

Annual Economic Report Moldova-2022

Overview of Moldovan Economy

Despite a solid economic performance over the past two decades, Moldova remains among the poorest countries in Europe. Moldovan growth model is reliant on remittance and external assistance from international organizations and friendly countries. The pandemic, the energy crisis, and the refugee crisis caused by the Ukraine crisis starkly exposed the vulnerabilities of this growth model to shocks. Heavy reliance on imports to meet food and energy needs has left Moldova vulnerable to disruptions in the supply of food, energy, and commodity imports from Ukraine and Russia.

Moldova's economic output fell by 5.9% on the year in real terms in 2022, following a 13.9% increase in 2021. Calculated at current prices, Moldova's gross domestic product (GDP) totalled 272.6 billion lei (\$14.6 billion/13.8 billion euro) in 2022. GDP growth in 2022 came mainly on the back of a drop in agriculture output, by 2.7%, and a decrease of 0.8% in each of construction and real estate. Financial and insurance activities, information and communication, as well as wholesale and retail trade were at the opposite end, marking growth of 0.4%, 0.3% and 0.2%, respectively. Final household consumption declined by 4% in 2022, gross fixed capital formation fell by 6.8%, decreasing Moldova's GDP. The country's 2023 budget targets economic growth of 2%. This January, the inflation rate dropped to 27.3 percent. In the coming period, it will continue to decrease, with average annual inflation forecast at 13.7% in 2023 and 5.5% in 2024.

Moldova and EU candidate status

Moldovan Government is trying to overcome the current economic upheaval. Moldova's efforts bolstered by the European Council's decision to grant European Union Candidate country status to Moldova on June 23, 2022. The new 2023-27 World Bank Country Partnership Framework for Moldova is designed to provide key elements to support the country in its efforts to transition to a new growth model, delivering targeted activities that respond both to the immediate crisis and to address Moldova's longer-term development agenda with the goal to advance the agenda toward EU accession.

Economic Assistance from International Partners

Moldovan government attended meetings with Foreign Ministers of 44 countries. With the initiative by the development partners, the Moldova Support Platform ministerial conference was launched. During 2022, three meetings of the Platform were held – in Berlin in April, in Bucharest in July and in Paris in November. In 2022, Moldova managed to mobilize external sources for direct budgetary support from the development partners with a value equivalent to 13.72 billion lei (about 671 million euros), which is by 8.64 billion lei (about 422.9 million euros) more than planned in the beginning of the budgetary year. According to data by the Finance Ministry, in 2022, most external funds came on behalf of EU countries and institutions and amounted to 5.5 billion lei (270 million euros). More than a half of this money was disbursed in grants.

The additional financial means for budgetary support for attenuating the crises were collected, in particular, from IMF – 55.1 million euros and 33.2 million dollars, World Bank – 101.3 million euros

and 9.24 million dollars, European Commission– 75 million euros, French Development Agency – 75 million euros, Germany’s government – 40 million euros, Romania’s government – 10.49 million euros and government of Poland – 20 million euros.

FTA and Economic Development

Moldova is part to many the international free trade agreements, the favorable tax system, the one-stop shop, efficient operational costs, investment platforms, etc. At the same time, Moldova has seven Free Economic Zones, eight industrial parks, 16 multifunctional industrial platforms and acts as a bridge between East and West, providing access to a market of over one billion potential customers.

Infrastructure Development in Moldova

Because of strategic position Moldova is planning make it as a logistic hub, other countries are avoiding Moldova because Moldova is not well connected by road, 52% of its 10,680km roads are poor. In order to improve the infrastructure Moldova is planning to spend 630million Euro in next few years. Moldova will receive assistance from EU, World Bank, BERD and other friendly countries. Moldovan authorities are negotiating with European partners for the financing of the construction of the first highway in the Republic of Moldova, which will start from Târgul-Mureș, towards Iași, Ungheni then towards Chisinau and even more from Chisinau towards Odesa. A total of 188 km of national roads rehabilitated and built in 2022 with the support of EBRD and EIB. Moldova is also developing its only port Giurgiulesht International Free Port, is a port on the Danube River at its confluence with the Prut and the only port in Moldova.

