



Report **3.0**

FOREIGN **D**IRECT **I**NVESTMENTS

The impact on the economy of the
Republic of Moldova (2014-2023)

Developed by:



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Abbreviations

BIS	SC Business Intelligent Services SRL
EU	European Union
FDI	Foreign Direct Investments
FIA	Foreign Investors Association
GDP	Gross Domestic Product
GVA	Gross Value-Added
GVC	Global Value Chain
M&As	Multinational Enterprises
MDL	Moldovan leu
mil.	Million
MNEs	Multinational Enterprises
NBM	National Bank of Moldova
NBS	National Bureau of Statistics
ROS	Return on Sales
SFS	State Fiscal Service
SSC	Social Security Contribution
UNCTAD	United Nations Conference on Trade and Development
USD	US dollar

Key messages

FDI enterprises vs. local private and public enterprises

1. Over the past decade, the total number of enterprises in Moldova has generally followed an upward trend, except for a temporary decline during the financial crisis of 2015. Local private enterprises were the most affected by the crisis, with their numbers decreasing by 2,430 units (a decline of 5.1%) compared to 2014. In contrast, enterprises with FDI experienced a smaller impact, with their numbers falling by only 83 units (a reduction of 1.9%) over the same period.

However, the pandemic had a more pronounced impact on enterprises with FDI, especially those integrated into global value chains. The total number of such enterprises decreased, driven in part by a reduction in foreign-owned companies.

The conflict in Ukraine further intensified economic and geopolitical uncertainties in the region, amplifying foreign investors' hesitation to enter the Moldovan market. By 2023, the number of mixed enterprises (with foreign participation) had dropped by 140 units, reaching its lowest point in a decade. By the end of 2023, the total number of enterprises with FDI in Moldova had fallen to 3,794, the lowest level in the past ten years. This decline highlights the significant challenges Moldova faces in attracting and retaining foreign direct investment amid regional instability.

In the last 10 years, the share of FDI enterprises has decreased from 8.3% in 2014 to 6.0% in 2023. This evolution has been caused exclusively by the significant reduction in the number of mixed companies, with foreign capital.

2. In 2023, the national average number of employees per enterprise was 8.5. Public and mixed enterprises were the largest employers, with an average of 100 and 96 employees, respectively. FDI firms had an average of 20.8 employees per enterprise, placing them between public and local private enterprises in terms of size. Local private enterprises, while the most numerous, are also the smallest in size, with an average of only 5.9 employees per firm. This makes them generally more vulnerable and less resilient to various economic shocks.
3. Between 2014 and 2019, enterprises with FDI experienced an increase in the number of employees, from 75 thousand to 90 thousand. This increase was entirely driven by foreign-owned enterprises, which saw a growth of 20.5 thousand employees, while mixed enterprises lost approximately 5.4 thousand employees.

The COVID-19 pandemic led to the loss of 25.4 thousand jobs across the Republic of Moldova. FDI enterprises were significantly impacted, with a total loss of 6.3 thousand jobs – 4.6 thousand in foreign-owned enterprises and 1.7 thousand in mixed enterprises.

Over the past three years (2021-2023), private enterprises have seen a steady increase in the number of employees, reaching 345.2 thousand by the end of 2023, setting a record for the past decade. The total number of employees in the economy also grew, approaching pre-pandemic levels, with 539 thousand employees by the end of 2023. This recovery was largely driven by the private sector, while other types of enterprises continued to show a downward trend.

Despite the significant impact of the pandemic, the private sector has managed to revive hiring, reaching a historic high in employment numbers. FDI enterprises, despite the challenges they faced during the pandemic, continue to be a key driver of economic growth and employment in the Republic of Moldova, playing a critical role in the nation's economy.

4. Enterprises with FDI are significantly more productive, achieving 83% higher productivity than local private enterprises. This performance highlights the efficiency of FDI enterprises in utilizing resources and their crucial role in driving economic growth.

Mixed companies with foreign participation recorded the highest productivity, with 2,922 thousand lei per employee, maintaining steady annual growth over the past decade. Foreign-owned enterprises had a productivity of 1,734 thousand lei per employee, surpassing the national average by over 47%.

In 2023, local privately owned enterprises achieved an average labor productivity of 1,127 thousand lei per employee, which is close to the national average of 1,180 thousand lei per employee.

FDI companies continue to lead in productivity in the Republic of Moldova, making significant contributions to economic value added. In contrast, local private and public enterprises need investments in modernization and efficiency to enhance their competitiveness. The performance of FDI enterprises underscores the importance of attracting foreign capital to foster the country's economic development.

5. According to data from the State Fiscal Service (SFS), the total wages paid by enterprises in Moldova amounted to approximately 85 billion lei in 2023. Of this, enterprises with FDI contributed around 14 billion lei, or 15.8% of the total wage payments. Specifically, 8.9 billion lei were paid by fully foreign-owned enterprises, while 4.5 billion lei were paid by mixed enterprises with foreign capital.

On average, enterprises with FDI paid an average monthly wage of 14.2 thousand lei in 2023, which is about 2.1 times higher than the average monthly wage paid by

local private enterprises. These figures highlight the significant role of FDI enterprises in the national economy, not only in terms of their contribution to income but also in creating more favorable wage conditions for employees.

6. In 2023, enterprises with FDI contributed 3.3 billion lei (14.8% of the total) to the state social insurance budget. This included 2.2 billion lei (9.8%) from fully foreign-owned enterprises and 1.1 billion lei (5.0%) from mixed enterprises with foreign capital participation.

On average, FDI enterprises transferred approximately 41.2 thousand lei per employee to the state social insurance budget in 2023. In comparison, private enterprises paid an average of 19.5 thousand lei per employee, reflecting the relatively lower wage levels in these enterprises.

These figures highlight the significant contribution of FDI enterprises to the state social insurance budget. Their higher salaries result in proportionally greater social contributions, underscoring their critical role in supporting Moldova's social insurance system.

FDI: Global, regional and local developments

7. Global foreign direct investment (FDI) in 2023 decreased marginally, by 2%, to USD 1.3 trillion. This headline figure was affected by wild swings in financial flows through a small number of European conduit economies; excluding the effect of these conduits, global FDI flows were more than 10% lower than in 2022.
8. The global environment for international investment remains challenging in 2024. Weakening growth prospects, economic fracturing trends, trade and geopolitical tensions, industrial policies and supply chain diversification are reshaping FDI patterns, causing some multinational enterprises (MNEs) to adopt a cautious approach to overseas expansion.
9. After the record set in 2022, with net foreign direct investment (FDI) flows totaling USD 586.4 million, the Republic of Moldova attracted USD 357.2 million in 2023. Despite the challenges posed by the pandemic and the war in Ukraine, which intensified uncertainties, risks, and pressures on FDI, the investment stock not only remained stable but even registered growth. This trend indicates that foreign investors did not respond with massive capital withdrawals, signaling a consistent level of confidence in Moldova's economy, even amidst difficult external circumstances.
10. In 2023, foreign direct investments in the form of equity and shares recorded significant growth, particularly from EU countries. EU investments increased by 14%, surpassing for the first time the historic threshold of USD 3 billion. Investors

from the EU held the majority share, representing 84% of total foreign direct investments.

11. Between 2014 and 2023, the Republic of Moldova recorded an average of 5.8 Greenfield projects per year, a performance similar to that of Albania (5.7) and Montenegro (7.8). However, most comparator countries achieved 3 to 4 times more projects in the same period, with Lithuania surpassing Moldova by a factor of 11. Notably, Moldova lags behind other small economies in transition or former Soviet states, such as Armenia (11.4), Azerbaijan (16.9), and Georgia (17.5).
12. Over the past 10–15 years, the manufacturing industry has been the primary target of Greenfield FDI in Moldova, both in terms of the number of projects and capital investments. This includes the production of automotive and electrical components, where German and Japanese companies have been the most active investors. However, it is important to note that these investments have had a limited impact on domestic production due to factors such as low technological sophistication, limited productivity, and weak integration of local companies into the value chains of FDI firms.
13. The degree of foreign capital penetration into the economy is effectively reflected by the level of foreign direct investment (FDI) stock per capita. Empirical data on this indicator show significant discrepancies between comparator countries, with the Republic of Moldova recording a low level of USD 1,610 per capita in 2023. Among all the comparator countries, only Ukraine has a lower level (USD 1,477 per capita). To reach the average level of Eastern European countries, this indicator would need to increase by nearly 2.7 times. The comparison of FDI stock relative to GDP (Figure 8) presents a more favorable view. In 2023, the FDI stock represented approximately 33.1% of GDP, a percentage that exceeds the average for Eastern European economies.
14. However, the assessment of the FDI stock in the Republic of Moldova, regardless of the methodology used, indicates a relatively low level compared to comparator countries. Therefore, improving policies and practices for attracting FDI is essential to enhance Moldova's competitiveness against other nations. These measures are crucial for strengthening investment attraction and promoting sustainable economic development.

FDI impact analysis

15. In 2022, FDI enterprises (100% foreign-owned and mixed companies with foreign participation) generated a GDP of 53.3 billion MDL, representing 19.4% of Moldova's total GDP. The structure of their GDP contribution differs notably from that of the overall economy. The largest shares come from the manufacturing industry (21.4%), wholesale and retail trade (17.1%), information and communications (15.2%), and financial and insurance activities (9.4%), which together account for about 63% of the GDP generated by FDI.

In contrast, the national GDP has a more diversified structure, with the largest contributions from trade (16.6%), manufacturing (9.3%), agriculture (8.1%), construction (7.6%), and real estate transactions (7.2%), together making up 49% of the total. This discrepancy highlights the dominant role of FDI in industrial and technological sectors, while the national economy is more reliant on traditional sectors such as agriculture, construction, and real estate.

16. Foreign direct investment (FDI) enterprises contribute 18.7% of the total gross value added generated in the economy. They make the most significant contribution to value added in sectors such as financial and insurance activities (58.5%), information and communications, and manufacturing (both 44.8%), electricity, heat, gas, and water supply (30.5%), and administrative and support services (21.8%). These figures underscore the strategic role of FDI enterprises in key economic sectors, significantly contributing to the development and diversification of the economy of the Republic of Moldova.

17. Foreign direct investment (FDI) enterprises play a significant role in job creation and labor productivity growth in the Republic of Moldova. Although FDI enterprises account for only 6.0% of the total number of enterprises in the country, they employ 14.6% of the workforce in enterprises. The share of FDI enterprises in sales revenues is 25.5%, indicating higher labor productivity compared to the national average. This dynamic shows that FDI enterprises not only create a significant number of jobs but also generate substantial revenues, reflecting a more efficient use of human resources in the economy.

18. Foreign direct investment (FDI) enterprises are important contributors to the national budget, especially through the income tax paid from business activities. In 2023, FDI enterprises accounted for 25.3% of the total corporate income tax collected, emphasizing their ongoing fiscal importance in the economy. This contribution reflects not only the significant volume of economic activities carried out by FDI enterprises but also their fiscal discipline, making them a vital pillar for the public finances of the Republic of Moldova.

19. The share of FDI enterprises in the total salaries paid has increased from 15.2% in 2014 to 15.8% in 2023. These figures highlight the important role of FDI

enterprises in the national economy, not only in terms of contributing to revenue but also in creating more favorable conditions for employees in terms of wages.

20. Foreign direct investment (FDI) enterprises have a significant contribution to the development of infrastructure and productive capacities, which are essential for economic growth. In 2023, FDI enterprises held 21.9% of the total fixed assets of the economy, including both industrial and social-purpose assets.

Methodology and approach

The objective of the study is to analyze the impact of Foreign Direct Investments (FDI) on the overall economy of the Republic of Moldova.

