based on the data of the National Bureau of Statistics.

Note: Data presented according to CSCI.

Contrary to the increasing trend of agricultural and food products exports, in the first six months of the year there was recorded a decrease in fuel exports of 17% compared to the same period of last year. The deliveries of inedible raw materials (except for sunflower seeds) decreased by 49.6%. This tendency was primarily influenced by the decrease in the exports of metalliferous ores and metal waste. Last year, in the similar period, exports of this product category has increased more than twice compared to January-June 2012, amounting to 42.3 million USD. The value of exports of the aforementioned product was approximately 14.5 million USD in the first six months of the current year, predominantly, mainly because of the decrease in supply to Turkey.

Non-food manufactured products represent the most significant component of Moldovan exports, although, excluding re-exports, their weight would be lesser. In the first two quarters, the export of manufactured products decreased compared to the similar periods of last year by 4.9% and 0.4%, respectively. Thus, cumulatively, in six months, their value amounted to 618.9 million USD or 52.8% of the total exports, 3.1p.p. less than in the similar period of last year.

Regarding the geographical orientation, 61.7% were exported to EU markets and 31.7% to CIS countries, the structure supporting modifications compared to the same period of last year in favor of European countries. The export of manufactured products to EU increased in the aforementioned period by 13.6%, and was predominantly supported by an increase in the value of the deliveries of electronic equipment, clothing and furniture – products which are predominantly concentrated on these markets. On the other hand, the exports of manufactured products to CIS countries decreased by 25% compared to the same period of last year; there were decreases in the deliveries of electrical machinery and equipment, clothing, furniture, mechanical equipment and devices (liquid, air or void pumps, air or other gas compressors and fans, devices and equipment for processing metals by operations which involve temperature changing; non-electrical water heaters, carpets and other floor covering, etc.)

Geographical structure of exports

In the first half of this year Moldovan exports of goods were predominantly supported by deliveries to EU countries, which exceeded by 21.4% the level recorded in H1 of last year, namely 620.8 million USD. A major positive influence, in this regard, had the increase of exports to Italy (+5.6%), Germany (1.6%), Romania (1.1%) and Switzerland (+1%). Likewise, there was a significant increase in the exports to Spain (by 2.6 times), Belgium (by 2.2 times) and Austria (+73%).

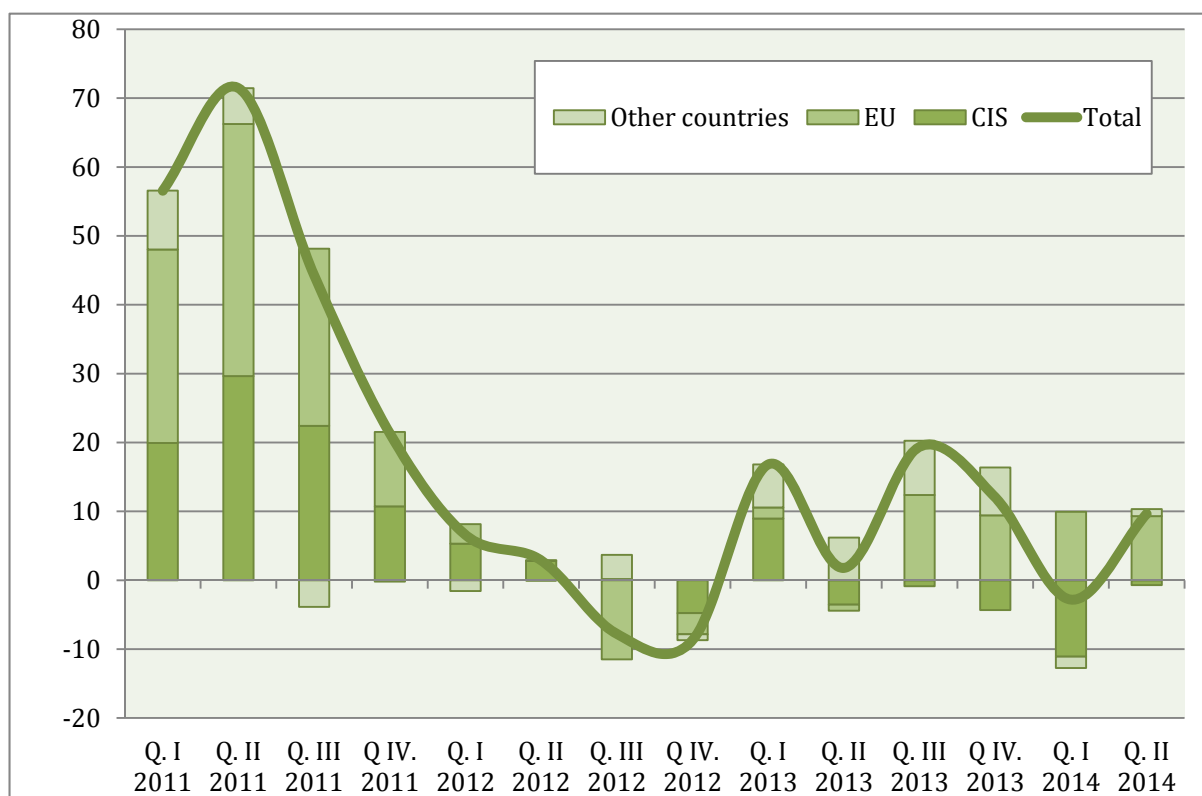


Figure 4.7. Contribution of the main groups of economic partners to the increase of exports, %

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

The evolution of exports to other state groups was completely different. Exports to CIS countries (-6.1%) and other states excluding EU and CIS (-0.4%), especially to the Russian Federation (-6.7%), Ukraine (-1%), Turkey (-2.1%) decreased. In January-June 2013, these three states absorbed 41.7% of the total value of Moldovan exports. Their weight in exports value decreased by 10.7 p.p., compared to the similar period of last year. However, this decrease was partially compensated by the increase in exports to other states, especially Belarus (+34.9%), Hong Kong

(by 24.6 times), Lebanon (by 5.2 times), China (by 46.3 times). In the first six months of this year, exports to CIS countries decreased by 15.2%, and to other states without CIS and EU by 2.5%, namely 385.4 million USD and 166.1 million USD.

Geographically, Moldovan exports were distributed as follows in the first half of 2014: 53% to EU countries (8 p.p. more compared to last year); 32.9% to CIS countries (7.2 p.p. less compared to the same period of last year) and 14.1% to other states (0.9% less compared to the same period of last year). Almost 41.6% of the agricultural and food products exported by the Republic of Moldova in this period were delivered to EU, 61.7% of non-food manufactured products, 60.3% of raw materials and 81.9% of fuels. The weight of CIS countries was smaller: 35.4% of agricultural and food products' exports, 31.7% of non-food manufactured products, 21.8% of raw materials and 2.5% of exported fuels.

The top five export markets were Russian Federation (21%), Romania (17.2%), Italy (12%), Germany (5.7%) and Turkey (5.4%) in the 1st half-year: with a concentration of 61.3% of exports. 50.2% of the total value of exports was delivered to the first 3 states.

Challenges are high for national exporters in the second half of the year.

Despite exports recovery to other states except for CIS and EU in Q2 and to CIS countries in May and June, the risks associated to Eastern markets are high. Ukrainian economy continued to decrease in Q2, and the military conflicts increase the uncertainty of its economy development.

One of the main export sectors – agricultural and food – will be affected by the restrictive commercial policy of the Russian Federation regarding the products imported from the Republic of Moldova. Moreover, the stagnation of the Russian economy will create pressure on the demand for manufactured products exported from RM to this destination.

In July-August there was a continuous decrease of world prices for agricultural and food products, which, on the background of the good harvest of last year could cause a stronger decrease of the unit value index of Moldovan exports. On the other side, the depreciation of MDL in relation to EUR and USD continues to ensure a higher competitiveness of national products, especially agricultural and food, on external markets.

Exports to EU maintained an upward trend in H1 of the year. At the same time, one of the basic industries of the national economy – the production of electrical equipment strongly oriented towards export, recorded a decrease in production compared to last year. The conflict of Draxlmier Company, according to some sources, could result in the cease of the activities of the company, and this could mean the loss of an important economic player in the national industry and negative consequences for the industrial production, labor market, and the value of FDI inflows in the national economy.

On the positive side, given the good harvest of this year for certain agricultural crops, the volume of the exports of agricultural and food products could increase, in case the demand of European countries and other states except for CIS countries will continue to grow. Regarding some products that are concentrated on the Russian market, if import restrictions will be maintained, it would be encouraging substitute a part of their import with national products. At the same time, it will be very important for national producers to provide themselves with storage areas for the agricultural products and to develop their capacities to process raw materials. A solution in this regard would be the stimulation of the cooperation between farmers on one hand and between farmers and processing plants; the consolidation of the efforts of manufacturers and the central and local public authorities to identify new sale markets and enter foreign distribution networks.

Imports

Imports of goods, contrary to the trend of exports, decreased also in Q2 of the year, representing 98.3% of the value of the goods imported in April-June 2013. The highest contribution to their decrease of approximately 2.3% was the decrease of fuel imports (predominantly oil), various goods such as electrical machinery, equipment and devices, and agricultural and food products.

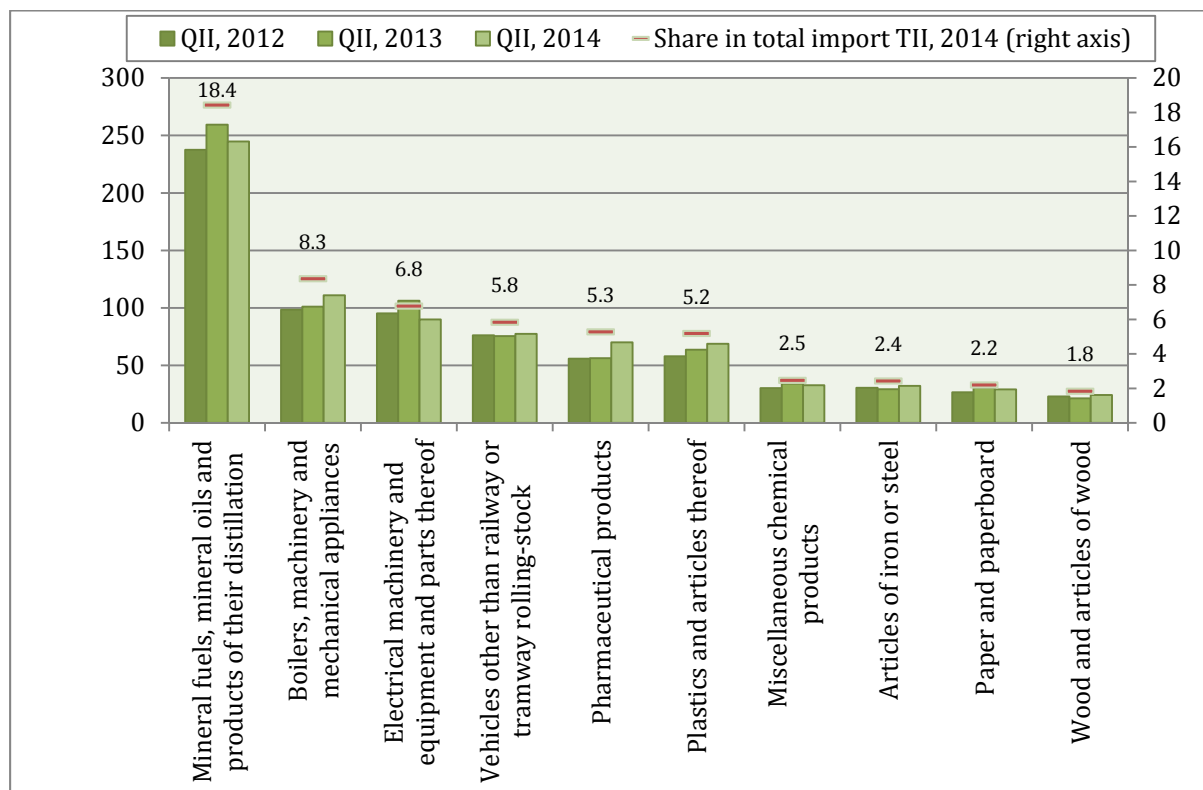


Figure 4.8. Evolution of imports by the main product categories, million USD

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

The value of the imports of goods in Q2 was 1328.9 million USD, and for the first 6 months of the year 2547.3 million USD, 1.8% lower than the similar period of last year.

Structure of imports by groups of products

The decrease by 5.5% in the value of the imports of agricultural and food products in the first half of this year contributed to the decrease of their weight in the structure of total imports by 0.5p.p. compared to the same period of last year, accounting 13.2%. These modifications caused the increase of the trade surplus in agricultural and food products.

The decrease of gas imports in the first half of the year also contributed positively to the decrease of the negative trade balance. This trend has a positive connotation in the context in which the national economy has a high degree of dependency on foreign markets. In January-June 2014, fuels represented 21.3% of the total value of imports, including 9.2% gas and industrial products from gas.

The weight of inedible raw materials remained almost the same in H1 2014. The import of this product category was 46.9 million USD, less than 2% of the total value of imports. On one hand, there was a decrease in imports of natural and mineral fertilizers in this period, which could negatively influence the agricultural sector. On the other hand, there was an increase in the imports of wood, cork and textile fiber and an increase of the production in the corresponding industries and of exports of the products obtained from these materials.

Table 4.6. Structure and evolution of imports by groups of products in January-June 2013-2014

Product name	Nominal value, million USD	Structure, %		Annual growth rate compared to the same period of last year, %		Influence rate, %	
		2013	2014	2013	2014	2013	2014
Total products	2547.3	100.0	100.0	5.4	-1.8	5.4	-1.8
Agricultural and food products	348.4	14.2	13.7	13.2	-5.5	1.7	-0.8
<i>Fruits and vegetables</i>	72.4	3.0	2.8	13.5	-7.0	0.4	-0.2
<i>Grains and grain-based products</i>	41.1	1.7	1.6	3.1	-4.5	0.1	-0.1
<i>Beverages</i>	26.7	1.4	1.0	32.7	-26.9	0.4	-0.4
Fuels	543.4	22.8	21.3	0.9	-8.3	0.2	-1.9
<i>Petroleum, petroleum products</i>	276.0	10.5	10.8	-1.4	1.2	-0.2	0.1
<i>Gas and industrial products made from gas</i>	233.5	9.9	9.2	-7.1	-8.9	-0.8	-0.9
Inedible raw materials, except for sunflower seeds	46.9	2.0	1.8	10.4	-7.2	0.2	-0.1
<i>Wood and cork</i>	12.6	0.4	0.5	0.6	11.5	0.0	0.1
<i>Natural fertilizers and natural minerals</i>	6.5	0.3	0.3	43.4	-28.3	0.1	-0.1
<i>Textile fibers and their waste</i>	6.2	0.2	0.2	-12.8	10.3	0.0	0.0
Non-food manufactured products	1608.5	61.0	63.1	5.4	1.7	3.3	1.0
<i>Electrical machinery and devices and parts thereof</i>	149.4	6.3	5.9	8.1	-8.9	0.5	-0.6
<i>Yarns, fabrics and textiles</i>	132.7	5.1	5.2	-7.6	0.4	-0.4	0.0
<i>Medicinal and pharmaceutical products</i>	131.5	4.4	5.2	13.4	14.0	0.6	0.6
<i>Road vehicles</i>	126.9	4.7	5.0	-2.7	4.9	-0.1	0.2

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

Unlike other groups of products, the import of non-food manufactured products increased by 1.7% in H1, and influenced by 1% the increase of the total value of imports. There was an increase in the imports of boilers, pumps for liquids, air or void, centrifugal equipment, dish washing machines, agricultural, horticultural and forestry equipment, machinery and devices for preparing or working the soil and cultures, equipment and machinery for harvesting or threshing agricultural products, equipment and machinery for sorting, sieving, grinding earth, rocks and other solid minerals, etc., some of them representing an important input for the national agriculture and industry. At the same time, another sign which could indicate potential problems in the electrical equipment manufacturing industry could be the decrease in import of wires, cables and insulated electrical conductors, with or without connectors, supplied predominantly from EU countries (Austria, Romania, etc.) in this period and of equipment for switching, cutting, protecting, connecting electrical circuits, supplied mostly from Germany.

Given the temperate increase of internal consumption in H1 of 2014, the slow-down of the Russian economic growth and the decrease of production in electrical equipment manufacturing industry, the prospects of imports increase are low in H2 of the year.

According to NBM data, in Q2 2014, 45.3% of imports were intermediary products, used for making other goods, and in this context the depreciation of MDL could negatively influence the competitiveness of the obtained finished products. If the national currency records a faster depreciation compared to the decrease of the unit value of the imports of the main categories of imported products, the inflation pressure will increase, especially for fuels and manufactured products.

On the other hand, the depreciation of MDL in relation to the main reference currencies positively influenced in H1 of the year the collections to the state budget corresponding to the taxes and duties on imported products.

Geographical structure of imports

The EU countries continued to consolidate their position in the import of goods in RM in H1 of this year. The structure of imports suffered modifications in this period. The weight of EU in the total value of imports increased in January-June from 44.1% to 48.8%. The value of the commodities imported from these states was 1242.9 million USD, 8.6% more than in the same period of last year. At the same time, the decrease of deliveries from the Russian Federation (-8.9%), Ukraine (-15.6%), Turkey (-21.7%) and China (-2.7%), which account for 38% of the products imported in RM, caused a decrease in the value of commodity imports by 4.9% compared to the same period of last year. Consequently, predominantly under the influence of these evolutions there was a decrease of 3.7% in the share of CIS countries in the total value of imports from 31.3% in the first six months of 2013 to 27.6% in the similar period of this year, and a decrease by 1% in the weight of other states from 24.6% to 23.6%.

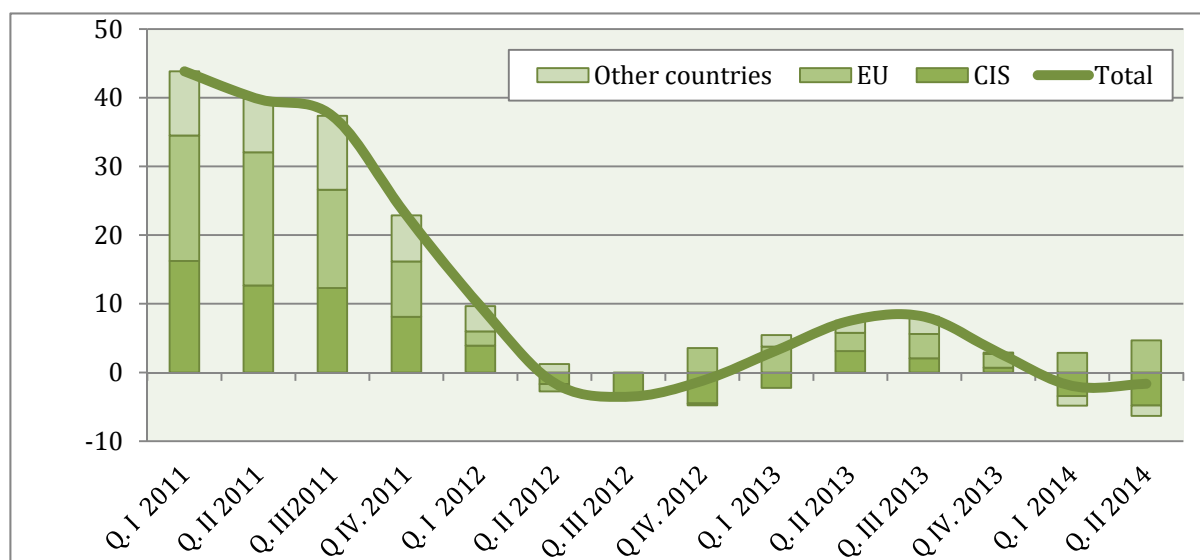


Figure 4.9. Contribution of the main groups of economic partners to the reduction of imports, %

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

Trade balance in goods

The increase of exports along with the negative dynamics of imports allowed maintaining the decreasing trend of the trade balance during H1 of 2014. At the same time, the trade balance deficit represents high values, namely approximately 39% of GDP (2% less than in the same period of last year). Cumulatively, from the beginning of the year to June, the trade balance with goods was 1375 million MDL, 82 thousand USD or 5.7% less compared to the same period of last year.

The trade deficit was 729.6 million USD, in Q2 of this year, 13% more than in the previous period, but 9.3% less than in Q2 of last year. The trade deficit of goods in Q2 was predominantly

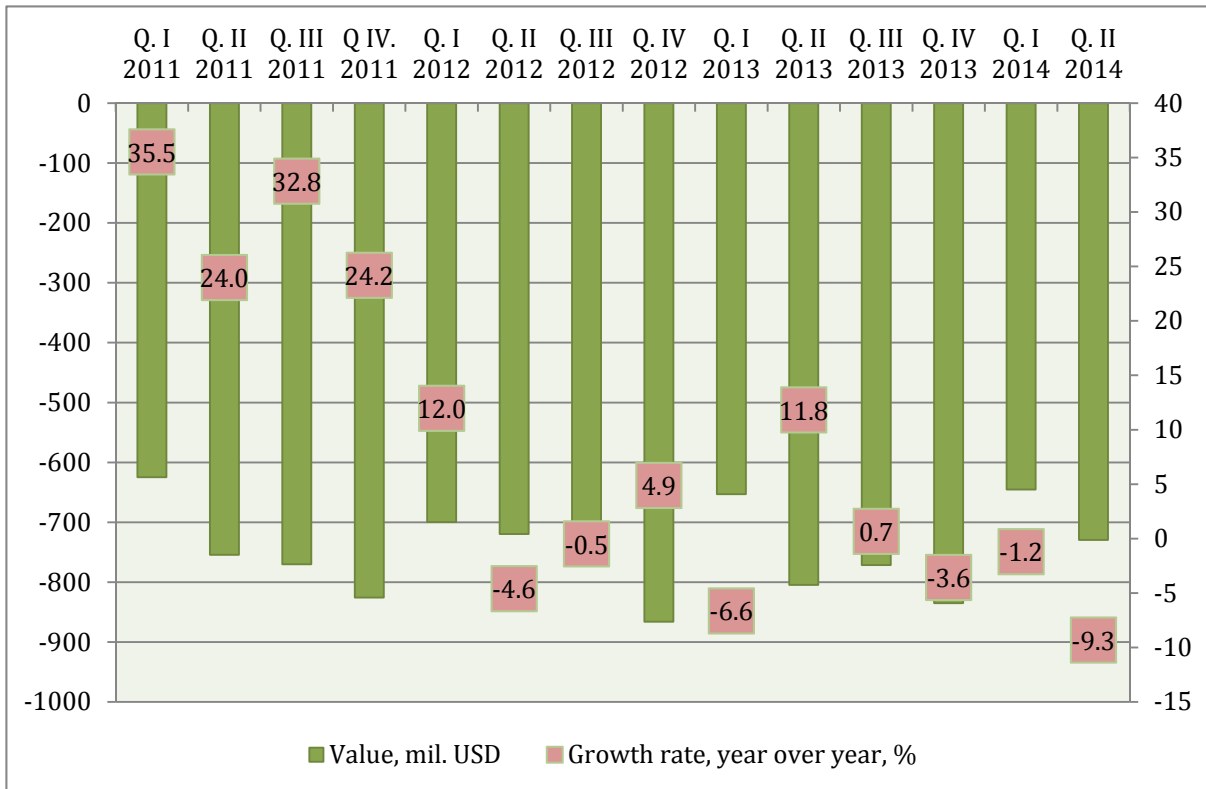


Figure 4.10. Evolution of the trade balance of goods, 2011-2014

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

made up of the negative balance of non-food manufactured products and fuels, which represented 560.7 million USD, and 239.6 million USD, respectively, and to a small degree by the negative trade balance of inedible raw materials - approximately 7.1 million USD. The main 5 products which had the highest contribution to the formation of the trade deficit were oil and related products, road vehicles, gas and industrial products from gas, yarns, fabrics and textiles (classified under position 65 of the International Trade Standard Classification) and specialized equipment and machinery for industry, which represented approximately 392.5 million USD or 54% of the trade deficit.

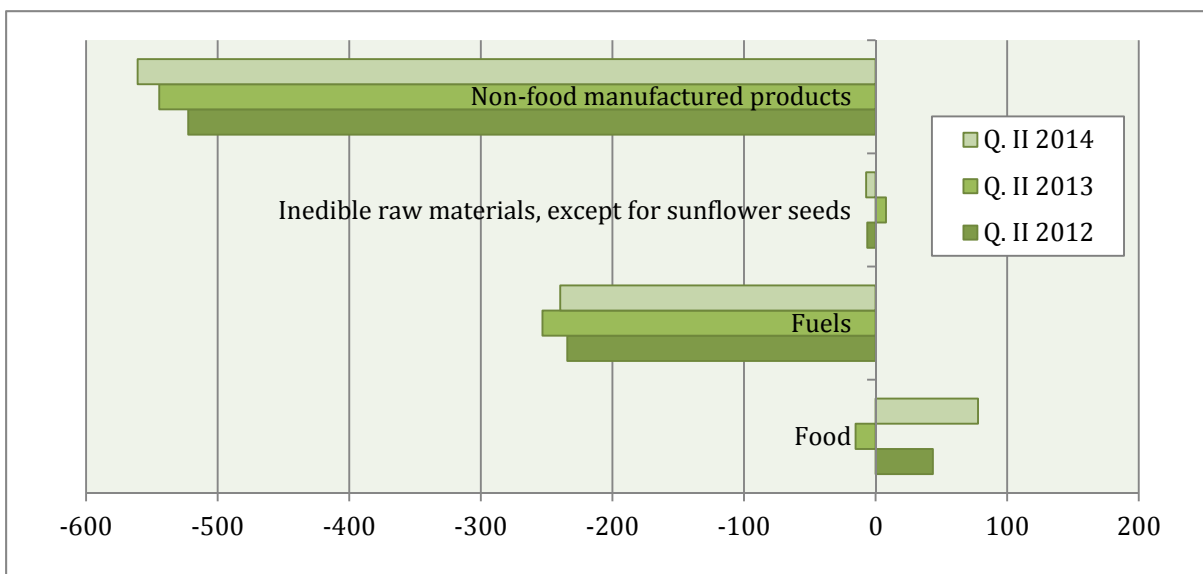


Figure 4.11. Trade deficit by categories of products, mil. USD, Q2, 2012-2014

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

Region of the Republic of Moldova from the left side of the river Dniester

The foreign trade of the region of the Republic of Moldova from the left side of the river Dniester continued to increase at high rates in Q2 of this year, being predominantly stimulated by the acceleration of exports. The drastic decrease in the industrial production of the region in last year, which caused a very low basis of comparison for exports evolution in this year increased the discrepancies in the evolution of the foreign trade of the regions on both banks of the Dniester. Unlike the exporters from the right side of the Dniester, the companies from the Trans-Dniester region enjoyed more favorable conditions of external factors. Exports increased both on Eastern and Western markets.

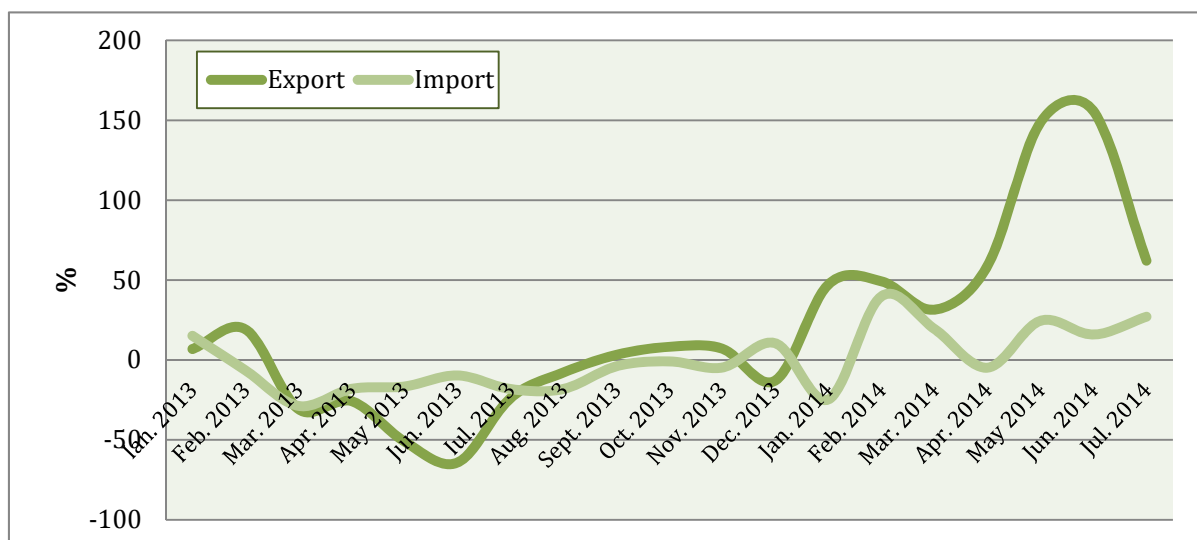


Figure 4.12. Monthly evolution of the foreign trade of the region of the Republic of Moldova from the left side of the river Dniester compared to the same period of last year, %

Source: Authors' calculations according to the data of the State customs committee of the region from the left bank of the Dniester.

The foreign trade of the region from the left side of the river Dniester was 1187.6 million USD in H1 of the year, which represents approximately 32% of the value of the foreign trade of the region from the right side of the Dniester. The companies from the region exported in this period goods worth of 363 million USD, 71.4% higher than in the similar period of last year. At the same time, imports amounted to 824.6 million USD. Their temperate evolution (+10% compared to the same period of last year) compared to exports ensured a decrease of the commercial deficit both compared to the previous period and to H1 of 2013.

Approximately 56.8% of the products of the region for export were delivered to CIS countries, a 39.9% increase compared to the same period of last year. At the same time, 37.1% and 5% of exports are for the region of RM from the right side of the Dniester and Ukraine. The weight of CIS countries in the exports of the Trans-Dniester region decreased by 12.7 p.p. compared to January-June 2013. At the same time, a significant increase recorded exports to other states, especially Poland and Romania, 45.4 times and 4.4 times, namely 93.5 million USD or 25.7% of exports. There were increases in the exports to other destinations – Lithuania (12.9 times), Latvia (+47.8%), Slovakia (2.3 times), Serbia (+48%), Bulgaria (3 times) etc, although their contribution to the increase of exports remained relatively low because of their low weight in the exports.

