



Moldova Market Analysis

IASCI
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Centre of Sociological, Politological and
Psychological Analysis and Investigations



Annex I

Household Analysis

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Introduction

Socio-demographic Profile

A survey of 1,200 households (HHs) took place in October 2009 and covered all 12 regions of Moldova. 80% of surveyed HHs¹ were selected for having one or more household (HH) member in long-term migration (i.e. one year or longer). The remaining 20% represented a control group with no HH member in long-term migration in 2009².

In line with the objectives of the project, the random-target sampling methodology used was designed to exclude seasonal workers and those practicing short-term migration. In order to estimate key financial flows and other parameters, this category will need to be accurately identified using existing research and available literature.

The head or acting head of the HHs were interviewed, using a structured questionnaire and a face-to face methodology (*for more information about the methodology used, please refer to separate document*).

64.5% of respondents were female, 35.5% male. The socio-demographic profile of the sample group was representative of the overall population of Moldova (related to DEVINPRO household survey target group – households with long-term migrants), by way of location (rural/urban, region), marital status, level of education, and number of family members.

The average Moldovan HH with members in migration has 2.8 members in Moldova and 1.4 members in migration, the majority of which are between 18 and 45 years of age (control group: 3.4 family members in total).

Migration

The migration experience of Moldovans is evenly distributed between men and women (51% male, 49% female). The persons in migration are predominately either the male or female heads of HH (41.6%) or their sons and daughters (42.4%).

The expectation of permanent return to Moldova is very high when compared to other countries researched, at an average of 89%.

In line with previous research, 83.6% of long-term migrants are remitters, while 14.4% do not remit at all. The highest number of remitters is in Portugal, Russia, and France. The lowest rate is indicated for those in migration in neighbouring states, mainly Ukraine and Romania.

¹ The maximal sampling error is $\pm 3.2\%$.

² The maximal sampling error is $\pm 6.6\%$.

About half of long-term migrants from Moldova are working in CIS countries (49%)

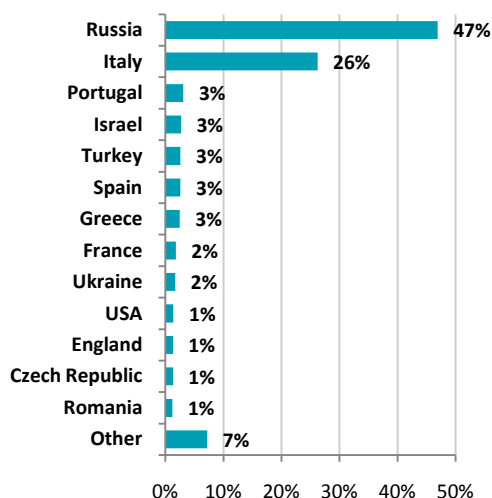


Figure 1: "In which country of migration is this person [the migrant] living?"

The majority of migrants from Moldova are working in the construction sector (38%). This sector is followed by domestic help (28.1%) and services and tourism (17.5%). Less prevalent are agriculture (3.4%) and manufacturing (9.9%). 93.5% of Moldovan migrants are employees, while 6.5% of migrants consider themselves to be self-employed. Given the current economic downturn, a surprisingly low 3.7% of Moldovan migrants are currently unemployed.

A large majority of Moldovan Migrants are considered 'unskilled' workers (58.9%), while 34.1% are considered 'skilled'...

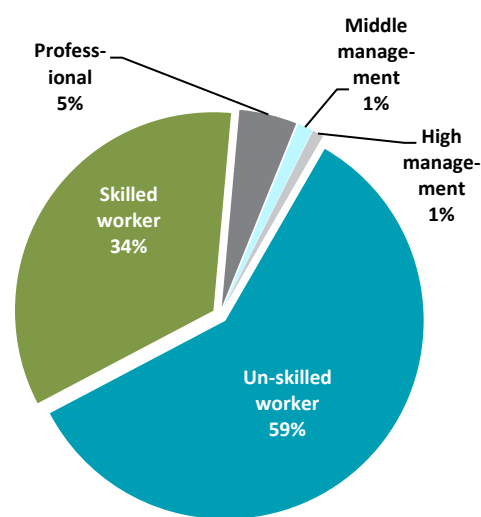


Figure 2: "What is the occupation level of this person [the migrant] in the place of Migration?"

Only 4.7% of migrants are described as 'professional', and only 2.2% are engaged in middle or high management positions. Contrary to the existing literature, these preliminary figures would indicate a limited 'brain-drain' effect as a result of migration and requires further analysis.

Moldovan migrants are predominately residing in capital cities or other urban centres in their respective countries of migration. In Russia, the majority of migrants cluster in Moscow (75.6%) and St. Petersburg (10.7%). In Italy, Moldovan migrants cluster in northern cities such as Rome, Milano, Padua, Bologna (42.9%). In France,

69.6% of Moldovan migrants live in Paris. However, in Portugal, Czech Republic, Spain, Greece and Romania, this urbanisation process is reversed, as the majority of migrants are not clustered in specific cities.

Economic push factors contribute to the decision to migrate in 72.2% of cases. Difficulties in finding a job in Moldova are the main reason for migration (27.5% of responses). Improvement in living standards is the second main reason for migration (23.5%).

These economic factors are reflected in the choice of countries of migration. Top three reasons include...

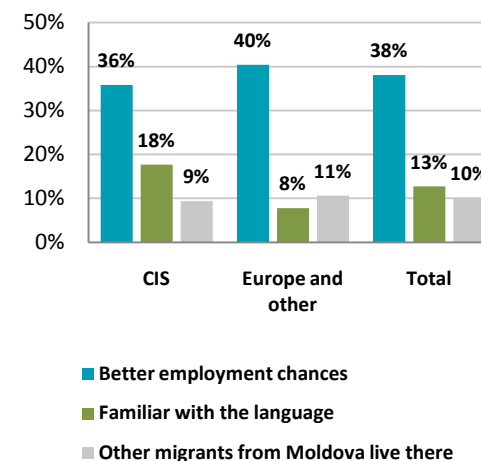


Figure 3: "Why did your HH members selected [country of migration] as their country of migration?" (Ranking)

As can be seen in above table, familiarity with Russian or Romanic language (12.7% of responses) and support of other Moldovan migrants (10.0%) played important roles for migrants when choosing their country of destination.

