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GENERAL DATA

Official name	REPUBLIC OF MOLDOVA
Capital	Chisinau
President	Nicolae Timofti
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 – 34, the Liberal Democrat Party of Moldova – 31, the Democrat Party of Moldova – 15, Liberal Party – 12, unaffiliated deputies – 9)
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 Dniester
Resident population	3,559.5 thousand
Main religions	Orthodox (93.34%), Protestant (1.98%), Old-rite Christian (0.15%), Catholic (0.14%), etc.
National currency	Moldovan Leu (1 USD = 12.4568 MDL, 1 EUR = 15.6822 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 FROM THE REPUBLIC OF MOLDOVA

The end of 2012 was characterized by a series of political, economic and social events.

October 03

The President of the Republic of Moldova, Nicolae Timofti, held a speech before the deputies of the Parliamentary Assembly of the Council of Europe. The head of state spoke of the European aspirations of the Republic of Moldova and insisted on the necessity of withdrawing Russian troops from its territory.

October 19

The draft law on the introduction of a road tax for the cars registered outside the Republic of Moldova was approved in its final form. According to the new form of the draft, the value of this tax shall be: 7 days – 3 EUR, 15 days – 4 EUR, 30 days – 7 EUR, 90 days – 15 EUR and 180 days – 25 EUR. The law shall become effective as of November. It is estimated that the road tax shall annually bring to the state budget 25 million EUR, which shall be invested in the road infrastructure.

October 25

The Parliament of the Republic of Moldova appointed the directors of the Intelligence and Security Service, the National Integrity Commission and the National Anti-corruption Center. Thus, Mihai Balan became the Director of the Intelligence and Security Service of the Republic of Moldova, Anatol Donciu became the President of the National Integrity Commission, and Viorel Chetraru was appointed the Director of the National Anti-corruption Center.

November 02

The State Budget Law for 2013 was voted in its final form by the majority of the European Integration Alliance deputies. It forecast revenues of 22.7 billion MDL and expenses of 23.6 billion MDL. The draft provides a budget deficit of 874 million MDL, 5% economic growth, the annual inflation rate shall be 5%, exports and imports shall increase by 13% and 10%, respectively, and the average monthly nominal salary shall increase by over 11% compared to 2012, reaching 3,950 MDL. Compared to 2012, the state budget deficit shall be reduced by 31.2 million MDL. According to the law, the predominant volume of available public resources shall be directed towards the social field – 67.4% of the total public expenses, followed by economic expenses, which represent 14.3% of the expenses of the national public budget.

November 16

The US House of Representatives voted for canceling the Jackson-Vanik amendment with 365 votes for and 43 votes against. The respective amendment was passed by the US Congress in 1974 during the cold war between USA and USSR. It banned a preferential trade treatment for the countries which seriously breached or restrained the rights to emigrate of their citizens. The amendment was canceled for 4 states from the CIS area: Kyrgyzstan, Georgia in 2000, Armenia, in 2004, Ukraine – in 2005.

November 20-23

The 4th Round of Negotiations on the Deep and Comprehensive Free Trade Agreement (DCFTA) between RM and EU took place at Brussels, between November 20 and November 23. Within the negotiations the parties discussed the fee offers for the access of products on the market, offers

were exchanged for the access on the service market, and the discussions on the chapters of the Agreement on intellectual property, sanitary and phytosanitary measures and technical barriers. Regarding the chapter of market products and services, the parties agreed that they would review the negotiated fee offers and would negotiate them during the following round. There were also debates on the potential liberalization of the industrial sector. Regarding the agricultural sector, there were discussions about the volumes of shares in meat, eggs, sugar, vegetables and fruits, grains, wine, cigarettes. In the field of services, there was an exchange of offers regarding the liberalization of certain service sectors. The initial offers of the parties are based on the commitments assumed by the Republic of Moldova and EU within the GATS Agreement of OMC. The delegations discussed the possibility of concluding a new agreement with a higher degree of liberalization than the current one, and also by assuming new commitments in the sectors of interest for the parties.

November 28-30

The fifth round of negotiations in the "5+2" format took place in Dublin, Ireland between November 28 and November 30. The political representative of Chisinau, Eugen Carpov, emphasized that the positions of both parties were similar and a consensus was reached in resolving several problems. Following the talks the parties also agreed to organize as soon as possible the session of the operational sub-group in the banking field in order to identify fields of interest, to analyze the existing problems and to find adequate solutions. A separate aspect of the talks was the initiative of creating an operational sub-group in the field of human rights protection, with the participation of the academic media, the institutions of the civil society from both sides of the river Dniester specialized in this field and relevant international organizations, in order to protect human rights and monitor their compliance in the region. The participants also agreed to intensify the cooperation on the level of the civil society and of the mass media from Chisinau and Tiraspol.

November 30

The President of the European Commission, Jose Manuel Barroso, visited the Republic of Moldova. He had meetings with the top leaders of the country and the leaders of parliamentary parties, and then held a speech at the National Palace and met with the collaborators of the EU Delegation. Within the visit, two financial aid agreements were signed, due to which the Republic of Moldova shall receive 11 million EUR for investments in the health and education system.

December 02-03

On December 02-03, the President of the Republic of Poland, Bronislaw Komorowski, visited the Republic of Moldova. During the visit, President Bronislaw Komorowski met with President Nicolae Timofti, Prime Minister Vlad Filat, the President of the Parliament of the Republic of Moldova, Marian Lupu, and the leaders of parliamentary fractions. President Bronislaw Komorowski said that Poland would support the Republic of Moldova in its closeness to the West, and would also encourage EU institutions to remove visas for this country as soon as possible. In the presence of the two presidents, the executive protocol to the agreement on the cooperation in education, culture and science, and the final protocol of the 3rd session of the Mixed inter-government commission for economic cooperation were signed. The Presidents of Poland and Moldova launched the Conference "Experience of local democracy in the transformation process" and the Polish-Moldavian Forum of Business People. Within the meeting of the Presidents of RP and RM with intellectuals and scientists, President Bronislaw Komorowski was awarded the title of doctor honoris causa of the Academy of Sciences of Moldova.

December 27

The Parliament of the Republic of Moldova passed in two sessions the draft law on the increase of the road maintenance tax. Thus, both Moldovan migrants and the citizens of other states shall pay 4 EUR to drive for one week on national roads. For 15 days the road tax shall be 8 EUR. If they are in the country for one month, car owners shall pay 14 EUR. For 3 months, the road tax shall cost 30 EUR, and for 180 days – 50 EUR. The road tax was doubled after at the latest IMF assessment of the Republic of Moldova, the leader of the mission, Nikolay Gueorguiev, recommended to the authorities of Chisinau to review the value of this tax. The modification on the road tax is applicable to all transportation means, from motorcycles to cars and buses of various capacities.

EDITION SUMMARY

Production

The GDP value at market prices amounted to 87 847 million MDL in 2012, registering a decreased by 0.8%, in real terms, compared to the year 2011. Deceleration in real GDP primarily reflected the downturns in the output of goods, caused by a drop of the agricultural value added with 23%. Considering the, relatively, high contribution of agricultural sector to GDP, which share counts of approximately 10.9% of the gross domestic production of goods and services, the drop in agricultural production due to the unfavorable weather conditions have hardly hit the GDP growth last year. However, eliminating the influence of the agriculture in the national economy, physical volume index for non-agricultural GDP in 2012 would have been 102.3% compared with 2011.

The decrease in the agricultural sector was partially compensated by the evolution of the services. Gross value added in the services sector increased by 3.0%, compared to 2011, influencing positively the GDP growth. The activity which had the largest contribution to GDP growth were wholesale, retail trade and repair of motor vehicles, which value added increased by 4.2%. Also, have increased the value added in other activities: transport and communications (2.8%) and other services, including construction (+1.7%), but at a slower rate. The services growth was partly driven by household consumption which maintained an upward trend, although more moderate compared to the previous year. The services sector growth, in conditions of goods output contraction led to an increase in the share of services in GDP by 1.7 p.p. compared to 2011.

Under the influence of several factors, particularly the increasing uncertainty and worsening conditions of national economic agents and foreign economic partners the investments in long-term tangible assets dropped by 4.1% in 2012. Their value recorded 16,456.5 mil. MDL. Investments in long term assets, in the previous year, were mostly influenced by the worsening private sector conditions. Thus, investments made in this sector have declined by 16.7 pp compared with 2011, their value being 6604 million MDL. However, these developments were partially offset by investments' growth in the public sector by 22.3% compared to 2011 that was accompanied by an increase with 66.4% of investments made from the state budget. Concerning the technological structure of investments, there was recorded a reduction in all components of investment. At the same time, can be seen that the share of investments in construction-assembly works have slightly increased compared to 2011, due to the reduction of other investments, including tools, machinery and transport equipment.

Prices and exchange rates

In 2012 the average annual inflation was of 4.6%, with an irregular evolution of prices during the year. The main factor that caused the price increase in 2012 was the impairment of the agricultural offer, due to bad weather conditions. The annual growth pace of prices for the year 2012, of 4.6%, represents the best result based on historical perspective, being the lowest level of inflation since the independence of the Republic of Moldova.

After a continuous decrease, which lasted one year, since September 2011 until September 2012, the evolution of basic inflation rate stabilized and ranged between 3.7-3.9%. As of Q3 of 2012, the growth rates of CPI exceed the basic inflation. This excess was caused by the increased prices of agricultural-food products, which are disregarded for the determination of the basic inflation rate and that determined the accelerated increasing pace of the CPI. At the same time, the stabilization of basic inflation must be associated, most probably, to the attenuation of internal demand.

In 2012 the indexes of industrial production prices increased by 5.7%. Similar to CPI, one can notice a decrease of the increasing pace of post-crisis industrial production prices, compared to the pre-crisis ones.

In Q4 2012 the construction prices increased by 8.3% compared to the similar period of last year and continue their ascending trend, an evolution that started in Q2 of 2010. Sector-wise, the highest price increases in constructions were registered in telecommunications – 14.2%, transportation – 12% and public food trade and services – 11.1%.

In 2012 the prices related to agricultural production increased by 17.7%. Generally, the evolution of prices of agricultural production is extremely volatile, where spectacular increases are followed by modest increases or even by decreases. In 2012 the increase of prices of vegetable products was of 19.1%, while the prices of animal products increased by 13.1%.

In 2012 the nominal exchange rate of the national currency was of MDL 12.11 for USD 1, which represents a MDL depreciation by 3.2% compared to 2011, and with respect to the sole European currency an exchange rate of MDL 15.56 for EUR 1 was registered – a 4.7% increase.

At the same time, the actual exchange rate registered a continuous appreciation, due to a more accelerated evolution of prices in the Republic of Moldova, compared to the dynamics of inflation in US and the Euro zone – between 2005-2012 the level of prices in the Republic of Moldova increased by 1.72 times, while in US it increased by 1.18 times, and in the Euro zone by 1.14 times.

Public finances

By examining the evolution in time of the share of NPB in the GDP, one can notice a decreasing trend of its share, from 41% in 2008 to 38% in 2012.

The tax revenues registered a steady increase. At the same time, the non-tax revenues registered a steady decrease during the analyzed term, with a slight variation from the general trend in 2010. The revenues from grants registered an accelerated increase until 2010 (in particular in 2010, compared to 2009), while 2011 saw a decrease of revenues related to the relevant chapter, and this trend also continued in 2012. In addition, we mention that the revenues from special funds registered a constant increase, and the revenues from special means registered an increase in 2010, compared to 2009, and until 2010 the said chapter registered a decrease, with a recovery in 2011 and, further on, in 2012.

In the tax revenues registered in 2012, the highest ratio is held by revenues generated from VAT (37.0%), social contributions – 24.8%, income tax – 13.8% (the most accelerated increase, compared to the previous year), excises – 10.0% and the mandatory healthcare premiums – 6.2%.

The tax pressure of the reviewed period of time, determined by reporting the tax revenues to the GDP, represented 31.2%, while the average value thereof, between 2008-2012, represented 32.1%. Thus, one can notice a decreasing trend of the tax pressure as of 2008 – trend also maintained during 2012.

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

In 2012, the revenues of the budget of Transnistria were MDL 3314.75 million, which represents 9.9% of the total revenues obtained on the controlled territory of the Republic of Moldova (at the end of Q3 of 2012, they were 6.8%), registering an excess compared to the plan of 14%, and the expenses of the budget of Transnistria represented MDL 1430.4 million or 4.0% of the

total expenses incurred on the controlled territory of the Republic of Moldova, which constitutes 90.1% variation from the established plan of expenses.

Banking sector

In 2012, the evolution of the banking sector of the Republic of Moldova recorded a positive development trend. In the context of the decrease of economic activities and the aggravation of the financial crisis in EU, the banking sector of the Republic of Moldova was also affected by the weakened quality of banking portfolios (quality of bank credits) for the entire system. At the same time, the only banking institution controlled by the state, "Banca de Economii" S.A. (BEM) registered the decrease of indicators related to economic activities.

At the end of 2012, the weight of bad credits (substandard, compromised and doubtful) in the total credits was 14.5%, 1.6% higher than January 02, 2012. On December 31, 2012, the *balance of credits* in the economy was MDL 35948.27, by MDL 4568 million or 16.1% higher than in January 2012. The increasing trends were caused by the increase of the balance of loans granted in national currency by 20.1% and by 11.1% of the balance of loans granted in foreign currency, respectively.

In December 2012, *the balance of deposits* in the banking system was MDL 36272.3 million, by 20.5% higher than in January 2012, as a result of the increase of the balance of deposits in the national currency by 24.6%, representing a weight of 59.8%, and of the deposits in foreign currency by 14.8%, with a weight of 40.25% of the total deposits.

In December 2012, the average *interest rate for the credits* granted in national currency decreased by 3%, reaching 11.9%, compared to January 2012. In February 2013 the average *interest rate for the credits* granted in national currency reached 13.2%. The *banking margin* of operations in national currency dropped from 5.51% in December 2011 to 4.67% in February 2013. In December 2012, the banking margin for operations in the national currency was 3.54%, and in September 2012 it was 4.64%.

At the end of December 2012, the *net revenues in the banking system* were MDL 572.5 million, by 75% higher than in January 2012. The improvement of the situation is due to the increase of interest revenues, and the exclusion of the divisions designed for reducing the losses of assets in the calculation of profits.

Monetary policy

During the year 2012, the monetary indicators recorded an ascending evolution. The poor evolution of the national economy conditioned the relaxation of the monetary policy – during Q1 of 2012 the rates of the monetary policy instruments decreased, and the rest of the year their level was constant.

During 2012, NBM intensified its intervention on the currency market. In order to depreciate the MDL in relation to the reference currencies (thus decreasing the prices of exported products and stimulating the competitiveness of internal commodities) NBM resorted to currency procurements. The maximum value of currency procurements was achieved in August, when the amount of USD 115.9 million was purchased. Subsequently NBM decreased the volume of procurements from the currency market.

External sector

During the previous year, the beginning of the recession of the national economy was also accompanied by an attenuation of the increase of commercial flow of goods and remittances collected from abroad, while the FDI net inflow has even registered a descending trend, compared to the 2011 year.

A slight consolidation of the current account occurred following the attenuation of trade related transactions with goods and the decrease of foreign trade with services and in the context of increased transfer of funds from abroad. Although at a slower pace, the evolution of remittances was an ascending one – 10%, compared to year 2011, proving once again its counter-cyclic nature. The value of remittances was of USD 1786 million at the end of 2012, and the increase thereof was mainly supported by transfers performed from the Russian Federation, 62% of the total transfers being generated from there.

With respect to the financial account of the balance of payments, the increase of reserve assets, by approximately 80%, on one hand, and the decrease of net FDI inflows by 43%, compared to year 2011, conditioned a decrease of net external commitments by 37%. The value of net FDI inflow in the national economy was USD 159.2 million, which represented 22.4% of the value of net foreign investments registered in 2008, being close to the value recorded in 2004. We can assume that the decrease thereof was also determined by deterioration of foreign investors' status, which were forced to withdraw their incomes from the investments performed in the Republic of Moldova.

The crisis of Western European countries, which also impacted the other countries with which they have economic relations, as well as the consequences of the last year's drought, had a negative impact on the dynamics of Moldovan exports in 2012, which decreased by 2.5% compared to the previous year. At the same time, considering the dynamics of export of domestic products, it increased by 14.4%, while re-exports decreased by 22.9%, thus conditioning a decrease of their share in the total exports from 45.3% in 2011 to 35.7% in the previous year. The negative trend of re-exports was conditioned by both the contracting of deliveries of various heavy industry products that represent a transit route on the territory of the Republic of Moldova, in the transactions between West and East, but also by the implemented changes in the custom legislation that biased the change of re-export custom destination into final export with respect to compensatory products made of the materials imported under inward processing regime, which received the "Made in Moldova" status.

The effects of the national crisis, but also the incertitude related to the economies of the main business partners, slowed down the increase of imports, in a context where most tariff positions registered either slower increasing pace, either decline, signaling a decrease of the domestic demand.

Business environment

According to the data of the State Registration Chamber, 1,639 new companies were registered with the State Register during Q4. The number of registered enterprises registered an insignificant increase in Q4 of 2012, compared to the same period of last year, and the index is 100.1%. Overall, the number of enterprises registered in 2012 decreased by 7% compared to 2011.

The number of enterprises deregistered during Q4 of 2012 was 761 units or 5.8% less than during the same period of last year. Overall, the number of enterprises deregistered in 2012 decreased by 6.2% compared to 2011.

According to the data of the National Bureau of Statistics, in 2012 there was an insignificant increase of 0.4% (in comparable prices) of the revenues from sales for the companies operating mainly in retail trade, compared to 2011.

Also in the case of enterprises operating mainly in the wholesale trade, an insignificant increase of the turnover was registered in 2012, by 0.7% (in current prices), compared to 2011.

In 2012, the value index of the turnover of the entities mainly operating in market services provided to the population increased by 3.2% (in comparable prices) compared to the similar

period of 2011. During this period, companies from North, Center, South and Chisinau recorded a turnover increase compared to 2011.

In 2012, the value index of the turnover of enterprises mainly operating in market services provided mainly to enterprises, registered a decrease by 0.9% (in current prices), compared to 2011.

Social sector

Demographic situation. The resident population of the Republic of Moldova as of January 01, 2013 was 3,559.5 thousand persons, 0.9 thousand persons less than in 2011. Population by area: urban population – 1,492.2 thousand persons; rural population – 2,067.3 thousand persons; population by gender: men – 1,711.4 thousand persons, women – 1,848.1 thousand persons. The total number of *live-births* in the country was of 39,439 persons, by 0.7% more than in 2011. The birth rate represented 11.1 *live-births* for every 1,000 inhabitants. The number of *deceased* represented 39,559 persons. The death rate increased by 0.8% compared to the previous year. The death rate represented 11.1 persons for every 1,000 inhabitants. The number of *infant deceased* was 385 persons compared to 430 in 2011, with the rate of infant mortality decreasing from 11.0 to 9.8 infant deceased for every 1,000 live-births. The total number of *marriages* in the republic was 24,260, by 6.3% less than during the previous year. The marriage rate represented 6.8 marriages for every 1,000 people. The total number of *divorces* in the country was 10,637, by 4.5% less than during the previous year. The divorce rate represented 3.0 divorces for every 1,000 people.

Migration of population. In 2012, 3,093 foreign citizens and 378 repatriates received residence permits. The structure of immigrants by arrival purpose was dominated by family – 34.1%, work – 30.9%, education – 19.8%, other causes – 15.2%. 3,062 persons left the country last year in order to establish their permanent domicile abroad. The most active migration relations are maintained with Ukraine and Russia. The number of citizens of the Republic of Moldova who chose to relocate to USA was 245 persons, Germany – 218, Israel – 198. Most emigrants, both women and men, belong to the age groups 20-29 and 30-39 years.

Internal migration. During 2012, 36.7 thousand persons changed their domicile within the country. The mobility index of population registered a value of 10.3 persons for every 1,000 people, compared to 12.6 in 2011. The departing intensity is higher in 16 districts, compared to the country average. The highest number of departures was registered in the following districts: Telenești, Călărași, Cantemir, Rezina, Șoldănești, Florești, Leova, Fălești. As in the previous year, a lower number of departures was registered in Bălți municipality, Taraclia district and UTA Gagauzia. The intensity of arrivals was higher in Chisinau municipality and in Călărași district. The positive balance of domestic migration is registered solely in the capital city and in Hâncești and Criuleni districts. Mostly, the domestic migrants (more than 90%) consist of active persons, with a predominant range of age between 20-49. Based on gender, the flow of arrivals/ departures consisted of 57% women and 43% men, respectively. Approximately 2/3 of the total number of population who relocated in 2012 generates from rural areas.

Labor market. In 2012 the *economically active population* of the Republic of Moldova was 1,214.5 thousand persons, 3.4% less than in 2011. *The activity rate of the population aged 15 years and over* was 40.7%, a value lower than the one of the previous year. *The employed population* represented 1146.8 thousand persons. *The employment rate of the population aged 15 years and over* was 38.4%, registering a decrease by 1.0 p.p. compared to 2011. *The number of unemployed persons*, estimated, according to the methodology of the International Labor Organization was 67.7 thousand, 16.3 thousand less than during 2011. Unemployment affected men more – 62.3% from the total number of unemployed persons, and people from the urban areas – 64.3%. *The unemployment rate* on country level recorded the value of 5.6%, lower than

in 2011. *The inactive population aged 15 years and over* was 59.3% of the total population of the same age category, by 1.5 p.p. or 50.5 thousand persons higher than in 2011.

The household disposable income during Q4 of 2012 represented a monthly average per person of MDL 1,572.5, higher by 3.4% compared to Q4 of the previous year. In real terms (with the adjustment against the consumption prices index), the revenues of the population registered a decrease by 0.4%.

The household consumption expenditure during Q4 of 2012 constituted an average per person of MDL 1,624.4, 3.9% higher than during the same period of last year. In real terms (with the adjustment against the consumption prices index), the expenses of the population remained at the level of Q4 of the previous year.

Remuneration of labor. In 2012 the gross nominal average salary in the national economy was MDL 3,477.7, with a 8.9% nominal value increase compared to 2011, and the real salary earnings (with the adjustment against the consumption prices index) increased by 4.1%. In December 2012, the average salary earning was MDL 3,888.8, by 4.9% higher than in December 2011 and by 10.2% higher than in the previous month (November 2012). The index of the real salary earnings for December 2012, compared to December 2011, was 100.8%.

The subsistence minimum in Q4 of 2012, in average per capita, was MDL 1,511.9, 6.9% higher than during Q4 of 2011. The increase of the minimum subsistence level was mainly determined by the increase of prices, especially in food products. For the population from urban areas, the subsistence minimum represented an average of MDL 1,630.6, or by 14.3% higher compared to the rural areas – MDL 1,426.8. By categories of population, the maximum value of the minimum subsistence level belongs to the active population – MDL 1,591.3, and in particular men – MDL 1,676.8. For pensioners the minimum subsistence level was MDL 1,303.2, 86.2% from the average value for the total population. The minimum subsistence level of children, in average, was MDL 1,413.7 per month, with a differentiation depending on children's age: from MDL 602.0 for a child up to 1 year old to MDL 1,578.0 for a child aged 7-16. The monthly available revenues of population during Q4 of 2012 constituted, in average per capita, MDL 1,572.5 and exceeded the average amount of the subsistence minimum by 4%.

Social protection of the population. The number of pensioners registered by the social protection institutions as of January 01, 2013 was 649.9 thousand persons, or 11.3 thousand persons more compared to January 01, 2012. The average size of the monthly pension determined as of January 01, 2013, was MDL 957.6, 9.6% up compared to January 01, 2012.

Healthcare. The morbidity of population by some infectious diseases in 2012, compared to 2011, is characterized by the increase of bacterial dysentery and hepatitis C cases. Also, several cases of acute intestinal infections were registered in 2012. In the structure of infectious diseases, the most common seem to be acute respiratory infections. In 2012 the number of human immunodeficiency virus carriers was 478, or 16 cases less than in 2011. At the same time, there were 152 cases of Acquired Immune Deficiency Syndrome, namely an average of 13.4 cases of human immunodeficiency virus for every 100 thousand people.

Crimes. In 2012 36.6 thousand crimes were registered or 4.3% more than during the previous year. The highest level of crimes is registered in Chisinau municipality. A high level of crimes was also registered in Balti municipality, followed by the districts Criuleni, Stefan-Voda, Basarabasca, etc. The lowest level of crimes was registered in Falesti and Nisporeni districts. In the structure of registered crimes, almost every second crime was committed against the property (51.2%), followed by crimes in the transportation sector (13.2%), crimes against public health and social life (4.9%), crimes against persons' life and health (4.8%).

Chapter I

PRODUCTION

In 2012 the gross domestic product was 87,847 million MDL, current market prices, a decrease – in real terms – of 0.8% compared to 2011 and up by 74.8% and 24.1% compared to 2000 and 2005. In the 4th quarter of 2012, the GDP was 22,445 million MDL, in current market prices, a 2.5% decrease compared to the 4th quarter of 2011.

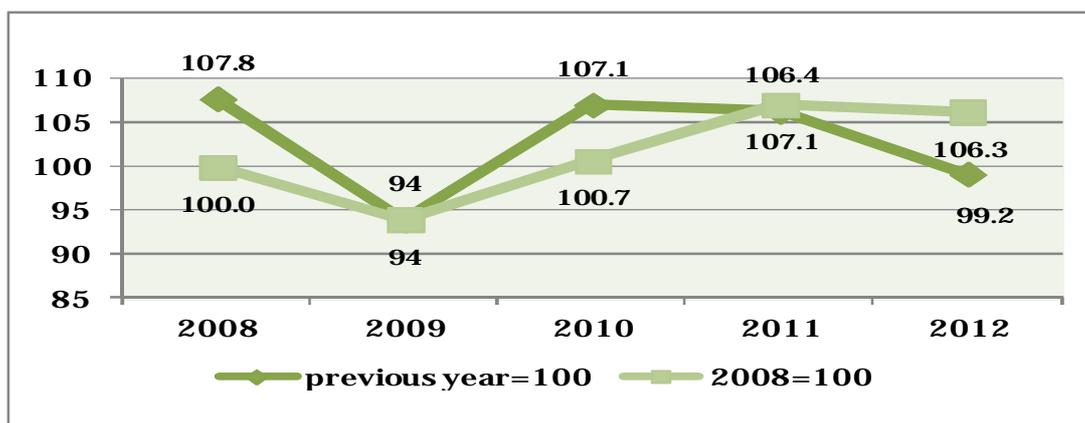


Figure 1.1. Evolution of GDP in 2008-2012, %

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

1.1. Gross domestic product by categories of resources

In 2012, the GDP components by categories of resources underwent both positive and negative evolutions. Compared to the similar period of last year, the gross added value produced in the sector of goods decreased by 10.7%, negatively influencing (-2.8%) the index of the physical volume of the GDP. The decrease was determined by the significant reduction of the gross added value from agriculture and fishing, by 23.3%, which represents 10.9% of the gross domestic product. In the 4th quarter of 2012, the gross added value from agriculture was 29.2% under the level of the 4th quarter of 2011, with a weight of 13.0% in the GDP. As agriculture has a significant contribution to the development of the gross domestic product, the reduction of gross added value in agriculture was decisive for the dynamics of the gross domestic product in 2012.

The sector of goods contributed to the formation of the GDP 24.9% compared to 26.3% in 2011.

The gross added value generated by the services sector increased by 3.0%, compared to the previous year, with a positive impact (+1.8%) on the index of physical volume of the gross domestic product. The wholesale and retail trade; repair of motor vehicles were the activities with the highest increase of the gross added value (+4.2%), followed by transportation and communications (+2.8%), other service activities (+2.6%) and constructions (+1.7%). In 2012 the services sector contributed to the gross domestic product with 60.6%, compared to 58.9% in 2011.

The volume of taxes on collected products exceeded by 0.6% the level of the previous year by influencing by 0.1% the index of the physical volume of the GDP. The contribution of the volume of taxes by products to the formation of the GDP was 17.0% in 2012 compared to 17.5% in 2011.

Compared to the previous year, gross added value decreased by 5.6%, and the increase of the net taxes on products by 1.3%. Among the main components which contribute to the formation of GAV, we notice a decrease trend in the sector of goods compared to the previous year by

10.7%. This trend was attained due to agriculture, which decreased by 23.3%. Therefore, the GAV obtained in the sector of goods contributed to the formation of the GDP by 24.9%, higher than the previous year by 0.7%. Concomitantly, a rather large influence in the formation of the GDP was the GAV obtained in the sector of services, which increased compared to the previous year by 3%. This growth was attained by the increase of the GAV from retail and wholesale by 4.2%, and transportations and communications by 2.8%.

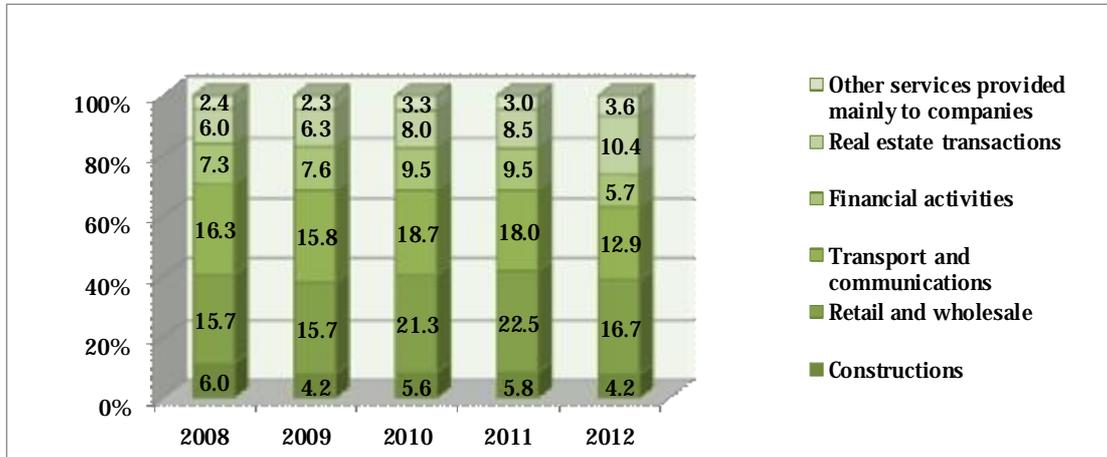


Figure 1.1.1. Structure of services in the total gross added value (GAV), %
Source: Authors' calculations based on the data of the National Bureau of Statistics.

The weight of constructions in the GAV in the last three years shows a slow but significant growth.

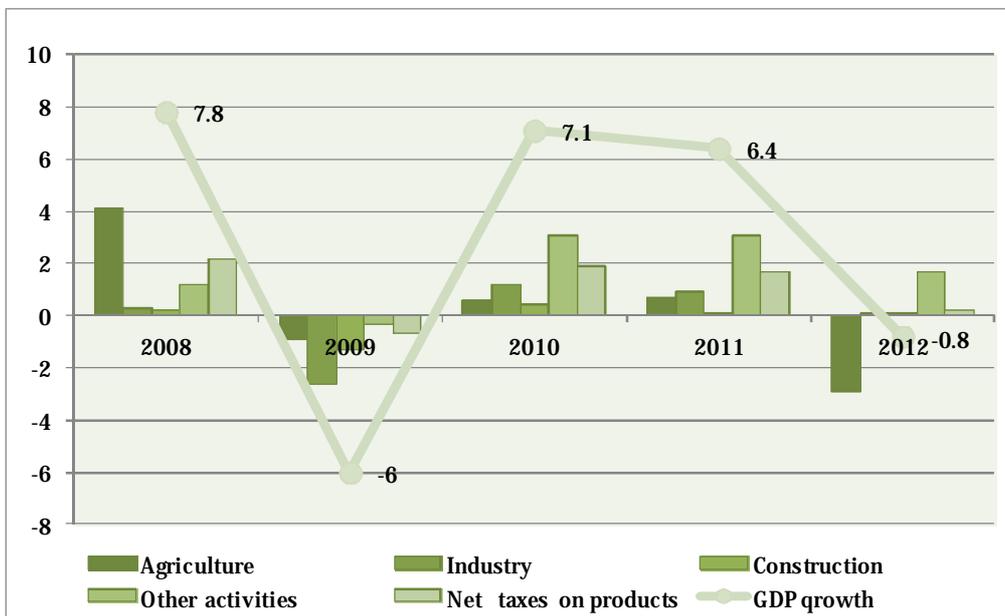


Figure 1.1.2. Degree of influence by categories of resources in the growth of GDP, %
Source: Authors' calculations based on the data of the National Bureau of Statistics.

1.2. Gross domestic product by categories of uses

In the structure of the GDP by categories of uses, final consumption is maintained on a high level, which in 2012 exceeded by 17.2 p.p. the value of the GDP, the highest level of consumption recorded in RM in the latest years. Significant structural modifications occurred in the last three

years on the contribution of the gross formation of fixed capital. A rather high level was recorded for net exports in the GDP – 40.6%.

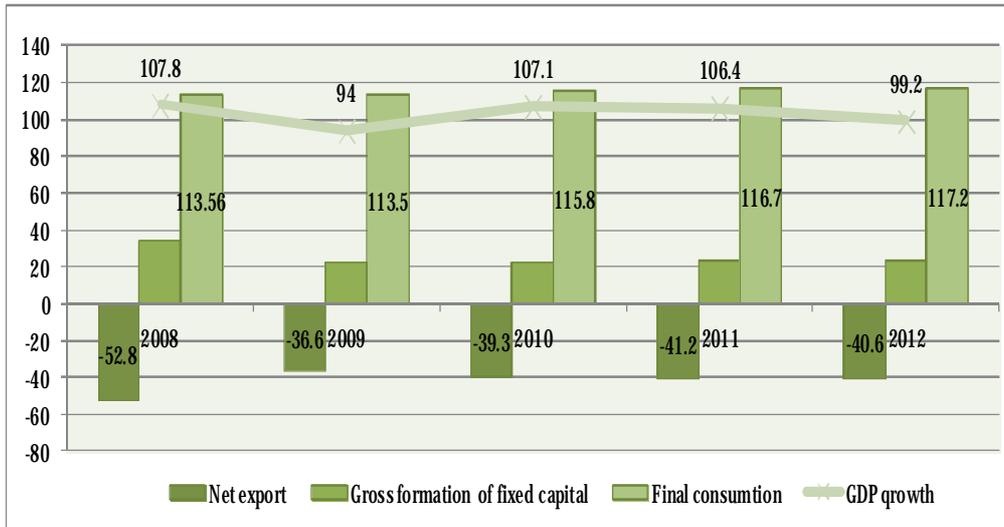


Figure 1.2.1. Evolution of GDP components by categories of expenses, % from GDP
Source: Authors' calculations based on the data of the National Bureau of Statistics.

Internal demand is a very important component in the formation of the GDP by categories of uses, which amounted in 2012 to 123,491 million MDL in current prices. Regarding the use of the GDP, in the reference year, internal demand, namely the final consumption and the gross formation of capital, increased by 0.2% compared to the previous year, following the increase by 1.0% of the final consumption of the households of the population, compared to the previous year. The gross formation of the fixed capital increased by 0.4% compared to the previous year, contributing in the reference period to the formation of the GDP by 23.4%. Exports and imports of goods and services increased by 2.3% and 2.5% compared to the previous year.

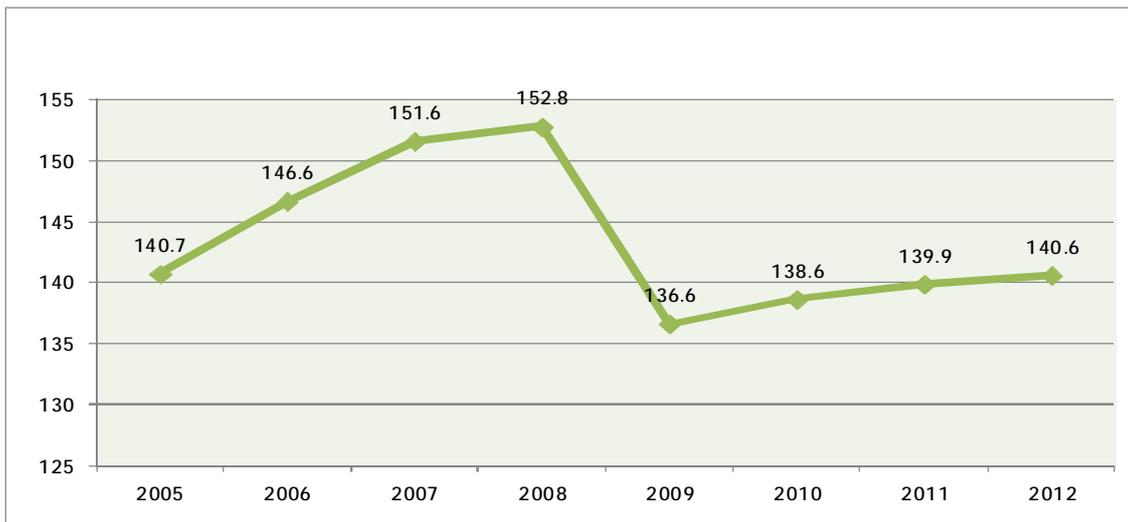


Figure 1.2.2. Weight of internal demand in GDP, % of GDP
Source: Authors' calculations based on the data of the National Bureau of Statistics.

The weight of investments in the GDP in 2012 increased by 0.3% compared to crisis year 2009, but the level obtained in 2008 was not reached. The variation of stocks as a weight in GDP remained at a low level of approximately 0%, namely 1,094.4 million MDL.

Table 1.2.1. Weight of the structure of investments in GDP, %

Years	Weight of gross capital formation in GDP, %	Weight of stock variation, %
2008	39.2	5.2
2009	23.1	0.5
2010	23.5	0.9
2011	24.5	1.3
2012	23.4	0.0

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

Investments in long-term material assets

Compared to 2011, in 2012, all organizations with various types of ownership performed investments in material assets of MDL 16456.5 million in current prices, or of 95.9 in comparable prices, compared to 2011. A high ratio of the overall investments is held by the investments performed for construction and assembly works. In January-December 2012 the investments focused on construction-assembly works amounted to MDL 8482.4 million, a decrease by 1.3% compared to the previous year. The investments in equipment, machines and means of transportation amounted to MDL 7248.6 million (representing 44.0% of the total), a decrease by 1.1% compared to 2011. In January-December 2012 there was an increase in the weight of construction-assembly works by 3.6%, the share of investments in machinery, equipment and transportation means and in other expenses in the total investments decreased by 1.3% and 2.3%, respectively. Private sector of the national economy capitalized 6604.1 million MDL in investments, namely 40.1% of the total volume of investments. Compared to 2011, this volume decreased by 16.7% (in comparable prices). Companies from the public sector accounted for 37.1% of the overall investments used in the country, or 6110.9 million MDL, 22.3% higher than the results of the respective period of the previous year. Joint-venture companies and those under foreign ownership amounted to 21.2% of the overall investments used in the country, or by 1.9% less than the results of 2011.

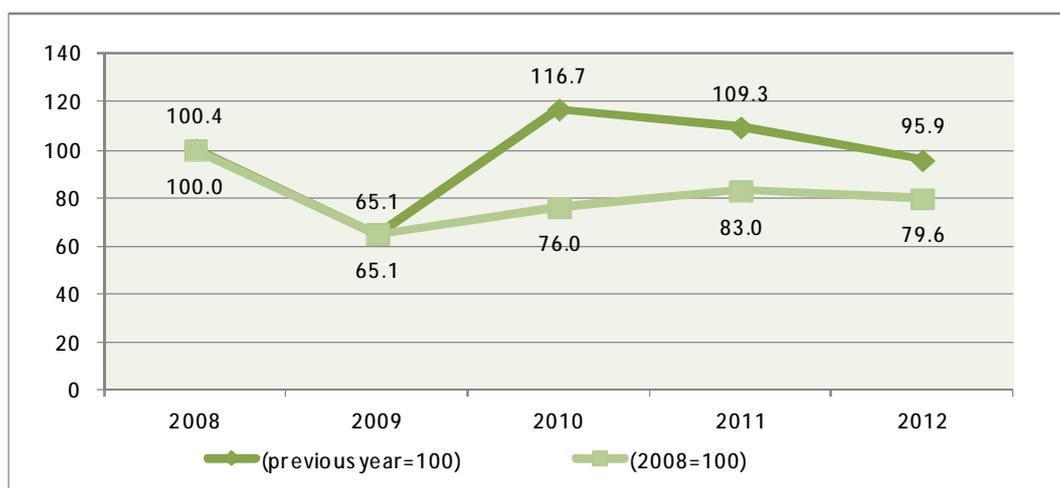


Figure 1.2.3. Evolution of investments in long-term material assets, 2008-2012, %
Source: Authors' calculations based on the data of the National Bureau of Statistics.

In 2012 the main funding sources remained the investments made by companies and the population, representing 9645.8 million MDL, whose share was 58.6%, a 8.7% decrease compared to the previous year. The means allocated from the state budget for 2012 were 1920.6 million MDL or 11.6% of the total investments, 25.8% more in comparable prices compared to the similar period of 2011.

Some decreases in the funding means were noticed in the investments provided by foreign investors, a 1.5% decrease compared to the results of 2011, namely 7.4% of the total investments used.

A considerable volume of investments was also that of machinery, equipment and transportation means, namely 44.0% of the total investments. The investments made in erecting housing buildings were 31.7% of the total volume of investments or 3.0% less than in the similar period of the previous year.

1.3. Production of goods and services

Industry

In 2012 the production of industrial companies under all forms of ownership amounted to 35,975.0 million MDL, in current prices. The industrial production volume index in relation to 2011 was 96.9%. From 2008 to the present, the industrial sector recorded an unstable evolution, and in this period the value of the indexes decreased from year to year.

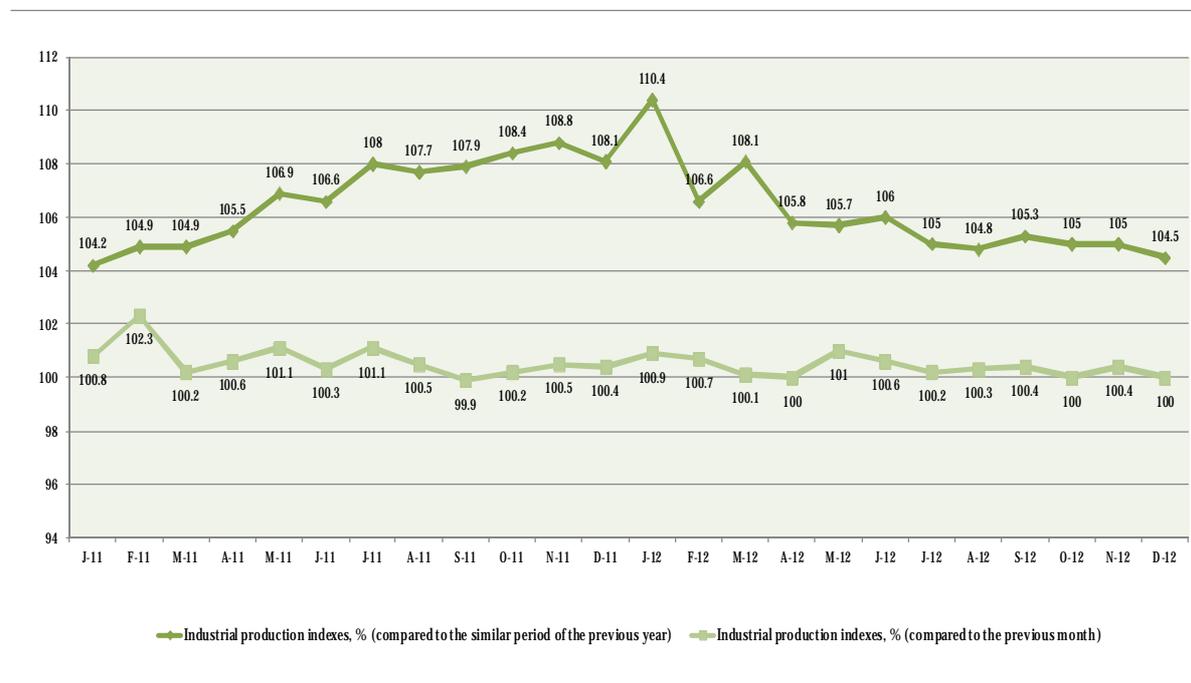


Figure 1.3.1. Evolution of industrial production, 2011-2012, %

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

In 2012 the extraction industry recorded an increase of the production value by 0.8% compared to 2011. At the same time, in the reference period the processing industry and the energy sector recorded decreases in production volumes, by 3.0% and 4.4%, respectively, compared to 2011.

In 2012 the overall food and beverage sector recorded a production volume decrease of 1.7%. The reduction of the production volume was mainly conditioned by decreases in the following activities: manufacture of milling products and starch – by 25.4%, processing and preserving fruits and vegetables – by 24.4%; processing and preserving fish and fish products – 18.9%; manufacture of bread and fresh pastry products – by 3.4%; making wine – by 1.0%. At the same time, there were increases in the following activities pertaining to the food and beverage industry: production, processing and preservation of meat and meat products – by 14.7%; making dairy products – by 7.2%; making mineral water and soft drinks – by 3.4%; making oils, vegetable and animal fat – by 1.8%; making cocoa, chocolate and sugar-based confectionery products – by 0.9%.

In 2012 there were increases also in other activities, such as: manufacture of electrical machinery and equipment – by 36.7%; manufacture of radio equipment and devices – by 4.4%; manufacture of medical, precision and optical devices and instruments – by 6.8%; chemical industry – by 2.6%; manufacture of other products from non-metalliferous minerals – by 2.0%. At the same time, in the analyzed period there were production volume decreases compared to 2011 in: manufacture of clothing – by 23.9%; manufacture of tobacco products – by 20.4%; manufacture of paper and cardboard – by 19.3%; publishing, printing and reproduction of informational materials – by 15.4%; metallurgic industry – by 13.9%; manufacture of finished metal products – by 13.3%; manufacture of machinery and equipment – by 12.4%; leather and footwear items – by 11.5%; processing wood and manufacture of wood items – by 9.3%; supply of steam and hot water – by 5.3%; manufacture and distribution of electricity – by 3.7%

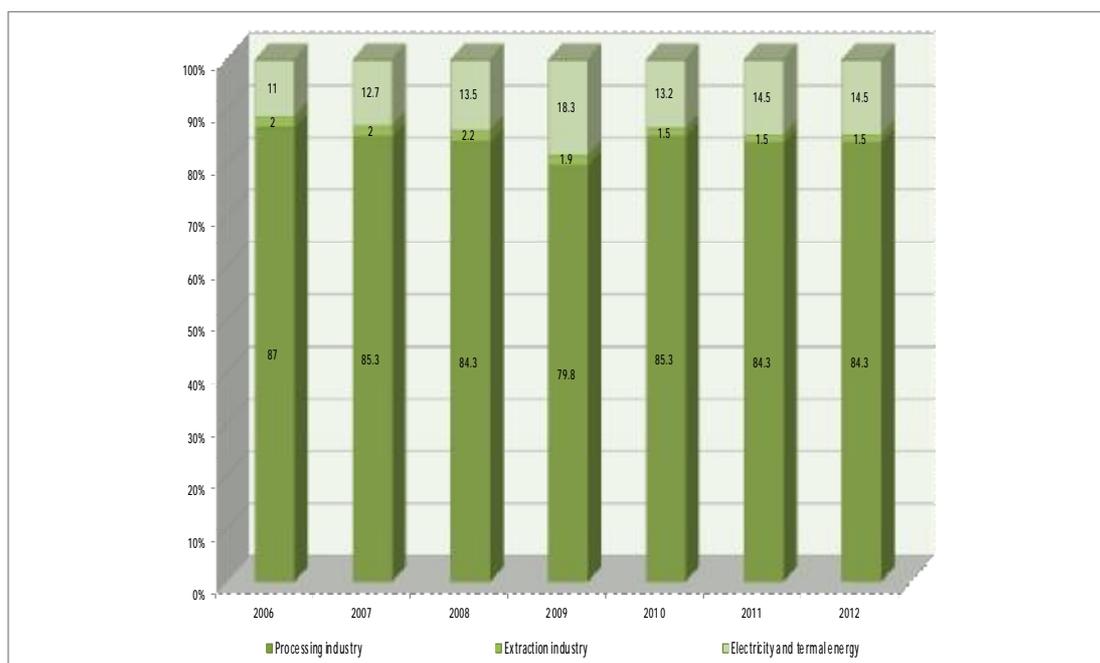


Figure 1.3.2. Structure of the value of delivered production, 2005-2012, %
 Source: Authors' calculations based on the data of the National Bureau of Statistics.

