

Moldovan imports and the impact of the DCFTA

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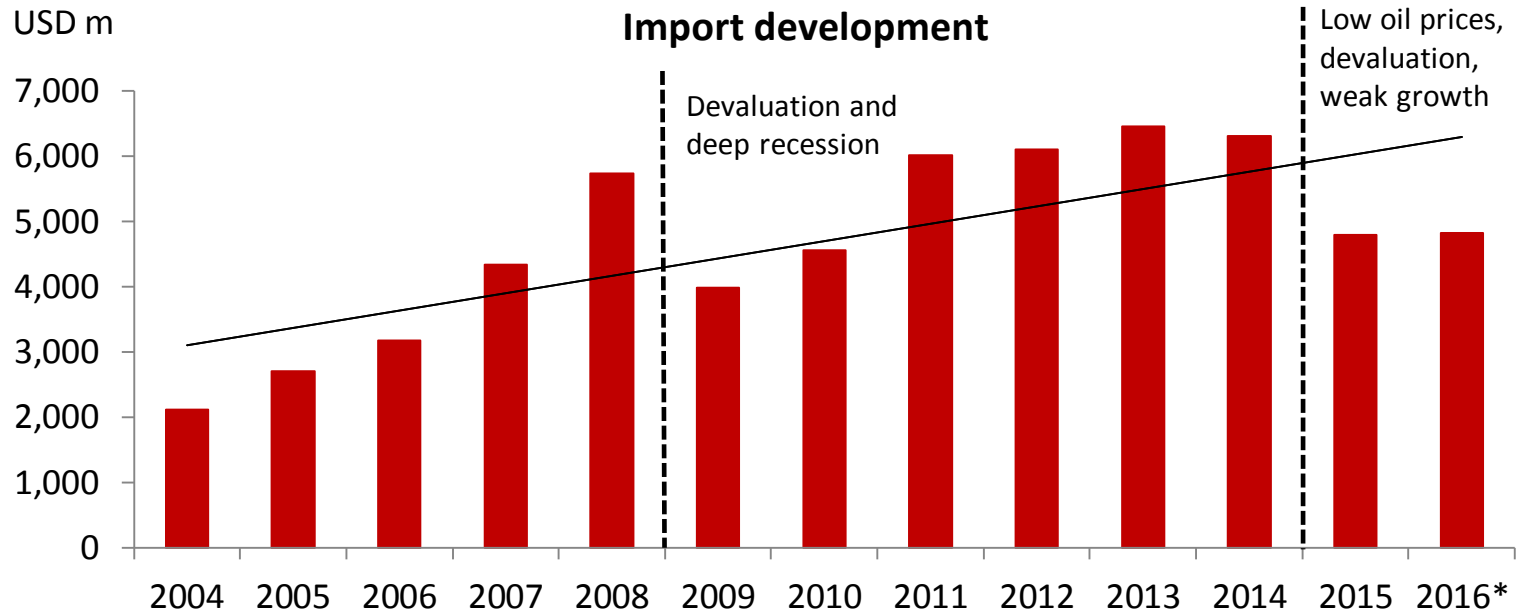
German Economic Team Moldova

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Outline

1. Moldovan imports
 - Aggregate development
 - Regional trends
 - Sectoral trends
2. Moldovan imports from the EU
3. The impact of the DCFTA on imports from the EU
4. Conclusions

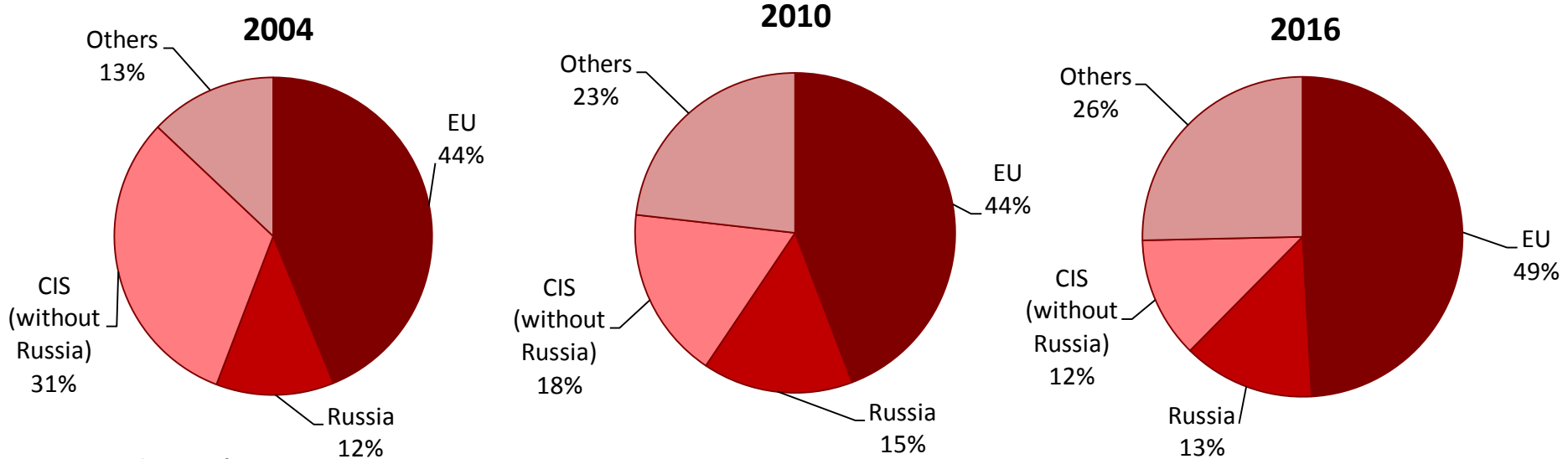
1. Moldovan imports: Aggregate development in USD



