

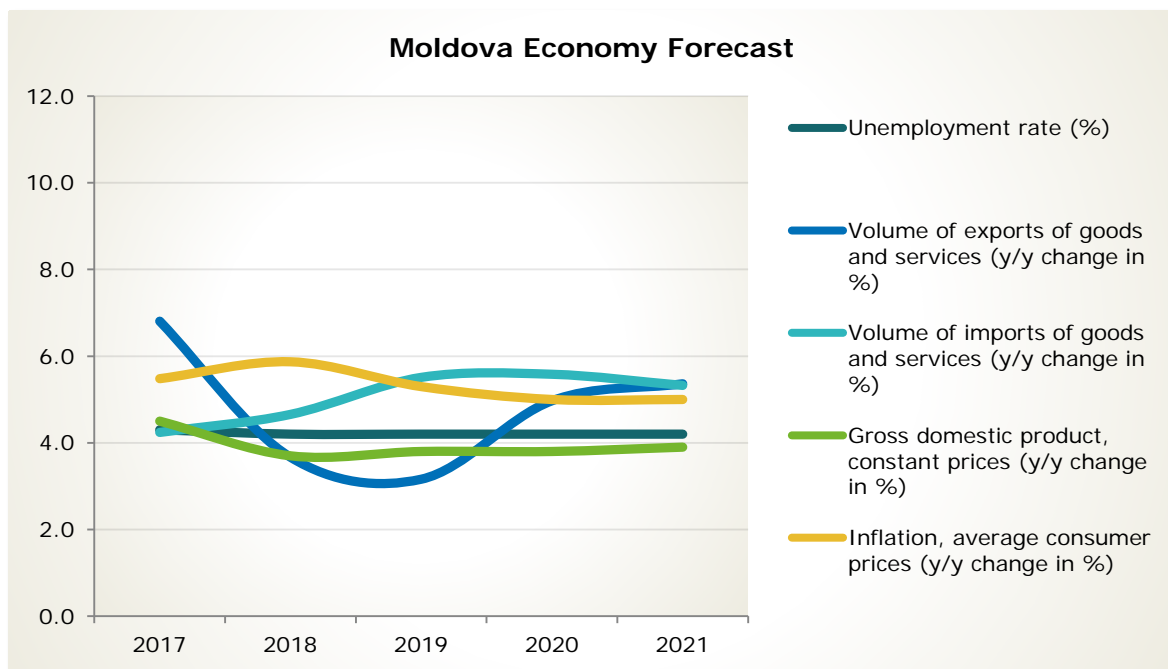
MOLDOVA ECONOMY REPORT 2016

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1. MACROECONOMIC SNAPSHOT AND FORECAST

MOLDOVA – MACROECONOMIC SNAPSHOT AS OF END-2016	
GDP Growth	4.1% y/y
Industrial output	0.9% y/y
Wholesales	3.0% y/y
Retail sales	1.1% y/y
Average annual inflation	6.4%
Unemployment rate	4.2%
Construction works value	1.1% y/y
Money supply	10.2% y/y
Household loans	6.6% y/y
Gross external debt	USD 6.595 bln
Current account deficit	USD 258.0 mln
Net FDI	USD 3.581 bln
Foreign trade deficit	USD 1.975 bln
Number of foreign tourist overnights	-2.6% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2017

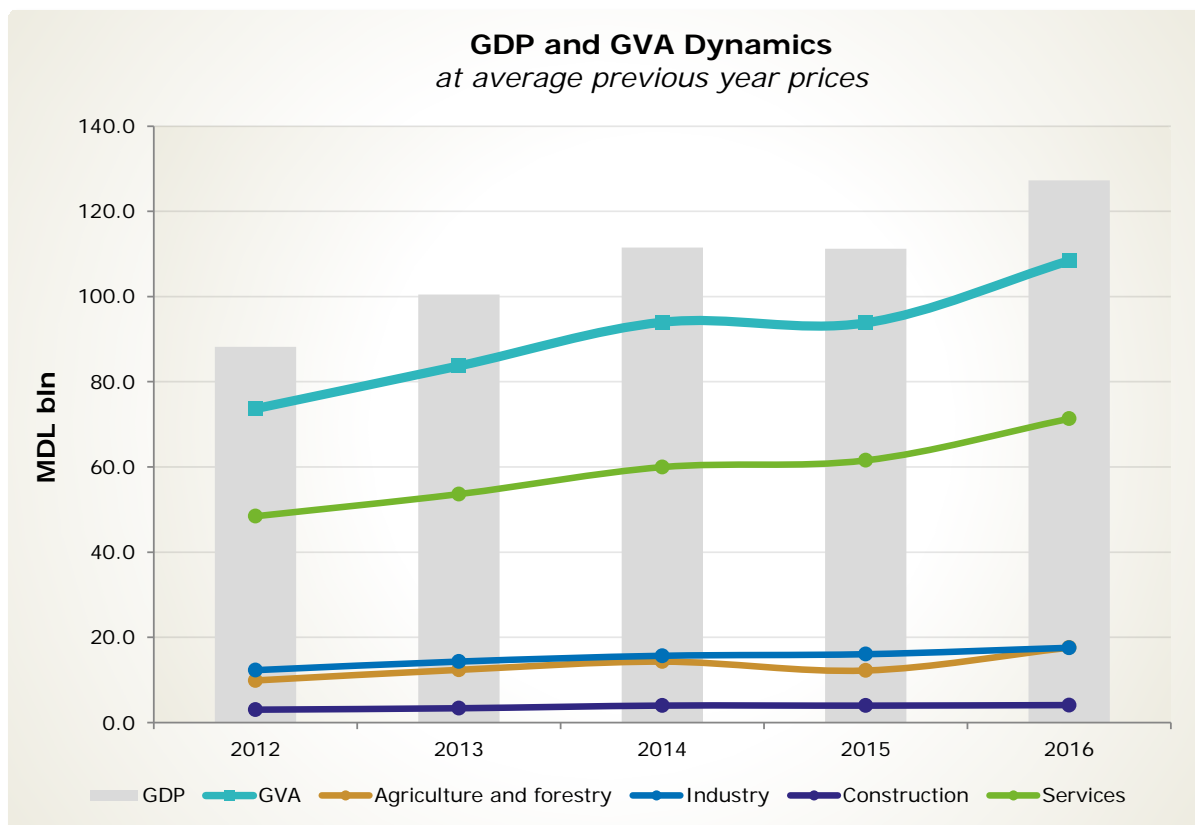
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by real 4.1% y/y in 2016, compared to a 0.5% y/y decrease a year earlier

The country's GDP increased by real 4.1% y/y and totalled MDL 127.2 bln in 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 12.3% y/y in 2016. Gross capital formation jumped by 14.2%, contributing 23.4% to the GDP. Exports grew by 21.0%, while imports increased by 15.0%.



