**Responding to the Coronavirus Crisis**

**Update on Moldova (20/04/20)**

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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 normally amount to around 15% of GDP, will lower disposable incomes and domestic consumption.
- Virus containment measures have stopped the activities of many services enterprises.

### 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 impact indicators

**EBRD GDP growth outlook (April 2020)**

(new forecasts out on May 13)

- 2020: recession
- 2021: strong recovery

**Money transfers from abroad**

- January-February: up 3.6% y/y

**Goods exports**

- January: down 6.3% y/y

**Exchange rate change**

- March: -2.2% m/m
- April 01-20: +2.6%

### 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%
- IMF Board approved US$ 235 million through RCF and RFI

**Committed external assistance**

- Signed loan agreement with Russia for EUR 200 mil.

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**Key short-term priorities**

*Provide external financing, support SMEs and vulnerable households*