

MOLDOVA ECONOMY REPORT

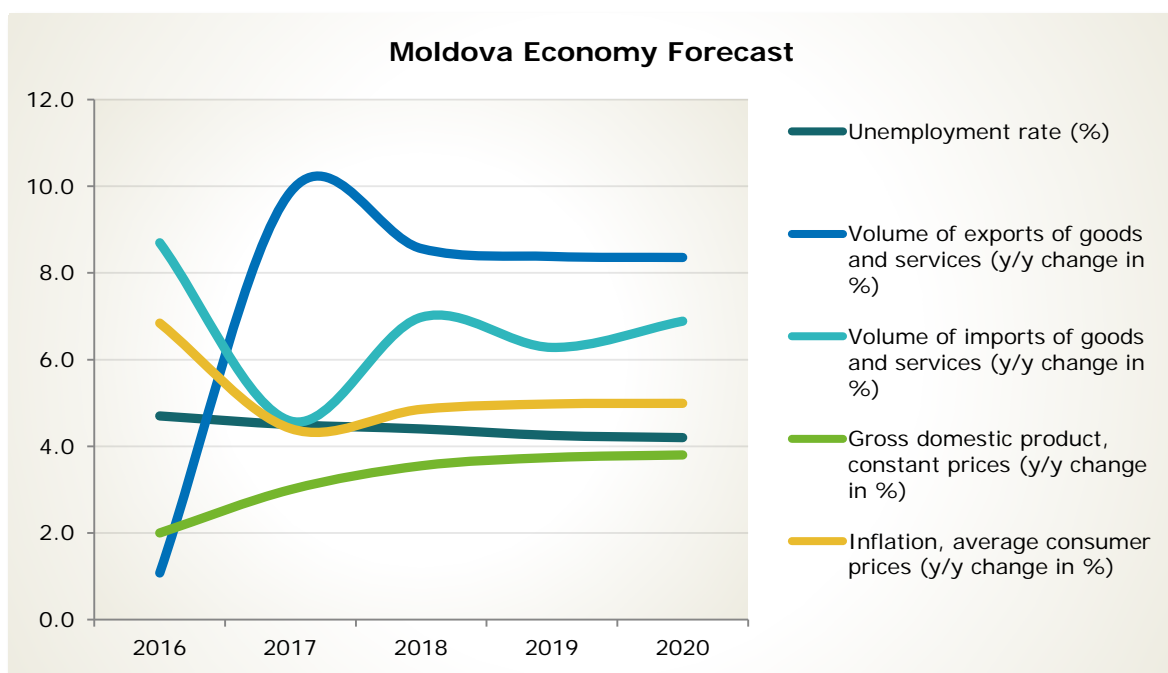
Q2 2016

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1. MACROECONOMIC SNAPSHOT AND FORECAST

MOLDOVA – MACROECONOMIC SNAPSHOT AS OF Q2 2016	
GDP Growth	1.8% y/y
Industrial output	0.04% y/y
Wholesales	-2.4% y/y
Retail sales	-0.6% y/y
Average annual inflation	9.4%
Unemployment rate	4.0%
Construction works value	-6.9% y/y
Money supply raise	0.7% y/y
Household loans	3.8% y/y
Gross external debt	USD 6.390 bln
Current account deficit	USD 97.6 mln
Net FDI	USD 3.501 bln
Foreign trade deficit	USD 518.8 mln
Number of foreign tourist overnights	-5.8% y/y



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

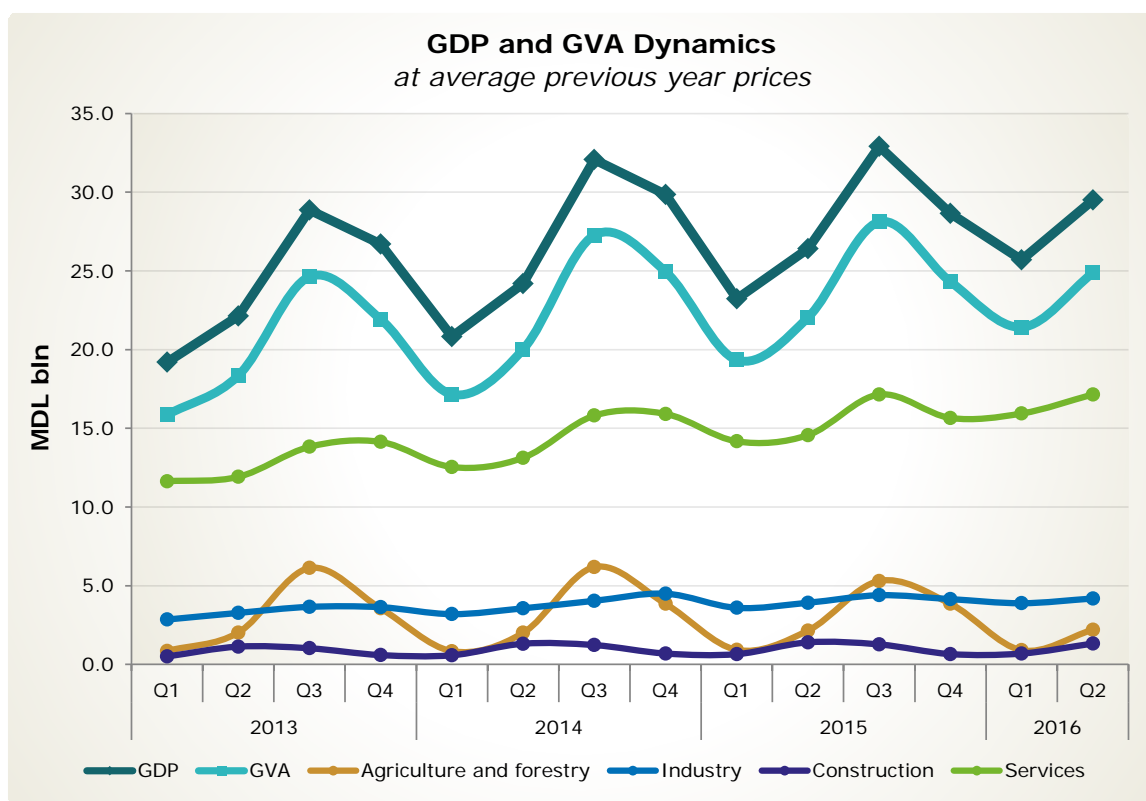
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by real 1.8% y/y in Q2 2016, compared to a 2.5% y/y growth a year earlier

The country's GDP increased by a real 1.8% y/y and totalled MDL 29.516 bln in Q2 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 11.1% y/y in Q2 2016. Gross capital formation jumped by 14.7%, contributing 22.6% to the GDP. Exports grew by 14.5%, while imports increased faster, by 13.2%.



