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THE IMPACT OF THE EXCHANGE RATE ON TRADE IN AGRIFOOD PRODUCTS AS A COMPONENT PART OF THE BALANCE OF FOREIGN PAYMENTS IN THE REPUBLIC OF MOLDOVA

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Abstract

The purpose of this paper is to determine and analyze the impact of the exchange rate on trade in agri food products and finally, on the payments balance of the Republic of Moldova. In order to achieve the intended purpose there will be performed a correlation between the evolution of the balance of payments and the exchange rate, which is explained by the fact that when the volume of exports is higher than that of imports and, therefore the trade balance is positive or excesses the domestic one, there will be a larger supply of foreign currency on the market and the national currency will register a trend of its appreciation. Instead, the competitiveness of domestic products will reduce because they will become more expensive. In the research process there was used the method of induction, initially by general information about the exchange rate and balance of foreign payments, about its structure, and subsequently there was used the analysis of concrete data on trade in agri food products and the balance of payments as well as the dynamics of the national currency depreciation. Having applied the method of deduction it was concluded that under a deficient trade balance, when imports exceed exports, there will be an increase in the demand for foreign currency, the national currency will depreciate and domestic goods will be cheaper, which means more competitive. Statistical data and the calculations show a depreciation of the national currency in recent years, due to the superposition of three major events: the depreciation of national currencies from the region; the reduction of the currency supply as a result of a reduction of exports, remittances and foreign direct investments; the increase in demand for foreign currency as a result of the withdrawal of the capital from the country.

Key words: *agri food products, trade balance, the balance of foreign payments, trade, exchange rate, national currency*

INTRODUCTION

The main tool which helps to carry out the accounting and control of the economic relations with foreign countries is a balance of foreign payments. It constitutes an important source of information about how a country participates in international trade of goods, services and capital, about the competitiveness of its economy, about its economic strength [1].
The balance of payments is based on registering flows (transactions) between residents and non-residents accounted for over a period of time, usually for one year. The balance of payments records the receipts as assets, respectively outstanding receivables during the reported period and it records payments as liabilities, respectively outstanding liabilities during the same period, whether commercial or financial operations, which generated them, were made in this period or earlier [4].
The balance of payments operates with flows and stocks, registering economic developments in a certain reference period.
The balance of payments is a statistical and accounting document, which records all economic transactions (trade, monetary and financial transactions) occurring between resident business entities and foreign countries over a period of time, usually one year. The balance of payments is compiled by the Central Bank, based on the data provided by the banking system and the customs service.
As any balance, the balance of payments is composed of two parts:
1. currency inflows into the country (credit) arising from the following transactions: exports of goods and services; financial aid or loans granted to a certain country by a foreign

country; money transferred home by people working abroad; investments of foreign companies in national territory; purchase of shares or bonds by foreign economic entities on the national financial market.

2. currency outflows from the country (debit) arising from the following operations: payment of imports; the investments of economic agents abroad; transfers of profits of foreign companies in countries of origin; cash deposits by economic agents and individuals in foreign banks; repayment of loans and credits contracted with foreign banks and foreign governments or international financial organizations [2].

The currency balance is evidenced by the balance of the balance of payments and its balancing mode. The balance of the balance of foreign payments is most strongly influenced by the trade balance situation, a component of the balance of foreign payments which highlights the contribution of the real economy to ensure the equilibrium of the exchange rate.

The exchange rate is the price of one currency expressed in another currency which, in accordance with Regulation no. 2 of 13/01/1994 on regulating the currency in Moldova, is established by the National Bank of Moldova (official rate) or by authorized dealers (course, exchange rate, buying and selling rate) [7].

The official exchange rate is the price of MDL against the currencies of other countries. The official rate is calculated based on the exchange rates established by licensed banks in transactions of purchase / sale of currencies performed with their clients and other banks. Thus, the official exchange rate reflects the relation between supply and demand of currencies in the forex market in the country.

In Moldova there is a floating currency regime. The National Bank intervenes in the forex market when there is a need to mitigate excessive exchange rate fluctuations, primarily through direct purchase or sale of foreign currency.

