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GENERAL INFORMATION

Official name	REPUBLIC OF MOLDOVA
Capital	Chisinau
Head of State	Marian Lupu, Acting President of the Republic of Moldova
Speaker of Parliament	Marian Lupu
Prime Minister	Vlad Filat
Moldovan Parliament	101 members (Communist Party of Moldova - 42, Liberal Democratic Party - 31, Democratic Party of Moldova - 14, Liberal Party - 12, Non-attached Members - 1)
Independent since	August 27, 1991
Area	33,800 km²
Administrative units	32 districts, 5 cities (Chisinau, Balti, Bender, Comrat, Tiraspol), ATU Gagauzia, administrative-territorial units on the left bank of Nistru
Resident population	3,560,400 inhabitants
Main religions	Orthodox
Official language	Romanian
National currency	Moldovan Leu (1 USD = 11.80 lei, 1 EUR = 15.50 lei)

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
FDI	Foreign Direct Investment
GAP	Good Agricultural Practice
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
GVA	Gross Value Added
HACCP	Hazard Analysis and Critical Control Points
HHI	Herfindahl-Hirschman Index
IDA	International Development Association
IEFS	Institute of Economy, Finance and Statistics
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
NPB	National Public Budget
NPC	Nominal Protection Coefficient
ODSME	Organization for Development of Small and Medium Enterprises
PCA	Partnership and Cooperation Agreement
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

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

The third quarter of 2011 was characterized by a series of both political, and economic and social events.

15 July

The International Monetary Fund has offered Moldova the sum of 79 million USD – a part of a series of credits worth 586 million USD for 2010-2012, which is aimed at reducing the budget deficit, lowering inflation and increasing the state's presence in the economy. The Organization has also noted successes on the part of the Republic of Moldova in fiscal and monetary policy management.

27 July

The Cabinet of Ministers approved an Action Plan for streamlining the process of administration and the privatization of state-owned public assets. This measure is aimed at gaining added funds, given that only 10% of the revenues planned for 2011 were brought in in the first half of the year. This Plan contains a list of 10 actions with deadlines for implementation and the institutions responsible for their implementation are the Ministry of Economy, the Public Property Agency, the State Chancellery and the central government authorities. The actions include updating the list of goods not subject to privatization and the list of state-owned assets to be privatized, an analysis of the financial situation of state enterprises and the decision-making for their liquidation or reorganization, as well as ensuring that annual performance indicators for the companies in which the state has a holding of more than 30% are published.

27 July

RM Government and European Commission delegations launched the first round of negotiations for the signing of the Common Aviation Area Moldova - European Union Agreement. Successful completion of negotiations will bring about Moldova's accession to the integrated airspace, which will increase competitiveness in the field, improve air traffic management, ensure the implementation of European standards in the fields of air transport, environmental protection and passenger safety. Moldovan citizens will also be able to take full advantage of this agreement, having the opportunity to purchase low cost tickets, and the list of destinations reachable by air for Moldovan citizens will be diversified.

28 July

The Board of Directors of the National Bank decided to increase the base rate, the rate on overnight credits and overnight deposits by one percentage point. In the same context, it was decided to maintain the level of required reserves at 14%.

8 August

The Court of Accounts accused Moldovan Railways of committing fraud in the amount of MDL 2.2 million. According to the audit report presented on August 8, in 2009-2010, the company allegedly signed dubious procurement contracts, in particular with intermediary companies, but not with direct producers, as should have been the case.

5 September

The Prime Minister of the Republic of Moldova, Mr. Vlad Filat made an official confirmation of raider attacks. There have been attempts to fraudulently attribute shares in Moldova Agroindbank,

Banca de Economii, VictoriaBank and Universalbank. The Moldovan Prime Minister gave assurances that those illegal actions were blocked by state institutions. As a result of the raider attacks, a group of Slovenian shareholders were fraudulently deprived of a stake of 27.5% in Moldova Agroindbank, while the same situation also applies to Universalbank, Banca de Economii of Moldova - 16% and VictoriaBank - 5%. As a consequence of this situation, the Government passed an emergency amendment to the banking law. From now on, therefore, changes in the shareholder structure of banks must also be approved by the National Bank. However, such decisions can be taken only after the delivery of irrevocable court decisions.

10 September

European Investment Bank President Philippe Maystadt, during an official meeting with the Minister of Finance, Veaceslav Negruta, announced the availability of development projects in the wine industry, and for energy and flood protection infrastructure in the Republic of Moldova. In addition to these projects, a grant worth EUR 2 million will be offered for technical assistance necessary for finalizing priorities in those areas.

12 September

The price of liquefied petroleum gas rose, reaching about 8.5 MDL, an increase of up to 40 bani. This price increase was due to the import price, which is set, in turn, the international spot prices. In this respect, according to the National Energy Regulatory Agency, the average import price of liquefied gas in the first half of the year rose by 32.5%. The largest quantities of liquefied gas, about 74%, were imported from the Russian Federation.

27 September

The average price of natural gas will rise by 23.2% as a result of a decision taken by the Energy Regulatory Agency. The new natural gas price was set according to the average price for purchasing natural gas from 1 October 2011. Although Moldova Gaz desired a tariff increase of 28.7%, justifying the increase by losses in natural gas transportation and distribution, but also by the increase in the natural gas supply price to \$400.47 per 1000 m³ by Gazprom, ANRE nonetheless firmly insisted on a set increase of 23.2%.

27 September

Mr. Vlad Filat, the prime minister of Moldova and U.S. Ambassador to Chisinau, His Excellency Mr. William Moser, signed three amendments which provide for grants by the United States to the Republic of Moldova. The first amendment provides for the allocation of USD 1.8 million to assist with the safeguarding of local autonomy. The money will be managed to provide localities with drinking water, sanitation and roads. On the basis of the second amendment, Moldova is to obtain USD 1.7 million to strengthen law enforcement institutions, especially for justice and police reform. Another USD 350,000 will be allocated to strengthen the fight against drug trafficking.

SUMMARY OF THE ISSUE

Output

The GDP grew by 6.7% and by 5.3% during the first 9 months of the third quarter of 2011 compared to the similar period of the last year. It is a noticeable growth, one of the biggest in the region, but we also witness a downward trend of the growth rate, with the national economy slowing down the impetus it had at the beginning of the year. The growth rates exceeded the historic levels (the average value of the last years), though no essential changes occurred in the economy, so we expect a slowdown of the growth rate the last quarter of 2011 too.

Prices and exchange rates

CPI increased by 8.8% during the third quarter of 2011 compared to the similar period of the previous year. Monthly price indices, calculated compared to the similar periods of 2010, had the following increases: by 8.3% in July, by 9.2% - in August and by 8.8% in September.

The consumer price index increased by 7.3% during January-September 2011 compared to the similar period of the last year. The following increases for the CPI components were registered during the similar period: food products – 8.4%, non-food products – 5.6%, services – 7.9%. The inflation had an upward trend in the third trimester of 2011. The main causes that led to the increase of prices during the third trimester are the following:

- ✓ propagation of the second round of the effects resulted from higher prices for energy products, increased during the first trimester;
- ✓ weather conditions (warm weather and little precipitation);
- ✓ higher prices for agri-food products internationally.

An average exchange rate of 16.5 MDL/EUR, which represents a tiny appreciation of only 0.13%, compared to the similar period of 2010, was registered during January-September 2011. At the same time, the average exchange rate was 16.3 MDL/EUR during the third quarter of 2011, down by 2.5%, compared to the similar period of the last year. The adverse financial developments in the Euro zone were also reflected in the exchange rate of the national currency to Euro, which appreciated by 2.8% during the third quarter of 2011 from a 16.5 MDL/EUR exchange rate in July to a 16 MDL/EURO exchange rate in September. On the other hand, the average exchange rate of the national currency to the U.S. dollar during the first 3 quarters of 2011 was 11.7 MDL/USD, up by 6.3% compared to the similar period of 2010. The average monthly exchange rate during the third quarter of 2011 was 11.5 MDL/USD, with a 6.7% appreciation compared to the similar period of the last year.

Banking Sector

The evolution of the Moldovan banking sector registered a positive development trend during the nine months of 2011, as reflected by the improvement of the banking activity (liquidity, profitability growth and loan portfolio quality).

Thus, the sector continued its development during the nine months of 2011, registering an increase both in providing loans and attracting deposits.

Accordingly, Moldova Agroindbank, the leading bank in terms of loans and banking activities, registered in September 2011 a credit balance amounting to MDL 6192.5 million and a balances of assets amounting to MDL 8810.8 million. Victoriabank maintained its leading position according

to the amount of deposits during the third quarter of 2011, with a balance of deposits in the amount of MDL 6493.4 million.

There is a continuous decrease of the interest rate on loans granted in the national currency during the third quarter of 2010, a trend that has stabilized during the third quarter of 2011. The average interest rate on the loans granted in national currency registered a 14.1% level in September 2011, while the average rate on deposits in Moldovan lei reached a 6.8% level. In this context, we note that the average interest rates on deposits in national currency began to rise in early 2011, reaching the 6.7% level in January 2011. Accordingly, the average interest rates on deposits in foreign currency increased from a 3.41% level in January 2011 to a 3.94% level in September 2011. The banking margin of error on operations performed in national currency reached the 7.28% level.

Public finance

Revenues in the total amount of MDL 21.244.5 million were collected into the National Public Budget during the first nine months of 2011, by MDL 2132.8 million or 11.2% more compared to the similar period of 2010, continuing, thus, the upward trend observed during the previous editions. When analysing the structure of the revenues to the National Public Budget during the first nine months of 2011 it is observed that the tax revenues continue to prevail (85%). The share of components of the tax revenues remained relatively constant during the first nine months of 2011 compared to the similar period of 2010.

On the background of the collected revenues, attention should be paid to arrears to the National Public Budget found during the first 9 months of 2011, which accounted for MDL 850.4 million.

The budget expenditure of the first nine months of 2011 amounted to MDL 22.652.4, by MDL 2044.3 million or 9.9% more compared to the similar period of 2010. When analysing the structure of the National Public Budget expenditure during the first nine months of 2011, it is observed that the social costs prevail (72.9%), with a share that increased by 4 percentage points compared to the first half of the year.

The execution of the state budget during the first half of 2011 resulted in a MDL 1407.9 deficit;

The increase of the government debt balance by the end of the third quarter of 2011 compared to the beginning of the year is conditioned by the increase of the debt balance of all components that form the government debt;

As for the structure by the debt type, by September 30 2011 the government debt consisted of 71.8% - foreign government debt and 28.2% domestic government debt;

The change of the domestic government debt during the 9 months of 2011 occurred at the expense of increasing by MDL 198.6 million the issuance of the state securities through auctions. At the same time, the state securities converted by the date under consideration registered the highest growth compared to the similar date of 2010 (+MDL 1863 million).

The average weighted interest rate on state securities increased by 4.3% compared to the similar period of the previous year and amounted to 11.16 per cent annually. At the same time, the highest average weighted interest rate on SS was registered - 12.6% annually, which increased by 4.2% compared to January 2011.

In the structure of the foreign debt by creditors, the multilateral creditors continue to be the main creditors of the Government of the Republic of Moldova. As an evolution, the upward trend of the foreign debt to multilateral creditors is noticed. Meanwhile, the foreign government debt to the bilateral and commercial creditors continued to decline, as a sign of evolution.

Monetary policy

As a result of enhancing the inflationist risks in the third quarter of 2011, the National Bank of Moldova took measures to tighten the monetary policy. Thus, the interest rates associated to the instruments of the monetary policy have been modified during this period:

- ✓ the basic rate applied to the main short-term operations of the monetary policy has been increased from 8 to 10%;
- ✓ the rate applied to the overnight credits grew from 11 to 13%;
- ✓ the rate applied to the overnight deposits has been increased from 5 to 7%.

The National Bank of Moldova increased the rate to the compulsory reserves during the third quarter of 2011 in order to temper the inflationist pressures in addition to increasing the interest rates of the NBCs. As of July 8, the level of the rate of the compulsory reserves was increased from 11 to 14%.

The National Bank of Moldova intervened on the forex market during the second quarter of 2011 as both a buyer and a seller. If in July and August the National Bank of Moldova manifested itself more by buying foreign currency, then in September, the monetary authority intervened, mainly, as a seller. This "behavioural change" was determined by the Bank's intention to moderate the USD appreciation trends, which began in September.

External sector

Overall, the foreign activity of the Republic of Moldova undertook a boost during January-September 2011. Despite a more rapid growth of the current account deficit compared to the net inflows of financial resources and capital compared to the similar period of the previous year, which amounted to USD 574.2 million and USD 409 million, accordingly, it is still far from reaching the 2008 level.

The main factors that, apparently, had a positive influence on strengthening the current account and determined an increase of the inflows of foreign funding are:

1. Growth at accelerated rates of the exports of goods and services, which conditioned a slight relaxation of the trade balance deficit of goods and services.
 - A. The index of the foreign trade, which accounted for USD 5243.5 million during the first nine months of the year, not only exceeded the 44.7% level registered the year before, but it even went beyond the 2008 level by 7.7 %. This increase was due, mainly, to the developments in this year exports. The exports were characterized by an increase as regards the main commercial directions, including Russia and Romania, whose share increased up to 46%, while 32% of the total 56.9% increase in exports was driven by exports of manufactured goods, including 10% of machines and transport equipment; an increase of 12.5% was influenced by the light industry products and other 5.9% of base metal. At the same time, the exports of the agri-food products have increased by only 15.9%, which resulted in a reduction of these products in the total exports by 5.9 percentage points, a situation caused mainly by the modest developments as regards the exports of food products.

On the background of these developments in exports on the one hand, and a more modest growth in imports on the other, there has been an increase in the coverage degree of imports by exports, which increased up to 42% - the highest level registered during this period over the last 5 years and, therefore, a relative retention of accelerated growth rates of foreign trade deficit also occurred.

Although spectacular, as the exports have exceeded the maximum level registered in 2008, these developments bring a note of scepticism on the quality of this growth, largely exceeding the industrial production during this period, which leads to the idea that the re-exports of the previously imported goods are the basis of this development;

- B. The accelerated growth of the foreign trade during the first three quarters of 2011, especially of the exports of services, among which special place was held by the transportation, travel and IT services, lead to a decrease of the service balance by 5 times compared to the similar period of the previous year, due to the exports of services exceeding the imports of services by USD 7.3 million during the second and third quarters;

2. The increase of the non-produced non-financial assets sold to the non-residents. The sales of the non-produced non-financial assets accounted for USD 8 million, while in 2010, there were zero assets sold during the same period of the year;

3. The increase of inflows of foreign funds on the account of: foreign direct investments in the national economy, which increased by 34% compared to the similar period of 2010, amounting to USD 206.7 million, exceeding the annual value of FDI in 2010; the short-term contracted foreign trade loans, which amounted to USD 153 million, by 30% more compared to the similar period of the previous year;

4. A 15% increase of the amount of remittances, which amounted to USD 1117 million, compared to the similar period of 2011;

At the same time, especially during the third quarter, there was a slowdown of the inflows of foreign capital and funds due to the increase of the basis and under the influence of the conjuncture of economic conditions of one of the main trade partners: although growing, the remittances do it so very slowly; the same is valid for the FDI inflows, which grow at rates that are placed below the pre-crisis period, and the growth is determined, mainly, by the increase of the reinvested revenues; September was the last month when the export growth cycle ended with rates higher than those registered by imports.

Business environment

The number of enterprises registered by the State Registration Chamber decreased during the third quarter of 2011 compared to the similar period of the previous year, the index accounting for 99,2%. The number of enterprises registered during the third quarter of 2011 decreased by 5.3% compared to the third quarter of the same year.

The number of enterprises deregistered during the third quarter of 2011 amounted to 861 units or by 11% less compared to the second quarter of the last year.

There is a slight, yet constant growth of the number of enterprises during 2009-2010: from 44,600 to 46,700 enterprises.

The average number of employees in enterprises, according to the National Bureau of Statistics, registered a downward trend during 2009-2010, (with an index of 97.6%). By contrast, the group of small enterprises registered during the given period an increase of the average number of employees (with an index of 103.3%).

There is a growth of revenues from sales in all sectors of the economy in 2010. Wholesale and retail sales prevail, accounting for 46.3% in 2010 - more than the sales revenues generated by industry and agriculture combined.

According to data provided by the National Bureau of Statistics, an increase by 23.1% (in comparable prices) of the revenues from sales in case of enterprises having as main activity the retail trade was registered during January-September 2011 compared to the similar period of 2010.

A larger increase of the turnover in case of enterprises having as main activity the retail trade was registered in Chisinau (an increase by 25.8%) and in the South Region (by 29.7 %) during January-September 2011 compared to the similar period of 2010.

According to the National Bureau of Statistics, an increase by 18.3% (in current prices) of the turnover in case of enterprises having as main activity the wholesale trade was registered during January-September 2011 compared to the similar period of 2010.

The turnover in case of enterprises having as main activity the rendering of market services to the population increased by 0.7% (in comparable prices) during January-September 2011 compared to the similar period of 2010. During this period, companies from the North and South regions experienced a decrease in the turnover (by 5.4% and 4.6%, accordingly) compared to the similar period of 2010.

Social sector

Demographic situation. The number of the live-births fell by 3.7%, while the number of the deceased fell by 11.6 during January-September 2011 compared to same period of the previous year. The natural increase was 0.0 persons per 1000 inhabitants. The number of marriages fell by 1.0%, while the number of divorces fell by 1.1% compared to the similar period of the last year.

Migration of the population. In January-September 2011, 1,077 foreign citizens received residence permits (permanent and temporary). In the structure of immigrants by purpose of arrival, immigrants arriving for work dominated - 43.0%, families - 41.2%, for studies - 6.6%, other causes - 9.2%. By country of origin, immigrants come from: Ukraine, Romania, Turkey, the Russian Federation, and Italy.

Labour market. In the third quarter of 2011, the economically active population stood at 1.3472 million persons, increasing by 33,400 persons (2.5%) compared to the same period last year. The activity rate of the population aged 15 years and over was 45.3%, increasing to the value of the same quarter in the previous year (44.3%). The employment rate of population aged 15 years and over was 42.9%, an increase of 1.5 p.p. compared to the third quarter of 2010. The number of the unemployed, according to the ILO definition, amounted to 71.0 thousand persons. The unemployment rate nationwide stands at 5.3%, being lower than in the third quarter of 2010 (6.5%).

Subsistence minimum. The subsistence minimum in the third quarter of 2011 amounted to MDL 1,386.4 on average per person, an increase of 6.2% compared with the same period of the previous year. The increase in the subsistence level was driven by food price developments in the minimum subsistence food basket and changes that took place in the structure of household consumption expenditure, especially the increase of expenditures for non-food goods and services.

Household disposable income. In the third quarter of 2011, household disposable income stood at MDL 1,475.6 (according to the Household Budget Survey) on average per person monthly, an increase of 12.0% over the same period last year. In real terms (adjusted to consumer price index), household income grew by 2.9%.

Household consumption expenditure. Average monthly consumption expenditures of households in the third quarter of 2011 amounted to MDL 1,612.8 on average per person, with an increase of 10.2% over the same period last year. In real terms (adjusted to the consumer price index) the population spent on average 1.3% more compared with same period last year.

Remuneration of labour. Gross nominal average earnings, according to the NBS of the RM, in October 2011 constituted MDL 3,161.7, increasing by 10.4% compared with October 2010, and was 0.1% lower than in the previous month (September 2011). The average monthly salary in January-September 2011, showed a rising trend from MDL 2,835.6 to 3161.7.

Social protection of the population. According to the National Social Insurance House, the number of pensioners who are registered with social protection bodies, on October 1, 2011, was 635,200 persons or 10,400 persons more than on October 1, 2010. The average monthly pension, established on October 1, 2011, was 873.9 MDL, up 7.9% on October 1, 2010.

Healthcare. Population morbidity due to infectious diseases in January-September 2011 is characterized by an increased number of cases of illness with acute respiratory infections - 178,200 cases versus 109,700 cases in January-September 2010. At the same time, more cases of varicella have been recorded - 7,100 cases, compared to 3,900 cases in January-September 2010. However, there have been fewer cases of influenza, viral hepatitis A, bacterial dysentery, etc. On average, per 100,000 people, there are 422.0 cases of acute intestinal infections, 200.2 cases of chickenpox, 128.5 of flu cases and 5,001.5 cases of acute respiratory infections. Most cases of morbidity by acute respiratory infections are recorded in Balti, Chisinau, the districts of Straseni and Sangerei.

Crimes. In January-September 2011, 25,500 crimes were recorded, 6.1% more than during the same period of the previous year. In urban areas were recorded 56% of total crimes (96 crimes per 10,000 inhabitants). In rural areas were recorded 44% of total crimes (54 crimes per 10,000 inhabitants). For 10,000 inhabitants there are recorded 71 crimes. The highest level of crime was registered in Chisinau (110 crimes per 10,000 inhabitants).

Chapter I.

OUTPUT

Gross Domestic Product

The GDP amounted to MDL 60.496 million in current prices during January-September 2011, thus registering a growth of 6.7% in real terms compared to the similar period of 2010. The performance due to the positive influence of the GDP value was obtained during the third quarter, which amounted to MDL 23869.02 million, with an increase by 5.3% compared to the similar period of the last year. It is a significant increase, one of the largest in the region, but we notice a downward trend of the growth rates, with the national economy tempering the impetus that it had earlier this year. The growth rates have exceeded the historical levels (the average of the last years), key structural changes in the economy have not occurred, so we expect a slower growth in the last quarter of 2011 too.

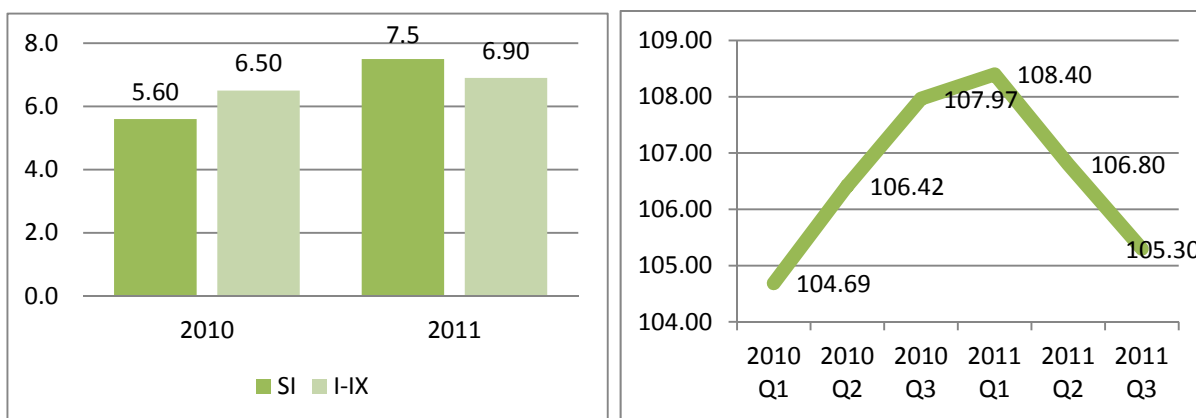


Figure 1. Growth rhythm of the GDP f-a-p, 2010-2011.

Source: Calculus made by the author according to data provided by the National Bureau of Statistics.

1.1. Gross Domestic Product on categories of resources.

The components of the GDP on resource categories had positive evolutions during the first nine months of 2011. Compared to the similar period of the last year, the Gross Value Added (GVA) registered an increase by 6.3%, being, traditionally, surpassed by the increase of the net taxes – 8.65%. It should be noted that the taxes on products registered the lowest increase in the last five years, thus, their share in the GDP decreased by 0.23 p.p.

As for the GVA components, we notice a downward trend of the growth rates in the agricultural sector, along with the increase of its share in the GDP, both during the first nine months of the year as during the third quarter. The growth of the agricultural production registered the value of 4.02% compared to 2010, the evolution of the agricultural production during the third quarter being even more modest, increasing by 2.43% compared to the similar period of the last year. Despite these moderations, the share of the agriculture in the GDP has increased, marking one of the largest shares during the first nine months of the last five years of the agricultural production in the GDP.

The positive trends are noticed in other sectors too: the industry increased during the first nine months by 10.28% and by 11.86% during the third quarter compared to the similar period of 2010. The value added in the constructions increased during January-September 2011 by 4.7% compared to the similar period of 2010, but it decreased during the third quarter of 2011 by 6.8% compared to the similar period of 2010. The primacy in the case of the GVA is traditionally held by the services sector (excluding constructions), which increased by 5.83% during the first 9 months of the year and 5.2% during the third quarter, compared to the same period of 2010.

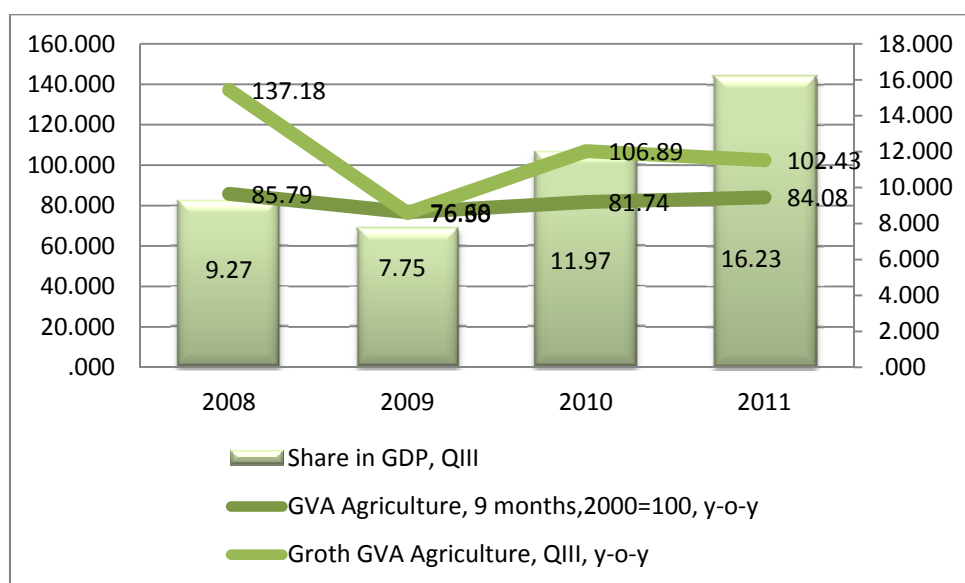


Figure 1.1.1. Growth of GVA, y-o-y, 2008-2011

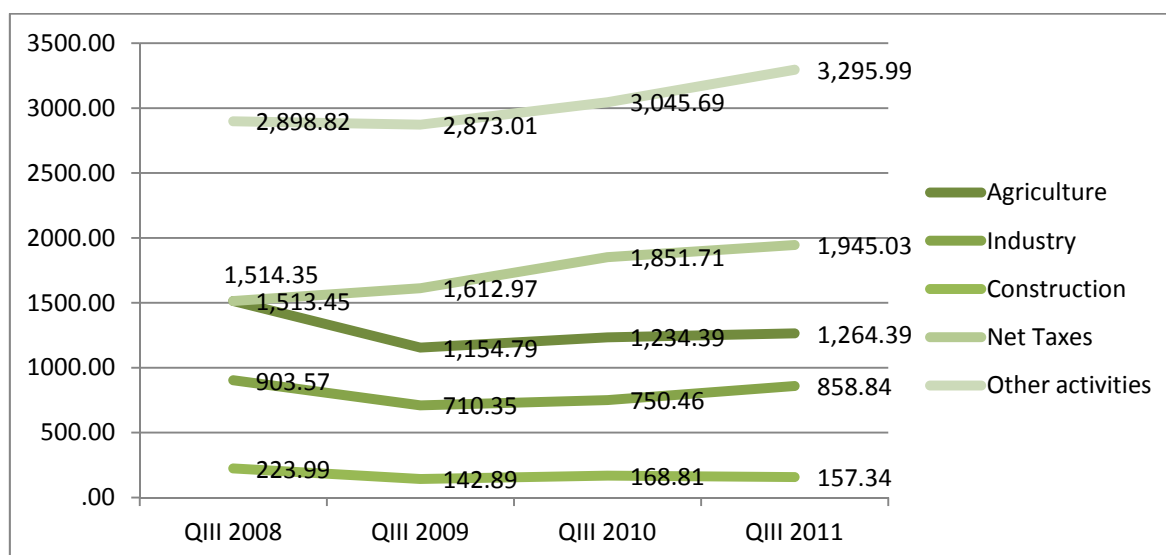


Figure 1.1.2. Evolution of the GDP indices on categories of resources, 2000q3=100, million lei.

Source: Calculus made by the author according to data provided by the National Bureau of Statistics.

1.2. Gross Domestic Product on categories of users

We find the trends started at the beginning of the year growing during January-September 2011 according to categories of users, but we also find some moderations of the increase of the GDP components. The increase of GDP was mostly influenced by the increase of the domestic demand by 7.65% during the first 9 months and by 5.65% during the third quarter, compared to the similar period of 2010.

The final consumption growth registered during the first nine months an increase by 8.7% and by 8% during the third quarter, compared to the similar period of 2010. There was an increase due to a better evolution of the public consumption, which increased by 3.9 p.p. as a share in the GDP, compared to a more modest evolution of the public consumption, which reduced its share in the GDP by 1.9 p.p., but hastened its growth rate.

The exports continued their previous trends, registering a spectacular increase of 36.1% during the first nine months and 31% during the third quarter, compared to similar periods of 2010.

As it has been stated before, and as the figure below confirms it, the national economy reduces by the end of the year its increased growing tempos, while the formation of the fixed capital has already registered a reduction compared to the third quarter of 2010.

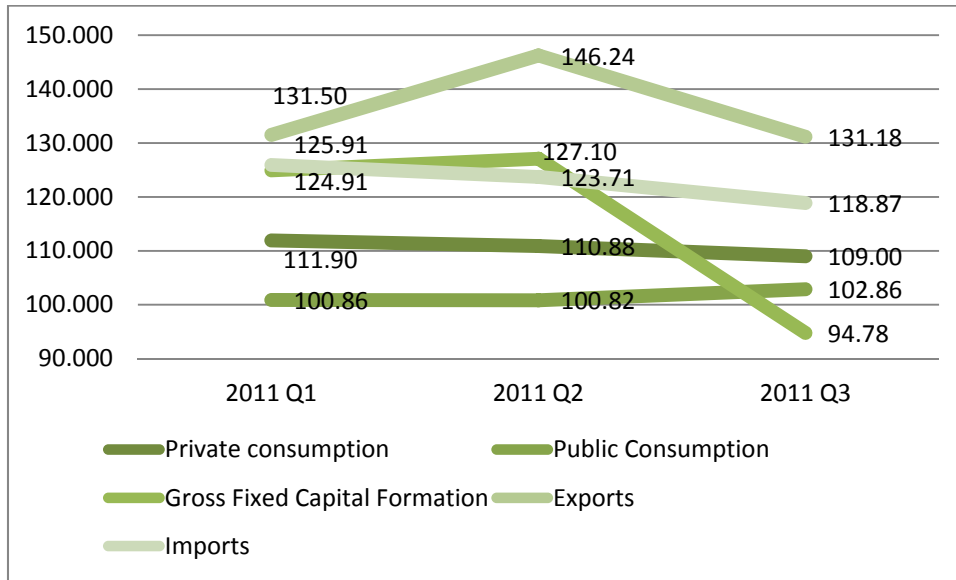


Figure 1.2.1. Evolution of the GDP indices on categories of expenditures, y-o-y.

Source: Calculus made by the author according to data provided by the National Bureau of Statistics.

Even in this case, it is fair to mention that the contribution to the components of the GDP formation is higher than the average of the last 10 years. Thus, the exports had the most important contribution to the GDP, influencing the increase of the GDP by 13%, followed by the private consumption that has positively influenced the increase of the GDP by 10%. It should be noted that, historically, the exports had a more reduced contribution to the GDP when compared to the contribution had by the private consumption. Given the discussions on the share of the re-exports in the total amount of exports, this influence could be smaller.

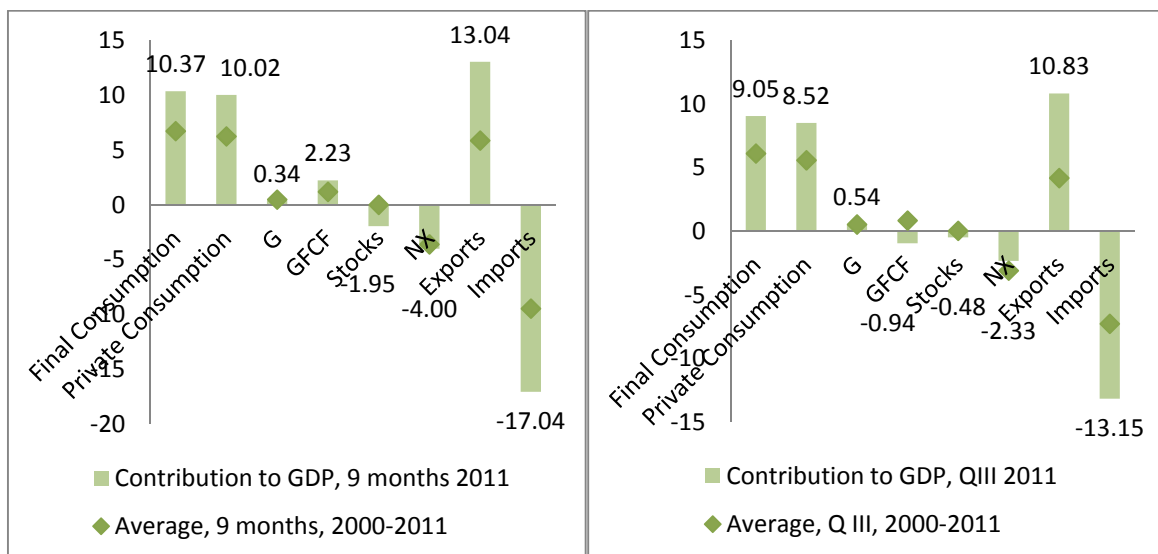


Figure 1.2.2. Degree of influence of expenditures to GDP growth, %.

Source: According to National Bureau of Statistics

In the graphic below, there is a reduction of the gross formation of fixed capital during the third quarter by 5.22%, which resulted in the reduction of the GDP by 0.94%. A decrease by 13.6% in the variation of the stocks compared to the similar period of the last year is noted, which affected the decrease of the GDP by 0.48%.

Investments worth MDL 7965.2 million were made during January-September, by 11.3% more compared to the similar period of the previous year. In the graphic below it is noticed that approximately 28% of the total amount of investments are allocated to the public entities, which denotes that approximately 72% of investments belong to the non-state economic agents of the national economy, by 5.6 p.p. more compared to January-September 2010.

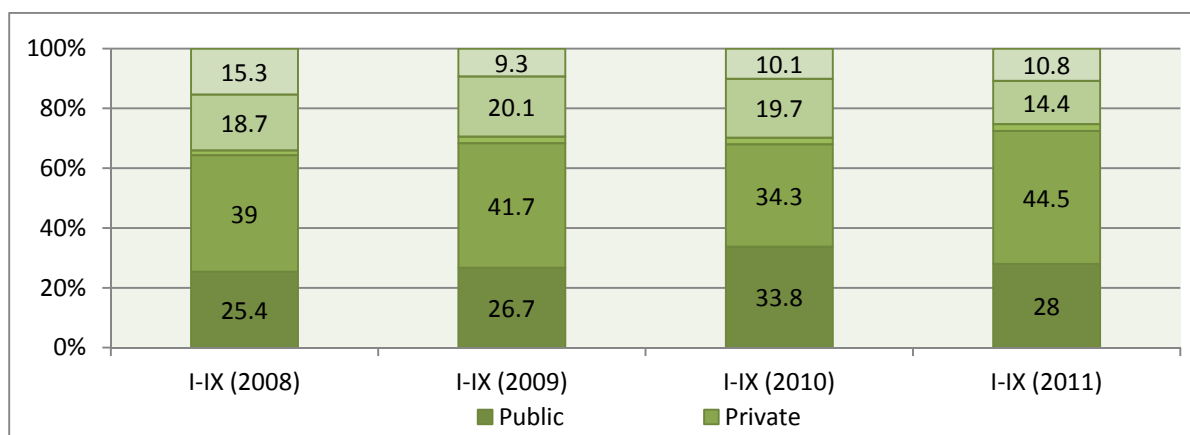


Figure 1.2.3. Structure of long-term investments in assets on forms of ownership, %.
 Source: Calculus made by the author according to data provided by the National Bureau of Statistics.

The financial means coming from the economic agents and the population are still the main sources of funding investment activities during this period- 67.4%, up by 6.1 p.p. The share of the foreign financial means decreased by 2.8 p.p. compared to January-September 2010, amounting to 7.4%. 7.4% of the total amount of investments or by 0.5 p.p. more compared to the similar period of the previous year was made on the account of the budgetary financial means.

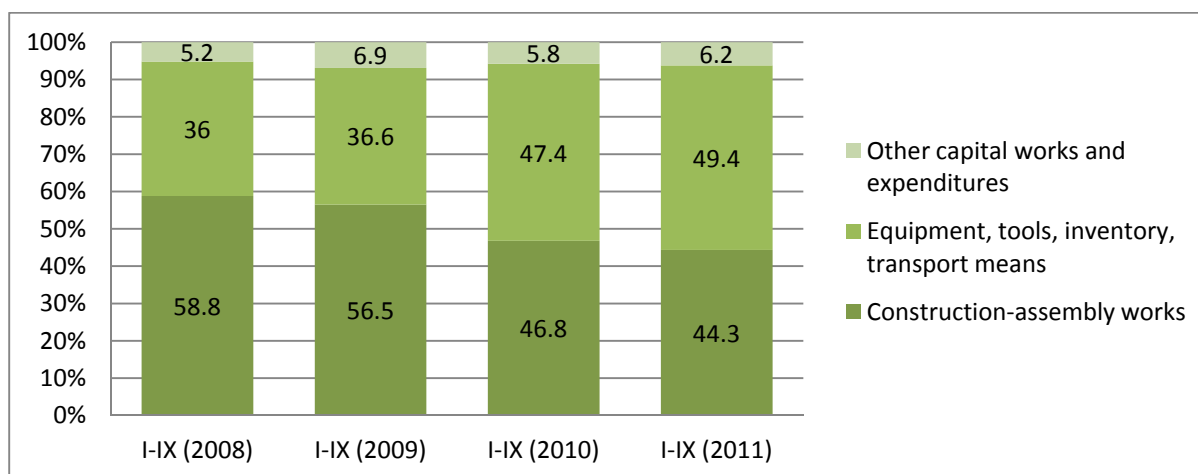


Figure 1.2.4. Technological structure of investments in long-term assets, %.
 Source: Calculus made by the author according to data provided by the National Bureau of Statistics.

It is observed that in the structure of the technological investments the largest part was driven towards purchasing equipment, tools and transportation means, which amounted to 49.4%, thus increasing by 2 p.p. compared to the similar period of 2010. The share of investments made in the construction and assemblage works was 44.3%, down by 2.5 p.p. compared to January-September 2010.

1.3. Production of goods and services.

Industry

Industrial enterprises of all types of ownership manufactured during January-September 2011 production worth 22.504.800.000 lei (current prices), thus increasing it by 10% compared to the similar period of the previous year. This growth was due to the increase of the production amount in the mining industry by 18.1%, followed by the amount of production in the processing industry by 11.7%.

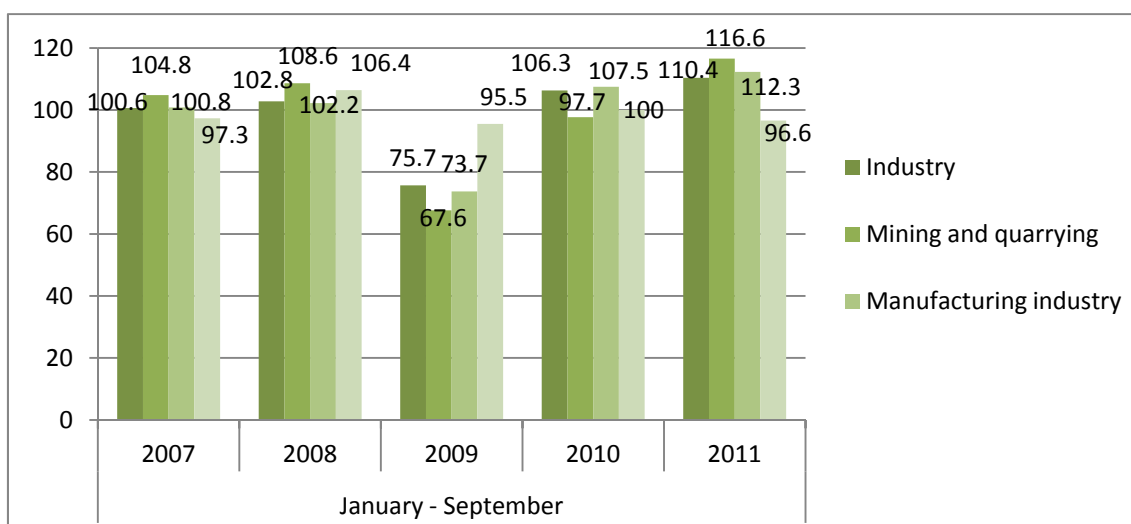


Figure 1.3.1 Evolution of indices of the amount of industrial production during January-September, %.

Source: Calculus made by the author according to data provided by the National Bureau of Statistics.

A downward trend is noticed in the amount of production in the electricity and heating by 3.4 %, including: steam and hot water supply - by 4.0%, production and distribution of electricity - by 3.1%.

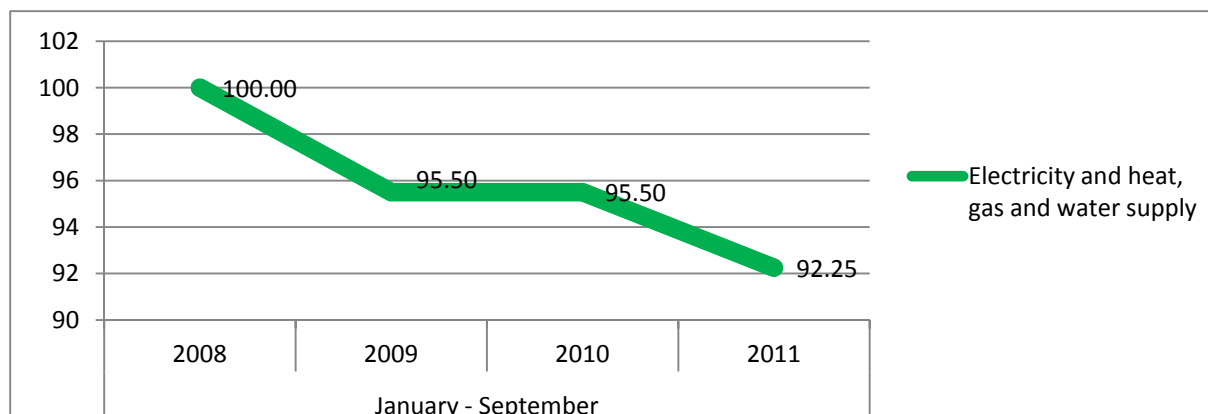


Figure 1.3.2 Evolution of the indices of electricity and heating, gas and water, %, 2008=100%

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

The mining industry is characterized by a fast growth over the last years, but it has not yet reached the level registered in 2008.

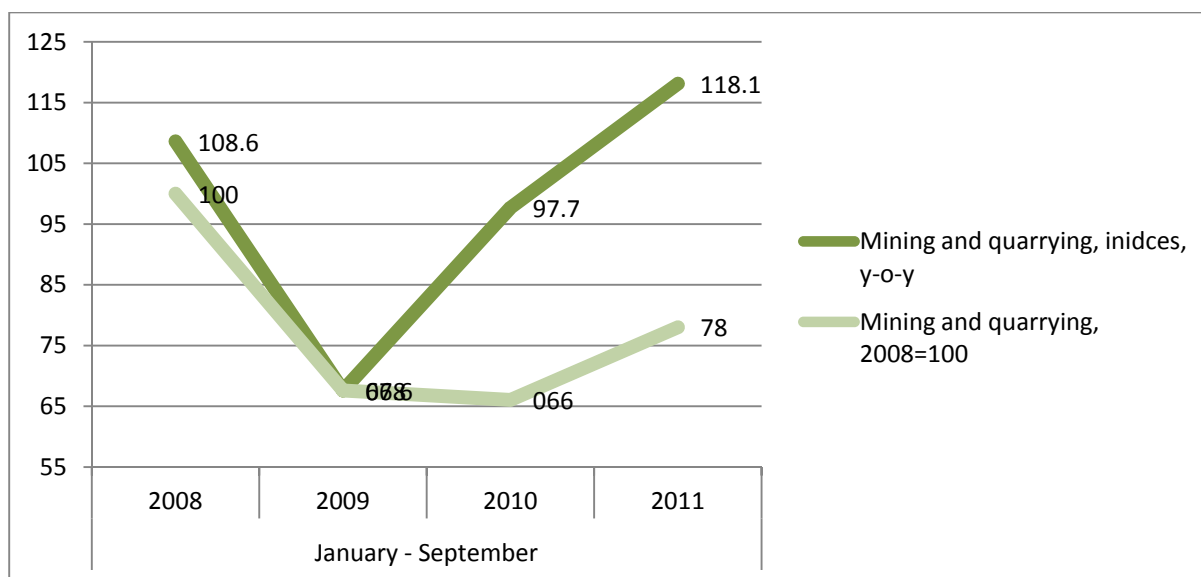


Figure 1.3.3 Evolution of the mining industry, %, 2004=100%

Source: Calculus made by the author according to data provided by the National Bureau of Statistics.

The industrial sector of the economy is determined mainly by the activity of enterprises in the processing industry, which in January-September 2011 accounted for 84.7% of the total amount of production, obtained at the industrial enterprises with main industry activities included in the monthly statistical research. The production level achieved by these enterprises increased by 11.7% compared to January-September 2010.

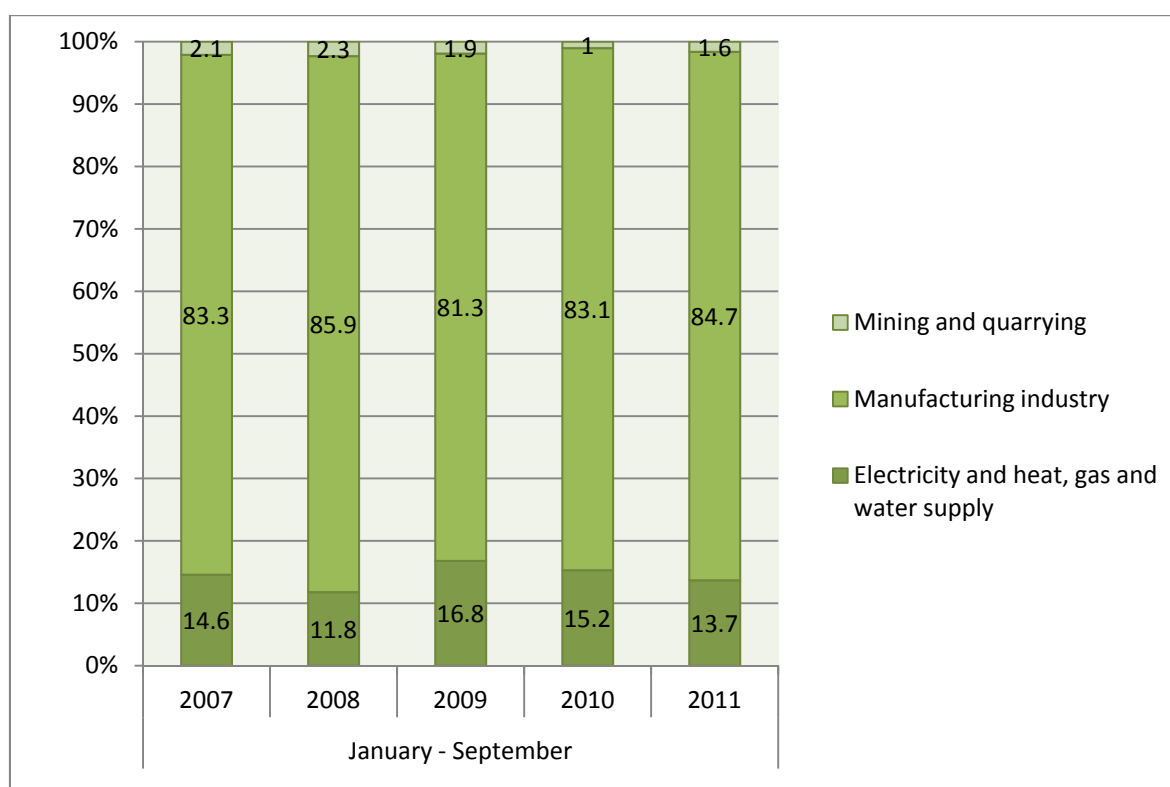


Figure 1.3.4. Structure of the industrial production, on main types of activities, %.

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

Food and beverage industry as a whole registered an increase of the production amount by 2.3%, in particular as regards the: production, processing and preserving of meat and meat

products - by 12.8%, production of beverages - by 8.4 %, production of dairy products - by 1.0% etc.

The processing industry remains the industry with the largest share in the industry structure as of 2007, this being due to exports - re-exports.

Positive growth trends were also registered in the metallurgical industry such as: production of medical, precision and optics equipment and instruments by 43%, manufacturing of machinery and equipment by 42.5%, manufacturing of finite metal products, except for production of machinery and equipment by 15.1%, production of furniture by 11.1%, production of electrical machinery and equipment by 37.7%. However, some reductions of the production are observed: production of vegetable and animal oils and fats by 16.2%, steam and hot water supply by 4% and manufacturing of milling products by 3.7% etc.

Agriculture

The agricultural production accounted for MDL 15.571 million in current prices during January-September 2011, which represents an increase by 3.7% compared to the similar period of the previous year. When analysing the statistical data, a slowdown in the growth rate is noted, and, namely, the agricultural production grew by 8.7% during the similar period of the previous year compared to the similar period of 2009. The growth of the global agricultural production was determined by the growth of the crop production by 4.4% and animal production by 2.3%.

The animal production accounted for MDL 5296 million, with a share of 34% in the total agricultural output, down by 5.9 percentage points compared to the similar period of the previous year. The animal production maintained a downward trend in 2011, registering the lowest growth rate in January-September - just 2.3%. The animal production registered the highest growth rate of 2010 - by 15.5% compared to the same period of the last year.

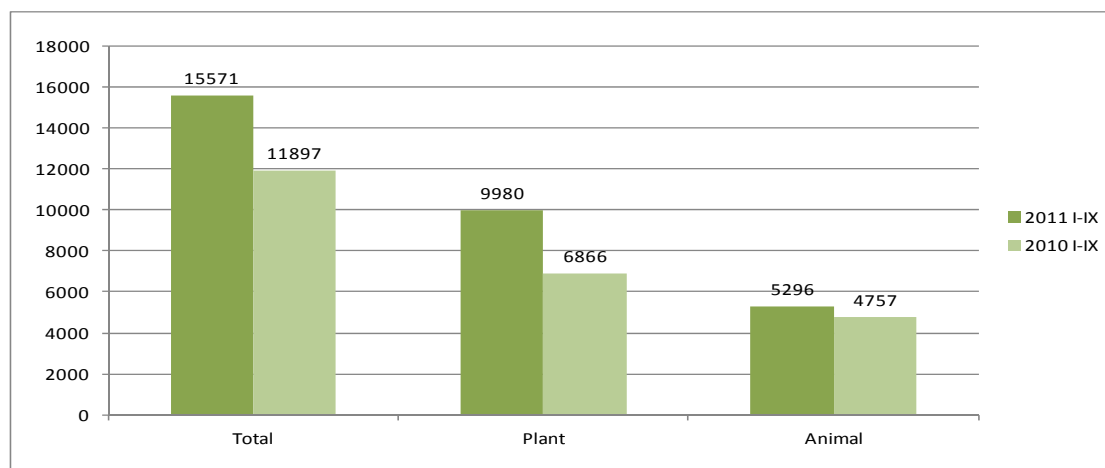


Figure 1.3.5. Agricultural production (in households of all categories), MDL million, previous year = 100 %

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

Crop production. The growth in the global yield of major crops: wheat, sunflower, potatoes, vegetables, fruits and grapes had a positive influence upon the rate of the physical amount of the agricultural production during January-September 2011 compared to the similar period of the last year. The process of harvesting in the agricultural enterprises (including homesteads (farms)² during the harvesting period of until October 1, 2011 shows the increase from last year's average harvest of grapes per hectare - by about 44%, potatoes - by 34%, cereal grains (no corn) - 18% field vegetables - 15%, maize grain - 11%, sunflower - 2%.

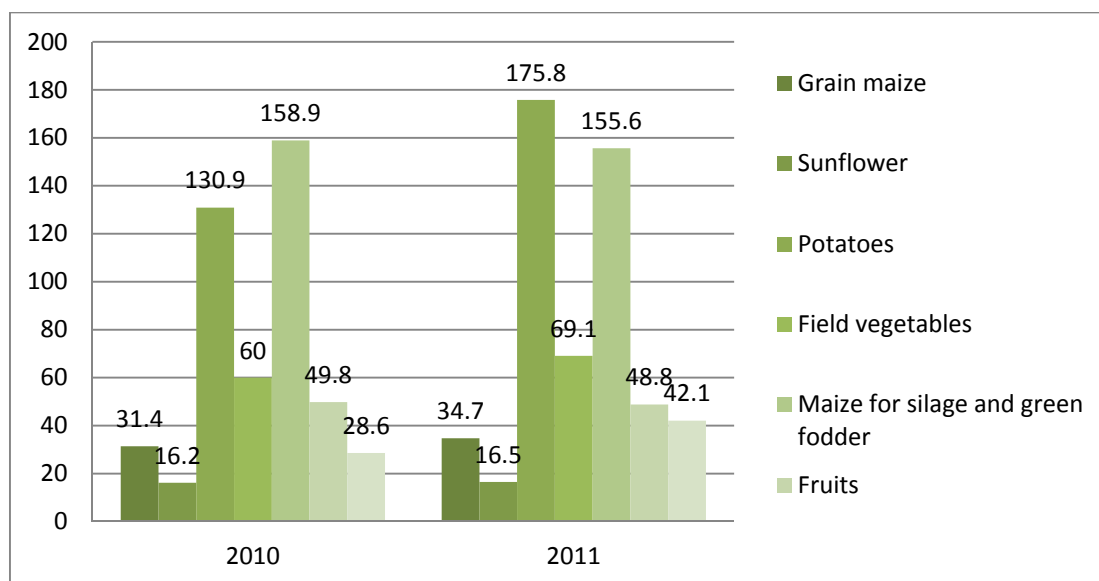


Figure 1.3.6. Average yield of agricultural crops during the harvest period until October 1, 2010-2011, %

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

The global amount obtained is about 1160.4 thousand tons, the overall productivity within the Republic of Moldova was established at the rate of 2,6 t/ha compared to 2.1 t/ha in 2010. The following crops were harvested:

- Wheat - 833 thousand tons;
- Barley - 236 thousand tons;
- Peas - 15,7 thousand tons;
- Rape - 64,6 thousand tons;
- Other crops - 11,1 thousand tons.

