# MOLDOVA

| Table 1 | 2023 |
|---|---|
| Population, million | 2.4 |
| GDP, current US$ billion | 16.5 |
| GDP per capita, current US$ | 6861.1 |
| International poverty rate ($2.15)[a] | 0.0 |
| Lower middle-income poverty rate ($3.65)[a] | 0.3 |
| Upper middle-income poverty rate ($6.85)[a] | 14.4 |
| Gini index[a] | 25.7 |
| School enrollment, primary (% gross)[b] | 106.5 |
| Life expectancy at birth, years[b] | 68.6 |
| Total GHG emissions (mtCO2e) | 15.1 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

*Moldova's economy is recovering despite ongoing spillovers from Russia's invasion of Ukraine. Essential structural reforms and further integration with the European Union (EU) is needed to address persistent socio-economic challenges, including poverty, low productivity, and climate vulnerabilities. While a gradual recovery is anticipated in 2024, significant risks persist, including the threat of continued conflict, potential energy disruptions, and uncertainties surrounding upcoming elections.*

## Key conditions and challenges

Moldova's economy is showing signs of recovery, while unprecedented challenges due to the spillover effects of Russia's invasion of Ukraine are still unfolding. A moderate economic recovery in the first half of 2024 improved household incomes and investments. Nevertheless, there are significant macroeconomic risks, including the potential intensification of the war in Ukraine, additional energy disruptions, particularly the potential discontinuation of gas transit through Ukraine, and headwinds from the upcoming elections in 2024 and 2025. Moldova's medium-term prospects hinge on structural reforms and progress toward EU accession. Despite sustained economic growth over two decades, poverty remains pervasive, particularly in rural regions, with limited access to services and viable economic opportunities. Traditional means of poverty alleviation, such as remittances and social assistance, are slowing, while low labor force participation and employment rates impede a shift to employment-based poverty reduction, underscoring the urgency for structural reforms. Nearly a quarter of young people aged 15-34 were neither employed nor in education and training (NEET).

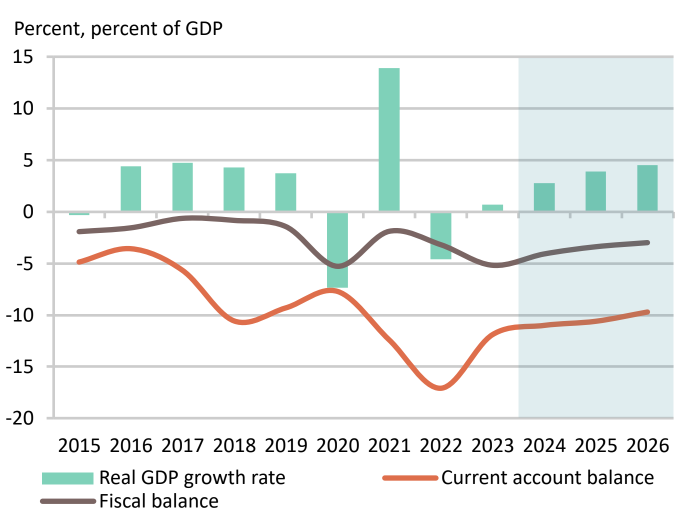
Moldova faces structural challenges including low productivity growth, governance deficiencies, a large state footprint, limited competition, an imbalanced business environment, and tax distortions. The country remains vulnerable to adverse weather events and energy shocks due to its heavy dependence on energy imports and limited diversification in energy sources. Climate change worsens these vulnerabilities, increasing the frequency and severity of droughts and other natural hazards, thereby posing substantial risks to Moldova's agricultural sector and livelihoods. With EU candidate status, strong reform momentum, and growth-enhancing, climate-resilient investments are needed to foster long-term, sustainable development and convergence toward EU income levels.

