

The impact of FDI on the economy, people and government. The case of Moldova

Presentation at MACRO 2018 conference



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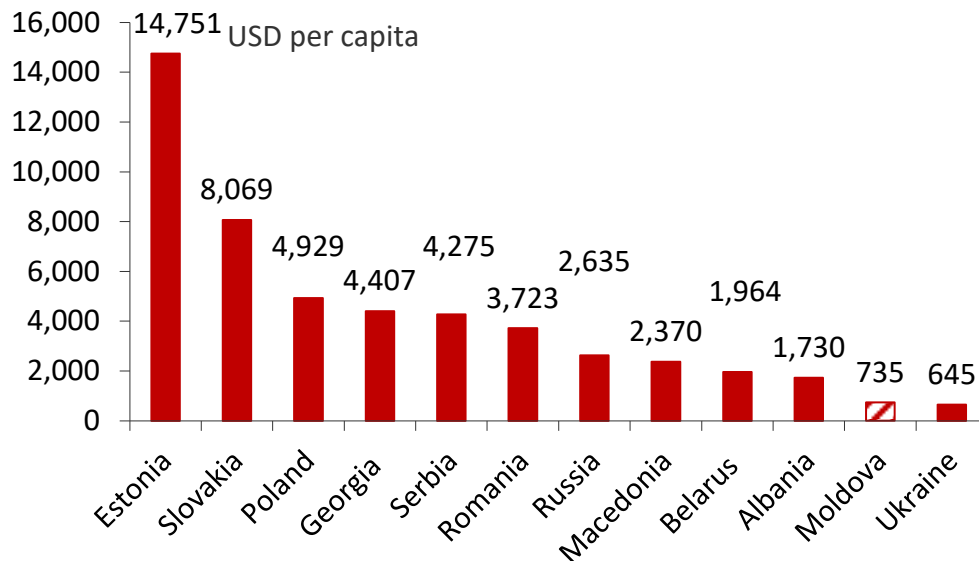
Introduction

Question: What is the impact of FDI?

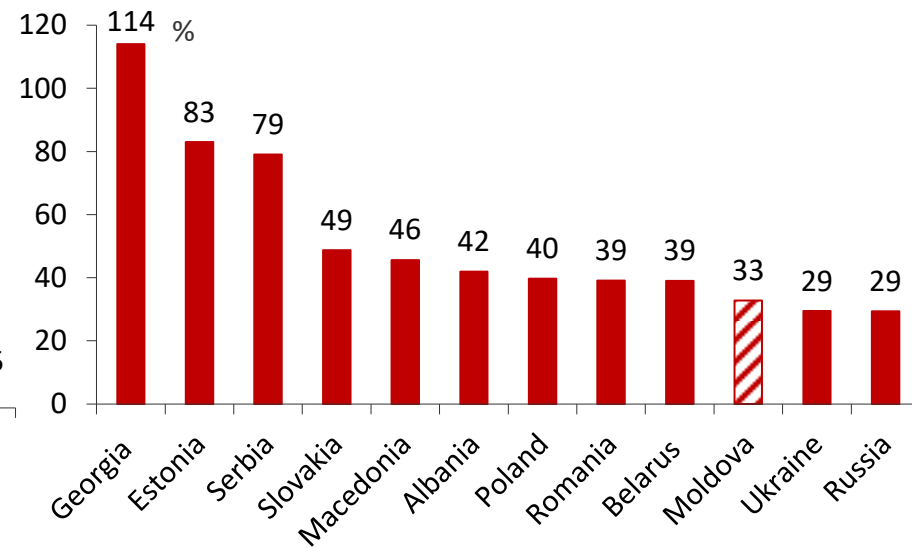
- Impact on the economy
- Impact on people
- Impact on the government

