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THE ANALYSIS OF THE DYNAMIC EVOLUTION OF REMITTANCES IN MOLDOVA AND ITS ROLE IN FORMATION OF MONEY SUPPLY

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Remittances are one of the most studied aspects of migration in Moldova and have an important role in boosting domestic demand, but their high level and low investments are factors that determine a high degree of vulnerability of the economy. The current reduction in remittances in terms of investment failure will immediately affect consumption and GDP growth, which already is observed. Moreover, remittances lead to currency depreciation, conditioning more expensive exports from Moldova. The first signs of decreasing remittances have led to currency depreciation. So remittances influence monetary policy as a result of growth of money supply, increased demand and intensifying inflationary risks.

The national economy remains dependent on remittances from citizens working abroad and this dependence starts to wear on an even more alarming feature because remittances volume is declining due to the effects of regional-economic and financial crisis. This means that the national economy is facing major problems and to solve them is necessary to lead urgent and sustainable measures.

Keywords: *money supply, remittances, money transfers, currency exchange rate.*

ANALIZA EVOLUȚIEI DINAMICE A REMITENȚELOR ÎN REPUBLICA MOLDOVA ȘI ROLUL LOR ÎN FORMAREA MASEI MONETARE

Remitențele sunt unul dintre cele mai cercetate aspecte ale migrației din Republica Moldova și au un rol important în creșterea cererii interne, dar nivelul înalt al acestora și investițiile reduse sunt factori care determină un grad înalt de vulnerabilitate a economiei naționale. Reducerea actuală a remitențelor în condițiile insuficienței de investiții va afecta imediat consumul și creșterea PIB-ului, ceea ce deja se observă. Remitențele conduc la aprecierea monedei naționale, condiționând scumpirea exportului din Moldova. Primele semne de scădere a remitențelor au determinat și deprecierea monedei naționale. Deci, remitențele influențează politica monetară, ca rezultat al creșterii masei monetare, sporirii cererii și intensificării riscurilor inflaționiste.

Economia națională continuă să rămână dependentă de remitențele cetățenilor plecați la muncă peste hotare și această dependență începe să poarte un caracter și mai alarmant, deoarece volumul remitențelor este în scădere – efect ale crizei economico-financiare regionale. Aceasta denotă faptul că economia națională se confruntă cu probleme majore, iar pentru soluționarea lor se impune realizarea unor măsuri urgente și durabile.

Cuvinte-cheie: *masă monetară, remitențe, transferuri bănești, curs valutar.*

Introduction

Remittances represent migrants' incomes remitted continuously or occasionally to ensure, as a priority, financing of consumption needs, and purchase of real estate, consumer goods and durable human capital development of family members. They are delivered as long as they keep social ties between the emigrant and his family / relatives / friends. Their flow can be reduced sharply if mass reuniting families abroad, disintegration of families after spouses' separation, separation of children from parents, etc. [1].

Remittance' payer is the person who gives money remittance order where there is no payment account. Remittance beneficiary is the person who is the recipient of funds which have been the subject of a money remittance payment transaction. Client - payer or payee who has payment, releases, returns or cancels the remitted money via a money remittance system [2-4].

Money transfers to individuals (residents and non-residents) via Moldovan banks exceeded 12 billion USD in the years 1999-2013, an amount that exceeds three times the value of the stock of foreign direct investment. Analysing the percentage of remittances in GDP, Moldova ranks the third place in Europe and Central Asia after the percentage of remittances from emigrants in GDP. The first two places in the rankings are held by Tajikistan and Kyrgyzstan, with 48 and 31 per cent respectively. Our country is followed by Armenia, Georgia, Bosnia and Herzegovina, Montenegro, Serbia, Albania and Ukraine.

The main countries that generate remittances in Moldova are Russia and Italy. The reduction in remittances from migrants in the country from Russia contributed to the depreciation of national currency. About two thirds of the total volume of remittances in Moldova come from Russia and back in the situation in which ruble became cheaper about 2 times, this can predict a decline in remittances.

Methods and materials applied

The research was performed on the basis of specialty literature, official data published by the National Bureau of Statistics and the National Bank of Moldova, as well as regulations based on information taken from commercial banks and from periodicals.

For account information collected and investigations were applied the following methods: induction, deduction, analysis, synthesis, abstraction. To present the results obtained through analytical calculation method was used graphic and tabular method. The conclusions were formulated using the method of induction and scientific abstraction.

The obtained results and discussion

Remittances are one of the most studied aspects of migration in Moldova. So, remittances are inextricably linked to the migration of workforce. To develop optimal strategies for remittances, it is necessary to assess the short-and long-term trends of emigration and to clarify the intentions of migrants across their returning to their homeland and family reunification.

Table 1

The number of emigrants by age category and gender, thousands

The age group	Years					
	2013		2014		2015	
	Men	Women	Men	Women	Men	Women
15-24 years	53,8	18,2	50,1	19	54,4	17,9
25-34 years	82,6	28,7	82,2	29,5	86,6	34,6
35-44 years	45	27,6	46,1	28,5	42,3	29,3
45-54 years	31,2	28,2	31,1	30,3	27,6	31,4
55-64 years	5,9	7	7,3	8,2	8	9,2
65 years and above	0,1	0,1	0,1	0,2	0,1	0,5

Source: elaborated by the author based on source [5].