The authors have utilized a wide range of relevant data sources to ensure comprehensive coverage of the topic. Public statistical data provided by the National Bureau of Statistics (BNS) and the National Bank of Moldova (BNM) were integrated, accessible through statistical databases and public reports. Additionally, the authors obtained more detailed statistical data from the BNS and the State Fiscal Service (SFS) in response to official information requests.

To assess Moldova's performance in attracting FDI in comparison to other similar countries, the UNCTADSTAT database and detailed publications from the United Nations Conference on Trade and Development (UNCTAD) were used.

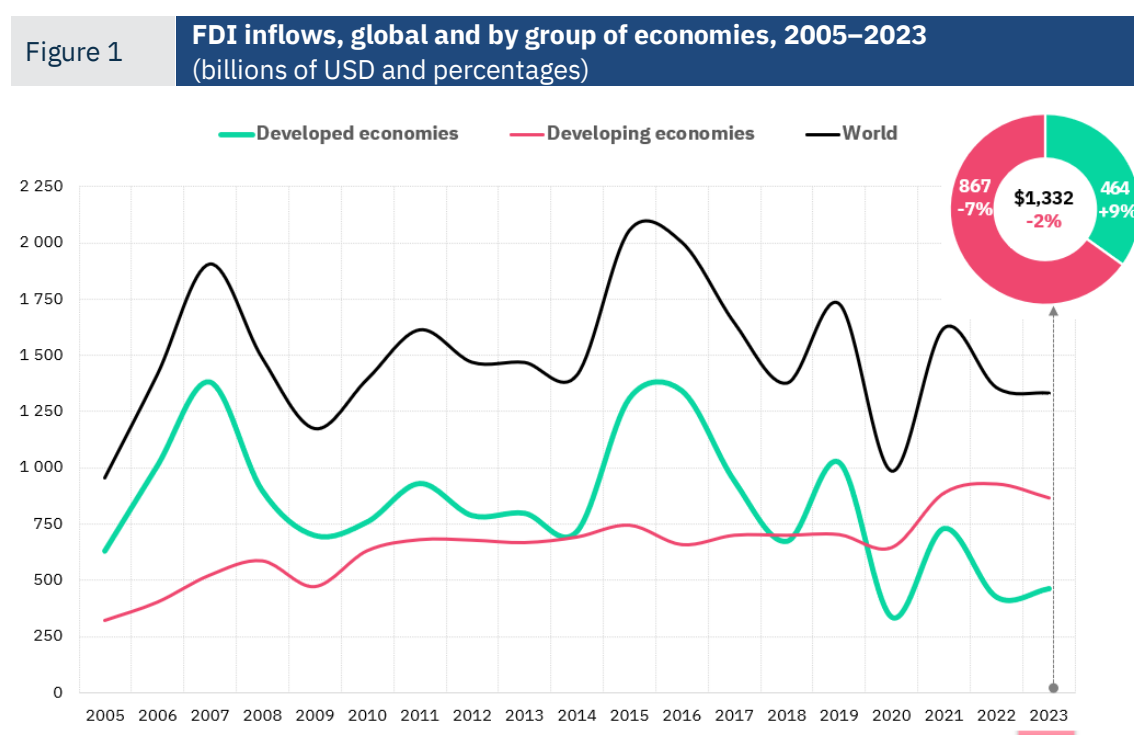
Chapter 1

FDI: Global, regional and local developments

1.1 Global and regional trends

Global foreign direct investment (FDI) in 2023 decreased marginally, by 2%, to USD 1.3 trillion.

This headline figure was affected by wild swings in financial flows through a small number of European conduit economies; excluding the effect of these conduits, global FDI flows were more than 10% lower than in 2022.



Source: UNCTAD

The global environment for international investment remains challenging in 2024. Weakening growth prospects, economic fracturing trends, trade and geopolitical tensions, industrial policies and supply chain diversification are reshaping FDI patterns, causing some multinational enterprises (MNEs) to adopt a cautious approach to overseas expansion. However, MNE profit levels remain high, financing conditions are easing and increased greenfield project announcements in 2023 will positively affect FDI. Modest growth for the full year appears possible.

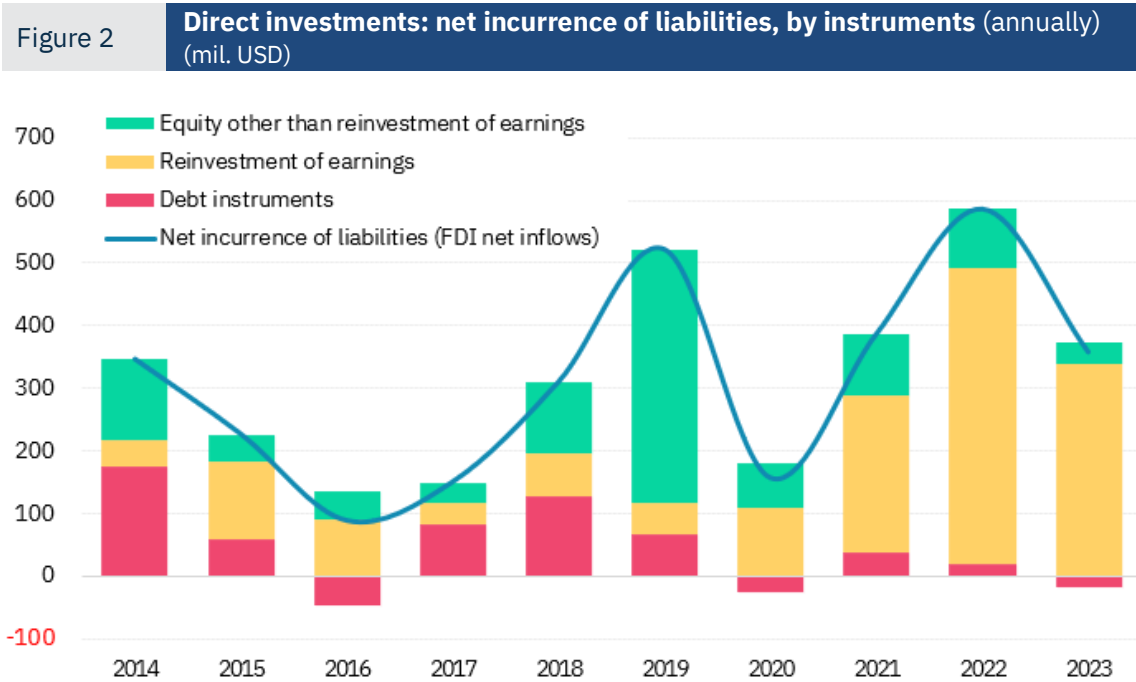
International project finance and cross-border mergers and acquisitions (M&As) were especially weak in 2023. M&As, which mostly affect FDI in developed countries, fell by 46% in value. Project finance, important for infrastructure investment, was down 26%. Tighter financing conditions, investor uncertainty, volatility in financial markets and – for M&As – tighter regulatory scrutiny were the principal causes of the decline.

Greenfield investment project announcements provided a bright spot. Project numbers increased by 2%, with the growth concentrated in manufacturing, interrupting a decade-long trend of gradual decline in the sector. Furthermore, growth was concentrated in developing countries, where the number of projects was up by 15%. In developed countries new project announcements were down 6%.

1.2 FDI in the Moldovan economy

FDI net inflows

The net inflows of FDI attracted by the Republic of Moldova during the 2014–2023 period showed a fluctuating trend, with signs of stabilization in the last three years. The lowest point was recorded in 2016, with USD 87.4 million, whereas 2022 reached a record high, with total net inflows amounting to USD 586.4 million.



Source: NBM, International Accounts of the Republic of Moldova

According to reports from the National Bank of Moldova (NBM), the net accumulation of liabilities in the form of direct investments in 2023 amounted to USD 357.2 million. This was primarily driven by:

- A net increase in equity participations and shares held by non-residents in Moldovan enterprises, totaling USD 34.5 million, which included gross inflows of USD 80.2 million and investment withdrawals of USD 45.7 million;
- Reinvestment of profits by foreign investors in their Moldovan subsidiaries, amounting to a net value of USD 339.4 million.

Additionally, resident enterprises made net debt repayments to their direct foreign investors, amounting to USD 16.7 million. This included gross debt accumulation of USD 205.3 million and repayments totaling USD 222.0 million.

Over the past three years, profit reinvestment has become the dominant component driving new FDI inflows in Moldova. The key factors influencing this trend include:

- Improved profitability of existing investments: higher returns for companies already operating in Moldova have made reinvestment in expansion or new projects more attractive.
- Confidence in the business environment: profit reinvestment indicates trust among investors in Moldova's economic prospects and long-term stability.
- A favorable investment climate: measures such as tax incentives, reduced bureaucracy, and infrastructure enhancements have likely encouraged foreign companies to reinvest locally rather than repatriating profits.
- Currency stability: a stable or appreciating local currency has reduced exchange rate risks, making reinvestment in Moldova's economy more appealing.

These factors highlight a positive trend for Moldova's business environment and underscore the importance of sustaining favorable conditions to attract new investments while encouraging the reinvestment of existing capital.

Inward FDI stocks

As of December 31, 2023, the total inward FDI stock was estimated at USD 5,469 million, reflecting a 10.6% increase compared to the end of 2022.

This growth was driven by net effective inflows of direct investments (USD 357.2 million) and the impact of exchange rate fluctuations of original currencies against the US dollar (USD 351.6 million). However, the position of direct investment liabilities was negatively affected by price changes (USD -146.8 million) and other adjustments (USD -39.73 million).

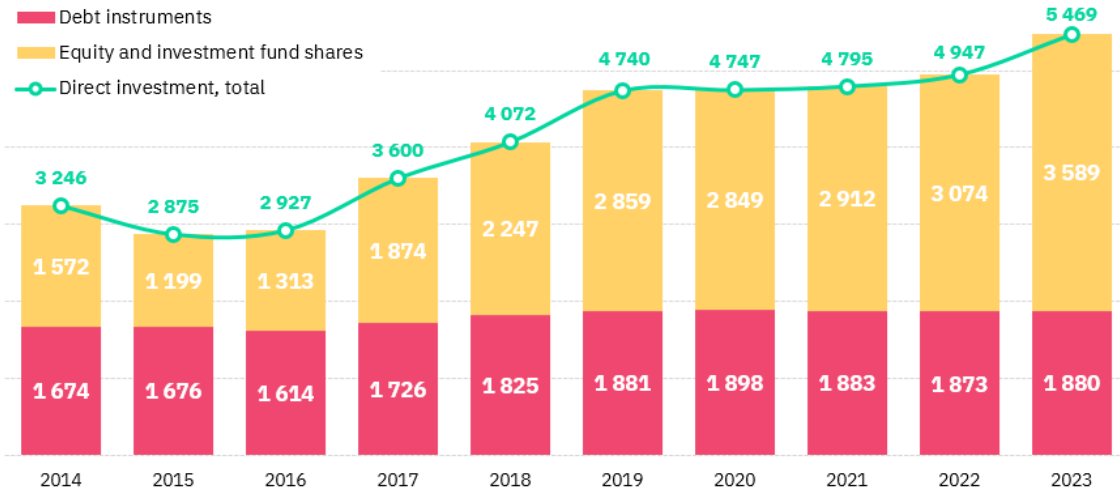
The share of equity and investment fund shares in the total stock of direct investment liabilities exceeded that of debt instruments, accounting for 65.6% versus 34.4%.

The composition of debt instruments was as follows:

- USD 1,053.7 million: stock of loans contracted from direct foreign investors.

- USD 273.3 million: commitments in the form of trade credits and advances owed to direct foreign investors.
- USD 553.5 million: other debts owed to direct foreign investors.