The dynamics of exports was ensured predominantly by the recovery of the production in the metallurgic and energy industry, which increased at a higher rate during Q2. The deliveries of metallurgic products and fuels on external markets increased by 13.8 times and by 11.2%,

representing 34.4% and 22.3% of the total value of exports. Exports of agricultural and food products and the light industry (textiles, clothing, footwear) despite the decrease of industrial production, increased during the first 6 months of the year: agricultural and food products by 47.7%, footwear by 11.1%, clothing and other textiles by 4.1%.

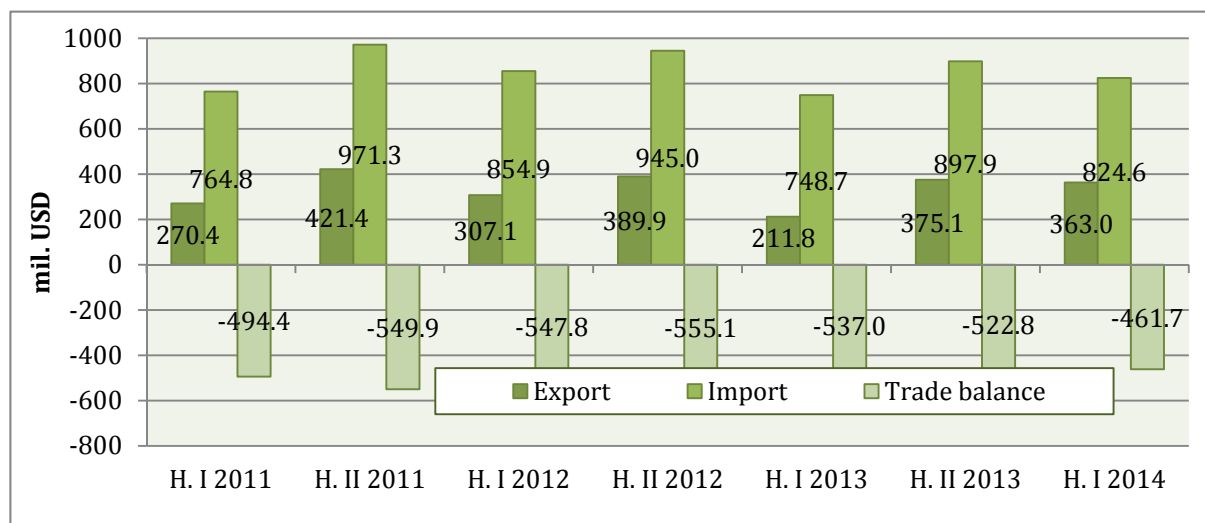


Figure 4.13. Evolution of the foreign trade of the region of the Republic of Moldova from the left side of the river Dniester, million USD

Source: Drafted according to the data of the State customs committee of the region from the left bank of the Dniester.

The recovery of imports from CIS countries (+12.8% compared to the same period of last year) caused a positive evolution of the deliveries of commodities in the region, and ensured a 9.7% increase in the total value of imported commodities. There were especially increases in the imports from the RM region right of the Dniester – 2.9 times and countries from RKB customs union – Kazakhstan (+49.4%), Belarus (+20.5%), Russian Federation (+13.1%), countries which have 62.4% of the value of imports, including the Russian Federation – 46.6%, Belarus – 7.8%, Republic of Moldova – 6.8%, Kazakhstan – 1.2%. At the same time, a negative effect was that of the decrease of the purchases of goods from Ukraine (10.9%), from where 13.4% goods were imported according to the data of H1 of the year. Likewise, there were decreases compared to the same period of 2013 for imports from other states, a 2.4% increase in January-June 2014 compared to 14.5% in the same period of last year.

The resuming of the activity of the metal plant of Rabnita caused on one hand the increase of the exports of metals and related products, and on the other hand of metal imports. At the same time, the dynamics of imports was negatively influenced by the decrease of the imports of agricultural and food products (-8.8%), predominantly from Ukraine, and by the decrease of imports of raw materials for the light industry from EU countries to be processed in the region and exported. These two factors remain a threat for the evolution of foreign trade in the second half of the year, and influenced the exports of the region. Likewise, given the Russian-Ukrainian conflict, the re-exports of the region from the Russian Federation designed to the markets from the West of the region are exposed to risk, especially products classified in the category "mineral fuels, mineral oils and products resulted from their distillation".

The foreign trade of the region left of the Dniester, predominantly stimulated by exports, recorded good evolutions during H1 of the year, which caused a decrease of the negative trade balance. The consolidation of the situation in the metallurgic industry, the favorable condition of the factors from Western markets which have an important weigh in the exports of the region and the support from the Russian Federation were some of the determining factors in this regard. At the same time, in the shadow of this increase there is a structure of trade which makes

vulnerable the economy of the region to various shocks. The geopolitical situation from the region could emphasize these deficiencies.

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

The evolutions recorded during Q2 in some of the leader economies on the world market regained optimism in the increase of world economy during H2 of this year. At the same time, this continues to gravitate in a space full of uncertainties.

According to the estimates of IMF, the main macroeconomic indicators reflect a continuous recovery during H2 of the year. At the same time, the recovery of the world economy occurs slowly, the estimates for growth of IMF for this year being decreased in July by 0.3% compared to the estimates presented in April, anticipating an increase of global GDP by 3.4%.

The economic instability on the international arena attracted several states in the process of adjusting the policies in order to resolve the economic unbalances. In April, Japan adjusted its fiscal policy and increased for the first time in the last 17 years the sales tax from 5% to 8%. The goal of the measure was to fight the decrease of prices, to encourage the business environment and solve the problems corresponding to the budget deficit. Several states influenced the economic processes by monetary policy measures. In USA, the Federal Reserve continued its program of stimulating the business environment, purchasing mortgage bonds and maintaining the monetary policy interest at a level close to 0. At the same time, the volume of bond purchases started to decrease, and the options of closing this program and increasing the monetary policy interest rate were examined. Likewise, the Central European Bank, in order to avoid the deflation processes and support the economic environment, reduced the monetary policy interest rate to a record minimum of 0.15%, and the deposit facility rate to -10%.

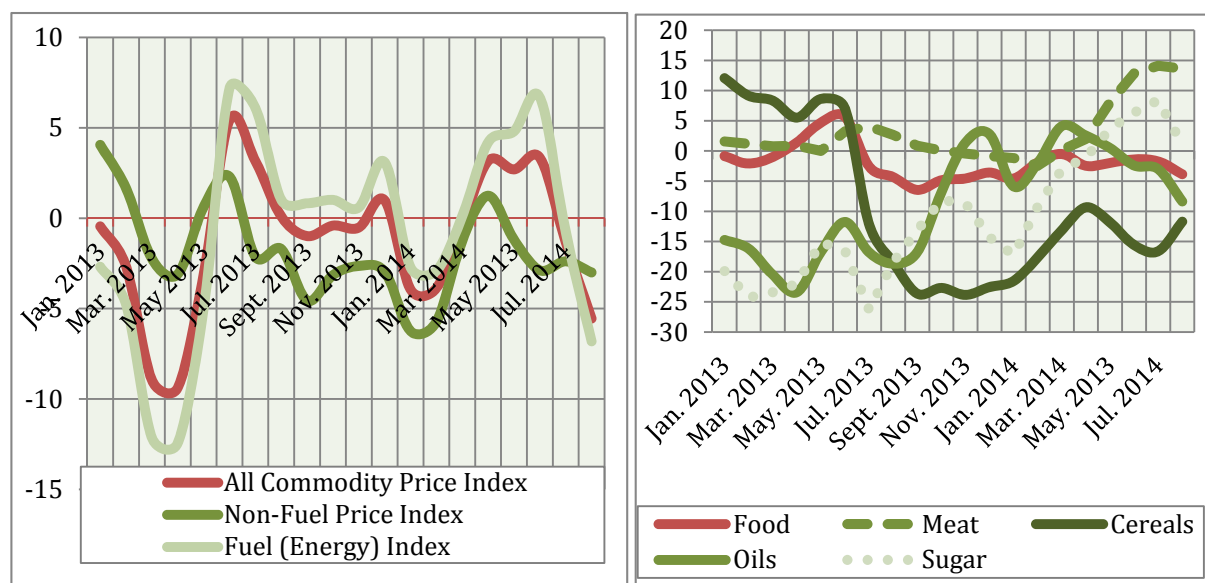


Figure 4.14. Annual growth rate of world prices (1), including agricultural and food products (2), % (compared to the same period of last year)

Source: Drafted by the author based on the date of IMF, FAO.

One of the major challenges to the monetary authorities of several states is the implementation of useful measures for stopping deflation processes, International markets were affected in the first 3 months by the decrease of the annual inflation rate of prices for goods, in the 2nd quarter they resumed their increasing trend, predominantly under the influence of the increase of fuel prices. The prices of non-food products had a negative evolution. The high potential of manufacturing metals on the background of low demand caused the decrease of prices for this

product. The world prices of agricultural products continued their decreasing trend, and the favorable climate conditions caused a strong decrease of prices for grain crops.

USA. According to the data of the Economic Analysis Office of USA, during Q2 the American economy increased by 4.2% compared to the previous quarter after a deceleration of -2.1% in the 1st quarter (growth of GDP compared to the previous period estimated based on seasonally adjusted data). The macroeconomic indicators in the 1st quarter were negatively influenced by the cold season which recorded critical values. In April-June the economy started to recover, and was positively influenced by the acceleration of exports and internal consumption, fixed residential and non-residential investments and governmental expenditure. The unemployment rate decreased from 6.7% during Q11 to 6.3% in April-May, and another 0.2% in June. The decrease of the unemployment rate occurred on the background of the decrease of the number of unemployed persons by 325 thousand compared to the previous month, namely 9.5 million persons. The more accelerated increase of the production volume compared to the number of worked hours caused an increase of productivity in the business sector by 2.3% compared to the previous period and by 0.9% compared to the same period of last year. The annual inflation rate to the adjustment of which according to the target level of 2% is oriented the monetary policy of the Federal Reserve started to increase, and during Q2 was of 2.1%, indicating an improvement of economic conditions.

Table 4.7. Development trends of the main economic partners of the Republic of Moldova (% compared to the similar period of last year)

		USA	EU 28	Romania	Russian Federation	Ukraine
GDP	Q1 2013	1.7	-0.7	2.1	0.8	-1.2
	Q2 2013	1.8	-0.1	1.7	1.0	-1.3
	Q1 2014	1.9	1.4	3.7	0.9	-1.1
	Q2 2014	2.5	1.2	1.5	0.8	-4.6
Unemployment rate	Q1 2013	7.7	10.9	7.2	5.8	8.6
	Q2 2013	7.5	10.9	7.3	5.4	8.0
	Q1 2014	6.7	10.5	7.2	5.5	9.3
	Q2 2014	6.2	10.3	7.2	5.0	
Annual inflation rate	April 2013	1.1	1.4	4.4	7.2	-0.8
	May 2013	1.4	1.6	4.4	7.4	-0.4
	June 2013	1.8	1.7	4.5	6.9	-0.1
	April 2014	2	0.8	1.6	7.3	6.9
	May 2014	2.1	0.6	1.3	7.6	10.9
	June 2014	2.1	0.7	0.9	7.8	12
Export of goods	Q1 2013	0.4	4.3	5.5	-5.0	-1.5
	Q2 2013	1.6	8.9	9.4	-3.4	-9.8
	Q1 2014	2.5	1.1	14.2	-1.6	-10.8
	Q2 2014	3.3	-1.9	10.9	4.1	-8.1
Import of goods	Q1 2013	-2.6	-3.9	-0.3	5.0	-6.2
	Q2 2013	-1.2	-0.1	-2.4	2.9	-21.9
	Q1 2014	2.0	5.5	13.7	-5.4	-20.4
	Q2 2014	4.5	6.2	12.2	-4.8	-18.8

Source: According to the data of OECD, Eurostat and the National Bureau of Statistics of the Russian Federation and Ukraine

NB: 1: The unemployment rate for Ukraine is presented according to the official data of Ukraine and reflects the average value of the indicator from the beginning of the year (for the cumulative period). The economic growth of Ukraine in the 2nd quarter does not include estimates for Autonomous Region Crimea and Sevastopol City.

European Union. The GDP volume of the countries from the Euro area and EU-28 continued to increase during Q2, a 0.2% increase compared to the previous quarter, and the annual increase was 0.7% and 1.2%. The main stimulating factors in this regard were the increase of internal and external demand, and their evolution was too modest to compensate the negative contribution to the gross formation of capital, both the gross formation of fixed capital and stock variation. The precarious development conditions of the business environment are reflected by a high unemployment rate in the 2nd quarter which exceeded the pre-crisis level by much and a modest evolution of consumer prices. During the first 6 months of the year, the annual inflation rate increased by a low rate which did not exceed 1%. According to the Governing Council of BCE the price stability is defined as an annual increase of IPCH smaller than 2% in the Euro area and at the same time mentioning that by monitoring the price stability it must be maintained at a low level, close to 2%. Starting with the previous year the quarterly unemployment rate decreased, and the monetary policy of BCE is oriented towards supporting the economic activity, the acceleration of price increases and the continuous decrease of the unemployment rate.

The recovery of European states is slow and non-homogenously from a territorial point of view. Several states continued to be in recession – Italy, Cyprus, Greece.

Romania, which during the last 2 years was one of the most dynamic economies in EU, attenuated its annual growth rates in the first 2 quarters, and compared to the previous periods decreased by 0.2% and 1% during Q1 and Q2, and entered in technical recession. The main factor which negatively influenced the increase of GDP was the decrease of the gross formation of fixed capital.

Russian Federation. Russian economy continued its economic stagnation in the 2nd quarter, and recorded an economic growth of 0.8% compared to the same period of last year. The negative evolution of the gross formation of fixed capital and the stock variation had a determining role in this regard. The geopolitical tensions caused by the Russian-Ukrainian crisis caused reticence by foreign investors in placing new investments in the country, made the population more skeptical regarding the evolution of the internal and external environment, and was affected by the increase of crediting costs, following the sanctions applied by the external partners of the Russian Federation, limiting its access to the international capital markets. The main cause of the stagnation of the Russian economy is considered the reaching of its growth potential, and the economic evolution from the 1st quarter were accompanied by the maintaining of a high unemployment rate, inflation and the attenuation of the increase of the real salaries of the population – factors which influenced the dynamics of internal demand. The low internal demand and the import restrictions imposed by the Russian Federation to Ukraine decreased imports during the first two quarters. At the same time, exports had a modest evolution. In the main sectors of the economy there was a decrease of the economic activity during the first two quarters compared to last year. GAV in the energy sector decreased by 1.6% in the 2nd quarter compared to the same period of last year, in constructions by 0.6% and in trade by 2.6%.

Ukraine. The GDP of Ukraine during Q2 continued the decreasing trend, the exclusion of the Autonomous Republic of Crimea and Sevastopol from the GDP estimation sample exacerbated its negative values. In April-June, the GDP of Ukraine decreased by 4.6%. In this period, most economy sectors decreased compared to the same period of last year: agriculture (-8.8%), extraction industry (-2.6%), processing industry (-8.4%), constructions (-16.9%), retail and wholesale (-9.1%), etc. On the background of the uncertain economic environment in the country and the maintaining of the military conflict with Ukraine, the gross formation of capital decreased by 52% compared to Q2 of last year and the consumption of public households by 2.3%, and exports by 7.4%. The decrease of internal demand caused the reduction in this period of the volume of the import of goods and services by 11.3%, which negatively influenced the trade relations with the Republic of Moldova.

Chapter V

BUSINESS ENVIRONMENT

Dynamics of companies registered and deregistered in 2012-2013.

The number of entities registered at the State Registration Chamber insignificantly decreased in 2013 compared to the previous year, and the index is 99.3%. Thus, according to the data of the State Registration Chamber, 6,231 new companies were registered in the State Register in 2013.

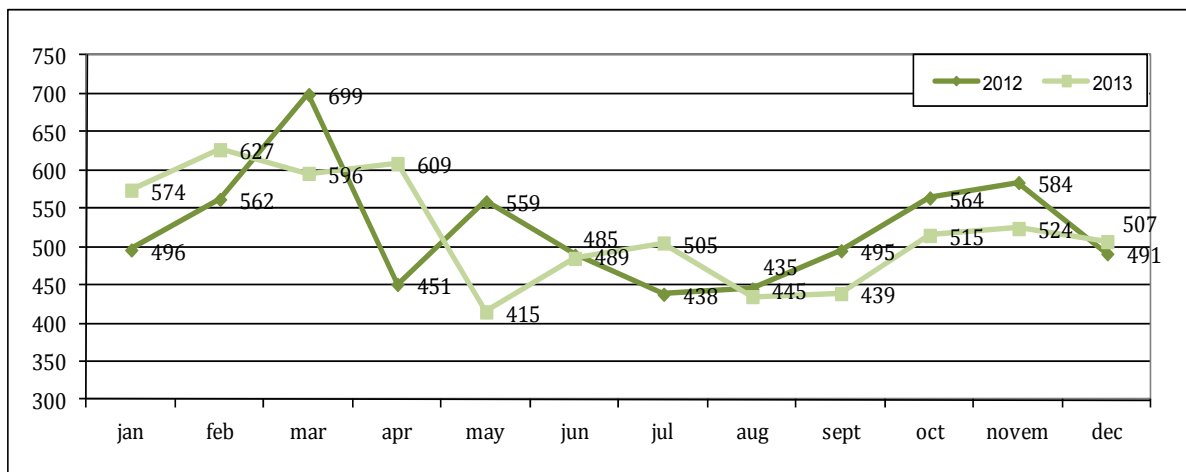


Figure 5.1. Evolution of the number of entities registered in 2012-2013

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

The number of deregistered entities in 2013 was 2,808 units or 14.9% less than in the same period of last year.

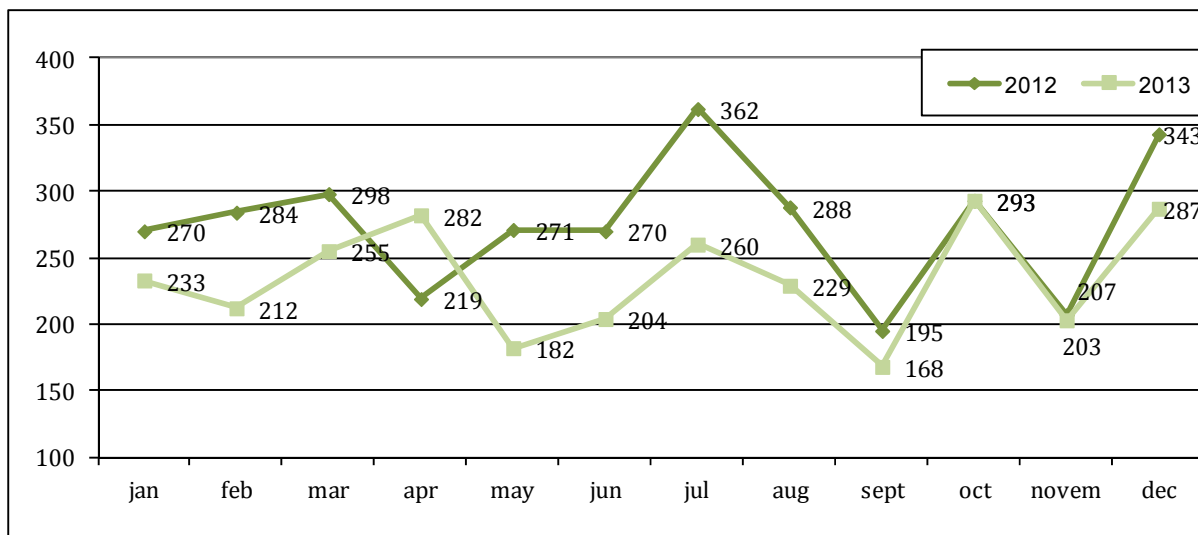


Figure 5.2. Evolution of the number of entities deregistered in 2012-2013

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

In 2013, 3,785 new entities were registered in the territory of Chisinau, namely 60.7% of all the entities registered in this period. Concomitantly, in 2013 (in comparison to the same period of last year) at territorial office of Chisinau and at the other territorial offices there was a decrease in the number of registered companies, and the index was 99.2% and 99.6%, respectively.

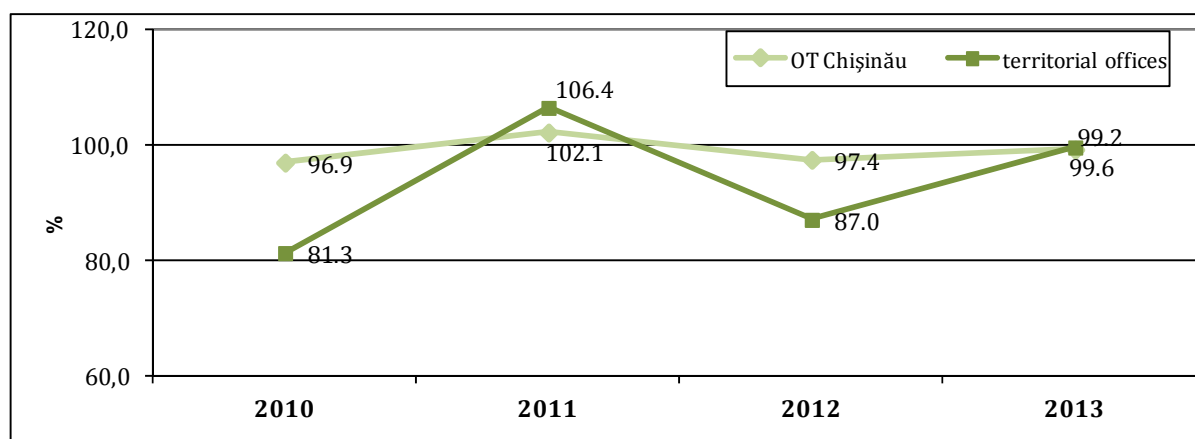


Figure 5.3. Indexes on the companies registered at the territorial office of Chisinau and other territorial offices in 2010-2013, %

Source: Author's calculations according to the data of the State Registration Chamber.

The weight of deregistered companies outside of Chisinau, in 2013, was 69.8%.

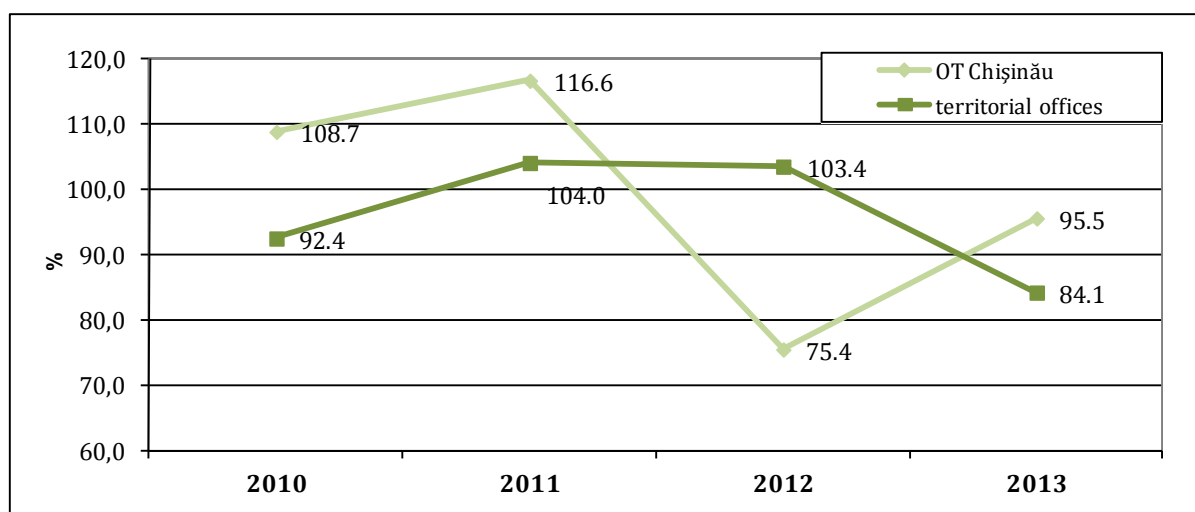


Figure 5.4. Indexes on the companies deregistered at the territorial office of Chisinau and other territorial offices in 2010-2013, %

Source: Author's calculations according to the data of the State Registration Chamber.

The number of companies deregistered at the territorial office of Chisinau and other territorial offices in 2013 decreased, and was 95.5% and 84.1%, respectively, compared to the same period of 2012.

Company development indicators in 2013

At the end of 2013, NBS had records of 52.2 thousand active companies. The absolute majority of companies (50.9 thousand) are part of the SME sector – 97.5%. In the SME sector there are 56.9% of all employees, 5.9 persons in average work in an SME. SMEs account for 33.4% of all revenues from sales obtained in the national economy. The weight of SMEs in GDP in 2012 was 28.7%.

In 2013, like in previous years, there was a durable growth trend for the number of SMEs, which report to NBS (50.9 thousand units in 2013, compared to 49.4 thousand units in 2012). The data shows an increase in the number of companies by 4.4%, out of which an increase in the number of SMEs by 3.0% compared to 2012.

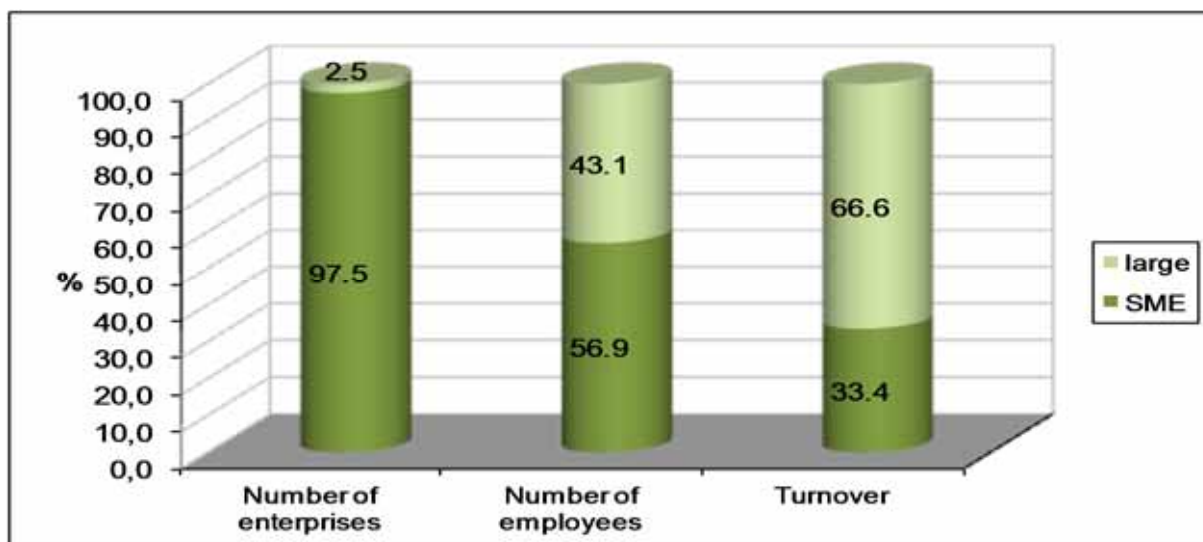


Figure 5.5. Structure of the revenues from sales, the average number of employees and the number of companies by company size, 2013

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

Table 5.1. Dynamics of the main indicators of companies in 2007-2013

Indicators	2007	2008	2009	2010	2011	2012	2013
Number of companies, thousand units	40	42.1	44.6	46.7	48.5	50.7	52.2
Indexes,%	110.6	105.3	106	104.6	103.9	104.4	104.4
Number of companies from the SME sector, thousand units	39.3	41.1	43.7	45.6	47.3	49.4	50.9
Indexes,%	110.6	104.5	106.2	104.4	103.7	104.4	103
Average number of employees, thousand persons	574.1	572.1	539.2	526.2	510.2	519.9	525.2
Indexes,%	99.9	99.7	94.2	97.6	97	101.9	101.02
Average number of employees from the SME sector, thousand persons	343.5	328.1	316.2	309.4	294.2	300.2	298.4
Indexes,%	103.2	95.5	96.4	97.8	95.1	102	99.4
Revenues from sales, million MDL	148,512.7	175,058.4	146,447	177,503	207,676.8	211,759	232,935.7
Indexes,%	126.5	117.9	83.7	121.2	117	102	110
Revenues from sales from the SME sector, million MDL	66,786.5	64,984.1	57,480	65,263	71,887.6	73,057	77,413.2
Indexes,%	123	97.3	88.5	113.5	110.2	101.6	105.9

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

In 2008-2011, the total number of employees from all Moldovan companies, including within SMEs, annually registered by the statistical bodies, decreased. However, in 2012 and 2013 there was a slight increase of the number of employees compared to 2011 and 2012. Thus, in 2013, in companies of all sizes, the number of employees increased by 5.3 thousand persons. However, this increase is due to large companies, and in 2013 the SME sector there was a decrease in the number of employees compared to the previous period (-1.8 thousand persons).

In 2010-2013, the revenues from sales of the companies are characterized by increase trends after the decline from 2009, and the SME sector also recorded an increase in turnover in this period. The turnover of the companies increased in 2013 compared to the previous year by 10%. Concomitantly, in 2013 the annual growth rate in the SME sector is relatively higher (105.9%) than in the previous year, when its value was 101.6%.

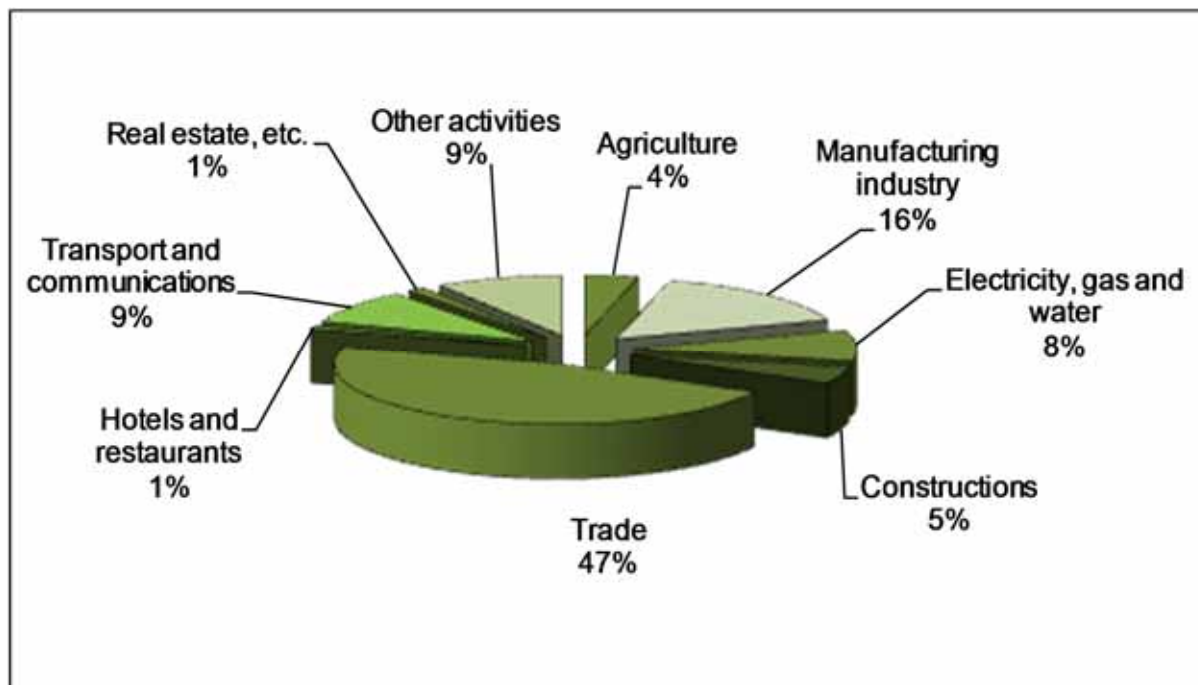


Figure 5.6. Distribution of the turnover of companies, by economic sector of activity, in 2013 (%)

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

According to the instructions comprised in Figure 5.6, regarding the structure of the turnover in the main sectors of activity, in 2013 the participation of the companies from various sectors is distributed in the order of their importance, as follows:

- trade companies mostly contributed to the formation of the turnover, 47%;
- companies from the processing industry contributed by 16% to the formation of the turnover in 2013, an increase of 0.3 p.p. compared to the previous year;
- companies from the construction industry contributed by 4.6% to the formation of the turnover in 2013, an increase of 0.6p.p. compared to the previous year;
- companies from the energy, gas and water sector had 8.4% of the turnover in 2013, a decrease of 2.2 p.p. compared to the previous year.

The region of the Republic of Moldova from the left side of the river Dniester

In 2013, in the region from the left side of the Dniester, 62.5% of the organizations and companies obtained net profits, respectively 33.8% incurred losses (except for small companies, banks, budget and insurance organizations). There was a slight increase (by 3%) of the number of organizations which obtained a net profit in 2013 compared to the previous year. At the same time, there was an insignificant decrease of the number of organizations which recorded a net loss in this period (by 6.8%). Out of the organizations which recorded net profit in 2013, the highest weight is that of organizations from agriculture (73.3%) and of organizations from trade and public food. Value-wise, the same as in the previous year, industry entities recorded a higher net loss (86.8% of the total net loss), 3.2% less than in the same period of the previous year.

Table 5.2. Financial results of the organizations from the region on the left side of the river Dniester by types of activity, in 2013

Types of activity	Number of organizations which reported net profits	% of the total number	Number of organizations which incurred net losses	% of the total number	Net profit, thousand RUB	Net loss, thousand RUB
Total	200	62.5	108	33.8	1,083,983	765464
including:						
Industry	50	61.7	31	38.3	361,625	664,915
Agriculture	22	73.3	8	26.7	94,126	14,809
Transportation	15	55.6	12	44.4	34,433	13,855
Communications	1	11.1	8	88.9	16,397	937
Constructions	11	57.9	7	36.8	14,556	12,867
Public food trade and services	71	72.4	26	26.5	517,647	11,837
Housing administration and communal services	6	24	10	40	5,521	11,338
Other branches	24	77.4	6	19.4	39,678	34,906

Source: Социально-Экономическое Развитие Приднестровской Молдавской Республики, 2013 (окончательные данные)

Chapter VI

SOCIAL SECTOR

Demographic situation

Demographic situation. One of the demographic trends which characterized the 1st half of the year was the increase of mortality with higher rates than the increase of birth rate (by 1.1 times), which caused the natural decrease of the population. In January-June 2014, the total number of live births in the country was 18,248 persons, according to NBS of RM, with an insignificant increase – 2.6% compared to the same period of last year. The birth rate was 10.3 born alive for every 1,000 people. The number of deceased represented 20,542 persons. The general death rate increased by 3.0% compared to last year. The death rate was 11.6 deceased for every 1,000 people. The natural decrease rate was 2,294 persons, or 1.3 persons for every 1,000 people, compared to 1.2 during the first semester of 2013. The number of infants deceased in January-June 2014 increased by 9%. The infantile mortality rate was 10.3 infants deceased for 1,000 live births.

The structure of the death rate by death cause classes shows that most deaths (59.6%) were caused by diseases of the circulatory apparatus, malign tumors represent 14.5%, diseases of the digestive apparatus – 8.4%, accidents, intoxications and traumas – 7.1%, diseases of the respiratory apparatus – 4.5%, other classes – 5.9%.

The table below presents the demographic processes by development regions during January-June 2014.

Table 6.1. Demographic processes by development region during January-June 2014, thousand persons

	Live births, persons	Deceased, persons	Infant deceased, persons	Population growth rate	Number of marriages	Number of divorces
Chisinau	4262	3354	51	908	2533	1293
North	4845	6658	56	-1813	2356	1519
Center	5706	6305	51	-599	3077	1744
South	2534	3288	26	-754	1390	804
U.T.A. Gagauzia	852	927	4	-75	506	207

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

The total number of marriages in the Republic was 9,876, a 9.6% increase compared to the similar period of last year. The marriage rate was 5.6 marriages for every 1,000 people. The total number of *divorces* in the country was 5,653, a 2.7% increase compared to the similar period of last year. The divorce rate was 3.2 divorces for every 1,000 people.

Migration of population. During January-June 2014, according to the Ministry of Internal Affairs, 1,462 foreign citizens and 133 repatriates received residence permits (permanent and temporary). The structure of immigrants by the goal of arrival was dominated by work – 40.6%, family – 36.6%, education – 5.5%, other causes – 17.3%.

By country of emigration, foreign citizens are immigrants from: Romania – 340 persons, Ukraine – 205 persons, Russian Federation – 180 persons, Turkey – 167 persons, Italy – 94 persons, United States of America – 69 persons, Germany – 20 persons, Iraq – 20 persons, France – 19 persons, Israel – 19 persons, Syria – 15 persons, Armenia – 15 persons, other countries – 282 persons.

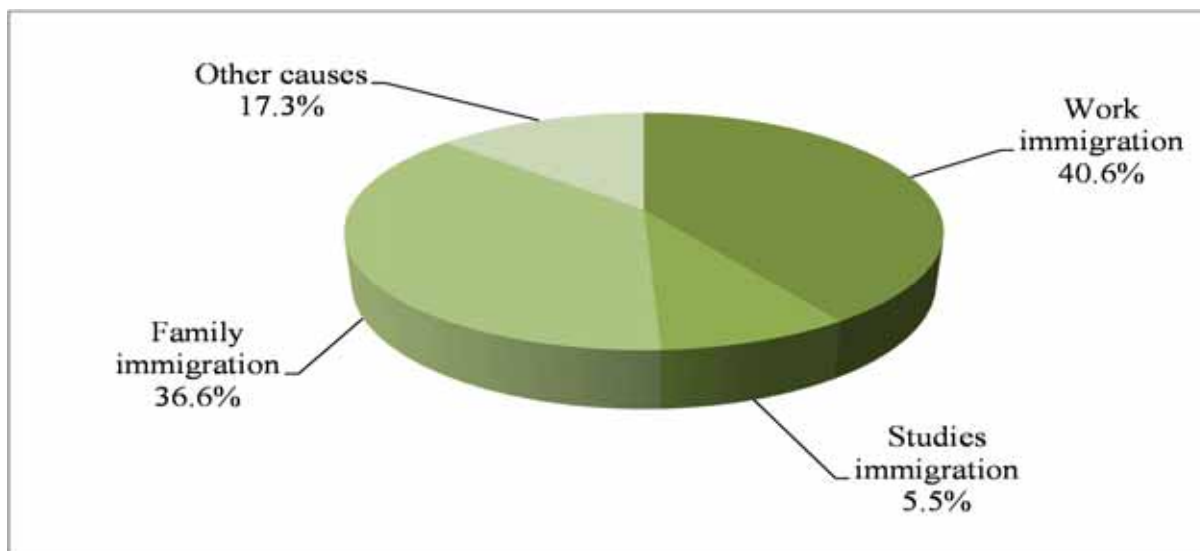


Figure 6.1. Distribution of foreign citizens by arrival purpose in RM during January-June 2014, %

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

The number of persons declared by household units as having left to other countries looking for work was, according to the estimates of the NBS of RM, 343.9 thousand persons. – compared to 337.6 thousand in 2013. Mostly, declared as departed were persons from the rural areas (approximately 72.5% of the population declared as departed), especially men (approximately 63.7% of the population declared as departed).

Labor market. One of the trends which characterized the labor market in the first half-year was the increase of the economically active population, while the inactive population decreased. During Q. II of 2014, the economically active population of the Republic of Moldova was 1,328.6 thousand persons, according to NBS of RM, 3.1% (40.2%) more than during Q. II of 2013. The structure of the active population was modified as follows: the rate of the employed population increased from 95.3% to 96.4%, and the rate of the unemployed population decreased from 4.7% to 3.7%. There were no important disparities by genders and areas among economically active persons: the rate of men (50.8%) exceeded that of women (49.2%), and the rate of economically active persons from rural areas was higher than that of the active population from urban areas: 56.3%, respectively 43.7%. The activity rate of the population aged 15 years and over was 44.5%, practically on the level reported during the respective quarter of the previous year (43.1%). This indicator reached higher values among men – 47.8%, compared to the rate of the estimated female population – 41.5%. The activity rates by area had the following values: 45.0% in urban areas and 44.1% in rural areas. In the age category 15-29, this indicator was 30.4%, and in age category 15-64 (the active age in the countries of the European Union according to the Eurostat methodology) – 49.0%. The activity rate of the active population (16-56 for women and 16-61 for men) was 51.5%.

Employed population was 1,280.1 thousand persons, 4.3% more than during Q. II of 2013. Like in the case of the economically active population, there were no disparities by gender (50.5% men and 49.5% women). The same situation was recorded for the distribution by areas (57.3% rural and 42.7% urban). The employment rate of the population over the age of 15 was 42.8%, an increase of 1.7% compared to Q. II of 2013. For men it was higher (45.8%) than women (40.1%). In the distribution by residence area, the employment rate was 42.3% in the urban area and 43.2% in the rural area. The employment rate of the active population (16-56/61 years old) was 49.4%, of the population aged 15-64 – 47.1%, and in age category 15-29 this indicator was 28.5%.

In the distribution by the activities in the national economy we find that in the agricultural sector 454.5 thousand persons are active (35.5% out of the total number of active persons). The number of the active population in agriculture increased by 55.4 thousand, or 13.9% compared to Q. II of 2013. In non-agricultural activities the number of active persons was 825.6 thousand, 2.9 thousand or 0.4% lower compared to Q. II of 2013. The rate of active persons in industry was 11.2% (11.7% in 2013) and in constructions, respectively 5.2% (5.3% in 2013). In the services sector, 48.1% of the total number of employed persons worked, and this rate decreased by 2.4% compared to Q. II of 2013. The absolute number of active persons employed in the sector of services decreased by 3.7 thousand.

According to the distribution by ownership forms 74.9% of the population was active in units with private types of ownership, and 25.1% in units with public types of ownership. The structure of active population by professional statute shows that the number of employees was 63.1% of the total.

In the informal sector there are 15.0% of the total active persons in the economy, and 34.7% had informal jobs. Out of the number of informally employed persons, employees are 18.3%, and 10.1% of total employees have informal jobs.

The number of underemployed persons was 88.7 thousand, which represents 6.9% of all employed persons. The number of persons from this category decreased by 6.1% compared to Q. II of 2013.

The number of unemployed persons, estimated according to the methodology of the International Labor Office was 48.5 thousand, 12.4 thousand less than during Q. II of 2013. Unemployment affected men more – 56.5% from the total number of unemployed persons, and people from urban areas – 70.0%. The unemployment rate on country level recorded the value of 3.7%, lower than during Q. II of 2013 (4.7%). The unemployment rate for men was 4.1%, and for women it was 3.2%. There were disparities between the unemployment rates in the urban areas and in the rural areas (5.8% and 1.9%, respectively). Among youth (15-24) the unemployment rate was 9.3%. In the age category 15-29 this indicator was 6.4%.

The inactive population aged 15 and over was 55.5% of the total population of the same age category, lower than the level of the same quarter of 2013 by 1.4%, or 38.9 thousand persons. Regarding the relation to the labor market, there are two important categories within the inactive population: discouraged persons and persons who were declared by household units as having left to other countries looking for work. Discouraged persons were 13.0 thousand – compared to 17.4 thousand in 2013.

Registered unemployment, according to the data of the National Employment Agency, on July 01, 2014, 18.2 thousand registered unemployed persons were looking for a job, and every 10th had been laid off. Out of the total number of unemployed persons, 54% were women. Over 12.0% of the registered unemployed persons received unemployment benefits, whose average value was 1,073.0 MDL in June 2014. For 1 job listed by companies, there were 2.3 unemployed persons in average. For reference on June 25, 2013, 21.5 thousand unemployed persons were registered, out of whom women – 11,106 persons. By age categories, the highest number of unemployed persons was aged 30-49 – 9,432 persons. According to the studies, persons with secondary education (9 grades) represented the highest number of unemployed persons – 3,791 persons.

Household disposable income. In Q. II 2014, the *disposable income* of the population represented in average per person per month 1,756.1 MDL, according to the data of the Household Budget Survey, 5.3% more than during the same period of 2013, and 6.4% more compared to Q. I of 2014 (1,650.0 MDL). In real terms, the revenues of the population remained on the level of last year.

Salary payments represent the most important source of income, 43.0% of the total available income, and their contribution decreased by 0.7% compared to Q. II of 2013. During Q. II of 2014 social services contributed to the formation of the revenues of households 18.8%, on the level of Q. II 2013. Revenues from independent activities represent 16.0% of household revenues, including 10.4% revenues from individual agricultural activities, and 5.6% – revenues from non-agricultural individual activities. Monetary transfers from abroad remain an important source for household budgets. In average, they represent 17.3% from the total revenues, and their contribution is 0.9% higher than in the same period of the previous year.

Depending on the residence areas, we find that the revenues of urban population were in average 634.8 MDL or 1.4 times higher than those from rural areas, namely 2,118.3 MDL. The main income source of the population from the urban areas is represented by salaries, with 55.6% of the total revenues (59.0% in Q. II of 2013) and social services – 17.1% (16.9% in Q. II of 2013).

The revenues of the population from the rural areas were 1,483.5 MDL. Here, the main income source of the population is also represented by salaries (29.5%), but its contribution is practically half the contribution from urban areas. At the same time, the revenues obtained from individual agricultural activities were 20.2% of the total disposable revenues. The rural population compared to the urban one depends more on money transfers from abroad, as their weight in revenues is 22.3% compared to 12.6% for the urban population. Also, for the rural population a higher weight of social services is characteristic, as their contribution to the formation of revenues is 20.7%, compared to 17.1% in the urban areas.

In the structure of disposable household income, *monetary revenues* are predominant – 90.1%, while in-kind resources account for 9.9%. In absolute terms, the monetary revenues were 1,582.7 MDL a month in average per person, and that of in-kind revenues was 173.4 MDL. In the urban areas, monetary revenues were 96.7% of their total amount, while in the rural areas this contribution was significantly lower – 83.1%.

Average monthly consumption expenditure of the population in Q. II 2014 were in average per person 1,807.6 MDL, according to the data of the Household Budget Survey, 2.6% than during the same period of last year, and 4.4% more than during Q. I 2014 (1,731.9 MDL). In real terms, the population spent in average 2.6% less compared to Q. II of 2013.

The largest part of expenditures covered food consumption – 44.9% (0.6% more than in 2013). For housing maintenance, a person allocated, in average, 18.3% of the total consumption expenditures (-0.7% compared to Q. II of 2013), and for clothes and footwear – 10.3% (-0.3%). The other expenditures were for health (5.5% compared to 4.7% in Q. II 2013), communications (4.5% compared to 4.3%), transportation (4.4% compared to 4.9%), house fitting – 3.2% (level of last year), education – 0.9% (level of last year), etc.

In average, the total consumer expenditures of the urban population were 2,172.7 MDL per person per month, namely 640.0 MDL or 1.4 times higher than in rural areas. In urban areas, in order to ensure the consumption of food products, the population allocated 42.6% of monthly consumer expenditures (42.2% during the 2nd quarter of 2013), and in rural areas – 47.4% (46.5% during Q. II 2013). The urban population spends more for household maintenance (19.3% compared to 17.3% in rural areas), transportation (4.9% compared to 3.9%) communications services (4.8% compared to 4.1%), for hotels, coffee shops and restaurants (2.6% compared to 0.5%), entertainment services (1.3% compared to 0.4%) and education (1.1 compared to 0.6%).

In the structure of total consumer expenditures of the population, *monetary expenditures* are predominant – 90.4%, over in-kind ones – 9.6%. In urban households, in-kind expenses are 3.2% out of the total consumer expenses, usually the case of the consumption of food products

received from outside the household (relatives, material aid, etc.). In case of rural households, in-kind expenditures represent the consumption of food products from the auxiliary household, which represents 16.4% out of the total consumer expenses.

Remuneration of labor. The general trend in labor remuneration was different in the first semester: there was a decrease of salaries in February compared to January, which can be explained by the fact that in January the annual premium was paid (Governmental Order no. 180 of March 11, 2013 regarding the payment of the annual premium to the personnel from budget units), then from February to the end of the half-year we notice a stable salary increase trend.

In April 2014, according to NBS of RM, the nominal gross salary was 4,009.1 MDL, an 7.2% increase compared to April 2013. In the public sector the average salary in April this year was 3,457.5 MDL (+5.3% compared to April 2013). In the (real) economic sector the salary was 4,236.1 MDL (+8.0% compared to April 2013). The index of the real salary earnings for April 2014 compared to April 2013 was 101.3% (calculated as the ratio between the index of the gross nominal salary earnings and the index of consumer prices).

In May 2014, the nominal gross salary was 4,032.6 MDL, an 7.3% increase compared to May 2013. In the public sector the average salary in May this year was 3,505.6 MDL (+4.9% compared to May 2013). In the (real) economic sector the salary was 4,247.7 MDL (+8.2% compared to May 2013). The index of the real salary earnings for May 2014 compared to May 2013 was 102.5% (calculated as the ratio between the index of the gross nominal salary earnings and the index of consumer prices).

Box 6.1. Regarding the minimum guaranteed value of the salary in the real sector

According to the provisions of the Salary Law no. 847-XV of February 14, 2002 (Official Monitor of the Republic of Moldova, 2002, no. 50-52, art. 336) and based on the (national) collective agreement no. 9 of January 28, 2010, the Government decided (Governmental Order no. 165 of March 09, 2010 as further amended) that starting with May 01, 2014, the minimum guaranteed value of the salaries from the real sector (in companies, organizations, institutions with financial autonomy, irrespective of the type of ownership and legal organization form), except for agriculture and forestry, is 9.77 MDL per hour, or 1,650 MDL per month, calculated for full working hours of 169 hours in average.

We notice that the previous increase of the minimum guaranteed salary level in the real sector was in 2012 (GO260 of April 25, 2012, OM88-91/May 11, 2012). Starting with May 01, 2012, the minimum guaranteed salary level in the real sector was 1,300 MDL.

In June 2014, the nominal gross salary was 4,203.9 MDL, an 8.9% increase compared to June 2013. In the budget sector the average salary in June this year was 3,816.1 MDL (+3.2% compared to June 2013). In the (real) economic sector the salary was 4,361.3 MDL (+11.1% compared to June 2013). The index of the real salary earnings for June 2014 compared to June 2013 was 103.7% (calculated as the ratio between the index of the gross nominal salary earnings and the index of consumer prices).

The table below describes *the average gross nominal salary for January-June 2014 by economic activities*.

Methodological specifications: Starting with January 2014, according to NBS of RM, the new version of the Classification of Activities in Moldovan Economy (CAME Rev. 2), fully harmonized with NACE Rev. 2. The new classification essentially differs from the previous procedure (CAME Rev. 1). Therefore, we cannot present the indicators regarding the increase rates by separate activities.

Table 6.2. Average nominal gross salary in January-June 2014
by economic activities, MDL

Economic activities	January	February	March	April	May	June
Total economy	3777.4	3717.9	3912.4	4009.1	4032.6	4203.9
Agriculture, forestry and fishing	2345.9	2340.3	2596.1	2548.8	2501.6	2569.1
Industry - total:	4072.7	3906.8	4164.1	4377.3	4458.0	4466.6
Mining and quarrying	3353.1	3209.2	3970.2	4039.7	4227.8	4488.4
Manufacturing industry	3693.7	3557.2	3788.2	3849.0	4048.0	4074.9
Production and supply of electricity and thermal energy, gas, hot water and air conditioning	6489.4	6290.4	6643.9	7536.0	7165.8	7167.3
water distribution; sanitation, waste management, settlement activities	3966.8	3674.4	4041.7	4777.8	4404.6	4191.7
Constructions	3938.7	3694.6	3990.3	4117.1	4284.2	4405.9
Retail and wholesale; maintenance and repair of vehicles and motorcycles	3282.4	3197.7	3324.6	3417.9	3531.2	3560.0
Transportation and storage	3662.4	3520.0	3692.9	3930.5	3952.6	4034.4
Accommodation and public catering	2625.2	2550.8	2663.3	2689.7	2736.6	2802.1
Information and communications	7641.0	7417.2	8932.0	9379.3	8215.6	8290.6
Financial and insurance activities	7045.2	6714.8	7963.7	7899.1	7481.2	8128.6
Real estate transactions	3630.4	3582.9	3648.7	3891.3	3875.4	3952.9
Professional, scientific and technical activities	5223.6	5002.2	5487.2	5345.4	5335.6	5499.0
Administrative services and support services	3019.3	2903.8	3094.4	3123.2	3243.5	3207.5
Public administration and defense; mandatory social insurance	4911.7	4963.4	5134.3	5231.4	4963.0	5320.6
Education	2956.8	3119.5	3059.1	3012.5	3240.0	3664.6
Health and social work	3460.6	3382.0	3461.5	3776.0	3820.7	3950.2
Art, recreational activities and entertainment	2567.7	2637.3	2491.5	2478.8	2551.9	2745.2
Other services	5376.2	5473.4	7061.3	5577.2	6384.4	6864.9

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

Subsistence minimum. The size of the minimum subsistence value in the Q. I of 2014 in average for one person was 1,667.7 MDL, an increase of 3.7% compared to the Q. I of 2013. Depending on the residence area, we find significant differences, and the highest value of the minimum subsistence is registered for the population from large cities (Chisinau and Balti) – 1,801.7 MDL or 8.8% more than other cities – 1,656.4 MDL and 11.3% more compared to the rural area – 1,618.0 MDL. By categories of population, the maximum value of the subsistence

minimum is that of the active population – 1,767.3 MDL, especially men – 1,913.2 MDL, compared to 1,611.4 MDL for women. The minimum subsistence level of children, in average, was MDL 1,582.8 per month, with a differentiation depending on children's age: from MDL 608.2 for a child up to 1 year old to MDL 1,786.4 for a child aged 7-17. Depending on their residence area, the minimum subsistence value for the children from large cities is 11.7% higher than in the rural area, and in the case of children up to one year old the difference is 19.7%. For pensioners, the subsistence minimum was 1,390.9 MDL, 83.4% of the average value for the total population. The average value of the monthly pension set on July 01, 2014 was 1,084.6 MDL, which makes it possible to cover the minimum subsistence value for this population category on the level of 78.0%. If we consider the average pension for age limits, the respective co-ratio is 80.2%.

Given that the monthly childcare payments for children up to 3 years old are in average 1,070.3 MDL for insured persons, these payments cover the value of the minimum subsistence value for children aged 1-6 as 78.5%. In case of uninsured persons, the value of the monthly childcare payments (400 MDL) cover only 29.3% of the minimum subsistence value for children aged 1-6.

Social protection of the population. According to the data of the National Agency of Social Insurance, the *number of pensioners* registered by the social protection institutions as of July 01, 2014 was 662.9 thousand persons, or 9.9 thousand persons more compared to July 01, 2013. The average value of the monthly (indexed) pension was 1,084.6 MDL, 6.2% up compared to July 01, 2013. In the structure of pensioners as of July 01, 2014, the highest rate is that of pensioners for age limit 75.5%, followed by disability and heir pensioners, with 20.2% and 2.5%, and other categories – 1.8%. Approximately 56 thousand persons benefit from social allowances, and the highest category of beneficiaries is that of disabilities acquired in childhood (48.4%). In January-June 2014, 75.2 thousand persons benefited from childcare payments, out of which 51.6% are insured persons.

Healthcare. The morbidity of the population from infectious diseases in January-June 2014, according to the preliminary data of the Ministry of Health, is characterized by the increase of the number of cases of acute intestinal infections, viral hepatitis, pediculosis and gonococcus infections. In case of the other infectious diseases, for most diseases there is a decreasing trend in the number of cases. Most cases of morbidity by acute respiratory infections are in Balti (14.4 thousand cases or 9.6 thousand cases for every 100,000 people), Chisinau (57.1 thousand cases or 7.1 thousand cases for every 100,000 people), Criuleni (3.7 thousand cases or 5.0 thousand cases for every 100,000 people), Ungheni (3.3 thousand cases or 4.4 thousand cases for every 100,000 people) etc. Every second case of acute infections of respiratory pathways with multiple locations is children. Most cases were in Chisinau (34.3 thousand cases or 26.4 thousand cases for every 100,000 people), Balti (10.1 thousand cases or 40.1 thousand cases for every 100,000 people), Ialoveni (2.8 thousand cases or 12.5 thousand cases for every 100,000 people), Criuleni (2.6 thousand cases or 15.8 thousand cases for every 100,000 people), Hincesti (2.3 thousand cases or 8.7 thousand cases for every 100,000 people) etc.

In case of the morbidity caused by "socially determined" diseases, we notice a decrease in the cases of tuberculosis of respiratory organs and syphilis, respectively 151 and 216 cases. In January-June 2014 there were 45 HIV (Human Immunodeficiency Virus) carriers. At the same time, there were 5 cases of AIDS (Acquired Immune Deficiency Syndrome).

Crimes. According to the information provided by the Ministry of Internal Affairs, in January-June 2014 there were 19.6 thousand crimes, or 8.1% more than in the same period of the previous year. In average, for 10 thousand people there are 55 crimes in this period. The highest level of crimes was recorded in Chisinau and Balti, respectively 86 crimes for every 10,000 people, and 65 crimes for 10,000 people, and the lowest level is in Riscani – 27 crimes for 10,000 people.

In January-June 2014 there were 61.9% more crimes against families and minors, including cases of family violence – 66.3%. At the same time, there were several economic crimes – 28.9%, crimes against public health and social living – 18.6%, sex crimes – 6.5%. Thefts are predominant in the structure of crimes, with a weight of approximately 39.0% of the total crimes. In this period there were fewer crimes against people's life and health.

Compared to January-June 2013, there were fewer crimes involving firearms, explosives and grenades. The number of these crimes decreased by 28.0%, and was 27 cases in January-June 2014, out of which 7 cases of hooliganism, 5 cases of murder, 4 cases of intentional harming and burglaries.

Out of the total crimes, every sixth crime was committed by work-able, unemployed persons. The weight of the crimes committed by minors or with their participation was 2.5%, a decrease of 0.5% compared to the same period of last year.

In January-June 2014 there were 1,076 road accidents or approximately 6 accidents every day. As a result of these accidents, there were 130 deaths (including 6 children), and 1,481 persons were injured (including 137 children). In average, for 100 thousand people there are 30 road accidents.

According to the data of the Service of Civil Protection and Exceptional Situations within the Ministry of Internal Affairs, in January-June 2014 there were 861 fires or 13.3% more compared to the similar period of the previous year. 64 people died in fires. The fires caused losses of 43.6 thousand MDL,

Region of the Republic of Moldova from the left side of the river Dniester

Labor market. On July 01, 2014 the employed population was 104.6 thousand persons, 985 persons or 0.9% less than in January-June 2013. In January-June 2014, the number of unemployed citizens registered with labor occupancy agencies was 5,305 or 24.7% more than in the respective period of last year. Out of the total number of registered citizens – 3,029 persons were women (57.1%). Overall, in January-June 2014, the Transnistrian Employment Agency helped hire 1,048 persons. In January-June 2014 there were professional consultations with students: group consultations – 219, with 3,598 persons and individual consultations – 457, with 450 persons: with adult population: individual consultations – 3,360, involving 3,210 persons. For professional training, 299.5 thousand rubles were spent, including for paying scholarships – 159.4 thousand rubles. For unemployment benefits, 9,156.3 thousand rubles were spent. The average value of the unemployment benefit in January-June 2014 was 424.4 rubles.

Remuneration of labor. In January-June 2014, the average monthly nominal salary of an employee, except for small enterprises, was 4,020 rubles (or 362 USD at the official exchange rate of the monetary authority left of the Dniester – representing 109.7% compared to January-June 2013)⁹ 9.8% more than in January-June 2013.

