

Republic of Moldova: recent economic trends and post-covid structural response

Alexandru STRATAN, Academy of Sciences of Moldova
National Institute for Economic Research,
Republic of Moldova

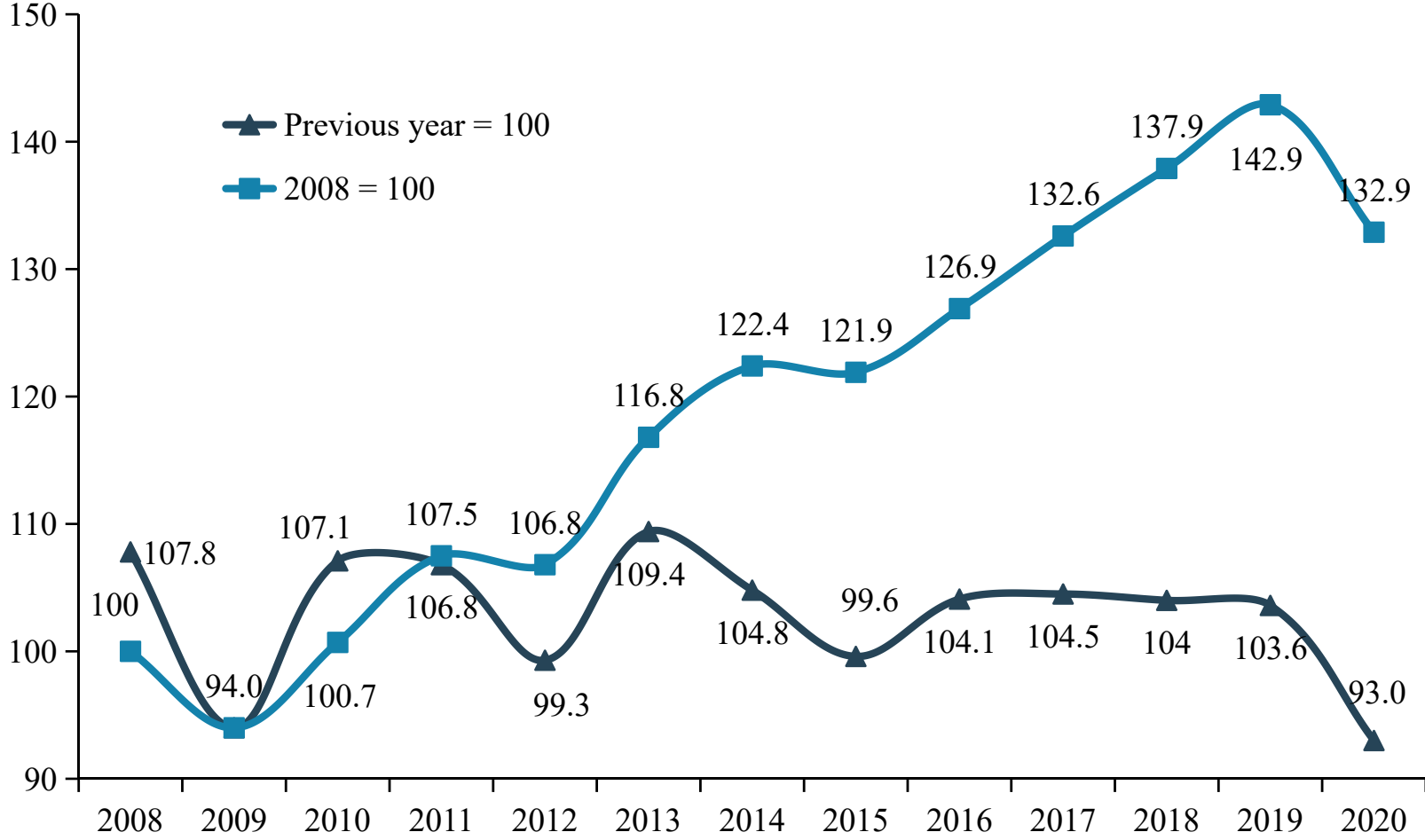


11th International Black Sea Symposium

*A collective recovery for the Black Sea Region
in the post-covid era*

Tuesday 20 April 2021

Gross domestic product in 2020 marked a significant decrease of 7.0% (gross series) compared to the similar period of 2019

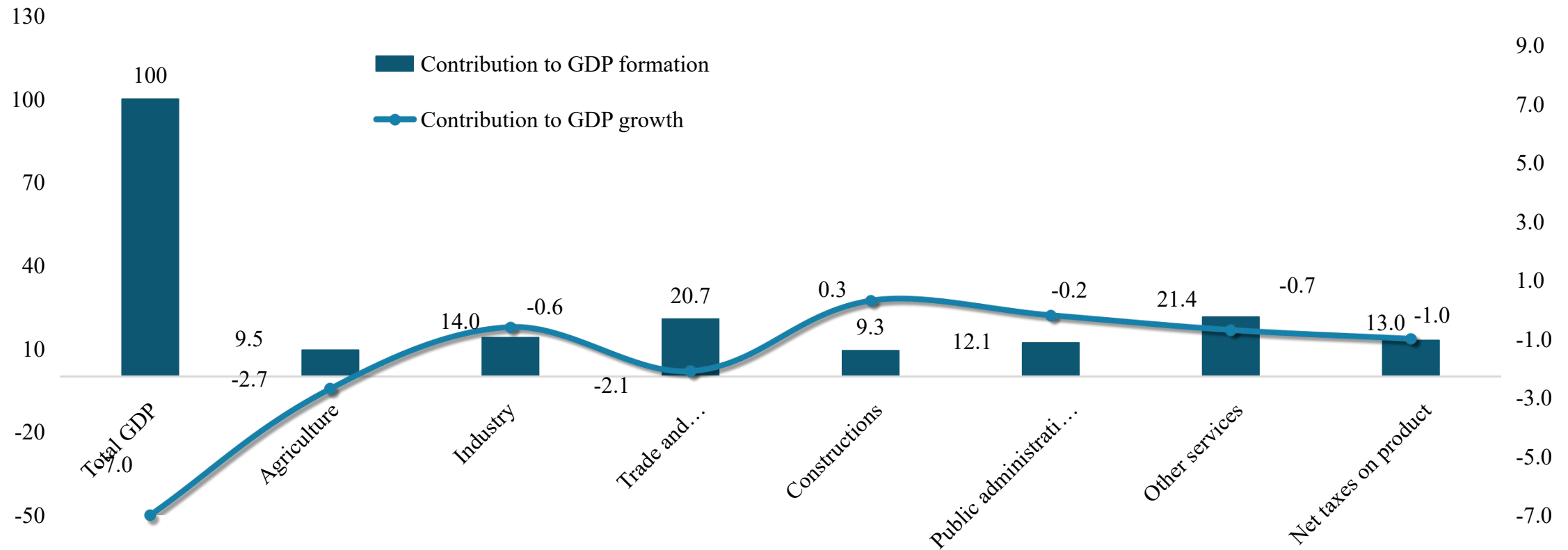


GDP evolution, 2009-2020, %

GDP growth in 2020, c.s.p.y

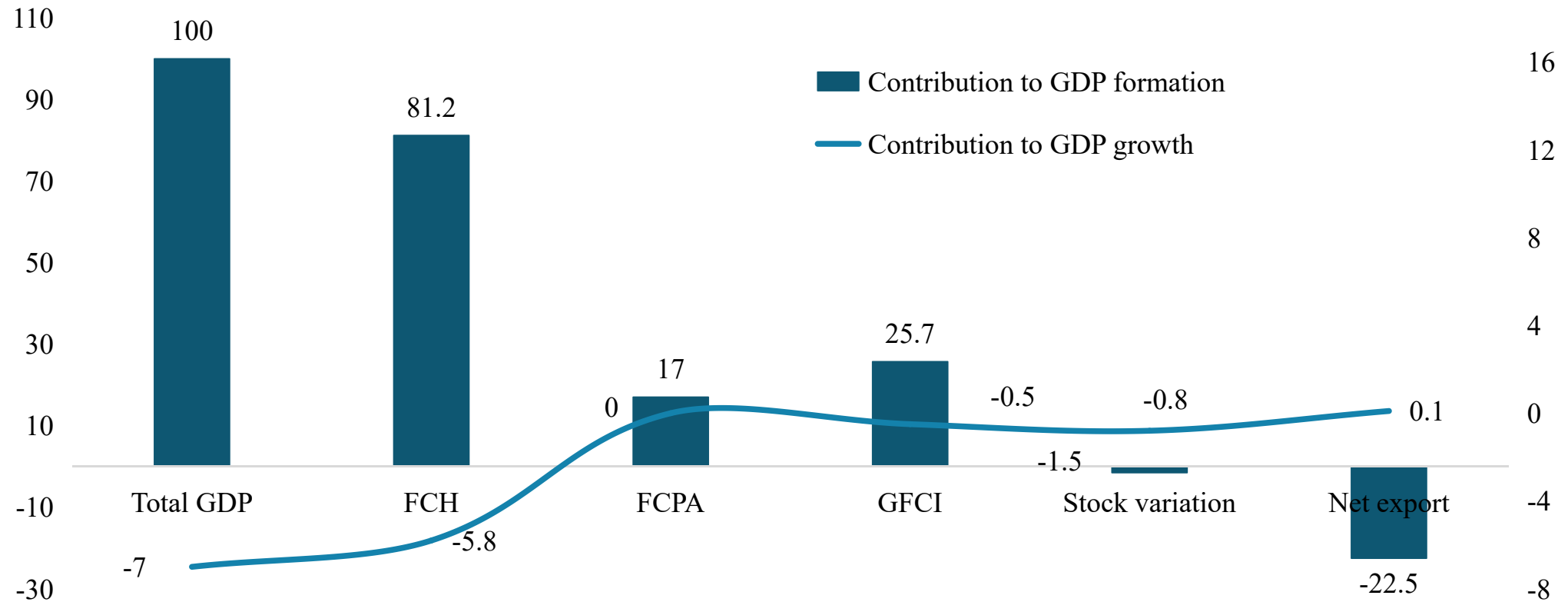
Republic of Moldova	-7,0%
Romania	-3,9%
Euro Area	-6,8%
EU-27	-6,4%
Ukraine	-4,4%
Russia	-3,1%

The activities that faced the challenges in 2020 are: Construction (+0.3% to GDP growth) and Financial activities and insurance (+0.2% to GDP growth)



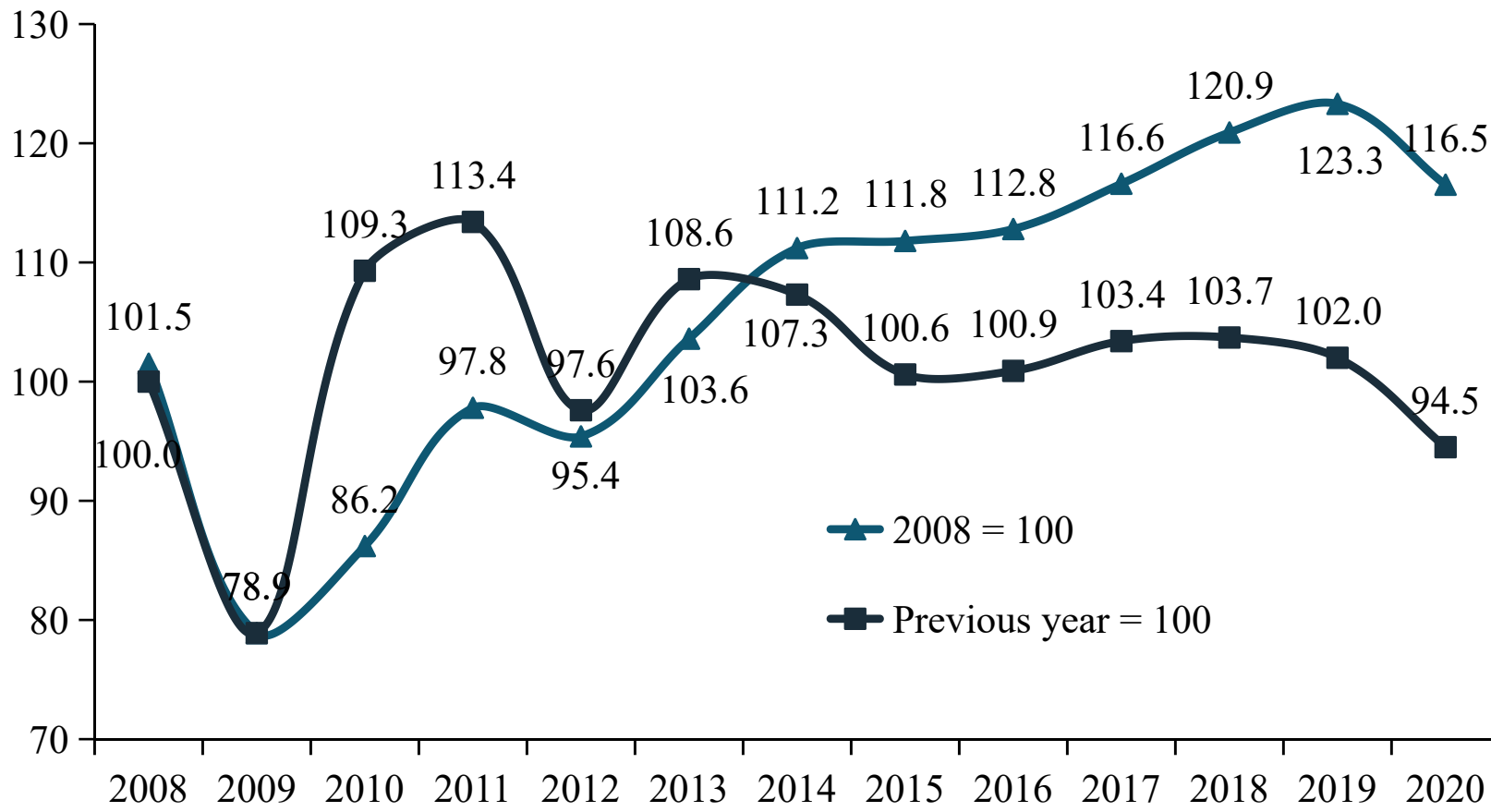
Contribution of the resource components to the formation of GDP in 2020 and to its increase compared to 2019, %

According to the categories of uses, the most significant contribution to the GDP compression in the given period was brought by the final consumption of households which decreased the GDP by 5.8%.