Figure 3 Inward FDI stocks (direct investment liabilities), at the end of the year (mil. USD)

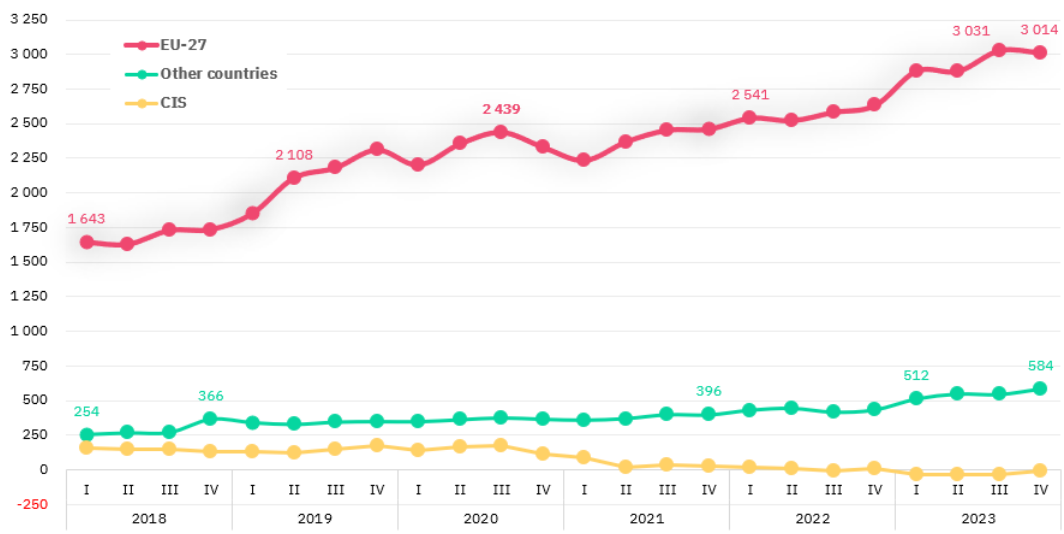


Source: NBM, International Accounts of the Republic of Moldova

Inward FDI stocks by geographical distribution

In 2023, foreign direct investments in the form of equity and shares recorded significant growth, particularly from EU countries. These investments increased by 14%, surpassing for the first time the historic threshold of USD 3 billion. Investors from the EU held the majority share, representing 84% of total foreign direct investments.

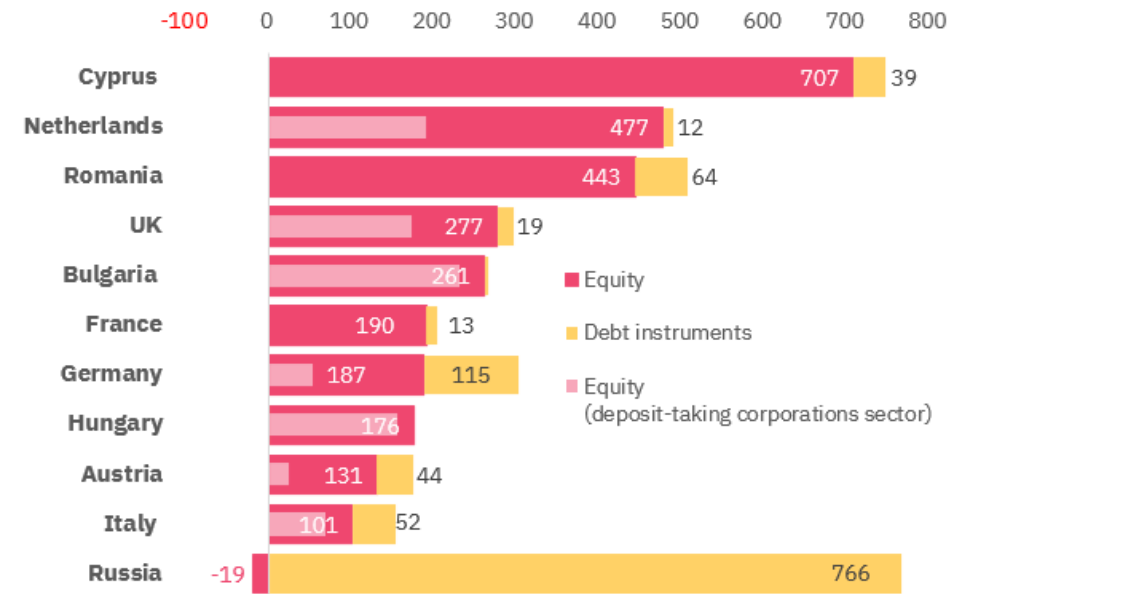
Figure 4 Position of direct investments – equity, by geographic region, at the end of period (mil. USD)



Source: NBM, International Accounts of the Republic of Moldova and authors' calculations

The top five countries contributing to foreign investments in the form of equity and shares were Cyprus, the Netherlands, Romania, the United Kingdom, and Bulgaria.

Figure 5 Inward FDI stocks as of 31-Dec 2023, by main countries (mil. USD)



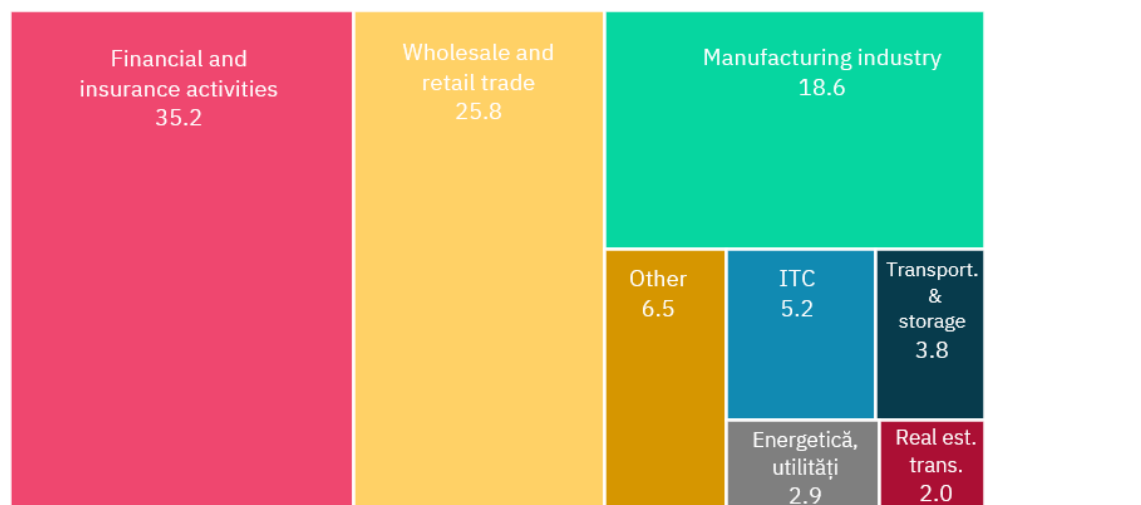
*Stocks calculated according to the balance-sheet value, distribution by countries based on the direct investor

Source: NBM, International Accounts of the Republic of Moldova and authors' calculations

FDI distribution by economic activities (by the accumulated equity)

According to NBM data at the end of 2023, the main economic activities that attracted foreign investments in the form of equity capital were financial and insurance activities (35.2%), wholesale and retail trade (25.8%), and manufacturing industry (18.6%).

Figure 6 Direct investment in domestic economy, equity as of 31-Dec 2023, by industry (percentages)



Source: NBM, International Accounts of the Republic of Moldova and authors' calculations

1.3 FDI: Moldova's regional performance

International benchmarking (comparative analysis) is a crucial component in the process of assessing and developing new policies related to foreign direct investment (FDI). Studying successful examples from other countries in attracting FDI can provide valuable insights and practical guidance for the effective development and implementation of policies in the Republic of Moldova.

To evaluate Moldova's performance, the following countries were selected for comparison: Romania, Ukraine, the Russian Federation, Armenia, Georgia, Albania, Bosnia and Herzegovina (BiH), Montenegro, North Macedonia, Estonia, Latvia, Lithuania, and Slovakia.

These countries serve as direct competitors to Moldova in attracting FDI and are comparable in at least one of the following areas: population or economic size, political and economic context, domestic market size, level of economic development, and recent historical evolution.

Number of 'Greenfield' FDI projects announced

Most foreign direct investments (FDI) globally are made through Greenfield projects, making the annual number of such projects a key indicator of competitiveness in attracting FDI for countries worldwide.

Between 2014 and 2023, the Republic of Moldova recorded an average of 5.8 Greenfield projects per year, a performance similar to that of Albania (5.7) and Montenegro (7.8). However, most comparator countries achieved 3 to 4 times more projects in the same period, with Lithuania surpassing Moldova by a factor of 11.

Notably, Moldova lags behind other small economies in transition or former Soviet states, such as Armenia (11.4), Azerbaijan (16.9), and Georgia (17.5).

Over the past 10–15 years, the manufacturing industry has been the primary target of Greenfield FDI in Moldova, both in terms of the number of projects and capital investments. This includes the production of automotive and electrical components, where German and Japanese companies have been the most active investors, according to the *Greenfield fDi Markets* investment monitor.

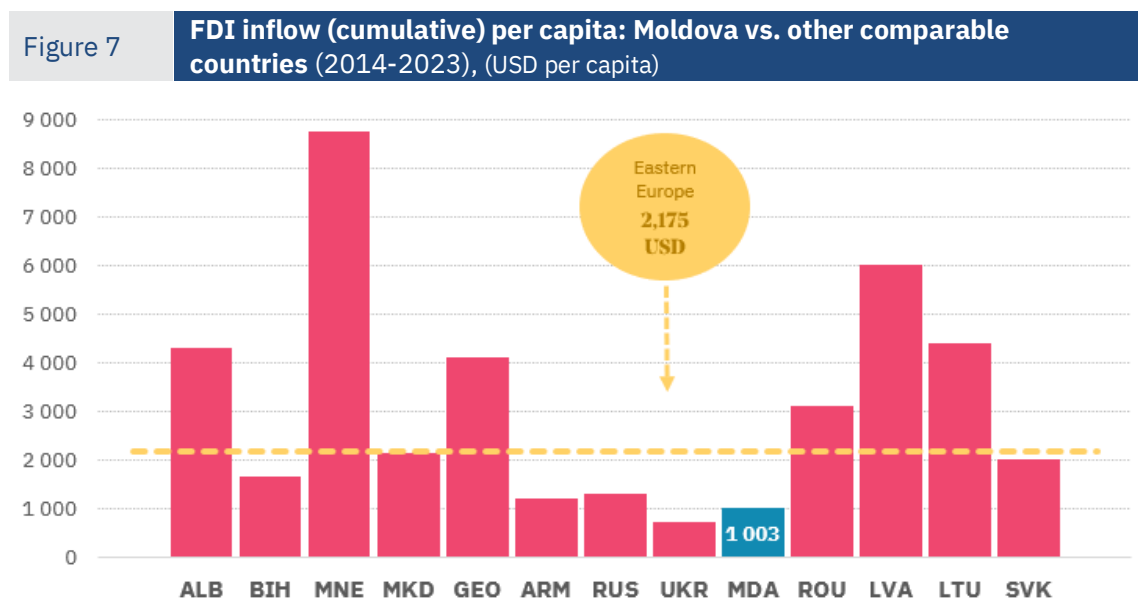
However, it is important to note that these investments have had a limited impact on domestic production due to factors such as low technological sophistication, limited productivity, and weak integration of local companies into the value chains of FDI firms.

FDI inflows per capita between 2014-2023

Over the past decade, the performance of benchmarking (comparator) countries in attracting foreign direct investments (FDI) has varied significantly, primarily influenced by each country's economic potential, natural resources, and the speed and effectiveness of implementing economic reforms.