The data in Table 1 shows that in the last year of analysis increased the number of men aged 15-24 who left to work abroad from 53.8 thousand people in 2013 to 54.4 thousand people in 2015, increases were recorded in the age group 25-34 years, namely 4000 to 2015 compared to 2013 and by 4.4 thousand people compared to 2014.

From the total percentage of female emigrants was 36% in 2015 was 1% higher compared to 2014 and 3% higher compared to 2013. From the total women of working abroad the highest number recorded under the age of 25-34, followed by age 45-54.

Moldovan emigrants have a quite advanced educational profile, which simplifies their integration into host societies. According to data published by the National Bureau of Statistics, in 2013 the emigrant population was distributed by education level as follows: 10.4% had higher education degree, 12.1% – with specialized secondary education, 26.4% – with secondary vocational education, about 24.3% – high school education, 26.0% – with secondary education and 0.7% – with primary or no education. Compared to the situation a decade ago, the percentage of migrants at the extremes of the educational level visibly increased (+3 percentage points for those with higher and 8.6 percentage points for those with primary and secondary education).

The flow of remittances from people who work abroad has shown a steady increase since 1999, but then subsequently reduced. Moldova remittances from abroad through banks began to decline sharply due to the crisis and set a record in reverse. The reductions were due to local devaluation of local currencies against the dollar, to calculate the total amount of transfers. According to National Bank in January 2016 through licensed banks were transferred from abroad to individual's cash net worth of 58.60 mln. USD (which is 16.2% less than in January 2015).

In the first months of the years 2013 and 2014, Moldovans settled abroad transferred in the country equal amounts of money - 600 mln. USD. In 2015, however, remittances fell by about 25%. In April and May, the difference was even greater. If the value of transfers in 2014 amounted to 299 mln. USD, then in 2015 they were transferred by almost 60% less.

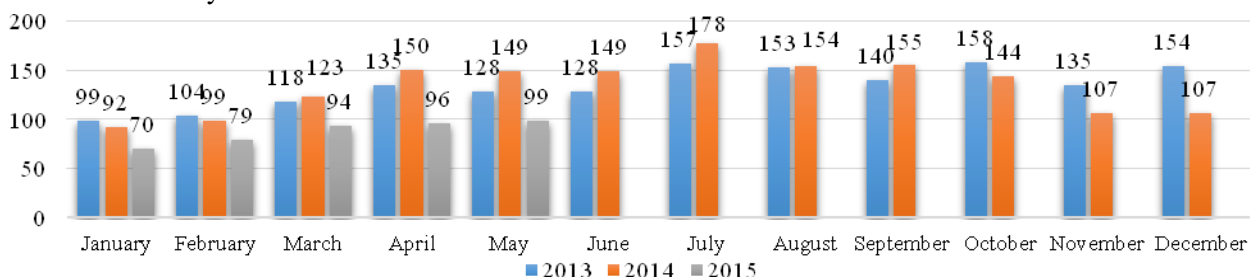


Fig.1. Money transfers from abroad to individuals in 2013-2015 in Moldova.

Source: elaborated by the author based on source [6].

Analysing the data in Figure 1 we notice that in May 2015 the net amount transferred was equivalent to 99 mln. USD, about 50 mln. less than in the same period of 2014 (148.6 mln. USD) which means a decrease of 33% compared to 2014.

Overall, in the first 5 months of this year the net transfers totaled 437.8 mln. USD, while in the same period of 2014 to 612.8 mln. USD. The decrease of aggregated data on five months was 28.5%. If we compare with previous years, then we observe that in May, 2013 transfers totaled 128.3 mln. USD in 2012 to 129.1 mln. USD, in 2011 – 116.5 mln. USD, in 2010 – 96.4 mln. USD, in 2009 to 89.8 mln. USD for 2008 - 131.3 mln. USD. With a percentage of 85% from the funds were transferred through systems of money remittance: Anelik, Avers, Blizko, Caspian Money Transfer, Contact, Inter Express, Leader, Money Gram, Privat Money, RIA Money Transfer, Strada Italia, Trabex, Unistream, Western Union, Zolotaya Korona etc.

According to the National Bureau of Statistics in January 2016 through licensed banks there were transferred from abroad to individuals net cash worth of 58.60 mln USD (16,2 percent less compared to January 2015).