In the analyzed period, the average monthly nominal salary calculated for one employee was higher than the average salary per region in the following economic branches: "Banks and credits" (8,308 rubles or 748 USD), "Electro- and radio- communications" (9,274 rubles or 835 USD), "Insurance" (5,439 rubles or 490 USD), "Trade and public food sector" (4,317 rubles or 389 USD), "Industry" (5,102 rubles or 460 USD), "General commercial activities" (4,303 rubles or 388 USD), "Constructions" (5,006 rubles or 451 USD), "Transportation" (4,300 rubles or 387 USD), "Sports, entertainment and tourism" (5,061 rubles or 456 USD).

⁹ Average official exchange rate of the monetary authority from the left of the Dniester for January-June 2014: 1 USD = 11.1000 rubles; 1 MDL = 0.8209 rubles (http://www.cbpmr.net/resource/svk_jan_july_2014_narast_itog.pdf).

At the same time, the average monthly salary calculated for one employee was lower than the average salary per region in the following economic branches: "Geology and meteorology" (1,982 rubles or 179 USD), "Forestry" (1,927 rubles or 174 USD), "Social work" (2,040 rubles or 184 USD), "Postal communications" (2,152 rubles or 194 USD), "Culture and art" (2,490 rubles or 224 USD), "Administration bodies" (2,689 rubles or 242 USD), "Health" (2,719 rubles or 245 USD), "Education" (2,714 rubles or 245 USD), "Science" (2,970 rubles or 268 USD), "Agriculture" (3,175 rubles or 286 USD).

In industry, the highest average monthly nominal salary in January-June 2014 was for the employees from the following fields: electricity – 523 USD, namely 44.3% more than the average salary for the region, siderurgy – 624 USD or 172.3% of the average salary by the economy, food industry – 430 USD or 18.6% more than the average salary by economy. The lowest average monthly nominal salaries calculated for January-June 2014, were in the following industry fields: other industrial branches – 261 USD, lower than the average salary by region by 28.0%, wood processing industry – 250 USD, lower than the average salary by 30.9%; polygraphic industry – 315 USD, lower than the average salary by region by 13.1%, chemical industry – 367 USD or 1.2% more than the average salary by economy.

Social protection of the population. The average number of pensioners for April-June 2014 was 140,118 persons, out of which work pensions – 135,770 persons, and social pensions – 4,348 persons. The average value of the monthly pension for April-June 2014 was 1,351.25 rubles (labor pension – 1,374.41 rubles, social pension – 628.10 rubles), which is 8.2% more compared to the similar period of the previous year.

Subsistence minimum. In the first semester of the current year, the value of the subsistence minimum was in average for one person 1,330.38 rubles a month, 8.1% more than in the similar period of last year.

In June 2014 the value of the subsistence minimum by work-able population was as follows: 1,481.97 rubles a month, women – 1,390.97 rubles a month. The subsistence minimum of pensioners was 1,131.31 rubles a month, children under the age of 6 – 1,222.70 rubles a month, children aged 7 to 15 – 1,497.57 rubles a month.

Table 6.3. Minimum subsistence value of the population in the region of the Republic of Moldova left of the Dniester in January-June 2014

(in average for one person, rubles a month)

	Total population	Including:				
		Active		Pensioners	Children	
		Men	Women		aged under 6	7 to 15
January	1314.27	1446.26	1353.68	1098.19	1184.64	1454.96
February	1319.64	1452.41	1358.69	1102.99	1189.50	1460.80
March	1313.28	1443.48	1353.66	1097.48	1184.92	1455.10
April	1321.11	1451.68	1362.36	1104.19	1193.26	1461.47
May	1363.48	1495.13	1403.00	1142.39	1238.56	1516.67
June	1350.52	1481.97	1390.97	1131.31	1222.70	1497.57

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

Crimes. In January-June 2014, public order protection agencies recorded 5,409 complaints and reports regarding crimes or 9.4% less than during January-June 2013. There were 2,429 crimes, 5.0% less than during the same period of last year. Out of these: 22 – murders, 35 – severe intentional harming, 120 crimes related to illegal gun trafficking, 56 crimes committed by using guns, ammunition and explosives, 207 – crimes against public order, 247 – drug-related crimes, 72 – fraud, 614 – thefts, 76 – burglaries, other crimes – 667, etc. As a result of the crimes there were 1,334 victims, out of which: 37 persons (2.8%) died, and 29 persons (2.2%) were seriously injured.

Chapter VII

FORECAST FOR 2014

(Updated version)

Estimates regarding the preliminary results of 2014 based on the results recorded during H1.

Maintaining the economic and financial stability

Inflation and exchange rate of MDL. The economic and financial situation was relatively stable, without significant deviations in H1 of 2014. The annual **inflation** level in January-June 2014 was 5.3%, within the "target" of 5 + - 1.5% set for this year by the National Bank. It is estimated that until the end of the year there will be no unbalances on a macroeconomic level, and the inflation will not exceed 5% compared to last year.

Regarding the **exchange rate** of the national currency in relation to other currencies, in the reference period there were rather significant fluctuations: considerable depreciation of MDL in relation to USD and EUR. Thus, during the first 8 months of 2014, the average exchange rate of MDL was 13.63 for USD and 18.59 for EUR, compared to 12.59 MDL/USD and 16.72 MDL/EURO, respectively, in 2013. Considering the recent trend of slight increase of the national currency in relation to EUR and of decrease in relation to USD, at the end of the year we could have an annual average of 13.80 MDL for USD and 18.40 MDL for EUR.

Monetary aggregates The dynamics of monetary aggregates, overall, is favorable to the durable development of the economy of the country. At the end of June 2014, **monetary mass M3** was 64.5 billion MDL, a 22.9% increase compared to the similar date of 2013. The highest contributor to monetary mass M3 was represented by **deposits** (+16%), the balance of which, at the end of June 2014, was 46.8 billion MDL, a 21.9% increase compared to 2013.

Public finances. In January-June 2014, **revenues** were accumulated in the public national budget of 18.8 billion MDL, 12.7% more than during the same period of 2013, and there were total **expenses** of 19.3 billion MDL, 12.5% more than during H1 of 2013. If in H2 of the year the revenues and expenses from the public budget evolve in the same manner as those of H1, we could expect an annual increase of approximately 12-13% of revenues and expenses this year. In this case the **revenues** of the public budget would be 41.6-41.9 billion MDL, **expenses** – 43.5-43.8 billion MDL, and the budget **deficit** would be 1.9-2 billion MDL. Under these circumstances, the economic and social programs planned for this year could be successfully implemented.

The **state debt** (internal and external) administered by the Government recorded a significant increase. Thus, at the end of June 2014, it reached 25.9 billion MDL, 19.1% more than on the same date of 2013.

The main hypotheses of the model:

According to the updated calculations, this year we can expect a GDP increase of 2%, a lower rate than that estimated at the beginning of the year. The main cause for which the initial forecast was not confirmed is the embargo on fruits and vegetables imposed by the Russian Federation, the slowdown of Russia's economic growth, the armed conflict in Ukraine, the downward trend of food prices on international markets, remittances let-up growth and the slowdown of internal consume.

Despite relative optimistic forecasts at the beginning of the year, according to the updated forecasts, production growth will temper in the current year, being estimated a 3.4% growth

rate. Determinant in this regard could be the negative effects of reductions in food exports in the second half-year (the exogenous factor included in the regression of industrial production estimation), and decline in production of electrical equipments industrial in the first half of the year.

The faster growth of exports compared to imports will influence positively the trade balance in goods. Due to internal consume temperate growth, imports of goods are estimated to increase with 1.1% this year. At the same time, the high volume of agricultural production in this year and the depreciation of the national currency exchange rate compared to the main foreign currencies will stimulate exports growth.

In order to forecast the main macroeconomic indicators, have been used the macroeconomic model, in which the regressions were updated. The evolution of the main indicators is determined by the specification of regressions and by the values of exogenetic factors, which include both internal and external indicators, forecasted by the IMF.

- The exchange rate of the national currency was estimated at an annual average rate of 13.8 MDL/USD.
- The average interest rate for the credits granted by the commercial banks for 2014 is estimated at 11.3%;
- Money transfers from abroad to physical persons (transfers) will increase by approximately 3%;

We estimate that some global indicators taken into consideration will have the following evolution in 2014:

- The average annual consumer price index will be 103.8%;
- The prices of oil and gas products will decrease by 6% and 2%, respectively.
- The price of food products will decrease by 6% on an annual basis;
- The growth rate of the global GDP will be 3.4%.

**Table 7.1. Evolution of the main macroeconomic indicators in 2012-2014
(calculated based on the macroeconometric model of NIER)**

	Measurement unit	2012	2013	2014
		Actual		Forecasted
<i>1</i>	<i>2</i>	<i>3</i>		<i>4</i>
nominal GDP	MDL billion	88.2	100.3	106.2
<i>compared to last year, in comparable prices</i>	%	99.3	108.9	102.0
Consumer price index	%	104.6	104.6	104.7
MDL average exchange rate	MDL/USD	12.11	12.59	13.8
Export of goods	million USD	2162	2428	2552
<i>compared to last year</i>	%	97.5	111	106.4
Import of goods	million USD	5213	5492.7	5554
<i>compared to last year</i>	%	100.4	105.4	101.1
Balance of the trade balance	million USD	-3051	-3093.7	-3001
Industrial production in current prices	MDL billion	36	39	42
<i>compared to last year, in comparable prices</i>	%	98.1	106.8	103.4
Agricultural production in current prices	MDL billion	20	24.5	25.3
<i>compared to last year, in comparable prices</i>	%	77.6	138.3	100

Table 7.1 – continue

<i>1</i>	<i>2</i>	<i>3</i>		<i>4</i>
Investments in long-term material assets	MDL billion	16.6	18.5	20.6
<i>compared to last year, in comparable prices</i>	%	95.8	102.3	104.6
Monthly average nominal salary	MDL	3386.2	3765.1	4132
Compared to last year	%			
<i>nominal</i>		111.3	111.2	109.7
<i>real</i>		106.4	106.3	105
Labor remuneration fund	MDL billion	39.7	44.6	48.6
Economically active population	thousand persons	1215	1236	1225
Employed population	thousand persons	1147	1173	1161
Unemployment rate	%	5.6	5.1	5.2

Source: Drafted by the authors.

PERFECTION OF THE METHODOLOGICAL APPROACHES FOR CALCULATING THE SUBSISTENCE MINIMUM VALUE

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The subsistence minimum value is essential to social standards, used for elaborating, implementing and monitoring the social policy of the country. The practical application of the subsistence minimum value imposes high demands on the accuracy of calculating the respective social standard. That is why the perfecting of the methodology used for calculating the subsistence minimum value and its implementation are objective necessities.

In the Republic of Moldova the subsistence minimum value has been calculated since 2011, according to Moldovan Government Order no. 902 of August 28, 2000 "On the approval of the Regulation regarding the computation method of the subsistence minimum value" [1]. However, in the process of computing this indicator by the National Statistics Office certain methodological problems occurred and required their in-depth scientific analysis. The requirement to improve the methodological approaches related to the computation of the subsistence minimum value was that these approaches did not fully take into consideration: **a)** the differentiation of the level and living conditions of the population of Chişinău and Bălţi, and in other cities and villages; **b)** seasonality of food product consumption, which is especially high in the rural population.

Moreover, it is necessary to consider: **i)** the significant improvement of the material living conditions of the Republic of Moldova, which conditions the revision towards growth of the quantitative parameters of the consumer basket of the subsistence minimum value; **ii)** the global experience and, first of all, of EU countries in designing the minimum standards for the living conditions of the population. Regarding the legislative framework for the development of the methodological approaches for the computation of the subsistence minimum value, we used the Law on the subsistence minimum value, article 2, which provides "**subsistence minimum value - indicator which represents the value of the minimum consumption volume of material goods and services for satisfying the main necessities, maintaining health and sustaining human viability**" [3]. Given the absence of an acknowledged method for the determination and computation of the subsistence minimum value, we used internationally acknowledged materials, among which:

- materials of the International Labor Organization, especially ILO Convention no. 117 "Social Policy (Basic Aims and Standards) Convention" [5];
- report of the special mixed committee of FAO/WHO experts "Energy and protein needs" (1974, series of technical reports of WHO no. 522) [9];
- other reports on balanced food, which allowed WHO to draft a "Guide on the individual needs in nutritious substances" [8]

The starting point of the study was the thesis that social norms reflect scientific ideas regarding people's needs in goods and services, namely personal needs. In this context, the subsistence minimum value, occupying the central place in the system of minimum social standards regarding living conditions, represents knowledge about minimum personal needs.

Considering the priority of satisfying physiological needs, the following aspects are necessary in the formation of the subsistence minimum value:

- a) to consider only physiological needs. This is fully according to the requirements of section 2 of article 5 of ILO Convention no. 117 "Social Policy (Basic Aims and Standards) Convention":

"When setting the subsistence minimum value one must consider such basic needs... as food and its nutritious value, housing, clothing, medical services and education" [5]

b) to consider the hierarchy of physiological needs: first, the need for food, then clothing and services, the satisfaction of which ensures minimum conditions for vital activities.

The subsistence minimum value includes the necessary set of commodities and services, which satisfies the main material needs of the work-apt population, necessary for the reproduction of the workforce, children's and teenagers' physical and social development, and supporting pensioners' vital activities. In this set the central position is occupied by the food products which compose the content of the food basket of the subsistence minimum value.

Formation principles of the subsistence minimum value. The formation of the minimum food basket is reduced to resolving two tasks:

- determining the minimum requirements of the various population groups of the Republic of Moldova, expressed by the energy value and the main nutritious substances;
- creating sets of food products, which would satisfy those necessities.

When solving the **first task** we use fundamental scientific principles regarding balanced eating [7], and recommendations on this matter from global organizations and institutions. Among the authorities are FAO and WHO.

According to these recommendations, people's minimum requirements in energy and nutritious substances are calculated based on people' weight, gender and age, work, physiological state of the body (pregnant women and breastfeeding mothers), social conditions (rural or urban areas), climate.

Solving the **second task** – forming the sets of food products which satisfy the minimum needs of the population - is based on the following principles formulated by the authors:

- a) satisfying the minimum needs of various social-demographic groups of the population, is ensured based on the energy value and nutritious composition of food products;
- b) orientation to the real structure of the food of the population from the urban and rural areas;
- c) considering the seasonal factor, which is characteristic for the consumption of various foods by the urban and rural population;
- d) choosing products which allow healthy eating by minimum financial expenses.

The main characteristics of the food basket of the subsistence minimum value are the caloric value and the alimentary composition. The results of the calculations (*table 1*) show that, compared to the food basket, approved by Governmental Order no. 902 on the nutritious value of the minimum set of food; products for 24 hours increased from 2,282 kcal to 2,399.6 kcal, or by 117.6 kcal (by 5,1%). The protein content in the minimum portion for 24 hours increased from 75.0 g to 79.1 g, or by 4.1 g (by 5.5%), including animal proteins from 32.0 g to 33.3 g, or to 1.3 g (by 4.1%).

We would like to mention that we do not refer to a quantitative increase, but to qualitative changes in food portions. Thus, among the main food substances, the highest increase was for sugars (7.6%), while the quantity of lipids increased only by 1.0%. This corresponds to the current requirements for ensuring the opportunity of limiting the quantity of fats in people's food portions.

The main parameters of the food basket of the subsistence minimum value correspond to scientifically substantiated requirements. The energy value of the food basket of the minimum subsistence value, which satisfies people's minimum material and spiritual necessities, is in average for one person **2,399.6 kcal**. This corresponds to the recommendations of the World

Health Organization, according to which the caloric value of people's daily minimum food portion must be oriented towards 2,400 kcal [9; 8].

Table 8.1. Caloric value and alimentary composition of the food basket for 24 hours of the subsistence minimum value

	Caloric value, kcal	I. Alimentary composition, g			
		Proteins - total	including of animal origin	Lipids	Sugars
Sets of food products of the subsistence minimum value for:					
- work-apt man - city	2733.9	91.0	36.1	93.1	376.6
- work-apt man - village	2863.1	96.0	37.0	97.3	395.2
- work-apt woman - city	2330.4	77.5	31.1	78.6	323.1
- work-apt woman - village	2401.2	78.9	30.5	80.8	334.6
- pensioner - city	2054.8	67.5	26.8	69.4	285.1
- pensioner - village	2122.9	69.3	27.3	71.2	295.1
- child up to 1 year old	583.7	23.0	17.5	23.4	69.9
- child from 1 to 7 years old - city	1702.1	60.9	35.3	66.4	213.0
- child from 1 to 7 years old - village	1715.8	61.4	34.1	65.4	219.1
- child from 7 to 18 years old - city	2298.2	80.2	40.2	87.0	295.0
- child from 7 to 18 years old - village	2315.2	83.7	42.6	85.0	300.5
Average weighted value for one person	2399.6	79.1	33.3	82.8	330.2
Informative: in virtue of Governmental Order no. 902¹					
- work-apt man - city	2605	84.0	32.0	93.0	353.0
- work-apt man - village	2820	92.0	33.0	99.0	384.0
- work-apt woman - city	2229	71.0	27.0	78.0	305.0
- work-apt woman - village	2426	78.0	30.0	84.0	333.0
- pensioner for age limit - city	1942	63.0	26.0	68.0	265.0
- pensioner for age limit - village	2092	68.0	27.0	71.0	289.0
- child up to 1 year old	593	22.0	17.0	26.0	73.0
- child from 1 to 7 years old	1536	54.0	33.0	68.0	186.0
- child from 7 to 16 years old	2201	75.0	38.0	82.0	285.0
Average weighted value for one person	2282	75.0	32.0	82.0	307.0

¹[1]

The parameters of the food basket of the subsistence minimum value in the Republic of Moldova are very close to the indicators corresponding to other states (table 2).

Table 8.2. Energy value of the alimentary composition of the food basket related to the subsistence minimum value in some countries

	Energy value, kcal	I. Alimentary composition, g		
		Proteins	Lipids	Sugars
1	2	3	4	5
Entire population				
Azerbaijan	2258	68.0	71.0	331.0
Belarus	2444	...	...	...
Kazakhstan	2175	76.0	72.2	300.0
Kyrgyzstan	2431	78.6	73.1	...
Moldova¹	2282	75.0	82.0	307.0

Table 2 – continue

1	2	3	4	5
Moldova²	2499.6	79.1	82.8	330.2
Russia	2275	...	...	...
Work-apt population - total				
Azerbaijan	2409	74.0	73.0	358.0
Belarus	...	...	...	...
Moldova¹	2529	82.6	88.6	345.2
Moldova²	2587.6	86.0	87.7	358.3
Russia	...	...	...	...
Ukraine	2790.8	87.1	98.4	388.1
Work-apt men				
Belarus	2899	97.9	89.7	414.0
Kazakhstan	2646	91.7	86.5	369.0
Kyrgyzstan	2661	77.5	72.3	...
Moldova¹	2721	88.0	96.0	370.0
Moldova²	2807.8	93.8	95.5	387.2
Russia	2730	86.9	83.5	405.0
Ukraine	...	...	...	...
Work-apt women				
Belarus	2242	77.8	72.5	311.0
Kazakhstan	2100	72.8	68.6	293.0
Kyrgyzstan	2440	71.5	68.4	...
Moldova¹	2334	75.0	81.0	320.0
Moldova²	2368.6	78.3	79.8	329.3
Russia	2100	67.6	65.2	307.0
Ukraine	...	...	...	...
Pensioners				
Belarus	2050	70.3	64.4	289.6
Kazakhstan	2052	71.5	69.6	279.0
Moldova¹	2042	66.0	70.3	281.0
Moldova²	2096.3	68.6	70.5	291.2
Russia	2000	65.1	62.8	293.0
Ukraine	2008.9	58.6	65.7	295.8
Children up to 7 years old				
Belarus (girl up to 7 years old)	2269	81.9	76.2	305.9
Kazakhstan (0-13 years old)	1521	55.5	51.2	205.0
Moldova¹	1536	54.0	68.0	186.0
Moldova (up to 1 year old)²	583.7	23.0	23.4	69.9
Moldova (1 to 7 years old)²	1710.8	61.3	65.7	216.4
Russia	1610	52.3	54.2	228.0
Ukraine	...	...	...	...
Children 7 to 18 years old				
Belarus (3 to 16 years old)	2886	105.0	93.8	394.5
Kazakhstan:				
- boys (14-17 years old)	2755	96.7	92.4	378.0
- girls (14-17 years old)	2110	74.1	70.9	289.0
Moldova¹	2201	75.0	82.0	285.0
Moldova²	2309.4	82.5	85.7	298.6
Russia	2360	75.9	79.5	333.0
Ukraine	...	...	...	...

¹[1] ²[2] Source: [6]

The subsistence minimum value is calculated by summing up the value of the food basket and the expenses for procuring industrial commodities and services, and the values of premiums and mandatory contributions.

The value of the monthly food basket by quarters of the calendar year is estimated by multiplying the values of the monthly averages of the consumption of food products per person for the main social and demographic groups of the population differentiated based on profiles "Chisinau and Balti", „other cities”, „villages” and by quarters of the calendar year for average consumer prices in the corresponding quarters. The average consumer prices, used for estimating the value of the food basket, are set based on registered prices, set by the National Bureau of Statistics.

Currently in Moldova, due to various reasons, the use of norming is rationally applied only regarding the food part of the subsistence minimum value. Regarding the non-food part, the value of the cost must be determined by applying the statistical method, by which we determine the ratio of the value of non-food products and services with the cost of food products. Thus, we apply to the calculation of the subsistence minimum value the **normative-statistical method**, which is currently more acceptable in Moldova.

The subsistence minimum value is estimated for the 1st quarter and the 2nd quarter by calculating the arithmetical means of the subsistence minimum value for the 1st quarter - the 2nd quarter and the 3rd quarter – the 4th quarter. The subsistence minimum value for the calendar year is calculated by calculating the arithmetical means of the subsistence minimum value for the 1st semester and the 2nd semester.

Based on the results of these researches, we drew up the draft of the Regulation on the order of calculation of the subsistence minimum value, which was provided to the Ministry of Labor, Social Protection and Family, and which was then ratified through the Moldovan Governmental Order no. 285 of April 30, 2013 [2]. In virtue of item 2 of the Governmental Order no. 285, was elaborated the Methodological guide on the calculation of the subsistence minimum value, ratified through the joint order of the Ministry of Labor, Social Protection and Family, the General Director of the National Bureau of Statistics, the President of the Science Academy of Moldova, the Director of the National Institute for Economic Research [4].

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MEASURES TO REDUCE INFORMAL EMPLOYMENT IN MOLDOVA

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Jörg RADEKE

Executive Summary

Informal employment in Moldova is widespread. An estimated 30.9% of the working population participates in informal employment – either by not registering employment or only declaring a part of the wages (envelope payments). Through both ways estimated wages worth MDL 15.41bn (USD 1.11 bn) remain undeclared – this represents about 31.1% of the national wage sum. In the consequence, the state loses a combined amount of MDL 5.65bn (USD 0.41bn) in taxes and social insurance contributions – the equivalent of 16.4% of tax and social insurance revenues. At the same time informal employment is creating an uneven playing field. Companies that play by the rules, have a significant cost disadvantage compared to those participating in informal employment.

What are the reasons for the endemic use of informal employment in Moldova? Engaging in informal employment is a low risk activity, as the likelihood of getting caught is slim with only a low number of labour inspectors, who need to announce their visits in advance and who target the wrong companies. Even if caught, fines currently only exist for employers and they are too low to be a serious deterrent.

Additionally, informal employment pays well. With on average 48% of labour costs the combined tax and social insurance cost in Moldova are at a similar level as in countries like Slovenia and the Czech Republic and much higher than in Denmark and Ireland. Thus, employers can reduce their labour cost by up to 54% through informal employment, increasing their profits even after topping-up wages for employees.

What should be done? The government should pursue a **“carrots and sticks” strategy**: On the one hand, it should improve the incentives (**“carrots”**) so more people fully declare their wages. To do so, the government should gradually reduce the tax and contribution rates to make official work less costly. International experience suggests that lowering taxes or social insurance rates will reduce revenues only in the short-term as more people declare the wages public revenues quickly recover the loss.

At the same time there is an urgent need to increase the risk and cost for those engaging in informal employment (**“stick”**). For this to happen, labour inspections need to become functional. To start with, the current practice of announcing labour inspections in advance – while well-intentioned – needs to be changed as is being discussed already. Another key measure here could be a whistle-blower system, which allows employees to give evidence about informal work practices in exchange for exemption of prosecution. Additionally, the current level of fines is too low to deter anyone. They need to be increased and should depend on the severity of the offence. Fines should also be introduced for employees; although their level should be lower keeping in mind that employees not always have much of a choice. However, this would be an important signal that informal employment is no longer accepted.

For the “carrot and stick strategy” to work, the sequencing is important. We argue that first the pressure through improved inspections and higher fines need to take effect. Once the share of officially declared wages goes up, there is fiscal room to gradually reduce tax and/or social insurance rates.

1 Types and extend of informal employment in Moldova

Informal employment in Moldova is a challenging issue and needs to be addressed. In order to find suitable measures, it is important to understand how informal employment works and who is likely to engage in it. Additionally, the overall size of informal employment, the impact on fiscal revenues and social insurance contribution, as well as the current costs to the Moldovan economy and potential benefits from de-shadowing employment need to be estimated. The first section of this study will provide an overview on the different types of informal work and an estimation of its magnitude.

1.1 Need for addressing informal employment

Addressing informal employment and reduce the practice of undeclared work is relevant for all economic actors.

First of all it affects **employees** who do not (or not fully) declare their wages and, in the consequence, may be lacking access to the social security and face poorly funded public services.

For **businesses** a large informal economy imposes a serious threat to a fair competition among the participating companies in a market. It causes a competitive disadvantage for those companies that operate according to the law and fully declare their wage payments, as their labour costs are higher. Indeed, a survey among 360 firms in Moldova shows that 13.4% of the firms consider competitors in the informal sector as major constraint (World Bank Enterprise Surveys 2013). Especially retailers and medium-size enterprises are affected. Companies operating informally also face some disadvantages, like a reduced access loans and a lack of legal protection.

Finally – and probably the most severe consequence – informal employment and undeclared wages erode the **public revenues**. As a consequence, the financial means are not sufficient for the provision of public infrastructure and high quality public services which, in turn, reduce the competitiveness of Moldova's economy.

1.2 Quantitative assessment of informal employment

In order to understand to what extent informal employment exists in Moldova and what effect it has on the economy, the data on that subject will be explored in the following section. Clearly, due to the nature of informal employment its scale can only be an approximation.

We first review the official statistics and estimates. Based on the official numbers, we calculate which share of the workforce participates in informal employment, the level of undeclared wages and the size of losses in revenues of the tax system and the national insurance system (CNAS).

Labour Force Survey

The most relevant statistic is the Labour Force Survey conducted by the National Bureau of Statistics. One section of the survey asks participants about informal employment. As the data is collected by asking people, and since informal employment is a criminal offence, it can be expected, that the figures significantly underestimate the real situation.

According to the Labour Force Survey 2013, **30.9% of all employment in 2013 was fully or partly informal**. However, according to the survey, only 7.8% of the employees of officially registered companies claim to be informally employed. This number seems to be rather small compared to anecdotal evidence.

The sectors with the highest shares of informal employment are the agricultural sector and the construction sector (Figure 1). The share of informal employment is the highest in the

construction sector – with almost two thirds of the people working (partly) unofficially. In absolute numbers, most people working informally can be found in the agricultural sector.

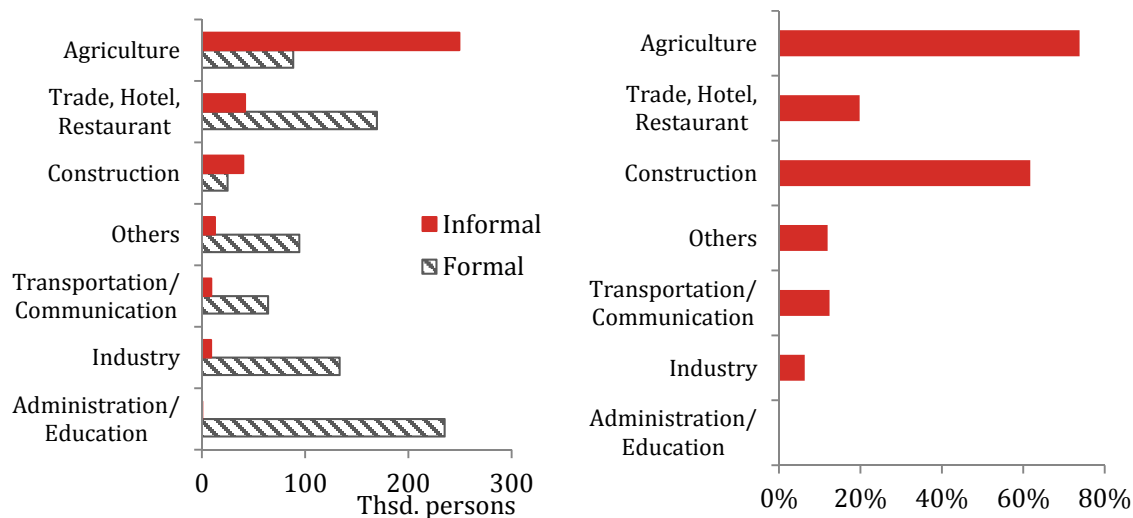


Figure 9.1. Informal Employment in different Sectors – absolute number of persons and relative share

Source: Labour Force Survey of the National Bureau of Statistics.

Young workers (15-24 years) and those above the official retirement age are most likely to work informally. Looking at informal employment from a gender perspective, it can be seen, that men are more prone to agree to informality.¹⁰

1.3 Economic impact of informal employment

Based on the official numbers, we now estimate the magnitude of informal wages and the tax, social insurance and medical insurance losses resulting from them. This quantitative assessment is based on the following four classifications used in the Labour Force Survey:¹¹

- a) Employees working in formal sector enterprises
- b) Employees working in informal sector enterprises
- c) Own-account workers
- d) Contributing family members

Following this categorisation and according to the official estimates derived from the Labour Force Survey, in total **362,800 persons participate in informal employment** is. As can be seen in Table 9.1, the largest group are the own-account workers, which includes for example individual entrepreneurs, like private taxi drivers, retailers, lawyers, artists and farmers.