In terms of quality, according to the Ministry of Agriculture, a positive indicator for this year is the fact that an increased gluten output was registered in the grains compared to the previous years. Primarily, the content of gluten in the food wheat is 18-22%.

We find the following situation - compared to the previous year, the areas seeded with first group cereals and rape decreased by 42 thousand ha, but, at the same time, an increase of the productivity of these crops by 0.5 t/ha is noted.

Table 1. Livestock and animal production, 9 months, 2010-2011

Livestock	I-IX		Animal production, (growth, %)	I-IX	
	2010	2011		2010	2011
Cattle	224	210	Sale of cattle and poultry for slaughter	127	109
...Cows	162	153	Milk	103	93
Pigs	469	469	Eggs	112	100,5
Sheep and goats	907	815	Wool	104	99

Source : BNS

Situation relatively similar is attested to livestock and animal production. During the first nine months livestock slightly declined or stagnated, while animal production, with some exceptions, seems not to be affected.

Milk production in all categories decreased by 7.1%, a decrease due to the reduction of the milk production in the population households by 7.3%.

At the same time, the moderate increase in the production of eggs (by about 0.5%) was exclusively due to the increased production of eggs in the households of the population.

Services

Trade and paid services provided to the population

The trade activity is described through positive trends during January-September 2011, *the amount of the turnover in retail trade* growing by 23.1% (in current prices) compared to the similar period of 2010.

The index value of the turnover in the wholesale trade grew by 15.8% (in current prices) during January-September 2011, compared to the similar period of 2010.

The amount of the turnover for enterprises that have as main activity providing market services to the population grew by 2.8% (in comparable prices), compared to the similar period of 2010.

The index value of the turnover in case of the companies concerned grew by 13.7% (in current prices) during January-September 2011 compared to the similar period of 2010.



Figure 1.3.7. Evolution of trade in 2011, MDL million.

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

All components of the trade activity register growing trends during the third quarter of 2011, while the wholesale trade tends to stabilize comparative to QII.

Despite positive developments this year, especially during the third quarter, we notice a slowdown in wholesale and retail sales during the last quarter of the year. This is partly explained by the fact that, as a rule, there is a decrease in sales during September, October and November, in anticipation of the essential increase during December.

Transport

The railway, road, river and air transport enterprises carried goods in the amount of 7.0241 million tons during January-September 2011, by 23.4% more compared to the similar period of 2010. This increase was influenced by the increase of goods transported by the railway transport enterprises, up by 31.2%, especially, as regards the cereals and bakery products, up by 28.4%, ferrous metals and scrap, up by 24.8%, and construction materials and cement up by 17,5%, followed by goods transported by air, up by 25.3%. The amount of goods carried by road transport enterprises reached the 3.5402 million tons level during the first nine months of 2011, by 16.9% more compared to January-September 2010.

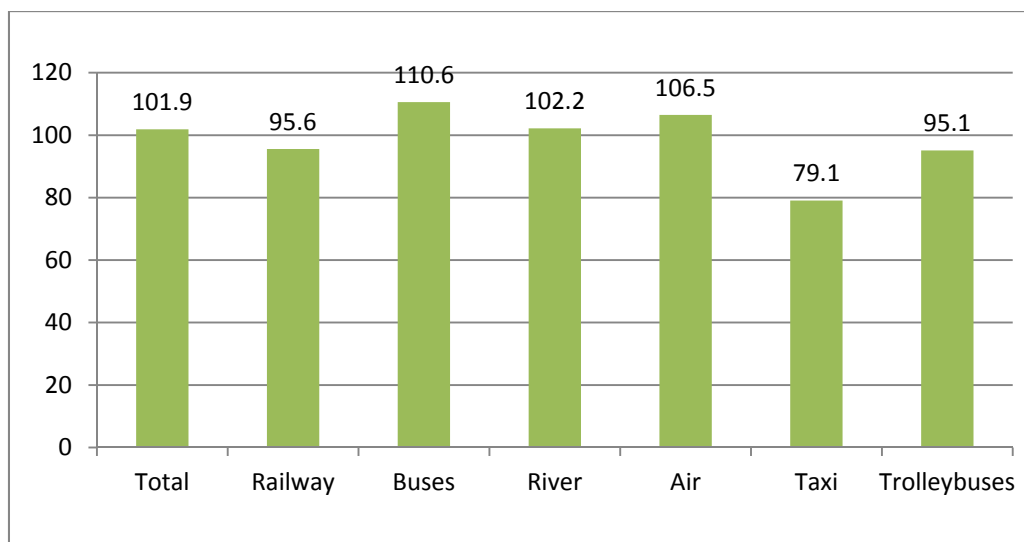


Figure 1.3.8. Passenger transport, by modes of transport, indices, 9 months, 2011

Source: according to data provided by the National Bureau of Statistics.

In the graphic above we may notice that the number of passengers who used public transportation means during January-September 2011 amounted to 173.872 thousands, by 1.9% more compared to the similar period of the previous year. This level was reached after the increase of the number of passengers transported by buses and minibuses by 10.6%, followed by air transport, up by 6.5%. A decrease by 4.4% was registered as regards the railway transport, as well as the services provided by the taxi enterprises, which decreased by 20.9% compared to January-September 2010. The largest shares in the total number of passengers transported by buses and minibuses are held by carriers from the cities of Chisinau (63.4%) and Balti (8.2%), along with carriers from the following districts: Cahul (4.4%), Orhei (3.8%), Ungheni (2.0%), Ialoveni (1.6%), Edinet (1.4%) and Straseni (1.4%).

Constructions

The constructions organizations have performed constructions and assembly works amounting to MDL 2627.4 million during January-September 2011, by 0.1% more compared to the similar period of 2010. Given the multitude of works performed under a contract during January-September 2011, the largest share, 52.5% of the total amount of works, is held by the new constructions, followed by current and capital repairs - 44.9%.

As of 2007, there is a change in the structure of the construction works performed under a contract, by type of execution. Thus, the current repairs play an increasingly important part in the structure of the constructions works during this period. If in 2007, these works had a share of 6.4%, then, in January-September 2011, they had a share of 25.5%.

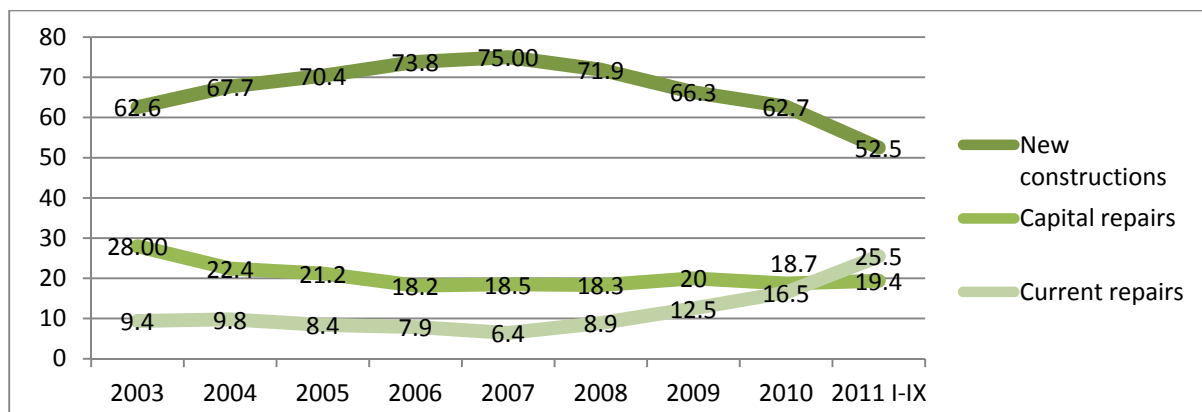


Figure 1.3.9 Structure of the construction work performed under a contract, according to the type of execution, %

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

This phenomenon takes place along with the decrease of the new constructions in the same structure, which in 2007 reached the maximum level of 75%; these works have even a lower share during the first nine months of 2011 compared to 2003 – of only 52.5%.

Tourism

The number of tourists present in the Republic of Moldova during January-September 2011 amounted to 202.7 thousands, by 8.2% more compared to the similar period of the previous year, of which 53.891 non-residents. The accommodation capacity in case of the collective tourist accommodation facilities was during January-September 2011 as follows:

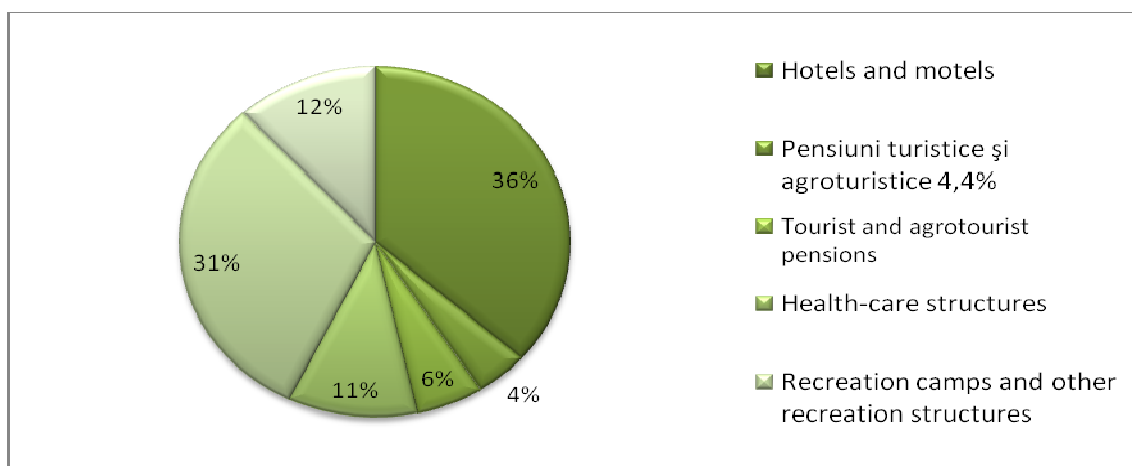


Figure 1.3.10 Structure of touristic activity of establishments of collective touristic reception with functions of accommodation, by types of establishments, 9 months 2011.

Source: according to NBS

The largest share of foreign tourists was held during the first nine months of 2011 by the tourists coming from Romania - 20.5%, followed by those coming from the Russian Federation - 10.9%, Germany - 5.6% and, finally, the Czech Republic and Sweden- 1.8 and 2%, accordingly. Some positive changes were also registered as regards the tourist trips of the residents abroad, organized by resident agencies, for recreation, meditation, and relaxation, thereby, by 17% more compared to the similar period of 2010.

Chapter II.

PRICES AND EXCHANGE RATES

The consumer price index increased by 7.3% during January-September 2011 compared to the similar period of last year. The following increases for the CPI components were registered during the similar period: food products – 8.4%, non-food products – 5.6%, services – 7.9%.

The inflation had an upward trend in the third trimester of 2011. The following are the main causes that led to the increase of prices during the third trimester:

- ✓ propagation of the second round of the effects resulted from higher prices of energy products, increased during the first trimester;
- ✓ weather conditions (warm weather and little precipitation);
- ✓ higher prices for agri-food products internationally.

CPI rose by 8.8% during the third quarter of 2011 compared to the similar period of the previous year. Monthly price indices, calculated compared to the similar periods of 2010, had the following increases: by 8.3% in July, by 9.2% - in August and by 8.8% in September. During this period, the strongest increase was registered for the prices of food products – up by 12.1% during the third quarter of 2011 (put monthly and compared to the similar period of the previous year, the increases were of: 11.4% in July, 13.6% in August, and 11.4% in September). The prices for non-food prices rose by 6.2% (put monthly and compared to the similar period of the previous year, the increases were of: 5.6% in July, 6.2% in August and 6.8% in September), the prices for services went up by 7.8% (put monthly and compared to the similar period of the previous year, the increases were of: 7.6% in July, 7.7% in August and 8% in September).

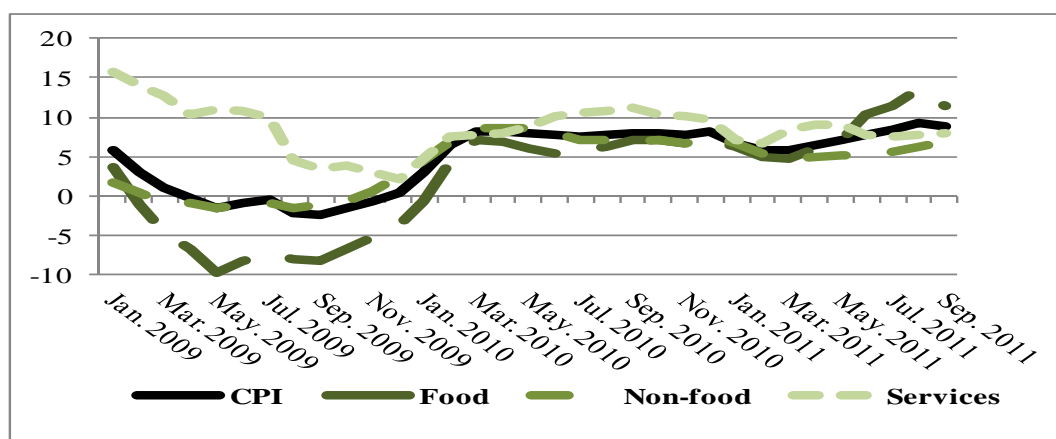


Figure 2.1. The annual growth rate of CPI and its components, %

Source: According to data provided by the National Bureau of Statistics

In the third quarter of 2011, the largest price increases in case of food products, compared to the similar period of the previous year, were registered for grapes - 47.6%, eggs - 46.3%, vegetable oil - 32.2%, nuts - 32.2%, potatoes - 25.4%, vegetables - an increase of 19.8% (compared to the similar period of the previous year), milk and dairy products - 13.1%. A less consistent character of the price increase was registered for milling and bakery products, an increase by 9% and meat and meat products, a growth by 4.5%. As for the non-food products, important price increases were attested for the following goods: construction materials - 14.8%, fuel - 13.5%,

cars - 11% and tobacco - 10%. Among services, the most significant increases were recorded in education – an increase by 11%, in price and utilities services - an increase by 12.8%.

The increased influence of the non-monetary factors on inflation is also revealed by the dynamics of the base inflation (calculated by excluding the food products and beverages, fuel, products and services with regulated prices), which had an upward trend during the third quarter of 2011, increasing from 4% in June (compared to the similar period of the previous year) to 4.4% in September. Still, this evolution seems to denote the increase of the influence on the part of the aggregated demand upon the inflation.

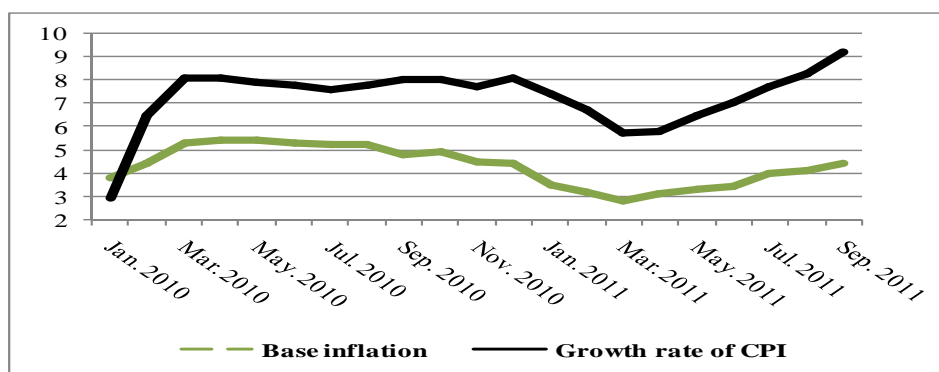


Figure 2.2. Base inflation and the annual growth rate of CPI, %

Source: According to data provided by the National Bureau of Statistics

During the first 9 months of 2011 the index of the prices for industrial products rose by 6.3% compared to the similar period the last year. The following increases were registered in the industry branches: mining and quarrying - 3.5%, processing industry - 5.7%, energy sector - 9.6%. The growth of the prices for industrial products was caused by higher prices for fuel, raw materials and food products on the international markets. During the first three quarters of 2011, an acceleration in the evolution of the price index of industrial production is registered: in the first quarter, the prices for the industrial production grew by 4.7% compared to the similar period of 2010, during the second quarter the increase was already of 6.3%, while during the third quarter the growth was 7.9%. During the third quarter of 2011, the monthly growth of the prices for industrial producer products (compared to the similar periods of the previous year) were 8% in July, 7.7% in August and 7.9% in September.

During the third quarter of 2011, compared to the similar period of the previous year, the following increases were registered in the industry sub-sectors:

- ✓ increase by 9,6% in the energy sector (the monthly increases, compared to the similar period of the last year were of: 9.6% in July, 9.6% in August and 9.6% in September);
- ✓ in the processing industry the price index grew by 7,6% (the monthly increases, compared to the similar period of the last year were of 7.8% in July, 7.4% in August and 7.7% in September).
- ✓ in the mining industry the prices registered a growth by 3.4% (the monthly increases, compared to the similar period of the last year were of 3.4% in July, 3.4% in August and 3.4% in September).

Advanced levels of price increase, compared to the similar period of 2010, were registered during the third quarter of 2011 in the *manufacturing of milling products, starch and starch products* – an increase by 45.1%, *processing and curing of fruits and vegetables* – 41,7% and *sugar production* - an increase by 19%.

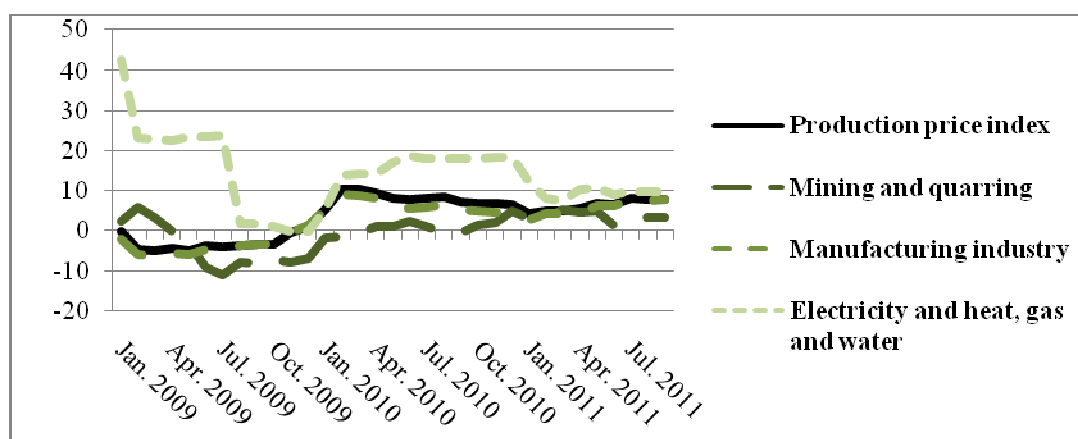


Figure 2.3. Annual growth rate of the production price index and its components, %
Source: According to data provided by the National Bureau of Statistics

The prices in the constructions sector continued to grow, extending the trend started in the second quarter of 2010. During the third quarter of 2011, compared to the similar period of the previous year, the prices grew by 8.7%. The growth of prices in the constructions sector is a sign of the revival of this sector. During this period, the most significant increases were registered in the construction of houses - by 11.8% and agriculture - by 11.1%.

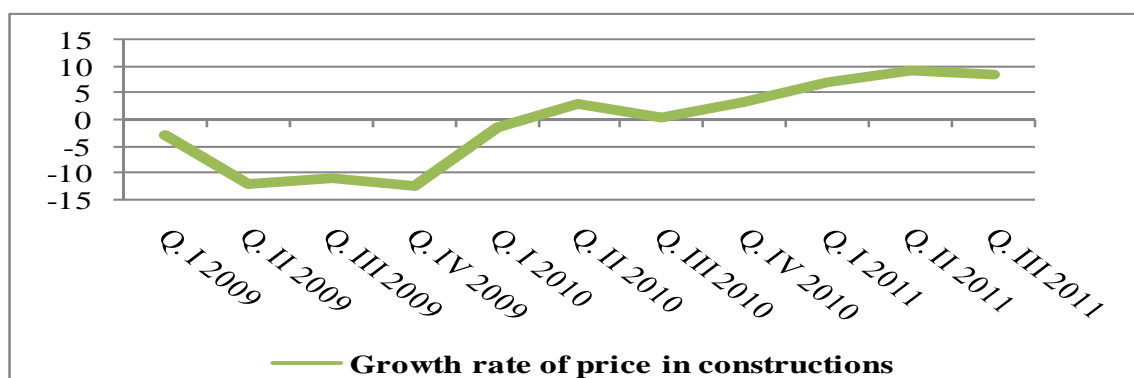


Figure 2.4. Growth rate of price in constructions, % (compared to the similar period of the previous year)

Source: According to data provided by the National Bureau of Statistics

The prices for the agricultural products underwent an upward trend in the first 3 quarters of 2011, up by 19.9% compared to the similar period of the last year. The growth of the prices for agricultural production was caused by the increase of the prices for vegetable by 28.7%, while the prices for the animal products decreased by 0.8%. As for the vegetal products, the largest price increases were recorded in case of cereals and legumes, beans - 37%, potatoes - 35.9% and beet sugar - 24.6%. The prices for animal products increased in case of milk - a rise in price by 15.2%, eggs - up by 13.2%, as well as beef - up by 35.3%.

The evolution of the MDL/USD exchange rate during the third quarter has not been uniform, varying from 11,4 MDL/USD (the lowest monthly exchange rate for the third quarter of 2011, registered in August) to 11,6 (the maximum average monthly exchange rate for the third quarter of 2011, registered in September).

An average exchange rate of 16.5 MDL/EUR, which represents a tiny appreciation of only 0.13%, compared to the similar period of 2010, was registered during January-September 2011. At the same time, the average exchange rate was 16.3 MDL/EUR during the third quarter of 2011, down by 2.5%, compared to the similar period of the last year. The adverse financial developments

in the Euro zone were also reflected in the exchange rate of the national currency to Euro, which appreciated by 2.8% during the third quarter of 2011 from a 16.5 MDL/EUR exchange rate in July to a 16 MDL/EURO exchange rate in September. On the other hand, the average exchange rate of the national currency to the U.S. dollar during the first 3 quarters of 2011 was 11.7 MDL/USD, up by 6.3% compared to the similar period of 2010. The average monthly exchange rate during the third quarter of 2011 was 11.5 MDL/USD, with a 6.7% appreciation compared to the similar period of the last year. During the third quarter of MDL against USD progress was not uniform ranging from 11.4 MDL/USD (the lowest average monthly for the third quarter 2011, recorded in August) and 11.6 MDL/USD (the average maximum monthly for the third quarter 2011, recorded in September).

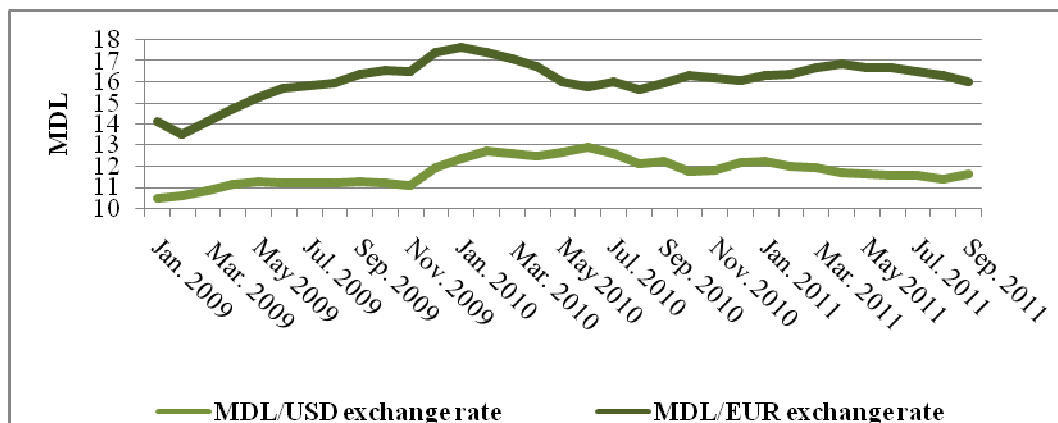


Figure 2.5. Evolution of the monthly nominal exchange rate MDL/USD and MDL/EUR

Source: According to data provided by the National Bank of Moldova

In January-September 2011, compared to the similar period of the previous year, the real exchange rate of the national currency appreciated against major referral currencies: by 4.3% for the MDL/EUR exchange rate and 10.1% for the MDL/USD exchange rate. In the third quarter of 2011, compared to the same similar period of last year, there was also an appreciation trend of the exchange rate of the national currency: 4.3% for the MDL/EUR exchange rate and 11% for the MDL/USD exchange rate. However, at the end of the quarter, in September, there was depreciation by 1.7% in the MDL/USD report.

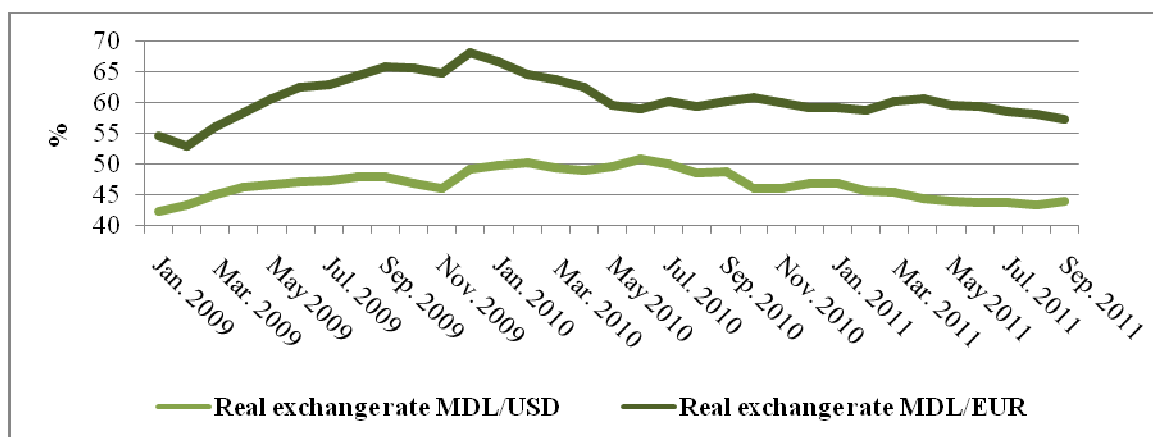


Figure 2.6. Evolution of the real exchange rate MDL/USD and MDL/EURO (Jan. 2000 = 100)

Source: According to calculus made by the authors

The region on the left bank of the Nistru River

In the region on the left bank of the Nistru River, the first nine months of 2011 are characterized by high levels of inflation. In September 2011, compared to December 2010, the CPI was 13.36%. The following price changes were registered during the same month in case of the CPI components compared to December 2010: food products - 11.96%, non-food products - 16.33%, services - 12.45%. High levels are registered in case of other price indices: in September 2011, compared to December 2010, the prices of the industrial production grew by 20.12%, while during the period January-September 2011, compared to the similar period of 2010, the selling prices of the agricultural production grew by 32%.

The average exchange rate for USD was during July-September 2011 10.2 Transnistrian roubles for 1 USD, down by 13.3% compared to the similar period of 2010.

Chapter III.

FINANCE

3.1. Public finance

Revenues of the national public budget

Revenues in the total amount of MDL 21244.5 million were collected during the first nine months of 2011, MDL 2132.8 million or 11.2 % more than during the similar period of 2010, thus continuing the upward trend observed during the previous editions. In the third quarter of 2011, MDL 7598 million, MDL 886.1 million or 13.2 % more than during the similar period of the previous year, were collected into the national public budget.

However, the collections rate stood at 98.7 % (MDL 289.2 million was not collected), compared to 102.2 % of the revenue plan that was executed during the similar period of 2010 and 100 % of the plan executed during the first half of 2011.

Analysis of the revenues shows that state budget revenues amounted to MDL 12978.2 million in January-September 2011, MDL 188.1 million or 1.4 % less compared to the provisions of the management period. However, if compared to the similar period of 2010, the cumulated revenues have increased by MDL 1282.7 million or 11.0 %. At the same time, the revenues collected into *the budget of ATU* during the reporting period amounted to MDL 5584.2 million or 97.7 % of the level of provisions of the management period. Of the total sum of revenues in the budgets of the administrative-territorial units, approximately 42.8 % or MDL 2392.3 million are revenues (excluding transfers), the collecting of which was carried out at a 97.4 % level or by MDL 64.9 million less than the provisions of the management period. Compared to the similar period of the previous year, the administrative-territorial units collected their own revenues in an amount by MDL 268.9 million more. The plan of revenues pertain to the *state social insurance budget* (including transfers from the state budget – MDL 1993.3 million) was executed in the amount of MDL 6696.6 million, which is by MDL 31.4 million or 0.5 % less than in the provisions of the management period. Own revenues were executed in the amount of MDL 4703.3 million, which, compared to the same period of 2010 increased by MDL 441.4 million or 10.4 %. Revenues in the total amount of MDL 2676.2 million were collected for *the mandatory health insurance funds* (including transfers from the state budget amounting to MDL 1481.3 million), MDL 5.0 million or 0.2 % less than the provisions of the management period. Own revenues were executed in the amount of MDL 1194.9 million, which, compared to the similar period of 2010 were up by MDL 119.8 million or 11.1 %.

54.5 % of the total revenues of the national public budget (during the similar period of 2010 - 55.9 %) are revenues administered by the State Tax Service and 38.9 % (35.8 % during January-September of the last year) are revenues administered by the Customs Service. The task of revenue collection by tax authorities, scheduled for January-September 2011, was executed at a 97.3 % level, and at a 102.5 % level by the customs bodies. Compared to the similar period of 2010, the collection rates increased by 8.3% on revenues administered by the State Tax Service and by 20.9 % in case of the revenues administered by bodies of the Customs Service.

When analysing the structure of the NPB revenues during the first nine months of 2011 it is clear that tax revenues represent the predominant part (85%).

Compared to the first nine months of 2010, the tax revenues during the corresponding period of 2011 increased by 12.4%. In terms of tax revenues collected during the third quarter of 2011, they accounted for MDL 6489.9 million, which is MDL 632.8 million or 10.8 % more than during the similar period of 2010.

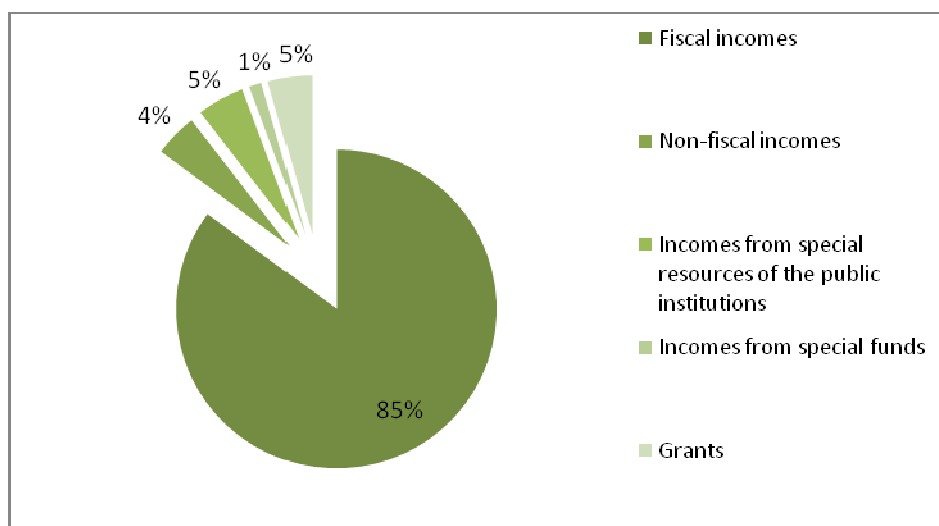


Figure 3.1.1. Structure of revenues of the National Public Budget during the first 9 months of 2011

Source: Data provided by the Ministry of Finance

Of the tax revenues, the largest share belongs to revenues from VAT (41% during the 9 months of 2011), social contributions – 26%, excises - 9.6 % revenue/income tax - 9.2% and obligatory medical contributions - 6.6%. In fact, when it comes to VAT there was a 9.1% fall in the amount of collections within the country compared to the similar period of the previous year, the causes of which have been also reflected in the Policy Notes.

Thus, the trend stated as well in the previous editions of the prevalence of the indirect revenues in relation to the direct ones is maintained. However, this trend could change with the increase, as of 01.01.2012, of the income tax share from 0% to 12%.

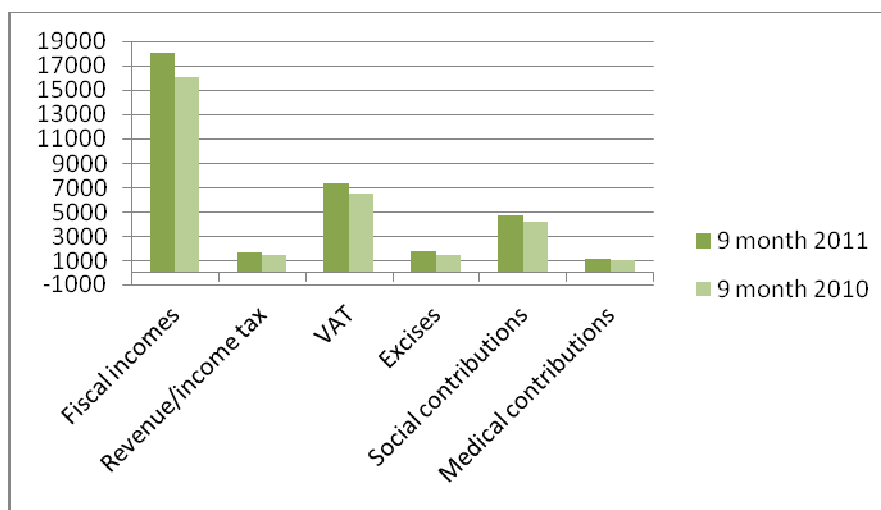


Figure 3.1.2 Structure of tax revenues during the first 9 months of 2011 and 2010 (million MDL)

Source: Data provided by the Ministry of Finance

The share of tax revenue components remained relatively constant during the first nine months of 2011 compared to the similar period of 2010.

In terms of non-tax revenues, we note that they amounted to MDL 931.9 million during the first nine months of 2011, with a share of 4.4 % of the total amount, compared to 6 % during the similar period of 2010 or MDL 220.7 million. The decrease was achieved, largely, at the expense

of fines and penalties, the share of which in the total amount of the non-tax revenues fell from 25.6 % to 11.0 %. However, in absolute terms, there was an increase of MDL 7.5m or 7.9 % during the period under review compared to the previous year. At the same time, the share of taxes and administrative payments in the total amount of revenues increased from 32.2 % to 38.3 % during the first nine months compared to the similar period of 2010. In absolute values, however, there was a decrease of MDL 13.8m to revenues in this sector.

As for revenues from grants, we note that foreign grants are the most significant contributor. The total amount of the budgetary incomes from grants was MDL 943.8 million during the period under review, of which MDL 914.1 million was from foreign grants and 29.7 million from domestic grants. It should be noted that compared to the similar period of the previous year, the revenues from grants increased by 141 % or MDL 273.4 million, their share of the total revenues increasing by about 1 % in the period under review compared to the same period of 2010.

In the context of the revenues collected, it should be noted that the **arrears** to the NPB found during the first 9 months of 2011 amounted to MDL 850.4 million, of which: MDL 377.9 million was to the state budget, MDL 174.5 million to the budget of the territorial-administrative units, MDL 281.2 million to the state social insurances and MDL 16.8 million to the mandatory health funds.

Expenditures from the national public budget

The budget expenditures amounted during the first nine months of 2011 to MDL 22652.4 million, by MDL 2044.3 million or 9.9% more than during the similar period of 2010. In particular, the state budget expenditures amounted during the third quarter to MDL 7643.3 million, which is MDL 740.3 million or 10.7% more than during the similar period of the previous year.

The expenditures in the national public budget were executed in the amount of MDL 22652,4 million, which represents 86,5 % of the scheduled value. At the same time, compared to the similar period of 2010 the expenditures of the national public budget grew by MDL 2044,3 million or by 9,9 %.

When analysing the component parts of the national public budget, we note that the expenditures in the *state budget* were executed in the amount of MDL 14260.8 million MDL or at the 88.0 % of the set level MDL 938.8 million or 7.0 % more compared to the similar period of 2010. At the same time, the expenditures from *the budget of ATU* amounted to MDL 5690.4 million or the 80.6 % level of the pre-set plan and is by MDL 490.9 million or 9.4 % more compared to the similar period of the previous year. The expenditures from *the social state insurance budget* have been executed in the amount of MDL 6947.5 million or 99.1 % of the plan, which is MDL 617.4 million or 9.8% more than during the corresponding period of 2010. Expenditures from the *mandatory health insurance funds* have been executed in the amount of MDL 2454.5 million or at the 92.5 % level compared to 104 % to the provisions of the period, which is by MDL 104.3 million or 4.4 % more than during the similar period of 2010.

When analysing the structure of the expenditures from the NPB during the first nine months of 2011 it is noticed that the predominant part continues to include expenditures from the social character (72,9%), the share of which increased compared to the first quarter by 4 percentage points. At the same time, their share reduced by 1.25 % compared to the similar period of the previous year.

Of the total expenditures of social character, the biggest share belongs to expenditures relating to social insurance and assistance, which shows an increasing trend (+1.45 %), starting from data of the similar period of 2010, in the context of the reduction of the shares of other components of the social expenditures: health care – 0.72 % and education – 1.18 %. In absolute values, the total amount of the social expenditures executed during the first nine months of 2011 was up by 8.1 % compared to the similar period of 2010.

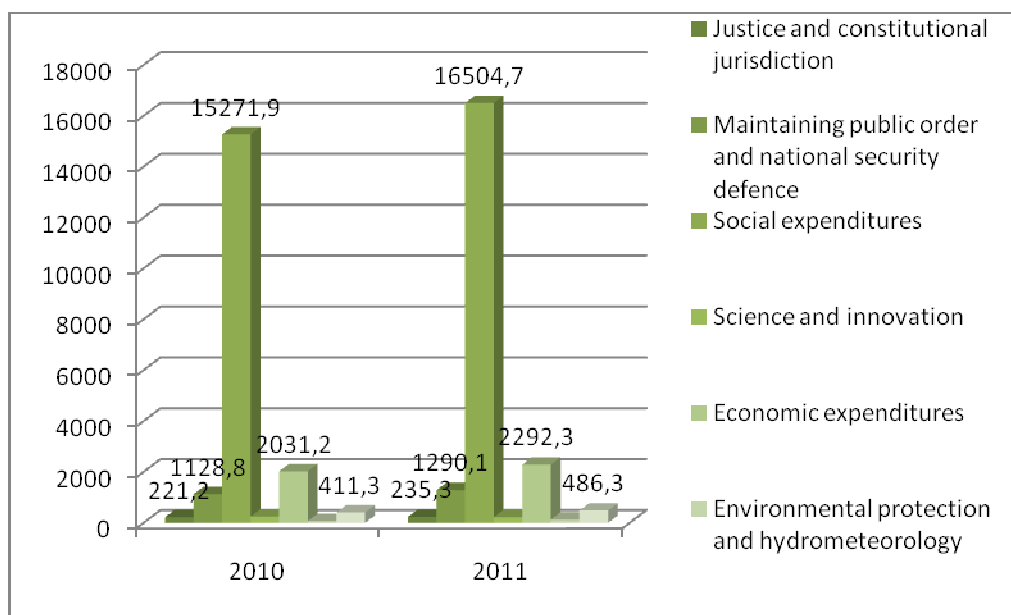


Figure 3.1.3. Structure of the expenditures from the NPB during the first 9 months of 2010 and 2011

Source: Data provided by the Ministry of Finance

At the same time, an increase of 8.3 % in social expenditures was registered during the third quarter of 2011 compared to the same period of 2010. The largest increase in one of the components of the social expenditures belonged to expenditures in such fields as culture, arts, sports and youth (+21.7 %), while the largest decrease was made in the case of expenditures for social assistance and support - by 7.9 % compared to the similar period of the previous year.

Expenditures of economic character represent another important component of public expenditures, their share amounting 10.1 % during the examined period of 2011. Transportation, road management, communications and informatics are the main component of the economic expenditures, accounting for 38.6 % of total economic expenditures during the first nine months of the year. In fact, the share of such expenditures grew by 5.8 % compared to the similar period of the previous year. At the same time, the share of expenditures in agriculture, forestry, fishery and water management of the total amount of the economic expenditures fell by 8.6 % compared to the similar period of the previous year. In absolute values, the economic expenditures made during the first nine months of 2011 rose by 12.9 % or MDL 261.1 thousand compared to the similar period of 2010.

When analysing the expenditures of economic character during the third quarter of 2011, we note that their amount increased by 20.9 % compared to the similar period of 2010. The fastest growth was seen in expenditures related to transportation, road management, communications and informatics (+71.8 %).

Budgetary financial result

The execution of the state budget during the first half of 2011 showed a **deficit** in the amount of MDL 1407.9 million, which represents 30.3 % of the amount planned for the management period, being at the same time 5.9 % (MDL 88.5 million) more than during the similar period of 2010.

The main **sources of financing for the budget deficit** include among others net income from the sale of government securities (MDL 98.6 million, or 68.3 % less than during the similar period of 2010), the difference between the exchange rate of the currency sources (MDL 5.3 million), loans provided by the international financial organizations (MDL 769.5 million, or by

55.4 % less than during the same period of 2010), revenues from the sale and privatization of public assets (254.0 million lei, or 13.9 % more than during the similar period of 2010).

Public debt

At the end of the third quarter of 2011, the public debt balance accounted for MDL 24.01 billion, which is MDL 1.12 billion more than the amount registered at the beginning of the year or 7.7 % more than on the same date of 2010.

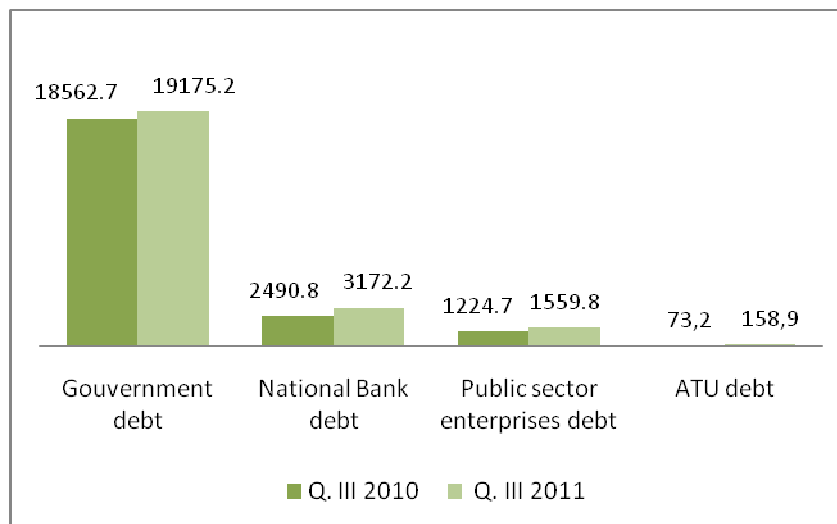


Figure 3.1.4 Structure of the public debt at the end of the third quarter of 2010 and 2011 (mil. MDL)

Source: Data provided by the Ministry of Finance

The increase of the balance of public debt by the end of the third quarter of 2011 compared to the beginning of the year is determined by the increase of the balance of all components that make up the public debt. Thus, the highest increase was registered in the case of the debt balance of the National Bank of Moldova – up by MDL 689.8 million, followed by the state debt, which increased by MDL 304.4 million and, to a lesser extent, the debt balance of the territorial-administrative units – up by MDL 89.8 million and the debt balance of public sector enterprises – up by MDL 37.0 million. Compared to the situation prevailing at the end of 2010, there has been an increase in the share of the debt of the National Bank of Moldova (up by 2.4 %) and the debt of the territorial-administrative units (up by 0.4 %), which caused a fall in the share of the other components.

From another perspective, 72.6 % or MDL 17478.6 million of total public debt is foreign debt and 27.4 % or MDL 6587.4 million domestic public debts. Compared to the situation at the end of 2010, the share of foreign public debt in the total debt rose slightly, by about 1.2 %.

At the same time, arrears to the loans of public sector enterprises stood at MDL 338.2 million on September 30, 2011, being entirely composed of domestic arrears on domestic loans of public sector enterprises. Compared to the situation at the end of 2010, the arrears of domestic loans was up MDL 30.79 million.

Government debt

On September 30, 2011 the balance of government debt amounted to 19175.2 million MDL, up by MDL 304.4 million since the beginning of the year, as a result of an increase in foreign government debt of MDL 205.8 million and a fall in domestic government debt of MDL 98.6 million.

As for the structure According to the type of debt, on September 30, 2011, government debt consisted of 71.8 % - foreign government debt and 28.2 % - domestic government debt. In the evolution of this situation it is observed that the share of foreign government debt increased compared to the situation in 2010 by approximately 1 %, and was subject to slight changes compared to the situation existing at the beginning of 2011.

By currency structure of government debt, the major share of the debt belongs to the foreign government loans in the SDR currency basket - 50.1 %, followed by domestic state debt in Moldovan lei - 28.2 %. The following positions are held by USD - 12.4 %, EUR - 5.3 %, WPU - 2.5 % JPY - 1.4 % and KWD - 0.1 %. In the currency debt structure, breaking down the SDR currency basket, the USD holds the dominant position– 33.2%, followed by the MDL - 28.2% and EUR - 24.0%. The share of other currencies does not exceed 10 per cent of the total amount. Thus, the structure of the government state debt by currency, breaking out the SDR currency basket, highlights the vulnerability of the public debt portfolio to USD and EUR, which implies the need for continuous monitoring of the exchange rate with these currencies. Thus, the share of the government debt in USD and EUR forms about 50 per cent of the total government debt portfolio. There is a trend noticed: the gradual reduction of USD shares in the context of the EUR share increase in the debt portfolio. In conditions of optimizing the currency risk, it would be desirable to avoid holding a share greater than 50 per cent of the total foreign government debt in a single currency. In this context, the currency baskets (e.g. SDRs) are not taken into consideration, it is the currencies of which they consist that count.

Domestic government debt

On September 30, 2011, domestic government debt amounted to MDL 5403.5 million and it is completely made up of state securities. Compared to the situation of January 1,2011, domestic government debt registered an increase of MDL 98.6 million or 1.9%, while compared to September 30, 2010 it had fallen by MDL 12.1millionor0. 2%. The change in domestic debt over the first 9 months of 2011occurredat the expense of increasing through auctions the issuance of government securities by MDL 198.6 million. At the same time, the converted state securities on the date under consideration registered the highest growth compared to the same period of 2010 (+ MDL 1863 million).

Table 3.1.5. Balance of domestic debt in 2010 and 2011

INDICATOR	01.01.2010	30.06.2010	30.09.2010	01.01.2011	30.06.2011	30.09.2011
Total amount of government debt	14622.4	18005.1	18562.7	18870.7	18991.6	19175.2
Domestic government debt	5104.9	5287.3	5415.6	5304.9	5368.9	5403.5
State securities issued on the primary market	2441.5	2723.9	2852.2	3091.5	3155.5	3090.1
Converted state securities	2213.4	2213.4	350	2213.4	2213.4	2213.4

Source: Data provided by the Ministry of Finance

As for *the state securities issued on the primary market*, we note that during the nine months of 2011, the Ministry of Finance offered for sale through the 48 auctions on the primary market state securities amounting to MDL 5143.0million. The demand for state securities was MDL 6871.3 million, which was oversubscribed by MDL 1728.3million or by 1.3 times. As a result, state securities amounting to MDL 4616.0million were sold on the primary market at the

starting sale price, which is MDL 384.8million less than the amount of state securities sold during the similar period of the last year. At the same time, state securities that reached maturity during the period in question were redeemed in the amount of MDL 4517.4million.

Five types of state securities were issued on the primary market during this period. The state securities with due date of up to one year, were issued in three periods: treasury bills of 91 days, 182 days and 364 days, the share of which in the total amount of state securities sold through auctions was 97.3 %. The largest share of state securities belonged to the treasury bills of 182 days (43.0 %) and 91 days (36.3 %).

100 million lei, or 100 million lei less than during the similar period of 2010, were collected during the nine months of 2011 from the investment by underwriting bonds with a due date of one year.

The average weighted interest rate on state securities increased during the nine months of 2011 by 4.3 % compared to the similar period of the previous year and amounted to 11.16 per cent annually. However, in September 2011, the highest average weighted interest rate on state securities was registered - 12.6 % annually, which increased by 4.2 % compared to January of 2011.

This year, as it was the case till present, the commercial banks were the main buyers of state securities, the share of which in the total amount of traded state securities was about 92.1 %.

Foreign government debt

On September 30, 2011, the balance of the foreign government debt amounted to MDL 13771.7 million (USD 1155.7 million), including MDL 13665.9 million (USD 1146.8 million) - the direct foreign government debt and MDL 105.8 million (USD 8.9 million) – assumed guaranteed foreign government debt. Since the beginning of 2011, the balance of the foreign government debt has increased by MDL 205.8 million or USD 39.5 million. The growth in foreign government debt expressed in Moldovan lei is driven by growth in the balance in U.S. dollars, which, in turn, can be justified by inflows of foreign government securities that overcome the reimbursements of foreign government loans by about USD 23 million, as well as by the positive fluctuation rate of the U.S. dollar to other currencies in the amount of USD 16.5 million.

As for the structure of foreign debt creditors, the multilateral creditors are still the main creditors of the Government of the Republic of Moldova. On September 30, 2011 foreign government debt to the multilateral creditors accounted for USD 925.1 million (80.0 %) of the total amount of foreign debt. The largest share of the balance of foreign debt to multilateral creditors is held by AID - 46.2 %, followed by the IMF - 36.0 %, EBRD- 8.6 %, IFAD - 4.9 % etc.

The foreign government debt to the bilateral creditors amounted to USD 221.7 million (19.2 %), with the Russian Government holding the major share (about 43.7 % of the debt to bilateral creditors), while the debt to the trade creditors amounted to USD 8.87 million (0.8 %), consisting entirely of the debt to the German bank AKA Ausfuhrkredit-Ge.

As an evolution, an upward trend in the value foreign debt to multilateral creditors is noted. Meanwhile, foreign government debt to the bilateral and trade creditors continued to decline.

Servicing the government debt

MDL 1097.6 million from the state budget was used during the first nine months of 2011 to service the government debt, which consists of: servicing foreign debt amounting to MDL 753.5 million and servicing domestic debt amounting to MDL 344.1 million. Compared to the previous year, the sums allocated for servicing government debt increased by about 26.9 % at the end of

the third quarter of 2011, being influenced to a greater extent by an increase in foreign government debt servicing, and an increase in domestic government debt servicing.

The share of the government debt servicing in the revenues on the essential component part of the state budget on September 30, 2011 was 9.5 %, an increase of 1.2 % compared to the similar period of the previous year.

Public finance of Transnistria

The revenues of the budget of Transnistria amounted to USD 81.9 million during the nine months of 2011 (MDL 684.5 million, which represents 3.2 % of the total revenues collected on the Moldovan-controlled territory) or 3.5% more than the planned revenues income for that period, of which:

- USD 49 million - tax payments (59.8%);
- USD 10.2 million - non-tax payments (12.5%);
- USD 2.1 million - humanitarian aid from Russia (2.6%);
- USD 12.2 million – revenues from special-purpose funds (14.7%);
- USD 8.4 million – revenues from entrepreneurial activity and other revenues (10.2%).

Compared to the similar period of 2010, the cumulated revenues grew by 3.3%.

The expenditures from the budget of Transnistria amounted to Rubles 162.5 million (MDL 1357.2 million or 6% of the total expenditures made on the Moldovan-controlled territory), which represents 77.4% of the expenditure plan. Compared to the similar period of the previous year, expenditures fell by 1.2%.

The largest share of the total amount of expenditures is made up by social expenditures (54%), in particular, expenditures on social and health protection, education, science and culture.

3.2. Banking sector

The evolution of the banking system of the Republic of Moldova delivered significant results during the first nine months of 2011, showing positive development trends in the majority of indicators.

In the Republic of Moldova there are 15 commercial banks licensed by the National Bank of Moldova. The total number of employees in the banking system as of 09.30.2011 was 11,123 people, up by 255 people compared to 30.09.2010. Accordingly, on average, to each employee in the banking sector corresponded assets worth 4.16 million MDL, which is 10.7% up on 30.09.2010.

In the third quarter of 2011, the total assets of the banking system stood at 46,322.9 million MDL, an increase of 13.36 % on the same period of 2010. The evolution of the banking assets was due to strong growth in the volume of profit generating assets, with loan portfolios, the largest component of total assets, returning 58.5 per cent, up by 1.06 percentage points on 30.09.2010. The steady growth in assets by components leads to the conclusion that there is relative bank stability.

Thus, the following changes have been registered on 30.09.2011 compared to 30.09.2010:

- an increase in cash of 12.9 % to MDL 2482.3 million;
- an increase in the means due from the NBM of 116.2 % to MDL 4385.7 million;

- an increase in net loans and financial leasing of 22.8 % to MDL 2711.9 million;
- an increase in other net assets of 2.15 % to MDL 1302.2 million;
- a reduction in the means due from banks and in net overnight means by 52.4 % to MDL 2517.9 million;
- a reduction in the volume of net securities of 16.2 % down to MDL 5817.6 million.

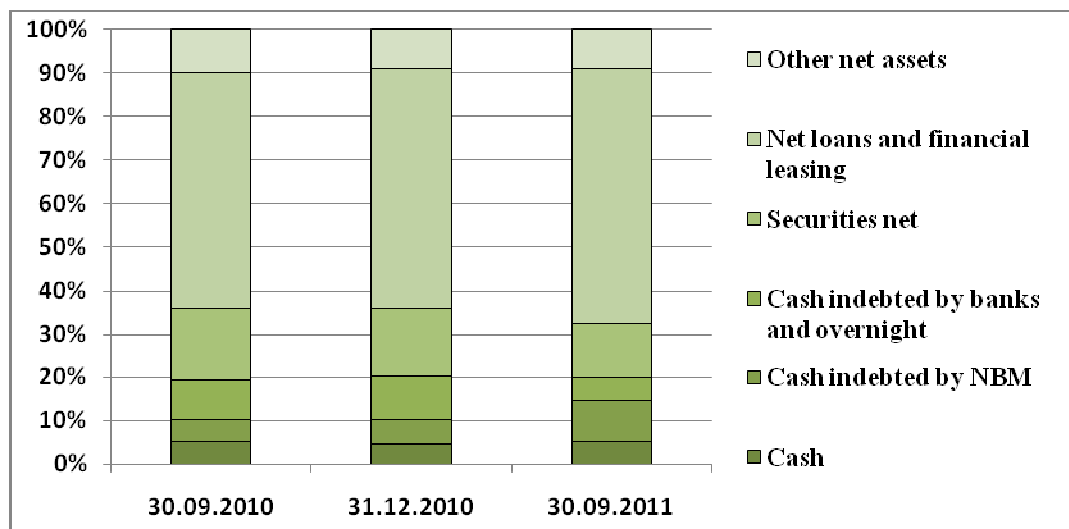


Figure 3.2.1. Evolution of banking assets according to their structure, %.

