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GENERAL DATA

Official name	REPUBLIC OF MOLDOVA
Capital	Chisinau
Head of State	Nicolae Timofti, President of the Republic of Moldova
President of the Parliament	Marian Lupu
Prime Minister	Vlad Filat
Parliament of the Republic of Moldova	101 deputies (the Communist Party of the Republic of Moldova - 39, the Liberal Democrat Party of Moldova - 31, the Democrat Party of Moldova - 15, Liberal Party - 12, unaffiliated deputies - 4)
Independence was obtained on	August 27, 1991
Area	33.8 thousand km ²
Administrative units	32 districts, 5 municipalities (Chisinau, Balti, Bender, Comrat, Tiraspol), UTA Gagauzia, Administrative-territorial units from the left of the Dnestr
Stable population	3,560.4 thousand
Main religions	Orthodox
Official language	Romanian
National currency	Moldovan Leu (1 USD = 11.75 MDL, 1 EUR = 15.94 MDL)

ABBREVIATIONS

ATP	Autonomous Trade Preferences
ATU	Autonomous Territorial Unit
AVE	Ad-Valorem Equivalent
BMA	Bureau for Migration and Asylum
CEFTA	Central European Free Trade Agreement
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
CR	Concentration Ratio
DCFTA	Deep and Comprehensive Free Trade Agreement
EBRD	European Bank for Reconstruction of Development
EC	European Commission
EPC	Effective Protection Coefficient
EU	European Union
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

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

The end of 2011 was characterized by a series of political, economic and social events.

October 05

Start of the meeting of Platform 3 of the Eastern Partnership, which took place at Chisinau, the Republic of Moldova. The deputy director of the Energy Directorate of the European Commission, Mr. Fabrizio Barbaso, stated that the European Union was willing to offer co-financing for projects of common interest for the countries of the Eastern Partnership for their integration on the European market. The Minister of Economy of the Republic of Moldova, Mr. Valeriu Lazar, stated that the sixth reunion of the Eastern Partnership would facilitate the implementation of reforms in the energy sector of the Republic of Moldova, referring to the investment projects of interconnection with EU (via Romania), including the gas pipe Ungheni-Iasi, for which EU is willing to offer co-financing as a grant worth 7 million EUR. The goal of this reunion was the enhancement of the cooperation of the European Union with the states from the Eastern region of the Republic of Moldova, Ukraine, Belarus, Georgia, Azerbaijan and Armenia.

October 8-10

The Patriarch of Moscow and Russia Kiril visited the Republic of Moldova. During his visit, he held the Holy Mass and had meetings with the representatives of several dioceses from the Republic of Moldova.

October 11

Mr. Gheorghe Duca, President of the Academy of Sciences of Moldova and Ms Máire Geoghegan-Quinn, European Commissioner for Research, Innovation and Science have signed the Memorandum of Understanding between the European Community and the Republic of Moldova on Moldova's association to the Seventh Framework Programme of the European Community for Research and Technological Development (FP7). Thus, Moldova becomes the associated country to FP7, being the first country from the Eastern Partnership and the second included the European Neighborhood Policy to achieve this status. As a result of the signing of the Association Agreement, Moldova gets similar rights to the EU Member States, becoming a member of the European Research Area, which will allow cooperating and competing as an equal partner in all calls announced by FP7.

October 27

The Board of Directors of the National Bank of Moldova decided to maintain the interests rates for the monetary policy instruments of NBM. For this purpose, the basic rate applied to the main short-term monetary policy operations and the basic rate for long-term credits (more than 5 years) remain at the level of 10% per annum, the rate for overnight credits remains 13%, and that of overnight deposits – 7% per annum.

November 02

The cabinet of ministers approved a plan of actions on the elimination of non-fee barriers which do not correspond to the commitments of the Republic of Moldova towards the World Trade Organization. The plan of actions comprises 8 fields: transparency in the informational field, customs administration, rules of origin, taxes and payments/duties which affect imports, import

rates and licenses, sanitary and phytosanitary measures in the field of agriculture, standards of conformity and certification requirements and intellectual property rights. The plan of actions will help avoid the use of estimative or indicative prices, of the minimum value and/or of fixed asset lists in the customs assessment process; providing the right to bring in / take out from the country metals and precious stones by entrepreneurs that have licenses for this activity; elimination of taxes other than customs ones, applied to imports of commodities (payments for environment pollutions, customs procedures, etc.); use of the guides and recommendations of international standardization bodies for conformity assessments.

November 02

Between October 19-November 02, a mission of the International Monetary Fund, led by Mr. Nikolay Gueorguiev, visited Chisinau for the purpose of having talks with the Moldovan authorities within the fourth revision of the country program, concluded based on the Extended Crediting Mechanism/Extended Financing Mechanism. Thus, as a result of these talks, the Republic of Moldova will benefit from 50 million DTS (approximately 77 million USD) for consolidating its currency reserves. At the same time, the head of the mission stated that, although the conditions of the program are implemented, broadly, at the set rates, certain indicators have not been complied with, especially regarding the receivables chapter. Thus, the limit regarding the government budget deficit and the indicative target regarding the reduction of government expenditure arrears for September, and the structural performance criterion regarding the reformation of the debt restructuring framework was implemented late.

November 4

Mr. Igor Dodon, Mrs. Zinaida Grecianai and Mrs. Veronica Abramciuc left the Communist Party group within the Parliament of the Republic of Moldova.

November 24

The Board of Directors of the National Bank of Moldova decided to decrease the basic rate, the rate of overnights credits and that of overnight deposits by 0.5%. Based on these considerations, the National Bank of Moldova decided to reduce the basic rate for the main short-term monetary policy operations from 10 to 9.5% per annum. Interest rates for overnight credits and overnight deposits were set at 12.5%, respectively 6.5% per annum. It was also decided to maintain the norm of the minimum compulsory reserve applicable to liabilities in MDL and in foreign currency to the current level of 14% of the calculation base.

November 25

The Board of Directors of the National Bank of Moldova decided to implement the special administration procedure of B.C. "Universalbank", given that it has difficulties in satisfying the prudential requirements of NBM on liquidity and capital since October 2011. These problems might be determined by the massive withdrawal of the deposits of the entities affiliated to the bank, the deterioration of the credit portfolio and the litigations related to the structure of the bank's shareholders.

December 02

The CEO of the European Bank for Reconstruction and Development (EBRD), Mr. Thomas Mirow, during his official visit in the Republic of Moldova, signed with the Mayor of Chisinau, Mr. Dorin Chirtoacă, a loan contract for 22 million EUR for repairing the roads of Chisinau.

December 6

The Head of the Delegation of the European Union in the Republic of Moldova, Mr. Dirk Schuebel, and the Prime Minister of the Republic of Moldova, Mr. Vlad Filat, signed 4 financing agreements whereby the Republic of Moldova is granted 63.8 mil. EUR in non-reimbursable form. The amount of 42.6 mil. EUR is granted for the Program of financial support for financing reform in the energy field. The program aims to enhance the efficiency, competitiveness and safety of the energy system, to enhance energy security, to modernize the energy infrastructure and to use renewable energy sources. The second agreement refers to the supplementation with 5 million EUR of the Program of budget support in the field of the supply with drinking water and sewerage. The third agreement aims the extension of the implementation period of the Program of budget support in the field of health protection for one more year, in order to allow the completion of important actions such as the reconstruction of the stimulation center for medical training, and also attracting investments for modernizing the Republican Clinical Hospital, with approximately 4.47 million EUR being allocated to this end. The last agreement aims to finance the works for the rehabilitation of the road segment "Ungheni beltway".

December 20

The Director of the World Bank for the Republic of Moldova, Mr. Abdoulaye Seck, and the Minister of Finances, Mr. Veaceslav Negruta, signed the Financing Agreement between the Republic of Moldova and the International Association for Development for the implementation of program "Consolidation of the efficiency of the welfare network". The objectives of the development program are to increase the access to high-quality and efficient health services, with the goal of reducing mortality and premature disability, and improving the guiding of transfers and social services to the poor.

EDITION SUMMARY - Q4

Output

In 2011, the GDP was 82,174.1 mil. MDL, higher as compared to the last year by 6.4% in real terms. As compared to the previous year, the gross added value increased by 5.6%, being exceeded by the increase of net taxes for products by 10.4%.

Significant changes were noticed on the gross added value created in the retail trade -10.7%, industry- 7.1%, and agriculture- 6.3%. In the analysed period, the final consumption exceeded the GDP value by 67.7% as compared to the previous year.

In comparable prices, the investments in this year increased as compared to the similar period of the previous year by 9.3%, we can say that the investment trend over the two years is increasing, thus exceeding the 2009 crisis year by 17.9%.

Prices and exchange rates

In 2011, the annual average inflation was 7.6%, and during the year the price evolution was non-uniform. The first quarter was characterized by a stable dynamics and thereafter in the IInd and IIIrd quarters the price increase trend accentuated, but to the end of the year such dynamics tempered. The main factors which caused the intensification of inflationist pressures in 2011 were:

- the price increase for important energetic products (oil and gas);
- the affectation of the agricultural offer, because of unfavourable climate conditions;
- the price increase of agro-alimentary products on international markets.

However, the annual average inflation for 2011, of 7.6%, is close to the result registered in 2010 – a price increase of 7.4% and represents a low level, considered from a historical perspective. Until the international economic crisis, inflation was increasing annually with values of over 10%, and in the post-crisis years we witness a reduction of the price increase speed. Increases below 10% are also attested for CPI components.

In 2011, the industrial production price index increased by 6.8%, and during the year the increase rhythms had a relatively continuous growth. Also, as in the case of the CPI, a reduction of the increase rhythms of post-crisis industrial production prices is noticed, as compared to the prices before the crisis. Between 2006 – 2008, the prices of the industrial production increased with rhythms higher than 10%, after the crisis, in 2010 and 2011, the increases were below 10%. At the same time, various evolutions were registered in the industrial sectors:

- ✓ in the extractive industry before the crisis, quite high rhythms of price increase were attested, but which had a downward dynamics, after the crisis the increases being very low;
- ✓ in the processing industry, the post-crisis price increase rhythms are lower than those registered before it;
- ✓ in the energetic sector, the prices increased suddenly in 2007, after which year the increasing trend tempered significantly.

After the crisis, a more moderate growth of construction prices is noticed, which increase with rhythms lower than 10%, as compared to the evolutions before it, when the prices in this sector increased with values of over 20%.

In 2011, the prices of agricultural production increased by 10% - an increase which is a lot below the 2010 evolution, when prices practically had a 42.9% "jump". Generally, the evolution

of agricultural production prices is extremely volatile, the spectacular increases being followed by modest increases or even decreases.

As an aggregate result for 2011, the nominal exchange rate of the national currency was 11.7 Moldovan lei for 1 USD, which is an appreciation of 5.1% as compared to 2010, and as to the unique European currency there was a quotation of 16.3 Moldovan lei for EUR 1 – an appreciation of 0.4%. In 2011, as compared to the previous years 2009 and 2010, when the Moldovan leu registered a depreciation against USD and EUR, a change in the evolution of the nominal exchange rate of the national currency was attested.

However, over the year, the evolutions of the national currency were not characterized through distinct continuity. From August 2011, a depreciation trend against USD manifests itself, and from April, 2011 the unique currency started to depreciate against the Moldovan leu. This dynamics was caused by the evolutions on the international financial markets, when EUR started to drop against USD.

At the same time, the real exchange rate of the national currency registered a continuous appreciation, due to the more accelerated evolution of prices in the Republic of Moldova as compared to the dynamics of inflation in the USA and the EUR area.

Public finances

- Analysing the evolution in time of the weight of the national public budget revenues in the GDP, we can see a decrease from 40% in 2007, to 37% in 2011. Fiscal revenues increased over time, with the exception of the crisis year 2008. While, in the same period, non-fiscal generally, decreased.
- As compared to 2010, collection rhythms increased by 7.9% – for the income administered by the State Fiscal Service and by 22.0% – for the income administered by the Customs Service bodies.
- As compared to 2010, in 2011 tax income increased by MDL 3,058.3 mil., and non-tax collections decreased by MDL 237.2 mil.
- The fiscal pressure in the examined period, which is determined by referring tax income to GDP, was 31.2%, as compared to 31.4% registered in 2010.
- Analysing the evolution in time of the weight of the national public budget expenses in the GDP, we can see an increasing trend of such weight until 2009 inclusively (from 40% in 2007 to 45% in 2009), with a potential diminishment up to 39% in 2011.
- Examining the balance of the public debt by instruments, we can see the increase in the value of the state securities issued on the primary market at the end of 2011 as compared to the end of 2010, by MDL 164.5 mil., and in the value of the state securities for ensuring the financial stability (issued for the first time in the IVth quarter of 2011).
- The modification of the internal public debt in 2011 occurred from the account of the increase of the state security issuance through tenders on the primary market by MDL 364.5 mil.
- In terms of evolution, we can see the upward trend of the external public debt to multilateral creditors. At the same time, the external public debt to bilateral and commercial creditors continued to decrease.

Banking sector

In 2011, the evolution of the banking sector of the Republic of Moldova registered a positive development trend, being reflected through the improvement of the banking activity indicators (liquidity, increase of profitability and quality of the credit portfolio).

In 2011, the commercial banks profile (MDL 879.7 mil.), registered increases four times higher than the profit throughout the 2010 year (MDL 219.4 mil.). Thus, the banking sector continued

its development, a growth being registered both in granting credits and in attracting deposits, which fitted the limits of a market with a moderate degree of concentration. However, in the IVth quarter of 2011, the „Universalbank” S.A. Commercial Bank, registered negative financial results.

In 2011, leader on the banking market for credits and banking assets is Moldova-Agroindbank, registering a credit balance of MDL 6,363.1 mil. and an asset balance amounting to MDL 9,201.3 mil. In the IVth quarter of 2011, B.C. Victoriabank maintains the leader position by the volume of attracted deposits, with a balance of deposits of MDL 6,786.7 mil.

In 2011, a continuous decrease of the interest rate for the credits granted in national currency is attested, which trend also stabilized in the IVth quarter of 2011. In December 2011, the average interest rate for the credits granted in national currency was 13.96%, and the average rate for the deposits in lei reached a level of 8.45%. In this context, we notice that the average interest rates for the deposits in national currency began to increase from the beginning of 2011, being at the level of 6.7% in January 2011. Also, the average interest rates for foreign currency deposits increased from 3.41% in January 2011 to 3.83%, in December 2011. The banking margin for the operations in national currency decreased from 8.45% in January 2011 to 5.51% in December 2011.

Monetary policy

In 2011 NBM promoted its monetary policy adjusting its actions depending on the economic conjuncture. The intensification of inflationist risks in the IInd and IIIrd quarters of the 2011 year determined the successive increase of the interest rates of monetary instruments in August and September. To the end of the year, the tempering of price increase rhythms and the uncertain perspectives regarding the 2012 economic evolution (anticipation of the propagation of a new crisis wave at an international level) conditioned the relaxation of the monetary policy.

In order to temper inflationist pressures, in addition to increasing the basic rate and the rates associated to permanent facilities, NBM also resorted to the increase of the rate of mandatory reserves. Also, in 2011, it was decided to amend “the Regulation regarding the regime of mandatory reserves”, which would provide for the application of a rule of mandatory reserves of 0% for attracted means with a due date higher than 2 years. This measure could determine the increase of long-term attracted means, which would be oriented to the real sector through long-term credits.

In 2011 NBM in most of the cases manifested more, through foreign exchange purchases, but in September the monetary authority intervened mostly as a seller (in fact, the volume of September transactions was higher than the levels registered in the other months of the year). The “deviant behaviour” episode was determined by NBM’s intention to temper USD appreciation trends.

A success for 2011 is a new record—the balance of reserve official assets got close to 2 billion USD.

External sector

In the IVth Q, the value of foreign trade was USD 2,170.2 mil., being determined by an increase of imports by 22.9%, amounting to USD 1,498.2 mil., and of exports by 21.3%, representing USD 672 mil.;

On the background of the basis increase above the registered historical level and under the conditions of the crisis development in the EUR area, the IVth quarter of 2011 represented the end of the export increase period with rhythms higher than imports;

On the whole, the performances of foreign trade in 2011 may be appreciated relatively well. The total value of foreign trade in the previous year was USD 7,413.7 mil., increasing, as compared to 2010, by 37.4%. Exports amounted to USD 2,221.6 mil., increasing by 44.1%, as compared to 2010, and imports – USD 5,191.6 mil., increasing by 34.7%;

Although the gradual revitalization of imports caused an increase of the trade deficit by 28%, amounting to USD -2,970.4 mil., the accelerated increase of exports stalled its growth under the level of the pre-crisis period (USD – 3,307 mil.), thus determining an increase of the degree of imports coverage by exports at the level of 42.8% – the highest level registered in the last 5 years;

The quick growth of exports in 2011 on the background of a more moderate increase of international exports (+20%) generated an increase of the share on the international market of up to 0.05%, exceeding the 0.01% level, maintained along the entire transition period;

In 2011, there was an increase of the concentration degree as compared to the previous years both in terms of exports and imports, although imports remain slightly more diversified. The HHI concentration index for exports in the previous year was 0.29 (+0.02 p.p. as compared to 2011), and for imports (+0.01p as compared to 2010), mostly in the case of exports a higher concentration occurring on two main markets: Russia and Romania;

The increase of exports in 2011 was sustained by the acceleration of cross border deliveries with non-food manufactured products by 57.5%, which had the highest contribution in determining this trend, of 27%, gross materials with 88%, fuels – 211.5% and agro-alimentary products with 25.3%;

Imports, if we exclud energetic resources, seem to have a much more diversified structure, the series of products which had a positive influence on imports being quite large. Also, the increase of imports was mostly influenced by oil and gas products and various non-food manufactured products, such as road vehicles, cars and electrical equipment, especially the position of cables, devices specialized for specific industries, cars and apparatus with industrial applications with general destination, and others.

Judging on the structure of import-export operations, and according to the statistic data, approximately 21.3% from the 2011 exports value represented typical re-exports referring mostly to pharmaceutical products but also various cars and transport equipment, but which do not exclude certain agricultural products. Also, other 23.6% represent the exports of compensatory products from foreign materials imported for processing, which category includes part of the exports of clothing, footwear articles, furniture and cables.

Business environment

When registering the business, in 2011, entrepreneurs declared the following kinds of activity: wholesale trade and retail trade (35%); real estate transactions (17%); processing industry (10%); agriculture (6%); transport (5%); constructions (1%).

The number of the enterprises registered by the State Registration Chamber decreased in the IVth quarter of 2011 as compared to the same period of the previous year, the index being 98.4% and increased by 6% as compared to the IIIrd quarter of the same year. In total, the number of the enterprises registered in 2011 increased by 3.8% as compared to 2010.

The number of the enterprises de-registered in the IVth quarter of 2011 was of 807 units or 16.7% less than in the same period of the previous year.

In 2011 the number of the de-registered enterprises was of 3,430 units, 7.9% more than in the previous year. 65.7% from the number of enterprises de-registered in 2011 are outside of Chisinau.

In 2011, in Moldova, 615 enterprises with foreign investments in the share capital were registered, 11.4% more than in 2010. The capital invested in the share capital was 311 mln. MDL, representing an increase by 79.7% as compared to 2010.

According to the data of the National Bureau of Statistics in 2011, there was an increase, by 20.9% (in comparable prices) of the sale income of the enterprises with the main type of activity: retail trade as compared to 2010. A higher increase of the turnover of the enterprises with the main type of activity: retail trade was registered in the Chisinau municipality (an increase by 23.7%) and the Southern region (by 27.1%) as compared to 2010.

In 2011, there was an increase by 15.5% (in current prices) of the turnover of the enterprises with the main type of activity: wholesale trade as compared to 2010. The enterprises in the Northern region and ATU Găgăuzia distinguished themselves through a relatively higher increase of the turnover (by 20.6% in the Northern region and by 46.5% in ATU Găgăuzia).

The turnover of the enterprises with the main activity: market services supplied to the population registered an insignificant decrease (by 0.4%) (incomparable prices) as compared to 2010. In this period, the enterprises in the Northern, Central, Southern regions and ATU Găgăuzia registered a decrease of the turnover as compared to 2010. Only the enterprises in the Chisinau mun. registered an increase by 1.3% as compared to 2010.

Conclusions: the Social Situation

Demographic situation. The number of the resident population of the Republic of Moldova as at January 1, 2012 was 3,559.5 thousand persons. In 2011, as compared to the previous year, the number of those live-births decreased by 3.2%, the number of the dead by 10.1%. The natural increase was 0.0 pers. for 1,000 inhabitants. As compared to last year, the number of marriages decreased by 2.2%, and the number of divorces by 3.3%.

Population migration. In 2011, 2,704 foreign citizens and 654 repatriates received a (permanent and temporary) residence permit. In the structure of emigrants by the arrival purpose, the following dominated: for work purposes – 32.0%, families – 31.6%, for studies – 26.6%, for other causes – 9.8%. By the country of origin, foreign citizens are emigrants from: Israel, Ukraine, Romania, Turkey, the Russian Federation, Italy.

Labor market. In the IVth quarter of 2011, the active economic population had 1,216.4 thousand persons, increasing by 63.1 thousand pers. (5.47%) as compared to the same period of the previous year. The activity rate of the population aged 15 and more was 40.9%, increasing as compared to the value of such quarter of the previous year (38.9%). The number of the *occupied population* was 1,141.1 thousand pers., increasing by 6.9% as compared to the same period of the previous year. The occupation rate of the population aged 15 and more was 38.4%, registering an increase of 2.4 p.p. as compared to the IVth quarter of 2010. The number of the unemployed according to the BIM definition was 75.3 thousand pers. The unemployment rate reached, at a country level, the value of 6.2%, lower than the value of the IVth quarter of 2010 (7.5%).

Remuneration of labour. The gross nominal average salary gain in the national economy in 2011 was MDL 3,193.9, registering an increase by 11.6%, as compared to the previous year, and in real terms (adjusted to the consumer price index) – by 3.7%. In December 2011, the average salary gain was MDL 3,707.4, registering an increase by 8.4% as compared to December 2010 and by 14.7% as compared to the previous month (November 2011). The index of the real salary

gain for December 2011 as compared to December 2010 (calculated as ratio between the salary gain index and the consumer price index) was 100.6%.

Social protection of the population. The number of the pensioners in the records of social protection bodies as at January 1, 2012 was 638.6 thousand pers. or 11.4 thousand pers. more (1.8 times), as compared to January 1, 2011. The average size of the monthly pension, established on January 1, 2012, was MDL 873.9, increasing by 7.8% as compared to January 1, 2011.

Healthcare. The morbidity of the population because of certain infectious diseases in 2011 is characterized through the increase of the cases of acute infections of respiratory ways with multiple localizations – 225.9 thousand cases as compared to 150.9 thousand cases in 2010. Also, several cases of varicella were registered – 10.5 thousand cases as compared to 6.6 thousand cases in 2010, acute intestinal infections – 18.5 thousand cases as compared to 17.8 thousand, but also tuberculosis of the respiratory organs. Most of the cases of morbidity through acute respiratory infections are registered in Bălți and Chisinau municipalities, in Strășeni, Criuleni, Sângerei, Telenești, etc districts.

Education. At the beginning of the 2011/12 academic year, the network of general primary and secondary education institutions was formed of 1,460 schools, gymnasiums and high schools. In the general primary and secondary education, in the 2011/12 academic year, 380.2 thousand pupils were included, 3.8% less than in the previous academic year. The network of special education institutions is formed of 29 units. The number of the pupils enrolled in special education, in the 2011/12 academic year, was 2549 pers., 19.4% less, as compared to the previous academic year. In the 2011/12 academic year, the number of secondary professional education institutions is 70 units (including 2 private institutions), 5 units less as compared to the 2007-2010 periods. The number of pupils in the secondary professional education is continuously decreasing, registering 20.3 thousand pupils at the beginning of the 2011/12 academic year as compared to 24.5 thousand in 2007/08. In the 2011/12 academic year, in the secondary professional education institutions, 13.0 thousand pers. were enrolled, 8.1% less as compared to the previous academic year. The medium specialty education is organized in 48 colleges, including 42 state colleges and 6 non-state colleges. The number of pupils was 31.4 thousand pers., being registered a reduction by 0.7 thousand pers. (by 2.2%) as compared to the previous academic year. The higher education network is formed of 34 units, including 19 state institutions, of which 2 units only conducts master studies 1 and 15 non-state institutions, 1 institution more as compared to the 2010/11 academic year. During the last years, the number of students is continuously decreasing, *i.e.* 103.9 thousand persons at the beginning of the 2011/12 academic year as compared to 122.9 thousand in 2007/08.

Crimes. In 2011 35.1 thousand crimes were registered or 5.2% more than in the previous year. From the total crimes, approximately two thirds were registered in urban localities. From the total number of registered crimes, 1003 cases (3%) represent the exceptionally serious and particularly serious ones, and 6.1 thousand cases (17.2%) – serious ones. The number of the crimes registered for a 10 thousand population was 99 crimes in 2011 as compared to 94 crimes in 2010, 74 crimes in 2005 and 105 crimes in 2000. The highest level of criminality was registered in the Chișinău municipality, the Bălți municipality, the Ștefan-Vodă district, the Criuleni district, the Basarabeasca district, etc. The lowest infractionality rate was registered in the Fălești district.

Chapter I

PRODUCTION

During January and December 2011, the Republic of Moldova reported a value of the gross domestic product of 82174.083 million MDL in current prices, an increase compared to the similar period of the previous year of 6.4% in real terms. This year GDP was 13.1% higher than the value reported for crisis year 2009. The biggest contribution to growth was registered in the IIIrd and IVth quarter, the combined overall influence was almost 60% of total growth.

However, also in the last quarters of 2011 a slowdown of economic activity occurred. The cause of this dynamics is the decrease in transfers from abroad and decrease in goods and services produced, especially an alarming slowdown occurred in transport area, negative trends were registered in 2012.

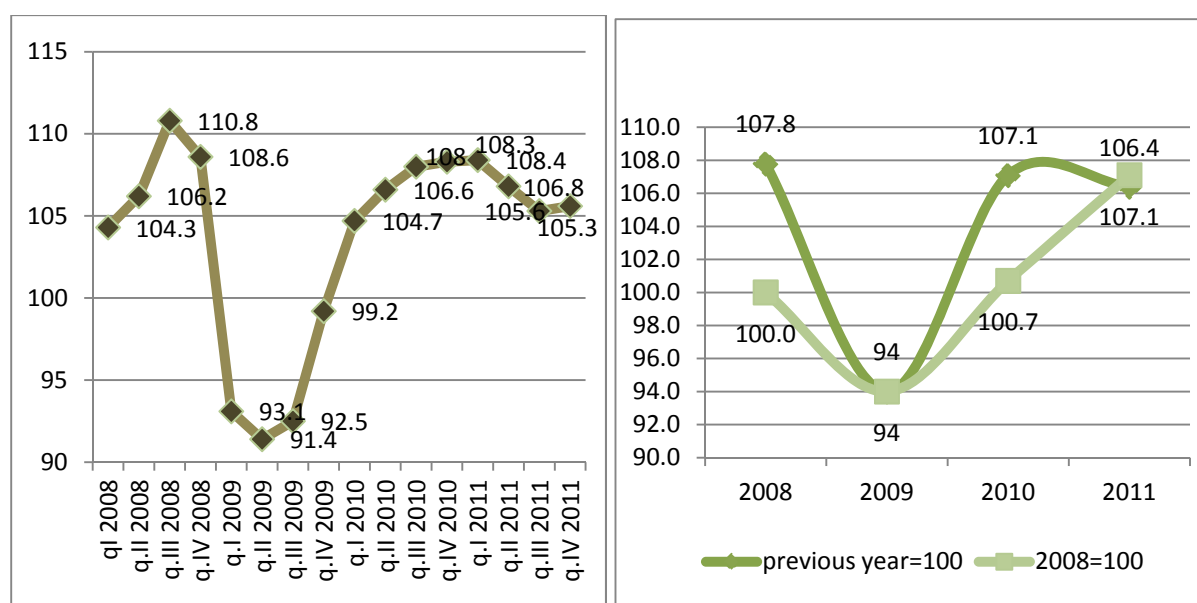


Figure 1. GDP evolution between 2008 and 2011, %

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

1.1. Gross domestic product by categories of resources

In 2011 the GDP components by categories of resources recorded positive values. Compared to the previous year, the gross added value increased by 5.6%, being exceeded by the increase of net taxes on products by 10.4%. Among the main components which contribute to the formation of gross added value we notice a growth trend in the goods sector compared to the previous year of 6.3%. This evolution was reached due to industry, which increased by 7.1%, followed by agriculture, with 5.5%. Therefore, the gross added value obtained in the goods sector contributed 26% to the formation of GDP, 0.7% higher than the previous year. Concomitantly, a rather high influence in the formation of GDP had the gross added value obtained in the service sector, which increased compared to the previous year by 5.4%. This growth was obtained due to the increase of the gross added value from sectors: wholesale and retail trade by 10.7%, transportation and communications by 6%.

The share of constructions in the gross added value in the last three years certifies a slow but significant growth, as in 2011 this share increased by 0.2 p.p. compared to the previous year. A similar evolution was recorded by real estate transactions, which increased by 0.5 p.p. The other types of services had a relatively stable evolution. The gross added value obtained in this

sector contributed to the enhancement of the GDP by 59.1%, thus recording a reduction compared to the previous year of 1.1 p.p.

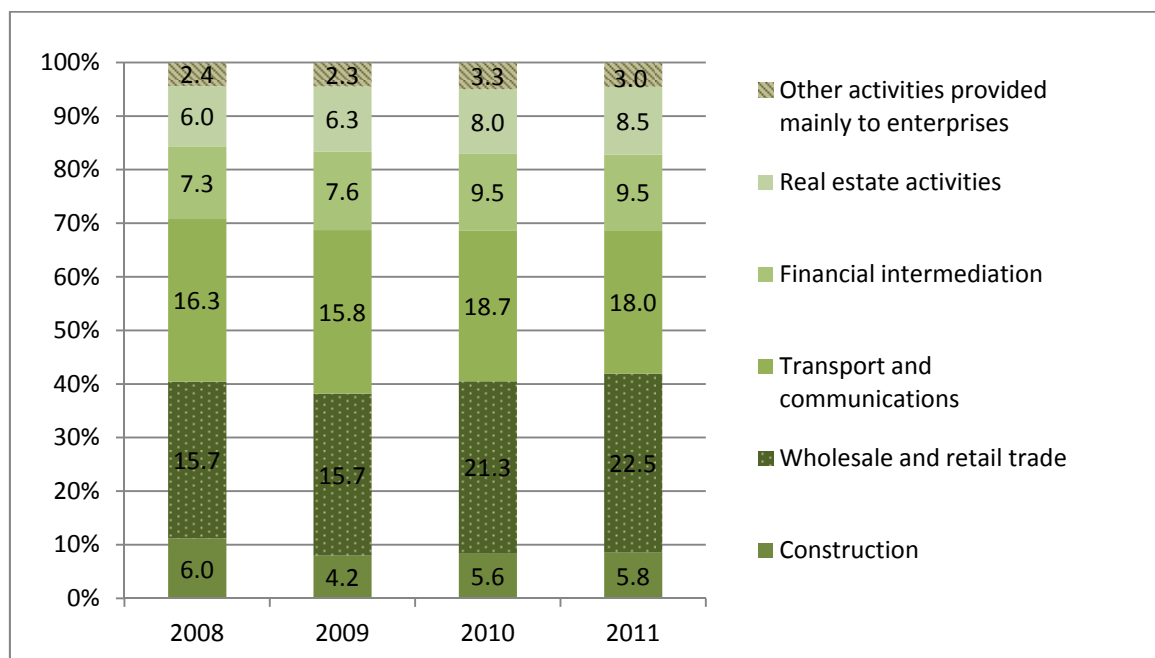


Figure 1.1.1. Structure of services from the total gross added value

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

As a general trend, the volume of production in 2011 was 158434.3 million MDL, based on the prices of 2010, and the highest share was that of services, 58.5%, which decreased compared to the previous year by 2.9%.

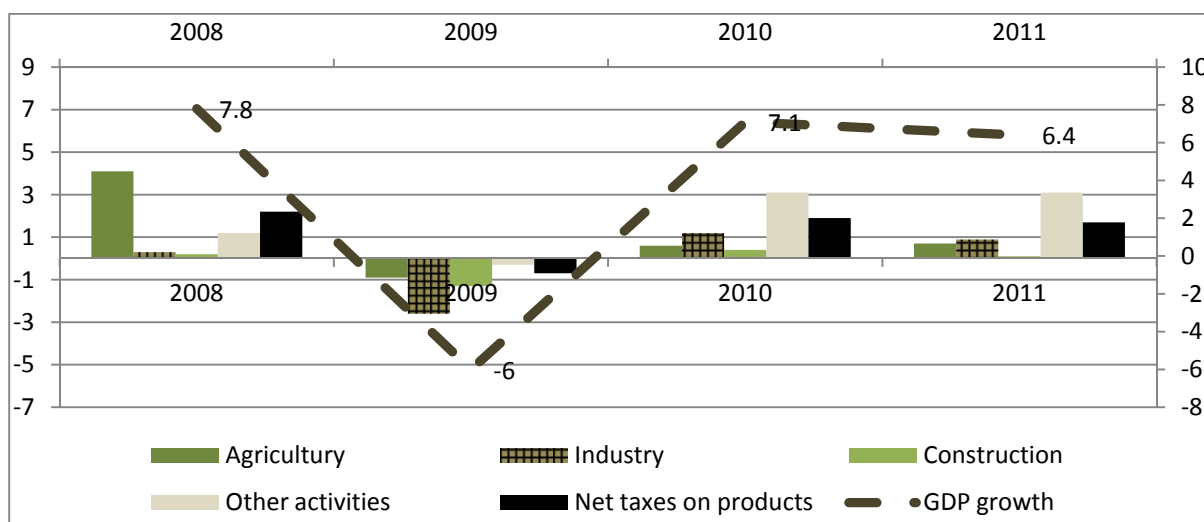


Figure 1.1.2. Degree of influence of resource categories in the increase of GDP, %

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

The contribution of GAV in agricultural sector in 2011 to the increase of GDP was 0.7%. GAV in industry had an influence of 0.9% on the overall increase of GDP, and compared to 2010, growth was 7.1%. GAV in constructions had an insignificant degree of influence of only 0.1%, and recorded an increase in real prices of 4.7%, after a 27% reduction compared to 2009. Other services, among which retail trade, transportations and communications, financial activities, had the highest degree of influence, and contributed to the increase of GDP by 3.1%, the same as in

the previous year. Another quite obvious contribution is represented by net taxes, with a degree of influence of 1.7% in real terms, with a 10.4% increase.

1.2. Gross domestic product by categories of uses

In the structure of GDP by categories of use, final consumption is maintained at a high level, which in 2011 exceeded by 16.7% the value of GDP, the highest level of consumption recorded in RM in the last three years. Significant structural modifications occurred in the last 3 years on the contribution of the gross formation of fixed capital in GDP with 23.2% stock variation, 1.3% higher than in the previous year by 0.4 p.p. A quite high level was recorded for net exports in GDP - 41.2%.

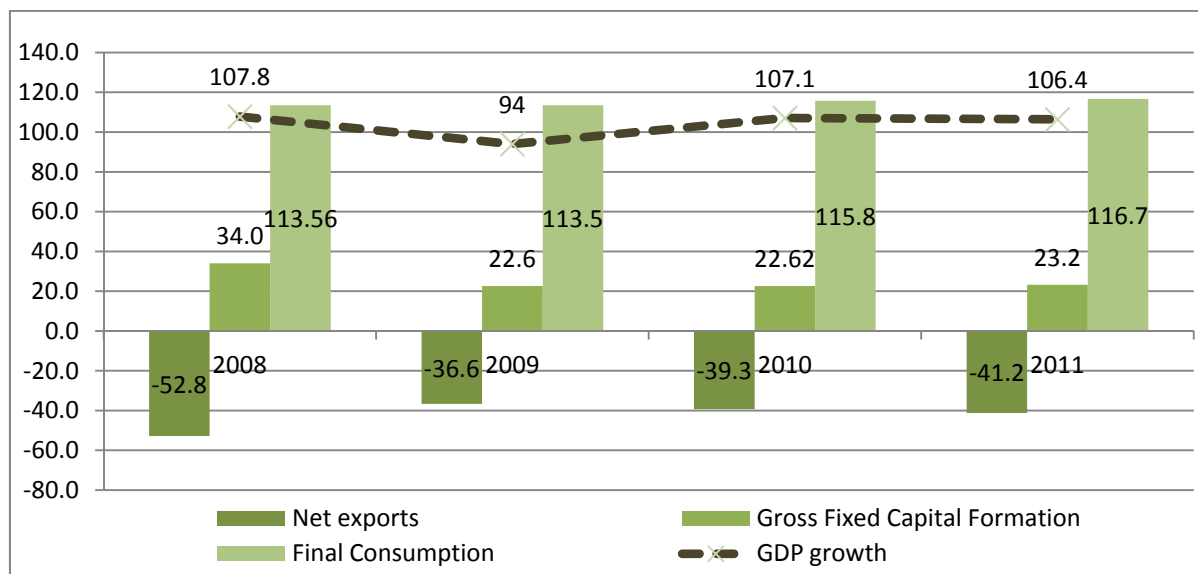


Figure 1.2.1. Evolution of GDP components by categories of expenses, % from GDP
 Source: Author's calculations based on the data of the National Bureau of Statistics

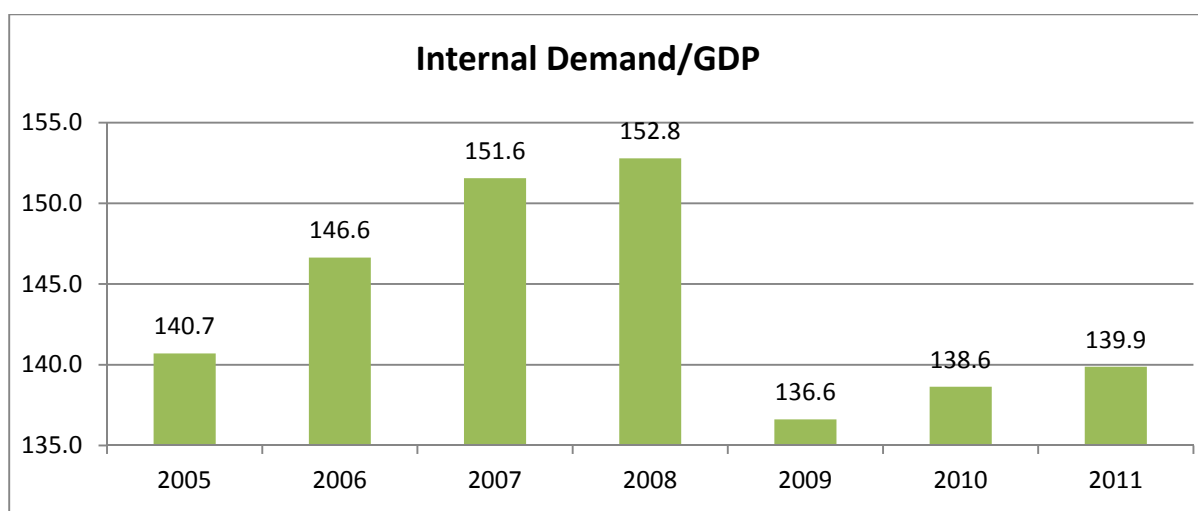


Figure 1.2.2. Share of internal demand in GDP, % from GDP
 Source: Author's calculations based on the data of the National Bureau of Statistics

Internal demand is a quite important component in the formation of GDP, which in 2011 amounted to 114941.5 million MDL, in current prices. The internal demand compared to the previous year increased by 7.1 p.p. The share of Total Demand in GDP has not yet reached the hike of 2008, the difference compared to 2008 is about 14 p.p. The contribution of the final

consumption of households is the highest from the total internal demand, 67.7%. The growth rate of the final consumption of the population in 2011, in comparable prices, represented 7.1%. In the analyzed period the consumption of the public administration decreased compared to the previous year by 2.5 p.p., and it is on the same level as the crisis year 2009.

The share of investments in GDP in 2011 increased compared to crisis year 2009 by 1.4 p.p. Despite the relatively good progress, it did not reach the level obtained in 2008. The variation of stocks as share in GDP remains low, approximately 1.3% or 1094.4 million MDL.

Table 1.2.1. Share of investment structure in GDP, %

Years	Share of FBC in GDP, %	Share of FBCF in GDP, %	Share of stock variation, %
2008	39.2	34.0	5.2
2009	23.1	22.6	0.5
2010	23.5	22.6	0.9
2011	24.5	23.2	1.3

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

In 2011 net exports registered a negative balance of 33861.6 million MDL, 10% higher than in the previous year. This increase was influenced by the increase of imports of commodities and services by 19.3% compared to the previous year. Concomitantly, a high increase was recorded also on exports, 28.6%, compared to 2010.

Investments in long-term fixed assets

In 2011 in RM investments in fixed assets amounted to 15198.5 million MDL. In comparable prices, investments this year increased compared to the previous year by 9.3%, 17.9% higher than in crisis year 2009, but the value of 2008 was not reached, being 17% less. We may say that the trend of investments in the last two years has been increasing. A quite high share in the total investments is represented by investments for construction and assembly works, by 48%, a small reduction of 3.4 p.p. compared to 2010, followed by investments allocated for machinery and automobiles, transportation means have a share of 45.4%, 4.45 p.p. more than in 2010.

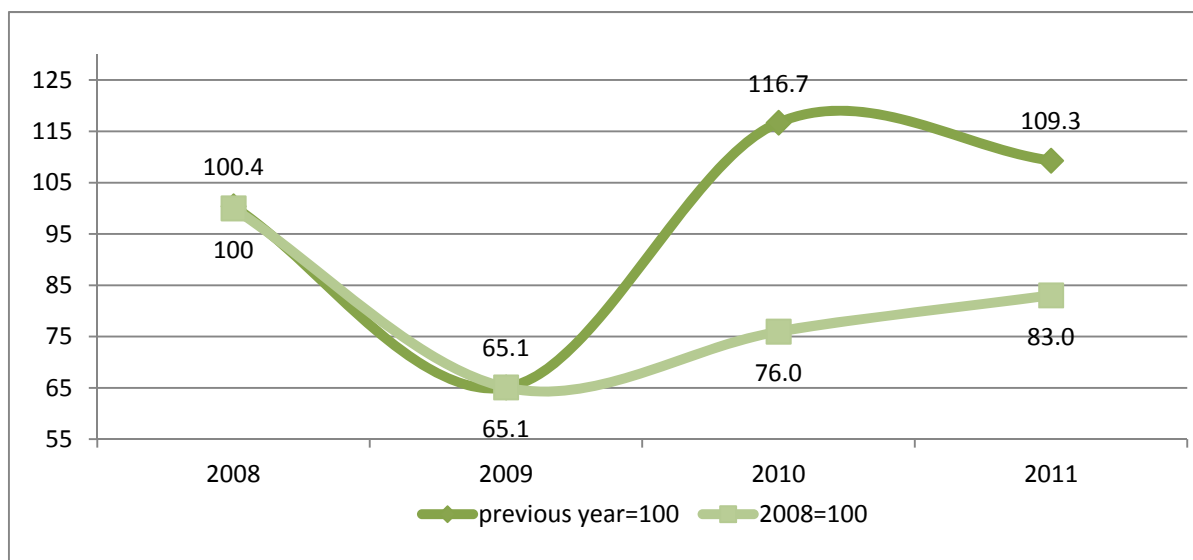


Figure 1.2.3. Evolution of investments in long-term fixed assets, 2008-2011 %

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

Traditionally, in 2011 the main financing sources remain the investments made by companies and population, with a share in the total structure of 64% or 8.7 p.p. higher than in the previous year. The resources allocated from the state budget in 2011 were 5.4% or 0.3 p.p. less than in 2010. Some decreases in the financing resources were noticed regarding the investments provided by foreign investors, 4.8% or 13.4 p.p. less than in 2010.

1.3. Production of goods and services

Industry

From 2008 to the present, the industrial sector has had an unstable evolution, and in this period the value of indexes decreased from one year to another. Until 2009 industry was affected by political and economic shocks, such as the matter of the exports of several products, followed by the economic and financial world crisis, which led to the decrease of production by 21% compared to reference year 2008. In 2011 there was an increase of industrial production of 0.4 p.p. compared to 2010, 11.8% more than the value from the crisis period. The level of 2008 was not reached, and in the first months of 2012 the volume of industrial production declined by 4.2% compared to January 2011. Because of bad weather conditions in 2011, manufacturing production declined sharply, especially the production of food and agricultural products decreased by 2.5%, compared to January 2011.

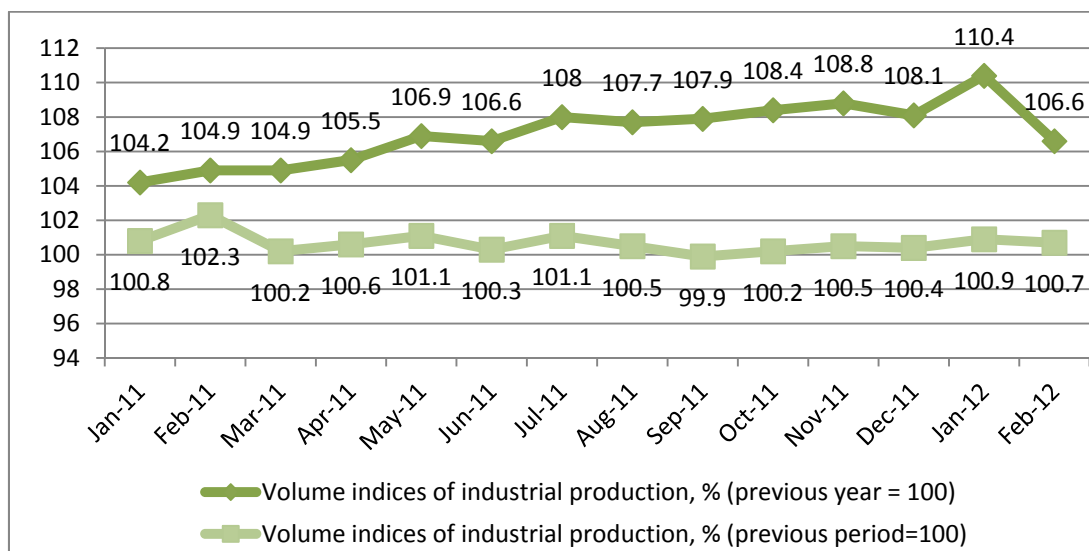


Figure 1.3.1. Evolution of industrial production, 2010-2011 %

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

In 2011, the value of production obtained by industrial entities was 27457.4 million MDL, 7.4% higher. This situation was created due to the increase of the level of products from the extraction industry by 17.1% followed by the processing industry by 8.9% compared to the previous year. The highest share in this sector belongs to the processing industry - 84.3%, which decreased compared to 2010 by 1 p.p. A quite important role in the processing industry is played by the products from the food industry and beverages, with a share of 51.36%, followed by the production of other products from non-metal minerals with 10.16%.

In the analyzed period there was a quite important contribution of the activities which led to the increase of industrial production, namely:

- Manufacture of medical devices and instruments, precision and optical equipment 42.5%, manufacture of electrical machines and devices 41.7%, printing houses, printing and reproduction of informative materials 27.9%, manufacture of machinery and equipment 24.6%, manufacture of leather, leather products and footwear 16.9%.

Concomitantly, some types of activities within this sector led to the decrease of industrial production:

- Chemical industry by 8.1%, metallurgic industry by 6.7%, wood processing and manufacture of wood items by 2%.

The value of the production of electricity and thermal power in 2011 represented 3913 million MDL decreased by 4.6% compared to 2010. This trend was reached following the reduction of services in the sub-sector of supply with steam and hot water by 5.6%. As a share in the structure of the sector it represented 14.2% and increased by 1 p.p. compared to 2010.