Table 9.1. Number of persons involved in informal employment

Group	Number of People
a) Employees in formal sector enterprises	18,288
b) Employees in informal sector enterprises	57,912
c) Own account workers informal employment	261,400
d) Contributing family members in informal employment	25,200
Total	362,800

Source: National Bureau of Statistics Labour Force Survey.

¹⁰ For more data refer to annex 1.

¹¹ For more information on the classification refer to annex 2.

Estimation of sum of undeclared wages

What is the amount of wages paid within informal employment arrangements? For employees working in the formal sector, we assume that 40% of the salary payment is made in an envelope.¹² For the remaining three groups the wage payment is assumed to be completely informal.

In order to keep the approach simple, we assume that the unofficial wage payment for the employees in informal sector enterprises, own-account workers and contributing family members is at average wage level of MDL 3,600 per month (or MDL 43,200 per year)¹³. For the first group, we assume that the official wage paid is at average wage level, which makes up 60% of total wage. The envelope contains the remaining 40%, which is MDL 2,400 per month.

With these assumptions, the **total amount of undeclared wages adds up to MDL 15.409 bn** (Table 9.2) or 31.1% of the national wage sum.

Table 9.2. Sum of undeclared wages

Group	Share of undeclared wage	Assumed annual wage (MDL)	Undeclared wage (m MDL)
a)	40%	28,800	526.7
b)	100%	43,200	2,501.8
c)	100%	43,200	11,292.5
d)	100%	43,200	1,088.6
Total			15,409.6

Source: National Bureau of Statistics, Earnings Statistic, own calculation.

Informal employment directly affects the income tax revenues of the state budget, as well as the revenues of the budget of the national social and medical insurance.

Calculating the losses of social insurance and medical insurance contributions leads to a yearly shortcoming of MDL 3.9 bn. Expressed as share of total social insurance contributions, this adds up to 35.3%. The lack of revenues of the tax authorities amounts to MDL 1.7 bn per year or 9.2% of tax revenues.

The total estimated loss sums up to MDL 5.6 bn yearly (Table 9.3), or to 5.7% of GDP.

Table 9.3. Overview on the yearly losses due to informal employment

	Sum of Losses (m MDL)
Social insurance contributions	2,525.6
Medical insurance contributions	1,404.7
Income tax	1,718.2
TOTAL	5,648.6

Source: Own calculation based on the Labour Force Survey of the National Bureau of Statistics, the Earnings Statistics, as well as the legal framework.

Conclusion: This rough estimation illustrates that the effect of informal employment is significant and that immediate action is needed. Despite the fact that from an individual viewpoint avoiding tax and contribution payments seems to be rationale. For the system as a whole, a large share of informal employment impedes the functioning of the system. It affects the market competitiveness by discriminating against companies acting according to the law and against their employees.

¹²This assumption is according to the estimation of the National Bureau of Statistics, who evaluate that the part of payment paid informally amounts to 30-50% of total salary payment.

¹³Figures from National Bureau of Statistics for 2012 for the real sector.

1.4 Which factors influence the use of informal employment

Informal employment is not uniform throughout the Moldovan economy. Some sectors or types of businesses are more likely to make use of informal employments than others.

Table 9.4 below present some general facts and anecdotal evidence about factor which have an influence on the likelihood for informal employment. A good understanding of these factors is important when looking for measures to reduce informal employment.

The most important factor seems to be cash payments. The likelihood of informal employment in a given company is increased in sectors where goods and services are paid for in cash (or sometimes goods). Additionally, sectors with seasonal work are also more prone to undeclared wages or work.

In areas of the economy where goods and services are paid predominantly via electronic transfers, the chance of informal employment is reduced significantly.

Additionally, the company size seems to matter with smaller companies more likely to engage in informal employment. Indeed, smaller enterprises tend to fall under the radar of inspections.

On the other hand, in large companies and those owned by foreign investors, undeclared wages are quite uncommon for two reasons: First, the perception and attitude of illegal employment is different for foreign companies. Secondly, in contrast to small companies, the need for cutting labour costs in order to exist in the market is not as prevalent, as the share of labour costs in total costs is smaller. Also, foreign investors may not know the legal system and risks of detection as well as the domestic ones.

Table 9.4. Factor which influence use informal employment

Factors which <u>increase</u> likelihood of informal employment in any given business	Factors which <u>reduce</u> the likelihood for informal employment
<ul style="list-style-type: none"> - Goods / services are paid cash o Construction o Services (hotels, restaurants, retail, hairdressers, etc.) o Transport (Taxis, Maxitaxis, etc.) o Wholesale and Retail - Agriculture, seasonal work - Small and medium sized companies 	<ul style="list-style-type: none"> - Payments are made predominantly bank transfers - Public sector or state-owned - Large companies - Foreign investors (with exceptions) - Business services

Source: Own research.

Finally, the chances for informal employment and undeclared wages in the public sector are rather low.

Conclusion: Cash payments are one of the main indicators for informal employment and undeclared wages. Informal employment is most common in those sectors and companies which use cash payments.

2 Reasons for informal employment

Understanding the reasons of people for engaging in informal employment is crucial to developing measures for changing people's behaviour.

As with any other criminal offence, working informally requires means, a motive and an opportunity. Looking at the means, motive and opportunity of informal employment provides the reasons for its widespread use in Moldova.

- **Means:** The ability to engage informal employment
- **Motive:** The motivation / need to engage in informal employment
- **Opportunity:** The possibility to engage in informal employment

2.1 Cash payments as a pre-requisite for informal employment

A prerequisite for informal employment is a sufficient amount of cash money since the wage payments cannot be made via bank transfer as this hugely increases the risk of being detected. Without enough cash money, paying wages in an envelope is not possible.

This explains why informal employment is especially present in the personal services sectors and retail, where cash payments are common and cash money can be channelled off for the purposes of making envelope payments.

While, in such sectors cash payments are common and keeping them off the records is relatively straight forward, several other channels exist for bringing cash into the system, including:

- **Overstating invoices:** Example: A construction company purchases building materials. The materials have a value of MDL 10,000. However, on the invoice, an amount of MDL 12,000 is stated. The purchaser pays the MDL 12,000 and receives MDL 10,000 in form of goods and MDL 2,000 in cash. That way an additional MDL 2,000 is available for off-the record wage payments or other purposes.
- **Running a small business on the side** where payments are made in cash, e.g. a car wash.
- **Other ways** are by smuggling goods for sale or illegally importing “black cash” from abroad.

Conclusion: The main pre-requisite for informal employment is cash money in order to make wage payments which cannot be detected.

2.2 Employers’ rationale for informal employment

Having discussed the prerequisite or means for informal employment, there is the question of what is the motive for engaging in informal employment.

Informal employment needs two sides: an employer and an employee who agrees to it. Although those cases may exist, it seems very unlikely that an employee is unaware that he/she is taking part in informal employment. So it is relevant to ask: What is the rationale for both, the employers and the employees, to make an agreement for informal employment?

The major reason for an employer to pay full wages or at least part of it in cash is to reduce the overall labour costs. By not declaring wages an employer does not have to pay tax and contributions to social and medical insurance. The maximum labour cost advantage that can be achieved in comparison to official employment would be 54%¹⁴. That is, if all wage remains undeclared and the average tax rate is close to 18% (see also box below for an example). Therewith the employer has a strong motive to pay salaries informally. However, this is rather a theoretical result, as wages in the informal sector are not likely to be subject to the highest possible average tax rate, and as the employee partly profits from the labour cost saving by receiving a higher wage.

However, there is always the risk of being detected and having to pay a fine. Thus, the employers’ potential labour costs savings will have to be weighed against expected fines. That is, the average employer will estimate how likely it is that he will be caught and, once this happens, how high the fine is. If the annual labour costs savings are higher than the expected fines, there is a good chance that he will attempt to leave parts of the wage undeclared.

¹⁴Clearly, the employers have to share at least some of the labour cost savings with his employee in order to motivate him to agree to informal employment.

Box 1: Numerical example of labour cost savings through informal employment. Informal Employment vs. Official Employment

Paying wages (partly) in envelopes helps to reduce labour costs. To what extent this can be effective is shown with the help of the following example.

We assume two workers who both have a net income of MDL 5,000. In the case of informal employment we assume 40% of the MDL 5,000 are undeclared (paid in an envelope). For the second case the entire wage is declared.

As Figure 9.2 illustrates, by paying some of the wage in an envelope labour cost savings MDL 1,490 compared to paying the same net wage 100% officially can be achieved. In other words, the labour costs for a person receiving 40% of MDL 5,000 net wage in an envelope are 18% lower than those for official employment with the same net wage. The sum of taxes and contributions for social and medical insurance is almost twice as high in the official scenario.

Clearly, not all of the MDL 1,517 labour costs saved go into the pocket of the employer. In order to motivate the employee some if it needs to be used to increase his net wage.

The labour cost savings depend on the share of the wage paid in an envelope. For example, if all MDL 5,000 net wage remains undeclared, total labour costs for the employer would be 45% lower than that of an competitor paying wages officially.

In order to impose at a reasonable level of fines, that have to be paid upon detection, the calculation of cost advantages will act as a helpful reference.

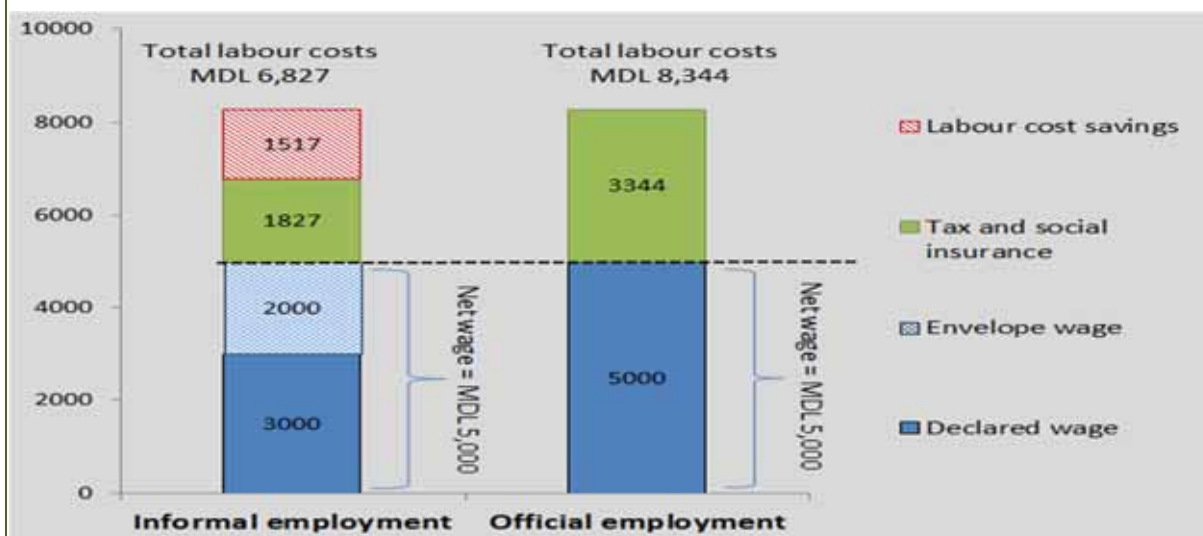


Figure 9.2. Labour Costs for informal and official employment for MDL 5,000 net wage

Source: Own calculation, applying the current rates for tax and social/medical insurance contributions. For more information on the rates cf. Annex 3.

Employers' rationale:

Labour cost savings > Expected cost of being fined

While there is little official data considering the widespread use of illegal payment practices, the chances of being fined appears to be rather low. Indeed, our discussions with stakeholders confirm that labour inspections are not very efficient for several reasons: There are too few labour inspections, labour inspections are poorly targeted and they have to be announced five days in advance. In addition, proving that actual undeclared payments have happened is extremely difficult if there are no insider tip offs.

Conclusion: Due to inefficient labour inspections and the fact that they actually need to be announced beforehand, the chances of actually being caught in the act of informal employment are rather low.

In the unlikely case, that undeclared wage are detected, the case will be transferred to the prosecution office. It is then up to the prosecutor, whether charges are pressed.¹⁵

Finally, if actual charges are pursued and the employer is fined, the financial burden is rather low. The fines hardly cover one month of labour costs and amount in the worst case to MDL 10,000 per person working (partly) informal.

Conclusion: As shown, employers have a strong motive for informal employment. On the one hand, the potential for labour costs savings is considerable due to Moldova's high overall tax and social insurance burden. On the other hand, the probability to be detected and the expected amount of fines are low.

2.3 Employees' rationale for informal employment

For employees the main purpose to decide for informal employment is the prospect of higher net wages. Declaring only a small wage may also increase their entitlement for social assistance.

However, the income motive for informal employment is not as strong as for employers for two reasons. Firstly, only some of the labour costs saved by the employer will be passed on to top up the declared wage. Clearly, employers want to keep as much of the labour costs savings for themselves. Secondly, unlike employers, employees have some actual costs as they lose parts of their social insurance entitlements – for example pension entitlements, unemployment benefits, paid sick leave, maternity pay, etc.

However, the large share of undeclared wages means that employees may discount their entitlements. This is due to a number of reasons. As for pensions this is understandable as the pay-back period is often long ahead. Additionally, the link between pension contributions and entitlements is weak (see our PP/02/2014). There may also be a lack of understanding of the fact that social insurance contributions and future benefits are linked¹⁶. For other social benefits, for example paid sick leave or unemployment benefits the consequences of undeclared wages can be felt immediately. Thus, the employee faces an increased income risk if he accepts salary payments in an envelope.

An additional motive to engage in informal work is the lack of trust in the state and its institutions. The Gallup World View Survey from fall 2012 shows, that only 24% of all Moldovans have confidence in the government. The share of people having trust in the police and the judicial system was at 36% and 27%, respectively.

As there are no fines for employees if detected to be engaged in informal work, the employees' rationale is as follows:

Employees' rationale:

Higher net income => Perceived reduced benefit entitlements and pension entitlements

¹⁵ Like other areas of the justice system there are severe deficiencies in the rule of law here, too. However, even if some "agreement" can be found, this also represents costs and may thus deter businesses from informal employment practices.

¹⁶ There is a somewhat widespread notion that the state is responsible for providing pension payments regardless if a person has paid in or not.

Conclusion: Employees' rationale for not declaring wages is the higher net income as employers may share some of the labour cost savings. However, since they also lose benefit entitlements their motive for informal work is weaker than that of employers.

In the current system, employers and employees have a strong motive and due to the weak inspections also a good opportunity to work (partly) informal. Such illegal behaviour does not have a strong negative notion. This can be explained by the lack of „Guilty Conscience” due to widespread corruption, as well as the low quality of state institutions and system of benefits.

3 Measures to reduce informal employment

The existence of a high share of wages paid informally suggests that currently the benefits from informal employment outweigh the expected costs.

A previous attempt to address the widespread informal economy was made with the 2011 action plan to minimize envelope payments and informal labour of the Ministry of Labour. The main objectives were inter alia to strengthen enforcement mechanisms for violation on wages, to improve detection of informal employment, to increase the reported wage rate and to promote legal education for employees.

While it is problematic to analyse the result of this plan after such a short time period, the overall share of informal employment (which apart from employees includes own-account workers and contributing family members) has remained unchanged. However, statistics show a drop of informal employment for employees from 11.4% in 2011 to 9.0% in 2013. Furthermore, the share of employees without a written work contract declined from 9.5% in 2010 to 7.8% in 2012.

The total share of all types of informal employment is with 30.9% of total employment considerable. Therefore, immediate action is still needed.

3.1 Overall strategy: “Carrots and sticks”

The problem of informal employment is widespread and will not be solved overnight. What is needed is a long term approach which consists of a host of measures. Those measures need to be consistent and should follow an overarching **double strategy of “carrots and sticks”**.

That is, the relevant ministries should work together to improve the incentives for those working legally (**carrots**) while at the same time increasing the pressure on those who take part in informal employment (**sticks**).

In addition to following such a double strategy, the government seek **to reduce undeclared cash payment**, as undeclared cash is the pre-requisite for informal employment.

Below outline specific measures which follow such a double strategy.

3.2 Increase the likelihood and cost of getting caught for both sides

As mentioned, in order to increase the pressure on those taking part in informal employment the state need to increase both the risk of getting caught and the fines for those who were detected.

A key to a higher likelihood of detection are labour inspection. Efficiently working labour inspections would significantly increase the risk and the costs of being detected and consequently reduce the motive for employers and employees to engage in informal employment. In order to achieve a higher detection rate, it is necessary to expand the number of inspectors, to increase the effectiveness by focusing on the most inclined sectors (like agriculture, construction, retail trade, consumer services) and to introduce higher fines or other means of punishment, like closing businesses or imprisonment.

Inspect businesses according to their risk profiles

One of the problems with the current system is not a lack of controls as such, but labour inspections that harass businesses which are unlikely to engage in informal employment. This adds administrative cost and risk without effectively reducing informal employment. It also increases the risk of companies dropping out of the formal sector. Hence, it is recommended that inspections put a stronger focus on certain sectors prone to informal employment. Such approach has been used in Latvia, Portugal and Romania where companies are inspected according to their risk profile. In general, this would mean that rather small and medium sized enterprises with high likelihood would be selected.

Introduce a “whistle blower” scheme

Detecting and proving informal employment from the outside is frustratingly difficult. To address this problem, employees should have the opportunity to report informal employment to the labour inspection office. This would significantly improve the chances of detecting and proving criminal actions even if the number of inspectors is kept unchanged. Clearly, such a “whistle blower” scheme would only work if there are sufficient incentives for those reporting the crime. Thus, employees reporting and giving testimony about informal employment practices should be exempted from any penalties.

The government should promote the whistle-blower scheme within a wider public awareness campaign. Those participating in informal employment should be signalled that the chances of being discovered are now much higher. Both the actual introduction and promotion of such a whistle blower system would in itself greatly increase the perceived risk of engaging in informal employment at very low cost to the government.

Strengthen the cooperation between state institutions

Another step towards improved detection of informal employment practices would be better cooperation and data exchange between the state institutions such as fiscal authorities, labour inspections, banks and the statistical office. This could include sharing data on income and real estate tax payments as well as other relevant information which can help to detect discrepancies in officially declared income and expenditures by data-matching. The creation of inter-departmental teams, as has been proposed by the 2011 Action Plan of the Ministry of Labour, is a promising first step in this regard. Additionally, quick and easy access to a commonly shared database can contribute to higher transparency and increase detection.

Specifically, there is a need to improve cooperation between the National Insurance House (CNAS) and the Labour Inspectorate. Often cases of informal employment or underpayment of social insurance contributions are reported by employees to CNAS. However, currently there is no clear mechanism of following up on those reported cases in place. Therefore, we suggest that a clearly defined compulsory procedure should be introduced for cases flagged by CNAS. That way, whenever CNAS reports infringements, the Labour Inspectorate is requested to follow up those cases and report back the outcome. If such a system is not possible, CNAS should get the powers to investigate infringements and impose fines independently from the Labour Inspectorate.

Deter from informal employment by higher penalties for both employers and employees

Even if the risk of being discovered is increased, the current level of fines of maximum MDL 10,000 for employers¹ is unlikely to deter a large share of those practicing informal employment. Thus, tougher punishment for informal employment through increased fines and expanding the range of measures should be considered. The penalty should depend on the

¹ There are currently no fines for employees.

severity of the offence. For example, in Germany employers have to pay social insurance contributions of up to three years. Austria, Romania and Slovakia, the regulations also include imprisonment as one possible measure. In Italy, whole construction sites can be shut down, if irregularities are detected.

We recommend increasing the minimum fines for employers to MDL 10,000 plus the repayment of the unpaid tax and social insurance contributions of up to three years.

There should also be meaningful fines for employees.

One possible measure to define the penalty is to estimate the amount of taxes and contributions that were not paid due to not fully declaring wages. This amount has to be re-paid to the CNAS and tax authorities. However, the level of fines for employees should be significantly lower than those for employers reflecting the fact that employees often have often little choice but to accept undeclared wages.

Nevertheless, fines are an important signal that informal employment is not accepted and an illegal activity. At the moment accepting undeclared wages is risk free for employees, so introducing fines would significantly reduce their rationale to engage in it. Finally, the suggested whistle blower scheme would only work with fines for both sides.

3.3 Increased incentives

As shown above, the main motive for employers and employees to agree on informal salaries is to save labour costs by avoiding tax and social insurance contributions. Indeed, the combined cost from paying income tax and social insurance accounts on average for almost 48% of total labour costs.

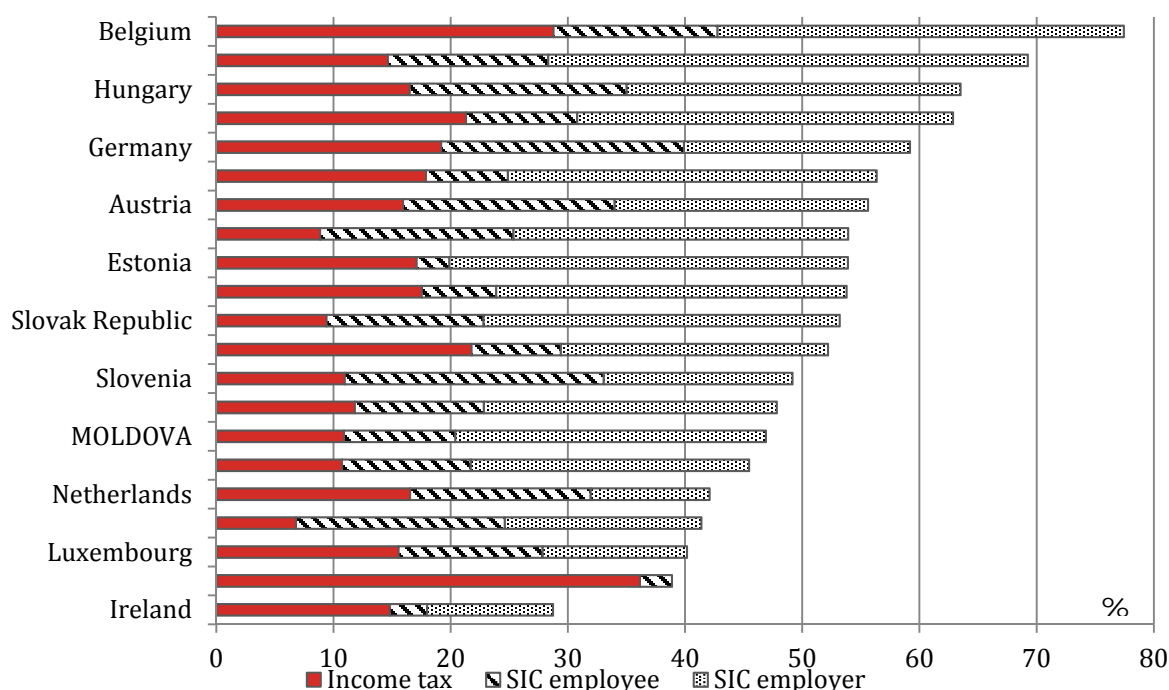


Figure 9.3. Combined additional labour cost from tax and social insurance for average income

Source: OECD, Effective tax rates and own calculation. Note: SIC – Social insurance contributions.

As such, Moldova’s tax and social insurance burden is in the range of countries like Slovenia and the Czech Republic and much larger than for example in Ireland and Denmark (Figure 9.3). At

the same time the level of social protection and public services provided is far below those countries. Thus, there is a great incentive for not declaring wages in order to save labour costs.

Reduce the tax and social insurance burden

As the cost saving argument appears to be the strongest for not fully declaring wages, a logical step is to gradually reduce the tax and social insurance burden. Lower rates encourage employers or employees to work within the rules. As a result, more people declare higher wages officially.

To estimate the effect of a reduction in the marginal tax rate in Moldova, the experience of comparable countries can be useful. In 2004, the Slovak Republic and Ukraine reformed personal income tax. By introducing a flat tax rate regime (one common tax rate for all incomes), the marginal tax rate was lowered.

Initially, tax revenues dropped in the year of implementation. However, the data show a recovery of tax revenues to the pre-reform level from the second year onward. This reflects an expansion of the tax base or stronger compliance (World Bank 2007).

Taken these examples into account, reducing the tax burden is a possible and promising measure to take. This would help to unshadow the informal part of the economy and therewith get more people into the official system. Of course, a loss of revenues due to lower rates (at least) in the first year puts pressure on public finances that have to be cushioned, for example by additional measures like a more efficient labour inspection (see chapter 3.2)

An alternative approach to reduce the tax burden is to smooth the marginal income tax rate. In the current tax system, at MDL 27,852 of yearly income the marginal income tax rate increases from 7% to 18%. It can be assumed that this jump deters employees from declaring income above that threshold. An approach for smoothing of the marginal tax rate for income of employees is to lift the threshold and therewith encourage employees to declare higher wages – at least up to the new threshold.

Unshadowing by increasing minimum wage?

In order to reach a higher level of declared wages, instead of setting tax incentives, a higher minimum wage could have a similar effect. The minimum wage level can be seen as the lower threshold for the minimum amount of declared wage. Hence, an increase of that threshold would entail higher declared wages by law. Additionally, especially among low skilled and low paid workers, a higher minimum wage enhances the incentive to declare income as the level of net income would still be acceptable (ILO 2011). Several Eastern European countries like the Czech Republic, Latvia and Estonia have adopted such measure: In the past, minimum wages have been lifted or fixed in a specified ratio to average wages.

However, increasing the minimum wage may a number of unwanted side effects. Firstly, a reduction of employment or employment moving from the formal to the informal sector has to be avoided in all circumstances. Special concern has to be paid to small companies with a high share of labour costs which might not be able to cushion such shock. Moreover, employers may react by reducing the contractually agreed hours while simultaneously increasing unpaid overtime. As a result, the official wage can be kept below minimum wage.

Additionally, an above average increase in the minimum wage may also lead to increases of other – higher paid – positions since those employees do not want to lose their advantage. High wage growth and inflation and loss of international competitiveness may be the result.

Finally, minimum wage increases should be strictly formula-based as it is currently practiced in Moldova. Indeed, as soon as the government is allowed to arbitrarily adjust the minimum wage, there is the risk that this will be used as a tool to please voters in the run-up to elections.

Due to the risks related to changes in minimum wage, we do not recommend using it as an indirect tool to increase the share of declared wages.

3.4 Reduce use of undeclared cash payments

In addition to the proposed double strategy of increased pressure and improved incentives, the government should also target undeclared cash payments. Indeed, in order to cut the means of informal employment, reducing the undeclared cash would be a major step. Not only would this make the use of informal employment much more difficult, it would also increase the wider tax base.

Several measures can be taken into consideration.

Introduce mandatory cash registers

Retail trade is a major source of unreported earnings which then are used for envelope wages. Thus compulsory cash registers should and sales receipts must be mandatory for retailers. The use of mandatory cash registers can be easily supervised and enforced by random checks of the receipts of costumers. A similar measure has been introduced in Italy and Slovakia with success.

Radically shorten the list of patent activities

In this context, a wholesale review of the list of business activities for which patents can be obtained should be undertaken. Activities, for which book keeping and the use of a cash register can conveniently be introduced, should be taken off the list. This would, for example, include retail businesses in department stores, but not necessarily market stalls.

Promote non-cash payment

To additionally decrease cash payments, incentives should be introduced which promote the use of electronic payments and bank transfers. For example, payments from state institutions (e.g. benefits, salaries, etc.) should be paid out exclusively through bank accounts. That way, less money would be held in cash and the transaction costs of paying non-cash fall. The state could also fast-track VAT refunds for electronic payments.

4 Conclusions

As mentioned above the government should follow a strategy which increases the pressure on those participating in informal employment as well as improving incentives for those working officially. For this double strategy to work, sequencing is important. If the government were to reduce the combined income tax and social insurance contribution burden right away, this would lead to a big fiscal gap while probably not having a big effect on the share of undeclared wages.

To avoid such a situation, the government should first increase the pressure on those taking part in informal employment. Taking part in informal employment needs become much more risky with a high chance of getting caught and, if so, fines that act as a deterrent. Although, the pressure should increase for both parties – employers and employees, the main financial burden should lie on employers.

Increasing the risk would also be an important signal, that informal employment is no longer tacitly tolerated, but a criminal act that will be punished. Such a change of mind is an important component when fighting informal employment.

However, pressure alone will not solve the problem. Currently, the incentives for declaring wages are poor as the high tax and social insurance burden reduces the net income for employees and increases the labour costs for employers. At the same time the level of public services and benefits received in return is poor and the trust in the government low. Thus, there is an urgent need to gradually reduce the currently high cost of those working legally.

Such a **combined strategy which makes working legally cheaper and increases the cost and risk of working informally**, is likely to shift the balance to declaring more wages officially.

After having clarified the overall strategy we will no outline specific measures which would fit into this strategy in more detail.

