



REPUBLIC OF MOLDOVA

March 2026

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR REPUBLIC OF MOLDOVA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with the Republic of Moldova, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its February 27, 2026, consideration of the staff report that concluded the Article IV consultation with the Republic of Moldova.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 27, 2026, following discussions that ended on December 17, with the officials of the Republic of Moldova on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on February 10, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Alternate Executive Director** for the Republic of Moldova.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Concludes 2025 Article IV Consultation with Moldova

FOR IMMEDIATE RELEASE

- *Moldova's economy has been recovering after multiple shocks, but longstanding challenges remain, including high emigration, low competitiveness, and limited institutional capacity. EU accession and the EU Growth Plan provide an important opportunity to tackle these challenges, achieve higher growth, and improve living standards. To seize this opportunity, Moldova needs ambitious reforms to address structural problems and prudent policies to enhance resilience and maintain macroeconomic stability.*
- *The fiscal deficit is projected to widen to 4.8 percent of GDP in 2026 with a substantial scale-up of capital spending and some increase in current spending. The adoption of planned tax reforms should help mitigate these pressures.*
- *Inflation is expected to remain within National Bank of Moldova's target range of 5 +/- 1.5 percent in 2026, but heightened uncertainty calls for a cautious, state-contingent strategy, with future rate changes conditional on the path of inflation and growth.*
- *The banking sector remains sound, but strong credit growth and surging house prices call for close monitoring. Strengthening borrower-based measures would help contain risks. Financial sector reforms should address remaining gaps in supervision and crisis management.*
- *Efforts to enhance energy preparedness and security should continue. Resuming governance reforms is critical for strengthening the business environment and safeguarding public resources. Broad structural reforms should boost productivity and unlock growth.*

Washington, DC – February 27, 2026: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation with Moldova.¹ The authorities have consented to the publication of the Staff Report prepared for this consultation.²

Moldova's recovery from multiple shocks is underway with growth projected at 2.7 percent in 2025 and 2.3 percent in 2026, supported by a good harvest, strong domestic demand, and substantial EU financing. Household consumption and investment are benefiting from robust wage and credit growth, while industrial production has expanded strongly, partly driven by

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/en/countries/mda page.

food processing. Weak exports are holding down growth and widening the current account. Inflation is expected to return to the target range imminently.

The economy is expected to grow moderately in the medium-term, as higher investment and productivity-enhancing reforms boost potential output, while labor continues to be a drag. However, risks remain tilted to the downside for growth and to the upside for inflation. Key risks stem from the war in Ukraine and other geopolitical developments and delays in EU Growth Plan implementation or misallocation of related funding.

Executive Board Assessment

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the ongoing recovery and continued progress toward EU accession, despite multiple shocks. While noting the improved outlook, Directors highlighted that Moldova faces longstanding challenges, high uncertainty, and risks from regional and geopolitical developments and possible delays in reform implementation. Accordingly, they emphasized the need for prudent policies to safeguard macroeconomic stability and ambitious structural reforms to strengthen governance, enhance growth, and build resilience. Noting the authorities' interest in a new Fund arrangement, Directors highlighted that continued Fund engagement would reinvigorate the reform momentum and support EU accession.

Directors agreed that a temporarily higher fiscal deficit is appropriate to support the transition to investment-led growth. They emphasized the importance of enhancing capital spending execution and public financial management and mobilizing revenue to sustain higher capital spending, particularly as concessional financing declines. Directors welcomed the planned public wage reform, underscoring that related costs should be covered by additional domestic revenues. They supported the authorities' focus on simplifying taxes and removing exemptions, particularly on VAT.

Directors recognized the National Bank of Moldova's timely response to address rising inflation following the energy shock in early 2025. They stressed that monetary policy should remain cautious and state-contingent, with future rate changes conditional on the path of inflation and growth. Directors noted that reserve requirements on bank deposits remain high and recommended that they be reduced after inflation risks subside. They also encouraged measures to further strengthen central bank independence and governance to safeguard policy credibility. Maintaining exchange rate flexibility, while preserving sufficient foreign exchange buffers, is important to absorb shocks.

Directors welcomed efforts to improve the regulatory and supervisory framework for banks. While highlighting that the banking sector remains sound, they welcomed the recent macroprudential tightening and underscored the need to continue to closely monitor strong credit growth and rising housing prices. They also called for continued progress in enhancing risk-based supervision, crisis management, and AML/CFT frameworks, in line with FSAP recommendations.

Directors encouraged the authorities to advance structural reforms to boost growth and improve competitiveness. Noting Moldova's vulnerability to electricity supply shocks and price volatility, they called for further efforts to strengthen energy preparedness and security. Directors urged decisive progress on governance and anti-corruption reforms to improve the business climate and safeguard public resources. Measures to improve labor market participation, address skills mismatches, and improve infrastructure and the investment

environment are important to unlock growth. Directors highlighted that timely and effective implementation of the EU Growth Plan and other actions connected with EU accession are central to supporting reforms.

It is expected that the next Article IV consultation with the Republic of Moldova will be held on the standard 12-month cycle.

Moldova: Selected Economic Indicators, 2022–2031 1/

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Percent change, unless otherwise indicated)									
Real Sector Indicators										
Gross domestic product										
Real growth rate	-4.6	1.2	0.1	2.7	2.3	3.5	3.7	3.6	3.6	3.5
Domestic Demand	-2.5	-3.6	2.9	6.3	3.7	4.4	4.6	4.2	4.1	4.1
Consumption	-2.4	-1.3	1.6	3.5	3.2	3.2	3.4	3.3	3.2	3.2
Private	-5.0	-0.3	2.3	3.5	3.3	3.4	3.7	3.6	3.5	3.5
Public	10.7	-4.0	-3.6	3.3	2.6	2.6	1.6	1.5	1.5	1.5
Gross fixed capital formation	-10.5	0.0	8.0	20.2	10.2	9.1	9.2	7.5	7.5	7.5
Net Exports of goods and services	-5.2	18.9	-21.0	-20.6	-9.8	-8.3	-8.6	-6.6	-6.7	-7.9
Exports of goods and services	29.7	4.8	-5.4	2.3	7.9	7.4	7.9	8.8	8.5	8.6
Imports of goods and services	18.2	-5.1	5.2	10.6	8.8	7.8	8.2	7.8	7.7	8.3
Nominal GDP (billions of Moldovan lei)	274.5	303.6	323.8	354.5	379.9	413.6	451.0	491.6	535.5	583.0
Output Gap (percent of potential GDP)	-0.2	-0.8	-2.1	-1.1	-1.0	-0.4	0.0	0.0	0.0	0.0
Consumer price index (average)	28.7	13.4	4.7	7.8	5.0	5.0	5.0	5.0	5.0	5.0
Consumer price index (end of period)	30.2	4.2	7.0	6.8	4.9	5.0	5.0	5.0	5.0	5.0
GDP deflator	18.9	9.3	6.6	6.6	4.8	5.2	5.2	5.2	5.2	5.2
Average monthly wage (Moldovan lei)	10,531	12,355	14,095	15,575	16,725	18,150	19,725	21,425	23,275	23,275
Unemployment rate (annual average, percent)	3.1	4.6	4.0	4.0	3.8	3.6	3.5	3.5	3.5	3.5
	(Percent of GDP)									
Saving-Investment Balance										
Foreign saving	17.2	11.1	16.6	19.3	19.6	19.2	18.6	17.5	16.5	16.2
National saving	10.1	9.0	4.6	5.3	5.9	7.1	8.8	10.6	11.9	12.6
Private	8.9	9.3	5.7	6.4	7.1	8.1	8.8	10.1	11.1	11.7
Public	1.2	-0.3	-1.1	-1.1	-1.3	-0.9	0.1	0.5	0.8	0.8
Gross investment	27.3	20.1	21.1	24.5	25.4	26.4	27.5	28.1	28.5	28.8
Private	22.6	16.0	17.8	21.3	21.8	22.4	23.0	23.4	23.9	24.4
Public	4.7	4.0	3.3	3.3	3.7	4.0	4.5	4.7	4.6	4.4
Fiscal Indicators (General Government)										
Current expenditure	32.8	34.9	34.9	36.2	36.8	36.6	35.6	35.1	34.8	34.7
Capital expenditure	3.8	3.9	3.1	3.1	3.6	4.0	4.4	4.7	4.5	4.3
Primary balance	-2.3	-4.4	-2.9	-2.7	-3.2	-3.1	-2.7	-2.4	-2.0	-1.7
Overall balance	-3.2	-5.1	-3.9	-3.9	-4.8	-4.8	-4.4	-4.2	-3.7	-3.5
Stock of public and publicly guaranteed debt	36.6	36.3	38.8	36.5	39.7	41.2	42.1	42.7	42.8	42.9
	(Percent change, unless otherwise indicated)									
Financial Indicators										
Broad money (M3)	5.2	18.4	13.7	12.1	12.6	8.9	..	..	..	..
Velocity (GDP/end-period M3; ratio)	2.2	2.0	1.9	1.9	1.8	1.8	..	..	..	..
Reserve money	30.3	9.9	0.3	5.3	12.6	8.9	..	..	..	..
Credit to the economy	8.9	2.8	25.1	26.6	19.5	16.0	..	..	..	..
Credit to the economy, percent of GDP	23.4	21.8	25.5	29.5	32.9	35.1	..	..	..	..
	(Millions of U.S. dollars, unless otherwise indicated)									
External Sector Indicators										
Current account balance	-2,500	-1,849	-3,013	-3,933	-4,260	-4,554	-4,811	-4,915	-5,067	-5,410
Current account balance (percent of GDP)	-17.2	-11.1	-16.6	-19.3	-19.6	-19.2	-18.6	-17.5	-16.5	-16.2
Personal transfers and compensation of employees (net)	1,519	1,562	1,405	1,345	1,426	1,512	1,604	1,693	1,777	1,866
Gross official reserves	4,474	5,453	5,484	6,006	6,222	6,624	6,924	6,945	6,895	6,828
Gross official reserves (months of imports)	5.5	6.3	5.4	5.4	5.2	5.1	5.0	4.7	4.3	4.0
Exchange rate (Moldovan lei per USD, period average)	18.9	18.2	17.8	17.4	..	..	..	..	..	..
Exchange rate (Moldovan lei per USD, end of period)	19.2	17.4	18.5	16.8	..	..	..	..	..	..
Real effective exch.rate (average, percent change)	7.2	10.7	4.1	1.4	..	..	..	..	..	..
External debt (percent of GDP) 2/	66.4	59.6	57.5	58.4	62.2	66.1	68.9	70.5	69.1	67.2
Debt service (percent of exports of goods and services) 2/	8.8	10.3	12.3	16.5	12.8	12.2	12.3	12.0	10.5	9.8

Sources: Moldovan authorities; and IMF staff estimates.

1/ Data exclude Transnistria.

2/ Includes private and public and publicly guaranteed debt.



REPUBLIC OF MOLDOVA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

February 10, 2026

KEY ISSUES

Context. Recovery from multiple shocks is underway, although Moldova continues to experience high emigration, low competitiveness, and limited capacity. EU accession and the EU Growth Plan (GP) aim to promote growth-enhancing reforms and investments. The Fund supported programs (ECF/EFF and RSF), which expired in October 2025, helped preserve macroeconomic stability amid multiple shocks and advance structural reforms.

Prospects. Growth is projected at 2.7 percent in 2025 and 2.3 percent in 2026, reflecting a good harvest and strong domestic demand. Weak exports are holding back growth and widening the current account. The output gap will close gradually with potential growth of 3.5 percent projected in the medium term. Inflation is declining and should return to the 5 ± 1.5 percent corridor in early 2026. While near-term uncertainty has eased, downside risks dominate, including from Ukraine and other geopolitical developments and delays in EU GP implementation or misallocation of related funding.

Policy recommendations:

- Reform implementation and higher investments (energy, transport) will help the transition to productivity-led growth but lead to larger near-term fiscal deficits. Better planning and project execution and higher domestic revenues are needed, along with stronger fiscal institutions, financial management, and accountability.
- Monetary policy should follow a state-contingent approach with rate changes conditional on the path of inflation and growth. Reserve requirements should be lowered after inflation risks have abated. Strong central bank independence and governance, and supervisory and regulatory frameworks (incl. AML/CFT), are key.
- The banking system remains sound, but strong credit growth and surging house prices call for close monitoring. Tightening macroprudential buffers was appropriate; stronger borrower-based measures would help contain risks. Better risk-based supervision and crisis management are key. Capital markets work should target sovereign debt.
- Efforts to enhance energy preparedness and security are welcome. Resuming anti-corruption reforms is key for effective use of public resources. Investments in transport, logistics, and digital connectivity; regulatory alignment with the EU; improved financial access; and labor-market and education reforms to address skill gaps and informality will support private-sector development and growth.

Approved By:
Mark Horton (EUR)
and Jarkko Turunen (SPR)

Discussions were held in Chişinău during December 4–17, 2025. The team met Prime Minister Munteanu, Deputy PM and Economy Minister Osmochescu, Deputy PM and Minister of Infrastructure and Regional Development Bolea, Deputy PM for Reintegration Chiveri, Finance Minister Gavrilă, Energy Minister Junghietu, Justice Minister Cojuhari, Labor and Social Protection Minister Plugaru, Environment Minister Hajder, Secretary-General of the Government Buzu, National Bank Governor Dragu, Parliament Speaker Grosu and other officials and representatives of financial institutions, international organizations, the private sector, civil society, labor unions, and development partners. The mission team comprised A. Iancu (head), N. Biljanovska, P. Engler, A. Lenarčič (all EUR), S. Beer (FAD), A. De Castro (LEG), G. Afavi (SPR), S. Sola (MCM), and S. Cerović (Resident Representative). Y. Aydin (FSAP head, MCM) joined during December 15–17. M. Copaciu (OED) also participated. C. Batlle, R. Rozenov, and Y. Zha (all EUR), and O. Şcerbaţchi, V. Buicli, and N. Culava, from the IMF office in Chişinău, assisted.

CONTENTS

CONTEXT	4
RECENT DEVELOPMENTS	6
OUTLOOK AND RISKS	10
POLICY DISCUSSIONS	11
A. Fiscal Reforms to Unlock and Sustain Investment-led Growth	11
B. Prudent Monetary and Exchange Rate Policy to Support Price Stability and Maintain FX Buffers and Reforms to Strengthen Policy Making	15
C. Financial Sector Policies and Reforms to Strengthen Macprudential and Supervisory Frameworks and Develop Financial Markets	17
D. Structural Reforms to Boost Growth and Improve Energy Security and Governance	19
STAFF APPRAISAL	22
BOXES	
1. 2025 Energy Crisis	77
2. Public Salary Reforms	12

FIGURES

1. EU Accession Countries: Moldova's Performance in Perspective	5
2. Real Sector Developments	24
3. Monetary Developments	25
4. Fiscal Sector Developments	26
5. External Sector Developments	27
6. Financial Sector Developments	28

TABLES

1. Selected Economic Indicators, 2022–2031	29
2a. Balance of Payments, 2022–2031 (Millions of U.S. dollars)	30
2b. Balance of Payments, 2022–2031 (Percent of GDP)	31
3a. General Government Budget, 2022–2031 (Millions of Moldovan LEI)	32
3b. General Government Budget, 2022–2031 (Percent of GDP)	33
4. Accounts of the NBM and Monetary Survey	34
5. Financial Soundness Indicators, 2017–25	35
6. Indicators of Fund Credit, 2026–48	36

ANNEXES

I. Impact of the EU Growth Plan on Fiscal Outcomes and Growth	37
II. Implementation of ECF-EFF and RSF Reforms	40
III. Implementation of Past IMF Policy Recommendations	43
IV. 2025 FSAP Main Recommendations	46
V. External Sector Assessment	48
VI. Risk Assessment Matrix	51
VII. Capital Spending—Composition, Reforms, and Execution Potential	54
VIII. Moldova's Distributed Profit Tax	57
IX. Data Issues	61

CONTEXT

1. Moldova is the poorest EU accession country and faces long-standing economic and institutional challenges. The pandemic, spillovers from the war in Ukraine, and repeated energy crises have taken a heavy toll (Figure 1). While gradual recovery from multiple shocks is underway, Moldova continues to experience high poverty and emigration, low competitiveness, and limited institutional capacity. The EU accession and Growth Plan (GP, Annex I)¹ provide an important opportunity to tackle these challenges, achieve higher growth, and improve living standards. To seize this opportunity, Moldova needs ambitious reforms to address structural problems and prudent policies to enhance resilience and maintain macroeconomic stability.

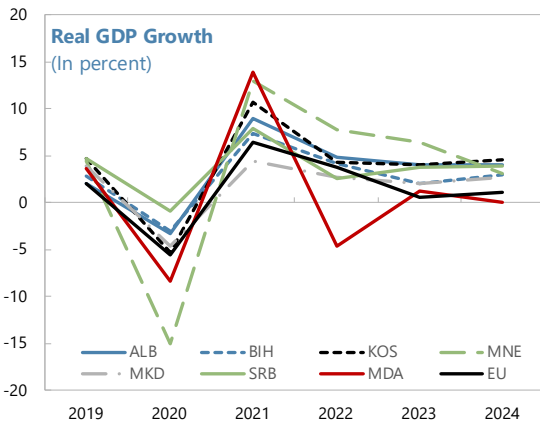
2. The new government is focused on EU accession and necessary reforms. The Party of Action and Solidarity retained its majority in Parliamentary elections in September, confirming the EU direction. The new government took office in November with a pro-growth program and the objective to complete accession negotiations by 2028. The government is focused on regulatory and legal alignment with the EU, modernization and digitalization of public administration to improve efficiency and transparency, and policies to support growth.

3. The previous ECF/EFF arrangements, which expired in October, helped preserve macroeconomic stability amid multiple shocks. Quantitative performance was strong and key reforms advanced in the first six reviews (Annex II), supported by close integration of IMF technical assistance (Informational Annex). However, progress on fiscal commitments (spending composition, tax and public administration reforms) and governance (fight against high-level corruption) was insufficient, and the program lapsed without concluding the last two reviews. Performance under the RSF, which also expired in October, was mixed, with several reforms still pending (Annex II). The capacity to repay the Fund is adequate (Table 6). Past Article IV recommendations have largely been implemented (Annex III). CD support has remained strong (Informational Annex). An FSAP was conducted in 2025 (Annex IV). The authorities have recently requested a new, non-financing arrangement to anchor reforms and accession.

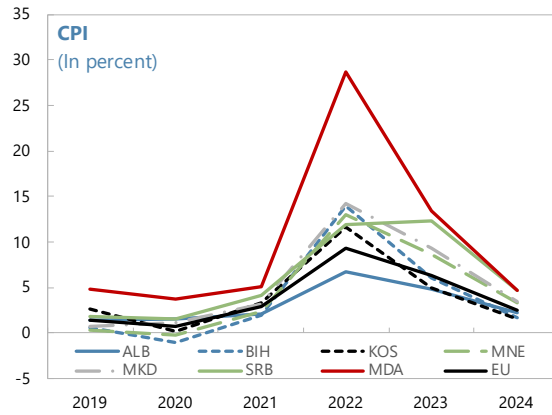
¹ Accession negotiations started in 2024, and following the screening process, technical discussions have started on the first three clusters. The GP provides significant financing in 2025-27 (11.2 percent of 2024 GDP), mostly loans, and an extensive reform agenda to support accession and boost growth.

Figure 1. EU Accession Countries: Moldova's Performance in Perspective

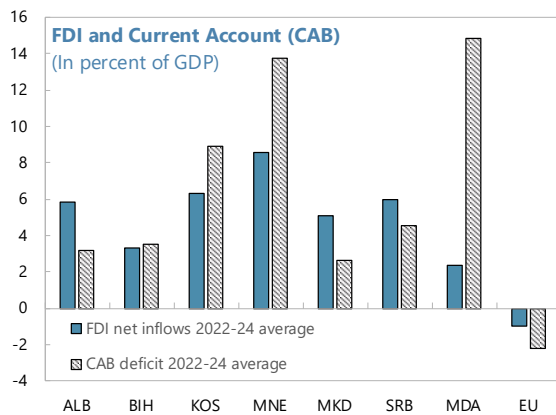
Growth rebounded after the pandemic but was hit sharply by the war in Ukraine and energy crises.



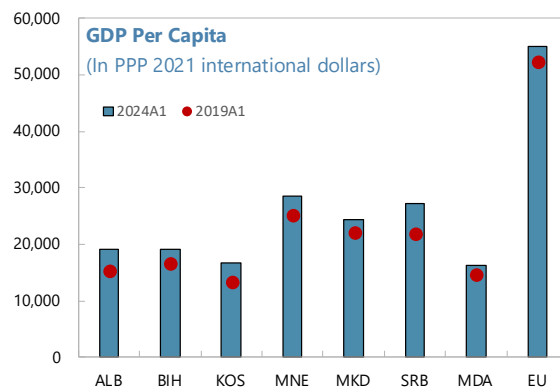
Inflation has been higher and more volatile than in other accession countries.



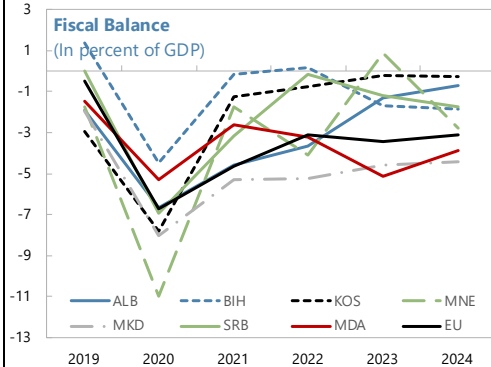
Unlike peers, FDI inflows cover only a small portion of the current account deficit.



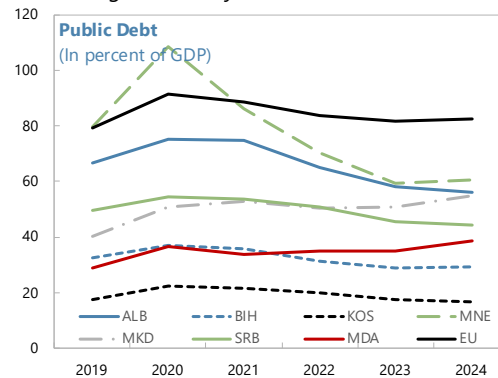
GDP per capita is the lowest among peers and a fraction of the EU average.



With post-pandemic consolidation halted, the fiscal deficit remains high.



Public debt, although below the EU and most peers, has been rising in recent years.

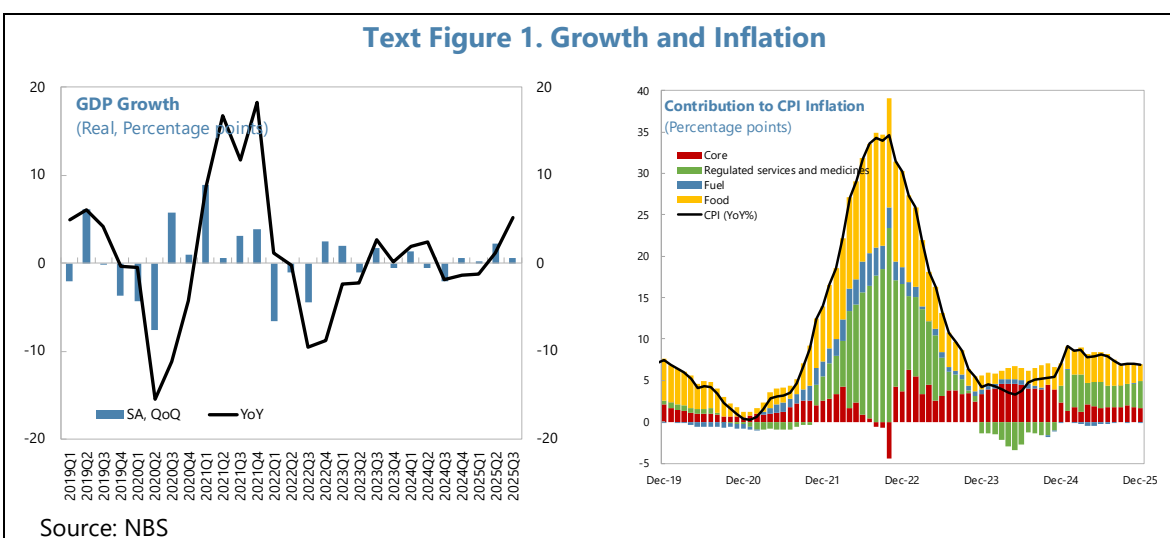


Sources: IMF WEO and IMF staff calculations.

RECENT DEVELOPMENTS

4. A gradual recovery is underway, supported by a good harvest and strong domestic demand and despite the energy crisis and weak exports:

- **Growth recovered to 1.9 percent in 2025Q1-Q3 and is projected at 2.7 percent overall in 2025** (Text Figure 1). Although a poor harvest suppressed 2024 annual growth, quarterly growth resumed in 2024Q4. In 2025, substantial EU-financed support shielded households and the private sector from the energy crisis (Box 1), and along with robust wage and credit growth, supported strong consumption and investment. Industrial production growth has also been strong, reaching 11.6 percent year-on-year in October, partly driven by food processing reflecting the good harvest.



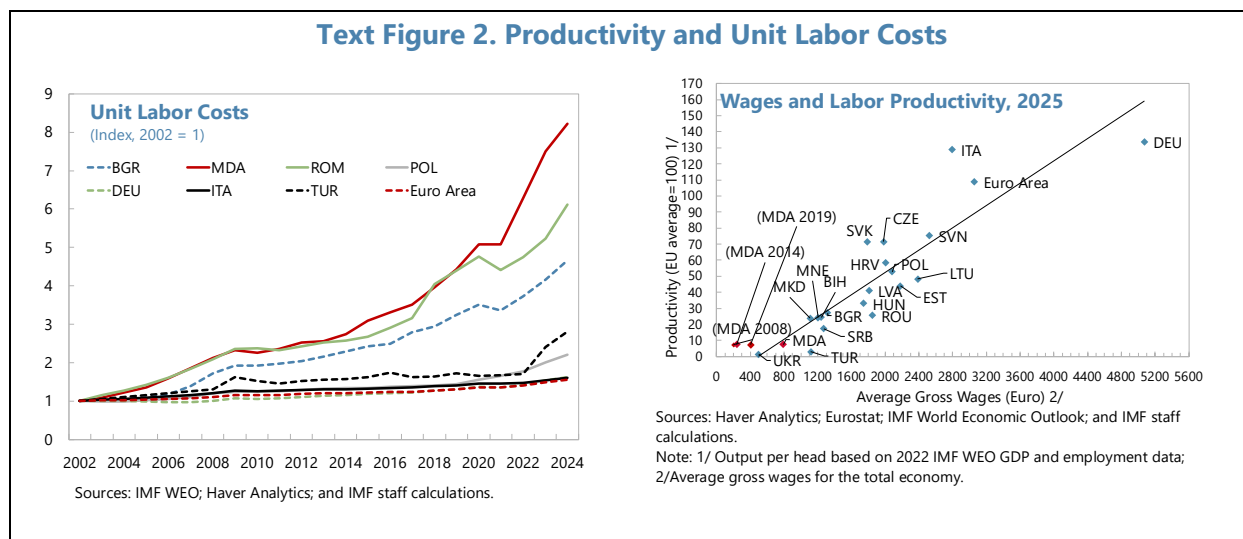
- **Net exports have continued to contribute negatively, and increasing external imbalances point to declining competitiveness.** The external current account (CA) deficit widened to 16.6 percent of GDP in 2024 and 19.5 percent in 2025Q1-Q3. This reflects weaker machinery and transport equipment exports and higher imports, including of food and electricity.² Rising nominal wages and unit labor costs, continued real effective exchange rate appreciation, and stagnant productivity growth have eroded competitiveness (Text Figure 2). The higher CA deficit was financed by inflows of currency and deposits,³ EU energy support, GP financing, and net FDI. Gross international reserves increased to \$6.0 billion at end-December 2025—5.4 months of imports. Staff assess the external position at end-2025 to

² Electricity from the Transnistrian region has not been recorded in imports. Electricity imports from Europe are projected to widen the CA deficit by 2.4 percent of GDP in 2025 and decrease gradually as renewable capacity increases.

³ Estimated as the difference between remittance inflows and supply of FX cash from individuals on the domestic market. Inflows of currency and deposits have historically financed the deficit (70 percent in the last three years), although there are uncertainties around their measurement (Annex V). Most currency inflows are deemed to be undeclared personal remittances, compensation to employees, or personal transfers (below the reporting limit of EUR 10,000), which, if properly recorded, would significantly reduce the CA deficit.

have been substantially weaker than the level implied by medium-term fundamentals and desirable policies (Annex V).

- **Labor market challenges persist.** Unemployment was 4.1 percent in 2025Q1-Q3, almost unchanged from 2024. Labor shortages, low participation, high informality, and skills gaps and mismatches that contribute to low average productivity persist. Unit labor costs (ULC) have increased faster than in the region, particularly in recent years.



5. Inflation has been declining from its peak in early 2025 and will return to the NBM’s target range in January 2026 (Text Figure 1). Headline inflation peaked at 9.1 percent in January 2025 with rising gas and electricity prices. An in-bill support scheme implemented in February 2025 reduced the impact of electricity price increases by 2 percentage points; its removal added upward pressure in December (Box 1). Rising food prices kept headline inflation elevated until August when the good harvest eased pressures. Core inflation remains moderate, although the increase from 4 percent in June to 5 percent in December, partly driven by strong non-regulated services inflation, points to some demand-side pressures. Headline inflation averaged 7.8 percent in 2025.

Box 1. 2025 Energy Crisis

Supply and cost. Gas deliveries by Russia’s Gazprom to the Transnistrian region ended in January 2025, affecting both gas consumption and electricity production in the region and ending low-cost electricity to Moldova. Moldova avoided electricity supply disruptions by switching to imports from Romania and increasing domestic production, albeit at significantly higher cost. The Transnistrian region faced interruptions in gas, heating, and electricity supply, a sharp decline in industrial output, and rising fiscal pressures as electricity-export revenues ceased.

Energy subsidies and EU support. Support through the Energy Vulnerability Reduction Fund (EVRF) for household heating in Moldova exceeded initially allocated resources for the heating season, and compensation formulas were repeatedly adjusted. Compensation for electricity price increases was introduced with a cap and provided through utility bills to all households through November, while

Box 1. 2025 Energy Crisis (Concluded)

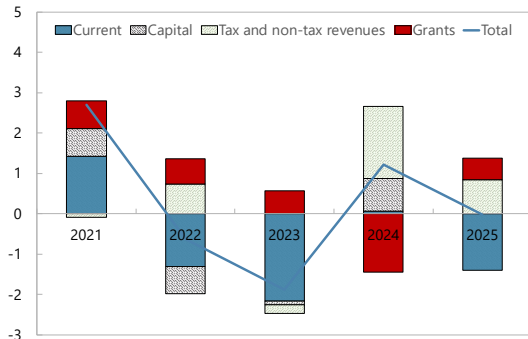
enterprises in some sectors also received partial support for higher electricity bills. About 2/3 of these measures were financed by EU and European bilateral partners, amounting to €215 million, largely grants, for electricity purchases and support to households, businesses, and social institutions. In the Transnistrian region, the EU financed €20 million in gas purchases in February to cover essential consumption and pledged €40 million more that was not used; since then, the region has received limited gas volumes, reportedly financed by Russia.

Outlook and risks. Energy support is expected to be scaled down substantially in 2026. The EVRF envelope has been reduced by more than 50 percent to MDL 1.9 billion (0.5 percent of GDP), with eligibility narrowed from 70 to 50 percent of households for heating, and electricity compensation ended for both households and businesses in December 2025. Risks for Moldova remain significant: vulnerabilities to electricity imports given ongoing damage to Ukraine’s energy infrastructure, constraints in transmission capacity, and potential limitations in capacity booking. These could raise import costs and tariffs. For the Transnistrian region, the economic situation is deteriorating due to intermittent operation of power plants and loss of electricity-export revenues, with pressure on activity and public finances.

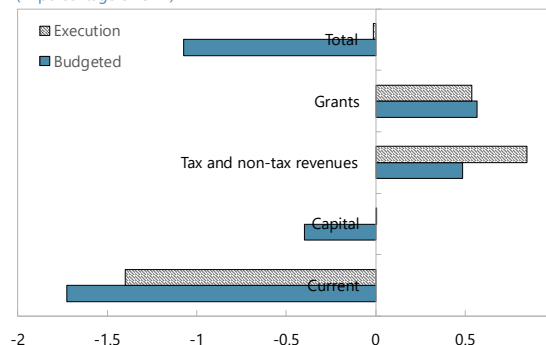
6. Despite supportive policies, including on energy, the 2025 fiscal deficit was unchanged from 2024, at 3.9 percent of GDP. The 2025 budget was revised three times to accommodate the GP, provide energy-related support, and raise wages for selected public-sector employees. Transfers to households and firms—with limited targeting and only partially financed by EU grants—increased current spending by 1.4 percent of GDP. Strong wage and consumption growth boosted revenues by 0.8 percent of GDP, and grants were higher by 0.6 percent of GDP, keeping the deficit well below 5 percent of GDP in the November supplementary budget. The difference largely reflected continued capital spending under-execution—owing to procurement challenges and the late-year top-up—and revenue overperformance (right panel, Text Figure 3).

Text Figure 3. Budget Execution

Changes in Deficit and Its Contributions
(in percent of GDP)



Change in Budget Components, Supplementary Budget vs. Realized
(In percentage of GDP)

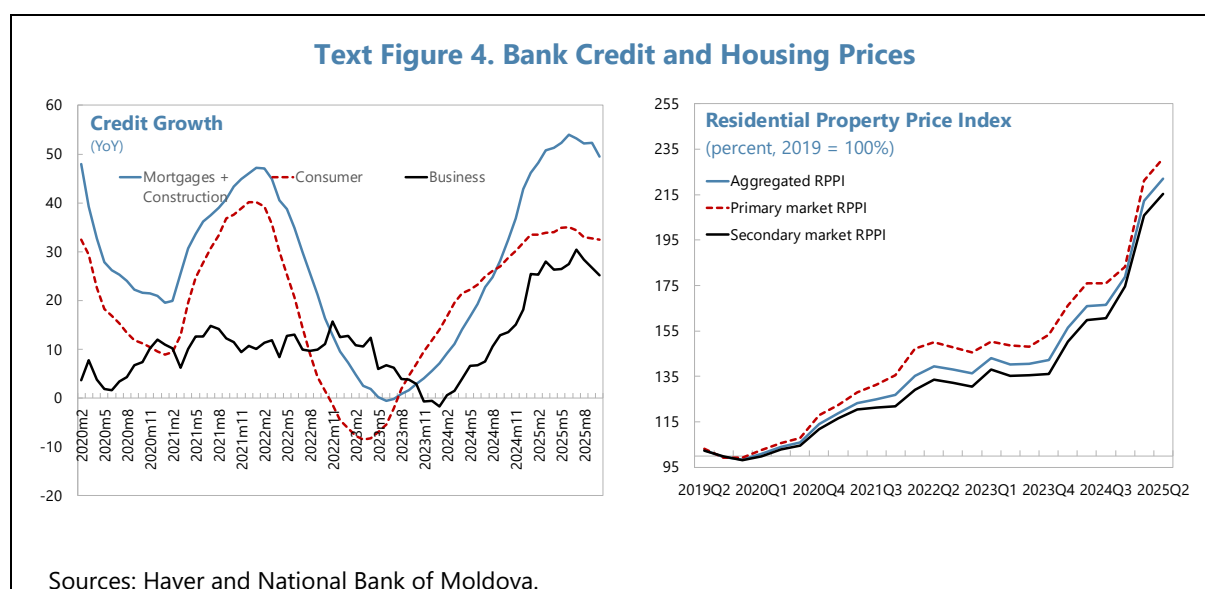


Source: MoF and IMF staff calculations.

7. Monetary policy tightened in response to the energy shock, followed by easing as the energy price hike started to reverse. The NBM increased its base rate in early 2025 by 290

bps to 6.5 percent, helping contain second-round effects from the energy price hike and keeping expectations anchored. As energy and food prices eased and NBM projections pointed to inflation falling to the lower bound of the target range in 2026, the NBM lowered the base rate to 5 percent during August-December 2025. It also sold FX at times of depreciation pressures. The leu depreciated by 3 percent against the euro and appreciated by 9 percent against the dollar in 2025. Reserve requirements (RR) were reduced from 25 to 22 percent last January and to 20 percent in November for domestic deposits and from 34 to 31 and 29 percent for FX deposits. In 2025H2, the NBM conducted sizable sales of CDs to withdraw excess liquidity while simultaneously providing liquidity through repos, showing continued reluctance of banks to use the interbank market.

8. Credit growth was strong in 2025, and house prices continued to rise. Private sector credit in leu expanded by 25 percent (y/y) in 2025, although moderating toward end-year, possibly related to monetary policy tightening in early-2025.⁴ Rapid credit growth translated into a positive credit-to-GDP gap from the beginning of 2025. Credit dynamics moderated toward end-year and provision of new mortgages stabilized, although at high levels. House prices continued to rise, albeit at a slower pace (Text Figure 4).



