REPUBLIC OF MOLDOVA
MINISTRY OF FINANCE

ECONOMIC REFORM PROGRAMME 2026 - 2028

January 2026

CONTENT:

ABBREVIATIONS

MoF	Ministry of Finance
ERP	Economic Reform Programme
MEDD	Ministry of Economic Development and Digitalization
IMF	The International Monetary Fund
SI RPIC	Information System 'Register of Capital Investment Projects'
GDP	Gross Domestic Product
NPB	National Public Budget
CPAs	Central Public Authorities
UNDP	United Nations Development Programme
VAT	Value Added Tax
GVA	Gross Added Value
FACEM	The Moldova Entrepreneurship and Economic Growth Fund
SMEs	Small and Medium-Sized Enterprises
ODA	Organization for the Development of Entrepreneurship
NBM	National Bank of Moldova
REER	Real Effective Exchange Rate
ILO	International Labour Office
EU	European Union
NPL	Non-Performing Loans
MDL	Moldovan leu/lei
SREP	Supervisory and Evaluation Process
LCR	Liquidity Coverage Ratio
LTV	Loan-to-value
DSTI	Debt service-to-income
NSB	National Bureau of Statistics
EIB	European Investment Bank
CPI	Consumer Price Index
PPP	Public-Private Partnership
CAB	Cyclically adjusted budgetary balance
FRS	Fiscal Risk Statement
OECD	Organization for Economic Cooperation and Development
SSIB	State Social Insurance Budget
IFI	Independent Fiscal Institutions
MTBF	Medium-Term Budgetary Framework
SEPA	Single Euro Payments Area
ECOFIN	Council Economic and Financial affairs meeting of the Council of the European Union

1. OVERALL POLICY FRAMEWORK AND OBJECTIVES

The central objective of the Economic Reform Programme (ERP) for 2026-2028 is to accelerate the Republic of Moldova's economic convergence with the European Union. Thus, it is shaped by the country's commitment to European integration and implementation of the EU-supported Growth Plan. Following multiple crises, Moldova is entering a phase of accelerated reform implementation aimed at sustainable convergence with the EU. The Growth Plan Facility for the Republic of Moldova (up to 1.9 billion EUR for 2025-2027), the largest EU support package since independence, provides a transformative opportunity to accelerate reforms and improve living standards.

For 2026, the Government aims to consolidate economic growth, supported by improving external conditions, higher productivity, structural reforms advancement, and increased investment linked to the EU integration. Over 2026-2028, economic policy will follow a coherent approach based on the Reform Agenda agreed with the European Commission, focusing on:

- Macroeconomic stability – prudent fiscal policies, gradual deficit reduction, and price stability;
- Structural reforms – rule of law, anti-corruption, public administration efficiency;
- Investment and competitiveness – improved business environment, small and medium enterprises support, digitalisation;
- Energy security and green transition – source diversification, EU market integration, renewables;
- EU Single Market integration – progressive acquis alignment, SEPA participation, trade facilitation.

Public investment will prioritise strategic projects in energy efficiency, connectivity and business environment. The Government will continue responsible fiscal policies balancing growth stimulation with controlled budget deficit, targeting gradual consolidation over the programme period.

In accordance with the European Commission's Guidance Note for the Economic Reform Programmes, as general rule, all macroeconomic projections, fiscal data, and structural analysis included in this document are based on data and information available as of end-November, 2025. This cutoff date ensures a consistent and comparable analytical framework across all reporting candidate countries.

2. IMPLEMENTATION OF THE POLICY GUIDANCE

The policy guidance under the Economic and Financial Dialogue between the European Union and the Republic of Moldova, adopted at the meeting of the European Union's Economic and Financial Affairs Council (ECOFIN) held on 13 May 2025 in Brussels, set out numerous reform measures and actions for the Republic of Moldova.

The implementation of the policy guidance, as part of the joint conclusions on the Economic Reform Programme 2025-2027 of the ECOFIN Council for the Republic of Moldova, aims at:

Ensure a sufficiently tight monetary policy stance to bring inflation back to the target band, underpinned by a thorough assessment of potential second-round effects and improve the reliability of the results of the inflation expectations survey.

Forward-looking, data-dependent and appropriately calibrated **monetary policy** of the National Bank of Moldova (NBM) contributed to containing the second-round effects of inflation, to anchoring inflation expectations, therefore, to guiding inflation toward the target range.

After the upward trend in the second half of 2024, during 2025, the annual inflation rate outlined a downward trajectory, but still continued to be placed above the upper limit of the range of ±1.5 percentage points (pp) from the 5.0% target. However, according to the NBM's latest forecast published in 2025[1], inflation is going to return to the target range by the end of 2025, but with even greater probability – at the beginning of 2026.

To ensure the consolidation of the disinflationary process and to support the recovery of aggregate demand, in August 2025, the NBM cautiously initiated a monetary easing cycle, gradually reducing the policy rate from 6.5% to 6.0% in September 2025 and keeping it unchanged since then. Subsequently, on 6 November 2025, the required reserve ratios for funds attracted in Moldovan lei (MDL) and in non-convertible foreign currency were decreased from 22.0% to 20.0% of the calculation base, and the required reserve ratios for funds attracted in freely convertible foreign currency were decreased from 31.0% to 29.0% of the calculation base.

However, on average, the real monetary conditions for aggregate demand remained restrictive over the entire year 2025. Monetary policy has had a restrictive character through the real effective exchange rate (REER), while through the real interest rate – a stimulative one (Figure 3.17. Real monetary conditions index and decomposition).

The deviation of the REER from its equilibrium level was determined by the accumulated real appreciation of the national currency. In the context of a negative gross domestic product (GDP) gap, the overall stance of monetary policy is guided, insofar as not to undermine the disinflation trend, toward an accommodative phase.

The NBM stands ready to adjust its monetary policy stance consistent with its inflation targeting framework.

NBM monetary policy decisions continue to depend on the inflation outlook and risk-balance, and adjustments are guided by the 8-quarter inflation forecasts, under the operational objective of keeping

[1] Inflation Report, November 2025. https://bnm.md/ro/content/raportul-asupra-inflatiei-nr-4-2025

inflation within the variation interval of the inflation target, and in this way achieving the fundamental objective of ensuring and maintaining price stability.

Inflation survey is elaborated in accordance with "The Joint Harmonised EU Programme of Business and Consumer Survey" and is published on the official site of the NBM[2]. The fact that participation in the survey is voluntary for consumers, legal entities and experts reduces the survey's reliability for the creation of a complete and detailed picture of inflation expectations and restricts its use to informational purposes only. NBM will continue to develop the inflation expectation survey in order for reliable and timely inflation information to be extracted and used for inflation and macroeconomic forecasts.

Continue to strengthen central bank independence, notably through strengthening the dismissal and appointment procedures and reforming its governance and decision-making structure by adopting the respective amendments to the central bank law.

In line with commitments agreed with the IMF, a draft law with proposals for amendments to the NBM Law, to further strengthen the autonomy and governance of the NBM, was registered in the Parliament on 4 December 2024. These proposals focus on: (I) strengthening procedures related to changes in the members of NBM decision-making bodies and (ii) fine-tuning governance and decision-making structures of the NBM, especially on the qualifications of members, the composition of decision-making bodies, the duration of the mandate of the members of the NBM Executive Board and the NBM Supervisory Board. On 27 November 2025, the draft law was adopted by Parliament in the first reading[3].

Complete the review of responsible lending practices and implement its results.

The regulatory framework for responsible lending practices, applicable to both banking and non-banking financial institutions, is currently under review with the aim of harmonizing regulatory standards, preventing arbitrage, and limiting excessive indebtedness, while ensuring adequate access to finance. The draft unified Regulation on responsible lending to consumers has been submitted for public consultation on 28 November 2024, and the proposals and recommendations received have been analysed and, where appropriate, incorporated into the finalized version of the draft regulatory act.

Pursue fiscal policy aimed at achieving prudent medium term fiscal positions and ensuring debt sustainability, while increasing public investments to boost the growth potential, notably through the Growth Plan while applying the new single project pipeline to all new investment projects.

The Government will maintain a sustainable medium-term fiscal path, consistent with fiscal consolidation objectives, the accession-related reform agenda, and public investment needs, in particular those associated with the Growth Plan. The medium-term baseline scenario incorporates the macroeconomic framework and the measures/objectives under the Growth Plan, including the EUR 1.9 billion financial support, to underpin strategic investments and sustainable growth.

To improve the quality and efficiency of investments, the Government is applying the new single project "pipeline" mechanism to all new investment projects, with strengthened rules for appraisal, selection, prioritisation, interinstitutional coordination and monitoring, including ex ante assessment

[2] https://bnm.md/ro/content/chestionar-pentru-studiul-consumatorilor-si-mediului-de-afaceri
[3] https://parlament.md/material-details-md.nspx?param=d520fbb0-b8f0-4c74-80c7-c86f513bffcd

and cost-benefit analysis, transparency, and efficient use of resources. Implementation will be supported by strengthening institutional arrangements (sectoral units/coordinators within each ministry) and by using the project.gov.md platform to track project implementation.

Mitigate risks to the public finances and to that end, prepare an analysis on the fiscal impact of including major publicly controlled non-market producers in the general government sector.

At the end of 2025, Parliament adopted Law No. 327 amending certain normative acts (aimed at improving public financial management), which amended Law No. 181/2014 on public finances and fiscal responsibility. One objective of these amendments is to ensure the application of uniform procedures in budgetary financial management by defining an institution's status depending on its funding sources: (a) budget revenues or (ii) entirely own-source revenues. In this context, a public institution financed from budget revenues will have the status of a budgetary institution, and its financial management will be aligned with the principles, rules, and procedures laid down in Law No. 181/2014. At the same time, the law also sets out the principles for the financial management of public institutions financed entirely from own-source revenues. These provisions will apply to the preparation and approval of the public institution's budget starting with the budget process for 2027.

It should also be noted that, in 2025, a draft law on public institutions was prepared and approved by Parliament in first reading, supposed to entry into force on 1 January 2027. In this regard, throughout 2026, the created public institutions will be analysed in terms of their purpose, functions, and activities, taking into account the provisions of the law on public institutions.

Additionally, at the end of 2025, under the aegis of the National Bureau of Statistics, an interinstitutional working group was established for the reclassification of the public sector, with the involvement of the Ministry of Finance and the National Bank of Moldova. The objective of this group is to develop the methodology for reclassifying entities in this sector in accordance with ESA 2010. Based on the established principles, the National Bureau of Statistics will prepare, by the end of 2026, the list of entities in the public sector, which will subsequently be updated annually to reflect any changes.

Further strengthen the capacity to produce macroeconomic and fiscal forecasts, particularly in the areas of the labour market and the external sector.

In the year 2025, the Ministry of Economic Development and Digitalization (MEDD) focused its efforts on strengthening its institutional capacity to produce macroeconomic forecasts. These efforts resulted in several key outcomes, outlined below:

- for the labour market forecasting, a dedicated modelling tool was made available to the Ministry through a technical assistance project implemented in cooperation with experts from the International Labour Organization (ILO). In order to facilitate the implementation of the model, a series of working meetings were organized with staff from the responsible division. As a result, the forecast data was added to the Annex Table 1c, *Labour Market Developments*, and accompanied by a narrative description in Chapter 3, *Macroeconomic Framework*;

- with regard to external sector forecasting, preliminary projections of the main current account indicators were developed with the support of the consulting company German Economic Team. In parallel, an integrated macroeconomic forecasting model was developed, encompassing not only external sector indicators but also projections for the real sector and the labour market. This model was financed under the project *"Moldova is Europe – Project to Support EU Integration"*. To facilitate the uptake of the model, a series of working sessions were organized with staff from the responsible division. The results of the current account forecast are presented in Table 1f, *External Sector Developments*, while Chapter 3, *Macroeconomic Framework*, provides a narrative description of the projections. For the year 2026, further work is planned on the development of external sector forecasting, with a particular focus on forecasting the capital and financial account;

- with the assistance of the World Bank, a specialized workshop was organized, during which the macroeconomic impact of the reforms and planned investments outlined in the Growth Plan was estimated. As a result, the MFMod model was further refined and adjusted;
- throughout 2025, technical assistance was provided under the EU TA Project Preparation Facility, focused on the development of micro-forecasting models for the main GDP indicators by uses. Within the framework of this assistance, preliminary estimates for private consumption and gross fixed capital formation were presented
- staff from the responsible division within the MEDD participated in the following professional development trainings, focused on strengthening their capacities in macroeconomic analysis and forecasting:
    - Estimation of the Structural Budget Balance (EU TA Project Preparation Facility);
    - Financial Programming and Policies, Part 1: Macroeconomic Accounts and Analysis (IMF);
    - Macroeconomic Diagnosis (IMF);
    - Big Data for Macroeconomic Statistics (IMF);
    - Analytical Tools for Public Decision-Making (State University of Moldova, U.S. Embassy).

Continue to broaden the tax base through phasing out of tax expenditures and increasing tax compliance in line with the Public Finance Management Strategy 2023-2030.

The Government will continue to broaden the tax base by reviewing preferential tax treatments and gradually phasing out tax expenditures with low budgetary yield/limited economic impact, while simultaneously implementing measures to improve tax administration and compliance. This approach builds on the annual tax expenditure review launched in 2022, which includes inventorying, estimating forgone revenue and ex post assessments (including cost-benefit analysis), with findings integrated into the medium-term budgetary framework and budget documentation. The tax expenditure report (2023-2025) is planned to be finalised by the end of Q1 2026. At the same time, the Government will pursue the streamlining and simplification of the tax system, including by reducing unnecessary complexity and administrative burdens for taxpayers.

In 2026, further tax measures will be developed and operationalised to reduce inequalities and align the system with EU good practices, including: taxation of postal consignments and a review of the VAT regime (including an assessment of reduced rates), with a view to broadening the base, simplifying the system, and aligning it with European standards. In parallel, compliance-enhancing measures will focus on the digitalisation and modernisation of tax administration, risk-based targeting of audits, and reducing the informal economy, in order to stabilise budget revenues.

Continue the implementation of the results of the health sector's spending review, complete and publish the review of social protection

In the health sector, the authorities will continue implementing the measures stemming from the spending review, with a focus on improving the efficiency of contracting and financing of services, including in primary healthcare, and on optimising the organisation and functioning of the relevant structures.

In the social protection sector, the sectoral review will be finalised and published in 2026, and implementation of the recommended measures will be launched. This builds on the rationalisation exercise carried out in March-December 2024, focused on revenues and certain expenditures of the State Social Insurance Budget (BASS), including contribution exemptions/reliefs and key benefits. The report includes efficiency measures to revise preferential contribution rates, the list of exempted revenues, and to optimise certain benefits (temporary incapacity, family/child benefits, cold-season support, spa/sanatorium vouchers), with the objective of reducing the BASS deficit and transfers from the state budget.

Review all Entrepreneurship Agency (ODA)'s programmes supporting businesses' access to finance with a view to improving their efficiency and effectiveness.

Substantial progress was achieved by the Government of the Republic of Moldova in strengthening the accountability and efficiency of governmental SME support mechanisms, in line with the Reform Agenda under the Republic of Moldova's Growth Plan 2025–2027.

This reform action was institutionalized through the approval of Government Decision No. 603 of 17 September 2025, promoted by the Ministry of Economic Development and Digitalization (MDED), which established a unified regulatory framework governing the drafting, approval, implementation and monitoring of all SME support instruments financed from the state budget. This decision enables the streamlining of multiple existing and future SME support mechanisms into a single unified framework, aimed at simplifying access to support, preventing overlaps and strengthening monitoring, evaluation and accountability.

In implementation of the governmental framework established by Government Decision No. 603/2025, a first step in operationalizing the unified approach to SME support was already undertaken. In this context, based on the decision of the ODA Council of 22 September 2025 approving the non-reimbursable financial support instrument for SME development - CREȘTEM IMM, the Organization for Entrepreneurship Development (ODA), integrated three existing grant programmes - the SME Digital Transformation Programme, the SME Retrofitting and Energy Efficiency Programme, and the SME Greening Programme – under a single-window, business-plan-centred delivery model.

Under this model, applicants submit one unified business plan through a single application process, which serves as the common basis for accessing non-financial and non-reimbursable financial support aligned with multiple SME development objectives established by the Ministry of Economic Development and Digitalization in the Sectoral Expenditure Strategy, in accordance with Government-approved public policy objectives and relevant commitments with development partners and/or donors.

The decision of the ODA Council of 22 September 2025 represents the first implementation phase of this governmental reform. During the first quarter of 2026, additional grant programmes dedicated to business start-ups will be further optimized and integrated under the same unified framework and principles, ensuring full coherence and effectiveness of governmental SME support mechanisms.

Following the analysis of the European Commission's Recommendations based on the assessment of the Economic Reform Program (2025-2027) of 11 April 2025, and in line with the Reform Agenda under the Republic of Moldova's Growth Plan, during 2026 the MEDD) will finalize the assessment of the main instruments supporting SMEs' access to bank finance implemented by the ODA, including the "373" interest compensation programme under the Fund for Entrepreneurship and Economic Growth of Moldova (FACEM) and individual financial guarantees provided through the Credit Guarantee Fund.

The assessment will analyse the extent to which these instruments have achieved their objectives and predefined KPIs, include a cost-benefit analysis of their impact on public finances, identify existing credit bottlenecks, and provide evidence-based recommendations to enhance their effectiveness, targeting and contribution to SME borrowing capacity. The results of this assessment will inform subsequent adjustments of existing instruments and the design of new access to finance measures under ODA and FACEM, including those targeting export-oriented SMEs. This action is also included in the Reform Agenda under the Growth Plan, Pillar 1, Reform 2, Measure 5. The estimated impact of this reform is presented in Chapter 5A.

Implement the results of the state-owned enterprise 'triage' exercise based on the recently approved programme and implement recent governance reforms related to the professionalization of boards and the publication of annual audit reports of state-owned enterprises.

The screening of state-owned enterprises was carried out in 2024 by the Public Property Agency in accordance with the Mechanism for the Screening of State-Owned Enterprises and Commercial Companies with State Capital, approved by Government Decision nr.819/2023. As a result, the enterprises were classified into five categories as follows:

Category	Description	Number of companies
1	Enterprises that are not eligible for privatization	66
2	Enterprises recommended for reorganization into another legal form of organization	55
3	Enterprises considered eligible for privatization after reorganization/restructuring	10
4	Enterprises recommended for immediate privatization	10
5	Enterprises recommended for liquidation	97
	Total	**238**

The actions related to the reform of state-owned enterprises are set out in the Reform Agenda approved by Government Decision nr.260/2025. The implementation of the outcomes of the screening process is currently underway and is being carried out by the Public Property Agency.

1. The list of enterprises not eligible for privatization was approved by Parliament through its inclusion in the annex to Law nr.121/2007 on the Administration of Public Property.

2. Reorganization. It is envisaged that at least 15 enterprises will be reorganised out of the 55 recommended for a change in their legal form, with a deadline of December 2026. Of these, three enterprises have already been reorganised into public institutions.

3. Privatization. By June 2026, investment profiles for five state-owned enterprises are scheduled to be developed, and the privatization procedures for these enterprises are to be launched. Currently, investment profiles are being prepared for two enterprises, while for three enterprises, the process of selecting valuation companies has been initiated.

4. Regarding the liquidation of enterprises, at least 10 state-owned enterprises are scheduled to be liquidated by December 2026. No enterprises have been liquidated to date, as the liabilities of the enterprises classified under Category 5 exceed their assets, and therefore cannot be liquidated extrajudicially. The process is highly complex and ongoing, involving continued coordination with the enterprises, representatives of the Ministry of Finance, the State Tax Service, and other relevant stakeholders.

Implementation of recent governance reforms related to the professionalization of boards of directors.

In accordance with the Regulation on the selection of candidates for the position of board member of state-owned enterprises and companies with fully or majority state-owned capital, and the conditions for their remuneration, approved by Government Decision nr.209/2023, the selection of candidates for board membership in state-owned enterprises is carried out on the basis of evaluation criteria that assess candidates' qualifications. These criteria apply both to independent candidates and to those nominated by central public authorities.

The selection of independent candidates for the position of member of the governing board of state-owned enterprises is carried out through a competitive process organized by the entity acting as the founder, shareholder, or associate of the state-owned company, in accordance with the conditions set out in this Regulation. To date, the competitive selection and appointment process for independent members has been initiated and completed for the boards of five entities.

The selection of candidates from central administrative authorities for the position of board member in state-owned enterprises, for their appointment to the governing body, is carried out by a committee established within each public authority. The selection follows the authority's internal regulations (competitive procedure) and applies the same criteria set out in point 25 of the Regulation mentioned earlier.

In 2023, the regulatory framework introduced new procedures for selecting candidates for positions as members of management and supervisory/control bodies, aimed at increasing the transparency of the selection process and establishing relevant criteria for these processes. In this regard, it should be noted that the Ministry of Finance approved selection criteria and other elements related to the selection process through the Regulation on the procedure for selecting Ministry of Finance staff to serve on audit committees of public interest entities, boards/boards of directors, and censors' commissions of state-owned enterprises and joint-stock companies.

Publication of annual audit reports of state-owned enterprises.

Current legislation imposes transparency and governance obligations, including the disclosure of information such as annual financial statements and audit reports. These requirements apply to state-owned enterprises as well as to joint-stock companies with majority state ownership that are classified as being of public interest (art. 18 of Law nr. 246/2017 on State and Municipal Enterprises; art. 90 of Law nr. 1134/1997 on Joint-Stock Companies; Government Decision nr. 820/2023 approving the Corporate Governance Codes for fully or majority state-owned enterprises).

According to the Report on the Management and Privatization of State Public Property in 2024, prepared by the Public Property Agency, in order to ensure transparency regarding the exercise of the corporate governance function of state-owned enterprises and public-capital companies, the Agency ensured the publication on its official website (www.app.gov.md) of the 2024 financial statements and the corresponding audit reports.

3. MACROECONOMIC FRAMEWORK

3.1. Recent economic developments

The Republic of Moldova is steadily consolidating its economic recovery after recent crises, as economic growth continues to strengthen. In January-September 2025, GDP increased by 2% compared to the same period of 2024, largely driven by the remarkable 5.2% expansion recorded in the third quarter. Growth was broad-based, with agriculture, construction, ICT sector, domestic trade, energy industry, health and social assistance services, education, and financial and banking activities making positive contributions to GDP. Investments played a central role in sustaining economic momentum and represents a key driver of future growth, alongside the growth of final consumption. At the same time, the widening trade deficit, reflecting faster growth in imports than in exports, exerted a negative effect on overall GDP dynamics.

Figure 3.1. GDP growth (by production) in January-September 2022-2025 and the contribution of main components (pp)

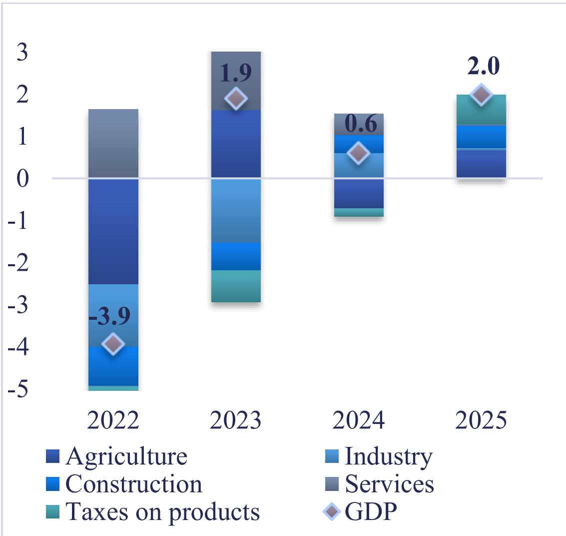
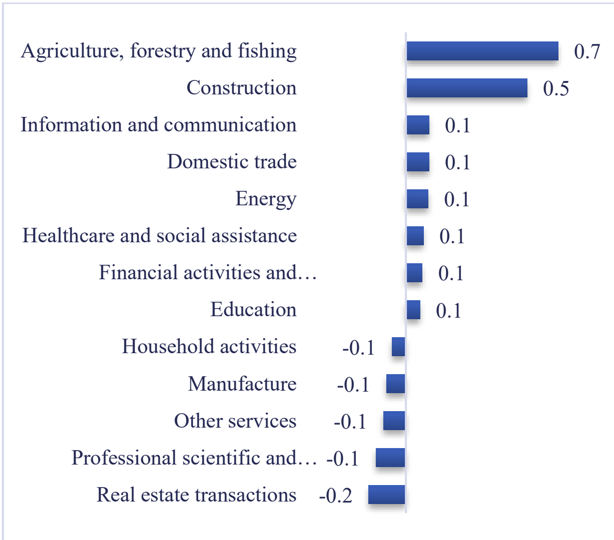


Figure 3.2. Contribution of economic activities to GDP growth in January-September 2025 (pp)



Source: National Bureau of Statistics

The largest contribution to GDP growth in the first nine months of 2025 came from the **agricultural sector** (9% of GDP). Following weak performance earlier in the year, agricultural gross value added increased by 8.6% over the nine-month period, reflecting a recovery in agricultural production and more favourable climatic conditions than in the previous year. Most agricultural crops recorded higher average yields, contributing positively to overall agricultural output: winter and spring wheat (+29.0%), winter and spring barley (+30.2%), maize (+5.9%), sunflower (+26.8%), sugar beet (+96.6%), rapeseed (+33.7%), soybeans (+73.8%), potatoes (+117.1%), field vegetables (+36.5%), and grapes (+8.5%).

Construction activity (6.9% of GDP) remained an important driver of economic growth, with gross value added increasing by 8.1%. Residential construction had the largest impact, as investment in this sector increased by 26.2%. This expansion was primarily driven by strong household demand for housing, supported by the favourable conditions of the "First House Plus" Programme and accessible credit conditions. Investment in engineering structures also increased by approximately 13%, reflecting the implementation of infrastructure projects. Investment in non-residential buildings increased by 7%, supported by government policies aimed at encouraging profit reinvestment, the implementation of the "373" Programme, and stronger demand for industrial and commercial spaces.

Information and communication activities represented 6.7% of GDP and continued to register growth. The 1.4% increase in gross value added in this sector contributed 0.1 pp to overall GDP growth. The sector's sustained development has been supported, on the one hand, by rising demand for IT services, primarily export-oriented, and, on the other hand, by government policies intended to promote innovation and digitalisation across both the private sector and public administration.

Domestic trade (wholesale and retail trade; maintenance and repair of motor vehicles and motorcycles), with a share of 14.7% of GDP, recorded moderate growth of 0.7% in January-September 2025, making a small positive impact on GDP growth (+0.1 pp). The sector's performance reflects a gradual recovery in consumption, supported by rising disposable income, positive labour force dynamics, and easing inflationary pressures.

The energy sector (production and supply of electricity and heat, gas, hot water, and air conditioning, 1.4% of GDP) increased by 8.7%, contributing 0.1 pp to GDP growth. The advance was supported by higher domestic production, including from renewable sources, investment in infrastructure, and stronger final demand.

A moderate positive contribution also came from other economic activities: financial and insurance activities (+2.0%), administrative and support services (+2.7%), public administration and defence (+1.2%), health and social care (+1.2%), education (+1.0%), and transport and storage (+0.5%). In contrast, the manufacturing sector (-1.1%) and real estate transactions (-2.0%) continued to slow economic growth, alongside declines in professional, scientific and technical activities, other services, and household activities for own-use consumption.

From the expenditure side, the 2.0% economic growth recorded in January-September 2025 was largely driven by the strengthening of domestic demand, particularly investment dynamics, while the contribution of consumption was more moderate, and net exports had a negative impact on overall growth.

Gross fixed capital formation (22.5% of GDP) was the component with the largest impact on GDP growth in January-September 2025, contributing +4.4 pp to economic growth. During this period, investment increased by 22.4%, supported by growth across all asset categories: machinery and equipment (+27.3%), buildings and engineering structures (+16.9%), and other types of investment (+103.5%). This trend reflects an intensification of productive investment, stimulated by government support programmes, favourable financial conditions, and the acceleration of infrastructure projects. The robust growth in gross fixed capital formation strengthens the basis for expanding production capacity, increasing productivity, and enhancing the economy's competitiveness over the medium and long term, contributing also to the consolidation of economic resilience.

Total final **consumption** (104.8% of GDP) expanded by 2.9%, contributing positively by 3 pp to overall GDP growth and confirming the strengthening role of domestic demand in the current recovery phase. This dynamic was driven mainly by private consumption (85% of GDP), which increased by 3.7%, underpinned by both income and credit factors. On the income side, real wages rose by nearly 2%, supporting households' purchasing power, while on the financing side, improved credit conditions stimulated consumption, with consumer lending expanding by 26% over the same period. Household consumption growth was particularly strong in services (+4.3%), reflecting an improving consumer confidence and greater stability in income expectations. At the same time, household consumption of goods also recorded a solid increase (+2.2%), contributing 1.3 pp to GDP growth. Together, these developments suggest a broad-based recovery in private consumption, with a more balanced composition between goods and services. Consumption of public administration stagnated (0.0%), and consumption by non-profit institutions serving households declined (-3.5%), limiting the overall contribution of consumption to GDP growth.