Source: NBS

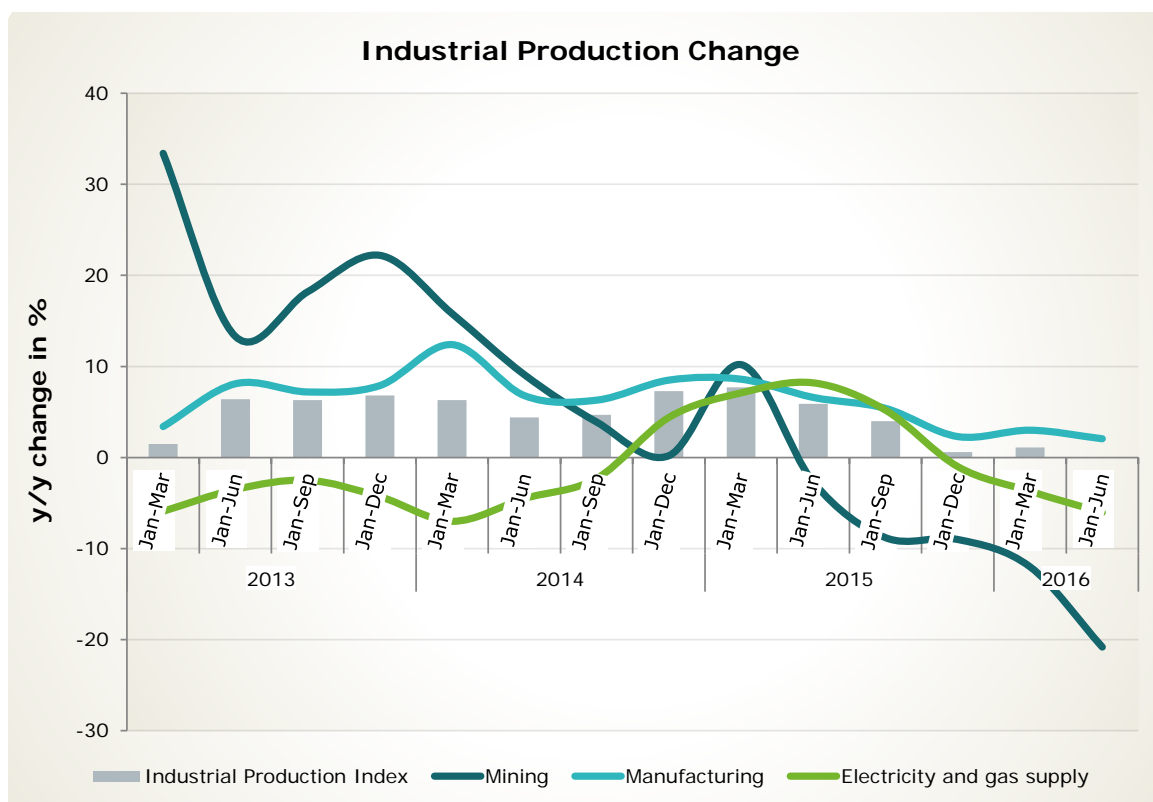
The gross value added (GVA) generated by the national economy rose by 12.8% y/y in Q2 2016 and totalled MDL 24.879 bln. The industrial sector grew in value by 6.9% y/y but its share in the GVA structure narrowed to 16.8% from 17.8% in the same quarter of the previous year. The services sector recorded a 17.8% annual increase, slicing a 69.0% share in the GVA against 66.1% a year earlier. The agricultural sector registered an annual increase of 2.5%, slicing an 8.9% share in the GVA, down from 9.8%. The construction industry marked a decline of 5.5% and its share in the GVA decreased to 5.3% from 6.4%.

2.2. INDUSTRIAL OUTPUT

Industrial output almost unchanged y/y in Q2 2016

Industrial output remained flat on the year in Q2 2016, according to NBS. The manufacturing industry reported an annual rise of 2.1%, while the output of the mining and the electricity and gas supply industries dropped by 20.8% and 6.0%, respectively.

Processing and preserving of fish, crustaceans and molluscs recorded the highest annual growth, by 78.4%. Production of soft drinks and bottled water was on the other end with a 38.3% fall.