9. The banking and non-bank financial sectors remain liquid and adequately capitalized. Banks maintain sizeable liquidity buffers, with the system-wide LCR at 270 percent; capitalization and profitability have remained strong, with a CAR of 24 percent and ROE of 16 percent in November, and NPLs low at 4.7 percent in 2025Q3. Non-bank lending was stable at 18 percent of total loans. NBCOs and SLAs remain profitable with ROE of 20 percent and 10 percent, respectively. NPLs for NBCOs were stable at 12 percent and declined slightly for SLAs to 6 percent

⁴ *Moldova's Inflation Targeting Regime* (Selected Issues Paper).

(2025Q3). Both SLAs and NBCOs continued to rely on equity funding. Insurance penetration remains low, but the sector is characterized by high solvency ratios (well above 100 percent).

OUTLOOK AND RISKS

10. Growth is projected to moderate to 2.3 percent in 2026 and inflation to remain in the target range. Consumption should slow somewhat while investment is projected to moderate after very strong growth in 2025, while the net exports drag will decline with accelerating export growth and slowing imports growth. The CA deficit is projected at 19.6 percent of GDP in 2026. The output gap should narrow but remain negative and close gradually by 2027. Inflation will return to the mid-point target range of 5 percent in 2026 with disinflationary pressures from food, natural gas, and oil prices. Inflationary risks stem from core inflation due to continued strong domestic demand and rising wages, and from higher electricity prices in case of increased reliance on emergency electricity procurement due to cross-border capacity constraints.

11. EU accession and the GP are expected to boost growth, but structural challenges remain. Potential growth should reach 3.5 percent in the medium term, driven by higher public and private investment, EU integration, and productivity-enhancing structural reforms, assuming completion of 75 percent of GP measures in the baseline (Annex I). Labor will continue to be a drag despite reform efforts.⁵ Increased GP spending is expected to keep the CA deficit elevated in the near-to-medium term, while exerting a limited inflationary impact.

12. High uncertainty, geopolitical risks, and further energy shocks could weigh on the outlook (Annex VI). The war in Ukraine and other geopolitical developments, including in the Transnistrian region, continue to pose downside risks through energy shocks, ER volatility, and refugee flows. Additional trade tensions could further reduce Moldova's exports and growth through its trade exposure to Europe.⁶ Sharp real estate price corrections would have negative repercussions. Risks also stem from the large CA deficit and potential shortfalls in currency and deposit inflows, which are a key financing source for the CA, although donor financing and a drawdown of reserves could provide support. Delays in EU accession and governance reforms could undermine the business environment and growth. Delay or misallocation of GP funds and under-execution of capital projects are also downside risks (Annex I).

Authorities' Views

13. The authorities concurred with staff's assessment of the outlook and risks. They agreed that the recovery would continue in the coming years and that risks related to regional and geopolitical developments loom large. They expect the EU accession process and GP to boost

⁵ See also IMF Country Report No. 24/208 for a discussion of labor market gaps and reforms.

⁶ Moldova's direct exposure to the U.S. via trade is limited.

potential growth in the medium term and broadly concurred with staff's baseline medium-term growth scenario.

POLICY DISCUSSIONS

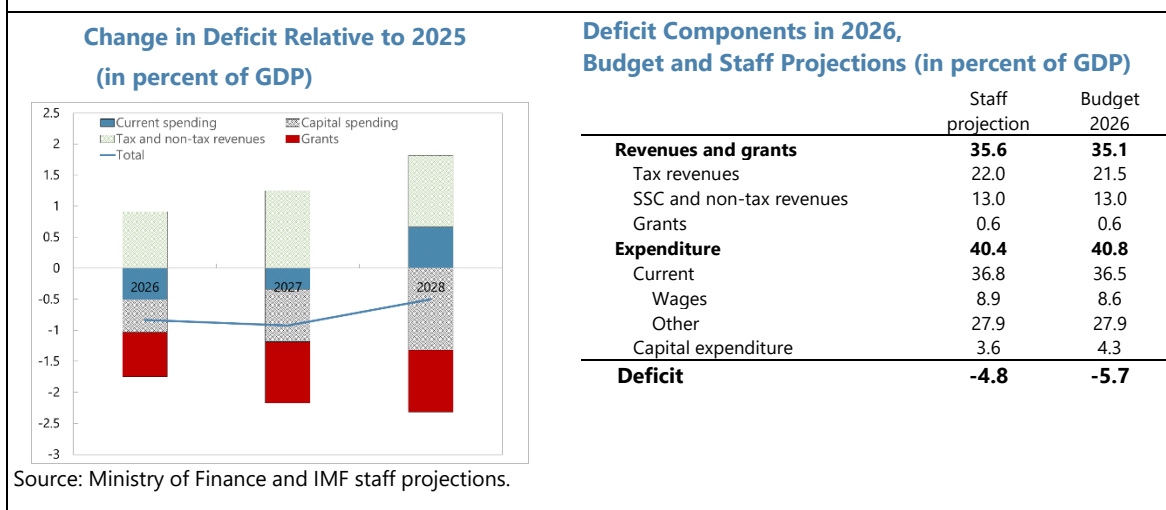
Consultations focused on the new government's priority shift to investment-led growth. Prudent spending of GP funds should be accompanied by improved public financial and investment management and enhanced revenue mobilization. Monetary policy should follow a prudent, state-contingent approach; strengthening borrower-based measures (BBMs) would help contain risks. Financial sector reforms should address remaining gaps in supervision and crisis management, as identified by the FSAP. Reforms and investments in connectivity, energy, education, improved access to finance, and EU harmonization should enhance export performance and growth. Improving competitiveness should also help reduce external imbalances.

A. Fiscal Reforms to Unlock and Sustain Investment-led Growth

14. The fiscal deficit is projected to widen to 4.8 percent of GDP in 2026. The authorities plan a substantial scale-up of capital spending with GP and IFI financing. Current spending will also increase, as costs of implementing GP reforms and the planned wage-bill reform more than offset the expiration of electricity support and lower EVRF heating costs due to improved targeting. While planned but not yet fully specified tax reforms will help mitigate these pressures, lower grants are expected to increase the deficit by 0.9 ppts (Text Figure 5, left panel). The fiscal impulse in 2026 is assessed to be broadly neutral.⁷ The approved budget differs from staff projections, as it does not incorporate wage structure reform (Box 2) nor tax system changes—both envisaged for implementation in 2026H2 but not included due to unclear budgetary effects—and assumes a more ambitious scale-up of capital spending (Annex VII). Staff projections assume that the wage structure reform—estimated to cost 0.3 percent of GDP in 2026—is fully financed with base-broadening reform measures (Text Figure 5, right panel).

⁷ While the primary balance deficit widens by 0.5 ppts, the primary balance without external grants, which better captures the fiscal impulse, improves by 0.2 ppts, from -4 percent to -3.8 percent of GDP.

Text Figure 5. Revenues and Expenditures



15. A temporarily higher deficit is appropriate given investment and reform-related spending needs and GP concessional financing, but structural tax reforms must proceed to reduce distortions and sustain higher spending needs once concessional financing tapers off. The multiple recent shocks and negative output gap also justify temporarily higher deficits to support recovery. Announced reform plans aim to improve spending composition and support transition to investment-based growth. The poorly-targeted electricity support has been phased out and EVRF heating assistance was recalibrated to better target vulnerable households while reducing the overall envelope by around 0.6 percent of GDP. Increased capital allocations—particularly in energy and transport—should raise long-term growth and the ongoing wage structure reform will improve spending efficiency, notwithstanding increased costs. The additional investment and reforms will be supported by borrowing—concessional GP financing—so debt will rise. However, the risk of debt distress remains moderate, and the required domestic debt issuance to complement donor financing appears feasible (Debt Sustainability Analysis).

Box 2. Public Salary Reforms

Planned reforms will significantly raise the wage bill—both in nominal and real terms—in the short run:

- **Salary structure reform.** The government has initiated a reform of the public salary structure—to increase predictability and control of the wage bill, the transparency and fairness of remuneration across positions, and the attractiveness of public sector employment—with planned implementation on September 1, 2026. The reform reduces the number of reference values from nine to four; reevaluates jobs to better reflect responsibilities, complexity, and specificity; and increases the fixed-base salary share. The (upward) repositioning of jobs within the pay grid will increase wage costs by around 1 percent of GDP on a permanent basis.
- **Inclusion of extra-budgetary units.** Wages paid by universities, public health institutions, and the State Road Administration are now recorded as spending on goods and services or other current expenditures. Bringing these institutions onto the budget in 2027 in line with the IMF Fiscal Transparency Code, will improve transparency and control over wage costs. The reform will increase recorded wage expenditures by 3 percent GDP while leaving total general government spending unchanged. It will also affect revenues through the collection of fees, albeit to a lesser degree as these extra-budgetary institutions are subsidized.

Additional reforms will be required over the medium term to contain wage-bill pressures and improve spending effectiveness. These include identifying and eliminating long-term vacant positions; adopting a more evidence-based approach to pay-setting policies; and strengthening wage monitoring and control, including through more comprehensive local government reporting.

16. Ensuring that higher deficits yield the desired growth dividends will require wide ranging public financial management reforms. The government's commitments are ambitious and could stretch capacity in line ministries. Delays in implementation could trigger financing pressures. Realistic assessment and prudent control of these risks require improvements in cash and debt management. Mitigation measures should focus on three areas:

- **Strengthening capital spending.** Persistent under-execution, partly driven by procurement challenges, risks diverting resources toward projects that are easier to execute but yield lower economic returns, or to current spending. Dedicated investment units recently established in line ministries should strengthen project preparation, while the new procurement law, expected to become operational in 2027, should improve execution of capital expenses over time. However, capital spending by local authorities remains largely autonomous and difficult to predict. Until ongoing reforms translate into stronger execution capacity, increases in capital allocations will need to be accompanied by greater realism in assessing absorptive capacity and a stronger focus on prioritizing high-return, productive investments (Annex VII).
- **Streamlining the budget process.** Non-binding MTBF ceilings, overcommitments by line ministries, and ad hoc policy changes require multiple budget revisions annually, undermining credibility, raising financing costs, and straining MoF administrative capacity. While reduced detail in the MTBF, and budget calendar adjustments addressing fragmented decision-making and delays, will streamline the process, an immediate priority is strict adherence to the Budget Law, which already limits the number of allowed budget revisions.⁸
- **Enhancing transparency and accountability.** The authorities have committed to several reforms that will strengthen accountability and institutional authority of the MoF, including fiscal rule revision and Fiscal Council establishment. However, with competing reform pressures, implementation may be possible only in the medium term. Where capacity constraints are less binding—such as for institutionalization of annual tax expenditure reviews—implementation should be accelerated to deliver near-term gains in transparency and oversight.

⁸ Upcoming technical assistance should help address weaknesses through a macro-fiscal diagnostic examining institutional arrangements, forecasting practices, and the use of the framework to guide budget preparation.

17. Tax reform should initially focus on simplification and the removal of distortions.

Priorities include rationalizing VAT and income tax expenditures (Text Table), easing barriers to input tax credits,⁹ and consolidating increasingly fragmented income tax regimes.¹⁰ In the short term, these measures should raise enough revenues to at least finance wage reform costs (estimated at 1 percent of GDP annually). They should be reinforced by greater reliance on risk-based audits

Estimated yields	in percent of GDP
VAT, revenue gains from applying standard treatment to	2.4
Digital services	0.04
Low-value imports	0.26
Bakery and dairy products	0.13
Food supplies in restaurants and hotels	0.08
Imported vehicles	0.5
Agricultural products	0.53
Electricity, heat, hot water	0.26
Natural and liquified natural gas	0.12
Education institutions	0.48
Income tax, revenue gains from eliminating exemptions of/special treatment for	0.66
Private education institutions	0.01
IT park regime (including social security contributions)	0.64
Sum	3.06

Source: IMF staff calculations; Notes: yields are revenue forgone estimates that assume unchanged behavior.

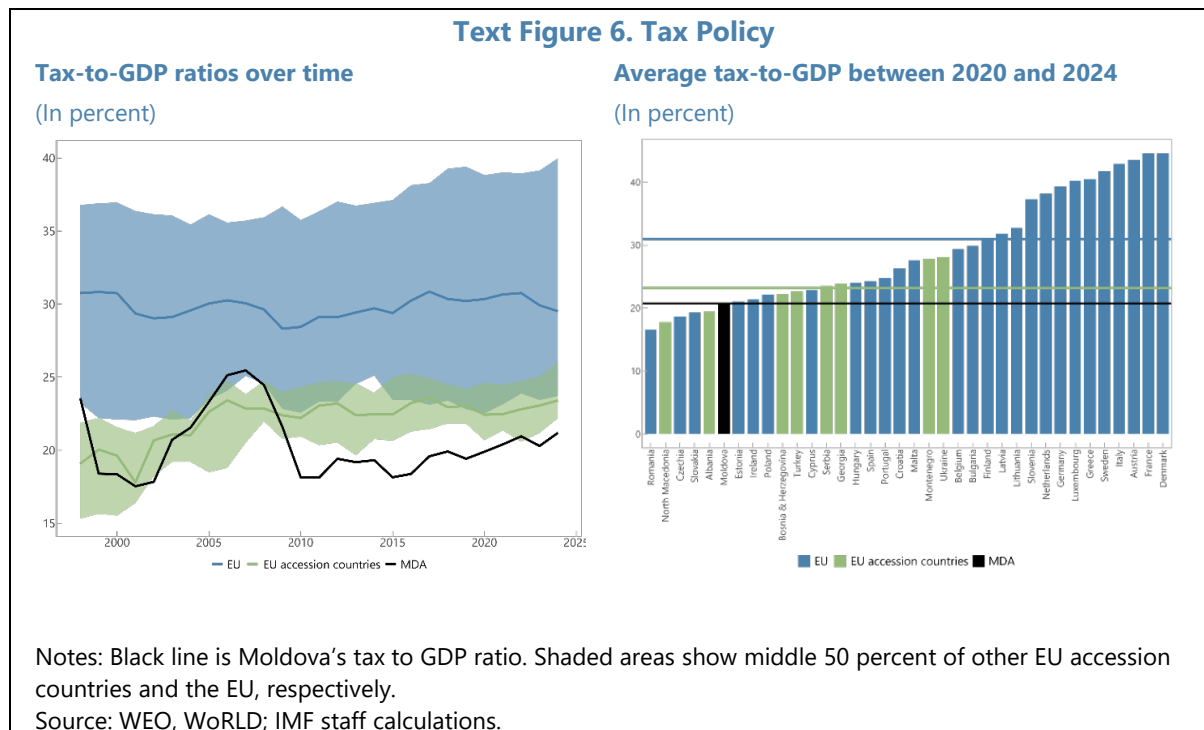
to strengthen compliance, alongside continued harmonization of the legal framework with the EU Acquis. While extension of the deferred income tax regime for SMEs until end-2026 aligns with the authorities' commitment to investment-led growth, any further changes should be guided by rigorous evaluation to avoid seeking uncertain benefits against likely revenue losses (Annex VIII).

18. Over the medium term, recurrent revenues will need to rise to keep the deficit contained. With a projected tax-to-GDP ratio of 21.4 percent in 2025, Moldova lags other EU accession candidates (24 percent) and the EU average (31 percent). Once structural distortions in the tax system have been addressed, this gap can be closed without undermining growth. While stronger consumption taxation through base broadening would support revenue mobilization in a growth-friendly manner, such a move would call for a review of income and wealth taxation, given the higher propensity of lower-income households to consume. Reforms that help maintain the progressivity of the tax system—including better targeted taxation of capital income, wealth (including property), and inheritances—would support revenue objectives and distributional goals.

⁹ While limits to excess input VAT refunds have been relaxed since 2023, they remain restrictive relative to EU rules, and refund requests generally trigger comprehensive audits. The associated compliance and administrative burden is a barrier to the efficient operation of the VAT.

¹⁰ With the introduction of a new income tax regime aimed at freelance workers in 2026, there now exist at least ten different approaches to taxing labor income.

Text Figure 6. Tax Policy



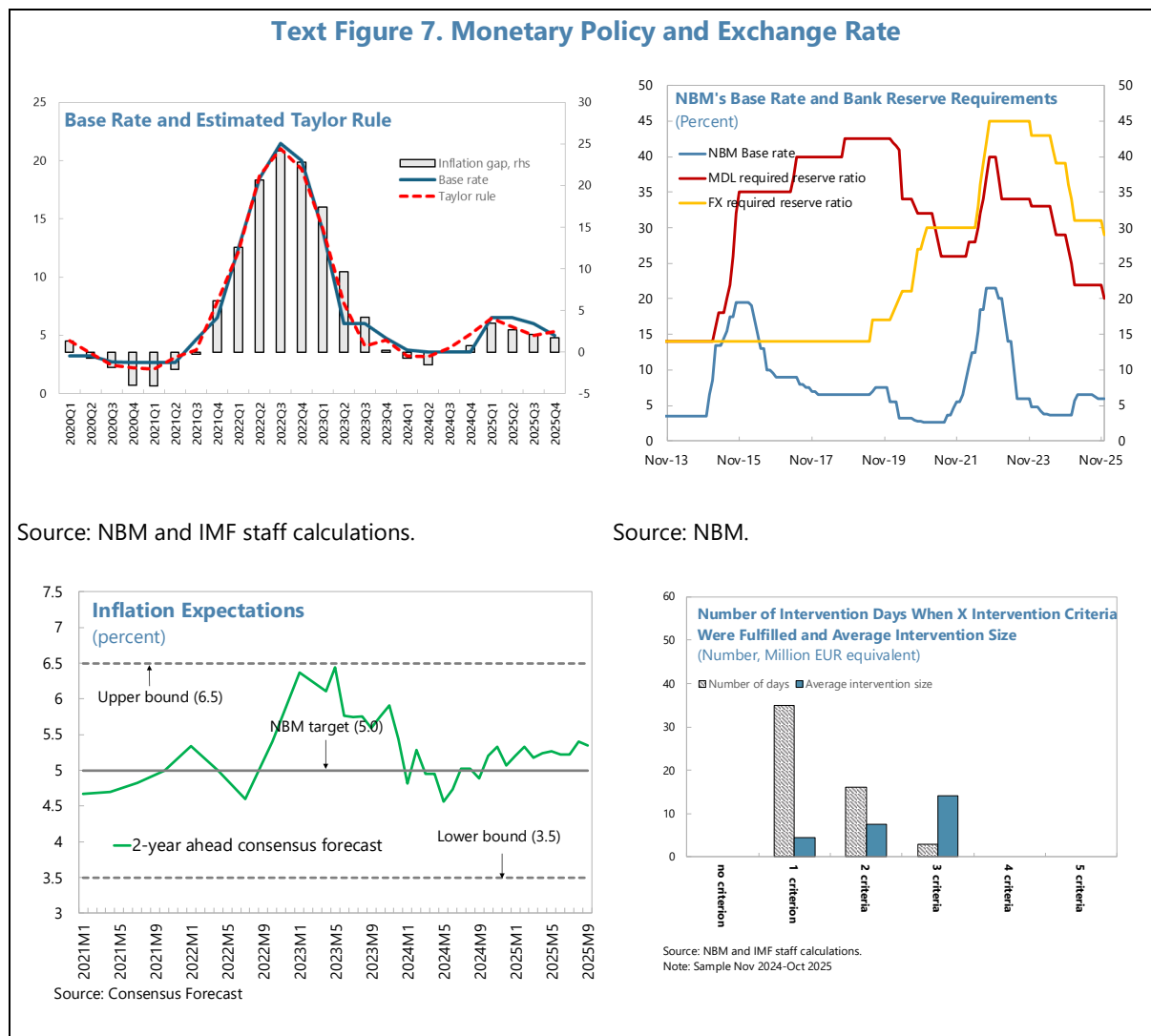
Authorities’ Views

19. The authorities acknowledge that the planned increase in capital investment is ambitious and that structural tax reforms are needed to reduce the deficit while enabling competitiveness. The authorities concur that higher deficits can be justified only if capital spending is effectively executed, and that mid-year reallocations toward current spending need to be avoided. While they agree that the number and scope of supplementary budgets should be kept to a minimum, uncertainty surrounding the fiscal impact of the wage structure reform constrained the adoption of a budget incorporating full-year policy plans. They are committed to revamping the tax system to improve competitiveness, simplicity, and efficiency; and to broaden the tax base.

B. Prudent Monetary and Exchange Rate Policy to Support Price Stability and Maintain FX Buffers and Reforms to Strengthen Policy Making

20. While progress has been achieved in recent years under difficult conditions, challenges remain, and the NBM should follow a cautious, state-contingent strategy, with future rate changes conditional on the path of inflation and growth. Although inflation is coming down from last year’s highs, the recent increase in core inflation, most notably for non-regulated services, and the ongoing economic recovery with the output gap gradually closing will limit this decline. With bank lending still expanding, staff consider the monetary stance as

accommodative and see no need for rate cuts currently. Indeed, in light of inflation risks, staff advised against the latest policy rate cut.¹¹



21. The NBM should reduce still-high RRs to ease liquidity conditions after inflation risks have subsided. Fast loan growth reduced the stock of excess reserves and NBM CDs in 2025 (Figure 2). Given uneven liquidity across banks, the NBM conducted repo operations to address bank-specific shortages. Still, the NBM retains scope to ease liquidity conditions and reduce distortions by further lowering RRs after inflation risks have subsided. It is also considering whether to move away from extensive repo operations to encourage more active bank liquidity management and interbank market development. This will require improvements in cash management by the State Treasury, which now complicates NBM liquidity forecasting and operations.

¹¹ The average real rate, currently at -1.8 percent has historically been below one, pointing to a low neutral rate, which should rise in the medium term with potential growth.

22. Exchange rate flexibility and FX buffers should be maintained. The switch in January 2025 from the dollar to the euro as reference currency is welcome given close integration with the EU. Within the authorities' rulebook, FXI have been used less and in smaller amounts in recent years; relative stability of the leu vis-à-vis the euro and greater euro liquidity further reduced FXI after the switch.¹² Going ahead, ensuring absorption of capital inflows while allowing for ER flexibility and preserving sufficient FX buffers will be critical for competitiveness and to cope with shocks.

23. Safeguarding central bank independence and a strong NBM governance framework are critical for credibility and policy effectiveness. Amendments to the NBM law aimed at strengthening governance have passed the first reading and are expected to proceed to the second reading in early-2026. These amendments do not yet clarify the hierarchy of NBM's objectives as recommended by the FSAP; this will be addressed later this year in a separate package to align the NBM law with EU requirements. The IMF is continuing TA engagement on governance covering improvements in board decision making, the roles of the Supervisory Board and Executive Committee, review of NBM's internal organization, risk management and internal audit.

Authorities' Views

24. The authorities broadly agreed with staff's assessment of the outlook but saw downside risks to inflation. The NBM assessed its policy stance as restrictive, citing disinflationary pressures from food and energy prices and aggregate demand to justify the December rate cut. The NBM confirmed that the switch to the euro as reference currency had helped reduce FX volatility and FXI. Finally, the legislator noted that some aspects of the pending legislative amendments aimed at strengthening NBM governance remain contentious (e.g., appointment and dismissal procedures).

C. Financial Sector Policies and Reforms to Strengthen Macprudential and Supervisory Frameworks and Develop Financial Markets

25. The macroprudential stance was tightened in response to strong credit growth. Rapid credit growth has pushed the credit-to-GDP gap into positive territory since end-2024, underpinning the decision to raise the countercyclical capital buffer (CCyB) in two steps: by 0.5 ppts effective January 2026 and a further 1 ppt effective May 2026 to 1.5 percent. The NBM has indicated that if credit dynamics remain buoyant, it will raise the CCyB to 2.5 percent while introducing a positive-neutral CCyB. The existing systemic risk buffer (SyRB) will be used to target residual structural risks. Risks from strong credit growth and house price correction deserve scrutiny, and the home-ownership program Prima Casa should be revised, including by aligning the treatment of state guarantees, LTVs, and DSTI limits with the existing BBM framework.

26. FSAP stress tests point to capacity to withstand pressures. Under a severe but plausible adverse scenario, the aggregate capital ratios would remain above regulatory minima,

¹² *Moldova's Inflation Targeting Regime* (Selected Issues Paper).

with recapitalization needs of 0.6 percent of GDP. Limited domestic interbank activity reduces contagion risks, though growing links with non-banks warrant monitoring. More complete risk monitoring requires tracking sovereign exposure in solvency tests and deposit-concentration risks in liquidity tests, as well as addressing data gaps. Sensitivity analysis suggests corporate credit vulnerabilities in some sectors; current capital positions provide loss-absorption capacity against corrections in these segments. Spillovers from non-banks are still small but should be carefully monitored.

27. Further improvements to risk-based supervision and full operationalization of crisis management arrangements remain priorities. The NBM has made substantial progress since the last FSAP. However, risk-based supervision and the framework for major acquisitions by banks should be further strengthened and operational risks identified and addressed. Relaxing tight prudential thresholds (1 percent) for changes in bank ownership before addressing remaining weaknesses and legacy issues related to the 2014 banking fraud remains undesirable.¹³ Crisis-management arrangements were bolstered by the Bank Recovery and Resolution Law and a draft law instituting a forced liquidation regime has been prepared—following Fund recommendations—but the ELA framework and operational readiness for the Deposit Guarantee Fund should be further strengthened. NBCO reporting has improved, but compliance is not yet universal, and SLAs report under simplified regimes with weaker coverage and quality. Further strengthening the AML/CFT regime remains a priority.

28. Capital-market development should prioritize building a sovereign benchmark curve and improving market micro-structure. The interbank market remains underdeveloped—reflecting similar bank business models that generate synchronized liquidity positions. Comfortable system liquidity and weak auction discipline—illustrated by the Treasury’s practice of rejecting below-par bids in longer-tenor auctions—continue to impair price discovery and constrain demand for longer maturities. A sovereign benchmark curve is needed and efforts should focus on: (i) improving Ministry of Finance cash and debt management; (ii) extending prudently/reopening benchmark lines to achieve critical sizes; and (iii) improving auction discipline. Other reforms are progressing, including the licensing of a voluntary pension fund and launch of a new stock exchange in cooperation with the Bucharest Stock Exchange—expected to become operational from June 2026, with potential to facilitate automatic cross-listing over time. Amendments to capital markets, JSC, and CSD laws also support market infrastructure development. In line with staff recommendations, the omnibus segregation model—where clients’ assets are held in a pooled account at the CSD under the CSD participant’s name—remains restricted for banks and insurers. Private sector interest in FX-denominated instruments and SOE privatizations could broaden the market, although risks associated with the former would need to be carefully managed. Resolving pending cases in the banking sector could bolster investor confidence.

29. The authorities have begun proactively implementing FSAP recommendations. Improvements in stress testing and systemic risk analysis could already be in place by the next financial stability report. Amendments to capital buffer regulations and responsible lending are

¹³ Annex V. *Legacies in the Banking Sector*, IMF Country Report No. 23/428.

underway, although further tightening of BBMs has not yet been discussed. Data quality improvements and transparency code recommendations are being implemented. Supervisory activities are being rebalanced between on-site and off-site, and operational risk resilience is being enhanced through the transposition of EU's Digital Operational Resilience Act. Progress on AML/CFT is advancing with completion of the National Risk Assessment and ongoing work on new methodologies and legislation; and financial safety net reforms are ongoing. The NBM is preparing new methodologies for emerging risks and crypto-assets, and a new AML/CFT law is expected in 2026. Introduction of the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requirements has been postponed to 2030, and plans to expand deposit insurance coverage toward EU levels are expected to proceed slowly.

30. The authorities continue efforts to improve access to finance. The NBM, with World Bank assistance, has prepared a draft National Financial Inclusion Strategy, with submission to Parliament expected by March; open banking implementation is progressing, and the NCFM has continued to modernize and strengthen the framework for consumer protection by expanding coverage and improving information disclosure, debt restructuring, and procedures for complaint reporting and handling. To improve financing of MSMEs, government programs should move away from interest-rate subsidies and margin caps toward partial credit guarantees and products tailored to NBCOs/SLAs.

Authorities' Views

31. The authorities concurred with the assessment of the financial sector and agreed with the conclusions of the systemic risk, macroprudential, and financial integrity analysis. They welcomed the recognition of progress since the previous FSAP. However, they felt that some BCP ratings may not fully reflect reforms since 2014 and flagged that introduction of a forward definition of solvency and the possibility for government guarantees when issuing ELA remain contentious issues.

D. Structural Reforms to Boost Growth and Improve Energy Security and Governance

Labor Market, Competitiveness, and Infrastructure

32. Ongoing formalization efforts should continue, while reforms to reduce labor shortages and skill gaps/mismatches should be stepped up. The authorities have increased the number and effectiveness of worksite inspections, and informal employment declined from 23.1 percent in 2023 to 20.6 percent in 2024. Labor force participation remains low (2025H1: 40.8 percent),¹⁴ despite gains in female participation. Emigration and aging further weigh on labor supply. The lack of highly skilled labor remains a particular challenge. Planned policies to increase participation, including on parental leave and childcare, and to ramp up vocational education and

¹⁴ Data for 2025 are not comparable to previous years due to changes in labor force survey sampling methodology.

micro-qualifications programs are welcome. Further GP measures include reforms in education and efforts to further reduce informality through labor inspectorate reforms and a digital voucher program for agriculture.

33. Rising unit labor costs and geopolitical developments have impacted exports.

Deeper trade integration with the EU since the Deep and Comprehensive Free Trade Area (DCFTA) became effective in 2016 has benefited exports and anchored broader economic reforms. Export strengthening occurred mostly on the intensive margin though, largely through more exports of products already established on EU markets (cables and wires, sunflower oil), and less by introducing new varieties.¹⁵ Despite improvements in some export metrics, progress has been uneven, and regional developments, notably the war in Ukraine, have impacted trade, including through loss of transportation routes. Moldova lags peers on export diversification and complexity. Rising unit labor costs weigh on competitiveness. The authorities' plans to gradually increase minimum wages, starting by 15 percent in 2026, should be carefully calibrated to avoid further pressures.

34. Realizing the full benefits of deeper EU integration on exports and growth will require reforms and investments in several priority areas. These include aligning legislation and frameworks in transport and digital connectivity with the EU and investments in transport and logistics infrastructure. The authorities are enhancing the internal road grid and planning investments in cross-border rail and road connections with Romania, multi-modal logistic hubs, and Giurgiulesti port, supported by additional GP/NIP financing. Preparation of road projects is advanced, but in early stage for other investments. Aligning legislation and regulatory standards to facilitate integration in European value chains and improving access to finance will further support exports and growth.

Energy

35. After successive energy crises since 2022, Moldova has significantly strengthened energy resilience. Last winter's crisis passed without gas/electricity interruptions thanks to new supply routes and substantial EU support and domestic budget financing. In August, the authorities adopted a 2025-26 heating season plan to ensure stable supplies. The entire gas demand has been procured, while security stocks cover 15 percent of annual consumption. Vulnerability to electricity supply shocks and price volatility remains, as longstanding transmission allocation constraints have become more binding amid damage to Ukraine's energy infrastructure (Box 1).

36. In line with the GP, energy reforms will further diversify supply, enhance security, and modernize the market. Renewables supply over a third of electricity demand and will expand. Grid integration with Romania is advancing, with the Vulcănești–Chișinău high-voltage line nearing completion and U.S. financing is secured for a second connector. Parliament has adopted a new Electricity Law transposing the EU Clean Energy Package, the authorities have

¹⁵ *Moldova—Export Developments and Prospects* (Selected Issues Paper).

operationalized an EU-aligned market operator, and preparations for CBAM are underway. Further strengthening of domestic electricity generation is needed to reduce dependence on expensive imports, while accelerating the rollout of battery storage and other balancing systems for renewables, modernizing existing thermal plants, accelerating construction of new connectors to increase allocation capacity, and considering additional gas-fired capacity, where appropriate. Expanding domestic generation and network infrastructure will be critical for developing the domestic electricity market, which has only recently begun to see transactions and still lacks sufficient volume for robust price formation and trade.

Governance and Institutional Capacity

37. Enhancing governance and anti-corruption frameworks is critical to safeguarding macroeconomic stability and the effective use of public resources. While steps have been taken to strengthen the anti-corruption framework, including prosecutorial capacities against high-level corruption, critical gaps remain. The creation of anti-corruption tribunals was signed into law, although some integrity checks for prospective judges were removed. The authorities should now operationalize the tribunals. The Anti-corruption Prosecutor's Office (APO) continues to face operational and financial independence challenges, with no progress in filling vacancies. The Superior Council of Prosecutors (SCP) has not initiated recruitment procedures, while the Ministry of Justice is reviewing manpower requirements. The authorities had intended to dissolve APO and create a new institution with wider jurisdiction, potentially threatening APO's independence. A recent Venice Commission opinion urged caution in proceeding with this initiative. There has been progress in improving asset declaration toward EU standards, including verification and confiscation powers, cross-border data sharing, and interoperability with state registries. Conflict-of-interest identification and sanctioning need to be also enhanced to ensure proper use of GP funds and improve business confidence.

38. The authorities are making progress improving SOE corporate governance and fiscal risk assessment. The SOE governance code was approved in several large SOEs and most JSCs with state ownership; key SOEs and JSCs have concluded public competitions for top management and board member positions. The implementation of SOE triage is progressing slowly, with some progress on liquidation but not on privatization. MoF has enhanced fiscal risk assessment by introducing stress-testing of the largest SOEs, with plans to include more SOEs. Insufficient information on SOE business plans/activity reports and triage implementation continues to hinder more granular, forward-looking risk assessment.

39. Better institutional capacity is key for effective implementation of growth-enhancing policies and reforms. Further IMF CD support is being discussed on PFM, tax policy, tax audit, cash and debt management, macro modeling and forecasting, and central bank governance and operations. The authorities strongly support the initiative to establish a new IMF regional CD center for Southeast Europe (SEETAC). Data provided is broadly adequate for surveillance, with some shortcomings (Annex IX); additional TA for national accounts, government finance, and BOP statistics could help minimize revisions and improve timeliness and consistency.

Authorities' Views

40. The authorities are focusing on moving from consumption- to investment/innovation-led growth and further strengthening energy security. They concurred with the need to boost investment, including in infrastructure, and highlighted ongoing measures, including the State Aid scheme, extension of the deferred profit tax for SMEs, and grant and other financing support schemes for entrepreneurs. They stressed the need to increase productivity and are working on regulatory approximation with the EU to support integration in EU value chains. They highlighted recent achievements in digitalization and noted that reforms to reduce skill gaps, boost labor market participation, and reduce informality are priorities. On energy, the authorities stressed the strong progress made in installing renewable capacity and their focus on battery storage and system balancing to integrate renewables. They highlighted the acceleration of new cross-border connectors as a priority to expand transmission capacity and strengthen energy security. On anti-corruption, the authorities are analyzing the current framework, including available resources, before deciding on the appropriate institutional structure.

STAFF APPRAISAL

41. The economy has been recovering after being sharply hit by multiple shocks in recent years. After several years of subdued activity due to spillovers from Russia's war in Ukraine and repeated energy shocks, growth has gradually recovered and is projected at 2.7 percent in 2025 and 2.3 percent in 2026. Inflation has declined after peaking in early 2025 due to the energy shock and should return to the NBM's target range in January 2026. However, external imbalances have widened—the external position was substantially weaker than the level implied by medium-term fundamentals and desirable policies and the current account deficit is projected at 19.6 percent of GDP in 2025. Uncertainty and risks remain high, particularly from regional and geopolitical developments and from possible delays in reform implementation or inefficient use of external financing.

42. Moldova has now an important opportunity to achieve higher growth and better living standards. The Fund supported programs (ECF/EFF and RSF), which expired in October 2025, helped preserve macroeconomic stability amid multiple shocks and advance structural reforms. But longstanding problems continue, including low labor force participation, skills gaps, high emigration, and weak competitiveness. EU accession and the EU GP provide an important opportunity to boost productivity, lift long-term growth, and raise living standards. To seize this opportunity, Moldova needs ambitious reforms to address structural shortcomings and robust policies to safeguard macroeconomic stability.

43. Stronger public financial management and greater revenue mobilization are critical to sustain higher spending in key areas. Higher capital spending combined with lower grants will raise the deficit from 3.9 to 4.8 percent of GDP in 2026. Increased allocations for capital projects, particularly in energy and transport, are welcome and should support transition from consumption- to investment-led growth. Better allocation to productive investments and

improvements in project execution are critical, along with stronger PFM and enhanced spending efficiency. Public wage reform is a welcome step toward more capable and efficient public administration, but will entail significant costs that should be covered by additional revenues. Tax policy reforms should focus initially on simplification and removal of exemptions, particularly VAT, and be complemented by better revenue administration.

44. Prudent monetary and exchange rate policies should seek to maintain macroeconomic stability. Current conditions do not justify further cuts in the base rate, but the NBM should monitor developments closely. Still-high reserve requirements on bank deposits should be reduced after inflation risks have subsided. Maintaining exchange rate flexibility, while preserving sufficient FX buffers, will be critical to cope with shocks.