Source: National Bank of Moldova data.

Table 3.2.1. Ranking of Banks in the Republic of Moldova by the asset value, %

Ranking 2010/2011	Bank Name	Asset value, (million MDL)		Asset modification, %	Market share, %	
		30.09.2010	30.09.2011		30.09.2010	30.09.2011
12/12	Comertbank	497,967	507,556	1.93	1.21	1.11
7/6	BancaSocială	2,707,479	3,112,962	14.98	6.59	6.79
2/2	Victoriabank	6,394,831	7,726,213	20.82	15.57	16.85
1/1	Moldova-Agroindbank	8,203,269	8,810,805	7.41	19.98	19.22
3/3	Moldindconbank	5,200,168	6,015,721	15.68	12.66	13.12
4/4	Banca de Economii	5,077,812	5,665,067	11.57	12.37	12.36
15/14	EuroCreditBank	281,168	4,37,617	55.64	0.68	0.95
13/13	Unikbank	378,198	503,100	33.03	0.92	1.10
9/9	FinComBank	1,632,097	1,672,343	2.47	3.97	3.65
14/15	Universalbank	345,818	429,509	24.20	0.84	0.94
10/10	Energbank	1,424,318	1,499,440	5.27	3.47	3.27
11/8	ProCreditBank	1,119,263	1,759,515	57.20	2.73	3.84
8/11	BCR Chisinau	1,631,873	1,195,844	-26.72	3.97	2.61
5/5	Eximbank-Gruppo Veneto Banca	3,405,686	3,504,084	2.89	8.29	7.64
6/7	Mobiasbanca-Grupe Societe Generale	2,761,106	3,003,053	8.76	6.72	6.55
	Total	41,061,053	45,842,829	235.12	100	100

Source: Calculations based on data provided by the National Bank of Moldova.

In the third quarter of 2011, there was an increase in the asset value of commercial banks in the Republic of Moldova. Thus, by the value of bank assets, the market is concentrated in four commercial banks, which hold 62% of total assets. The leader by asset value is BC Moldova Agroindbank which as of 09.30.2011 had a total asset value of MDL 8810.8 million, an increase of MDL 607.5 million over 30.09.2010 and the bank's market share dropped by 0.8%, registering a 19.2% share. The next position is held by Victoriabank with an asset volume of MDL 7726.2 million, an increase of MDL 1331.3 million, compared to 30.09.2010, the bank's market share having increased by 1.3% to the level of 17%.

The value of loans in the economy amounted to MDL 30076.6 million on 30.09.2011 and had increased by MDL 4180.2 million (16.1%) compared to 30.09.2010. In the third quarter of 2011, the rising trend was due to an increase in the balance of credits in national currency by MDL 179.0 million (12%), and, respectively, the balance of credits in foreign currency by MDL 238.9 million (22.2%). On 30.09.2011, the share of non-performing loans in total loans was 8.13%, a fall of 7.5 percentage points compared to 30.09.2010. The same volume of non-performing loans, projected over TRC, is 31.9%, on 30.09.2011, a fall of 22.7 percentage points compared to 30.09.2010.

The volume of expired loans and non-accrual loans, as of 30.09.2011, was 8.1% of total loan portfolio; this index declined by 7.6% compared to 30.09.2010. Therefore, the volume of expired loans and non-accrual loans related to the TRC was 31.8%, as of 09.30.2011, a fall of 23.07 pp compared to 30.09.2010. In this context, the loan loss provisions also fell by 3 pp.

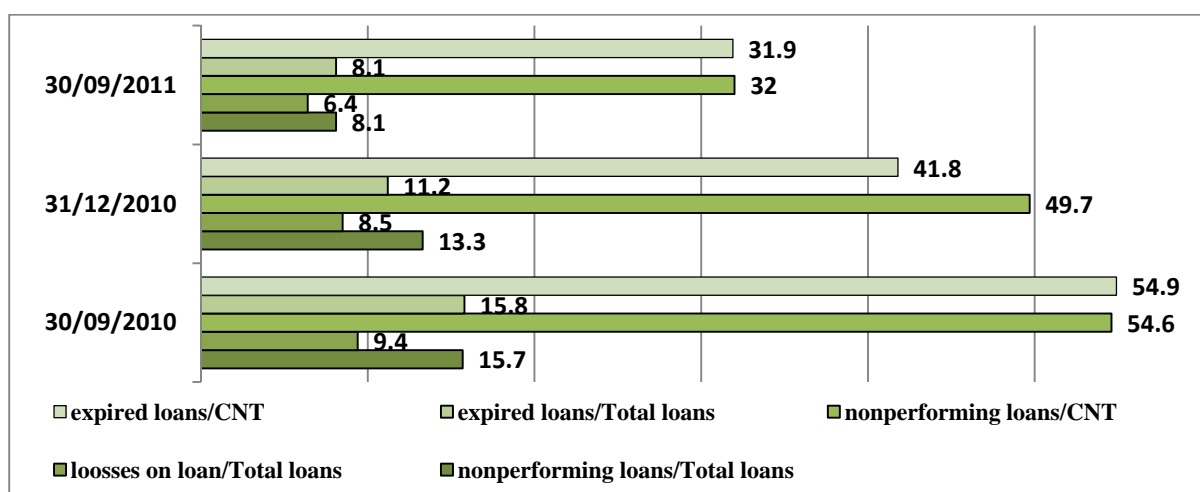


Figure. 3.2.2. The evolution of loan quality, %

Source: National Bank of Moldova data.

As of 09.30.2011, the largest share in total loans was held by industry and trade loans - 54.9%, followed by agriculture and food industry loans - 13.8%, loans to real estate, construction and development - 11.9%, consumer loans - 6.7% and loans to the energy industry - 4.1%. At the same time, it should be noted that there were significant decreases in the following types of loans: loans to agriculture and food industry by 2.3 p.p., consumer loans by 1.8 p.p. and loans for real estate, construction and development by 0.8 pp.

In June 2011 the average interest rate on credits in the national currency fell by 1.7 p.p., reaching the level of 14.1%, while on 09.30.2010 it was 15.8%. As a result of the fall in the average rate on loans to individuals, in September 2011 this indicator was 16.6%, down 1.37 percentage points compared with September 2010. Accordingly, there was a decrease in the average rate on loans to businesses of 1.6 p.p.; in September 2011 it reached the level of 13.6%.

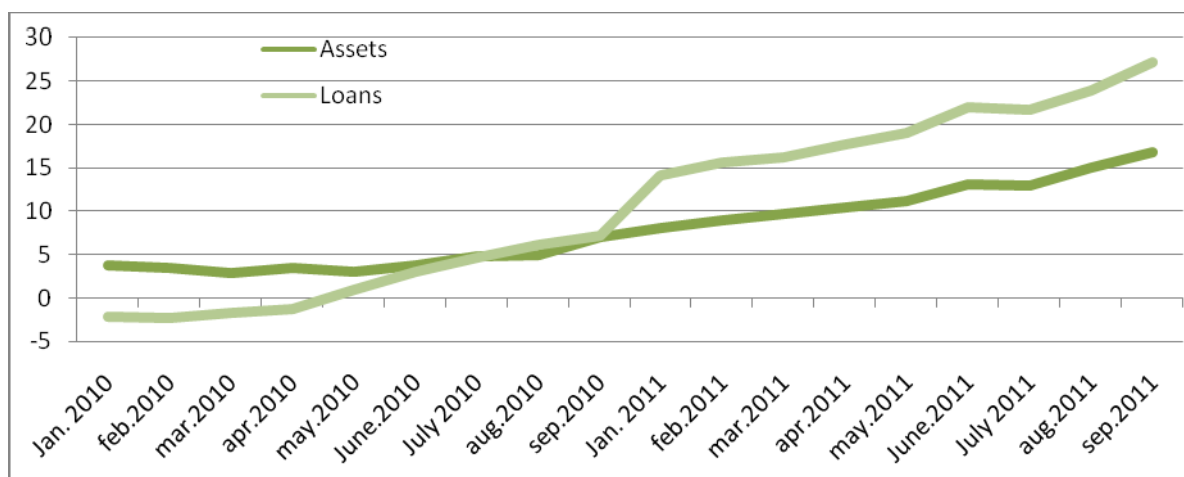


Figure 3.2.3. Nominal annual rate of growth of bank assets and loans, %

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

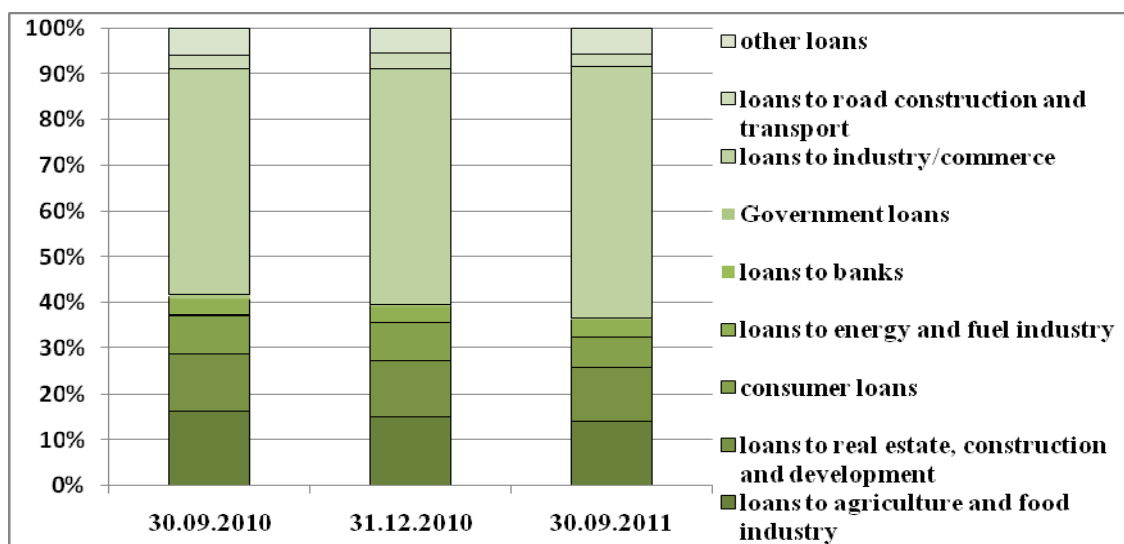


Figure 3.2.4. Structure of the loan portfolio of the banking sector, %

Source: National Bank of Moldova data.

In September 2011, the average interest rate on credits in foreign currency fell by 0.9 p.p. compared to 30.09.2011 and stood at 8.86%. This reduction was caused by the lower average rate on credits to businesses, which in June 2011 was 8.83%, a fall of 0.9 p.p. compared to June 2010.

Thus, we see that the average interest rate on credits in national currency began to decline in November 2010, reaching the level of 15.2%, and, respectively, the average interest rate on credits in foreign currency had fallen since August 2010, reaching the level of 9.2%.

During the September 2011-2010 period, the growth of bank loans has increased. Thus, on 30.09.2011, according to the balance of bank loans, the market is concentrated in four commercial banks, which account for 61% of total loans, of which BC Moldova Agroindbank - 21%, Victoriabank - 16%, BC Moldindconbank - 14 % and BC Banca de Economii - 10%. Accordingly, BC Moldova Agroindbank is the leading bank, having a loan balance amounting to MDL 6192.5 million as of 30.09.2011, which is MDL 1087million more than in 30.9.2010. The second position is held by Victoriabank, whose volume of loans reached MDL 4659.6 million, an increase of MDL 933.3 million on 30.09.2010, and the bank's market share increased by 0.8% to 16%.

Table 3.2.2. Ranking of Banks in the Republic of Moldova by the loan portfolio,%

Ranking 2010/ 2011	Name of the Banks	Loan portfolio, (million, MDL)		Loan modification, %	Market share,%	
		30.09.2010	30.09.2011		30.09.2010	30.09.2011
12/12	Comertbank	219672	270303	23.05	0.90	0.93
6/6	BancaSociala	1835456	2306549	25.67	7.53	7.96
2/2	Victoriabank	3726318	4659625	25.05	15.29	16.07
1/1	Moldova- Agroindbank	5105456	6192537	21.29	20.95	21.36
3/3	Moldindconbank	3006762	4046839	34.59	12.34	13.96
4/4	Banca de Economii	2612583	2925886	11.99	10.72	10.09
15/15	EuroCreditBank	120807	174126	44.14	0.50	0.60
14/14	Unikbank	173751	231892	33.46	0.71	0.80
8/10	FinComBank	902357	873744	-3.17	3.70	3.01
13/13	Universalbank	192093	251871	31.12	0.79	0.87
11/9	Energbank	725238	882235	21.65	2.98	3.04
9/8	ProCreditBank	891768	1330055	49.15	3.66	4.59
10/11	BCR Chisinau	770117	656859	-14.71	3.16	2.27
5/5	Eximbank- Gruppo Veneto Banca	2571774	2589460	0.69	10.55	8.93
7/7	Mobiasbanca- Grupe Societe Generale	1520000	1598190	5.14	6.24	5.51
	Total	24374152	28990171	18.94	100	100

Source: Calculations based on data provided by the National Bank of Moldova.

Total regulatory capital, which indicates the solvency of banks, on 30.09.2011 was MDL 7380.9 million, an increase of 5.5 p.p. on 30.09.2010. The increase in capital was marked by qualitative changes made at the expense of share issues, which rose 18% during nine months of this year. Thus, comparing the TRC with the risk-weighted assets shows that the growth of the TRC is slower, at 16%, while that of the risk-weighted assets was 56% at the end of September 2011.

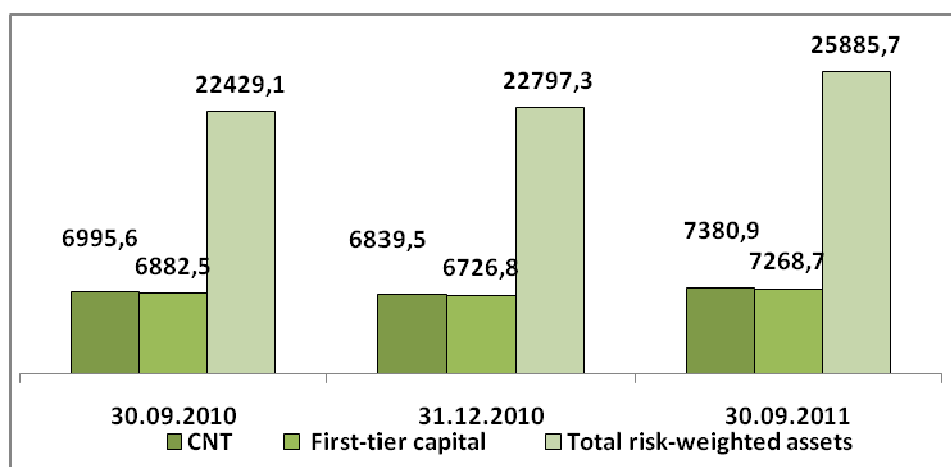


Figure 3.2.5. The evolution of banking capital, (MDL, million)

Source: National Bank of Moldova data.

On 30.09.2011, first-tier capital increased by 5.6% to MDL 7268.7 million compared to 30.09.2010. The positive value of this indicator confirms the strength and resilience of the system to financial shocks.

Capital adequacy remains high, standing at 28.5% as of 30.09.2011. Although above the required minimum of 12%, there has been a small fall of 2.7% compared to 30.09.2010. We believe the fall in the level of bank capital adequacy is the result of substantial growth in the loan portfolio, which is composed of risky assets which constitute a major proportion of total risk.

Box 3.2.1. Special surveillance of the National Bank of Moldova

In October 2011, Commercial Bank "Universalbank" SA was taken under the supervision of National Bank of Moldova. The reason given was that the institution faces difficulties in meeting prudential requirements on liquidity and capital. Respectively, there were massive withdrawals of deposits of affiliated persons, damage to loan portfolio quality, and litigations related to the structure of bank shareholders.

During the first nine months of 2011, according to the balance sheet, Universalbank assets totaled MDL 429.5 million, an increase of 24% over the same period of 2010. Respectively, we see that in the second quarter of 2011, the balance of bank assets began to decline, reaching MDL 439.3 million, MDL 710,800 less than in the first quarter of 2011. In this context, in the third quarter of 2011, the balance of deposits was MDL 244.9 million, 4.8% less than in the second quarter of 2011. During the period October to December 2011, three agents and four branches of the Commercial Bank "Universalbank" SA were opened in several localities of the Republic of Moldova.

Thus, according to the NBM release of 25 November, on 1 October 2011, the financial institution "Universalbank" SA has honored all current payables and reimbursed 56% of total deposits of individuals and 41% of the corporate ones. But the bank's total assets declined by 33%. The loan portfolio decreased by 24%, mainly due to early repayments and the sale of loans. In this context, the Administration Board of the National Bank of Moldova decided to impose a two-month moratorium on all creditors' claims against financial institution "Universalbank" SA, in accordance with the Law on Financial Institutions.

On 30.09.2011, outstanding bank-issued bonds were worth MDL 38516.7 million, up 15% compared to 30.09.2010.

In the third quarter of 2011, compared with the similar date in 2010, there were the following changes in the structure of the bonds of the banking sector:

- a fall in the financial resources available to banks of MDL 9412.5 million, bringing them to MDL 8008.7 million;
- an increase in deposits by natural persons of MDL 321.9 million, up 44.1%;
- an increase in deposits by legal persons of MDL 124,5 million, or 36,2%;
- an increase in other loans of 10.7%, amounting to MDL 5957.7 million on 30.09.2011;
- a fall in other bonds, bringing them down to MDL 505.6 million or a fall of 12.3%, compared to 30.09.2010.

On 30.09.2011, the balance of *deposits in the bank system* amounted to MDL 29794.2 million, up MDL 420.0 million or by 16.4% compared to 30.09.2010, as a result of an increase in the balance of deposits by natural persons to MDL 20447.1 million, and by legal persons deposits to MDL 10447.9 million.

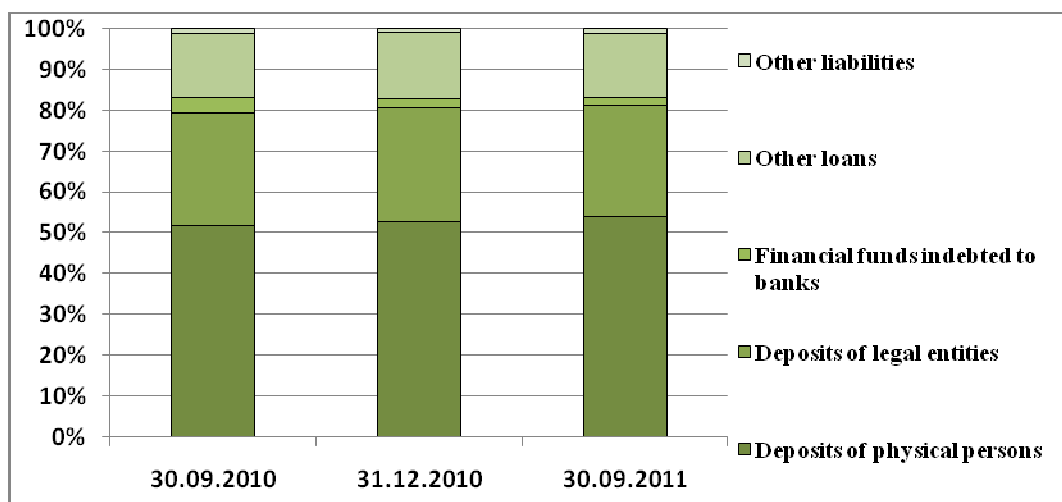


Figure 3.2.6. The structure of the bonds of Moldova's banking sector, %

Source: National Bank of Moldova data.

In September 2011, compared with September 2010, the following changes were made to the structure of *term deposits in national currency*:

- growth of deposits with terms up to 1 month by 6.8 p.p., or 19.4%;
- increase of deposits with terms from 1 to 3 months by 12.4 p.p., or 28.8%;
- fall in deposits with terms of 3 to 6 months by 16.8 p.p., or 17.5%;
- fall in deposits with terms of 6 to 12 months by 13.4 p.p., or 16.2%;
- increase in deposits with terms longer than 12 months by 11 p.p., or 18.1%.

The structure of *term deposits in foreign currency*, on 30.09.2011 compared to 09.30.2011 has recorded a significant growth in the share of deposits in foreign currency with terms up to 1 month. Volume grew 8%, an increase of 3.2 pp. Even more significant was an increase in the share of deposits in foreign currency with terms over 12 months of 13.3 p.p., to the level of 19.8%. At the same time, the share of deposits in foreign currency with terms from 3 to 6 months grew by 9.7 p.p., to 29.9% and deposits with terms from 6 to 12 months grew by 4.7 p.p., to 37.6%.

In the third quarter of 2011, there was an increase in the volume of deposits of commercial banks in the Republic of Moldova. Thus, by value of bank deposits, the market is concentrated in four commercial banks, which hold 69% of total deposits. The leader by volume of deposits attracted is BC Victoriabank, which, as of 30.9.2011, attracted deposits amounting to MDL 6493.4 million, up by MDL 1290.5 million compared to 30.09.2011, and the bank's market share increased by 2% to 21.1%. The second position is held by BC Moldova Agroindbank, with an amount of MDL 6134.8 million in deposits, up by MDL 687.2 million, compared to 30.09.2011. The bank's market share is 20%.

Growth trends have been observed for interest rates. In September 2011, the interest rate on deposits attracted in MDL was 6.8%, down by 0.6 percentage points compared to September 2010, when this indicator was 7.4%. Accordingly, in September 2011 the interest rate of the deposits by natural persons was 9.8%, an increase of 0.75 p.p. compared to September 2010, and the interest rate of legal deposits registered in June 2011 was at the level of 4.6%, a fall of 0.46 percentage points compared to the same period last year.

Table 3.2.3. Ranking of Banks in the Republic of Moldova by the value of deposits,%

Ranking 2010/ 2011	Name of the Banks	Deposit value, (MDL million)		Deposit modification, %	Market share,%	
		30.09.2010	30.09.2011		30.09.2010	30.09.2011
12/12	Comertbank	300945	310410	3.15	1.10	1.01
7/7	BancaSociala	1731583	1100556	-36.44	6.34	3.58
2/1	Victoriabank	5202911	6493424	24.80	19.04	21.11
1/2	Moldova- Agroindbank	5447560	6134831	12.62	19.94	19.94
3/3	Moldindconbank	3849268	4380157	13.79	14.09	14.24
4/4	Banca de Economii	3344798	4173417	24.77	12.24	13.56
15/15	EuroCreditBank	108266	240807	122.42	0.40	0.78
13/13	Unikbank	194435	306183	57.47	0.71	1.00
10/9	FinComBank	911251	1048963	15.11	3.33	3.41
14/14	Universalbank	146500	244914	67.18	0.54	0.80
8/8	Energbank	1015705	1090279	7.34	3.72	3.54
11/11	ProCreditBank	389460	454285	16.64	1.43	1.48
9/10	BCR Chisinau	1001716	803619	-19.78	3.67	2.61
6/6	Eximbank- Gruppo Veneto Banca	1815577	1940520	6.88	6.64	6.31
5/5	Mobiasbanca- Grupe Societe Generale	1865013	2044278	9.61	6.83	6.64
	Total	27324988	30766643	12.60	100	100

Source: Calculations based on data provided by the National Bank of Moldova.

In September 2011, the average interest rate on term deposits in foreign currency increased by 0.5 p.p. to 3.9% compared to September 2010. In September 2011 the rate of deposits by individuals rose by 0.53 p.p. up to 4% compared with September 2010, and the rate of corporate deposits decreased by 0.37 p.p., reaching the level of 3%.

The margin on banking operations in the national currency fell from 8.37% in September 2010 to 7.28% in September 2011.

In this context, we note that average interest rates on deposits in national currency began to rise in early 2011, reaching 6.7% in January 2011. The average interest rates on deposits in foreign currency increased from 3.41% in January 2011, to the level of 3.94% in September 2011.

The evolution of bank profitability shows that banks were able to increase their return on assets (ROA) by 0.7 pp, reaching 2.0%, on 30.09.2011, as well as return on equity (ROE) by 4.6 pp, amounting to 11.5%, compared to 30.09.2010. With the increase in share capital and assets, the ROE and ROA increase denotes a much faster rate of growth of net profit, which is quite encouraging. Thus, at the end of September 2011, the total revenue of the banks was MDL 650.2 million.

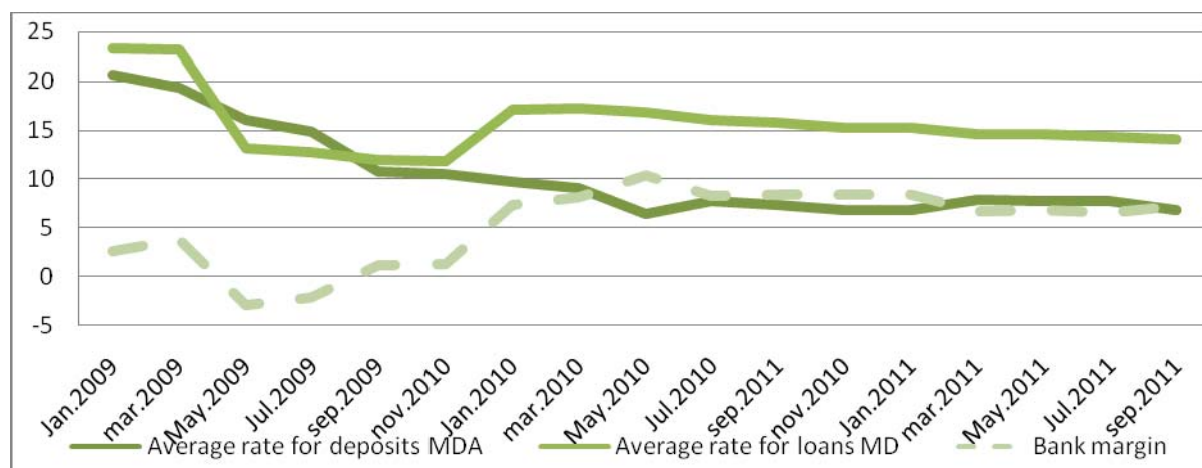


Figure 3.2.7. The evolution of the bank margin*, of average rates on deposits and loans in MDL, %

Source: Calculations based on data provided by the National Bank of Moldova.

***Note:** The bank margin indicator was calculated as the difference between the average rate on deposits in MDL and the average rate on credits in MDL.

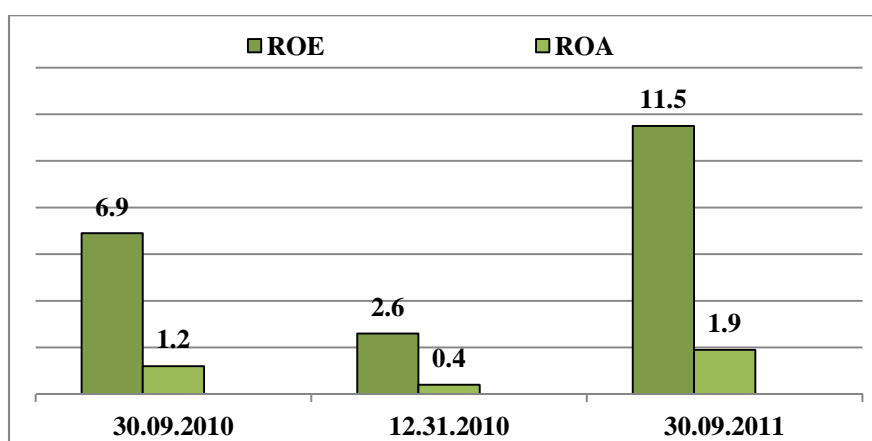


Figure 3.2.8. The evolution of bank profitability,%

Source: National Bank of Moldova data.

The share of assets generating interest increased, on 09.30.2011, by 3.0 pp and amounted to 80.1%, compared to the 77.1%, registered on 30/9/2010. Accordingly, on 30.09.2011, there was a slight, insignificant decrease in net interest margin by 0.03 pp, reaching 6.4%, compared to 30.09.2010. Thus, banks that are in more difficult situations offset income from other sources, particularly from the commission allowed on transfers, including those from abroad, and other charges levied by the bank.

The efficiency index, calculated as the ratio of net interest revenue plus non-interest income and non-interest expenditures up to 30.09.2011 rose by 8.0%, reaching 174.1% of the level on 30.09.2010.

Bank liquidity can be regarded both in terms of the share of liquid assets in the total assets, as well as through bonds, which the bank is obliged to honour. Thus, we see a fall in the share of liquid assets (liquidity principle II) by 2.4%, registering 31.7% on 30.09.2011, which shows that banks' ability to pay is not being affected.

Table 3.2.4. Trends in bank liquidity, %

Indicators	30.09.2010	31.12.2010	30.09.2011
Liquidity principle II	34	34.1	31.6
Liquidity principle I	0.67	0.67	0.68

Source: National Bank of Moldova data.

The long-term liquidity or liquidity principle I throughout entire banking system stood at 0.68% on 09/30/2011, which is 0.01% more than on 30/09/2010. These values for the liquidity indicators reveal the existence of sources adequate for meeting bond payment schedules. The share of deposits in total assets on 30.9.2011 was up by 2.02%, representing 66.7%, compared to 30.09.2010.

Box 3.2.2. Bank card market trends in the Republic of Moldova, in the third quarter of 2011-2010

During the first nine months of 2011, activity indices for the credit card payment system in the Republic of Moldova grew across the board. Cash withdrawals continue to dominate the card operations market in Moldova. The main indicators showing this development are:

- An increase in the *number of cards in circulation*, from 783,600 units at the end of September 2010, to 885,800 units at the end of September 2011, up by 13% on 30/09/2010.
- An increase in the *number of cards issued* during the reporting period, amounting to 230,500 units on 30/09/2011, up by 4.1% on 30/09/2010.
- A fall in the *number of cards withdrawn* from circulation by 11.4% over the same period compared to the previous year, amounting to 162,100 units.

Transactions with cards issued in the Republic of Moldova rose significantly. Thus, in the third quarter 2011, as been attested a 58% share of total card transactions carried out on the territory of the Republic of Moldova, of which 32% were transactions with cards issued and carried out in Moldova and 26% represent operations with cards issued abroad and carried out in Moldova. Operations with bank cards issued in the Republic of Moldova hold a share of 42.3%.

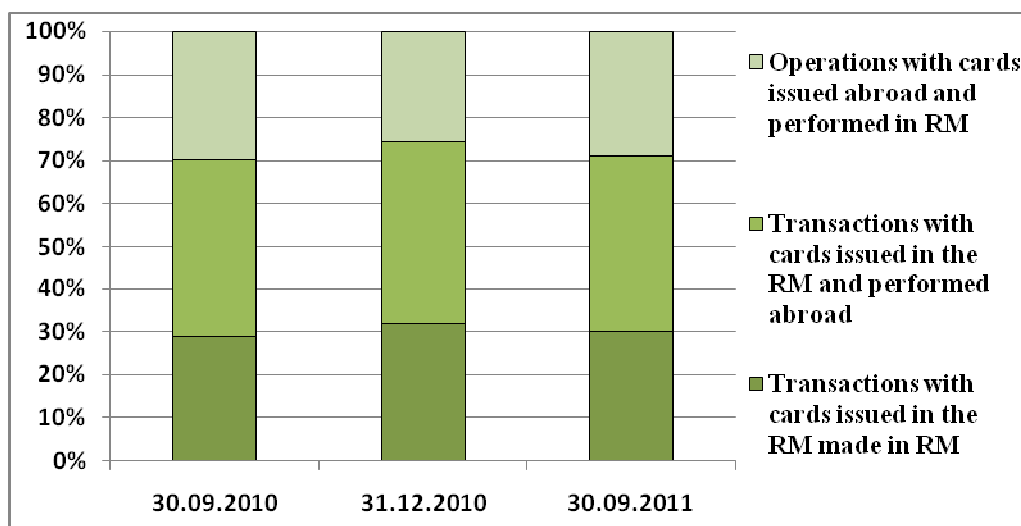


Figure 3.2.2.1. The evolution of credit cards by volume and structure, %

Source: according to the National Bank of Moldova data.

Respectively, the *number of internal transactions with cards issued in the Republic of Moldova* grew by 10% compared to the same period of the previous year and recorded the level of 1285.0 million transactions, in which cash withdrawals are 1162.0 million transactions (4.4% more than on 30/09/2010)

and 1229.7 million cashless payment transactions (45.3% more than on 30/09/2010). The value of internal operations with cards issued in the Republic of Moldova amounted to MDL 1281.4 million, up by 21.6% compared to the same period of the previous year, of which MDL 1237.7 million constituted cash withdrawals and MDL 437.1 million – non-cash payments.

Another important indicator reflecting credit cards market activity is the *number of transactions with cards issued in the Republic of Moldova carried out abroad*. This indicator reflects an upward dynamics of 522,000 transactions on 30.09.2011, up by 40.2% compared to 30.09.2010, of which 88,000 represented cash withdrawals transactions, and 734,000 transactions – cashless payments. The value of transactions abroad with cards issued in the Republic of Moldova amounted to MDL 803.9 thousand, up by 26.4% compared to the same period of the previous year, of which cash withdrawals accounted for MDL 225,900 and cashless payments for MDL 577,900.

The *number of transactions performed on the territory of the Republic of Moldova with cards issued abroad* amounted to 717,000 transactions, up by 19% compared to the same period of the previous year, of which cash withdrawals constituted MDL 426,600 and cashless payments constituted MDL 290,400. The value of transactions carried out on the territory of the Republic of Moldova with cards issued abroad amounted to MDL 132.4 million, up by 20.2% compared to the same period of the previous year, of which cash withdrawals constituted MDL 972,100 and non-cash payments have amounted to MDL 351,900.

By 30 September 2011, the Republic of Moldova had extended its network of special devices for carrying out transactions with cards to 8650 units, of which 7714 units are POS terminals, imprinters - 118 units, and ATMs - 818 units. The number of special devices rose by 7.5% over the same period last year. This increase was due primarily to extending the number of POS terminals and ATMs.

The Region of the left bank of Nistru River

The evolution of Transnistria's banking sector during the third quarter of 2011 showed modest trends in the main indicators. Thus, on 30.09.2011, the total assets of Transnistria's banking system amounted to 5570.8 million rubles, which can be equated to MDL 6894.5 million (as of 30.09.2011, a Transnistria's ruble was worth MDL 0.8080).

In the period under review, there was a decrease in the volume of loans, which were worth 2656.0 million rubles (MDL 3287.2 million) on 30.09.2011, MDL 814 million less than on 30.09.2010. This decrease is influenced by loans to businesses, which were fell by 621.4 million rubles (MDL 998.9 million) on 30.09.2011, reaching the level of 2025.8 million rubles (MDL 2507.2 million) compared to 30.09.2010.

Growth trends have been seen in deposit volumes, reaching 1699.2 million rubles (MDL 2103.0 million), on 30.09.2011, an increase of 122.9 million rubles (MDL 15,2 million) compared to 30.09.2010. This increase is due to individuals' deposits rising to 1192.8 million rubles (MDL 1476.2 million), of 30.09.2011.

3.3. Monetary policy

The monetary indicators registered an upward trend, the stock of the monetary aggregates being higher compared to 30.09.2011:

- ✓ M0 monetary aggregate amounted to approximately MDL 10.5 billion (by comparison: on 30.09.2010 M0 monetary aggregate amounted to MDL 9.17 billion);
- ✓ M1 monetary aggregate amounted to MDL 16.66 billion (by comparison: on 30.09.2010 M1 aggregate amounted to MDL 14.4 billion);
- ✓ M2 monetary aggregate reached the level of MDL 27.1 billion (by comparison: on 30.09.2010 M1 aggregate amounted to MDL 23 billion);

- ✓ M3 monetary aggregate amounted to MDL 40.3 billion (by comparison: on 30.09.2010 M1 aggregate amounted to MDL 34.76 billion).

The monetary base has also increased, reaching on 30.09.2011 the level of MDL 14.06 billion, while on 30.09.2010 this indicator amounted to approximately MDL 11 billion.

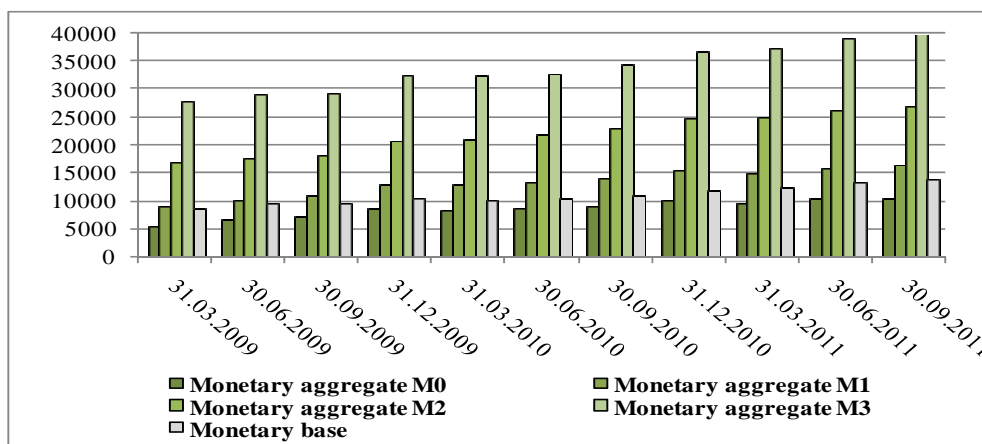


Figure 3.3.1. Evolution of the monetary aggregates and the monetary base, MDL million
Source: According to the data provided by the National Bank of Moldova

The structure of the monetary mass has not undergone any significant changes. On 30.09.2011 the components of the monetary mass were distributed as follows: M0 monetary aggregate (cash) – 26%; demand deposits – 15.3%; instruments of the monetary market – 0,004%; time deposits – 26% and currency deposits – 32.7%.

As a result of enhancing the inflationist risks in the third quarter of 2011, the National Bank of Moldova took measures to tighten the monetary policy. Thus, the interest rates associated to the instruments of the monetary policy have been modified during this period:

- ✓ the basic rate applied to the main short-term operations of the monetary policy has been increased from 8 to 10%;
- ✓ the rate applied to the overnight credits grew from 11 to 13%;
- ✓ the rate applied to the overnight deposits has been increased from 5 to 7%.

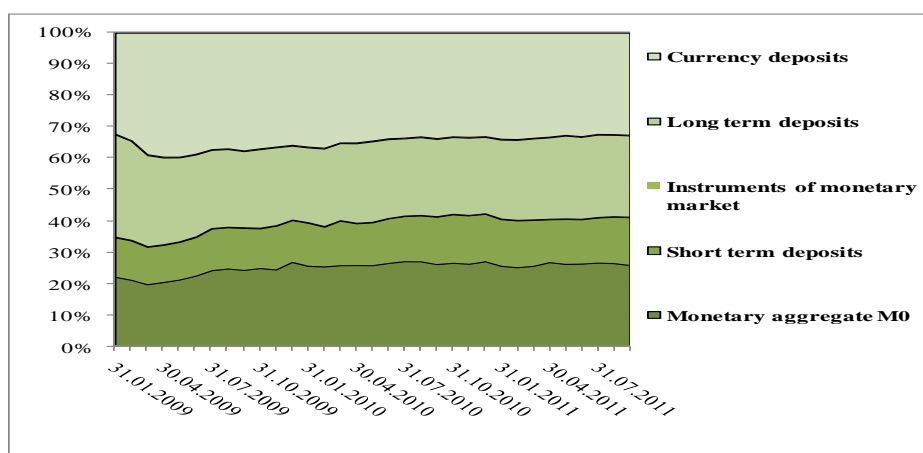


Figure 3.3.2. Structure of the monetary mass
Source: According to data provided by the National Bank of Moldova

The average monthly balance of the NBC had a continuous downward trend during the third quarter. In July 2011 the average balance of NBC was MDL 3.28 billion– a value that was lower than that registered in June, when this indicator was approximately MDL 3.5 billion. In August, the average balance of the NBC decreased and reached a level of about MDL 3 billion, while in September this indicator was only MDL 2.7 billion. On the other hand, the average balance of the overnight deposits showed a rectilinear evolution during this period. In July, the average balance of the overnight deposits was MDL 218.3 million, after which, in August, this indicator fell to the MDL 140.8 million level, while in September it amounted to MDL 230.2 million. The commercial banks have not asked the National Bank of Moldova to provide the overnight credit facilities during the period under review.

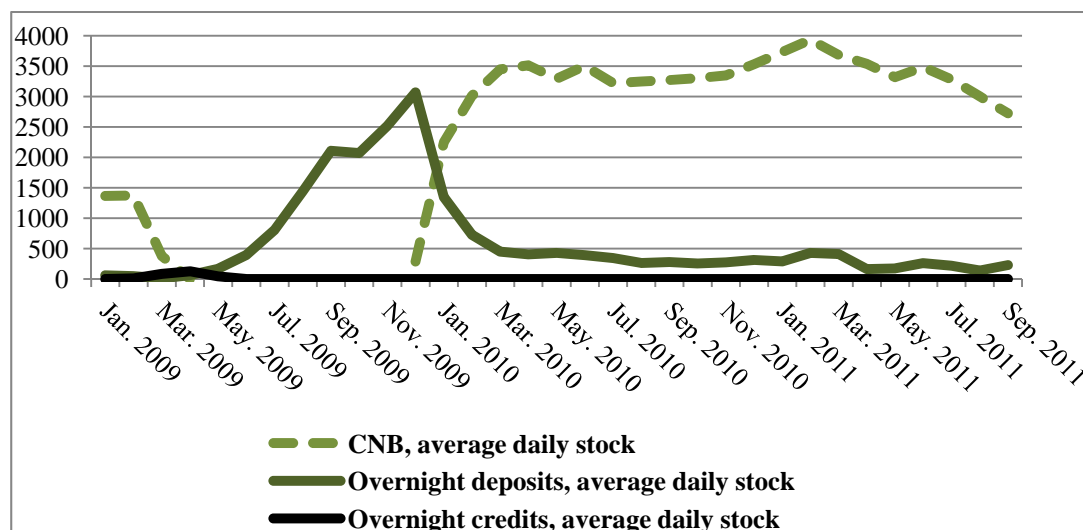


Figure 3.3.3. Instruments of the monetary policy, million MDL

Source: According to data provided by the National Bank of Moldova

The National Bank of Moldova increased the rate to the compulsory reserves during the third quarter of 2011 in order to temper the inflationist pressures in addition to increasing the interest rates of the NBCs. As of July 8, the level of the rate of the compulsory reserves was increased from 11 to 14%. Later on, the rate of the compulsory reserves remained at the 14% level during the quarter. The increase produced at the beginning of July contributed to easing the monetary market. Due to this measure, the liquidity excess was reduced, which reflected in decreasing the average monthly balance of the sterilization operations and the overnight deposits. On the other hand, the National Bank of Moldova resorted to applying the rate of the compulsory reserves at the 0 level on resources attracted for a period bigger than 2 years, as of July 8, 2011. Thus, it is aimed at increasing the banks' interest in attracting long-term funding opportunities for expanding long-term investment projects.

The National Bank of Moldova intervened in the Forex market during the second quarter of 2011 as both a buyer and a seller. If in July and August the National Bank of Moldova used to buy foreign currency, then in September the monetary authority intervened mainly as a seller. This "behavioural change" was determined by the intention of the National Bank of Moldova to temper the USD appreciation trend, which began in September. Along with selling-buying the foreign currency the NBM used during this period the swap operations (in August and September). The activity of the NBM on the Forex market was characterized by the following indicators:

- July: purchases – 4.96 million USD;
- August: purchases – 17.67 million USD (including swap – 1.2 million USD), sales – 1,2 mil. USD (including swap – 1.2 million USD);

- September: purchases – 14,7 million USD (including swap - 13 million USD), sales – 26 million USD (including swap - 26 million USD).

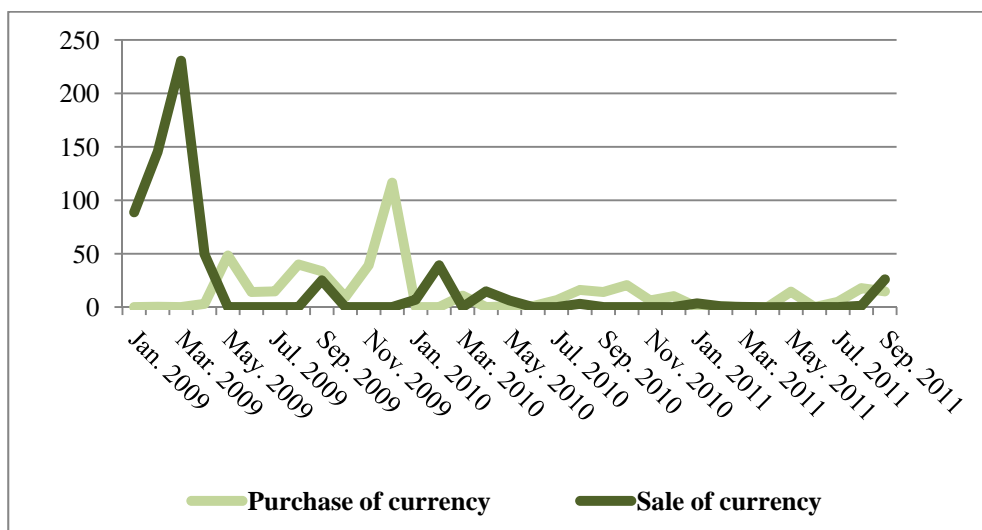


Figure 3.3.4. Currency operations of the NBM, million USD

Source: According to data provided by the National Bank of Moldova

The level of the currency reserves registered during the semester a relatively constant evolution, their balance exceeding the 1.9 billion USD level.

The region on the left bank of the Nistru River

On 01.10.2011 the monetary mass in the region on the left bank of the Nistru River (M3 monetary aggregate) amounted to 4055.4 million roubles. What is peculiar for the monetary circulation in this region is the high degree of dollarization - on 01.10.2011 the amount of deposits in foreign currencies accounted for 63.5% of the monetary mass. At the same time, the monetary base amounted to 1274.8 million roubles.

The basic orientation of the monetary policy during the third quarter of 2011 was to ensure the stability of the banking system. In this respect, as of August 1, 2011 the compulsoriness to pay insurance bonuses for ensuring against the risks related to the non-execution of the non-prudential regulations, which refer to the norm of the compulsory reserves, the liquidity level, the non-completion of the risk fund, the high share of the non-competitive loans. The basic level of the insurance bonuses paid by the monetary authority on the left bank of the Nistru River is 4% of bank bonds to natural persons. If the prudential norms are not respected, the basic bonus is increased by differentiated levels, ranging with additives from 0.5% (the non-completion of the risk fund for up to 10% risk to the required level) to 5% (the non-completion of the risk fund of up to 50% of the required level).

During the third quarter of 2011 were not implemented No changes related to the implementation of the monetary policy instruments were implemented during the third quarter of 2011: the refinancing rate remained at the 7% level, while the amount of the compulsory reserves amounted to 11%.

CHAPTER IV.

EXTERNAL SECTOR

Balance of payments

The balance sheet of the Republic of Moldova in January-September 2011 shows on the one hand a gradual recovery on capital inflows, which are reaching the levels recorded in 2008, while the current account deficit shows a slower recovery.

**Table 4.1. Balance of Payments - Current Account
in the period January-September 2011 (summary presentation)**

Chapter / Subchapter	Nominal value, million USD			Growth rate, %	
	2008	2010	2011	2011/2008	2011/2010
Current Account	-715.4	-416.5	-574.2	-19.7	37.9
Goods	-2406.7	-1586.8	-2034.9	-15.4	28.2
Export	1237.8	1021.1	1596.5	29.0	56.4
Import	-3644.5	-2607.9	-3631.4	-0.4	39.2
Services	7.0	-53.0	-9.7	-239.1	-81.7
Export	642.2	492.5	634.0	-1.3	28.7
Import	-635.2	-545.5	-643.7	1.3	18.0
Income	460.8	343.0	341.2	-25.9	-0.5
Proceeds	677.4	532.5	616.7	-9.0	15.8
Payments	-216.6	-189.5	-275.5	27.2	45.4
Current transfers	1223.5	880.2	1129.1	-7.7	28.3
Proceeds	1310.2	941.9	1198.7	-8.5	27.3
Payments	-86.6	-61.7	-69.5	-19.7	12.7

Source: National Bank of Moldova data

In the first 9 months of this year, the current account deficit amounted to USD 574.2 million. Compared to the same period of the previous year, it rose by 37.9%, and as a share of GDP by 1.2 pp, reaching 11%. The main factors behind the increasing current account deficit were:

- Increasing trade deficit in goods, despite a better performance in exports compared to imports, in terms of growth rates (more details on trade developments are presented in the section **Foreign Trade**);
- Reduced net income due to an increase, particularly, in foreign investors' reinvested income, which rose from USD 19.54 million in January-September 2010 to USD 72.4 million in the current year. Reinvested earnings increases can be considered an indicator of an improving internal business environment. At the same time, there has been an increase - 14.7% - in the income of residents in compensation for work, which reached USD 594.94 million;

A positive effect on the evolution of the current account in the period under review occurred as a result of:

- Increasing inflows of current transfers in all categories: non-governmental transfers increased by 26.2%, transfers to individuals increased by 13.2%, government transfers by 43.7%;
- Positive developments in services. In Q I – Q III 2011, foreign trade in services amounted to USD 1277.7 million, a value 23.1% higher than that recorded in the first nine months of last

year. Although this year exports have experienced better dynamics than imports, they have not yet reached the level of 2008, while imports have slightly exceeded it. Exports of services during this period amounted to USD 634 million, registering a growth in services in all categories. 25% of the increase was performed by exports of transport services, travel, computer and information services and other business services, which hold 76.9% of total exports of services. Imports totaled USD 643.7 million in the first nine months of the year. They rose by 18%, compared to the same period of the previous year, 16.8% of growth being determined by the import of transport and travel services. In the first three quarters of 2011, although the balance of trade in services has resulted in a deficit value of USD 9.7 million, it fell by more than 5 times compared to the same period of the previous year as a result of imports being outrun by exports of services by USD 7.3 million in Q II-Q III.

Table 4.2. Evolution of foreign trade in services in the period January-September 2011

	Export, USD, million	Import, USD, million	Trade balance, USD, million	Index value, 2011/ 2010, %		Structure, %	
				Export	Import	Export	Import
				Total	634.0	643.7	-9.7
Transport	250.8	264.7	-13.9	147.4	134.9	39.6	41.1
Travel	143.5	216.8	-73.2	111.6	112.0	22.6	33.7
Communication services	96.8	31.2	65.7	106.5	113.6	15.3	4.8
Construction services	12.9	11.4	1.5	169.4	72.4	2.0	1.8
Insurance services	1.4	10.1	-8.7	165.1	85.8	0.2	1.6
Financial services	3.8	5.9	-2.1	166.1	126.6	0.6	0.9
Computer and information services	34.6	15.9	18.7	161.6	96.1	5.5	2.5
Royalties and fees for license services	4.2	13.5	-9.3	110.6	137.8	0.7	2.1
Other business services	58.5	42.7	15.8	134.3	100.0	9.2	6.6
Other services	27.6	31.6	-4.0	117.7	116.9	4.4	4.9

Source: National Bank of Moldova data

The capital account recorded a negative balance of USD 26.8 million in the first three quarters of the year, 30.8% more than in the same period last year. Reduction of capital transfers from immigrants on the one hand and the increase in the number of those emigrants on the other that have determined an increase in negative value of net migrants transfers, were offset by an increase in non-produced non-financial assets, traded to non-residents. Sales of non-produced non-financial assets reached USD 8 million; in 2010, in the same period, their value was zero.

The financial account recorded a surplus of USD 435.7 million in January-September 2011, being driven, especially, by an increase in FDI inflows into the national economy and entries from other investments – trade credits and use of Fund credits and loans. Despite an increase in the net financial account surplus by 27.9%, its share in GDP has remained virtually constant in the first three quarters of this year, compared to the same period of the previous year - 8,1% in 2010 and 8,4% in 2011.

Net foreign assets (claims) stood at USD 151.6 million, which represents 40.7% more than in January-September 2010, as result of an increase of 37,6% of reserve assets that accounted 226,4 mil. USD and liabilities (commitments) at USD 587.4million, up 31%.

Table 4.3. Balance of payments - capital and financial accounts in 9 months of 2011 (summary presentation)

Chapter/Subchapter	Nominal value, USD, million			Growth rate, %	
	2008	2010	2011	2011/2008	2011/2010
Capital and financial accounts	463.5	320.1	409.0	-11.8	27.8
Capital account	-13.5	-20.5	-26.8	98.4	30.8
<i>Input</i>	7.2	9.2	8.4	16.0	-9.5
<i>Output</i>	-20.7	-29.7	-35.1	69.7	18.3
Financial account	477.0	340.6	435.7	-8.7	27.9
FDI	537.8	149.1	199.3	-62.9	33.6
<i>Portfolio investment</i>	11.3	3.5	4.8	-57.7	37.8
<i>Financial derivatives</i>	1.0	-0.6	0.2	-82.0	-129.0
<i>Other investments</i>	449.4	353.1	457.8	1.9	29.7
<i>Reserve assets</i>	-522.5	-164.5	-226.4	-56.7	37.6
Assets	-528.0	-107.7	-151.6	-71.3	40.7
FDI	-13.9	-2.4	-7.4	-46.8	209.6
<i>Portfolio investments</i>	0.0	-0.1	-0.2	300.0	220.0
<i>Financial derivatives</i>	0.0	-0.6	0.0	-	-100.0
<i>Other investments</i>	8.4	59.8	82.3	874.9	37.6
<i>Reserve assets</i>	-522.5	-164.5	-226.4	-56.7	37.6
Liabilities	1005.0	448.3	587.4	-41.6	31.0
FDI	551.7	151.5	206.7	-62.5	36.4
<i>Portfolio investments</i>	11.3	3.5	4.9	-56.4	40.3
<i>Financial derivatives</i>	1.0		0.2	-82.0	-
<i>Other investments</i>	441.0	293.3	375.6	-14.8	28.1

Source: National Bank of Moldova data

Foreign direct investments

In the third quarter, FDI inflow amounted to USD 74.6 million. Although it maintained the growth trend of the first two quarters, compared to similar periods in the previous year, the growth of direct investment by foreigners has slowed significantly. Thus, FDI inflow in Q III increased only by 6.5% compared with the third quarter of 2010. It continued to grow at the expense of reinvested earnings, which increased more than twice to the level of USD 27 million, and other investments USD 11.21 million, while social capital investments fell by 37% to USD 36.3 million.

In the first nine months of the year, foreign direct investment attracted to the national economy rose by 36% compared to same period of 2010, representing USD 206.7 million, exceeding the annual value of FDI in 2010. However, the recovery in FDI inflows is taking place very slowly.