Source: NBS

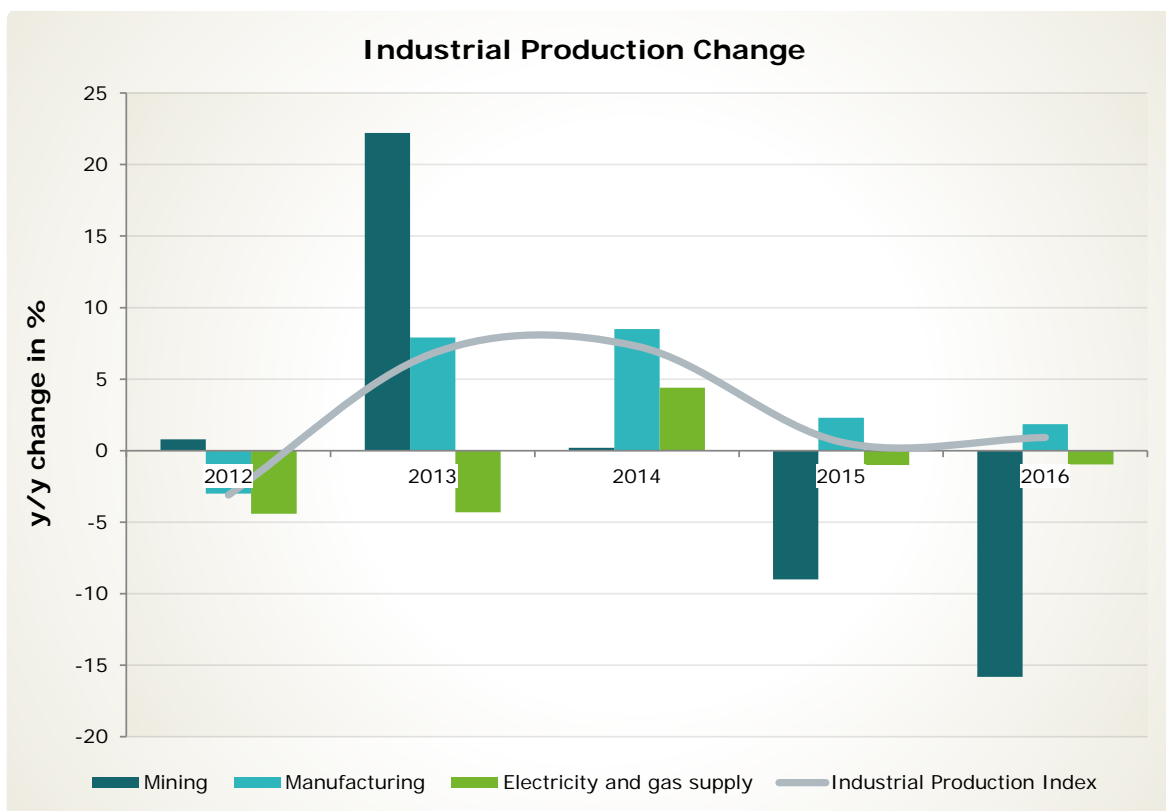
The gross value added (GVA) generated by the national economy rose by 15.5% y/y in 2016 and totalled MDL 108.4 bln. The industrial sector grew in value by 9.4% y/y, but its share in the GVA structure narrowed to 16.2% from 17.1% in the previous year. The services sector recorded a 15.9% annual increase, slicing a 65.8% share in the GVA against 65.6% a year earlier. The agricultural sector registered an annual jump of 43.9%, slicing a 16.2% share in the GVA, up from 13.0%. The construction industry marked an increase of 3.2%, but its share in the GVA decreased to 3.8% from 4.3%.

2.2. INDUSTRIAL OUTPUT

Industrial output went up by 0.9% y/y in 2016

Industrial output inched up by 0.9% on the year in 2016, according to NBS. The manufacturing industry reported an annual rise of 1.8%, while the output of the mining and the electricity and gas supply industries dropped by 15.8% and 1.0%, respectively.

Manufacture of wood and of products of wood and cork, except furniture recorded the highest annual growth, by 50.2%. Production of soft drinks and bottled water was on the other end with a 35.5% fall.

