

KENYA TRADE & TARIFFS UPDATE (2021)

Kenya is a member of the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Intergovernmental Authority on Development (IGAD)

The African Continental Free Trade Agreement (AfCFTA) entered into force on 30 May 2019

Kenya has ratified the AfCFTA and negotiations for tariff concessions underway under the EAC customs union

Intra-Africa total trade (imports & exports) 2021

18%

US\$5 bn

Kenya's intra-Africa trade as share of its Global trade

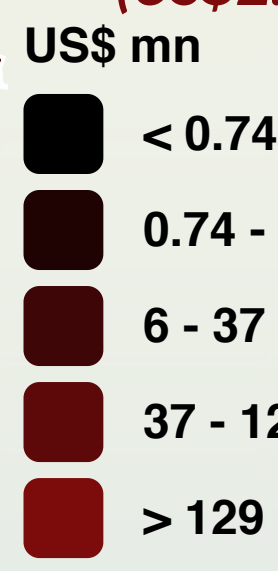
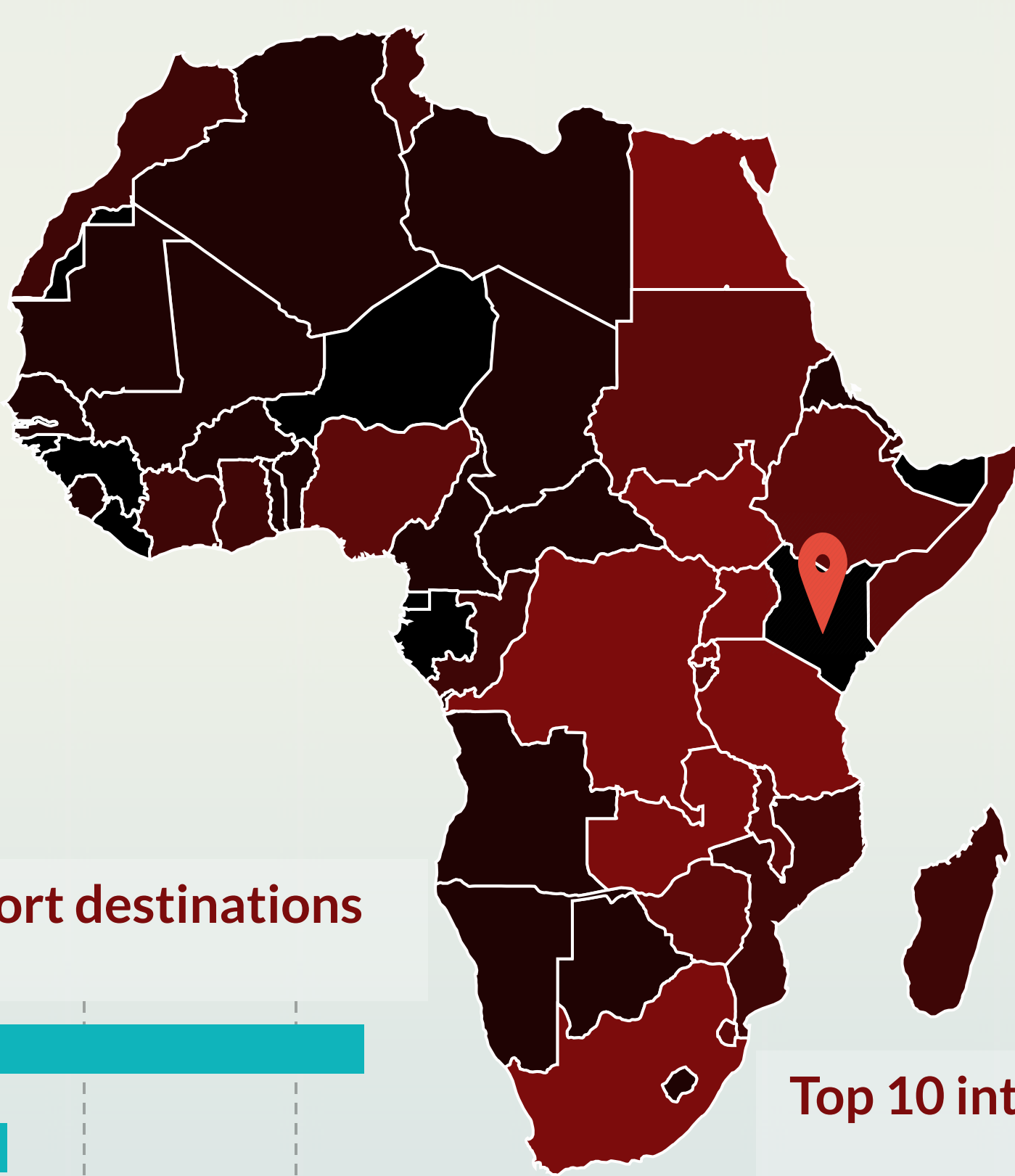
Kenya's intra-Africa trade in 2021

