AGOA agreement to boost Kenyan apparel exports

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The extension of a preferential US trade deal with African nations has come as a boon to Kenya’s apparel exports which are tipped to 5 per cent to $400 million, according to the Kenya Association of Manufacturers (KAM).

East Africa’s biggest economy exported clothing worth $380 million in 2015, when the US extended its African Growth and Opportunity Act agreement by a decade, according to Phyllis Wakiaga, the CEO of KAM.

“The 10 year extension of the AGOA agreement has offered African manufacturers more confidence to make long-term investments, especially in apparel,” Wakiaga said, according to a Bloomberg report.

Brands such as Puma, Wal-Mart, JC Penny, H&M source some of their garments from Kenyan Export Processing Zones, which employ over 66,000 people, according to KAM. The EPZs, which are required to export 80 per cent of their output beyond the regional East African Community bloc, enjoy 10-year tax exemptions.

East Africa could potentially export garments worth as much as $3 billion annually by 2025, according to a 2015 McKinsey report. According to the report, affordable electricity and cheap labour -- with monthly salaries as low as $60 -- make Kenya and Ethiopia attractive to investors.

Kenya’s textile industry declined in the 1980s after market liberalization policies demanded by multilateral lenders exposed the market to secondhand imports. Most new clothing sales are now sourced in China. South African retailers such as Woolworths Holdings, Truworths and Mr. Price Group also have a presence in Kenya, targeting the middle class.

The regional East African Community bloc is working to revamp the domestic garment market by banning secondhand clothes imports at the end of 2018, Wakiaga said. Kenya imported used clothing worth $243 million weighing more than 100,000 metric tons in 2013, according to the UN agency Comtrade.

Kenyan garment exporters ramping up their production could also tap local fashion retailers too, she said.

“Second hand clothes sellers have a chance to take up the sale of new clothes as the supply will be guaranteed from the manufacturers, thus they may avoid loss of jobs,” Wakiaga said.