Annex

Annex 1 - Data

Data of the Labour Force Survey 2013:

Sector Data

Year	Agriculture, forestry; Fishery			Industry			Construction			Trade; Hotels; Restaurants		
	Formal	Informal	%	Formal	Informal	%	Formal	Informal	%	Formal	Informal	%
2006	139,1	283,2	67,1	140,6	20,7	12,8	29,9	37,4	55,6	125,1	70,9	36,2
2007	142,9	265,7	65,0	140,3	17,8	11,3	32,6	43,1	56,9	135,5	62,3	31,5
2008	142,3	246,4	63,4	145,2	18,1	11,1	39,3	43,5	52,5	154,3	54,6	26,1
2009	113,7	220	65,9	140,2	15,3	9,8	30,5	42,4	58,2	164,7	52,6	24,2
2010	91,8	222,9	70,8	130,7	15,1	10,4	24,7	42,8	63,4	166,7	46,7	21,9
2011	90,3	232,8	72,1	138	15,2	9,9	22,5	44,3	66,3	175,4	47,6	21,3
2012	77,2	226,2	74,6	139,2	11,7	7,8	27,1	43,1	61,4	168,5	40,8	19,5
2013	88,5	249,4	73,8	133,4	9	6,3	24,9	40,1	61,7	169,5	41,9	19,8
Year	Transportation, Communications			Public administration; Education; Health and social work			Other					
	Formal	Informal	%	Formal	Informal	%	Formal	Informal	%			
2006	55,7	9,6	14,7	254,8	1,9	0,7	70,5	17,8	20,2			
2007	58,3	10,4	15,1	249,5	0,9	0,4	68,6	19,2	21,9			
2008	57,7	13,1	18,5	247,5	0,7	0,3	75,2	13,2	14,9			
2009	57,1	10,9	16,0	247,6	1	0,4	75,1	13,2	14,9			
2010	53,8	9,9	15,5	249,1	1,6	0,6	73,1	14,5	16,6			
2011	58,8	8,2	12,2	248,9	1,3	0,5	79	11,3	12,5			
2012	61,6	8,8	12,5	246,6	0,5	0,2	85,6	9,8	10,3			
2013	64,1	9,1	12,4	235,1	0,5	0,2	94,4	12,8	11,9			

Age groups

	2013		
Total	810	362,7	30,9%
15-24 years	65,8	38,5	36,9%
25-34 years	212,9	85,8	28,7%
35-44 years	194,7	83	29,9%
45-54 years	209,2	89,7	30,0%
55-64 years	117,5	51,2	30,3%
65 years and over	9,8	14,6	59,8%

Annex 2 - Definitions

The definition of the four groups is described in the documentation to the Labour Force Survey of the National Bureau of Statistics as follows:

- **Employee** – is the person carrying out an activity under a working contract within an economic or social unit – irrespective of its ownership type – or for private persons, receiving remuneration in form of salary, in cash or in kind, commission, etc. People under military service were also registered with the same status.
- **Employer** – is the person carrying out the activity (craft) within his/her own unit (enterprise, agency, workshop, shop, office, farm, etc.) having one or several permanent employees.
- **Own-account worker** – is the person carrying out an activity within his/her own enterprise or business, without hiring any permanent employee, being helped or not by unpaid family workers. This status covers as well the individual entrepreneurs (haberdashers, private tutors, private taxi drivers, etc.), professional men (strolling players, artists, lawyers), occasional daily workers, and individual farmers. Own account worker can have temporary employees.
- **Contributing family member** – is the person carrying out the activity within a family economic unit, headed by a family member or by a relative, for which he/she does not receive remuneration in form of salary or payment in kind. The agricultural household is considered as such unit. If several persons from a household are working within their own agricultural household, one of them – generally the household head – is considered as self-employed and the others are considered as unpaid family workers.

Annex 3 - Calculation

The number of persons involved in informal employment is derived from the Labour Force Survey:

Group	Number of People
a) Employees in formal sector enterprises	18,288
b) Employees in informal sector enterprises	57,912
c) Own account workers informal employment	261,400
d) Contributing family members in informal employment	25,200
Total	362,800

Source: National Bureau of Statistics Labour Force Survey.

The assumptions and the amount of undeclared wage can be seen here:

Group	Share of undeclared wage	Assumed annual wage (MDL)	Undeclared wage (MDL)
a)	40%	28,800	526,694,400
b)	100%	43,200	2,501,798,400
c)	100%	43,200	11,292,480,000
d)	100%	43,200	1,088,640,000
Total			15,409,612,800

Source: National Bureau of Statistics, Earnings statistic, own calculation.

To estimate the income tax losses, we apply the average tax rate resulting from the sum of yearly income. For the estimation of the losses for social and medical insurance, we use two different measures: For the groups a) and b) we use the official contribution rates. For the remaining two groups we assume that they would obtain an individual contract with the CNAS, which obliges

them to pay an annual fixed sum of MDL 5,748 for social insurance and MDL 4,056 for medical insurance.¹

The losses are calculated as follows:

	Group	Contribution Rate / Tax Rate	Sum of Losses (MDL)
SIC	a)	29%	152,741,376
	b)	29%	725,521,536
	c)	MDL 5,748 ann.	1,502,527,200
	d)	MDL 5,748 ann.	144,849,600
	<i>Total</i>		<i>2,525,639,712</i>
MIC	a)	8%	42,135,552
	b)	8%	200,143,872
	c)	MDL 4,056 ann.	1,060,238,400
	d)	MDL 4,056 ann.	102,211,200
	<i>Total</i>		<i>1,404,729,024</i>
TAX	a)	18%	94,804,992
	b)	10.9%	272,897,559
	c)	10.9%	1,231,789,992
	d)	10.9%	118,749,456
	<i>Total</i>		<i>1,718,241,999</i>
TOTAL			<i>5,648,610,735</i>

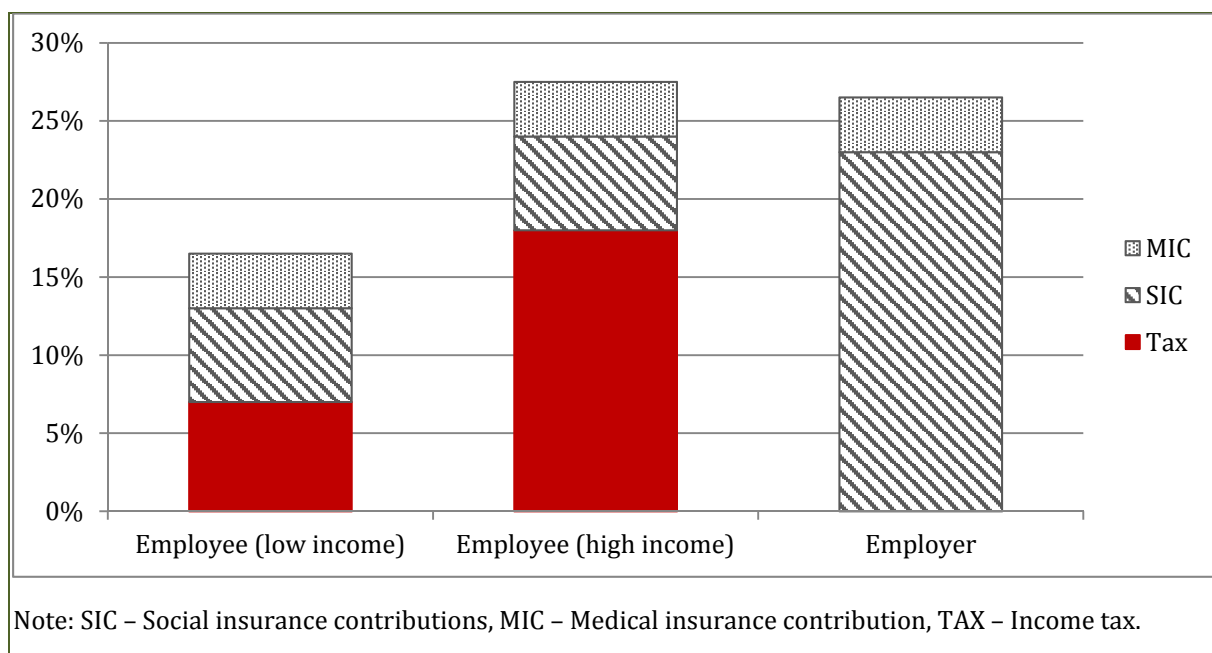
Source: Own calculation based on the Labour Force Survey of the National Bureau of Statistics, the Earnings Statistics, as well as the legal framework.

Note: SIC – Social insurance contributions, MIC – Medical insurance contribution, TAX – Income tax.

Annex 4 – Taxation in Moldova

Income tax – two progressive income tax rates	
- Yearly income below MDL 27,852:	7%
- Yearly income exceeding MDL 27,852:	18%
Social insurance contribution rate (SIC):	
- Employer:	6%
- Employee:	23%
Medical insurance contribution (MIC):	
- Employer:	4%
- Employee:	4%
Total:	
- Employee	
▪ low income:	16.5%
▪ high income:	27.5%
- Employer:	26.5%

¹ Figures are derived from CNAS and ACI Partners (2014) Legal Flash No. 1, 19.02.2014. The method follows the approach of Ministerul Muncii, Protecției Sociale și Familiei (2012) Propunerea de politică publică: Diminuarea fenomenului de ocupare informală a forței de muncă.



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STATISTICAL ANNEX

Period	Sources of GDP													
	GDP		GVA		Agriculture		Industry		Construction		Other activities		Net taxes on products	
	mil. Lei, current prices	%, previous year	mil. lei, current prices	%, GDP	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year
2009	60429.8	94	50809.2	93.6	5134.5	90.1	8030.8	80.1	2108.7	73.2	35535.2	99.5	9620.6	95.8
2010	71885.5	107.1	59920.7	106.2	8657.4	107.4	9534.8	108.9	2437.5	112.7	39291	105.1	11964.8	111.7
2011	82348.7	106.8	68390	106.3	10095	105.2	11518	110.2	2720	101.9	45831	101.3	13959	109.6
2012	88227.8	99.3	73686	99	9896	79.9	12314	100.8	3041	101.8	50178	103.2	14542	100.8
2013	99879.1	108.9	83078.1	109.4	12167	141	13825	107.4	3434.1	105.1	55400	103.9	16801	106
HI 2010	31874.4	105.6	26660.6	103.6	2367	106.4	4256	106.9	1079	94.1	19669	104	5213.8	116.8
HI 2011	36627.6	107.5	30611	106.9	2792.2	103.3	4985.9	109.3	1387	118	22252	106.4	6016.8	110.8
HI 2012	39295.2	100.8	33089.7	100.9	2751.2	94.8	5685	101.1	1500	103.1	23975	101.8	6206	99.9
HI 2013	43376	104.9	35849.9	104.5	2889	103.4	6355.3	107.4	1705	103.6	25671.7	103.5	7526.1	106.7
HI 2014	47695.3	103.9	39819.9	104.6	3365.1	107.4	7130.5	105.5	2015.9	109.8	28408.3	103.9	7875.4	101
Q I 2012	18095.8	101	15268	101.5	821	101.6	2771	97.9	395	109.8	11698	102.4	2828	98.4
Q II 2012	21199.4	100.6	17821.6	100.5	1929.6	92.5	2914.5	104.3	1105	100.9	12277.7	101.2	3377.8	101.3
Q III 2012	26106.8	98.3	22026.6	97.4	3923.3	69.2	3389.6	102.3	1059.2	100	14092.5	104.4	4080.2	103.4
Q IV 2012	22445.3	97.5	18203.5	96.5	2911.3	70.8	3232.9	96.5	482.1	101.8	12109.6	104.6	4241.8	101.4
Q I 2013	19672.7	103.5	16201	102.9	824.8	102.3	2960	102.2	522.5	110.5	12283.7	102.5	3471.8	106.6
Q II 2013	23703.3	106.1	19649	105.9	2064.3	103.8	2961.7	113.4	1182.5	100.8	13388.1	104.6	4054.4	106.7
Q III 2013	29936.4	112.9	25436.1	114.2	5847.4	159.8	3836	107.5	1128.7	102.2	15117.7	104.3	4500.3	105.6
Q IV 2013	26566.7	111.2	21792.1	112.5	3430.7	152.2	3633.8	107.4	600.4	116	14610.8	104.5	4774.6	105.2
Q I 2014	21469.2	103.6	17888	104.2	984.1	107.2	3294.5	107.1	601.2	108.5	13543.3	103.4	3581.2	100.9
Q II 2014	26226.1	104.2	21931.9	104.9	2381.0	107.4	3836	104.2	1414.7	110.4	14865	104.5	4294.2	101.2

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

Period	Uses of GDP													
	GDP			Final consumption			Gross capital formation			Stock variation			Net export	
	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year	mil. lei, current prices	%, previous year
2009	60429.8	94	68574	93.1	13655	69.1	329.7	9.5	-22128.8					
2010	71885.5	107.1	83240.3	107.3	16262.6	117.2	648.1	157.9	-28265.5					114.8
2011	82348.7	106.8	96090.5	107.3	19178.8	113	725.2	x	-33645.8					x
2012	88227.8	99.3	103062.6	100.9	20864.1	101.8	-3.2	x	-35695.7					x
2013	99879.1	108.9	113303.2	105.2	22566.8	103.3	1737.6	x	-37728.4					x
H I 2010	31874.4	105.6	39152	103.6	5150.5	100.2	979.5	x	-13407.8					x
H I 2011	36627.6	107.5	36471	111.4	6815	126.4	98.5	x	-15729.5					x
H I 2012	39295.2	100.8	48152.6	100.7	7440	99.7	346.5	x	-16643.9					x
H I 2013	43376	104.9	50809	104.5	9796.5	104.5	542.5	x	-17771.9					x
H I 2014	47695.3	103.9	54566.4	100.9	11622.3	108	-345.8	x	-18147.5					x
Q I 2012	18095.8	101	23464.8	101.9	2439	101	272.2	105.3	-8080.2					x
Q II 2012	21199.4	100.6	24687.8	99.6	5001	99.1	74.3	x	-8563.7					x
Q III 2012	26106.8	98.3	30085.8	101	4538.7	100.8	504	x	-9021.6					x
Q IV 2012	22445.3	97.5	27514.7	100.7	5493.2	100.5	-196.4	x	-10366.1					x
Q I 2013	19672.7	103.5	23400.8	102.6	4219.7	106.6	-85.3	x	-7862.5					x
Q II 2013	23703.3	106.1	27408.2	106.2	5576.7	103	627.7	x	-9909.3					x
Q III 2013	29936.4	112.9	32009	107.4	6667.3	101.2	716.9	x	-9456.7					x
Q IV 2013	26566.7	111.2	30485.2	104.2	6103.1	103.6	478.2	x	-10499.9					x
Q I 2014	21469.2	103.6	24961.5	100.4	4975.2	108.6	-238.8	x	-8228.6					x
Q II 2014	26226.1	104.2	29 604.9	101.4	6647.1	107.6	-106.9	x	-9918.9					x

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

Consumer prices				
	Growth rate of CPI, % (compared to the same period of previous year)	Growth rate of food prices, % (compared to the same period of previous year)	Growth rate of non-food prices, % (compared to the same period of previous year)	Growth rate of prices for services, % (compared to the same period of previous year)
2009	0	-5.6	-0.3	8.2
2010	7.4	5.7	7.3	9.1
2011	7.6	8.4	5.8	8.8
2012	4.6	3.8	4.2	6.2
2013	4.6	6.6	4.3	2.6
<i>Semester I 2010</i>	6.9	4.8	7.4	7.9
<i>Semester I 2011</i>	6.6	6.6	5.3	8
<i>Semester I 2012</i>	5.1	3.3	4.8	7.7
<i>Semester I 2013</i>	4.8	7.2	4.0	2.9
<i>Semester I 2014</i>	5.3	7.4	5.0	2.7
Quarter I 2012	6.2	4.7	5	9.2
Quarter II 2012	4.2	1.9	4.5	6.3
Quarter III 2012	4.4	3.6	3.7	6.4
Quarter IV 2012	3.9	4.9	3.6	3.1
Quarter I 2013	4.4	5.9	4	3.1
Quarter II 2013	5.2	8.4	4.1	2.6
Quarter III 2013	4.0	5.0	4.5	2.1
Quarter IV 2013	4.9	7.1	4.5	2.6
Quarter I 2014	5.4	7.9	4.8	2.7
Quarter II 2014	5.2	6.9	5.2	2.6

Source: According to the National Bank of Moldova data, author'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 2012	6.9	5	5	11.8
February 2012	6.1	5	4.9	8.9
March 2012	5.4	4.1	5.3	7.1
April 2012	4.7	2.9	4.9	6.3
May 2012	4.1	2	4.5	6.1
June 2012	3.7	0.9	4.1	6.4
July 2012	4	2.1	3.8	6.4
August 2012	4.4	3.5	3.7	6.4
September 2012	4.9	5.1	3.5	6.3
October 2012	3.9	4.8	3.6	3.3
November 2012	3.7	4.5	3.6	2.9
December 2012	4.1	5.4	3.6	3
January 2013	4.7	6.8	4	3.1
February 2013	4.4	5.5	4.2	3.1
March 2013	4.2	5.5	3.8	3.2
April 2013	4.5	6.1	3.7	3.4
May 2013	5.7	10.0	4.0	2.4
June 2013	5.5	9.2	4.5	2.0
July 2013	4.3	5.9	4.6	2.0
August 2013	3.7	4.2	4.5	2.1
September 2013	3.9	5.0	4.3	2.1
October 2013	4.7	6.9	4.4	2.1
November 2013	4.9	6.8	4.6	2.9
December 2013	5.2	7.6	4.6	2.9
January 2014	5.1	7.3	4.6	2.7
February 2014	5.4	7.9	4.9	2.8
March 2014	5.7	8.5	5.0	2.7
April 2014	5.8	8.7	5.2	2.5
Mai 2014	4.7	5.7	5.1	2.6
June 2014	5.0	6.4	5.3	2.7
July 2014	5.3	7.1	5.2	2.8

Source: According to the National Bank of Moldova data, author's calculations.

	Producers prices				
	Growth rate of IPPI, % (compared to the same period of previous year)	Growth rate of prices in mining industry, % (compared to the same period of previous year)	Growth rate of prices in manufacturing industry, % (compared to the same period of previous year)	Growth rate of prices in energy sector, % (compared to the same period of previous year)	
2009	-3	-4.5	-3.9	14	
2010	7.9	0.7	6.2	16.1	
2011	6.8	2.6	6.3	10.5	
2012	5.7	3.8	5.1	9.2	
2013	3.2	1.6	3.8	-0.4	
<i>Semester I 2010</i>	8.5	0.1	7.1	13.9	
<i>Semester I 2011</i>	5.5	3.6	4.8	9.6	
<i>Semester I 2012</i>	6.4	0.4	5.8	10.4	
<i>Semester I 2013</i>	2.9	2.8	3.2	1.3	
<i>Semester I 2014</i>	5.8	3.1	6.9	-2.5	
Quarter I 2012	7.1	-0.5	6.4	11.8	
Quarter II 2012	5.8	1.3	5.3	9	
Quarter III 2012	5	5.1	4.1	9.9	
Quarter IV 2012	4.8	9.5	4.4	6.5	
Quarter I 2013	2.6	4.7	2.6	2.0	
Quarter II 2013	3.2	1.7	3.6	0.7	
Quarter III 2013	3.4	1.2	4.1	-1.6	
Quarter IV 2013	3.7	-0.2	4.6	-2.4	
Quarter I 2014	4.9	1.3	5.9	-2.5	
Quarter II 2014	6.7	4.9	7.9	-2.5	

Source: According to the National Bank of Moldova data, author's calculations.

Producers prices				
	Growth rate of IPPI, % (compared to the same period of previous year)	Growth rate of prices in mining industry, % (compared to the same period of previous year)	Growth rate of prices in manufacturing industry, % (compared to the same period of previous year)	Growth rate of prices in energy sector, % (compared to the same period of previous year)
January 2012	10.4	-1.6	9.8	14.8
February 2012	6.6	1.1	6	10.4
March 2012	6.5	-1.1	5.9	10.4
April 2012	5.8	-1.1	5.7	7.3
May 2012	5.7	-0.1	5	9.9
June 2012	6.0	5.2	5.3	9.9
July 2012	5.0	4.3	4.1	9.9
August 2012	4.8	5.4	3.9	9.9
September 2012	5.3	5.7	4.4	9.9
October 2012	5	10	4.1	9.7
November 2012	5	7.8	4.9	4.9
December 2012	4.5	10.6	4.3	4.9
January 2013	1.6	6.2	1.5	1.9
February 2013	2.8	3.5	2.9	2.0
March 2013	3.4	4.5	3.5	2.0
April 2013	3.7	2.4	3.9	2.0
May 2013	3.0	1.7	3.5	0.0
June 2013	2.9	1.1	3.4	0.0
July 2013	3.3	1.4	3.8	0.0
August 2013	3.4	1.1	4.2	-2.4
September 2013	3.4	1.1	4.2	-2.4
October 2013	4.1	0.6	5.1	-2.4
November 2013	3.0	1.1	3.8	-2.4
December 2013	4.0	-2.4	5	-2.4
January 2014	4.6	-1.3	5.6	-2.5
February 2014	4.9	2.2	5.8	-2.5
March 2014	5.2	3.0	6.2	-2.5
April 2014	5.7	3.1	6.8	-2.5
May 2014	6.6	4.0	7.9	-2.5
June 2014	7.8	7.5	9.1	-2.5
July 2014	7.7	5.3	9.1	-2.4

Source: According to the National Bank of Moldova data, author's calculations.

	Exchange rates					
	MDL/USD nominal exchange rate	MDL/EUR nominal exchange rate	Growth rate of MDL/USD nominal exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/EUR nominal exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/USD real exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/EUR real exchange rate, % (compared to the same period of previous year)
2009	11.1	15.5	6.9	1.4	6.6	1.8
2010	12.4	16.4	11.3	5.8	5.3	0.2
2011	11.7	16.3	-5.1	-0.4	-9.1	-4.9
2012	12.1	15.6	3.2	-4.7	0.7	-6.6
2013	12.6	16.7	3.9	7.4	0.5	4.9
<i>Semester I 2010</i>	12.6	16.8	15.8	15.2	10.5	9.1
<i>Semester I 2011</i>	11.8	16.6	-6.2	-1	-9.7	-4.7
<i>Semester I 2012</i>	11.9	15.4	0.4	-7.2	-2.3	-9.5
<i>Semester I 2013</i>	12.3	16.1	3.4	4.7	0.2	1.8
<i>Semester I 2014</i>	13.5	18.6	10.2	15.1	6.3	11.1
Quarter I 2012	11.8	15.5	-1.8	-5.9	-4.7	-8.9
Quarter II 2012	11.9	15.3	2.5	-8.6	0.6	-10.0
Quarter III 2012	11.9	15.3	8.0	-4.6	5.4	-6.1
Quarter IV 2012	12.4	15.5	4.2	0.2	2.3	-1.2
Quarter I 2013	12.2	16.1	2.9	3.7	0.2	1.4
Quarter II 2013	12.4	16.4	3.9	5.7	0.2	2.2
Quarter III 2013	12.8	16.9	2.8	8.9	-0.6	7.6
Quarter IV 2013	13.0	17.7	6.1	11.3	2.1	8.5
Quarter I 2014	13.4	18.3	9.8	13.9	5.4	10.1
Quarter II 2014	13.7	18.8	10.4	16.0	7.1	12.1

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

	Exchange rates					
	MDL/USD nominal exchange rate	MDL/EUR nominal exchange rate	Growth rate of MDL/USD nominal exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/EUR nominal exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/USD real exchange rate, % (compared to the same period of previous year)	Growth rate of MDL/EUR real exchange rate, % (compared to the same period of previous year)
January 2012	11.8	15.2	-3.3	-6.7	-7	-10.4
February 2012	11.8	15.7	-1.1	-4.4	-4.1	-7.4
March 2012	11.9	15.6	-0.8	-6.5	-3.5	-9
April 2012	11.8	15.5	0.9	-8.1	-1.3	-9.7
May 2012	11.9	15.2	2.7	-8.7	0.1	-10.1
June 2012	12.1	15.1	4.4	-9.3	2.4	-10.2
July 2012	12.4	15.2	7.4	-7.8	4.7	-8.8
August 2012	12.5	15.5	9.9	-5.1	7.1	-6.6
September 2012	12.4	15.9	7	-0.7	4.2	-2.7
October 2012	12.3	15.9	3.9	-1.6	2.2	-2.8
November 2012	12.3	15.8	5.2	-0.6	3.3	-2
December 2012	12.2	16	3.4	2.8	1.1	1.2
January 2013	12.1	16.1	2.8	5.9	-0.2	3.2
February 2013	12.1	16.2	2.5	3.1	-0.4	1.0
March 2013	12.3	16	3.5	2.2	1.3	0.0
April 2013	12.3	16	4.6	3.3	1.3	0.5
May 2013	12.3	16	4.2	5.4	0.0	1.5
June 2013	12.4	16.4	3.0	8.4	-0.6	4.6
July 2013	12.6	16.5	2.6	8.7	0.3	7.5
August 2013	12.4	17.0	-1.0	9.7	-3.2	8.6
September 2013	12.9	17.2	3.7	8.0	1.0	6.5
October 2013	13.0	17.8	6.4	11.8	2.5	9.2
November 2013	13.0	17.5	5.1	10.6	1.1	7.8
December 2013	13.0	17.9	7.0	11.6	2.8	8.4
January 2014	13.2	18.0	8.8	11.8	4.4	8.2
February 2014	13.5	18.4	11.6	13.6	6.7	9.8
March 2014	13.5	18.7	9.6	17.1	5.2	12.4
April 2014	13.4	18.6	8.5	15.8	4.8	11.1
May 2014	13.7	18.8	10.7	17.1	7.9	13.7
June 2014	13.9	18.9	11.8	15.4	8.6	11.6
July 2014	14.0	19.0	10.4	14.6	6.8	9.1
August 2014	13.83	18.4	11.8	8.6		

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

Monetary aggregates					
	Monetary aggregate M0, mil. MDL, (stock at the end of period)	Monetary aggregate M1, mil. MDL, (stock at the end of period)	Monetary aggregate M2, mil. MDL, (stock at the end of period)	Monetary aggregate M3, mil. MDL, (stock at the end of period)	Monetary base, mil. MDL, (stock at the end of period)
2009	8849	13206.8	20942	32684.4	10456.3
2010	10107.6	15720.2	24770.7	37051.2	12115
2011	10864.5	17385.6	28265.4	40977.1	14345.2
2012	13240.8	20607.3	34914.6	49513.2	17633.5
2013	17550.5	21119.4	45177.1	62631.5	23254.2
January 2012	10280.2	16169.4	27617.0	40526.7	13643.6
February 2012	10476.6	16422.4	27900.1	40960.8	13843.7
March 2012	10673.6	16613.3	28275.1	41016.6	14074.3
April 2012	10960.7	16742.9	28601.4	41636.4	15005.9
May 2012	10858.8	16903.8	28958.4	41780.4	14765.1
June 2012	11243.9	17400.3	29541.1	43206.1	15082.8
July 2012	11760.9	18263.2	30692.8	44752.8	15668.6
August 2012	12417.4	19124.9	32196.0	46080.8	16284.4
September 2012	12784.9	19616.7	32936.2	46770.7	16840.7
October 2012	12537.4	19443.1	33024.0	47160.0	17155.6
November 2012	12670.7	19531.3	33590.2	47913.9	16947.5
December 2012	13240.8	20607.3	34914.6	49513.2	17633.5
January 2013	12772.2	20180.2	35120.9	50100.8	17251.7
February 2013	12902.8	20183.1	35189.5	49808.9	17437.4
March 2013	12892.8	19878.5	34882.4	49705.1	16914.1
April 2013	13293.0	20437.1	35740.5	50362.7	17994.7
May 2013	13523.0	21302.8	36690.3	51573.6	17928.0
June 2013	13997.7	21746.4	37417.5	52432.0	18254.7
July 2013	14867.3	22653.2	38801.1	54065.5	19309.5
August 2013	15626.0	23823.7	40454.4	56278.9	20526.6
September 2013	16155.8	24488.3	41185.2	57393.9	20887.1
October 2013	19899.0	25616.2	42843.9	59205.0	22019.9
November 2013	16937.9	25721.9	43327.3	60707.8	22149.0
December 2013	17550.5	21119.4	45177.1	62631.5	23254.2
January 2014	16900.7	26179.4	44349.8	62300.0	22319.2
February 2014	16715.9	26279.5	44360.4	62555.9	21807.8
March 2014	16656.2	26522.4	44408.9	62328.5	21678.0
April 2014	17027.5	26398.7	44252.4	62481.4	22335.2
May 2014	17301.2	26942.1	44776.8	63316.9	21847.9
June 2014	17610.6	27362.9	45067.5	64455.1	23049.1
July 2014	18137.3	27770.8	45364.3	64806.2	23915.3

Source: According to the National Bank of Moldova data.

	Monetary instruments						
	Base rate. %	CNB. mil. MDL (average daily stock)	Interest rate for overnight credits. %	Overnight credits. mil. MDL (average daily stock)	Interest rate for overnight deposits. %	Overnight deposits. mil. MDL (average daily stock)	Reserve rate for MDL resources. %
January 2012	9.5/8.5	3456.7	12.5/11.5	-	6.5/5.5	347.3	14
February 2012	8.5/6.5	3771	11.5/9.5	-	5.5/3.5	226.3	14
March 2012	6.5/4.5	3847.7	9.5/7.5	-	3.5/1.5	139.6	14
April 2012	4.5	3377.6	7.5	-	1.5	118.5	14
May 2012	4.5	3576.9	7.5	-	1.5	169.6	14
June 2012	4.5	3682.4	7.5	-	1.5	268.7	14
July 2012	4.5	3503.2	7.5	-	1.5	293.3	14
August 2012	4.5	3943.2	7.5	-	1.5	282.1	14
September 2012	4.5	4362.6	7.5	-	1.5	217.6	14
October 2012	4.5	3961.7	7.5	-	1.5	135.4	14
November 2012	4.5	3900.5	7.5	-	1.5	184.6	14
December 2012	4.5	3650.8	7.5	-	1.5	368.9	14
January 2013	4.5	4298.4	7.5	-	1.5	363.8	14
February 2013	4.5	4480.7	7.5	-	1.5	252.8	14
March 2013	4.5	4563.3	7.5	-	1.5	156.6	14
April 2013	4.41	4426.6	7.5\6.5	-	1.5/0.5	225.5	14
May 2013	4.5	4092.6	6.5	-	0.5	262.1	14
June 2013	3.5	3637.3	6.5	-	0.5	295.6	14
July 2013	3.5	3308.6	6.5	-	0.5	224.5	14
August 2013	3.5	3312.9	6.5	0.3	0.5	176.3	14
September 2013	3.5	3746.6	6.5	-	0.5	262.4	14
October 2013	3.5	3096.8	6.5	-	0.5	257.4	14
November 2013	3.5	2897.6	6.5	-	0.5	184.7	14
December 2013	3.5	2773.9	6.5	58.4	0.5	91.0	14
January 2014	3.5	3034.0	6.5	48.0	0.5	221.0	14
February 2014	3.5	3129.6	6.5	21.2	0.5	65.4	14
March 2014	3.5	2403.4	6.5	76.7	0.5	153.4	14
April 2014	3.5	2052.9	6.5	22.7	0.5	351.6	14
May 2014	3.5	2009.6	6.5	24.0	0.5	324.7	14
June 2014	3.5	1725.8	6.5	52.2	0.5	215.7	14
July 2014	3.5	928.9	6.5	173.8	0.5	112.7	14
August 2014	3.5		6.5	75.2	0.5	125.0	14

Source: According to the National Bank of Moldova data.

