

Macedonia: Market Profile

Major Economic Indicators

	2015	2016	2017**
Population (000)	1,986	1,969	1,959
GDP (US\$ bn)	27.040	27.684	27.795
Real growth (%)	2.7	2.0	3.0
GDP per capita (US\$)	13,614	14,060	14,188
Inflation - CPI index	0.2%	0.1%	2.8%
Unemployment rate	9.9%	9.6%	9.4%
Exports (US\$ bn)	12.136	12.101	N.A.
YoY growth (%)	-16.6	-0.3	N.A.
Imports (US\$ bn)	14.487	14.269	N.A.
YoY growth (%)	-17.9	-1.5	N.A.
Average exchange rate (Euro per US\$)	0.902	0.904	0.916##

Note: ## Jan-Jul 2017, ** forecast

Source: IMF, WTO

- Macedonia is a landlocked and mountainous country in Southeast Europe. One of the least developed of the Yugoslav republics to gain independence in 1991, Macedonia remains one of the poorest economies in Europe. However, given its considerable economic reforms, Macedonia was ranked 10th in the World Bank's annual *Ease of Doing Business Report 2016*.
- Indicative of its liberalisation efforts, Macedonia has created the most attractive tax system in Europe with a simple flat tax rate of 10% on corporate and personal income. In order to stimulate investment, corporate tax on retained earnings is set at zero percent. Meanwhile, special tax incentives are offered for companies operating in the technological-industrial development zones (TIDZs), including a 10-year personal and corporate income tax exemption. More information can be found at the [Agency for Foreign Investments and Export Promotion of the Republic of Macedonia \(Invest Macedonia\)](#).
- ICT aside, Macedonia has a history of auto components and parts manufacturing for cars, buses, trucks and locomotives, supplying to Western Europe, Russia, Turkey and Africa. It also has a well-established pharmaceuticals industry, supplying primarily finished generic products to more than 30 countries in the region and beyond, given that some Macedonian companies have ties with international companies and manufacture under licence. These sectors together with the



agribusiness and food processing, textiles and clothing and electronics industries are therefore also key sectors for foreign investment.

- As a landlocked nation, Macedonia's sea transport relies mainly on ports in neighbouring countries – such as Port of Thessaloniki in Greece and Port of Durrës in Albania – through road and rail links. However, with direct flights to Brussels, Berlin, Vienna, Zurich, Düsseldorf, Cologne, Rome, Prague, Budapest, Ljubljana, Belgrade, Zagreb, Split, Sarajevo, Tirana, and Istanbul, Macedonia is well connected to the rest of Europe, the Americas and Asia, via its two airports in Skopje (the capital and largest city) and Ohrid.
- The inflows of foreign direct investment (FDI) to Macedonia amounted to US\$240 million in 2015, with China contributing US\$11 million. As of the end of 2015, China's total stock of FDI to Macedonia totalled US\$2 million, up from US\$0.2 million in 2006.
- Although Hong Kong's investment in Macedonia is far from significant, the city started and completed the first round of Double Taxation Agreement (DTA) negotiation with Macedonia in June 2015 in a bid to accommodate greater synergies.

Hong Kong's Trade with Macedonia

(US\$ million)	2015		2016		Jan-Jun 2017	
	Value	Growth	Value	Growth	Value	Growth
Total Exports	79.436	-21.2	66.171	-16.7	33.481	+9.8
Domestic exports	0.828	-8.2	0.207	-75.0	0.061	-59.0
Re-exports	78.608	-21.3	65.963	-16.1	33.420	+10.2
Imports	7.445	-20.3	13.546	+82.0	8.590	+2.0
Total Trade	86.881	-21.1	79.716	-8.2	42.071	+8.1

Source: Hong Kong Trade Statistics, Census & Statistics Department

More Information

More information on the Belt and Road countries' economic and investment environment, tax and other subjects that are important in considering investment and doing business are available in [The Belt and Road Initiative: Country Business Guides](#).

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