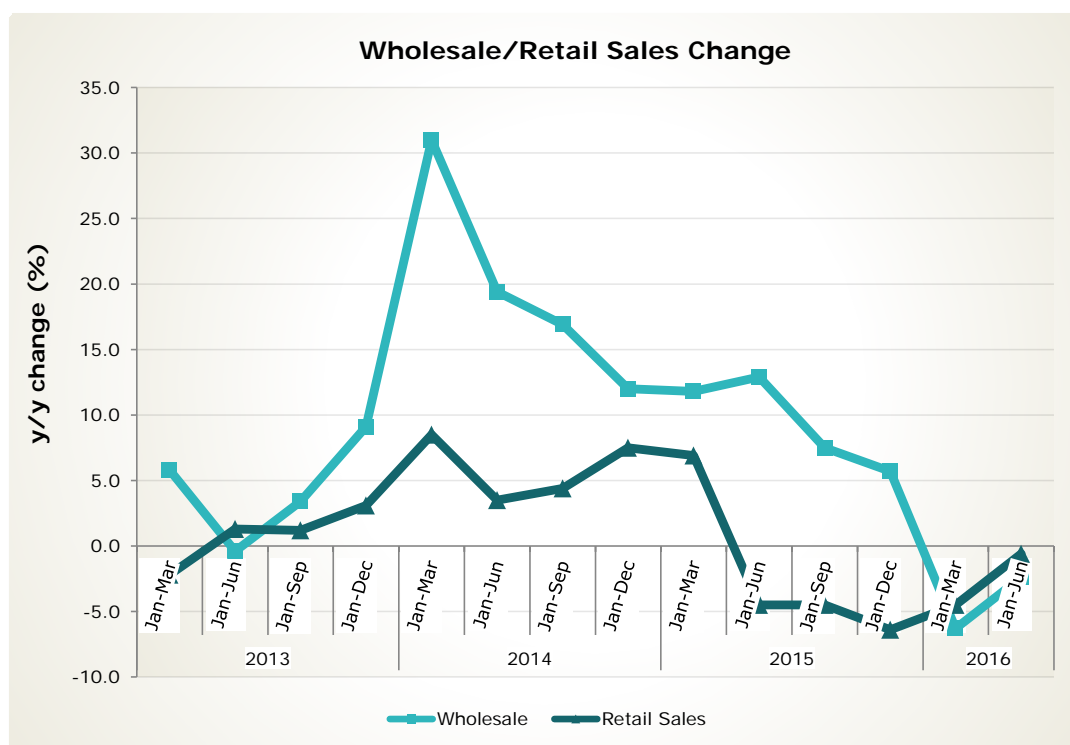


Source: NBS

2.3. WHOLESALE/RETAIL

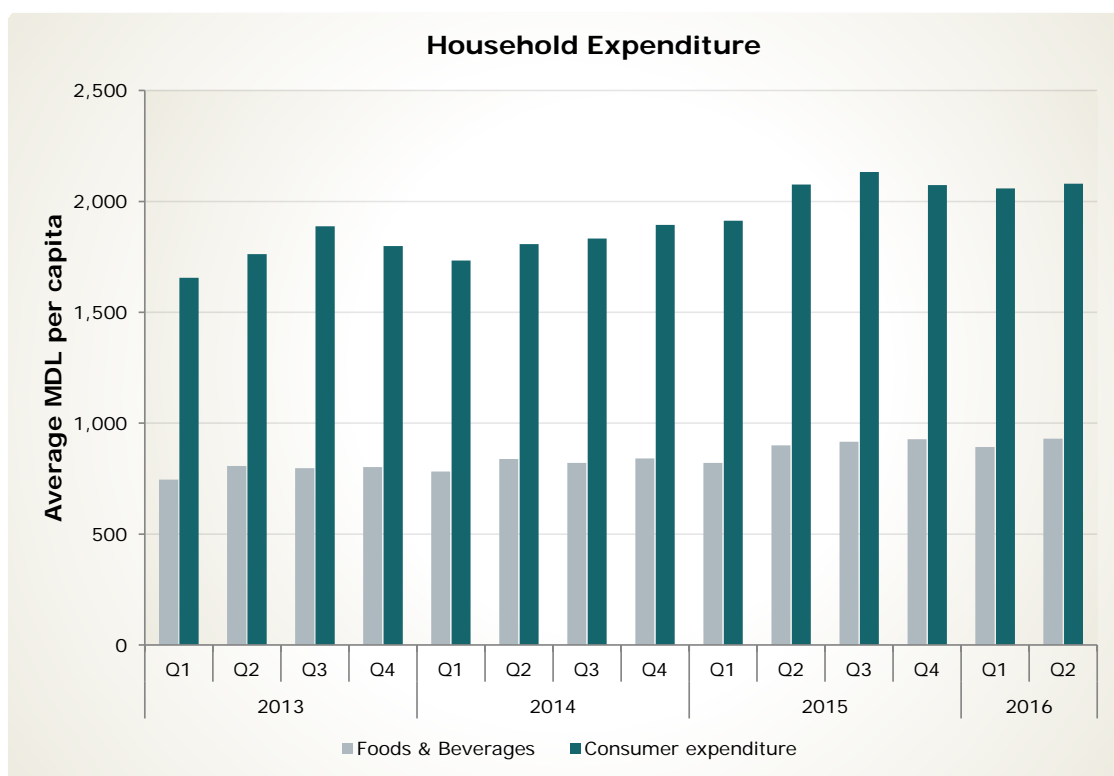
Wholesale and retail sectors fell y/y in January-June 2016

The wholesale sector shrank by 2.4% y/y in the first six months of 2016, according to NBS data. The turnover of the retail sector also marked an annual drop, of 0.6%.



Source: NBS

In Q2 2016 average consumer expenditure per capita in Moldova inched up by 0.2% to MDL 2,080 from MDL 2,076 in the corresponding quarter of the previous year. The food and beverages product group marked a faster y/y growth, of 3.5%, to MDL 931.



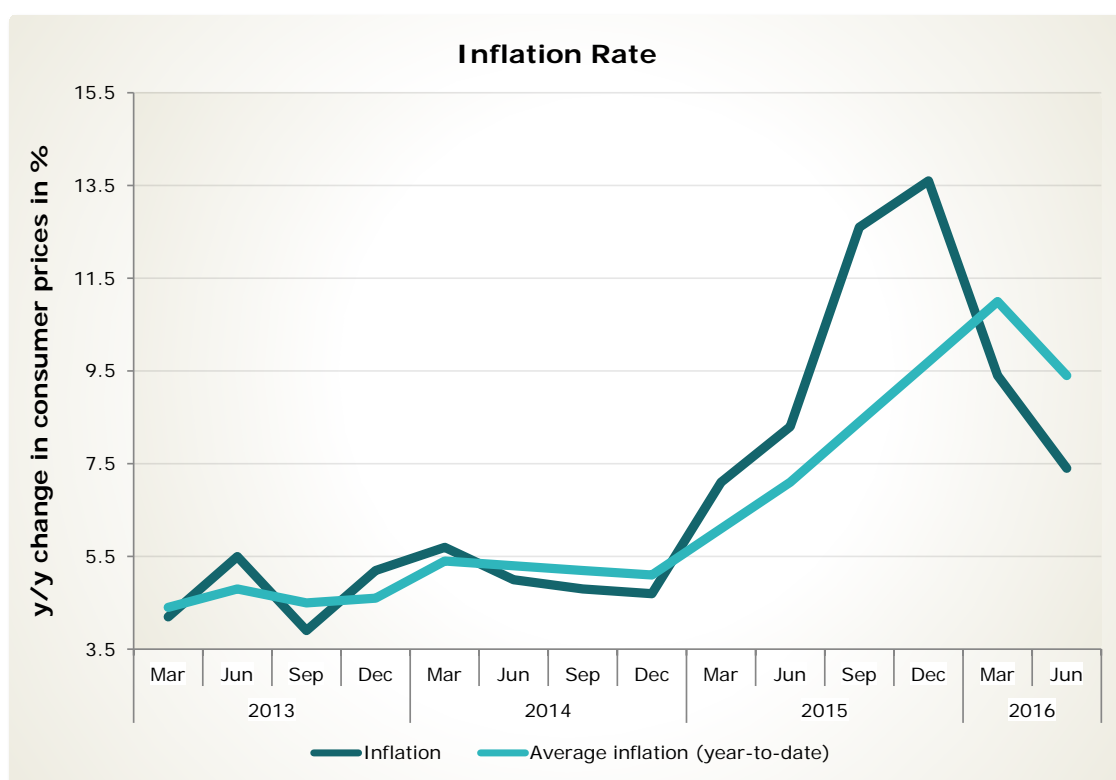
Source: NBS

2.4. INFLATION

Average annual inflation of 9.4% in January to June 2016

Moldova registered average annual inflation of 9.4% y/y in January-June 2016, according to NBS.