The evolution of the trade balance influences the exchange rate by the fact that when the volume of exports is higher than that of imports and therefore the trade balance is positive or in excess, on the domestic market there will be recorded a larger supply of foreign currency and the local currency “will strengthen “, i.e. there will be a trend of the national currency appreciation. Instead, the competitiveness of domestic products will reduce because they will become more expensive. Under a trade balance deficit, when imports exceed exports, the demand for foreign currency will increase, the national currency will depreciate and the domestic goods will be cheaper, i.e. more competitive.

Purchasing power parity affects the exchange rate for the long term, since it oscillates around the changing parity of purchasing power of currencies [6].

MATERIALS AND METHODS

The research studies the trade in food products as part of the balance of foreign payments of the Republic of Moldova as well as the modification of the exchange rate during 2013-2015.

In the research process there was used the method of deduction, initially by general information about the exchange rate and balance of foreign payments, about its structure, and subsequently there was used the analysis of concrete data on the accounts and the balance of the balance of foreign payments as well as the dynamics of the national currency depreciation. The results obtained by the analytical calculation are shown by means of the tabular method and the graphical method. The conclusions and recommendations were formulated using the method of deduction and scientific abstraction.

RESULTS AND DISCUSSIONS

During 2015, the external sector of the economy of the Republic of Moldova has been affected by the economic recession recorded by the main partners in the CIS (The Russian Federation and Ukraine), which had a substantial negative impact on exports and on personal remittances. The application, from 1.09.2014, of the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU has had a positive impact on Moldovan exports to the European Union (which grew by 44.18 million USD or 6.1 percent compared to 2014, without goods for / after processing), but that was not enough to fully compensate the decrease in exports to the CIS (which fell by 233.34 million USD or 32.2 percent compared to 2014, without goods for / after processing). Personal remittances received by the residents of the Republic of Moldova decreased from 24.1 percent in relation with GDP in 2014 to 21.8 percent in 2015, mainly from reduced inputs from the Russian Federation [5].

As a result of current and capital transactions carried out by the economic agents, residents of the Republic of Moldova with foreign operators in 2015, the necessary financing net (the sum of current and capital account balances from the balance of payments) decreased by 6.0 percent compared to 2014 and amounted to 441.41 million, which is 6.8 percent in relation with GDP (5.9 % in 2014) (Table 1).

In 2015 the absolute value of the current account deficit reduced by 17.7% compared with 2014 on account of decreasing GDP. However, the current account deficit relative to GDP has remained virtually constant, constituting 7.2%. The negative evolution of primary income balance has influenced current account reducing it by 4.1 p.p. This reduction was caused primarily due to the increase of income payments as dividends, interests, etc, by 2.3 p.p. that have returned to foreign investors, followed by reduction of residents workers' compensation for the work performed for the patrons non-residents by 1.3 p.p.

As to the surplus registered at secondary income there were also recorded reductions - namely by 2.7 p.p. in 2015 compared to the previous year 2014 as a result of reduced inflows of private transfers by 1.1 p.p. and of reduced external support (international cooperation, both at government and private level) by 1.4 p.p.

Reducing income obtained by the residents contributed to a decrease in domestic demand, and respectively, in imports of consumer goods.

Table 1. The main components contributing to the evolution of current account of the balance of payments in the Republic of Moldova

Indicator	2014	Q I 2015	Q II 2015	Q III 2015	Q IV 2015	2015	Share change 2015 / 2014, p.p.
	% relative to GDP						
Current account / GDP	-7.1	-10.5	-8.1	-6.3	-4.6	-7.2	-0.1
Trade balance / GDP	-36.7	-34.8	-31.1	-27.8	-27.9	-30.0	6.7
Primary income balance / GDP	10.4	6.8	4.4	7.2	6.4	6.2	-4.1
Secondary income balance / GDP	19.3	17.4	18.7	14.3	16.9	16.6	-2.7
Capital account / GDP	1.2	-0.3	0.6	0.5	0.5	0.4	-0.8
Necessary net financing (the sum of current and capital accounts / GDP	-5.9	-10.8	-7.5	-5.8	-4.1	-6.8	-0.9

Source: elaborated by the author based on data provided by [8]

Simultaneously with the stop of economic activity, and respectively, with the decrease of imports of raw materials and capital goods by businesses, it contributed to a decrease in imports of goods and services by 5.1 p.p. relative to GDP. At the same time, the exports of goods and services increased by 1.6 p.p. so that Moldova's trade deficit reduced by 6.7 p.p. in 2015 compared to 2014. The reduction by 6.8 p.p. recorded at incomes and the increase in foreign trade balance in goods and services by 6.7 p.p. compensated each other, which preserved the relationship between the current account and gross domestic product in 2015 compared with the previous year 2014.