Figure 3.3. GDP growth (by uses) in January-September 2022-2025 and the contribution of main components (pp)

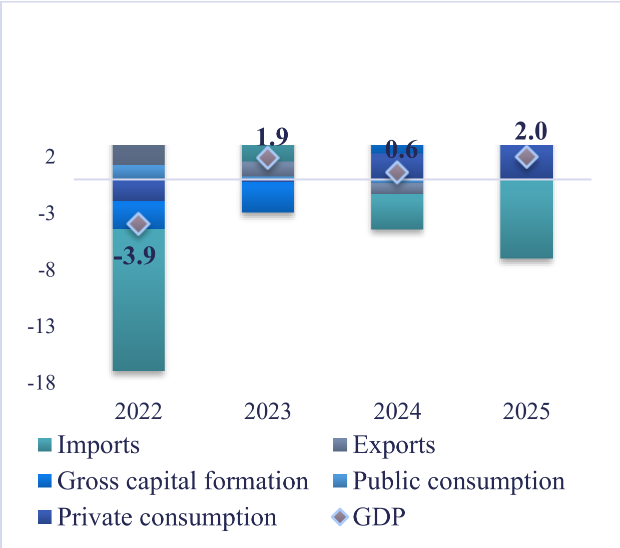
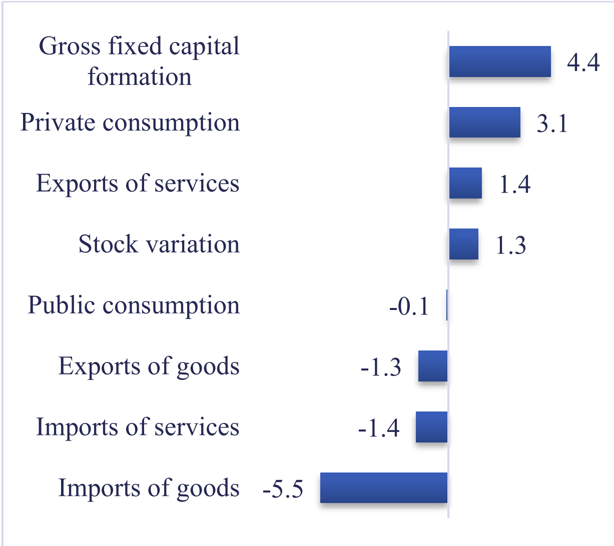


Figure 3.4. Contribution of economic activities to GDP growth in January-September 2025 (pp)



Source: National Bureau of Statistics

Exports (30.8% of GDP) increased marginally by 0.5% in January-September 2025, while their structure highlights a divergence between goods and services. Exports of goods declined by 7.7%, reflecting weak external demand and the lasting effects of the 2024 drought on agricultural production. However, from the third quarter onward, merchandise exports reversed their earlier downward trend (-19.3% in the first half of the year) and recorded a robust increase of 18.5%, driven primarily by the recovery in agricultural output and the expansion of exportable supply. The strong performance in the third quarter was supported by higher exports of vegetable products, vegetable oils and thereof products, machinery and mechanical appliances, electrical equipment and parts thereof, base metals, as well as textiles and textile articles. Exports of services recorded strong growth of 9.7% in January-September 2025, confirming the ongoing structural shift of the economy towards higher value-added services, particularly IT, tourism and business process outsourcing services.

Imports (60.9% of GDP) increased by 12.2%, driven by stronger domestic demand in both consumption and investment. During January-September 2025, Moldova's imports were particularly influenced by growth in mineral products, machinery and mechanical appliances, electrical equipment, vehicles and related transport equipment, prepared foodstuffs and beverages, as well as live animals, animal products, and vegetable products. Imports of goods (+11.8%) and services (+14.1%) expanded faster than exports, leading to a further widening of the **net export gap** (-30.1% of GDP), which exerted a negative contribution to GDP growth (-6.8 pp).

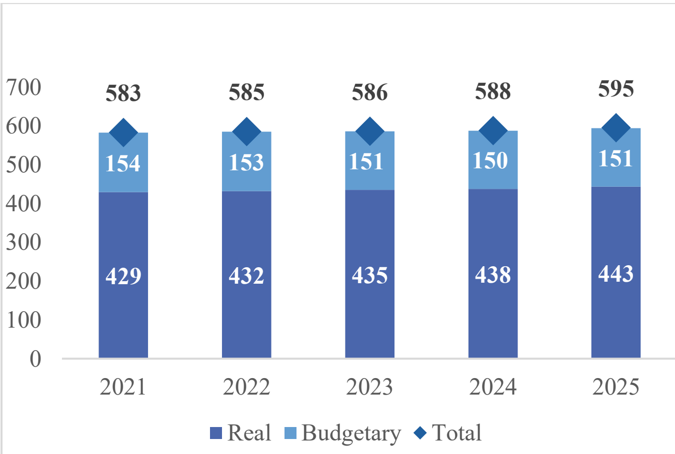
Economic developments in January-September 2025 indicate that Moldova has entered a phase of gradual stabilization and recovery, supported mainly by a strong revival of investment activity and a moderate strengthening of private consumption. The acceleration of machinery and equipment investments, residential construction and infrastructure projects is beginning to rebuild the economy's productive capacity, while the improvement in household consumption reflects easing inflationary pressures, better income dynamics and improved access to credit. At the same time, the widening trade deficit highlights the import-intensive nature of the current investment cycle. These trends point to solid foundations for sustainable economic growth and a gradual strengthening of the national economy's resilience.

Labour market. In all three quarters of 2025, positive trends in the labour market were observed, reflected in a reduction in unemployment and an increase in labour force participation. According to the most recent data[4] from the National Bureau of Statistics, the unemployment rate in the third quarter stood at 3.5%, which is 0.5 pp lower than in the second quarter of the current year, with the number of unemployed persons, according to the ILO definition, totalling 31 thousand, and being 5.5% lower than in the second quarter. The employment rate reached 43.4% in the third quarter, rising by 3.3 pp compared to the previous quarter. The total number of employed persons amounted to 856 thousand, representing an 8.1% increase (64 thousand persons) compared to the second quarter.

According to the employment structure by economic activities, 61.8% of employed persons were active in the services sector, 15.6% in agriculture, 12.4% in industry, including 9.5% in manufacturing, and 10.2% in construction. In the third quarter of 2025, the number of employed persons in informal jobs amounted to 160 thousand, representing 18.7% of the total.

In January-September 2025, the average number of wage earners increased by 1.2% compared to the same period of the previous year, totalling 595 thousand persons. The most significant increases were recorded in accommodation and food service activities (+13%), construction (+10.4%), wholesale and retail trade (+5.3%), and professional, scientific, and technical activities (+4%).

Figure 3.5. Evolution of the average number of wage earners (January-September 2021-2025, thousand persons)



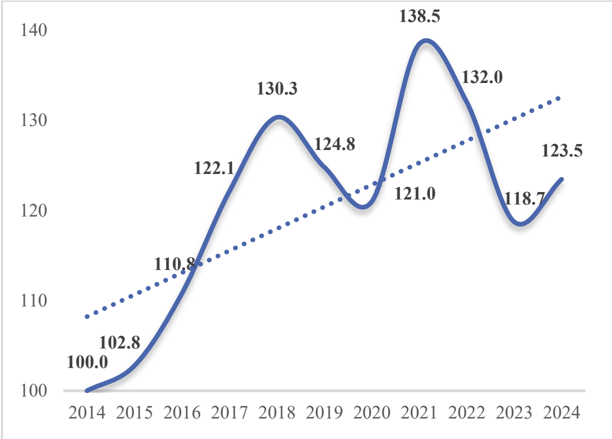
Source: National Bureau of Statistics

The average monthly gross nominal wage of an employee in the local economy amounted to 15,176 MDL (778 EUR) in January-September 2025. In real terms, it increased by 1.9% compared to the same period in 2024. Average wages rose across most sectors, with the highest real-term increases recorded in administrative and support service activities (+9.8%), accommodation and food service activities (+7.3%), and education (+4.9%).

[4] Starting from 1 January 2025, the National Bureau of Statistics implemented a new survey plan, called the "Master Multifunctional Sample for Social Domain Research" (EMDOS 3), developed based on the results of the latest Population and Housing Census (PHC). This change makes it impossible to compare the data with the corresponding period in 2024.

Labour productivity. Labour productivity, measured as the ratio of real GDP to the employed population, increased by 23.5% cumulatively over the period 2014-2024. This growth was driven by a 21.2% increase in real GDP, while the employed population declined by 1.8%. Productivity rose in the majority of economic sectors, including the extractive industry (by more than 2.6 times), HoReCa (by more than 2.5 times), transport and storage (+31.2%), wholesale and retail trade (+20.9%), agriculture (+14.4%), and manufacturing (+8.5%). Conversely, labour productivity in the construction sector declined by 13.1%.

Figure 3.6. The evolution of labour productivity (2014-2024, in % compared to 2014)



Source: National Bureau of Statistics, MEDD calculations

External sector. In January-September 2025, the external position of the Republic of Moldova weakened, reflecting a widening trade balance deficit and the challenging regional geopolitical environment, including the ongoing war in the neighbouring country. The current account deficit increased by 38% compared to the same period in 2024, reaching 2.6 billion EUR (19.6% of GDP), which led to an increase in Net external financing needs to 19.4% of GDP (compared to 14.9% in January-September 2024). However, the situation improved in the third quarter, as the trade deficit narrowed and the current account deficit declined to EUR 742 million (14.3% of GDP), compared with EUR 961 million (25.6% of GDP) in Q1 and EUR 878.2 million (20.9% of GDP) in Q2. This improvement was primarily driven by a 14.7% increase in agricultural exports, particularly plant and animal products and vegetable oils, while growth in merchandise imports slowed to 4%, compared with 27.2% in Q1 and 8% in Q2.

Figure 3.7. Main components of the current account (2023-2025, million EUR)

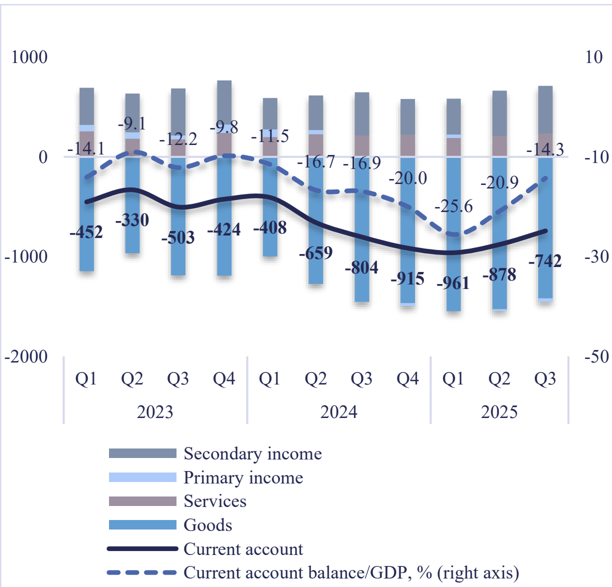
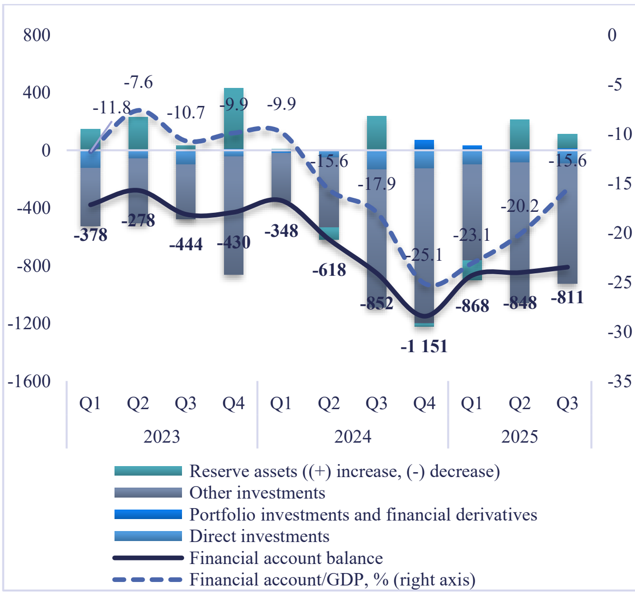


Figure 3.8. Financial account (2023-2025, milllion EUR)



Note: (+) net capital outflows, (-) net capital inflows
Source: National Banck of Moldova

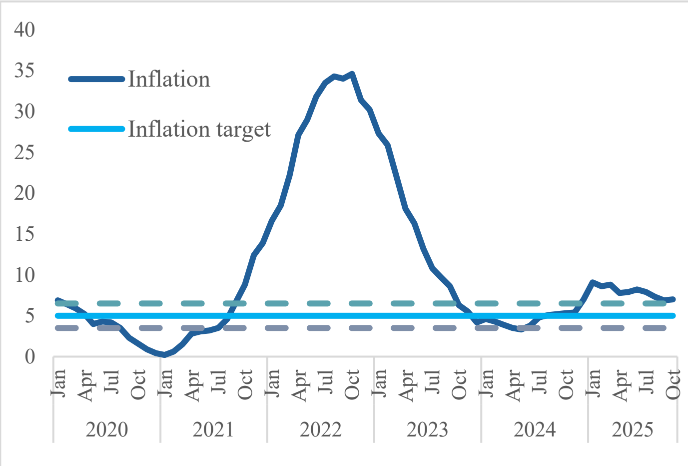
The current account deterioration was mainly driven by the widening deficit in trade in goods, as imports increased by 12.4% (particularly energy and mineral products), while exports declined by

2.5%, reflecting weak external demand and the effects of the war in Ukraine. The services trade balance remained positive but narrowed, as imports of services grew faster (+19.5%) than exports (+11.8%). The primary income balance became negative due to decline of earnings from abroad and high outflows of investment income. By contrast, the secondary income account made a positive contribution, supported by increased transfers to the public administration and higher external grants.

The financing of the external deficit was provided mainly through currency and deposits amounting to 1.8 billion EUR, trade credits (535.3 million EUR) and loans (164.7 million EUR). Foreign direct investment recorded net capital inflows of 276.8 million EUR (35.3% higher than in the first 9 months of 2024). However, this development was driven almost exclusively by the reinvestment of profits, while new capital inflows (equity participation) remained at a historical low, indicating investor caution amid regional uncertainties.

Inflation. In the second half of 2024, the annual consumer price index (CPI) rate outlined an upward trajectory, recording a value of 7.0% in December 2024. This trend was supported by some adverse sectoral developments, including the drought conditions in the summer of the year 2024 that caused food prices to increase, but also the adjustment of the natural gas tariff at the end of 2024.

Figure 3.9. Inflation rate (on annual basis, %)



Source: National Bureau of Statistics and NBM.

The adjustment of energy resources tariffs in December 2024 (natural gas) and January 2025 (electricity and heating) determined the placement of the annual inflation rate above the upper limit of the NBM inflation target variation range of +/-1.5 pp from the 5.0% target starting from December 2024 and until October 2025. However, during 2025, the annual inflation rate outlined a downward trend, decreasing from 9.1% in January 2025 to 7.0% in October 2025, a dynamic supported by the dissipation of effects of the drought of the year 2024 on food prices, the good harvest of the year 2025, the moderation of the impact of regulated prices, as well as a result of a disinflationary impact from aggregate demand. In the structure of CPI, within annual inflation, in October 2025, core inflation contributed with 2.1 pp, food prices – with 2.4 pp, regulated prices – with 2.5 pp, fuel prices – with minus 0.1 pp.

Monetary developments. The conduct of monetary policy during 2025 aimed to bring inflation back to the target of 5.0% (±1.5 pp) through prudent adjustments of monetary policy measures. The monetary policy promoted by the NBM created favourable monetary conditions for further stimulating lending and supporting domestic aggregate demand by encouraging consumption and investment, balancing the national economy, and anchoring inflation expectations.

In this regard, during the 3rd quarter of 2025, two meetings of the NBM Executive Board on monetary policy decisions took place. Following the assessment of the balance of domestic and external risks and the short- and medium-term inflation outlook, at the meetings of 7 August 2025 and 18 September 2025, it was decided to reduce the base rate applied to the main short-term monetary policy operations by 0.25 pp consecutively, down to 6.0% annually. These measures were adopted with the aim of strengthening the supportive stance and stimulating aggregate demand, including by encouraging consumption and investment, and of balancing the national economy and the current account.

During the ordinary monetary policy meeting of 6 November 2025, NBM Executive Board decided to maintain the base rate at the level of 6.00%. Concurrently, the required reserve ratio for funds attracted in MDL and in non-convertible currency was reduced from 22.0% to 20.0% of the calculation base, and the required reserve ratio for funds attracted in freely convertible currency was reduced from 31.0% to 29.0% of the calculation base.

Through the simultaneous reduction of the required reserve ratios in MDL and in freely convertible currency, the NBM aims to cover the liquidity needs of the banking system and reduce lending costs by encouraging consumption and investment. At the same time, this measure is expected to propagate over time, contributing to lower interest rates in the money, deposit, and credit markets.

Exchange rate developments. During the first ten months of 2025, the MDL has depreciated by 2.3% versus the EUR, while strengthening by 7.8% versus the USD, reflecting the USD's weakness on international markets. In this period, a moderate deficit on the domestic foreign exchange (FX) market put depreciation pressures on the nominal exchange rate of the MDL against the EUR, as net FX demand from corporates continued to expand (+17.5% y-o-y), mirroring the growing trade balance deficit. The increase in FX sales for imports of energy resources (+49.5% y-o-y) largely contributed to the strong demand from corporates. At the same time, the modest rise in net transfers from abroad to individuals (+0.4% in the first ten months of 2025) has slowed down the growth in FX supply from individuals (+7.9% y-o-y). In these circumstances, the NBM has intervened in the local FX market with net sales of 169.5 million EUR in the first ten months of 2025, to smooth exchange rate fluctuations.

Foreign reserves. At the end of October 2025, gross foreign reserves amounted to 5141 million EUR, down by 2.0% (-106 million EUR) compared to the end of 2024. The drop in reserves was mainly due to external public debt service, the decrease in FX required reserves of commercial banks and net sales on the domestic FX market. These outflows were partially offset by external financing disbursed by international partners, mainly the European Union (EU), as well as by the income earned from reserves management.

3.2. Medium-term macroeconomic scenario

International context. The Republic of Moldova is gradually consolidating its economic recovery trajectory following the crises of previous years. GDP growth is driven mainly by positive investment dynamics and favourable developments in productive sectors, particularly agriculture and manufacturing. Growth is expected to accelerate in the medium term, from 2.4% in 2026 to 3.6% by 2028. The pace of economic expansion will depend on external conditions, progress in structural reforms, and the intensification of investments linked to the European integration process. These factors are supported by the implementation of the Republic of Moldova Growth Plan, financed by the European Union, which encompasses 56 structural reforms and a portfolio of strategic investment projects that are set to serve as the main engine of economic growth.

The impact of the tariffs and the reconfiguration of supply chains on inflationary pressures remains insignificant to date. The disinflation process is expected to continue, with global inflation projected at 4.2% in 2025 and 3.7% in 2026, amid reductions in monetary policy interest rates by central banks in the most influential countries (United States, China, Russian Federation, etc.).

Prices for energy resources are projected to decline by 7.9% in 2025 and by 3.7% in 2026, driven by higher oil supply from non-OPEC+ countries. Prices of non-fuel raw materials are expected to rise by 7.4% in 2025 and by 4.1% in 2026, mainly due to increases in food and beverage prices caused by unfavourable weather conditions affecting the main producers.

Estimates for the global trade for 2025 and 2026 have been slightly revised upward, mainly due to a lower-than-expected impact of commercial shocks in the first half of the year. Thus, the volume of global trade is projected to grow by 3.6% in 2025 and by 2.3% in 2026 (1.1 pp and 0.4 pp higher, respectively, than in the July projection). At the same time, global trade is expected to register a modest decline in the medium term.

Economic prospects for neighbouring countries are uneven. Economic growth in Romania, the main trading partner of the Republic of Moldova, is expected at 1% in 2025 and 1.4% in 2026. Germany is projected to record modest growth of 0.6% in 2025, followed by a slight contraction of 0.1% in 2026. Ukraine's growth rate is expected to accelerate to 2% in 2025 and 4.5% in 2026. Italy, however, is anticipated to experience a mild recession of 0.1% in both 2025 and 2026.

Internal context. The Republic of Moldova is gradually consolidating its economic recovery trajectory following the crises of previous years. GDP growth is driven mainly by positive investment dynamics and favourable developments in productive sectors, particularly agriculture and manufacturing. Growth is expected to accelerate in the medium term, from 2.4% in 2026 to 3.6% by 2028. The pace of economic expansion will depend on external conditions, progress in structural reforms, and the intensification of investments linked to the European integration process. These factors are supported by the implementation of the Republic of Moldova Growth Plan, financed by the European Union, which encompasses 56 structural reforms and a portfolio of strategic investment projects that are set to serve as the main engine of economic growth.

In 2025, **agriculture** is expected to experience a substantial recovery following the 2024 drought, with gross value added projected to grow by over 12%, mainly driven by crop production, while the livestock sector will remain under pressure due to reductions in pig stocks. In the medium term, under relatively favourable weather conditions, agricultural production is expected to grow moderately, by 1-2.3% annually, although climate risks will continue to affect the sector. These risks will be partially mitigated by increased investment, the implementation of irrigation projects, and the digitization of agriculture, measures that are expected to enhance yields, competitiveness, and agriculture's contribution to GDP, exports, and rural development.

The **industry** will continue its recovery following the shocks of previous years. In 2025, gross value added is projected to grow by around 3%, with the growth rate expected to accelerate slightly in subsequent years to 3.5-5.5%. The sector's development will be supported by the revival of domestic and foreign demand for industrial products, the expansion of investment, increased productivity, and favourable spillover effects from agriculture. In the medium term, the consolidation of the manufacturing industry will be stimulated by the implementation of the National Industrial Development Program 2024-2028. The state aid scheme for investments, along with access to European funds in the context of EU integration, will support technological modernization, increased competitiveness, and the integration of Moldovan industry into European value chains.

The **construction** sector is expected to record solid growth of around 7-8% in 2025, supported by demand for real estate and favourable lending conditions, including through the "First House Plus" program. Between 2026 and 2028, growth is expected to be amplified by increased public investment, particularly in transport infrastructure, health, energy efficiency, and urban development, financed with support from the EU and international financial institutions.

The **services** sector is expected to grow modestly in 2025, with the pace of growth accelerating to an annual average of 2-2.5% in 2026-2028, amid strengthening domestic demand, stabilizing inflation, and rising real incomes. The gradual recovery of the real estate market, favourable developments in the ICT sector, and the expansion of services linked to the European integration process will be the main factors supporting this sector.

Figure 3.10. Projections of GDP developments by production and contribution of the main components (pp)

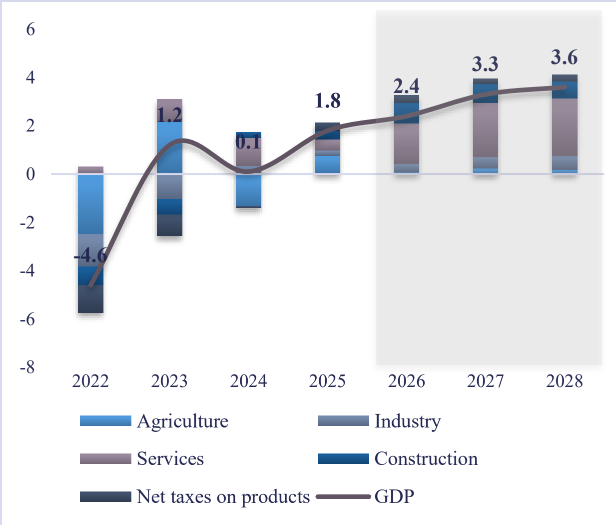
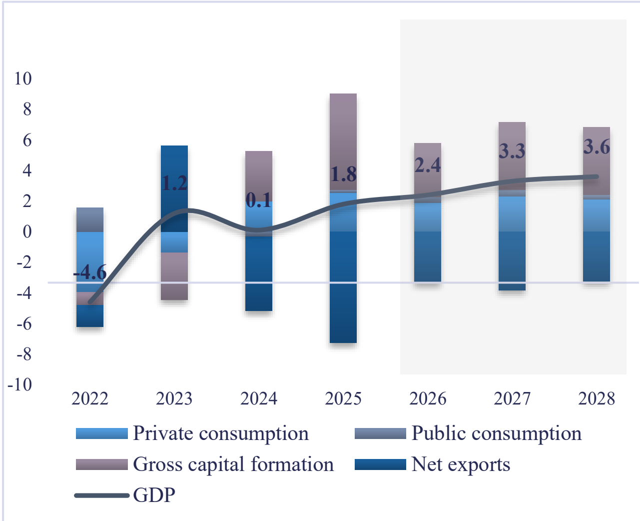


Figure 3.11. Projections of GDP developments by uses and contribution of the main components (pp)



Source: National Bureau of Statistics, MEDD estimations

From the demand side, **investment** is expected to be the main driver of economic growth in 2025 and in the coming years. Gross fixed capital formation is projected to grow by around 22% in 2025, driven primarily by private investments supported by favourable credit conditions and government stimulus measures, such as the zero tax rate on reinvested profits, the "373" Program etc. In 2026-2028, public investments are expected to play a dominant role, with annual growth rates exceeding 40%, reflecting the implementation of large-scale projects in energy, transport, and public infrastructure, financed in part from external sources. At the same time, a moderation in private investment growth is anticipated once certain fiscal incentives expire, so that, over the medium term, gross fixed capital formation is expected to record annual growth rates of around 13-17%.

Private consumption is expected to grow by approximately 3% in 2025, making a positive contribution to the revival of economic activity, supported by the consolidation of purchasing power and price stabilization. Its dynamics will be underpinned by the growth of disposable income, driven by higher wages and a more relaxed monetary policy that will facilitate an expansion of consumer lending. In the medium term, private consumption is projected to increase at an annual rate of 2-2.5%, supported by the gradual improvement of real incomes, labour market consolidation, favourable financing conditions, and higher consumer confidence. Public consumption is expected to widen by around 1% in 2025 and by 1.5-2% in 2026-2028.

Net exports are expected to limit GDP growth in 2025, as imports will grow significantly faster than exports. Exports of goods and services are projected to increase modestly (+4%), reflecting weak external demand, the continuing effects of the reduced agricultural harvest in 2024, and a decline in re-exports; this evolution will be partly offset by the performance of services exports, particularly in IT and tourism. At the same time, imports are expected to rise sharply (+15%), driven by robust domestic demand and higher energy imports. Over the period 2026-2028, exports are expected to gradually accelerate, with growth rates ranging between 7.5% and 9.6%, supported by positive developments in agriculture, the recovery of industry, improved access to external markets, and the modernization of transport infrastructure. Imports will continue to grow at a sustained pace (7.3-9.7%), reflecting the expansion of consumption and investment. This pattern is characteristic of an economy undergoing structural transformation: while it temporarily widens the trade deficit, it contributes to the modernization of productive capital and to the strengthening of medium-term growth potential.

Labour market. Although demographic developments such as population ageing and migration are reducing the working-age population, a positive employment dynamic is expected, supported by rising labour demand and the better utilization of underutilized workforce. Employment growth, supported by the economic recovery, is estimated at 2.8% in 2025. Over the period 2026-2028, employment is expected to grow at an average annual rate of around 0.7%, bringing the total number of employed persons to approximately 897 thousand by 2028.

Labour market developments will be supported through the implementation and continuous adjustment of active labour market measures aimed at enhancing workforce competitiveness. These measures include vocational training and retraining for the unemployed, professional internships and on-the-job training, subsidized employment for vulnerable groups, and support for entrepreneurship among the unemployed through grants for business start-ups. In order to achieve these objectives, the budget of the National Agency for Employment for 2026 was increased fivefold. Job creation will be further promoted through the continued implementation of entrepreneurship support programs by the ODA, Regional Development Agencies, the National Agriculture and Rural Development Fund and other similar mechanisms.

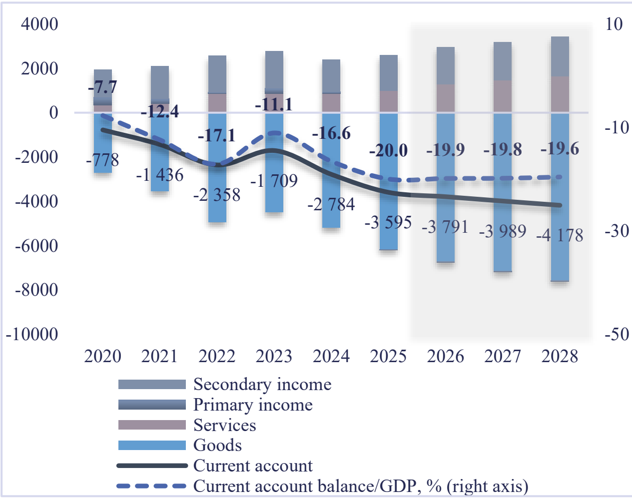
In the context of transposing the EU acquis in the field of employment, particularly the employment policy guidelines, a new Employment Program 2027-2030 will be developed in 2026, taking into account both labour market challenges in the Republic of Moldova and relevant EU recommendations. Measures to support women's employment will continue, including the development of alternative childcare services and nurseries, as well as the promotion of flexible work arrangements for parents with young children.

The European integration process will lead to an increased demand for personnel in public administration, as the scope and complexity of institutional responsibilities related to alignment with the EU acquis expand, thereby generating higher labour demand in this sector. As a result, employment in the public sector is projected to reach approximately 273 thousand persons by 2028, corresponding to an average annual growth rate of 0.9% over the period 2026-2028. However, a significant risk persists, as the average wage in the public sector remains uncompetitive compared to the real sector, while existing budgetary constraints restrict the possibilities to increase wages, which may negatively affect the public administration's capacity to attract and retain qualified staff.

These trends are expected to keep the unemployment rate within the 3.4-3.6% range over the period 2026-2028. The average monthly gross wage is projected to grow at an average annual rate of around 6% during the same period, driven by the gradual increase in the minimum wage and the widening labour shortage, which will exert additional upward pressure on remuneration. This development will be further supported by labour productivity growth, estimated at an average rate of 2.3% over the same period.

External sector. Recent developments in the Balance of payments indicate a significant deterioration of external balances in comparison to previous years, driven by the cumulative effect of unfavourable internal and external factors. Risks related to the war in Ukraine and weak external demand contributed to a decline in goods exports and remittance inflows. In addition, the poor harvest in 2024 negatively affected agri-food exports in the first half of 2025. At the same time, the recovery of domestic demand and higher electricity imports led to a substantial increase in total imports. These factors caused the current account deficit to widen by 1.7 times in January-June 2025, reaching 1.9 billion EUR (23.3% of GDP).

Figure 3.12. Main component of the current account (2025-2028, million EUR)



Source: National Bank of Moldova, MEDD estimations

Based on the data available for the first half of 2025 (at the time of preparing the macroeconomic forecast) and taking into account the expected reversal of the negative export trend in the second half - driven by higher agri-food deliveries following a favourable agricultural year - the current account deficit is projected at around 20 percent of GDP in 2025. Over the 2026-2028 period, a gradual decline to approximately 19.6% of GDP is expected.