The contribution of components by categories of uses to the formation and growth of GDP in 2020 compared to 2019, %.

Industry production registered in 2020 a decrease of 5.5%

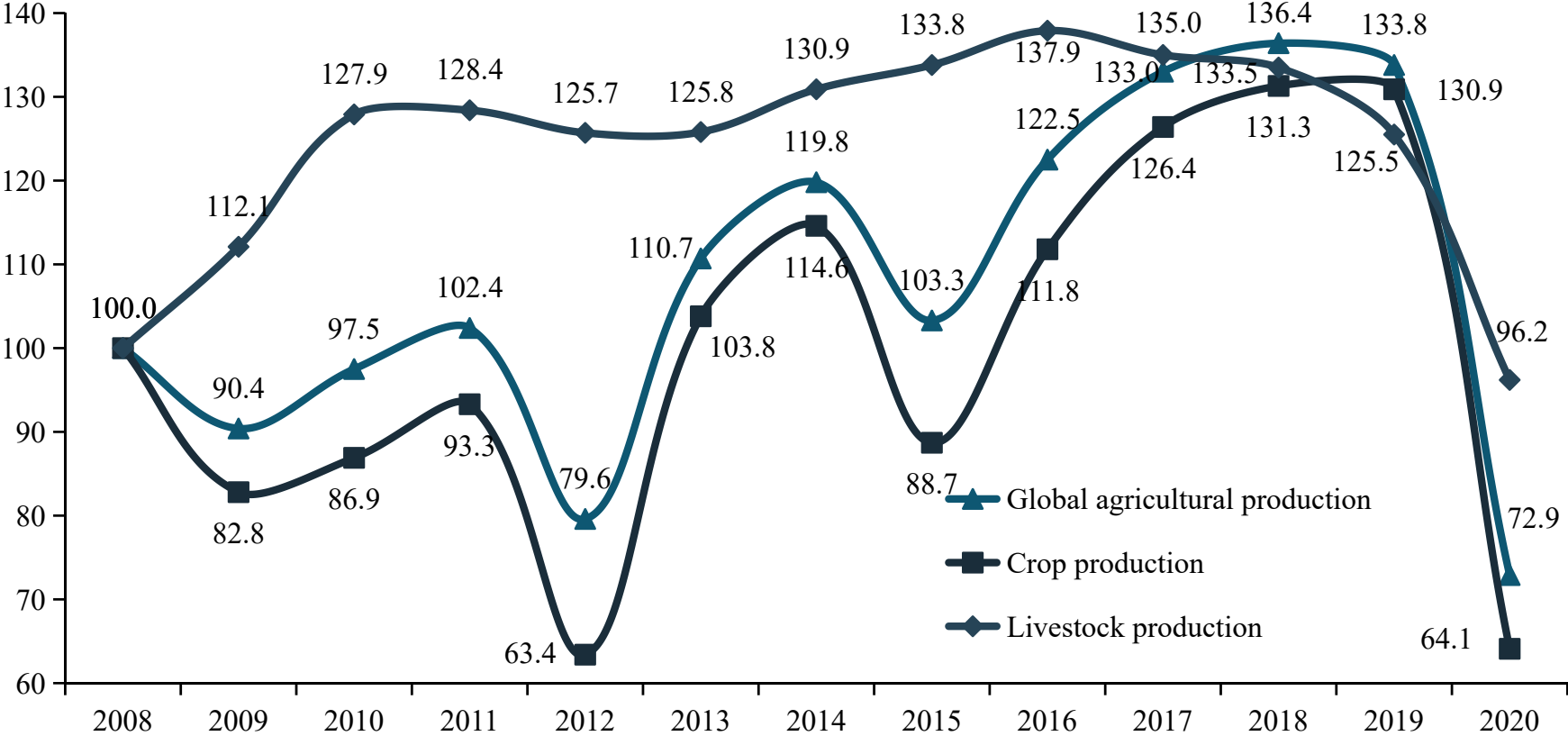


	2020 % to 2019
Industry – total	94,5
Extractive industry	109,5
Manufacturing industry	92,9
Production and supply of electricity and heat, gas, hot water and air conditioning	102,3

The activity of the industry sector in 2020

Industrial production indices in the years 2009-2020,%

The volume of global agricultural production in 2020 decreased by 27.1% compared to the previous year



	in % to 2019 (in comparable prices)
Agricultural production, of which:	
- Crop production	72,9
- Livestock production	96,2

Evolution of agricultural production in 2009-2020, %

In 2020, investments in fixed assets reached the figure of 27113.1 million MDL, which marked a decrease of 2.6% compared to 2019

	Achievements, mil. MDL	In % to 2019	In % to total
Investments in fixed assets - total	27113,1	97,4	100
Intangible assets	519,5	60,1	1,9
Tangible fixed assets	26593,6	98,6	98,1
Of which:			
- Residential buildings	3741,5	94,9	13,8
- Non-residential buildings	4510,1	86,5	16,6
- Engineering constructions	6810,5	114,7	25,1
- Machines, equipment, transmission installations	7163,8	88,6	26,4
- Transport	2886,9	122,7	10,7
- Other tangible assets	1480,8	101,6	5,5

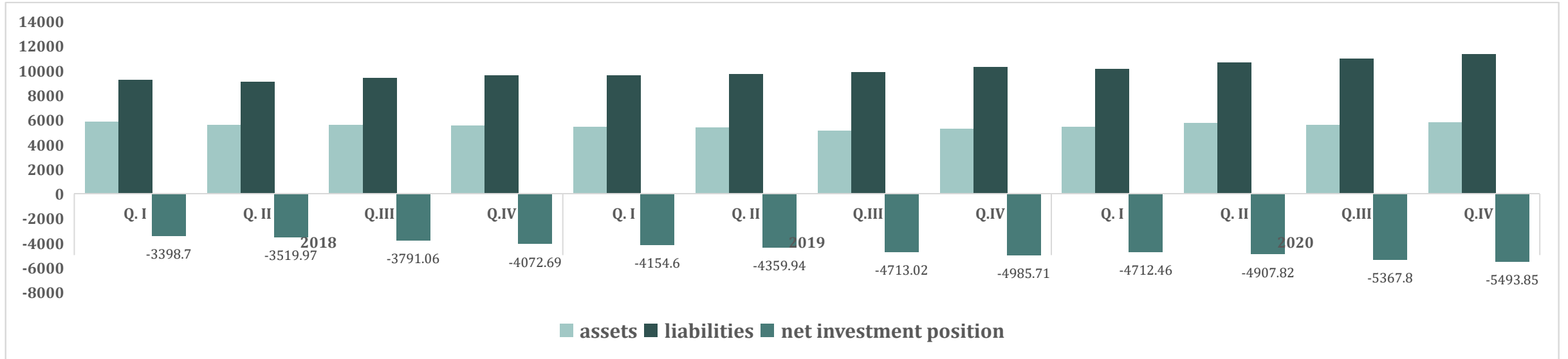
The structure of investments in fixed assets in 2020

	Achievements, mil. MDL	In % to 2019	In % to total
Investments in fixed assets - total	27113,1	97,4	100,0
which are financed from:			
own sources of funding	15406,5	93,4	56,8
State budget	2781,7	97,1	10,3
Budgets of administrative-territorial units	1709,0	101,0	6,3
Internal loans and borrowings	2016,0	79,2	7,4
External loans and borrowings	2253,2	132,2	8,3
Sources from abroad	1238,9	84,2	4,6
Road fund	1232,0	198,9	4,5
The ecological fund	173,5	92,1	0,6
Other sources	302,2	114,2	1,1

Investments in fixed assets by financing sources in 2020

International investment position

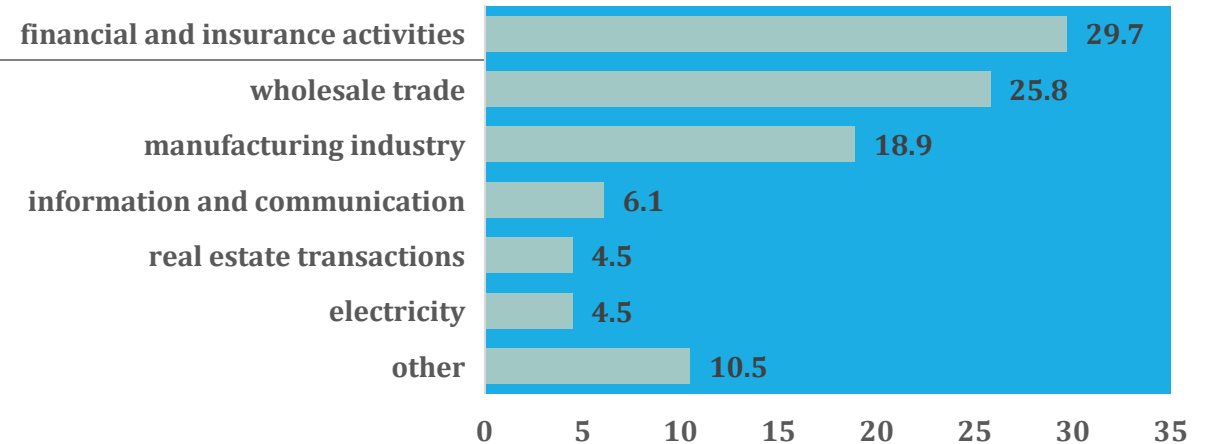
International investment position in dynamics, at the end of 2020, million USD



In the geographical distribution of direct investments in the form of accumulated participations and shares:

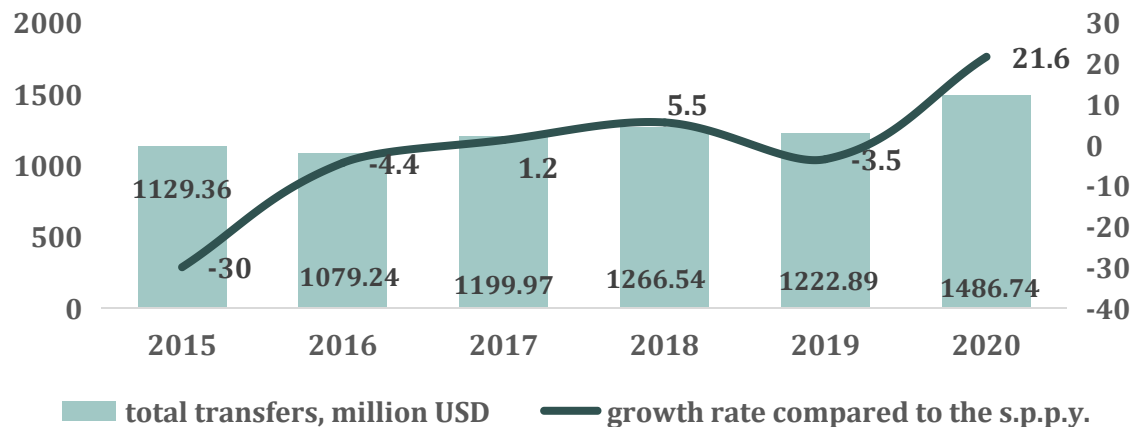
- investors from EU countries (excluding the United Kingdom) accounted for the majority share of 82.2%.
- investors from the CIS countries held a share of 5.5% of the total accumulated capital,
- other countries - 12.3%.