45. Financial policies should further enhance resilience, drawing on recent FSAP recommendations. The banking system remains sound, although still-strong credit growth and rising house prices warrant close monitoring. Further strengthening BBMs and aligning the “Prima Casa” support program with the existing borrower-based framework would help contain risks. Capital market development should prioritize the government debt market. The FSAP has found that the regulatory and supervisory framework for banks has significantly improved in the last ten years; more needs to be done on risk-based and AML/CFT supervision and the crisis management framework. Work to implement FSAP recommendations is already underway.

46. Efforts to enhance energy preparedness and security should continue. While energy security has significantly strengthened, Moldova remains vulnerable to electricity supply shocks and price volatility. Going ahead electricity interconnections and cross-border integration should advance; electricity generation, storage capacity, and system-balancing capabilities expand; and energy-efficiency programs scale up.

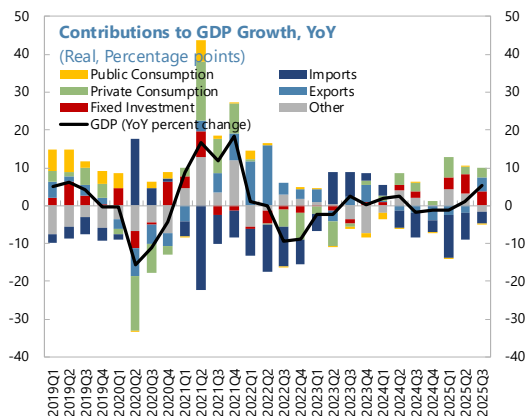
47. Resuming governance reforms is critical for strengthening the business environment, implementing the EU GP, and safeguarding public resources. The authorities should make decisive progress on anticorruption reforms, where uncertainty about the future of the APO, capacity constraints, and staff shortages persist.

48. Broad structural reforms should boost productivity and unlock growth. Active labor market policies and training will support labor participation and reduce skill gaps/mismatches. Improvements in infrastructure and the investment environment will help Moldova achieve more diversified and higher value-added exports and more resilient growth.

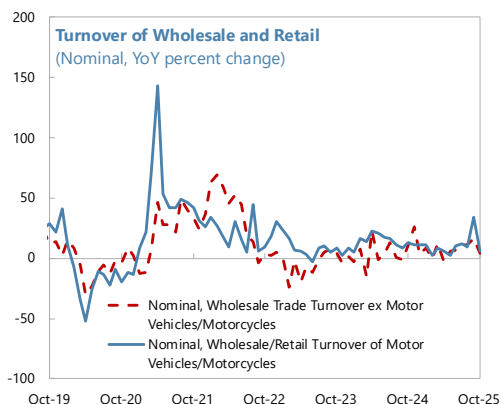
49. It is proposed that the next Article IV consultation take place on the 12-month cycle.

Figure 2. Real Sector Developments

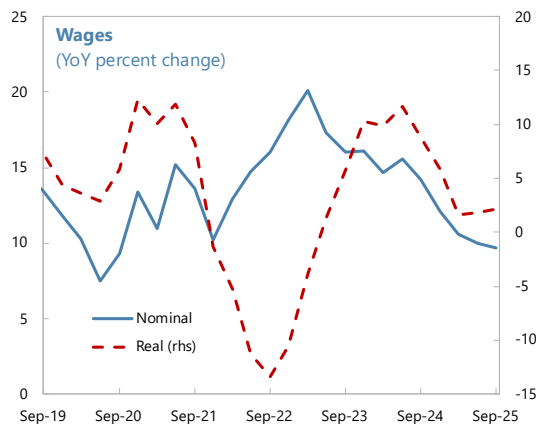
Domestic demand has been driving the recent recovery...



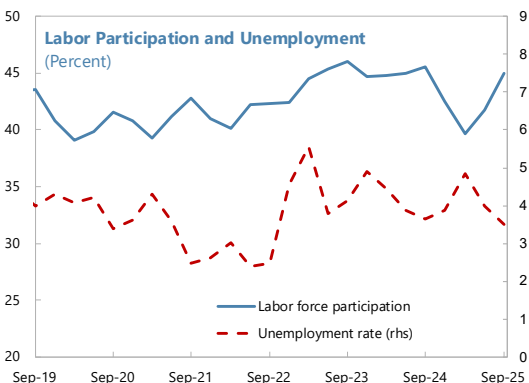
...with buoyant wholesale and retail turnover...



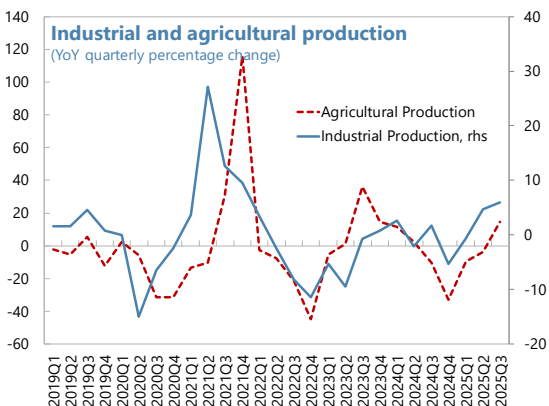
...and declining but still positive real wage growth.



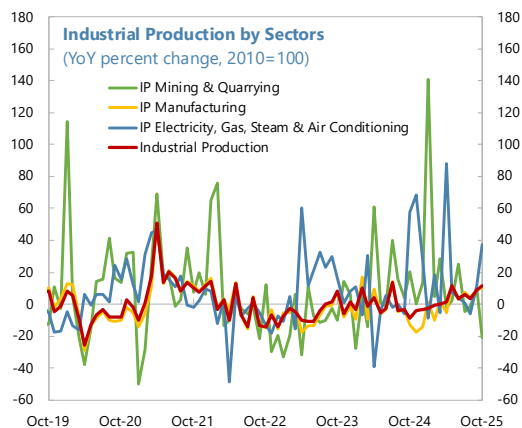
Unemployment remains low...



...and industrial production picked up in 2025...



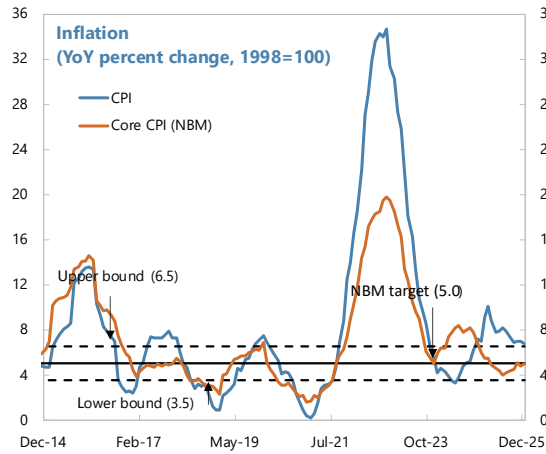
...across several sectors.



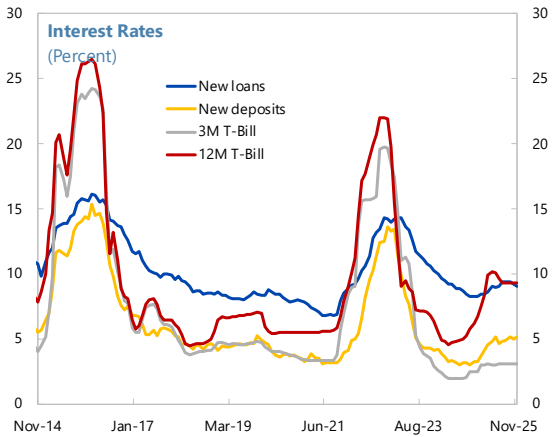
Sources: NBS, NBM, and IMF staff calculations.

Figure 3. Monetary Developments

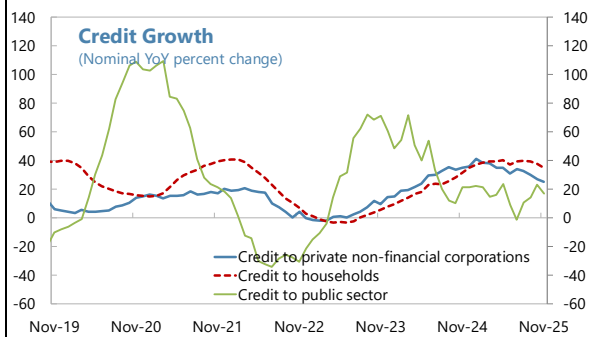
The NBM successfully prevented second round effects by tightening its stance after the energy price shock.



Higher interest rates...

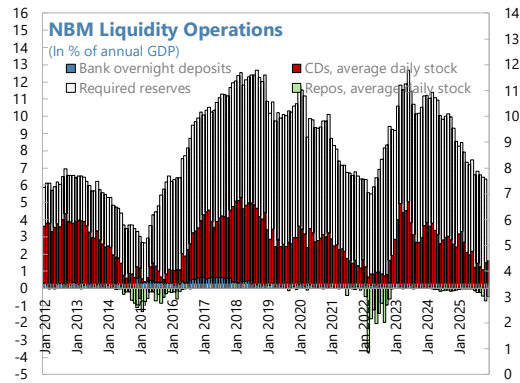


...helped stabilize credit growth at elevated levels.

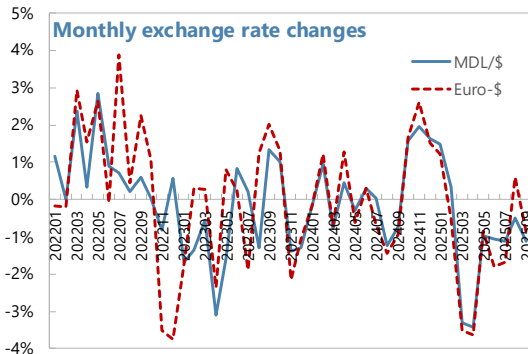


Notes: Credit to public sector includes: (1) government debt securities held by commercial banks; (2) claims on social security fund (lending to social security fund minus social security fund deposits in commercial banks); (3) claims on health fund (lending to health fund minus health fund deposits in commercial banks); (4) loans granted by central government to commercial banks; (5) loans to local government; (6) loans to public nonfinancial corporations.

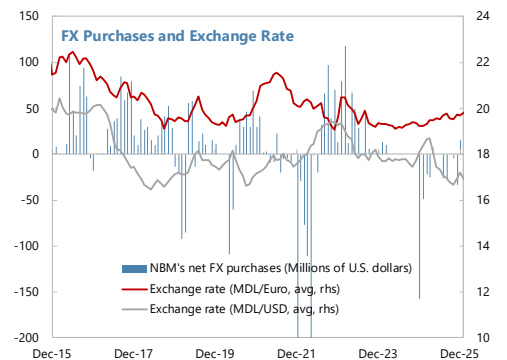
The NBM has scaled back liquidity absorption operations.



It switched to euro as reference currency in 2025 given strong links to Europe...



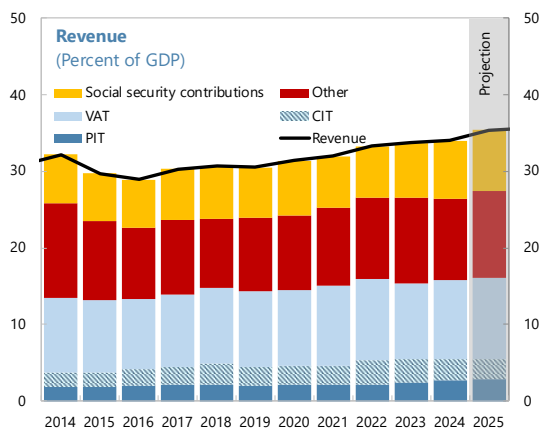
and occasionally sold FX at times of leu depreciation.



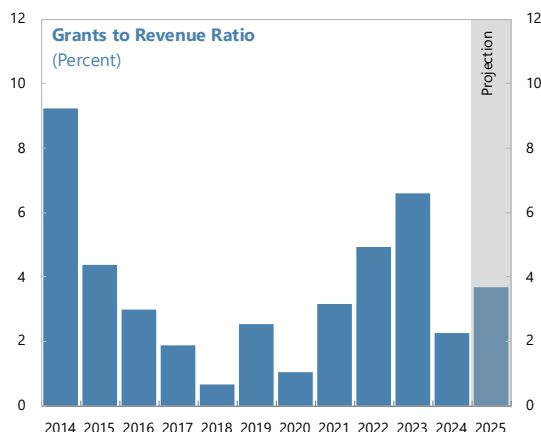
Sources: NBS, NBM, and IMF staff calculations.

Figure 4. Fiscal Sector Developments

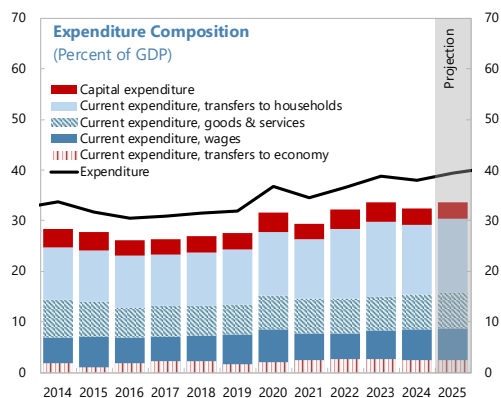
Tax and non-tax revenues...



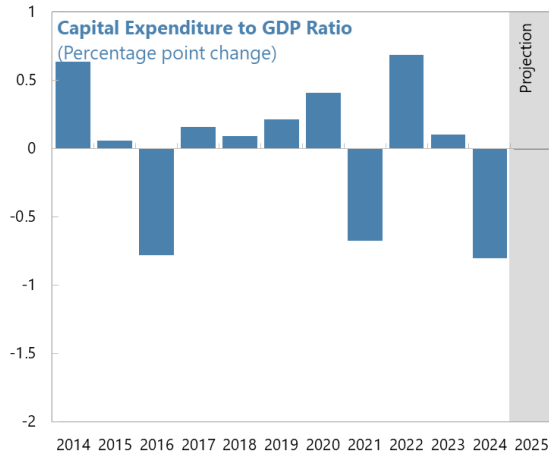
...and grants grew strongly in 2025...



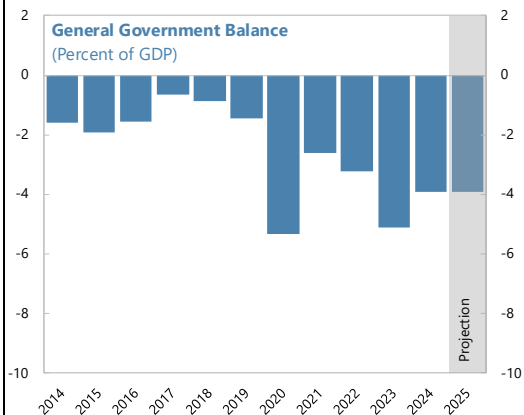
...by more than expenditures...



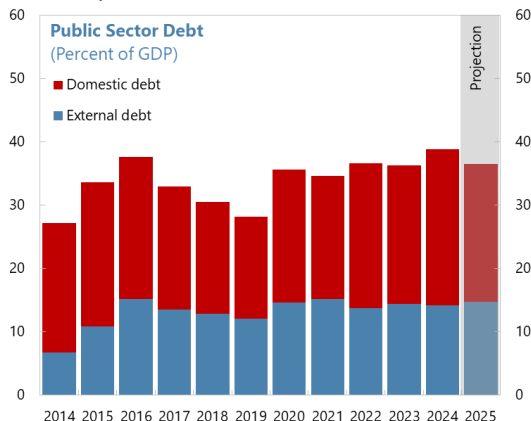
...while capital expenditures disappointed.



The overall deficit stayed unchanged...



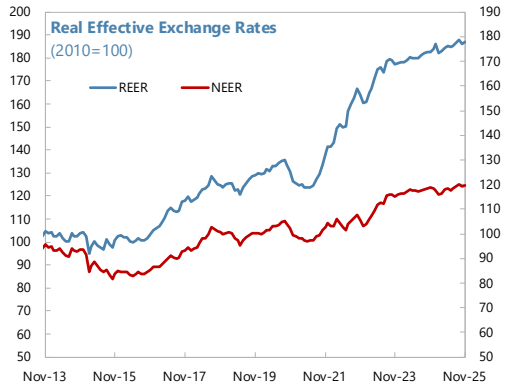
...while public debt has decreased.



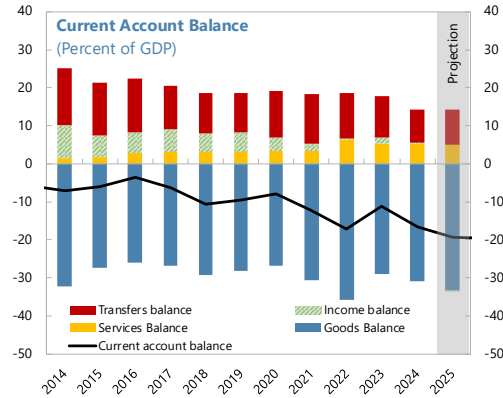
Sources: NBS, NBM, and IMF staff calculations.

Figure 5. External Sector Developments

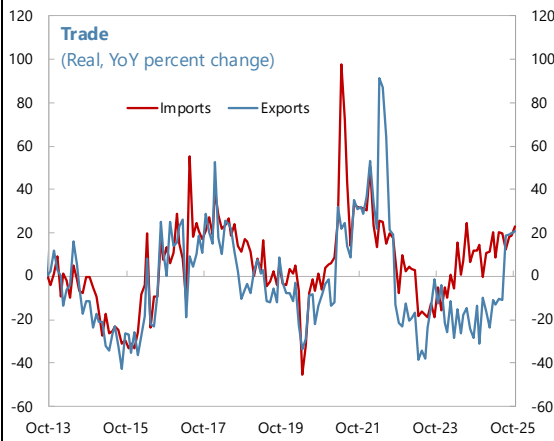
The real exchange rate continued to strengthen...



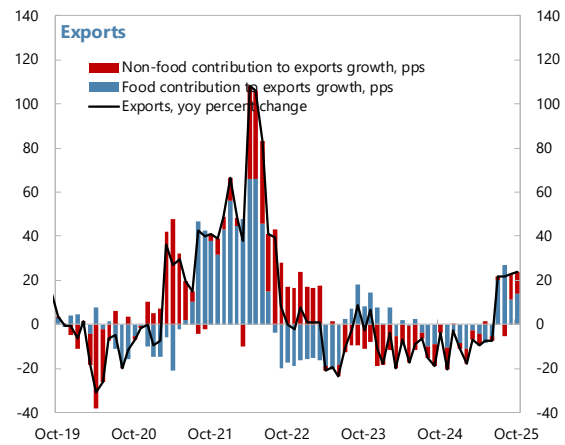
...and the current account deficit widened further in 2025...



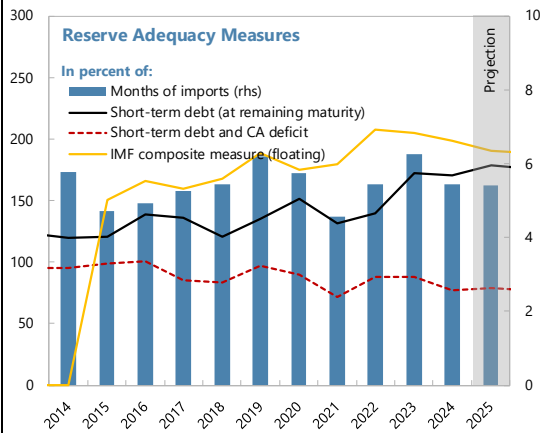
...with some improvement in exports in 2025H2...



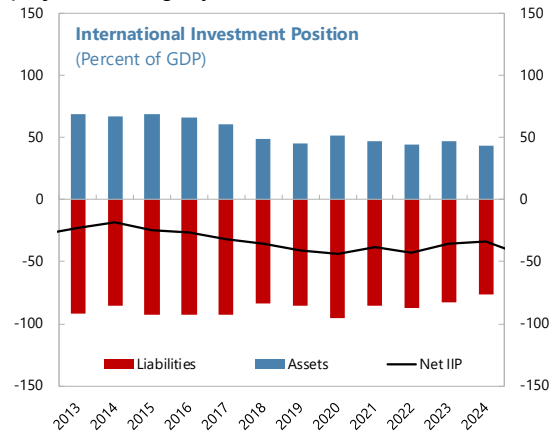
...as the good harvest raised food exports.



Reserve adequacy remains strong...



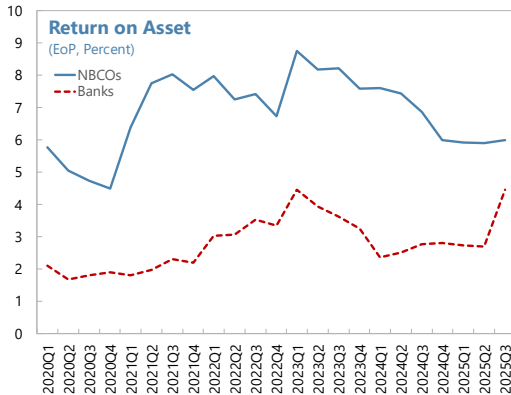
...while the net international investment position is projected to slightly deteriorate in 2025.



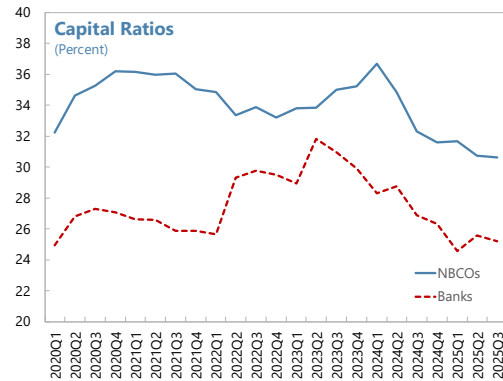
Sources: NBS, NBM, and IMF staff calculations.

Figure 6. Financial Sector Developments

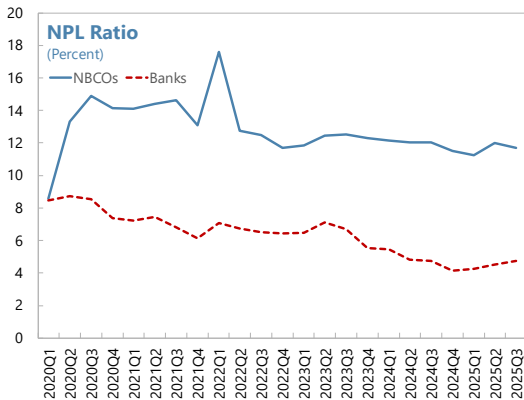
Profitability in the financial sector remains high and increased for banks, ...



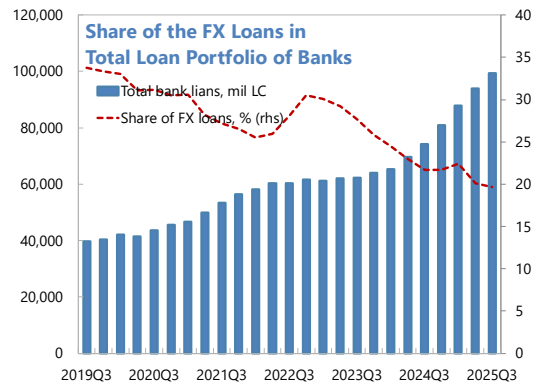
...supporting healthy capitalization levels, although on a declining trend.



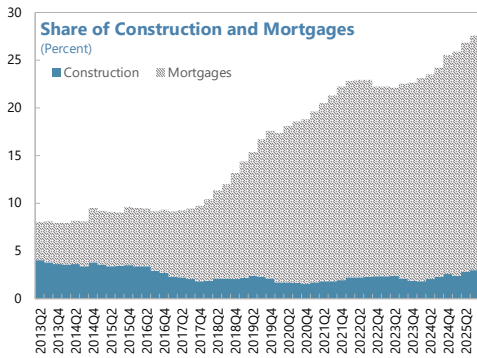
The share of non-performing loans remained low in the banking sector, and higher but stable in NBCOs.



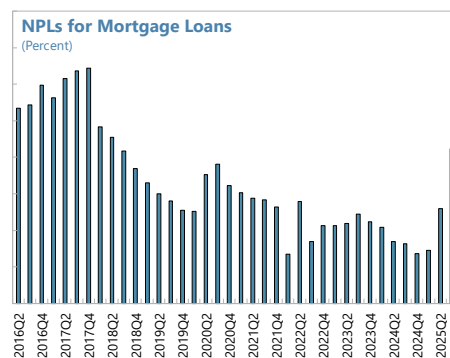
Dollarization of loans has been on a declining trend...



while exposure to the real estate sector has been increasing...



...although NPLs in real estate remain low.



Sources: NBM, IMF Staff Calculations

Table 1. Selected Economic Indicators, 2022–2031 1/

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Percent change, unless otherwise indicated)										
Real Sector Indicators										
Gross domestic product										
Real growth rate	-4.6	1.2	0.1	2.7	2.3	3.5	3.7	3.6	3.6	3.5
Domestic Demand	-2.5	-3.6	2.9	6.3	3.7	4.4	4.6	4.2	4.1	4.1
Consumption	-2.4	-1.3	1.6	3.5	3.2	3.2	3.4	3.3	3.2	3.2
Private	-5.0	-0.3	2.3	3.5	3.3	3.4	3.7	3.6	3.5	3.5
Public	10.7	-4.0	-3.6	3.3	2.6	2.6	1.6	1.5	1.5	1.5
Gross fixed capital formation	-10.5	0.0	8.0	20.2	10.2	9.1	9.2	7.5	7.5	7.5
Net Exports of goods and services	-5.2	18.9	-21.0	-20.6	-9.8	-8.3	-8.6	-6.6	-6.7	-7.9
Exports of goods and services	29.7	4.8	-5.4	2.3	7.9	7.4	7.9	8.8	8.5	8.6
Imports of goods and services	18.2	-5.1	5.2	10.6	8.8	7.8	8.2	7.8	7.7	8.3
Nominal GDP (billions of Moldovan lei)	274.5	303.6	323.8	354.5	379.9	413.6	451.0	491.6	535.5	583.0
Output Gap (percent of potential GDP)	-0.2	-0.8	-2.1	-1.1	-1.0	-0.4	0.0	0.0	0.0	0.0
Consumer price index (average)	28.7	13.4	4.7	7.8	5.0	5.0	5.0	5.0	5.0	5.0
Consumer price index (end of period)	30.2	4.2	7.0	6.8	4.9	5.0	5.0	5.0	5.0	5.0
GDP deflator	18.9	9.3	6.6	6.6	4.8	5.2	5.2	5.2	5.2	5.2
Average monthly wage (Moldovan lei)	10,531	12,355	14,095	15,575	16,725	18,150	19,725	21,425	23,275	23,275
Unemployment rate (annual average, percent)	3.1	4.6	4.0	4.0	3.8	3.6	3.5	3.5	3.5	3.5
(Percent of GDP)										
Saving-Investment Balance										
Foreign saving	17.2	11.1	16.6	19.3	19.6	19.2	18.6	17.5	16.5	16.2
National saving	10.1	9.0	4.6	5.3	5.9	7.1	8.8	10.6	11.9	12.6
Private	8.9	9.3	5.7	6.4	7.1	8.1	8.8	10.1	11.1	11.7
Public	1.2	-0.3	-1.1	-1.1	-1.3	-0.9	0.1	0.5	0.8	0.8
Gross investment	27.3	20.1	21.1	24.5	25.4	26.4	27.5	28.1	28.5	28.8
Private	22.6	16.0	17.8	21.3	21.8	22.4	23.0	23.4	23.9	24.4
Public	4.7	4.0	3.3	3.3	3.7	4.0	4.5	4.7	4.6	4.4
Fiscal Indicators (General Government)										
Current expenditure	32.8	34.9	34.9	36.2	36.8	36.6	35.6	35.1	34.8	34.7
Capital expenditure	3.8	3.9	3.1	3.1	3.6	4.0	4.4	4.7	4.5	4.3
Primary balance	-2.3	-4.4	-2.9	-2.7	-3.2	-3.1	-2.7	-2.4	-2.0	-1.7
Overall balance	-3.2	-5.1	-3.9	-3.9	-4.8	-4.8	-4.4	-4.2	-3.7	-3.5
Stock of public and publicly guaranteed debt	36.6	36.3	38.8	36.5	39.7	41.2	42.1	42.7	42.8	42.9
(Percent change, unless otherwise indicated)										
Financial Indicators										
Broad money (M3)	5.2	18.4	13.7	12.1	12.6	8.9	..	..	..	..
Velocity (GDP/end-period M3; ratio)	2.2	2.0	1.9	1.9	1.8	1.8	..	..	..	..
Reserve money	30.3	9.9	0.3	5.3	12.6	8.9	..	..	..	..
Credit to the economy	8.9	2.8	25.1	26.6	19.5	16.0	..	..	..	..
Credit to the economy, percent of GDP	23.4	21.8	25.5	29.5	32.9	35.1	..	..	..	..
(Millions of U.S. dollars, unless otherwise indicated)										
External Sector Indicators										
Current account balance	-2,500	-1,849	-3,013	-3,933	-4,260	-4,554	-4,811	-4,915	-5,067	-5,410
Current account balance (percent of GDP)	-17.2	-11.1	-16.6	-19.3	-19.6	-19.2	-18.6	-17.5	-16.5	-16.2
Personal transfers and compensation of employees (net)	1,519	1,562	1,405	1,345	1,426	1,512	1,604	1,693	1,777	1,866
Gross official reserves	4,474	5,453	5,484	6,006	6,222	6,624	6,924	6,945	6,895	6,828
Gross official reserves (months of imports)	5.5	6.3	5.4	5.4	5.2	5.1	5.0	4.7	4.3	4.0
Exchange rate (Moldovan lei per USD, period average)	18.9	18.2	17.8	17.4	..	..	..	..	..	..
Exchange rate (Moldovan lei per USD, end of period)	19.2	17.4	18.5	16.8	..	..	..	..	..	..
Real effective exch.rate (average, percent change)	7.2	10.7	4.1	1.4	..	..	..	..	..	..
External debt (percent of GDP) 2/	66.4	59.6	57.5	58.4	62.2	66.1	68.9	70.5	69.1	67.2
Debt service (percent of exports of goods and services) 2/	8.8	10.3	12.3	16.5	12.8	12.2	12.3	12.0	10.5	9.8

Sources: Moldovan authorities; and IMF staff estimates.

1/ Data exclude Transnistria.

2/ Includes private and public and publicly guaranteed debt.

Table 2a. Balance of Payments, 2022–2031 1/
(Millions of U.S. dollars, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current Account Balance	-2,500	-1,849	-3,013	-3,933	-4,260	-4,554	-4,811	-4,915	-5,067	-5,410
Goods	-5,193	-4,855	-5,619	-6,790	-7,508	-8,033	-8,604	-9,143	-9,778	-10,577
Exports	3,701	3,426	3,014	3,165	3,323	3,490	3,664	3,884	4,117	4,364
Imports	8,894	8,281	8,633	9,955	10,832	11,523	12,268	13,027	13,895	14,941
Services balance	906	924	935	1,009	1,134	1,282	1,448	1,733	2,064	2,449
Exports of services	2,275	2,476	2,732	3,155	3,646	4,120	4,655	5,260	5,944	6,717
Imports of services	1,369	1,552	1,797	2,147	2,511	2,838	3,207	3,528	3,880	4,268
Primary income balance	60	266	94	-47	225	216	205	191	176	157
Compensation of employees	728	774	773	649	682	716	751	789	829	870
Income on direct and portfolio investment	-673	-511	-682	-702	-463	-506	-553	-604	-659	-719
Other income	5	3	3	6	6	6	6	6	6	6
Secondary income balance	1,727	1,817	1,578	1,894	1,890	1,981	2,140	2,304	2,472	2,561
Personal transfers	791	788	633	696	745	797	853	904	949	996
General government	120	407	254	265	128	76	79	83	87	0
Other transfers	816	621	691	933	1,017	1,109	1,209	1,317	1,436	1,565
Capital and Financial Account Balance	-2,289	-2,479	-3,183	-4,027	-4,092	-4,483	-4,838	-5,022	-5,167	-5,486
Capital account balance	43	80	16	16	17	18	19	20	21	22
Financial account balance (inflows: "-")	-2,246	-2,399	-3,167	-4,010	-4,075	-4,465	-4,820	-5,002	-5,146	-5,465
Foreign direct investment, net (inflows: "-")	-541	-350	-360	-436	-521	-565	-647	-711	-824	-903
Portfolio investment and derivatives, net	1	13	78	4	4	4	5	5	4	4
Other investment, net	-1,706	-2,062	-2,885	-3,578	-3,558	-3,904	-4,177	-4,295	-4,327	-4,566
Loans	-91	-292	-490	53	-399	-470	-551	-392	-296	-63
General government, net	41	-271	-362	175	-267	-338	-417	-258	-161	74
Private sector, net	-132	-20	-129	-121	-131	-132	-133	-134	-135	-136
Other capital flows, net	-1,614	-1,770	-2,395	-3,631	-3,159	-3,434	-3,626	-3,904	-4,031	-4,504
Errors and omissions	5	112	-276	0	0	0	0	0	0	0
Overall Balance	-206	743	-106	93	-167	-72	28	107	100	76
Financing	206	-743	106	-93	167	72	-28	-107	-100	-76
Gross international reserves (increase: "+")	572	979	30	522	216	402	300	20	-49	-67
Use of Fund credit, net (excl. RSF)	326	161	166	-77	-60	-80	-116	-154	-150	-143
Monetary authorities	164	-11	-17	-20	-30	-43	-58	-68	-65	-64
Purchases	140	0	0	0	0	0	0	0	0	0
Repurchases	-24	11	17	20	30	43	58	68	65	64
General government	162	173	182	-57	-30	-37	-58	-86	-85	-79
Purchases	172	217	267	0	0	0	0	0	0	0
Repurchases	10	44	85	57	30	37	58	86	85	79
Exceptional financing	211	341	252	506	443	554	388	68	0	0
European Commission	37	97	106	330	193	404	388	68	0	0
World Bank	150	100	41	97	150	150	0	0	0	0
Other official bilateral donors	24	143	105	79	100	0	0	0	0	0
(Percent of GDP, unless otherwise indicated)										
Memorandum Items:										
Gross official reserves (millions of U.S. dollars)	4,474	5,453	5,484	6,006	6,222	6,624	6,924	6,945	6,895	6,828
Months of imports of good and services	5.5	6.3	5.4	5.4	5.2	5.1	5.0	4.7	4.3	4.0
Percent of short term debt and CA deficit	88.7	88.4	76.8	78.8	76.9	78.1	79.5	78.2	75.8	71.0
Pct of short-term debt at remaining maturity	140.1	172.8	170.8	178.7	175.8	180.5	182.5	182.0	186.9	179.4
Pct of the IMF composite measure (floating) 1/	180.0	207.6	205.0	198.8	190.4	189.0	184.1	172.1	162.3	152.4
Gross official reserves, incl. RSF (millions of U.S. dollars)	4,474	5,453	5,555	6,179	6,394	6,797	7,097	7,117	6,895	6,828
Current account balance	-17.2	-11.1	-16.6	-19.3	-19.6	-19.2	-18.6	-17.5	-16.5	-16.2
Goods and services trade balance	-29.5	-23.5	-25.7	-28.3	-29.3	-28.5	-27.7	-26.3	-25.2	-24.4
Export of goods and services	41.2	35.3	31.6	31.0	32.1	32.1	32.2	32.5	32.8	33.2
Import of goods and services	70.7	58.8	57.3	59.3	61.4	60.7	60.0	58.8	58.0	57.6
Foreign direct investment balance	3.7	2.1	2.0	2.1	2.4	2.4	2.5	2.6	2.6	2.7
(Percent change of amounts in U.S.dollars, unless otherwise indicated)										
Exports of goods	44.5	-7.5	-12.0	5.0	5.0	5.0	5.0	6.0	6.0	6.0
Exports of services	39.2	8.8	10.4	15.5	15.5	13.0	13.0	13.0	13.0	13.0
Imports of goods	31.7	-6.9	4.3	15.3	8.8	6.4	6.5	6.2	6.7	7.5
Imports of services	17.7	13.4	15.8	19.4	17.0	13.0	13.0	10.0	10.0	10.0
Remittances and compensation	10.5	9.3	7.7	6.6	6.6	6.4	6.2	6.0	5.8	5.6
Debt service (pct of exports of goods and services)	8.8	10.3	12.3	16.5	12.8	12.2	12.3	12.0	10.5	9.8

Sources: National Bank of Moldova; and IMF staff estimates.

1/ The IMF composite measures are calculated as a weighted sum of short-term debt, other portfolio liabilities, broad money, and exports in percent of GDP. Official reserves are recommended to be in the range of 100-150 percent.

