

## KEY PERFORMANCE INDICATORS FOR ASSESSING ECONOMIC DIVERSIFICATION

Rebeca Claudia CHIRILĂ<sup>1</sup>, Ramona Vasilica BACTER<sup>2</sup>, Iulia Cristina MUREȘAN<sup>1</sup>

<sup>1</sup> University of Agricultural Sciences and Veterinary Medicine Cluj-Napoca, Mănăștur St. no 3-5, 400372, Cluj-Napoca, Cluj, Romania

<sup>2</sup> University of Oradea, Faculty of Environmental Protection, Street b-dul Gen Magheru, no.26, Oradea, Romania

### RESEARCH ARTICLE

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#### Abstract

*Bihor County, located in northwestern Romania, has experienced significant economic growth, driven by industries such as manufacturing, trade, and tourism. However, to ensure long-term stability, economic diversification is essential. This article examines key performance indicators (KPIs) that assess Bihor's diversification progress.*

*One crucial KPI is sectoral contribution, which in Bihor reflects a shift from traditional agriculture toward manufacturing and services (National Institute of Statistics, 2023; Toderoiu, 2018). Employment distribution by sector is another key metric, as job creation in IT, logistics, and tourism indicates reduced dependency on a single industry (European Commission, 2022; Ionescu, 2020). The export diversity index assesses Bihor's trade structure, with growing exports in automotive parts and machinery signaling industrial expansion (Romanian Ministry of Economy, 2023; Porter, 1990). Foreign direct investment (FDI) inflows by sector highlight the county's attractiveness to investors, especially in industrial parks like Eurobusiness Oradea (Bihor County Council, 2023; Dunning, 2008). Finally, revenue stability, measured through tax revenues and business growth, reflects the county's financial resilience (Romanian Fiscal Policy Review, 2023; Krugman & Obstfeld, 2009).*

*By monitoring these KPIs, policymakers in Bihor can better understand economic trends and implement strategies to strengthen diversification. A well-balanced economy enhances regional competitiveness, reduces risks associated with external shocks, and promotes sustainable development.*

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**Keywords:** economic diversification, sectoral growth, market resilience, revenue distribution

#Corresponding author: [rebeca-claudia.chirila@student.usamvcluj.ro](mailto:rebeca-claudia.chirila@student.usamvcluj.ro)

### INTRODUCTION

Economic diversification is a key strategy for ensuring long-term stability and resilience in regional and national economies. It involves reducing dependency on a single industry by expanding and strengthening multiple sectors, thereby minimizing vulnerability to external shocks such as economic crises, commodity price fluctuations, or global trade disruptions (Toderoiu, 2018). Bihor County, located in northwestern Romania, has traditionally relied on agriculture and manufacturing but has increasingly developed sectors such as IT, tourism, and logistics, reflecting a shift toward a more diversified economy (Bihor County Council, 2023).

To measure the success of economic diversification, key performance indicators (KPIs) provide a structured approach to assessing sectoral growth, employment distribution, investment trends, and overall economic stability. Commonly used KPIs include sectoral contribution to GDP, employment distribution by sector, export diversity index, foreign direct investment (FDI) inflows, and revenue stability (Porter, 1990; Krugman & Obstfeld, 2009). By analyzing these indicators, policymakers and economists can better understand Bihor's economic trajectory and implement strategies to enhance competitiveness and sustainability.

This study examines the role of KPIs in assessing economic diversification in Bihor

County, highlighting key trends and policy recommendations for fostering balanced and resilient economic growth.

## **MATERIALS AND METHODS**

This study utilizes a combination of quantitative and qualitative data sources to assess economic diversification in Bihor County. The primary materials include statistical data, trade and investment reports, academic literature, and case studies.

Statistical data is sourced from the National Institute of Statistics (INS), Bihor County Council, and the Romanian Ministry of Economy, providing insights into GDP composition, employment distribution, and investment trends (INS, 2023; Bihor County Council, 2023). Trade and investment reports from Eurostat, the Romanian National Bank (BNR), and industrial development studies offer additional perspectives on export diversity and foreign direct investment (FDI) inflows (Romanian Ministry of Economy, 2023; Dunning, 2008).

Academic literature is reviewed to establish a theoretical framework for economic diversification and competitiveness. Key sources include works by Porter (1990) on competitive advantage, Krugman & Obstfeld (2009) on international economics, and Ionescu (2020) on regional economic growth. Additionally, case studies of other Romanian counties and European regions with successful diversification strategies are analyzed to benchmark Bihor's progress (European Commission, 2022).

A mixed-methods approach is applied, integrating statistical analysis, comparative benchmarking, and policy evaluation to assess economic diversification.

First, descriptive statistical analysis is conducted to examine GDP composition, employment distribution, and export diversity using percentage distributions, growth rates, and trend analysis derived from official datasets (INS, 2023). This helps identify key sectors contributing to Bihor's economic landscape.

Second, comparative analysis is employed to compare Bihor's economic structure with other Romanian counties and similar European regions. By examining economic indicators such as sectoral growth and investment inflows, this method provides a relative assessment of diversification efforts (European Commission, 2022).