It should be noted that there has been a change in FDI inflows by form of capital compared to pre-crisis period. While in 2008 the structure of foreign direct investments in the national economy was made up mainly of social capital and other capital investments - 87%, then in 2011 their share was greatly reduced. At the same time, there has been an increase in the share of reinvested income from 13% in first 9 months of 2008, up to 35% in 2011. However, it should be noted that this change occurred due to reinvested earnings rose in first 9 months of 2011 to 72.4

million USD, reaching practically historical peak recorded in the same period of 2008 of 73.4 million USD, while other forms of investments have remained below the level registered in 2008. In the first three quarters of 2011, FDI in equity capital constituted 90.3 million USD, and in other capital - 43.9 million, compared with 320.7 million and 157.4 million in the similar period of the 2008 year.

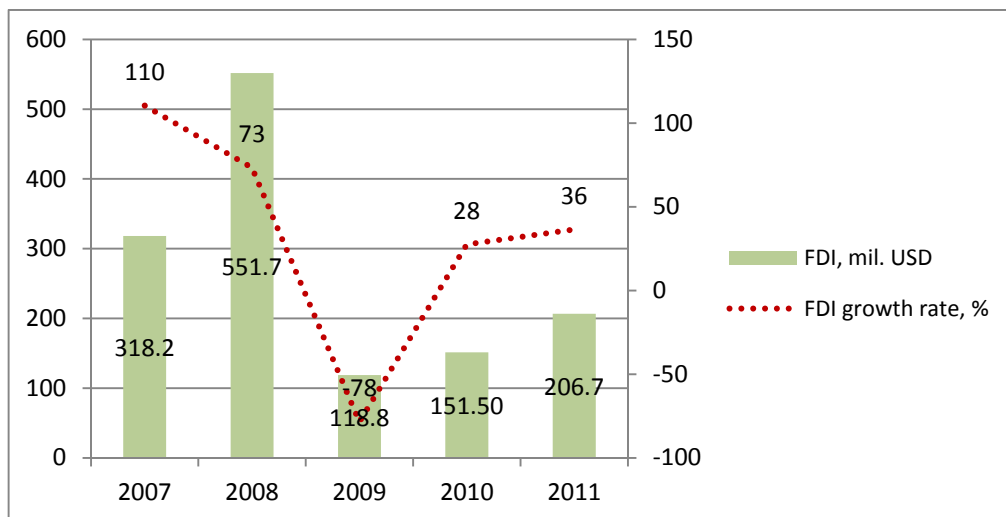


Figure 4.1. The evolution of FDI inflows during January-September 2011

Source: National Bank of Moldova

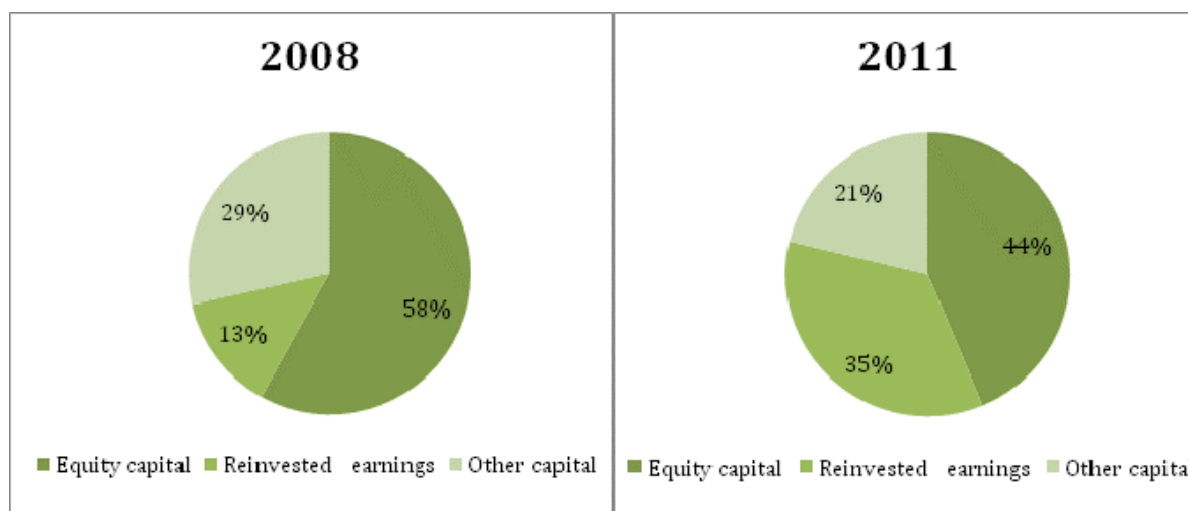


Figure 4.2. The structure of FDI inflows by forms of capital in the period January-September 2011 compared to the same period in the 2008

Source: National Bank of Moldova

Remittances to the Republic of Moldova

In the third quarter, the volume of remittances made by emigrants, according to the National Bank of Moldova, amounted to USD 444 million, 12.09% more than in the same period last year. Overall, during QI – Q III 2011, their volume reached USD 1117 million, increasing by 15% compared to the same period of 2010. Modest growth in remittances, compared to the previous year, becoming more pronounced against a background of growth in the pre-crisis period, has also brought about a reduction in the inflow of money relative to GDP, from 23.2% in January - September 2010, to 21.7% this year.

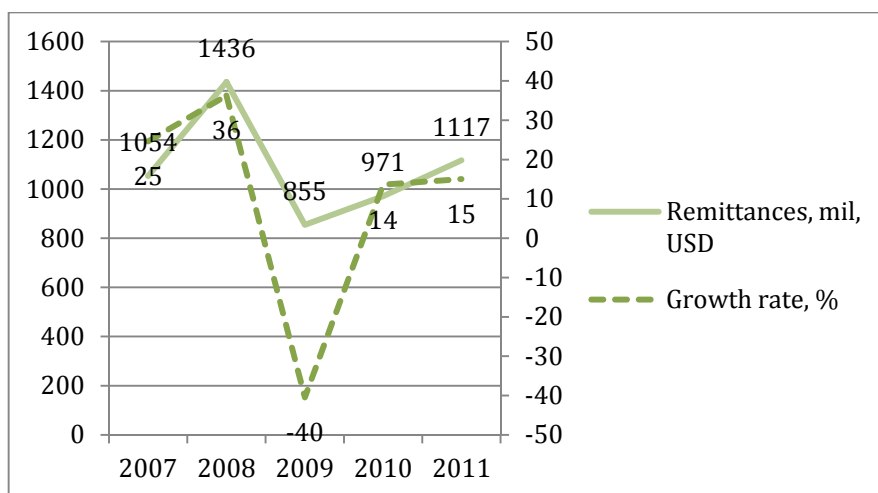


Figure 4.3. Evolution of the inflow of remittances to the Republic of Moldova in the period January-September 2011

Source: National Bank of Moldova

The volume of money transfers from abroad by individuals through the banking system in the third quarter reached USD 421 million, up by 16.6%, on the same period of the previous year. Thus, in the first nine months of the year, the volume of these transfers was up by 18.8%, totalling USD 1064.24 million. From the beginning of the year, transfers in USD by international money transfer systems have fallen, although those in Russian rubles have risen. In the period under review, 55% of remittances were transferred from Russia.

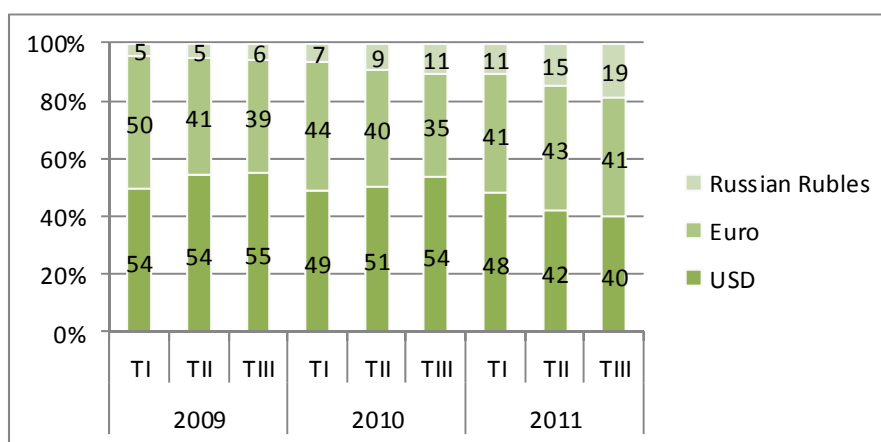


Figure 4.4. Currency structure of the IMTS transfers in January-September 2009-2011

Source: National Bank of Moldova

The Region on the left bank of Nistru. In the first half of the year, *the current account deficit* was USD 432.1 million, increasing by 41% compared to the same period of the previous year. It was formed almost entirely of the trade deficit in goods registered in this period, which was caused by a reduction in exports resulting from the decline in industrial production. At the same time, the effects of the negative balance of trade were partially offset by growth in exports of transport services of 60.7%, which amounted to USD 17 million, of which USD 15.7 million fell under gas transport and contributed to strengthening slightly the negative balance of services, which decreased almost twofold. Also, net current transfers increased by a quarter, following growth, in particular, of transfers made by individuals. Approximately 88% of these transfers originated from CIS countries.

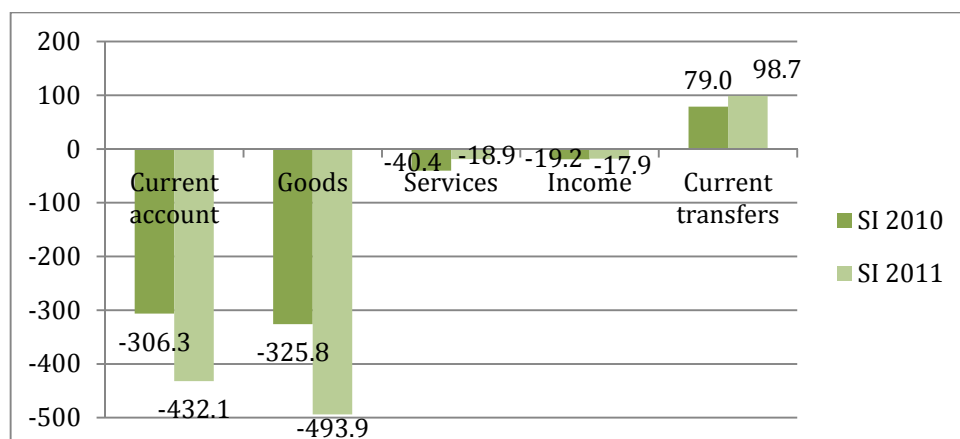


Figure 4.5. Current account of balance of payments of the region on the left bank of Nistru , million USD

Source: Transnistrian Republican Bank (http://www.cbpmr.net/resource/PBhalfyear2010_2011.pdf)

Financial Account. At the end of the first half of 2011, inputs to the capital and financial accounts amounted to USD 373.3 million, or 35% more than in the same period last year. Therefore foreign liabilities of financial account increased by 48%, registering 393 million dollars, a trend driven by increasing gas import debts, which totaled USD 305 million, or 80.7% of total liabilities acquired. The value of foreign assets during this period continued to decline being of -4.5 compared to -8.9 million USD during the same period of the previous year.

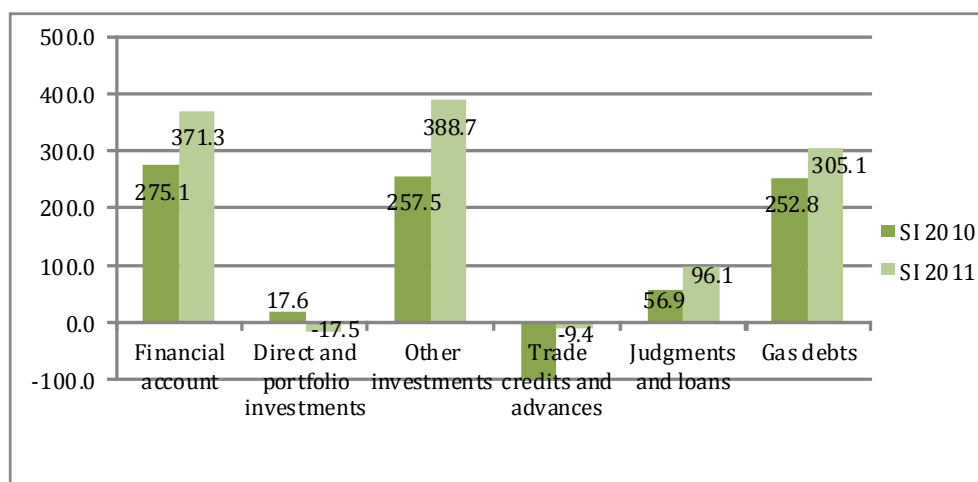


Figure 4.6. Financial account of balance of payments of the region on the left side of Nistru , million USD

Source: Transnistrian Republican Bank (http://www.cbpmr.net/resource/PBhalfyear2010_2011.pdf)

Foreign trade

This year, foreign trade, but especially exports, have increased significantly. In the first nine months of the year, foreign trade, which constituted USD 5243.5 million, not only exceeded by 44.7% the level recorded in the previous year, but even that of 2008 by 7.7%. This increase is driven, in particular, by developments in exports this year.

During this period, exports reached USD 1549.7 million, increasing by 56.9% compared to the same period of 2010. Moreover, they have exceeded by 29.5%, representing USD 352.6 million, the 2008 value. At the same time, imports, amounting to USD 3693.8 million, increased by 40.1% during this period, just beyond the level of 2008 – by 0.6%.

These trends have contributed to increasing the coverage of imports by exports, which increased to 42% - the highest level recorded in this period in the last 5 years, and therefore a relative retention of accelerated growth rates of the foreign trade deficit. The trade deficit in the first 9 months of the year amounted to USD 2144.1 million, which increased by 30%, compared to the same period of the previous year, while being 13.4% lower than in 2008.

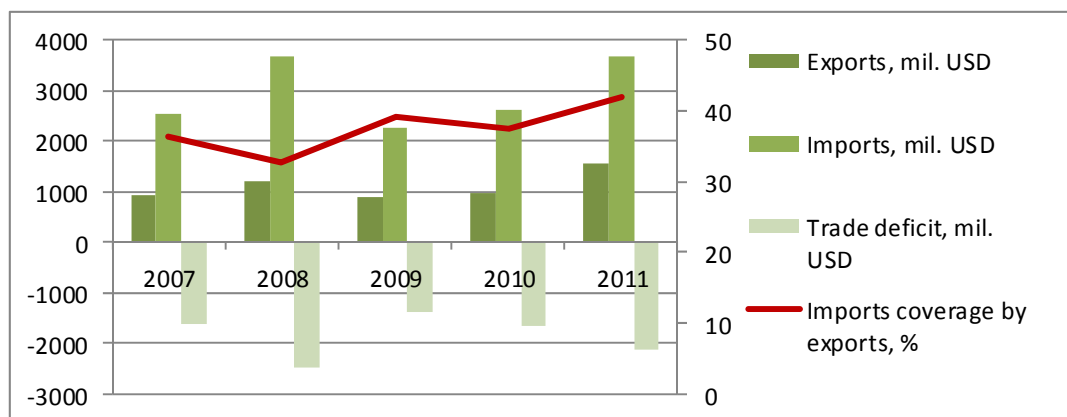


Figure 4.7. Foreign trade developments in the first nine months of 2007-2011

Source: Data from the National Bureau of Statistics

The development of exports in the period under review, with rates that have outpaced import growth, continuing the trend from the end of the previous year, has been impressive, exceeding the expectations of many people, while posing many questions regarding the **factors that have generated such a growth and regarding how long this trend is going to last.**

Geographical distribution of foreign trade in goods

The geographical structure of foreign trade has not undergone significant changes in the period under review.

Exports. As a result of good growth rates of deliveries performed by residents in the first nine months of the year on the main trade destinations- EU (62.8%) and CIS (60.4%) , there was a slight fall in the share held by them in total exports, which reached 50% (+1.8 pp) and 40.4% respectively (+0.9 pp). During this period, exports to the two main trade partner countries, the Russian Federation (74%) and Romania (71%), increased, which further strengthened their position in Moldovan foreign trade. Thus, only the share of these two economies in total exports constituted 45.9%, following a steady growth trend over the last five years. Other countries that have had an important contribution to export growth of about 18.2% were - Italy, Ukraine, Germany, Great Britain, Poland and Hungary. Overall, the eight countries mentioned above have driven an increase in exports of 48.6% (USD 480.2 million), and their share in total exports represented 72.4% of total exports. At the same time, there is a negative trend in terms of exports to Belarus, its share in total exports has fallen from 6.1% in 2009 to 5.47% in 2010 and, respectively, to 3.28% in 2011. Along with strengthening the position of the EU and CIS countries in the structure of Moldovan exports, the position of the "other countries" group has weakened, falling to 9.6% (-2.7p.p), despite the fact that deliveries to some non-traditional export directions - Panama (6 times), Belize (2 times), were recorded. They were recipients mainly of various agricultural products and scrap metals.

Imports. During the period under review, there was an increase in imports from the main geographical directions. However, a more dynamic growth of imports from CIS countries, compared with the EU, caused a slight increase in the weighting of this group of countries in total imports - 32.3% (+ 0.7pp), compared to the position occupied by EU countries - 44.5% (-0.6 p.p.). The share of the "other countries" group remains unchanged at 23%. As with the

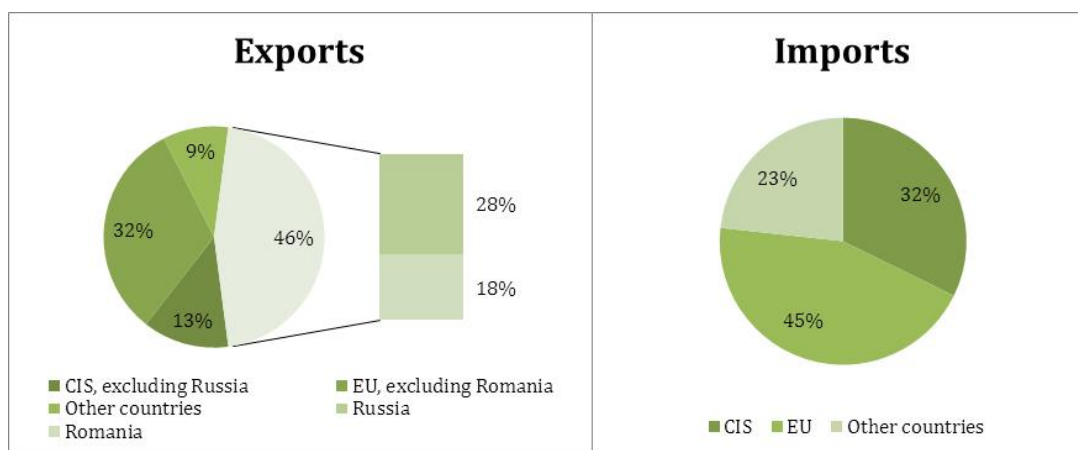


Figure 4.8. Geographical structure of Moldovan foreign trade in the period January-September 2011, %

exports, the largest influence on the growth of imports has been exercised by supplies from the Russian Federation and Romania (26% of total imports). Together with other countries such as Ukraine, Germany, Italy, China, Turkey, Belarus and Hungary, these countries have led to increased imports by 32.3% or USD 851.6 million. There has also been growth in imports from other countries, among them countries like Kazakhstan, Switzerland, Spain, Taiwan, etc.

Foreign trade structure by product groups

Exports. A trend already noted in the first half of the year, which shows an optimistic note on the quality development of foreign trade during the first 9 months of this year, is a highly dynamic growth of trade in the various manufactured products.

During this period, the **food products** group, traditionally central to the Moldovan economy, experienced a decrease in the structure of exports of 5.9 pp. This has influenced exports' increase by only 15.7%, and among the products with the highest positive input can be mentioned:

Vegetable products, especially oilseeds and oleaginous fruits, which increased more than twice, grain exports with 29.3%. Exports of vegetables targeted mainly to CIS countries increased more than four times. **Fats and oils**, for which the main market is EU countries, also showed a good dynamics. Fats and oils exports, in the period under review, increased by 83%, compared to the same period of the previous year, reaching a value of USD 45.1 million. The products mentioned above provided 13.3% of the total increase in exports in the first three quarters.

It should be noted that in the third quarter there was a reduction in exports growth rates for vegetable products compared to those recorded in the first two quarters, taking as a basis similar periods last year. As for some products, such as cereals, vegetables and fats and oils, exports have actually declined during this period, compared with Q III, 2010.

Unlike primary agricultural products that have managed to maintain a more or less constant rate in the structure of exports, food products have slightly decreased - by 6.4%. The situation seems to be even more daunting, as the foreign trade balance with food products in the last two years (from January to September) had an increasing negative trade balance. During the period under review, the biggest decline occurred with exports of **sugar and products thereof**, registering a decrease of 41.9%; of meat, which constituted 2.8% of exports in the first 9 months of last year; exports of **beverages** fell by 2.1% compared to the previous year. It should be noted however, that since the third quarter, exports in beverages have revived (growth rate - 17.2% compared with the third quarter 2010), after a 10% decrease in the first half of the year.

BOX 4.1 Exports of fruits and vegetables, accompanied by an increase in imports

In the first 9 months of this year, exports of fruits and vegetables accounted for 9% and, respectively, 0.5% of Moldovan exports, which is USD 118.7 million. Although this product category at this time had only a minimal influence on export growth of 2.5%, which does not make the sector a strategic growth area, it is worrying that in the last years the exports of these products has been supported by increased imports, and that, for foreign trade with vegetables there was a negative balance, which has been maintained in recent years.

Even with a relatively small share in total exports over the first three quarters of this year, there was a jump in exports of vegetables, a refreshing trend growth already recorded in the previous year. During this period, exports of vegetables increased almost 4 times compared to the same period of 2010, representing around USD 21 million.

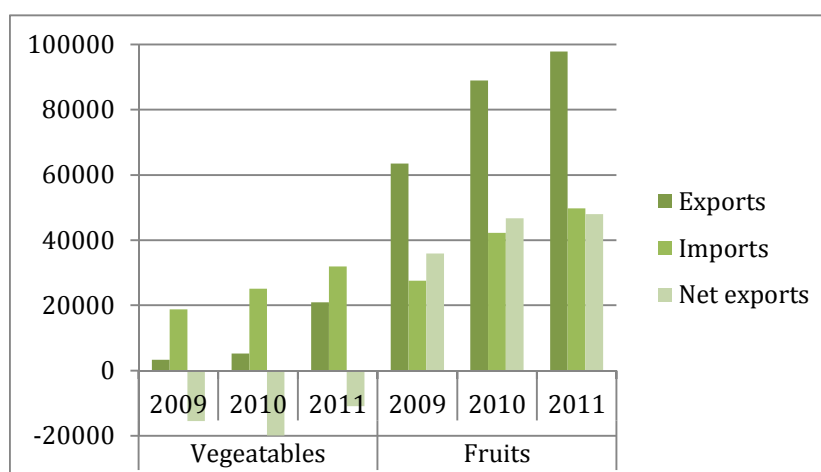


Figure 4.9. The evolution of trade in vegetables between January-September 2007-2011, million USD

Source: According to data from the National Bureau of Statistics

In the first three quarters, exports of **base metals, especially iron, steel, copper and copper articles**, which constituted USD 94 million and influenced the growth of exports by 5.9%, increased more than twice. The exports in this category of products has increased towards other markets as well, including traditional ones in the EU and CIS areas.

As mentioned previously, the largest growth in exports, amounting to 34.3% or USD 338.8 million, was generated by manufactured products.

Compared to the same period of the previous year, exports of **electrical machinery, appliances and equipment and parts thereof** have increased significantly. This has led to an increase in total exports of 10%, increasing with high rates, particularly in CIS countries, but also on other destinations (88% of these products are imported from EU and other countries). Following steady growth in exports of road vehicles in the first three quarters, compared with the same period of 2010, which in Q II and Q III practically grew more than 3 times, these products have reached around 2% (1.2% in the same period of 2010) of Moldovan exports, which is USD 31 million.

Also, an important input came from the exports of different **light industry** products. Exports of garments and other textile products contributed 7% to total export growth. Furniture exports grew more than twice, advancing from USD 24 million in the first 9 months of 2010 to USD 60.8 million in 2011, thus influencing total export growth by 3.7%. Also, compared to the same period the previous year, exports of foot wear have significantly increased, which accounted for USD 38 million. Thus, together, these products have led to the growth of total exports of 12.5%. In spite of a still significant contribution of textile products to the development of Moldovan exports,

their share in the last three years in the total structure of exports continued to decrease steadily, while footwear and furniture, by contrast, have been growing.

The traditional market for these products is the EU, where about 71% of textile products or about 95% of exported garments are being delivered, 76% of footwear and 68.5% of furniture exports, still practicing extensively the lohn production system. However, there is a revival of exports of these products to the eastern markets in the CIS area.

Exports of goods after processing (lohn) had a 24.5% share in total exports, amounting to USD 390.7 million. Their value was up 31.3% compared to QI-Q III, 2010, and by 8.8% up compared to the same period of 2008.

Table 4.4. Performance of foreign trade during January-September 2011 in terms of its structure by product group

	Export				Import				Trade balance, million USD
	Value, million USD	Degree of influence, %	Structure, %		Value, million USD	Degree of influence, %	Structure, %		
			2010	2011			2010	2011	2011
Total	1549.7	56.9	100	100	3693.8	40.1	100	100	-2144.1
Agrifood products, inclusively	585.8	15.7	43.7	37.8	484.9	2.7	15.7	13.1	100.9
Vegetable products	308.7	11.5	19.8	19.9	152.7	0.9	4.9	4.1	155.9
Food products, excluding drinks	93.2	1.4	8	6	204.2	1	6.8	5.5	-111
Drinks	115.7	-0.2	11.9	7.5	36.8	0.2	1.2	1	78.8
Energy products	28.6	1.6	1.3	1.8	807.7	10.2	20.4	21.9	-779.1
Textiles	263.4	7.2	19.4	17	270.7	2.8	7.5	7.3	-7.2
Base metal	94	5.9	3.6	6.1	232.9	2.6	6.2	6.3	-138.9
Electric machinery, appliances and equipment	214	10.1	11.6	13.8	603	8.2	14.7	16.3	-389
Other products not included before	363.9	16.4	20.5	23.5	1294.7	13.6	35.5	35.1	-930.8

Source: Data of the National Bureau of Statistics

Imports. Imports, although they grew faster in the first three quarters of this year than in the same period of the previous year, managed to reach and largely stay within the limits recorded in the height of pre-crisis period - 2008. Thus, Q I-Q III 2011 imports amounted to USD 3.69 billion, while in the same period of 2008, they accounted for 3.67 USD billion.

Although, in fact, the structure of imports was preserved compared to the same period of the previous year, as a result of faster growth in imports of manufactured goods, while the share of agri-food products fell slightly, which influenced the growth of imports by only 2%.

The main generator for the growth of imports in the first nine months of the year have been:

- **energy resources**, which rose by 50%, while during the previous year, in the same period, there was a 6% increase. To note that in 2011 world energy prices grew faster than in the previous year. The energy price index represented 146,7% in 2010 and 190% in 2011, compared to the 2005 year;

- **machinery and transport equipment** increased by 55.7% compared to 22.8% during January-September 2010;
- **road vehicles** increased by 78.5%, amounting USD 224.5 million. During the same period last year imports of vehicles rose by 15.3%.

All these products are the main categories of goods that have the main impact on the trade balance, ensuring its negative balance. The massive imports of machinery and transport equipment and other machinery may be a sign of an improving the investment environment in the national economy. In January-September 2011, investments in long-term tangible assets constituted MDL 7.97 billion, up 11.3% on the previous year. Investments in tools, machinery and transport equipment grew even more strongly, by 19.4%, which is MDL 3938 million (USD 335.7 million, valued at MDL / USD exchange rate 11.73).

At the same time, recording a negative balance for products such as: live animals and animal products and vegetables, food balance highlights the inability of domestic producers to exploit their production capacity.

Against a background of impressive developments between January and September, we find that since the third quarter, as expected, the reserves of export growth with accelerated rates, which were recorded in the first two quarters, compared to the same period of the previous year - 58.1% and 71.5%, have begun gradually to deplete. Thus, Q III exports increased at a rate of 44.3%, following developments, especially in September, which marked possibly the end of the period in which exports have enjoyed a higher growth than imports. Most likely the trend will continue in the following period, given the base growth over the maximum recorded level in the pre-crisis period, since the last quarter of the previous year.

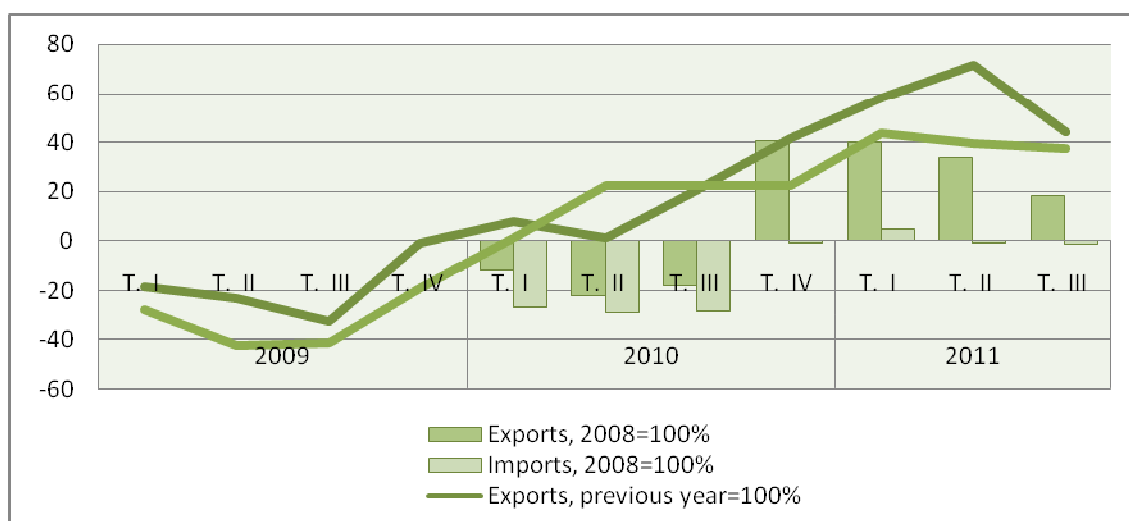


Figure 4.10. Quarterly evolution of exports, growth rates (%)

Source: Data of the National Bureau of Statistics

On the other hand, developments in industry and agriculture do call into question the quality of this growth and the sustainability of the factors that generated the expansion. Have all these been supported by the actual performance of the national economy based on qualitative structural changes or were they rather subject to the occasional impacts of exogenous factors?

- In the first three months of the year, agricultural output increased by only 3.7% compared to the same period of 2010. Although industrial production recorded overall higher growth dynamics in this period - 10% (6.3% - 2010), including the manufacturing sector by 11.7% (7.5% - 2010), it still remains well below export growth;

- The specificity of products that have generated the highest increase - machinery and transport equipment, base metals, light industry products - seems to confirm the existing statistical data on the level of re-exports in total exports. During January-September 2011, re-exports registered a leap, increasing by 71.4% over the same period last year. Thus the share of re-exports in total exports was 47.7%. It should be noted that during the same time last year their share was 43.7%².

The Region on the left bank of Nistru. During January-September 2011, the foreign trade of the left bank of Nistru region constituted USD 1.7 billion, increasing by 23.9%, compared to the same period of the previous year.

Exports accounted for USD 499.3 million, by 15.5% more than in the first nine months of 2010. 65% of exports from this region, during this period, were directed to CIS countries, of which 63% to Russia (24%), Moldova (31%), Ukraine (8%). All these countries have provided, during this period, the greatest influence on the total growth of exports, compared to the same period of the previous year. Also, exports to Romania increased by 84%, which represents about 10% of total exports of this region. Although an insignificant share in exports, there were some exports to China, which have increased over the same period of the previous year by 67.7%.

In terms of the structure of the groups of goods, the largest share in total exports is represented by metal products, with a share of 30.4%, energy resources - 25.9%, textiles, footwear and clothing - 20.4 %, agri-food products - 7.8%. The biggest influence on the total growth of exports in the period under review of 9.8%, belonged to the delivery to foreign markets of food products, energy resources, metals and metal products and mineral resources. At the same time, exports of medicinal products fell to zero, which, during the same period of the previous year amounted to about USD 6000.

Imports in January-September 2011 constituted USD 1.21 billion, increasing by 27.8%, compared to the same period of the previous year. As in the case of exports, 64% of imports come from CIS countries, of which 59% from Russia (44.9%), Ukraine (8.3%) and Belarus (5.9%). Increases in imports during this period was largely generated by the acceleration of imports of goods from Russia, which increased by 32% compared with the first nine months of last year. Imports from Russia in this period of 544 mil. USD, have exceeded total exports value of -499 mil. USD. They were also driven by an acceleration of inflows of goods from Belarus, Tajikistan and Uzbekistan. At the same time, imports from Ukraine, Moldova, USA, and Poland fell.

In January-September 2011, 45% of imports of the region on the left bank of Nistru were imports in energy resources, 11.6% - agri-food products, 11% - metal products, 10.7% - machinery and transport equipment, forming 78.3% of total imports. Half of the increase in this period was provided by increased imports of energy products.

As a result of faster growth in imports than in exports, which led to a reduction of coverage of imports through exports from 45.6% to 42.1%, there was an increase in the negative balance of foreign trade, which accounted for USD 712.2 million.

It should be noted that during the first three quarters of this year, exports from the region towards Moldova increased by 15.8%, accounting for USD 155.6 million, while imports fell by 82.8% to USD 7.1 million. Therefore, within the external trade relations of the region on the left bank of Nistru, the Republic of Moldova held only a small share of 0.6% of imports in this period, while its share in exports is 31%, the largest compared with other trading partners.

²NBS, foreign trade activity in the Republic of Moldova in January-September 2011, available at <http://www.statistica.md/newsview.php?l=ro&idc=168&id=3576>

Trends and policies in the main economic partner countries of the Republic of Moldova

Against the background of a new crisis of private debt growth, which later turned into public debt, union protests, the U.S. and EU financial instability, global economic growth forecasts became more pessimistic this year. In this context, these developments may have negative repercussions for the Moldovan economy by reducing foreign financing inflows. These may relate to lower external demand, which could cause a reduction in revenue from exports, and on the other hand reduce the inflows of remittances.

Statistical forecasts carried out in November 2011 for CIS countries, implies reduction of gross domestic product in 2012 from 4.5% to 4.1%. According to BCR³ forecasts, in the last quarter of 2011, the Republic of Moldova will not be disturbed by external economic factors, but will heavily rely on external demand, remittances, while recording a positive development due to domestic consumption and investment growth.

Table 4.5. Macroeconomic situation of the main economic partners of the Republic of Moldova (Q III 2011, compared to the same period of the previous year, %)

Indicators	USA	EU 27	Romania	CIS	Russia	Ukraine
Real economic growth (GDP)	1.5	1.4	4.4	4.6 ⁴	4.9 ³	6.6
Consumer price index in September 2011 compared to September 2010(CPI)	103.9	103.3	103.5	107.5	104.7 ³	105.9
Export (FOB)	17.5	19	28.5	38.6	34.2	29.7
Import (CIF)	13.6	17.2	26.4	25.8	24.1	29.9
Unemployment rate	9.1	9.7	7.5	6.3 ⁵	6.2	7.8 ³

Source: U.S., EU, Romania, CIS, Russia and Ukraine National Statistical Offices data

United States of America. According to the *Bureau of Economic Analysis of the U.S. Department of Commerce*⁶, real GDP percent change from preceding period was 1.8%, following growth of 1.3% recorded in the second quarter. Compared with the third quarter of 2010, GDP grew by 1.5%. The annual rate of the consumer price index in September 2011 was 3.9%. Compared to the previous month, it was 0.3%. The biggest increase was registered in energy, gas and other fuels - 19.3%⁷. U.S. exports in Q III 2011 increased compared to the same period of 2010 by 17.5% and import – by 13.6%. The unemployment rate in September 2011 represented 9.1% compared to 9.6 in September 2010(down by -0.5p.p).In the three months of the third quarter unemployment rate has kept a 9.1% level.

European Union. According to the Economic and Financial Affairs Directorate of the European Commission, EU economic policy is oriented towards constant growth and creating new jobs. In the third quarter EU27 growth slowed slightly. According to the European Union Statistical Office (EUROSTAT)⁸, real economic growth in the third quarter was 1.4% over the same period of 2010. The variation in the components of GDP is due to final consumption expenditure of households, which rose by 0.2%. Gross fixed capital formation increased by 0.2%.

³BCR-monthly financial newsletter-November 2011 www.amcham.md/userfiles/file/BCR.pdf and the data of the National Bureau of Statistics of the Republic of Moldova

⁴January –September 2011 compared to January –September 2010

⁵CIS unemployment rate is presented for the first half of 2011.

⁶<http://data.bls.gov/search/query/results?cx=013738036195919377644%3A6ih0hfrgl50&q=import+2011>

⁷Consumer price indices, Briefing Note, September 2011 available on <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/september-2011/index.html>

⁸<http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=0&pcode=teiet010&language=en>

The annual inflation rate was 3.3% in September, up from 2.5% in August. An inflation rate higher than 4% was recorded in Estonia (5.4%), Latvia (4.5%), United Kingdom (4.5%), Latvia (4.7%), Austria (4.4%) and Slovakia (4.4%).

Export growth in the third quarter 2011 was 19% over the same period last year, and imports increased by 17.2%. The unemployment rate accounted 9.7% in the third quarter of 2011, up by 0,2 p.p. compared to the first two quarters and by 0,1 p.p., compared to the same period of the previous year.

Romania. According to the National Institute of Statistics of Romania⁹, Gross Domestic Product in the third quarter of 2011, in real terms, compared to the same quarter of 2010, grew by 4.4%.

The consumer price index in September 2011 rose 103.5%, compared to the same period last year. The average inflation rate in the period under review was 0.2% in 2011.

Exports, increased with 28.5% in Q III 2011/2010, imports amounted with 26.4% compared to the same period last year.

In the third quarter, the unemployment rate represented a 7.5% a level, up by 0.4 p.p. and 0,1 p.p. compared to the two first quarters, and up by 0.3 p.p. from the corresponding quarter of the previous year.

CIS. According to the IMF⁵, it is estimated that even if prices remain high in raw materials, a recovery in economic growth can be felt in the CIS area, although it is modest compared to pre-crisis growth rates. The overall slowing of economic growth and a rise in investors' risk aversion will cause a more moderate external financing environment in the region.

According to the *International Committee of Statistics of the CIS*¹⁰, the GDP real growth during January-September 2011 constituted 4.6% compared to the same period last year.

Consumer price index, from January to September 2011 was 107.5%.

Exports growth in Q III 2011 compared to the same period last year amounted to 38.6%, while imports by 25.8%.

The unemployment rate¹¹ for the first half of 2011 was 6.3%, and 0.5 p.p. down compared to the same period 2010.

Russia. According to the *State Statistics Service of the Russian Federation*¹², real economic growth in Q III 2011 was 4.9% compared to same period last year. The consumer price index, from January to September 2011 compared to the year 2010 stood at 104.7%. Exports increased by 3.2% in the Q III 2011 compared to the same period of 2010, while imports with 24.1%.

The unemployment rate in T III 2011 accounted 6.2%. It decreased from 6.5% to 6.2% since July till September.

Ukraine. According to National Statistics Service of Ukraine¹³, the indicator of real economic growth during Q III 2011 was 6.6% compared to same period of the last year.

Annual consumer price index, in September 2011, represented 105.9%. From the previous month, consumer prices increased by 0.1 %.

⁹<http://www.insse.ro/cms/rw/pages/comunicate/indicel%20preturilor%20de%20consum.ro.do>

¹⁰ http://www.cisstat.com/eng/frame_macro.htm

¹¹ CIS unemployment rate is presented for the first half of 2011 <http://www.vkp.ru/docs/47/349.html>

¹² <http://www.gks.ru/wps/wcm/connect/rosstat/rosstatsite/main/publishing/catalog/periodicals/doc>

¹³<http://www.ukrstat.gov.ua/>

Exports, during July-September 2011, increased by 29.7%, compared to the same period of 2010. *Imports*, increased in the same period by 29.9%.

Unemployment rate accounted for 7.8% in the first 9 months of 2011, down by 0,4 p.p. from the first half of the year level.

According to estimates made by the IMF, growth of 4.5% is expected in 2011, supported by domestic consumption and investments (including the Euro 2012 soccer championship). But given a lack of capacity and economic activity, the country is unlikely to overcome the economic crisis before 2013.¹⁴

¹⁴<http://www.imf.org/external/pubs/ft/scr/2011/cr1152.pdf> - 3668k - PDF

Chapter V.

BUSINESS ENVIRONMENT

Business activity. The number of registered companies: classification according to organizational and legal forms. According to the State Registration Chamber, on 01.10.2011, the State Register contained information on 159,830 legal entities and individual entrepreneurs. On 01.10.2011 compared to 01.07.2011, the number of enterprises in the Register was up by 683 or 0.4%. Analysing the number of companies from the Register, we can conclude that in the third quarter of 2011 compared with second quarter 2011 there were no significant changes in the share of enterprises registered in the Register by their organizational and legal form; entrepreneurs prefer to register their business, in particular, in two organizational-legal forms: limited liability companies (47%) and individual enterprises (42%). The share of joint stock companies and cooperatives of all types (production cooperatives, consumer cooperatives and business cooperatives) is 3%. The share of state and municipal enterprises in the State Register is 1%.

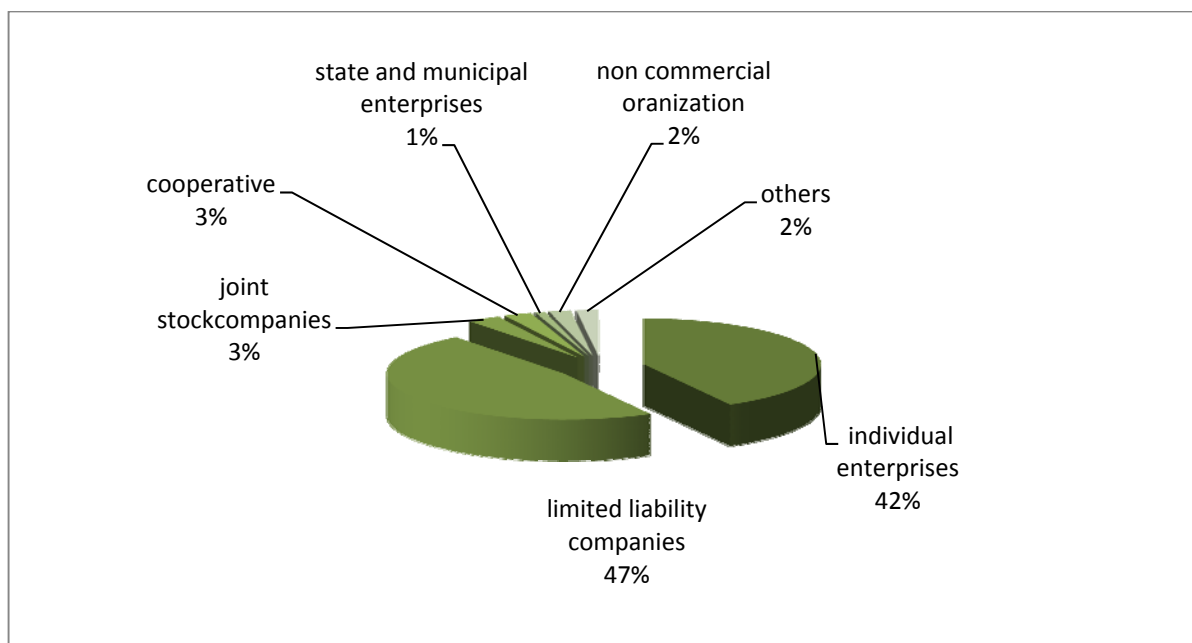


Figure 5.1. Businesses registered by their organizational and legal form on 01.10.2011
Source: Data from the State Registration Chamber

Dynamics of registered and struck out companies in the third quarter of 2010 - 2011

The number of enterprises registered by the State Registration Chamber fell in the third quarter of 2011, compared to same period last year, the ratio being 99.2%. The number of enterprises decreased in the third quarter of 2011 by 5.3%, compared to the second quarter of the same year. Thus, according to the State Registration Chamber, in the third quarter in the State Register were listed 1,543 new enterprises were listed in the State Register.

The number of enterprises struck out in the third quarter of 2011 was 861 units or 27% more than during the same period last year, and 11% less than during the second quarter of this year.

The indicator calculated, which describes the net increase / decrease in the number of enterprises (registered minus removed) shows that in the third quarter of 2010 - 2011 there was a significant net decrease in the number of enterprises, the index being 77.6%.

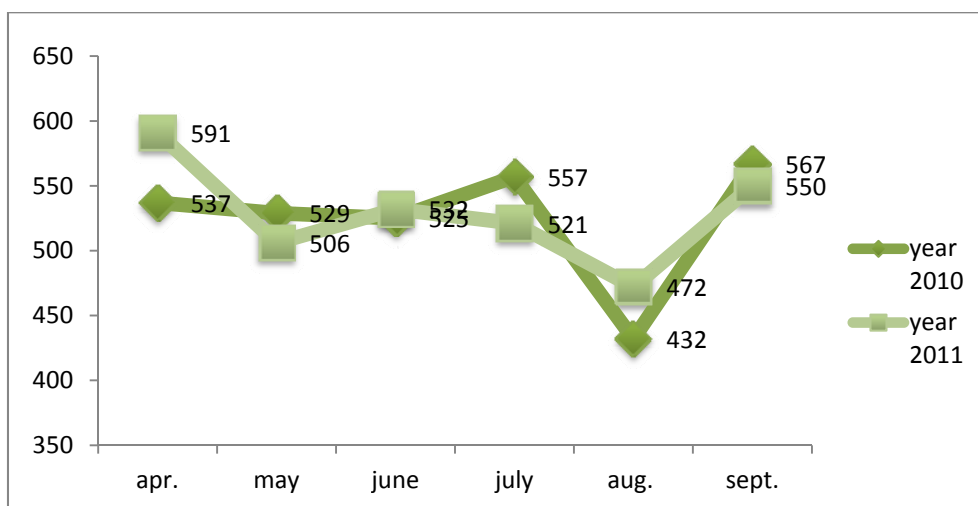


Figure 5.2. The evolution of the number of enterprises registered in April - September 2010 - 2011

Source: State Registration Chamber <http://www.cis.gov.md/ru/content/241>

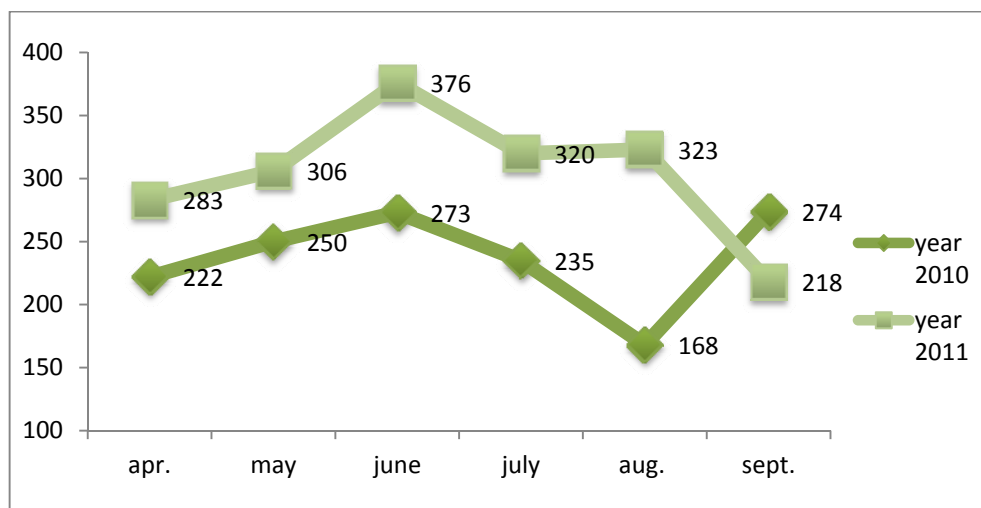


Figure 5.3. The evolution of the number of enterprises struck out in April - September 2010 - 2011

Source: State Registration Chamber <http://www.cis.gov.md/ru/content/241>

Table 5.1. Dynamics of registered and struck out companies in the third quarter of 2010-2011

Years/Month	Net increase / decrease	
	Number, units (Enterprises registered - enterprises struck out)	Index, %
Q III 2010	879	-
Q III 2011	682	77.6
Including:		
July	201	62.4
August	149	56.4
September	332	113.3

Source: Authors' calculations based on data from the State Registration Chamber

Business Development Indicators, 2010

According to NBS, in 2009-2010 there was a slight but steady increase in the number of businesses: from 44,600 to 46,700 enterprises. In 2009, the number of enterprises continued to increase, the index being 106.0%. In 2010, compared to 2009, the index registered a slight decrease (104.7%).

The average number of employees in enterprises, according to the NBS, in 2009-2010, showed a declining trend (index being 97.6%). The SME sector, in 2009-2010, as well, has shown a declining trend in the number of employees (the index representing 97.8%). The small enterprises' group, by contrast, during the given period, showed an increase in the average number of employees (the index being 103.3%).

In 2010, compared to 2009, there was a slight fall in the average number of employees in most sectors of the economy (by 9.2% in the agricultural sector compared to 2009; fishing – by 7.3%, by 6% - in manufacturing, by 6% in construction, etc.).

The trade sector is the largest employer, with 20% of employees employed in the formal sector in 2010. Manufacturing and agriculture sectors are the second and, respectively, the third largest employers in the country (19% and 12%).

The transport and communication and health and social care sectors are also major employers, providing jobs to 21% of workers.

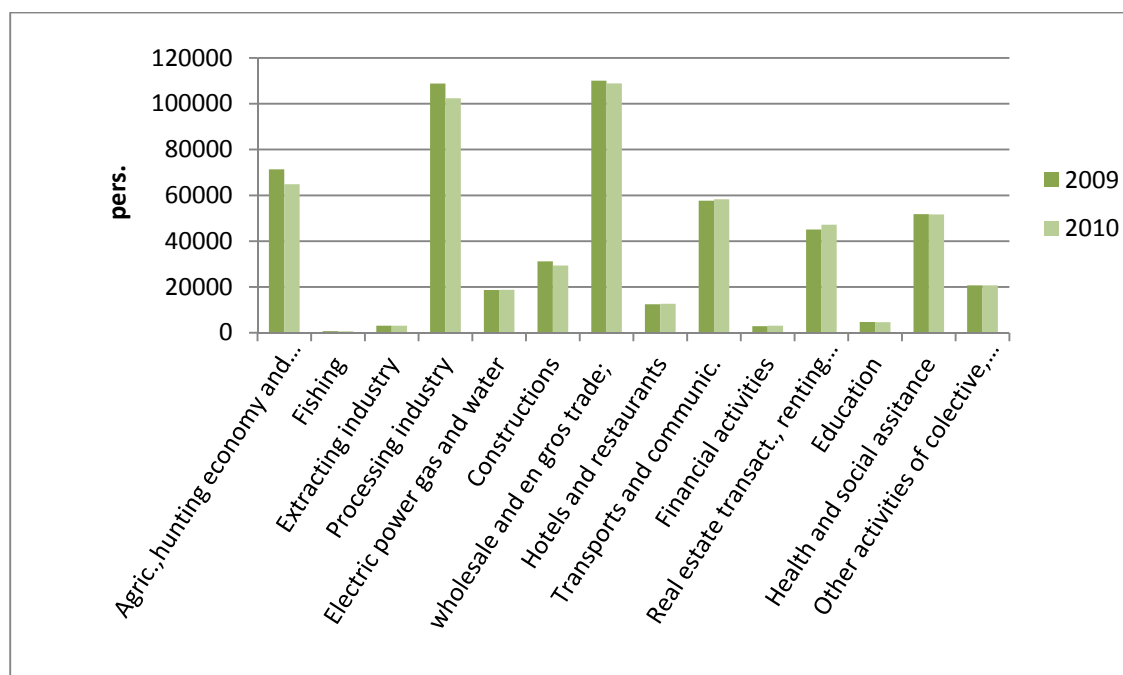


Figure 5.4. Average number of employees in enterprises by type of activity, 2009-2010
 Source: Data from the National Bureau of Statistics

In 2010, 89.4% of companies were privately owned, generating 58.1% of sales revenue. Public sector enterprises (state and municipal property) represent only 1.9%, but generated 11.6% of sales revenue. Foreign, mixed and joint ventures are few in number (8.7%), they represent 15% of employment and generated in 2010 generated 30.3% of sales revenue.

Although the share of large enterprises is only 2.3%, in 2010, they generated 63.2% of sales revenue.

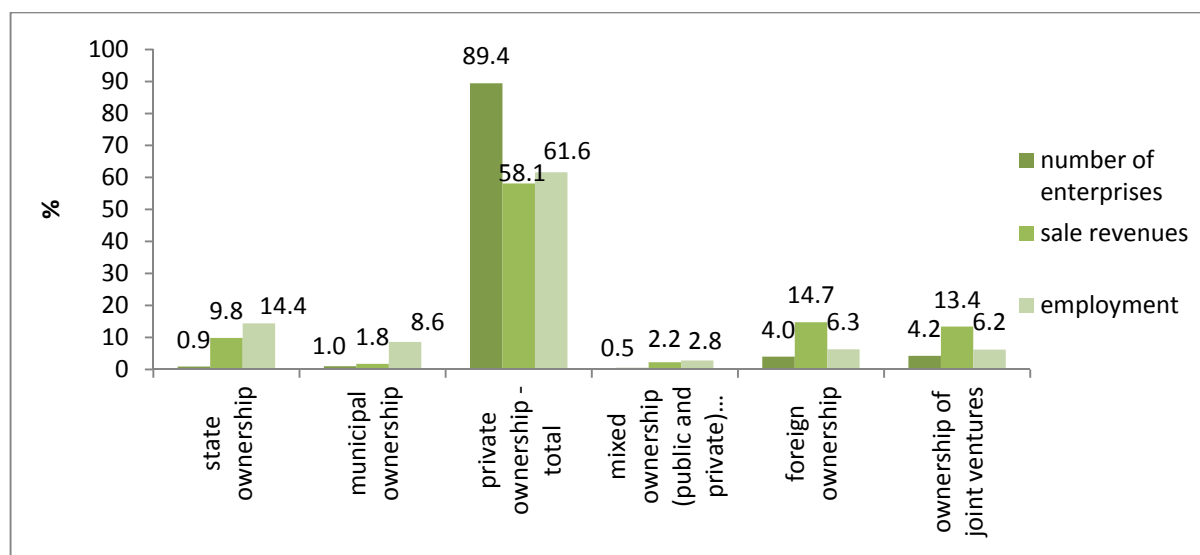


Figure 5.5. Structure of key indicators by types of ownership, 2010

Source: Data from the National Bureau of Statistics

The SME sector represents 97.7% of all enterprises, employing about 60 per cent of employees, but generated only 36.8% of revenues in the formal sector in 2010.

