

Coronavirus response in 2021: building back better

Update on North Macedonia (14 December 2021)



Covid-19 policy response

- **Four aid packages were adopted in 2020**, focusing on liquidity support for affected businesses, protecting jobs and supporting the most vulnerable citizens through subsidies, income-tax deferrals, the provision of loans at favourable terms and guarantees, as well as sector-specific support.
- **In 2021, some of the measures adopted in 2020 were extended**, such as wage subsidies, investment incentives and liquidity support for firms.
- **Financial-sector regulation was relaxed** to ease the restructuring of loans by borrowers affected by the pandemic (initially until September 2020 and extended until March 2021). Dividend payments by commercial banks were temporarily restricted until August 2021.
- **An energy crisis was declared in November 2021 and forecast to last until June 2022**. The authorities are supporting energy companies and preparing a package of measures to protect socially vulnerable people from rising energy prices.

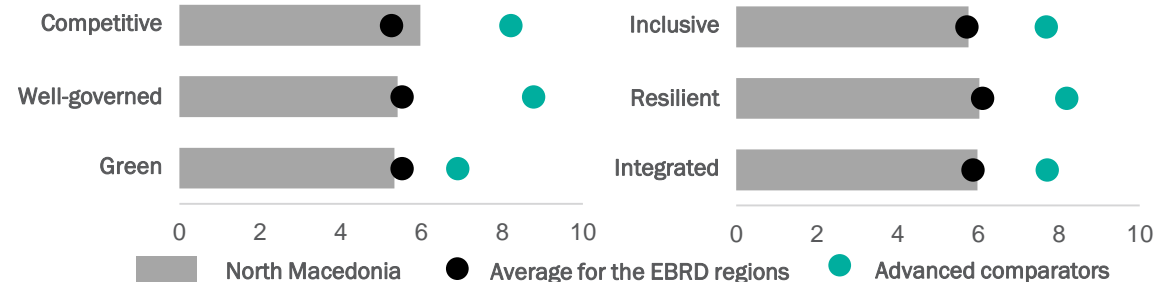
Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	2.9	3.2	-4.5	EBRD GDP growth forecast (Nov 2021) 2021: 4.0%; 2022: 4.0%
Annual inflation (year end)	0.8	0.4	2.3	Quarterly GDP growth: -1.9% (Q1), 13.1% (Q2) and 3% (Q3).
Government balance/GDP	-1.8	-2.0	-8.1	Industrial production index: 1.8% y/y (January-October 2021)
Current-account balance/GDP	-0.1	-3.3	-3.4	Goods export growth: 22.7% y/y (January-October 2021)
Net FDI/GDP	-5.6	-3.2	-1.4	Retail sales growth: 14% y/y (January-September 2021)
Public debt/GDP (year end)	40.4	40.6	51.3	Annual inflation: 2.9% (January-October 2021)
Unemployment rate (year end)	20.7	17.3	16.1	

Key short-term priorities

- Enhance the fiscal governance framework to maintain fiscal stability.
- Work out a just transition plan for the phase-out of coal to mitigate the negative social and economic impacts.
- Accelerate educational sector reform to reduce skills mismatches in the labour market.

EBRD assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

- Competitive**
 - A review of 377 para-fiscal charges is underway with a view to elimination, streamlining or revision, including through digitalisation, and lessening the burden on SMEs.
- Well-governed**
 - Implementation of the law on inspection supervision is progressing gradually.
- Green**
 - A comprehensive law on energy efficiency, in line with European Union directives, has been adopted. The country's draft National Energy and Climate Plan, expected to be approved in 2022, sets a date of 2027 for the closure of coal-powered plants. The transformation of an abandoned coal mine into a 100 MW solar park is underway.
- Inclusive**
 - The first national Strategy for Financial Education and Financial Inclusion for 2021-25 was adopted in July 2021.
 - Economic inclusion of the Roma population is underway, with a €2 million development fund launched in July 2021 to support Roma businesses and address the issue of unemployment in the community.
- Integrated**
 - The government signed an agreement with Greece in July 2021 for the construction of a gas interconnector.

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 (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.