



THE COVID-19 CRISIS IN NORTH MACEDONIA

30 November 2020

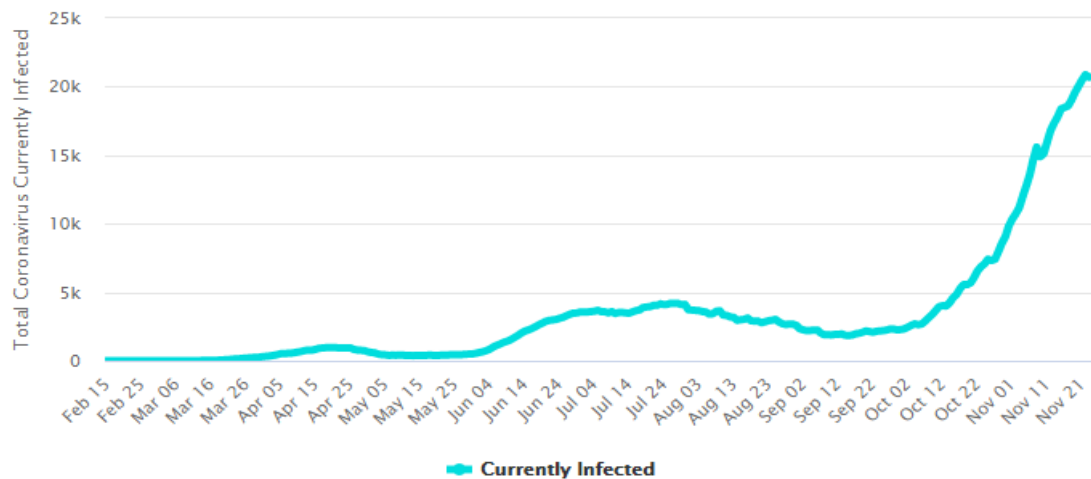
COVID-19 health situation - November 2020

Since the beginning of October, North Macedonia has seen a sharp increase of COVID-19 cases. On 25 November, the economy had 2 768 active cases per 100 000 inhabitants and 57 451 cases in total (vs. [26 954 in total](#) on 25 October). It reported 1 600 deaths. The Economy was ranking 30th in the world regarding total COVID-19 cases per 100.000 inhabitants. As a result of this rise, the Government declared a state of crisis, thus postponing the progressive deconfinement plan (in place since May 2020).

Evolution of active cases in North Macedonia

Active Cases

(Number of Infected People)



Source: Worldometers.info

- **Sanitary measures:** On 9 November, the government extended the ban on meetings of more than four people, which now applies throughout the entire day. Wearing masks is now mandatory in open spaces and all businesses must follow strict hygiene and social distancing measures. Catering facilities are under the obligation to close by 21:00.
- **State of Crisis:** On 20 November, the government declared a 30-day state of crisis throughout the economy whereby the laws on defence and crisis management will 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.

Policy reactions – November 2020

- *Support to the population:* Throughout November, the government continued announcing new actions as part of the [4th package of measures](#) aimed at mitigating the negative impact of the pandemic on the economy launched earlier in September, mainly:

Credit support: With the assistance of the European Union, an additional interest-free credit line with a 30% grant component intended for micro and small enterprises affected by COVID-19 will be put in place in the coming weeks;

Tourism support measures : The government instated a refund of the 2019 tourist tax for hotels, and grants to travel agencies, restaurants, playgrounds and certified tour guides.

- The government also approved the allocation of more than MKD 144 million (EUR 2.3 million) in funds to 89 public utility companies, and for financial help for the city of Skopje, students' dormitories and people with low income.
- Finally, a bill amending the tax law was adopted in order to increase the liquidity of citizens. It includes the exemption from payment of advances on income taxes for November and December 2020, and the increase of the non-tax threshold.

Economic impact/outlook

- *Budget:* On 4 October, the government adopted a second supplementary budget to take into account the 4th package of measures mitigating the negative effects of COVID-19. As a result of the increased total expenditure and the decrease of total revenues (mainly tax revenues and contributions), the new deficit now reaches MKD 56.6 million, ie 8.49% of GDP (vs. 6.8% before this supplementary budget).
- *Macroeconomic data:* In 2019, the economy experienced an increased real GDP growth of [3.5%](#) (driven by domestic demand in investment). Overall, the IMF forecasts that the economy of Northern Macedonia will shrink by almost [5.5% in 2020](#) (by [3.5%](#) According to the forecast of the National Bank of the Republic of North Macedonia). According to the [EU](#), consumer price inflation accelerated in Q3 and reached 1.6 percent y-o-y, from an average of 0.6 percent in the first half of 2020. This increase was driven by higher food and electricity prices together with increased excise taxes on petroleum products.
- North Macedonia is highly 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 2020, exports fell by [18.8%](#) y.o.y. At the same time a similar decline in imports reduced the deficit in the trade balance, which remained roughly the same as in 2019.
- 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), leading to a drop of 3.7% in Q1. Manufacturing output declined by 2%. On average in the first three months, trade turnover amounted to 2.7%, due to strong increases in January and February 2020 but fell in March (-9.4% y-o-y).
- Despite a [17.5%](#) unemployment rate in 2019, the figure has been decreasing in recent years (average annual decrease of 1.7% since 2015). In Q2 2020, it increased by [2.7% y-o-y](#). The labour force expanded, by 0.7% y-o-y, on account of a rise in the female workforce (+1.9%) and [the unemployment rate](#) dropped to 16.7% ([-0.4 pps q-o-q, and -1.6 pps y-o-y](#)).
- *Fiscal data:* In Q1, public revenues decreased by [8.3%](#) year-on-year, with a drop in tax revenues (-12%). Total expenditures increased by 7.9% while current expenditures increased by 8.3% y.o.y. This is due to an increase in social transfers (+6.3%) and subsidies (+22.9%). Taking into account the sharp decline in May (-51% year-on-year), investment expenditure was only slightly higher than the level for the same period in 2019 (+0.5%).
- In 2019, government debt stood at 41.9% of GDP. In 2020, it was [slightly higher](#) at the end of the Q1 y.o.y. (+0.5%). In Q3, the budget deficit amounts to 25.95 million denars, i.e. 3.8% of the GDP planned for 2020. In 2020, overall public debt is forecasted to represent 59.6% of GDP and government debt 49.5% of GDP.

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

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