As in previous years, the deterioration of the current account will be primarily driven by rising goods imports, projected to grow at an average annual rate of around 7%, while goods exports are expected to increase at an average rate of approximately 6.5% per year. This unfavourable trend will be partly offset by positive developments in the trade of services. Over the 2026-2028 period, services imports are projected to grow by about 6.5% per year, while services exports are expected to expand by around 11% annually, supported by the development of transport infrastructure and the strengthening of the information services sector.

At the same time, secondary incomes are expected to continue contributing positively to the current account balance. They are projected to grow by around 5% annually, mainly due to higher transfers received by the public administration.

The implementation of the Republic of Moldova's Growth Plan is expected to enhance the country's **economic potential**, reversing the downward trend observed in recent years and placing potential output on an upward trajectory, from around 1% in 2023 to approximately 2.5% in 2028. The main driver of this evolution will be capital accumulation. Its contribution is projected to increase from about 1.6 pp in 2025 to 2.6 pp in 2028, supported by the implementation of major investment projects. The contribution of labour is expected to remain positive but modest (0.15-0.2 pp), constrained by demographic factors and migration. At the same time, productivity is projected to continue exerting a slightly negative contribution, around -0.2 pp, reflecting persistent structural constraints and the slow pace of technological modernization. Additionally, the impact of reforms, although limited in the initial years of implementation, is anticipated to gradually strengthen and to be fully felt over the medium and long term as their effects on productivity consolidate.

Figure 3.13. Contribution of Production Factors to Potential GDP Growth (%)

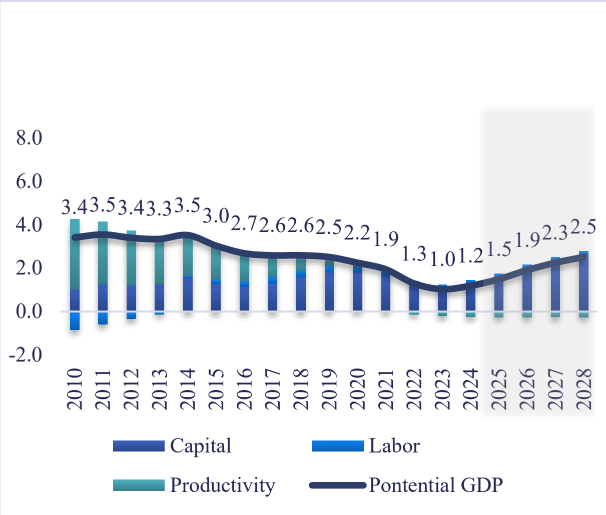
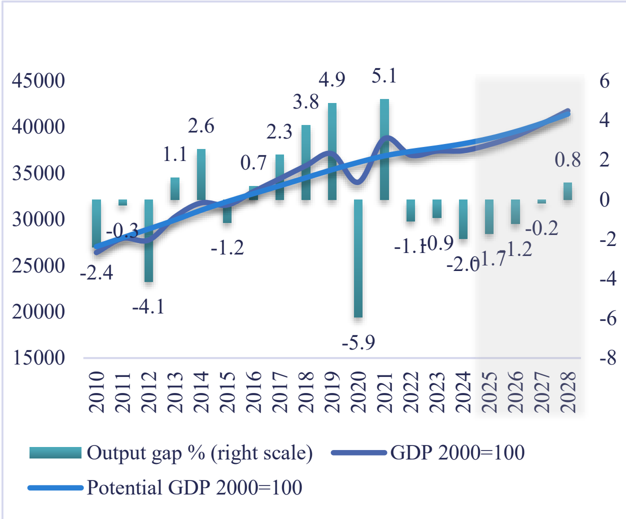


Figure 3.14. GDP and Potential GDP (2000=100)



Source: National Bureau of Statistics, MEDD estimations

Monetary and exchange rate policy and inflation

Pursuant to the statutory powers set out in the *Law on the National Bank of Moldova No. 548/1995*[5], the NBM sets and implements the monetary and foreign exchange policy. According to the *Medium-term monetary policy strategy of the NBM*[6] (approved by the Decision of the NBM Council of Administration No. 303/2012), to ensure and maintain price stability, NBM will maintain the inflation (measured by consumer price index) at the level of 5.0% annually with a possible deviation of ±1.5 pp, a level considered optimal for the growth and economic development of the Republic of Moldova in the medium term. To ensure and maintain price stability, NBM will implement the direct inflation targeting regime. At the same time, consistent with the inflation target of 5.0% as the nominal anchor for monetary policy, the NBM will implement a managed floating exchange rate regime without having a pre-established target for the exchange rate of the MDL.

The NBM sets the inflation target of 5.0% annually with a possible deviation of ±1.5 pp calculated using the consumer price index (CPI). The inflation target will be achieved using the main monetary policy instrument – open market operations. At the same time, the NBM will also use complementary monetary policy instruments, such as: standing facilities, required reserves ratio, and interventions on the foreign exchange market.

To achieve the targeted inflation, the monetary market conditions are guided by the NBM through the base rate, which is set by the NBM Executive Board and is the main indicator for the interbank monetary market in the short run.

The exchange rate regime of the MDL is a managed floating one, which allows flexible adjustment of the national economy to the external and internal shocks. NBM reserves the right to intervene on the foreign exchange market to smooth out the excessive fluctuations of the official exchange rate, to

[5] https://www.bnm.md/en/content/law-national-bank-moldova-no548-xiii-july-21-1995
[6] https://www.bnm.md/en/content/medium-term-monetary-policy-strategy-0

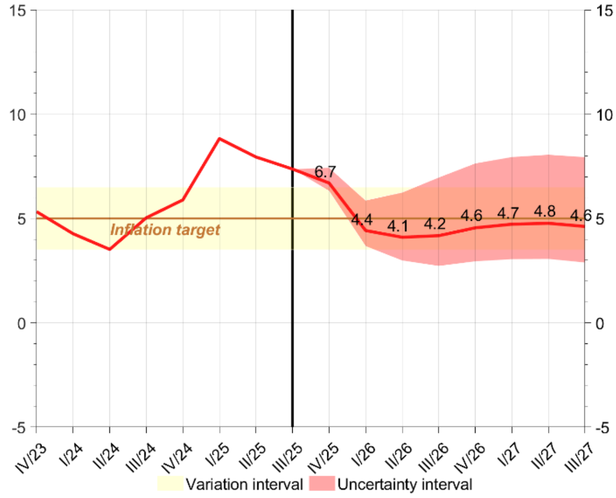
stop any speculative operations and to build up the international foreign exchange reserves without negatively influencing the inflation target achievement.

On 2 January 2025, the NBM made the switch to the EUR as the reference currency for setting the official exchange rate of the MDL. The decision reflects the significant role of the EUR in the country's trade and financial flows, and is aimed at aligning with economic realities, given that the EU is the Republic of Moldova's most important trading partner and the main source of remittances and foreign direct investment.

Inflation. According to the Inflation Report, November 2025[7], the annual inflation rate will continue to decline until the first half of the year 2026, and afterwards, it will remain relatively stable until the end of the forecast period (3rd quarter of 2027).

In the 4th quarter of 2025, the annual inflation rate will continue to exceed the upper bound of the target range, and starting the year 2026, it will return to the range of ±1.5 pp of the 5.0% target and will remain close to the target until the end of the forecast period.

Figure 3.15. CPI with uncertainty interval
(%, compared to previous year)



Source: National Bureau of Statistics, NBM calculations.

The presence of factors such as (1) negative aggregate demand throughout the entire forecast period, (2) the accumulated appreciation of the national currency against the USD until the 3rd quarter of 2025, (3) the continued downward trend of international oil prices until the 1st quarter of 2026, and (4) the high base from the year 2024 will contribute to decrease the annual inflation rate. At the same time, (1) the evolution of the national currency against the EUR and the USD over the entire forecast period, (2) the slightly upward trend in international food prices during the same period, (3) the slight increase in international oil prices starting from the 2nd quarter of 2026, (4) the anticipated adjustments to certain regulated tariffs in the 4th quarter of 2025, the 1st quarter of 2026, and the 1st quarter of 2027, and (5) the adjustment of excise duties at the beginning of 2026 and 2027 will contribute to increase in the annual inflation rate.

[7] https://www.bnm.md/ro/content/raportul-asupra-inflatiei-nr-4-2025

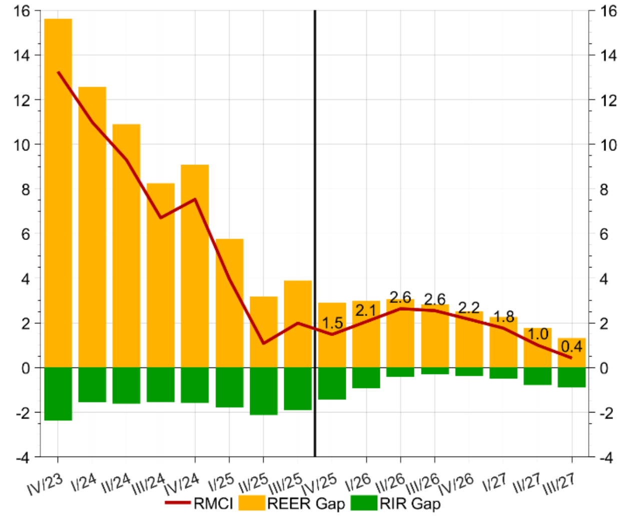
Average annual inflation rate will be 7.7% in 2025 and 4.3% in 2026.

Real monetary conditions for aggregate demand will be restrictive over the entire forecast horizon.

Through the real effective exchange rate (REER), monetary policy will be restrictive; via the real interest rate (RIR), it will exhibit a stimulative character over the forecast horizon.

The evolution, in real terms, of the national currency will keep the deviation of the REER from its equilibrium level until the first half of 2026, thereby slightly reinforcing its restrictive effect on aggregate demand. However, starting from the 3rd quarter of 2026, the restrictive nature of the REER is expected to diminish.

Figure 3.16. Real monetary conditions index (RMCI) and decomposition



Source: NBM calculations.

The **required reserves regime** is an important auxiliary monetary policy instrument in the NBM's toolkit, that has been actively used in recent years to manage the excess liquidity in the banking system. The NBM has gradually decreased, the required reserves ratios (RRR) in domestic currency and the RRR in foreign currency, throughout the monetary policy easing cycle that has started in December 2022. Thus, in November 2025, the NBM decided to lower the RRR in domestic currency by 2 pp, down to 20%, and the RRR in foreign currency by 2 pp, down to 29%, with both changes taking effect on 16 November 2025.

External sector and its medium-term sustainability[8]

According to preliminary data, in January–June 2025, the **current account** of the balance of payments of the Republic of Moldova recorded a deficit amounting to -1.86 billion EUR, which increased by 74.1% compared to the similar period of 2024. This dynamic was mainly due to the increase in the external trade in goods deficit (by 0.80 billion EUR) and by the decrease in the primary income surplus (by 0.10 billion EUR) and in the balance of services surplus (by 0.03 billion), while the secondary income surplus increased (by 0.15 billion EUR).

The external **trade in goods** deficit registered in the balance of payments, in the first half of 2025, amounted to 3.07 billion EUR, increasing by 35.2% as a result of the increase in imports of goods (+17.1% up to 4.29 billion EUR), while the exports of goods decreased (-12.4% to 1.22 billion EUR). The main cause of the imports' evolution was the increase of the mineral products imports (+54.4% up to 0.84 billion EUR), as well as the increases in machinery and equipment imports (+14.6% up to 0.70 billion EUR) and in agrifood products (+13.7% to 0.73 billion EUR). The exports negative dynamics was caused by the decrease in agrifood products exports (-15.5% to 0.63 billion EUR).

[8] According to the calendar of the Special Data Dissemination Standard (SDDS, established by the IMF), the most recent available data on the external sector statistics, at the time of drafting this Program, is January – June 2025.

The surplus of the **balance of services** decreased by 8.1% in the first half of 2025 and totalled 0.39 billion EUR. This evolution was caused by a more significant increase in imports (+21.5% up to 0.90 billion EUR) than the growth in exports (+10.7% up to 1.30 billion EUR). The main categories in imported services were travel (37.5% of the total) and transportation (37.1% of the total), while in exported services were travel (29.6% of the total), IT services (27.2% of the total) and transportation (18.1% of the total).

The prospects for the Republic of Moldova's export performance remain constrained by the country's marginal presence in global markets, with an exports market share of around 0.02%.

The **primary income** surplus decreased from 0.12 billion EUR in January – June 2024, to 0.01 billion EUR in the similar period of 2025, being determined by the growth in primary income outflows (+6.9% up to 0.43 billion EUR), due to the increase in repaid direct investment income (+14.2% to 0.32 billion EUR), while primary income inflows decreased (-14.8% to EUR 0.44 billion), due to the decline in compensation of employees (-13.6% to 0.35 billion EUR).

The positive **secondary income** balance increased by 22.4% up to 0.81 billion EUR, being influenced mainly by the 2.5 times increase in the value of technical assistance, humanitarian aid and grants received within international cooperation by the general government, up to 0.18 billion EUR.

In January–June 2025, **personal remittances** inflows decreased by 4.3% compared to the similar period of the year 2024 and totalled 0.81 billion EUR, while remittances paid to non-residents increased by 1.7% and amounted to 0.25 billion EUR. The largest share of personal remittances inflows – 62.5% of the total – came from EU, totalling 0.50 billion EUR, by 2.9% higher than in the first six months of 2024.

Based on the recent evolutions, the current account appears predominantly cyclical, driven by the shifts in domestic demand, external prices, and exports fluctuations. However, the persistent trade deficit also indicates the presence of the structural component, linked to reduced export competitiveness and strong dependence on imports.

The **capital account** decreased by 4.4 times, recording net inflows of 0.01 billion EUR, determined mainly by the increase of capital transfers outflow of the financial corporations, nonfinancial corporations, households, and nonprofit institution serving households (NPISHs) amounted to 0.04 billion EUR (2.8 times more compared to the similar period of 2024).

The **financial account** recorded net inflows amounting to 1.71 billion EUR, as a result of the net increase generated by transactions in residents' liabilities to non-residents – by 0.52 billion EUR, and a net decrease from transactions with residents' external financial assets – by 1.19 billion EUR. The main sources of financing of the current account deficit were net inflows from transactions with currency and deposits –1.12 billion EUR, trade credits and advances –0.35 billion EUR and loans – 0.16 billion EUR.

The net disposal of financial *assets* during the first half of 2025 was driven by net inflows of 1.19 billion EUR related to currency and deposits of other sectors, 0.18 billion EUR – related to trade credits and advances, 0.03 billion EUR related to loans, and 0.03 billion EUR – related to direct investment. At the same time, reserve assets recorded a net increase by 0.07 billion EUR, as a result of financial transactions.

The net incurrence of *liabilities* recorded in the first half of 2025 (by 3.8 times higher as compared with the situation from the first half of 2024), was due to the increase recorder for direct investment – by 0.22 billion EUR, due to the reinvestment of earnings amounting to 0.20 billion EUR, increase of trade credits and advances – by 0.17 billion EUR and for loans – by 0.14 billion EUR (of which drawings –0.56 billion EUR and repayments –0.42 billion EUR).

As of 30 June 2025, the net **international investment position** of the Republic of Moldova amounted to -6.19 billion EUR, increasing compared to the position at the end of the year 2024, by 6.5%. External financial assets position amounted to 7.07 billion EUR decreasing by 6.0% compared to 31 December 2024, while liabilities position decreased by 0.5%, amounting 13.26 billion EUR.

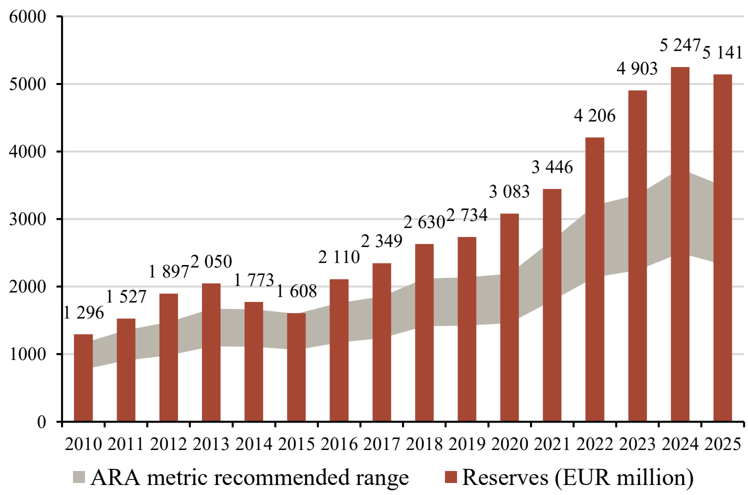
The **gross external debt** of the Republic of Moldova decreased by 1.4% (compared with 31 December 2024) and as of 30 June 2025 totalled 9.74 billion EUR. Meanwhile, 9.67 billion EUR (99.2%) of debt instruments were denominated in foreign currency, reflecting the big exposure of the Republic of Moldova to significant exchange rate and refinancing risks. The public external debt accounted for 42.0% of the total external debt, amounting to 4.09 billion EUR, 0.9% less since the 31 December 2024. The private external debt amounted to 5.65 billion EUR, by 1.8% less than at the end of 2024, representing 58.0% of the total external debt.

REER developments. The REER[9] depreciated by 1.1% in the first ten months of 2025 due to lower inflation in the Republic of Moldova compared to several of its key trading partners. The NEER increased slightly by 0.4%. The largest contribution to the REER depreciation came from the real depreciation against the Russian rouble and Romanian leu. The real appreciation of the MDL against the Ukrainian hryvna and Turkish lira has partially offsets this trend.

Foreign reserves sufficiency. As of 31 October 2025, the official reserve assets of the Republic of Moldova amounted to 5,141 million EUR. This volume of official reserve assets is significantly higher than the sufficiency indicators, ensuring a sufficient coverage of future imports of goods and services (6.0 months of projected imports).

Likewise, the projected ARA metric indicator for Moldova for 2025, is well above the recommended range of 100%-150% and one of the highest in the region.

Figure 3.17. Foreign reserves adequacy



Source: IMF, NBM calculations.

[9] The NBM calculates the nominal effective exchange rate (NEER) as the geometric weighted average of a basket of bilateral exchange rates, and the real effective exchange rate (REER) is the NEER adjusted with the corresponding relative consumer prices as the main deflator. An alternative index is calculated using the relative producer prices as deflator. The weights are calculated as the shares of 17 main trade partners in Moldova's foreign trade (imports and exports of goods). The weights are time-varying and are applied as three-year averages from the base year 2000, using the chain-linking method.

Financial sector

The financial sector of the Republic of Moldova continues to expand and remains predominantly dominated by the banking sector, both in terms of the assets it holds and its role in financial intermediation. As of 30 September 2025, the total assets of financial entities (banks, non-bank credit organizations, insurance companies, and savings and loan associations) amounted to 207.9 billion MDL (62.01% of GDP), an increase of 4.0% compared to the same period of the year 2024.

- ***Banking sector***

As of 30 September 2025, in the Republic of Moldova, 10 banks licensed by the NBM were in operation. Among these, 8 banks are more than 50% foreign owned, including 5 branches of foreign banks and financial groups.

In the first 9 months of 2025, the banking sector maintained its resilience to external shocks, without recording obvious negative impacts on the banks' balance sheets, in the context of geopolitical tensions, the war in Ukraine and the challenges generated by the energy crisis, reflecting the constant efforts of the NBM to strengthen stability and confidence in the banking sector. The banking sector has remained well-capitalized and liquid. The profitability of the banks has stayed strong, with profits being the main source for further capital consolidation. Overall, recent developments in the banking sector are favourable, but risks associated with the external environment are particularly pronounced, which could have an impact on the activities and risk profile of the banking sector.

In the first 9 months of 2025, the banking sector has experienced growth in both the lending and the funding sources. In particular, the total assets increased by 6.3% and loan portfolio by 22.8%, including loans granted to small and medium-sized enterprises by 21.2%. Total deposits increased compared to the end 2024 by 6.4%, as a result of the increase in deposits of individuals by 8,4% and those of legal entities by 3.6%. Among these, deposits in the local currency (MDL) increased by 7.5%, while deposits in foreign currency increased by 4.3%. The highest proportion of foreign currency deposits belonged to EUR deposits, accounting for 76.2%, followed by the share of USD deposits, at 22.8%.

Financial intermediation. The stock of loans granted to the private sector amounting to 95.2 billion MDL, accounted for 28.4% of GDP, increasing by 5.4 pp compared with the same period of the year 2024. Deposits remain the main funding source for banks, with the ratio of private-sector loans to deposits standing at 70.7%. By client category, loans granted to non-financial corporations represented 98.9% of their deposits, while loans to households accounted for 53.0% of household deposits. These developments reflect a moderate level of financial intermediation, whereby a significant share of attracted resources is directed toward financing the economy, while maintaining adequate liquidity buffers.

Medium-term preliminary estimates indicate a continued upward trend in lending. However, in the context of modest economic dynamics, characterized by GDP growth rates below 2%, a moderation in lending activity is anticipated. Thus, by the end of 2025, compared with the same period in 2024, the loan portfolio is projected to increase by 17.8%. Subsequently, in 2026 and 2027, the outstanding loan balance (year-end) is expected to grow by 7.2% and 9.5%, respectively.

Credit risk. Credit risk continues to be the most prevalent risk in the overall risk profile of banks. Against the backdrop of numerous uncertainties generated by the environment in which the banking sector operates, mainly due to the prolonged Russian-Ukrainian military conflict and alongside the energy crisis, credit risk remained one of the main priorities of the supervision process in 2025.

In the first 9 months of 2025, the banking sector maintained a relatively high coverage of provisions calculated for non-performing loans (45,2% as of 30 September 2025). This, combined with the volume of own funds, limits the negative effects of a potential default of such loans on the solvency of banks. As of 30 September 2025, the share of non-performing loans (calculated based on national prudential definition) in total loans amounted to 4,7%, increasing by 0,6 pp compared to the end of the year 2024, but remaining close to the lowest historical levels. At the same time, the share of non-performing loans in total loans (calculated according to IFRS standards) (stage 3) amounted to 1.6%, decreasing by 0.5 pp compared to the end of the year 2024.

Table 3.1. Key indicators of the banking system (in %)

<table>
<tr><th></th><th colspan="2">2015</th><th colspan="2">2016</th><th colspan="2">2017</th><th colspan="2">2018</th><th colspan="2">2019</th><th colspan="2">2020</th><th colspan="2">2021</th><th colspan="2">2022</th><th colspan="2">2023</th><th colspan="2">2024</th><th colspan="2">30.09. 2025</th></tr>
<tr><td colspan="23">Capital adequacy</td></tr>
<tr><td>Total own funds ratio</td><td colspan="2">26.2</td><td colspan="2">29.8</td><td colspan="2">31.3</td><td colspan="2">26.0</td><td colspan="2">24.8</td><td colspan="2">27.3</td><td colspan="2">25.9</td><td colspan="2">29.2</td><td colspan="2">29.9</td><td colspan="2">26.3</td><td colspan="2">25.2</td></tr>
<tr><td colspan="23">Asset quality</td></tr>
<tr><td>Non-performing loans / Total loans</td><td colspan="2">9.9</td><td colspan="2">16.4</td><td colspan="2">18.4</td><td colspan="2">12.5</td><td colspan="2">8.5</td><td colspan="2">7.4</td><td colspan="2">6.1</td><td colspan="2">6.4</td><td colspan="2">5.6</td><td colspan="2">4.1</td><td colspan="2">4.7</td></tr>
<tr><td>Provisions for non-performing loans / non-performing loans</td><td colspan="2">56.5</td><td colspan="2">66.1</td><td colspan="2">67.9</td><td colspan="2">67.4</td><td colspan="2">64.9</td><td colspan="2">65.5</td><td colspan="2">62.5</td><td colspan="2">57.9</td><td colspan="2">54.0</td><td colspan="2">53.5</td><td colspan="2">45.2</td></tr>
<tr><td colspan="23">Profitability</td></tr>
<tr><td>Return on assets (ROA)</td><td colspan="2">1.7</td><td colspan="2">1.8</td><td colspan="2">1.9</td><td colspan="2">1.7</td><td colspan="2">2.5</td><td colspan="2">1.5</td><td colspan="2">2.0</td><td colspan="2">2.9</td><td colspan="2">2.8</td><td colspan="2">2.4</td><td colspan="2">2.5</td></tr>
<tr><td>Return on equity (ROE)</td><td colspan="2">10.2</td><td colspan="2">11.1</td><td colspan="2">11.4</td><td colspan="2">10.3</td><td colspan="2">14.6</td><td colspan="2">8.7</td><td colspan="2">12.3</td><td colspan="2">17.0</td><td colspan="2">16.1</td><td colspan="2">14.8</td><td colspan="2">15.8</td></tr>
<tr><td>Cost-to-income ratio</td><td colspan="2">35.1</td><td colspan="2">39.5</td><td colspan="2">46.3</td><td colspan="2">52.8</td><td colspan="2">54.0</td><td colspan="2">53.6</td><td colspan="2">52.8</td><td colspan="2">39.8</td><td colspan="2">46.8</td><td colspan="2">50.4</td><td colspan="2">48.1</td></tr>
<tr><td colspan="23">Liquidity</td></tr>
<tr><td>Liquid assets / Total assets</td><td colspan="2">41.7</td><td colspan="2">49.3</td><td colspan="2">55.5</td><td colspan="2">54.6</td><td colspan="2">50.6</td><td colspan="2">50.7</td><td colspan="2">48.5</td><td colspan="2">49.6</td><td colspan="2">54.5</td><td colspan="2">48.1</td><td colspan="2">41.4</td></tr>
<tr><td colspan="23">Market risk sensitivity</td></tr>
<tr><td>Net currency position / funds held</td><td>3.03</td><td>-1.99</td><td>2.51</td><td>-1.34</td><td>2.62</td><td>-2.57</td><td>0.96</td><td>-5.45</td><td>2.05</td><td>-2.47</td><td>1.34</td><td>-1.24</td><td>1.03</td><td>-1.43</td><td>2.44</td><td>-0.63</td><td>2.23</td><td>-1.08</td><td>1.32</td><td>-1.17</td><td>1.77</td><td>-0.86</td></tr>
<tr><td>(Long/Short position)</td><td>L</td><td>S</td><td>L</td><td>S</td><td>L</td><td>S</td><td>L</td><td>S</td><td>L</td><td>S</td><td>L</td><td>S</td><td>L</td><td>S</td><td>L</td><td>S</td><td>L</td><td>S</td><td>L</td><td>S</td><td>L</td><td>S</td></tr>
</table>

Foreign-currency lending. Recent developments in the financial sector of the Republic of Moldova highlight progress in reducing exposure to foreign-exchange risk, particularly within the banking sector. The share of foreign-currency loans in the total bank loan portfolio has decreased significantly in recent years, reaching 19.7% in the 3rd quarter of 2025, while the level of FX loans granted to individuals remains negligible – 0.1% of the loan portfolio for this debtor segment. At the same time, the non-performing loans ratio for foreign-currency loans has reached historic lows, standing at 2.3% in the 3rd quarter of 2025, confirming an increased degree of prudence in managing the credit risk induced by exchange-rate fluctuations.

Mortgage lending. Mortgage lending continues to expand at a robust pace. The outstanding volume of mortgage loans reached 24.4 billion MDL in the 3rd quarter of 2025, increasing by 8.1% quarter-on-quarter and 49.9% year-on-year. Despite this accelerated dynamic, credit risk remains, for the moment, low, with loans overdue by more than 90 days accounting for 0.2% of the total mortgage loan portfolio – a level that does not currently indicate a significant deterioration in asset quality, but which requires close monitoring given the strong lending growth and the moderation in price increases.

In the 3rd quarter of 2025, housing price growth slowed. The Residential Property Price Index (RPPI), which measures the dynamics of listing prices for dwellings in Chisinau municipality, increased by only 0.5%, while the RPPI for the secondary market registered a slight decline (-0.3%). Over the same period, construction activity shows signs of stabilization: the number of building permits increased marginally both year-on-year (+0.9%) and quarter-on-quarter (+3.7%), driven mainly by the residential segment, where permits advanced by around 11% on both comparison bases.

Regarding real estate transactions, market activity remains modest in annual terms. Although the number of sale-purchase transactions for real estate increased by 5.6% over the last quarter, on an annual basis it remains 43.7% lower, suggesting a gradual recovery of the market following the previous correction.

Profitability. As of 30 September 2025, the profit in the banking sector amounted to 3,403.5 million MDL. Compared to the same period of the year 2024, the profit increased by 16.0%, mainly due to the increase in interest income. The return on assets was 2.5%, and the return on equity was 15,8%, both indicators registering an increase compared to the end of the year 2024, by 0.1 pp and respectively, by 1.0 pp. The profitability indicators denote a stable and efficient banking sector, with solid profitability and a good capacity to capitalize on resources.

Liquidity risk. During 9 months of 2025, the banks continued to maintain liquidity indicators at a high level, above the regulatory limits, which gives them increased resilience to shocks and the ability to continue supporting lending to the real sector. Thus, all banks comply with liquidity requirements, which indicates the existence of adequate funding sources to cover both short-term and long-term liquidity needs.

On 30 September 2025, came into force the Net Stable Funding Ratio (NSFR), representing the ratio of the bank's available stable funding to the required stable funding. As of 30 September 2025, the NSFR indicator per banking sector was 170.3% (limit ≥ 100%). This indicator varies from 151.5% to 318.1%, depending on the bank.

The long-term liquidity indicator - the first principle of liquidity (limit ≤ 1) per banking sector was 0.79 as of 30 September 2025, practically at the same level as at the end of 2024, ranging from 0,64 to 0.86, depending on the bank.

The liquidity coverage ratio (LCR) by sector was 269.7% (limit ≥ 100%), decreasing insignificantly by 8.4 pp compared to the end of 2024, ranging from 162.5% to 1,064.6%, depending on the bank.

The liquidity reserve as of 30 September 2025 amounted to 33,252.4 million MDL, decreasing by 13.7% compared to 31 December 2024. Net liquidity outflows in the analysed period decreased by 11.0%, amounting to 12,327.7 million MDL.