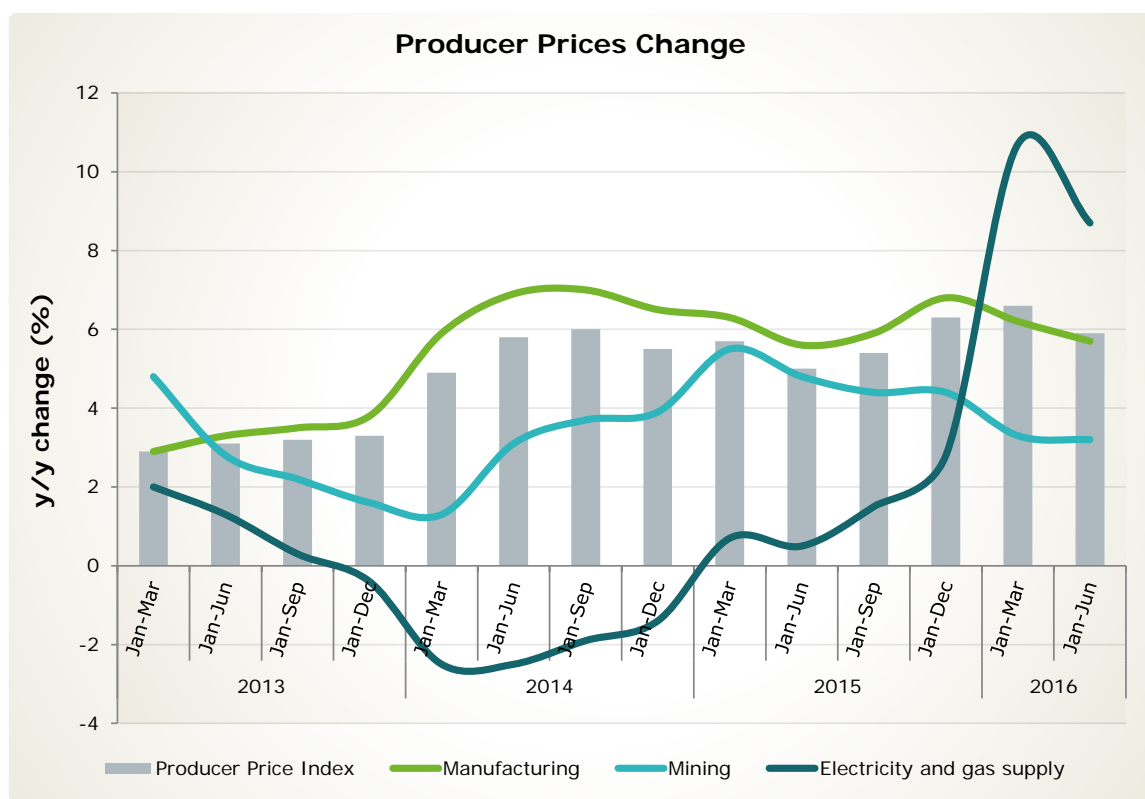
Food products was the leading consumer group in terms of average annual inflation with 10.2%, while services came second with 9.1%, followed by non-foodstuff products with 8.5%.



Source: NBS

Producer prices grew by 5.9% y/y in the first six months of 2016 with all industries registering a growth – from 3.2% for mining, through 5.7% for manufacturing, to 8.7% for electricity and gas supply.

Segment wise, producer prices grew the most, by 33.1%, in the manufacture of sugar, while the sharpest decline, of 3.3%, was present in the distilling, rectifying and blending of spirits.

