

GOVERNANCE

In the EU we trust. Or so many major political statements, strategic documents and crucial reforms could well start and end... at least, if we judge by the words of Moldovan leaders starting 2005. Indeed, the last year has so far appeared as culmination of the Moldova's stride on its euro-approximation path: Moldova has become a Mecca for the EU and Western leaders and now can boast the title of the "democratic success story" aptly dubbed by the US Vice-President Joseph Biden upon his visit to Moldovan capital.

The window opportunity wide shut? As early as a year ago we noted that Moldova benefits from a window of opportunity that may be opened once in generation. Both domestic developments, democratic transfer of power, pro-European stance of new ruling coalition and deftness of Moldovan diplomacy, as well as exogenous factors, failure of Orange revolution in Ukraine coupled with Russian assertiveness in "Eastern Partnership" countries, helped to forge a more supportive attitude towards Moldova in the West and in the EU in particular. Suddenly, Moldova looked like a country poised to become a stellar example of the effectiveness of the EU's soft power's glamour. Indeed, Moldova is not as big and problematic as Ukraine, not so cosy with Russia and undemocratic as Belarus and not that bellicose, pro-American and far-away as Georgia. It is relatively peaceful and democratic, geographically close and sufficiently diplomatic with Russia (leaving Mr. Ghimpu's decrees aside). The fact that Moldova is the poorest country in Europe and has been plagued by kleptocratic rule for both decades since independence has looked like a temporary nuisance once the pro-European government was installed and western help and support have been forthcoming.

Success story or another disappointment? As early as at the beginning of 2010 many observers (including this publication) noted that this window opportunity will not be held open indefinitely: sooner rather than later Moldova will have to deliver. The two latest reports presented by the Moldovan government on two action plans (on visa-liberalization and preparation for the negotiation on the DCFTA) make for a sober reading. Moldova has achieved so far much less than promised. Furthermore, lack of progress is still observed in the areas which were already covered by the EU-Moldova Action Plan (2005-2008). The progress is continuously plagued by two vices: First and foremost, vested interests, and bureaucratic complacency and inertia still appear as insurmountable obstacles for progress. Secondly, Moldova has embarked on a very ambitious path, while it also has lacked technical and financial capacities for doing this.

Furthermore, the over-confidence oozing from some governmental reports contrasts strikingly with the shortcomings in the implementation process and masks the reality on the ground both for external and domestic 'consumers'. It is debilitating, that the Government exaggerates its

In this issue:

- Success story: dream or reality?
- Labour Market: converging to the theoretical model?
- New inflationary threats;
- Exports: betting on emerging markets?

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REAL ECONOMY is a monthly economic review tracking the most important policy and economic evolutions. Its readers are policymakers, CEOs of domestic and international companies and banks, representatives of the international institutions and foreign embassies, political parties and economic journalists.

Used acronyms and abbreviations:

y-o-y - year on year; q-o-q - quarter on quarter;
Q4'07 – fourth quarter 2007; Jan'09 – January 2009;
NBS – National Bureau of Statistics; NEA – National Employment Agency; NBM – National Bank of Moldova; EG – Expert-Grup; MDL – Moldovan leu (national currency); p.p. – percentage points;

EXPERT-GRUP is a Moldovan policy think-tank whose mission is to create a working environment in which free and non-trivial thinking thrives in order for the institution to be a leading source of unbiased economic analysis and to effectively advocate for innovative ideas and solutions to the economic problems that Moldova encounters along its path of economic transformation, societal development and European integration.

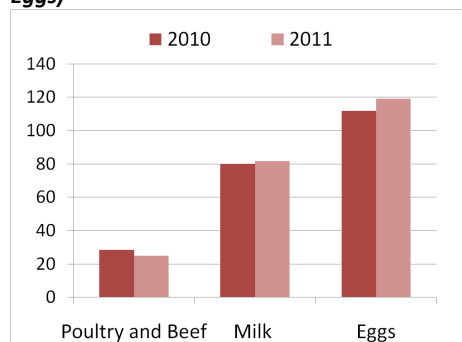
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preparedness to deal with the challenges stemming from the euro-approximation process while in many areas even the yawning capacity gaps have not been properly assessed. Tactically, the Government's urge can be understood as it tries to capitalize on Moldova's 'popularity' and lock in the country on the euro-approximation path before the EU's focus shifts to somewhere else (to the countries of Maghreb for instance) and the support provided for Moldova wanes. However, the consequences resulting from failure to respect its European commitments and manage expectations both home and abroad, can be much graver. Just ask Moldova's eastern neighbour. There is still very much hype surrounding Moldova, but the day of reckoning may be nigh.