Table 2b. Balance of Payments, 2022–2031 1/
(Percent of GDP, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current Account Balance	-17.2	-11.1	-16.6	-19.3	-19.6	-19.2	-18.6	-17.5	-16.5	-16.2
Goods	-35.8	-29.1	-30.9	-33.3	-34.5	-33.9	-33.3	-32.5	-31.9	-31.7
Exports	25.5	20.5	16.6	15.5	15.3	14.7	14.2	13.8	13.4	13.1
Imports	61.2	49.6	47.4	48.8	49.8	48.7	47.5	46.3	45.3	44.8
Services balance	6.2	5.5	5.1	4.9	5.2	5.4	5.6	6.2	6.7	7.3
Exports of services	15.7	14.8	15.0	15.5	16.8	17.4	18.0	18.7	19.4	20.1
Imports of services	9.4	9.3	9.9	10.5	11.6	12.0	12.4	12.5	12.7	12.8
Primary income balance	0.4	1.6	0.5	-0.2	1.0	0.9	0.8	0.7	0.6	0.5
Compensation of employees	5.0	4.6	4.2	3.2	3.1	3.0	2.9	2.8	2.7	2.6
Income on direct and portfolio investment	-4.6	-3.1	-3.7	-3.4	-2.1	-2.1	-2.1	-2.1	-2.2	-2.2
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Secondary income balance	11.9	10.9	8.7	9.3	8.7	8.4	8.3	8.2	8.1	7.7
Personal transfers	5.4	4.7	3.5	3.4	3.4	3.4	3.3	3.2	3.1	3.0
General government	0.8	2.4	1.4	1.3	0.6	0.3	0.3	0.3	0.3	0.0
Other transfers	5.6	3.7	3.8	4.6	4.7	4.7	4.7	4.7	4.7	4.7
Capital and Financial Account Balance	-15.8	-14.8	-17.5	-19.7	-18.8	-18.9	-18.7	-17.9	-16.9	-16.4
Capital account balance	0.3	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial account balance	-15.5	-14.4	-17.4	-19.7	-18.7	-18.9	-18.7	-17.8	-16.8	-16.4
Foreign direct investment, net (inflows: "-")	-3.7	-2.1	-2.0	-2.1	-2.4	-2.4	-2.5	-2.5	-2.7	-2.7
Portfolio investment and derivatives, net	0.0	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net	-11.7	-12.3	-15.8	-17.5	-16.4	-16.5	-16.2	-15.3	-14.1	-13.7
Loans	-0.6	-1.7	-2.7	0.3	-1.8	-2.0	-2.1	-1.4	-1.0	-0.2
General government, net	0.3	-1.6	-2.0	0.9	-1.2	-1.4	-1.6	-0.9	-0.5	0.2
Private sector, net	-0.9	-0.1	-0.7	-0.6	-0.6	-0.6	-0.5	-0.5	-0.4	-0.4
Other capital flows, net	-11.1	-10.6	-13.2	-17.8	-14.5	-14.5	-14.1	-13.9	-13.2	-13.5
Errors and omissions	0.0	0.7	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-1.4	4.4	-0.6	0.5	-0.8	-0.3	0.1	0.4	0.3	0.2
Financing	1.4	-4.4	0.6	-0.5	0.8	0.3	-0.1	-0.4	-0.3	-0.2
Gross international reserves (increase: "+")	3.9	5.9	0.2	2.6	1.0	1.7	1.2	0.1	-0.2	-0.2
Use of Fund credit, net	2.2	1.0	0.9	-0.4	-0.3	-0.3	-0.4	-0.5	-0.5	-0.4
Monetary authorities	1.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
Purchases	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	-0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
General government	1.1	1.0	1.0	-0.3	-0.1	-0.2	-0.2	-0.3	-0.3	-0.2
Purchases	1.2	1.3	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	0.1	0.3	0.5	0.3	0.1	0.2	0.2	0.3	0.3	0.2
Exceptional financing	1.5	2.0	1.4	2.5	2.0	2.3	1.5	0.2	0.0	0.0
o/w										
European Commission	0.3	0.6	0.6	1.6	0.9	1.7	1.5	0.2	0.0	0.0
World Bank	1.0	0.6	0.2	0.5	0.7	0.6	0.0	0.0	0.0	0.0
Other official bilateral donors	0.2	0.9	0.6	0.4	0.5	0.0	0.0	0.0	0.0	0.0
Memorandum Items:										
Gross official reserves (millions of U.S. dollars)	4,474	5,453	5,484	6,006	6,222	6,624	6,924	6,945	6,895	6,828
Months of imports of good and services	5.5	6.3	5.4	5.4	5.2	5.1	5.0	4.7	4.3	4.0
Percent of short term debt and CA deficit	88.7	88.4	76.8	78.8	76.9	78.1	79.5	78.2	75.8	71.0
Pct of short-term debt at remaining maturity	140.1	172.8	170.8	178.7	175.8	180.5	182.5	182.0	186.9	179.4
Pct of the IMF composite measure (floating) 1/	180.0	207.6	205.0	198.8	190.4	189.0	184.1	172.1	162.3	152.4
Gross official reserves, incl. RSF (millions of U.S. dollars)	4,474	5,453	5,555	6,179	6,394	6,797	7,097	7,117	6,895	6,828
Current account balance	-17.2	-11.1	-16.6	-19.3	-19.6	-19.2	-18.6	-17.5	-16.5	-16.2
Goods and services trade balance	-29.5	-23.5	-25.7	-28.3	-29.3	-28.5	-27.7	-26.3	-25.2	-24.4
Export of goods and services	41.2	35.3	31.6	31.0	32.1	32.1	32.2	32.5	32.8	33.2
Import of goods and services	70.7	58.8	57.3	59.3	61.4	60.7	60.0	58.8	58.0	57.6
Foreign direct investment balance	3.7	2.1	2.0	2.1	2.4	2.4	2.5	2.6	2.6	2.7
	(Percent change of amounts in U.S.dollars, unless otherwise indicated)									
Exports of goods	44.5	-7.5	-12.0	5.0	5.0	5.0	5.0	6.0	6.0	6.0
Exports of services	39.2	8.8	10.4	15.5	15.5	13.0	13.0	13.0	13.0	13.0
Imports of goods	31.7	-6.9	4.3	15.3	8.8	6.4	6.5	6.2	6.7	7.5
Imports of services	17.7	13.4	15.8	19.4	17.0	13.0	13.0	10.0	10.0	10.0
Remittances and compensation	10.5	9.3	7.7	6.6	6.6	6.4	6.2	6.0	5.8	5.6
Remittances	-23.9	-0.3	-19.7	10.0	7.0	7.0	7.0	6.0	5.0	5.0
Compensation of employees	-7.5	6.3	-0.1	-16.0	5.0	5.0	5.0	5.0	5.0	5.0
Debt service (pct of exports of goods and services)	8.8	10.3	12.3	16.5	12.8	12.2	12.3	12.0	10.5	9.8

Sources: National Bank of Moldova; and IMF staff estimates.

1/ The IMF composite measures are calculated as a weighted sum of short-term debt, other portfolio liabilities, broad money, and exports in percent of GDP. Official reserves are recommended to be in the range of 100-150 percent.

Table 3b. General Government Budget, 2022–2031
(Percent of GDP, unless otherwise indicated)

	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031
				Budget	Proj.	Budget	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenues and Grants	33.3	33.7	34.1	35.1	35.4	35.1	35.6	35.7	35.6	35.6	35.6	35.5
Revenues	31.7	31.5	33.3	33.8	34.1	34.5	35.0	35.4	35.3	35.3	35.3	35.3
Tax revenues	21.0	20.3	21.1	21.2	21.4	21.5	22.0	22.1	21.9	21.9	21.9	21.9
Personal income	2.2	2.4	2.7	2.7	2.8	2.8	2.9	3.0	3.0	3.0	3.0	3.0
Corporate income	3.2	3.1	2.8	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Property tax	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
VAT	10.6	10.0	10.3	10.5	10.6	10.7	11.0	11.1	10.9	10.9	10.9	10.9
Excises	2.9	3.3	3.5	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Foreign trade	1.0	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other	0.8	0.3	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Non-tax revenues	10.7	11.2	12.1	12.6	12.7	13.0	13.0	13.2	13.4	13.4	13.4	13.4
Other (including NBM transfers)	1.6	1.6	1.8	1.8	2.0	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Social Fund contributions	6.8	7.1	7.7	7.9	7.9	8.3	8.2	8.4	8.5	8.5	8.5	8.5
Health Fund contributions	2.3	2.5	2.7	2.8	2.8	2.9	2.9	2.9	3.0	3.0	3.0	3.0
Grants	1.6	2.2	0.8	1.3	1.3	0.6	0.6	0.3	0.3	0.3	0.3	0.2
Budget support	1.4	1.9	0.5		1.1		0.0	0.0	0.0	0.0	0.0	0.0
Project	0.2	0.3	0.2		0.2		0.6	0.3	0.3	0.3	0.3	0.2
Expenditure and Net Lending	36.6	38.8	38.0	40.1	39.4	40.8	40.4	40.5	40.0	39.8	39.3	39.1
Current expenditure	32.8	34.9	34.9	36.6	36.2	36.5	36.8	36.6	35.6	35.1	34.8	34.7
Wages	7.8	8.4	8.6	8.9	8.8	8.6	8.9	9.0	8.7	8.6	8.6	8.6
Goods and services	6.8	6.7	6.9	7.2	7.1	7.3	7.4	7.3	7.1	7.1	7.1	7.1
Interest payments	1.0	1.8	1.4	1.3	1.3	1.7	1.6	1.7	1.7	1.7	1.7	1.8
Domestic	0.8	1.3	0.8		0.7		1.1	1.2	1.1	1.0	0.9	0.9
Foreign	0.2	0.5	0.6		0.5		0.5	0.5	0.6	0.8	0.9	0.9
Transfers	15.9	16.3	15.8	17.0	17.0	16.6	16.6	16.3	15.9	15.6	15.3	15.2
Transfers to economy	2.2	1.7	2.0	2.4	2.4	2.7	2.7	2.7	2.6	2.5	2.5	2.5
Transfers to households	13.8	14.7	13.8	14.6	14.6	13.8	13.6	13.6	13.3	13.1	12.8	12.7
Other current expenditure	1.2	1.7	2.2	2.2	2.1	2.3	2.4	2.3	2.2	2.1	2.1	2.1
Capital expenditure	3.8	3.9	3.1	3.5	3.1	4.3	3.6	4.0	4.4	4.7	4.5	4.3
One-off revenue and expenditure items 1/	-1.9	0.0	0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance (incl. one-off items)	-5.1	-5.1	-3.9	-5.0	-3.9	-5.7	-4.8	-4.8	-4.4	-4.2	-3.7	-3.5
Overall balance (excl. one-off items)	-3.2	-5.1	-3.9	-5.0	-3.9	-5.7	-4.8	-4.8	-4.4	-4.2	-3.7	-3.5
Primary balance (excl. one-off items)	-2.3	-4.4	-2.9	-3.7	-2.7	-4.0	-3.2	-3.1	-2.7	-2.4	-2.0	-1.7
Financing (excl. one-off items)	0.5	1.2	1.1		1.5		2.8	2.5	2.9	3.9	3.7	3.5
Budget financing	-0.6	-0.8	-0.6		1.9		3.0	2.4	1.8	2.3	2.4	2.3
Central government	-0.4	-0.8	-0.3		1.7		3.0	2.4	1.8	2.3	2.4	2.3
Net domestic	-1.6	-0.4	0.6		1.4		1.9	1.0	1.3	3.2	3.4	3.1
Net foreign (excl. project loans)	1.3	-0.9	-1.4		0.2		1.0	1.3	0.4	-0.9	-1.0	-0.9
Privatization	0.0	0.5	0.5		0.1		0.2	0.1	0.1	0.0	0.0	0.0
Others	0.0	0.0	0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Local governments	0.0	0.0	-0.3		0.1		0.0	0.0	0.0	0.0	0.0	0.0
Privatization	0.0	0.0	0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Social Fund	0.0	0.0	0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Health Fund	-0.2	0.0	0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Net project loans	1.1	2.1	1.7		0.9		1.8	2.4	2.6	1.8	1.4	1.3
Of which: Onlending (through commercial banks)	0.0	-0.1	-0.4		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap	2.7	3.9	2.9		2.5		2.0	2.3	1.5	0.2	0.0	0.0
World Bank	1.0	0.6	0.2		0.5		0.7	0.6	0.0	0.0	0.0	0.0
IMF	1.2	1.3	1.5		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Others	0.5	2.0	1.2		2.0		1.3	1.7	1.5	0.2	0.0	0.0
Financing for one-off items												
Government securities issued	0.0	0.0	0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:												
Public and publicly guaranteed debt	36.6	36.3	38.8		36.5		39.7	41.2	42.1	42.7	42.8	42.9

Sources: Moldovan authorities; and IMF staff estimates and projections.

1/ Includes recapitalization of Energocom in 2022.

Table 4. Accounts of the NBM and Monetary Survey
(Millions of Moldovan LEI, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
							Proj.	Proj.	Proj.
National Bank of Moldova									
Net foreign assets 1/	47,526	62,701	67,592	84,470	93,898	102,511	102,145	109,305	116,412
NFA (convertible)	48,513	62,700	67,598	84,483	93,926	100,496	100,273	109,296	116,403
Gross reserves	52,654	65,132	69,240	85,716	94,918	101,331	100,859	109,881	116,988
Reserve liabilities	4,141	2,433	1,642	1,233	993	835	585	585	585
Net domestic assets	-675	-7,062	-10,044	-9,491	-11,527	-19,888	-15,115	-11,316	-9,720
Net claims on general government	9,347	4,758	192	5,503	3,502	-480	-4,067	-7,348	-11,822
Credit to banks	-5,403	-6,383	-3,704	-6,617	-11,180	-9,617	-2,788	6,425	13,418
Other items (net)	-4,619	-5,436	-6,533	-8,377	-3,849	-9,790	8,261	-10,393	-11,316
Reserve money	46,851	55,639	57,548	74,980	82,371	82,624	87,030	97,989	106,693
Currency in circulation	22,953	29,819	31,699	34,406	38,554	44,108	50,136	56,832	61,880
Banks' reserves	23,860	25,808	25,811	40,125	43,652	38,493	36,812	41,157	44,813
Required reserves	20,518	23,010	23,247	37,726	40,537	36,663	31,934	36,076	39,289
Other reserves	3,342	2,798	2,564	2,399	3,114	1,831	4,879	5,081	5,524
Monetary Survey									
Net foreign assets	74,503	89,983	97,303	102,741	117,580	130,765	130,343	140,676	148,379
NFA (convertible)	68,481	82,939	90,658	96,966	111,560	122,876	122,700	134,629	142,029
Of which: commercial banks	19,968	20,240	23,061	12,482	17,634	22,379	22,426	25,333	25,626
Foreign assets of commercial banks	23,342	23,788	27,094	19,536	24,128	27,595	27,572	30,672	31,043
Foreign liabilities of commercial banks	-3,374	-3,548	-4,034	-7,054	-6,494	-5,215	-5,145	-5,339	-5,417
NFA (non-convertible)	6,022	7,044	6,645	5,776	6,020	7,889	7,643	6,047	6,350
Net domestic assets	15,448	17,641	22,457	23,277	31,601	38,837	60,135	73,360	84,668
Net claims on general government	13,438	14,142	11,264	13,898	17,678	16,619	16,603	24,370	24,370
Credit to economy	44,207	48,744	58,996	64,272	66,098	82,671	104,605	125,111	145,119
Moldovan lei	27,302	31,139	40,713	41,688	46,329	62,172	80,611	96,414	111,827
Foreign exchange	16,905	17,605	18,283	22,583	19,768	20,499	23,994	28,697	33,292
in U.S. dollars	982	1,023	1,030	1,179	1,136	1,109	1,429	1,630	1,891
Other items (net)	-42,198	-45,245	-47,803	-54,893	-52,175	-60,453	-61,074	-76,121	-84,821
Broad money (M3)	89,951	107,625	119,760	126,018	149,181	169,601	190,478	214,036	233,047
Broad money (M2: excluding FCD)	63,137	75,891	83,080	90,971	110,032	126,116	144,602	161,622	175,913
Currency in circulation	22,953	29,819	31,699	34,406	38,554	44,108	50,136	56,832	61,880
Total deposits	66,997	77,806	88,062	91,612	110,627	125,494	140,342	157,204	171,167
Domestic currency deposits	40,184	46,072	51,382	56,565	71,478	82,008	94,466	104,790	114,033
Foreign currency deposits (FCD)	26,814	31,734	36,680	35,047	39,148	43,486	45,876	52,414	57,134
in U.S. dollars	1,558	1,843	2,067	1,829	2,249	2,353	2,732	2,977	3,245
Memorandum Items:									
Reserve money growth (percent change; annual)	7.6	18.8	3.4	30.3	9.9	0.3	5.3	12.6	8.9
Broad money growth (percent change; annual)	8.2	19.6	11.3	5.2	18.4	13.7	12.3	12.6	8.9
Credit to economy (percent change; annual)	11.5	10.3	21.0	8.9	2.8	25.1	26.5	19.5	16.0
in lei	19.9	14.1	30.7	2.4	11.1	34.2	29.6	19.7	16.0
in foreign exchange (\$ equivalent)	0.2	4.1	3.8	23.5	-12.5	3.7	17.8	18.9	16.0
Gross international reserves (millions of U.S. dollars)	3,060	3,784	3,902	4,474	5,453	5,484	6,006	6,222	6,624
Percent of domestic-currency broad money	83	86	83	94	86	80	70	68	67
Broad money multiplier	1.9	1.9	2.1	1.7	1.8	2.1	2.2	2.2	2.2

Sources: National Bank of Moldova; and IMF staff estimates and projections.

1/ Monetary accounts are presented at actual exchange rates, unless otherwise indicated. The SDR allocation in 2021 (about US\$236 million) is reflected in gross reserve assets and in reserve liabilities.

Table 5. Financial Soundness Indicators, 2017–25
(End-of-period; percent, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2023	2024	2025 1/
	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Sep-25
Size									
Number of banks	11	11	11	11	11	11	11	11	10
Total bank assets (billions of lei)	79.54	83.15	90.68	103.77	118.5	131.44	153.93	170.17	181.10
Total bank loans (percent of GDP)	19.02	18.75	19.58	22.85	23.28	22.45	21.05	24.96	27.98
Total bank assets (percent of GDP)	45.19	43.98	43.96	51.96	48.97	47.89	50.71	52.55	51.09
Capital adequacy									
Total regulatory capital (billions of lei)	10.51	10.83	11.36	13.63	15.2	18.39	20.95	22.43	24.42
Capital adequacy ratio	31.03	26.52	24.82	27.27	25.87	29.49	29.95	26.30	25.21
Liquidity									
Liquid assets (billions of lei)	44.13	45.42	45.88	52.44	57.6	...	...	...	...
Total deposits (billions of lei)	59.90	63.46	68.36	79.64	90.1	94.97	113.86	129.09	137.327
Liquidity ratio (liquid assets in percent of total deposits)	73.68	71.57	67.11	65.85	63.90	...	...	...	...
Liquid assets in total assets	55.48	54.62	50.59	50.56	48.56	...	...	...	...
Liquidity reserves (billions of lei)	...	...	...	...	...	25.62	34.09	38.51	33.25
Liquidity coverage ratio (LCR, %)	...	...	...	...	...	267.9	282.30	274.17	269.7
Asset quality									
Gross loans (billions of lei)	33.47	35.45	40.38	45.64	56.4	61.63	63.90	80.82	99.2
Nonperforming loans (billions of lei)	6.15	4.45	3.43	3.37	3.5	3.97	3.55	3.35	4.65
Substandard	1.91	1.49	1.43	1.24	1.5	1.87	1.88	1.90	3.33
Doubtful	1.42	0.99	0.46	0.66	0.5	0.83	0.66	0.50	0.43
Loss	2.82	1.96	1.53	1.47	1.4	1.27	1.01	0.96	0.88
Loan loss provisions (billions of lei)	4.96	3.85	3.21	3.40	3.6	3.91	3.76	4.28	4.82
Nonperforming loans as a share of total loans	18.38	12.54	8.49	7.38	6.14	6.44	5.55	4.15	4.68
Substandard	5.72	4.20	3.55	2.71	2.71	3.04	2.94	2.36	3.36
Doubtful	4.23	2.80	1.15	1.45	0.88	1.34	1.03	0.61	0.44
Loss	8.43	5.54	3.80	3.22	2.55	2.06	1.58	1.18	0.89
Provisions to non-performing loans	80.61	86.59	93.72	101.03	104.15	98.54	106.03	127.52	103.80
Loan-loss provisioning/gross loans	14.81	10.86	7.96	7.46	6.39	6.35	5.89	5.29	4.86
Profitability									
Return on equity	11.07	11.60	14.64	8.74	12.36	16.87	16.20	14.71	15.81
Return on assets	1.85	1.90	2.48	1.51	2.02	2.86	2.78	2.38	2.81
Foreign currency assets and liabilities									
Total liabilities (billions of lei)	65.94	68.86	74.28	85.90	99.1	108.13	127.29	142.33	151.81
Foreign currency liabilities (billions of lei)	29.06	29.01	31.25	36.86	42.46	44.59	48.11	51.38	52.602
Foreign currency denominated liabilities in total liabilities	44.07	42.13	42.07	42.91	42.85	41.24	37.80	36.10	34.65
Foreign currency denominated assets (billions of lei)	29.29	28.87	31.20	36.87	42.43	45.19	48.36	51.41	52.819
Foreign currency denominated assets in total assets	36.82	34.71	34.40	35.53	35.79	34.38	31.41	30.21	29.17
Foreign currency deposits in total deposits	42.79	41.14	40.97	41.83	42.61	39.96	36.85	35.88	35.19
Foreign currency denominated loans in total loans	41.66	38.48	33.34	30.48	26.51	30.48	25.84	21.70	18.02

Source: National Bank of Moldova.

1/ In percent of 2024 GDP

Table 6. Indicators of Fund Credit, 2026–48

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Fund Obligations Based on Existing Credit (millions of SDRs)																							
Principal	44.5	59.5	79.1	110.0	104.6	97.6	86.0	46.7	34.8	4.9	5.4	5.4	7.0	3.8	5.4	5.4	5.4	5.4	5.4	0.5	0.0	0.0	0.0
Charges and interest 1/	22.6	21.7	20.5	18.8	16.7	14.7	12.7	11.1	9.9	9.3	9.1	8.9	8.7	8.5	8.4	8.2	8.0	7.8	7.6	7.5	7.5	7.5	7.5
Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)																							
Principal	44.5	59.5	79.1	110.0	104.6	97.6	86.0	46.7	34.8	4.9	5.4	5.4	7.0	3.8	5.4	5.4	5.4	5.4	5.4	0.5	0.0	0.0	0.0
GRA	24.4	31.3	41.3	67.1	62.6	61.8	58.6	34.3	27.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PRGT	20.1	28.1	37.8	42.9	42.0	35.8	27.4	12.4	7.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.9	5.4	5.4	7.0	3.8	5.4	5.4	5.4	5.4	5.4	0.5	0.0	0.0	0.0
Charges and interest 1/	22.6	21.7	20.5	18.8	16.7	14.7	12.7	11.1	9.9	9.3	9.1	8.9	8.7	8.5	8.4	8.2	8.0	7.8	7.6	7.5	7.5	7.5	7.5
Total Obligations Based on Existing and Prospective Credit																							
Millions of SDRs	67.0	81.1	99.6	128.8	121.3	112.3	98.8	57.8	44.7	14.1	14.5	14.3	15.7	12.3	13.8	13.6	13.4	13.2	13.0	8.0	7.5	7.5	7.5
Millions of U.S. dollars	87.5	106.0	130.2	168.8	159.1	147.2	129.5	75.8	58.7	18.6	19.0	18.7	20.6	16.1	18.0	17.8	17.5	17.3	17.1	10.6	9.8	9.8	9.8
Percent of exports of goods and services	1.3	1.4	1.6	1.9	1.6	1.4	1.1	0.6	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Percent of debt service 2/	9.8	11.4	12.8	15.3	15.0	13.5	11.7	6.6	4.8	1.5	1.5	1.5	1.5	1.0	1.0	0.9	0.8	0.8	0.7	0.4	0.4	0.4	0.3
Percent of GDP	0.4	0.4	0.5	0.6	0.5	0.4	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of gross international reserves	1.4	1.6	1.9	2.4	2.3	2.1	1.8	1.1	0.8	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Percent of quota	38.9	47.0	57.7	74.7	70.3	65.1	57.3	35.5	25.9	8.2	8.4	8.3	9.1	7.1	8.0	7.9	7.8	7.6	7.5	4.7	4.4	4.4	4.4
Principal	25.8	34.5	45.8	63.8	60.6	56.6	49.9	27.1	20.2	2.8	3.1	3.1	4.1	2.2	3.1	3.1	3.1	3.1	3.1	0.0	0.0	0.0	0.0
GRA	14.1	18.2	23.9	38.9	36.3	35.8	34.0	19.9	15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PRGT	11.7	16.3	21.9	24.9	24.4	20.8	15.9	7.2	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.8	3.1	3.1	4.1	2.2	3.1	3.1	3.1	3.1	3.1	0.3	0.0	0.0	0.0
Outstanding Fund Credit Based on Existing and Prospective Credit																							
Millions of SDRs	672.2	612.7	533.6	423.6	319.0	221.4	135.4	88.7	53.9	49.1	43.7	38.3	31.3	27.5	22.1	16.7	11.3	5.9	0.5	0.0	0.0	0.0	0.0
GRA	384.1	352.8	311.5	244.4	181.9	120.1	61.5	27.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PRGT	234.1	206.0	168.2	125.3	83.2	47.4	20.0	7.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	53.9	53.9	53.9	53.9	53.9	53.9	53.9	53.9	53.9	49.1	43.7	38.3	31.3	27.5	22.1	16.7	11.3	5.9	0.5	0.0	0.0	0.0	0.0
Millions of U.S. dollars	877.0	800.3	697.7	554.9	418.3	290.3	177.5	116.3	70.7	64.3	57.2	50.2	41.0	36.0	29.0	21.9	14.8	7.8	0.7	0.0	0.0	0.0	0.0
Percent of exports of goods and services	12.6	10.5	8.4	6.1	4.2	2.7	1.5	0.9	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Percent of debt service 2/	98.6	86.4	68.5	50.3	39.4	26.6	16.0	10.1	5.8	2.2	4.5	4.0	2.9	2.2	1.7	1.1	0.7	0.3	0.0	0.0	0.0	0.0	0.0
Percent of GDP	4.0	3.4	2.7	2.0	1.4	0.9	0.5	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of gross international reserves	14.1	12.1	10.1	8.0	6.0	4.2	2.5	1.7	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Percent of quota	389.7	355.2	309.3	245.6	184.9	128.4	78.5	51.4	31.2	28.4	25.3	22.2	18.1	15.9	12.8	9.7	6.6	3.4	0.3	0.0	0.0	0.0	0.0
GRA	222.7	204.5	180.6	141.7	105.4	69.6	35.6	15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PRGT	135.7	119.4	97.5	72.6	48.3	27.5	11.6	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	31.2	31.2	31.2	31.2	31.2	31.2	31.2	31.2	31.2	28.4	25.3	22.2	18.1	15.9	12.8	9.7	6.6	3.4	0.3	0.0	0.0	0.0	0.0
Net Use of Fund Credit (millions of SDRs)																							
Disbursements and purchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	44.5	59.5	79.1	110.0	104.6	97.6	86.0	46.7	34.8	4.9	5.4	5.4	7.0	3.8	5.4	5.4	5.4	5.4	5.4	0.5	0.0	0.0	0.0
Memorandum Items:																							
Exports of goods and services (millions of U.S. dollars)	6,969.1	7,609.2	8,297.1	9,042.8	9,850.7	10,725.7	11,540.7	12,417.7	13,361.3	14,376.6	15,469.1	16,644.6	17,909.4	19,270.4	20,734.7	22,310.4	24,005.7	25,829.9	27,792.7	29,904.7	31,998.0	34,237.9	36,634.6
Debt service (millions of U.S. dollars) 2/	889.5	926.3	1,019.1	1,103.7	1,062.2	1,091.3	1,108.7	1,154.7	1,222.2	1,237.7	1,267.9	1,269.5	1,418.3	1,613.6	1,730.6	1,971.0	2,116.1	2,235.4	2,331.9	2,450.6	2,573.1	2,701.7	2,836.8
Nominal GDP (millions of U.S. dollars) 2/	21,740.1	23,671.1	25,810.9	28,130.6	30,643.9	33,365.7	35,901.2	38,629.3	41,564.8	44,723.3	48,121.8	51,778.6	55,713.2	59,946.9	64,502.2	69,403.8	74,677.8	80,352.6	86,458.6	93,028.5	99,540.5	106,508.4	113,964.0
Gross International Reserves (millions of U.S. dollars)	6,222.0	6,624.4	6,924.2	6,944.6	6,966.9	6,991.1	7,017.5	7,046.3	7,077.6	7,111.8	7,149.0	7,189.5	7,230.0	7,270.5	7,311.0	7,351.6	7,392.1	7,432.6	7,473.1	7,513.6	7,554.1	7,594.7	7,635.2
Average exchange rate: SDR per U.S. dollars	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Quota (millions of SDRs)	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5	172.5

Sources: IMF staff estimates and projections.

1/ Assume repurchases are made on obligations schedule. Moldova belongs to the RST Group B.

2/ Total debt service includes IMF repurchases and repayments.

Annex I. Impact of the EU Growth Plan on Fiscal Outcomes and Growth¹

This annex lays out staff assumptions on implementation of the EU Growth Plan (GP) and associated increase in investment, and presents estimates of its impact on the potential growth and public debt.

1. To support Moldova's EU accession and stimulate growth, the European Commission has adopted a large GP for 2025-27. The GP comprises a reform agenda and financing of €1.885 billion (11.2 percent of 2024 GDP), of which €385 million are grants and the rest concessional loans. Three-quarters of loans are allocated for budget support, including to finance reforms, and the rest for infrastructure projects, also paid to the budget. Larger infrastructure projects are to be implemented through the Neighborhood Investment Platform (NIP), where Moldova's contribution of 1/4 of GP loans (€375 million) and €135 million of project grants—paid directly to the NIP—would be augmented four-fold by additional IFI lending, predominantly from the EBRD and EIB (€2 billion investment). Other grants are for TA and CSOs (€200 million). Pre-financing of 18 percent (€270 million loans and €24.3 million project grants) was disbursed in June, and the first tranche (€20.6 million) was disbursed in September.

2. Disbursements, except prefinancing, are linked to completion of measures. These include investments in energy and transport; environmental protection; enhancing connectivity through telecommunication and digital infrastructure; enhancing education outcomes, labor market policies, and health outcomes; and measures to strengthen SME support systems, improve the entrepreneurship environment, promote private investment, enhance competition and state aid policies, and support the competitiveness of goods and services. The reform agenda also includes capital market development, SOE reform, improvements in PFM and public administration efficiency, and rule of law reforms, including enhancing the fight against corruption and organized crime.

3. Compared to Moldova, EU GPs for the Western Balkan countries are smaller and with more investment financing. Western Balkans GPs allocate €6 billion (3½ percent of GDP, with large differences across countries), with one-third in grants and two-thirds in concessional loans, and at least 50 percent of funds channeled through the Western Balkans Investment Framework (WBIF). Most countries have started implementing their reform agendas and received pre-financing of 7 percent of total funds.

Annex I. Table 1. Western Balkans & Moldova: EU Growth Plan

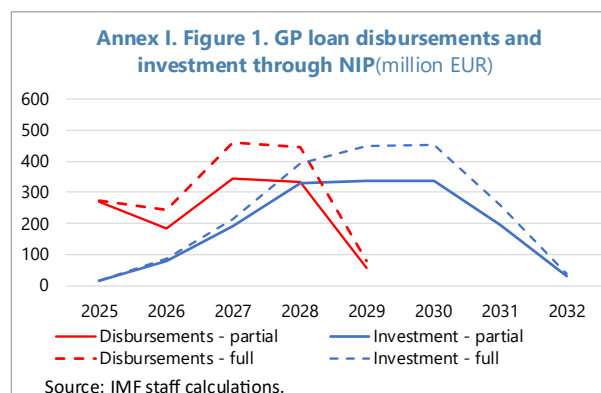
	Indicative Initial Allocation (percent of total)	Indicative Absolute Allocation		Of Which, Budget Support	
		€ million	Percent of 2024 GDP	€ million	Percent of 2024 GDP
Albania	16.4	922	3.7	429	1.7
Bosnia and Herzegovina	19.3	1,085	4.1	543	2.1
Kosovo	15.7	883	8.6	411	4.0
Montenegro	6.8	384	5.1	178	2.4
North Macedonia	13.4	750	4.9	349	2.3
Serbia	28.3	1,586	1.9	738	0.9
Total for the WB	...	5,610	3.4	2,648	1.6
Moldova	...	1,885	11.2	1,414	8.4
Total for the WB and Moldova	...	7,495	4.1	4,061	2.2

Source: European Commission, IMF staff calculations

¹Prepared by A. Lenarcic (EUR), with inputs from G. Afavi (SPR), S. Beer (FAD), and P. Engler (EUR).

4. Two scenarios are considered for budget disbursements and investment spending under Moldova's GP, assuming different degrees of reform implementation and similar delays in timing of reforms and investments. The

baseline assumes that three-quarters of reforms are implemented, similar to the EU Recovery and Resilience Facility (RRF);² an optimistic scenario assumes full implementation. Both scenarios assume that only a share of reforms is completed on time, while the rest are delayed by up to one year (20 percent by half a year, 20 percent by one year). They also assume delayed implementation of NIP investment projects.³



5. The impact of the GP on the fiscal deficit, highly sensitive to additionality assumptions for capital and current spending, is estimated at 1.2-1.7 percent of GDP yearly during 2026-2029 in the baseline. The capital spending share is expected to rise by about 1.3 ppts, reaching 4.6 percent of GDP by 2028. Additional public investment through the GP is estimated by adding projects that could be financed through NIP but are not already included in the 2026-28 medium-term budgetary framework (MTBF) and 10 percent additional spending on investment projects financed by GP budget support. These amounts were added to a flat pre-GP path of public investment (Figure 2), based on a multi-year average, resulting in a capital expenditure trajectory that is ambitious in the context of persistent under-execution of public investment projects but feasible (Annex VIII). The assessment of additional current spending under the GP relies on planned reform costs as per the MTBF.

6. The GP could raise potential growth in the baseline by about 1.2 ppts per annum through higher productivity and capital. Potential output growth, currently about 1.7 percent, is projected to increase in the medium term to about 2.3 percent without the GP and 3.5 percent with the GP, the latter reflecting additional public investment financed by the GP and IFIs, crowding in of private investment, and higher total factor productivity (TFP) due to the reforms (Figures 3-4).⁴ Figure 5 shows that the TFP component contributes slightly more than capital to higher potential

² By July 2025, only 56 percent of approved RRF funds were disbursed, of which 13 percent was pre-financing. Assuming a constant rate of implementation implies that 70 percent of total approved funds would be disbursed by end-2026 when the program ends.

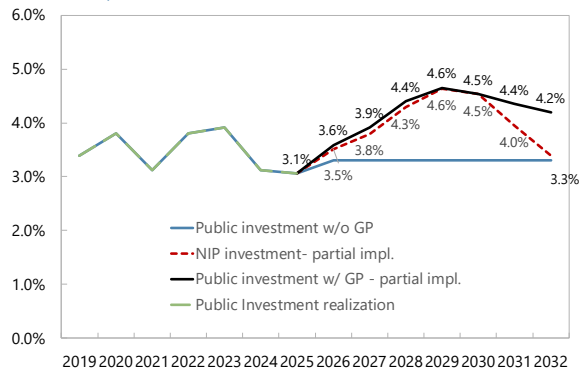
³ The GP agreement allows for delays of reform implementation for up to two years until end-2028, with associated disbursements to be paid out until June 30, 2029. It allows to use the funds for investment projects up to two years after the last disbursement.

⁴ Potential output is projected using the Cobb-Douglas production function approach. Labor input is calculated based on UN demographic projections and unchanged in both scenarios. Capital input is calculated using a capital accumulation function and projections of investment with and without the GP. TFP growth is projected using growth trends until 2024, and augmented thereafter to reflect the impact of reforms, using the estimates from Budina et al. (2025). The authors estimate that closing half of the Western Balkan countries' gap with the best performers in key reform areas could add on average 9.3 percent to their GDP in the medium term. We assume that GP reforms are closing only ¼ of the gap and a longer time for full productivity benefits, given a more gradual implementation of reforms under the GP.

growth. These point estimates come with considerable uncertainty, due to difficulties of assessing productivity contributions of individual reforms, uncertainty around the speed of implementation of public investment, and impact on private investment.

