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Acronyms and abbreviations used:

y-o-y – year on year; q-o-q – quarter on quarter; m-o-m – month on month; e-l-y – versus end of last year, e-o-p – end of period; Q1:18 – first quarter 2018; Jan:18 – January 2018; NBS – National Bureau of Statistics; NEA – National Employment Agency; NBM – National Bank of Moldova; MDL – Moldovan leu (national currency); FDI – foreign direct investments; p.p. – percentage points.

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Contact data:

Republic of Moldova, Chisinau Municipality
45 Bernardazzi St., MD-2032
Telephone: +373 22 929 994
Email: info@expert-grup.org

Authors:

Adrian Lupusor
Alexandru Fala
Dumitru Pintea
Iurie Morcotylo
Vadim Gumene

Top 5 of the most risky electoral policies before parliamentary elections and recommendations for the new government

The year 2019 will be influenced by two contradictory phenomena: the fever of electoral initiatives and policies, which, most likely, will be followed by some unpleasant adjustments during post-election period. Increased intensity of populist and electoral policies as the elections approach is not a new phenomenon for the Republic of Moldova or for other countries. However, the impetus of policies and promises with an obvious negative budgetary impact made by the government over the recent months raise concerns in the context of increased budget deficit and loans taken by the Government from banks. In addition, these measures were taken ad hoc, being promoted outside the government's strategic planning framework. Therefore, their implementation would require a reallocation of *public* financial, institutional and human resources in *political* interests, whereby other areas, depriving other sectors and areas of reform.

Among many such actions launched recently, we have identified the most obvious 5 electoral actions involving the most imminent risks:

1. Grant of one-off support to the pension beneficiaries.
2. Increase of salaries in budgetary sector.
3. Fiscal reform.
4. 'Prima Casa - 1, 2 and 3' programs.
5. Temporary exemption from customs duties for Moldovan exports to the Russian market.

Although they seem beneficial at first sight, their effects will be neutral or even negative for the economic growth and the wellbeing of the population in the long run. In particular, although the provision of one-off support of MDL 600 for the pensioners will be a direct benefit to a large category of people with low incomes, this will not solve the problem itself. Support is to be granted one time, which means that the well-being of the beneficiaries will not improve in a sustainable manner. Additionally, the Government will have to identify about MDL 360 million through budget amendment, implying higher loans from banks or reallocations from other areas, perhaps equally important. This measure, along with higher salaries in the budgetary sector, which similarly were not initially planned, being rather ad hoc adopted, on the one side, and the tax reform, on the other side, exposes the public finance system to the risk of excessive growth of budget deficit. The reason is that the budgetary commitments increase amid narrowing of the tax base: the tax reform is expected to cause forgone revenues of about MDL 2.2 billion in 2018-2019, the most affected being the State Social Insurance Budget, the tax position of which has already been weakened during the last years by population ageing and informal employment. 'Prima Casa' program, although provided as a beneficial mechanism for people who cannot afford a mortgage loan on market conditions, is subjected to at least two risks: (i) the risk of granting loans to beneficiaries who actually would not be able to fulfil their payment obligations at time point in time, which will have a negative impact on the State Budget, because the Government will cover half of the bankruptcy loans, and (ii) the risk of distorting the market of banking credits by inducing banks to allocate long-term lending resources in the real estate sector, depriving other sectors of 'long money' with negative implications on investment activity (some banks actively participating in this program, have their long-term liquidity indicators already approaching the minimum allowable limits). At the same time, the temporary exemption from customs duties for Moldovan exports to the Russian market will have a neutral impact on domestic producers due to the fact that this measure is limited in time (until 30 June 2019) and, at the same time, it does not tackle the real barriers of access on this market (administrative barriers, applied subjectively and selectively nature).

As a result, after the elections the future Government will have to cope with the increased budget deficit along with the slowdown in economic growth. Our forecasts suggest a slowdown in economic growth in 2019 to 3.5% amid worsening economic conditions in the region, as well as the slowdown in investment activity. At the same time, the budget deficit could reach 3% of GDP, which would require more loans from banks, further depriving the real sector of bank loan resources. Moreover, in order to cope with fiscal imbalances, the future government could resort to higher taxes and/or major optimisations in public sector, having a negative impact on economic growth. In order to tackle these risks and promote systemic reforms with long-lasting impact, the publication provides recommendations to taken into account in the activity program of the new government.

