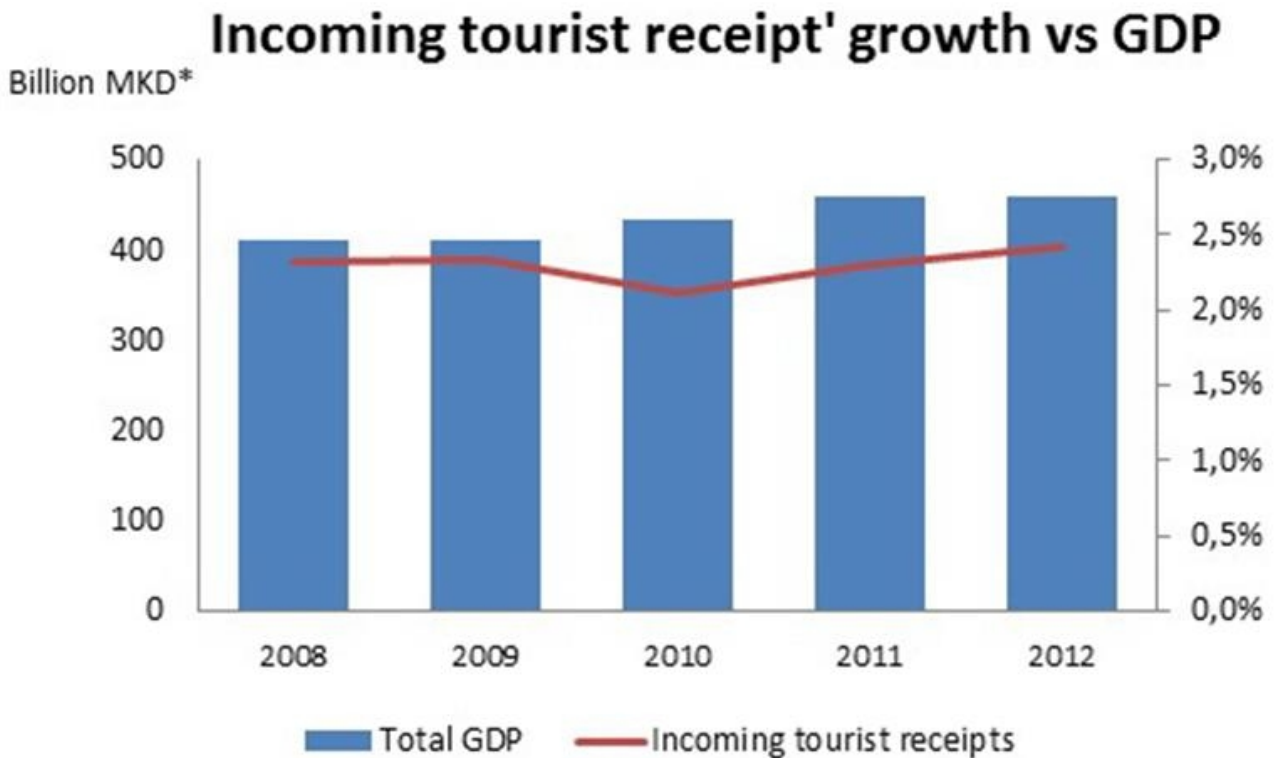


Macedonia Shapes up Its Tourism Future

Despite its rich history and cultural heritage, Macedonia bottoms the list of countries in the region, with tourism incomes amounting to 3% share of the total GDP in 2012. The Government of Macedonia implements a number of projects and promotional campaigns in a bid to define country's tourism niche. The 2012 tourist arrivals growth has been higher compared to the European averages.



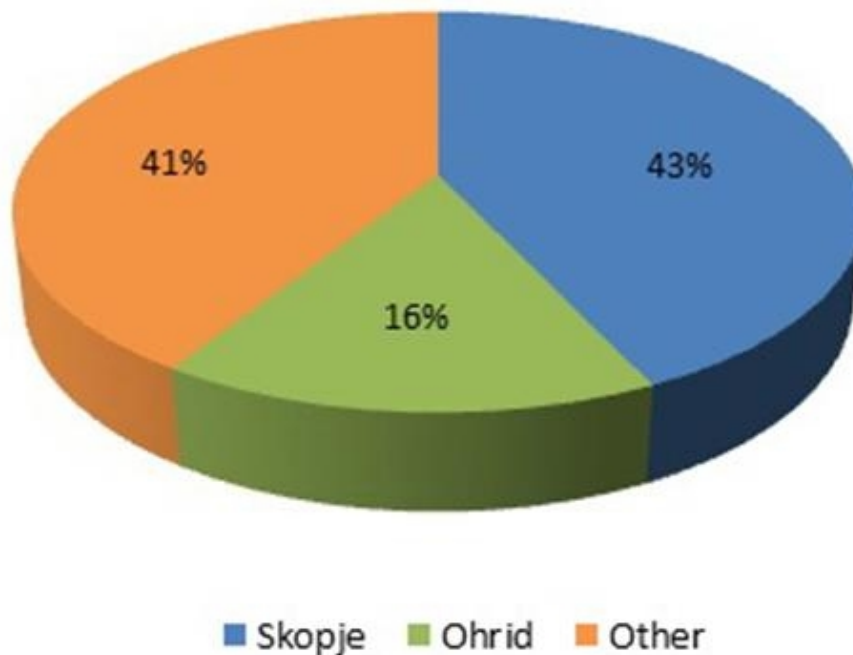
Note: *current prices
Source: Euromonitor International