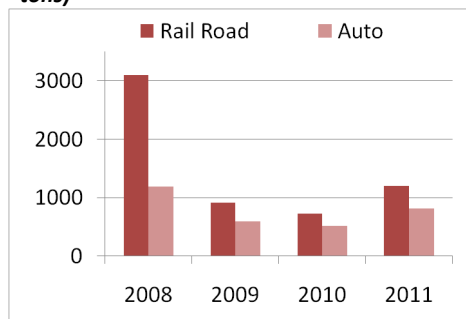
REAL SECTOR

Figure 1. Livestock production (thousand tons for Poultry/Beef and Milk; thou units for Eggs)



Source: NBS

Figure 2. Goods transported during Q1'08-Q1'11 via rail road and terrestrial road (thou tons)



Source: NBS

The agricultural output produced in Q1'11 increased by 8.3% as compared to the similar period in 2010. This boost was explained by the 8.4% increase of livestock, namely poultry and beef (Figure 1). Thus, during the Q1'11 the poultry and beef production increased by 15.3% constituting 28.5 thousand tones. These data sustain the position of the Ministry of Agriculture and Food Industry according to which Moldova has a great export potential in that area, including to the EU poultry market. The optimism is explained by the fact that Moldova currently produces more poultry (and eggs) than it can actually consume, while EU faces quite the opposite problem. At this point, the only drawback represents the phyto-sanitary standards that local producers are obliged to meet in order to enter the EU market.

The goods transported during Q1'11 have registered a remarkable increase of 62% as compared to the corresponding figure for Q1'10.

However, this growth suggests recovery rather than out of common performance since the indicator is mostly explained by the small reference base registered during January - February 2010. This is obvious when current situation is compared with that registered in Q1'08 (Figure 3). The goods transported via rail way have registered an annual increase of 64% for Q1'2011, followed by the goods transported by road transport - 58% annual growth. In this context it is worth mentioning that in 2009 the rail road transportation had been hit much harder than the road transportation, yet the recovery of this type of transportation service seems to catch up much slower. As a consequence of this trend the amount of goods transported via rail road during Q1'11 exceeds that of goods transported via road by only 48%, while back in Q1'08 the corresponding figure constituted 260%. As regards the number of passengers transported during the period under review, the trend is slightly on rise registering a 10% annual increase. The number of passengers transported by plane has been consistently growing for the past 14 months (no data available for April 2011), registering an overall increase of 12% in Q1'11.

HOUSEHOLDS

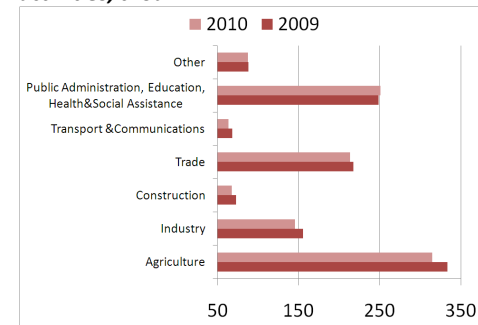
Yet another year, even though a recovery one, ended with worsening labour market indicators. With each year passed the employment rate has appeared to dip in new lows. In 2010, Moldova lost another 41 thousand jobs, with employment rate falling to 38.5%. The contraction of employment in agricultural sector accounted for almost half of the total reduction. This is not a new trend prompted by the economic crisis, but already a decade-long feature. The sector has been shedding labour being unable to provide decent incomes to the workers. Moreover, employment in other private economic activities that stabilized or even increased during

last couple of years turned into negative in 2009 and worsened even further in 2010 (Figure 3). The public administration, education, health and social assistance sector were the only sectors to record gains in employment. At first sight, this seems to be at odds with the central public administration reform that has aimed at diminishing the public administration staff. However, disaggregating more, only an increase in health and social assistance employment is identified and there is a reasonable explanation to this. In 2010 the recruitment of social assistants¹ ended leading to rises in the number of employees in the sector. It is difficult to say, though, if it accounted for the entire employment gains since at such disaggregation level the sample error is quite high.