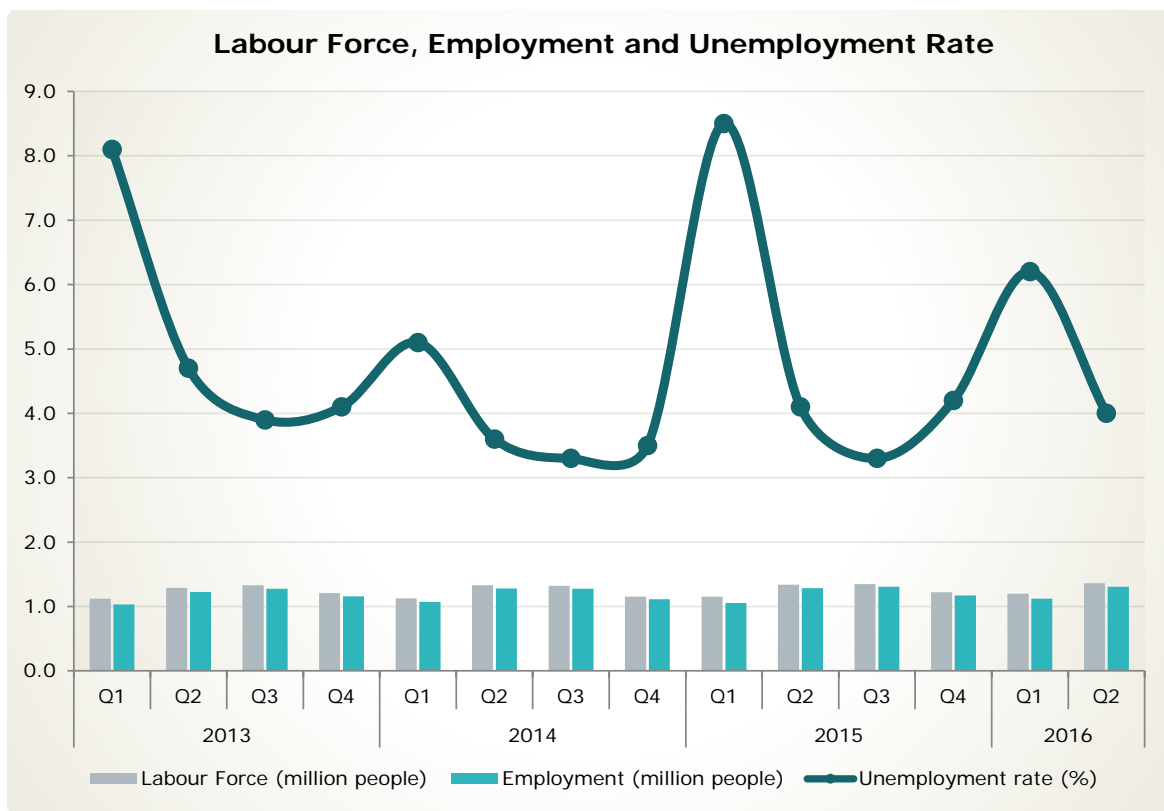


3. LABOUR MARKET

Unemployment rate at 4.0%, wages up 13.1% y/y in Q2 2016

Unemployment in Moldova narrowed to 4.0% in Q2 2016 from 4.1% a year ago, according to data of NBS.

The employed population aged 15 years and older was 1.308 million in the second quarter of 2016, up 1.9% y/y.



Source: NBS

According to data of NBS, the average gross monthly salary in Q2 2016 rose by 13.1% y/y to MDL 4,981. In the public sector it was MDL 4,353 and in the private – MDL 5,245. The highest average salary was registered in the information and communications sector, of MDL 10,986, while the employed in agriculture, forestry and fishing earned the lowest monthly average wage - MDL 3,086.

4. CONSTRUCTION AND REAL ESTATE

The value of construction works went down by 6.9% y/y in Q2 2016

The value of construction works carried out in Moldova in Q2 2016 went down by 6.9% y/y and totalled MDL 1.543 bln, according to NBS data.

Of the total, works on civil engineering projects amounted to MDL 574.4 mln, residential projects stood at MDL 512.2 mln, and non-residential buildings construction was valued at MDL 402.9 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 22.3509 in Q2 2016 from MDL 20.0521 in Q2 2015, according to the National Bank of Moldova's (BNM) data.

MDL Average Exchange Rate			
Foreign Currency	Q2 2016	Q1 2016	Q2 2015
USD	19.7957	20.0737	18.1309
GBP	28.4330	28.7539	27.7734
CHF	20.3912	20.1932	19.2525
EUR	22.3509	22.1215	20.0521

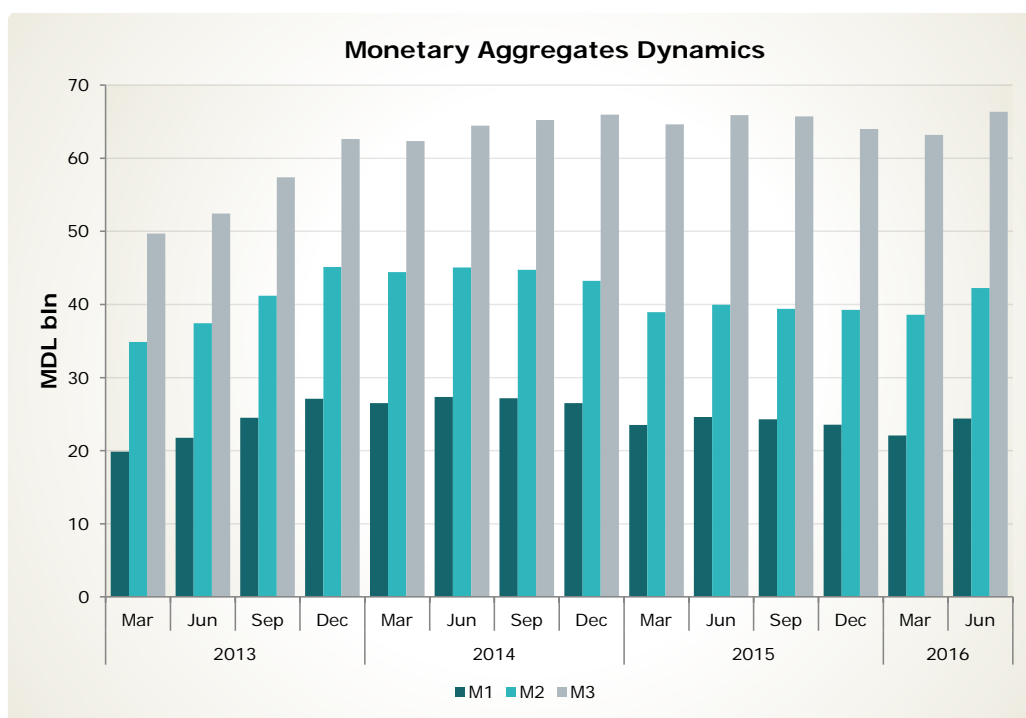
5.2. MONETARY AGGREGATES

Money supply up by 0.7% y/y at end-June 2016

Broad money (money aggregate M3) inched up by 0.7% y/y to MDL 66.356 bln in Q2 2016, according to data provided by BNM.

The M2 money supply went up by 5.7% y/y to MDL 42.240 bln.

Money aggregate M1, or narrow money, fell by 0.8% to MDL 24.405 bln.



