

TEXTILE INDUSTRY IN KENYA

Introduction

The Republic of Kenya is a country in [Africa](#) with 47 semiautonomous [counties](#) governed by elected [governors](#). At 580,367 square kilometers (224,081 sq mi), Kenya is the world's 48th largest country by total area. With a population of more than ***52.2 million people***, Kenya is the 27th most populous country. Kenya's capital and largest city is [Nairobi](#) while its oldest city and first capital is the coastal city of [Mombasa](#). [Kisumu City](#) is the third largest city and also an inland port on Lake Victoria. Other important urban centers include [Nakuru](#) and [Eldoret](#).

Macroeconomic Overview of Kenya

Kenya's macroeconomic outlook has steadily posted robust growth over the past few decades mostly from mega-infrastructure road and railway projects. However, much of this growth has come from cash flows diverted from ordinary Kenyan pockets at the microeconomic levels. In 2017, Kenya ranked 92nd in the World Bank ease of doing business rating from 113rd in 2016 (of 190 countries). Kenya's real gross domestic product is projected to grow by 5.7% in 2019, a slight decrease from the estimated 5.8% growth experienced in 2018, according to the new World Bank, Kenya's Economic Update. While the medium-term growth outlook is stable, Kenya's economic growth is said to be soften this

year. Mainly due to erratic weather conditions which will have a direct negative impact on agricultural products (The key driver of growth in Kenya and a major contributor to poverty reduction). the report notes that recent threats of drought and continued subdued private sector investment could drag down growth in the near-term. The growth forecast for 2020 stands at 5.9%. Growth in 2018 was driven by favorable harvests, a resilient services sector, positive investor confidence and a stable macroeconomic environment. Nonetheless, the demand side shows significant slack with growth driven primarily by private consumption while private sector investment remains subdued. So far in 2019, a strong pick-up in economic activity was underway for Q1 of 2019 as reflected by real growth in consumer spending and stronger investor sentiment. A current press release of the world bank has read Kenya's Economic Outlook remains stable amid threats of drought in 2019. Speaking of sustainability, the government has set an action plan agenda of The **"Big Four"** priority projects: *Enhancing Manufacturing (9.2% to 20% of GDP by 2022)*, Food Security and Nutrition, and Universal health coverage and affordable housing.

Overview of the Textile Industry

Economic history shows that the clothing and textile industry played an important role in the industrialization of today's developed countries. This is because of the industry's unique characteristics of being labour intensive and its links with other sectors of the economy such as agriculture. More strongly, it has been even suggested that developing countries wishing to industrialize should begin with clothing and textile industries, studies indicate. Last year, Al Jazeera, had just read the fact that *Kenya looks to boost local textile industry*. However, it highlighted the impediments out surfaced in this sector in Kenya. Second-hand clothing donations are creating a dilemma for the Kenyan economy and the growing trend of imported second hand clothing. Government figures show that in 2014, second hand clothing contributed \$95m to the Kenyan economy that grew to \$128m dollars by 2016. Following the Economic activity being notably subdued in the first quarter of 2019, relative to the performance recorded in the same quarter of 2018. During the period, the economy expanded

by 5.6 per cent compared to 6.5 per cent in the corresponding quarter of 2018 according to Kenya National Bureau of Statistics. The growth, albeit significantly slower than that of the first quarter of 2018, was mostly supported by growths in the service sector industries such as wholesale and retail trade, transportation, accommodation and food services, financial and insurance activities.

Table 1. The Growth Comparisons of the first quarters of 2018 and 2019 for Kenya

Growth Comparisons of the first quarter of 2018 and 2019 in %	2018	2019
Agriculture, Forestry and Fishing sector	7.5	5.3
Manufacturing Sector	3.8	3.2
Credit Extended to the manufacturing sector by commercial bank	12.1	7.1
Construction	6.6	5.6
Electricity and water	6.5	6.1
Transport & Storage	8.5	6.7
Accommodation & Food Service Activities	13.1	10.1
Finance & Insurance	5.2	5

Source: Kenya National Bureau of Statistics

Reportedly, the slowdown in agricultural growth somewhat affected agro-processing and consequently led to slowed manufacturing activities during the review period. Even though the textile sector was not particularly analyzed in the report, In the non-food manufacturing subsector, growth was mainly supported by assembly of motor vehicles. According to the report the manufacturing of leather products has recorded declines in the review period.