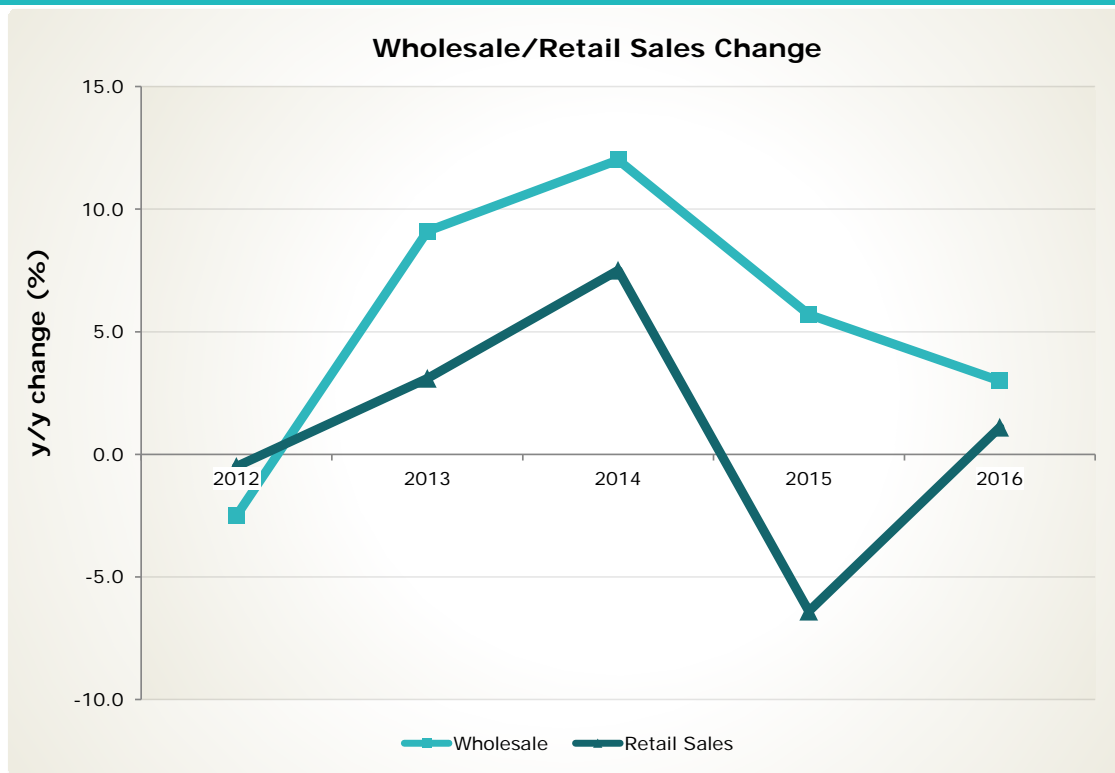


Source: NBS

2.3. WHOLESALE/RETAIL

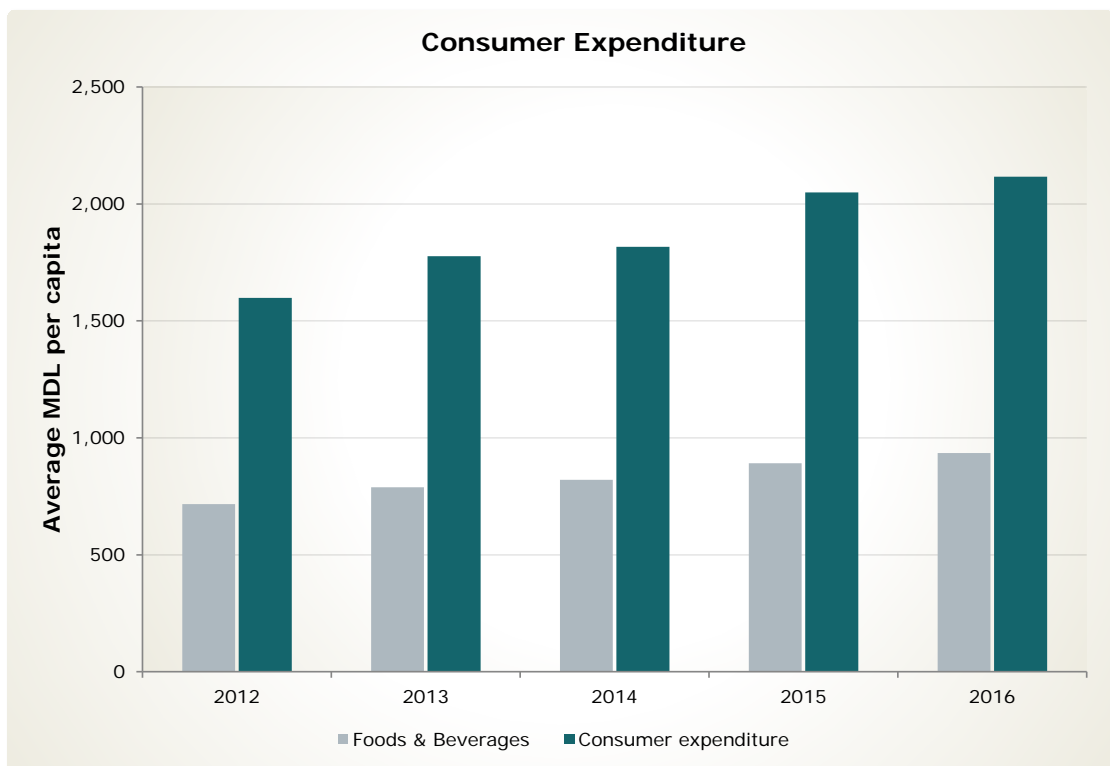
Wholesale and retail sectors went up y/y in 2016

The wholesale sector grew by 3.0% y/y in 2016, according to NBS data. The turnover of the retail sector also marked an annual increase, of 1.1%.



Source: NBS

In 2016 average consumer expenditure per capita in Moldova increased by 3.3% to MDL 2,117 from MDL 2,049 in the previous year. The food and beverages product group marked a faster y/y growth, of 4.9%, to MDL 934.