There have been important structural changes in employment due to optimization process. At least in the non-agricultural sectors the decrease in above-retirement age and low-educated employees was the most significant. Thus, companies preferred to fire auxiliary personnel in order to optimize the costs. This was a usual trend in many post-communist economies during the transition period that ended with an increase in productivity. Thus, older employees were the most affected, while the number of those aged 25-34 even increased by 13%. Also, in 2010 the number of employees with higher education continued to increase (1.4% growth in 2010) as opposed to employment of population with secondary or only primary education. This is an additional proof to the irrelevance of the general opinion that Moldova needs more graduates of vocational schools and fewer graduates of universities, discussed and even addressed through administrative measures since 2007. In fact, Moldova needs both more graduates of vocational schools and universities, but with good theoretical knowledge and, more important, practical skills that our educational institutions have been unable to provide.

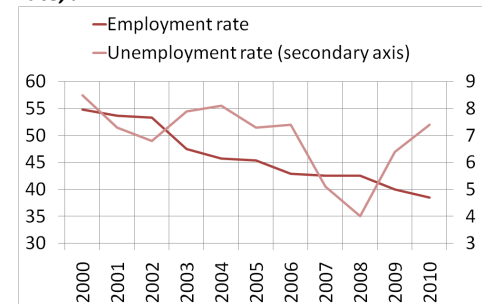
Lately, Moldovan labour market has seemed to follow more predictions of the theoretical model, where decreasing employment rate goes hand in hand with rising unemployment rate (Figure 4). Already for the third year in a row unemployment rate increased reaching 7.4% in 2010. Thus, the lack of jobs in the country and at the same time fewer opportunities abroad raised the number of unemployed. The unemployment rate was 7.4%, with the highest levels for 15-24 age cohort (17.8%) and for 25-34 age cohort (8.8%). This reflects the barriers to the entrance of young graduates on the labour market, where they face the resilience of the employers to hire individuals with no work experience, being unsatisfied with the poor knowledge and lack of skills provided by the current educational system. While before the economic crisis unemployment rate was declining in urban area and rising in rural area, due to urban-biased growth, in 2010 the unemployment rose more in urban area as all economic activities were hit and are still recovering.

Figure 3. Number of employees by economic activities, thou



Source: NBS

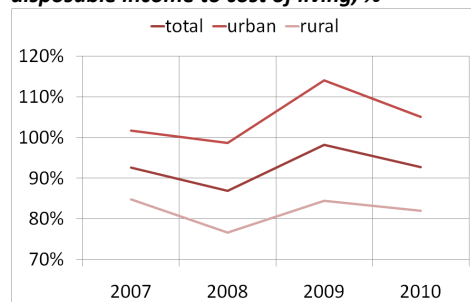
Figure 4. Employment and unemployment rate, %



Source: NBS

¹ According to Law on social assistance no. 547 from 25.12.2003

Figure 5. Ratio of average monthly disposable income to cost of living, %



Source: NBS

The worsening situation on the labour market was reflected in the evolution of disposable income of the population. The real average monthly disposable income per person increased in 2010 by 1.7% and was determined by the increase in social transfers (8.7%), agricultural individual activity (12%) and non-agricultural individual activity (6.4%). At the same time, the wage income decreased by almost 5%, its importance in the formation of total income diminishing by 2.7 p.p. Despite the increase, average disposable income is still lower than cost of living by 7.3% and the gap widened in 2010. Actually, this is the situation only in rural area, where the gap is as high as 18%, while in urban area the average income is 5% higher than the cost of living (Figure 5).

After 13% rise in January (y-on-y), in February and March remittances increased around 20%. This is already a higher than expected growth rate that might not be exceeded during 2011. Once again, improvements on the labour markets abroad offset the negative trends in Moldova, will definitely support consumption, lower the pressure on the domestic labour market and on the formation of the budgetary revenues, but for how long?

At the same time average monthly households' expenditures per person increased by 21% in 2010 in real terms according to HBS. Expenditures increased for each category with a higher intensity for utilities, due to the hikes in tariffs for gas, electric and thermal energy. Another interesting evolution is the tripling of expenditures for education. As no major reforms were conducted in the system last year, this reflects the additional payments for education that have been increasing along with growing public funds, but unfortunately, with no major impact on the quality of education.

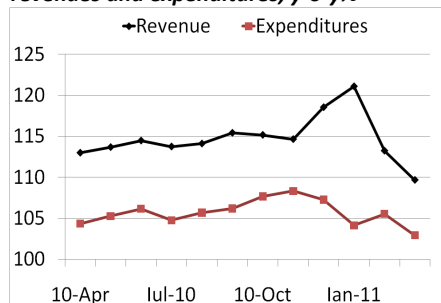
PUBLIC FINANCE

The growth rate of the state budget revenues registered in January 2011 exceeded that of the budget expenditures by 17 p.p. (Figure 6). Although the revenues' path went downhill in February and March the growth rate of the revenues still exceeds that of the expenditures. These trends are explained by the change in the structure of revenues. More specifically, the breakdown of revenue shows an increase in both VAT and excises revenues of 21% and 42% respectively (Figure 7).