The main source of coverage of the necessary financing net in 2015 (Table 2), reflected in the financial account of the balance of payments, was the reserve assets of the state, especially in the first quarter of 2015 used by the National Bank for the interventions in the domestic exchange market with the aim of neutralizing excessive fluctuations of the exchange rate of MDL.

The external trade in goods and services is included in the structure of the current account of the balance of payments and is its most essential component, so it is necessary to analyze the country's main trading partners (Fig. 1).

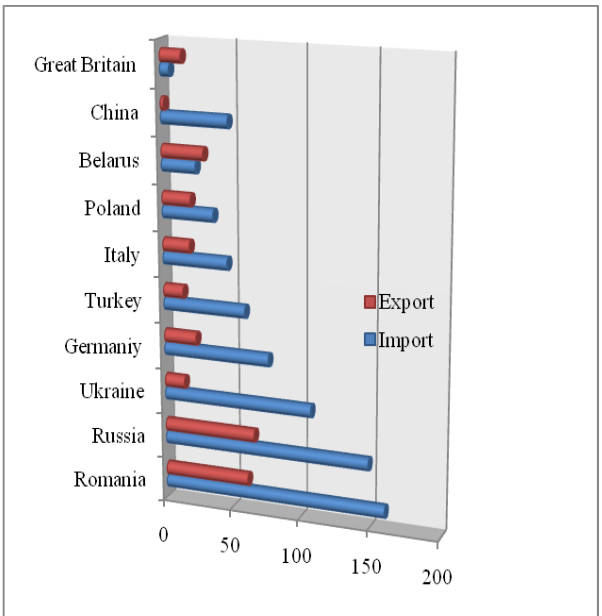

Fig. 1. The main trade partners of the Republic of Moldova in 2015
Source: elaborated by the author based on data provided by [8]

Exports of goods from the Republic of Moldova amounted 1495.42 mil. US dollars, of which 51.5 percent were directed to EU countries, 32.8 percent were delivered to CIS countries, the remaining 15.7 percent were exports to other countries. In 2015, the prevailing share in the structure of exports to the European Union was to Romania (61.51 million USD), Germany (23.9 million USD), Great Britain (15.46 million USD), Italy (19.89 million USD), Poland (21.11 million USD) and Turkey (14.69 million USD). The positive evolution of exports to European Union countries also took place because of the implementation of Deep and Comprehensive Free Trade Agreement with the EU.

In 2015, Moldova imported goods totaling to 3642.68 million USD. The largest share of 53.3 percent (1939.8 million USD) in total imports belongs to the goods from EU countries, their value decreasing by 24% compared with 2014. Imports from CIS countries decreased by 30.2%, having the share of 29.1% (1059.41 million USD) of the total imports. Imports from other countries were 17.7% (643.47 million USD), they dropped by 23.9%.

The main suppliers of goods to Moldova in 2015 were Romania, Russia, Ukraine, Germany, Turkey, China, Italy, Poland, Hungary, Belarus, the aggregate value of imports from these countries accounted to 78.3 percent of the total imports.

Table 2. The analysis of the capital account of the balance of foreign payments in the Republic of Moldova

Indicator	Years			Absolute deviation, 2015 compared to the years:	
	2013	2014	2015	2013	2014
Capital transfers, Credit, million dollars USA.	110.39	175.92	97.29	-13.03	78.63
Capital transfers, Debit, million. dollars, USA.	52.42	80.88	47.38	-4.96	-33.42
Sold, million dollars USA	57.97	94.54	22.83	-35.14	-71.71
Capital transfers, million dollars USA	57.97	94.44	49.91	-8.06	-44.53
Public administrati onCredit, million dollars USA	93.37	156.98	89.34	-4.03	-67.64
Other sectors	-354	-62.54	-66.43	-31.03	-3.89

Source: elaborated by the author based on the data provided by [8]

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As it is seen from the data presented in Table 2, in 2015 the capital account of the balance of payments recorded a positive balance in the amount of 22.83 million USD, which represents a decrease by 35.14 million USD compared to previous years, and respectively 71.71 million USD in absolute value and by 60.62%, respectively, 75.85% in relative size. The public administration received external grants related to investment projects worth 89.34 million USD, while other sectors registered net outflows worth 66.43 million USD.