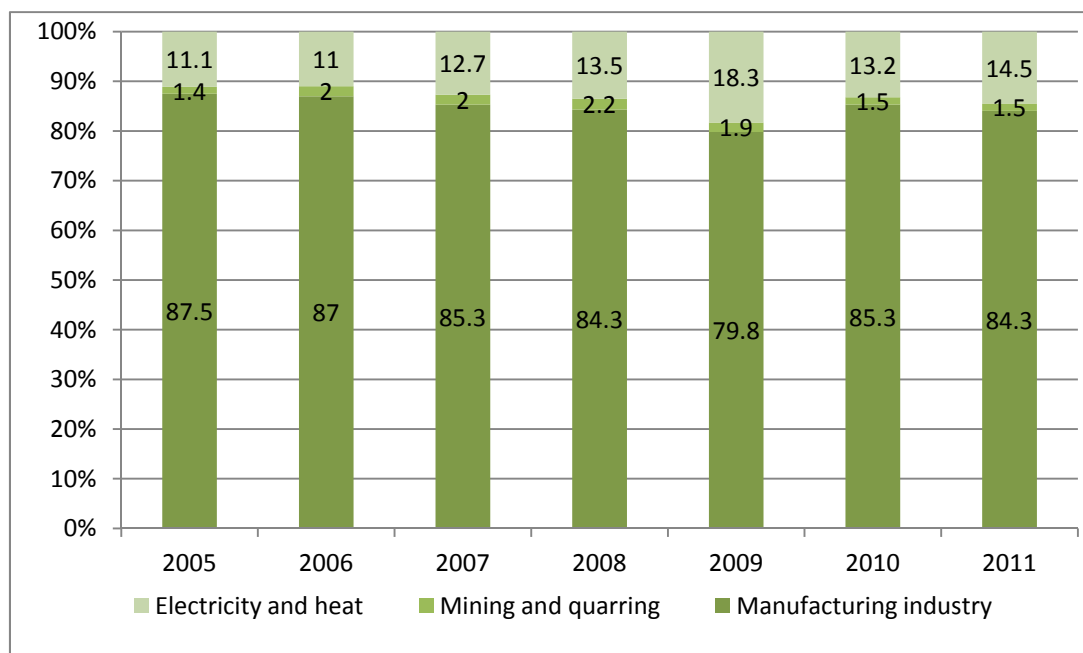


Figure 1.3.2. Structure of delivered production, 2005-2011, %

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

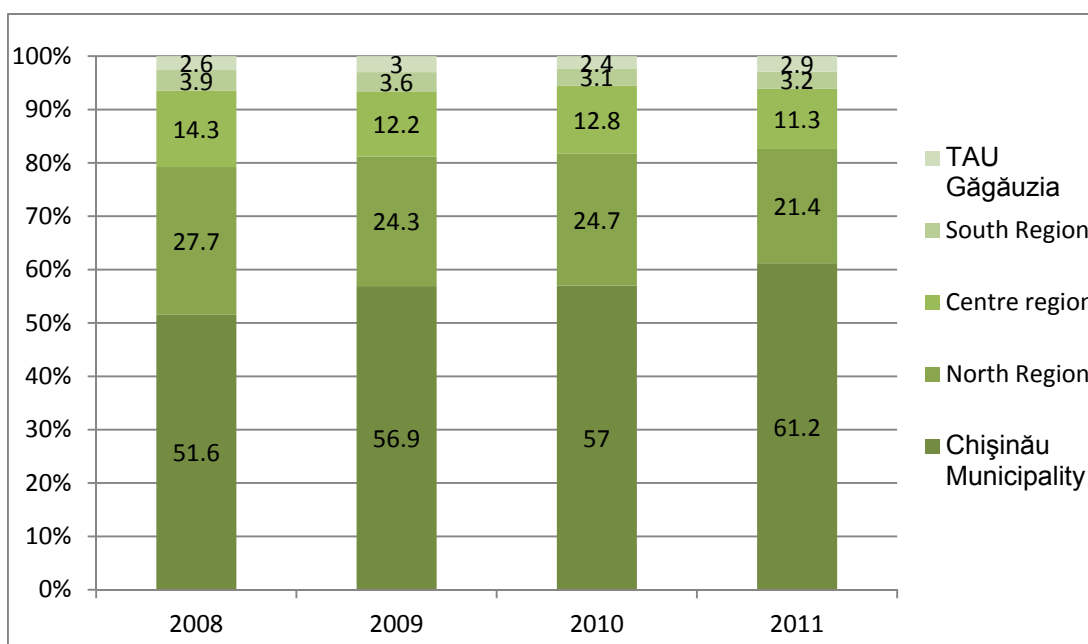


Figure 1.3.3. The concentration of industrial activity by regions, %

Source: Based on the data of the National Bureau of Statistics

From the graphical representation below we notice the distribution and development of the industrial sector by types of regions, thus further consolidation of industrial capacities is observed in Chisinau. The share of Chisinau in total industrial sector increased reaching 61.2% or 4.2 p.p. higher than in 2010, respectively generating a production value of 16814.7 million MDL. All the rest of the regions produced less in 2011, the central region has a share of 21.4%. The lowest shares are maintained by TAU Gagauzia and the Southern region with 2.9%, respectively 3.2%, but in the delivery of commodities on the external market these regions are leaders, with 67.7% and 64.7%. The majority of production in Chisinau is for the internal market.

Agriculture

In 2011 the agricultural production represented 22120 million MDL, 4.6% higher than in 2010. The graphical representation below shows that the agricultural production exceeded the level reached in the crisis year by 8%. This positive trend was obtained following the increase of vegetable production, namely 6.7% followed by animal products by 0.4%. Therefore, we find that the products which led to the increase of this indicator were the following types of products: potatoes, increase by 43.1% compared to 2010, vegetables – 25.4%, grapes – 24.6% fruits, nuts and dayberries – 15.4%, followed by sunflower 10.8%, but there also were reductions of the production of sugar beet by - 29.6%, tobacco and soy by 29.1%. A decrease was observed in animal production which represented only 0.4% of the total production. Causes are related to the reduction of the production of milk and eggs by 5.5% and 2.8%.

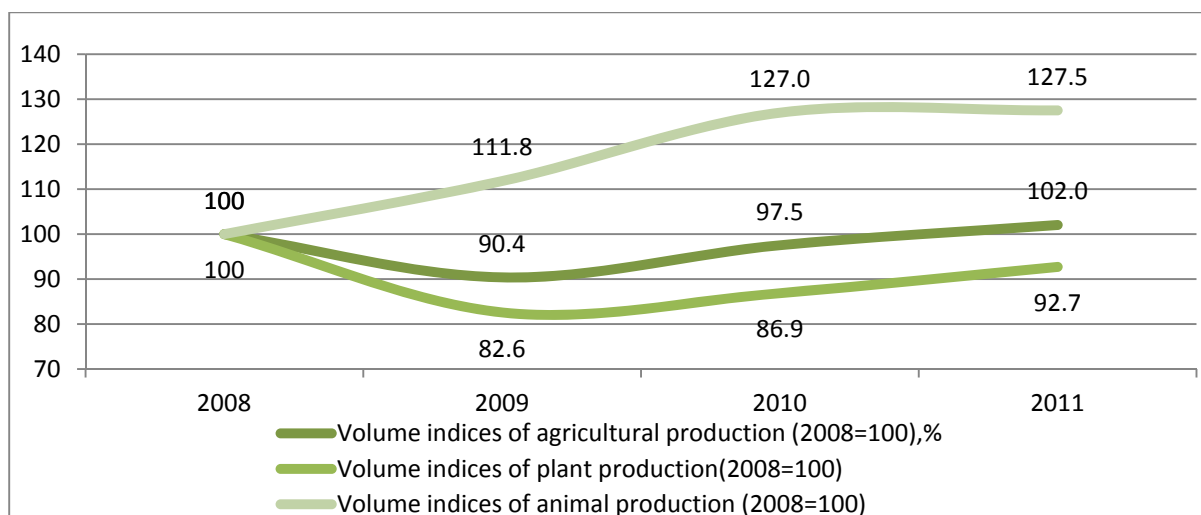


Figure 1.3.4. Evolution of indexes regarding the agricultural production, 2005-2011, %
 Source: Author's calculations based on the data of the National Bureau of Statistics

In 2011 there was a quite high average productivity per hectare in the cultures of rape, with an increase of 34%, followed by grapes 30%, potatoes 18.8%, fruits and dayberries 18.2% and wheat 15.4% following the increase of processed agricultural lands and the natural factor by the presence of rain. At the same time, the production of sugar beet decreased by 24.2%, soy by 28.4%, production of corn decreased by 4.7%.

We would like to mention that in 2011 in households the number of all animals decreased compared to the previous year. The total number of bovines decreased by 6.4%, especially those raised in households by 6.9%. The number of animals raised in agricultural facilities such as bovines, ovines and caprines increased by 3.8%. A quite obvious decrease is the reduction of the number of birds by 16.7% because of the decrease of the bird population in the fourth quarter of the analyzed year.

Table 1.3.1. Increase of average production per hectare for the main types of cultures

Quintals/hectare	2009/2008	2010/2009	2011/2010
Wheat	67.3	108.6	115.4
Corn	82.8	118	95.3
Sunflower	77	119.7	102
Sugar beet	43.7	184.4	75.8
Tobacco	120.5	94.3	84.9
Soy	56.6	169.6	71.6
Rape	65.1	78.9	134
Potatoes	106.7	109	118.8
Field vegetables	90.9	104	116.1
Fruits and dayberries	89.3	105.7	118.2
Grapes	109	72.3	130

Services

Trade and services

The entities which have retail trade as main activity in the fourth quarter of 2011 obtained an increase of the turnover by 15.2% compared to the similar quarter of 2010, but compared to the previous quarter of 2011 this indicator decreased by 2%. In 2011 the retail trade turnover increased by 17.1%, followed by the increase of the turnover obtained from the delivery of market services to the population by 1.2%.

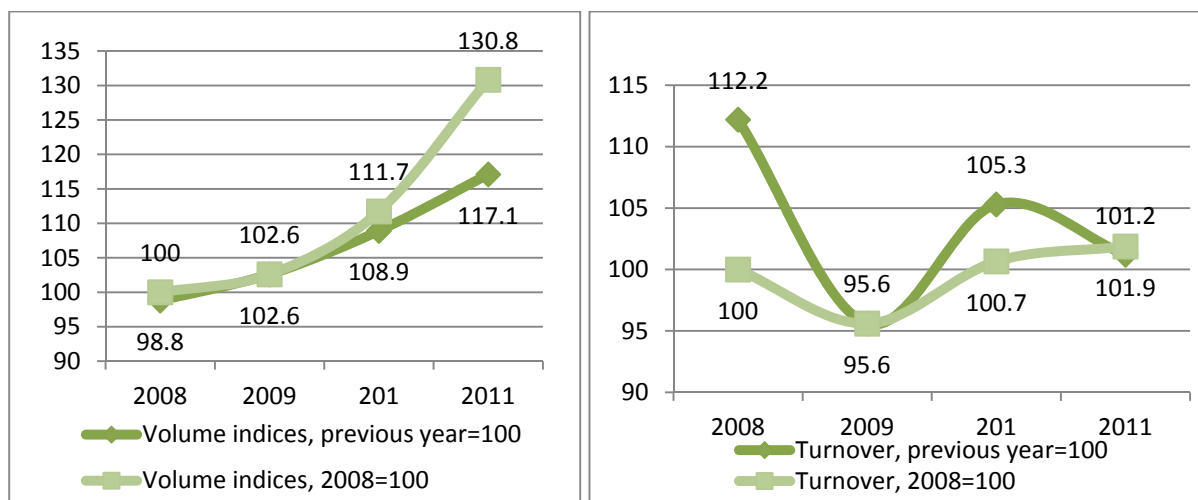


Figure 1.3.5. Evolution of the indicators of the retail trade turnover and services delivered to the population, %

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

In 2011 the entities which have wholesale trade as main activity increased their turnover by 12.9% in current prices compared to 2010, and at the same time the value of the turnover obtained by the entities which deliver services especially to companies increased by 11.4% compared to the previous period, 2010.

Transportation

In 2011 commodities were transported on the territory of the country worth 9843.3 thousand tons by using various means of transportation, an increase compared to the previous year of 16.8% in comparable prices. Structure-wise, the commodities carries by transportation types

show that the highest weight is represented by road transportation with 53.2%, followed by railroad transportation with a share of 46.3%. The fewest levels are assimilated for river-borne and air-borne transportation, with 1.5% and 0.02%. Thus, approximately 3620.5 million tons of commodities were carried on 1 km of road, an 11.7% increase compared to the previous year. High increases were observed in the volumes of commodities transported by river and railway means, with 30.1 and 24.7%, respectively. From the beginning of 2012 an economic activity in the transport sector declined drastically. In the first two months of 2012, transported commodities decreased by 27.7% compared to the same period of 2011.

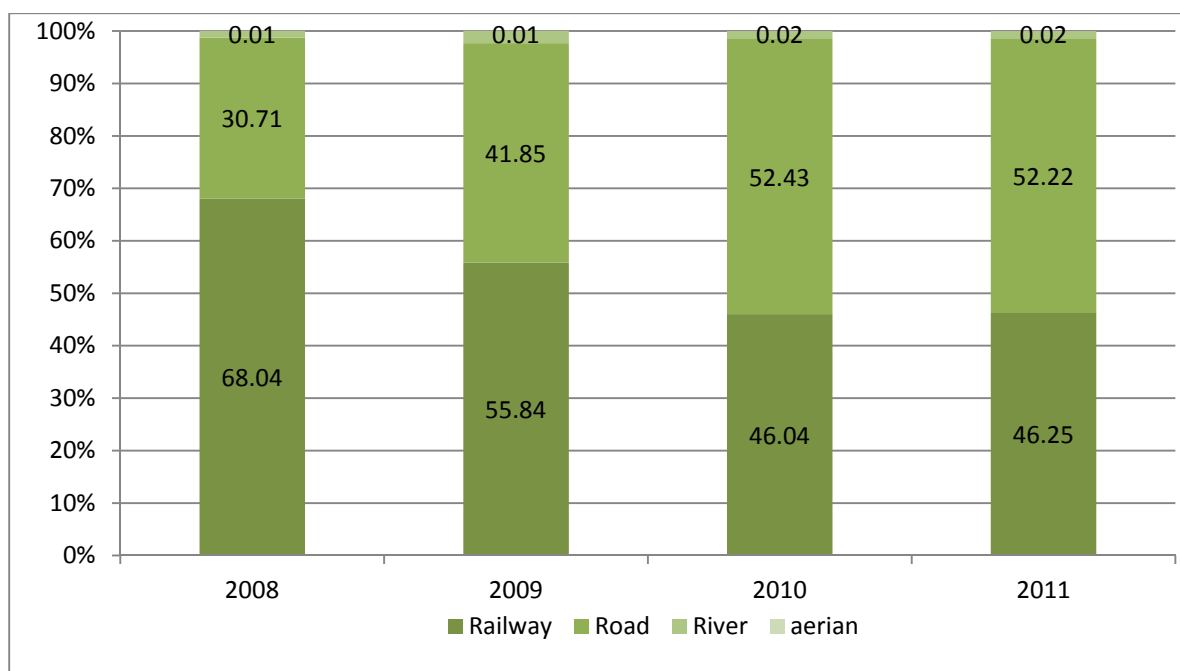


Figure 1.3.6. Structure of carried commodities by types of transportation, %

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

In 2011, 235757.7 thousand passengers were transported by public transportation means, a 1.4% increase compared to the previous year, due to the positive influence of passenger transportation by buses and vans with 8.2%, airplanes with 7.9% and river-borne means of transportation with 3.2%. The structure of passenger transportation changed, the share of buses and vans increased by 3.02 p.p., representing 48.6% of total passengers transported. Consequently, the share of passenger transportation by trolley-buses declined by 2.55 p.p.

In 2011 most commodities were carried by road transportation means by entities with registered offices in Chisinau, 2689.8 thousand tons, 22.7% higher than the similar period of the previous year, followed by the entities from the Northern region with 13.7%, and South with 22.7%

Communications

In January-December 2011, compared to the previous period of the previous year, positive trends were recorded for shipping correspondence, a 6.7% increase compared to the previous year, followed by packages with 2.2% and pensions and indemnifications by 2.1%.

A decrease of the growth rate was recorded for sending telegrams by 20.5%, and telephone calls in international landline networks, by 13.7%.

Tourism

In the field of tourism we noticed a positive modification of trends, both in the total number of tourists, and in the total number of foreign tourists. There was an 8% increase of foreign tourists and of 17.9% of non-resident tourists compared to the period of the previous year, 2010. Most internal tourists preferred hotels and motels – approximately 10.5%, recovery centers with 8.4%, hostels with 6.5%.

Negative trends were recorded in the case of tourists who checked in at boarding houses and summer camps for students, a reduction of 12% and 0.6%.

Chapter II

PRICES AND EXCHANGE RATES

In 2011, the annual average inflation was 7.6%, and during the year the price evolution was non-uniform. The first quarter was characterized by a stable dynamics – inflation varying in the proximity of 6%, and thereafter in the IInd and IIIrd quarters the price increase accentuated, culminating with an annual rate of 9.2% in August, but to the end of the year such dynamics tempered. The main factors which caused the intensification of inflationist pressures in 2011 were:

- the price increase for important energetic products (oil and gas);
- the affectation of the agricultural offer, because of unfavorable climate conditions;
- the price increase of agro-alimentary products on international markets.

However, the annual average inflation for 2011, of 7.6%, is close to the result registered in 2010 – a price increase of 7.4% and represents a low level, considered from a historical perspective. Until the international economic crisis, inflation was increasing annually with values of over 10%, and in the post-crisis years we witness a reduction of the price increase speed. Increases below 10% are also attested for CPI components – in 2011 the prices of food products increased by 8.4%, of non-food merchandise by 5.8%, and of services by 8.8%. However, please note that the price increase in case of food products in 2011 was higher than in 2010, when they increased by 5.7%, and the prices of services in 2010 grew by 9.1% and had an evolution close to that registered in 2011. At the same time, only the prices for non-food products in 2011 increased with a lower speed than in 2010, when they increased by 7.3%.

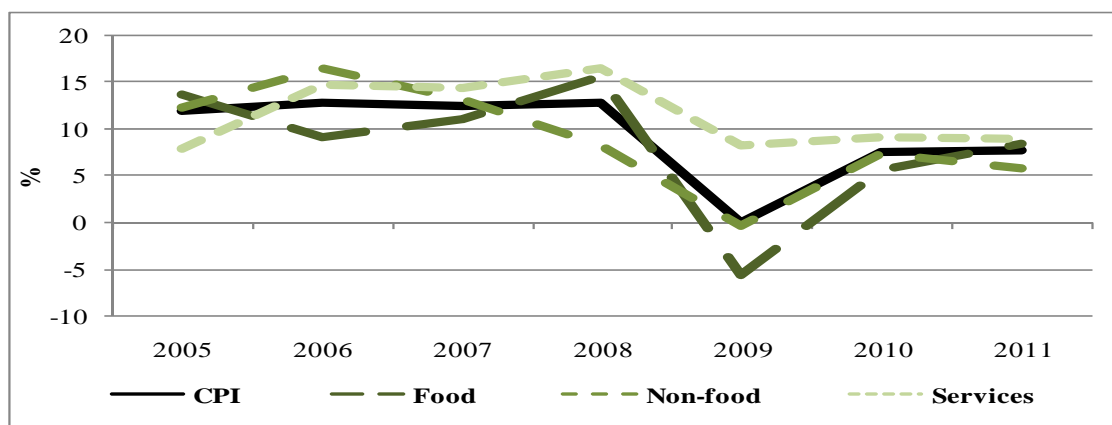


Figure 2.1. Growth rate of CPI and its components

Source: According to data of the National Bureau of Statistics

In the fourth quarter of 2011, CPI increased by 8.5% as compared to the similar period of the previous year, at the same time this increase is below the level of the 8.8% advance registered in the IIIrd quarter – this evolution denotes the tempering of the inflationist dynamics. The monthly price indices, calculated as compared to similar 2010 periods, had the following increases: in October and November 8.9%, and in December 7.8%. In the IVth quarter, one of the important causes which determined the price increase was the increase of the gas tariff by 23.2%, which came into force on October 1, 2011. Unlike the previous period, when the highest rises were registered in the case of food products, in the IVth quarter of 2011, the highest price was for services – which increased by 11.5% (in monthly terms, as compared to the similar period of the previous year, the following changes occurred: in October 11%, in November 11.8%, in December 11.6%). In the same period, the prices of food products increased by 8.6%, and during

the IVth quarter they continuously reduced their Growth rate (as compared to the similar period of the previous year, increases were: 9.3% in October, 9.2% in November and 7.4% in December). In the IVth quarter of 2011, the price of non-food products increased by 6.1%, but the price increase speed also decreased, as in the case of food merchandise (as compared to the similar period of the previous year, the following increases were registered: in October 6.7%, in November 6.5% and in December 5.2%).

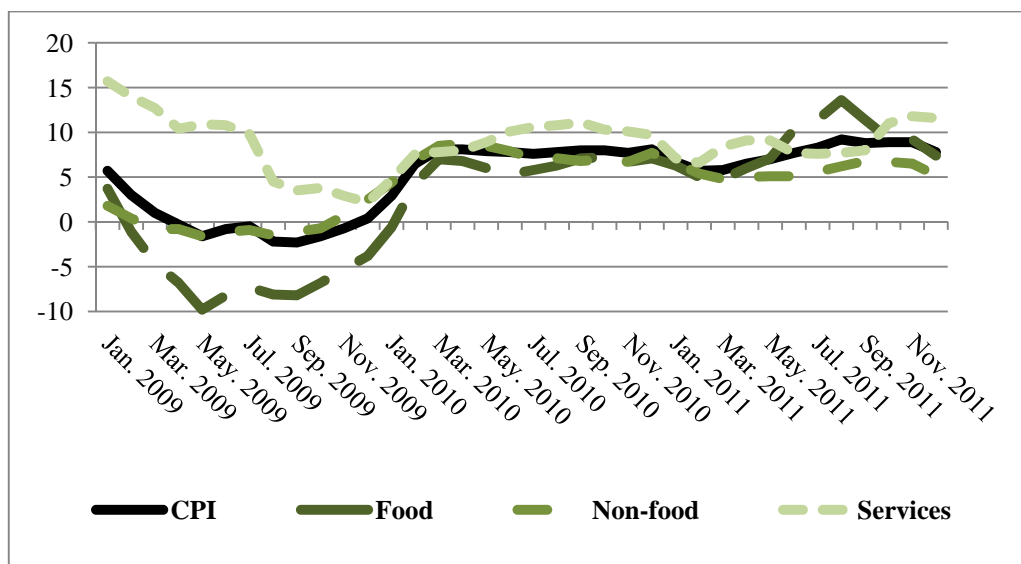


Figure 2.2. The annual growth rate of CPI and its components, %

Source: According to data of the National Bureau of Statistics

In the fourth quarter of 2011, among services, as compared to the similar period of 2010, the highest price increases occurred for the natural gas in the network – a price increase by 40.1%, and central heating – an increase by 39.1%. In the case of food products, the highest price increases were registered for grapes – 39.8%, eggs – 30.9%, sugar – 26.2%, nuts – 22.5%. At the same time, a range of agricultural products registered significant price decreases: tomatoes – 16%, carrot – 15.5%, garlic – 12.7%. The price increases, registered for non-food products, were less significant. More important price increases were attested for the following non-food merchandise: fuels – 15.2%, construction materials – 15.1%, cars – 10.9%.

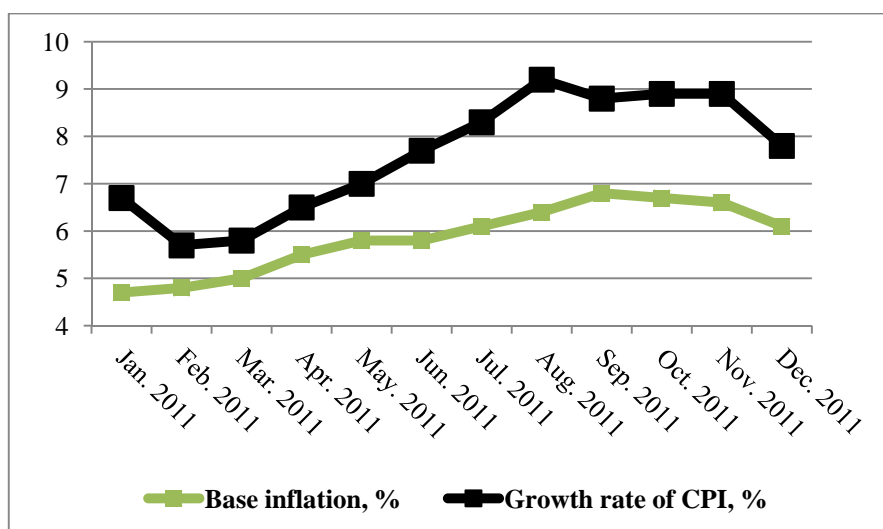


Figure 2.3. Base inflation and the CPI annual Growth rate

Source: According to data of the National Bureau of Statistics

The basic inflation had an upward trend during the first 3 quarters of 2011 advancing from 4.7% (the annual rate of the basic inflation), registered in January 2011, up to 6.8%, as attested in September 2011, and to the end of the year a change in this trend occurred. During the IVth quarter of 2011, the basic inflation decreased from 6.7% (the basic inflation rate for October) down to 6.1% (the basic inflation rate for December). During the entire year, the basic inflation rates were below the values of the CPI Growth rate.

In 2011, the industrial production price index increased by 6.8%, and during the year the Growth rates had a relatively continuous growth. At a component level, the highest price increase occurred in the energetic sector – 10.5%, followed by the processing industry with an increase of 6.3%, and in the extractive industry the increase was low, of only 2.6%. Also, as in the case of the CPI, a reduction of the Growth rates of post-crisis industrial production prices is noticed, as compared to the prices before the crisis. Between 2006 – 2008, the prices of the industrial production increased with paces higher than 10%, after the crisis, in 2010 and 2011, the increases were below 10%. At the same time, distinct evolutions were registered in the industrial sectors:

- ✓ in the extractive industry before the crisis, quite high paces of price increase were attested, but which had a downward dynamics, after the crisis the increases being very low;
- ✓ in the processing industry, the post-crisis price Growth rates are lower than those registered before it;
- ✓ in the energetic sector, the prices increased suddenly in 2007, after which year the increasing trend tempered significantly.

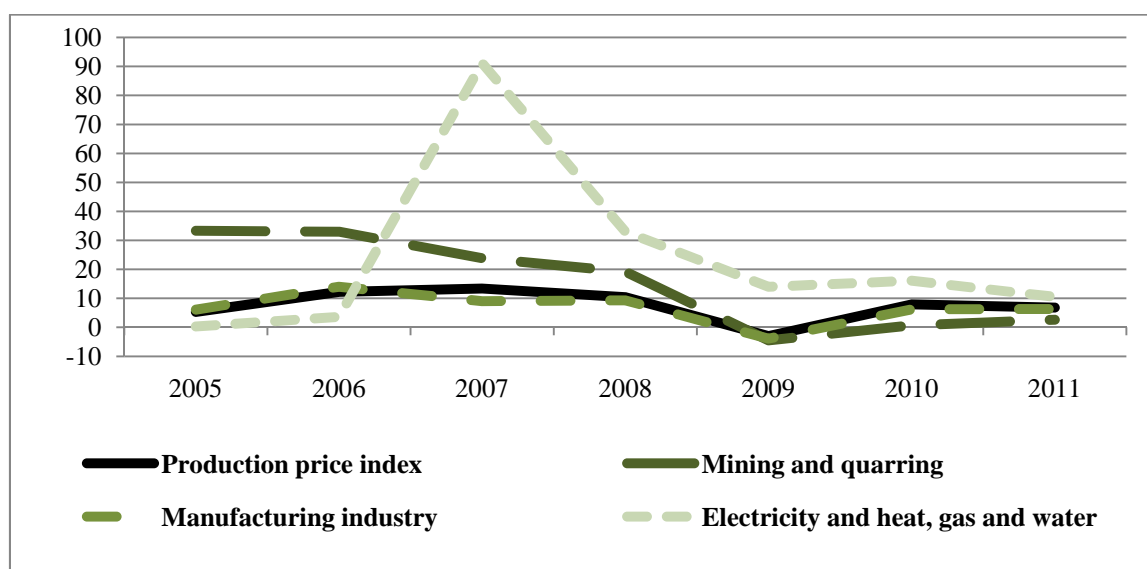


Figure 2.4. Growth rate of the industrial production price index and its components, %
Source: According to data of the National Bureau of Statistics

In 2011, the industrial production price index had an accelerated evolution: in the first quarter the growth was 4.7%, (as compared to the same period of 2010), in the IInd quarter the increase was 6.3%, in the IIIrd quarter the increase was 7.9%, and the IVth quarter was characterized through a growth of 8.4%. In the IVth quarter of 2011, the monthly increases of industrial production prices (as compared to the similar periods of the previous year) were 8.4% in October, 8.8% in November and 8.1% in December. In the fourth quarter of 2011, as compared to the similar period of the previous year, the following increases were registered in the industry sub-sectors:

- ✓ in the energetic sector, prices increased by 13.1% (the monthly increases, as compared to the similar period of last year, were 9.7% in October, and 14.8% in November and December);

- ✓ in the processing industry, the price index increased by 7.8% (the monthly increases, as compared to the similar period of last year, were 8.4% in October, 8% in November and 7.1% in December).
- ✓ in the extractive industry, the prices registered no increases (in October there was a decrease of 0.5%, in November an increase of 1.4%, and in December there was again a one percentage reduction).

In the IVth quarter of 2011, advanced levels of price increase, as compared to the similar period of 2010, were registered for: the generation of electricity – 27.3%, sugar manufacturing – 25%, manufacturing of milling products, starch and starch products – 24%, processing and preservation of fruits and vegetables – 23.1% and the supply of steam and hot water – an advance of 22.4%.

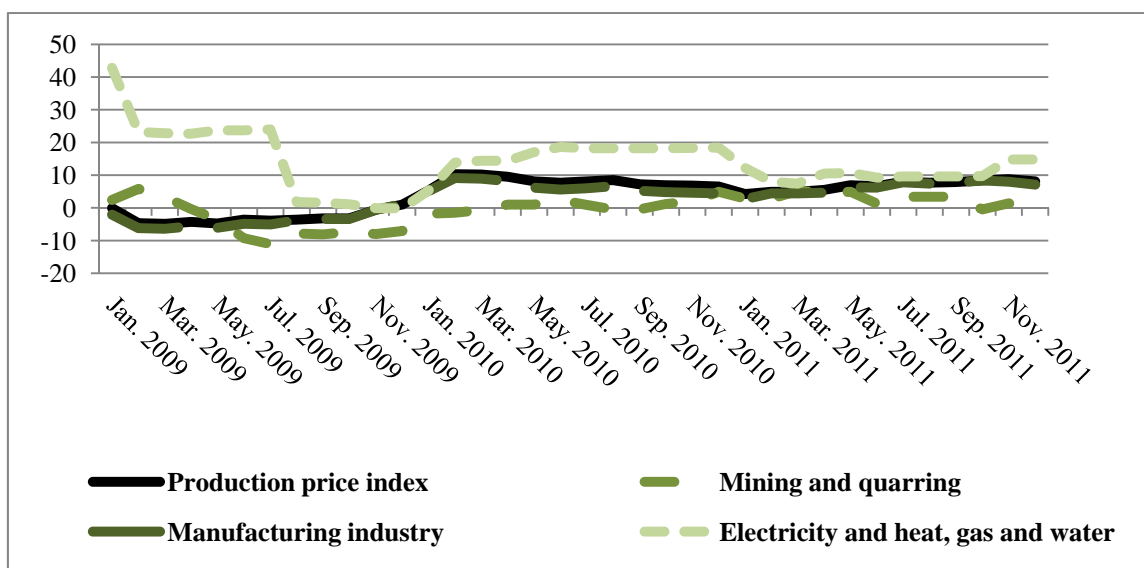


Figure 2.5. Annual Growth rate of the price index of the industrial production and its components, %

Source: According to data of the National Bureau of Statistics



Figure 2.6. Growth rate of construction prices (as compared to the same period of the previous year)

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

After the crisis, a more moderate growth of construction prices is noticed, which increase with paces lower than 10%, as compared to the evolutions before it, when the prices in this sector increased with values of over 20%. In 2011, the Growth rates of construction prices had positive evolutions, in the last three quarters of the year they had values close to the level of 9%. In the IVth quarter of 2011, construction prices increased by 9.3%, as compared to the similar period of the last year. During the quarter, taken by sectors, the highest price increases were registered in the construction of dwellings – 14.2% and agriculture – 9.6%.

In 2011, the prices of agricultural production increased by 10% – an increase which is a lot below the 2010 evolution, when prices practically had a 42.9% "jump". Generally, the evolution of agricultural production prices is extremely volatile, the spectacular increases being followed by modest increases or even decreases. In 2011 the increase of prices for vegetal products was 12.5%, while the prices of animal products did not increase, registering a modification of 0%. For vegetal products, the highest price increase, by 19.8%, was registered for cereal and vegetable crops – beans. In the case of animal origin products, price increases were registered for: cattle meat – 30.5%, milk – 16%, eggs – 14.3%, at the same time, price decreases were registered for pork meat – 12.3% and for wool – 17.7%.

As an aggregate result for 2011, the nominal exchange rate of the national currency was 11.7 Moldovan lei for 1 USD, which is an appreciation of 5.1% as compared to 2010, and as to the unique European currency there was a quotation of 16.3 Moldovan lei for 1 EUR – an appreciation of 0.4%. In 2011, as compared to previous years, 2009 and 2010, a change in the evolution of the nominal exchange rate of the national currency against the main reference currencies was attested. In 2009 and 2010 the Moldovan leu registered a depreciation against USD and EUR.

At the same time, the real exchange rate of the national currency registered a continuous appreciation, which is due to the more accelerated evolution of prices in the Republic of Moldova as compared to the inflation dynamics in the USA and in the EUR area – in the 2005-2011 period, the price level in the Republic of Moldova increased 1.65 times, while in USA it increased 1.15 times, and in the EUR area 1.12 times.

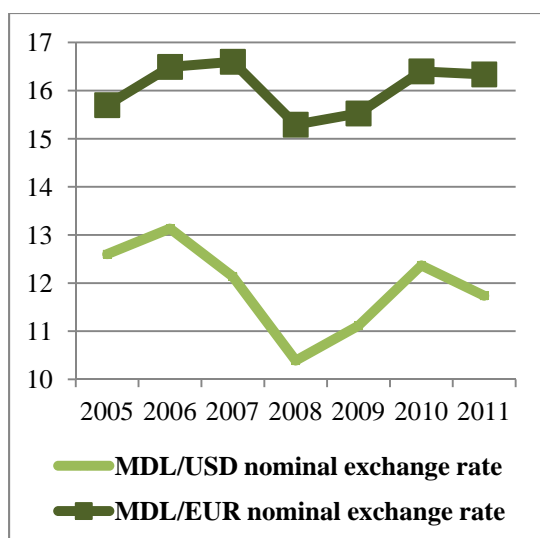


Figure 2.7. Evolution of the nominal MDL exchange rate as compared to USD and EUR

Source: According to data of the National Bank of Moldova

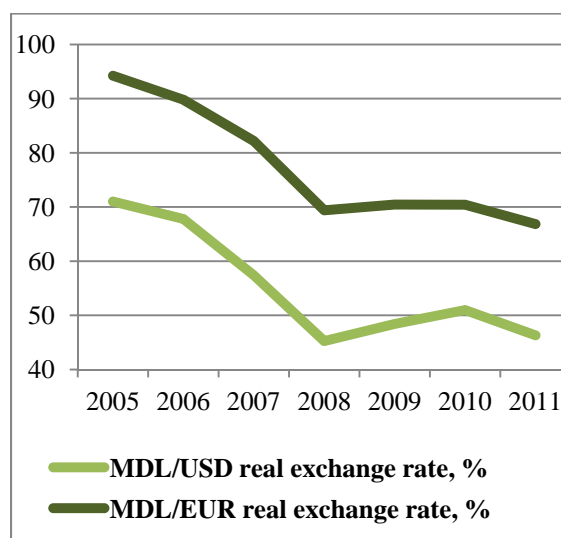


Figure 2.8. Evolution of the real MDL exchange rate as compared to USD and EUR

Source: According to data of the National Bank of Moldova

During the last quarter of 2011, the evolution of the national currency vs. the main reference currencies was according to the trends in the previous periods. In December 2011, the MDL/USD ratio was 11.79 MDL for USD 1, which quotation is a continuation of the depreciation trend versus USD, which evolution started in August 2011, when the MDL/USD exchange rate was 11.37 MDL for EUR 1. In December, the MDL/EUR exchange rate was 15.55 Moldovan lei for EUR 1 and reached the minimum level for 2011, the depreciation of the single currency against the Moldovan leu started in April 2011, when the MDL/EURO ratio was 16.86 Moldovan lei for EUR 1. This dynamics was caused by the evolutions on the international financial markets, when EUR began to drop vs. USD (because of the absence of the direct quotation between MDL and EUR, the EUR depreciation against USD transposes in the MDL appreciation against EUR). During the first 9 months of 2011, the real exchange rate of the national currency registered an appreciation, a trend which also maintained at the end of the year – in the IVth quarter, the Moldovan leu appreciated against USD by 5.9% (as compared to the similar period of the last year), and, as to EUR, the strengthening was 6.98%.

The Region on the Left Side of the Dniester River

In the region on the left side of the Dniester river, 2011 is characterized through relatively high inflation levels. In December 2011, as compared to December 2010, the CPI was 15.98%. In the same month of 2011, as compared to December 2010, CPI components registered the following price changes: food products – 16.41%, non-food products – 18.26%, services – 13.07%. High levels are also registered for other price indices: in December 2011, as compared to December 2010, the industrial production prices increased by 18.4%, in 2011 as compared to 2010 the agricultural production sale prices increased by 14.6%.

In 2011 the average exchange rate against USD was 10.3 rubles in the region on the left side of the Dniester river for 1 USD, depreciating by 4.7% as compared to 2010.

Chapter III

FINANCE

3.1. Public finance

Revenues of the national public budget

In 2011, into the NPB were accumulated 30158.5 million MDL of revenues, 2618.3 million MDL or 9.5% more than in 2010. At the same time, the collections plan was performed in an amount of 98.4% (497.0 million MDL were not collected), compared to 102.4% the execution of the collections plan in the similar period of 2010 and 100% the execution of the plan in the first half of 2011. This failure to collect is largely caused by the non-fulfillment of the collections plan under the VAT chapter, and the causes for this are described in detail in the previous edition of MET.

Analyzing the evolution in time of NPB revenues in GDP, we notice a trend of reduction of the respective weight, from 40% in 2007 to 37% in 2011.

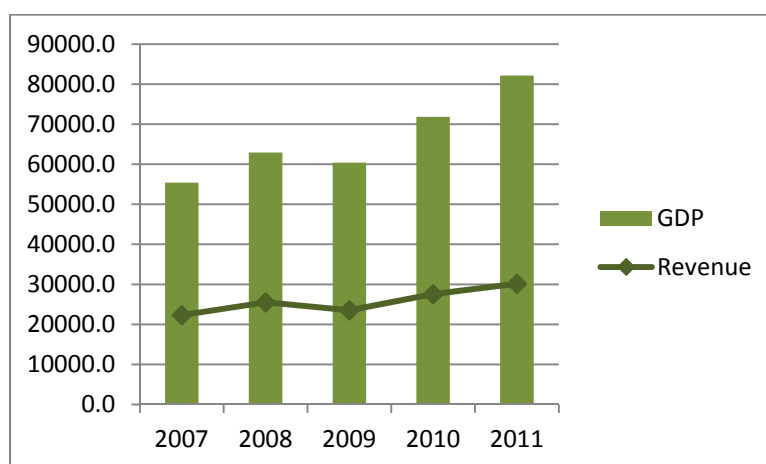


Figure 3.1.1 Evolution of revenues accumulated at the national public budget and GDP in 2007-2011 (million MDL)

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

In the fourth quarter of 2011, to the national public budget were accumulated 8914 million MDL, 485.5 million MDL or 5.8% more than in the similar period of the previous year.

Also, in the first two months of 2012, to the national public budget were accumulated 3,967.3 million MDL, 25.2 million MDL more than the planned value of revenue for the respective period (99.4% of the plan has being achieved) and 198.8 million MDL more than in the similar period of 2011 (5.3% more).

53.0% of the total revenues of the national public budget are revenues administered by the State Tax Service (in 2010 – 53.8%) and 39.4% are revenues administered by the Customs Service (in 2010 – 35.4%). The task of the revenues collection by tax authorities, scheduled for 2011, was executed at a 98.7% level and at a 100.1% level by the customs bodies. Compared to the 2010, the collection rates increased by 7.9% on revenues administered by the State Tax Service and by 22.0% in case of the revenues administered by bodies of the Customs Service.

Out of the total amount of the revenues of the national public budget, fiscal revenues amounted 25599.5 million MDL, and non-fiscal collections – 1178.8 million MDL. The tasks set for the respective

period were implemented 99.3%, respectively 103.2%. Compared to 2010, fiscal revenues increased by 3058.3 million MDL, and non-fiscal collections decreased by 237.2 million MDL.

The weight of fiscal revenues from the total revenues in 2011 represented 85% compared to 82% registered in 2010.

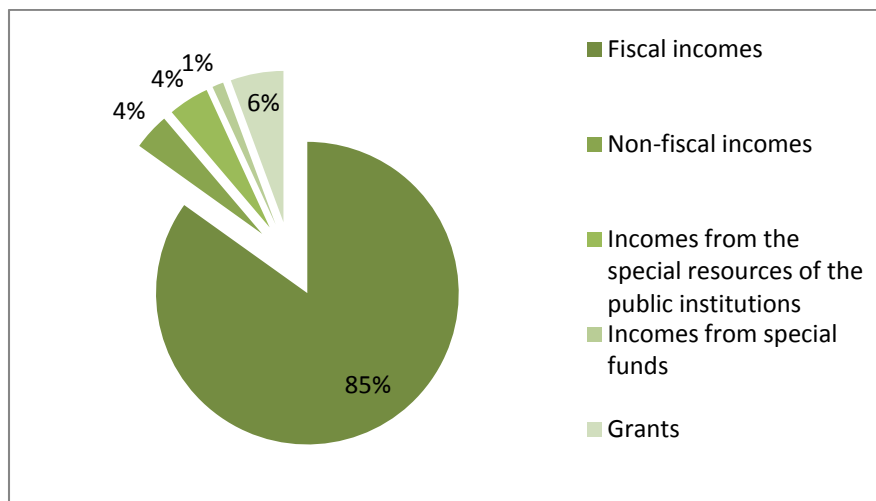


Figure 3.1.2 Structure of the revenues of the national public budget in 2011

Source: According to the data of the Ministry of Finance

Compared to 2010, in 2011 the fiscal revenues increased by 14% or by 3051.8 million MDL. Regarding the fiscal invoices which constituted collections in the fourth quarter of 2011, they represented 7509.3 million MDL, namely 1050.9 million MDL or 16.3% more than in the similar period of 2010.

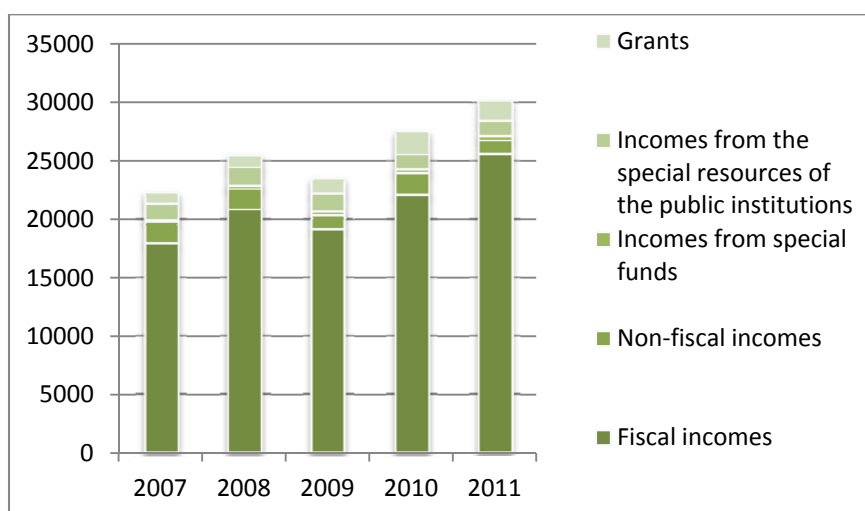


Figure 3.1.3 Structure of the income of the national public budget in 2007-2011

Source: According to the data of the Ministry of Finance

Making an analysis of its evolution in time, we can notice that fiscal incomes registered a continuous increase, with a deviation from the general trend in 2008 – when the international economic crisis was felt. Also, the non-fiscal incomes registered a continuous decrease in the analyzed period, with a small deviation from the general trend in 2010. The incomes from grants registered a vertiginous increase until 2010 (especially in 2010 as compared to 2009), and in 2011 a diminishment of the income in this regard was registered. In addition, please note that the incomes from special funds registered a continuous increase and the income from special

means – registered an increase in 2008 as compared to 2009, and until 2010 a diminishment of the said chapter was registered, with a recovery in 2011.

In the first two months of 2012, the trends highlighted in the examined periods are maintained, the tax income increasing compared to the similar period of 2011 by 134.6 million MDL, registering a 4.1% increase. However, non-fiscal incomes, as deviation from the trends in the last years, register an increase of 19.5% as compared to the previous period, reaching at the end of the first two months of 2012, the value of 170.4 million MDL. The incomes from special means registered an increase of 2.4% as compared to the similar period of the previous year, and the incomes from special funds registered a diminishment, in the first two months of 2012 they only constituting 97.9% from the registered value of the previous year.

In fiscal revenues, the most important weight is represented by revenues from VAT (41%), social contributions – 26%, excises – 10.4%, income taxes – 9.1% and medical contributions – 6.4%.

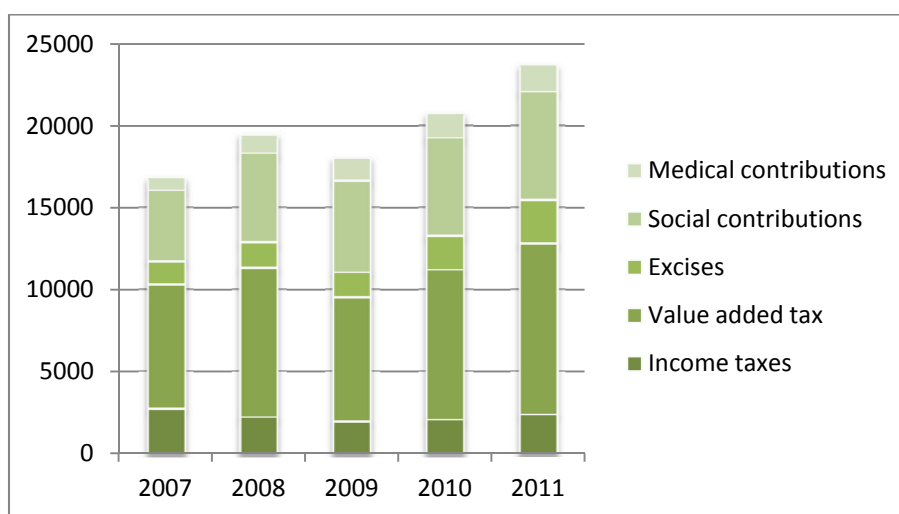


Figure 3.1.4 Structure of fiscal revenues in 2007-2011, million MDL

Source: According to the data of the Ministry of Finance

The weight of tax income components remained relatively constant in 2007-2011, with a higher increase of the weight of excise duties in the total 2010 and 2011 collections.

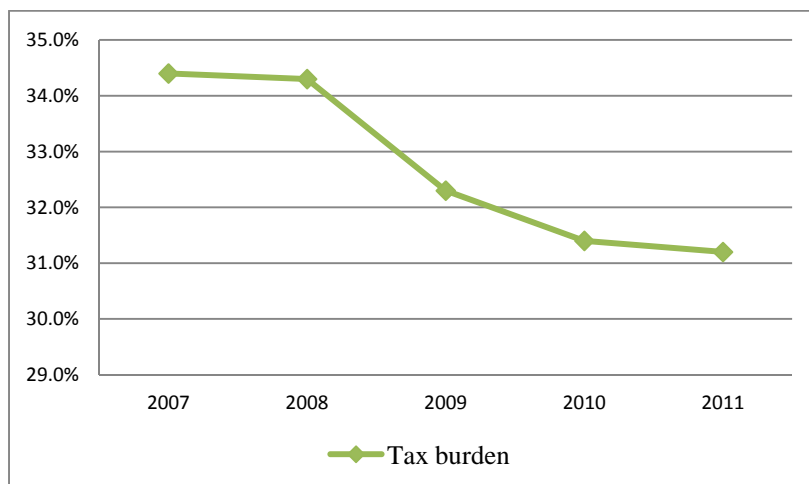


Figure 3.1.5 The tax burden in 2007-2011, million MDL

Source: According to the data of the Ministry of Finance

In the same time, the trend of indirect revenues prevailing in relation to direct revenues is maintained. Certain changes could occur in this relation with the increase, as of January 01, 2012, of the level of the tax on the revenues of legal entities from 0% to 12% and from the introduction of the tax on operational revenues from the operational activities of the entities from the sector of small and medium businesses.

The tax burden in the examined period, which is determined by referring tax income to the GDP, was of 31.2%, its average value, during 2007-2011, representing 32.7%. Thus, a trend to diminish tax burden starting with 2008 is nuanced.

In 2011 non-fiscal incomes represented 1178.8 million MDL, and their weight in the revenues was 3.9%, while in the similar period of 2010 this indicator was 5.1%. In absolute values, non-fiscal revenues dropped by 237.2 million MDL. The reduction was largely due to fines and sanctions, whose weight from the total non-fiscal collections increased from 9.4% in 2010 to 13.0% in 2011. In absolute values, there was an increase of 20.2 thousand MDL or 15% compared to the previous year. Concomitantly, the weight of administrative taxes and payments from the total of non-fiscal collections increased from 36.8%, the level recorded in 2010, to 41.1% – the level of 2011. However, in absolute values, in 2011 there was a reduction by 36.6 thousand MDL of collections for the given chapter compared to the similar period of the previous year.

The most important contribution to the formation of revenues from grants is represented by external grants. For 2011, the total amount of budget revenues as grants was 1704.3 million MDL, out of which 1661.3 million MDL – external grants and 43.0 million MDL – internal grants. It is notable that compared to last year, the revenues from grants decreased by 15% or by 289.6 thousand MDL, and their weight from the total revenues decreased by approximately 1% in the examined period of 2011 compared to the similar period of 2010.

The accumulated revenues from special resources of the public institutions were 1312.2 million MDL, or 98.6% compared to the provisions of the administration period. The revenues of special funds constituted 363.7 million MDL, or 98.7% compared to the set annual tasks. For supporting the budget and for the projects funded from external sources from external donors and internal donors, there were grants of 1704.3 million MDL.

On the background of the accumulated revenues, there were **outstanding** amounts to NPB reported at the end of the year of 872.9 million MDL, compared to 1138.1 million MDL reported at the end of 2010, out of which: 416.2 million MDL – to the state budget (30.1 million MDL more than in 2010), 192.4 million MDL – to the budget of administrative-territorial units (34.4 million MDL more than in 2010), 249.4 million MDL – to the budget of state social insurance (330.6 million MDL less than in 2010), and 14.9 million MDL (0.6 million MDL more than in 2010) – to the mandatory medical assistance funds.

Expenses of the national public budget

In 2011 the budget incurred total expenses of 32117.0 million MDL, 2790.6 million MDL or 9.5% more than in the similar period of 2010. In particular, in the fourth quarter of 2011, the state budget incurred expenses of 7643.3 million MDL, 740.3 million MDL or 10.7% more than in the similar period of the previous year.

