

# Impact of COVID-19 on Moldovan economy and on Gagauzia as an investment location

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## Impact on MDA economy & on investment location Gagauzia

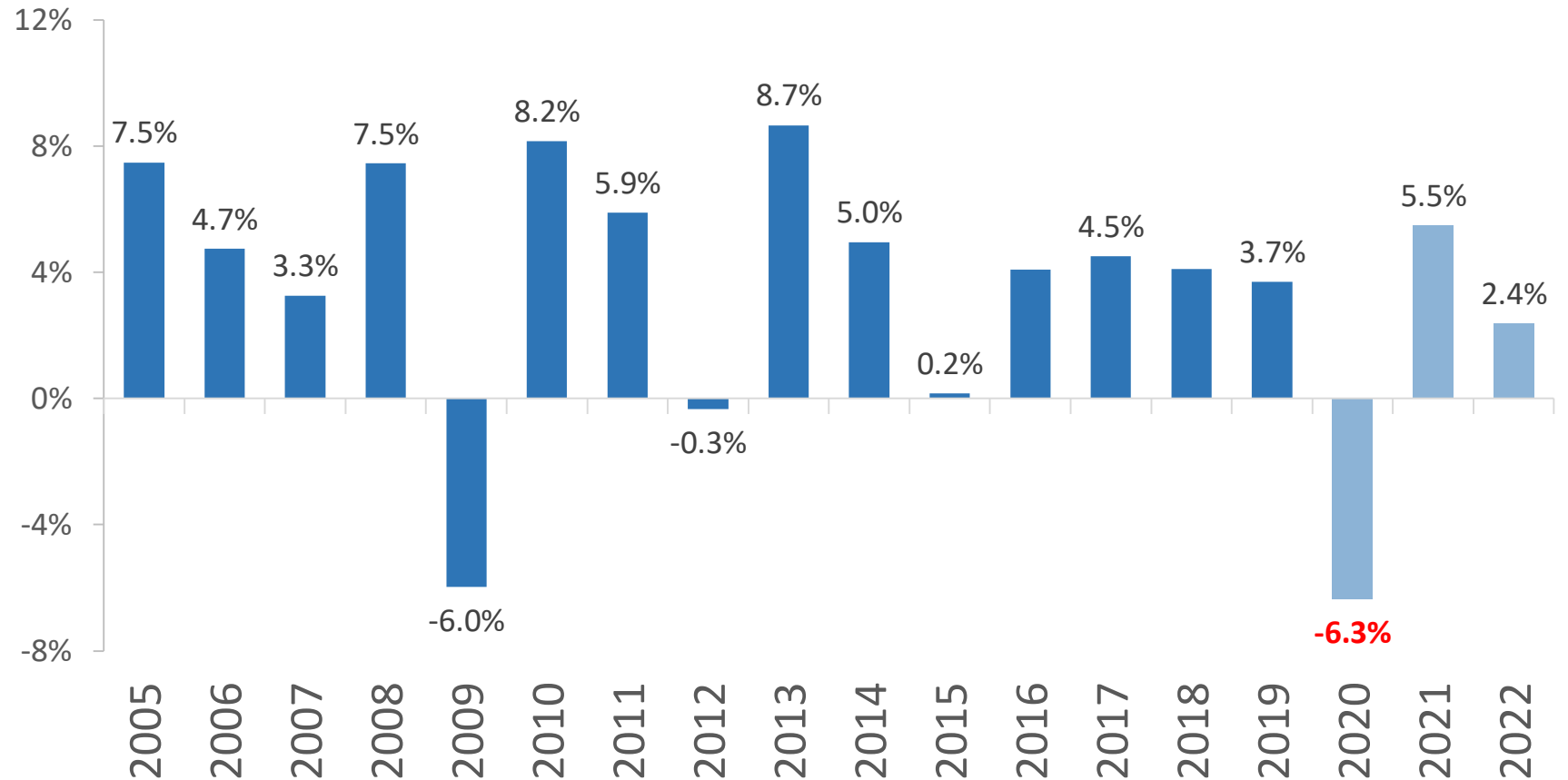
- The COVID-19 pandemic disrupted the global economy
- How has COVID-19 affected the Moldovan economy?
- How is the investment location Gagauzia likely to be affected during and after COVID-19?



## Strong GDP decline in MDA – but macroeconomic stability is assured

- Like other countries, sharp recession in MDA this year
- But: macroeconomic stability assured due to gov measures, NBM policy and IMF support
- Tentative signs of recovery