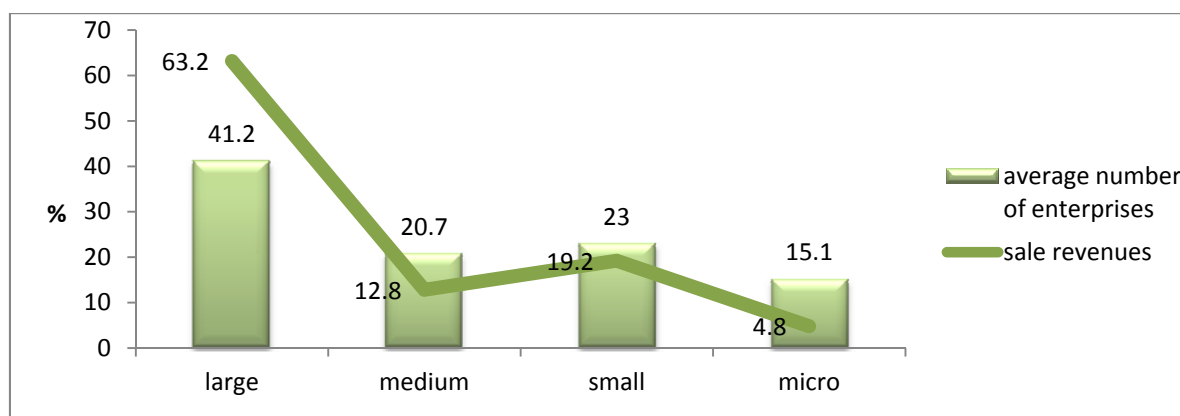


Figure 5.6. Structure of sales revenue and number of employees by enterprise size, 2010

Source: Data from the National Bureau of Statistics

In 2010 there was an increase in sales revenue in all sectors of the economy. Wholesale and retail dominated, amounting to 46.3% in 2010 - more than the sales revenue generated by industry and agriculture combined. Also, a large proportion of total sales in the economy belongs to the service sector (transport, communications) and manufacturing.

In 2009-2010, the largest increase in sales revenue was recorded in the agricultural, construction and trade sectors (by 46% compared to 2009 in agriculture, 27% in construction and, respectively, 25% in trade).

According to the National Bureau of Statistics, in January-September 2011, there was an increase of 23.1% (in comparable prices) in the sales revenue of companies with retail¹⁵ as their main type of activity over the same period of 2010.

¹⁵Enterprises with the retail as their main type of activity, with a number of employees of 20 and more persons, included in the monthly statistical research on short-term indicators (SERV TS).

In January-September 2011, in Chisinau and in the South region there was a larger increase in the turnover of enterprises with the retail trade as their main type of activity (an increase of 25.8% and, respectively, 29.7 %), compared to the same period of 2010.

According to NBS, in January-September 2011 there was an increase of 18.3% (at current prices) in the turnover of enterprises with wholesale¹⁶ as their main type of activity over the same period of 2010. Businesses in the North and ATU Gagauzia showed a relatively higher level of growth in their turnover (up by 34% in the North and 97.2% in ATU Gagauzia).

In January-September 2011, a significant increase in the turnover of enterprises with wholesale as their main type of activity was recorded in Ocnita district (12.6 times), Donduseni (2.6 times), Briceni (an increase of 81.2%), Falesti (60%) over the same period of 2010.

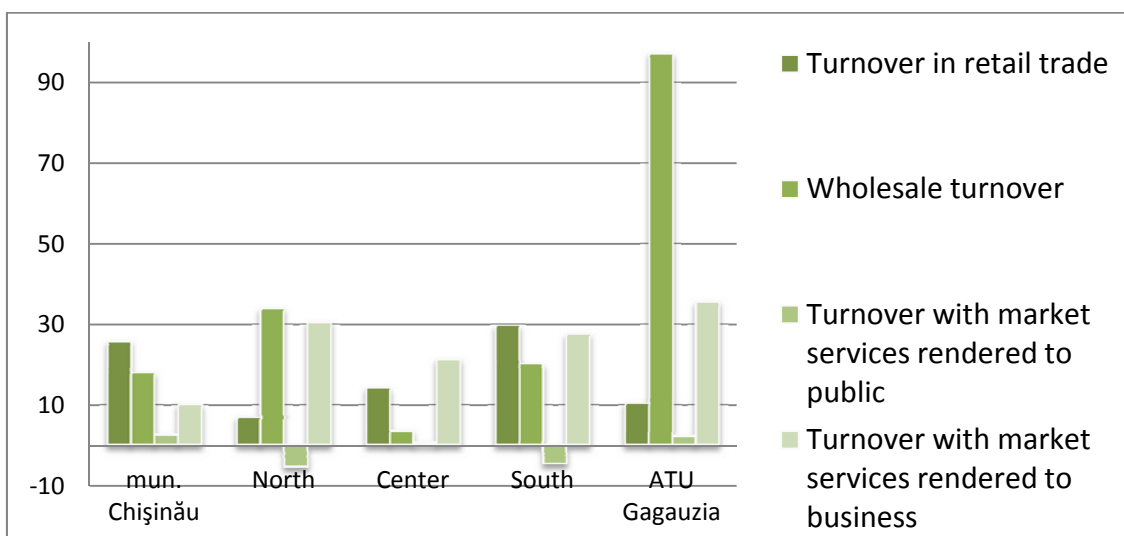


Figure 5.7. Evolution of turnover in trade and services as %, compared to January-September 2010, by development regions

Source: Data from the National Bureau of Statistics

In January-September 2011, there was a slight increase in the turnover of enterprises whose main activity was market services to the public¹⁷ (by 0,7% in comparable prices) over the same period of 2010. During this period, companies in the North and South regions experienced a decrease in turnover (by 5.4% and, respectively, 4.6%) compared to the same period of 2010.

As for the value index of turnover in enterprises whose main activity was market services rendered particularly to businesses¹⁸: in January-September 2011 it rose by 12.2% (in current prices) over the same period of 2010. A higher growth in turnover was registered with companies in ATU Gagauzia (to 35.6%) and the North region (30.6%).

Geographically speaking, economic activity is relatively concentrated. In 2010, according to the NBS, 66% of enterprises were concentrated in the capital. Companies in Chisinau accounted for 73% of sales revenue.

¹⁶Enterprises with the wholesale as their main type of activity, with a number of employees of 20 and more persons, included in the monthly statistical research on short-term indicators (SERV TS).

¹⁷Enterprises with market services rendered to the public as their main type of activity, with a number of employees of 20 and more persons, included in the monthly statistical research on short-term indicators (SERVTS).

¹⁸Enterprises with market services rendered to businesses as their main type of activity, with a number of employees of 20 and more persons, included in the monthly statistical research on short-term indicators (SERV TS).

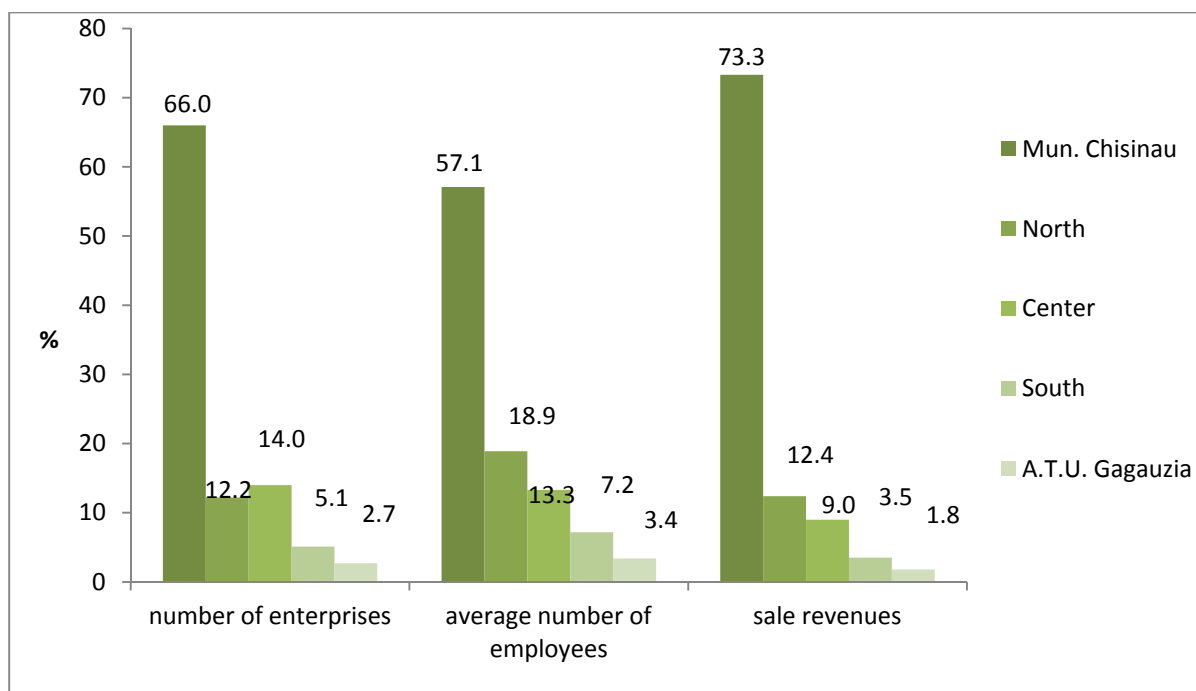


Figure 5.8. Structure of key indicators by development regions, 2010

Source: Data from the National Bureau of Statistics

For a more detailed analysis of the situation in the sphere of business, in addition to indicators of the National Bureau of Statistics and the data from the State Registration Chamber, it is necessary to take into account the opinion of entrepreneurs (Box 5.1).

Box 5.1. Business development issues (assessment of entrepreneurs)

In order to research the current situation in the business sector in the country, IEFS, with support from the Ministry of Economy, conducted, in May 2011, an anonymous survey among entrepreneurs representing various sectors of the economy, which was attended by 107 respondents from 22 districts of the country, including the municipality of Chisinau and ATU Gagauzia.

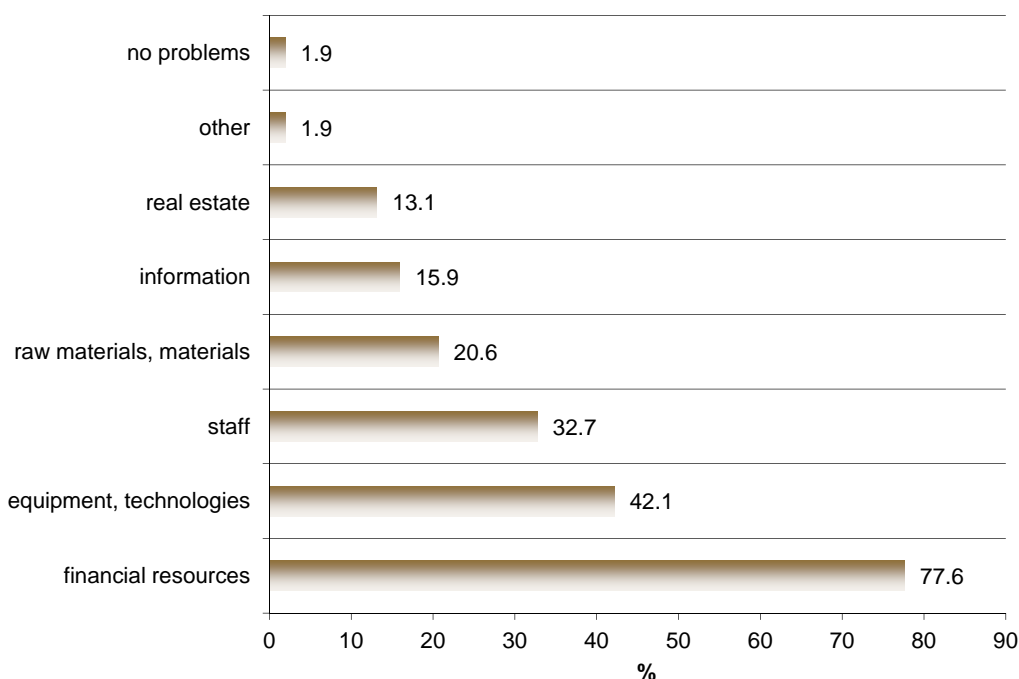
Sample structure by size is as follows: 99.0% of enterprises were small and medium-sized enterprises (SMEs), of which 51.9% were micro enterprises, 35.6% small and 11.5% medium-sized enterprises. Among the companies that participated in the survey, only one agricultural enterprise with foreign capital is a large enterprise.

According to the survey results, the basic problem for entrepreneurs in Moldova is their limited access to financial resources (77.6% of respondents experience this problem). The following issues, by importance, faced by entrepreneurs, are related to equipment and technologies (42.1%), staff (32.7%) and raw materials (20.6%). Comparatively less acute issues mentioned are related to information (15.9%) and real estate (13.1%).

The problem of financial resources relates, first of all, to the limited access of SMEs to bank loans. Thus, 81.4% of surveyed entrepreneurs were faced with a shortage of financial resources due to high interest rates and costly procedures for issuing loans. For 55.9% of respondents, an obstacle to financial resources is the long and difficult procedure for obtaining credit, and to 49.0% the fear of a default risk for credit.

The causes mentioned by entrepreneurs on issues of production equipment and technologies, relate to high prices for new equipment and technologies (72.0% of respondents), the difficult and costly procedures for obtaining long-term loans (57.0 %) and a high degree of wear and tear affecting equipment (26.2%).

Main "internal" problems of enterprises' development



Characterizing the problem of staff, the entrepreneurs have highlighted alack of / or insufficient professional qualifications (50.9%), difficulties finding the required staff (41.5%) and high costs of staff wages (34.9%).

The main cause of the problem with raw materials relates to their high prices (80.8% of respondents), which intersect to some extent with the lack of financial resources. The poor quality of raw materials was also mentioned (41.3%) and, to a lesser extent, a lack of raw materials on the domestic market (17.3%).

Source: "The analysis of existing forms of dialogue organization between SMEs and public authorities to identify mechanisms to strengthen this dialogue at various levels of administration." Scientific Report (intermediate), registration no. 11.817.08.29A , Chisinau, IEFS, 2011. 166p.

Table 5.2. Distribution of the number of active businesses and employment rates by size, 2010

Size	Number of businesses	Share of businesses (%)	Number of employees	Share of employees (%)	Average size of business
Micro	34,912	74.8	79,694	15.1	2.3
Small	9,132	19.6	120,969	23.0	13.2
Medium	1,587	3.4	108,771	20.7	68.5
SME	45, 631	97.7	309,434	58.8	6.8
Large	1073	2.3	216,748	41.2	202.0
Total	46,704	100.0	526,182	100.0	11.3

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

Despite the large number of SMEs (97.7%) and their significant contribution to employment, the SME sector contributes very little to turnover. This can be explained by the fact that SMEs are present in labour intensive areas of the market, such as agriculture. According to NBS, SMEs

provide employment to over 309,000 people. The average number of employees in the SME sector is 6.8 people per company, and for micro enterprises this indicator is 2.3.

To ensure a fair and competitive business environment, good regulation of competition is essential. Weaknesses in the laws governing competition have led to its revision, and in 2010, the National Agency for the Protection of Competition has started work on a new draft law on competition. The new competition law contains provisions on anti-competitive agreements, abuse of dominant position, but also on restrictive actions by public authorities.

Beginning in 2012, a National Agency for Consumer Protection will open its doors in the Republic of Moldova, which will aim to implement state policy on consumer protection, monitoring compliance with consumer protection legislation. The Authority will carry out inspections at businesses denounced by consumers. The Agency will perform market surveillance functions, including carrying out inspections at all stages of the life cycle of a product or service. If deviations are detected, the Agency will impose fines or even stop the activity of the enterprises.

Indicators of business development in the region on the left bank of Nistru

The overall number of enterprises / organizations registered in the single state Register of enterprises and organizations in the region on the left bank of Nistru stood, at the end of 2010, at 9,769 units. In 2010, compared with 2009, there was a slight increase in the number of enterprises (the index is 103.2%). In 2006-2010 their number increased by 5.8%. Table 5.3. shows some indicators that characterize the activity of enterprises and organizations in the region on the left bank of Nistru.

Table 5.3. The number and grouping of businesses / organizations in the region on the left bank of Nistru at the end of 2010

Indicators	2010
Number of business/organizations, units	9,769
Of them by ownership, %:	
State and municipal, %	12.5
Private, including collective	71.9
Joint venture, without foreign capital	1.2
Joint venture, with foreign capital	2.3
Property of public organizations	11.9
Of them by type of activity, %:	
Industry	9.7
Agriculture	6.2
Transport and communications	1.8
Construction	5.2
Trade and public catering, general business	39
Of them: the number of enterprises in the small business sector, units.	4,975

Source: According to the Statistical Yearbook of the region on left bank of Nistru, <http://www.mepmr.org/pechatnye-izdaniya/statisticheskij-ezhegodnik-pmr>

As before, the most attractive for organizations and companies is the trade sector, in which 3,509 units were engaged on January 1, 2011, or 35.9% of all enterprises. Other major business areas are: industry (9.7% or 946 organizations), agriculture (6.2% or 609 companies) and construction (5.2% or 507 organizations).

In 2010, compared with 2009, there was an increase of 30.4% of organizations' profits before tax. A significant increase in financial activity results (before tax) in 2010, compared with 2009, registered by businesses in agriculture, industry (increased by 12 times), trade and public catering (increased by 35.6%), communications (21.1%).

Table 5.4. Organizations' profit (loss) before tax by economic sectors (thousand RUB) (including small business)

	Profit (loss) - total (thousand)		Number of organizations at a loss, units	
	2009	2010	2009	2010
Total	905,332	1,180,587	1,069	1,068
including:				
industry	4,563	55,610	136	146
agriculture	-689	89,520	125	108
transport	99,440	99,903	20	23
communication	110,246	133,479	6	3
construction	134,533	131,561	40	51
trade and public catering	429,530	582,311	557	531
housing and communal services	-4,636	-3,450	33	32
other branches	132,345	91,653	152	174

Source: Statistical Yearbook of the region on the left bank of Nistru

Chapter VI.

SOCIAL SECTOR

Demographic situation. In January-September 2011, the number of *live-births* was 29,408 persons or 11.0 persons per 1,000 inhabitants. Compared with the same period last year, the number of live-births fell by 3.7%. The number of *deaths* was 29,336 persons or 11.0 persons per 1,000 inhabitants. Compared with the same period last year, the number of deaths fell by 11.6%. The number of *infants deceased* was 324 persons or 11.0 *infant deceased* per 1,000 live-births. Compared with the same period last year, the number of live-births fell by 12.9%.

The structure of mortality by classes of causes of death revealed that most deaths (58.0%) were due to circulatory diseases, malignant tumours - 14.0%, the digestive system - 8.9%, accidents, poisonings and traumas - 7.6%, respiratory diseases - 5.0%, other classes - 6.5%.

In January-September 2011, the *natural increase of population* was 0.0 persons per 1,000 inhabitants. Compared with the same period last year, the situation in this area has improved (in January-September 2010, the *natural increase of population* was negative -1.0 person per 1,000 inhabitants).

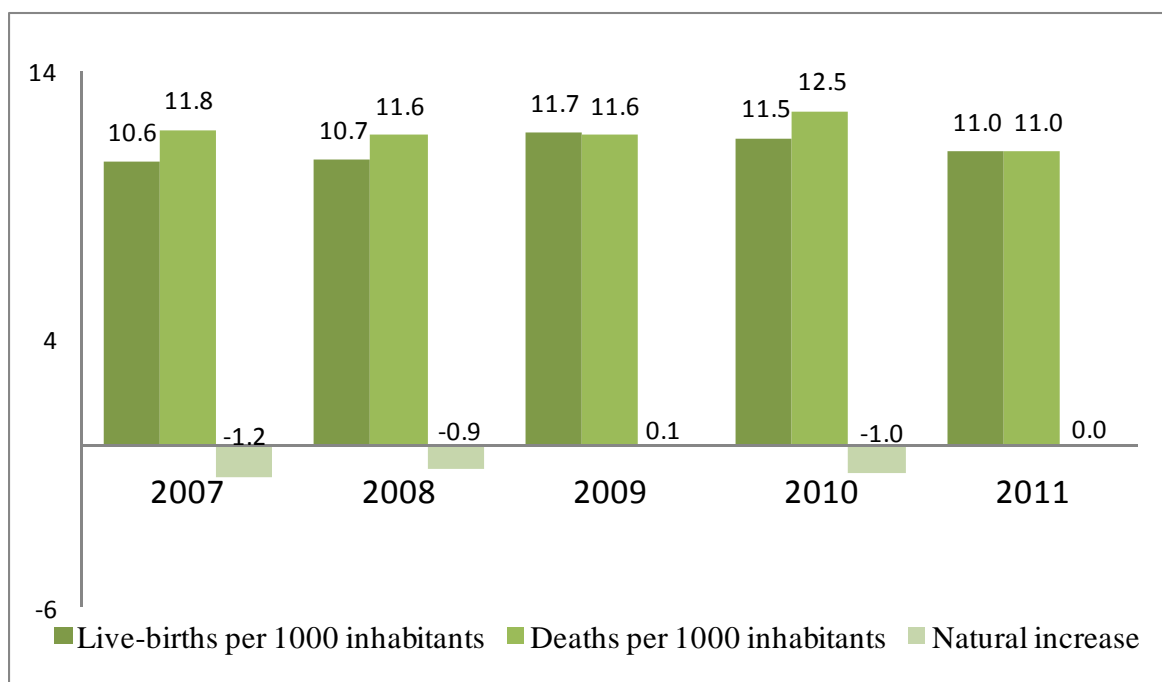


Figure 6.1. Birth rate, death rate and natural increase of population in January-September 2007-2011, per thousand

Source: National Bureau of Statistics

The number of *marriages* was 18,601, a fall on the previous year of 1.0%. The number of *divorces* was to 8,057, a fall of 1.1% compared to the same period in the previous year.

The *marriage rate* was 7.0 marriages per 1,000 inhabitants and the *divorce rate* was 3.0 divorces per 1,000 inhabitants, which is about the same level as in the same period last year.

Migration of the population. In January-September 2011, according to the Ministry of Internal Affairs, 1,077 foreign citizens received residence permits (permanent and temporary). In the

structure of immigrants by purpose of arrival, immigrants arriving for work dominated - 43.0%, families - 41.2%, for studies - 6.6%, other causes - 9.2%.

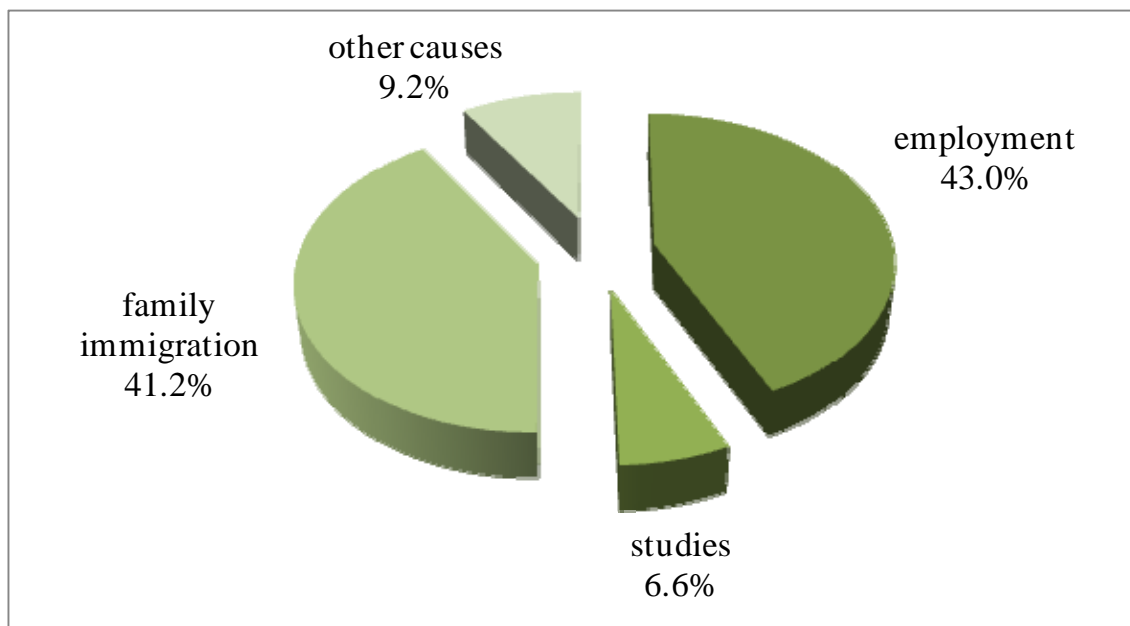


Figure 6.2. Distribution of immigrants by purpose of arrival to RM in January-September 2011, %

Source: Ministry of Internal Affairs

By country of origin, immigrants come from: Ukraine - 271 pers., Romania - 259 pers., Turkey - 158 pers., Russian Federation - 157 pers., Italy - 80 pers., United States of America - 33 pers., France - 38 pers., Azerbaijan - 26 pers., Nigeria - 22 pers., Germany - 19 pers., Syria - 21 pers., other countries - 371 pers.

Labour market. In the third quarter of 2011, the *economically active population* stood at 1.3472 million persons, increasing by 33,400 persons (2.5%) compared to the same period last year. The active population's structure has changed in the following manner: the share of employment rose from 93.5% to 94.7%, while the share of the unemployed people fell from 6.5% to 5.3%.

Significant disparities by sex and area among the economically active were not registered: the proportion of men - 50.5% only slightly exceeded the proportion of women - 49.5%, while the share of the economically active in rural areas - 54.8%, was higher than that of the active population in urban areas - 45.2%.

The *activity rate of the population aged 15 years and over* (the proportion of the working population aged 15 years and over in the total population aged 15 years and over) was 45.3%, increasing to the value of the same quarter in the previous year (44.3%). This indicator reached its highest values among the male population - 48.3%, compared with the rate for women - 42.6%. The activity rate by areas has reached the following values: 48.1% in urban areas and 43.2% in rural areas.

The number of *employed persons* was 1.2762 million, increasing by 3.9% compared with same period last year. In the case of the economically active population, there were no disparities by gender: 49.8% were women and 50.2% men. By residence, the following differences were recorded: 44.3% were in urban areas and 55.7% in rural areas. The *employment rate of population aged 15 years and over* (the proportion of employed persons aged 15 years and over in the total population of that age) was 42.9%, an increase of 1.5 p.p. compared to the third

quarter of 2010. In the case of men it was higher - 45.5%, compared with women - 40.6%. The employment rate by residence area was 44.7% for urban and 41.6% for rural areas.

By *economic activity*, employment was distributed as follows: 405,600 persons - in agriculture and 870,700 persons - in non-agricultural activities, of which 159,300 persons were in industry; 84,300 persons in construction; 219,100 persons in trade, hotels and restaurants; 68,800 persons in transport and communications; 254,500 persons in public administration, education, health and social work; 84,700 persons in other activities.

According to the distribution by *type of ownership* - 69.3% of the population was employed with private ownership units, 25.5% - with public ones, and 5.2% in units with joint ownership (public and private) and foreign capital.

The structure of the employed population by *employment status* shows that the number of employees was 67.2% of the total.

14.7% of all persons employed in the economy worked in the *informal sector*, and 34.1% had an *informal job*. Of those employed informally, employees accounted for 27.7%, while 14.1% of all employees had an informal job.

The number of *underemployed persons* (i.e. those who had a job, but total actually worked hours during the reference period were less than 40 hours per week, while they wanted and were available to work overtime) was 83,5000 persons, which represents 6.5% of total employed persons. The number of people in this category decreased by 26.2% compared with the third quarter of 2010.

The *number of the unemployed*, according to the International Labour Office definition, was 71.0 thousand persons. Unemployment affected men to a greater extent - 55.0% of the total number of unemployed, as well as people in urban areas - 61.1%. The *unemployment rate* nationwide stands at 5.3%, being lower than in the third quarter of 2010 (6.5%). Among men, it reached the value of 5.7% and among women - 4.8%. Again, there are still significant disparities between unemployment rates in urban - 7.1% and rural areas - 3.7%.

The *inactive population* aged 15 years and over accounted for 54.7% of the total population of the same age, being lower than in the same quarter of 2010 by 1.0 percentage points, or by 26,800 persons. In terms of the employment relationship with the labour market, within the inactive population there are two major categories: *discouraged persons* and *people declared* by households to be *traveling to other countries for work or seeking a job*. Discouraged persons, who struggle to find a job they desire, stood at about 19,100 persons, compared to 20,100 persons in 2010. The number of people reported by households to be traveling to other countries for work or seeking a job was estimated to be about 351.0 thousand persons, compared to 329,100 persons in 2010. Of persons who have explicitly left, 65.6% were men. The share of rural people who have left was about 72.0%.

The *number of the officially registered unemployed*, according to the National Employment Agency, on October 1, 2011, in search of a job there was about 35,500, with one in eleven having been dismissed from business units. Of the total number of the unemployed, 55% are women. About 11% of the registered unemployed receive unemployment benefits, the average size of which, in September 2011, was MDL 971. For an open position, announced by companies, there was an average of 7 unemployed.

Subsistence minimum. The subsistence minimum in the third quarter of 2011 amounted to MDL 1386.4 on average per person, an increase of 6.2% compared with the same period of the previous year. The increase in the subsistence level was driven by food price developments in the minimum subsistence food basket and changes that took place in the structure of household

consumption expenditure, especially the increase of expenditures for non-food goods and services.

By categories of population, the maximum value of the subsistence minimum falls on the working age population - MDL 1454.6 (compared to the previous year - MDL 1377.2), especially on men - MDL 1523.8 (compared to the previous year - MDL 1448.3). The subsistence minimum of pensioners was MDL 1206.8 (MDL 1120.4 - in the same period of the previous year), reaching 87.1% of the average for the entire population.

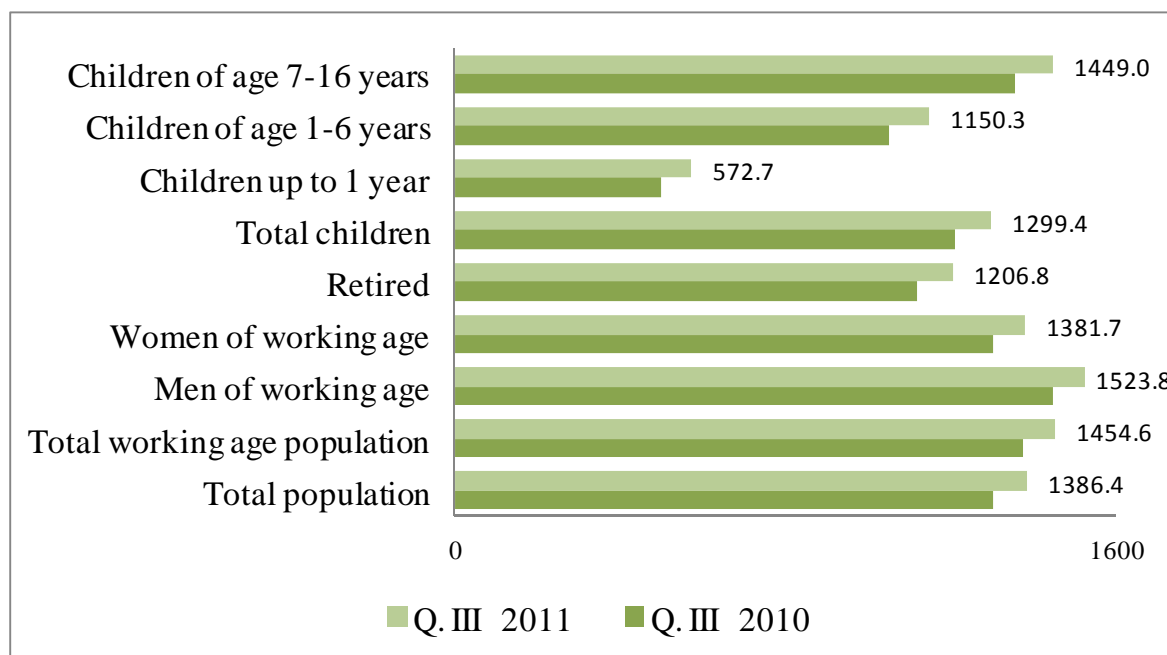


Fig. 6.3. The minimum subsistence value, Q III of 2011 compared with Q III of 2010 (monthly average per person), MDL

Source: National Bureau of Statistics

The subsistence minimum for children, on average, reached MDL 1299.4, depending on the child's age: from MDL 572.7 for a child younger than 1 year, to MDL 1449.0 for a child aged 7-16 years.

Depending on residence, the subsistence minimum for the third quarter of 2011 is characterized by maximum values for the urban areas - MDL 1496.5 (compared to the same period of the previous year - MDL 1450.3), and, respectively, minimum values for the rural areas - MDL 1307.9 (compared to the same period of the previous year - MDL 1202.3). This gap is caused by differences in the composition of the food basket, but also the structure of consumption expenditures of households in urban and rural areas.

Household disposable income. In the third quarter of 2011, household disposable income stood at MDL 1475.6 (according to the Household Budget Survey) on average per person monthly, an increase of 12.0% over the same period last year. In real terms (adjusted to consumer price index), household income grew by 2.9%

It should be noted that, depending on residence, the income of the urban population was on average MDL 424.6 or 32.8% higher than that of the rural population. In urban areas, the main source of income is employment - 55.4% and social benefits -15.8%. For the rural population, the most important source of income is also employment - 29.5%, and social benefits - 20.0%. Revenues from individual agricultural activity provided 18.3% of the total disposable income of the rural population.

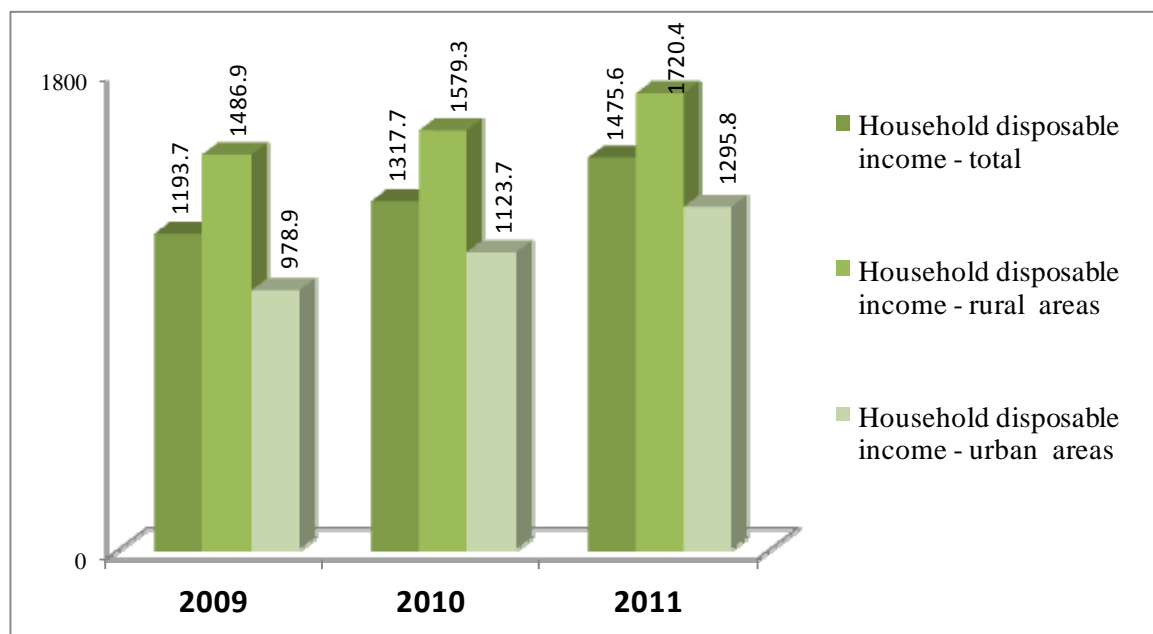


Figure 6.4. Disposable income of households according to residence in Q III of 2009-2011, (monthly average per person), MDL

Source: National Bureau of Statistics

The sources of income are distributed by their contribution to the formation of disposable income: 42.3% salary payments, which form the main sources of income in total disposable income, decreasing over the same period of 2010 by 3.3 p.p., and decreasing over the same period of 2009 by 4.9 p.p..

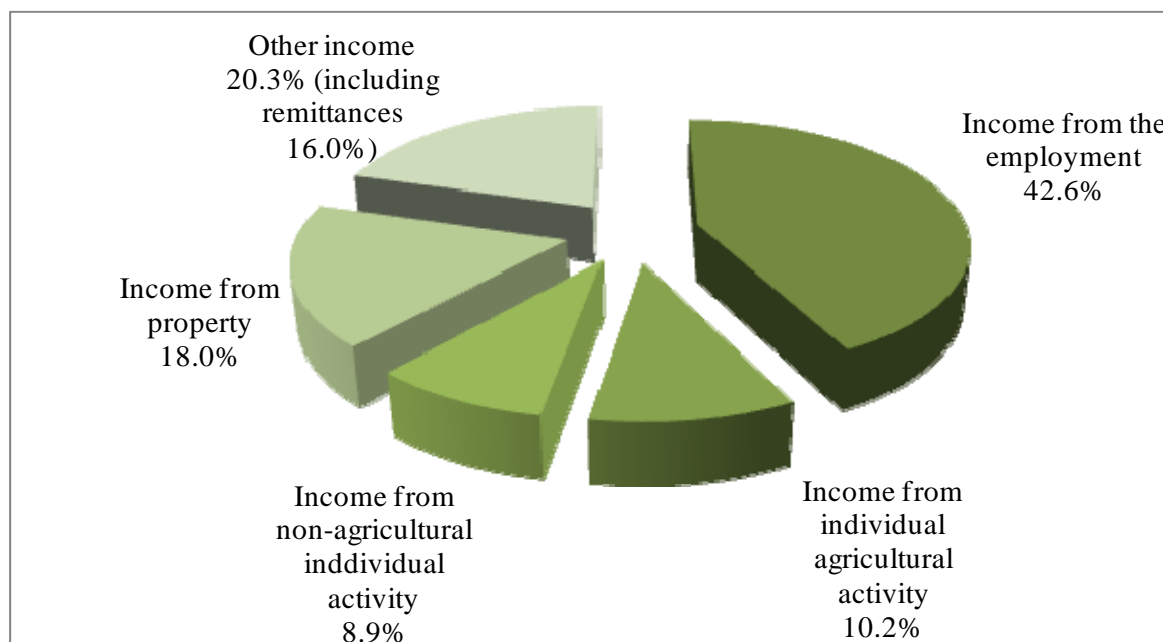


Figure 6.5. Total disposable income structure in Q III, 2011, %

Source: National Bureau of Statistics

Social benefits form is another important source of income, accounting for 17.9% (marking a reduction of 0.9 percentage points over the same period of 2010). Revenues from individual agricultural activity constituted 10.1% (+2.0 p.p.) of total disposable income. Revenues from individual non-agricultural activities were 8.8% (+2.2 p.p.). An important source of household income is remittances, whose contribution is 16.0%, with a reduction of 1.1 p.p. against the third quarter of 2010 and an increase of 1.5 p.p. against the same period of 2009.

In the structure of disposable income of population *money income* predominates - 88.5%, with in-kind income amounting to 11.5%. In absolute terms, cash income stood at a monthly average of MDL 1305.7 per person and in-kind income amounted to MDL 169.9. Compared with the third quarter of 2010, the share of cash income fell by 4.0 p.p., and compared with the third quarter of 2009 - decreased by 5.4 p.p.

Household consumption expenditure. Average monthly consumption expenditures of households in the third quarter of 2011 amounted to MDL 1612.8 on average per person, with an increase of 10.2% over the same period last year. In real terms (adjusted to the consumer price index) the population spent on average 1.3% more compared with same period last year.

On average, the consumption expenditure of the urban population accounted for MDL 1886.3 per person per month (MDL 1820.5 in 2010 and MDL 1602.7 in 2009) and MDL 1411.9 or MDL 474.4 or 30% more than in rural areas (MDL 1199.2 in 2010 and MDL 1079.3 in 2009).

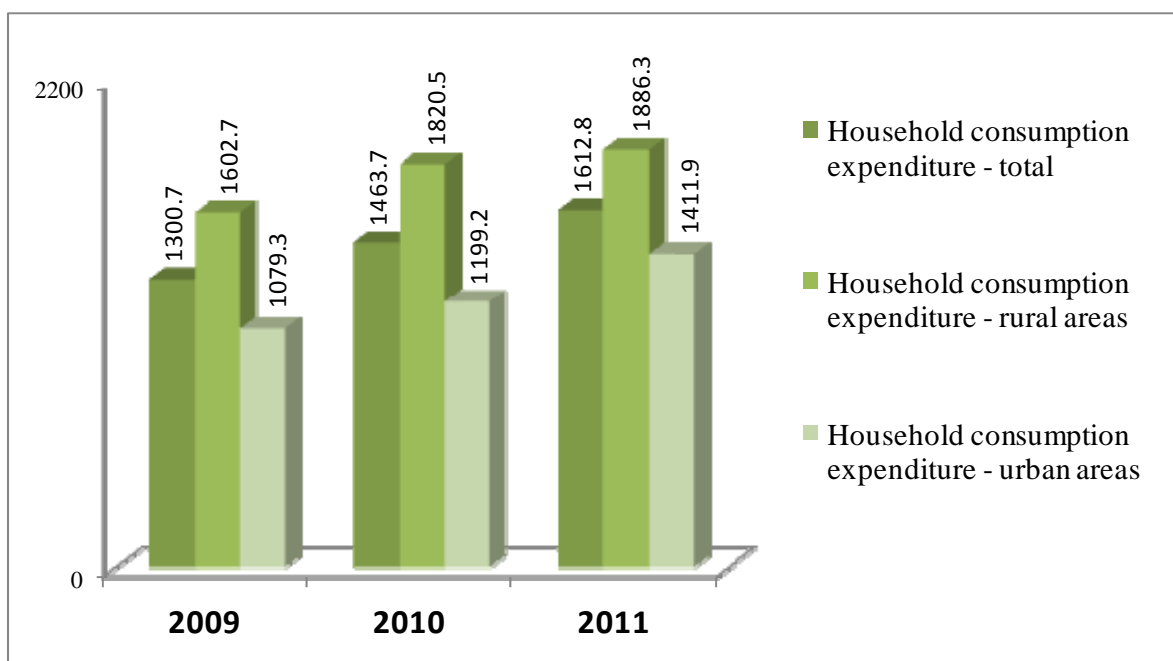


Figure 6.6. Household consumption expenditure according to residence in Q III, 2009-2011 (monthly average per person), MDL

Source: National Bureau of Statistics.

Most of the traditional costs are intended for necessary food consumption - 41.3% (3.8 p.p. more than in the third quarter of 2010). For house maintenance a person allocates, on average, 19.8% of total consumption expenditure (the level of the previous year) and clothing and footwear - 10.2% (-1.1 p.p.). Other expenses have been divided as follows: health - 5.2% (against 6.5% in the third quarter of 2010), transport - 5.2% (versus 5.0%), communications - 4.2% (versus 4.5%), housing equipment - 4.4% (versus 4.2%), education - 1.0% (versus 1.5%), etc.

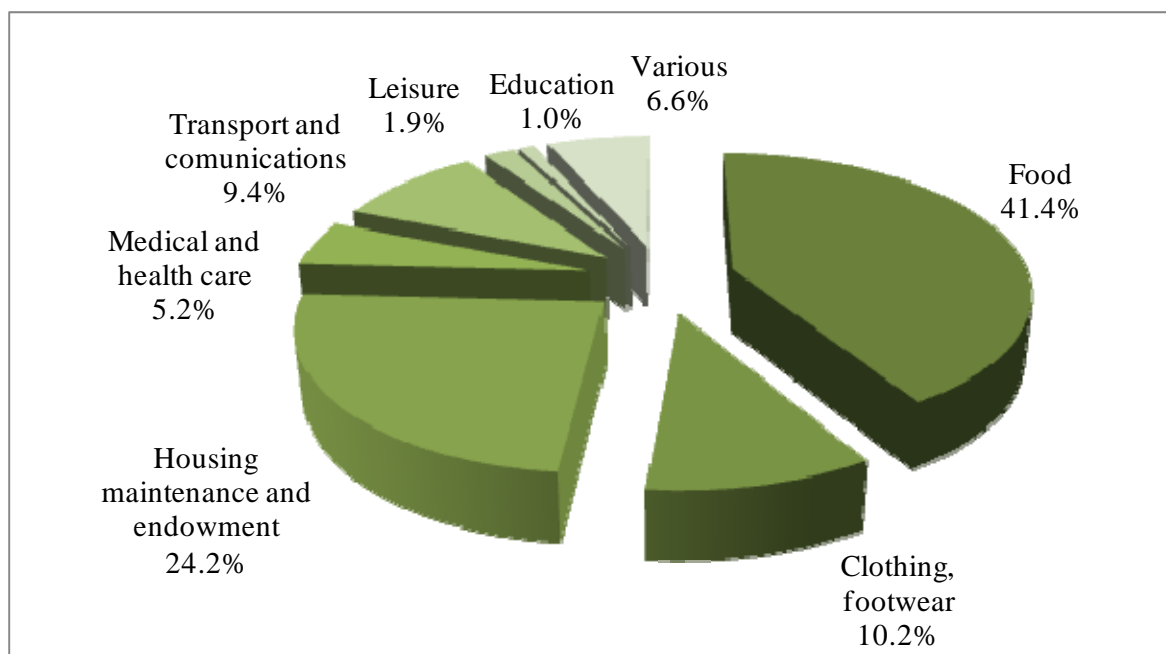


Figure 6.7. Structure of total household consumption expenses in Q III, 2011, %

Source: National Bureau of Statistics

Remuneration of labour. Gross nominal average earnings, according to the NBS of the RM, in October 2011 constituted MDL 3161.7, increasing by 10.4% compared with October 2010, and was 0.1% lower than in the previous month (September 2011). The average monthly salary in January-September 2011, showed a rising trend from MDL 2835.6 to 3161.7.

The real earning index for October 2011, compared to October 2010 (taking inflation into account) was 101.4%. The difference, subject to the tax evasion level, is as follows: in the budgetary sector, average earnings in October this year amounted to MDL 2794.2 (11.4% compared to October 2010); in the real sector - MDL 3329.4 (+ 10.0% compared to October 2010).

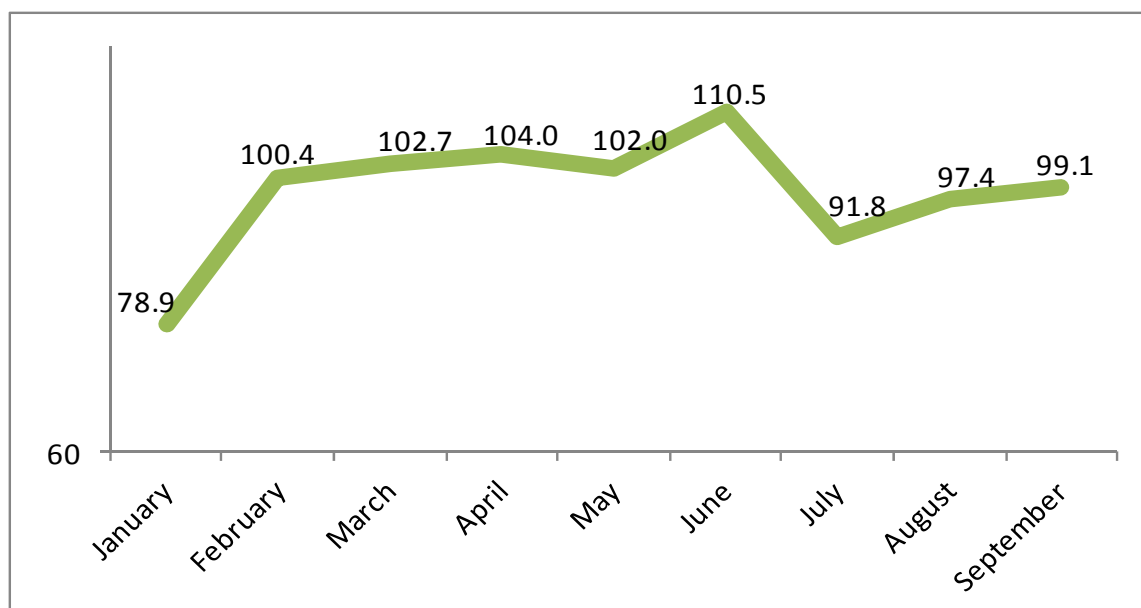


Figure 6.8. Evolution of average monthly earning indices January-October 2011 (compared to the previous year), %

Source: National Bureau of Statistics

By type of economic activity, the highest salary was recorded in the area of financial activity - MDL 6565.8, electricity and heat, gas and water MDL 4832.7, and real estate transactions - MDL 4077.7. The lowest level was recorded in the fish industry - MDL 1331.1 (about 45.6% of the national average wage in October 2011), in agriculture, hunting and forestry economy - MDL 2130.0 (67.4% of the average wage in the national economy in October 2011).

Table 6.1. The average monthly salary in January-November 2011

	January	February	March	April	May	June	July	August	September	October	November
MDL	2835.6	2884.5	2985.1	3134.6	3216.0	3556.2	3261.8	3174.8	3159.3	3161.7	3231.0
USD	232.1	240.2	249.8	268.1	277.4	306.9	282.6	279.1	272.4	268.1	275.6
EUR	173.7	175.9	178.7	185.8	192.8	213.5	197.9	194.7	197.2	195.8	203.1

Source: Authors' calculations based on National Bureau of Statistics data and the average monthly exchange rate of the National Bank of Moldova

Social protection of the population. According to the National Social Insurance House, the number of *pensioners* who are registered with social protection bodies, on October 1, 2011, was 635,200 persons or 10,400 persons more than on October 1, 2010.

The average *monthly pension*, established on October 1, 2011, was 873.9 MDL, up 7.9% on October 1, 2010.

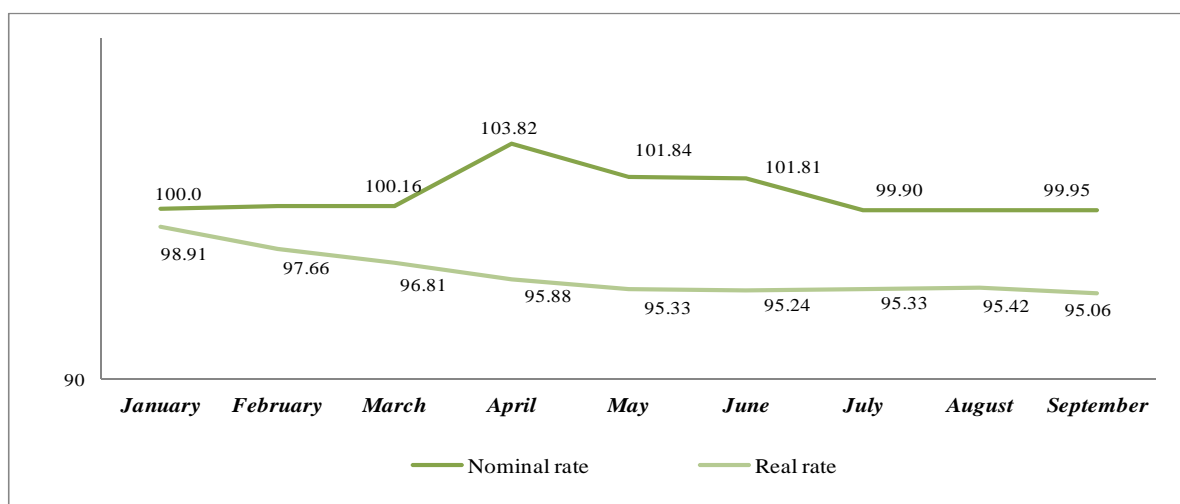


Figure 6.9. Evolution of average rate of nominal and real pensions in 2011 (compared to the previous year), %

Source: calculated by authors based on National Bureau of Statistics data

Healthcare. According to preliminary information from the Ministry of Health, population morbidity due to infectious diseases in January-September 2011 is characterized by an increased number of cases of illness with acute respiratory infections - 178,200 cases versus 109,700 cases in January-September 2010. At the same time, more cases of varicella have been recorded – 7,100 cases, compared to 3,900 cases in January-September 2010. However, there have been fewer cases of influenza, viral hepatitis A, bacterial dysentery, etc. On average, per 100,000 people, there are 422.0 cases of acute intestinal infections, 200.2 cases of chickenpox, 128.5 of flu cases and 5001.5 cases of acute respiratory infections.

Most cases of morbidity by acute respiratory infections are recorded in Balti (83.3 cases per 1,000 persons) and Chisinau (71.8 cases per 1,000 persons), the districts of Straseni (67.9 cases per 1,000 persons) and Sangerei (62.1 cases per 1,000 persons), etc.

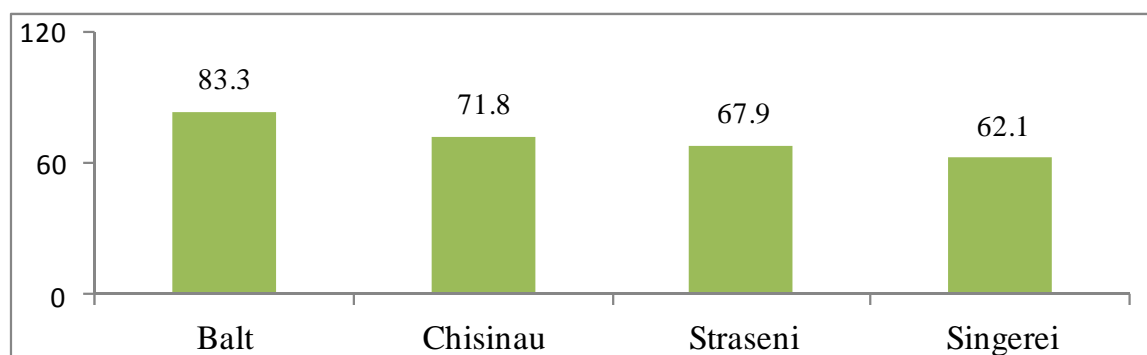


Figure 6.10. Cases of acute respiratory infection morbidity in January-September 2011, the number of cases per 1000 persons.

Source: Ministry of Health

Every second case of acute respiratory infections with multiple locations is recorded in children. Most cases of illnesses in children with these infections have been registered in Chisinau (30,700 cases) and Balti (8400), and in the districts Straseni - 4300, Sangerei - 4000, Ialoveni - 3400.

In January-September 2011, the number of carriers of the human immunodeficiency virus (HIV) was 395 persons, 41 more than in January-September 2010. At the same time, there were 171 cases of AIDS.

Crimes. According to the Ministry of Internal Affairs, in January-September 2011, 25,500 crimes were recorded, 6.1% more than during the same period of the previous year. In urban areas were recorded 56% of total crimes (96 crimes per 10,000 inhabitants). In rural areas were recorded 44% of total crimes (54 crimes per 10,000 inhabitants). For 10,000 inhabitants there are recorded 71 crimes. The highest level of crime was registered in Chisinau (110 crimes per 10,000 inhabitants).

In January-September 2011, economic crimes increased by 31.3%, crimes against property – by 11.5% and crimes against public security and order - by 15.2%. In the category of crimes against property, the most common are thefts and robberies. At the same time, recorded cases of money forgery have increased twice, cases of trafficking in children – by 17.6%; cases of hooliganism - by 18.5%. During this period there were fewer cases of offenses against public health and social coexistence, crimes against the life and health of the individual and crimes against private sex life.