Kenya enjoys a trade surplus with Africa

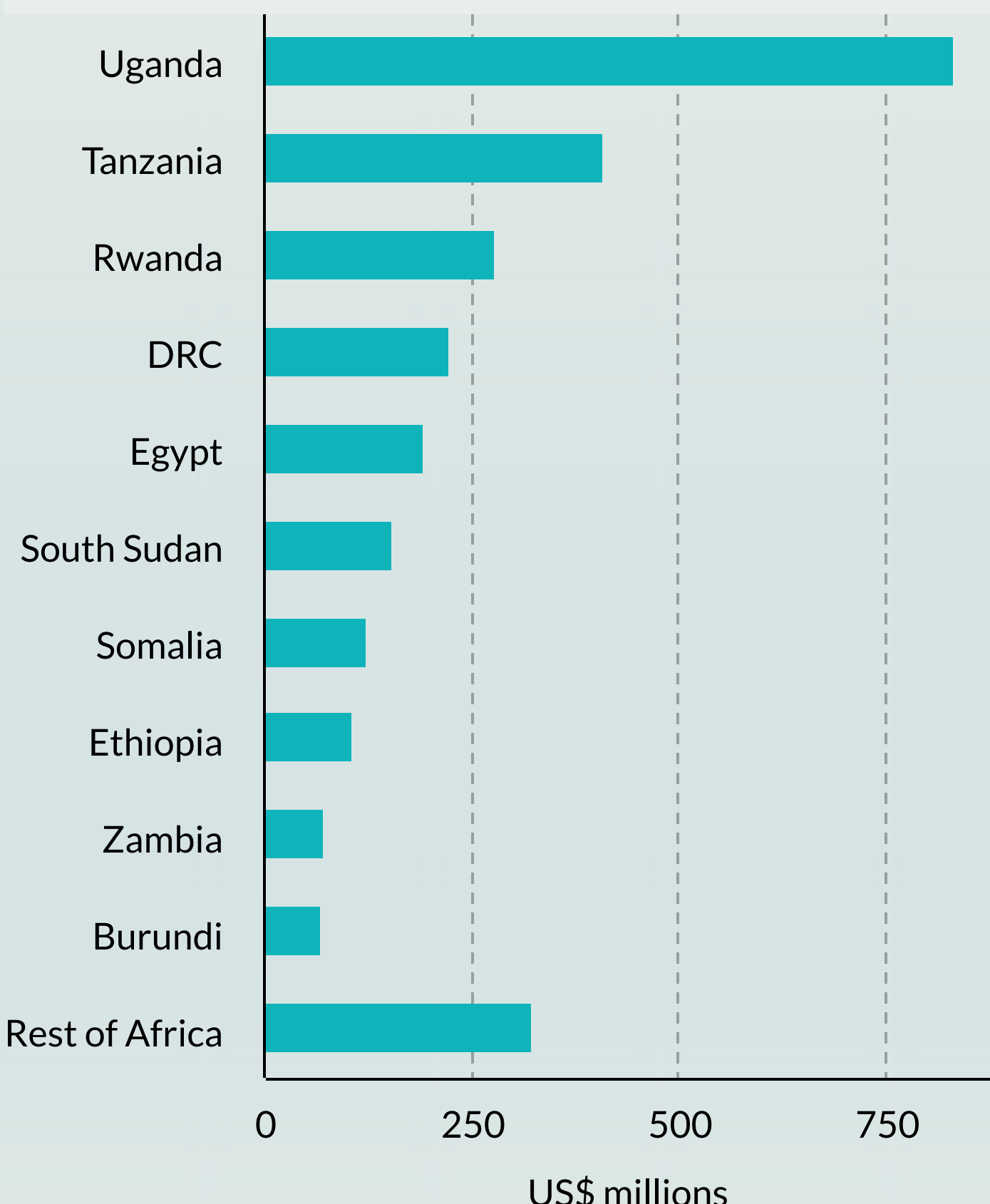
Exports accounted for 57% (US\$2.8 billion) in 2021