Support by Banks

The European Bank for Reconstruction and Development (EBRD) invested a record €525 million in 14 projects in Moldova in 2022, providing crucial support to the small nation during a turbulent year, especially in energy and infrastructure. To date, the EBRD has invested more than €2 billion through 159 projects in Moldova.

Fresh Fruits and Wine

In 2022, Moldovan apples reached 30 countries, compared to 18 export destinations the previous year. Also, 14.34 thousand tons of cherries were exported, which is 53% more than in 2021. First time Moldova also exported apple of US\$90,000 to India. Over 80% of the wine made in Moldova in 2022 was exported to 57 countries, and the price of a liter of wine delivered abroad registered a slight increase. The total amount of grapes processed in 2022 is 280 thousand tons, from which a volume of 190 million liters of wine was obtained, 10% more than in the previous year. On the other hand, 2022 also recorded a decrease in exports, both in terms of volume and accumulated revenues.

Digitalization of Economy

With the assistance of EU Moldova is implementing a Digital Economy Roadmap by modernizing the economic sector through applying technology and innovation in the digital field- online business, e-commerce, secure online payment, digital signature, providing government services through online portals. Moldova also giving special thrust on development of IT sector and especially on service export. According to official statistics, in 2022, the sales volume of the residents of the IT industry in the Republic of Moldova exceeded 7.5 billion lei, which is almost 49% more than the previous year.

Energy Crisis in Moldova

Moldova has no gas deposits of its own and covers all its gas needs by importing the fuel from Russia. Moldova is facing issue on energy supply with Russia. All energy coming to Moldova passes through Ukraine and Transnistria. Moldova signed a contract with an Indian company KEC for the construction of a 400 kV high-voltage line that would link Isaccea to Vulcănești and then Chișinău, bypassing Ukraine and the region of Transnistria. Romania is supplying 90% electricity needs of Moldova after the disruption of supply from Cuciurgan thermal power plant in November 2022. For finding alternative of Gazprom, Moldova is importing gas from Romania since December 2022 through the Iasi-Ungheni pipeline.

New Plan for Renewable Energy

Moldovan government is currently working on energy efficiency, energy reliance and reducing dependency on natural gas by adopting renewable projects. Moldova has a target of installing 410mw of renewable energy by 2023, out this 120mw will be solar projects with an investment of 120mn Euro-foreign investors will invest this amount in Moldova. Moldova implemented the electricity market reform, connecting electricity in grid, which has increased the demand of solar panel in household.

Moldova has EU has signed an energy efficiency projects with more than 105mn Euro (75m Euro EU fund and 20mn Euro govt budget), projects reduce energy waste. Household heating projects and thermal energy connection line, an investment of 90mn Euro in four years. This means material, trained manpower, technology etc. It is a opportunity of foreign investors in Moldova.

Moldova's Merchandise trade with world

	2022	2021	2020	2019
Export	US\$4.33bn	US\$ 3.144bn	US\$2.46bn	US\$2.77bn
Import	US\$ 9.21bn	US\$7.176bn	US\$5.41bn	US\$5.84bn
Total	US\$13.54bn	US\$10.32bn	US\$7.87bn	US\$8.61bn

Moldova's trade deficit in 2022 was \$4 billion 884 million, up 21.1% (+\$851.7 million) as compared to 2021.

In 2022, exports of goods amounted to 4.335bn US dollars, with 37,9% more than in 2021 and imports of goods amounted to 9.219 bn US dollars, 28,5% more than in 2021. Moldova's trade deficit balance with the EU countries increased by 48.4% to \$1 billion 824.4 million, with the CIS countries decreased by 20.6% to \$1 billion 142.5 million, and with other countries increased by 40.6% to \$1 billion 917.1 million.