If we analyze the trade in food products, the situation is different in dynamics (Fig.2).

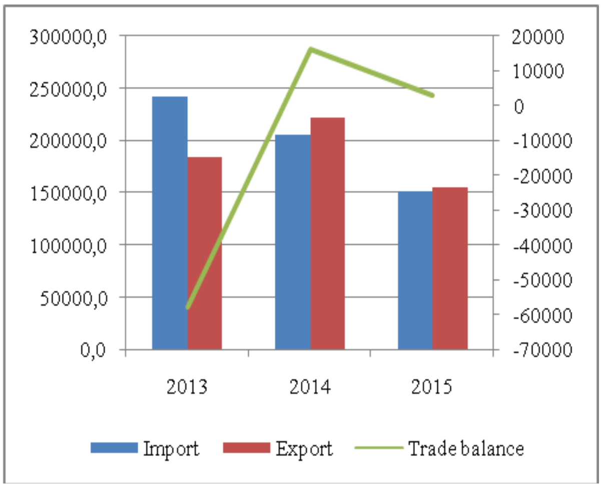

Fig. 2. Evolution of trade in agri food products in the Republic of Moldova in 2013-2015
Source: elaborated by the author based on data provided by [9]

Analyzing the data presented in Figure 2 we can see that in 2015 compared to previous years 2013 and 2014 both imports and exports of food products reduced. Thus, in 2015 compared to 2013 exports decreased by US $ 29,935.4 thousand, and if compared to 2014 the decrease amounted to US $ 67,302.5 thousand, caused mostly by reduced cereal and cereal products exports (-35.9%), meat and meat products (-73.5%), vegetables and fruit (-5.5%), fixed, crude, refined or fractionated vegetable fats and oils (-7.1%), food for animals (-25.2%), raw and processed tobacco (-24.1%),

As to the imports, we observe a reduction of US $ 2,539.7 thousand in 2015 compared to the base year 2013 and in comparison with the previous year 2014 US $ 54,075.5 thousand due to falling imports of meat and meat products (-49 2%), cereals and cereal products (-22.1%), dairy products and eggs (-20.9%), livestock (-52.2%), food for animals (-11 3%), sugar, sugar products; honey (-24.8%), while imports of seeds and oil products increased (+ 18.7%) [10].

These changes helped reduce the trade deficit in agricultural products with US $ 60789 thousand in 2015 compared to 2013, and compared to 2014 trade surplus reduced by US $ 13,227 thousand.

The exchange rate changes also have an influence on foreign trade, and therefore on the balance of foreign payments. Statistics and calculations (Fig. 3) show a depreciation of the national currency in recent years, due to the superposition of three major events: the depreciation of national currency in the region (Russia, Ukraine); the reduction of currency supply as a result of a reduction of exports, of remittances and of foreign direct investments; the increase of the demand for foreign currency as a result of the withdrawal of the capital from the country. The first two factors reflect the difficult economic and political conditions in the country until December 2014.

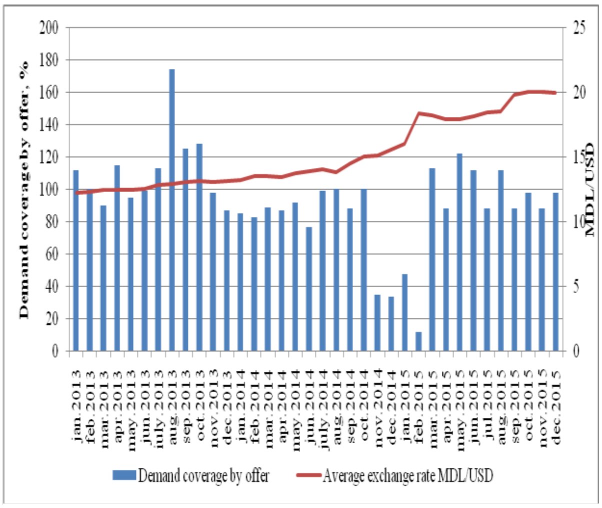

Fig. 3. Coverage of net demand for foreign currency by businesses through the net supply of foreign currency from individuals
Source: elaborated by the author based on the data provided by [8]

The third factor influenced the subsequent devaluation of the national currency i.e.

increasing demand for foreign currency caused panic with people, they having negative expectations.