Agriculture

The agricultural production, in current prices, in 2012 amounted to 20,263 million MDL, 77.6% compared to 2011, in comparable prices. The drought caused the decrease of the average harvest in the main agricultural cultures, and most risks, under the conditions of our country, were suffered by agricultural cultures. According to the provided data, the drought of 2012 caused damages in agriculture of almost 2.5 billion MDL. The authorities declared that the absence of rain affected almost 90% of agricultural lands. The impact of the drought of 2012 according to the calculations, based on the expert method, was approximately 15-20% of the expected yield. At the same time, much of the row crop, predominantly – corn, sunflower, sugar beet, vegetables and other agricultural crops, even in the relatively favorable conditions of mid-August, shall be affected, and the harvest losses are estimated to be at least one third. Besides the drought from the autumn, which caused the decrease of areas and, respectively, the yield of first-rank grain cultures, the drought of 2012 put pressure on the conjuncture of the grain market, which has already reacted by increasing the market prices of wheat, corn and other grain cultures by 30-35% compared to the previous year. The decrease of the global agricultural production was caused by the accentuated decrease of vegetable production by 32.6%, and animal production recorded a decrease of 1.1%. The analysis of the impact of various types of production on the decrease rates of the physical volume of agricultural production in 2012 compared to 2011 shows that there was a more significant negative influence caused by the

decrease of the production of grains and bean vegetables by 51.1%, potatoes by 48.1%, vegetables by 36.7%, sunflower by 30.9%, grapes by 15.3%, rape by 88.9%, which caused the decrease of the global agricultural production by 9.4%, by 2.8%, by 2.3%, by 2.4%, by 2.2% and by 0.8%, respectively. In 2012 the weight of vegetable production in the total agricultural production was 59% (in 2011 – 68%), out of which grains and bean leguminous plants 11.6% (in 2011 18.4%), technical cultures 10.3% (in 2011 12.0%), potatoes, vegetables and pumpkins – 10.0% (in 2011 13.6%), fruits, nuts and red currant – 5.0% (in 2011 4.3%), grapes – 15.8% (in 2011 14.4%). Animal production amounted to 41% (in 2011 – 32%).

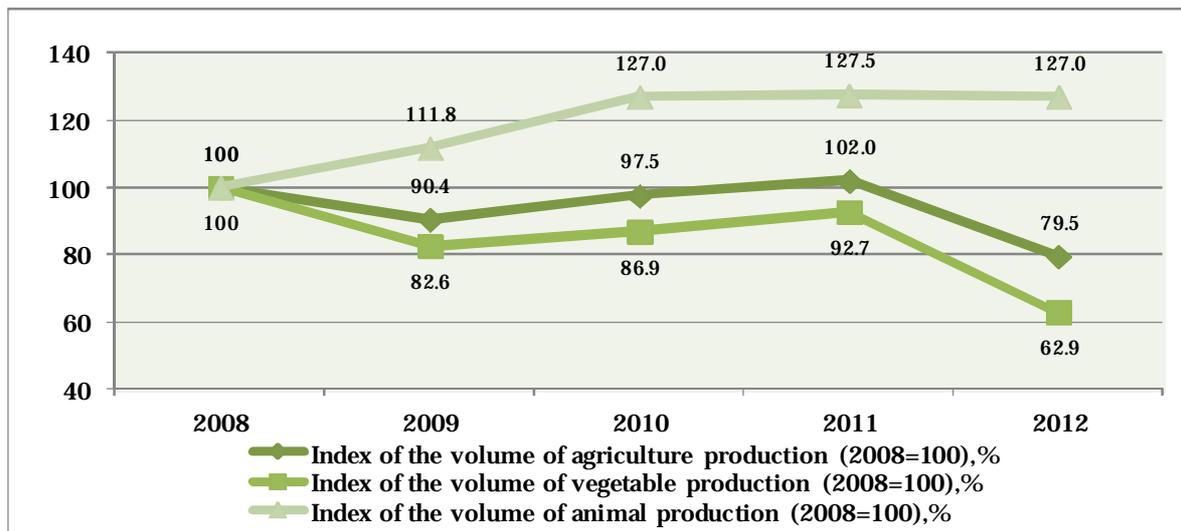


Figure 1.3.3. Evolution of agricultural production indexes, 2005-2011, %

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

The aforementioned chart shows that the harvest of 2012 is characterized by the accentuated decrease of vegetable production, generated by the decrease of the average yield of agricultural cultures, caused by the impact of highly unfavorable climate conditions (drought).

The analysis of the average yield of the main agricultural cultures in agricultural units and countryside (farmer) households by territory shows that the best average yield compared to the average national yield in most cultures was recorded in the households of the Northern development region, namely: – by 38% (out of which barley – by 47%, wheat – by 36%), grain corn – by 44%, sunflower – by 28%, tobacco – by 18%, pumpkin cultures – by 47%, fruits and red currant – by 33%.

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

Quintals/hectare	2009/2008	2010/2009	2011/2010	2012/2011
Wheat	67.3	108.6	115.4	60
Grain corn	82.8	118	95.3	38
Sunflower	77	119.7	102	64
Sugar beet	43.7	184.4	75.8	80
Tobacco	120.5	94.3	84.9	85
Soy	56.6	169.6	71.6	63
Rape	65.1	78.9	134	89
Potatoes	106.7	109	118.8	63
Field vegetables	90.9	104	116.1	70
Fruits and red currant	89.3	105.7	118.2	98
Grapes	109	72.3	130	

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

We would also like to mention that in 2012, compared to the previous year, in households of all categories, the production of cattle and poultry, according to the estimates, increased by 2.0%. At the same time, the production of milk of all types decreased by 5.7%, and the production of eggs by 10.2% and caused a decrease in the volume of eggs in population households by 16% and milk by 6.1%.

Services

Trade and services

In December 2012 the companies mainly operating in retail obtained an increase of 7.1% in comparable prices, compared to the previous month, and a 12.4% decrease compared to December 2011 in the turnover volume, and also a decrease of 0.5% in comparable prices compared to the previous year.

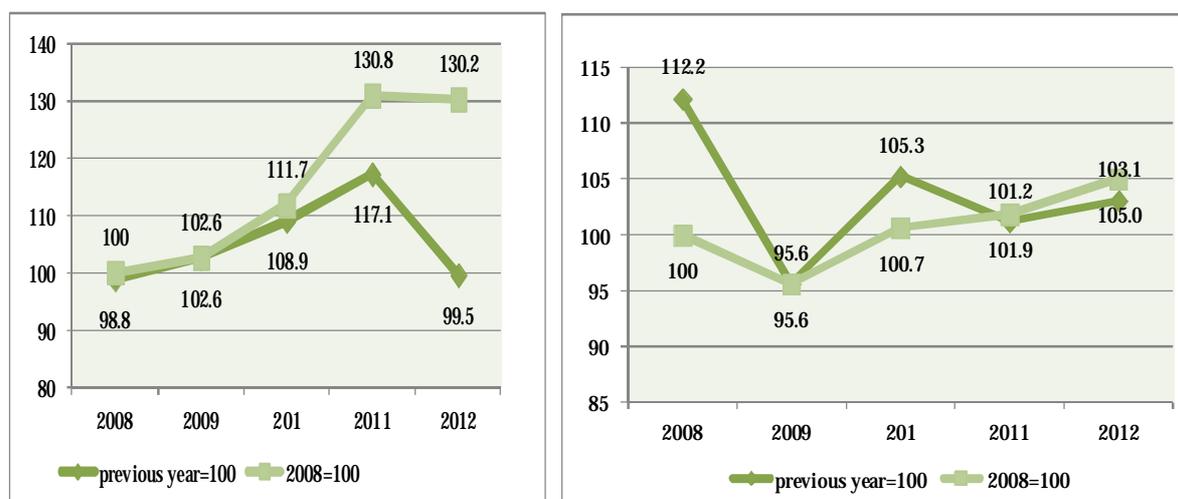


Figure 1.3.4. Evolution of turnover volume indexes for retail and services provided to the population, %

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

In December 2012, the turnover volume of the companies mainly operating in market services provided to the population increased by 9.2% in comparable prices, compared to the previous month, and decreased by 1.2% compared to December 2011. In 2012 the value of the turnover in wholesale decreased by 2.5% in current prices, compared to 2011.

In 2012, the value of the turnover for the companies mainly operating in market services provided mostly to companies decreased by 1.3% in current prices, compared to the previous year.

Transportation

In 2012 commodities of 9768.5 thousand tons were carried on the territory of the country by various transportation means, a decrease of 2.9% compared to the previous year in comparable prices. The structure of the commodities carried by transportation means shows that the highest weight is that of road transportation, by 56.48%, followed by railroad transportation, by 42.20%. The lowest rates are those of river and aerial transportation, with 1.48% and 0.02%, respectively.

In 2012 road transportation companies carried 5500 thousand tons of commodities, 2.8% more than in 2011. Significant weights in the total volume of commodities carried by road transportation means are those of Chisinau (47.9%) an Balti (10.3%), districts: Orhei (7.5%), Singerei (6.7%), Nisporeni (4.4%), Straseni (4.0%), Anenii Noi (3.4%), Taraclia (2.0%), Soroca (2.0%), Ialoveni (1.7%) and Rezina (1.7%).

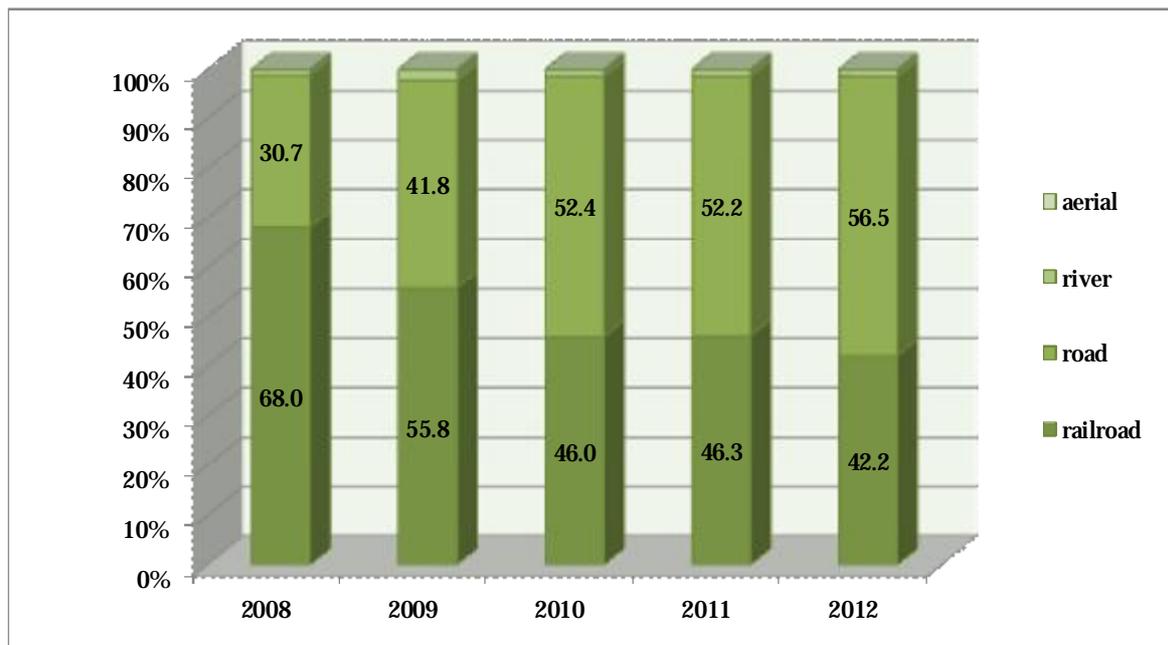


Figure 1.3.5. Structure of commodities carried by transportation means, %

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

In 2012 railroad transportation means carried 4122.7 thousand tons of commodities, 9.5% less than in 2011. In the structure of commodities loaded in trains in railroad stations in the country, there were higher weights for the following groups of commodities: ferrous metals and scrap iron – 27.0% (in 2011 – 22.8%), construction materials and cement – 22.5% (in 2011 – 16.4%), grains and bread products – 20.2% (in 2011 – 36.1%)

In 2012, 117.1 million passengers were transported by buses and vans, 1.5% more than in 2011. Significant weights in the total number of passengers transported by buses and vans were recorded by the carriers from Chisinau (63.9%) and Balti (6.9%), districts: Cahul (4.4%), Orhei (4.0%), Ungheni (2.0%), Ialoveni (2.0%), Straseni (1.5%), Edinet (1.4%), Causeni (1.3%), UTA Gagauzia (1.2%) and Anenii Noi (1.2%).

In January-November 2012, 4.0 million passengers were transported by train, 7.6% more than in the same period of 2011.

Communications

In January-December 2012, compared to the similar period of the previous year, there were positive trends for sending correspondence, a 6.5% increase compared to the previous year, followed by sending pensions, allowances and indemnifications paid by post office by 0.3%.

At the same time, there were decreases for sending newspapers and magazines by 5.8%, telegrams by 4.7%, post and telegraph money transfers by 3.5%, and packages by 1.0%. The number of telephone calls by the landline telephony network in 2012 increased by 12.8% compared to 2011, due to the increase in the number of long-distance telephone calls by 16.2%.

Tourism

In the field of tourism there were regarding growth of the total number of tourists and the total number of foreign tourists. In 2012 the collective tourism accommodation structures accommodated 268.2 thousand tourists, out of which 179.2 thousand Moldovan tourists (66.8% of the total) and 89.0 thousand foreign tourists (33.2%). Compared to 2011, there were more tourists in collective tourism accommodation structures (+8.0%), based on the increase of

accommodations in tourism villas, holiday resorts and other recreational structures (+53.0%), hotels and motels (+15.2%), recovery structures (+7.4%). Travel agencies and tour operators provided tourism services to 194.0 thousand tourists and travelers, 5.0% more than in 2011.

By travel agencies and tour operators, 146.8 thousand tourists and travelers traveled abroad in 2012, 7.9% more than in 2011. Most Moldovan citizens traveled abroad for rest, recreation and entertainment (97.4%). The citizens of the Republic of Moldova preferred to travel mainly to Bulgaria (35.0% of the total number of people who traveled abroad), Turkey (35.0%), Romania (8.8%), Ukraine (6.6%), Greece (3.9%), Egypt (2.3%) and the Czech Republic (1.1%).

Chapter II

PRICES AND EXCHANGE RATES

In 2012, the average annual inflation was of 4.6%, with an irregular evolution of prices during the year. The period of time comprised between January and July was characterized by a continuous decrease of the inflation level from 6.9 to 3.7%, by a price increase between August and September, from 4 to 4.9%, with a price level ranging around 4% during the fourth quarter. The main factor that caused the price increase in 2012 was the impairment of the agricultural offer, due to bad weather conditions.

The annual growth pace of prices for the year 2012, of 4.6%, represents the best result based on historical perspective, being the lowest level of inflation since the independence of the Republic of Moldova. Increases below 5% were also registered at prices related to food products, with a 3.8% increase, and for non-food merchandise, of 4.2%, while the service-related prices increased by 6.2%.

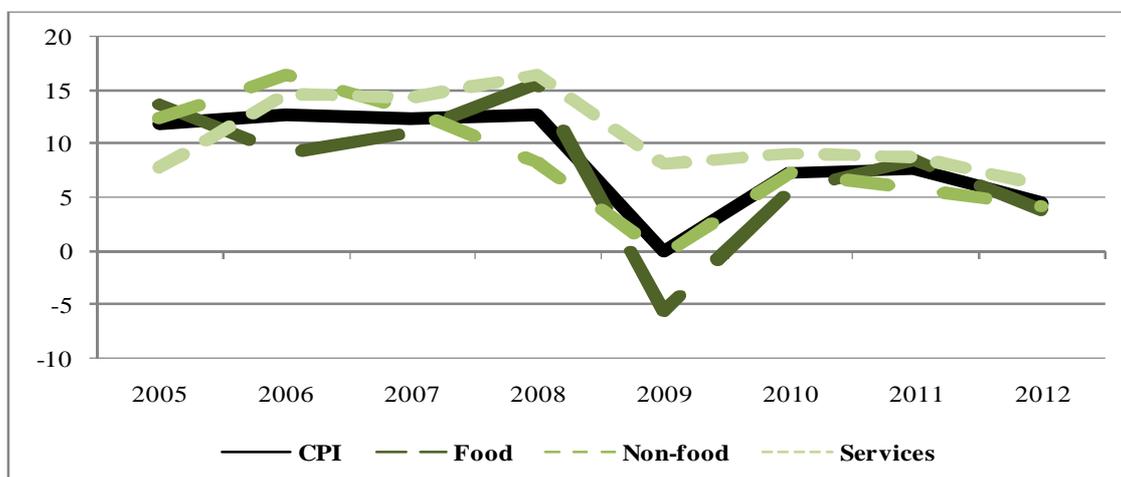


Figure 2.1. Growth rates of CPI and its components, %

Source: According to the National Bureau of Statistics.

After a continuous decrease, which lasted one year, since September 2011 until September 2012, the evolution of basic inflation stabilized and ranged between 3.7-3.9%. As of Q3 of 2012, the growth rates of CPI exceed the base inflation. This excess was caused by the increased prices of agricultural-food products, which are disregarded for the determination of the basic inflation rate and that determined the accelerated increasing pace of the CPI. At the same time, the stabilization of base inflation must be associated, most probably, to the attenuation of internal demand.

In 2012 the indexes of industrial production prices increased by 5.7%. During 2012, the indexes of industrial production prices showed an accelerated ascending trend: during the first quarter the increase was 4.7%, (compared to the same period of 2010), during Q2 the increase was 6.3%, during Q3 the increase was 7.9%, and Q4 was characterized by an increase of 8.4%. The sub-sectors of the industry registered the following increases:

- ü in the energetic industry the prices increased by 9.2%;
- ü in the processing industry the price index increased by 5.1%;
- ü in the extraction industry, the prices increased by 3.8%.

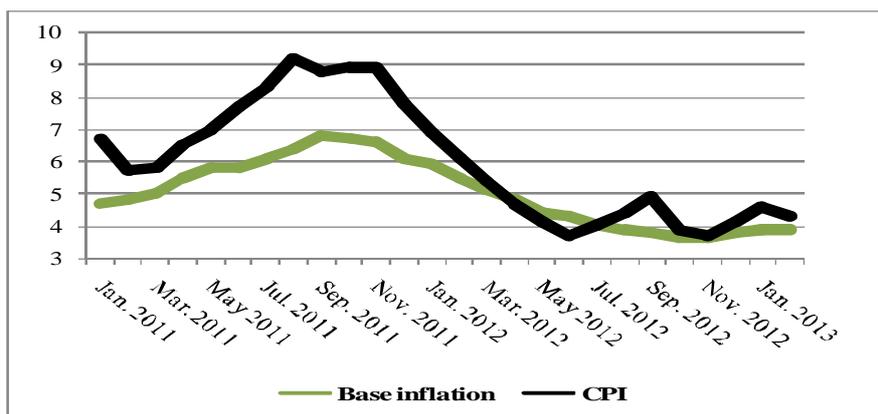


Figure 2.2. Annual increase rate of base inflation and IPC, %

Source: According to the National Bureau of Statistics.

Similar to CPI, one can notice a decrease of the increasing pace of post-crisis industrial production prices, compared to the pre-crisis ones. Between 2006-2008 the prices of industrial production increased by more than 10%, and after the crisis, in 2010 and 2012, the increase rates were below 10%. At the same time, distinct evolutions were registered in the industrial sectors:

- ü prior to the crisis, the extraction industry registered high rates of price increase, which showed a descending dynamics, with extremely low post-crisis prices;
- ü in the processing industry, the post-crisis price increasing rates are lower than the pre-crisis ones;
- ü in the energetic sector, the prices registered a dramatic increase in 2007, and afterwards the increasing trend significantly attenuated.

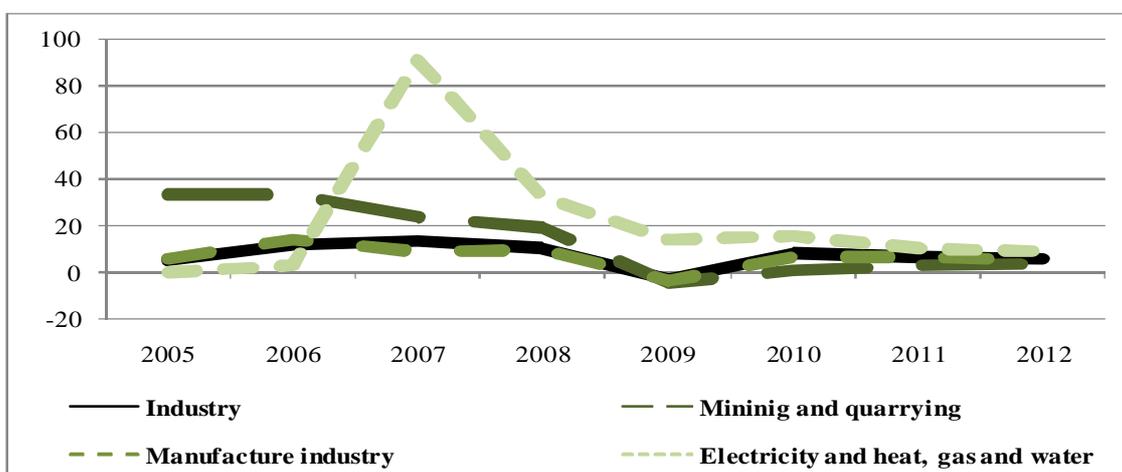


Figure 2.3. Growth rate of the industrial production price index and its components, %
Source: According to the National Bureau of Statistics.

In Q4 2012 the construction prices increased by 8.3% compared to the similar period of last year and continue their ascending trend, an evolution that started in Q2 of 2010. Sector-wise, the highest price increases in constructions were registered in telecommunication – 14.2%, transportation – 12% and trade and public food – 11.1%.

In 2012 the prices related to agricultural production increased by 17.7%. Generally, the evolution of prices of agricultural production is extremely volatile, where spectacular increases

are followed by modest increases or even by decreases. In 2012 the increase of prices of vegetable products was of 19.1%, while the prices of animal products increased by 13.1. With respect to vegetable products, the highest price increase, by 38.6%, was registered for sunflower, followed by grapes, with an increase by 32.1%. With respect to animal products, the highest price increase was registered for wool – 28.1% and beef – 20.2%.

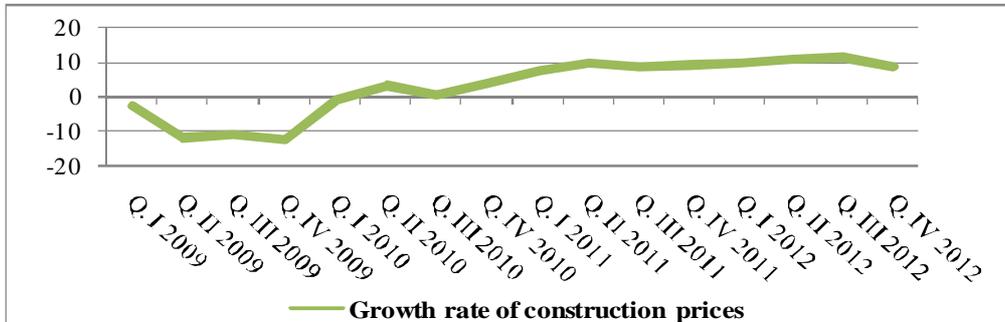


Figure 2.4. Growth rate of construction prices compared to the same period of last year, %

Source: According to the National Bureau of Statistics.

In 2012 the nominal exchange rate of the national currency was of MDL 12.11 for USD 1, which represents a MDL depreciation by 3.5% compared to 2011, and with respect to the sole European currency we registered an exchange rate of MDL 15.56 for EUR 1 – an appreciation by 4.5%. During 2005-2012, the evolution of the nominal exchange rate of the national currency, compared to the main reference currencies, showed relatively constant dynamics: the floating MDL/USD coefficient was 7.2%, and for MDL/EURO 3.2%.

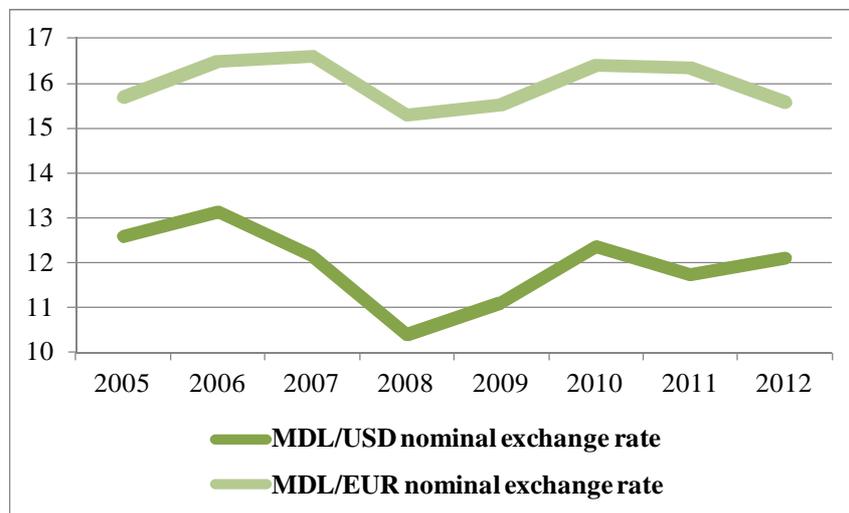


Figure 2.5. Evolution of the nominal exchange rate of MDL compared to USD and EUR
Source: According to the data of the National Bank of Moldova.

At the same time, the actual exchange rate registered a continuous appreciation, due to a more accelerated evolution of prices in the Republic of Moldova, compared to the dynamics of inflation in US and the Euro zone – between 2005-2012 the level of prices in the Republic of Moldova increased 1.72 times, while in US it increased 1.18 times, and in the Euro zone 1.14 times.

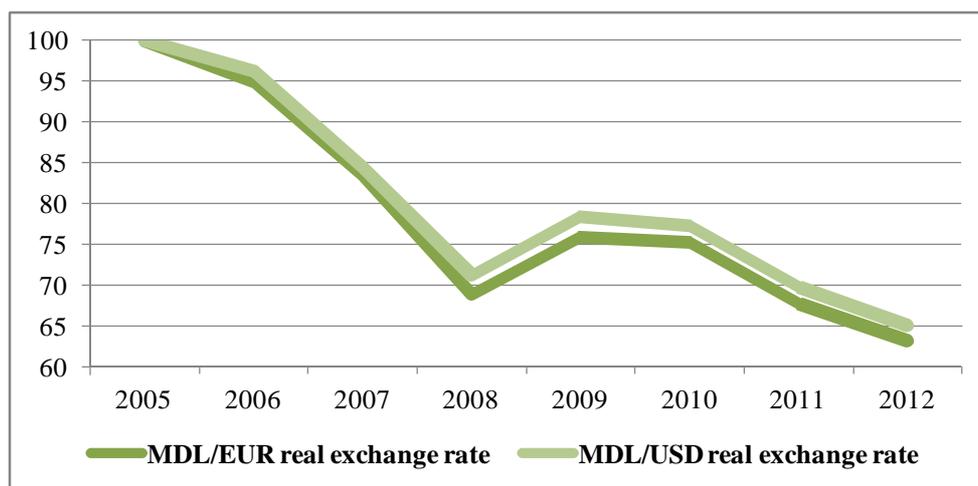


Figure 2.6. Evolution of the actual exchange rate of MDL compared to USD and EUR
Source: According to the data of the National Bank of Moldova.

Region left of the Dniester

In the region left of Dniester river, 2012 was characterized by relatively high inflation levels. In December 2012, compared to December 2010, the CPI was 10.43%. In the same month of 2012, compared to December 2010, CPI components recorded the following price modifications: food products – 14.08%, non-food products – 5.97%, services – 9.99%. High levels are also registered by other indexes of prices: in December 2012, compared to December 2011, the prices of industrial production increased by 5.4%, and the price of sale related to agricultural production increased by 26% in 2012, compared to 2011.

In 2012 the average exchange rate in relation to USD was 11.13 rubles in the region left of Dniester river for one USD, a 5.7% increase compared to the same period of 2011.

Chapter III

FINANCES

3.1. Public finances

Revenues of the national public budget

In 2011 the NPB accumulated an aggregate amount of revenues of MDL 33526.1 million, or 98.0% of the annual liabilities. Compared to 2011, the collections registered an increase by MDL 3386.4 million.

By examining the evolution in time of the share of NPB in the GDP, one can notice a decreasing trend of the said share, from 41% in 2008 to 38% in 2012.

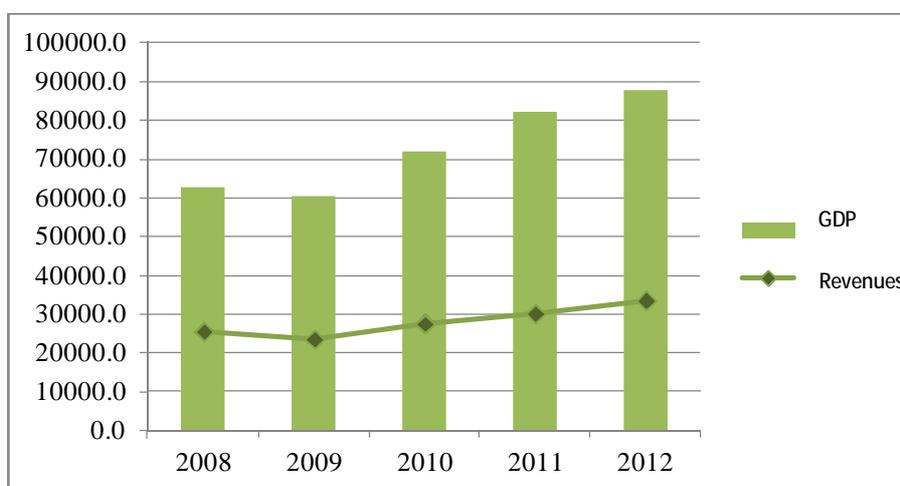


Figure 3.1.1. Evolution of revenues accumulated to the national public budget and GDP during 2008-2012, MDL million

Source: According to the data of the Ministry of Finances and the National Statistics Office.

In the fourth quarter of 2012, the national public budget accumulated MDL 9585.4 million, namely by MDL 671.4 million or 7.5% more than during the similar period of time of last year, and thus registered an increasing pace of approximately 2 percentage points compared to the similar period of time of last year (in 2011 the increase was 5.8%).

Also, in the first 2 months of 2013 the national public budget accumulated total revenues of MDL 4529.4 million. Compared to the similar period of time of 2012, the collections registered an increase by MDL 587.3 million.

Out of the aggregate amount of revenues of the national public budget accumulated during 2012, the fiscal revenues constituted MDL 28859.2 million (98.7% of the planned value), and the non-fiscal revenues – MDL 1341.4 million (101.3% of the planned value). Compared to the similar period of 2011, the fiscal revenues increased by MDL 3279.1 million, and the non-fiscal revenues by MDL 162.5 million, respectively. The revenues from special means of public institutions registered MDL 1320.1 million, or 94,5% of the annual forecasts. The revenues from special funds were MDL 368.6 million, or 101.9% of the annual liabilities. In order to support the budget and to finance the projects financed from external sources, by external donors and domestic investors, grants of MDL 1636.8 million were paid.

In 2012 the weight of fiscal revenues in total revenues was 86%, compared to 85% registered in 2011.

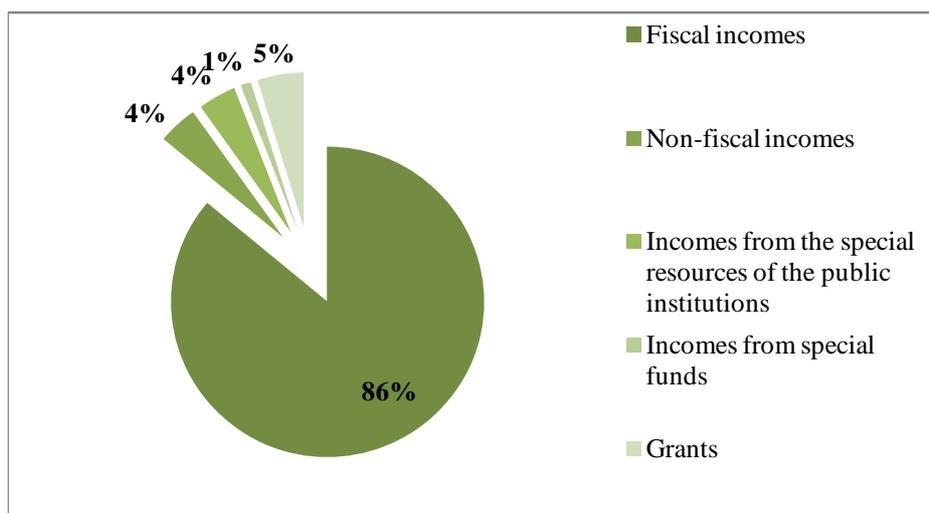


Figure 3.1.2. Structure of the revenues of the national budget in 2012

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

By examining their evolution in time, we can see that the fiscal revenues registered a continuous increase. At the same time, the non-tax revenues registered a steady decrease during the analyzed term, with a slight variation from the general trend in 2010. The revenues from grants registered an accelerated increase until 2010 (in particular in 2010, compared to 2009), while 2011 saw a decrease of revenues related to the relevant chapter, and this trend also continued in 2012. In addition, we mention that the revenues from special funds registered a constant increase, and the revenues from special means registered an increase in 2010, compared to 2009, and until 2010 the said chapter registered a decrease, with a recovery in 2011 and, further on, in 2012.

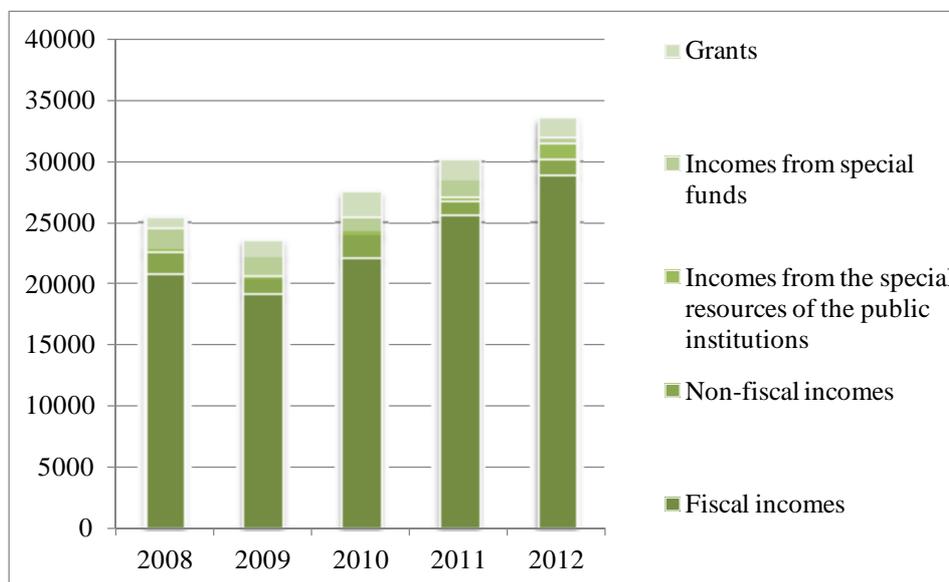


Figure 3.1.3. Structure of the revenues of the national budget between 2008-2012

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

During the first two months of 2013, the trends highlighted for the reviewed period of time were maintained, as the fiscal revenues constituted MDL 4062.1 million, and the non-fiscal revenues – MDL 198.2 million. Compared to the similar period of 2012, the fiscal revenues increased by MDL 671.2 million, and the non-fiscal revenues by MDL 27.8 million. The revenues from special means of public institutions amounted to MDL 128.9 million. The revenues related to special

funds represented MDL 48.9 million. In order to support the budget and to finance the projects financed from external sources, by external donors and domestic investors, grants of MDL 91.3 million were paid.

In the tax revenues registered in 2012, the highest ratio is held by revenues generated from VAT (37.0%), social contributions – 24.8%, income tax – 13.8% (the most accelerated increase, compared to the previous year), excises– 10.0% and the mandatory healthcare premiums – 6.2%.

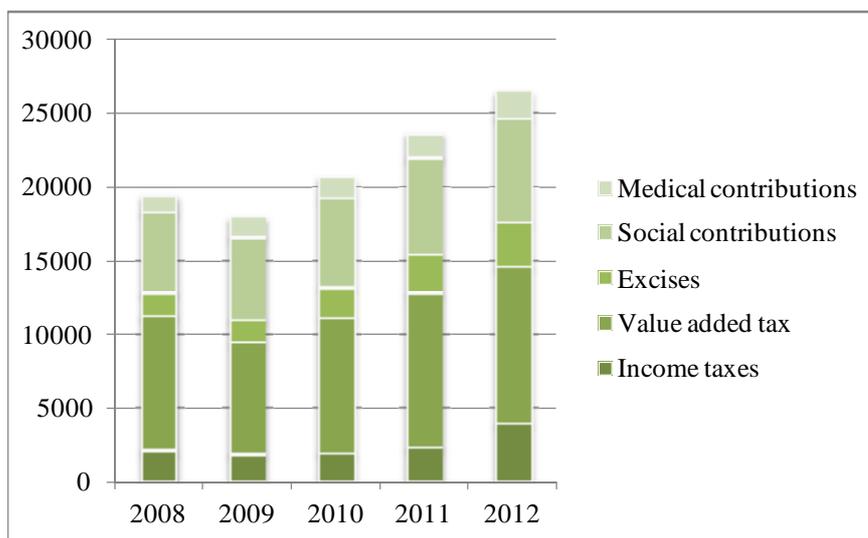


Figure 3.1.4. Structure of fiscal revenues during 2008-2012, MDL million
Source: According to the data of the Ministry of Finance.

The weight of fiscal revenues remained relatively constant during 2007-2011, with a higher increase of the weight of excises in the total revenues during 2010 and 2011 and a 70% increase of income tax-related revenues in 2012, compared to 2011, based on the re-implementation of the income tax concerning the entrepreneur business (12% instead of 0%). At the same time, the trend of indirect revenues prevailing in relation to direct revenues is maintained.

The tax burden of the reviewed period of time, determined by reporting the tax revenues to the GDP, represented 31.2%, while the average value thereof, between 2008-2012, represented 32.1%. Thus, one can notice a decreasing trend of the tax burden as of 2008 – trend also maintained during 2012.

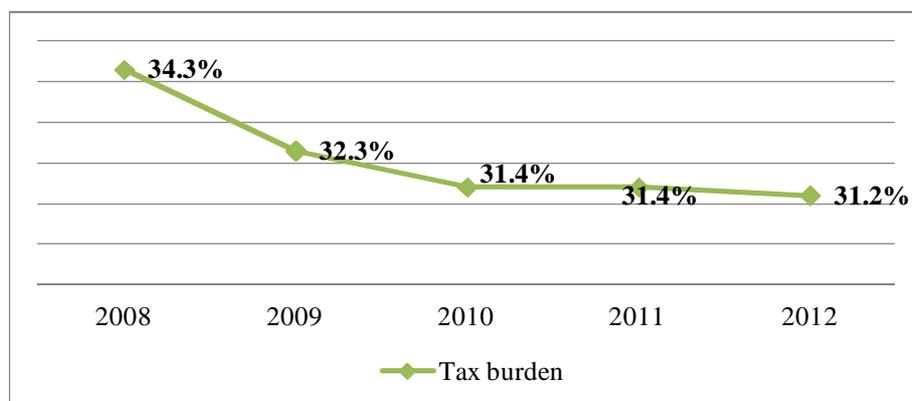


Figure 3.1.5. Level of tax burden during 2008-2012, MDL million
Source: According to the data of the Ministry of Finance.

With respect to non-fiscal revenues, in 2012 these represented MDL 1341.4 million, with a weight in the total revenues of 4.0%, while during the similar period of last year this indicator

was 3.9%. In absolute values, the non-fiscal revenues increased by MDL 162.6 million. The increase was mostly due to administrative taxes and payments, with a weight in the total non-fiscal revenues increasing from 41.1%, in 2011, to 42.8% in 2012. In absolute values, an increase by MDL 90.3 thousand was registered. At the same time, the weight of administrative fines and sanctions in the total non-fiscal revenues increased from 13.0%, a level registered in 2011, to 14.8% – a share achieved in 2012. In absolute values, in 2012 the relevant chapter registered an increase of revenues by MDL 45.1 thousand, compared to the similar period of last year.

The most important contribution to the formation of revenues from grants is represented by external grants. For 2012, the total amount of budget revenues in the form of grants represented MDL 1636.8 million, out of which MDL 1582.7 million – external grants and MDL 54.1 million – domestic grants. It is noteworthy that, compared to the previous year, grant revenues decreased by MDL 67.5 thousand, and their weight from the total revenues decreased by approximately 1 percentage point during the analyzed period of 2012, compared to the similar period of 2011.

Expenditures of the national public budget

In 2012, the national public budget incurred expenditures of MDL 35364.0 million, which represents 96.5% of the annual forecasts. Compared to the similar period of 2012, the expenditures of the national public budget increased by MDL 3263.1 million or by 10.2%.

By examining the evolution in time of the weight of NPB expenditures in the GDP, one can notice an increasing trend of the said weight until 2009, with a potential decrease to 40% in 2012.

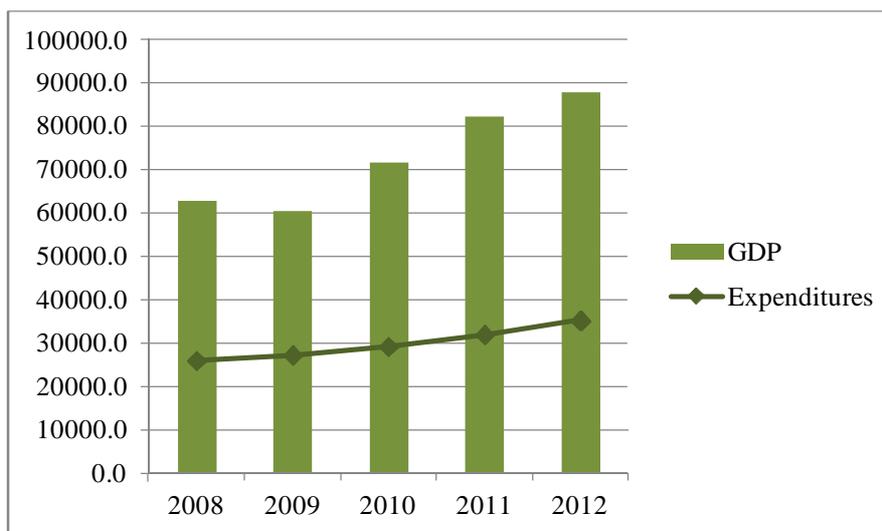


Figure 3.1.6. Evolution of expenditures of the national public budget and GDP during 2008-2012 (MDL million)

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

During the first two months of 2013, the national public budget incurred expenditures of MDL 4788.0 million. Compared to the similar period of 2012, the expenditures of the national public budget increased by MDL 185.7 million or by 4.0%.

By analyzing the structure of expenditures from GDP in 2012, we notice that the predominant part continues to be social expenses (75%), and their weight decreased by 2 percentage points compared to the similar period of last year.

Overall, during 2008-2012 we can notice the increasing trend of the volume of social expenses and of those related to justice and constitutional jurisdiction, with a decrease in 2012, compared to 2011. The expenses related to science and innovation register a negative trend, and the economic expenses registered a decrease until 2009, and an increase ever since.

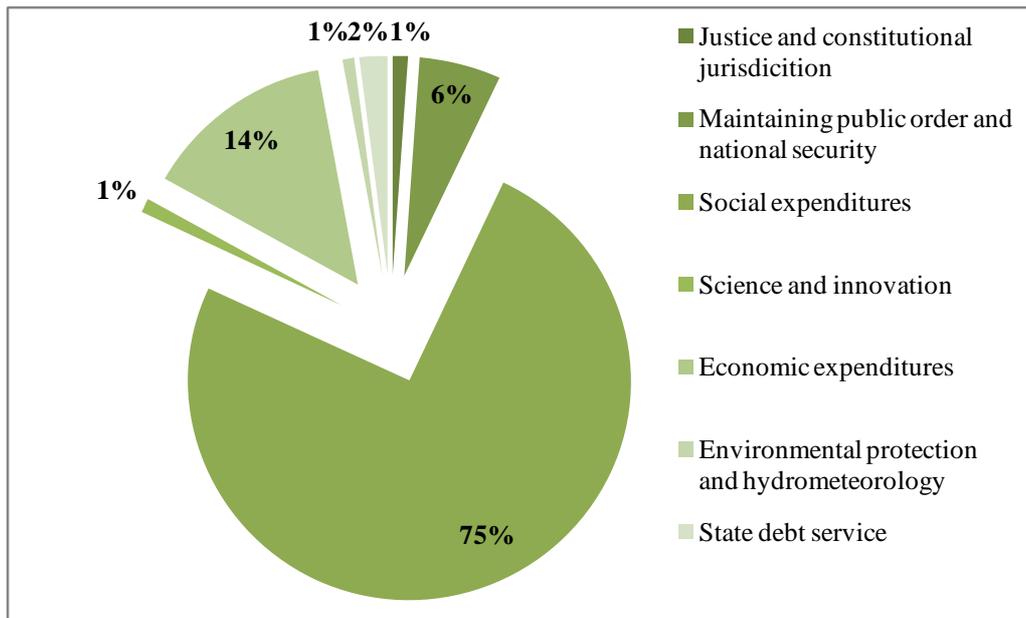


Figure 3.1.7. Structure of expenditures of the national public budget in 2012, MDL million
Source: According to the data of the Ministry of Finance.

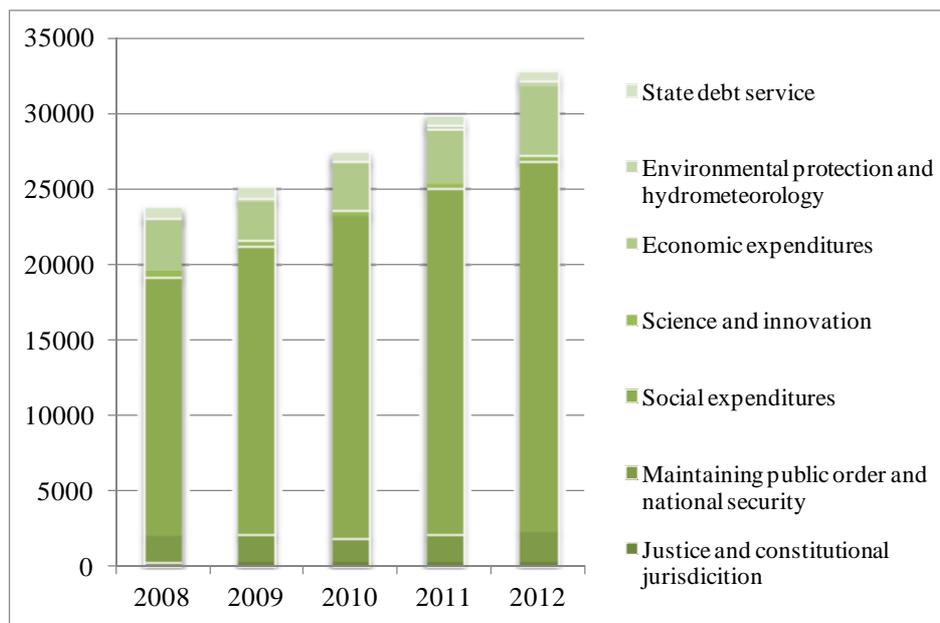


Figure 3.1.8. Structure of expenditures of the national public budget during 2008-2012, MDL million

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

In 2012, out of the total social expenses, the highest weight is represented by expenses with social insurance and assistance, which show an increase (+ 4.9%) compared to 2011, in the context of increased weight of other components of social expenses: healthcare – 11.5% and education – 7.7%. The social expenses incurred in 2012 were by 7.2% or MDL 1657.6 thousand higher than in 2011.

