



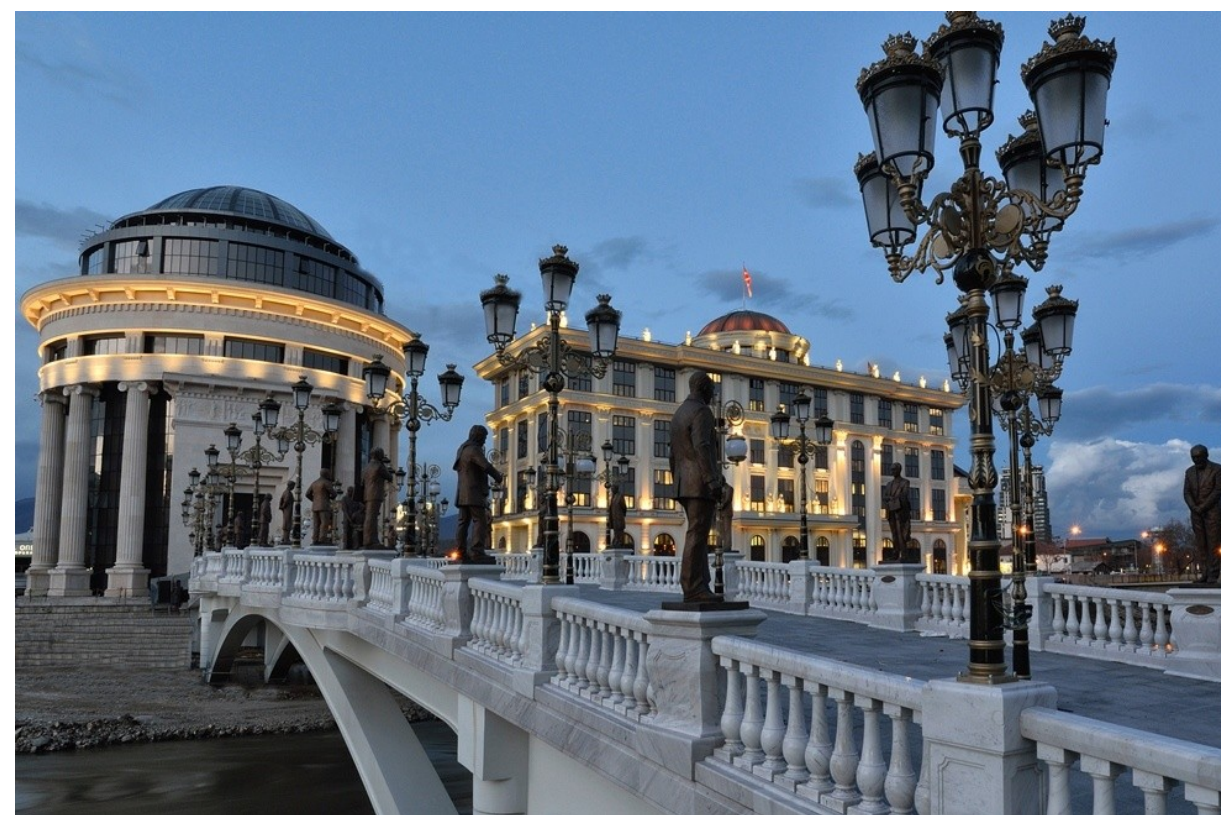
MACEDONIAN ECONOMIC POLICIES

Vladimir Peshevski

**Deputy Prime
Minister
for Economic
Affairs**



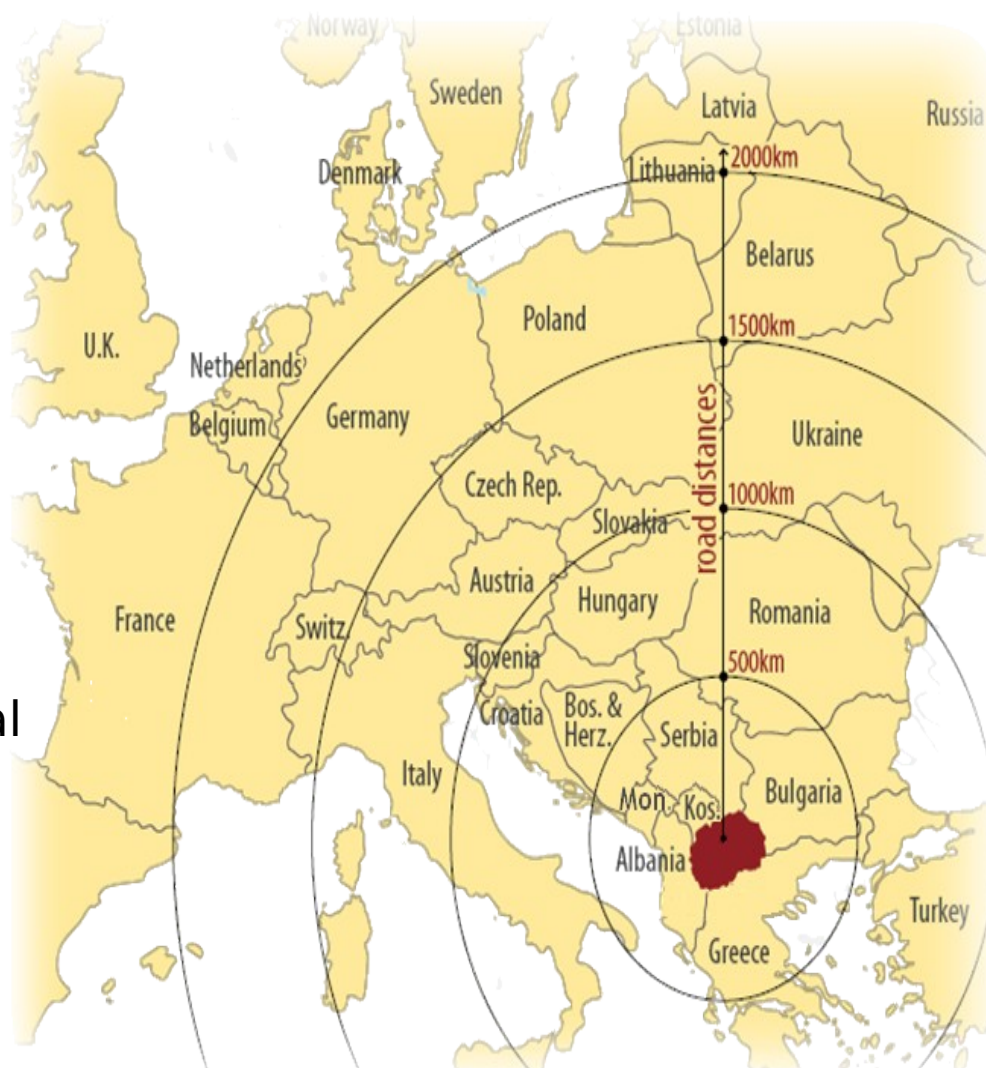
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Basic Facts



- **Population** - 2.1 million
(41.5% under the age of 30)
- **Land area** - 26,000 sq.km
- **GDP (2011)** - \$9,800 million
- **GDP per capita** - \$4,750
- **PPP GDP per capita** - \$10,400
- **Main trading partners:**
Germany, Greece, Serbia, Bulgaria, Russia, Italy, Great Britain
- **Main export industries:**
automotive, metallurgy and metal processing, oil industry, mining, food