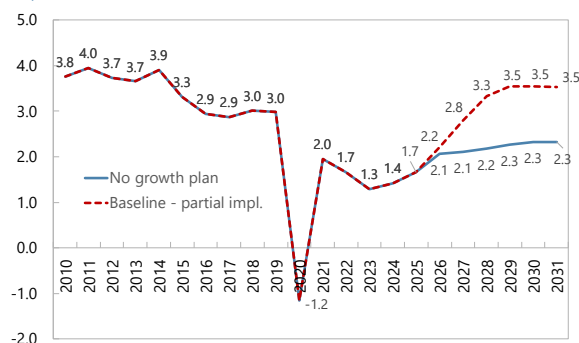
Annex I. Figure 2. Possible Investment Scenarios

(Investment as percent of GDP)



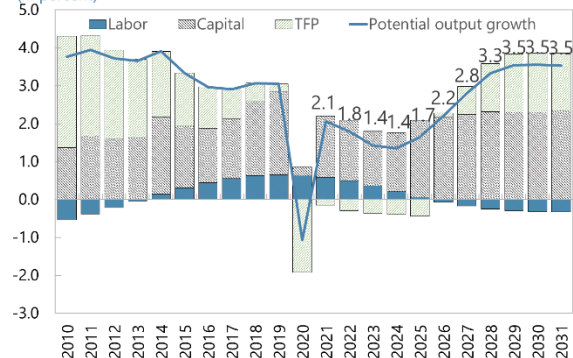
Annex I. Figure 3. Potential Output Growth under Different Scenarios

(In percent)



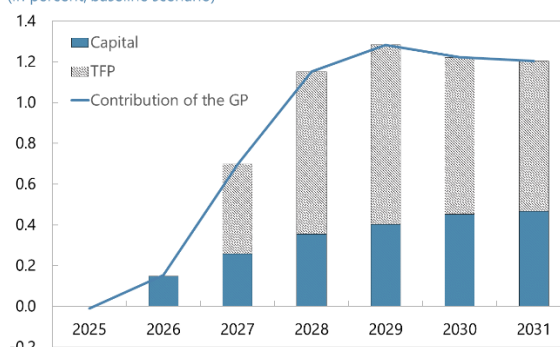
Annex I. Figure 4. Contributions to Potential Output Growth in Moldova

(In percent)



Annex I. Figure 5. Contribution of the EU Growth Plan to Potential Growth, by Components

(In percent, baseline scenario)



Source: IMF staff calculations.

7. The impact of the GP on public debt appears manageable. In the baseline, the public debt is projected to be on a slightly upward trajectory in percent of GDP, compared to a stable path pre-GP, and to reach 49 percent of GDP in 2045, 10 pts higher than pre-GP. This reflects also the rise in domestic debt service, as in the outer years the authorities rely more on domestic debt and commercial loans, including to repay GP financing. While there are currently no long-term sustainability concerns, it is critical that the authorities spend the additional financing wisely and implement reforms that will boost growth and investor confidence.

Annex II. Implementation of ECF-EFF and RSF Reforms

The ECF/EFF program helped preserve macroeconomic stability amid multiple shocks. Targets on international reserves and fiscal deficit were met in all reviews, and on social spending and government wage bill for most of the program. Other program objectives included strengthening the rule of law and anti-corruption framework; strengthening fiscal and financial governance; and supporting convergence with European peers. While objectives on central bank, financial sector, and SOE governance were largely achieved, and important progress was made in other areas, progress on fiscal commitments (spending composition, tax and public administration reforms) and the fight against high-level corruption stalled toward the end of the program. Performance under the RSF was also mixed, with several reforms still pending.

Annex II. Table 1. Moldova. Reform Implementation Under the ECF/EFF Arrangements

Reform Area	Policy Objective	Structural Reforms*	Status
Fiscal	Improve spending efficiency and fiscal sustainability	* Published reports on the execution of investment projects undertaken by extrabudgetary funds in the previous fiscal year.	Implemented
		* Amended legislation and regulations to expand the coverage of the existing PIM framework to include projects implemented by the state budget, externally funded projects, and extrabudgetary funds.	Implemented
		* Expanded the coverage of a comprehensive IT-based staff registry to all central government employees.	Implemented
		* Repealed the law reducing the retirement age for men and women from 63 to 62 years and from 59 to 57 years, respectively.	Implemented as PA
		* MoF to approve a Roadmap for a comprehensive medium-term salary structure reform, to realign functions with positions, reduce the number of reference values, and evaluate the fiscal implications	Pending
	Strengthen revenue mobilization and eliminate inefficiencies and inequities in tax system	* Operationalized integrated taxpayer register.	Implemented
		* Published a comprehensive tax expenditure analysis of VAT and income taxes to identify tax relief provisions to be phased out.	Implemented
		* Tax expenditure reviews institutionalized as part of the annual State budget planning.	Implemented
		* Extended the coverage of tax expenditure analyses to include excise, customs duties, and real estate tax.	Implemented
		* Prepared a proposal identifying tax expenditures to be phased out based on cost-benefit analysis.	Implemented
		* Submit for public consultation a new Chapter III of the Moldova Tax Code, setting out a VAT framework that is simple, broad-based, and compliant with the EU VAT acquis. * Cabinet to approve draft legislation to eliminate tax expenditures starting in January 2026, including by extending the tax base or revising preferential tax regimes, with the goal of raising at least MDL 900 million in additional annual revenue.	Pending Pending
	Strengthen tax administration reforms and revenue mobilization	* Introduced a General Anti-Avoidance Rule provision in the Tax Code to counter domestic and international abusive tax practices.	Implemented
		* Implemented an automated tax filing compliance program to improve on-time filing of tax returns, including by assigning penalties for late- or non-filing.	Implemented
		* Prepared a report summarizing the findings of a review of the legislative framework and practices of tax audit.	Not assessed, implemented after last review
		* Developed of a plan for modernization of tax audit in line with the findings of the report.	Not assessed, implemented after last review
Strengthen accuracy of general gov. data	* Presented fiscal accounts in GFSM2014 format for years 2023 and 2024.	Not assessed, implemented after last review	
Monetary and Financial Sector	Strengthen the institutional autonomy and governance of the NBM	* Filled the vacant deputy governor positions in NBM Executive Board (EB) in line with professional, integrity, and procedural requirements of the NBM Law.	Implemented as PA
		* Strengthened provisions for the institutional autonomy of the NBM: (i) the procedures and criteria for the appointment, resignation and dismissal of the Governor and Deputy Governors and members of the Supervisory Board (SB); (ii) prohibiting influence from public and private parties; and (iii) clarifying managerial responsibilities for the governor and the EB.	Not met, implemented as PA
		* Submitted to Parliament amendments stating derogatory provisions from the administrative procedures code to (i) eliminate inappropriate deadlines for NBM's supervision; (ii) granting the NBM operational autonomy over its assets; and (iii) adding an explicit mandate for financial stability and macroprudential policy of the NBM.	Not met, implemented as PA
		* Submitted to Parliament amendments to NBM law to (i) further strengthen procedures of appointment and dismissal of members of NBM decision-making bodies; (ii) fine-tune NBM governance and decision-making structures, especially the qualifications, membership, tenure, staggering and mandate of the executive and supervisory board members, and (iii) clarifying legal provisions on NBM's accountability to Parliament, and strengthening public communications.	Not met, implemented as PA

Annex II. Table 1. Moldova. Reform Implementation Under the ECF/EFF Arrangements (continued)

Reform Area	Policy Objective	Structural Reforms*	Status
Monetary and Financial Sector	Strengthen regulatory and supervisory frameworks	* Amended relevant legislation to transfer regulatory and supervisory responsibilities for oversight of non-bank credit organizations, savings and lending associations, and insurance companies to the NBM effective July 1, 2023.	Implemented as PA
		* Amended the NBM Law, the Law on Banks' Activity, and procedural codes to strengthen: (i) the bank shareholder removal framework; (ii) monetary compensation regime; and (iii) safeguards to	Implemented as PA
	Strengthen financial safety nets to increase resilience	* NBM approved secondary emergency liquidity assistance (ELA) regulations to enhance rules for collateral eligibility, risk controls, and internal procedures.	Not met, implemented with delay
		* Completed a targeted review of the Bank Recovery and Resolution Law (BRRL) and the relevant secondary legislation, in line with good practices to identify shortcomings, introduce more flexibility to the MREL requirement, the conditions of access to the resolution fund and the participation of the DGF in the financing of the resolution measures.	Implemented
	Improve financial inclusion	* Established an inter-agency committee to develop, implement, and monitor National Financial Inclusion Strategy (NFIS).	Implemented
Address financial stability risks in the non-banking financial sector	* Finalized the comprehensive solvency assessment report by a reputable auditing firm for all insurers issuing green cards.	Implemented	
	* The National Commission for Financial Markets (NCFM) adopted secondary legislation on insurance on licensing, qualified shareholders, and fit-and-proper and prudential requirements.	Implemented	
	* The NBM prepared and adopted the remaining necessary secondary legislation for Pillar II and III of Solvency II.	Implemented	
Anti-Corruption and the Rule of Law	Strengthen anti-corruption institutions	* Amend legislation to (i) allow legal professionals without prosecutorial experience to apply for the position of head of APO and (ii) establish a commission comprised of members with impeccable reputation and high professional and moral qualities to vet candidates for the APO head, using objective criteria stipulated by law.	Not met, implemented with delay
		* Improved the selection process for the head of the Anti-Corruption Prosecution Office (APO), leading to recruitment in June 2022.	Implemented
		* Enhanced APO's operational autonomy by ensuring that it has a separate line in the budget.	Implemented
		* Amended legislation to narrow the mandates of the APO and the National Anticorruption Centre (NAC) to high-level corruption.	Not met, implemented as PA, later reversed
		* Adopted amendments to include in APO's mandate all types of corruption-related offences listed in the UN Convention against Corruption and all high-level officials, except officials of districts, villages, and cities.	Implemented as PA, in place of previous benchmark Replaced with a new benchmark
		* Adopt legal amendments to grant APO autonomy in hiring of staff.	
Strengthen enforcement of the anti-corruption legal framework	* <i>Ensure APO is operationally independent and with staffing autonomy by (i) amending the Superior Council of Prosecutors regulations to require APO's written opinion on shortlisted prosecutors prior to transfer or promotion to APO; (ii) ensure that APO will be sufficiently staffed with at least 70</i>	Pending	
	* <i>Adoption of the law on establishment of anti-corruption adjudication infrastructure, including a credible selection process of anti-corruption judges, which will promote appointment of persons with impeccable reputation and high professional and moral qualities.</i>	Not met, partially implemented after last review	
Regulatory Framework	SOE reforms to reduce fiscal risks and foster competition, productivity, and private investment	* All SOEs at the central government level submit quarterly financial statements to the Public Property Agency.	Implemented
		* Adopted a state-ownership strategy—for all SOEs operating at the central government level—to identify public enterprises to undergo reorganization, privatization, or liquidation, as well as plans to strengthen their governance.	Not met, implemented with delay
		* Completed a triage of SOEs owned by the central government, in line with the approved state-ownership strategy, classifying SOEs into five categories.	Implemented
		* Developed for all SOEs owned by central government, (i) a framework for monitoring financial performance and mitigating related fiscal risks, and (ii) a plan to implement the triage and rationalize the number of SOEs in non-strategic sectors or loss making.	Not met, implemented with delay
		* Established regular conduct of SOE stress testing and institutionalized the fiscal risk analysis in the decision making processes at the MoF.	Not assessed, implemented after last review

* Reforms reported as implemented include those which were implemented with a delay and those implemented after the last completed review in December 2024, and hence not assessed by the Board. Pending reforms are in italic.
Source: IMF Staff.

Annex II. Table 2. Moldova. Reform Implementation Under the RSF Arrangement

Reform area	Implementation of RSF Reform Measures	
Adaptation and Mitigation Policy, and Disaster Risk Management	* Adopted the Law on Climate Action enabling low carbon development and climate change resilience and established a National Commission on Climate Change (NCCC) under the Office of the Prime Minister with clear tasks, responsibilities and procedures.	Implemented
	* Approved a Disaster Risk Management (DRM) program which covers the full spectrum of the Sendai framework, and defines an institutional framework with clearly assigned roles and responsibilities at the national and subnational level. The role for DRM coordination and strategic planning assigned under the Office of the Prime Minister.	Implemented
	* <i>Government to develop and disseminate natural disaster risk and vulnerability maps, including information on how and where climate hazards might affect the areas and regions, to assess risks and vulnerabilities of the population, infrastructure assets, sectors, and the economy/businesses.</i>	<i>Pending</i>
Energy Sector Policies	* Adjusted the EVRF starting from the 2024-25 heating season, by assigning the administration of payment provisions to the Ministry of Labor and Social Protection and implementing measures to delink the provision of support from current energy consumption by providing targeted cash transfers to beneficiaries, with the view to ensure preservation of price signals and to incentivize efficient consumption.	Implemented
	* Based on the results from the pilot project collecting information through smart meters, Ministry of Energy conducted a review for tariff differentiation options (e.g., day-night tariff) as a tool for managing demand fluctuations with the aim of facilitating balancing.	Not assessed, implemented after the last review
	* <i>Ministry of Energy to conduct calculations to determine the cost-recovery rate for the provision of electricity and natural gas (fully reflecting operational and capital cost) and (i) identify any discrepancy between tariff and so defined cost recovery, considering tax expenditures, (ii) undertake a distributional impact assessment, and (iii) close any gap by adjusting the tariff or by compensating the operating company transparently from the budget.</i>	<i>Pending</i>
Enabling Climate-Smart Infrastructure Investment and Fiscal Management	* Government has included climate change impact and vulnerability assessment in the project appraisal (and project selection) methodologies.	Not assessed, implemented after the last review
	* Ministry of Environment started to review and provide a written opinion of climate implications and climate vulnerabilities of projects and of the project portfolio included in budget submissions.	Not assessed, implemented after the last review
	* Ministry of Finance included assessment of fiscal risk from natural disasters to SOE infrastructure in the Fiscal Risk Statement.	Not assessed, implemented after the last review
	* <i>Ministry of Finance to report on climate spending allocations at the budget stage and climate related spending execution.</i>	<i>Pending</i>
Sustainable Finance Mobilization and Financial Sector Resilience	* Established an interagency steering committee (including the NBM, MOF, MOEDD, MOE, NCFM, and Moldovan Banks Association) on climate finance.	Implemented
	* The NBM developed, adopted, and start implementing a Sustainable Finance Strategy and Action Plan for Moldova's financial sector.	Implemented
	* <i>The NBM to develop a draft of the Sustainable Finance Taxonomy, start the public consultation process, and to approve the taxonomy by December 2025.</i>	<i>Pending</i>

* Reforms reported as not assessed but implemented are those which were implemented after the last completed review in December 2024, and hence not assessed by the Board. Pending reforms are in italic.

Source: IMF Staff.

Annex III. Implementation of Past IMF Policy Recommendations

2023 Article IV Recommendations	Policy Actions
Fiscal Policy	
<p>Fiscal policies should balance development needs with consolidation to ensure fiscal and debt sustainability by enhancing revenue mobilization, addressing recurrent budget under-execution, especially in capital spending and improving targeting and integration of social programs (Ajutor Social, APRA, EVRF).</p>	<p>Targeting of social spending programs has improved, with lower-bound spending targets generally met. However, tax reforms have stalled and capital spending continues to be under-executed, particularly relative to supplementary budgets.</p>
Monetary and Exchange Rate Policies	
<p>Support further capital account liberalization to improve monetary transmission; maintain ER flexibility, while preserving sufficient FX buffers.</p>	<p>The authorities took steps to liberalize some foreign exchange transactions by legal amendments to the law on foreign exchange regulation in May and June 2025. The NBM has continued its practice of limited foreign exchange interventions and maintained sufficient FX buffers, and changed the reference currency from USD to EUR at the beginning of 2025.</p>
<p>Safeguarding NBM independence to preserve policy credibility, achieve monetary policy objectives, and support macroeconomic and financial stability.</p>	<p>Significant improvements have been achieved through amendments to laws and regulations governing the NBM. The autonomy and independence of the NBM now benefit from provisions limiting external influence and enhanced legal protection, its operational independence is bolstered by provisions to eliminate inappropriate deadlines for NBM's supervision and granting the NBM operational autonomy over its assets, and its mandate has been amended to include financial stability and macroprudential policy. A separate package of NBM law amendments to improve its governance were part of past program conditionality but are still pending adoption in parliament.</p>
Financial Sector Policies	
<p>Support capital market development; improve access to credit, ease access to borrower information to help reduce credit risk and cost; have the underdeveloped insurance sector undergo a balance-sheet review in the context of introduction of the EU Solvency II framework.</p>	<p>The government recently approved the establishment of a new stock exchange to support financial market development. The NBM has developed a National Financial Inclusion Strategy, which was approved by the Government in June 2025, and is expected to be approved by the Parliament in 2026. It has launched an instant payment scheme in March 2024 and continued the development of open banking. Moldova also joined the Single European Payments Area (SEPA) in October 2025. The balance-sheet review of insurers was completed in May 2025 and found that some insurers are ready to implement Pillar I of Solvency II; for the</p>

	<p>others, the NBM has identified corrective actions and an appropriate implementation timeline.</p>
<p>Structural Policies</p>	
<ul style="list-style-type: none"> • <i>Fiscal governance:</i> Continue work to strengthen public investment management, guided by 2019 Public Investment Management Assessment (PIMA) recommendations, the recent Climate-PIMA (C-PIMA), and plans to strengthen MTBF preparation and implementation and implementing the 2023–30 action plan under the PFM Strategy. • <i>Financial governance:</i> Bolster financial safety nets; strengthen regulatory and supervisory frameworks for the non-bank financial sector; implement long-overdue reforms in the insurance sector; strengthen AML/CFT regime. • <i>Business environment, market competition, and labor market:</i> Improve the business environment, bolster market competition, strengthen governance and institutional reforms to create an enabling environment for growth. Increase average education levels, address skill mismatches, and increase labor participation. • <i>SOEs:</i> Following the triage for SOEs, elaborate a strategy for SOEs, including a framework for monitoring financial performance and 	<ul style="list-style-type: none"> • <i>Fiscal governance:</i> Public investment management was strengthened by implementation of the single project pipeline, the expansion of its scope, and the introduction of multi-annual commitment cycles under Special Funds. However, MTBF deliberations continue to have little impact on subsequently approved budgets. • <i>Financial governance:</i> Financial safety nets have been strengthened through the review of the Bank Recovery and Resolution Law, as well as the implementation of some of the recommendations in recent IMF TA reports. Supervision of the non-banking sector has improved after the migration of responsibilities to the NBM in July 2023, and the introduction of new reporting formats for non-banks since July 2024. Pillars II and III of Solvency II have been introduced, and Pillar I will be introduced now that the balance sheet review has concluded. The AML/CFT framework has strengthened considerably through introductions of changes to its AML/CFT Law, Contravention Code, and Law on Registration of Legal Entities, and adoption of the Law on Cash Payments. • <i>Business environment, market competition and labor markets:</i> The distributed tax system for SMEs has delivered some positive investment effects while the National Financial Inclusion Strategy aims to improve access to finance for SMEs. The labor force participation rate remains very low despite gains in female participation. • <i>SOEs:</i> The Ministry of Finance has enhanced analysis of SOE financial performance and related fiscal risks, including by introducing stress testing. Following the triage, the government is making

<p>mitigating related fiscal risks and rationalizing the number of SOEs</p> <ul style="list-style-type: none"> • <i>Rule of law and anti-corruption:</i> Continue pursuing reforms to combat high-level corruption by giving APO greater operational autonomy, particularly on staffing and create a specialized anti-corruption court with a selection process that will ensure the appointment of anti-corruption judges with high reputation and professional qualities using objective criteria. 	<p>some progress in merging and closing SOEs. Preparations for privatizations of some SOEs are ongoing, with no privatization completed so far.</p> <ul style="list-style-type: none"> • <i>Rule of law and anti-corruption:</i> Authorities were not able to amend the law to allow APO greater autonomy in selecting its own prosecutors and investigators due to constitutional challenges. However, the rules of procedure of the Superior Counsel of Prosecutors (SCP), which is mandated to select prosecutors for all prosecutorial branches, was amended to allow the head of APO to provide his/her comments during the selection process. A law on the creation of anti-corruption tribunals within the existing judicial structure was passed in 2025. The selection process for lower court judges, however, does not have the same level of scrutiny as appeals court judges.
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Annex IV. 2025 FSAP Main Recommendations

Recommendations		Authorities	Timeline
Systemic Risk Analysis			
1	Conduct top-down supervisory stress test with a static balance sheet assumption to compare results with the dynamic balance sheet assumption.	NBM	ST
2	Include the interest rate risk in the banking book in the top-down supervisory stress test.	NBM	MT
3	Use cash-flow data for all significant currencies to refine liquidity monitoring and stress testing.	NBM	ST
Macroprudential Policies			
4	Consider adopting a positive neutral CCyB, while keeping the existing SyRB to target all remaining structural systemic vulnerabilities not addressed by other buffers; inform the buffer calibration by stress tests and activate by a comprehensive forward-looking analysis.	NBM	ST
5	Align the scope of the state-backed homeownership program with the general BBM framework.	MoF, MoED	ST
6	Introduce differentiated LTV limits for category of borrowers (i.e., second and subsequent homebuyers, buy-to-let versus owner occupied dwellings).	NBM	MT
Banking Supervision and Regulation			
7	Amend the LNBM to clarify the policy objectives' hierarchy to ensure that the safety and soundness of the banking system is senior to supporting the government economic policy.	NBM, MoF	MT
8	Finalize ECF and EFF program reforms to strengthen central bank governance by introducing more checks and balances for appointing and dismissing decision-makers, limiting the term of Supervisory Board members who are not also in the Executive Board to 5 years, and amending the LNBM provisions to ensure fair legal dismissal processes.	NBM, MoF	I
9	Review and enhance major acquisitions framework in line with Basel Core Principles (BCPs).	NBM, MoF	MT
10	Further strengthen the supervisory framework by increasing resources to enhance onsite inspection frequency, ensuring more comprehensive coverage of risks with multi-year plans while prioritizing the scope with more pronounced risk-based supervision (RBS), deepening offsite supervision engagement with banks, and building capacity to more comprehensively address quantitative aspects.	NBM	ST
11	Amend the regulation on operational risk to cover all requirements in BCP 25, reflect the improvements in regulation into supervisory practices, and improve human resources.	NBM	MT
12	Increase availability of human resources and segregate functions within the AML/CFT division; finalize the approval process for RBS methodology, incorporate the evaluation results in the RBS process, and improve supervisory intrusiveness.	NBM	ST
Financial Integrity			
13	Based on the National Money Laundering (ML) and Terrorism Financing (TF) Risk Assessment results, develop a national AML and CFT strategy and Moldova-specific higher-risk country list and a supervisory strategy for all sectors under the NBM supervision.	NBM, SPCML, State Fiscal Service	ST
14	Conduct sectoral and institutional risk assessments for all supervised sectors and entities, based on the RBS methodology, increase targeted on-site inspections using the institutional risk profiles, and develop a sanctioning policy.	NBM	I
15	Fine-tune the internal procedures to increase AML/CFT division's engagement and a risk-based approach to propriety tests for management and ownership of financial institutions, maintaining the ownership threshold for the assessment of new shareholders.	NBM	MT
16	Conduct liquidity stress tests under AML/CFT breach scenario, using supervisory ML/TF risk assessments data, including identification of vulnerable banks, and analysis of possible contagion effects; and incorporate the findings into AML/CFT supervision.	NBM	ST

Financial Safety Net, Bank Resolution and Crisis Management

17	Develop, in cooperation with the banks, a phased strategy for banks to meet the MREL requirements by their effective date, including contingency measures and alternative solutions if compliance appears unfeasible before 2030.	NBM, MoF	ST
18	Further operationalize the resolution framework with enhanced resolution plans and resolution assessments—prioritizing expanded liquidity conditions—and with comprehensive resolution manuals, regular simulations, and increased resolution staffing.	NBM	ST
19	Assess the credibility of the current target level of the Bank Deposit Coverage Fund considering the substantial recent increases in the coverage level.	NBM, DGF	MT
20	Implement the IMF's 2023 ELA recommendations, focusing on defining solvency for ELA purposes and establishing a government guarantee for central bank liquidity support to banks facing financial stability threats.	NBM, MoF	ST

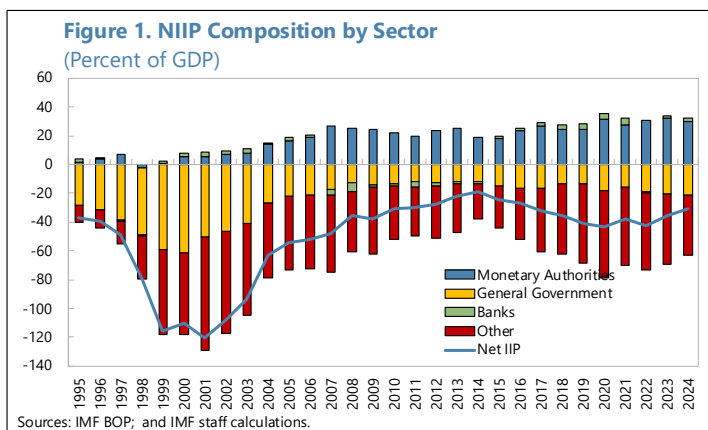
Annex V. External Sector Assessment

Overall Assessment: Moldova’s external position in 2025, based on preliminary data, was substantially weaker than the level implied by medium-term fundamentals and desirable policies, a deterioration compared to 2023, but the same as in 2022. The current account deficit is projected to have widened in 2025, reflecting a slow recovery in export of goods, higher food imports, and higher energy imports due to the energy shock. Gross official reserves are above adequate levels according to the IMF’s reserve adequacy metric. External financing from official and development partners has remained robust.

Potential Policy Responses: To increase the competitiveness of the economy, structural reforms should focus on improving the regulatory and administrative framework and enhancing digitalization in line with reforms under the EU Growth Plan (GP). There is also a need to diversify and increase the share of exports away from weather-dependent, agriculture-based products, which constitute the largest goods export category. Improving the skills of workers by adapting education and training to the labor market would improve human capital, boost productivity, and reduce unit labor costs. Improvements to legal and institutional energy frameworks and infrastructure will improve energy independence. Scaling up public investment in the near term in line with the GP followed by a buildup of public savings in the medium term will help ensure sustainable and balanced growth and accelerate income convergence.

Foreign Assets and Liabilities: Position and Trajectory

Background. Moldova’s NIIP improved in 2024 (Figure 1) to -33.4 percent of GDP, from -35.9 percent in 2023. Gross assets totaled \$7.9 billion and comprised mainly official reserve assets representing 30 percent of GDP and debt assets held by non-financial corporations, while gross liabilities totaled \$13.9 billion, and comprised primarily FDI liabilities (30.1 percent of GDP), liabilities of the general government (23 percent of GDP, including SDR allocation), and liabilities of non-financial corporations and individuals. External debt stood at \$10.3 billion at end-2024, slightly up from \$10.1 billion at end-2023, largely reflecting a decrease in private debt amid the reduction in FDI liabilities and non-financial corporations’ liabilities offsetting the increase in general government external borrowing, particularly from multilateral and official bilateral lenders.



Assessment. Moldova’s external sustainability risk is contained and the external debt distress risk is low. Risks are reduced by the large share of gross liabilities to direct investors and of the general government, which is predominately to multilateral and official bilateral creditors.

2024 (2025, projection) in % GDP	NIIP: -33.4 (39.5)	Gross Assets: 43.2 (42.2)	Debt Assets: 10.7 (10.4)	Gross Liab.: 76.6 (81.8)	Debt Liab.: 56.7 (62.9)
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Current Account

Background. The CA deficit widened to 16.6 percent of GDP in 2024 from 11.9 percent of GDP in 2023. The CA deficit was 17.2 percent in 2022. The worsening was driven by a deterioration in net exports of goods, with a decline in food exports and an increase in non-energy imports. The income balances also deteriorated, and remittances declined further. The CA deficit is expected to have widened further to 19.3 percent of GDP in 2025, due to a continued decline in exports of food and manufacturing goods, and a structural shift in electricity imports. The CA deficit is projected to modestly improve but stay elevated over the medium term, driven by a continued recovery in income balances, an acceleration of services exports, and declining energy imports.

Moldova: EBA-lite Model Results, 2025		
	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	-19.3	
Cyclical contributions (from model) (-)	0.3	
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	-19.3	
CA Norm (from model) 2/	-6.6	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-6.6	
CA Gap	-12.7	-14.6
o/w Relative policy gap	2.9	
Elasticity	-0.3	
REER Gap (in percent)	43.3	49.6

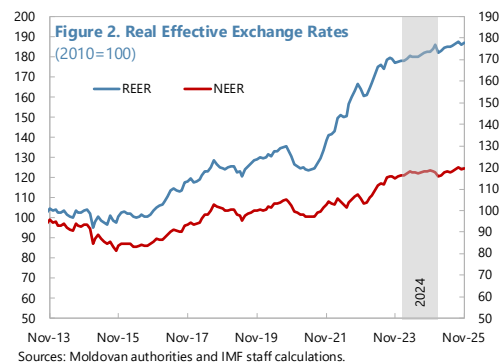
1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Assessment. Staff assess the exchange rate to be overvalued based on two methodologies, suggesting that Moldova’s external position at end-2025 is projected to be substantially weaker than implied by the level of medium-term fundamentals and desirable policy settings. In the CA model, the negative output gap relative to the world in 2025 is estimated to have reduced the actual CA deficit by 0.3 ppt of GDP while the model shows that natural disaster would have increased the actual CA deficit by 0.3 ppt of GDP. No additional adjustor has been used. As such, the adjusted CA deficit is estimated at 19.3 percent of GDP.

The CA norm—the level consistent with fundamentals and desirable policies—was estimated at -6.6 percent of GDP. This implies a model-estimated CA gap of -12.7 percent of GDP. The EBA-lite methodology identified a policy gap of 2.9 percent of GDP and a large residual, calling for caution in the interpretation of the result and policy recommendations to reduce imbalances. The policy gaps are primarily driven by a relatively lower budget execution and lower public health expenditure in 2025.

Real Exchange Rate

Background. Both the real and nominal effective exchange rates continued to strengthen in 2024 after the strong appreciation in 2023 (Figure 2). In the first eight months of 2025, NEER stabilized while REER continued to strengthen but at a slower pace amid higher domestic prices. As of end-December, the leu had appreciated by 9 percent in nominal terms against the U.S. dollar but had depreciated by 3 percent against the euro reflecting the global weakening of the dollar. Unit labor costs in Moldova remain below those of its more advanced neighbors, but rising nominal wages, currency appreciation, and low productivity growth have eroded competitiveness.



Assessment. Based on an elasticity of -0.3, the REER gap consistent with the staff-assessed CA gap suggests an overvaluation of the leu of about 43.3 percent. The EBA-lite REER approach estimates a larger overvaluation of the leu of about 49.6 percent. Based on these metrics and given significant uncertainty due to spillovers from the war in Ukraine and the temporary spike in inflation, staff view the exchange rate to be overvalued by about 40 percent.

Capital and Financial Accounts: Flows and Policy Measures

Background. The financial and capital account balance totaled 15 percent of GDP in 2024. Trade credits and currency and deposits have supported the financial account. Currency and deposit inflows, estimated roughly as the difference between personal remittance inflows and supply of cash from individuals on the domestic market, have historically financed the CA deficit. However, it is not clear where the cash comes from. Official flows from multilateral and bilateral donors also increased substantially in 2022 in response to the war in Ukraine and have remained robust since then, boosted also by EU GP financing. Net FDI inflows fell by almost 30 percent in 2024, but rebounded in 2025Q1.

Assessment. The capital and financial account will continue to be supported by official flows, FDI, and short-term private flows. EU GP financing will support external financing in the coming years.

FX Intervention and Reserves Level

Background. Gross international reserves increased to \$6.0 billion at end-December 2025 from \$5.5 billion at end-2024. NBM net foreign exchange sales in 2024 were \$216 million. In the first three quarters of 2024, demand and supply in the local FX market offset each other, although there were periods when demand for FX exceeded supply, resulting in modest depreciation pressures. FX market interventions resumed at end-October 2024 and intensified with increased depreciation pressures post-U.S. presidential elections and at the time of Moldova's presidential elections, amounting to net FX sales of around \$221 million. NBM net foreign exchange sales in 2025 were about €164 million as of October 1, 2025, including €28 million in bilateral sales to a bank, in line with FX regulations to reduce volatility, NBM has no plan to gradually sterilize that operation.

Assessment. At end-December 2024, gross international reserves stood at over 5.4 months of imports, or 200 percent of the Fund's composite reserve adequacy metric. Gross reserves are estimated to have remained stable at over 5 months of imports of goods and services in 2025 and to moderate slightly to more than 4 months of imports in the medium term, while still remaining above the Fund's composite reserve adequacy metric.

Annex VI. Risk Assessment Matrix

Source of Risk	Relative Likelihood and Time Horizon	Impact if Realized	Policy Response
<p>Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.</p>	<p>High</p> <p>Short to Medium Term</p>	<p>High</p> <ul style="list-style-type: none"> Trade policy uncertainty and higher trade barriers would reduce growth in trade partners and lower demand for Moldova’s exports, putting added pressure on the current account (CA) and adversely affecting net exports and growth. Trade barriers could also lead to supply disruptions, higher inflation, financial instability, and financing constraints for the government. 	<ul style="list-style-type: none"> Advance structural reforms to improve competitiveness. Monitor fiscal and financial sector risks closely. Limit public spending in line with available fiscal cash buffers and external financing. Ensure that high-priority social spending is protected. Seek additional donor/external support.
<p>Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.</p>	<p>High</p> <p>Short to Medium Term</p>	<p>High</p> <ul style="list-style-type: none"> Disruptions in trade and commodity price volatility would put added pressure on the CA and adversely affect net exports. Increasing uncertainty and confidence effects related to the war in Ukraine could lead to leu depreciation, and, in the extreme, deposit runs. Further escalation of the war in Ukraine may lead to new waves of refugee inflows to Moldova with additional pressures on the government budget. 	<ul style="list-style-type: none"> Advance structural reforms to improve competitiveness. Ensure that high-priority social spending is protected. Monitor fiscal and financial sector risks closely. Limit public spending in line with available fiscal cash buffers and external financing. Seek additional donor/external support.
<p>Financial Market Volatility and Correction. Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries (NBFIs) further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.</p>	<p>High</p> <p>Short to Medium Term</p>	<p>Medium</p> <ul style="list-style-type: none"> Tighter financing conditions would affect growth in trade partners, and lower demand for Moldova’s exports, with negative implications for growth. Depreciation of leu would increase cost of imports and inflation. The government could face a tightening of financing conditions. 	<ul style="list-style-type: none"> Closely monitor inflation and fiscal and financial sector risks. Maintain flexible exchange rate regime. Keep FX interventions limited to smoothing excessive volatility, in line with the NBM FXI regulations. Limit public spending in line with available fiscal cash buffers and external financing.

Source of Risk	Relative Likelihood and Time Horizon	Impact if Realized	Policy Response
<p>Commodity Price Volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.</p>	<p>High</p> <p>Short to Medium Term</p>	<p>High</p> <ul style="list-style-type: none"> • Sharper-than-anticipated increases in international energy prices, including due to supply disruptions, would raise the cost of energy imports and widen CA deficit. • Electricity supply may be constrained by capacity limitations, potentially necessitating purchases at significantly higher emergency prices. • Higher energy import prices would put pressure on inflation and the budget, given higher needs to support vulnerable households. 	<ul style="list-style-type: none"> • Adjust local energy tariffs. • Implement measures to reduce energy demand. • Extend support to the energy regulator to ensure energy sector security. • Draw down on stored gas. Secure alternative energy sources and suppliers. • Support the most vulnerable through targeted measures and transparent processes. • Seek additional donor/external support. • Closely monitor inflation and use monetary policy to contain second round effects of commodity prices shocks.
<p>Rising Social Discontent. High living costs, weak growth, and inequality may fuel social unrest, hinder necessary reforms, and weaken countries' capacity to address domestic and external shocks.</p>	<p>Medium</p> <p>Short to Medium Term</p>	<p>High</p> <ul style="list-style-type: none"> • Disruptions to economic activity and supply are likely in case of elevated social tensions and heightened insecurity from high inflation, prolonged job losses, and hampered business activity. • Loss of confidence in the government's ability to facilitate a strong recovery and/or address energy crisis may fuel political backlash and aggravate economic uncertainty. • Risk of policy reversals by the government in response to rising protest demands, and/or mitigate heightened instability. 	<ul style="list-style-type: none"> • Strengthen budget outlays, especially those geared toward social spending in support of affected households, businesses, and economic recovery. • Communicate the government's policy deliverables clearly to the population and economic agents; to sustain credibility and provide clarity and assurances to market participants on the adjustment path. • Enhance anti-corruption and rule of law measures, including those aimed at increasing transparency and accountability in public spending. • Avoid policy reversals.
<p>Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies trigger financial and economic instability.</p>	<p>High</p> <p>Short to Medium Term</p>	<p>Medium</p> <ul style="list-style-type: none"> • Potential paralysis of financial services provided by banks and NBFIs could depress economic activity and induce additional costs and financial losses; fuel sudden stops in government, household, and cross border operations; and raise fear of financial contagion. 	<ul style="list-style-type: none"> • Review and strengthen national cyber security risk management and mitigation policies, such as safety of personal, banking, and sensitive official information sources, records, and data systems. • Invest in continuous, automatic backups on secured servers. • Step up cooperation with international and bilateral partners.
<p>Climate Change. Extreme climate events driven by rising temperatures cause loss of lives, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.</p>	<p>Medium</p> <p>Short to Medium Term</p>	<p>High</p> <ul style="list-style-type: none"> • Adverse weather conditions would directly affect economic and labor conditions in the large agricultural sector, put pressures on domestic food prices, and reduce export flows. • Lower potential growth. 	<ul style="list-style-type: none"> • Intensify reforms aimed at diversifying the economy • Improve competitiveness via structural reforms. • Invest in climate-related adaptive capacity.