Another important component of public expenses is represented by economic expenses, whose weight in 2012 was 14.4%. The main component of economic expenses is represented by transportations, road administration, communications and information technology, which in 2012 represented 57.9% of the total economic expenses. The weight of the respective expenses increased

by 42.6% compared to the similar period of last year. At the same time, the weight of expenses from agriculture, forestry administration, fishing administration and water administration out of the total economic expenses increased by 11.9 percentage points compared to last year. In fact, the weight of fuel and energy-related complex also registered an increase by 2.7%, compared to the previous year. In absolute values, the economic expenses incurred in 2012 increased by 27.4% or by MDL 991.7 million, compared to 2011.

Budget financial result

In 2012 the implementation of the national public budget resulted in a deficit of MDL 1837.9 million. The balances of the accounts of the national public budget, according to the statement of December 31, 2012, increased compared to the statement of January 1, 2012, by MDL 217.1 million and represented MDL 3163.1 million.

The financing sources of the deficit were:

- revenues from the sale of state movable assets (+ MDL 410.1 million);
- redemption of public securities issued in order to ensure financial stability (- MDL 93.1 million);
- loans paid from external sources (+MDL 1763.2 million);
- reimbursement of principal (-MDL 599.3 million);
- assets from the sale and privatization of the public property (+ MDL 131.9 million);
- change of balances (-MDL 117.4 million);
- other sources (+MDL 84.0 million).

Public debt

According to the report of December 31, 2012, the balance of the public debt increased, compared to the end of 2011, by MDL 4,144.0 million or by 16.7% and represented MDL 29,017.7 million, which consisted of:

- Public debt – MDL 21 184.7 million (73%);
- NBM debt – MDL 5 637.7 million (19.4%);
- Debts of entities from the public sector – MDL 1,907.2 million (6.6%);
- UAT debts – MDL 288.1 million (1.0%).

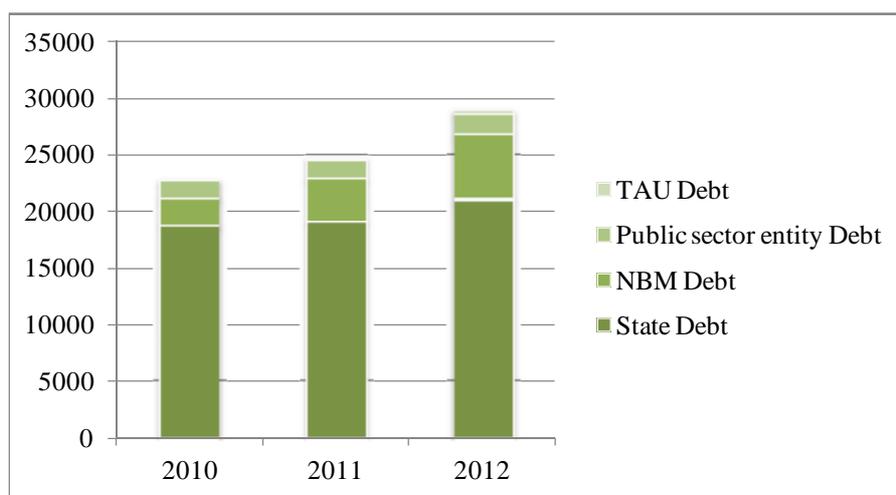


Figure 3.1.9. Structure of public debts, by components (MDL million)

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

According to the operative data on the GDP of 2012, the weight of the state debt in GDP, as of December 31, 2012, was 33.0%, and recorded a 2.8 percentage points increase compared to the similar period of the previous year.

The modification of the balance of public debt towards the end of 2012, compared to the end of 2011, is conditioned by the increase of all components of the public debt. Thus, the balance of public debt has increased mostly, by MDL 1 958.2 million, followed by the debt of the NBM, which increased by MDL 1 806.1 million, the debt of state-owned enterprises – by MDL 300.3 million, and, to a lesser extent, UAT debt – by MDL 79.3 million.

As of December 31, 2012, the external public debt was MDL 21 262.5 million (or 73.3% of the public debt balance), and the internal public debt was MDL 7 755.2 million (26.7%). Compared to the situation at the end of 2011, the weight of the external public debt increased by approximately 1.6 percentage points.

Regarding arrears to the loans from the public sector, on December 31, 2012 these registered a value of MDL 430.3 million, and fully consisted of arrears to the internal loans of state-owned enterprises and UAT. Compared to the situation at the end of 2011, the value of arrears to internal loans increased by MDL 100.6 million, mainly conditioned by the increase of arrears to the loans of state-owned enterprises.

State debt

According to the situation of December 31, 2012, the balance of the state debt was MDL 21,184.7 million, higher by MDL 1,958.2 million or by 10.2% than at the beginning of the year, due to the increase of the external state debt by MDL 1,641.2 million and of the the internal state debt by MDL 317.0 million, respectively.

According to the operative data on the GDP for 2012, the weight of the state debt in GDP, as of December 31, 2012, was 24.1%, and recorded an increase compared to the similar period of the previous year, by 0.8 percentage points.

Regarding the *structure by debt type*, the state debt as of December 31, 2012 consisted of 70.9% – external state debt and 29.1% – internal state debt. The dynamics shows that the weight of the external state debt increased compared to the similar report of 2011 by approximately 1.3 percentage points.

According to the *structure of the state debt by currencies*, the major weight is represented by the external state debt in the DST currency basket – 50.6%, followed by the internal state debt in MDL – 29.1%. The following positions are held by USD – 9.9%, Euro – 8.0%, WPU – 1.3%, JPY – 0.9%, GBP – 0.1% and KWD – 0.1%. In the structure of the state debt by currencies, by the division of the DST currency basket, the dominant position is occupied by USD - 31.6%, followed by Moldovan Leu – 29.1% and Euro – 26.6%. The sum of the weights of the other currencies does not exceed 15% of the total.

With respect to the *structure by types of interest rate*, the debt with floating interest rate was 21.3% of the state debt portfolio, a 1.8% decrease compared to the end of 2011, and by 4.6% compared to the end of 2010.

In the structure of the state debt, by instruments, as of December 31, 2012, the majority weight was held by external state loans of approximately 60%, 2.0% higher than at the end of 2011 and by 0.4% higher compared to the same period of 2010.

Internal state debt

As of December 31, the internal state debt was MDL 6,158.9 million, out of which:

- a) VMS issued on the primary market – MDL 3,816.1 million (62%);
- b) VMS issued for ensuring financial stability – MDL 279.4 million (4.5%);
- c) converted VMS – MDL 2,063.4 million (33.5%).

Compared to the beginning of 2012, the internal state debt increased by MDL 317.0 million or by 5.4%. The increase of the internal state debt balance was due to the increase of VMS issuance on the primary market by MDL 560.1 million and to the redemption of converted VMS of MDL 150.0 million and VMS issued for ensuring financial stability of MDL 93.1 million.

As weight in the GDP, the internal state debt registered 7.0%, by 0.1% lower than at the end of 2011.

During 2012, through the 64 tenders, the Ministry of Finance offered for sale on the primary market state-owned movable assets of MDL 7,061.0 million. The VMS demand represented MDL 12,625.2 million, by MDL 5,564.2 million or 1.8 times higher than the offer. The highest weight, of 97.0% in the total VMS traded on the primary market, was held by VMS with maturity of up to 1 year. Thus, in the result of actions taken in order to increase the maturity of state securities, the weight of treasury bonds with a maturity of 91 days decreased in the total traded VMS, from 36.0% to 32.6%, at the same time with a 4.0% increase of the weight of treasury bonds with a maturity of 364 days, compared to 2011, which in 2012 was 22.2%.

In 2012, the issuance of state securities with medium circulation term continued. Thus, there were traded T-bonds with a floating interest for 2 years, of an aggregate amount of MDL 87,3 million. Compared to 2011, the volume of traded T-bonds increased by 2.2 times compared to the increase of the demand thereof.

External state debt

As of December 31, 2012, the balance of the external state debt was MDL 15,025.8 million (USD 1,245.6 million), including MDL 14,957.7 million (USD 1,239.9 million) – direct external state debt and MDL 68.1 million (USD 5.6 million) – assumed guaranteed external state debt.

As of the beginning of 2012, the balance of the external state debt expressed in Moldovan lei increased by MDL 1,641.2 million or by 12.3%. This increase is due to the increase of the balance of the external state debt expressed in US Dollars, as well as to the floating MDL/USD exchange rate.

During the same period of time, the balance of the external state debt expressed in US Dollars increased by USD 103.1 million or by 9.0%. This increase may be justified by the positive value of net external financing, which, on December 31, 2012 was USD 95.2 million, as well as by the positive floating of the exchange rate of US Dollar compared to other currencies, of USD 7.9 million.

According to the operative data on the GDP for 2012, the weight of the state debt in GDP, as of December 31, 2012, was 17.1%, higher by 0.8% compared to December 31, 2011.

In the *structure of the external state debt by instruments*, as of December 31, 2012, the external state loans held a majority weight of 85.4%, characterized by an ascending trend compared to the circumstances at the end of 2011.

In the *structure of the external state debt by creditors*, multilateral creditors continue to be the main creditors of the Government of the Republic of Moldova. The external state debt to multilateral creditors, as of December 31, 2012, was USD 1,039.3 million (83.4%) of the total balance of the external state debt, by USD 119.3 million higher than at the beginning of 2012.

The highest weight in the balance of the external state debt to multilateral creditors is that of AID with 48.9%, followed by IMF – with 631.5%, BEI – with 6.0%, IBRD – with 5.3%, FIDA – with 5.2%, etc. The external state debt to bilateral creditors was USD 200.6 million (16.1%), by USD 14.2 million lower than at the beginning of 2012. The Government of Russia has a major weight - 42.2% from the debt to bilateral creditors. The external state debt to commercial creditors was USD 5.6 (0.5%), by USD 2.0 million lower than at the beginning of 2012, and fully consisted of the debt to the German bank AKA Ausfuhrkredit-Ge.

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

Regarding the *structure of the external state debt by currencies*, the majority weight is that of the DST currency basket, represented by external state loans from international financial institutions, such as IMF, World Bank and FIDA, which represent 71.4% of the external state debt portfolio, approximately 1.0% more than at the end of 2011. The second position is that of USD with 14.0% (3.2% less than at the end of 2011), followed by Euro with 11.3% (4.1% more than at the end of 2011), and the sum of the weights of the other currencies such as JPY, GBP, WPU, KWD is less than 10% of the volume of the external state debt.

Upon the breaking down of the DST by composing currencies, 44.6% of the external state debt is that of USD, followed by Euro with 37.6%, Japanese Yen with 7.6%, Pound Sterling with 8.3% and a much lower weight than that of the other currencies.

Public finances of Transnistria

During 2012, the revenues of the budget of Transnistria was MDL 3314.75 million, namely 9.9% of the total revenues registered within the controlled territory of the Republic of Moldova (as of the end of Q3 of 2012, these were 6.8%), representing an excess of 14% to the established plan, out of which:

- MDL 2410.6 million fiscal payments (72.7%), namely 121% compared to the planned figures and by MDL 780.5 million (47.9%) more than in 2011;
- MDL 420.2 million non-fiscal payments (12.7%), namely 108.4% compared to the planned figures and by MDL 212.0 million (almost twice) more than in 2011;
- MDL 234.8 million revenues from special funds (7.1%), namely 100.3% compared to the planned figures and by MDL 32.0 million (15.8%) more than in 2011;
- MDL 182.4 million revenues from entrepreneur business and other revenues (11.5%), higher than in 2011.

The expenditures of the budget of Transnistria were MDL 1430.4 million or 4.0% of the total expenses incurred on the controlled territory of the Republic of Moldova, namely 90.1% of the established plan of expenditures.

The most important weight in the total expenses is that of social expenses, in particular expenses for education, social and medical protection, salaries, science, culture.

3.2. Banking sector

Over the last years, the evolution of the banking system of the Republic of Moldova recorded positive values for most indicators. The banking sector of the Republic of Moldova consists of 2 levels, represented by the National Bank of Moldova (NBM) and 14 licensed commercial banks.

In 2012, in the context of the decrease of economic activities and the aggravation of the financial crisis in EU, the banking sector of the Republic of Moldova was also affected by the weakened quality of banking portfolios (quality of bank credits) for the entire system. At the same time, the

only banking institution controlled by the state, "Banca de Economii" S.A. (BEM) registered the decrease of indicators related to economic activities.

In 2005-2012, there was an increase of the banking sector in relation to the GDP, with slight deviations in 2008 and 2011. Banking assets in relation to the GDP increased from 47.8% in 2005 to 66.4% in 2012. Similar evolutions were recorded for deposits and credits in relation to the GDP. Credits in relation to the GDP increased from 35.7% in 2005 to 49.6% in 2007, and in 2012 this indicator decreased to 40.9%. Thus, deposits in relation to the GDP decreased from 47% in 2005 to 39.4% in 2009, and in 2012 this indicator increased to 41.3% (see figure 3.2.1).

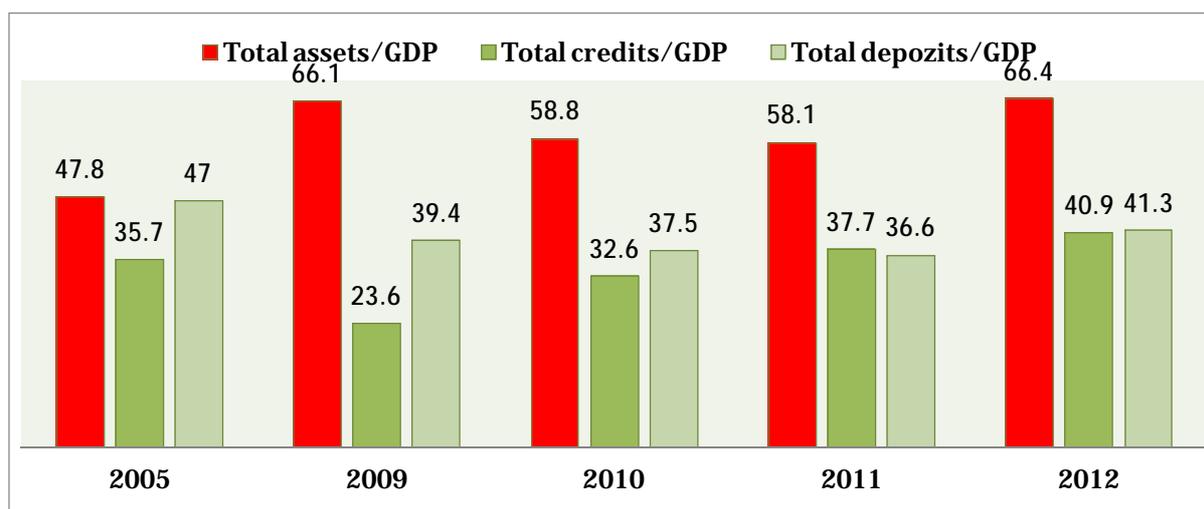


Figure 3.2.1. Degree of financial intermediation (%) in 2005-2012

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

The total number of *employees from the banking system* as of December 31, 2012 was 11,173 – 10 less than on January 02, 2012. Namely, in average for each employee from the banking sector there were assets of 5 million lei, 0.8% more than on January 02, 2012.

In November 2012 *the total assets of the banking system* were 58,304.4 million MDL, a 17% increase compared to January 2012. In January 2013 *the total assets of the banking system* were 59,960.8 million MDL, a 20% increase compared to 2012. In January 2013, the evolution of banking assets was determined by the accentuated growth of profit-generating assets, the highest weight in the total assets was that of the credit portfolio – 60.4%, 3% higher than January 31, 2012.

Table 3.2.1. Evolution of banking assets by volume and structure in 2012, %

Indicator name:	January 31, 2012	December 31, 2012	Dynamics compared to January 02, 2012, %
	% of total assets		
Total assets, out of which:	100	100	
1. Cash and cash equivalents	23.2	24.6	24
2. Financial assets held for trading	0.3	0.3	6.7
3. Financial assets available for sale	0.3	0.6	150.6
4. Loans and receivables	63.6	62.3	14.5
5. Investments held to maturity	5.8	5.8	17.4
6. Tangible assets	3.1	2.9	8.4
7. Intangible assets and tax receivables	0.7	0.6	-3.6
8. Other assets	2.9	2.8	11.64

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

Thus, on December 31, 2012, compared to December 31, 2011, there were the following modifications:

- increase of cash by 1.4%, to 14,368.7 million MDL;
- decrease of loans and receivables by 1.3%, to 36,341.79 million MDL;
- increase of cash available for sale by 0.3%, to 336 million MDL;
- decrease of tangible assets by 0.2%, to 1,695.4 million MDL;
- decrease of intangible assets by 0.1%, to 135.5 million MDL;
- decrease of other assets by 0.1%, to 16,830.5 million MDL.

On December 31, 2012, the *balance of credits* in the economy was MDL 35948.27, by MDL 4568 million or 16.1% higher than in January 2012. The increasing trends were caused by the increase of the balance of loans granted in national currency by 20.1% and by 11.1% of the balance of loans granted in foreign currency, respectively. At the end of February 2013, the balance of credits in the economy was 36,077 million MDL, 128.8 million MDL more than at the end of December 2012.

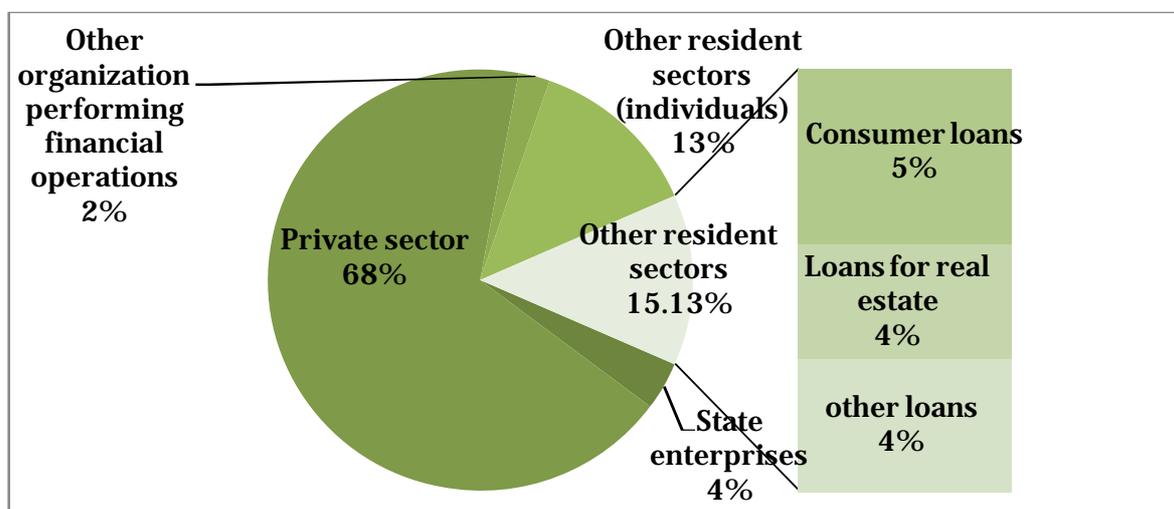


Figure 3.2.2. Weight of credits in the economy of the Republic of Moldova (%) in 2012
Source: According to the data of the National Bank of Moldova.

In 2012, the increase of the balance of credits in MDL occurred following the increase of the balances of credits granted to all sectors of the economy, thus the balance of the credits granted to the private sector increased by 33%, to state companies – by 40.4%, and to other organizations performing financial operations decreased by 60.4% compared to the end of 2011.

The balance of credits in foreign currencies (recalculated in MDL) in December 2012 recorded an increase due to the increase of the balances of the credits granted to all the sectors of the economy, thus the balance of the credits granted to the private sector increased by 20.3%, to other organizations performing financial operations decreased by 60% and to natural persons decreased by 62.3% compared to December 2011.

In February 2013, the positive dynamics of the balance of demand in the economy in MDL was influenced by the increase of the balance of demand towards the private sector by 66.7% million MDL (by 0.5%), of the balance of demand to natural persons by 49.5 million MDL (1.0%) and to that of state companies by 6.4 million MDL (0.8%). At the same time, the balance of requests to other organizations that perform financial operations decreased by 11.5 million MDL (3.0%).

At the end of 2012, the weight of bad credits (substandard, compromised and doubtful) in the total credits was 14.5%, 1.6% higher than January 02, 2012. The same volume of bad credits, projected on TNC, was 72.3% on December 31, 2012, 19.4% higher than on January 02, 2012. In

this context, the discounts for the credit debt increased by 1.2%, and reached 10.7% at the end of 2012. In February 2013, the discounts for the credit debt were 10.8%.

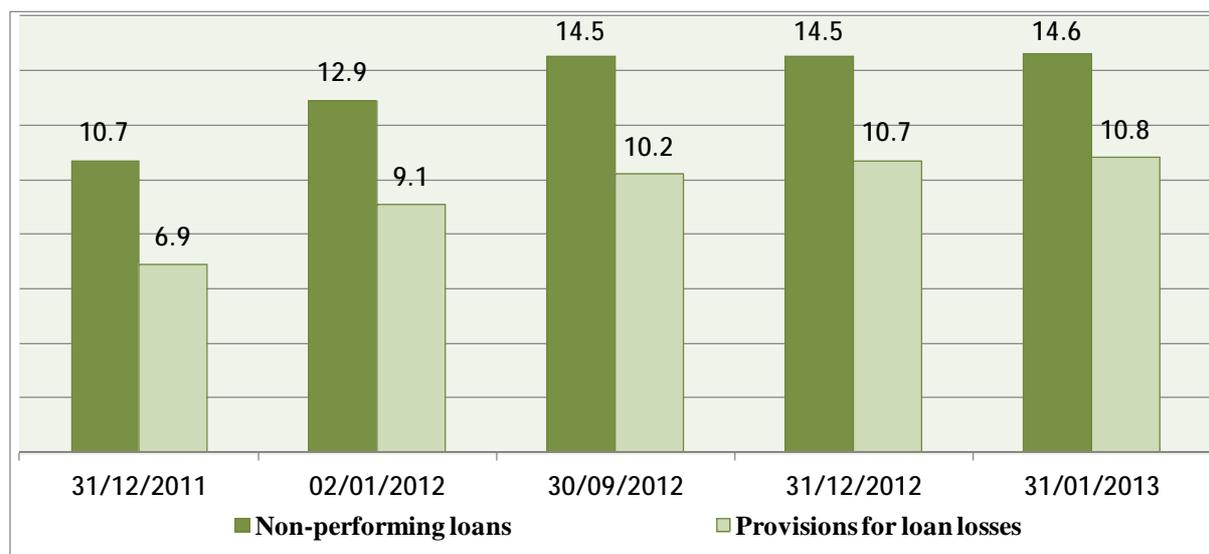


Figure 3.2.3. Evolution of banking credit quality, %

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

In December 2012, the average *interest rate for the credits* granted in national currency decreased by 3%, reaching 11.9%, compared to January 2012. In February 2013 the average *interest rate for the credits* granted in national currency reached 13.2%. In December 2012, the average interest rate for the credits granted in foreign currencies decreased by 0.1%, reaching 8.3%, compared to January 2012, namely 8.4%. In February 2013 the average interest rate of the credits in foreign currencies was 8.1%, less by 1.7% compared to February 2012.

In 2012, there was an increase of *new credits granted by banks*, from 1,515.7 million MDL in January 2012 to 3,120.2 million MDL in December 2012, an increase by 1,604.5 million MDL. The volume of credits granted in MDL in February 2013 was 983.6 million MDL, a decrease of 305 million MDL, or 23.7% less than in February 2012.

Thus, in February 2013, most new credits granted in the national currency are credits granted to legal entities - 69.5% of the total credits in MDL, with an average interest rate of 12.5%, while the average rate of credits granted to natural persons was 14.8%.

Table 3.2.2. Evolution of new credits granted by volume and structure in 2012 - February 2013

	January 2012		December 2012		February 2013	
	million MDL	Foreign currency million MDL	million MDL	Foreign currency million MDL	million MDL	Foreign currency million MDL
Up to 1 month	185.83	86.07	58.42	62.28	59.16	0.40
1-3 months	62.95	5.97	39.35	10.86	21.19	41.03
3-6 months	5.83	33.83	200.49	67.44	16.52	3.38
6-12 months	139.80	19.40	351.63	123.29	120.04	95.44
Over 12 months	513.30	462.70	1,474.02	732.44	766.72	577.19
Total	907.71	607.97	2,123.91	996.31	983.63	717.44
Average rate, %	14.17	8.36	11.98	8.32	13.23	8.13

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

In February 2013, the volume of new credits granted in foreign currencies (expressed in MDL) decreased by 284.9 million MDL, compared to the similar period of the previous year, namely 1002.3 million MDL. The weighted average rate of the interest for these credits in the respective period was 8.14%, a decrease of 1.73%.

The analysis of the *total normative capital*, a determining factor of bank creditworthiness, as of December 31, 2012, was 7020.2 million MDL, a decrease by 423.9 million MDL compared to January 02, 2012. Thus, the risk-weighted assets amounted to 28,794.4 million MDL, more by 38,024.4 million MDL than January 2012. The *1st Tier capital*, as of December 31, 2012, decreased by 6.4% to 6,924.0 million MDL compared to January 02, 2012. The positive value of this indicator confirms the resistance and safety of the system in case of financial shocks.

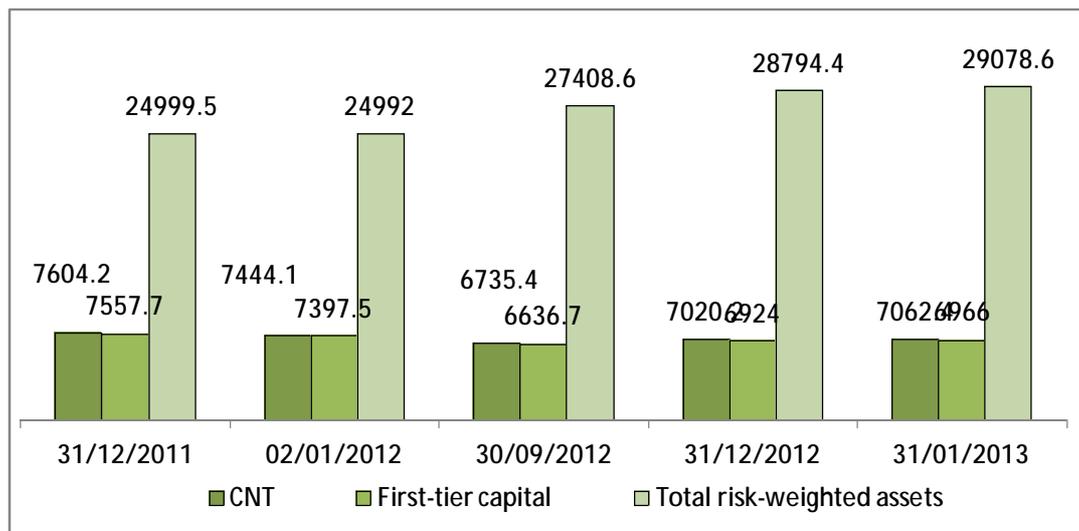


Figure 3.2.4. Evolution of the banking system capital, million MDL

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

At the end of 2012, the share of foreign investments in the share capital of banks was 71.7%, a 2.3% decrease. This situation is explained by the increase of the investments of resident shareholders.

On December 31, 2012, *bank bonds* were 48,058.4 million MDL, 20.2% more than January 02, 2012.

In December 2012, compared to January 2012, there were the following modifications in the structure of the bonds of the banking sector:

- Decrease of financial liabilities assessed at harmonized cost by 0.38%, namely 47,343.7 million MDL;
- decrease of provisions by 0.02%, namely 75,402.2 MDL;
- decrease of tax liabilities by 0.65%, namely 35,196.1 MDL;
- decrease of other liabilities by 0.25%, namely 28,758.1 million MDL on December 31, 2012.

In December 2012, *the balance of deposits* in the banking system was MDL 36272.3 million, by 20.5% higher than in January 2012, as a result of the increase of the balance of deposits in the national currency by 24.6%, representing a weight of 59.8%, and of the deposits in foreign currency by 14.8%, with a weight of 40.25% of the total deposits. Consequently, in January 2013 the *balance of deposits* in the banking system was 37,328.47 million MDL, an increase of 2.9 compared to December 2012.

Table 3.2.3. Evolution of banking bonds by volume and structure in 2012, %

Indicator name:	January 31, 2012	December 21, 2012	Dynamics compared to January 02, 2012, %
	% of total bonds		
Total bonds, out of which:	100	100	
1. Financial liabilities assessed at harmonized cost	98.89	98.51	19.82
2. Provisions	0.18	0.16	3.54
3. Tax liabilities	0.08	0.73	61.56
4. Other liabilities	0.85	0.60	-15.08

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

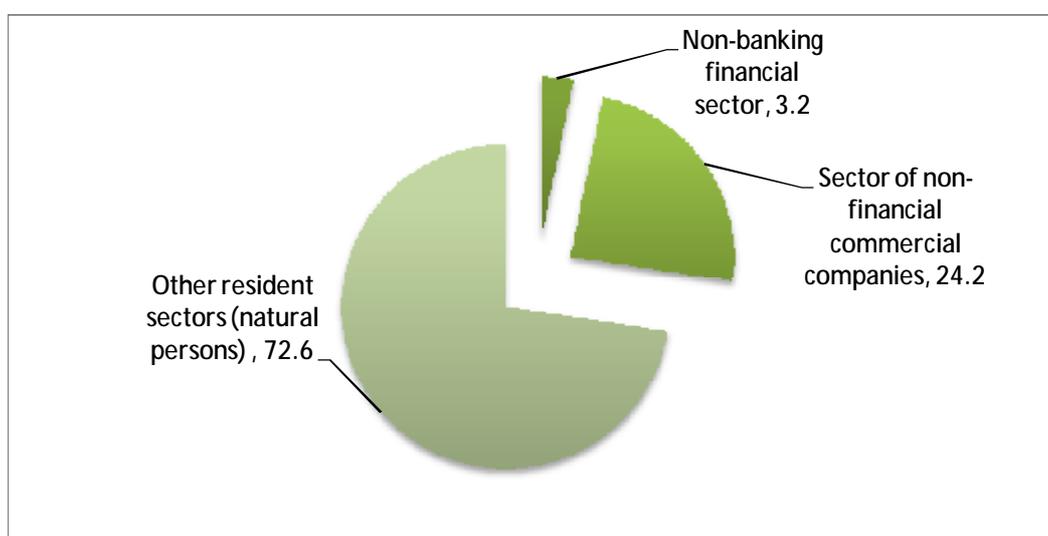


Figure 3.2.5. Weight of deposits in the economy of the Republic of Moldova (%) in 2012
Source: According to the data of the National Bank of Moldova.

The *volume of new deposits* obtained by banks as of December 31, 2012 was 2,795.07 million MDL, a 44% decrease compared to January 02, 2012.

Table 3.2.4. Evolution of new deposits obtained by volume and structure in 2012 - February 2013

	January 2012		December 2012		February 2013	
	million MDL	Foreign currency million MDL	million MDL	Foreign currency million MDL	million MDL	Foreign currency million MDL
Up to 1 month	485.53	157.54	66.89	61.01	68.35	49.73
1-3 months	497.60	136.80	48.48	190.56	40.88	42.45
3-6 months	503.02	496.82	521.07	231.59	370.53	344.04
6-12 months	542.33	498.01	612.65	354.83	840.94	560.56
Over 12 months	402.56	306.11	427.77	280.22	406.38	184.97
Total	2431.04	1595.28	1676.86	1118.21	1727.08	1181.75
Average rate, %	7.06	4.03	8.44	4.68	8.56	4.41

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

In January 2013, new term deposits in MDL decreased by 443.1 million MDL compared to the following period of the previous year, to 1,988 million MDL. Compared to January 2013, the volume of term deposits in MDL decreased by 260.9 million MDL (13.1%). The average interest rate for term deposits in MDL in the respective period remained practically the same, namely 8.56%.

In the structure of term deposits in foreign currencies, in December 2012, compared to January 2012, there was a decrease of 477.07 million MDL, to 1,118.21 million MDL. Compared to January 2013, the volume of term deposits in foreign currencies in February 2013 decreased by 263.7 million MDL (18.2%), and the average interest rate for the obtained deposits decreased by 0.38%.

*Section 3.2.1. Trends of the credit card market in the Republic of Moldova
in 2011-2012*

In 2012, the indexes of the system of payments by credit cards of the Republic of Moldova saw increased dynamics in all indicators. Thus, cash withdrawals continue to dominate the market of card operations in the Republic of Moldova. The main indicators that show this are:

- increase of *circulating cards* from 911.7 thousand units at the end of 2011 to 1011.7 thousand units at the end of 2012, an 11% increase.
- increase of *cards issued* in the analyzed period of 359.3 thousand units, as of December 31, 2012, a 9.5% decrease compared to December 31, 2011.
- decrease of *cards withdrawn from circulation* by 10.9% compared to the same period of the previous year, namely 259.3 thousand units.

Transactions with cards issued in the Republic of Moldova significantly increased. Thus, in 2012 there were operations with cards issued and made in the Republic of Moldova amounting to 20,038.1 thousand MDL, and 23,969.9 thousand MDL represented operations with cards issued and made abroad. Operations with banking cards issued in the Republic of Moldova represent 90%.

As of December 31, 2012, in the Republic of Moldova the network of special devices for performing card operations increased to 10,378 units, out of which 9,362 POS terminals, 92 imprinters and 924 ATMs. Thus, the number of special devices increased by 16.2% compared to the similar period of the previous year. This increase was due first of all to the increase in the number of POS units by 17.2% and of the number of ATMs by 8.6% compared to 2011.

The *banking margin* of operations in the national currency dropped from 5.51% in December 2011 to 4.67% in February 2013. In December 2012, the banking margin for operations in the national currency was 3.54%, and in September 2012 it was 4.64%.

In this context, we notice that the average interest rates of deposits in the national currency started to increase in February 2012, to 8.04%, and in December 2012 there was the highest rate of 8.44%. The average interest rates for the deposits in foreign currencies increased more significantly after the beginning of the year from 4.03% in January 2012 to 4.68% in December 2012.

At the beginning of 2013, in January the average interest rate for the deposits in MDL were 8.55%, and in February it was 8.56%. The average interest rate for deposits in foreign currencies increased to 4.79% in January 2013 and in February 2013 it was 4.41%.

In December 2012 the net revenues in relation to assets (ROA) was 1.1% on December 31, 2012, and in relation to the equity capital (ROE) the rate was 5.6%. At the same time with the increase of the volume of the shareholding capital and assets, the increase of ROE and ROA shows that the growth rate of the net profit is much faster, which is quite encouraging. Thus, in December 2012, the profit of banks in the entire system was 572.5 million MDL or 75% more than in January 2012.

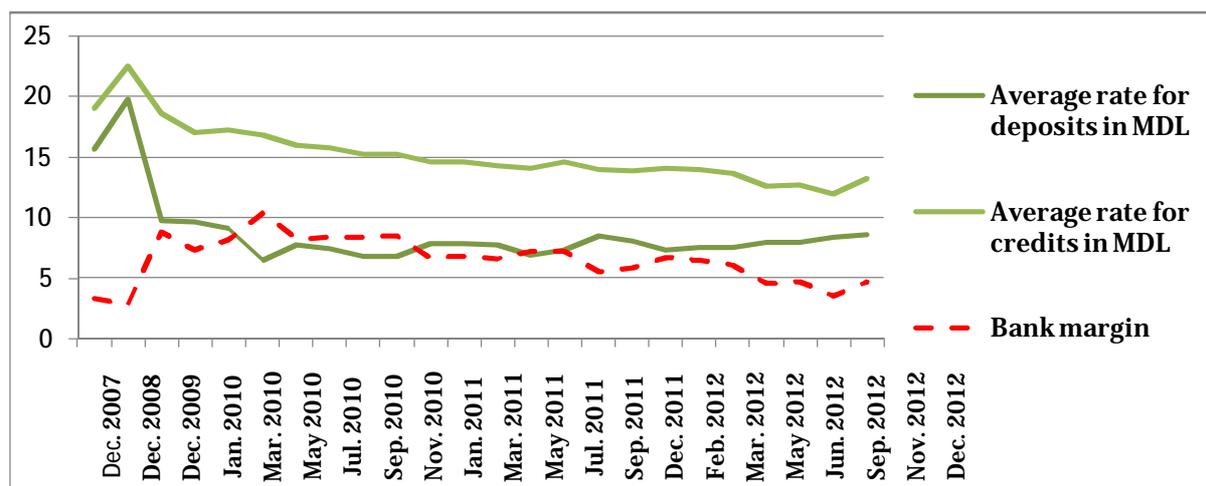


Figure 3.2.6 Evolution of the banking margin*, of average interest rates of deposits and credits in MDL, %

Source: Authors' 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 interest rate of deposits in MDL and the average rate of credits in MDL.

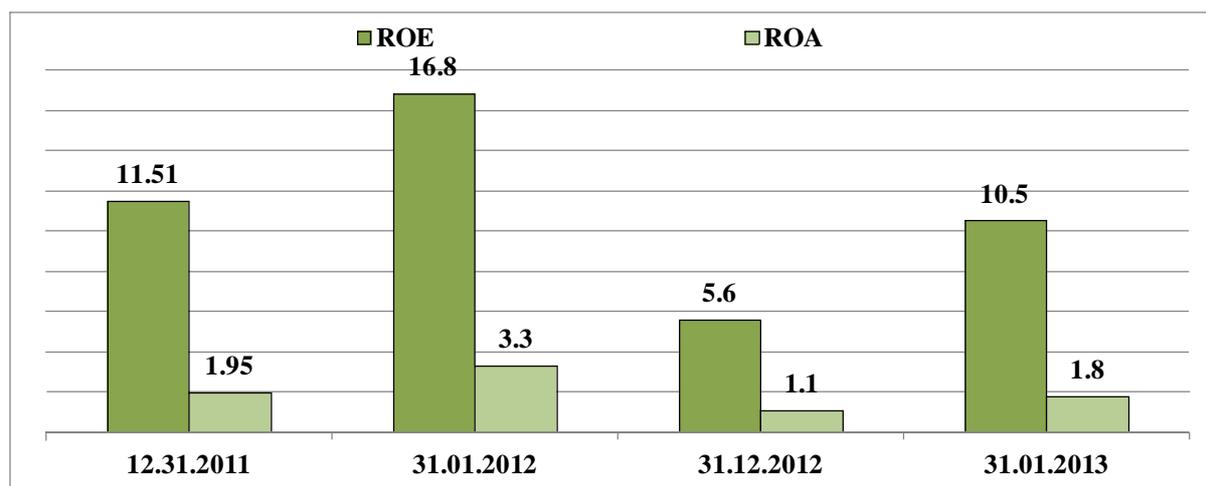


Figure 3.2.7. Evolution of banking profitability, %

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, 2012, decreased by 0.3% and was 81.3% compared to January 02, 2012, which was 81%. Respectively, on December 31, 2012, the level of the net interest margin was 5.1%. Thus, banks in more difficult situations 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, 2012, was 117.2%, 53.4% less than on January 31, 2012. In January 2013, the efficiency index was 143.6%, 26.4% more than in December 2012.

The *capital sufficiency degree* is maintained on a high level of 24.3% on December 31, 2012. Although above the necessary minimum level of 16% (until May 2012 the sufficiency of the risk-weighted capital was 12%), we notice a decrease of this indicator of 4.9% compared to January 02, 2012. We consider that the banking capital sufficiency degree is explainable by the considerable

increase of the credit portfolio, which is part of the high-risk assets with a major weight in the risk.

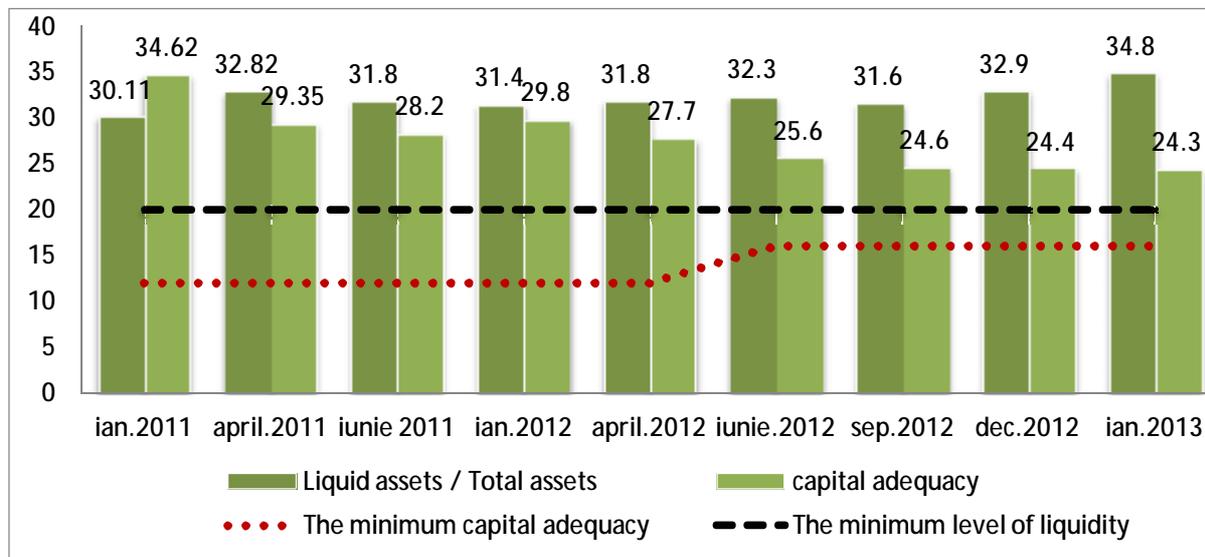


Figure 3.2.8. Liquidity indicators and capital sufficiency, %

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

Table 3.2.5. Trends of banking liquidity, %

Indicators	January 31, 2012	December 21, 2012	January 31, 2013
Second principle of liquidity	32.0	32.9	34.8
First principle of liquidity	0.7	0.7	0.7

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

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, in December 2012, the weight of liquid assets (2nd principle of liquidity) was 32.9%, and in January 2013 it was 34.8%, an increase of 1.9%.

Long-term liquidity or the 1st principle of liquidity for the entire banking system recorded 0.7% as of December 31, 2012. These values of the liquidity indicators show the existence of adequate sources for supporting payments corresponding to bonds.

Section 3.2.2. Analysis of the financial situation of Banca de Economii S.A.

In 2012, in the context of the decrease of economic activities and the aggravation of the financial crisis in EU, the banking sector of the Republic of Moldova was also affected by the weakened quality of banking portfolios (quality of bank credits) for the entire system. At the same time, the only banking institution controlled by the state, "Banca de Economii" S.A. (BEM) registered the decrease of indicators related to economic activities.

„Banca de Economii”S.A. (BEM) was incorporated on September 18, 1996 as the successor of the Savings Bank of Moldova, and operates in virtue of the license issued by NBM on June 26, 2008. In 2012, the weight of state shares was 56.13% of the total shares of the Bank; 40.82% are shares owned by legal entities and 2.79% of shares are owned by natural persons. In total there are 2,512 shareholders, out of which 1,734 own ordinary shares and 778 own preferential shares.

BEM is one of the most important banks based on its high number of branch networks. Thus, at the end of 2012 in the Republic of Moldova there were 37 branches and 534 units, most of them located in rural areas.

At the end of 2012, the assets and resources managed by BEM were 6,632 million MDL, and their volume increased compared to the end of 2011 by 791.5 million MDL, or by 13.5%. According to the balance sheet submitted on January 09, 2013, the structure of the assets was modified in some components, recording cash increases by 861.9 million MDL or 22.1%, and there were decreases in loans and receivables by 13.5 million MDL or 0.05%, and in fixed assets by 248.6 million MDL, or 9.4%.

In order to obtain revenues, the goal of BEM is to release loans to natural persons and legal entities. In the last quarter of 2012 the loan portfolio was 1,762.09 million MDL, which represents 37.6% of the total assets, compared to the end of 2011 (47.7%), a decrease of 10.09%.

In the 4th quarter of 2012, we noticed a drastic decrease in the volume of granted credits, amounting to 1,225.80 million MDL, 3,356.4 million MDL less than in the same period of 2011 (4,582.2 million MDL). In the same period of 2012, 413 loans in MDL and 8 credits in foreign currencies were released, a lot less than at the end of the 4th quarter of 2011 (350 in RON and 28 in foreign currencies).

The analysis of the credit portfolio by economy branches, at the end of 2012, shows that a significant part of loans is represented by other loans released to clients 36.2% (3,741.4 million MDL), followed by loans released for trade 26% (2,670.3 million MDL), and loans released to banks 23% (2,374 million MDL), etc.

In 2012, bad credits in the total assets increased by 4.61% compared to 2011, and amounted to 1,380.04 million MDL. On December 31, 2012, the weight of bad loans (substandard, compromised and dubious) in the total loans was 55.28%, 31.34% higher than December 31, 2011. In this context, the discounts for loan liabilities increased by 21%, and reached 37.58% at the end of 2012. As of January 31, 2013, the amount of loans and advances was 2,183 million MDL, less than December 31, 2012 by 24.3 million MDL.

The balance of the liquid assets of the Bank as of January 31, 2013 was 3,413 million MDL, over 2.5 times higher than NBM. In January 2013, the balance of liquid assets increased by 115 million MDL, which represents 3.47% more.

In February there was an increase in TNC and of equity capital. The level of capitalization to assets recorded 15.0%, which is a sufficient comparable value towards the assets of the Bank. The equity capital of BEM was 854.3 million MDL, and recorded an increase in this January following the recorded financial results. The capitalization level was 12.71%, similar to January 2013.

Even if in the latest months of 2013 BEM recorded a profit, its financial situation is unchanged. The bank is in a difficult situation because it released bad loans of almost 1.4 billion MDL over a long period of time. In order to solve the situation of BEM, the bank needs another 155 million MDL from minority shareholders.

The region of the Republic of Moldova to the left of the river Dniester. In 2012, the evolution of the banking sector of Transnistria recorded relatively stable development trends. The banking system to the left of the Dniester is composed of 9 banks, and reports were submitted by 6 banking institutions. Until the end of September 2012 European banks performed banking operations with the region to the left of the Dniester via Russian banks, consequently as of November 01, 2012, EU banks blocked their operations with the banks of Transnistria.

The total assets of the banking system of Transnistria as of January 01, 2013 amounted to 2509.5 million rubles (48.5% of the GDP), the equivalent value of 2,850.08 million MDL. Compared to January 01, 2012, assets increased by 69 million rubles, representing 5,140.5 million rubles (48.1% of the GDP), the equivalent value of 5,838.16 million MDL (as of January 01, 2013 a Transnistrian ruble was worth 0.8805 MDL, and as of January 01, 2012 a Transnistrian ruble was worth 0.8300 MDL).

As of January 01, 2013, the equity of the banks was 1,207.6 million rubles, 75.8 million rubles more than on January 01, 2012 (1,131.8 million rubles). The shareholder capital of Transnistrian banks was 987.6 million rubles as of January 01, 2013. The total bonds of the banking sector

amounted to 3,938.4 million rubles as of January 01, 2013, a decrease by 11 million rubles, the equivalent value of 4,472.91 million MDL compared to January 01, 2012.

The balance of loans released to the economic sector was 2,711.1 million rubles as of January 01, 2013, 110.9 million rubles less than on January 01, 2012. This is due to the fact that the loans released to natural persons (630.2 million rubles) in this period decreased by 36.1 million rubles, and the loans released to legal entities (2,080.9 million rubles) decreased by 74.8 million rubles compared to January 01, 2012.

