

MOLDOVA ECONOMY REPORT

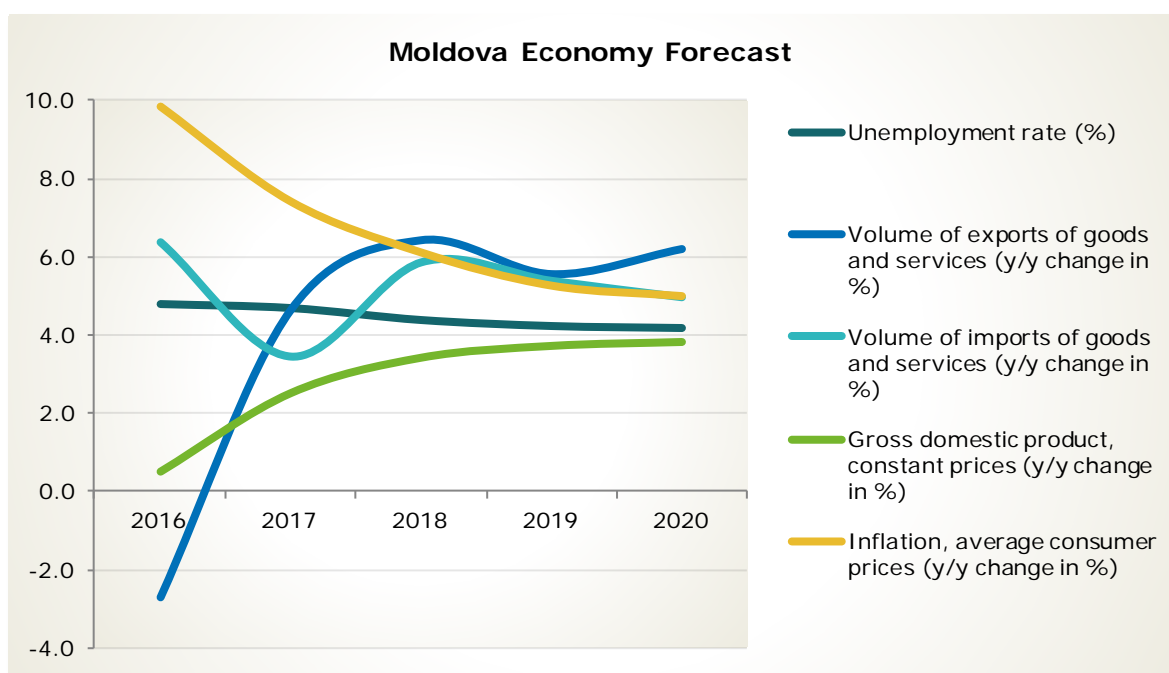
Q1 2016

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1. MACROECONOMIC SNAPSHOT AND FORECAST

MOLDOVA – MACROECONOMIC SNAPSHOT AS OF Q1 2016	
GDP Growth	0.8% y/y
Industrial output	1.1% y/y
Wholesales	-6.3% y/y
Retail sales	-4.5% y/y
Average annual inflation	11.0%
Unemployment rate	6.2%
Construction works value	-4.7% y/y
Money supply drop	-2.2% y/y
Household loans	-2.6% y/y
Gross external debt	USD 6.400 bln
Current account deficit	USD 100.0 mln
Net FDI	USD 3.580 bln
Foreign trade deficit	USD 472.2 mln
Number of foreign tourist overnights	-9.0% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2016

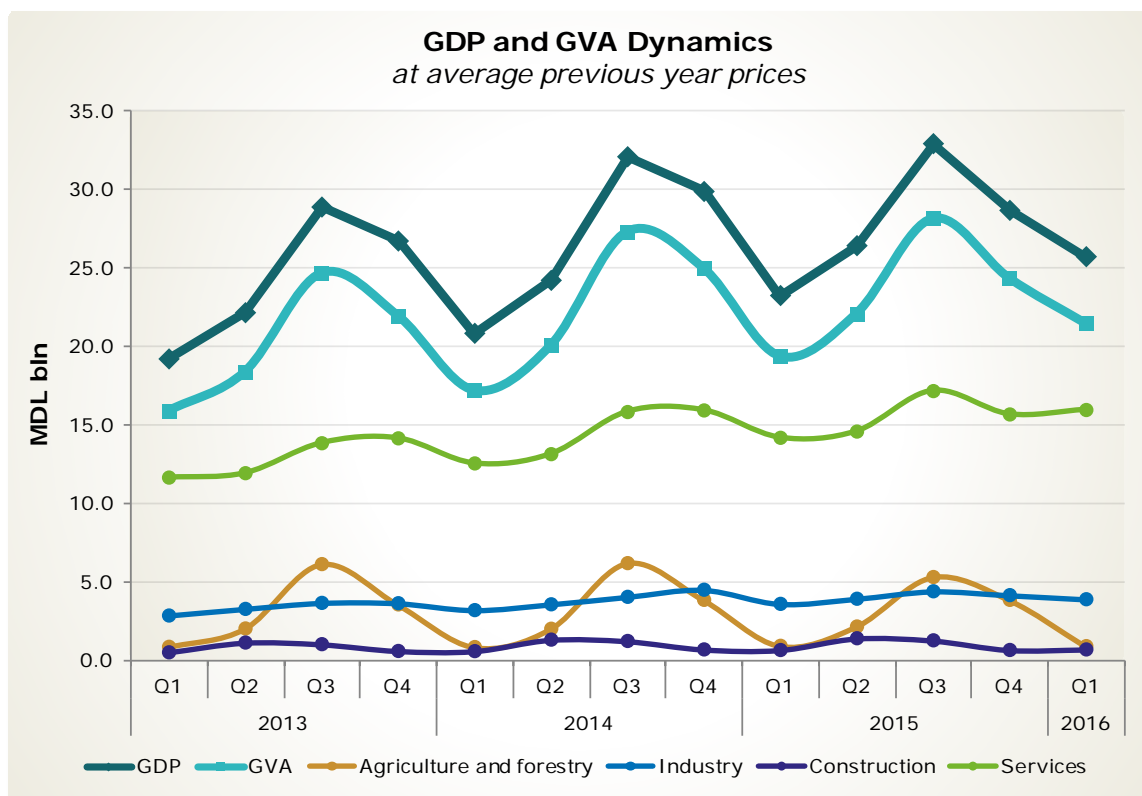
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by real 0.8% y/y in Q1 2016, compared to a 4.8% y/y growth a year earlier

The country's GDP increased by a real 0.8% y/y and totalled MDL 25.710 bln in Q1 2016, according to preliminary data of the National Bureau of Statistics of the Republic of Moldova (NBS).