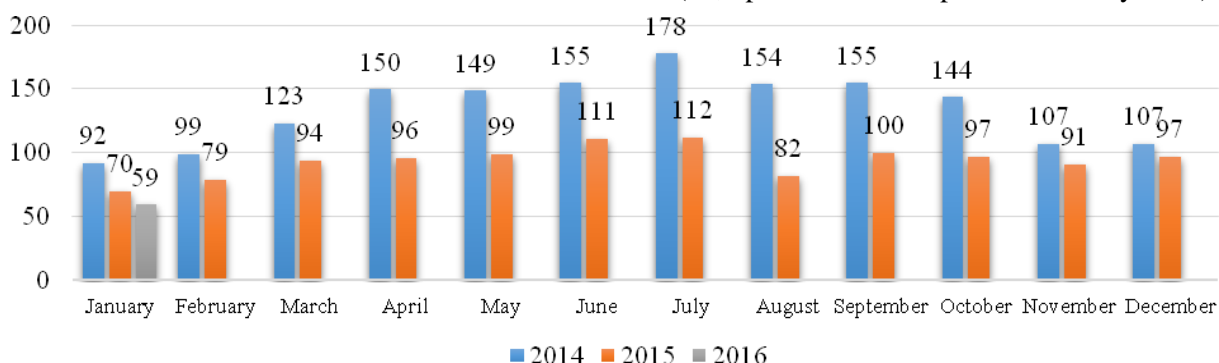


Fig.2. Money transfers from abroad to individuals, the monthly dynamics 2014 – January 2016 (mln.) USD.

Source: elaborated by the author based on source [7].

Exchange rate fluctuations of original currencies against the USD contributed by 4.9 percentage points to the decrease of total transfers in January 2016, while the actual diminishing transfers (eliminating the effect of exchange rates by recalculating the amounts during that period the previous year) was 11.2 percent.

The gross distribution of foreign exchange transfers through money remittance systems in May of 2015, is presented as follows: Euro (42.2%), USD (27%), RUB (23.8%) and MDL (7%). The currency structure of gross transfers through money remittance systems currencies reflects the amounts transferred were raised by individuals (regardless of original currency transferred from abroad).

Currently remittances have become the main source of income for the population and were characterized by an increase since 2000.

Table 2

**Average monthly available income per person taken after its source in the period 2013-2015
in Republic of Moldova, lei**

Source of income	2013				2014				2015			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Available income -total	1560	1668	1756	1743	1651	1757	1787	1878	1854	1997	2006	-
Salary activity	663	728,1	734,6	674,7	703,5	755,9	727,4	753,6	745,8	866,5	787	-
Agricultural individual activity	142,4	167,5	154,9	147	167	182,4	161,2	165,8	177,4	186,6	167,6	-
Income from Individual Non – Agricultural Activity	99,7	106,1	126,1	131,4	97,3	97,9	118,5	152,4	98,8	133,1	150,4	-
Income from Property	4,9	1,9	3,6	2,8	2,3	0,6	1	3,4	3,6	2,6	4	-
Social Benefits	302,9	313,9	356,2	363,5	330,4	330,6	381,5	388,9	395,5	397,8	424,8	-
- pensions	249,6	268,9	317,5	295,1	294,1	290,5	326,5	331	329,1	318,7	366,3	-
- allowances for children	12,7	13,1	11,6	14,9	13,5	16,8	19,6	14,9	16,6	24	17,4	-
- compensation	0,8	0,1	0	0	-	-	-	-	-	-	-	-
- social assistants	14,7	7,3	7,4	8,5	5,8	3,7	5,1	5,1	4,2	8,5	7	-
Other incomes	347,6	350	380,3	423,6	350,5	389,2	397,8	413,8	432,6	410,6	472,5	-
- remittances	258,5	273,1	306,4	326,6	279,9	303	321,2	342,9	345,3	326,4	391,1	-

Source: elaborated by the author based on source [8].

From the data of Table 2 there is an increase in the value of remittances available for a person. So they rose by 69.9 lei in the third quarter of 2015 compared to the same period of 2014, compared with 2013 by 84.7 lei. This increase can be explained by reducing the number of people who benefited from remittances. These changes have caused fluctuations in the percentage of remittances in total available income per person between which varies from 16 to 19.5%. In 2015 the percentage of remittances in total sales revenue was reduced to 0.03 p.p. in Q2 compared to the same period of 2013, and compared to the time period of 2014 to 0.91 p.p., while in quarters 1 and 3 were recorded increases.

If we look at the percentage of remittances in the total income of the population per residence areas we notice an essential discrepancy (Figure 3).

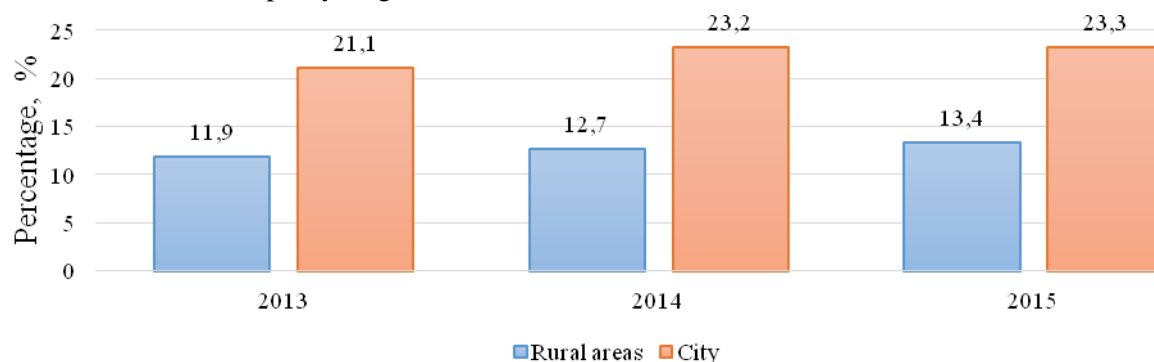


Fig.3. The percentage of remittances in the total income of the population per residence during 2013-2015 in Moldova.

