

# NORTH MACEDONIA

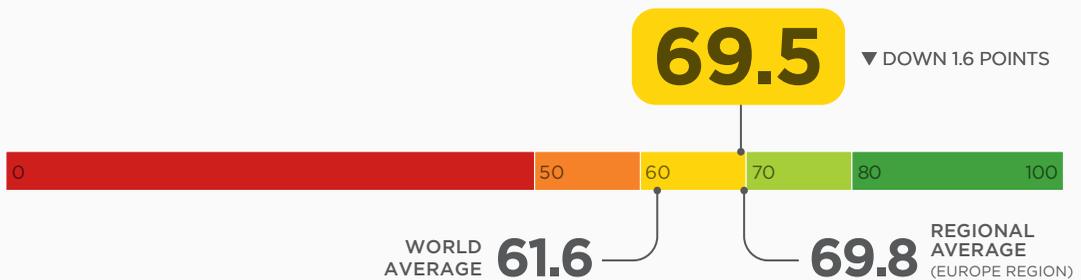
North Macedonia's economic freedom score is 69.5, making its economy the 41st freest in the 2020 *Index*. Its overall score has decreased by 1.6 points, dragged down by a drop in the **judicial effectiveness** score. North Macedonia is ranked 23rd among 45 countries in the Europe region, and its overall score is approximately equal to the regional average and well above the world average.

The Macedonian economy fell back into the moderately free category this year after three years in the ranks of the mostly free. GDP, however, has been expanding at a moderate pace for the past five years, driven by private and public consumption.

The government's reliance on high levels of public expenditure to fund public infrastructure projects and support social programs in the recent past has depressed performance on the government spending indicator. Achievement of another goal, promotion of foreign direct investment in export-oriented industries, would be encouraged by stronger enforcement of anticorruption statutes.



## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2002): +11.5

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
2.1 million

**GDP (PPP):**  
\$32.6 billion  
2.7% growth in 2018  
5-year compound annual growth 2.6%  
\$15,709 per capita

**UNEMPLOYMENT:**  
21.6%

**INFLATION (CPI):**  
1.5%

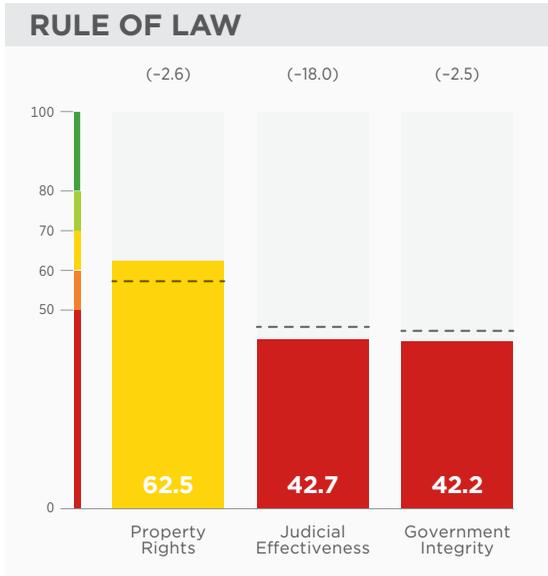
**FDI INFLOW:**  
\$737.1 million

**PUBLIC DEBT:**  
39.5% of GDP

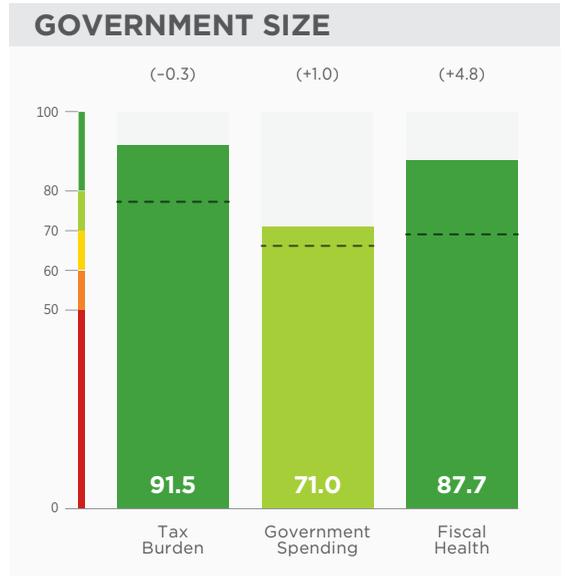
2018 data unless otherwise noted. Data compiled as of September 2019

