

## MOLDOVA

*By Interfax-CNA*

**M**oldova's economic revival continued in 2003, with GDP rising 6.3%, while industrial production grew by 13.6%. Capital investments increased by 16% but gross agricultural production fell by 14%. In December 2003 Fitch Ratings affirmed Moldova's long-term foreign and local currency ratings at 'B-' and 'B', respectively. The short-term foreign currency rating of 'B' is also affirmed. The outlook on the ratings remains stable.

Except for the better-than-expected GDP growth, 2003 was another disappointing year for Moldova. The government has failed to accelerate structural reform and implement key IMF conditions. As a result, the bulk of official financing to the country remains suspended indefinitely.

Meanwhile, the country is highly indebted, and its debt-servicing burden remains large, dominated by repayments to multilateral organisations and bilateral creditors. Moldova is extremely dependent on capital flows from international financial institutions to support the balance of payments and help finance the budget deficit.

The country continues to import most of its energy needs, cementing its dependence on energy-producing Russia, and leaving it vulnerable to sharp hikes in global energy prices. Investment is limited as domestic confidence is low and FDI flows have been disappointing. Last year energy and natural gas consumption within the republic increased by 5% and 7%, compared with 2002. Exports are currently equivalent to 3% of local energy consumption.

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.

In 2003, the Moldovan Metallurgical Plant, the country's biggest steelworks, increased output by 70.2% against 2002 to 875,000 t. The steel mill can produce some 1 Mt/y of products. About 95% of output is exported to countries outside the CIS. The plant uses scrap metal as raw materials.

In March 2004, the Austrian-Ukrainian Hares Group acquired a 90% stake in the close joint-stock company Moldovan Steel Mill from the Itera international group of companies and other companies (Itera had held 75%). Hares Group has traded steel between Ukraine and other countries since 1992.