From the data of Figure 3 we can see that towards the end of 2015 the national currency appreciated, and its average exchange rate against the US dollar fell from 19.9935 in November to 19.8295 in December, or by 0.8 percent. Regarding the currency structure of net foreign currency from individuals, the largest share went to the single European currency (62.4%), followed by the US dollar (19.8%) and Russian ruble (16.3%).

In 2014, the local currency market recorded a crucial gap between demand and supply of foreign currency. This was caused by reducing the supply of currency, boosted by the restrictions imposed by Russia on Moldovan exports and by reducing foreign currency transfers to individuals.

Negative developments have widened in the fourth quarter of 2014, when remittances from abroad reduced by approximately 20% compared to the same period of 2013. In November 2014, exports decreased by 18% compared to November 2013.

In 2014 the net supply of foreign currency from individuals amounted to 2048.0 million USD, which is 30.2 % less compared to 2013, and covered in proportion of 78.2% net demand currency by businesses. In these circumstances, within the pursued monetary policy, in 2014 the National Bank sold on the local market the amount of 418.5 million USD as foreign exchange interventions, partially covering the shortage of foreign currency. During 2014 the national currency depreciated against both the USD and the Euro (EUR) by 19.6% and 5.7% respectively.

The depreciation trend of the Moldovan leu against the US dollar in 2014 had a regional dimension including the strengthening of US dollar position on international markets due to the US economic recovery. Thus, Euro also depreciated towards the USD – by 13.1%, Romanian leu – by 13.6%.

During 2014 Ukrainian hryvna depreciated in higher proportions against the US dollar - by 92.0% and the Russian ruble - by 72.5%.

Depreciation pressures on the domestic currency continue to maintain in 2015. This fact attests in the condition of the persistence of the developments recorded in 2014, characterized by expanding the gap between demand and supply of currency. In January 2015, the net purchases of foreign cash by banks halved to 71.0 million USD or 55.3 percent compared with January 2014, while net demand for foreign currency from legal persons (150.5 million USD) reduced to a smaller extent - by 21.0 percent. During this month the demand for currency is mainly generated by the importers of energy resources. Thus, the demand was covered by the offer in proportions of 47.2 percent compared with 83.4 percent in January 2014. In these circumstances, the National Bank intervened in January by selling 114.4 million US dollars on the local market thus dampening currency depreciation. Measures taken by the National Bank aimed to stimulate higher interest rates on deposits in lei and to encourage savings in the national currency, which will diminish the Moldovan leu depreciation pressures.

Currency depreciation in 2015 was a continuation of the trend that began in the second half of 2011 and accelerated in 2014. Several factors caused these changes, and namely: decrease in remittances in US dollars and reducing exports to CIS countries. So, Moldova's economy goes through a slow process of adaptation to internal and external conjuncture and the exchange rate is a key tool in this respect.

The currency depreciation has accelerated in 2013, when on the pretext of maintaining a desired level of inflation, the National Bank made purchases of currency in the third quarter (247 million USD), inducing the market to a new higher equilibrium rate level MDL / USD. Later, during the first three quarters of 2014, the determining factor of the devaluation of the national currency was the US dollar appreciation (Fig. 3). However, in the last quarter of the year a more pronounced depreciation of the leu had other predominant factors. As to the currency supply, things are clear: reduction in the fourth quarter of the currency inflow from remittances and exports by 20.2, respectively 11.4%, imports, as the largest carrier of currency demand, recorded in last 3 months of 2014 a decrease by 4.7% compared to the same period of 2013. Meanwhile, the National Bank data show an increase in currency demand, especially from legal entities.

These developments can be explained by suspicious transactions in the autumn of 2014 from 3 commercial banks (Banca de Economii S.A., BC"BANCA SOCIALĂ" S.A. and B.C. "UNIBANK" S.A), which had as purpose the purchase of massive amounts of currency from the market and transferring them abroad.