Insolvency risk. Banks are well capitalized, own funds in the banking sector increased by 8.7% compared to the end of 2024, amounting to 24,421.4 million MDL. The total own funds ratio is at a high level, being respected by all banks. The total own funds ratio in the banking sector, according to the data presented by licensed banks, is 25.2%, decreasing by 1.1 pp compared to the end of the year 2024, as a result of the increase in the total amount of risk exposure by 13.5% (increase in lending). All banks also comply with the requirement regarding the "Total own funds ratio taking into account capital buffers". In addition, all banks adhere to the additional capital requirement established by the NBM based on the results of the supervision and evaluation process of bank activities (SREP). Consequently, a high level of capitalization allows banks to build up additional reserves in the event of deterioration in asset quality, without the risk of violating existing prudential requirements as well as to support an optimal lending process.

- ***Non-bank lending sector***

The sector of non-bank credit organizations (NBCOs), comprising 114 licensed entities, continued its consolidation trend in 2025, recording growth in both assets and loan portfolios. The sector's total assets reached 19.8 billion MDL, marking an annual increase of 21.8%. The NBCO loan portfolio amounted to 17.0 billion MDL at the end of the 3rd quarter of 2025, up by 16.5% compared with the same period of the year 2024.

Lending to the private sector by NBCOs continued to expand. The volume of loans granted to companies reached 5.1 billion MDL in the 3rd quarter of 2025 (+7.2% year-on-year), while loans to individuals rose to 11.9 billion MDL (+20.9% year-on-year). The share of non-bank loans in GDP remains low, at 5.2%, increasing only slightly by 0.4 pp compared with the year 2024.

The foreign-currency exposure of NBCOs is driven mainly by financial leasing, which is traditionally extended in foreign currency. The share of FX-denominated loans in the total loan portfolio remained relatively high – 37.6% in the 3rd quarter of 2025 – while the foreign-currency exposure for individuals stood at 31.7%. These developments indicate the persistence of vulnerabilities outside the banking sector, within a segment operating under a less consolidated regulatory framework.

The sector of savings and loan associations (SLAs) recorded positive developments in both assets and loan portfolios at the end of the 3rd quarter of 2025. According to the latest data, the sector consisted of 190 associations, 16 fewer than in the year 2024. The total assets of SLAs reached 1.4 billion MDL, an increase of 8.2% compared with the same period of the year 2024. The total value of loans granted to members amounted to 1.3 billion MDL (+10.9% year-on-year). The share of SLA loans in GDP remained at 0.4%, similar to the level recorded in the corresponding period of the year 2024.

- ***Macroprudential framework***

To prevent and mitigate macroprudential and/or systemic risk, thereby contributing to the preservation of financial stability, the NBM applies Regulation No. 110/2018 on banks' capital buffers, which partially transposes Directive 2013/36/EU and Regulation (EU) No 575/2013, through which the Basel III international regulatory framework was implemented in the EU. The Regulation sets out own-fund requirements that banks must hold for the purpose of building capital buffers that can be used under stress conditions, contributing to the achievement of intermediate macroprudential objectives (reducing and preventing excessive credit growth, limiting concentrations of direct and indirect exposures, and limiting the systemic impact of misaligned incentives to reduce moral hazard). In this regard, the NBM applies and periodically reviews the capital buffer requirements for banks, currently set at the following levels:

- capital conservation buffer: 2.5% of the total risk exposure amount;
- countercyclical capital buffer: 0.5% of the total risk exposure amount, applicable from 30 January 2026; and 1.5% of the total risk exposure amount – from 13 May 2026;
- other systemically important institutions (O-SII) buffer: between 0.5% and 1.5% of the total risk exposure amount;

- systemic risk buffer: 1.0% of the total risk exposure amount.

At the same time, as part of the macroprudential policy package implemented to fulfil the intermediate objective of preventing and/or limiting excessive credit growth, banks and non-bank credit organizations are required to comply with responsible lending requirements for consumers, pursuant to NBM Executive Board Decision No. 101/2022 and National Commission for Financial Markets Decision No. 20/5/2022. The applicable regulations set out borrower-based measures for individuals: the loan-to-value (LTV) ratio, the debt-service-to-income (DSTI) ratio, and the maximum loan maturity.

The LTV ratio applies to new real estate investment loans granted to consumers and may not exceed 80%. When the loan is partially or fully compensated and/or guaranteed by the state (e.g., under the "First Home" State Programme) or partially guaranteed through bank deposits, the LTV limit is calculated considering the compensated and/or guaranteed portion (which is deducted).

The DSTI ratio applies to new consumer loans and may not exceed 40% of the borrower's confirmed net income. By way of exception, a DSTI limit of 55% applies when the borrower's average monthly net income exceeds at least twice the average monthly salary in the economy approved by the Government for the year in which the credit decision is taken. Additionally, DSTI does not apply to loans granted under Law No. 293/2017 regarding certain measures for the implementation of the "First Home" State Program. Also, to support the objective pursued through the introduction of the DSTI ratio, the maximum loan maturity for consumers has been limited to 5 years for consumer loans and to 30 years for real estate investment loans.

In 2024, the NBM initiated a review of the regulatory framework on responsible lending, with the aim of harmonizing the standards applicable to both banks and non-bank credit organizations, preventing regulatory arbitrage, and limiting excessive household indebtedness, while ensuring adequate access to finance.

Stress testing. The resilience of the banking sector to shocks is reaffirmed by the stress tests conducted by the NBM, which demonstrate the banks' strong capacity to absorb credit losses even under extreme yet plausible scenarios.

Recently, the NBM carried out sensitivity analyses focused on the banking sector's exposure to specific economic sectors, with emphasis on the quality of loans granted to those sectors. As of the end of November 2025, the analyses indicated that banks exhibited the highest sensitivity levels in sub-portfolios related to the household sector (mortgage and consumer loans), as well as the commercial and agricultural sectors. Nevertheless, the sensitivity levels observed suggested that a significant increase in the non-performing loan ratio would be required for banks to breach prudential requirements. On average, larger banks showed greater sensitivity to a deterioration of the overall loan portfolio, driven by increased exposure volumes and reduced voluntary capital buffers.

In addition to sensitivity analysis, the NBM periodically performs simulations of macroprudential risks at both banking system-wide and individual bank levels. This exercise assesses the resilience of the banking system under adverse but economically plausible scenarios over a three-year simulation horizon (2025-2027). Two scenarios were examined: a historical baseline and an adverse stagnation scenario featuring rapid inflation and economic contraction. According to the crisis simulation results, all banks consistently met the minimum prudential requirement of a 10% total capital ratio, as stipulated by the regulatory framework of the Republic of Moldova. Although the estimated impact of the adverse scenario indicated an erosion of banks' own funds, all financial institutions were able to meet the overall capital requirement (the total SREP capital requirement plus the combined buffer requirement). None of the banks recorded annual net losses and all demonstrated the capacity to absorb unexpected losses arising from portfolio deterioration.

An additional stress testing exercise was conducted based on the liquidity coverage ratio (LCR). For this exercise, five gradually deteriorating scenarios and one severe historical scenario were simulated, considering the 30-day horizon specific to the LCR indicator. The results indicated that most banks were able to withstand at least two of the five simulated scenarios without breaching the minimum 100% LCR requirement. Most breaches occurred under the adverse historical scenario, which incorporates extreme events calibrated to the 99th percentile of observed historical outcomes, thereby reaffirming a high level of liquidity resilience among banks.

Furthermore, a separate contagion stress test was performed to assess potential spillover effects stemming from banks' financial counterparties. This exercise aimed to simulate the impact of the unavailability of funds placed by local banks with various counterparties. The crisis simulation comprised three scenarios:

1. failure to receive funds placed with any counterparty of each Moldovan bank;
2. failure to receive funds placed with the top three counterparties of each bank;
3. failure to receive funds from all counterparties within a specific jurisdiction.

As of the end of 3rd quarter of 2025, under the first scenario, no potential capital shortfalls were observed among local banks, with each maintaining compliance with the 10% capital requirement. However, under the 2nd scenario, two systemically important banks, two medium-sized banks, and one small bank were exposed to capital shortfall risks due to the non-receipt of funds from their top three counterparties. Under the 3rd scenario, one systemically important bank and one medium-sized bank recorded capital shortfalls.

Given that foreign counterparties to which banks have exposures hold positive ratings from international credit rating agencies, the probability of their default is low. This minimizes the likelihood of negative spillover effects on Moldovan banks.

Overall, current conditions do not indicate signs of systemic vulnerability accumulation or excessive systemic risk that could threaten the stability of the financial sector. The assessments conducted reflect an adequate capacity of supervised financial institutions to absorb shocks.

- ***Planned activities***

Maintaining the stability of the financial system, its further development and increasing intermediation remain the main priorities in the area of the financial system. Therefore, in order to comply with the aforementioned priorities, the following activities are to be undertaken:

- **Banking sector.** The Law No. 202/2017 on the activity banks and related NBM's regulations will be amended in order to transpose in the national legislation the Directive 2013/36/EU (CRD) and Regulation (EU) No 575/2013 (CRR), including amendments made by CRD VI / CRR III. As some of the CRD/CRR provisions, especially those related to internal ratings based (IRB) approaches, global systemically important institutions, sub-consolidation method, environmental, social and governance (ESG) risks have not been transposed, it is planned to approve the primary regulatory framework and the regulations for its implementation according to the National Programme for the Accession of the Republic of Moldova to the EU for 2025-2027 (NAP), adopted by Government Decision No. 306/2025.

In order to align Moldova's legislation with the EU *acquis* on bank liquidation, and to implement the relevant IMF recommendations, the finalization and submission for promotion of the draft law on the comprehensive review of the bank liquidation framework - aimed at strengthening the liquidation procedures and transposing Directive 2001/24/EC, is planned by May 2026. Taking into account the IMF experts' recommendations, the NBM developed a draft law, which sets forth the amendment of 10 laws and, in essence, involves the transition from a purely administrative liquidation framework (extrajudicial, supervised only by the NBM), to a hybrid model, in which the forced liquidation process of banks is carried out under the supervision of the court, according to the generally applicable insolvency framework, with some particularities for banks.

- **Insurance sector.** Drafting the law for the full transposition of Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as amended by Directive (EU) 2025/2, as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks and group and cross-border supervision. The approved law will ensure full harmonisation with the provisions of the EU framework and will contribute to the stability and competitiveness of the insurance sector. The law and regulations for its implementation are to be approved in accordance with the NAP.

- **Free movement of capital.** In order to align national legislation with the provisions of Article 63 of the Treaty on the Functioning of the EU, as well as to transpose in the national legislation the Annex No. 1 "Nomenclature of capital movements referred to in Article 1" of Council Directive 88/361/EEC for the implementation of Article 67 of the Treaty, the elimination of restrictions on capital movements and payments requires the amendment of Law No. 62/2008 on foreign exchange regulation. The respective amendments are carried out in stages, in order to ensure the gradual liberalization of the foreign exchange operations (partial and total), the first stage being carried out by Law No. 124/2025 amending Law No. 62/2008. The next stages of liberalization of foreign exchange operations will be achieved through the amendments to the Law No. 62/2008, which are planned to be adopted in 2026.

- **Payment services and electronic money**. It is planned to fully approximate the national legislation with the following EU acts by the end of 2026: (I) Directive (EU) 2015/2366 on payment services in the internal market; (ii) Directive 2009/110/EC on the taking up, pursuit and prudential supervision of the business of electronic money institutions; (iii) Regulation (EU) No 260/2012 establishing technical and business requirements for credit transfers and direct debits in EUR; (iv) Regulation (EU) 2024/886 as regards instant credit transfers in EUR.

- **Anti-money laundering and countering the financing of terrorism** (AML/CFT). the NBM Regulation No. 281/2024 on the requirements for the electronic identification and verification of clients through electronic means is planned to be amended in 2026, in order to further support the digital economy and electronic services and to ensure an appropriate framework for implementing the new provisions of Law No. 308/2017 on the prevention and combating of money laundering and the financing of terrorism. These provisions offer the possibility of identifying and verifying clients' identities through electronic means for natural persons who are citizens of the EU countries, as well as for resident legal entities whose representatives, founders, administrators, and beneficial owners are citizens of the EU countries.

Furthermore, till December 2026, the transposition of Delegated Regulation (EU) 2019/758 and Delegated Regulation (EU) 2018/1108 are planned, by revising the relevant national regulatory framework (the NBM regulations on the requirements for the prevention and combating of money laundering and terrorist financing in the activities of banks and non-bank payment service providers), in order to establish minimum actions and additional measures aimed at reducing money-laundering and terrorist-financing risks in relations with third countries and, accordingly, to set the criteria for the appointment of central contact points for electronic money issuers and payment service providers.

- **Sustainable finance.** To ensure the transposition in the national law of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (EU Taxonomy Regulation), and the delegated acts, a *Sustainable Finance Taxonomy* is planned to be developed and adopted by the end of 2026.

3.3. Alternative scenarios and risks

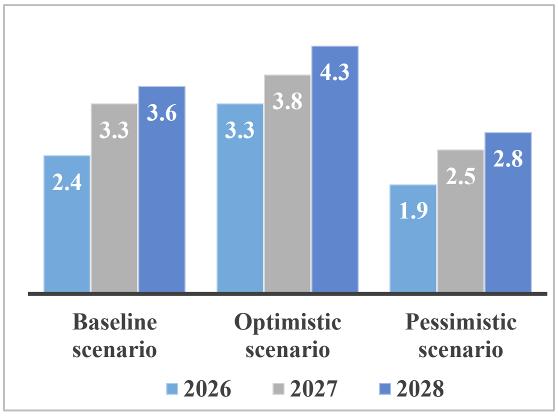
Macroeconomic prospects are subject to a high degree of uncertainty, with both upside and downside risks surrounding the baseline scenario. On the upside, a faster and more effective implementation of structural reforms and investment projects could significantly strengthen growth dynamics and raise productivity beyond current projections. Accelerated execution of infrastructure projects and improvements in the business environment would help crowd in private investment and enhance the economy's medium-term growth potential. Moreover, a stronger-than-expected recovery in key partner economies, especially in the European Union, would support export performance, industrial and agricultural activity, and domestic consumption through higher remittance inflows. Favourable weather conditions would further bolster agricultural output, generating positive spillovers to the food industry, transport services, and external trade.

At the same time, downside risks remain significant. Delays in the implementation of structural reforms or investment projects falling short of expectations would weaken the effectiveness of public policies, slow infrastructure modernization, and constrain private sector development, with direct adverse implications for potential growth. At the external level, a possible escalation of the war in Ukraine, a further intensification of global geopolitical tensions, or a downturn in major trading partners could negatively affect trade, remittances, foreign direct investment, and financial conditions. These risks could be compounded by renewed energy price volatility and unfavourable climate conditions, which would increase inflationary pressures and weigh on competitiveness, household incomes, and food security.

Taking these risks into account, two alternative scenarios have been developed: an optimistic and a pessimistic one. These scenarios are based on the degree of implementation of the reforms and investments included in the Growth Plan.

The **optimistic scenario** envisages a more accelerated growth trajectory for the Republic of Moldova over 2026-2028 compared to the baseline, underpinned by the full implementation of the reforms set out in the Growth Plan with EU support, a scaling-up of public and private investment, and continued improvements in economic governance. Under this scenario, real GDP growth is projected to accelerate gradually, from 3.3% in 2026 to 3.8% in 2027 and 4.3% in 2028.

Figure 3.18. Economic growth – baseline, optimistic and pessimistic scenario



Source: MEDD estimations

Investment in fixed assets will remain the main driver of economic growth, and their full implementation is expected to generate a larger macroeconomic impact compared to the baseline scenario. Fixed asset investment is projected to increase by 22% in 2025 and by 14-19% annually in the following years. This dynamic reflects substantial mobilization of public and external resources, improvements in the investment climate, and the acceleration of economic modernization programs. Private consumption is projected to grow by 3% in 2025 and by 2.3-2.7% annually over 2026-2028, supported by higher real incomes, increased credit availability, and stabilized inflation. In the external sector, exports of goods and services are expected to accelerate, with annual growth of 10-11% in 2026-2028, driven by product diversification, expanded access to EU markets, enhanced exporting capacities in industry and the agri-food sector, and the development of IT and tourism services. Imports will continue to rise, but at a more moderate pace of 8-10% per year over the same period, reflecting higher domestic demand. In this context, although net exports will continue to contribute negatively to GDP growth, they will reflect an active process of economic transformation and investment-led development.

The **pessimistic scenario** was developed under the assumption that the absorption of external funds and the implementation of investment projects would reach only about 30% of the levels planned in the Growth Plan. Under this scenario, the economic outlook of the Republic of Moldova would remain fragile over the medium term, marked by a slow pace of recovery and the persistence of structural imbalances. Real GDP growth would be modest, amounting to around 1.9% in 2026, 2.5% in 2027, and at most 2.8% in 2028, reflecting limited economic potential and a reduced capacity to accelerate economic activity.

Although investment will remain one of the key drivers of economic growth, its pace will be more moderate compared to other scenarios. Gross fixed capital formation would increase by around 8% annually over 2026-2028, while private consumption growth is expected to be low, at no more than 2% per year, reflecting limited purchasing power. In the external sector, exports of goods and services are projected to grow at a moderate rate of approximately 3-9% during 2026-2028, while imports are expected to continue expanding by around 6-7%, resulting in a negative contribution of net exports to GDP growth and a further widening of the trade deficit.

The Republic of Moldova has strong potential to achieve faster and more sustainable growth if reforms and investments under the Growth Plan are implemented decisively. Effective use of EU support, combined with improved economic governance and higher public and private investment, could significantly strengthen the country's productive capacity, accelerate convergence with the European Union, and place the economy on a more resilient medium-term growth path.

4. FISCAL FRAMEWORK

4.1. Policy strategy and medium-term objectives

The medium-term budgetary framework (MTBF) for 2026-2028 is based on the Government's objective of strengthening the sustainability of public finances, while maintaining the necessary premises for accelerating economic growth and reducing vulnerabilities generated by the regional context. The lines of action are aligned with the general economic policy framework, geared towards modernizing the economy, improving competitiveness and advancing reforms associated with the process of accession to the European Union.

The Medium-Term Budgetary Framework (CBTM) for 2026–2028 was prepared with particular attention to the priorities of the Reform Agenda and was consulted with all relevant stakeholders. The public expenditure priorities included in the CBTM and the estimates of sectoral resources guided public authorities in preparing their budget proposals for 2026.

In line with the European Commission's conclusions on the previous Programme and the Economic and Financial Dialogue of May 2025, the Government seeks to gradually adjust the fiscal stance, progressively reduce the budget deficit and maintain debt sustainability, while prioritising public investments aimed at productivity and infrastructure. The medium-term budgetary trajectory reflects these commitments through a combination of fiscal consolidation and expenditure optimisation measures, ensuring a balance between the need for fiscal adjustment and the advancement of structural reforms.

The "Medium-Term State Debt Management" programme is aligned with the CBTM and contributes to maintaining state debt at a sustainable level over the medium term. State debt management supports prudent medium-term fiscal positions by securing financing for the budget deficit at an acceptable level of medium- and long-term costs, while limiting the associated risks.

In the medium term, fiscal policy objectives will focus on maintaining a controlled budget deficit, reducing vulnerability to external shocks and ensuring an efficient allocation of public resources. This approach is essential in the context of post-crisis economic recovery and the continuing effects of Russia's war of aggression against Ukraine, which continues to put pressure on markets, trade and energy security.

Medium-term tax administration policy will primarily aim to increase the efficiency of revenue collection, combat tax evasion and broaden the tax base by modernizing procedures, digitalizing interactions between taxpayers and tax authorities, and stimulating voluntary compliance. Reforms will aim to simplify regulation, reduce administrative costs and create a predictable fiscal climate conducive to investment and private sector competitiveness, which will contribute to a gradual increase in the number of honest taxpayers.

Overall, fiscal policy for 2026-2028 will remain firmly anchored in the objective of building a resilient, competitive economy aligned with European standards, supporting both internal development needs and the path to European integration.

In the area of public expenditure, the main objective will be to improving the structure and effectiveness of resources by prioritizing public investments with high economic and social impact, strengthening performance evaluation mechanisms and increasing budgetary transparency. At the same time, the budgetary strategy will promote a rigorous fiscal discipline, oriented towards limiting non-essential expenditures and optimizing budgetary programs, so as to maintain the fiscal space necessary for the implementation of reforms and the capacity to react in crisis situations.

Regarding the structure of expenditure, significant pressures on the budget are highlighted, driven by the needs to modernize public services, finance reforms related to European integration and the expand social programmes targeting the most vulnerable social groups. The budgetary strategy provides for a more efficient allocation of resources, with a focus on the priorities set out in the national strategic planning documents, as well as on improving the quality and effectiveness of public expenditure.

MTBF 2026–2028 integrates the reform directions set out in the Growth Plan of the Republic of Moldova for 2025–2027, organized on seven thematic pillars aimed at structural transformation of the economy, streamlining governance, modernizing public services, green transition, competitiveness of the business environment and strengthening human capital. The document ensures the financial support of these priorities through coherent, phased and predictable resource planning.

In the medium term (2026–2028), the budgetary-fiscal strategy of the Republic of Moldova, guided by the priorities of the Government and coordinated by the Ministry of Finance, aims to strengthen the sustainability of public finances and create the conditions for sustainable economic growth. In this context, fiscal policy objectives are integrated into the broader framework of national economic policies and commitments undertaken in the process of accession to the European Union, being aligned with the recommendations made by the European Commission in its assessment of the previous ERP and the conclusions of the May 2025 Economic and Financial Dialogue.

4.2. Budget execution in 2025

The main objective of the Government for 2025 was oriented towards fiscal consolidation, with a focus on maintaining macroeconomic stability. Investment in infrastructure, education and health was a priority. At the same time, the Government's priorities during this period were focused on ensuring the country's energy security, financing economic and social anti-crisis measures, social protection of the population, especially to support the vulnerable population.

The fiscal and customs policy for 2025 aimed to create an efficient and fair tax system, designed to support economic development and to provide the necessary resources to the public budget.

The impact of the chain challenges of recent years has conditioned the need to continuously identify instruments and levers to ensure the implementation of the country's development strategy, the process of European integration by gradually adjusting national legislation to the Acquis Communautaire, but also the maintenance of fiscal instruments in order to ensure the sustainability of the economic, social and investment sectors.

As a result, the proposed fiscal and customs policy objectives for 2025 continued the prerogatives of the fiscal and customs policies promoted over the previous years:

- ensuring that the necessary budgetary resources are mobilised to finance the Sustainable Development Goals;
- the implementation of fiscal instruments to attract and maintain investments;

- applying levers focused on providing social support through fiscal instruments;
- strengthening tax and customs administration capacities by expanding the spectrum of instruments for intervention.

The most important fiscal and customs policy measures for 2025 were:

- non-taxation of income of resident individuals in the form of interest from government securities and bonds issued by local public administration authorities (impact - 7 million MDL);
- income tax exemption for the income of individuals from the sale of Renewable Energy (impact - 1 million MDL);
- granting the right to deduct expenses incurred for the benefit of trainee students and/or students on the basis of reports governed by the Code of Education and/or Law No 110/2022 on Dual Education;
- increasing personal exemptions and exemptions for dependants by 10% (impact - 183 million MDL);
- the granting, when determining the income tax, of the right to deduct the education expenses of children incurred by natural persons. The impact of this measure will be reflected in 2026, following the submission of declarations by individuals for 2025;
- the extension the types of insurance eligible for deduction for individuals;
- extending the right to use the accelerated depreciation method to all types of undertakings;
- the implementation of the general tax regime for companies in the ferrous metals trade sector;
- the elimination of exemptions for the income obtained by individuals from the sale of ferrous metal scrap (impact +105 million MDL);
- limiting the spectrum of fixed assets exempt from VAT without the right to deduct to the deposit in the share capital;
- the exclusion of a spectrum of tax incentives established by the decisions of the Competition Council as state aid, as well as in the light of the commitments to connect the national legislation to the EU provisions;
- review of excise duties on heated tobacco and electronic cigarettes;
- granting local public authorities, the right to increase property taxes by up to 300% on neglected properties;
- amending the deadline for calculating obligations and submitting tax reports relating to local taxes and natural resources.

In the period January-October 2025, revenues of the national public budget (NPB) constituted 82.8% of the amounts planned for that year, increasing by 14.0% compared to the revenues in the similar period of the previous year.

Of this amount, a large part of NPB's revenue, or around 60 %, is tax revenue. Compared to the same period last year, these receipts increased in total by 10.0%, as a result of the increase in receipts by 12.0% of the value added tax, by 10.5% - income taxes, by 6.4% - property taxes and by 6.4% - excise receipts.

VAT accounts for the largest share of the total revenue of the national public budget collected between January and October 2025 (29.9% of the total). Overall, VAT revenues in the analysed period increased by 12.0%, including VAT for goods produced and services supplied on the territory of the Republic of Moldova increased by 17.9%, as a result of the intensification of domestic economic activity, the increase in population consumption, the persistence of a relatively high level of prices, as well as the improvement of administration. VAT receipts on imported goods in the period January-October 2025 increased by 7.7%. This occurred against the background of an increase in imports in the first nine months of 2025 by 18.7% compared to the same period of the previous year. The largest increases in imports were recorded for imports of gas and industrial products obtained from gas (2.3 times), electricity (4.4 times, due to increased deliveries from Romania, Croatia and Ukraine), vegetables and fruits (+33.0%), road vehicles (+10.4%), iron and steel (+30.5%), specialized machines and appliances for specific industries (+23.9%), industrial machines and appliances with general applications; parts and detached parts of these machines (+14.6%).

In that period, a significant increase was generated by the collection of personal income tax – 15.0% more than in the same period of 2024. These revenues increased due to the increase of the labour remuneration fund by 11.2% compared to the previous year, as well as due to the implementation of wage policy measures implemented in 2025, namely: increasing the salaries of teachers by 10%, increasing the salaries of health professionals by 15%, increasing the basic reference value for calculating salaries in the public sector by 5%, increasing the amount of the minimum wage by 10%. The same upward trend was registered by social contribution income and compulsory health insurance premiums, which also increased by about 12.9% compared to the same period of the previous year.

Revenues from income corporate tax in January-October 2025 recorded an execution compared to the planned load of 79.4%, and compared to the similar period of the previous year increased by 6.0%. This increase reflects the positive results registered by economic agents in the activity of the previous fiscal year, including through the payment of dividends, SMEs still benefiting from the 0% share of the reinvested profit.

Excise revenues in the period of 10 months 2025 increased by 6.4% compared to the same period of the previous year, including from excise duties on petroleum products by 14.3%, excise duties on imported means of transport by 5.0%. This increase was largely due to higher excise duties on:

- means of transport imported as a result of the increase in the number of imported means of transport by 14.3% compared to the similar period of the previous year;
- petroleum products imported as a result of the increase in the quantity of imported petroleum products by 4.7% compared to 10 months of the previous year, as well as the increase in excise duty rates.

Grant revenues represent 4.4% of total budget revenues received in January-October 2025, an increase of about 2 times compared to disbursements made in the previous year. This is explained by the disbursement of financial grant support provided by the EU under the Energy Independence and Resilience Programme, as well as support provided by other external donors to mitigate the effects of the energy crisis. Budget support grants were disbursed amounting to approximately 195 million EUR and represent 84,2% of the total grants disbursed during the period considered.

Grants for projects financed from external sources in 10 months of 2025 were disbursed in the amount of approximately 36.5 million EUR, accounting for 15.8% of total grands.

Other revenues of the national public budget in January-October 2025 recorded a 26.3% higher collection compared to the same period of 2024, including from higher receipts from dividends received, as well as from fines and sanctions.

Between January and October 2025, NPB's total expenditure amounted to 77.5% of the amended annual budget for 2025. Compared to the same period in 2024, NPB's expenditure increased by 13.5%.

Current expenditure for the 10-month period reached 79.8% of the amended annual budget.

The main economic categories of expenditure were implemented as follows:

- *salaries:* 79.6% of the amended annual budget and 112.6% compared to the same period in 2024. The increase in this expenditure is mostly driven by the application of the new wage policy measures applied to employees in the budgetary sector, including the increase, as of 1 January 2025, of the basic reference amount for budgetary staff and the increase in the amount of the minimum wage;

- *interest:* 81.7% of the modified annual budget compared to the same period of 2024 decreased by 5.3%. The decrease in these expenses is mainly due to the decrease in expenses for servicing the domestic state debt, as a result of the redemption of state securities issued on the domestic market at lower interest rates than during the previous year.

- *social benefits:* 82.7% of the amended annual budget and 115.3% compared to the same period in 2024. These expenses registered an increase mainly due to the annual indexation of some categories of social benefits, in accordance with the provisions of the national normative framework, to the increase in the volume of compensations for energy (in the form of monetary payment and invoices), as well as to the granting during the year of payments in the form of a single support for some categories of population;- *capital expenditures for* the period January-October were made at the level of 54.6% compared to the amended annual provisions. Compared to 2024, the level of execution of capital expenditure increased by 3.5%, mainly driven by the increase in capital investment expenditure and capital expenditure for the implementation of road infrastructure projects;

- the *expenditures for grants and subsidies* granted for the period January-October were realized at the level of 65.0% compared to the amended annual provisions. Compared to 2024, the level of implementation of expenditure for grants and grants increased by 33.0%. This increase is mainly due to support for agricultural producers, the creation of favourable conditions for the sustainable development of the agricultural sector, and increased capital expenditure on road rehabilitation works.

The low level of expenditure execution in the period under review for 2025 compared to the plan is the main reason for a budget deficit which is lower than planned for 2025. This is explained by the low level of implementation of projects funded from external sources (about 61% compared to the planned budget), especially of capital expenditures.

The NPB deficit in January-October 2025 was executed at the level of 40.4% compared to the planned level, representing 2.0% of GDP compared to 5.0% foreseen for the current year. The GNP deficit was primarily financed by external loan inflows, including the first tranche of the EU financial support package to support the Growth Plan, which constituted to 288.9 million EUR.

