MOLDOVA

By Interfax-M&CN

In 2000, Moldova's economy evidenced a modest growth, with GDP rising 1.9%. Industrial production grew by 2.3%, and the consumer price inflation was 18.4%.

In December 2000, the International Monetary Fund gave final approval for the three-year loan under the Poverty Reduction and Growth facility for Moldova in an amount equivalent to SDR110.88 million (about US$144 million). The co-operation programme with the Fund provides for the privatisation of the state-owned telecommunications company and wineries, the improvement of revenue collection, the reduction of foreign debts and the improvement of the investment climate. The loan is given at an interest rate of 0.5% instead of the standard 6%. Moldova, being one of Europe's poorest countries with a *per capita* income of US$370, is getting the loan under the Poverty Reduction and Growth Facility. The IMF predicts that the Moldovan economy in 2001 could grow by 5%.

Periodic shortages or outright stoppages in energy imports, mainly gas, an inability to attract adequate foreign investment and a foreign debt burden, undermine the country's growth prospects. In 2000, Moldova's gas imports from Russia amounted to 1.8 billion m^3. This year the country is due to pay about US$130 million to service its foreign debt, with payments due to peak at US$180 million in 2002. Moldova will not be able to service its foreign debt without new loans, and will need to raise another US$81.3 million and US$95.8 million in 2001 and 2002, respectively, for this purpose.

Meanwhile, there are some positive signs. Foreign investment in the 'charter capital' of companies in Moldova increased by 34.5% year-on-year in 2000 to reach US$335 million. Investors from 78 countries have invested in Moldovan companies, with Russia accounting for 44.6% of foreign investment (US$149.5 million), the US for 11.4% (US$38.2 million), Spain US$29.6 million (8.8%), France US$15.3 million (4.5%), Germany US$12.9 million (3.8%) and Ireland US$10 million (3%). As of October 1, 2000 there were 2,050 registered companies with foreign investments, including 656 which are wholly-owned by foreign interests.

Moldova has a comparatively poor mineral resource base. Traditionally, it has not mined metals or fuels, producing only small quantities of a number of industrial minerals, including limestone flux, quartz, silicon, semi-refractory and refractory clay, chalk, gypsum, construction sand, brick clays, gravel and ceramicite.

The country's only metal maker is the Moldovan Metallurgical Plant (MMZ) in the city of Rybnitsa, a major producer of crude steel and a wide range of steel products. It is the newest steel works in the former Soviet Union, being built in the mid-1980s, and exports more than 90% of its output to the US, Canada, Western and Eastern Europe, the Middle East, North Africa and the CIS. The international energy company Itera owns 75% of the shares.

MMZ produced 905,000 t of steel and 635,000 t of rolled steel in 2000, despite work being stopped for a month because of a suspension in energy supply. MMZ plans to spend DM22 million and US$5 million to modernise its steel and steel smelting production, and boost annual smelting productivity to 1.3 t and rolled steel production to 900,000 t. The company plans to improve quality by installing electromagnetic mixing equipment, and is developing a production capability for welding and coiling rods, for which there is high foreign demand. The company also plans to produce high voltage rods and ultra-strong rope.