In this context, the top-performing countries have been Montenegro, the Baltic States, Albania, and Georgia. In these countries, the cumulative FDI inflow per capita during 2014–2023 exceeded the level recorded by the Republic of Moldova by at least fourfold (Figure 7).

Moldova's performance ranks among the weakest in this group, with a cumulative FDI inflow of only USD 1,003 per capita, a value significantly below the average for Eastern European economies.



Source: UNCTADSTAT

Share of FDI inflows in GDP

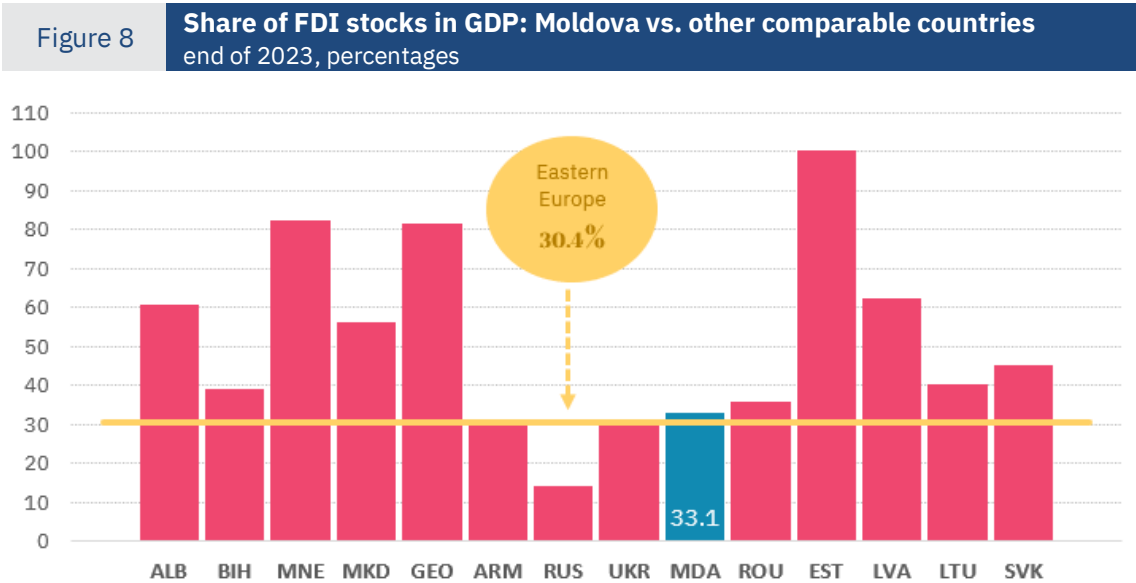
According to the indicator measuring FDI inflow relative to Gross Domestic Product (GDP), the Republic of Moldova has performed relatively well compared to other countries. In 2023, the share was 2.2%, and in 2022, it was 4.1%, both values exceeding the Eastern European average of 1.6%. This result is attributed to both the growth in FDI inflows over the past two years and Moldova's lower GDP level.

However, Moldova has one of the lowest GDPs per capita among the comparator countries, and the relatively small GDP and volatility of FDI flows require a cautious interpretation of this indicator. Therefore, it is important to consider other indicators for a more comprehensive and objective international comparison.

FDI stocks per capita & share in GDP

The degree of foreign capital penetration into the economy is effectively reflected by the level of foreign direct investment (FDI) stock per capita. Empirical data on this indicator show significant discrepancies between comparator countries, with the Republic of Moldova recording a low level of USD 1,610 per capita in 2023. Among all the comparator countries, only Ukraine has a lower level (USD 1,477 per capita). To reach the average level of Eastern European countries, this indicator would need to increase by nearly 2.75 times.

The comparison of FDI stock relative to GDP (Figure 8) presents a more favorable view. In 2023, the FDI stock represented approximately 33.1% of GDP, a percentage that exceeds the average for Eastern European economies.



Source: UNCTADSTAT

However, the assessment of the FDI stock in the Republic of Moldova, regardless of the methodology used, indicates a relatively low level compared to comparator countries. Therefore, improving policies and practices for attracting FDI is essential to enhance Moldova's competitiveness against other nations. These measures are crucial for strengthening investment attraction and promoting sustainable economic development.

Chapter 2

FDI enterprises vs. local private and public enterprises

The efficiency of enterprises with foreign direct investment (FDI) was assessed and compared to that of locally owned companies using data from the National Bureau of Statistics (NBS) and based on the NBS methodology for identifying FDI enterprises¹.

FDI companies most affected by the COVID-19 pandemic and the war in Ukraine

According to NBS data, the total number of reporting enterprises in 2023 was 63,778². The majority were locally owned private enterprises, accounting for 92.3% of the total.

Enterprises with FDI represented 6.0% of all reporting entities. Of these, 4.0% were (fully) foreign-owned enterprises, while 2.0% were mixed enterprises with foreign participation. In comparison, in 2014, enterprises with FDI constituted 8.3% of reporting entities, with 4.7% being foreign-owned and 3.6% being mixed enterprises with foreign capital.

Public enterprises represented the smallest share of all enterprises in Moldova, comprising just 1.8% of the total. Of these, 1.7% were fully public enterprises, while 0.1% were mixed ownership entities (public and private).

Over the past decade, the total number of enterprises in Moldova has generally followed an upward trend, except for a temporary decline during the financial crisis of 2015.

Local private enterprises were the most affected by the crisis, with their numbers decreasing by 2,430 units (a decline of 5.1%) compared to 2014. In contrast, enterprises with FDI experienced a smaller impact, with their numbers falling by only 83 units (a reduction of 1.9%) over the same period.

Until the COVID-19 pandemic, the number of enterprises with FDI in Moldova remained relatively stable. A decline in mixed enterprises (with foreign participation) was balanced by an increase in foreign-owned companies.

¹ According to the NBS definition, FDI enterprises are identified depending on the form of ownership and include foreign-owned enterprises (whose share of foreign capital is 100%) and joint ventures (whose share of foreign capital is between 0% and 100%).

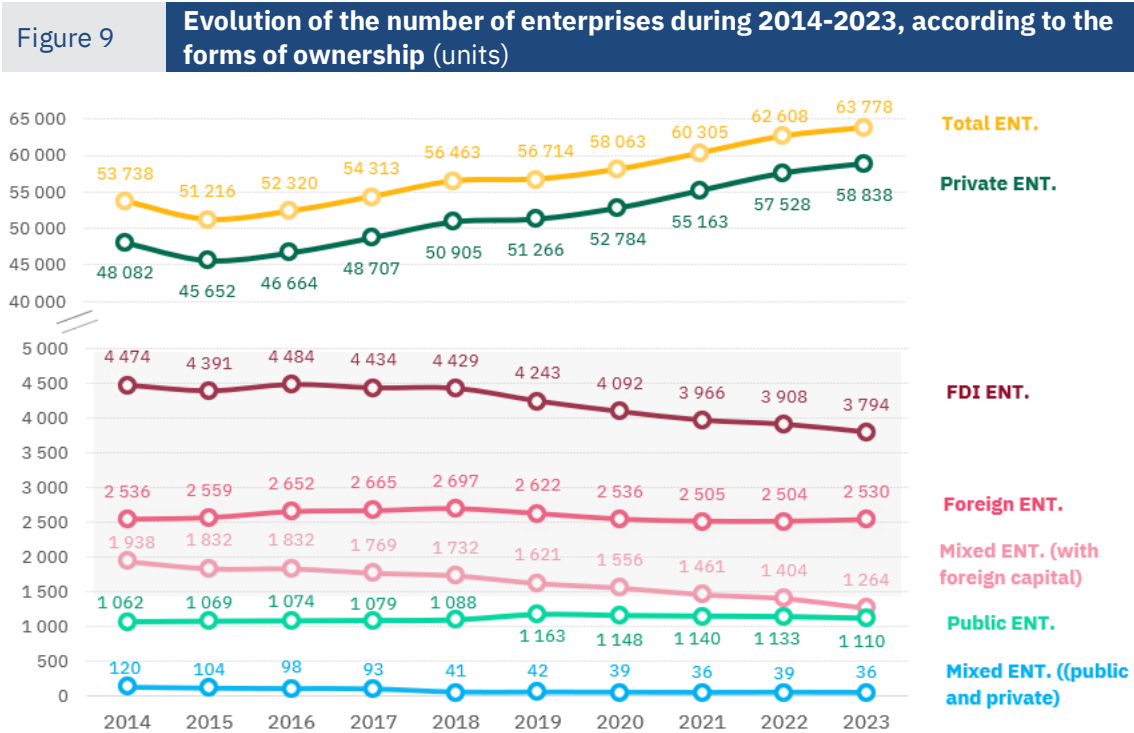
² The information is based on financial statements submitted by entities that use the double-entry accounting system, excluding banks, insurance companies, citizens' savings and loan associations, non-commercial organizations, and budgetary institutions.

However, the pandemic had a more pronounced impact on enterprises with FDI, especially those integrated into global value chains. The total number of such enterprises decreased, driven in part by a reduction in foreign-owned companies.

The conflict in Ukraine further intensified economic and geopolitical uncertainties in the region, amplifying foreign investors' hesitation to enter the Moldovan market. By 2023, the number of mixed enterprises (with foreign participation) had dropped by 140 units, reaching its lowest point in a decade.

By the end of 2023, the total number of enterprises with FDI in Moldova had fallen to 3,794, the lowest level in the past ten years. This decline highlights the significant challenges Moldova faces in attracting and retaining foreign direct investment amid regional instability.

The developments in 2023 underscore the need for Moldova to address persistent obstacles to FDI, particularly in the current economic and geopolitical climate. Implementing sustainable economic policies and cultivating a more favorable investment environment will be essential to reversing this trend.



Source: NBS data

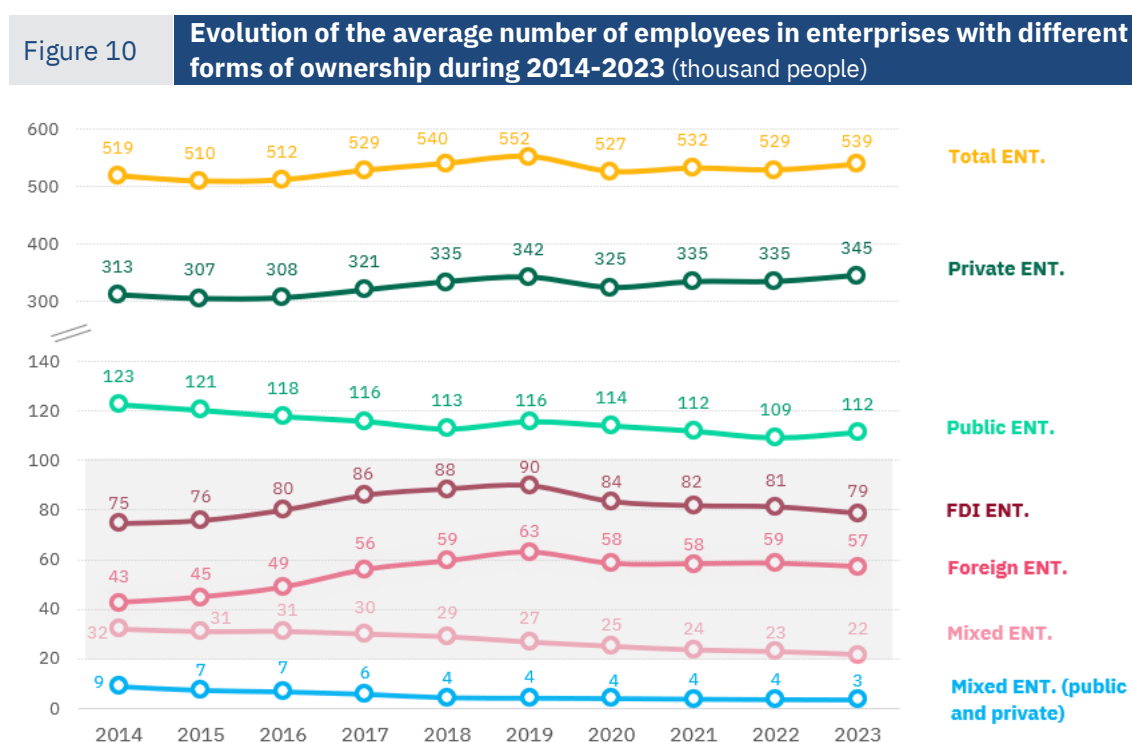
Average number of employees

In 2023, the average number of employees in FDI enterprises was 20.8.

