

# Responding to the Coronavirus Crisis

## Update on Moldova (13/11/20)



### EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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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

<b>EBRD GDP growth outlook (Oct 2020)</b>	2020: -5.5%
	2021: 3.5%
<b>Money transfers from abroad</b>	September 2020: 48.1%
	January-September 2020: 18.5% y/y
<b>Goods exports</b>	August 2020: -19.6%
% change, in nominal terms	January-August 2020: -13.5% y/y
<b>Exchange rate change, against USD</b>	January-September 2020: 0.4% y/y
(minus means depreciation)	

### 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

<b>Increased social benefits</b>	Unemployment benefits were increased to the level of minimum wage
<b>Payment holidays for loans</b>	Banks were allowed to extend till June 30
<b>VAT</b>	In the Horeca sector, the VAT rate has been reduced from 20% to 15%.
<b>Committed external assistance</b>	IMF Board approved US\$ 235 million through RCF and RFI

### Key short-term priorities

*Ensure adequate external financing, support SMEs and vulnerable households, develop the economic recovery plan*