Source: National Bureau of Statistics, National Bank of Moldova. Goods and services. * Services 2016: Estimate

- Positive trend: Around 7% average increase per year since 2004 (in USD)
 - However: Significant declines in two occasions due to devaluation, recession/weak GDP growth and lower oil/commodity prices
- **Positive long-term trend with interruptions**

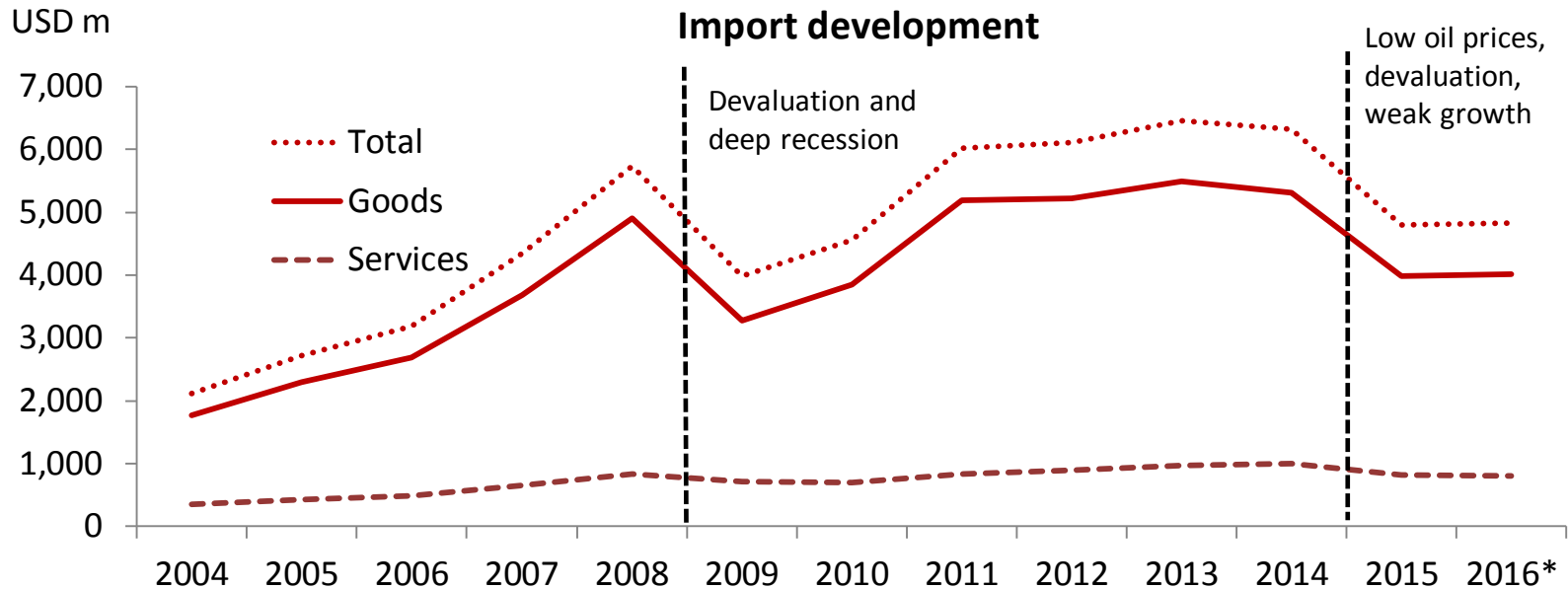
Regional trends



Source: National Bureau of Statistics

- Increase in share of EU; main source of imports for Moldova
 - Relatively stable share of imports from Russia
 - Significant decrease of imports from CIS (especially Ukraine)
 - Strong increase from other countries (especially China)
- **Current shares: EU ca. 50%, CIS and other countries each ca. 25%**

Sectoral trends: Goods and services



Source: National Bureau of Statistics, National Bank of Moldova. *Services 2016: Estimate

- 2016: Goods account for around 83% and services for 17% of total imports
 - Relatively stable ratio between goods and services since 2004
 - Services are less volatile than goods
- **Clear dominance of imports of goods**

Sectoral trends: Overview of main categories of goods

Product	2004, USD m	%	2010, USD m	%	2016, USD m	%
Machinery and equipment	240	14	576	15	643	16
Mineral products	385	22	807	21	630	16
Chemical products	162	9	404	10	503	12
Textile	151	9	282	7	346	9
Prepared foodstuffs	105	6	309	8	305	8
Base metals	112	6	242	6	274	7
Plastics	101	6	228	6	258	6
Vehicles	96	5	238	6	232	6
Other	417	24	769	20	829	21
Total	1,769	100	3,855	100	4,020	100

Source: National Bureau of Statistics

Major shifts in the sectoral structure of imports of goods

Import structure did not change much since 2004

- Most sectors feature similar shares as in the past
- Important exemption: Mineral products (oil, gas, coal)
 - Traditionally No. 1 item of imports with a share of over 20%
 - However: Only 16% of total imports in 2016; second item after machinery
 - Main reason: Sharp decline of oil prices in 2014
 - Thus: Probably only a temporary phenomenon

Strong link of imports to exports and partly FDI

- Machinery and equipment: Insulated wire
- Chemical products: Insecticides, fertilisers
- Textiles

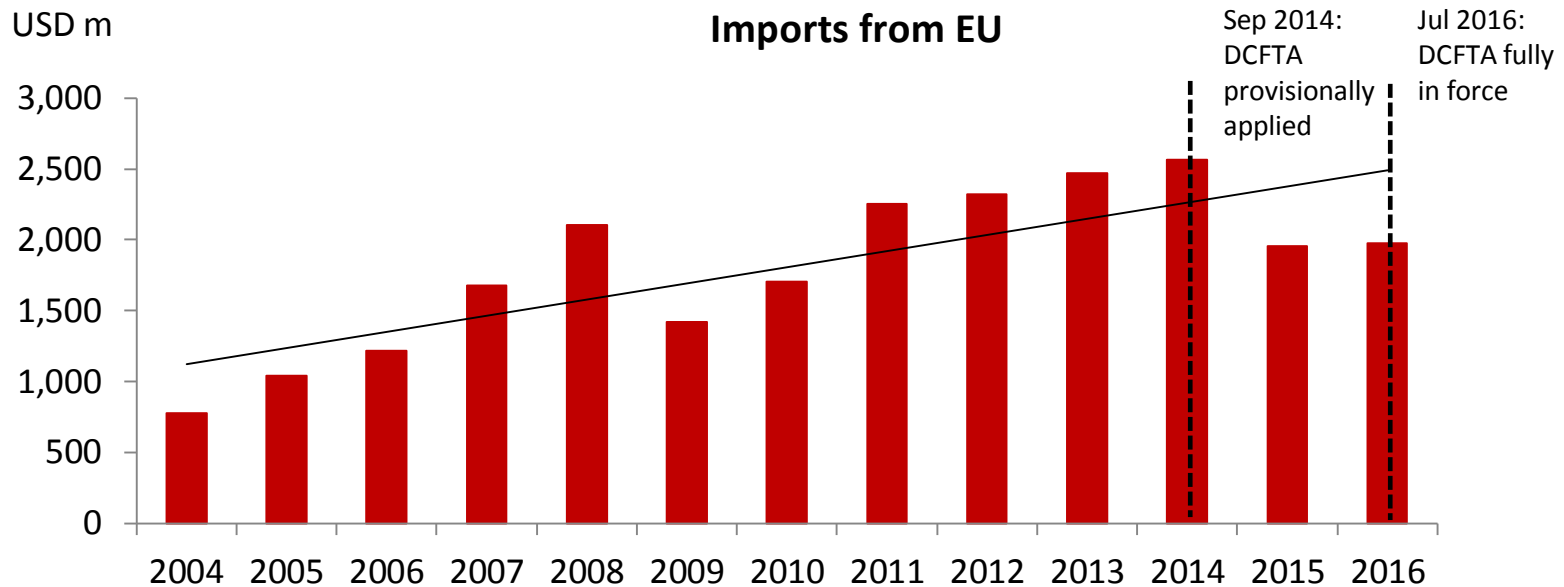
→ Strong link between imports and exports; sizeable energy imports