Local private enterprises accounted for 64.0% of total employment, while public and mixed enterprises (public and private) employed about 21.3% of the workforce. **FDI enterprises contributed significantly to employment, accounting for 14.6% of total employees (10.6% in (fully) foreign-owned enterprises and 4.0% in mixed enterprises with foreign capital).**

The national average number of employees per enterprise was 8.5. Public and mixed enterprises were the largest employers, with an average of 100 and 96 employees, respectively. FDI firms had an average of 20.8 employees per enterprise, placing them between public and local private enterprises in terms of size. Local private enterprises, while the most numerous, are also the smallest in size, with an average of only 5.9 employees per firm. This makes them generally more vulnerable and less resilient to various economic shocks.

The total number of employees in enterprises grew from 519 thousand in 2014 to 552 thousand in 2019 (Figure 10), largely driven by an increase in employment in private enterprises (+29.2 thousand employees).



Source: NBS data

In contrast, mixed enterprises with foreign capital have experienced a dramatic decline. The number of mixed companies decreased from 120 to 42 due to reorganization and privatization, and as a result, the number of employees in these enterprises halved, dropping from 8.8 thousand to 4.3 thousand.

Public enterprises saw a reduction of 7 thousand employees, bringing their total to 116 thousand by the end of 2019.

Enterprises with FDI, however, experienced an increase in the number of employees, rising from 75 thousand to 90 thousand. This increase was entirely driven by foreign-owned enterprises, which saw a growth of 20.5 thousand employees, while mixed enterprises lost approximately 5.4 thousand employees.

The COVID-19 pandemic led to the loss of 25.4 thousand jobs across the Republic of Moldova. FDI enterprises were significantly impacted, with a total loss of 6.3 thousand jobs – 4.6 thousand in foreign-owned enterprises and 1.7 thousand in mixed enterprises.

Over the past three years (2021-2023), private enterprises have seen a steady increase in the number of employees, reaching 345.2 thousand by the end of 2023, setting a record for the past decade. The total number of employees in the economy also grew, approaching pre-pandemic levels, with 539 thousand employees by the end of 2023. This recovery was largely driven by the private sector, while other types of enterprises continued to show a downward trend.

Despite the significant impact of the pandemic, the private sector has managed to revive hiring, reaching a historic high in employment numbers. FDI enterprises, despite the challenges they faced during the pandemic, continue to be a key driver of economic growth and employment in the Republic of Moldova, playing a critical role in the nation's economy.

Analysis of sales revenue

In 2023, reporting enterprises in the Republic of Moldova generated sales revenues of 636.1 billion lei, marking a 3.9% increase compared to 2022.

Local private enterprises accounted for 61.1% of total revenues, while enterprises with FDI contributed 25.5%, with 15.6% from foreign-owned enterprises and 9.9% from mixed enterprises (with foreign participation). Public and mixed-ownership enterprises (public and private) generated 13.3% of total revenues.

Enterprises with FDI are significantly more productive, achieving 83% higher productivity than local private enterprises. This performance highlights the efficiency of FDI enterprises in utilizing resources and their crucial role in driving economic growth.

Mixed companies with foreign participation recorded the highest productivity, with 2,922 thousand lei per employee, maintaining steady annual growth over the past decade. Foreign-owned enterprises had a productivity of 1,734 thousand lei per employee, surpassing the national average by over 47%.

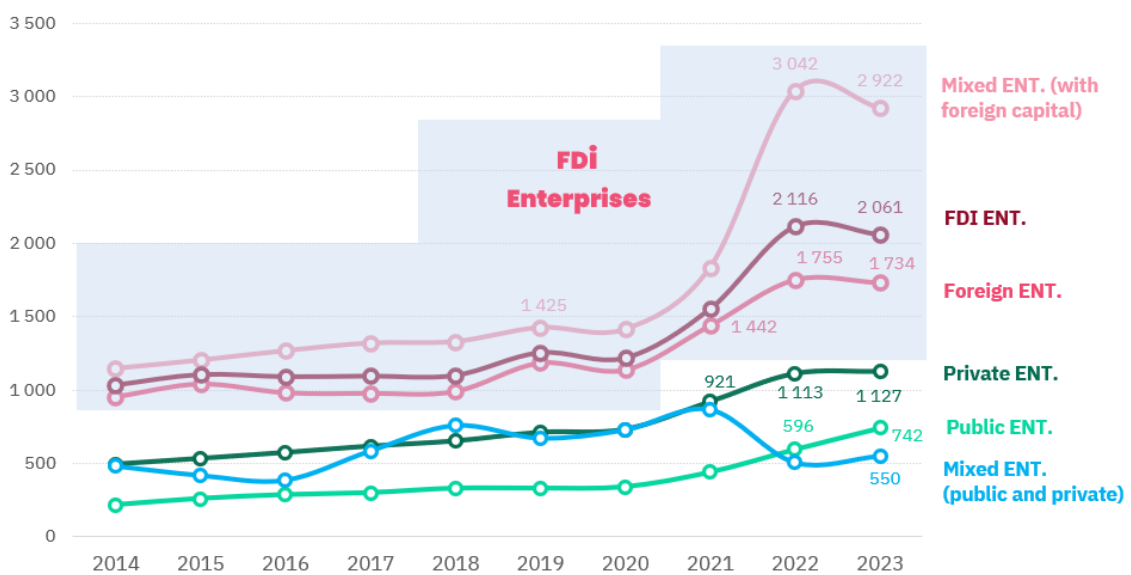
In 2023, local privately owned enterprises achieved an average labor productivity of 1,127 thousand lei per employee, which is close to the national average of 1,180 thousand lei per employee.

Although labor productivity in state-owned enterprises, both fully and partially, has improved over the last decade, their productivity remains the lowest among all categories.

The higher productivity of enterprises with FDI is evident across all major economic sectors, driven by advanced technology, integration into global value chains, and efficient management practices.

FDI companies continue to lead in productivity in the Republic of Moldova, making significant contributions to economic value added. In contrast, local private and public enterprises need investments in modernization and efficiency to enhance their competitiveness. The performance of FDI enterprises underscores the importance of attracting foreign capital to foster the country's economic development.

Figure 11 Sales revenue sales per 1 employee in enterprises with different forms of ownership during 2014-2023 (MDL thousand)



Source: NBS data

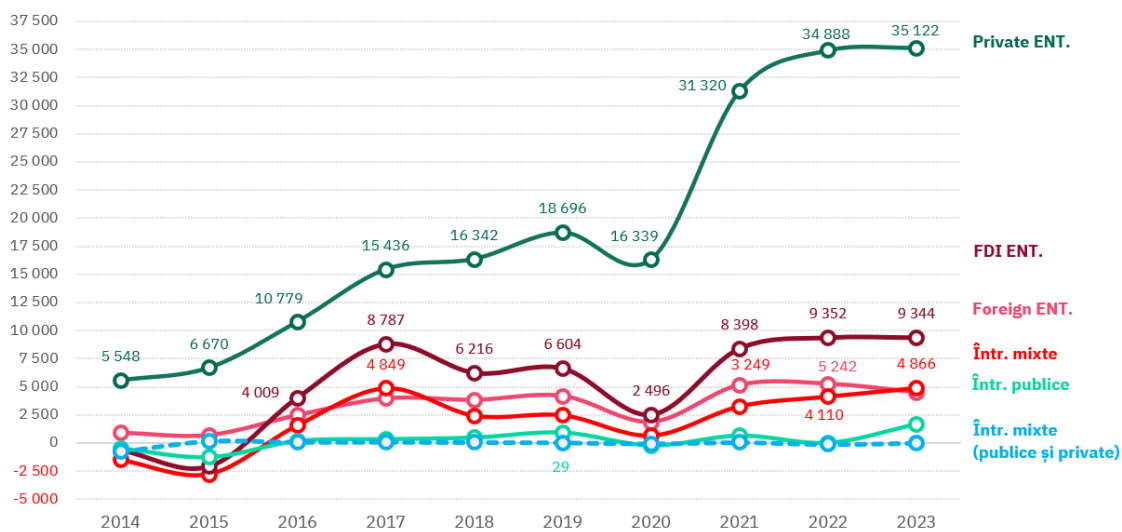
Analysis of the profit (loss) before tax

According to the results for 2023, Moldovan enterprises, regardless of ownership structure, achieved a pre-tax profit of approximately 46.1 billion lei.

Local private enterprises contributed 76.1% of this total profit, fueled by a significant improvement in productivity. Enterprises with FDI accounted for 20.2% of the total profit, with 9.7% coming from foreign-owned enterprises and 10.5% from mixed enterprises. Public enterprises generated only 3.6% of the total profit, with mixed enterprises with public participation reporting a very minimal profit of just 497 thousand lei, highlighting weak financial performance.

Figure 12

Profit (loss) before tax of enterprises with different forms of ownership during 2014-2023 (MDL millions)



Source: NBS data

After the 2015 crisis, FDI enterprises in Moldova demonstrated consistent profitability, with a cumulative pre-tax profit of 8.8 billion lei in 2017. The positive trend continued in the following years, with FDI enterprises generating over 6 billion lei in profits annually.

However, during the COVID-19 pandemic, FDI enterprises, deeply integrated into global value chains, saw their profits decrease by about 2.6 times, dropping to 2.5 billion lei. From 2021 to 2023, these enterprises not only recovered but exceeded pre-pandemic profit levels, with a record pre-tax profit of 9.35 billion lei in 2022.

Local private enterprises experienced the fastest profit growth in the last decade, reflecting improved operational efficiency and productivity.

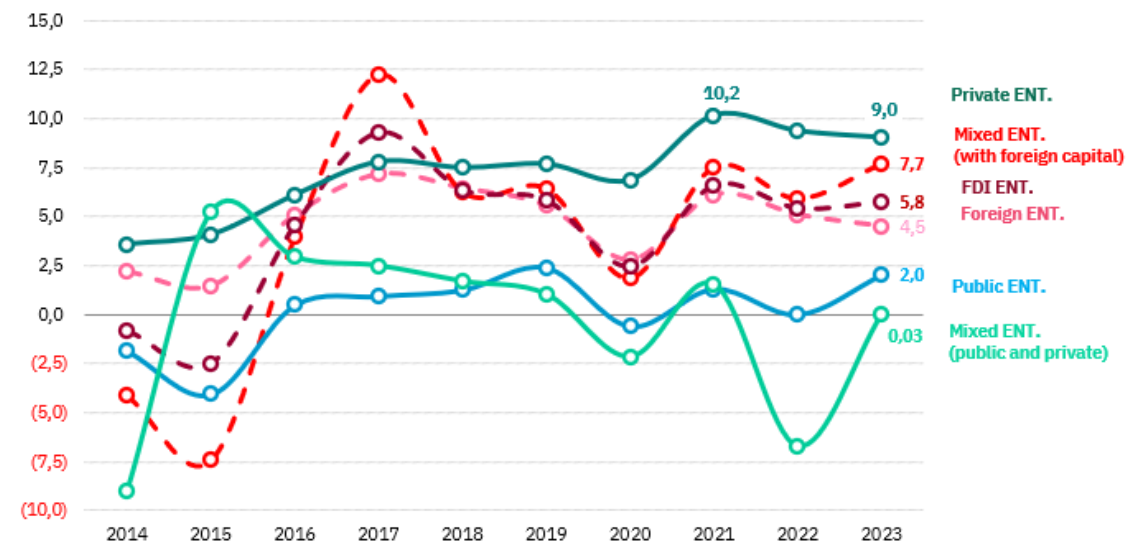
In contrast, local public and mixed enterprises (with public and private ownership) continued to struggle with poor financial performance, often operating in the red and showing the worst results in the national economy.