Cotton, Textiles and Apparel Industry Structure

The cotton, textiles and apparel (CTA) industry is Kenya's second largest manufacturing industry after food processing and has been classified as a core industry. Kenya's CTA manufacturing value chain comprises researchers, ginners, farmers, spinners, input suppliers, textile manufacturers and extension service providers, to name but a few. It is estimated that approximately 40,000 farmers are involved in cotton farming, while the overall sector

provides livelihood to approximately 200,000 households according to Kenya Investment Authority (2016). Cotton in Kenya is mainly grown by about 30,000 to 45,000 smallholder farmers in arid and marginal regions, under rain-fed conditions on small land holdings of about one hectare. Most of the country's cotton is cultivated in the Coast Province, Western Province and Eastern Province, and the rest is cultivated in Central and Rift Valley Provinces. Kenya has an estimated 385,000 ha of land that is suitable for cotton – 350,000 rain-fed and 35,000 irrigated – with a production potential of more than 300,000 tons of cotton seed. Nevertheless, only a fraction of that land is under cotton cultivation. Current production of cotton lint in Kenya is approximately 7,000 tons versus a potential production of 200,000 tons of lint or 750,000 tons of seed cotton. The production has been volatile for the last few years and has not been sufficient to meet the domestic mill requirement. As a result, Kenyan firms import cotton from neighboring cotton-producing countries such as Uganda and Tanzania.

Kenya has a long and rich history in the Fibre to Fashion (F2F) industry dating back as far as the early 1900s. The sector grew nicely with accelerated downstream developments, including ginning, spinning, weaving, knitting, dyeing & finishing, and garment making facilities both for the local and export markets. The Government played a catalytic role through direct investments in establishing large-scale integrated textile mills and through policy (mostly protectionism) which were followed by investments from the private sector. By the 1980s (T&C) became the most important manufacturing activity in Kenya accounting for nearly 30% of total employment in the manufacturing sector. At that point, the F2F value chain was mostly dominated by cotton cultivation, and substantial Government investments in integrated textile mills, some of which had state-of-the art imported technology. The diagram below depicts the value creation in F2F value chain.

Diagram 1: Fiber to Fashion (F2F) Value Chain of Kenya





Source: The Kenyan Textile and Fashion Industry Report

Kenya has 52 textile mills, of which only 15 are currently operational and operate at less than 45 percent of total capacity. Electricity and the high-cost of imported fibers are the major cost drivers of these firms. Despite the dominance of cotton products in Kenya's exports, cotton is imported to meet Kenya's quantity and quality demands.

The Kenyan textile and apparel value chain consists of input providers, yarn spinning companies, semi and wholly integrated weaving/knitting/dyeing/finishing mills and plants, and design and sewing firms. The sector is under the auspices of the MOIED and is supported by broad private sector associations and training institutes. Crucially, no single association exists to represent the apparel and textile sector as a whole vis-à-vis the government and each other. Of Kenya's top ten apparel exports, six are cotton products and four are man-made fiber products. Almost half of Kenya's apparel exports to the US are in women and girls' cotton trousers, slacks, and shorts, and manmade fiber slacks, breeches, shorts, knit shirts, and blouses.

The apparel sector in Kenya has a three tiered structure: in the EPZ, there are 21 large companies, and outside the EPZ there are 170 medium and large companies and more than 70,000 micro and small ones. Raw materials and overheads are the main cost drivers of these firms. The government of Kenya's Vision 2030 identifies the garment and textile sector as a driver of industrialization. Currently the sector contributes to 7 per cent of the country's export earnings. Sub-Saharan Africa. Kenya. Textile, leather, garment, shoes and textile services. It employed about 30 percent of the labour force in the national

manufacturing sector. The industry also supports the livelihoods of over 200,000 small-scale farmers by providing markets for cotton.

Opportunities for Investors

The main policy instruments for promotion include a combination of tariffs and import quotas supported by foreign exchange allocation measures. In March 1996, the presidents of Kenya, Tanzania, and Uganda re-established the East African Community (EAC). The EAC's objectives include: harmonizing tariffs and customs regimes, free movement of people, and improving regional infrastructures. In March 2004, the three East African countries signed a Customs Union Agreement.

Kenya's inclusion among the beneficiaries of the US Government's African Growth and Opportunity Act (AGOA) has given a boost to manufacturing in recent years. Since AGOA took effect in 2000, Kenya's clothing sales to the United States increased from US\$44 million to US\$270 million (2006).

