EXPORT PROCESSING ZONES PROGRAM
ANNUAL PERFORMANCE REPORT, 2023

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1.0 Executive Summary

The performance indicators with respect to the EPZ program in the year 2023 were were characterized by mixed performance.

Capital investment in form of equipment, machinery and other funds invested by the 170 operational enterprises increased by 10.9% to Kshs. 112,155 million in 2023 from Kshs.99,715 million recorded in the previous year. While the cumulative value of investment for enterprises and zones (developers/operators) stood at Kshs 149,522 million in 2023 from Kshs 134,780 million registered in year 2022.

Expenditure on local goods & services rose by 1.5% in the year 2023 to stand at Kshs 49,049 million compared to Kshs 48,306 million in 2022.

Total sales stood at Kshs 11,876 million in 2023 from Kshs 116,340 million in 2022, while value of exports were Kshs 105,526 million from 106,637 million during the same period. The downward trend in output was occasioned by reduction of orders for EPZ apparels to USA market as well as the disruption of global macadamia market.

Direct employment stood at 75,598 persons from 82,771 persons recorded in 2022. This was attributed to the aforementioned issue.

EPZ apparel exports under African Growth & Opportunity Act (AGOA), has averaged over 90% of national apparel exports over the years.

The impact of implementation of SME program that encouraged local businesses to venture into the export market which is the focus of the EPZ program among other measures has facilitated increase in the number of firms with local ownership which stood at 40.6% in 2023 from 37.2% in 2019.

1.1 Introduction

The year 2023 was the first full year for the Kenya Kwanza administration. Since coming to office in September 2022, the Government has implemented bold policy responses to mitigate the negative global and persistent shocks that have pushed the economy to its lowest vibrant level and embarked on structural reforms to stabilize Government finances and the economy. These shocks include global supply chain disruptions due to ongoing conflicts in Eastern Europe and the Middle East; high interest rates limiting access to credit and exacerbating debt servicing costs; significant losses and damages due to frequent extreme weather events; and elevated commodity prices such as petroleum products on account of increased geopolitical fragmentation and global oil supply cuts. Against this background, the Government continues to implement interventions and policies to reduce the cost of living and improving livelihoods, while at the same time fostering a sustainable inclusive economic transformation through the Bottom-Up Economic Transformation Agenda (BETA) This is meant to reverse the economic recession and ignite economic recovery. This Development Agenda recognizes the importance of managing the cost of living through well-functioning markets to enhance increased production and productivity, availability and affordability of goods and services for all citizens.

The interventions target five core priority areas namely: i) Agricultural Transformation and Inclusive Growth; ii) Micro, Small and Medium Enterprise (MSME) Economy; iii) Housing and Settlement; iv) Healthcare; and v) Digital Superhighway and Creative Industry. The Agenda places special focus on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings. To realize this, the Government has targeted 9 value chains with the largest impact on jobs creation and economic recovery as follows: (i) Leather; (ii) Cotton; (iii) Dairy; (iv) Edible Oils; (v) Tea; (vi) Rice; (vii) Blue Economy; (viii) Natural Resources Including Minerals & Forestry); and (ix) Building Materials.

EPZ program is expected to play a critical role in achieving the New Administration priorities especially on employment creation, investment attraction, value addition of local products especially the agro based and foreign exchange earnings.

At the institutional level, the Authority commenced preparation of the Strategic Plan 2024 – 2028 to succeed the Strategic Plan 2019 – 2023 that was lapsing at the end of the year 2023. The Plan successor Plan is meant to provide strategic direction to the implementation of the EPZ Program and the activities of the Authority as it is expected to align with the national priorities of BETA and Medium Term Plan IV (2023 – 2027) of Vison 2030.

This report provides insight to the national and international economic environment borrowing highlights from *Economic Survey 2024*, EPZ performance analysis under various indicators, impact of African Growth Opportunity Act (AGOA), constraints/challenges, set & actual targets for the year 2021 to 2023 including projection/outlook for 2024, and finally the conclusion.

1.2 National and International Scene

According to *Economic Survey 2024*, real Gross Domestic Product (GDP) is expanded by 5.6% in 2023 compared to a revised growth of 4.9% 2021 (Chart 1). The positive growth was notable across most sectors of the economy. The Agriculture,Forestry and Fishing sector grew by 6.5% in 2023, making a recovery from the 1.5% contraction recorded in 2022. This recovery was mostly attributed to favourable weather conditions that prevailed through most of the year. Other key drivers of the growth included Information and Communication (9.3%);

Transport and Storage (6.2%); Financial and Insurance (10.1%); Real Esta (7.3%) and Accommodation and Food Service activities (33.6%) sectors. However, the Mining and Quarrying sector recorded a 6.5% contraction, largely attributable to a decline in production of most minerals such as titanium and soda ash.

In 2023, agriculture remained the dominant sector, accounting for about 21.8% of the overall GDP in 2022 compared to 21.2% in 2022. Industry related activities accounted for abount 16.9%, compared to 17.7% in 2022, while service activities accounted for about 61.3% of the total GDP in 2023 compared to 61.1% in 2022. During the review period, the Centrl Bank Rate (CBR) was raised to 10.50% in June 2023, and 12.50% as at December 2023 compared to 8.75% in December 2022. This was necessitated by the need to address inflationary pressures occasioned by by depreciation of the Kenya Sshilling against major currencies and high global prices during the review period. As a result, overall interest rates increased during the review period. The 91 – Day Treasury bill interest rate increased to 15.70% in December 2023 from 9.33% in December 2022. The inter-bank rate rose to 11.65% in December 2023 from 5.39%. Average commercial banks interest rate for loans and advances increased to 14.63% in December 2023 from 12.67% as at December 2022. Broad money supply (M3) recorded a growth of 19.9% to Kshs 6,044.3 billion, as at end of 2023.