Source: elaborated by the author based on source [8].

Based on the survey included in Figure 3 we see that the largest percentage of remittances in the total income of the population is concentrated in rural areas. This was increased in 2015 compared to the base year 2013 by 2.2 p.p. and 2014 compared to the previous year by 0.1 p.p. In the urban area the percentage of remittances in total revenues is 9.9% lower than in rural areas. It increased in 2015 compared to previous years 1.5 p.p., accordingly, 0.7 p.p.

A great importance is attributed to the remittances distributed on the regions of development and their percentage from the total income of the population in each region.

Table 3

Remittances as a source of monthly income per person of statistical regions years 2013-2015

Economic Region	2013		2014		2015		Deviations ±, year 2015 compared to:			
	Lei/ person	% The percentage of remittances in the total of income	Lei/ person	% The percentage of remittances in the total of income	Lei/ person	% The percentage of remittances in the total of income	lei	p.p.	lei	p.p.
Chisinau	130,8	6,3	186,2	8	145,7	6,4	+14,9	+0,1	-40,5	-1,6
North	292,1	20,7	348,8	22,2	396,8	23,4	+104,7	+2,7	+48	+1,2
Center	262,2	19,9	286,7	19,9	332,3	21,2	70,1	+1,3	+45,6	+1,3
South	264,3	21,2	338	23,8	356,1	23,3	+91,8	+2,1	+18,1	-0,5

Source: elaborated by the author based on source [9].

From the data in Table 3 we see that the bulk of remittances is concentrated in the north of the country, followed by the south and the center. Monthly average remittances counted for a person in the north of the country rose in 2015 compared to the year 2013 by 104.7 lei, while the previous year in 2014 by 48 lei per person. Increases were recorded in all regions of the country.

Analysing the percentage of remittances in total income of the population we notice that it increased in 2015 compared to previous years in almost all areas of the country, excluding the southern region and Chisinau, when it declined in 2015 compared to 2014 by 0.5 p.p and 1.6 p.p.

High unemployment and low incomes of the population simulate labor migration. Labor migration and remittances amplification always had a positive impact on the living standards of the population and the labor market situation. One of the main drawbacks, but the external migration of the last decade is the highly asymmetric flows of emigrants, migration destination priority being given to the Russian Federation.

According to geographic origin of transfers to individuals the highest percentage is held by the CIS and the European Union (Figure 4).

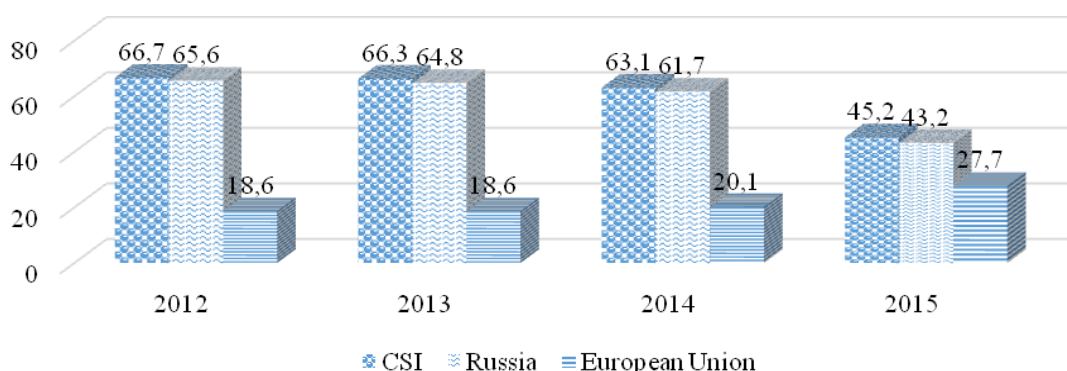


Fig.4. The dynamic of the transfers' geographical structure from abroad in the favour of individuals in 2012-2015.

Source: elaborated by the author based on source [7].

According to the data presented in Figure 4, transfers from CIS countries in 2015 has returned 45.2 percent, which is 17.9 p.p. less than in 2014. Transfers from the European Union in 2015 recorded a percentage of 27.7, which is 7.6 p.p. less than in 2014. Accordingly, transfers from other countries, except CIS and EU, constituted 16.8 percent in 2014 and 2.1 percent in 2015. Between 2014 and 2015, the percentage of transfers from Israel, USA and Turkey were respectively 78.1% and 77.8% of all other states.