By analyzing the evolution in time of the weight of NPB expenses in GDP, we notice an increasing trend of the respective weight until 2009, inclusively (from 40% in 2007 to 45% in 2009), with a 39% reduction in 2011.

In the first two months of 2012, expenses were made from the national public budget amounting to 4602.3 million MDL, which is 1541.2 million MDL less than the level planned for this period, while registering an increase of 434.1 million MDL (10.4%) as compared to the similar period of 2011.

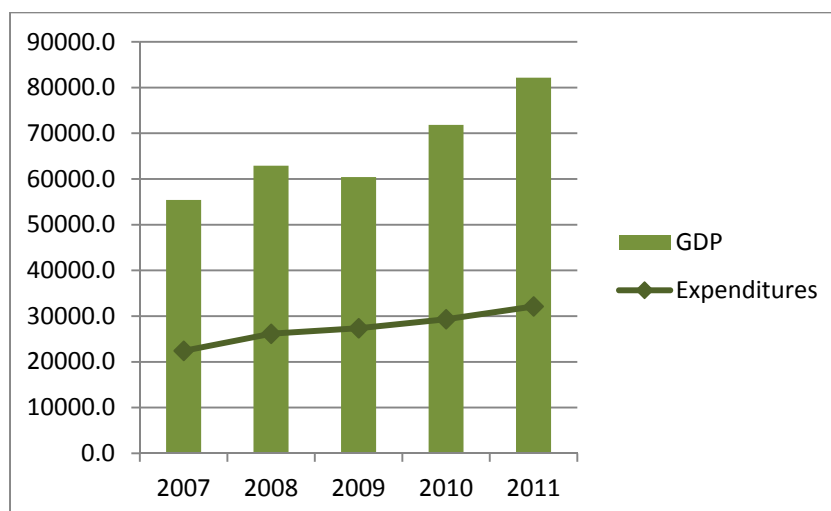


Figure 3.1.6 Evolution of expenses from the national public budget and GDP in 2007-2011 (million MDL)

Source: According to the data of the Ministry of Finance

By analyzing the structure of expenses from GDP in 2011, we notice that the predominant part continues to comprise social expenses (77%), and their weight decreased by 1.5% compared to the similar period of last year.

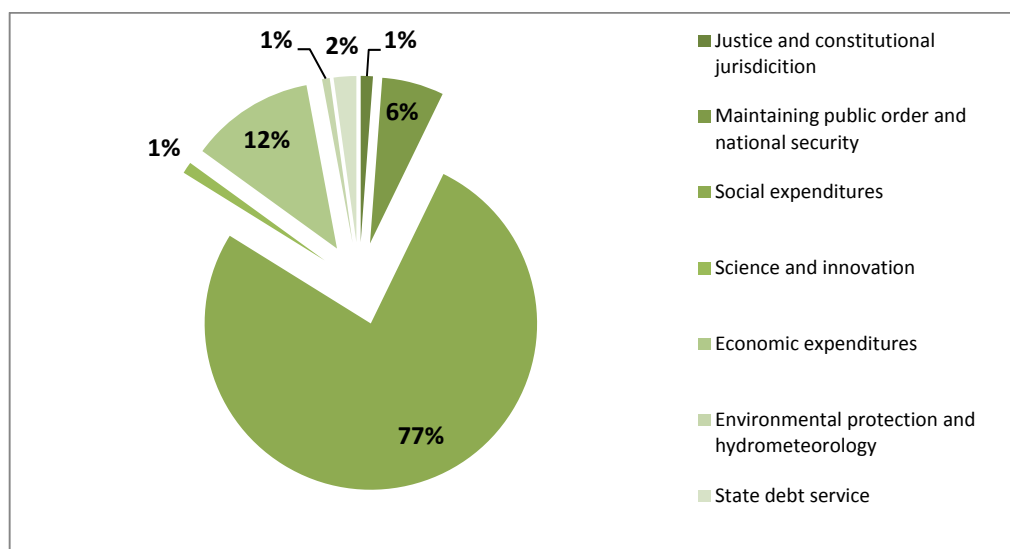


Figure 3.1.7 Structure of expenses from the national public budget in 2011, million MDL

Source: According to the data of the Ministry of Finance

On the whole, during 2007-2011, we can notice an increasing trend of the volume of social and legal and constitutional jurisdiction expenses. The expenses for science and innovation register a negative trend, and the economic expenses registered a diminishment until 2009, with an increase starting with the period at issue.

In 2011, in the total amount of social expenses, the highest weight is represented by expenses on social insurance and assistance, which shows an increase (+1.41%) compared to 2010, on the background of the reduction of the weight of other components of social expenses: health protection – 0.2% and education – 0.8%. Social expenses were incurred in 2011 7.3% or 1557.9 thousand MDL more than in 2010.

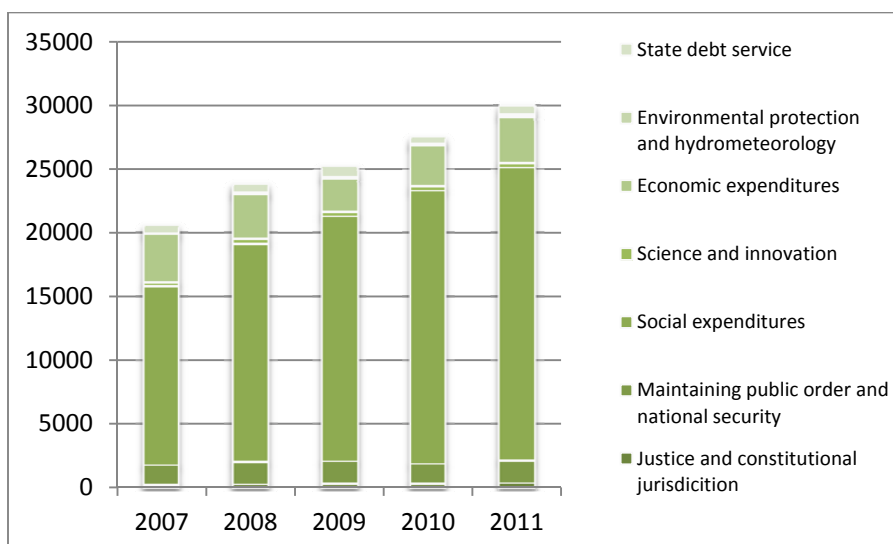


Figure 3.1.8 Structure of the expenses from the national public budget in 2007-2011, MDL million

Source: According to the data of the Ministry of Finance

At the same time, we would like to mention that in the fourth quarter of 2011 compared to the similar period of 2010 there was an increase of social expenses of 5.3%. The highest increase out of the social components compared to the similar period of the previous year was represented by expenses for culture, art, sports and actions for youth (+30.0%), at the same time the highest decrease was represented by the expenses for social assistance and support, which is the only component which did not increase compared to the similar period of the previous year.

Another important component of public expenses is represented by economic expenses, whose weight in 2011 was 11.3%. The main component of economic expenses is represented by transportations, road administration, communications and computer science, which in 2011 represented 40.6% of the total economic expenses. The weight of the respective expenses increased by 6.1% compared to the similar period of the previous year. At the same time, the weight of the expenses from agriculture, forestry administration, fishing administration and water administration out of the total economic expenses dropped by 3.5% compared to the previous year. Besides, the weight of the component related to the fuel and energy complex also recorded a decrease of 3.3% compared to the previous year. In absolute values, the economic expenses incurred in 2011 increased by 13.1% or by 419.7 thousand MDL compared to 2010.

By analyzing the economic expenses from the fourth quarter of 2011, we found that their volume increased by 13.6% compared to the similar period of 2010. The most accelerated increase was recorded in the field of agriculture, forestry administration, fishing administration and water administration (+47.7%).

Budgetary financial result

The performance of the state budget in 2011 resulted in a deficit of 1362.2 million MDL.

The financing sources are composed of:

- collections from government securities (164.5 million MDL);
- recovery of the government securities issued for ensuring financial stability (-55.9 million MDL);
- loans paid from external sources (1133.5 million MDL or 96.8 million USD);
- assets from the sale and privatization of the public patrimony (135.7 million MDL);

- modification of balances (850.8 million MDL);
- other sources (134.4 million MDL).

At the same time, in the administration period obligations were paid to external creditors for the reimbursement of principal amounts (-732.0 million MDL). The balances in the accounts of the state budget, as provided by the report of December 31, 2011, decreased compared to the report of January 01, 2011 by 850.8 million MDL, and constituted 1796.6 million MDL.

Public debt

On December 31, 2011, the balance of the public debt was 19226.5 million MDL, 355.7 thousand MDL higher than at the beginning of the year, as a result of the reduction of the external public debt by 181.3 million MDL and the increase of the internal public debt by 537.0 million MDL.

By examining the balance of the public debt by instruments, we notice the increase of the value of government security issued on the primary market at the end of 2011 with 164.5 million MDL and of the value of government security in order to ensure financial stability (issued for the first time in the fourth quarter of 2011). At the same time, the values of SDR allocations and of state loans dropped at the end of 2011 compared to the end of 2011 by 92.8 million MDL, respectively 115.5 million MDL.

Table 3.1.1. Balance of the public debts by instruments in 2001, million MDL

INDICATOR	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Total public debt	18870.8	18768.0	18991.7	19175.2	19226.5
State securities issued on the primary market	3091.5	3013.8	3155.6	3190.1	3256.0
Converted state securities	2213.4	2213.4	2213.4	2213.4	2213.4
State securities for ensuring financial stability	0.0	0.0	0.0	0.0	372.6
SDR allocation	2203.3	2214.6	2182.4	2198.5	2110.5
External state loans	11362.6	11326.2	11440.4	11573.2	11274.1

Source: According to the data of the Ministry of Finance

Regarding the structure by debt type, the public debts as of December 31, 2011 was composed of 69.6% external public debts and 30.4 internal public debts. The dynamics shows that the weight of the external public debts decreased compared to 2010 by approximately 2.7%.

Internal public debt

On December 31, 2011, the internal public debt was 5841.9 million MDL and is completely composed of state securities. On January 01, 2011, the internal public debt was 537 million MDL or 1.0% higher. The modification of the internal public debt in 2011 occurred due to the increase of state securities emissions by tenders on the primary market by 346.5 million MDL.

In 2011, state securities with maturities of up to one year were issued with four maturities: treasury bills of 21 days, 91 days, 182 days and 364 days, whose weight in the total VMS sold by tenders was 97.7%. The highest weight in the issued state security had treasury bills of 182 days (43.5%) and 91 days (36%).

At the same time, the average weighed rate of the interest for the state securities sold on the primary market increased by 3.26% compared to the similar period of the previous year, and represented 11.75%. At the same time, in October 2011 there was the highest average weighed rate of the state securities interest – 12.7% per annum, increased by 4.2% compared to January of this year.

External public debts

On December 31, 2011, the balance of the external public debt was 13384.6 million MDL (1142.5 million USD), out of which: 84.2% – external state loans and 15.8% – SDR allocation. From the beginning of 2011, the balance of the external public debt decreased by 181.3 million MDL. Expressed in USD, the balance of the external public debt decreased by 26.3 million USD.

In the structure of the external public debt by creditors, multilateral creditors continue to be the main creditors of the Republic of Moldova. The external public debt to multilateral creditors, as of January 31, 2011, was approximately 80.5% of the total balance of the external public debt, followed by bilateral creditors – 18.8%, and commercial creditors - 0.7%. The highest weight in the external public debt to multilateral creditors belongs to IDA with 47.1%, followed by IMF – with 35.4%, BIRD – with 8.2%, FIDA – with 4,9%, etc.

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

The structure of the external public debt with and without division is shown in Table 3.1.2.

Table 3.1.2. Structure of the external public debt with and without SDR division

CURRENCY	DST	EUR	USD	GBP	JPY	KWD	WPU
Without SDR division	70.4	7.2	17.2	0.1	1.9	0.1	3.2
With SDR division	+	32.1	47.6	8.0	9.1	0.1	3.2

Source: According to the data of the Ministry of Finance

Public debt service

In 2011, for the public debt service, the amount of 1394.4 million MDL was used from the state budget, composed of: external public debt service – 915.9 million MDL, and internal public debt service – 478.5 million MDL.

For the external public debt service, the amount of 78.0 million USD was used, in currency equivalent, out of which:

- external public debt service – 183.9 million MDL (15.7 million USD);
- for the reimbursement of principal amounts - 732.0 million MDL (62.3 million USD).

3.2. Banking sector

In 2011 the evolution of the banking system from the Republic of Moldova recorded positive trends of development in the main indicators. The banking sector from the Republic of Moldova is made up of two levels, represented by the National Bank of Moldova (NBM) and 15 licensed commercial banks. In the fourth quarter of 2011, Banca Comercială „Universalbank” S.A recorded negative financial results.

The total number of employees from the banking system as of December 31, 2011 was 11169, 235 more than December 31, 2010. Respectively, in average for each employee from the banking sector there were assets of 4.27 million MDL, 10.5% more than as of December 31, 2010.

At the end of 2011, there was an increase of the banking sector in relation to GDP, with a slight deviation in 2008 and 2010. Banking assets in relation to GDP increased from 47.6% in 2005 to 58% in 2011. Similar evolutions were recorded for deposits and loans in relation to GDP. The loans granted in relation to GDP increased from 26.8% in 2005 to 37.1% in 2009, and in 2011 this indicator increased to 38%. Thus, deposits in relation to GDP increased from 36.5% in 2005 to 43.7% in 2009, and in 2011 this indicator decreased to 37% (see figure 3.2.1).

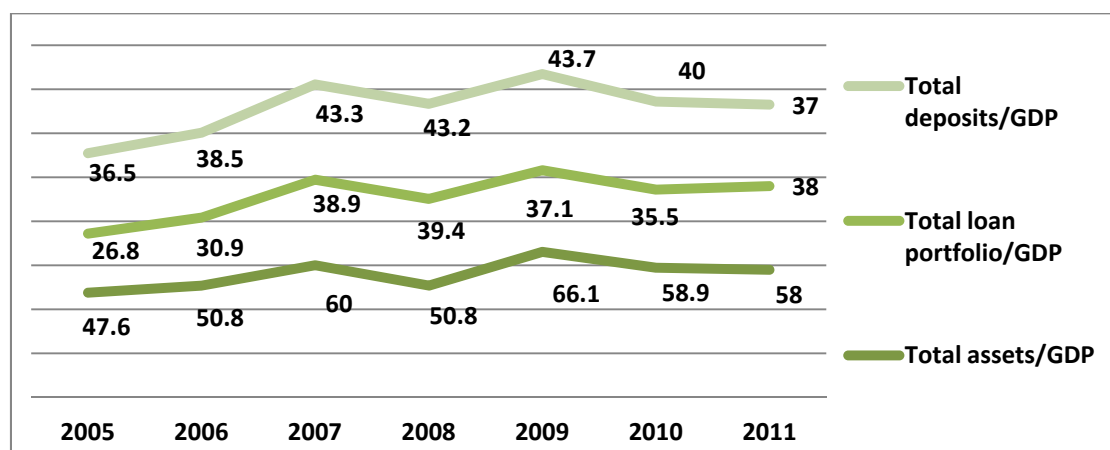


Figure 3.2.1. Dynamics of assets, loans and deposits related to GDP (%) in 2005-2011
 Source: According to the data of the National Bank of Moldova

At the end of 2011, the total assets of the banking system totaled 47707.8 million MDL, a 12.87% increase compared to the same period of 2010. The evolution of the banking assets was determined by the accentuated growth of profit-generating assets, the highest weight in the total assets was that of the loan portfolio 58.1%, 3% higher than December 31, 2010. The gradual growth of assets by components leads to the conclusion of relative banking stability.

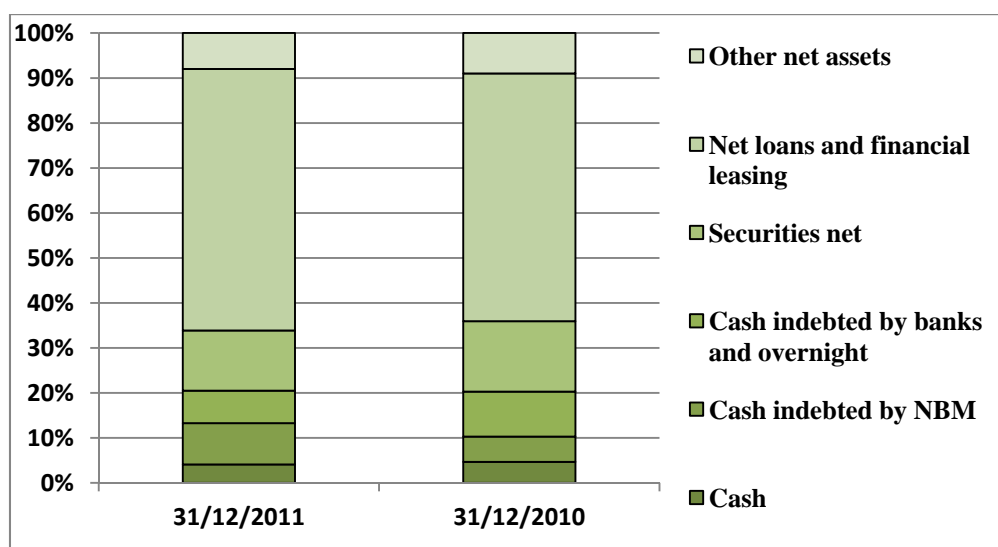


Figure 3.2.2. Evolution of banking assets according to their structure, %
 Source: According to the data of the National Bank of Moldova

Thus, as of December 31, 2011, compared to December 31, 2010 there were the following modifications:

- cash decrease by 0.17% to 1990.9 million MDL;
- increase of the values owed by NBM by 84.1% to 4390.3 million MDL;
- net increase of loans and financial leasing by 19% to 2774.7 million MDL;

- increase of other net assets by 0.73% to 1112.0 million MDL;
- decrease of values owed by banks and overnight assets net by 41.12% to 1270.2 million MDL;
- decrease of the volume of net movable assets by 3.52% to 6416.9 million MDL.

The volume of loans in the economy was 30963.0 million MDL as of December 31, 2011, 4047.5 million MDL more than in December 31, 2010. At the end of February 2012, the balance of loans in the economy was 31999.3 million MDL, 619.3 million MDL (2%) more than the end of January 2012. The increase trends were due to the increase of the balance of loans granted in the national currency by 261.2 million MDL (1.5%), and of the balance of loans in foreign currencies by 358.1 million MDL (2.6%).

On December 31, 2012, the weight of unfavorable loans in the total loans was 10.6%, 2.6% lower than December 31, 2010. The same volume of unfavorable loans, projected on CNT, was 41.7% on December 31, 2011, 7.8% lower than December 31, 2010. The volume of expired loans and of loans in a state of interest non-accumulation on September 30, 2011 was 7.1% of the total loan portfolio. This indicator recorded a 4% reduction compared to December 31, 2010. Respectively, the volume of expired loans and loans in a state of interest non-accumulation reported to CNT was 28.1% as of December 31, 2011, 13.7% lower than December 31, 2010. In this context, the reductions for loan losses decreased by 1.6%.

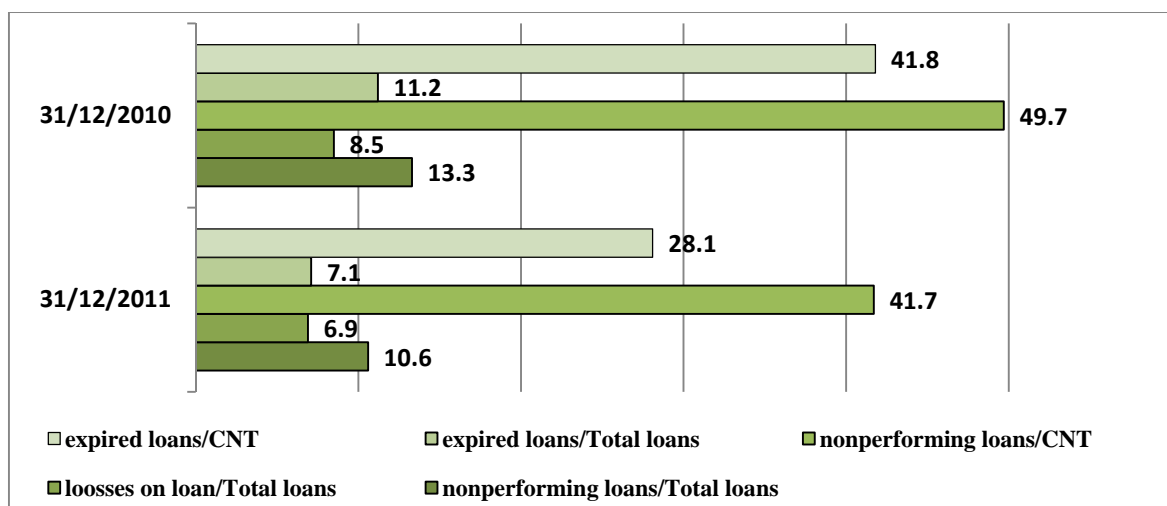


Figure 3.2.3. Evolution of loan quality, %

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

As of December 31, 2011, the highest weight in the total loans was represented by the loans granted to industry and trade (54.6%), followed by the loans granted to agriculture and the food industry (13.5%), real estate, building and development loans (12.1%), consumer loans (6.7%) and loans granted to the energy industry (3.8%). At the same time, there were significant decreases in the weight of the following types of loans: loans granted to agriculture and the food industry by 1.3%, consumer loans by 1.7% and real estate, building and development loans by 0.16%.

In February 2012, the average interest rate for the loans granted in the national currency was 13.9%, 0.81% lower than in January 2012. As a result of the decrease of the average rate for the loans granted to natural persons, this indicator was in February 2012 16.2%, 0.34% lower than in January 2012. Respectively, we notice decreases to the average rates for the loans granted to legal entities by 0.81%, to the level of 13.90% in February 2012.

Thus, we notice that the average interest rates for loans in the national currency started to decrease in November 2010, constituting 15.2%, and the average interest rates for loans in foreign currencies decrease starting from August 2010 to 9.2%.

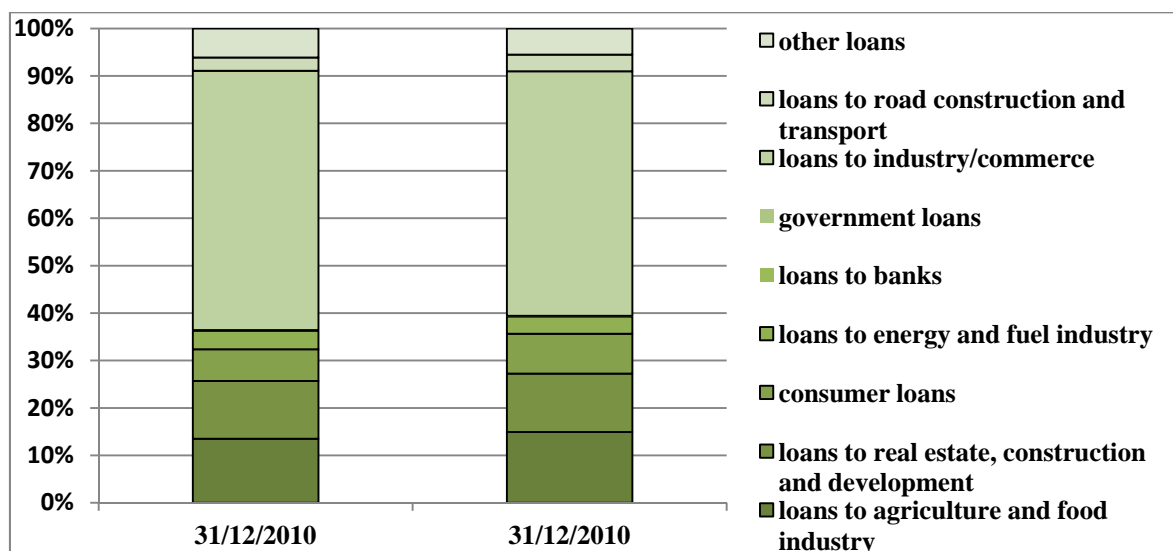


Figure 3.2.4. Structure of the loan portfolio of the banking sector, %

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

In 2011, there is an increase according to the value of the assets of the commercial banks of the Republic of Moldova. Thus, by the value of banking assets, the market is concentrated by 5 commercial banks, which own 69% of the total assets. The leader by the value of assets is BC Moldova-Agroindbank, which as of December 31, 2011, reached the total value of assets of 9201.3 million MDL, 821.8 million MDL higher than December 31, 2010, and the market share decreased by 0.3%, at 19.5%. The following position is occupied by BC Victoriabank with a value of assets of 8069.1 million MDL, 1022.1 million MDL higher than December 31, 2010, and the market share of the bank increased by 0.4%, up to the level of 17.1%.

As of December 31, 2012, by the balance of banking loans, the market is concentrated by 5 commercial banks, which own 70.5% of the total loans. At the end of December 2011, BC Moldova-Agroindbank is the leader on the banking market, with a loan balance of 6363.1 million MDL, 930.8 million MDL more than in December 2010. B.C. Victoriabank ranks second, with a volume of loans of 4789.3 million MDL, 769 million MDL higher than December 31, 2010, and the market share of the bank is 16.3%.

In 2011, there is an increase of the volume of deposits of the commercial banks of the Republic of Moldova. Thus, by the value of banking deposits, the market is concentrated by 5 commercial banks, which own 75%. The leader by the volume of obtained deposits is BC Victoriabank which as of December 31, 2011, had obtained deposits with a total value of 6786.7 million MDL, 9372.8 million MDL higher than December 31, 2010, and the market share of the bank increased by 1%, at 21%. The second position of the standings as of December 31, 2011 is held by BC Moldova-Agroindbank, with a value of obtained deposits of 5832.5 million MDL, 678.6 million MDL, compared to December 31, 2011, and the market share of the bank is 18%.

In 2011, the market concentration index (the Herfindahl-Hirschman index) is within the limits of a market with a moderate degree of concentration on the banking market of the Republic of Moldova (1211.1 points) - by the value of assets (see table 3.2.1).

The analysis of the total normative capital, a determining factor of the solvency of banks, indicates that as of December 31, 2011, this was 7604.2 million MDL, 11.18% higher than December 31, 2010. The capital increase was marked by qualitative modifications, from the account of share issuances, 22% higher than in the previous year. Thus, by comparing CNT with the risk weighted assets, we determined that the CNT growth rate is slower, with 16%, while that of risk weighted assets is 52.4% at the end of 2011.

Table 3.2.1. Concentration indicators in the banking sector, in 2010-2011,%

No.	Bank name	Market share by the value of assets (%)		Market share by the value of loans (%)		Market share by the value of deposits (%)	
		31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011
1	Comertbank	1.2	1.2	0.9	1.1	1.1	1.2
2	Banca Sociala	6.7	6.8	7.4	7.5	6.2	6.7
3	Victoriabank	16.7	17.1	15.8	16.3	20.4	21.0
4	Moldova-Agroindbank	19.8	19.5	21.3	21.6	19.2	18.1
5	Moldindconbank	12.1	14.2	11.7	15.4	13.3	15.3
6	Banca de Economii	12.5	12.4	11.8	9.7	13.0	13.9
7	EuroloanBank	0.7	1.0	0.6	0.6	0.4	0.8
8	Unikbank	1.0	1.3	0.7	1.3	0.8	1.2
9	FinComBank	3.9	3.5	3.6	2.8	3.3	0.6
10	Universalbank	0.9	0.4	0.8	0.4	0.7	2.2
11	Energbank	3.5	3.4	2.9	3.3	3.7	3.6
12	ProloanBank	3.1	2.8	4.0	3.5	1.4	1.3
13	BCR Kishinev	2.9	2.7	2.4	2.3	3.1	2.3
14	Eximbank-Gruppo Veneto Banca	8.1	7.7	10.0	8.6	6.5	5.9
15	Mobiasbanca-Grupe Societe Generale	6.8	6.2	6.0	5.7	6.8	5.9
HHI index (points)		1181.3	1211.1	1218.2	1264.0	1295.5	1341.4
CR-4 index (%)		70.1	63.2	60.6	63	65.9	68.3

Source: Calculations based on the data provided by commercial banks

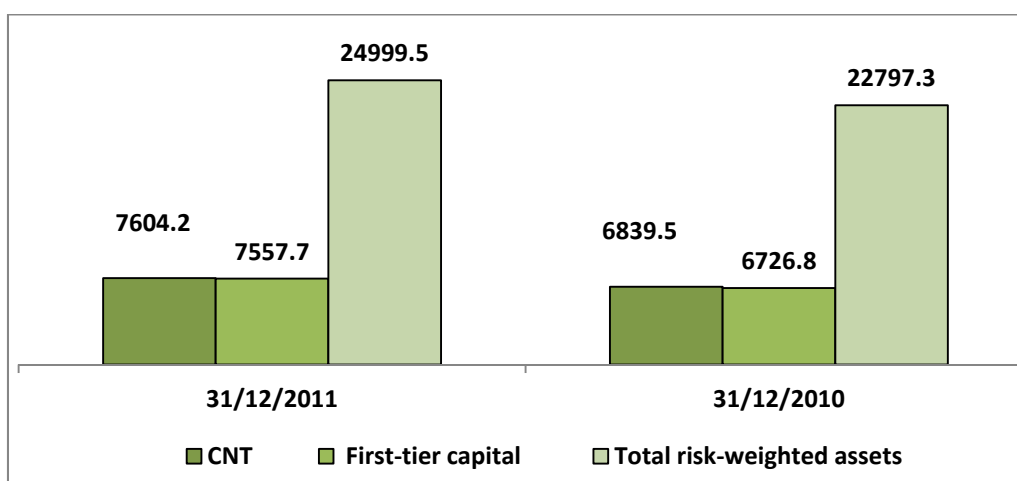


Figure 3.2.5. The evolution of banking capital, (MDL, million)

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

The 1st degree capital, as of December 31, 2011, increased by 12.3% to 7557.7 million MDL compared to December 31, 2010. The positive value of this indicator confirms the resistance and safety of the system in case of financial shocks.

The capital sufficiency degree is maintained at a high level, namely 30.4%, as of December 31, 2011. Although over the minimum necessary level of 12%, we notice a reduction of this indicator of 0.4% compared to December 31, 2010. We consider explainable the reduction of the sufficiency degree of the banking capital, by the considerable increase of the loan portfolio, which is part of the risky assets, with a major risk weight.

As of December 31, 2011, the bonds of the banks amounted to 39613.5 million MDL, 13.1% higher than December 31, 2010.

In 2011, compared to 2010, there were the following modifications in the structure of the bonds from the banking sector:

- increase of the financial instruments owed to the banks by 6533.3 million MDL, namely 1444.7 million MDL;
- increase of natural-person deposits by 250.1 million MDL, a 56.9% increase;
- increase of legal-entity deposits by 759 million MDL, or 20.3%;
- increase of other loans by 12%, constituting 6287.1 million MDL as of December 31, 2011;
- increase of other bonds to 406.4 million MDL, or 19.1% less than December 31, 2010.

At the end of 2011, the balance of deposits from the banking system was 30112 million MDL, 319.7 million MDL higher than 2010. At the end of February 2012, the balance of deposits in the banking system was 30483.8 million MDL, 0.8% higher than January 2012, due to the increase of the balance of deposits in foreign currencies by 151.1 million USD and of the balance of deposits in the national currency by 86.8 million MDL, or 0.5%.

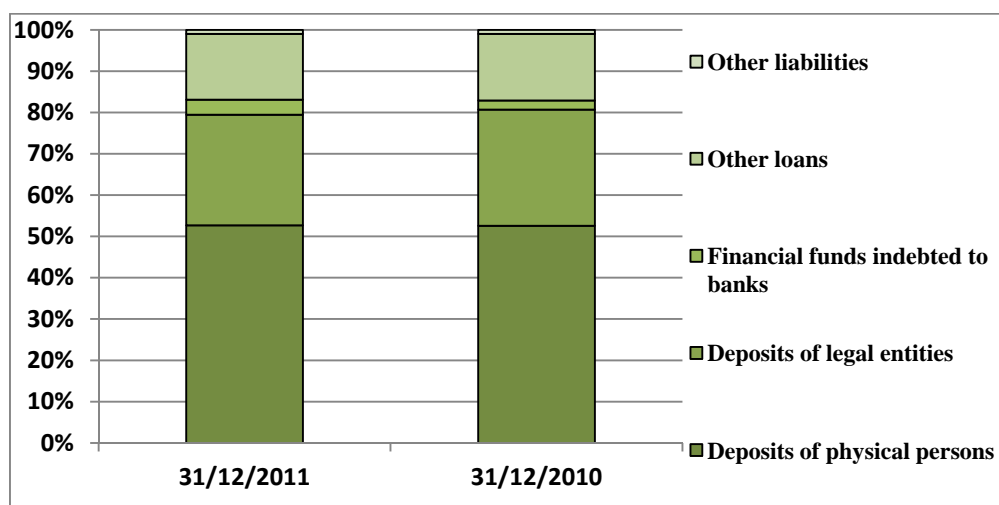


Figure 3.2.6. The structure of bonds of Moldova's banking sector, %

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

In February 2012, compared to February 2011, in the structure of the term deposits in the national currency, there were the following modifications:

- decrease of deposits with terms up to 1 month by 5.7%, namely 7%;
- increase of deposits with terms from 1 to 3 months by 4.7%, namely 17.9%;
- increase of deposits with terms from 3 to 6 months by 2.2%, namely 36.3%;
- decrease of deposits with terms from 6 months to 12 months by 2.7%, namely 27.5%;
- increase of deposits with terms over 12 months by 1.5%, namely 11.3%;

In the structure of term deposits in foreign currencies, on February 29, 2011 compared to February 29, 2011, there was a decrease of 4.2% of the weight of deposits in foreign currencies with a term of up to 1 month, namely 3%. Respectively, there was an increase of the weight of the deposits in foreign currencies with terms of over 12 months by 9% up to the level of 15.1%.

At the same time, there was a decrease of deposits in foreign currencies with terms of 3 to 6 months by 8%, constituting 34.5%, and deposits with terms of 6 to 12 months by 2.7%, constituting 35.7%. The weight of the deposits in foreign currencies with terms of over 12 months increased by 5.9% compared to February 2011, constituting 11.7%.

Growth trends were recorded in interest rates. At the end of 2011, the interest rate for deposits in MDL was 8.45%, 1.91% higher than the end of 2010, when this indicator was 6.54%. Respectively, in February 2012 the average interest rate for the deposits in MDL was 8.04%, 0.22% lower than February 2011. In February 2012 the average rate of the interests for the deposits granted to natural persons was 9.97%, 0.83% higher than February 2011, and the average rate of deposits for legal entities in February 2011 was 5.62%, 0.16% higher than the similar period of the previous year.

In February 2012 the average interest rate of the term deposits in foreign currencies increased by 0.77%, namely 4.20% compared to 2011. In February 2012 the interest rate for the deposits granted to natural persons was 4.30%, and the interest rate for the deposits granted to legal entities was 3.77%.

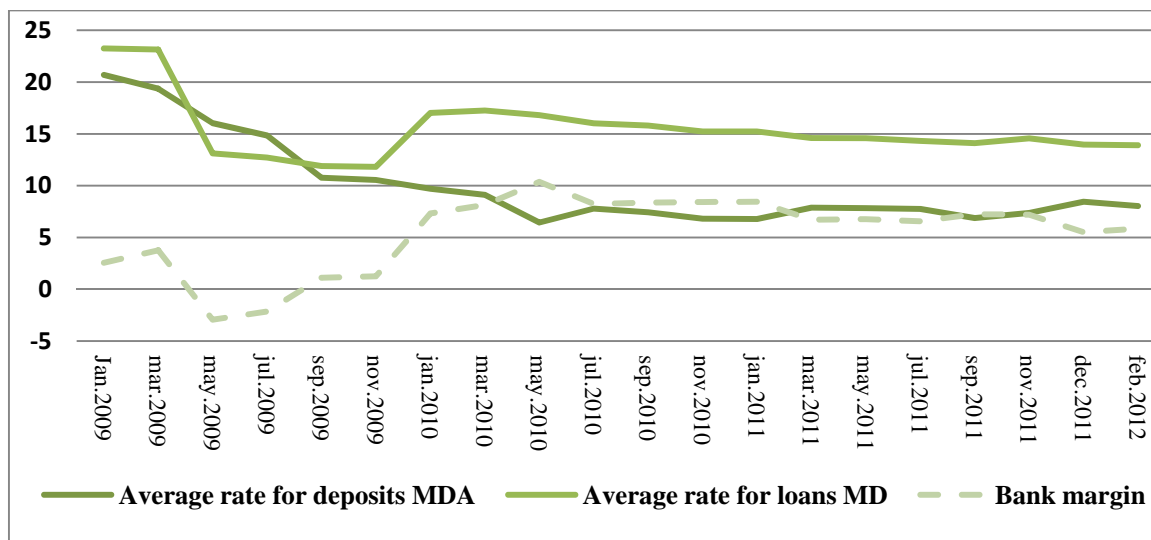


Figure 3.2.7. The evolution of the bank margin*, of average rates on deposits and loans in MDL, %

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

***NB:** The banking margin indicator was calculated as the difference between the average rate for deposits in MDL and the average rate for loans in MDL

The banking margin for operations in the foreign currency decreased from 8.22% in December 2010 to 5.51% in December 2011. In January 2012 the banking margin for the operations in the national currency recorded a level of 7.65%, and in February 2012 a level of 5.86%. In this context, we notice that the average interest rates for deposits in the national currency increased in January 2011, to the level of 6.7%. Respectively, the average rates for the deposits in foreign currencies increased more significantly, from 3.87% in August 2011 to 4.20% in February 2012.

The evolution of the banking profitability denotes that the banks were capable of increasing the net revenues related to assets (ROA) by 1.5%, constituting 1.9%, as of December 31, 2012, and related to the shareholding capital (ROE) by 8.9%, at 11.5%, compared to December 31, 2010. At the same time with the increase of the volume of the shareholding capital, the increase of ROE and ROA shows that the growth rate of the net profit is much faster, which is quite encouraging. Thus, at the end of 2011, the net revenues of the banks for the entire system was 879.7 million MDL or 4.7% higher than the revenues recorded in 2010.

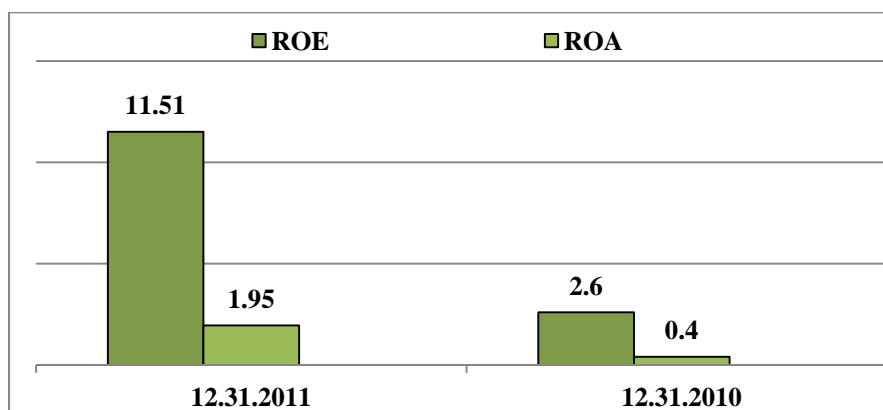


Figure 3.2.8. The evolution of bank profitability, %

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

The weight of assets, generated by interests in the total assets, as of December 31, 2011, increased by 2.42% and was 82.3% compared to December 31, 2010, which was 79.8%. Respectively, as of December 31, 2011, there were increases of the net margin from interests by 0.12%, of 6.6%, compared to December 31, 2010. Thus, banks in situations more and more difficult, compensate revenues from other sources, especially from transfer commissions, including from abroad, and from other commissions applied by banks.

The efficiency index, determined as the ratio between the net revenues corresponding to interests plus revenues not corresponding to interests for expenses not corresponding to interests, as of December 31, 2011 is 31.8% higher, constituting 181.8% compared to December 31, 2010.

Banking liquidity may be regarded both based on the weight of liquid assets in the total assets, and based on bonds, which the bank is obligated to pay. Thus, we notice the reduction of the weight of liquid assets (2nd principle of liquidity) by 1%, recording 33.1% as of December 31, 2011, which shows that the payment capacity of banks is unaffected.

Table 3.2.2. Trends of bank liquidity, %

Indicators	31.12.2011	31.12.2010
Liquidity principle II	33.17	34.1
Liquidity principle I	0.67	0.67

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

Long-term liquidity or the 1st principle of liquidity, for the entire banking system recorded 0.69% as of December 31, 2011, 0.02% higher than December 31, 2010. These values of the liquidity indicators show the existence of adequate sources for supporting payments corresponding to bonds. The weight of deposits from the total assets as of December 31, 2011 decreased by 0.7%, to 65.3%, compared to December 31, 2010.

Section 3.2.1. Insurance for banking cards in the Republic of Moldova

In 2010 on the banking market of the Republic of Moldova a new service of insurance for holders of banking cards (debit or loan) was launched, against risks related to the loss/theft of cards. This type of service is provided by the International Insurance Company "Moldasig" in collaboration with several national commercial banks.

The goal of such a project is to consolidate the system of protection, security and integrity of banking products. This service also includes insurance for a series of other risks related to the loss/theft of cards, including the concomitant loss of documents, keys, mobile phones.

The beneficiaries of insurance services can be legal entities and natural persons, holders of current accounts with cards, no matter the type of card and the currency. The term of the card insurance is one year after the payment of the first insurance premium. Thus, the costs of the insurance premium, which is symbolic, is paid annually depending on the amount and on the insured risks.

The necessary documents submitted to the insurer by the card holder in case of the occurrence of any insured case are: the application which contains the description of the occurred risk; copy of the insurance application provided by the bank; copy of the application submitted to the competent bodies.

In case of the loss of a card, the following documents are submitted: bank statement excerpt, written reply of the bank on the result of disputes regarding the declared illegal operations and the confirmation of the card blockage.

This project is new for the banking market of the Republic of Moldova, ensuring protection and safety to natural persons and legal entities – holders of bank cards.

Region of the Republic of Moldova to the left of the Dniester. At the beginning of 2012, the evolution of the banking sector of Transnistria recorded stable development trends. Thus, as of January 01, 2012, the total assets of the banking system of Transnistria totaled 5871.8 million rubles, namely 61.4% of GDP, the equivalent value of 7074.4 million MDL (as of January 01, 2012, one Transnistria ruble equaled 0.8300 MDL).

In this analyzed period, there was a reduction of the volume of loans, constituting 2822 million rubles (3400 million MDL) as of January 01, 2012, 261.6 million MDL less than January 01, 2011, constituting 2845.1 million rubles (3661.6 million MDL). This decrease was influenced by the loans granted to legal persons, which decreased by 221.9 million rubles (267.3 million MDL), as of January 01, 2012, reaching the level of 2155.7 million rubles (2597.2 million MDL) compared to January 01, 2011.

The highest weight in the total loan portfolio as of January 01, 2012 was that of the loans granted in industry, transportations, communications and energy with 37%, followed by those granted to agriculture and the food industry with 27.2%; other loans constituted 16.7%, for trade 16.1%, loans granted for constructions with 2.7% and government loans with 0.4%.

There were growth trends in the volume of deposits, namely 1942.9 million rubles (2340.8 million MDL), as of January 01, 2012, with an increase of 317.3 million rubles (382.2 million MDL) compared to January 01, 2011. This increase is due to the increase of the volume of the deposits granted to legal entities to 456.9 million rubles (550.4 million MDL) and the deposits granted to natural persons to 1152.6 million rubles (1388.6 million MDL), recorded as of January 01, 2012.

Monetary policy

In 2011 the monetary indicators registered upward evolutions, reaching at the end of the year values higher than in the previous years. On December 31, 2011 the stock of monetary aggregates was higher in comparison with December 31, 2010:

- ✓ M0 monetary aggregate was approximately MDL 10.86 billion (in comparison: on December 31, 2010 M0 aggregate was MDL 10.1 billion);
- ✓ M1 monetary aggregate was MDL 17.48 billion (in comparison: on December 31, 2010 M1 aggregate was MDL 15.7 billion);
- ✓ M2 monetary aggregate reached a level of MDL 28.26 billion (in comparison: on December 31, 2010 M1 aggregate was MDL 23 billion);
- ✓ M3 monetary aggregate amounted to MDL 40.3 billion (in comparison: on September 30, 2010 M1 aggregate was MDL 37 billion).

Likewise, the monetary basis also increased, reaching, on December 31, 2011, a level of MDL 14.34 billion, while on December 31, 2010 this indicator was approximately MDL 12.1 billion.

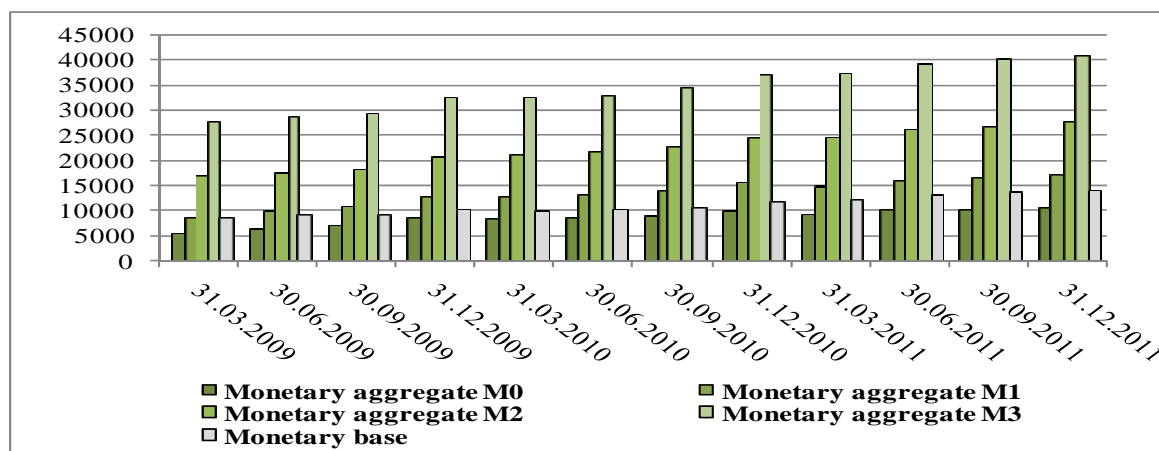


Figure 3.2.9. Evolution of monetary aggregates and of the monetary base, MDL mil.

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

In 2010 and 2011, the structure of the monetary mass did not change dramatically. On December 31, 2011 the monetary mass had the following structure: the biggest component was represented by foreign currency deposits – 31%, followed by the M0 monetary aggregate (circulating money) and term deposits, having the same weight of approximately 26.5%, sight deposits were on the fourth place – 15.3%, and the monetary market instruments only represented 0.001%.

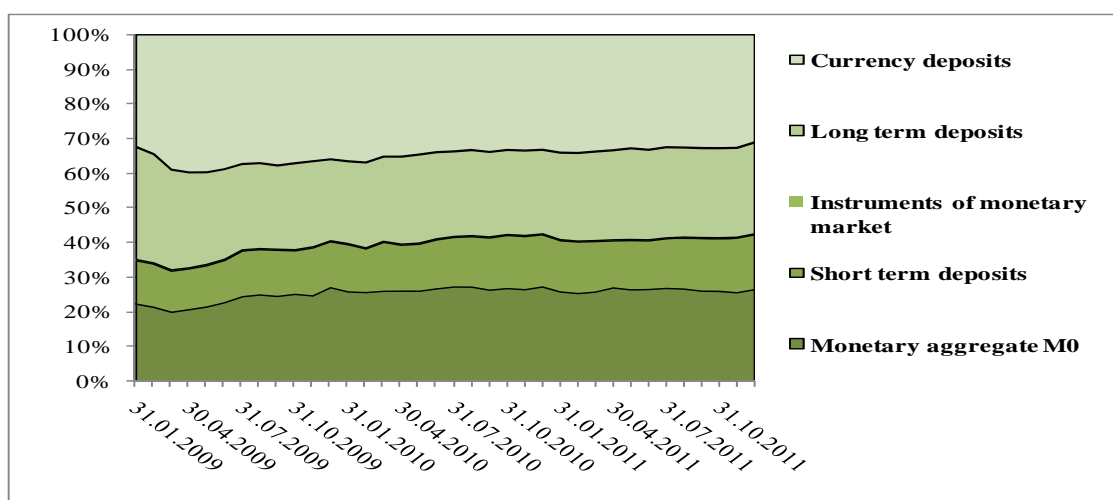


Figure 3.2.10. Structure of the monetary mass

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

In 2011 NBM adjusted its actions depending on the economic conjuncture. The intensification of inflationist risks in the IInd and IIIrd quarters of the year determined the successive increase of the interest rates of monetary instruments in August and September. To the end of the year, the tempering of price increase paces and the uncertain perspectives regarding the 2012 economic evolution (anticipation of the propagation of a new crisis wave at an international level) conditioned the relaxation of the monetary policy.

Table 3.2.3. Evolution of the interest rates of the monetary instruments of the National Bank of Moldova

COMING INTO FORCE DATE	BASIC RATE, %	RATE FOR "OVERNIGHT" CREDITS, %	RATE FOR "OVERNIGHT" DEPOSITS, %
Until August 04, 2011	8	11	5
From August 05, 2011 until September 05, 2011	9	12	6
From September 06, 2011 until December 01, 2011	10	13	7
From November 02, 2011	9.5	12.5	6.5

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

In 2011, a trend in reducing NBC operations was noticed. In January and February 2011 the daily average balance of NBC transactions was below MDL 4 billion, and in the IVth quarter this indicator did not have values higher than MDL 2.8 billion. This success must be associated to the increase of the reserve rate, made in 2011.

