

Major Factors That Enhance Economic Growth in South Africa: A Re-Examination Using a Vector Error Correction Mechanism

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Abstract : This study explored several variables that enhance economic growth in South Africa, based on different growth theories while using the vector error correction model (VECM) technique. The impacts and contributions of each of these variables on GDP in South Africa were investigated. The motivation for this study was as a result of the weak economic growth that the country has been experiencing lately, as well as the continuous increase in unemployment rate and deteriorating health care system. Annual data spanning over the period 1974 to 2013 was employed. The results showed that the major determinants of GDP are trade openness, government spending, and health indicator; as these variables are not only economically significant but also statistically significant in explaining the changes in GDP in South Africa. Policy recommendations for economic growth enhancement are suggested based on the findings of this study.

Keywords : economic growth, GDP, investment, health indicator, VECM

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