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COVID-19 and its Impact to North Macedonia Economy

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Abstract: ***During 2020 many economies in the world, including the strongest, were affected from the health crisis created by COVID 19. The significant deterioration of the global economic environment and the decline in external demand caused by the health crisis affected the activity of domestic export companies and industrial production, remittances and foreign direct investment in the North Macedonia economy. Restrictive measures to prevent the spread of the coronavirus in the country have affected some of the activities within the service sector, such as trade, transport and tourism and other branches. As a result of all this, the domestic economy faced one of the deepest recessions so far, i.e. a decline in economic activity in general. As governments combat the economic and societal consequences of the crisis, the new policies should be considerations towards the objective of building back a better future, with more inclusive, sustainable, resilient economies and adoption on digital economy.***

Jell classification: E29, E62, E69, F00, G01

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1. Introduction

A decade after the Global Financial and Economic Crisis (2007-2009 Great Recession) we faced a new severe crisis that shocked the world with both its spreading speed and its scope, as well as with its specific features - a crisis determined on the side of both the supply and the aggregate demand. Initially, it appeared as a health crisis, turning into economic and social crisis soon afterwards. In just few weeks since its appearance in Wuhan, the National Republic of China, it has expanded globally, whereby the World Health Organization rightly declared it a global pandemic, currently affecting more than 200 countries worldwide.

Many economies in the world, including the strongest, were affected thereby. It has been impossible, at least so far, to predict such economic global cycles. Both, governments and institutions, as well as economic agents and families, were affected thereby. Due to the speed of transmission of the virus, what was first necessary was to introduce a rapid reduction followed by a complete closure of many economic activities in most parts of the world. Wherever there was a delay, even for a few days, the consequences have been shocking for the health and life of people as a whole. The need for social distance between people led to closure of many economic activities, however, the first sectors being hit thereby were the following: hospitality and tourism, transport and transport-related services, certain segment of the trade, education, craftsmanship, labor-intensive sectors (textiles, manufacture of leather, …), culture, sports and similar.

Amid such conditions, each government puts efforts to set priorities, which are not difficult to be identified given the nature of the crisis and the consequences thereof. The first priority was to prepare and strengthen the health system and the public health capacities therefore, followed by social care for vulnerable groups and those who will be the first to lose their jobs as a result of the Coronavirus crisis, as well as to preserve the economy in as good a condition as possible. Unfortunately, there were some, even in the most developed countries, who at the beginning, i.e. when the virus knocked on "their doors", were not up to the severity of the threat, they even underestimated it, with a dose of cynicism, claiming that the economy would remain functional and that it would not shrink due to the Coronavirus! They changed their views at the speed of light; however, unfortunately, it was exactly there, where the implications on human life were most severe!

Monetary authorities and the institutions have responded quickly with their basic monetary instruments and policies - from lowering the basic (reference) interest rate, up to easing the credit measures by postponing the loan repayment. Due to the nature of monetary policies and the need to preserve macroeconomic stability, in particular the stability of the financial sector, the fiscal sector bears the greatest burden there from. Many governments, such as the ones in the United States, Canada, as well as in Europe, adopted their fiscal packages, being challenging as never before in fiscal history, even when compared to the 2007 Global Financial Crisis.

Unlike the period during the 2007 global financial crisis, when the countries had much more fiscal space at their disposal, today everywhere around the globe (with a few exceptions in the most disciplined countries such as Germany, for example), that space is very small or it does not exist at all. The advantage, if it can be so called, is that only few take care of fiscal space in times of crisis 1. When it is matter of the Republic of North Macedonia, public debt ranges around 50% of GDP, at almost the same level as 3 years ago (in 2017). Unfortunately, given the fiscal space until 2008, when public debt accounted for 26%, it was classified by the optimistic economists as a moderate public debt, based on the ceiling of 60% of GDP, according to the Maastricht criteria the EU Member States are required to meet, whereby as a result of this criterion, they claim that there is still sufficient fiscal space. Our scientific analysis of the optimal level2 of public debt shows that the threshold of positive correlation between debt and growth has been almost reached, t. e. it accounts for 53.42% reaching 60.3% as of the end of the third quarter inclusive. In fact, this result coincides with the findings in the research, based on which the public debt in the developing countries should be around half of the one in the developed countries, which, according to the top world economists, is set between 90% - 100% of GDP Regarding the size and structure of the 2020 Budget of the Republic of North Macedonia, it was tailored by increasing wages in the education sector, upon previously increasing the wages in the health sector, the pensions, as well as the social subsidies (by size and structure), the fiscal space in the 2020 Central Budget has been reduced.

2. Measures to support the economy

The Government of the Republic of North Macedonia, starting from 11th March 2020, adopted the first containment measures and movement restrictions, immediately started wide consultations about designing measures aimed at coping with the pandemic. In an inclusive process, consultation was initiated with all business associations, the experts and academicians, representatives of certain major economic entities, the National Bank of the Republic of North Macedonia, the Banking Association, and other stakeholders as well, in order to analyze the developments, propose and adopt the most appropriate measures aimed at coping with the crisis. As the developments have changed from day to day (with great change intensity), what was exactly proposed at the first consultative meeting was that the measures should be designed and adopted gradually and dynamically, depending on the developments and the crisis evolution. The goals and priorities were targeted very similarly as by other governments in the region and beyond. The only differences were in terms of the scope and scale thereof. Understandably, you can never please everyone, amid such circumstances. However, it is important to design the most optimal measures by which, as much as possible in difficult times, maximum efforts will be made so to save the lives of citizens, keep the jobs and protect the companies, as well as take care of the most vulnerable groups of citizens. The highest priority of the economic measures will be to preserve the liquidity of companies, especially due to the chain effect of the relationship between the economy and the state budget. The first package of government measures was adopted very quickly, given that we faced the ever greatest lockdown. It was a result of the need to take immediate actions by following the example of the countries in the region. The interest-free credit line for micro- and small-sized businesses, as well as for individual traders who were first hit by the crisis, amounted to around EUR 5.7 million, being made available through the Development Bank, and it was extended by additional EUR 12.7 million. All these loans were available through public calls via COVID 1 and COVID 2 lines, intended for domestic companies, i.e. the working capital and keeping the respective jobs.

2.1 Second set of measures

This set of measures being continuously discussed for ten day, were adopted under summary procedure, at the beginning of April. Businessmen have, directly, as well as through chambers of commerce, supported each new financial aid. Among the most important measures, being also most debated under this set, are as following:

- Support to the business sector aimed at keeping the jobs and protecting the liquidity of private companies affected by the crisis - minimum (net) page (Denar 14, 500[1]) was paid to every worker for the months of April May 2020 and June 2020;
- Each employee, having lost his job due to the crisis, will be paid 50 % of his/her average net wage for a 6-month period;
- Rescheduling of loans or extension of loan repayment for all citizens and companies, affected by the crisis, for a period of three to six months; and
- Additional interest-free loans for companies (as same as under the first set of measures) amounting to eight million Euros.

2.2 Third set of measures

Under the third set of measures, comprising direct support to the citizens, the economy, the agriculture, as well as financial support as gratitude to the health workers in the fight against COVID-19, the Government has proved that it takes care of everyone, having clearly defined goals that will provide for developing a competitive Macedonian economy, as well as making the private sector even better and even more competitive in the post-COVID-19 period. State loan guarantee will be introduced for the first time through the Development Bank, being already established in many European countries, and as of recently, in Serbia and Albania, being aimed at improving the access to capital for a large number of enterprises regardless of their size.

Each measure was designed on a realistic basis, as well as by taking into account the needs of the economy and the private sector and this measure would aim to facilitate the access of the private sector to financial resources, which would allow them to share the risk i.e. for the state to undertake part of the risk. What does it mean? This means that under the state loan guarantee, under a coverage ratio of around 50% in the Development Bank, EU 10 million initial capital could guarantee an amount of more than EUR 65 million. Thus, the purpose is to help companies facing financial difficulties, i.e. loans they need during the recovery period, so that the state will undertake part of the risk, by which companies will be provided easier access to capital for liquidity needs and investments aimed at boosting the liquidity.