48 crimes were committed with the application of firearms, explosives and grenades. Of the total crimes in this category 10 cases of burglaries were registered, 8 cases of murder, 11 cases of hooliganism, 5 cases of intentional injury.

Against persons in January-September 2011, 4400 crimes were committed, following which 396 persons died, or 29 persons less, than during January-September 2010. The main causes of death were road accidents, murder and intentional injuries.

The region on the left side of the river Nistru

According to the Transnistrian Statistics Agency:

Demographic situation. The *calculated population size* in the republic on 01.10.2011 was 514,300 persons. Meanwhile, the urban population accounted for 354,900 persons, and the rural population for 159,000 persons. *The natural decrease of population* in January-September 2011

was 1,650 persons, including, in urban areas - 584 persons and in rural areas - 1066 persons. There were 3,788 live births; the number of deaths was 5,438. *Infant deaths*, in January-October 2011, numbered 45 persons. The main causes of infant *death* were: conditions that emerged in the perinatal period (22 cases), poisoning (6 cases) and congenital anomalies (6 cases). The population decrease due to migration during January-September 2011 was 1,986 persons, including, in urban areas - 1,908 persons, and in rural areas - 78 persons, and compared to January-September 2010, it increased by 7.8%. From January to September 2011, 5,273 persons arrived in the region, which is 112.6% of the arrivals in January-September 2010; of them 977 or 18.7 % of total arrivals were children aged below 16. 7,259 persons *departed*, which is 111.2% of those who left in January-September 2010, including children less than 16 years - 982 persons or 13.5% of total departures. Of the total number of arrivals in the region, 45.2% are men (2,383 pers.), of the total number of departed; men are 47.5% (3,447 persons). From January to September 2011, 3,492 persons arrived in urban areas and 5,400 persons left, or 107.9% and 109.4% compared to January-September of 2010, respectively. In rural areas 1,781 arrived and 1,859 persons left. (123.0% and 116.8%, consequently). The number of registered *marriages* was 2,763, and compared with January-September 2010, it fell by 0.4%. The number of *divorces* reached 1,436, a fall of 4.0%.

Labour market. In January-September 2011, the Transnistrian Employment Agency registered 9,128 people as job seekers, including 5,083 women (55.7% of the total number of citizens registered). On 01.10.2011, the number of unemployed citizens registered by employment agencies was 4730 persons, of which 3,024 women (63.9% of the total number of citizens registered). From January to September of 2011, 2,278 persons were employed through the Transnistria Employment Agency, of which 1,730 persons were people who were recognized as unemployed. In the period under review, professional consultations were conducted with students: 175 consultations in groups, which amounted to 2,987 persons, and 724 individual consultations, which included 692 persons; with the adult population: 5,871 individual consultations, which included 5,533 persons. 438,900 rubles were spent on vocational training, including paying scholarships - 257,900 rubles. 21,772,200 rubles was spent on unemployment benefits. The average unemployment benefit amounts to 414.2 rubles.

Remuneration of labour. In January-September 2011, the *calculated average monthly nominal wage* of an employee in the republic (except small business subjects) was 2,902 rubles or 111.5% compared to January-September 2010 (by the official exchange rate of the monetary authority on the left bank of Nistru - USD 282 or 101.0% compared to January-September 2010). In the budgetary institutions, the average monthly salary was 1,897 rubles, or by 9.7% higher than in January-September of 2010. In industry, the highest nominal average monthly salary during the months January to September 2011 was recorded for workers of the following sub-sectors: electricity - USD 449, which is more than the average wage in the country by 59.3%, steel industry - USD 439 or 155.6% of the average salary, other industries - USD 392 or 38.9% more than the average salary. The lowest average monthly nominal wages, calculated for January-September 2011, were received by workers in the following sub-industries: wood processing industry - USD 199, which is lower than the average wage in the country by 29.3%; chemical industry - USD 293 or 103.9% of average salary; light industry - USD 298 or by 5.6% more than the average salary.

Social protection of the population. The average number of pensioners in January-September 2011 accounted for 136,700 people, of which receiving employment pension - 132,300 people, and social pension - 4,500 people. The average size of pensions was 1,005.56 rubles (employment pension - 1,023.34 rubles, social pension - 476.0 rubles), which is 19.7% more than in January-September 2010. The average pension set to the subsistence minimum of pensioners amounts to 109.2%, but is 34.7 per cent of the calculated average nominal wage.

Crimes. In January-September 2011, public order protection agencies have received 9,200 applications and reports on crimes or by 11.1% more than in January-September 2010. 5,558

crimes were recorded, 17.5% more than during the same period of the previous year. Among them were recorded: 237 crimes related to illegal trafficking in arms, 163 crimes committed with weapons, ammunition and explosives, 42 crimes against property, committed on a particularly large scale (foreign property theft). A total of 4,171 criminal cases were uncovered, including 2,737 that were submitted to court.

**BOX: On the monitoring pattern of the demographic security
of the Republic of Moldova**

Ensuring demographic security is an important component of the national security of the Republic of Moldova. It is the primary task of the state due to the fact that since 1990 the republic has undergone a demographic decline that resulted from a significant decrease in the birth rate, an increase in the mortality rate (in particular, in the case of men of working age), an increase immigration flows, as well as demographic ageing.

The methodology used is similar to that used in Scotland in 2003 to calculate the Deprivation Index (Social Disadvantage Research Centre, Department of Social Policy and Social Activity, University of Oxford, 2003) and the Multiple Deprivation Index of the small areas undertaken by the Ministry of Economy in assessing poverty (Multiple deprivation in the rural areas of the Republic of Moldova, "Development of the deprivation index for small areas (IDAM)" Technical Note, Chisinau, December 2008).

This methodology involves, first of all, determining a unique concise dimension for each block separately. The unique indicator obtained for a certain block was used to rank territories in that field. The integral territorial indicator of the demographic security (IITSD) was also calculated, bringing forward the differences that are observed between districts as regards the insuring of demographic security – with the best level of security having the rank of 35, while the rank 1 being the lowest level of the demographic security.

The formula used to calculate IITSD includes the following:

$$\text{IITSD} = \text{san_acc} * 0.07 + \text{san_inc} * 0.08 + \text{san_mor} * 0.05 + \text{dem_pop} * 0.075 + \text{dem_sec} * 0.075 + \text{econom} * 0.25 + \text{social} * 0.15 + \text{munca} * 0.15 + \text{educat} * 0.1$$

where:

IITSD – integral territorial indicator of the demographic security;

san_acc – aggregate indicator in the field of access to medical services;

san_inc – aggregate indicator in the field of disease incidence in the population;

san_mor – aggregate indicator in the field of population mortality by cause of death;

dem_pop – aggregate indicator in the field of the demographic feature of the population;

dem_sec – aggregate indicator in the general demographic field;

econom – aggregate indicator in the economic field;

social – aggregate indicator in the social field;

munca – aggregate indicator in the employment field;

educat – aggregate indicator in the education field.

When analysing comparative data for 2008 and 2010 it is observed that the situation in the demographic field has changed.

Practically, the situation remained unchanged in the cities of Chisinau and Balti and in Cahul, Soldanesti and Briceni districts. In 6 districts (including Soldanesti, Telenesti, Falesti, Sangerei, Cantemir and Glodeni) there was the most unfavourable situation registered, both in 2010 and in 2008. In Nisporeni, Hancesti, Calarasi, Straseni, Soroca, Taraclia, Ungheni, and Anenii Noi the **IITSD level** decreased in 2010 compared to 2008, a fact that proves the worsening of the situation in the field. On the contrary, in Leova, Dubasari, Stefan-Voda, Ocnita, Cimislia, Rascani, Drochia, Criuleni, and Ialoveni districts and Gagauzia Territorial Administrative Unit the situation in this field has improved. At the same time, in Chisinau City, Cahul District and Balti City the situation concerning demographic security remained stable, they preserved the highest ranks achieved in 2008 (35, 34 and 33, accordingly). This situation was due to the promotion of policies in the fields of health, employment, social sector and education. More specifically, this is reflected in Figure 1.

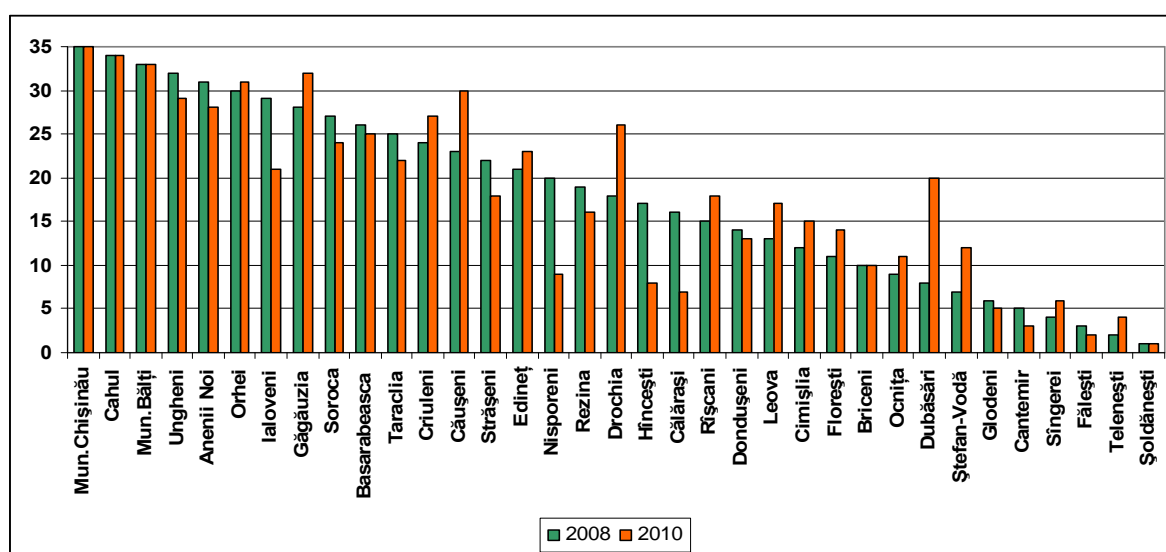


Figure 1- Ranking of districts in the years 2008 and 2010

The factors that led to the demographic security status are presented in Table 2.

The factors that contributed to the demographic security status at the territorial level are presented as an example in the following districts.

*The worst demographic security situation is the one existing in the **Soldanesti** District. The demographic security level in this district remained in 2010 at the 2008 level and the situation is unsatisfactory for ensuring the future demographic development of the territory. The main factors that had a negative influence as regards *the demographic field* are the following: the average annual number of the population decreased in 2010 by 1.1%; the mortality rate increased by 1.7 p.p. (from 14.9% up to 16.6%), including the infant mortality rate that went from 10.9% to 20.4%, the migration growth rate increased by 9.5 p.p., from 2.34% up to 3.15% or by 0.81 p.p., the continuous increase in the ageing coefficient (from 15.9 up to 16.1).*

Simultaneously, the situation in the Soldanesti District was affected by *economic factors*: industrial production indices stood at 98.5% in 2010 compared to 2009, agricultural land in this period decreased by 223.9 ha, investments in fixed capital decreased in 2010 by 11% compared to 2008, retail sales of goods per capita decreased in 2010 by 8.3% compared to 2008. Despite the fact that the average monthly salary of an economy employee in the district increased in 2010 by 1.3 times compared to 2008, this still accounts for only 65.6% of the average salary in

the country. The amount due for wages calculated per employee in 2010 increased by 10% compared to 2008. The number of newly created jobs has significantly decreased: while in 2008 there were 407 newly created jobs, in 2010 there were only 54 newly created jobs, which was 7.5 times less. The share of unemployed persons that found a job fell from 27.5% in 2008 down to 5.23% in 2010. As a result of the unstable socio-economic situation in the Soldanesti District the criminality rate has increased: while in 2008 this indicator was 37.4%, in 2010 the criminality rate amounted to 46.5%, increasing by 9.1 p.p.

Table 2. Comparative characteristics of the demographic security in some districts of the Republic of Moldova for 2008 and 2010

	Hancesti		Nisporeni		Telenesti		Drochia	
	2008	2010	2008	2010	2008	2010	2008	2010
Total rank	17	8	20	9	2	4	18	26
Indicators on the access of the population to health services	29	31	23	14	5	5	28	30
Indicators of disease incidence	32	23	27	24	2	9	24	16
Indicators on mortality according to the leading causes of death	25	11	24	18	27	16	8	9
Indicators on the demographic characteristics of the population	25	26	27	28	24	24	3	2
General demographic indicators (demographic security)	18	14	25	20	24	17	7	8
Economic indicators	14	15	10	4	1	3	20	29
Social indicators	10	5	6	1	2	2	29	33
Indicators on employment	16	9	33	30	10	27	6	10
Indicators on education	10	7	12	13	2	3	27	21
Calculation formula - test IITSD	17.47	14.11	18.42	14.35	7.71	10.35	17.98	20.38

The demographic security level decreased in 2010 compared to 2008 in 15 districts of the Republic of Moldova, with this process being more pronounced in the **Nisporeni** District (from rank 29 down to 9) and **Hancesti** District (from rank 17 down to rank 8). The main causes of this process were socio-economic in nature.

The investments in the fixed assets decreased by 2.1 times (including investments in fixed capital housing by 1.7 times) in the **Nisporeni** District. Despite salary increases, the level of wages was quite low, standing at 70.2% of the country average. The share of employees engaged in SMEs fell from 66.0% to 64.9%, the share of the former unemployed who found a job decreased abruptly (by more than 3 times): from 43.6% in 2008 to 13.7% in 2010; the number of person-days spent on forced leave without pay increased by 1.8 times; the share of newly created jobs decreased and accounted for only 40.5% in 2008. As a result of the worsening socio-economic situation, social tensions have grown, including the increase by 7.3% of the primary disability indicator (new case); the criminality rate has increased by 1.4 times (the number of registered crimes per 10,000 inhabitants). The percentage of children born outside marriage has also increased by 3.1 percentage points (from 26.1% up to 29.2%). The indicators that relate to health factors, including access to health services, have also worsened: per capita expenditures decreased by 30.2% in 2010 compared to 2008; the rate of mortality at home increased from 930 people up to 1038 per 100,000 inhabitants; the mortality rate has also increased from 12% up to 13.2%, including infant mortality, from 12.5% to 16.2%, accordingly. There was a general upward trend as regards the general incidence of the population, including by alcoholism and alcoholic psychosis, up by approximately 1.7 times (from 179.8 up to 300.2 per 10,000 inhabitants).

The main factors that caused the reduction in the demographic security level in the Hancesti District in 2010 compared to 2008 (from rank 17 down to rank 8) were similar: the percentage of the former unemployed who found a job fell abruptly (from 28.4 % to 3.7%); the number of days-man on forced leave without pay increased by 1.5 times per 1 employee (from 92 up to 142); the number of newly created jobs decreased by 2.3 times and accounted for only 42.8% in 2010 of the number registered in 2008. Social tension has also increased: the primary disability indicator (new cases) increased by 4.2%, including the number of disabled children – up by 4.2%. At the same time, the criminality rate has increased by 1.2 times (number of crimes registered per 10,000 inhabitants). The migration growth indicator has also increased in 2010 up to 3.05 per 1000 inhabitants compared to 1.21 in 2008. The share of children born outside a marriage has also increased (from 22.9% up to 24.8%). The indicators that relate to health factors, including access to health services, have worsened too: per capita expenditures declined by 17.5% compared to 2008, the rate of population mortality at home has increased (from 908 up to 1138 per 100,000 inhabitants); an upward trend in the overall incidence of the population was registered, including by about 2 times through alcoholism and alcoholic psychosis. The mortality rate increased in 2010 by 3 p.p. compared to 2008, (from 11.9% up to 14.9 %), including the infant mortality rate by 4.2 p.p. (from 12.6% up to 16.8%).

However, the demographic security level showed an improvement trend in 2010 compared to 2008 in 15 districts of the Republic of Moldova. The situation in the **Telenesti** District, which in 2008 was ranked the 2nd, being afterwards ranked the 4th in 2010, shall be examined as an example in this regard. Thus, according to the analysis that involves moving the district in relation to each block of indicators separately, we find that in 2010 the situation on the incidence of disease improved (according to this indicator the district was ranked 2nd in 2008, while in 2010 it was moved to rank 9); as for the economic indicators, the district has moved from the rank with the lowest level – 1 to rank 3; there was an essential improvement as regards the key indicators that relate to employment and, as a result, according to this indicator, the district was moved from rank 10 in 2008 to rank 27 in 2010; and, as for the education indicators, the district was moved from rank 2 to rank 3. The main socio-economic causes that contributed to this situation in the socio-economic field were: the number of man-days on forced leave without pay decreased by 3.7%, and the sum allocated for paying wages was reduced by 2.8 times. The investments in fixed assets increased during the period under consideration by 23.5%; the amount of services rendered to the population increased by 9.4%, while the retail sales of goods increased by 19.5; the water supply of the population improved, the amount of water delivered to the population increased by 23.5%. At the same time, the situation concerning health indicators remained unsatisfactory. Thus, the per capita expenditures for the health sector accounted for 66.7% of the amount of expenditures registered in 2008. The general incidence of the population, including accidents, poisonings and traumas increased by 2.6 times, and by 1.5 times in case of alcoholism and alcoholic psychosis. The mortality rate of the population, including the one at home, increased by 13.4% in 2010 compared to 2008. No demographic indicators of the district improved in 2010. The birth rate increased from 11.7% in 2008 up to 12.4% in 2009, then it decreased to 11.5% in 2010. The mortality rate increased in 2008-2010 and amounted in 2010 to 13.4%. (compared to 11.8% in 2008) or increased by 1.6 p.p., including the infant mortality rate that has significantly increased, from 11.5% to 20.8% or up by 9.3 p.p. Thus, natural growth accounted for 1.9% in 2010. The share of children born outside marriage has also increased by 2.3 p.p. (from 25.9% to 28.2%). The highest migration growth rate (among districts) is registered in the Telenesti District, which in 2010 amounted to 4.33% (2.54% in 2009). The growing trend of the ageing coefficient is maintained (from 12.4 in 2008 up to 13.0 in 2010).

Similarly, each district is examined separately, taking into account the data on the rank awarded and the demographic, social and economic development indicators of the districts. Thus, there is a certain increase in the demographic security level noticed in the **Drochia** District (from rank 18 to 26), which has been linked to improved policies in the economic, social, health and employment fields (increasing access to health services, reduced incidence of disease), and as a

result of improving some demographic indicators: for example, reducing the mortality rate, namely: the infant mortality rate decreased from 11.4% down to 7.7%, the mortality of the population at home decreased by 5%. At the same time, there was a positive trend of decrease as regards the indicator of the divorce rate from 3.2% down to 2.6% and an increase in the marriage rate from 6.6% up to 6.9%; also, as a result, the share of children born outside a marriage fell from 27% to 25.8%.

**CAUSES OF NON-COLLECTION OF THE VAT
TO THE BUDGET IN THE PLANNED AMOUNT**

Gheorghe Cojocari,

Deputy chief of The Main State Tax Inspectorate

According to data provided by the National Bureau of Statistics, the Gross Domestic Product increased in the Republic of Moldova during January-June 2011 by 7.5 % compared to the similar period of the previous year. This was mainly due to an increase in gross added value in services (increased the GDP by 4.5 %). However, based on the use, the following trends were noticed: a significant increase in exports of goods and services (39.1 %), imports of goods and services (24.7 %) and in gross fixed capital formation (26.4 %) as a result of making capital investments.

All these have a positive economic connotation, which, however, contributes in an inversely proportional way to collections to the state budget.

Special attention shall be paid in this analysis of the proceeds of VAT as a primary source of accumulation of budget revenues, first of all and as an interdependent bridge between household consumption (on which VAT applies and which is part of GDP) and budgetary collection.

Thus, the VAT pertaining to deliveries made within the country during the first nine months of 2011 was collected to the national public budget, administered by the State Tax Service, amounting to MDL 2295.5 million, which is MDL 65.5 million or 2.8 % less than during the similar period of the previous year.

At the same time, there were collections made in September that were MDL 1.8 million or 0.6 % more than during the similar period of the previous year, maintaining the trend of the monthly overruns of VAT collected compared to the similar period of the previous year, once in July the 2010 level was exceeded by 5.5 % and by 10.6 % in August.

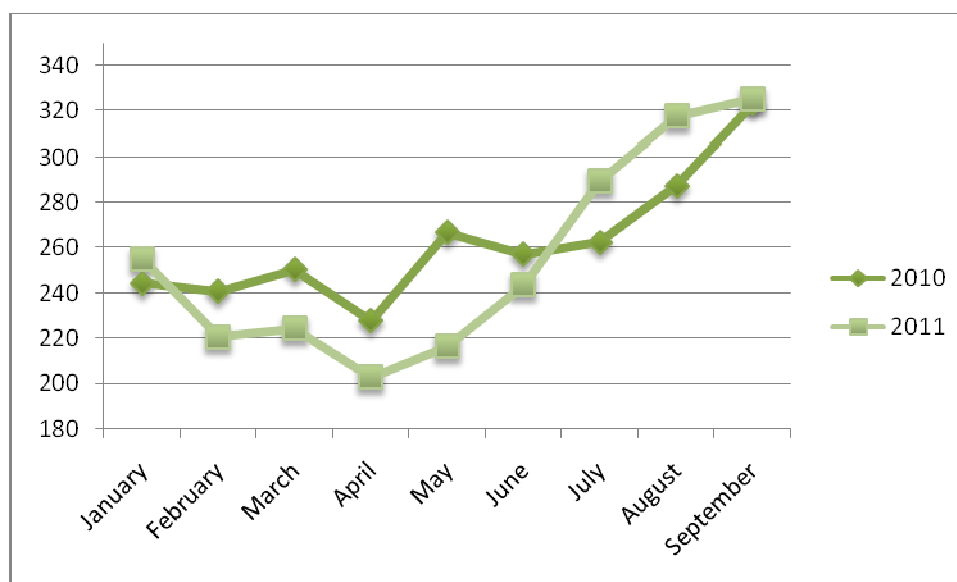


Table 1 Evolution of the VAT collections to the public national budget from the deliveries made within the country in 2010 and 2011 (thousand MDL)

In order to elucidate the causes that contributed to the failure of the collection plan, the structure of the collections depending on the sums of VAT paid has been examined.

In this context, it was found that businesses that have paid VAT to the budget of more than MDL 1 million have contributed to the budget in the amount of 61 % of the total collections during the first nine months of 2011 – a share that is similar to the share registered in 2010 (61.2 %). It should be noted that in the analyses for earlier periods, the gap between the values of 2011 differed significantly when compared to the similar values of 2010 (for example, when analyzing the collections from the economic agents concerned during the first eight months of 2011, the share of these particular collections in the total amount of collections was 53.1 % compared to 73.1 % in the similar situation of the previous year).

The most considerable decrease in the collections compared to the last year was registered by companies that deliver heating and water (MDL 25.8 million), companies in the telecommunications sphere (MDL 21.5 million), as well as those providing services of natural gas transportation (MDL 19.7 million), trading of food and non-food products in the market networks (supermarkets) (MDL 11.5 million).

Generalizing the main causes that had a negative impact on VAT collections, the following may be mentioned:

1. The growth of the amount of zero quota deliveries (as has also been mentioned in the introduction as regards the usages during the first semester of 2011). Zero quota deliveries grew by 38% during the first eight months of 2011 compared to the similar period of 2010. Accordingly, the VAT pertaining to the deliveries concerned brought no added value to the budget;
2. In fact, there is an increase of 19.5 % in the amount of deliveries which, according to the tax legislation, are exempted from VAT and, accordingly, as a result of applying this tax regime, the amount of the VAT pertaining to these deliveries uncollected to the budget grew by MDL 1768.1 mil. compared to the similar period of the previous year.
3. Changing tax policy in order to apply the reduced quota of VAT to the deliveries of agricultural production as well as the non-application of the VAT to under-cost value while trading agricultural products at prices lower than the costs. During the examined period of 2011, the sums of VAT pertaining to reduced quota deliveries grew by 40%. At the same time, due to the discrepancy between the quota of VAT for the purchases made by the farmers and the quota of VAT applied for deliveries of agricultural production, the amount of VAT pertaining to the imports of goods and services grew by 23 % compared to the similar period of 2010 and by 20 % in the case of purchases made within the country. At the same time, the amount of VAT from the previous periods grew by 108.8 % Taken together, we can conclude that the total amount of the VAT to be deducted grew by 48 % during the analyzed period of 2011 compared to the similar period of 2010.
4. Making investments, which led to a reduction in collections by increasing the amount of VAT (according to the data provided by the National Bureau of Statistics, they grew by 26.4 % during the first quarter of 2011 compared to the similar period of 2010). There were major investments mainly registered by large enterprises that ensured the level of VAT collection (sums exceeding MDL 1 million);
5. The increase in the amount of VAT pertaining to the import of goods compared to the first 8 months of the last year grew from 4236.1 million MDL to 5227.8 million MDL or by 26 % (according to data provided by the National Bureau of Statistics, they grew by 24.7 % during the first quarter of 2011 compared to the similar period of 2010), while the amount of taxable deliveries made within the country grew by 23.6 %. Accordingly, the ways of collecting the VAT from deliveries within the country (payments managed by the State Tax Service) are exhausted at the importing stage already given the fact that the economic agent is granted the right to reclaim the VAT, a fact that determines the obligation to deliver within the country. When analyzing this fact in the context of a slower increase in the indicator of deliveries a significant gap in the collection of the budget revenues;

6. Decreasing the amount of imported services by 55 % compared to the similar period of the last year, registering a reduction of the VAT pertaining to them by MDL 54.9 million. This fact is due to a change in tax policy as regards the moment of paying VAT on the import of services;
7. The impact of the activity of enterprises that do not declare and do not pay VAT to the budget – the „ghost” companies. The amount of the damage caused during the eight months of 2011 by the illicit activity of „ghost” economic agents is estimated at MDL 255.2 million.

Thus, we may conclude that there are three main directions of factors: factors related to the promoted tax policy, factors related to the activity of the economic agents and factors related to the activity of the State Tax Service. If the first two directions of factors can be influenced only partially (by submitting proposals to change fiscal policy) or almost not at all by the State Tax Service (the economic agents are entitled to make exempt deliveries or to form crossing into account when making investments), and the third category of factors is related to the activity of the State Tax Service. Thus, the State Tax Service undertook a series of measures to ensure the accumulation of budget revenues, among which:

- Working individually with each taxpayer aiming at voluntary compliance, based on factor and comparative sector analysis;
- Implementing measures of insurance and forced execution, as a result of which the tax authorities collected as of August 1, 2011 in settlement of tax liability the amount of 144.9 million MDL;
- Detecting and annulling as a VAT payer the “ghost” enterprises in the early stages of their activity. In 2011 this measure was applied to 136 companies, whose activity may meet the definition provided by Art. 242, 243, 244 of the Criminal Code;
- Monitoring the economic agents in terms of tax positions, which exclude any fictitious transactions. Pursuant to Art. 134, Par. (2) and Art. 146 of the Tax Code, fiscal positions were established during the first semester in 639 companies;
- Cooperating with other central and local public authorities to influence taxpayers with arrears in carrying out their tax obligations.

Accordingly, in order to ensure budget revenues, the State Tax Service will undertake the following actions:

- a. Establishing electronic tax points for big trade enterprises to ensure the track of deliveries, reducing at the same time the impact of the human factor upon the taxpayer.
- b. Promoting the „Electronic Declaration” – currently, the information in the database reflects the situation that existed three months ago, and once most taxpayers use the application, the information will reflect the situation existing a month before at most. Benefits: facilitation of making analyses; timely detection of ghost enterprises.
- c. Recovering debts through the proceedings provided for in the Tax Procedure Code, involving bailiffs, as well as modifying the time of fulfilling the tax obligations towards the budget.
- d. Promoting proposals to amend the legislation that would allow the recovery of damages caused to the budget by practicing some tax evasion schemes involving some pseudo-enterprises.
- e. Promoting and implementing the procedure to apply the indirect methods to determine the fiscal obligation.
- f. Introducing the „General Register of Tax Invoices”. Benefits: on-line registration of the deliveries that exceed the limit established by law.

TAX POLICY OPTIONS

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Current situation

Moldovan budget revenues are strongly dependent on indirect taxation, with VAT and excises presenting 15.5% of GDP. Together with custom duties the taxation of consumption presents 17.0% of GDP (53.6% of total tax revenues).

Direct taxation on the other hand presents 14.1% of GDP (44.6% of total), with CIT revenue expected in 2012 only at 1.9% of GDP. The rest of direct tax revenues is coming from taxation of labor, with PIT 2.2% of GDP, SSCs 8.1% GDP and HCCs 2.0% GDP. Taxation of labor is thus relatively high, especially in comparison with capital taxation.

These numbers show that Moldova heavily relies on taxation of consumption, especially taxation of imports. Second largest source of budget revenues is taxation of labor, relying mainly on collection of SSCs.

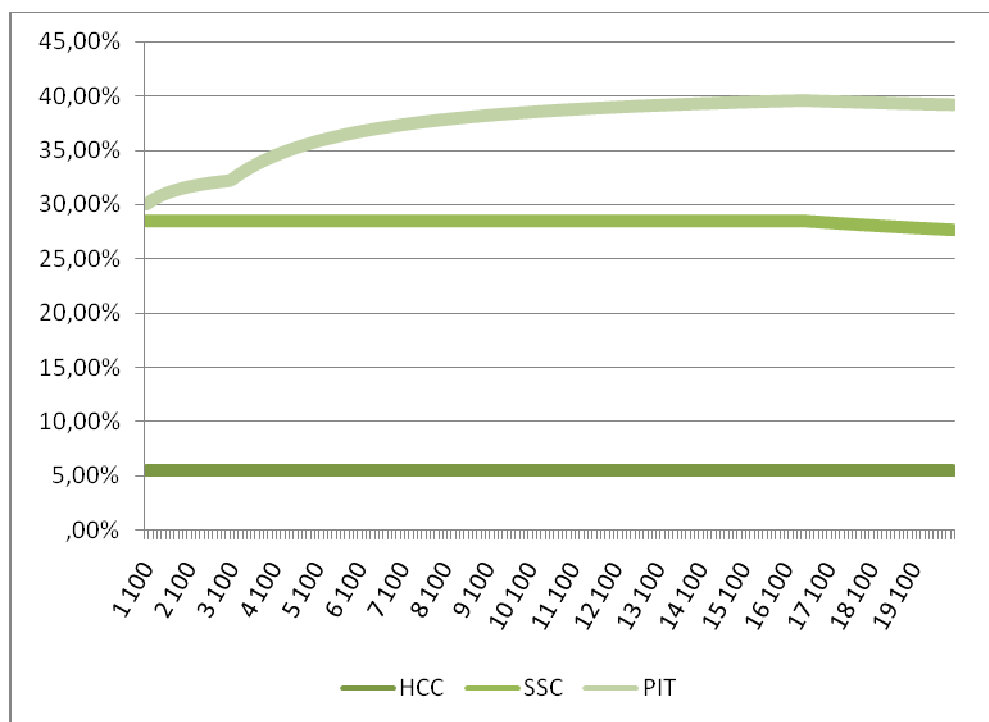
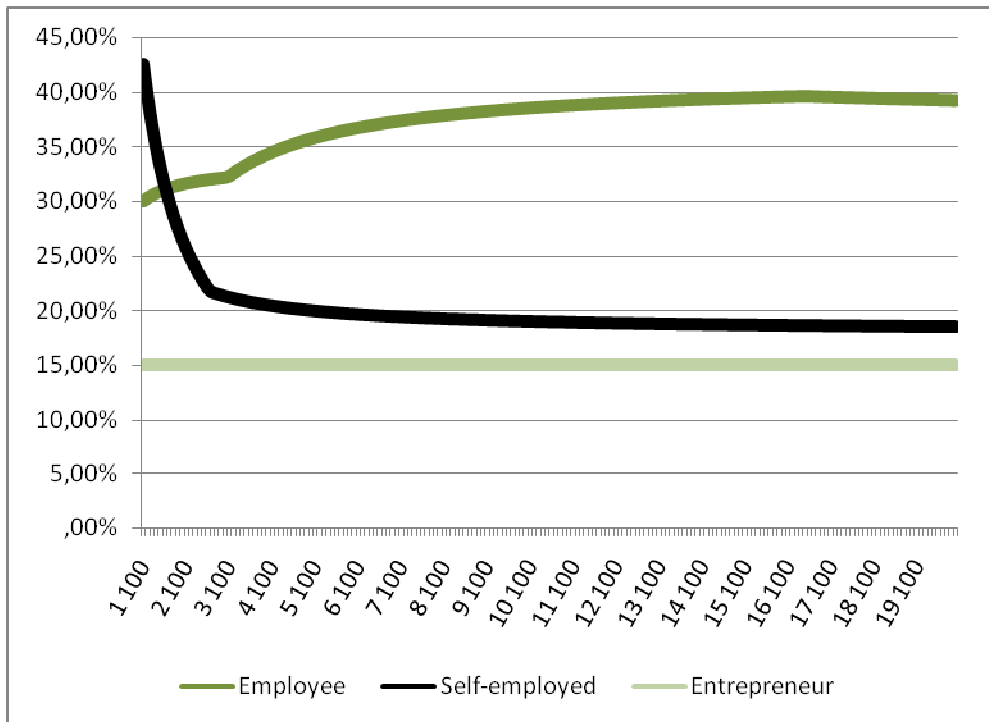
Further increase in tax revenues can be expected mainly from improving tax administration and compliance, as well as boosting economic activity. The government shouldn't opt for increasing nominal tax rates (with the exemption of excises), especially not in personal income taxation, since it might trigger negative effects of tax avoidance instead of boosting tax revenues.

There is space for raising the taxation of capital. The CIT rate was set at 12% starting since 2012. Combined with the dividend tax of 15% this presents nominal taxation of capital at 25.2%. Given the competition of countries from the region, this rate shouldn't be increased further, but the revenue should rather be increased through gradual expansion of the tax base (attracting new FDI, abolishing exemptions, reconsidering free economic zones).

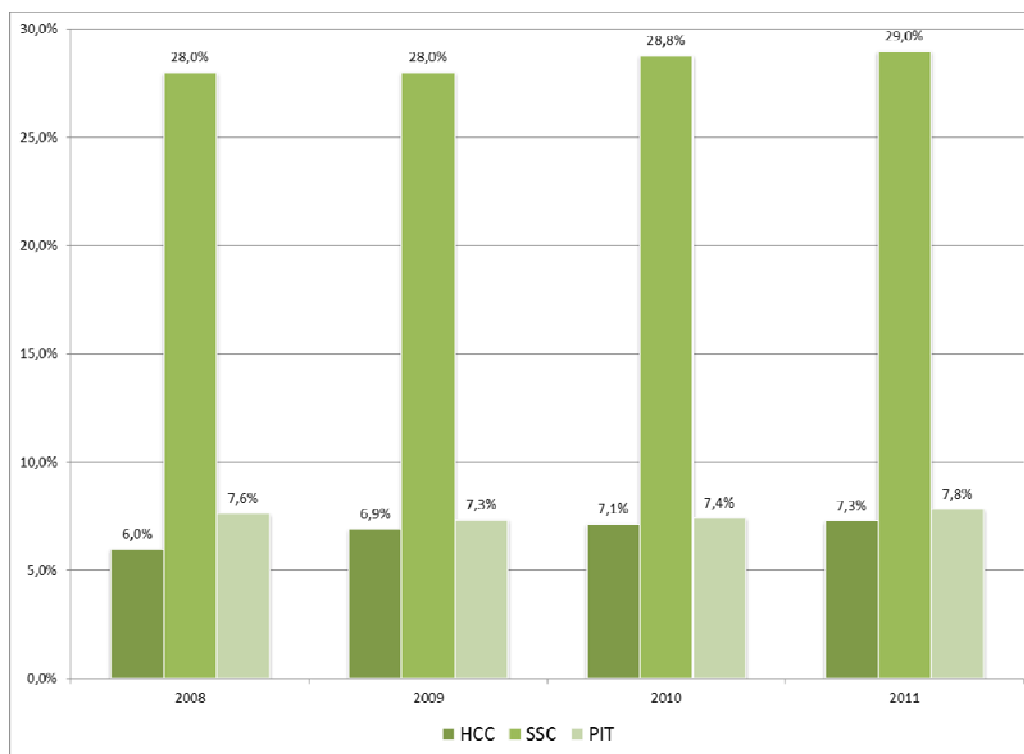
Also harmonization of VAT and excises with EU standards should bring additional tax revenues to the budget (unifying VAT rates, abolishing VAT exemptions, increasing excises for fuel). A strategy of gradual VAT rate consolidation (two rates or a single rate) and increase in tax rates for excises should be adopted and implemented instead of ad-hoc changes (especially tax hikes in excises), creating price shocks.

Taxation of labor on the other hand is relatively high in Moldova. The system of labor taxation is relatively complex, ranging from progressive taxation of full-time employment contracts to digressive taxation of self-employed workers due to lump sum payments in SSC and HCC. One-off patent payments are also applied for PIT payments in case of certain groups of professionals. The current effective tax rates are as shown in the chart below.

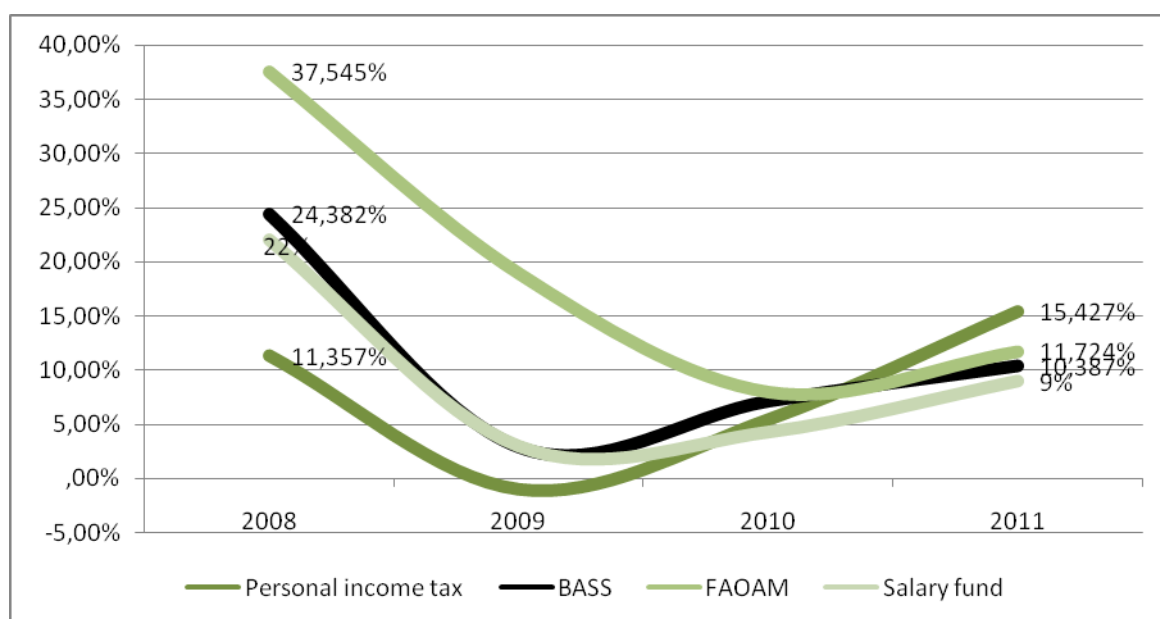
As seen from the chart, the progressivity of taxation of employee contracts is relatively low, posing a high taxation burden on low-income groups. The tax system is giving fair amount of legal opportunities for tax evasion through self-employment contracts and capital gains. The low progressivity and high tax burden for low-income groups is mainly resulting from the SSC system, where contribution rate is very high, there is no deductible minimum and the contributions are not capped effectively. The following chart is showing the composition of direct taxation for full-time employment contracts by components of taxation.



Despite high nominal tax burden, the collection of PIT, SSC and HCC is copying the developments on the labor market, not showing significant signs of tax evasion. Collection of revenues in relation to salary fund broadly corresponds to nominal tax rates in both SSC and HCC, while the collection of PIT is kept at a stable rate of above 7% of salary fund.



Also the dynamics of revenues is copying the development of the salary fund. From the chart below it is visible that the revenue collection dynamics has increased since 2010 together with the economic recovery in Moldova.



Policy recommendations

Unify and increase the lower VAT rate at 10% over a period of 4 years (to mitigate the social impacts of price increases resulting from the measure). Discontinue exempting cars from VAT payments. Consider introducing mandatory fiscal cash registers (may be costly for small salesmen) to increase compliance.

Abolish excises on certain products (gold, caviar, electro, coffee, crystal glass, etc.), where tax administration is more costly than the revenues from taxation of these items, and slowly start to approximate excises on fuel to EU levels.

The biggest challenge though is reduction of labor taxation burden (including social and health insurance) for low-income groups and its redistribution so that it is fiscally neutral. There are several options on how to achieve this goal, depending on the desired progressivity of the system and affected income groups. The following presents only one of the options, being in line with the below mentioned principles.

An overall reduction in tax burden can be achieved through broadening the tax base for labor taxation. Cancel special tax regimes for different types of employees (especially agriculture), broaden and unify the tax base for PIT and SSCs through abolishing tax exemptions. Cancel the one-off patent payments and substitute them with easy to administer tax deductions for self-employed professionals (e.g. exempt them from accounting and tax only ½ of their declared revenues) in order to assure progressivity of labor taxation for everybody.

Abolish the HCC and adjust the transfer formula from the state budget to compensate for the FAOAM revenue shortfall. HCC rate is constant and thus presents linear taxation of income rather than fulfilling an insurance function (no cap on contributions, no link to benefits), moreover there is only one company providing healthcare insurance services. This measure would simplify tax administration and boost revenue collection. Consider the introduction of mandatory nominal insurance premiums for all taxpayers instead of patents for selected groups of professions.

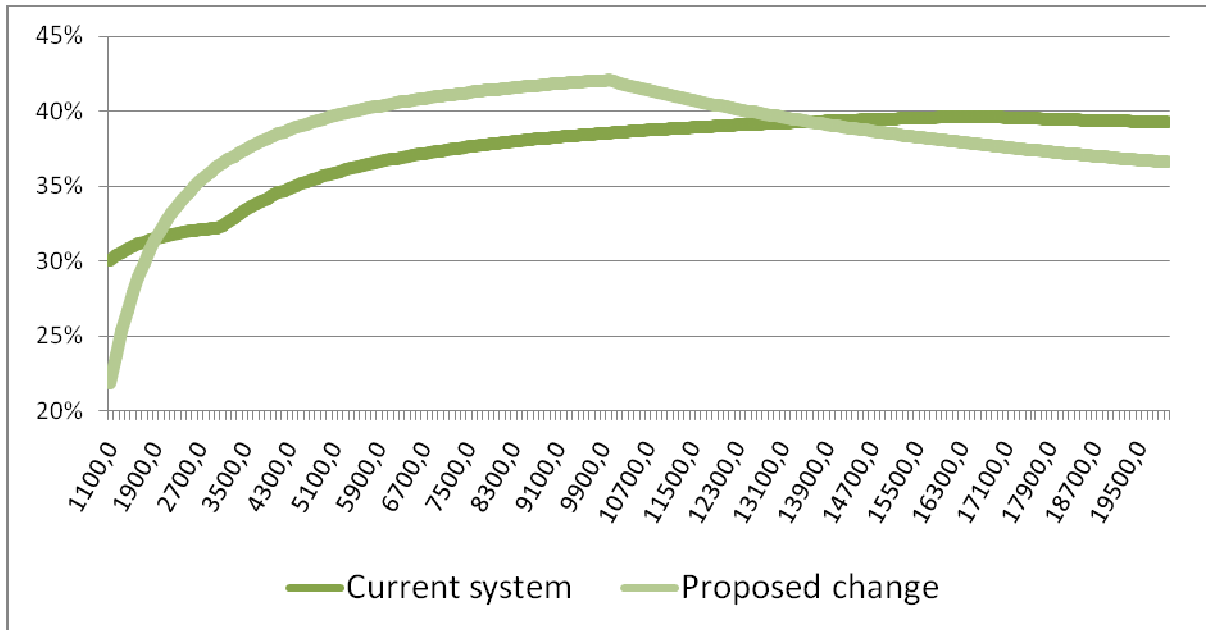
Make PIT more progressive through increasing non-taxable amount and increasing the PIT rate (can be a flat rate of 25% or more). Compensate negative impact on net income of vulnerable groups through increased dependency allowance (from 1,800 to 3,000 or more).

Consider transferring the whole SSC burden to employees, but at the same time adoption of a law that forces employer to raise the gross wages by 23% (employer's SSC share on top of gross wages). This measure is fiscally neutral.

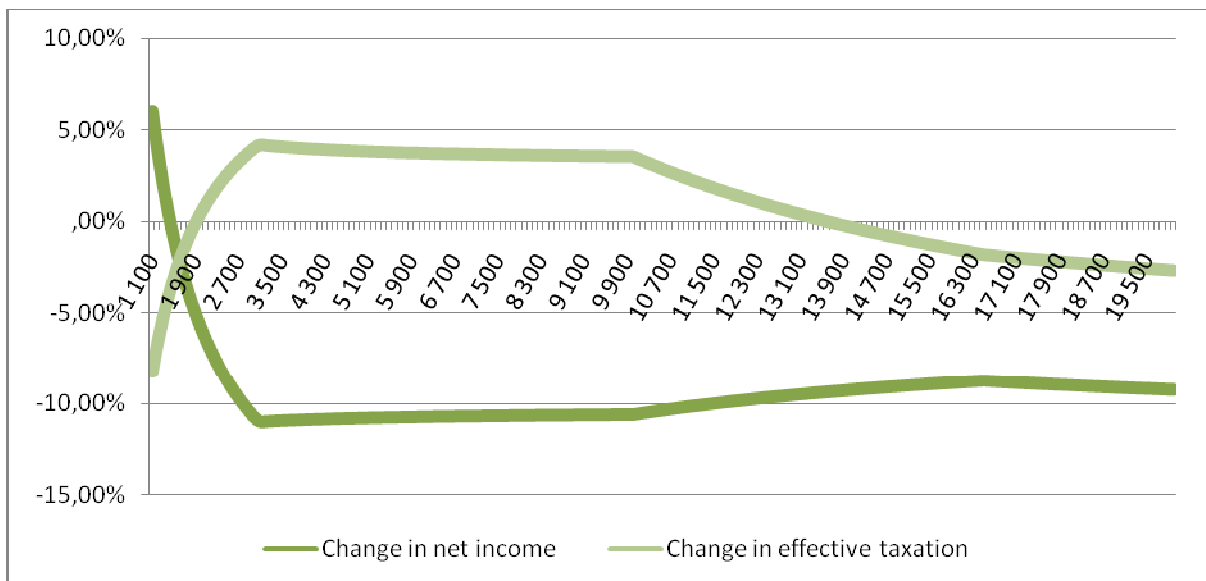
Consider to make SSCs a non-deductible item for PIT calculation purposes. If interested to compensate for this increase in taxation, also introduce a non-taxable amount for SSC calculation. Possibly decrease SSC rate and address the deficit in BASS through parametric changes in the pension system.

Following charts show the impact of proposed adjustments on individual income of employees. The assumptions are the following:

1. abolishment of HCCs,
2. unification of PIT rate at 25%,
3. increase on non-taxable allowance to 12,000 lei (16,000 lei for invalids etc.),
4. increase of dependency allowance to 4,000 lei,
5. decrease in cap on SSCs to 10,000 lei,
6. reduction of SSC rate to 5% for employee and 20% for employer.



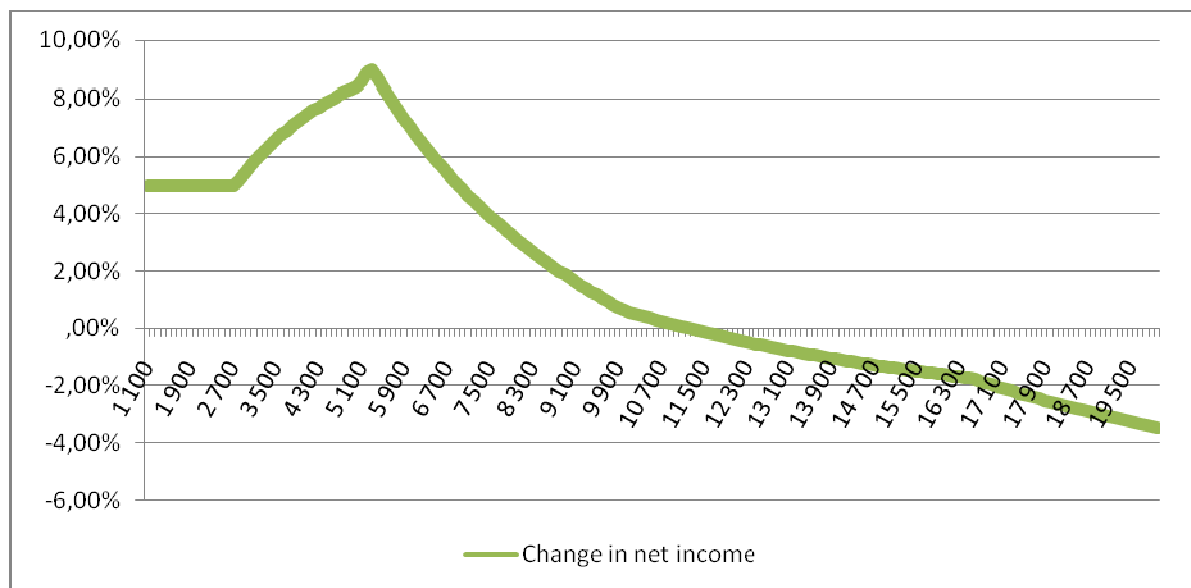
As seen from the chart above, the personal income taxation would become more progressive, releasing the burden from the low-income groups. The SSC cap reduction makes the tax system digressive after reaching approximately 3x the average wage.



Impact of these measures on net income would be predominantly negative, except the very low income groups, as shown in the chart above. This negative impact would, however, be compensated for vulnerable groups through a significant increase of dependency allowance. The chart below shows the impact on net income of an individual who is eligible for dependency allowance deduction.

Slovak approach to tax reform

Slovakia decided to shift more tax burden from direct to indirect taxation, since direct taxes represented more than 50% of tax revenues (in Moldova its 44.6%). The new tax system had to be very simple, easy to administer and neutral to different types of income. Issues of social justice were addressed rather through expenditure than revenue side of the budget (means testing is applied).



The reform started with cancelling almost all exemptions and specific (lower) tax rates from CIT and PIT, thus broadening the tax base substantially. It was thus possible to decrease the CIT rate from 25% to 19% without a negative fiscal impact. Three PIT brackets were replaced by a single rate and substantial non-taxable amount (making the system progressive).

Special regime was introduced for self-employed persons, who pay only ½ SSC rate and taxes just from 60% of their income. This policy is currently being reconsidered, since it is creating legal opportunities for evasion and the number of self-employed is increasing significantly (20% of labor force). Possible abolishment of HCCs and its inclusion into general taxation (direct and indirect) is discussed, as well.

Several taxes with low returns were abolished completely (inheritance, property transfer, dividend tax, several local taxes). Social impacts of these measures were calculated and a tax bonus (negative income tax) on children was introduced to mitigate impact on families with children.

VAT was unified at 19% from originally 10% and 23% differentiated rates. Excises on petrol, alcohol and tobacco were increased sharply (somehow cushioned through positive impact of appreciating exchange rate of Slovak crown).

Used abbreviations

VAT – value added tax, CIT – corporate income tax, PIT – personal income tax, SSC – social security contribution, HCC – health care contributions

THE DANISH TAX SYSTEM FUELLING AND COOLING

THE NATIONAL ECONOMY

Peter Menhard,
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Welfare System

The *Scandinavian model*, including the Danish flavour of it, is based on the principle that social services are available to all citizens fulfilling certain conditions, irrespective of their family situation and individual relations to the labour market¹⁹. It is an omnibus system, meant to cover all, albeit in the area of social security and unemployment benefits the system generally requires a membership and payment of solidarity contribution amounts.

In addition, substantial state support is available to students within the regular terms and duration of the chosen line of study, irrespective of the parents' financial situation and their will or capacity for supporting or bearing the children's study cost.

By far the major part of the welfare system is financed through the non-specific tax revenues, meaning that the state is heavily involved in financing and providing the welfare system services.

For years Denmark has remained on the top of the list showing the equality of the wealth distribution based on the Gini coefficient, and consequently, not as a major surprise, with the 2010 HDI value at 0.882 (UNDP, Human Development Reports), Danes also devote 0.8% of GNI to foreign aid.

Taxation in Denmark

It is rather obvious that with a welfare system, which is not only subsidised, but also organised and executed by the state organs, the taxation system becomes the single most important *external* element co-relating and interacting with country's wheels of economy as indicated in the reminder of this text.

The structure of the Danish tax collection is significantly different from other European countries, even in comparison with other Scandinavian countries. Moreover, within the OECD group of countries, only Australia and New Zealand have a similar structure of the collected tax and duties revenues.

The three countries' tax structure is characterised by the *insignificant* proportion of contributions to the social arrangements, which in Denmark is approximately 2.5%, while the income taxes account for approximately 60%. The next diagram (source: Danish Statistics) depicts this statement clearly, indicating the proportion of income and profit taxes and excises. The right side of the diagram is dominated by the bars indicating the proportion of social contributions, which are substantial in Sweden, Finland, Netherlands, Italy, Germany, France, Hungary and Poland, along with Japan, as the only Asian country represented in this diagram.

¹⁹Danish welfare system is at the moment under a financial strain from the immigration of people from third world countries. According to the current EU and Danish national legislation, all people are entitled to social benefits, meaning that emigrants are entitled to the same relatively high amount of social payment as Danish citizens. It is therefore under consideration to introduce a system similar to the German, whereby some specific social services are restricted to those participating actively in the labour market.

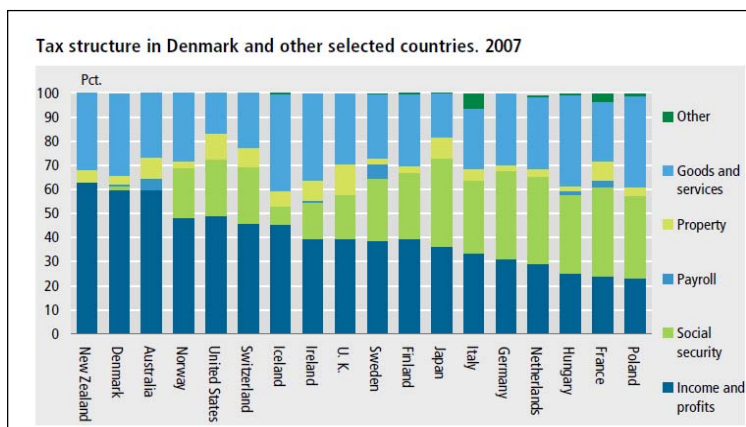


Diagram 1. Tax structure in Denmark and some other selected OECD countries

In general terms, the Scandinavian tax burden is heavy, with Denmark and Sweden competing in this, as in so many other fields, for the rather (in) famous regional supremacy. The next diagram (source: Danish Statistics) indicates the positioning of the three Scandinavian countries compared to the EU-15 average and also showing the relative positioning of the German tax burden.