Direct investments, equity accumulated for 2020, by economic activities, %

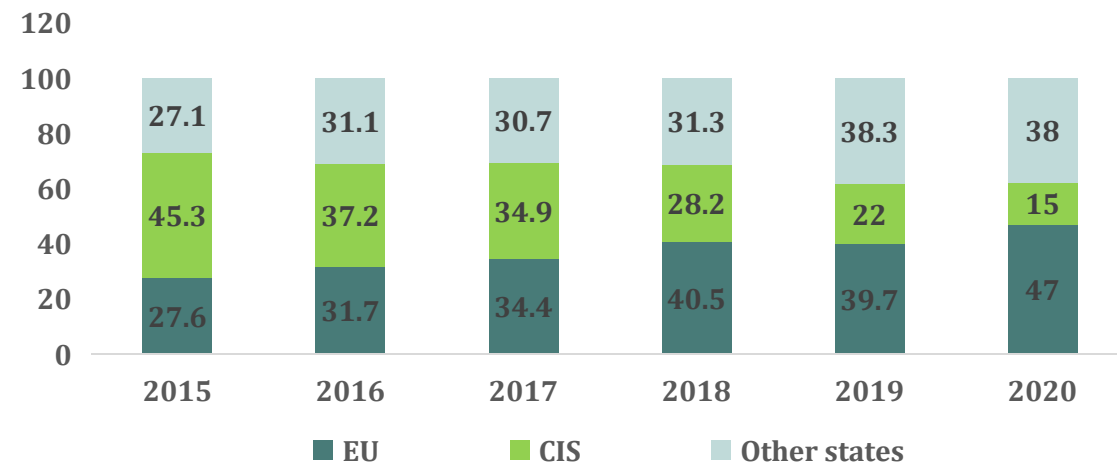


Transfers of funds from abroad in favor of individuals, in 2020

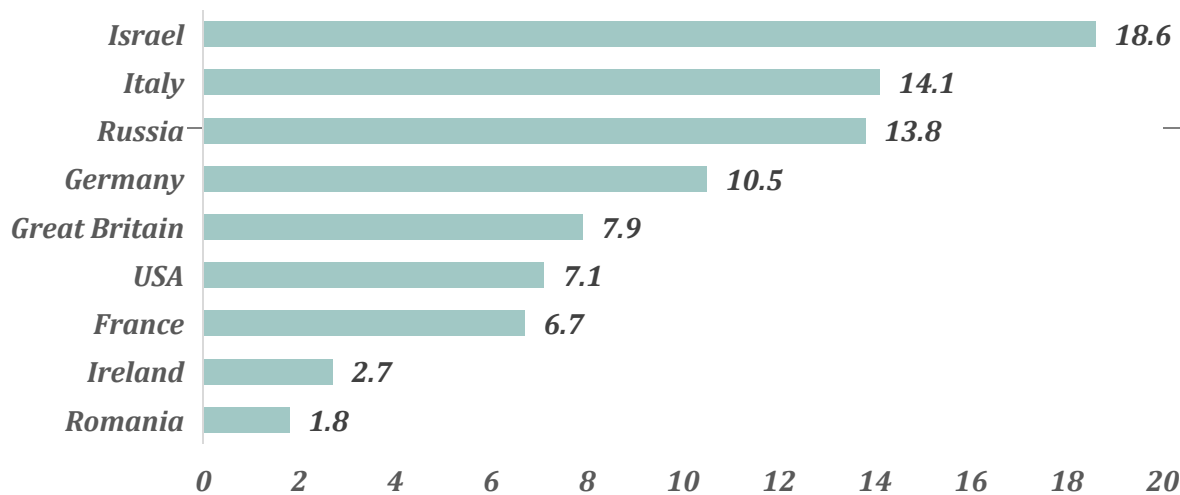
Money transfers, in 2015-2020, mil. USD



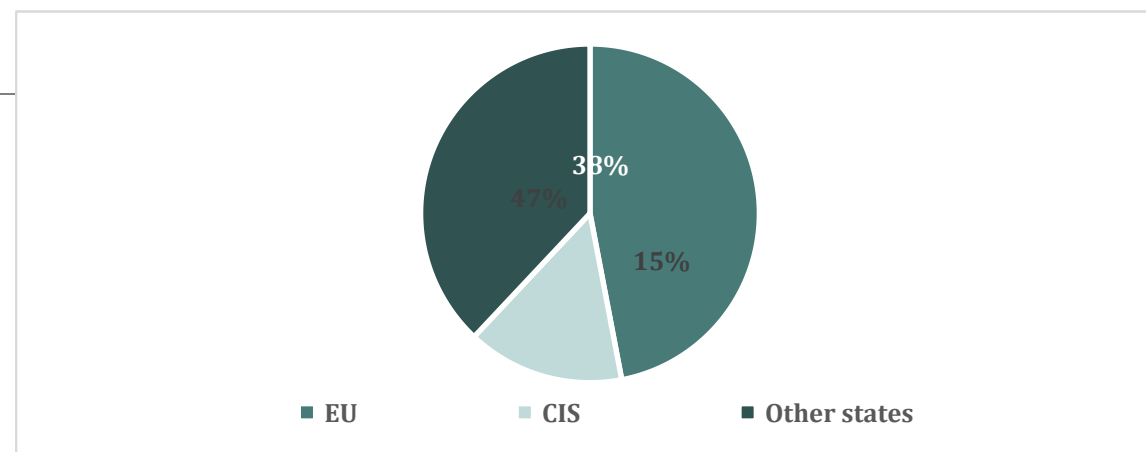
Transfers of funds, by geographical origin, %



The first countries after the origin of money transfers in favor of individuals from total transfers, 2020 %

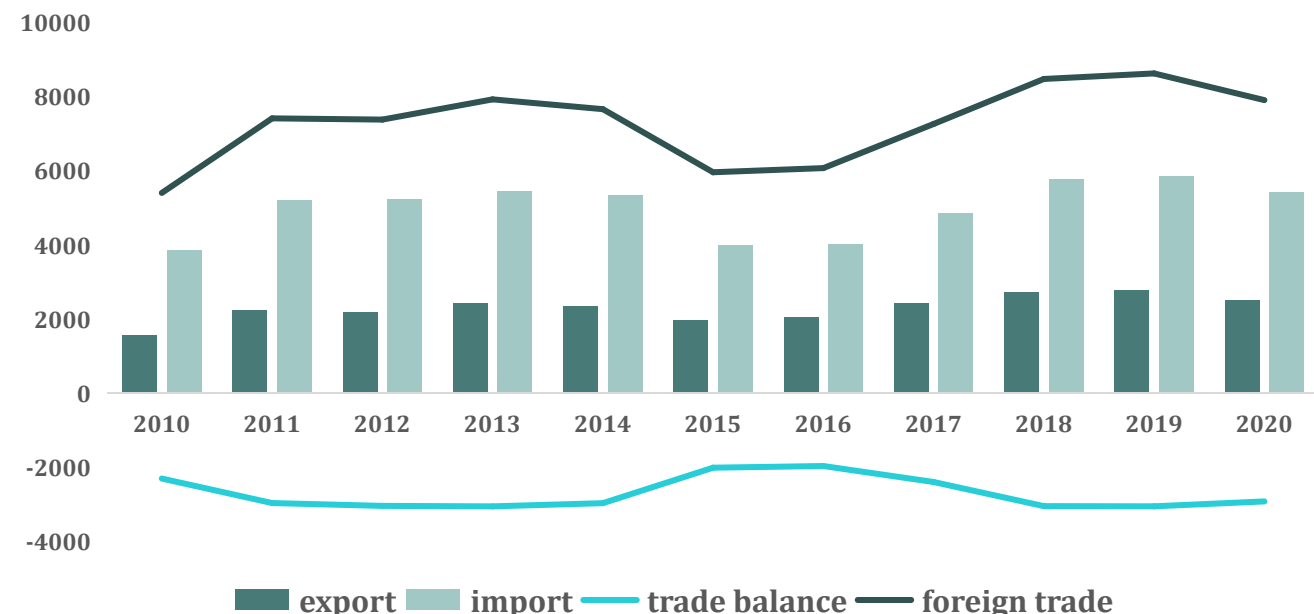


Geographical distribution of remittances from abroad in favor of individuals, a. 2020 in %



Foreign trade in goods

Foreign trade in goods 2010-2020

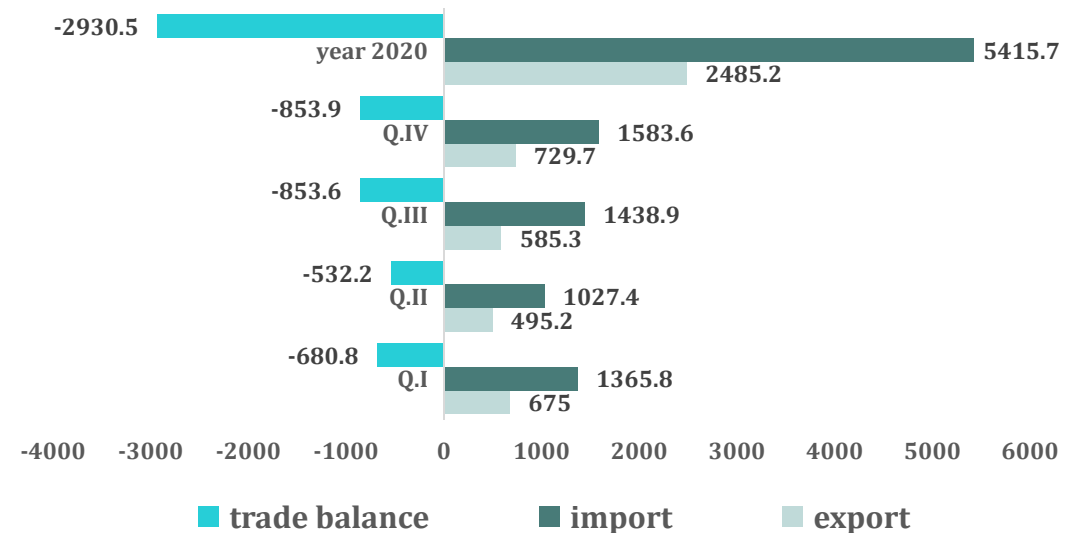


Year 2020 compared to 2019:

- ❑ exports decreased by 294 mil. USD (-10.6%),
- ❑ imports decreased by 426.8 mil. USD (-7.3%).
- ❑ the trade deficit decreased by 4.3%, from -3063.3 mil. USD (2019) to -2930.5 mil. USD (2020).

In 2020, foreign trade in goods decreased by 8,4%, amounting 7901 mil. USD

Quarterly evolution of foreign trade, mil. USD

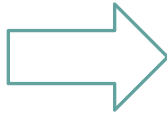


Quarter IV 2020 compared to quarter IV 2019:

- ❑ exports (-3.1%)
- ❑ imports (+ 0.9%)

Export / Import of goods, year 2020

Export of goods



**Amounted to 2485,2 mil. USD,
10,6%, less than in 2019**

Export of
domestic
goods

76,7%

Re-exports

23,3%

16,8%
*Re-exports of
goods after
processing*

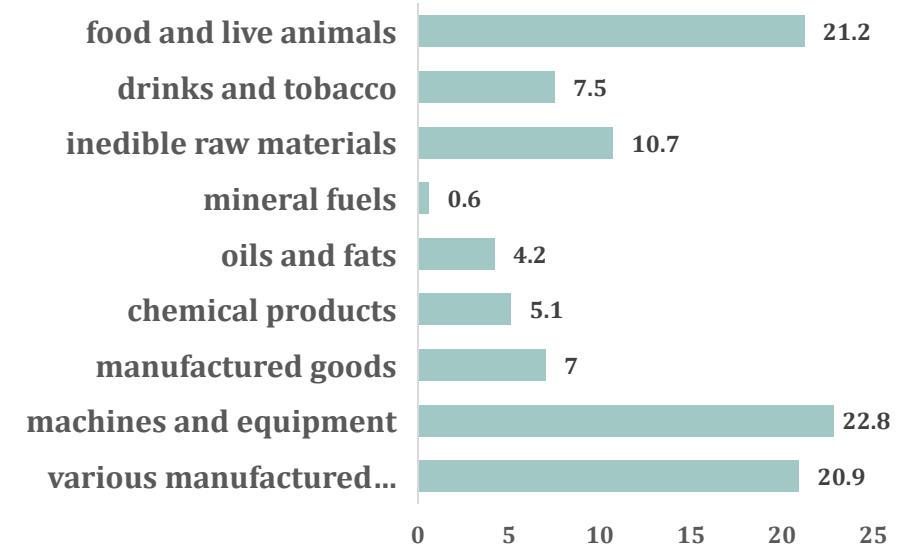
6,5%
*Classic re-exports of goods
that have not undergone
transformations*

Import of goods

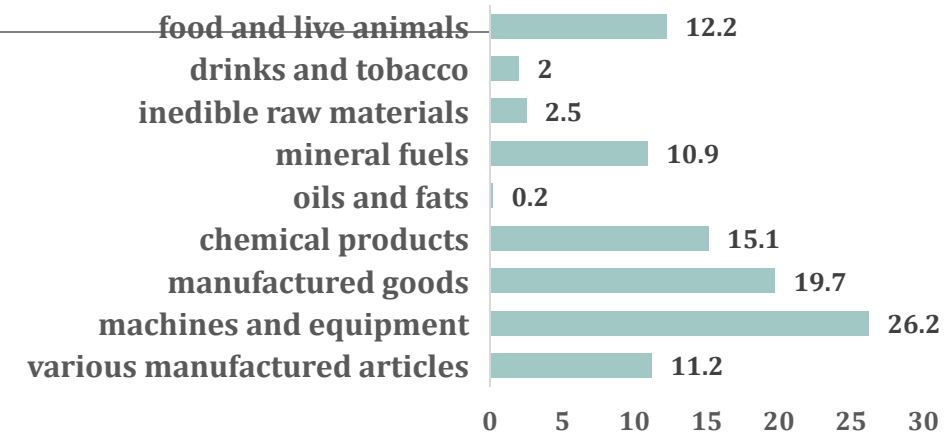


**Amounted to 5415,7 mil. USD , 7,3% less
than in 2019**

Structure of exports by groups of goods, year 2020

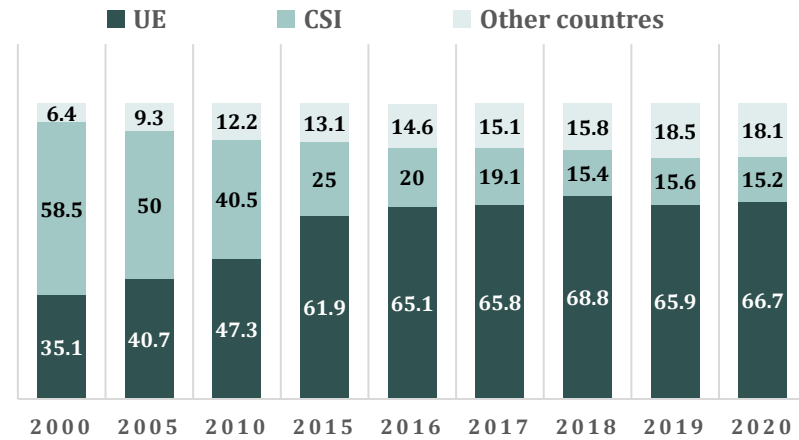


Structure of imports by groups of goods, year 2020



Structure of exports / imports by groups of countries for 2020

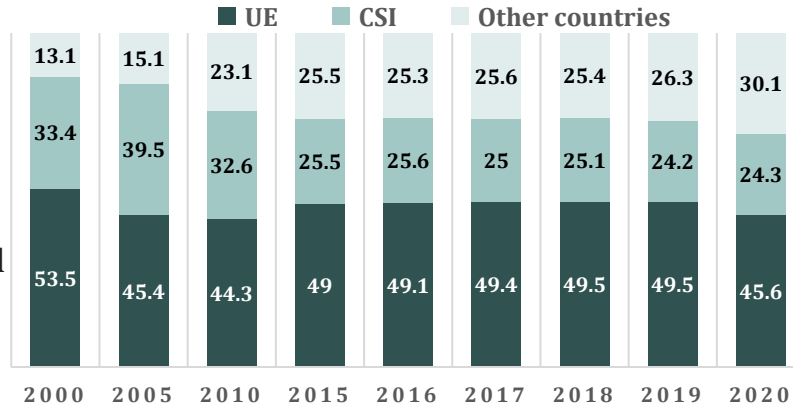
Export structure by country groups, %



Exports to all groups of countries decreased

- EU registered a decrease of 6.9%, with a share of 66.7%
- CIS decreased by 13.3%, holding a share of 15.2%
- Other countries – decreased by 12.4%, with a share of 18.1%