The presence of the liquidity excess determines the inutility of resorting to "overnight" credits on the part of banks. For this reason, in 2011, commercial banks did not require NBM to offer "overnight" credit facilities. On the other hand, the demand for "overnight" deposits is a familiar operation to the banks in Moldova. In 2011, the average balance of overnight deposits did not have an rectilinear evolution, varying between MDL 140 and 410 mil.

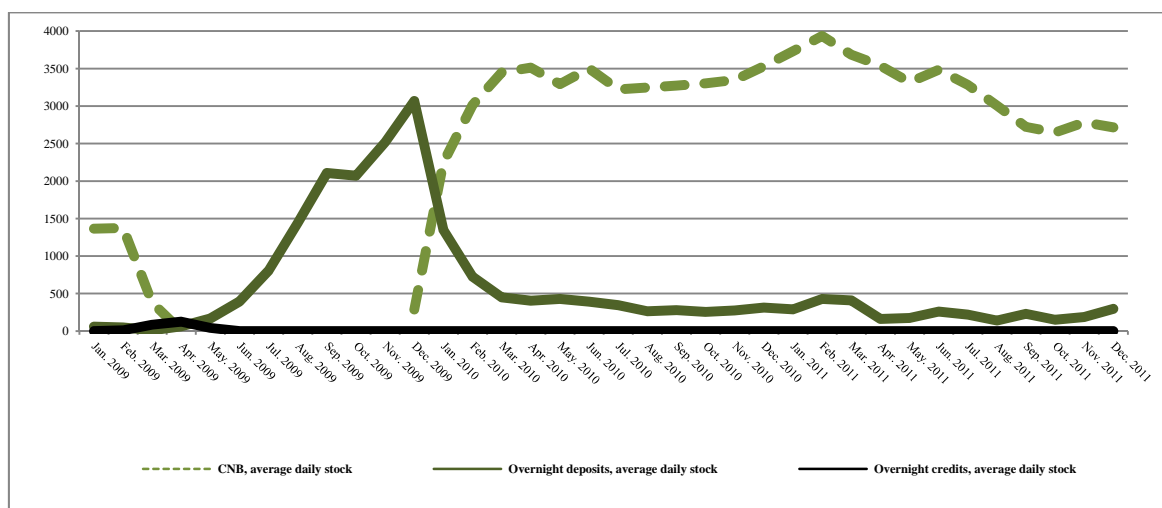


Figure 3.2.11. Monetary market instruments, MDL mil.

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

In 2011, in order to temper inflationist pressures, in addition to increasing the basic rate and the rates associated to permanent facilities, NBM also resorted to the increase of the rate of mandatory reserves. Two increases occurred: on February 8, 2011, the rate of mandatory reserves increased from 8 to 11%, and starting with July 8, the rate increased from 11 to 14%, which level was maintained until the end of the year. Subsequently, during the quarter, the rate of mandatory reserves remained at the level of 14%. Also, in 2011, it was decided to amend “the Regulation regarding the regime of mandatory reserves”, which provides for the application of a rule of mandatory reserves of 0% for attracted means with a due date higher than 2 years. This

measure could determine the increase of long-term attracted means, which would be oriented to the real sector through long-term credits.

In 2011 NBM in most of the cases manifested more, through foreign exchange purchases, then in September the monetary authority intervened in force, mostly as a seller (in fact, the volume of September transactions was higher than the levels registered in the other months of the year). The “deviant behavior” episode was determined by NBM’s intention to temper USD appreciation trends, which began to manifest themselves in August. In its interventions on the foreign currency market, NBM used, in addition to sale-purchase operations, *swap* transactions (in August and September).

A success for 2011 is a new record in terms of foreign currency reserves. The balance of reserve official assets got close to MDL 2 billion (on December 30, 2011 the balance of foreign currency reserves was approximately USD 1.96 mild).

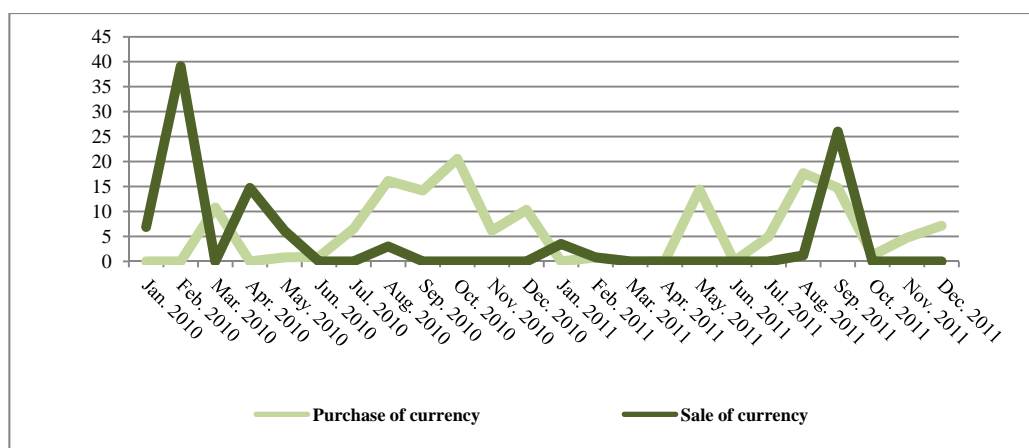


Figure 3.2.12. Foreign currency operations of National Bank of Moldova, mil. USD
 Source: According to the data of the National Bank of Moldova

The Region on the Left Side of the Dniester River

On December 01, 2011, the monetary mass in the region on the left side of the Dniester river was 3,891.2 mil. rubles. The high degree of dollarization – on December 01, 2011 this indicator was 64.5% – is characteristic for the region on the left side of the Dniester river.

The monetary policy in the region on the left side of the Dniester river for 2011 has as its main objective the maintenance of the ruble stability, while the monetary indicators have the purpose of monitoring the policy promotion. The foreign currency policy is promoted in the exchange rate controlled floating regime. For 2011, a variation of the exchange rate was planned, which was to be between 10-11 rubles for USD 1 (in the 2011 period, the exchange rate for USD was 10.3 rubles). On an average term, the monetary-foreign currency policy shall be oriented to the creation of the conditions for achieving ruble targeting against the USD dollar.

In 2011 the monetary policy in the region on the left side of the Dniester river was roughened – starting April 1, the mandatory reserve rate was increased from 9 to 11%. Also, the legislation in the Dniester region provides that the maximum level of increasing the reserve rate is 15%. At the same time the refinancing rate was 7% - unchanged since June 1, 2010.

CHAPTER IV

EXTERNAL SECTOR

Payment balance

Current Account

In 2011, the current account registered a deficit of USD 801.5 mil., increasing by 74.3% as compared to the previous year. Consequently, such trend conditioned a growth of the quota of the current account deficit in GDP from 7.9% in 2010 to 11.4 in 2011. The negative balance of the current account was determined, preponderantly, by the deterioration of the trade balance of goods.

The balance of goods and services closed at the end of 2011 with a negative balance of USD 2,890 mil., 26% more as compared to 2010. Its increase was supported mostly by an increase in the deficit of the balance of goods by 29%, as compared to the previous year, despite the good performances of the exports in this year. Although the trade balance of services registered improvements in QII-QIII of 2011, recording positive values, in the last quarter it resumed the negative trend as a result of the reduction of the export of transport, travel, communication services, etc. Thus, the trade balance of services closed the year with a deficit of USD 25.9 mil., but which was lower as compared to the previous year by 62.9%.

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

	Nominal value, USD mil.	Growth rate, %		Contribution to the increase /decrease, %	
	2011	2010/2009	2011/2010	2010/2009	2011/2010
Current account	-801.5	-1.12	74.32	-1.12	74.3
Goods	-2,864.4	13.89	29.05	58.2	140.2
Export	2,282.3	19.86	43.50	-56.7	-150.5
Import	-5,146.7	16.31	35.09	114.9	290.7
Services	-25.9	75.52	-62.92	6.5	-9.5
Export	868.8	4.17	23.91	-6.0	-36.5
Import	-894.7	8.15	16.05	12.5	26.9
Income	568.2	64.66	13.92	-42.1	-15.1
Collections	927.1	29.05	21.77	-36.9	-36.0
Payments	-358.9	-8.53	36.69	-5.3	21.0
Current transfers	1,520.5	9.02	14.26	-23.7	-41.3
Collections	1,620.6	7.26	14.11	-20.7	-43.6
Payments	-100.1	-13.42	11.82	-3.0	2.3

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

The surplus of the income balance amounted to USD 568.2 mil. in 2011, 14% more as compared to 2010. The increase of the positive balance was influenced by the increase by 26% of the income of Moldovan residents across the border, obtained as compensation for the work supplied abroad, which represented USD 899 mil. At the same time, the increase of the payments made to non-residents in the form of interest, dividends for the direct investments made in the Republic of Moldova and the reinvested income thereof, whose amount was USD 264 mil., an increase of 78%, as compared to 2010, acted in the sense of diminishing the surplus.

The balance of current transfers registered an increase of the surplus by 14% in 2011, amounting to USD 1.520.5 mil., which occurred as a result of increase of the transfers to the non-governmental sector by 18.5%, whose value amounted to USD 1,384.4 mil., while the transfers in favor of the governmental sector decreased by 7.6%, down to the value of USD 226.6 mil.

Capital Account

The balance of the capital account in 2011 registered a deficit of USD 29.7 mil., practically maintaining at the level of the 2010 year (USD - 28.4 mil.). The capital account deficit was formed, preponderantly, as a result of the increase of the transfers made by the persons who emigrated abroad – USD 48.9 mil.

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

	Nominal value, USD mil.	Growth ratee, %		Contribution to the increase /decrease, %	
	2011	2010/2009	2011/2010	2010/2009	2011/2010
Capital and financial account	713.6	1.4	69.6	1.4	69.6
Capital account	-29.7	61.7	4.8	-2.6	-0.3
Entries	19.3	9.8	43.8	0.3	1.4
Exits	-49.0	40.4	17.3	-2.9	-1.7
Financial account	743.4	3.8	65.5	4.0	69.9
Foreign direct investment	-20.6	-48.1	486.0	0.8	-4.1
Portfolio investments		-0.4	-20.0	95.0	0.0
Financial derivatives	0.0	687.5	-98.4	-0.1	0.1
Other investments	91.1	-135.8	20.7	68.9	3.7
Reserve assets	-278.1	-246.8	-5.5	-119.3	3.9
Assets	-208.0	1,205.6	-6.8	-49.7	3.6
Foreign direct investment	274.0	35.8	38.8	12.5	18.2
Portfolio investments	5.1	-204.8	-12.2	2.7	-0.2
Financial derivatives	0.2	-100.0	-	-0.1	0.0
Other investments	672.1	51.6	43.3	38.5	48.2
Liabilities	951.4	49.5	41.5	53.7	66.3

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

Financial Account

The dynamics of the financial account in 2011 was determined by the favorable conjuncture of external factors and the stabilization of the Moldovan economy after the crisis. The balance of the financial account in 2011 registered a surplus of USD 743.4 mil., which represents 10.6% from the GDP, 2.9 p.p. more than in the previous year. After an increase by only 3.8% in 2010, its value in 2011 registered a relevant increase by 65.5%, determined by the increase of external liabilities, on the background of a reduction of assets.

The liabilities, amounting to USD 951 mil., increasing in 2011 by 41.5% as compared to the previous year. The structure of financial inflows was predominated to the extent of 28.8% by the foreign direct investment inflows and approximately 71% by other investments. The dynamics of liabilities was determined by more than the double increase of the external loans obtained by the monetary authorities, the banking sector, but also the private sector, of the commercial credits contracted by national economic agents, but also of the foreign direct investment made in the Republic of Moldova.

The external assets in the analysis period, contrary to the liabilities trend, registered a decrease by 6.8%, summing up USD 208 mil. The main component of the Moldova state's external assets was represented by reserve assets, whose value amounted to USD 278 mil., decreasing by 5.5% as compared to the previous year. Also, the cash in foreign currency held by residents, which amounted to USD 163.46 mil., continued to decrease.

Foreign Direct Investment

In 2011, a trend already crystallized at the beginning of the year, the foreign direct investment continued the upward trend from the 2010. The foreign direct investment inflows in 2011 increased by 38.8% as compared to the previous year, summing up USD 274 mil. Although the volume of the direct investments made by non-residents in national economy hardly exceeded the level of 2006, however we can notice that their recovery is made slowly but steadily.

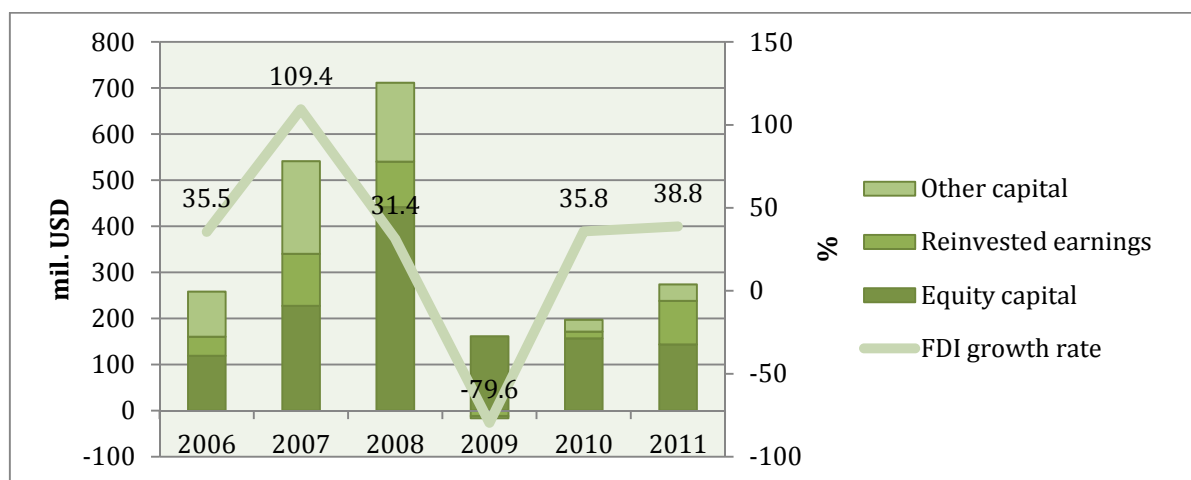


Figure 4.1. Evolution of foreign direct investment inflows in 2011

Source: The National Bank of Moldova

The re-invested income, which exceeded for more than six times the value registered in 2010, amounting to USD 94.4 mil., represented the main generator of the increase in foreign direct investment in 2011. We consider that the increase of the re-invested income had two main causes: the improvement of the general economic environment in the country, on the one hand, and the advantage of the economic agents from the last year in which re-invested profits were taxed by the „0%” quota, the 12% profit tax being re-introduced from 2012. Also, the foreign investments in the equity capital continued to decrease, whose value, of USD 143.9 mil., lowered in 2011 year by 8.3% as compared to 2010. Their reduction is rather determined by the financial instability in the countries of origin. According to the data available on October 01, 2011 regarding the origin of the foreign direct investment in the equity capital, EU countries hold 69.7% from their stock, decreasing by 2.3 p.p. from the beginning of 2011.

As a result of such trends, the structure of the foreign direct investment inflows in 2011 also changed. Although with a predominant quota of 52.5%, the equity capital investments decreased by 27 p.p., while increasing, in the same proportion, the weight of re-invested income from 7.4% in 2010 to 34.4% in 2011.

Despite tempering growth rates in the last two quarters of 2011, as compared to the evolutions in the similar periods of the previous year, on the whole, remittances registered a quite good dynamics. In 2011 remittances increased by 18%, as compared to 13% in 2010, at the same time the increase is significantly lower than that registered in the pre-crisis period. The value of the transfers of financial means made by persons emigrated in 2011 amounted to USD 1,611.7 mil.

Table 4.3. Structure of foreign direct investment inflows by capital forms

	2008	2009	2010	2011	2011/2010 modification
<i>Nominal value, USD mil.</i>					
Total foreign direct investments	711.5	145.3	197.4	274.1	38.8%
Equity capital	441.7	161.6	157.0	143.9	-8.3%
Reinvested earnings	98.7	-11.6	14.6	94.4	548.9%
Other capital	171.1	-4.7	25.9	35.8	38.2%
<i>Structure, %</i>					
Total foreign direct investments	100.0	100.0	100.0	100.0	
Equity capital	62.1	111.2	79.5	52.5	-27.0 p.p
Reinvested earnings	13.9	-8.0	7.4	34.4	27.1 p.p
Other capital	24.0	-3.2	13.1	13.0	-0.1 p.p

Source: The National Bank of Moldova

Remittances

The available data regarding the transfers of financial means from abroad made in favor of natural persons from Republic of Moldova, for January this year, indicate that they had to maintain at the level of the similar period of the previous year. In January 2012 these transfers increased by 13.4% as compared to January 2011, their value being USD 81.1 mil. This trend gives a note of optimism regarding the rigidity of these inflows to the negative economic evolutions in the Euro area.

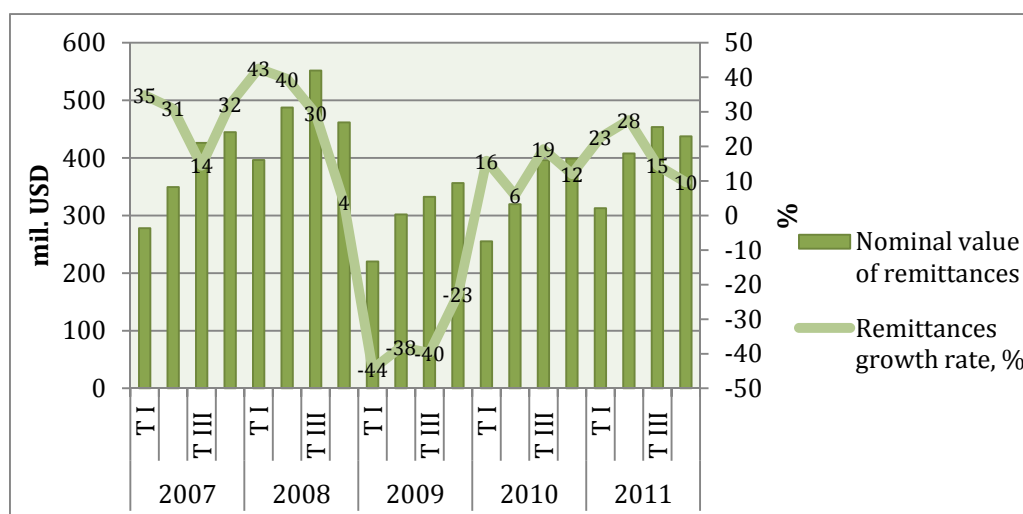


Figure 4.2. Evolution of the remittance inflow in the Republic of Moldova

Source: The National Bank of Moldova

The relative resistance of the transfers made from abroad in favor of natural persons as regards the economic and financial difficulties faced by European countries may be explained by the fact that in 2011, 64% of the remittance volume came from CIS countries. To note that in the last years, CIS, especially Russia, became the main source of the remittances made in the Republic of Moldova, increasing from 34% in 2005, to 62.3% in 2010 and, accordingly, 63.7% in 2011. From 64% held by CIS countries, 58.4% belong to Russia. In this context and given that a re-launch of the increase is estimated in the EUR area, starting with the second half of the year, which shall not succeed affect strongly esthetic partners, the stability of remittance inflows could be maintained.

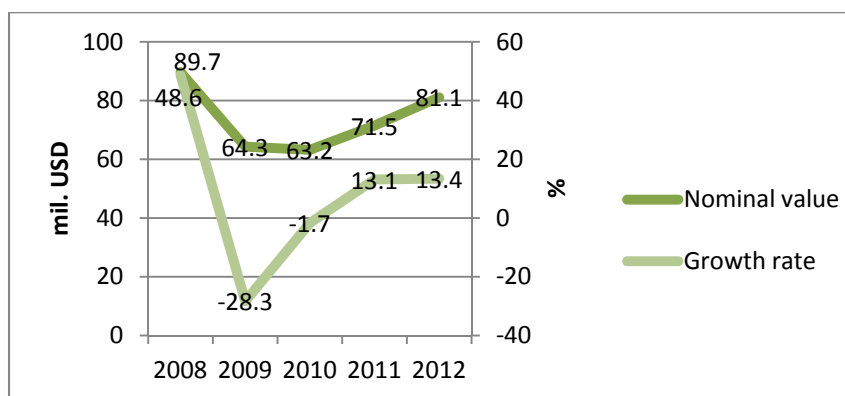


Figure 4.3. Transfers of financial means from abroad, made in favor of natural persons through the banking system in the Republic of Moldova in January, 2008-2012

Source: The National Bank of Moldova

The Region on the Left Side of the Dnester River.

Current account. In the January-September 2011 period, the current account of the region on the left side of the Dnester river closed with a deficit of USD 617.9 mil., increasing by 29.9% and representing 90.8% from the GDP. The deficit of the current account was determined to the highest extent by the increase of the negative balance of the trade balance of goods. The accelerated increase of imports as compared to exports in this period conditioned the increase of the deficit of the trade balance of goods from USD 515 mil. in January-September 2010 to USD 712 mil. in the same period of 2011. Also, the negative effects of the balance of goods were partly compensated by the reduction of the deficit of the balance of the service balance by 32.5%, as a result of the increase of service exports by 39.4% on the background of the decrease of imports by 12.4% and the increase of the transfers made from abroad, propelling the increase of the surplus of the balance of the current transfers. The amount of the transfers made in favor of the natural persons residing in the region was USD 141.8 mil., of which 88% came from ISC countries.

Table 4.4. Current account of the balance of payments of the region on the left side of the Dnester river

	Nominal value, USD mil.	Growth rate, %		Contribution to the increase/decrease, %	
	2011	2010/2009	2011/2010	2010/2009	2011/2010
Current account	-617.9	24.4	29.2	24.4	29.2
Goods	-712.2	28.6	38.2	29.8	41.2
Export	499.3	8.1	15.4	-8.5	-14.0
Import	-1211.5	18.4	27.8	38.2	55.1
Services	-40.3	-13.2	-32.5	-2.4	-4.1
Export	32.2	-20.1	39.4	1.5	-1.9
Import	-72.5	-15.3	-12.4	-3.9	-2.2
Income	-22.4	12.5	-4.3	0.7	-0.2
Collections	4.7	58.5	-44.0	-0.8	0.8
Payments	-27.1	21.8	-14.8	1.5	-1.0
Current transfers	157.0	13.4	30.8	-3.7	-7.7
Collections	183.6	16.2	27.1	-5.2	-8.2
Payments	-26.6	31.9	9.0	1.5	0.5

Source: The Transnistrian Republican Bank (http://www.cbpmr.net/resource/pb9month2009_2011n.pdf)

Capital and Financial Account

Financial account. In the January-September 2011 period, the balance of the financial account had a positive balance of USD 591.9 mil., which represents a value 44.7% higher than that registered in the similar period of the previous year. The value of the external assets of economic agents decreased by USD 21.1 mil., 39.7% more than in the similar period of 2010, while external liabilities amounted to USD 556 mil., as compared to USD 387.3 mil. in the previous year. The dynamics of external liabilities was determined by the increase of the debts of the Transnistrian region for natural gas by 26,8% as compared to the same period in 2010, which summed up in the analyzed period USD 464.2 mil.

Table 4.5. The financial account of the balance of payments of the region on the left side of the Dnester region

	Nominal value, USD mil.	Growth rate, %		Contribution to the increase/decrease, %	
		2011	2010/2009	2011/2010	2010/2009
Capital and financial account	591.9	13.8	44.7	13.8	44.7
Capital account	0.0	-	-	-	-
Financial account	577.0	6.7	43.4	7.1	42.7
Foreign direct and portfolio investments	-15.3	-50.0	-172.9	-5.8	-8.9
Inflows	-18.9	-48.4	-190.0	-5.5	-9.8
Affluxes	3.7	-100.0	-	-0.4	0.9
Other investments	592.3	13.9	55.3	12.9	51.5
Assets	17.4	-139.5	14.5	14.9	0.5
Liabilities, including:	574.9	-2.0	56.9	-2.0	51.0
debts for natural gas	464.2	11.1	26.8	10.2	24.0
Modification of reserve assets («+» – decrease, «-» – increase)	14.9	-137.7	125.8	6.7	2.0

Source: The Transnistrian Republican Bank (http://www.cbpmr.net/resource/pb9month2009_2011n.pdf)

Foreign trade

As shown in the beginning of the fourth quarter, the increase of external commercial flows, together with other trans-border economic flows, started shrinking little by little towards the end of the year, including the first month of the current year, also marking the end of the accelerated growth of exports, compared to imports. The value of the foreign trade in the fourth quarter, 2011, of 2170.2 million USD, was above the level recorded in the similar period of the previous year by 22%, and was influenced by the increase of both imports, amounting to 1498.2 million USD and exports – 672 million USD. The attenuation of the growth rates of foreign trade can be explained by two main factors: exceeding the maximum historic values recorded, on one hand, and Western commercial partners, especially from the EURO zone, passing through a new wave of the sovereign debt crisis.

Overall, the analysis of the main quantitative indicators allows the assessment of the performance of foreign trade in 2011 with a relatively good grade. The total value of foreign trade in last year was 7413.7 million USD, 37.4% more than in 2010. Although the gradual revitalization of imports, which were 34.7% higher, generated an increase of the budget deficit by 28%, amounting to 2970.4 million USD, the accelerated increase of exports – by 44.1%, limited its increase up to the level of the pre-crisis period (-3307 million USD), thus determining

an increase of the degree of coverage of imports by exports to the level of 42.8% – the highest level recorded in the last 5 years.

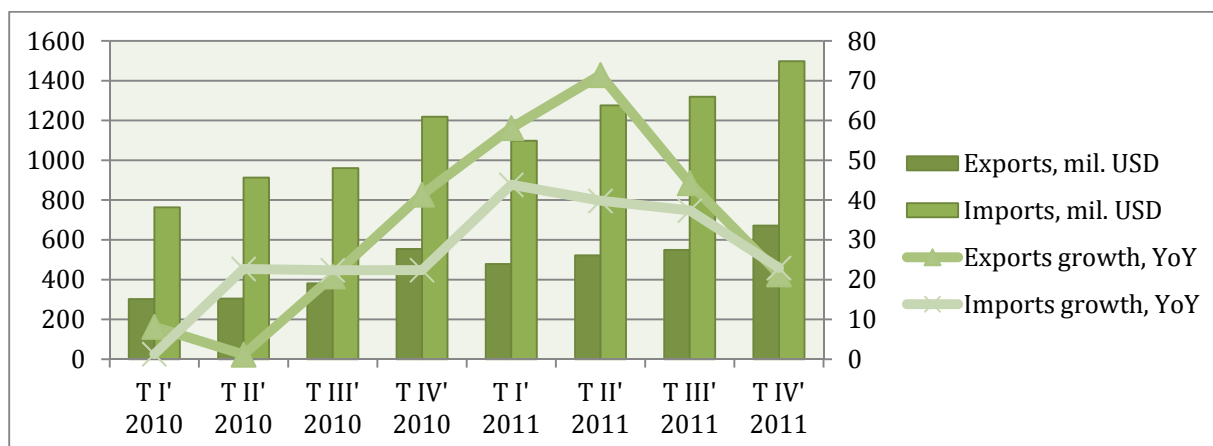


Figure 4.4. Quarterly growth of imports and exports, 2010 and 2011

Source: National Statistics Office

Also, this year can be considered a new stage in the development of Moldovan exports. Without considering the qualitative performance, one must note, however, that their fast increase (+44.1%) on the background of a more moderate increase of worldwide exports (+20%), has generated an increase of the share on the worldwide market up to 0.05%, exceeding the level of 0.01%, maintained all-through the entire transition period.

Table 4.6. Foreign trade in 2011

	2011	2011/2010
Nominal value of exports, million USD	2221.6	44.1%
Nominal value of imports, million USD	5192.0	34.7%
Net exports, million USD	-2970.4	28.4%
Coverage of imports by exports, %	42.8%	2.8 p.p
Export performance		
Exports per capita, USD	624.2	44.3%
Exports/GDP, %	31.7	+5.2 p.p
Exports of/World export, %	0.05	+0.04 p.p

Source: National Statistics Office, statistical database of OMC

Exports. The gradual recovery of the main commercial partners after the crisis was more visible until the end of 2011, and the partial reestablishment of external demand, as well as the stabilization of the economic and financial situation in the country, constituted an important impulse for export development. In the last two years, for the first time after 2001, exports increased not only by rates that were superior to those of imports, but the increase recorded in 2011 was the highest in the last 10 years.

In the analyzed period there was an increase of exports on all the markets from the European space except for Ireland, Slovenia and Sweden, and the value of the trade with EU was 1087.8 billion USD, 49% more than in 2010. Good dynamics, of 47%, was emphasized also by the Eastern vector, limited especially to traditional markets – Russia, Ukraine and Kazakhstan. The value of the exports made in 2011 in CIS was 919.3 million USD. The growth of exports to EU and CIS determined their increase in the structure of exports up to 49% (+1.7%), respectively 41.4% (0.9%) of other countries. At the same time, the positions of the main two export partners - Russia and Romania - continued to consolidate, their weight in the total exports being 45%.

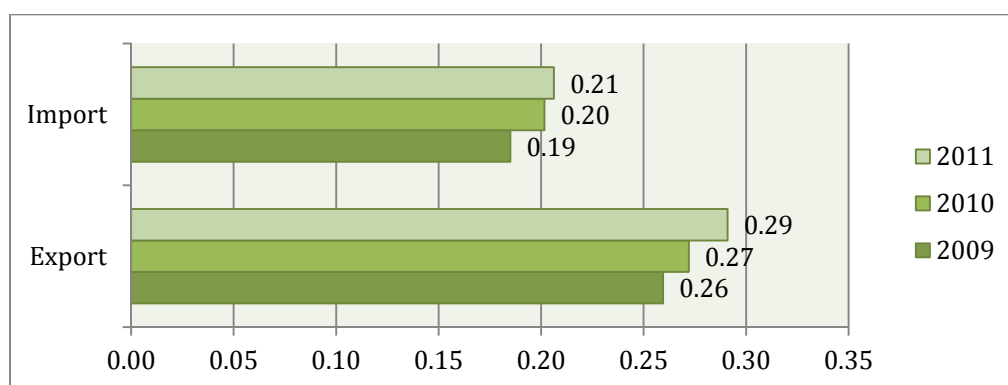


Figure 4.5. Index of geographical concentration of foreign trade of the Republic of Moldova

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

Table 4.7. Dynamics and structure of exports in 2011

	Total				CIS	EU	Other countries
	Value, million USD	Growth rate, 2011/2010, %	Structure, %				
			2010	2011	Growth rate, 2011/2010, %		
Total	2221.6	44.1	100	100	47.3	49.2	13.8
Agricultural and food products, including:	913.7	25.3	47.3	41.1	8.8	75.8	-12.5
Fats and vegetable oils	77.5	62.9	3.1	3.5	-73.4	111.9	16.9
Vegetables and fruits	280.7	22.6	14.8	12.6	16.0	38.9	13.5
Seeds and oleaginous fruits	180.1	102.4	5.8	8.1	164.0	189.7	-12.8
Beverages	180.9	1.6	11.5	8.1	-3.5	16.3	38.4
Non-edible gross materials, excluding fuel	105.2	88.0	3.6	4.7	102.6	61.3	127.7
Fuels	24.0	211.5	0.5	1.1	4260.9	124.2	520.1
Chemical products and derived products unspecified elsewhere	124.3	56.7	5.1	5.6	65.5	3.5	12.0
Transportation machinery and equipment	328.0	70.4	12.5	14.8	139.2	42.8	43.5
Machinery and electric devices and their parts	164.4	58.6	6.7	7.4	273.8	50.9	748.0
Textile products and clothing	362.8	33.9	17.6	16.3	147.6	19.2	27.4
Other manufactured products	359.3	74.9	13.3	16.2	115.9	57.3	19.9
Furniture	83.3	115.4	2.5	3.7	81.0	136.3	4.7
Footwear	49.4	62.8	2.0	2.2	354.3	38.3	-

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

These trends, also confirmed by the index of geographical concentration HHI, which indicates the high degree of concentration of Moldovan exports, especially to the two aforementioned destinations, can make exports, with a subsequent effect on economic growth, extremely vulnerable to the appearance of possible negative changes on these markets.

The modifications which occurred in the structure by groups of products of exports indicate apparently qualitative modifications – the reduction of the weight of agricultural and food products, on one hand, and the increase of the share for manufactured products, especially transportation machinery and equipment, chemical products, as well as other manufactured products (exports of processed rubber, iron and steel, etc. had especially good dynamics), on the other hand.

Following their modest increase, the weight of *agricultural and food products* from the total exports decreased from 47.3% to 41.1%. At the same time, the most significant influence on the increase of exports from this category of products was recorded by: exports of seeds and oleaginous fruits, vegetables and fruits in EU and CIS; despite a lower decrease in CIS and other countries compared to the previous year; fats and vegetable oils in EU. At the same time, a negative influence was recorded by: the reduction of sugar exports by 48%, on the background of the depletion of the internal stocks of sugar and a very modest increase of the exports of beverages, by 1.6%, determined by the significant decrease of deliveries on the CIS market by 86%, respectively 3.5%. It is notable that while the exports of this group of products decreased in the group of other countries, compared to the previous year, and in the CIS countries they increased at a significantly lower rate, they essentially increased in EU countries, especially based on the exports of seeds and oleaginous fruits, fats and vegetable oils, and sugar, which determined an increase of agricultural and food products in the structure of exports to EU from 29.8 to 35.1%. At the same time, the exports of animal-origin products, despite some export attempts, remain insignificant.

Section 4.1. Dynamics of exports to EU in 2011

After a reduction of approximately 19% in 2009, Moldovan exports on the Western market continued in 2011 their upward trend of 2010, recording an increase of 49%. Deliveries of goods to this destination amounted to 49% of the total exports, as this was the main sale market for Moldovan manufactured products, especially electric machines and devices, light industry products – clothing, furniture, fuels, which this year recorded a significant increase, as well as for certain agricultural and food products, such as seeds and oleaginous fruits, fats and vegetable oils, grains.

Table 4.8. The evolution of the exports of agricultural and food products subject to fee contingencies in trading with the countries of the European Union

		2010		2011	
		Tariff quota	Actually exported	Tariff quota	Actually exported
0201-0204	Fresh, refrigerated or frozen meat from bovine, porcine, ovine and caprine species	4000	-	4000	0.304 (0.0075%)
ex0207	Fresh, refrigerated or frozen poultry meat and edible organs (tons)	500	-	500	0.105 (0,021%)
ex0210	Meat and edible organs from porcine and bovine species, salty or in brine, dried or smoked (tons)	500	-	500	-
0401-0406	Dairy products (tons)	1500	-	1500	0.209 (0,014%)
0408	Poultry eggs, in shells (million pieces)	100	-	110	0.001 (0.0009%)
ex 0408	Poultry eggs, without shells and egg yolks, other than those improper for human consumption (tons)	300	-	300	-
1001	Spelt (other than the spelt for seeding), common wheat and meslin (tons)	35000	38726 (110.65%)	40000	36382.6 (91%)
1003	Barley (tons)	30000	36190.500 (120.63%)	35000	56207.3 (161%)
1005	Corn (tons)	25000	34220.4 (136.88%)	30000	86309.3 (288%)
1601	Sausages and similar products from meat, organs or blood; food preparations based on these products. Other preparations and cans from meat, edible internal organs or blood (tons)	600	-	600	0.061 (0.01%)
1701	White sugar (tons)	22000	58 (0.03%)	26000	8240 (32%)
2204	Wine from fresh grapes, other than sparkling wine (hectoliters)	80000	112243.6 (140%)	150000	146998 (98%)

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

More than half of the exports of 2011, with a weight of approximately 52.9%, were deliveries of manufactured products, determined by better dynamic compared to the previous year, and also compared to the evolution of the exports of agricultural and food products. The increase was largely conditioned by several groups of main traditional products – transportation machinery and equipment, especially electric machinery and devices, road vehicles, industrial machinery and equipment; light industry products – clothing, furniture, footwear, chemical products, and also products which recorded high growth rates, such as non-ferrous metals, plastic materials in primary forms, prefabricated structures, etc.

The splendor of these positive modifications in the structure of exports was reduced, however, by the accelerated increase of re-exports, which appear to be the highest generator of the increase of deliveries to foreign markets. According to official data, between January and December 2011, 45.3% of the total value of exports were re-exports which constitutes 1006 million USD, 66% more than in 2010, while the exports of internal products increased by 30%. At the same time, a more detailed analysis of the methodology used to assess the re-exports from the Republic of Moldova allows us to conclude that approximately 21.3% of the total exports can be definitely classified as re-exports, namely classical re-exports, especially pharmaceutical products, with the main destination the CIS space, as well as various products from the group of transportation machinery and equipment. Others, 23.6% of the exports qualified as re-exports, inspire a uncertainty about their classification in one category or another. The latter refer to the export of products, most often the export of clothing, footwear, furniture, cables, which, although they sometimes have essential processing modifications in the country, are practically completely made from important raw materials. This fact, as well as the inadequate records or even ignoring the principle of the origin of these exported products create certain difficulties in assessing the volumes of deliveries which constitute re-exports.

Imports. After an 18% in 2010, in 2011 imports increased by 35%, reaching the value of 5191.6 million USD. Although there was an increase of imports from the main regions – CIS, EU and other countries, in 2011 the imports originated from the European space developed more slowly than the other partners, which determined a reduction of the weight of this group of countries in the structure of imports. Thus, imports from EU increased by 32% compared to 2010, and from CIS and the group of other countries by 36%, respectively 37%, which determined an increase of 1% for the latter in the structure of imports, constituting 24% of the reduction by 1% of the share of Western partners to 43%. At the same time, the weight of CIS countries from the total imports was the same as last year, namely 33%, and remained lower than the pre-crisis period.

The analysis of imports by country of origin indicates a lower degree of concentration compared to exports (HHI = 0.21), but increasing in the last 3 years. The main 5 import partners, the same as in 2010, were Russia, Ukraine, Romania, China and Germany, and Turkey, Italy, Belarus, etc. also had an important contribution.

Overall, the structure of imports by groups of products did not have essential modifications compared to last year. Largely, approximately 63% of imports consist of non-animal manufactured products, approximately 22.4% are imports of fuels (out of which 12% oil and 9% gas) and 13% - imports of agricultural and food products.

Among the products which contributed the most to the increase of imports in 2011 are the following:

- Oil and gas products, which increased by 49%, respectively 35%, compared to 2010, and constituted 21% of the total imports;
- Road vehicles, electrical machinery and devices, especially cables, in order to be processed in the country and later re-exported, specialized machinery and devices for specific industries, machinery and devices with industrial applications for general use, which increased by 63%, 51%, 70% and 51%.
- Yarns and textiles, which increased by 40%, etc.

Table 4.9. Dynamics and structure of imports in 2011

	Total				CIS	EU	Other countries
	Value, million USD	Growth rate, 2011/2010, %	Structure, %				
			2010	2011			
Total	5191.6	34.7	100.0	100.0	36.3	32.4	36.6
Agricultural and food products, including:	665.0	15.7	14.9	12.8	22.4	1.9	23.0
Non-edible gross materials, excluding fuel	95.7	43.1	1.7	1.8	29.0	47.7	87.0
Fuels	1165.4	47.3	20.5	22.4	50.1	34.7	1081.3
Chemical products and derived products unspecified elsewhere	673.2	29.3	13.5	13.0	37.2	27.5	27.9
Transportation machinery and equipment	1157.8	43.8	20.9	22.3	32.5	52.1	36.1
Textile products and clothing	372.8	34.1	7.2	7.2	66.2	29.3	36.8
Other manufactured products	1061.2	29.6	21.2	20.4	22.0	28.5	40.0

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

The significant influence of these products on the increase of imports is also determined by their relatively higher weight in the total value of imports. At the same time, the products which had a positive influence on imports is much higher, and if we were to exclude energy resources, the structure of imports seems to be quite diversified.

Although with a certain weight in the total structure of imports, agricultural and food products continued to increase at a temperate rate in 2011, and 12% of this growth was conditioned by imports of fruits and vegetables, grains, sugar, coffee, dairy products.

Commercial balance The foreign trade trends in 2011, although they generated an increase of the commercial deficit by 28.4% compared to last year, amounting -2970 million USD, they remained 10% lower than 2008.

The following products had a positive contribution to the decrease of the commercial deficit:

- agricultural and food products, with a positive balance of 248 million USD, 61% more than in 2010, following the increase of the commercial excess in the balance of seeds and oleaginous fruits, fruits and vegetables, vegetable oils and fats, and the reduction of the commercial deficit for meat;
- various manufactured items, especially: clothing, furniture, footwear, travel items, which had an increasing excess. It is to be noted that in 2011, for the first time in the last 10 years, the balance of the trade with furniture was positive, namely 15 million USD.

At the same time, the increase of the commercial deficit was 15.5%, following the evolutions from the balance of fuel trade, whose deficit was 46% higher than in 2010, compared to 16% higher in 2010 than in 2009. Thus, approximately 38.4% of the total value of the commercial deficit represented energy products. Overall, except for the aforementioned light industry products, practically for most non-food manufactured products there was a higher negative balance.

Evolution of the foreign trade of Transnistria in 2011

In 2011, the value of the commercial transactions of Transnistria was 2427.9 million USD, 28.9% more than last year.

In this period exports were 691.8 million USD, 18.1% more than in 2010. The main export markets for the products from the left bank of the Dniester were Moldova – 31%, Russia – 23.6%, Ukraine – 10.2%, Romania – 10.7%, Italy – 8.5%, Germany – 4.8% and Poland – 2%, and 91% of the total exports were concentrated in these countries. The structure of exports by groups of products was dominated by the deliveries of ferrous metals, with a weight of 30.8% of the total exports, fuels – 25.2%, clothing and other textiles – 12.1%, footwear 6.5%.

In 2011 the imports from the region to the left of the Dniester amounted 1736.1 million USD, 33.8% more than in 2010. Almost half (46.3%) of the imports of last year originated from Russia. At the same time, other important partners with a weight of approximately 28.7% from the total imports were Ukraine (12.8%), Belarus (5.8%), the Republic of Moldova (4.5%), China (3.6%) and Italy (2%). Like in the case of exports, the structure of imports is dominated by energy resources, with 44.8%, and ferrous metals, 8.9%.

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

Despite the expectations of a faster recovery of the world economy last year, considering the positive economic evolutions recorded in almost all the regions of the world at the end of 2010, the reality was much more pessimistic. While at the beginning of the year IMF estimated an increase of the world economy by approximately 4.4%, at the end of the year the results indicated an increase by only 3.8%. It is to be noted that all the main world actors finished the year with increases much lower than those estimated at the beginning of the year.

The low performance in this year was mainly caused by the evolutions of the developed countries from the second half of last year, mostly the countries from the EU space, which entered a crisis of sovereign debts. The difficulty of public debts attenuated the subsequent trends of the recovery of the financial and economic system of European countries, and also the general prospects of stabilization in other countries. Given a still noticeable vulnerability of national economies, the effects of the crisis of sovereign debts from the EU countries had effects, more or less, depending on the integration in the world economic system, also in other countries, especially in those from Central and Eastern Europe and CIS.

Table 4.10. Development trends of the main economic partners of the Republic of Moldova (compared to the similar period of last year, %)

	QIII'2010	Q IV'2010	Q I'2011	QII'2011	Q III' 2011	Q IV' 2011	2010	2011
	Economic growth, %							
USA	3.5	3.1	2.2	1.6	1.5	1.6	3.0	1.7
EU	2.3	2.0	2.3	2.0	1.3	0.6	2.0	1.5
Romania	-2.2	-1.0	1.7	1.4	4.4	1.9	-1.6	2.5
Russian Federation	3.4	4.4	3.8	3.5	4.9	-	4.0	-
Ukraine	3.6	3.3	5.3	3.8	6.6	-	4.2	-

Table 4.10. – continuation

	Unemployment rate ¹ , %							
USA	9.5	9.1	9.5	8.9	9.1	8.3	9.6	9.0
EU	9.3	9.5	9.8	9.3	9.4	9.9	9.7	9.7
Romania	7.2	7.2	7.1	7.5	7.5	7.5	7.3	7.4
Russian Federation	6.8	6.9	7.5	6.6	6.2	6.3	7.5	6.6
Ukraine	8.7	8.8	9.5	8.9	8.5	-	8.8	-
	Inflation rate ² , %							
USA	1.1	1.5	2.7	3.6	3.9	3.0	1.6	3.2
EU	2.2	2.7	3.1	3.1	3.3	3.0	2.1	3.1
Romania	7.7	7.9	8.0	8.0	3.5	3.2	6.1	5.8
Russian Federation	7.0	8.8	9.4	9.4	7.2	6.1	6.9	8.4
Ukraine	10.5	9.1	7.7	11.9	5.9	4.6	9.4	8.0
	Export growth rate, %							
USA	20.5	18.2	18.2	17.7	17.5	10.6	21.0	15.8
EU	14.6	14.3	23.6	27.2	19.1	9.1	16.5	19.3
Romania	15.0	22.0	38.6	34.3	28.9	9.3	21.6	26.7
Russian Federation	18.4	18.1	22.8	36.9	33.6	28.2	32.0	30.4
Ukraine	30.0	23.5	48.8	37.0	29.6	21.9	29.4	33.0
	Import growth rate, %							
USA	23.5	16.0	18.7	16.7	13.7	11.7	22.7	15.0
EU	18.2	18.8	23.8	26.7	17.9	3.1	18.7	17.3
Romania	5.8	12.8	25.1	32.4	27.7	8.7	13.9	22.9
Russian Federation	39.5	26.7	42.4	42.7	24.1	18.0	29.7	29.9
Ukraine	37.9	37.0	56.9	43.9	29.9	21.3	33.9	35.6

Source: OECD database and the National Statistics Offices

European Union. The evolution of 2011 was much more modest than the estimates from the beginning of the year, and it recorded an increase by only 1.5% compared to 2010. Although starting with the second quarter there was a decrease of the growth rates of the GDP volume, in the fourth quarter of 2011 it was only 0.6%, and compared to the previous period there was even a decline of -0.3%. While the negative growth rate of the real GDP of Greece and Portugal at the end of the year was not surprising, considering that in all 4 quarters of this year these countries had recession trends, however, on the background of the critical situation of governmental debts of many European countries, which exceeded 60% of GDP, and a fast transmission of the chain reactions in the European economic and financial system, the following countries joined the list of countries in recession in the last quarter: Slovenia (-0.2%), Italy (-0.9%), Cyprus (-0.7%), Holland (-0.6%), Spain (-0.2%), Malta (-0.2%).

The critical situation from the European space is caused by the critical increase of governmental debts after the beginning of the crisis. From 2007 to 2010 governmental debts related to GDP, in average in EU, increased from 59% to 80.1%, and in the Euro zone (17 member countries), they increased even more, from 66.3% to 85.3%. It is to be noted that at the end of 2010 this indicator even exceeded 100%, e.g. Greece and (144.9%), Italy (118.4%).

¹ The data for Ukraine indicates the average unemployment rate from the beginning of the year to the end of the respective quarter.

² The inflation rate by quarters indicates the annual modification of inflation from the last month of each quarter. Annual inflation indicates the modification of the annual average prices.

The crisis of sovereign debts had corresponding repercussions on consumer trust, associated to a low level of consumption, but also involved a more stringent fiscal policy, which may limit investment initiatives. Thus, in the third quarter of last year, the final consumption of households was significantly lower compared to the similar period of the previous year, to 0.1%, and in the fourth quarter, it was lower by 0.3%. The formation of gross capital had significantly lower rates in the last two quarters compared to the similar period of last year, namely 0.6% and 0.4%, compared to 1.4% and 1.6% in 2010.

Despite the unfavorable conditions on the internal market - the reduction of consumption and a still fragile financial market, the inflation rate had a generally ascending trend.

We would like to note that the modest increase in the European space kept in tension the workforce market, and the unemployment rate was relatively high, 9.7%.

The initiatives and measures that were implemented in order to address the created situation, based on these evolutions, slightly relaxed the fiscal policy and the situation of the financial situation, and according to the latest estimates of the European Commission of February 2012, a recovery of European debts is expected starting with the second year-half.

Romania. After two years of recession, 2011 represented a year of recovery for the Romanian economy, with a growth of 2.5%. 2011 was a favorable year for the agricultural sector, accompanied by growth of industry and constructions, supported by the recovery of private end consumption in the last two quarters of 2011, with increases of 3.6% and 2.7%, compared to the similar periods of last year, and also growth of external demand, expressed by high-rate increases of exports. There was also a consolidation of the degree of trust of the business environment, reflected by an 11.4% increase, respectively 10.3% in the third and fourth quarters of 2011, compared to 2010.

Despite a slight trend of consolidation of the production sector and the promotion of reforms on the labor market, by updating the New Labor Code by Romanian authorities, the situation on the labor market did not show a significant progress. Thus the unemployment rate increased in the second quarter from 7.1% to 7.5%, and remained at the same level in the following quarters.

This year we expect an attenuation of Romania's economic growth following the evolutions from the economic and financial systems in the Euro zone, which will put pressure on the demand from these countries, thus negatively influencing the increase of exports, but which could also limit the inflow of foreign investments.

United States of America. Considering the economic interconnections with EU and other important economies such as Japan, the evolutions of these economies could not but reflect on the American economy. These influences were especially felt in the second half of the year. After a 2.2% increase in the first quarter of 2011, in the first quarter of 2011 compared to the similar period of last year, in the following quarters the rates were lower, but continued to slowly grow. In 2011 the GDP volume was only 1.7% higher than 2010, compared to the 3% increase recorded in the previous year.

Although the external environment seems less beneficial to further development, the internal economic conjuncture seems to be slowly consolidated. Thus, the main macroeconomic indicators showed general signs of improvement in 2011. Private consumption increased at a more accelerated rate compared to the previous year, of 2.2%, including durable goods with 8.1%, despite the reduction of governmental expenses by 2.1%. The revitalization of internal consumption is also associated to a slight consolidation of the situation from the employment market, 0.6% lower than in 2010, at 9%. However, external demand favored economic growth less, as in 2011 exports were only 15.8% higher than in 2010, compared to 21% in the previous year.