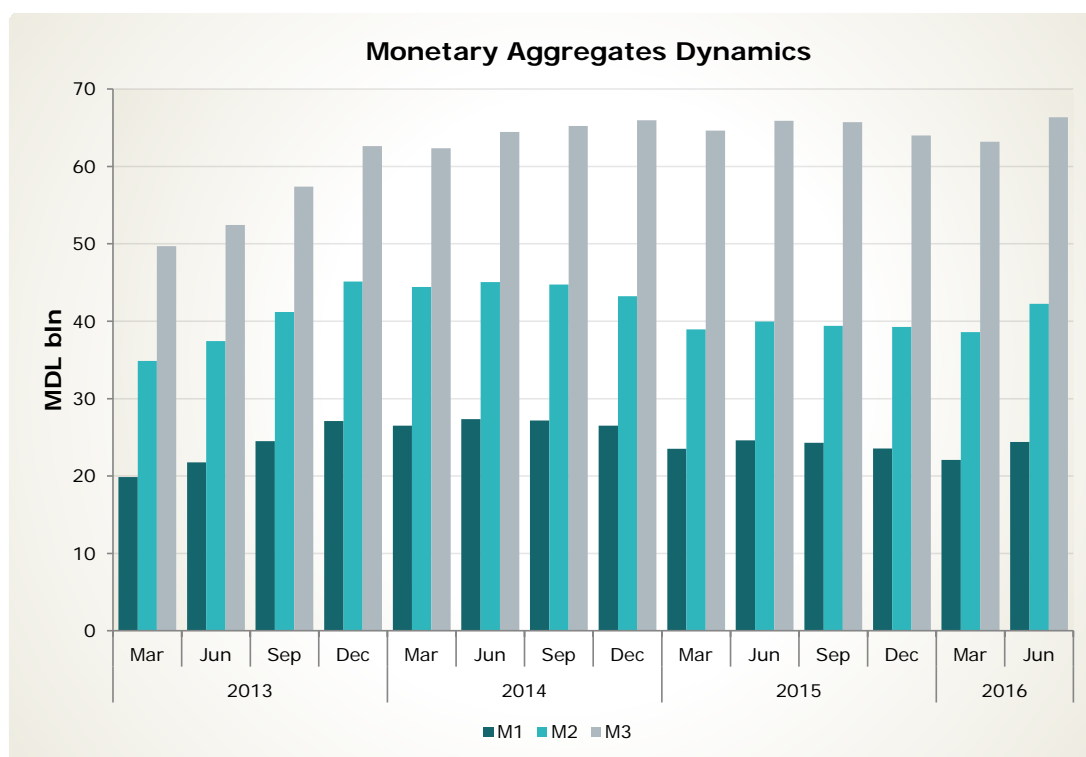
Source: BNM

5.3. BANKING AND INSURANCE

Household loans increased by 3.8% y/y as of June 2016

Loans to the non-government sector totalled MDL 37.224 bln as of end-June 2016, down by 13.0% compared to a year ago, according to BNM.

Loans to non-financial corporations sank by 15.8% y/y to MDL 30.802 bln, while household loans went up by 3.8% to MDL 6.422 bln.



Source: BNM

At end-June 2016 the assets of the banking system totalled MDL 70.568 bln, while a year earlier the total assets amounted to MDL 101.176 bln.

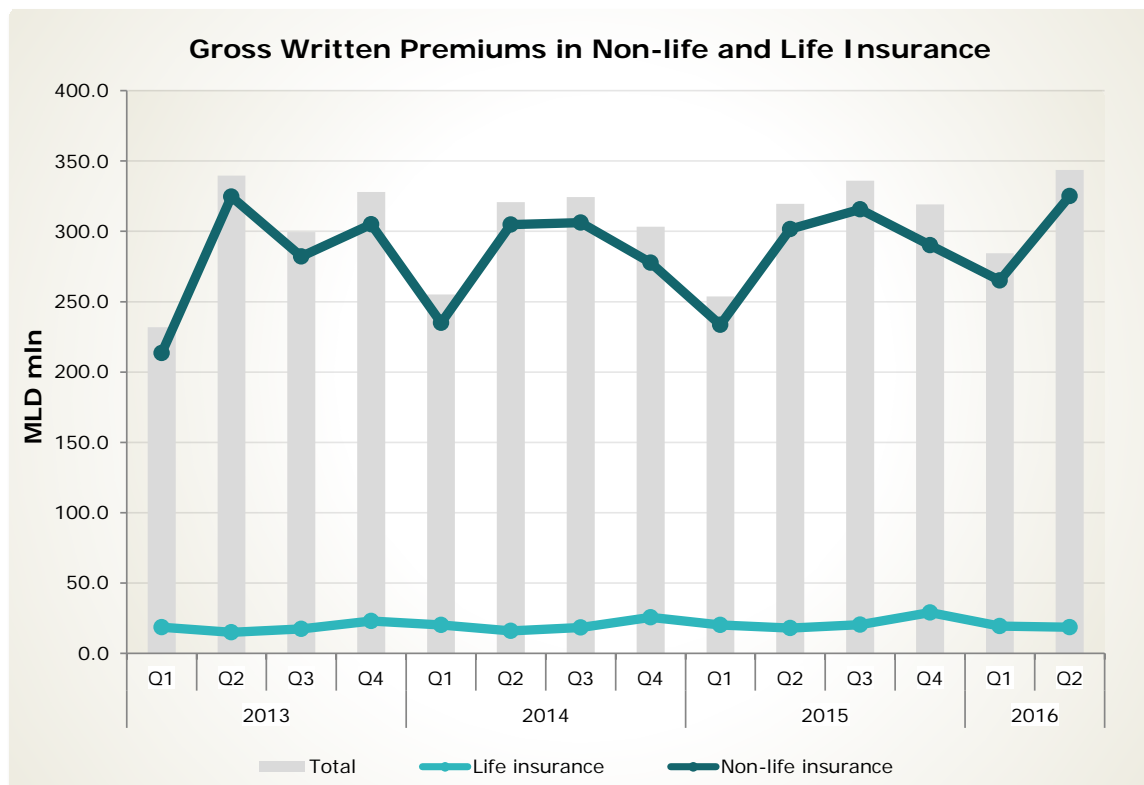
The banking sector's net profit jumped to MDL 854.5 mln as of June 2016 from MDL 605.4 mln a year ago.

Insurance premium income up 7.6% y/y in Q2 2016

The total gross written premiums (GWP) of the non-life and life insurance companies in Moldova stood at MDL 343.6 mln, up by 7.6% y/y in the second quarter of 2016, according to the National Commission for Financial Markets.

The growth was thanks to the 7.8% annual jump, to MDL 325.0 mln, of the non-life insurance market's GWP, while the life insurance segment increased by 3.7% y/y to MDL 18.609 mln.

In the non-life insurance sector the leading segment in terms of GWP was land vehicles insurance with MDL 91.120 mln, followed by insurance of land transport with MDL 72.026 mln, and green card insurance with MDL 66.782 mln.