Top 5 of the most risky electoral policies before parliamentary elections and recommendations for the new Government

1. Provision of one-off support to pension beneficiaries

Essence and risks

On 7 February 2019, the legislative initiative of three MPs of the ruling party was approved in first reading on the granting of one-off support of MDL 600 to the beneficiaries of pensions and state allowances. The Draft Law targets about 600,000 people receiving pensions and allowances not exceeding MDL 2000 per month. Likewise, people who receive old-age pensions, disability pensions, survivors' pensions, retirement pensions, pensions for some categories of employees, pensions of active duty servicemen and their family members, pensions of the people involved in the liquidation of consequences following the Chernobyl disaster, as well as the beneficiaries of other social allowances established in the public pension system, will be granted one-off support until 1 April 2019.

The Draft Law has an obvious electoral flavour and involves a number of major risks. Besides being promoted by a group of MPs of the ruling party a few weeks before the parliamentary elections, it implies a negative budget impact estimated at about MDL 360 million. These resources were neither planned in the State Budget Law nor in the Law on State Social Insurance Budget. In this context, it is not clear how such a draft was passed in the first reading without the Government endorsement, which contradicts the Law on Public Finance and Budgetary-Fiscal Accountability, according to which during the budgetary year, decisions implying the increase of budget expenditures, cannot be implemented, if their financial impact is not envisaged in the budget. Moreover, the legislative initiative is not backed by calculations about its sources of coverage. Hence, the necessary sum of about MDL 360 million will be reallocated from other budget lines, which, in connection with the increase in the budget deficit in 2019, could be reflected in rising indebtedness and/or reducing other expenditures that could be important for sustaining economic growth after the elections (e.g. infrastructure investments).

Recommendations for the new Government

The pension system needs a structural reform that would ensure its financial sustainability and economic and social equity. The aforementioned electoral measure will not address at least 3 fundamental problems of the public pension system: (i) the low level of pensions, which practically condemns pensioners to poverty: the average pension size is at the minimum subsistence level; (ii) the poor correlation between income earned during the economic active period and pensions: the salary replacement rate is around 27% (the minimum acceptable level is 40%); and (iii) the financial unsustainability of the pension system: the State Social Insurance Budget is constantly in a structural deficit, which is covered by transfers from the state budget. In order to address each of these issues, a complex reform of the pension system is necessary, going beyond raising of the retirement age, eliminating privileges or other measures, which are important, but of a parametric nature, and with a rather temporary effect. Thus, it is necessary to develop the multi-pillar system by creating a pension pillar 2 (which may be both private and/or public), according to which part of the social security contribution is accrued on the taxpayer's account and not redistributed to current retirees. This will increase the correlation between incomes and pensions, and so will the population's propensity to contribute to the system, diminishing informal employment and widening the taxable base. At the same time, it will allow the release of "long money" in the economy that could be used by banks to expand lending for investments and mortgage. Recommendations for strengthening the public pension system will not have the expected effect if the phenomenon of informal employment and "wages in the envelope" will not be eradicated. In order to combat this phenomenon, measures are needed to *increase the cost of informal employment* - increase of the fines for informal employment and payment of salaries "in the envelope", and discourage the use of cash in cash. In addition, *the costs of formal employment must be reduced* - the development of a pro-business fiscal policy, the simplification and automation of issuing permissive documents, etc. Eliminating these practices would automatically balance the State Social Insurance Budget. Finally, raising the incomes of the population, boosting economic activity and diminishing tax evasion will allow to raise the pensions in a realistic, long-term and sustainable way.

2. Salary Reform in the Budgetary Sector

Essence and risks

In October 2018, the ruling party announced significant public salary increase under the payroll system reform in the budgetary sector. The reform consists in the implementation of a unified payroll mechanism for public employees – a set of common remuneration rules and criteria for everyone. Under this initiative called ‘Good Salaries for Moldova’, higher salaries of 20% - 50% for more than 150,000 public employees were promised starting from 1 December 2018. The Law implementing the unified system was approved in November and entered into force on 1 December 2018.