- **Political status** - Parliamentary democracy
- **Strategic Partnership** - USA and Turkey
- **EU and NATO candidate country**



Economic Strategy



Country Challenges

- Small size and landlocked
- Volatile global economy
- Needs for investments and new technologies
- Low visibility and region perception

Pillars of the Strategy

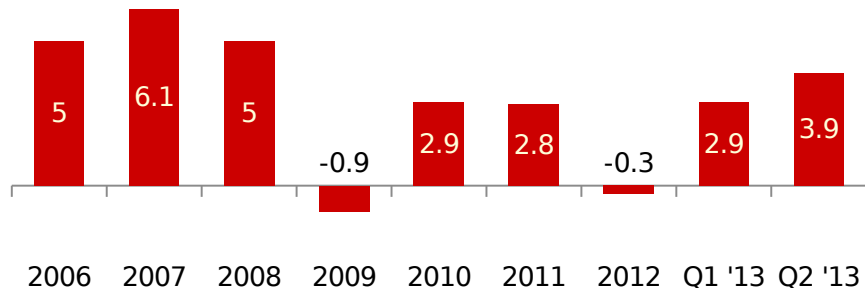
- FTAs and infrastructure (TDIZ)
- Macroeconomic stability
- Investment in the energy sector
- Intensive and continuous reforms:
 - Create excellent climate for investors
 - Develop world class human capital
 - Ease the use of the natural resources
 - Attract FDI and promote Macedonia