Source: National Commission for Financial Markets

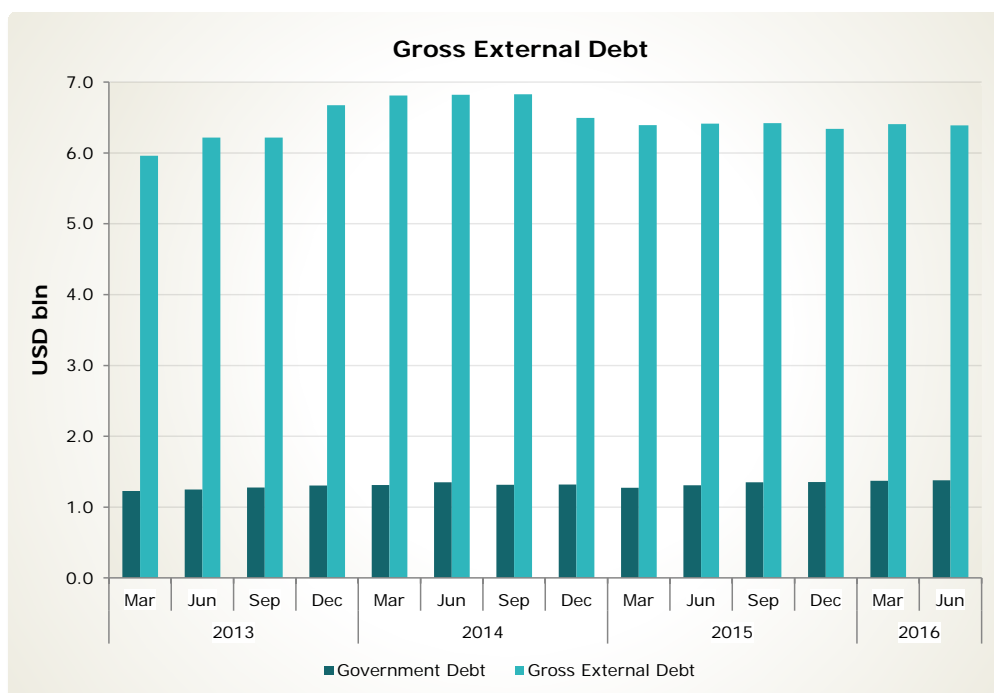
6. EXTERNAL SECTOR

6.1. FOREIGN DEBT

The gross external debt amounted to USD 6.390 bln in Q2 2016

The gross external debt totalled USD 6.390 bln in Q2 2016, according to central bank data. It inched down by 0.4%, or USD 24.730 mln, compared to the year-ago quarter.

In the second quarter of 2016, long-term liabilities dropped by 27.0% y/y and amounted to USD 3.032 bln, or 47.6% of the total debt. Short-term liabilities came in at USD 2.258 bln, by 0.3% less than a year earlier, equal to 35.2% of the total debt.

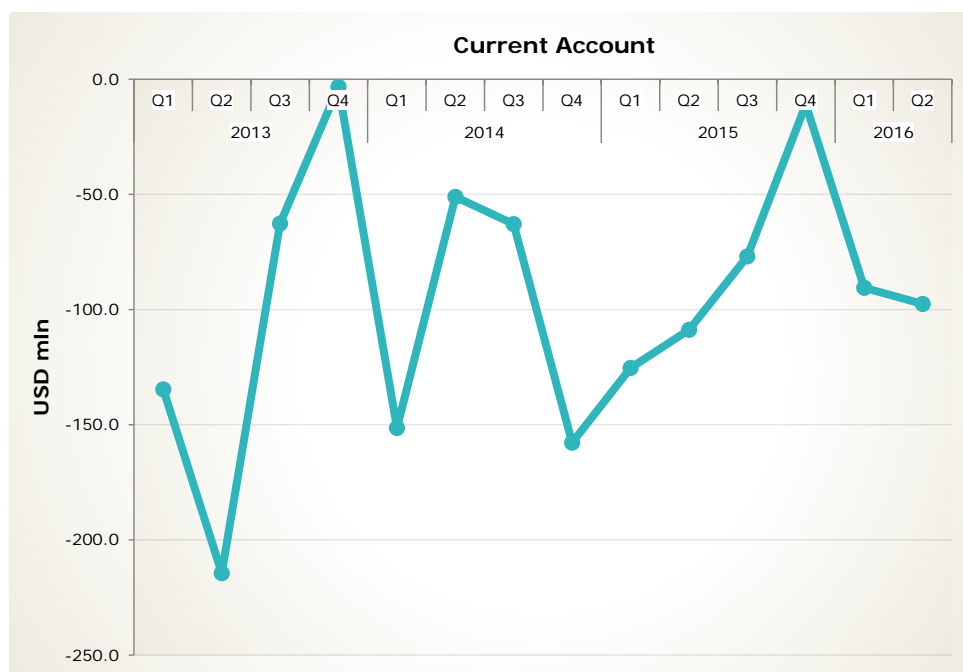


Source: BNM

6.2. BALANCE OF PAYMENTS

Current account deficit at USD 97.600 mln in Q2 2016

The current account deficit narrowed to USD 97.600 mln in Q2 2016 from USD 108.8 mln in the same quarter a year ago, according to central bank statistics data. The net current transfers in Q2 2016 went down by 15.2% to USD 268.9 mln from USD 317.2 mln in Q2 2015.