Final consumption, at average previous year prices, increased in value terms by 10.2% y/y in Q1 2016. Gross capital formation jumped by 23.5%, contributing 25.7% to the GDP. Exports grew by 5.0%, while imports increased faster, by 10.2%.



Source: NBS

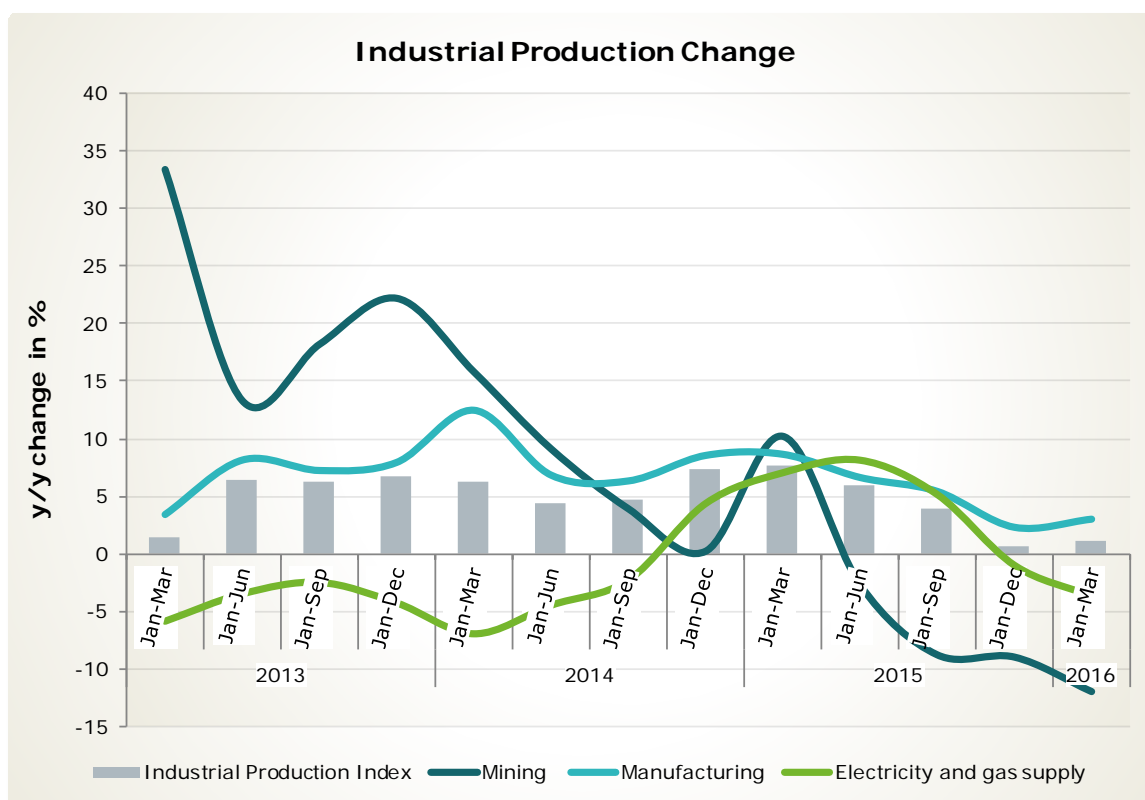
The gross value added (GVA) generated by the national economy rose by 10.8% y/y in Q1 2016 and totalled MDL 21.425 bln. The industrial sector grew in value by 8.2% y/y but its share in the GVA structure narrowed to 18.2% from 18.6% in the same quarter of the previous year. The services sector recorded a 12.5% annual increase, slicing a 74.4% share in the GVA, up from 73.3% a year earlier. The agricultural sector registered an annual decline of 2.2%, slicing a 4.2% share in the GVA, down from 4.8%. The construction industry marked a growth of 5.7% but its share in the GVA inched down to 3.2% from 3.4%.

2.2. INDUSTRIAL OUTPUT

Industrial output grew by 1.1% y/y in Q1 2016

Industrial output increased by 1.1% on the year in Q1 2016, according to NBS. The growth was supported by the 3.0% rise of the manufacturing industry, while the output of the mining, and the electricity and gas supply industries dropped by 12.0% and 3.7%, respectively.

Processing and preserving of fish, crustaceans and molluscs more than doubled thus occupying the top position in terms of annual growth. Production of soft drinks and bottled water was on the other end with a 39.3% fall.