The salary raise was possible due to additional budget revenue rather than the implementation of the unified salary system. In fact, the work on the unified salary system started as early as in 2017, and several national and international institutions participated in preparing the reform, the draft being subject to public consultations. The implementation of an unified salary system has the advantage of creating a more transparent and clearer labour remuneration regulatory framework than the existing one in the budgetary sector. However, the implementation of such a mechanism does not imply a significant salary raise, provided there are no significant staff adjustments or additional financial resources in the budget are not identified. However, in the case of the ‘Good Salaries for Moldova’ initiative, additional budget revenues will be used, which increased slightly above the initial estimates in 2018. For this purpose, the budget was amended in November 2018, only one month before the end of the budget year. Since the increase in budget revenue would most likely not be so spectacular in the coming years, the salary raise would be due to indexation at the inflation rate. The inclusion of the automatic salary indexation provision at inflation rate in the new law may create problems in the years of acceleration of inflation, generating pressures on public finances.

The electoral nature of the ‘Good Salaries for Moldova’ initiative does not consist in the raise of salaries per se or the implementation of the unified salary mechanism, but how it is planned and implemented. Salary raise and regulatory framework reform were long needed for the public sector to become more competitive and professional. However, such a significant salary raise, including through the implementation of a new regulatory mechanism with a systemic impact on public finances, was launched at the beginning of a new budget year. If the ‘Good Salaries for Moldova’ initiative were not an electoral one, it would have been included either in the 2018 or 2019 draft state budget. In fact, this measure was not planned in the 2018 draft budget, being reflected only in the 2019 one. In reality, however, additional budget revenue of circumstantial nature accrued in 2018 allowed this reform to be launched only one month before the end of the budget year by amending the budget. The only real reason for such a hurry is that public sector employees receive increased salaries at least one month before the parliamentary elections. The consequences of hasty implementation of a major reform led to the fact that many people received lower salaries than they had before, although the new law provides for maintenance of the salary revenue if the recalculation was not in favor of the employee. If there was a longer preparation period, with detailed instructions for accountants, such cases could have been avoided.

Salary increases under salary reform have also a set of major risks to medium-term public finances. An important risk, as noted above, is the automatic salary indexation provisions at inflation rates. In the years of acceleration of inflation, the payroll budget will increase automatically and put pressure on the budgetary balance. Another important risk is the overlap in time of two reforms having a negative impact on the budget, i.e. tax reform (discussed in the next section) and salary raise. There is a risk that the tax reform would not lead to the boost of the economic activity and medium-term budgetary revenue, which would further restrict salary raise. Under such circumstances, salaries are likely to grow in nominal terms only, but not real ones until the next electoral cycle. These risks were implicitly recognized by the Government through the recent moratorium on hiring staff in the budgetary sector, which will last at least till the end of 2019.

Risks related to wage reform can be diminished by implementing measures that increase the flexibility and performance of the remuneration system in the budgetary sector. Flexibility can be ensured by revising the provisions on automatic wage indexation at the annual inflation rate. Most important, however, is that current wage increases must lead to increased productivity and performance in the public sector. In order to boost performance, it is imperative to develop and implement achievable performance indicators wherever possible for the variable part of the salary. At the same time, the implementation of a new wage system must be accompanied by further reform of public institutions. In particular, recruitment in public institutions must be transparent, promotion - based solely on performance criteria, and political party interferences - excluded.

3. Fiscal reform

Essence and risks

After the meeting of the ruling coalition of 24 July 2018, the Prime Minister announced the intention to restructure the Moldovan tax system. The head of Government proposed the transition from the progressive taxation by 2 rates (7% and 18%) to the implementation of the 12% flat rate for individual income tax and the reduction of the compulsory state social insurance contributions paid by the employer from 23% to 18%. The new system had to be introduced since 1 October 2018. This initiative was promoted with a 'cosmic speed': during its meeting of 25 July, the Government endorsed positively the draft law on amendment of tax system, followed by its approval by the Parliament in two readings, on 26 and 27 July.