According to NBS, the largest trade deficit of Moldova in 2022 was in trade with Russia: \$955.4 million (up 22.8% as compared to 2021). At the same time, Moldova's trade deficit with China in 2022 was \$937.4 million (+13.8%, compared to 2021), with Romania - \$406.6 million (a year earlier there was a surplus of \$3.54 million), with Germany - \$347.3 million (+15.3%), Turkey - \$356.3 million

(+55.1%), India - \$253.1 million (5.5 times growth), Poland - \$180.3 million (+17.8%), France - \$199.2 million (+1.1%), Ukraine - \$133.7 million (-76.7%).

At the same time, re-exports of goods after processing (clothing, shoes, shoe parts, chairs, electrical wiring and cables, other products for the automotive industry, peeled nuts, chairs and other furniture, suitcases, textile products, toys, etc.) accounted for 12.2% of total exports, while classic re-exports of foreign goods (gasoline, diesel fuel, vehicles, nuts, medicine, sunflower oil, sunflower seeds, cigarettes, wine distillates, whiskey, gin, vodka, liquors, beer, fabrics, knitwear, essential oils, perfumes and cosmetics, travel and sports bags, backpacks, wrist and other watches, corn) accounted for 19.4%.

According to the NBS, the main destination countries for Moldovan exports in the reporting period were: Romania (28.6% of total Moldovan exports), Ukraine (16.6%), Italy (7.6%), Turkey (7%), Germany (5.3%), Russia (4.4%), Bulgaria (3.3%), Poland (2.8%), Czech Republic (2.4%), Belarus (1.9%), the Netherlands and Switzerland (1.5% each), UK (1.4%), Hungary, Iran and the USA (1.2% each), Spain (1%), France (0.9%), Greece (0.8%) , Kazakhstan (0.7%), Portugal and Austria (0.5% each).

In the structure of exports for 2022 the following groups of goods had the largest shares: petroleum, petroleum products and related products (12.9%); electrical machinery and apparatus and parts (12.2%); cereals and preparations based on them (10.1%); oilseeds and fruits (9%); vegetable fats and oils (8.7%); vegetables and fruits (8.3%); clothing and accessories (6.9%); alcoholic and soft drinks (4.2%); furniture and parts (3.4%); motor vehicles (2.2%); yarn, fabric, textiles and related products (2.1%).

EU consolidated position as main commercial partner of Moldova

The European Union consolidated its position as the main commercial partner of the Republic of Moldova, and currently almost 60% of Moldovan exports are directed to the European market. However, Russia and Ukraine are still Moldova's traditional partners. The value of commercial exchanges between Moldova and the European Union, registered in 2022, stood at 6.2 billion dollars, up by 36.24 per cent against the 2021 year. The free trade agreement is a great opportunity for Moldovan goods in EU. Moldova has invested in the quality of goods, in the diversification of markets and products, in competitiveness and in management. Moldova count on EU support in the continuation of trade liberalization-European Union Association Agreement, including the Deep and Comprehensive Free Trade Area (DCFTA), eliminating tariff quotas and entry prices for Moldovan products on the EU market.

Moldova-Romania

In 2021, Moldova exported products to the value of over €800 million to Romania. At the end of 2022, Romania was the largest trading partner of Moldova in terms of exports, purchasing the most Moldovan products in the specified period in monetary terms. The volume of Moldovan exports to Romania in 2022 amounted to \$1 billion 240.8 million, an increase of 48.9% compared to 2021. At the same time, the volume of imports from Romania in 2022, compared to the previous year, increased by 2 times - up to \$1 billion 647.5 million, and its share in total Moldovan imports increased from 11.56% to 17.87%. Out of total import from Romania US\$ 1.14 billion was mineral fuels, oils, distillation products.

Moldova-Russia

Moldova Exports to Russia was US\$189.86 million during 2022 and Moldova Imports from Russia was US\$1.15 billion during 2022. Export consists of mainly fruits, nuts, beverages, apparel, paper and import items were mineral fuels, fertilizers, plastics & machinery.

Moldova-Ukraine

Moldova Exports to Ukraine was US\$720.09 million during 2022-consists of mineral fuels, oil, beverages, salt, chemicals & pharma products, Moldova Imports from Ukraine was US\$853.8 million during 2022-consists of oil seeds, woods, plastics, mineral fuels & machinery.