Source of Risk	Relative Likelihood and Time Horizon	Impact if Realized	Policy Response
<p>Destabilization in the Transnistrian Region. A prolonged rationing or cut off of gas deliveries by Gazprom could deepen the economic crisis in the region, with severe effects on population, leading to spillovers to Moldova.</p>	<p>Medium</p> <p>Short to Medium Term</p>	<p>High</p> <ul style="list-style-type: none"> Spillover effects for Moldova through increased fiscal burden, and heightened tensions, possibly leading to migration pressures. In the Transnistrian region: Significant increase in energy prices, loss of price competitiveness of key exporters, and loss of budgetary resources due to cessation of electricity sales to the right bank. Social/humanitarian consequences; possible emigration pressures. 	<ul style="list-style-type: none"> Engage with the authorities of the Transnistrian region to fill in data and information gaps to improve monitoring and planning. Develop contingency plans for social support and seek international financial assistance and humanitarian funding. Prepare for potential migration flows by strengthening social assistance programs, housing support, and labor market integration. Enhance aid coordination in case of population displacement.
<p>Real Estate Price Corrections, Worsening of Corporate Balance Sheets and Spillovers from Non-Banks to Banks, resulting from shocks to the energy and agricultural sectors.</p>	<p>Medium</p> <p>Short Term</p>	<p>Medium</p> <ul style="list-style-type: none"> A significant worsening of borrower balance sheets would lead to rising NPLs. Spillovers from NBFIs could further exacerbate stress in financial institutions. 	<ul style="list-style-type: none"> Strengthen supervision of non-banks, improve data quality, and stand ready to take necessary preventive regulatory measures should risks increase. Follow procedures in place, including collateral enforcement and capital and provisioning buffers to absorb losses. Implement policies to resolve insolvent non-bank entities.
<p>Materialization of Governance Weaknesses or Corruption Vulnerabilities could contribute to domestic populism and reform fatigue, jeopardize reform momentum, and undermine donor funding.</p>	<p>Medium</p> <p>Medium Term</p>	<p>Medium</p> <ul style="list-style-type: none"> Lower potential growth on account of continued emigration, poor infrastructure, and low productivity. 	<ul style="list-style-type: none"> Strengthen anticorruption efforts and rule of law to instill public confidence in government and public bodies. Continue policy reforms and safeguard progress to date. Continue growth-friendly fiscal policy. Protect social spending on poor, improve targeting. Resist populist demands. Maintain flexible exchange rate regime. Implement active labor market policies to encourage labor market participation.
<p>Implementation of the EU Growth Plan presents downside risks in case of significant delays or misallocation of funds.</p>	<p>Medium</p> <p>Short to Medium Term</p>	<p>High/Medium</p> <ul style="list-style-type: none"> Delays and under-implementation would be a lost opportunity to lift the potential growth and could lead to financing gaps Misallocation of funds would imply increases in public debt without benefits of lifting potential growth leading to unfavorable debt-to-GDP dynamics. 	<ul style="list-style-type: none"> Increase capacity to implement reforms and improve management of public investment projects. Enhance revenue mobilization to contain fiscal deficits and improve the debt trajectory.

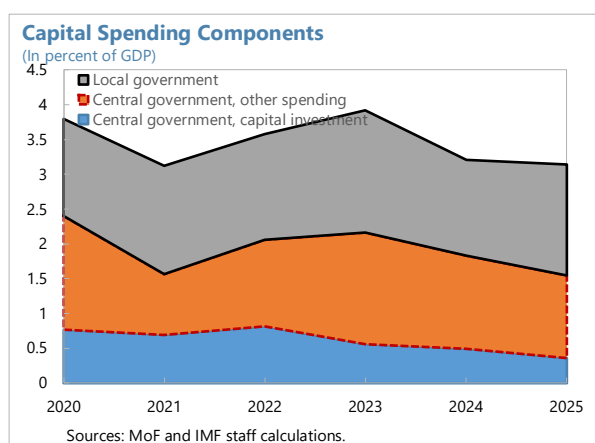
Annex VII. Capital Spending—Composition, Reforms, and Execution Potential¹

This Annex assesses Moldova’s capital spending outlook for 2026 by reviewing the composition of capital spending, ongoing reform efforts, and historical execution patterns. Recent reforms have largely strengthened project quality and control—particularly at the central government level—but have not materially expanded near-term spending capacity. This, combined with a shift of spending to categories subject to lighter scrutiny suggests that execution of the sharply higher capital allocations in the 2026 budget could fall short of budgeted levels, supporting staff’s more cautious projections.

Size and Composition of Capital Spending

1. Capital spending in Moldova consists of distinct components that differ in terms of governance, scalability, execution capacity and their likely impact on growth:

- Capital investments** (about 13 percent of total capital spending since 2024) include the construction of new fixed assets and the reconstruction and expansion of existing assets. At the central government level, such investments are selected through the single project pipeline (SPP).
- Other capital expenses** (about 39 percent of total capital spending since 2024) include procurement for the creation or repair of fixed assets. The line between capital investments and expenses is in some cases blurry, but the classification determines screening and selection procedures, which are less onerous for capital expenses. Capital expenses are characterized by high year to year volatility.
- Local government spending** (about 47 percent of total capital spending since 2024) is focused on improving regional public infrastructure, including water supply, sanitation, or street lighting. About half of local projects are financed from local budgets and autonomously selected; the other half benefits from special fund contributions (e.g. Regional Development Fund, RDF), managed by Ministry of Infrastructure and Regional Development (MIRD).



Ongoing Reform Efforts

2. **MoF flagship reforms have aimed at streamlining the selection procedures for capital investment at the central government level.** Since 2023, all central government capital investment projects above MDL 5 million—regardless of their financing source—have been subject to a unified and rigorous appraisal process under the SPP, requiring feasibility studies, environmental impact

¹ Prepared by S. Beer (FAD).

assessments, and selection through a committee headed by the MoF. In 2025, the threshold for inclusion in the pipeline was lowered, and large projects financed through special funds (including the Road and Regional Development Fund, RDF)—even if not formally classified as capital investments—were included to harmonize procedures.

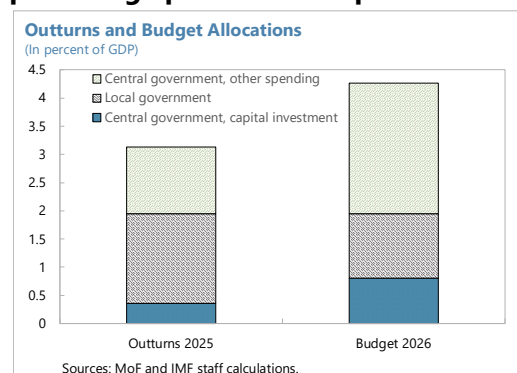
3. These reforms have improved project quality and control, although their impact on spending capacity has been—and is likely to remain—limited in the near term. Since implementation of the SPP, spending on capital investments by the central government declined from 0.7 percent of GDP pre-2023 to 0.36 percent of GDP in 2025, likely to some extent reflecting increased scrutiny of project selection. However, there was no significant improvement in execution. Capital investments by year-end 2025 amounted to just 57 percent of the initially approved budget. From 2026, all line ministries will have dedicated PIM units with knowledge on the procedures and requirements of the SPP. While these units are expected to speed up project preparation, coordination with MoF is not yet fully articulated, and on-the-job training will likely be necessary before the units become fully effective.

4. Reforms at the MIRD could support execution of local government capital spending, but their contribution to aggregate productivity improvements are likely more limited. About half of local capital spending is financed by the RDF, primarily through the European Village program. The smaller scale of RDF-financed projects and different screening and selection procedures imply a comparatively lower level of scrutiny compared to central government capital investments. In 2025, the government authorized the inclusion of multi-annual projects under the RDF, which is expected to improve execution rates.

5. The government has approved a new public procurement law, which is expected to become fully operational in 2027. The law raises thresholds for simplified procurement, expands the allowable scope for contract value modifications, introduces new procurement procedures, and aligns the legal framework with EU standards. While this should ease pressures on the Public Procurement Agency and support higher execution rates, the changes also risk reducing oversight and control. Implementation of the law requires substantial upgrades to the electronic procurement platform and extensive capacity building to support the shift toward awarding contracts based on best value for money rather than lowest price alone, delaying operationalization to 2027.

2026 Budget Allocations and Execution Potential

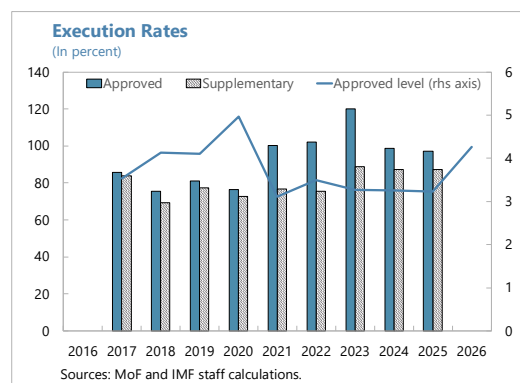
6. The 2026 budget raises capital allocations by 1.2 percentage points to 4.26 percent of GDP. Both the increase and the level represent a sharp departure from historical experience. Over the past decade, annual increases in capital spending have not exceeded 0.5 percentage points of GDP, and peak capital spending reached 3.9 percent of GDP in 2023. The budget also foresees a significant change in the composition of capital spending: local government allocations are reduced by 0.44 percentage points, and capital investments are increased by a similar amount. Other



capital expense allocations increase by 1.1 percentage points to 2.3 percent of GDP, or by more than 100 percent in nominal terms.

7. While the gap between initial budget allocations and execution has narrowed over time, this was primarily driven by lower budget allocations between 2021 and 2025. Since

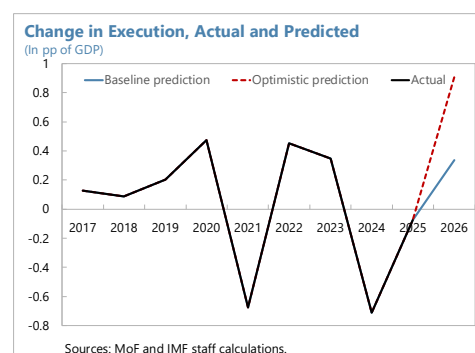
2021, full year spending closely tracked initial allocations and even exceeded those in 2023 (blue bars, text figure). However, the improved execution rate coincided with a notable reduction in initially approved budgets since 2021 (grey line). While execution rates expressed in terms of supplementary budgets have also improved over time—indicating greater realism also in mid-year adjustments—they continue to significantly fall short of 100 percent, including since 2023.



8. Initial budget allocations are important

predictors for full-year results and regression results suggest that capital spending in 2026 could increase by between 0.35 and 0.9 percent of GDP. The estimations use data between 2016 and 2025, where the annual change in capital execution is explained with changes in initial budget allocations (both expressed in terms of percentage point changes relative to last year). Two models are estimated:

- The first model (baseline prediction) only includes budget increases as a predictor and suggest an increase in capital spending in 2026 by about 0.35 percentage points, reaching roughly 3.4 percent of GDP.
- The second model (orange line) includes a dummy variable to capture the shift since 2021. If the greater realism observed in initial budget allocations since 2021 continues in 2026, capital spending could increase by up to 0.9 percentage points, reaching around 4.0 percent of GDP.



9. Taken together, there appears to be a significant risk of under-execution of the ambitious capital envelope in 2026 budget. While the empirical analysis suggests some scope for higher capital spending, recent reforms have primarily targeted project quality, procedural control, and medium-term governance rather than expanding near-term execution capacity. At the same time, the planned increase in capital allocations is concentrated in projects with lighter scrutiny, likely implying less preparedness. As a result, the ambitious capital envelope in the 2026 budget is unlikely to be fully absorbed, despite continued progress in strengthening public investment management. This supports staff's cautious projections, assuming a 0.5 ppt increase in capital spending in 2026.

Annex VIII. Moldova's Distributed Profit Tax¹

The distributed profit tax (DPT) regime can in principle incentivize investments; however, the historical evidence is mixed on the benefits, while pointing to potentially significant revenue losses. This annex assesses the potential benefits and costs of extending and expanding the DPT regime in Moldova.

Current Regime

1. The government has had in place a deferred tax regime for SMEs—structurally equivalent to a DPT—since 2023 and has extended the regime for one year. The regime allows corporations with annual turnover below MDL 100 million (approximately \$6 million) and fewer than 249 employees to defer payment of corporate income tax (CIT) in proportion to the share of profit that is retained in the company, either reinvested or held as a reserve. Profit and dividend taxes are due upon distribution of earnings to shareholders, without a default rule clarifying how dividends are matched with past profits. The regime excludes the financial sector, and taxpayers in turnover-based tax regimes (IT park, micro business, etc.).

2. In principle, the deferred tax regime incentivizes investments and can lower leverage. By delaying tax collection until distribution, the regime allows companies to reinvest their full gross profit, including the share that would otherwise be paid as CIT. As the same combined tax on distributions² applies irrespectively of whether profits are taken out today or in the future, the decision to reinvest or distribute is—in contrast to the regular CIT regime—determined solely by a project's economic viability. The reduction in the marginal effective tax rate on investments financed through retained earnings should stimulate capital spending and reduce the relative reliance on debt financing which enjoys a tax preference in the regular CIT regime.

3. However, the deferred tax regime is likely less effective in stimulating investments by SMEs, compared to mature firms, and it can induce capital misallocation through lock-in effects. Unlike mature firms, startups typically lack the retained earnings necessary to self-finance, implying they are less likely to benefit from the DPT. Instead they are often dependent on new equity injections, a funding source that receives no relief under the DPT regime. This disparity between the tax treatment of retained earnings and new equity financing creates a lock-in effect: mature companies are incentivized to hoard capital internally, even for lower-yield projects, rather than reallocating it to more productive, high-growth startups.

Historical Evidence

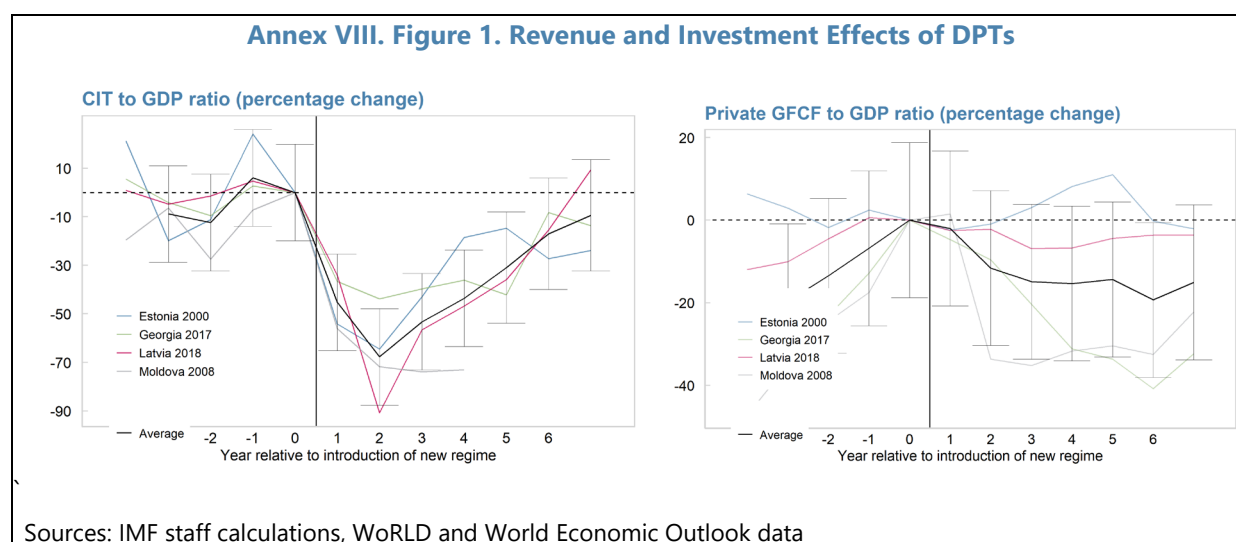
4. Several countries, including Moldova, implemented variants of a DPT in the past. The regime was pioneered by Estonia in 2000 as a broad-based system, inspiring subsequent adoption by Georgia (2017) and Latvia (2018). While Estonia maintains broad eligibility, Georgia excluded the financial sector from the start. Latvia initially extended the regime to all sectors but excluded financial institutions in 2024, as rising interest rates had generated substantial profits that otherwise

¹ Prepared by S. Beer (FAD).

² Levied at a rate of 17.28 percent, including CIT of 12 percent plus 6 percent dividend tax on the net remainder.

remained untaxed. Moldova introduced a similar regime in 2008 but returned to a standard CIT after four years due to fiscal pressures, following a revenue collapse from 2.6 percent of GDP in 2007 to 0.6 percent in 2011.

5. International experience shows that the introduction of a DPT is typically associated with a substantial and sustained reduction in revenues while impacts on investment are ambiguous. In the four countries that implemented the tax for most of the economy, corporate tax receipts plummeted on average by nearly 70 percent within the first two years following the introduction of a DPT. Collections recovered only gradually, remaining 20 percent below pre-reform levels by year six. The cumulative revenue loss over this six-year horizon amounted to approximately 2.6 times a country's annual pre-reform CIT collections (Annex Figure, left panel). Estonia observed an increase in private gross fixed capital formation relative to GDP for roughly five years post-implementation; investment levels fell in the other adopting countries. Overall, the average change in investment following the regime's introduction did not differ significantly from zero.



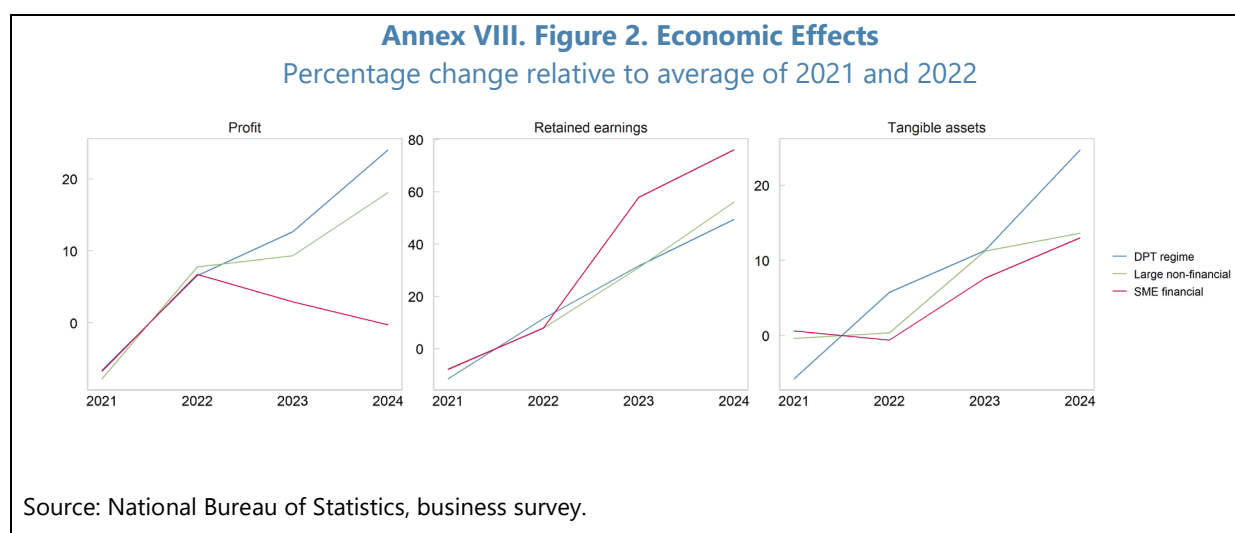
The Way Forward for Moldova

6. Preliminary evidence on Moldova's recently introduced deferred tax regime is in line with prior experience, albeit at a smaller scale due to the eligibility restriction to SMEs:

- **Revenues:** In 2022, the authorities projected the regime would reduce revenues by 1.2-1.7 billion MDL, or 17 to 24 percent of relevant CIT collections, which include tax on entrepreneurial activity and dividend withholding. This is broadly consistent with historical experience in other

jurisdictions³ and with the corporate tax-to-GDP ratio having declined by 18.6 percent since then.⁴

- Economic effects:** Aggregate investments in productive tangible assets shows no clear uptick since introduction of the regime. However, information from the NBS business survey, which provides a breakdown by firm size and activities, indicates that both profit and the stock of tangible assets of eligible firms have increased in percentage terms by more than those of large non-financial firms and financial SMEs (two potential control groups). At the same time, growth in retained earnings of eligible firms was lower than among controls, which may reflect larger depreciation allowances (if profit in the business survey is gross of these) that would result from increased investments expenditures. Accordingly, there are some indications of positive investment effects, but granularity of the business survey is too coarse to establish statistical significance or control for confounding factors.



7. Broadening the regime would likely create compatibility issues with the OECD's global minimum tax. Because Moldova's regime was established after a 2021 eligibility cutoff, it would likely not qualify as an "Eligible Distribution Tax System" under Pillar Two rules. In this case, large multinational enterprises would not benefit from the four-year deferral mechanism available to eligible countries like Estonia. Instead, any year in which a firm retains earnings and pays 0 percent tax in Moldova would immediately trigger a 15 percent top-up tax in its home jurisdiction. This would effectively transfer tax revenue from Moldova to foreign governments without providing any net tax relief to investors.

³ Given that eligibility restrictions limit the regime's scope to approximately 56 percent of the corporate tax base, the estimates imply revenue losses that is extended to all firms of about 32 to 45 percent.

⁴ Revenue data shows that around 11 percent of total collections were made from the financial sector in 2022 while data from the National Bureau of Statistics shows that positive profits by large firms outside of the financial sector accounted for 36 percent of aggregate profits. This implies that eligible firms (SMEs outside of financial) accounted for 56 percent of total positive profit.

8. The authorities should carefully assess costs and benefits before further expansion of the regime in scope or time. Aggregate investment data likely mask heterogenous investment effects while business surveys might not reveal actual implementation patterns. Revenue and investments effects should be carefully analyzed drawing on taxpayer level data. Moreover, if the regime were to be extended to larger firms, effects on investment and revenues may differ, given structural differences of small and large firms in their financing options and the need to pay dividends. These differences should be considered in extrapolating wider impacts.

Annex IX. Data Issues

Annex IX. Table 1. Moldova: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	A	A	B	A	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage 3/	B	A	B	A	A		
Granularity 4/	B		A	B	A		
			A		A		
Consistency			A	C		B	
Frequency and Timeliness	B	A	A	A	A		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ Data exclude the Transnistrian region.</p> <p>4/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
<p>Rationale for staff assessment. Data provided to the Fund is broadly adequate for surveillance, with some shortcomings. Moldova should work on reducing the size of revisions in national account statistics, improve the timeliness of annual growth data of GDP components and coverage (e.g. split between public and private investment). In the BOP statistics, staff struggle to track sources of currency deposit inflows in the financial account and has identified consistency issues, as changes in BOP transactions are not fully captured in the IIP stock due to offsetting reclassifications. As a result, NIIP continues to improve despite a significant current account deficit. There is also a large unexplained residual in private debt. Authorities are still in the process of including extrabudgetary units fully or mostly funded by the state budget in the general government sector in line with the GFSM 2014. The existing fiscal data has also some methodological issues with the classification of expenditures, identified in previous IMF GFS TA, that still need to be addressed. Timely and regular delivery of data on NFBIs would be helpful, as well as quarterly reporting on the use of cash buffer for budget financing.</p>							
<p>Changes since the last Article IV consultation. Since last Article IV, TA was provided to help with reporting government finance statistics in line with GFSM2014, including by extending its coverage and TA to NBM on financial accounts and balance sheets.</p>							
<p>Corrective actions and capacity development priorities. TA for national accounts and BOP statistics would help improve data timeliness, minimize revisions, and improve overall consistency. Further TA on GFS would be needed to help align institutional classification with ESA, and move to reporting on accrual basis. The authorities received TA to move to GFSM2014 reporting but full implementation and regular dissemination in this format will require more time. Authorities highlighted the need for support to align national accounts, price and balance of payment statistics with EU rules.</p>							
<p>Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.</p>							
<p>Other data gaps. Data on the Transnistrian region, which is not included in the Moldovan national statistics, are not readily available, scarce and infrequently updated. There are no gaps in data on other topics relevant for Fund surveillance.</p>							

Annex IX. Table 3. Moldova: Table of Common Indicators Required for Surveillance

As of January 13, 2026 - PRELIMINARY

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Moldova ⁸	Expected Timeliness ^{6,7}	Moldova ⁸
Exchange Rates	13-Jan-26	13-Jan-26	D	D	D	D	...	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	31-Dec-25	12-Jan-26	M	M	M	M	1M	NLT 25D
Reserve/Base Money	9-Jan-26	13-Jan-26	M	M	M	M	2W	NLT 2W
Broad Money	31-Dec-25	13-Jan-26	M	M	M	M	1M	NLT 22D
Central Bank Balance Sheet	9-Jan-26	13-Jan-26	M	M	M	M	2W	NLT 2W
Consolidated Balance Sheet of the Banking System	31-Dec-25	13-Jan-26	M	M	M	M	1M	NLT 22D
Interest Rates ²	13-Jan-26	13-Jan-26	D	D	D	D	...	1D
Consumer Price Index	31-Dec-25	12-Jan-26	M	M	M	M	1M	NLT 15D
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	30-Nov-25	31-Dec-25	M	M	A	A	2Q	4M
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	30-Nov-25	31-Dec-25	M	M	M	M	1M	25D
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	30-Nov-25	31-Dec-25	M	M	Q	M	1Q	25D
External Current Account Balance	Q3, 2025	31-Dec-25	Q	Q	Q	Q	1Q	NLT 1Q
Exports and Imports of Goods and Services	31-Oct-25	15-Dec-25	M	M	M	M	8W	7W
GDP/GNP	Q3, 2025	15-Dec-25	Q	Q	Q	Q	1Q	NLT 1Q
Gross External Debt	Q3, 2025	31-Dec-25	Q	Q	Q	Q	1Q	NLT 1Q
International Investment Position	Q3, 2025	31-Dec-25	Q	Q	Q	Q	1Q	NLT 1Q

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."



REPUBLIC OF MOLDOVA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION — INFORMATIONAL ANNEX

February 10, 2026

Prepared By

European Department (in consultation with other Departments)

CONTENTS

FUND RELATIONS _____ 2

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS _____ 6

FUND RELATIONS

(As of December 31, 2025)

Membership Status: Joined August 12, 1992; Article VIII

General Resources Account:	SDR million	Percent of Quota
Quota	172.50	100.00
IMF holdings of currency	580.96	336.79
Reserve tranche position	0.01	0.00
SDR Department:	SDR million	Percent of Allocation
Net cumulative allocation	283.05	100.00
Holdings	1.45	0.51
Outstanding Purchases and Loans:	SDR million	Percent of Quota
RSF Arrangements	53.91	31.25
RCF Loans	51.75	30.00
Extended Arrangements	408.46	236.79
ECF Arrangements	202.51	117.40
Total	716.63	415.44

Latest Financial Commitments: ^{1/}

Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
RSF	12/06/2023	10/19/2025	129.38	53.91
EFF	12/20/2021	10/19/2025	396.18	370.65
ECF	12/20/2021	10/19/2025	198.09	179.05

Outright Loans:

Type	Approval Date	Date Drawn	Amount Approved (SDR million)	Amount Drawn (SDR million)
RCF	4/17/2020	4/21/2020	57.50	57.50
RFI	4/17/2020	4/20/2020	115.00	115.00

^{1/} Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment (i.e., Board approval date).

Overdue Obligations and Projected Payments to the Fund: 2/

N/A

Forthcoming Payments

(SDR million; based on existing use of resources and present holdings of SDRs)

	2026	2027	2028	2029	2030
Principal	44.47	59.46	79.08	110.00	104.61
Charges/Interest	22.60	21.68	20.54	18.84	16.75
Total	67.07	81.14	99.62	128.85	121.36

2/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Safeguards Assessment:

1. The last safeguards assessment of the National Bank of Moldova (NBM), completed in September 2020, found that the NBM maintained sound operational controls and adhered to international standards for transparency and accountability. Its governance framework, supported by independent oversight, was broadly appropriate. The assessment highlighted the need to further strengthen the legal framework to safeguard NBM autonomy and governance. Legislative amendments adopted in December 2022 enhanced the institutional autonomy and governance, and further amendments under parliamentary consideration are expected to reinforce these gains. All safeguards recommendations have been implemented.

Exchange Arrangements:

2. Moldova has accepted the obligations under Article VIII, Sections 2, 3 and 4, and maintains an exchange system that is free of restrictions on making of payments and transfers for current international transactions and multiple currency practices.

3. Moldova's de jure and de facto exchange rate arrangements are classified as floating. The NBM intervenes in the domestic foreign exchange (FX) interbank market to mitigate imbalances of the Moldovan leu against the Euro (against the US Dollar prior to 2025) and to adjust the level of FX reserves. FX market imbalances are indicated by intervention criteria specified on market conditions. These interventions do not aim to change trends of the exchange rate determined by market forces. The NBM intervenes directly at the market-quoted rates and publishes aggregated monthly data on its website regarding its interventions and interbank market turnover. The data show interventions by currency and type of operation (spot or derivative).

4. The official exchange rate of the leu against the Euro is determined daily as the arithmetic mean of the average values of prevailing bid and ask rates weighted to the volume of spot. The official exchange rate of the leu against other foreign currencies is based on the official exchange rate of the leu against the Euro and the cross-rate of the respective foreign currency against the Euro on international markets. The official exchange rate is used for accounting and statistical purposes.

markets. The official exchange rate is used for accounting and statistical purposes.

Article IV Consultations:

5. The most recent Article IV consultation was concluded on December 6, 2023. The staff report (Country Report No. 23/428) was published.

FSAP Participation:

6. Moldova has undertaken four FSAP assessments:

- 2004 – main mission May 2004; FSSA (Country Report No. 05/64) presented to the Board at the time of the 2004 Article IV discussions and published in February 2005.
- 2007 – main mission October 2007; FSSA (Country Report No. 08/274) presented to the Board with the 2007 Article IV Consultation report and published in August 2008.
- 2014 – main mission March 2014; FSSA (Country Report 16/70) presented to the Board with the 2014 Article IV Consultation report and published in February 2016.
- 2025 – main mission July-August 2025; FSSA (Country Report x/xx) presented to the Board with 2025 Article IV Consultation report.

Resident Representative:

7. Ms. Svetlana Cerović assumed duties as Resident Representative on August 18, 2023.

Technical Assistance Since Last Article IV Consultation (December 2023):

Department	Timing	Topic
FAD	January, February, June, July 2024	Tax Diagnostic
FAD	March - April 2024	CD of Tax and Customs Analysis Department
FAD	September - October 2024	EU Accession Support in Tax Policy Area
FAD	March 2025	Transposition of Select EU Directives; Income Taxes
FAD	April 2025	Workshop on Personal Income Tax Modelling
FAD	June 2025	Transposition of Select EU Directives; International Tax Issues
FAD	February - April 2025	Tax Code - Legal Drafting Support
FAD	October 2024	Tax Administration
FAD	March 2025	Tax Audit
FAD	June 2025	Tax Compliance Gap
FAD	October 2025	Tax Audit

Department	Timing	Topic
FAD	July 2024	PFM
FAD	October 2025	PFM
FAD	January - February 2025	SOE Fiscal Risk Management
FAD	April 2025	SOE Fiscal Risk Management
FAD	May 2025	SOE Fiscal Risk Management
MCM-LEG	January - December 2025	FSAP
MCM-LEG	April 2025	LEG AML Illicit Financial Flows
MCM-LEG	September - October 2025	Central Bank Governance
MCM-LEG	November 2024	Central Bank Governance
MCM-LEG	September 2024	Central Bank Governance
STA	September 2024	Government Finance Statistics
STA	April 2024	Financial Accounts and Balance Sheet Statistics

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- As of February 10, 2026, Moldova has collaborations with the World Bank Group, the European Bank for Reconstruction and Development, and the European Investment Bank.
- Further information can be obtained from the following hyperlinks.

International Financial Institution	Hyperlink
The World Bank Group (WBG)	https://www.worldbank.org/en/country/moldova
The European Bank for Reconstruction and Development (EBRD)	https://www.ebrd.com/moldova.html
European Investment Bank (EIB)	https://www.eib.org/en/projects/regions/eastern-neighbours/moldova/index.htm



REPUBLIC OF MOLDOVA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION— DEBT SUSTAINABILITY ANALYSIS

February 10, 2026

Approved By:

**Mark Horton (EUR), Jarkko
Turunen (SPR), Asad Alam and
Manuela Francisco (IDA)**

Prepared by the staffs of the International
Monetary Fund (IMF) and the International
Development Association (IDA)

Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	Low
Overall risk of debt distress	Moderate
Granularity in the risk rating	Not applicable
Application of judgment	No

This Debt Sustainability Analysis (DSA) assesses Moldova at low risk of external debt distress and at moderate risk of overall public debt distress, unchanged from the previous assessment.¹ Moldova's public debt is considered sustainable with current debt carrying capacity assessed as strong.² Overall, the public debt trajectory remains vulnerable to risks, particularly from shocks to real GDP growth, calling for broadening growth drivers and enhancing reform momentum. In addition, improving governance, enhancing effectiveness of public spending—especially public investment and budget execution—and strengthening management of fiscal risks, including from SOEs, are priorities for reducing vulnerabilities.

¹ The previous DSA (dated December 2024) accompanied the Staff Report for the Sixth Reviews under the ECF/EFF and the Second Review under the RSF.

² Moldova's Composite Indicator (CI) index, based on the October 2025 WEO update and the World Bank 2024 Country Policy and Institutional Assessment (CPIA), indicates that the debt carrying capacity remains strong (3.055), but close to the lower bound of 3.05 of strong debt carrying capacity.

PUBLIC DEBT COVERAGE

1. **Moldova's public debt includes obligations of the public sector—central government, local authorities, public entities—as in the previous DSA.**³ Public debt comprises external and domestic obligations, including arrears to suppliers and guaranteed debt. Debt coverage includes debt of state and municipal enterprises, of companies with full or majority public ownership, and of local public authorities with maturity of a year and above, as stipulated in Law No. 419 (2006) on Public Sector Debt, State Guarantees and State On-lending.⁴ Debt contracted and owed to the IMF by the central government and the National Bank of Moldova (NBM) is also covered. Debt coverage is on residency basis.

Text Table 1. Public Debt Coverage

Public Debt Coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	X
3	Other elements in the general government	
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

Public Debt Coverage and the Magnitude of the Contingent Liability Tailored Stress Test

		Default	Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central, state, and local governments plus social security, central bank, government-guaranteed debt, non-guaranteed SOE debt		
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4	PPP	35 percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		7.0	

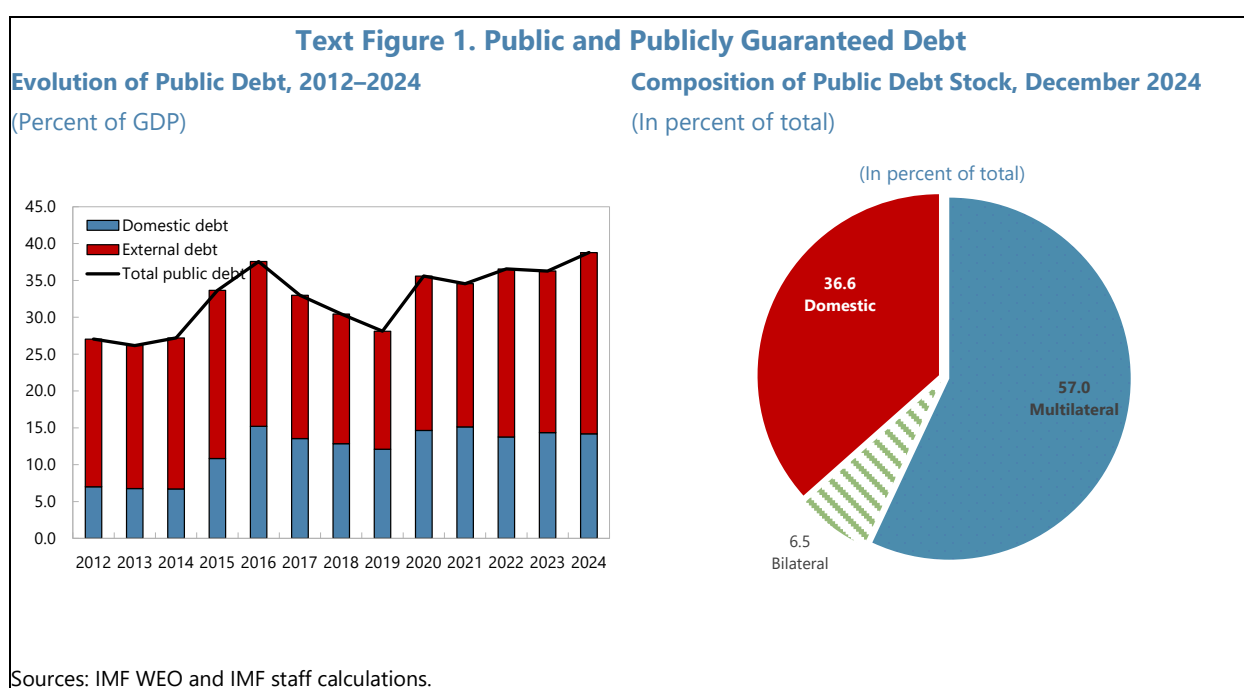
1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SOE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

³ As in the past, data exclude the Transnistrian region.

