

## COUNTRY PROFILE



## Macedonia

GLOBAL RANK: 68th= of 104



Macedonia ranks 68th overall, tied with Ukraine, scoring consistent 67th and 69th places on the Economic Competitiveness and Comparative Liveability sub-indices respectively. Macedonians are hindered in particular by a reported lack of satisfaction with freedom of choice and significant unemployment.

## ● BACKGROUND

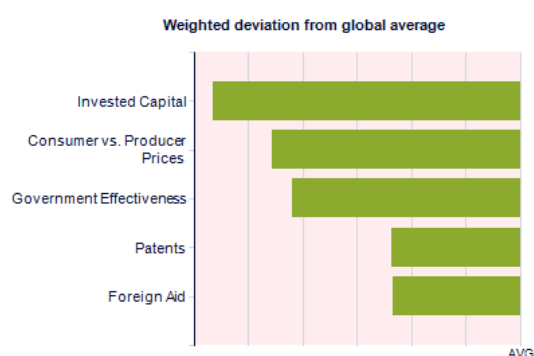
This landlocked Balkan state saw an armed uprising in 2001 of the 25% Albanian minority against the Macedonian majority. Although the conflict was resolved by NATO forces, tensions between the two sides remain high, and the 2008 elections saw violent clashes and Albanian complaints of electoral irregularities. Macedonia was the poorest republic of the former Yugoslavia, and it continues to grapple with an ineffective judiciary, poor infrastructure, a large informal economy, and high unemployment. Since 2006, Macedonia's government has pursued a programme of cautious economic reform and achieved steady economic growth, but the goal of EU entry still seems remote.

## FAST FACTS

<b>Population:</b>	2 million (2008 est.)	<b>FDI (net inflow):</b>	4.40% (2006 est.)
<b>Life Today</b>	4.5 (2007 est.)	<b>Exports</b>	38.18% (2006 est.)
<b>GDP (PPP)</b>	\$17.35 billion (2007 est.)	<b>Imports</b>	59.75% (2006 est.)
<b>GDP (Growth)</b>	5% (2007 est.)	<b>Unemployment:</b>	35% (2007 est.)
<b>GDP (per Capita)</b>	\$8,500 (2007 est.)	<b>Life Expectancy</b>	74.45 years (2008 est.)
<b>Political System:</b>	Parliamentary Democracy		
<b>Foreign Aid:</b>	3.09% (2006 est.)		

## ● KEY SCORE DRIVERS

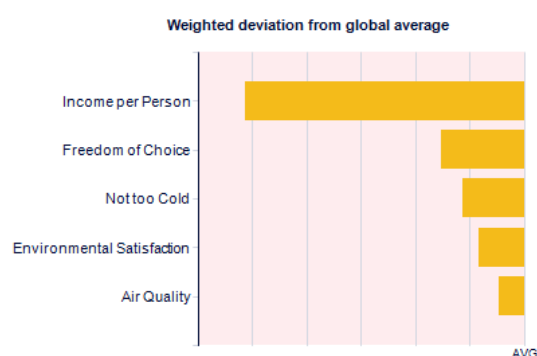
## ECONOMIC COMPETITIVENESS



Foremost amongst the factors that constrain Macedonia's material wealth is the lack of capital investment. A low level of openness has limited Macedonia's ability to attract foreign investment to remedy this deficiency. The currency is not convertible on international markets, while the stock of foreign direct investment and levels of exports are low: \$2.5 billion and \$2 billion respectively (compared to \$7.5 billion and \$20 billion for Slovenia, a new EU member state of similar size). Further contributing to the weakening of the investment climate is the high degree of government ineffectiveness, compounded by political instability and a politicised legal system.

As a substitute for private-sector foreign investment and trade,

## COMPARATIVE LIVEABILITY



Comparative Liveability in Macedonia ranks similarly to Economic Competitiveness, with incomes low enough to have a detrimental effect on wellbeing. The reported lack of satisfaction with freedom of choice is also a key concern in Macedonia. Only 44%<sup>9</sup> of the population is satisfied with the freedom to decide what to do with their lives, the lowest in the region, according to the Gallup World Poll.

