

The Economic Crisis of Covid-19 and its Impact on Companies in North Macedonia

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Abstract: The Covid-19 pandemic around the world has brought rapid and unexpected changes to the global economy but also to local companies, which have no plans or teams to manage this crisis and solve these problems that came as a shock to their teams. Companies in various sectors are experiencing severe economic hardship because of the Covid-19 crisis and have had to suspend or significantly reduce operations using different strategies during the pandemic. (Prof. Dr. Izet Zeqiri). This paper will analyze the impact of Covid-19 on business entities in the Republic of Northern Macedonia, how it acted in their activities. Did it negatively affect small, medium, and large, which of the business firms were most affected and how many of those businesses survived?

Keywords: Covid crisis, companies, pandemic, economy

1. Introduction

On March 11, 2020, the World Health Organization officially declared Covid-19 disease, a Global Pandemic. In response to this health crisis, which is rapidly spreading to all countries in the world, state institutions have ordered the isolation of citizens and the closure of all economic activity.

To prevent the virus from spreading, the government, along with its institutions, has taken a major set of measures to protect the Covid crisis, which has affected much of the economy.

The coronavirus pandemic and the measures taken to protect public health have had a strong negative impact on both the global and domestic economies.

2. The economic crisis of Covid-19

The SARS-Cov-2 virus from the Covid-19 pandemic, which is currently destroying the entire world, was active before January 2019, when its pathogenic potential exploded in full force in Wuhan. It is causing small outbreaks and diseases in China, and elsewhere, that failed to reach epidemic potential then. On March 11, 2020, the World Health Organization officially declared the Covid-19 Global Pandemic. In response to this health crisis, which is rapidly spreading to all countries in the world, state leaders have ordered measures to isolate citizens and shut down all economic activity.

The Republic of Northern Macedonia was also involved in this situation, where after confirmations of the first diagnosed case in the country, was at the end of February in 2020.

For the first time since the existence of the Republic of (Northern) Macedonia, on March 18, 2020, by Decision of the President of the State, a state of emergency was declared on the entire territory, lasting 30 days. At the time of the introduction of the measure, there were thirty-five patients with the coronavirus. This decision was made to effectively overcome the consequences associated with the coronavirus that causes Covid-19 disease, i.e., to implement enhanced measures to protect the health of the population, but also to seal other socio-economic consequences. (Acad. Vlado Kambovski, 2020)

Following the cessation of all global economic activity, the world is undoubtedly heading for a deep recession. The recession caused by Covid-19 found the economies of the most developed countries in the world in a weak "condition", i.e., in a situation like what Krugman describes as an economy of depression. The Covid crisis came as a complete surprise and could not have been predicted. However, unlike the economic crises (The Great Depression 1829-1833, The Great Recession 2007-2009), where problem-solving was easier, this situation is unpredictable and uncertain.

3. The impact of the Covid-19 crisis on companies

Today, the entire world is facing an unusual situation, a health crisis caused by Covid-19, which has forced governments to take extreme measures and suspend a number of activities in public life. All government institutions and central banks are committed together to successfully deal with this crisis, in defense of our health. But at the same time, the economic situation, which is significantly affected by this crisis, must be managed, to help economic agents to cope with the difficult conditions and to create opportunities for them to resume their activities as soon as possible. In this context, continuous measures have been taken by the main institutions in the countries, in coordination with each other, to coordinate as much as possible the joint efforts against the invisible enemy and the damage caused by the coyote crisis to the whole country. Today, different authors define the term crisis differently: Anna Botin "We have never seen this kind of crisis in our lives." The crisis this time was initiated by a shock of non-economic nature, the shock of the virus in the economy initially caused a strong shock by aggregate supply, the shock was understandably quickly transmitted simultaneously to the side of aggregate demand. The strong shock on the side of aggregate supply and on the side of aggregate demand led to a brutal decline in economic activity. The crisis this time was initiated by a shock of non-economic nature, the shock of the virus in the economy initially caused a strong shock by aggregate supply, the shock was understandably quickly transmitted simultaneously to the side of aggregate demand. The strong shock on the side of aggregate supply and on the side of aggregate demand led to a brutal decline in economic activity. The crisis this time was initiated by a shock of non-economic nature, the shock of the virus in the economy initially caused a strong shock by aggregate supply, the shock was understandably quickly transmitted simultaneously to the side of aggregate demand.