The execution of NPB for the period January-October 2025 is presented in the table below:

Table 4.1. Execution of the National Public Budget in January-October 2024

	2025 Approved (amended)	2025 Executed January-October	2024 Executed January-October	Level of execution	
				January-October 2025/ approved (amended) 2025	January-October 2025/ January-October 2024
	million MDL			in %	
Total revenues NPB	**124.380**	**103.028**	**90.338**	**82.8**	**114.0**
Total tax revenues and social and health contributions	***113.118***	***92.714***	***83.568***	***82.0***	***110.9***
Tax revenues	***75.088***	***61.823***	***56.196***	***82.3***	***110.0***
Personal income tax	9.549	8.093	7.038	84.8	115.0
Profit tax	9.597	7.623	7.190	79.4	106.0
VAT	37.363	30.805	27.500	82.4	112.0
Excise duties	12.551	10.042	9.439	80.0	106.4
Custom duties	2.792	2.263	2.098	81.0	107.9
Other taxes	3.235	2.997	2.931	92.6	102.2
Contributions	***38.030***	***30.892***	***27.372***	***81.2***	***112.9***
Other revenues	***6.543***	***5.801***	***4.592***	***88.7***	***126.3***
Grants	***4.718***	***4.512***	***2.178***	95.6	>200
Total expenditures NPB	**142.091**	**110.187**	**97.069**	**77.5**	**113.5**
Current expenditures	***129.492***	***103.312***	***90.429***	*79.8*	*114.2*
Wages	31.723	25.260	22.436	79.6	112.6
Goods and services	25.399	19.210	17.051	75.6	112.7
Subsidies and grants	12.816	8.328	6.264	65.0	133.0
Social benefits	51.873	42.900	37.213	82.7	115.3
Interests	4.431	3.619	3.823	81.7	94.7
Capital expenditures	***12.599***	***6.875***	***6.640***	*54.6*	*103.5*
Deficit NPB	**-17.711**	**-7.159**	**-6.731**	**40.4**	**106.4**
Deficit NPB (% in GDP)	-5.0	-2.0	-2.1	40.4	98.0
Primary deficit (% in GDP)	-3.8	-1.0	-0.9	26.7	112.2
Deficit financing	**17.711**	**7.159**	**6.731**	**40.4**	**106.4**
Domestic sources	6.994	3.737	1.951	53.4	191.6
Foreign loans (net)	4.621	3.106	3.499	67.2	88.8
Other financing	6.096	316	1.281	5.2	24.7

4.3. Budget plans for the ERP submission year

For 2026, the Government has proposed an acceleration of economic growth, determined by the improvement of external conditions, productivity growth, the advance of structural reforms and the intensification of investments related to the European integration process, all based on the implementation of the Growth Plan supported by the European Union.

To achieve this goal, the Government undertook to implement 56 reforms covering policy areas and 153 measures, focusing on economic modernization, improved governance and long-term competitiveness.

The reforms cover seven main policy areas addressing key economic challenges:

- *Private sector development*: includes 10 reforms of the policy areas implemented through 31 steps with the aim of strengthening the business environment, boosting investment and promoting entrepreneurship;

- *Connectivity and digital infrastructure*: comprises 3 reforms of the policy areas implemented through 11 steps in order to improve the key infrastructure;

- *Economic governance*: with 3 reforms of the policy areas implemented through 28 steps, focusing on public financial management, regulatory framework and transparency;

- *Social capital* is targeted by 4 reforms of the policy areas implemented through 21 steps with the aim of strengthening education, healthcare and social inclusion;

- *The green transition and the area of natural capital* involve 13 steps, promoting sustainable energy and climate resilience;

- *Energy security and efficiency* contain 24 steps focused on the open market, security of energy supply and energy efficiency;

- *Fundamental value*s, with 7 reforms of the policy areas implemented through 22 steps, concern governance, public administration and macroeconomic stability.

At the same time as the Reform Agenda, the Government has identified a portfolio of reforms and strategic investment projects, which will be the engine for accelerating economic growth. The largest allocations concern the areas of transport (31.6%) and energy (25.5%), reflecting the priorities of infrastructure modernisation and energy transition. Environment (12.9%), regional development (8.9%), agriculture (6.0%) and private sector support (4.7%) followed. Social areas such as education (4.2%) and health (3.0%) are included to support human capital development. This portfolio is an essential tool for advancing reforms and accelerating economic convergence with European countries.

The state budget for 2026[10] is based on the forecast of macroeconomic indicators presented by the Ministry of Economic Development and Digitalization in accordance with the domestic economic context and the dynamics of external markets, as well as the measures and objectives included in the EU-supported Growth Plan.

The fiscal policy objectives set for 2026 aim to support the economic and social spheres and largely focus on interventions aimed at improving and simplifying the fiscal framework, by:

- the implementation of fiscal instruments to attract and maintain investment;
- applying levers focused on providing social support through fiscal instruments; and
- strengthening the capacities of the tax and customs administration by expanding the spectrum of intervention instruments.

Accordingly, fiscal measures aim to increase competitiveness, improve tax compliance and encourage investment, such as:

- expanding the spectrum of deductible expenses for the employer in case of granting holiday vouchers and in case of compensation of expenses incurred by employees in tourist reception facilities in rural areas of the Republic of Moldova. The deductible amount for all these expenses is 50% of the average monthly salary in the economy, forecasted and approved by the Government for the year

[10] https://www.legis.md/cautare/getResults?doc_id=152323&lang=ro

for which they were made;

- adjusting the spectrum of deductible expenses for the employer in the case of expenses incurred for the organisation of alternative childcare services for children of employees up to the age of 3;

- granting, when determining the income tax, the right to deduct the expenses incurred for the education of children and/or their professional development;

- non-taxation of income of non-resident individuals obtained in the form of interest or capital increase related to state securities issued by local public administration authorities;

- repealing the tax regime applicable to the salary payments of employees in the field of road passenger transport by taxi;

- expanding the spectrum of tax breaks:

    a. 8% VAT on import and delivery of medical devices that will be registered in the State Register of Medical Devices;
    b. introduction of the VAT exemption for afforestation/reforestation and forest rehabilitation services under the National Forest Enlargement and Rehabilitation Programme 2023-2032;

- increasing the threshold for registration as a VAT taxpayer from 1.2 million MDL to 1.5 million MDL.

- postponing the application of VAT on the import/delivery of cars, ensuring the application of the current excise tax regime;

- revision of the conditions for refunding the amount of VAT for agricultural producers;

- avoiding double taxation of excise goods placed under the inward processing customs procedure by exempting those goods from VAT without the right to deduct when they are placed under that customs procedure;

- amending the eligibility criteria for farmers (from 95 % to 70 % ceiling for determining the proportion of activities included in groups 01.1 to 01.6 of the CAEM) in order to benefit from the VAT refund scheme;

- extension by one year of the provisions regarding the exemption from income tax of legal entities in the case of non-distribution of profits in the form of dividends or shares (-1.7 billion MDL);

- reviewing the mechanism for terminating the customs procedure for temporary admission of means of transport declared destroyed or sold for parts, by collecting a single payment amounting to 40 thousand per means of transport.

NPB revenues for 2026 are estimated at about 133,457 million MDL, and as a share of GDP at 35.4%. Revenue growth was estimated in the context of moderate economic growth, supported by favourable external developments, the progress of structural reforms and the intensification of investments associated with European integration, within the framework of the implementation of the EU-supported Growth Plan for Moldova. NPB's revenue forecast for 2026 is largely based on higher tax receipts and forecasts of grant inflows will decrease significantly, with only those for externally funded projects expected.

Taxes and levies account for the largest share of national public budget revenue, at around 61.3% of total revenue. Of the total taxes, 69.3% are taxes on goods and services, 25.9% - taxes on income, 3.7% - taxes on foreign trade and foreign operations and 1.1% - taxes on property. As a share of GDP, taxes and levies will hold 21.7 percent in 2026.

Compulsory contributions and insurance premiums represent 31.6% of the total revenues of the national public budget. As a share of GDP, this revenue group is 11.2%.

For 2026, the volume of inflows from external grants is forecast to be low compared to the last period, therefore, in the NPB's income structure, they will hold around 1.8%. Out of the total amount of grants, about 5.6% (equivalent to USD 7.6 million) is expected for budget support and 94.4% for projects financed from external sources. The share of grants in GDP will be 0.6%.

Table 4.2. National Public Budget Revenues for 2023-2026

	2023 Executed	**2024 Executed**	**2025 Approved (amended)**	**2026 Project**
	million MDL			
Total revenues NPB	**102,299**	**110,339**	**124,380**	**133,457**
Taxes and duties	**63,006**	**68,481**	**75,088**	**81,862**
Personal income tax	7,233	8,670	9,549	10,816
Corporate income tax	9,422	9,605	9,597	10,373
Value added tax	30,209	33,410	37,363	40,681
Excises	10,138	11,448	12,551	13,499
Taxes on foreign trade	2,812	2,579	2,792	3,038
Property taxes	794	836	831	902
Social insurance contributions	21,524	24,879	28,031	31,341
Health insurance contributions	7,498	8,685	9,999	10,860
Other taxes and duties	2,398	1,934	2,404	2,553
Other revenues	**4,924**	**5,701**	**6,543**	**7,012**
Grants	**5,347**	**2,592**	**4,718**	**2382**
	% GDP			
Total revenues NPB	**33.7%**	**34.1%**	**35.4%**	**35.4%**
Taxes and duties	**20.8%**	**21.1%**	**21.4%**	**21.7%**
Personal income tax	2.4%	2.7%	2.7%	2.9%
Corporate income tax	3.1%	3.0%	2.7%	2.8%
Value added tax	10.0%	10.3%	10.6%	10.8%
Excises	3.3%	3.5%	3.6%	3.6%
Taxes on foreign trade	0.9%	0.8%	0.8%	0.8%
Property taxes	0.3%	0.3%	0.2%	0.2%
Social insurance contributions	7.1%	7.7%	8.0%	8.3%
Health insurance contributions	2.5%	2.7%	2.8%	2.9%
Other taxes and duties	0.8%	0.6%	0.7%	0.7%
Other revenues	**1.6%**	**1.8%**	**1.9%**	**1.9%**
Grants	**1.8%**	**0.8%**	**1.3%**	**0.6%**
GDP, (millions MDL)	*303,600.00*	*323,800.00*	*351,500.00*	*377,200.00*

The expenditures of the national public budget for the year 2026 are estimated in the amount of 154 942 million MDL, they will subsequently ensure the implementation of the actions and activities, deriving from the national and sectoral policy documents. Compared to 2025, public expenditure will increase by 9.0% and as a share of GDP it represents 41.1%, with an increase of 0.6 pp.

Current expenditure for 2026 is estimated at 138,811 million MDL, representing 89.6% of total expenditure, up 7.2% compared to 2025. As a share of GDP, they will account for 36.8%

Within these, the personnel expenses are forecasted at 32,796 million MDL, being determined by the planned salary increases in the budgetary sector, the reorganization and creation of new institutions, as well as the adjustment of the number of units according to the normative framework. Approximately 2,175 million MDL are foreseen for the new wage policy measures applicable from 1 January 2026, including the increase in the reference value, the increase in compensation payments in the context of the minimum wage, the adjustment of staff limits and the payment of unused leave.

Capital expenditures are estimated at 16,131 million MDL, which constitutes 16.0% of total expenditures or 4.3% of GDP, marking an increase of 28.3% compared to 2025. Out of this total, capital investments amount to 5,166 million MDL, registering a significant increase of 50.8%. The financing of capital expenditure will be provided at the rate of 58.7% from general internal resources and 41.3% from external sources, including the resources related to the Economic Growth Plan.

Table 4.3. Expenditures of the National Public Budget for 2023-2026

	2023 Executed	**2024 Executed**	**2025 Approved (Modified)**	**2026 Project**
				million MDL
Total expenditures	**117.871**	**122.962**	**142.091**	**154.942**
Wages and salaries	24.403	27.723	31.723	32.796
Goods and services	20.295	22.285	25.399	27.848
Interests	5.436	4.447	4.431	6.299
external debt	1.465	1.861	1.860	2.093
internal debt	3.971	2.585	2.571	4.206
Subsidies	6.036	5.814	4.962	4.766
of which capital expenditures	*1,510*	*840*		
Grants	2.439	2.563	7.854	9.288
of which capital expenditures	*978*	*1.053*	*4.242*	3.811
Social benefits	43.576	44.763	51.873	52.686
Other expenditures	3.810	4.466	5.454	7.126
of which capital expenditures	*293*	*471*	*618*	*1.609*
Fixed assets	9.276	8.254	7.935	10.816
of which investments	*4.078*	*3.164*	*3.425*	*5.166*
Inventories	3.163	2.975	3.232	3.739
Other non-financial assets	-563	-328	-773	-401
of which capital expenditures	*-147*	*-220*	*-197*	*-105*
Informative:				
Current expenditures	*105.960*	*112.564*	*129.492*	*138.811*
Capital expenditures	*11.911*	*10.398*	*12.599*	*16.131*
				% of GDP
Total expenditures	**38,82**	**37,97**	**40,42**	**41,08**
Wages and salaries	8,04	8,56	9,03	8,69
Goods and services	6,68	6,88	7,20	7,38
Interests	1,79	1,37	1,26	1,67
external debt	0,48	0,57	0,53	0,55
internal debt	1,31	0,80	0,73	1,12
Subsidies	1,99	1,80	1,41	1,26
of which capital expenditures	*0,50*	*0,26*		
Grants	0,80	0,79	2,19	2,46
of which capital expenditures	*0,32*	*0,33*	1,20	*1,01*
Social benefits	14,35	13,82	14,75	13,97
Other expenditures	1,26	1,38	1,64	1,89
of which capital expenditures	*0,10*	*0,15*	*0,18*	*0,43*
Fixed assets	3,06	2,55	2,25	2,87
of which investments	1,34	*0,98*	*0,97*	*1,37*
Inventories	1,04	0,92	0,92	0,99

	2023 Executed	2024 Executed	2025 Approved (Modified)	2026 Project
Other non-financial assets	-0,19	-0,10	-0,22	-0,11
of which capital expenditures	-0,05	-0,07	*-0,06*	*-0,03*
Informative:				
Current expenditures	*34,90*	*34,76*	*36,86*	*36,80*
Capital expenditures	*3,92*	*3,21*	*3,56*	*4,28*

For 2026, for the implementation of the measures from the Reform Agenda and for capital expenditures related to economic development, the state budget is envisaged to allocate an amount of approximately 5,583.7 million MDL, including for the measures from the Reform Agenda – 3,554.4 million MDL and for capital expenditures/investments related to the NIP – 315.0 million MDL, as well as for other projects that contribute to the economic development of the country – 1,714.3 million MDL.

The largest share of the resources related to the Reform Agenda is directed towards supporting the implementation of the measures and actions established under Pillar 1 – "Economic competitiveness/private sector development" (2,028.2 million MDL, representing 58.5% of the total).

The rest of the resources are distributed as follows:

Pillar 2 "Connectivity and digital infrastructure" - 351.9 million MDL or 10.2%;

Pillar 3 "Economic Governance" - 33.0 million MDL or 1%;

Pillar 4 "Social Capital" - 474.1 million MDL or 13.7%;

Pillar 5 "Green Transition and Natural Capital" - 75.1 million MDL or 2.2%;

Pillar 6 "Energy" - 336.8 million MDL or 9.7%;

Pillar 7 "Fundamentals" - 164.4 million MDL or 4.7%.

The national public budget deficit target for 2026 is set at 5.7% of GDP, of which the state budget accounts for 5.5% of GDP, 0.1% for health insurance funds and 0.1% for local budgets.

The financing of the national public budget deficit in 2026 will be made from internal and external sources, and a significant part will come from the support provided by the EU loan under the Growth Plan and from loans from projects financed from external sources. At the same time, resources are provided from the privatization of public property and other internal receivables of the budget, as well as from financial resources from the accounts of the component budgets of the national public budget.

4.4. Medium-term budgetary outlook and supporting policies

The baseline medium-term scenario has been developed in accordance with resource targets and outlines the main developments in the macroeconomic framework during the reference period, as well as the measures and objectives included in the Growth Plan, which aims to strengthen economic resilience, boost the competitiveness of the private sector and promote strategic investments in priority sectors of the economy.

The European Commission has approved a Growth and Reform Facility for the Republic of Moldova for 2025-2027, supported by a 1.9-billion-EUR financial facility. This represents the largest package of financial support provided by the EU to the Republic Moldova, and the actions foreseen in the plan aim to create a favourable framework for the development of the business environment, to reduce macroeconomic vulnerabilities, as well as to intensify the processes of digitalization, innovation and economic diversification. These measures will serve as a basis for formulating a coherent and sustainable growth-oriented economic policy, efficient management of public resources and ensuring a stable trajectory of economic development. Under the Growth Plan, total financing includes 1.5 billion EUR in loans and 0.4 billion EUR in grants to finance investment projects, including through the European Commission's Neighbourhood Investment Platform, guarantee mechanisms and other investment support instruments.

For the period 2026-2028, the Government’s commitments are to maintain a sustainable fiscal trajectory consistent with fiscal consolidation objectives, public investment needs and the broad reform agenda related to the EU accession process.

In this context, the budgetary planning for 2027-2028 was based on the fiscal policy measures applicable under current conditions, as well as the structural reforms currently being implemented, reflecting their contribution to achieving the established budgetary objectives.

The main priorities aimed at achieving the general objective are the following:

1) strengthening the tax base and improving tax administration to strengthen tax compliance;
2) ensuring commitments to transpose the EU acquis;
3) strengthening public investment management;
4) gradually reducing the level of the budget deficit;
5) the expansion and continuous development of the internal market for state securities;
6) ensuring the sustainability of the state debt;
7) effective monitoring and managing fiscal risks.

According to the baseline medium-term scenario, the revenues of the national government budget are estimated at around 35.3% of GDP in the years 2027–2028, while the budget expenditure is expected to be at 40.8% of GDP in 2027 and 39.5% of GDP in 2028.

At the same time, the baseline scenario indicates that the national public budget deficit, estimated at 5.5% of GDP in 2027 and 4.2% of GDP in 2028, remains relatively high. This development is mainly driven by the inclusion of the measures set out in the Reform Agenda of the Economic Growth Plan of the Republic of Moldova for 2025-2027, which implies significant medium-term fiscal efforts.

The estimates of the National Public Budget indicators under the baseline scenario are presented in Tables 2a and 2b, annexed to this document.

According to medium-term estimates, for 2027 it is expected to allocate 9,386.4 million MDL (including for the measures from the Reform Agenda – 4,095.6 million MDL and for capital expenditures/investments related to NIP – 2,806.5 million MDL, as well as for other projects contributing to the economic development of the country – 2,484.4 million MDL) for the implementation of the measures from the Reform Agenda and for capital expenditures related to economic development. For 2028, it is expected to allocate 9,178.0 million MDL (including for the measures from the Reform Agenda – 2,123.6 million MDL and for capital expenditures/investments related to NIP – 5,025.0 million MDL, as well as for other projects contributing to the economic development of the country – 2,029.4 million MDL). Thus, the distribution of resources in the medium term indicates the priority given to the areas of transport and infrastructure, economic development and support for the business environment, agriculture and development rural.

Table 4.4. Estimated medium-term expenditures related to the Reform Agenda (by year and by development pillars, million MDL)

	2025	*2026*	*2027*	*2028*
Pillar 1 - "Economic competitiveness/private sector development"	504.5	2,028.2	2,718.2	1,605.0
Pillar 2 " Connectivity and digital infrastructure "	23.0	351.9	330.5	38.4
Pillar 3 "Economic Governance"	6.2	33.0	22.4	13.6
Pillar 4 "Social Capital"	69.3	474.1	578.0	338.7
Pillar 5 "Green Transition and Natural Capital"	1.1	75.1	39.3	34.1
Pillar 6 "Energy"	5.2	336.8	201.1	0.0
Pillar 7 "Fundamentals"	37.4	164.4	127.0	72.0
Capital expenditure/investment related to NIP and other projects (capital expenditure) contributing to economic development	2,394.9	2,120.2	5,369.9	7,076.2
TOTAL	***3,041.6***	***5,583.7***	***9,386.4***	***9,178.0***
of which capital investment	*7.1*	*153.8*	*1957.1*	*2.083.7*

Concurrently, in the medium term, the Government intends to develop and implement a coherent set of budgetary-fiscal policy measures, the implementation of which will be oriented towards strengthening budgetary discipline, reducing pressures on the deficit and creating the fiscal space necessary to promote the necessary reforms, including the wage one, as well as gradually reducing the deficit position of the state.

These measures will aim, on the one hand, at increasing and stabilizing budget revenues by broadening the tax base, reviewing low-yield tax breaks and improving tax administration, and, on the other hand, at optimizing the structure of public spending in line with public policy priorities and existing budgetary constraints.

These measures are essential for maintaining macroeconomic stability, creating the necessary fiscal space and meeting the commitments made in the European integration process.

A central pillar of tax policy will be the strengthening of the tax base, which will be achieved through a comprehensive review of existing tax regimes. In this respect, the current tax incentives will be assessed, and those measures with low budgetary return or limited economic impact will be gradually eliminated, in order to streamlining revenue collection and ensuring a fair tax treatment.

At the same time, measures are provided for the taxation of postal items in order to reduce tax inequities between domestic economic operators and those involved in cross-border e-commerce. In parallel, the value added tax regime, including the analysis of reduced VAT rates, will be reviewed with the objective of broadening the tax base, simplifying the system and aligning it with European best practices.

Fiscal consolidation will go hand in hand with the promotion of a responsible and sustainable wage policy reform in the budgetary sector, addressing both the need for fairness and wage competitiveness and existing budgetary constraints. The integrated approach to fiscal and wage policies aims to reduce pressures on the budget deficit and ensure a sustainable fiscal path over the medium term.

The current wage system in the budgetary sector has undergone multiple changes, both at the stage of adoption of the regulatory framework and subsequently in the implementation process. These interventions affected the initial coherence of the system, including the hierarchy of functions, resulting in a number of structural failures.

The main challenges include inequity and lack of wage competitiveness, currently considered the most significant, with a high social impact. The current system does not provide an attractive level of remuneration compared to the real sector, which affects the ability of the public administration to attract and retain qualified staff. Moreover, the low level of transparency due to the existence of multiple wage components and different reference values, as well as the lack of incentives for professional performance, contribute to the low attractiveness of the budgetary sector.

In this context, the need arose to review and adjust the unitary wage system in the budgetary sector so that it corresponds to its basic principles: non-discrimination, fairness, coherence and attractiveness. The reform aims to ensure equal treatment and equal pay for work of equal value, in strict correlation with the financial sustainability of the state budget.

The overall objective of the reform is to put in place a fair and sustainable wage policy by closing existing wage gaps, restoring job hierarchies, revising the bonus system and developing a more effective performance incentive mechanism. The reform is being carried out with the support of development partners, including GIZ and the World Bank, with the involvement of central and local public authorities, as well as trade union structures.

By mid-2026, it is planned to amend Law No 270/2018 on the unitary wage system in the budgetary sector, as well as the related secondary regulatory framework. The revised salary system is to be implemented as of September 2026 and will involve the consolidation and unification of the reference values used in the calculation of salaries, the re-evaluation of functions and the re-hierarchisation of the salary scale, as well as the remodelling of the monthly salary structure, by consolidating the fixed part and making the variable component more efficient.

The wage reform will be implemented on the basis of an Action Plan for 2026-2032 with specific objectives: consolidating reference values, increasing the share of the fixed part of the wage, adopting clear and predictable criteria for future wage increases and increasing wage attractiveness in the budgetary sector. Overall, these measures will contribute to increasing the efficiency of public spending and reducing the budget deficit in the medium term.

At the same time, following the implementation of the reforms planned by the Government over the medium term, their impact is expected to contribute to the gradual reduction of the budget deficit, mainly through higher revenues due to the introduction of new fiscal policy measures and the strengthening of the tax base. These developments will be underpinned by improved tax administration and the phasing out of existing distortions in the tax system.

In parallel, the review of wage policy in the budgetary sector, geared towards increasing the efficiency and sustainability of staff expenditure, is expected to limit pressures on current expenditure.

Exact cost and financial impact of the wage reform in budgetary sector is to be estimated by the end of March 2026, following the development of the new salary grid, the concept note on wage reform, and the medium and long-term wage reform action plan. Taking into account that the new law on remuneration in the budgetary sector is supposed to entry into force in September 2026, the process of amending the State Budget Law for 2026 will include the allocation of the financial resources necessary for the implementation of the law. At the same time, approximately 75% of the financial impact related to the wage reform will be allocated within the State Budget for 2027.

Another objective of consolidating public finances, aimed at ensuring the transparency of the public sector, concerns the extension of public sector reporting to the revenues and expenditures of public entities financed partly or entirely from their own revenues. Similarly, the way of drawing up, approving, implementing and reporting the budget of public institutions, financed from budget revenues, will be aligned with the general budgetary principles, rules and responsibilities established by the Law on Public Finances and Budgetary-Fiscal Responsibility no.181/2014[11].

These measures are expected to have a positive budgetary impact on the public sector, as reflected in higher government revenues and a reduction in the deficit. Thus, the extended reporting exercise on the execution of the national public budget in 2024 according to GFS 2014 standards, including extra-budgetary entities, points to a deficit reduction of about 1.8 billion MDL or 0.6 pp of GDP (from 3.9% to 3.3% of GDP).

With the aim of simultaneously implementing the policies described above, the budget deficit is projected to gradually decline over the years 2027-2028. At this stage, the available estimates are indicative, as some of the measures are still being developed and revised and their final effects can be quantified as the process of their finalization progresses.

4.5. Structural balance (cyclical component of the deficit, one-off and temporary measures, fiscal stance)

The cyclically adjusted budget balance (CAB) and the SBB are central to the EU fiscal surveillance framework, as they correct the overall budget balance for temporary effects and provide a clearer picture of underlying fiscal trends. The CAB adjusts for cyclical fluctuations, while the SBB also excludes one-off and other temporary measures, thereby serving as a primary indicator of the discretionary fiscal stance. Distinguishing between temporary and permanent factors is essential: while cyclical variations tend to unwind as the economy moves through the business cycle, structural imbalances require sustained policy action. Assessing fiscal policy solely on the overall balance can therefore lead to misguided policy responses - either excessive fiscal tightening or insufficient adjustment, whereas the use of the CAB and SBB enhances transparency, supports informed policy decisions, and contributes to fiscal sustainability.

Since neither the CAB nor the SBB is directly observable, they must be estimated. The CAB is derived from the overall budget balance by subtracting the cyclical component, defined as the product of the output gap and the semi-elasticity of the budget balance with respect to output. The estimation process follows three main steps: (i) Estimation of potential GDP and the output gap, measuring the deviation of actual GDP from its potential level; (ii) Calculation of the semi-elasticity, capturing the responsiveness of tax revenues and selected expenditure categories to changes in the economic cycle; and (iii) Derivation of the CAB by adjusting the overall budget balance for the cyclical component.

A fourth step is required to estimate the SBB: subtracting one-off fiscal measures from the CAB. This isolates the effects of discretionary fiscal policy.

The output gap in Moldova is estimated by the MEDD using the production function approach, with potential output derived from a Cobb–Douglas production function. The output gap estimates for the

[11] https://www.legis.md/cautare/getResults?doc_id=145903&lang=ro.

period 2016–2028 are presented in the Table 4.4 below together with the corresponding fiscal indicators.

Table 4.5. Budget balance and components for estimating the structural balance in 2016-2028 (% of GDP)

Year	Output gap (in % of Potential GDP)	Overall budget balance (in % of GDP)	Primary balance (in % of GDP)	Cyclically -adjusted balance (in % of GDP)	Cyclically -adjusted primary balance (in % of GDP)	One-off measures (in % of GDP)	Structural budget balance (in % of GDP)	Structura l primary budget balance (in % of GDP)	Fiscal impulse
2016	0.68	-1.56	-0.42	-1.80	-0.67	0	-1.80	-0.67	
2017	2.26	-0.65	0.46	-1.45	-0.34	0	-1.45	-0.34	-0.33
2018	3.77	-0.85	-0.05	-2.19	-1.38	0	-2.19	-1.38	1.04
2019	4.87	-1.47	-0.67	-3.19	-2.39	0	-3.19	-2.39	1.01
2020	-5.95	-5.32	-4.46	-3.21	-2.36	-2.5	-0.71	0.14	-0.03
2021	5.08	-2.62	-1.82	-4.41	-3.61	-0.8	-3.61	-2.81	1.25
2022	-1.08	-3.24	-2.24	-2.86	-1.86	-3.3	0.44	1.44	-1.75
2023	-0.92	-5.13	-3.34	-4.81	-3.02	-1.3	-3.51	-1.72	1.15
2024	-1.98	-3.89	-2.52	-3.19	-1.82	-0.8	-2.39	-1.02	-1.20
2025	-1.71	-5.04	-3.78	-4.43	-3.17	-0.8	-3.63	-2.37	1.35
2026	-1.22	-5.70	-4.08	-5.27	-3.65	0	-5.27	-3.65	0.48
2027	-0.18	-5.50	-3.84	-5.44	-3.77	0	-5.44	-3.77	0.12
2028	0.85	-4.16	-2.52	-4.46	-2.82	0	-4.46	-2.82	-0.95

Note: For the period 2025–2028, the projected values are presented.
Sources: Fiscal data from the MoF and output gap estimates from the MEDD

The output gap shows pronounced fluctuations over the past decade, reflecting the impact of successive shocks and the corresponding policy responses. Following several years of positive gaps prior to the pandemic, the economy recorded a sharp contraction in 2020 (–6.0% of potential GDP), before rebounding strongly in 2021 (+5.0%). In the subsequent period (2022–2025), the output gap turned moderately negative, in the range of –1% to –2%, reflecting subdued demand, lingering adjustment pressures, and the impact of external shocks. Looking forward, the output gap is projected to gradually close, reaching near balance by 2027 and turning slightly positive in 2028. This points to a gradual normalization of cyclical conditions, although risks remain given the external environment.

The semi-elasticity coefficient, which indicates the change in the budget balance-to-GDP ratio in response to a 1% increase in GDP, is derived from the elasticities of total revenue and total expenditure, themselves calculated as weighted averages of the elasticities of their main components. Table 2 presents the estimated elasticities of four revenue categories – personal income tax, corporate income tax, indirect taxes, and social security contributions – as well as unemployment-related expenditure on the spending side. The elasticity of personal income tax revenues is estimated at 1.29, corporate income tax at 1.38, social security contributions at 1.19, and indirect taxes at 1.10. In line with EU methodology, the elasticity of indirect taxes is set by convention at 1.00. The elasticity of unemployment-related expenditure is estimated at 1.23. Non-tax revenues and other government expenditures are assumed to be non-cyclical.

