

Coronavirus response in 2021: building back better

Update on North Macedonia (16 June 2021)



Covid-19 policy response

- **Four Covid-19-related aid packages were adopted in 2020**, spanning liquidity support for affected businesses, employment protection, supporting the most vulnerable members of the population with subsidies, income-tax deferrals, lending on favourable terms, loan guarantees and sector-specific support.
- **In 2021, some of the measures adopted in 2020 have been extended**, such as wage subsidies, investment incentives and liquidity support for firms.
- **Financial-sector regulation was relaxed** to facilitate the restructuring of loans by borrowers affected by the pandemic (initially to September 2020, later extended to March 2021). The extension remains in place for those most affected by the pandemic. Dividend payments by commercial banks were also suspended temporarily and this remains in force.

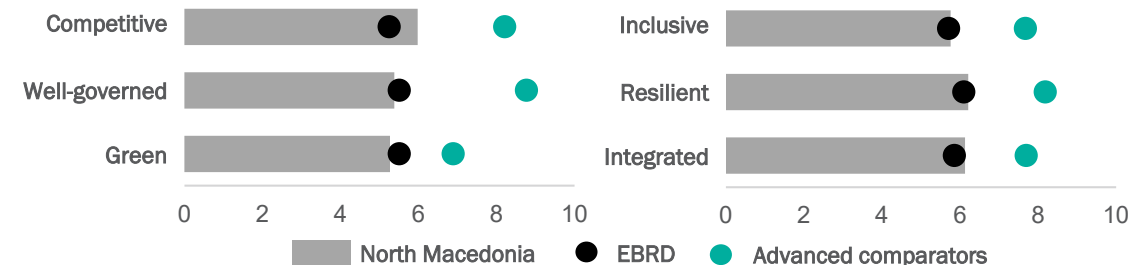
Macroeconomic indicators (%)

	2018	2019	2020	Short-term indicators
GDP growth	2.9	3.2	-4.5	EBRD GDP growth forecast (June 2021) 2021: 4.0%; 2022: 4.0%
Annual inflation (end-year)	0.8	0.4	2.3	Business confidence: 29.1 (April 2021)
Government balance/GDP	-1.8	-2.0	-8.1	Industrial output: 3.7% y/y (Jan-April 2021)
Current-account balance/GDP	-0.1	-3.3	-3.5	Exports of goods: 18.0% y/y (Q1 2021)
Net FDI/GDP	-5.6	-3.2	-1.9	Retail sales: 23.0% y/y (April 2021)
Public debt/GDP (end-year)	40.4	40.6	51.3	Annual inflation: 2.7% (April 2021)
Unemployment rate (end-year)	20.7	17.3	16.4	

Key short-term priorities

- Prioritise fiscal sustainability as the impact of the pandemic subsides and focus on enhancing the fiscal governance framework.
- Raise the level and quality of public investments in essential infrastructure to bridge the productivity gap in the economy.
- Accelerate education-sector reforms to reduce skills mismatches in the labour market.

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: key ongoing initiatives

- Competitive**
 - A review of 377 para-fiscal charges is underway with a view to elimination, streamlining, optimisation and digitalisation to lessen the burden on small and medium-sized firms.
- Well-governed**
 - Implementation of the law on inspection supervision has advanced.
- Green**
 - A comprehensive, European Union-compliant law on energy efficiency has been adopted. The transformation of an abandoned coal mine into a 100MW solar park is under way.
- Inclusive**
 - In 2020, the government adopted a revised plan for active labour-market policies, whereby more focus would be given to vocational education and training.
- Resilient**
 - The end of the 23-year dispute between the government and Makpetrol in December 2020 paves the way for the unbundling of the gas-system transmissions operator.
- Digital**
 - A project to provide new e-services to citizens and businesses and to digitalise state registers commenced in August 2020 and is ongoing.

To learn more about the EBRD's support for North Macedonia, visit: <https://www.ebrd.com/north-macedonia.html>.

¹ For more details on ATQs, see EBRD (2020), *Transition Report 2020/21: The State Strikes Back*, London.