This dissatisfaction can to some extent be explained by skyrocketing unemployment, at 36% the highest in Central Europe and significantly higher than the Balkans average of 10%. The lack of investment and rigid labour regulations hinder both the creation

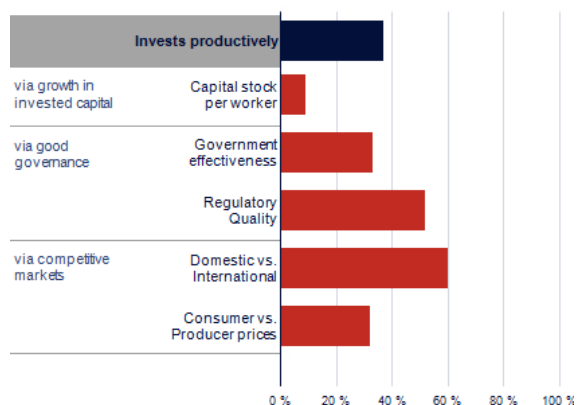
Macedonia is somewhat dependent on substantial foreign aid (1.4% of its GDP), although this figure is expected to decline.

of jobs and productivity gains.

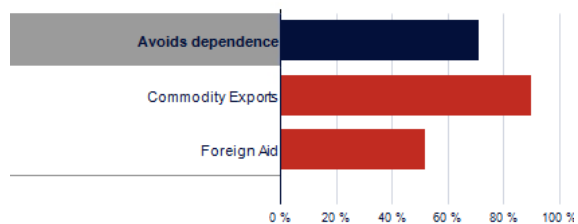
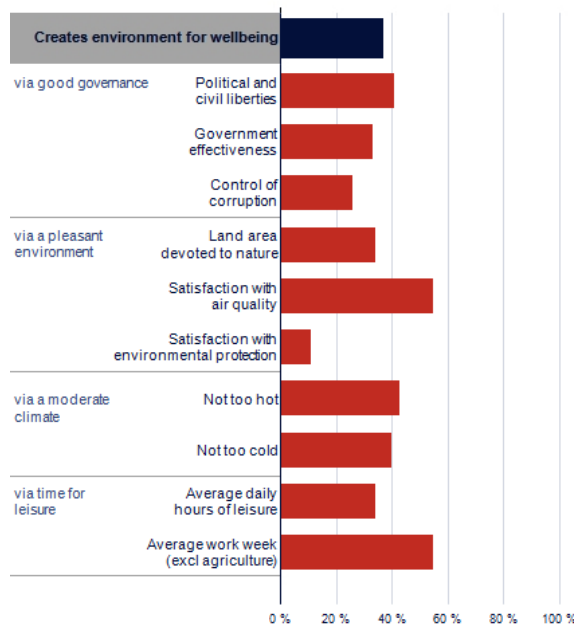
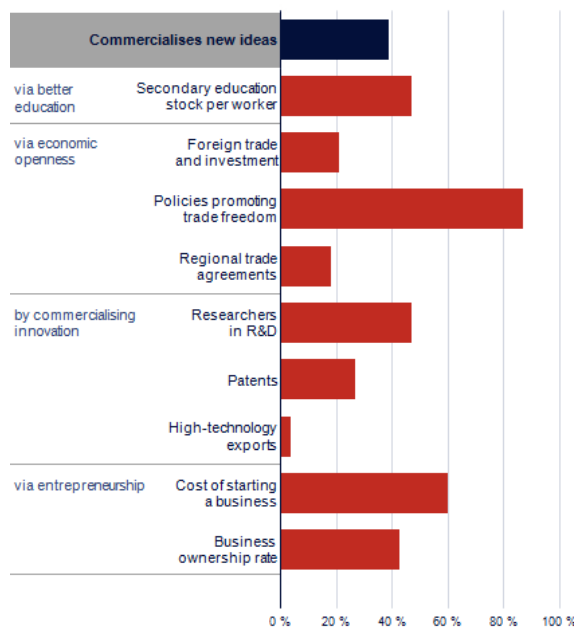
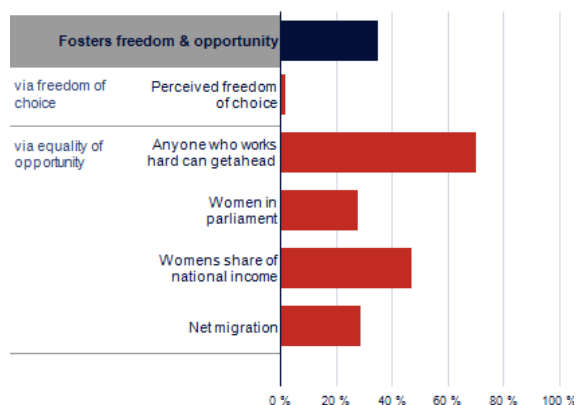
On a positive note, the costs of starting a business are low, and corporate income tax rates are very low (a flat 12%). Consequently, Macedonia has seen a solid 2-5% annual growth since 2002 which is expected to continue. Economic success is underpinned by good mass education. The average worker has nearly three years of secondary schooling. However, domestic competitiveness remains a problem, as measured by the ratio between movements in consumer and producer prices.