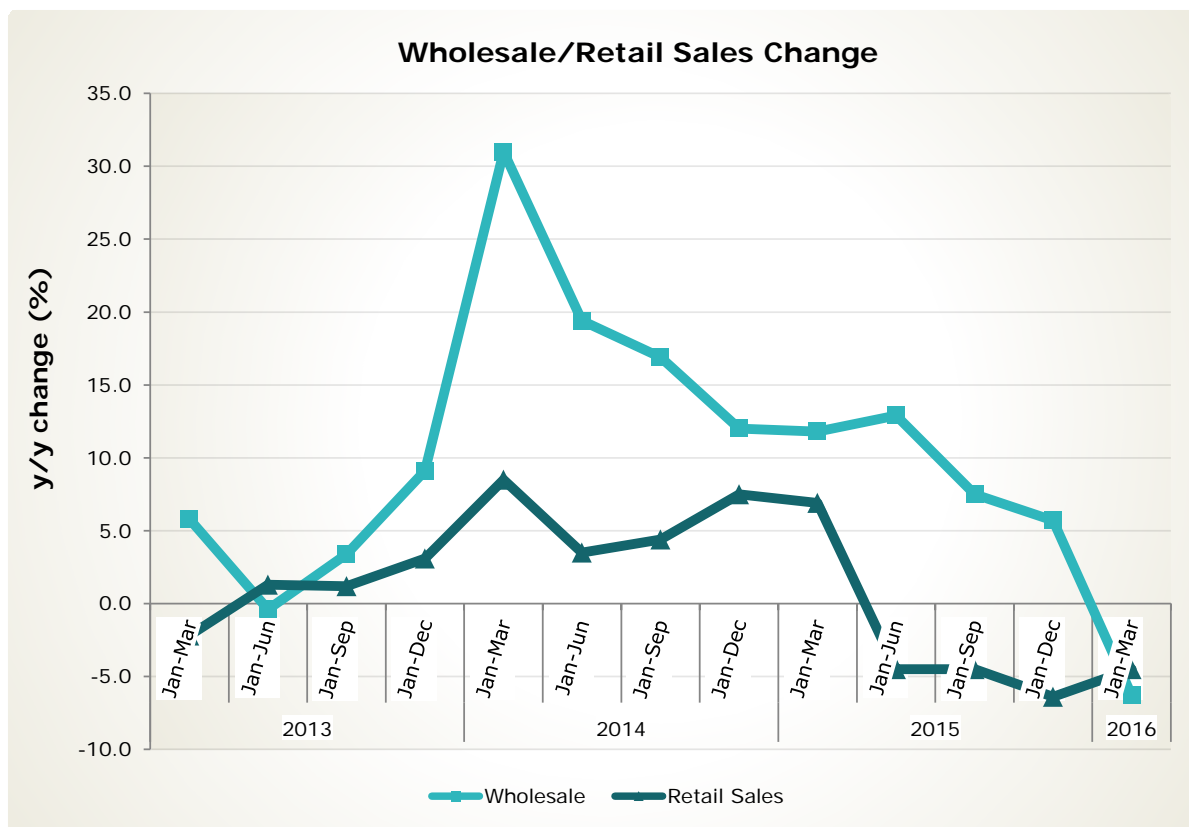


Source: NBS

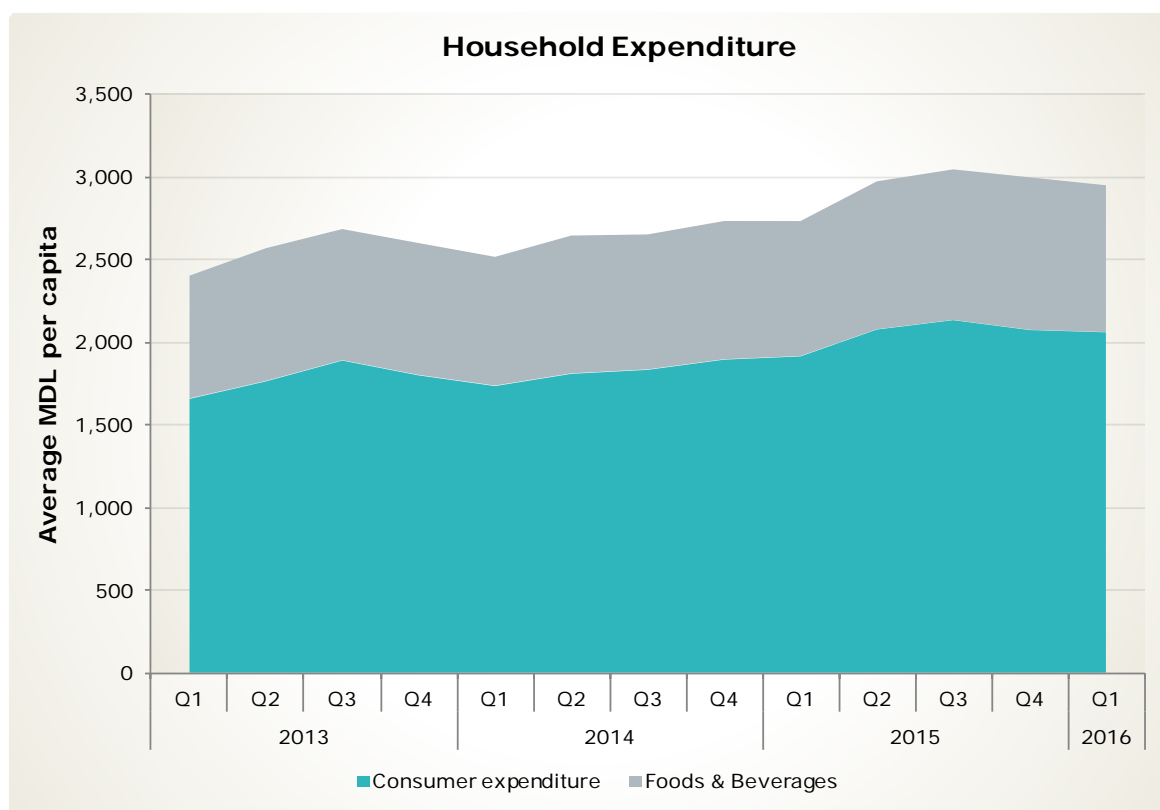
2.3. WHOLESALE/RETAIL

Wholesale and retail sectors fell y/y in January - March 2016

The wholesale sector shrank by 6.3% y/y in the first three months of 2016, according to NBS data. The turnover of the retail sector also marked an annual drop, of 4.5%.