When asked, “Are you or any members of your HH considering migrating?” the following picture emerged...

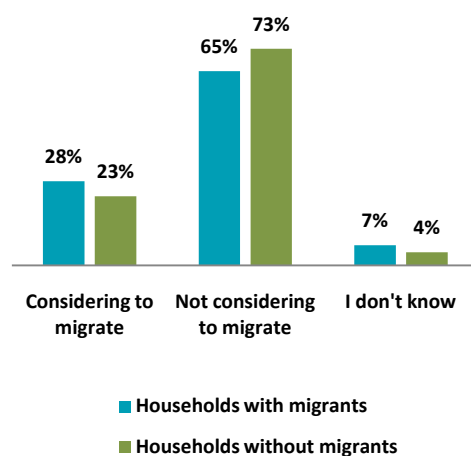


Figure 4: “Are you or any members of your HH considering migrating?”

This result is lower than current literature would indicate and may either be the result of the global economic downturn or stricter migration policies, in particular towards the European Union.

If preferred country of migration is considered, the following pattern emerges

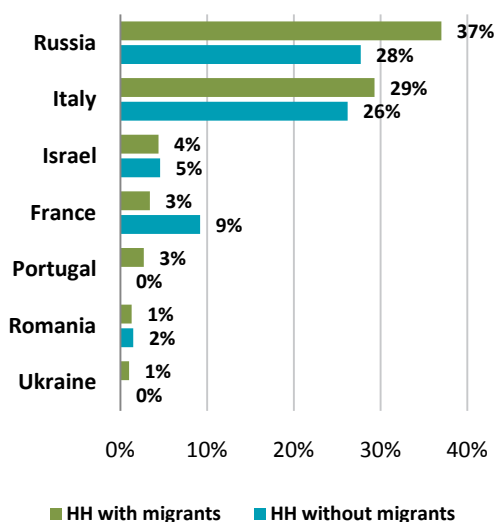


Figure 5: "If yes, to which country are they considering migrating to?"

Given the cultural similarities and other historical factors, the low ranking of Romania and Ukraine deserves special mention and further analysis.

Communication

37.9% of Moldovan migrants visit Moldova once or twice per year, while 31.0% do so 3 to 4 times. A very low 9.4% reportedly never visit Moldova, and 19.6% do so less than one time per year.

These figures indicate that contrary to conventional wisdom and current literature, the vast majority of Moldovan migrants are legal.

As a trend, visits from neighboring CIS countries are more evenly spread out over the year (regular visits home), with peaks in April and January (Orthodox Easter holiday and Christmas and New Year, respectively). Migrants residing in the EU also visit home regularly, especially during the months of August and December as expected, with another peak in April. Finally, 76.7% of HHs with migrants know of friends or neighbors that are also in migration for one year or longer.

Nearly 80% of HHs in Moldova communicate with these fellow Moldovans abroad

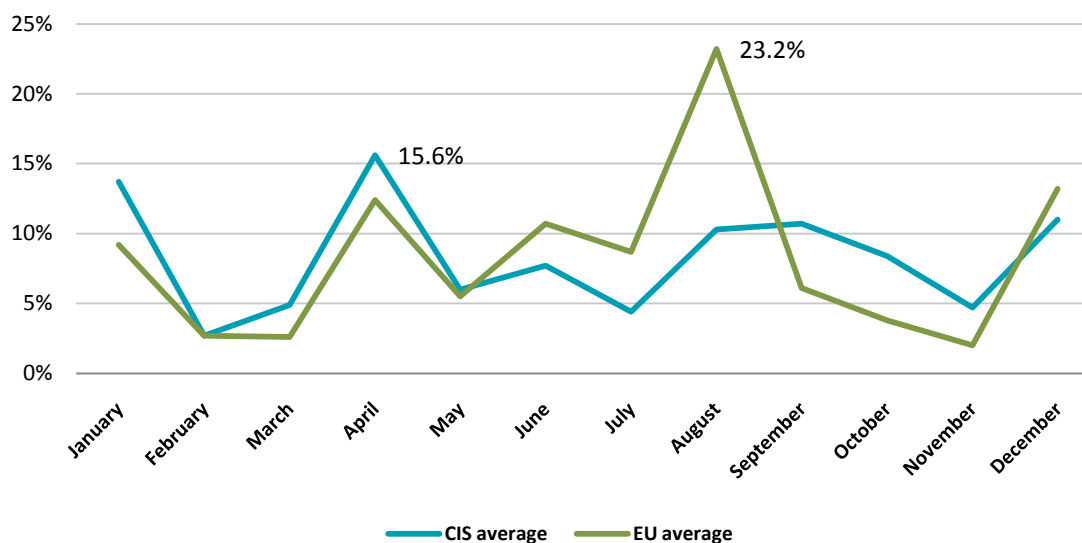


Figure 6: „During which months would your HH members in migration normally return to Moldova? (multiple choice)

Moldovan HHs use the following means of communication with their household members in migration....

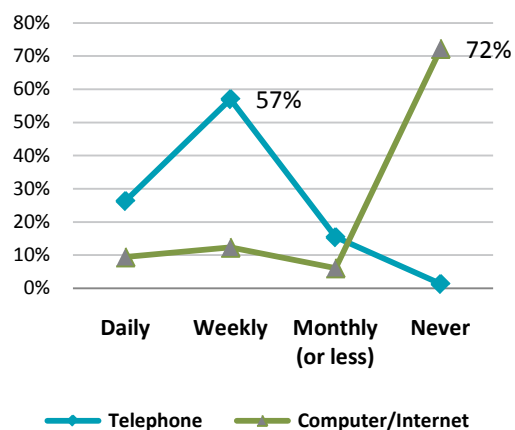


Figure 7: “How often do you use the following means of communication with household members in migration?”

Moldovan HHs and their members abroad remain in close contact, and as noted, there is a very high expectation of permanent return. Our survey determined the following regarding the communication patterns of Moldovan migrants:

- They are very traditional in their communication behaviour. As the above table indicates, the majority of HHs (72.2%) never use the internet, and telephone remains the preferred means of communication. Importantly, 83.3% of HH are talking at least once a week with their members abroad.