Moldova-China

Moldova Imports from China was US\$947.2 Million during 2022 and Moldova Imports to China was US\$9.77 million during 2022. Import-electrical, electronic, vehicles, plastics, rubbers, chemicals & export-beverage and optical, photo, technical and medical apparatus.

India-Moldova Trade Relations

Merchandise trade data

Year	Export	Import	Trade Balance	Growth %	
				Exports	Imports
2018-19	\$ 8.63mn	\$ 0.39mn	+\$8.24 mn		
2019-20	\$7.61 mn	\$0.22mn	+\$7.39mn	-11.8%	-43.5%
2020-21	\$ 11.58mn	\$ 1mn	+\$ 10.58mn	+52.16%	+354%
2021-22	\$ 9.03 mn	\$0.09mn	+\$8.94mn	-22%	-91%
2022-23	\$ 11.96 mn	\$ 3.93 mn (Feb)	+\$8.03mn	+32%	

India's export to Moldova is not very significant. India generally exports drugs, engineering goods, ceramics, organic and inorganic chemicals, & rice to Moldova. Like previous years, in current year also drugs and pharmaceuticals products and engineering goods were India's main export to Moldova.

As per Moldovan statics- Moldova's Exports to India was US\$418.64 Thousand during 2022 and Moldova's Imports from India was US\$253.49 Million during 2022. Import of mineral fuels, oils and distillation products was US\$201 million and pharma US\$10million.

Market Access Issues and Non-Tariff Barriers

There are no tariff barriers imposed on exports from India to Moldova. However, Indian importers in Moldova are facing some problems while clearing goods in Moldovan customs. Moldovan customs are increasing the invoice value by 2-3 times and comparing the declared invoice rate of the products with selling price in India etc. asking for more supporting documents. Because of that companies are paying 10-15% extra customs fees, sometime demurrage and VAT @20% on the items [new rate of the products fixed by Moldovan Customs]. Moldovan Customs is not accepting Indian Customs Export

Declaration and Commercial Invoice attested by Chamber of Commerce in India. Indian Pharma export also suffered earlier because of stringent pharma registration rules. Indian Embassy raised this issue with Moldovan Foreign Office.

Visit of Trade Delegation

In 2022, no trade delegation from India visited Moldova in 2022, a four-member delegation from Moldova attended the 11th edition of the International Silk Fair India on July 28-30, 2022.

Trade Event with Moldova

India-Moldova Trade Forum in hybrid mode was organized in collaboration with the Federation of Indian Export Organizations (FIEO), Organization for the Development of Entrepreneurship (ODE), Moldova and the Light Industry Employers' Association from the Republic of Moldova (APIUS) on 17 November 2022. More than 60 Indian and Moldovan businessmen from textile, leather and related industries participated in the event.

Contract

On 25 October 2021, Indian company KEC International Limited.(a part of R. P. Goenka Group) won the tender for 2.69mn Euro, construction project of 400kV transmission line from Vulcanesti to Chisinau (157km) on turnkey basis (Design, Manufacture, Civil, Installation, Testing and Commissioning) issued by Moldovan Energy Projects Implementation Unit (MEPIU). In the process KEC has beaten its Romanian, Turkish and Chinese counter-part. The leading International Financial Institutions such as World Bank, EBRD, EIB and EU Neighborhood Investment Fund are jointly funding this project. KEC is now implementing this project.

Ambassador's commercial meetings in Moldova

1. Ambassador's meeting online with Governor of Gagauzia Ms. Irina Vlad in August 2022.
2. Meeting of Ambassador with H.E. Ms. Natalia Gavrilita, Prime Minister of Moldova in October 2022
3. Meeting of Ambassador with H.E. Mr. Sergiu Prodan, Minister of Culture and Tourism of Moldova in October 2022.
4. Meeting of Ambassador with Mr. Ion Ceban, Mayor of Chisinau in October 2022.

Commercial Queries

In recently years, Indian business showed considerable interest in Moldova. In 2022, Embassy answered 443 trade queries compared to 434 trade queries in 2021.

Publication of Trade Articles

07 Articles in Publika

07 Articles in Primele Stiri