Skopje 2014 Project Drives Tourist Arrivals up

In 2012, there were 1.31 million inbound tourism flows to Macedonia. According to Euromonitor International, inbound tourism flows have grown at a 6% CAGR over the period 2007-2012. Inbound tourist expenditures reached MKD11.1 billion in 2012. Some 43% of the total number of international arrivals is to the capital Skopje and 16% are arrivals to Ohrid and its UNESCO protected Ohrid Lake.

The Government funded "Skopje 2014", an architectural revival project aimed at giving the Macedonian capital a neo-classical appeal, and the recent entry of low cost airlines such as Wizzair, Corendon and Pegasus Airlines have contributed to the 21% growth in number of inbound tourism flows to Macedonia via Skopje airport and the increased interest in Skopje as a tourist destination. Top attractions include Matka Canyon, Old Bazaar, ancient ruins of Scupi, Mother Teresa's Memorial, Millenium Cross, Mt. Vodno Ropeway and the new Skopje 2014 monuments and buildings.

International arrivals to Macedonia



Source: Euromonitor International

Significant Growth in Tourist Arrivals from Non-neighboring Countries

Government subsidies to foreign organized tourist groups and low cost airlines presence have been the major factors to the significant growth of inbound tourism in Macedonia. Most significant increase of inbound tourist arrivals to Macedonia occurred in 2011 when the highest growth of 236% has been recorded among Dutch nationals with subsequent 22% growth in 2012. The increase comes as a direct result of the partnership of the Dutch tour-operator Corendon and TUI and the subsidies provided to organized tourist groups from the Benelux. Dutch tourists have traditionally been most enthusiastic visitors to Ohrid whose special love for it dates back from the times of the famous Dutch writer A. Den Doolard who, after writing the book "The Wedding of the Seven Gypsies", inspired by Ohrid Lake, became its unofficial promoter to the Dutch public.

Chinese nationals contribute to the second fastest foreign tourist arrivals growth of 76% in 2012, albeit from a small base. The presence of low cost carriers has enabled more Chinese to take side trips at low cost while vacationing in Europe. Apart from visits to family members working in the region, Chinese are increasingly doing business with Macedonian companies despite little promotion in Chinese media outlets until now which should also be targeted with advertisements demonstrating Macedonia's tourism potential.

The third most significant growth of 30% in foreign tourist arrivals in 2012 was from Turkey with total of 67,000 Turkish tourists visiting Macedonia in 2012 - the largest net contribution to foreign tourist arrivals. As of 2010, Turkish TAV Airports manages Skopje and Ohrid airports, investing over EUR120 million in their renovation. The expansion of the Skopje - Istanbul and Skopje Izmir routes was a major factor contributing to the increase in arrivals by Turkish nationals. Low cost flights and

the visa free regime appeal to Turkish tourists making frequent visits to friends and relatives residing in Macedonia.

Future Opportunities for Macedonia

According to Euromonitor International, Macedonian inbound tourism flow is set to achieve a 6% CAGR growth, to record 1.6 million tourist arrivals by 2017. The highest growth is expected from non-neighboring countries, primarily Turkey and China both growing at 19% CAGR respectively. Incoming tourist expenditures are set to reach MKD14.5 billion by 2017.

Esoteric, undiscovered and abundant with natural beauties and rich cultural heritage, Macedonia has huge tourism potential, particularly pilgrimage, spa, adventure tourism etc. which is expected to be tapped by local and international entrepreneurs.

Further subsidizing of organized foreign tourist arrivals should continue and extend to other countries. Increases in subsidies to low cost carriers to MKD135 million in 2013 by the Government of Macedonia will further stimulate growth. Promotional campaigns (as those seen on CNN, Forbes, Financial Times etc.) and investment road shows are set to continue after proving to be highly beneficial to tourism.



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