



Center for
European
Governance
& Economy



Moldova Investment Brief

1st Eastern Partnership Investment Forum:
10 Years after Prague

10-11 July 2019
Batumi, Georgia

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#eapinvest

GENERAL INFORMATION FOR 2017

 **Population**
4.051 Millions

 **Land area**
(n) 32 890 km²

 **GDP**
8 128 Millions current US\$

 **GDP growth**
4.53 %

INTERNATIONAL MERCHANDISE TRADE

Total merchandise trade

(millions of US\$)

| | 2005 | 2010 | 2015 | 2017 |
|---------------------------|--------|--------|--------|--------|
| Merchandise exports | 1 091 | 1 541 | 1 967 | 2 425 |
| Merchandise imports | 2 292 | 3 855 | 3 987 | 4 831 |
| Merchandise trade balance | -1 201 | -2 314 | -2 020 | -2 406 |

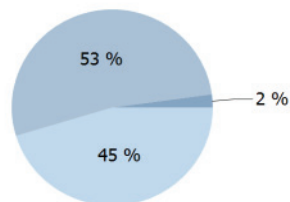
+18.6 %

Merchandise exports
growth rate in 2017

Export structure by product group in 2017

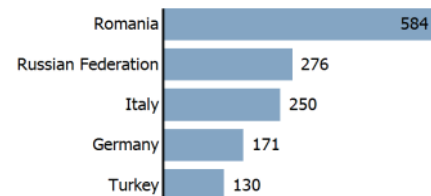
(as % of total exports)

-  All food items
-  Manufactured goods
-  Other



Top 5 partners in 2017

(exports, millions of US\$)



INTERNATIONAL TRADE IN SERVICES

Total trade in services

(millions of US\$)

| | 2005 | 2010 | 2015 | 2017 |
|------------------------|------|------|------|-------|
| Services exports | 446 | 788 | 972 | 1 253 |
| Services imports | 426 | 716 | 847 | 937 |
| Services trade balance | 20 | 72 | 125 | 315 |

Services exports by main category

(as % of total services)

| | 2005 | 2010 | 2015 | 2017 |
|----------------|------|------|------|------|
| Transport | 39.0 | 32.9 | 33.1 | 32.8 |
| Travel | 23.1 | 20.7 | 21.6 | 24.9 |
| Other services | 27.3 | 32.8 | 30.6 | 26.8 |

ECONOMIC TRENDS

Economic indicators

(millions of US\$ unless otherwise specified)

| | 2005 | 2010 | 2015 | 2017 |
|-----------------------------------|--------|--------|--------|--------|
| GDP, current | 2 988 | 5 812 | 6 513 | 8 128 |
| GDP per capita, current US\$ | 719 | 1 423 | 1 602 | 2 006 |
| Real GDP growth, y-on-y, % | 7.50 | 7.09 | -0.43 | 4.53 |
| Current account balance, % of GDP | -7.56 | -8.28 | -7.18 | -7.59 |
| Exchange rate (/US\$) | 12.600 | 12.369 | 18.818 | 18.499 |

+4.5 %

Gross domestic product
growth rate in 2017

FDI AND EXTERNAL FINANCIAL RESOURCES

Financial flows

(millions of US\$ unless otherwise specified)

| | 2005 | 2010 | 2015 | 2017 |
|--------------------------------|--------|--------|--------|--------|
| FDI inflows | 190.70 | 207.90 | 226.60 | 213.84 |
| FDI outflows | -0.16 | 3.51 | 17.48 | 8.07 |
| Personal remittances, % of GDP | 30.62 | 30.16 | 23.65 | 20.19 |

Financial flows trends

(millions of US\$)



TRADE IN GOODS AND SERVICES

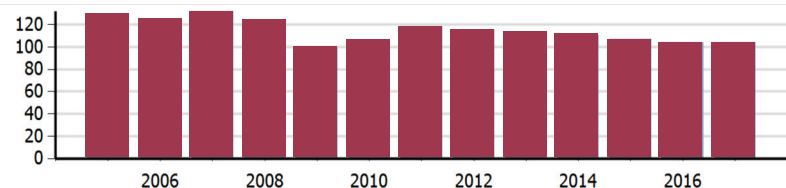
Trade balance indicators ²

(as % and index)

| | 2005 | 2010 | 2015 | 2017 |
|-----------------------|--------|--------|--------|--------|
| Balance, % of GDP | -40.55 | -38.63 | -30.63 | -27.67 |
| Balance, % of imports | -47.63 | -53.36 | -44.56 | -41.93 |
| Normalized balance | -0.313 | -0.364 | -0.287 | -0.265 |