Transfers from Russia hold a major position of 95.6 percent from the total from the CIS. Moldova is in 7th place among the CIS countries according to remittances volume from Russia. Transfers from other CIS countries following shares: Kazakhstan (1.7 percent), Ukraine (1.3 percent), Belarus (0.6 percent), Azerbaijan (0.4 percent) and the rest of the CIS – 0.4 percent [14].

Within the European Union transfers, transfers in Italy have the largest share, 42.2 percent, followed by transfers from the United Kingdom (11.5%), Germany (9.5%), France (6.8%), Romania (3.7%), Spain (3.7%), Cyprus (3.4%), Ireland (2.8%), Portugal (2.6%), Belgium (1.8%), Greece (1.7%), Czech Republic (1.5%) and Poland (1.3%).

Volume and structure of remittances can influence the money supply by their contribution to the formation of M2. Measuring the quantity of money depends on the choice criteria based on which, on the one hand, there are recorded holders and considered forms of currency, and on the other hand, it establishes the distinction between monetary and non-monetary financial assets.

To analyse the structure of money supply, monetary aggregates are used. These are indicators established used to measure a specific component of the money supply, component that has a proportional autonomy within the overall and specific functions.

Money supply (aggregate) M2 of the country changes under the influence following:

1. Acquisition of real estate and shares imported by non-residents on currency that they bring;
2. National Bank of Moldova requirements for the regulatory capital increase of the banks;
3. Remittances from emigrants;
4. External loans;
5. Foreign currency repatriation (with subsequent conversion into local currency) of exports.

In Republic of Moldova, size of monetary aggregates has evolved during the years 2012-2015 as follows:

Table 4

The evolution of monetary aggregates in the period 2013-2015 in Moldova, million lei

Indicator	Years			Deviations ±, year 2015 compared to:	
	2013	2014	2015	2013	2014
M0 (circulating currency)	13240,8	17550,5	17508,7	+4267,9	-41,8
Sight deposits	7366,5	9569,3	9004,5	+1638	-564,8
M1 (monetary aggregate)	20607,3	27119,8	26513,2	+5905,9	-606,6
Term deposits	14307,2	17997,4	16706,8	+2399,6	-1290,6
Money market instruments	0,1	0,0	0,0	-0,1	-
M2 (monetary aggregate)	34914,6	45117,1	43220,0	+8305,4	-1897,1
Deposits in foreign currency	14598,6	17514,4	22753,0	+8154,4	+5238,6
M3 (monetary aggregate)	49513,2	62631,5	65973,0	+16459,8	+3341,5

Source: elaborated by the author based on source [10].

Calculations in Table 4 allow us to conclude that in 2015 the monetary base was increased by 4267.9 mln. lei (32 %) compared to 2013 and amounted to 17508.7 mln. lei. The increase in money base was determined by the positive evolution of net foreign assets and net domestic assets of the National Bank of Moldova. Money supply M1 during the reporting period increased in 2015 compared to 2013 by 5905.6 mln. lei and decreased by 606.6 mln. lei compared to 2014 due to reduced demand deposits with 564.8 mln. lei and reducing monetary aggregate M0 41.8 mln. lei.

Monetary aggregate M2 increased in 2015 compared to 2013 by 8305.4 mln. lei and was reduced by 1897.1 compared to 2014. These changes were caused by changing monetary aggregate M1 and term deposits.

At the same time, money supply M3 in 2015 increased by 16459.8 mln. lei compared to previous years, respectively, 3341.5 mln. lei.

Analysis of passive components of broad money (M3) shows that its increase was driven by changing balance of deposits in foreign currency, which increased by 8154.4 mln. lei, and respectively, 5238.6 mln. lei.

During the analysed period, the main factors that led to the increase in the monetary aggregate (M0) were net releases for the purchase of foreign currency by individuals and the deposit accounts of individuals from

cash banks. Money supply increase M3 during the reported period was driven by growth in net foreign assets of the banking system.

Monetary aggregate M2 can be changed under the influence of remittances. In determining this influence some calculations will be performed in Table 5.

Table 5

The calculation of the remittances contribution in the creation of monetary aggregate M2 in 2013-2015 in Moldova, million lei

Indicator	Years			Deviations ±, year 2015 compared to:	
	2013	2014	2015	2013	2014
Monetary aggregate M2, mln. lei	34914,6	45117,1	43220,0	+8305,4	-1897,1
Remittances, mln. lei	20493,1	22218,5	20610,8	117,7	-1607,7
Remittances contribution in the creation of M2, %	58,69	49,25	47,69	-11,0	-1,56

Source: elaborated by the author based on source [8,10].

From the calculations in Table 5 we see that remittances contribute to the period 2013-2015 by an average of 52% in the creation of monetary aggregate M2. Their percentage reduced by 11 p.p. in 2015 compared to 2013 and by 1.56 p.p. in 2014. The remittances' percentage in monetary aggregate reduced with their reduction of in the analysed period.

In 2015 the total volume of money transfers of funds from abroad to individuals in Moldova amounted to 1129 mln. USD. 83.3 percent from total wire transfers were carried by money remittance systems (only in USD, EUR and RUB) without opening bank accounts, and the others- by wire transfers to accounts (in foreign currencies).