Source: NSI



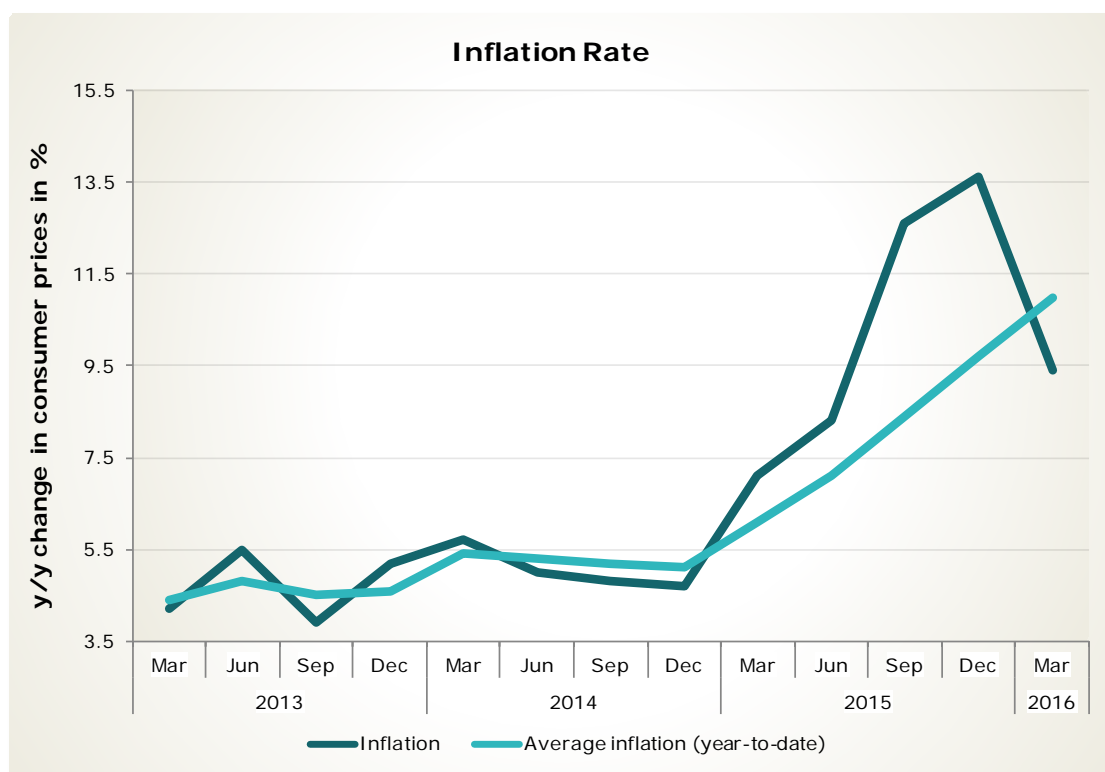
Source: NBS

2.4. INFLATION

Average annual inflation of 11.0% in January to March 2016

Moldova registered average annual inflation of 11.0% y/y in January - March 2016, according to NBS.

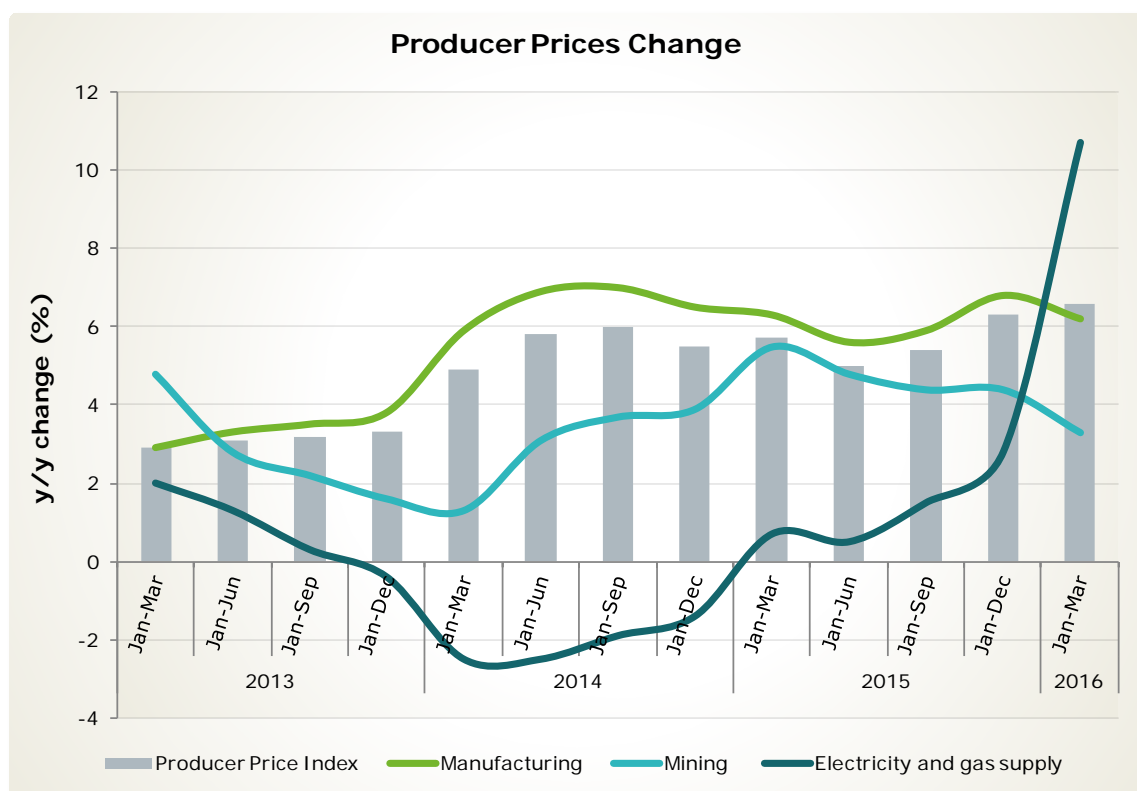
Food products was the leading consumer group in terms of average annual inflation with 12.1%, while services came second with 10.5%, followed by non-foodstuff products with 10.0%.



Source: NBS

Producer prices grew by 6.6% y/y in the first three months of 2016 with all industries registering a growth – from 3.3% for mining, through 6.2% for manufacturing, to 10.7% for electricity and gas supply.

Segment wise, producer prices grew the most, by 35.5%, in the manufacture of sugar, while the sharpest decline, of 2.9%, was present in the manufacture of prepared animal feeds.