## Recent developments

Despite ongoing spillovers from Russia's invasion of Ukraine, the economy is showing promising recovery signs. In the first half of 2024, the economy grew by 2.2 percent, driven by rebounds in domestic trade, manufacturing, and a substantial recovery in the energy sector, which saw double-digit growth following the 2023 energy crisis. The IT sector continued to experience robust growth, while agriculture remained resilient, though summer droughts may affect yields later. On the demand side, growth was fueled by investments and restocking, while net exports had a negative impact due to rising imports. Private consumption improved with increasing disposable incomes and lower interest rates.

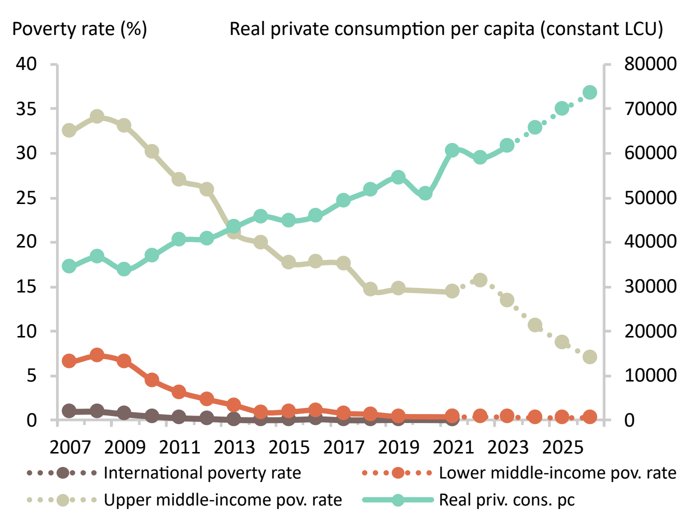
The current account deficit (CAD) improved to 11.8 percent of GDP in the first quarter of 2024, despite a 6.5 percent

**FIGURE 1 Moldova** / Actual and projected macroeconomic indicators




Source: World Bank, based on national statistics.

**FIGURE 2 Moldova** / Actual and projected poverty rates and real private consumption per capita




Source: World Bank. Notes: see Table 2.

decline in remittances. This improvement was driven by a narrower trade deficit and enhancements in the primary income account. The CAD was mainly financed through cash, deposits, and trade loans while direct investments fell. External debt decreased by 2.4 percentage points from the end of 2023, reaching 60.9 percent of GDP.

Inflation continued to decelerate in 2024, averaging 4.2 percent (y-o-y) in the first eight months, driven by weaker domestic demand and lower energy prices. In response, the Central Bank lowered the base interest rate from 4.75 percent in early 2024 to 3.6 percent in August 2024. During the same period, banks maintained high liquidity, and the ratio of nonperforming loans dropped to a five-year low of 6.1 percent.

In January-July, total revenues rose by 12.2 percent, y-o-y, driven by social contributions, VAT and excise duties on imported goods, and personal income taxes. Expenditures to support the economy remained elevated, including spending on wages, subsidies, and goods and services. The fiscal deficit registered 3 percent of GDP. Public and publicly guaranteed debt decreased to 33.8 percent of GDP in the first half of 2024.

Poverty rates, as measured by the US$6.85 2017 PPP poverty line, are expected to have remained stable, marginally dropping from 15.7 percent in 2022 to 13.3 percent in 2023.

## Outlook

The economy is projected to grow by 2.8 percent in 2024, supported by rising real wages due to lower inflation, favorable interest rates, and a positive fiscal impulse. Despite a decline in real remittances, private consumption is expected to be a major growth driver, supported by gradual improvements in investments. The increase in imports and reduced external demand for exports will result in a negative contribution from net exports. On the supply side, growth will be supported by the IT sector and domestic trade. The industrial sector's contribution is anticipated to increase, although external demand remains below pre-2021 levels. Agricultural growth will be modest due to summer drought, despite strong results early in the year. Medium-term growth will be fueled by reforms focused on economic diversification and competitiveness, in line with the EU accession agenda.