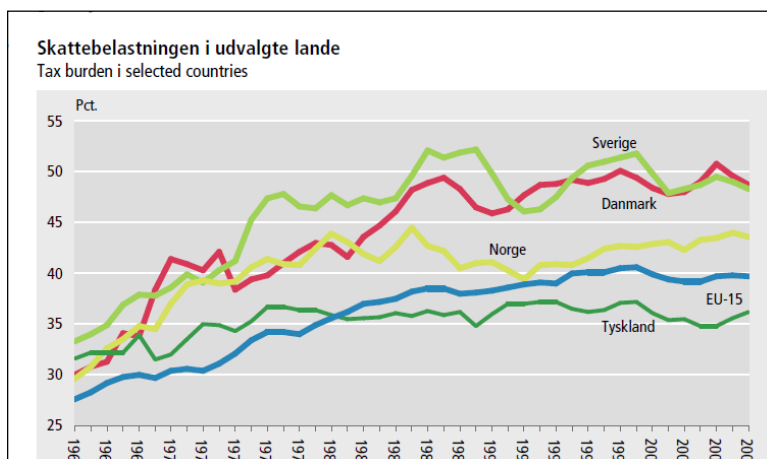


Diagram 2. Tax burden in Denmark and some other selected countries

The Danish tax burden²⁰, expressed as percentage of GDP, has developed with a steady increase over the past two decades, reaching its absolute peak value in 2005 (51%) and landing by the end of 2010 at 48.2% (vs. Moldova at 33.8%), as shown in next diagram (source: Danish Ministry of Taxation).

However, the overall tax burden in Denmark tends to be somewhat overrated due to the traditional method of GDP measuring and burden calculation. Unlike other countries, in Denmark the tax is levied on transfer incomes, deferred payments linked to pension savings, et al. Taxing transfer incomes leads to the tax on income, which is not taken into account when measuring the GDP. Correspondently, tax payments from the public sector should not be included in the tax burden as these taxes do not mean *extra* tax for either people or companies.

For the specific purpose of this article, the overall tax burden is further broken down to show the internal structure of the tax collection with respect to the taxing approach towards citizens vs. business entities.

²⁰As per OECD definition, the tax burden is measured as the ratio of all taxes and duties to gross domestic product (GDP).

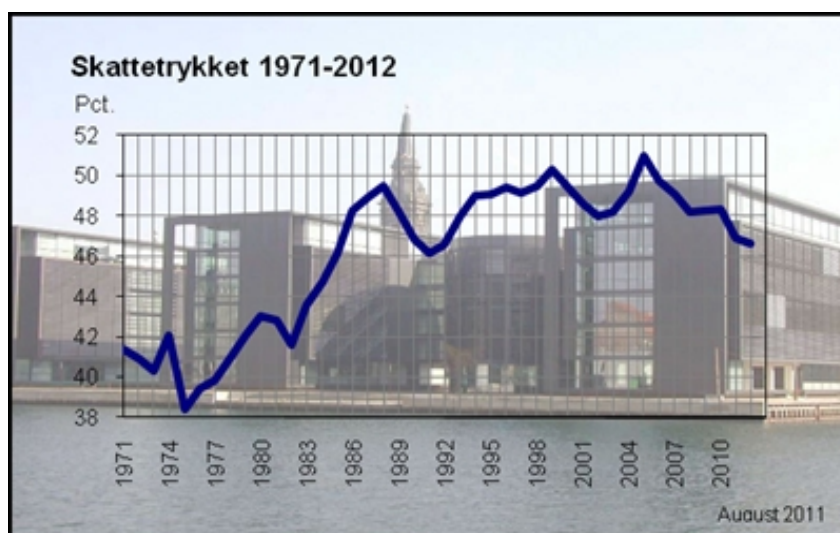


Diagram 3. Development of tax burden in Denmark

As is the case in the general structure depicted above in comparison with selected OECD countries, also the Danish internal subdivision varies substantial from other countries, as the main burden is continuously and increasingly placed on the shoulders of the Danish wage earners. The next diagram (source: Danish Ministry of Taxation), although depicting the internal break down from 2008, is still valid, as no major changes have found their way to ease the citizens contribution to the overall tax revenues.

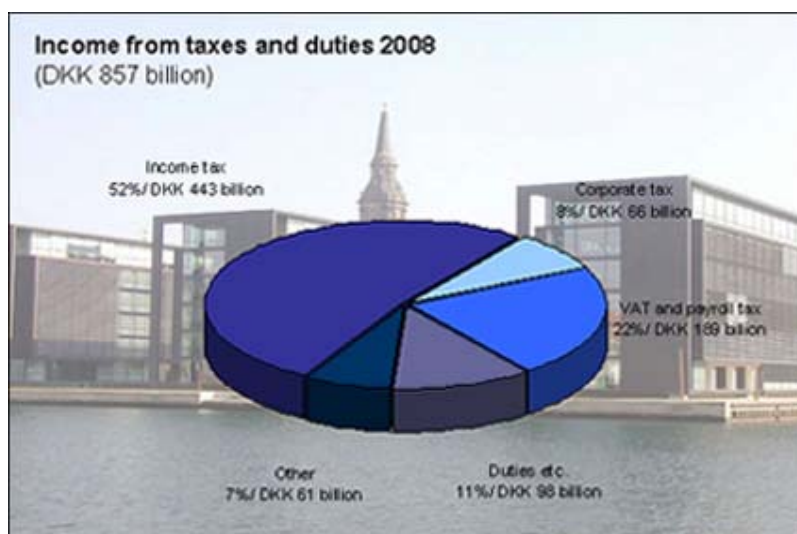


Diagram 4. Internal structure of tax collection in Denmark

Approximately 52 % of the total tax revenue comes from income tax. This includes tax on wage income, interest and dividends as well as property value tax and the labour market contribution.

The Danish personal income tax at the proportion of more than then 50% of the overall collected taxes is unparalleled when considered in an international context. While the general development tendency in European countries has shown a steady proportional decrease, the Danes took the advantage of this opportunity to reinforce their position as *"the undisputed heavy weight champion (across all existing association)"*. This is also clearly demonstrated in the next diagram (source: Danish Statistics), with the unlabelled light blue line depicting the EU 15 average.

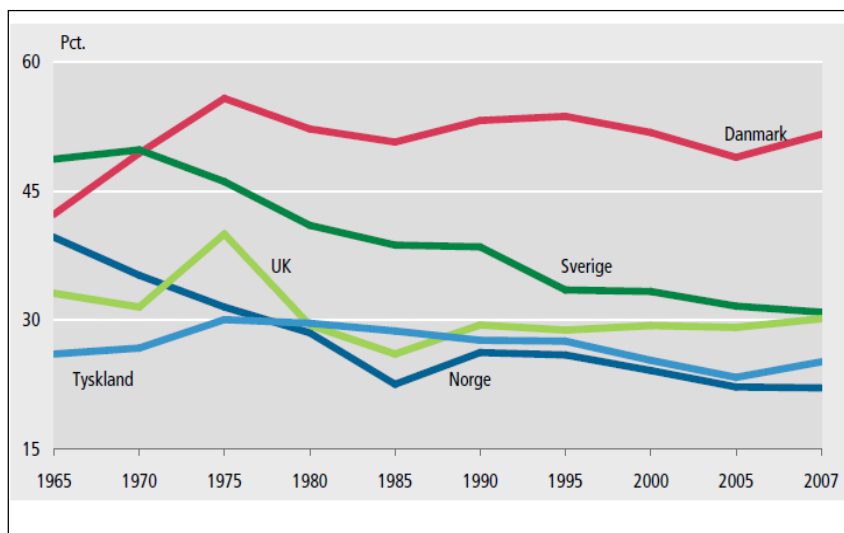


Diagram 5. Burden of personal income tax in Denmark and some other selected countries

VAT was introduced in 1967 at 10% (single rate) and since 1 January 1992 it has been collected at 25%, thus together with Sweden, Denmark is competing for the 1st position amongst the EU countries, as all other have lower and/or differentiated VAT rates. The next table shows the progression of VAT rate in Denmark, since its introduction.

Table 1. VAT rate progression in Denmark

Period	VAT rate
1967 - 1968	10 %
1968 - 1970	12.5 %
1970 - 1975	15 %
29.9.1975 - 29.02.1976	9.5 % for selected goods*
1976 - 1977	15 %
1977 - 1980	20.25 %
1980 - 1992	22 %
1992 -	25%

* The historical single reduction of VAT in Denmark, as a measure for stimulation of private consumption.

Thus in reality, the effective taxation of citizens in Denmark is much higher, when considering the impressive 22% contribution performed by a single 25% rate of VAT, levied on virtually all goods and services. Some goods and services are however exempt from VAT; these include newspapers, the health sector and banking services. These companies pay a payroll tax instead, which is a tax paid on the total payroll.

Moreover, a number of other consumption taxes are levied on various goods and services. For example wine, beer, liquor and tobacco, and tax on electricity, water and heating. Some of these taxes are “pure” consumption duties with the sole purpose of creating revenue for the state, while other taxes are environmental taxes aimed at regulating consumption. Examples of this latter category are the energy taxes and packaging tax.

Equally significant observation may be made on the (only) 8% contribution provided by the corporate taxes, indicating a rather unusual low proportion. This should be seen in a historic perspective, as in 1990 the corporate taxes, although collected at between 40% and 50%, accounted only for 3.5% of the total tax revenues. Following several reductions, the corporate tax rate has since 2007 remained unchanged at 25%. This could be one of many reasons for several multi-national companies having placed their headquarters or regional bases in Denmark.

Finally, the taxing of property needs to be mentioned in this context, as most of Danes dwell in owned property²¹. The property tax, included in the group "other" above represents a modest 2.8% of the group's 7% subtotal of the tax contribution. The property tax consists of two components, i.e. the land tax contributing about 80% to the property tax, and with the remaining 20% assigned to the tax of the immovable property.

Tax System as an Instrument of the National Economy Policy

Apart from the considerable value of public works, which are only indirectly linked to the taxation, the Danish tax system, as already indicated above, carries elements of strong adjustment potential for the purpose of controlling and mitigating the state of the market.

In general terms this can be depicted as a fuel and lubrication, when the wheels of economy are turning slowly, and on the other hand as an efficient break and cooling liquid, when the economy runs overheated. The functioning of these mechanisms is ensured by a huge number of internal transfers and notably by the *net income principle*, whereby, according to the Danish tax legislation, such net income consists of the taxable subject's gross income less deduction of cost and expenses deemed necessary to generate the income. However, the net income principle does not always apply. For example, state taxes and labour market contributions are levied on gross income, i.e. income without allowance.

Since the tax reform of 1987 and until 2001, the changes in tax rules have moved largely towards taxing gross income, where tax is progressive. In other words, the changes to the tax rules have gradually removed the possibility of deducting expenses from income, which is progressively taxed. The effect of this is that allowances have gradually been given the same tax value for all taxpayers and are no longer dependent on income size. The value of the allowances no longer takes progression in income tax into account.

In principle, any income, irrespective of its origin, national or foreign, and with no regards to the form of payment, is taxable, where the tax calculation combines various sources of income, including the capital income and since 1991 also share income. As it is the case with all complex structures, the Danish tax system found difficulties in ensuring the same tax value (relief) of tax allowance, therefore the deviation from the net income principle has partly taken place at the expense of the desire for a simple tax system and has in turn led to the introduction of different income bases, taxed individually and at different tax percentage. Currently, the income is divided into personal income, capital income and share income. Additionally, there is a special income base for the labour market contribution, as depicted in the table 2.

For the purpose of this pamphlet, we shall look a bit closer at the net income principle and interaction of tax system in the field of energy production and consumption. While the long list of green taxes collected in Denmark dress the country in the environmental yellow (or rather green) jersey, it is envisaged in this context that these taxes have a lesser effect on the economy, although it is by no means negligible.

Net Income Principle (NIP)

The NIP is indeed of unparalleled importance in the overall context, as it provides control handles for increasing or decreasing the scope and value of deductible items, which in turn regulate the level of taxable base and taxes to be paid, and ultimately lead to the increased or decreased cash balance and liquidity flow, a part of which can be resubmitted into the economic circulation.

²¹By the end of 2010 the Danish Statistic has listed 1,968,358 private owned properties, of these 1,379,764 family houses and 516,994 apartments.

Table 2. Application of the net income principle in the Danish taxation

Incomes and allowances in the taxation bases	
Personal income	<p>Income included: Wages, company profits, fringe benefits, national pension, allowances (e.g. maternity or sickness benefits), early retirement pension, private pension, etc.</p> <p>Allowances in personal income: Contributions to pension savings, labour market contribution (either as an allowance on the income tax return or by excluding* employee pension scheme contributions), etc.</p>
Capital income (Capital income is compelled as a net amount)	<p>Income included: Income from interest, capital yields from company, etc.</p> <p>Allowances in capital income: Interest payments, etc.</p>
Assessment allowance	<p>Allowances that can only be calculated by assessing taxable income: Employment allowance, commuting allowance, subscriptions to trade union, unemployment insurance and early retirement scheme, maintenance and support payments (alimony) for children, ex-spouses etc.</p> <p>The employment allowance - introduced in 2004 - is 2,5 % of work income reduced with possible contributions to private pension schemes. In 2007, the maximum employment allowance is DKK 7,500 (approx. € 1000,00).</p>
Taxable income	<p>Taxable income is the net sum of all incomes and deductions, i.e.:</p> <p style="text-align: center;">Personal income +/-Capital income ÷Assessment allowances =Taxable income</p>
Base for labour market contributions	<p>Wage income, fees, profit from company or enterprise that is personal income, income as co-owning spouse, value of fringe benefits etc. Furthermore, unemployment, sickness and maternity/paternity benefits and certain cash benefits form part of the basis for the special pension savings.</p>
Share income	<p>Share dividends and share premiums in sales of unquoted shares. Losses incurred on quoted shares can only be offset in dividends and gains from other shares.</p>

* Contributions to pension savings made directly by the employer before tax and wage payment calculations.

Considering the diagrams 4 and 5 above, depicting the internal structure of the tax collection in Denmark and the respective proportion of the personal income tax, it further becomes rather obvious that this principle has a major impact, although not exclusively, on a.) the capacity of citizens to invest part of the cash balance into the economy promotional activities, and b.) level of activities performed by the construction related sectors and sectors servicing the owners of immovable property. The impact of this principle is lesser in relation to the trade sectors and almost negligible in relation to all other industries.

Refunding VAT on construction cost of private dwellings. In the 1970-ties, the government promoted initiative partially sponsored a huge construction boom through providing VAT relief to the home owners, building new or substantially rebuilding and modernising the existing

homes. The relief allowed the owners to claim the VAT refund for material and labour related to these works. Apart from fuelling the construction sectors, this initiative also resulted in substantial energy saving measures, as, in lieu of the steep oil price rising in the international market, the new homes were all to be constructed according to the new energy saving standards and many of the modernising works had the same objectives.

Over the years to follow, various similar programmes were launched and funds rapidly consumed, aiming at promoting the slow turning wheels through providing to home owners the allowance for tax deduction for selected materials and works related to the individual, albeit largely energy saving and environment preserving programmes' objectives. These programmes were subject to various administration provisions, however in most cases the artisan companies managed the formalities on behalf of the home owners. It should be noted that these programmes were conditioned in using the VAT registered entities, and a complete set of documentation was required for obtaining the tax relief.

Deducting mortgage interest. Very few Danish properties, if any, private homes in particular, are traded by full cash payment. Rather than that, most of the homes are financed through mortgage credits according to the valid credit limits, generally set at 80% of the property value. This is probably also the main reason behind earlier made statement that most Danes live in their "own" dwellings. Arguably, we should add; not because of the number of people having the title to the property they occupy, but due to the fact that only a smaller proportion of properties is truly "owned" by the owner, since in reality, the mortgage institutions own a vast majority of all properties.

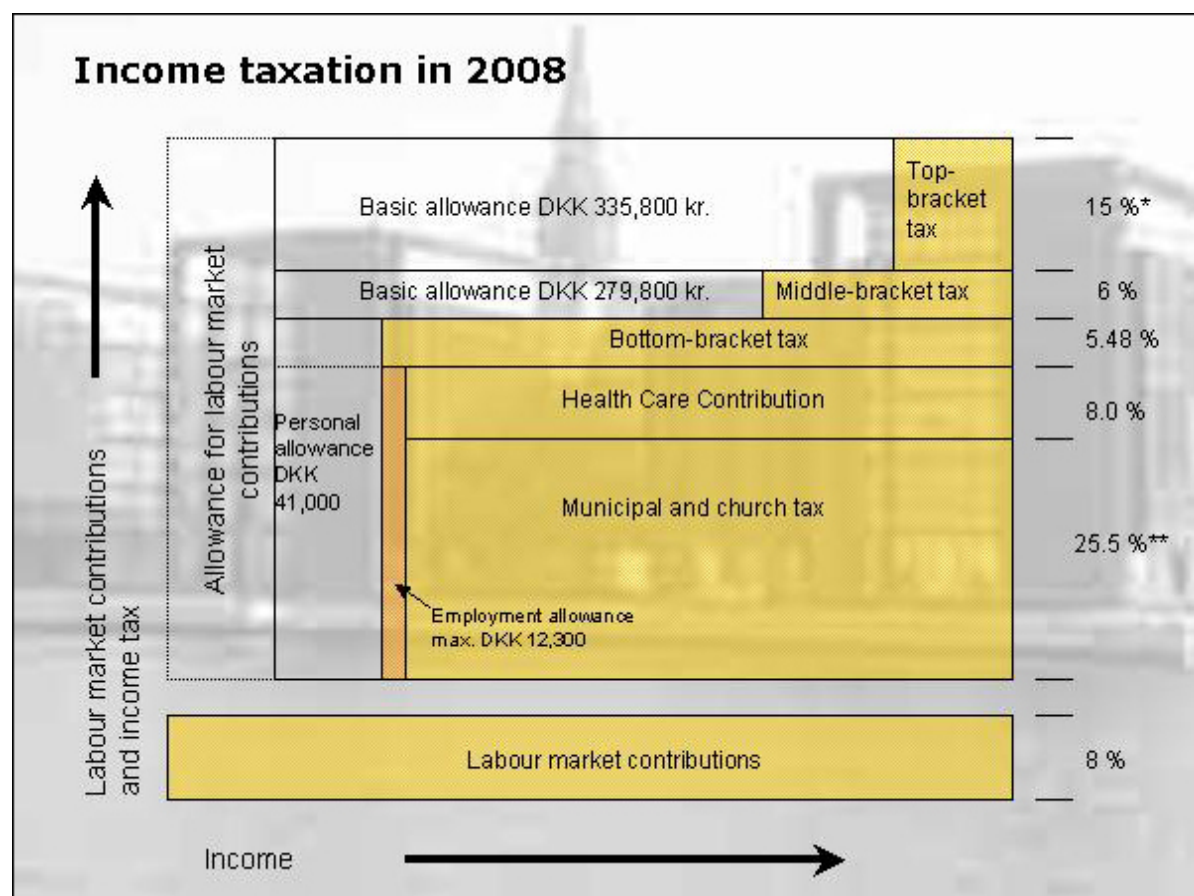


Diagram 6. Computation of taxes in Denmark in 2008

Note: Observe the exchange rate of approximately 1€=7.45 DKK

Irrespective of this fact, the mortgage arrangements have made it possible for practically all of the country's population to acquire "owned" rather than rented home, should they so wish. With no doubt and beyond all discussion, this has only been made possible due to the owners being entitled to reducing the overall taxable income base by a certain proportion of the mortgage interest, a term which in the Danish language has a highly prominent position and known as the "housing tax deduction value".

This tax relief has been subject to many changes and major reforms, as over the time shifting governments pursued their economy policy and state finance related objectives. However, in order to better understand the effect of some of the reform measures, it is necessary to outline the structure of the tax computation in the Danish system. The next diagram (source: Danish Ministry of Taxation), shows three brackets of determining the income and taxes along with labour market contribution, as a kind of a *Basso Continuo* in the overall picture of the somewhat cacophonous tax computation. Since 2008, the middle bracket has been abolished (2011) with no major effect, as the boundaries of the top and bottom brackets have been adjusted accordingly.

- **The 1987 tax reform** aimed to increase the incentive to save, instead of getting into debts. It focused very directly on reducing the value of tax relief on interest for those with the highest incomes. This was obtained through the introduction of capital income as a special income base, where income was taxed at a lower tax rate.

Following the 1987 tax reform, capital income had to be calculated as a total amount of income and deductions. For example, if interest payments were larger than interest income, the net capital income was negative and vice versa. In this way, a net income principle was introduced, but was only valid for the capital income.

- **The 1993 tax changes further reduced the value of the tax relief on interest** in the period 1994-1998. The main principle of the 1987 reform was retained that capital income should be calculated on its own according to a net principle, and that negative net capital income could not be deducted from the top tax bracket. For well paid people, this meant a fall in the value of tax relief on interest to approximately 46%. However, at the same time, this group experienced a decrease of the marginal tax by approximately 6%, when labour market contributions were taken into account.

- **The 1998 tax adjustments continued the reduction of the tax relief value on interest.** From 2001, when fully implemented, the adjustments no longer allow negative net capital income to be deducted, when calculating bottom-bracket tax. Following this, interest payments can only be deducted when calculating municipal taxes. This means that tax relief on interest now amounts to 33% for all taxpayers.

The next diagram shows the progress of decreasing the tax relief value on interest within the period from 1986 until 2008, and with the inclusion of the adjustment of middle bracket tax still valid.

Energy Taxes in Denmark

There are many direct and indirect energy related taxes in Denmark. They aim, while feeding the never saturated tax chest, to encourage companies and households to save on their energy consumption and reduce environmental damage. The normal energy taxes give the consumer an incentive to save on energy.

The rates for the regular energy taxes are determined according to the energy content in the fuel. The tax on coal, oil, natural gas and electricity used for heating, corresponds to around € 7 per GJ. However, this does not apply to energy used for vehicle motor fuel. Here the tax level is set as high as possible, while taking into account existing demands on mobility, distribution effects, competitiveness and border trade. The rates for the different types of fuel are stated in the energy tax laws per litre, per kg or m³. Energy taxes are paid by the energy supplier, who then transfers the charge to the consumer via the bill for the energy supplied.

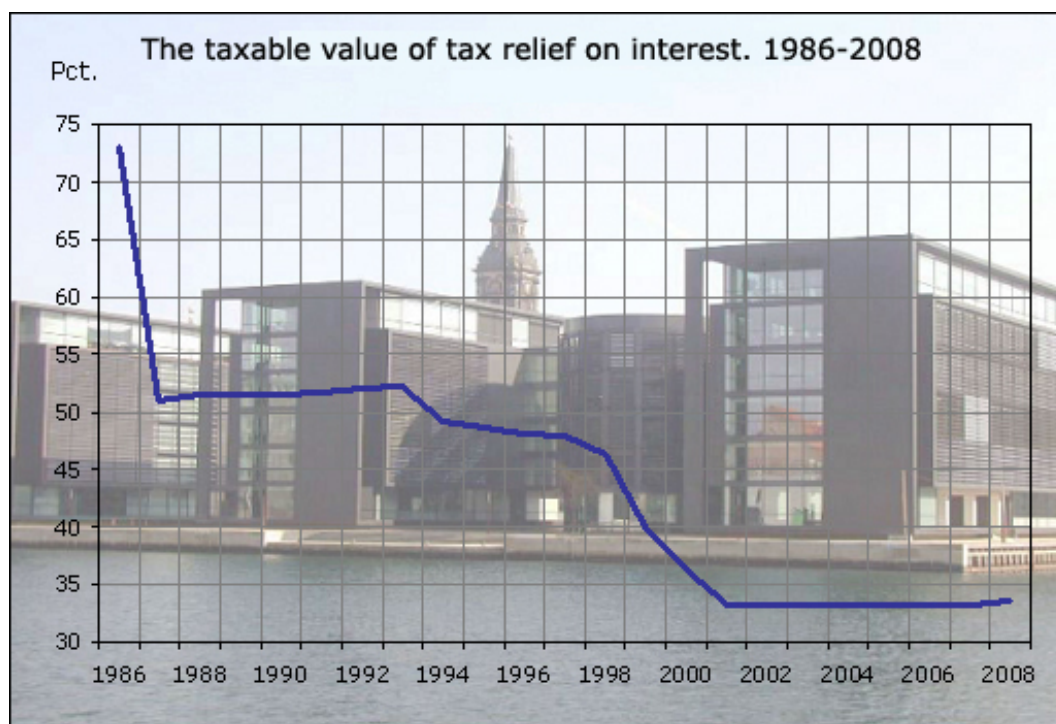


Diagram 7. Decrease of tax relief value on interest between 1986 and 2008

Electricity

In general terms, Danes pay extremely high combined price for the electricity, this being currently approximately between 29 and 30 Euro cents per kWh. Of the total kWh charge, the basis electricity price is around 22%, while the remaining part is made up of distribution charges, state tax and all rounded up by 25% VAT. There is however a slight reduction of approximately 2.2 Euro cents per kWh for owners of electricity heated homes, consuming over 4,000 kWh annually and fulfilling some additional specific conditions.

Registration of cars

Car taxes in Denmark consist of registration tax, vehicle excise duty, ownership fees, countervailing charges, insurance liability duties and road taxes. These taxes generate annually approximately € 4.7 billion of revenue, albeit the sum varies from year to another, since car sales are extremely sensitive to changes in the national economy.

Since its substantial contribution to the public revenue and its very unique position in the international taxing context, the Danish car taxing system is described below in some more detail. In addition, as seen from the below examples, the taxing also takes into account the environmental aspects.

For new cars, the registration tax is generally calculated as 105 % of the part of the dutiable value under € 10,255 and 180% on the part of the dutiable value exceeding this amount. For petrol powered cars the registration tax is reduced with € 540 for every kilometre that the car covers more than 16 km per one litre of fuel. For diesel-powered cars the registration tax is reduced with € 540 for every kilometre that the car covers more than 18 km per litre of fuel. For petrol powered cars the registration tax is increased by € 135 for every kilometre that the car covers less than 16 km per one litre of fuel. For diesel-powered cars the registration tax is raised with € 135 for every kilometre that the car covers less than 18 km pr. litre fuel.

The example below is slightly simplified and shows the calculation of registration tax for a new passenger car, the street price of which (with registration taxes paid) in 2007 were € 30,460.

Table 3. Car registration taxes in Denmark

Item	€
Supplier sales price ex. VAT	11,680
VAT of 25%	2,920
Allowances (radio, ABS, ESP)	-975
Taxable base	13,625
Registration tax	16,835
Total price for registered car	30,460

In addition to the registration tax, the Danish private car owners also pay the following duties and taxes:

- *Vehicle excise duty.* Vehicle excise duty is calculated based on the weight of the vehicle. As a rule, vehicle excise duty is payable on all cars registered before 1st June 1997. After 1st June 1997, vehicle excise duty was replaced by the green owner tax which is based on fuel consumption. Today, only cars registered before 1st June 1997 and commercial vehicles, lorries, camper vans and motor homes etc., continue to pay vehicle excise duty, since there is no official fuel consumption norm for vehicles produced before 1997 and for commercial vehicles and camper vans, which means it is impossible to calculate the green owner tax for these types of vehicles.
- *Green owner tax.* In 1997 the vehicle excise tax was replaced by the green owner tax. The green owner tax is a regular tax linked to the individual vehicle and is calculated exclusively on the vehicle's fuel consumption. The aim of the change was to reduce environmental damage caused by cars by linking the taxes more closely to the individual car's environmental performance. This change has led to a reduction in tax for fuel efficient vehicles. For example, for a diesel VW Lupo, the green owner tax is € 21,50 annually, while the owner of an automatic transmission Peugeot 607 with a 3 litre petrol engine must pay € 870 annually.
- *Countervailing charge.* In addition to paying vehicle excise duty or green owner tax, diesel cars also pay countervailing charge. The countervailing charge counteracts the difference in tax on petrol and diesel oil to create equality between cars that use diesel and cars that use petrol. When petrol tax is increased, the countervailing tax is increased and when the tax on diesel is increased, the countervailing charge is reduced. For normal diesel cars, the countervailing charge is calculated as a tax saving by using diesel instead of petrol for 16,000 km annually. This means that if you drive 16,000 km annually, the owner pays the same amount in tax regardless of whether you drive a petrol or diesel car.

Closing Remarks

Denmark has a relatively small but open economy, highly depending on international trade and without much pondus to influence the international state of the market or its central instruments, such as interest rates. For these reasons, it is essential for the Danish domestic economy to ensure that goods and services can be freely traded amongst the countries, and hence Denmark has been working actively for removing the trade hindrances within the framework of EU, OECD and WTO.

In spite of the dependency on the international state of the market, the Danish economy is at the moment regarded as one of strongest in Europe and boosting with more than 20 years the positive foreign trade balance. Denmark's status as a safe harbour for the troubled and roaring financial markets does not seem threatened throughout the 2012.

This may be the main explanation for Denmark being able to maintain the highest credit rating with Moody's, Standard & Poor's and Fitch, as all three institutions estimate the credit rating prospects as stable, while both Germany and France are facing less favourable rating prospects.

An equally important aspect behind the relatively advantageous position of Denmark may be found on the domestic political stage, where, irrespective from economic crisis, the politicians demonstrated great will for performing firm financial controls. Professor Nina Smith from the Aarhus University summa raised the situation as: *"The politicians, regardless of colour, have been very clearly communicating the responsibility for strict control of public finances. Combined with the good starting position, the consistent political messages over the past half year have been determinative factors for the credit rating institutions."*

Within the same context, as a characteristic feature, in Denmark the economic activities and inflation development are largely attempted regulated through the fiscal policy, with the monetary measures increasingly aiming at supporting the stability of the Danish currency. Since the second World War, Denmark has participated in various international currency cooperation arrangements, starting with the Bretton Woods (1948 till 1971, when it broke down), later in the EMS and since the 1990-ties in EMU. The 2000 referendum resulted in keeping the Danish kroner currency, and as such Denmark is not a part of the Euro zone, although the Danish kroner is pegged to the Euro.

The Danish labour market is to high extent self regulated and it is considered by the majority of population to function well, as it is based on the *"flexicurity"* principle, whereby the flexibility of the employment is largely balanced by substantial level of social security. This has probably contributed to the 2004 top ranking of the country within the EU in terms of that 76% of labour force of age between 15 and 64 years were employed.

The demographic trends in the country indicate a larger proportion of the senior citizens, as a result of declining fertility and increased life expectancy. In line with general socio economic development, this group shares the growing demands for the qualitative improvements of public services. In 2005 the national Welfare Commission presented its consolidated views on development of the Danish society until 2040, emphasising the increasing need for highly qualified labour force. It has been proposed that this demand should be satisfied through various incentives, including amongst other, a faster completion of studies, raising the general retirement age, stepwise abolishment of the early retirement, improved labour market integration of immigrants, et al.

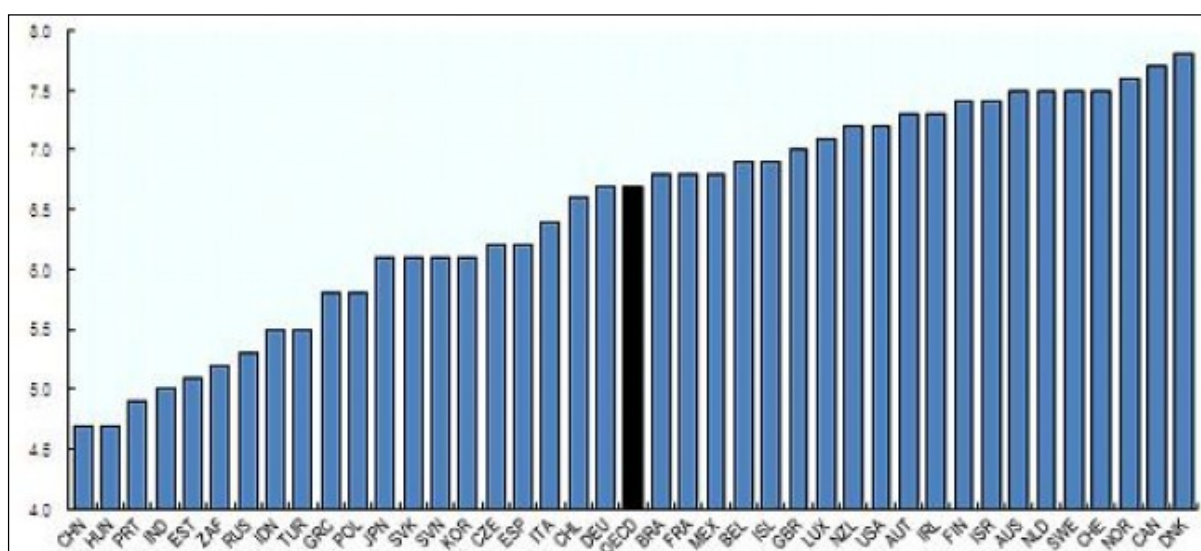


Diagram 8. OECD placing Denmark at the top of satisfaction rating

In lieu of this development, Danes by shifting governing coalitions have been promised the prospects of easing the income taxes at the cost of increased property related taxes and constantly increasing services charges and combined cost of commodities. Accustomed to the

long time tax flogging, most of Danes take a wait-and-see attitude, while according to the international research (wonder how the score and rating work), they remain the happiest nation on earth (source: OECD, October 2011).

Annex to the Box on the monitoring pattern of the demographic security of the Republic of Moldova

Indicators included for the demographic security assessment

Name of the blocks of policies	Name of the indicators included in the evaluation of the impact of the demographic, social, economic policies on the demographic security (the conclusive indicators that were kept for estimating the demographic security are written in black)
<i>1. Health Block, including:</i>	
1.1 Indicators of access to medical services	Degree of population insurance with doctors (per 10 thousand inhabitants); degree of population insurance with beds (per 10 thousand inhabitants); expenditures per 1 inhabitant (in lei/1 inhabitant); degree of the patient hospitalization (per 100 inhabitants).
1.2 Indicators of disease incidence	Incidence: general incidence of the population , per 10 thousand inhabitants; infectious and parasitic diseases , per 10 thousand inhabitants; tumours , per 10 thousand inhabitants; diseases of the circulatory apparatus, per 10 thousand inhabitants; diseases of the respiratory apparatus , per 10 thousand inhabitants; diseases of the digestive apparatus , per 10 thousand inhabitants; accidents, poisonings and traumas , per 100 thousand inhabitants; tuberculosis (new cases plus relapses), per 100 thousand inhabitants; alcoholism and alcoholic psychosis, per 100 thousand inhabitants; drug addiction, per 100 thousand inhabitants.
1.3 Indicators of mortality by main causes of death	Mortality of the population , total, per 100 thousand inhabitants; mortality of the population at home , per 100 thousand inhabitants; mortality of the population caused by malignant tumours , per 100 thousand inhabitants; mortality of the population caused by diseases of the circulatory apparatus , per 100 thousand inhabitants; mortality of the population caused by diseases of the respiratory apparatus , per 100 thousand inhabitants; mortality of the population caused by diseases of the digestive apparatus , per 100 thousand inhabitants; mortality of the population caused by accidents, poisonings and traumas , per 100 thousand inhabitants.
<i>2. Demographic Block, including:</i>	
2.1 Demographic characteristics of the population	Population aging coefficient , at the beginning of the year (number of persons aged 60 and more per 100 inhabitants); women/men in the territorial profile, at the beginning of the year; number of children aged 0-14 and elderly aged 60 and more per 100 persons aged 15-59 (by January 1); the average age of the population (total population by January 1).
2.2 General demographic indicators	Birth rate (per 1000 inhabitants); Mortality rate (per 1000 inhabitants); Infant mortality rate (per 1000 inhabitants); Nuptiality/marriage rate (per 1000 inhabitants); Divorciality/divorce rate (per 1000 inhabitants); Number of inhabitants per 1 square km ; Share of children born outside a marriage , in % compared to the total amount; Rate of the natural growth (per 1000 inhabitants).
<i>3. Economic Indicators Block</i>	
	Indices of the industrial production , in % compared to the previous year; agricultural land per 1 inhabitant (total amount of agricultural land in hectares/annual average number of the population); investments in fixed capital in house building , per 1 inhabitant, lei; retails sales of goods , per 1 inhabitant, lei; amount of paid services rendered to the population , per 1 inhabitant, lei; labour productivity (amount of production per one person of the industrial-productive personnel, lei); investments in fixed capital (in current prices, thousand lei) per 1 inhabitant; water delivered to the population per 1 inhabitant, thousands of cubic meters.

4. *Social Indicators Block*

The average size of the pension set for the age limit in % compared to the country average; **number of invalid children aged up to 16/18**, in % compared to the total number of disabled; **primary invalidity (new case) of the population**, per 100 thousand inhabitants; **monthly average nominal wage of an economy employee**, lei; **the sum due for wages**, in % compared to the country average; **providing habitable housing** per 1 inhabitant, habitable area in square meters per 1 inhabitant; providing total area per 1 inhabitant, with an average of 2 square meters of the total area for 1 inhabitant; **criminality rate** (number of registered crimes per 10000 inhabitants); **drinking water consumption** per 1 inhabitant, thousands of cubic meters.

5. *Employment Indicators Block*

Natural movement of workers, employees „+, released -“ (in persons, which was recalculated in % compared to the registered number of the employees); share of the unemployed who found a job after with assistance from the territorial employment agencies, % of the total number of the unemployed registered; newly created jobs, share of the total number in the country, %; **number of days of leave without pay or with the partial pay for 1 person; the sum due for the payment of wages to 1 employee**, thousand lei for an employee; share of the employees at SMEs, % compared to the total number of those employed at the administrative-territorial units; share of the temporarily absent population, gone abroad, aged 15-49, % compared to the total number of those gone abroad; **share of the economically active population**, % compared to the total number of the population.

6. *Education Indicators Block*

Number of children per one teacher in the preschool institutions (children/teacher); **number of children per 100 places in the preschool institutions** (children/100 places); number of children in high schools, gymnasiums, schools that teach during the first part of the day, in % compared to the total number of school children; **population with university education aged over 20**, in % compared to the total number of the population; **share of the illiterate population**, in % compared to the total number of the population; **share of children born from mothers with university education**, in % compared to the total number of new-borns.

STATISTICAL ANNEX

GDP (resurse)	GDP (nominal)		GVA		Agriculture		Industry		Constructions		Other activities		Net taxes	
	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Share in GDP, %	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y
2006	44754.4	104.8	37338.7	83.4	6488.8	97.2	6580.8	97.7	1776.5	132.4	22492.7	105.9	7415.6	111.0
2007	53429.6	103.0	44412.9	83.1	5333.9	65.0	7615.9	99.2	2585.9	121.2	28877.2	112.4	9016.7	106.7
2008	62921.5	107.8	51773.6	82.3	5544.0	141.1	8737.2	101.8	3115.0	100.3	34377.3	102.3	11148.0	113.1
2009	60429.8	94.0	50809.2	84.1	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	83.4	8657.4	107.4	9534.8	108.9	2437.5	112.7	39291.0	105.1	11964.8	111.7
Jan.-Sep. 2006	34015.3	104.6	28919.5	85.0	5250.4	97.4	4959.3	93.0	1550.9	115.9	17158.9	108.5	5095.8	109.5
Jan.-Sep. 2007	40466.2	103.3	34096.7	84.3	4433.6	67.7	5978.1	100.2	2373.5	127.1	21311.5	107.7	6369.5	120.9
Jan.-Sep. 2008	47165.2	107.6	39408.6	83.6	3447.3	123.8	6944.7	101.8	3119.8	99.6	25896.8	106.1	7756.6	109.6
Jan.-Sep. 2009	44654.3	92.3	37839.8	84.7	3260.2	89.4	5996.3	76.7	1956.3	69.2	26627.0	98.8	6814.5	94.9
Jan.-Sep. 2010	52329.2	106.5	43818.7	83.7	4815.9	106.6	6943.0	106.4	2013.3	103.9	30046.5	104.2	8510.4	116.1
Jan.-Sep. 2011	60496.6	106.7	50800.6	84.0	6666.2	102.9	8204.6	110.3	2349.2	107.1	33580.6	105.8	9696.0	108.6
Q I 2009	13125.7	93.1	11132.4	84.8	640.5	103.0	1773.9	75.9	457.7	68.7	8260.2	99.9	1993.3	92.0
Q II 2009	14991.5	91.4	12714.2	84.8	1337.8	101.8	1834.8	75.3	696.9	76.5	8844.7	97.5	2277.4	85.4
Q III 2009	16537.0	92.5	13993.2	84.6	1281.9	76.3	2387.6	78.6	801.7	63.8	9522.0	99.1	2543.8	106.5
Q IV 2009	15775.5	99.2	12969.4	82.2	1874.3	91.2	2034.5	93.2	152.4	99.2	8908.2	101.5	2806.1	97.8
Q I 2010	14549.4	104.7	12233.2	84.1	659.0	103.5	2137.4	105.6	358.9	76.8	9077.9	102.3	2316.2	120.6
Q II 2010	17325.0	106.4	14427.4	83.3	1707.8	107.8	2119.4	108.2	720.3	105.4	9879.9	104.1	2897.6	113.5
Q III 2010	20454.8	108.0	17158.1	83.9	2449.1	106.9	2686.3	105.6	934.1	118.1	11088.6	106.0	3296.6	114.8
Q IV 2010	19556.3	108.8	16102.0	82.3	3841.5	108.8	2591.8	116.4	424.2	225.4	9244.5	107.6	3454.3	100.9
Q I 2011	16784.3	108.4	13916.5	82.9	684.0	106.4	2493.6	108.8	399.5	104.0	10339.3	106.2	2867.8	117.9
Q II 2011	19843.3	106.8	16694.3	84.1	2108.9	102.1	2492.2	109.8	987.3	124.9	11105.9	106.1	3149.0	105.2
Q III 2011	23869.0	105.3	20189.8	84.6	3873.2	102.4	3218.7	111.9	962.4	94.6	12135.5	105.3	3679.2	105.2

GDP (expenditures)	GDP (nominal)		Final Consumption		FGCF		Stocks		Net Exports	
	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y
2006	44754.4	104.8	50972.5	121.3	12691.5	121.3	1964.6	76.3	-20874.2	119.1
2007	53429.6	103.0	60618.1	125.5	18221.7	125.5	2138.1	99.4	-27548.3	118.5
2008	62921.5	107.8	71451.4	102.2	21391.4	102.2	3291.6	146.2	-33212.8	102.4
2009	60429.8	94.0	68574.0	69.1	13655.0	69.1	329.7	9.5	-22128.8	67.6
2010	71885.5	107.1	83240.3	117.2	16262.6	117.2	648.1	157.9	-28265.5	114.8
Jan.-Sep. 2006	34015.3	104.6	38392.6	116.2	8209.5	116.2	1664.4	110.7	-14251.2	123.9
Jan.-Sep. 2007	40466.2	103.3	47154.0	128.9	10269.6	128.9	2190.3	116.1	-19147.7	119.6
Jan.-Sep. 2008	47165.2	107.6	56577.7	109.3	12911.1	109.3	2379.4	89.9	-24703.0	105.7
Jan.-Sep. 2009	44654.3	92.3	52784.6	60.5	7639.9	60.5	-619.0	-27.3	-15151.2	65.4
Jan.-Sep. 2010	52329.2	106.5	62350.7	112.8	8837.3	112.8	1708.4	-254.9	-20567.2	116.6
Jan.-Sep. 2011	60496.6	106.7	73316.0	113.2	10568.8	113.2	776.3	40.4	-24164.5	110.2
Q I 2009	13125.7	93.1	16537.8	63.6	1992.3	63.6	-479.1	-103.3	-4925.2	61.0
Q II 2009	14991.5	91.4	17427.7	63.1	3048.6	63.1	-581.5	-53.9	-4903.3	60.7
Q III 2009	16537.0	92.5	18819.2	55.6	2598.9	55.6	441.7	68.8	-5322.7	74.5
Q IV 2009	15775.5	99.2	15789.4	82.3	6015.1	82.3	948.6	105.5	-6977.6	74.0
Q I 2010	14549.4	104.7	18420.7	79.7	1608.7	79.7	269.5	-39.4	-5749.5	98.1
Q II 2010	17325.0	106.4	20731.4	113.7	3541.9	113.7	710.0	-130.7	-7658.3	135.6
Q III 2010	20454.8	108.0	23198.6	137.0	3686.7	137.0	728.9	142.4	-7159.4	116.3
Q IV 2010	19556.3	108.8	20889.6	122.7	7425.3	122.7	-1060.4	-111.4	-7698.2	110.9
Q I 2011	16784.3	108.4	21476.2	124.9	2078.1	124.9	497.3	177.8	-7267.3	120.4
Q II 2011	19843.3	106.8	23967.4	127.1	4736.9	127.1	-398.8	-59.1	-8462.2	105.8
Q III 2011	23869.0	105.3	27872.4	94.8	3753.8	94.8	677.8	86.4	-8435.0	106.7

	Consumintermediar		Volumulproductiei		Productiaagricola		Productiaindustriala	
	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y	Millions MDL, current prices	Growth, y-o-y
2006					13734	98.9	22370.7	112.2
2007	75089.3	106	119502.2	104.6	12825	76.9	26173.5	113.4
2008	91228.94	105.5	143002.5	106	16503	132.1	29988.4	110.4
2009	76857.17	84.2	127666.4	87.6	13300	90.4	22643.9	97
2010	89937.97	108.8	149858.7	107.8	19873	107.9	28140.1	107.9
Jan.-Sep. 2006					10106	98.9	11215.4	93
Jan.-Sep. 2007					9245	79.1	13577.0	100.6
Jan.-Sep. 2008	66012.37		105421		11688	127.3	21776.9	102.8
Jan.-Sep. 2009	54926.76	83.9	92766.55	86.8	8578	89.8	16321.1	75.7
Jan.-Sep. 2010	63248.51	106.1	107067.2	105.6	11897	108.7	18666.6	106.3
Jan.-Sep. 2011	71626.86	107.2	122427.4	106.8	15571	103.7	22504.8	110

	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)
2006	12.7	9.1	16.4	14.7
2007	12.3	11	13.1	14.3
2008	12.7	15.6	8.3	16.5
2009	0	-5.6	-0.3	8.2
2010	7.4	5.7	7.3	9.1
Jan.- sep. 2006	12.2	8.9	16.5	12.8
Jan.- sep. 2007	11.9	9.2	13.6	14.9
Jan.- sep. 2008	14.2	18.3	9.7	16.5
Jan.- sep. 2009	0.2	-5.7	-0.6	10.1
Jan.- sep. 2010	7.2	5.3	7.3	8.8
Jan.- sep. 2011	7.3	8.4	5.6	7.9
Quarter I 2009	3.2	-0.7	0.5	14.1
Quarter II 2009	-0.9	-8.3	-1.2	10.7
Quarter III 2009	-1.7	-7.9	-1.2	5.9
Quarter IV 2009	-0.6	-5.3	0.8	3
Quarter I 2010	5.8	3.5	6.6	6.7
Quarter II 2010	7.9	6	8.4	9
Quarter III 2010	7.8	6.4	7	10.8
Quarter IV 2010	7.9	7	7.1	10
Quarter I 2011	6.1	5.4	5.6	7.4
Quarter II 2011	7.1	7.8	5.1	8.6
Quarter III 2011	8.8	12.1	6.2	7.8

	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 2010	2.9	-0.6	4.4	4.7
February 2010	6.5	4.3	6.9	7.6
March 2010	8.1	7	8.5	7.8
April 2010	8.1	6.8	8.7	8
May 2010	7.9	6	8.5	8.9
June 2010	7.8	5.3	7.9	10.1
July 2010	7.6	5.8	7.1	10.6
August 2009	7.8	6.3	7.1	10.8
September 2010	8	7.1	6.8	11.1
October 2010	8	7.2	7	10.3
November 2010	7.7	6.7	6.7	10.1
December 2010	8.1	7.1	7.7	9.7
January 2011	6.7	6.3	6.6	7.1
February 2011	5.7	5	5.4	6.6
March 2011	5.8	4.8	4.8	8.4
April 2011	6.5	6	5	9.1
May 2011	7	7.1	5.1	9.1
June 2011	7.7	10.3	5.1	7.7
July 2011	8.3	11.4	5.6	7.6
August 2010	9.2	13.6	6.2	7.7
September 2011	8.8	11.4	6.8	8

	Growth rate of PPI, % (compared to the same period of previous year)	Growth rate of prices in mining industry, % (compared to the same period of previous year)	Growth rate of prices in manufacturing industry, % (compared to the same period of previous year)	Growth rate of prices in energy sector, % (compared to the same period of previous year)	Growth rate of construction prices, % (compared to the same period of previous year)	Growth rate of agricultural prices, % (compared to the same period of previous year)
2006	12.2	33	14	3.6	20.1	2.9
2007	13.4	23.9	9	91.2	20.4	39.2
2008	10.4	19.2	9.3	33	20	-14.2
2009	-3	-4.5	-3.9	14	-11.9	-18.5
2010	7.9	0.7	6.2	16.1	2.3	42.9
Jan.- sep. 2006	12	37.3	13.6	3.9		-0.6
Jan.- sep. 2007	12.7	25.1	8.4	87.2		38.4
Jan.- sep. 2008	12.5	21	11.7	29.3		4.0
Jan.- sep. 2009	-3.7	-3.5	-4.8	19.5		-31.3
Jan.- sep. 2010	8.3	0	6.7	15.3		32.4
Jan.- sep. 2011	6.3	3.5	5.7	9.6		19.9
Quarter I 2009	-3.3	3.8	-4.9	29.3	-2.9	
Quarter II 2009	-4.2	-4.5	-5.5	23.4	-10.2	
Quarter III 2009	-3.6	-9.0	-4.1	8.6	-7.7	
Quarter IV 2009	-0.9	-7.5	-1.0	0.3	-9.1	
Quarter I 2010	8.6	-1.3	7.7	11.1	-2.8	
Quarter II 2010	8.4	1.4	6.7	16.7	1	
Quarter III 2010	7.9	0.0	5.9	18.2	-1.2	
Quarter IV 2010	6.7	2.7	4.6	18.3	2	
Quarter I 2011	4.7	3.6	3.8	9.2	4.3	
Quarter II 2011	6.3	3.6	5.7	10.1	5.3	
Quarter III 2011	7.9	3.4	7.6	9.6	8.1	

	Growth rate of PPI, % (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 2010	5.3	-1.8	5.1	5.3
February 2010	10.3	-1.5	9.1	13.8
March 2010	10.2	-0.6	8.9	14.4
April 2010	9.5	1	8.2	14.4
May 2010	8.1	1	6.2	17
June 2010	7.7	2.3	5.6	18.6
July 2010	8.1	0.9	6	18.2
August 2009	8.5	-0.5	6.6	18.2
September 2010	7.2	-0.5	5.2	18.2
October 2010	6.9	1.2	4.8	18.2
November 2010	6.8	1.9	4.6	18.3
December 2010	6.5	4.9	4.4	18.4
January 2011	4.2	2.8	2.7	12.2
February 2011	4.9	2.8	4.4	8
March 2011	4.9	5.2	4.4	7.4
April 2011	5.5	4.5	4.6	10.5
May 2011	6.9	4.9	6.3	10.7
June 2011	6.6	1.3	6.2	9.2
July 2011	8	3.4	7.8	9.6
August 2010	7.7	3.4	7.4	9.6
September 2011	7.9	3.4	7.7	9.6

	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)
2006	13.1	16.5	4.2	5	-4.6	-4.8
2007	12.1	16.6	-7.5	0.7	-15.4	-8.4
2008	10.4	15.3	-14.4	-7.9	-21.2	-15.9
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
Jan.- sep. 2006	13.1	16.3	4.4	2.7	-3.6	-6.4
Jan.- sep. 2007	12.4	16.6	-5.5	2	-13.5	-7
Jan.- sep. 2008	10.4	15.8	-16.1	-4.9	-23.3	-13.9
Jan.- sep. 2009	11	15.1	5.8	-4.8	4.8	-4.7
Jan.- sep. 2010	12.5	16.5	13.7	9.3	7.9	3.5
Jan.- sep. 2011	11.7	16.5	-6.4	0.1	-10.1	-4.3
Quarter I 2009	10.6	13.9	-4.5	-16.3	-7.5	-18.1
Quarter II 2009	11.2	15.2	8.8	-5.3	8.6	-4.2
Quarter III 2009	11.2	16.1	14.5	8.6	14.6	10.2
Quarter IV 2009	11.4	16.8	10.1	23	12.3	24.3
Quarter I 2010	12.6	17.4	18.4	24.9	14.5	19.4
Quarter II 2010	12.7	16.2	13.2	6.1	6.7	-0.1
Quarter III 2010	12.3	15.9	9.8	-1.1	2.8	-6.9
Quarter IV 2010	11.9	16.2	4.4	-3.9	-2.1	-9.2
Quarter I 2011	12.1	16.5	-4	-5.3	-7.7	-8.6
Quarter II 2011	11.6	16.7	-8.3	3.5	-11.6	-0.7
Quarter III 2011	11.5	16.3	-6.7	2.5	-11.0	-3.3

	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 2010	12.4	17.7	18.4	24.9	18	22.5
February 2010	12.7	17.4	20.7	29	15.7	22.1
March 2010	12.6	17.1	16.3	21.1	10.1	13.8
April 2010	12.5	16.7	12.0	13.8	5.9	7
May 2010	12.7	16.0	12.5	4.6	6.3	-1.5
June 2010	12.9	15.8	15.2	0.5	8	-5.4
July 2010	12.6	16.0	12.3	1.4	5.5	-4.3
August 2009	12.1	15.7	8.2	-2.0	1.3	-7.8
September 2010	12.2	15.9	8.8	-2.8	1.6	-8.5
October 2010	11.8	16.3	5.1	-1.4	-1.8	-7.2
November 2010	11.8	16.2	6.6	-2	0	-7.3
December 2010	12.2	16.0	1.8	-8	-4.5	-13.1
January 2011	12.2	16.3	-1.2	-7.5	-6.1	-11.4
February 2011	12.0	16.4	-5.8	-6	-9.1	-9
March 2011	11.9	16.7	-5.1	-2.3	-7.9	-5.3
April 2011	11.7	16.9	-6.3	0.7	-9.4	-2.9
May 2011	11.6	16.7	-8.5	4.3	-11.6	0
June 2011	11.6	16.7	-10.2	5.7	-13.7	0.7
July 2011	11.5	16.5	-8.4	2.8	-12.4	-2.7
August 2010	11.4	16.3	-6.2	4.2	-10.9	-2.3
September 2011	11.6	16.0	-5.3	0.5	-9.6	-4.9