Period	Public Finance						Sources of financing public deficit, MDL million (end of period balance)	Tax burden, %
	PNB revenues, MDL million	Increase on PNB revenues, % (compared to the previous period)	PNB expenditures, MDL million	Increase on PNB expenditures, % (compared to the previous period)	PNB revenues, MDL million	Increase on PNB expenditures, % (compared to the previous period)		
2009	23517.7	-8%	27354.3	5%	3836.6		32%	
2010	27550.9	17%	29328.9	7%	1778		31%	
2011	30150.5	9%	32117	10%	1958.5		31%	
2012	33526.1	11%	35364	10%	1837.9		31%	
2013	36908.5	10%	38673.1	9%	1764.6		37%	
Q. I 2011	6122	10%	6640.5	3%	518.5			
Q. II 2011	7524.5	10%	8368.6	15%	1362.6			
Q. III 2011	7598	13%	7643.3	11%	1407.9			
Q. IV 2011	8906	6%	9464.6	9%	1407.9			
Q. I 2012	6582.7	8%	7363.5	11%	780.8			
Q. II 2012	8744.5	16%	8898.9	6%	935.2			
Q. III 2012	8613.5	13%	8486	11%	807.7			
Q. IV 2012	9585.4	8%	10615.6	12%	1837.9			
Q. I 2013	7521.8	14%	7598.5	3%	76.7			
Q. II 2013	9196.3	5%	9569.9	8%	578.1			
Q. III 2013	9090.1	6%	9283	9%	642.5			
Q. IV 2013	11099.6	16%	12221.7	15%	1764.6			
Q. I 2014	8413.2	12%	8483.2	12%	70			
Q. II 2014	10433.8	13%	10828.8	13%	465			

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

Period	Public Finance				
	PNB revenues, MDL million	Increase on PNB revenues, % (compared to the previous period)	PNB expenditures, MDL million	Increase on PNB expenditures, % (compared to the previous period)	Sources of financing public deficit, MDL million (end of period balance)
January 2012	1990.9	8%	2087.6	11%	96.7
February 2012	1951.2	3%	2514.7	10%	660.2
March 2012	2640.6	11%	2761.2	12%	23.9
April 2012	2909.8	31%	2735.9	1%	606.9
May 2012	2845.6	15%	3104.4	16%	865.7
June 2012	2989.1	6%	3058.6	2%	935.2
July 2012	2950.3	28%	3078	8%	1062.9
August 2012	2656.8	14%	2813.5	21%	1219.6
September 2012	3006.4	1%	2594.5	5%	807.7
October 2012	3030.6	19%	3108.2	16%	885.2
November 2012	3053.8	21%	3126	16%	957.5
December 2012	3501	-9%	4381.4	7%	1837.9
January 2013	2179.2	9%	2199.4	5%	20.2
February 2013	2350.2	20%	2588.6	3%	258.6
March 2013	2992.4	13%	2810.5	2%	76.7
April 2013	3172.6	9%	3173.6	16%	77.7
May 2013	2715.6	-5%	3005.1	-3%	367.2
June 2013	3308.1	11%	3391.2	11%	450.3
July 2013	3177.6	8%	3305.4	7%	578.1
August 2013	2836.6	7%	2943.7	5%	685.2
September 2013	3075.9	2%	3033.9	17%	642.5
October 2013	3608.9	19%	3397.5	9%	431.8
November 2013	3290.6	8%	3310.5	6%	451.7
December 2013	4200.1	20%	5513.7	26%	1764.6
January 2014	2359.7	8%	2395.3	9%	35.6
February 2014	2658.6	13%	2958.6	14%	274.6
March 2014	3394.9	13%	3129.3	11%	70
April 2014	3383.7	7%	3405.4	7%	91.7

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

Public Debt									
	Central Government Debt	Domestic debt by maturity	Long-term	Medium-term	Short-term	External debt by maturity	Long-term	Medium-term	Short-term
January 2012	19536.52	5898.49	0.00	597.74	5300.75	13638.03	13638.03	0.00	0.00
February 2012	19536.52	5898.49	0.00	597.74	5300.75	13638.03	13638.03	0.00	0.00
March 2012	19479.04	5929.32	0.00	544.82	5384.50	13549.71	13549.71	0.00	0.00
April 2012	19434.08	5947.73	0.00	545.87	5401.86	13486.34	13486.34	0.00	0.00
May 2012	19561.80	5973.64	0.00	546.04	5427.60	13588.16	13588.16	0.00	0.00
June 2012	19905.05	5926.15	0.00	523.46	5402.69	13978.90	13978.90	0.00	0.00
July 2012	20226.20	5941.60	0.00	538.70	5402.90	14284.60	14284.60	0.00	0.00
August 2012	20330.80	5982.40	0.00	534.80	5447.60	14348.40	14348.40	0.00	0.00
September 2012	20529.00	6049.80	0.00	528.00	5521.80	14479.20	14479.20	0.00	0.00
October 2012	20481.90	6075.80	0.00	530.60	5545.20	14406.10	14406.10	0.00	0.00
November 2012	20712.10	6135.60	0.00	545.50	5590.10	14576.50	14576.50	0.00	0.00
December 2012	21184.73	6158.93	0.00	323.86	5835.07	15025.79	11314.63	3002.16	709.00
January 2013	21290.60	6224.30	0.00	318.50	5905.80	15066.30	11539.70	2835.90	690.70
February 2013	21212.55	6275.04	0.00	316.18	5958.86	14937.51	11608.65	2636.85	692.01
March 2013	21163.71	6228.04	0.00	290.50	5937.54	14935.67	11640.37	2592.14	703.16
April 2013	21136.80	6269.56	0.00	286.12	5983.44	14867.24	11545.73	2673.76	647.76
May 2013	21493.72	6341.74	0.00	286.17	6055.58	15151.97	11818.57	2679.71	653.69
June 2013	21740.99	6390.89	0.00	260.89	6130.00	15350.10	11765.22	2909.98	674.89
July 2013	22110.10	6388.00	0.00	264.00	6124.10	15722.70	12419.80	2621.60	681.20
August 2013	22419.49	6464.24	0.00	265.53	6198.71	15955.24	12983.45	2332.50	639.30
September 2013	22822.66	6535.47	0.00	236.33	6299.14	16287.19	13220.65	2382.53	684.01
October 2013	22907.04	6596.28	0.00	231.81	6364.48	16310.76	13264.59	2412.12	634.04
November 2013	23307.39	6647.09	0.00	221.11	6425.99	16660.30	13554.74	2460.18	645.38
December 2013	23521.54	6675.79	0.00	198.43	6477.36	16845.75	13677.69	2514.26	653.80
January 2014	24200.80	6899.30	0.00	211.99	6687.31	17301.51	14053.56	2573.95	674.00
February 2014	24701.00	7028.72	0.00	219.47	6809.24	17672.29	14429.02	2635.54	607.72
March 2014	24456.00	7006.70	0.00	194.10	6812.60	17449.30	14256.00	2600.00	593.30
April 2014	25061.10	7079.30	0.00	208.40	6870.90	17981.80	15189.00	2192.30	600.50
June 2014	25899.70	7166.00	0.00	202.00	6964.00	18733.70	15313.30	2803.40	617.00
July 2014	25409.0	6905.9	0.00	187.0	6718.9	18503.1	15121.6	2767.5	614.0

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

Banking sector															
Period	Indicators				Deposits structure, %			Earnings and profitability, %		Liquidity indicators, %		Deposit interest rates, %		Loans interest rates, %	
	Bank assets (stock at the end of period) million. MDL	Bank liabilities (stock at the end of period) million. MDL	Loans, (stock at the end of period) million. MDL	Bank Deposits (stock at the end of period) million. MDL)	Deposits of individuals, %	Corporate deposits, %	Currency deposits, %	Return on assets	Return on equity	Bank assets (stock at the end of period) million. MDL	Bank liabilities (stock at the end of period) million. MDL	in national currency	foreign currency	in national currency	foreign currency
2009	39915.0	33008.3	14246.5	23834.0	62.33	30.33	53.59	-0.39	-2.12	0.6	38.27	14.66	7.61	20.31	12.51
2010	42269.5	35010.8	23429.8	26942.4	63.28	33.96	48.45	0.47	2.61	0.67	34.18	7.56	3.42	16.25	9.91
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	13.62	12.26
<i>Semester I 2010</i>	39653.4	32546.1	24903.0	24138.0	64.0	31.49	49.7	1.78	9.94	0.62	34.81	6.65	3.32	16.46	10.49
<i>Semester I 2011</i>	44837.3	37354.2	28833.4	29063.6	66.0	31.78	47.64	1.75	10.32	0.72	31.77	7.28	3.58	14.2	8.9
<i>Semester I 2012</i>	53572.2	43421.0	32945.6	31962.1	63.4	31.3	45.7	2.3	11.6	0.7	32.3	7.59	3.79	13.69	7.92
<i>Semester I 2013</i>	63516.1	52817.9	38435.9	38434.2	67.1	32.9	42.0	1.6	9.3	0.8	31.2	6.79	4.36	12.03	7.59
<i>Semester I 2014</i>	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 I 2012	50878.8	40711.2	31952.8	30675.6	65.3	30.7	45.8	2.7	13.4	0.7	31.8	7.23	3.92	14.25	8.6
Quarter II 2012	53572.2	43421.0	32945.6	31962.1	63.4	31.3	45.7	2.3	11.6	0.7	32.3	7.59	3.79	13.69	7.92
Quarter III 2012	55791.1	45476.7	34736.0	27287.1	64.0	31.9	44.4	2	10.5	0.7	31.6	7.94	4.97	12.58	7.78
Quarter IV 2012	58168.4	48155.6	35948.2	36272.3	64.1	31.9	43.8	1.1	5.6	0.7	32.9	8.44	4.68	11.98	8.32
Quarter I 2013	59948.3	49275.5	36190.7	36812.1	67.2	32.8	43.6	1.9	10.9	0.7	33.1	8.06	4.4	12.77	8.03
Quarter II 2013	63516.1	52817.9	38435.9	38434.2	67.1	32.9	42.0	1.6	9.3	0.8	31.2	6.79	4.36	12.03	7.59
Quarter III 2013	69094.0	57949.1	39631.3	41238.0	67.6	32.4	43.1	1.8	10.5	0.7	32.3	6.62	4.36	11.79	7.07
Quarter IV 2013	76183.9	64752.9	42632.7	45081.0	66.8	33.2	46.1	1.0	6.9	0.7	34.4	5.91	4.60	12.29	7.83
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

Source: According to the National Bank of Moldova data.

Period	Banking sector														
	Indicators		Deposits structure, %			Earnings and profitability, %		Liquidity Indicators, %		Deposit interest rates, %		Loans interest rates, %			
	Bank assets (stock at the end of period) million. MDL	Bank liabilities (stock at the end of period) million. MDL	Loans, (stock at the end of period) million. MDL	Bank Deposits (stock at the end of period) million. MDL)	Deposits of individuals, %	Corporate deposits, %	Currency deposits, %	Return on assets	Return on equity	Bank assets (stock at the end of period) million. MDL	Bank liabilities (stock at the end of period) million. MDL	in national currency	foreign currency		
January 2012	49915.2	39953.8	31380.0	30245.9	63.3	32.3	46.3	3.1	16.8	0.7	31.5	7.06	4.03	14.71	8.36
February 2012	50710.7	40598.2	31990.3	30483.8	64.4	31.2	46	3.6	17.8	0.7	32.1	8.04	4.2	13.9	9.86
March 2012	50878.8	40711.2	31952.8	30342.8	65.3	30.7	45.4	2.9	14.6	0.7	31.8	7.32	4.2	14.05	9.36
April 2012	51338.5	41039.7	32265.5	30675.6	65.3	30.7	45.8	2.7	13.4	0.7	31.8	7.23	3.92	14.25	8.6
May 2012	51821.9	41540.0	32081.8	30921.5	64.4	31	44.6	2.6	13	0.7	32.3	7.5	3.92	13.98	8.09
June 2012	53572.2	43421.0	32945.6	31962.1	63.4	31.3	45.7	2.3	11.6	0.7	32.3	7.59	3.79	13.69	7.92
July 2012	54806.6	44542.4	33797.5	32991.7	63	32.7	45.9	2.3	11.8	0.7	32.3	7.4	4.19	13.38	7.74
August 2012	55152.6	44887.1	34335.5	33663.2	63.6	32.5	44.7	2.2	11.1	0.7	31.9	7.15	4.53	12.82	7.64
September 2012	55791.1	45476.7	34736.0	33985.7	64	31.9	44.4	2	10.5	0.7	31.6	7.94	4.97	12.58	7.78
October 2012	56099.4	45693.2	34858.2	34622.5	64.7	31.4	44.3	2	10.5	0.7	32	7.72	4.5	13.00	7.64
November 2012	56946.7	46387.8	35537.3	35243.0	67.7	32.3	43.6	1.9	10.1	0.7	31.6	7.96	4.62	12.68	7.73
December 2012	58168.4	48155.6	35948.2	36272.3	64.1	31.9	43.8	1.1	5.6	0.7	32.9	8.44	4.68	11.98	8.32
January 2013	59960.8	49620.3	35955.6	37328.4	66.7	33.3	44.4	1.8	10.5	0.7	34.8	8.55	4.79	12.41	7.52
February 2013	59270.1	49058.0	36077.0	36906.0	66.9	33.1	43.8	1.9	10.9	0.7	34.2	8.56	4.41	13.23	8.13
March 2013	59948.3	49275.5	36190.7	36812.1	67.2	32.8	43.6	1.9	10.9	0.7	33.1	8.06	4.4	12.77	8.03
April 2013	60798.2	50047.6	36529.4	37069.5	67.3	32.7	43.1	1.8	10.4	0.7	32	7.33	4.22	12.4	7.27
May 2013	61416.6	51713.6	37310.6	38050.5	66.4	33.6	42.8	1.8	10.5	0.7	32.2	7.75	4.22	12.21	7.62
June 2013	63516.1	52817.9	38435.9	38434.2	67.1	32.9	42.0	1.6	9.3	0.8	31.2	6.79	4.36	12.03	7.59
July 2013	66481.7	55643.4	39079.5	39198.1	67.6	32.4	40.3	1.7	9.9	0.8	30.2	7.16	4.29	12.05	7.37
August 2013	67673.8	56713.5	39263.0	40652.8	66.3	33.8	42.3	1.8	10.5	0.8	32.1	7.18	4.64	12.09	7.45
September 2013	69094.0	57949.1	39631.3	41238.0	67.6	32.4	43.1	1.8	10.5	0.7	32.3	6.62	4.36	11.79	7.07
October 2013	70177.5	58921.1	40229.3	42306.0	67.3	32.7	42.2	1.8	10.5	0.7	32.5	6.54	4.16	11.94	7.33
November 2013	72734.3	61381.1	41242.1	43769.9	67.0	33.0	43.2	1.8	10.5	0.7	32.0	6.35	4.29	12.10	7.74
December 2013	76183.9	64752.9	42630.7	45081.0	65.8	34.2	44.7	1.6	9.4	0.7	33.8	5.82	4.51	12.51	8.91
January 2014	77327.9	65795.0	42295.3	55704.6	57.5	28.5	46.1	1.0	6.8	0.7	34.3	5.91	4.60	12.29	7.83
February 2014	77824.4	66163.2	42676.2	53063.2	61.3	29.0	45.0	1.2	8.4	0.7	34.2	5.84	4.61	11.96	8.39
March 2014	78744.2	66729.5	43292.3	54360.3	59.7	29.7	46.2	1.2	8.5	0.7	34.6	5.94	4.43	11.60	8.12
April 2014	78629.6	66555.9	43344.2	53878.5	60.4	29.1	46.5	1.2	8.3	0.7	34.0	4.94	4.34	11.49	7.41
May 2014	79433.2	67328.9	43968.1	54669.9	60.3	28.8	47.0	1.3	9.1	0.7	34.0	5.00	4.46	11.20	7.84
June 2014	79991.1	67845.4	45113.0	55631.9	60.2	29.1	48.5	1.1	7.8	0.7	34.2	4.92	4.35	10.03	7.78
July 2014	80078.6	67894.8	45612.0	55669.8	60.3	28.6	49.4	1.1	7.8	0.7	33.7	6.30	3.64	10.53	7.83

Source: According to the National Bank of Moldova data.

Period	External sector													Trade balance, mil. USD	The coverage degree of imports by exports, %
	Value of external trade in goods, mil. MDL				Exports, mil. USD				Imports, mil. USD						
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries			
2009	4561.3	1632.2	2088.6	840.6	1283.0	490.4	667.4	125.3	3278.3	1141.8	1421.2	715.3	-1995.3	39.1	
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	7374.8	2551.8	3332.1	1490.9	2161.8	928.0	1013.4	220.4	5213.0	1623.8	2318.7	1270.5	-3051.2	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	
<i>Semester I 2010</i>	2283.0	776.3	1037.2	469.5	606.9	238.1	297.5	71.3	1676.1	538.2	739.7	398.2	-1069.2	36.2	
<i>Semester I 2011</i>	3369.8	1166.3	1550.1	653.4	995.5	388.6	493.9	113.0	2374.3	777.7	1056.2	540.4	-1378.8	41.9	
<i>Semester I 2012</i>	3502.5	1227.2	1573.4	701.9	1041.8	428.4	508.0	105.4	2460.7	798.8	1065.4	596.5	-1418.9	42.3	
<i>Semester I 2013</i>	3730.2	1265.3	1655.5	809.4	1136.3	454.6	511.4	170.3	2593.9	810.7	1144.1	639.1	-1457.6	43.8	
<i>Semester I 2014</i>	3719.6	1088.5	1863.8	767.3	1172.4	385.4	620.9	166.1	2547.2	703.1	1242.9	601.2	-1374.8	46.0	
Q. I 2012	1709	655.1	720.4	333.5	504.8	201.1	252.2	51.5	1204.2	454	468.2	282	-699.4	41.9	
Q. II 2012	1793.5	572.1	853	368.4	537	227.3	255.8	53.9	1256.5	344.8	597.2	314.5	-719.5	42.7	
Q. III 2012	1779.5	609.8	799.4	370.3	506.6	238.8	213.1	54.7	1272.9	371	586.3	315.6	-766.3	39.8	
Q. IV 2012	2092.8	714.8	959.3	418.7	613.4	260.8	292.3	60.3	1479.4	454	667	358.4	-866	41.5	
Q. I 2013	1832.4	673.2	773.8	385.4	589.7	246.3	260.3	83.1	1242.7	426.9	513.5	302.3	-653	47.5	
Q. II 2013	1897.8	592.1	881.7	424	546.6	208.3	251.1	87.2	1351.2	383.8	630.6	336.8	-804.6	40.5	
Q. III 2013	1981	631.7	907.3	442	604.8	234.4	275.8	94.6	1376.2	397.3	631.5	347.4	-771.4	43.9	
Q. IV 2013	2209.5	698.5	1046.6	464.4	687.2	234.2	350.1	102.9	1522.3	464.3	696.5	361.5	-835.1	45.1	
Q. I 2014	1791.4	565.2	868	358.2	573.1	180.9	318.9	73.3	1218.3	384.3	549.1	284.9	-645.2	47.0	
Q. II 2014	1928.2	523.3	995.8	409.1	599.3	204.5	302	92.8	1328.9	318.8	693.8	316.3	-729.6	45.1	
2009	4561.3	1632.2	2088.6	840.6	1283.0	490.4	667.4	125.3	3278.3	1141.8	1421.2	715.3	-1995.3	39.1	
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	7374.8	2551.8	3332.1	1490.9	2161.8	928.0	1013.4	220.4	5213.0	1623.8	2318.7	1270.5	-3051.2	41.5	

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

Period	External sector													The coverage degree of imports by exports, %
	Value of external trade in goods, mil. MDL				Exports, mil. USD				Imports, mil. USD				Trade balance, mil. USD	
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries		
Apr. 2012	608.2	196.6	282.4	129.2	181.6	77.8	84.3	19.5	426.6	118.8	198.1	109.7	-245	42.6
May 2012	604.6	187.7	293	123.9	176.5	72.5	85.7	18.3	428.1	115.2	207.3	105.6	-251.6	41.2
Jun. 2012	580.7	187.8	277.6	115.3	178.9	77	85.8	16.1	401.8	110.8	191.8	99.2	-222.9	44.5
Jul. 2012	579.6	198.5	271.6	109.5	163	79	69.1	14.9	416.6	119.5	202.5	94.6	-253.6	39.1
Aug. 2012	563.2	194.5	250.6	118.1	156.6	75.8	63.4	17.4	406.6	118.7	187.2	100.7	-250	38.5
Sept. 2012	636.7	216.8	277.2	142.7	187	84	80.6	22.4	449.7	132.8	196.6	120.3	-262.7	41.6
Oct. 2012	707.2	230.7	333.6	142.9	210.2	94.8	97.4	18	497	135.9	236.2	124.9	-286.8	42.3
Nov. 2012	693.8	234.7	329	130.1	215.9	91.2	103.3	21.4	477.9	143.5	225.7	108.7	-262	45.2
Dec. 2012	691.8	249.4	296.7	145.7	187.3	74.8	91.6	20.9	504.5	174.6	205.1	124.8	-317.2	37.1
Jan. 2013	513.6	192.8	208.8	112	165.4	63.7	82.3	19.4	348.2	129.1	126.5	92.6	-182.8	47.5
Feb. 2013	607.3	220.2	262.3	124.8	200.8	79	89.9	31.9	406.5	141.2	172.4	92.9	-205.7	49.4
Mar. 2013	711.5	260.2	302.7	148.6	223.5	103.6	88.1	31.8	488	156.6	214.6	116.8	-264.5	45.8
Apr. 2013	679.1	207.8	315.9	155.4	193	70.6	88	34.4	486.1	137.2	227.9	121	-293.1	39.7
May 2013	577.8	173.3	272.6	131.9	168	62.7	77.8	27.5	409.8	110.6	194.8	104.4	-241.8	41.0
Jun. 2013	640.9	211	293.2	136.7	185.6	75	85.3	25.3	455.3	136	207.9	111.4	-269.7	40.8
Jul. 2013	680.8	217.5	316.1	147.2	204.8	79.4	95	30.4	476	138.1	221.1	116.8	-271.2	43.0
Aug. 2013	647.3	209.1	291.2	147	202.9	76.7	93.7	32.5	444.4	132.4	197.5	114.5	-241.5	45.7
Sept. 2013	652.9	205.1	300	147.8	197.1	78.3	87.1	31.7	455.8	126.8	212.9	116.1	-258.7	43.2
Oct. 2013	707.8	220.5	343.5	143.8	227.5	79.1	116.4	32	480.3	141.4	227.1	111.8	-252.8	47.4
Nov. 2013	742.1	225.4	362.7	154	255	84.6	131.8	38.6	487.1	140.8	230.9	115.4	-232.1	52.4
Dec. 2013	759.6	252.6	340.4	166.6	204.7	70.5	101.9	32.3	554.9	182.1	238.5	134.3	-350.2	36.9
Jan. 2014	490.3	181.6	217.6	91.1	170.8	56.1	92.2	22.5	319.5	125.5	125.4	68.6	-148.7	53.5
Feb. 2014	603.9	191.3	290.1	122.5	188.2	59.5	105.5	23.2	415.7	131.8	184.6	99.3	-227.5	45.3
Mar. 2014	697.2	192.3	360.3	144.6	214.1	65.3	121.2	27.6	483.1	127	239.1	117	-269.0	44.3
Apr. 2014	637.7	168.1	328.3	141.3	194.5	63	94.5	37	443.2	105.1	233.8	104.3	-248.7	43.9
May 2014	635.3	160.1	338.0	137.2	201.7	64.3	108.6	28.8	433.6	95.8	229.4	108.4	-231.9	46.5
Jun. 2014	655.2	195.1	329.5	130.6	203.1	77.2	98.9	27	452.1	117.9	230.6	103.6	-249.0	44.9

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

Period	External sector													
	Growth rate of external trade with goods, y-o-y, %				Growth rate of exports, y-o-y, %				Growth rate of imports, y-o-y, %				Growth rate of net imports, y-o-y, %	Index of import coverage by exports, y-o-y, %
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries		
2009	-29.7	-30.8	-28.6	-30.2	-19.4	-21.3	-18.6	-15.3	-33.1	-34.3	-32.5	-32.3	-39.7	120.5
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	-0.4	-3.1	-0.2	3.8	-2.5	0.9	-6.4	2.8	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	66.9	5.4	3.0	6.6	6.1	0.4	106.6
Semester I 2010	9.8	1.2	10.5	26.2	4.5	14.9	-5.2	19.8	11.9	-3.9	18.3	27.5	16.6	93.4
Semester I 2011	47.6	50.2	49.5	39.2	64.0	63.2	66.0	58.5	41.7	44.5	42.8	35.7	29.0	115.8
Semester I 2012	3.9	5.2	1.5	7.4	4.7	10.2	2.9	-6.7	3.6	2.7	0.9	10.4	2.9	101.0
Semester I 2013	6.5	3.1	5.2	15.3	9.1	6.1	0.7	61.6	5.4	1.5	7.4	7.1	2.7	103.5
Semester I 2014	-0.3	-14.0	12.6	-5.2	3.2	-15.2	21.4	-2.5	-1.8	-13.3	8.6	-5.9	-5.7	105.1
Q. I 2012	39.3	45.4	37.5	33.4	44.3	56.0	54.9	-29.3	37.4	40.0	30.6	48.0	32.8	105.0
Q. II 2012	22.4	24.1	20.6	23.2	21.3	25.4	23.6	-1.6	22.9	23.4	19.1	29.2	24.2	98.7
Q. III 2012	8.7	11.6	5.3	11.0	6.6	14.3	5.6	-12.6	9.7	10.4	5.1	16.7	12.0	97.2
Q. IV 2012	-0.3	-1.2	-1.5	4.4	2.9	6.9	0.3	-0.4	-1.5	-5.9	-2.2	5.3	-4.6	104.5
Q. I 2013	-4.8	-6.4	-7.3	4.5	-7.8	0.4	-22.8	54.5	-3.5	-10.4	0.0	-1.0	-0.5	95.6
Q. II 2013	-3.5	-12.3	3.5	-2.3	-8.7	-11.0	-6.6	-8.8	-1.2	-13.0	8.7	-1.1	4.9	92.4
Q. III 2013	7.2	2.8	7.4	15.6	16.8	22.5	3.2	61.4	3.2	-6.0	9.7	7.2	-6.6	113.2
Q. IV 2013	5.8	3.5	3.4	15.1	1.8	-8.4	-1.8	61.8	7.5	11.3	5.6	7.1	11.8	94.7
Q. I 2014	11.3	3.6	13.5	19.4	19.4	-1.8	29.4	72.9	8.1	7.1	7.7	10.1	0.7	110.4
Q. II 2014	5.6	-2.3	9.1	10.9	12.0	-10.2	19.8	70.6	2.9	2.3	4.4	0.9	-3.6	108.9

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

Period	External sector												Index of import coverage by exports, y-o-y, %	
	Growth rate of external trade with goods, y-o-y, %				Growth rate of exports, y-o-y, %				Growth rate of imports, y-o-y, %					Growth rate of net imports, y-o-y, %
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries		
Apr. 2012	1.9	-2.0	-1.4	17.6	3.3	9.9	-4.7	18.2	1.3	-8.5	0.1	17.5	-0.1	102.0
May 2012	-1.1	-0.1	-1.2	-2.2	1.7	4.0	1.7	-6.6	-2.2	-2.5	-2.4	-1.4	-4.7	104.0
Jun. 2012	-1.5	-1.5	-1.8	-0.9	3.7	6.6	4.3	-10.6	-3.7	-6.5	-4.3	0.9	-8.9	107.7
Jul. 2012	-2.7	1.2	-6.3	-0.2	-9.9	0.1	-23.5	27.4	0.4	2.0	1.5	-3.5	8.4	89.7
Aug. 2012	-7.2	-10.8	-9.3	5.4	-15.8	-1.7	-35.0	55.4	-3.4	-15.8	4.7	-0.2	6.5	87.2
Sept. 2012	-4.5	-8.8	-6.5	7.7	2.4	2.7	-8.7	79.2	-7.1	-14.8	-5.5	0.3	-12.8	110.2
Oct. 2012	4.2	-7.9	11.7	10.0	-0.5	-2.9	0.9	5.3	6.2	-11.1	16.9	10.7	11.8	93.7
Nov. 2012	-5.9	-15.5	5.1	-11.4	-11.0	-9.8	-10.9	-16.4	-3.4	-18.7	14.6	-10.4	3.9	92.1
Dec. 2012	-8.1	-12.9	-5.8	-3.9	-14.1	-20.6	-8.8	-10.7	-5.7	-9.2	-4.4	-2.7	0.1	91.1
Jan. 2013	5.6	-0.6	9.3	10.3	12.1	17.3	10.0	5.4	2.7	-7.5	8.9	11.4	-4.5	109.1
Feb. 2013	11.0	-3.4	14.6	38.5	27.2	19.9	16.8	112.7	4.5	-12.9	13.6	23.7	-11.0	121.7
Mar. 2013	5.3	11.6	0.7	4.7	12.1	28.1	-12.3	75.7	2.5	2.8	7.2	-5.7	-4.5	109.4
Apr. 2013	11.7	5.7	11.9	20.3	6.3	-9.3	4.4	76.4	13.9	15.5	15.0	10.3	19.6	93.3
May 2013	-4.4	-7.7	-7.0	6.5	-4.8	-13.5	-9.2	50.3	-4.3	-4.0	-6.0	-1.1	-3.9	99.4
Jun. 2013	10.4	12.4	5.6	18.6	3.7	-2.6	-0.6	57.1	13.3	22.7	8.4	12.3	21.0	91.6
Jul. 2013	17.5	9.6	16.4	34.4	25.6	0.5	37.5	104.0	14.3	15.6	9.2	23.5	6.9	110.0
Aug. 2013	14.9	7.5	16.2	24.5	29.6	1.2	47.8	86.8	9.3	11.5	5.5	13.7	-3.4	118.5
Sept. 2013	2.5	-5.4	8.2	3.6	5.4	-6.8	8.1	41.5	1.4	-4.5	8.3	-3.5	-1.5	104.0
Oct. 2013	0.1	-4.4	3.0	0.6	8.2	-16.6	19.5	77.8	-3.4	4.0	-3.9	-10.5	-11.9	112.0
Nov. 2013	7.0	-4.0	10.2	18.4	18.1	-7.2	27.6	80.4	1.9	-1.9	2.3	6.2	-11.4	115.9
Dec. 2013	9.8	1.3	14.7	14.3	9.3	-5.7	11.2	54.5	10.0	4.3	16.3	7.6	10.4	99.4
Jan. 2014	-4.5	-5.8	4.2	-18.7	3.3	-11.9	12.0	16.0	-8.2	-2.8	-0.9	-25.9	-18.7	112.5
Feb. 2014	-0.6	-13.1	10.6	-1.8	-6.3	-24.7	17.4	-27.3	2.3	-6.7	7.1	6.9	10.6	91.7
Mar. 2014	-2.0	-26.1	19.0	-2.7	-4.2	-37.0	37.6	-13.2	-1.0	-18.9	11.4	0.2	1.7	96.8
Apr. 2014	-6.1	-19.1	3.9	-9.1	0.8	-10.8	7.4	7.6	-8.8	-23.4	2.6	-13.8	-15.1	110.5
May. 2014	10.0	-7.6	24.0	4.0	20.1	2.6	39.6	4.7	5.8	-13.4	17.8	3.8	-4.1	113.5
Jun. 2014	2.2	-7.5	12.4	-4.5	9.4	2.9	15.9	6.7	-0.7	-13.3	10.9	-7.0	-7.7	110.2