Significant changes were also operated in the expenditure side of the budget. As Table 1 reflects, the most striking change is registered in the agricultural spending. Thus, during the first quarter of 2011 this expenditure line registered only 33% of the amount spent in 2010. However, it is worth bearing in mind that the state budget law was pending for approval for the entire period under review, thus the budget spending had little or no policy substance for back up.

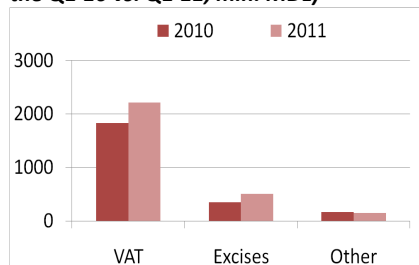
The excises for imported cars with diesel engines with a volume greater than 2500 cubic centimeters increased by app. 200% (from 1.13 to 3.5 Euro per cubic centimeters) as of April 4, 2011. The cars that fall under the new excise provisions represent roughly 40% of the vehicles sold in Moldova. As a result of such changes, the demand for that category of cars is expected to decrease. These new quotas may also have a somewhat adverse effect on the insurance and leasing companies. Thus, these chain effects may eventually result in lower budgetary revenues derived from indirect taxes.

Figure 6. The evolution of state budget revenues and expenditures, y-o-y%



Source: Ministry of Finance

Figure 7. Budget revenue breakdown for the Q1'10 vs. Q1'11, mln. MDL



Source: Ministry of Finance

Table 1. Budget spending breakdown for Q1'10 vs. Q1'11 (mln. MDL)

	2010	2011
Health Care	841	945
Insurance	2320	2458
Agriculture	253	84
Transportation	217	161

Source: Ministry of Finance

FINANCIAL SECTOR

The economic recovery supported by the adaptive monetary policy stance had a positive impact on the lending activity. In March, the amount of new loans in national currency increased by 21.5% and in foreign currency – by 39.2%, in y-o-y terms. This was due to historical low interest rates (14.6% in national currency and 9.09% in foreign currency) and higher demand for loans paralleled with decreasing reluctance of commercial banks regarding their lending activity. As the economic outlook brightened and the financial situation of most of companies improved, banks cut their risk premiums by more than twice in comparison with the previous quarter (Figure 8).

Growing population's incomes increased the amount of savings channeled into commercial banks. Despite relatively low deposit interest rates (7.9% in national currency and 3.4% in foreign currency), the amount of new bank deposits increased by 13.3% in national currency and by 48.5% in foreign currency. The share of latter ones in total deposits decreased to 48.5% (in March 2010 it was 51.3%), due to higher confidence in the national currency.

At the end of the Q1'2011, commercial banks' financial situation significantly improved, on the grounds of resumption in lending activity and robust pace of economic recovery. The share of non-performing loans in total banks' portfolios continued to decrease, which had positive effects on their profitability: average return on equity increased over 3 times in comparison with the previous quarter. Although, the level of capital adequacy ratio is still at quite high level (29.7%, while the minim threshold is 12%), it continued its downward trend, revealing the decrease in idle resources kept by banks and, therefore, lower opportunity costs (Figure 9).

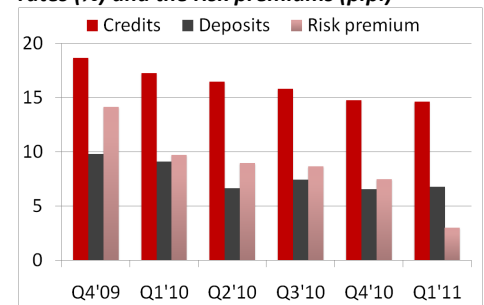
Over the next period the situation in the banking system will continue to improve and the lending activity will remain dynamic. The lending interest rates are likely to remain in the 14%-15% interval, given the abundant liquidities in the banking system and large banking margins. Therefore, even an eventual monetary policy tightening would have negligible effects on the credit cost, at least on a short-term perspective, as banks still rely quite passively to central bank or interbank market resources.