The other group of factors that drastically reduce life satisfaction is environmental. The cold climate compounds the effect of low income levels. Satisfaction with the air quality is also very low, as is satisfaction with the efforts at preserving the environment more generally.

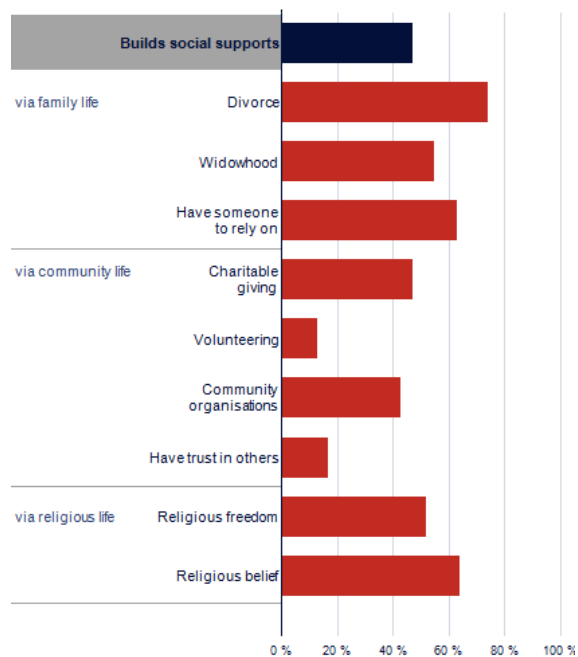
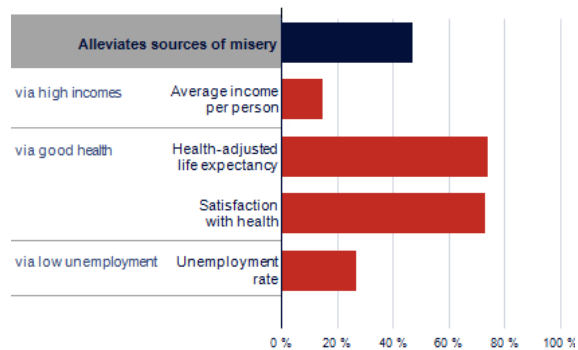
## ECONOMIC COMPETITIVENESS: SCORECARD



## COMPARATIVE LIVEABILITY: SCORECARD



All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



**References:**

<sup>9, w</sup> See [www.prosperity.com/references.aspx](http://www.prosperity.com/references.aspx) for further details including date of survey, sample size, and margin of error.