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

Period	External sector					
	Value indices of exported goods (the same period of the previous year=100), %	Value indices of imported goods (the same period of the previous year=100), %	Unit value indices of exported goods (the same period of the previous year=100), %	Unit value indices of imported goods (the same period of the previous year=100), %	Volume indices of exported goods (the same period of the previous year=100), %	Volume indices of imported goods (the same period of the previous year=100), %
2009	80.6	66.9	87.0	89.0	93.0	75.0
2010	120.1	117.6	103.0	103.0	117.0	114.0
2011	143.8	134.7	107.0	110.0	134.0	122.0
2012	97.5	100.4	97.0	99.0	101.0	101.0
2013	112.3	105.4	98.0	99.0	113.0	106.0
Q. I 2012	106.7	109.7	98.0	103.0	109.0	106.0
Q. II 2012	102.9	98.5	95.0	96.0	108.0	103.0
Q. III 2012	92.2	96.5	94.0	95.0	98.0	102.0
Q. IV 2012	91.3	98.8	99.0	100.0	92.0	99.0
Q. I 2013	115.4	103.2	102.0	100.0	113.0	103.0
Q. II 2013	100.4	107.5	99.0	98.0	101.0	110.0
Q. III 2013	119.4	108.1	97.0	100.0	122.0	108.0
Q. IV 2013	112.0	102.9	92.0	98.0	120.0	105.0
Q. I 2014	97.2	98.0	97.2	98.0	106.0	100.0
Q. II 2014	109.6	98.3	97.0	100.0	113.0	98.0

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

Period	External sector									
	Net FDI inflow, mil. USD					Remittances				
	Equity capital	Reinvested earnings	Other capital	Net FDI inflow	Compensation of employees	Personal transfers	Migrant's transfers	Remittances inflow		
2009	161.6	-11.6	58.3	208.3	563.4	635.2	12.1	1210.8		
2010	157.0	14.6	36.4	207.9	743.0	608.5	12.1	1363.5		
2011	143.9	86.7	57.6	288.2	899.0	701.4	14.3	1614.7		
2012	144.6	-11.0	61.5	195.1	1010.1	783.2	18.1	1811.4		
2013	160.3	19.2	56.8	236.3	1118.2	866.8	16.9	2001.8		
<i>Semester I 2010</i>	41.2	7.0	34.6	82.8	317.9	271.0	5.5	594.3		
<i>Semester I 2011</i>	54.0	46.5	41.5	142.0	394.1	321.7	6.4	722.2		
<i>Semester I 2012</i>	95.6	-0.5	-5.8	89.3	444.6	357.3	7.7	809.7		
<i>Semester I 2013</i>	71.8	34.9	25.4	132.1	497.4	391.7	6.5	895.6		
<i>Semester I 2014</i>	102.5	26.1	-54.2	74.5	516.1	405.7	7.2	928.9		
Q. I 2012	39.1	3.6	-3.9	38.8	190.7	164.7	3.9	359.3		
Q. II 2012	56.5	-4.1	-2.0	50.5	253.9	192.6	3.8	450.4		
Q. III 2012	-4.2	1.7	46.3	43.8	280.7	208.6	4.0	493.3		
Q. IV 2012	53.1	-12.2	21.0	62.0	287.2	207.8	4.2	499.2		
Q. I 2013	49.1	14.5	1.1	64.7	214.2	184.7	3.3	402.2		
Q. II 2013	22.7	20.4	24.3	67.4	283.3	207.0	3.1	493.4		
Q. III 2013	34.9	9.0	11.1	55.0	313.7	235.8	4.2	553.7		
Q. IV 2013	53.6	-24.7	20.3	49.2	307.1	239.2	6.3	552.5		
Q. I 2014	36.1	10.8	-31.0	15.9	214.8	183.6	2.7	401.0		
Q. II 2014	66.5	15.3	-23.2	58.6	301.3	222.1	4.5	527.9		

Source: According to the National Bank of Moldova data, author's calculations.

External sector														
Period	Annual growth in exports with goods of the main trade partners, %							Annual growth in imports with goods of the main trade partners, %						
	World	USA	EU 28 intracom.	EU 28 extracom.	Romania	Russia Federation	Ukraine	World	USA	EU 28 intracom.	EU 28 extracom.	Romania	Russia Federation	Ukraine
2009	-30.3	-29.4	-28.7	-27.5	-26.9	-33.3	-36.6	-30.6	-30.5	-28.7	-33.3	-29.5	-31.6	-38.7
2010	-40.1	-40.2	-37.3	-42.9	-44.0	-42.9	-40.7	-39.7	-38.4	-37.3	-35.4	-40.1	-44.8	-40.6
2011	19.8	16.0	15.9	20.7	27.3	30.3	33.0	19.3	15.1	15.9	18.6	23.4	30.2	35.6
2012	0.0	4.3	-7.0	0.1	-8.2	1.4	0.1	0.3	3.1	-7.0	-4.0	-8.2	3.6	2.5
2013	2.1	2.2	3.2	6.6	13.8	-1.1	-6.1	1.4	-0.3	3.2	-3.2	4.6	1.8	-9.3
Semester I 2010	-62.7	-63.9	-55.1	-61.6	-61.1	-66.4	-67.2	-62.7	-62.9	-55.1	-60.6	-57.2	-67.4	-69.6
Semester I 2011	17.8	19.3	6.2	15.3	18.8	18.6	26.4	18.1	19.6	6.2	17.8	9.4	32.4	37.4
Semester I 2012	16.0	13.7	10.2	15.1	19.2	30.3	25.5	15.6	12.7	10.2	12.4	18.4	21.3	25.2
Semester I 2013	-1.7	2.0	-7.1	-1.1	-9.4	-3.4	-2.1	-1.3	0.4	-7.1	-4.9	-9.5	2.7	-1.1
Semester I 2014	3.5	3.4	6.7	6.6	20.2	1.9	-6.4	2.5	1.3	6.7	-1.3	10.5	-0.1	-4.3
Q. I 2012	5.2	8.6	-2.1	3.7	-4.7	16.3	5.1	5.6	8.4	-2.1	1.9	-2.9	12.1	3.1
Q. II 2012	-1.1	4.8	-11.6	-0.9	-9.2	-1.5	0.3	-1.3	3.7	-11.6	-8.1	-10.4	-1.2	9.9
Q. III 2012	-4.1	1.1	-11.2	-2.7	-14.3	-3.5	0.2	-3.4	0.0	-11.2	-7.9	-12.3	2.5	1.2
Q. IV 2012	0.7	2.8	-2.9	0.4	-4.3	-3.2	-4.3	0.9	0.7	-2.9	-1.7	-6.6	2.8	-3.2
Q. I 2013	0.2	0.4	-2.3	4.3	5.5	-5.0	-1.5	-0.3	-2.6	-2.3	-6.4	-0.3	5.0	-6.2
Q. II 2013	1.1	1.6	2.2	8.9	9.4	-3.4	-9.8	0.8	-1.2	2.2	-3.8	-2.4	2.9	-21.9
Q. III 2013	3.2	2.7	6.6	7.2	21.6	4.2	-9.1	2.7	1.6	6.6	-1.3	11.1	0.0	-1.7
Q. IV 2013	3.7	4.0	6.7	6.0	18.9	-0.2	-3.8	2.3	1.1	6.7	-1.2	9.8	-0.1	-6.8
Q. I 2014	1.5	2.5	7.5	1.1	14.2	-1.6	-10.8	2.0	2.0	7.5	2.1	13.7	-5.4	-20.4
Q. II 2014	2.4	3.3	7.2	-1.9	10.9	4.1	-8.1	2.4	4.5	7.2	4.5	12.2	-4.8	-18.8

Sursa: Author's calculations based on WTO data.

External sector														
Period	Annual growth in exports with goods of the main trade partners, %							Annual growth in imports with goods of the main trade partners, %						
	World	USA	EU 28 intracom.	EU 28 extracom.	Romania	Russia Federation	Ukraine	World	USA	EU 28 intracom.	EU 28 extracom.	Romania	Russia Federation	Ukraine
	Apr. 2012	-1.1	2.7	-9.5	-1.9	-6.0	-1.7	3.4	-0.6	6.2	-9.5	-5.7	-7.5	-0.8	15.3
May 2012	0.1	5.6	-12.2	-2.1	-7.7	4.7	9.5	-0.5	5.0	-12.2	-8.9	-11.0	0.0	12.0
Jun. 2012	-2.7	6.1	-12.9	1.5	-13.6	-7.3	-11.1	-4.6	0.2	-12.9	-9.6	-12.4	-2.7	2.7
Jul. 2012	-4.1	0.9	-10.2	-1.6	-15.1	-1.7	7.5	-2.2	3.0	-10.2	-10.9	-13.3	8.2	10.3
Aug. 2012	-5.3	1.5	-11.8	-1.3	-12.5	-7.3	0.9	-5.7	-0.7	-11.8	-8.8	-10.1	-0.5	0.9
Sept. 2012	-3.7	1.0	-11.6	-5.1	-15.0	-1.5	-7.1	-3.4	-2.1	-11.6	-4.0	-13.5	0.0	-6.5
Oct. 2012	2.9	1.9	2.0	4.8	-4.2	0.0	7.2	3.6	3.6	2.0	3.4	1.9	7.3	1.7
Nov. 2012	-0.2	3.5	-4.4	0.1	-4.1	-4.0	-5.2	-0.4	2.2	-4.4	-5.3	-13.6	-1.0	-10.4
Dec. 2012	-0.9	3.0	-6.8	-3.8	-4.8	-5.4	-13.6	-1.1	-3.9	-6.8	-3.3	-8.1	2.4	-1.0
Jan. 2013	7.7	4.5	5.5	9.5	10.1	-2.2	-3.8	7.6	1.0	5.5	2.7	5.1	12.3	-5.0
Feb. 2013	-2.2	-0.1	-3.1	2.4	11.1	-7.3	7.9	-5.0	-0.7	-3.1	-8.1	2.3	6.3	-7.3
Mar. 2013	-1.6	-2.5	-8.3	1.7	-3.2	-5.0	-7.5	-4.1	-7.8	-8.3	-13.3	-6.7	-1.2	-6.1
Apr. 2013	4.6	1.6	3.9	13.6	14.8	-1.4	4.6	4.4	0.7	3.9	-3.1	4.3	11.0	-8.1
May 2013	0.1	1.4	-1.1	8.7	2.3	-10.3	-20.9	-2.0	-0.8	-1.1	-5.7	-8.8	-6.4	-33.5
Jun. 2013	0.6	1.7	3.9	4.7	11.8	2.2	-12.6	-0.6	-3.6	3.9	-2.4	-2.2	4.6	-23.6
Jul. 2013	5.1	4.9	9.1	11.2	27.3	5.9	-9.5	5.3	2.4	9.1	4.4	19.6	1.7	-5.9
Aug. 2013	3.0	3.1	2.9	2.8	16.6	3.0	-10.8	0.5	-0.9	2.9	-5.2	5.9	-5.5	-6.7
Sept. 2013	2.5	0.2	7.8	7.1	20.6	3.8	-6.7	2.4	3.4	7.8	-2.8	8.2	4.2	7.9
Oct. 2013	4.8	6.4	6.0	6.9	18.5	-5.6	-9.5	2.4	3.2	6.0	-2.4	6.5	-2.8	-3.9
Nov. 2013	3.6	4.7	3.8	2.4	12.8	3.0	-6.4	-0.1	-2.9	3.8	-1.5	11.4	-0.9	-6.7
Dec. 2013	4.7	0.9	11.0	8.9	27.3	2.0	5.4	4.2	3.1	11.0	0.6	12.5	3.3	-9.7
Jan. 2014	3.0	3.6	5.3	1.1	8.0	2.1	-14.3	1.0	-0.2	5.3	-1.2	6.5	-3.4	-11.4
Feb. 2014	0.5	0.2	6.4	3.2	14.9	-12.9	-12.0	2.0	-0.4	6.4	0.5	16.8	-9.3	-23.5
Mar. 2014	2.0	3.8	10.8	-0.6	19.4	5.8	-6.4	3.1	6.5	10.8	7.3	17.3	-3.3	-24.4
Apr. 2014	2.4	3.4	8.0	-2.5	8.4	6.7	-16.2	1.3	5.2	8.0	2.7	8.8	-7.5	-30.2
May 2014	2.8	3.9	8.2	-3.8	14.4	8.0	1.3	1.3	1.8	8.2	6.1	14.4	-1.4	-4.4
Jun. 2014	3.4	2.6	6.0	0.6	9.9	-2.6	-7.8	4.3	6.8	6.0	4.8	13.7	-5.2	-18.0
Jul. 2014	5.2	4.7	6.7	0.6	9.7	5.4	-7.7	2.1	3.7	6.7	6.8	8.0	-4.2	-33.9

Sursa: Author's calculations based on WTO data.

Period	Business environment	
	Registration of enterprises	Liquidation of enterprises
2009	7220	3274
2010	6488	3177
2011	6740	3430
2012	6273	3218
2013	6231	2808
Quarter I I 2012	1757	852
Quarter II 2012	1499	760
Quarter III 2012	1378	845
Quarter IV 2012	1639	761
Quarter I 2013	1797	700
Quarter II 2013	1509	668
Quarter III 2013	1379	657
Quarter IV 2013	1546	783
Jan 2013	574	233
Feb 2013	627	212
Mar 2013	596	255
Apr 2013	609	282
May 2013	415	182
Jun 2013	485	204
Jul 2013	505	260
Aug 2013	435	229
Sept 2013	439	168
Oct 2013	515	293
Novem2013	524	203
Dec 2013	507	287

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

Labour market																		
	Number of economically active population (thou. pers.)	Activity rate, %				Number of employed (thou. pers.)	Employment rate, %				ILO unemployed (thou. pers.)	Unemployment rate, %						
		Total	men	women	urban		rural	Total	men	women		urban	rural	Total	men	women	urban	
2009	1265.3	42.8	46.2	39.7	47.4	39.3	40.0	42.6	37.7	43.6	37.4	81.0	6.4	7.8	4.9	8.0	5.0	
2010	1235.4	41.6	45.0	38.6	47.2	37.5	38.5	40.9	36.4	42.7	35.4	92.0	7.4	9.1	5.7	9.6	5.4	
2011	1257.5	42.3	45.6	39.3	48.0	38.0	39.4	42.1	37.1	44.1	36.0	84.0	6.7	7.7	5.6	8.2	5.2	
2012	1214.5	40.7	43.5	38.2	47.0	36.0	38.4	40.6	36.5	43.6	34.6	67.7	5.6	6.8	4.3	7.3	3.9	
January	1235.9	41.4	44.5	38.6	45.6	38.1	39.3	41.8	37.0	42.8	36.6	63.1	5.1	6.0	4.1	6.3	4.1	
February	1103.7	37.0	38.8	35.3	45.6	30.5	34.3	35.2	33.6	41.9	28.6	79.8	7.2	9.5	5.0	8.1	6.2	
March																		
April																		
May	1266.9	42.5	45.6	39.6	46.3	39.6	40.5	43.1	38.2	43.2	38.6	57.6	4.5	5.4	3.6	6.8	2.6	
June																		
July	1286.9	43.1	46.0	40.5	46.5	40.7	41.1	43.3	39.0	43.1	39.6	62.2	4.8	5.9	3.7	7.3	2.8	
August																		
September																		
October																		
November	1200.7	40.3	43.6	37.2	49.6	33.3	37.9	40.6	35.4	46.2	31.8	71.4	5.9	7.0	4.9	7.0	4.8	
December																		
2013																		
January	1121.0	37.5	39.7	35.6	45.8	31.5	34.5	35.7	33.4	42.0	29.0	90.8	8.1	10.2	6.0	8.2	8.0	
February																		
March																		
April	1288.4	43.1	47.2	39.5	45.0	41.7	41.1	44.5	38.0	42.1	40.3	60.8	4.7	5.6	3.8	6.4	3.3	
May																		
June																		
July																		
August	1328.2	44.5	47.7	41.6	46.0	43.3	42.7	45.7	40.1	43.5	42.1	51.4	3.9	4.1	3.6	5.3	2.7	
September																		
October																		
November	1205.8	40.4	43.4	37.6	45.8	36.2	38.7	41.3	36.4	43.5	35.1	49.3	4.1	4.8	3.3	5.2	3.0	
December																		
2014																		
January	1128.1	37.7	40.4	35.4	43.9	33.2	35.8	37.9	33.9	41.2	31.8	57.5	5.1	6.1	4.1	6.0	4.2	
February																		
March																		
April																		
May	1328.6	44.5	47.8	41.5	45.0	44.1	42.8	45.8	40.1	42.3	43.2	48.5	3.7	4.1	3.2	5.8	1.9	
June																		

Source: According to the National Bureau of Statistics data.

Household disposable income									
		Disposable income MDL	The structure of the disposable income, %						
			employment activity	individual agricultural activity	individual non-agricultural activity	property income	social benefits	etc.	
	2009	1166.1	45.3	8.9	6.5	0.2	17.5	21.7	
	2010	1273.7	42.6	9.8	6.8	0.1	18.7	22.0	
	2011	1444.7	44.7	10.0	6.8	0.4	18.1	20.1	
	2012	1508.8	42.7	9.6	7.2	0.2	19.2	21.2	
	2013	1681.4	41.6	9.1	6.9	0.2	19.9	22.3	
	January								
	February	1439.3	43.9	10.1	5.9	0.1	18.4	21.6	
	March								
	April								
	May	1523.1	43.7	9.8	6.3	0.6	19.0	20.7	
	June								
	July								
	August	1507.3	41.4	9.1	8.5	0.0	20.6	20.4	
	September								
	October								
	November	1572.5	41.7	9.3	8.0	0.1	18.8	22.1	
	December								
	January								
	February	1559.8	42.5	9.1	6.4	0.3	19.4	22.3	
	March								
	April								
	May	1667.2	43.7	10.0	6.4	0.1	18.8	21.0	
	June								
	July								
	August	1755.7	41.8	8.8	7.2	0.2	20.3	21.7	
	September								
	October								
	November	1743.0	38.7	8.4	7.5	0.2	20.9	24.3	
	December								
	January								
	February	1650.0	42.6	10.1	5.9	0.1	20.0	21.2	
	March								
	April								
	May	1756.1	43.0	10.4	5.6	0.0	18.8	22.2	
	June								
	2012								
	2013								
	2014								

Source: According to the National Bureau of Statistics data.

Household consumer expenditure													
The structure of the consumer expenditure, %													
	Consumer expenditure MDL	The structure of the consumer expenditure, %											
		food	alcoholic beverages, tobacco	clothing, footwear	household maintenance	household endowment	medical and health care	transportation	communications	recreational activity	education	hotels, restaurants, cafes etc.	
2009	1217.4	40.8	1.8	12.2	16.2	3.9	6.2	4.7	5.0	2.0	0.5	2.5	4.1
2010	1371.7	40.8	1.8	10.8	17.8	3.9	6.4	4.9	4.6	1.7	1.3	2.2	3.8
2011	1534.1	42.5	1.8	10.4	18.1	3.6	5.4	5.2	4.4	1.7	1.1	1.9	4.0
2012	1598.6	43.2	1.7	10.6	18.5	3.5	5.6	4.2	4.4	1.4	1.0	1.7	4.1
2013	1775.8	42.8	1.5	10.3	19.2	3.6	5.7	4.7	4.2	1.5	0.8	1.5	4.0
January													
February	1510.8	43.7	1.6	10.9	18.3	3.0	6.2	3.8	4.5	1.1	1.1	2.1	3.7
March													
April													
May	1582.6	43.7	1.6	11.2	18.5	3.3	4.8	4.5	4.5	1.4	0.9	1.8	3.8
June													
July													
August	1675.3	42.0	1.7	10.3	19.0	4.1	6.5	4.3	4.3	1.9	1.0	1.3	3.6
September													
October													
November	1624.4	43.3	1.7	10.2	18.3	3.7	5.0	4.4	4.2	1.4	1.0	1.8	5.0
December													
January													
February	1656.1	43.4	1.7	9.6	18.3	3.2	6.7	4.6	4.5	1.3	0.8	1.8	4.1
March													
April													
May	1762.0	44.3	1.5	10.6	19.0	3.2	4.7	4.9	4.3	1.0	0.9	1.5	4.1
June													
July													
August	1888.0	40.9	1.3	10.2	20.2	3.8	5.8	5.1	4.0	1.9	0.8	1.7	4.0
September													
October													
November	1798.5	43.0	1.6	10.9	19.1	4.2	5.5	4.1	4.1	1.8	0.8	1.2	3.8
December													
January													
February	1731.9	43.9	1.2	10.4	18.6	3.2	6.6	4.4	4.5	1.2	0.6	1.2	4.1
March													
April													
May	1807.6	44.9	1.4	10.3	18.3	3.2	5.5	4.4	4.5	0.9	0.9	1.6	4.1
June													

Source: According to the National Bureau of Statistics data.

Subsistence minimum									
		Subsistence - average, Total, MDL	Population of working age - Total		Pensioners	TOTAL, MDL			7-17 years
			Children - Total	under 1 year		1-6 years	Children		
2012	2009	1187.8	1251.1	1022.8	1112.0	451.0	964.3	1228.3	
	2010	1373.4	1453.1	1184.3	1258.1	498.8	1095.9	1409.3	
	2011	1503.0	1582.8	1305.6	1391.4	590.6	1238.3	1550.1	
	2012	1511.9	1591.3	1303.2	1413.7	602.0	1261.8	1578.0	
	2013	1612.3	1710.0	1326.9	1534.3	611.2	1322.2	1726.3	
	Q1	1455.7	1524.9	1256.7	1384.6	601.2	1254.7	1528.2	
	Q2	1455.1	1531.1	1259.7	1357.5	568.5	1217.9	1512.7	
	Q3	1456.9	1531.9	1259.5	1364.3	577.4	1208.7	1528.5	
	Q4	1511.9	1591.3	1303.2	1413.7	602.0	1261.8	1578.0	
	Sem I	1608.3	1700.3	1341.4	1533.9	591.4	1328.4	1724.2	
	Sem II	1616.2	1719.8	1312.5	1534.7	631.0	1316.0	1728.5	
	2014	1667.7	1767.3	1390.9	1582.8	608.2	1363.4	1786.4	

Source: According to the National Bureau of Statistics data.

Remuneration of labour									
Nominal monthly wage - Total					Index nominal monthly wage (comparative to previous year), %				
		MDL	USD	EUR			MDL	USD	EUR
2009		2747.6	247.2	177.0	108.6	101.5	107.0	108.6	108.6
	2010	2972.2	240.4	181.2	108.2	97.3	102.4	102.4	100.7
	2011	3193.9	272.1	195.5	111.6	113.2	107.9	107.9	103.7
Q1	January	3139.0	265.8	206.1	110.7	114.5	118.6	118.6	103.5
	February	3166.0	266.5	201.9	109.8	111.0	114.8	114.8	103.4
	March	3273.5	276.3	209.6	109.7	110.6	117.3	117.3	104.1
Q2	April	3350.3	283.8	215.6	106.9	105.9	116.0	116.0	102.1
	May	3489.8	294.2	229.1	108.5	106.1	118.8	118.8	104.2
	June	3913.5	323.8	258.4	110.0	105.5	121.0	121.0	106.1
Q3	July	3574.9	289.2	234.8	109.6	102.3	118.6	118.6	105.4
	August	3503.6	280.4	226.4	110.4	100.5	116.3	116.3	105.7
	September	3421.5	275.7	215.1	108.3	101.2	109.1	109.1	103.2
Q4	October	3482.3	284.2	219.1	110.1	106.0	111.9	111.9	106.0
	November	3527.8	286.1	222.9	109.2	103.8	109.8	109.8	105.3
	December	3888.8	318.9	243.1	104.9	101.4	102.0	102.0	100.8
Q1	January	3413.5	281.3	212.0	108.7	105.8	102.9	102.9	104.0
	February	3380.1	279.5	208.8	106.8	104.9	103.4	103.4	102.4
	March	3638.7	295.4	227.8	111.2	106.9	108.7	108.7	106.7
Q2	April	3739.7	302.9	232.9	111.6	106.7	108.0	108.0	106.8
	May	3758.5	304.2	234.0	107.7	103.4	102.1	102.1	101.9
	June	3859.0	309.9	235.4	98.6	95.7	91.1	91.1	93.5
Q3	July	3908.5	308.3	235.7	109.3	106.6	100.4	100.4	104.8
	August	3832.4	300.5	225.8	109.4	107.2	99.7	99.7	105.5
	September	3758.5	292.0	218.8	109.8	105.9	101.7	101.7	105.7
Q4	October	3785.4	290.3	213.0	108.7	102.1	97.2	97.2	103.8
	November	3793.6	292.7	216.7	107.5	102.3	97.2	97.2	102.5
	December	4278.7	328.1	239.7	110.0	102.9	98.6	98.6	104.6
Q1	January	3777.4	286.9	210.4	110.2	101.6	98.9	98.9	104.9
	February	3717.9	275.6	202.1	109.8	98.4	96.6	96.6	104.2
	March	3912.4	289.5	209.6	107.3	97.8	91.8	91.8	101.5
Q2	April	4009.1	298.5	216.0	107.2	98.5	92.7	92.7	101.3
	May	4032.6	294.9	214.3	107.3	96.9	91.6	91.6	102.5
	June	4203.9	301.9	222.1	108.9	97.4	94.4	94.4	103.7

Source: According to the National Bureau of Statistics data.

Recorded crimes - total, (cases)		Crimes																						
		Crimes against life and health of the person (cases)			Crimes of sexual life (cases)		Crimes against property (cases)						Offenses against public health and social coexistence (cases)		Crimes against family and minors (cases)		Economic crimes (cases)			Crimes against public security and public order (cases)				
Year	Total	murder		premeditated severe injuries		rape		Total	theft	brigandage	robbery	fraud	pocket-picking	blackmail	Total	drug related crimes	Total	Total	trafficking in children	Total	contraband	manufacture of counterfeit currency	Total	hooliganism
		2009	25655	240	369	402	264	12222	9136	205	1003	1066	118	52	2065	1879	168	42	2452	251	292	927	767	
2010	33402	265	416	557	368	18104	13646	185	1204	1841	395	64	1983	1794	204	23	1053	170	376	1122	955			
2011	35124	216	360	461	291	19340	15060	152	1151	1574	554	44	1810	1658	24	1384	211	681	1342	1152				
2012	36615	223	325	617	360	18751	14294	167	1175	1651	540	64	1785	1575	953	20	1928	163	1156	1514	1284			
2013	38157	215	324	608	349	20391	15378	146	1144	2065	741	88	1305	1166	1474	20	1002	151	344	1625	1444			
Q1	7791	49	67	141	82	3988	3012	49	297	354	102	7	468	386	192	6	464	46	296	315	263			
Q2	16852	96	145	287	179	8619	6587	81	587	757	205	24	893	760	409	10	888	89	569	691	585			
Q3	26012	151	228	448	273	13239	10128	127	872	1136	339	43	1336	1169	668	15	1416	127	933	1054	888			
Q4	36615	223	325	617	360	18751	14294	167	1175	1651	540	64	1785	1575	953	20	1928	163	1156	1514	1284			
		2012																						

Source: According to the National Bureau of Statistics data.

		Crimes																				
		Recorded crimes - total, (cases)	Crimes against life and health of the person (cases)			Crimes of sexual life (cases)		Crimes against property (cases)							Offenses against public health and social coexistence (cases)		Crimes against family and minors (cases)		Economic crimes (cases)			Crimes against public security and public order (cases)
Q1	January	8250	326	55	66	154	91	4630	3535	47	267	424	182	17	308	274	317	7	224	84	383	341
	February	18098	767	114	140	306	172	10004	7563	83	550	1002	378	39	568	496	663	14	492	188	784	694
Q2	March	27320	1175	150	220	455	14624	11037	121	829	1513	494	67	951	850	1067	17	724	256	1151	1025	
	April	38157	1647	215	324	608	20391	15378	146	1144	2065	741	88	1305	1166	1474	20	1002	344	1625	1444	
Q3	May	8940	336	42	67	156	4489	3350	28	245	467	173	25	316	276	492	6	319	46	389	352	
	June	18138	769	115	140	306	10012	7563	84	550	1007	378	41	575	503	663	14	501	188	786	694	
Q4	July																					
	August																					
Q1	September																					
	October																					
Q2	November																					
	December																					
2013	January																					
	February																					
2014	March																					
	April																					
2014	May																					
	June																					

Source: According to the National Bureau of Statistics data.

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