Russia. The available data for the first three quarters of 2011 indicates that the Russian economy recorded a rather good increase. At the end of 2011, GDP was 4.3% higher than in the previous year. There were rather good evolutions in the sector of agricultural and food products (16.1%), pisciculture (13.2%), industry (6.1%) and services. The main growth driver was the increase of consumption compared to the previous year at accelerated rates, as in the QI it was 4%, in QII – 4.9%, and in QIII – 6.2%. Private consumption increased at an even higher rate. Also, starting with QII the gross formation of capital increased by 5%, respectively 7.5%.

The increase of internal consumption generated an increase of imports in 2011 of 29.9%, compared to 2010. Exports also recorded an ascending trend, of 30%. The increase of exports was generated predominantly by the increase of prices. In 2011 the average annual inflation rate was 5.8%. Except for May-July, there was a high increase of the producer prices of oil, therefore in December 2011 the annual index of the manufacturer prices was 129.1%. In 2010 its value was 114.7%.

Ukraine. In the first 9 months of last year, the economy of Ukraine increased at a rather good rate, generated by a recovery of the agricultural sector, which grew in QIII by 16%, of the extraction industry, the processing industry, the energy sector and services of constructions, transportation, trade and distribution. The increase of the production sector was supported by a spectacular growth of private end consumption, compared to the similar period of last year, namely 12.7% in QI, 14.1% in QII and 15.7% in QIII, and investments in fixed capital, the increase of which in QIII of 2011 compared to the similar period of the previous year was 15.2%. The evolutions from the production sector contributed to a progressive decrease of the unemployment rate in the first three quarters, which in September was 8.5%.

Chapter V

BUSINESS ENVIRONMENT

Business activity. Number of registered entities: classification according to types of activities. According to the data of the State Registration Chamber, as of December 01, 2011 the State register contained information on 160,395 legal entities and individual entrepreneurs. As of December 01, 2011 compared to September 01, 2011, the number of entities from the Register increased by 899, or 0.5%.

In 2011 compared to 2010, there are no essential changes in the weight of entities registered in the Register by the types of activities declared upon registration. In this period there is an insignificant increase of entities registered with the following types of activities: agriculture (2%), the processing industry (4%), trade (wholesale and retail), 6%. The number of entities registered in the Register as operating in the maintenance and repair of cars and motorcycles had a 2% decrease in this period.

Upon registering their businesses, in 2011, entrepreneurs declared the following types of activities: wholesale and retail trade (35%); real estate transactions (17%); manufacturing industry (10%); agriculture (6%); transportation (5%); constructions (1%).

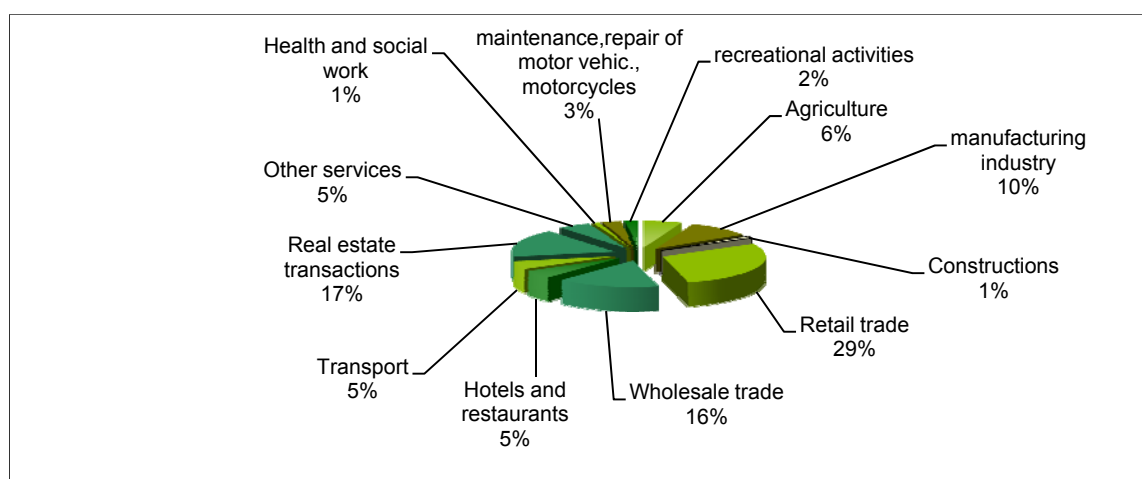


Figure 5.1. Entities registered by the types of activities declared upon registration, 2011
Source: According to the data provided by the State Registration Chamber

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

The number of entities registered by the State Registration Chamber decreased in the fourth quarter of 2011 compared to the same period of the previous year, as the index was 98.4%. The number of entities registered in the fourth quarter of 2011 increased by 6% compared to the third quarter of the same year. Thus, according to the data of the State Registration Chamber, 1,637 new entities were registered in the fourth quarter in the State register. Overall, the number of entities registered in 2011 increased by 3.8% compared to 2010.

The number of entities deregistered in the fourth quarter of 2011 was 807 units or 16.7% less than in the same period of the previous year and 6.3% less than in the third quarter of 2011.

In 2011, 3,917 new entities were registered at the territorial office of Kishinev, representing 58.1% of the total number of entities registered in 2011. At the same time, in 2011 (compared to the previous year) a higher growth rate was registered at the territorial offices than in Kishinev

(at the territorial offices the index was 106.4%, respectively 102.1% at the territorial office of Kishinev).

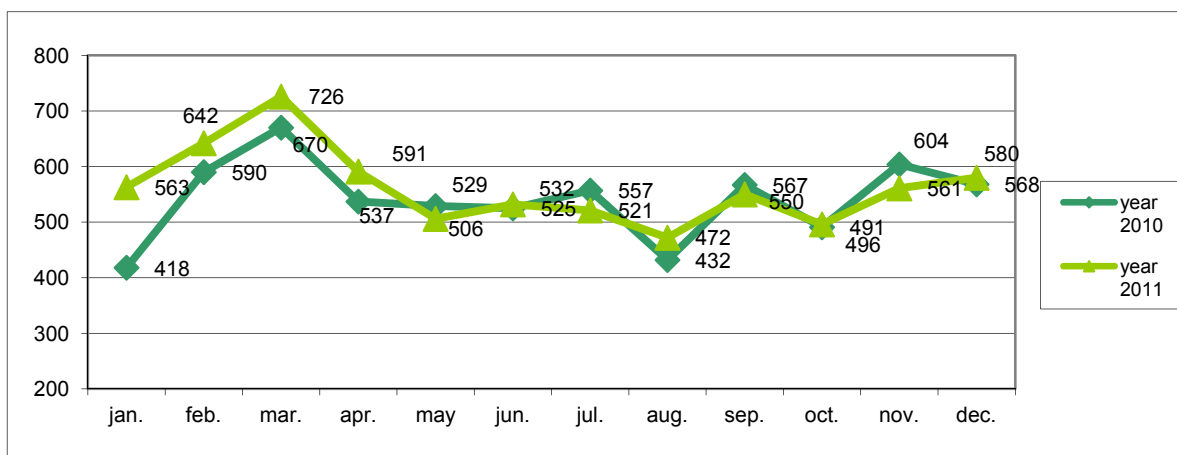


Figure 5.2. Evolution of the number of entities registered in 2010-2011

Source: According to the data provided by the State Registration Chamber
<http://www.cis.gov.md/ru/content/241>

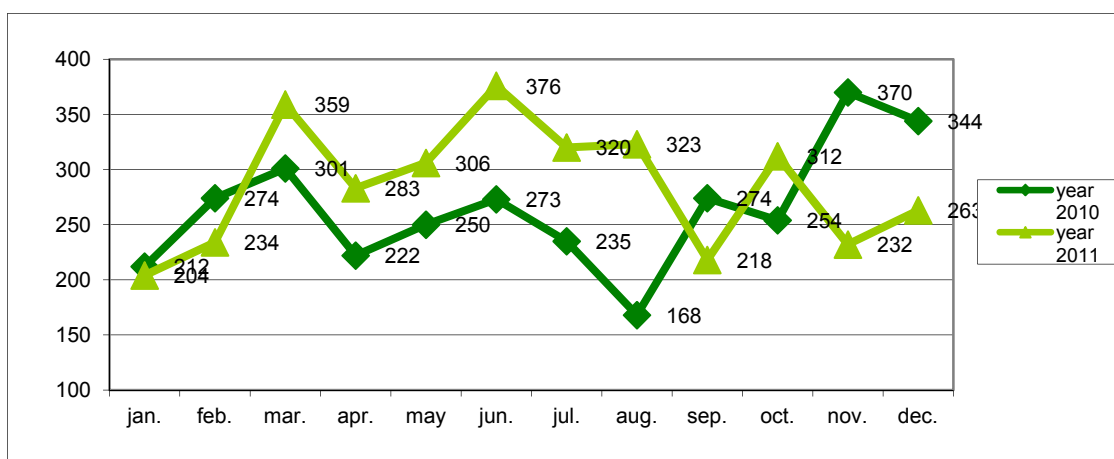


Figure 5.3. Evolution of the number of entities struck out in 2010-2011

Source: According to the data provided by the State Registration Chamber
<http://www.cis.gov.md/ru/content/241>

Table 5.1. Dynamics of entities registered and struck out in the fourth quarter of 2010-2011

Years/month	Net increase/decrease	
	Number of units (Registered entities - struck-out entities)	Index, %
2010	3,311	
2011	3,310	99.97
Q.IV 2010	695	
Q.IV 2011, including:	830	119.4
October	184	77.6
November	329	140.6
December	317	141.5

Source: Authors' calculations according to the data provided by the State Registration Chamber

The number of entities struck out in 2011 was 3,430 units, 7.9% more than in the previous year. 65.7% of the number of entities struck out in 2011 are outside Kishinev.

The calculated index, which characterizes the net increase/decrease of the number of entities (registered minus removed) shows that in the fourth quarter of 2010-2011 there was a net increase of the number of companies, as the index was 119.4%.

Business Development Indicators, 2010

Compared to 2009, when in several branches of the economy (agriculture, electricity, gas and water, hotels and restaurants) there were losses, in 2010 the situation improved, and a positive profitability of assets and equity was obtained. The entities from two sectors (fishing and other collective services) reported losses in 2010, as they did in 2009.

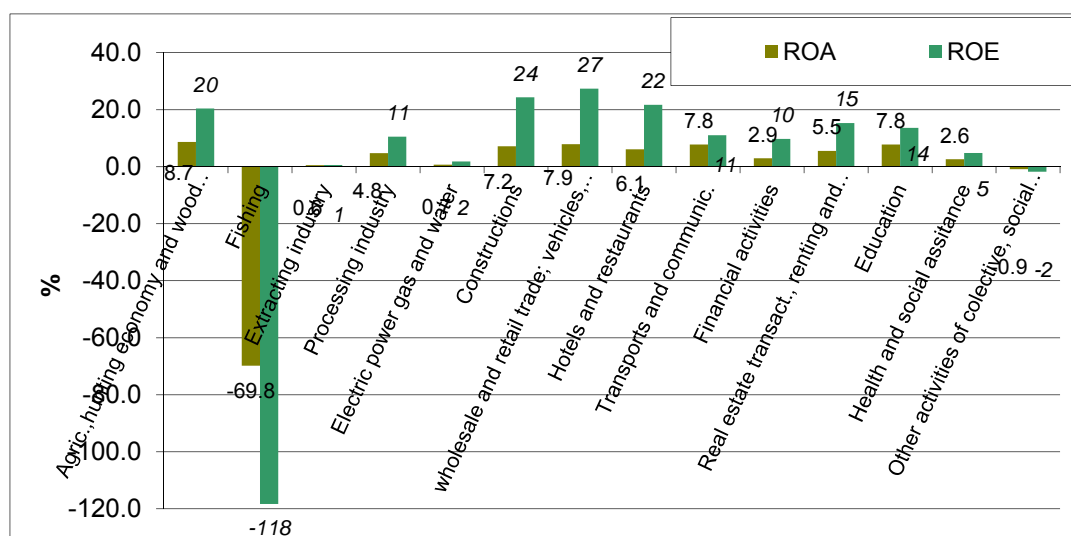


Figure 5.4. Return on assets and equity, by types of activities, in 2010

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

According to the data of the National Bureau of Statistics of Moldova in 2011 there was a 20.9% increase (in comparable prices) of the revenues from sales obtained by the entities which had retail trade as their main scope of activity³ compared to 2010.

In 2011 a higher increase of the turnover of the entities which had retail trade as their main scope of activity was registered in Kishinev (a 23.7% increase) and the Southern region (27.1%) compared to 2010.

According to the National Bureau of Statistics, in 2011 there was a 15.5% increase (in current prices) of the turnover of the entities which had wholesale trade as the main scope of activity⁴ compared to 2010. Entities from the Northern region and ATU Gagauzia had a relatively higher increase of the turnover (a 20.6% increase in the Northern region and 46.5% in ATU Gagauzia).

In 2011, a significant increase of the turnover of the entities which had wholesale trade as their main scope of activity was recorded in districts Ocnita (2 times), Donduseni (2.3 times), Stefan Voda (2 times), Briceni (80.4% increase) compared to 2010.

³ Entities which had retail trade as their main scope of activity, with more than 20 employees, comprised in the monthly statistical research on short term indexes (SERV TS)

⁴ Entities which had wholesale trade as their main scope of activity with more than 20 employees included in the monthly statistical research on short term indexes (SERV TS)

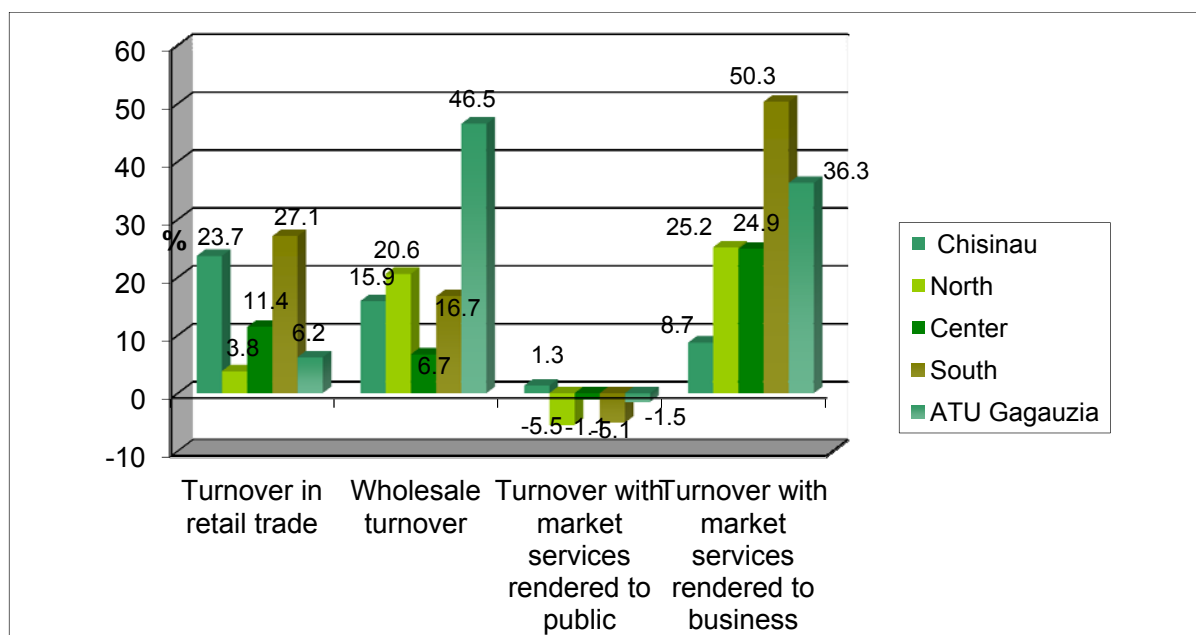


Figure 5.5. Evolution of the turnover for trade and services in 2011 in % compared to 2010 by development regions

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

In 2011, there was an insignificant decrease of the turnover of the entities which had market services provided to the population as their main activity⁵ (by 0.4%) (in comparable prices) compared to 2010. In this period, the entities from the Northern regions, Center, South and ATU Gagauzia recorded a decrease of the turnover compared to 2010. Only the entities from Kishinev recorded an increase by 1.3% compared to 2010.

Regarding the value index of the turnover of the entities with their main scope of activity consisting in market services provided especially to enterprises⁶, in 2011, there was an 11% increase (in current prices) compared to 2010. A higher increase of the turnover was recorded at the entities of ATU Gagauzia (by 36.3%), and the Southern region (50.3%).

According to the report of January 01, 2012, in the Republic of Moldova there were 8,131 entities with foreign investments registered. According to the data of the State Registration Chamber, the capital invested in share capital was approximately 7.867 billion MDL.

In 2011, in Moldova there were 615 entities with foreign investments in share capital, 11.4% higher than in 2010. The capital invested in share capital in 2011 was 311 million MDL, representing a 79.7% increase compared to 2010.

By the value of share capital investments, Netherlands is on the first place, with 1,685.1 million MDL in investments, followed by Russia and Cyprus (with 944.4, respectively 813.9 million MDL). According to the State Registration Chamber, the entities with the most invested foreign capital are from Romania (1,256 entities), Turkey (918 entities), Italy (897 entities) and Russia (812 entities).

⁵ Entities which had market services provided to the population as their main scope of activity, with more than 20 employees, included in the monthly statistical research on short term indexes (SERV TS)

⁶ Entities which had market services provided to enterprises as their main scope of activity, with more than 20 employees, comprised in the monthly statistical research on short term indexes (SERV TS)

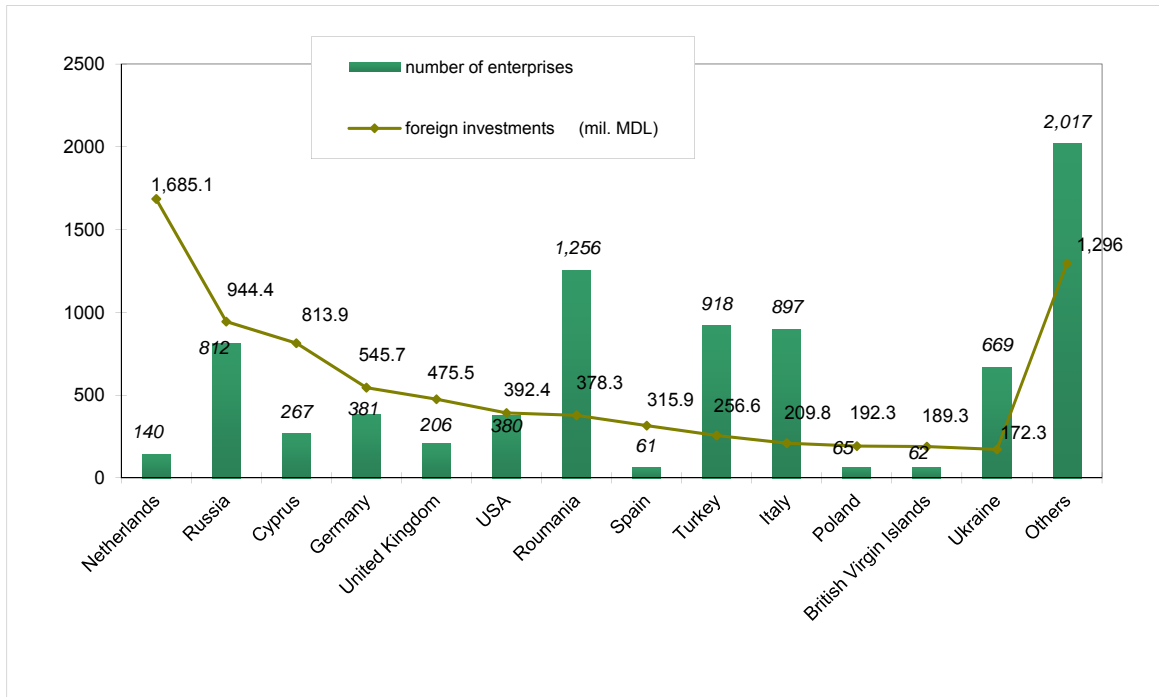


Figure 5.6. Foreign investments in share capital, by the number of entities and investment amounts, as of January 01, 2012

Source: According to the data provided by the State Registration Chamber

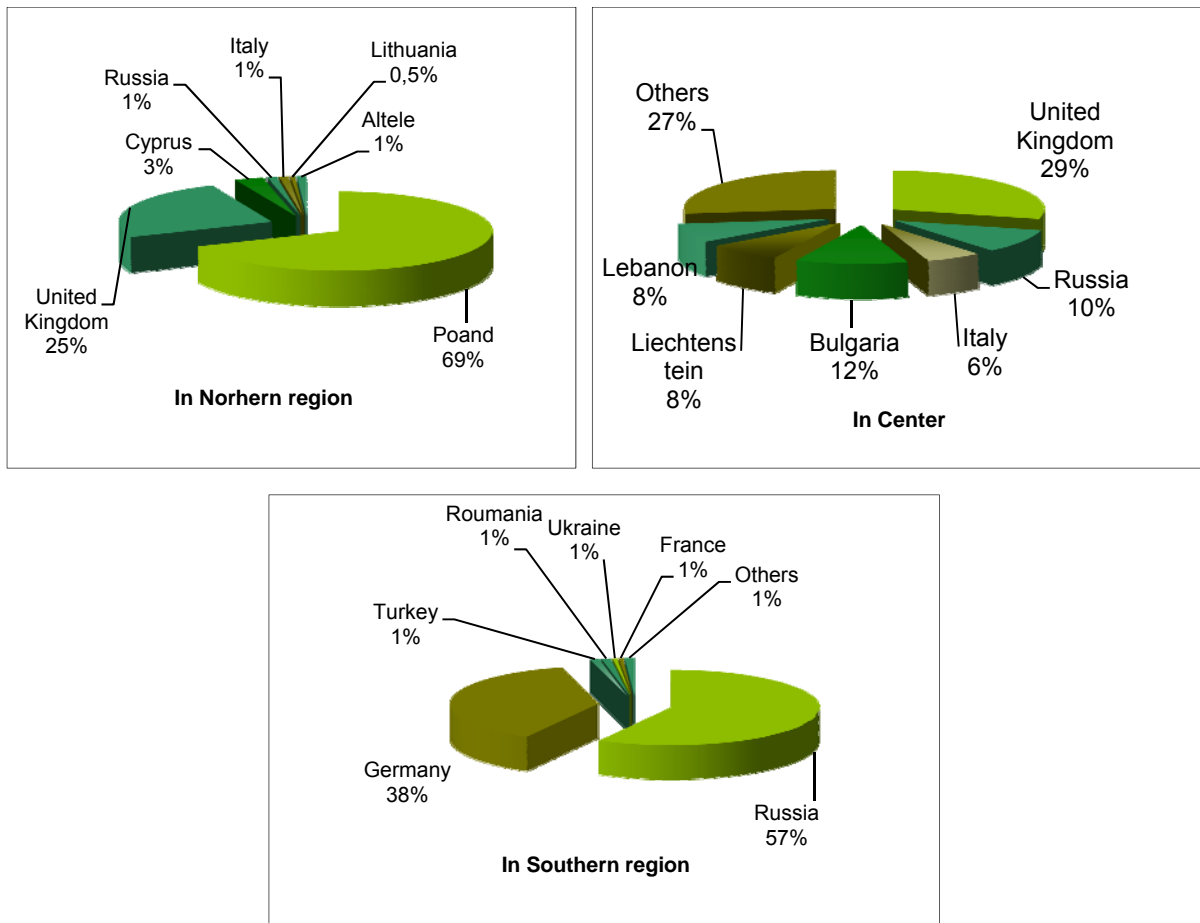


Figure 5.7. Distribution of share capital investments by regions of development in 2011

Source: According to the data provided by the State Registration Chamber

The previous number of publication "Moldovan economic trends" analyzed the "internal" problems in the way of enterprises development, based on the results of an anonymous poll conducted among entrepreneurs, representing various sectors of the economy. The poll was conducted in May 2011 by IEFS with the support of the Ministry of Economy. 107 respondents from 22 districts of the country participated in the poll, including from Kishinev, ATU Gagauzia (section 5.1).

Section 5.1. Business development problems (as appreciated by entrepreneurs)

Within the poll, entrepreneurs were proposed a sequence of external factors for assessing their influence on business. Among the factors of the external environment, the most important problem is *bureaucracy and corruption* (82.8% of respondents indicated that this was an important problem with this factor), *influence of the underground economy on the business* (73.3%), *level of demand on the internal market* (72.5%).

Also, over half of the interviewed entrepreneurs indicated the following factors of the external environment as essential problems for their business: *lack of credibility between the business environment and authorities* (this factor was considered a significant problem by 58.8% of respondents), *level of demand on external markets* (52.4%), *complexity of complying with the provisions of the legislation which regulates the business environment* (52.1%).

Table 5.2. Assessment by entrepreneurs of the factors of the external environment

Factors	Degree of importance of problems for the entity, %		
	No problem	Non-essential problem	Essential problem
Stability and predictability of the fiscal system	31.6	20.4	48.0
Tax payment procedure	43.8	19.8	36.5
Cumulative fiscal burden on the entity	40.2	14.4	45.4
Complexity of complying with the provisions of the legislation which regulates the business environment	27.1	20.8	52.1
Existence (absence) of a law application mechanisms	36.3	17.6	46.2
Access to the network of services for the business environment:			
Entrepreneur training	43.2	26.1	30.7
Entrepreneur information and consultancy	37.1	24.7	38.2
Elaboration and implementation of innovations in the enterprise	29.7	26.4	44
Level of demand on the internal market	16.5	11	72.5
Level of demand on external markets	31.7	15.9	52.4
Influence of the underground economy on the business	15.6	11.1	73.3
Existence (absence) of credibility between the business environment and authorities	19.6	21.6	58.8
Bureaucracy and corruption	8.1	9.1	82.8

Bureaucracy and corruption are important problems for the following groups of entrepreneurs:

- of larger size: among medium-sized entities, 90.9% nominated this problem as being significant, and 82.9% of small entities, with 10-49 employees, and 80.0% of micro-entities, with 1-9 employees;
- from rural areas (89.3%, compared to 81.2% of urban entities); from the Northern region (85.7%).

Influence of the underground economy on the business is a relatively serious problem for the following entities:

- by size: small (78.8%) and micro (71,7%) compared to medium-sized entities (50.0%);
- located in the Southern region (95.2%).

Low level of demand on the internal market represents a more significant problem for groups of entities such as:

- small entities (84.8%), compared to micro (70.2%) and medium-sized entities (37.5%);

Lack of credibility between the business environment and authorities represents the most important problem for groups of entities such as:

- medium-sized entities (81.8%), compared to micro (61.2%) and small entities (52.9%);

Complexity of complying with the provisions of the legislation, which regulates the business environment, mostly represents a significant problem for the following groups of entities:

- for small entities (70.0%), and the importance of this problem is the more significant the larger the size of the entities (52.9% small entities and 46.9% – micro entities);
- for construction companies (77.8%), compared to those from agriculture (63.2%), services (55.6%), trade (42.9%), production (40.9%).

Source: "The analysis of the existing forms of organizing the dialog between SME and the bodies of the public administration, identifying the mechanisms of consolidating this dialog on various levels of administration". Scientific report (intermediary), registration number 11.817.08.29A, Kishinev, IEFS, 2011. 166p.

Business development indicators in the region on the left side of the Dniester

On the left side of the Dniester there were 1,302 entities and organizations which suffered losses in January-June 2011, 29.8% more compared to the similar period of last year. Among the organizations which suffered losses in this period, the highest weight belongs to the organizations from trade and public food processing (50% of the organizations which suffered losses).

Table 5.3. Losses of organizations by types of activities, January-June 2011

	Number of organizations with losses		Amount of losses, thousand RUB
	total	in %	
Total	1,302	29.7	410,368
including:			
Industry	174	29.6	307,405.6
Agriculture	92	26.8	18,844.7
Transport	35	31.5	6,192.2
Communications	3	15.8	257
Constructions	85	28.1	10,275.8
Trade and public catering	652	31.7	47,314.4
Household administration and communal services	35	30.2	11,103.2
other branches	226	26.7	8,975

Source: Report on the Social-Economic Development of the Moldovan Transnistrian Republic, January-September 2011

Moldova in international ratings

In the last years, Moldova is included in more international ratings and analyzed as a business location for foreign investors. In international standings, the Republic of Moldova is on quite modest positions, which is a direct indication on the structural deficiencies of the national economy.

Table 5.4. Doing business – 2012 in Moldova

	Indicators	Position in 2012	Position in 2011	Modification
1.	Starting a business	88	96	8
2.	Dealing with construction permits	164	164	No changes
3.	Registering property	18	19	1
4.	Getting credits	40	96	56
5.	Protecting investors	111	108	-3
6.	Paying taxes	83	79	-4
7.	Trading across borders	134	139	5
8.	Enforcing contracts	26	15	-11
9.	Resolving insolvency	91	97	6
10.	Getting electricity	160	162	2
	Position of the Republic of Moldova in the "Doing business" rating	81	99	18

Source: According to the Doing Business 2012 report

Compared to the rating of the previous year, in the report *Doing business 2012* the position of the Republic of Moldova improved by 18 points, ranking 81st out of 183 countries.

The same as last year, the Republic of Moldova obtained the best position in the standings for registering properties (18th place). For this purpose, 5 procedures are necessary, lasting 5 days. For comparison purposes, 6 procedures are necessary for the registration of properties in Eastern Europe and Central Asia, lasting in average 33 days.

The lowest positions out of the 110 indicators are: dealing with construction permits(position 164) and access to electricity (position 160).

Obtaining building permits is a difficult process, requiring 27 procedures and lasting 291 days.

According to the Doing Business 2012 report, in 3 categories (protecting investors, payment of taxes and enforcing contracts), the situation worsened. The most significant decline refers to the enforcing contracts (by 11 positions). In the other categories considered in the Doing Business report, the position of the Republic of Moldova improved.

Moldova in the standings of the 2012 Index of Economic Freedom

In the standings of economic freedom of 2012, the Republic of Moldova occupies the 124th position. The index of economic freedom of Moldova is 54.4, 1.3 points lower compared to the previous year.

According to the classification of this rating, the economy of the Republic of Moldova is "largely not free". On regional level, the Republic of Moldova occupies the 40th place out of 43 countries, below the global and regional level.

For 3 out of 10 economic freedom indicators (fiscal freedom, business freedom, and labour freedom), the situation improved, as the indicators recorded a slight increase (0.9, 0.5, respectively 2.7 points).

For monetary freedom, government spending, trade freedom and freedom of corruption, there were regresses (by -2.6, -9.4, -1.2, respectively -4.0 points).

The same as in the previous year, our country received more points for fiscal freedom (86.5), trade freedom (79.0), monetary freedom (74.4) and business freedom (70.0). Moldova received

fewer points for positions: freedom of corruption (29.0), investment freedom (35.0) and government spending (38.7).

Moldova in the Global Competitiveness Report (2011-2012)

The Global Competitiveness Report⁷ is published annually by World Economic Forum, measuring the competitiveness of countries and depending on these findings it rates the analyzed nations.

Between 2011 and 2012, out of 142 states, Moldova was the 93rd. According to the standings, Moldova is exceeded by Georgia (88), Ukraine (82), Albania (78), Kazakhstan (72), Bulgaria (74), Romania (77).

Table 5.5. Global competitiveness index (2011-2012) for the Republic of Moldova

		Position (out of 142)	Score (1-7)
	Global competitiveness index (2011-2012)	93	3.9
	Basic requirements	102	4.1
1	Institutions	106	3.4
2	Infrastructure	96	3.3
3	Macroeconomic environment	103	4.3
4	Health and primary education	86	5.5
	Efficiency enhancers	103	3.6
5	Higher education and training	83	3.9
6	Goods market efficiency	98	3.9
7	Labor market efficiency	75	4.3
8	Financial market development	105	3.6
9	Technological readiness	78	3.5
10	Market size	122	2.4
	Innovation and sophistication factors	127	2.9
11	Business sophistication	117	3.3
12	Innovation	128	2.4

Source: The Global Competitiveness Report 2011-2012

Given the different level of development of countries, the importance of these competitiveness factors is not identical in all countries. Depending on the contribution of factors to productivity, the Global Competitiveness Report identified 3 different stages for countries. According to the Global Competitiveness Report, Moldova is in stage I, namely competitiveness determined by production factors (unqualified or poorly qualified workforce, natural resources). At the same time, the presence of basic, essential conditions (institutions, infrastructure, macro-economy, health and primary education) is assumed. Consequently, under indicator Institutions, we have unfavorable positions in the following fields: ownership rights (position 117), protection of intellectual property (position 110), legal independence (position 132), trust in police services (position 121). We also have an unfavorable situation in the quality of total infrastructure (position 116) and the quality of roads, the same as last year - the last position of the standings.

⁷For the comparative assessment of the competitiveness of countries, the Global Competitiveness Index is used, defined by 12 components. They are distributed in 3 groups, characterized by:

- Basic requirements - „institutions”, „infrastructure”, „macroeconomic environment”, „health and primary education”.
- Efficiency enhancers – „higher education and training”, „goods market efficiency”, „labor market efficiency”, „financial market development”, „technological readiness”, „market size”.
- Innovation factors – „Innovation” and „business sophistication”

Out of the 12 aforementioned components, Moldova had relatively better positions under indicators "labor market efficiency" (position 75), "higher education" (position 83). A less favorable situation in the Republic of Moldova is in the field of innovations - position 128 in the standings. IGC⁸ for RM is 3.9.

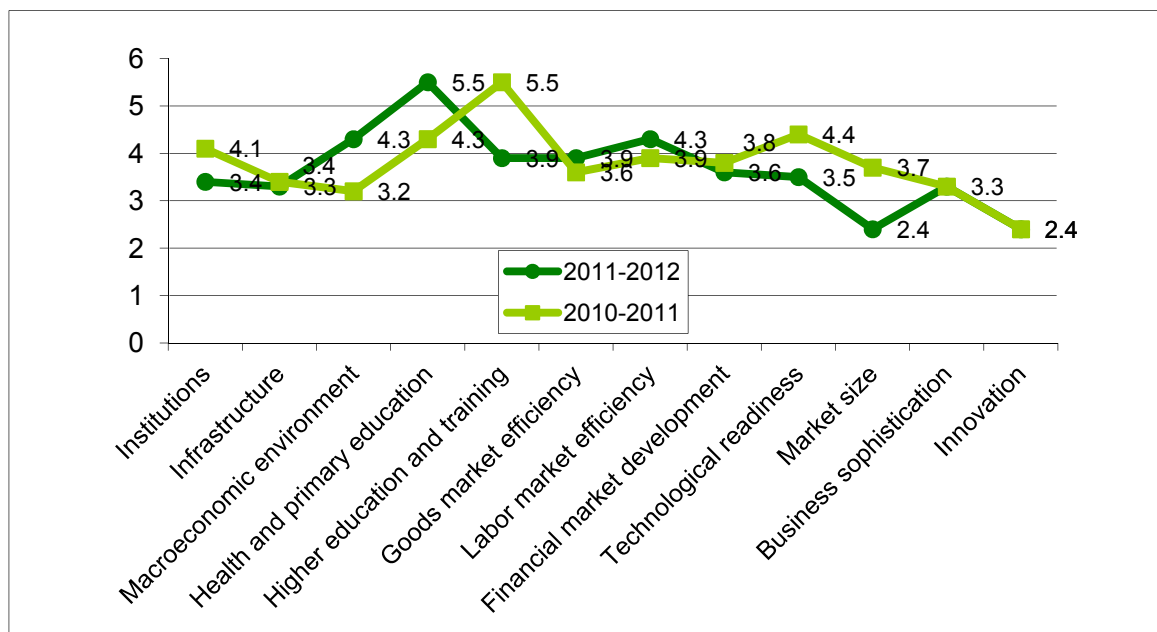


Figure 5.8. Evolution of the Global Competitiveness Index by component for 2011-2012 and 2010-2011

Source: The Global Competitiveness Report 2011-2012

Compared to the standings of 2010-2011, in the rating of 2011-2012, the Republic of Moldova had more less favorable positions in several indicators: macroeconomic environment (decrease by 13 positions), efficiency of the labor market (decrease of 7 positions), etc. In a few indicators there were improvements: technological readiness (increase by 11 positions), good market efficiency (increase by 6 positions).

⁸ The rating is based on estimates, for which there is a scale from 1 to 7, where 1 is the lowest, and 7 is the highest.

Chapter VI

SOCIAL SECTOR

Demographic situation. The resident population of the Republic of Moldova as of January 01, 2012 was 3,559.5 thousand pers., including population by area: urban population – 1,485.7 thousand pers., rural population – 2,073.8 thousand pers.; population by gender: men – 1,711.7 thousand pers., women – 1,847.8 thousand pers.

Table 6.1. Resident population of the Republic of Moldova as of January 01, 2012 and as of January 01, 2011, including by regions, thousand persons

	Total population as of January 01, 2012	including:		Total population as of January 01, 2011	including:	
		urban	rural		urban	rural
Total	3,559.5	1,485.7	2,073.8	3,560.4	1,481.7	1,078.7
Municipality of Chisinau	794.8	723.5	71.3	789.5	719.6	69.9
North	1,002.6	356.0	646.6	1,006.6	355.9	650.6
Center	1,062.0	205.3	856.7	1,062.8	205.3	857.6
South	538.9	135.9	403.0	540.8	136.2	404.6
UTA Gagauzia	161.2	65.0	96.2	160.7	64.7	96.0

Source: According to the National Bureau of Statistics

In 2011, the number of *live-births* was 39,162 pers. or 11.0 pers. calculated for 1,000 people. Compared to the previous year, the number of *live-births* decreased by 3.2%. The number of *deaths* was 39,234 pers., or 11.0 pers. for every 1,000 inhabitants. Compared to the previous year, the number of *deaths* persons decreased by 10.1%. The number of *infant deceased* was 430 pers. or 11.0 *infant deceased* per 1,000 live-births. Compared to the previous year, the number of live-births decreased by 9.7%.

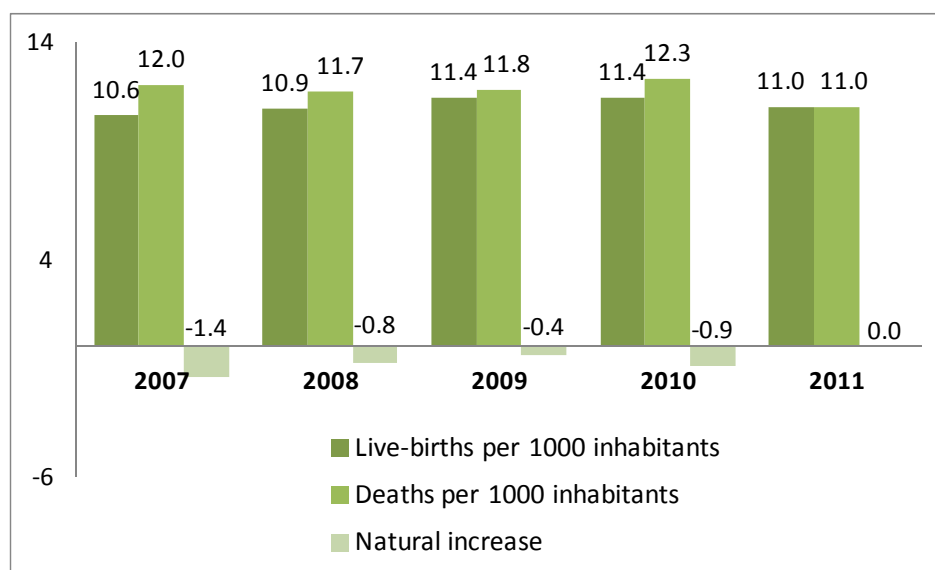


Figure 6.1. Birth rate, death rate and natural increase of population in 2007-2011, per thousand

Source: According to the National Bureau of Statistics

The structure of mortality by classes of decease causes shows that most deaths (57.5%) are caused by circulatory diseases, malignant tumours represent 14.5%, diseases of the digestive system – 9.1%, accidents, intoxications and traumas – 7.8%, respiratory diseases – 4.8%, other classes – 6.3%.

In 2011, *the natural increase* was zero. The situation in this regard improved significantly, as starting with 1999 there was a regress of the population.

The number of *marriages* amounted to 25,889 and decreased by 2.2% compared to the previous year. The number of *divorces* was amounted to 11,119 and decreased by 3.3% compared to the previous year.

The *marriage rate* in 2011 was 7.3 marriages per 1,000 inhabitants and the *divorce rate* was 3.1 divorces per 1,000 inhabitants.

Migration of population. In 2011, according to the Ministry of Internal Affairs, 2,704 foreign citizens and 654 repatriates received residence permits (permanent and temporary). The structure of immigrants by the purpose of arrival was dominated immigrants for work - 32.0%, families - 31.6%, for studies - 26.6%, other causes - 9.8%.

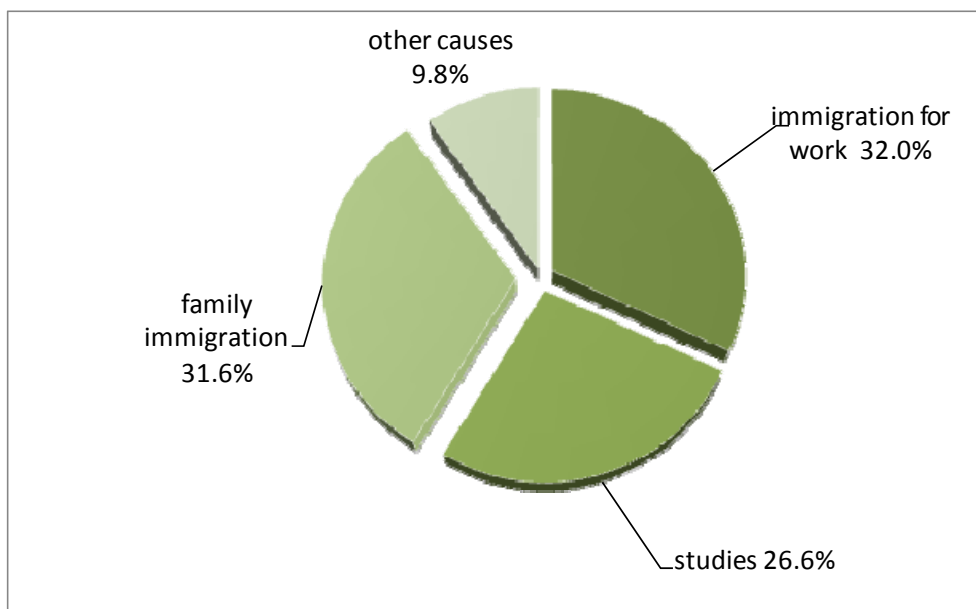


Figure 6.2. Distribution of foreign citizens by the purpose of arrival to the RM in 2011, %

Source: According to the Ministry of Internal Affairs

By the country of emigration, foreign citizens come from: Israel – 455 pers., Ukraine – 384 pers., Romania – 360 pers., Turkey – 266 pers., Russian Federation – 240 pers., Italy – 129 pers., United States of America – 75 pers., France – 51 pers., Azerbaijan – 43 pers., Germany – 41 pers., Poland – 38 pers., other countries – 622 pers.

Labour market. In the fourth quarter of 2011, the *economically active population* constituted 1,216.4 thousand pers., 63.1 thousand pers. (5.5%) compared to the same period of the previous year. The structure of the active population was modified as follows: the share of employed population increased from 92.5% to 93.8%, while the share of the unemployed population decreased from 7.5% to 6.2%.

There were no important disparities by sexes and areas among economically active persons: the proportion of men – 50.5% slightly exceeded by the proportion of women – 49.5%, and the

share of economically active persons from the rural areas – 50.7% was higher than that of the active population from the urban areas – 49.3%.

The *activity rate of the population aged 15 years and over* (the proportion of working population aged 15 years and over in total population aged 15 and over) was 40.9%, and increased compared to the respective quarter of the previous year (38.9%). This indicator reached higher values among the male population – 43.5%, compared to the rate of the female population – 38.5%. The activity rates by areas has reached the following values: 47.8% in urban areas and 35.8% in rural areas. In age category 15-29, this indicator was 30.1%, and in age category 15-64 (the work age in the countries of the European Union according to the Eurostat methodology) – 45.5%, 2.0 p.p. higher than the level of the fourth quarter of 2010. The activity rate of the active population (16-56 for women and 16-61 for men) was 48.4%.

Number of *employed population* was 1,141.1 thousand pers., 6.9% more compared to the same period of the previous year. Like in the case of the economically active population, there were no disparities by gender within the employed population: women 49.9% and men 50.1%. In the structure by areas there was a difference of approximately 3%: urban areas – 48.4% and the rural areas – 51.6%.

Employment rate of the population aged 15 years and over (the proportion of the employed population aged 15 years and over in total population of the same age category) was 38.4%, a 2.4 p.p. increase compared to the fourth quarter of 2010. For men it was higher – 40.5%, compared to women – 36.4%. In the distribution by residence area, the employment rate was 44.0% and 34.3% in the rural area. The employment rate of the active population (16-56 for women and 16-61 for men) was 45.2%, of the population aged 15-64 – 42.7%, and in the age category 15-29% this indicator was 26.6%.

The distribution by *the activities from the national economy* we find that in the *agricultural sector* 287.5 thousand pers. are active (25.2% from the total number of active persons). Compared to the fourth quarter of 2010, the number of the active population in agriculture increased by 49.2 thousand pers., or 20.7%.

In *non-agricultural activities* the number of active pers. was 853.6 thousand, 24.5 thousand or 3.0% higher compared to the fourth quarter of 2010. The weight of active persons in *industry* was 13.1% (13.3% in the fourth quarter of 2010) and in *constructions*, respectively, 5.8% (5.3% in the fourth quarter of 2010). The number of active persons in these activities (industry and constructions) increased compared to the previous year, respectively, by 5.6% and 18.0%. In the sector of *services* there were 55.8% of all active persons, 3.3 p.p. less than in the fourth quarter of 2010, while the absolute number of active persons in the sector of services increased by 6.5 thousand.

According to the distribution by *types of ownership* 65.5% of the population was active in units with private types of ownership, 28.4% in units with public types of ownership, and 6.1% in units with mixed types of ownership (public and private) and with the participation of foreign capital.

The structure of active population by *professional status* shows that the number of employees was 72.2% of the total.

In the *informal sector* 348.8 thousand pers. worked. (including: Self-employees, owners, members of cooperative units – 226.2 thousand pers., Non-remuneration family aid – 27.2 thousand pers., Employees – 95.4 thousand pers.), namely 30.6% of the total number of persons employed in the economy.

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 82.7 thousand pers., which represents 7,3% of the total number of employed persons. The number of persons from this category decreased by 2.7% compared to the fourth quarter of 2010.

The number of unemployed persons according to the International Labor Office definition, was 75.3 thousand pers., 10.7 thousand pers. lower than in the fourth quarter of 2010. Unemployment affected men more – 55.4% from the total number of unemployed pers., and people from the urban areas – 64.1%

The *unemployment rate* on country level was 6.2%, lower than in the Q IV of 2010 (7.5%). The unemployment rate in men and women recorded the following values: 6.8% and 5.6%. Significant disparities were recorded between the unemployment rate from the urban areas - 8.0%, compared to the rural areas – 4.4%. Among the youth (15-24) the unemployment rate was 14.0%. In the age category 15-29 this indicator was 11.4%.

The inactive population aged 15 years old and over accounted for 59.1% of the total population from the same age category, being lower than the level of the respective quarter of the previous year by 2.0 p.p., or 56.6 thousand pers. Regarding the relation to the labor market, there are two important categories within the inactive population: *discouraged persons* and *persons who were declared* by household units as *having left to other countries looking for work*. Discouraged persons represented approximately 22.4 thousand pers. – compared to 33.3 thousand pers. in the Q IV of the previous year. The number of persons declared by household units as having left to other countries looking for work was, according to estimates, 326.5 thousand pers. – compared to 316.8 thousand pers. in the Q IV of 2010. Out of the number of persons who left the country, men were 66.3%. The share of the persons who left from the rural areas was 69.8%.

The number of officially registered unemployed persons, according to the National Employment Agency, in February, 2012, looking for a job was approximately 39,085 registered unemployed pers. Out of the total number of unemployed persons, 52.4% (20,466 pers.) were women. The average size of the unemployment aid in February 2012 was 975.67 MDL.

Table 6.2. Indicators regarding unemployment in the Republic of Moldova in February 2012

Indicators	Total	Women
Number of unemployed persons registered at the beginning of the month, persons	39,085	20,466
Number of unemployed persons registered throughout the month, persons	6,038	2,918
Unemployed persons who found a job throughout the month, persons	1,018	601
Number of unemployed persons unregistered throughout the month, persons	3,750	1,867
Number of unemployed persons unregistered at the end of the month, persons	40,355	20,916
Average size of the unemployment aid, MDL	975.67	x

Source: According to the National Employment Agency

According to the data resulted from the statements of companies on vacant jobs, the records of the National Employment Agency, of March 15, 2012 included 4,879 vacant jobs (305 jobs more compared to the previous month). There is an increase of 86 vacant jobs in the municipality of Balti and 84 vacant jobs in Hincesti district. On national level for higher education persons and specialized areas, there are 1,160 available jobs, namely 23.8% from the total number of vacant jobs. The main professions are: physician, agent, inspector, accountant, electrician, main specialist, coordinator, engineer, consultant, cashier, associate professor, laboratory worker,

social worker, manager, technologist, general building worker, secretary, public guard, legal advisor. For persons with primary and secondary education, the National Employment Agency provides 3,719 jobs, namely 76.2% from the total number of vacant jobs. The main professions for which jobs are provided are: seamstress, tailor, worker, binder of lodes, cables and conductors, computer operator, salesperson, operator, locksmith, cook, confectioner, assembly worker, driver, waiter, bartender, controller, tractor driver, wine worker, baker, machinist, lathe operator, busman, hairdresser, mailman, extractor, page. Jobs are provided also for unqualified workers in the following professions: minder, production and service keeper, carrier, sweeper, cleaner, nanny, etc.