Total bond turnover declined by 13.2% to Kshs 644.0 billion in 2023 from Kshs 741.9 billion in 2022. Total number of shares traded increased by 21.6% to stand at 3,745.2 million shares. However, value of shares traded in 2023 declined by Kshs 6.1 billion to Kshs 88.2 billion.The NSE 20 Share Index further decreased to 1,501 points from 1,676 points in 2022.

World real GDP growth is estimated to have slowed from 3.5% in 2022 to 3.1% in 2023. The decline in growth was attributed to disruptions emanating from the remanant effects of the Covid 19; the Russian-Ukraine conflict and tightened monetary policies in a number of economies. Advanced economies expanded by 1.6% in 2023 compared to 2.6% experienced in 2022 largely due to tighter monetary conditions within the bloc and a lower than anticipated growth rate in the Euro Area. Growth in Economies as well as Emerging Markets and Developing Economies (EMDEs) remained at 4.1% in the period under review. The Sub-Saharan Africa saw a decline in real GDP growth rate to stand at 3.3% in 2023 compared to 4.0% growth in 2022. Three of the region's largest economies Nigeria, South Africa, and Angola recorded slower growth rate. East African Community (EAC) recorded a slower growth rate of 5.0% in 2023 compared to 5.2% growth recorded in 2022 as result of fluctuations in commodity prices and budget challenges.

World inflation eased to 6.8% in 2023 from 8.7% in 2022 partly due to lower energy prices, easing of supply chain disruptions and a tighther monetary policy to reduce aggregate demand for goods and services.

Global unemployment declined to 5.1% in 2023 from 5.3% in 2022 supported by expansion of exployment opportunities particularly in advanced economies.

The SubSaharan Africa (SSA) withnessed a decline in its real GDP growth rate for the second consecutive year in 2023. The region's GDP grew by 3.3% in 2023 compared to 4.0% growth in 2022. The growth of the region was affected by the three largest economies in the region, namely Nigeria,South Africa and Angola, all of which recorded slower growth.

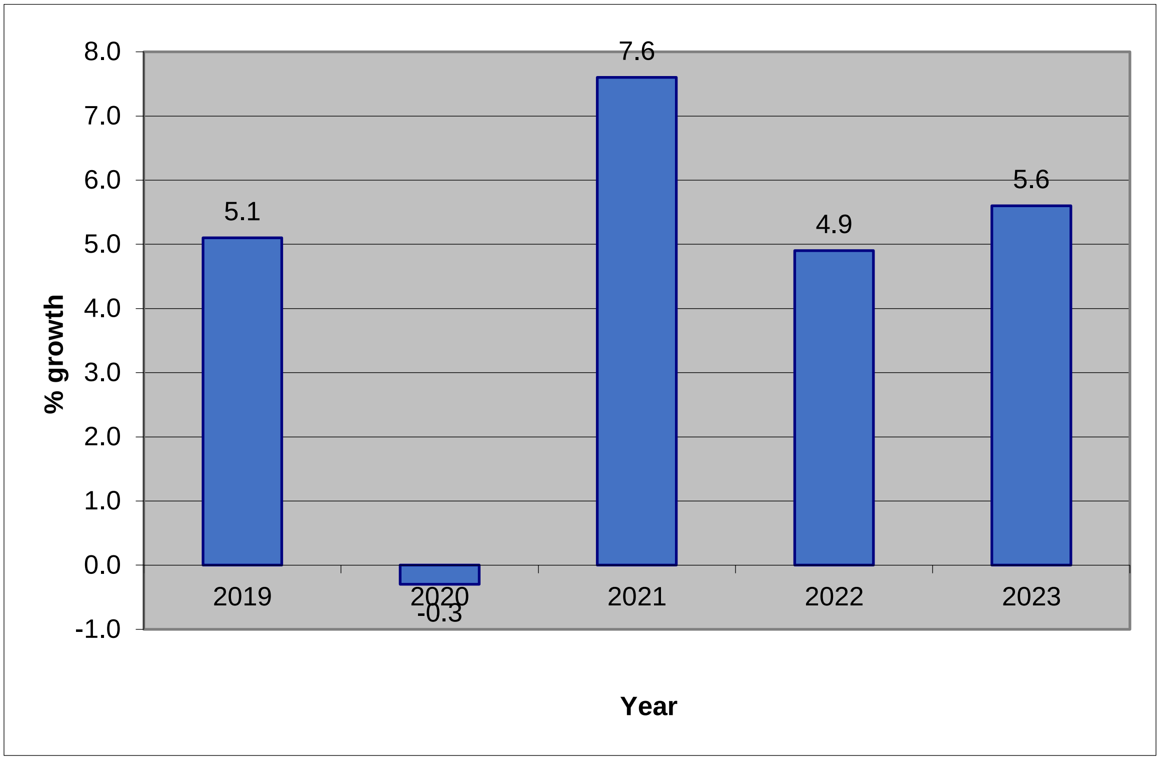
The real GDP of the GDP of the East African Community (EAC-5) bloc grew by 5.0% in 2023, compared to a growth of 5.2% in 2022. This deceleration was partly attributed to a combination of external factors, such as fluctuations in commodity prices and budget challenges. The EAC bloc had a mixed economic performances across its partner states, reflecting the diverse impacts of regional and global economic dynamics on the regional economies.

