Responding to the Coronavirus Crisis
Update on Moldova (13/11/20)

Key short-term priorities
Ensure adequate external financing, support SMEs and vulnerable households, develop the economic recovery plan

EBRD Policy Comparator

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Economic channels of disruption

**GVC disruption, remittances, private consumption**
- Weaker demand for Moldovan exports, especially for automotive components industry which is well integrated into global supply chains.
- Initial drop in remittances, which amount to 15% of GDP, lowered disposable incomes and domestic consumption. After the initial drop, inflow of money transfers has been strong since May and grew by 18.5% in total in the first nine months of 2020.
- Historically low monetary policy rate on the back of relatively stable exchange rate and low inflation.

**Selected crisis impact indicators**

- **EBRD GDP growth outlook (Oct 2020)**
  
  2020: -5.5%
  2021: 3.5%

- **Money transfers from abroad**
  
  September 2020: 48.1%
  January-September 2020: 18.5% y/y

- **Goods exports**
  
  August 2020: -19.6%
  January-August 2020: -13.5% y/y

- **Exchange rate change, against USD**
  
  January-September 2020: 0.4% y/y

**Crisis response measures to date**

**Targeted fiscal and monetary policy measures**
- Monetary and macro-prudential measures were enacted to inject liquidity and increase the resilience of banks, monetary policy rate was loosened.
- The government will subsidize 100% of the income tax and social contributions for employees in enterprises that had to stop working because of the declared state of emergency, and 60% to other enterprises. Tax payment deadlines were delayed to mid-2020 and tax audits and other controls were temporarily suspended.
- Individual entrepreneurs will be reimbursed for social contributions during the state of emergency.

**Selected crisis response indicators**

- **Increased social benefits**
  
  Unemployment benefits were increased to the level of minimum wage

- **Payment holidays for loans**
  
  Banks were allowed to extend till June 30

- **VAT**
  
  In the Horeca sector, the VAT rate has been reduced from 20% to 15%.

- **Committed external assistance**
  
  IMF Board approved US$ 235 million through RCF and RFI

To learn more about EBRD’s support to Moldova: [https://www.ebrd.com/moldova.html](https://www.ebrd.com/moldova.html)

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