

Responding to the Coronavirus Crisis

Update on Moldova (15/05/20)



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.
- Expected drop in remittances, which amount to 15% of GDP, will lower disposable incomes and domestic consumption.
- Virus containment measures have stopped the activities of many services enterprises.

Selected crisis impact indicators

EBRD GDP growth outlook (May 2020)	2020: -4.0%
	2021: 5.0%
Money transfers from abroad	March: -6.2% y/y
Goods exports	March: -18.3% y/y
% change, in nominal terms	
Exchange rate change	March: -2.2% m/m
(minus means depreciation)	April: +1.5%

Crisis response measures to date

Targeted fiscal and monetary policy measures

- On March 17, a state of emergency was declared throughout the territory of Moldova until May 15, 2020.
- Monetary and macro-prudential measures were enacted to inject liquidity and increase the resilience of banks.
- 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.
- 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 are 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 Signed loan agreement with Russia for EUR 200 mil.

Key short-term priorities

Provide external financing, support SMEs and vulnerable households