22%

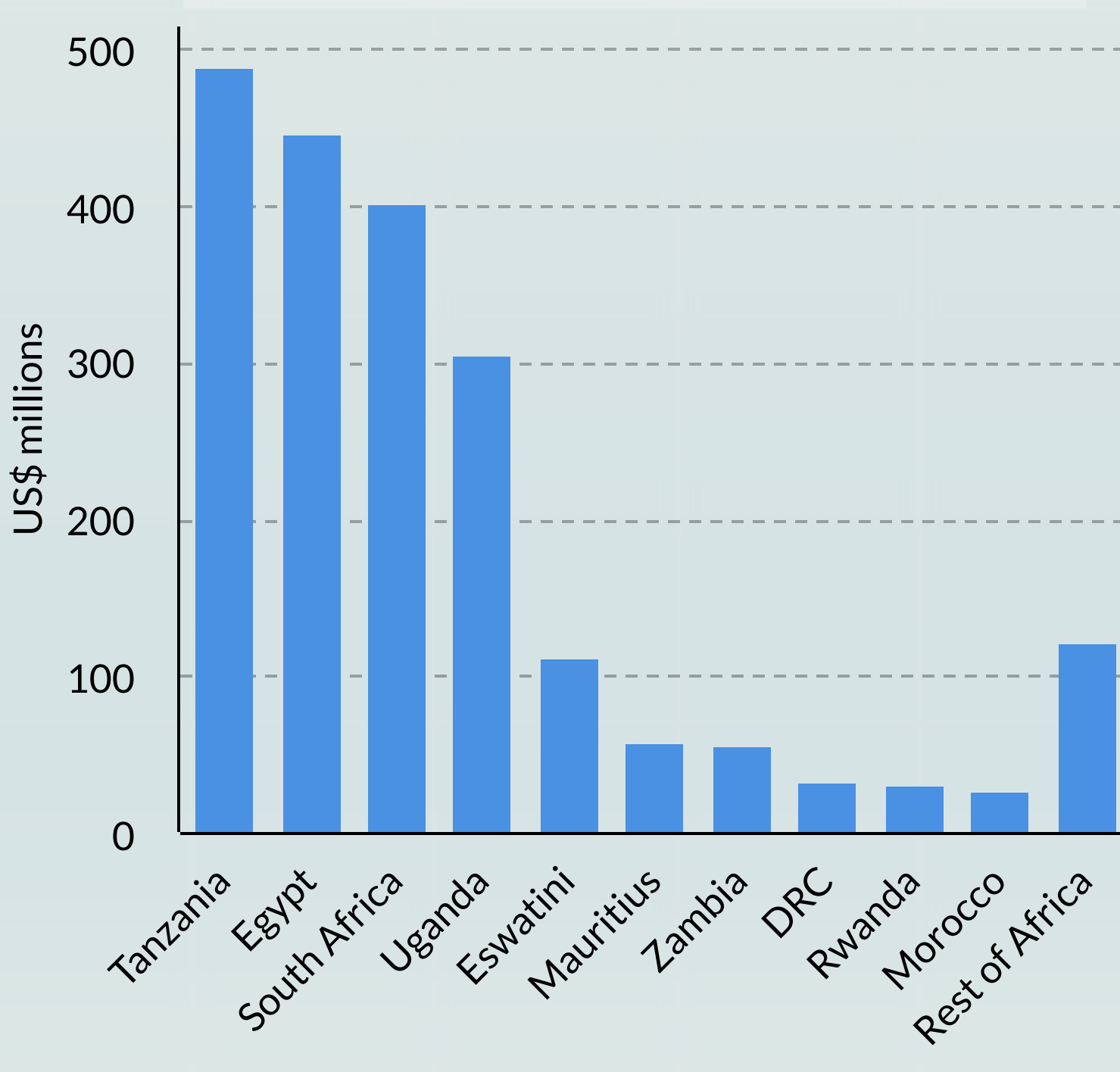
Between 2020 and 2021 intra-Africa trade has increased. Trade has picked up and exceeded the 2019 levels after decline in 2020 caused by Covid-19 pandemic