MONEY AND PRICES

The monthly inflation rate in March (+0.8%) continued to be shaped mainly by the increase in prices for municipal services, on the grounds of higher prices for imported natural gas. In comparison with the previous month the gas supply and central heating became more expensive by 8.6% and 4.6%, driving the overall price level for services up by 1.3%.

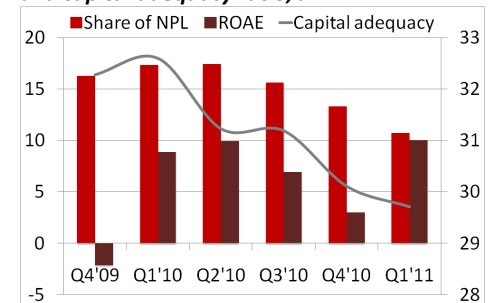
Besides these, the inflation was determined by seasonal factors, imported inflation, as well as domestic demand revival. The prices of vegetables and fresh fruits increased by 1.9% and 1.2%, which is typical for this period. On the other hand, due to the decrease in demand associated with the fast period, meat and meat products became cheaper by 0.2%, fish and fish products – by 0.3%, eggs – by 4.6%, while milk and dairy products registered, on average, no price change. The increase in prices on

Figure 8: Bank' average lending and deposit rates (%) and the risk premiums (p.p.)²



Source: NBM and EG calculations

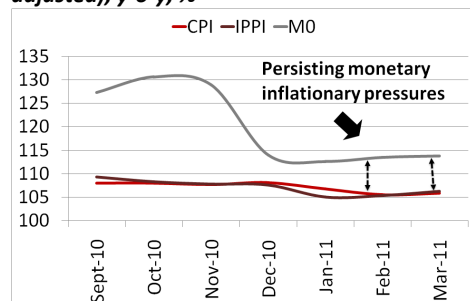
Figure 9: Share of non-performing loans in total banks portfolios, banking profitability and capital adequacy ratio, %



Source: NBM

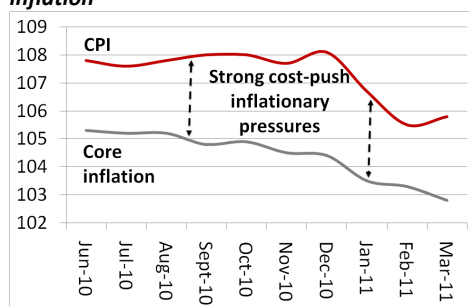
² The average risk premium is calculated according to the formula: average commercial lending rate *minus* the average rate for T-bills.

Figure 10. Evolution of CPI, industrial producers' prices index (for domestic market) and money in circulation (seasonally adjusted), y-o-y, %



Source: NBM, NBS and EG calculations

Figure 11. The gap between CPI and core inflation



Source: NBS;

international markets caused the corresponding adjustments for sugar (+12.1%), wheat flour (+1.3%) and fuel prices (+1.4%). Finally, the increase in remittances and bank credit facilitated the recovery of construction sector, which spurred the prices for construction materials by 2.3%.

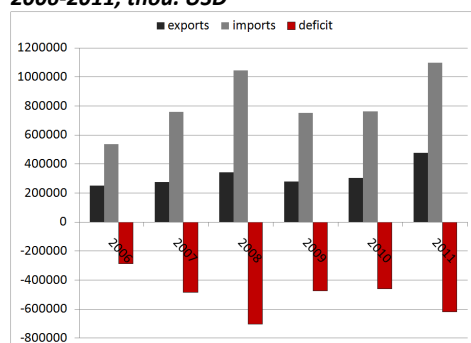
The foodstuff inflation is also heavily driven by the increase in price index of domestic agricultural production. During Q1'11 it registered a 31.3% hike in y-o-y terms, mainly caused by higher fuel prices and storage costs. We consider this a threat for the overall price index for the current year, as the mentioned factors are likely to continue putting pressures on this type of products, which form a significant share of CPI basket.

The central bank continues to keep an adaptive monetary policy stance, amid persisting monetary inflationary pressures and still fragile economic system. Although, the money in circulation growth rate is significantly exceeding the CPI (Figure 10), the central bank did not change its policy rates in order not to undermine the fledgling economic recovery. Nevertheless, it continued to sterilize the excessive liquidities through its open market operations: the average daily stock of sold NBM certificates in March increased by 6.9% in y-o-y terms. As in the previous months, the efficiency of central bank's actions was affected by the strong cost-push inflationary factors (Figure 11).