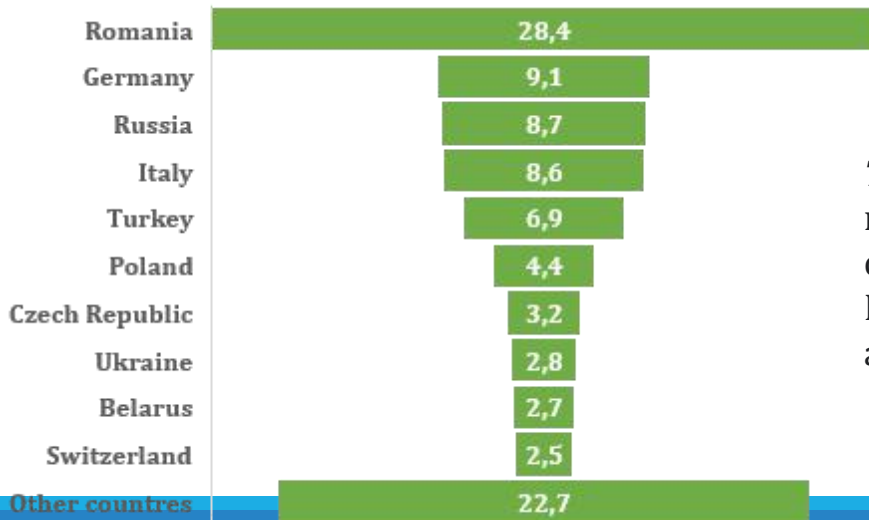
Import structure by country group, %



Imports from EU and CIS countries decreased:

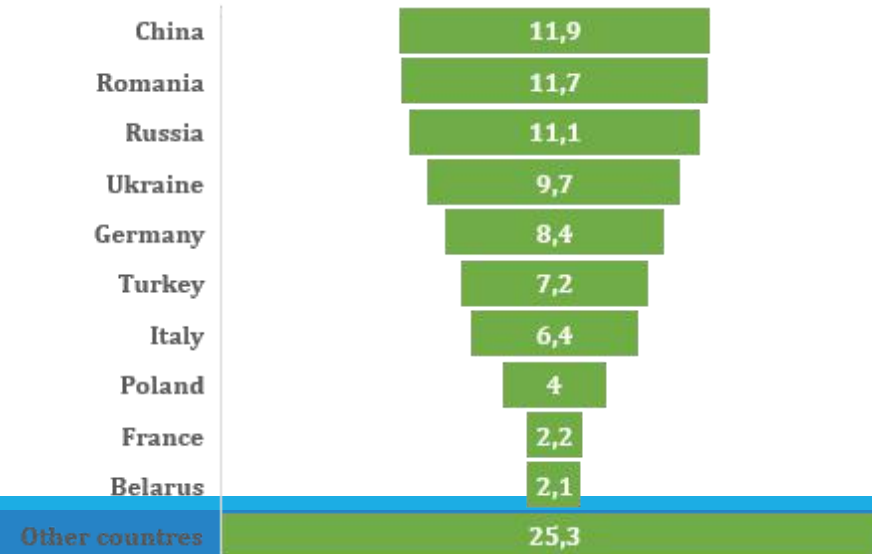
- EU - registered a decrease of 12.7%, with a share of 45.6% in total imports
- CIS - decreased by 7.0%, share of 24.3%
- other countries registered a slight increase of 2.1%, holding a share of 30.1%

Top 10 countries - trading partners of the Republic of Moldova, %



Top 10 countries - the main trading partners of the Republic of Moldova absorbed about 77% of exports

Share in total import value, %



About 75% of goods were imported from the top 10 countries - the main trading partners of the Republic of Moldova

Valorization of tariff quotas on fruit exports to the EU

Product name	Tariff quota	2015		2016		2017		2018		2019		2020		
	(tons)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Contingent	Amount	%
		(tons)		(tons)		(tons)		(tons)		(tons)		(tons)	(tons)	
Grapes	10 000	9366	93	10 000	100	1000	100	10000	100	10000	100	20 000	13841	69
Apples	40 000	746	1,8	74	0,19	2191	5,5	1859	5	2300	6	40 000	1577	4
Plums	10 000	6196	62	7534	75	10000	100	9862	99	10000	100	15000	15000	100
tomatoes, fresh or refrigerated	2000	-	-	-	-	84	4	40	2	0	0	2000	0	0
cherries	*	*	*	*	*	*	*	*	*	*	*	1500	188	13

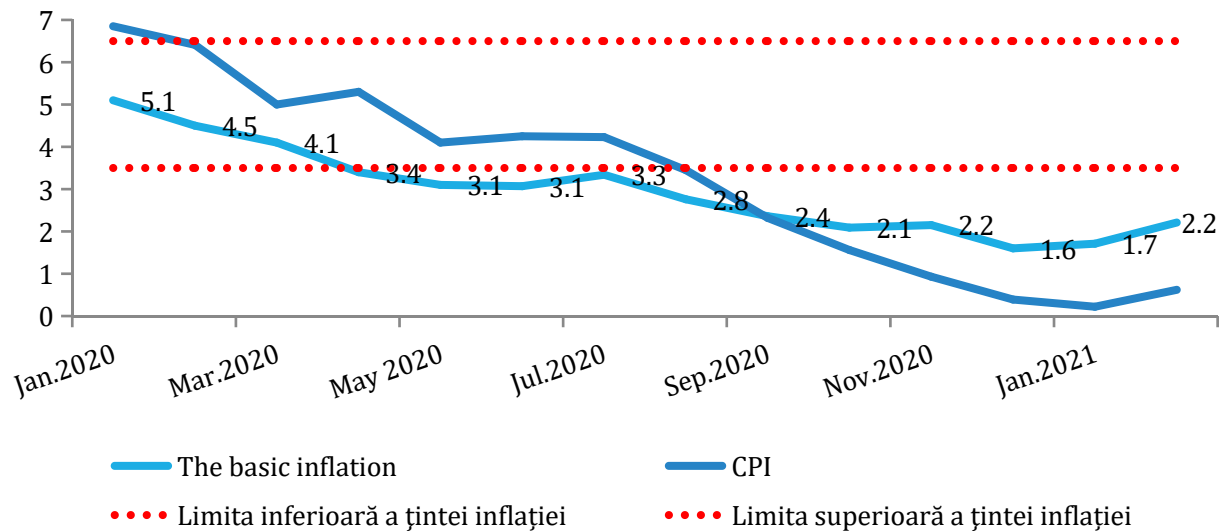
Recovery of export tariff quotas in the EU with the application of the anti-circumvention mechanism

Product name	Contingent	2015		2016		2017		2018		2019		2020		
	(tons)	tons	%	tons	%	tons	%	tons	%	tons	%	Contingent	tons	%
wheat	75 000	178 486	237,98	559 863	746	348077	464	375777	501	333983,6	445	150 000	60837	41
barley	70 000	78 360	111	77 555	110	72945	104	59394	85	40002	57	100 000	31329	31
maize	130 000	162 746	125	200 088	153	94228	72	456809	351	287320,7	221	250 000	221785	89
sugars	37 400	7985	21	66 133	176	31700	85	27907	75	6158	16	37400	8744	23
processed cereals	2 500	5505	220	16 797	676	11021	441	9697	388	15245	610	5000	18261	365
processed sugar	4 200	1011	24	1251	29	1014	24	1521	36	1554	37	4200	2034	48
sweet corn	1 500	751	50	944	62	403	27	4570	305	1366,6	91	1500	1285	86

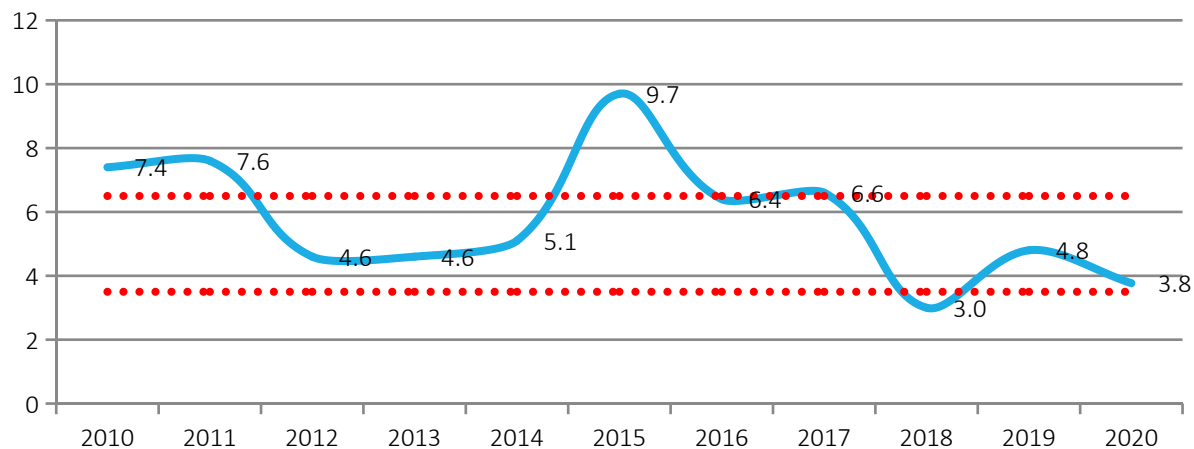
Prices

During 2020, the consumer price index registered a constant decreasing trend, the average annual inflation fell to the lower limit of the range of variation of +/- 1.5 p.p. around the 5% target set annually by the NBM amounting to 3,8%.

Annual growth rate of CPI and core inflation, %



CPI



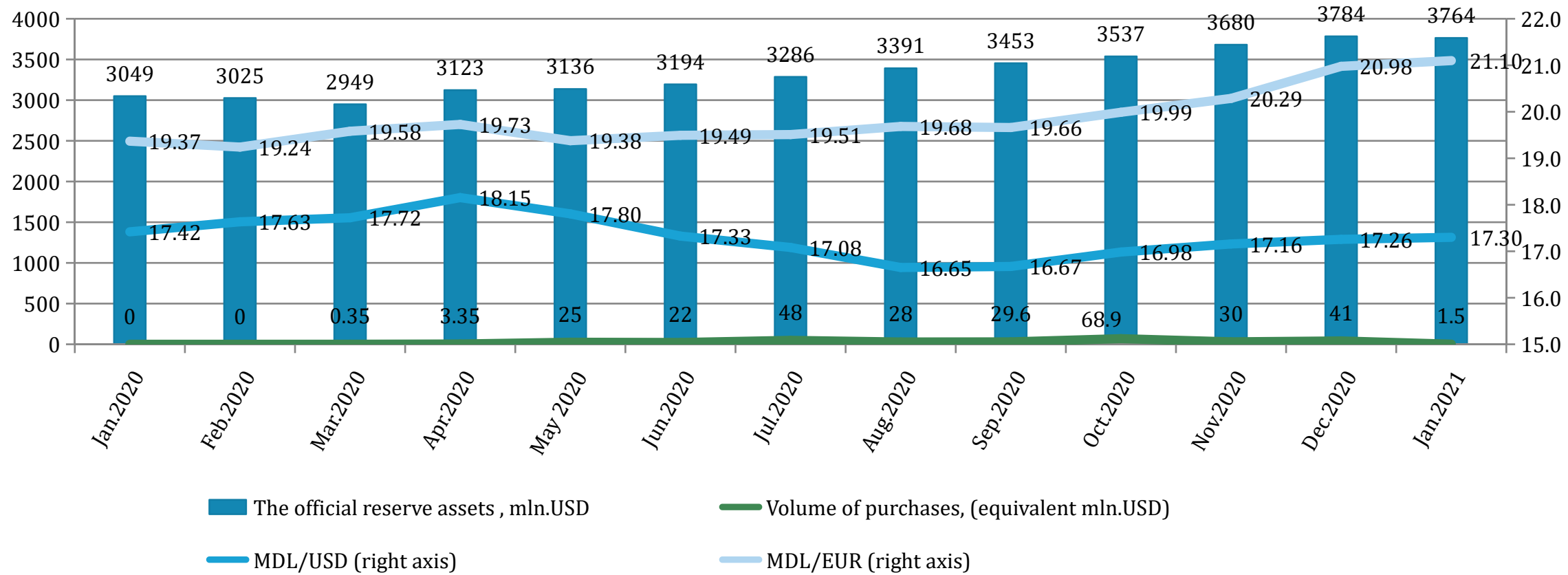
Annual growth rate of CPI and its components, %