Trade openness ²

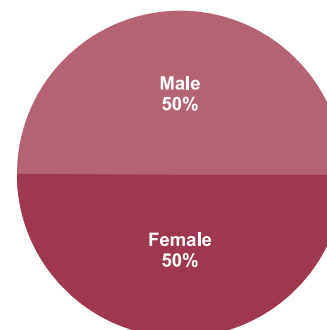
(sum of imports and exports as % of GDP)



LABOUR FORCE

Labour force by gender in 2017

(as % of total labour force, all sectors)



AGRICULTURE

Sector highlights

Contribution to GDP: 12.2% of GDP (2017)

Output: \$ 1 billion (not including processed food and beverages) (2017)

Moldova's agriculture sector is characterized by a large degree of diversity in terms of the size of holdings and production subsectors. It is the largest source of employment, accounting for 33.7% of the workforce. Foreign direct investment is needed to facilitate higher productivity in the sector, which has vast arable land and a climate favorable to agriculture production (invest.gov.md).

The largest subsector is crop production, which accounted for MDL 24.3 billion in 2017 (more than two-thirds of total agriculture production). Crop production is dominated by cereals, industrial crops and fruits, with fruits accounting for roughly 40% of total output. Annual fruit production volumes break down as follows: apples (410,000 tons), plums (100,000 tons), apricots (21,000 tons), peaches (21,000 tons), and cherries (12,000 tons). Total annual production of vegetables amounts to roughly 293,000 tons (excluding potatoes) (invest.gov.md).

Grape and wine production are also notable subsectors. In 2017, Moldova produced roughly 500,000 tons of grapes and 250 million liters of wine, with wine exports producing \$200 million in revenue. Most wine exports go to CIS countries, although Moldova's Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU creates new opportunities for wine exporters.



The EU supports Moldova's agriculture sector through development finance and technical assistance programs, including the European Neighbourhood Programme for Agriculture

and Rural Development (ENPARD).

Incentives and Enabling Infrastructure

The government supports agriculture investment through financial incentives and infrastructure and marketing support. The government has established a subsidy fund that covers the entire spectrum of agriculture activities (www.invest.gov.md). In particular, it has supported the sector by helping farmers adopt modern irrigation systems more resilient to natural disasters (www.fao.org).

Partnership Opportunities and PPPs

The government is currently soliciting investment in the viticulture and wine industry, especially in planting, storage, and



processing. It also seeks investment in the livestock sector. Specific opportunities include: renovating and operating existing farm infrastructure, developing cattle feed mills, and setting up new livestock farms and meat production and processing facilities. Other strategic industries to which the government is soliciting investment are walnuts, sugar, oleaginous plants, and organic farming (invest.gov.md).

ENERGY

Sector Highlights

Contribution to GDP: 2.8% (electricity, gas, and water)

Energy Sector output: \$226 million, 3.8 mtoe (2016)

Moldova faces growing demand for energy as its economy continues to grow. The country is a net importer of energy; only 13.7% of its energy demand was met by domestic sources in 2015. Natural gas, which accounts for most of its energy, was entirely provided by Russia until 2014. In 2015, the Iasi-Ungheeni gas interconnector between Romania and

Moldova became operational. Once it reaches full capacity in 2020, the pipeline is expected to supply nearly all of natural gas for the Moldovan market (www.eu4energy.iea.org).

The renewable energy sector is also noteworthy. According to government estimates, available renewable energy sources have the capacity to produce 65,000 GWh annually, 77% of which is from wind power (invest.gov.md). Foreign investment is needed to fully utilize this capacity. Moldova's wind energy market has an annual capacity to generate 20.8 GW and to produce 50.2 TWh. That is equal to 12 times current electricity consumption in the country. For wind turbines, the estimated investment cost is approximately 1,200 Euro/kW.

Solar, biofuels, and hydroelectric power round out the renewable energy market. Solar installations have a maximum generation capacity of 4.65 GW and 6 TWh, roughly 50% more than the country's current electricity consumption. In 2016, renewable sources accounted for 26.8% of total energy consumed in the country (mostly in heating and cooling).

Moldova became a member of the European Energy Community in 2010, undertaking to implement the EU regulations on electricity and gas networks, environment, renewable en-



ergy, energy efficiency, oil and on energy statistics. In terms of implementing the Energy Community's directives, Moldova currently ranks highest on statistics, energy efficiency, and renewable energy (energy-community.org). The country is currently working to fully conform with the EU's *acquis communautaire* and to connect its electricity network with the European electricity market.