The central bank should be more assertive in its inflation targeting strategy and should not underestimate the persisting monetary inflationary pressures and expectations. The current 5.8% y-o-y CPI is determined primarily by the arithmetic factors (high comparison base due to high inflation of 2010). We point out that the cumulated CPI after the first quarter is already 3.2%. Due to continued domestic demand recovery and higher production costs, mainly due to eventual increase in energy prices on external markets, the y-o-y CPI is likely to reach the level of 8.0%-8.5% until the end of 2011. In the central bank's last report on inflation, published on the 5th of May, this inflationary overshooting is treated as a temporary one, which is caused mainly by cost-push factors, out of central bank's control. It speaks about bank's reluctance to switch from its accommodative monetary policy stance to a tighter regime. However, we argue that the robust economic growth, mainly fueled by remittances-driven domestic demand, as well as the noticeable increase in lending and monetary mass are strong arguments in favor of a gradual monetary policy tightening.

FOREIGN TRADE

Figure 12. Evolution of foreign trade, Q1, 2006-2011, thou. USD



Source: NBS;

The return do 'deficit' trading continues apace. Data for the Q1'11 show the foreign trade returning to old habits (Figure 12). The fact that exports grew at higher rate than imports did, was not enough to offset the trend of trade balance going deeper in red in absolute terms. The trade deficit increased by 34.7% compared to the Q1'10 reaching 620.6 million USD. This figure is only slightly less than the deficit in 2008, a period which appeared to be heyday for Moldova's foreign trade before the region was engulfed by the global financial turmoil. For instance, last year this time the trade deficit was falling in annual comparison. The growth in trade deficit is most probably determined by the recovery in remittances which has been gaining momentum since the beginning of 2011. In this sense, Moldovan foreign trade is still consumption-, rather than export-driven.

Exports remain geographically balanced... Geographically the exports increased rather evenly, with other markets (+180.2%), other than the EU (+58.1%) and CIS (+52.2%), enjoying relatively higher gains. Among the third countries, the highest and growing share is held by Turkey (4.6% of

total exports) which is important in the view of FTA that Moldova will have to conclude with this country in the process of agreeing on the DCFTA with the EU. The fact that Moldovan exports to Turkey have been already enjoying healthy growth rates implicitly means that gains for Moldovan exports can be even larger once the FTA is concluded. The exports towards the EU are mostly driven by recovery/growth in demand from Romania, Italy, Germany, Great Britain and Poland. The rise of exports to Poland is the most striking as the exports more than doubled in annual comparison and Poland's share of Moldovan exports now is 4.1%. On the CIS side, main drivers of exports growth were Russian and Ukraine. Russia maintains its top position at the helm of Moldova's exports' destinations with 24.4% share.

...but steadily 'agricultural'. Almost all categories of exported goods increased, with the notable exception of alcoholic and non-alcoholic beverages which slightly declined (appr.-11%). It remains to be seen whether this dip reflects some structural problems or statistical nuisance. Otherwise the lion's share of exports remains to be agricultural (raw and processed) products with a share of around 40% of total exports. It remains an open question whether Moldovan agricultural producers will be able benefit from the rises in food prices at the global markets.

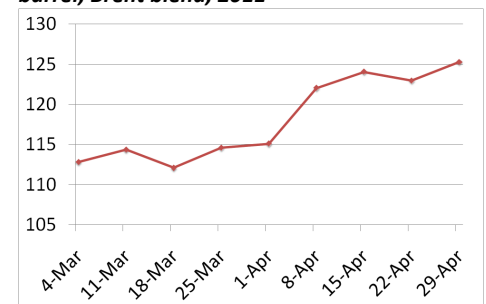
GLOBAL MARKETS

As Arab revolutions smash/threaten the long-standing autocratic regimes and put under jeopardy the regions stability so prices for the crude smash/close on the historical records and jeopardize the economic growth and well-being in many oil importing countries. Thus, price for the oil (Brent) has climbed over the psychological level of 125 USD/barrel (Figure 13) and shows all signs it may not stop there. Indeed, political outlook in Middle East as well as in some other parts of the world is not especially promising, as well as standing of the American currency on FOREX. The greenback has been in a deep plunge recently, and this slide has supported rise in prices for commodities, and for oil in particular, as well. These developments will undoubtedly have some daunting consequences for Moldova, which is a net importer of energy. Given the fact the price paid for Russian gas is dependent on the evolution of oil price and the electricity Moldova imports is mostly produced by using natural gas as primary fuel, the adverse impact over the competitiveness of Moldovan businesses and consumers' well-being could become more severe than before.