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According to Herman, this crisis is defined by three characteristics in which it distinguishes this crisis from other negative developments, and the characteristics of this crisis are:

- Threat to the company / organization
- Short response time
- Surprise

Due to the crisis caused by Covid-19, companies are facing a decrease in the purchasing power of consumers, thus we see a decrease in demand for the final product or final services, companies are facing a change in the preferences of their customers, a decrease in brand value., on the other hand companies face problems with suppliers, problems with distribution channels and the like.

A feature of this crisis caused by Covid-19 is the unexpected. The crisis is a surprise for companies because their leaders and managers did not expect such a health crisis that would directly affect their entrepreneurship and therefore, they were not prepared. This crisis is not a routine crisis or a similar crisis as the crises they have experienced so far and therefore this crisis creates a negative result for the company, it is a threat to their future. The negative outcome of the companies can turn into an economic loss and that can lead to a loss of value of that brand.

4. The influence of Covid-19 on the companies in the Republic of Northern Macedonia

The appearance of the Covid-19 virus has brought us a pandemic all over the world, so that in our country there are profound consequences in the health system and in the economy and in the lives of citizens. The pandemic also affected businesses and sectors, although the most affected sector was the tourism sector,

where their revenues fell sharply, but other sectors were also affected, directly or indirectly. Therefore, covid-19 directly affected the self-employed rather than the employed (Criticos et al. 2020) also had a greater impact on small firms than on large firms (Dua isor. 2020). According to the data from the State Statistical Office, number of active business entities in the Republic of Northern Macedonia for 2020 is 73,061, and according to the number of employees, the largest share, had business entities from 1 to 9 employees with 82%. The second group that participates in the number of active business entities in our country are those business entities without employees or entities with unspecified number of employees with 8.2%, then entities with 10 to 19 employees with 4.3%, then entities with 20 to 49 employees participate with 3%, and with 1.9% participate all those business entities that the number of employees is from 50 to 249, and large business entities where the number of registered employees is over 250 employees participate with 0.3%. All those business entities that have been in trouble for a long time, after the appearance of the virus, they were the most vulnerable entities where their end can occur. Following the report of the virus in our country, the Government adopted a large set of measures to prevent this virus, which measures affected businesses. where the most vulnerable entities were those that have procurement from other countries as well as all those business entities whose primary job was tourism. According to these data, the impact of Covid-19 on business entities by sectors will be analyzed according to the number of employees, where the most suitable sectors of the total number of business entities are accommodation and food service facilities where there are a total of 4,694 entities from where 4 067 employees have business entities with 1 to 9 employees. In the transport and storage sector where the total number of business entities is 5 625 where most of them have business entities with 1-9 employees with 4 946. In addition to these business entities, the business entities engaged in construction with five also suffered damage. 263 business entities but also many other entities.

Sectors of activity	Total	%	Number of active business entities according to the number of employees					
			0	1-9	10-19	20-49	50-249	250+
Total	73 061	100.0	6 036	59 977	3 207	2 198	1 410	233
Agriculture, forestry, and fisheries	2 414	3.3	146	2 155	46	41	21	5
Mining and quarrying	201	0.3	19	135	26	13	4	4
Manufacturing industry	8 011	11.0	318	6 267	565	497	306	58
Electricity, gas, steam, and air conditioning supply	198	0.3	45	132	6	5	7	3
Water supply; wastewater disposal, waste management and remediation activities	248	0.3	12	143	28	27	28	10
Construction	5 263	7.2	284	4 395	324	195	57	8
Wholesale and retail trade; repair of motor vehicles and motorcycles	22 191	30.4	920	19 845	831	402	164	29
Transport and storage	5 625	7.7	139	4 946	320	156	54	10
Accommodation facilities and food service activities	4 694	6.4	134	4 067	308	149	36	
Information and communications	2 069	2.8	275	1 485	144	108	50	7
Financial and insurance activities	473	0.6	62	335	22	21	25	8
Real estate activities	608	0.8	152	416	22	13	4	1
Professional, scientific, and technical activities	7 651	10.5	528	6 824	177	94	26	2