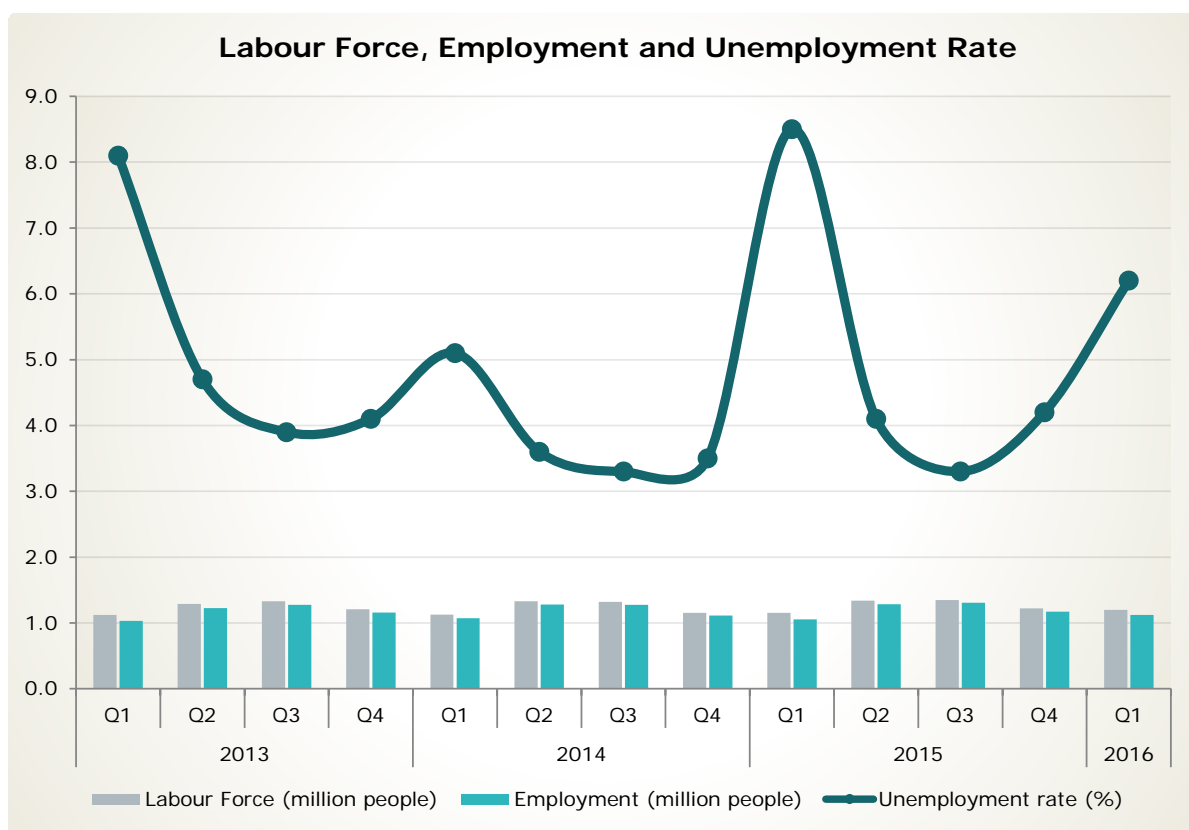
Source: NBS

3. LABOUR MARKET

Unemployment rate at 6.2%, wages up 11.4% y/y in Q1 2016

Unemployment in Moldova narrowed to 6.2% in Q1 2016 from 8.5% a year ago, according to data of NBS.

The employed population aged 15 years and older was 1.124 million in the first quarter of 2016, up 6.6% y/y.



According to data of NBS, the average gross monthly salary in Q1 2016 rose by 11.4% y/y to MDL 4,689. In the public sector it was MDL 4,196 and in the private – MDL 4,902. The highest average salary was registered in the information and communications sector, of MDL 10,591, while the employed in agriculture, forestry and fishing earned the lowest monthly average wage - MDL 2,847.

4. CONSTRUCTION AND REAL ESTATE

The value of construction works fell by 4.7% y/y in Q1 2016

The value of construction works carried out in Moldova in Q1 2016 went down by 4.7% y/y and totalled MDL 928.8 mln, according to NBS data.

Of the total, residential projects amounted to MDL 345.8 mln, works on civil engineering projects amounted to MDL 333.5 mln, and non-residential buildings construction was valued at MDL 213.9 mln.

5. MONEY SUPPLY AND BANKING SYSTEM

5.1. MDL EXCHANGE RATE

The average exchange rate of the MDL against the EUR rose to MDL 22.1215 in Q1 2016 from MDL 20.3323 in Q1 2015, according to the National Bank of Moldova's (BNM) data.

MDL Average Exchange Rate			
Foreign Currency	Q1 2016	Q4 2015	Q1 2015
USD	20.0737	19.9112	17.9989
GBP	28.7539	30.2266	27.3320
CHF	20.1932	20.1015	18.9649
EUR	22.1215	21.8099	20.3323

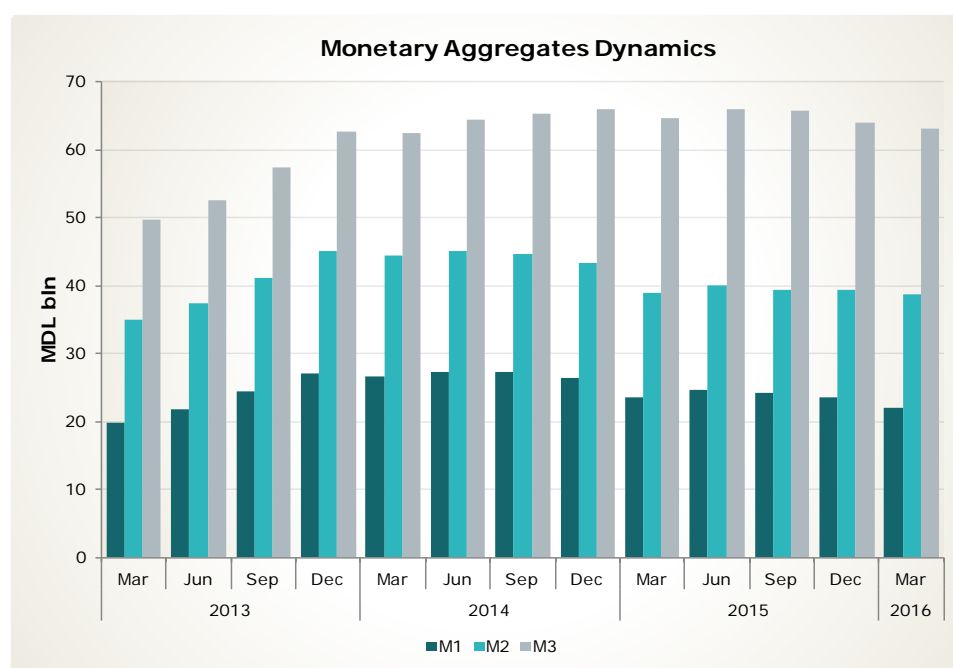
5.2. MONETARY AGGREGATES

Money supply narrowed by 2.2% y/y at end-March 2016

Broad money (money aggregate M3) went down by 2.2% y/y to MDL 63.181 bln in Q1 2016, according to data provided by BNM.