Period	PNB revenues, MDL million	Increase on PNB revenues, % (compared to the previous period)	PNB expenditures, MDL million	Increase on PNB expenditures, % (compared to the previous period)	Government Debt, MDL million (end of period balance)	Sources of financing public deficit, MDL million (end of period balance)
2006	17827.2	23%	17973.9	29%	13058.6	146.7
2007	22292	25%	22415.6	25%	12393.1	123.6
2008	25516.9	14%	26146.9	17%	11604.36	630
2009	23517.7	-8%	27354.3	5%	14622.6	3836.6
2010	27550.9	17%	29328.9	7%	18870.8	1778
<i>Jan.- Sep. 2006</i>	12399.4	21%	12100.7	24%	-	-
<i>Jan.- Sep. 2007</i>	15336.1	24%	15390.2	27%	-	-
<i>Jan.- Sep. 2008</i>	18192.6	19%	18103.4	18%	-	-
<i>Jan.- Sep. 2009</i>	16656.7	-8%	19406.9	7%	-	-
<i>Jan.- Sep. 2010</i>	16720.4	0%	20608.1	6%	-	-
<i>Jan.- Sep. 2011</i>	21533.7	29%	26180.6	27%	-	-
Quarter I 2009	4974.8	-9%	6057.3	17%		1082.5
Quarter II 2009	5858.2	-7%	6853.5	5%	12936.4	2077.8
Quarter III 2009	5823.7	-9%	6496.1	2%	13805.3	2750.2
Quarter IV 2009	6861	-6%	7947.4	-1%	14622.6	3836.6
Quarter I 2010	5582.4	12%	6451.2	7%	17458.1	868.8
Quarter II 2010	6817.4	16%	7253.9	6%	18005.1	1305.3
Quarter III 2010	6711.9	15%	6903	6%	18564.7	1496.4
Quarter IV 2010	8439.2	23%	8720.8	10%	18870.8	1778
Quarter I 2011	6122	10%	6640.5	3%	18768	518.5
Quarter II 2011	7524.5	10%	8368.6	15%	18991.7	1362.6
Quarter III 2011	7887.2	18%	11171.5	62%	19875.2	1407.9

Period	PNB revenues. MDL million	Increase on PNB revenues. % (compared to the previous period)	PNB expenditures. MDL million	Increase on PNB expenditures. % (compared to the previous period)	Government Debt. MDL million (end of period balance)	Sources of financing public deficit . MDL million (end of period balance)
January 2010	1520.5	6%	1802.4	14%	14512.7	281.9
February 2010	1785.5	-5%	2147.6	-1%	17177.3	644
March 2010	2276.4	37%	2501.2	8%	17458.1	868.8
April 2010	2343.6	15%	2328.9	-1%	17589.2	854.1
May 2010	2111.3	16%	2242	9%	17861	984.4
June 2010	2362.5	18%	2683	10%	18005.1	1305.3
July 2010	2198.2	10%	2415.2	-3%	17818.6	1522.3
August 2010	2122.4	17%	2081.2	13%	18361.3	1481.1
September 2010	2391.3	19%	2406.6	10%	18564.7	1496.4
October 2010	2340.3	19%	2441.6	22%	18308.2	1597.7
November 2010	2343.4	10%	2765	14%	18411.9	2019.3
December 2010	3755.5	36%	3514.2	0%	18870.8	1778
January 2011	1840.9	21%	1876.8	4%	18849.3	35.9
February 2011	1902.4	7%	2291.4	7%	18851.1	424.9
March 2011	2378.7	4%	2472.3	-1%	18768	518.5
April 2011	2222.8	-5%	2702.3	16%	19003.5	998
May 2011	2482.3	18%	2679.1	19%	18909.6	1194.8
June 2011	2819.4	19%	2987.2	11%	18991.7	1362.6
July 2011	2547.2	16%	2851.7	18%		1909.9
August 2011	2439.1	15%	2317.9	11%		1900.6
September 2011	2900.9	21%	2473.7	3%	19875.2	1407.9

Period	Loans structure, %											
	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	Loans to agriculture and food industry, %	Loans for real estate, construction and development, %	Consumer credit, %	Loans to energy industry and fuel, %	Banks loans, %	Loans to Government, %	Loans to industry/trade, %	Loans for roads construction and transportation, %	Other loans, %
2005	18007683.31	14997885.58	13444.2	23.97	6.86	7.8	2.89	0.45	1.32	48.08	2.92	5.71
2006	22776727.9	18843026.11	16590.3	18.66	10.6	9.2	2.18	0.71	1.37	48.88	3.38	5.02
2007	31978663.96	26454375.89	26486.8	13.85	12.78	14.06	2.03	0.5	0.4	48.57	2.23	5.58
2008	39122691.17	32088011.63	27811.8	13.27	14.63	12.92	1.98	0.12	0.18	48.72	1.57	6.61
2009	39915006	33008335.6	14246.5	15.87	12.54	8.73	3.3	0.05	0.07	51.6	1.42	6.4
2010	42302918.96	35013033.34	23429.8	14.85	12.33	8.4	3.61	0.08	0.08	51.44	3.54	5.7
Jan.-Sept. 2006	20917591.02	17410215.34	1525.8	20.44	9.17	8.64	2.3	0.71	0.99	48.95	2.62	6.18
Jan.-Sept. 2007	30043135.39	25429701.65	2459.4	15.43	12.26	13.97	2.06	0.72	0.55	46.8	2.27	5.94
Jan.-Sept. 2008	39356239.48	32598570.31	2677.6	13.6	14.47	13.32	1.94	0.26	0.17	47.98	1.72	6.54
Jan.-Sept. 2009	37797021.5	30980486.4	1336.5	15.88	12.47	10.25	2.75	0.07	0.07	50.61	1.45	6.45
Jan.-Sept. 2010	40865287.84	38516718.02	25896.4	16.17	12.73	8.57	3.77	0.1	0.04	49.54	3.04	6.03
Jan.-Sept. 2011	46322984.98	33483173.31	30076.6	13.83	11.91	6.75	4.11	0.05	0.04	54.91	2.54	5.85
Quarter I 2009	37572432.3	30461936.8	24660.8	13.2	14.58	12.37	1.98	0	0.13	50.2	1.38	6.17
Quarter II 2009	36586829.4	29749716.29	24660.8	14.98	12.82	11.27	2.24	0.07	0.11	50.22	1.51	6.77
Quarter III 2009	37797021.5	30980486.4	23847.3	15.88	12.47	10.25	2.75	0.07	0.07	50.61	1.45	6.45
Quarter IV 2009	39915006	33008335.6	23505.4	15.87	12.54	8.73	3.3	0.05	0.07	51.6	1.42	6.4
Quarter I 2010	3930920677	3222470989	23740.4	15.82	12.13	8.45	3.15	0.07	0.05	53.17	1.29	5.87
Quarter II 2010	39653431.7	32546028.2	24903	16.05	12.39	8.18	3.21	0.14	0.06	51.11	2.88	5.97
Quarter III 2010	40865287.84	38516718.02	25896.4	16.17	12.73	8.57	3.77	0.1	0.04	49.54	3.04	6.03

Period	Loans structure, %									Loans (stock at the end of period), million MDL	Bank liabilities (stock at the end of period), million MDL	Bank assets (stock at the end of period), million MDL
	Loans to agriculture and food industry, %	Loans for real estate, construction and development, %	Consumer credit, %	Loans to energy industry and fuel, %	Banks loans, %	Loans to Government, %	Loans to industry/trade, %	Loans for roads construction and transportation, %	Other loans, %			
Quarter IV 2010	14.85	12.33	8.4	3.61	0.08	0.08	51.44	3.54	5.7	26915.5	35013033.34	42302918.96
Quarter I 2011	14.75	11.24	8.05	3.66	0.1	0.05	53.41	3.16	5.58	27481.8	36039545.85	43494259.88
Quarter II 2011	14.57	11.69	8.23	3.81	0.07	0.05	52.91	2.8	5.88	28833.4	37354219.4	44837379.68
Quarter III 2011	13.83	11.91	6.75	4.11	0.05	0.04	54.91	2.54	5.85	30076.6	33483173.31	46322984.98
ian.10	15.84	12.25	8.73	3.27	0.02	0.05	52.18	1.43	6.22	23648.1	32688158.16	39645717.2
feb.10	15.73	12.29	8.56	3.08	0.05	0.06	52.77	1.39	6.08	23614.9	32494778.8	39548558.9
mar.10	15.82	12.13	8.45	3.15	0.07	0.05	53.17	1.29	5.87	23740.4	3222470989	3930920677
apr.10	15.87	12.27	8.45	2.92	0.07	0.06	52.96	1.66	5.74	23849.4	32385972.14	3951049906
mai.10	16	12.14	8.29	3	0.07	0.05	51.83	2.84	5.78	24390	32329699.37	39385857.36
iun.10	16.05	12.39	8.18	3.21	0.14	0.06	51.11	2.88	5.97	24903	32546028.2	39653431.7
iul.10	16.08	12.57	8.45	3.06	0.11	0.05	51.31	2.85	5.52	25312.4	32829967.34	40023064.75
aug.10	16.39	12.84	8.53	3.32	0.1	0.05	50.1	2.75	5.92	25660.3	32848479.57	40107087.08
sep.10	16.17	12.73	8.57	3.77	0.1	0.04	49.54	3.04	6.03	25896.4	33483173.31	40865287.84
oct.10	15.84	12.6	8.48	3.69	0.1	0.04	50.27	2.96	6.02	26459.8	33625402.69	41107397.84
nov.10	15.4	12.68	8.41	3.69	0.04	0.06	50.51	3.21	6.01	26831.5	34096665.6	41586026.78
dec.10	14.85	12.33	8.4	3.61	0.08	0.08	51.441	3.54	5.7	26915.5	35013033.34	42302917.96
ian.11	14.81	12.33	8.3	3.54	0.04	0.07	51.61	3.49	5.8	26971.1	35508020.14	42867398.67
feb.11	14.74	11.91	8.2	3.77	0.04	0.06	52.24	3.33	5.71	27346	35798645.23	43188907.55
mar.11	14.75	11.24	8.05	3.66	0.1	0.05	53.41	3.16	5.58	27481.8	36039545.85	43494259.88
apr.11	15.27	11.79	8.11	3.7	0.04	0.04	52.74	2.97	5.35	27844.6	36333330.36	43786457.25
mai.11	15.27	11.86	8.18	3.68	0.04	0.04	52.71	2.88	5.34	28157.4	36667328.97	44105507.72
iun.11	14.57	11.69	8.23	3.81	0.07	0.05	52.91	2.8	5.88	28833.4	37354219.4	44837379.68
iul.11	14.37	12.01	8.47	3.71	0	0.05	52.74	2.83	5.83	28776.2	37236029.98	44812702.04
aug.11	14.43	11.99	8.53	3.81	0	0.04	52.55	2.71	5.93	29293.3	37905950.26	45623382.56
sep.11	13.83	11.91	6.75	4.11	0.05	0.04	54.91	2.54	5.85	30076.6	38516718.02	46322984.98

Period	Total Depozitemil.M DL (sold la sfirşit de perioadă)	Deposits structure, %				Profitability indicators, %		Liquidity Indicators, %		Deposit interes trates, %		Loan sinteres trates, %	
		Deposits of individuals, %	Corporate deposits, %	Deposits of natural persons and legal entities, %	Currency deposits, %	Profitability indicators	Return on equity, %	Ratio I, %	Ratio II > 20%	In MDL, %	Incurency, %	In MDL, %	Incurency, %
2005	10623.7	50.19	46.17	73.49	38.2	3.16	17.34	0.53	36.71	12.99	5.15	18.33	11.07
2006	13674.9	53.59	40.04	70.88	49.24	3.44	20.67	0.58	33.48	11.93	5.17	18.18	11.06
2007	21053.5	61.1	31.35	66.74	48.56	3.94	24.16	0.73	28.98	15.13	6.01	18.85	10.88
2008	33766.3	62.86	28.08	63.22	46.41	3.49	19.91	0.65	30.63	18.09	9.64	20.96	12.02
2009	38026.7	62.33	30.33	61.32	53.59	-0.39	-2.12	0.6	38.27	14.66	7.61	20.31	12.51
2010	36507.3	63.28	33.96	66.02	48.45	0.54	3.04	0.67	24.15	7.56	3.42	16.25	9.91
Jan.-Sept. 2006	6551.2	52.54	41.78	71.31	48.26	3.32	20.02	0.54	35.03	12.62	5.26	18.61	11.05
Jan.-Sept. 2007	9918.6	54.87	39.66	70.24	47.71	4.12	25.31	0.7	33.78	14.87	6.1	18.87	10.9
Jan.-Sept. 2008	14602.8	64.27	28.5	65.82	46.54	4.04	23.31	0.63	31.43	18.99	10.93	22.99	12.95
Jan.-Sept. 2009	11166.5	62.62	29.44	60.58	54.56	0.16	0.87	0.62	34.53	10.77	4.88	19.04	11.89
Jan.-Sept. 2010	13851.8	63.05	33.68	64.68	48.88	1.24	6.94	0.67	34.05	7.43	3.48	15.8	9.77
Jan.-Sept. 2011	16629.5	64.51	32.96	66.69	46.91	1.96	11.53	0.68	31.67	6.87	3.94	14.11	8.86
Quarter I 2009	11547.1	63.33	28.35	61.76	53.39	1.41	7.53	0.65	29.27	19.36	10.18	23.13	13.3
Quarter II 2009	11187.2	63.15	28.59	60.64	56.56	0.47	2.51	0.64	31.46	15.04	8.16	18.94	13.09
Quarter III 2009	11166.5	62.62	29.44	60.58	54.56	0.16	0.87	0.62	34.53	10.77	4.88	19.04	11.89
Quarter IV 2009	12091.7	62.33	30.33	61.32	53.59	-0.39	-2.12	0.6	38.27	14.66	7.61	20.31	12.51
Quarter I 2010	12689.4	63.23	31.08	36.18	51.31	1.59	8.9	0.6	36.49	9.11	3.37	17.25	10.21
Quarter II 2010	12989.1	64.05	31.49	62.95	49.7	1.78	9.94	0.62	34.81	6.65	3.32	16.46	10.49
Quarter III 2010	13851.8	63.05	33.68	64.68	48.88	1.24	6.94	0.67	34.05	7.43	3.48	15.8	9.77

Period	Total Depozitemil.M DL (sold la sfârșit de perioadă)	Deposits structure, %				Profitability indicators, %		Liquidity Indicators, %		Deposit interes trates, %		Loan sinteres trates, %	
		Deposits of individuals, %	Corporate deposits, %	Deposits of natural persons and legal entities, %	Currency deposits, %	Profitability indicators	Return on equity, %	Ratio I, %	Ratio II >20%	In MDL, %	Incurency, %	In MDL, %	Incurency, %
Quarter IV 2010	14661.9	63.28	33.96	66.02	48.45	0.54	3.04	0.67	24.15	7.56	3.42	16.25	9.91
Quarter I 2011	15268.7	65.43	32.54	66.63	47.98	1.73	10.07	0.7	33.2	7.88	3.38	14.6	9.09
Quarter II 2011	15929.2	66.04	31.78	67.06	47.64	1.75	10.32	0.72	31.77	7.28	3.58	14.2	8.9
Quarter III 2011	16629.5	64.51	32.96	66.69	46.91	1.96	11.53	0.68	31.67	6.87	3.94	14.11	8.86
ian.10	12339.6	63.3	30.93	62.99	53.32	1.55	8.81	0.61	38.1	9.7	3.59	17.03	10.67
feb.10	12181.7	64.01	30.31	62.9	51.25	1.49	8.38	0.61	38.29	8.45	3.63	17.78	10.37
mar.10	12689.4	63.23	31.08	36.18	51.31	1.59	8.9	0.6	36.49	9.11	3.37	17.25	10.21
apr.10	12667.2	63.87	30.83	62.98	50.18	1.51	8.46	0.62	37.55	8.31	3.37	16.85	10.29
mai.10	12824.2	63.73	31.59	62.99	49.75	1.78	9.96	0.65	35.55	6.45	3.32	16.81	10.15
iun.10	12989.1	64.05	31.49	62.95	49.7	1.78	9.94	0.62	34.81	6.65	3.32	16.46	10.49
iul.10	13164.7	64.09	31.61	63.24	49	1.89	10.57	0.64	33.94	7.79	3.43	16.02	10.43
aug.10	13337.3	63.29	32.53	63.15	48.88	1.92	10.71	0.66	33.59	7.99	3.52	16.44	9.29
sep.10	13851.8	63.05	33.68	64.68	48.88	1.24	6.94	0.67	34.05	7.43	3.48	15.8	9.77
oct.10	14086.8	63.64	33.3	64.7	48.32	1.4	7.76	0.68	33.19	6.79	3.43	15.88	9.65
nov.10	14337.3	63.23	33.84	64.93	47.92	1.28	7.11	0.69	33.36	6.82	3.18	15.24	9.31
dec.10	14661.9	63.28	33.96	66.02	48.45	0.54	3.04	0.67	34.15	6.54	3.29	14.76	9.25
ian.11	14893.8	63.82	33.62	66.5	48.55	1.99	11.58	0.67	34.15	6.79	3.41	15.24	9.31
feb.11	15146.6	64.6	33.34	66.84	48.28	1.72	10.02	0.68	34.6	7.82	3.43	14.53	9.25
mar.11	15268.7	65.43	32.54	66.63	47.98	1.73	10.07	0.7	33.2	7.88	3.38	14.6	9.09
apr.11	15191.9	66.38	31.37	66.3	48.3	1.7	9.92	0.7	32.82	7.23	3.64	15.05	8.67
mai.11	15782.5	65.79	32.07	66.91	47.2	1.82	10.68	0.71	33.34	7.83	3.38	14.59	8.96
iun.11	15959.2	66.04	31.78	67.06	47.64	1.75	10.32	0.72	31.77	7.28	3.58	14.2	8.9
iul.11	16213.3	65.75	31.97	67.1	46.84	1.86	10.97	0.71	32.3	7.75	3.54	14.32	9.23
aug.11	16466.6	65.38	32.31	66.87	46.71	1.91	11.25	0.7	32.68	8	3.87	14.06	8.88
sep.11	16629.5	64.51	32.96	66.69	46.91	1.96	11.53	0.68	31.67	6.87	3.94	14.11	8.86

	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)
2006	5145.8	8268.3	12485.3	19558.1	6512.3
2007	6664.9	10923.6	18396.8	27344.2	9537.2
2008	7578.7	11609.2	21774.1	31680.8	11633.6
2009	8849	13206.8	20942	32684.4	10456.3
2010	10107.6	15720.2	24770.7	37051.2	12115
Jan.- sep. 2006	4744.4	7584.1	11308.2	17835.5	6203.6
Jan.- sep. 2007	5928.4	9518.4	15867.2	24767.2	7499.2
Jan.- sep. 2008	7176.5	11400.3	21796.4	32373.1	11264.3
Jan.- sep. 2009	7258.2	11223.3	18426.8	29579	9543.7
Jan.- sep. 2010	9170.3	14434.4	23022.3	34764.7	10999.4
Jan.- sep. 2011	10509.7	16662.5	27140.8	40305.5	14062.5
Quarter I 2009	5612	8966.3	17164.9	28116.2	8832.3
Quarter II 2009	6600.5	10167.8	17792	29059.7	9506.8
Quarter III 2009	7258.2	11223.3	18426.8	29579	9543.7
Quarter IV 2009	8849	13206.8	20942	32684.4	10456.3
Quarter I 2010	8502.6	13145.2	21193.2	32666.2	10322.4
Quarter II 2010	8812.7	13498	21802.3	32951.3	10470.6
Quarter III 2010	9170.3	14434.4	23022.3	34764.7	10999.4
Quarter IV 2010	10107.6	15720.2	24770.7	37051.2	12115
Quarter I 2011	9731	15250.8	25001.8	37683.9	12654.5
Quarter II 2011	10486	16077.6	26417.7	39522.1	13402
Quarter III 2011	10509.7	16662.5	27140.8	40305.5	14062.5

	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)
January 2010	8471.1	12970.3	20811.9	32772.6	10923.7
February 2010	8330.5	12453.1	20513.4	32482.7	10698.6
March 2010	8502.6	13145.2	21193.2	32666.2	10322.4
April 2010	8527.5	12885.7	21196	32689.6	11092.7
May 2010	8484.1	12925.8	21309.5	32559.5	10781.6
June 2010	8812.7	13498	21802.3	32951.3	10470.6
July 2010	9193.4	14043.1	22358.6	33678.4	11308.4
August 2009	9194.4	14137.9	22532	33741	11728.6
September	9170.3	14434.4	23022.3	34764.7	10999.4
October	9454.6	14891.1	23541.6	35241.1	11736.5
November	9459.8	14977.4	23797.1	35715.5	11803.3
December	10107.6	15720.2	24770.7	37051.2	12115
January 2011	9579.1	15105	24474.2	37075.2	12084.1
February 2011	9488.4	15079.2	24636.5	37380.8	11772.6
March 2011	9731	15250.8	25001.8	37683.9	12654.5
April 2011	10348.6	15582.5	25543.1	38295.6	13290.4
May 2011	10233.9	15773.3	26018.9	38677.2	13217.9
June 2011	10486	16077.6	26417.7	39522.1	13402
July 2011	10693.1	16427.9	26907.8	39811.1	13413.7
August 2010	10774.3	16739.5	27242.3	40353.1	14076.7
September	10509.7	16662.5	27140.8	40305.5	14062.5

	Base rate, %	CNB, mil. MDL (average daily stock)	Intrest rate for overnight credits, %	Overnight credits, mil. MDL (average daily stock)	Intrest rate for overnight deposits, %	Overnight deposits, mil. MDL (average daily stock)	Reserve rate for MDL resources, %
January 2010	5	2249	7.5	-	2	1347.9	8
February 2010	6	3014.9	7.5/9	-	2/3	725.9	8
March 2010	7	3447.8	9/10	-	3/4	450.2	8
April 2010	7	3512.6	10	-	4	404.9	8
May 2010	7	3292.6	10	-	4	428	8
June 2010	7	3502.1	10	-	4	393	8
July 2010	7	3221.6	10	-	4	344.7	8
August 2009	7	3248	10	-	4	264.2	8
September	7	3272.5	10	-	4	277.8	8
October	7	3303.9	10	-	4	255.8	8
November	7	3347.4	10	-	4	273.5	8
December	8	3531.4	10	-	4	312.2	8
January 2011	8	3731.3	10/11	-	4/5	290	8
February 2011	8	3934.3	11	-	5	429.1	8/11
March 2011	8	3685.7	11	-	5	409.8	11
April 2011	8	3537.8	11	-	5	162.5	11
May 2011	8	3318.1	11	-	5	174	11
June 2011	8	3484.2	11	-	5	260.4	11
July 2011	8	3282.7	11	-	5	218.3	11/14
August 2010	9	3005.8	11/12	-	5/6	140.8	14
September	10	2723	12/13	-	6/7	230.2	14

Period	Value of total trade, mil. USD				Exports, mil. USD				Imports, mil. USD				Netexports, mil. USD
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	
2006	3744.8	1444.5	1755.4	544.9	1051.6	423.7	536.9	91.0	2693.2	1020.8	1218.5	453.9	-1641.6
2007	5031.2	1882.6	2359.9	788.7	1341.7	548.9	678.9	113.9	3689.5	1333.7	1681.0	674.8	-2347.8
2008	6490.0	2360.3	2925.4	1204.3	1591.2	623.0	820.1	148.1	4898.8	1737.3	2105.3	1056.2	-3307.6
2009	4565.8	1632.2	2088.6	845.0	1287.5	490.4	667.4	129.7	3278.3	1141.8	1421.2	715.3	-1990.8
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
Jan.-Sept. 2006	2561.6	1007.6	1178.2	375.8	718.3	303.1	355.6	59.6	1843.3	704.5	822.6	316.2	-1125.0
Jan.-Sept. 2007	3452.4	1301.8	1608.9	541.7	922.4	377.4	461.5	83.5	2530.0	924.4	1147.4	458.2	-1607.6
Jan.-Sept. 2008	4868.9	1735.4	2245.0	888.5	1197.1	460.9	623.9	112.3	3671.8	1274.5	1621.1	776.2	-2474.7
Jan.-Sept. 2009	3178.4	1140.4	1474.0	564.0	895.8	327.3	477.8	90.7	2282.6	813.1	996.2	473.3	-1386.8
Jan.-Sept. 2010	3624.3	1224.5	1664.7	735.1	987.7	390.5	475.8	121.4	2636.6	834.0	1188.9	613.7	-1648.9
Jan.-Sept. 2011	5243.5	1818.2	2417.6	1007.7	1549.7	626.5	774.8	148.4	3693.8	1191.7	1642.8	859.3	-2144.1
Quarter I 2009	1033.5	417.6	427.8	188.1	279.7	94.9	154.2	30.6	753.8	322.7	273.6	157.5	-474.1
Quarter II 2009	1044.8	349.8	511.2	183.8	300.9	112.3	159.7	28.9	743.9	237.5	351.5	154.9	-443.0
Quarter III 2009	1100.1	373.0	535.0	192.1	315.2	120.1	163.9	31.2	784.9	252.9	371.1	160.9	-469.7
Quarter IV 2009	1387.4	491.8	614.6	281.0	391.7	163.1	189.6	39.0	995.7	328.7	425.0	242.0	-604.0
Quarter I 2010	1065.9	402.9	459.7	203.3	302.5	115.6	153.8	33.1	763.4	287.3	305.9	170.2	-460.9
Quarter II 2010	1217.1	373.4	577.5	266.2	304.4	122.5	143.7	38.2	912.7	250.9	433.8	228.0	-608.3
Quarter III 2010	1341.3	448.2	627.5	265.6	380.8	152.4	178.3	50.1	960.5	295.8	449.2	215.5	-579.7
Quarter IV 2010	1772.5	656.4	768.4	347.7	553.8	233.5	253.1	67.2	1218.7	422.9	515.3	280.5	-664.9
Quarter I 2011	1576.5	587.1	688.9	300.5	478.3	175.9	243.5	58.9	1098.2	411.2	445.4	241.6	-619.9
Quarter II 2011	1797.9	579.3	865.8	352.8	521.9	212.7	255.1	54.1	1276.0	366.6	610.7	298.7	-754.1
Quarter III 2011	1869.1	651.8	862.9	354.4	549.5	237.9	276.2	35.4	1319.6	413.9	586.7	319.0	-770.1

Period	Value of total trade, mil. USD				Exports, mil. USD				Imports, mil. USD				Net exports, mil. USD
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	
Jan-10	280.1	112.7	118.2	49.2	81.4	26.8	46.8	7.8	198.7	85.9	71.4	41.4	-117.3
Feb-10	359.9	141.1	150.7	68.1	107.8	43.2	52.8	11.8	252.1	97.9	97.9	56.3	-144.3
Mar-10	425.9	149.1	190.8	86.0	113.3	45.6	54.2	13.5	312.6	103.5	136.6	72.5	-199.3
Apr-10	391.9	128.8	186.9	76.2	99.0	41.7	46.4	10.9	292.9	87.1	140.5	65.3	-193.9
May-10	403.4	123.4	192.8	87.2	106.3	39.0	48.7	18.6	297.1	84.4	144.1	68.6	-190.8
Jun-10	421.8	121.2	197.8	102.8	99.1	41.8	48.6	8.7	322.7	79.4	149.2	94.1	-223.6
Jul-10	431.4	131.9	214.1	85.4	117.4	42.0	60.9	14.5	314.0	89.9	153.2	70.9	-196.6
Aug-10	421.8	143.3	188.4	90.1	120.3	49.0	52.4	18.9	301.5	94.3	136.0	71.2	-181.2
Sep-10	488.1	173.0	225.0	90.1	143.1	61.4	65.0	16.7	345.0	111.6	160.0	73.4	-201.9
Oct-10	547.4	205.1	241.3	101.0	174.0	77.4	79.7	16.9	373.4	127.7	161.6	84.1	-199.4
Nov-10	606.2	222.0	266.6	117.6	200.8	85.4	90.7	24.7	405.4	136.6	175.9	92.9	-204.6
Dec-10	618.9	229.3	260.5	129.1	179.0	70.7	82.7	25.6	439.9	158.6	177.8	103.5	-260.9
Jan-11	419.2	162.8	173.3	83.1	134.4	42.5	69.9	22.0	284.8	120.3	103.4	61.1	-150.4
Feb-11	516.9	191.6	227.3	98.0	161.0	56.6	84.1	20.3	355.9	135.0	143.2	77.7	-194.9
Mar-11	640.4	232.7	288.3	119.4	182.9	76.8	89.5	16.6	457.5	155.9	198.8	102.8	-274.6
Apr-11	596.9	200.6	286.4	109.9	175.8	70.8	88.5	16.5	421.1	129.8	197.9	93.4	-245.3
May-11	611.2	187.9	296.7	126.6	173.6	69.7	84.3	19.6	437.6	118.2	212.4	107.0	-264.0
Jun-11	589.8	190.8	282.7	116.3	172.5	72.2	82.3	18.0	417.3	118.6	200.4	98.3	-244.8
Jul-11	595.7	196.1	289.9	109.7	180.9	78.9	90.3	11.7	414.8	117.2	199.6	98.0	-233.9
Aug-11	606.6	218.0	276.5	112.1	186.0	77.1	97.7	11.2	420.6	140.9	178.8	100.9	-234.6
Sep-11	666.8	237.7	296.5	132.6	182.6	81.9	88.2	12.5	484.2	155.8	208.3	120.1	-301.6

MOLDOVAN ECONOMIC TRENDS

Period	The coverage of imports by exports, %	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), %	Per capita exports, mil. USD	Exports' share in world exports, %	Exports' share in GDP, %	Imports' share in GDP, %	FDI inflows, mil. USD	FDI stock, mil. USD	Remittances, mil. USD
2006	39	104	117.5	96.4	109	93	108	292.9	0.01	30.9	79	239.72	1258.2	1182
2007	36	109	137	127.6	110	117	125	374.7	0.01	30.5	83.8	533.62	1843.7	1498
2008	32	113	132.8	118.6	116	105	114	445.4	0.01	26.3	80.9	712.8	2566.6	1897
2009	39	87	66.9	80.9	89	93	75	360.9	0.01	23.7	60.3	127.84	2649.6	1211
2010	40	103	117.6	119.7	103	117	114	432.6	0.01	26.5	66.4	198.90	2837.5	1316
Jan.-Sept. 2006	39											151.2	1166.4	845.3
Jan.-Sept. 2007	36											312.7	1616.4	1053.5
Jan.-Sept. 2008	33											553.0	2405.2	1435.7
Jan.-Sept. 2009	39											102.4	2641.0	854.5
Jan.-Sept. 2010	37											152.0	2797.8	970.9
Jan.-Sept. 2011	42													
Quarter I 2009	37	82	72	87	100	94	72					42.5	2573.0	220.2
Quarter II 2009	40	77	58	86	85	90	68					16.6	2595.9	301.9
Quarter III 2009	40	68	59	84	83	81	71					43.3	2641.0	332.4
Quarter IV 2009	39	99	81	94	94	106	86					25.5	2649.6	356.3
Quarter I 2010	40	112	101	101	95	111	107					43.3	2678.2	255.1
Quarter II 2010	33	102	123	100	102	102	120					34.2	2691.7	319.6
Quarter III 2010	40	124	122	103	104	120	118					74.5	2797.8	396.1
Quarter IV 2010	45	146	122	108	106	135	115					46.9	2837.5	399.1
Quarter I 2011	44	158	144	109	110	145	131					77.5	2975.8	285.2

Period	Exports of main trade partners, mil. USD						Imports of main trade partners, mil. USD						Net exports of main trade partners, mil. USD							
	USA		EU 27		Romania		Russia		Ukraine		USA		EU 29		Romania		Russia		Ukraine	
2006	1025967.0	1458232.1	32479.6	303551.0	38368.0	1919427.0	1699483.6	4352696.2	164280.0	45038.6	-893460.0	-241251.5	-4320216.5	139271.0	-6670.6					
2007	1148198.0	1702766.5	40559.3	354403.0	49296.1	2020403.0	1966878.0	70553.6	223488.0	60618.0	-872205.0	-264111.5	-29994.4	130915.0	-11321.9					
2008	1287442.1	1929083.2	49699.6	471606.0	66954.4	2169487.0	2305252.5	84315.8	291861.0	85335.3	-882044.9	-376169.3	-34616.2	179745.0	-18580.9					
2009	1056043.0	1532196.0	40673.4	303388.0	39782.0	1605295.7	1680523.1	54463.7	191804.0	45487.0	-549252.7	-148327.1	-13790.3	111584.0	-5705.0					
2010	1278138.7	1785319.1	49352.1	400132.0	51478.0	1968070.6	1988894.1	61909.7	248740.0	60911.0	-689931.9	-203575.0	-12557.6	151392.0	-9433.0					
Jan.-Sept. 2006	756419.0	1054176.3	23871.6	223718.0	27933.5	1433325.0	1248086.2	4337181.8	112312.0	32206.9	-676906.0	-193909.9	-4313310.2	111406.0	-4273.4					
Jan.-Sept. 2007	841256.0	1228931.7	29120.6	244911.0	35691.1	1484199.8	1420204.7	49401.7	153883.0	42355.4	-642943.8	-191273.0	-20281.1	91028.0	-6664.3					
Jan.-Sept. 2008	990631.9	1505985.2	39496.9	373570.0	53563.3	1682458.8	1813264.6	66863.7	218559.0	67903.4	-691826.9	-307279.4	-27366.8	155011.0	-14340.1					
Jan.-Sept. 2009	762059.1	1096434.1	29041.1	207829.0	27482.0	1157203.1	1219038.2	38810.4	131462.0	31575.0	-395144.0	-122604.1	-9769.3	76367.0	-4093.0					
Jan.-Sept. 2010	930605.9	1287260.4	35171.0	287255.0	36292.0	1448619.2	1441384.3	44335.0	172285.0	41857.0	-518013.3	-154123.9	-9164.1	114970.0	-5565.0					
Jan.-Sept. 2011	1096181.6	1585885.8	46992.6	380204.0	49950.0	1684925.7	1765946.3	56585.3	207141.0	59457.0	-588744.1	-180060.5	-9592.7	173063.0	-9507.0					
Quarter I 2009	246347.9	332601.8	8565.0	57265.0	8304.0	364874.6	397850.5	11435.5	38483.0	9779.0	-118526.7	-65248.7	-2870.5	18782.0	-1475.0					
Quarter II 2009	251303.0	366888.7	9586.5	68113.0	9023.0	373316.5	392802.9	12940.2	43929.0	9995.0	-122013.5	-25914.2	-3353.7	24184.0	-972.0					
Quarter III 2009	264408.2	396943.6	10889.7	82451.0	10155.0	419012.0	428384.8	14434.8	49050.0	11801.0	-154603.8	-31441.2	-3545.1	33401.0	-1646.0					
Quarter IV 2009	293983.9	435761.9	11632.3	95559.0	12300.0	448092.6	461484.9	15653.3	60342.0	13912.0	-154108.7	-25723.0	-4021.0	35217.0	-1612.0					
Quarter I 2010	296861.1	406669.1	10938.2	92240.0	10337.0	439612.3	462359.1	13773.0	45710.0	11796.0	-142751.2	-55690.0	-2834.9	46530.0	-1459.0					
Quarter II 2010	314971.8	426610.7	11724.2	97400.0	12756.0	491893.9	475963.3	15308.0	58167.0	13793.0	-176922.1	-49352.6	-3583.9	39233.0	-1037.0					
Quarter III 2010	318773.0	453980.6	12508.6	97615.0	13199.0	517113.0	503061.9	15254.0	68408.0	16268.0	-198340.0	-49081.3	-2745.3	29207.0	-3069.0					
Quarter IV 2010	347532.8	498058.7	14181.1	112877.0	15186.0	519451.4	547509.8	17574.7	76455.0	19054.0	-171918.6	-49451.1	-3393.6	36422.0	-3868.0					
Quarter I 2011	351002.3	502328.7	15126.8	113691.0	15373.0	522992.7	570425.8	17184.7	64567.0	18495.0	-171990.4	-68097.1	-2057.9	49124.0	-3122.0					
Quarter II 2011	370821.3	542452.7	15769.6	135520.0	17464.0	574251.6	601315.0	20095.2	82429.0	19837.0	-203430.3	-58862.3	-4325.6	53091.0	-2373.0					

Period	Exports of main trade partners, mil. USD					Imports of main trade partners, mil. USD					Net exports of main trade partners, mil. USD				
	USA	EU 27	Romania	Russia	Ukraine	USA	EU 28	Romania	Russia	Ukraine	USA	EU 29	Romania	Russia	Ukraine
Quarter III 2011	374358.0	541104.4	16096.1	130993.0	17113.0	587681.4	594205.5	19305.5	60145.0	21125.0	-213323.4	-53101.1	-3209.3	70848.0	-4012.0
Jan-10	92715.8	116495.9	3315.5	27683.0	3011.0	139895.3	149901.1	3996.3	11373.0	3326.0	-47179.5	-33405.2	-680.8	16310.0	-315.0
Feb-10	93691.1	131775.7	3506.8	30555.0	3375.0	137865.5	141986.2	4397.6	15523.0	3727.0	-44174.4	-10210.5	-890.8	15032.0	-352.0
Mar-10	110454.2	158397.5	4115.9	34002.0	3951.0	161851.5	170471.8	5379.2	18814.0	4743.0	-51397.3	-12074.3	-1263.3	15188.0	-792.0
Apr-10	102436.4	142360.1	3864.7	33503.0	4223.0	157536.0	158391.8	5046.4	19183.0	4623.0	-55099.6	-16031.7	-1181.7	14320.0	-400.0
May-10	105492.3	134386.2	3768.1	31822.0	4201.0	160460.2	154236.0	5021.9	19369.0	4426.0	-54967.9	-19849.8	-1253.7	12453.0	-225.0
Jun-10	107043.1	149864.4	4091.4	32075.0	4332.0	173897.7	163335.5	5239.7	19615.0	4744.0	-66854.6	-13471.1	-1148.4	12460.0	-412.0
Jul-10	104026.2	158546.8	4317.7	31414.0	4245.0	169116.9	167057.8	5159.0	21034.0	5175.0	-65090.7	-8511.0	-841.3	10380.0	-930.0
Aug-10	106774.8	138540.9	3599.2	31840.0	4253.0	176030.3	162522.3	4412.6	23832.0	5418.0	-69255.5	-23981.4	-813.4	8008.0	-1165.0
Sep-10	107972.0	156892.9	4591.7	34361.0	4701.0	171965.8	173481.8	5682.4	23542.0	5675.0	-63993.8	-16588.9	-1090.7	10819.0	-974.0
Oct-10	117512.5	168525.5	4884.3	34721.0	4750.0	174652.4	180592.4	5939.6	24667.0	6175.0	-57139.9	-12066.9	-1055.3	10054.0	-1425.0
Nov-10	113006.4	168109.9	4946.1	35504.0	5133.0	173869.1	190146.8	6229.6	24706.0	6233.0	-60862.7	-22036.9	-1283.5	10798.0	-1100.0
Dec-10	117013.9	161423.3	4350.7	42652.0	5303.0	170929.9	176770.6	5405.5	27082.0	6646.0	-53916.0	-15347.3	-1054.8	15570.0	-1343.0
Jan-11	110154.6	145319.0	4578.7	30896.0	4648.0	171477.4	185601.9	4834.2	16040.0	5069.0	-61322.8	-40282.9	-255.4	14856.0	-421.0
Feb-11	109797.2	165246.8	4777.2	39017.0	4719.0	161069.7	178293.7	5310.6	21630.0	6378.0	-51272.5	-13046.9	-533.4	17387.0	-1659.0
Mar-11	131050.5	191762.9	5770.9	43778.0	6006.0	190445.6	206530.2	7040.0	26897.0	7048.0	-59395.1	-14767.3	-1269.0	16881.0	-1042.0
Apr-11	123901.0	175723.6	4895.8	46102.0	5605.0	182962.9	199378.3	6334.4	27022.0	6298.0	-59061.9	-23654.7	-1438.6	19080.0	-693.0
May-11	124000.0	187243.7	5488.5	44556.0	5700.0	193843.2	204902.7	7158.9	27925.0	6767.0	-69843.2	-17659.0	-1670.4	16631.0	-1067.0
Jun-11	122920.3	179485.4	5385.3	44862.0	6159.0	197445.5	197034.0	6601.9	27482.0	6772.0	-74525.2	-17548.6	-1216.6	17380.0	-613.0
Jul-11	120376.1	184228.5	5397.2	42636.0	5356.0	192258.1	197317.2	6366.3	27473.0	6527.0	-71882.0	-13088.7	-969.1	15163.0	-1171.0
Aug-11	126765.5	175673.2	4961.4	44592.0	5780.0	201357.2	201170.5	6184.3	29921.0	7214.0	-74591.7	-25497.3	-1222.9	14671.0	-1434.0
Sep-11	127216.4	181202.7	5737.5	43765.0	5977.0	194066.1	195717.8	6754.9	2751.0	7384.0	-66849.7	-14515.1	-1017.3	41014.0	-1407.0

Period	Number of enterprises by districts					Number of enterprises by size of enterprises					
	Total by country	Mun. Chisinau	North	Center	South	A.T.U. Gagauzia	Total by all sizes	SME sector:	Medium	Small	Micro
2005	33141	21640	4489	4362	2650	901	33141	32444	1657	6440	24347
2006	36158	23594	4909	4766	1905	984	36158	35542	1724	6544	27274
2007	39987	26327	5302	5274	2032	1052	39987	39320	1774	7194	30352
2008	42121	27693	5385	5738	2195	1110	42121	41109	1685	8329	31095
2009	44633	29376	5492	6137	2364	1264	44633	43658	1589	8264	33805
2010	46704	30840	5675	6539	2388	1262	46704	45631	1587	9132	34912
Period	Number of employees by districts					Number of employees by size of enterprises					
	Total by country	Mun. Chisinau	North	Center	South	A.T.U. Gagauzia	Total by all sizes	SME sector:	Medium	Small	Micro
2005	578011	288714	125977	85747	77573	24186	578011	317163	145323	105223	66617
2006	574933	301770	119419	80555	50537	22652	574933	332720	143342	107182	82196
2007	574131	317192	112780	77449	45248	21462	574131	343525	140821	111662	91042
2008	572129	322515	110256	75536	43790	20032	572129	328065	125482	120249	82334
2009	539195	305150	104071	70032	41033	18909	539195	316244	115055	117104	84085
2010	526182	300657	99532	70139	37959	17895	526182	309434	108771	120969	79694

Period	Turnover by districts, mln MDL					Turnover by size of enterprises mln MDL					
	Total by country	Mun. Chisinau	North	Center	South	A.T.U. Gagauzia	Total by all sizes	SME sector:	Medium	Small	Micro
2005	97668.31	70003.69	12705.55	8364.32	6594.76	2554.24	97668.31	42115.35	16221.22	20620.58	5273.55
2006	117372.36	86516.13	15270.26	9549.55	3883.28	2153.14	117372.36	54280.71	19305.14	25891.51	9084.06
2007	148512.75	111664.66	18958.8	11264.41	4209.65	2415.23	148512.75	66786.55	24881.2	30229.95	11675.4
2008	175058.44	129377.74	23473.84	13892.81	5534.38	2779.68	175058.44	6498.12	23306.22	33598.68	8079.22
2009	146447	108718.95	17561.65	12802.51	4756.06	2607.82	146447	57480.03	20318.25	29104.21	8057.57
2010	177503.2	130126.2	22031.5	15974.7	6132.1	3238.7	177503.2	65263.2	22799.2	33992.7	8471.3
Financial result (profit) by districts mln MDL											
Period	Financial result (profit) by districts mln MDL					Financial result (profit) by size of enterprises mln MDL					
	Total by country	Mun. Chisinau	North	Center	South	A.T.U. Gagauzia	Total by all sizes	SME sector:	Medium	Small	Micro
2005	5765.88	4431.55	657.54	445.43	231.35	48.61	5765.88	2215.78	823.4	1048.29	344.09
2006	7915.78	6333.3	891.19	455.54	182.98	52.77	7915.78	3321.29	1198.15	1467.67	655.47
2007	13209.86	10506.7	1347.16	885.16	335.71	135.13	13209.86	5394.45	1923.46	2496.37	974.62
2008	18864.29	13907.56	2691.58	1482.46	514.48	268.2	18864.29	7531.54	2419.32	4000.71	1111.51
2009	12442.59	9623.62	1206.04	933.55	399.02	280.35	12442.59	5920.23	1807.72	3038.08	1074.43
2010	13169.8	9754.4	1766.3	918.9	468.4	261.8	13169.8	5456.9	1931.5	2842.4	683

Period	Registration of enterprises	Liquidation of enterprises	Period	Registration of enterprises	Liquidation of enterprises
2007	11480	1915	jan.2011	563	204
2008	9902	3001	feb.2011	642	234
2009	7220	3274	mar.2011	726	359
2010	6488	3177	apr.2011	591	283
2011	6740	3430	may2011	506	306
Q I 2007	3499	417	jun.2011	532	376
Q II 2007	2578	535	jul.2011	521	320
Q III 2007	2308	434	aug.2011	472	323
Q IV 2007	3095	529	sep.2011	550	218
Q I 2008	3445	573	oct.2011	496	312
Q II 2008	2152	721	nov.2011	561	232
Q III 2008	2194	883	dec.2011	580	263
Q IV 2008	2111	824			
Q I 2009	2264	929			
Q II 2009	1609	897			
Q III 2009	1607	642			
Q IV 2009	1740	806			
Q I 2010	1678	787			
Q II 2010	1591	745			
Q III 2010	1556	677			
Q IV 2010	1663	968			
Q I 2011	1931	797			
Q II 2011	1629	965			
Q III 2011	1543	861			
Q IV 2011	1637	807			

MOLDOVAN ECONOMIC TRENDS

Social and Demographic Indicators		Subsistence minimum																													
		Population of working age - TOTAL MDL				Population of working age - URBAN MDL				Population of working age - RURAL MDL																					
		Subsistence - average, Total, MDL				Subsistence - average, Urban, MDL				Subsistence - average, Rural, MDL																					
		Total	males	females	Pensioners	Children Total	under 1 year	1-6 years	7-16 years	Total	males	females	Pensioners	Children - total	under 1 year	1-6 years	7-16 years														
TOTAL 2006		935.1	987.0	1044.6	928.7	800.3	851.9	333.6	736.9	952.2	1034.0	1075.7	1127.2	1027.2	875.1	961.3	375.9	833.9	1079.6	865.6	916.7	974.3	855.0	759.8	792.8	308.1	683.5	884.8			
TOTAL 2007		1099.4	1159.5	1227.0	1091.1	943.4	1002.7	394.3	871.2	1118.8	1189.2	1237.2	1296.9	1180.9	1006.1	1105.3	434.4	963.3	1238.9	1036.3	1098.1	1167.4	1023.9	909.4	947.3	370.0	820.5	1055.3			
TOTAL 2008		1368.1	1446.5	1534.7	1357.2	1167.4	1267.4	491.0	1091.8	1400.0	1482.8	1544.3	1632.5	1461.3	1251.1	1405.0	543.6	1213.3	1564.7	1287.6	1364.6	1454.1	1268.9	1119.6	1193.0	459.3	1025.0	1312.9			
TOTAL 2009		1187.8	1251.1	1327.0	1172.2	1022.8	1112.0	451.0	964.3	1228.3	1295.3	1344.3	1423.3	1267.9	1106.8	1240.0	503.3	1076.3	1376.5	1112.4	1173.6	1248.7	1091.0	974.8	1042.8	421.2	900.8	1151.9			
TOTAL 2010		1373.4	1453.1	1536.0	1366.1	1184.3	1258.1	498.8	1095.9	1409.3	1498.1	1567.0	1651.7	1484.3	1277.3	1397.9	555.5	1220.3	1576.1	1285.2	1362.8	1450.0	1266.0	1127.3	1182.7	466.3	1024.4	1323.1			
	January																														
	Q1 February	1471.3	1551.0	1631.3	1466.4	1275.4	1358.7	577.6	1235.0	1499.7	1618.2	1689.0	1766.0	1613.6	1386.9	1522.6	647.9	1386.6	1692.0	1366.6	1442.1	1531.4	1342.1	1204.1	1269.8	536.0	1147.1	1399.8			
	March																														
	April																														
	2011 Q2 May	1502.8	1587.3	1667.4	1503.0	1311.1	1370.4	579.1	1225.4	1523.8	1658.9	1736.0	1813.5	1660.1	1428.5	1636.2	650.0	1376.8	1720.4	1391.4	1470.0	1559.0	1370.5	1236.0	1280.3	573.1	1137.7	1421.6			
	June																														
	July																														
	Q3 August	1386.4	1454.6	1523.8	1381.7	1206.8	1299.4	572.7	1150.3	1449.0	1496.5	1559.9	1619.8	1501.3	1282.4	1417.0	626.0	1258.3	1591.0	1307.9	1371.5	1452.6	1280.8	1158.4	1235.6	541.1	1087.6	1375.2			
	September																														
	TOTAL 2011																														

MOLDOVAN ECONOMIC TRENDS

Social and Demographic Indicators	Household disposable income					Household consumer expenditure													
	The structure of the disposable income, %					The structure of the consumer expenditure, %													
	Disposable income MDL					Consumer expenditure MDL													
TOTAL 2006	41.6	18.6	7.8	0.2	13.2	18.7	44.4	2.8	11.9	13.7	4.7	5.3	5.1	3.9	2.0	0.4	2.6	3.4	
TOTAL 2007	41.4	15.1	6.4	0.3	13.6	23.2	43.8	2.5	12.0	13.5	4.8	5.4	4.9	4.3	2.1	0.4	2.5	3.8	
TOTAL 2008	42.9	10.5	7.5	0.3	14.9	23.9	40.2	1.9	12.7	16.3	4.8	5.6	4.9	4.9	2.1	0.4	2.3	3.9	
TOTAL 2009	45.3	8.9	6.5	0.2	17.5	21.7	40.8	1.8	12.2	16.2	3.9	6.2	4.7	5.0	2.0	0.5	2.5	4.1	
TOTAL 2010	42.6	9.8	6.8	0.1	18.7	22.0	40.8	1.8	10.8	17.8	3.9	6.4	4.9	4.6	1.7	1.3	2.2	3.8	
January																			
Q1	48.8	10.0	4.3	0.3	16.5	20.1	42.9	1.6	10.0	17.0	3.2	6.1	6.1	4.6	1.3	1.2	2.0	4.0	
February																			
March																			
April																			
Q2	43.9	10.4	6.6	0.6	19.2	19.4	43.2	1.7	10.1	18.2	3.6	5.4	5.2	4.4	1.2	1.1	2.1	3.6	
May																			
June																			
July																			
Q3	42.3	10.1	8.8	0.6	17.9	20.3	41.3	1.4	10.2	19.8	4.4	5.2	5.2	4.2	1.9	1.0	1.5	3.8	
August																			
September																			
TOTAL 2011																			

MOLDOVAN ECONOMIC TRENDS

Social and Demographic Indicators	Remuneration of labour				Social protection of the population																	
	Nominal monthly wage - Total			Index nominal monthly wage (comparative to previous year), %	Index real monthly wage (comparative to previous year), %	Number of pensioners - Total (end-year) (thou.pers.)	Pensioners registered at the social security authorities (thou. pers.)				The average size of awarded monthly pension of the pensioners registered at the organs of social security of population(end-year) MDL				Rhythms of nominal pension growth, %		Rhythms of real pension growth, %		Unique allowance		Monthly allowance for child-care	
	MDL	USD	EUR	MDL	USD	EUR		due to age	for invalidity	after the loose of bread-winner	for work experience	Total	age pension	invalidity pension	survivor's pension (for every disabled member of family)			at the birth of the first child	at the birth of every next child	(insured persons) up to 3 years old	(uninsured persons) up to 1,5 years old	
TOTAL 2006	1697.1	129.2	102.9	128.7	123.4	122.5	637.8	621.4	453.8	128.3	30.3	9.0	442.3	457.5	390.2	205.8	115.4	102.4	800.0	800.0	182.8	100.0
TOTAL 2007	2065.0	170.2	124.4	121.7	131.7	120.9	636.7	619.4	452.3	129.7	28.6	8.8	548.3	565.8	479.8	247.7	124.0	110.4	1000.0	1000.0	230.8	100.0
TOTAL 2008	2529.7	243.4	165.4	122.5	143.0	133.0	639.4	621.4	455.2	131.3	26.3	8.6	646.4	666.3	563.3	370.6	117.9	104.6	1200.0	1500.0	322.6	150.0
TOTAL 2009	2747.6	247.2	177.0	108.6	101.5	107.0	643.4	624.5	457.9	133.3	24.9	8.5	775.5	800.8	669.3	434.2	120.0	120.0	1400.0	1700.0	478.9	150.0
TOTAL 2010	2972.2	240.4	181.2	108.2	97.3	102.4	646.7	627.2	460.5	134.3	23.7	8.6	810.9	836.6	691.8	443.7	104.6	97.4	1700.0	2000.0	675.3	250.0
2011																						
Q1	2835.6	232.1	173.7	109.2	110.6	118.1		627.2					810.9									
February	2884.5	240.2	175.9	111.4	118.2	118.5																
March	2985.1	249.8	178.7	108.1	113.9	110.7																
April	3134.6	268.1	185.8	113.7	121.4	112.8							813.5									
May	3216.0	277.4	192.8	112.9	123.4	108.3																
June	3556.2	306.9	213.5	120.0	133.5	113.5																
July	3261.8	282.6	197.9	111.0	121.1	108.0																
August	3174.8	279.1	194.7	108.5	115.8	104.2																
September	3159.3	272.4	197.2	109.1	115.1	108.5																
October	3161.7	268.1	195.8																			
November	3231.0	275.6	203.1																			
December																						
TOTAL 2011																						

Social and Demographic Indicators	Crimes																						
	Recorded crimes – total, (cases)		Crimes against life and health of the person (cases)			Crimes of sexual life (cases)		Crimes against property (cases)						Offenses against public health and social coexistence (cases)		Crimes against family and minors (cases)		Economic crimes (cases)			Crimes against public security and public order (cases)		
	Total	murder	premeditated severe injuries	Total	rape	theft	brigandage	robbery	fraud	pocket-picking	blackmail	Total	drug related crimes	Total	trafficking in children	Total	contraband	manufacture of counterfeit currency	Total	hooliganism	Total		
TOTAL 2006	24767	255	409	389	268	9419	152	950	1065	171	65	13184	2101	2310	307	64	611	114	1006	848	1006		
TOTAL 2007	24362	216	408	423	281	9724	153	868	860	117	48	12614	2182	2376	266	51	493	87	934	780	934		
TOTAL 2008	24788	233	385	474	306	9642	175	986	870	135	64	12540	2126	2382	242	50	266	177	943	772	943		
TOTAL 2009	25655	240	369	402	264	9136	205	1003	1066	118	52	12222	1879	2065	168	42	251	292	927	767	927		
TOTAL 2010	33402	265	416	557	368	13646	185	1204	1841	395	64	18104	1794	1983	204	23	170	376	1122	955	1122		
2011	January																						
	Q1	324	37	81	92	57	3362	35	304	125	9	4374	376	406	121	9	38	139	292	252	292		
	March																						
	April																						
	Q2	781	102	151	217	125	7248	75	570	273	21	9276	768	848	262	12	86	352	614	529	614		
	May																						
	June																						
	July																						
	Q3	1258	160	244	356	214	10996	107	867	1156	396	28	1386	1273	426	20	132	514	955	831	955		
August																							
September																							
TOTAL 2011																							

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