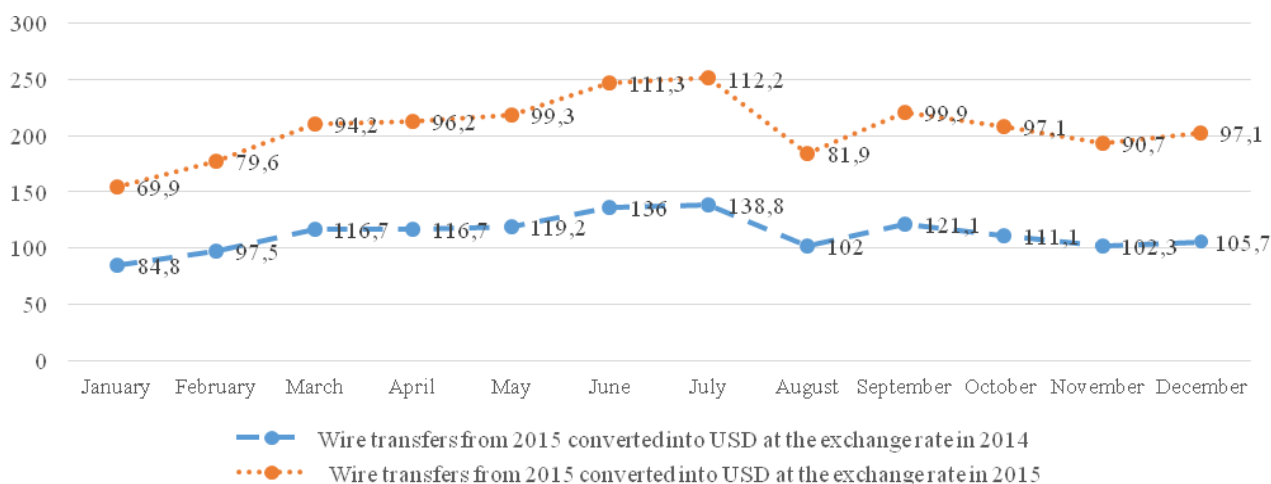


Fig.5. The evolution of exchange rate impact on the total wire transfers.

Source: [11]

The amount of remittances in USD in 2015 decreased by 30% compared to 2014 when they amounted to 1612.96 mln. USD, mainly due to the depreciation EUR and RUB against the USD, the contribution being 13.8 percentage points. Such transfers in euro decreased by 19.6 percent, while those in RUB by 61.1 percent. The decrease of the real value of wire transfers constituted 16.2 percent from the total. Figure 5 shows the impact of the changes in exchange rates of USD / EUR and USD / RUB on monthly transfers to individuals.

Exchange rate fluctuations of the original currencies against the USD contributed by 4.9 percentage points to the decrease in total wire transfers in January 2016, while the actual decreasing number of wire transfers (eliminating the effect of exchange rates by converting the amounts on the exchange rate in the period of the previous year) was 11.2 percent.

In 2015 compared to 2014, annual currency structure of transfers via money remittance systems was characterized by a relative decrease in the percentage of RUB and a relative increase in the percentage of USD (Fig. 6).

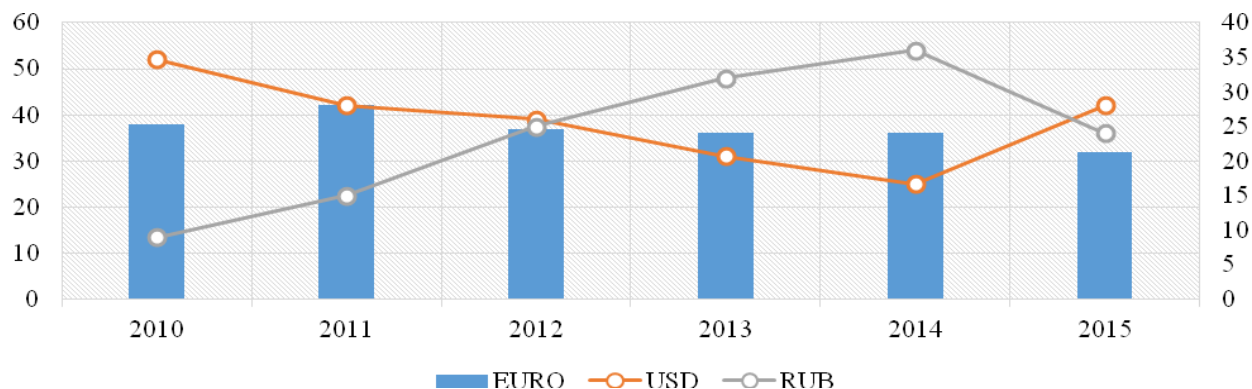


Fig.6. Currency structure dynamics of the transfers via money remittance systems in 2010-2015.