Remuneration of labour. The gross nominal average salary in the national economy in 2011, according to the National Bureau of Statistics of the Republic of Moldova, constituted 3,193.9 MDL, 11.6% more compared to the previous year, and in real terms, adjusted to the index of consumer prices – by 3.7%.

In December 2011, the average salary was 3,707.4 MDL, 8.4% more than in December 2010 and 14.7% more than in the previous month (November 2011). The index of the real salary for December 2011 compared to December 2010 (calculated as a ratio between the index of the salary and the index of consumer prices) was 100.6%.

Table 6.3. The average monthly salary in 2011

	January	February	March	April	May	June	July	August	September	October	November	December
MDL	2,835.6	2,884.5	2,985.1	3,134.6	3,216.0	3,556.2	3,261.8	3,174.8	3,159.3	3,161.7	3,231.0	3,707.4
USD	232.1	240.2	249.8	268.1	277.4	306.9	282.6	279.1	272.4	268.1	275.7	314.4
EUR	173.7	175.9	178.7	185.8	192.8	213.5	197.9	194.7	197.2	195.8	203.0	238.4

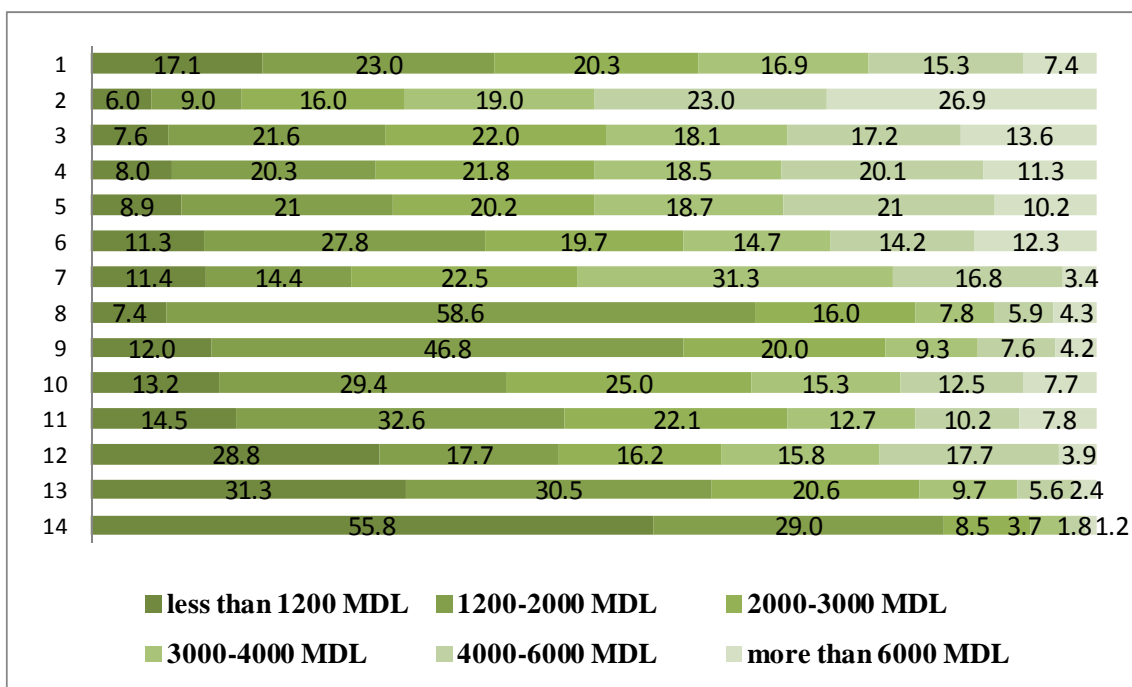
Source: According to the National Bureau of Statistics

The difference, conditioned by the level of fiscal evasion, is as follows: in the budget field the average salary was in December this year 2,936.3 MDL (+10.3% compared to December 2010); in the real sector the salary in December 2011 was 4,070.1 MDL (+7.8% compared to December 2010).

According to the types of economic activity, the highest salary in 2011 was in the financial sector 6,616.3 MDL and in electricity and heat, gas and water 5,146.7 MDL, and real estate transactions 4,052.7 MDL. The lowest level was recorded in fish industry 1,640.5 MDL (approximately 51.4% of the average salary in the national economy in 2011), in agriculture, hunting and forestry 1,938.9 MDL (60.7% of the average salary in the national economy in 2011).

The distribution of the number of workers and employees by the salary level shows a significant share of workers, who receive very low salaries. For an average salary of 3,083.7 MDL (September 2011), 17.6% of employees, namely 1 in 6, received less than 1,200 MDL per month. Nevertheless, the salaries of more than 60% of workers was under the average salary in the national economy. At the same time, the monthly salary of 7.4% of employees (1 in 14) exceeded 6,000 MDL.

The share of employees with very low income (up to 1,200 MDL per month) in fish industry (55.8%), agriculture (31.3%) and education (28.8%) is very significant. In a better situation are the workers from the construction type of economic activity (the share of employees with salaries up to 1,200 MDL per month is 8.9%), industry (8.0%) and involved in financial activities (6.0%). The highest weight of the employees with the highest salaries is in financial activities,



1 – Total; 2 – Financial activities; 3 – Transportation and communications; 4 – Industry, total; 5 – Constructions; 6 – Real estate transactions; 7 – Public administration; 8 – Hotels and restaurants; 9 – Health and welfare; 10 – Trade; 11 – Other services, collective, social and personal; 12 – Education; 13 – Agriculture, forestry and hunting; 14 – Fish industry

Figure 6.3. Distribution of documented personnel by size of the worker's remuneration in September 2011

Source: Calculated and elaborated by authors according to the data provided by the National Bureau of Statistics

transportation and communications. Salaries of more than 6,000 MDL per month are earned by 26.9% (or 1 in 4) employees involved in financial activities and 13.6% (or 1 in 7) employees from the sector of transportations and communications.

Social protection of population. According to the National Agency of Social Insurance, the number of *pensioners* registered by welfare bodies as of January 01, 2012 was 638.6 thousand pers., or 11.4 thousand pers. more (0.2%) compared to January 01, 2011.

The average *monthly pension*, established on January 01, 2012, was 873.9 MDL, 7.8% higher than January 01, 2011.

Table 6.4. Beneficiaries of pensions and state social aids, registered by the National Agency of Social Insurance as of January 01, 2012

Categories of beneficiaries	number of beneficiaries (persons)	average remuneration (MDL)
Pensions, in total	638,287	874.05
<i>including:</i>		
- pensions for age limit	473,075	900.56
- invalidity pensions	132,900	717.67
- heir pensions	20,425	461.40
- seniority pensions	1,015	3,044.11

Table 6.4. – continuation

- pensions of participants in the liquidation of the Chernobyl incident	2,044	1,891.19
- pensions of military personnel and family members	1,096	755.56
- other categories of personnel	7,732	2,492.82
State welfare aids, in total	51,403	234.64
<i>including:</i>		
- for senior citizens	3,493	96.16
- for persons with disabilities	4,590	99.24
- for persons with disabilities since childhood	25,404	271.25
- for children with disabilities up to 18 years old	14,034	277.35
- orphans	3,882	125.28
Minimum pension:		
- for age limit for workers in agriculture	-	570.66
- for age limit of other beneficiaries	-	641.00
- invalidity pensions of 1st degree	-	456.02
- invalidity pensions of 2nd degree	-	440.36
- invalidity pensions of third degree	-	310.08

Source: According to the National Agency of Social Insurance

Healthcare. According to the preliminary information provided by the Ministry of Health, the morbidity of the population suffering of certain infectious diseases in 2011 is characterized by the increase of the number of cases of diseases by acute infections of respiratory pathways with multiple locations - 225.9 thousand cases compared to 150.9 thousand cases in 2010. At the same time, there were more cases of varicella – 10.5 thousand cases compared to 6.6 thousand cases in 2010, acute intestinal infections - 18.5 thousand cases compared to 17.8 thousand, and tuberculosis of respiratory organs.

In 2010, for 100,000 people there were in average 6.4 thousand cases of death by acute respiratory infections, and the highest incidence was recorded in Balti and Chisinau, respectively 11.2 thousand cases and 9.2 thousand cases for 100,000 people. From a territorial point of view, the following districts recorded high numbers of cases: Straseni – 8.5 thousand cases for 100,000 people, Criuleni – 7.8 thousand, Sangerei – 7.7 thousand, Telenesti – 7.6 thousand cases, etc. In the case of children, the number of deaths by acute respiratory infections increased from 92.2 thousand cases in 2010 to 136.4 thousand cases in 2011. Most cases were recorded in Cisinou - 41.1 thousand cases and Balti - 11.7 thousand cases, districts: Straseni – 5.5 thousand, Singerei – 5.2 thousand, Ialoveni – 4.4 thousand, Criuleni – 4.1 thousand cases.

In 2011 for 100,000 people there were 519 cases of acute intestinal infections, 89 cases of tuberculosis of respiratory organs, 5 cases of viral hepatitis and 281 cases of "socially determined" diseases. In the last 5 years there was a significant decrease of cases of bacterial dysentery from 1,216 cases in 2007 (24 cases for 100,000 people) to 256 cases in 2011 (7.2 cases for 100,000 people), and the cases of viral hepatitis decreased to 173 cases in 2011 (5 cases for 100,000 people). There was also a reduction of the cases of tuberculosis of respiratory organs from 3.6 thousand cases in 2007 (100 cases for 100,000 people) to 3.2 thousand cases in 2011 (89 cases for 100,000 people).

Vaccination and adequate prophylaxis measures contributed to the significant reduction of the morbidity caused by mumps, when in 2011 there were only 3 cases for 100,000 people.

In the last years we notice a reduction of the cases of morbidity caused by "socially determined" diseases, especially cases of pediculosis. In 2011 for 100,000 people there were 96 cases of pediculosis, 35 cases of gonococcus infection, compared to 181 and 48 cases in 2007.

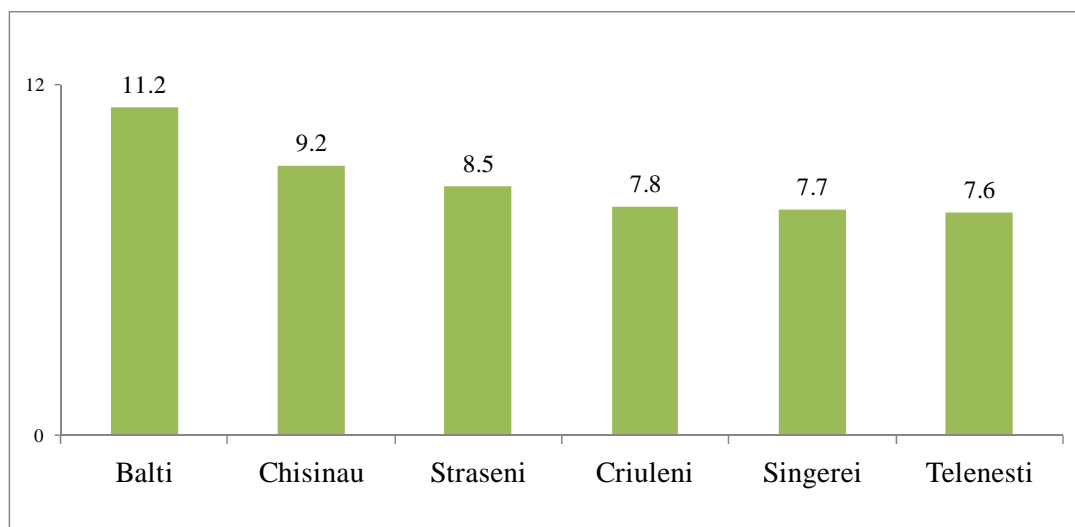


Figure 6.4. Cases of deaths by acute respiratory infections in 2011, thousand cases for 100,000 people

Source: According to the data provided by the Ministry of Health

The number of carriers of HIV (human immunodeficiency virus) in 2011 was 496, or 39 cases more than in 2010. At the same time, there were 252 cases of AIDS (Acquired Immune Deficiency Syndrome), and for 100,000 people there are in average 13.9 cases of HIV.

Education. At the beginning of academic year 2011/12, the network of *primary and secondary education institutions* was made up of 1,460 primary schools, secondary schools and high schools. By the form of study organization, we distinguish 3 part-time education institutions and 1,457 forms of full-time education institutions. Full-time education is organized in 83 primary schools, 829 secondary schools, 497 high schools, 19 general knowledge schools and 29 schools for children with deficiencies in intellectual or physical development. In the last 5 years, the number of these institutions decreased by 5% in the context of the process of the optimization of general secondary education institutions.

Full-time education: in the last 5 years the structure of primary and secondary general education institutions by types went through essential modifications, especially the number of secondary schools increased by 12.7%, and the number of high schools increased by 3.4%. There was also a trend for the decrease of the number of schools which operate in two shifts, as these represent 81 units compared to 155, which operated in academic year 2007/08.

Number of students: in the general primary and secondary education institutions in 2011/12 there were 380.2 thousand pers., 3.8% less than in the previous academic year. Compared to academic year 2007/08, this indicator decreased by 17.5%, and the number of the people from group age 7-18 by 13.8%.

The network of *special education institutions* is composed of 29 units. The number of people registered in special education, in academic year 2011/12, was 2,549, 19.4% less compared to the previous academic year. Most students from these institutions are with deficiencies in intellectual development – 80.3%, with poor hearing – 8.7%, with poliomyelitis and cerebral paralysis – 4.2%, with poor sight – 4.1%, deaf – 2.8%.

Graduates: in 2011, the number of graduates of full-time education institutions was 61.5 thousand pers., out of which 41.4 thousand graduated from secondary education institutions and 20.0 thousand are graduates of high schools and general knowledge schools.

Part-time education: in 2011/12, within the 3 institutions there were 1,198 pers. or 0.3% from the total number of students from primary and secondary education institutions. The number of persons who studied in part-time education institutions is continually decreasing. This type of education is accessible only in Chisinau. The number of graduates of part-time education institutions who received certificates of secondary education in 2011 was 183, and the number of persons who received certificates of primary education was 1,234.

Vocational education: in academic year 2011/12 the number of vocational institutions was 70 (including 2 private institutions), 5 units less compared to 2007-2010. The number of students from the vocational institutions is continuously decreasing, 20.3 thousand at the beginning of academic year 2011/12 compared to 24.5 thousand in 2007/08. In academic year 2011/12, in vocational institutions there were 13.0 thousand pers., 8.1% less compared to the previous academic year. In 2011, the number of graduates from the vocational institutions was 12.0 thousand persons, 9.4% less compared to the previous year. Out of the total number of graduates, 68.7% attended vocational courses, 31.3% attended in parallel general knowledge courses.

In academic year 2011/12 the *specialized education* was organized in 48 colleges, including 42 state colleges and 6 non-state colleges. The number of students was 31.4 thousand pers., 0.7 thousand pers. less (2.2%) than in the previous academic year. Most students were enlisted in state colleges, 29.2 thousand pers. (93.0%) compared to 2.2 thousand pers. in non-state institutions. In colleges there were 9.0 thousand pers., 1.5% less than in the previous academic year. In colleges there were 7.2 thousand graduates, 5.5% less than in the previous academic year. Out of the total number of graduates, 21.4% attended specialized courses (compared to 27.0% in 2010), and 78.6% attended general studies in parallel.

In academic year 2011/12 the network of *higher education* was composed of 34 units, including 19 state institutions, out of which 2 units attended master's degree courses and 15 non-state institutions, 1 institution more than in academic year 2010/11.

In the last years the number of students was continuously decreasing, 103.9 thousand at the beginning of academic year 2011/12 compared to 122.9 thousand in 2007/08. At the beginning of academic year 2011/12, in higher education institutions (1st cycle) there were 85.3 thousand pers. (82.1% of the total students), in master's degree institutions (2nd cycle) – 14.4 thousand pers. (13.9%) and in higher education medical and pharmaceutical studies – 4.2 thousand pers. (4.0%). Compared to academic year 2010/11 there were more students in the 2nd cycle (2%).

In academic year 2011/12 in higher education institutions there were 20.8 thousand pers. enlisted in the 1st cycle (1.5% less than in the previous academic year) and 7.4 thousand pers. in the 2nd cycle (10.0% more). In 2011, the higher education was graduated from by 27.8 thousand pers., out of which 21.9 thousand pers. completed the 1st cycle (compared to 22.0 thousand in 2010), 5.1 thousand – the 2nd cycle (compared to 4.5 thousand in 2010) and 0.7 thousand pers. – higher education medical and pharmaceutical studies and PreBologna studies (compared to 1.9 thousand in 2010).

Crimes. According to the information provided by the Ministry of Internal Affairs, in 2011 there were 35.1 thousand crimes, or 5.2% more than in the previous year. Out of the total number of crimes, approximately two thirds were recorded in the urban environment. Out of the total number of crimes, 1003 cases (3%) were exceptionally and very serious, and 6.1 thousand cases (17.2%) were serious.

The number of crimes recorded for 10,000 people was 99 crimes in 2011 compared to 94 crimes in 2010, 74 crimes in 2005 and 105 crimes in 2000. The highest level of criminality was recorded in Chisinau - 152 crimes for 10,000 people, which exceeds the average national level 1.5 times. A high rate of criminality was also recorded in Balti – 130 crimes for 10,000 people,

Stefan-Voda district – 100 crimes for 10,000 people, Criuleni district – 93 crimes for 10,000 people, Basarabeasca district – 91 crimes for 10,000 people, etc. The lowest criminality rate was recorded in Falesti district – 45 crimes for 10,000 people.

In 2011, compared to the previous year there were more cases of crimes against families and minors (2.9%), 478 cases of domestic violence, compared to 62 cases in 2010. There were also more economic crimes (31.4%) against public safety and order (19.6%) and against the patrimony (6.8%). From the category of crimes against the patrimony, the most frequent remain thefts, followed by fraud and robberies. At the same time, there were 1.8 times more cases of counterfeiting, 40.3% more cases of petty crimes, and 20.6% more cases of hooliganism. In 2011 there were less cases of crimes against public health and social wellbeing, and crimes against people's lives and health.

With the involvement of firearms, explosives and grenades in 2011, compared to 2010, there were two times more crimes, namely 64 cases, including 15 cases of hooliganism, 12 cases of robbery, 9 cases of murder, 8 cases of intentional harm, 3 cases of theft.

Against persons there were 6.0 thousand crimes, which caused 599 deaths, 22 less compared to 2010. The main causes of death were road accidents (50.4%), murders (27.4%) and intentional harming (10.5%).

The region from the left side of the river Nistru

According to the data of the Statistical Service of Transnistria:

Demographic situation. Number of people of the republic on January 01, 2012 was 513.4 thousand pers. At the same time, the number of people from urban units was 354.4 thousand pers., and the number of people from rural units - 159.0 thousand pers. The *natural decrease of the population* for 2011 was 2,290 pers. There were 4,999 live births, but the number of the deaths was 7,289 pers. *Infantile deceased* for 2011, was 61 pers. The main causes of infant deceased are: the state occurred in the perinatal period (31 cases), intoxications (7 cases) and congenital anomalies (8 cases). The *migration decrease* of population for 2011 (considering internal and external migration) was 2,271 pers., compared to the previous year, a 10.1% increase. In 2011 7,260 pers. came in the region, namely 110.9% of the number of pers. who came in the region in 2010, out of which children younger than 16 – 1,361, or 18.7% of the total number of pers. 9,531 pers. left or 110.7% of the pers. who left in 2010, including children under 16 – 1,363 pers. or 14.3% of the total number of pers. Out of the total number of pers. who came in the region 45.5% are men (3,300 pers.), out of the people who left, 47.1% were men (4,488 pers.). In 2011, 4,933 pers. came in urban units, 7,071 pers. left, or compared to 2010 - 108.5% and 109.0%, respectively. In rural units 2,327 pers. came and 2,460 left (116.4% and 116.0%) The number of recorded *marriages* was 3,942, 0.5% more than in 2010. The number of *divorces* was 2021, 2.8% less than in 2010.

Labour market. In 2011, the Transnistrian Employment Agency recorded 12,621 pers. as *job seekers*, including 7,038 women (55.8% of the total number of recorded citizens). As of January 01, 2012, the number of unemployed citizens registered by employment agencies was 5,585 pers., out of which 3,475 women (62.2% of the total number of registered citizens). The *number of the unemployed* was 4,519 pers. (80.9%). In 2011, by the Transnistrian Employment Agency 2,736 pers. were hired, out of which 2,067 from those acknowledged as unemployed. In the analyzed period there were professional consultation sessions with students: group consultations – 298, amounting to 4,851 pers., and individual consultations – 848, involving 814 pers., with the adult population: individual consultations – 7,476, involving 7,167 pers. For professional training, 658.3 thousand rubles were spent, including for paying scholarships – 380.3 thousand rubles. For unemployment benefits, 26,107.5 thousand rubles were spent. The average value of the *unemployment benefit* for 2011 was 414.1 rubles.

Remuneration of labour. In 2011, the *average monthly nominal salary calculated per 1 employee in the republic (except for subjects from small enterprises)* was 2,973 rubles or 112.6% compared to 2010 (at the official exchange rate of the monetary authority from the left bank of Nistru – 288 USD or 103.0% compared to 2010). In 2011, this was the average monthly nominal salary calculated for 1 employee in the following economic branches: Electro- and radio- communications, Banks and credits, Insurance, General commercial activities, Trade and public food processing, Industry, Constructions, was higher than the average salary in the republic. At the same time, the average monthly nominal salary calculated for 1 employee in the following economic branches: Forestry, Social Assistance, Geology and meteorology, Postal communications, Culture and art, Administration bodies, was lower than the average salary in the republic. In budget institutions, the average monthly salary was 1,920 rubles, or 11.1% more than in 2010. In industry, the highest average nominal monthly salary in 2011 was recorded for the employees of the following sub-branches: ferrous metallurgy – 458 USD, or 159.3% of the average salary in the national economy, electricity – 456 USD, or 58.4% more than the average salary in the national economy, other industrial branches – 401 USD or 39.4% more than the average salary in the national economy. The lowest average nominal monthly salary calculated for 2011 was for the employees of the following industry branches: wood processing industry – 207 USD, or 28.0% lower than the average salary in the national economy, chemical industry – 298 USD, or 103.5% from the average salary in the national economy; light industry – 305 USD, or 6.2% more than the average salary in the national economy.

Social protection of population. The average number of pensioners on January 01, 2012 is 136,747 pers., out of which work pensions – 32,290 pers., and social pensions – 4,456 pers. The average value of pensions was 995.76 rubles (work pension – 1,013.40 rubles, social pension – 472.16 rubles), which is 24.6% more than in 2010. The average value of pensions compared to the minimum subsistence level of pensioners was 109.7%, and compared to the average value of the nominal salary – 33.5%.

Education. At the beginning of academic year 2011/12, the republic had 181 general full-time and non-state education institutions, with 48,314 students. Out of the total number of schools, at the beginning of the current academic year, 9 schools were specialized for children with mental and physical disabilities, with 1,021 students. In 175 general state education institutions from the system of the Transnistrian Ministry of Education there were 47,070 students. The number of students compared to the beginning of academic year 2010/2011 decreased by 1,770 pers., including 960 persons in urban units, and 810 persons in rural units. The level of students who study in general education institutions of various types (without specialized schools for children with mental and physical disabilities) underwent insignificant changes, compared to the previous academic year. At the beginning of academic year 2011/2012, the level of students who studied in high schools did not change and was 5.2%; the level of students in high schools increased from 8.0% and 8.1%. The level of secondary schools increased from 8.7% to 8.8%; the number of students from secondary schools decreased from 1.0% to 0.9%.

Crimes. In 2011 the public order agencies recorded 11.7 thousand applications and reports regarding crimes, or 7.7% more than in 2010. There were 6,853 crimes, 11.7% more than in the previous year. Out of these: 45 murders, 75 intentional harming cases, 278 crimes related to illegal gun trafficking, 202 crimes committed by using guns, ammunition and explosives, 888 crimes against public order, 697 crimes involving drugs, 100 cases of fraud, 1,328 thefts, 250 burglaries, 164 fraud cases, etc. In total, there were 5,498 criminal cases, including 3,682 cases were sent to the courts of law. 6,645 crimes were investigated in 2011. The crimes resulted in 3,713 victims, out of which 107 deaths (2.9%), and 209 were seriously injured (5.6%).

Chapter VII

FORECAST FOR THE YEAR 2012

Comparing to the last forecast, IEFS opinion is more pessimist regarding the evolution of the national economy in the short run. National economy is depending on the evolution of the global economic perspectives, primarily depending on European countries and main trade partners. The forecast for all these economies are more pessimistic since the last year. European Commission reduced dramatically the forecast for GDP growth to a decline of 0.3%, comparing to an increase of 0.5% expected in fall forecasts.

Analysis of the previous forecast

On the whole, the forecast made at the beginning of 2011 (MET no. 1) may be qualified as precise. Of course, there are several inadvertences and even problems requiring correction in making forecasts. Please be reminded that the forecasts are made based on the IEFS model and calibrated with the experts' opinion. Please find below the actual and forecast evolution of the main factors.

Table 7.1. Validation of forecasts

	Measurement unit	2011		Error ⁹
		actual	MET no. 1	
Nominal GDP	MDL billion	82.174	81.5	0.82%
As to the previous year in comparable prices	%	106.7	107.44	11.04%
Annual average CPI	%	107.6	107.2	0.37%
Export of goods	USD million	2,221.6	1,814.6	18.32%
Import of goods	USD million	5,191.6	4,526.5	12.81%
Balance of the trade balance	USD million	-2,970	-2712	8.69%
Industrial production in current prices	MDL billion	33.0	30.6	7.41%
As to the previous year in comparable prices	%	107.4	108.5	1.02%
Agricultural production in current prices	MDL billion	22.12	21.7	1.90%
As to the previous year in comparable prices	%	104.6	106.8	2.10%
Investments in fixed capital	MDL billion	13.1	16.1	22.92%
As to the previous year in comparable prices	%	109.3	118.1	8.05%
Monthly average nominal salary	MDL	3,193.3	3,272	2.46%
Number of employees in national economy	thousand persons	1,141.1	1,228.8	7.69%
Unemployment rate	%	6.2	7.4	19.35%

The causes of these errors are various, and some of them are related to the hypotheses made at the beginning of the year. Thus, one of the most essential lacks was the use in the model of an USD exchange rate with depreciation trends. Reality shows that the appreciation trend we

⁹ The error was calculated as percentage deviation from the effective value.

discussed about in the first MET number shall also be maintained in the next years. The causes remain the same, although, in terms of structure, the foreign currency inflows from international bodies and partners shall have a higher weight.

We can see from the table the most significant errors, but none of them goes beyond the admissible 30% threshold. Please note the accuracy of GDP forecasting in nominal values, but at the same time a lower precision in forecasting the GDP increase rhythm. The forecast GDP increase rhythm exceeded the actual one by 1 p.p. In addition to the causes associated to deflation and the exchange rate depreciation trend which was taken as basic hypothesis upon the construction of such forecasts, we can also see the deterioration, especially in the last quarter, of the GDP increase rhythm (for details see chapter I). Such decrease was generated by a significant negative influence on the part of the EUR area, *i.e.* the somber perspective of escalating the crisis of sovereign debts.

Foreign trade is difficult to forecast since, in the past, there were external shocks which had an exogenous influence on its evolution. But also for the reason that, especially exports are dependent on the climacteric conditions in the country, the agro-alimentary production is the biggest part of national exports. This evolution beyond expectations, but not fully based on internal sources, is salutable, the weight of re-exports remains high (see the box in chapter „Foreign trade” in MET no. 3).

Long-term investments, as we can see in MET no.1, are difficult to capture in the model. They present difficulties in forecasting, the model indicates increases of this indicator of over 20%, year after year. In 2011 the forecast was manually calibrated, and the presented increase was made based on the experts’ opinion. The model reveals that, in the current development conditions of the Republic of Moldova, if we only guide ourselves by the quantitative relations among variables, ignoring the qualitative specific nature, then investments should raise with higher rhythms.

For the current forecast, the main hypotheses of the model are:

In the first months of 2012, negative evolutions were registered in the agrarian, industry and transport sectors. Thus, in case there are no indications on the decrease of the main GDP components through the used resource method (remittances and consumption), there are problems in explaining economic growth from the perspective of the used resources. An explanation which, however, still has no sufficient arguments, is that remittances no longer have the influence they had upon GDP increase. Thus, there should be some structure changes in national economy, which still, at the moment, are either difficult to notice or still do not have enough unambiguous arguments. If this statement proves to be correct, then some aspects related to the modeling of the consumption, remittances and economic growth relation shall have to be revised.

The model used the exchange rate, by reference to USD, as an exogenous factor, determined through the method of trend extrapolation over the last 4 years. This method involves a leu depreciation against USD along the analyzed period. At the current forecast, the depreciation trend is a lot more temperate than that used in the previous forecasts. We continue to consider that the current trend of the MDL/USD evolution is of appreciation. The main cause of the appreciation consists in the high inflow of foreign exchange currency (through remittances, financial aids and the increased rhythms of export increase etc.).

Since the inflows of foreign currency shall stabilize, and NBM shall not intervene directly on the foreign currency market (operations rarely used by the monetary authority) or indirectly through sterilizations (operations used for other purposes rather than influencing the exchange market), the exchange rate shall depend, to an increasingly high extent, on the fluctuations on international markets.

Remittances were reflected through the transfers made through the banking payment systems in favour of natural persons. We estimate USD 1,578 million in 2012, an increase around 9-10%. We consider that the increase rhythms of international transfers shall temper, being around 7-9%. Most of the remittances (65%) come from the CIS area, thus there is the possibility that they increase even more, but for the purpose of forecasts we maintained certain uncertainty aspects of the EUR area.

In the last years, the RM population has been decreasing. In the model, this indicator is exogenous and for the next years (2011-2014) it was considered at the level of the 2010 year. However, in the model, a decrease of the work force number was obtained. This fact and the economic growth have to determine a decrease of the unemployment rate. This, in its turn, shall lead to relatively high rhythms of increases of both the nominal and the real salary.

The forecast period supposes a moderate decrease of interest rates. We consider that the interest rates for credits shall decrease by 1-2 p.p., most probably in 2012 they shall be of 13-13.5%. In 2011 we supposed that the decrease of interest rates shall be associated to the internal reserves of banks (profit margins, etc.), but also to the competition conditions in the banking and non-banking system, which shall accentuate. For the forecast period, we consider that the actions of the monetary authority and the used monetary policy instruments shall be essential. The banking and non-banking system maintain at a relatively constant level the excessive reserves they hold, irrespective of the economic trends, thus ensuring a protected comfort for themselves. Under such conditions, we consider that, on the inside, the banking system shall not essentially restructure itself, the tonality shall be dictated by the monetary policy instruments, which, with the support of legislative and regulatory initiatives (for instance, see the ME initiative to regulate certain aspects related to the crediting and support of consumers), shall condition more and more the evolution on this segment.

The model estimates increase rhythms higher than the historical average. This fact is explained by the level of the marginal productivity (at low capital endowment levels, the increase rhythms are higher due to the positive capital scale outputs). The increased growth rhythms shall be supported by the evolution in the national economy sectors.

The index of mineral product prices, according to the estimations of international institutions, shall increase by up to 5% as compared to 2011. The prices of agro-alimentary products at an international level shall decrease by approximately 5%. The prices for natural gas shall have a slight increase trend at an international level.

The forecast of the main macroeconomic indicators was made based on the simultaneous equations model, used in IEFS. Around 70 equations are used in the model, describing most of the national economy sectors

Agriculture

The agricultural production shall decrease in 2012 as compared to 2011. This situation is explained by the climacteric conditions in 2011. The harvest of several agricultural crops was compromised, especially the corn, whose production could halve. Another aspect with negative implications on the agricultural production is the international price of agro-alimentary products, which shall decrease in 2012. Domestic producers shall not be stimulated by the price of products to produce more. We consider that agricultural production shall decrease by 3% in 2012.

Industry

The increase rhythm of industrial production is forecast at 5-6% for 2012. An explanatory factor is the increase of the gross formation of fixed capital. Since, from the beginning of the year, the processing industry registers a decrease, we consider that, initially, the evolution of the industrial

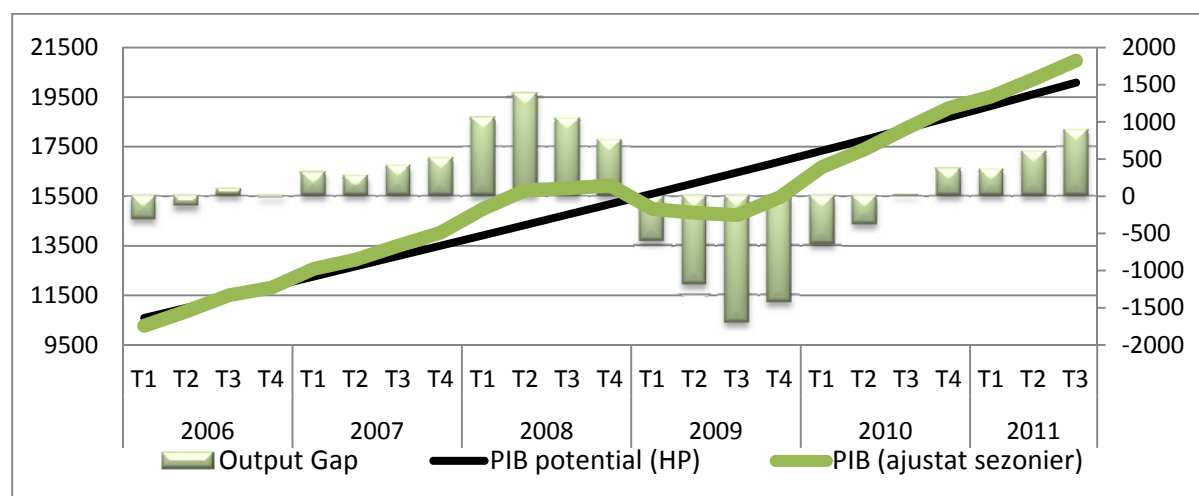
production shall be based on the less traditional branches (for instance, the production of cars and extractive production apparatus). With the starting of road rehabilitation and construction works, but also of other capital investments, in the second half of the year, the industry shall be propelled. Thus, until the end of the year, the processing industry shall reinvigorate, registering positive evolutions. In absence of/in case of decrease of the agricultural production, the food industry shall have to rely on the existing stocks and the imported raw material. The production and distribution of electric and thermal energy, influenced by the new pressures on the part of energetic resource prices, shall most probably register a decrease.

Services

The increase in the service sector shall be propelled by the wholesale trade and the enterprises with the main activity in the service supply. The communications, the financial sector, the real estate services, but also transports – are one of the services that shall influence the forecast increase in this economy sector. In 2011, the assumption that the external demand for domestic services shall increase became true. This situation was especially due to transports. Considering the transport evolution at the beginning of the year, the situation in this field remains uncertain. There is the possibility that the 2011 trend is maintained, especially starting with the second half of 2012, when investments shall intensify. Hoping for an optimistic scenario, we forecast an increase in transports of 10% and in trade of 8%.

GDP expenses

As it was mentioned above, the model is optimist regarding the evolution of national economy. The forecasted economic growth rate is 4,3%, which is quite optimist if keeping in mind the constraints already discussed earlier. The majority of the studies indicate that national economy is "overheated"¹⁰.



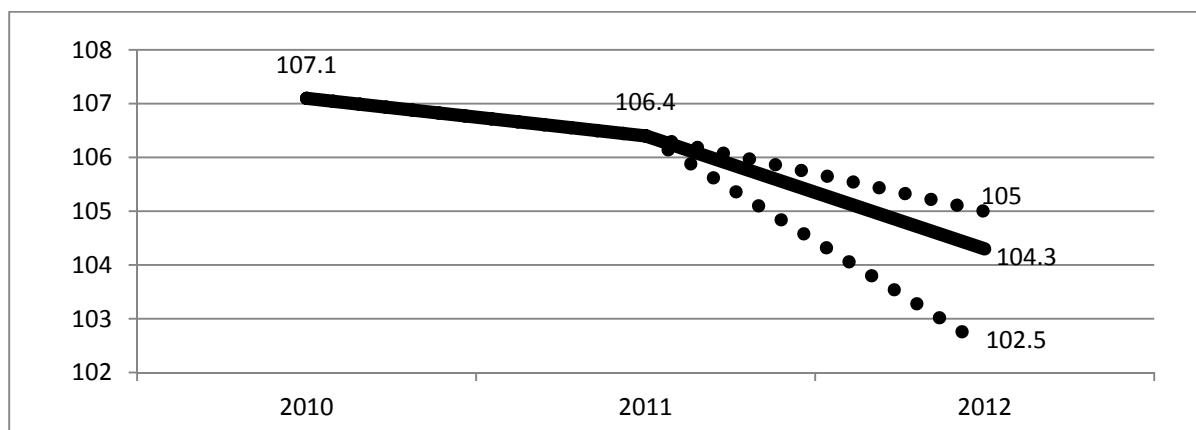
Graph 7.1. Evolution of Potential and real GDP

Source: Author's calculation based on data from BNS

Evolutions in 2012 in agriculture and industry are consistent with the fact that economic activity is slowing down. Usually the model gives higher estimates for GDP growth, it has a sort of bias towards high economic growth. If we take into account the errors from the previous periods, than the effective economic growth will stay in the corridor of 2.5-5%.

¹⁰ NBM relevant studies; The World Bank report, nr. 55195-md, April 2011, Republic of Moldova; Fourth reviews under the extended arrangement and under the three-year arrangement under the extended credit facility.

Expert views are less optimistic and considering the situation in the economy at the beginning of 2012, a 2% growth is more realistic.



Graph 7.2. Forecasting of the GDP evolution for 2012

Source: Author's calculation based on data from BNS

In terms of expenses, the made forecasts attest to the maintenance of major rhythms of increasing the internal consumption – 13.9%. This situation shall be explained by the increase of disposable income and of the remittance and wages components.

The forecast rhythm of the increase in the export of goods shall be 12-13%. There are premises for an increase of 18%, but we approached a more prudent position. The increase of agro-alimentary product exports shall not be as spectacular as in 2011, we consider that it shall be within the limits of 2-5% (according to the model around 3%). We consider that the manufactured products shall have a higher increase, which is also the main explanation of the forecast.

In the analysed period, imports and exports shall have approximately the same increase rhythms. The exports of services increased quicker than the imports of services. We consider that this trend will be observed and in 2012. Growth of exported services will amount to about 20%, and the import of services to 15%.

The import of Services shall increase more than the export of services, so that imports shall increase quicker than exports (increase of the imports of goods and services – 22.1%; increase of the exports of goods and services -20.5%). The explanation of the higher increase of the import of services as compared to the export of services derives from the structure of the internal absorption. The evolutions in the trade with services shall be determined by the dynamics registered in transports and travels (they have the highest share in the trade with services). In the field of transports, the trend begun in 2009, when the reorientation to the services offered by external operators occurred, shall be maintained. As to travels, the citizens of the Republic of Moldova shall travel abroad more than the foreigners traveling in our country (the forecast is based on the extrapolation of the historical trend).

The unemployment rate was forecast at 7.2%, and it could decrease even down to 7%. The evolution of this indicator is quite unclear and its forecasts are quite tendentious. The quite high GDP increases should have had a more significant effect on the unemployment rate.

Investments shall be determined by the interest rate which shall register a slow decrease. The influence of the interest rate on investments is quite high, a decrease of 1 percentage point of the interest rate means a 0.3 p.p. increase of investments. We consider that the increase of the investments in the fixed capital shall be of 12% in 2012.

The consumer price index shall register an average of around 7% in the forecast year. The evolution is influenced by the monetary mass in circulation and the price of important mineral products. On a long term basis, the monetary factors have a significant influence on the CPI, influencing price evolution by more than 50%.

The performed forecast may be considered to be „passive” as the evolution is determined, to a high extent, by the external factors which are included in the model, whose forecast is made by the IMF. Another important factor for the economic growth is remittances – also an external factor. Therefore, the forecast shall be made when external conditions are favourable. This forecast is not determined by certain decisions of the RM decision makers, except maybe for those decisions which are related to the increase of the monetary mass, of the exchange rate of the national currency.

Table 7.2. Evolution of the main macroeconomic indicators, 2011-2013

	Measurement unit	2011	2012	2013
			forecast	
Nominal GDP	MDL billion	82.2	91.7	102.2
As to the previous year in comparable prices	%	106.4	104.3	105.5
Annual average CPI	%	107.6	107.1	106.6
Average MDL exchange rate	MDL/USD	11.73	11.76	11.85
Export of goods	USD million	2222	2,503	2,831
As compared to the previous year	%	144.1	112.7	113.1
Import of goods	USD million	5192	5,840	6,515
As compared to the previous year	%	134.7	112.5	111.6
Balance of the trade balance	USD million	-2970	-3,337	-3,684
Industrial production in current prices	MDL billion	33.0	37.1	41.2
As to the previous year in comparable prices	%	107.4	105.7	105.3
Agricultural production in current prices	MDL billion	22.5	23.6	26.9
As to the previous year in comparable prices	%	104.6	96.9	105.2
Investments in fixed capital	MDL billion	15.2	18.2	21.7
As to the previous year in comparable prices	%	115.2	112.8	112.2
Monthly average nominal salary	MDL	3188	3,457	3,741
As compared to the previous year	%			
nominal		107.3	108.4	108.2
real		99.7	101.3	101.5
Labor remuneration fund	MDL billion	34.3	38.4	42.6
Labor force	thousand persons	1257	1242	1229
Number of employees in national economy	thousand persons	1173	1,159	1,147
Unemployment rate		7.2	7.2	7.1

ON MOLDOVA'S INCREMENTAL CAPITAL-OUTPUT RATIO

Apostolos Papaphilippou

1. Introduction and link to earlier work

Following the seminal contributions by Harrod (1939) and Domar (1946), estimates of an economy's Incremental Capital-Output Ratio (ICOR) have been widely used in empirical work to generate:

- Medium to long-term forecasts of economic growth, as a function of a projected investment path; and/or
- Estimates of the required volume of investments – or the financing gap that need to be filled by additional investments- to support the attainment of a targeted path of real GDP for the economy under consideration.

The aim of this paper is to discuss briefly the notion of the ICOR, provide estimates of the ICOR utilising the available data in Moldova, and critically analyse the empirical results in the light of the recent changes in the structure of the economy of Moldova and its future outlook.

The paper is part of a research activity aiming at providing analysis of the evolving structure in the economy of Moldova in a number of key policy-relevant areas. This research has been motivated by the hope that it may be potentially useful to policy makers and Moldova's administration in their efforts to improve the country's socio-economic outcomes and its future prospects. More specifically the current paper is linked to:

1. Recent empirical work on economic growth in Moldova within the context of:
 - A time-series econometric model, with results published in Papaphilippou (2011).
 - A production function model;

and

2. Earlier papers analysing:
 - The use of economic modelling in structural reform programme design in Moldova [Papaphilippou (2001a)].
 - Empirical work on Moldova's import and export demand [Papaphilippou (2001b) and Papaphilippou (2002) respectively]; and
 - The importance of trade and export promotion policies to support a sustainable investment and export-led development path for Moldova [Papaphilippou (2004)].

The rest of the paper is organised as follows: Section 2 presents a definition of the ICOR and analyses briefly its properties, expected range of values and use for policy-relevant simulation and forecasting purposes. Section 3 describes the data used for the empirical estimation, and presents empirical estimates of the ICOR for the Moldovan economy. Section 4 proceeds to critically analyse the derived ICOR estimates, taking also into account the characteristics of economic growth in Moldova to date and the above-mentioned recent work within the context of an econometric model and a production function model. Section 5 concludes by emphasising the importance of the efficient implementation of Moldova's development agenda, encompassing the efficient implementation of the Moldova 2020 document and making progress in the EU integration process, as a means to safeguard the sustainability of economic growth and Moldova's successful socio-economic development in the years to come.

2. On the notion of the ICOR: definition, range of values, characteristics and use

We define the ICOR of an economy at time t by the following equation:

$$\text{ICOR} = I(t) / [\text{GDP}(t+1) - \text{GDP}(t)] \quad (1)$$

Eq. (1) defines the ICOR as the ratio between: 1. Gross investment at t ; over 2. The increase in the economy's volume of output between t and the next period, $t+1$ (i.e. the difference between $\text{GDP}(t+1)$ and $\text{GDP}(t)$, both measures in prices of time t).

Dividing the numerator and denominator of eq. (1) by the economy's output at time t we arrive at the expression:

$$\text{ICOR} = \{I(t)/\text{GDP}(t)\} / \{[\text{GDP}(t+1) - \text{GDP}(t)]/\text{GDP}(t)\} \quad (2)$$

The numerator of eq. (2) expresses the ratio of Gross Fixed Capital Investment to GDP, both measured at current prices of year t – which we will call the investment ratio in this article. The denominator of eq. (2) is the rate of growth of real GDP between t and $t+1$.

With regard to the ICOR's characteristics and its range of values it is worth noting the following points:

- In general economic growth in any economy emerges out of a combination of a number of factors of production which, -in addition to investment and its addition to an economy's stock of capital-, includes also: land, labour, entrepreneurship and managerial skills, and institutional arrangements. Growth may, therefore, emerge out variations in these factors of production and their productivity through time and/or due to variations in their capacity utilisation.
- Eq. (1) places emphasis on the importance of investment as a driver of economic growth and, furthermore, assumes a 1-period time lag between investment and growth in output. It implicitly assumes that the other factors of production in addition to capital will be forthcoming to support the growth process in the future.
- The typical value of the ICOR found in the literature is in the neighbourhood of 3. The ICOR value is likely to range between the values of 2 and 7, with the ICOR of industrialized countries expected to lie within the range of 3 to 3.5. A relatively recent paper by Ramos, Pastor and Rivas (2008) provided estimates of the ICOR for the Latin American countries, with the average value of the ICOR for these economies being 5.6.
- The ICOR is frequently thought of as providing an indication of the efficiency of investment in an economy. More specifically the lower the value of the ICOR the higher the efficiency of investment. This can be readily seen if we re-arrange eq. (1) as follows: $\text{GDP}(t+1) = [I(t)/\text{ICOR}] + \text{GDP}(t)$. Now, and with the values of $\text{GDP}(t)$ and $I(t)$ given, the lower the value of the ICOR the higher the value of the economy's output in the next period, i.e. the higher the value of $\text{GDP}(t+1)$.
- The value of the ICOR is unlikely to remain constant over time. The ICOR for an economy should be estimated over a period which is considered as typical (or as normal) as possible, and is usually estimated as an average over several periods. Furthermore the value of the ICOR is a function of the economy's relative position on the business cycle: it is well-known that if the economy is working below capacity substantial growth may be associated with relatively low estimates of the ICOR.

Turning to the use of the ICOR in empirical work, estimates of an economy's ICOR are frequently used to generate:

1. Medium to long-term forecasts of economic growth, as a function of a projected future investment path, as from eq. (1), and with the level of real investment determined for any time t , it readily follows that the path of real GDP is determined by the relationship $\text{GDP}(t+1) = [I(t)/\text{ICOR}] + \text{GDP}(t)$.

2. Estimates of the required volume of investments –or the financing gap that need to be filled by additional investment projects- to attain a targeted path of GDP for the economy under consideration: with the targeted path of GDP given over a future period, eq. (1) may be re-arranged to provide a path of the required investment at any t through the relationship: $I(t) = ICOR [GDP(t+1) - GDP(t)]$.

To conclude the notion of the ICOR provides a useful conceptual framework and instrument for policy-relevant simulation exercises, which is still widely used mostly because of its simplicity. It is, for example, the relationship guiding the evolution of economic growth in the World Bank's Revised-Minimum Standard Model-eXtended, which is the model frequently used in country simulations and forecasts. At the same time, as Easterly (2002) argued, it is worth keeping in mind that: (i) there is little empirical evidence to suggest that investment is either a necessary or a sufficient condition for economic growth in any economy; and (ii) the emphasis placed upon simple calculation of investment needs and/or financing gaps has had the counterproductive effect of diverting attention from the deeper determinants of economic growth in any economy.

From a practical point our view is that the analyst and policy advisor in any economy must try to reach a judgement regarding (i) the potential usefulness of the ICOR (and the plausible range of values for the economy under consideration), while (ii) keeping in mind the need to avoid using the instrument in a mechanical way to generate simulations and forecasts, and the need to retain a focus on the deeper determinants of economic growth and welfare, which should be at the core of policy interventions in the medium to long-term. The remaining part of this paper focuses on the particular case of Moldova with the above comments in mind.

3. Data and empirical estimates of the ICOR for the Moldovan economy

Figures 1 and 2 below depict the evolution of the investment ratio and the annual rate of growth of real GDP over the period 1995 to 2010 for the economy of Moldova, excluding the Transnistrian region.

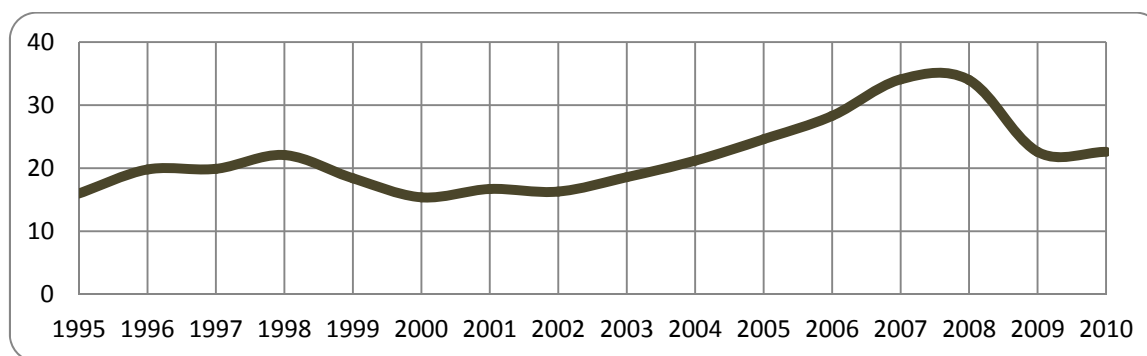


Figure 1. The evolution of the investment ratio (percent)

Source: National Bureau of Statistics.