The Southern African Development Community (SADC) real GDP slowed to 2.5% in 2023, compared to a growth of 3.4% in 2022. Economic growth slowed in most of the countries in the bloc, including South Africa, which is the largest economy in the bloc. The current account deficit as a percentage of GDP widened to 2.5% in 2023 from 0.8% in 2022. This was partly attributed to South Africa trade related challenges, including declining terms of trade, lower exports, higher imports and currency fluctuations.

Real GDP growth of economies under the West African Economic and Monetary Union (WAEMU) slowed to 5.2% in 2023 from 5.6% in 2022.

Economic and Monetary Union of Central Africa (CEMAC) real GDP was 2.7% in 2023 compared to 3.3% registered in year 2022. The decline in hydrocarbon output and prices was primarily responsible for the region's economic slowdown. Additionally, political instability impacted growth in most member countries . inflation rose from 5.4% in 2022 to 5.7% in 2023, mainly attributable to a rise in fuel and food prices.

Chart 1: Real GDP growth rate (%), 2019 to 2023



Source: Economic survey, 2024

1.3 Performance by key sectors of the economy

1.3.1 Agriculture

Economic Survey 2024 reported that the agriculture sector reversed the negative growth trend recorded since 2021 to register an impressive recovery of 7.0% in 2023. This was attributed to favourable weather conditions; expansion in area under crop as a result of farmers anticipating higher prices for their produce; and enhanced government interventions that the fertilizer subsidy programme.

Total quantity of processed tea increased increased by 6.6% to 570.3 thousand tonnes in 2023 from 535.0 thousand tonnes in 2022. During the year under review, total area under tea increased by 0.9% to 227.8 thousand hectares from 225.8 thousand hectares in 2022. Total production of green leaf from all growers recorded an increase of 6.6% from 2,418.2 thousand tonnes in 2022 to 2,577.8 thousand tonnes in 2023. Green leaf production from smallholders' growers increased by 2.1% while production from estates rose by 11.3% from 1,185.1 thousand tonnes in 2022 to 1,318.9 thousand tonnes in 2023.

Total coffee production decreased by 6.2% from 51.9 thousand tonnes to 48.7 thousand tonnes in the crop year 2022/2023. The reduced production compared to the year 2021/2022 is attributed to Coffee Berry Disease (CBD) infestation. Total estimated area under coffee increased by 2.3% to 111.9 thousand hectares in 2022/2023 from 109.4 thousand hectares in 2021/2022.

Total sugar cane production dropped by 36.9%, from 8.8 million tonnes in 2022 to 5.6 million tonnes in 2023. The average yield decreased by 12.6%, from 62.9 tonnes per hectare in 2022 to 55.0 tonnes per hectare in 2023. The area under sugarcane increased by 6.8% to 259.0 thousand hecates. However, the area harvested declined by 31.6% to 80.7 thousand hectares in 2023.

The volume of fresh horticultural exports increased by 9.9%, from 391.5 thousand tonnes in 2022 to 430.2 thousand tonnes in 2023. Earnings from the export of fresh horticultural produce increased by 4.5%, from Kshs 147.1 billion in 2022 to Kshs 153.7 billion in 2023. Earnings from cut flowers increased by 3.2%, to Kshs 107.6 billion in 2023 from Kshs 104.3 billion in 2022. Earnings from fresh vegetables increased by 2.8% from Kshs 23.2 billion in 2022 to Kshs 23.8 billion in 2023, primarily driven by high prices and demand in the international markets. On the other hand, volumes of fresh vegetables increased from 75.4 thousand tonnes to 78.1 thousand tonnes in 2023. Total earnings from fruits increased by 13.2%, to Kshs 22.3 billion in 2023 from Kshs 19.7 billion in 2022.

The production of dry pyrethrum flowers increased by 78.0%, from 943.9 tonnes in 2022 to 1,680.0 tonnes in 2023. The average price per kilogramme of dry pyrethrum flowers also rose by 22.0%, to Kshs 305.0 in 2023. Consequently, earnings from dry pyrethrum flowers increased from Kshs 236.0 million in 2022 to Kshs 512.4 million in 2023.Pyrethrum extract production increased by 36.5% from 22.2 tonnes in 2022 to 30.3 tonnes in 2023. This rise led to earnings from pyrethrum extract increasing fromKshs 598.1 million in 2022 to Kshs 1,136.2 million in 2023.

Maize production increased by 38.8%, from 34.3 million bags in 2022 to 47.6 million bags in 2023.

Wheat production decreased by 16.1% from 368.7 thousand tonnes in 2022 to 309.5 thousand tonnes in 2023. The quantity of imported wheat registered a growth of 21.5% to 2,037.0 thousand tonnes in 2023. This increase in wheat imports is largely attributable to the decreased local wheat production during the period under review.

Paddy production saw a growth of 19.1%, totalling 229,064 tonnes in 2023, primarily due to expanded areas under irrigation. The area cropped in schemes decreased by 12.0% from 44,255 hectares in 2021/2022 to 38,939 hectares in 2022/2023.

The quantity of recorded marketed milk production increased by 6.9% in 806.6 million litres in 2023. Likewise, the quantities of processed milk and cream increased by 17.3% to 555.4 million litres in 2023. Further, the quantitities of processed butter and ghee also recorded an increase of 34.7% from 742.0 tonnes to 999.6 tonnes during the review period.

The number of cattle and calves slaughtered increased by 6.7%, from 1,783.1 thousand head in 2022 to 1,903.3 thousand head in 2023. Similarly, the number of sheep and goats slaughtered increased by 36.1%, from 7,281.0 thousand head to 9,906.2 thousand head in the period under review. The number of pigs slaughtered increased by 42.6% to reach 616.0 thousand head in 2023.