- 43.6% of HHs in Moldova ‘often’ and 33.4% ‘sometimes’ discuss financial issues with their members in migration.

When asked “Do you think your household members in migration have regular access to the following media?” the following picture emerges

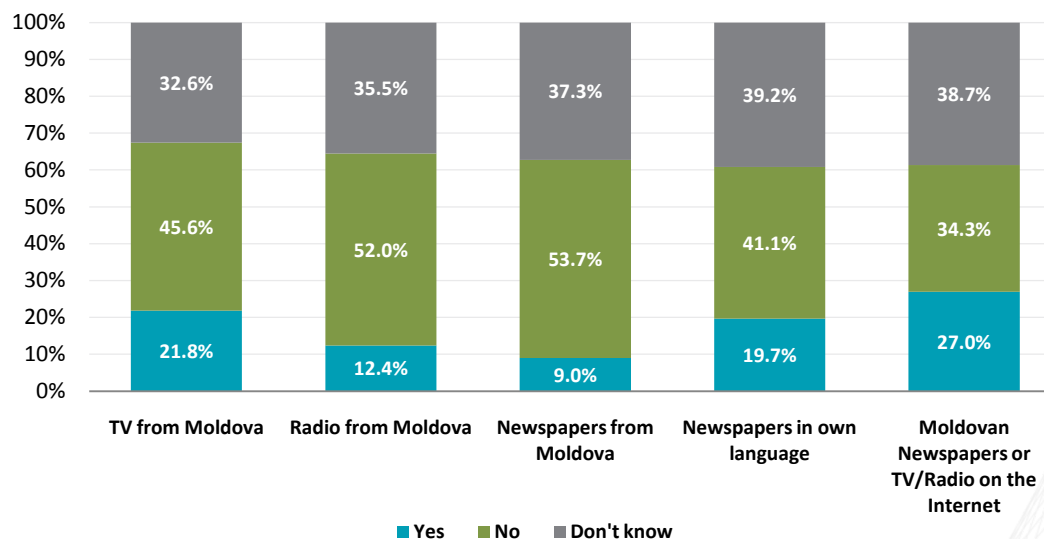


Figure 8: “Do you think your household members in migration have regular access to the following media?”

Further research in this field is required. However, these preliminary figures seem to indicate that Moldovans are relatively poorly served by mass media, when compared to other migrant groups studied (i.e. Albania, Kosovo, BiH).

Financial Section

The overall financial picture of Moldovan HHs, when viewed from their ability to cover basic needs is described in the following table. Of note is the positive correlation between the receipt of migration-related financial flows and the perception of being able to cover basic needs.

Nonetheless, 38% of HHs receiving remittances describe their overall financial situation as 'insufficient' or 'not at all sufficient'

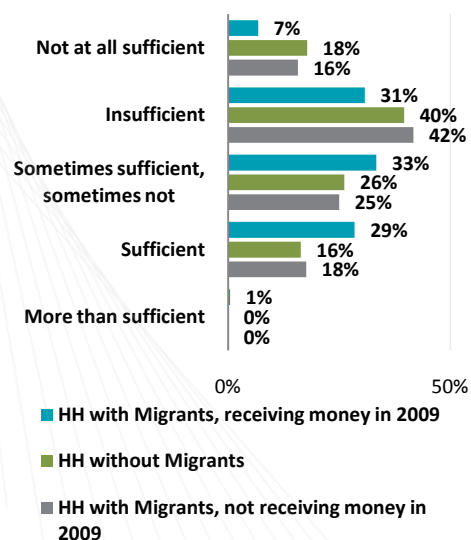


Figure 9: "Overall, is the financial situation of your household sufficient to cover all your basic needs?"

When asked to estimate the all sources of their monthly HH income in 2009, the following pattern emerged

MONTHLY HH INCOMES All figures are in MDL	HH with Migrants (WITH transfers from abroad)	HH without Migrants	HH with Migrants (NO transfers from abroad)
# HH	857	225	108
# Family members in Moldova	2437 (2.8 persons/HH)	764 (~3.4 persons/HH)	285 (2.64 persons/HH)
Including # children:	686 (~0.8 children/HH)	165 (~0.7 children/HH)	41 (~0.6/children HH)
Salaries from Public Sector	686	1,169	1,078
Salaries from Private Sector	339	882	479
Pension	268	396	374
Social Security Payments	31	68	62
Casual Work	132	286	194
Self-employment (non-agricultural)	56	98	95
Agricultural sector	191	(69% =0) 267	(68% =0) 249
Business	(99.3% = 0) 47	(99% =0) 33	(99% = 0) 6.5
Income/rent from property	(99% = 0) 46	(96% =0) 63	(99% = 0) 1
All Financial Transfers from Abroad	3,087	0	0
Borrowing Money	47	73	56
Other	30	24	31
a. 1 st Total indicated:	5,201	3,359	2,625
b. Calculated Total	4,960	3,359	2,626
- Difference between a and b:	241	0	1
- Answer to Control Question 44:	5,200	NA	2,625
c. Average HH Income:	5,120	3,360	2,625
d. Average HH Income per member:	1,829	988	1,010

Figure 10: "Can you estimate your household's average monthly income from ALL sources mentioned below in 2009?"