	2019	2020
CPI, %	4,8	3,8
Food, %	7,6	7,4
Non food, %	4,2	0,9
Services, %	1,5	2,4

Exchange rates

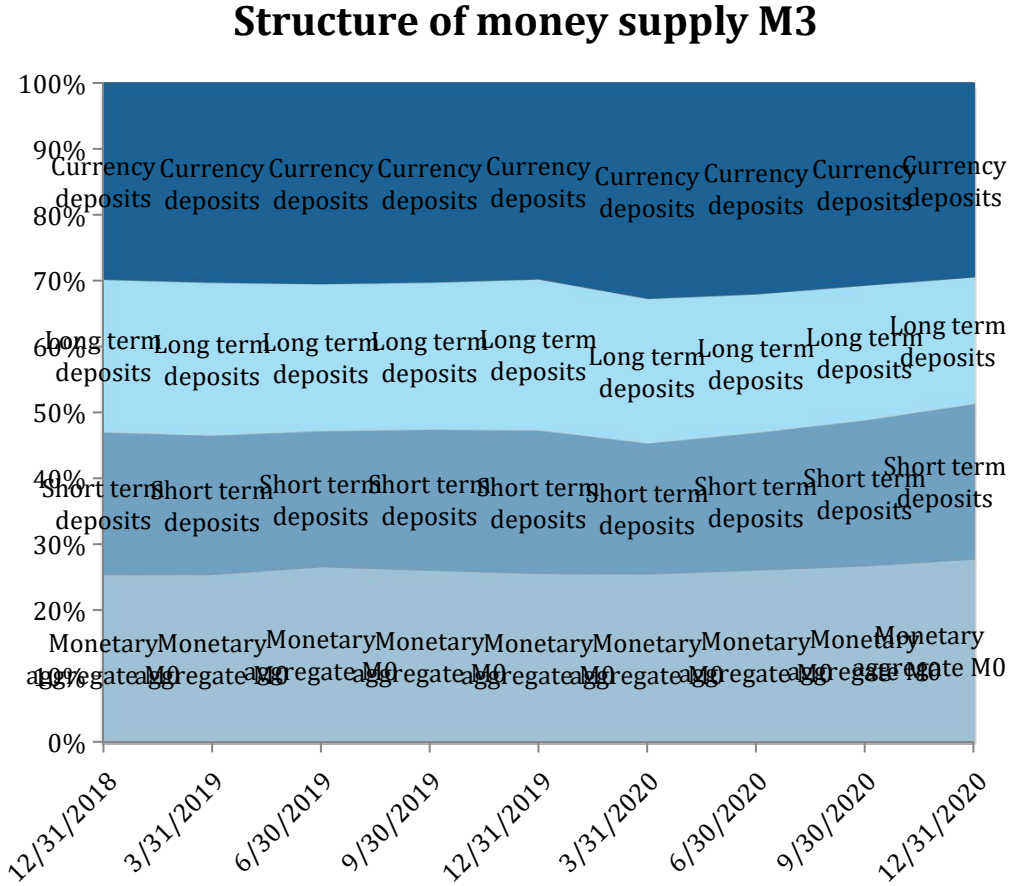
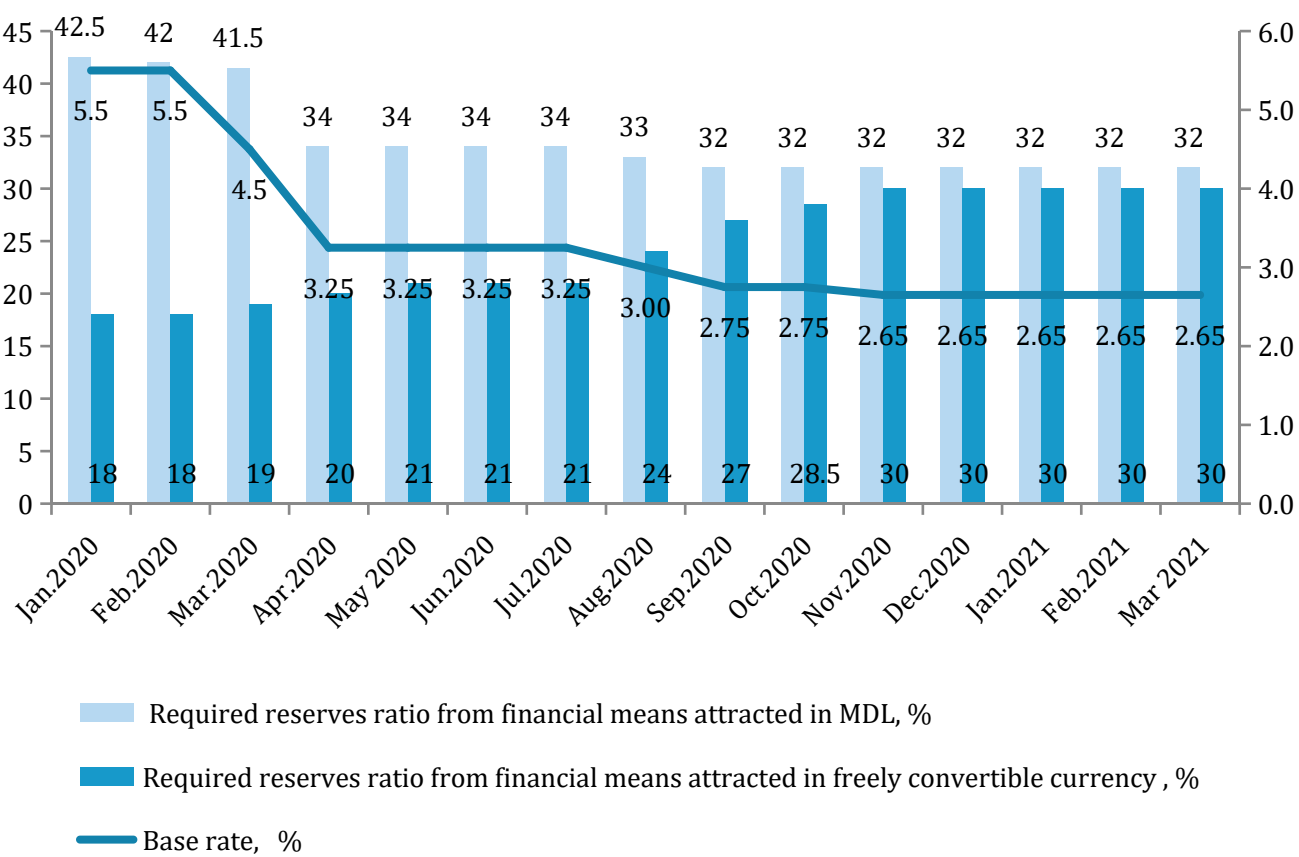
During 2020, the exchange rate of the national currency remained on an upward trajectory against the main reference currencies, but towards the end of the year the evolution was reversed.

The nominal exchange rate in 2020: MDL/USD - 17,3 MDL/EUR -19,7



Monetary policy and Monetary indicators

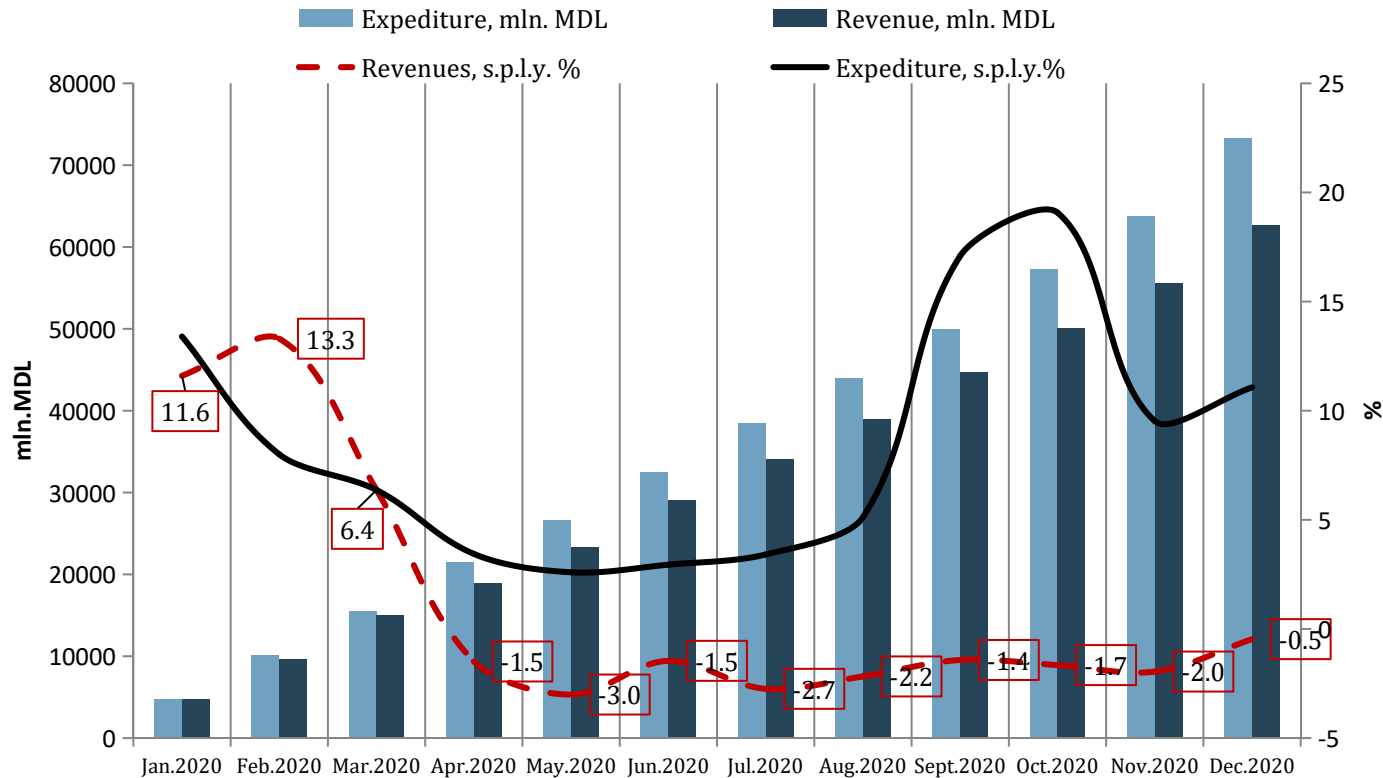
During the year, the NBM actively intervened to facilitate monetary conditions and stimulate the growth of the volume of bank loans



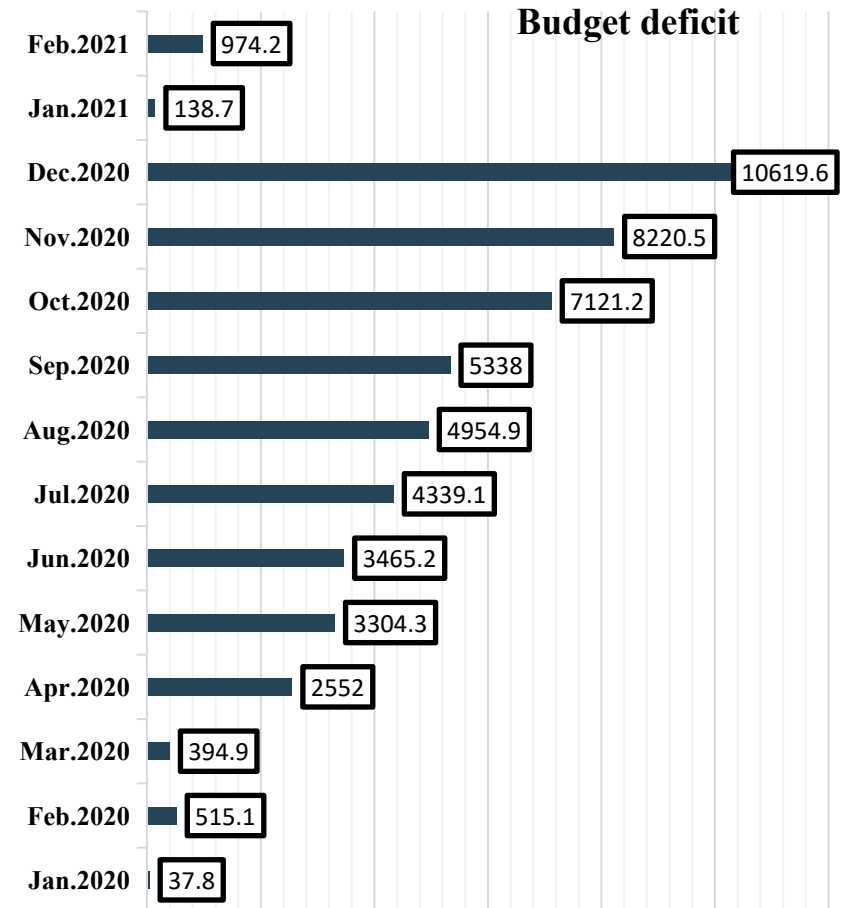
Development of interest rate on monetary policy instruments

Public finances

In 2020, the total revenues of the national public budget – 62,655.3 mln. MDL, decreasing by 0.5% s.p.l.y. The expenditures realized by NPB amounted to 73,274.9 mln. MDL, increasing by 11.1%. The budget deficit has increased 3.5 times in 2020, s.p.l.y., (5.1% of GDP).