The evolution of the food markets was less straightforward. Overall, the food prices decreased slightly and remained highly volatile (Figure 14). This development was mostly motivated by sharp increase in international grain prices in April which were offset by falling dairy, sugar, and rice prices. Oils and meat prices remained stable.

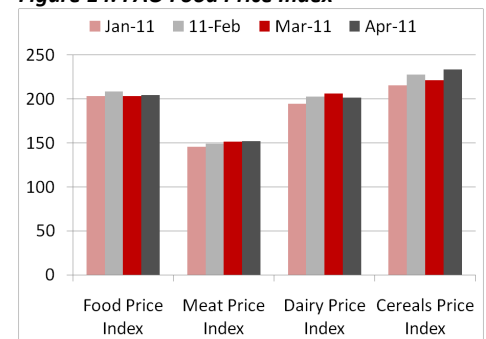
The high volatility for food prices, which are already at historically high levels, will continuously present a dilemma for the public authorities. Concerns over the food security will not fade away in the close future and Moldovan government should start thinking of a transparent and predictable system (with clear threshold indicators) for monitoring and ensuring food security in the country.

Figure 13. Evolution of oil price, USD per barrel, Brent blend, 2011



Source: EIA

Figure 14. FAO Food Price Index



Source: FAO;

STATISTICAL APPENDIX

TABLE 2. MOLDOVA: KEY SHORT-TERM ECONOMIC INDICATORS

	Jul'10	Aug'10	Sep'10	Oct'10	Nov'10	Dec'10	Jan'11	Feb'11	Mar'11	Apr'11
Industrial production growth rate, y-o-y, %	-0.2	2.3	13.9	16.8	7.6	2.3	9.8	9.1	n.a.	n.a.
Retail-trade growth rate, y-o-y, %	8.9	9.7	8.1	11.4	12.7	9.2	n.a.	n.a.	n.a.	n.a.
Services to population growth rate, y-o-y, %	2.4	-1.4	3.0	6.1	7.2	6.6	n.a.	n.a.	n.a.	n.a.
Merchandise exports, million USD	118.5	122.6	149.5	179.2	204.8	186.9	134.5	161.2	182.9	n.a.
Merchandise imports, million USD	314.0	301.5	345.0	373.4	405.4	439.9	284.8	356.9	457.5	n.a.
Official reserve assets, million USD	1507.5	1551.4	1619.3	1645.4	1610.9	1717.7	1744.5	1739.8	1793.4	1918.4
Registered unemployed, persons, end-period	47412	46216	43329	41333	39943	40719	44170	50095	51204	n.a.
Real wage growth rate, y-o-y, %	0.7	2.2	0.9	1.7	2.8	-1.0	n.a.	n.a.	n.a.	n.a.
Budget revenues growth rate, cumul. y-o-y, %	13.7	14.1	15.4	15.1	14.6	18.5	21	13.2	9.7	n.a.
Consumer prices growth rate, y-o-y, %	7.6	7.8	8.0	8.0	7.7	8.1	6.7	5.5	5.8	n.a.
Nominal exchange rate, end-period, MDL/USD	12.27	12.20	12.02	11.81	12.12	12.15	11.98	11.99	11.90	11.69
Nominal exchange rate, end-period, MDL/EUR	16.06	15.43	16.34	16.36	15.96	16.10	16.44	16.53	16.82	16.87
Broad money (M2) growth rate, y-o-y, %	22.29	22.07	22.53	29.42	25.47	18.36	17.33	19.97	17.38	n.a.
Central bank refinancing rate, end-period, %	7.0	7.0	7.0	7.0	7.0	7.0	8.0	8.0	8.0	8.0
Bank deposit rate, %	7.79	7.99	7.43	6.79	6.82	6.54	6.79	7.82	6.79	n.a.
Bank lending rate, %	16.02	16.44	15.80	15.88	15.24	14.76	15.24	14.53	14.6	n.a.
Banks liquid assets, % of total assets	33.94	33.59	34.05	33.19	33.36	34.15	34.62	n.a.	33.2	n.a.
Banks non-performing credits, % of total credits	17.83	17.38	15.67	15.23	14.80	13.33	13.39	n.a.	10.73	n.a.
Currency deposits, % of total deposits	49.70	49.00	48.88	48.32	47.92	48.45	48.55	n.a.	47.98	n.a.