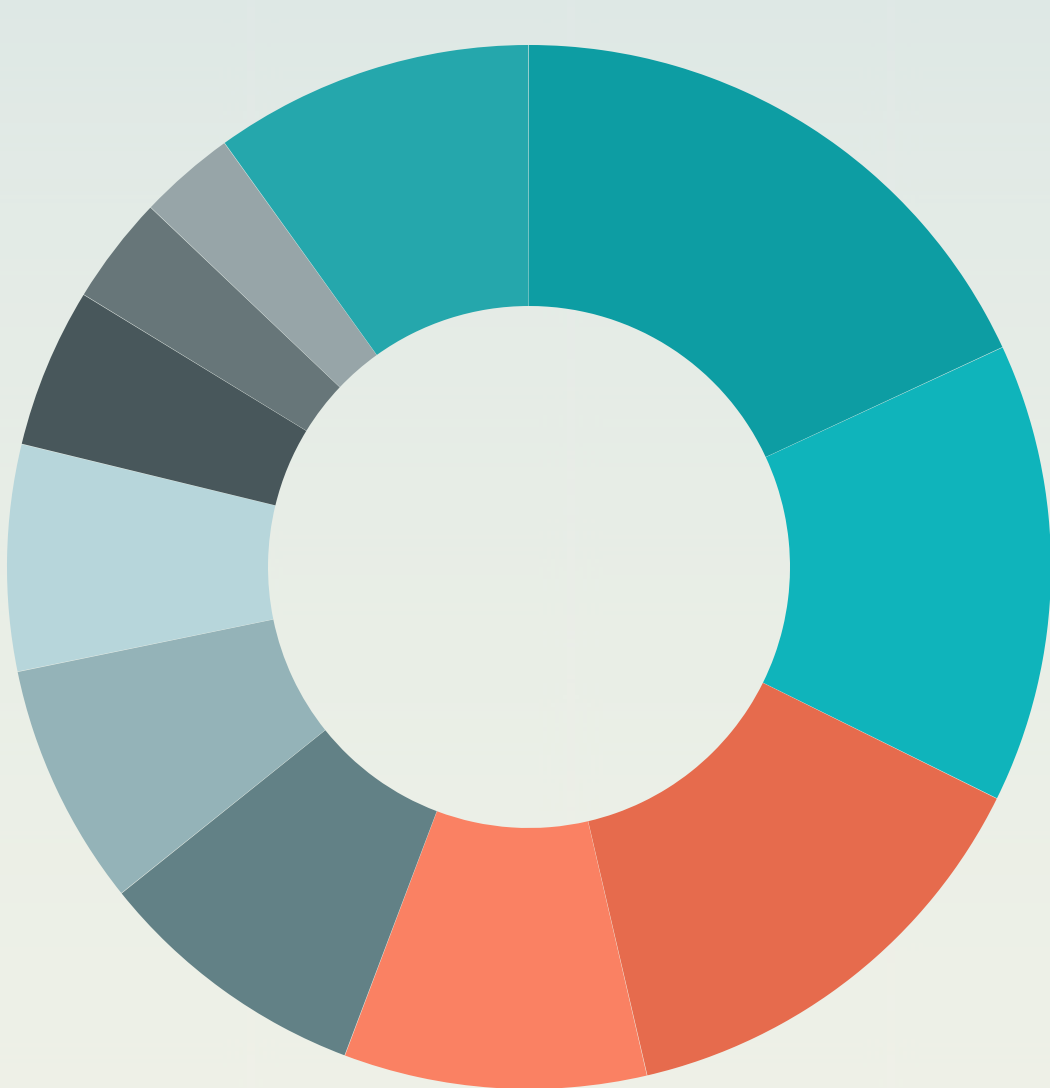
Top 10 intra-Africa export destinations (2021)



Top 10 intra-Africa import sources (2021)