The way in which the restructuring of the tax system was promoted reveals the 'electoral flavor' of the initiative. Broadly speaking, the decision on relaxing the tax policy before the elections was a spontaneous one - a measure that could help raise the electoral score. The main documents, which set out the tax parameters such as the State Budget Law and Taxation and Customs Policy for 2018 did not foresee the amendment in the taxation of individuals and the decrease of social contributions paid by the employer. Likewise, the so-called 'tax reform' was not subject to consultations with the representatives of the business environment, civil society, local public authorities or development partners. Normally, such an important decision had to be included from the beginning in the draft State Budget Law and widely consulted with all stakeholders, including development partners (in particular IMF, given the risks of undermining the tax base, at least in the short and medium run).

If one strictly refers to the opportunity of amending the tax system, we identify some benefits, but there are risks as well. Tax break can have positive effects on the economy, e.g. increasing people's disposable income, boosting the investment activity, increasing the employment and reducing the informal employment. The risks include: increasing social inequalities and loss, in the first years of implementation of the reform, of important revenues for the National Public Budget, especially for the State Social Insurance Budget (a quite sensitive element, given the defective and unsustainable nature of the public pension system).

First outcomes of the reform show the materialization of the risks. Thus, in Q4:18 the collected individual income tax dropped by 8.1% y-o-y, while high increases were registered in the previous periods: 10.6% y-o-y in Q1:18, 21.9% y-o-y in Q2:18 and 14.8% y-o-y in Q3:18. A similar situation is noticed in the revenues of the State Social Insurance Budget: a slight increase, by only 1.6% y-o-y, was registered in Q4:18, while an increase by over 10% y-o-y was registered in the first nine months of the year (14.5% y-o-y in Q1:18, 13.2% y-o-y in Q2:18 and 11.6% y-o-y in Q3:18). As a result, the growth rate of the national public budget revenues decreased: in Q1-Q3:18 the increase was of 11% y-o-y, while in Q4:18 of 2.4% y-o-y. According to our estimates, in Q4:18, because of the reform, the budget lost a net amount of MDL 574.4 million:

- ✓ the losses amount to MDL 586.9 million (100 million for individual income tax and 486.9 million for the State Social Insurance Budget);
- ✓ the earnings of MDL 12.5 million were generated by the increase in consumption related to the increase of people's disposable income.

We anticipate that in 2019, as a result of fiscal restructuring, the National Public Budget may lose net revenue of MDL 1.9 billion. Non-collected revenues will exceed MDL 2.2 billion; MDL 433 million for individual income tax and MDL 1.8 billion for the State Social Insurance Budget, and the benefits will amount to MDL 339.4 million. Net positive effects of the tax reform on the public finances will start to arise towards the end of 2019. Likewise, introduction of single-rate taxation will result first of all in more inequality, as higher-wage employees benefit from higher earnings. The Gini coefficient, reflecting the inequality level, calculated on the basis of employees distribution into groups according to the earned wages, is 31% for a single-rate taxation system and 25% for progressive taxation.

At the same time, we anticipate that in 2019 the positive effects of the reform will be limited, and the risks will increase. Investment process in 2019 will be marked by the tax system restructuring. Lower social contributions paid by employer should boost the investment process. Nonetheless, tax reform does not address the systemic issues that affect the investment process, such as corruption or inefficient justice. As a result, business environment confidence remains low, which slows down the investment appetite. Investment dynamics of the recent years supports this assumption. Private investments decreased between 2014 and 2017, and only in 2018 there was an increase. Unfortunately, in 2019 the political uncertainty will only strengthen the mistrust by the private sector. Most likely, the tax reform would have a limited impact, and a part of sources saved by companies would not be invested, limiting the expansion of demand, which would also affect the tax base. This development, coupled with the loss of potential revenue, will cause a slowdown in budget revenues. In fact, the slowdown in the increase of budget revenue has already been observed in 2018. After a nominal increase by 16.2% in 2017, in 2018 the increase was of 8.6%, and for 2019 we forecast a 7.6% rise. Thus, after the parliamentary (Q1:18) and local (Q2:18) elections, in order to keep the budgetary balance, it is possible to apply a stricter approach to the use of public finances.