Source: NBS, NBM and EG calculations and estimates;

TABLE 3. MOLDOVA: KEY LONG-TERM ECONOMIC INDICATORS

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population, million (excludes Transnistria), end year	3.628	3.618	3.607	3.600	3.590	3.581	3.573	3.568	3.563
GDP, billion USD, current prices	1.662	1.981	2.598	2.988	3.408	4.401	6.055	5.403	5810
GDP per capita, USD at PPP	1761	1923	2126	2359	2559	2720	3004	2839	3088
GDP growth rate, y-o-y, %	7.8	6.6	7.4	7.5	4.8	3.0	7.2	-6.5	6.9
Private consumption growth rate, y-o-y, %	5.9	18.5	6.2	10.1	7.0	3.6	4.5	-7.9	9.0
Gross fixed capital formation growth rate, y-o-y, %	1.1	19.2	11.0	17.7	2.8	10.5	-7.8	-37.2	17.2
Industrial production growth rate, y-o-y, %	10.8	15.6	8.2	7.0	-4.8	-1.3	0.7	-22.2	7.0
Agricultural production growth rate, y-o-y, %	3.4	-13.6	20.8	0.8	-1.1	-23.1	32.1	-9.9	7.9
Share of industry in GDP, %	20.2	20.5	20.5	19.1	18.0	19.1	13.9	13.0	13.3
Share of agriculture in GDP, %	21.0	18.3	17.5	16.4	14.8	10.0	8.8	8.5	12.0
Merchandise exports, million USD	659.7	805.1	994.1	1104.6	1060.8	1373.3	1646.0	1321.5	1582.1
Merchandise imports, million USD	1037.5	1428.1	1748.2	2296.1	2644.4	3676.4	4866.3	3333.0	3855.3
Service exports, million USD	216.65	249.93	332.08	398.94	465.66	625.08	837.2	677.7	689.79
Service imports, million USD	256.99	294.26	353.05	419.68	487.64	631.16	824.72	701.8	770.10
Net foreign direct investment, million USD	83.6	73.64	147.8	190.86	234.16	522.04	691.49	112.0	198.9
Net work remittances, million USD	286.3	440.2	659.5	868.8	1119.0	1419.4	1795.8	1106.8	1253.3
Current account/GDP, %	-4.0	-6.6	-2.2	-8.1	-11.7	-15.2	-16.7	-8.6	-8.3
Official reserve assets, end-year, million USD	268.87	302.27	470.27	597.44	775.3	1333.7	1672.4	1480.3	1717.7
Total external debt stock, million USD	1816.5	1929.4	1881.8	2078.1	2528.9	3355.9	4106.1	4368.8	4618.1e
External debt/GDP, %	109.3	97.5	72.5	69.6	74.3	76.3	67.9	80.8	82.25
External debt/exports of goods and services, %	198.2	182.2	141.5	138.0	164.8	167.4	164.6	215.1	310.0
Employment rate, % of population aged above 15	53.3	47.5	45.7	45.4	42.9	42.5	42.5	42.8	38.5
Unemployment rate, % of economically active population	6.8	7.9	8.1	7.3	7.4	5.1	4.0	6.4	7.5
Real wage growth rate, y-o-y, %	20.9	15.4	10.1	6.8	14.2	8.0	10.2	9.0	0.7
Consumer prices, year average, %	5.2	11.6	12.5	12.0	12.8	12.4	12.8	0.0	7.4
General government balance, % of GDP	-2.2	1.0	0.4	1.5	-0.3	-0.3	-1.0	-7.0	-2.5
General government expenditure, % of GDP	31.5	33.1	35.1	37.0	40.1	41.8	41.6	43.5	40.8
Exchange rate, year average, MDL per USD	13.6	13.9	12.3	12.6	13.1	12.1	10.4	11.1	12.4
Broad money (M2) growth rate, y-o-y, %	30.4	24.4	44.8	36.7	12.2	47.3	18.3	-3.8	18.4
Central bank refinancing rate, end-year, %	9.5	14.0	14.5	12.5	14.5	16.0	14.0	5.0	7.0
Total commercial bank loans, % of GDP	27.9	28.5	30.3	30.2	33.6	40.2	39.8	41.4	37.2
Bank deposit rate, average per period, %	14.4	12.7	15.2	13.0	11.9	15.1	18.1	14.7	7.56
Bank lending rate, average per period, %	23.1	19.2	21.0	18.9	18.2	18.9	21.0	20.3	16.25

Source: NBS, IMF, NBM and EG calculations and estimates;