Source: [11]

The data presented in the figure above shows that in 2015 the amount of transfers in Russian rubles tended to reduce, while the percentage of USD increases. Thus, the annual amount transferred in Russian rubles (converted in USD) decreased by 10 p.p. in 2015 compared to 2013 and by 11.2 p.p. compared to 2014 by 24.8 percent and the annual share transfers in USD went up by 11.3 p.p. in 2015 compared to 2013 and by 16.3 p.p. compared to 2014 up to 42.3 percent. Annual quota transfers in the European single currency reduced by 2.6 p.p. 2015 compared to the previous year 2014 to 32.9 percent.

Monthly evolution of money transfers from abroad converted into USD through remittances systems in Moldova is presented in Figure 7.

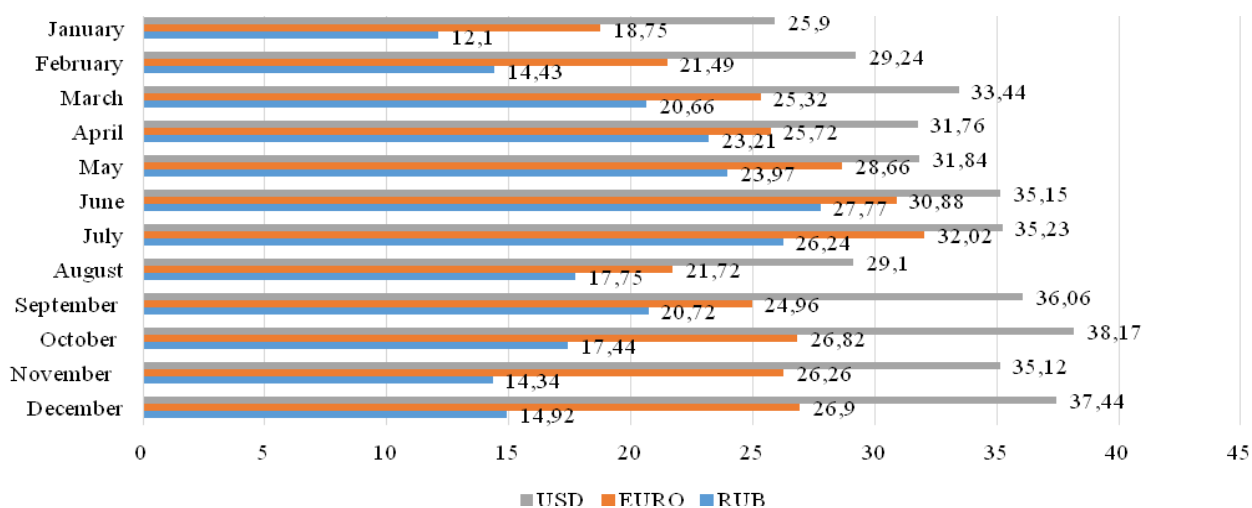


Fig.7. The evolution of money transfers from abroad converted into USD via money remittance systems in Moldova in 2015.

Source: elaborated by the author based on source [11].

Figures presented in Figure 7 attests to an increase in remittances in Russian rubles converted in USD at the beginning of 2015 till the end of the year by 2.82 mln. USD. Reductions in January were conditioned by the devaluation of the Russian ruble.

The level of remittances in USD also faced changes during 2015. They rose in December to the beginning of the year by 1.15 mln. USD, the maximum (38.15 mln. USD) registered in October.

Remittances in euro valued in dollars also changed positively in the period under review. They rose in December compared with January of 2015 by 14.8 mln. USD in absolute size and relative size they increased by 43.5%.

In 2015, the currency structure of transfers from Russia (Fig.8) via money remittance systems, annual average (expressed in dollars) prevails transfers in Russian rubles (45.8%) and the percentage of wire transfers in USD (30.0%) and euro transfers (24.2%) are also significant.

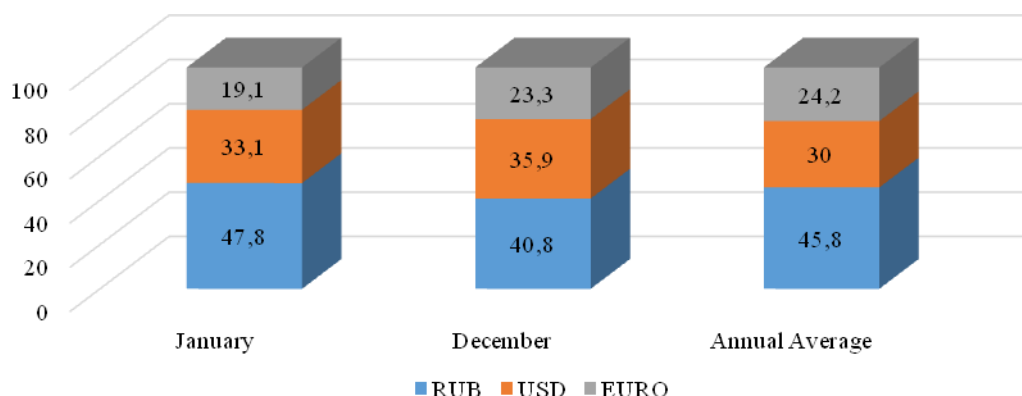


Fig.8. Dynamics of foreign exchange remittances from Russia to Moldova converted into USD in 2015.