Sectoral trends: Overview of main categories of services

Product	2004, USD m	%	2010, USD m	%	2015, USD m	%
Transportation	116	33	265	38	296	36
Travel	113	32	241	34	281	34
Other business services	66	19	57	8	79	10
Communication services	19	5	38	5	48	6
Computer and information services	6	2	24	3	42	5
Government services, n.i.e.	22	6	32	4	33	4
Royalties and license fees	3	1	13	2	18	2
Financial services	3	1	6	1	6	1
Insurance services	2	1	16	2	6	1
Personal, cultural, and recreational services	0	0	1	0	4	1
Construction services	3	1	12	2	4	0
Total services	353	100	704	100	817	100

Source: National Bank of Moldova

2. Moldovan imports from the EU



- Imports from the EU increased by more than 8% in average since 2004 (in USD)

→ Long-term trend towards higher imports from the EU

3. The impact of the DCFTA on imports from the EU

Imports of goods from the EU 2014-2016

Year	Event	Imports from EU	change vs. 2014
2014	DCFTA signed	USD 2,568 m	- -
2015	First year of implementation	USD 1,954 m	-23.9%
2016	Second year of implementation	USD 1,974 m	-23.1%

- 2015: Imports from the EU declined by 23.9%
- 2016: Slight recovery, but imports from EU still 23.1% below 2014 level
- Why? Multiple reasons: Devaluation, weak GDP growth and lower oil prices

→ **DCFTA impact on imports unclear, because of multiple parallel events**

Clear: No “flooding” of Moldovan market took place, as feared by some observers

4. Conclusions

- There is a long-term trend towards higher imports, similar to exports
- The EU accounts for ca. 50%, while the CIS and other countries are each responsible for ca. 25% of imports
- The importance of the CIS (excl. Russia) as origin of imports declined heavily from 31% in 2004 to merely 12% of total imports in 2016
- Mineral products (mainly oil) are traditionally the No. 1 item with a share of over 20% in total imports; but lower oil prices drove this share down to 16% in 2016
- Several events took place in parallel to the start of the DCFTA implementation, such as a sizeable devaluation, weak economic growth & lower oil prices
- As such, it is so far not possible to assess the impact of the DCFTA on imports from the EU
- However, a “flooding” of Moldova with EU goods, as predicted by many observers, did definitely not take place; in 2015, imports from the EU declined by ca. 24%

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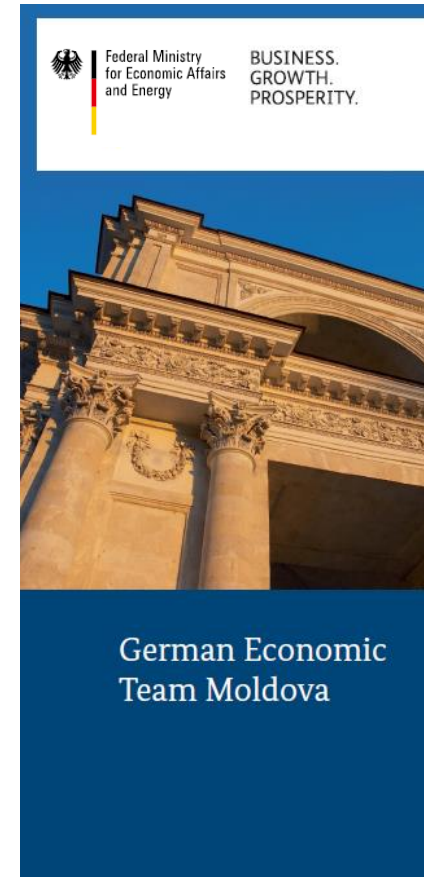
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Annex: Sub-categories of four main import goods

Product	2015, USD m
Machinery and equipment	631
Insulated (including enamelled or anodised) wire	82
Telephone sets	59
Switches and relays for electrical circuits	35
Mineral products	474
Oil	396
Gas	31
Coal	19
Chemical products	495
Medicaments	171
Insecticides	54
Fertilisers	28
Textile	286
Woven fabrics of synthetic filament yarn	22
Knitted or crocheted parts of garments	21
Knitted or crocheted fabrics	21

Source: UN Comtrade