3.3. Monetary policy

At the end of 2012, the monetary indexes recorded the following values:

- ü aggregate monetary index M0 was 13.24 billion MDL;
- ü aggregate monetary index M1 was 20.6 billion MDL;
- ü aggregate monetary index M2 was 34.9 billion MDL;
- ü aggregate monetary index M3 was 49.5 billion MDL;
- ü the monetary basis was 17.6 billion MDL.

In 2012 the monetary indexes had an increasing trend and were higher than the values of 2011.

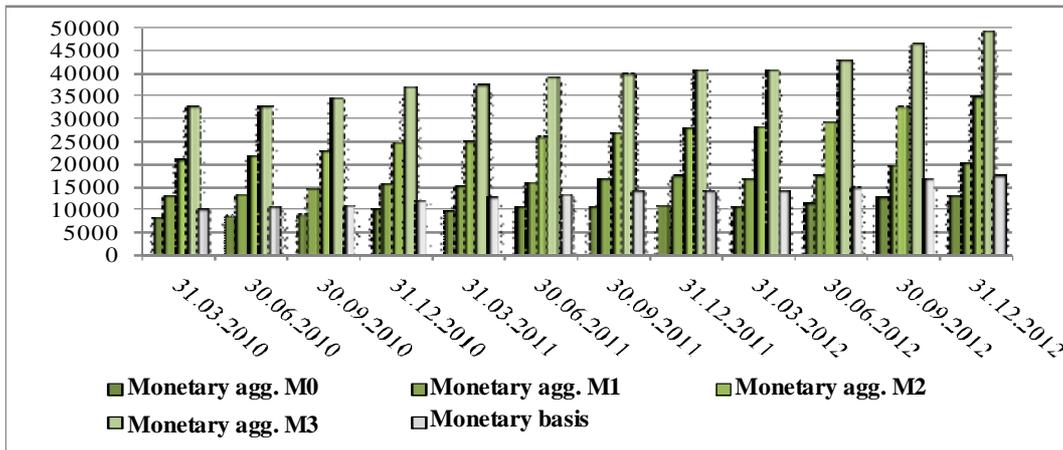


Figure 3.3.1. Evolution of aggregate monetary indexes and the monetary basis, million MDL

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

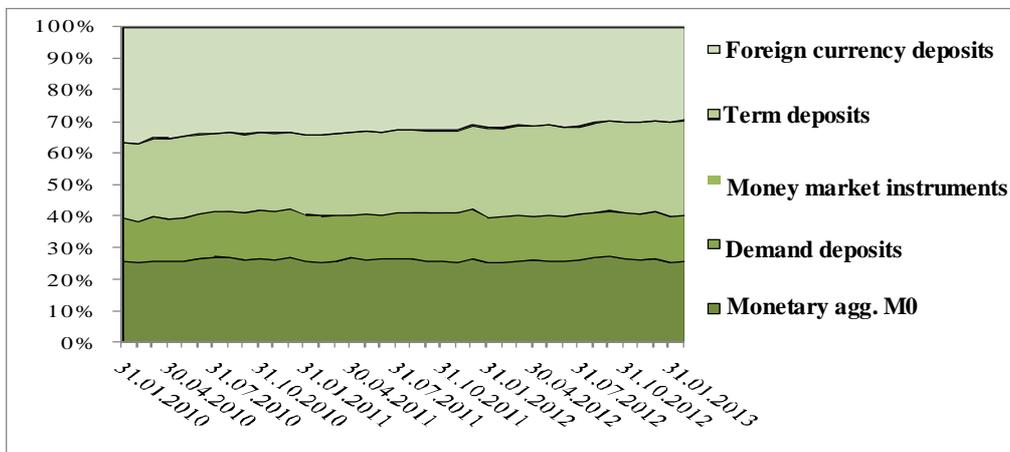


Figure 3.3.2. Monetary mass structure

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

At the end of the year the components of the monetary mass were distributed as follows: aggregate monetary index M0 (circulating money) – 26.7%; on-demand deposits – 14.9%; monetary market instruments represent an insignificant weight close to 0%; term deposits – 28.9% and foreign-currency deposits – 29.5%. In 2010-2013 (first two months of the year) there was a slight decrease in the weight of foreign-currency deposits, while the share of term deposits increased and in February 2013 they became the main component of the monetary mass (on February 28, 2013 the term deposits were 30.1%, and the foreign-currency deposits were 29.9%), the other components of the monetary mass maintain a relatively constant distribution.

Anticipating the attenuation of the price increase rates and the pale evolutions of the national economy in 2012 conditioned the relaxation of the monetary policy. The monetary policy instruments decreased in the first quarter of 2012, and starting with April 2012 their level remained constant.

Table 3.3.1. Evolution of the interest rates for the monetary policy instruments of the National Bank of Moldova

	Basic rate, %	Interest rates of overnight credits, %	Interest rates of overnight deposits, %
January 2012	9.5/8.5	12.5/11.5	6.5/5.5
February 2012	8.5/6.5	11.5/9.5	5.5/3.5
March 2012	6.5/4.5	9.5/7.5	3.5/1.5
April 2012	4.5	7.5	1.5
May 2012	4.5	7.5	1.5
June 2012	4.5	7.5	1.5
July 2012	4.5	7.5	1.5
August 2012	4.5	7.5	1.5
September 2012	4.5	7.5	1.5
October 2012	4.5	7.5	1.5
November 2012	4.5	7.5	1.5
September 2012	4.5	7.5	1.5
January 2013	4.5	7.5	1.5
February 2013	4.5	7.5	1.5
March 2013	4.5	7.5	1.5

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

In 2012 the evolution of the liquidity sterilization operations was characterized by an increasing trend, which continued in the first months of 2013 (in February 2013 the average daily balance of CBN sales was 4.48 billion MDL). Between January 2012 and March 2013, the demand of overnight deposits recorded a volatile evolution, as the average daily balance varied between 118.5 million MDL (April 2012) and 363.8 million MDL (January 2012). In the same period commercial banks did not request from NBM overnight credit facilities.

In 2012 NBM did not modify the mandatory reserve rate, its level remained at 14%, and the same situation was maintained at the beginning of 2013.

Starting with May 2012, NBM intervened on the currency market. In order to impair the Moldovan leu in relation to the reference currencies (thus reducing the prices of exported products and stimulating the competitiveness of national commodities), NBM purchased foreign currency. The maximum value of currency procurements was achieved in August, when the amount of USD 115.9 million was purchased. Subsequently NBM reduced the procurements

from the currency market (a slight deviation from this trend occurred in December 2012 and was characterized by the increase of foreign currency procurements).

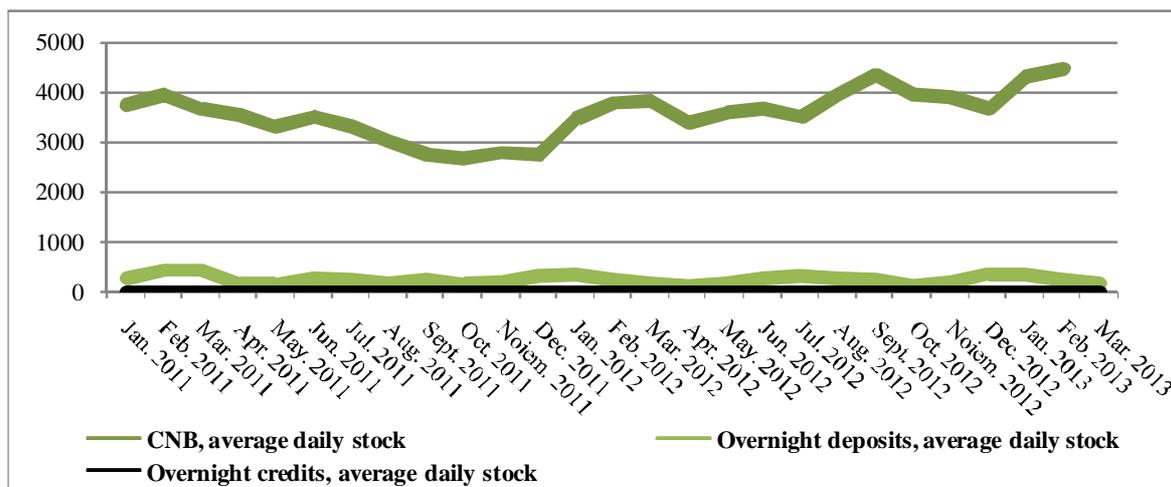


Figure 3.3.3. Monetary policy instruments, million MDL

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

Table 3.3.2. Foreign currency procurements made by NBM on the interbank market between May 2012 and February 2013

Month	Volume of procurements, million USD
May 2012	1
June 2012	20.3
July 2012	31.5
August 2012	115.92
September 2012	73.53
October 2012	19.42
November 2012	13.86
December 2012	47.26
January 2012	1.59
February 2012	12.25

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

The region from the left side of the river Dniester

On January 01, 2013 the monetary mass in the region from the left side of the river Dniester was 4,900.5 million rubles. The high degree of the impact of the dollar is characteristic for the region from the left side of the river Dniester – on January 01, 2013 this indicator was 59.7%. Between January and December 2012 there was a decrease in the weight of foreign currency in the monetary mass from 64.5% to 59.7%.

In 2012, the mandatory reserve rate was changed 3 times: on January 01, 2012 increased from 11% to 13%, on February 01, 2012 increased from 13% to 14% and on October 01, 2012 decreased from 14% to 12%.

CHAPTER IV

EXTERNAL SECTOR

Balance of payments

The balance of payments in 2012 shows a considerable reduction of the current account deficit, on one hand, and of the financial account profit, on the other hand.

**Table 4.1. Balance of payments - Current account in 2012
(synthetic presentation)**

Chapter / Sub-chapter	Nominal value, million USD			Growth rate, %	
	2010	2011	2012	2011/ 2010	2012/ 2011
Current account	-449.0	-790.4	-510.9	76.0	-35.4
Goods	-2219.5	-2869.4	-2924.2	29.3	1.9
Export	1590.4	2277.1	2228.0	43.2	-2.2
Import	3810.0	5146.5	5152.2	35.1	0.1
Services	-63.5	-2.6	-21.1	-95.9	710.8
Export	700.3	881.5	936.3	25.9	6.2
Import	763.8	884.1	957.4	15.7	8.3
Revenues	507.1	565.9	829.3	11.6	46.5
Collections	767.2	927.5	1044.3	20.9	12.6
Payments	260.0	361.6	215.0	39.1	-40.5
Current transfers	1326.9	1515.8	1605.1	14.2	5.9
Collections	1416.3	1616.0	1710.4	14.1	5.8
Payments	89.4	100.2	105.3	12.1	5.1

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

In the previous year, the current account deficit was 510.9 million USD, a 35.4% increase compared to 2011. Its weight in the GDP was 7%, 4% lower than in the previous year. However, the slight consolidation of the current account of the balance of payment was not determined by the improvement of the balance of trade with goods and services, which would mean an increase of export potential, but occurred due to the increase of incoming amounts from the sub-accounts of revenues and current transfers. Consequently, the situation of the current account may be characterized by the following evolutions:

- Increase of the balance of trade of goods by 1.9%, largely caused by the decrease of the external demand of commercial partners from the West and the decrease of the supply of exports in agricultural and food products, because of unfavorable climate conditions from the previous year;
- Increase of the deficit of the balance of services, by approximately 8 times, compared to 2011, to 21.1 million USD. The trend was mainly caused by the worsening of the balance of trade in business travel services, and by the evolutions of the trade with transportation, construction, insurance and financial services. Regarding the structure by category of services, transportation and travel services represented at the end of 2012, 61.5% of exports and 74.4% of imports.
- Increase of net revenues by 46.5%, mainly from the account of revenues obtained from the compensation of the work of the residents of the Republic of Moldova by 11.9%.

Table 4.2. Evolution of international trade in services in 2012

	Nominal value, million USD			Structure, %		Growth rate, 2012/2011, %	
	Export	Import	Commercial balance	Export	Import	Export	Import
Total	936.3	957.4	-21.1	100	100	6.2	8.3
Transportation	363.1	381.5	-18.4	38.8	39.8	5.9	4.5
Travel	212.5	331.5	-119.0	22.7	34.6	9.0	10.6
<i>Business travel</i>	57.2	163.6	-106.4	6.1	17.1	11.4	10.0
<i>Personal travel</i>	155.3	167.9	-12.6	16.6	17.5	8.2	11.2
Communications services	140.0	40.2	99.9	15.0	4.2	3.8	-5.4
Construction services	23.6	29.2	-5.7	2.5	3.1	36.6	61.0
Insurance services	0.9	4.7	-3.9	0.1	0.5	-41.7	-64.3
Financial services	3.7	7.2	-3.5	0.4	0.7	-20.7	9.8
Computer and informational services	55.8	37.1	18.7	6.0	3.9	16.7	61.5
Royalty services and license fees	4.6	18.7	-14.1	0.5	2.0	-14.1	12.7
Other business services	91.6	69.5	22.1	9.8	7.3	2.2	18.0
Personal, cultural and recreational services	1.3	1.5	-0.2	0.1	0.2	291.2	19.4
Governmental services not included elsewhere	39.2	36.3	2.9	4.2	3.8	-6.8	-7.3

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

- Increase of the positive balance of the sub-account of current transfers by 5.9%, especially due to the increase of personal transfers from abroad by 10.2%, as they were approximately 44% of the value of incoming current transfers.

Financial account recorded in 2012 an excess of 461.8 million USD, with 37.1% less than in 2011. The evolution of the excess of the financial account, was mainly caused by the decrease of foreign investments net inflow in the national economy by 43.3%, on one hand, and the increase of reserve assets by 78.9% compared to the similar period of 2011.

In the analyzed period *net foreign assets* (external receivables) recorded 357.3 million USD, and the liabilities (external commitments) – 819.1 million USD, which represents an increase of 71.8% compared to 2011 and a decrease of 13%, respectively.

Table 4.3. Balance of payments - Capital and financial account in 2012 (synthetic presentation)

Chapter / Sub-chapter	Nominal value, million USD			Growth rate, %	
	2010	2011	2012	2011/2010	2012/2011
A	1	2	3	4	5
Capital and financial account	420.8	704.1	427.0	67.3	-39.3
Capital account	-28.4	-29.7	-34.8	4.8	17.0
<i>Inflow</i>	13.4	19.3	10.8	43.8	-43.7
<i>Outflow</i>	41.8	49.0	45.6	17.3	-6.8
Financial account	449.1	733.8	461.8	63.4	-37.1
<i>FDI</i>	193.9	260.5	139.4	34.3	-46.5

Table 4.3. – continue

A	1	2	3	4	5
<i>Portfolio investments</i>	5.6	4.7	16.5	-16.0	248.3
<i>Financial derivatives</i>	-0.6	0.2	-0.2	-130.2	-226.3
<i>Other investments</i>	544.6	746.5	803.7	37.1	7.7
<i>Reserve assets</i>	-294.4	-278.1	-497.6	-5.5	78.9
<i>Assets</i>	-223.3	-208.0	-357.3	-6.8	71.8
<i>FDI</i>	-3.5	-20.6	-19.8	486.0	-3.8
<i>Portfolio investments</i>	-0.2	-0.4	4.0	95.0	-1120.5
<i>Financial derivatives</i>	-0.6	0.0	-0.2	-98.4	2300.0
<i>Other investments</i>	75.5	91.1	156.4	20.7	71.7
<i>Reserve assets</i>	-294.4	-278.1	-497.6	-5.5	78.9
<i>Liabilities</i>	672.4	941.8	819.1	40.1	-13.0
<i>FDI</i>	197.4	281.0	159.2	42.4	-43.3
<i>Portfolio investments</i>	5.8	5.1	12.5	-12.2	144.2
<i>Financial derivatives</i>	0.0	0.2	0.0	0.0	-100.0
<i>Other investments</i>	469.1	655.4	647.4	39.7	-1.2

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

Foreign direct investments

In 2012, although the recession have not reach the level of the 2009 crisis, the net inflows of foreign direct investments in the national economy decreased noticeably, by 43.3% compared to the previous year. Their value was 159.2 million USD, which represented 22.4% of the value of net foreign investments in 2008, level close to that of 2004. Overall, at the end of 2012, the stock of foreign direct investments accumulated in the national economy was 3338.79 million USD, which represented 46.8%.

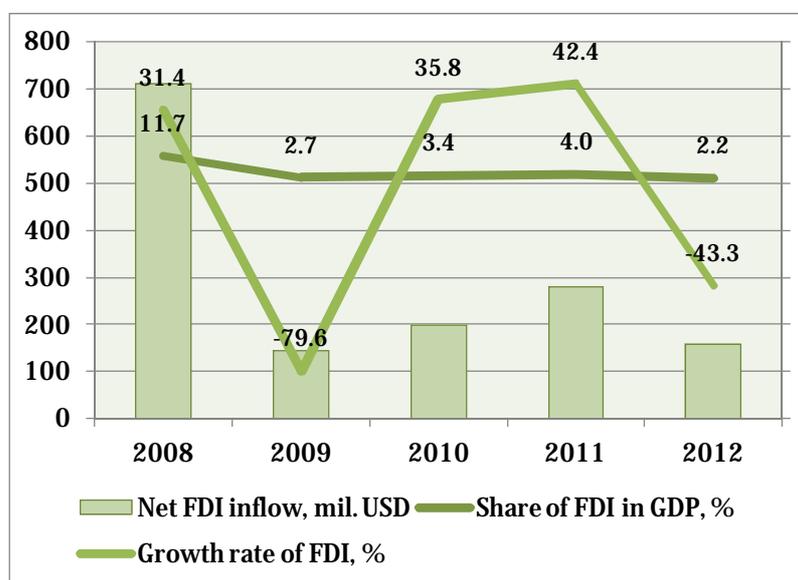


Figure 4.1. Evolution of FDI net inflows in 2012

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

The negative evolution of the investment flows was determined, as already have been observed in the second half of the previous year, by the negative trends of reinvested revenues and those of intra-company loans. The only component which increased compared to 2011 was equity investments, that represented 91.5% of the total net investments made in the national economy. Other direct investments, mainly intra-company loans, although their net value recorded 23.4

million USD, it decreased by 45.2% compared to 2011. At the same time, the worst situation was recorded in reinvested revenues, which recorded a net value of (-) 9.8 million, which denotes the withdrawal of the profits of foreign investors.

Table 4.4. Evolution of net inflows of FDI by forms of capital

	Nominal value, million USD		Growth rate, %		Influence rate, %	
	2011	2012	2011	2012	2011	2012
Net FDI inflow	281.0	159.2	42.4	-43.3	42.4	-43.3
<i>Share capital</i>	143.9	145.6	-8.3	1.2	-6.6	0.6
<i>Reinvested earnings</i>	94.4	-9.8	548.9	-110.4	40.5	-37.1
<i>Other capitals</i>	42.7	23.4	65.0	-45.2	8.5	-9.8

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

Remittances to the Republic of Moldova

In the previous year, although at a slow rate, the evolution of remittances increased, proving once again its counter-cycle nature. Thus, at the end of 2012, the value of remittances was 1786 million USD, 10% more than in 2011. Due to the economy recession in the previous year, the weight of remittances in the GDP increased by 2%, compared to the value recorded in 2011.

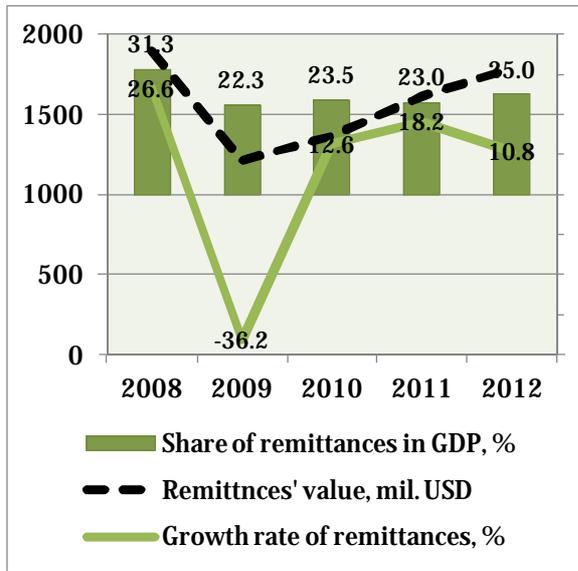


Figure 4.2. Evolution of remittances to the Republic of Moldova

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

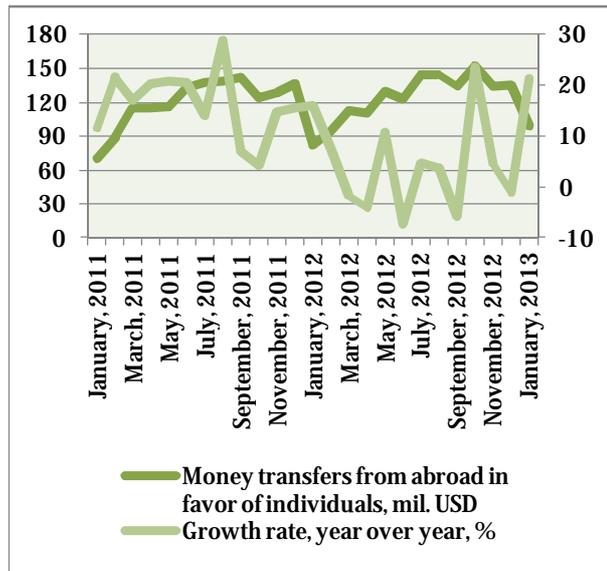


Figure 4.3. Dynamics of transfers from abroad made in favor of individuals

By continuing the trend, at least in the last 5 years, in 2012 there were modifications in the structure of remittances by sources of formation and country of origin. Thus, following a more accelerated increase of money means from the work compensation of RM residents by the residents of other states, their weight in the total volume of remittances increased by 0.5% since 2011, to 56.3% in 2012. Regarding the geographical origin of these financial flows, the increase of the share of the Russian Federation on the total volume of remittances continued, by 3.7%, to 62.1%.

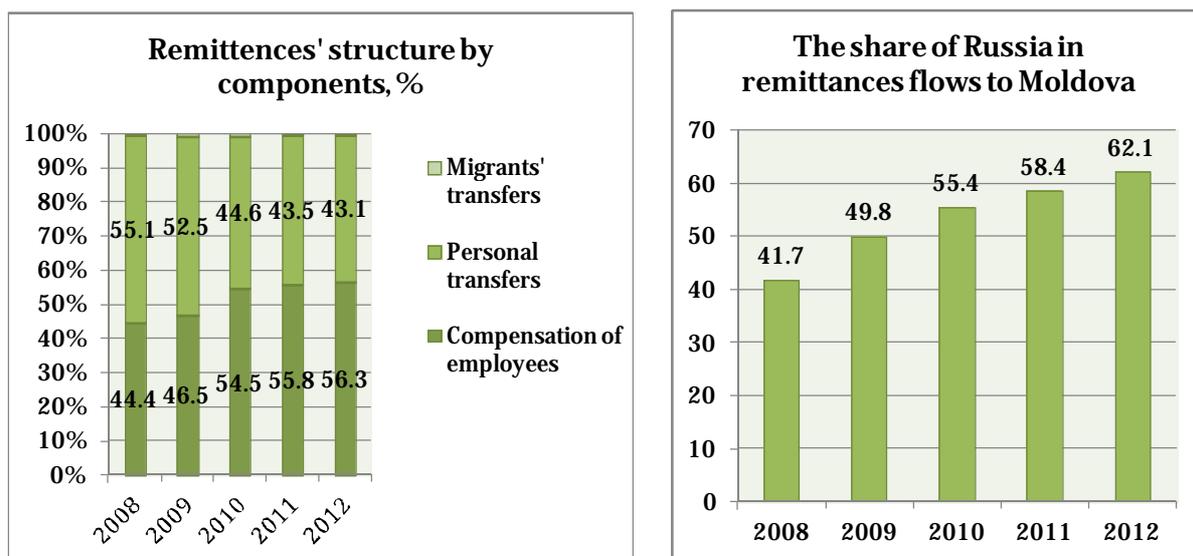


Figure 4.4. Evolution of remittances to Moldova

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

The region from the left side of the river Dniester. The deficit of the current account of the region from the left side of the river Dniester was 676.4 million USD in the first three quarters of 2012, marking a decrease of 8% compared to the similar period of 2011. The trend was caused by the increase of the deficit of the commercial balance of goods and services by 7.6% and 14.6%, respectively, and by the increase of payments made to the non-residents from the revenues sub-account. We would like to mention that in the indicated period, against the increase of the trade with goods of 3.8%, external transactions with services decreased by 6.4%. At the same time, the negative effects of the components of the aforementioned current account were partially compensated by the increase of net current transfers, mainly following the increase of transfers made by individuals. Current transfers to the region from the left side of the river Dniester in January-September 2012 were 216.3 million USD, 14.7% higher than the respective period of 2011.

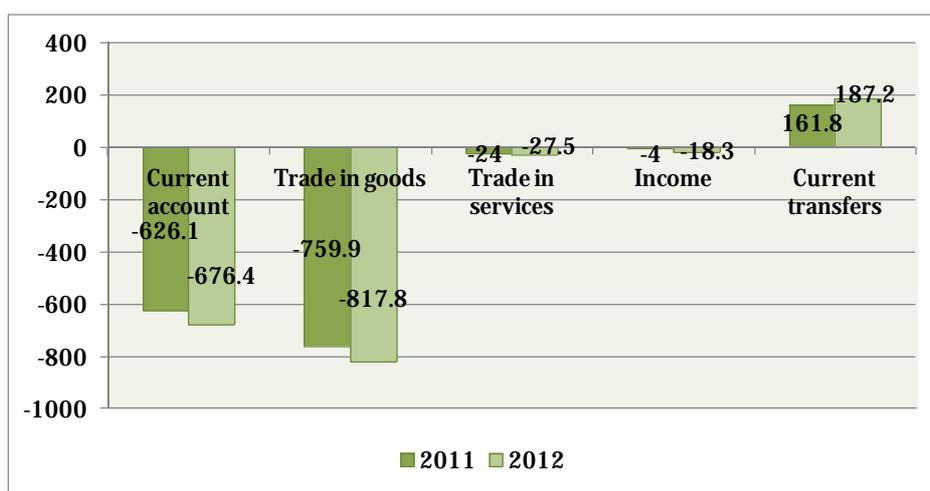


Figure 4.5. Current account of the balance of payment of the region from the left side of the river Dniester in January-September 2012, million USD

Source: According to the data of the Transnistrian Republican Bank. (http://www.cbpmr.net/resource/PB_9month_2011_2013.pdf)

Financial account. In January-September 2012, the financial account recorded a positive balance of 588.7 million USD, 10.7% higher than in 2011. Net assets recorded a negative balance, of -22 million USD. At the same time, mainly as a result of the increase of debts for imports of natural gas by 29%, external liabilities from the financial accounts in this period increased by 20.4%.

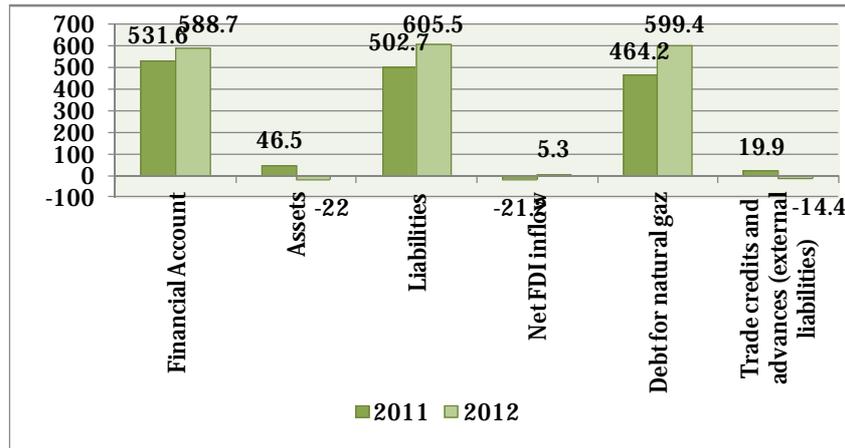


Figure 4.6. Current account of the balance of payment of the region from the left side of the river Dniester in January-September 2012, million USD

Source: According to the data of the Transnistrian Republican Bank (http://www.cbpmr.net/resource/PB_9month_2011_2013.pdf)

Foreign trade

After a progressive recovery of the foreign trade with goods in the post-crisis period, in 2012 this trend was interrupted, and slightly decreased. Thus, at the end of 2012, its value was 7.4 billion USD, 0.4% less than in 2011. Exports were 29% of the value of foreign trade.

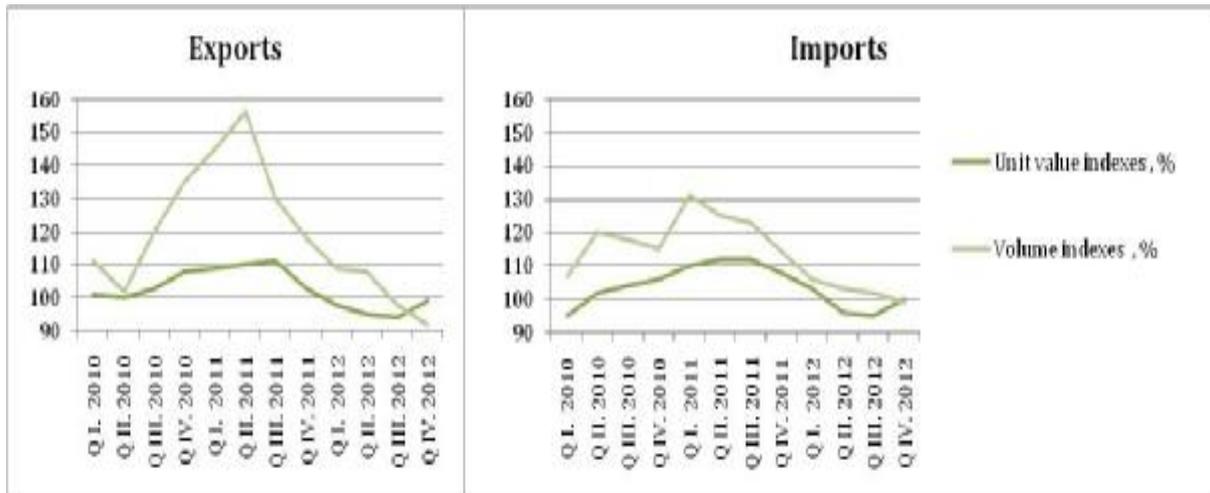


Figure 4.7. Volume and unit value indexes of foreign trade in 2010-2012

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

In 2012 exports were 2.2 billion USD, 2.5% less than the value recorded in 2011. At the same time, imports increased by 0.4%, and amounted to 5.2 billion USD. Given the uncertainty of the main external markets, the evolution of exports was determined by the decrease of their unit value compared to the previous year, starting with the second half of the delivered volumes. At the same time, the indexes of the unit value of imports had a more rigid evolution.

The dependency of the economy decreased by 3,9% compared to 2011, to 101,7%. Separately, exports represented 29,8% of the GDP, and imports were 71,9, a decrease of 1,9% and 2,3%, respectively. Following the moderate increase of imports, and under the influence of export decreases, there was a very slow increase of the commercial deficit (+2.6%), namely 3.1 billion USD.

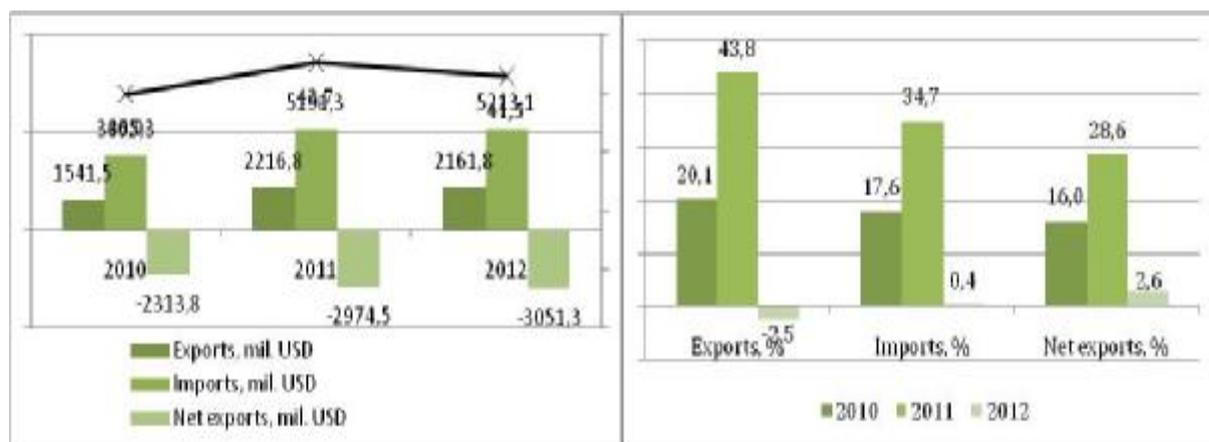


Figure 4.8. The evolution of foreign trade in 2010-2012

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

Table 4.5. Foreign trade in 2012

	2012	2012/2011
Nominal value of exports, million USD	2161.8	-2.5%
Nominal value of re-exports, million USD	772.2	-22.9%
Nominal value of imports, million USD	5213.1	+0.4%
<i>Commercial balance, million USD</i>	<i>-3051.3</i>	<i>+2.6%</i>
<i>Import coverage by exports%</i>	<i>41.5%</i>	<i>+1.2%</i>
Export performance		
Export per capita, USD	607.3	-2.5%
Export/GDP, %	29.8	-1.9%
Export RM / Export worldwide, %	0.01	+0.0%

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

Exports Although in 2012 there was a decrease of exports by 2.5% caused by the economic crisis from the country and of the main economic partners, the high comparison basis of the previous year should not be neglected. The structure of Moldovan exports, although slow, continued its trend and the weight of agricultural and food products decreased in favor of manufactured products other than food products.

Agricultural products amounted to 875.3 million USD, 40.5% of the total exports in 2012, 0.7% and 6.8% decreases compared to 2011 and 2010 – a trend mainly caused by the decrease of deliveries of non-processed agricultural products, while processed agricultural products increased. The former were 18.4% of exports (45.5% of the export of agricultural and food products), mainly represented by the exports of vegetable products (90.5%), especially fruits and vegetables, oleaginous seeds and grains. As such, processed agricultural products had 22.2% of exports, out of which beverages – 9.9%, oils and fats – 4.2%, products from fruits and vegetables – 2.8%, sugar – 1.6%.

The main external sale market for agricultural products is that of the Eastern partners – CIS, with 46.2% of deliveries. 99.5% of exported meat products are oriented towards this market, as well as 51% of fruits and vegetables, 75% of beverages, 25% of oleaginous seeds.

38.7% of the exports of this group of products are sold on EU markets. 96.4% of the total exports of fats and oils, 83.4% of the exports of sugar and sugar-based products, 37.6% of fruits and vegetables, 53.6% of grains and grain-based products are sold on this market.

Other destinations account for 15.1% of agricultural and food products, especially live animals (99.9%), fish, crustaceans and mollusks (95.7%), dairy products and poultry eggs (51.2%), grains and grain-based products (31.4%), oleaginous seeds and fruits (24%).

As aforementioned, the decrease of the exports of agricultural and food products by 4.2% occurred mainly as a consequence of the decrease of deliveries of grain and oleaginous cultures (mainly wheat, barley, corn, soy beans and sunflower seeds), vegetables (-31.7%); on the contrary, a positive contribution was recorded by manufactured products such as beverages, sugar, oils and fats, fruits.

Table 4.6. The structure of foreign trade with goods in 2012

	Nominal value, mil. USD	Structure, %	Structure, average 2010-2012, %	Growth rate, 2012/2011, %	Annual average growth rate, 2010-2012, %
Total	2161.8	100.0	100.0	-2.5	20.5
Agricultural and food products	875.3	40.5	43.0	-4.2	14.0
<i>Agricultural products</i>	<i>398.3</i>	<i>18.4</i>	<i>21.7</i>	<i>-21.8</i>	<i>17.1</i>
<i>Fruits</i>	<i>202.3</i>	<i>9.4</i>	<i>9.6</i>	<i>8.2</i>	<i>17.8</i>
<i>Seeds</i>	<i>99.9</i>	<i>4.6</i>	<i>6.2</i>	<i>-45.0</i>	<i>31.2</i>
<i>Grains</i>	<i>36.5</i>	<i>1.7</i>	<i>3.2</i>	<i>-49.3</i>	<i>-13.7</i>
<i>Processed agricultural products</i>	<i>480.6</i>	<i>22.2</i>	<i>21.4</i>	<i>17.8</i>	<i>13.2</i>
<i>Beverages</i>	<i>215.0</i>	<i>9.9</i>	<i>9.9</i>	<i>18.6</i>	<i>10.7</i>
Vegetable oils and fats	89.8	4.2	3.6	15.6	24.0
Sugar	37.3	1.7	1.5	136.2	24.7
Non-edible raw materials (excluding fuels)	67.3	3.1	3.8	-36.0	66.7
Fuels	15.5	0.7	0.8	-35.5	72.4
Manufactured products	1203.7	55.7	52.4	2.5	24.7
<i>Cars and transportation means</i>	<i>338.8</i>	<i>15.7</i>	<i>14.3</i>	<i>3.3</i>	<i>32.8</i>
<i>Electrical machinery and devices and parts thereof</i>	<i>193.0</i>	<i>8.9</i>	<i>7.7</i>	<i>17.4</i>	<i>25.2</i>
<i>Chemical products</i>	<i>156.6</i>	<i>7.2</i>	<i>6.0</i>	<i>26.0</i>	<i>36.0</i>
<i>Other manufactured products</i>	<i>708.2</i>	<i>32.8</i>	<i>32.1</i>	<i>-1.9</i>	<i>19.7</i>
<i>Clothing</i>	<i>254.4</i>	<i>11.8</i>	<i>13.2</i>	<i>-9.0</i>	<i>4.5</i>
<i>Furniture</i>	<i>91.6</i>	<i>4.2</i>	<i>3.5</i>	<i>10.0</i>	<i>58.5</i>
<i>Footwear</i>	<i>39.7</i>	<i>1.8</i>	<i>2.0</i>	<i>-19.7</i>	<i>19.9</i>

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

Non-edible raw materials, excluding oleaginous seeds were 3.8% of Moldovan exports, out of which 0.7% fuels and 3.1% – other raw materials. Although the weight of fuels in Moldovan

exports were relatively high in 2011 (1.1%) and 2012 (0.7%), they increased on account of re-exports to EU countries. Thus, the main categories of exported products from this group are metalliferous ores and metal waste (1.4%), mainly exported in EU (64.8%) and countries other than EU and CIS (33.8%), natural and mineral fertilizers (0.8%). The 36% decrease of the deliveries of raw materials in 2012 compared to 2011 mainly occurred following the decrease of the exports of ores and metal waste by 55.4% under the influence of the decrease of EU imports in this category of products, and the decrease of national metallurgic industry.

Manufactured products, except for the food industry, accounted for 55.7% of Moldovan exports in 2012, a 3% increase in their structure. At the same time, the exports from this category of goods are ensured by products that involve creating and retaining low added value in the country:

- The products of the light industry are most often the most workforce-intensive and require low capital investments: clothing and apparel (11.8%), yarns and textile items (4.3%), furniture and parts thereof (4.2%), footwear (1.8%). Moreover, in the case of the Republic of Moldova, the exported goods of this branch are manufactured under active perfecting conditions, which means only limited activities from the value chain;
- Products of the heavy industry: electric machinery and devices and parts thereof (8.9%), medicinal and pharmaceutical products (4.4%), industrial machines and devices and parts thereof (2.1%), road vehicles (2%), which are either subject to lohn processing, or represent classical re-exports designed for Eastern partners.

In 2012, the increase of the exports of manufactured products significantly decreased, compared to 2011, by 2.5%. There were considerable decreases of exports in clothing, footwear, travel items, exported mainly to EU; industrial machinery and equipment with general applications, specialized machinery and devices for specific industries, metalware, mainly oriented towards CIS countries. On the contrary, a positive contribution on the exports of manufactured products was represented by the exports of furniture, which were 86.8% re-exports, and the main sale market for these products is EU (68.5%) and CIS, mainly the Russian Federation (31.3%); exports of cables, products resulted following the processing of foreign and exported materials, mostly in Romania; medicinal and pharmaceutical products and essential oils which are exported 94.8% and 92.5%, respectively, in CIS.

SECTION 4.1

Re-exports represent a phenomenon characteristic to the foreign trade of the Republic of Moldova. According to international statistics, some re-export flows started being recorded in the second half of the 90's, and accelerated starting with 2005. In 2011 Moldovan exports had the highest growth rate in history, but according to statistical data there was also the highest rate of re-exports - 45.3% of the total exports. The main products which form this commercial flow are: various transportation machinery and equipment, which mainly form typical re-exports and various products of the light industry, which are classified as re-exports after processing. The high dynamics of re-exports and the level recorded in the previous year determined a more meticulous analysis of re-exports and their recording methodology, which resulted in the operation of modifications in customs legislation, which allowed the classification of compensatory goods which leave the active perfecting customs conditions and received the origin of the Republic of Moldova as exports, not re-exports. This, in most part, is the case of the products of the light industry and of cable exports.

We would like to mention that after an increase of 65.3% in 2011, in 2012 the value of re-exports decreased by 22.9% compared to the previous year. Their value was 772.2 million USD, which represents 35.7% of the total exports. There was also a decrease of re-exports in favor of the exports of national products of the main categories of re-exported products: woven and non-woven clothing items, footwear, parts of various electric machinery and equipment.

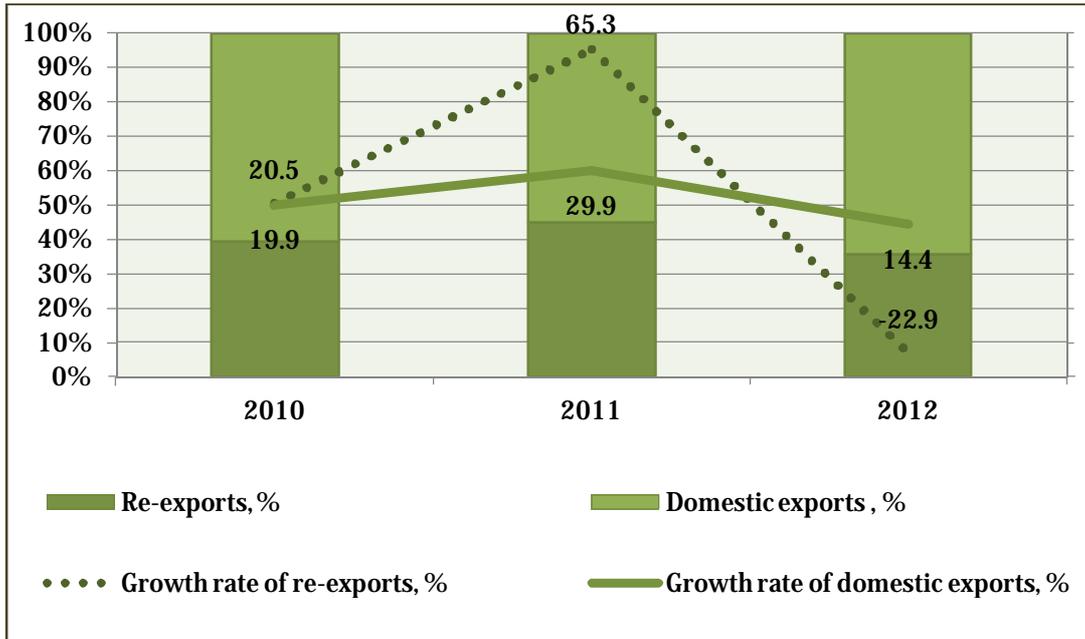


Figure 4.9. Evolution of re-exports in 2010-2012

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

Table 4.7. Dynamics and structure of re-exports in 2012

CODE, SA	Product name	Nominal value, million USD		Structure of re-exports, %		Weight of re-exports in total exports, %		Growth rate, 2012, %	
		Export	Re-export	2011	2012	2011	2012	Re-export	Export of domestic products
A	1	2	3	4	5	6	7	8	9
94	Furniture	95.1	81.7	7.3	10.6	83.5	85.8	11.5	-6.7
30	Pharmaceutical products	94.0	79.1	6.5	10.2	84.8	84.1	21.0	27.3
62	Non-woven clothing items	145.8	73.9	14.1	9.6	89.8	50.7	-47.7	347.3
61	Woven clothing items	103.8	62.8	10.0	8.1	86.9	60.5	-37.4	170.6
8	Edible fruits	202.3	44.7	4.3	5.8	22.9	22.1	4.5	9.3
84	Nuclear reactors, boilers, machines, mechanical equipment and devices	77.1	43.9	6.8	5.7	65.5	56.9	-35.5	-7.2
87	Road vehicles	46.0	39.3	3.4	5.1	88.1	85.5	17.1	47.2
85	Electrical machinery, equipment and devices and parts thereof	201.5	38.3	16.7	5.0	93.0	19.0	-77.1	1205.9
33	Resin-based ether oils	32.0	29.7	1.1	3.8	70.5	92.7	161.2	-51.1
57	Carpets and other floor coverings from textile materials	31.8	28.0	2.5	3.6	88.5	88.2	10.2	13.5

Table 4.7 – continue

A	1	2	3	4	5	6	7	8	9
57	Carpets and other floor coverings from textile materials	31.8	28.0	2.5	3.6	88.5	88.2	10.2	13.5
64	Clothing, boots and similar items	39.7	26.7	4.4	3.5	88.8	67.2	-39.2	134.5
40	Rubber and rubber items	25.3	25.2	2.5	3.3	98.9	99.5	1.5	-52.3
60	Knitted or woven textile materials	20.5	20.5	1.6	2.7	99.8	99.7	30.9	105.8
39	Plastic materials and related items	35.2	18.1	1.7	2.3	46.4	51.3	3.6	-15.0
63	Other manufactured items; sets; worn or used clothing and textile items; second-hand clothing items	16.1	15.0	1.3	1.9	86.3	92.9	19.5	-42.0
34	Soap, organic surface agents	14.8	14.7	1.3	1.9	99.8	99.3	16.7	293.1
7	Vegetables	17.0	13.8	1.5	1.8	61.1	81.3	-9.2	-67.2
73	Items from cast iron, iron or steel	20.1	11.6	1.6	1.5	61.6	57.6	-26.1	-12.9
27	Mineral fuels	15.5	11.2	1.6	1.4	65.4	72.2	-28.8	-48.2
48	Paper, cardboard	15.4	10.0	1.4	1.3	68.8	64.9	-27.0	-12.6

Source: According to the data available on UN COMTRADE database.

In 2012 by geographical regions, Moldovan exports were distributed as follows: EU - 46.9%, CIS – 42.9%, other countries – 10.2%. We would like to mention that in the period after the crisis of 2009, the position of EU countries recorded a general decreasing trend, while that of CIS countries continued to increase. The highest influence on the decrease of exports was that of decreasing deliveries to EU countries, which caused a decrease of the weight of this group of countries in the total exports by 2%, increasing the share of CIS countries by 1.4% and of other countries by 0.5%.

Exports to EU countries were approximately 1 billion USD, 6.4% less than in 2011. In this period there was a decrease of deliveries on the main sale markets in this region – Romania (-0.9%), Italy (-0.6%), Great Britain (-0.8%), Germany (-0.5%), Poland (-1.6%). Despite the fact that exports increased in other European economies such as France (25.6%), Hungary (23.3%), and the Czech Republic (49.9%), Spain (7.8 times), and their effect on the increase of the total volume of exports was minimum, given their low base value.

At the same time, the decrease of the exports to CIS countries was partially compensated by the increase of deliveries to CIS markets and other countries: Russian Federation (+4.7%), Kazakhstan (+10.7%), USA (+20.4%), New Zealand (5 times), Iraq (2.4 times), China (2 times), etc.

According to the calculations of the HHI concentration index for the period starting with 2009, there is a major concern regarding the geographical orientation of the foreign trade. In the given period, Moldovan exports increased their concentration, mainly due to increasing exports to the Russian Federation. At the same time, exports to EU, although relatively concentrated on 5 main markets – Romania, Italy, Germany, Poland, Great Britain, are maintained on the same level.

