

North Macedonia

The banks surveyed in North Macedonia account for 85 per cent of the country's banking assets, with foreign-owned banks making up the majority (Chart 1).¹ About 55 per cent of banks surveyed expect their branch network to shrink over the next five years, in line with the average across south-eastern Europe (SEE) (Chart 2).²

None of the banks surveyed in North Macedonia view their court system as quick and efficient, similar to the rest of SEE, where the figure is 3 per cent on average. Only a small minority of banks believe their court system to be fair and impartial, below the 30 per cent and 40 per cent averages reported in the SEE and EBRD regions, respectively. In contrast, more than 70 per cent believe the court system is able to enforce its decisions, one of the highest shares in SEE.

Banks in North Macedonia are ahead of their SEE peers in having climate change-related policies and targets, but lag in terms of environmental policies and targets (Chart 3). However, as far as lending to SMEs is concerned, a higher proportion of banks in North Macedonia undertake environmental, social and climate-change-related impact assessments than in other SEE and EBRD economies, on average (Chart 4). Just over 80 per cent say they conduct a social impact assessment before loan approval, the highest share in the SEE region.

Just under 65 per cent of banks in North Macedonia provide loans to improve the energy-efficiency of commercial real estate, compared with 53 per cent, on average, in the SEE and EBRD economies (Chart 5). Meanwhile, the share of banks providing loans to improve the energy efficiency of SMEs and/or corporate clients and residential housing is similar to the averages in the SEE and EBRD regions.

Chart 1 Branch presence of surveyed banks

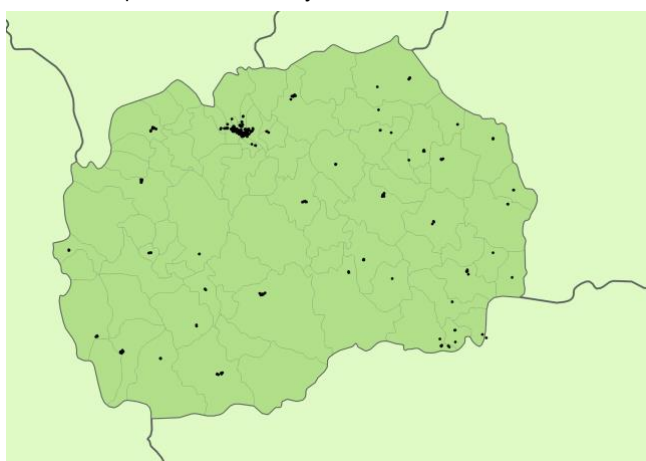


Chart 2 Branch network expectations, next five years

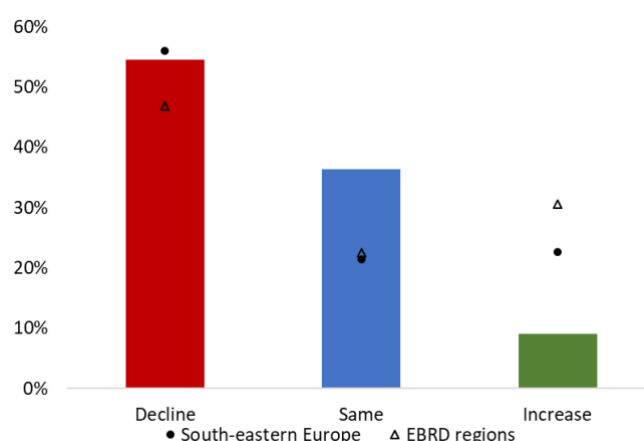


Chart 3 ESG policies and targets

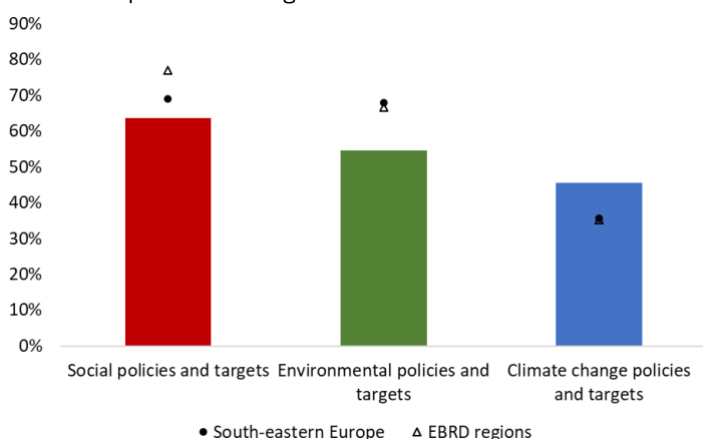
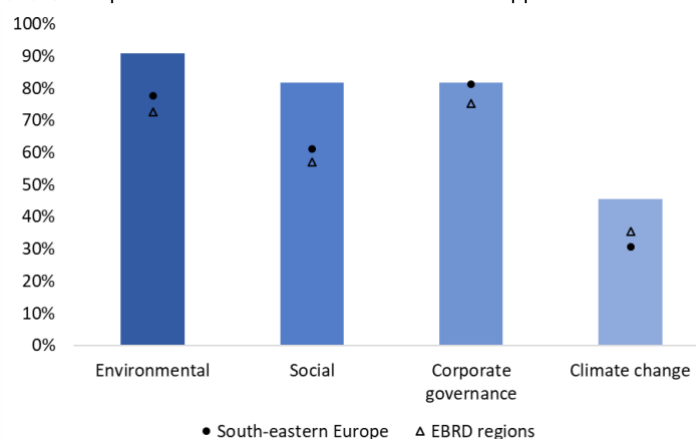


Chart 4 Impact assessment of SMEs before loan approval



¹ Foreign banks account for 61 per cent of these banking assets.

² Bars in Charts 2, 3, 4, 5, 7 and 8 refer to the percentage share of banks in North Macedonia.

Regarding the adoption of digital technologies, on average, banks in North Macedonia appear to lag those in the SEE and EBRD regions (Chart 6). Just under 30 per cent of banks say they are using cloud computing and/or digital wallet solutions for mobile payments commercially, compared with more than 40 per cent in the EBRD regions as a whole. While almost 30 per cent of banks in SEE say they have already launched the commercial use of biometric authentication for customer identification, only a small minority of the banks surveyed in North Macedonia say the same. However, it should be noted that more than half of the banks surveyed in North Macedonia say they have this particular technology in development.

More than 90 per cent of banks in North Macedonia are concerned about information technology (IT) security and regulatory uncertainty surrounding fintech, meanwhile, slightly above the average of the SEE region (Chart 7). Close to half of participating banks cite difficulties in identifying and establishing links with fintech companies – at least 20 percentage points higher than the SEE and the EBRD averages.

Insufficient demand for credit, followed by a lack of creditworthy customers are the top two constraints that banks in North Macedonia face on lending to innovative industries, such as IT, chemicals and pharmaceuticals (Chart 8).

Chart 5 Prevalence of loans to improve clients' energy-efficiency

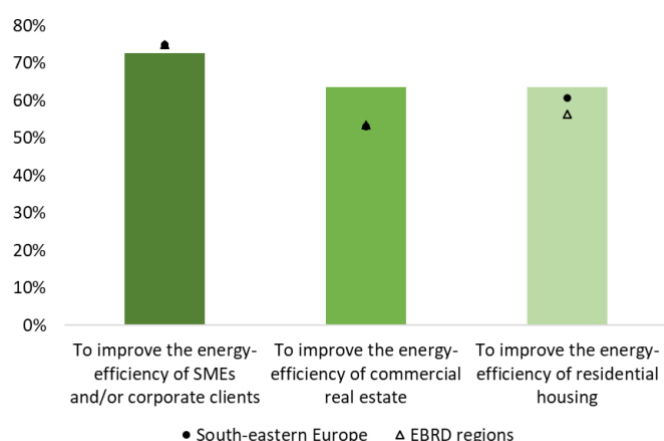
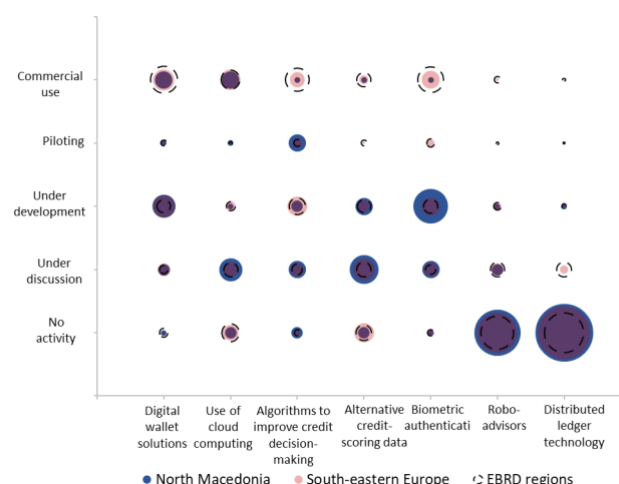


Chart 6 Digital technology development and use



Note: For each digital technology, the size of the bubble is proportional to the share of banks that report using the technology at that level of advancement.

Chart 7 Concerns about digital technologies

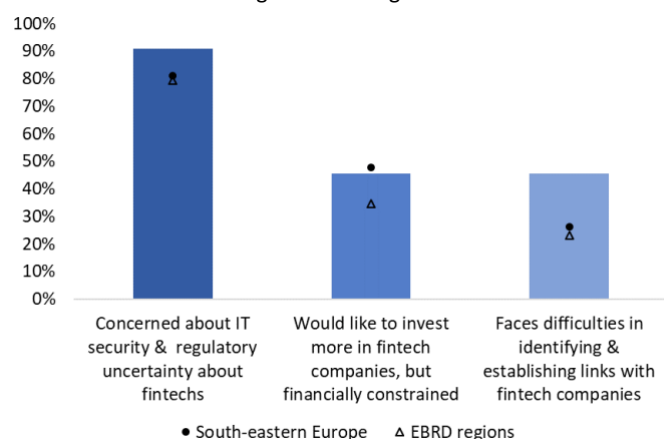


Chart 8 Constraints on lending to innovative industries