FDI stock - international comparison

FDI per capita



FDI as share of GDP



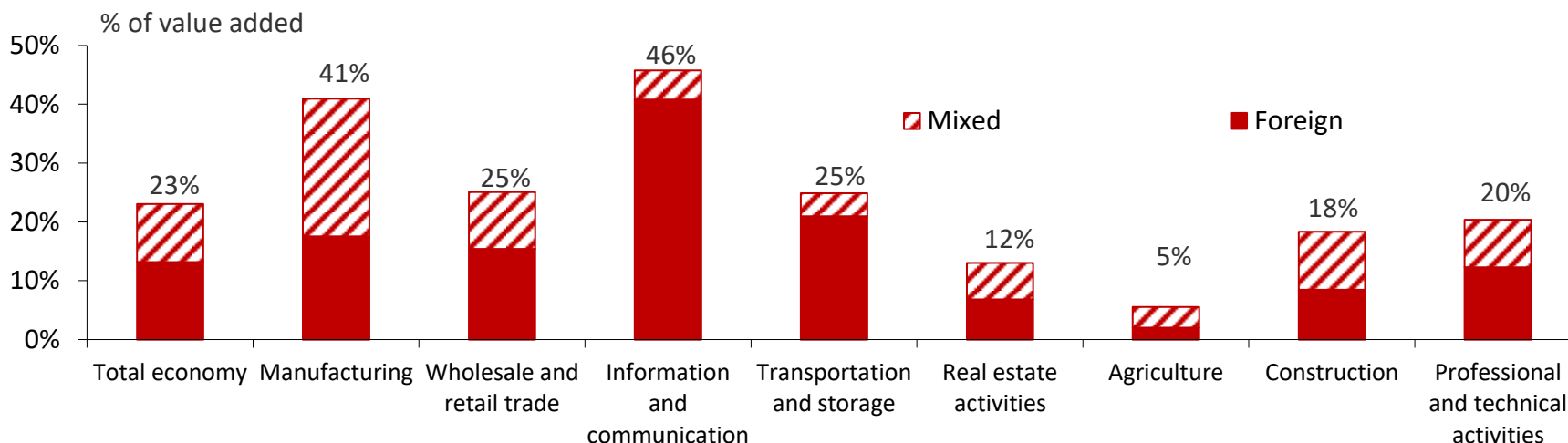
Source: Own calculations based on IMF WEO and IMF CDIS data, 2016

- Data interesting for international comparison
- But does not answer our question: importance for economy, people and government
- Use of company based data to find an answer

FDI impact on economy: Value added

- Companies with FDI capital amount to 7% of total companies, but for 23% of total value added

Value added of companies with FDI by sectors



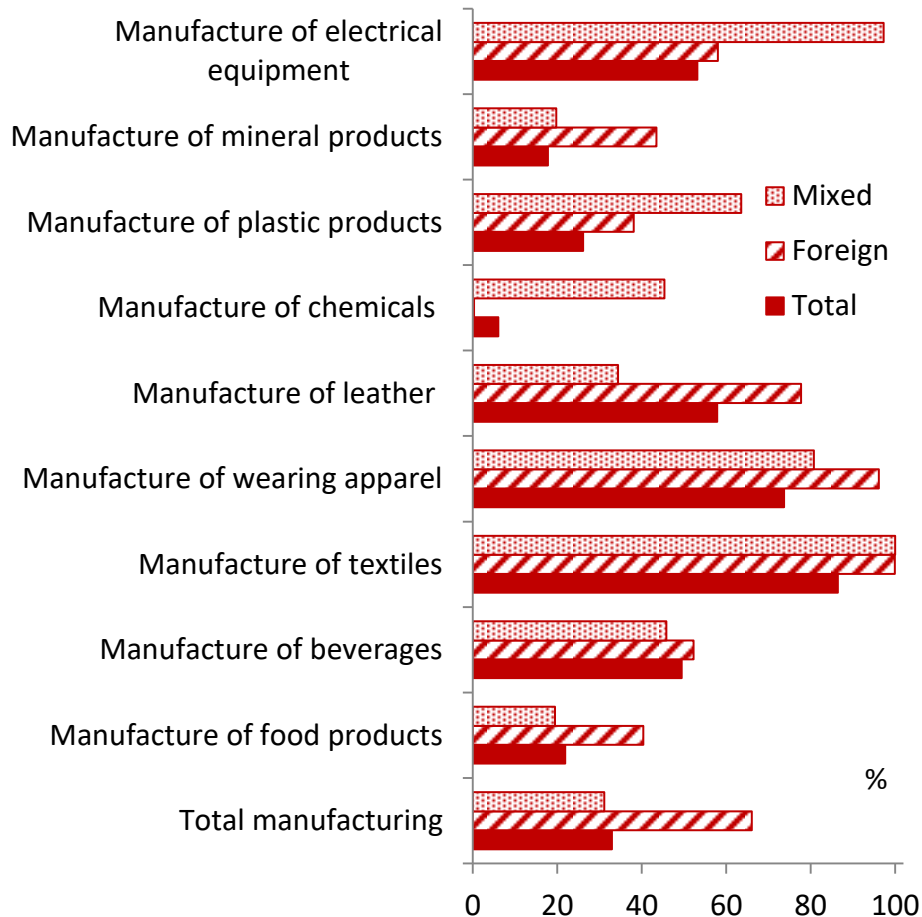
Source: NBS, 2015.

- Even higher importance of FDI in manufacturing (41% of total sector value added) and information & communication (46%)

→ Companies with FDI are essential part of MD economy

FDI impact on economy: Exports in manufacturing

Production destined for export



- High share FDI companies' production destined for export
- Positive effects like technology transfers can be expected from integration into international value-added chains
- Close connection of FDI growth and export growth in recent years

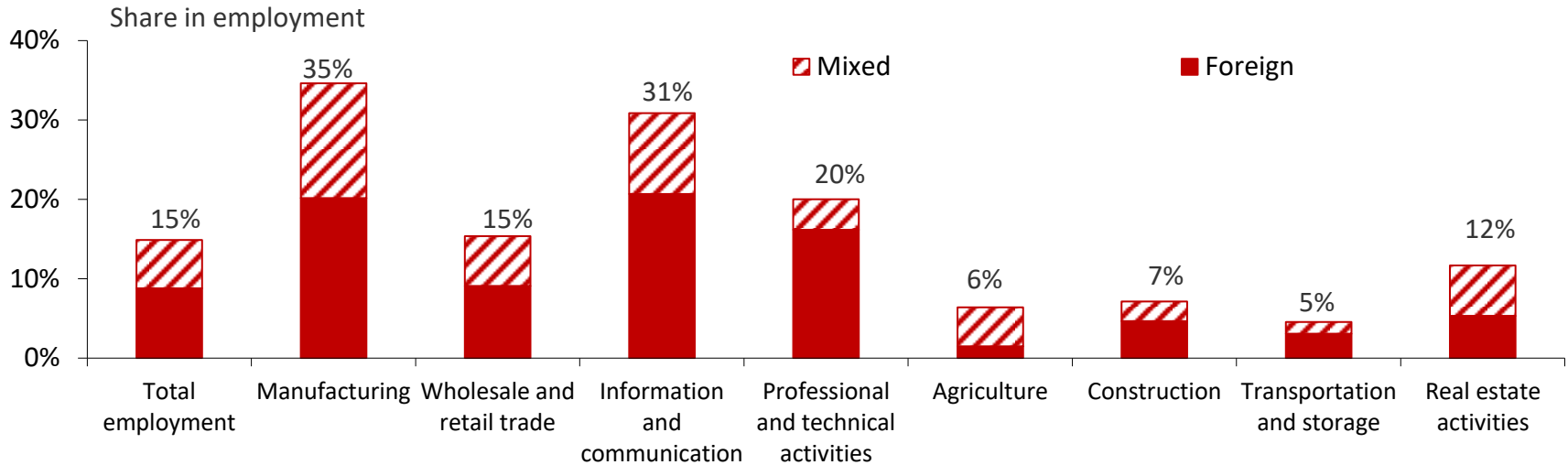
→ Companies with FDI have a high and growing importance for export

Result 1: Companies with FDI significantly positively contribute to MD economy

Source: NBS, 2015.

FDI impact on people: Employment

Employment of companies with FDI by sectors



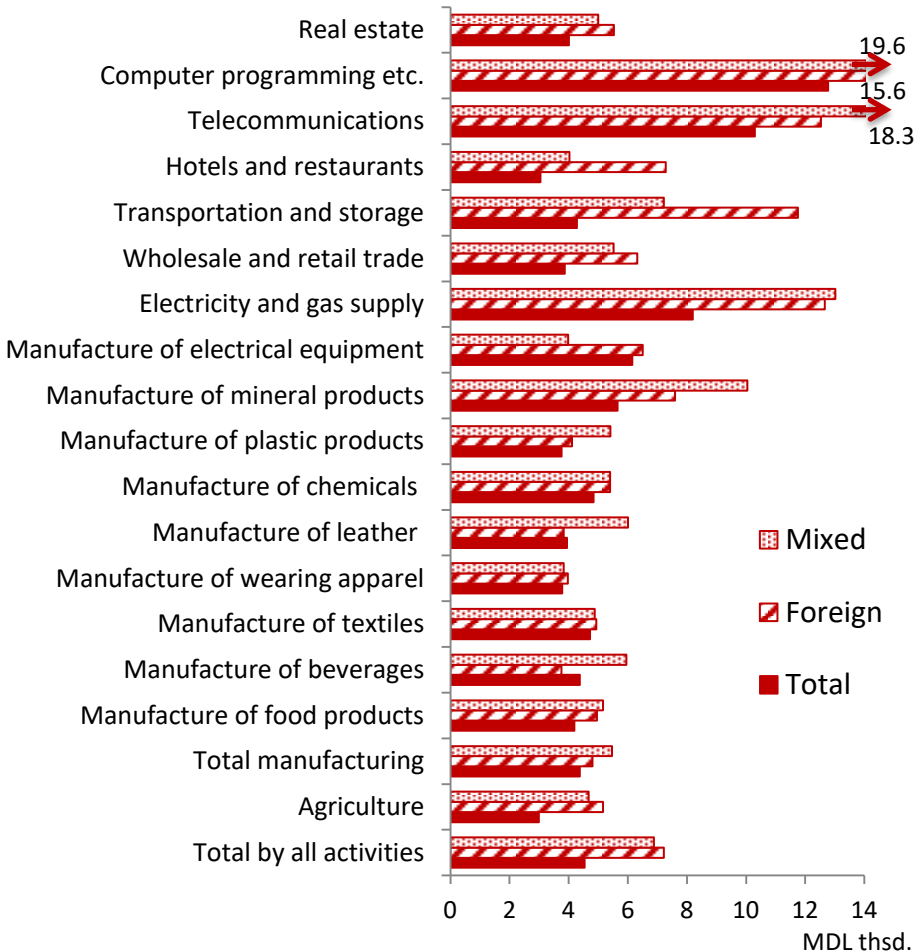
Source: NBS, 2015.

- Companies with FDI account for 15% of total employment
- Companies with FDI on average bigger than domestic companies and employ more people
- FDI plays a significant role for employment, especially in manufacturing and information & communication

→ Companies with FDI create many jobs and therefore provide a livelihood for a big part of the population