Under the Supplementary Budget, additional EUR 25 million has been made available under the P1 Program - Measures for Coping with COVID-19 Crisis for the Government, some of them intended for the state loan guarantee aimed not only at small-and medium-sized companies but also for all companies in need of funds for

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boosting the competitiveness and re-conquering the markets they perhaps lost.

The three pillars of measures comprise support for citizens and domestic consumption, business sector and its competitiveness, as well as agriculture as one of the driving branches in the country. First pillar contains measures for domestic payment card for venerable categories and families with incomes lower than Denar 9, 000, stimulating domestic tourism via Denar 6, 000 vouchers plus domestic payment card amounting to EUR 50 for employees, with lower income, vouchers for young people up to the age of 29 for IT skills plus domestic payment card amounting to EUR 50, reward for health workers at infectious diseases clinics and units, allowance for workers having lost their job due to COVID -19 crisis and VAT-free shopping weekend. The second pillars includes measures aimed at supporting the companies via Interest-free loans with 30% grant fund, state loan guarantee through the Development Bank, financial support of the private sector, the economy and the industry, measures aimed at modernization and new markets, Instrument for fast adjustment and modernization, co-financing events and conferences with the state covering 50% of the costs up to Denar 30, 000 at the most. With respect to agriculture-related pillar, support is aimed at the agricultural sector through the Development Bank, payment cards for procurement of fuel and machinery, support for restructuring the production of new products in grape processing, providing for cooperation between the public and the private sector by modeling public-private partnerships in viticulture and tobacco sectors, reform for efficient use of pasture, consolidation of agricultural land - new opportunity for greater competitiveness, financing micro agricultural entities and modernization of agriculture.

Around 140, 000 jobs have been kept as a result of the measure for financial support to companies aimed at paying wages, which measure is aimed at protecting the jobs and preserving the liquidity of companies, by which they will be able to pay wages. Budget funds' amounting to around EUR 100 million was intended for this measure, the precise objective of which was making room for additional needs in accordance with the economic developments. That measure was created under the second set of measures, and our country is currently in a phase of gradual reopening of the economy, for which purpose, we created third set of measures. Each set of measures was adopted for a given timing in accordance with the current conditions and the developments related to the crisis.

The Government adopted a Decree for extending the measure until the month of June inclusive, i.e. the employers and the persons performing independent activity can take advantage thereof for a period of 3-months instead of the previously planned two months.

Around EUR 30 million was paid to around 20 thousand companies in April, while there were slightly fewer requests in May, speaking in favor of the fact that some companies did not experience 30% decline in their income this month. From May to this day inclusive, EUR 21 million was paid to around 17, 500 companies.

The recovery will not happen overnight, however, we must be aware that the chambers of commerce and the business community need to adapt to the new situation as soon as possible. New business models will emerge, some of the companies will be restructured and therefore, some of the measures under the third set are actually aimed at adapting to the new conditions, as well as introducing new technologies. The measure the Government adopted this week, being under the competence of the Ministry of Economy, includes funds in the amount of EUR 20 million as a direct financial support intended for the business sector, aimed at boosting the competitiveness and the industry... so that they can also be encouraged to invest during this period, thereby being provided with substantial support by the Government, literally as a partner in this process, by co-financing up to 20% of the investment project.

2.3 Fourth set of measures

Support for payment of wages for the months of October, November and December, EUR 100 million as loans under favorable terms and conditions from the Development Bank, state loan guarantee, state customs guarantee, additional extension of loan repayment for companies by the end of the year, deferred payment of VAT for companies, domestic payment card for single parents, low-income pensioners, passive job seekers, reduction and/or abolishment of parafiscal charges, are the main measures covered under the fourth set of measures.

Support for payment of wages was provided in line with the decline in the income at companies. In fact, the greater the decline in the income of the companies covered by this measure, the greater the finance support for the payment of wages, which will range between the so-far Denar 14, 500 and Denar 21, 776. This will provide for greater stability as regards the jobs. The new methodology for finance support for paying wages will provide for supporting 83, 000 jobs per month, i.e. total of 250 thousand wages for the last quarter of this year. This measure amounts to EUR 70 million, and in order to exercise the right thereto, the companies that will apply, must keep the number of their employees as of 31st July 2020 inclusive. This measure also applies for the persons performing independent activity, i.e. sole proprietors, persons performing agricultural activity, craftsmanship, and persons carrying out other services.

P**ayment cards** was allocated to 283 thousand citizens**.** Total value of this measure amounts to EUR 27.6 million. Thereby, 5, 726 single parents, 182, 271 pensioners with pensions up to Denar 15, 000, 85, 108 unemployed - passive job seekers and 520 self-employed artists, filmmakers, cultural workers and performing artists, will receive a payment card worth Denar 6, 000.

"Buy at home" payment cards were also be allocated to 540 students, not having received these cards under the previous package. Additionally, 884 students and 347 pupils will receive support for pupils and student standard, a measure for which Denar 44 million has been provided.

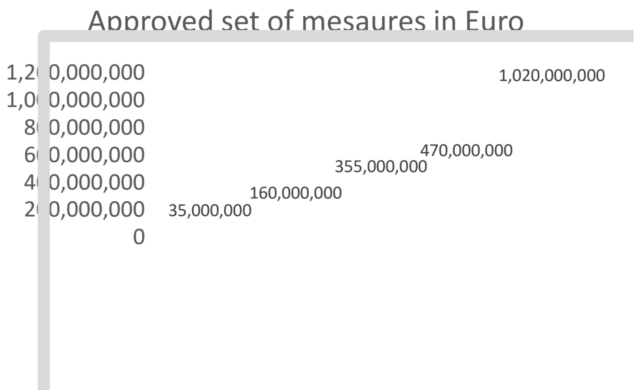
This set of measures also covers the citizens who are over the age of 64, not receiving any pension or state social pension, whose income is lower than Denar 15, 000, or generating no income at all. Hence, this measure covers 283, 000 citizens, amounting to EUR 27.6 million. **Extension of the grace period for interest-free loans under COVID-1.** Under this measure, through the Development Bank of North Macedonia, the existing users of credit lines from this bank, will have their grace period extended by additional 3 months, before starting the payment of annuities of the granted loans. Under the new package, **additional EUR 100 million, as loans under favorable terms and conditions**, have been provided from the Development Bank of the Republic of North Macedonia. These loans under favorable terms and conditions from the Development Bank of North Macedonia, have been provided through the European Investment Bank, and they will be made available in January 2021, through the commercial banks, as support to domestic companies, at exceptionally low interest. Several measures have been adopted as support to tourism. Minimum gross wage amounting to Denar 21, 776 will be paid to 150 registered tourist guides for the months of October, November and December, through the **measure - Wage support for tourist guides.** Moreover, through the **measure - Tourist tax refund for 2019**, 4, 740 entities having organized overnight stays in 2019, will be refunded EUR 2 million, which is the total amount of the tourist tax collected in the respective year. At the same time, all travel agencies, depending on the number of employees and the total turnover in 2019, as well as depending on whether they are holders of A or B licenses, will be extended grants from EUR 3, 000 up to EUR 7, 000, trough the measure - **Grants for travel agencies.** 500 travel agencies will use this measure, the total amount of which is EUR 1.9 million. Measure **- Reduction and/or abolishment of parafiscal charges** has also been adopted under this set of measures. In cooperation with the chambers of commerce, a list of priority parafiscal charges will be determined, such as charges, fees, permits, licenses, support on various grounds and their current reduction and / or abolishment of some of them. **Grants for restaurants for weddings** have also been provided - support will be extended to all registered and licensed entities for this activity, in the total amount of EUR 1 million. The grants separately range between EUR 3, 000 and EUR 10, 000 depending on the turnover generated in 2019. Thus, the option for registration of such activity is to be provided since some of these activities are registered for organizing weddings, while the others are registered only for food supply. This package also covers the measure - **Extension of renewal of the work licenses** for discotheques, night clubs, as well as the companies in the field of transport. According to the work registration, around 120 discotheques and nightclubs, as well as around 7000 transporting companies will have their work licenses extended in 2021 without fee, by which the transporting companies will be exempt there from by another year depending on the time period when their license expires. **Grants have also been envisaged for kids' play areas.** Grants in the amount of EUR 1, 000 up to EUR 5, 000 will be provided to around 1, 000 kids' play areas, depending on the turnover generated in 2019, whereby this measure amounts to total of EUR 2.5 million. **Support has also been provided to craftsmen**. It stipulates reduced VAT on their services and products from 18% to 5%, aimed at strengthening their competitiveness on the market. The other measures, such as those for supporting the payment of wages or the access to loans under favourable terms and conditions from the Development Bank of North Macedonia, remain available to the persons performing independent activity, i.e. the craftsmen. During the period of implementation of the fourth package, the measure - **State loan guarantee**, will also be put in practice. Under this measure, the state will make available financial resources in the amount of EUR 10 million as support to companies for easier access to cheap financial resources, by undertaking part of the credit risk. Under the state guarantee amounting to EUR 10 million, loans in the amount of EUR 65 million, will be made available to the business sector. Measure - **Customs Bank Guarantee** will be of great support to the companies. This measure is aimed at boosting the companies' export and easier access to raw materials. **Additional extension of companies' loan repayment** by the end of the year is another measure aimed at facilitating the operations of the companies. Under this set, the measure - **Reduction of default interest on public duties** by half from 0.03% to 0.015%, has been extended the end of the year. The measure - **Deferral of profit tax advance payment** also continues to apply. This measure envisages deferral of profit tax advance payment by March 2021 for companies experiencing more than 40% revenue decline. The measure - **VAT exemption on public donation**s will continue to apply for additional 12 months. **Reduction of VAT rate on restaurant services and serving food and beverages** is one of the new measures, by which these services will be taxed with a new preferential 10% VAT rate instead of the existing general 18% rate. The objective of this measure is to reduce the informal economy, lower prices for the citizens, as well as higher liquidity of the hospitality industry for food and beverages. This measure requires legal amendments and its implementation will commence as of 1st January next year. For the purpose of facilitating the financial liabilities of the companies, the measure -**Deferred VAT payment**, has been adopted. This measure will allow for deferred payment of VAT, seven days following the submission of the VAT tax return, without any interest being charged thereon. One of the measures within the fourth set of measures for coping with COVID-19 consequences is - **Deletion of the requirement to collect points under the Continuous Professional Development (CPD) for extension of accountant licenses.** 9, 360 registered accountants are beneficiaries of this measure, for which the requirement to collect points under the Continuous Professional Development for extension of accountant licenses will not apply in 2020.The measures also include the measure - **Extension of the period for covering losses to be set off against future profits.** Under this measure, the obligation to cover losses to be set off against future profits, prescribed in the Law on Profit Tax, will be abolished. At the same time, under the proposed amendments, deadline for carrying the loss forward will be extended, setting it off against the profit up to five years, instead of the existing legal solution, prescribing carrying the loss forward against the profit up to three years. This measure will be launched this year and will be in effect in 2020 and 2021.Measure in the field of tax policy is: **Raising the threshold under which the entities would not be subject to PT taxation regime** and raising the threshold under which entities would be subject to total income taxation regime. The measure envisages for the threshold to be set at Denar 5 million annually, pursuant to which the respective taxpayer will not be subject to the PT taxation regime. The measure envisages for the threshold to be raised under which the companies would be subject to the total income taxation regime, i.e. legal entities, generating total income between Denar 5, 000, 001 and Denar 10 million, to be able to choose whether to pay profit tax or to shift in the total income taxation regime of 1%. Under this measure, around EUR 1.15 million will be made available, which the companies can reallocate for investments or other development business plans. The measures - **Recognizing private health insurance costs as an eligible cost and recognizing the costs for COVID-19 testing**, also as an eligible cost, are included in this set of measures. The measure - **Reduction of import duties for raw materials and intermediate goods** provides support to the most affected manufacturing industries, as well as stimulus for development of the manufacturing capacities. This measure, in addition to all measures for raw materials determined on 24th December 2019, includes the reduction of import duties for natural gas, the ultimate objective of which is not only the economic, but also the ecological, effect. As regards the measure - **Support to human capital development,** this set of measures envisages profit tax and PIT exemption for employee-related costs pertaining to additional qualifications and team building.**PIT on employee-related costs pertaining to training, qualifications, obtaining licenses will be abolished,** thus providing for improvement of the quality of the work force the companies have, at the same time prescribing a legal limit on such costs, for instance, an average wage on annual level. This measure will be launched on 1st January next year. The measure - **Support to purchase of grape from 2020 harvest** envisages EUR 6.7 million as support to wine grape producers having sold their grape at registered wineries, as well as to wineries for the transportation costs at export. Each exporter will receive a subsidy according to the quantity of exported wine, to be paid gradually, depending on the quantity of exported wine. As regards the game of chance sector, the measure - **2/3 exemption of the legally prescribed amount for the organizers of games of chanc**e, is envisaged. Under this measure, organizers of games of chance, casinos, will pay 1/3 of the fees for automatic roulette tables or other tables. In order to facilitate the operations of the municipalities during COVID-19, the measure- **Changing the calculation for the base for financing local government units** is adopted, under which, when allocating funds to the local government units, the calculation of the average VAT collection in the previous three years will be taken into account, instead of the previous year alone as so far. The measure - **VAT-free weekend** is also included in this set of measures. The measure covers more than 350, 000 citizens, users of “MyVAT” application, who can buy domestic products and services and computers, as well as other IT equipment, during the period from 10th to 12th October in the amount of up to Denar 30, 000 and be refunded the whole VAT within several days. Sales in the amount of EUR 170 million is envisaged to be generated under this measure, funds to be injected in the economy, whereby around EUR 17 million will be refunded to the citizens on the basis of VAT. Second Supplementary Budget provided funds for the fourths set of measures Second Supplementary Budget provides for implementation of the fourth set of anti-crisis measures, aimed at ensuring sustainability of the national economic activities and the jobs, recovery of certain activities, stability of the social transfers, as well as policies underpinning the implementation of a fast exit strategy providing for continuation of the positive trends in the Macedonian economy once the crisis is over. Under the Supplementary Budget, the 2020 economic performance has been revised to -4.4%. As it was pointed out, if the set of measures were not undertaken, the drop would have been probably higher. Revenues under the Supplementary Budget remain the same, i.e. Denar 196.4 billion, being projected at almost the same level in relation to the projections, while expenditures have been increased to Denar 253 billion or by 4.2%, i.e. by Denar 10.1 billion higher in relation to the Supplementary Budget, by which some of the measures will be financed. The deficit, on the basis of such projected revenues and expenditures, is projected in the amount of Denar 56.6 billion, i.e. 8.4% of GDP.- These funds have been allocated to the budgets of the respective ministries and institutions in charge of the implementation of the government measures through a special government Subprogamme - P1- Measures for Coping with COVID-19 Crisis. As for the financial support aimed at paying wages to the employees in the private sector, EUR 70 million has been projected, EUR 27 million for domestic payment cards intended for vulnerable groups, affected by COVID 19, EUR 6.7 million as support to producers, manufactures and exporters of grape, and bottled wine, EUR 160, 000 as support to tourist guides, as for tourist tax refund for 2019, EUR 2 million has been spent for realized overnight stays, EUR 17 million for VAT-free weekend, EUR 13 million for state loan guarantee and customs bank guarantee through the Development Bank, and EUR 5.5 million as grants for travel agencies, kids’ play areas and restaurants for weddings.

Cuts have been made at expenditures related to goods and services, being projected at Denar 1 billion and Denar 1.2 billion at capital expenditures, whereby, capital expenditures are at same level with respect to the Core Budget.

COVID-19 crisis is of non-economic nature, and all countries worldwide inject funds in the economy and widen the deficit, whereby, by undertaking measures, they stimulate the supply and the demand so as to intensify the economic activity and overcome the crisis. On the other hand, revenues, as a result of the reduction of domestic consumption and disruption of global chains due to COVID-19 crisis, their performance has been lower everywhere.

There have been several interventions by taking measures for dealing with the crisis, aimed at supporting the economy and overcoming the consequences of the crisis, as well as providing support to the citizens. The same case was under the Supplementary Balance as well. This means expenditures have been increased under the fourth set of measures. Deficit corresponds to the biggest economic crisis, our economy is going through - our economy has never before recorded such high drop of 12.7% on quarterly basis and -6.5% drop in the first half. However, this was not the case in our country alone. This is what is going on with respect to global economy and the EU economy. This is a global issue, global crisis. Under the second Supplementary Balance - budget deficit has been widened; however, the funds are intended for the fourth set of measures, aimed at providing support to citizens and the economy so as to overcome the crisis. Almost all economies, throughout the year, widened their budget deficit, while the average in the Eurozone was 8.3%. During the upcoming period, budget deficit will be consolidated by stabilizing the situation and via prudent management. Under the Supplementary Budget, funds have been provided for the fourth set of measures. Under the special government Subprogamme - P1- MEASURES FOR COPING WITH COVID-19 CRISIS, as for the financial support aimed at paying wages to the employees in the private sector, EUR 70 million has been projected, EUR 27 million for domestic payment cards intended for vulnerable groups, affected by COVID-19, EUR 6.7 million as support to producers, manufactures and exporters of grape, bulk wine and bottled wine, EUR 160, 000 as support to tourist guides, as for tourist tax refund for 2019, EUR 2 million has been spent for realized overnight stays, EUR 17 million for VAT-free weekend, EUR 13 million for state loan guarantee and customs bank guarantee through the Development Bank, and EUR 5.5 million as grants for travel agencies, kids' play areas and restaurants for weddings. Total 4 sets of measures provided up to EUR 1 billion funds for domestic economy, for the purpose of overcoming the COVID-19 crisis in 2020 in chart below.

Chart 1: Approved all set of measures for the Economy in 2020



3. Forecast for economic growth for Western Balkan countries

As for Western Balkan region, GDP is projected to decline by 5.1% in 2020 due to a collapse in tourism (particularly in Albania and Montenegro), disruptions in global supply chains declines in foreign direct investment inflows and remittances from abroad. Economic activity in the Western Balkans is expected to recover in 2021, i.e. 3.4% growth has been projected.

In accordance with EBRD forecasts for Republic of North Macedonia, GDP is expected to decline by 5.0% in 2020, while economic activity is expected to recover in 2021, i.e. 3.0% growth been projected. The Report states that a faster economic recovery is possible but, on balance, risks to the EBRD projection are tilted to the downside, being primarily related to pandemic caused by Coronavirus and the social distancing being maintained for longer than expected. EBRD forecasts for GDP growth in our country have been revised downwards by 1.5 p.p. and 2.5 p.p., respectively for 2020 and 2021.

Table 1: EBRD forecasted economic growth rates

	Realized GDP growth (%)	GDP growth forecasts (September)		Revised forecasts in relation to May 2020	
country	First half of 2020	2020	2021	2020	2021
Albania	-6.2	-9.0	4.5	0.0	-7.5
Bosnia and Herzegovina	-2.7	-5.0	3.0	-0.5	-3.0
Kosovo	-3.3	-5.0	4.0	0.0	-3.5
Montenegro	-3.7	-9.0	5.0	-1.0	-5.5
North Macedonia	-6.3	-5.0	3.0	-1.5	-2.5
Serbia	-0.9	-3.5	3.0	0.0	-3.0
Western Balkans	-2.9	-5.1	3.4	-0.3	-3.7
Bulgaria	-3.0	-5.5	3.0	-0.5	-1.0
Turkey	-2.7	-3.5	5.0	0.0	-1.0
Croatia	-7.4	-8.5	3.5	-1.5	-2.5
Estonia	-3.3	-4.0	4.0	2.0	-3.0
Hungary	-5.8	-5.0	4.0	-1.5	0.0
Latvia	-5.1	-5.0	3.5	2.0	-1.5
Lithuania	-0.6	-2.0	4.0	5.0	-1.0
Poland	-3.1	-3.5	3.0	0.0	-1.0
Slovakia	-8.0	-7.0	5.0	-1.0	-2.0
Slovenia	-8.3	-7.5	3.5	-2.0	-1.5

Source: EBRD, September 2020

Table 2: Revised economic growth forecasts in North Macedonia in 2020

2020	**First half**	**Second half**	**2020**
real growth (%)			
Gross Domestic Product	**-6.4**	**-2.6**	**-4.4**
Private consumption	-5.6	-2.5	-4.0
Public consumption	2.0	2.8	2.4
Gross investments	-11.3	-9.3	-10.2
Export of goods and services	-18.8	-15.3	-17.0
Import of goods and services	-16.6	-14.5	-15.5

Source: MoF, September 2020

Revised forecast reflects the new situation by prolonging the health crisis in the third and fourth quarter.

3.1 Effects from the latest set of measures

In response to the prolonged health crisis, under the adopted sets of measures aimed at supporting consumption and companies so as to keep the jobs and underpin investments and export.

With respect the new preliminary forecast (real GDP decline by 5%), measures will contribute to mitigating the drop at personal consumption (payment cards) and investments (guarantee scheme, new credit line through the Development Bank and support of innovation through the Fund for Innovations and Technology Development), and thus the overall economic activity as well (revised real GDP decline by 4.4%).

Amid full realization of the measure - Domestic payment card, private consumption would record lower drop by 0.4 percentage points, while import would experience higher drop by 0.1 percentage points in relation to the baseline scenario. Thus, private consumption would decrease by 4% instead of experiencing 4.4% drop, while import of goods and service would decrease by 15.6% rather than observing a 15.5% drop. Hence, the effect on GDP is 0.34 percentage points.

Measures aimed at supporting investments (guarantee schemes, new credit line through the Development Bank and support of innovations through the Fund for Innovations and Technology Development), when being fully realized, imply lower decline of gross investments by 0.8 percentage points, while import would experience lower drop by 0.1 percentage point in relation to the baseline scenario. Thus, gross investments would decrease by 11% instead of experiencing 10.2% drop, while import of goods and service would decrease by 15.4% rather than observing a 15.5% drop. Hence, the effect on GDP is 0.26 percentage points.

3.2 Macroeconomic forecasts for North Macedonia

Observations for significant deterioration of the international economic environment point out to significant drop of foreign demand in the country in 2020.

Such assumption corresponds to shock on the side of supply, i.e. more significant disruption of the global supply chain in the second quarter mostly, which will overspill on domestic economy by reducing export demand of products, i.e. respective industrial branches, as well as services related to Manufacturing activity. Hence, export of goods and services is expected to decline by 16.8% in real terms.

This is coupled by the economic implications on domestic economy from the implementation of measures aimed at preventing the spread of Coronavirus in the country, which will affect the services sector, primarily transport, hospitality industry, tourism and sales, “arts, entertainment and recreation” activity, sales of durable consumer goods, as well as on part of the industrial capacities and the construction activity, especially in the second quarter.

These developments will affect the labour market and accordingly the disposable income of households and their consumption and investments, as well as the investment activity of business entities, corresponding to the shock on the side of demand. Projected drop of private transfers from abroad, as well as the foreign direct investments leads to additional downward revision of consumption and investments. Thereby, fiscal anti-crisis measures are expected to contribute to mitigating the consequences on the labour market and the income of the households as a whole, thus on their consumption as well. As e result thereof, private consumption is projected to drop by 3.3%, while gross investments to decline by 9.6% in real terms.

Public consumption is expected to have positive contribution to the economic growth, mainly as a result of the increased expenditures (goods, services and wages) for the health sector, i.e. it is projected to grow by 2.7% in real terms.

Import demand, amid expected drop of export activity, investments in capital/durable consumer goods, by both business entities and households, is projected to decline, by which import of goods and services is projected to drop by 15.8% in real terms. Hence net export demand, in conditions of higher decline, in absolute terms, of import than export of goods and service partially neutralizes the negative contribution of the domestic demand on the economic activity.

In line with such forecasts, the economic activity is expected to decline by 3.4% in 2020. Effects from Coronavirus crisis on the economy, in line with the baseline scenario, are expected to be felt the most in the second quarter of the year. As for the third quarter, the economic activity contraction is projected to slow down, while average recovery of the economy is expected in the fourth quarter.

These forecasts are accompanied by significant risks, both downward and upward, depending on the duration of the Coronavirus crisis, the intensity of the effects on the economy, and the results of the economic measures for its mitigation. Positive risks arise from the possibility for private consumption to be more resilient to the effects from the COVID-19 crisis in relation to the expectations. Moreover, faster recovery of global economic activity than the projected one, may restrict the negative implications of the crisis on the export sector and the Manufacturing. On the other hand, if the pandemic protracts in the second half of this year, it will result in retaining the restrictive measures related to Coronavirus, as well as further negative effects caused by the international environment and the global supply chains and hence a stronger decline in export activity, consumption and investments in the country, and accordingly the overall economic activity, in relation to the baseline scenario.

Economic recovery, envisaged to start in the last quarter of 2020, is expected to continue with intensified dynamics throughout 2020, whereby 4.8% economic growth has been projected. In the next two year, more stable growth of economic activity is envisaged, being projected at 4.2%.

Upon the expected slight decrease of consumer prices in 2020 by 0.2%, inflation in 2021 is expected to move to the positive zone, projected at 1.3%, amid expected upward movement of foreign effective inflation and global prices of some of the primary commodities. In 2022 and 2023, inflation rate is expected to remain low and stable, accounting for 1.7% and 1.8% respectively, amid moderate increase of global prices, and partially under the influence of the economic activity in domestic economy.

3.3 Comparison with the forecasts of other national and international institutions

By taking into account the great uncertainty related to the intensity and the duration of the health shock, the assessments for its impact on the economic activity vary, as well as the assessments for the expected effects of the undertaken fiscal and monetary measures aimed at mitigating the consequences and the recovery speed of domestic economy, thus pointing out to different economic growth forecasts of different institutions in the upcoming period. Thereby, revised economic growth forecasts in the next period, move in the same direction, being almost the same as with the revisions of other national and international institutions.

Table 3: Comparison of GDP growth and inflation forecasts in North Macedonia

Institution	Real GDP growth (%)				Inflation rate (%)			
	2020	2021	2022	2023	2020	2021	2022	2023
IMF	4.0	7.0	4.5	4.0	0.9	0.8	1.2	1.6
World Bank	2.1	3.9	-	-	2.1	1.8	-	-
European Commission	3.9	4.0	-	-	0.7	2.0	-	-
EBRD	3.5	5.5	-	-	-	-	-	-
NBRNM	3.5	4.7	4.0	-	0.0	1.5	2.0	-
Ministry of Finance	3.4	4.8	4.2	4.2	0.2	1.3	1.7	1.8

Source: IMF (Request for Purchase Under the Rapid Financing Instrument, April 2020), World Bank (Global Economic Prospects, June 2020 and Western Balkans Regular Economic Report no.17, April 2020) European Commission (European Economic Forecasts, May 2020), EBRD (Regional Economic Prospects, May 2020) and NBRBM (Quarterly Report, May 2020)

Table 4: IMF economic growth forecasts by countries

	2020	2021
Serbia	-3.0	7.5
North Macedonia	-4.0	7.0
Bulgaria	-4.0	6.0
Turkey	-5.0	5.0
Bosnia and Herzegovina	-5.0	3.5
Kosovo	-5.0	7.5
Albania	-5.0	8.0
Montenegro	-9.0	6.5
Croatia	-9.0	4.9

Source: World Economic Outlook, April 2020

Table 5: World Bank economic growth forecasts by countries

	2020	2021
North Macedonia	**-2.1**	**3.9**
Serbia	-2.5	4.0
Bosnia and Herzegovina	-3.2	3.4
Turkey	-3.8	5.0
Kosovo	-4.5	5.2
Albania	-5.0	8.8
Montenegro	-5.6	4.8
Bulgaria	-6.2	4.3
Croatia	-9.3	5.4

Source: Global Economic Prospects, June 2020

Table 6: European Commission economic growth forecasts by countries

	2020	2021
North Macedonia	**-3.9**	**4.0**
Serbia	-4.1	6.1
Albania	-4.8	4.2
Turkey	-5.4	4.4
Montenegro	-5.9	4.4
Bulgaria	-7.2	6.0
Croatia	-9.1	7.5
Kosovo	:	:
Bosnia and Herzegovina	:	:

Source: European Commission Forecast, May 2020

3.4 Gross Domestic Product in Q2 2020

According to the data of the State Statistical Office (SSO), in Q2 2020, compared to the same quarter in 2019, GDP decreased by 12.7% in real terms, by which the drop in the first half of 2020, accounted for 6.4%. Drop has been expected, given that the effects of health crisis on the economic activity were most evident during this quarter.

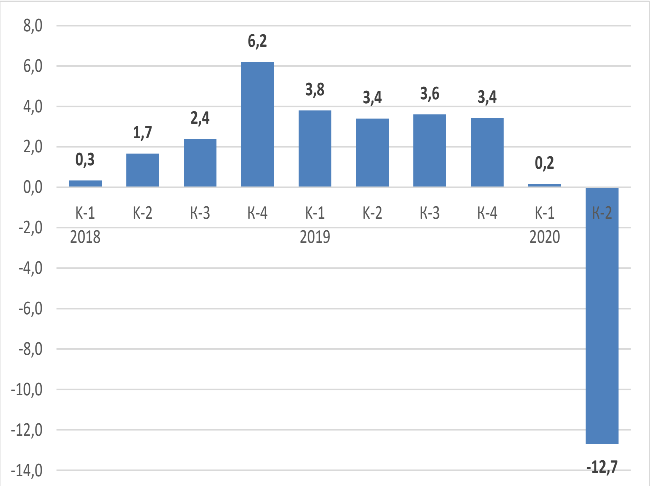


Chart 1: Real annual GDP growth (%)
Source: State Statistical Office
(Estimated data on 2018 and 2019)

GDP decrease in nominal terms in Q2 2020 accounted for 11.6% on annual basis, while the drop, in nominal terms, accounted for 5.1% in the first half of 2020.

With respect to EU Member States, economic activity in Germany, as the most important trading partner to North Macedonia, reduced by 11.3% in Q2 2020, following the 1.8% drop recorded in Q1.

➢ GDP expenditure side

Analyzed by activities, in Q2 2020, services, industry and construction dropped, while agriculture experienced growth. Most evident drop was seen at industrial sector, accounting for 25.2% on annual basis, amid strong drop in Manufacturing of 29.4%, given the reduced foreign demand. Construction also decreased by 0.5%. Activity in services sector in Q2 decreased by 7.7% on annual basis, being mostly due to the drop in Trade, transport and hospitality industry by 23.4%, caused by the measures aimed at preventing the spread of the pandemic. Drop was also seen at the following activities: Expert, scientific, technical and administrative activities by 3.1%, Financial and insurance activities by 3.1% and Arts, entertainment and recreation by 0.2%. On the other hand, service activities, experiencing growth in Q2 despite the health and economic crisis are: Public administration, defence, education and health by 2.2% and Information and communications by 0.9%. Activities related to real estate remained the same compared to Q2 2019. Growth rates in real terms and contributions of the activities to the growth are shown in Table 7. Agriculture sector proved to be most resilient to the crisis, growing by 4.5% on annual basis.

Table 7: Review of real growth rates and contribution to growth by sectors

Sectors	real growth (%)			contribution to growth (p.p.)		
	Q1 2020	Q2 2020	Q1-Q2 2020	Q1 2020	Q2 2020	Q1-Q2 2020
Agriculture	2.8	4.5	3.7	0.2	0.3	0.2
Industry	-5.1	-25.2	-15.3	-0.7	-3.3	-2.0
Manufacturing	-1.3	-29.4	-16.1	-0.1	-3.1	-1.7
Construction	1.5	-0.5	0.4	0.1	0.0	0.0
Services sector	1.4	-7.7	-3.2	0.9	-4.5	-1.9
Trade, transport and hospitality	-1.3	-23.4	-12.3	-0.3	-4.6	-2.4
Information and Communications	10.4	0.9	5.6	0.6	0.1	0.3
Financial and insurance activity	-1.9	-3.1	-2.5	-0.1	-0.1	-0.1
Real estate activities	6.5	0.0	3.3	0.7	0.0	0.3
Expert, scientific and technical activities	-2.8	-3.1	-3.0	-0.1	-0.1	-0.1
Public administration	-0.9	2.2	0.6	-0.1	0.3	0.1
Arts, entertainment and recreation	5.2	-0.2	2.5	0.2	0.0	0.1
Net taxes on products	0.6	-28.8	-15.3	0.1	-4.0	-2.0
Residual				0.4	-1.1	-0.8

Source: State Statistical Office

➢ GDP expenditure side

Analyzed according to the GDP expenditure side, drop of economic activity in Q2 2020 was a result of the drop at almost all components. Domestic demand recorded evident drop, amid drop of both consumption and gross investments, while high drop of export has been mitigated by the drop of import.

Real drop of gross investments in Q2 was high, accounting for 25.6%, due to the uncertainty caused by COVID-19, affecting investors as well. Drop was seen at final consumption as a result of the drop of private consumption by 11.6%. On the other hand, public consumption is the only component experiencing growth, accounting for 1.5% on annual basis, being a result of the expenditures related to the health crisis.

Export in this quarter dropped by 31.3%, accompanied by the drop of import by 29.6%. Real growth rates and contributions of components to growth are shown in Table 8.

Table 8: Review of real growth rates and contribution to growth by components

Components	real growth (%)			contribution to growth (p.p.)		
	Q1 2020	Q2 2020	Q1-Q2 2020	Q1 2020	Q2 2020	Q1-Q2 2020
Final consumption	1.5	-9.2	-4.2	1.2	-8.5	-3.7
Private	1.2	-11.6	-5.6	0.8	-9.1	-4.2
Public	2.4	1.5	2.0	0.3	0.2	0.3
Gross investments	-0.5	-25.6	-11.3	-0.2	-6.4	-3.3
Export of goods and services	-5.4	-31.3	-18.8	-3.8	-22.3	-13.2
Import of goods and services	-3.2	-29.6	-16.6	-2.9	-26.1	-14.7
Net export				-0.9	3.8	1.5
residual				0.1	-1.6	-0.9

Source: State Statistical Office

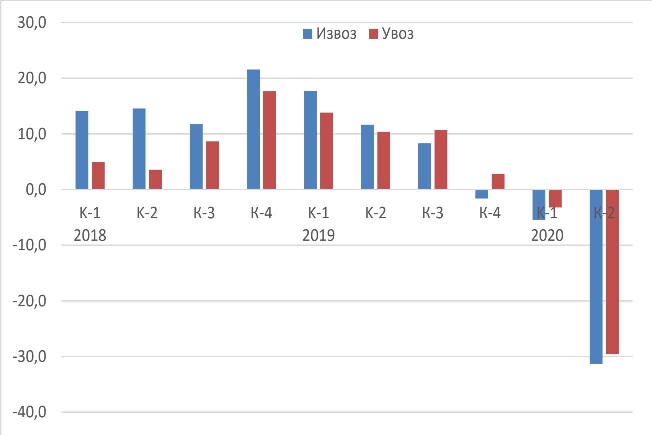


Chart 2: Real growth of export and import (%)
Source: State Statistical Office
(Estimated data on 2018 and 2019)

➢ Information on the labour market in the second quarter of 2020

Active population in the Republic of North Macedonia in Q2 2020, in line with the data of the State Statistical Office, amounts to 953, 039 persons, 793, 416 persons out of whom are employed or 83.3% of the active population, while 159, 623 are unemployed persons. Activity rate in Q2 2020 was 56.5%, employment rate was 47.1%, while unemployment rate accounted for 16.7%.

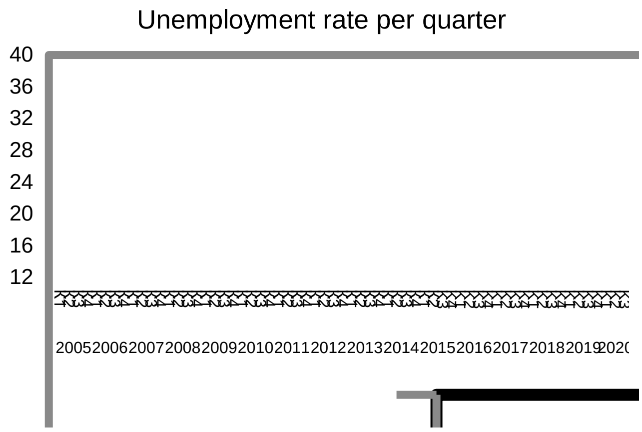


Chart 3: Unemployment rate per quarter
Source: State Statistical Office

Unemployment rate in Q2 2020 accounted for 16.7%, being higher by 0.5 p.p., compared to the previous quarter.

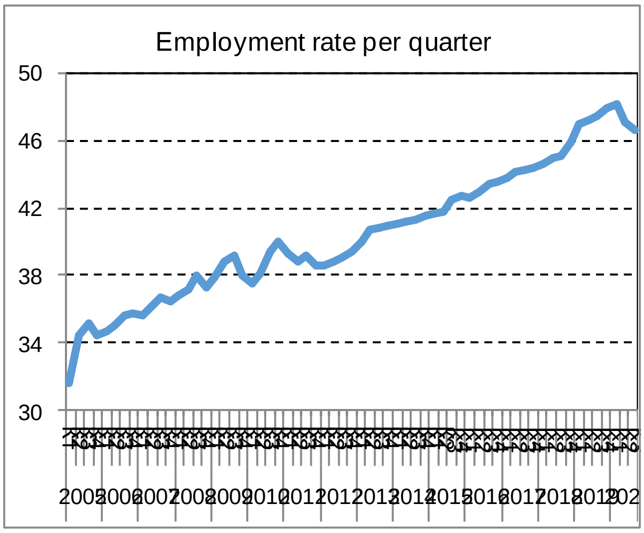


Chart 4: Employment rate per quarter
Source: State Statistical Office

Compared to Q2 2019, employment rate remained the same, unemployment rate was lower by 0.8 p.p., while activity rate was lower by 0.6 p.p..

Compared to Q2 2019:

- Number of employed persons is lower by 0.1% (867 persons);
- Number of unemployed persons is lower by 5.1% (8, 557 persons);
- Total active population is lower by 1.0% (9, 424 persons).

Compared to Q1 2020, employment rate is lower by 1.0 p.p., unemployment rate is higher by 0.5 p.p., while activity rate is lower by 0.9 p.p..

Compared to Q1 2020:

- Number of employed persons is lower by 2.2% (17, 690 persons);
- Number of unemployed persons is higher by 1.9% (2, 996 persons);
- Total active population is lower by 1.5% (14, 694 persons).

Out of the total number of employed persons, 76.7% were persons employed in privately owned entities, while 23.3% were persons employed in entities in other ownership (mixed, collective, state).

Table 9: Labour force 2016-2020

	Labour force	Number of employed persons	Number of unemployed persons
Q1 2016	945, 821	714, 435	231, 386
Q2	948, 376	720, 674	227, 702
Q3	949, 944	727, 985	221, 959
Q4	950, 255	731, 107	219, 148
Q1 2017	952, 644	734, 043	218, 601
Q2	955, 699	739, 892	215, 807
Q3	954, 814	743, 451	211, 363
Q4	953, 692	745, 206	208, 486
Q1 2018	956, 640	749, 892	206, 748
Q2	957, 471	755, 073	202, 398

Q3	958, 770	759, 445	199, 325
Q4	957, 609	771, 806	185, 803
Q1 2019	960, 743	789, 414	171, 329
Q2	962, 463	794, 283	168, 180
Q3	964, 248	799, 546	164, 702
Q4	968, 604	807, 362	161, 242
Q1 2020	967, 733	811, 106	156, 627
Q2	953, 039	793, 416	159, 623

Source: State Statistical Office

If employment is analyzed according to the economic status, increase of employment, compared to Q2 2019, has been noticed at employers by 5.2% and employees by 3.1%, while reduction has been recorded at unpaid family workers by 15.4% and self-employed persons by 15.2%.

By sectors, most significant increase in the number of employed persons compared to Q2 2019, has been recorded at the following sectors: Wholesale and retail trade (8, 646 persons), Health and social protection activities (4, 954 persons) and Information and communications (4, 297 persons). Most significant reduction of the number of employed persons was seen at the sectors: Agriculture, forestry and fishing (16, 903 persons), Accommodation and food service activities (3, 448 persons) and Expert, scientific and technical activities (3, 039 persons).

Compared to Q1 2020, increase in the number of employed persons has been recorded at the following sectors: Construction (3, 453 persons), Information and communications (1, 853 persons) and Arts, entertainment and recreation (1, 425 persons), while reduction was seen in the sectors: Transport and storage (11, 999 persons), Manufacturing (4, 050 persons) and Agriculture, forestry and fishing (2, 694 persons).

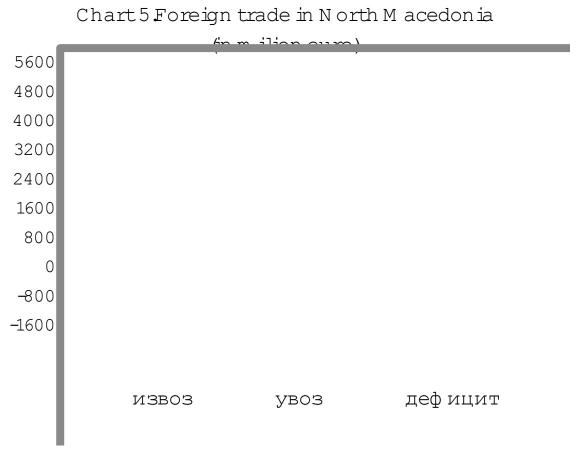
Employment rate in Q2 2020 was highest at primary age group (25-49 years), accounting for 67.2%, being higher by 0.3 p.p. compared to the same quarter last year. Employment rate was lowest at the youngest age group (15-24 years), accounting for 19.6%, reducing by 1.6 p.p. compared to the same quarter last year. As for eldest age group (50-64 years), employment rate accounted for 51.3%, being higher by 0.1 p.p. compared to Q2 2019.

Unemployment rate has been highest at the youngest age group (15-24 years), accounting for 33.8%, being lower by 1.1. p.p. compared to the same quarter last year. Unemployment rate has been lowest at the 50-64 age group, accounting for 13.4% (being higher by 0.6 p.p. compared to Q2 2019). As for primary age group (25-49 years), unemployment rate accounted for 16.4%, being lower by 0.8 p.p. compared to the same quarter last year.

Observed by gender, employment rate has been significantly higher at men, accounting for 55.6% compared to women, accounting for 38.5%, while unemployment rate at men was higher by 0.1 p.p. than the one at women (16.8 % и 16.7% respectively). Activity rate of women accounted for 46.2%, being lower by 20.6 p.p. than the activity rate of men (66.8%).

- Foreign trade

Total foreign trade in July 2020 decreased by 5.9% compared to July last year, while on cumulative basis, in the first seven months of 2020, it dropped by 17.8% compared to the same period in the previous year.



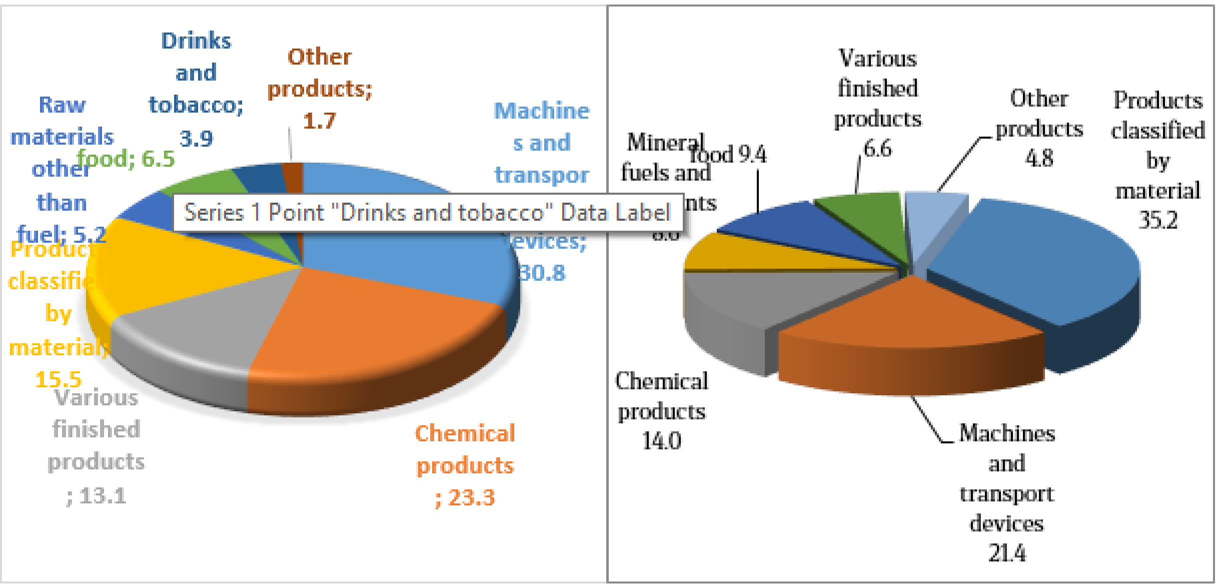
Source: State Statistical Office

In July 2020, export of goods declined by 8.1% compared to the same month last year, while on cumulative basis, in the January-July 2020 period, export dropped by 20.2% compared to the same period in 2019.

- Analyzed by sectors of SITC[2], on cumulative basis, in the January-July 2002 period, drop of export of goods was recorded at all sectors: Machinery and transport equipment dropping by 25.2% (contribution of 8.3 p.p.) and chemical products decreasing by 25, 0% (contribution of 6.0 p.p.) had the highest contribution to the drop. This was followed by the sectors: miscellaneous manufactured articles by 19.3% (contribution of 2.5 p.p.), crude materials, except fuel by 21.3% (contribution of 1.1 p.p.), mineral oils and lubricants by 39.3% (contribution of 0.7 p.p.), beverages and tobacco by 16.4% (contribution of 0.6 p.p.), products classified according to the material by 3.0% (contribution of 0.4 p.p.), and food products by 7.2% (contribution of 0.4 p.p.).

[2]Standard International Trade Classification

Structure of export (left) and import (right) by SITC in January-July 2020 period (%)



Source: MoF calculations on the basis of data by SSO

In July 2020, export of goods declined by 4.2% compared to the same month last year, while on cumulative basis, in the January–July 2020 period, import dropped by 16.0% compared to the same period in 2019.

- Analyzed by SITC sectors, in the January-July 2020 period, drop of import of goods was seen in the following sectors: products classified according to the material by 22.9% (contribution of 8.7 p.p.), machinery and transport equipment by 16.6% (contribution of 3.5 p.p.), mineral fuels and lubricants by 27.5% (contribution of 2.8 p.p.), miscellaneous manufactured articles by 11.5% (contribution of 0.7 p.p.), chemical products by 1.5% (contribution of 0.2 p.p.), beverages and tobacco by 8.1% (contribution of 0.2 p.p.) and crude materials except fuel by 4.6% (contribution of 0.1 p.p.).
- Import of goods grew in the following sectors: food products by 2.6% (contribution of 0.2 p.p.) and animal and vegetable oils by 14.6% (contribution of 0.1 p.p.).

In July 2020, trade deficit increased by 7.9% compared to the same month last year, while on cumulative basis, in the January-July 2020 period, it reduced by 1.9% compared to the same period in 2019.

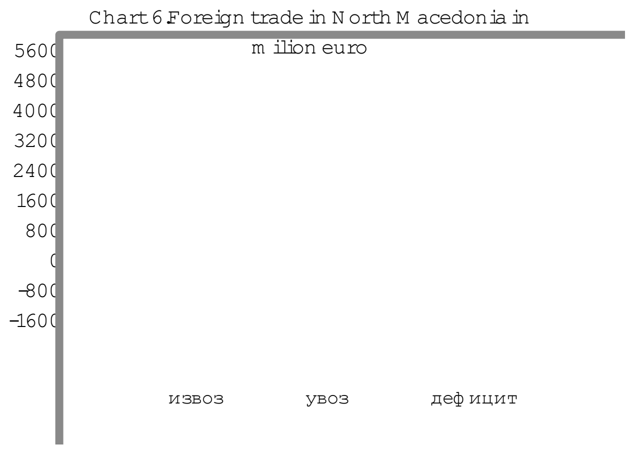
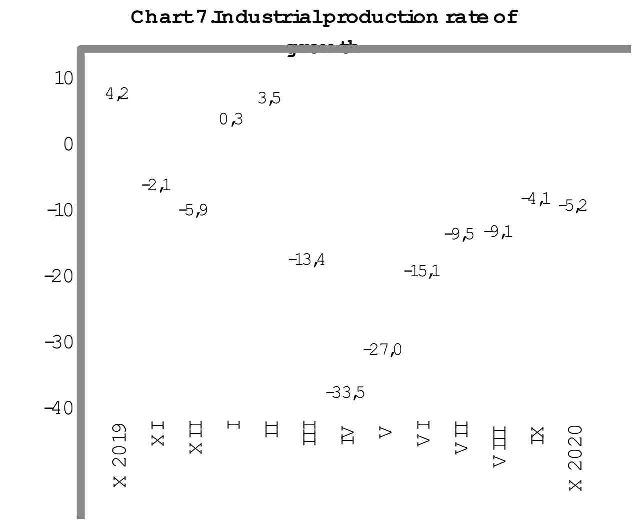


Chart 6: Foreign Trade in North Macedonia period january-august

Source: State Statistical Office

- Trade deficit in the January-July 2020 period accounted for 10.0% of the projected annual GDP, being lower by 0.1 p.p. compared to the same period in the previous year.
- Formation on the industrial production in October 2020

Industrial production dropped by 5.2% in October 2020 compared to the same month last year, being slight increase of the drop compared to the previous month. It experienced 11.3% drop on cumulative basis, in the first ten months of 2020.



Source: State Statistical Office

4. Recommendation

Main coping with the consequences of the crisis in the short and medium term

In times when the health crisis continues to adversely affect the Western Balkan economies, the package of economic measures should to be aimed at limiting potential new layoffs and insolvency of companies, as well as providing support for the most vulnerable categories of citizens, i.e. bolstering household incomes. By taking into account that such measures lead to substantial costs for the governments' budgets in the regions, they should prioritize public spending towards most affected segments in the economy. While governments of the region address immediate challenges, they should, at the same time, work on eliminating the existing structural constraints of the economies, as well as of their repositioning so as to achieve a sustainable and resilient recovery in the post-COVID-19 period. Therefore, the following is proposed:

1. In the field of SMEs: Further support for SMEs in the country should include addressing structural problems by stepping-up the efforts on SMEs digital transformation. To that end, the uptake of e-commerce by SMEs should be encouraged in order to facilitate their entry into new markets. Additionally, support should be provided for start-ups, which participated in the fight against COVID-19 with their innovative products and services, thus contributing to overcoming the consequences thereof.
2. Reactivation of tourism: To create efficient co-operation mechanisms between the government and tourism sector actors so as to introduce sustainable tourism recovery measures Thus, it is necessary to further develop protocols and guidelines aimed at protecting the health of tourists and enhance the safety in the hospitality sector, as well as create strict entry regulations, which will guarantee that the virus will no be spread again. It is necessary to promote activities aimed at strengthening domestic tourism.
3. Employment measures: What is especially important is to place the focus on implementing clear policies and measures, aimed at protecting workers from exposure to the disease (COVID-19) at workplace. Depending on the sectors, specific support measures should also be created, which will provide for securing the jobs in the firm, thus guarantying their operations and economic viability. At the same time, activities should be undertaken so as to facilitate the transition towards tele-working (remote working), also including support for providing free and rapid access to communication tools.
4. Education: To promote the use of online school learning platforms and continue supporting students to gain access to the necessary equipment for remote learning. Teachers should be provided with both digital learning opportunities on how to efficiently teach online and support to share their resources and knowledge. In addition, communication networks should be created, at which teachers can give and receive peer feedback about the operations related to the learning platforms.
5. Digitalization: To intensify the activities aimed at addressing the basic deficiencies of low digitalization of households/workers. Reducing barriers so as to make digital communication cheaper, thus providing easier connection of employees with employers and users (consumers). Continuous promotion of transition of many work activities onto digital platforms, for the purpose of wide spreading of the digitalization and its effective implementation in practice.
6. Adoption of Digital Economy: the digital economy is borderless, issues of characterization of new sources of revenue; data has become an important source of value and progressive application of technologies. (the digital economy is becoming the economy itself (OECD, 2015)
7. Trade: Enhancing the existing supply chains by ensuring smooth flow of goods and services within and outside the region. Thus, the regional cooperation for maintaining and developing new supply chains, particularly in food industry, should be deepened, thus ensuring timely food delivery and reducing the risk of losses when producing and distributing food. It is recommended to avoid export restrictions on essential goods, such as medical equipment and food products.
8. Investments: The region's governments can encourage and support businesses that can shift their production towards essential and other healthcare goods and services. Economies in the region should leverage the opportunities arising from the potential FDIs of the European companies in the national strategic sectors. This will enable Western Balkan economies to diversify and step up their structural transformation process.
9. Environment: The pandemic has called for an all-inclusive approach to human health by also considering environmental health, especially in relation to air quality, water and sanitation, waste management and biodiversity preservation. Thus, support measures in the upcoming period should be further aimed at boosting the efforts to tackle the ongoing environmental challenges.
10. Gender equality: All measures the governments are to undertake should be also seen through the prism of gender equality. Governments should continue adopting measures to support women, by taking into account their needs and responsibilities. Parents, especially the health workers providing healthcare services, should be offered public childcare options.

11. The fiscal policy should be based on fiscal consolidation policies for economic recovery and intensified growth on medium term, from improving the budget revenue collection, reduction and restructuring of budget expenditures (increasing in capital investment), changes in the source of financing of budget deficit (improved public debt management) etc.

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Author Profile

Shiret Elezi, PhD was born on 20.03.1981 in Frankfurt, Germany. Now she is a special advisor to the Minister of Finance in North Macedonia, before that she was Deputy Minister of Finance 2017-september 2020), and Minister of Local self-Government (2016-2017). Her working experience started at Municipality of Gostivar, Head of Uinit for Financial Issues (2005-2016); Elezi is part time professor at the International University of Struga more than eight years, before that she was a part-time professor at State University of Tetovo (2012). She received her PhD for Economic Sciences from the, “SS. Cyril and Methodius““ University Skopje North Macedonia7 (2011), and her M.Sc. in Economics at „“SS. Cyril and Methodius““. Author of scientific works published in scientific journals in area of: Public finance, Management of Local Finances, Experience and practice in the budgeting process in Local Government, Fiscal Decentralization and planning of stable Municipal Budgets, equalization framework for municipalities through grants, Fiscal decentralization indicators in South East Europe, property taxes in transition countries, PFM program, participating on the reforms in the new OBL and PIFC, Fiscal strategy, Debt Strategy, Strategy for tax reforms 2021-2025 etc.