In 2023, the national average return on sales (ROS) stood at 7.25%. Mixed companies with foreign participation slightly outperformed the national average, achieving a profitability index of 7.7%, while fully foreign-owned enterprises reported a profitability of 4.5%, below the national average.

Overall, FDI enterprises in Moldova recorded a ROS of 5.8%, which is lower than the national average. This can largely be attributed to their focus on capital and technology intensive industries, such as manufacturing, which typically have lower profit margins due to higher investments and operational costs.

In contrast, local private enterprises have demonstrated strong performance, with increasing profitability. Meanwhile, public and mixed enterprises with public participation continue to struggle with significant structural and operational challenges.

Figure 13 Return on sales of enterprises with different forms of ownership during 2014-2023 (percentages)



Source: NBS data

Corporate income tax expenses

In 2023, enterprises in the Republic of Moldova paid a total of 6.8 billion lei in corporate income tax from their entrepreneurial activities. Local private enterprises were the largest contributors, accounting for 71.0% of the total income tax, reflecting their significant role in the Moldovan economy.

Enterprises with FDI contributed 25.3% of the total corporate income tax, with fully foreign-owned enterprises providing 16.2% and mixed enterprises contributing 9.1%.

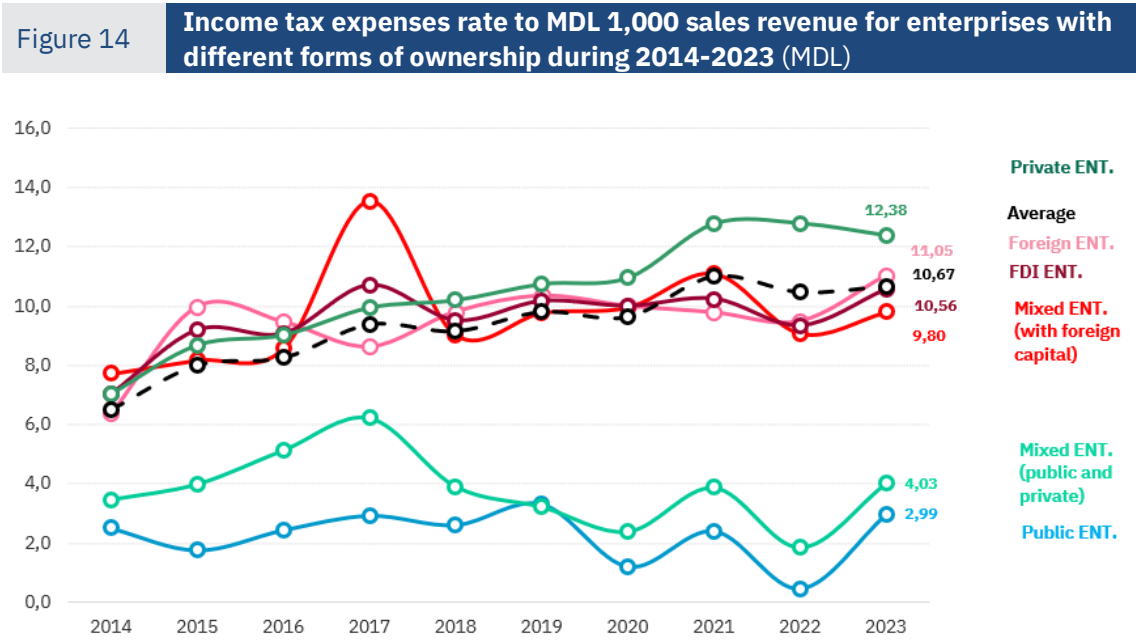
Public and mixed enterprises with public capital were the smallest contributors, accounting for 3.6% and 0.1% of the total income tax, respectively.

When examining corporate income tax rates in relation to sales revenues, local private enterprises reported the highest tax rate, paying 12.38 lei in corporate income tax for

every 1,000 lei of sales revenue. This suggests a higher tax contribution relative to their sales.

Enterprises with FDI, on the other hand, reported an average tax rate of 10.56 lei per 1,000 lei of sales revenue, indicating both solid economic performance and the positive effects of favorable fiscal policies and incentives for foreign investors.

In contrast, enterprises with public capital participation had the lowest income tax rate per sales revenue, reflecting their weaker financial performance and reduced fiscal contribution compared to other categories of enterprises in Moldova.



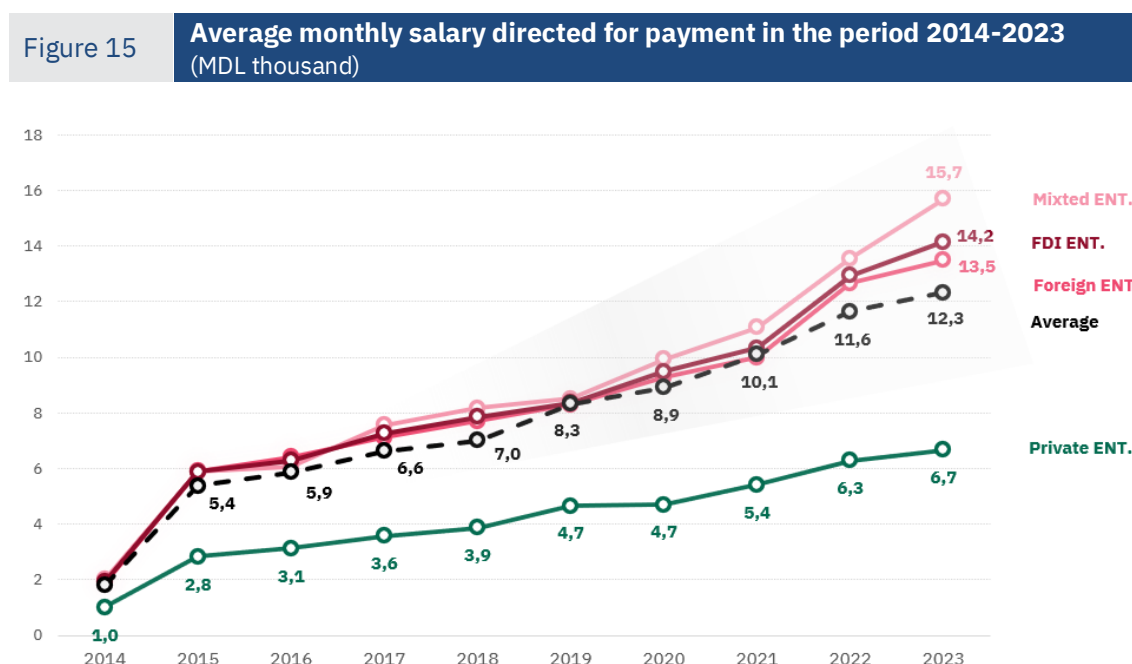
Source: NBS data

Salaries directed for payment

According to data from the State Fiscal Service (SFS), the total wages paid by enterprises in Moldova amounted to approximately 85 billion lei in 2023. Out of this, enterprises with FDI contributed around 14 billion lei, or 15.8% of the total wage payments. Specifically, 8.9 billion lei were paid by fully foreign-owned enterprises, while 4.5 billion lei were paid by mixed enterprises with foreign capital.

Mixed enterprises with foreign capital paid an average monthly wage of about 15.7 thousand lei, while fully foreign-owned enterprises paid around 13.5 thousand lei per month.

On average, enterprises with FDI paid an average monthly wage of 14.2 thousand lei in 2023, which is about 2.1 times higher than the average monthly wage paid by local private enterprises, which amounted to approximately 6.7 thousand lei³.



Source: SFS data

Employer contributions for mandatory Social Security Contribution (SSC)

(Indirect) expenditures related to employers' contributions for compulsory social insurance are also correlated with the total labour costs.

In 2023, enterprises with FDI contributed 3.3 billion lei (14.8% of the total in the economy) to the state social insurance budget. This includes 2.2 billion lei (9.8%) paid by fully foreign-owned enterprises and 1.1 billion lei (5.0%) by mixed enterprises with foreign capital participation.

On average, FDI enterprises transferred approximately 41.2 thousand lei per employee to the state social insurance budget in 2023. In comparison, private enterprises paid an average of 19.5 thousand lei per employee, reflecting the relatively lower wage levels in these enterprises. These figures underscore the significant role of FDI enterprises in supporting the state social insurance budget, driven by the higher salaries they offer to employees, which result in proportionally greater social contributions.

³ The average monthly salary directed to payment in 2023 was calculated by dividing the total salary paid during the fiscal period by the average total number of employees and then dividing the result by 12 calendar months. However, it is important to note that the data used in this calculation has some limitations. The State Fiscal Service (SFS) tracks taxpayers but does not account for factors such as the actual time worked, the seasonal nature of employment in certain sectors, and other variables that might affect the total wages paid. As a result, the data on average monthly salaries directed to payment should be interpreted with caution and may not fully reflect the actual wages earned by employees, particularly in sectors with seasonal or part-time work.

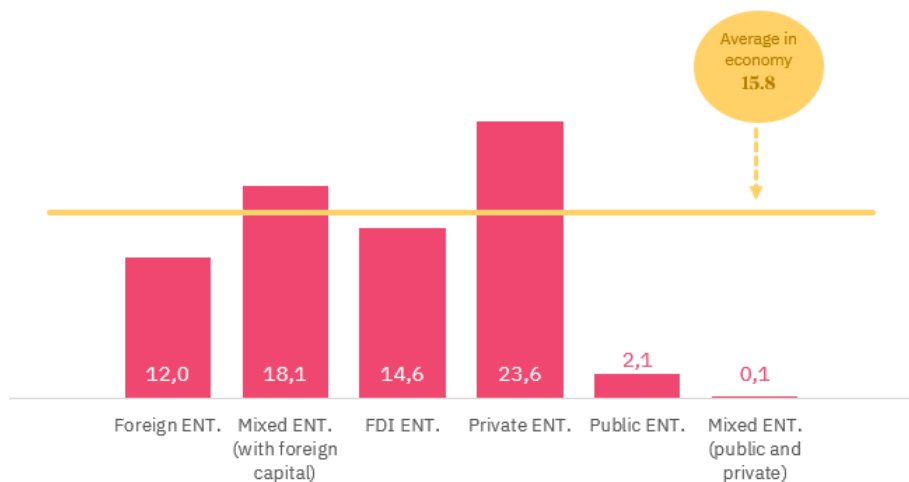
Fixed asset turnover ratio

Enterprises with FDI own 21.9% of the total fixed assets of enterprises operating in the Republic of Moldova. This includes 12.8% held by fully foreign-owned enterprises and 9.2% by mixed companies with foreign capital.

The fixed asset turnover ratio (calculated as the ratio of profit or loss before taxation to fixed assets) varies significantly depending on the sector of activity. Capital-intensive industries, such as manufacturing and electricity production and supply, typically show lower ratios due to substantial fixed asset investments. Conversely, service sector businesses, which require less capital investment, tend to have higher returns on assets. In 2023, local private enterprises, which dominate sectors like trade and real estate, recorded the highest return on fixed assets at 23.6%, well above the national average of 15.8%.