Stable Macroeconomic Indicators



REAL GDP GROWTH RATE (%)



INFLATION

Low inflation: avg < 2% annually over the last 10 years

CURRENCY

Macedonian Denar pegged to the DM/€

for the last 17 years (€1= MKD 61.3)

AVERAGE GROSS SALARY IN 2012

€ 480 per month

€ 355 per month in manufacturing

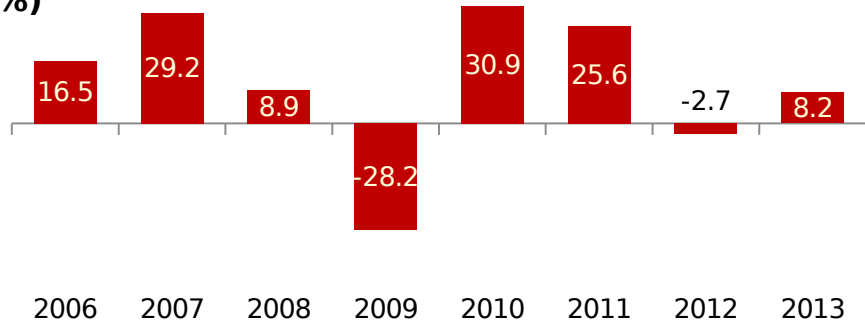
CREDIT RATINGS

**Standard & Poor's: BB- positive
Fitch: BB+**

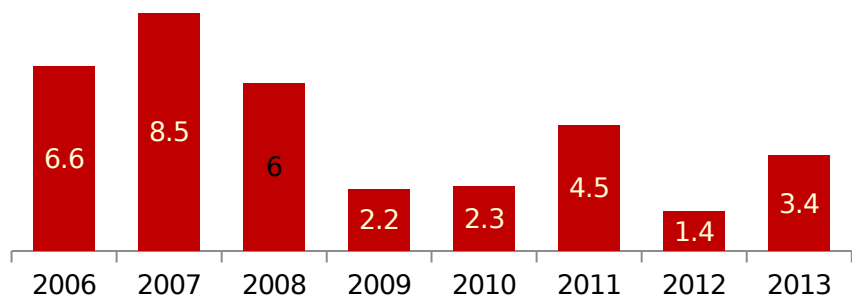
BUDGET DEFICIT & STATE DEBT

**Budget Deficit 2012: 3.9% of GDP
State Debt 2012: 33.8% of GDP**

EXPORT GROWTH RATE (%)



FDI (% of GDP)



Financial System



- Sound and stable financial system with no spillover of the debt crisis
- Loans are financed predominantly by local deposits (L/D ratio of 0,89)
- Financial system consists of 17 banks, 8 saving houses, 15 insurance companies and 5 leasing companies
 - Interest rates for companies in range of 5,5% up to 12,0% (CB rate of 4%)
- Foreign banks have more than 70% of the market
- Recently the following international banks entered Macedonian market:
 - French Societe Generale Bank
 - Austrian Sparkasse Bank
 - Turkish Halkbank



Judicial Reform - Independence, Impartiality and Professionalism



Procedural Reforms

- Automatic distribution of cases
- Audio recording of the hearings
- Electronic delivery of writs
- Precise deadlines for procedural actions
- New principle of transparency

Reforms in Selection and Training of Judges

- Redefining the conditions for the selection of judges
- Introducing the psychology test and test of integrity
- New System of Career in the election of judges in the higher courts
- Academy for Judges and Prosecutors with increased duration of the training for a period of two years;
- Further regulation of continuous professional



Improvements in the Business Climate

Regulatory Reforms

- 1-Stop-Shop: 4h Company Registration
- Regulatory Guillotine (“Silence is Consent”, “Cutting Red Tape”)
- Electronic One-Stop-Shop for Customs Permits and Licenses
- Simplification and reduction of taxes and custom procedures