Sharp devaluation of the national currency and of the essential foreign exchange fluctuations accelerated and scared the population (migration of currency savings from lei into foreign currency, reluctance to sell the accumulated currency, etc.), accompanied by abundant speculations.

If we consider economic agents, foreign exchange course influences domestic producers by increasing efficiency in order to be competitive both on the domestic and foreign markets. On the one hand, if the currency is overvalued, it generates some risks: obstacles to the sustainable development of the national economy by creating additional impediments to export oriented traders. An expensive currency makes domestic products for international markets to be more expensive, so decreasing considerably the chances of their success. For the Republic of Moldova, this issue is one of importance. Unlike other countries in the region, the Republic of Moldova lacks natural resources that it could export through international markets as to guarantee in this way flows of foreign currency into the local financial system. Therefore, export is the source that ought to provide the necessary foreign currency to cover imports expenditures. Since the coverage of imports by exports is low, the capital scarcity is largely provided from the remittances from abroad and / or by international donors.

MDL devaluation caused a slight reduction in imports in the first period of 2014, but the advantages of leu's gradual recovery to its real value will be felt in the medium and long term. Local producers will become more competitive when they export to international markets, Moldovan consumers will choose more local products as the foreign products will be more expensive and the economy as a whole will move from a model based on consumption of imports to one focused on exports and international competitiveness, thus gradually balancing the trade balance of the country.

The effects of exchange rate changes depend on foreign trade structure and on the financial situation of the participants in international trade. During the period of practicing fixed exchange rates, currency devaluation was the expression of the authority decision to reduce the purchasing power of the currency in relation to gold and other currencies, and revaluing reflects the increasing purchasing power of the currency against gold and other currencies.

In terms of floating courses, devaluation has an implicit character due to declining purchasing power of the currency on the market, according to supply and demand, it is called depreciation, and implicit revaluation reflects the increasing purchasing power of the currency on the market, which means that the currency is appreciated.

Appreciation or revaluation of the currency expresses increasing purchasing power against other currencies. Currency depreciation boosts exports and stops imports since they are paid in depreciated currency. Importers from other countries reduce goods quantities as they need larger amounts to procure necessary goods from a country whose currency has depreciated. Depreciation favors the debtors who repay their debts in depreciated currency and disadvantages the creditors.

Currency appreciation reduces the exports and stimulates the imports of a country. Imports increase as a result of lower foreign exchange effort of companies to pay their foreign partners. Currency appreciation penalizes debtors who pay their debts in the stronger currency, and lenders are benefiting from the collection of claims in that currency. [3]

In this context it is necessary to make real appreciation of the exchange rate as it shows a current account deficit of the balance of foreign payments. Since 2014 the deficit has been exceeding 8% of GDP, while the maximum for our country is 5%. The current account deficit shows a low competitiveness of the national economy, which is affected by the real effective appreciation of the national currency.

In recent years MDL depreciation has been influenced by many factors, among which we can mention: the decrease in remittances, of exports and foreign direct investments, which are the main indicators of forming currency sources in the national economy. These reductions have increased in late 2014 and in 2015.

Table 3. The analysis of the indicators of forming currency sources in the Republic of Moldova

Indicator	Years			Absolute deviation, 2015 compared to the years:	
	2013	2014	2015	2013	2014
Transfers of funds from abroad, million USD.	1,609	1,613	1,130	-479	-483
Export, million USD.	1,861	1,780	1,495	-366	-285
Direct foreign investments, million USD.	3,621	3,647	3,539	-82	-108
The official exchange rate of the national currency against the USD, MDL/USD	12.59	15.62	19.80	+7.21	+4.18

Source: elaborated by the author based on the data provided by [8]

From the calculations in Table 3 we can see that in 2015 the remittances volume fell in absolute size by 479 million USD compared to 2013, and compared to 2014 the remittances fell by 483 million USD in absolute size or about 30% in relative size.

Exports decreased by 366 million USD in 2015 as compared to 2013, and compared to 2014 they decreased by 285 million USD and in relative size the reductions constituted 20% and 16% respectively.