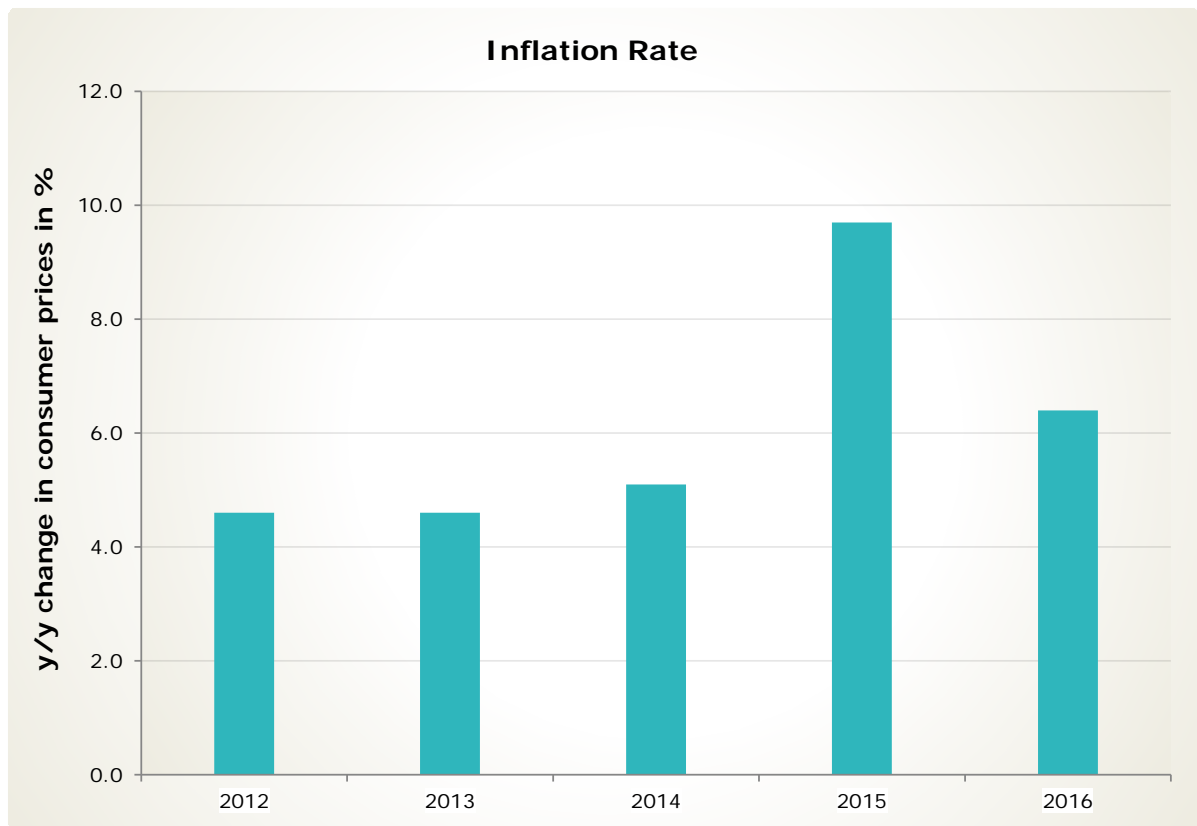
Source: NBS

2.4. INFLATION

Average annual inflation of 6.4% in 2016

Moldova registered average annual inflation of 6.4% y/y in 2016, according to NBS.

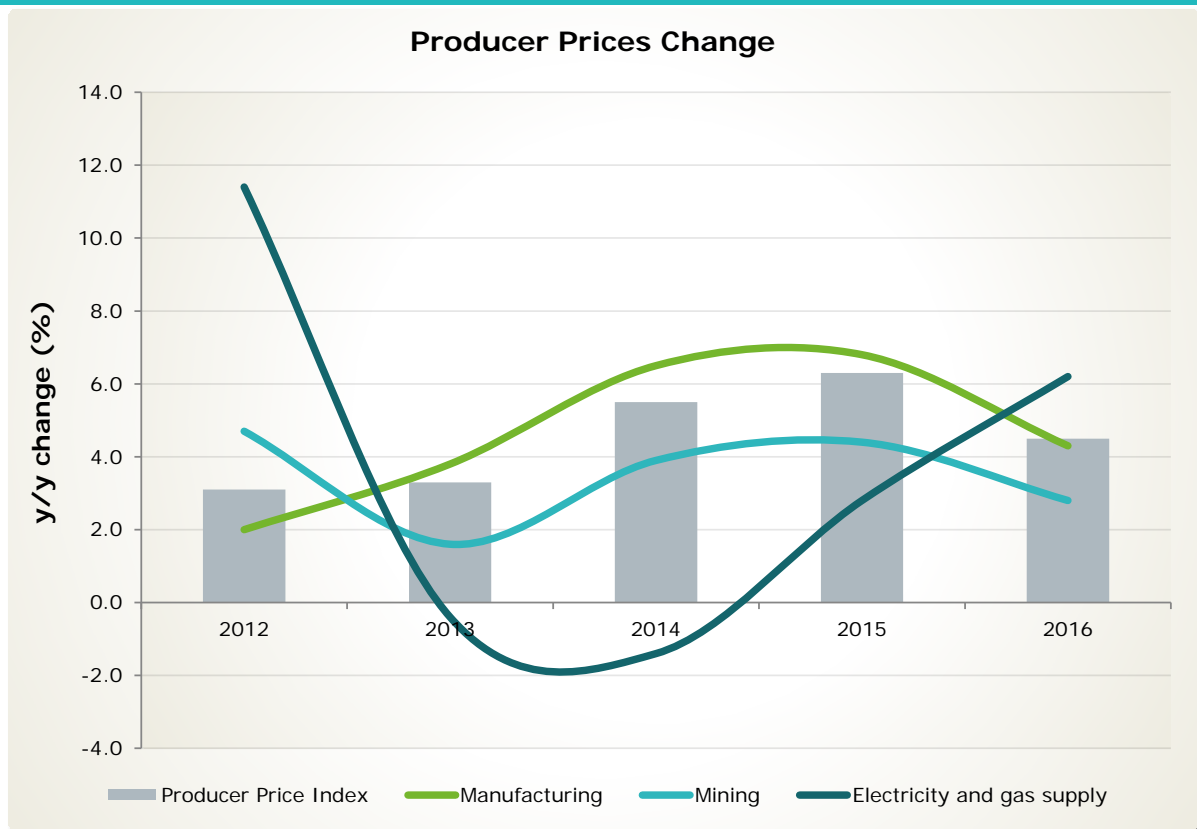
Food products was the leading consumer group in terms of average annual inflation with 7.4%, while non-foodstuff products came second with 6.3%, followed by services with 4.9%.



Source: NBS

Producer prices grew by 4.5% y/y in 2016 with all industries registering positive growth – from 2.8% for mining, through 4.3% for manufacturing, to 6.2% for electricity and gas supply.

Segment wise, producer prices grew the most, by 24.5%, in the manufacture of sugar, while the sharpest decline, of 15.8%, was reported in the manufacture of coke and refined petroleum products.