Administrative and support service activities	1 856	2.5	548	1 109	82	59	38	20
Public administration and defense; compulsory social insurance	260	0.4	1	22	38	84	88	27
Education	1 277	1.7	85	644	49	169	328	2
Health and social protection activities	3 304	4.5	32	2 885	138	94	127	28
Art, entertainment, and recreation	1 655	2.3	691	826	36	48	44	10
Other service activities	5 063	6.9	1 645	3 346	45	23	3	1

Table1 Number of active business entities by sectors of activity according to the National Classification of Activities, according to the number of employees

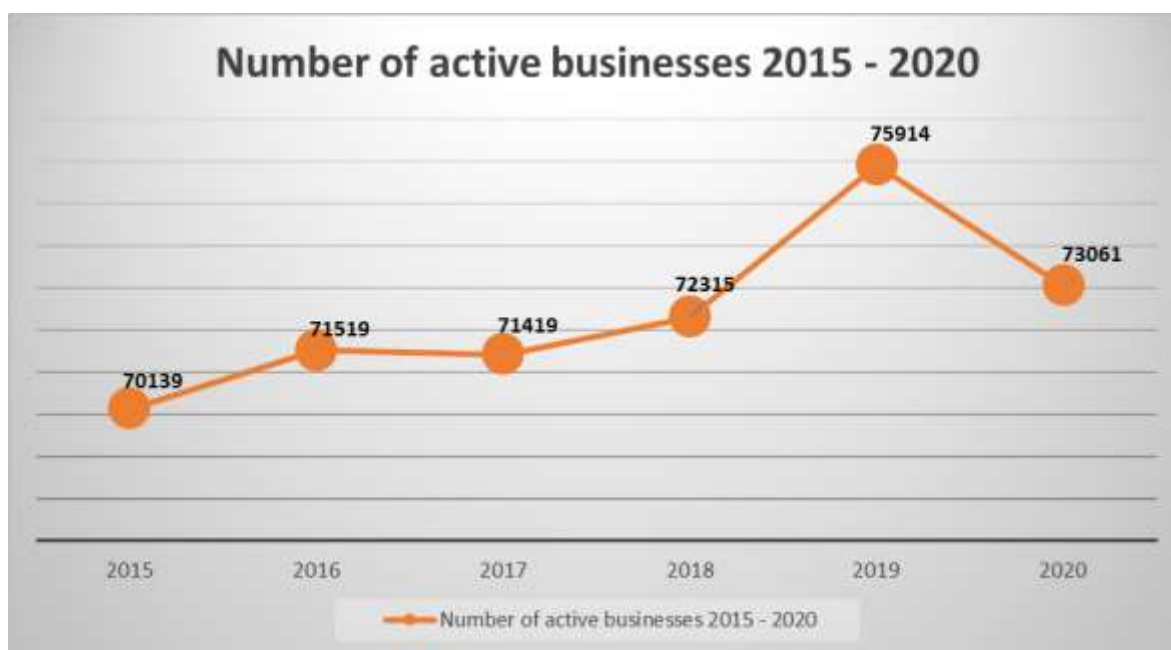


Chart 1 Number of active businesses entities

According to the data (Chart 1) after the outbreak of the pandemic caused by Covid-19, in addition to the impact on health life, the closure of a large number of businesses through government measures can be seen that it affected the lives of businesses. Many of these entities could not withstand the crisis caused in our country, some of them went bankrupt or closed their businesses. Almost 3.9% has a decline in the number of active business entities in Northern Macedonia for 2020.

The modern economy is a complex structure of many related parties: governments, workers, companies, suppliers, consumers, banks, and other financial institutions. Everyone is someone's employee, someone's consumer, someone's lender. A sudden stop creates a chain reaction, in some way it can be justified on an individual level but will be followed by catastrophic collective damage. Consumers are self-isolated, face uncertainty about the future, constantly reduce purchasing power. It prevents the creation of enterprises revenue, and they are obligated to reduce costs, reduce the number of jobs, to avoid the full catastrophe that may occur because of this healthcrisis.

