

**MANUFACTURING EXPORTS SECTOR AND ECONOMIC  
GROWTH IN KENYA: A CAUSAL LINKAGE**

**BY**

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## ABSTRACT

The study attempts to empirically verify whether manufacturing exports contribute positively to economic growth in Kenya for the sample period 1970-20032. The analysis, based on cointegration and vector error correction model (ECM) suggest a negative contribution of manufactured exports to economic growth. Error correction term captures long run relationship. The negative coefficient could be due to inadequate private investment in the manufacturing sector; and possibly the adverse effect of an import substitution trade regime that suppressed the growth performance of the manufacturing sector, and hence the sector's exports. The sector is therefore yet to be an engine of growth in Kenya.

It is therefore evident that, in order to stimulate the contribution of manufacturing exports to economic growth, the industrialization policy should shift into a more outward oriented trade regime. Policies specific to the export sector and other macroeconomic policies need to be implemented in such a way that they work hand in hand to promote the manufacturing export sector.