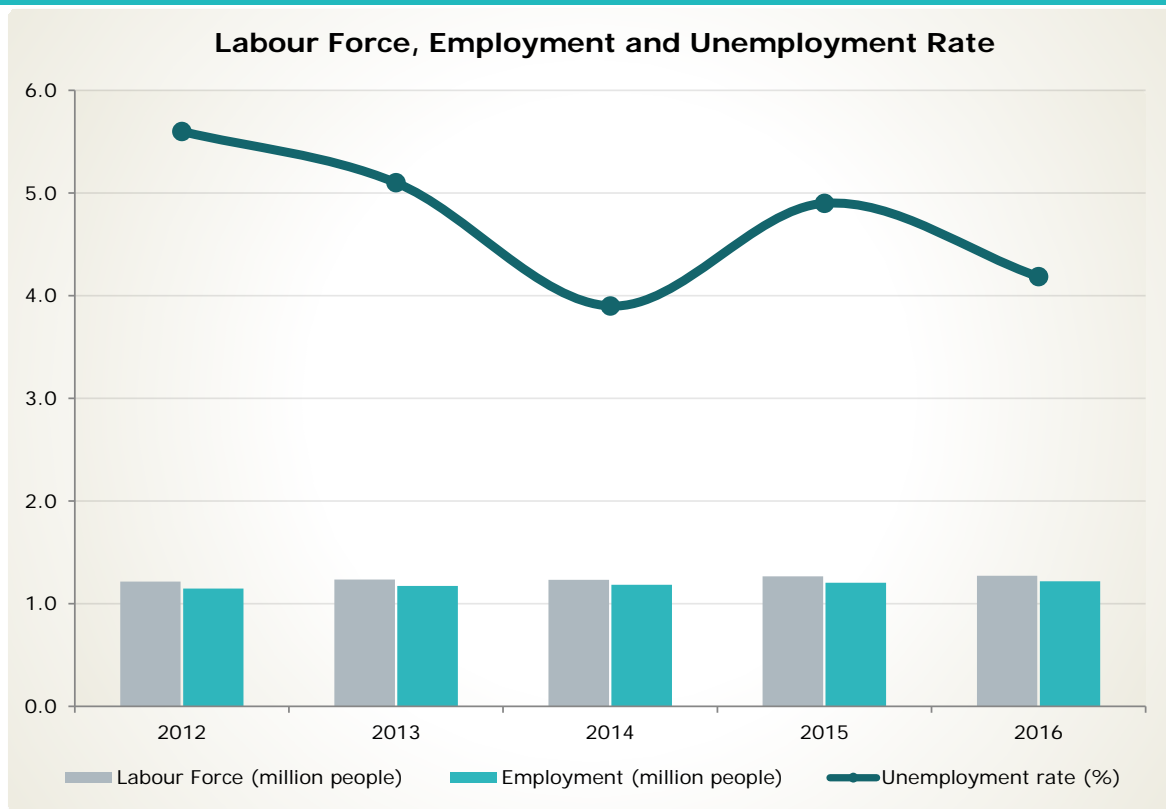
Source: NBS

3. LABOUR MARKET

Unemployment rate at 4.2%, wages up 10.3% y/y in 2016

Unemployment in Moldova narrowed to 4.2% in 2016 from 4.9% a year ago, according to data of NBS.

The employed population aged 15 years and older was 1.220 million in 2016, up 1.3% y/y.



Source: NBS

According to data of NBS, the average gross monthly salary in 2016 rose by 10.3% y/y to MDL 5,084. In the public sector it was MDL 4,360 and in the private – MDL 5,390. The highest average salary was registered in the computer programming, consultancy and related activities, of MDL 14,790, while the employed in fishing and aquaculture sector earned the lowest monthly average wage - MDL 2,670.

4. CONSTRUCTION AND REAL ESTATE

The value of construction works went up by 1.1% y/y in 2016

The value of construction works carried out in Moldova in 2016 inched up by 1.1% y/y and totalled MDL 8.177 bln, according to NBS data.

Of the total, works on civil engineering projects amounted to MDL 3.543 bln, residential projects stood at MDL 2.322 bln, and non-residential buildings construction was valued at MDL 2.033 bln.

5. MONEY SUPPLY AND BANKING SYSTEM

5.1. MDL EXCHANGE RATE

The average exchange rate of the MDL against the EUR rose to MDL 22.0548 in 2016 from MDL 22.8099 in 2015, according to the National Bank of Moldova's (BNM) data.

MDL Average Exchange Rate				
Foreign Currency	2016	2015	2014	2013
USD	19.9238	19.9112	14.0388	12.5907
GBP	27.0353	30.2266	23.1178	19.7072
CHF	20.2323	20.1015	15.3402	13.5903
EUR	22.0548	21.8099	18.6321	16.7241

