

MOLDOVA

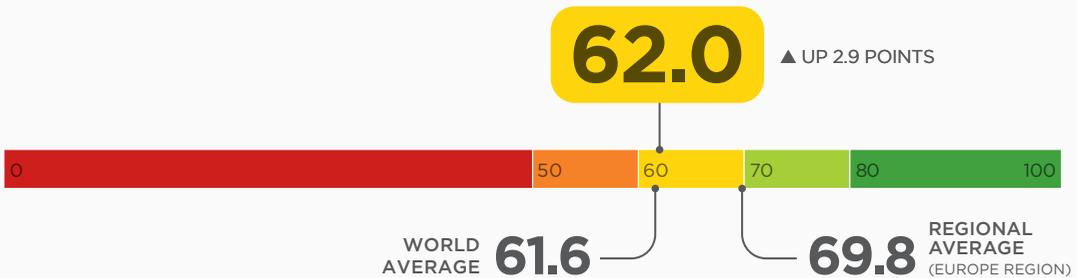
Moldova's economic freedom score is 62.0, making its economy the 87th freest in the 2020 *Index*. Its overall score has increased by 2.9 points, with improved scores for **government integrity** and **government spending**. Moldova is ranked 40th among 45 countries in the Europe region, and its overall score is well below the regional average and approximately equal to the world average.

The Moldovan economy moves up to the moderately free category this year. GDP growth has been healthy for the past five years.

Economic freedom is constrained by post-Soviet Moldova's ongoing vulnerability to corruption, political uncertainty, weak administrative capacity, vested bureaucratic interests, a rigid labor code, dependence on energy imports, Russian political and economic pressure, heavy dependence on agricultural exports, and unresolved separatism in the country's Transnistria region. The rule of law, in particular, remains very weak. Protection of property rights and effectiveness of the judiciary rank with the repressed.

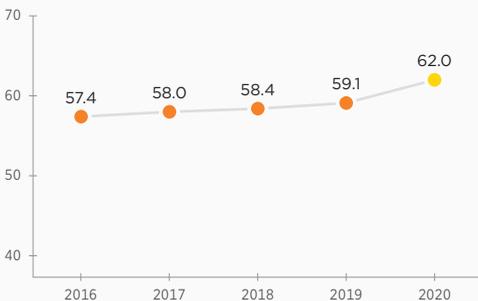


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +29.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
3.5 million

GDP (PPP):
\$25.9 billion
4.0% growth in 2018
5-year compound annual growth 3.6%
\$7,305 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
3.1%