Note: The investment ratio is defined by the ratio of Gross Fixed Capital Formation in current prices over the nominal GDP of the same year.

The period 1995 – 2010 excludes the early transition years that were characterised by a collapse in the economy's output. This drop in economic activity at the onset of the transition process has been common for any transition economy, but was particularly severe in the case of Moldova due to: (i) the adverse Terms of Trade effect following Moldova's independence, -which implied that Moldova lost access to both subsidized inputs to its production process (including energy), as well as subsidized markets for its export industries; indeed empirical work suggests that Moldova was the hardest hit among all FSU economies [Orlowski (1993) and Tarr (1994)]; as well as: (ii) the effect of natural disasters in 1992 and 1994; and (iii) the effect of the Transnistrian conflict in 1992.

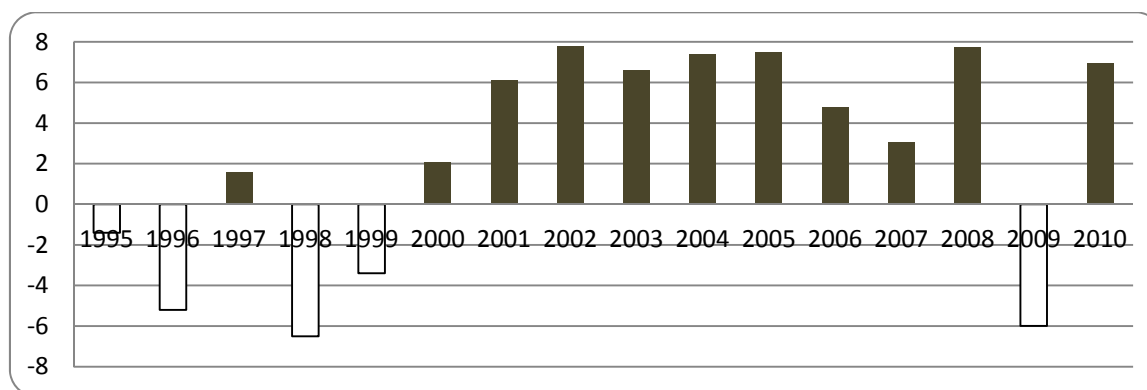


Figure 2. The evolution of the annual rate of growth of real GDP (percent)

Source: National Bureau of Statistics.

Over the period depicted in figures 1 and 2, i.e. the period 1995 – 2010, it is notable that:

- The first two years were characterised by further drops in real GDP, suggesting that the economy could be still adjusting to the onset of the transition process.
- Following the small increase of real GDP in 1997, Moldova’s real GDP registered further drops over both 1998 and 1999, which were attributed to the adverse effect of the Russian crisis on the Moldovan economy.
- From 2000 to 2008 the economy experienced a period of sustained growth in real GDP which was characterised by increases in consumption (fuelled by rising remittances), but also increases in investment (with the investment ratio following an upward trend during the period, as depicted in figure 1).
- This growth episode came to an end in 2009, due to the adverse impact of the international financial crisis. The Moldovan economy, however, rebounded strongly in 2010, with further growth estimated for 2011 and the medium term.

We conclude this section by providing empirical estimates of the ICOR. Rather than average out the investment ratio and annual growth rates of real GDP over several years, we provide in table 1 below estimates of the annual evolution of the ICOR (rounded to two decimal places) over the period 2000 – 2007. This provides insights into aspects of growth over the period, which we will discuss in more detail in section 5.

Table 1. Evolution of the investment ratio, the annual rate of growth of real GDP and the ICOR

	2000	2001	2002	2003	2004	2005	2006	2007	2008
I ratio	15.4	16.7	16.3	18.6	21.2	24.6	28.3	34.1	34
GDP	2.1	6.1	7.8	6.6	7.4	7.5	4.8	3.1	7.8
ICOR	2.52	2.14	2.47	2.51	2.83	5.14	9.22	4.39	...

Source: National Bureau of Statistics and own calculations.

Note: The first row provides the evolution of the investment ratio (defined by the ratio of Gross Fixed Capital Formation in current prices over the nominal GDP of the same year). The second row provides the estimates of the annual rate of growth of real GDP. The third row provides the estimates of the ICOR defined by the ratio of: (i) the investment ratio at t over (ii) the rate of growth of GDP at t+1.

It is notable that the period of estimation of the ICOR reported in table 1:

- Leaves out the 1995 - 1999 period as: (i) in the initial years the Moldovan economy was still adjusting to the shock of the onset of the transition, while (ii) the 1998 and 1999 growth performance was adversely affected by the impact of the Russian crisis; and

- The 2009 and 2010 estimates, which were affected by the impact of the international financial crisis.

Finally it is notable that the average of the eight reported annual estimates of the ICOR in table 1 over the period 2000-2007 equals the value of 3.9.

4. Discussion

We now turn to a discussion of the calculated ICOR estimates taking into account the characteristics of growth in Moldova over the same period. With regard to the estimated ICOR values, over the period 2000 to 2004, the reported ICOR estimates in table 1 hover around the value of 2.5. These values are low, as they are: (i) significantly below the 5.6 average estimate reported for the Latin American countries in the paper by Ramos, Pastor and Rivas (2008); and (ii) even well-below the range of estimates one would expect to characterise a developed economy, which, as noted in section 2, is expected to lie within the 3 to 3.5 range. For the remaining three years in table 1, the value of the ICOR increased to over 5.1 in 2005, increased significantly to 9.2 in 2006 (reflecting both the increase in the investment ratio in 2006 and the relative low growth rate of real GDP in 2007), and was reduced to close to 4.4 in 2007.

The analysis of the evolution of the ICOR provides some insights into the growth episode over the period 2000 – 2008 and also confirms some recent analysis regarding the sustainability of economic growth in the medium term. More specifically:

As noted in section 2, if the economy is working below capacity, substantial growth may be associated with relatively low estimates of the ICOR. This is what characterised the economy of Moldova at the beginning of the growth episode, and explains the low values of the ICOR over the period 2000-2004: indeed the economy of Moldova was emerging from a deep depression and was characterised by a significant unemployment (or underemployment) of its factors of production, including its stock of capital.

Section 2 also noted that, the period used to estimate the ICOR should be as typical or normal as possible. Now, and even though we have attempted to exclude the years affected by shocks to the economy, -i.e. the early transition period, and the years affected by the Russian crisis and the international financial crisis-, the remaining period cannot be taken as typical and/or likely to characterise the future evolution of the economy (for the reasons noted already). As a result these empirical results may provide unreliable estimates regarding the future evolution of the ICOR.

A question which naturally arises concerns the value of the ICOR that may be appropriate for the case of Moldova given current and future conditions. An indicative estimate may be given by the average of the estimates of the ICOR reported in table 1, which equals the value 3.9. This, however, is likely to be biased downwards due to the very low values of the ICOR at the beginning of the growth episode.

Furthermore an ICOR of the order of 4 for the economy of Moldova is low given the accumulated international experience regarding the range of the ICOR in a number of economies. Therefore a significantly higher value may thus be more appropriate given current conditions in the economy of Moldova, and is likely to prove more reliable for analytical purposes.

The calculations reported in table 2 provide support for the claim that the future evolution of the ICOR is likely to be higher than its average over the period covered in table 1. In table 2 we have used the projections of: (i) the investment ratio; and (ii) the annual rate of growth of real GDP in the latest IMF country report in order to calculate the (implicit) evolution of the ICOR over the same period. The average of the estimated ICOR estimates reported in table 2 is very close to the value 5.

Table 2. Forecast of the investment ratio, the annual rate of growth of real GDP and the (implicit) evolution of the ICOR in the latest IMF projection

	2010	2011	2012	2013	2014	2015	2016	2017
I ratio	22.6	23.5	23.7	24.4	24.9	25.1	25.3	25.6
GDP	...	6	3.5	4.5	5	5.3	5.3	5.3
ICOR	3.77	6.71	5.27	4.88	4.70	4.74	4.77	na

Source: IMF (2012) and own calculations.

Note: The first two rows provide the projection of the investment ratio and Moldova's annual rate of growth of real GDP in the latest IMF country report [IMF (2012)]. On the basis of these estimates the third row provides the implicit estimates of the evolution of the ICOR rounded to two decimal places – with the ICOR defined for every year t by the ratio of: (i) the investment ratio at t over (ii) the rate of growth of GDP at $t+1$.

The empirical estimates of the ICOR and its analysis provides some further support to recent analytical results derived within a production function model and an econometric model regarding the sources of growth and the sustainability of economic growth in Moldova. A growth accounting decomposition of economic growth in Moldova indicates that growth was largely attributed to an increase in the economy's Total Factor Productivity and, to a lesser extent, to the growth in the capital stock due to new investment. In contrast total employment was reduced over the period: labour market conditions were influenced by the strengthening of the migration flows, and also reflected a shift of domestic employment away from agricultural sector employment (which accounts for a part of the very substantial increase in the economy's Total Factor Productivity).

With regard to the limits to the sustainability of economic growth in the future, it is notable that Moldova's recent growth:

- Reflected the initial conditions at the onset of economic growth in the early 2000's - with the economy emerging from a prolonged recession with significant unemployment (or under-employment) of resources. With the more active utilisation of idle capacity over the period, the possibility of basing future growth on the more active utilisation of existing resources correspondingly shrinks.
- Relied also on remittances over the period, whose future growth may be questionable, and whose evolution may prove to be highly volatile. Remittances are tied to the demand for labour in host countries (and thus to the riskiness arising out of adverse developments in these countries and/or the continued access of Moldovan migrants to the labour markets of host countries). In addition remittances may decline in the longer term, as the migration phenomenon becomes more entrenched, migrants relocate abroad for longer time periods with their families, and migrant's ties with their country of origin weaken with time.
- The inherent limitations imposed by Moldova's small domestic market, and thus the limited prospects for the growth and development of industries primarily serving this domestic market – mainly goods and services in the non-tradable sectors.

Finally work within the context of a production function model and an econometric model suggests that, with no change in the underlying structure of the economy, future growth in Moldova is likely to be modest and well below the country's development needs. Looking forward what is required is a growth model increasingly relying upon the attraction of (domestic and foreign) investment and the growth in the economy's tradable sectors and Moldova's export industries. Such a model will avoid the above-mentioned limitations to the sustainability of future economic growth in Moldova. In addition it will facilitate a sustained supply-side response by allowing the economy to concentrate upon areas where it may have comparative advantage. In doing so the economy will reap the gains from trade and specialization, as well as the positive externalities associated with investment, thus providing for sustainable domestic wealth and employment creation.

5. Concluding comments on investment, growth and development policy

While earlier empirical work and the current paper indicate clearly that investment was not the major factor for Moldova's recent growth episode, the importance of investment is likely to increase in the future. It is well known that investment has a number of beneficial effects, as it:

- Is one of the components of aggregate demand, and thus contributes to economic growth in the short term.
- Contributes to the economy's stock capital (and thus to the economy's productive capacity and its ability to grow in the future).
- Facilitates the introduction of new technologies in the economy -covering product and process innovation, and thus strengthens the productivity of the economy.
- Promotes the strengthening of export links and facilitates market penetration for an economy's export industries.

As noted in Papaphilippou (2011) the above-mentioned positive externalities are likely to be significant for the case of Moldova as:

- Moldova's record to date in attracting Foreign Direct Investment has been modest; and
- The empirical evidence indicating that there exists significant unrealized potential to attract FDI in the economy of Moldova. More specifically the paper by Demekas *et al* (2005), which analyzed FDI flows in countries of Southeastern Europe and linked them to structural characteristics of these economies and a number of policy variables, suggested that there exists significant unrealized potential to attract FDI in Moldova.

To conclude it may be worthwhile to note again Easterly's (2002) argument regarding: (i) the absence of empirical evidence to suggest that investment is either a necessary or a sufficient condition for economic growth; and (ii) the fact that the emphasis placed upon simple calculation of investment needs and/or financing gaps may have the counterproductive effect of diverting attention from the deeper determinants of economic growth in any economy.

Indeed while investment may prove to play a significant role in Moldova's future growth and socio-economic development, it is important to emphasise that economic growth is, by its nature, multi-dimensional and thus linked to a number of variables. These include variables such as: the quality of a country's institutions, its business climate, the state and enforcement of competition, innovation and education, the economy's product mix and its competitiveness and, ultimately, timely progress in the broad reform agenda. The later ought to be set out through a sequenced and mutually-reinforcing set of policy actions tailored to the particular economy under consideration. For the case of Moldova the adoption and timely implementation of the "Moldova 2020" strategy and progress in the EU integration process provide a means to safeguard the sustainability of growth and Moldova's successful socio-economic development in the years to come.

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IMPACT OF CASH TRANSFERS ON POVERTY AND WELL-BEING OF THE MOST VULNERABLE FAMILIES IN THE REPUBLIC OF MOLDOVA¹¹

Sergiu Buruiana

Introduction

While important achievements were made through the development and implementation of social policies and in reaching the Millennium Development Goals (MDG) throughout the last years, children remain among the most vulnerable and unprotected population groups in Moldova. Since 2008, Moldova has begun implementing a new, targeted system of social transfers, which apparently is already overcoming difficulties of its early stage of implementation. The on-going reform of social transfers represents a major change in the approach and in the implementation of social policies; they are expected to mark a new long-term path for the future. If this is the case, it is of extreme importance to assess the current policy performance regarding its impact on child welfare and propose measures of adjustment, which could be implemented during the current reform period.

It is planned that the up-scaling of Ajutor Social should go hand-in-hand with the downsizing of other cash-benefit programmes to households, mainly nominative compensations, such as utilities, child benefits and heating allowances.

Since the targeted cash transfers are not per definition a specific instrument for child protection, it cannot be expected to perform perfectly at the current stage, regarding its impact on families with children. This analysis takes a look at the current performance (2010) of the targeted transfer regarding child welfare, it analyses the improvement path of this performance between 2009 and 2010, considering qualitative and quantitative information, and proposed policy options and adjustments aiming at improving the performance of the targeted transfer system in the near future and fine tuning its implementation mechanisms for a successful long-term change in Moldova's social policy.

I. Background

Childcare system in Moldova

Childcare has long been seen as part of many broad policy debates, included in sectors ranging from migration and trafficking to education, health and social assistance. There have been two significant changes in the pace and scope of childcare reform, first around 2002, the government developed a national concept paper on child and family protection, and the following year it approved the National Strategy on Child and Family Protection and its Action Plan for 2003-2008. The second started around 2009, with the reform of cash payments for children. In 2009, allowances paid to families with children represented the main economic support from the state through unique or periodic payments to families in the case of childbirth and care according children age and family income level. Unique birth allowances represented 1400 MDL¹² at birth for the first child and 1700 MDL at birth for every subsequent child (both for insured and uninsured persons), with some 40,000 beneficiaries in 2009. Monthly allowance for childcare until 3 years for insured persons was 479 MDL, for some 29,000 beneficiaries, while the monthly allowance for childcare up to 1.5 years for uninsured persons was 150 MDL, for some 40,000 beneficiaries.¹³ These are the two largest categories apart from an important number of benefits

¹¹ The analysis was developed with the support of ECI/ CBS-AXA within UNICEF funded project

¹² It is continuously increasing

¹³ MLSPF 2010, page 118 - 119.

for special categories (albeit small categories regarding their number of beneficiaries), such as payments for disabled children of households who take care of disabled children and others.

A relatively new element - and of growing importance within the context of an ongoing reform of social policies - is the targeted cash transfer program called the *Ajutor Social*¹⁴ launched on pilot basis in 2008, scaled-up in 2009, and implemented with the support of the World Bank, EU and other donors. A recent World Bank study (World Bank, May 2011) shows that compared to previous social transfers (nominative compensations), the new transfer modality was performing extremely well in 2010. "Data from the (...) 2010 Household Budget Survey (HBS) show that 86.4 percent of benefits paid under the (Ajutor Social) program went to those in the poorest quintile (20 percent) of the population. This compares with the Nominative Compensations Program, which channelled only 27 percent of its benefits to those in the poorest quintile in 2010. Moreover, a huge share of the benefits from the Ajutor Social Program goes to the very poor: 72.7% of all benefits paid under the Program went to those in the poorest decile (10 percent) of the population. This puts Moldova's Ajutor Social Program among the top performers in the Europe and Central Asia (ECA) region for poverty-targeted last resort programs (...) and on par with those in OECD countries."¹⁵ "The coverage (of) (...) the program is still small, currently covering 14.3 percent of households in the poorest quintile, of which, most are among the poorest (65 percent of all beneficiaries are households in the poorest decile; 21.9 percent of those in the poorest decile are covered)".¹⁶

The highly positive achievements regarding overall targeting to low-income groups is expected to have an automatically positive impact on families with children and provide support according to children's needs, by the designers of Ajutor Social. There is a considerable possibility that this might in fact occur; however, there is no automatic guarantee for it. This study takes a closer look at the degree of positive (financial) impact of Ajutor Social on households with children and on the contribution this new programme already provides and is expected to provide in the future, to a sufficient provision of support to children and their development.

In spite of the success of Ajutor Social, challenges have been identified during the transition period from a scheme of nominal compensations to the new programme, as well as regarding exclusion and inclusion errors of the household selection mechanism.¹⁷ In particular, the considerable increase in coverage of Ajutor Social between 2009, when a total population of 46,184 persons was covered, and 2010, when the coverage reached 112,927 persons¹⁸, offers important lessons learned on the transition period regarding the impact on child welfare.

The basic intention of the new Ajutor Social is to redirect funds towards the most needed population segments. In 2010, some 32,000 households¹⁹ were already receiving this type of social assistance, as the institutional registry of beneficiaries confirms. The analysis is based on information from the HBS. Since HBS are sample-based surveys, which are not able to reproduce coverage percentages of small groups of population with 100% accuracy, the HBS of 2010

¹⁴ Social aid

¹⁵ World Bank, May 2011, page 5.

¹⁶ *ibid*

¹⁷ The targeting system for the selection of beneficiaries is based on econometric models, which predict available household income based on what is known in econometric literature as "proxy means". By nature proxy means do not perform perfectly and commit inevitable but reducible errors of inclusion (household which considering their real (not their estimated) income should not receive the transfers (because the income is too high to qualify as a low income household) and households which according to their real (not their estimated) income should benefit from transfers (because they are low income households) but are not being selected by the proxy mean test.

¹⁸ Data according to NBS HBS 2009 and HBS 2010

¹⁹ WB 2011, page 30

reports 26,809 households covered at the end of 2010, against 10,582 at the end of 2009. Hence, the increase of coverage of Ajutor Social throughout 2010 was considerable.

Traditionally, categorical programs dominated the composition of Moldova's safety net. Moldova's largest spending programs are the Nominative Compensations²⁰ (30 percent of overall social assistance spending in 2008, but decreasing over time to 20 percent in 2010). The WB (2011) reports that, compared to other countries in the ECA, "Moldova's social assistance programs were among the weaker performers in terms of targeting accuracy (...) with only 10-20 percent of benefits reaching the poorest decile of the population. (...) Coverage of social assistance has been modest, despite high overall public spending levels."²¹

One of the most prominent objectives of the Ajutor Social programme is to achieve a higher cost-efficiency; meaning that a better targeting of the most needed people and a more appropriate determination of the transferred amounts of monthly payments increases welfare outcomes, while reducing overall costs for the government. Increased cost-efficiency on the government side could then be used for reducing budget deficit or for increasing coverage of the non-contributory social safety net. Hence, after a transition process, Ajutor Social is expected to widely replace previously existing nominative compensations.

In the process of phasing out the nominative compensations, the Government of Moldova took initially the decision to freeze the new entries in the 11 categories (in 2012 only 3 categories of beneficiaries will remain) and the amount of nominative compensations, which were at more than 60% energy and heating compensations, but had to deal with several difficulties so far, during the transition from the old (nominative compensations) to a new system (Ajutor Social). Increase in prices for energy, gas and heating, as occurred in 2010 and 2011²², eroded the value of Ajutor Social, and the Government discussed the approval of a new type of compensations called "social (winter) compensations" to help some of the vulnerable groups to survive during the winter. Creating new types of compensations might seem counterintuitive during a transition process, which is expected to reduce nominative payments, but it might well be socially required.

Experiences from the transition process from nominal compensations to Ajutor Social in 2010 showed that, in spite of its overall success in general, it has also negatively affected a small group of households with children. There are cases, for example, of families who did not qualify for Ajutor Social, but did not receive nominative compensations either, a situation which creates difficulties particularly during winter or in a context of growing unemployment in the rural areas of Moldova. These families are at risk of falling into deeper poverty, jeopardizing the development of the children. In this context, the value of universal family and child allowances is particularly important for the families with modest revenues. Without an effective social assistance system, many families are having difficulties ensuring decent living conditions for their children, particularly during the winter and are forced to use different coping strategies that can be dangerous for child development, such as reducing the quality and quantity of food, child labour, a reduction of expenditure for health services, amongst others.²³

²⁰ The Nominative Compensations program includes discounts on payments for gas, electricity, heating, and community services. This is a categorical program that gives entitlements to certain groups of people (e.g. disabled, veterans, single pensioners, Chernobyl victims etc.) regardless of their welfare status. As a result, the targeting accuracy of the program is weak.

²¹ WB 2011, page 3

²² Prices for gas increased by 15%, electricity by 16% heating by 16%; we chose the example of 2010 energy costs because the study takes a look at the transition between two systems of social transfers during 2010.

²³ UNICEF, UNDP, UNFEM research on crisis impacts at a community level

II. Methodology

The fieldwork for collecting data and information was carried out in two separated processes. The quantitative analysis is based on results from the HBS 2009 and 2010 and the qualitative analysis is based on a process of focus group meetings and in-depth interviews with Moldovan experts from the social protection sector.

Qualitative Analysis

For this qualitative study, seven focus group meetings were implemented with the following categories of participants: parents from families benefiting from Ajutor Social; families that previously benefited from the monthly child allowances of 50 MDL, families with many children, monoparental families and Roma families.

Participants were recruited through the “snow-ball” method,²⁴ based on a couple of criteria (sex, living environment, number of children), thus assuring the heterogeneity of the group. Participants were selected from all three regions of the country (Centre, North and South). Data were collected with the help of an interview guide (see annex).

An additional 12 in-depth interviews were carried out, with experts in the social protection domain, with social assistants working at the local level (villages, cities), at rayon directions and with representatives of local public administrations.

Quantitative Analysis

The quantitative analysis is based on descriptive statistics, comparing results from the HBS 2009 and the HBS 2010 regarding coverage and targeting or nominative compensations, allowances and Ajutor Social. Special attention is paid to households with children. Attention is paid to the impacts on levels of poverty, extreme poverty and the poverty gap caused by the on-going transition from nominative compensations to Ajutor Social. The quantitative analysis also pays attention to how much space could still exist for technical improvement, regarding the use of different models of household selection, beyond the already highly positive achievements.

III. Changes in coverage of social transfers between 2009 and 2010

The increase in coverage of Ajutor Social in 2010 was of considerable scale and the achieved improvement in targeting the payments to vulnerable households is remarkable. The expansion of Ajutor Social was supposed to compensate for a contraction of nominal compensations, and in fact Ajutor Social expanded stronger than the compensations decreased. This success, however, is partially offset by a decrease in the payment of allowances so that the overall change coverage by any kind of social transfers in 2010 to households with children is negative. Hence, there is a positive trend for households with children who are receiving Ajutor Social, but at the same time a negative trend for households with children who are not receiving Ajutor Social, in what refers to the coverage with social transfers. More importantly, in 2010, some 45% of households with children from the poorest quintile (Q1) did not receive any social transfer at all.

Figure 1 represents the entire population living in households with children, independently of their welfare level. There are three important findings here: i) the coverage of the number of persons living in households with children covered by Ajutor Social has more than doubled, ii) the decrease in coverage of compensations is not even one third of the increase in Ajutor Social; however iii) there is a strong decrease in the coverage of allowances and additionally an important increase of the overall number of people living in households with children.²⁵ In spite

²⁴ Snowball sampling relies on referrals from initial subjects to generate additional subjects.

²⁵ An additional 65,000 persons between 2009 and 2010; one possible hypothesis here could be that, by envisaging economic or social problems, people are moving together (since the overall number of children de facto is decreasing).

of the important increase of Ajutor Social, the overall balance of coverage with any kind of social transfers between 2009 and 2010, for households with children, is negative.²⁶

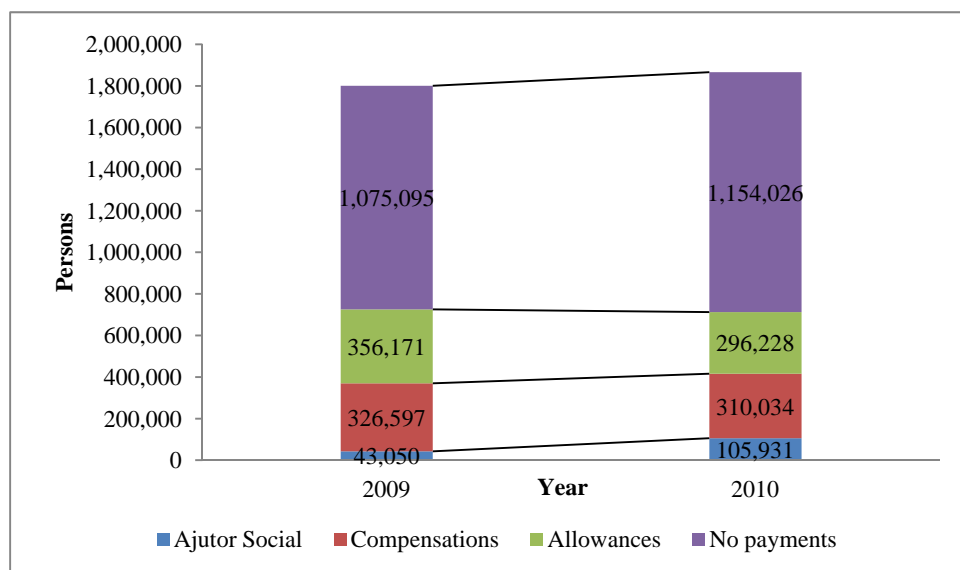


Figure 1. All social transfers to all households with children

Source: Compiled by the authors, based on NBS (HBS) data.

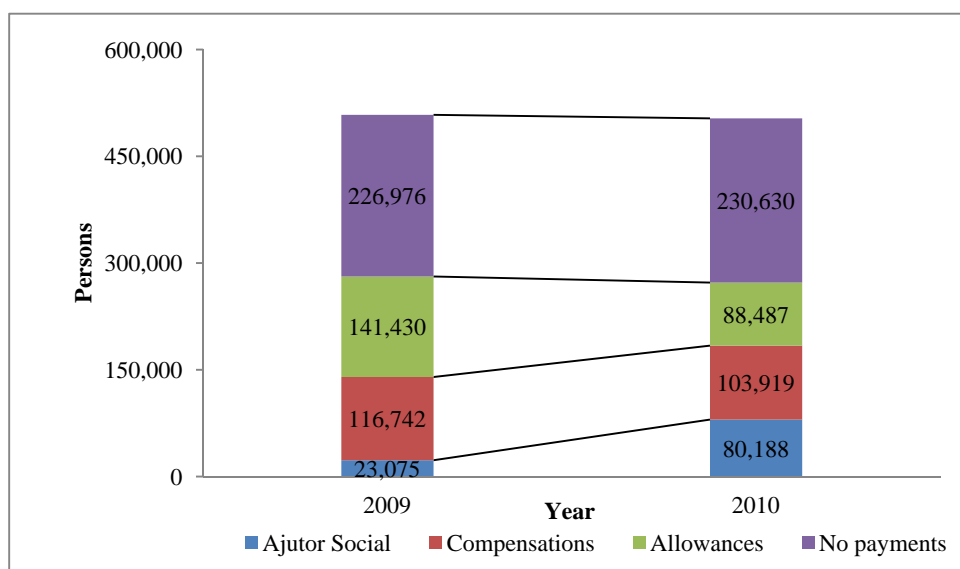


Figure 2. Social transfers to households with children – Poorest Quintile

Source: Compiled by the authors, based on NBS (HBS) data.

Figure 2 shows the same results, but only for the lowest 20%²⁷ of consumption levels of the population – again only households with children. The increase of coverage with Ajutor Social is much stronger than compared to the entire group of households with children. Population in

²⁶ The sum of additional people living in 2010 in households with children and the decrease of compensations and allowances surpasses the increase of Ajutor Social by 155,000 persons.

²⁷ The still unofficial poverty headcount rate at the time of elaborating the statistical results for this report was established by NBS at 21.4%. Poverty headcount in Moldova is estimated based on consumption levels. The lowest quintile (Q1) represents the 20% of the total population with the lowest consumption (equal to expenditure) levels. Since Q1 (20%) is close to the expected poverty rate (21.4%), we use Q1 as a proxy for the poverty level in Moldova 2010.

poor households with children covered by Ajutor Social²⁸ increased from some 23,000 to 80,000 persons. This is an extraordinary increase and consequence of a consistent effort for better targeting of Ajutor Social. In 2009, only considering households with children, just 52% of beneficiary households belonged to Q1, meanwhile in 2010, 75% of all households with children belonging to Q1 received Ajutor Social. However, in spite of this very positive result the overall balance between the increase of Ajutor Social against the decrease of compensations and allowances for Q1 households with children also produces a negative general balance.²⁹

IV. Child welfare and social transfers – real life stories

Social transfers to households with children, of whatever nature and amount, even if the amount is small, are usually allocated for the benefit of children. Hence, even if intra-household expenditures cannot be controlled, transfers to households with children in most cases seem to achieve their objective of being spent in benefit of children. According to the findings of our study, food, shelter, clothes, education, health and living environment, in this order of priorities, are the main concerns of parents regarding their children. Available financial resources in households with children are distributed to these needs in the same ranking, first giving priority to cover basic needs at home and then giving priority to access social services (education and health), which support development opportunities for children. Social transfers of whatever nature, if available, frequently represent the only permanent income source. Relying on them is one of the principal coping strategies, together with relying on networks of social capital (family members, friends, neighbours), labour migration, child labour, taking loans and selling assets. Out of pocket expenditure for education and health are a burden, which frequently cannot be afforded by poor households with children. The poorer the family, the more helpful the social transfers are, especially when their reception is guaranteed (secure), monthly (in order to smooth cash flow) and with a low cost for getting access to the benefit. Many households who benefit from Ajutor Social do not seem to have a coping strategy at all, in case the payment would be discontinued. Some focus group participants were sure to find a way back to their living conditions prior to Ajutor Social, but other participants showed concern for being able to handle such a situation.

All participants of our qualitative study revealed that financial problems are the most pressing ones, since they cannot assure the required minimum income for covering the daily cost of decent livelihoods for their children. The lack of employment or opportunities for income generation (especially in the rural area) and the low level of wages compared to consumer prices are at the heart of financial problems. Prices increasing faster than wages and income and the loss of purchase power constitute serious difficulties for paying monthly utilities.

The majority of the focus group participants stated that they were only able to assure **food security** in their households thanks to self-consumption of what their own households (or other wider family member households) produce through agriculture and livestock (small animals) activities. However, their diet is consequently less diversified than it should be and is perceived as being less tasty. However, there are families who occasionally suffer situations of a total lack of food. Several respondents, mainly from the urban area (single parents and parents with many children) mentioned having already faced situations when they did not have anything to give to their children.

²⁸ An increase by 240% in households with children of Q1, compared to a 140% increase for all households with children

²⁹ Even if the total number of persons living in households with children of Q1 decreased by some 5,000 persons between 2009 and 2010, the sum of decrease of compensations and allowances surpasses the increase of Ajutor Social by 69,000 persons. More importantly, the number of persons in households with children of Q1 without any coverage increased by some 3,600 persons.

Health problems in low-income families are a true challenge from a financial point of view, because they have to make financial efforts in order to be able to consult a doctor, and if they manage to do so, it is usually quite late, considering the deterioration process of their health conditions. The great majority of focus group participants revealed that when one of their children is sick, they do everything they can to guarantee medical treatment, by selling goods from the household or trying to borrow some money. If the illness is not too serious, such as flu, parents explained that they are treating these themselves and that they are only consulting a doctor for complicated cases.

Some parents mentioned being shocked by the behaviour and attitude of some doctors towards poor families. Parents feel that sometimes doctors can do more harm than good. In rural localities, but also in the regional centres, access to health services is perceived as unsatisfactory.

Parents are aware that a child, regardless of age, can receive emergency medical help in public hospitals. However, they still do not trust in this new policy and fear that a financial cost still exists and that their children would not be treated without paying. Some parents mentioned being in situations when they were aware that their baby should be treated in a hospital, but due to lack of money, they treated them at home.

In households with disabled family members, who require permanent medication and attention, the situation is very difficult because it places parents in a dilemma of having to choose whether to purchase food or medicine.

In two of the focus groups, mothers on maternity leave suggested that it would be good if the mothers could have free health insurance, at least for the period while they are taking care of their children, because they cannot financially afford any treatment.

Parents are generally satisfied with the conditions their children experience in **preschool institutions**. They affirm that the same amount of money they have to pay for food in the preschool would not be sufficient for covering the cost of cooking at home. Additionally, they perceive that preschool institutions offer many other benefits, such as assuring children with a dietary and a sleeping routine, as well as socializing and learning.

Some parents fear that their children could 'lose their place' in the kindergarten, in case they do not attend regularly. They mentioned that, from time to time, they are borrowing some money to pay the kindergarten, and they never remove their children from the kindergarten for financial reasons.

Another reason for non-assistance to preschool institutions is the lack of adequate clothing and shoes suitable for the season, especially when it rains or it is cold. Parents perceive that the access of children from vulnerable families is restricted by the lack of places in the preschool institutions in some localities, in the sense that children whose parents have a certain social and/or financial position are received with preference. Also, several parents from Roma families declared that they face discrimination problems against their children.

Access to primary **education** is less critical; however, with some exceptions, the great majority of interviewed parents are concerned with assuring that their children have sufficient conditions for studying. Exceptions are families whose children are involved in seasonal or occasional agricultural work and some Roma families who are not sending their children to school in winter, because of being afraid of them getting sick, since they do not have proper shoes, clothes, and because schools are sometimes far away.

Parents feel a financial pressure to ensure non-schooling expenditure, which is related to school assistance. This kind of expenses, for example, seeks to provide children with clothes and food, that according to their perception must comply with certain standards: "to be nicer", "to be of

better quality", "the child shouldn't be ashamed" amongst others. In this regard, parents have higher expenses at the beginning of the year.

Coping strategies

- *Using second hand clothes.* Some focus group participants revealed that they are giving second hand clothes to their children that have been offered by relatives, neighbours or other people.
- *Selling animals and agricultural products* in prejudice of family consumption. Fruit and vegetables of a higher quality are sold, and only the remaining ones are consumed within the household. There are also cases where high quality products are being sold, in order to use the money for buying the exact same product, but cheaper and of lower quality and in larger quantities.
- *Taking loans during the cold period of the year.* Many respondents mentioned that they borrow money or food from relatives or neighbours, and then work during the summer in order to repay the money or work for free for their creditors.
- *Involving children in different types of work, including taking them to work abroad*

Use given to social transfers in households with children and their importance

Without exceptions, all social transfers (Ajutor Social, nominative compensations and allowances) are used in households with children to firstly pay for all the utilities: electricity, gas, water, and telephone. Money left over after paying utilities is used for buying food and then other primary needs such as clothes and shoes.

In families who have members with health problems, priority is frequently given to health expenditures. Many respondents declared that they live on credit from one month to another and that even receiving Ajutor Social would not solve this problem.

Other needs, which imply bigger investments, such as repairs to the house or the purchase of durable goods or animals, are usually carried out in cases when beneficiaries receive payments of Ajutor Social for several (two or three) months in only one disbursement. In fact, these higher sums, in case there are no debts to cover, allow them to solve certain problems related to higher expenditure.

The security and permanency of continuously receiving even a small but relatively secure payment, is highly appreciated by focus group participants, as shown by the example of the already discontinued payment of allowances for children of 1.5 years and older.³⁰ Many parents expressed dissatisfaction about the fact that they no longer receive "those 50 MDL per child". Although this may have been a very small amount of money, it has been given for a long period of time and offered poor families some minimum degree of financial stability through a secure and constant monthly payment. It offered security, because families could count on this payment and it was received easily (almost no opportunity cost at all).

The bureaucratic process to get access to the previous allowance of 50 MDL was much easier and faster, in comparison to Ajutor Social where, many documents and much paperwork are required.

V. The transition to Ajutor Social – people's perception

In spite of the successful expansion of Ajutor Social, there are substantial opportunities to improve further - many of which have already been independently identified and acted upon by the Ministry prior to finalization of this study. People seem to be better informed regarding how to gain access to Ajutor Social, but not regarding eligibility, reapplication or the estimation of the

³⁰ This allowance was 50 MDL per month and its payment was discontinued when Ajutor Social was established.

transfer amounts. As it stands today, the system of Ajutor Social creates unavoidable inequalities, which are clearly perceived as “unfair” by the population. In fact, even access conditions are not equal, since opportunity costs for the bureaucratic application process are relatively higher for worse off households, to the point of being unaffordable for the most vulnerable ones. Experience in other countries shows that the implementation of Ajutor Social on the ground could be enhanced through a deeper involvement of LPAs. These, however, are not currently in conditions for offering this wider support, given their own resource limitations. While households get very helpful technical support to access Ajutor Social (through social assistants), it would be important to consider what support they require to design an exit strategy in case payments are discontinued.

Ajutor Social for whom?

Interviewed experts recognized that Ajutor Social offers an indisputable benefit for many families which find themselves in difficult situations, but also highlighted that it stimulates some people to be dependent on the state. Even disincentives for a productive life, such as giving up a modest labour income (with wages below levels of Ajutor Social), selling agricultural land or damaging housing conditions – all these measures occasionally taken in order to increase the chances of being approved as beneficiary from Ajutor Social - have been reported and observed. Many people in Moldova still expect the government to help them and solve their problems, rather than making efforts on their own in order to improve their living conditions.

Even if the need for social transfers for vulnerable people is widely recognized, the transition from one mechanism of social protection to another de facto has created a parallel system of social transfers, which produces inequities. These inequities are clearly perceived by the population, but the justification of their existence is hard for them to understand.

According to the perception of focus group participants, groups of people who are often disadvantaged in receiving social aid include: Landowners: ensioners with low pensions, but with an income close to the guaranteed minimum subsistence level or a little higher, *Persons with incomplete personal documentation*, *Households consisting of several families (particularly young families living together with one of their parents' families)*, *in separated households but in the same (housing) space.*, *Families who are renting a furnished or equipped house or flat*, thus apparently having adequate living conditions, but in fact not having any property at all.

LPAs and Social assistants

Ajutor Social could perform much better through a deeper involvement of LPAs. Social assistants and LPAs, however, need adequate conditions to perform this kind of support. Social assistants mentioned not being motivated for work, mainly because of low wages for heavy workloads and responsibilities. Some of them mentioned being better off as beneficiaries of Ajutor Social rather than working in their job.

Experts suggested the need for the following interventions for improving access to Ajutor Social.

- Simplification of the application for Ajutor Social, through the exclusion of some indicators considered irrelevant for correctly explaining income conditions of a household and the consideration of other variables which more accurately predict the current welfare conditions of a household.
- A better cooperation of the labour office, cadastral office, and other institutions with directions of social work in order to reduce opportunity costs for the application. Some experts consider that certain public clerks, in order to avoid additional work and to avoid responsibility, invoke “*the secret of personal data*” when colleagues from other institutions demand certain information on beneficiaries or other kinds of support.
- The creation of a cooperation mechanism between institutions regarding the monitoring of labour migration of beneficiary households.

- The establishing of clear interventions in the case of an improper use of received payments. Positive experiences involving social assistants and other LPA representatives deeper in these tasks already exist.
- The identification of some incentives for beneficiaries to invest the money received from the social aid in some durable goods and productive goods, such as birds or animals or other assets.
- With the exception of certain categories (such as disabled people, elderly persons, etc.), the persons registered at the labour work office should periodically fulfil community service work.
- A permanent training of the social assistants, as well as their improved motivation through higher salaries.
- The need for high quality training for the newly created social inspection.

VI. Poverty impacts of Ajutor Social

In spite of the impressive achievements in improving the targeting of Ajutor Social between 2009 and 2010, ensuring that this programme covers the poorest of the poor households with children remains a challenge to be addressed in the coming years. This is not a specific Moldovan problem, but frequently occurs with means-tested transfer programmes, since this method has technical limitations. After the considerable improvement of the targeting mechanism in 2010, its technical limits seem to have been already reached, with only small gaps left for further technical improvement. Poverty impacts of Ajutor Social are already visible but could even be improved, without involving significant additional financial resources, targeting the poorest households again on nominative definitions, since the means test fails to identify them properly. In doing so, many of the perceived inequities identified in this report could be corrected; the programme would induce more distributive justice and more importantly, reach its objective of benefiting the poorest.

The Law on Ajutor Social, Nr. 133-XVI from 13/06/2008, was defined “with the purpose of ensuring a minimum monthly income to vulnerable families by paying a social aid, established according to the assessment of the monthly average global income of the family and the necessary social insurance in order to make more efficient the system of social payments and their targeting of the poorest persons”.

We have already seen above that Ajutor Social has been successful in reaching households within the lowest 20% and of the lowest 10% of the income distribution, in a greater proportion than similar projects in other European and Central Asian countries, and in a larger share in terms of nominative compensations and allowances. Even if this is a very positive result, it does not tell whether the program manages to achieve one of its main objectives - “targeting (...) the poorest persons”.

On an annual basis, the National Bureau of Statistics (NBS) officially establishes a national line for poverty and for extreme poverty. Extreme poverty is defined as the cost, per adult equivalent per month, of a food basket that yields 2,282 calories per day. The relative poverty line also includes non-food items of basic needs.³¹ Fortunately, extreme poverty rates in Moldova are below 1.5% of the population for 2010, which means that, on average, the extreme poor people have enough food, but lack income for covering other basic needs. Even if 1.5% seems to be a low proportion, we are still talking about some 38,000 persons, only considering households with children, and some 55,000 persons considering all households. Recall that Ajutor Social in 2010 covered some 105,000 people living in any beneficiary households, some 80,000 of them in Q1 (which includes extreme poverty). Since the overall coverage of Ajutor Social doubles roughly the share of people living in extreme poverty in households with children, there are sufficient resources available in the programme to completely eradicate extreme poverty. However, Figure 3 shows that only 7,000 of the poorest persons in households with children

³¹ WB, 2009, page 1.

(22%) are currently covered by Ajutor Social, meanwhile the remaining 30,000 persons are not covered. Hence, Ajutor Social fails to target the poorest of the poor.

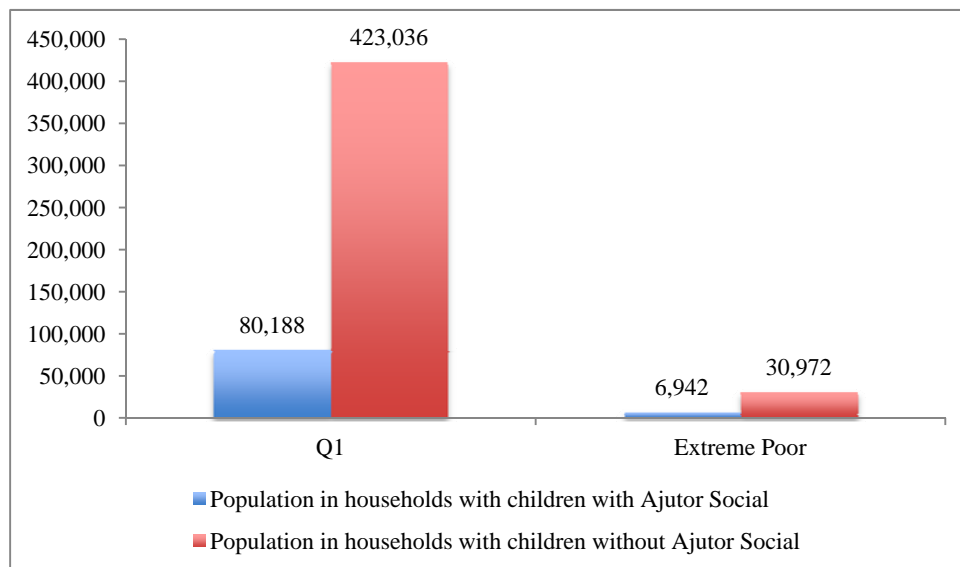


Figure 3. Targeting of Ajutor Social for households with children of Q1 and Extreme Poverty (2010)

Source: Compiled by the authors, based on NBS (HBS) data.

Failing to target the poorest of the poor, however, is not a fault of the Ajutor Social design in Moldova, but rather a general consequence of technical limitations for means-testing the targeting mechanisms. The quality of a means-tested targeting mechanism is always defined by the trade-off between statistically significant variables identified through an econometric exercise, the fact of these variables standing a reality check of income predictors in real life, the possibility to properly monitor these variables in beneficiary households, and the capacity to avoid cheating in the implementation of social transfers.

The performance of income prediction (variable selection and associated coefficients) improved considerably between the pilot project of Ajutor Social in 2008 and 2010, as prominently proved by achievements in an improved targeting. In spite of all these improvements, there are still challenges in reaching the poorest of the poor. This is a common phenomenon for means-tested transfer programmes, and Moldova is not the only country facing this issue. Hence, the remaining technical space is small (which means that the existing targeting mechanism is already of a good quality standard) and that even taking advantage of these spaces would not allow the reach, in a wider context, of extreme poor households with children.

However, it is important to understand that a minimum level of monetary income is required, precisely to make networks and assets perform in a way that provides minimum standards of living. Welfare is not only comprised of networks of services or assets or monetary income, but also a combination of all these elements. In this sense, special attention should be paid to the fact that at least one quarter of households with children at the same time lacks assets, access to services and monetary income to make perform the existing level of assets and services in a way which ensures a decent living standard. Hence, this kind of poverty can only be overcome by providing additional financial resources and access to assets and services for households with children.

Poverty reduction impact of social transfers

World Bank (2011) reports that the estimated impact of poverty reduction that Ajutor Social achieved in 2010 was of “0.8 percentage points (...) in poverty headcount rate (from 21.7% with the program, to 22.5% in the absence of the program)” and that “these impacts are in-line with

expectations; as impacts on national poverty indicators are not expected to be large due to the low coverage of the program in 2010 (only 14.3% of the poorest quintile)".³² At the same time, today's schedule for the on-going reform of social transfers stipulates that "the untargeted (categorical) Nominative Compensation benefits will be eliminated starting in 2012" and that this elimination "would result in a 0.7 percentage point increase in poverty rate in 2012".³³ At the same time, WB projections suggest that the positive impact of a future increase of Ajutor Social (combined with heating allowances) would fully compensate for the welfare loss caused by the elimination of compensations and result in an overall poverty reduction of 1.4% by the end of 2012.

The team's estimates confirm WB data of the expected poverty impact of the elimination of nominative compensations;³⁴ hence, WB simulations on future poverty reduction as a result of Ajutor Social also appear reasonable. Rather than the overall poverty impact, this study is interested in the distribution of the expected income amongst households with children. In order to provide an additional element to the discussion, the team implemented for this study a simulation of the poverty reduction impact of an increase in an additional 16,000 households covered by Ajutor Social, and its distribution on households with children. The rationale of this simulation is the following; between 2009 and 2010, coverage of Ajutor Social increased by roughly 16,000 households, thus Moldovan institutions have already proved to count on resources and capacities to manage this scope of increase.³⁵ Figure 4 shows an expected higher impact on households of Q1 (as during the increase of coverage of Ajutor Social between 2009 and 2010) and a higher impact on households with younger children, but no additional impact for households with more than three children.

These findings are in line with our argument that the means-tested targeting mechanism does not always successfully target the poorest households (which usually have more children), but also leads the attention to the discussion of the per capita amount of monthly transfers of Ajutor Social, since a lower per capita amount of transfers will necessarily lead to a lower relative impact on poverty reduction. Table 3 shows the mean per capita transfers per household members achieved in 2010. The data clearly show that real per capita benefits for households with more children are lower. Behind this phenomenon, we again have the limited capacities of a means-tested targeting mechanism to correctly predict low incomes.³⁶ This finding also suggests that a non-means-tested targeting of households in extreme poverty, or with more than three children, and a nominative definition of the transfer amount (and not paying the difference between the estimated income and a minimum subsistence level) would help considerably to better target the poorest households with children.

Since households with many children require even more social protection, the per capita transfer for these households should be higher than mean values. We are not suggesting that the amount of transfers of a nominative targeting of, for example, all rural households with more than four children currently not covered by Ajutor Social (5,797 households according to HBS 2010) should be fixed at the aforementioned amount of 150 MDL per child. The amount was used as an example. One possible criterion for fixing the amount of payments is to differentiate payments according to different costs of raising a child in different stages of his/her childhood.

³² WB 2011, page 68.

³³ Ibid.

³⁴ Our findings suggest a poverty increase of 0.75 percentage points against 0.7 percentage points estimated by the WB.

³⁵ The simulation is based on HBS 2010, establishing a subsample of eligible households for an increase of Ajutor Social, combined with probabilities that this event occurs. The distribution of the newly selected households along the income distribution roughly reproduces changes observed between HBS 2009 and 2010.

³⁶ See footnote 29 and technical annex.

Table 4 below shows an example of indexes of costs of raising a child.³⁷ The chosen examples refer to the United States, but there are few arguments, which could suggest that the general trends of i) a higher cost for elder children, ii) a stronger relative increase for low-income households and iii) a strongest increase for single parent households should not be true for Moldova as well.