Table 4.6. Elasticity of individual incomes and categories of expenditure

Income tax	Corporate income tax	Social security contributions	Indirect tax	Non-tax revenue	Unemployment related expenditures	Other expenditures
1.29	1.38	1.19	1	0	1.23	0

Source: Ministry of Finance

These elasticities are then converted into semi-elasticities of total revenue and expenditure, using the respective category shares in total revenue and total expenditure (see Table 3). The semi-elasticity of revenue is estimated at 0.01, while that of expenditure is –0.34, implying an overall budgetary semi-elasticity of 0.35. The estimates are in line with expectations. The near-zero semi-elasticity of revenue reflects the fact that most revenue sources, excluding non-tax items, move broadly in line with GDP and are therefore are procyclical. As a result, the total revenue-to-GDP ratio tends to display limited variation over the cycle. By contrast, the negative semi-elasticity of expenditure captures the largely non-cyclical nature of most spending, implying that the expenditure-to-GDP ratio behaves countercyclically; rising in downturns and falling in expansions. Consequently, the positive overall semi-elasticity coefficient indicates that the budget balance, expressed as a share of GDP, improves in periods of economic growth and deteriorates during recessions. This outcome is consistent with empirical evidence from EU member states, where budgetary semi-elasticities are generally positive, and its magnitude is broadly comparable to estimates for regional peers such as Romania and Bulgaria.

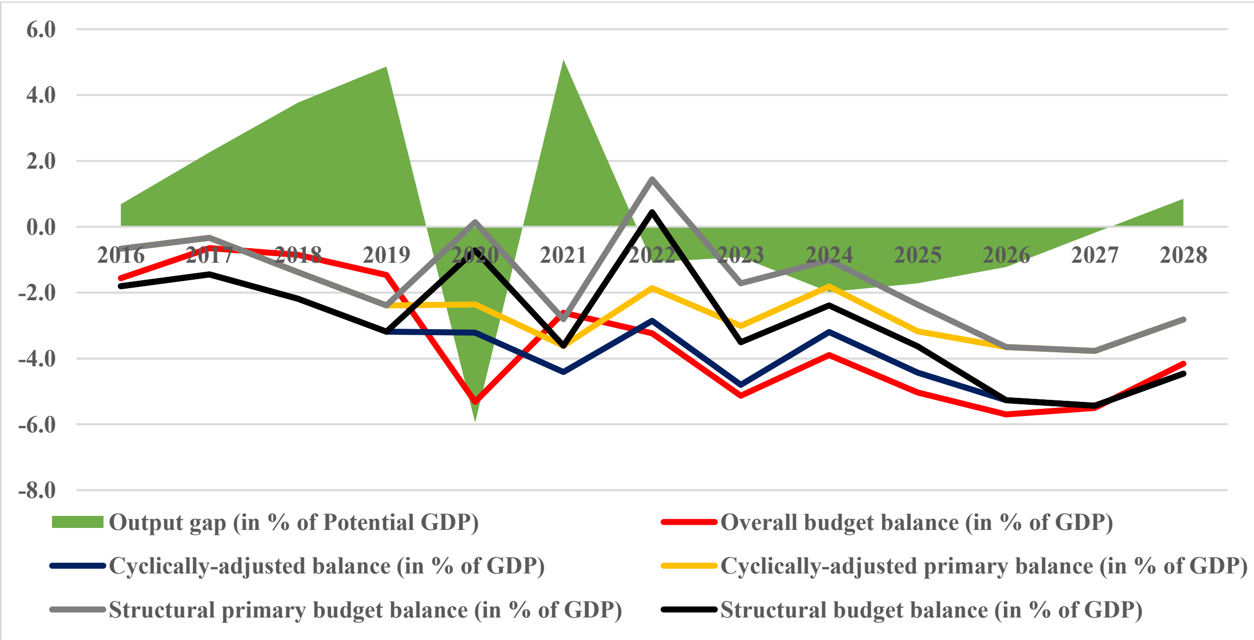
Table 4.7. Shares of revenue and expenditure categories (% of total revenue or expenditure)

Income tax	Corporate income tax	Social security contributions	Indirect tax	Non-tax revenue	Unemployment related expenditures	Other expenditures
7.17	8.90	29.11	47.29	7.53	0.07	99.93

Source: Ministry of Finance

Graph 4.1 below illustrates the evolution of the output gap and the main fiscal indicators over the period 2016–2028. The cyclically adjusted budget balance (CAB), derived by subtracting the estimated cyclical component from the overall budget balance, remains persistently negative throughout the period. The cyclically adjusted primary balance (CAPB), which further excludes interest expenditures, provides an important measure of the underlying fiscal stance. In the years preceding the COVID-19 pandemic, the CAPB recorded moderate deficits, ranging between –0.3% and –2.4% of GDP, indicating an expansionary fiscal stance in an environment of positive output gaps and favourable macroeconomic conditions.

Figure 4.1. Output gap, overall budget balance, cyclically adjusted budget balance and structural budget balance, from 2016 to 2028 (in % of GDP)



Sources: Fiscal data from the MoF and output gap estimates from the MEDD

The year 2020 marked a sharp cyclical reversal, with the output gap falling to –6.0% of potential

GDP as a result of the pandemic-induced downturn. In response, fiscal policy turned countercyclical, with the CAPB at –2.4% of GDP, while the structural budget balance (SBB) stood at –0.7% of GDP, reflecting the impact of one-off COVID-19 crisis-related measures amounting to 2.5% of GDP (see Table 4). The strong rebound in economic activity in 2021 was accompanied by an expansionary fiscal stance (SBB at –3.6% of GDP), consistent with the objective of consolidating the recovery and mitigating lingering effects of the crisis.

Table 4.8. One-off fiscal measures (% of GDP)

One-off fiscal measures	2020	2021	2022	2023	2024	2025
One-off revenue, total (% of GDP)		**0.2**	**0.1**			**1.0**
Budget support grants (Covid-19, energy crisis)		0.2				1.0
Voluntary donations for crisis management (COVID, refugees, energy)			0.1			
One-off expenditure, total (% of GDP)	**2.5**	**1.0**	**3.4**	**1.3**	**0.8**	**1.8**
• Covid-19 measures	2.5	1.0				
• Measures of the refugee crisis			0.2			
• Energy crisis measures			3.2	1.3	0.8	1.8
Impact of the one-off measure (% of GDP)	**-2.5**	**-0.8**	**-3.3**	**-1.3**	**-0.8**	**-0.8**

Source: Ministry of Finance

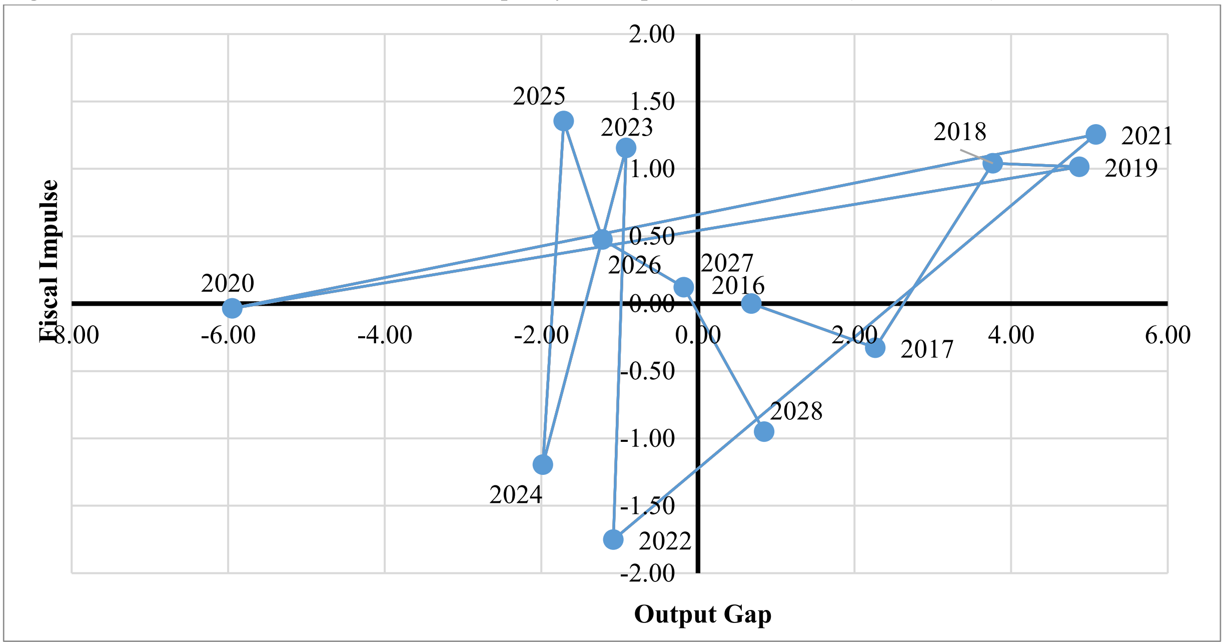
In 2022, fiscal developments were significantly influenced by two major external shocks: the global energy crisis and the economic and social consequences of the war in neighbouring Ukraine. These events had a pronounced impact on macroeconomic conditions and fiscal policy priorities. Extraordinary one-off expenditure measures amounting to 3.4% of GDP were adopted, with 3.2% of GDP dedicated to mitigating the impact of the energy crisis and 0.2% of GDP allocated to measures related to the refugee situation. These targeted and temporary interventions formed a key component of the fiscal response, aimed at cushioning households and businesses from the sharp increase in energy prices while addressing the humanitarian needs arising from the conflict.

During the 2023–2025 period, the economy remained slightly below potential, with negative output gaps. Fiscal policy in this period aimed to balance the objectives of supporting economic activity and pursuing fiscal consolidation. The CAPB ranged between –1.8% and –3.1% of GDP. The one-off energy related expenditures were gradually phased out, while SBB reached -3.6% of GDP in 2025.

Looking ahead, the 2026–2028 period is expected to mark a transition towards more stable macroeconomic conditions and a gradual closure of the output gap. The economy is projected to approach its potential in 2027 and move above it in 2028. Fiscal policy during this period is expected to remain prudent and stability-oriented, with the SBB projected to improve from –5.3% of GDP in 2026 to –4.5% in 2028. This evolution occurs in a context of the complete withdrawal of one-off measures, signalling the commitment to strengthening the structural position of public finances, enhancing resilience to future shocks, and aligning fiscal policy with the EU's fiscal governance framework.

The character and effects of fiscal policy in the period 2016–2028 are presented in Figure 4.2 below, which plots the output gap on the horizontal axis and the fiscal impulse on the vertical axis. The distribution of observations across the four quadrants provides insights into the cyclical orientation and stance of fiscal policy. Observations positioned in the upper-left quadrant reflect expansionary and countercyclical fiscal policy, where fiscal impulse was provided during negative output gap, as seen most prominently in 2023 and 2025. Observations in the upper-right quadrant, such as 2018, 2019, and 2021, indicate expansionary and procyclical policy, where fiscal stimulus coincided with positive output gaps. Points in the lower-left quadrant represent restrictive and procyclical policy, observed in 2022 and 2024, when negative fiscal impulse occurred despite negative output gaps, largely reflecting consolidation needs. Finally, the lower-right quadrant denotes restrictive and countercyclical policy, observed in 2017 when negative fiscal impulse occurred during the positive output gap. For the period 2026–2028, the projected fiscal impulses are expected to shift gradually from positive in 2026 to negative by 2028, reflecting ongoing consolidation efforts alongside the gradual closing of the output gap.

Figure 4.2. The character and effects of fiscal policy in the period 2016–2028 (in % of GDP)



4.6. Debt levels and developments, analysis of below-the-line operations and stock-flow adjustments

In accordance with the provisions of Law No. 419/2006[12] on public sector debt, state guarantees and on-lending, the Government, represented by the Ministry of Finance, is authorized to contract domestic and external state loans, in national currency or foreign currency, to issue state guarantees, to issue government securities on domestic and international markets, to carry out on-lending operations on behalf of the state, and to ensure the servicing of central government debt.

The Ministry of Finance applies a prudent approach in mobilizing financing sources, contracting external loans and issuing government securities only under conditions that ensure acceptable costs and a reduced level of risk. At the same time, the Ministry of Finance is the authority responsible for the development and implementation of the central government's debt management policy.

The process of contracting loans is based on the assessment of financing needs, the impact on central government debt, and compliance with borrowing ceilings and objectives set out in the Medium-Term Public Debt Management Programme, as well as with the medium-term budgetary framework. The Ministry of Finance participates, as appropriate, as a member of negotiation delegations with external creditors, ensuring the assessment of financial terms and associated risks and issuing the necessary opinions within the limits of its statutory competences.

[12] https://www.legis.md/cautare/getResults?doc_id=139640&lang=ro

The National Bank of Moldova acts as the state's agent, ensuring the organization of the placement of government securities on the domestic market.

Local government authorities are responsible for managing the debt contracted in their own name and the guarantees they issued. In this regard, Law No. 397/2003 on local public finances establishes limits on the contracting of long-term loans by local authorities and/or on the issuing of guarantees for loans to municipal enterprises and companies with wholly or majority municipal ownership, provided that annual debt service payments do not exceed 20% of local yearly budget revenues, excluding special purpose transfers. For the municipalities of Chisinau and Balti, this ceiling is set at 30%.

In this context, the Ministry of Finance assesses the capacity of local public authorities to service their debt, issues mandatory opinions in the process of contracting long-term loans and issuing guarantees, and continuously monitors the level and structure of local government debt.

Annual ceilings for central government debt and state guarantees are established through the State Budget Law adopted for the respective fiscal year. The Medium-Term Public Debt Management Programme sets minimum and/or maximum thresholds for key risk and sustainability parameters, as well as for the structure of the debt portfolio by maturity, currency and instrument type. Compliance with these thresholds contributes to maintaining debt sustainability and limiting fiscal risks.

The Ministry of Finance ensures transparency by publishing monthly statistical bulletins on central government debt and risk parameters, as well as quarterly and annual reports on the situation of public sector debt, state guarantees and on-lending, which include information on local government debt, public sector enterprises, state guarantees and on-lent loans.

As of 30 September 2025, the stock of general government debt amounted to 129,211.7 million MDL at nominal value, of which:

- 80,346.1 million MDL (equivalent to 4,801.9 million USD) represented external debt (62.2% of the total);
- 48,865.6 million MDL represented domestic debt (37.8% of the total).

Compared to end-2024, the stock of general government debt increased by 5,745.4 million MDL (+4.7%), reflecting positive net financing, driven by external disbursements and increased issuance of government securities on the domestic market. The increase in net external financing was mainly influenced by the disbursement of the EU loan tranche under the Growth Plan for the Republic of Moldova.

Based on the GDP forecast for 2025, the general government debt-to-GDP ratio is estimated at 36.8%, down by 1.4 pp compared to end-2024, of which:

- domestic debt accounts for 13.9% of GDP;
- external debt accounts for 22.9% of GDP.

In the context of budget financing needs over the 2026–2028 period, general government debt is projected to increase by 20.6% in 2026 and 9.8% in 2028, with the nominal stock reaching 157,810.5 million MDL in 2026 and 202,311.7 million MDL in 2028. The debt-to-GDP ratio is expected to remain at a sustainable level, namely 41.8% in 2026 and 46.0% in 2028, remaining well below the 60% Maastricht reference value.

As of 30 September 2025, the stock of central government debt amounted to 127,275.1 million MDL, corresponding to 36.2% of GDP. Central government debt represents 98.5% of total general government debt, so the impact of local authorities on total government debt is relatively small.

Taking into account the risks associated with the central government debt portfolio—namely exchange rate risk, refinancing risk and interest rate risk—the Ministry of Finance continuously monitors key risk indicators. For 2025, the main risk thresholds include: a minimum share of 35% for domestic debt in total central government debt, and a maximum share of 50% for debt denominated in a single foreign currency, in order to limit exposure to exchange rate fluctuations. Refinancing risk is managed by maintaining the share of debt maturing within one year below 35%, while the average time to maturity of central government debt is targeted at a minimum of 6 years. As of 30 September 2025, all these indicators remained within the limits set out in the Programme.

In accordance with the provisions of Law No. 419/2006, the Ministry of Finance prepares annually the Medium-Term Public Debt Management Programme (MTDS). The Programme for the 2026–2028 period has been approved in December 2025 by the Government decision nr. 838/2025. The Programme sets out the fundamental objective of central government debt management, specific objectives and actions aimed at ensuring budget deficit financing and improving the structure of the central government debt portfolio, without generating pressures on fiscal sustainability.

Within the Programme, a quantitative analysis of four alternative financing strategies has been conducted, based on different scenarios regarding developments in domestic and international financial markets. In order to limit exposure of the debt portfolio to exchange rate, interest rate and refinancing risks, the Programme establishes minimum and/or maximum thresholds for key risk and sustainability indicators. These thresholds are determined based on the structure of the debt portfolio, financing conditions and the coverage of future financing needs for 2026, and are essential for maintaining debt at a sustainable level.

Table 4.9. Central Government Debt Risk Indicators for 2026

Risk parameters	Targets for 2026
Exchange rate risk	
Share of domestic debt in total central government debt, % of total	min. 35
Share of debt denominated in a single foreign currency, % of total	max. 50
Refinancing risk	
Share of debt maturing within one year, % of total	max. 35
Average Time to Maturity (ATM)[13], years	min. 6
Government securities outstanding maturing within one year, % of total	max. 90
Interest rate risk	
Share of variable-rate debt, % of total[14]	max. 60
Sustainability indicators	
Central government debt servicing to state budget revenues (excluding grants), %	max. 10
Central government debt-to-GDP ratio, %	max. 45

[13] The Special Drawing Rights (SDR) allocation is not included, as it does not entail repayment of principal and will not be refinanced.
[14] Domestic central government debt with a maturity of up to one year and bearing a fixed interest rate is classified under variable interest rate debt, reflecting its short-term refinancing and interest rate reset characteristics.

An essential element of debt sustainability is maintaining central government debt servicing below 10% of state budget revenues (excluding grants), without exerting pressure on public finances. By end-2025, interest expenditure related to the central government debt portfolio is estimated at 6.0% of total state budget revenues (excluding grants), increasing to 8.0% over the 2026–2028 period, reflecting prudent debt management.

Taking into account overlapping crises and recent geopolitical developments that may affect national and global economic stability, shock scenarios were simulated during the preparation of the Programme, focusing on market variables with a significant impact on the debt portfolio and its servicing costs. The results show that:

- a 30% depreciation of the national currency against foreign currencies would increase the central government debt-to-GDP ratio to 54.2% in 2028 (+6.8 pp compared to the baseline scenario);
- under a combined scenario (exchange rate depreciation and moderate interest rate increases), the debt-to-GDP ratio could reach 52.3% (+4.9 pp compared to the baseline).

Continuous monitoring of risks associated with the debt portfolio, including exchange rate, refinancing and interest rate risks, ensures that their dynamics remain within acceptable medium-term limits, without affecting macroeconomic sustainability. Progress in implementing the measures set out in the Medium-Term Public Debt Management Programme is reflected in the quarterly and annual reports on public sector debt, state guarantees and on-lending, which are submitted to the Government and Parliament and published on the official website of the Ministry of Finance at: https://mf.gov.md/en/debt-sector-public/reports/debt.

Contingent liabilities

In accordance with Law No. 419/2006, state guarantees (both domestic and external) are issued in exceptional cases, in particular for: (i) guaranteeing loans intended for projects of major importance for the national economy; (ii) early refinancing of loans previously guaranteed by the state, provided that the new loans carry a lower financial cost; (iii) the exercise of competences laid down in the Law on bank recovery and resolution; and (iv) guaranteeing loans granted to individuals under the state programme “First House”.

As at the end of October 2025, the stock of domestic state guarantees related to the “First House” programme amounted to approximately 4.2 billion MDL. Launched in 2018, the programme aims to facilitate access to housing for individuals through the provision of partial state guarantees for mortgage loans. The guarantees issued under this programme are administered by the ODA, an institution subordinated to the MEDD, under the supervision of the Ministry of Finance.

By 31 December 2025, the stock of domestic state guarantees is estimated to reach 4.9 billion MDL, and it could increase to 5.5 billion MDL in 2026.

With regard to external state guarantees, as at 31 October 2025, their stock amounted to 730.7 million MDL (equivalent to 37.0 million EUR). For 2025, the stock of external state guarantees is estimated not to exceed 7.8 billion MDL, while for 2026, it is projected at 3.4 billion MDL.

As at 31 October 2025, no state guarantees had been activated. At the same time, an amount of 0.4 million MDL was reimbursed to the state budget for state guarantees called in previous years.

Portfolio of on-lent loans

As at 30 September 2025, the outstanding stock of on-lent loans amounted to 8,413.7 million MDL, including:

- local public authorities –374.6 million MDL;
- non-financial institutions –3,035.9 million MDL;
- financial institutions –5,003.2 million MDL.

Compared to 31 December 2024, the stock of on-lent debt decreased by 4,091.4 million MDL (a reduction of 32.7%), reflecting lower demand for on-lending and/or repayments made during the period.

As at 30 September 2025, overdue debt of on-lent loan beneficiaries amounted to 223.1 million MDL (representing 2.65% of total on-lent debt), including:

- local public authorities –12.9 million MDL;
- non-financial institutions –197.5 million MDL;
- financial institutions –3.2 million MDL.

Compared to 31 December 2024, overdue debt increased by 9.5%, mainly due to repayment difficulties faced by certain on-lent loan beneficiaries.

Currently, the Public Property Agency monitors the performance of 45 public-private partnership and concession contracts, including 15 contracts at central level (5 active contracts, 5 completed contracts, 1 failed contract, 1 contract under resolution, 3 terminated contracts) and 30 contracts at local level (11 active contracts, 2 failed contract, 3 suspended contracts, 2 contracts under resolution, 12 terminated contracts).

The total planned investments under PPP contracts amount to 352.9 million EUR at the central level and 11.0 million EUR at the local level.

4.7. Sensitivity analysis and comparison with the previous programme

Sensitivity of the budgetary projections to alternative scenarios and risks

In the context of the pessimistic macroeconomic scenario, presented in Chapter 3.3, characterized by a low degree of absorption of external funds and implementation of investment projects at the level of about 30% compared to those planned in the Growth Plan, the economy of the Republic of Moldova will have a slower evolution in the medium term.

As a result, the economic recovery will register modest growth, under the conditions of the limited economic potential and the reduced capacity to realize investments.

In this situation, fiscal policy will need to be prudent and flexible, prioritising efficient public investment, streamlining revenue collection and protecting essential social expenditure. Controlling the budget deficit and public debt, as well as flexibility in the face of economic shocks, will represent strategic directions for strengthening macroeconomic stability and supporting the economic recovery in the period under review.

Budget revenues will evolve more slowly, influenced by the low pace of economic growth and the level of implementation of investment projects. Taxes and levies will increase at a moderate pace, external funds will remain below the planned level, and resources available for public investment and infrastructure projects will be used in a longer time perspective. In such circumstances, over the medium term, budget revenues will register negative deviations from the baseline scenario in the range of 0.3 - 1.5 pp, corresponding to the nominal GDP rate of decline. Strengthening revenue collection and streamlining tax administration will be key to maintaining fiscal stability and supporting the economic recovery.

At the same time, in case of materialization of the pessimistic macroeconomic scenario, which implies a level of implementation of investment projects of about 30% of the planned volume, capital expenditures would decrease significantly. In this context, total expenditure would decrease over the medium term in the range of 0.4 - 0.7 pp. of GDP from the levels projected in the baseline scenario. Public expenditures will be targeted to maintain social stability and stimulate economic recovery without amplifying fiscal imbalances. Capital expenditure will be prioritized for projects with a direct impact on productivity and critical infrastructure, while current expenditure, including wages and social benefits, will be maintained to protect the purchasing power of the population.

Compared with the baseline scenario, the budget deficit is projected to narrow by around 0.4–0.7 pp. of GDP over the medium term, to remain at a relatively high level. The financing needs of the budget deficit will be realized from internal and external sources, and external sources will be directed mainly to support investment projects.

The baseline scenario is exposed to a set of risks that may negatively influence macroeconomic and fiscal developments, depending on the likelihood of materialization and the magnitude of their impact. In order to ensure prudent planning, these risks were taken into account when developing the macro-fiscal framework. Risks continue to be significantly high, in particular those stemming from the external environment, with economic, political and social impact. The main risks associated with the macro-fiscal scenario for 2026 are set out in more detail in the Note on budgetary-fiscal risks and are available on the website of the Ministry of Finance at https://mf.gov.md/ro/budget/public-budget-na%C8%9Bional/state-budget.

Comparison with previous programme

Compared to the Economic Reform Programme 2025-2027, the budgetary indicators for 2026-2028 will increase significantly as a result of the inclusion of measures and actions foreseen in the Growth Plan.

Compared to the previous programme, NPB's revenues will increase by about 1.8 pp for 2026-2027 and will amount to 35.4% and 35.3% of GDP respectively. This growth will be supported both by the moderate evolution of the economy and by measures aimed at streamlining tax collection and strengthening the tax administration. This development will create the necessary financial framework to support public investment as well as to implement the strategic measures included in the Growth Plan.

Compared to previous indicators, expenditures will constitute to 41.1% of GDP in 2026 and 40.8% of GDP in 2027, increasing by 4.0 pp. and 4.1 pp. respectively. This increase in NPB's expenditures will be specially targeted on investment and infrastructure development, as reflected in the Growth Plan. Public investment will be oriented at projects with significant economic impact, prioritizing sectors that increase the productivity and competitiveness of the economy. These include modernizing transport and energy infrastructure, developing public utility networks and supporting digital and innovation projects in strategic sectors.

As a result of the increase in these expenditures, the budget deficit will increase by 2.2 pp and 2.3 pp for 2026-2027 respectively, reflecting the investments and development priorities included in the Growth Plan. As a share of GDP, it will amount to 5.7% and 5.5% in the years 2026-2027. The main source for covering this deficit will be the loan granted by the European Union for economic growth, which will allow financing of priority investment projects.

Table 4.10. Comparison of the key indicators of the National Public Budget for the 2026-2028 with the previous programme, as a % of GDP

	2024	2025	2026	2027	2028
Economic Reform Programme 2025-2027					
Revenue of NPB	34,3	34,2	33,6	33,5	-
Expenditures of NPB	38,7	38,3	37,1	36,7	-
Deficit NPB	-4,4	-4,1	-3,5	-3,2	-
Economic Reform Programme 2026-2028					
Revenue of NPB	34.1	35.4	35.4	35.3	35.3
Expenditures of NPB	38.0	40.4	41.1	40.8	39.5
Deficit NPB	-3.9	-5.0	-5.7	-5.5	-4.2
Difference between programmes					
Revenue of NPB	-0.2	1.2	1.8	1.8	-
Expenditures of NPB	-0.7	2.1	4.0	4.1	-
Deficit NPB	0.5	-0.9	-2.2	-2.3	-

4.8. Quality of public finances

Review of tax expenses

Since 2022, a systematic assessment of fiscal facilities has been initiated, requiring annual reports on the estimated budget revenue lost due to preferential treatment.

A periodic inventory of tax and customs facilities, along with an estimation of the revenue lost due to these facilities, enables the monitoring of their implementation and the ex-post evaluation of their profitability. This process creates opportunities to identify options for future revenue growth. Alternatively, this inventory aims to promote future initiatives aimed at broadening the tax base, including adjustments to the revision or reduction of tax rates. The cost-benefit analysis serves as a practical method for evaluating tax and customs facilities in the context of fiscal and customs policy adjustments. Its purpose is to improve public policy development and, consequently, improve the overall budgetary process, as it is an essential component of the Medium-Term Budget Framework (MTBF) and the preparation of budgetary documentation. The annual assessment report on tax and customs facilities is published on the Ministry of Finance's website.

The first tax benefit assessment report, developed in 2022, focused on estimating corporate tax costs for individuals and businesses, as well as VAT expenses.

The report on tax incentives performed in 2023 was based on the estimated costs of excise duties, real estate tax, mineral resource extraction tax, road use tax, and import duties.

The report published in 2023 includes information on all estimates made over the past two years and is available for consultation at: https://mf.gov.md/en/content/reports-2.

The report on tax breaks with the estimation of tax breaks for 2023-2025 is currently at the drafting stage, its finalizations is due by the end of the first quarter of 2026 and will be accessible on the website of the Ministry of Finance.

Spending review

Improving the efficiency of budgetary spending remains a medium-term challenge for the government. The rationalization of expenditures aims to create available financial resources to address emerging priorities or fiscal pressures by redirecting low-priority, inefficient, or ineffective spending, based on effective analysis.

In order to implement well-targeted and sustainable savings measures, as well as increased quality expenditures, it is essential to continue the process of spending review exercise and institutionalizing this approach.

The public finance management development strategy for 2023-2030, approved in 2023, aims to institutionalize the process on a large scale. Within 5 to 7 years, each sector managed by the ministries will experience a process of streamlining budgetary expenditures.

Thus, the third expenditure spending review exercise focused on the health sector, (specifically the expenses covered by the mandatory health insurance fund including expenses concerning pre-hospital emergency medical care, primary care, specialized outpatient care, and community and home medical care). The exercise was conducted from 2022 to 2023, and the report is scheduled for completion in 2024.The identified measures include: (i) optimizing expenditures within the National Centre for Preschool Emergency Medical Assistance; (ii) revising the contracting and funding methods for primary health care; (iii) modifying the contracting and payment processes for uninsured individuals in primary health care; (iv) increasing access to medical services for insured individuals in specialized outpatient care by adjusting the contracting methods; (v) adapting the contracting and financing of youth-friendly health canters and community mental health centres based on their performance and outcomes; and (vi) enhancing public access to home healthcare services.

Although the report was not approved by the Interministerial Committee, some of the measures identified were implemented by the Ministry of Health. Thus, to optimise the expenditures of the National Centre for Emergency Medical Assistance during the years 2022-2023, structural changes were implemented. The reorganisation was based on a review of the staff numbers, including their redistribution. As well, to implement a more efficient financing mechanism that takes into account the frequency of visits and resource consumption, the age categories and tariffs used in contracting primary health care services were changed based on the „per capita" method was adjusted to reflect age-related risk, expanding the age categories from 3 categories (0-5 years, 5-50 years, and 50 years and over) to 5 categories (0-2 years, 2-5 years, 5-8 years, 8-50 years, and 50 years and above).

