

Responding to the Coronavirus Crisis

Update on North Macedonia (13/11/20)



European Bank
for Reconstruction and Development

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)
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Economic channels of disruption

Supply chains, private consumption, investments

- Manufacturing has been hit through the disruption of global supply chains, especially the production of machinery, equipment, motor vehicles, textile and clothing
- Lockdown and containment measures (including occasional curfew and closure of schools and non-essential businesses) have also negatively affected economic activity.
- Fall in remittances (comprising 11 per cent of GDP) to reduce consumption further
- Likely fall in FDI inflows and domestic investments

Selected crisis impact indicators

EBRD GDP growth outlook (Sept 2020)	2020: -5.0%
	2021: 3.0%
Decline in manufacturing output (Jan-Sept 2020)	14% year-on-year
Decline in remittances (Jan-June 2020)	30% year-on-year
Decline in exports of goods (Jan-June 2020)	23% year-on-year

Crisis response measures to date

Support for businesses and citizens

- Government has adopted four support packages so far
- Government temporary paying minimum wages in coronavirus-affected companies, subsidising social contributions, exempting firms and the self-employed from tax advances
- VAT refund for buying domestic products raised by 5 percentage points (to 20%) and VAT reduced for selected products and services (e.g. artisans, restaurants)
- Introduction of payment cards for vulnerable citizens
- Development Bank of North Macedonia extending soft loans through commercial banks and interest-free loans
- Faster and more straightforward procedures for changing loan terms.

Selected crisis response indicators

Estimated value of four support packages	Above EUR 1 billion (9% of GDP)
Extension of time to classify a loan as non-performing from 90 to 150 days	End-Sept 2020
Committed external assistance	IMF's RFI: EUR 176.5 million; EC MFA: EUR 160 million; 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