The M2 money supply inched down by 0.8% y/y to MDL 38.600 bln.

Money aggregate M1, or narrow money, also shrank, by 6.2%, to MDL 22.061 bln.



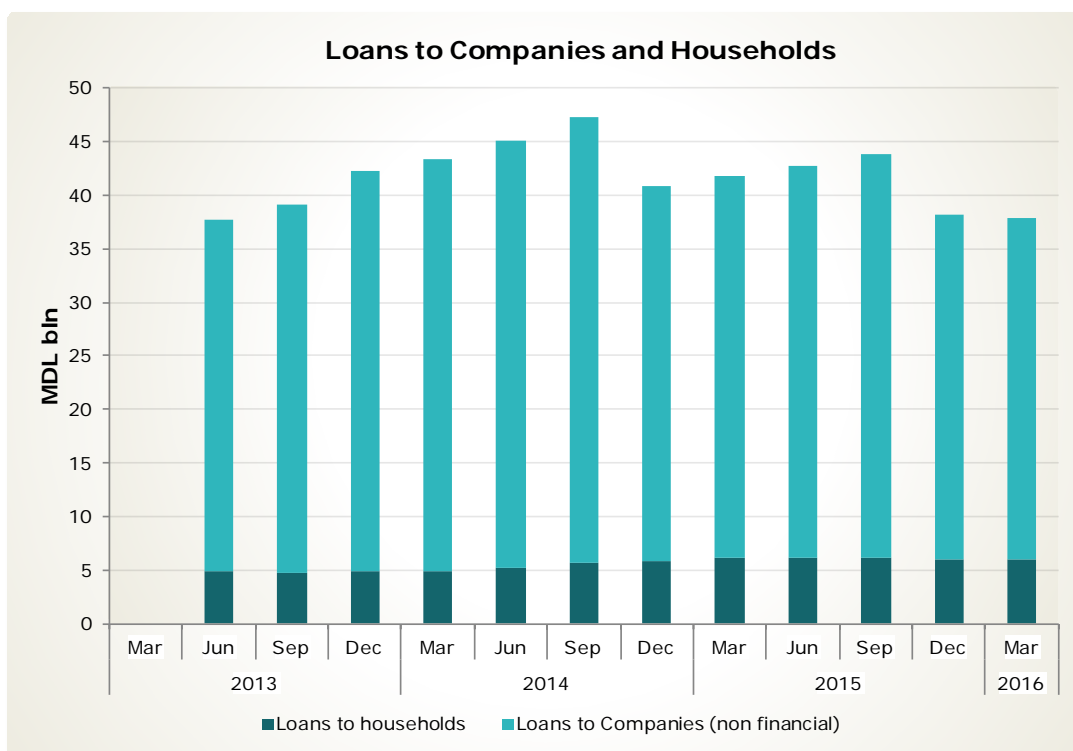
Source: BNM

5.3. BANKING AND INSURANCE

Household loans decreased, by 2.6% y/y as of March 2016

Loans to the non-government sector totalled MDL 37.851 bln as of end-March 2016, down by 9.4% compared to a year ago, according to BNM.

Loans to non-financial corporations sank by 10.5% y/y to MDL 31.879 bln, while household loans narrowed slower, by 2.6% to MDL 5.972 bln.



Source: BNM

Editor's note: Data for March 2013 is not available

At end-March 2016 the assets of the banking system totalled MDL 69.628 bln, while a year earlier the total assets amounted to MDL 98.270 bln.

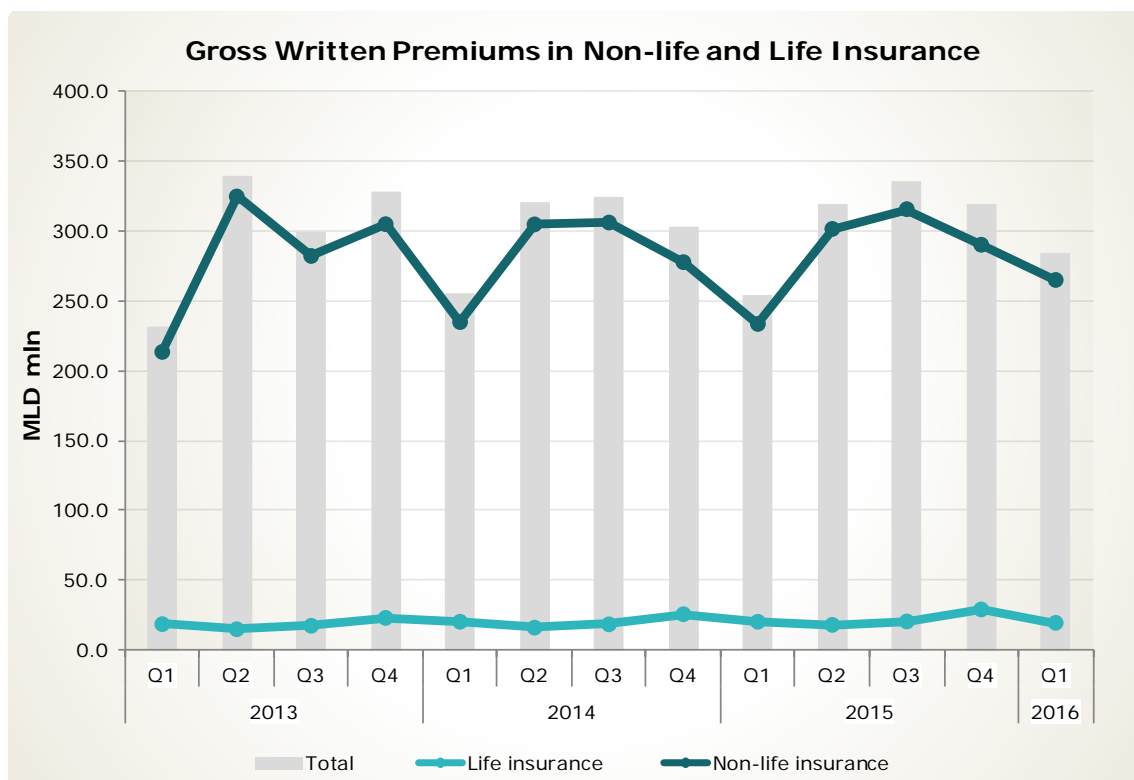
The banking sector's net profit raised to MDL 566.7 mln as of March 2016 from MDL 306.7 mln a year ago.

