

THE CORRELATION BETWEEN ECONOMIC GROWTH AND UNEMPLOYMENT IN THE REPUBLIC OF MACEDONIA

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Abstract

A persistently high unemployment rate is a matter of concern for the case of Republic of Macedonia. Besides the fact that decreasing unemployment is a crucial factor for the economic development of the country, it creates a stable socio-economic climate. Therefore this paper aims to estimate the correlation between economic growth and unemployment rate in Macedonia applying the Okun's Law. The time series techniques such that the Augmented Dickey-Fuller (ADF) for unit root and cointegration test are performed for the quarterly data covering the period 2000-2012. The results show a positive relationship between economic growth and unemployment but the correlation coefficient is relatively low. As a result the Okun's Law fails for the case of Macedonia. The study highlights that the country's economic policies have not been suitable for fostering development and reducing unemployment.

Key words: *economic growth, unemployment, correlation coefficient, okun's law.*