From March 2024 to December 2024, the fourth spending review exercise was carried out, focusing on the social protection sector, with the following area of analysis: the revenues of the State Social Insurance budget (SSIB), in particular on the aspects of tariff facilitations and exemptions to the payment of state social contributions existing at the moment and on certain expenses (benefits) paid from (through) it, such as protection in case of temporary incapacity for work, protection of the family and child, social protection in exceptional cases and social protection of certain categories of citizens.

The purpose of this exercise was to identify some inefficiencies in the social insurance (protection) system, so that the remedial measures would contribute to reducing the SSIB deficit, including by decreasing transfers from the state budget, in order to cover the said deficit.

The report on spending review in the social protection sector has been prepared and contains related streamlining measures: revision of the tariff facilities for contributions to state social security contributions, as well as the list of types of rights and income for which contributions to state social security contributions are not calculated (i) allowances for sick leaves (ii), social protection of the family and child (iii), financial support in the cold period of the year (iv), and balneosanatorial treatment tickets (v).

The proposals for efficiency measures in the Report on the spending review in the social protection sector will contribute to reducing the SSIB deficit and transfers from the state budget.

The spending review process in the social protection sector was initiated prior to the preparation of this report, within the RESTART reform, through a structured approach aimed at improving the efficiency of public resource use and directing resources to people with genuine needs.

A central element of the reform was the review of the Social Assistance (Ajutorul Social) granting mechanism, which led to better targeting of beneficiaries and a reduction in unjustified spending. As a result, the average monthly number of beneficiary households decreased from around 45,000 in 2023 to about 16,000 in 2025, leading to lower annual expenditure without affecting the protection of vulnerable groups.

Concomitantly, measures to combat undeclared work and to formalise employment relationships were strengthened, with a direct impact on the sustainability of the social protection system. In 2025, around 8,000 persons in situations of undeclared work were identified, with a formalisation rate of approximately 90%, compared to only 80 cases identified in 2021.

At the same time, the National Employment Agency strengthened its active role in labour market integration, with the number of people placed in employment increasing from around 8,000 in 2021 to about 20,000 in 2025, thereby contributing to reduced reliance on social benefits and to an expanded contributor base.

In the context of implementing expert recommendations, in 2025 amendments were made to Government decisions regulating the payment of social benefits in order to: (i) ensure effective monitoring of the flow of funds needed for benefit payments; (ii) enable the efficient reallocation of funds to active or new beneficiaries facing immediate needs; and (iii) introduce a three-month period for uncollected payments, with the possibility to resume such payments upon request.

As a result of these measures, the deficit of the social insurance system budget decreased significantly. While in 2023 the deficit amounted to 5,417.9 million MDL, the consistent implementation of spending review policies reduced the deficit to 4,195.1 million MDL in 2025, and a deficit of 3,592.8 million MDL is planned for 2026, reflecting a clear trend towards fiscal consolidation and improved system sustainability.

Furthermore, starting from 1 January 2026, the Ministry of Labour and Social Protection carries out transfers to the State Social Insurance Budget, a measure also envisaged in the Reform Agenda, aimed at increasing budget transparency by reducing the “General Actions” section of the state budget to below 32% of total budget expenditures.

At the same time, in December 2025 amendments to the Law No 181/2014 have been approved, as regards the institutionalization of the budgetary expenditure review process, supplementing the law with a new article and introducing the notion of budgetary expenditure review. According to the new provisions, the central public administration authorities, together with the Ministry of Finance, will carry out at least every 7 years activities to review the budget expenditures in each sector. The Government will ensure the continuous and systematic implementation of the budget expenditure review activities through the annual approval, at the proposal of the Ministry of Finance, of the topics and the expenditure review framework, will approve and publish the results of the expenditure review, including the expenditure efficiency measures, and will determine the responsible authorities and the terms of implementation of the expenditure efficiency measures.

Consistently, in the context of the review of budgetary expenditures, the Ministry of Finance will annually submit to the Government, before the next process of developing the medium-term budgetary framework, the proposals for measures to streamline expenditures, resulting from the review of expenditures, will include the measures to streamline expenditures, approved by the Government, in the budgetary-fiscal policy related to the next process of developing the medium-term budgetary framework, and will also publish the annual reports of the central public administration authorities on the implementation of measures to streamline expenditures.

In 2025, the process of developing the methodology for reviewing budget expenditures was initiated, with a view to methodologically regulating the process, establishing the organizational and analytical framework, the stages of achievement, deadlines and responsibilities.

4.9. Fiscal governance and budgetary frameworks

Fiscal rules

Fiscal policy rules are set out in Law No. 181/2014 on public finance and fiscal responsibility. According to these rules, fiscal policy should be designed in line with other convergent policies and should ensure an annual deficit of the national public budget, excluding grants, which is not exceeding 2.5% of GDP. Derogation from the fiscal rule is allowed only if there is real financing from external sources for capital investment projects and there is the capacity to implement these projects.

There are several escape clauses, which allow for exceptions from the general rule, admitted for at most three years in the case of:

a) natural disasters and other exceptional situations that endanger national security;

b) decline in economic activity and/or if the level of inflation exceeds the forecasted/planned level by 10 pp;

c) occurrence of the need to cover the debit balance of the general reserve fund of the National Bank of Moldova as well as in case of systemic financial crisis. for the capitalization of banks and for guaranteeing emergency loans granted to the banks by the National Bank of Moldova.

In the period of exceptions. the Government must report every six months to the Parliament on the trends of the macro-budgetary indicators, the undertaken and planned measures to comply with the rules of fiscal policy.

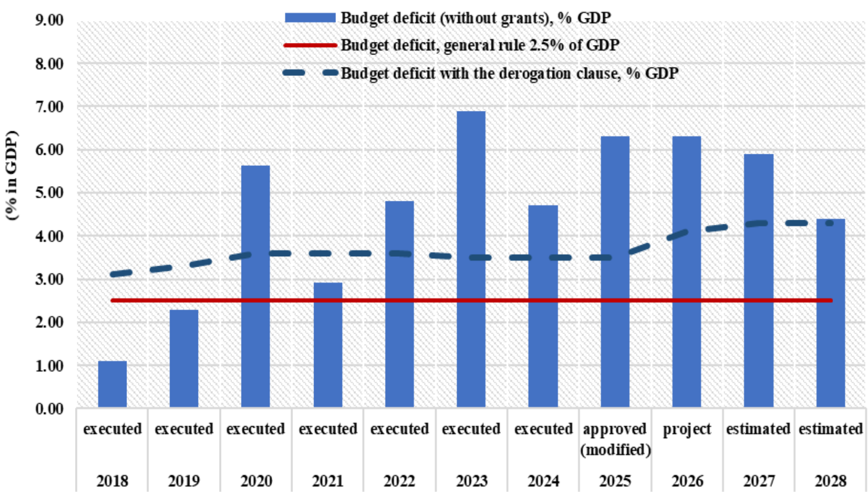
According to the budget balance rules, the level of the budget balance should be set by annual budget laws, which indicate the sources of budget deficit financing or how the budget surplus is directed. Any change in the budget balance is allowed only by amending the budget law.

Finally, according to the financial impact rules. draft legal acts which have a financial impact on the budget must be subject to financial expertise. according to the law governing the preparation of legal acts. At the same time, during the budget year. decisions leading to a decrease of revenues and/or to increase of public expenditure cannot be approved if their financial impact is not foreseen in the budget. Also, it is not allowed to set specific amounts or shares of the budget or of the gross domestic product for certain areas, sectors or programmes by other legal acts than the annual budgetary law.

The rules of fiscal policy are provided in Law No. 181/2014 on public finances and fiscal responsibility and have been implemented since 2018. However, the rules were not respected due to the crises that our country has recently encountered.

The evolution of the budget deficit in 2018-2028 is shown in Figure 4.3.

Figure 4.3. Evolution of the budget deficit in 2018-2028



In 2018 and 2019, the budget deficit was less than 2.5%. In 2020 and 2021, the budgetary-fiscal rule was not respected due to the economic decline caused by the COVID-19 pandemic. In 2022, the armed conflict in Ukraine triggered a series of crises, (including an energy crisis, an economic crisis, and a refugee crisis), which led to an increase in the budget deficit (excluding grants) to 4.8% of GDP in 2022, 6.9% of GDP in 2023 and 4.7% of GDP - in 2024.

Although for the years 2025-2028 the budgetary-fiscal rule established in Article 15(1) of the mentioned law, which limits the deficit of NPB (without grants) to 2.5% of GDP is not respected, the overshoot is determined by the inclusion of the measures defined in the Reform Agenda related to the Economic Growth Plan of the Republic of Moldova for the years 2025-2027.

Since the measures related to the Growth Plan do not fall within the escape clauses allowing exceptions to the general rule set out in Article 15(1), compliance with the fiscal rule while implementing the measures of the Growth Plan would imply either a substantial reduction in public expenditure or the adoption of significant fiscal policy measures on the revenue side, which in the short term is difficult to achieve, as it would have negative effects on economic activity.

Independent fiscal institutions

Currently, there are no independent fiscal institutions (IFIs) established in the Republic of Moldova.

The EU fiscal governance framework expanded the role and formalized the tasks of independent national fiscal institutions in an attempt to promote budgetary discipline and increase national ownership of EU fiscal rules.

The establishment of an Independent Fiscal Institution (IFI) in the Republic of Moldova is necessary to ensure credible public financial management frameworks, increase confidence in fiscal governance, and preserve sufficient fiscal space for crisis responses. Recent experiences have shown that the resilience of public finances is essential to sustain unexpected spending, and an IFI can help implement fiscal reforms, promote sustainability, and strengthen the fiscal culture among the public.

The main features of an IFI in the Republic of Moldova should include institutional independence, public visibility, a mandate to monitor numerical rules, and the assessment of macro-fiscal forecasts. It would thus provide independent analyses of budget policies, increase government transparency and accountability, and contribute to a more informed public debate.

Also, during 2025, the Ministry of Finance of the Netherlands provided technical assistance, following which an analysis was carried out for the purpose of assessing capacities and cost implications for the establishment of a Fiscal Council in the Republic of Moldova. The report on the establishment of an independent fiscal institution in the Republic of Moldova can be found on the website of the Ministry of Finance: https://www.mf.gov.md/ro/buget/transparen%C8%9Ba-bugetar%C4%83/guvernan%C8%9Ba-bugetar-fiscal%C4%83.

Thus, according to the analysis, at the initial stage, it is recommended to set up IFI with a clear and narrow mandate, focused on assessing the macroeconomic projections used to substantiate the revenue forecast of the consolidated budget, analysing the budget execution, and verifying its consistency with the short- and medium-term fiscal policy targets. In addition, IFIs could extend the analysis to other areas relevant for fiscal sustainability, depending on the needs of the budgetary authorities.

In order to carry out its mandate effectively, the Fiscal Council must be endowed with adequate financial resources and enjoy a high degree of autonomy. Financial independence entails owning budgetary allocations, available without restrictions, thus ensuring IFI's ability to provide impartial analysis and support decision-making based on the principles of fiscal prudence and sustainability.

At the same time, the Republic of Moldova committed in the National Action Plan for the Accession of the Republic of Moldova to the European Union for the years 2025-2029 that by the end of 2026, (Chapter 17, Annex A, Action 1), a draft law to amend the current legislation would be drafted and adopted, which would include the general provisions on the establishment of a Fiscal Council. The legal basis for these measures would be created during the alignment of the national budgetary framework with the EU acquis, in particular Directive 2011/85, by introducing provisions to this effect in Law No. 181/2014. The measure on the development and approval of the secondary regulatory framework necessary for the establishment of an IFI, as well as the strengthening of institutional capacities to ensure its efficient and sustainable functioning, is also foreseen by the end of 2027.

Medium-term Budgetary Framework (MTBF)

The Law No 181/2014 on public finance and fiscal responsibility stipulates that the Government, in accordance with the budgetary calendar, annually approves the MTBF for the next 3 years and presents it to the Parliament for information.

The MTBF is an instrument that ensures the coherence of the allocation of public financial resources with policy priorities on a medium-term basis. The medium-term sector policy priorities derive from the National Development Strategy, the Government Activity Programme. and the Association Agreement between the Republic of Moldova and the European Union. They are also based on sectoral strategic documents, which provide the public entities with the needed flexibility necessary to determine the most appropriate structure and possible levels of funding to achieve these objectives.

The MTBF development process ensures that the overall framework of resources available to finance public expenditure is top-down estimated, in combination with a bottom-up estimation of the undertaken/planned policies' costs.

The medium-term budgetary framework contains the fiscal-budgetary policy objectives, the forecasts for the national public budget, and, resources and expenditure and components thereof in the medium-term and aggregated limits of state budget expenditure for line ministries/autonomous entities. The MTBF forecasts are updated annually, maintaining a rolling three-year outlook in budget planning. The first year of the MTBF is the next budget year, for which the draft budget is being prepared. At the same time, the medium-term budget reflects the results of the last two budget years and the estimated results for the current budget year. The last MTBF was approved by Government Decision no. 561/2024[15] on the approval of the medium-term budgetary framework (2025-2027) and can be accessed on the website of the Ministry of Finance at: https://mf.gov.md/ro/buget/cadrul-bugetar-pe-termen-mediu.

As regards the MTBF 2026-2028, the medium-term policy document was prepared and passed all stages of promotion and consultation with all stakeholders, but was not approved for objective reasons reflecting the specificities of the national policy cycle. However, the public expenditure priorities, included in the MTBF 2026-2028 and the estimates of sectoral resources have guided the public authorities in preparing the budgetary proposals for 2026.

Public investment management

Increasing public investment is one of the central pillars of the strategy to accelerate growth, strengthen economic resilience and reduce structural disparities. In this respect, the Growth Plan sets out a set of measures aimed at modernizing public infrastructure, improving connectivity, increasing the competitiveness of the economy and strengthening the institutional capacity of public authorities in the field of planning and implementing capital investments.

Thus, the reform in the field of public investments provides for the improvement of their governance framework, including by strengthening the mechanisms for selection, prioritization, inter-institutional coordination and monitoring of investment projects. The reform provides for the alignment of the public capital investment management process with international best practices, with a focus on ex-ante project evaluation, cost-benefit analysis, transparency of decision-making and efficient use of budgetary and extra-budgetary resources.

In order to operationalize these objectives and ensure the consistent implementation of the investment measures set out in the Growth Plan, the national regulatory framework for the management of public capital investment projects has been revised and updated, with a view to strengthening the institutional and procedural mechanisms necessary for their consistent application, namely:

- the establishment in 8 ministries of the subdivision responsible for the management of public capital investment projects in the fields of activity of the ministry, and in other 6 ministries at least one public official with the role of sectoral coordinator, responsible for the management

[15] https://www.legis.md/cautare/getResults?doc_id=144721&lang=ro

of public capital investment projects in the fields of activity of the ministry, will be appointed;

- operating the changes in the regulatory framework that would correlate the strategic planning procedures with the process of selecting new public capital investment projects;
- examination, evaluation and selection of proposals for large projects, the cost of which exceeds 200 million MDL or 10 million EUR, submitted for financing from the state budget through development funds, in accordance with the procedure established for new public capital investment projects;
- placing and regularly adjusting in the Information System "Government Development Project Management Platform" (project.gov.md) information on the implementation process of public capital investment projects.

Fiscal risks statement

Starting with 2018 a Fiscal risk statement (FRS) as part of the budget documentation is drawn up. The statement includes a detailed analysis and comments on all explicit and implicit fiscal risks.

The FRS associated with state-owned enterprises and JSC with full or majority state capital is included in the Ministry of Finance's FRS.

With the approval of the "Strategy on the management of state property in the field of state-owned enterprises and commercial companies with wholly or majority state capital for the years 2023-2030" the Republic of Moldova now has a strategic planning document dedicated to the management and privatization of public property that integrates the OECD principles of good governance of state-owned companies. Through this strategy, the Government answers three fundamental questions:

i. How does the state justify its presence in the economy and how does it plan to rationalise it?

ii. What measures will be taken to strengthen the state's capacity to manage public property?

iii. How will the governance and transparency of state-owned enterprise management be improved?

In accordance with the provisions of the Strategy, in 2023 the Government approved the mechanism for sorting state-owned enterprises and commercial companies with state capital.

The screening of state-owned enterprises was carried out in 2024 by the Public Property Agency in accordance with the Mechanism for the Screening of State-Owned Enterprises and Commercial Companies with State Capital, approved by Government Decision nr.819/2023. As a result, the enterprises were classified into five categories as follows:

Category	**Description**	**Number of companies**
1	Enterprises that are not eligible for privatization	66
2	Enterprises recommended for reorganization into another legal form of organization	55
3	Enterprises considered eligible for privatization after reorganization/restructuring	10
4	Enterprises recommended for immediate privatization	10
5	Enterprises recommended for liquidation	97
	Total	**238**

Since 2025, we aim to enhance our approach to preparing analytical notes on the results of financial monitoring related to the economic and financial activities of state-owned enterprises including companies with full or majority state ownership. Additionally, we will assess the risks associated with these enterprises and incorporate stress testing and other relevant indicators.

Thus, in 2025, the Ministry of Finance, together with representatives of the Fiscal Relations Department of the International Monetary Fund (IMF), organized a series of meetings with the authorities responsible for the administration and privatization of public property, as well as with representatives of the largest state capital state-owned entities in the country. These meetings took place as part of an IMF technical assistance mission aimed at introducing regular stress testing exercises for state-owned enterprises/joint stock companies with majority state capital.

The fiscal risk analysis framework also reviewed key components, identified data sources and provided practical training to assess fiscal risks, with recommendations to improve data collection for stress tests and fiscal risk analysis.

Practical training was also provided on the stress testing model, which was implemented for 5 public interest entities with state or fully state capital that can be found in the FRS, associated with state-owned enterprises and companies with full or majority state capital.

The last Fiscal risk statement is available on the Ministry of Finance website at https://mf.gov.md/en/budget/public-budget-na%C8%9Bional/state-budget.

4.10. Sustainability of public finances

Demographic aging presents significant challenges to Moldova's demographic balance. Emigration of young people exacerbates this trend, leading to a larger elderly population reliant on social and medical assistance, while the number of young taxpayers decreases.

According to demographic forecast, share of population with aged 65 and over will increase from 17.7% in 2024 to 25.8% by 2040.

This increase in demographic aging indicates an urgent need to adapt public policies and infrastructure to meet the demands of an aging population, policies that meet the needs of the population in the aging process. However, as life expectancy increases, the prospective age limit (the number of years one is expected to live) may increase, which will contribute to improving health, thus avoiding pressure on social and pension systems.

At the same time, in this demographic context, certain categories of the population could remain active in the workforce longer than their chronological age would indicate.

In addition, it is worth noting that, in the case of reducing migration among the young population, long-term beneficial effects will be created on the population structure and, implicitly, on the mitigation of natural decline. Maintaining a large number of young people in the country will significantly contribute to reducing the rate of population aging, as well as to reducing the pace of population decline caused by negative natural growth.

Certainly, the components and dimensions of the population decline of the Republic of Moldova at the moment reveal the complexity of the demographic challenges facing the country, caused by various factors, direct and indirect.

The consequences of this dynamic are evident not only in the reduction of available funds to support the elderly population but also in the necessity to implement complex public policies that address the challenges of demographic aging and external migration.

Over the years, there has been a transition of the population towards the older age categories. The numerous generations that in 2024 were 60-70 years old will reach older ages, thus, the share of people aged 75-79 years and 80+ of the total elderly population (65+) will increase significantly. If in 2024 the percentage of people aged 80+ was 13.3%, in 2040 their share will reach 30.0%.

These data suggest that more people will move into the higher age categories, thus generating multiple social and economic implications. The demand for long-term health care will increase, putting additional pressure on the public health and social care system.

Similarly, we note that at the age quota: 50-65 years, a phenomenon of return migration persists, which contributes to the increase of the demographic aging rate.

The dependency rate, defined as the ratio of the number of dependent individuals (persons under 15 and over 64) to the working-age population (ages 15-64), expressed per 100 people, is projected to increase by approximately 10 pp, rising from 75.0 to between 82.0 -83.0. Effective management of the demographic dependency ratio is essential to ensure the sustainability of social systems and to maintain economic balance.

However, to address the demographic situation and establish sustainable conditions for halting the decline, a prolonged period of concrete actions is necessary, involving the development and implementation of well-structured and consistent demographic policies.

Regarding the financial implications for various categories of older individuals, the Law on the State Social Insurance Budget for 2025 forecasts expenditures for their protection in the amount of 30.7 thousand MDL. As of January 1, 2025, the total number of pensioners was 672.7 thousand of which 529.7 thousand (78.7% of the total pensioners) were retirees receiving age-limit pensions.

The average pension estimated at 1 January 2025 is 4,237.57 MDL. The minimum pension increased to 3,055.65 MDL, from 1 April 2025. From 1 May 2025, the minimum pension was established for persons who confirm a work experience of at least 40 years, in the amount of 3,300 MDL. At the same time, persons who do not have the minimum contribution period (15 years) benefit from a social allowance, equal to 50% of the minimum pension.

Pension expenses also include early retirement programs for long careers, pensions for seniority and other special categories. It is relevant to mention that, according to the National Office of Social Insurance forecasts, 22,541 pensioners were estimated to apply for a re-examination of their old-age pension in 2025, as a result of continuing their employment.

We reiterate that the trends of population aging in the Republic of Moldova are placing an ever-increasing strain on the social security system, due to the rising number of older individuals who are becoming beneficiaries of pensions and other social benefits. This dynamic, combined with a low base of active contributors resulting from low birth rates and emigration, amplifies the financial imbalance within the system.

5A. CONSISTENCY OF THE REFORM AGENDA WITH THE ERP'S MACRO-FISCAL FRAMEWORK

The Republic of Moldova's Reform Agenda, as a central component of the Growth Plan (approved by Government Decision nr.260/2025), provides a strategic framework for accelerating reforms that contribute to economic and social convergence with the European Union. It focuses on seven main pillars: economic competitiveness and private sector development, connectivity and digital infrastructure, strengthening economic governance, developing social capital, promoting the green transition and natural capital, energy security and efficiency, and implementing fundamental reforms related to the rule of law, transparency, and the fight against corruption.

Following the approval of the Growth Plan, the need to integrate its impact into the macroeconomic forecasting framework became evident. The Ministry of Economic Development and Digitalization, with support from the World Bank[16], carried out an exercise to estimate the macroeconomic outcomes of the Growth Plan, with the results published on the ministry's website. This exercise led to the development of two alternative scenarios, depending on the level of implementation and the effectiveness of the proposed reforms and investment projects: an optimistic scenario, reflecting full and efficient implementation of investments and the Reform Agenda, and a moderate scenario, which assumes partial and gradual implementation of reforms and investment projects, at around 70%.

Under the optimistic scenario, the impact of implementing the reforms under the Reform Agenda is expected to be more pronounced, adding an estimated 0.9-1.2 pp to annual growth above the baseline scenario (which does not incorporate the Reform Agenda). Under the moderate scenario, the corresponding growth impact is projected at around 0.5-1.0 pp per year over 2026-2028.

The overall conclusion of the impact assessment exercise is that all proposed reforms have the potential to support long-term GDP growth. However, it has been difficult to precisely measure the impact of each individual reform, as many focus on legislative adjustments, improving the business environment, and optimizing general economic conditions - types of changes whose effects are not immediately reflected in quantifiable indicators. Consequently, a methodology was chosen that groups some reforms into sectoral compartments, since preliminary analysis showed that some measures are strongly correlated and produce interdependent economic effects. We further present an assessment of the impacts of selected reforms, chosen based on data availability and/or their relevance for economic growth.

Strengthen the public SME support system, increasing efficiency and relevance of government support to entrepreneurs to boost competitiveness (Reform 1.2.5). Modernizing access to finance for SMEs in the Republic of Moldova could have a significant impact on economic growth. According to the SME Policy Index 2024, the Republic of Moldova scored 3.94/5 on the "Access to Finance" dimension (Pillar C), indicating a moderate framework but with substantial room for improvement. Compared to 2020, the index has improved slightly, by 0.16 points, suggesting that deeper reforms are still needed.

The Joint Conclusions of the 2025 Economic and Financial Dialogue recommended that the authorities of the Republic of Moldova review the instruments implemented by ODA, which supports

[16] The exercise to estimate the impact of the Growth Plan employed the MFMod model (developed by the World Bank and adjusted to the Moldovan economy) – a structural econometric model that reproduces economic flows by linking the sectors of the national economy and estimates the fundamental economic relationships, both in theoretical and empirical terms.

companies' access to finance, with the aim of increasing their efficiency and effectiveness, a measure whose importance is underscored by its inclusion in the Reform Agenda.

The reforms aimed at strengthening the public support system for SMEs are expected to generate macroeconomic effects through multiple channels: improving access to finance will reduce capital constraints and stimulate investments, thereby increasing gross fixed capital formation and GDP; facilitating credit will accelerate the adoption of new technologies and enhance productivity; export-oriented instruments will enable production expansion and higher exports; and business development will create jobs and higher incomes, supporting domestic consumption through a multiplier effect.

Empirical studies show that removing financial distortions that limit SMEs' access to finance can stimulate economic growth and productivity, while also strengthening the resilience of the private sector. According to the World Bank report *"SME Finance for Growth"*[17], easing financial constraints can improve productivity in middle-income countries by up to 86%. Furthermore, research conducted by Lund University, Sweden, *"Access to Finance: The Impact of Small and Medium Enterprises on Economic Growth"*[18], indicates that a 10% increase in access to finance for the SME sector leads to an approximately 0.5 pp rise in the economic growth rate.

According to ODA estimates, the measure is expected to stimulate both SME lending and investment activity, generating an average annual growth of around 30% in loans facilitated by the institution and approximately 24% (in real terms) in investments triggered by these loans over the period 2026-2028. Based on empirical studies, these estimates, and the share of SME loans granted through ODA - around 8-10% of total new corporate loans - the measure is projected to contribute 0.1-0.3 pp to annual GDP growth.

Industry and services development (Reform 1.4.16).

During the transition period, the economy of the Republic of Moldova experienced a marked process of deindustrialization, reflected in the decline of the manufacturing sector's share in GDP from approximately 15% to around 8% over the past two decades. According to the most recent available data, in 2023 the Competitive Industrial Performance Index calculated by UNIDO for the Republic of Moldova stood at 0.011, significantly below the global average of 0.063, placing the country 111th out of 153 economies. This trend highlights the need to increase investment in the industrial sector in order to modernize production capacities, enhance productivity and competitiveness, diversify the economic structure, and strengthen medium- to long-term growth potential.

The impact of Reform 1.5.1 will be felt primarily through private investment, which accounts for approximately 70% of the total. Investments aimed at upgrading industrial enterprises are expected to improve the competitiveness of local firms and to support the country's positioning as a hub for innovation and technology-driven economic growth. This will be achieved through increased investment in research and development, support for technology adoption, and the strengthening of skills and human capital.

During 2025, MEDD received 33 applications for state aid, of which 21 state aid agreements were signed. The implementation of these 21 investment projects entails a total investment volume of approximately 2.04 billion MDL (around 0.5% of GDP), with a maximum amount of state aid estimated at about 1.05 billion MDL, including approximately 0.79 billion MDL in the form of fiscal

[17] https://www.finance4development.org/pdf/Boosting%20SME%20Finance%20for%20growth.pdf
[18] https://lup.lub.lu.se/luur/download?func=downloadFile&recordOId=5473509&fileOId=5473538

facilities and 0.26 billion MDL in the form of non-repayable grants. Given that the implementation period for these investments is scheduled for 2026, estimates suggest that the reform would generate an increase in gross fixed capital formation of 2.7 pp above the baseline scenario, as well as an additional contribution of around 0.3-0.5 pp to GDP growth in 2026.

Enhancing connectivity through telecommunications and digital infrastructure (Reforms 2.3.8-2.3.11). The development of digital infrastructure, cybersecurity, and digital public services in the Republic of Moldova represents a key component of the country's digital transformation. In 2025, Moldova ranked 45th out of 121 countries surveyed in the Digital Quality of Life (DQL) Index[19], while placing 31st among 38 European countries. This highlights the need for reforms in this area aimed at aligning with EU standards, enhancing infrastructure and network resilience, deploying secure 5G networks, implementing a trusted national digital identity system, and strengthening national cybersecurity capacities.

The adoption of digital development policies could stimulate economic growth, productivity, and labour market participation, particularly in rural areas, thereby reducing the development gap between urban and rural regions.

According to empirical studies, a 1% increase in the digital development index (which includes both telecommunications technologies and digital services such as e-commerce, e-governance, and e-health) is, on average, associated with a 0.13% increase in GDP per capita[20]. However, this impact is not immediate and manifests with a time lag, which varies across countries. Based on this, the implementation of this reform is expected to generate a potential increase in TFP of approximately 0.01-0.02 pp.

Public investment management system is transparent and rules based, with appraisal, budgeting and execution processes aligned with international best practices with improved capital investment execution (Reforms 3.3.6-3.3.7). The need to reform the public investment management system arises from the challenges faced by the Republic of Moldova in attracting and managing public investments. In 2023, only 60% of the planned public infrastructure projects were completed, revealing gaps in project selection, delays in the release of funds, and limited institutional capacity. As a result, in 2024 the volume of public investment declined by 7% compared to the previous year, a trend that continued in 2025 (-2.4% in the first semester).

The recommendation to strengthen public investment management is included among the European Commission's proposals in the 2025 Joint Conclusions of the Economic and Financial Dialogue, highlighting its significance for economic governance. The objective of this reform is to enhance the efficiency of public investment spending by reforming the public expenditure management system for investment projects, which will ensure transparency and compliance with established regulations, improve the use of project funds, and increase investment efficiency. At the same time, this reform is also crucial for ensuring the implementation of planned investments under the Growth Plan.