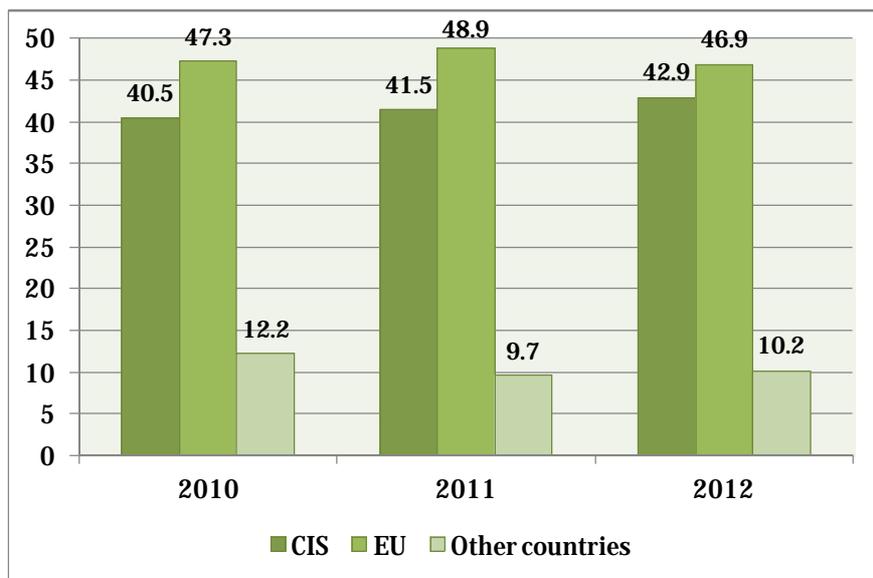


Figure 4.10. The geographical structure of exports in 2010-2012

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

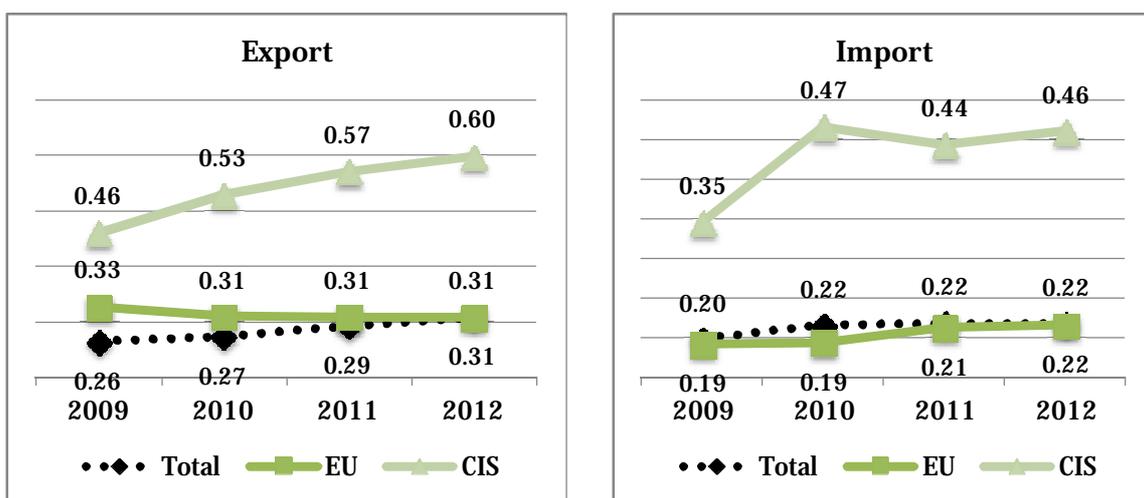


Figure 4.11. The HHI geographical concentration index of foreign trade

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

Imports In 2012 imports maintained their increasing trend but grew very slow, sustained trend, mainly from purchases of gas and industrial products made from gas; ether oils; beverages; meat and meat products, sugar, etc. At the same time, we would like to mention that for most tariff positions there was either a slowdown of the growth rate, or a decline, showing a decrease in internal demand.

The structure of imports in 2012 did not present significant modifications. More than half the imports are made up of *manufactured products*, which have a weight of 61.5% of imports. The highest rate, 20.8%, is that of cars and transportation means, which are mainly imported from EU (56.2%) and from the group of other countries (32.8%), mainly China and Turkey. There was also a high weight for the imports of chemical products, out of which medicines (4.3%) and ether oils (2.7%), which also mainly come from countries of Western Europe or other countries; yarns, woven products, textile items (5.4%), iron and steel and metalware (4.8%), etc.

Approximately one quarter of Moldovan imports (23%) are represented by purchases of *fuels*, out of which 11.9% oil and oil products and 9.5% gas. In the last 5 years, the imports of oil, assessed as a weight from the total, maintained on a relatively constant level, which oscillated between 11.1% and 12.3%. Regarding gas imports, their weight increased from 6.8% to 9.5%.

Agricultural and food products were in 2012 13.8%, out of which – 7.3%, food products, beverages and tobacco; 3.9%, vegetable products; 2.5%, live animals and animal products and 0.5% animal or vegetable fats and oils. More than three quarters of the imports of agricultural and food products were designed for final consumption, and deliveries were made 43.5% from CIS countries, 33.3% from EU and 23.2% from other countries.

Raw materials except for fuels were only 89.9 million USD or 1.7% of imports, mainly made up of wood products, natural and mineral fertilizers, textile yarns and other animal-origin raw materials, mainly coming from CIS countries and EU.

Table 4.8. Dynamics and structure of imports in 2012

	Nominal value	Structure, %	Structure, average 2010-2012, %	Growth rate, 2012/2011, %	Annual average growth rate, 2010-2012, %
Total	5213.1	100.0	100.0	0.4	17.6
Agricultural and food products	719.1	13.8	13.8	8.1	13.0
Non-edible raw materials (excluding fuels)	89.9	1.7	1.8	-6.0	19.6
Fuels	1198.0	23.0	22.0	2.8	20.9
Manufactured products	3206.0	61.5	62.4	-1.8	17.6
<i>Chemical products</i>	<i>705.8</i>	<i>13.5</i>	<i>13.3</i>	<i>4.8</i>	<i>15.6</i>
<i>Cars and transportation means</i>	<i>1083.6</i>	<i>20.8</i>	<i>21.3</i>	<i>-6.4</i>	<i>22.1</i>

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

According to the final destination of the imports made in 2012, approximately half of the imports are made up of intermediary goods, mainly designed for industrial uses. Capital goods, contributing to the increase of the technological basis of the Moldovan production sector, represented 12.3% of imports, 0.5% less than in the previous year. At the same time, the imports designed for final consumption increased by 1.8%, namely 31.2%

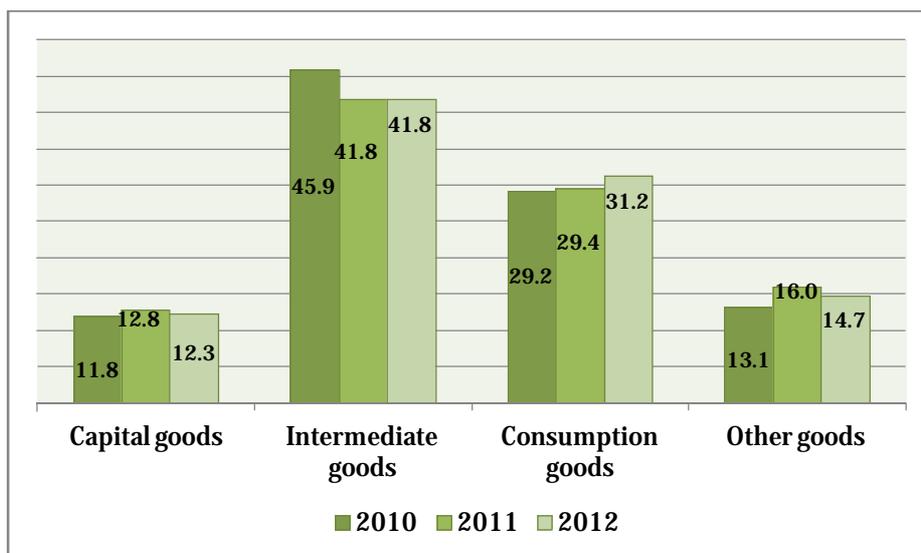


Figure 4.12. Structure of imports according to the final destination of products

Source: According to the data available on WITS database.

Contrary to the export trends, in 2012, the attenuation of imports was mainly caused by the decrease of purchases from CIS countries by 5.2%, which caused a decrease of their weight in the structure of imports from 33% in 2011 to 31.1% in 2012. The decrease of imports from CIS was partially compensated by their increase from EU countries and other countries by 2.8% and 4%.

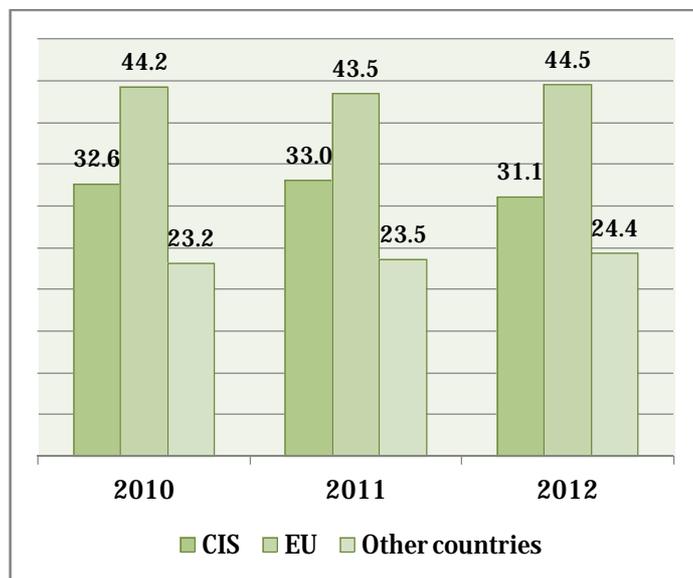


Figure 4.13. The geographical structure of imports in 2010-2012

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

Following the reduction of imports from the main Eastern partners, in 2012 there was a modification in the top 3 major importers. Although the deliveries from the Russian Federation decreased, it maintained its leader position, with a weight of 15.7% of total imports (-0.2% compared to the previous year). At the same time there was a decrease of imports from Ukraine by 7.3%, which came 3rd, and Romania second, whose share increased from 11.1% to 11.9% of the total imports. Places 4 and 5 in the top 5 importers were China and Turkey, from where deliveries increased by 4% and 5.8%, respectively.

Evolution of the foreign trade of the left side of the river Dniester in 2012

In 2012 the value of foreign commercial transactions of the Region to the left of the river Dniester was 2,498 million USD, 2.9% more than the value of 2011.

In this period exports were 698 million USD, and imports – 1.8 million USD, 0.9% and 3.7% more than in 2011, respectively. Thus, the import coverage by exports was 39%, and the commercial balance was 1,102 million USD.

The data for 2012 shows the fact that the geographical structure of the foreign trade of the region to the left of the river Dniester slightly changed in favor of CIS countries.

In the previous year, the exports to CIS countries increased by 4%, while other destinations recorded decreasing trends – 5%.

The main export markets for the products from the region left of the river Dniester were the Republic of Moldova – 35.8% (+4.8%), Russia – 22.2% (-1.4%), Ukraine – 7.6% (-2.6%), Romania – 14.8% (+4.1%), Italy – 6.7% (-1.8%), Germany – 3.9% (-0.9%) and Poland – 1.8% (-0.2%), amounting 92.8% of the total exports, 1.8% more than in the previous year.

The structure of exports by groups of products was dominated by deliveries of ferrous metals, with a weight of 32.72%, 2.1% more than in the previous year, fuels - 27.8% (+2.6%), agricultural and food products – 9%, etc.

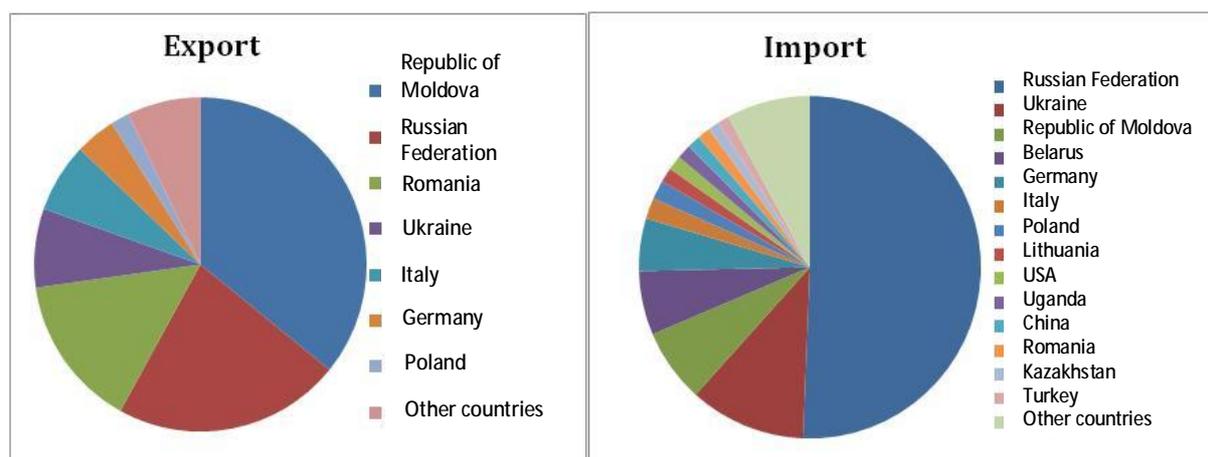


Figure 4.14. Geographical structure of the foreign trade of the region to the left of the river Dniester in 2012

Source: According to the data of the State Customs Committee of the region to the left of the river Dniester.

The same as with exports, most imports, approximately 77%, came from CIS countries, 8% more than in the previous year, while imports from other countries decreased by 10%. Imports are relatively concentrated on 4 main countries of origin – Russian Federation, Ukraine, the Republic of Moldova and Belarus, with 50.7%, 11%, 6.9% and 6%, respectively.

The structure of imports of products by groups of products is dominated by energy resources, with a share of 50.3%, an increase compared to the previous year, agricultural and food products – 10.5%, metals and related products – 10.3% and products of the machine manufacture industry – 10.2%¹.

Trends and policies of the main commercial/economic partners of the Republic of Moldova

Despite the expectations of a global economy recovery, the IMF forecasts for 2013 are modest. In 2012, the world economy's growth decreased by 0.7 p.p., compared to the previous year, to 3.2%. During the previous year, in the context of harsher crisis of sovereign debts, many developed countries faced recession, accompanied by higher unemployment rate, contracted domestic demand as a result of austere fiscal policies, higher external debt and fragility of the financial sector. Depending on the integration in the world economic system, the adverse effects of the EU region were also felt by extra-European economies, in the context of a still determinable vulnerability thereof.

Table 4.9. Development trends of the main economic partners of the Republic of Moldova (% , compared to the same period of last year)

Country/Indicator	GDP		CPI		Export		Import		Unemployment rate	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
USA	1.8	2.2	103.2	102.9	15.8	4.5	15.1	3.1	9.0	7.8
EU	1.5	-0.3	103.1	102.6	20.7	-0.1	18.2	-3.9	9.7	10.5
Romania	2.2	0.3	105.8	103.3	27.4	-8.2	23.3	-8.3	7.4	7.0
Russian Federation	4.3	3.4	108.4	106.6	30.3	1.4	3.2	3.6	6.6	5.3
Ukraine	5.2	0.2	108.0	101.0	33	0.1	35.6	2.5	8.6	8.1

Source: According to the data of National bureau of statistics of USA, Romania, CIS, Russian Federation, Ukraine and EU.

Note: The unemployment rate in USA is specified for December 2012.

¹ ГТК ПМР. Статистика ВЭД–2012: отмечены тенденции роста. Валютный вестник. January 22, 2013

United States of America

In 2012, the economy of the United States evolved quite well. Although in Q4 the increase was attenuated, both compared to the previous quarters and to the similar period of 2011, the aggregate result of 2012 registered an increase by 2.2%. Overall, we can see higher dynamics of the economic activity, characterized by the increase of investments in fixed capital by 9.8% and of the consumer expenditure by 1.9%.

The relatively good status of the US economy is also reflected in the lower unemployment rate, which decreased from 9.0% in December 2011 to 7.8% in December 2012.

At the same time, the foreign trade with products and services also attenuated. The growth pace of imports and exports, although with an ascending trend in 2012, decreased compared to 2011, from 4.8% to 2.4% (-2.4%), and from 6.7% to 3.4% (-3.3%), respectively. The main reasons for such evolution were the European recession and the lower growth pace of Chinese economy.

European Union

In 2012, European economies were still vulnerable, but they are expected to gradually recover in 2013. It is estimated that in 2013 the GDP will increase by 0.4% in the EU and by 0.1% in the Euro region, although significant differences will continue to exist between countries. Cumulated with the structural reforms, these trends will pave the way for a stronger and more uniformly distributed economic growth in 2014, when it is estimated that the GDP shall increase by 1.6% in the EU and by 1.4% in the Euro region.

According to the data from the European Commission, in 2012, the actual GDP decreased by 0.3% in the EU and by 0.4% in the Euro region, and the recession progressively aggravated from one quarter to another. According to the available data, the countries that faced the most critical circumstances were: Greece, Portugal, Cyprus, Hungary and Italy, although more countries registered economic decline. In this context, certain actions were taken. Particularly during the second half of 2012 the volume of investments in fixed capital and of governmental expenditures registered a strong decrease, which caused the decrease of household consumer expenditures.

The worsening of the economic environment negatively influenced the evolution of the labor market. The unemployment rate in 2012 reached a level of 10.5% in the EU, by 0.8% higher, compared to the previous year. It is estimated that in 2013 this indicator will reach 10.9% in the EU and 11.8% in the Euro region, and is expected to improve in 2014.

The deceleration of the economic activity caused an extremely modest increase of exports of goods and services, and the decrease of domestic demand caused the decrease of imports – a more prominent evolution in particular in the Euro region. At the same time, both imports and exports related to the foreign trade with products registered a decline.

Romania

Despite the political instability of the country and of the economies in the Euro region, in 2012 the Romanian economy managed to go forward.

According to statistical data, in 2012 the GDP growth rate decreased to 0.3%, following a decrease by 2.2% in 2011.

In 2012 the average increase of prices, was 3.3%, and the one determined based on the harmonized index of consumer prices (HCPI) was 3.4%. The highest impact on inflation was caused by the prices of food and agricultural products, which significantly increased due to drought. For 2013, the official inflation estimate by NBR was 3.5%.

The export to Romania in 2012 registered a decrease by 8.2%, and the imports decreased by 8.4%. It is worthy to note that this decrease of foreign trade comes after a good progress

registered in 2011, when export increased by 27.43%, and import by 23.33%. The economic problems of the EU Member States determined a decreased demand for Romanian products, and this generated the decrease of exports.

In 2012, the unemployment rate in Romania was 7%, by 0.4 lower than in 2011 and one of the smallest ones registered by the European Union Member States. In 2012 the unemployment level reached levels similar to those of 2009, after the start of the crisis.

Russian Federation

The crisis phenomena of the world economy affect Russia, and cause deceleration of the GDP, industry and investment activity growth. The prior growing factors (state aid and consumer demand) lost some of their power, and furthermore, a modest consumer evolution is expected in 2013, a trend that will not stimulate economic growth.

In 2012, the consumption, due to the decreased unemployment rate, increased salary revenues and access to better loans, was the main factor of economic growth, which was 3.4%. An important contribution to the economic growth was held by agriculture, which increased by 2.2%, while the sector of small enterprises decreased and saw attenuated growth, with an increase of only 3.2% in 2012, compared to the 8.2% increase in 2011. The production of natural resources increased in 2012 by 0.9%, compared to 2.9% in 2011, and the construction sector registered an increase by 2%, compared to 4.5% in 2011.

The CPI was 106.6% in 2012 compared to 108.4% in a 2011. External trade of Russian Federation slowed down significantly in 2012, especially to exports growth deceleration. Exports increased by 1.63% compared to a 30.3% in 2011, while imports rose in a 2012 2.97%, compared to 30.2% of a 2011.

The unemployment rate in Russia decreased from 8% in 2011 to 5.3% in 2012.

The Ministry of Economic Development of the Russian Federation forecasted an economic growth of 3.6% in 2013, compared to 3.5% forecasted for 2012.

Ukraine

In 2012 the Ukrainian economy growth slowed down compared to the 2011 year trends. In the context of global growth and political tensions of 2012, the general dynamics in the country was a poor one, despite the positive expectations of October-December 2012. However, 2012 showed a relatively constant exchange rate and low inflation, fact that stimulated the increase of domestic consumption, which was also positively influenced by the preparations concerning The Football Championship "EURO 2012". In 2012 the GDP of Ukraine increased by 0.2%, compared to 5.2% in 2011.

According to the experts' forecasts, the economic growth of 2013 will range between 1.3-3.7%.

In January-December 2012, the CPI was 101% compared to the inflation of 8% of January-December 2011. The main reasons of the low inflation were the low consumption, the high-yield production, the good pricing management and the absence of significant currency fluctuations.

Unemployment in Ukraine was 8.1% in 2012, marking a slight decrease compared with 2011.

Ukraine's foreign trade, although marked an upward trend last year, its progress has slowed significantly. After an increase in exports and imports by 33% and 35.6% in 2011, last year they increased by only 0.1% and 2.5% respectively.

During the first three quarters of 2012 the net flow of foreign direct investments in Ukraine was USD 2599.6 million USD, by approximately 29.5% less than in January-September 2011.

Chapter V

BUSINESS ENVIRONMENT

Business activities. Number of registered entities: classification by types of activities. According to the data of the State Chamber of Registration, as of December 01, 2012 the State Register contained information on 163,630 legal entities and individual entrepreneurs. On December 01, 2012, compared to December 01, 2011, the number of entities from the Register increased by 3,235 units, or 2%.

In 2011-2012, there were no essential changes in the weight of the entities from the Register by types of activities declared upon registration. In this period, there was an insignificant increase of companies operating in constructions (2 p.p.) and the manufacturing industry (2 p.p.). A decrease in the weight of entities from the register was recorded for entities operating in retail (5 p.p.) and hotels and restaurants (2 p.p.).

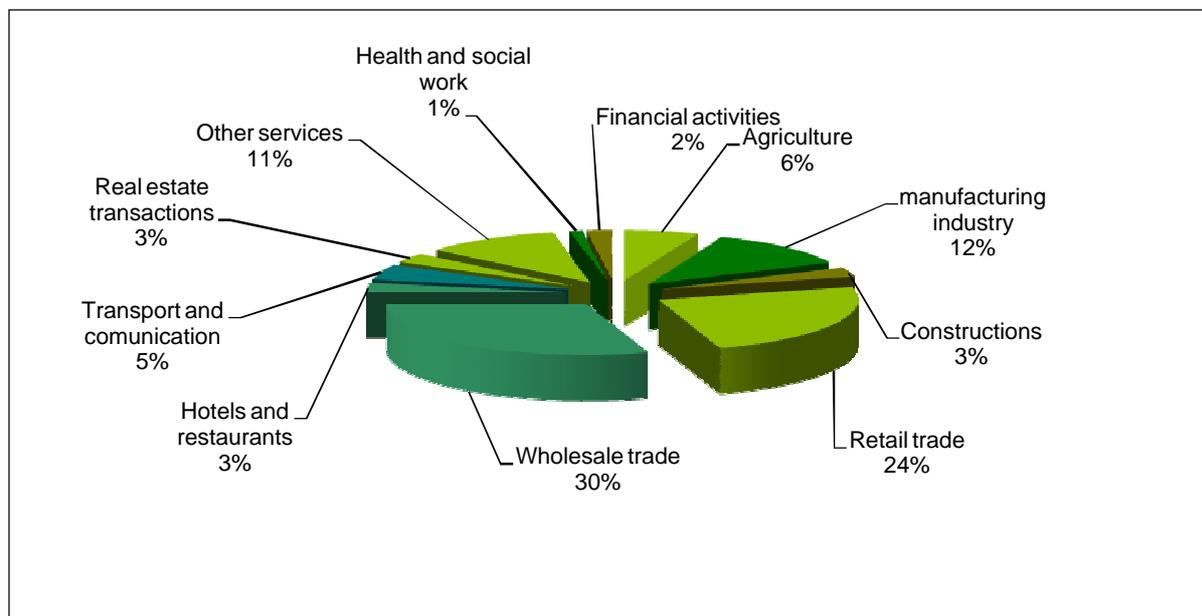


Figure 5.1. Companies registered by types of activities, from registration to December 01, 2012

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

Dynamics of entities registered and deregistered in 2012 and the 4th quarter of 2011-2012

The number of entities registered at the State Chamber of Registration insignificantly increased in the 4th quarter of 2012 compared to the same period of last year, and the index is 100.1%. The number of entities registered in the 4th quarter of 2012 was 18.9% higher than the 3rd quarter of the same year. Thus, according to the data of the State Registration Chamber, 1,639 new entities were registered in the State Register in the 4th quarter of the year. Overall, the number of enterprises registered in 2012 decreased by 7% compared to 2011.

The number of enterprises deregistered during Q4 of 2012 was 761 units or 5.8% less than during the same period of last year and 10% less than in Q3 of 2012. Overall, the number of enterprises deregistered in 2012 decreased by 6.2% compared to 2011.

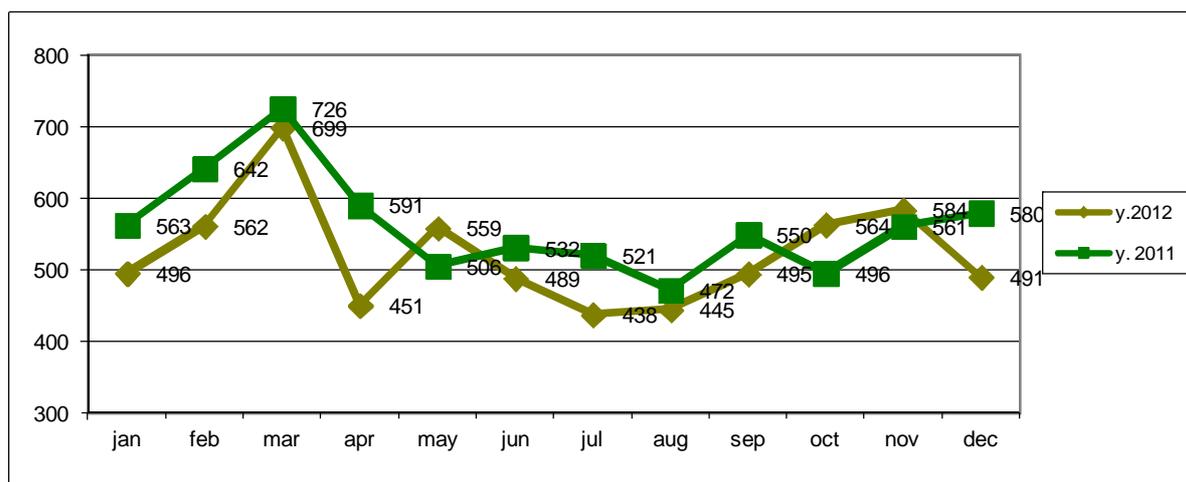


Figure 5.2. Evolution of the number of entities registered in 2011 – 2012

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

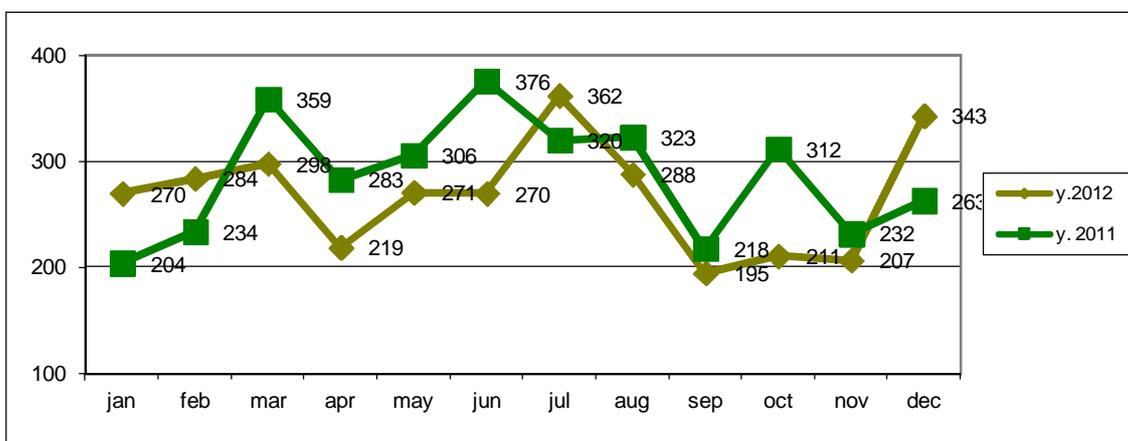


Figure 5.3. Evolution of the number of entities deregistered in 2011-2012

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

In 2012, 3,816 new entities were registered in the territory of Chisinau, namely 60.8% of all the entities registered on 2012. In 2011-2012, in the territory of Chisinau and in the other territories there was a decrease in the number of registered entities (by 2.5%, respectively 12.9%).

72.4% of the entities deregistered in 2012 were outside Chisinau. In 2011-2012, there was a decreasing trend in the number of entities deregistered in the territory of Chisinau (by 24.6%).

The calculated indicator, which characterizes the net increase/decrease of the number of entities (registered minus deregistered), shows that in the 4th quarter of 2011-2012 there was a net increase in the number of entities, and the index was 105.8%.

According to the data of the National Bureau of Statistics, in 2012 there was an insignificant increase of 0.4% (in comparable prices) of the revenues from sales for the companies operating mainly in retail trade¹, compared to 2011.

In 2012, in Chisinau alone, there was an increase of the turnover of entities whose main scope of activity was retail trade (a 2.1% increase). In the other development regions, there was a decrease of revenues from sales of entities whose main scope of activity was retail trade.

¹ Entities whose main scope of activity was retail trade, with 20 or more employees, comprised in the monthly statistical research on short term indexes (SERV TS)

Table 5.1. Dynamics of entities registered and deregistered in the 4th quarter of 2011-2012

Years/month	Net increase / decrease	
	Number of units (registered minus deregistered)	Index,%
2011	3310	
2012	3055	92.3
Q4 2011	830	
Q4 2012, including:	878	105.8
October	353	191.8
November	377	114.6
December	148	46.7

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

Also in the case of entities whose main scope of activity was wholesale trade¹, in 2012 there was an insignificant increase of the turnover by 0.7% (in current prices) compared to 2011. The entities from Chisinau and the Southern region recorded increases of their turnover (a 3.4% increase in Chisinau and a 5.1% increase in the Southern region).

In 2012, in the Northern region, only 3 districts recorded increases in the turnover of the entities whose main scope of activity was wholesale trade, compared to the previous period: Briceni (a 14% increase), Ocnita (a 3.6% increase) and Soroca (an 8.1% increase).

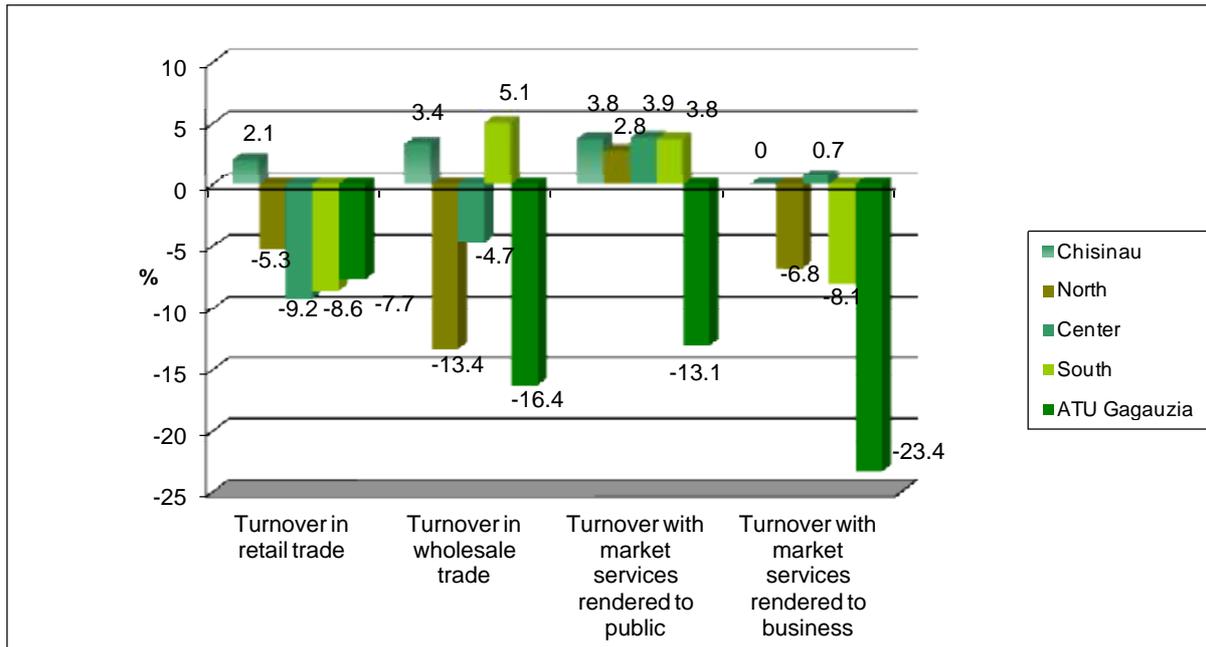


Figure 5.4. Evolution of the turnover for trade and services by development regions in 2012 compared to 2011

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

In 2012, there was an increase in the turnover of entities whose main scope of activity was providing market services to the population² (by 3.2%) (in comparable prices) compared to

¹ Entities whose main scope of activity was wholesale trade with 20 or more employees included in the monthly statistical research on short term indexes (SERV TS)

² 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)

2011. In this period, the enterprises in the Northern, Center, Southern regions and Kishinev municipality recorded an increase of their turnover, compared to 2011. Only the entities from ATU Gagauzia recorded a turnover decrease by entities whose main scope of activity was providing market services to the population of 13.1% compared to 2011.

The value index of the turnover of entities whose main scope of activity is market services provided mainly to companies¹ in 2012 recorded a 0.9% decrease (in current prices) compared to 2011. Turnover decreases were also recorded by entities from the Northern Region (by 6.8%), the Southern Region (by 8.1%) and ATU Gagauzia (by 23.4%).

Box 5.1. Moldova in "The 2013 Index of Economic Freedom"

In the ranking of economic freedom, the Republic of Moldova is 115th in 2013. The economic freedom index of Moldova is 55.5, 1.1 points higher than in the previous year.

In virtue of the classification of this ranking, the economy of the Republic of Moldova is "mostly not free". On a regional level, the Republic of Moldova is 39th out of 43 countries, below the global and regional average rankings.

In 3 out of 10 economic freedom indicators (Fiscal freedom, Governmental expenditure and Trade freedom), the situation improved, as the indicators slightly increased (by 0.7, 11.4, respectively 1.0 points).

In Business freedom, Monetary freedom and Labour freedom there were decreases (-0.3, -1.0, and -0.8 points respectively).

Our country obtained higher scores for "fiscal freedom" (87.2), "trade freedom" (80.0), "monetary freedom" (73.4). The same as the rankings of last year, Moldova obtained lower scores for: "freedom from corruption" (29.0), "investment freedom" (35.0).

The Index of Economic Freedom is prepared annually by the Heritage Foundation and Wall Street Journal. 177 countries participated in the study in 2013. Economic freedom is assessed based on 10 indicators, called the 10 economic freedoms: 1) Business freedom; 2) Trade freedom; 3) Fiscal freedom; 4) Government spending; 5) Monetary freedom; 6) Investment freedom of; 7) Financial freedom; 8) Property rights; 9) Freedom from corruption; 10) Labour freedom.

Business development indicators in the region left of the Dniester

In January-September 2012, in the region left of the Dniester, 61.3% of the organizations and companies obtained net profits, respectively 37.8% incurred losses (except for small companies, banks, budget and insurance organizations). Out of the organizations which recorded net profit in this period, the highest weight was recorded by trade and public catering organizations (33.2%). Value-wise, the same as in the previous year, industry entities recorded a higher net loss (84% of the total net loss).

¹ 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)

Table 5.2. Data on the net profit (loss) of the organizations in the region left of the Dniester by types of activity, in January-September 2012

	Number of organizations which reported net profits	% of the total number	Number of organizations which incurred net losses	% of the total number	Net profit, thousand RUB.	Net loss, thousand RUB
Total	193	61.3	119	37.8	1,192,488	641,236
including:						
industry	47	56	37	44	511,377	538,661
agriculture	23	76.7	7	23.3	90,362	29,212
transportation	13	48.1	14	51.9	11,990	12,767
communications	2	22.2	7	77.8	48,696	137
constructions	16	69.6	7	30.4	10,822	5,213
public food trade and services	64	71.1	25	27.8	492,619	11,433
housing administration and communal services	12	54.5	10	45.5	7,731	6,232
other branches	16	53.3	12	40	18,891	37,581

Source: Социально-Экономическое Развитие Приднестровской Молдавской Республики, 2012 (предварительные данные).

Chapter VI

SOCIAL SECTOR

Demographic situation. The resident population of the Republic of Moldova as of January 01, 2013 was 3559.5 thousand persons, 0.9 thousand persons less than in 2011. Population by area: urban population – 1492.2 thousand persons; rural population – 2067.3 thousand persons; population by gender: men – 1711.4 thousand persons, women – 1848.1 thousand persons.

Table 6.1. Resident population of the Republic of Moldova as of January 01, 2013, by regions, thousand persons

	Total population	including:		Annual average population for 2012
		urban	rural	
Total	3559.5	1492.2	2067.3	3559.50
<i>Chisinau</i>	800.6	728.7	71.9	797.70
<i>North</i>	999.2	356.7	642.5	1000.90
<i>Center</i>	1060.8	205.6	855.2	1061.40
<i>South</i>	537.2	135.9	401.3	538.05
<i>U.T.A. Gagauzia</i>	161.7	65.3	96.4	161.45

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

In 2012, the total number of *live-births* in the republic was 39,439 persons, 0.7% higher than in 2011. The birth rate represented 11.1 *live-births* for every 1,000 inhabitants. The number of *deceased* in the republic was 39,559 persons. The death rate increased by 0.8% compared to the previous year. The death rate represented 11.1 persons for every 1,000 inhabitants. The number of *infant deceased* was 385 persons compared to 430 in 2011, with the rate of *infant mortality* decreasing from 11.0 to 9.8 *infant deceased* for every 1000 *live-births*.

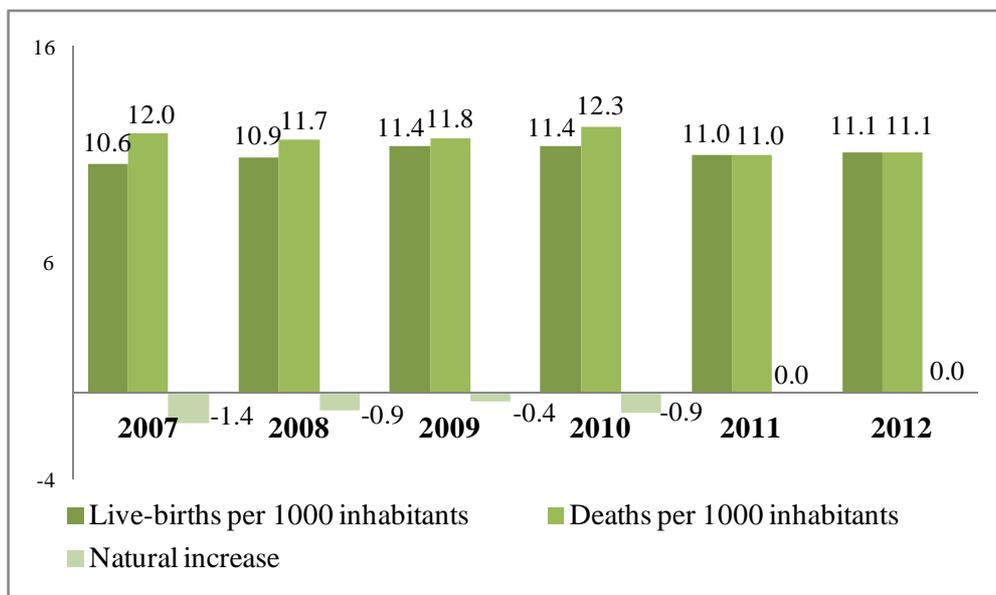


Figure 6.1. Birth rate, death rate and natural increase of population in 2007-2012, promile

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

The structure of mortality by classes of decease causes shows that most deaths (57.6%) were caused by diseases of the circulatory apparatus, malign tumors represent 14.7%, diseases of the

digestive apparatus – 9.3%, accidents, intoxications and traumas – 7.8%, diseases of the respiratory apparatus – 4.4%, other classes – 6.2%.

In 2012, the total number of *marriages* in the republic was 24,260 and 6.3% less than in the previous year. The marriage rate represented 6.8 marriages for every 1,000 people.

The total number of *divorces* in the country was 10,637 and 4.5% less than in the previous year. The divorce rate was 3.0 divorces for every 1,000 people.

Migration of population. In 2012, according to the Ministry of Internal Affairs, 3,093 foreign citizens and 378 repatriates received residence permits (permanent and temporary). The structure of immigrants by arrival purpose was dominated by family – 34.1%, work – 30.9%, education – 19.8%, other causes – 15.2%.

By the country of emigration, foreign citizens are immigrants from: Romania – 445 persons, Israel – 407 persons, Ukraine – 403 persons, Turkey – 337 persons, Russian Federation – 305 persons, United States of America – 173 persons, Italy – 129 persons, Germany – 68 persons, France – 41 persons, Azerbaijan – 30 persons, Poland – 30 persons, other countries – 725 persons.

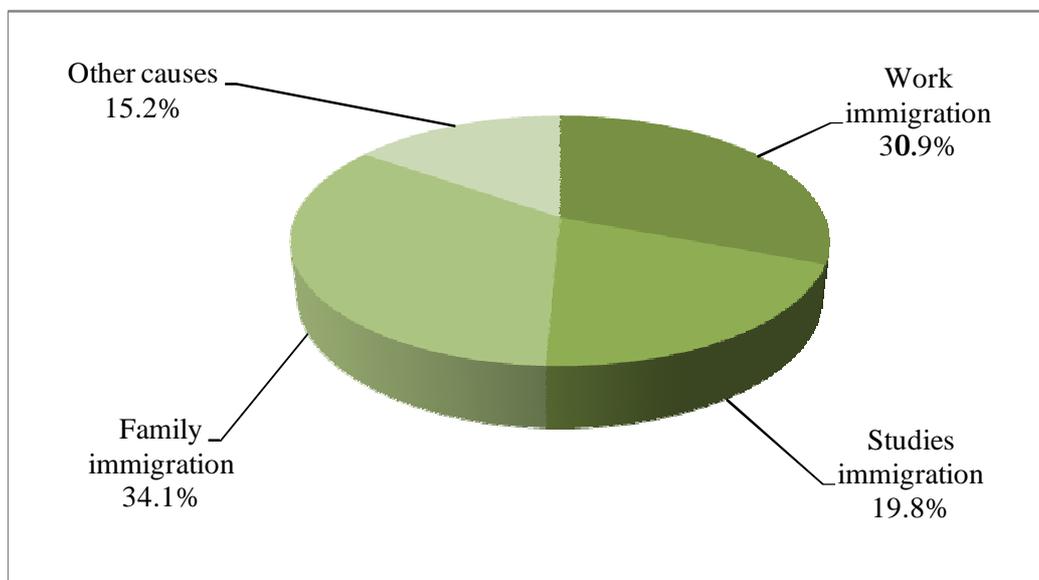


Figure 6.2. Distribution of foreign citizens by arrival purpose in RM in 2012, %
 Source: According to the data of the Ministry of Internal Affairs.

Last year, 3,062 persons left the country in order to permanently live abroad, according to the data of the Ministry of Information Technology and Communications. The most active migration relations are with Ukraine and Russia - 1,360 and 772 emigrants. The number of citizens of the Republic of Moldova who chose to relocate to USA was 245 persons, Germany – 218, Israel – 198. Most emigrants, both women and men, belong to the age groups 20-29 and 30-39 years.

Internal migration. During 2012, 36.7 thousand persons changed their domicile within the country. The intensity of internal migration may be measured by the number of arrivals and departures for every 1,000 inhabitants. The population mobility index, in 2012, was 10.3 persons for every 1,000 inhabitants compared to 12.6 in 2011.

The departing intensity is higher in 16 districts, compared to the country average. The highest number of departures was registered in the following districts: Telenesti, Calarasi, Cantemir, Rezina, Soldanesti, Floresti, Leova, Falesti (12-14 departed for every 1,000 inhabitants), and 21 –

in Dubasari. The same as in the previous year, there was a lower number of departures in Balti, district Taraclia and UTA Gagauzia (less than 7 departed for every 1,000 inhabitants).

The arrival intensity was higher in Chisinau (16) and Calarasi (13 arrived for every 1,000 inhabitants). In absolute terms, most arrivals were in Chisinau (almost 13 thousand persons), Balti (1.3 thousand persons), districts Orhei and Cahul (1.1 thousand persons). The positive balance of internal migration is registered solely in the capital city and in Hâncești and Criuleni districts. Mostly, the internal migrants (more than 90%) consist of active persons, with a predominant range of age between 20-49. Based on gender disparities, the sex of arrivals/departures consisted of 57% women and 43% men, respectively. Approximately 2/3 of the total number of population who relocated in 2012 generates from rural areas.

Labor market. In 2012, *the economically active population* of the Republic of Moldova was 1,214.5 thousand persons, 3.4% (-43.0 thousand) lower than in 2011. The structure of the active population was modified as follows: the share of the employed population increased from 93.3% to 94.4%, and the share of the unemployed population decreased from 6.7% to 5.6%. There were no important disparities by genders and areas among economically active persons: the share of men (50.9%) exceeded that of women (49.1%), and the share of economically active persons from rural areas was higher than that of the active population from urban areas: 50.8%, respectively 49.2%.

In the 4th quarter of 2012 *the economically active population* was 1,200.7 thousand persons, 1.3% (15.8 thousand) less than in the 4th quarter of 2011. The structure of the active population was modified as follows: the share of the employed population increased from 94.7% to 95.2%, and the share of the unemployed population decreased from 5.3% to 4.8%. There were no important disparities by genders and areas among economically active persons: the share of men (51.5%) exceeded that of women (48.5%), and the share of economically active persons from rural areas was lower than that of the active population from urban areas: 47.7%, respectively 52.3%.

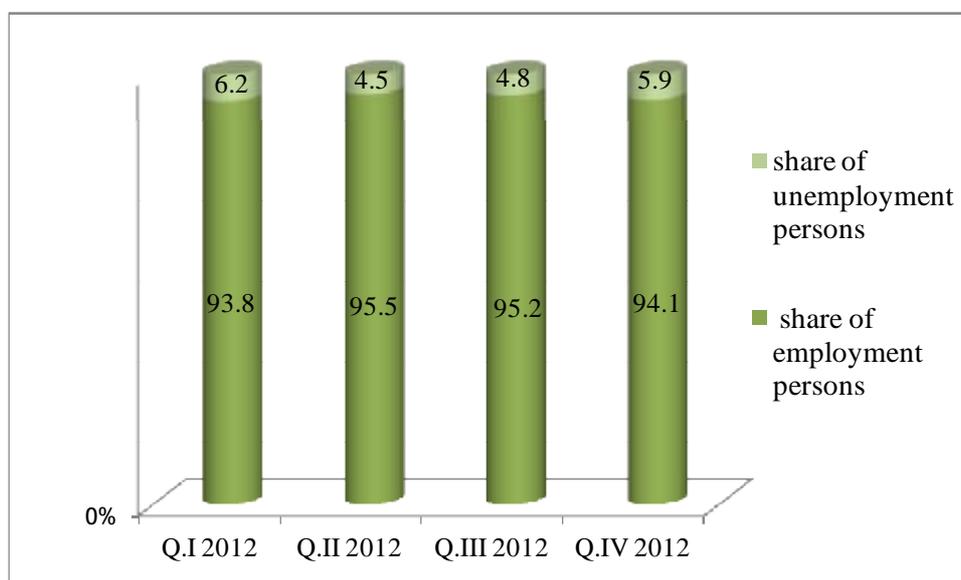


Figure 6.3. Structure of the active population by quarters in 2012, %

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

The *activity rate of the population aged 15 years and over* in 2012 was 40.7%, less than in the previous year (42.3%). This indicator reached higher values among the male population – 43.5%, compared to the rate of the female population – 38.2%. The activity rates by area had the following values: 47.0% in urban areas and 36.0% in rural areas. In age category 15-29, this

indicator was 29.6%, and in age category 15-64 (the active age in the countries of the European Union according to the Eurostat methodology) – 45.3%, 1.7% lower than in 2011. The activity rate of the active population (16-56 for women and 16-61 for men) was 47.9%.