With an average of 5,120 MDL per month the income of families with migrants that send money home to Moldova is 34.4% higher than of families without migrants (and such financial transfers)

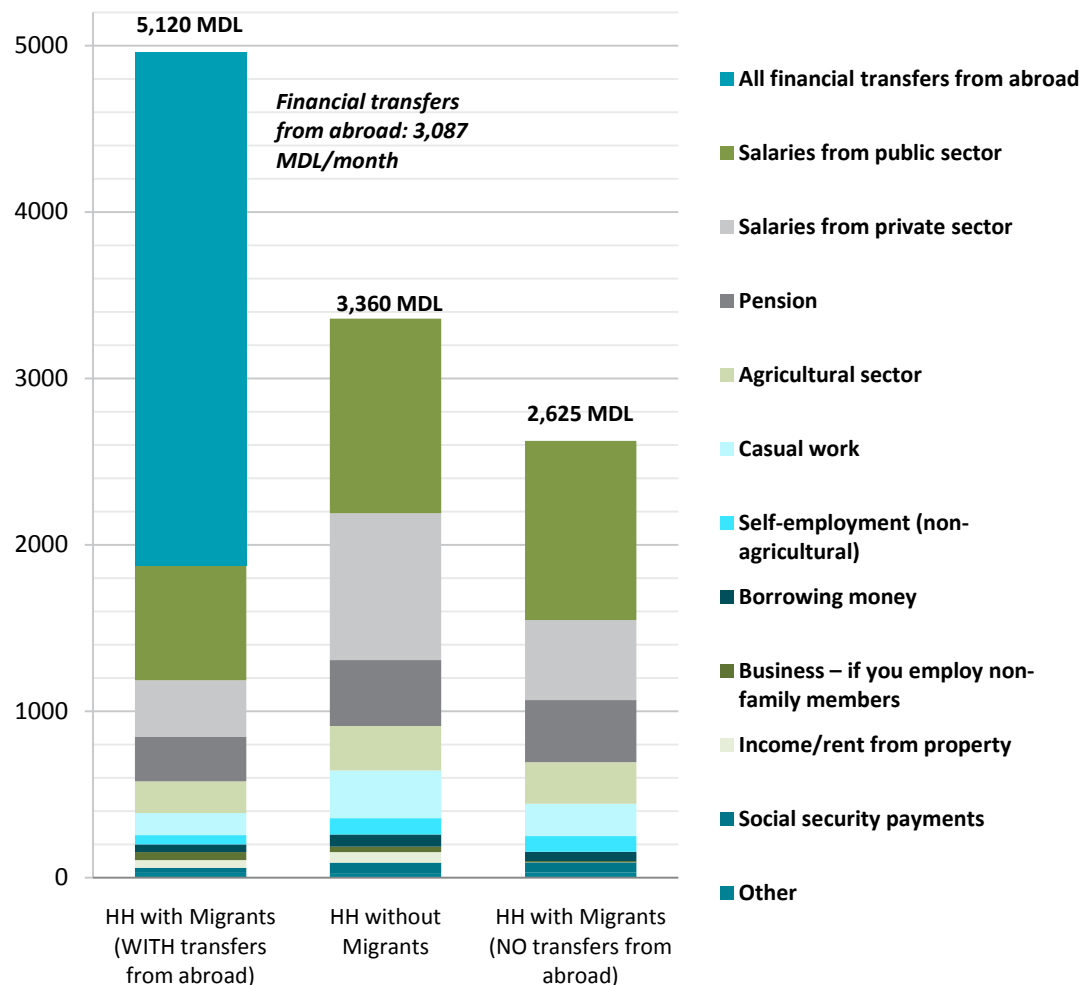


Figure 11: “Can you estimate your household’s average monthly income from ALL sources mentioned below in 2009?”

When comparing families with migrants who do not have access to remittances with those who do, the difference in income climbs to 48.7%. This finding requires further analysis of the available data to determine causality. One explanation could be that the age structure of these HHs is higher than of HHs without migrants.

When asked to estimate the allocation of their monthly HH income (i.e. HH budget) in 2009 (see Figure 12 on the following page), a clear pattern emerged. Overall, expenditure levels of HHs interviewed correspond with incomes.

While the number of children per HH is basically the same between the three categories (~0.65 children below the age of 18 per HH), the number of family members influences HH expenditures per family member.

The HH propensity to save and invest is directly influenced by whether or not they have access to financial transfers from abroad, although to a lesser degree than what was expected.

- Savings of overall income of HH without migrants is only 2.1% lower (at 7.2%) than HHs with migrants and access to remittances (at 9.3%). Again, HH with migrants but without access to migration-related financial flows, have a markedly different savings behavior (at 2.3%).

- When the income allocated to savings, investment and business expenses, and the repayment of debts (i.e. non-essential allocations) are added, the savings / investment rates can be estimated at 15.5% for families without migrants and 17.3% for families with migrants who have access to remittances.

The allocation of HH income for education-related expenditures is also similarly influenced by access to remittances. This investment in human capital is almost 50% higher for those HH receiving migration-related financial flows, when compared with HHs that do not receive such transfers (and 95% higher than for families with migrants, but no access to remittances).

In total, 11.2% of families with members abroad are not receiving migration-related financial flows

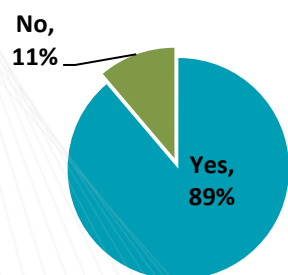


Figure 12: “Did you receive money from Migrants abroad in 2009?”

As indicated earlier, further analysis of existing data on this phenomenon is required.

When asked “How your monthly HH income was allocated on average in 2009?”, the following picture emerged

MONTHLY HH EXPENDITURES <i>All figures are in MDL</i>	HH with Migrants (WITH transfers from abroad)	HH without Migrants	HH with Migrants (NO transfers from abroad)
# HH	857	225	108
# Family members in Moldova	2,437 (2.8 persons/HH)	764 (~3.4 persons/HH)	285 (2.64 persons/HH)
Including # children:	686 (~0.8 children/HH)	165 (~0.7 children/HH)	41 (~0.6/children HH)
Food	1,546	1,195	988
Clothing	468	339	191
Utilities	679	569	620
Furnish / Equip / Build home	795	174	91
Health Services	275	214	28
Education	297	195	152
Savings	483	242	59
Investments/Business Expenses	285	175	128
Repaying debt	124	100	73
Other	220	138	122
a. 1 st Total indicated:	5,171	3,339	2,612
b. Calculated Total	5,172	3,341	2,452
Answer to Control Question 44:	5,171	NA	2,612
c. Average HH expenditures	5,170	3,340	2,560
d. Average HH expenditures per member	1,846	982	985

Figure 13: “Can you estimate how your monthly HH income was allocated on average in 2009?”

Informal methods of money transfer continue to be important for the Moldovan remittance market

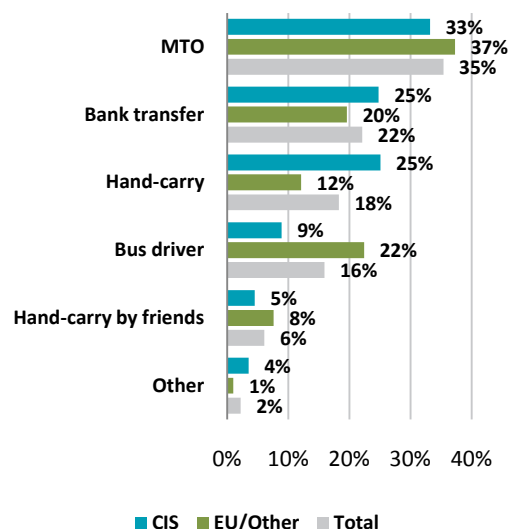


Figure 14: "How did your household receive this money from abroad?"

40.3% of all financial transfers are carried out utilizing a combination of hand-carrying by the migrant themselves, by fellow migrants, or by bus drivers.

Formal channels including banks and MTOs were used to transfer money by 57.5% of HHs for all financial transactions from abroad.

Important differences between migrants in the EU and CIS countries in terms of money-transfer behaviors can be seen from above table.

When asked which transfer methods is the 'most preferred', the majority of HHs preferred banks or MTOs (64.3%) over hand-carry (33.3%).

Remittance receiving HHs carried out the following frequency of transfers in 2009

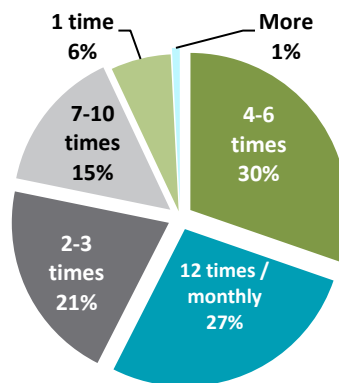


Figure 15: "How often did your household receive money from abroad in the past 12 months (since October 2008)?"

The average total value of money received by HHs in Moldova from abroad over the past 12 months was 36,900 MDL. This excludes those families that have members in migration, but do not remit, as well as seasonal workers. The average amount per transfer (at an average of 6.8 transfers per year) is 5,400 MDL. There was a strong downward trend observed in remittance values in 2009. 47% of respondents indicate that they have received less than in previous years. Only 14% of respondents reported having received more.

Looking forward, Moldovan HHs were either optimistic, with 20.3% of HHs expecting more remittances in the future, or undecided (50.6%).

Transfers with the intent to save or invest

	Respondents	Amount
To be saved	194 (of 857)	15,508 MDL
To be invested	142 (of 857)	23,658 MDL
Total		39,166 MDL

Figure 16: "Can you estimate the value of above financial transfers to your HH in 2009 to be saved/invested?" (only families with migrants and access to transfers in 2009)

23% of HHs reported having received financial transfers from abroad in 2009 'with the specific purpose of being saved'. 77% indicated no such savings intention. The average amount transferred with the intention of being saved per year was 15,500 MDL.

17% of respondents receiving financial transfers from abroad in 2009 'with the specific purpose of being invested'

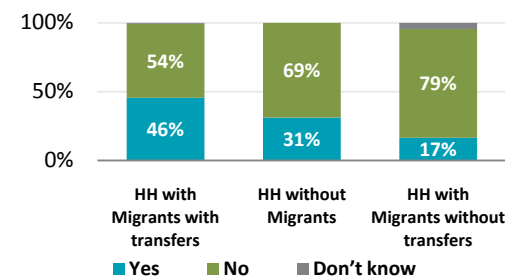


Figure 17: "Does your HH save money out of the money your HH receives from all sources (including from abroad)?"

The average amount transferred with the intention of being invested per year was 23,658 MDL.

When asked to rank top three savings objectives in order of importance, the HHs responded as follows

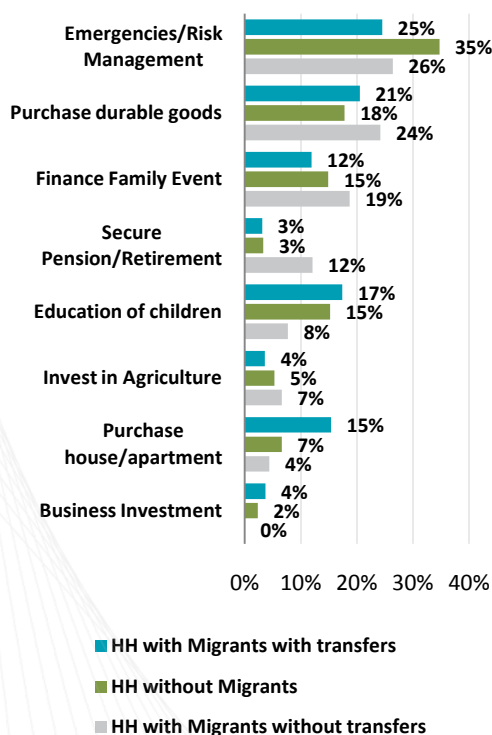


Figure 18: "Please rank in order of importance the top three savings objectives of your household"

The total estimate value of savings required to reach the above savings objectives by the three interviewed HH groups were as follows

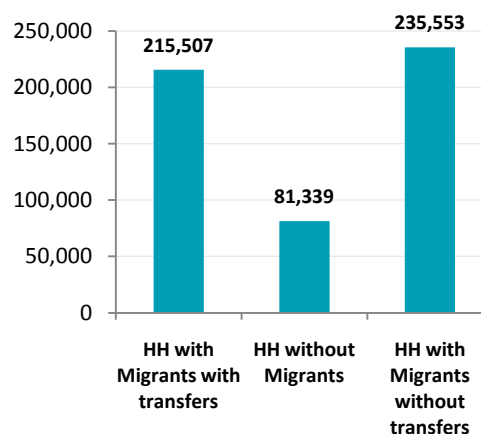


Figure 19: "Can you estimate the total amount of money needed to meet the above savings objectives?" (in MDL)

Confidence in reaching the above savings objectives varies amongst the three categories, with HHs with migrants and access to transfers being the most confident (30.3% are either 'very confident' or 'confident'), notwithstanding their higher savings objective (see above). Only 14.4% of this group is 'not confident'.

Of those HHs with both migrants and savings, 41.9% declared to have 'an understanding with their household members to keep some of their savings abroad.'

The level of savings intentionally kept abroad by this group ranged as follows

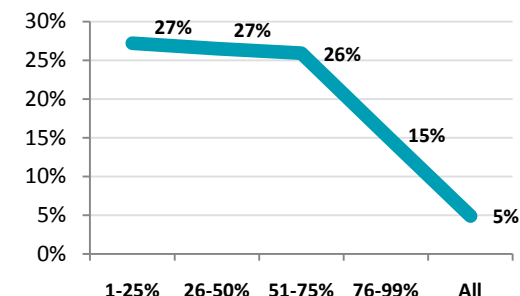


Figure 20: "What share of your household savings is kept abroad?"

When HHs with migrants were asked to indicate the place of savings abroad and in Moldova a clear difference becomes apparent

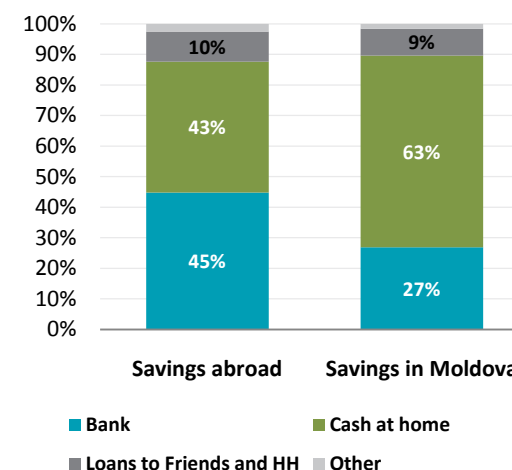


Figure 21: "Where these savings abroad are kept? (abroad or in Moldova)"

HHs with both migrants and access to transfers are twice as likely to have a bank account in Moldova.

At the same time, the level of the ‘unbanked’ in each category remains high, ranging from 66% to 84%

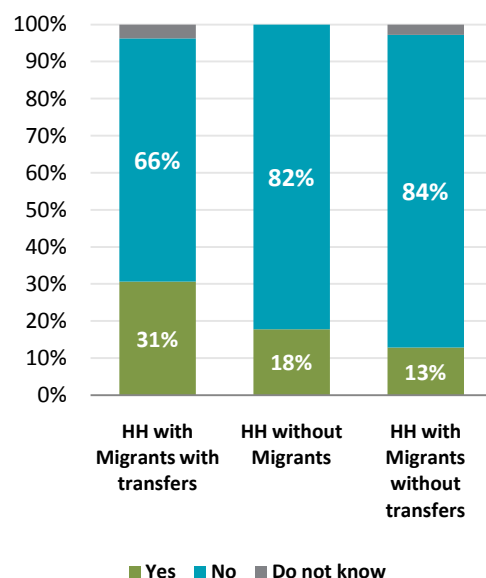


Figure 22: “Does one or more member of your household, including those abroad, have a bank account in Moldova?”

The most interesting retail banking products for all categories of HHs are, in order of importance, health insurances, child deposits and private pensions. Of less importance are credit and debit cards, and of least interest to these HHs are shares, bonds, stocks, etc.

As a trend, HHs with migrants and transfers are more interested in all categories of retail banking products

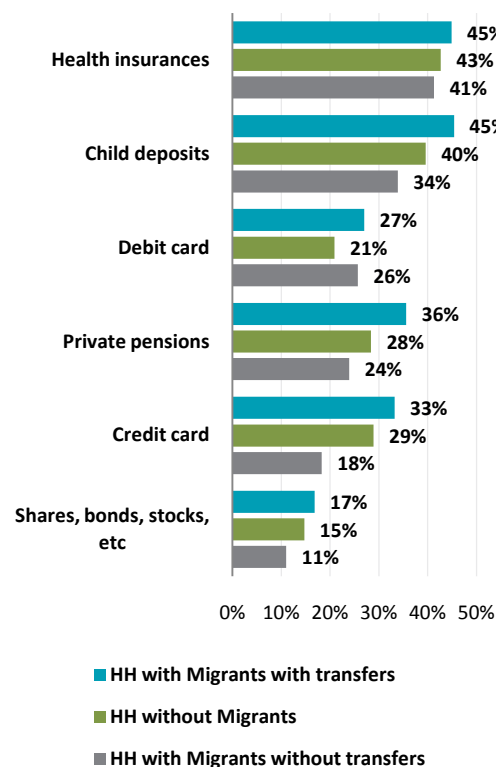


Figure 23: “If made available, would you consider purchasing the followings products?”

The majority of respondents in each category held that ‘insufficient income’ was the primary reason for not holding a bank account.

‘Lack of trust’ and ‘too much risk’ are important factors for HH with Migrants and transfers

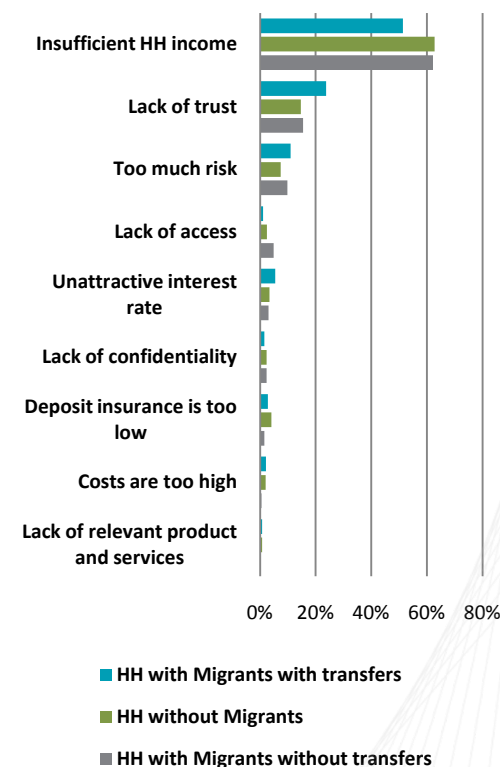


Figure 24: “If your HH does not have a bank account in Moldova, why not? (ranked in order of importance)”

The main factor determining choice of bank is the level of interest rate offered, followed by confidentiality and the reputation of bank. Other important factors include ‘ease of use’ and ‘costs/fees’.

HHs with migrants and access to transfers are more likely to have banking relationships and are, in general, more sensitive to these factors, when deciding on a bank...

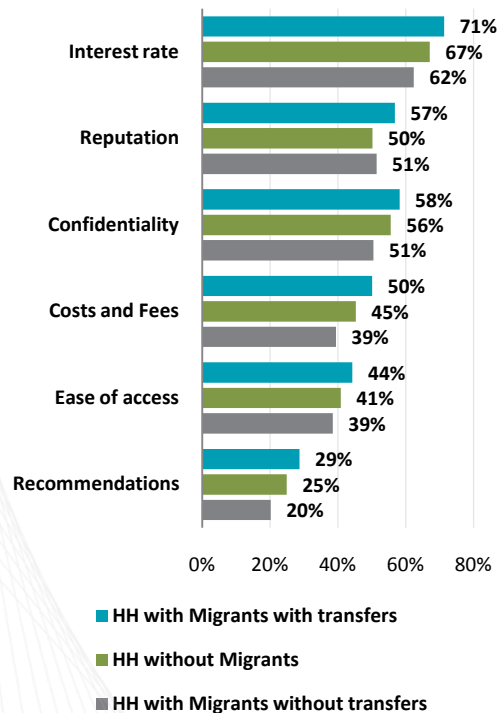


Figure 25: “In your decision to work with a bank, how important are the following factors?” (only answer category “very important” displayed)

Approximately, one in ten HHs has invested or provided credit to a business in Moldova in the past

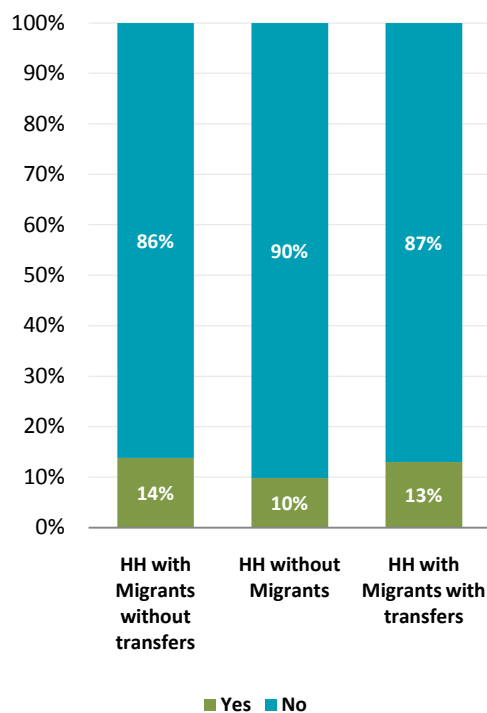


Figure 26: “Has your household invested in or provided credit to a business in Moldova in the past?”

These investments took place mainly in agriculture, construction and retail trade. Very little investment in tourism and manufacturing have taken place to date

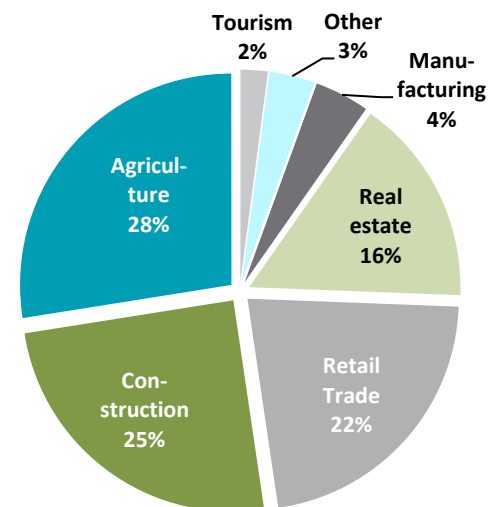


Figure 27: “If yes, in which sector(s) these business enterprises work?”

The vast majority (85.8%) of investments have been either individual or in a family context

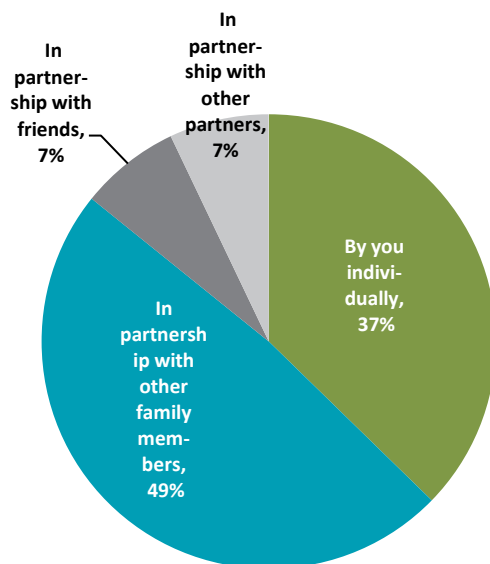


Figure 28: “Who owns the primary business your HH has invested in?”

When compared to past investments, (as above) there is a clear future trend towards increased investments by the surveyed HH

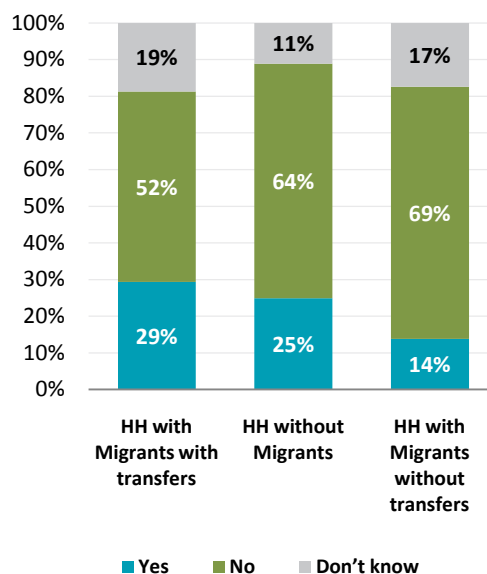


Figure 29: “Does your HH or a member plan to initiate or expand an investment in a business in Moldova in the future?”

This planned increase in investments is most prevalent for HHs without migrants – from 10% to 25%. The similar increase for HH with migrants and transfers is from 14% to 30%.

An interesting and unexpected finding of our survey is that little ‘urbanization’ seems to be taking place as a result of the migration process, notwithstanding the fact that most Moldovan migrants are residing in urban centers abroad. Upon return, most migrants plan to settle in their place of origin, rather than in Chisinau or the surrounding area.

This can be seen from the below table, indicating that the vast majority of future investment will take place in the migrants’ places of origin

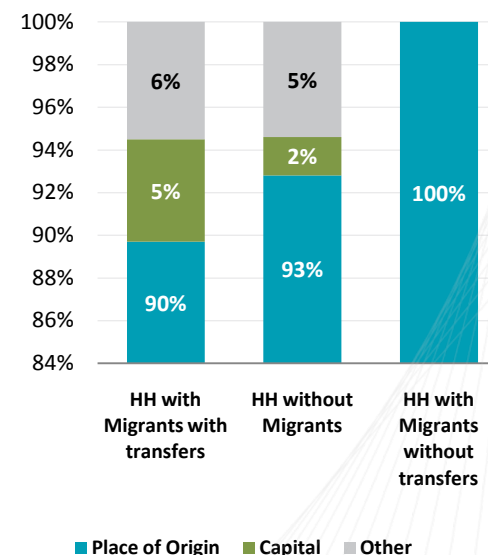


Figure 30: “Where shall this investment take place?”

For HH with migrants, there is a clear trend towards investing in retail trade, manufacturing and services, and away from

construction, agriculture and real estate. Tourism remains a very minor area of interest

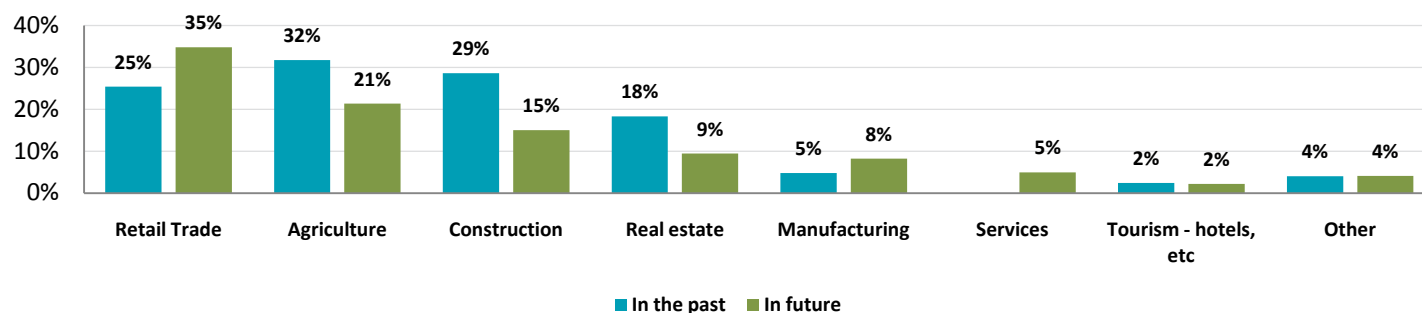


Figure 31: "In which sectors did you invest?", "Where shall this investment take place?"

Generally, 85% of surveyed HHs (both with and without migrants) plan to supplement their investments from outside sources.

On average, half of the HHs, with future investments plans, intend to supplement their investments through loans from banks

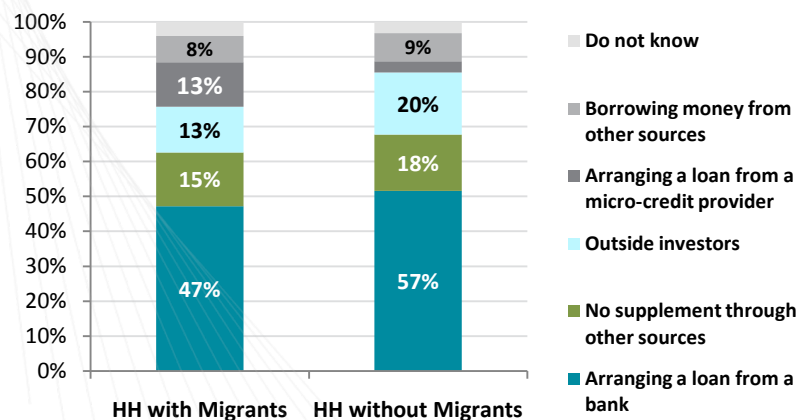


Figure 32: "Does your HH plan to supplement the above investment(s) through other means, such as..."

The past practice of investing primarily on an individual basis or with family members is likely to continue in the future.

This finding is confirmed by 90% of HH interviewed

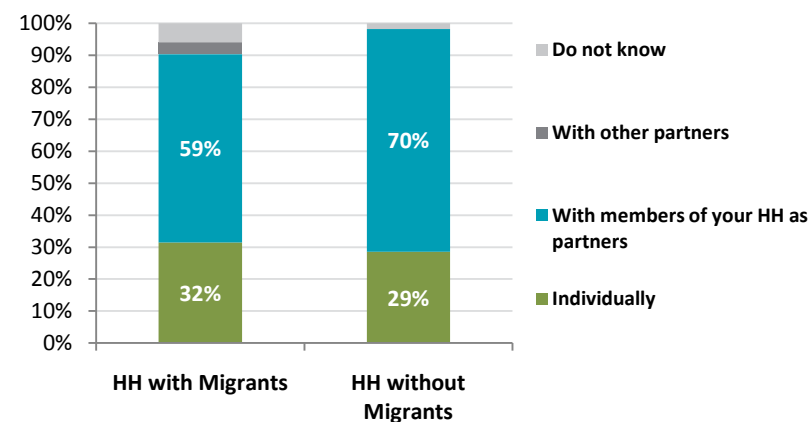


Figure 33: "How do you prefer to invest in future business"