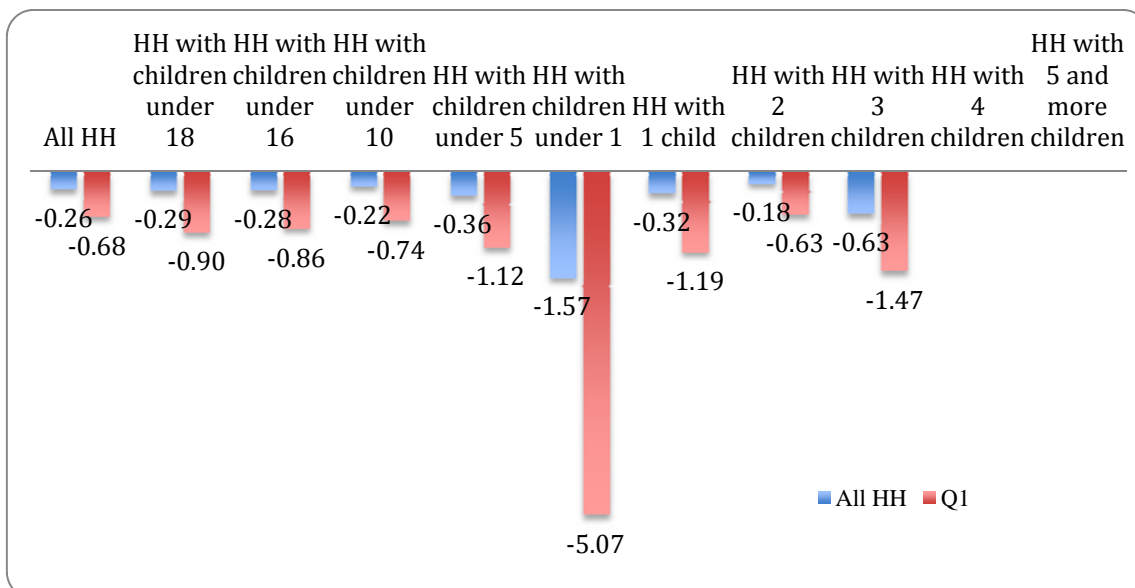


Figure 4. Expected poverty decrease after an increase of Ajutor Social by an additional 16,000 households (percentage points)

Source: Compiled by the authors, based on NBS (HBS 2010) data.

Table 3. Mean per capita transfers of Ajutor Social per number of children for each household

HH TYPE	MDL
HH with 1 child	90.6
HH with 2 children	96.6
HH with 3 children	93.4
HH with 4 children	86.7
HH with 5 or more children	52.0

Source: Compiled by the authors, based on NBS (HBS 2010) data.

Table 4. Cost of raising a child throughout the different stages of childhood

Age	Dual Parent Household			Single Parent Household	
	Lower third of income	Middle third of income	Upper third of income	Lower half of income	Upper half of income
0 to 2	1.00	1.00	1.00	1.00	1.00
3 to 5	1.02	1.03	1.02	1.13	1.08
6 to 8	1.03	1.03	1.01	1.27	1.14
9 to 11	1.04	1.02	1.00	1.18	1.10
12 to 14	1.16	1.10	0.98	1.27	1.17
15 to 17	1.15	1.12	1.09	1.41	1.21

Source: Lino 2006

³⁷ The annual cost of the lowest age group equals an index value 1 and the subsequent age groups are expressed as shares of this index.

Targeting achievements for extreme poor households also draws attention to a different problem: the usefulness of the category of extreme poverty for targeting social policies. Even if the fact of having very low and, at the beginning of the 2000s, fast decreasing rates of extreme poverty in Moldova is a very positive development achievement, the statistical share of extremely poor households becomes very small, which increases the difficulty to target and describe their characteristics accordingly via statistics. Consequently, the design of adequate intervention mechanisms of social policies also becomes difficult and inefficient. It could therefore be more efficient and effective to consider a different categorization – for example, the lowest income decile against the lowest quintile as standard categories for targeting social policies, rather than relative and extreme poverty according to national poverty lines.

VII. Conclusions and Policy Options

The new system of social transfers currently being rolled out in Moldova has been impressively effective in targeting the poorest households, compared to similar projects in other countries. Ajutor Social reaches the poor but still faces challenges to reach the poorest of the poor due to the fact that a means-tested selection mechanism has its technical limitations for identifying the poorest households, many of them households with children.

Ajutor Social currently reaches approximately half of the overall eligible households. It can already be foreseen that even when it reaches a complete coverage of the targeted 70,000 households (according to current selection criteria), reaching extremely poor households or a high share of households with four and more children will remain an issue.

These lessons learned show that while Ajutor Social succeeds in making social transfers more cost- and more result-efficient, efficiency gains remain limited to beneficiary households. Meanwhile, poor non-beneficiary households are at risk of falling back deeper into poverty. These gaps can however be addressed through further adjustments in social aid, as well as complementary social policies.

The past two years of transition to Ajutor Social have shown some lessons learned: a need for a better understanding of eligibility criteria, of determination of transfer amounts, of continuity of payments and of social support for exiting Ajutor Social. Payments need to be fast (approval), secure and regular. A second information (mass media) campaign would be very helpful in addressing these issues and explaining the nature and the unavoidability of mistakes generated through the transition period.

Policy Options

- Continue the expansion of Ajutor Social and target the poorest households (e.g. rural households with four or more children) through allowances, since they remain widely excluded from means-tested targeting and are disadvantaged when it comes to the definition of transfer amounts through the current mechanism.
- If these nominative allowances for the poorest households are adopted, it would be important to take into account differentiated amounts of payment according to the age-specific cost of raising a child.
- For defining the total amount of transfers per household, consider establishing categories of amounts per capita. Doing so would allow government to have clearly predictable expenditure amounts and beneficiaries would know for certain how much money they could count on. In order to maintain the purchase power of such a kind of payments, they can be adjustable according to the consumer price index on a periodical basis.
- Apply means-testing only for households with less than four children and for households without children.
- For very poor households, complement Ajutor Social with other social and public services such as ensuring pre-school education, support to ensure school attendance and periodic health checks during an extended period of childhood (for example, up to 15 years).

- During the transition period from one model of social transfers to another, accompany any withdrawal transfers with up-scaling of Ajutor Social, especially considering the expected impact of the withdrawal on poor households with children.
- One way to ensure a smooth transition would be evaluating households regarding their eligibility for Ajutor Social aid before suspending other kinds of payments from them (in order to have a smooth transition and better control the cash flow in poor households).
- Reduce the application costs of Ajutor Social for the poorest households (e.g. through a one-off first payment subsidy). Current reform proposals from the MLSPF and the WB already address the speed of application approval. This will in fact reduce the time aspect of opportunity costs; however, it does not solve the financial part of application costs. Knowing, for example, that some travel costs would be covered, independently from the approval or disapproval of the application, could encourage a higher number of poor families to initiate the application process.
- Develop clear procedures for intervention and additional social support in cases of improper use of funds (e.g. drug or alcohol abuse) received via Ajutor Social. Therefore, the extension of the referral system for social emergency cases could be considered.



STATISTICAL ANNEX

GDP (resources)	GDP (nominal)		GAV		Agriculture		Industry		Construction		Other activities		Net taxes	
	Million MDL	Growth, %	Million MDL	share in GDP	Million MDL	Growth, %	Million MDL	Million MDL	Growth, %	Million MDL	share in GDP	Million MDL	Growth, %	Million MDL
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
2011	82174.08	106.4	68225	83.0	10071.0	105.5	11296.0	107.1	2801.0	104.7	44057.0	101.3	13949.0	110.4
Quarter 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
Quarter 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
Quarter 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
Quarter 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
Quarter 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
Quarter 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
Quarter 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
Quarter 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
Quarter 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
Quarter 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
Quarter 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
Quarter IV 2011	21677.5	105.7	17424.4	80.4	3404.8	108.9	3091.4	98.5	451.8	93.2	10476.4	86.5	4253.0	114.6

GDP(expenditure)	GDP(nominal)		Final Consumption		GFCF		Stocks		Net Exports	
	Million MDL	Growth, %	Million MDL	Growth, %	Million MDL	Growth, %	Million MDL	Growth, %	Million MDL	Growth, %
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
2011	82174.08	106.4	95911	110.7	19030.5	110.7	1094.4	157.8	-33861.6	110.0
Quarter I 2009	13125.7	93.1	16537.8	63.6	1992.3	63.6	-479.1	-103.3	-4925.2	61.0
Quarter II 2009	14991.5	91.4	17427.7	63.1	3048.6	63.1	-581.5	-53.9	-4903.3	60.7
Quarter III 2009	16537.0	92.5	18819.2	55.6	2598.9	55.6	441.7	68.8	-5322.7	74.5
Quarter IV 2009	15775.5	99.2	15789.4	82.3	6015.1	82.3	948.6	105.5	-6977.6	74.0
Quarter I 2010	14549.4	104.7	18420.7	79.7	1608.7	79.7	269.5	-39.4	-5749.5	98.1
Quarter II 2010	17325.0	106.4	20731.4	113.7	3541.9	113.7	710.0	-130.7	-7658.3	135.6
Quarter III 2010	20454.8	108.0	23198.6	137.0	3686.7	137.0	728.9	142.4	-7159.4	116.3
Quarter IV 2010	19556.3	108.8	20889.6	122.7	7425.3	122.7	-1060.4	-111.4	-7698.2	110.9
Quarter I 2011	16784.3	108.4	21476.2	124.9	2078.1	124.9	497.3	177.8	-7267.3	120.4
Quarter II 2011	19843.3	106.8	23967.4	127.1	4736.9	127.1	-398.8	-59.1	-8462.2	105.8
Quarter III 2011	23869.0	105.3	27872.4	94.8	3753.8	94.8	677.8	86.4	-8435.0	106.7
Quarter IV 2011	21677.5	105.7	22595.0	107.7	8461.7	107.7	318.1	-31.4	-58026.1	109.5

	Intermediate Consumption		Volume of production		Agricultural production		Industrial production	
	Million MDL	Growth, %	Million MDL	Growth, %	Million MDL	Growth, %	Million MDL	Growth, %
2006					13734	98.9	22370.7	112.2
2007	75089.3	106	119502.21	104.6	12825	76.9	26173.5	113.4
2008	91228.94	105.5	143002.49	106	16503	132.1	29988.4	110.4
2009	76857.17	84.2	127666.36	87.6	13300	90.4	22643.9	97
2010	89937.97	108.8	149858.66	107.8	19873	107.9	28140.1	107.9
2011	102416.3	105.8	170641.4	105.7	22120	104.6	27457.4	107.4

	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
2011	7.6	8.4	5.8	8.8
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
Quarter IV 2011	8.5	8.6	6.1	11.5

	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
October 2011	8.9	9.3	6.7	11
November 2011	8.9	9.2	6.5	11.8
December 2011	7.8	7.4	5.2	11.6

	Growth rate of IPPI, % (compared to the same period of previous year)	Growth rate of prices in mining industry, % (compared to the same period of previous year)	Growth rate of prices in manufacturing industry, % (compared to the same period of previous year)	Growth rate of prices in energy sector, % (compared to the same period of previous year)	Growth rate of 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
2011	6.8	2.6	6.3	10.5		10
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	
Quarter IV 2011	8.4	0	7.8	13.1	9.3	

	Growth rate of IPPI, % (compared to the same period of previous year)	Growth rate of prices in mining industry, % (compared to the same period of previous year)	Growth rate of prices in manufacturing industry, % (compared to the same period of previous year)	Growth rate of prices in energy sector, % (compared to the same period of previous year)
January 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
October 2011	8.4	-0.5	8.4	9.7
November 2011	8.8	1.4	8	14.8
December 2011	8.1	-1	7.1	14.8

	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
2011						
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
Quarter IV 2011	11.7	16.3	-5.1	-0.4	-9.1	-4.9

	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
October 2011	11.8	16.1	0.2	-1.1	-4.6	-6.4
November 2011	11.7	15.9	-0.7	-1.6	-5.7	-7
December 2011	11.8	15.6	-3	-3.1	-7.3	-7.6

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)	Tax burden, %
2006	17827.2	23%	17973.9	29%	13058.6	146.7	33%
2007	22292	25%	22415.6	25%	12393.1	123.6	34%
2008	25516.9	14%	26146.9	17%	11604.36	630	34%
2009	23517.7	-8%	27354.3	5%	14622.6	3836.6	32%
2010	27550.9	17%	29328.9	7%	18870.8	1778	31%
2011	30150.5	9%	32117	10%	1958.5	1958.5	31%
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	7598	13%	7643.3	11%	19875.2	1407.9	
Quarter IV 2011	8906	6%	9464.6	9%		1407.9	
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	

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)	Tax burden, %
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	2304.4	5%	2850.9	18%		1909.9	
August 2011	2327.2	10%	2317.9	11%		1900.6	
September 2011	2966.4	24%	2473.7	3%	19875.2	1407.9	
October 2011	2553	9%	2685	10%		1539.9	
November 2011	2526.8	8%	2693.8	-3%		1706.9	
December 2011	3834.2	2%	4085.8	16%		1958.5	
January 2012	1990.9	8%	2087.6	11%		96.7	
February 2012	1951.2	3%	2514.7	10%		660.2	

Period	Loans structure, %								Loans, (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, %			
2005	23.97	6.86	7.8	2.89	0.45	1.32	48.08	2.92	14997885.58	13444.2	2397
2006	18.66	10.6	9.2	2.18	0.71	1.37	48.88	3.38	18843026.11	16590.3	1866
2007	13.85	12.78	14.06	2.03	0.5	0.4	48.57	2.23	26454375.89	26486.8	1385
2008	13.27	14.63	12.92	1.98	0.12	0.18	48.72	1.57	32088011.63	27811.8	1327
2009	15.87	12.54	8.73	3.3	0.05	0.07	51.6	1.42	33008335.6	14246.5	1587
2010	14.85	12.33	8.4	3.61	0.08	0.08	51.44	3.54	35010881.54	23429.8	1485
2011	13.5	12.17	6.7	3.86	0.15	0.04	54.63	2.8	39613543.97		135
Quarter I 2009	13.2	14.58	12.37	1.98	0	0.13	50.2	1.38	30461936.8	24660.8	132
Quarter II 2009	14.98	12.82	11.27	2.24	0.07	0.11	50.22	1.51	29749716.29	24660.8	1498
Quarter III 2009	15.88	12.47	10.25	2.75	0.07	0.07	50.61	1.45	30980486.4	23847.3	1588
Quarter IV 2009	15.87	12.54	8.73	3.3	0.05	0.07	51.6	1.42	33008335.6	23505.4	1587
Quarter I 2010	15.82	12.13	8.45	3.15	0.07	0.05	53.17	1.29	3222470989	23740.4	1582
Quarter II 2010	16.05	12.39	8.18	3.21	0.14	0.06	51.11	2.88	32546028.2	24903	1605
Quarter III 2010	16.17	12.73	8.57	3.77	0.1	0.04	49.54	3.04	38516718.02	25896.4	1617
Quarter IV 2010	14.85	12.33	8.4	3.61	0.08	0.08	51.44	3.54	35013033.34	26915.5	1485
Quarter I 2011	14.75	11.24	8.05	3.66	0.1	0.05	53.41	3.16	36039545.85	27481.8	1475
Quarter II 2011	14.57	11.69	8.23	3.81	0.07	0.05	52.91	2.8	37354219.4	28833.4	1457
Quarter III 2011	13.83	11.91	6.75	4.11	0.05	0.04	54.91	2.54	33483173.31	30076.6	1383
Quarter IV 2011	13.5	12.17	6.7	3.86	0.15	0.04	54.63	2.8	39613543.97	30963	135
jan.10	15.84	12.25	8.73	3.27	0.02	0.05	52.18	1.43	32688158.16	23648.1	1584
feb.10	15.73	12.29	8.56	3.08	0.05	0.06	52.77	1.39	32494778.8	23614.9	1573
mar.10	15.82	12.13	8.45	3.15	0.07	0.05	53.17	1.29	3222470989	23740.4	1582
apr.10	15.87	12.27	8.45	2.92	0.07	0.06	52.96	1.66	32385972.14	23849.4	1587
may.10	16	12.14	8.29	3	0.07	0.05	51.83	2.84	32329699.37	24390	16
jun.10	16.05	12.39	8.18	3.21	0.14	0.06	51.11	2.88	32546028.2	24903	1605
jul.10	16.08	12.57	8.45	3.06	0.11	0.05	51.31	2.85	32829967.34	25312.4	1608
aug.10	16.39	12.84	8.53	3.32	0.1	0.05	50.1	2.75	32848479.57	25660.3	1639
sep.10	16.17	12.73	8.57	3.77	0.1	0.04	49.54	3.04	33483173.31	25896.4	1617

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, %			
oct.10	15.84	12.6	8.48	3.69	0.1	0.04	50.27	2.96	26459.8	33625402.69	41107397.84
nov.10	15.4	12.68	8.41	3.69	0.04	0.06	50.51	3.21	26831.5	34096665.6	41586026.78
dec.10	14.85	12.33	8.4	3.61	0.08	0.08	51.441	3.54	26915.5	35013033.34	42302917.96
jan.11	14.81	12.33	8.3	3.54	0.04	0.07	51.61	3.49	26971.1	35508020.14	42867398.67
feb.11	14.74	11.91	8.2	3.77	0.04	0.06	52.24	3.33	27346	35798645.23	43188907.55
mar.11	14.75	11.24	8.05	3.66	0.1	0.05	53.41	3.16	27481.8	36039545.85	43494259.88
apr.11	15.27	11.79	8.11	3.7	0.04	0.04	52.74	2.97	27844.6	36333330.36	43786457.25
may.11	15.27	11.86	8.18	3.68	0.04	0.04	52.71	2.88	28157.4	36667328.97	44105507.72
jun.11	14.57	11.69	8.23	3.81	0.07	0.05	52.91	2.8	28833.4	37354219.4	44837379.68
jul.11	14.37	12.01	8.47	3.71	0	0.05	52.74	2.83	28776.2	37236029.98	44812702.04
aug.11	14.43	11.99	8.53	3.81	0	0.04	52.55	2.71	29293.3	37905950.26	45623382.56
sep.11	13.83	11.91	6.75	4.11	0.05	0.04	54.91	2.54	30076.6	38516718.02	46322984.98
oct.11	13.82	12.12	6.76	3.8	0	0.03	55.15	2.47	30341.2	38893090.78	46837989.21
nov.11	13.44	12.92	6.78	3.95	0.02	0.04	55.35	2.42	30210.6	38665909.75	46639186.44
dec.11	13.5	12.17	6.7	3.86	0.15	0.04	54.63	2.8	30963	39613543.97	47707871.76
jan.12									31380		
feb.12									31999.3		

Period	Bank Deposits (stock at the end of the period) million. MDL	Deposits structure, %				Veniturile și profitabilitatea, %		Liquidity Indicators, %		Deposit interest rates, %		Loans interest rates, %	
		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, %	In currency, %	In MDL, %	In currency, %
2005	17679.7	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	19809.8	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	20662	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	24085.3	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	23834	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	26942.4	63.28	33.96	66.02	48.45	0.47	2.61	0.67	34.18	7.56	3.42	16.25	9.91
2011	30112.1	63.36	32.21	65.37	46.16	1.95	11.51	0.69	33.17	7.54	3.69	14.37	8.75
Quarter I 2009	22498.4	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	22454.9	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	22318.7	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	23834	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	24162.4	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	24138	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	25594.3	63.05	33.68	64.68	48.88	1.24	6.94	0.67	34.05	7.43	3.48	15.8	9.77
Quarter IV 2010	26942.4	63.28	33.96	66.02	48.45	0.54	3.04	0.67	24.15	7.56	3.42	16.25	9.91

Period	Bank Deposits (stock at the end of the period) million. MDL	Deposits structure,%				Veniturile și profitabilitatea, %		Liquidity Indicators, %		Deposit interest rates, %		Loans interest rates, %	
		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, %	In currency, %	In MDL, %	In currency, %
Quarter I 2011	27950.8	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	29063.6	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	29794.2	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 IV 2011	30112.1	63.36	32.21	65.37	46.16	1.95	11.51	0.69	33.17	8.45	3.83	13.96	7.67
jan.10	24300.4	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	24151	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	24162.4	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	24160.8	63.87	30.83	62.98	50.18	1.51	8.46	0.62	37.55	8.31	3.37	16.85	10.29
may.10	24074.2	63.73	31.59	62.99	49.75	1.78	9.96	0.65	35.55	6.45	3.32	16.81	10.15
jun.10	24138	64.05	31.49	62.95	49.7	1.78	9.94	0.62	34.81	6.65	3.32	16.46	10.49
jul.10	24484.5	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	24546.3	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	25594.3	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	25786.3	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	26255.7	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	26942.4	63.28	33.96	66.02	48.45	0.54	3.04	0.67	34.15	6.54	3.29	14.76	9.25
jan.11	27494.8	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	27890.9	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	27950.8	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	27944.4	66.38	31.37	66.3	48.3	1.7	9.92	0.7	32.82	7.23	3.64	15.05	8.67
may.11	28440.8	65.79	32.07	66.91	47.2	1.82	10.68	0.71	33.34	7.83	3.38	14.59	8.96

Period	Bank Deposits (stock at the end of the period) million. MDL	Deposits structure, %				Veniturile și profitabilitatea, %		Liquidity Indicators, %		Deposit interest rates, %		Loans interest rates, %	
		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, %	In currency, %	In MDL, %	In currency, %
jun.11	29063.6	66.04	31.78	67.06	47.64	1.75	10.32	0.72	31.77	7.28	3.58	14.2	8.9
jul.11	29116.5	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	29577.3	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	29794.2	64.51	32.96	66.69	46.91	1.96	11.53	0.68	31.67	6.87	3.94	14.11	8.86
oct.11	30035.9	64.68	32.61	66.22	46.94	2.12	12.52	0.69	32.91	7.6	4.14	14.03	8.84
nov.11	29976.6	65.09	32.42	66.44	46.38	1.83	10.82	0.68	33.35	7.37	4.07	14.57	8.79
dec.11	30112.1	63.36	32.21	65.37	46.16	1.95	11.51	0.69	33.17	8.45	3.83	13.96	7.67
jan.12	30245.9									7.06	4.03	14.71	8.36
feb.12	30483.8									8.04	4.2	13.9	9.86

	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
2011	10864.5	17385.6	28265.4	40977.1	14345.2
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
Quarter IV 2011	10864.5	17385.6	28265.4	40977.1	14345.2

	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 2010	9170.3	14434.4	23022.3	34764.7	10999.4
October 2010	9454.6	14891.1	23541.6	35241.1	11736.5
November 2010	9459.8	14977.4	23797.1	35715.5	11803.3
December 2010	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 2011	10509.7	16662.5	27140.8	40305.5	14062.5
October 2011	10560.8	16757.1	27326.9	40598.3	14265.8
November 2011	10314.7	16701	27157.5	40292.9	14031.5
December 2011	10864.5	17385.6	28265.4	40977.1	14345.2

	Base rate, %	CNB, mil. MDL (average daily stock)	Intrinst rate for overnight credits, %	Overnight credits, mil. MDL (average daily stock)	Intrinst 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 2010	7	3272.5	10	-	4	277.8	8
October 2010	7	3303.9	10	-	4	255.8	8
November 2010	7	3347.4	10	-	4	273.5	8
December 2010	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 2011	10	2723	12/13	-	6/7	230.2	14
October 2011	10	2647.1	13	-	7	150.2	14
November 2011	10	2783	13	-	7	186.8	14
December 2011	9.5	2717.1	12.5	-	6.5	295.4	14

Period	Value of total trade, mil. USD				Exports, mil. USD				Imports, mil. USD				Net exports, mil. USD	The coverage of imports by exports, %
	Total	CSI	UE	Alte tari	Total	CSI	UE	Alte tari	Total	CSI	UE	Alte tari		
2006	3744.8	1444.5	1755.4	544.9	1051.6	423.7	536.9	91	2693.2	1020.8	1218.5	453.9	-1641.6	39.0
2007	5031.2	1882.6	2359.9	788.7	1341.7	548.9	678.9	113.9	3689.5	1333.7	1681	674.8	-2347.8	36.4
2008	6490	2360.3	2925.4	1204.3	1591.2	623	820.1	148.1	4898.8	1737.3	2105.3	1056.2	-3307.6	32.5
2009	4565.80	1632.20	2088.60	845.00	1287.50	490.40	667.40	129.70	3278.30	1141.80	1421.20	715.30	-1990.8	39.3
2010	5396.80	1880.90	2433.10	1082.80	1541.50	624.00	728.90	188.60	3855.30	1256.90	1704.20	894.20	-2313.8	40.0
2011	7413.70	2632.90	3344.70	1436.10	2221.60	919.40	1087.80	214.50	5192.00	1713.50	2256.90	1221.60	-2970.4	42.8
Quarter I 2009	1033.50	417.60	427.80	188.10	279.70	94.90	154.20	30.60	753.80	322.70	273.60	157.50	-474.1	37.1
Quarter II 2009	1044.80	349.80	511.20	183.80	300.90	112.30	159.70	28.90	743.90	237.50	351.50	154.90	-443	40.4
Quarter III 2009	1100.10	373.00	535.00	192.10	315.20	120.10	163.90	31.20	784.90	252.90	371.10	160.90	-469.7	40.2
Quarter IV 2009	1387.40	491.80	614.60	281.00	391.70	163.10	189.60	39.00	995.70	328.70	425.00	242.00	-604	39.3
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	39.6
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	-608.3	33.4
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	39.6
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	45.4
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	43.6
Quarter II 2011	1797.9	579.3	865.8	352.8	521.9	212.7	255.1	54.1	1276	366.6	610.7	298.7	-754.1	40.9
Quarter III 2011	1869.1	651.8	862.9	354.4	549.4	237.9	276.2	35.4	1319.6	413.9	586.7	319	-770.2	41.6
Quarter IV 2011	2170.2	814.7	927.1	428.4	672	292.9	313	66.1	1498.2	521.8	614.1	362.3	-826.2	44.9

MOLDOVAN ECONOMIC TRENDS

Period	Value of total trade, mil. USD						Exports, mil. USD						Imports, mil. USD						Net exports, mil. USD	The coverage of imports by exports, %
	Total		Alte tari		UE		Total		Alte tari		UE		Total		Alte tari		UE			
	CSI	UE	Alte tari	Total	CSI	UE	Alte tari	Total	CSI	UE	Alte tari	Total	CSI	UE	Alte tari	Total	CSI	UE		
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	41.0						
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	42.8						
Mar-10	425.9	149.1	190.8	86	113.3	45.6	54.2	13.5	312.6	103.5	136.6	72.5	-199.3	36.2						
Apr-10	391.9	128.8	186.9	76.2	99	41.7	46.4	10.9	292.9	87.1	140.5	65.3	-193.9	33.8						
May-10	403.4	123.4	192.8	87.2	106.3	39	48.7	18.6	297.1	84.4	144.1	68.6	-190.8	35.8						
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	30.7						
Jul-10	431.4	131.9	214.1	85.4	117.4	42	60.9	14.5	314	89.9	153.2	70.9	-196.6	37.4						
Aug-10	421.8	143.3	188.4	90.1	120.3	49.0	52.4	18.9	301.5	94.3	136	71.2	-181.2	39.9						
Sep-10	488.1	173	225	90.1	143.1	61.4	65	16.7	345	111.6	160	73.4	-201.9	41.5						
Oct-10	547.4	205.1	241.3	101	174	77.4	79.7	16.9	373.4	127.7	161.6	84.1	-199.4	46.6						
Nov-10	606.2	222	266.6	117.6	200.8	85.4	90.7	24.7	405.4	136.6	175.9	92.9	-204.6	49.5						
Dec-10	618.9	229.3	260.5	129.1	179	70.7	82.7	25.6	439.9	158.6	177.8	103.5	-260.9	40.7						
Jan-11	419.2	162.8	173.3	83.1	134.4	42.5	69.9	22	284.8	120.3	103.4	61.1	-150.4	47.2						
Feb-11	516.9	191.6	227.3	98	161	56.6	84.1	20.3	355.9	135	143.2	77.7	-194.9	45.2						
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	40.0						
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	41.7						
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	39.7						
Jun-11	589.8	190.8	282.7	116.3	172.5	72.2	82.3	18	417.3	118.6	200.4	98.3	-244.8	41.3						
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	43.6						
Aug-11	606.6	218	276.5	112.1	186	77.1	97.7	11.2	420.6	140.9	178.8	100.9	-234.6	44.2						
Sep-11	666.8	237.7	296.5	132.6	182.5	81.9	88.2	12.5	484.2	155.8	208.3	120.1	-301.7	37.7						
Oct-11	679.6	250.5	299.2	129.9	211.2	97.6	96.5	17.1	468.4	152.9	202.7	112.8	-257.2	45.1						
Nov-11	737.5	277.7	312.9	146.9	242.7	101.1	116	25.6	494.8	176.6	196.9	121.3	-252.1	49.1						
Dec-11	753.1	286.5	315	151.6	218.1	94.2	100.5	23.4	535	192.3	214.5	128.2	-316.9	40.8						
Jan-12	419.16	162.887	173.25	83.023	134.39	42.547	69.87	21.973	284.77	120.34	103.38	61.05	-150.38	47.2						

Period	Value indices of exported goods (the same period of the previous year=100), %	Value indices of imported goods (the same period of the previous year=100), %	Unit value indices of exported goods (the same period of the previous year=100), %	Unit value indices of imported goods (the same period of the previous year=100), %	Volume indices of exported goods (the same period of the previous year=100), %	Volume indices of imported goods (the same period of the previous year=100), %	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	104	117.5	96.4	109	93	108	292.9	0.01	30.9	79	239.7	1258.2	1182
2007	109	137	127.6	110	117	125	374.7	0.01	30.5	83.8	533.6	1843.7	1498
2008	113	132.8	118.6	116	105	114	445.4	0.01	26.3	80.9	712.8	2566.6	1897
2009	87	66.9	80.9	89	93	75	360.9	0.01	23.7	60.3	127.8	2649.6	1211
2010	103	117.6	119.7	103	117	114	432.6	0.01	26.5	66.4	197.4	2837.5	1316
2011							624.2	0.05	31.7	74.2	274.1	3163.1	1611.7
Quarter I 2009	81.8	72.1	87	100	94	72					42.5	2573.0	220.2
Quarter II 2009	77.1	57.8	86	85	90	68					16.6	2595.9	301.9
Quarter III 2009	67.8	58.6	84	83	81	71					43.3	2641.0	332.4
Quarter IV 2009	99.4	81.1	94	94	106	86					25.5	2649.6	356.3
Quarter I 2010	111.9	101.3	101	95	111	107					45.5	2678.2	255.1
Quarter II 2010	102.4	122.7	100	102	102	120					36.0	2691.7	319.6
Quarter III 2010	124	122.4	103	104	120	118					70.1	2797.8	396.1
Quarter IV 2010	145.8	122.4	108	106	135	115					45.9	2837.5	399.1
Quarter I 2011	158.2	144	109	110	145	131					60.1	2958.2	312.7
Quarter II 2011	171.5	139.8	110	112	156	125					72.0	3042.4	407.8
Quarter III 2011	144.3	137.4	111	112	130	123					69.1	3098.0	453.6
Quarter IV 2011	121.3	122.9	103	108	118	114					72.9	3163.3	437.5

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	Ukraine	USA	EU 27	Romania	Ukraine	USA	EU 27	Romania	Russia	Ukraine
2006	1025967.0	1458232.1	32479.6	303551.0	1919427.0	1699483.6	4352696.2	164288.0	893460.0	-241251.5	-4320216.5	139271.0	-6670.6
2007	1148198.0	1702766.5	40559.3	354403.0	2020403.0	1966878.0	70553.6	223488.0	-872205.0	-264111.5	-29994.4	130915.0	-11321.9
2008	1287442.1	1929083.2	49699.6	471606.0	2169487.0	2305252.5	84315.8	291861.0	-882044.9	-376169.3	-34616.2	179745.0	-18580.9
2009	1056043.0	1532196.0	40673.4	303388.0	1605295.7	1680523.1	54463.7	191804.0	-549252.7	-148327.1	-13790.3	111584.0	-5705.0
2010	1278138.7	1785319.1	49352.1	400132.0	1968070.6	1988894.1	61909.7	247740.0	-689931.9	-203575.0	-1257.6	151392.0	-9433.0
2011	1480543.2	2130716.4	62523.1	524858.0	2265735.4	2335449.9	75866.5	297393.0	-785192.2	-204733.5	-13343.4	227465.0	-14112.0
Quarter I 2009	246347.9	332601.8	8565.0	57265.0	364874.6	397850.5	11435.5	38483.0	9779.0	-118526.7	-65248.7	28782.0	-1475.0
Quarter II 2009	251303.0	366888.7	9586.5	68113.0	373316.5	392802.9	12940.2	43929.0	9995.0	-122013.5	-25914.2	3353.7	24184.0
Quarter III 2009	264408.2	396943.6	10889.7	82451.0	419012.0	428384.8	14434.8	49050.0	11801.0	-154603.8	-31441.2	33401.0	-1646.0
Quarter IV 2009	293983.9	435761.9	11632.3	95559.0	448092.6	461484.9	15653.3	60342.0	13912.0	-154108.7	-25723.0	35217.0	-1612.0
Quarter I 2010	296861.1	406669.1	10938.2	92240.0	439612.3	462359.1	13773.0	45710.0	11796.0	-142751.2	-56990.0	46530.0	-1459.0
Quarter II 2010	314971.8	426610.7	11724.2	97400.0	491893.9	475963.3	15308.0	58167.0	13793.0	-176922.1	-49352.6	39233.0	-1037.0
Quarter III 2010	318773.0	453980.6	12508.6	97615.0	517113.0	503061.9	15254.0	68408.0	16268.0	-198340.0	-49081.3	29207.0	-3069.0
Quarter IV 2010	347532.8	498058.7	14181.1	112877.0	519451.4	547509.8	17574.7	76455.0	19054.0	-171918.6	-49451.1	3393.6	36422.0
Quarter I 2011	351002.3	502328.7	15126.8	113691.0	522992.7	570425.8	17184.7	64567.0	18495.0	-171990.4	-68097.1	2057.9	49124.0
Quarter II 2011	370821.3	542452.7	15769.6	135520.0	574251.6	601315.0	20095.2	82429.0	19837.0	-203430.3	-58862.3	4325.6	53091.0
Quarter III 2011	374358.0	541104.4	16096.1	130993.0	587681.4	594205.5	19305.5	60145.0	21125.0	-213323.4	-53101.1	3209.3	70848.0
Quarter IV 2011	384361.6	544830.6	15530.5	144654.0	580809.7	569503.6	19281.1	90252.0	23111.0	-196448.1	-24673.0	54402.0	-4605.0
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
Feb-10	93691.1	131775.7	3506.8	30555.0	3375.0	141986.2	4397.6	15523.0	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	-12074.3	-1263.3	15188.0
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	14320.0
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
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
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
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
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
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
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
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
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
Feb-11	109797.2	165246.8	4777.2	39017.0	4719.0	161069.7	178293.7	5310.6	16130.0	6378.0	-51272.5	-13046.9	-533.4
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
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
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
Jun-11	122920.0	179485.4	5385.3	44862.0	6159.0	197034.5	197034.5	6601.9	27482.0	6772.0	-174525.2	-17548.6	-1216.6
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
Aug-11	126765.5	176012.85	4965.4032	44592	5780	2011357.2	2011705	6184.271	29921.0	7214.0	-74591.7	-25497.3	-1222.9
Sep-11	12719.2	181602.48	5767.9776	43765	5977	194066.1	195717.8	6754.874	7384.0	7384.0	-66849.7	-14515.1	-1017.3
Oct-11	131322.7	180388.09	5635.6331	46297	5756	196582.4	196644.2	6708.9	29387.0	7544.0	-65259.7	-16256.1	-1073.3
Nov-11	126191.8	185755.56	5573.9561	47378	6276	195078.9	196227.3	6858.9	30326.0	7677.0	-68887.1	-10471.7	-1285.0
Dec-11	126847.1	178686.94	4320.8669	50979	6474	189148.4	176632.1	5713.2	30539.0	7890.0	-62301.3	2054.9	-1392.4
Jan-12	118232	157123.8	4462.1619	40128	5327	188383.8	187825.69	5057.9857	19595	5385	-70151.8	-30701.9	-595.8

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

Period	Financial result (profit) by districts mln MDL				Financial result (profit) by size of enterprises mln MDL				
	Total by country	Mun. Chisinau	Total by country	Mun. Chisinau	Total by country	Mun. Chisinau	Total by country	Mun. Chisinau	Total by country
2005	5765.88	4431.55	657.54	445.43	5765.88	2215.78	823.4	1048.29	344.09
2006	7915.78	6333.3	891.19	455.54	7915.78	3321.29	1198.15	1467.67	655.47
2007	13209.86	10506.7	1347.16	885.16	13209.86	5394.45	1923.46	2496.37	974.62
2008	18864.29	13907.56	2691.58	1482.46	18864.29	7531.54	2419.32	4000.71	1111.51
2009	12442.59	9623.62	1206.04	933.55	12442.59	5920.23	1807.72	3038.08	1074.43
2010	13169.8	9754.4	1766.3	918.9	13169.8	5456.9	1931.5	2842.4	683
Period	Registra- tion of enter- prises	Liquida- tion of enter- prises							
2007	11480	1915							
2008	9902	3001							
2009	7220	3274							
2010	6488	3177							
2011	6740	3430							
Q I 2007	3499	417							
Q II 2007	2578	535							
Q III 2007	2308	434							
Q IV 2007	3095	529							
Q I 2008	3445	573							
Q II 2008	2152	721							
Q III 2008	2194	883							
Q IV 2008	2111	824							

MOLDOVAN ECONOMIC TRENDS

Social and Demographic Indicators		Demographic situation											
		Live-births		Deceased		Infant deaths		Natural increase		Marriages		Divorces	
		Natural population growth factor: per 1000 people - births	Number of live-births - total (pers.)	Natural population growth factor: per 1000 people - deaths	Number of deceased - total (pers.)	Natural population growth factor: per 1000 live-births - infant deaths	Number of infant deaths - total (pers.)	Natural population growth factor: natural increase per 1000 people	Natural increase (pers.)	Natural population growth factor: per 1000 people - marriages	Number of marriages (number)	Natural population growth factor: per 1000 people - divorces	Number of divorces (number)
TOTAL 2006	3589.9	10.5	37587	12.0	43137	11.8	442	-1.5	-5550	7.6	27128	3.5	12594
TOTAL 2007	3581.1	10.6	37973	12.0	43050	11.3	428	-1.4	-5077	8.2	29213	3.9	13923
TOTAL 2008	3572.7	10.9	39018	11.8	41948	12.2	473	-0.9	-2930	7.5	26666	3.5	12601
TOTAL 2009	3567.5	11.4	40803	11.8	42139	12.1	493	-0.4	-1336	7.5	26781	3.3	11884
TOTAL 2010	3563.7	11.4	10474	12.3	43631	11.6	476	-0.9	-3157	7.4	26483	3.2	11504
January		10.9	3309	13.2	3993	11.5	38	-2.3	-684	4.8	1454	3.3	991
Q1 February		11.1	6390	13.2	7568	11.9	76	-2.1	-1178	5.3	3033	3.2	1817
March		11.0	9640	13.1	11517	11.3	109	-2.1	-1877	4.7	4130	3.3	2879
April		10.7	12510	12.7	14828	11.7	146	-2.0	-2318	4.3	5051	3.2	3741
Q2 May		10.5	15410	12.4	18181	11.4	176	-1.9	-2771	5.1	7516	3.1	4636
June		10.5	18602	12.0	21205	11.3	210	-1.5	-2603	5.5	9637	3.2	5565
July		10.7	22098	11.6	24044	11.5	254	-0.9	-1946	5.7	11689	3.2	6522
Q3 August		10.7	25385	11.2	26512	11.4	289	-0.5	-1127	6.1	14530	3.1	7273
September		11.0	29408	11.0	29336	11.0	324	0.0	72	7.0	18601	3.0	8057
October		11.1	32905	10.9	32342	10.7	355	0.2	563	7.4	22072	3.0	8882
Q4 November		11.1	36235	11.0	35887	10.8	390	0.1	348	7.6	24837	3.0	9848
December		11.0	39162	11.0	39234	11.0	430	0.0	-72	7.3	25887	3.1	11119
TOTAL 2011	3560.4	11.0	39162	11.0	39234	11.0	430	0.0	-72	7.3	25889	3.1	11119
2012 Q1 January	10.5												

Social and Demographic Indicators	Labour market																		
	Number of economically active population (thou. pers.)				Activity rate, %				Number of employed (thou. pers.)		Employment rate, %				ILO unemployed (thou. pers.)		Unemployment rate, %		
	Total	men	women	rural	Total	men	women	rural	Total	men	women	urban	rural	Total	men	women	urban	rural	
TOTAL 2006	1357.2	46.3	50.0	43.0	49.7	43.7	43.7	1257.3	42.9	45.5	40.5	45.2	41.2	99.9	7.4	8.9	5.7	5.8	
TOTAL 2007	1313.9	44.8	47.8	42.2	47.1	43.1	43.1	1247.2	42.5	44.8	40.5	43.8	41.6	66.7	5.1	6.3	3.9	3.6	
TOTAL 2008	1302.8	44.3	47.3	41.5	47.1	42.2	42.2	1251.0	42.5	45.2	40.1	44.5	41.0	51.7	4.0	4.6	3.4	2.7	
TOTAL 2009	1265.3	42.8	46.2	39.7	47.4	39.3	39.3	1184.4	40.0	42.6	37.7	43.6	37.4	81.0	6.4	7.8	4.9	5.0	
TOTAL 2010	1235.4	41.6	45.0	38.6	47.2	37.5	37.5	1143.4	38.5	40.9	36.4	42.7	35.4	92.0	7.4	9.1	5.7	5.4	
2011																			
Q1																			
January																			
February	1137.7	38.2	41.3	35.5	46.6	32.1	32.1	1030.5	34.6	36.4	33.0	41.9	29.3	107.2	9.4	11.9	6.9	8.8	
March																			
April																			
Q2																			
May	1328.7	44.7	49.2	40.5	49.6	41.0	41.0	1246.1	41.9	45.8	38.4	45.7	39.0	82.6	6.2	7.0	5.3	4.7	
June																			
July																			
Q3																			
August	1347.2	45.3	48.3	42.6	48.1	43.2	43.2	1276.2	42.9	45.5	40.6	44.7	41.6	71.0	5.3	5.7	4.8	3.7	
September																			
October																			
Q4																			
November	1216.4	40.9	43.5	38.5	47.8	35.8	35.8	1141.1	38.4	40.5	36.4	44.0	34.3	75.3	6.2	6.8	5.6	4.4	
December																			
TOTAL 2011	1257.5	42.3	45.6	39.3	48.0	38.0	38.0	1173.5	39.4	42.1	37.1	44.1	36.0	84.0	6.7	7.7	5.6	5.2	

Social and Demographic Indicators	Subsistence minimum																				
	Population of working age – TOTAL MDL				Subsistence – average, Urban, MDL				Population of working age – URBAN MDL				Subsistence – average, Rural, MDL				Population of working age – RURAL MDL				
	Total		Children		Total		Children		Total		Children		Total		Pensioners		Children				
TOTAL 2006	987.0	800.3	851.9	333.6	736.9	952.2	1034	1075.7	875.1	961.3	375.9	833.9	1079.6	865.6	916.7	759.8	792.8	308.1	683.5	884.8	
TOTAL 2007	1159.5	943.4	1002.7	394.3	871.2	1118.8	1189.2	1237.2	1006.1	1105.3	434.4	963.3	1238.9	1036.3	1098.1	909.4	947.3	370.0	820.5	1055.3	
TOTAL 2008	1446.5	1167.4	1267.4	491.0	1091.8	1400.0	1482.8	1544.3	1251.1	1405.0	543.6	1213.3	1564.7	1287.6	1364.6	1119.6	1193.0	459.3	1025.0	1312.9	
TOTAL 2009	1251.1	1022.8	1112.0	451.0	964.3	1228.3	1295.3	1344.3	1106.8	1240.0	503.3	1076.3	1376.5	1112.4	1173.6	974.8	1042.8	421.2	900.8	1151.9	
TOTAL 2010	1453.1	1184.3	1258.1	498.8	1095.9	1409.3	1498.1	1567	1277.3	1397.9	555.5	1220.3	1576.1	1285.2	1362.8	1127.3	1182.7	466.3	1024.4	1323.1	
January																					
Q1 February	1551.0	1275.4	1358.7	577.6	1235.0	1499.7	1618.2	1689.0	1386.9	1522.6	647.9	1386.6	1692.0	1366.6	1442.1	1204.1	1269.8	536.0	1147.1	1399.8	
March																					
April																					
Q2 May	1587.3	1311.1	1370.4	579.1	1225.4	1523.8	1658.9	1736.0	1428.5	1636.2	650.0	1376.8	1720.4	1391.4	1470.0	1236	1280.3	573.1	1137.7	1421.6	
June																					
July																					
Q3 August	1454.6	1206.8	1299.4	572.7	1150.3	1449.0	1496.5	1559.9	1282.4	1417.0	626.0	1258.3	1591.0	1307.9	1371.5	1158.4	1235.6	541.1	1087.6	1375.2	
September																					
October																					
Q4 November	1483.6	1220.0	1339.0	590.0	1203.3	1483.5	1576.0	1638.1	1344.8	1517.4	669.0	1366.0	1693.0	1300.2	1361.6	1140.2	1242.2	543.2	1109.0	1374.6	
December																					
TOTAL 2011	1582.8	1305.6	1391.4	590.6	1238.3	1550.1	1649.9	1722.3	1414.9	1551.3	659.5	1384.0	1740.7	1398.3	1472.8	1235.6	1304.5	549.8	1153.8	1451.1	

2011

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												
	employment activity	individual agricultural activity	individual non-agricultural activity	property income	social benefits	etc.	food	alcoholic beverages, tobacco	clothing, footwear	household maintenance	endowment house	medical and health care	transportation	communications	recreational activity	education	hotels, restaurants, cafes etc.	etc.	
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	48.9	9.8	4.3	0.3	16.6	20.1	42.9	1.7	10.0	16.9	3.2	6.1	6.1	4.5	1.4	1.2	2.0	4.0	
February																			
March																			
April																			
Q2	44.0	10.1	6.6	0.6	19.2	19.5	43.0	1.8	10.1	18.0	3.6	5.4	5.2	4.3	1.3	1.1	2.1	4.2	
May																			
June																			
July																			
Q3	42.4	9.9	8.8	0.6	18.0	20.3	41.4	1.5	10.2	19.7	4.4	5.1	5.2	4.1	1.9	1.0	1.5	3.9	
August																			
September																			
October																			
Q4	43.8	10.0	7.2	0.1	18.3	20.6	42.5	2.1	11.1	17.4	3.4	4.9	4.5	4.6	2.1	1.2	1.9	4.0	
November																			
December																			
TOTAL 2011	44.7	10.0	6.8	0.4	18.1	20.1	42.5	1.8	10.4	18.1	3.6	5.4	5.2	4.4	1.7	1.1	1.9	4.0	

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	MDL	USD	EUR	Total	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	114.2	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	108.4	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	108.7	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	108.6	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	100.7	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	
January	2835.6	232.1	173.7	109.2	110.6	118.1	102.3		627.2					810.9										
Q1 February	2884.5	240.2	175.9	111.4	118.2	118.5	105.4																	
March	2985.1	249.8	178.7	108.1	113.9	110.7	102.2																	
April	3134.6	268.1	185.8	113.7	121.4	112.8	106.8		625.2					813.5										
Q2 May	3216.0	277.4	192.8	112.9	123.4	108.3	105.5																	
June	3556.2	306.9	213.5	120.0	133.5	113.5	111.4																	
July	3261.8	282.6	197.9	111.0	121.1	108.0	102.5		627.4					875.6										
Q3 August	3174.8	279.1	194.7	108.5	115.8	104.2	99.4																	
September	3159.3	272.4	197.2	109.1	115.1	108.5	100.3																	
October	3161.7	268.1	195.8	110.4	110.1	111.7	101.4		635.2					873.9										
Q4 November	3231.0	275.7	203.0	109.8	110.5	111.6	100.8																	
December	3707.4	314.4	238.4	108.4	111.7	111.9	100.6																	
TOTAL 2011	3193.9			111.6																				
2012																								
Q1 January	3139.0			110.7					638.6					873.9										

MOLDOVAN ECONOMIC TRENDS

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	Total	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	1576	255	409	389	268	13184	9419	152	950	1065	171	65	2310	2101	307	64	4296	611	114	1006	848	
TOTAL 2007	24362	1685	216	408	423	281	12614	9724	153	868	860	117	48	2376	2182	266	51	2862	493	87	934	780	
TOTAL 2008	24788	1680	233	385	474	306	12540	9642	175	986	870	135	64	2382	2126	242	50	3015	266	177	943	772	
TOTAL 2009	25655	1667	240	369	402	264	12222	9136	205	1003	1066	118	52	2065	1879	168	42	2452	251	292	927	767	
TOTAL 2010	33402	1892	265	416	557	368	18104	13646	185	1204	1841	395	64	1983	1794	204	23	1053	170	376	1122	955	
January																							
Q1 February	7513	324	37	81	92	57	4374	3362	35	304	356	125	9	406	376	121	9	277	38	139	292	252	
March																							
April																							
Q2 May	16389	781	102	151	217	125	9276	7248	75	570	713	273	21	848	768	262	12	679	86	352	614	529	
June																							
July																							
Q3 August	25482	1258	160	244	356	214	14143	10996	107	867	1156	396	28	1386	1273	426	20	1003	132	514	955	831	
September																							
October																							
Q4 November	35124	1799	216	360	461	291	19340	15060	152	1151	1574	554	44	1810	1658	597	24	1384	211	681	1342	1152	
December																							
TOTAL 2011	35124	1799	216	360	461	291	19340	15060	152	1151	1574	554	44	1810	1658	597	24	1384	211	681	1342	1152	

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