The *activity rate of the population aged 15 years and over* in the 4th quarter of 2012 was 40.3%, less than in the respective quarter of the previous year (40.9%). This indicator reached higher values among the male population – 43.6%, compared to the rate of the female population – 37.2%. The activity rates by area had the following values: 49.6% in urban areas and 33.3% in rural areas. In age category 15-29, this indicator was 30.8%, and in age category 15-64 (the active age in the countries of the European Union according to the Eurostat methodology) – 44.9%, 0.6% lower than in the 4th quarter of 2011. The activity rate of the active population (16-56 for women and 16-61 for men – according to the national legislation) was 47.8%.

The number of *employed population* in 2012 was 1,146.8 thousand persons, 2.3% lower than in 2011. There were no significant disparities by gender and area: 49.8% women and 50.2% men; 48.3% urban areas and 51.7% rural areas.

The number of *employed population* in the 4th quarter of 2012 was 1,129.3 thousand persons, 1.0% lower than in the 4th quarter of 2011. There were no significant disparities by gender and area: 49.1% women and 50.9% men; 51.7% urban areas and 48.3% rural areas.

The employment rate of the population aged 15 years and over in 2012 was 38.4%, 1.0% lower than in 2011. For men it was higher (40.6%) than women (36.5%). In the distribution by residence area, the employment rate was 43.6% in the urban area and 34.6% in the rural area. The employment rate of the active population (16-56/61 years old) was 45.0%, of the population aged 15-64 – 42.7%, and in age category 15-29 this indicator was 26.7%. In the distribution by *activities in the national economy* we find that in the *agricultural sector* 303.3 thousand persons are active (26.5% out of the total number of active persons). Compared to 2011, the number of the active population in agriculture decreased by 19.7 thousand, or by 6.1%. In *non-agricultural activities* the number of active persons was 843.4 thousand, 7.0 thousand or 0.8% lower compared to 2011. The share of active persons in *industry* was 13.2% (13.1% in 2011) and in *constructions*, respectively, 6.1% (5.7% in 2011). The number of active persons in industry decreased by 1.5% and on 5.0% more than in the previous year. In the sector of *services*, there were 54.3% of all active persons, on the level of the previous year. At the same time, the absolute number of active persons in the sector of services decreased by 8.1 thousand. According to the distribution by *ownership forms* 72.0% of the population was active in units with private types of ownership, and 28.0% in units with public types of ownership. The structure of active population by *professional statute* shows that the number of employees was 70.8% of the total. In the *informal sector* there were 13.3% of the total active persons from the economy, and 29.7% had *informal jobs*. Out of the number of informally employed persons, employees are 22.9%, and 9.6% of total employees have informal jobs. The number of *underemployed persons* was 83.0 thousand, which represents 7.2% of all employed persons. The number of persons from this category decreased by 8.2% compared to 2011.

The employment rate of the population aged 15 and over in the 4th quarter of 2012 was 37.9%, 0.5% lower than in the 4th quarter of 2011. For men it was higher (40.6%) than women (35.4%). In the distribution by residence area, the employment rate was 46.2% in the urban area and 31.8% in the rural area. The employment rate of the active population (16-56/61 years old) was 44.8%, of the population aged 15-64 – 42.2%, and in age category 15-29 this indicator was 27.7%. In the distribution by *activities from the national economy* we find that in the *agricultural sector* 239.9 thousand persons are active (21.2% out of the total number of active persons). Compared to the 4th quarter of 2011, the number of active persons in agriculture decreased by 47.6 thousand, or by 16.6%. In *non-agricultural activities* the number of active persons was 889.4 thousand, 35.8 thousand or 4.2% lower compared to the 4th quarter of 2011. The weight of active persons in *industry* was 12.8% (13.1% in 2011) and in *constructions*, respectively 7.2%

(5.8% in 2011). The sector of *services* comprised 58.8% of the total employed persons, and this weight increased by 2.9% compared to the 4th quarter of 2011, while the absolute number of persons employed in the sector of services increased by 26.6 thousand. According to the distribution by *ownership forms* 28.7% of the population was active in units with private types of ownership, and the rest (71.3%) in units with public types of ownership. The structure of active population by *professional statute* shows that the number of employees was 74.4% of the total. In the *informal sector* there were 13.4% of the total active persons from the economy, and 28.1% had *informal jobs*. Out of the number of informally employed persons, employees are 24.7%, and 9.4% of total employees have informal jobs. The number of *underemployed persons* was 83.4 thousand, which represents 7.4% of all employed persons. The number of persons from this category increased by 0.8% compared to the 4th quarter of 2011.

The number of *unemployed persons* in 2012, estimated according to the methodology of the International Labor Office was 67.7 thousand, 16.3 thousand less than in 2011. Unemployment affected men more – 62.3% from the total number of unemployed persons, and people from urban areas – 64.3%. *The unemployment rate* in 2012 on country level was 5.6%, lower than in 2011 (6.7%). The unemployment rate in men and women recorded the following values: 6.8% and 4.3%. Significant disparities were recorded between the unemployment rate in urban areas – 7.3%, compared to rural areas – 3.9%. Among youth (15-24) the unemployment rate was 13.1%. In the age category 15-29 this indicator was 9.9%.

The number of *unemployed persons* in the 4th quarter of 2012, estimated according to the methodology of the International Labor Office was 71.4 thousand, 4.0 thousand less than in the 4th quarter of 2011. Unemployment affected men more – 60.2% from the total number of unemployed persons, and people from urban areas – 61.6%. *The unemployment rate* in the 4th quarter of 2012 on country level was 5.9%, lower than in the 4th quarter of 2011 (6.2%). The unemployment rate in men and women recorded the following values: 7.0% and 4.9%. Significant disparities were recorded between the unemployment rate in urban areas – 7.0%, compared to rural areas – 4.8%. Among youth (15-24) the unemployment rate was 11.8%. In the age category 15-29 this indicator was 9.9%.

The inactive population aged 15 and over in 2012 was 59.3% of the total population of the same age category, higher than in 2011 by 1.5%, or by 50.5 thousand persons. Regarding the relation to the labor market, there are two important categories within the inactive population: *discouraged persons* and *persons who were declared by household units as having left to other countries looking for work*. Discouraged persons were 27.4 thousand – compared to 25.7 thousand in 2011. The number of persons declared by household units as having left to other countries looking for work was, according to estimates, approximately 328.3 thousand persons – compared to 316.9 thousand persons in 2011. Out of the number of persons who left the country, 66.6% were men. The share of the persons who left from rural areas was 72.5%.

The inactive population aged 15 and over in the 4th quarter of 2012 was 59.7% of the total population of the same age category, higher than in the same quarter of 2011 by 0.6%, or by 23.6 thousand persons. Regarding the relation to the labor market, there are two important categories within the inactive population: *discouraged persons* and *persons who were declared by household units as having left to other countries looking for work*. Discouraged persons were 29.9 thousand – compared to 22.4 thousand in 2011. The number of persons declared by household units as having left to other countries looking for work was, according to estimates, approximately 274.6 thousand persons – compared to 326.5 thousand persons in 2011. Out of the number of persons who left the country, 65.2% were men. The share of the persons who left from rural areas was 74.1%.

Household disposable income. In the 4th quarter of 2012 *the disposable income* of the population was 1,572.5 MDL in average per person monthly, with an increase of 3.4% compared

to the 4th quarter of the previous year. In real terms (with the adjustment against the consumption prices index), the revenues of the population registered a decrease by 0.4%.

Salary payments represent the most important source of income, 41.7% of the total available income, and their contribution decreased by 2.1% compared to Q4 of 2011. Social services contributed to the formation of household disposable income by 18.8% or 0.5% more than in the same period of the previous year. Revenues from individual agricultural activities are 9.3% of the total household disposable income, or 0.7% less than in the 4th quarter of 2011, and those from non-agricultural individual activities – 8.0%, an increase of 0.8%. Monetary transfers from abroad remain an important source for household budgets. In average, they represent 17.1% from the total revenues, and their contribution is 1.3% higher than in the same period of the previous year.

Depending on the residence areas, we find that the revenues of urban population were in average 629.6 MDL or 1.5 times higher than those from rural areas. The main income source of the population from urban areas is represented by salaries, namely 54.5%, and social services – 15.5%. The main income source of the population from rural areas is also represented by salaries (27.5%), but its contribution is practically half the contribution from urban areas. At the same time, the revenues obtained from individual agricultural activities were 18.0% of the total disposable revenues. The rural population compared to the urban one depends more on transfers from abroad, as their weight in revenues is 22.9% compared to 11.7% for the urban population. Furthermore, a higher weight of social services is characteristic as well for the rural population, as their contribution is 22.4% compared to 15.5% for urban areas.

In the structure of disposable household income, *monetary revenues* are predominant – 89.3%, while in-kind resources account for 10.7%. In absolute terms, the value of monetary revenues was 1,403.6 MDL a month in average per person, and that of in-kind revenues was 168.9 MDL. Monetary revenues represent 95.9% for the revenues of the urban population, while for rural areas their contribution is 81.9%.

Consumption expenditures of the population. *The average monthly consumption expenditures of the population in the 4th quarter of 2012 for a person were in average 1,624.4 MDL, 3.9% higher than in the same period of the previous year. In real terms (with the adjustment against the consumption prices index), the expenses of the population remained at the level of Q4 of the previous year.*

Most traditional expenses were for food – 43.3%. For housing maintenance, a person allocated, in average, 18.3% of the total consumption expenditures (+0.9%), and for clothes and footwear – 10.2% (-0.9%). Other expenditures were as follows: healthcare – 5.0% (the same level as in the previous year); transportation – 4.4% (compared to 4.5%); communications – 4.2% (compared to 4.6%); housing endowments – 3.7% (compared to 3.4%); education – 1.0% (compared to 1.2%), etc.

In average, the consumer expenditures of the urban population were 2,011.3 MDL per person per month, 675.2 MDL or 1.5 times higher than in rural areas. In urban areas, in order to ensure the consumption of food products, the population allocated 40.6% of monthly consumer expenditures (39.7% in the 4th quarter of 2011), and in rural areas – 46.3% (45.8). The urban population spends more for household maintenance (19.0% compared to 17.6% in rural areas), transportation (5.5% compared to 3.2%) communications services (4.5% compared to 3.9%), entertainment services (1.6% compared to 1.2%), and for hotels, coffee shops and restaurants (3.0% compared to 0.4%).

In the structure of total consumer expenditures of the population, *monetary expenditures* are predominant – 89.7%, over in-kind ones – 10.3%. In urban households, in-kind expenditures represent 3.9% and usually represent the consumption of food products received free of charge

from outside the household: relatives, welfare, etc. In case of rural households, in-kind expenditures are more significant (17.5%), given the possibility of covering food necessities by the products obtained from individual agricultural activities.

Remuneration of labor. In 2012, the gross nominal average salary in the national economy, according to the National Bureau of Statistics of the Republic of Moldova, was 3,477.7 MDL, a 8.9%, and the real salary (adjusted to the consumer price index) increased by 4.1%.

In December 2012, the average salary earning was MDL 3,888.8, by 4.9% higher than in December 2011 and by 10.2% higher than in the previous month (November 2012). The index of the real salary earnings for December 2012, compared to December 2011, was 100.8%.

Table 6.2. Average monthly salary in 2012

	January	February	March	April	May	June	July	August	September	October	November	December
MDL	3139.0	3166.0	3273.5	3350.3	3489.8	3913.5	3574.9	3503.6	3421.5	3482.3	3527.8	3888.8
USD	265.8	266.5	276.3	283.8	294.2	323.8	289.2	280.4	275.7	284.2	286.1	318.9
EUR	206.0	201.9	209.6	215.6	229.1	258.4	234.8	226.4	215.1	219.1	222.9	243.1

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

In the public sector the average salary in December last year was 3,269.5 MDL (+11.3% compared to December 2011), and in the (real) economic sector 4,184.8 MDL (+2.8% compared to December 2011).

Table 6.3. Average monthly salary in 2012 by economic activities, MDL

Economic activities	2012
Total economy	3477.7
Agriculture, hunting and forestry	2164.8
Pisciculture	1686.9
Industry - total:	3803.1
Mining and quarrying	3606.7
Manufacturing industry	3481.5
Electricity and heat, natural gas and water supply	5333.0
Construction	3650.9
Wholesale and retail trade	2945.1
Hotels and restaurants	2555.1
Transport and communications	4146.9
Financial intermediation	6859.3
Real estate transactions	4267.8
Public administration	4095.8
Education	3024.9
Health and social work	3346.5
Other communal, social and personal service activities	2870.2

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

Subsistence minimum. The size of the *subsistence minimum* in the 4th quarter of 2012 in average for one person was 1,511.9 MDL, an increase of 6.9% compared to the 4th quarter of

2011. The increase of the minimum subsistence level was mainly determined by the increase of prices, especially in food products.

For the population from urban areas, the subsistence minimum represented an average of MDL 1,630.6, or by 14.3% higher compared to the rural areas – MDL 1,426.8. By categories of population, the maximum value of the minimum subsistence level belongs to the active population – MDL 1,591.3, and in particular men – MDL 1,676.8.

For pensioners the minimum subsistence level was MDL 1303.2, 86.2% from the average value for the total population. The average value of the monthly pension set on January 01, 2013 was 957.6 MDL, or 9.6% more compared to the previous year, which covers the minimum subsistence value for this category 73.5%, compared to 71.6% in the 4th quarter of 2011.

The minimum subsistence level of children, in average, was MDL 1413.7 per month, with a differentiation depending on children's age: from MDL 602.0 for a child up to 1 year old to MDL 1578.0 for a child aged 7-16.

The average monthly salary on national economy level was, in the 4th quarter of 2012, 3,631.3 MDL, or 7.9% higher than in the same period of the previous year, covering the minimum subsistence value for the active population 2.3 times. The co-relation between the average monthly salary and the average value of the minimum subsistence value for the active population differs depending on the activities of the national economy. The maximum coverage of the minimum subsistence value for the active population was obtained by the employees from the financial sector – 4.5 times, and the minimum level was obtained by the employees from pisciculture, whose salaries cover the minimum subsistence value 131.4%.

The available monthly revenues of the population in the 4th quarter of 2012 were in average for one person 1,572.5 MDL, exceeding the minimum subsistence value by 4%.

Social protection of the population. According to the preliminary data of the National Agency of Social Insurance, the number of pensioners registered by the social protection institutions as of January 01, 2013 was 649.9 thousand persons, or 11.3 thousand persons more compared to January 01, 2011.

The average size of the monthly pension determined as of January 01, 2013, was MDL 957.6, 9.6% up compared to January 01, 2012.

Healthcare. According to the preliminary information of the Ministry of Health, the morbidity of the population by infectious diseases in 2012 compared to 2011 is characterized by most cases of bacterial dysentery and hepatitis C. In 2012 there were also more cases of acute intestinal infections (18.6 thousand cases).

In the structure of infectious diseases, the most common seem to be acute respiratory infections. In 2012, for 100,000 people there were in average 5.6 thousand deaths caused by acute respiratory infections, and the highest incidence level was recorded in Balti and Chisinau, namely 15.8 thousand cases and 9.8 thousand cases for 100,000 people. By territory, the following districts stand out: Criuleni – 7.2 thousand cases for 100,000 people, Anenii Noi – 7.0 thousand, Telenesti – 6.4 thousand, Ialoveni – 6.3 thousand, Singerei – 6.3 thousand, Straseni – 5.6 thousand, Hincesti – 4.1 thousand cases, etc.

In 2012, for 100,000 people there were 523 cases of acute intestinal infections, 89 cases of tuberculosis on respiratory organs, 5 cases of viral hepatitis and 267 cases of "socially transmitted" diseases. In the last 5 years there was a significant decrease of the cases of bacterial dysentery from 744 cases in 2008 (21 cases for 100,000 people) to 467 cases in 2012 (13 cases for 100,000 people), and the cases of viral hepatitis decreased to 165 cases in 2012 (approximately 5 cases for 100,000 people). There were also decreases of the cases of tuberculosis on respiratory

organs from 3.4 thousand cases in 2008 (95 cases for 100,000 people) to 3.1 thousand cases in 2012 (89 cases for 100,000 people). Vaccines and adequate prophylaxis measures contributed to the significant decrease of the epidemic parotiditis morbidity; in 2008, for 100,000 people there were 823 cases of epidemic parotiditis, in 2012 there were only 3.4 cases for every 100,000 people. There was also a reduction in the cases of morbidity caused by "socially transmitted" diseases and in cases of pediculosis. In 2012, for 100,000 people there were 85 cases of pediculosis, 32 cases of gonococcus infection, compared to 140 and 46 cases in 2008.

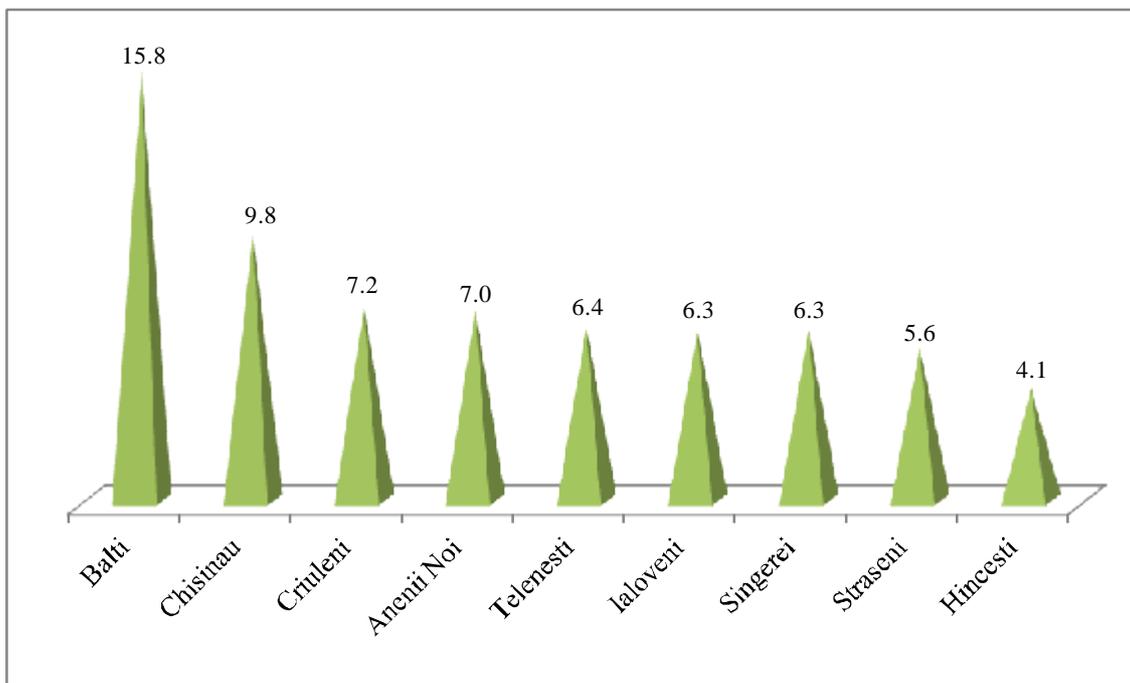


Figure 6.4. Morbidity cases by acute respiratory infections in 2012, thousand cases for 100,000 inhabitants

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

The number of carriers of the human immunodeficiency virus (HIV) was 478, or 16 cases less compared to 2011. At the same time, there were 152 cases of AIDS (Acquired Immune Deficiency Syndrome), and for 100,000 people there were in average 13.4 cases of HIV.

Crimes. According to the Ministry of Internal Affairs data, in 2012 there were 36.6 thousand crimes, 4.3% more than in the previous year. The highest crime rate remains in Chisinau – 167 crimes for 10,000 people, which is 1.6 times the national level. A high level of crime was also reported in Balti – approximately 133 crimes for 10,000 people, followed by Criuleni (109 crimes for 10,000 people), Stefan Voda (100 crimes for 10,000 people), Basarabeanca (96 crimes for 10,000 people), etc. The lowest crime rate was recorded in districts Falesti – 45 crimes, and Nisporeni – 49 crimes for 10,000 people.

Out of all the crimes, approximately 23% (8345 cases) are exceptionally serious, very serious and serious, including 3.3% (1204 cases) exceptionally serious and very serious, and 19.5% (7,1 thousand cases) are the most serious. For 10 thousand people there are 23.4 serious, exceptionally serious and serious crimes. The geographical distribution shows a concentration of serious crimes in the Central region. Thus, 3.3 thousand cases were recorded in Chisinau, the highest in the Central sector, and also in districts Ialoveni, Criuleni, Hancesti and Orhei. In the Northern region, the city of Balti stands out (447 cases), and in the Southern region most serious crimes were reported in Causeni and Cahul.

Every 5th crime was committed in public places, and by firearms, explosives and grenades in 2012 there were 68 crimes, including 20 cases of hooliganism and intentional harm, 12 murders and 5 burglaries.

Out of the total number of crimes, 29.3% were committed by active but unemployed persons, an increasing trend (+12.7%). In 2012, 1.5 thousand crimes were committed by minors or with their participation, or 4.00% of all recorded crimes. Compared to the situation of 2007, there was a decrease of juvenile crime.

Most frequently minors are involved in committing thefts, with a weight of 70%, followed by burglaries – 6.7% and hooliganism – 2.7%. In 2012, for every 100,000 people up to the age of 18, there were approximately 202 crimes committed by minors, compared to 174 in 2011. Approximately 66 boys and 12 girls are up to 14 years old. Approximately 6% of the total number of minors has criminal priors.

In 2012 there was an increasing trend regarding the number of crimes against family and minors (1.6 times), and 953 cases were recorded. There was also an increase in the number of economic crimes, 1.4 times, as well as for money counterfeiting and tax evasion, and in the number of sex crimes (1.3 times), as there were more rapes (360 cases compared to 291 cases in 2011). Regarding the distribution by areas, most rapes were committed in Criuleni and Singerei, and most murders in Ialoveni and Hincesti.

In the structure of registered crimes, almost every second crime was committed against the property (51.2%), followed by crimes in the transportation sector (13.2%), crimes against public health and social life (4.9%), crimes against persons' life and health (4.8%).

In 2012 there were 6.7 thousand crimes against people, out of which half in urban areas. Approximately 7% of all crimes against people were directed towards children and youth. Children's vulnerability denotes the importance of their protection, especially in rural areas, where the frequency of the crimes committed against them is almost double compared to urban areas. Urban areas are characterized by a higher weight of crimes related to drugs – 75% of this category of crimes.

Because of the crimes committed in 2012, 646 people died, 47 more than in 2011. The main causes of death were road accidents (49.2%), murders (26.0%) and deliberate harming (10.7%). Almost every day one person dies because of serious crimes, and very serious and exceptionally serious crimes caused the deaths of 250 persons.

The region from the left side of the river Dniester

According to the data of the Statistical Service of Transnistria:

Demographic situation. The calculated number of people as of January 01, 2013 was 509.4 thousand persons. At the same time, the number of people in cities was 351.9 thousand (69.1% of the population), and the number of rural population – 157.5 thousand persons (30.9%). *The natural decrease of the population* in 2012 was 2,107 persons, 0.8% lower than in 2011. There were 5,173 live births, but the number of deaths was 7,280 persons. *Infantile mortality* in 2012 was 51 persons, 16.4 less than in 2011. The main causes of infantile mortality are: the state occurred in the perinatal period (19 cases), congenital anomalies (19 cases) and intoxications, traumas (6 cases).

The migration decrease of population in 2012 (considering internal and external migration) was 1,856 persons, 18.3% less than in the previous year. In 2012, 7,616 persons *arrived* in the region, namely 104.9% of the number of people arrived in 2011, out of whom 1,394 children under 16, or 18% of the total number of arrivals. 9,472 people left, or 99.4% of the people who left in 2011, including children under the age of 16 – 1,401 persons or 14.8% of the total number

of persons who left. Out of the total number of people who came in the region, 46.7% are men (3,560 persons), while out of the people who left, 47.7% were men (4,519 persons). In 2012, 5,306 people came and 5,306 people left urban areas, or compared to 2011 – 107.6% and 98.1%, respectively. In rural areas, 2,310 people came and 2,537 left (compared to the previous year – 99.3% and 103.1%, respectively).

The number of recorded *marriages* was 3,468, 12.0% less than in 2011. The number of *divorces* was 2,057, 1.8% more than in 2011.

Labor market. On October 01, 2012, the *employed population* was 104.0 thousand persons, 994 persons or 1.0% less than in 2011. In 2012, the number of unemployed citizens registered with labor occupancy agencies was 4,945, 11.5% less than in 2011. Out of the total number of registered citizens – 3,035 persons or 61.4% are women. Overall, in 2012, the Transnistrian Employment Agency helped hire 2,603 persons. In 2012 there were professional consultation sessions with students: group consultations – 209, with 3,613 persons, and individual consultations – 969, with 956 persons, with the adult population: individual consultations – 6,714, with 6,400 persons. 608.7 thousand rubles were spent for professional training, including for paying scholarships – 324.1 thousand rubles. For unemployment benefits, 20,653.0 thousand rubles were spent. The average value of the *unemployment benefit* in 2012 was 394.5 rubles.

Remuneration of labor. In 2012, the *average monthly nominal salary* calculated for one employee (except for employees from small enterprises) was 3,414 rubles or 114.9% compared to 2011 (at the official exchange rate of the monetary authority left of the Dniester – 307 USD or 107.0% compared to 2011).

In the analyzed period, the average monthly nominal salary calculated for one employee was higher than the average salary per region in the following economic branches: „Industry” (4,569 rubles or 411 USD), „Transportation” (3,483 rubles or 313 USD), „Electro- and radio-communications” (7,872 rubles or 707 USD), „Constructions” (3,917 rubles or 352 USD), „Trade and public food sector” (4,061 rubles or 365 USD), „General commercial activities” (4,696 rubles or 422 USD), „Sports, entertainment and tourism” (3,711 rubles or 333 USD), „Banks and credits” (7,272 rubles or 653 USD), „Insurance” (5,596 rubles or 503 USD)

At the same time, the average monthly salary calculated for one employee was lower than the average salary per region in the following economic branches: „Geology and meteorology” (1,487 rubles or 134 USD), „Welfare” (1,564 rubles or 149 USD), „Forestry” (1,756 rubles or 158 USD), „Education” (2,167 rubles or 195 USD), „Postal communications” (2,051 rubles or 184 USD), „Culture and art” (2,010 rubles or 181 USD), „Administration bodies” (2,099 rubles or 189 USD), „Health” (2,158 rubles or 194 USD), „Agriculture” (2,643 rubles or 237 USD), „Science” (2,279 rubles or 205 USD).

In industry, the highest average nominal monthly salary in 2012 was recorded for the employees of the following sub-branches: electricity – 479 USD, more than the average salary per region by 56.1%, ferrous metallurgy – 512 USD or 166.9% of the average salary of the economy, food industry – 390 USD or 27.2% more than the average salary of the economy. The lowest average nominal monthly salaries, calculated for 2012, were paid to the employees from the following sub-branches of the industry: other industrial branches: 193 USD, lower than the average salary per region by 63.0%; wood processing industry – 231 USD, lower than the average salary per region by 24.8%; printing industry – 296 USD, lower than the average salary per region by 3.6%; chemical industry – 306 USD, lower than the average salary of the economy by 0.4%.

Social protection of the population. The average number of pensioners for October-December 2012 was 138,570 persons, out of which labor pensions – 134,185 persons, and social pensions – 4,385 persons. The average value of pensions was 1,187.77 rubles (labor pension – 1,208.22

rubles, social pension – 561.87 rubles), which is 13.2% more compared to the similar period of the previous year.

The average number of pensioners at the end of 2012 was 139,174 persons, 0.7% higher than the similar period of the previous year. The average value of pensions was 1,221.29 rubles. Out of the total number of pensioners, 37,437 persons are employed.

Subsistence minimum. In 2012, the value of the minimum subsistence value in average for one person was 1,161.57 rubles a month. By population categories, the value of the minimum subsistence value is for the active population: men – 1,258.01 rubles a month, women – 1,187.76 rubles a month. The minimum subsistence value of pensioners was 938.28 rubles a month, children under the age of 6 – 1,040.35 rubles a moth, children aged 7 to 15 – 1,278.1 rubles a month.

Table 6.4 Minimum subsistence value of the region from the left side of the river Dniester in 2012 (in average per one person, rubles per month)

	Total population	Including:				
		Active		Pensioners	Children	
		Men	Women		aged under 6 years	From 7 to 15 years
<i>January</i>	1139.55	1237.97	1162.94	916.96	1015.07	1258.96
<i>February</i>	1151.94	1246.25	1176.94	930.78	1033.93	1272.31
<i>March</i>	1151.04	1245.24	1175.79	923.68	1033.70	1272.35
<i>April</i>	1148.68	1243.34	1173.74	927.71	1030.16	1267.87
<i>May</i>	1145.50	1240.23	1172.27	925.28	1023.37	1260.13
<i>June</i>	1169.15	1262.96	1194.77	945.28	1052.38	1293.18
<i>July</i>	1169.75	1266.61	1196.09	945.17	1048.19	1287.23
<i>August</i>	1158.37	1255.87	1186.65	936.26	1031.38	1266.84
<i>September</i>	1167.59	1265.73	1195.25	943.76	1043.91	1277.48
<i>October</i>	1169.17	1267.08	1197.54	945.35	1044.69	1278.08
<i>November</i>	1176.14	1273.90	1203.18	950.21	1055.80	1290.90
<i>December</i>	1191.96	1290.97	1217.96	962.88	1071.56	1311.80
2012	1161.57	1258.01	1187.76	938.28	1040.35	1278.10

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

Crimes. In 2012, public order protection agencies recorded 10,540 applications and reports regarding crimes or 10.2% less than in 2011. There were 5,417 crimes, 21.0% less than in the previous year. Out of these: 43 – murders, 64 – serious deliberate attacks, 283 crimes related to illegal arm trafficking, 191 crimes committed by the use of arms, munitions and explosives, 579 – crimes against the public order, 512 – drug- related crimes, 141 – frauds, 1,107 – thefts, 190 – burglaries, other crimes – 1,704, etc. The crimes affected 3,078 persons, out of which 100 persons died (3.2%), and 199 persons were seriously injured (6.5%)

Chapter VII

FORECAST FOR 2013

Forecast validation

The presented forecasts are completed under the IEFS econometric model and are calibrated with the experts' advice. In general, the forecasts made at the end of the second quarter of 2012 have a high accuracy. The forecasting errors are small and do not exceed the allowable threshold. Errors have largely occurred due to the highly uncertain developments in the EU economy, the fact that has resulted in a reduction in external demand, thus affecting the forecast of exports and industrial production growth, as well as the drastic decline in agriculture.

Table 7.1. Validation of forecasts

Indicators	Unit of measure	2012	2012	Percentage error
		real	forecast	
Nominal GDP	billion MDL	87.8	87.2	0.68
Against the previous year in comparable prices	%	99.2	100.2	1.01
Consumer price index annual average	%	104.6	105.2	0.57
Exports of goods	million USD	2161.8	2314	7.04
Against the previous year	%	97.5	104.2	6.87
Import of goods	million USD	5213.1	5345	2.53
Against the previous year	%	100.4	103	2.59
Trade balance	million USD	-3051.3	-3031	0.67
Industrial output in current prices	billion USD	36	36.3	0.83
Against the previous year in comparable prices	%	96.9	104.3	7.64
Agricultural production in current prices	billion USD	20.3	19.7	2.96
Against the previous year in comparable prices	%	77.6	81.6	5.15
Average nominal monthly wage	MDL	3478	3457	0.6
Labor force	thousand people	1200.7	1242	3.44

Source: Authors' estimations.

Forecast assumptions

External developments and the domestic economic structure condition the economic growth of the Republic of Moldova. In the context of economic stabilization in the main EU partners and the anticipation of a good agricultural year have prompted the optimistic view on economic developments for 2013.

Forecast for 2013 is based on the following assumptions:

- Maintaining a relatively constant national currency exchange rate, characterized only by a tiny depreciation of the Moldovan Leu against the U.S. dollar (annual average rate MDL/USD will depreciate by 0.7%). Such a development is most likely to occur given the continued uncertainty in international markets, where the developments in key regions of

the foreign donors for the Republic of Moldova could be varied, influencing both the depreciation and the appreciation of the national currency.

- Further reduction of the interest rate (assume that the average annual interest rate on loans in 2013 will be 12%, being by 1.33 percentage points lower compared to 2012). The general trend registered in recent years, the reduction of the growth rate of prices, will fuel the inflationary expectations slowdown, which will translate into lower rates of interest. On the other hand, the uncertainties regarding the developments in the national economy will likely determine the NBM to maintain low rates of the monetary instruments, which will not influence the increase in interest rates.
- External factors, overall, will have a positive influence on the national economy. The slight recovery of the global economy, prefigured in a small increase in growth rates (in 2013 is projected an increase by 3.6%, compared to growth of 3.3% in 2012). The increasing in the growth rate seems to be supported by EU economic stabilization. At the same time, the Russian economy will have a good growth of about 3.4%. Against this background, the volume of remittances will register a small increase – the volume of transfers in 2013 will increase by 3.75% compared to 2012. Insignificant increase in the price of gas (it is expected that the world price for gas will grow by 1.9% in 2013 compared to 2012) and cheaper mineral products (it is expected a reduction of 2% of world prices for mineral products), will as well have a positive impact on the dynamics of the national economy.

Forecast for 2013

The relatively favorable conjuncture in the world economy and the non-hostile climatic conditions that will allow an advancement in agriculture will translate into positive growth of the national economy in 2013. Different methods used for forecasting indicate the fact that in 2013 the economic growth rate will range between 2 and 5%.

Table 7.2. Forecast on economic growth in the Republic of Moldova for 2013

Forecasting method	Characteristics of the forecasting methods	Forecast value, %
Seasonal auto regressive moving average model SARMA _{(0,1,0)-(0,4,0)}	Forecasts made on the basis of quarterly data on GDP evolution during the first quarter of 2003 – the second quarter of 2012. As a deflator was used the industrial production price index (first quarter of 2003 = 100).	2
Holt-Winters seasonal adjustment model	Forecasts made on the basis of quarterly data on GDP evolution during the first quarter of 2003 – the second quarter of 2012. As a deflator was used the industrial production price index (first quarter of 2003 = 100).	4,1
Macro-econometric model	Annual observations for the period 1994-2012. 80-regression and identity relationships model.	4,9

Source: Authors' estimations.

Private consumption. Due to increased remittances and wage growth we will see a recovery in consumption. In 2013 household consumption could advance by 7%.

Investments. Reducing interest rates will facilitate investment activity. For 2013 is expected an increase in investments by 7.1%.

Foreign trade in goods. Due to economic recovery in the EU countries, and stable development in the CIS area, the exports will boost and could increase by 9.5% in 2013. At the same time, the increasing domestic consumption will lead to increased imports.

Agriculture. Favorable weather conditions in 2013 will have a positive impact on the harvest, thanks to this the agricultural sector will register an important growth. Similarly, the result of 2013 will be positively influenced the low comparison period (agricultural production has decreased significantly in 2012). We anticipate that in 2013 the industrial output will increase by 23.3%.

Industry. Industry will experience good growth of 5.7%. The factors that will drive the sector in 2013 will be the increase in investments and increased foreign demand for the food industry products (this segment represents about half of the branch of industry). However, the positive results in 2013 will not achieve the level registered in 2008.

Services. This sector will experience a good growth in 2013. Due to increasing domestic consumption, trade will increase by 4.2. Enhancing foreign trade relations will boost the activity of the carriers, and this subsector will grow by 3.9%.

Labot market. The anticipated economic recovery will boost the labor market so that the unemployment rate will be 5.5%, decreasing by 0.5 pp compared to the result registered in 2012. In the same context, the salary will grow both in nominal (11%) and real terms (7%).

**Table 7.3. The evolution of main macroeconomic indicators for 2010-2013
(based on macro-econometric model of IEFS)**

	Unit of measure	2010	2011	2012	2013 forecast
Nominal GDP	billion MDL	71.9	82.3	87.8	96.7
Against the previous year in comparable prices	%	107.1	106.8	99.2	104.9
Consumer price index annual average	%	107.4	107.6	104.6	104.3
The average exchange rate of MDL	MDL/USD	12.36	11.73	12.11	12.19
Export of goods	million USD	1541.5	2216.8	2161.8	2367
Against the previous year	%	120.1	143.8	97.5	109.5
Import of goods	million USD	3855.3	5191.3	5213.1	5763
Against the previous year	%	117.6	134.7	100.4	110.5
Trade balance	million USD	-2313.8	-2974.5	-3051.3	-3396
Producția industrială în prețuri curente	billion MDL	28.1	34.2	36	40.1
Against the previous year in comparable prices	%	109.3	109.5	96.9	105.7
Industrial output in current prices	billion MDL	20.0	22.6	20.3	26.9
Against the previous year in comparable prices	%	107.9	105	77.6	123.3
Investment in long-term tangible assets	billion MDL	13.8	16.3	16.5	18.4
Against the previous year in comparable prices	%	122.6	111.8	95.9	107.1
Average nominal monthly wage	MDL	2972	3194	3478	3865
Against the previous year					
nominal	%	108.2	111.6	108.9	111
real	%	100.7	103.7	104.1	107
Payroll Fund	billion MDL	31.4	34.9	36.7	41.6
Unemployment	%	7.4	6.7	6.0	5.5

Source: Authors' estimations.

EU BUDGET SUPPORT: WHY IS IT IMPORTANT FOR MOLDOVA?

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26 March 2012

Preface

The purpose of this note is to look at the importance of EU budget support in Moldova. Budget support, sector or general, has fiscal management and economic implications and there is need for careful analysis to see how budget support impacts on the government's overall objective of ensuring fiscal stability and economic growth.

Budget support ought to be predictable because it has serious implications for the government's ability to implement its budget as planned. Budget support to Moldova has not been predictable during the last years. The paper therefore explores what the impact of non-disbursement of budget support can be on fiscal management by the Government of Moldova.

The paper is broken down into the following sections:

- The first section discusses EU budget support to Moldova within the overall macroeconomic and fiscal framework and demonstrates its importance for the balance of payments and the Budget of Moldova.
- The second section compares budget support in the context of fiscal policy in two peer countries of Moldova, Armenia and Kyrgyzstan.
- The third section discusses the importance of predictability of budget support and the macroeconomic and fiscal consequences of late and/or non-disbursement. This section also examines problems with the use the EU budget support instrument in Moldova.
- The final section provides a set of conclusions.

EU budget support to Moldova within overall macroeconomic and fiscal framework

It is important to see how budget support is absorbed and used by Moldova. In general, budget support may serve different objectives such as increasing international reserves, stabilising the domestic foreign exchange market, reducing the cost of government borrowing and increasing fiscal space i.e. enabling higher capital or current government spending.

Many countries that receive foreign aid, including EU budget support, depend on this aid in order to maintain their balance of payment and fiscal positions. For some others the impact of budget support may not be that crucial. Therefore, budget support in Moldova needs to be examined carefully in order to understand its financial impact and relevance for the country.

EU budget support, sector budget support or general budget support alike, is planned within the hard budget/fiscal constraint of the recipient country. The importance of budget support is twofold: in terms of the additional resources made available in the form of a foreign exchange inflow supporting the balance of payments, and in terms of counter-value funds in national currency accruing to the budget.

Table 1 below shows the financial impact of budget support on the balance of payments of Moldova for 2010-2012.

Table 1 illustrates that budget support makes up a significant amount of the current account balance. In 2010 budget support made up for 23 percent of the current account balance (7 percent

from EU) and in 2011 it was 17 percent (6 percent from EU). In 2012, budget support is expected to be as high as 25 percent (10 percent from EU) of Moldova's current account balance.

Table 1. Balance of payments (*mln USD*)

	2010	2011	2012
Current account balance	-592	-829	-829
Budget transfers	137	138	207
% in current account balance	23	17	25
Budget transfers from EU*	41	50	83
% in current account balance	7	6	10
Capital and financial account balance	386	845	804
General government loans, net	4	18	27
Errors and omissions	63	0	0
Overall balance	-143	16	-24
Financing	143	-16	24
Change in gross international reserves (“-“ increase)	-294	-294	-276
Current account balance, without budget transfers	-729	-967	-1,036

Source: IMF Country Report No. 12/38, February 2012.

*Data from Ministry of Finance, Division of External Financing and Debt.

EU budget support is clearly important for the overall balance of payment. In 2010, EU budget transfers (USD 41 mln) alone made up more than one third of overall balance of payments financing. The importance of this contribution can be seen in what would have happened if this EU support would not have been forthcoming. In the absence of EU budget support in 2010, the country would have had to seek other financing sources through further ODA¹ in the form of loans from other donors, augmentation of IMF assistance, expectation of FDI² (highly unpredictable and difficult for government to control) or else Moldova would not have been able to finance its imports and finance debt payments without depleting reserves.

For all three years in Table 1, the Government of Moldova increased its gross international reserves. The ratio of the budget transfers to the annual increase of the gross international reserves is 47 percent in 2010 (only EU grants is 14 percent), 47 percent in 2011 (only EU grants is 17 percent) and 75 percent in 2012 (only EU grants is 30 percent). Therefore, foreign exchange received through EU budget support has also helped to build up international reserves during these three years. In 2010 gross international reserves were sufficient to cover 3.4 months of imports of goods and services, whereas in 2011 this increased to 3.8 months.

Table 2 below shows the financial impact of budget support in relation to the government Budget of Moldova for 2010-2012.

Table 2 illustrates that during all three years the overall fiscal deficit is decreasing, although at the same time capital expenditure is increasing.

Capital expenditure in 2011 has increased by 19 percent compared to 2010 (current expenditure increased only by 9 percent) and in 2012 it is planned to increase by 25 percent compared to 2011 (current expenditure will increase only by 8 percent).

The ratio of grants³ to capital expenditure has been 58 percent in 2010 (only EU budget support was 14 percent), 49 percent in 2011 (EU budget support was 15 percent) and is planned to be 47 percent in 2012 (EU budget support is 19 percent).

¹ Official Development Assistance

² Foreign Direct Investment

³ The key sources of grants are EU, WB, SIDA, IFAD, US government, KfW

Table 2. General government budget (*mln Lei*)

	2010	2011	2012
Total revenue and grants	27,540	30,603	34,662
Total domestic revenue (tax and non-tax)	25,540	28,589	32,264
Grants	2,000	2,014	2,398
EU budget support*	492	600	996
Total expenditure	29,326	32,199	35,499
Current expenditure	25,968	28,181	30,467
Capital expenditure	3,431	4,091	5,129
Overall fiscal deficit	-1,786	-1,596	-837
Grant/capital expenditure (%)	58	49	47
EU budget support/capital expenditure (%)	14	15	19
Overall fiscal deficit without grants	-3,786	-3,610	-3,235
Overall fiscal deficit without EU budget support	-2,278	-2,196	-1,833

Source: IMF Country Report No. 12/38, February 2012.

*Data from Ministry of Finance, Division of External Financing and Debt

The importance of budget support is reflected in the fact that the fiscal deficit without disbursed grants would have been almost twice as large in 2010 and 2011 actual budget outruns. In 2012, non-disbursement of planned grants would more than triple the fiscal deficit unless of course the Government opted to curtail planned expenditure. Similarly, without EU budget support the actual deficit could have increased by 27 percent in 2010, by 37 percent in 2011 and by 118 percent in 2012 budget plan.

The current budget balance (difference between domestic revenue, excluding grants, and current expenditure) in 2010 Moldova was in deficit of 0.6 percent of GDP, while in 2011 and 2012 budgets Moldova has registered current budget surpluses¹. In 2010 budget support helped in financing part of the current expenditure envelope, whereas in 2011 and 2012 it has contributed to the capital budget and the public investment programme.

Table 3 below presents a wider look at the current budget balance since 2004.

Table 3. Moldovan current budget balance in 2004-2013 (*mln MDL*)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total domestic revenue (tax and non-tax)	10,162	12,823	16,044	19,798	24,449	22,218	25,540	28,589	32,264	35,917
Current expenditure	9,537	11,641	14,312	18,467	21,693	24,367	25,986	28,181	30,467	32,818
Current budget balance	625	1,182	1,732	1,331	2,756	-2,149	-446	408	1,797	3,099
GDP	32,100	37,700	44,800	53,400	62,900	60,000	71,900	82,900	93,100	102,100
Current budget balance/GDP (%)	1.9	3.1	3.9	2.5	4.4	-3.6	-0.6	0.5	1.9	3.0

Source: IMF Country Report No. 12/38, February 2012; IMF Country Report No. 08/320, September 2008.

¹ Current expenditure is financed in its entirety from domestic revenue

Since 2004 the Moldovan Government has followed a strict fiscal policy aimed at a current budget balance or surplus. This constitutes a highly prudent and low risk fiscal policy. Budget support grants, including EU budget support, have therefore been important for the Government's public investment programme either by increasing capital expenditure and/or by reducing the overall cost of borrowing required to finance these investments.

In addition, Moldovan fiscal prudence is manifested by the fact that capital expenditure has increased faster than current expenditure within a decreasing overall fiscal deficit. Moldova's Government additional spending is targeted at growth and development rather than government consumption. The crisis and post crisis years of 2009 and 2010 have been an exception due to the massive external shock from the global economic crisis.

Comparison of three peer countries

It would be useful to look at the issues discussed above taking the perspective of two other countries with similar economic characteristics and background (ex Soviet Union) that also benefit from EU budget support.

Table 4 below provides an overview of broad country data that show certain similarities with Moldova. Table 5 below presents basic analysis of the general budget data of the three countries.

Table 4. Country Overview

	Moldova	Armenia	Kyrgyzstan
Population (mln)	3.5	3.2	5.4
GDP (bln USD)	7.9	10.5	6.1
GDP per capita (USD)	2.300	3.300	1.100
Poverty (%)	27	34	34

Table 5. 2012 General Government Budget Projections (*mln USD*)

	Moldova	Armenia	Kyrgyzstan
Total revenue and grants	2,907.2	2,309.8	2,036.6
Total domestic revenue (tax and non-tax)	2,706.0	2,268.5	1,853.5
Grants	201.1	41.3	182.9
Total expenditure	2,977.7	2,651.7	2,484.6
Current expenditure	2,555.3	2,275.5	2,033.5
Capital expenditure	430.2	376.2.4	451.0
Overall balance	-70.5	-341.9	-448.0
Current balance (<i>difference between domestic revenue and current expenditure</i>)	150.7	-7.0	-179.9
GDP	7,900.0	10,500.0	6,100.0
Overall balance/GDP (%)	-0.9	-3.3	-7.4
Current budget balance/GDP (%)	1.9	-0.1	-3.0
Grants/GDP (%)	2.6	0.4	3.0
Grants/Total expenditure (%)	6.8	1.6	7.4
Share of current expenditure financed from grants (%)	0.0	0.3	8.8

Source: Moldova – IMF Country Report No. 12/38, February 2012; Armenia – IMF Country Report No. 11/366, December 2011; Kyrgyzstan – IMF Country Report No. 11/354, December 2011.

The analysis of the data in Table 5 shows that budget support constitutes 6.8 percent of total expenditure of Moldova, which is almost at the same level with Kyrgyzstan's 7.4 percent. However, in terms of the current budget balances of the three countries only Moldova has planned positive current budget balance of 1.9 percent of GDP in 2012. Kyrgyzstan has planned

a considerable current budget deficit of 3 percent, while in the case of Armenia it is almost balanced. This means that only Moldova's fiscal policy has been balanced, while Armenia and Kyrgyzstan appear to have been more affected by the global economic crisis. Kyrgyzstan in particular may be at the fringes of aid dependency. At present, 8.8 percent of Kyrgyz current expenditure is financed from foreign aid sources.

From the discussion above it is apparent that uncertainty in the predictability of budget support (in particular grants) disbursements planned in the revenue pool of the budget affects countries in a different way depending on the prevailing circumstances. Non disbursement of budget support may not affect the routine operation (salaries, social contributions, goods and services etc) of government of Moldova in the same way as it would do in Kyrgyzstan, but it would certainly have a negative impact on the implementation of the public investment programme.

The importance of predictability of budget support

Absence of predictability of budget support adds to the monetary and fiscal uncertainties faced by recipient countries, including in the case of Moldova. This involves:

- Delays within the fiscal year in which budget support is planned;
- Partial disbursement within the fiscal year in which budget support is planned;
- Delay of disbursement until the forthcoming fiscal year, i.e. non-disbursement within the fiscal year in which budget support is planned;
- Non disbursement all together.

Large disbursements of foreign exchange into a small and cash economy like Moldova at the end of the fiscal year may make liquidity management and monetary policy difficult and may negatively impact on the exchange rates and prices.

In 2010 and 2011, 21 and 31 percent of EU grant disbursements respectively (including MFA¹ of €53 million in 2010) were made at the end of the fiscal year in December². Upon disbursement the foreign exchange was not immediately converted into the national currency. Funds were deposited on the Central Treasury account with the National Bank of Moldova as foreign reserves. An immediate conversion of €53 million and utilisation in the budget at the end of the fiscal year could have destabilised the exchange rates and overall monetary policy. This is because the conversion of the foreign exchange and utilisation of the euro countervalue in local currency in the budget would have put abrupt upward pressure on the Lei, and the fast increase of stock of national currency (money supply) at the end of the year would have created inflationary pressures³.

On the fiscal side, delayed disbursement can affect cash flow management and disrupt expenditure as a whole for the year. If budget support is not disbursed in the fiscal year for which it is planned it is equivalent to a revenue shortfall for that fiscal year. Faced with such a problem a government will have three ways to react, depending on its fiscal stance and capacity to manage public finances:

- Suspend expenditure and disrupt service delivery and planned investments.
- Allow expenditure to continue as planned and incur arrears i.e. not pay invoices of suppliers and other contractual and/or legal obligations. In highly indebted countries with poor fiscal management, arrears have also taken the form of long delays in paying legal obligations such as civil servant salaries, entitlements etc.

¹ EU Macro Financial Assistance

² Source: Ministry of Finance, Division of External Financing and Debt

³ The Government may sterilise inflows of countervalue local currency, and reduce liquidity in the monetary system through open market operations (issuing Treasury Bills) in order to absorb the increased stock of local money. But the government securities market of Moldova is still not developed enough for this kind of swift actions.

- Borrow more than planned in the domestic and/or external markets and widen the fiscal deficit in order not to disrupt service delivery and planned investments. This type of borrowing is usually ad hoc and short term so it is bound to be more expensive than planned longer term borrowing. Thus uneven or unpredictable grant may sharply increase debt service costs (a grant becomes an expensive loan).

In 2011, the shortfall of planned grant revenue in the budget totalled Lei 330 million (€ 22 million) which is almost 2 percent of total budget revenue. This shortfall was offset by the proportionate suspension of recurrent expenditure in the amount of Lei 202 million and capital expenditure in the amount of Lei 158 million¹. The non-disbursement of grants planned in 2011 budget thus resulted in reduction in non-discretionary current expenditure mainly in the sectors of agriculture (-45 million), education (-53 million) and communal utilities (-32 million) in addition to the 4 percent reduction in planned public investment.

Overall, Moldova has managed to deal with the problem of unpredictability of budget support through its general prudent budget and fiscal management. Maintaining a current budget balance allowed the Government to ensure that it can fund its routine costs through its own resources and direct foreign aid to capital expenditure and investment projects, which can be delayed or downsized in case that planned budget support would not fully materialise.

Table 6 below presents planned and disbursed budget support grants in 2008-2010 from the recent PEFA 2011 assessment.

Table 6. Budget support 2008-10 (in million MDL)

Budget support	2008			2009			2010		
	Plan	Act	+/- (%)	Plan	Act	+/- (%)	Plan	Act	+/- (%)
European Union ²	267.2	182.7	-32%	487.1	537.1	+10%	799.1	499.6	-38%
Government of the Netherlands	63.4	54.8	-14%	40		-100%	62.2	45.7	-27%
DFID	26.8	18.2	-32%	31	5.4	-83%	17.9	119.4	+567%
Other grants ³		40.5							
Total grants	357.4	296.2	-17%	558.1	542.5	-3%	879.2	664.7	-24%

Source: Moldova PEFA 2011.

Table 6 shows that there was a shortfall (difference between budgeted and disbursed funds) between 3 and 24 percent in the years assessed⁴. This indicates that there are significant problems in predictability of budget support in Moldova with all the repercussions discussed above.

Unpredictability of EU budget support may also be attributed to the way in which programmes are planned and designed for Moldova. The main problems preconditioning this unpredictability are as follows:

¹ Informația operativă privind executarea bugetului de stat – sinteză pe toate componentele, în luna ianuarie-decembrie 2011 and IMF Country Report No. 12/38, February 2012

² Excluding EU Macro-Financial Assistance programme

³ Humanitarian aid for resolving the consequences of the floods of 2008 and drought of summer 2007

⁴ D-1 indicator of the PEFA performance framework measures predictability of direct budget support. The PEFA guidelines state that "Direct budget support constitutes an important source of revenue for central government in many countries. Poor predictability of inflows of budget support affects the government's fiscal management in much the same way as the impact of external shocks on domestic revenue collection. Both the shortfalls in the total amount of budget support and the delays in the in-year distribution of the in-flows can have serious implications for the government's ability to implement its budget as planned." Indicator D-1 scored the lowest possible in both the 2008 and 2011 PEFA assessments in Moldova.

- Sector Budget Support (SBS) programmes are agreed on a case by case basis without always proper consultation with the central fiscal authority - the Ministry of Finance.
- SBS are concluded as separate financing agreements each time, with different timing and often inconsistent cross conditionality (especially in PFM matters) creating increased transaction costs for the both EC and Government and making their management unnecessarily complex. For example, in the SBS on ESRA¹ there is a condition for 2012 “Financial management and control methodology approved and put into force”, whereas in the SBS in the water sector there was a condition for 2011 “Implement system of financial management and control”. The confusion is apparent as the same “result” is requested by two separate SBS programmes at different timeframes. In essence, the central fiscal authority should be responsible for government financial management and control and the “methodology” to do so is a matter of national not sectoral jurisdiction.
- There are too many specific conditions per SBS: For example, there are 10 components (reform areas) in SBS on ESRA broken down into 93 criteria for disbursement², which are treated as separate conditions to determine disbursement.
- The conditions and activities in some cases are of questionable relevance: For example, in the SBS on ESRA it is expected that the FMIS will be designed, installed and made fully operational within two years. It is known from the experience of other countries and from most of the PFM literature that the design and full operationalisation of sophisticated information systems (including the training of the relevant government staff) takes much more time. The realism of such a condition would be questionable thus increasing the risk of non-disbursement (or reduction in funds linked to a *variable* instalment³) and reducing predictability.

Furthermore, cumbersome administrative procedures for launching external reviews and making disbursements under each SBS also cause unnecessary delays and decrease the predictability of budget support disbursements.

Table 7 below presents the EU sector budget support programmes planned in the 2012 budget.

Table 7. Expected EU budget support to Moldova in 2012 (mln USD)

EU budget support programmes	Planned in 2012 budget revenue
SPSP in Health	4.4
SPSP in Agriculture and Water Utility	19.8
SPSP in Rural Development	18.4
SPSP in Energy	18.4
SPSP in Justice	22.5
Total	83.5

Source: Ministry of Finance, Division of External Financing and Debt.

There are five EU sector budget support programmes currently operational in Moldova from which there are disbursements planned as part of 2012 budget revenue. There have already been disbursements under three of SBSs (Health, Agriculture and Water Utility and Rural Development) while the implementation of the SBSs in Energy and Justice starts in 2012. Overall, five SBSs in 2012 is a significant EU financial support to Moldova. However, implementation and management of five programmes simultaneously inevitably poses great challenges that include:

- The five separate programmes require five processes for preparation (and *financing agreements*) as well as management and follow up. This increases the administrative

¹ EU Sector Policy Support Programme on Economic Stimulation of Rural Areas

² Financing Agreement SPSP on ESRA ENPI/2010/021782

³ Variable instalments have a maximum value, specified in advance in the budget support programme. They may be disbursed in full or partially, depending on the level of fulfilment of conditions attached to a given instalment in the programme.

workload for both Government and the EC and carries a high opportunity cost for scarce human resources;

- Separate programmes require separate review missions to assess the implementation of the disbursement conditions which also includes additional administrative burden through the contracting and mobilisation of several consultant missions;
- Separate programmes are required to include general conditions¹ which must be assessed by review missions before the determination of each instalment of every programme. This can cause considerable confusion as Government officials are subjected unnecessarily to a repetitive process without much purpose. There may also be inconsistencies in assessment subject to separate conclusions by experts in different review missions which can also be potentially disruptive;
- Separate programmes require separate Steering Committees to be set up for all the programmes that would formally be responsible for managing the implementation of the given SBS. This topic has already been raised by Government as an unnecessary and cumbersome management process. For example, there has never been a Steering Committee meeting for SBS on ESRA, although two instalments have already been paid;
- Separate programmes in Moldova have had the effect of sidetracking the Ministry of Finance. The Ministry of Finance is the central fiscal authority and ultimately responsible for revenue and expenditure planning. It needs to be directly involved with the design and management of SBSs because failure in fulfilling conditions will have revenue and expenditure consequences as has already been discussed above.

Design and implementation of one multi-sector budget support that is of rolling nature (i.e. it can add or remove themes/sectors in line with current EU-Moldova dialogue and annual *Action Programme*) would probably minimise the superfluous administration and transaction costs mentioned above. One budget support programme would also have a clear role as an EU fiscal support mechanism and strategic platform for dialogue between the EC and the Moldovan Government.

In general the advantages of one multi-sector budget support programme would include:

- One set of administrative and implementation procedures that would minimise transaction costs;
- There would be better consideration of fiscal and macroeconomic aspects of budget support and consequences of late or non-disbursements (low predictability);
- Elimination of inconsistencies between similar conditions (cross conditionality) in several SBSs, especially between those related to PFM;
- A more consolidated and strategic framework for EU-Moldova cooperation offering an opportunity for systematic and comprehensive policy dialogue on national and sector objectives.

Conclusions

EU budget support is important for Moldova both in terms of a foreign exchange inflow supporting the balance of payments, and in terms of counter-value funds in national currency accruing to the budget:

- EU budget support makes up from 6 to 10 percent of current account balance every year, and;
- EU budget support makes up from 14 to 19 percent of capital expenditure of the government, and helps to reduce the cost of borrowing required to finance public investments.

¹ General conditions (or eligibility criteria for receiving budget support) are applied to the disbursements of all the instalments

Since 2004, the Moldovan Government has followed a strict fiscal policy aimed at a current budget balance or surplus, with the exception of year of the crisis 2009, and post crisis 2010.

Moldovan fiscal policy has been more balanced in comparison with two other peer countries, Armenia and Kyrgyzstan, which also benefit from EU budget support. The balanced fiscal policy has helped Moldova to be less affected by low predictability of budget support than Armenia and especially Kyrgyzstan where 8.8 percent of financing of current expenditure depends on foreign aid.

EU budget support, like any foreign aid¹, has been unpredictable. However, Moldova has managed to deal with the problem of unpredictability of budget support through its general prudent fiscal management i.e. a policy of current budget balance enabling Government to fund its routine costs through its own resources (unlike Kyrgyzstan) and direct foreign aid to capital expenditure and investment projects in the pursuit of growth and development objectives.

The reasons of unpredictability of EU budget support have been twofold:

- Fragmentation of budget support assistance through the implementation of separate SBS programmes;
- Specific design problems in SBS programmes inconsistent cross conditionality (especially in PFM matters) and unusually large number of specific conditions attached to disbursements often with questionable relevance. This practice increases the risk of failure of programmes and decreases predictability.

EU budget support has not only financial but also a reputational importance for Moldova given Moldova's aspirations for close association with the EU and possible accession in the future.

The current EU National Indicative Programme 2011-2013 for Moldova defines budget support as the preferred option for delivering EU aid to Moldova. Also, EU and Moldova have started the negotiations on Association Agreement in early 2010. With the next programming phase, the EU Delegation and the Government have an opportunity to consider the advantages of one consolidated (multi-sector) budget support programme.

Such a programme would arguably have an increased chance of being successful, contribute to the overall EU-Moldova policy dialogue, enhance predictability and augment the macroeconomic and fiscal value of EU budget support.

¹ This is confirmed by the very low scores in the relevant indicator D-1 in PEFA assessments from developing countries and countries in transition

THE CONTRIBUTION OF TRADE FACILITATION TO TRADE AND GROWTH

Andrea Lorenzo Capussela,
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1. Trade facilitation

As negotiations on the DCFTA near conclusion, and Moldova's government pursues a change in the paradigm of economic growth – from one based on consumption to one supported by investment and exports – this policy note tries to underline the importance of trade facilitation measures for the expansion of trade and the fruition of the greater access to EU markets promised by the DCFTA.

The DCFTA, in particular, will not yield all its potential positive effects for Moldova unless trade and exports are actively facilitated through appropriate reforms. Indeed, trade facilitation is an important component of efforts to increase the competitiveness of Moldova's economy, efforts which are important for capturing the opportunities brought by the DCFTA and facing the challenges that exposure to competitive pressures of EU producers implies.

Trade facilitation is equally important for exports as well as for imports, which can directly increase the intensity of competition in domestic markets, and, indirectly, create incentives for restructuring the domestic economy. Facilitation of imports of intermediate goods can then improve the competitiveness of exports. The relationship between export performance and trade facilitation is complex, not only because Moldova's trade flows may change through its own trade facilitation reforms and through its trading partners' reforms, but also because of the multi-dimensionality of trade facilitation.

Trade facilitation is generally understood to involve reducing the transaction costs associated with the enforcement, regulation and administration of trade and trade-related policies. Reforms in this area aim to reduce the costs involved in the cross-border movement of goods and services.

In a *narrow sense*, the definition of “trade facilitation” reform measures covers:

- the logistics of moving goods through border points and ports used by Moldova (Giurgiulesti, Constanta, Odessa), and
- the documentation associated with cross-border trade.

In a *broader sense*, the definition includes the environment in which trade and its transactions take place, including the transparency and efficiency of the regulatory environment, and the harmonisation of standards to international or regional regulations.

The reductions of tariff barriers in successive rounds of international trade negotiations (WTO, EU at regional level and other bilateral FTAs), the continued expansion of world trade, and the growth in global supply chain management practices have resulted in a heightened interest in the impact of on-the-border and inside-the-border transaction costs for cross-border trade. Estimates of the effect of directly incurred trade transaction costs range from 2 to 15 percent of total trade¹.

Moldova's ability to link with global and regional markets (EU and CIS) is increasingly affected by the high costs that the private sector incurs in trade transactions. One of the consequences is the

¹ Trade Sustainability Impact Assessment (SIA) of the Association Agreement under negotiation between the European Community and Mercosur – Case Study on Trade Facilitation, p. 14.

limited geographical diversification: exported goods tend to be directed to the same countries. Moldovan products are not in fact penetrating other external markets, and export patterns seem influenced by habits and old relations of national producers (see figure below).

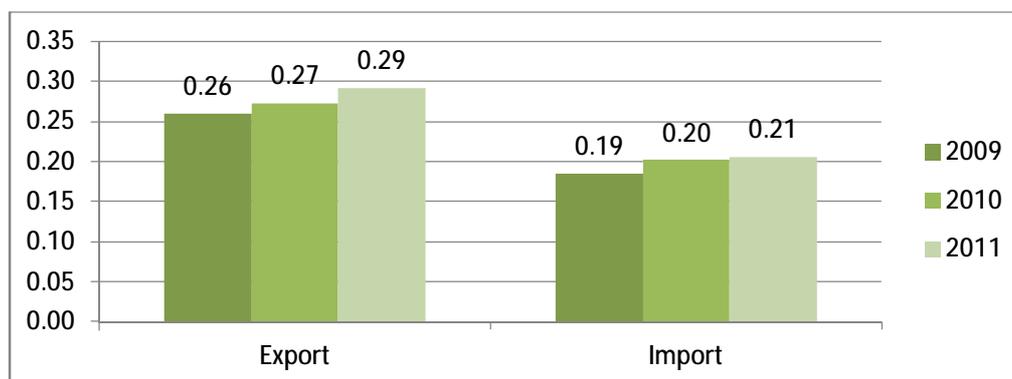


Figure 1. Geographical concentration indices

Source: IFES' calculations based on NBS data.

Several studies have confirmed that a better trade facilitation environment increases import and export volumes¹. Moldova's own experience would seem to confirm this, as the considerable increase in trade volumes observed between 2003 and 2008 is very probably correlated to the customs reforms program implemented in that period (TTFSE and other EU projects); equally, it seems likely that the slowdown in the increase of trade volumes is correlated with the discontinuation of those reform programs. Comparative information on the trade facilitation environment in Moldova and EU countries may be found in the World Bank's Doing Business reports, which assess performance in each of the following areas: (i) number of documents required to export/import goods; (ii) time necessary to comply with the procedures required to export/import goods; (iii) costs associated with the procedures required to export/import goods².

The Doing Business indicators (Trading Across Borders) for Moldova over the period of 2006-2013 is presented in Table 1 along with Moldova's position in the global ranking order. It can be noticed that all reforms conducted between 2006 and today have achieved little effect, and Moldova still ranks very low for both import and export operations. The Doing Business indicators for Moldova, EU and OECD Countries, the region (Eastern Europe and Central Asia) as well as other main trade partners are given in below Table 1.

The overall performance of the EU as a whole as measured by Trading Across Border indicators is significantly much better than for Moldova, even with wide variations for individual countries. The performance of individual EU countries varies widely, with Denmark 5th in the global ranking, and Greece ranking only at 78. Moldova requires significantly more export documents

¹[...] Wilson et. al. (2004) estimated the impact of trade facilitation on trade flows using a gravity model methodology. Their results indicate large potential increases in trade and growth rates from trade facilitation reform in countries that have above average trade transaction costs. Djankov et al. find that on average, each additional day that a product is delayed prior to being shipped reduces trade by at least 1 percent. As well as the effect on trade volumes it has been shown that a reduction in customs clearance times can have a significant influence on attracting foreign investment. Nordas et al. analyse the relation between time for exports and imports, logistics services and international trade and find that time delays result in lower trade volumes and reduce the probability that firms will enter export markets for time sensitive products. Clarke has studied factors that affect the export performance of manufacturing enterprises using a cross country manufacturing survey and finds that manufacturing enterprises are less likely to export in countries with poor customs administrations and restrictive trade and customs regulations. Landlocked countries face particular problems with international transit arrangements, and have proposed changes to WTO rules which would help address their difficulties

² The Doing Business assessment of course has limitations, but is an indicator which investors and traders tend to rely upon.

than many of the EU/OECD countries (the table below doesn't capture all "internal" documents), but also more imports documents than EU/OECD average. The direct costs of importing into Moldova are higher than in any of the EU Countries. Exporting from Slovakia and Bulgaria costs almost the same as from Moldova; but compared to all other countries, the costs of exporting from Moldova are considerably higher, limiting the competitiveness of such exports on the EU market.

Table 1. The DB indicators (Trading Across Borders) over the period of 2006-2013

Year	Ease of DB Rank	Rank	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Moldova								
DB2006	..	..	6	32	1,415	7	35	1,740
DB2007	..	..	6	32	1,415	7	35	1,740
DB2008	..	..	6	32	1,415	7	35	1,740
DB2009	..	..	6	32	1,765	7	35	2,090
DB2010	..	..	6	32	1,765	7	35	2,090
DB2011			6	32	1,765	7	35	2,090
DB2012	86	141	6	32	1,545	7	35	1,870
DB2013	83	142	7	32	1,545	7	35	1,870
OECD			4	10	1,028	5	10	1,080
EE&CA			7	26	2,134	8	29	2,349
Ukraine		145	6	30	1,865	8	33	2,155
Russia		163	8	21	2,820	11	36	2,920

Source: Doing Business data, Trading-across-borders.

A more comprehensive set of indicators for measuring Trade Facilitation developed by the World Bank may be found in the Logistics Performance Index ("LPI"), which measures the quality of particular sub-components of the supply chain. It uses seven indicators of performance:

1. customs: efficiency of the clearance process by customs and other border agencies;
2. infrastructure: quality of transport and information technology infrastructure for logistics;
3. shipment: ease and affordability of arranging international shipments;
4. competence: of the local logistics industry;
5. tracking: ability to track and trace international shipments;
6. costs: domestic logistics costs;
7. timeliness: of shipments in reaching destination.

The *Connecting to Compete 2012 Report* on Trade logistics in the global economy ranks Moldova at 132 out of 155 countries. Table 2 outlines the scores for each of these LPI indicators of Moldova and the EU countries, ranked according to the quality of their performance (a higher number reflects better performance). The first columns of the table show the ranking and each country's overall performance as measured by the aggregate LPIs and further each of the seven indicators.

Moldova's low ranking in both the LPI and the Doing Business Trading Across Borders indicators suggests that the country would greatly benefit from a reduction of these burdens. Hence the importance of trade facilitation reforms and measures.

Table 2. LPI indicators for Moldova and the EU for 2012

Country	Ranking	LPI	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Moldova	132	2.57	2.11	2.05	2.83	2.17	3.00	3.17
EU Countries								
Germany	1	4.11	4.00	4.34	3.66	4.14	4.18	4.48
United Kingdom	8	3.95	3.74	3.95	3.66	3.92	4.13	4.37
Belgium	9	3.94	3.83	4.01	3.31	4.13	4.22	4.29
Norway	10	3.93	3.86	4.22	3.35	3.85	4.10	4.35
Ireland	11	3.89	3.60	3.76	3.70	3.82	4.02	4.47
Finland	12	3.89	3.86	4.08	3.41	3.92	4.09	4.08
Denmark	16	3.85	3.58	3.99	3.46	3.83	3.94	4.38
France	17	3.84	3.63	4.00	3.30	3.87	4.01	4.37
Austria	19	3.76	3.49	3.68	3.78	3.70	3.83	4.08
Italy	22	3.64	3.38	3.72	3.21	3.74	3.83	4.08
Spain	25	3.63	3.47	3.58	3.11	3.62	3.96	4.12
Czech Republic	26	3.51	3.31	3.25	3.42	3.27	3.60	4.16
Poland	30	3.44	3.12	2.98	3.22	3.26	3.45	4.52
Portugal	34	3.34	3.31	3.17	3.02	3.31	3.38	3.84
Latvia	37	3.25	2.94	2.88	3.38	2.96	3.55	3.72
Slovak Republic	38	3.24	2.79	3.00	3.05	3.15	3.54	3.92
Estonia	43	3.16	3.14	2.75	3.17	3.17	2.95	3.68
Lithuania	45	3.13	2.79	2.72	3.19	2.85	3.27	3.92
Hungary	52	2.99	2.83	3.08	2.78	2.87	2.87	3.52
Greece	54	2.96	2.48	2.94	2.85	2.69	3.31	3.49
Slovenia	57	2.87	2.59	2.65	2.84	2.90	3.16	3.10
Romania	59	2.84	2.36	2.25	3.24	2.68	2.90	3.45
EU Average	28							
Russian Fed.	94	2.61	2.15	2.38	2.72	2.51	2.60	3.23
Ukraine	102	2.57	2.02	2.44	2.79	2.59	2.49	3.06

Source: World Bank LPI.

The remainder of this note will address some of the areas – among many possible ones – where reforms seem possible and beneficial, to increase the competitiveness of Moldova’s exports as well as their volume¹. Most of such reforms are highly likely to be included in the DCFTA, and therefore in due course become the object of binding reciprocal commitments by Moldova and the EU.

¹ Moldova is already undertaking important reforms in tariff classification and in matters relating to goods in transit (Disciplines on Restrictions to Freedom of Transit, Strengthened Non-Discrimination, Reduction/ Limitation/ Simplification /Adjustment; Bonded Transport Regime and Guarantees/International, Regional or National Customs Guarantee System, as well as Regional Transit Agreements or Arrangements are in place). These topics are therefore not discussed in this note.

2. Suggested Trade Facilitation reforms

2.1. Publication of trade regulations and of penalty provisions.

Government institutions could usefully consider promptly publishing all laws, regulations, judicial decisions and administrative rulings of general application relating to or affecting trade in goods, so as to enable traders to become acquainted with them. Such measures should in particular be applied to the following areas: (i) importation, exportation or transit procedures (including port, airport, and other entry-point procedures and required forms and documents); (ii) rate of duties and taxes imposed on or in connection with importation, exportation or transit (including applied tariff rates); (iii) general rule for classification of products for customs purposes as well as examples of such classifications; (iv) import, export or transit requirements, restrictions or prohibitions; (v) fees and charges imposed on or in connection with importation, exportation or transit procedures; (vi) penalty provisions against breaches of import, export or transit rules; (vii) appeal procedures; (viii) agreements or parts thereof with any country or countries relating to the importation, exportation or transit.

The amendments to such laws, regulations and measures should be made public in the same way as the original ones. The publication of all trade-related legislation, procedures and documents could be on a national official internet site. A national enquiry point should be created with the responsibility for providing, or facilitating access to, trade-related information and documents to interested parties.

2.2. Prior publication and consultation.

Clear timeframes and procedures should be established for the publication of new and amended rules prior to their entry into force. The Government should conduct regular, formal consultations at the national level with the public and private sector on proposed new or amended legislative and administrative arrangements affecting external trade (existing Regulatory Impact Assessment procedures does not cover such regulations). Such mechanisms should include: procedures for obtaining comments from interested persons and for discussing them; procedures for providing public feedback on the comments received; and reasonable timeframes.

2.3. Appeal procedures

Moldova could also consider putting in place national legislation that provides the right of affected persons to be given, upon written request, an explanation of the reasons for trade-related decisions, as well as the right of appeal to a competent authority, which may be the agency concerned (Customs Service or other Institutions issuing documentations related to trade), another administrative authority, arbitration or a special tribunal, and, in the final instance, the right to challenge such appeal decisions before a judicial authority. The appeal procedures should be clearly outlined in national legislation, and the legal requirements and procedures for filing an appeal should be readily accessible to the trade community and the general public, and address all related elements including: (i) requirements for an appeal to be lodged in writing stating the grounds on which the appeal is being made; (ii) the time limits within which an appeal must be lodged; and (iii) requirements for the decision in relation to the appeal to be provided to the appellant in writing, together with the reasons for that decision and advice as to the appellant's further rights of appeal and relevant time limits. The Moldovan legislation should outline the specific types of decisions that may be subject to appeal, such as decisions on tariff classification, valuation, origin, licensing, permits to import or export, refunds, etc.

2.4. Advance rulings

Transparent and predictable procedures should be adopted on advance rulings, governing: (i) the procedures and formalities to be followed, including review, appeal and evocation procedures;

(ii) the format in which the ruling is provided, which must include reasons for the decision; (iii) circumstances under which a ruling ceases to have effect. Once issued, all such advance rulings should be honored by the issuing authority in respect of the applicant's goods concerned at any border post and for the specified period, provided the facts and circumstances on which the ruling is based remain materially unchanged. Advance rulings are valuable also as precedents: they should be collected, through a comprehensive system, and made easily available to traders.

2.5. Measures to enhance impartiality, non-discrimination and transparency

The procedures for promptly notifying importers and/or their agents in situations in which goods are detained should be clearly set out. When samples of goods are tested by competent authorities for the purpose of ensuring the appropriate application of national legislation, the Government should offer to importers, exporters or their authorized agents the right to request a second confirmatory test (if the initial test results in adverse findings). For this purpose, national legislation or administrative arrangements should clearly set out the procedures for confirmatory testing, including a validated test method and a list of accredited laboratories (to be published) where confirmatory tests can be carried out.

Moldova should also concentrate the efforts on increasing the possibilities for electronic data submission, resulting in a more transparent and impartial system.

2.6. Fees and charges connected with importation and exportation

As already set out by the WTO rules, the fees and charges imposed by public institutions should reflect the approximate cost of the services provided by the relevant agency. So, the relevant legislative and administrative acts should include: (i) legislative and administrative arrangements that explicitly prohibit the collection of any fees or charges that have not been publicly notified; (ii) rules and mechanisms to assess or estimate the relevant costs; (iii) prohibition of *ad valorem* fees and charges; and (iv) consolidation of fees and charges, where practicable.

2.7. Release and clearance of goods

Pre-arrival processing rules should be adopted, explicitly allowing traders to: (i) submit clearance data for processing prior to the arrival of the goods; and (ii) take delivery of their goods immediately upon arrival in situations where all regulatory requirements have been met and no further verification or inspection is deemed necessary, consistent with international standards and practices.

The release of the goods should be separated from the final determination and payment of the relevant duties. Such arrangements should address: (i) the circumstances under which goods may be released from customs control prior to the payment of the relevant duties and taxes; and (ii) the related guarantee system, including acceptable forms of guarantee, the amount of such guarantee, and terms of reimbursement of guarantees.

Moldova could also consider (i) reviewing regulations that demand the dispatch of numerous samples for product registration and labeling procedures, which can effectively result in restrictions to trade; and (ii) using a single administrative document for all import and export regimes (in particular, it is important to use a special import regime for re-export purposes).

2.8. Risk-based approach

A core element of trade facilitation is the application of *risk management* principles, which should be supported by national legislation and administrative arrangements requiring the application of risk management principles based on relevant international standards and practices (see Chapter 6, General Annex, WCO Revised Kyoto Convention, and the relevant guidelines). This should include: (i) the development, use and regular review of formal risk

management plans; (ii) the use of formal risk analysis methodologies to determine which persons, consignments and means of transport should be examined and the extent of such examination; (iii) the use of mechanisms and associated records providing the ability to determine why particular consignments have been, or are to be, selected for specific interventions; and (iv) dedicated officials responsible for regular updates to keep risk profiles current. These measures are related to the efficient use of the communication and information systems, which allow a larger number of low-risk economic agents to cross borders with minimal interventions.

Once a sound risk management is in place, it should be further developed, including through the use of *post-clearance audit* as an accepted element of compliance management. This practice should include: (i) the use of company-focused audits as well as transaction-based verifications; (ii) the selection of competent audit staff; (iii) legislation that clearly states the powers that can be exercised by the audit staff; (iv) the creation of a compliance database to assist in identifying areas of potential risk, in which audit results are recorded and analysed; (v) record keeping requirements applicable to traders; and (vi) flexible instruments of paying duties (advance settlements, refund measures etc.).

The adoption of simplified import, export and transit formalities for traders (known as “authorised/reliable agents”, or *agent de încredere*) who demonstrate a high level of compliance with trade-related laws and regulations is an important trade facilitation measure. Although Moldova has adopted such system, its concrete effectiveness is not yet evident¹. The reason is probably related to the fact that the specific criteria set by the existing Customs regulations are not fully based on best international practices. According to EU practice, such criteria should include the following: (1) an appropriate record of compliance with customs requirements; (2) a system of managing and keeping records that allow the necessary controls; (3) financial solvency (including, where appropriate, provision of a sufficient security/guarantee); and/or (4) an appropriate system of security and safety standards. Additional facilitation measures for such authorised traders could usefully include: (i) the possibility of periodic declarations and payment of duties; (ii) limiting physical inspections to exceptional circumstances; (iii) reducing documentary and data requirements, and the right to submit a single document covering all goods contained in a consignment; (iv) more rapid release time; (v) local clearance; and (vi) remote filing.

2.9. Coordination among various border agencies

Moldova could consider requiring agencies involved in cross-border trade to: (i) use standardized data and documentation requirements for importation, exportation and transit; (ii) provide importers and exporters with a single point of clearance, whether electronic or manual; (iii) establish coordinated inspection arrangements for cargo that is selected for inspection, to eliminate duplication and ensure that inspections are carried out at the same time, wherever possible. These measures should also regulate the functioning of coordinated border controls, and in particular should regulate: (i) the alignment and coordination of procedures and formalities; (ii) the correlation of the business hours and competence of those offices; (iii) the development and operation of common facilities; (iv) a management system outlining the role and responsibilities of each agency; (v) agreements and procedures to exchange information; and (vi) harmonization of risk analysis data and profiles, where practicable.

2.10. Formalities connected with importation and exportation

This is a large component of a comprehensive trade facilitation strategy, which cannot be summarized within the limits of this note. Yet, unnecessary complexities hidden in the formalities and other formal requirements pose considerable constraints to import and export transactions, which often can be eliminated by employing new and easily available practices and technologies

¹ See the Regulamentul cu privire la statutul de agent economic de încredere (AĒI) approved by Ordin SV Nr.268-0 of 09.07.2010.

or existing international standards; by avoiding duplication or harmonizing requirements; by aiming at the single-window and one-time submission procedures. Such formalities, moreover, should be periodically reviewed, so as to verify whether further simplification is possible. Among such improvements, it is nonetheless worth pointing out the question of customs brokers. Eliminating the mandatory requirement to use customs brokers is recommended by international instances, because traders should not be obliged to use customs brokers if they wish to deal directly with Customs. In Moldova the use of customs broker is widespread and a lot of investment has been done in this sector. However, for trade facilitation purposes it is important that the use of customs brokers' service be regulated according to the following principles: (i) the use of such services should be discretionary; (ii) traders should not be discriminated against on the basis of their choice to employ the services of a customs broker, or to deal directly with the relevant authorities; (iii) any licensing rules should be transparent, non-discriminatory and proportionate.

ON MACRO-FISCAL AND TRADE FORECASTING IN MOLDOVA: AN INSTITUTIONAL ANALYSIS WITH SOME RECOMMENDATIONS

Apostolos Papaphilippou

“Dennis Healey [who served as Chancellor of the Exchequer (i.e. the UK’s Minister of Finance) between March 1974 and May 1979] used to claim that he wanted to be to the forecasters what the Boston strangler was to door-to-door salesmen. I wholeheartedly shared the sentiments but neither of us succeeded in acting on them”¹.

Nigel Lawson [Chancellor of the Exchequer, June 1983-October 1989].

1. INTRODUCTION AND OVERVIEW

The practice of macroeconomic forecasting is likely to be among the oldest professions known to man. Regrettably it is not among those with the best reputation, even during periods where the economy develops along a stable development path.

To make matters worse it is well known that forecasting macroeconomic aggregates is particularly challenging in times of abrupt structural change in the economy and/or under crisis conditions. It therefore comes as no surprise that the record of macro-forecasters in transition economies has been generally disappointing, and has given rise to a debate on the ways by which the macroeconomic forecasting process may be improved so as to lead to more efficient macroeconomic forecasts through time.

In the case of Moldova there has been an ongoing discussion on:

- The role of the institutions involved in providing input to the macroeconomic forecast that underpins Moldova’s annual budget and Medium Term Expenditure Framework (MTEF) in general; and on
- Whether the Ministry of Economy (MoE) should remain the institution that has the key final role in aggregating the contributions of the other main contributors to the macroeconomic forecast in particular.

Indeed one of the reasons behind the writing of this paper has been the persistence of the debate through time in Moldova: the above-mentioned issues were discussed a number of times during my first long-term assignment in Chisinau (between 1995 and 1997), and have re-emerged from time to time up-to-and-including my last short-term assignment as a policy adviser in Moldova (which took place in September 2012).

The goal of this paper is two-fold, namely:

1. To provide an analysis of the role of the institutions that are involved in putting together the macroeconomic projection that underpins the annual budget and Moldova’s MTEF, with the aim to address the recurrent issue regarding their optimal role in the process; along with
2. Concrete and practical recommendations to improve:
 - The efficiency of the macroeconomic projection and the design of fiscal policy in Moldova; and
 - The periodic analysis of current economic developments and the emerging risks that may require a policy response.

¹ Lawson, N (1992), *The View from No. 11: Memoirs of a Tory Radical*, Bantam Press, London, pp. 50-51.

The rest of the paper is organised as follows: Section 2 analyses the role of the institutions involved in putting together the macroeconomic projection in Moldova and supports the current setup as appropriate for the efficiency of the budget formulation process and also for the individual institutions involved in addition to the MoE, namely the Ministry of Finance (MoF) and the National Bank of Moldova (NBM). Section 3 proceeds to discuss briefly the role of other stakeholders, including data providers, research institutes, academia and Non-Governmental Organisations and think tanks involved in the economic analysis of the Moldovan economy. Section 4 proposes a few small changes in the timing and content of the consultations foreseen in the current budget calendar in order to improve the macroeconomic forecast's consistency and efficiency. Section 5 discusses the positive externalities of the proposed consultations for macroeconomic management in general, and describes the content of a brief macroeconomic outlook and assumptions statement which could be disseminated to summarise the results, assumptions and risks of the macroeconomic forecast. Section 6 concludes.

2. ON THE ROLE OF THE MOE, THE MOF AND THE NBM

At present the MoE has a central role in putting together the macroeconomic projection that underpins the annual budget and Moldova's MTEF, most notably with regard to the projection of GDP and its components. An important role in the whole process is also played by the NBM (with input on inflation, exchange rate, monetary and external sector developments), and also the MoF (with contributions on fiscal-related issues). The Ministry of Labour and Social Protection also provides some input (with regard to labour market conditions and the evolution of employment and unemployment).

A recurrent issue in Moldova concerns the optimal role of the institutions that are primarily involved in putting together the macroeconomic projection in Moldova. It is sometimes argued that the key role in putting the macroeconomic forecast should be played by either the NBM (allegedly due to the institution's overall technical capacity in macroeconomic modelling and its expertise in key areas, including inflation forecasting, monetary, exchange rate and external sector developments) or by the MoF (as changes in the macroeconomic conditions are likely to have a significant effect on broad fiscal aggregates and thus the deficit and fiscal and debt sustainability).

In contrast I argue below that, given Moldova's specificity, a careful examination of the roles of the three institutions would support the view that the current set up is appropriate for both the budget process and the individual institutions themselves. More specifically:

The MoE has a very broad mandate encompassing regulatory aspects, trade policy formulation and key issues linked to the real economy's competitiveness and the structural reform programme at the macro, sectoral and micro levels.

- For the MoE as an institution it makes sense to retain (and indeed to further develop) the institution's in-house capacity to analyse and forecast macroeconomic developments in order to (i) inform policy decisions and the design of the reform programme over this very broad agenda of policy intervention; and (ii) set and assess the sectoral interventions within a macroeconomic framework.
- With regard to the macroeconomic projection underpinning the budget and the MTEF, a key argument for retaining the MoE's central role in the process is the MoE's broad policy mandate coupled with the fact that the macroeconomic projection needs to reflect the impact of all the foreseen policy changes in the economy over the forecasting horizon.
- Areas for further work aiming at further improving the MoE's contribution to the macro forecast may include: (i) the periodic assessment of changes in the macroeconomic environment (which is particularly challenging in Moldova as survey-based sentiment indicators are non-existent or in the process of being developed); and (ii) a research agenda to facilitate the assessment of volume and price developments of Moldova's GDP components,

including the evolution of trade; the latter requires, in addition to the incorporation of trade policy changes (which in Moldova are formulated by the MoE), the monitoring of economic developments and forecasts in a number of Moldova's key trade partners.

With regard to the MoF it has currently a key role to play in providing input regarding fiscal policy. While the argument that changes in macroeconomic conditions are likely to have a significant effect on broad fiscal aggregates and the overall fiscal balance is valid, this does not automatically imply that the role of the MoF should be expanded:

- Firstly in many countries fiscal policy is formulated taking into account a macroeconomic projection that has been finalised by an institution outside the confines of the MoF. Thus, to take the UK example, the Treasury (i.e. the UK's MoF) sets fiscal policy taking the macroeconomic projection produced by the so-called Budget for Fiscal Responsibility as given. This has been a relative recent change induced by the realisation that, in the past, the baseline macroeconomic forecast may have been set with one eye on the resulting overall fiscal balance. In short the case for having the macroeconomic projection developed outside the MoF emphasises: (i) the strengthening of the overall credibility of a budget based on an independent assessment of the expected macroeconomic conditions; coupled with (ii) the fact that the MoF is left to concentrate on areas directly linked to the design of fiscal policy and its monitoring and evaluation through time.
- With regard to Moldova the argument on the need to reflect the impact in the macroeconomic forecast all the expected policy changes in the economy over the forecasting horizon is a valid argument against expanding the MoF's role in setting the macroeconomic projection.
- Furthermore the current set up allows the MoF to concentrate on its core activity with regard to the design and monitoring of fiscal policy. With regard to the Moldovan MoF, a natural area for further work is linked to the improvement of (i) the MoF capacity to provide efficient revenue estimates and forecasts as inputs to the macro-forecast; and (ii) the monitoring of the fiscal outcomes. At the same time the MoF should develop some capacity to assess changes in the macro-environment throughout the year, and the likely evolution of the key macro-variables that are used as inputs in the MoF's annual macroeconomic models.

Turning to the NBM the institution has significant technical expertise in economic modelling in general, and the areas where it contributes to the macroeconomic projection in particular. At the same time the NBM has a very specific role to play in setting monetary policy within an inflation targeting framework: in line with the inflation targeting regime the Central Bank is an autonomous institution which is, however, bound to strive to meet the externally-defined inflation target (which, in Moldova's case, requires monetary policy to be geared towards the attainment of an inflation rate within the set band of, currently, (plus/minus) 1.5 percent around the 5 percent inflation target). Political economy considerations regarding the specific role of the NBM in the policy process would argue against the expansion of its current role to include the finalisation of the macroeconomic forecast.

Finally in a small country like Moldova with limited resources and capacity, it makes little sense to set up a new institution or agency to develop the macro-forecast for the budget and MTEF processes.

3. A NOTE ON THE ROLE OF OTHER STAKEHOLDERS

To recapitulate the current institutional set up in Moldova seems appropriate for both the budget formulation process and the three institutions given their roles in Moldova's policy process. The questions which naturally arise concern:

- The role of outside institutions in strengthening the forecast, and

- The changes in the process of putting the forecast together that may improve the consistency and reliability of the forecast.

The role of outside institutions is discussed briefly in the current section, while recommendations to improve the consistency and reliability of the forecast are presented in section 4 below.

With regard to the National Bureau of Statistics (NBS), the institution has a specific role in the macroeconomic analysis and forecasting process as a main data provider. In contrast to the MoE, the MoF and the NBM, the NBS is – rightly – not involved in forward looking assessments and forecasting work.

At the same, however, the NBS has critical role to play in the process by:

- Providing timely and reliable data; along with
- Clear methodological explanations on the coverage of the statistical indicators and the compilation methodology to data users. This ensures that the time series that analysts and forecasters use are, to the extent possible, consistent and comparable through time for empirical, including econometric work.

A detailed analysis of the role of research institutes, academia and Non-Governmental Organisations and think tanks in Moldova in improving macroeconomic analysis in general and the macroeconomic projection for the annual budget and the MTBF in particular lies outside the confines of this paper. It suffices to note here that stakeholders in Moldova include:

- The Institute of Economy, Finance and Statistics, that operates under the joint auspices of the Moldovan Academy of Sciences and the MoE, and provides a periodic analysis of changes in the Moldovan economy, as well as short to medium-term forecasts;
- Academic institutions, including the Academy of Economic Studies;
- Non-Governmental Organisations and think tanks, such as Adept, the Center for Strategic Studies and Reforms, the Expert-Grup, and IDIS Viitorul; and
- A number of international institutions and technical assistance projects.

Consequently some thought needs to be given on:

1. How to organise effective consultations and information exchange with these outside stakeholders; and
2. Take into account the analysis undertaken by these institutions and the results of the above-mentioned consultations in order to inform the macroeconomic and forecasting analysis undertaken by the MoE, the MoF and the NBM.

4. A REVISED BUDGET CALENDAR

It is widely accepted that there is area for improvement in the macroeconomic projection underpinning the annual budget and the MTEF in Moldova. Main areas for improvement include the need to:

- Strengthen the consistency of the macroeconomic framework; and
- Adjust the forecasting calendar, which is currently not coordinated with the release of the national accounts statistics by the NBS and the budget process.

Currently work on the macroeconomic forecast takes place twice over the budget calendar. The first is undertaken in February i.e. prior to the release of the preliminary data on last year's GDP estimate (which, however, will naturally contain information on the latest trends and will also change the base of the forecast). The second update is undertaken in June. This implies that: (i) the budget submitted to parliament in October/November, is, at that time, outdated; and also

(ii) that any policies adopted after June will not be reflected in the macroeconomic forecast used for the draft budget. To rectify the above-mentioned weaknesses technical assistance provided by the IMF proposed three updates over the year.

The proposed changes in the calendar analysed briefly below support this proposal, and include one additional consultation at the beginning of the process to ensure that the assumptions used by the three institutions in their forecasting work are consistent.

In more detail:

- The first consultation among officials from the MoE, the MoF and the NBM should take place in late February or early March with the aim to arrive at a common set of forecasting assumptions regarding the external environment and the risks to the macroeconomic forecast. It should take into account the forward-looking analysis of international institutions, such as the IMF and the European Commission's Directorate General for Financial and Economic Affairs, regarding the external environment in general and Moldova's key external stakeholders in particular.
- The second consultation should take place following the release of the preliminary GDP estimates for the previous year sometime in mid-to-late March. The aim would be to produce a projection for the current year and the three subsequent years under a no-policy-change scenario in order to obtain the baseline for expenditures.
- The third step should take place in July/August and should incorporate the latest data and a comprehensive policy proposal (incorporating the existing and new policies). Again the forecasting horizon will cover the current year and the three subsequent years. The purpose would be to arrive on a macroeconomic assessment as a basis for the detailed budget preparation.
- Finally the fourth step should take place in September/October and would update the previous projection by incorporating the latest macroeconomic data and all the policies proposed in the draft budget, thus strengthening the overall consistency between the macroeconomic forecast and the proposed policies in the draft budget.

In all the four consultation processes a common element would concern the brief assessment of recent economic developments in the economy of Moldova, of the changes in the external environment, and the emerging risks.

5. ON THE POSITIVE EXTERNALITIES OF A PERIODIC ASSESSMENT OF RECENT ECONOMIC DEVELOPMENTS AND THE ECONOMY'S OUTLOOK

It is well known that the Moldovan economy is critically dependent upon its agricultural sector and inflows of remittances. As a small open economy, Moldova is also vulnerable to adverse external developments, such as shocks on key trade partners or on important host countries for Moldovan migrants affecting remittances inflows. It follows that there is a need to base macroeconomic management on a prudent assessment of the economic environment, and periodically monitor economic developments in order to identify the emerging risks to macro-fiscal sustainability which may require a policy response.

In addition to improving the efficiency and consistency of the macroeconomic projection itself, the consultations proposed in the previous section are likely to enhance the monitoring of recent economic developments and the early identification of domestic and external risk factors that may require an adjustment of the economic policy mix. To this end a very brief report summarising the outcome of these consultations will have positive externalities with regard to:

- Informing policy makers on changes in the economic environment (and possibly other stakeholders in the budget process); and

- Acting as a warning signal on emerging situations that may require a co-ordinated policy response.

Macroeconomic outlook and assumptions statement

In time thought may be also given towards the production of a written policy statement for wider dissemination at a particular point in the budget cycle with the aim to:

1. Inform policy makers and other stakeholders in the budget process of the process and methodology used in assessing economic developments and in forecasting macroeconomic and fiscal variables; as well as
2. Identify the possible risks to the projections.

