

An Analysis of the Relationship between Manufacturing Growth and Economic Growth in South Africa: A Cointegration Approach

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Abstract : This paper examines the relationship between manufacturing growth and economic growth in South Africa using quarterly data ranging from 2001 to 2014. The paper employed the Johansen cointegration to test the Kaldor's hypothesis. The Johansen cointegration results revealed that there is a long run relationship between GDP, manufacturing, service and employment. The Granger causality results revealed that there is a unidirectional causality running from manufacturing growth to GDP growth. The overall findings of the study confirm that Kaldor's first law of growth is applicable in South African economy. Therefore, investment strategies and policies should be alignment towards promoting growth in the manufacturing sector in order to boost the economic growth of South Africa.

Keywords : cointegration, economic growth, Kaldor's law, manufacturing growth

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