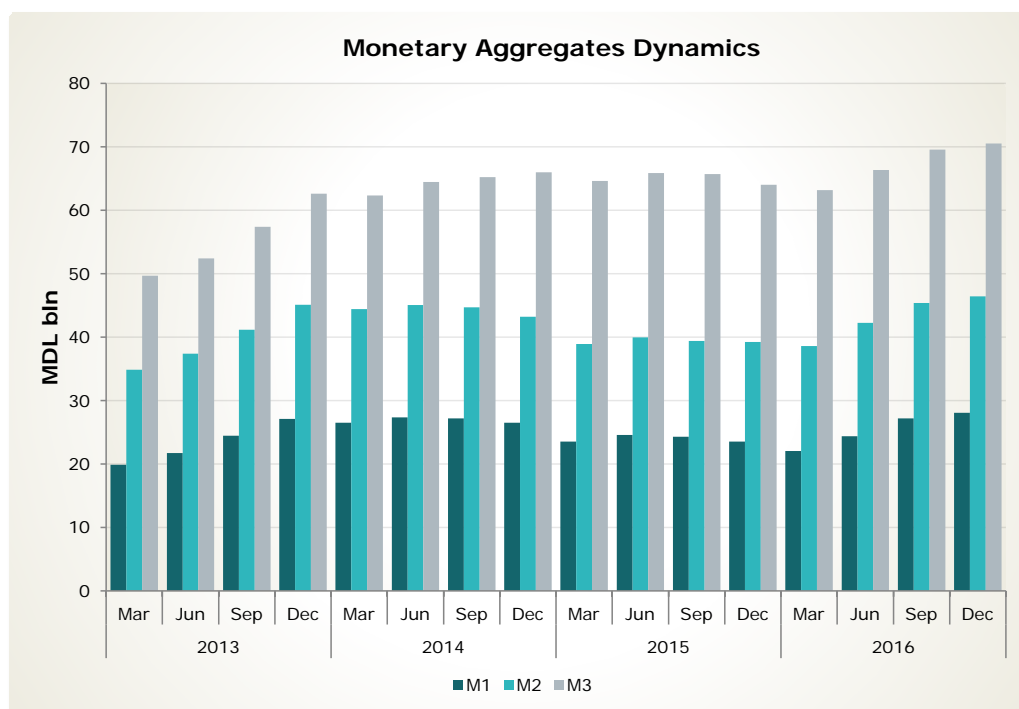
5.2. MONETARY AGGREGATES

Money supply up by 10.2% y/y at end-December 2016

Broad money (money aggregate M3) increased up by 10.2% y/y to MDL 70.520 bln at the end of 2016, according to data provided by BNM.

The M2 money supply went up by 18.3% y/y to MDL 46.430 bln.

Money aggregate M1, or narrow money, jumped by 19.2% to MDL 28.091 bln.



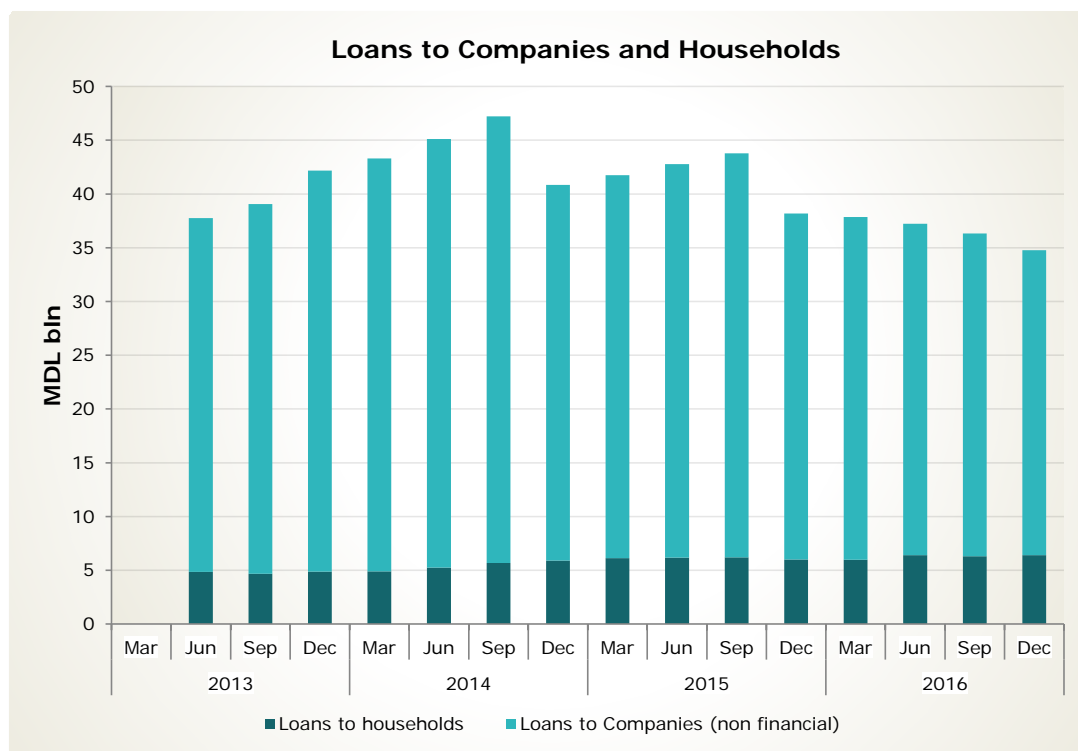
Source: BNM

5.3. BANKING AND INSURANCE

Household loans increased by 6.6% y/y as of December 2016

Loans to the non-government sector totalled MDL 34.761 bln as of end-December 2016, down by 9.0% compared to a year ago, according to BNM.

Loans to non-financial corporations sank by 11.9% y/y to MDL 28.347 bln, while household loans went up by 6.6% to MDL 6.414 bln.



Source: BNM

At end-December 2016 the assets of the banking system totalled MDL 72.947 bln, while a year earlier they amounted to MDL 68.790 bln.

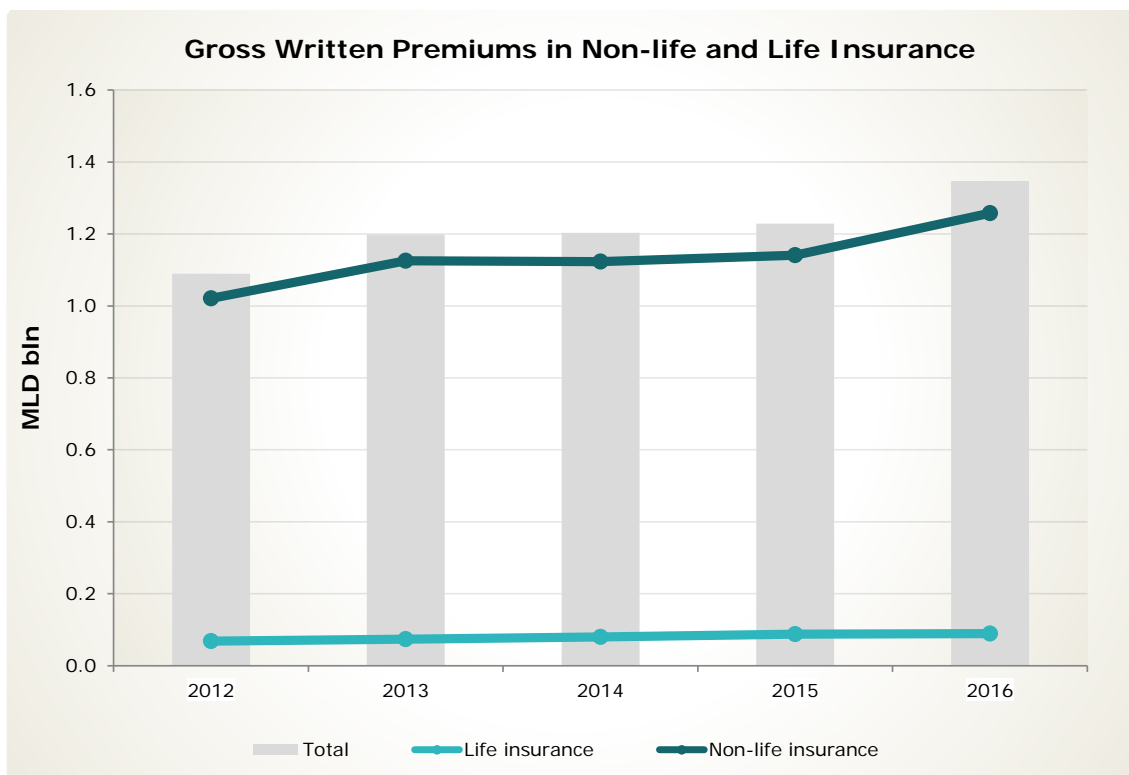
The banking sector's net profit jumped to MDL 1.478 bln in 2016 from MDL 1.144 bln a year ago.

Insurance premium income up 9.7% y/y in 2016

The total gross written premiums (GWP) of the non-life and life insurance companies in Moldova stood at MDL 1.347 bln, up by 9.7% y/y in 2016, according to the National Commission for Financial Markets.

The growth was thanks to the 10.2% annual jump, to MDL 1.258 bln, of the non-life insurance market's GWP, while the life insurance segment increased by 1.9% y/y to MDL 89.179 mln.

In the non-life insurance sector the leading segment in terms of GWP was motor vehicle liability with MDL 652.7 mln, followed by insurance of land vehicles with MDL 256.9 mln, and insurance against fire and other natural disasters with MDL 87.8 mln.



Source: National Commission for Financial Markets

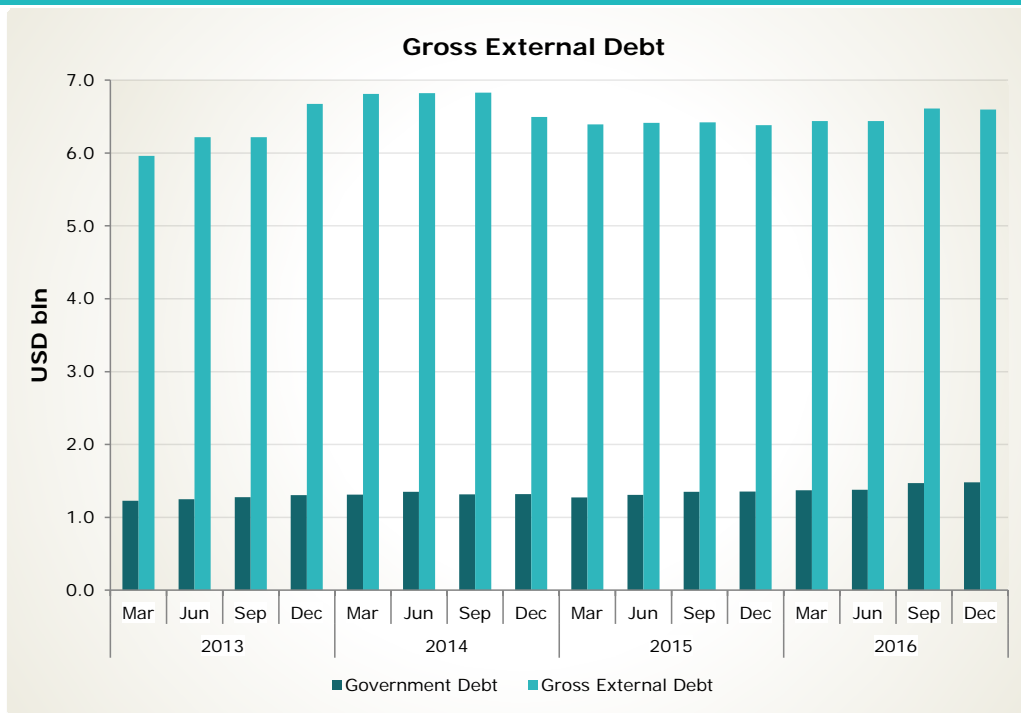
6. EXTERNAL SECTOR

6.1. FOREIGN DEBT

The gross external debt amounted to USD 6.595 bln as of December 2016

The gross external debt totalled USD 6.595 bln as of December 2016, according to central bank data. It went up by 3.3%, or USD 213.5 mln, compared to the end of 2015.

At the end of 2016, long-term liabilities inched up by 0.7% y/y and amounted to USD 3.062 bln, or 46.4% of the total debt. Short-term liabilities came in at USD 2.451 bln, by 9.4% more than a year earlier, equal to 37.2% of the total debt.