**BACKGROUND:** Newly named North Macedonia gained independence from the former Yugoslavia in 1991. The center-right VMRO-DPMNE party won a plurality of seats in 2016 parliamentary elections. Zoran Zaev of the center-left Social Democratic Union became prime minister in 2017 after forging a coalition with two ethnic Albanian parties. The European Union is the country's principal trade and investment partner, and their economies are intertwined. An agreement with Greece by which the Republic of Macedonia consented to changing its official name to the Republic of North Macedonia may have paved the way to NATO membership for North Macedonia. The name-change agreement remains controversial because some Macedonians think it does not do enough to preserve their unique national, cultural, and linguistic identity.

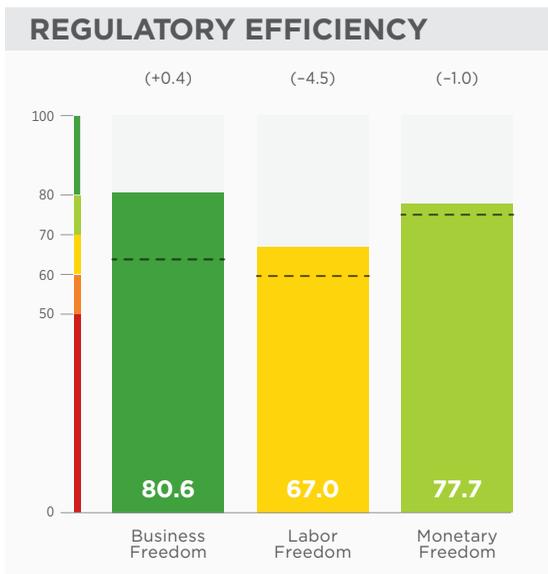
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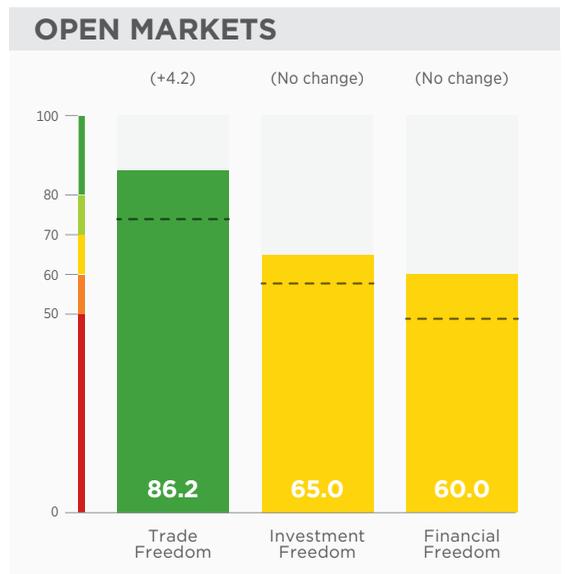
The legal basis for protection of movable, intellectual, and real property exists, but enforcement is inadequate. Improvement of the cadaster system has increased the security and speed of real estate transactions. Limited judicial independence, politicization of the judicial oversight body, and inadequate funding of the judiciary are ongoing concerns. Corruption remains a serious problem, and government officials reportedly commit corrupt acts with impunity.



The individual income and corporate tax rates are a flat 10 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 25.5 percent of total domestic income. Government spending has amounted to 31.1 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.4 percent of GDP. Public debt is equivalent to 39.5 percent of GDP.



Reduction of land development fees has made the construction permitting process less expensive. Labor market weaknesses caused by skills shortages and skills mismatches have been a negative pull on the economy. As part of its effort to meet European Union air pollution requirements, the government plans to subsidize purchases of low-emission and zero-emission cars.



The total value of exports and imports of goods and services equals 133.2 percent of GDP. The average applied tariff rate is 1.9 percent, and four nontariff measures are in force. Despite reforms in the investment regime, bureaucracy deters dynamic growth in new investment. The financial sector has been strengthened in recent years, and government involvement has been limited primarily to enacting prudent and efficient regulations.