Recommendations for the new Government

The purpose of the tax reform can be summarized in two respects: reducing the informal economy and stimulating economic activity. Although the tax reform has somewhat diminished the cost of tax compliance, further actions are needed to discourage informal employment and the phenomenon of "wages in the envelope". Among the key policy priorities that would lead to the compression of the shadow economy we can mention: the development of electronic payments as well as the financial education of the population. However, the high level of the informal economy has a much more complex cause. Given that the payment of taxes is transposed into unsatisfactory public services, the propensity of citizens to pay taxes is low. At the same time, although taxation is an important factor for economic activity, the fundamental determinant is the quality of institutions. Thus, stimulating tax policies, such as tax cuts, can have some positive effects, but in the long run the impact on investment attractiveness will be reduced if institutions remain inefficient. To this end, in order to significantly influence the economic dynamics, besides the reforms aimed at improving the business environment, changes that would ensure the good functioning of the state are also imperative, such as: fighting corruption, reforming justice, consolidating public institutions.

4. 'Prima Casa' Program on facilitating access to housing

Essence and risks

The authorities launched a number of sub-programs under the 'Prima Casa' (First Home) concept, targeting certain categories of population. The program launched at the end of March 2018 has originated from the government's natural goal of supporting young families' access mortgage on advantageous terms. The state guarantee of the 50% of the mortgage value is the program's key element. Initially, the conditions for participation were the same for all, however, some facilities for the budgetary employees and families with many children were included soon after. Thus, 'Prima Casa 2' provides 50% compensation of mortgage payments for public officials/budgetary employees, while 'Prima Casa 3' provides for the compensation of mortgage payments for large families to the extent of up to 100%, depending on the number of children. However, in this case the state uses public money to significantly discriminate against employees from other economic sectors, who will not benefit from the same advantages (despite the need for stronger motivation tools for public servants, these must be based primarily on a performance-based wage policy, so that officials with higher performances are paid what they deserve). At the same time, putting social and demographic accents aside, the compensations for 'Prima Casa 3' have a limited real effect, given that many of the vulnerable families by default do not have the capacity to comply with the established eligibility requirements, while any attempt to artificially increase the creditworthiness of some customers might lead to over-indebtedness over time. Therefore, social issues, regardless of their stringent nature, should be solved through the social protection system and not through the banking system.

'Prima Casa 2' and 'Prima Casa 3' aim to increase the quantitative results of the program not taking into account the qualitative ones. Such approach may impact significantly both the financial intermediation mechanism and the ability of some families to cope with less positive changes in interest rates. First of all, the scarce long-term resources available in the banking system could massively migrate to low-risk investments (i.e. state-guaranteed real estate loans), thus undermining the private investment process. One of the negative traits of the national financial system is the lack of resources with long maturity; thus, international practice proposes to accelerate 'Prima Casa'-type programs while implementing a system based on private pension funds (Pillar II and Pillar III). Namely this instrument brings 'long money' into the economy. This money later can be channeled into both public and private long-term investment projects. In the second case, the history of interest rates' development in the banking sector does not reveal periods of long stability due to frequent fluctuations above 15%. In such conditions, housing loans could become a risk factor for those with low incomes as well as the banking sector and the state budget, in the event of macroeconomic imbalances. The higher interest rates will cause higher monthly installments, while the over-indebtedness would, on the contrary, make people leave the country in search for higher incomes to cope with the monthly financial burden. Thus, banking sector can and must not be used for social and especially electoral purposes; the political environment should rather focus on economic development policies that would generate additional revenue, including for the social protection system.

Last but not least, the most recent figures show population's growing interest in buying a house with the help of a real estate loan. The banks' portfolio of real estate loans grew by MDL 1.3 billion over the past year. This indicates a growth of about 50% versus 2017. Obviously, this increase is largely due to the 'Prima Casa' program and to more than 1,200 beneficiaries registered at the end of the year. At the same time, the government announces even stronger increases for the next period without taking into account the banking sector's capacity to support these long-term loans. Thus, the number of 3,000 potential new beneficiaries (3 times more) is targeted for 2019, while the budgetary resources allocated to pay state guarantees remained the same (MDL 50 million). In conclusion, this rapid growth is not necessarily a positive phenomenon and should be viewed with extreme caution, especially since we still do not have any evidence of the quality of these loans over time.

Recommendations for the new Government

Given the demographic situation faced by the Republic of Moldova, facilitating access to housing must remain a priority for any government. However, government programs that put in place state guarantees must be carefully monitored and calibrated. In the current situation, real estate lending, covered by state guarantees, could quickly absorb the already scarce long-term resources of banks. Thus, for the sustainable development of the Prime Casa program, a series of reforms aimed at the emergence of long money in the economy need to be started. In this regard, it is necessary to stimulate the development of both the capital market and the multi-pillar pension system. Also, the political environment should focus on actions that would increase the level of competition between banks and strengthen the consumer protection mechanism. Only then will financial services become better, safer, and sufficiently adapted to all sectors of the economy and population groups.

