MEASURING THE ECONOMIC RESILIENCE USING A COMPOSITE INDEX. EMPIRICAL EVIDENCE FOR EASTERN PARTNERSHIP (EAP) COUNTRIES

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Abstract - The concept of resilience is more frequently used in the last decades in academic studies or public debates due to the current challenges generated by the instability and uncertainty many societies are faced with nowadays. Numerous studies in the economic literature have been conducted in order to develop different approaches for measuring the economic resilience, and in this respect, more composite indices were developed. In this paper, we developed a composite index for assessing economic resilience for the countries which are members of the Eastern Partnership (EaP) regions (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), using a multidimensional approach. The dimensions considered in the empirical study are the institutional dimension, the economic and labor market dimensions. By applying Principal Component Analysis (PCA) we identified the main factors that explain most of the variables' variance.Then, these factors will be used in econometric models in order to assess the impact that each factor has on the economic resilience capacity, measured by the employment growth rate comparing to the regional average. The results of this empirical study can be used by the decision-makers in order to identify the factors that consolidate the capacity of a region to recover from shocks.

Keywords - Economic Resilience Analysis; Principal Component Analysis; Composite Index; Econometric Models; Eap Countries

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