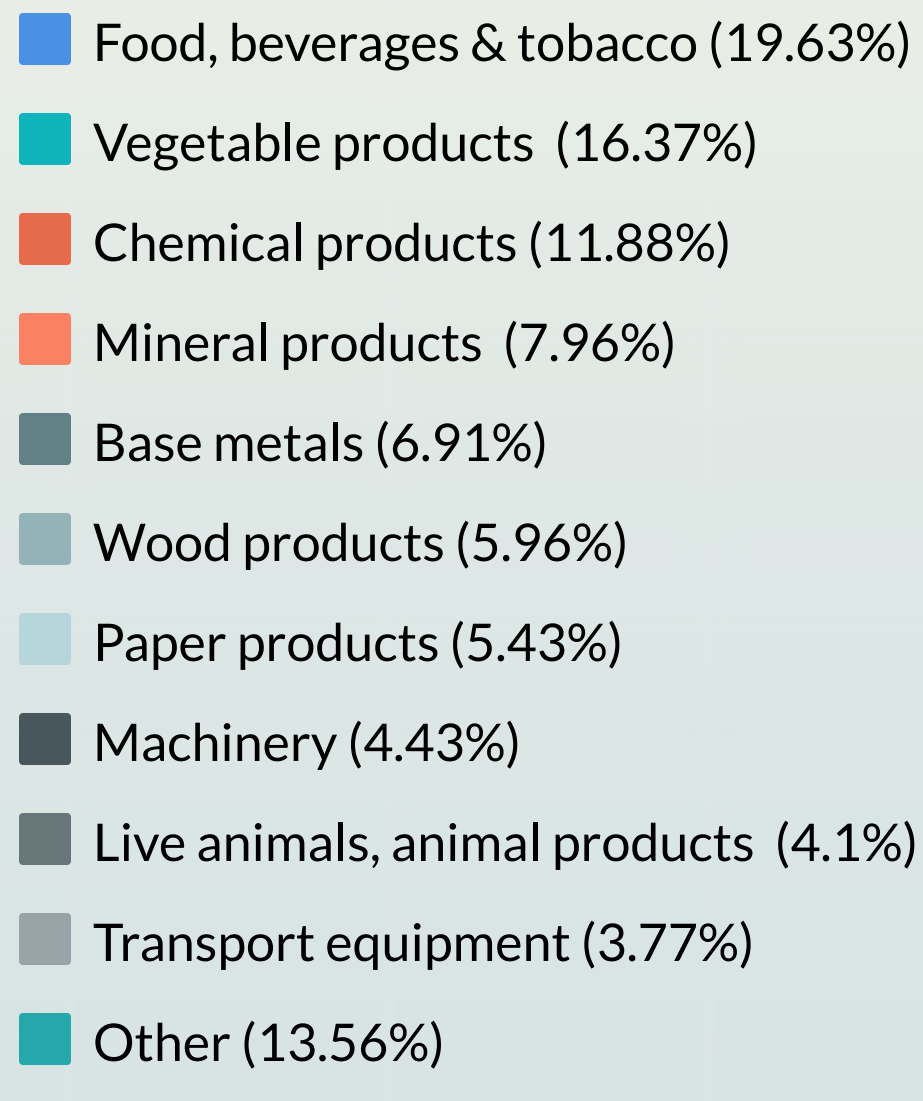
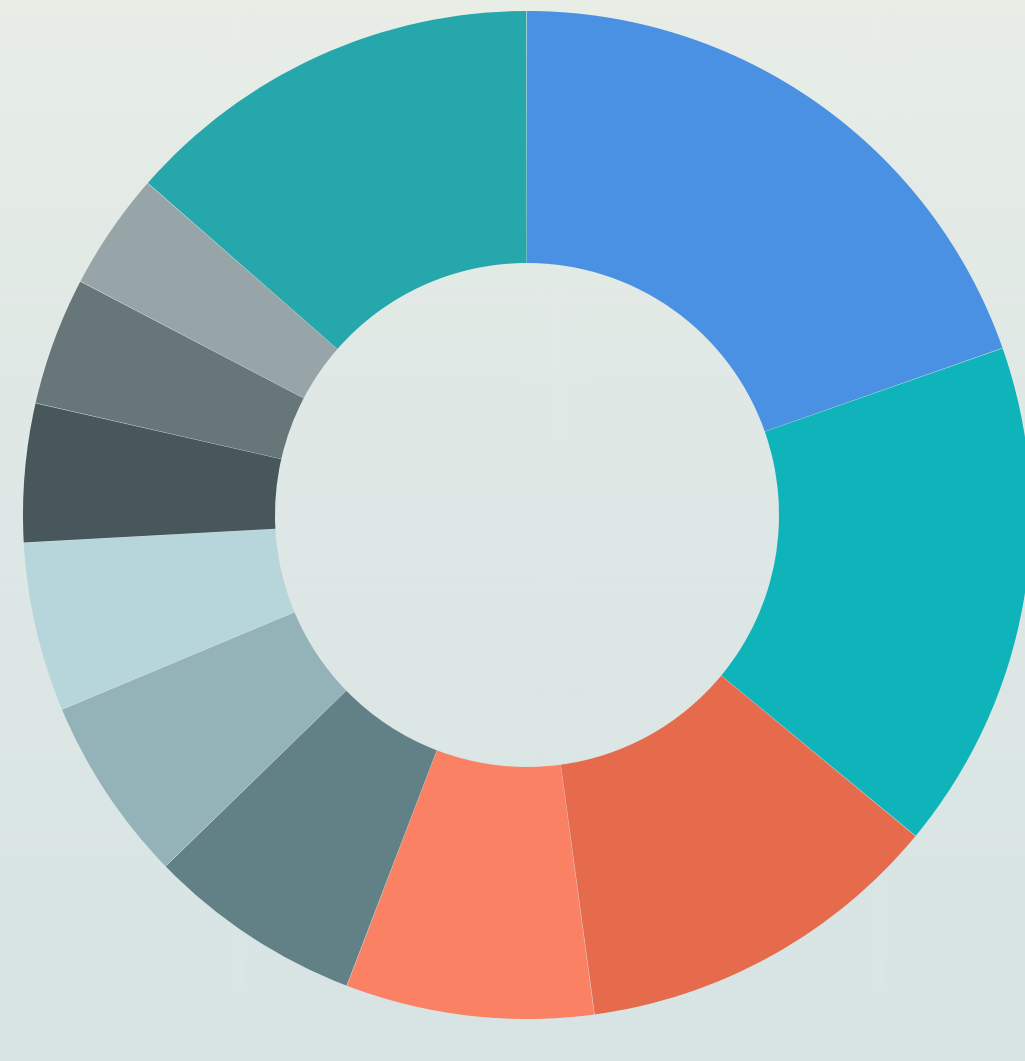
Kenya's intra-Africa exports by product group (2021)



- More than 35% of Kenya's intra-Africa exports are agro-based
- Top 10 product groups account for about 90% of Kenya's total intra-Africa exports
- Kenya's intra-Africa exports are concentrated in few countries
- Top 10 intra-Africa export destinations account for 88% of Kenya's intra-Africa exports
- The bulk of Kenya's intra-Africa exports are destined to the EAC (70%)
- COMESA members - Egypt, Somalia, Ethiopia, and Zambia account for an additional 18% share of Kenya's intra-Africa exports

Kenya's intra-Africa imports by product group (2021)

- Agro-based products dominate Kenya's intra-Africa imports.
- Top 10 product groups account for about 86% of Kenya's total intra-Africa imports
- Kenya's intra-Africa imports are concentrated in few countries
- Top 10 intra-Africa import sources account for 94% of Kenya's intra-Africa imports
- The bulk of Kenya's intra-Africa imports are from the EAC; COMESA and SADC states



5 year growth performance (exports)

Kenya's intra-Africa exports grew by 7% (CAGR) over review period 2017 - 2021

Exports to top destinations Uganda, Tanzania & Rwanda grew by 9%; 10% & 14% (CAGR) respectively for review period 2017 - 2021

Specialised equipment, wood products and animal & vegetable oils recorded the highest growth rates of 28%; 25% & 23% (CAGR) respectively

5 year growth performance (imports)

Kenya's intra-Africa imports grew by 2% (CAGR) over review period 2017 - 2021.