Figure 16

Fixed asset turnover ratio of enterprises with different forms of ownership in 2023 (percentages)



Source: Calculated based on NBS data

For FDI enterprises, with a significant presence in manufacturing and information and communication sectors, the fixed asset turnover ratio was 14.6%. This includes 12.0% for fully foreign-owned enterprises and 18.1% for mixed companies with foreign capital participation.

Enterprises with public ownership participation, concentrated in sectors such as transport, electricity and heat production and supply, and water distribution, reported the lowest returns on fixed assets. Specifically, enterprises with public ownership recorded a return of 2.1%, while those with mixed public capital participation had an even lower return of 0.06%.

These figures underscore the varying economic performances of enterprises across different sectors and ownership structures, highlighting the distinct challenges and opportunities within each category.

Chapter 3

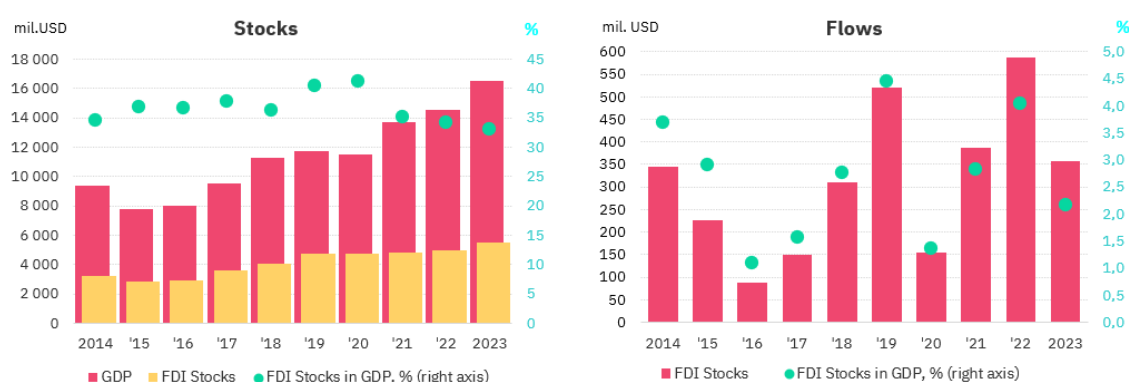
Impact of FDI on the economy of the Republic of Moldova

Contribution of FDI enterprises to GDP

The contribution of foreign direct investments (FDI) to GDP formation is one of the key indicators of their impact on Moldova's economy. According to data from the National Bank of Moldova (NBM), the share of FDI inflows in GDP fluctuated significantly during the period 2014–2023. The highest level was recorded in 2019 (4.4%), while the lowest was in 2016 (1.1%). In 2023, the share of FDI inflows in GDP stood at 2.2% (Figure 17).

The highest share of FDI stock in GDP (41.2%) was recorded in 2020, a year significantly affected by the pandemic, during which GDP contracted sharply. By 2023, this share had decreased to 33.1%. Compared to similar countries, Moldova's FDI stock in GDP remains relatively low, highlighting substantial potential for attracting additional foreign direct investments.

Figure 17 Share of FDI stocks and inflows in GDP, 2014-2023



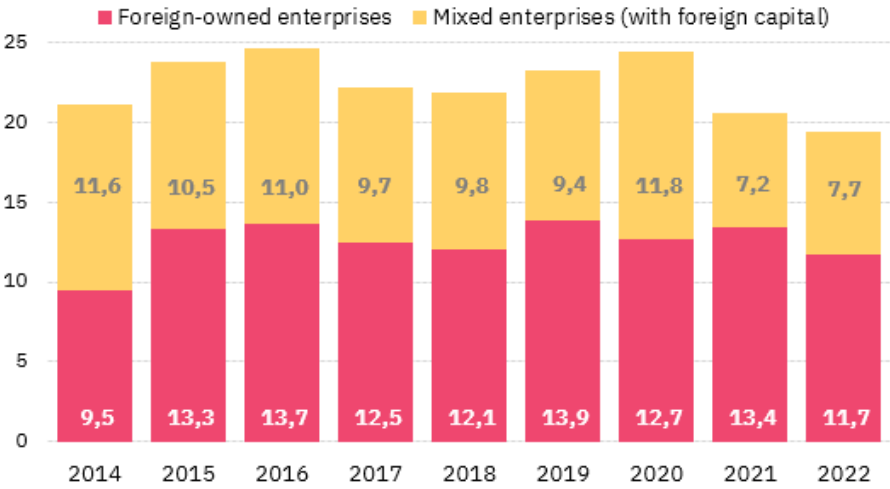
Source: NBM, International Accounts of the Republic of Moldova

In 2022, FDI enterprises (100% foreign-owned and mixed companies with foreign participation) generated a GDP of 53.3 billion MDL, representing 19.4% of Moldova's total GDP. Between 2018 and 2022, the GDP generated by FDI companies grew annually in absolute terms, except in 2021, when it decreased slightly by 0.4% compared to 2020.

The slight decline in the share of FDI companies in GDP over the past two years can be attributed to the faster growth of the local private sector's contribution to GDP formation. In 2021, the GDP generated by the local private sector increased by 22.8% compared to the previous year, followed by a growth of 14.7% in 2022. In contrast, the GDP generated by FDI companies grew by only 6.8% in 2022.

This trend highlights the positive dynamics of the local private sector, which is gradually strengthening its contribution to the national economy.

Figure 18 Share of FDI enterprises in GDP (percentages)



Source: NBM, International Accounts of the Republic of Moldova

Share of FDI enterprises by sectors of economy (by Gross Value Added)

Foreign Direct Investment (FDI) enterprises, including both foreign-owned companies and mixed companies with foreign participation, contribute 18.7% to the Gross Value Added (GVA) generated at the national economy level. Of this, 100% foreign-owned enterprises account for 11.4%, while mixed companies contribute 7.3%.

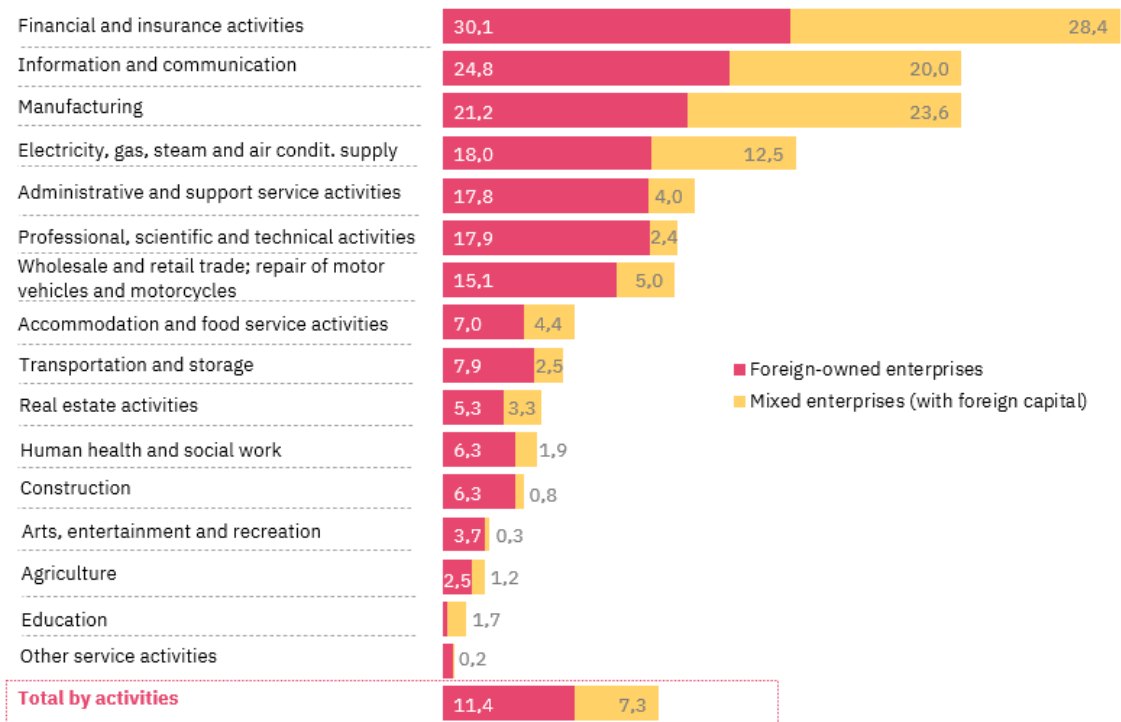
The distribution of GVA generated by FDI enterprises across economic sectors highlights significant contributions in the following areas:

- Financial and insurance activities: the largest share, with 58.5% of the total GVA in the sector;
- Information and communications: a contribution of 44.8%;
- Manufacturing industry: contributing 44.8% as well;
- Electricity, thermal energy, gas, and water: 30.5% of the total;
- Administrative and support service activities: a share of 21.8%.

These figures emphasize the strategic role of FDI enterprises in key economic sectors, significantly contributing to the development and diversification of the Republic of Moldova’s economy.

Figure 19

Share of FDI enterprises by economic sectors, by gross value added in 2022 (percentages)



Source: NBS data

Structure of GDP Generated by Companies with FDI (by type of activity)

The structure of the GDP generated by FDI enterprises differs significantly from the general structure of the economy of the Republic of Moldova. Among foreign-owned companies, value-added activities are concentrated in the following sectors:

- Manufacturing Industry: 21.4%;
- Wholesale and Retail Trade: 17.1%;
- Information and Communications: 15.2%;
- Financial and Insurance Activities: 9.4%.

These four sectors together account for approximately 63% of the GDP generated by FDI companies.

At the national level, the structure of value-added is more diversified, with key contributions from the following sectors:

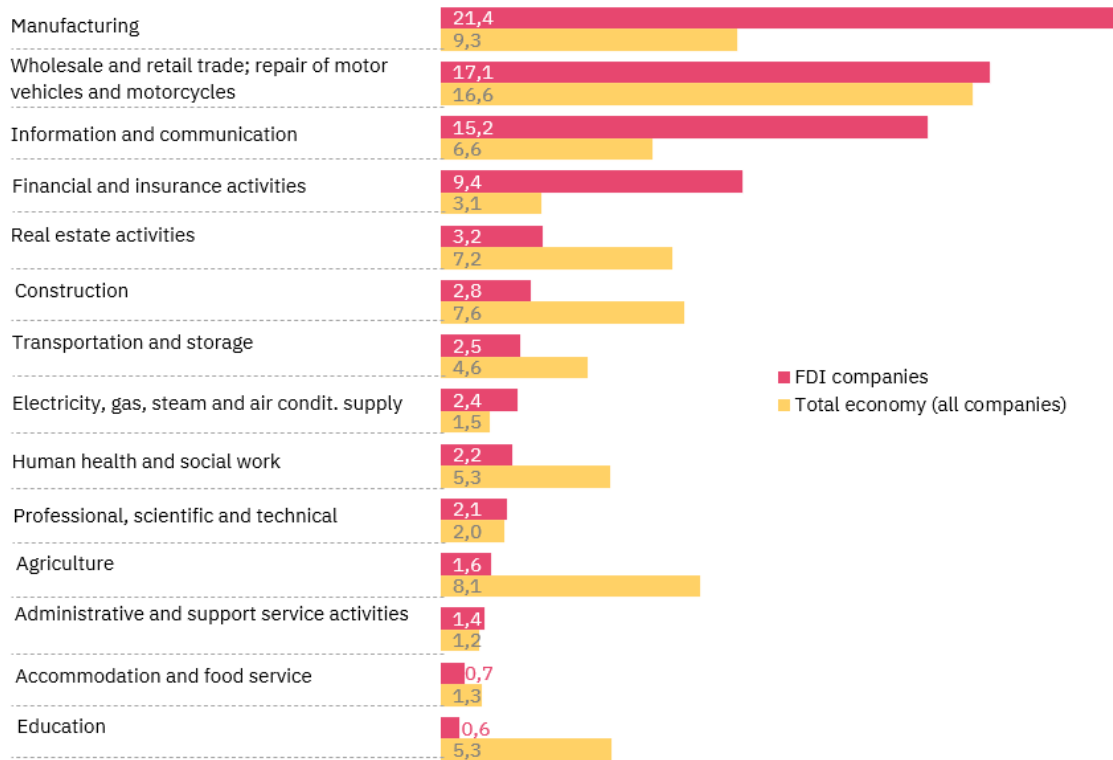
- Trade: 16.6%;
- Manufacturing industry: 9.3%;
- Agriculture: 8.1%;
- Construction: 7.6%;
- Real estate transactions: 7.2%.