Inflation is projected to stay near the lower end of the 3.5 to 6.5 percent target range in 2024, with a medium-term average of around 5 percent. However, inflation remains sensitive to supply-side factors, such as geopolitical tensions, energy prices, and climate conditions.

While the CAD is expected to narrow further in 2024, aided by improvements in the trade balance and stable remittances from the EU. However, it will likely remain above pre-pandemic levels due to high import prices, transport costs, and low foreign direct investment amid ongoing uncertainties.

The fiscal deficit is projected to remain high at 4.1 percent of GDP in 2024 due to spending on economic support, refugee assistance, and infrastructure. It is expected to decrease to 3 percent of GDP by 2026 as fiscal support declines.

As inflationary pressures ease, the poverty rate, as measured by the US$6.85 2017 PPP poverty line, is expected to decrease to 10.63 percent in 2024. With the anticipated economic recovery and normalization of inflation, poverty is projected to decline further to 8.6 percent in 2025.

**TABLE 2 Moldova** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2021 | 2022 | 2023 | 2024e | 2025f | 2026f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 13.9 | -4.6 | 0.7 | 2.8 | 3.9 | 4.5 |
| Private consumption | 17.3 | -4.8 | -0.5 | 2.4 | 3.3 | 3.8 |
| Government consumption | 4.4 | 4.8 | -2.2 | 0.8 | 0.7 | 0.2 |
| Gross fixed capital investment | 1.9 | -10.5 | -1.3 | 5.1 | 5.3 | 5.6 |
| Exports, goods and services | 17.5 | 29.7 | 5.1 | 0.2 | 4.7 | 5.9 |
| Imports, goods and services | 21.2 | 18.2 | -5.1 | 1.1 | 3.8 | 4.3 |
| **Real GDP growth, at constant factor prices** | 13.4 | -4.2 | 1.5 | 2.8 | 3.9 | 4.5 |
| Agriculture | 50.3 | -23.5 | 31.9 | 1.9 | 3.3 | 3.8 |
| Industry | 0.5 | -10.3 | -10.0 | 4.4 | 4.8 | 5.2 |
| Services | 12.4 | 3.0 | -0.1 | 2.6 | 3.8 | 4.5 |
| **Inflation (consumer price index)** | 5.1 | 28.7 | 13.4 | 4.5 | 5.1 | 4.9 |
| **Current account balance (% of GDP)** | -12.4 | -17.1 | -11.9 | -11.0 | -10.5 | -9.7 |
| **Net foreign direct investment inflow (% of GDP)** | 2.7 | 3.7 | 2.5 | 1.7 | 2.2 | 2.5 |
| **Fiscal balance (% of GDP)** | -1.9 | -3.2 | -5.2 | -4.1 | -3.4 | -2.8 |
| **Revenues (% of GDP)** | 32.0 | 33.3 | 34.1 | 33.7 | 33.8 | 33.8 |
| **Debt (% of GDP)** | 33.8 | 35.9 | 36.0 | 38.5 | 38.1 | 37.5 |
| **Primary balance (% of GDP)** | -1.1 | -2.2 | -3.4 | -2.4 | -1.7 | -1.4 |
| **International poverty rate ($2.15 in 2017 PPP)**[a,b] | 0.0 | .. | .. | .. | .. | .. |
| **Lower middle-income poverty rate ($3.65 in 2017 PPP)**[a,b] | 0.3 | 0.4 | 0.3 | 0.2 | 0.2 | 0.2 |
| **Upper middle-income poverty rate ($6.85 in 2017 PPP)**[a,b] | 14.4 | 15.7 | 13.3 | 10.6 | 8.6 | 7.0 |
| **GHG emissions growth (mtCO2e)** | 6.9 | 0.2 | 7.2 | 8.1 | 8.8 | 9.6 |
| **Energy related GHG emissions (% of total)** | 64.8 | 63.5 | 65.7 | 69.2 | 72.7 | 75.6 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on ECAPOV harmonization, using 2021-HBS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.