[19] A comprehensive ranking was prepared by SurfShark, a prominent developer of cybersecurity software products. This index is composed of five sub-indices: Internet accessibility, Internet quality, e-infrastructure, e-security, and e-governance. https://surfshark.com/research/dql/rankings

[20] GSR-17 Discussion paper "Social and economic impact of digital transformation on the economy" https://www.itu.int/en/ITU-D/Conferences/GSR/Documents/GSR2017/Soc_Eco_impact_Digital_transformation_finalGSR.pdf

Nguyen Ngoc Tan, Ngan Huynh Thi Tuyet, Nguyen Son Hai, The impact of digital transformation on the economic growth of the countries of the world https://www.researchgate.net/publication/353493185_The_Impact_of_Digital_Transformation_on_the_Economic_Growth_of_the_Countries

Furthermore, investment efficiency is expected to improve. Empirical studies[21] indicate that an increase in GDP, due to public investment, by 1% would raise cumulative economic growth by 0.3-0.6 pp over the medium term (ranging from 0.3% in countries with the lowest investment efficiency to 0.6% in countries with the highest public investment efficiency).

The implementation of this reform is expected to ensure a substantial increase in public investment, particularly in public infrastructure, by approximately 14 pp (in average for 2026-2028) above the baseline scenario. This rise in investment is projected to have a positive impact of around 0.6 pp on GDP growth.

Social capital

Reducing mismatch between skills and labour market demands through enhanced vocational education and training (Reform 4.1.4) can bring significant benefits to the economy: increased productivity, lower unemployment, and the availability of a well-prepared and adaptable workforce. An OECD study shows that skills mismatches can reduce GDP by more than 1% due to productivity losses and underutilized competencies. A central element of the reform is the development of dual learning - a system that builds relevant skills, narrows the gap between skills demand and supply, facilitates the transition of young people from school to work, and ensures that young people find jobs immediately after graduation.

Studies highlight the positive impact of vocational training on productivity. For example, a study conducted by the Autonomous University of Barcelona and the University of Girona[22] shows that each additional hour of vocational training per employee leads to a 0.55 pp increase in productivity. In Nepal, a youth vocational training program raised employment in non-agricultural sectors by 10 pp within 12 months of the program's start[23]. An OECD study[24] covering 17 countries indicates that reducing mismatches between education and skills could increase the output by 3-4% on average, with variations ranging from 0.5% to 9% depending on the country.

One of the measures addressing skills mismatches and labour market requirements aims to enrol 6,000 students in dual education programs during 2025-2027 (Measure 4.1.4). Based on target indicators and the conclusions of the empirical studies mentioned earlier, and considering that the average employment rate after completing dual education programs is 70%, it is estimated that the number of employed people would increase by 4.2 thousand (or by 0.5%), while the labour force participation rate could rise by 0.3 pp.

Improving quality, relevance and inclusiveness of education through improved access to preschool, primary and secondary education (Reform 4.2.5). Strengthening the provision of childcare services in both the public and private sectors is expected to increase labor force participation - particularly among women - by easing care constraints, thereby supporting higher employment, household incomes, and economic growth. Over the medium term, this measure will raise potential output, improve productivity, and strengthen public finances through a broader tax base, while also helping to address demographic and labor-market pressures. This reform, which

[21] Making public investment more efficient, The Staff Report prepared by IMF staff and completed on June 11, 2015. https://www.imf.org/external/np/pp/eng/2015/061115.pdf

[22] H. Sala, J. Silva (2011), Labor Productivity and Vocational Training: Evidence from Europe, https://repec.iza.org/dp6171.pdf?

[23] S. CHAKRAVARTY et al (2018), Vocational Training Programs and Youth Labor Market Outcomes: Evidence from Nepal, https://www.uni-goettingen.de/de/document/download/cbc81f7d9888e8bfa95102804571578f.pdf/WorkingPaper_Chakravarty.pdf

[24] OECD (2025), Output costs of education and skill mismatch in OECD countries, https://www.sciencedirect.com/science/article/pii/S0165176525001156?

provides for an increase of 5,000 childcare places by 2027 compared to 2024, is expected to strengthen labour supply and raise the economy's effective employment level, with a particularly strong impact on women's labour force participation. Under the assumption that each additional childcare place enables one woman to enter employment, female employment would increase by around 5,000 persons, implying a rise of about 1.1% by 2027 compared to 2024 (from 435,200 to 440,200).

Green transition/natural capital and energy security and efficiency.

The green transition (Pillar 5) involves implementing a set of key measures, including reducing CO2 emissions through the use of renewable energy sources, monitoring environmental indicators, and aligning with international community standards. The measures under the Green Transition Pillar are closely linked to the reforms within Pillar 6 on energy security and efficiency, as the development of a competitive and sustainable energy sector is central to decarbonization and the adoption of environmentally friendly technologies.

The energy security and efficiency agenda (Pillar 6) of the Republic of Moldova is structured around five key reforms: the creation and development of a competitive and open energy market; enhancing energy security by reducing dependence on energy imports; diversifying energy suppliers and strengthening energy efficiency measures; ensuring energy security, promoting energy efficiency, and developing the renewable energy sector; and aligning with European standards. Together, these reforms will contribute to modernizing the economy, reducing vulnerabilities, creating new jobs, and promoting sustainable growth in the energy sector.

The Republic of Moldova is one of the countries in Europe that are most dependent on energy imports, importing almost all fossil fuels and a large share of the electricity consumed (84% on average over the first nine months of 2025). Energy efficiency is the top priority for enhancing energy security and resilience. Without structural reforms, dependence on imports could increase.

The absence of reforms in the energy sector, combined with the intensification of adverse climate conditions, would lead to a deterioration of Moldova's macroeconomic indicators. According to simulations carried out using the MFMod-CC[25] model, presented in the Climate and Development Report[26] prepared by the World Bank for the Republic of Moldova, the cumulative impact of these factors could result in a GDP reduction of approximately 1.1% by 2030 and around 2.8% by 2050.

According to the same report, climate resilience and adaptation measures, including substantial investments in energy efficiency and renewable energy, could increase GDP by 1.3-3.0% by 2050, while full liberalization, accompanied by decarbonization, could raise GDP by 1.4-4.0%. Climate actions would not only contribute to stimulating economic growth but also facilitate structural transformation and modernization of the economy. These measures could significantly enhance Moldova's energy independence and climate resilience, leading to a diversified economy capable of generating modern, high-quality jobs.

Given their structural nature, reforms related to the green transition, natural capital, and energy security and efficiency are expected to yield measurable effects predominantly over the long term, while their impact in the medium term remains limited. On the basis of these assumptions and the evidence presented above, the measures associated with reforms under Pillars 5 and 6 are expected

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[25] Climate Macrofiscal Model

[26] https://openknowledge.worldbank.org/server/api/core/bitstreams/268abc8d-8e0e-437b-9615-3fe8aa395693/content

to have an incipient impact in the medium term, estimated at around 0.1-0.2 pp on annual GDP growth, with effects projected to strengthen progressively over time.

Assessment of the impact of investment projects on economic growth for 2025-2028.

Alongside the Reform Agenda, the Government has identified a portfolio of strategic investment projects that will serve as a driver for accelerating economic growth. This portfolio represents a key instrument for supporting the implementation of reforms and speeding up economic convergence with European countries.

The largest allocations are directed to the transport sector, followed by the environment, energy, regional development, and transport infrastructure, reflecting the priorities in infrastructure modernization and the energy transition. Social sectors such as education and health are included to support human capital development.

Unlike structural reforms, whose impact on economic growth is primarily realized over time through improvements in the institutional framework and development conditions, the implementation of investment projects will have both a direct and immediate effect on economic activity, as well as an indirect effect with medium- and long-term impacts through productivity stimulation, expansion of production capacities, and strengthening of the economy's growth potential. According to estimates, the successful implementation of investment projects is expected to contribute approximately 0.7 pp annually to GDP growth under the moderate scenario (assuming partial implementation) and around 1.1-1.2 pp under the optimistic scenario in 2026-2028. Investments in transport are projected to have the largest contribution to GDP growth (about 0.3 pp), followed by environment, energy, and regional development (+0.1 pp for each sector).

The effectiveness of investment projects will largely depend on the country's capacity to utilize and manage them appropriately, which presents a significant risk to these projections. In this context, the successful implementation of the public investment management reform becomes critical, playing a key role in ensuring the sustainability of the estimated economic impact.

6. INSTITUTIONAL ISSUES AND STAKEHOLDER INVOLVEMENT

The Economic Reform Programme for the period 2026–2028 is the third Economic Reform Programme developed by the Republic of Moldova according to the Guidelines presented by the European Commission.

It reflects a change in approach determined by the Reform and Growth Facility for the Republic of Moldova, which approved in 2025. Thus, structural reforms are included in the Reform Agenda and the ERP no longer repeats their detailed description, focusing on ensuring coherence between the reforms and the macroeconomic and fiscal framework. The document emphasizes the assessment and quantification of the macroeconomic and budgetary impact of the reforms, including on economic growth, public revenues and expenditures, as well as on avoiding overlaps and reducing the administrative burden. At the same time, the requirements regarding the use of European Commission forecasts, standardized data reporting and stakeholder consultation are strengthened in order to increase the credibility and comparability of the programme.

The ERP 2026–2028 also includes information on the progress made by the responsible institutions in implementing the Joint Conclusions of the Economic and Financial Dialogue between the European Union and the Republic of Moldova, formulated by the European Commission on the basis of the Economic Reform Programme 2025–2027.

To institutionalize and streamline the ERP process, a Working Group for the Coordination of the Development Process of the Economic Reform Programme was setup by the Ministry of Finance by Order No. 104/2025. The working group includes 52 representatives from 12 institutions. According the Order, the Ministry of Finance team worked with government institutions and other public authorities involved in the drafting process of the document, including the Ministry of Economic Development and Digitalization, the National Bank of Moldova, the National Bureau of Statistics and the Ministry of Labour and Social Protection.

At the same time, the document was consulted with representatives of the Delegation of the European Union, as well as international experts of the EU Technical Assistance Project „Supporting the Government of the Republic of Moldova in the identification and preparation of projects related to the implementation of the Association Agreement (Project Preparation Facility – PPF)". Also, the draft ERP 2026–2028 was submitted for comments and suggestions to economic think tanks, including the Independent Analytical Centre *Expert-Grup* and the Institute for European Policies and Reforms.

According to the national procedures, the Economic Reform Programme 2026–2028 was approved by the Interministerial Committee for Strategic Planning, chaired by the Prime Minister, on January 22, 2026.

ANNEX TABLES:

Table 1a: Macroeconomic prospects

Percentages unless otherwise indicated	ESA Code	Year 2024	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
		Level (bn EUR)	**Rate of change**				
1. Real GDP at market prices	B1*g	15.779	0.1	1.8	2.4	3.3	3.6
2. Current GDP at market prices	B1*g	16.818	6.7	8.6	7.4	7.8	8.1
Components of real GDP							
3. Private consumption expenditure	P3	14	2.3	3.0	2.0	2.5	2.3
4. Government consumption expenditure	P3	3	-1.7	0.9	2.0	1.8	1.5
5. Gross fixed capital formation	P51	3	8.1	22.3	17.2	13.1	12.7
6. Changes in inventories and net acquisition of valuables (% of GDP)	P52+P53	0	2.3	2.9	0.5	0.5	0.4
7. Exports of goods and services	P6	5	-5.2	3.8	9.6	7.6	7.5
8. Imports of goods and services	P7	10	5.1	14.8	9.7	8.0	7.3
Contribution to real GDP growth							
9. Final domestic demand		19.9	3.2	7.2	6.2	5.9	5.8
10. Change in inventories and net acquisition of valuables	P52+P53	0.4	1.7	1.8	-0.8	0.0	0.0
11. External balance of goods/services	B11	-5	-4.8	-7.3	-3.0	-2.6	-2.2

Table 1b: Price developments

Percentage changes, annual averages	ESA Code	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
1. GDP deflator		6.6	6.6	4.9472	4.3	4.4
2. Private consumption deflator		5.1	6.6	4.2	3.3	4.4
3. HICP		18.7	27.9	33.4	:	:
4. National CPI change		4.7	7.7	4.3	4.5	5.0
5. Public consumption deflator		10.2	7.1	4.4	3.7	3.4
6. Investment deflator		1.7	5.3	1.0	3.0	1.9
7. Export price deflator (goods & services)		0.5	8.0	5.6	3.5	3.2
8. Import price deflator (goods & services)		-1.4	4.3	2.7	1.9	2.4

Table 1c: Labour markets developments

	ESA Code	Year 2024	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
		Level	Level/Rate of change				
1. Population (thousands)			2,402	2,361	2,321	2,281	2,241
2. Population (growth rate in %)		2,402	-2.3	-1.7	-1.7	-1.7	-1.8
3. Working-age population (persons) [1]		1,558	1,558	1,518	1,480	1,443	1,409
4. Participation rate			57.1	60.0	61.9	63.9	65.9
5. Employment, persons [2]		854	854	878	883	890	897
6. Employment, hours worked [3]			32,027	32,560	32,745	33,004	33,337
7. Employment (growth rate in %)			-3.7	2.8	0.6	0.8	0.8
8. Public sector employment (persons)		265	265	266	267	269	273
9. Public sector employment (growth in %)			4.3	0.4	0.4	0.7	1.5
10. Unemployment rate [4]			3.9	3.6	3.6	3.5	3.4
11. Labour productivity, persons [5]			3.9	-1.0	1.8	2.5	2.8
12. Labour productivity, hours worked [6]			5.9	0.1	1.8	2.5	2.6
13. Compensation of employees (bn NCU)	D1	156.8	14.5	10.9	13.0	11.9	11.6

Table 1d: Sectoral balances

Percentages of GDP	ESA code	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	:	:	:	:	:
of which:						
- Balance of goods and services		:	:	:	:	:
- Balance of primary incomes and transfers		0.0	0.0	0.0	0.0	0.0
- Capital account		:	:	:	:	:
2. Net lending/borrowing of the private sector	B.9/ EDP B.9	:	:	:	:	:
3. Net lending/borrowing of general government		-3.9	-5.0	-5.7	-5.5	-4.2
4. Statistical discrepancy		:	:	:	:	:

Table 1e: GDP and investment

	ESA Code	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
GDP and investment						
GDP *level* at *current* market prices (in domestic currency)	B1g	323.8	351.5	377.6	406.9	440.0
Investment ratio (% of GDP)		20.0	23.8	26.2	28.4	30.1

Table 1f: External sector developments

Billion EUR unless otherwise indicated		Year 2024	Year 2025 (forecast)	Year 2026 (forecast)	Year 2027 (forecast)	Year 2028 (forecast)
1. Current account balance (% of GDP)	% of GDP	-16.6	-20.0	-19.9	-19.8	-19.6
2. Export of goods	bn EUR	2.8	2.9	3.1	3.3	3.4
3. Import of goods	bn EUR	8.0	9.0	9.8	10.4	11.0
4. Trade balance	bn EUR	-5.2	-6.2	-6.7	-7.1	-7.6
5. Export of services	bn EUR	2.5	2.9	3.3	3.6	3.9
6. Import of services	bn EUR	1.7	1.9	2.0	2.1	2.3
7. Service balance	bn EUR	0.9	1.0	1.3	1.5	1.6
8. Net interest payments from abroad	bn EUR	-0.1	-0.1	-0.1	-0.1	-0.1
9. Other net factor income from abroad	bn EUR	0.2	0.1	0.1	0.1	0.1
10. Current transfers	bn EUR	1.5	1.6	1.7	1.7	1.8
11. Of which from EU	bn EUR	0.5	0.3	:	:	:
12. Current account balance	bn EUR	-2.8	-3.6	-3.8	-4.0	-4.2
13. Capital and financial account	bn EUR	-2.9	-1.7	:	:	:
14. Foreign direct investment	bn EUR	0.4	0.2	:	:	:
15. Foreign reserves	bn EUR	5.2	5.1	:	:	:
16. Foreign debt	bn EUR	9.9	9.7	:	:	:
17. Of which: public	bn EUR	4.1	4.1	:	:	:
18. O/w: foreign currency denominated	bn EUR	9.8	9.7	:	:	:
19.O/w: repayments due	bn EUR	0.8	0.5	:	:	:
21. Exchange rate vis-à-vis EUR (annual average)	NCU/EUR	19.3	19.5	19.8	20.2	20.6
p.m. Exchange rate vis-à-vis EUR (annual average)	*%, year-on-year*	*-2.0*	*1.5*	*1.3*	*2.2*	*1.9*
20. Exchange rate vis-à-vis EUR (end-year)	NCU/EUR	:	:	:	:	:

Billion EUR unless otherwise indicated		Year 2024	Year 2025 (forecast)	Year 2026 (forecast)	Year 2027 (forecast)	Year 2028 (forecast)
p.m. Exchange rate vis-à-vis EUR (end-year)	*%, year-on-year*	:	:	:	:	:

Table 1g: Sustainability indicators

	Dimension	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025 (forecast)
1. Current Account Balance	% of GDP	-12.1	-17.1	-11.1	-16.6	-20.0
2. Net International Investment Position	% of GDP	-39.8	-42.0	-34.9	-34.5	:
3. Export market shares	%, yoy	0.0	0.0	0.0	0.0	:
4. Real Effective Exchange Rate [1]	%, yoy	10.8	11.0	11.1	2.5	:
5. Nominal Unit Labour Costs	%, yoy	:	:	:	:	:
6. Private sector credit flow	% of GDP	3.8	3.7	-1.1	4.3	:
7. Private sector debt	% of GDP	52.9	51.4	45.1	47.7	:
8. General Government Debt	% of GDP	32.6	35.0	34.9	38.1	37.3

Table 2a: General government budgetary prospects

	ESA code	Year 2024	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
		Level (bn NCU)	% of GDP				
Net lending (B9) by sub-sectors							
1. General government	S13	-12.60	-3.9	-5.0	-5.7	-5.5	-4.2
2. Central government	S1311	:	:	:	:	:	:
3. State government	S1312	-13.10	-4.0	-5.2	-5.5	-5.4	-4.1
4. Local government	S1313	0.26	0.1	0.1	-0.1	:	:
5. Social security funds	S1314	0.20	0.1	:	-0.1	-0.1	-0.1
General government (S13)							
6. Total revenue	TR	110.30	34.1	35.4	35.3	35.3	35.3
7. Total expenditure [1]	TE	122.90	38.0	40.4	41.0	40.8	39.5
8. Net borrowing/lending	EDP.B9	-12.60	-3.9	-5.0	-5.7	-5.5	-4.2
9. Interest expenditure	EDP.D41 incl. FISIM	4.45	1.4	1.3	1.7	1.7	1.6
10. Primary balance [2]		-8.15	-2.5	-3.8	-4.0	-3.8	-2.5
11. One-off and other temporary measures [3]		:	:	:	:	:	:
Components of revenues							
12. Total taxes (12 = 12a+12b+12c)		68.71	21.2	21.5	21.9	22.1	22.1
12a. Taxes on production and imports	D2	49.91	15.4	15.7	15.8	15.9	15.9
12b. Current taxes on income and wealth	D5	17.70	5.5	5.4	5.6	5.7	5.8
12c. Capital taxes	D91	1.10	0.3	0.4	0.5	0.5	0.5
13. Social contributions	D61	33.60	10.4	10.8	11.2	11.4	11.5
14. Property income	D4	0.80	0.2	0.2	0.2	0.2	0.2
15. Other (15 = 16-(12+13+14)) [4]		7.19	2.2	2.8	2.0	1.6	1.5
16 = 6. Total revenue	TR	110.30	34.1	35.4	35.3	35.3	35.3
p.m.: Tax burden (D2+D5+D61+D91-D995) [5]		102.31	31.6	32.3	33.1	33.4	33.6
Selected components of expenditures							
17. Collective consumption	P32	:	:	:	:	:	:
18. Total social transfers	D62 + D63	44.80	13.8	14.8	14.0	13.7	13.4
18a. Social transfers in kind	P31 = D63	:	:	:	:	:	:
18b. Social transfers other than in kind	D62	44.80	13.8	14.8	14.0	13.7	13.4

	ESA code	Year 2024	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
		Level (bn NCU)	% of GDP				
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	4.45	1.4	1.3	1.7	1.7	1.6
20. Subsidies	D3	5.80	1.8	1.4	1.3	1.2	1.1
21. Gross fixed capital formation	P51	3.20	1.0	1.0	1.4	2.0	1.8
22. Other (22 = 23-(17+18+19+20+21)) [6]		64.65	20.0	22.0	22.7	22.2	21.5
23. Total expenditures	TE [1]	122.90	38.0	40.4	41.0	40.8	39.5
p.m. compensation of employees	D1	:	:	:	:	:	:

Table 2b: General government budgetary prospects

	ESA code	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
		bn NCU				
Net lending (B9) by sub-sectors						
1. General government	S13	-12.60	-17.70	-21.50	-22.40	-18.30
2. Central government	S1311	:	:	:	:	:
3. State government	S1312	-13.10	-18.20	-20.90	-21.90	-18.00
4. Local government	S1313	0.26	0.50	-0.20	:	:
5. Social security funds	S1314	0.20	:	-0.40	-0.50	-0.30
General government (S13)						
6. Total revenue	TR	110.30	124.40	133.40	143.70	155.40
7. Total expenditure [1]	TE	122.90	142.10	154.90	166.10	173.70
8. Net borrowing/lending	EDP.B9	-12.60	-17.70	-21.50	-22.40	-18.30
9. Interest expenditure	EDP.D41 incl. FISIM	4.45	4.43	6.30	6.89	7.25
10. Primary balance [2]		-8.15	-13.27	-15.20	-15.51	-11.05
11. One-off and other temporary measures [3]		:	:	:	:	:
Components of revenues						
12. Total taxes (12 = 12a+12b+12c)		68.71	75.70	82.67	89.80	97.20
12a. Taxes on production and imports	D2	49.91	55.10	59.77	64.70	69.90
12b. Current taxes on income and wealth	D5	17.70	19.10	21.20	23.20	25.30
12c. Capital taxes	D91	1.10	1.50	1.70	1.90	2.00
13. Social contributions	D61	33.60	38.00	42.20	46.30	50.80
14. Property income	D4	0.80	0.80	0.90	0.90	0.90
15. Other (15 = 16-(12+13+14)) [4]		7.19	9.90	7.63	6.70	6.50
16 = 6. Total revenue	TR	110.30	124.40	133.40	143.70	155.40
p.m.: Tax burden (D2+D5+D61+D91-D995) [5]		102.31	113.70	124.87	136.10	148.00
Selected components of expenditures						
17. Collective consumption	P32	:	:	:	:	:
18. Total social transfers	D62 + D63	44.80	51.90	52.70	55.70	58.90
18a. Social transfers in kind	P31 = D63	:	:	:	:	:
18b. Social transfers other than in kind	D62	44.80	51.90	52.70	55.70	58.90
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	4.45	4.43	6.30	6.89	7.25
20. Subsidies	D3	5.80	5.00	4.80	5.00	5.00
21. Gross fixed capital formation	P51	3.20	3.40	5.20	8.10	8.00
22. Other (22 = 23-(17+18+19+20+21)) [6]		64.65	77.37	85.90	90.41	94.55
23. Total expenditures	TE [1]	122.90	142.10	154.90	166.10	173.70
p.m. compensation of employees	D1	:	:	:	:	:

Table 3: General government expenditure by function

% of GDP	COFOG Code	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
1. General public services	1	3.8	3.4	3.4	4.3	4.2	4.6
2. Defence	2	0.5	0.6	0.5	0.5	0.5	0.4
3. Public order and safety	3	2.2	2.2	2.4	2.4	2.2	2.0
4. Economic affairs	4	3.7	3.5	4.1	4.7	5.3	4.7
5. Environmental protection	5	0.1	0.2	0.2	0.3	0.3	0.3
6. Housing and community amenities	6	1.3	1.0	1.2	1.4	1.3	1.3
7. Health	7	5.2	5.6	5.6	5.7	5.8	5.7
8. Recreation, culture and religion	8	1.0	1.0	1.1	1.0	1.0	1.0
9. Education	9	6.2	6.1	6.4	6.1	5.8	5.4
10. Social protection	10	14.8	14.5	15.5	14.7	14.4	14.0
11. Total expenditure (item 7 = 23 in Table 2)	TE	122.9	38.0	40.4	41.0	40.8	39.5

Table 4: General government debt developments

% of GDP	ESA code	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
1. Gross debt [1]		38.1	37.2	41.8	45.3	46.0
2. Change in gross debt ratio		3.2	-0.9	4.6	3.5	0.7
Contributions to change in gross debt						
3. Primary balance [2]		2.5	3.8	4.0	3.8	2.5
4. Interest expenditure [3]	EDP D.41	1.4	1.3	1.7	1.7	1.6
5. Real growth effect		0.0	-0.6	-0.8	-1.3	-1.5
6. Inflation effect		-0.3	-0.4	-0.4	-0.4	-0.5
7. Stock-flow adjustment		0.0	0.0	0.0	0.0	0.0
of which:						
- Differences between cash and accruals [4]		:	:	:	:	:
- Net accumulation of financial assets [5]		6.8	10.9	5.5	5.9	10.1
of which:						
- Privatisation proceeds		4.4	1.4	1.9	1.2	1.1
- Valuation effects and other [6]		:	:	:	:	:
p.m. implicit interest rate on debt [7]		4.2	3.6	4.8	4.4	3.9
Other relevant variables						
8. Liquid financial assets [8]		:	:	:	:	:
9. Net financial debt (9 = 1 - 8)		:	:	:	:	:

Table 5: Cyclical developments

% of GDP	ESA Code	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
1. Real GDP growth (%, yoy)	B1g	0.1	1.8	2.4	3.3	3.6
2. Net lending of general government	EDP.B.9	-3.9	-5.0	-5.7	-5.5	-4.2
3. Interest expenditure	EDP.D.41	1.4	1.3	1.7	1.7	1.6
4. One-off and other temporary measures [1]		-0.8	-0.8	0.0	0.0	0.0
5. Potential GDP growth (%, yoy)		1.2	1.5	1.9	2.3	2.5
Contributions:						
- labour		0.2	0.2	0.2	0.2	0.2
- capital		1.3	1.6	2.0	2.4	2.6
- total factor productivity		-0.3	-0.3	-0.3	-0.3	-0.3
6. Output gap		-2.0	-1.7	-1.2	-0.2	0.9
7. Cyclical budgetary component		-0.7	-0.6	-0.4	-0.1	0.3

8. Cyclically-adjusted balance (2-7)		-3.2	-4.4	-5.3	-5.4	-4.5
9. Cyclically-adjusted primary balance (8+3)		-1.8	-3.2	-3.6	-3.7	-2.8
10. Structural balance (8-4)		-2.4	-3.6	-5.3	-5.4	-4.5

Table 6: Divergence from previous programme

	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
1. GDP growth (%, yoy)					
Previous programme	2.5	3.0	3.3	3.7	:
Latest update	0.1	1.8	2.4	3.3	3.6
Difference (pp)	-2.4	-1.2	-0.9	-0.4	:
2. General government net lending (% of GDP)					
Previous programme	-4.4	-4.1	-3.5	-3.2	:
Latest update	-3.9	-5.0	-5.7	-5.5	-4.2
Difference	0.5	-0.9	-2.2	-2.3	:
3. General government gross debt (% of GDP)					
Previous programme	39.3	39.3	40.1	40.0	:
Latest update	38.1	37.2	41.8	45.3	46.0
Difference	-1.2	-2.1	1.7	5.3	:

Table 7: Long-term sustainability of public finances

% of GDP	2007	2010	2020	2030	2040	2050	2060
Total expenditure	:	:	:	:	:	:	:
of which:	:	:	:	:	:	:	:
- Age-related expenditures	:	:	:	:	:	:	:
- Pension expenditure	:	:	:	:	:	:	:
- Social security pension	:	:	:	:	:	:	:
- Old-age and early pensions	:	:	:	:	:	:	:
- Other pensions (disability, survivors)	:	:	:	:	:	:	:
- Occupational pensions (if in general government)	:	:	:	:	:	:	:
- Health care	:	:	:	:	:	:	:
- Long-term care (this was earlier included in the health care)	:	:	:	:	:	:	:
Education expenditure	:	:	:	:	:	:	:
Other age-related expenditures	:	:	:	:	:	:	:
Interest expenditure	:	:	:	:	:	:	:
Total revenues	:	:	:	:	:	:	:
of which: property income	:	:	:	:	:	:	:
of which: from pensions contributions (or social contributions, if appropriate)	:	:	:	:	:	:	:
Pension reserve fund assets	:	:	:	:	:	:	:
of which: consolidated public pension fund assets (assets other than government liabilities)	:	:	:	:	:	:	:
Assumptions							
Labour productivity growth	:	:	:	:	:	:	:
Real GDP growth	:	:	:	:	:	:	:
Participation rate males (aged 20-64)	:	53.6	55.5	:	:	:	:
Participation rates females (aged 20-64)	:	49	47	:	:	:	:
Total participation rates (20-64)	:	51.2	51.1	:	:	:	:
Unemployment rate	:	7.4	3.8	:	:	:	:
Population aged 65+ over total population	368618	360801	350993	:	:	:	:

Table 7a: Stock of General Government guarantees adopted/announced at [month-year] according to the Programme

	Measures	Date of adoption	Maximum amount of contingent liabilities[1] % of GDP)	Estimated take-up (% of GDP)
			2025	2025
In response to COVID-19	:	:	:	:
	:	:	:	:
	:	:	:	:
	:	:	:	:
	:	:	:	:
	:	:	:	:
	:	:	:	:
	Subtotal	**% of GDP**	**0.0**	**0.0**
Others	Government guarantees for mortgage loans to individuals under the "First House" Program	:	1.4	0.4
	Government guarantees for energy sector	:	2.2	0.6
	:	:	:	:
	:	:	:	:
	:	:	:	:
	:	:	:	:
	:	:	:	:
	Subtotal	**% of GDP**	**3.6**	**1.0**
Total		**% of GDP**	**3.6**	**1.0**

Table 8: Basic assumptions on the external economic environment [1]

	Dimension	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
Short-term interest rate	Annual average	:	:	:	:	:
Long-term interest rate	Annual average	:	:	:	:	:
USD/EUR exchange rate	Annual average	1.08	:	:	:	:
Nominal effective exchange rate	Annual average	170.22	:	:	:	:
Exchange rate vis-à-vis the EUR	Annual average	19.30	:	:	:	:
Global GDP growth, excluding EU	Annual average	:	:	:	:	:
EU GDP growth	Annual average	:	:	:	:	:
Growth of relevant foreign markets	Annual average	:	:	:	:	:
World import volumes, excluding EU	Annual average	:	:	:	:	:
Oil prices (Brent, USD/barrel)	Annual average	:	:	:	:	: