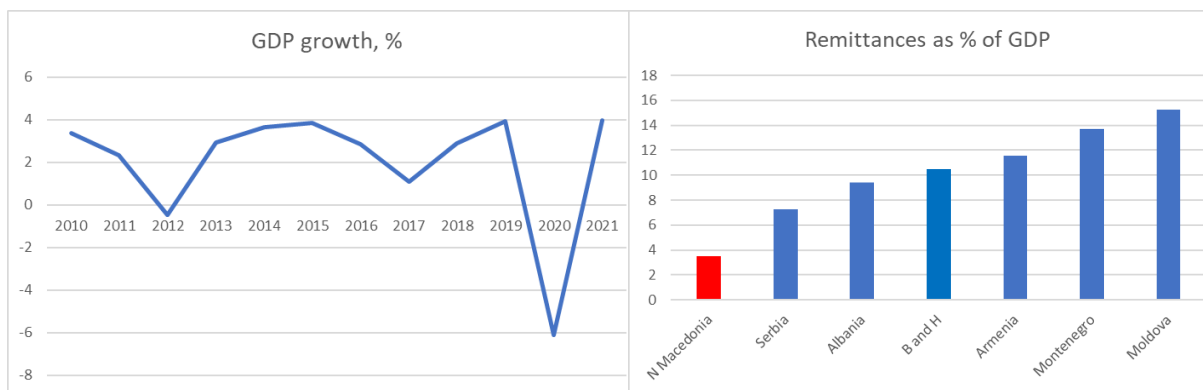


NORTH MACEDONIA Country brief

Economic overview

Moderate growth leads to slow catch up

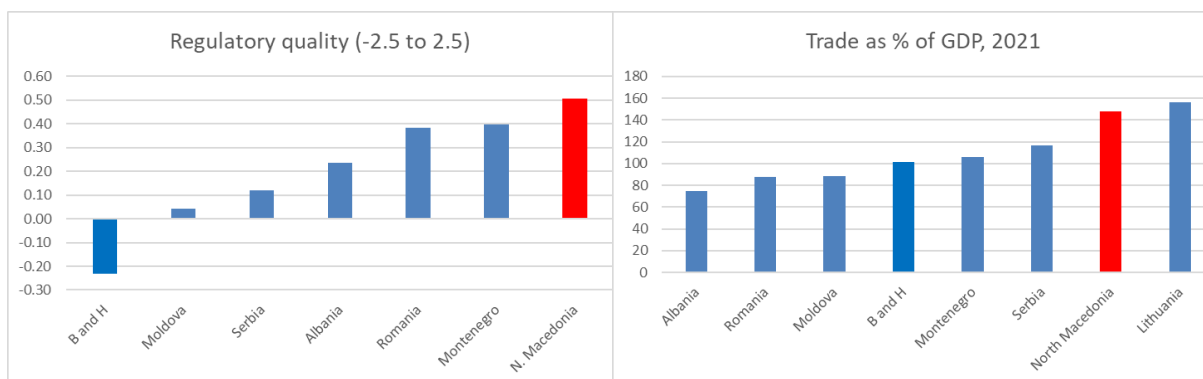
The economy of North Macedonia increased at an annual average rate just below 2% over the last decade, 0.7 percentage points above that observed in the EU over the same period. This has resulted in a sustained but relatively slow process of income convergence, amid low productivity growth. Remittances play a much smaller role than in other West Balkans economies but they are not insignificant for a country that posts sustained current account deficits. Migration, which has a negative impact on human capital, reflects weak labour market performance, with high unemployment and low labour market participation.



Source: IMF, World Bank

Infrastructure improvement would facilitate economic dynamism

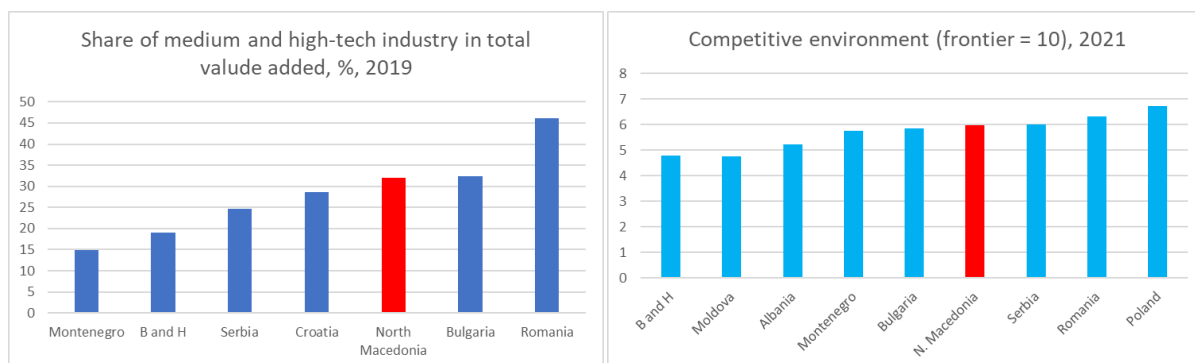
North Macedonia is an open economy that compares well with other countries in the region in terms of the quality of the regulatory environment. Exports can access the EU market and those of neighbouring economies tariff-free but there are non-tariff barriers that continue to constrain the expansion of commercial exchanges. Infrastructure shortcomings restrict the growth potential of the economy, including regarding the attraction of FDI. Although the road and rail densities are not among the lowest in the region, they are well below what is observed in the EU



