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Changing trends in the structure of remittances against the deteriorating economic situation in the euro area

Technical box extracted from:

Inflation Report no.1, February 2013 [1]

Transfers from abroad to individuals represent a significant source of financing household consumption. In the third quarter of 2012, according to the NBS, their share in the structure of disposable income constituted 15.7 percent. Thus, remittances are an important channel through which external environment vulnerabilities are transmitted to the Moldovan economy.

According to the Eurostat, the euro area has officially entered the technical recession for the second time in the last three years, after a contraction of 0.1 percent in the third quarter of 2012, which followed a decline of 0.2 percent in the previous quarter. Deteriorating economic situation in the euro area during 2012 had a noticeable impact on the evolution of money transfers made to individuals through the banking system, which includes Moldovan migrant remittances. Thus, their annual rate fluctuated around the value of zero in the second and third quarters of 2012, after an average of 18.0 percent recorded in 2011 (*Chart no.1*).

At the same time, there is a downward trend in the share of transfers in EUR and, to some extent, in USD in favor of those in RUB. Thus, if at the end of 2010, the transfers in EUR constituted more than half (51.5 percent in December), those in USD - 38.2 percent, while those in RUB only 10.3 percent after about two years the situation has changed essentially. In this way, by November 2012, the share of transfers in RUB increased significantly, reaching the level of 27.3 percent of the total, to the detriment of the EUR, which decreased its share to 36.4 percent.

In the absence of detailed statistics on persons abroad, this phenomenon suggests a reorientation of Moldovan migrants to the labor market of the Russian Federation, given that its economy grew an average by 3.9 percent in early 2012.

Chart no. 1 Annual rate of transfers to individuals

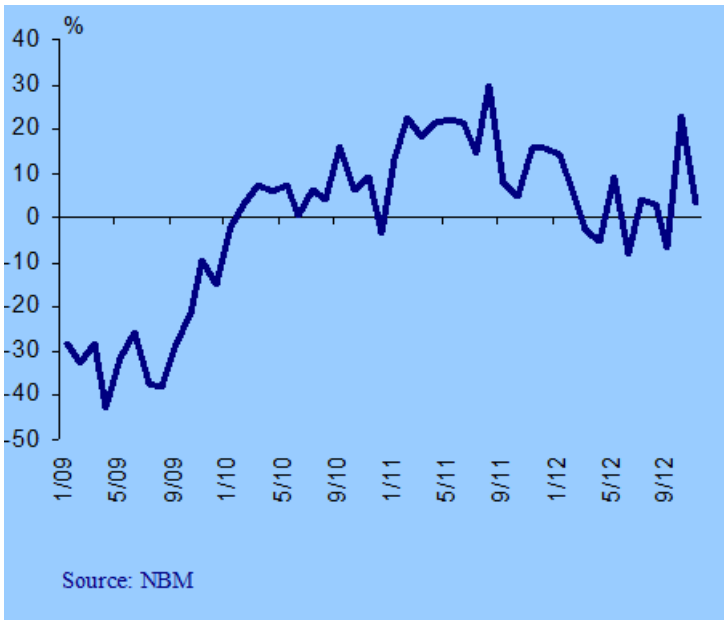
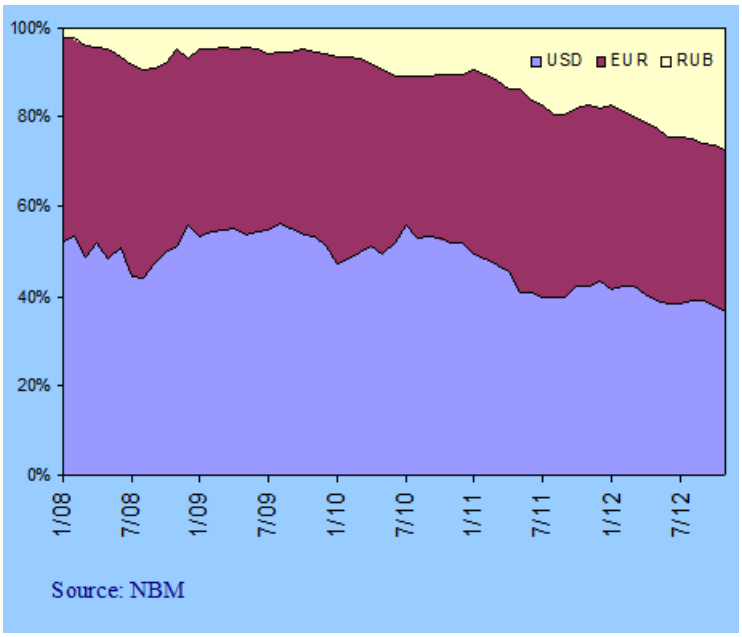


Chart no. 2. The structure of transfers from abroad



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