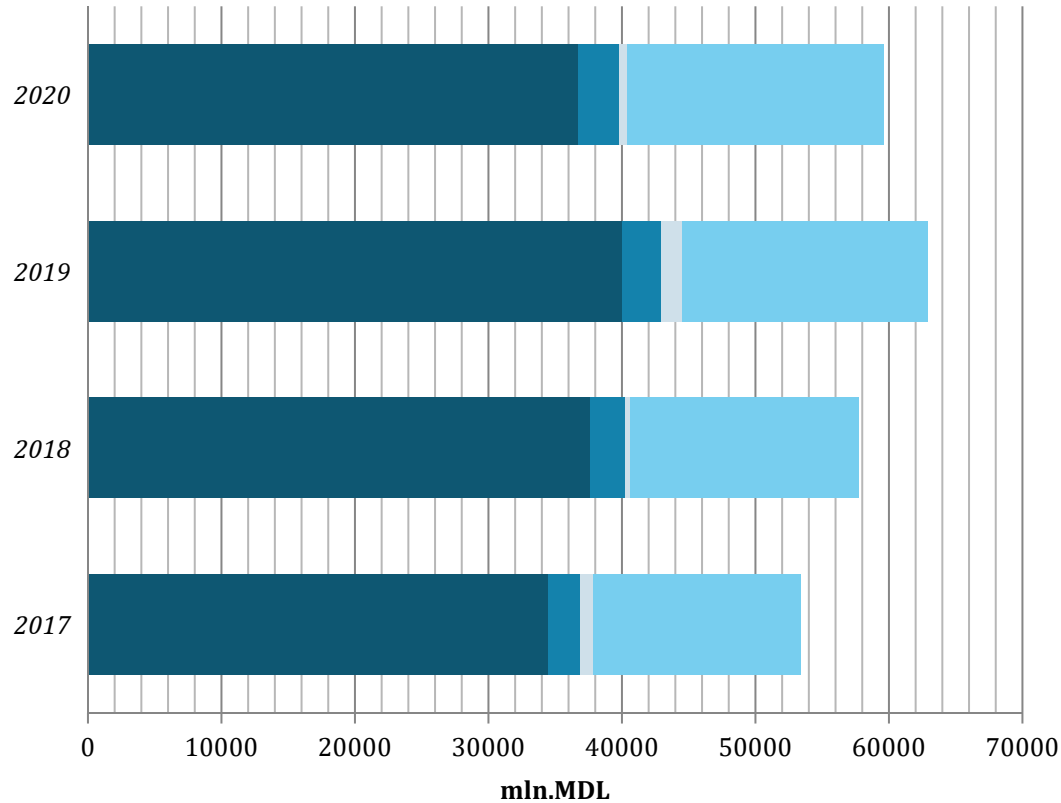
Dynamics of public revenues and expenditures in 2020, million MDL, %



Public finances

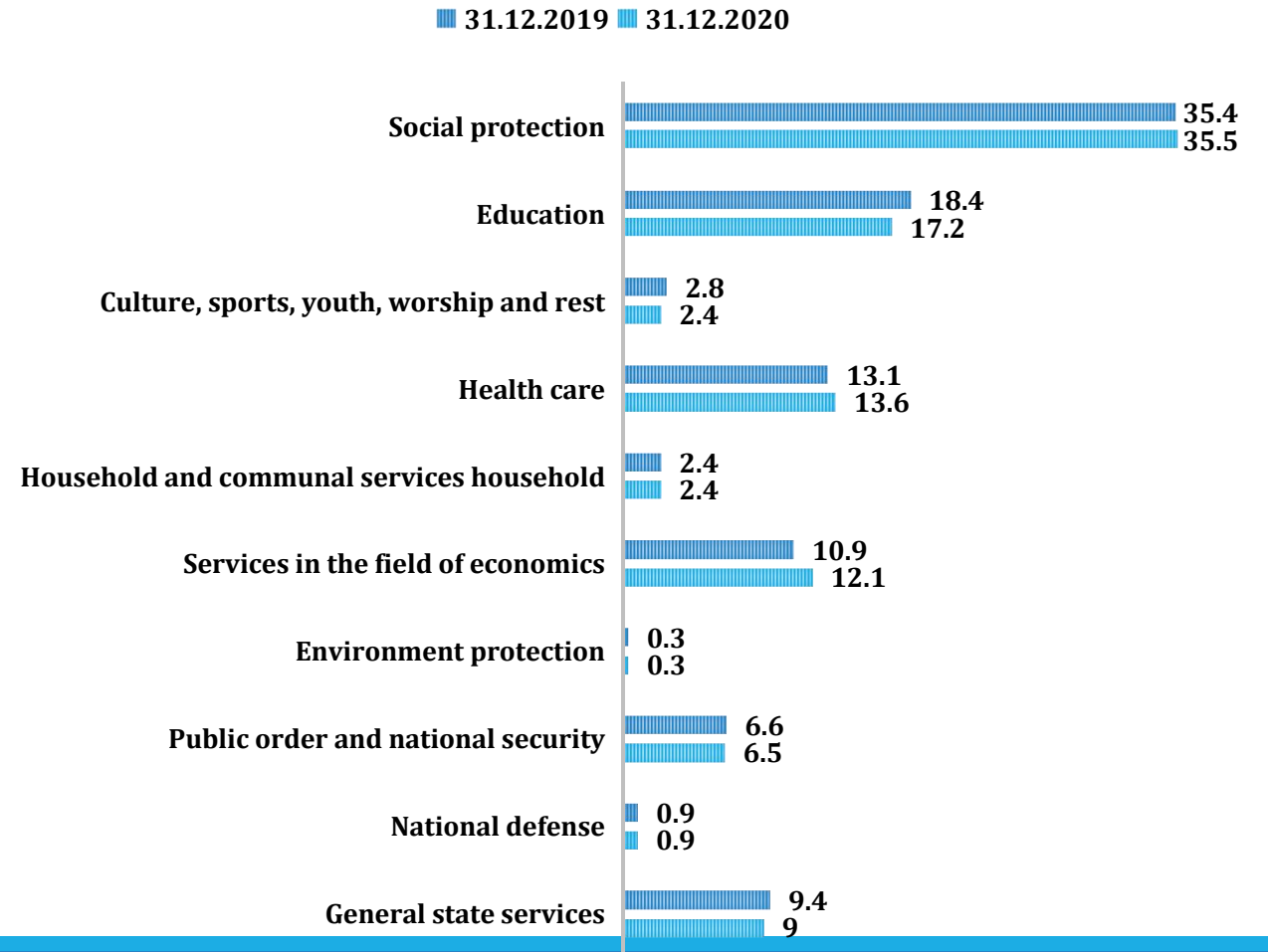
Expenditures made from BPN registered higher rates than revenues, supported mainly by the dynamics of social spending around 69%, in 2020.

■ Tax revenue
 ■ Non-tax revenue
 ■ Grants received
 ■ Insurance contributions and premiums



The structure of budgetary revenues by sources

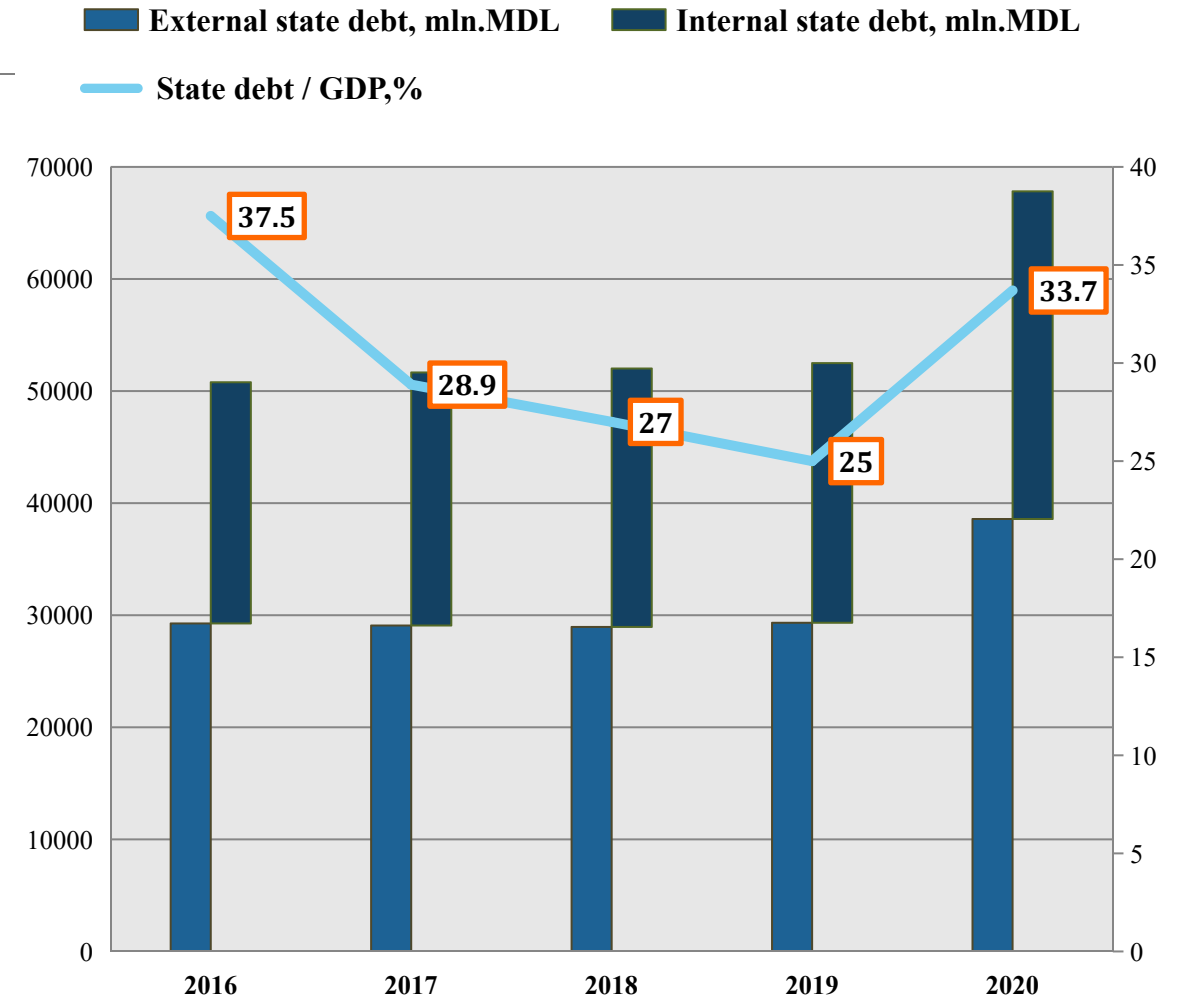
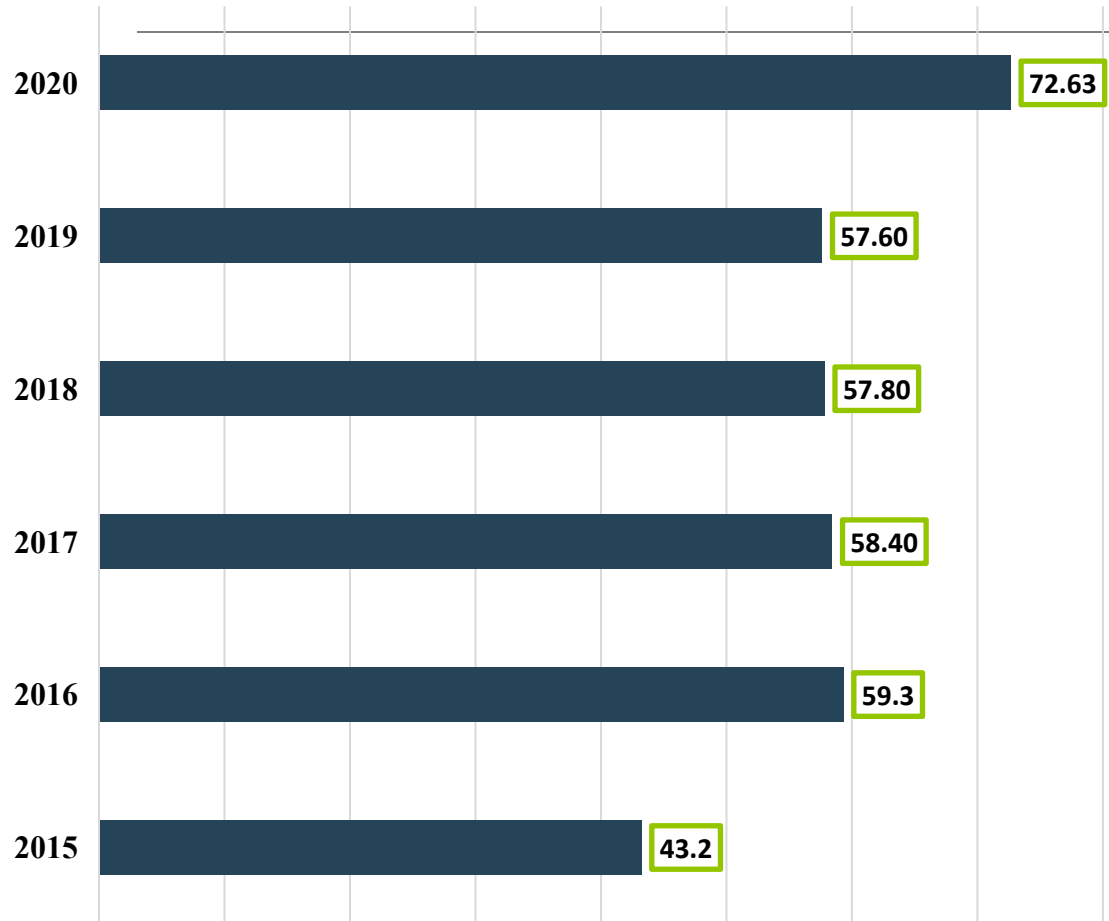
Structure of budget expenditures by financed compartments