⁴ PPG debt covers gross debt of the general government. SOE debt is primarily driven by externally financed project loans that are on-lent by the central government. Both on-lending to the private sector (through commercial banks) and to SOEs are part of public guarantees and are included in central government debt. Non-guaranteed SOEs debt is also included in public debt. Debt of SOEs with maturity longer than one year accounted for less than 2 percent of GDP as of 2022. The authorities continue to take concrete steps towards expanding debt coverage for local governments' debt, SOEs and PPPs to include all existing debt obligations. Due to the lack of data, information on PPPs is currently limited. Change in coverage complicates intertemporal analysis of PPG debt. The contingent liabilities shock from SOE debt is set at the default value of 2 percent of GDP to reflect risks associated with borrowing of SOEs majority owned by the state, while a default contingent liability shock of 5 percent of GDP is meant to capture risks from the financial market.

BACKGROUND ON DEBT

2. Public and publicly guaranteed (PPG) debt increased to 38.8 percent of GDP in 2024 from 36.3 percent of GDP in 2023. PPG debt had earlier peaked at 37.6 percent of GDP in 2016, up from 27 percent of GDP in 2012. A key driver of the earlier increase was issuance of a state guarantee to the NBM to provide emergency liquidity to the banking sector in the context of the 2014–15 banking crisis. Debt was then on a downward trend until 2019. In 2020, COVID-related borrowing pushed up the public debt ratio, as nominal GDP declined and both domestic and external debt increased (Table 2).⁵ Shocks in 2022 related to Russia’s invasion of Ukraine and the subsequent policy response led to an additional increase of 2 ppts of GDP. PPG debt stabilized in 2023 but increased by 2.5 ppts in 2024, even though the primary fiscal deficit in 2024 was lower than in 2023. This rise also reflected a smaller interest rate–growth differential, which reduced the debt-to-GDP ratio by 0.9 ppts in 2024 compared to nearly 2 ppts in 2023, consistent with the lower real GDP growth in 2024. Additionally, real exchange rate movements contributed to a reduction in the debt ratio by 3 ppts in 2023; however, these are estimated to have increased the debt ratio by 0.5 ppts in 2024. Currently, nearly 57 percent of PPG debt is from multilateral institutions, 6.5 percent is from bilateral creditors, mainly Paris Club creditors, and about 37 percent is PPG domestic debt. Domestic marketable debt is mainly short term and held by the banking system. Gross external debt increased by 3 ppts in 2025Q1, mostly driven by an increase in private external debt.



3. Moldova’s gross external debt decreased to 57.5 percent of GDP in 2024 from 59.6 percent in 2023. PPG external debt increased by 3 ppts in 2022 from just over 19 percent of GDP in

⁵ Although eligible, Moldova did not participate in the 2020–21 Debt Service Suspension Initiatives.

2021, reflecting increased support from multilateral institutions in response to the 2022 shocks. A reduction of total gross external debt during 2016–19 largely reflected a decline in private external debt, which has declined to below 40 percent since 2023 but remains relatively elevated compared to peers. The appreciation of the nominal exchange rate by about 14 percent during this period contributed to a reduction in the gross external debt ratio. The decline in private sector debt during this period was also due to a decrease in external borrowing by the banking sector, reflecting the aftereffects of the 2014 banking crisis. Private external debt is expected to remain below 40 percent of GDP in 2025. While total external debt is sizable at around 57.5 percent of GDP in 2024, about one-third of private debt is liabilities to direct investors (foreign-owned companies in Moldova borrowing from their parent companies abroad). Short-term debt of the non-bank sector—about half of non-bank debt—consists mainly of trade credits, with advances representing more than 90 percent of the short-term debt. The decline in external debt in 2024 largely reflected a decrease in private debt amid the reduction in FDI liabilities and non-financial corporation liabilities offsetting the increase in general government external borrowing, particularly from multilateral and official bilateral lenders.

Text Table 2. Decomposition of Public Debt and Debt Service by Creditor 1/

(Millions of U.S. dollars, unless otherwise indicated)

	Debt Stock (end of period)			Debt Service							
	12/31/2024			2024	2025	2026	2027	2024	2025	2026	2027
	(In mil. US\$)	(Percent total debt)	(Percent GDP)	(In mil. US\$)				(Percent GDP)			
Total	6795.2	100.0	38.8	2540.9	3406.7	3658.6	4189.7	14.0	17.4	17.4	18.3
External	4309.9	63.4	24.6	463.5	665.6	368.7	409.4	2.5	3.4	1.8	1.8
Multilateral creditors ^{2,3}	3871.4	57.0	22.1	446.8	628.3	346.3	386.6	2.5	3.2	1.6	1.7
IMF	1364.7	20.1	7.8								
World Bank	1085.8	16.0	6.2								
ADB/AFDB/IADB	0.0	0.0	0.0								
Other Multilaterals	1421.0	20.9	8.1								
o/w: list largest two creditors	909.1	13.4	5.2								
EIB	453.4	6.7	2.6								
EBRD	455.7	6.7	2.6								
list of additional large creditors	376.2	5.5	2.1								
EU	376.2	5.5	2.1								
Bilateral Creditors ²	438.4	6.5	2.5	16.7	37.3	22.4	22.8	0.1	0.2	0.1	0.1
Paris Club	411.9	6.1	2.4	13.3	33.2	17.9	18.3	0.1	0.2	0.1	0.1
o/w: list largest two creditors	297.5	4.4	1.7								
JICA	130.3	1.9	0.7								
AFD	167.2	2.5	1.0								
list of additional large creditors	0.0	0.0	0.0								
Non-Paris Club	26.5	0.4	0.2	3.4	4.1	4.5	4.5	0.0	0.0	0.0	0.0
o/w: list largest two creditors	40.9	0.6	0.2								
Government of Poland	21.3	0.3	0.1								
SummaTYAS	19.6	0.3	0.1								
list of additional large creditors	0.0	0.0	0.0								
Bonds	0.0	0.0	0.0								
Commercial creditors	0.0	0.0	0.0								
o/w: list largest two creditors	0.0	0.0	0.0								
list of additional large creditors	0.0	0.0	0.0								
Other international creditors	0.0	0.0	0.0								
o/w: list largest two creditors	0.0	0.0	0.0								
list of additional large creditors	0.0	0.0	0.0								
Domestic	2485.4	36.6	14.2	2077.4	2741.1	3289.9	3780.4	11.4	14.0	15.6	16.5
Held by residents, total	2485.0	36.6	14.2					0.0	0.0	0.0	0.0
Held by non-residents, total	0.4	0.0	0.0					0.0	0.0	0.0	0.0
T-Bills	1544.1	22.7	8.8	1890.1	2248.2	2658.1	2892.2	10.4	11.5	12.6	12.6
Held by: central bank											
local banks											
local non-banks											
non-residents											
Bonds	838.7	12.3	4.8	118.0	453.3	607.5	874.0	0.6	2.3	2.9	3.8
Held by: central bank											
local banks											
local non-banks											
non-residents											
Loans ⁴	99.9	1.5	0.6	69.3	39.7	24.3	14.2	0.4	0.2	0.1	0.1
Held by: central bank											
local banks											
local non-banks											
non-residents											
Memo items:	136.0	2.0	0.8	0.0	0.0	0.0	0.0				
Deposits	2.7										
Collateralized debt ⁴											
o/w: Related											
o/w: Unrelated											
Contingent liabilities	133.3	2.0	0.0	0.0	0.5	1.1	1.3	0.0	0.0	0.0	0.0
o/w: Public guarantees	133.3	2.0	0.0	0.0	0.5	1.1	1.3	0.0	0.0	0.0	0.0
o/w: Other explicit contingent liabilities ⁵											
Nominal GDP	18201.1			18201.1	20398.8	21740.1	23671.1				

1/As reported by Country authorities according to their classification of creditors, including by official and commercial.

2/Some minor public debt may not be shown in the table due to confidentiality clauses/capacity constraints.

3/Multilateral creditors² are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 'Collateralized Transactions: Key Considerations for Public Lenders and Borrowers' for a discussion of issues raised by collateral.

5/Includes other one-off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

* Debt service projection does not include data on interest payment on SOE and local authorities contracts

MACROECONOMIC OUTLOOK

4. To support Moldova's EU accession and stimulate growth, the European Commission adopted a Growth Plan (GP) for 2025–27. The GP comprises a reform agenda and financing of €1.885 billion (11.2 percent of 2024 GDP), of which €385 million are grants and the rest concessional loans. 3/4 of loans are allocated for budget support, including to finance reforms, and the rest for

infrastructure projects, also paid to the budget.⁶ Disbursements, except prefinancing, are linked to completion of measures. These include investments in infrastructure, education, labor market policies, health, SME support, entrepreneurship, competitiveness, capital markets, public finances, SOE reform, environmental protection, public administration, and rule of law, including anti-corruption. Compared to Moldova, the EU GPs for the Western Balkan countries are smaller and with more investment financing.⁷

5. The GP and EU accession will boost potential growth, but structural challenges remain. Moldova's long-term growth prospects are constrained by weak productivity, demographic headwinds that limit labor input, persistent bottlenecks in public investment execution, and institutional constraints that weigh on private-sector dynamism and investor confidence. The EU accession process has the potential to mitigate these challenges by pairing sizeable, predominantly concessional financing with an extensive reform agenda aimed at strengthening the business environment, competition, SOE governance, public administration and Public Financial Management, and rule of law, while also scaling up infrastructure investment via the Neighborhood Investment Platform (NIP) and additional IFI co-financing.

6. In the medium term, growth is expected to reach 3.5 percent,⁸ driven by higher public and private investment, integration in EU markets, and productivity-enhancing structural reforms under the GP, with 75 percent of measures assumed to be completed in the baseline. Labor is projected to contribute negatively to growth potential, due to negative demographic factors, emigration, informality, and other labor market challenges. Increased GP spending will be contributing to a higher CA deficit in the medium term, while exerting limited inflationary impact.

7. Macroeconomic assumptions underlying the projections are consistent with the baseline for the 2025 Article IV consultation. Compared to the previous DSA, the current assessment presents a more cautious macroeconomic outlook for Moldova. Growth is expected to be slower and external imbalances deeper. However, fiscal revenues are projected to improve, offering some resilience. While risks remain tilted to the downside, potential upside from EU support and accession efforts and geopolitical stabilization could bolster confidence and growth in the years ahead.

- **Real GDP.** The current DSA reflects a more subdued growth outlook compared to the previous assessment. Real GDP growth has been revised down across all forecast periods, and medium-term growth (2025–29) reduced from 4.5 percent to 3.1 percent. Long-term growth (2030–34) is also lower, at 3.5 percent versus the previous 5 percent. This growth reflects a reestimation of potential output by

⁶ Larger infrastructure projects are to be implemented through the Neighborhood Investment Platform (NIP), where Moldova's contribution of 1/4 of GP loans (€375 million) and €135 million of project grants—paid directly to the NIP— would be augmented by a factor of four by additional IFI lending, predominantly from the EBRD and the EIB (about €2 billion investment). Other grants are for TA and CSOs (€200 million).

⁷ Western Balkans GPs allocate €6 billion (3½ percent of GDP, with large differences across countries), with one-third in grants and two-thirds in concessional loans, and at least 50 percent of funds channeled through the Western Balkans Investment Framework (WBIF). Most countries have started implementing their reform agendas and received pre-financing of 7 percent of total funds.

⁸ Please see Annex I in the 2025 Article IV Staff Report on the Impact of the EU Growth Plan on Fiscal Outcomes and Growth.

staff, which shows potential output growth well below the previously-assumed 5 percent due to a negative contribution from labor and less optimistic TFP growth, despite GP financing support and reforms. The revision is also supported by persistently weak exports and higher imports. However, public investment is projected to be higher than in the previous DSA and will support growth.

- **Inflation.** Inflation, measured as the GDP deflator in USD terms, is expected to decelerate under the current DSA, falling from 5.8 percent in 2025–29 to 4.5 percent in 2030–2034 and averaging 5.5 percent for the decade (2024–34). This is higher than the previous DSA’s forecast of 3.4 percent, which had anticipated a sharper decline to just 1.9 percent by 2030–34. The difference in the revised outlook is due to lower leu depreciation relative to the dollar and not higher inflationary pressures in the medium term.
- **Fiscal.** Revenue (net of grants) performance is projected to improve in the current DSA, with an average of 35 percent of GDP in 2024–34, compared to 34.5 percent previously. The upward revision reflects larger-than-expected outturns and the new government’s expressed readiness for structural tax reform, with revenue peaking at 35.3 percent in 2030–34. The fiscal deficit is projected to widen from 3.9 percent of GDP in 2025 to 4.8 percent in 2027, reflecting largely lower grants and increased capital spending, with reforms to the tax system marginally affecting the overall balance.
- **External sector.** The non-interest current account deficit is expected to widen significantly under the current DSA, averaging 16.1 percent of GDP from 2024 to 2034, compared to just 10.5 percent in the previous DSA. The increase, especially during 2025–29 (to 17.4 percent of GDP), signals growing external imbalances due to sustained weaker export performance in food and manufactured goods (machinery, transport equipment), as well as an expected increase in imports from higher public investment under the GP and a structural shift in electricity imports. The switch to electricity imports from Europe will widen the current account deficit by 2.1 percent of GDP per year in 2025–30.⁹ Exports are projected to strengthen over the outer years, supported by deepening economic integration with the EU and continued growth of services.
- **External borrowing.** The DSA assumes that contracted but undisbursed concessional loans will be fully disbursed over the medium term as planned by the authorities. Commercial borrowing is projected to rise over the longer term to finance development needs. Rising reliance on commercial borrowing plays a key role in the DSA.¹⁰ However, Moldova will continue to benefit from concessional and grant financing in the medium term.¹¹ The baseline projections

⁹ Electricity imports, previously sourced from the Transnistrian region, were not recorded within official import statistics. Electricity is now procured from European markets; this is expected to remain a persistent feature over the medium term as domestic renewable energy capacity gradually increases.

¹⁰ While this assumption is not based on concrete borrowing plans in the longer term, it reflects the baseline assumptions, under which Moldova will continue to borrow to finance productive infrastructure investments.

¹¹ The grant element of most financing going forward is lower than the usual benchmark of 35 percent, which makes a distinction between concessional and non-concessional debt.

incorporate the GP, €1.885 billion, to be disbursed over 2025–29. Of this, €385 million is expected to be in grants,¹² with the remainder as concessional loans. Out of the announced €1.5 billion in GP budget support loans over the next 2-3 years, this DSA includes €1,197 million (7.6 percent of 2024 GDP), representing about 80 percent of the total loan amount, in line with staff expectations regarding the implementation rate of the reform package to which disbursements are tied and informed also by completion rates of other countries receiving performance-based EU funding (e.g., Recovery and Resilience Facility). A total of €289.3 million was disbursed under the GP in 2025, which included pre-financing of €270 million disbursed in June 2025. In addition to this budget financing support, the GP is expected to use €135 million in grants to mobilize additional investment project loans through the NIP. Approximately €1.2 billion of additional IFI financing for investment has been included in the framework, with a longer time horizon (2025–32) than the budget support loan. The DSA also includes \$855 million in financing for 2025–28 from the World Bank, of which \$90 million and \$300 million from the Bank's Development Policy Operation (DPO) in 2025 and in 2026-27, respectively¹³.

- **Interest rate.** The average nominal interest rate on new external debt borrowing is slightly higher than in the previous DSA (4.5 percent vs. 4.3 percent). The average real interest rate on new domestic borrowing is also higher (1.6 percent vs. -0.4 percent) for the short-term debt and (1.6 percent vs. 0.3 percent) for the medium-term debt (Figure 2).
- **The public debt-to-GDP ratio is expected to increase to 43 percent in 2030 from its current level of 39 percent in 2024.** Public debt is projected to decline to 36.5 percent of GDP in 2025 given the large appreciation of leu against the dollar and the rebound in growth. Unlike in the previous DSA, which projected that the debt-to-GDP ratio would stabilize at around 35 percent in the medium term, the current DSA projects debt on an increasing trajectory in the medium term. This is partly due to incorporating substantial financing from the GP. From 2030 onward, public debt is expected to increase further to reach around 49 percent of GDP in 2045, reflecting the rise in domestic debt service as the authorities rely more on domestic debt and commercial loans, including to repay GP financing. Staff do not have long-term debt sustainability concerns; however, it is crucial for the authorities to improve budget execution, especially capital expenditure, and implement reforms in the GP that will boost investor confidence and growth.

¹² This €385 million in grants has not been incorporated into the current DSA, as the amount will not be disbursed directly to the authorities. However, the current DSA does include a significant grant of around 1.3 percent of GDP in 2025, reflecting the EU's support to address the energy shock, primarily through assistance to households.

¹³ The framework also includes USD 150 million in budget support in 2025-26 from the Agence Française de Développement (AFD), as well as USD 1.1 billion over 2025-32 other investment project loans, including from the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Council of Europe Development Bank (CEB).

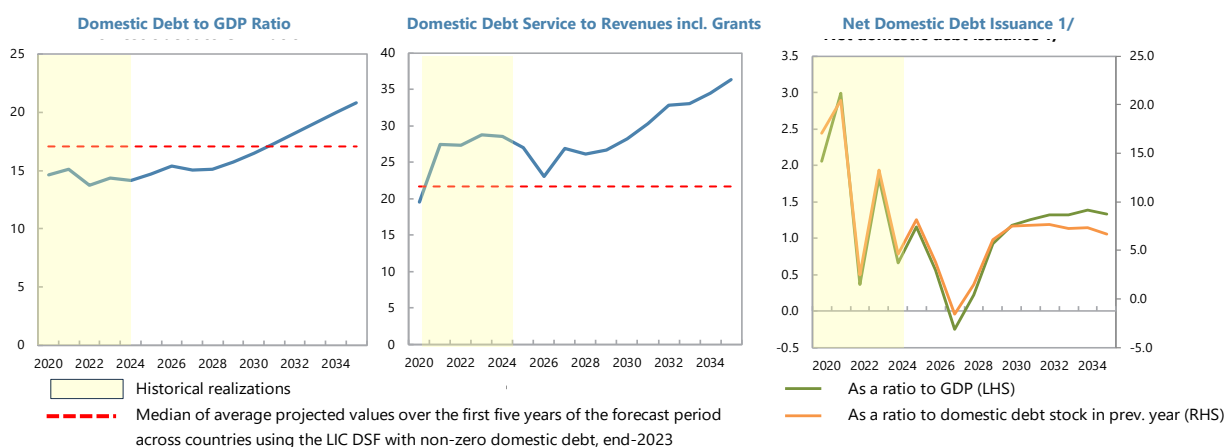
Text Table 3. Key Macroeconomic Assumptions
(Current DSA vs. DSA December 2024)

	2022-2024	2025-2029	2030-2034	2024-2034
Real GDP growth (percent)				
Current DSA	-1.1	3.1	3.5	3.0
Previous DSA	-0.4	4.5	5.0	4.6
Inflation (GDP deflator, in US dollar terms)				
Current DSA	11.2	5.8	4.5	5.5
Previous DSA	10.3	4.3	1.9	3.4
Total Revenue (percent of GDP)¹				
Current DSA	32.1	35.0	35.3	35.0
Previous DSA	32.3	34.4	34.9	34.5
Public debt (percent of GDP)				
Current DSA	37.2	40.4	43.2	41.6
Previous DSA	37.1	37.2	35.0	36.3
Current Account Deficit (non-interest, in percent of GDP)				
Current DSA	14.1	17.4	14.9	16.1
Previous DSA	13.8	10.5	9.8	10.5
Source: Moldova authorities and Staff calculations.				
¹ Total revenue, excluding grants.				

8. The debt sustainability framework's realism tools suggest that the baseline projections are reasonable (Figures 3-4). There are deviations in the evolution of the projection of external and PPG debt to GDP ratios for the current and previous DSA vintages, and from the DSA from 5 years ago. In terms of projections, the current DSA deviates from the previous DSA mainly due to the incorporation of revised macroeconomic and borrowing assumptions. For **external public debt**, projected debt ratios are lower in 2025, reflecting the larger appreciation of leu with respect to the dollar, changing the contribution of real exchange rate depreciation from +0.2 ppt to -3.1 ppt. However, external public debt is higher from 2027 onwards. For **total public debt**, the increase in the projected debt ratios to GDP in the medium term is driven mainly by higher primary fiscal deficit, and higher real interest rate, whereas the 5-year historical change displays an increase in public debt due to wide primary deficits and a large residual. The projected 3-year adjustment in the primary balance shows some stimulus of around 0.5 pts of GDP, which is still a moderate adjustment in the primary balance and not in the tail of the distribution (Figure 4). It is consistent with the authorities' plan to use GP financing. The realism tools suggest some growth optimism (Figure 4, top right chart), but to a lesser extent than the previous DSA. In addition, realism tools suggest relatively higher real private investment.

9. Under the baseline, domestic public debt is projected at around 17 percent of GDP in the medium term with a rising domestic debt service highlighting some rollover risks. Over the past five years, domestic public debt increased slightly from 12 percent of GDP in 2019 to around 14 percent of GDP in 2023 after peaking at 15 percent of GDP in 2021 (Text Figure 2). Given the assumed budget support from the Agence Française de Développement (AFD) and the large World Bank's DPOs, domestic debt is still projected to be below the median across all LIC-DSF in the next few years before reaching 17 percent of GDP in 2031. The domestic debt service-to-revenue ratio shows an upward trend and is projected to reach almost 35 percent in 2034, above the median across all LIC DSF countries of 21.7 percent and reflecting realistic assumptions on the maturity of domestic debt. The higher domestic debt service reflecting the repayment of short-term domestic debt shows some rollover risks in the medium and long-term that may be mitigated with a credible plan to issue more medium and long-term debt on the domestic debt market and to accelerate the process to issue Eurobonds, putting less pressure on the domestic debt market. Net domestic issuance is more volatile and projected to be under 1.5 percent of GDP, highlighting that the rollover risk is coming more from the composition by maturity of domestic debt rather than its level. Although declining, the banking system still retains some excess liquidity, as projected by NBM. In addition, while some banks report that they are nearing their exposure limits to government T-bills and bonds, others indicate they have capacity to continue purchasing government bonds. Finally, the new retail platform (EVMS), which enables individuals to invest in government T-bills and bonds, achieved significant success last year, raising 500 million lei. The government anticipates raising 1 billion lei in 2026, including through more retail bonds issuance.

Text Figure 2. Indicators of Domestic Public Debt, 2019–2034
(percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	33%
Short-term	67%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	1.6%
Avg. maturity (incl. grace period)	2
Avg. grace period	1
Domestic short-term debt	
Avg. real interest rate	1.6%

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

10. Debt carrying capacity is assessed to be strong, unchanged from the previous DSA. The composite indicator (CI), which captures the impact of several factors through a weighted average of real GDP growth, remittances, international reserves, world growth, and the World Bank CPIA score, confirms that Moldova’s debt carrying capacity is classified to be strong, unchanged from the previous three DSAs. However, the composite indicator is on a declining path and approaching the *medium* debt carrying capacity category. Should this occur for two consecutive signals, the risk assessment of external debt distress could be downgraded from low to moderate for the same level of external debt. Applicable thresholds and benchmarks are presented in Text Table 4.¹⁴ The benchmark for the present value (PV) for public debt is 70 percent of GDP and the threshold for the PV of PPG external debt is 55 percent of GDP.

¹⁴ The CI is computed based on the October 2025 WEO and World Bank’s 2024 CPIA vintages, using 10-year averages of these variables, including 5 years of historical data and 5 years of projections. Moldova’s CI is 3.055, which corresponds to a strong debt-carrying capacity based on the IMF’s October 2025 World Economic Outlook and World Bank’s 2024 CPIA.

Text Table 4. Moldova: Debt Carrying Capacity and Applicable Thresholds

Country	Moldova																								
Country Code	921																								
Debt Carrying Capacity	Strong																								
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage																						
Strong	Strong 3.055	Strong 3.06	Strong 3.08																						
Applicable thresholds																									
<table border="1"> <thead> <tr> <th colspan="2">APPLICABLE</th> </tr> </thead> <tbody> <tr> <td colspan="2">EXTERNAL debt burden thresholds</td> </tr> <tr> <td colspan="2">PV of debt in % of</td> </tr> <tr> <td>Exports</td> <td>240</td> </tr> <tr> <td>GDP</td> <td>55</td> </tr> <tr> <td colspan="2">Debt service in % of</td> </tr> <tr> <td>Exports</td> <td>21</td> </tr> <tr> <td>Revenue</td> <td>23</td> </tr> </tbody> </table>		APPLICABLE		EXTERNAL debt burden thresholds		PV of debt in % of		Exports	240	GDP	55	Debt service in % of		Exports	21	Revenue	23	<table border="1"> <thead> <tr> <th colspan="2">APPLICABLE</th> </tr> </thead> <tbody> <tr> <td colspan="2">TOTAL public debt benchmark</td> </tr> <tr> <td>PV of total public debt in percent of GDP</td> <td>70</td> </tr> </tbody> </table>		APPLICABLE		TOTAL public debt benchmark		PV of total public debt in percent of GDP	70
APPLICABLE																									
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APPLICABLE																									
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PV of total public debt in percent of GDP	70																								

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

11. Under the baseline scenario and alternative scenarios, all external debt indicators continue to remain below their policy-relevant thresholds (Table 1, Figure 1). During 2025–30, new external financing will consist primarily of borrowing from multilateral lenders, while commercial borrowing is expected to start playing a larger role in the longer term from 2030. The PV of PPG external debt is projected at around 23 percent of GDP in 2025. The ratio will remain well below the 55 percent of GDP threshold under the baseline scenario throughout the projection period. Similarly, debt service indicators remain below their respective thresholds. Improvements in debt-management practices and development of the domestic debt market will give further resilience to shocks affecting external debt service needs. A tailored stress test for the contingent liability shock does not cause any breach of relevant thresholds. Under the most extreme scenario (export shock), most PPG debt indicators show an increase in their values but remain well below their indicative thresholds (Figure 1).

12. Large private external debt poses some rollover risks. In the baseline, the private external-debt-to-GDP ratio, which improved to 33 percent of GDP in 2024, is expected to further decline after 2030, supported by real and nominal growth, net current transfers, and a large residual. The large residual in external debt (Table 1) is linked to how the high current account deficit is financed, i.e. by currency and deposits rather than FDI flows, loans, trade credit, or a draw-down on reserves. This flow, estimated as the difference between personal remittance inflows and the supply of FX cash from individuals on the domestic market, has historically financed the deficit and is not necessarily a debt flow. The supply of FX cash observed in the domestic market comes from individuals who bring cash into the country without declaring it (there is no legal obligation to declare amounts less than EUR 10,000), as well as from possible illicit activities. If this cash were properly recorded, it would be classified as personal remittances, either as

compensation to employees or as personal transfers, and significantly reduce the current account deficit. The higher supply of cash also explains the net export of foreign notes by commercial banks in Moldova.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

13. Under the baseline, indicators of the overall public debt burden are below the benchmark, but risks remain. The PV of the total PPG debt-to-GDP ratio is estimated at 37 percent of GDP in 2025 and is expected to rise to 44 percent of GDP in 2035, remaining well below the 70 percent of GDP benchmark in the medium-to-long term (Figure 2).

14. The PV of total PPG debt-to-GDP ratio exceeds its 70 percent of GDP benchmark under the real GDP growth shock. Over the long-term, under the possible real GDP growth shock scenario,¹⁵ debt remains elevated, breaching the threshold from 2028, as higher debt is accumulated to finance larger fiscal deficits. Such a scenario highlights risks to debt sustainability in the absence of decisive reforms. A significant contingent liabilities shock (to SOEs and PPPs and/or financial market distress) would also increase debt levels, although these risks are difficult to quantify due to lack of quality data on SOEs and PPPs. Implementing reforms to improve revenues, increase spending efficiency, and boost growth would mitigate further risk of unsustainable debt.

RISK RATING AND VULNERABILITIES

15. Moldova's risk of external debt distress remains low but overall risk of public debt distress is classified as moderate.

- **Debt burden indicators for PPG external debt remain well below the indicative debt thresholds under both standardized and tailored stress tests.** While high private external debt continues to pose risks to external debt sustainability, risk of external *public* debt distress continues to be assessed as *low* because PPG external debt is held mainly by multilateral and bilateral official partners and is mostly medium and long term and to some extent on concessional terms.
- **Moldova's overall public debt dynamics are also projected to remain on a sustainable path under the baseline scenario but are subject to vulnerabilities in a growth shock.** Assuming the economy contracts with lingering effects, the public debt ratio would exceed its benchmark by 2028 leading to *overall* public debt at *moderate* risk of distress.
- **Risks to the debt outlook remain tilted to the downside.** Potential further spillovers from Russia's war in Ukraine continue to pose risks for Moldova. A deterioration of economic conditions or other developments in the Transnistrian region may put additional pressure on government finances in Moldova. New energy shocks could weaken the economic outlook and create fiscal and balance of payments pressures. Extreme weather events (droughts, floods) could impose significant losses on agriculture and lead to increased debt vulnerabilities. On the

¹⁵ Real GDP growth set to its historical average minus one standard deviation, or the baseline projection minus one standard deviation, whichever is lower for the second and third years of the projection period.

upside, faster growth in Moldova’s main trade partners could boost the recovery in the short term. In the medium term, accelerated reforms under the GP and EU accession would speed economic and social development.¹⁶ Good progress on these reforms, along with debt management measures, could help attract financing needed for climate-related investment and adaptation.

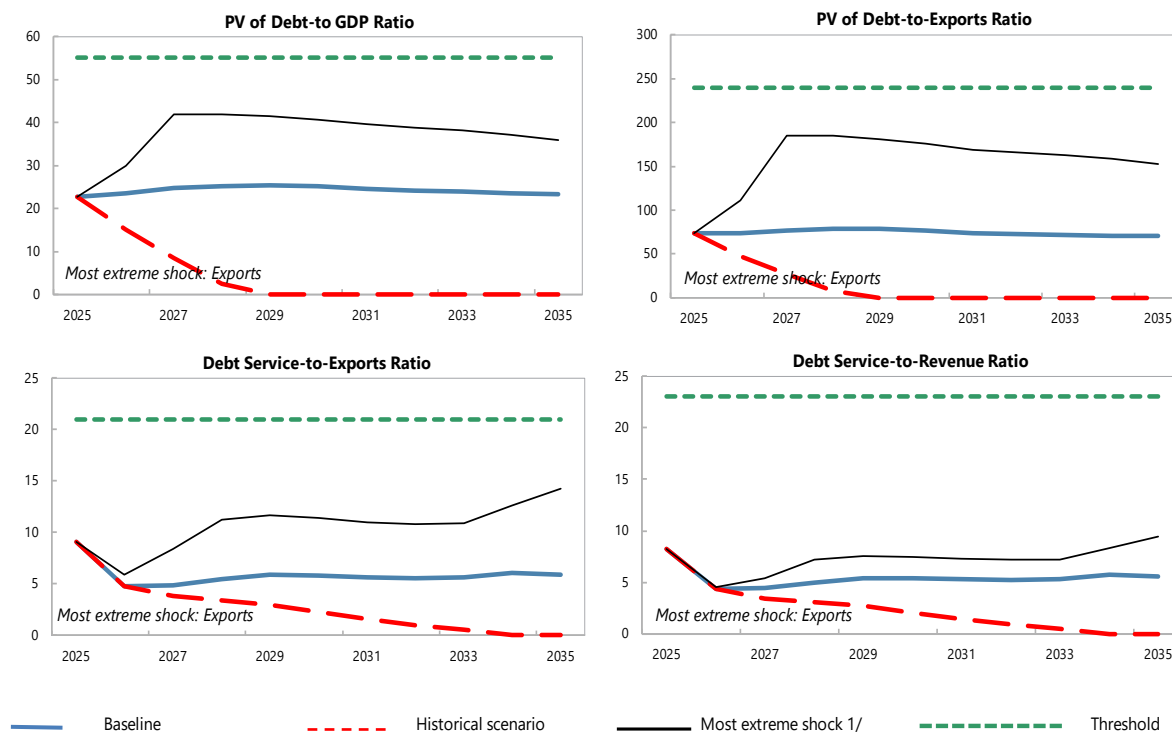
- **Mitigating debt risk requires sound macroeconomic management and sustained structural reforms.** The authorities should enhance fiscal discipline and risk management. As Moldova is expected to accumulate debt to finance fiscal and current account deficits, strong and sustained political commitment is needed to deliver on revenue mobilization, enhanced public investment planning and execution, and improved debt and fiscal risk management, imperative to safeguarding debt sustainability. Public investment management should focus on priority projects with high growth and social returns. Contingent liability risks—including from SOEs—should be monitored carefully. Advancing structural reforms remains key to increasing the economy’s growth potential and resilience and reducing vulnerability to shocks.
- **Development of the domestic debt market would further strengthen the outlook for debt sustainability,** especially considering the expected transition of financing from concessional to commercial over the long term. Moldova should strengthen debt management by developing the domestic debt market. The new platform for retail investors is a good step. These efforts will help to reduce PPG domestic debt roll-over and interest rate risks. The ongoing development of the EVMS retail platform is welcomed.

AUTHORITIES’ VIEWS

16. The authorities broadly agreed with staff’s assessment of Moldova’s public and external debt and recommendations for macroeconomic, public investment efficiency, and liquidity management. They broadly concurred with staff’s debt projections and risk ratings assessment. They recognized the importance of fiscal discipline, and the need to manage fiscal risks as well as improve cash and debt management. Importantly, they continue to prepare for greater commercial borrowing in the medium term through Eurobond issuance. They emphasized that the new platform for retail investors will help increase domestic debt issuance. While they recognized the need to issue more medium- and long-term debt at market rates, they emphasized that the high volatility in nominal interest rates in the domestic market in the last few years is an important deterrent, as the market rate does not reflect economic fundamentals in the absence of a yield curve.

¹⁶ EU accession negotiations started formally in June 2024 following a European Council decision on Moldova’s candidacy in December 2023. Screening was finalized, and the first negotiating chapters started end-2025. The pre-financing and a first tranche of the EU’s 2025–27 GP for Moldova have been already disbursed.

