



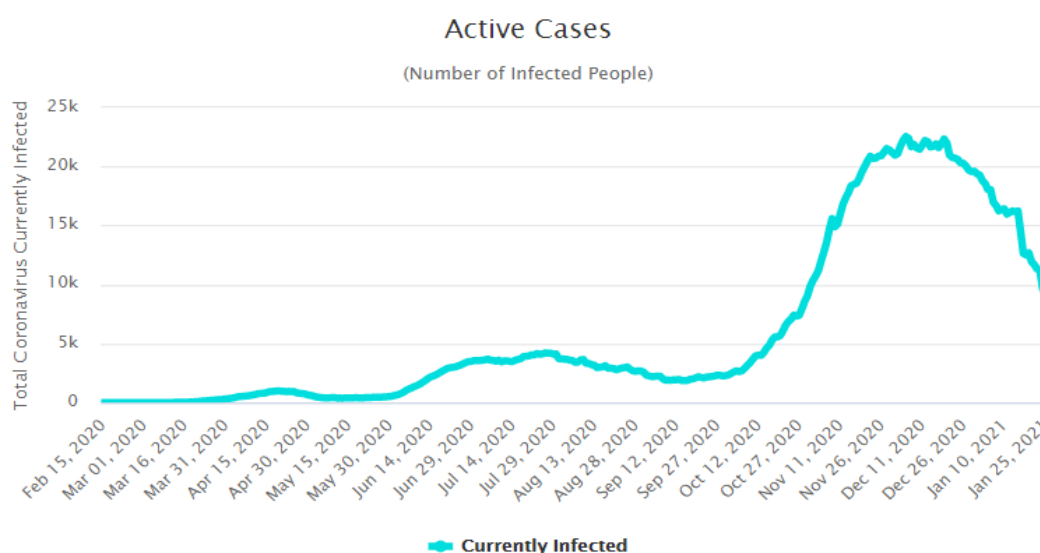
THE COVID-19 CRISIS IN NORTH MACEDONIA

31 January 2021

COVID-19 health situation – December 2020/January 2021

- North Macedonia faced a peak of contamination in mid-December, after which, the number of active COVID-19 cases has been steadily decreasing. On 25 January, the economy had 420 active cases per 100 000 inhabitants and 91 555 cases in total (vs. [2 768](#) per 100 000 and 57 451 cases in total on 25 December). Since December 2020, the Government of North Macedonia has declared a state of crisis, somewhat slowing down the gradual deconfinement plan (in place since May 2020).

Evolution of active cases in North Macedonia



Source: Worldometers.info

- Sanitary measures:** Since November, wearing masks is mandatory, including in outdoor spaces, and all businesses must follow strict hygiene and social distancing measures. Gatherings of more than four persons in public places are forbidden 24 hours a day, seven days a week. Exceptions to this rule include families with children, persons waiting for public transportation, and employees conducting official business. Finally, after a period of restricted activity due to containment measures, especially during the Christmas and New Year holidays, catering and associated facilities are currently open but under the obligation to close by 21:00.
- Health infrastructure:** On 10 December, the government presented a draft law for the creation of a new "University Clinical Centre".

Policy reactions – December 2020/January 2021

- *State of crisis:* On 20 November, the government declared a state of crisis throughout the economy whereby the laws on defence and crisis management give the government a legal basis to better mobilise the support of the army to assist competent institutions, especially in the health sector. In addition, it enables the government to manage the resources of public administration bodies, municipalities and other institutions, particularly private health establishments. Initially scheduled for 30 days, this status has been extended until the end of June 2021.
- *Travel bans:* On 21 December, the government took the decision to ban flights from Great Britain and Northern Ireland and to make mandatory screening and self-isolation for 14 days for all passengers entering the territory of North Macedonia from the United Kingdom. The ban was lifted on 30 December. There are currently no other travel or entry restrictions other than the requirement for all travellers going to North Macedonia to present a negative PCR test performed within 72 hours prior to entering the country.
- *Support to the population:* Throughout December and January, the government continued announcing new actions and extensions of existing regulations within the [4th package of measures](#) aimed at mitigating the negative impact of the pandemic on the economy launched earlier in September as well as measures to secure the funds needed for the implementation of the successive recovery packages. An additional EUR 8 million will be allocated to support additional categories of citizens and companies such as pop artists, dance associations or foreign language centers. It was also decided to allocate an additional one-time monetary reward to health workers fighting the pandemic.
- On 19 January, the government announced the launch of the [5th package of measures](#), which will replace the measures in the 4th package. The details of this fifth plan have yet to be defined by the government. Its first measure exempts companies from customs duties in the amount of EUR 7.1 million.

Economic impact/outlook

- *Budget:* On 20 December, the Parliament approved the 2021 budget. It is based on a projected 4.1% real GDP growth and foresees a deficit of 4.9% of GDP. Revenue is expected to increase by 8.3% over the 2020 budget, and expenditure by 2.1%. (vs. 8.49% in the supplementary budget for 2020). Current expenditures increased by 11.2% y-o-y in Q3, and by 21.3% in Q4. The general government deficit amounted to 8.1% of projected GDP in 2020. In 2019, government debt stood at 41.9% of GDP. In September 2020, debt amounted to 51.5% of projected full-year GDP.
- *Macroeconomic data:* The IMF forecasts that the economy of North Macedonia will shrink by almost [5.5% in 2020](#) (vs. 3.5% GDP growth in 2019). The National Bank of the Republic of North Macedonia forecasts are slightly more optimistic with a contraction of [3.5%](#). According to the EU, the economic contraction reached [3.3%](#) y.o.y, after a 14.9% drop in Q2. The reduction in the fall is the effect of a strong rebound in investment and a less marked decrease in household consumption maintained by the various measures.
- North Macedonia is relatively high integrated into international trade, with a total trade-to-GDP ratio of over [133%](#). In 2019, the economy exported goods and services worth EUR 6.5 billion and imported EUR 8.2 billion. The trade structure of North Macedonia remained in deficit and has been hovering around EUR 1.8 billion. In Q3 2020, exports fell by [-8.4%](#) y.o.y. which was less pronounced than in Q2 ([-18.8%](#)). Meanwhile, imports dropped by -2.4%. The trade deficit (forecasted -16.7% of GDP), however, has remained comparable to 2019 (-17.6% of GDP).
- The industrial production index increased by [1.9% y-o-y](#) in January and February 2020, but suffered a heavy decrease in March (-14.4% y-o-y), followed by a more gradual decrease in October and

November (-4.6%). Overall, the industrial production index fell by -10.6% y-o-y on average in the first eleven months of 2020.

- The unemployment rate has steadily been falling in recent years with an average annual decrease of 1.7% since 2015 and by 0.6% per year up to 16.5% in Q1 2020. After holding up well in the second quarter, the labour market deteriorated in the third quarter. However, the decline in employment (-1.8% year-on-year) remained moderate, mainly due to government support measures. The female labour force decreased by 3.3% after an increase in the second quarter (+1.2% year over year).

All previously published COVID-19 notes for North Macedonia can be accessed [here](#)

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