

MONETARY RECEIPTS FROM ABROAD TO INDIVIDUALS: EVALUATION METHODS

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The commonly used approaches for assessing the volume of foreign currency flows to individuals provide estimates, which do not entirely reflect the total amount of foreign currency in cash introduced in the country. When these differences are significant, as in the case of the Republic of Moldova, it is necessary to apply additional methods for obtaining reliable estimates on the volume of monetary flows. The article presents the results of the research on a reliable estimation of the foreign currency flows to individuals. The methodological basis of the research consists in the analysis of the dynamic series of foreign exchange and cash flows, comparison method, other methodological approaches for the estimation of foreign currency flows. According to the research, foreign exchange flows to individuals are one third higher than official ones. These estimates give a meaningful assessment of the level of consumer demand as well as other parameters of financial flows in the country.

Keywords: migrants, remittances, the balance of exchange offices, payment balance, currency exchange, cash.

Abordările frecvent utilizate pentru evaluarea volumului fluxurilor valutare din străinătate către persoanele fizice furnizează estimări ce nu reflectă suma totală de valută străină în numerar introdusă în țară. Când aceste diferențe sunt semnificative, ca în cazul Republicii Moldova, este necesar de a recurge la metode suplimentare pentru a obține estimări mai fiabile privind volumul fluxurilor bănești. Articolul prezintă rezultatele cercetării cu privire la determinarea relevantă a fluxurilor de valută străină către persoanele fizice. Baza metodologică a cercetării a constituit analiza seriilor dinamice ale fluxurilor valutare de numerar și prin virament, metoda de comparație, alte abordări metodologice pentru estimarea fluxurilor valutare. Potrivit cercetării, fluxurile valutare către persoanele fizice sunt cu o treime mai mari decât arată instituțiile oficiale. Aceste estimări permit o evaluare relevantă a nivelului cererii de consum, precum și a altor parametri de fluxuri financiare în țară.

Cuvinte-cheie: migranți, remiteri, soldul caselor de schimb valutar, balanța de plăți, schimb valutar, numerar.

Общепринятые подходы в оценке объемов валютных поступлений из-за рубежа в адрес физических лиц дают оценки, которые не отражают в полной мере количество наличности в иностранной валюте, ввозимой в страну. И когда эти расхождения значительны, как в Республике Молдова, требуются дополнительные методы, позволяющие получить более достоверные данные о масштабах денежных потоков в стране. В статье представлены результаты исследования по определению более репрезентативных данных о денежных поступлениях из-за рубежа в адрес физических лиц. Методологической основой исследования является анализ динамических рядов движения безналичной и наличной иностранной валюты, метод сравнения и другие методологические подходы оценки валютных потоков. Согласно полученным результатам поступления иностранной валюты из-за рубежа в адрес физических лиц более чем на треть превышают официальные данные. Сделанные оценки позволяют более адекватно определять уровень потребительского спроса, а также другие параметры финансовых потоков в стране.

Ключевые слова: мигранты, денежные переводы, сальдо валютных касс, платёжный баланс, иностранная валюта, наличность.

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The World Bank [3], as well as various expert organizations [1] deal with the problems of population migration and its impact on the economy of the states, in the most consistent and detailed manner. The publication of a large number of researchers [6-10] is devoted to them.

The emigration of a large scale of working age population raised a serious problem, the deficit of skilled labour force for the organization of production in the country.

The amount of foreign currency coming from abroad to individuals, in a number of countries with a depressed economy, has become so significant that it determines the income level of the population [6].

A significant part of the currency is imported into the country in cash, which, unfortunately, is not fully taken into account by state structures in terms of an adequate assessment of these currency flows, consumer demand and other problems of social and economic development.

Nevertheless, the reporting data of the National Bank of Moldova, allow making quite representative estimates of the amounts of foreign currency inflow to individuals. The study aims to solve this problem.

The study is based on the statistical reports of the National Bank of Moldova, World Bank reports, other sources of information, including different monographic studies, for the last 10 years.

According to the National Bureau of Statistics data, the number of jobs in the formal sector is declining. During the period of "pro-European governance", since 2008, their number decreased to 776.2 thousand, by 85.2 thousand (9.9%), including for 2016 – by 9.0 thousand. Because of the discontent and hopelessness of the situation in the country, Moldovan citizens go abroad massively. Their total number is huge. A number of experts estimate it at more than one million. However, the official statistics data for 2016 on the number of persons that went abroad to work in search for a job amounts for 319.0 thousand people [2].

The Ministry of Foreign Affairs and European Integration carries out its own accounting. At the end of 2014, it reported a number of citizens of the Republic of Moldova who were at that time abroad, of 805 509 people. Most of them were in Russia – 477949 people, Italy – 142266 people and USA – 47754. Large Moldovan diasporas were recorded in Canada – 17565 people, Ukraine – 17 237, Spain – 16202, Germany – 14815 and Israel – 13005. About 45 countries were present in the list [10].

Many of them have families at home that they support financially. In addition, a number of citizens work for foreign organizations, receiving there a salary in foreign currency, other monetary receipts come from immigrants into the Republic of Moldova. All of these, as well as other sources are forming the flow of foreign currency for individuals. These revenues, taking into account their scale, are of particular importance for the economy of the Republic of Moldova.

In recent years, the scale of monetary receipts from abroad to individuals has played a decisive role in shaping consumer demand in the Republic of Moldova, filling the state budget, primarily through VAT, excise taxes and customs duties on imports, as well as in smoothing out a number of negative trends in the economy and social sphere of the country. At the same time, the data on the sizes of these revenues, given in various sources, are substantially underestimated.

In general, the inflow of foreign currency to individuals in previous years grew at a high rate and began to exceed the payroll fund in all sectors of the economy, which in 2013 amounted to 2372.9 million US dollars, which was calculated by multiplying the average money income of the population to its number. Then, in the subsequent years, the average annual rate of the national currency decreased drastically from 12.5907 lei per dollar to 19.9238 lei in 2016. This was the result of thefts in November 2014 from the banking sector of monetary amounts equivalent to one billion EUR. As a result, the payroll, despite the growth in the national currency, amounted only 1854.2 million US dollars. The conclusion is made based on the 3555.2 thousand inhabitant people at the end of 2014, which is given by the official statistics. At the same time, as it became known from the results of the 2014 census, the population in Moldova was only 2 913 281 people. It means, that the total wage fund in the country is with 18.1% less.

The currency, coming from abroad, largely formed the domestic consumer demand and covered about two times the excess of imports over exports. The state budget received more than half of VAT and excises from imports. Jobs and services in the spheres of trade were created. Given the scale of these cash receipts and their impact on the economy of the state, it is extremely important adequately assess the amount of money coming from abroad to individuals.

At the same time, experts usually consider two indicators: Money Transfers from Abroad in Favor of Individuals (on gross basis) and (net basis). Both are calculated according to the Activity indicators

within card payments system of the Republic of Moldova, published by the National Bank of Moldova. The estimates published by the World Bank usually show indicators in the system (on a gross basis).

Table 1
Money Transfers from Abroad in Favor of Individuals (on gross basis) (million US dollars)

Credit	2009	2010	2011	2012	2013	2014	2015	2016
Compensation of employees	563,4	743,0	907,7	1010,0	1118,0	1063,8	783,2	714,5
Personal transfers	635,2	608,5	905,4	976,5	1073,6	1012,1	757,0	750,4
Migrants' transfers	12,1	12,1						
Total	1210,8	1363,5	1813,1	1986,4	2191,6	2075,9	1540,1	1464,9

Source: <http://www.bnm.md/bdi/pages/reports/dbp/DBP12.xhtml>

Note: Since 2011, the methodology of calculating these indicators has changed and Migrants' transfers are recorded in the line Personal transfers.

In addition to the currency entering into the Republic of Moldova (Credit), a part of it comes out of the country, forming the basis. At the same time, NBM declares that in the given indicators of the payment balance, the foreign currency imported to the Republic of Moldova in cash is also taken into account. Is it so?

Of course, for states located far from the place of foreign employment in other parts of the world, from which it is problematic to transfer money in cash, these two methods of assessment, as a whole can sufficiently adequately reflect the actual foreign currency inflows. However, the Republic of Moldova is closely located both to the Russian Federation, where the bulk of Moldovan citizens are employed, and to borders directly with the states of the European Union. In this way, people have possibility to transfer cash in the Republic of Moldova through their acquaintances, as well as import it on their own. In the most general form, these amounts can be counted in the following way.

The volumes of purchases and sales of foreign currency by foreign exchange institutions are regularly published on the portal of the NBM. Therefore, it is necessary to calculate the difference (balance) of these transactions for a year or another study period, and subtract the amount of money transfers from it. At the same time, should be taken into account the annual growth or reduction of foreign currency deposits of individuals in commercial banks.

Until 2014, in conditions of relative financial stability, such a mechanism of calculations provided for rather representative indicators. However, later some events occurred that required certain adjustments. In November 2014, as noted above, there was an unprecedented theft of 17.8 billion lei from the banking sector. At that time, it was more than 40% of the lei mass in the country in cash and non-cash forms from individuals and legal entities. Then, it followed the liquidation of the three leading banks of the country, led by the national "Titanic" – Banca de Economii. After it became public, the panic began. As a result, in 2015, after many years of growth, foreign currency deposits of individuals decreased sharply by 163.4 million US dollars, and in 2016 – by another 74.0 million. Most of these withdrawn depositors did not do it at exchange offices to change them for lei, but lost confidence in Moldovan banks, hiding them in "places of trust". Based on this, it is advisable to withdraw these 237.4 million off the brackets

In addition, in 2014, serious military actions began in Ukraine, and it was very dangerous to transport cash from Russia through this unstable territory. In 2014, there was a twofold drop in the exchange rate of the Russian ruble against the dollar. As a result, Moldovan migrant workers continued to receive payment for their labour in depreciated rubles. The volume of money remains almost the same, but in terms of dollars, they were about half. Taking into account that in previous years more than 60 percent of all money transfers came from the Russian Federation, through official foreign currency channels, it can be assumed that there was not less cash in terms of specific weight.

Thus, taking into account the above mentioned, if we add to the balance of foreign currency offices (purchase and sale of foreign currency) the increase in deposits of individuals in foreign currency, with the exception of 2015 and 2016, we will get an estimate of the total amount of foreign currency entering the Republic of Moldova. In turn, if from this amount we subtract official money transfers to the address of individuals (net basis), we get the amount of currency in cash, imported into the country in cash. The amount of cash and non-cash currency imported in Moldova is shown in the following diagram.

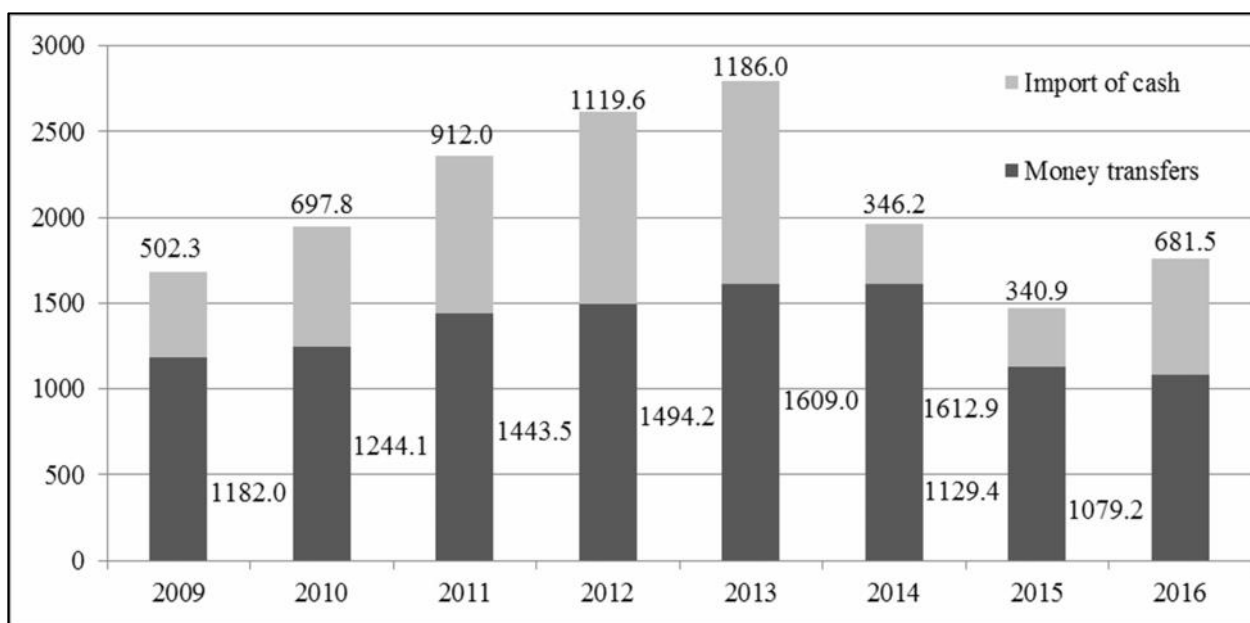


Figure 1. Money Transfers from abroad in favor of individuals (net basis), million US dollars

Source: Calculated by the author according to the data from the National Bank of Moldova.

Of course, the indicator "Import of cash" cannot be qualified for accounting accuracy, since a part of the currency does not immediately go to the exchange offices, or to bank deposits. Nevertheless, the amount of incoming foreign currency up to 2013 inclusively, grew at a high rate every year, both through official channels and in the cash supply. Based on data of balance of payments, according to the above table, it amounted to 2191.6 million US dollars, and in the diagram – 2795 million. This is by 27.3% more!

Since 2014, a significant reduction in the inflow of foreign currency began. It is another painful factor for the future of the Republic of Moldova. This is the desire of an increasing number of citizens to settle abroad. Thus, they began to take with them the members of their families who had previously been supported by money transfers.

The World Bank Director for the Republic of Moldova Alex Kremer, in an interview for Osservatorio Balcani e Caucaso noted: "On the one hand, the increase in remittances cannot last forever. Firstly, in long-term, the number of people who could work abroad will simply disappear. Secondly, those who have already settled abroad are gradually losing touch with those who stayed home. In fact, we can already observe how the money transfers are declining and, it is believed that this will happen in the near future" [5].

Conclusions. The receipt of foreign currency in the address of individuals determined, and will determine for many years the socio-economic situation in the Republic of Moldova. At the same time, it is necessary to assess adequately trends of both, the growth of incoming funds and their reduction. The indicators of the balance of foreign exchange offices, along with the growth or reduction of deposits of individuals in foreign currency, allow assessing the level of reliability of the data of the balance of payments of the Republic of Moldova published by the National Bank of Moldova.

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