Moldova GDP growth real



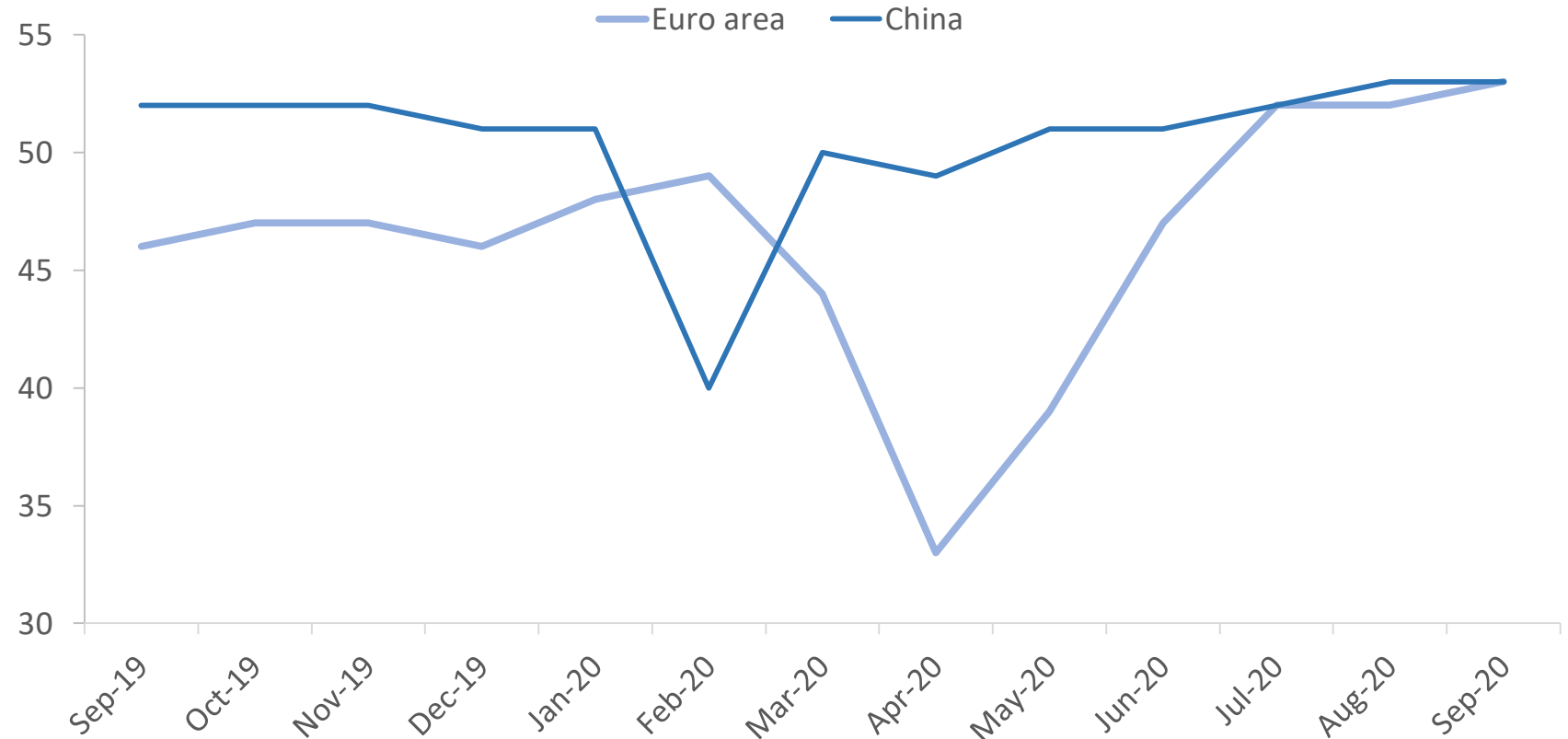
Sources: IMF, GET calculations



## Euro and China manufacturing output is back to pre-crisis level

- Manufacturing output contracted sharply in China and the Euro area during the COVID-19 crisis
- However, since then, strong recovery of output and demand for suppliers

Manufacturing purchasing managers' index (PMI)



