

Responding to the Coronavirus Crisis

Update on North Macedonia (13/05/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
*		*	*	*	*			*	*	*	*			*		*		*			*

Economic channels of disruption

Supply chains, private consumption, investments

- Severe lockdown (schools and all non-essential businesses closed; nationwide curfew) has caused sharp halt to the economic activity.
- Manufacturing to be hit through the disruption of global supply chains, especially the textile and leather industry.
- FDI inflows and domestic investments to decrease.
- Likely fall in remittances (comprising 11 per cent of GDP) to reduce consumption further.

Selected crisis impact indicators

EBRD GDP growth outlook (May 2020)	2020: -3.5%
	2021: 5.5%
Industrial production growth (March 2020)	-13.4% year-on-year
Share of negatively affected micro business and self-employed (poll, April 2020)	89%
Budget revenues (April 1-14):	-38% year-on-year
Share of firms applying for minimum wage subsidies for April and May (Public Revenue Office, May 2020)	43%

Crisis response measures to date

Support for businesses and citizens

- Government to pay minimum wages of workers in coronavirus-affected companies in April and May and to subsidize 50% of the social contributions for workers.
- Firms exempted of corporate tax advances in April-June.
- Development Bank of North Macedonia to extend soft loans (at 1.5% interest rate) through commercial banks and interest-free loans (EUR 3,000-90,000 per company, six-month grace period and two-year repayment period).
- Faster and more straightforward procedures for changing loan agreement terms.
- Extension of time period to classify a loan as NPL, from 90 to 150 days, by end-September.

Selected crisis response indicators

Loans to SMEs by Development Bank of North Macedonia	EUR 50 million (soft loans)
	EUR 12 million (interest-free loans)
Compensation payments for dismissed workers	50% of the net average wage in the past 24 months
	IMF's RFI: EUR 176.5 million;
	EC MFA: EUR 160 million;
Committed external assistance	WB: EUR 140 million (relief funds);
	EC: EUR 66 million (EUR 62 million from IPA)

Key short-term priorities

Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals