

TRADE UNIONS AND TRADE



Kenya Trade Fact Sheet

African Continental Free Trade Area



KENYA TRADE FACT SHEET

Trade unions, Trade and AfCFTA

The Central Organization of Trade Unions (COTU-K)

October 2024

The AfCFTA will influence national policies that affect employment, income, and livelihoods - trade unions need to be prepared to engage with this process.

The practicalities of the AfCFTA, how it will affect trade, policies, and employment, are unknown and need to be better understood.

This resource provides insight into trade dynamics in Kenya and helps trade unions think about trade and their interests in the AfCFTA.

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AFRICAN CONTINENTAL FREE TRADE AREA

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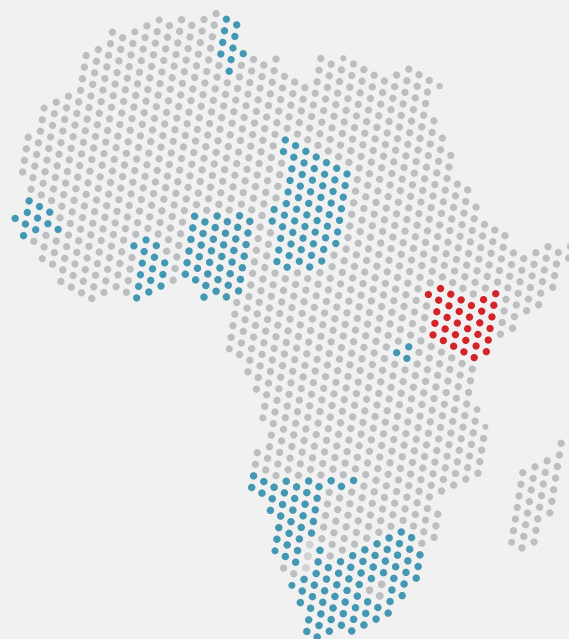
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SECTION 1: COUNTRY DEMOGRAPHICS

1.1 Total Population



KENYA'S POPULATION IN 2022
54.02 MILLION

(World Development Indicators [WDI], 2023).



FEMALES
50.44%



MALES
49.56%

See Table 1 below

Table 1: Population by sex (2022)

Sex	Total	Percent
Male	26,777,549.00	49.56
Female	27,249,938.00	50.44
Both sexes	54,027,487.00	100.00

Source: WDI, 2023

1.2 Population by age cohort

Kenya has a predominantly young population. As indicated in Table 2, approximately 77 percent of the country’s population was under 36 years in 2019.

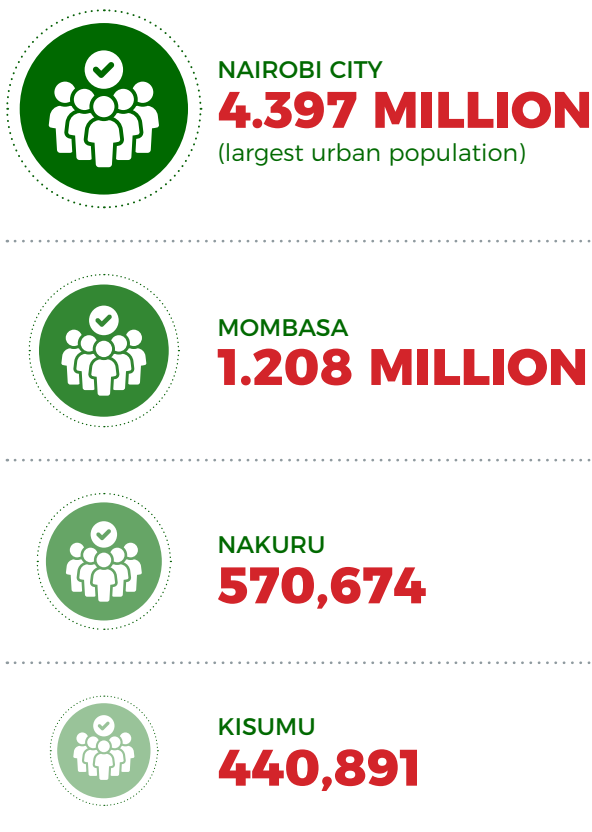
Table 2: Population by age cohorts

Age Cohort	Total	Percent	Cumulative percent
0-14 years	18,541,982	39	39
15-24 years	9,733,531	20.5	59.5
25-35 years	8,187,057	17.2	76.7
36-59 years	8,360,524	17.6	94.3
60 years and above	2,741,202	5.8	100

Source: adapted from the 2019 Kenya Population and Housing Census

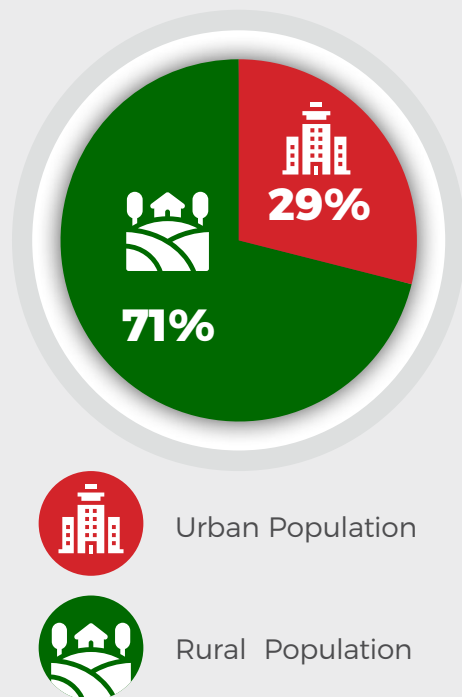
1.3. Rural and Urban Population

The majority of Kenyans reside in rural areas. Figure 1 indicates that 71 percent of the population lives in rural communities.



(World Bank, 2023).

Figure 1: Population by location



Source: adapted from WDI, 2023

SECTION 2: ECONOMIC INDICATORS

2.1 Gross Domestic Product (GDP)



IN 2022, GDP REACHED
US \$113 BILLION

(WDI, 2023).

Contribution to Nominal GDP



SERVICE
61.1%



AGRICULTURE
21.2%



INDUSTRY
17.7%

Source: adapted from Kenya National Bureau of Statistics (KNBS), 2023

In 2022, the GDP per capita was US\$2,099.30 (World Bank, 2024). However, the country faces high inequality, as reflected by a Gini index of 38.7 (ibid.)

2.2 Inflation

In November 2023, the year-on-year inflation rate stood at 6.8 percent.

Table 3: Inflation (November 2022-November 2023)

Month	Overall CPI	Inflation Rate	Food & Non-Alcoholic Drinks
November 2022	128.31	9.5	15.4
December 2022	128.99	9.1	13.8
January 2023	129.29	9	12.8
February 2023	130.13	9.2	13.3
March 2023	131.18	9	13.4
April 2023	131.83	7.9	10.1
May 2023	133.01	8	10.2
June 2023	134.01	7.9	10.3
July 2023	134.15	7.3	8.6
August 2023	134.02	6.7	7.5
September 2023	135.32	6.8	7.9
October 2023	136.71	6.9	7.8
November 2023	137.03	6.8	7.6

Source: adapted from KNBS

2.3 Exchange Rate

Table 4 indicates that the Kenyan Shilling (Ksh) depreciated by 23.4 percent against the US Dollar from October 2022 to October 2023. During the same period, it also weakened by 33 percent against the British Pound and 32.5 percent against the Euro.

Table 4: Exchange rate

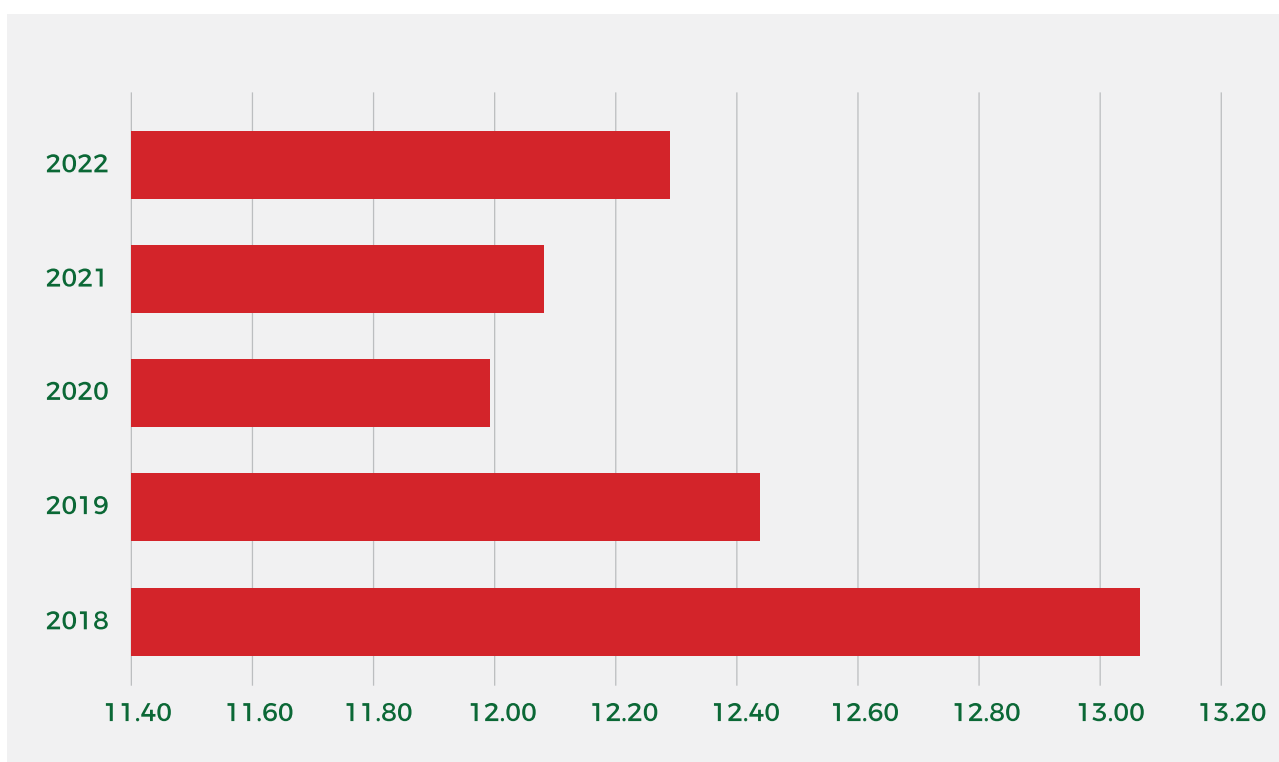
Month	US Dollar		British Pound		Euro	
	US\$1 =Ksh	Change (%)	£1 =Ksh	Change (%)	€1 =	Change (%)
Oct-22	121.03		136.60		119.03	
Oct-23	149.40	-23.44	181.86	-33.27	157.77	-32.54

Source: adapted from KNBS

2.4 Interest Rate

As illustrated by Figure 2, the lending rate – the bank rate that meets the short- and medium-term financing needs of the private sector – has been 12 percent or higher in the last five years.

Figure 2: Lending interest rate (%)



Source: adapted from WDI, 2023

SECTION 3: LABOUR MARKET INDICATORS

3.1 Employment and unemployment



LABOUR FORCE PARTICIPATION
IN 2021 WAS APPROXIMATELY

68%



FEMALE
PARTICIPATION

62.8%



MALE
PARTICIPATION

72.6%

Table 5 presents an analysis of labour force participation, employment, and unemployment.

Table 5: Employment and unemployment (2021)

	Male	Female	Box sexes
Labour force participation	72.6	62.8	67.5
Employment to population Ratio	69.8	68	63.6
Unemployment Rate (%)	3.9	5.9	5.7

Source: data.worldbank.org

Unemployment is relatively low. As shown in Table 5, only about 6 percent of the workforce was unemployed in 2021, with a lower unemployment rate among males (3.9 percent) compared to females (5.9 percent).

3.2 Informal sector employment

The informal economy is the main source of employment, providing about 15.9 million jobs or 83.4 percent of total employment in 2022.

Table 6: Employment by sectors

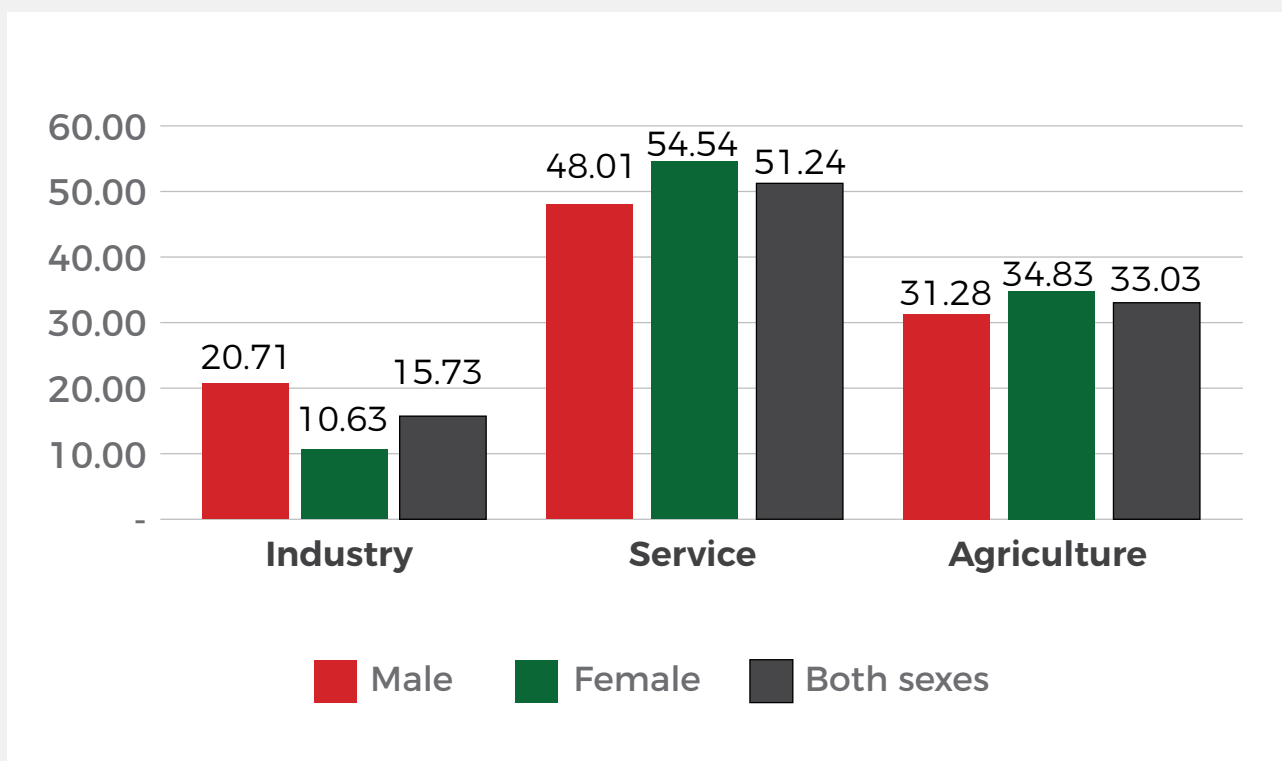
Total recorded employment '000				
	2019	2020	2021	2022
Formal Employment	3,091.1	2,898.7	3,069.8	3,183.5
Informal Employment	15,051.6	14,058.0	15,261.8	15,964.7
Total Employment	18,142.7	16,956.7	18,331.6	19,148.2
Informality Rate	83.0	82.9	83.3	83.4

Source: adapted from KNBS

3.3 Industrial distribution of employment

The services sector accounts for the majority of employment. As illustrated in Figure 3, approximately 51 percent of employed individuals in the country were engaged in the services sector in 2021. This trend is particularly notable among females, with 54.5 percent employed in services compared to 48 percent of males.

Figure 3: Industrial distribution of employment (2021)



Source: adapted from WDI, 2023

SECTION 4: INTERNATIONAL TRADE

4.1 Trade agreements and economic community memberships

Kenya is a member and signatory of various regional and multilateral trade agreements and economic groupings. These include:

1. African Continental Free Trade Area (AfCFTA)
2. East Africa Community (ECA)
3. Common Market for Eastern and Southern Africa (COMESA)
4. Intergovernmental Authority on Development (IGAD)

4.2 International trade taxes

In the 2022/23 fiscal year, the international trade tax reached US\$1,939.34 million.

Table 7: International trade tax

	2021 'million' Dollars	2022 'Million Dollars
Custom Duties	1,076.25	1,195.70
Other taxes on international trade and transactions	788.88	743.54
Total	1,865.13	1,939.25
Total as a percentage of GDP	1.70	1.77

Source: Adapted from the National Treasury of Kenya (2022)

4.3 Import duties

In 2022, customs duties totalled US\$1,195.70 million. The largest share of import duties was derived from the food, drinks, and tobacco cluster, which represented 26 percent of the total.

Table 8: Import duty collections on selected categories of commodities 'US\$ Millions'

	2021	2022
Food, drinks & Tobacco	417.41	295.23
Basic Materials	67.74	65.5
Fuels	19.43	21.6
Chemicals	57.03	64.20
Textiles	49.09	52.14
Semi-manufacturers	74.71	103.46
Metals	138.54	147.99
Transport Equipment	178.24	113.92
Machinery	112.70	122.10
Miscellaneous Commodities	157.77	164.52
Total	1,272.67	1,150.67
Total as a percentage of GDP	1.16	1.05

Source: adapted from The National Treasury (2022)



4.4 Exports

4.4.1 Total export

In 2023, total exports amounted to US\$13.85 billion (WDI, 2023).

4.4.2 Main export commodities

Table 9 presents the top five exports. It indicates that approximately 45 percent of the exports in 2021 was black tea, while fresh-cut flowers and buds accounted for about 28 percent of total exports.

Table 9: Main export commodities 2021

No	Product	Amount (US\$ Million)	Percent
1	Black Tea (fermented) and partly fermented tea	1,157,184.55	44.77
2	Fresh cut flowers and buds	722,675.85	27.96
3	Petroleum oils (exc. Crude); preparation	273,891.41	10.60
4	Coffee, not roasted or decaffeinated	238,359.99	9.22
5	Titanium ores and concentrates	192,407.03	7.44
	Total	2,584,518.83	100.00

Source: adapted from the World Integrated Trade Solution (WITS) (2024)

4.4.3 Main destination

In 2021, the top five destinations for exports were Uganda (12.3 percent), the Netherlands (8.33 percent), the United States (approximately 8 percent), Pakistan (7.18 percent), and the United Kingdom (about 6.7 percent)

Table 10: Top five export destinations (2021)

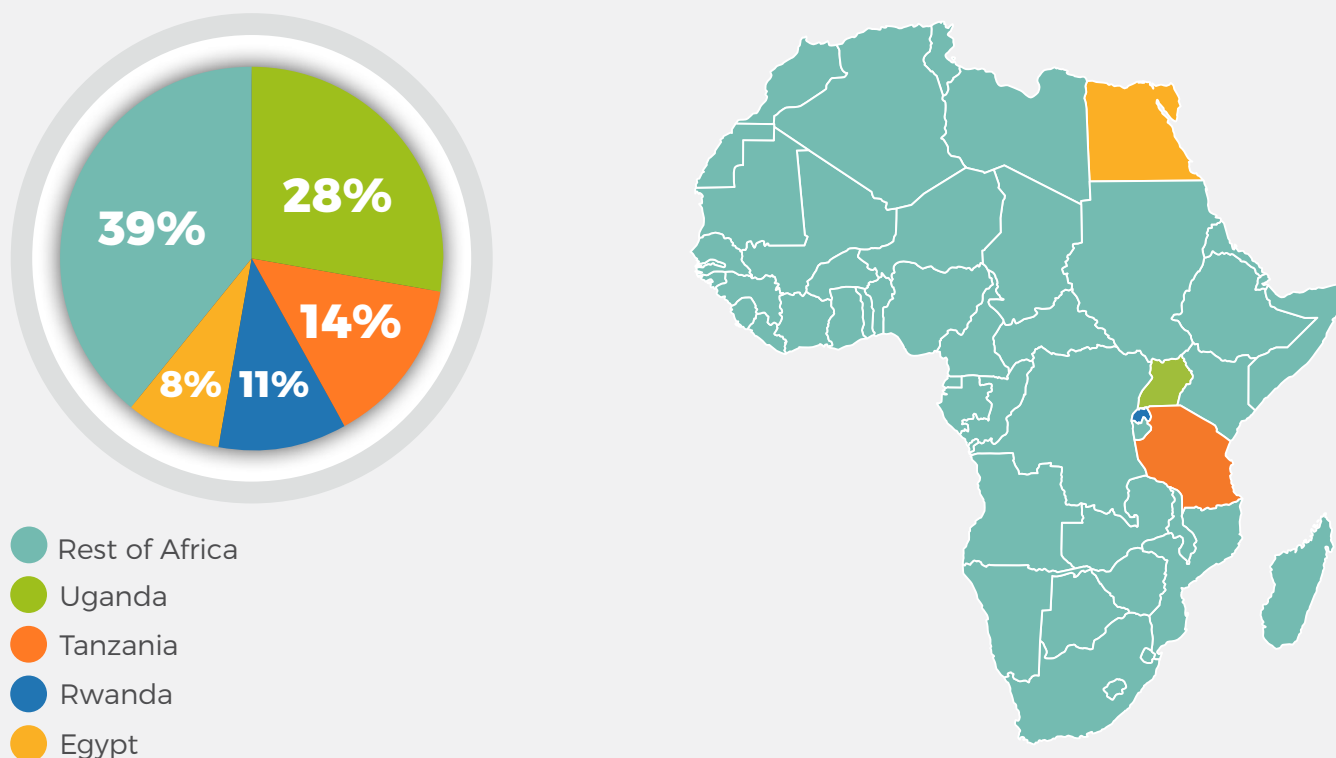
No.	Country	Value of Imports (US \$ Million)	Percentage of total imports
1.	Uganda	832	12.32
2.	Netherlands	562	8.33
3.	United States	543	8.05
4.	Pakistan	485	7.18
5.	United Kingdom	451	6.67

Source: adapted from WITS (2024)

4.4.4 Intra-Africa trade (Exports)

In 2022, exports to the rest of Africa totalled approximately US\$3 billion, representing 41 percent of the country's overall exports. The main intra-Africa exports included tea, palm oil, flat-rolled iron or non-alloy steel products, medicaments, and cement. As shown in Figure 4, Uganda was the primary destination for Kenya's exports to the rest of Africa, accounting for 39 percent.

Figure 4: Main destination of Kenya's export to Africa (2022)



Source: adapted from Trade Law Centre NPC, 2023

4.5 Imports

4.5.1 Total imports

Total imports were US\$24.4 billion in 2022 (WDI, 2023).

4.5.2 Main import commodities

Table 11 shows that the main import commodity was petroleum oils (excluding crude), representing about 58 percent of the top five imports.

Table 11: Main import commodities

Product	Amount (US\$ Million)	Percent
Petroleum Oils (excl. crude), preparation	3,058,587.86	57.84
Crude palm oil	918,574.03	17.37
Spelt, Common wheat and meslin	567,587.87	10.73
Other medicaments of mixed or unmixed products	550,411.98	10.41
Titanium ores and concentrates	192,407.03	3.64

Source: adapted from WITS (2024)



4.5.3 Main sources

In 2021, the primary sources of imports were China (20.5 percent), India (10.7 percent), the UAE (8.3 percent), Saudi Arabia (5.3 percent), and Japan (4.5 percent).

Table 12: Top five sources of Kenya's imports

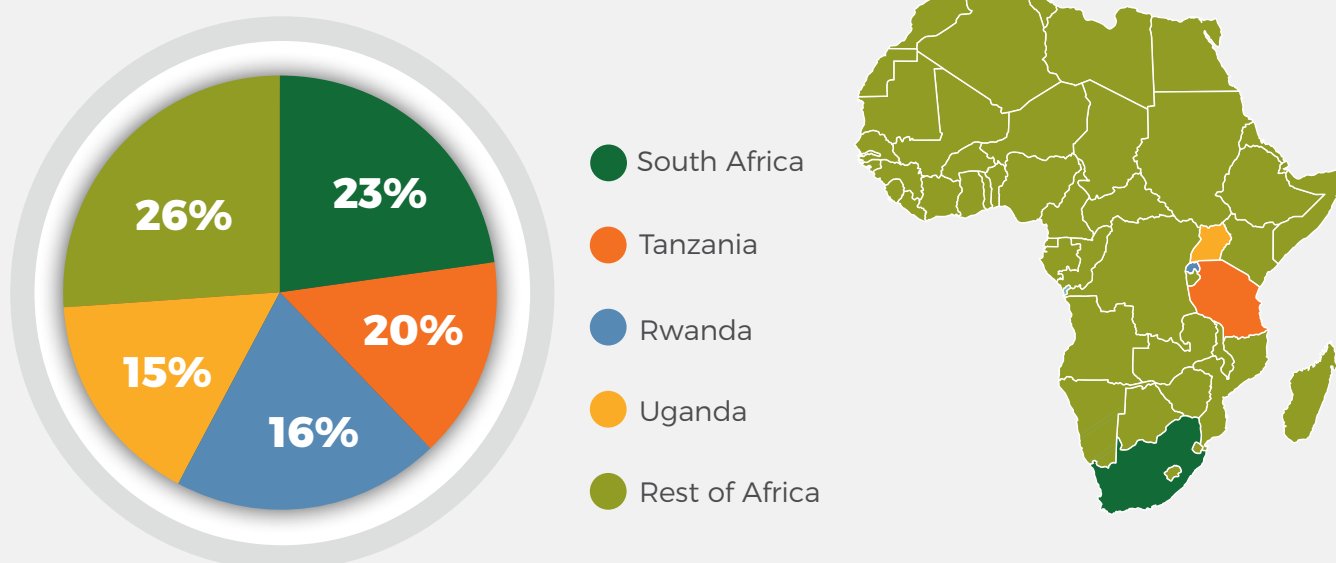
No.	Country	Value of Imports (US \$ Million)	Percentage of total imports
1.	China	4,026	20.55
2.	India	2,107	10.75
3.	UAE	1,628	8.31
4.	Saudi Arabia	1,046	5.34
5.	Japan	892	4.55

Source: adapted from World Integrated Trade Solution (WITS)

4.5.4 Intra-Africa trade (Imports)

Intra-Africa imports was US\$2.3 billion in 2022¹. Imports from the continent accounted for 11 percent of the country's total imports. Maize, coal, sugarcane or beet, fertilisers and semi-finished iron or non-alloy steel products were among Kenya's main intra-African imports. Figure 5, shows that South Africa (23 percent) was the main source of Kenya's intra-Africa imports, followed by Tanzania (20 percent) in 2022.

Figure 5: Main sources of imports from Africa



Source: adapted from WDI, 2023

4.6 Trade within East Africa Community 2021

Kenya was a net exporter in the EAC in 2021. Table 13 shows that Uganda was the main destination, receiving about 43 percent of Kenya's exports to the EAC. Most of Kenya's imports from the ECA came from Tanzania (56.8 percent).

Table 13: Kenyan exports within EAC 2021

EAC Country	Value (US\$ Thousands)	Percentage
Uganda	831,916.75	42.3
Tanzania	409,757.76	20.8
Rwanda	278,368.54	14.2
Burundi	68,688.88	3.5
DRC	223,049.75	11.3
South Sudan	155,438.71	7.9
Total Exports	1,967,220.39	100.0

Source: adapted from WITS

¹ World Integrated Trade Solutions

Table 14: Kenyan imports from EAC Countries 2021

EAC Country	Value US\$ Thousand	Percentage
Uganda	305,164.06	35.4
Tanzania	489,838.27	56.8
Rwanda	29,769.04	3.5
Burundi	4,547.86	0.5
DRC	32,894.89	3.8
South Sudan	633.67	0.1
Total Imports	862,847.79	100.0

Source: adapted from WITS



SECTION 5:

EXPORT PROCESSING ZONES (EPZS)

5.1 Regulatory Framework

Kenya has an Export Processing Zones Authority (EPZA) established by the EPZ Act CAP 517. Its mandates include the development of EPZs, regulation and administration of approved activities within EPZs, and protection of government revenues and foreign currency earnings.

5.2 Main locations

Table 15 shows that there are 10 main locations of EPZs/SEZs.

Table 15: Main locations

No.	NAME	LOCATION
ECONOMIC PROCESSING ZONES		
1.	Athi River EPZ	Athi River - Machakos
2.	Nairobi EPZ	Nairobi
3.	Mombasa Port City EPZ	Mombasa
4.	Kilifi EPZ	Kilifi
5.	Malindi EPZ	Malindi
6.	Voi EPZ	Voi
7.	Kimwarer EPZ	Kimwarer
SPECIAL ECONOMIC ZONES		
8.	Mombasa SEZ	Mombasa
9.	Kisumu SEZ	Kisumu
10.	Lamu SEZ	Lamu

Source: Export Processing Zones Authority (EPZA)

5.3 Incentives

Kenya offers multiple incentives to EPZs. These include:

- Full 10-year corporate tax holiday and 25 percent afterward;
- Perpetual exemption from VAT and custom import duties on inputs;
- Full 10 years withholding tax holidays;
- 100 percent investment deduction on new investment;
- Perpetual exemption from payment of stamp duty on legal instruments;
- Rapid Project approval and licensing;

- No Exchange Controls – liberalized foreign exchange regime;
- Onsite customs documentation and inspection by Customs Staff;
- Unrestricted investment by foreigners;
- One-Stop-Shop service for facilitation and aftercare;
- Quality infrastructure for lease;

5.4 Main products

- Garment and apparel
- Agro processing
- Pharmaceuticals and medical supplies
- Extra Virgin Essential oils such as coconut, avocado, macadamia, sesame, baobab, olive black pepper, eucalyptus, neem, lemon grass, and moringa oils amongst others¹.

5.5 Employment

Direct employment expanded by 5.8% to stand at 60,390 persons in 2019 compared to 57,099 recorded in 2018 (EPZA, 2019).



1 Export Processing Zones Program Annual Performance Report (2019)

SECTION 6: INDUSTRIAL POLICY



6.1 Vision and Mission

Kenya has a National Industrialisation Policy (2012 – 2030). Its vision is to transform the country into a “leading industrialized nation in Africa with a robust, diversified and globally competitive manufacturing sector”. The mission is “to promote and sustain a vibrant, globally competitive and diversified industrial sector for generation of wealth and employment through the creation of an enabling environment”.



6.2 Guiding Principles and Core Values

The guiding principles and core values of Kenya’s National Industrialisation Policy include productivity and competitiveness, market development, high-value addition and diversification, regional dispersion, and technology and innovation. The others are fair trade practices, growth and graduation of MSMEs, employment creation, environmental sustainability, and education and human resource development.



6.3 Targeted Industries and Sectors

Agro processing

- Textiles and clothing
- Leather and leather goods
- Iron and steel industry
- Pharmaceutical industry
- Biotechnology and nanotechnology industry





**KENYA HAS A NATIONAL
INDUSTRIALISATION POLICY
(2012 - 2030).**

**“LEADING
INDUSTRIALIZED
NATION IN AFRICA
WITH A ROBUST,
DIVERSIFIED AND
GLOBALLY COMPETITIVE
MANUFACTURING
SECTOR”.**



SECTION 7: LABOUR MIGRATION

7.1 Immigrants



FROM SOMALIA
43%



FROM UGANDA
29.6%



FROM SOUTH AFRICA
13%

THE RATIO OF MALE TO FEMALE MIGRANTS WAS NEARLY EQUAL.



FEMALE



MALE

Source: adapted from United Nations Department of Economic and Social Affairs 2020

Table 16: Immigration to Kenya from African Countries 1990 and 2020

Country	1990		2020	
	Number	Percent	Number	Percent
Burundi	99	0.05	15,098	1.54
Democratic Republic of Congo	394	0.20	43,577	4.44
Eritrea		-	1,851	0.19
Ethiopia	26,695	13.57	32,115	3.27
Mozambique	1,043	0.53	523	0.05
Namibia	119	0.06	58	0.01
Rwanda	3,874	1.97	5,510	0.56
Somalia	7,875	4.00	425,284	43.35
South Africa	197	0.10	96	0.01
South Sudan	5,801	2.95	121,553	12.39
Sudan	814	0.41	9,926	1.01
Tanzania	66,464	33.78	34,767	3.54
Uganda	83,355	42.37	290,597	29.62
Total	196,730	100	980,955	100

Source: adapted from United Nations Department of Economic and Social Affairs 2020

7.2 Emigration to the rest of Africa

Table 17 shows that most of Kenya’s migrants in Africa were in Mozambique, Tanzania, and Uganda in 2020.

Table 17: Emigration from Kenya

Country	1990		2020	
	Number	Percent	Number	Percent
Botswana	122	0.14	1,210	1.05
Egypt	131	0.15	137	0.12
Eritrea	187	0.21	305	0.26
Guinea	0	-	1,920	1.66
Libya	375	0.43	357	0.31
Mozambique	9,087	10.43	24,779	21.48
Namibia	1,641	1.88	1,161	1.01
Rwanda	955	1.10	2,575	2.23
Sierra Leone	0	-	26	0.02
Seychelles	25	0.03	415	0.36
South Africa	2,140	2.46	19,901	17.25
South Sudan	0	-	9,800	8.50
Sudan	6,118	7.02	3,561	3.09
Tanzania	33,613	38.59	24,274	21.04
Uganda	32,265	37.05	24,274	21.04
Zambia	433	0.50	660	0.57
	87092	100	115355	100

Source: adapted from the United Nations Department of Economic and Social Affairs



MOST OF KENYA’S MIGRANTS IN AFRICA WERE IN MOZAMBIQUE, TANZANIA, AND UGANDA IN 2020.

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Ministry for Foreign
Affairs of Finland

“A continental free trade agreement requires a continental free trade union movement on the continent.”

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