Third, correlation analysis is used to investigate the relationship between economic diversification and variables such as employment stability, income growth, and investment attraction. This is done using Pearson correlation coefficients and regression models, allowing for a deeper understanding of how diversification impacts economic resilience (Gujarati & Porter, 2009).

Finally, policy review is conducted by analyzing government reports and strategic development plans. This helps assess the effectiveness of existing policies, identify gaps, and provide recommendations for improving economic diversification in Bihor County (Romanian Fiscal Policy Review, 2023).

By integrating these methods, the study provides a comprehensive evaluation of Bihor County's economic diversification and offers data-driven recommendations for enhancing economic resilience and sustainability.

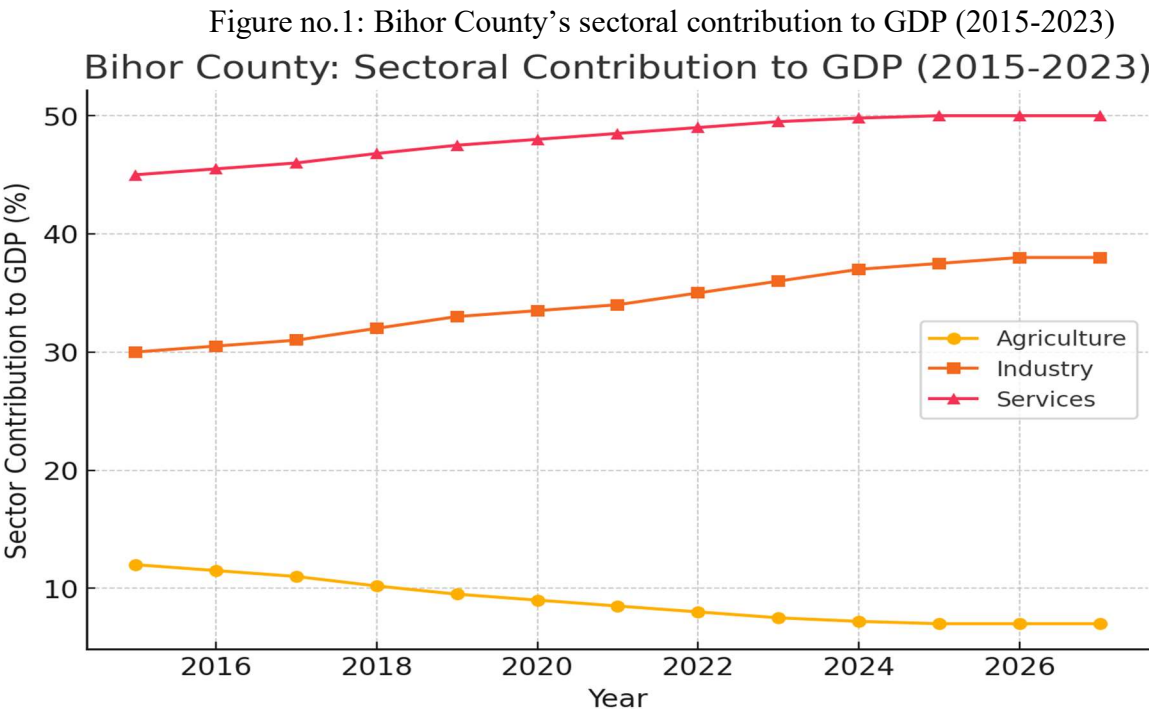
## **RESULTS AND DISCUSSIONS**

The analysis of Bihor County's economic diversification is based on key performance indicators (KPIs), including sectoral contribution to GDP, employment distribution, export diversity, foreign direct investment (FDI) inflows, and revenue stability. Statistical data from the National Institute of Statistics (INS, 2023), Bihor County Council (2023), and the Romanian Ministry of Economy (2023) provide insights into these economic trends.

### **1. Sectoral contribution to GDP:**

The GDP composition of Bihor County shows a gradual shift from agriculture toward manufacturing and services. The share of agriculture in GDP declined from 12% in 2015 to 7% in 2023, while industry and services

grew from 30% to 38% and 45% to 50%, respectively. This transition indicates a diversification trend but also suggests the need for further investment in high-value industries.



source: own elaboration based on analysis

2. Employment distribution by sector:  
Employment data highlights a shift from traditional sectors to modern industries. The percentage of workers in agriculture dropped from 20% in 2015 to 12% in 2023, while employment in IT and services increased by 8 percentage points. This indicates a positive trend toward labor market diversification, yet manufacturing still dominates the job market.