AGOA was set to expire at the end of 2015, and this may have spurred companies to grow to take advantage of its last few years. AGOA was renewed in June 2015 for another 10 years. This is expected to be a game-changer as it provides both investors and companies with a significant window of time to capture market opportunities duty and quota-free.

Kenya is in a strong position to capitalize on AGOA: the country already captures more than a third of all apparel exports from Sub-Saharan Africa to the US. In addition, 70 percent of Kenyan apparel firms have a US dominant market orientation.

Other initiatives to strengthen manufacturing have been the new government's favourable tax measures, including the removal of duty on capital equipment and other raw materials.

Challenges faced by Textile Sector

- **Business Environment:** Kenya's business environment is not one in which it is easy to operate. It is characterized by high electricity prices, limited access to finance, poor roads, challenging logistics, and for non-EPZ companies, complex regulations.
- **Human Capital** Kenya's labor productivity could be significantly improved. Labor costs, quality, availability and productivity Kenyan labor has the lowest value added per worker among select comparator countries, reflecting poor levels of productivity given current wage rates.
- **Equipment and Technology.** Equipment and technology are an integral part of the productivity of the textile and apparel sector. A small sample of firms was surveyed regarding equipment maintenance, spare parts, and equipment upgrading. Responses highlight the old age of equipment, the urgent need to upgrade it to improve productivity, and the difficulties firms face in carrying out the needed upgrades.
- **Raw Materials for Processing.** The Kenyan textile industry faces an inadequate supply of locally produced cotton, and that which is available is of poor quality: 93 percent of cotton is imported to meet Kenya's quantity and quality demands. This means the majority of export quality fabric manufactured in Kenya is made from imported fibers due to the poor quality and high trash content in local lint. The implication is that the textile sector in Kenya has to choose between the high-cost of imported material and the low-quality of local fiber which requires additional processing.
- **Access to Domestic and International Markets** Market access by apparel and textile firms is not as easy as it might seem given AGOA. For non-EPZ firms, access to the domestic market is difficult because the influx of second-hand clothing renders the market minuscule.
- **Poverty reduction and creation of productive and sustainable employment opportunities** remain major policy objectives in Kenya. Despite several policy interventions, Kenya is still faced with high incidences of poverty, unemployment and low economic growth rates. Textile sub-sector constitutes an important component of the manufacturing sector in Kenya. However, inward looking policies initially pursued by the government, massive dumping of used clothes, illegal importation, expiry of the ATC quota regime, and general mismanagement of the agricultural and co-operatives sectors significantly undermined

growth prospects and competitiveness of the textile sub-sector in the country. The industry is also under severe stress from Asian imports, particularly China and it is less likely that it can withstand the surge. Consequently, a number of firm closures and lay-offs have been reported in the country's textile industry, thereby aggravating the unemployment and poverty situations in the country.

The key challenges are:

- Lack of policy coherence and institutional alignment,
- Low level of value addition and a disconnect between the apparel sector and the rest of the value chain segments,
- Supply side constraints with regards to quality and price of fabrics, with focus on afro-centric cloth and garments,
- Weak business environment,
- High cost of production and built-in systemic inefficiencies,
- Lack of market readiness,
- High cost and difficulties to access credit and finance,
- Predominance of SMEs operating in the informal sector,
- Lack of visibility of the Kenya's design capabilities and absence on the formal retail platform,
- Illicit imports and negative impact of second hand clothing, and
- Lack of a clear national policy on textile and apparel.