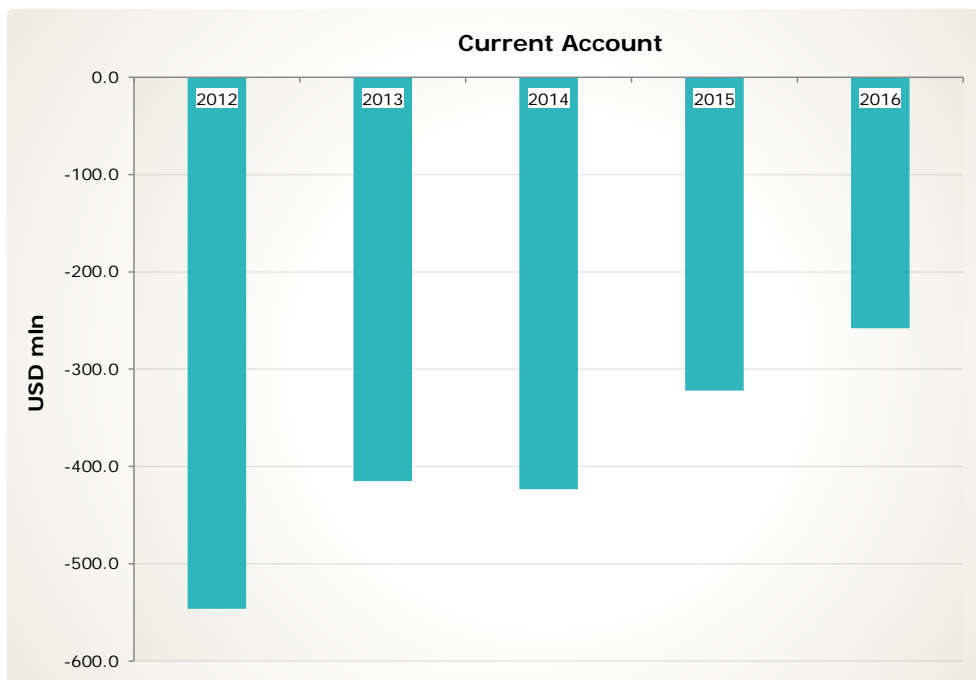


Source: BNM

6.2. BALANCE OF PAYMENTS

Current account deficit at USD 258.0 mln in 2016

The current account deficit narrowed to USD 258.0 mln in 2016 from USD 322.0 mln a year ago, according to central bank statistics data. The net current transfers in 2016 went down by 3.3% to USD 1.133 bln from USD 1.171 bln in 2015.



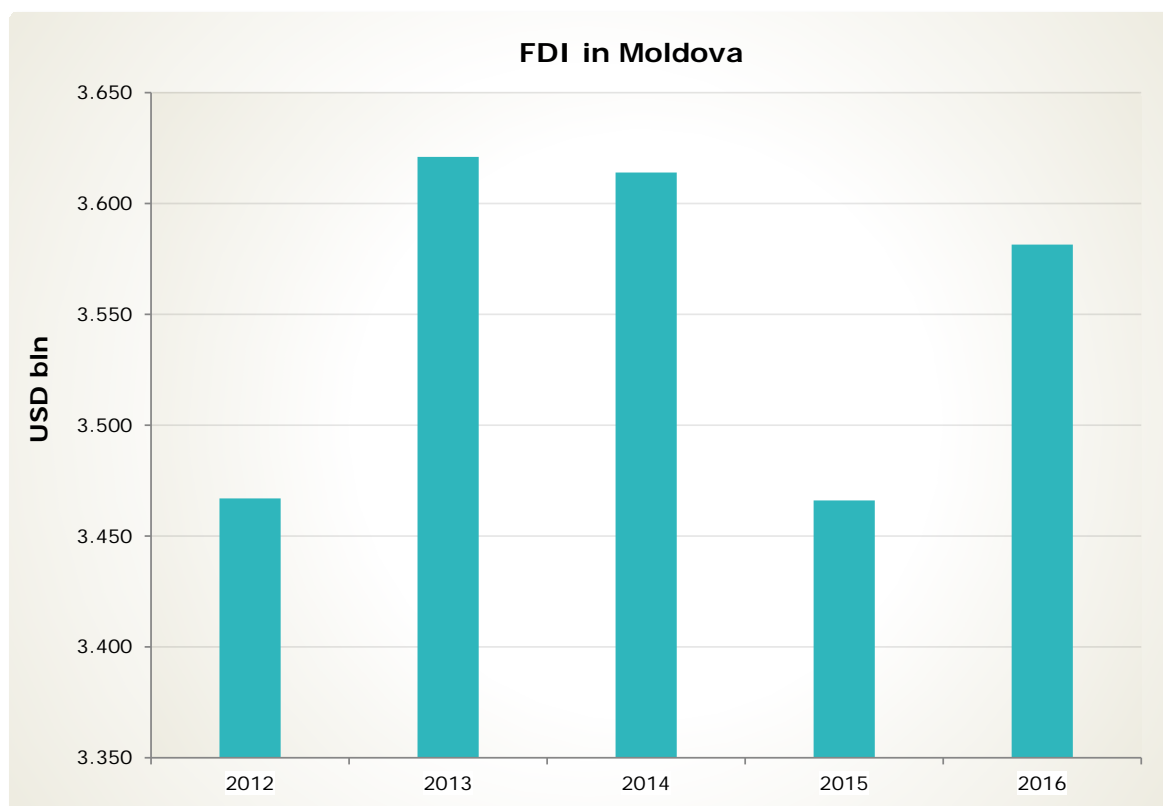
Source: BNM

6.3. FDI

Net FDI at USD 3.581 bln in 2016

Net foreign direct investments (FDI) in Moldova totalled USD 3.581 bln at end-2016, according to BNM data. In the previous year, the FDI were USD 3.466 bln, and as of end-2014 their value came up to USD 3.614 bln.

Of the total, equity capital investments amounted to USD 2.002 bln, reinvested earnings came in at USD 686.5 mln and other capital investments made up the remaining USD 892.4 mln.



Source: BNM

6.4. FOREIGN TRADE

Foreign trade deficit down by 2.2% y/y in 2016

The trade deficit stood at USD 1.975 bln in 2016, compared to USD 2.020 mln a year earlier, according to NBS.

In 2016, Moldova's main export markets were Romania, which accounted for 25.1%, or USD 513.1 mln of the total exports, followed by Russia, with an 11.4% share equal to USD 233.2 mln and Italy with a 9.7% share, or USD 198.3 mln.

Most of Moldova's imports came from Romania – USD 551.5 mln, or 13.7% of the total, Russia followed with USD 535.2 mln, a 13.3% share, and China was the third major importer with USD 393.7 mln, representing a 9.8% share.



Source: NBS

6.5. TOURSIM

Number of foreign tourist overnights decreased by 2.6% y/y in 2016

Tourist overnights of foreigners shrank by an annual 2.6% to 246,470 in 2016, according to NBS data. However, the number of foreign citizens who visited the country jumped by 28.6% to 121,340.

The share of foreign tourists in the total overnights in Moldova inched down to 16.7% from 16.8% a year ago.



Source: NBS

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