One possibility may be a very brief 3-page “Macroeconomic outlook and assumptions statement” to accompany the forecast released after the August update every year. This statement would summarise the forecast and also provide:

- A brief overview of domestic and international economic conditions;
- A short non-technical description of the assumptions underlying the forecasts (and possibly the methodology used); and
- A brief assessment of possible risks to the generated forecasts, both internal and external.

6. CONCLUDING COMMENTS

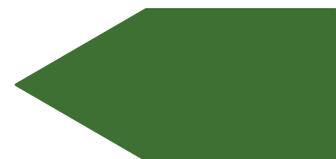
The paper’s aim has been to introduce processes to:

- Improve the joint assessment of assumptions and risks underpinning the macroeconomic projection that is used for the annual budget and the MTEF, and also periodically inform policy makers (and possibly other stakeholders) on changes in the economic environment;
- Strengthen the methodology and internal consistency of the macroeconomic forecast; and also;
- Align the timing of the elaboration of the macroeconomic forecast with data availability (and the release of the preliminary estimates of the national accounts by the National Bureau of Statistics in particular).

This paper has argued against a re-arrangement of the institutional roles of the main policy institutions involved in macroeconomic analysis and forecasting in Moldova. At the same time the paper has favoured the introduction of well-structured processes that may (i) lead to effective periodic engagement with, and among, stakeholders; and, ultimately, (ii) increase the capacity of institutions and their officials to undertake analytical and forecasting work.

In conclusion it is worth emphasising that macroeconomic analysis and forecasting is a learning-by-doing process requiring a sustained effort to improve processes, techniques and, ultimately, outcomes. It is, therefore, of paramount importance for policy making-institutions to encourage their officials that serve as their macroeconomic analysts and forecasters to engage in effective internal and external consultations, and also improve their capacities and working processes. A sustained effort to do so, will, in turn, lead to a more efficient and internally consistent forecast of the set of indicators under their remit.

STATISTICAL ANNEX



GDP (elements of final consumption)	GDP		Final consumption		Gross capital formation fix		Stock variations		Net exports	
	mil. lei (current market prices)	% (YOY 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	82174.1	106.4	95911.0	110.70	19030.5	110.70	1094.4	157.8	-33861.6	110.0
2012	87847.0	-99.2	102954.0	100.4	20540.0	100.4	-3.0	-	-35644.0	-
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
Quarter I 2012	18095.8	101.0	23464.8	101.0	2439.0	101.0	272.2	105.3	-8080.2	-
Quarter II 2012	21199.4	100.6	24687.8	99.1	5000.97	99.1	74.34	-	-8563.7	-
Quarter III 2012	26106.8	98.3	30085.8	100.8	4538.7	100.8	503.95	-	-9021.599	-
Quarter IV 2012	22445.3	97.5	27514.7	100.5	5493.2	100.5	-196.4	-	-10366.1	-

PIB (resources)	GDP		GVA		Agriculture		Industry		Building		Other activities		Net taxes on products	
	mil. lei (current market prices)	% (YOY growth)	mil. lei (current market prices)	% (share in GDP)	mil. lei (current market prices)	% (YOY growth)								
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	82174.1	106.4	68225.0	83.0	10071.0	105.5	11296	107.1	2801.0	104.7	44057.0	101.3	13949.0	110.4
2012	87847.0	-99.2	73319.0	83.5	9586.0	76.7	12308.0	100.5	3071.0	101.7	28370.0	102.6	14528.0	101.3
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
Trimestru I 2012	18095.8	101	15268	84.4	821	101.6	2771	97.9	395	109.8	11281	102.3	2828	98.4
Quarter II 2012	21199.4	100.6	17821.6	84.1	1929.6	92.5	2914.5	104.3	1104.98	100.9	12277.67	88.7	3377.79	101.3
Quarter III 2012	26106.8	98.3	22026.6	84.4	3923.3	69.2	3389.6	102.3	1059.2	100	725.7	104.7	4080.18	103.4
Quarter IV 2012	22445.3	97.5	18203.5	81.1	2911.3	70.8	3233	96.5	511.4	101.1	712.1	127.7	4241.8	101.4

	Intermediate consumption		Production volume		Agricultural production		Industrial production	
	mil.lei (current market prices)	% (YOY growth)	mil.lei (current market prices)	% (YOY growth)	% (YOY growth)	% (YOY growth)	% (YOY growth)	% (YOY growth)
2009	76857.2	84.2	127666.4	87.6	90.4	97.0	97.0	97.0
2010	89937.9	108.8	149858.7	107.8	107.9	107.9	107.9	107.9
2011	102416.3	105.8	170641.4	105.7	104.6	104.6	107.4	107.4
2012	101695.2		175015.0		77.6	77.6	96.9	96.9

	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
2012	4.6	3.8	4.2	6.2
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
Quarter I 2012	6.2	4.7	5	9.2
Quarter II 2012	4.2	1.9	4.5	6.3
Quarter III 2012	4.4	3.6	3.7	6.4
Quarter IV 2012	3.9	4.9	3.6	3.1
Quarter I 2013	4.4	5.9	4	3.1

	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 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 2011	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
January 2012	6.9	5	5	11.8
February 2012	6.1	5	4.9	8.9
March 2012	5.4	4.1	5.3	7.1
April 2012	4.7	2.9	4.9	6.3
May 2012	4.1	2	4.5	6.1
June 2012	3.7	0.9	4.1	6.4
July 2012	4	2.1	3.8	6.4
August 2012	4.4	3.5	3.7	6.4
September 2012	4.9	5.1	3.5	6.3
October 2012	3.9	4.8	3.6	3.3
November 2012	3.7	4.5	3.6	2.9
December 2012	4.1	5.4	3.6	3
January 2013	4.7	6.8	4	3.1
February 2013	4.4	5.5	4.2	3.1
March 2013	4.2	5.5	3.8	3.2

	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	9	10
2012	5.7	3.8	5.1	9.2	-	17.7
Quarter I 2011	4.7	3.6	3.8	9.2	4.3	17.3
Quarter II 2011	6.3	3.6	5.7	10.1	5.3	21.1
Quarter III 2011	7.9	3.4	7.6	9.6	8.1	20.3
Quarter IV 2011	8.4	0	7.8	13.1	9.3	1.9
Quarter I 2012	7.1	-0.5	6.4	11.8	9.4	-0.4
Quarter II 2012	5.8	1.3	5.3	9.0	10.6	-6.9
Quarter III 2012	5	5.1	4.1	9.9	11.3	22.3
Quarter IV 2012	4.8	9.5	4.4	6.5	8.7	22.7

	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 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 2011	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
January 2012	10.4	-1.6	9.8	14.8
February 2012	6.6	1.1	6	10.4
March 2012	6.5	-1.1	5.9	10.4
April 2012	5.8	-1.1	5.7	7.3
May 2012	5.7	-0.1	5	9.9
June 2012	6.0	5.2	5.3	9.9
July 2012	5.0	4.3	4.1	9.9
August 2012	4.8	5.4	3.9	9.9
September 2012	5.3	5.7	4.4	9.9
October 2012	5	10	4.1	9.7
November 2012	5	7.8	4.9	4.9
December 2012	4.5	10.6	4.3	4.9
January 2013	1.6	6.2	1.5	1.9
February 2013	2.8	3.5	2.9	2

	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	11.7	16.3	-5.1	-0.4	-9.1	-4.9
2012	12.1	15.6	3.5	-4.5	0.7	-6.6
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	-3.3
Quarter IV 2011	11.8	15.9	-1.1	-1.9	-5.9	-7
Quarter I 2012	11.8	15.5	-1.7	-5.8	-4.9	-8.9
Quarter II 2012	11.9	15.3	2.5	-8.6	0.4	-10
Quarter III 2012	11.9	15.3	2.5	-8.6	5.3	-6.1
Quarter IV 2012	12.4	15.5	8	-4.5	2.2	-1.2
Quarter I 2013	12.2	16.1	3.2	3.8		1.4

	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 2011	12.2	16.3	-1.2	-7.5	-6.1	-11.4
February 2011	12	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 2011	11.4	16.3	-6.2	4.2	-10.9	-2.3
September 2011	11.6	16	-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
January 2012	11.8	15.2	-3.3	-6.7	-7	-10.4
February 2012	11.8	15.7	-1.1	-4.4	-4.1	-7.4
March 2012	11.9	15.6	-0.8	-6.5	-3.5	-9
April 2012	11.8	15.5	0.9	-8.1	-1.3	-9.7
May 2012	11.9	15.2	2.7	-8.7	0.1	-10.1
June 2012	12.1	15.1	4.4	-9.3	2.4	-10.2
July 2012	12.4	15.2	7.4	-7.8	4.7	-8.8
August 2012	12.5	15.5	9.9	-5.1	7.1	-6.6
September 2012	12.4	15.9	7	-0.7	4.2	-2.7
October 2012	12.3	15.9	3.9	-1.6	2.2	-2.8
November 2012	12.3	15.8	5.2	-0.6	3.3	-2
December 2012	12.2	16	3.4	2.8	1.1	1.2
January 2013	12.1	16.1	2.8	5.9	-0.2	3
February 2013	12.1	16.2	2.5	3.1	-0.5	1
March 2013	12.3	16	3.5	2.4	0	0

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%	24005.4	1958.5	31%
2012	33526.1	11%	35364	10%	29017.7	1837.9	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%	24005.4	1407.9	
Quarter I 2012	6582.7	8%	7363.5	11%	26034.2	780.8	
Quarter II 2012	8744.5	16%	8898.9	6%	26474.5	935.2	
Quarter III 2012	8613.5	13%	8486	11%	27429.2	807.7	
Quarter IV 2012	9585.4	8%	10615.6	12%	29017.7	1837.9	
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	

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, %
July 2010	2198.2	10%	2415.2	-3%	17818.6	1522.3	
August 2010	2122.4	17%	2081.2	13%	18361.3	1481.1	
September 2010	2391.3	19%	2406.6	10%	18564.7	1496.4	
October 2010	2340.3	19%	2441.6	22%	18308.2	1597.7	
November 2010	2343.4	10%	2765	14%	18411.9	2019.3	
December 2010	3755.5	36%	3514.2	0%	18870.8	1778	
January 2011	1840.9	21%	1876.8	4%	18849.3	35.9	
February 2011	1902.4	7%	2291.4	7%	18851.1	424.9	
March 2011	2378.7	4%	2472.3	-1%	18768	518.5	
April 2011	2222.8	-5%	2702.3	16%	19003.5	998	
May 2011	2482.3	18%	2679.1	19%	18909.6	1194.8	
June 2011	2819.4	19%	2987.2	11%	18991.7	1362.6	
July 2011	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%	24005.4	1958.5	
January 2012	1990.9	8%	2087.6	11%		96.7	
February 2012	1951.2	3%	2514.7	10%		660.2	
March 2012	2640.6	11%	2761.2	12%	26034.2	23.9	
April 2012	2909.8	31%	2735.9	1%		606.9	
May 2012	2845.6	15%	3104.4	16%		865.7	
June 2012	2989.1	6%	3058.6	2%	26474.5	935.2	
July 2012	2950.3	28%	3078	8%		1062.9	
August 2012	2656.8	14%	2813.5	21%		1219.6	
September 2012	3006.4	1%	2594.5	5%	27429.2	807.7	
October 2012	3030.6	19%	3108.2	16%		885.2	
November 2012	3053.8	21%	3126	16%		957.5	
December 2012	3501	-9%	4381.4	7%	29017.7	1837.9	
January 2013	2179.2	9%	2199.4	5%		20.2	
February 2013	2350.2	20%	2588.6	3%		258.6	

Period	Indicators				Deposits structure, %			Earnings and profitability, %		Liquidity Indicators, %		Deposit interest rates, %		Loans interest rates, %	
	Bank assets (stock at the end of period) million. MDL	Bank liabilities (stock at the end of period) million. MDL	Loans, (stock at the end of period) million. MDL	Bank Deposits (stock at the end of period) million. MDL)	Deposits of individuals	Corporate deposits	Currency deposits	Profitability indicators	Return on equity	Ratio I	Ratio II>20	In MDL	In currency	In MDL	In currency
2005	18007663.31	14997885.58	13444.2	17679.7	50.19	46.17	38.2	3.16	17.34	0.53	36.71	12.99	5.15	18.33	11.07
2006	22776272.9	18943026.11	16590.3	19809.8	53.59	40.04	49.24	3.44	20.67	0.58	33.48	11.93	5.17	18.18	11.06
2007	31978663.96	26454375.89	26486.8	20662	61.1	31.35	48.56	3.94	24.16	0.73	28.98	15.13	6.01	18.85	10.88
2008	39122691.17	32088011.63	27811.8	24085.3	62.86	28.08	46.41	3.49	19.91	0.65	30.63	18.09	5.64	20.96	12.02
2009	39915006	33008335.6	14246.5	23834	62.33	30.33	53.59	-0.39	-2.12	0.6	38.27	14.66	7.61	20.31	12.51
2010	42269552.18	35010881.54	23429.8	26942.4	63.28	33.96	48.45	0.47	2.61	0.67	34.18	7.56	3.42	16.25	9.91
2011	47707871.76	39613543.97	35948.2	30112.1	63.36	32.21	46.16	1.95	11.51	0.69	33.17	7.54	3.69	14.37	8.75
2012	58304445.22	48058415.8	35948.2	36272.3	64.1	31.9	43.8	1.1	5.6	0.7	32.9	7.59	4.3	13.34	8.28
Quarter I 2009	37572432.3	30461936.8	24560.8	22498.4	63.33	28.35	53.39	1.41	7.53	0.65	29.27	19.36	10.18	23.13	13.3
Quarter II 2009	36386829.4	29749716.29	24660.8	22454.9	63.15	28.59	56.56	0.47	2.51	0.64	31.46	15.04	8.16	18.94	13.09
Quarter III 2009	37797021.5	30980486.4	23847.3	22318.7	62.62	29.44	54.56	0.16	0.87	0.62	34.53	10.77	4.88	19.04	11.89
Quarter IV 2009	39915006	33008335.6	23505.4	23834	62.33	30.33	53.59	-0.39	-2.12	0.6	38.27	14.66	7.61	20.31	12.51
Quarter I 2010	39309206.77	32224709.89	23740.4	24162.4	63.23	31.08	51.31	1.59	8.9	0.6	36.49	9.11	3.37	17.25	10.21
Quarter II 2010	39653431.7	32546028.2	24903	24138	64.05	31.49	49.7	1.78	9.94	0.62	34.81	6.65	3.32	16.46	10.49
Quarter III 2010	40865287.84	38516718.02	25896.4	25594.3	63.05	33.68	48.88	1.24	6.94	0.67	34.05	7.43	3.48	15.8	9.77
Quarter IV 2010	42302918.96	35013033.34	26915.5	26942.4	63.28	33.96	48.45	0.54	3.04	0.67	24.15	7.56	3.42	16.25	9.91
Quarter I 2011	43494259.88	36039545.85	27481.8	27950.8	65.43	32.54	47.98	1.73	10.07	0.7	33.2	7.88	3.38	14.6	9.09
Quarter II 2011	44837379.68	37354219.4	28833.4	29063.6	66.01	31.78	47.64	1.75	10.32	0.72	31.77	7.28	3.58	14.2	8.9
Quarter III 2011	46322964.98	33483173.31	30076.6	29794.2	64.51	32.96	46.91	1.96	11.53	0.68	31.67	6.87	3.94	14.11	8.86
Quarter IV 2011	47707871.76	39613543.97	30963	30112.1	63.36	32.21	46.16	1.95	11.51	0.69	33.17	8.45	3.83	13.96	7.67
Quarter I 2012	50878839.41	40711223.41	31952.8	30675.6	65.3	30.7	45.8	2.7	13.4	0.7	31.8	7.23	3.92	14.25	8.6
Quarter II 2012	53522296.47	43421074.58	32945.6	31962.1	63.4	31.3	45.7	2.3	11.6	0.7	32.3	7.59	3.79	13.69	7.92
Quarter III 2012	55791173.74	45476797.09	319	27287.1	64	31.9	44.4	2	10.5	0.7	31.6	7.94	4.97	12.58	7.78
Quarter IV 2012	58304445.22	48058415.8	35948.2	36272.3	64.1	31.9	43.8	1.1	5.6	0.7	32.9	8.44	4.68	11.98	8.32

Period	Indicators					Deposits structure, %			Earnings and profitability, %		Liquidity Indicators, %		Deposit interest rates, %		Loans interest rates, %	
	Bank assets (stock at the end of period) million. MDL	Bank liabilities (stock at the end of period) million. MDL	Loans, (stock at the end of period) million. MDL	Bank Deposits (stock at the end of period) million. MDL)	Deposits of individuals	Corporate deposits	Currency deposits	Profitability indicators	Return on equity	Ratio I	Ratio II >20	In MDL	In currency	In MDL	In currency	
jan.10	39645717.2	32688158.16	236481.1	24300.4	63.3	30.93	53.32	1.55	8.81	0.61	38.1	9.7	3.59	17.03	10.67	
feb.10	39548558.9	32494778.3	23614.9	24151	64.01	30.31	51.25	1.49	8.38	0.61	38.29	8.45	3.63	17.78	10.37	
mar.10	3930920677	3222470989	23740.4	24162.4	63.23	31.08	51.31	1.59	8.9	0.6	36.49	9.11	3.37	17.25	10.21	
apr.10	3951049906	32385972.14	23849.4	24160.8	63.87	30.83	50.18	1.51	8.46	0.62	37.55	8.31	3.37	16.85	10.29	
may.10	39385857.36	32329699.37	24390	24074.2	63.73	31.59	49.75	1.78	9.96	0.65	35.55	6.45	3.32	16.81	10.15	
jun.10	39653431.7	32546623.2	24903	24138	64.05	31.49	49.7	1.78	9.94	0.62	34.81	6.65	3.32	16.46	10.49	
jul.10	40023064.75	32829967.34	25312.4	24484.5	64.09	31.61	49	1.89	10.57	0.64	33.94	7.79	3.43	16.02	10.43	
aug.10	40107087.08	32848479.57	25660.3	24546.3	63.29	32.53	48.88	1.92	10.71	0.66	33.59	7.99	3.52	16.44	9.29	
sep.10	40865287.84	33483173.31	25896.4	25594.3	63.05	33.68	48.88	1.24	6.94	0.67	34.05	7.43	3.48	15.8	9.77	
oct.10	41107337.84	33625402.69	26459.8	25786.3	63.64	33.3	48.32	1.4	7.76	0.68	33.19	6.79	3.43	15.88	9.65	
nov.10	415864026.78	34096665.6	26831.5	26255.7	63.23	33.84	47.92	1.28	7.11	0.69	33.36	6.82	3.18	15.24	9.31	
dec.10	42302917.96	35013033.34	26915.5	26942.4	63.28	33.96	48.45	0.54	3.04	0.67	34.15	6.54	3.29	14.76	9.25	
jan.11	42867398.67	35508020.14	26971.1	27494.8	63.82	33.62	48.55	1.99	11.58	0.67	34.15	6.79	3.41	15.24	9.31	
feb.11	43188907.55	35798645.23	27346	27890.9	64.6	33.34	48.28	1.72	10.02	0.68	34.6	7.82	3.43	14.53	9.25	
mar.11	43494259.88	36039545.85	27481.8	27950.8	65.43	32.54	47.98	1.73	10.07	0.7	33.2	7.88	3.38	14.6	9.09	
apr.11	43786457.25	36333330.35	27844.6	27944.4	66.38	31.37	48.3	1.7	9.92	0.7	32.82	7.23	3.64	15.05	8.67	
may.11	44105507.72	36667328.97	28157.4	28440.8	65.79	32.07	47.2	1.82	10.68	0.71	33.34	7.83	3.38	14.59	8.96	
jun.11	44837379.68	37354219.4	28833.4	29063.6	66.04	31.78	47.64	1.75	10.32	0.72	31.77	7.28	3.58	14.2	8.9	
jul.11	44812702.04	37236029.98	28776.2	29116.5	65.75	31.97	46.84	1.86	10.97	0.71	32.3	7.75	3.54	14.32	9.23	
aug.11	456213162.56	37905950.25	29293.3	29577.3	65.38	32.31	46.71	1.91	11.25	0.7	32.68	8	3.87	14.06	8.88	
sep.11	46322964.98	38516718.02	30076.6	29794.2	64.51	32.96	46.91	1.96	11.53	0.68	31.67	6.87	3.94	14.11	8.86	
oct.11	46837989.21	38893090.78	30341.2	30035.9	64.68	32.61	46.94	2.12	12.52	0.69	32.91	7.6	4.14	14.03	8.84	
nov.11	46639186.44	38665909.75	30210.6	29976.6	65.09	32.42	46.38	1.83	10.82	0.68	33.35	7.37	4.07	14.57	8.79	
dec.11	47707871.76	39613543.97	30963	30112.1	63.36	32.21	46.16	1.95	11.51	0.69	33.17	8.45	3.83	13.96	7.67	
jan.12	49915280.62	39953843.84	31360	30245.9	63.3	32.3	46.3	3.1	15.4	0.7	31.5	7.06	4.03	14.71	8.36	
feb.12	50716749.07	40598278.71	31999.3	30483.8	64.4	31.2	46	3.6	17.8	0.7	32.1	8.04	4.2	13.9	9.86	
mar.12	50878839.41	40711223.41	31952.8	30342.8	65.3	30.7	45.4	2.9	14.6	0.7	31.8	7.32	4.2	14.05	9.36	
apr.12	51338598.5	41039773.8	32265.5	30675.6	65.3	30.7	45.8	2.7	13.4	0.7	31.8	7.23	3.92	14.25	8.6	
may.12	51821950.69	41540002.05	32081.8	30921.5	64.4	31	44.6	2.6	13	0.7	32.3	7.5	3.92	13.98	8.09	
jun.12	53572236.47	43421074.59	32945.6	31962.1	63.4	31.3	45.7	2.3	11.6	0.7	32.3	7.59	3.79	13.69	7.92	
jul.12	54806667.13	44542420.79			63	32.7	45.9	2.3	11.8	0.7	32.3	7.4	4.19	13.38	7.64	
aug.12	55152687.33	44887122.87			63.6	32.5	44.7	2.2	11.1	0.7	31.9	7.15	4.53	12.82	7.64	
sept.12	55791173.74	45476797.09		27207.1	64	31.9	44.4	2	10.5	0.7	31.6	7.94	4.97	12.58	7.78	
oct.12	56099442.01	45693209.67			64.7	31.4	44.3		10.5	0.7	32	7.72	4.5	13	7.64	
nov.12	56046737.44	46387825.6			67.7	32.3	43.6	1.9	10.1	0.7	31.6	7.96	4.62	12.68	7.73	
dec.12	58304445.22	48058415.8	35948.2	36272.3	64.1	31.9	43.8	1.1	5.6	0.7	32.9	8.44	4.68	11.98	13.89	
jan.13	59960893.56	49620392.55	35955.6	37328.4	66.7	33.3	44.4	1.8	10.5	0.7	34.8	8.55	4.79	12.41	14.23	
feb.13												8.56	4.41	13.23	14.79	

	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
2012	13240.8	20607.3	34914.6	49513.2	17633.5
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 2011	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
January 2012	10280.2	16169.4	27617.0	40526.7	13643.6
February 2012	10476.6	16422.4	27900.1	40960.8	13843.7
March 2012	10673.6	16613.3	28275.1	41016.6	14074.3
April 2012	10960.7	16742.9	28601.4	41636.4	15005.9
May 2012	10858.8	16903.8	28958.4	41780.4	14765.1
June 2012	11243.9	17400.3	29541.1	43206.1	15082.8
July 2012	11760.9	18263.2	30692.8	44752.8	15668.6
August 2012	12417.4	19124.9	32196.0	46080.8	16284.4
September 2012	12784.9	19616.7	32936.2	46770.7	16840.7
October 2012	12537.4	19443.1	33024.0	47160.0	17155.6
November 2012	12670.7	19531.3	33590.2	47913.9	16947.5
December 2012	13240.8	20607.3	34914.6	49513.2	17633.5
January 2013	12772.2	20180.2	35120.9	50100.8	17251.7
February 2013	12902.8	20183.1	35189.5	49808.9	17437.4
March 2013					16914.1

	Base rate, %	CNB, mil, MDL (average daily stock)	Intrast rate for overnight credits, %	Overnight credits, mil, MDL (average daily stock)	Intrast rate for overnight deposits, %	Overnight deposits, mil, MDL (average daily stock)	Reserve rate for MDL resources, %
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 2011	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
January 2012	9.5/8.5	3456.7	12.5/11.5	-	6.5/5.5	347.3	14
February 2012	8.5/6.5	3771	11.5/9.5	-	5.5/3.5	226.3	14
March 2012	6.5/4.5	3847.7	9.5/7.5	-	3.5/1.5	139.6	14
April 2012	4.5	3377.6	7.5	-	1.5	118.5	14
May 2012	4.5	3576.9	7.5	-	1.5	169.6	14
June 2012	4.5	3682.4	7.5	-	1.5	268.7	14
July 2012	4.5	3943.2	7.5	-	1.5	282.1	14
August 2012	4.5	4362.6	7.5	-	1.5	217.6	14
September 2012	4.5	3961.7	7.5	-	1.5	135.4	14
October 2012	4.5	3900.5	7.5	-	1.5	184.6	14
November 2012	4.5	3650.8	7.5	-	1.5	368.9	14
December 2012	4.5	4298.4	7.5	-	1.5	363.8	14
January 2013	4.5	4480.7	7.5	-	1.5	252.8	14
February 2013	4.5	4563.3	7.5	-	1.5	156.6	14

Period	Value of total trade, mil. USD				Exports, mil. USD				Imports, mil. USD				Net exports, mil. USD	The coverage degree of imports by exports, %
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries		
2006	3610.0	1371.4	1698.6	540.0	1013.8	409.0	516.9	87.9	2596.2	962.4	1181.7	452.1	-1582.4	39.0
2007	5029.5	1882.6	2359.9	787.0	1340.0	548.9	678.9	112.2	3689.5	1333.7	1681.0	674.8	-2349.5	36.3
2008	6489.9	2360.3	2925.4	1204.2	1591.1	623.0	820.1	148.0	4898.8	1737.3	2105.3	1056.2	-3307.7	32.5
2009	4561.3	1632.2	2088.6	840.6	1283.0	490.4	667.4	125.3	3278.3	1141.8	1421.2	715.3	-1995.3	39.1
2010	5396.8	1880.9	2433.1	1082.8	1541.5	624.0	728.9	188.6	3855.3	1256.9	1704.2	894.2	-2313.8	40.0
2011	7408.1	2632.7	3339.3	1436.1	2216.8	919.3	1083.0	214.5	5191.3	1713.4	2256.3	1221.6	-2974.5	42.7
2012	7374.8	2551.8	3332.1	1490.9	2161.8	928.0	1013.4	220.4	5213.0	1623.8	2318.7	1270.5	-3051.2	41.5
Q 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
Q II. 2010	1217.1	373.4	577.5	266.2	304.4	122.5	143.7	38.2	912.7	250.9	433.8	228.0	-608.3	33.4
Q 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
Q 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
Q I. 2011	1571.8	587.1	684.2	300.5	473.6	175.9	238.8	58.9	1098.2	411.2	445.4	241.6	-624.6	43.1
Q II. 2011	1798.0	579.2	865.9	352.9	521.9	212.7	255.1	54.1	1276.1	366.5	610.8	298.8	-754.2	40.9
Q III. 2011	1868.8	651.8	862.7	354.3	549.4	237.8	276.2	35.4	1319.4	414.0	586.5	318.9	-770.0	41.6
Q IV. 2011	2169.5	814.6	926.5	428.4	671.9	292.9	312.9	66.1	1497.6	521.7	613.6	362.3	-825.7	44.9
Q I. 2012	1709.0	655.1	720.4	333.5	504.8	201.1	252.2	51.5	1204.2	454.0	468.2	282.0	-699.4	41.9
Q II. 2012	1793.5	572.1	853.0	368.4	537.0	227.3	255.8	53.9	1256.5	344.8	597.2	314.5	-719.5	42.7
Q III. 2012	1779.5	609.8	799.4	370.3	506.6	238.8	213.1	54.7	1272.9	371.0	586.3	315.6	-766.3	39.8
Q IV. 2012	2092.8	714.8	959.3	418.7	613.4	260.8	292.3	60.3	1479.4	454.0	667.0	358.4	-866.0	41.5

Period	Value of total trade, mil. USD				Exports, mil. USD				Imports, mil. USD				Net exports, mil. USD	The coverage degree of imports by exports, %
	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries	Total	CIS	EU	Other countries		
Jan 2011	419.2	162.8	173.3	83.1	134.4	42.5	69.9	22.0	284.8	120.3	103.4	61.1	-150.4	47.2
Feb 2011	516.9	191.6	227.3	98.0	161.0	56.6	84.1	20.3	355.9	135.0	143.2	77.7	-194.9	45.2
Mar 2011	635.7	232.7	283.6	119.4	178.2	76.8	84.8	16.6	457.5	155.9	198.8	102.8	-279.3	39.0
Apr 2011	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 2011	611.3	187.9	296.7	126.7	173.6	69.7	84.3	19.6	437.7	118.2	212.4	107.1	-264.1	39.7
Jun 2011	589.8	190.7	282.8	116.3	172.5	72.2	82.3	18.0	417.3	118.5	200.5	98.3	-244.8	41.3
Jul 2011	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 2011	606.6	218.1	276.4	112.1	185.9	77.1	97.6	11.2	420.7	141.0	178.8	100.9	-234.8	44.2
Sep 2011	666.5	237.6	296.4	132.5	182.6	81.8	88.3	12.5	483.9	155.8	208.1	120.0	-301.3	37.7
Oct 2011	679.0	250.5	298.6	129.9	211.2	97.6	96.5	17.1	467.8	152.9	202.1	112.8	-256.6	45.1
Nov 2011	737.6	277.7	313.0	146.9	242.7	101.1	116.0	25.6	494.9	176.6	197.0	121.3	-252.2	49.0
Dec 2011	752.9	286.4	314.9	151.6	218.0	94.2	100.4	23.4	534.9	192.2	214.5	128.2	-316.9	40.8
Jan 2012	486.4	193.9	191.0	101.5	147.5	54.3	74.8	18.4	338.9	139.6	116.2	83.1	-191.4	43.5
Feb 2012	546.9	228.0	228.8	90.1	157.9	65.9	77.0	15.0	389.0	162.1	151.8	75.1	-231.1	40.6
Mar 2012	675.7	233.2	300.6	141.9	199.4	80.9	100.4	18.1	476.3	152.3	200.2	123.8	-276.9	41.9
Apr 2012	608.2	196.6	282.4	129.2	181.6	77.8	84.3	19.5	426.6	118.8	198.1	109.7	-245.0	42.6
May 2012	604.6	187.7	293.0	123.9	176.5	72.5	85.7	18.3	428.1	115.2	207.3	105.6	-251.6	41.2
Jun 2012	580.7	187.8	277.6	115.3	178.9	77.0	85.8	16.1	401.8	110.8	191.8	99.2	-222.9	44.5
Jul 2012	579.6	198.5	271.6	109.5	163.0	79.0	69.1	14.9	416.6	119.5	202.5	94.6	-253.6	39.1
Aug 2012	563.2	194.5	250.6	118.1	156.6	75.8	63.4	17.4	406.6	118.7	187.2	100.7	-250.0	38.5
Sep 2012	636.7	216.8	277.2	142.7	187.0	84.0	80.6	22.4	449.7	132.8	196.6	120.3	-262.7	41.6
Oct 2012	707.2	230.7	333.6	142.9	210.2	94.8	97.4	18.0	497.0	135.9	236.2	124.9	-286.8	42.3
Nov 2012	693.8	234.6	329.1	130.1	215.9	91.2	103.3	21.4	477.9	143.4	225.8	108.7	-262.0	45.2
Dec 2012	691.8	249.4	296.7	145.7	187.3	74.8	91.6	20.9	504.5	174.6	205.1	124.8	-317.2	37.1
Jan 2013	510.4	192.9	209.2	108.3	162.1	63.7	82.8	15.6	348.3	129.2	126.4	92.7	-186.2	46.5

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
2006	96.3	117.5	104.0	109.0	93.0	108.0	282.4	29.7	76.2	258.5	1278.1	1361.8
2007	127.6	137.0	109.0	110.0	117.0	125.0	374.2	30.4	83.8	541.3	1876.5	1802.4
2008	118.7	132.8	113.0	116.0	105.0	114.0	445.3	26.3	80.9	711.5	2596.3	2388.0
2009	80.6	66.9	87.0	89.0	93.0	75.0	359.6	23.6	60.3	145.3	2697.0	1701.3
2010	120.1	117.6	103.0	103.0	117.0	114.0	432.6	26.5	66.3	197.4	2879.6	1909.0
2011	143.8	134.7	107.0	110.0	134.0	122.0	622.6	31.7	74.1	281.0	3170.0	2278.3
2012	97.5	100.4					607.3	73.1	159.1	3338.79	1786.0	97.5
Q I. 2010	111.9	101.3	101.0	95.0	111.0	107.0					2724.6	378.0
Q II. 2010	102.4	122.7	100.0	102.0	102.0	120.0					2734.6	450.7
Q III. 2010	124.0	122.4	103.0	104.0	120.0	118.0					2842.2	542.9
Q IV. 2010	145.8	122.4	108.0	106.0	135.0	115.0					2879.6	537.5
Q I. 2011	158.2	144.0	109.0	110.0	145.0	131.0					2962.2	443.1
Q II. 2011	171.5	139.8	110.0	112.0	156.0	125.0					3046.3	570.4
Q III. 2011	144.3	137.4	111.0	112.0	130.0	123.0					3098.9	630.3
Q IV. 2011	121.3	122.9	103.0	108.0	118.0	114.0					3170.0	634.5
Q I. 2012	106.7	109.7	98.0	103.0	109.0	106.0					3201.3	498.3
Q II. 2012	102.9	98.5	95.0	96.0	108.0	103.0					3180.9	611.0
Q III. 2012	92.2	96.5	94.0	95.0	98.0	102.0					3224.5	666.3
Q IV. 2012	91.3	98.8	99.0	100.0	92.0	99.0					3338.79	494.7

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	Romania	Russia	Ukraine	USA	EU	Romania	Russia	Ukraine	USA	EU	Romania	Russia	Ukraine
2006	1025673.0	1456596.4	32703.2	299792.0	38432.0	1929629.0	1714643.6	50268.7	159025.0	44459.0	-903995.6	-258047.2	-17555.5	140767.0	-6027.9
2007	1148198.0	1706001.2	40559.0	354403.0	49296.0	2020403.0	1983090.0	70553.8	223488.0	60619.0	-872005.0	-277098.7	-29994.8	130915.0	-11323.0
2008	1287442.1	1939754.5	49699.9	471606.0	66954.0	2169487.0	2331757.4	84316.1	291861.0	85533.0	-882044.9	-392002.9	-34616.2	179745.0	-18579.0
2009	1056043.0	1535015.7	40673.5	303388.0	53978.0	1605295.7	1918878.5	54463.7	191804.0	45487.0	-549205.7	-183862.7	-13790.2	111584.0	-5705.0
2010	1278263.1	1795945.6	49446.4	400630.0	51478.0	1969183.8	2027226.1	62043.0	248636.0	60911.0	-690920.7	-231280.5	-12596.6	151994.0	-9433.0
2011	1480432.1	2168953.8	63009.4	522013.0	68460.0	2265994.0	2396493.2	76518.1	323832.0	82594.0	-785461.9	-227539.5	-13508.7	198181.0	-14134.0
2012	1547079.8	2165946.0	57828.5	530496.0	68757.0	2335189.6	2292368.7	70093.0	333450.0	84659.0	-788109.8	-126422.7	-12264.5	197046.0	-15902.0
Q1. 2010	296965.6	407763.0	10945.8	92226.0	10337.0	440348.0	468089.8	13799.8	45677.0	11796.0	-143382.4	-61126.0	-2054.0	46549.0	-1459.0
Q1. 2011	315121.5	427172.2	11785.1	97368.0	12756.0	491705.6	488598.3	15310.7	58104.0	13793.0	-176584.1	-61426.1	-3525.6	39264.0	-1037.0
Q1. 2012	318546.5	459632.8	12525.1	97497.0	13199.0	517525.7	511798.0	15274.6	68331.0	16268.0	-198979.2	-53165.2	-2749.4	29166.0	-3069.0
Q2. 2010	347629.5	502376.8	14190.3	113539.0	15186.0	519604.5	557940.1	17657.8	76524.0	19054.0	-171975.0	-55563.3	-3467.6	37015.0	-3868.0
Q2. 2011	351553.7	514481.1	15209.5	113237.0	15378.0	523145.9	581722.3	17272.0	65077.0	18504.0	-171592.2	-67241.2	-2062.5	48160.0	-3126.0
Q2. 2012	371105.2	548808.6	15926.8	133704.0	17472.0	573591.1	616794.0	20281.5	83038.0	19853.0	-202485.9	-67985.4	-4354.8	50666.0	-2381.0
Q3. 2010	373979.4	549680.0	16228.6	130368.0	17104.0	588173.5	613706.1	19590.1	85216.0	21126.0	-214194.1	-64026.0	-3361.5	45152.0	-4022.0
Q3. 2011	383793.8	555984.1	15644.7	144704.0	18506.0	580983.5	584270.9	19374.5	90501.0	23111.0	-197189.7	-28286.8	-3729.8	54203.0	-4605.0
Q3. 2012	381601.6	532218.1	14498.8	131766.0	16161.0	566711.7	590877.8	16753.8	72586.0	19079.0	-185110.1	-2255.0	-59659.7	59180.0	-2918.0
Q4. 2010	392163.9	542493.4	14466.3	131919.0	17519.0	594919.6	564999.1	18113.7	81860.0	21814.0	-202755.7	-22505.7	-3647.3	50059.0	-4295.0
Q4. 2011	378427.3	533190.8	13913.2	126744.0	17362.0	588544.2	562892.4	17148.8	89240.0	21403.0	-210116.9	-29701.6	-3235.5	40820.0	-4041.0
Q4. 2012	394887.0	558043.7	14950.1	140067.0	17715.0	585014.1	573599.4	18076.8	93080.0	22363.0	-190127.1	-15555.8	-3126.6	46987.0	-4648.0
Jan 2011	110178.9	150250.4	4576.2	30346.0	4648.0	177784.4	188786.3	4855.8	16309.0	5069.0	-61599.5	-38536.4	-279.6	14037.0	-421.0
Feb 2011	109646.8	170794.5	4818.8	39246.0	4724.0	160554.2	180944.4	5375.9	21825.0	6387.0	-50907.4	-10159.9	-557.2	17421.0	-1683.0
Mar 2011	131728.0	193446.2	5814.5	43645.0	6006.0	190813.3	211991.1	7040.2	26943.0	7048.0	-59085.3	-1225.8	-16702.0	16702.0	-1042.0
Apr 2011	123929.4	177504.9	4944.4	45080.0	5605.0	183037.6	202345.9	6348.4	27116.0	6298.0	-59078.2	-24841.0	-1404.1	10764.0	-693.0
May 2011	124106.8	190124.4	5542.9	43645.0	5700.0	193944.1	210920.7	7226.0	28177.0	6767.0	-69837.3	-20796.3	-1683.1	15468.0	-1067.0
Jun 2011	123039.0	181179.3	5439.5	44179.0	6167.0	196609.4	203527.5	6707.1	27745.0	6788.0	-73570.4	-22348.2	-1267.6	16434.0	-621.0
Jul 2011	120239.2	186851.8	5455.1	41966.0	5356.0	192229.9	202641.9	6405.5	27490.0	6527.0	-71990.7	-15790.1	-950.4	14496.0	-1171.0
Aug 2011	126633.4	176476.6	4982.0	44541.0	5780.0	201475.7	208988.1	6250.7	30172.0	7214.0	-74842.3	-32511.6	-1268.6	14369.0	-1434.0
Sep 2011	127106.8	186351.6	5791.4	43841.0	5968.0	194467.9	202076.0	6933.9	27554.0	7385.0	-67361.1	-15724.4	-1142.5	16287.0	-1417.0
Oct 2011	131057.7	185827.7	5658.1	46045.0	5756.0	196779.6	201251.0	6727.2	29403.0	7544.0	-65721.9	-15423.2	-1069.1	16642.0	-1788.0
Nov 2011	125880.8	189479.6	5635.2	47321.0	6276.0	195085.5	201130.6	6888.3	30407.0	7677.0	-69186.7	-12651.0	-1253.1	16914.0	-1401.0
Dec 2011	126837.3	181676.7	4351.3	51338.0	6474.0	189118.4	181889.3	6475.0	30691.0	7890.0	-62281.1	-212.6	-1407.6	20647.0	-1416.0
Jan 2012	118208.7	160105.9	4489.0	39737.0	5325.0	188291.4	192013.6	5082.0	19219.0	5385.0	-70882.7	-31907.7	-593.0	20518.0	-60.0
Feb 2012	12428.0	176507.7	4650.4	45157.0	4960.0	176109.5	193561.3	5326.6	24793.0	6760.0	-52681.5	-17053.5	-676.3	20364.0	-1800.0
Mar 2012	139649.9	195604.5	5359.5	46872.0	5876.0	202310.8	205302.9	6345.2	28574.0	6934.0	-62345.9	-9698.4	-985.7	18298.0	-1058.0
Apr 2012	127411.4	178368.0	4649.1	45119.0	5795.0	194609.8	190393.3	5840.8	26796.0	7263.0	-67198.4	-16525.3	-1191.7	18323.0	-1468.0
May 2012	131734.9	185065.2	5115.6	45828.0	6239.0	203514.3	190807.9	6403.3	28145.0	7582.0	-71779.4	-5402.7	-1287.7	17683.0	-1343.0
Jun 2012	133017.6	183220.2	4701.6	40972.0	5485.0	196795.5	183797.9	5869.6	26919.0	6969.0	-63777.9	-577.7	-1167.9	14053.0	-1484.0
Jul 2012	121558.3	183106.7	4629.4	40645.0	5760.0	197633.4	180116.0	5545.5	29594.0	7198.0	-76075.1	-2990.7	-916.1	11051.0	-1438.0
Aug 2012	129631.5	172901.0	4358.7	42054.0	5832.0	199066.7	189524.5	5610.6	29414.0	7278.0	-71235.2	-16623.4	-1251.9	12640.0	-1446.0
Sep 2012	128237.5	177183.1	4925.1	44045.0	5770.0	191044.1	193251.9	5992.7	26916.0	6927.0	-62806.6	-16068.8	-1067.6	17129.0	-1157.0
Oct 2012	133816.8	196035.3	5419.8	46052.0	6173.0	203794.5	208247.1	6858.2	31553.0	7674.0	-69977.7	-12211.8	-1438.4	14499.0	-1501.0
Nov 2012	130374.1	188079.0	5404.3	45447.0	5951.0	199271.7	190516.3	5928.2	30091.0	6880.0	-69977.7	-12211.8	-1438.4	14499.0	-1501.0
Dec 2012	130696.1	173929.3	4126.1	48568.0	5591.0	181947.9	174836.0	5290.4	31436.0	7809.0	-51251.8	-906.7	-1164.3	17132.0	-2218.0

Period	Registration of enterprises	Liquidation of enterprises
Quarter I 2011	1931	797
Quarter II 2011	1629	965
Quarter III 2011	1543	861
Quarter IV 2011	1637	807
Total 2011	6740	3430
Quarter I 2012	1757	852
Quarter II 2012	1499	760
Quarter III 2012	1378	845
Quarter IV 2012	1639	761
Total 2012	6273	3218
Jan 2012	496	270
Feb 2012	562	284
Mar 2012	699	298
Apr 2012	451	219
May 2012	559	271
Jun 2012	489	270
Jul 2012	438	362
Aug 2012	445	288
Sep 2012	495	195
Oct 2012	564	211
Nov 2012	584	207
Dec 2012	491	343

Labour market																			
Indicators	Number of economically active population (thou. pers.)	Activity rate, %				Number of employed (thou. pers.)	Employment rate, %				ILO unemployed (thou. pers.)	Unemployment rate, %							
		Total	men	women	urban		rural	Total	men	women		urban	rural	Total	men	women	urban	rural	
																			Total	men	women	urban	rural	Total	men	women	urban	rural
TOTAL 2008	1302.8	44.3	47.3	41.5	47.1	42.2	1251.0	42.5	45.2	40.1	44.5	41.0	51.7	4.0	4.6	3.4	5.5	2.7	
TOTAL 2009	1265.3	42.8	46.2	39.7	47.4	39.3	1184.4	40.0	42.6	37.7	43.6	37.4	81.0	6.4	7.8	4.9	8.0	5.0	
TOTAL 2010	1235.4	41.6	45.0	38.6	47.2	37.5	1143.4	38.5	40.9	36.4	42.7	35.4	92.0	7.4	9.1	5.7	9.6	5.4	
2011																			
January	1137.7	38.2	41.3	35.5	46.6	32.1	1030.5	34.6	36.4	33.0	41.9	29.3	107.2	9.4	11.9	6.9	10.0	8.8	
February																			
March																			
April																			
May	1328.7	44.7	49.2	40.5	49.6	41.0	1246.1	41.9	45.8	38.4	45.7	39.0	82.6	6.2	7.0	5.3	7.9	4.7	
June																			
July																			
August	1347.2	45.3	48.3	42.6	48.1	43.2	1276.2	42.9	45.5	40.6	44.7	41.6	71.0	5.3	5.7	4.8	7.1	3.7	
September																			
October																			
November	1216.4	40.9	43.5	38.5	47.8	35.8	1141.1	38.4	40.5	36.4	44.0	34.3	75.3	6.2	6.8	5.6	8.0	4.4	
December																			
TOTAL 2011	1257.5	42.3	45.6	39.3	48.0	38.0	1173.5	39.4	42.1	37.1	44.1	36.0	84.0	6.7	7.7	5.6	8.2	5.2	
2012																			
January	1103.7	37.0	38.8	35.3	45.6	30.5	1023.9	34.3	35.2	33.6	41.9	28.6	79.8	7.2	9.5	5.0	8.1	6.2	
February																			
March																			
April																			
May	1266.9	42.5	45.6	39.6	46.3	39.6	1209.3	40.5	43.1	38.2	43.2	38.6	57.6	4.5	5.4	3.6	6.8	2.6	
June																			
July																			
August	1286.9	43.1	46.0	40.5	46.5	40.7	1224.7	41.1	43.3	39.0	43.1	39.6	62.2	4.8	5.9	3.7	7.3	2.8	
September																			
October																			
November	1200.7	40.3	43.6	37.2	49.6	33.3	1129.3	37.9	40.6	35.4	46.2	31.8	71.4	5.9	7.0	4.9	7.0	4.8	
December																			
TOTAL 2012	1214.5	40.7	43.5	38.2	47.0	36.0	1146.8	38.4	40.6	36.5	43.6	34.6	67.7	5.6	6.8	4.3	7.3	3.9	

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 2008	24788	1680	233	385	474	306	9642	175	986	870	135	64	2382	2126	242	50	3015	266	177	943	772	
TOTAL 2009	25655	1667	240	369	402	264	12222	205	1003	1066	118	52	2065	1879	168	42	2452	251	292	927	767	
TOTAL 2010	33402	1892	265	416	557	368	18104	185	1204	1841	395	64	1983	1794	204	23	1053	170	376	1122	955	
TOTAL 2011	35124	1799	216	360	461	291	19340	152	1151	1574	554	44	1810	1658	597	24	1384	211	681	1342	1152	
2012																						
January																						
Q1 February	7791	362	49	67	141	82	3988	49	297	354	102	7	468	386	192	6	464	46	296	315	263	
March																						
April																						
Q2 May	16852	762	96	145	287	179	8619	81	587	757	205	24	893	760	409	10	888	89	569	691	585	
June																						
July																						
Q3 August	26012	1222	151	228	448	273	13239	127	872	1136	339	43	1336	1169	668	15	1416	127	933	1054	888	
September																						
October																						
Q4 November	36615	1755	223	325	617	360	18751	167	1175	1651	540	64	1785	1575	953	20	1928	163	1156	1514	1284	
December																						
TOTAL 2012	36615	1755	223	325	617	360	18751	167	1175	1651	540	64	1785	1575	953	20	1928	163	1156	1514	1284	

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