5. Temporary exemption from customs duties for Moldovan exports to the Russian market

Essence and risks

It is not surprising that the Russian Federation can change at any time its trade policy views in relation to its partners, defying the international rules and commitments in this area. This practice is also widely used in relation to the Republic of Moldova, especially after the signing of the EU Association Agreement, which fuelled many trade restrictions on a number of sensitive products. On the other hand, the 'adjustment' of these restrictions' severity has been used along the way to support some political movements in the country. The latest evolution of the trade cooperation between the Republic of Moldova and the Russian Federation (aimed at exempting certain Moldovan products from the customs duties) fits perfectly into the stated logic. However, this 'goodwill' act of the Russian Federation does not inspire too much trust in the context of an electoral period.

Thus, during the discussions with the Russian President held at the end of 2018, the Moldovan President was assured of the cancellation, starting with 1 January 2019, of the customs duties for certain products (unilaterally imposed by the Russian Federation to sanction Moldova for signing the EU Association Agreement). Later, on 30 December 2018, the Government of the Russian Federation approved the Decision No 1786 amending the Government Decision No 736 of 31 July 2014 on Customs Duties for Products Originating from the Republic of Moldova. The new regulatory act refers to five categories of products (HS07 – Fresh vegetables; HS0808 – Apples, pears, quince; HS0809 – Apricots, cherries, peaches, plums; HS2005 – Prepared vegetables; HS2204 – Grape wine) for which the customs duty is to be '0%'. However, this temporary exemption is valid until 30 June 2019. What is more, it doesn't say anything about a future cancellation of these duties for an indefinite period.

Despite the agitation this initiative generated, the net economic effect could be limited, especially when these exemptions are temporary and target only the categories of seasonal products. Specifically, as regards its scale, this initiative would have an impact on only 41% of total annual exports of such products to the Russian Federation's market (taking as reference period the exports from similar periods of 2015-2017). In absolute terms, however, this initiative – if expressed as the amount of customs duties which will not be paid during the exemption period (i.e. 1 January – 30 June 2019), may reach not more than USD 3 million (for the same reference period of 2015-2017), which represents an almost negligible share of about 0.03% in total collections of customs duties on imports to the budget of the Russian Federation.

However, note that exports' evolution of the main categories of products targeted by customs duty exemptions (such as fruit and wines) shows an upward trend, even above the values recorded prior to the introduction of restrictions. This clearly proves that manufacturers' biggest problems are not the customs duties, but the administrative barriers of subjective/selective nature (e.g. lists of companies allowed to export) that limit the accessibility based on general principles of exporters to this market, which makes it possible for intermediaries to infiltrate into the distribution channels (thus influencing the purchase prices). Moreover, this conclusion corroborates with the domestic farmers' discontent about accessing the Russian Federation's market.

Recommendations for the new Government

The Government should change the rhetoric in the negotiations with the Russian counterparts, focusing more on the issues related to the mentioned administrative barriers to access the Russian market, instead of dealing with the electoral 'charity' in the form of temporary exemptions from customs duties. The use of commercial blackmail should no longer be a technique for penalizing the sovereign decisions of the Republic of Moldova. Otherwise, the trust in a fair and correct partnership gradually erodes in the context of Russian Federation's less inequitable behaviours in relation to its trading partners.

Moreover, it is considered appropriate to initiate discussions on all restrictive measures imposed by the Russian authorities on Moldovan products within the competent bodies of the World Trade Organization. A platform that will allow an objective assessment of the arguments related to the alleged invasion of poor quality products on the Russian market (after signing the Association Agreement with the EU), as well as various administrative measures aimed at limiting Moldovan exports on this market.