Figure 1. Indicators of Public Guaranteed External Debt Under Alternative Scenarios, 2025–2035



Customization of Default Settings		
Tailored Stress	Size	Interactions
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	n.a.	n.a.
Market financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

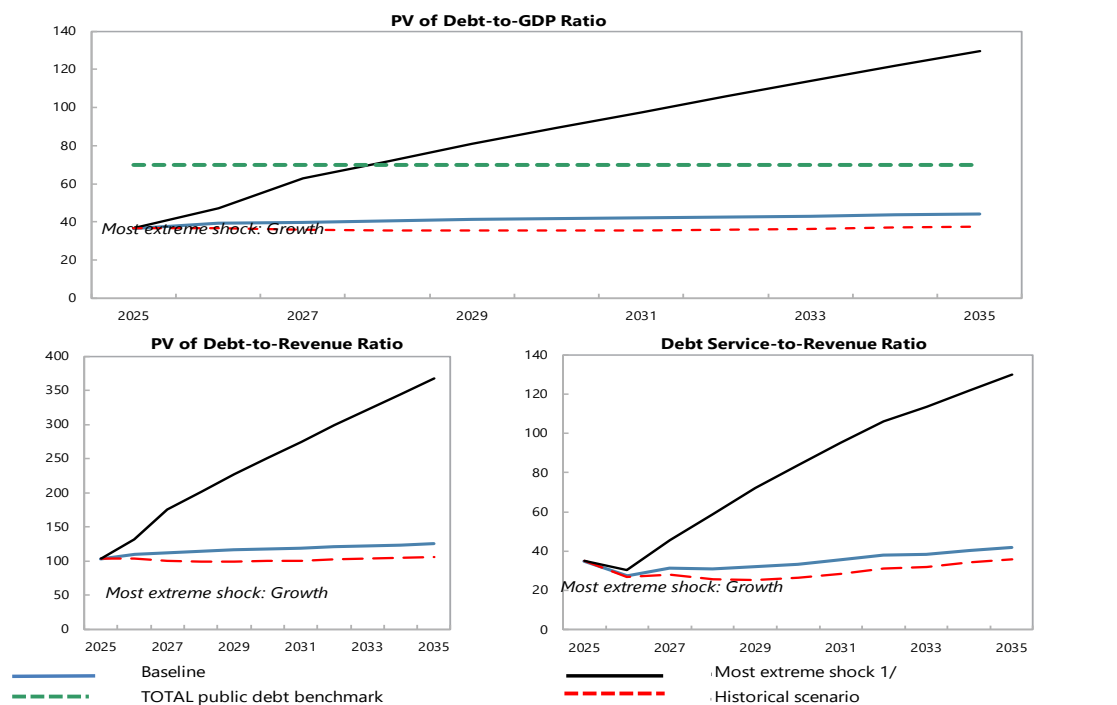
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	4.5%	4.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	19	19
Avg. grace period	7	7

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Indicators of Public Debt Under Alternative Scenarios, 2025–2035



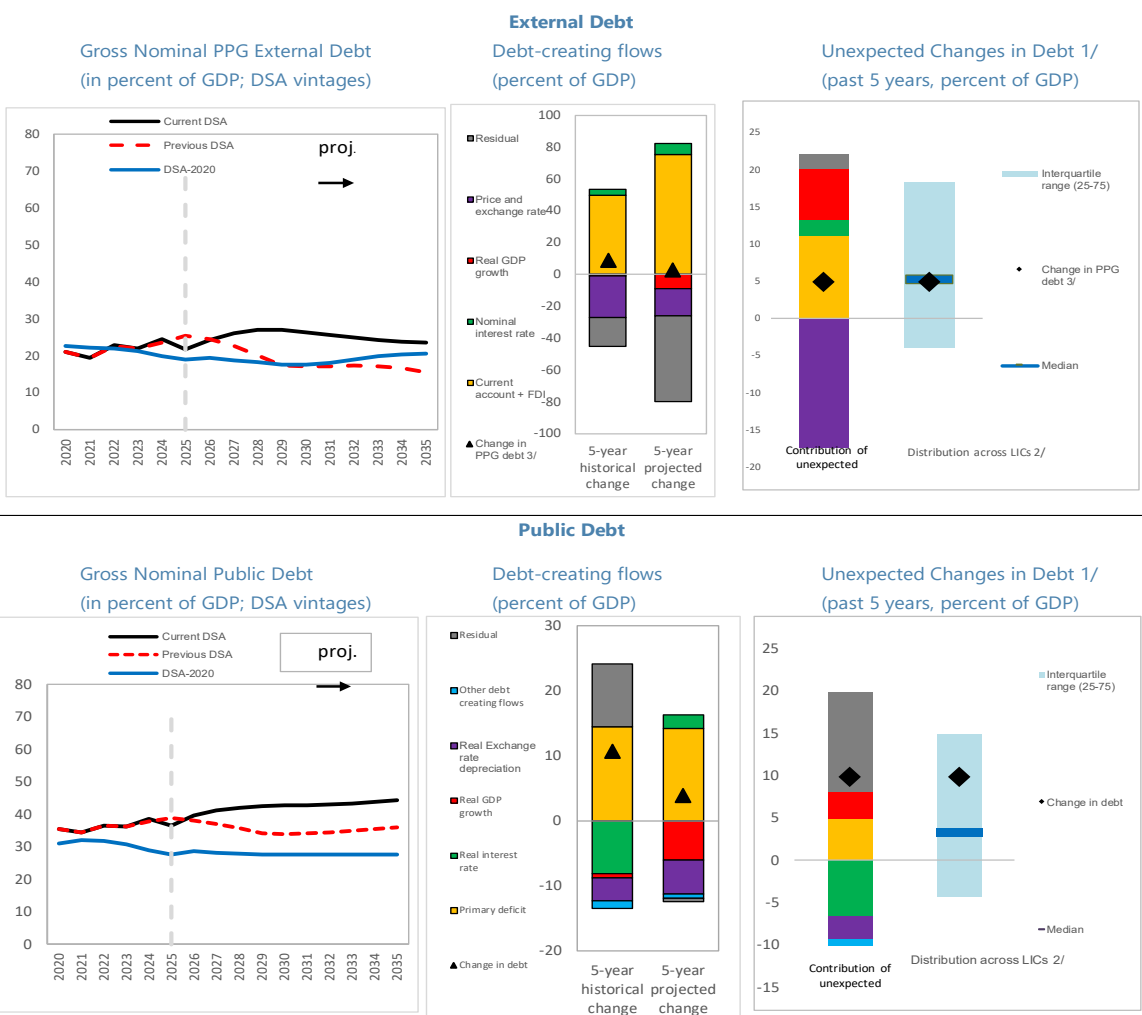
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	21%	21%
Domestic medium and long-term	26%	26%
Domestic short-term	53%	53%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	4.5%	4.5%
Avg. maturity (incl. grace period)	19	19
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	1.6%	1.6%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	1.6%	1.6%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

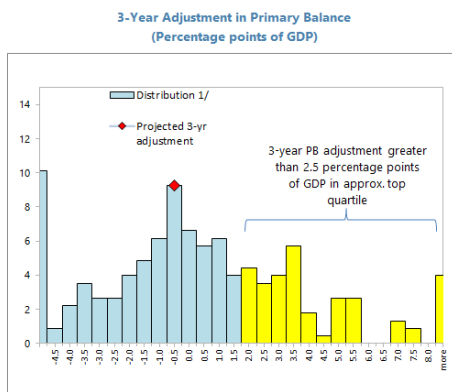
1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Drivers of Debt Dynamics – Baseline Scenario

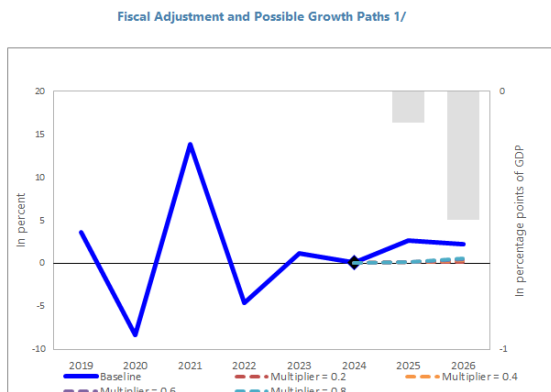


1/ Difference between anticipated and actual contributions on debt ratios.
 2/ Distribution across LICs for which LIC DSAs were produced.
 3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

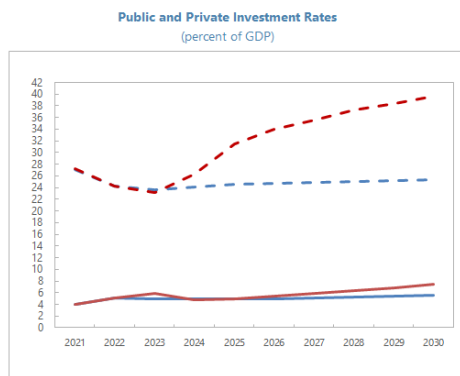
Figure 4. Realism Tools



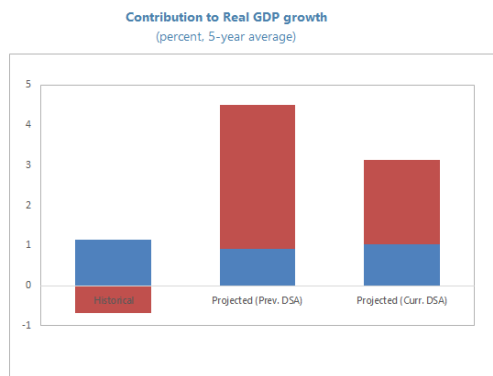
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).



— Gov. Invest. - Prev. DSA — Gov. Invest. - Curr. DSA
 - - - Priv. Invest. - Prev. DSA - - - Priv. Invest. - Curr. DSA



■ Contribution of other factors
 ■ Contribution of government capital

Table 1. External Debt Sustainability Framework, Baseline Scenario, 2022–2045 (in percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	66.4	59.6	57.5	58.4	62.2	66.1	68.9	70.5	69.1	59.9	47.9	67.9	64.9
<i>of which: public and publicly guaranteed (PPG)</i>	22.8	21.9	24.6	21.8	24.3	26.1	27.0	26.9	26.3	23.6	20.5	20.8	25.0
Change in external debt	3.0	-6.7	-2.1	0.8	3.8	3.9	2.8	1.6	-1.4	-1.4	-2.6	3.7	12.9
Identified net debt-creating flows	9.9	0.6	9.7	15.8	16.0	14.9	13.9	12.7	11.5	11.5	11.9	3.7	12.9
Non-interest current account deficit	16.6	10.4	15.3	17.7	18.2	17.9	17.3	16.1	15.1	14.9	14.9	9.4	16.1
Deficit in balance of goods and services	29.5	23.8	25.7	28.3	29.3	28.5	27.7	26.3	25.2	24.4	24.4	25.3	26.1
Exports	41.2	35.1	31.6	31.0	32.1	32.1	32.2	32.5	32.8	33.2	33.2		
Imports	70.7	58.9	57.3	59.3	61.4	60.7	60.0	58.8	58.0	57.6	57.6		
Net current transfers (negative = inflow)	-11.9	-10.9	-8.7	-9.3	-8.7	-8.4	-8.3	-8.2	-8.1	-7.7	-7.7	-11.7	-8.1
<i>of which: official</i>	-0.8	-2.3	-1.4	-1.3	-0.6	-0.3	-0.3	-0.3	-0.3	0.0	0.0		
Other current account flows (negative = net inflow)	-1.0	-2.5	-1.8	-1.3	-2.4	-2.3	-2.2	-2.1	-2.0	-1.8	-1.7	-4.3	-1.9
Net FDJ (negative = inflow)	-3.7	-2.0	-2.0	-2.1	-2.4	-2.4	-2.5	-2.5	-2.7	-2.7	-2.7	-2.4	-2.6
Endogenous debt dynamics 2/	-3.0	-7.7	-3.6	0.2	0.1	-0.6	-0.8	-0.8	-0.9	-0.7	-0.4		
Contribution from nominal interest rate	0.6	0.9	1.3	1.6	1.4	1.4	1.4	1.4	1.4	1.3	1.3		
Contribution from real GDP growth	2.7	-0.7	-0.1	-1.4	-1.2	-2.0	-2.2	-2.3	-2.3	-2.0	-1.6		
Contribution from price and exchange rate changes	-6.4	-8.0	-4.8	...	...	...	...	...	...	...	...
Residual 3/	-6.8	-7.4	-11.8	-14.9	-12.2	-11.0	-11.2	-11.1	-13.0	-13.0	-14.4	-5.0	-12.7
<i>of which: exceptional financing</i>	-2.1	-2.0	-1.4	-2.5	-2.0	-2.3	-1.5	-0.2	-0.2	-0.3	-0.3		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	24.4	22.7	23.6	24.6	25.2	25.4	25.1	23.3	20.0		
PV of PPG external debt-to-exports ratio	...	...	77.2	73.1	73.5	76.7	78.2	78.2	76.4	70.2	60.1		
PPG debt service-to-exports ratio	3.4	4.2	5.5	9.0	4.8	4.9	5.5	5.9	5.8	5.9	7.0		
PPG debt service-to-revenue ratio	4.4	4.7	5.2	8.2	4.4	4.4	5.0	5.4	5.4	5.6	6.6		
Gross external financing need (Million of U.S. dollars)	5974.2	5449.7	6538.8	7529.4	8111.2	8635.9	9141.6	9469.7	9781.1	13036.7	24842.8		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-4.6	1.2	0.1	2.7	2.3	3.5	3.6	3.6	3.6	3.5	3.5	1.8	3.3
GDP deflator in US dollar terms (change in percent)	11.2	13.7	8.8	9.1	4.2	5.2	5.2	5.2	5.2	4.0	4.0	5.5	5.0
Effective interest rate (percent) 4/	1.1	1.6	2.3	3.1	2.5	2.4	2.3	2.2	2.1	2.3	2.7	1.2	2.3
Growth of exports of G&S (US dollar terms, in percent)	42.4	-1.9	-2.0	10.0	10.3	9.2	9.3	9.9	10.0	7.6	7.6	8.2	9.0
Growth of imports of G&S (US dollar terms, in percent)	29.7	-4.1	6.0	16.0	10.3	7.6	7.8	7.0	7.4	7.6	7.6	7.3	8.6
Grant element of new public sector borrowing (in percent)	...	...	...	27.7	29.5	27.6	21.3	9.6	5.9	0.0	0.0	...	11.4
Government revenues (excluding grants, in percent of GDP)	31.7	31.5	33.3	34.1	35.0	35.4	35.3	35.3	35.3	35.3	35.3	30.5	35.2
Aid flows (in Million of US dollars) 5/	508.1	566.1	247.8	455.3	415.5	363.4	169.8	83.3	87.5	0.0	0.0	...	...
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.3	1.8	1.6	1.2	0.6	0.4	0.0	0.0	...	0.8
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	46.7	38.7	32.1	26.8	16.9	15.0	0.0	0.0	...	17.9
Nominal GDP (Million of US dollars)	14,524	16,711	18,201	...	...	...	...	...	...	...	...
Nominal dollar GDP growth	6.1	15.1	8.9	12.1	6.6	8.9	9.0	9.0	8.9	7.6	7.6	7.4	8.5
Memorandum items:													
PV of external debt 7/	...	...	57.3	59.2	61.5	64.7	67.2	69.0	67.8	59.6	47.4		
In percent of exports	...	...	181.5	191.1	191.8	201.1	208.4	212.1	206.6	179.5	142.8		
Total external debt service-to-exports ratio	50.6	57.5	59.0	55.1	52.1	50.5	48.6	46.4	42.9	34.8	27.3		
PV of PPG external debt (in Million of US dollars)	...	...	4435.5	4622.0	5125.0	5833.4	6508.4	7148.6	7687.2	10423.0	18580.2		
(PVT-PVT-1)/GDPt-1 (in percent)	...	...	1.0	2.5	3.3	2.9	2.5	1.9	1.6	1.6	1.0		
Non-interest current account deficit that stabilizes debt ratio	13.5	17.1	17.4	16.9	14.4	14.0	14.5	14.5	16.6	16.3	17.5		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $(r - g - \rho(1 + g) + E\alpha(1 + r)) / (1 + g + \rho + g)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate; ρ = growth rate of GDP deflator in U.S. dollar terms; $E\alpha$ = nominal appreciation of the local currency, and α = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

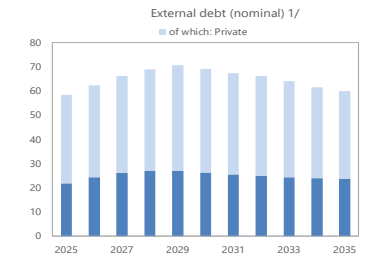
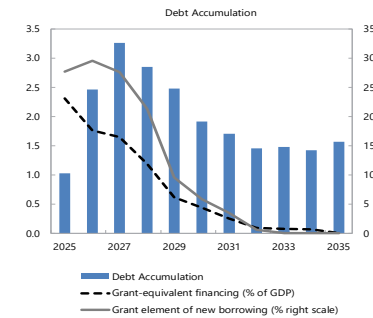


Table 2. Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–2045
(in percent of GDP, unless otherwise indicated)

	Actual			Projections										Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections		
Public sector debt 1/	36.6	36.3	38.8	36.5	39.7	41.2	42.1	42.7	42.8	44.4	48.9	34.5	42.1		
of which: external debt	22.8	21.9	24.6	21.8	24.3	26.1	27.0	26.9	26.3	23.6	20.5	20.8	25.0		
Change in public sector debt	2.0	-0.3	2.5	-2.3	3.1	1.5	0.9	0.6	0.2	0.6	-0.4	-0.1	0.6		
Identified debt-creating flows	-0.3	-2.2	1.6	-1.7	3.1	1.5	0.9	0.7	0.2	0.6	-0.4	-0.1	0.6		
Primary deficit	2.2	3.3	2.6	2.7	3.2	3.1	2.7	2.4	2.0	1.7	0.6	1.6	2.2		
Revenue and grants	33.3	33.7	34.0	35.4	35.6	35.7	35.6	35.6	35.6	35.3	35.3	31.5	35.5		
of which: grants	1.6	2.2	0.8	1.3	0.6	0.3	0.3	0.3	0.3	0.0	0.0				
Primary (noninterest) expenditure	35.6	37.0	36.6	38.1	38.8	38.8	38.3	38.0	37.6	37.0	35.9	33.1	37.7		
Automatic debt dynamics	-2.5	-5.1	-0.5	-4.2	0.1	-1.5	-1.7	-1.7	-1.8	-1.1	-1.0				
Contribution from interest rate/growth differential	-2.0	-2.0	-0.9	-1.2	-0.3	-0.7	-0.8	-0.9	-0.9	-0.6	-0.6				
of which: contribution from average real interest rate	-3.6	-1.6	-0.9	-0.2	0.5	0.6	0.6	0.6	0.5	0.9	1.1				
of which: contribution from real GDP growth	1.7	-0.4	0.0	-1.0	-0.8	-1.3	-1.4	-1.5	-1.5	-1.5	-1.7				
Contribution from real exchange rate depreciation	-0.5	-3.0	0.5	-3.1	0.4	-0.8	-0.9	-0.9	-0.8	-0.4	-0.4				
Other identified debt-creating flows	0.0	-0.5	-0.5	-0.1	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.3	-0.1		
Privatization receipts (negative)	0.0	-0.5	-0.5	-0.1	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0				
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Residual	2.2	1.9	0.9	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	-0.1		
Sustainability indicators															
PV of public debt-to-GDP ratio 2/	...	...	39.5	36.6	39.1	39.9	40.5	41.3	41.8	44.3	48.5		
PV of public debt-to-revenue and grants ratio	...	...	116.0	103.3	109.9	111.8	113.8	116.1	117.3	125.5	137.6		
Debt service-to-revenue and grants ratio 3/	31.6	33.1	33.7	35.0	27.4	31.3	31.1	32.0	33.5	41.9	38.4				
Gross financing need 4/	12.8	14.0	13.6	14.9	12.7	14.2	13.7	13.8	13.9	16.4	14.1				
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	-4.6	1.2	0.1	2.7	2.3	3.5	3.6	3.6	3.6	3.5	3.5	1.8	3.3		
Average nominal interest rate on external debt (in percent)	0.9	1.3	2.2	2.9	2.3	2.5	2.7	3.1	3.4	5.1	6.1	1.2	3.6		
Average real interest rate on domestic debt (in percent)	-15.5	-7.9	-5.7	-1.9	3.1	2.9	2.4	1.7	0.9	0.9	1.0	-5.0	1.2		
Real exchange rate depreciation (in percent, + indicates depreciation)	-2.7	-13.8	2.1	...	...	...	...	...	...	...	...	-2.6	...
Inflation rate (GDP deflator, in percent)	18.9	9.3	6.6	6.6	4.8	5.2	5.2	5.2	5.2	5.0	5.0	7.7	5.2		
Growth of real primary spending (deflated by GDP deflator, in percent)	0.5	5.4	-1.1	6.9	4.1	3.6	2.3	2.9	2.4	3.5	2.5	2.7	3.4		
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.3	3.6	0.0	4.9	0.0	1.6	1.8	1.8	1.8	1.1	1.0	1.3	1.7		
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments plus social security, central bank, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (-); a primary surplus, which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

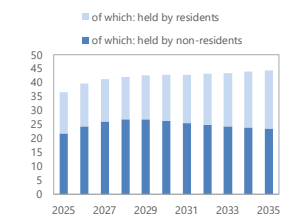
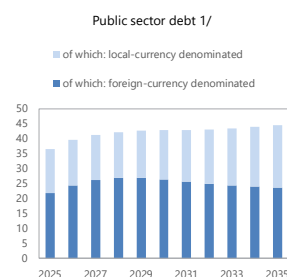


Table 3. Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–2035 (in percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to GDP Ratio											
Baseline	23	24	25	25	25	25	25	24	24	24	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	23	15	9	2	0	0	0	0	0	0	0
B. Bound Tests											
B1. Real GDP growth	23	26	31	32	32	31	31	30	30	29	29
B2. Primary balance	23	24	26	27	27	27	26	26	26	26	25
B3. Exports	23	30	42	42	41	41	40	39	38	37	36
B4. Other flows 3/	23	26	30	30	30	30	29	28	28	27	27
B5. Depreciation	23	30	21	23	23	23	23	23	22	22	23
B6. Combination of B1-B5	23	32	32	33	33	32	32	31	31	30	29
C. Tailored Tests											
C1. Combined contingent liabilities	23	25	27	28	29	28	28	28	28	27	27
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	23	26	27	28	28	28	27	27	27	26	26
Threshold	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Exports Ratio											
Baseline	73	74	77	78	78	76	74	73	72	71	70
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	73	47	27	8	0	0	0	0	0	0	0
B. Bound Tests											
B1. Real GDP growth	73	74	77	78	78	76	74	73	72	71	70
B2. Primary balance	73	75	80	82	83	82	80	79	78	77	76
B3. Exports	73	112	185	185	181	176	169	166	163	159	153
B4. Other flows 3/	73	82	92	93	93	90	87	86	84	82	81
B5. Depreciation	73	74	52	54	55	55	53	53	52	52	53
B6. Combination of B1-B5	73	100	84	104	104	101	98	96	95	92	91
C. Tailored Tests											
C1. Combined contingent liabilities	73	78	83	87	88	87	85	84	84	83	82
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	73	74	77	78	78	76	74	73	72	71	70
Threshold	240	240	240	240	240	240	240	240	240	240	240
Debt Service-to-Exports Ratio											
Baseline	9	5	5	5	6	6	6	6	6	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	9	5	4	3	3	2	2	1	1	0	0
B. Bound Tests											
B1. Real GDP growth	9	5	5	5	6	6	6	6	6	6	6
B2. Primary balance	9	5	5	6	6	6	6	6	6	6	6
B3. Exports	9	6	8	11	12	11	11	11	11	13	14
B4. Other flows 3/	9	5	5	6	7	6	6	6	6	7	7
B5. Depreciation	9	5	5	4	5	5	5	5	5	5	4
B6. Combination of B1-B5	9	5	7	7	8	7	7	7	7	9	8
C. Tailored Tests											
C1. Combined contingent liabilities	9	5	5	6	6	6	6	6	6	7	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	9	5	5	5	6	6	6	6	6	6	6
Threshold	21	21	21	21	21	21	21	21	21	21	21
Debt Service-to-Revenue Ratio											
Baseline	8	4	4	5	5	5	5	5	5	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	8	4	3	3	3	2	1	1	1	0	0
B. Bound Tests											
B1. Real GDP growth	8	5	6	6	7	7	7	7	7	7	7
B2. Primary balance	8	4	5	5	6	6	6	5	6	6	6
B3. Exports	8	5	5	7	8	7	7	7	7	8	9
B4. Other flows 3/	8	4	5	6	6	6	6	6	6	7	7
B5. Depreciation	8	6	6	5	6	6	6	6	6	6	5
B6. Combination of B1-B5	8	5	6	6	7	7	7	7	7	8	7
C. Tailored Tests											
C1. Combined contingent liabilities	8	4	5	5	6	6	6	6	6	6	6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	8	4	4	5	5	5	5	5	5	6	6
Threshold	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Sensitivity Analysis for Key Indicators of Public Debt, 2025–2035
(in percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	37	39	40	40	41	42	42	43	43	44	44
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	37	37	36	35	35	35	36	36	36	37	37
B. Bound Tests											
B1. Real GDP growth	37	47	63	72	81	90	98	106	114	122	130
B2. Primary balance	37	41	43	44	44	45	45	46	46	46	47
B3. Exports	37	45	55	55	56	56	55	56	56	56	55
B4. Other flows 3/	37	42	45	45	46	46	46	47	47	48	48
B5. Depreciation	37	41	38	36	34	31	29	27	25	23	21
B6. Combination of B1-B5	37	39	43	45	47	49	50	52	53	55	57
C. Tailored Tests											
C1. Combined contingent liabilities	37	46	47	47	48	48	48	48	49	49	50
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	37	39	40	40	41	42	42	43	43	44	44
TOTAL public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	103	110	112	114	116	117	119	120	122	123	126
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	103	103	101	99	99	100	100	102	103	104	106
B. Bound Tests											
B1. Real GDP growth	103	132	175	202	227	251	274	299	322	344	367
B2. Primary balance	103	114	121	123	125	126	127	129	130	131	133
B3. Exports	103	126	155	156	156	156	156	157	157	157	157
B4. Other flows 3/	103	117	126	128	129	130	131	132	134	134	136
B5. Depreciation	103	116	107	100	94	88	82	76	70	65	60
B6. Combination of B1-B5	103	111	120	126	132	136	141	146	150	155	160
C. Tailored Tests											
C1. Combined contingent liabilities	103	129	131	132	134	135	135	137	138	139	141
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	103	110	112	114	116	117	119	120	122	123	126
Debt Service-to-Revenue Ratio											
Baseline	35	27	31	31	32	34	36	38	38	40	42
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	35	27	28	26	25	26	28	31	32	34	36
B. Bound Tests											
B1. Real GDP growth	35	30	46	59	72	84	95	106	113	122	130
B2. Primary balance	35	27	34	36	36	37	39	41	41	43	44
B3. Exports	35	27	32	33	34	35	37	40	40	42	45
B4. Other flows 3/	35	27	32	32	33	34	36	39	39	41	43
B5. Depreciation	35	26	30	26	29	31	33	35	35	36	37
B6. Combination of B1-B5	35	27	33	34	37	40	44	48	49	52	55
C. Tailored Tests											
C1. Combined contingent liabilities	35	27	42	42	41	41	42	44	44	45	46
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	35	27	31	31	32	34	36	38	38	40	42

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Statement by Mr. Van Rij, Alternate Executive Director for Republic of Moldova and Mr. Mihai Copaciu, Senior Advisor to the Executive Director

February 27, 2026

On behalf of the Moldovan authorities, we thank staff, led by Ms. Iancu and Ms. Aydin, for the constructive discussions during the 2025 Article IV and FSAP consultations and for the high-quality analytical work, including the Selected Issues Paper. The authorities broadly concur with the thrust of the staff appraisal and value the Fund's continued close engagement. While acknowledging significant progress achieved across key reform areas, the authorities recognize that the pace of reforms must accelerate to meet the country's EU integration commitments, preserving, at the same time, macroeconomic stability. In this context, the authorities have additionally requested discussions on a three-year Policy Coordination Instrument (PCI) to anchor reforms and support EU integration.

EU accession remains the authorities' highest priority. Moldova has made substantial progress, completing the bilateral screening process in September 2025, with the latest Enlargement Report recognizing its annual progress as the strongest among candidate countries. Initial pre-financing and a first installment under the EUR 1.9 billion EU-supported Growth Plan for 2025–27 have been disbursed to advance priority reforms, with a further tranche expected shortly. The authorities remain committed to provisionally closing accession negotiations by early 2028.

Growth is expected to pick up gradually towards potential, underpinned by investments linked to the Growth Plan, structural reforms, and continued improvements in governance and institutional capacity under the EU accession process. The outlook is shaped by an uncertain global environment, with risks tilted to the downside and primarily stemming from external factors, including Russia's protracted war in Ukraine, rising global geopolitical tensions, renewed energy supply disruptions, and external demand weakness. The authorities therefore view resilience-building as a central objective of macroeconomic and structural policies.

Fiscal Policy

The authorities deem a temporarily higher fiscal deficit in 2026 appropriate, given substantial investment and reform needs, a still negative output gap, and the availability of concessional financing under the Growth Plan. With capital investment projected to increase by 55.5 percent year-on-year, they remain committed to improving spending quality by prioritizing high-return capital projects, particularly in energy, transport, and connectivity. At the same time, the authorities recognize that sustaining fiscal credibility over the medium-term requires sustained efforts to broaden the tax base, advance revenue administration reform, institutionalize the spending review process, strengthen public investment management, and enhance the rules-based fiscal framework. Progress in these areas is essential for Moldova's EU accession trajectory.

Tax reform efforts will prioritize simplification and base-broadening, alongside strengthened, risk-based compliance measures and continued alignment with the EU acquis. At the same time, new legal frameworks are being introduced to enable more flexible and formalized forms of economic activity, including, from early 2026, a dedicated regime for freelancers featuring simplified registration and a predictable single-tax system. These reforms are intended to improve compliance, reduce informality, and support sustainable development in high-value-added activities and exports.

In response to earlier implementation challenges, largely related to capacity and procurement rather than financing, the authorities have strengthened the investment framework by operationalizing a unified project pipeline and introducing more robust rules for project appraisal, selection, and prioritization. They created dedicated investment units within line ministries to improve implementation capacity, inter-institutional coordination, and monitoring. Reflecting these reforms, capital execution improved in 2025 at the central level, with a larger pipeline of projects planned for 2026 to ensure effective absorption of EU funds under the Growth Plan.

Building on lessons from the energy crisis, the compensation scheme has become better targeted, more transparent, and fiscally more efficient. It is now based on an energy vulnerability framework and supported by a dedicated fund, thereby reducing fiscal risks while protecting vulnerable households. Further refinements are planned to ensure sustainability and consistency with medium-term fiscal objectives.

As part of ongoing efforts to address structural weaknesses in the current budgetary wage system, the authorities are advancing a comprehensive reform to restore coherence, fairness, and competitiveness while safeguarding fiscal sustainability. Amendments to the unitary wage law are planned by mid-2026, with implementation from September, focusing on consolidating reference values, re-establishing job hierarchies, simplifying remuneration, and strengthening performance incentives. The reform's fiscal impact will be reflected in the amended 2026 and 2027 budgets.

The authorities recognize the need to further strengthen cash and debt management, enhance medium-term budget planning, and reduce reliance on frequent supplementary budgets to safeguard fiscal credibility. They welcome the upcoming macro-fiscal diagnosis IMF TA mission as an initial step in addressing these issues. The recently adopted Medium-Term Debt Management Program prioritizes diversifying funding sources, including by further deepening the domestic government securities market. Retail participation will be further enhanced through the introduction of secondary market trading and early redemption options, enhancing liquidity and investor flexibility.

Monetary and Exchange Rate Policy

The authorities emphasize that monetary policy remains data-dependent and forward-looking, guided by the National Bank of Moldova's (NBM) inflation forecast and a comprehensive assessment of domestic and external risks. Following timely tightening after the early 2025 energy and other supply-side shocks to anchor expectations and limit second-round effects, subsequent easing has been cautious and data-driven, reflecting moderating inflationary pressures and a negative output gap. January 2026 data show annual inflation declining to 4.85 percent, back within the target corridor after a period of elevated pressures. According to the latest NBM's baseline projection, inflation is expected to remain close to target in 2026 and ease further in 2027, as declining pressures from regulated and food prices offset external influences, and aggregate demand remains subdued. Key inflation risks stem from energy and food price volatility, geopolitical developments, particularly Russia's war in Ukraine, possible tariff adjustments for regulated services, and weather-related shocks.

The authorities welcome the Selected Issues Paper and concur with staff's assessment that the NBM has strengthened its monetary policy framework in recent years, with a clearer focus on the inflation gap and a more limited, rules-based use of FX interventions. They agree that interventions should address market disruptions and smooth excessive volatility rather than trend movements. They acknowledge the role of macroprudential tools as a first line of defense in limiting currency mismatches, as

reflected in the IPF “use cases”, given Moldova’s still-developing FX market and relatively elevated dollarization. The authorities also concur that, as inflation pressures ease, a gradual and well-calibrated reduction in reserve requirements would support market development and monetary transmission, without compromising price stability, and note that the February monetary policy decision reflects this approach.

EBA-lite real effective exchange rate misalignment assessments should be interpreted with caution given both the large estimation residual and data limitations. As staff notes, if the sizable currency and deposits inflows -most of them undeclared remittances or small personal transfers- were recorded in the current account, the deficit would be substantially smaller. The NBM is actively working to improve the statistical coverage of such flows.

On capital-market development, the authorities highlight the recent introduction of a weekly published yield curve for debt instruments denominated in the national currency. It is based on primary and secondary government securities markets, interbank transactions, and central bank operations, with work ongoing to further refine the methodology and enhance its analytical value.

The authorities underscore that safeguarding central bank independence and strengthening the governance framework of the NBM remain key priorities to support credibility and effective policy implementation. The draft law that encompasses previous IMF recommendations passed the first reading in Parliament.

Financial Sector and 2025 Financial System Stability Assessment

The authorities welcome the comprehensive assessment of Moldova’s financial system and appreciate the recognition of the substantial progress achieved since the previous FSAP in strengthening supervision, crisis management frameworks, and the AML/CFT regime. They concur that the banking sector is well capitalized, liquid, and resilient under severe stress scenarios.

The authorities acknowledge that rapid credit growth, although abating lately, and rising real estate prices warrant close monitoring. In response, macroprudential policy has already been tightened, including raising the countercyclical capital buffer to 1.5 percent, in line with staff’s latest recommendation. They broadly agree on further refining the macroprudential framework, with ongoing work to enhance stress testing, data collection, and systemic risk monitoring.

Regarding banking supervision, the authorities emphasize that significant regulatory and supervisory reforms have been implemented over the past decade, including the transition to risk-based supervision, strengthened shareholder transparency, and alignment with EU regulatory standards. They noted that for some principles’ ratings the BCP assessment does not sufficiently reflect the substantial progress achieved since the previous BCP assessment in 2014. They are committed to further strengthening governance arrangements and supervisory effectiveness. The NBM is currently aligning its legal and regulatory framework with the EU’s CRD VI/CRR III package, implementing the final Basel III standards, with full alignment of both primary and secondary legislation planned by end-2027.

On AML/CFT, the authorities stress the significant progress made in enhancing the legal and institutional framework, as reflected in the BCP assessment that the AML/CFT regulatory framework is comprehensive. They also recognize the importance of further strengthening risk-based supervision and inter-agency coordination to advance AML/CFT effectiveness.

In the area of financial safety nets and crisis management, the authorities broadly concur with the recommendations to enhance recovery and resolution planning, strengthen MREL implementation, and improve crisis preparedness. However, they express reservations regarding the recommendation to introduce government guarantees for ELA, noting potential fiscal and sovereign risk implications. They also emphasize that ELA should remain focused on liquidity support.

Structural Reforms

Energy security remains a central priority for the authorities, given Moldova's historical dependence on imports and the risks stemming from Russia's war in Ukraine. Interconnection with the European electricity market, particularly with Romania, has already strengthened resilience, enabling rapid restoration of supply during recent large-scale disruptions through newly commissioned cross-border lines. Additional projects are advancing to complete remaining interconnections and secure full energy independence over the medium-term. The launch of day-ahead and intraday markets marks a structural shift toward market-based price formation and closer integration with European systems. Progress has also been made in gas and fuel security, including measures to mitigate supply risks and safeguard critical infrastructure. Renewable energy now accounts for roughly one-third of demand, with competitive wind auctions, including storage requirements, further expanding capacity, and supporting both energy security and climate objectives.

The authorities highlight recent anti-corruption progress, including establishment of a dedicated anticorruption infrastructure in courts and expanding integrity vetting to judges serving in these specialized panels; structural changes have consolidated the national prosecutorial functions to investigate corruption and organized crime, alongside continued enforcement activity by the Anti-Corruption Prosecutor's Office in high-profile cases. The legal and operational framework to seize and recover assets stemming from corruption and other serious crimes has been consolidated, strengthening the national financial crimes investigation mechanism, with efforts still focused on achieving stronger results. A new mechanism for channeling confiscated assets toward social use is undergoing final preparations and will further strengthen rule-of-law credibility and public trust. Moldova has ratified international instruments, including the Treaty on Data Exchange for the Verification of Asset Declarations, recently entered into force, which will enable enhanced cross-border cooperation to ensure an efficient asset verification mechanism in line with EU standards.

With labor participation still low but increasing, the authorities stress the expansion of childcare infrastructure as a key investment in labor market participation, particularly for women, and human capital building. Budgetary allocation for childcare facilities has increased sharply, supporting a substantial expansion in capacity over 2026–2027.

The authorities welcome the analysis in the Selected Issues Paper on export developments and prospects and broadly agree with staff's assessment. They concur that Moldova has made significant progress in reorienting trade toward the EU, strengthening export resilience, and improving the durability of trade relationships. The authorities also share staff's view that further efforts are needed to diversify the export base, increase product sophistication, and enhance competitiveness through productivity gains and investment. They emphasize that continued structural reforms, EU regulatory alignment, and targeted support under the Growth Plan will be critical to sustaining export growth and advancing Moldova's integration into European value chains.

PCI request

In January 2026, the authorities requested to initiate discussions with the IMF on a three-year cooperation framework to be supported by a PCI. The decision to pursue a non-financing instrument reflects the authorities' assessment that current macroeconomic conditions no longer warrant emergency financing and their strategic objective to transition toward a framework centered on policy credibility, macroeconomic stability, and the implementation of structural reforms. The envisaged PCI would serve as an effective anchor for advancing reforms aligned with the EU integration agenda, while strengthening investor confidence and supporting the mobilization of external financing. The authorities view the PCI as an essential complement to the EU Growth Plan and look forward to the continued technical engagement and policy dialogue it supports.