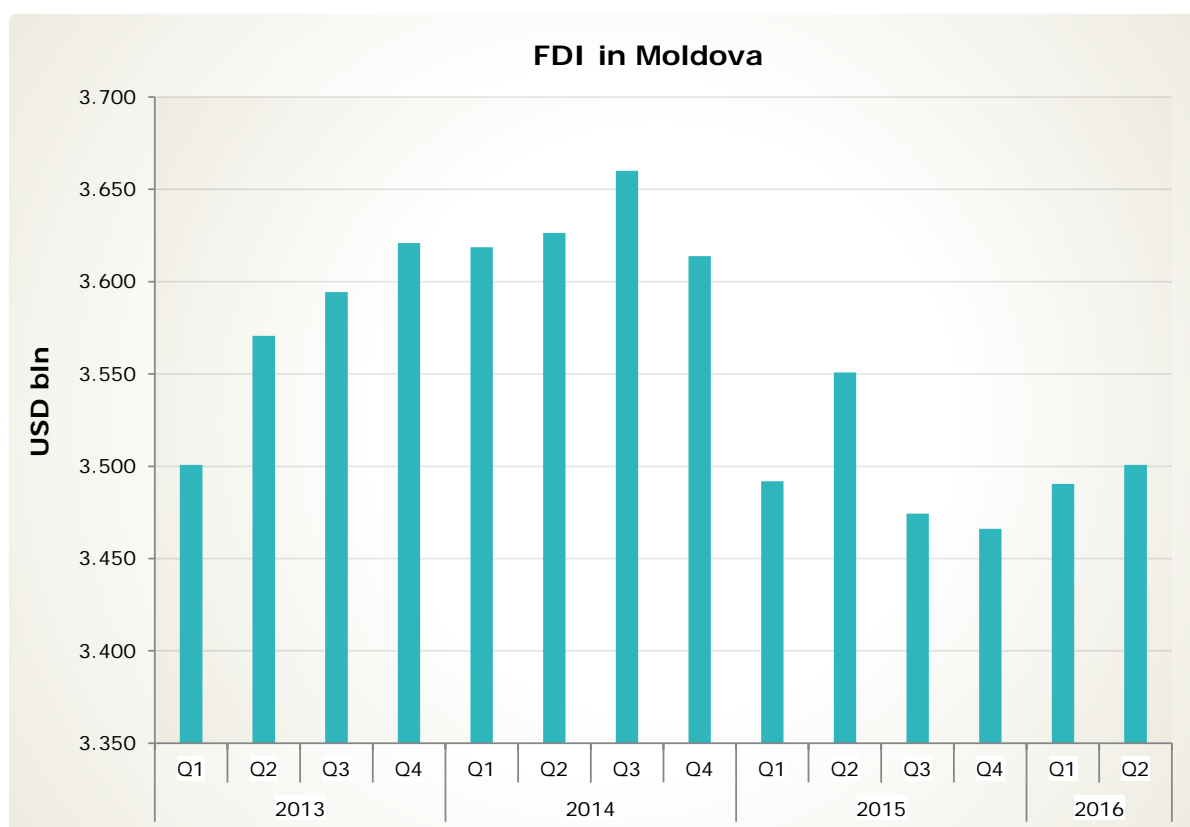
Source: BNM

6.3. FDI

Net FDI at USD 3.501 bln in Q2 2016

Net foreign direct investments (FDI) in Moldova totalled USD 3.501 bln as of end-June 2016, according to BNM data. In the previous quarter, Q1 2016, the FDI were USD 3.490 bln, and a year ago their value came up to USD 3.551 bln.

Of the total, equity capital investments amounted to USD 1.968 bln, reinvested earnings came in at USD 631.8 mln and other capital investments made up the remaining USD 901.6 mln.



Source: BNM

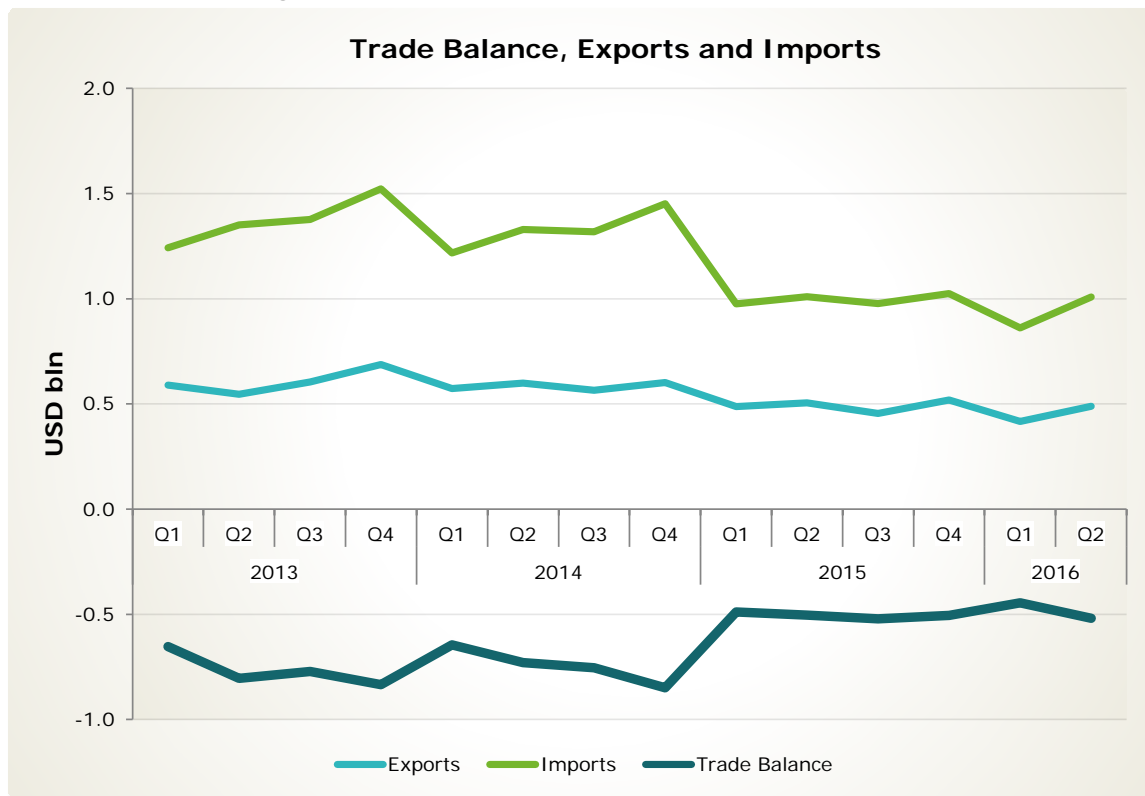
6.4. FOREIGN TRADE

Foreign trade deficit up by 2.9% y/y in Q2 2016

The trade deficit stood at USD 518.8 mln in Q2 2016, compared to USD 504.4 mln a year earlier, according to NBS.

In Q2 2016, Moldova's main export markets were Romania, which accounted for 23.7%, or USD 116.0 mln of the total exports, followed by Russia, with an 11.2% share equal to USD 54.736 mln and Italy with a 10.4% share, or USD 50.654 mln.

Most of Moldova's imports came from Romania – USD 141.9 mln, or 14.1% of the total, Ukraine followed with USD 100.9 mln, an 10.0% share, and Russia was the third major importer with USD 93.268 mln, representing a 9.3% share.



Source: NBS

6.5. TOURSIM

Number of foreign tourist overnights decreased by 5.8% y/y in Q2 2016

Tourist overnights of foreigners shrank by an annual 5.8% to 66,309 in Q2 2016, according to NBS data. However, the number of foreign citizens who visited the country jumped by 29.9% to 32,626.

The share of foreign tourists in the total overnights in Moldova remained unchanged at 17.7% compared to a year earlier.



Source: NBS

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