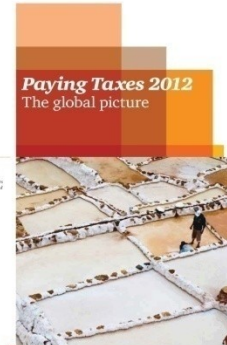
Cadastral and Real Estate Reforms

- Digital Cadastre accessible on-line covering 99% of the Real Estate
- Foreigners free to purchase real estate and construction land
- Construction permit in just 3 steps
- State land auctioned at 1 €/m²



**4th IN
THE EASE OF PAYING
TAXES 2011**

PwC and World Bank Group Study

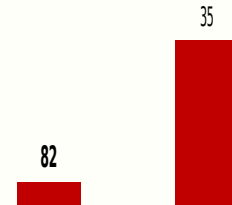


**5th IN
THE EASE OF PAYING
TAXES 2012**

PwC and World Bank Group Study

pwc

Rank of Macedonia among the Best Countries for Business, Forbes Magazine



2007

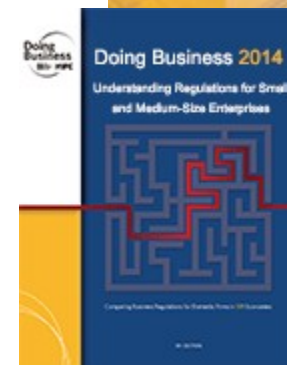
2012

Improvements in the Business Climate



**3rd BEST REFORMER
IN THE WORLD**

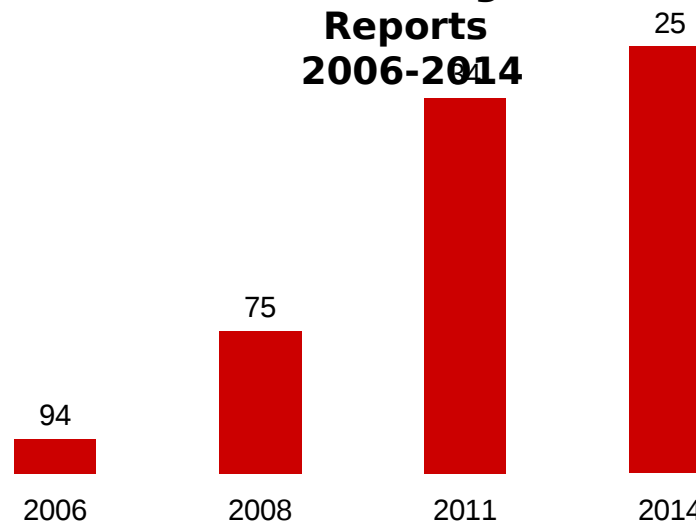
World Bank's Doing Business
2010 and 2012 Report



**25th BEST COUNTRY
FOR BUSINESS IN THE
WORLD**

World Bank's Doing Business
2014 Report

**Rank of Macedonia on the
Ease of Doing Business
Indicator,
World Bank Doing Business
Reports
2006-2014**



Doing
Business
Rank
2014

Starting
a
Business

Dealing
with
Construction
Permits

Getting
Electricity

Registerin
g Property

Getting
Credit

Protectin
g
Investors

Paying
Taxes

Trading
Across
Borders

Enforcin
g
Contract
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Resolvi
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Insolve
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Macedonia	25	7	63	76	84	3	16	26	89	95	52
Italy	65	90	112	89	34	109	52	138	56	103	33
France	38	41	92	42	149	55	80	52	36	7	46
Spain	52	142	98	62	60	55	98	67	32	59	22

Investments in Education

- Education Budget 5-6% of GDP
- Free textbooks for students in elementary and high schools (both are mandatory)
- English introduced in the 1st grade el.sch.
- External testing of students
- Opened two new universities, over 75 new R&D laboratories, textbooks from top 100 world universities, scholarships

Information Technology

- One Computer per Child policy
- ICT Development Index - 51st out of 159
- Internet penetration rate - EU average
- Migration of government services



Why Macedonia?



- FTAs to 650 mil+ market
- Strategically located for entrance to the wide European market
- Significant cost advantages
- Solid logistics
- Macroeconomic Stability
- Exceptional track record in reforms
- Attractive Tax Policies
- Incentives in Free Economic Zones
- Available and competitive work force
- Commitment to education and ICT
- Italian investors already present
- **Business friendly Government, willing to work hand-in-hand with you**





Thank you for your