Statistical Annexes

Table 1. Key Monthly Indicators

Indicator	Dec:17	Jan:18	Feb:18	Mar:18	Apr:18	May:18	Jun:18	Jul:18	Aug:18	Sep:18	Oct:18	Nov:18	Dec:18
Industrial production, y-o-y growth, %	-3	4.2	4.1	10	12.5	10	10.3	1.7	6.4	-3.1	-4.9	n.a.	n.a.
Retail trade, y-o-y growth, %	-10.9	9.1	6.5	3.4	12	5.7	3.9	11.1	6.9	9.8	7.1	n.a.	n.a.
Services provided to the population, y-o-y growth, %	4.6	6.6	10.7	4.3	13.3	12.5	12	7.6	10.7	18.8	16.9	n.a.	n.a.
Export of goods, y-o-y growth, %	120.5	157.9	122.1	114.2	129.6	127.6	125.2	114.2	105.2	92.6	96.5	n.a.	n.a.
Import of goods, y-o-y growth, %	120.4	140.3	128.5	121.6	123.0	126.2	118.0	123.1	112.7	110.0	116.0	n.a.	n.a.
Official reserve assets, USD million	2803.3	2903.5	2841.2	2875.2	2869.3	2846.5	2899.8	2970.4	2963.2	3021.2	3011.3	3014,6	2995,2
Budget revenue, y-o-y growth, %*	16.2	16.8	12.8	10.8	11.1	12.1	11.5	12.5	11.3	11.0	11.1	10,7	8,6
CPI, y-o-y growth, %	7.3	6.0	5.0	4.7	3.7	2.8	3.2	3.0	3.2	2.4	1.2	0,9	0,9
IPPI, y-o-y growth, %	2.3	1.9	1.7	1.0	1.0	0.3	0.2	-0.1	-0.4	-0.2	-0.3	-0,4	-0,1
Nominal exchange rate MDL/USD (e-o-p)	17.10	16.72	16.69	16.47	16.53	16.85	16.84	16.58	16.71	16.86	17.13	17,23	17,14
Money transferred from abroad, y-o-y growth, %	13.0	26.1	18.5	12.1	14.6	19.9	8.5	10.1	-3.7	-10.7	-4.5	n.a.	-9,28
Monetary aggregate M2, y-o-y growth, %	14.2	14.1	14.5	14.1	13.0	13.6	13.1	11.9	12.3	13.5	11.8	12,0	10,0
NBM base interest rate, %	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6,5	6,5
Bank deposits interest rate, %	5.19	5.17	4.54	4.66	4.46	4.20	4.58	4.44	4.19	4.51	4.59	4,45	4,10
Bank loans interest rate, %	9.58	9.80	9.47	9.35	9.00	8.63	8.72	8.67	8.45	8.50	8.52	8,45	8,61
Share of non-performing loans in total loans, %	18.4	18.3	16.6	16.2	15.6	15.2	14.7	14.4	14.2	13.5	13.3	13,4	12,5

Source: NBS, NBM, EG estimates

Table 2. Main quarterly indicators

Indicator	Q2:16	Q3:16	Q4:16	Q1:17	Q2:17	Q3:17	Q4:17	Q1:18	Q2:18	Q3:18	Q4:18
Real GDP growth rate, y-o-y*, %	2.0	6.7	7.0	3.2	2.6	5.3	6.4	3.7	5.2	3.4	n.a.
Agricultural production, y-o-y growth, %*	4.1	18.9	18.8	1.1	-5	3.7	9.1	1	7.2	0.2	2,5
Construction work, y-o-y growth, %*	-13.3	-9.6	-8.4	1.7	2.7	2.1	2.3	-1.7	4.2	15.6	n.a.
Investments in long-term tangible assets, y-o-y growth, %*	-21	-17.6	-13.9	-1.2	2.5	2.4	1.3	2.9	7.4	13.5	n.a.
Net inflow of FDI, USD million	-11.7	64.61	-7.18	39.71	35.12	70.82	4.13	99.83	24.82	n.a.	n.a.
Real salary, y-o-y growth, %	0.4	5.2	10.5	6.8	5.8	3.5	4.7	7.7	9.5	8.9	n.a.
Unemployment rate, %	6.2	4.0	2.9	3.8	6.3	3.5	3.4	3.3	3.0	2.2	n.a.
Employment rate, %	37.6	43.8	43.5	38.5	37.7	42.6	42.4	39.2	45.0	46.2	n.a.

Note: * – cumulative; (e) – estimate;

Source: NBS, NBM, EG estimates