

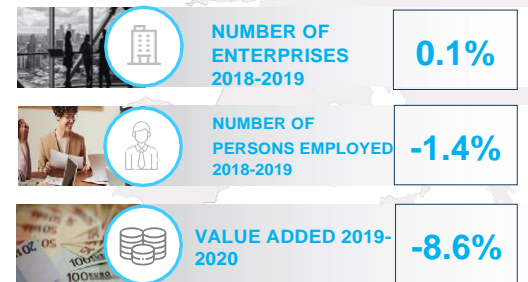
2021 SME COUNTRY FACT SHEET

NORTH MACEDONIA

Brief introduction

- Small and medium-sized enterprises (SMEs) in North Macedonia have been significantly impacted by the effects of the COVID-19 pandemic and the policy decisions taken to combat it. In 2020, overall SME value added declined by 8.6%.
- The downturn was particularly pronounced in the *accommodation and food services* sector, with SME value added falling by 10.2%. The *wholesale and retail trade* sector, the largest sector in terms of SME value added, was also affected, albeit not as severely, with value added down 1.8%.
- In 2019, SMEs accounted for 65.7% of overall value added and 73.5% of overall employment, far exceeding the respective EU averages of 53.2% and 65.0%. However, SME productivity, defined as value added per person employed, was only EUR 10 900, around one quarter of the EU average of EUR 42 600.

SME RECENT DEVELOPMENTS



SMEs in the 'non-financial business sector'. Estimates produced by DIW Econ.

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
SMEs (0 -249 persons employed)	57 604	99.7%	289 689	73.5%	3.163	65.7%
LARGE ENTERPRISES (250+ persons employed)	148	0.3%	104 575	26.8%	1.654	34.3%

Data for 2019. These data are based on data provided by the State Statistical Office of the Republic of North Macedonia.

SME-RELATED STRENGTHS AND CHALLENGES

KEY STRENGTHS

- The government has managed to remove some administrative and regulatory barriers over the last decade, as reported by the World Bank's Doing Business Report. The number of tax payments has seen a significant decrease and now stands at 7 – this is 3 less than the EU average and 33 less than a decade ago. In addition, North Macedonia's businesses only take 119 hours a year to pay taxes – 54 less than the EU average.
- According to the National Employment Agency, the number of start-ups that create new job openings has increased in the last 3 years – with an average annual growth rate of 7.38% over this period.
- According to the State Statistical Office, the number of innovative SMEs increased by 53% in 2014-2020. In recent years, the government has launched several measures to support innovation in SMEs and start-ups, including grants to support innovation activities in start-ups or low-interest credits to help SMEs with technological investment. The effectiveness of this support needs to be evaluated.

KEY CHALLENGES

- According to the National Bank of the Republic of North Macedonia, the country lags behind EU Member States in the share of private equity funding and non-banking sources available to innovative SMEs and entrepreneurs, such as venture capital, equity, mezzanine financing and business angel financing.
- According to the State Statistical Office, SMEs' contribution to the economy's export performance is becoming less significant. In 2018, SMEs provided 26.7% of exports, while in 2016 their exports represented 31.2% of the total.
- Private sector representatives indicate that corruption is a significant challenge that continues to hamper SMEs' capacity to do business. According to data from Transparency International's 2020 Corruption Perceptions Index, people's perceptions of public sector corruption in the country have been worsening since 2014.

OTHER KEY SME-RELATED BRIEF INSIGHTS



IMPACT OF COVID-19 CRISIS ON SMES

According to the government, tourism, transport and retail were the sectors hardest hit by the COVID-19 crisis. In 2020, 20 000 employees were made redundant and signed on as unemployed. The government adopted four packages of economic measures to overcome liquidity issues related to the crisis.



GREEN TRANSITION OF SMES

According to a Eurobarometer survey, only 53% of SMEs have implemented resource efficiency measures, against an EU average of 89%. There are some measures that specifically support the green transition of SMEs, such as a credit line for energy efficiency or the programme for competitiveness, innovation and entrepreneurship.



MARKET ACCESS

The government set up a one-stop-shop on the border with Albania and Serbia in 2019, allowing SMEs to trade with only one custom procedure.



REGULATORY BURDEN

There have been recent efforts to reduce the regulatory burden. In 2020, the government started the process to reduce 337 parafiscal charges. In addition, consultations on creating an e-register of regulatory changes – involving SMEs – took place in 2020.



DIGITALISATION OF SMES

According to the State Statistical Office, 95.2% and 98% of small firms and medium-sized firms respectively have access to the internet, while 52% of small firms and 69% of medium-sized firms have a website. E-government services are quite popular – 74% of small firms and 88% of medium-sized firms use them. However, businesses are lagging behind in the use of other digital solutions such as cloud services. According to Eurostat data, only 7% of businesses in North Macedonia have used cloud services, against an EU average of 23%.