North Macedonia's economic freedom score is 65.7, making its economy the 53rd freest in the 2022 Index. North Macedonia is ranked 32nd among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

North Macedonia's economy accelerated from 2017 through 2019, turned negative in 2020, and recovered in 2021. Economic freedom peaked in 2018 but has declined since then. Dragged down by score decreases in trade freedom and rule of law (property rights, judicial effectiveness, and government integrity), North Macedonia has recorded a 5.0-point overall loss of economic freedom since 2017 and has fallen to the middle ranks of the “Moderately Free” countries. The economy is lightly burdened by taxation, but fiscal health needs to be improved.

IMPACT OF COVID-19: As of December 1, 2021, 7,592 deaths had been attributed to the pandemic in North Macedonia. The economy contracted by 4.5 percent in 2020.

BACKGROUND: Newly named Republic of North Macedonia gained independence from the former Yugoslavia in 1991 and joined NATO in 2020. Prime Minister Zoran Zaev of the center-left Social Democratic Union (SDSM) began a second term in 2020 after the SDSM won the most votes in July snap elections. Zaev heads a coalition with the ethnic Albanian Democratic Union for Integration (DUI). His previous government collapsed over failed attempts to start talks on accession to the European Union, which remain blocked. The EU is North Macedonia's principal trade and investment partner. Whether a 2019 name-change agreement with Greece appropriately preserves Macedonia's unique national, cultural, and linguistic identity remains a subject of controversy.
Property rights and contractual rights are recognized, but their protection is inconsistent. Improvements in the cadaster system have increased the security and speed of property registration. There are numerous reports of undue executive, business, and political interference in the judiciary. Administrative courts are poorly managed and underfunded. Corruption and impunity for corrupt government officials remain serious problems.

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 17.2 percent of total domestic income. Government spending has amounted to 32.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.0 percent of GDP. Public debt is equivalent to 51.3 percent of GDP.

Regulations governing businesses are generally not overly rigid, but they do tend to change frequently, adding the specter of unpredictability to running a business in North Macedonia. Labor costs are competitive, and the number of English speakers is high. According to the International Monetary Fund, government spending on subsidies for agriculture, social programs, and other sectors has increased steadily in the past five years.

North Macedonia has six preferential trade agreements in force. The trade-weighted average tariff rate is 6.1 percent. Although one formal nontariff measure is in effect, other bureaucratic hurdles to trade linger. A streamlined regulatory framework generally facilitates investment, but political uncertainty continues to undercut more vibrant inflows of investment. The financial system continues to evolve, and the banking sector is stable.