The Steps taken to revive the textile sector

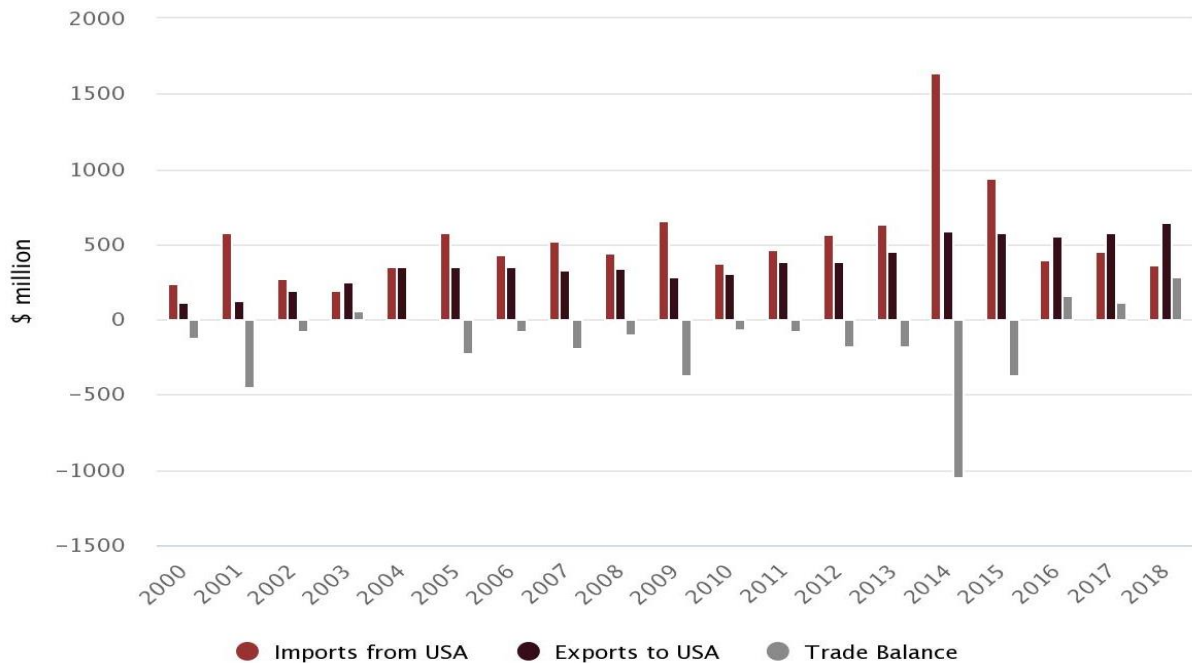
- President Uhuru Kenyatta on Friday 19th July, 2019 commissioned the revamped Rivatex textile factory in Eldoret town, Uasin Gishu County, with a promise of at least 3,000 direct jobs.

The new processing plant, which was modernized at a cost of Shs 5 billion, will create over three thousand new jobs, rejig the economy of Eldoret town as well as change the fortunes of thousands of cotton farmers in over 24 counties across the country.

- As a measure to plug the existing shortage of cotton in the country, President Kenyatta directed ministries of agriculture, industry, environment, health and education to fast-track the commercialization of genetically modified BT cotton.
- To incentivize Rivatex into profitability, the President announced that the government will increase the power supply to the plant from 33 KVA to 66 KVA to enable the textile factory to operate on a 24-hour basis.
- He further directed the Ministry of Energy to cut down the price of electricity sold to the factory by 50 percent.

Some Figures

Table 2: Major Textile and Apparel Import and Export Partner of Kenya: Two-way trade between Kenya and USA



Source: Internet

Table 3 Comparison of costs and competitive factors between Kenya and major T & C competitors

Estimated values	Kenya	Ethiopia	United Republic of Tanzania	India	China	Viet Nam
T & C export value (US\$ millions, 2013)	377	94	248	40 192	273 959	21 534
Cotton production (thousands of 480 lb. bales)	32	175	375	30 000	30 000	17
Cost of labour (US\$ per month)	110-150	50-60	70	175	550	180- 200
Labour skills	Low- mediu m	Low	Low	High	Very high	High
Cost of electricity (US¢/kilowatt-hour [kWh]), estimated average	16-18	2 to 5	12	7 to 12	9 to 15	8
Percentage of annual sales lost to electrical outages	5.6	2.6	5.5	2	0.1	1.1
Cost of construction (US\$ per ft2)	21	40	34	18-20	15-20	20-25
Lending rates (Annual Percentage Rates, estimated)	14-18	8.5	19	7 to13	7	6 to 7
Time to clear Customs, inputs+ exports (days)	31	37	44	12	17	15

Source: – Ministry of Industry Investment & Trade (MOIT); Kenya Textile and Clothing Value Chain Roadmap

Table 4. List of Textile Technology Supplying Markets to Kenya (HS Code 8445, Machines for preparing textile fibres; spinning, doubling or twisting machines and other machinery; Unit: US Dollars and values are in 000)

Exporters	Imported value in 2014	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018
World	503	6,641	1,112	1,081	11,928
India	150	251	17	350	11,463
Italy	36	47	40	165	105
Taipei, Chinese	57	0	62	66	105
Switzerland	0	0	0	357	98
China	196	269	786	105	86
United Kingdom	4	0	0	0	68
Germany	0	405	173	5	2
Austria	0	1,464	0	0	0
France	39	0	33	0	0
Hong Kong, China	5	0	0	0	0
Korea, Republic of	8	0	0	0	0

