DETERMINANTS OF EXPORTS IN KENYA: 1991 - 2010

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ABSTRACT

A strong and performing export sector is found in most country experiences to be the companion of a growing economy. In Kenya, exports contributed to a total of Ksh. 385,666 million in 2010, approximately 15 percent of the country’s gross domestic product (GDP). Despite the worldwide fall in trade barriers that has occurred in the last two decades, export performance has varied substantially across countries. The Kenyan economy has been experiencing a multitude of problems in efforts of promoting her exports. Other challenges revolve around lack of knowledge of foreign markets, business practices and competition; and lack of management to generate foreign sales lack of knowledge to locate foreign opportunities and promising markets is perceived to be major barrier in export in most developing countries, of which Kenya is not an exception. The current and the major problem that is facing manufacturing export sector in Kenya today is distribution. The main objective of this study was to analyze the determinants of Kenya’s key export. The dependent variable for this study was the quantity of exports measured in tones, while the independent variables were exchange rates, inflation rates and political climate. The ordinary least squares (OLS) regression was run for the level of exports, against the explanatory variables. The economic survey, statistical abstract, Central Bank of Kenya monthly Review and Publications from the export council will be used to source data. The study employed time series secondary data from the period 1991-2011 for quantity of exports, exchange rates, Tariffs and the share of export. The study concludes that within the past decade Kenyan total exports have fallen as a percentage of the world totals. The measures on qualitative aspects of competitiveness indicate that most of the Kenyan trading sectors belong to the out priced segment or the one with structural problems. Finally, the trade equations have exhibit the major sensitivity to the assumptions about the income elasticity of exports and imports. The study recommends that the involved stakeholders relook at their orientation in the sector to avoid interruptions on their volumes of exports due to political instabilities experienced in the country every five years. The study also recommends that the Country’s Financial and Trade industries focus more on ensuring stability in inflation rates and exchanges rates in favor of exports.