Incentives and Enabling Infrastructure

The government has established incentives to promote

foreign investment in the sector. That includes guaranteed Feed-in Tariffs (FiTs) and power purchasing guarantees. The central electricity supplier is obliged to purchase all electricity delivered to the network by eligible producers. The Agency for Energy Efficiency also offers co-financing for investments in energy efficiency and renewable energy sources. Tax and customs exemptions are also available.

Partnership Opportunities and PPPs

The government is currently soliciting investments in renewable energy, in particular wind and solar energy and biofuels. Investment opportunities can be pursued through the Moldovan Investment Agency.

MANUFACTURING

Sector Highlights

Contribution to GDP: 11.8% (2017)

Output: \$1.3 billion (industrial sector aggregated)

The manufacturing sector continues to modernize as Moldova grows its network of Free Trade Agreements and establishes a stronger business environment. The country has benefited from its legacy as a manufacturing powerhouse, utilizing foreign investment to produce higher value-added products. In 2017, manufacturing increased 6.7% year-on-year (www.statistica.gov.md).

Subsectors of note include automotive manufacturing. In 2017, roughly 15,000 people were employed in the automotive industry, which accounted for €394 million in exports. The multinational firms Lear Corporation, DRA Draexlmaier Au-



tomotive, Gebauer & Griller each operate automotive component plants in Moldova. Other high-growth subsectors include electrical cable and wire harnesses (43% annual growth in 2017), plastic and rubber products (16% annual growth), construction materials (11% annual growth), and textiles (9% annual growth) (invest.gov.md).

Textiles, apparel, footwear, and leather (TAFL) is another subsector worth noting. It currently employs 4% of the workforce but accounts for roughly 20% of total exports, with textiles and apparel being the fastest-growing components (invest.gov.md). In 2017, apparel producers accounted for €87 million in turnover, followed by textile manufacturers (€85 million), and producers of footwear and leather goods (€21 million).

Incentives and enabling Infrastructure

The government of Moldova incentivizes manufacturing through preferential regimes with regard to tax, customs, regulation, and immigration. Moldova has seven Free Industrial Zones (FEZs) open to companies registered in Moldova. Specific benefits include exemptions from VAT, excise, and customs duties and corporate income tax exemptions for three or five years (depending on the size of investment).

FEZ residents are selected on the basis of investment amount and type, activities to be carried out, and available infrastructure. FEZ residence is available for periods up to 20 years. The FEZs are designed primarily to support the manufacturing of goods for export (invest.gov.md).

Partnership Opportunities and PPPs

The government is currently soliciting investments in the automotive sector, promoting the country's potential as a base for manufacturing of auto components. It is also promoting TAFL investments, primarily in the country's network of FEZs.

INFRASTRUCTURE

Sector Highlights

Contribution to GDP: 13% (transportation, construction, real estate)

Output: \$1 billion; (17.3 billion tons total transported goods in 2017)

Moldova's infrastructure sector is dominated by the transportation industry. The country is a participant in notable projects under both the EU-led Trans-European Networks-Transport (TEN-T) and the Chinese-led Belt and Road Initiative (BRI). Both initiatives aim to improve connectivity between



Europe and Asia through channels traversing the South Caucasus and Black Sea regions.

The transportation sector currently employs 6% of the workforce. In 2017, transportation companies moved 17.3 billion tons of goods, the bulk of which by road. Total transportation increased by 24% year-on-year (www.statistica.gov.md).

Moldova's tourism sector presents an unexploited opportunity. In 2017, 3.2 million people visited the country (121,000 of them designated as tourists). According to an estimate from USAID, tourism could eventually contribute up to 3% of GDP by stimulating business development and job creation (usaid.gov). Key subsectors include rural and wine tourism.

Under the TEN-T framework, the EU is supporting 17 infrastructure projects in Moldova with a total long-term investment of €971 million (coming from public and private sources). Key projects are aimed at strengthening highways and logistics hubs, including the Balti-Criva Highway (€129 million), Chisinau-Kuciurgan Highway (€66 million), and Balti-Radeni Highway (ec.europa.eu).

TRADE REGIMES

Free trade: EU (DCFTA), CEFTA countries (Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia); CIS countries (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan); Georgia, Ukraine, Turkey.

GSP +: Norway

GSP: Canada, Japan, Switzerland, United States

Organizers:



Sponsors:



Partners:



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