1.3.2 Manufacturing.

In 2023, the manufacturing sector grew by 2.0% compared a growth of 2.6% recorded in 2022. The share of the sector to GDP, was 7.6% in 2023. The volume of output grew by 2.8% in 2023 compared to a growth of 3.7% in the previous year.

The number of persons employed in formal manufacturing sector grew by 2.7% to stand at 362.3 thousand in 2023 compared to 352.6 thousand recorded in 2022. This accounted for 11.5% of the total employment engaged in the formal sector in 2023 compared to 11.7% in the year 2022.

Leather and Leather products subsector posted a growth of 21.7% in 2023, compared to a 2.4% growth in 2022. This was mainly attributed to a 27.5% increase in production of footwear with uppers of leather. In addition, the production of finished leather expanded by 19.4%, during the review period.

Textile production expanded by 6.4% in 2023 recovering from a contraction of 3.3% in 2022. This was mainly on account of 34.4% increase in production of woven fabrics in the year under review.

The subsectors of Wood and Products of Wood; and Paper and Paper Products recorded a 3.3% and 4.3% decrease in production.

The Beverages and Tobacco subsector expanded by 4.1% in 2023. Production volumes of Tobacco Products expanded by 15.0% in 2023 while production of soft drinks (sodas) increased from 579.5 million litres in 2022 to 580.5 million litres in 2023.

Production of Chemical and Chemical Products recorded decelerated growth of 2.9% in the review period compared to 3.8% recorded in 2022.

Production quantities of Pharmaceutical Products declined marginally by 0.1% compared to an increase of 1.6% in 2022.

Basic metals production rose by 10.1% in 2023 compared to a growth of 14.4% in the previous year. Additionally, production of Structural Metal Products; and Fabricated Metal Products, except machinery and equipment subsector, increased by 13.0% and 15.3%, respectively, during the same period.

In the year under review, production of electrical equipment increased by 2.5%. This expansion was primarily driven by a 2.5% rise in the production of insulated wire and cable as well as coaxial cables; and other coaxial electric conductors.

Manufacture of machinery and equipment not elsewhere classified increased by 5.9% in the period under review compared to a growth of 11.5% in 2022.

Production of Motor Vehicles, Trailers and Semi Trailers subsector decreased by 2.7% in 2023. The decline was mainly occasioned by 27.0% and 13.7% decline in the production of bodies for motor vehicles; and trailers and semi trailers respectively in 2023. Repair and installation of Machinery and Equipment grew by 3.5% in 2023.

Manufacture of Furniture increased by 5.5% in the year 2023.

Cement production decreased from 9,791.4 thousand tonnes in in 2022 to 9,616.0 thousand tonnes in 2023. Similary, cement consumption declined from 9,494.2 thousand tonnes in 2022 to 9,201.8 thousand tonnes in 2023. Exports to Uganda and Tanzania increased t0 190.8 thousand tonnes in 2023 compared to 58.7 thousand tonnes in 2022. There was an increase in cement imports to 34.2 thousand tonnes in 2023 from 29.8 thousand tonnes in 2022.

Manufactured food products registered a growth of 0.7% in 2023 compared to a growth of 1.7% in 2022. The growth was primarily driven by increased production of Dairy Products; Prepared and Preserved Fruits and Vegetables; Animal and Vegetable Fats and Oils; and Bakery Products.

Production of Bakery Products recorded a growth of 8.8% in 2023 which was a recovery from a 0.9% contraction in 2022. However, production in sugar subsector decreased by 40.7% in 2023, a shift from a 13.8% growth in 2022. Additionally, production of Cocoa, Chocolate, and Sugar Confectionery contracted by 0.5% in 2023.

The Production of Meat and Meat Products; and Processing and Preserving of Fish, registered growth rates of 10.1% and 2.8% respectively in 2023. Similarly, Animal and Vegetable Fats and Oils; and Prepared and Preserved Fruits and Vegetables recorded increased production of 7.1% and 11.6% respectively in 2023.

Total approved credit to the manufacturing sector by both commercial banks and industrial financial institutions rose to Kshs 639.0 billion in 2023 from Kshs 528.9 billion in 2022.

1.3.3 Other sectors

Total installed capacity of electricity decreased from 3,321.3 MW in 2022 to 3,243.6 MW in 2023. Geothermal electricity installed capacity recorded a 1.1% decrease to 940.0 MW in 2023, while solar capacity remained unchanged at 212.5 MW. Hydro-electric power capacity increased slightly by 0.4MW to 839.3MW in 2023, whereas the installed capacity of thermal oil electricity decreased by 10.0% from 681.8 MW in 2022 to 613.8 MW in 2023.

Total electricity generation increased by 3.4% to 13,423.6 Gwh in 2023. Wind generation decreased by 134.9 Gwh to 2,008.1 Gwh in 2023. The amount of geothermal electricity generated increased by 9.3% to 6,032.1 Gwh in 2023. However, hydroelectric power generation declined by 12.3% to 2,666.7 Gwh in 2023. Solar generation rose from 383.7 Gwh in 2022 to 491.5 Gwh in 2023.

Total electricity demand increased from 12,985.4 Gwh in 2022 to 13,423.6 Gwh in 2023. Domestic demand for electricity increased by 3.1% to 10,320.6 Gwh in 2023. Imports of electricity increased from 316.0 Gwh in 2022 to 919.3 Gwh in 2023. Transmission and distributive losses amounted to 3,069.2 Gwh, accounting for 22.9% of total demand in 2023.