FDI impact on people: productivity and wages

Average wages by sectors



Source: NBS, 2015. Note: NBS concept is used

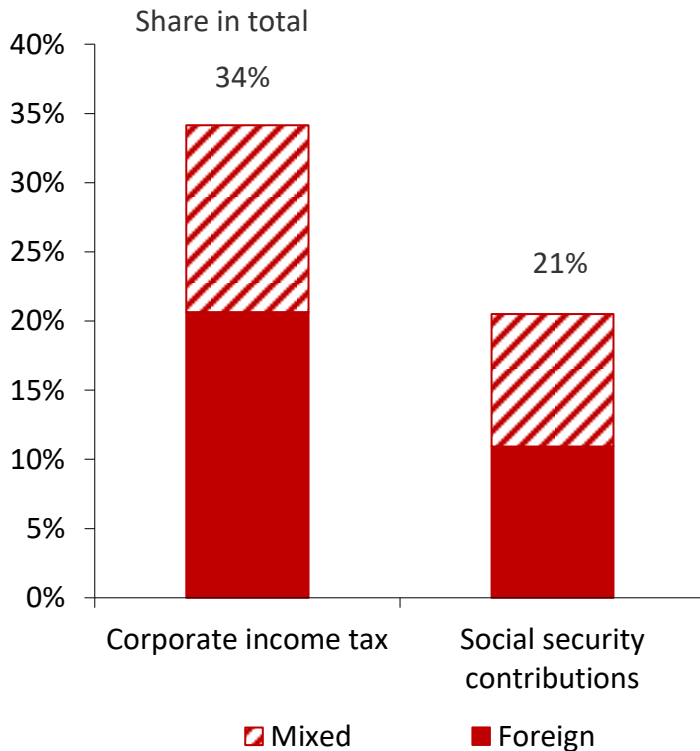
- Companies with FDI are 71% more productive than domestic companies
- Companies with FDI are able to pay higher wages than domestic companies
- Higher wages increase wellbeing of the population and potentially reduce emigration

→ Companies with FDI increase through higher wages the wellbeing of people

Result 2: FDI is good for MD people they provide jobs and higher wages

FDI impact on government: Taxes and social security contributions

Importance of companies with FDI – different indicators



- Companies with FDI account for 34% of CIT revenues
- Tax revenues on average higher than from local companies
- FDI companies they contribute to other taxes through higher wages and stabilise the social system through higher social security contributions

→ Government directly benefits from FDI companies through higher revenues

Result 3: FDI is good for the government

Source: NBS, 2015.

Overview of analysis in Moldova

Question: What is the FDI impact on Moldova?

Impact on the economy

- Companies with FDI significantly contribute to MD economy, account for 23% of value added and a high and growing share of exports

Impact on people

- FDI is good for MD people they provide jobs (15% of total) and higher wages

Impact on the government

- FDI is good for the government, it benefits directly and indirectly from through higher revenues

Experience in other countries

- Are the results in Moldova special or are other countries comparable?
- Similar analysis performed for Ukraine

Impact on UA economy

- FDI companies make up below 5% of companies but produce 35% of value added

Impact on UA people

- Companies with FDI account to more than 20% of employment, are on average 2 times higher labour productivity and pay higher wages
- Moldova is not a special case, FDI positively contributes to the development of economy, the wellbeing of the population and also through revenues to the government
- Governments not only in MD well advised to strengthen FDI attraction

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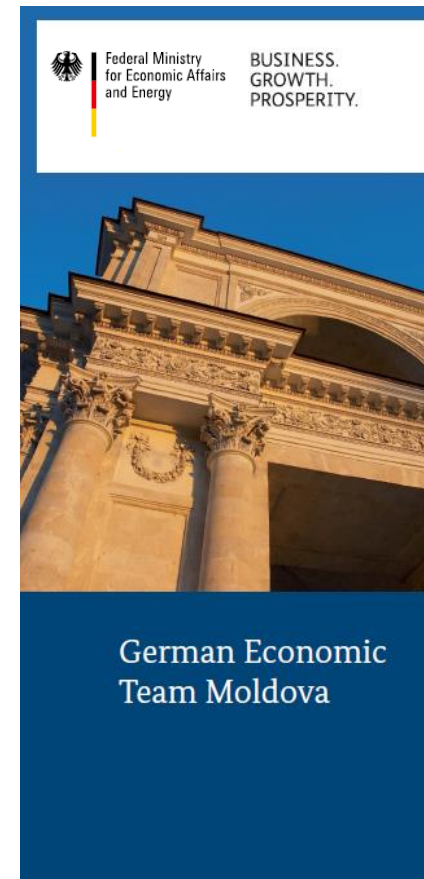
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