Imports from top suppliers Tanzania & Egypt grew by 31% & 7% respectively. Kenya's imports South Africa, -the 3rd ranked source declined by 9% over the review period (2017-2021)

Wood products, Footwear & Non-metallic minerals recorded the highest growth of 49%; 27% & 22% (CAGR) respectively for period (2017-2021)

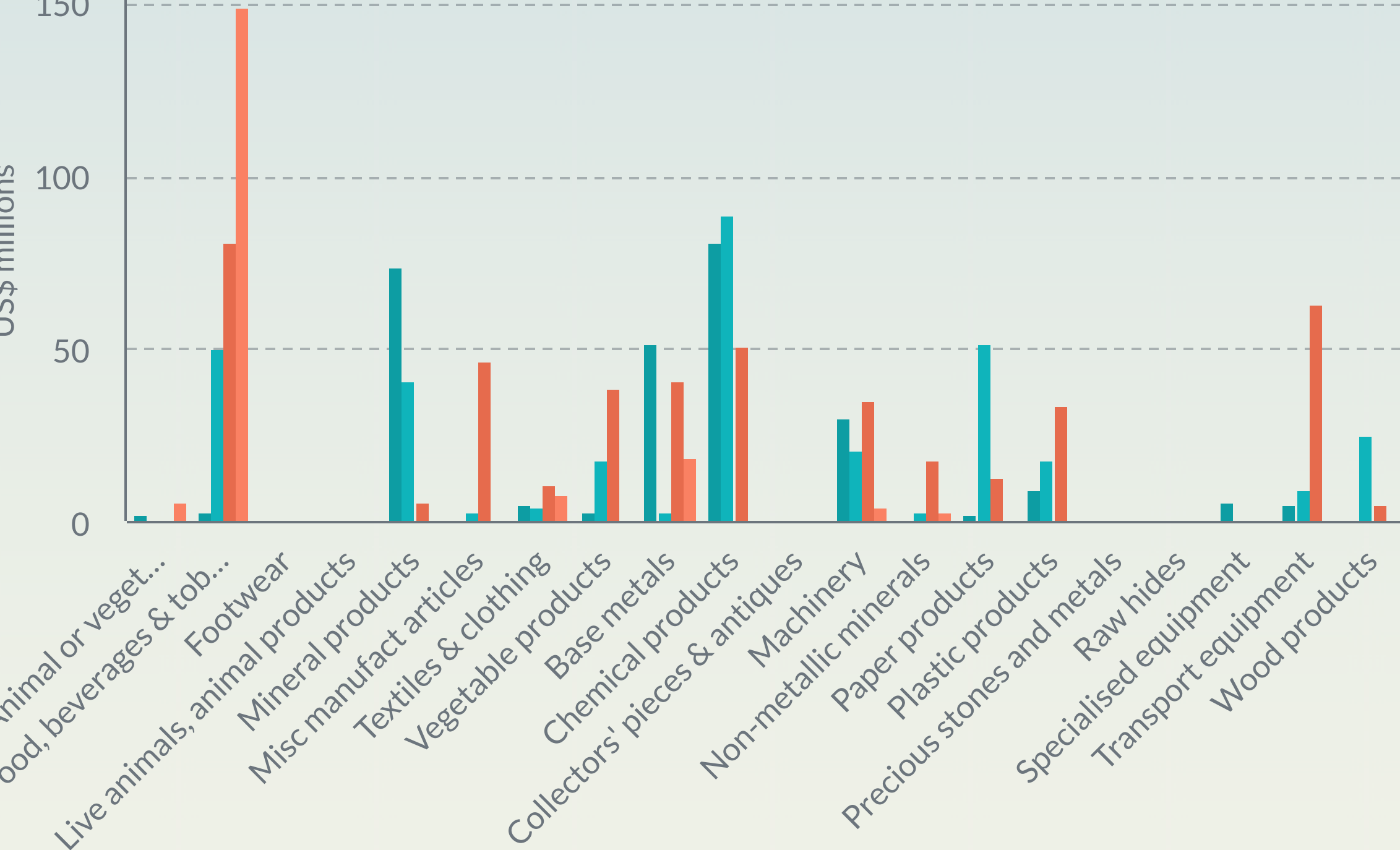
Export markets showing significant growth

Kenya's exports to Mali, Burkina Faso, Ivory Coast, showed significant growth over period 2017-2021, growing by 58%; 54%; & 51%, respectively.