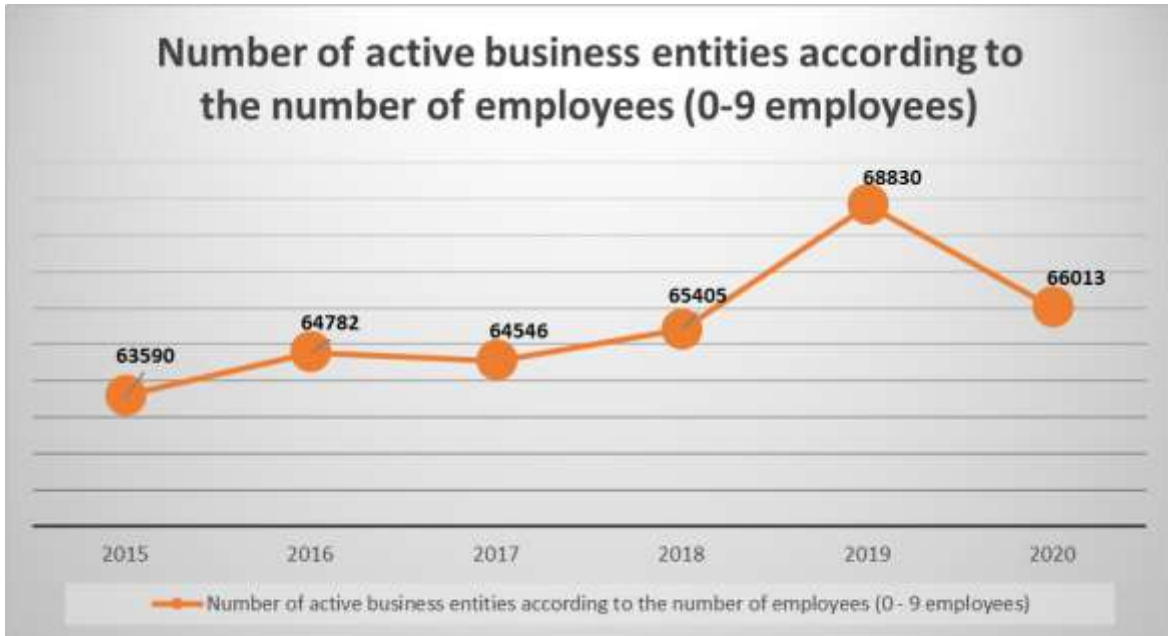


Chart 2 Number of active business entities according to the number of employees from 0 * to 9 employees

The Covid crisis has dealt a major blow to businesses, with large losses and large expenditures appearing in micro and small firms. According to the data from the State Statistical Office, it can be noticed that from 2015 to 2019 we had a continuous growth of active business entities in a group of micro and small companies. But after the appearance of Covid-19, the adoption of restrictive measures by the government (closure of business entities, restriction of the movement of citizens) led to the closure of 4.26% of these business entities.