The quantity of petroleum products imported decreased by 27.6% to 4.3 million tonnes in 2023 while exports decreased from 504.2 thousand tonnes in 2022 to 310.2 thousand tonnes in 2023. Total import bill of petroleum products dropped to Kshs 626.4 billion in 2023 from Kshs 628.4 billion in 2022. This was attributed to shrinking of domestic demand due to increased prices. Total domestic demand for petroleum products remained relatively at the same level as 2022 at 5.1 million tonnes in 2023. Domestic demand for illuminating kerosene and motor gasoline dropped by 38.2% and 7.3% respectively, to stand at 55.0 thousand tonnes and 1,446.6 thousand tonnes in 2023. Similarly, demand for light diesel declined from 2,219.7 thousand tonnes in 2022 to 2,186.9 thousand tonnes in 2023. On the other hand, demand for Liquified Petroleum Gas (LPG) rose by 9.4% to 365.2 thousand tonnes in 2023.

The average annual price of the OPEC reference basket crude oil demand from a mean of US Dollar 99.90 per barrel in 2022 to a mean of US Dollar 82.89 per barrel in 2023. This was occasioned by increase in supply of oil products from the USA and Russia. The highest price of the OPEC reference basket crude oil at US Dollar 94.6 per barrel was recorded in September 2023, while the lowest price at US Dollar 75.19 per barrel was recorded in June 2023.

The volume of white petroleum products transported through pipeline increased by 7.9% from 7,548.9 thousand cubic metres in 2022 to 8,147.6 thousand cubic metres in 2023. White petroleum products throughput for domestic consumption dropped by 1.4% from 4,674.4 thousand cubic metres in 2022 to 4,608.5 thousand cubic metres in 2023.

The volume of cargo transported through Metre Gauge Railway (MGR) increased by 27.2% from787 thousand tonnes in 2022 to 1,001 thousand tonnes in 2023. The increase was partly occasioned by the operationalization of the Standard Gauge Railway (SGR) Longonot link, which enabled the movement of cargo from Inland Container Depot (ICD) Naivasha to Malaba border. As a result, revenue generated from freight haulage rose by 65.1% from Kshs 1,207 million in 2022 to Kshs 1,993 million in 2023. The number of passengers via MGR increased from 3,430 thousand in 2022 to 3,454 thousand in 2023 with the majority utilizing the Nairobi Commuter Railway (NCR) services. Revenue generated from MGR passenger stream rose by 9.7% fromKshs 185 million in 2022 to Kshs 203 million in 2023.

The volume of cargo transported through SGR rose by 7.3% from 6,090 thousand tonnes in 2022 to 6,533 thousand tonnes in 2023, resulting to a corresponding revenue increase from Kshs 12.6 billion in 2022 to Kshs 14.7billion in 2023. The number of passengers transported via SGR rose by 14.1% from 2,392 thousand in 2022 to 2,729 thousand in 2023. The revenue from passenger movement through SGR rose by 11.7% from Kshs 2.6 billion in 2022 to Kshs 2.9 billion in 2023.

There was a 6.2% rise in cargo throughput handled by Mombasa Port from 33,880 thousand metric tonnes in 2022 to 35,978 thousand metric tonnes in 2023. Container traffic for the Twenty-foot Equivalent Units (TEUs) increased by 11.9% from 1,499.9 thousand in 2022 to 1,623.1 thousand in 2023. The increase was partly due to a 17.6% rise in the number of ships handled from 1,561 in 2022 to 1,835 in 2023. The volume of export traffic rose by 3.8% from 4,771 thousand metric tonnes in 2022 to 4,950 thousand metric tonnes in 2023. On other hand, import traffic rose by 6.5% from 26,713 thousand metric tonnes in 2022 to 28,445 thousand metric tonnes in 2023. Transit throughput increased by 21.7% from 977 thousand metric tonnes in 2022 to 1,189 thousand metric tonnes in 2023. The increase in transit was partly due to the improved performance realized from South Sudan and DRC, which increased by 50.0% and 56.1% in 2023 respectively, compared to the same period in 2022. The volume of transshipment handled rose by 6.3% from 2,304 thousand metric tonnes in 2022 to 2,448 thousand metric tonnes in 2023.

The number of TEUs handled by Container Freight Stations (CFSs) increased by 55.6% from 118,053 in 2022 to 183,667 in 2023. This was partly due to the increased volume of trade at the Mombasa Port.

The number of passengers handled at the airports increased by 19.2% from 10,238.6 thousand in 2022 to 12,205.8 thousand in 2023. During the review period, international passengers handled grew by 34.7% from 4,931.6 thousand in 2022 to 6,644.4 thousand in 2023. The increase in international passenger arrivals was attrinutable to a heightened demand for air travel, bolstered by major events hosted by Kenya, such as the Africa Climate Summit in September 2023. Similarly, domestic traffic handled grew by 5.0% to 5,324.1 thousand in 2023. The volume of cargo handled by airports rose from 375.3 thousand tonnes in 2022 to 379.5 thousand tonnes in 2023.

Hotel bed nights occupancy increased by 23.2% from 7,009.0 thousand in 2022 to 8632.8 thousand in 2023. Residents of Kenya accounted for more than half of the total bed-nights occupancy in 2023, highlighting the significance of domestic tourism. The number of international conferences held expanded by 9.0% to 977 in 2023 from 896 in 2022.

Construction sector registered a growth of 3.0% in 2023 compared to a growth of 4.1% in 2022. The growth was driven by the Government expenditure on Affordable Housing Program (AHP) across the country, maintenance of roads by the Kenya Roads Board as well as loans advanced by commercial banks to the construction sector. The number of dwelling units completed by the State Department for Housing almost doubled to 3,357 housing units in 2023. The value of building plans approved by the Nairobi City County increased from Kshs 162.5 billion in 2022 to Kshs 220.0 billion in 2023. The length of national paved roads increased by 2.0% to 19.5 thousand Kilometres while that of the Counties increased by 6% to 3.5 thousand kilometres in 2023.