Source: elaborated by the author based on source [11].

In December 2015, the currency structure of transfers from Russia via money remittance systems included: Russian ruble – 40.8%; USD – 35.9%; Euro – 23.3%. These changes in the composition structure of foreign exchange transfers through systems of money remittance reflects both quantitative decrease of transfers from Russia (August October-December) and the impact of devaluation (July, September and December) and appreciation of the Russian ruble against the USD (Fig.9).

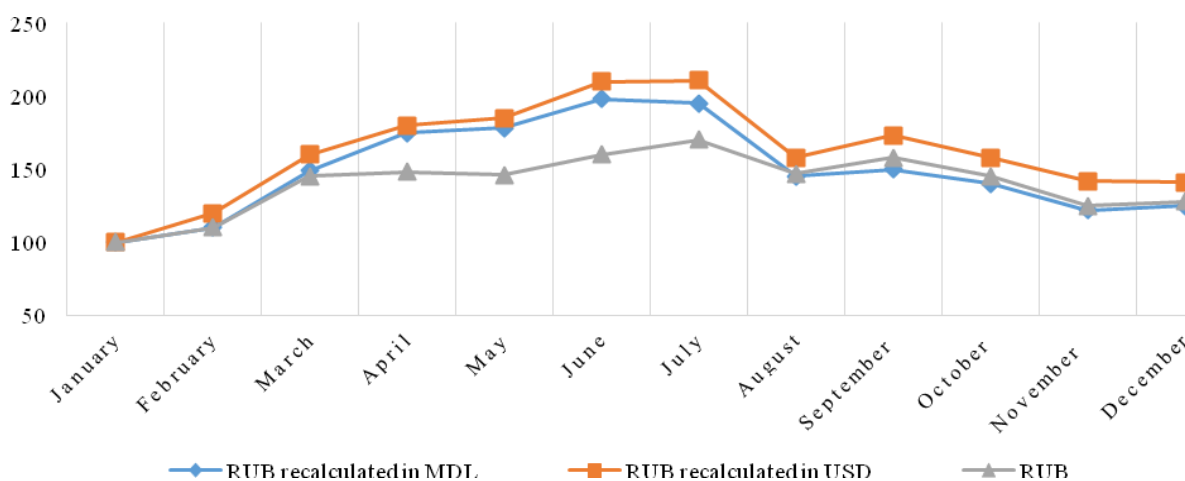


Fig.9. The dynamics of Russian transfers in Russian rubles via money remittance systems, converted in USD and MDL 2015.

Source: [11]

According to Figure 9 we observe that in December, compared to November, widened the gap between increasing volume of transfers in Russian rubles, by 9.6 percent, and a much lower increase, by 1.5 percent and by 0.7 percent, respectively, for the equivalent in USD and MDL.

During 2015, the Russian ruble depreciated slightly (by 2.6 percent) compared to MDL respectively having insignificant impact on the value of transfers in MDL. In December this depreciation was 10.2 percent, carrying an impact on the value of transfers from this period in MDL.

Conclusion

Remittances are one of the most studied aspects of migration in Moldova. The flow of remittances from abroad has shown a steady increase since 1999. According to the National Bank, remittances amount included 89.62 mln. USD in 1999, reaching 1129.360 mln. USD in 2015. Calculations official the flow of remittances is probably underestimated due to a substantial share of informal flows, which are not reported correctly and are difficult to measure. However, the current Republic of Moldova is one of the leading countries dependent on remittances, which contribute more than 17% to GDP.

The impact of remittances on the money market is reduced to their role in the formation of the money supply, making a contribution to the formation of monetary aggregate M2. Remittances contribute in the period 2013-2015 by an average of 52% to the M2. Their amount was reduced by 11 p.p. in 2015 compared to 2013 and by 1.56 p.p. in 2014. The remittances percentage in monetary aggregate was reduced along with their reduction in the analysed period.

The reduction in remittances is one of the main reasons for the devaluation of the national monetary mass. In the last months of 2014 remittances decreased massively, this phenomenon is explained by the economic situation in the Russian Federation but also by the expulsion of Moldovan workers there. Another reason is the Russian embargo for most of Moldovan agricultural products, and the fact that local producers still have not found new markets. These are economic prerequisites for MDL devaluation. Remittances decreased by 38 mln. USD in just a few months.

Remittances have an important role in the economic development of the Republic of Moldova, by financing the consumption, production and business investment in real estate and human capital, presenting means of protection against poverty for migrant families. Migrants' remittances are a vital part of migration, impacting both positively and negatively. The positive aspect of remittances lies in their contribution to reducing poverty in Moldova, in more advanced financial literacy education, in banking and finance sector development. At the same time, income had a negative impact on inflation and reduced the country's international competitiveness, by increasing the cost of labor. Following these developments, we find that migrants' money are an important source of growth for the national economy, although an unstable and unsustainable. This is because the Moldovan economy is based on final consumption of households, and the latter in turn is supplied by imports and remittances.

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