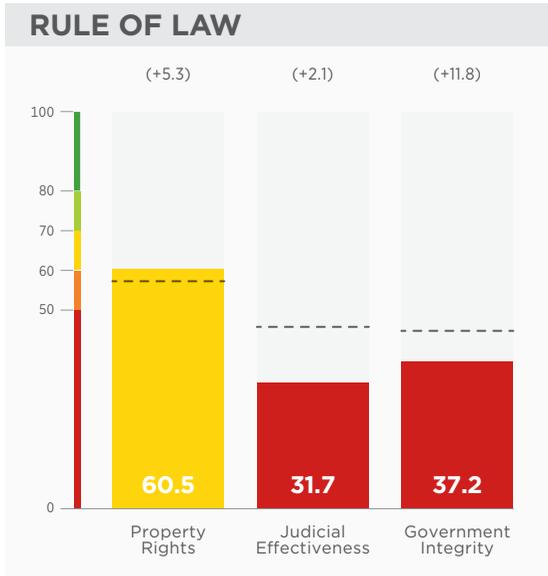
FDI INFLOW:
\$227.7 million

PUBLIC DEBT:
27.1% of GDP

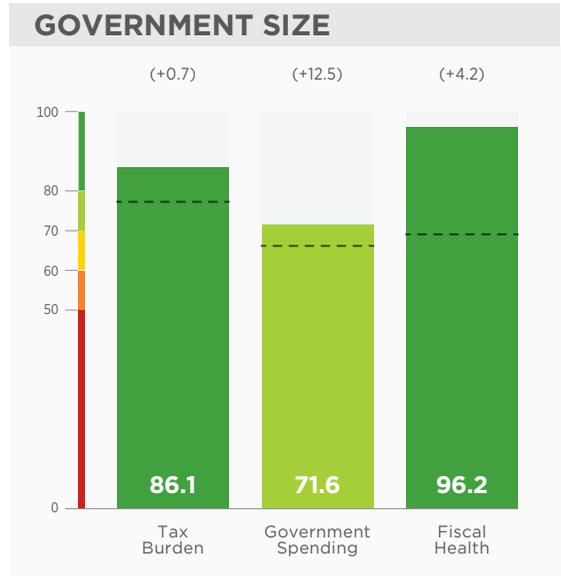
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Moldova gained independence after the collapse of the Soviet Union in 1991 but is vulnerable to economic pressure from Russia and has to contend with a secessionist pro-Russian movement in its Transnistria region, which is currently home to about 1,000 Russian troops. The February 2019 Moldovan parliamentary elections ended with most of the vote in parliament split among three parties: the pro-Russia Socialist Party, the pro-Europe Democratic Party, and the ACUM bloc. No durable governing coalition had been formed by late 2019. Pro-Russian Socialists triumphed in October 2019 local elections. Moldova's economy depends on emigrants' remittances and agricultural products like fruits, vegetables, wine, and tobacco. It is also one of the weakest economies in Europe.

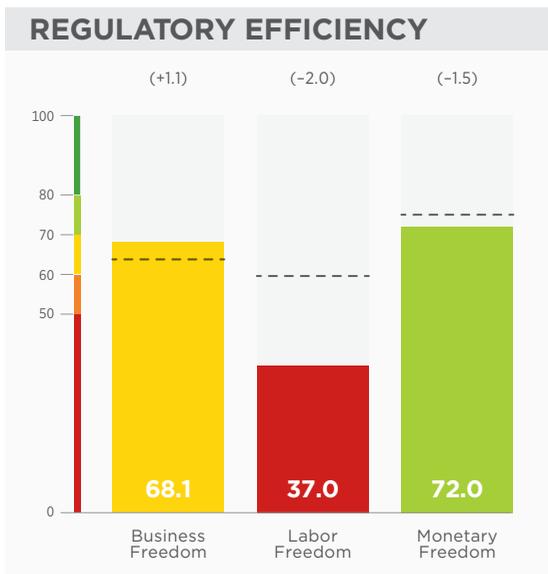
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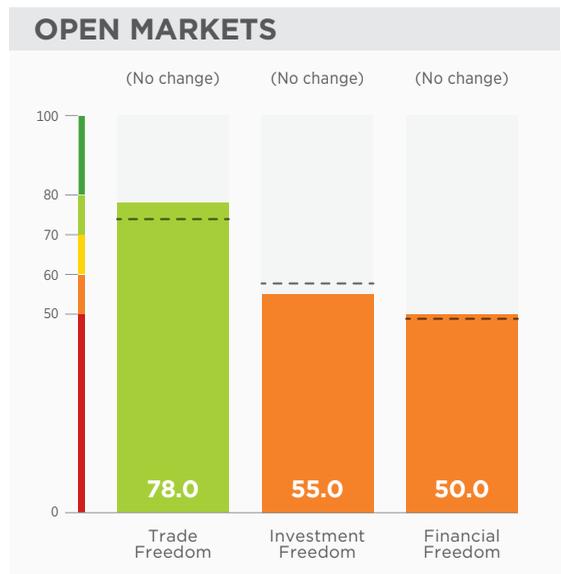
Property rights, although guaranteed by Moldovan law, are undermined by a weak and corrupt judiciary. Widespread corruption and related advantages for politically connected business owners affect normal business activity and undermine fair competition. The judiciary is susceptible to political pressures that limit its independence. Corruption remains widespread at all levels of government, and existing anticorruption laws are inadequate.



The top personal income and corporate tax rates are 12 percent. Other taxes include a value-added tax. The overall tax burden equals 33.2 percent of total domestic income. Government spending has amounted to 30.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.2 percent of GDP. Public debt is equivalent to 27.1 percent of GDP.



Private businesses must deal with political uncertainty, weak administrative capabilities, and enmeshed bureaucratic interests. Starting a business has been facilitated by the removal of redundancy in registration. The inefficient labor market is fed by an inefficient education system. Better educated Moldovans often leave to work elsewhere. Government expenditures on agricultural and other subsidies expanded ahead of the 2019 legislative elections.



The total value of exports and imports of goods and services equals 86.7 percent of GDP. The average applied tariff rate is 3.5 percent, although numerous nontariff barriers and a lack of transparency increase the cost of trade. Foreign and domestic investors are treated equally, but the overall investment regime is not conducive to dynamic investment growth. The level of overall financial intermediation remains shallow.