MOLDOVA

By Interfax-CNA

Moldova's economic revival continued, with GDP rising 7% in 2002. Industrial production grew by 10.6%. In February 2003 Fitch, the international rating agency, upgraded Moldova's Long-term foreign-currency rating to 'B-' from 'DD'. The long-term local currency rating was also upgraded to 'B' from 'CCC' and the outlook for both ratings is stable. The removal of Moldova from the default rating range reflects the completion in late 2002 of a restructuring of the country's sole Eurobond. Roughly US$40 million out of an initial amount of US$75 million was restructured, the remainder having been bought back in a series of government operations in 2001.

Nevertheless, 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.

Moldova 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 foreign direct investment flows have been disappointing.

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 and gravel.

In 2002, Moldovan Metallurgical Plant, Moldova's biggest steel works, decreased output by 52% against 2001. The steel mill can produce approximately 1 Mt/y of products. About 95% of output is exported to countries outside the CIS. The plant uses scrap metal as raw materials.

The international Itera company owns 75% of the interest in the steel works, employees 9.4% and the Transdnestrian Republic 15.6% of the shares. The government of the republic plans to sell 15.6% of its shares at a tender.

Itera was planning to invest US$15 million in upgrading of the works in 2002-2003. The company plans to achieve a new qualitative level of production by installing electromagnetic mixing in the crystalliser and vacuumisation. The company is currently developing production of welding and coiling rods, for which there is high foreign demand. There is also stable demand for high voltage rods and ultra-strong rope, which the company also plans to produce.

