MOLDOVA

Moldova's economy is expected to expand modestly in 2026, with the impacts of the Middle East conflict on energy prices weighing on growth. Fiscal and external deficits remain elevated, and inflation stays high, underscoring persistent macroeconomic vulnerabilities. While new domestic risks have emerged and the geopolitical outlook remains uncertain, timely reforms, and effective absorption of the EU Growth Plan could strengthen growth, generate jobs and lower poverty.

Population[1]	Poverty[2]
million	percent living on less than $8.30/day
2.4	21.4
Life expectancy at birth[3]	**School enrollment[4]**
years	primary (% gross)
71.3	107.6
GDP[5]	**GDP per capita[6]**
current US$, billion	current US$
20.4	8520.5

Sources: WDI, MFMod, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2024. 4/ 2024. 5/ 2025. 6/ 2025.

Key conditions and challenges

Multiple energy shocks have strained household and public finances, while pronounced structural constraints continue to undermine growth: weak competition, infrastructure deficits, and labor and skills shortages. Poverty remains elevated, especially in rural areas, as aging and outmigration constrain labor supply. As the current account deficit (CAD) almost doubled since 2023 and the fiscal deficit stays high, the priority should be to tame twin deficits through fiscal consolidation and competitiveness reforms. Despite the early-2026 energy spike, monetary policy preserved stability, with inflation back at the target band's upper bound by mid-2026. Moldova's energy-intensive, import-reliant economy stays vulnerable to global energy and fertilizer shocks, making well-sequenced reforms critical to stability, growth, and resilience.

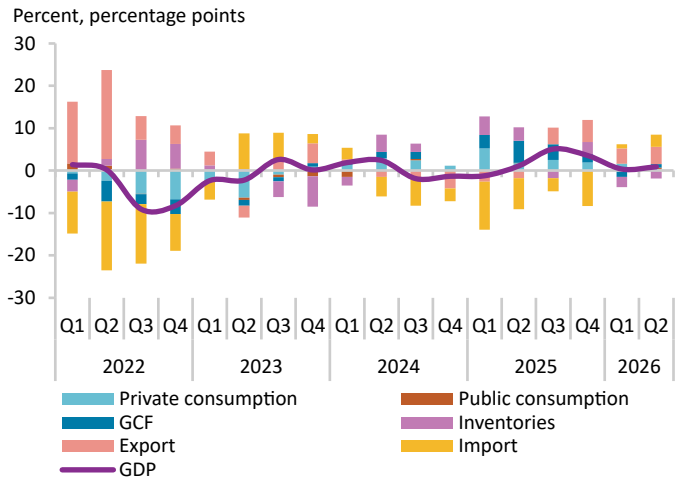
Recent developments

Real GDP growth slowed sharply to 0.6 percent in H1 2026 year-on-year. Net exports contributed 1.9 percentage points (pp) positively to growth as well as consumption (+1 pp) driven by a 3.3 percent real-wage rise. However, gross capital formation dragged significantly on growth (-2.5 pp), reflecting weaker building investment and inventory unwinding. On the production side, growth in manufacturing, trade, energy, transport, and agriculture sectors were largely offset by contractions in construction, information and communication technology (ICT), and real estate.

External imbalances remain large despite improvements, with the four-quarter CAD (on a rolling basis) at 19 percent of GDP in Q1 2026, compared to 19.6 percent of GDP in 2025. A smaller goods deficit, despite high energy imports, and a wider services surplus narrowed the trade gap, as exports rose 12.5 percent on strong agricultural shipments. With weaker remittances and foreign direct investment (FDI), the CAD deficit was financed mainly through cash and reserves. Gross external debt rose to 58 percent of GDP, though liquidity risks eased as short-term debt fell.

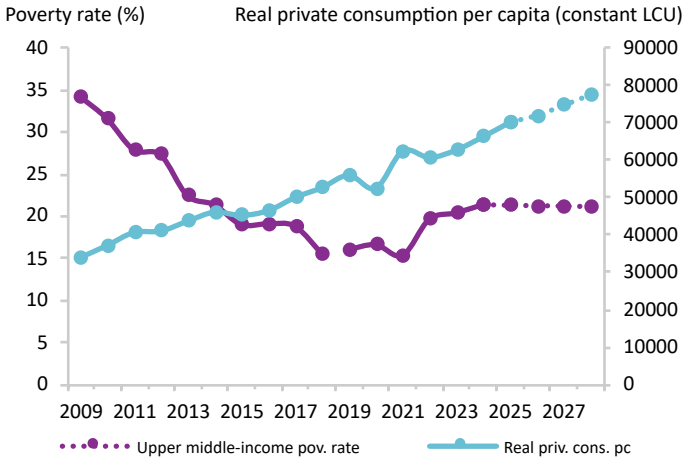
Annual inflation increased to 7 percent in August 2026, above the upper bound of the National Bank's target band due to the impact of higher energy prices from the conflict in the Middle East. Pressures from energy, non-tradables, and food prices weigh on real incomes and poverty reduction efforts, with the poverty rate

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Source: World Bank.

FIGURE 2 / Actual and projected poverty rate and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

remaining around 21 percent. In response to inflationary pressures, the Bank raised the base rate to 9 percent in September. Credit expanded modestly, supported by business lending, while mortgage lending contracted and NPLs rose to 5.2 percent.