Together, these sectors form 49% of the total GDP of the economy.

This difference highlights that foreign-owned enterprises play a crucial role in industrial and technological sectors, while the national economy remains more dependent on traditional sectors such as agriculture, construction, and real estate transactions.

Figura 20

Comparison of GDP structure by activity type: FDI companies vs. total economy, 2022 (percentages)



Source: NBS data

Share of FDI enterprises in the number of companies

In the last 10 years, the share of Foreign Direct Investment (FDI) enterprises in the total number of companies in the Republic of Moldova has decreased from 8.3% in 2014 to 6.0% in 2023. This decline is mainly due to a significant reduction in the number of mixed enterprises.

In 2014, the number of mixed enterprises (with foreign capital) was 1,938, but by 2023, it had decreased to 1,264. As a result, their share in the total number of companies dropped from 3.6% in 2014 to 2.0% in 2023.

The number of 100% foreign-owned enterprises has remained relatively constant compared to 2014, standing at around 2,530 at the end of 2023. The highest number was recorded in 2018, with nearly 2,700 entities. However, during the pandemic and the post-pandemic period, this number decreased to around 2,500. In 2023, the share of fully foreign-owned companies in the total number of enterprises was 4%.

These developments reflect a trend of consolidation and restructuring in the FDI sector, especially for mixed-capital companies, as well as the recent economic challenges that have influenced the retention or attraction of new investments.

Table 1	Evolution of the share of FDI enterprises in the total number of enterprises during 2014-2023 (percentages)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Foreign-owned enterprises	4.7	5.0	5.1	4.9	4.8	4.6	4.4	4.2	4.0	4.0
Mixed enterprises (with foreign capital)	3.6	3.6	3.5	3.3	3.1	2.9	2.7	2.4	2.2	2.0
Total FDI enterprises	8.3	8.6	8.6	8.2	7.8	7.5	7.0	6.6	6.2	6.0

Source: NBS data

Share of FDI enterprises in employment

The share of the workforce employed by FDI enterprises increased slightly between 2014 and 2023, from 14.4% to 14.6%. This growth was entirely due to an increase in the number of employees in 100% foreign-owned enterprises.

The number of employees in 100% foreign-owned enterprises grew from approximately 42.6 thousand in 2014 to about 57.2 thousand in 2023. The highest number was recorded in 2019, with around 63 thousand employees.

In contrast, the number of employees in mixed-capital enterprises decreased significantly, from 32.1 thousand in 2014 to 21.6 thousand at the end of 2023, marking a decline of over 10 thousand people.

In 2014, both foreign-owned and mixed-capital enterprises had a similar average number of employees, approximately 17 per enterprise. By the end of 2023, the average increased to 23 employees for companies with 100% foreign capital, while mixed-capital enterprises maintained an average of 17 employees.

This dynamic reflects a trend of increased efficiency and expansion of activities in 100% foreign-owned enterprises, in contrast to the decline in mixed-capital companies, both in terms of the number of employees and their share within the FDI sector.

Table 2	Evolution of the share of FDI enterprises in the total number of employees during 2014-2023 (percentages)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Foreign-owned enterprises	8.2	8.8	9.5	10.6	11.0	11.4	11.1	11.0	11.1	10.6
Mixed enterprises (with foreign capital)	6.2	6.1	6.1	5.7	5.4	4.8	4.7	4.4	4.3	4.0
Total FDI enterprises	14.4	14.9	15.6	16.3	16.4	16.3	15.9	15.4	15.4	14.6

Source: NBS data

Share of FDI enterprises in sales revenue (productivity)

Between 2014 and 2023, the share of FDI enterprises in total sales revenue showed a downward trend. The highest share was recorded in 2015 at 29.8%, while the lowest was observed in 2023 at 25.5%.

Throughout this period, the sales revenue generated by FDI enterprises significantly exceeded their share of the workforce. This indicates higher labor productivity in FDI companies compared to the economy's average.

In 2023, FDI enterprises, which employed only 14.6% of the workforce, generated 25.5% of the total national sales revenue. This dynamic highlights the high efficiency of FDI companies in utilizing human resources and their significant contribution to economic performance, even amid the downward trend in their share of total revenue.

Table 3	Evolution of the share of FDI enterprises in the total volume of sales revenue during 2014-2023 (percentages)										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Foreign-owned enterprises	15.5	16.6	16.0	16.6	16.6	18.8	17.5	17.2	16.8	15.6	
Mixed enterprises (with foreign capital)	14.0	13.2	13.1	12.0	10.8	9.6	9.3	8.8	11.4	9.9	
Total FDI enterprises	29.4	29.8	29.1	28.6	27.4	28.4	26.7	26.1	28.2	25.5	

Source: NBS data

Share of FDI enterprises in the volume of corporate income tax expenses

FDI enterprises play an important role in the formation of the national budget, particularly through the payment of income tax generated by entrepreneurial activity.

Between 2014 and 2023, the share of corporate income tax paid by these companies fluctuated, reaching a minimum of 24.2% in 2021 and a maximum of 34.2% in 2015.

In recent years, the relative contribution of FDI enterprises to the total income tax collected has slightly decreased, due to an increase in the income tax paid by enterprises with other forms of ownership.

Table 4	Evolution of the share of FDI enterprises in the total volume of corporate income tax expenses during 2014-2023 (percentages)										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Foreign-owned enterprises	15.1	20.6	18.3	15.3	17.8	19.9	18.1	15.3	15.2	16.2	
Mixed enterprises (with foreign capital)	16.5	13.5	13.6	17.3	10.7	9.5	9.6	8.9	9.9	9.1	
Total FDI enterprises	31.7	34.2	31.9	32.5	28.4	29.4	27.7	24.2	25.1	25.3	

Source: NBS data

In 2023, FDI enterprises contributed 25.3% of the total income tax collected in the national budget, further emphasizing their fiscal importance in the economy. This contribution reflects not only the significant volume of economic activities carried out

by FDI enterprises but also their fiscal discipline, making them a key pillar for the public finances of the Republic of Moldova.

The share of FDI enterprises in the total amount of salaries allocated for payment during the fiscal period

The share of FDI enterprises in the total amount of salaries allocated for payment increased from 15.2% in 2014 to 15.8% in 2023.

These figures highlight the significant role of FDI enterprises in the national economy, not only in terms of their contribution to revenue but also in creating more favorable conditions for employees in terms of wages.

Table 5	Evolution of the share of FDI enterprises in the total amount of salaries allocated for payment during the fiscal period 2014-2023 (percentages)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Foreign-owned enterprises	9.4	9.9	10.3	10.9	11.2	11.3	10.9	10.7	11.1	10.5
Mixed enterprises (with foreign capital)	5.8	5.7	5.9	5.8	5.7	5.4	5.4	5.4	5.4	5.3
Total FDI enterprises	15.2	15.6	16.1	16.7	16.9	16.7	16.3	16.1	16.5	15.8

Source: SFS data

The share of FDI enterprises in the volume of fixed assets

FDI enterprises make a significant contribution to the use and creation of fixed assets, which are essential for economic development. In 2023, FDI enterprises held 21.9% of the total fixed assets in the economy, including both industrial and social-purpose assets.

Although the share of fixed assets held by FDI enterprises in the total national fixed assets has shown a downward trend over the last 10 years, as a share in the total, their absolute value has increased significantly, rising by 28.5% during this period.

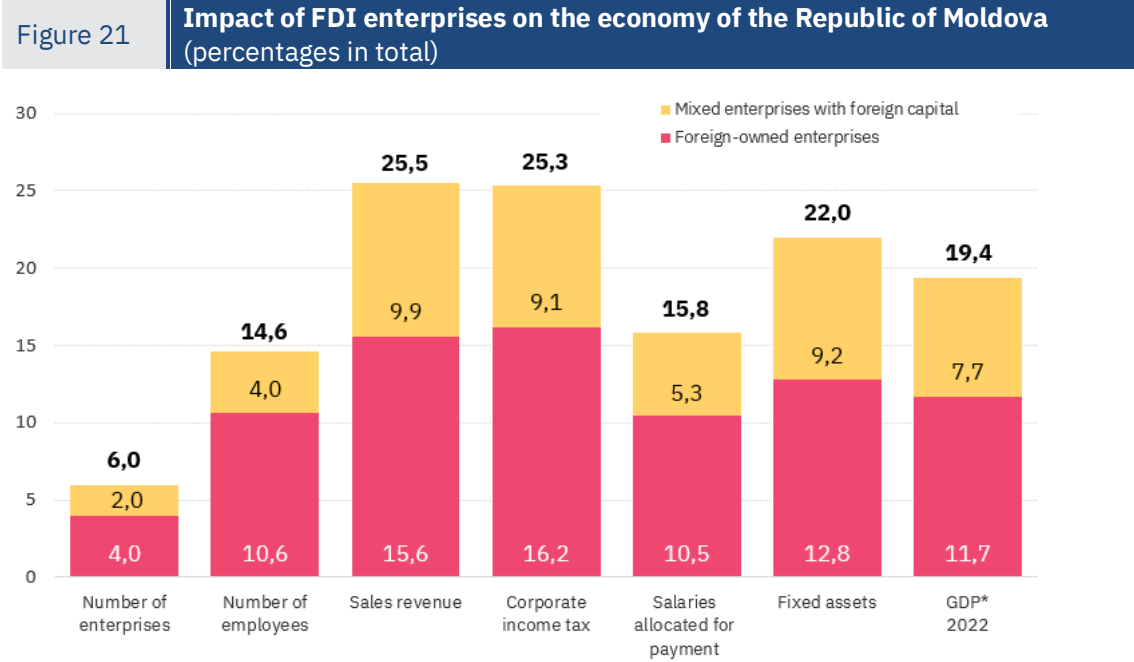
Table 6	Evolution of the share of FDI enterprises in the total volume of fixed assets during 2014-2023 (percentages)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Foreign-owned enterprises	12.4	13.6	14.2	14.3	14.9	15.1	15.2	14.3	13.7	12.8
Mixed enterprises (with foreign capital)	15.0	14.2	13.7	13.3	12.3	12.3	11.3	11.1	10.6	9.2
Total FDI enterprises	27.4	27.8	27.8	27.6	27.2	27.4	26.5	25.4	24.2	22.0

Source: NBS data

During the same period, the value of fixed assets held by privately-owned local enterprises nearly doubled, highlighting a significant increase in investments within this sector.

This dynamic emphasizes the importance of continuing to attract Foreign Direct Investment (FDI), which contributes to the development of infrastructure and productive capacities of the economy, even amid structural changes in ownership.

In conclusion, FDI companies make a significant contribution to the economic and social development of the Republic of Moldova. Despite having a relatively small share in the total number of enterprises, they demonstrate increased efficiency and hold systemic importance for the national economy.



Source: NBS data