Insurance premium income up 12.1% y/y in Q1 2016

The total gross written premiums (GWP) of the non-life and life insurance companies in Moldova stood at MDL 284.4 mln, up by 12.1% y/y in the first quarter of 2016, according to the National Commission for Financial Markets.

The growth was thanks to the 13.5% annual jump, to MDL 265.0 mln, of the non-life insurance market's GWP, while the life insurance segment narrowed by 3.8% y/y to MDL 19.407 mln.

In the non-life insurance sector the leading segment in terms of GWP was motor vehicle liability with MDL 139.0 mln, followed by land vehicles insurance with MDL 55.354 mln, and insurance against fire and other natural disasters with MDL 25.553 mln.



Source: National Commission for Financial Markets

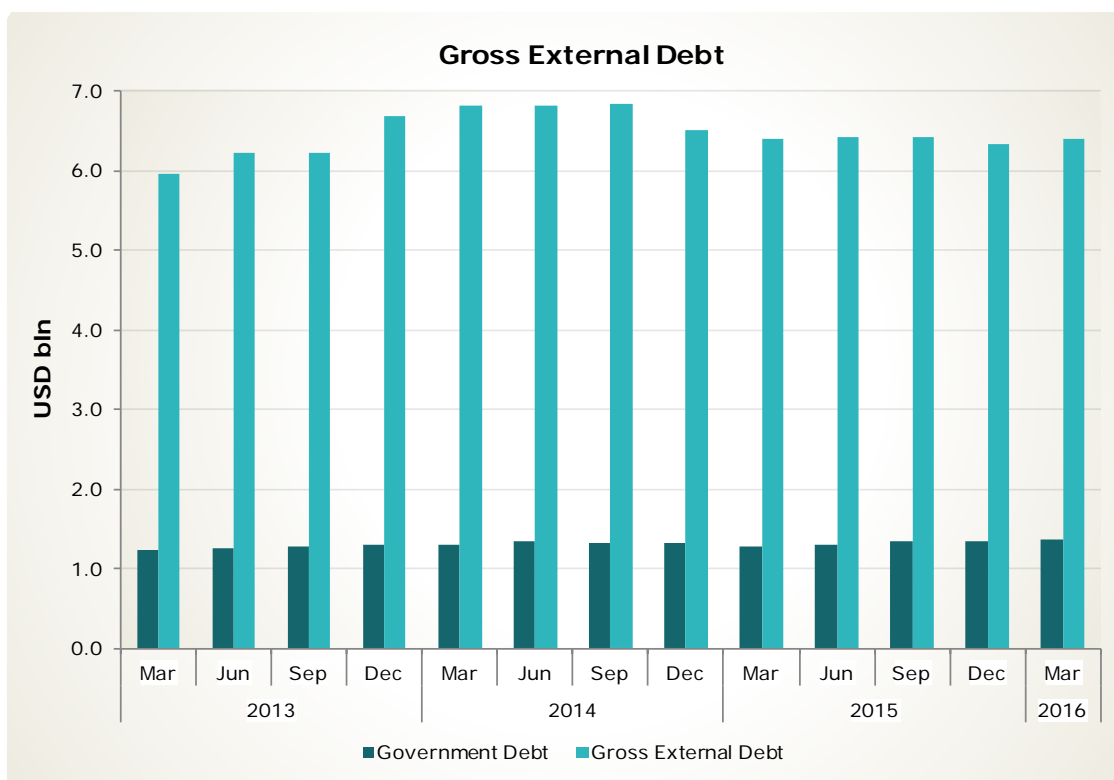
6. EXTERNAL SECTOR

6.1. FOREIGN DEBT

The gross external debt amounted to USD 6.400 bln in Q1 2016

The gross external debt totalled USD 6.400 bln in Q1 2016, according to central bank data. It inched up by 0.1%, or USD 6.100 mln, compared to the year-ago quarter.

In the first quarter of 2016, long-term liabilities dropped by 26.0% y/y and amounted to USD 3.059 bln, or 47.8% of the total debt. Short-term liabilities came in at USD 2.237 bln, by 1.1% more than a year earlier, equal to 35.0% of the total debt.