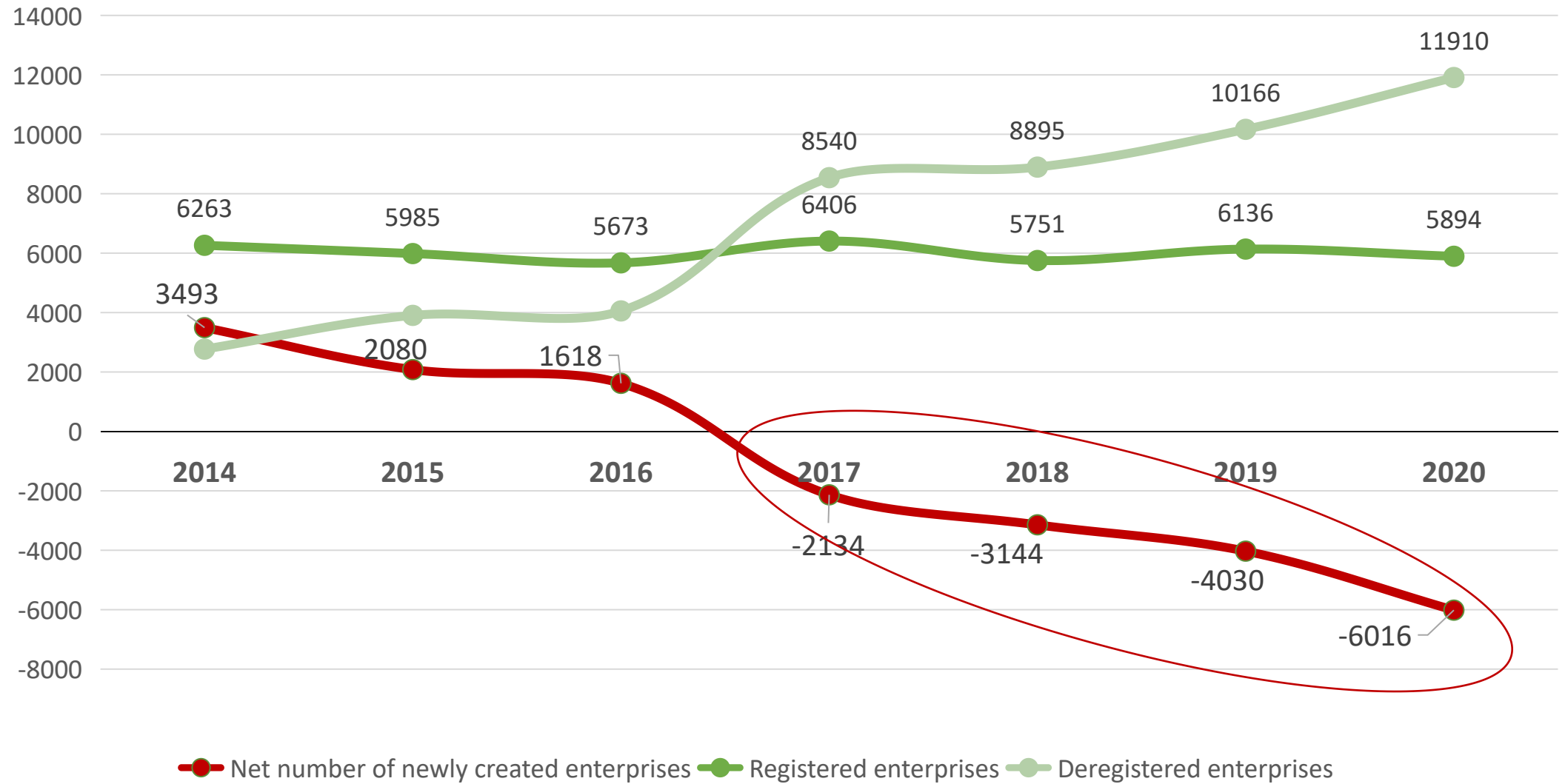
Public debt

Increasing the public debt balance to 72.63 billion. MDL in 2020, as well as the share of public sector debt in GDP (35.2%) by 7.8 p.p., s.p.l.y.

Public debt balance, mln.MDL

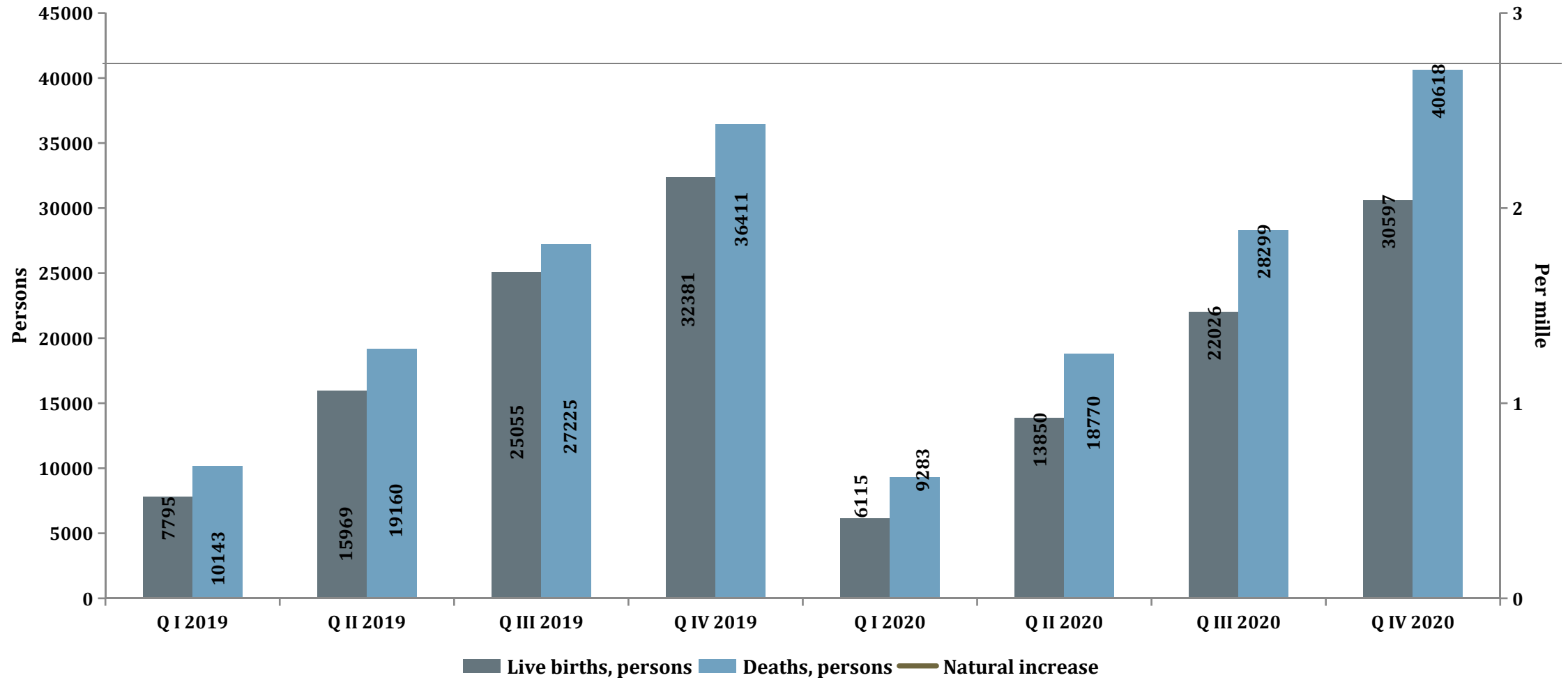


Entrepreneurship



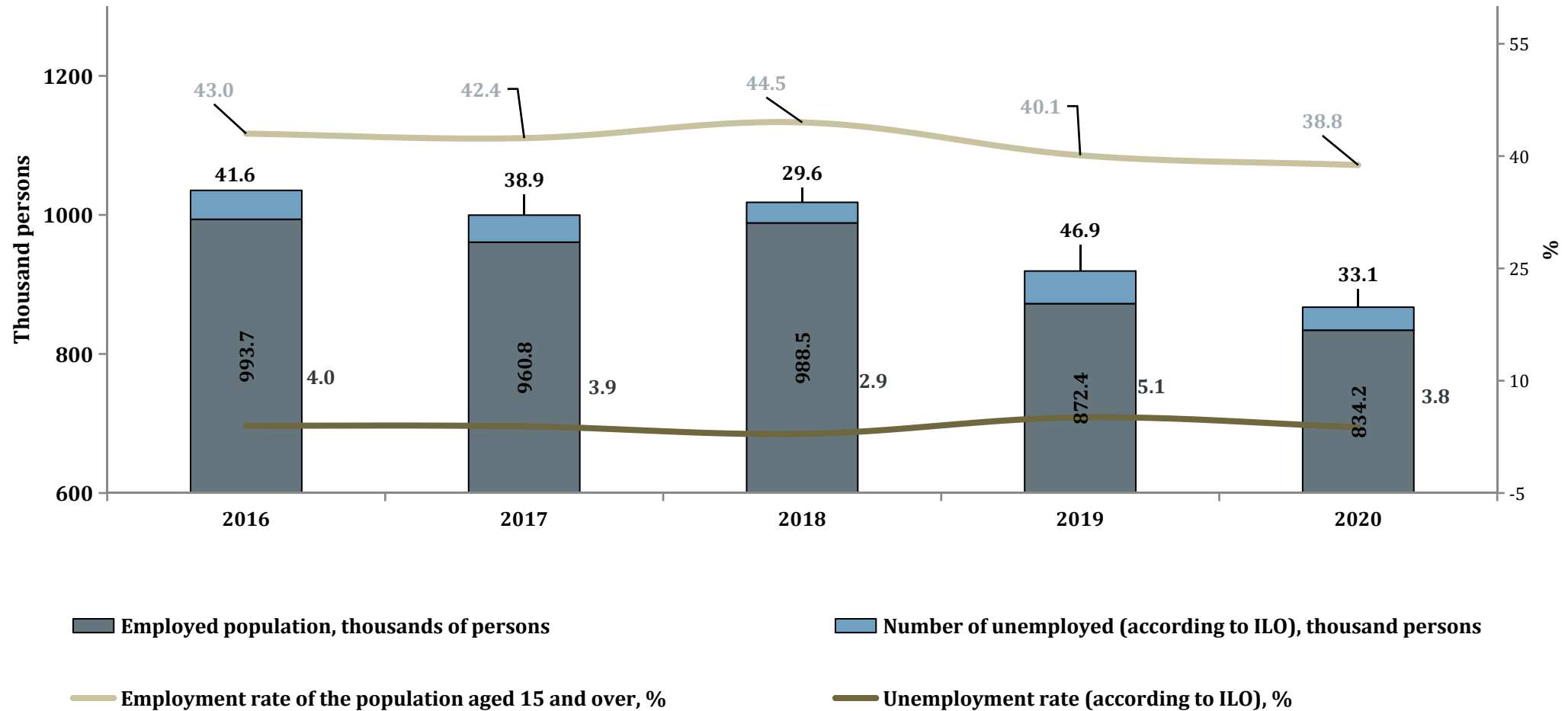
Demographic situation

The year 2020 shows a negative natural increase, as well as a reduction in marriage and divorce rates compared to previous years.



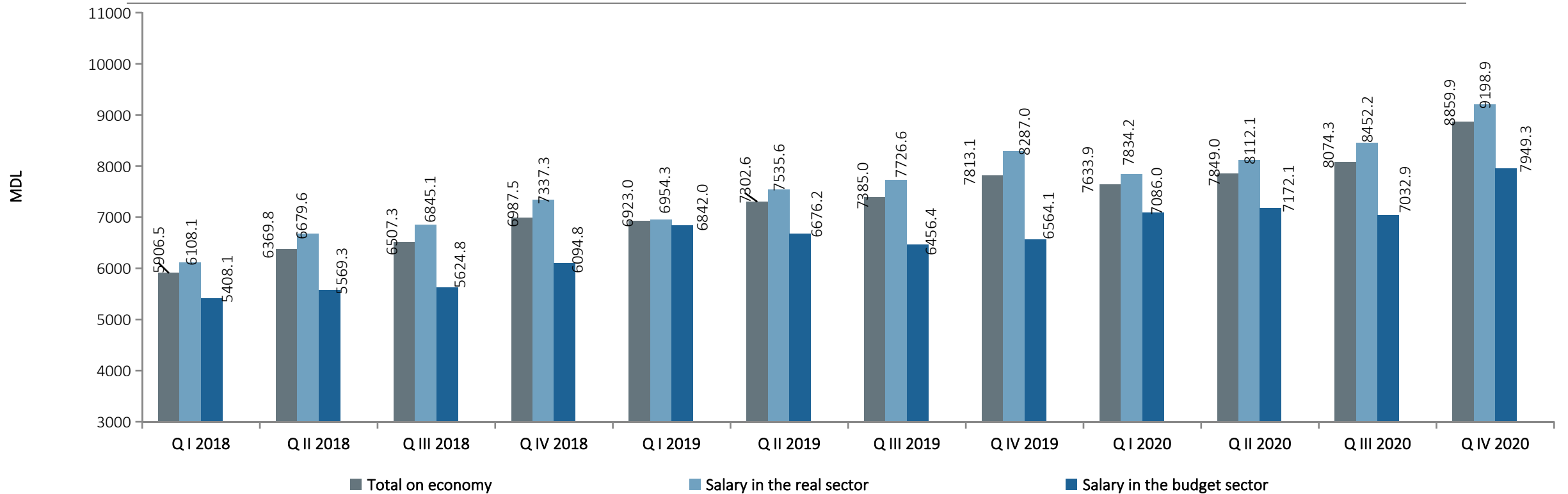
The labour market

The year 2020 is characterized by a reduction in the number of the workforce, both the number of employed and unemployed persons and an increase in the number of the population outside the labour force.



