Moldova’s economic freedom score is 59.1, making its economy the 97th freest in the 2019 Index. Its overall score has increased by 0.7 point, with improvements in judicial effectiveness, government spending, and fiscal health outpacing a decline in labor freedom. Moldova is ranked 40th among 44 countries in the Europe region, and its overall score is below the regional and world averages.

Blessed with a moderate climate and productive farmland, Moldova’s economy in theory should be more prosperous. The domestic political impasse caused in part by Russia undercuts structural reform and realization of the country’s potential. The government has tried to address weaknesses in the financial sector, but growth is hampered by endemic corruption and a Russian ban on imports of Moldova’s agricultural products. The economy remains vulnerable to weak administrative capacity, vested bureaucratic interests, higher fuel prices, Russian political and economic pressure, and unresolved separatism in the Transnistria region.

**ECONOMIC FREEDOM SCORE**

<table>
<thead>
<tr>
<th></th>
<th>World Rank</th>
<th>Regional Rank</th>
<th>Economic Freedom Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moldova</td>
<td>97</td>
<td>40</td>
<td>MOSTLY UNFREE</td>
</tr>
</tbody>
</table>

**ECONOMIC FREEDOM STATUS:**

- **REGIONAL RANK:** 40
- **WORLD RANK:** 97
- **ECONOMIC FREEDOM STATUS:** MOSTLY UNFREE

**RELATIVE STRENGTHS:**
- Fiscal Health and Tax Burden

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):**
- +26.1

**CONCERNS:**
- Government Integrity
- Judicial Effectiveness

**FREEDOM TREND**

![Freedom Trend Chart]

**QUICK FACTS**

- **POPULATION:** 3.5 million
- **GDP (PPP):** $20.1 billion
- **4.0% growth in 2017**
- **5-year compound annual growth 4.4%**
- **5,661 per capita**
- **INFLATION (CPI):** 6.6%
- **FDI INFLOW:** $213.8 million
- **PUBLIC DEBT:** 37.7% of GDP

**BACKGROUND:** President Igor Dodon of the pro-Russia Party of Socialists of the Republic of Moldova (PSRM) was elected to a four-year term in 2016. Moldova gained independence after the collapse of the Soviet Union in 1991 but is vulnerable to economic pressure from Russia and faces a secessionist pro-Russian movement in its Transnistria region, currently home to about 1,000 Russian troops. The PSRM won a narrow plurality in 2014 parliamentary elections but was blocked from forming a government by a pro-European integration coalition led by the center-left Democratic Party of current Prime Minister Pavel Filip. Moldova’s economy, dependent on emigrants’ remittances and agricultural products like fruits, vegetables, wine, and tobacco, is one of the weakest in Europe.

2017 data unless otherwise noted. Data compiled as of September 2018.
Laws are in place to protect property rights and to record titles and mortgages. The constitution provides for an independent judiciary, but the legal framework is ineffective, and courts are underresourced. In the face of organized crime and persistent corruption, the EU is pressuring the government for more reform of the judicial system and steps to harmonize anticorruption statutes.

The top personal income tax rate is 18 percent, and the top corporate tax rate is 12 percent. Other taxes include a value-added tax. The overall tax burden equals 31.5 percent of total domestic income. Over the past three years, government spending has amounted to 36.9 percent of the country’s output (GDP), and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 37.7 percent of GDP.

Lingering bureaucracy and a lack of transparency often make formation and operation of private enterprises costly and burdensome. Labor regulations are rigid. The nonsalary cost of employing a worker is high, and restrictions on work hours remain inflexible. Government expenditures have risen, driven in part by increased agricultural subsidies and price controls on food.

The combined value of exports and imports is equal to 113.2 percent of GDP. The average applied tariff rate is 3.5 percent. As of June 30, 2018, according to the WTO, Moldova had eight nontariff measures in force. In general, foreign and domestic investors are treated equally under the law. Long-term financing remains difficult. About 45 percent of adult Moldovans have access to an account with a formal banking institution.