The value of ICT output increased by 5.8% to Kshs 640.2 billion in 2023. Mobile subscriptions increased from 65.7 million in 2022 to 66.7 million in 2023. Despite this growth, the rate of mobile subscriptions per 100 inhabitants marginally declined, from 129.86 in 2022 to 129.54 in 2023. On the other hand, mobile money subscriptions recorded a first ever decrease, dropping by 2.58% points to 73.76 per 100 inhabitants in 2023. This downturn is partly attributable to a market saturation point in mobile money market, indicating that the rapid expansion phase of mobile financial services may be stabilizing as the market matures. Mobile commerce transactions grew by 2.2% to Kshs 20.7 trillion in 2023. Available bandwidth capacity increased to 17.3 million Mbps; Total fixed and wireless internet and broad band subscriptions, increased by 7.3% and 14.9% to 52.3 million and 37.8 million, respectively.

Total merchandise trade amounted to Kshs 3,619.9 billion, marking 7.6% growth from the previous year. The growth was partly driven by high international prices of principal commodities, especially petroleum products, coupled with the depreciation of the Kenyan Shilling against currencies of key trading partners. Export earnings grew by 15.4% to Kshs 1,007.9 billion in 2023. The net effect was narrowing of the trade balance from a deficit of Kshs 1,617.6 billion in 2022 to a deficit of Kshs 1,604.1 billion in 2023. Kenya's balance of payment position improved with the overall deficit shrinking to Kshs 134.8 billion in 2023 from Kshs 251.5 billion in 2022. This improvement was primarily driven by a reduction in the current account deficit from Kshs 694.2 billion in 2022 to Kshs 603.7 billion in 2023.

1.4 Outlook

According to *Economic Survey 2024*, the outlook for the global economy in the year 2024 is expected to grow at similar pace as 2023, but slower than the historical (2000-2019) annual average of 3.8%. This is on account of restrictive monetary policies, withdrawal of fiscal support, low underlying productivity growth, as well as escalating geopolitical fragmentations that result in higher commodity prices despite projected decline in global headline and core inflation.

On domestic front, Kenya's economy is projected to remain resilientin 2024 mainly supported by a robust services sector, strong performance of agriculture aided by anticipated adequate rainfall and a decline in global commodity prices that is expected to reduce the cost of production. In addition, the distribution of the subsidized fertilizer and seed subsidy program is expected to support the agriculture sector's growth.

Further, the ongoing implementation of measures by the Government in priority sectors under the BETA Plan is expected to boost economic activity, accelerate growth as well as support recovery. On demand side, the easing of inflationary pressures is likely to lead to strong household disposable income, which will in turn support household private consumption and robust private sector investments coupled with Government investments. This nothwithstanding, the outlook for the domestic economy may be hampered by risks related to unpredictable weather conditions occasioned by climate change which could adversely affect agricultural production and result in domestic inflationary pressures. The tight fiscal stance being pursued by Government may also lead to tight liquidity affecting aggregate demand. Externally, escalation of geopolitical tensions could result in higher commodity prices which would pose a risk to domestic inflation outcomes.

2.0 EPZ Performance for the year 2023

2.1 Overview of the program

In 2023, the EPZ program exhibited mixed performance compared to the year 2022.

Number of gazette zones increased to 102 during the year 2023 from 89 in 2022. Direct employment expanded stood at 75,598 persons from 82,771 persons recorded in 2022.The drop was attributed scaling down of employment by the EPZ apparel firms as a result of reduced orders inn export market.

Total sales stood at Kshs 111,876 million in 2022 from Kshs 116,340 million in 2022, while value of exports were Kshs 105,526 million from 106,637 million during the same period. The sales were driven by apparels, agro processed products like tea , edible oil and pharmaceutical & medical supplies.

Imports decreased from Kshs 63,663 million in year 2022 to Kshs 58,333 million recorded in year 2023. This was attributed to slow pace of international trade experienced by EPZ firms during the year under review. The drivers of imports were among others fabric for apparel firms; ingredients used in food processing and machinery for existing and expanding firms.

Domestic sales decreased from Kshs 5,141 million in 2022 to Kshs 1,791 million in 2023. This was mainly attributed to the fact that one of the firm which used to sale to domestic market was in the process of closing up operations.These products were mainly security documents; pharmaceutical & medical products; apparels and relief supplies/food among others.

Cumulative value of investments for enterprises and zones rose by 10.9% in year 2023 to stand at Kshs 134,780 million from Kshs 134,780 million in 2022. The value of local purchases increased by 9.1% to stand at Kshs 16,342 million as firms continued to getting available materials locally.

Expenditure on local goods and services increased by 1.5% in 2023 to stand at Kshs. 49,049 million from Kshs. 48,306 million recorded in the year 2022. These resources go to the payment of local workers' salaries, local supply of inputs/consumables; electricity, telecommunication, water, rent and transportation among others, which at the end of the day stimulate demand and growth of the domestic economy. For instance, salaries/wages paid to local workers numbering 75,598 persons employed by EPZ firms was Kshs 17,044 million in year 2023 compared to Kshs 18,239 million in 2022. Overall, of the total domestic expenditure, an average of Kshs 4,087 million was being injected into the economy by EPZ firms monthly in the year 2023 compared to Kshs. 4,026 million in the previous year. These expenditures explain growth in areas surrounding EPZ zones in their respective geographic locations, especially those around Athi River zone, of Athi River and Kitengela. This is similar in the case of Changamwe in Mombasa and Mtwapa areas among others where there is concentration of EPZ zones.