Work remuneration

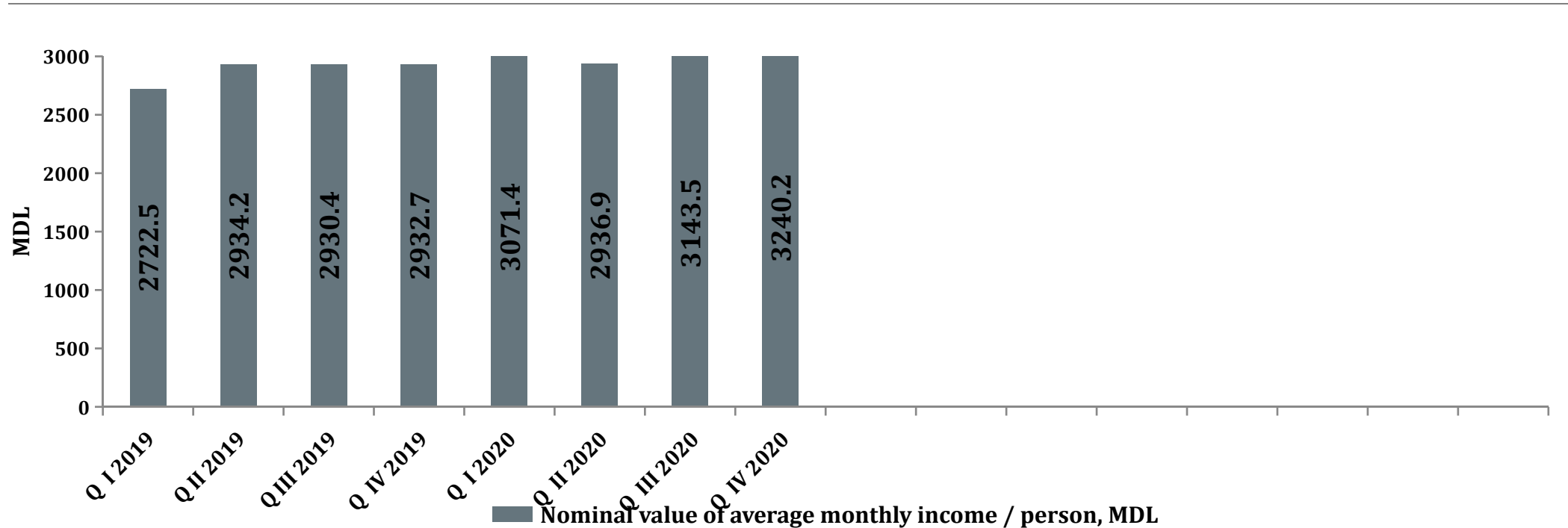
In 2020, there were major increases in the average gross monthly nominal salary in the country in such economic activities as: Health and social assistance; Information and communications; Professional, scientific and technical activities.



Dynamics of the nominal salary in the budgetary sector and in the real one in the period Q I 2018 - Q IV 2020, MDL

Disposable income of the population

The average disposable income of the population per month per person in 2020 had in real terms an increase of 3.6% compared to the previous year.

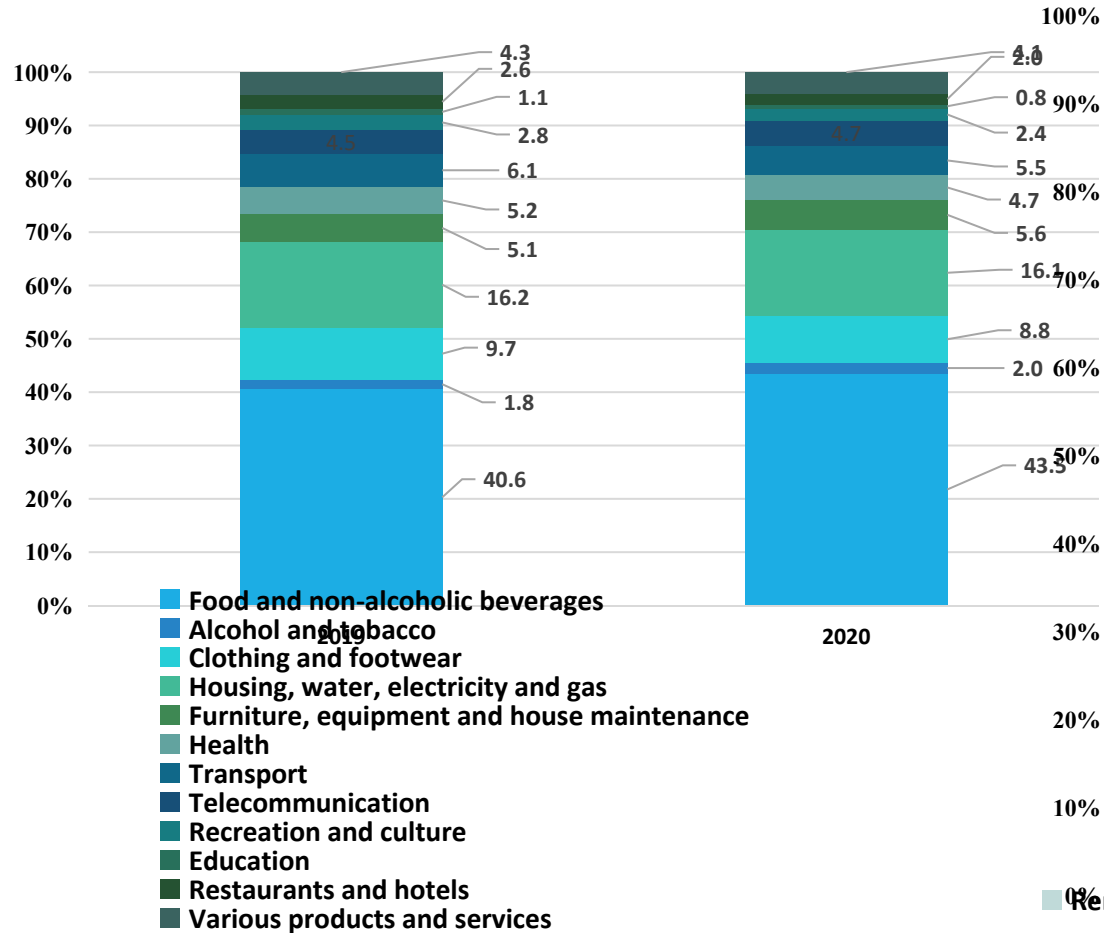


Evolution of disposable income of the population in nominal value, by quarters, Q I 2019 - Q IV 2020 [\[1\]](#)

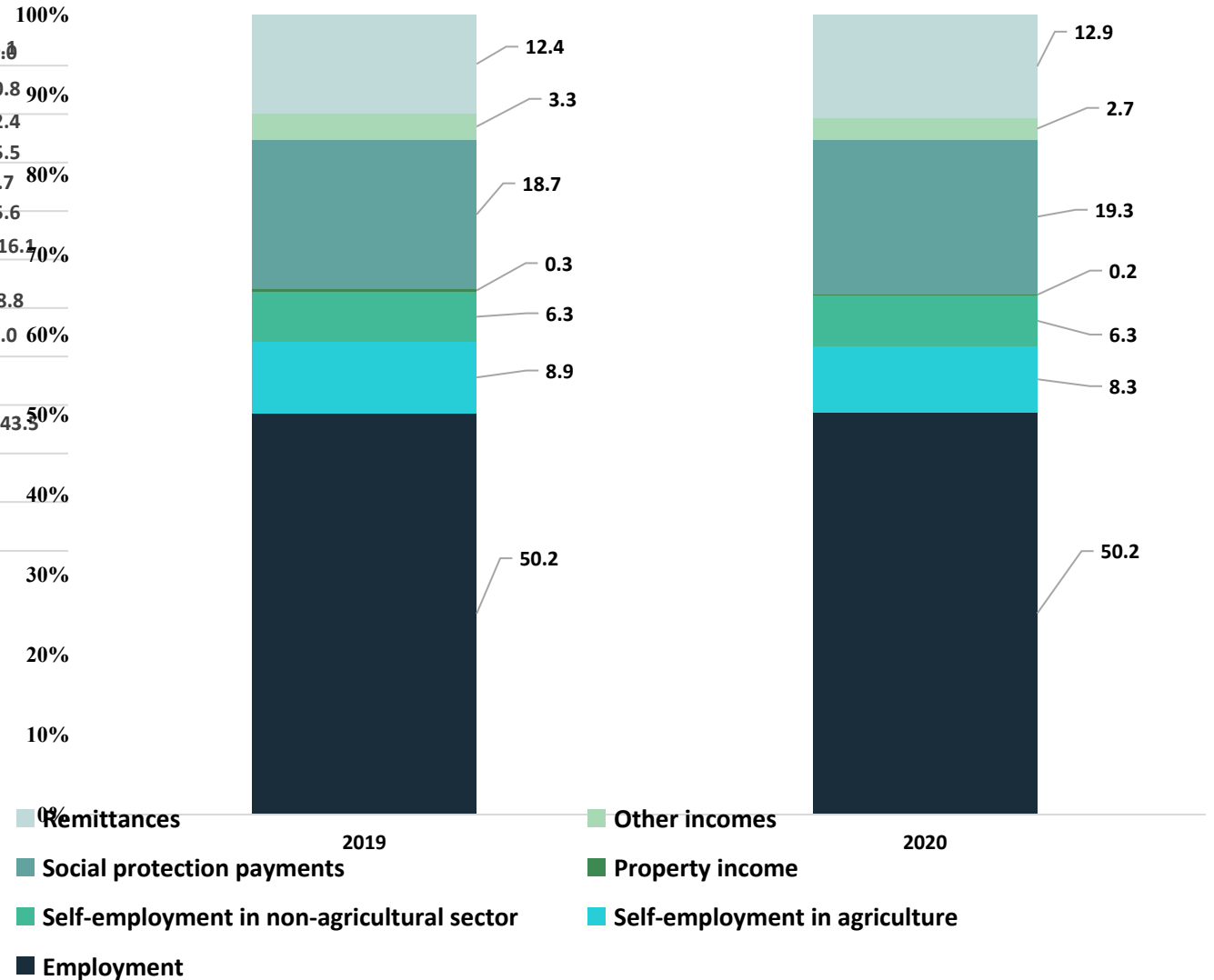
Source: According to the data of the National Bureau of Statistics

[\[1\]](#) The indicators were estimated based on the number of usual resident population.

The structure of consumer expenditures



The structure of disposable incomes



PRELIMINARY FORECAST OF THE MAIN MACROECONOMIC INDICATORS FOR 2021

Indicators	2020	2021
GDP, nominal (mld.lei)	206,4	221,1
growth rate	93	104,5
Annual average consumer price index (%)	100,4	103,2
Export of goods, c.p.y. (%)	89,4	107
Import of goods, c.p.y. (%)	92,7	104,8
Industry production, c.p.y. (%)	94,5	106,4
Agricultural production, c.p.y. (%)	72,9	127,5
Investments in long-term assets, c.p.y. (%)	97,4	103,2
Nominal average monthly salary (lei)	8108	8690
nominal (%)	112,2	108,2
real (%)	111,8	104,8
Transfers from abroad of MF, million USD	1486	1561

Post-covid structural response

- Ensuring the long-term strategic planning policy framework for the development of the Republic of Moldova. A first step is the approval of the NDS 2030 and the SISDE project, which has already been developed.
- Production of statistical data series on the number of population at territorial level and accountability of public authorities for the preparation of official demographic forecasts. Integrating population policies into national development strategies.
- Elaboration and approval of the set of public policies (Strategies and programs) for the implementation of NDS 2030 based on a holistic approach.

Post-covid structural response

- In the medium to **long term**, public policies must aim to build a resilient society, by ensuring smart, inclusive and sustainable development.

They must aim at:

- increasing the employment of the population;
- increase investment in R&D;
- efficient use of natural resources and reduction of greenhouse gas emissions;
- free and equitable access for all categories of the population to quality education and health services;
- increasing the well-being of the population.

Post-covid structural response

- In the economic field, in **the medium term** it is imperative to achieve several priority objectives, among which:
 - Improving the quality of institutions and reducing corruption;
 - Expenditure efficiency in infrastructure and public utilities projects;
 - Improving the demographics of enterprises through programs aimed at stimulating the birth and growth of enterprises, ensuring an increase in the density of enterprises at a level comparable to the average of European and Central Asian countries;
 - Supporting smart economic activities - which generate high added value;
 - Facilitating companies' access to external sources of financing.
- In **the short term** there are indispensable:
 - Mass vaccination of the population (with qualitative vaccines);
 - Business support measures (financial support schemes, tax deferrals or restructuring);
 - Measures to support the population (in particular they must be targeted at those most affected by the crisis);
 - Reorienting public spending towards priority areas: health and supporting the business environment and the population.

Thank you!

Academy of Sciences of Moldova
alex_stratan@yahoo.com

National Institute for Economic Research
e-mail: info@ince.md