Malaysia	0	95	0	0	0
Pakistan	0	1	0	0	0
Slovenia	0	4,109	0	0	0
Spain	0	0	0	21	0
Turkey	7	0	0	0	0
USA	0	0	0	10	0

Source: <http://www.intracen.org/itc/market-info-tools/statistics-export-product-country/>

According to the above **Table 4**, the Textile Machinery flow to Kenya is from ASIA with a market share of 9.45 % and this is mainly supported by India which has 57.52% Market Share. Italy has also a growing market share trend for the year 2014 to 2017 and only last year the value has a bit dropped when it is compared to the value in 2017. Italy alone holds 1.85% Market Share but Europe in general takes 3.74% on average for the year from 2014 to 2018. The bellow table 5, shows Textile Technology market share on Kenya from 2014 to 2018.

Table 5 Textile Technology Transfer Tend in Kenya from 2014 to2018 (HS Code 8445, Machines for preparing textile fibres; spinning, doubling or twisting machines and other machinery; Unit: US Dollars and values are in 000)

Exporters	Kenya Average Value of imports in 5 year =000'	Europe Average Trend of Export=000'	% Market Share	USA Average Trend of Export=000'	% Market Share	ASIA Average Trend of Export=000'	% Market Share
World	4253						
India	2446.2	159.1	3.74%	2	0.047%	402.06	9.45%
Italy	78.6						
Taipei, Chinese	58						
Switzerland	91						
China	288.4						
United Kingdom	14.4						
Germany	117						
Austria	292.8						
France	14.4						
Hong Kong, China	1						
Korea, Republic of	1.6						
Malaysia	19						
Pakistan	0.2						
Slovenia	821.8						
Spain	4.2						

Turkey	1.4						
USA	2						

Source: ICE Staff computation based on intracen.org data base information

A work in Progress List of Some Local Companies in the Textile and Apparel Sector Kenya

SN	Company Name	Clty/Location
1	Thika cloth mills	Thika
2	Rivatex. E.A ltd	Eldoret
2	United Aryan EPZ ltd	Nairobi
3	Sunflag textile and Knit wear	Nairobi
4	Brother Knitwear factory Ltd	Nairobi
5	Alliance Garment Industries	Nairobi
6	Kenyamasken Garments Ltd	Nairobi
7	Specialised Towel Manufacturers Limited	Nairobi
8	Spin Knit	Nakuru
9	Spinners & Spinners Ltd	Kiambu
10	Ken Knit (Kenya) Ltd	Eldoret
11	Kenya Association of Manufacturers	Nairobi
12	Exporting Processing zone Authorities	Nairobi
13	Ashton Apparel EPZ	Mombasa
14	Cotton Development Authority	Nairobi
15	Association of Fashion designers	Nairobi
16	Kenya Private Sector Alliance	Nairobi
17	Kenya Revenue Authority -	Nairobi

18	Kiboko Leisure wear Ltd	Nairobi
19	KIKOROMEO (Kiro Ltd)	Nairobi
20	Kimili Africa	Nairobi
21	Kitui Ginneries Ltd	Kitui
22	LOULOU CREATIONS	Nairobi
23	Makueni Ginnery	Makueni
24	MEFA Creations	Nairobi
25	Micro & Small Enterprises Authority/Federation	Nairobi
26	Midco Textiles (EA) Ltd	Nairobi
27	New wide Garments Kenya EPZ Ltd	Athi River
28	Rupa Mills (EPZ)td	Athi River
29	Sandstorm	Nairobi
30	Technology Development Center	Athi River
31	Tosheka Textiles	Makueni
32	TSS spinning & weaving mills	Nairobi
33	Ultra Kenya Ltd	Nairobi
34	Africa of Women Entrepreneur Program	Athi River
35	Alltex EPZ Ltd	Ruiru
36	Alpha Knits Limited	Nairobi
37	Equator Apparels	Nairobi
38	Export Promotion Council	Athi River
39	Fair Trade Africa	
40	Global Apparels	
41		

A work in Progress Lists of Some Institutions related to Textile and Apparel Sector Kenya

SN	Name of Institutions	City/Location
1	Kenyatta University	Nairobi
2	University of Nairobi	Nairobi
3	Dedan Kimathi University of Technology	Nyeri
4	Moi University	Eldoret
5	Technology development centre	Anthiriver
6	Kenya Polytechnic University	Nairobi
7		

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