In the first seven months of 2026, revenues grew more slowly than expenditures, and grants fell by 1.5 pp of GDP year-on-year, widening the budget deficit to 3.2 percent of estimated GDP. Spending was driven by procurement, higher domestic interest payments, and an 18 percent increase in capital investment. Public debt edged down to 37.7 percent of GDP in H1, while cash reserves continued accumulating.

Outlook

Weaker external demand and higher energy prices are expected to constrain growth to 1.9 percent in 2026, slightly lower than the 2.4 percent in 2025. While construction and real estate activities are set to be subdued, manufacturing and agriculture sectors are expected to be resilient. Strong private consumption, backed by robust private sector wages, sustains demand.

Over the medium term, EU accession reforms and firm domestic demand could lift growth slightly to an average of over 3 percent during 2027–28. Investment should strengthen due to EU funding and higher public spending, while rising energy imports keep net exports a drag on growth. Moldova is among the top candidate countries in absorbing EU Growth Plan grants, meeting a fifth of conditionalities and disbursing about a third of funds in 2025. On the sectoral side, services, including transport and ICT, are expected to remain strong, while industry and agriculture stand to benefit from EU-aligned reforms and climate-resilient investment.

Inflation is expected to peak in Q4, driven by adjustments in regulated prices and a rise in taxes per the government planned tax reform. Annual inflation is estimated to reach 7.5 percent in 2026. Over the medium term, inflation is projected to converge gradually toward the target range, as geopolitical tensions ease.

The CAD is expected to narrow only marginally to 17.9 percent of GDP by 2028—as energy imports and weak export competitiveness weigh on the trade balance. External debt is set to exceed 60 percent of GDP in 2027 but remain sustainable, backed by official creditors and stronger reserves. Public debt should rise modestly, contained by stronger growth, even as the fiscal deficit stays above 4 percent of GDP in 2026 due to higher capital investment.

Rising real income, supported by an improving labor market, higher agricultural incomes, and strong social spending, should help stabilize and then gradually reduce poverty, after years of increases. Sustained progress, though, would require well-paid formal jobs, targeted infrastructure investments to close the rural-urban gap, and a reform of energy assistance toward means-tested instruments—all of which depend on the governance and private sector reforms that the EU accession process now anchors.

Risks are tilted to the downside. A prolonged war in Ukraine and conflict in the Middle East, higher energy prices, and weaker EU demand could dampen growth and increase inflation, while domestic slippages in wage and fiscal reforms could strain the budget and stoke prices. Low Nistru water inflows and adverse weather could hit agriculture, hydropower, and food prices, worsening poverty and inequality. Despite EU transfers and FDI, the widening twin deficits remain a key vulnerability. On the upside, faster EU Growth Plan implementation and stronger EU accession reforms could bolster the outlook.

Recent history and projections

	2023	2024	2025	2026e	2027f	2028f
Real GDP growth, at constant market prices	1.2	0.3	2.4	1.9	3.0	3.2
Private consumption	0.4	1.7	4.4	2.0	2.7	2.8
Government consumption	-4.0	-0.5	0.3	1.1	1.7	2.0
Gross fixed capital investment	0.0	11.6	16.9	1.3	7.9	7.8
Exports, goods and services	4.8	-4.3	4.4	10.0	6.8	7.2
Imports, goods and services	-5.1	5.7	12.6	6.0	6.4	6.6
Real GDP growth, at constant factor prices	2.4	0.1	2.5	1.7	2.8	3.2
Agriculture	26.7	-18.3	10.7	8.8	3.8	4.2
Industry	-8.8	1.3	4.2	8.5	5.2	5.0
Services	1.8	3.9	0.6	-1.8	1.8	2.4
Employment rate (% of working-age population, 15 years+)	43.4	44.0	40.2	40.8	41.3	41.9
Inflation (consumer price index)	13.4	4.7	7.8	7.5	5.5	5.2
Current account balance (% of GDP)	-11.1	-16.5	-19.6	-18.9	-18.4	-17.9
Net foreign direct investment inflow (% of GDP)	2.1	2.0	1.8	2.0	2.8	3.2
Fiscal balance (% of GDP)	-5.1	-3.9	-4.0	-4.6	-4.0	-3.9
Revenues (% of GDP)	33.7	34.1	35.5	34.7	35.2	35.0
Debt (% of GDP)	35.7	38.8	39.2	41.4	43.3	44.0
Primary balance (% of GDP)	-3.3	-2.5	-2.8	-2.9	-2.3	-2.0
International poverty rate ($3.00 in 2021 PPP)[1,2]	0.1	0.0	..	..	..	..
Lower middle-income poverty rate ($4.20 in 2021 PPP)[1,2]	0.8	0.6	0.4	0.4	0.3	0.3
Upper middle-income poverty rate ($8.30 in 2021 PPP)[1,2]	20.4	21.4	21.3	21.2	21.2	21.1
GHG emissions growth (mtCO2e)	2.8	0.0	0.7	0.7	2.0	2.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.
1/ Calculations based on ECAPOV harmonization, using 2010-HBS, 2016-HBS, and 2024-HBS. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.
2/ Projection using average elasticity (2010-2016) with pass-through = 0.5 based on private consumption per capita in constant LCU.