Summary of the performance indicators is outlined on table 1.

Table 1: Performance of EPZ Key Indicators: 2019 - 2023

Indicator	2019	2020	2021	2022	2023	Growth % (2022 v/s 2023)
Gazetted zones (no.)	74	76	82	89	102	14.6
Projects approved (no)	60	51	38	33	58	75.8
Enterprises Operating (no.)	137	138	145	157	170	8.3
Employment – (Kenyans) [a]	60,390	56,293	66,053	82,771	75,598	-8.7
Employment - (Expatriates) [b]	665	647	801	981	785	-20.0
Total Employment (No)=a+b	***61,055***	***56,940***	***66,854***	***83,752***	***76,383***	***-8.8***
Total sales (Kshs. million)**	77,189	81,207	98,867	116,340	111,876	-3.8
Exports (Kshs. million)	68,572	74,360	90,249	106,637	105,526	-1.0
Domestic Sales (Kshs. million)	4,417	4,124	4,746	5,141	1,791	-65.2
Imports (Kshs. million)	39,840	37,504	48,317	63,663	58,333	-8.4
Investment Kshs. Million***	107,877	116,974	124,490	134,780	149,522[1]	10.9
Expenditure on local Purchases (Kshs million)[1]	9,761	12,346	14,678	14,982	16,342	9.1
Expenditure on local Salaries (Kshs million)[2]	12,891	11,143	14,149	18,239	17,044	-6.6
Expenditure on power (Kshs million)3	991	926	1,113	1,390	1,504	8.2
Expenditure on Telecommunication (Kshs million)4	78	86	244	282	207	-26.6
Expenditure on water (Kshs million)5	224	147	172	219	202	-7.8
Other domestic expenditure (Kshs million)[6]	7,913	8,604	9,762	13,194	13,750	4.2
Total Domestic Expenditure (Kshs million) = 1+2+3+4+5+6*	***31,858***	***33,252***	***40,118***	***48,306***	***49,049***	***1.5***

** Foreign exchange equivalent injected into the economy*
*** Inclusive of exports, domestic sales and sales to EPZ/MUB & Duty Free Agencies*
*** Value of investment by EPZ enterprises in the form of equipment, plant, machinery & other funds

2.2 Project Approvals

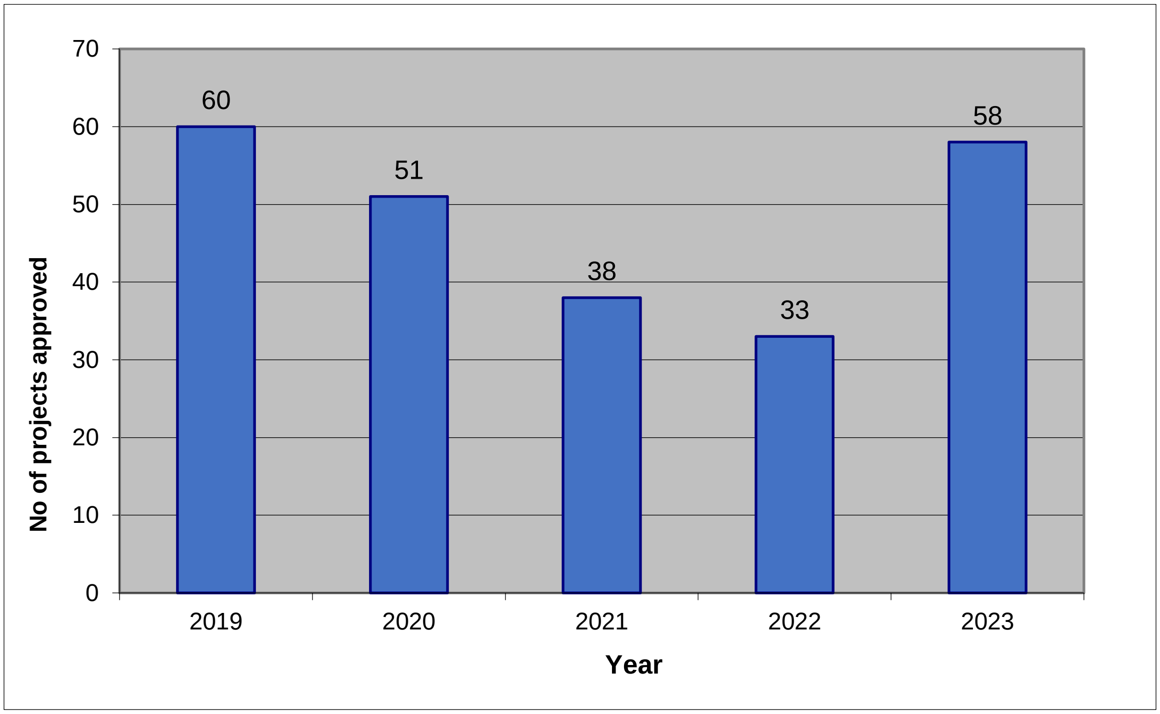
There were 33 approvals with a potential investment of Kshs.39.8 billion, 32,290 jobs and year one sales valued at Kshs 35.5 billion in the year 2023 compared with 33 approvals with a potential investment of Kshs 13.3 billion 10,668 jobs and year one sales valued at Kshs 4.0 billion in the previous year (Table 2 and chart 2).

