

## THE STRUCTURE OF GDP AS AN INDICATOR FOR ECONOMIC DEVELOPMENT: A NOTE ON THE ECONOMY OF FYROM

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### ABSTRACT

The global economy crisis confirmed the need for development of the production sector in FYROM as a key element for decreasing the trade deficit. The effects of the crisis show that FYROM does not have economic structure capable for development without inflow of foreign capital. The question whether FYROM economic structure is compatible to current level of development and whether the country has sustainable economic development in the last ten to fifteen years should be answered negatively.

In fact, the last economic crisis confirmed that the development model that FYROM applied is not sustainable. Although the privatization process finished, the private ownership and liberalization do not show the expected effects. The companies are not competitive in the international markets, and did not start to create new productive jobs in manufacturing and export oriented sectors. On a macro level, there has been a development model based on fixed exchange rate of the domestic currency and weak economy, chronic trade deficit and reliance on the foreign capital inflow. Obviously, the economic model should be changed.

FYROM needs radical change of the economic policy, with fast restructuring of the economy and new economic and legal conditions for investments in manufacturing and other export-oriented economy sectors. All these should be done parallel to general development of infrastructure and human resources. In order to start the investment cycle, which will invoke faster economic development, there is a need for change in the economic structure, which can be analyzed by the structure of GDP, as the main macroeconomic aggregate in the economy.

**KEYWORDS:** Economic Model, Industrial Production, Unemployment Rate, Trade Deficit, Fiscal and Monetary Policy