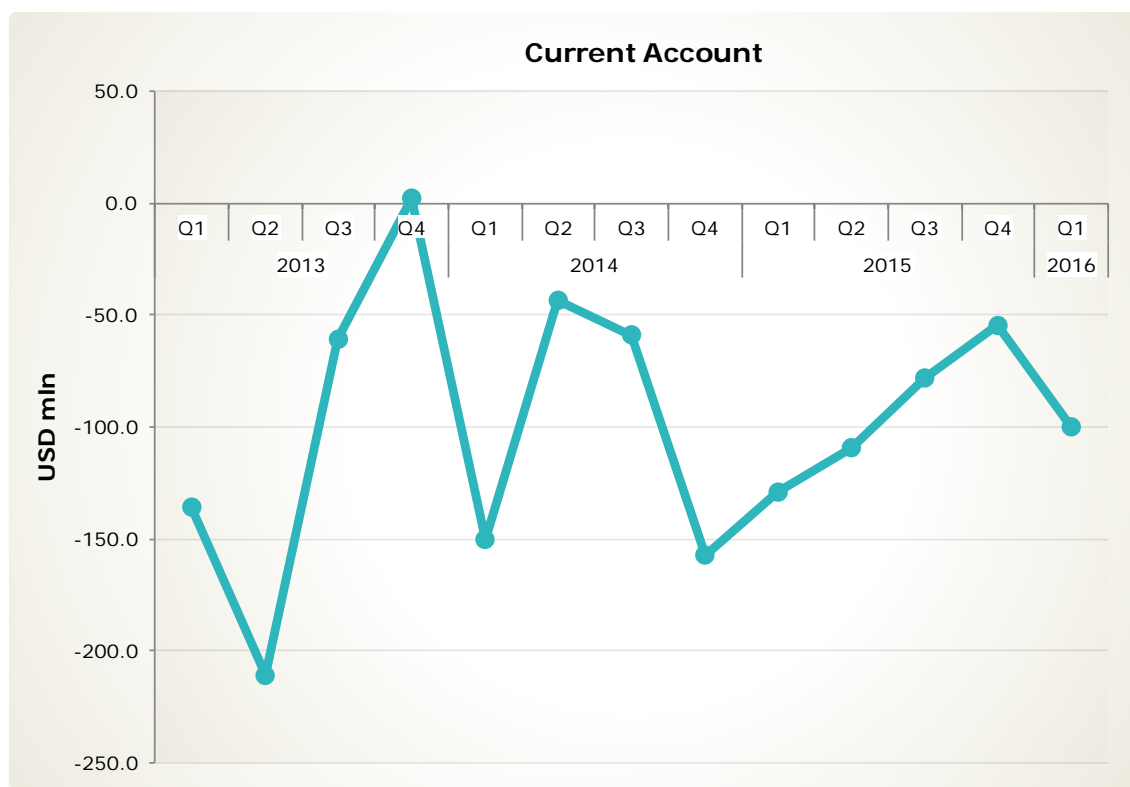
Source: BNM

6.2. BALANCE OF PAYMENTS

Current account deficit at USD 100.0 mln in Q1 2016

The current account deficit narrowed to USD 100.0 mln in Q1 2016 from USD 129.2 mln in the same quarter a year ago, according to central bank statistics data.

The net current transfers in Q1 2016 went down to USD 236.3 mln from USD 247.3 mln in Q1 2015.



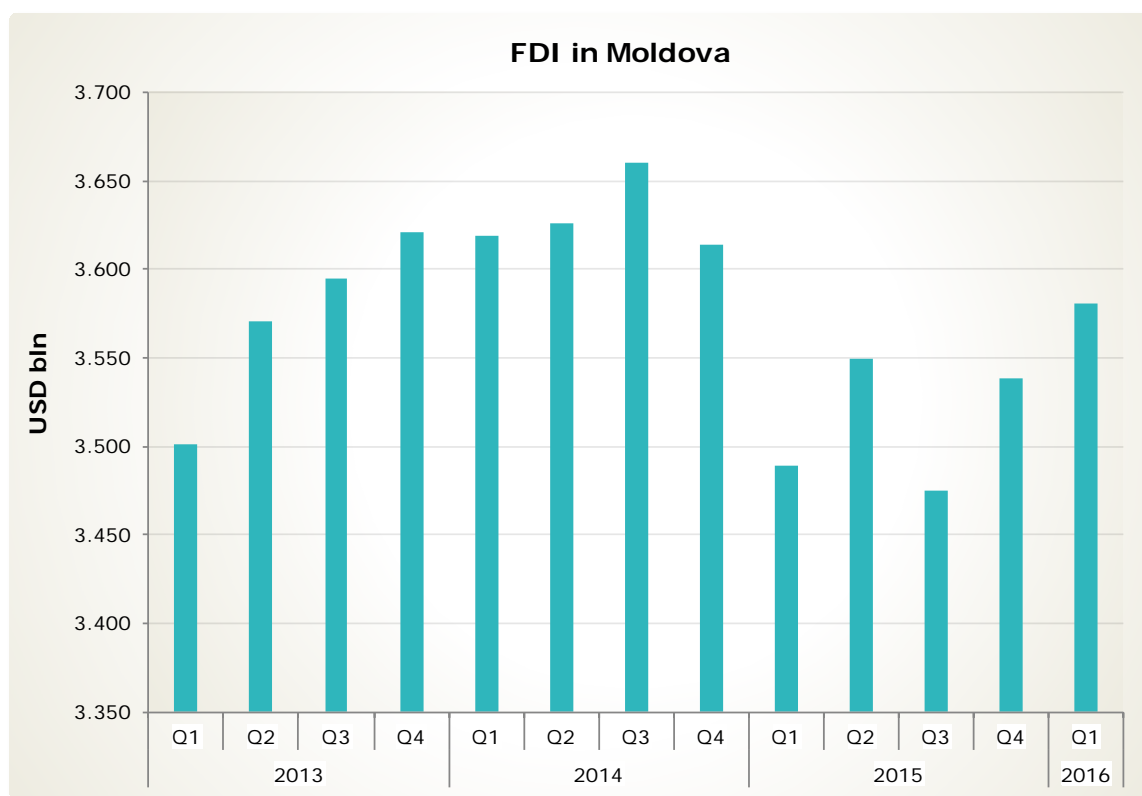
Source: BNM

6.3. FDI

Net FDI at USD 3.580 bln as of Q1 2016

Net Foreign Direct Investments (FDI) in Moldova totalled USD 3.580 bln as of the first quarter of 2016, according to BNM data. In the previous quarter, Q4 2015, the FDI were USD 3.539 bln, and a year ago their value was USD 3.489 bln.

Of the total in Q1 2016, equity capital investments amounted to USD 2.000 bln, reinvested came in at USD 654.4 mln and other capital investments made up the remaining USD 937.0 mln.



Source: BNM

6.4. FOREIGN TRADE

Foreign trade deficit narrowed by 3.3% y/y in Q1 2016

The trade deficit stood at USD 472.2 mln in Q1 2016, compared to USD 488.3 mln a year earlier, according to NBS.

In Q1 2016, Moldova's main export markets were Romania, which accounted for 23.8%, or USD 99.258 mln of the total exports, followed by Russia, with a 10.3% share equal to USD 42.797 mln and Italy was third with a 9.6% share, or USD 39.967 mln.

Most of Moldova's imports came from Russia – USD 158.6 mln, or 17.8% of the total, Romania followed with USD 99.931 mln, an 11.2% share, and China was the third major importer with USD 79.863 mln, representing a 9.0% share.



Source: NBS

6.5. TOURSIM

Number of foreign tourist overnights decreased by 9.0% y/y in Q1 2016

Tourist overnights of foreigners shrank by an annual 9.0% to 43,107 in Q1 2016, according to NBS data. However, the number of foreign citizens who visited the country jumped by 36.2% to 22,020.

The share of foreign tourists in the total overnights in Moldova inched down to 24.4% from 24.5% a year ago.



Source: NBS

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