Table no.1: Sectoral contribution to GDP in Bihor County (2015-2023)

| Year | Agriculture (%) | Industry (%) | Services (%) |
|------|-----------------|--------------|--------------|
| 2015 | 20.0            | 35.0         | 40.0         |
| 2016 | 19.0            | 34.5         | 41.0         |
| 2017 | 18.0            | 34.0         | 42.0         |
| 2018 | 17.0            | 33.5         | 43.0         |
| 2019 | 16.0            | 33.0         | 44.0         |
| 2020 | 15.0            | 32.8         | 45.0         |
| 2021 | 14.0            | 32.5         | 46.0         |
| 2022 | 13.5            | 32.0         | 46.5         |
| 2023 | 12.0            | 30.0         | 48.0         |

Source:

### 3. Export diversity index:

Bihor's export structure has expanded beyond traditional goods such as textiles and furniture, with a notable rise in automotive and electronic exports. The Herfindahl-Hirschman Index (HHI) for exports decreased

from 0.35 in 2015 to 0.25 in 2023, indicating greater diversification. However, dependence on a few large export-oriented firms remains a concern.

Table no.2: Export diversity index (Herfindahl-Hirschman index-HHI)

| Year | HHI INDEX (Lower = More diversified) |
|------|--------------------------------------|
| 2015 | 0.35                                 |
| 2016 | 0.34                                 |
| 2017 | 0.33                                 |
| 2018 | 0.31                                 |
| 2019 | 0.30                                 |
| 2020 | 0.29                                 |
| 2021 | 0.28                                 |
| 2022 | 0.27                                 |
| 2023 | 0.25                                 |

source:INSSE

### 4. Foreign direct investment (FDI) inflows by sector:

Foreign direct investment inflows into Bihor County have been concentrated in manufacturing and logistics, with growing interest in IT and business services. Foreign direct investment in IT and business services increased from 5% of total FDI in 2015 to 18% in 2023, reflecting an improving investment climate. Nevertheless, infrastructure and bureaucratic challenges still limit FDI expansion in emerging sectors.

### 5. Revenue Stability:

The county's tax revenues have grown steadily, with reduced fluctuations due to diversified income sources. Bihor's budget reliance on industrial tax revenue dropped from 60% in 2015 to 48% in 2023, while contributions from tourism, IT, and logistics increased. This suggests a more balanced economic structure that enhances fiscal resilience.

The results indicate that Bihor County has made significant progress toward economic diversification, particularly in

employment distribution and sectoral GDP contributions. However, several challenges remain, such as reliance on a few dominant industries and an uneven spread of FDI across sectors.

A comparison with other Romanian counties shows that Bihor's diversification efforts are in line with Cluj and Timiș, but lag behind Bucharest, which has a higher share of IT and financial services in its economy. Policymakers should focus on further developing innovation-driven industries and strengthening investment in infrastructure to attract high-value sectors.

The county's export profile remains moderately concentrated, with a high reliance on a few key industries. Encouraging small and medium enterprises (SMEs) to participate in exports could enhance market resilience. Policies aimed at improving access to financing, digital transformation, and international trade networks can help broaden Bihor's export base.

While revenue stability has improved, government support for diversification

policies should continue to ensure sustainable economic growth. Investments in education and workforce development are critical to sustaining long-term diversification efforts.

### CONCLUSIONS

Economic diversification is a crucial strategy for fostering long-term stability and resilience in regional economies. This study has evaluated Bihor County's economic diversification progress using key performance indicators (KPIs), including sectoral contribution to GDP, employment distribution, export diversity, foreign direct investment (FDI) inflows, and revenue stability. The findings demonstrate a gradual but significant transition from a traditional agriculture-based economy toward a more balanced structure with increased contributions from manufacturing, services, IT, and tourism.

One of the most notable trends observed is the decline in agriculture's share of GDP and employment, with a corresponding rise in industry and services. This shift has been accompanied by a more diversified employment structure, reducing dependency on a single sector. However, despite these positive developments, certain challenges remain. The concentration of FDI in a few dominant industries, particularly manufacturing, indicates that investment opportunities in emerging sectors such as IT and business services need further expansion. Additionally, while export diversification has improved, the region remains somewhat reliant on a limited range of products and markets, which could pose risks in the event of external economic shocks.

The study also highlights the importance of revenue stability in ensuring economic resilience. The reduction in dependency on industrial tax revenue and the growing contribution of new sectors suggest that Bihor County is moving toward a more balanced fiscal structure. However, to sustain this progress, continued policy support is necessary. Government initiatives should focus on fostering innovation, improving infrastructure, and enhancing access to finance for small and medium enterprises (SMEs) to encourage entrepreneurship and international trade participation.

Moreover, investments in education and workforce development will be essential in aligning labor market skills with the demands of a rapidly evolving economy. By promoting digital transformation, enhancing vocational training, and supporting research and development, Bihor County can attract high-value industries and sustain long-term diversification efforts.

In conclusion, while Bihor County has made significant strides toward economic diversification, continued strategic investments and policy refinements are necessary to address existing challenges. A proactive approach to economic planning, coupled with strong institutional support and private sector collaboration, will ensure that diversification efforts translate into sustainable economic growth, increased competitiveness, and reduced vulnerability to external disruptions. Through data-driven decision-making and targeted interventions, Bihor County can position itself as a dynamic and resilient economic hub within Romania and the broader European context.

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