Given that Kenya's trade is concentrated in countries where it has preferential access (EAC & COMESA), it is prudent that it diversifies deeper into West Africa..

The AfCFTA can provide opportunity for Kenya to diversify and expand its market into other African countries.

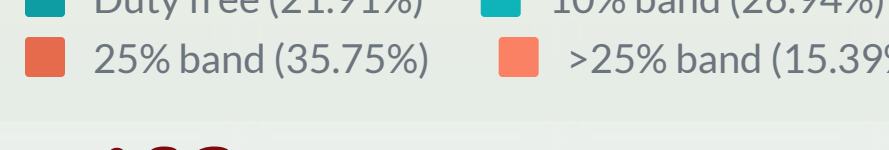
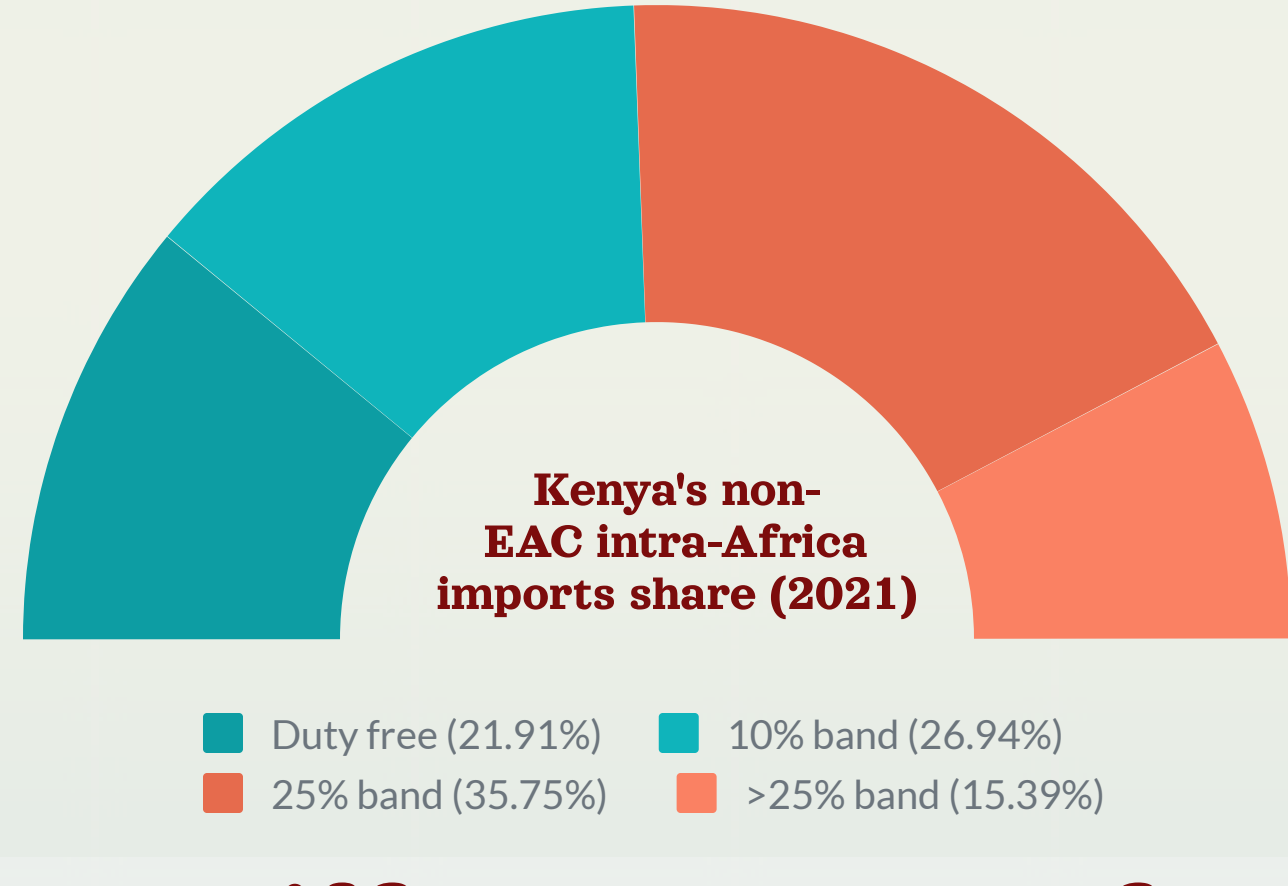
MARKET ACCESS - Kenya's tariff regime (EAC CET)



- For the period 2021, the EAC Customs union common external tariff had a 3 tariff bands
- Duty free > Raw materials and capital goods
- 10% band > Intermediate goods
- 25% band > finished goods
- Sensitive products attract duties above 25%. These include sugar, wheat, milk, textile products, maize, rice and cigarettes
- A 4th band has been adopted which carries a maximum import duty of 35%