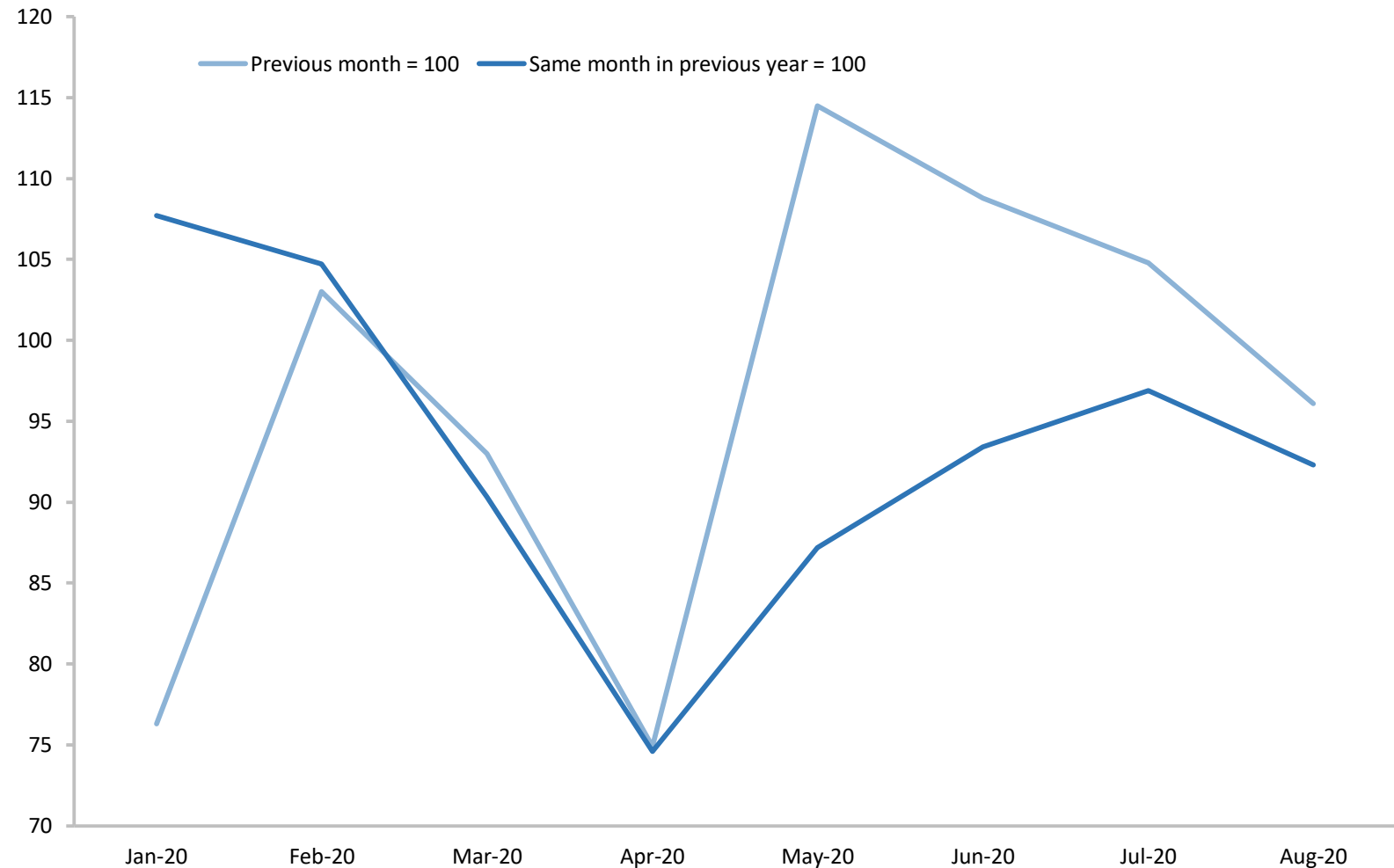
Sources: IMF, GET calculations



## Output in Moldova has recovered since the beginning of the crisis

- Industrial production contracted sharply in MDA in April
- However, since then strong recovery of industrial output

Industrial production in Moldova



Sources: Moldstat



## Impact of COVID-19 on Gagauzia as an investment location

Considerably less FDI available globally in the near future, but the impact of the pandemic varies markedly across countries

- Global FDI expected to fall by 40% in 2020 (according to UNCTAD)
- But: impact on economies differs and depends upon ...
  - Severity and duration of the crisis
  - Effectiveness of aftercare and support measures
  - Composition of FDI inflows and value chains
- While some sources of FDI experience severe disruptions (e.g. tourism), a number of tech-driven industries show robust investment dynamics (e.g. ICT, biotech)
- Furthermore, the pandemic is likely to accelerate cross-cutting changes in investment patterns as companies review their operations and value chains
  - Stronger focus on re-/nearshoring and regional value chains
  - More emphasis on sustainability agenda and digital transition



## Impact of COVID-19 on Gagauzia as an investment location

Changes in investment patterns open up opportunities and Gagauzia is well positioned to benefit from those

- Moldova is considered a good example for effective aftercare during the crisis
- Concerted efforts of various stakeholders – including international partners – played an important role in assisting investors in ...
  - Maintaining their operations and supply chains, e.g. finding new suppliers
  - Shifting their production lines towards personal protection equipment
- Regarding future opportunities, the value proposition of Gagauzia (e.g. proximity to EU, skills profile, low operating costs) allows to benefit from changes in investment patterns
  - Attracting target groups showing robust investment dynamics throughout and beyond the crisis (e.g. ICT / BPO)
  - Securing nearshoring projects (e.g. European electronics manufacturers relocating operations from Asia)

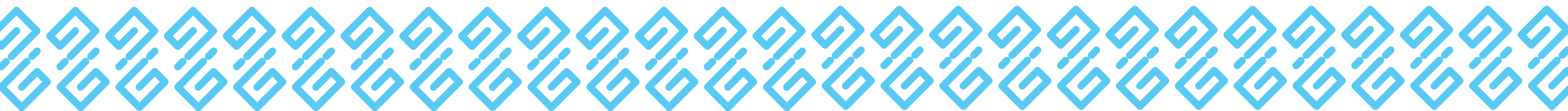


## Conclusions

- COVID-19 has hit global economy
- Moldova and Gagauzia also significantly affected

### **But:**

- Macroeconomic stability in MDA assured
- Global manufacturing output and trade has picked up again
- Gagauzia to benefit from nascent recovery
- Especially amidst trend for near-shoring, as companies seek to protect themselves from future trade disruptions







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