It is obvious that at the same time with a reduction in remittances, exports and foreign direct investments, the national currency depreciated very much, if in 2013 one US dollar could be bought for 12.59 lei, then in 2015 it was bought for 19.8 lei, the depreciation in this period constituted 57%, and compared to 2014-27%.

These calculations make us conclude that one percent of exports reduction corresponds to 0.35% and 0.60% depreciation of the national currency.

Since the end of 2014 and throughout the year 2015 currency depreciation was driven mostly by non-fundamental factors such as panic in society and massive purchase of foreign currency. Reducing the supply of currency, due to reduced exports, remittances and foreign direct investments, is associated with the economic and political conditions in the country and in the region.

According to absorption theory, devaluation can generate the change of the trade balance through its effects on income and absorption. Besides the direct influence exerted by the devaluation of the national income, there is an indirect influence due to the marginal propensity to consume and investment. The effects of devaluation on the balance of payments occurs after a certain period of time at the expense of increasing the competitiveness of goods, expansion of trade relations with other partners, developing production capacity for export and transfer of products offer from one market to another.

CONCLUSIONS

The conducted research allows us to conclude that the dependence degree of the economy of the Republic of Moldova on the outside remains high. According to the analysis of the country's balance of foreign payments for 2015, the current account deficit decreased, but it has an essential share in GDP of 7.54%, transfers to individuals reduced, and the negative balance of goods and services in GDP constituted 37.6%.

The value of the capital account registers a negative trend during the period 2013 -2015. It reduced in 2015 compared to 2013 by 35.14 million USD and by 71.71 compared to the previous year 2014 due to the reduction in capital transfers made by financial and non-financial companies.

The financial account reduced in 2015 compared to 2013 by 109.93 million USD influenced by the reduction of direct investments and portfolio investments, and compared with 2014 the negative balance of this account reduced by 90.48 under the positive influence of direct investments in the national economy.

The existence of the passive balance of the balance of foreign payments has a negative impact on the purchasing power in foreign currency and in general on the country's international relations. It reduces the creditworthiness of the country at the international level and attacks its reputation among foreign investors.

Exchange rate changes also have an influence on the balance of payments. The conducted research demonstrates a depreciation of the national currency in recent years, caused by three major events: the depreciation of the national currencies in the region (Russia, Ukraine); the decrease of the supply of currency as a result of exports, remittances and foreign direct investments reduction; the increase of the demand for foreign currency as a result of the withdrawal of the capital from the country. The first two factors reflect the difficult economic and political conditions in the country until December 2014. The third factor has influenced the subsequent devaluation of the national currency, i.e. increasing demand for foreign currency caused panic among people about the negative expectations.

The persistence of the currency depreciation factors, particularly reduced remittances of funds will discourage domestic consumption and imports of goods and services, including imports of food products. Consequently, a balance of the trade balance will attest, and a stabilization of the exchange rate dynamics of the national currency will take place.

In order to improve this situation and to reduce balance of payments deficit through the exchange rate policy it is necessary to take steps both for short and long term. In this regard it would be helpful for the short time period to reduce imports, which will generate an appreciation of the national currency and a reduction in the balance of foreign payments deficit. For the long period of time, however, this measure will only postpone solving the real causes that generated the trade deficit.

Another solution would be to attract foreign direct investments and portfolio investments that will contribute to the rebalancing of the balance of payments by foreign capital attracted in economy, which can reduce pressures on the exchange rate, generated by trade balance deficit.

A balancing measure would also reduce the effects of the evolution and especially of the exchange rate depreciation on the trade balance. Depreciation stimulates foreign demand and discourages domestic demand.

In order to reduce the current account deficit of the balance of foreign payments it is necessary to increase the competitiveness of domestic products (including agri food products), subject to international transactions and to follow the fluctuations of the national currency against other currencies, because while the national currency evolves with depreciation trend, in terms of international transactions exports are encouraged and imports reduce.

In order to increase the country's creditworthiness and improve its reputation at the international level it is necessary to solve existing political problems in order to boost exports that will reduce the balance of payments deficit.

In order to reduce the balance of passive balance of payments it would be necessary for the state to support production, with the efficient value on the foreign market in order to increase export prices, to increase incomes in convertible currencies and to promote investment policy by attracting foreign capital.

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