Source: World Bank Governance Indicators, World Bank Development Indicators

A good business environment cannot offset other disadvantages

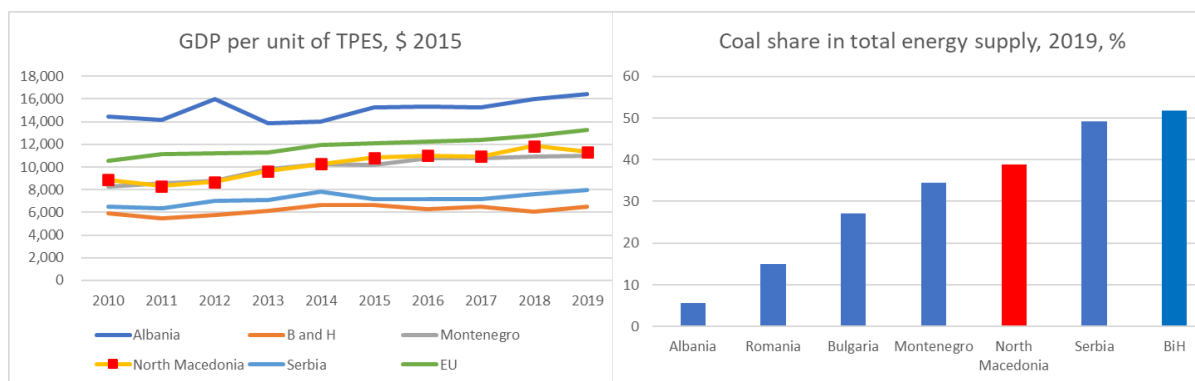
The competitive environment is better than in other West Balkans countries but a large informal sector, persists, which creates unfair competition for activities operating in the formal economy. The country presents a more sophisticated economic structure than other economies in the region, but lack of skills and other shortcomings in the innovation system prevent a large contribution of innovation to increase productivity and develop new competitive advantages.



Source: UNECE SDG database, EBRD

A changing energy mix would improve health outcomes

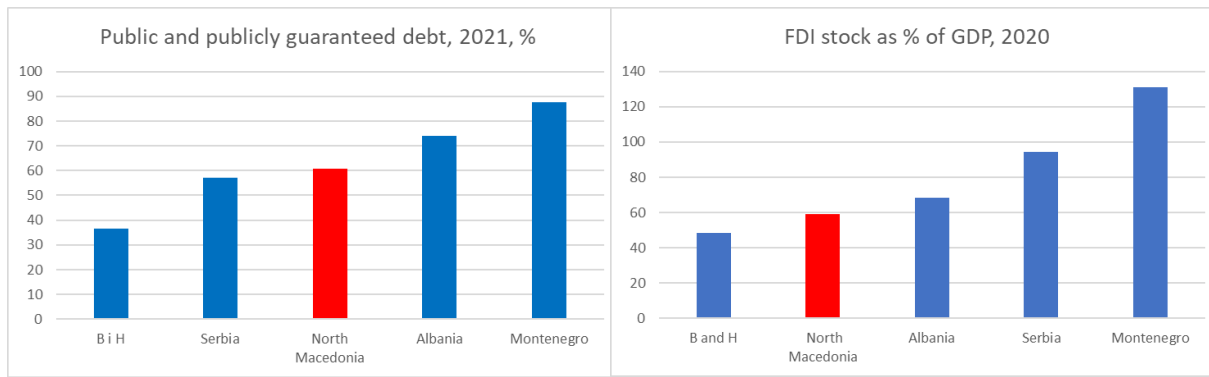
Energy efficiency is relatively high in comparison with other West Balkan countries. However, the use of coal remains significant, with the accompanying negative implications in terms of greenhouse emissions, air pollution, and health. The mortality rate attributed to ambient air pollution is the highest in a subregion in which this is a major issue. Hydropower accounts for the bulk of renewables use, with an overall share in total final energy consumption that is the lowest in the West Balkans. The use of renewables is set to expand, as the country intends to gradually close coal-fired thermal plants.



Source: IEA; SDG UNECE database

An investment push will require the mobilisation of multiple financial sources

Public finances were weakened by the COVID-19 pandemic but they remain in comparatively good shape. The Growth Acceleration Plan intends to combine public and private financing to increase investment and address existing infrastructure gaps over the next five years, reaching EUR 12 billion in the period up to 2026. Multiple instruments are envisaged to raise the necessary resources, including the use of public-private partnerships. Incorporating a regional dimension in these plans would facilitate integration and cross-border projects and contribute to increase FDI further.



Source: World Bank, UNCTAD