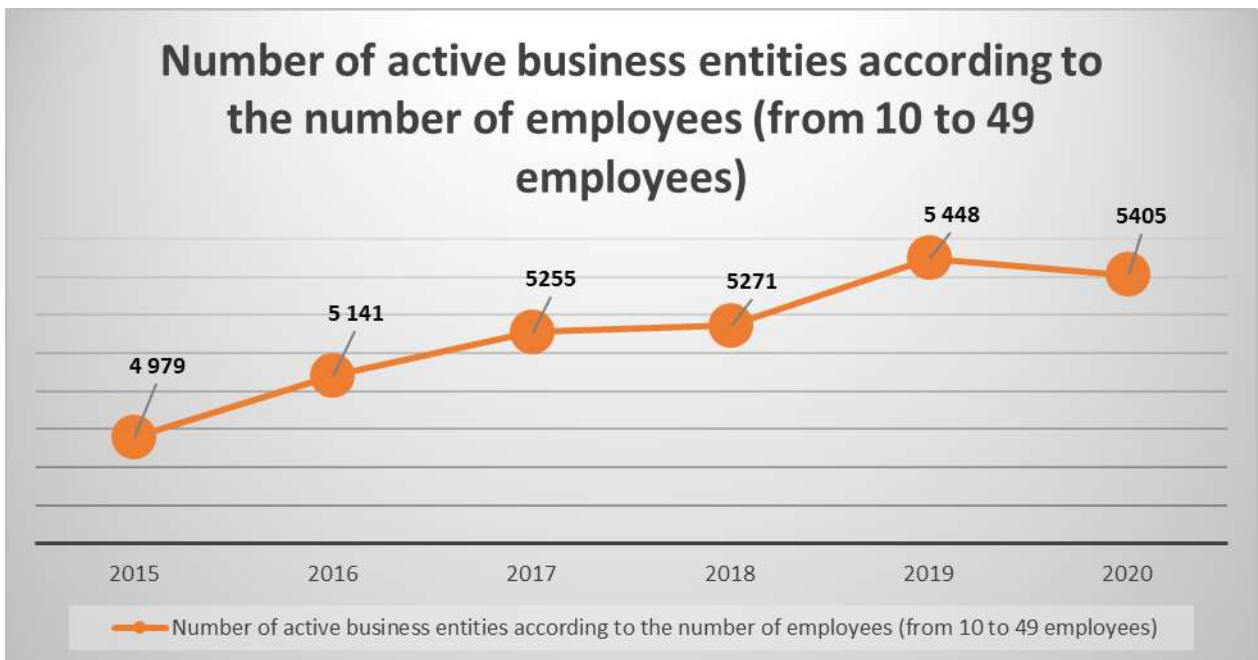


Chart 3 Number of active business entities according to the number of employees from 10 to 49 employees

Number of active business entities according to the number of employees (from 50 to +250 employees)

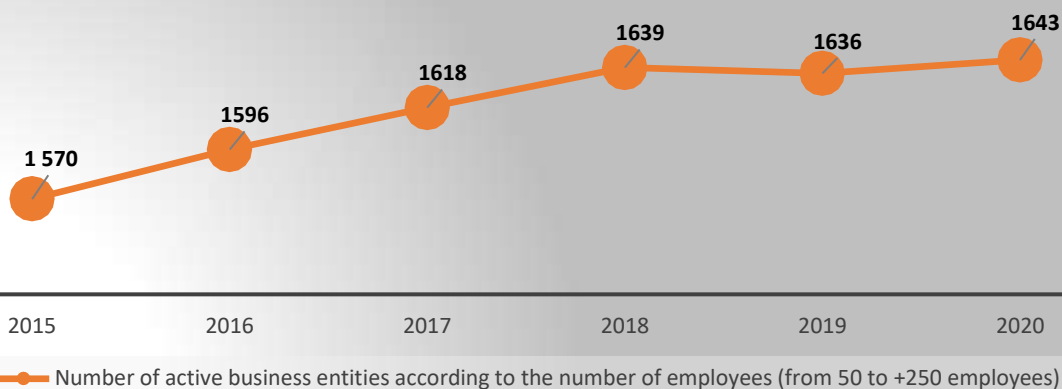


Chart 4 Number of active business entities according to the number of employees from 20 to over 250

Negative impact on this crisis had in medium and large business entities in RNM for 2020. In business entities with a number of employees from 10 to 49, there is a decline of 0.79% for 2020 compared to 2019 where the total number of medium-sized business entities was 5 448 business companies. What can be noticed according to these data is that in large business entities, i.e., with those business entities whose number of employees is from 50 to over 250, there is a slight increase of 0.42% compared to how many business entities were registered in 2019.

5. Conclusion

The common threat we have should unite us all along with some of the major forces that humanity has solidarity, courage, creativity, and freedom of thought. Putting these forces into operation, we need them in their own way towards economic recovery and transformation. After the adoption of restrictive measures by the government had a significant impact on the daily life of society. These measures restricted the movement of citizens, closure of business entities also appeared great insecurity and fear in society. All these factors influenced the demand power of final goods and services. With the reduction of aggregate demand and the closure of some of the business entities after a period, there was a negative impact on the active business entities where a large part of the business entities started to close. During the coyote crisis 4. 26% of active businesses closed. The biggest impact of this crisis was in micro and small companies where the number of employees is up to nine.

Based on these data and the inclusion of government measures, it can be concluded that large companies continued to operate without interruption during the pandemic.

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