2022 ALERT

- The East African Community (EAC) Council of Ministers, on 5th May 2022, adopted a maximum import duty rate of 35% as the 4th band of the EAC Common External Tariff (CET)
- Products covered under the 35% tariff band include: dairy and meat products, cereals, cotton and textiles, iron and steel, edible oils, beverages & spirits, furniture, leather products, fresh-cut flowers, fruits and nuts, sugar and confectionery, coffee, tea and spices, textiles and garments, head gears, ceramic products and paints, among others



Kenya's average intra-Africa non-tariff trade costs for manufactured & agricultural goods (2015-2019)

KENYA'S MANUFACTURED PRODUCTS NON-TARIFF TRADE COSTS (2019) AD VALOREM EQUIVALENT

Highest average non-tariff trade cost countries



Lowest average non-tariff trade cost countries

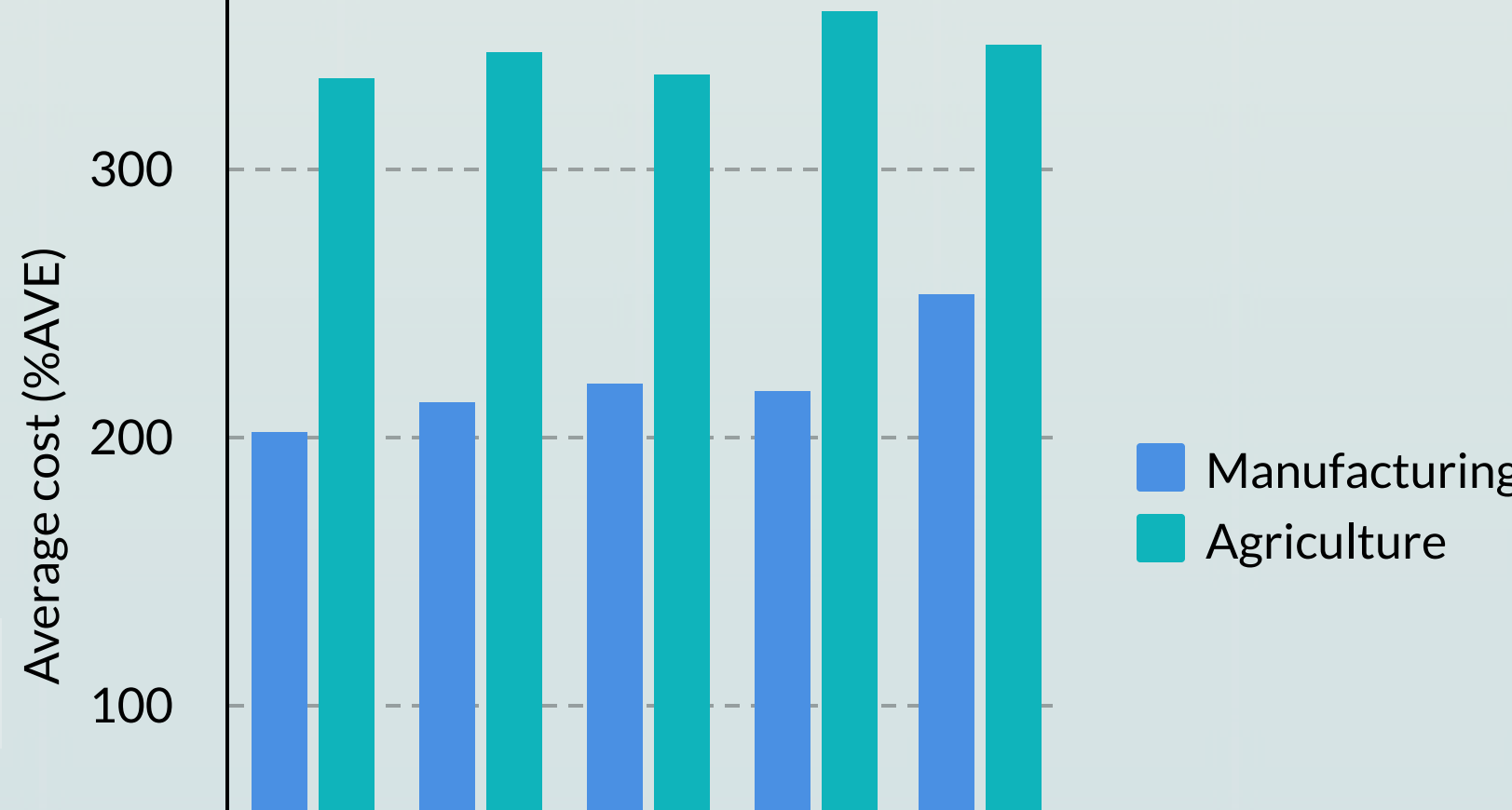


KENYA'S AGRICULTURAL PRODUCTS NON-TARIFF TRADE COSTS (2019) AD VALOREM EQUIVALENT

Highest average non-tariff trade cost countries



Lowest average non-tariff trade cost countries



Sources: ITC TradeMap; World Bank WITS (TRAINS); World Bank ESCAP Trade Cost databases