EFFECTS OF INFLATION AND UNEMPLOYMENT ON ECONOMIC GROWTH
IN KENYA

KWEBIHA ABEL RUKWEBEBE
BACHELOR OF ECONOMICS & STATISTICS
UNIVERSITY OF NAIROBI
X75/25042/2009

THE RESEARCH PAPER SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENT FOR THE DEGREE OF BACHELOR OF
ECONOMICS AND STATISTICS, SCHOOL OF ECONOMICS.
UNIVERSITY OF NAIROBI

October, 2012
Abstract

This paper looks into the effects of inflation and unemployment in economic growth in Kenya during the period 1981-2010, based on important theoretical and empirical literature review. The study uses time series data in Kenya for the period 1981 – 2010. The result reveals that inflation possesses a positive impact on economic growth while unemployment shows a negative impact on economic growth. A fine performance of an economy in terms of per capita growth may therefore be attributed to the rate of inflation in the country. A major policy implication of this result is that concerted effort should be made by policy makers to increase the level of output in Kenya by improving productivity in order to reduce the prices of goods and services (inflation) so as to boost the growth of the economy and enhancing investments to reduce unemployment.