[1] Value of enterprises' investment **= Kshs 112,155 million** while zones' (developers/operators) investment = **Kshs 37,367 million.** During year 2022, enterprises' investment = **Kshs 99,715 million** while zone investment = **Kshs 36,997 million**

Table 2: Projects Approved, Expected jobs, Investment & Sales from 2019 - 2023

Year	Number of projects approved	Jobs (number)	Investment (Kshs. million)	Year One Sales (Kshs. million)
2019	60	10,105	27,162	18,239
2020	51	9,118	8,563	7,024
2021	38	6,040	8,654	9,614
2022	33	10,668	13,293	4,000
2023	58	32,290	39,779	35,466

Chart 2: Trend of number of projects approved from 2019 – 2023



2.3 Status on gazetted zones

The number of gazetted zones as at end of December 2023 stood at 102 compared to 89 at the end 2022. Out of which 92 are privately owned and operated while 10 are public zones (Athi River & Kinanie in Machakos; Kipevu in Mombasa, Samburu in Kwale, Homabay, Kitui, Busia, Uasin Gishu, Muranga and Kirinyaga.

Seven zones are located in the County of Nairobi, 27 in Mombasa, 16 in Kilifi, 8 in Kwale 7 in Machakos & Kiambu, 4 in Nakuru,3 each in Muranga, Bomet and Embu 2 in Kisumu, Kirinyaga, Nandi, Uasin Gishu, and Meru, one each in Kajiado, Elgeyo Marakwet, Laikipia, Narok, Kitui, Busia and Homa bay.

Table 3 details the geographical distribution of gazetted zones.

Table 3: Geographical Distribution of Zones per County, year 2023 v/s 2022

County	Former Province	Number of Zones 2022	Number of zones 2023
Bomet	Rift Valley	3	3
Busia	Western	0	1
Elgeyo Marakwet	Rift Valley	1	1
Embu	Eastern	2	3
Homabay	Nyanza	1	1
Kajiado	Rift Valley	1	1
Kiambu	Central	5	7
Kilifi	Coast	14	16
Kirinyaga	Central	1	2
Kisumu	Nyanza	1	2
Kitui	Eastern	1	1
Kwale	Coast	7	8
Laikipia	Rift Valley	1	1
Machakos	Eastern	6	7
Meru	Eastern	2	2
Mombasa	Coast	27	27
Muranga	Central	1	3
Nairobi	Nairobi	7	7
Nakuru	Rift Valley	3	4
Nandi	Rift Valley	2	2
Narok	Rift Valley	1	1
Uasin Gishu	Rift Valley	1	2
22		**89**	**102**

Efforts are being made through various promotional activities to ensure presence of EPZ zones in all counties in the country
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2.4 Performance of some selected gazetted zones

2.4.1 Athi River Zone

This zone was developed by use of public funds at the cost of US $ 30 million (Kshs. 4,197 million) to put up the infrastructure and initial industrial buildings and associated infrastructure.

Investment used to develop phases I & II of Export Business Accelerator (Incubator) is Kshs.252 million while additional infrastructural projects are estimated at Kshs. 6,445 million bringing cumulative zone investment to Kshs 10,234 million. The zone is managed by the Authority on behalf of the Government/public.

The zone has two categories of industrial buildings, one put up by the public and the other by licensed private zone developers. The public put up initial industrial buildings of an area of 160,000 square feet. Thereafter, SME/Export Business Accelerator (EBA) phases I & II were put up with a total built up space of 79,000 square feet. SME unit III with a space of 64,500 square feet has been completed together with an additional industrial space of 372,600 square feet. This brings to a cumulative industrial space constructed using public resources to 676,100 square feet.

The private zone developers which include (Trans fleet EPZ Ltd, Capital Industrial Park EPZ Ltd, Cranfield EPZ Ltd, Property Vision EPZ Ltd, Growth Point Warehousing EPZ Ltd, Nexus Holdings EPZ Ltd, Ceytun EPZ Ltd,Tracejack Industries EPZ Ltd, Alltex EPZ Ltd and Newland EPZ Co. Ltd among others) have constructed industrial buildings to gather for increased demand from EPZ firms, considering that the investors prefer ready buildings.

Transfleet EPZ Ltd has constructed industrial units with total built up area of about 800,000 square feet. All the godowns have been leased to among others; New Wide Apparel K. EPZ Ltd, Global Apparels K. EPZ Ltd, Royal Garments Industries EPZ Ltd and Top New Knitwear Manufacturing EPZ Ltd, hence registering 100% occupancy.

Capital Industrial Park EPZ Ltd put up a total area of 220,000 square feet; that hosts three firms namely; Fair oils EPZ Ltd, Ethical Fashions Artisan EPZ Ltd and Dala Textiles Kenya EPZ Ltd.

Property Vision EPZ Ltd has constructed seven units totaling 43,000 square feet; Growth Point Warehousing EPZ Ltd has developed industrial units with cumulative area of 105,000 square feet while Cranfield EPZ Ltd (took over from Rupa Cotton Mills EPZ Ltd) has an estimated 150,300 square feet to cater for investors' needs in which it is 100% occupied. Other developer include Nexus Holdings Holdings

EPZ Ltd with 63,400 square feet to cater for increased industrial demand for space within the zone.

Industrial space constructed by the private developers is estimated at 1.2million square feet, bringing cumulative industrial space within Athi River zone to about 2 million square feet.

The zone had 94 operating enterprises in the year 2023 compared to 89 in the previous year. The number of firms within the zone include those operating under Business Service Permit (BSP).

Some of the new enterprises included Bestlifestyle Kenya EPZ Ltd, , Royal Neat Packaging Global EPZ Ltd, Modular Real Estate EPZ Ltd and Chinese Medicine Raw Material EPZ Ltd. However, some of the enterprises within the zone remained dormant due to various constraints. These included; Njuwa Tannery EPZ Ltd, Equatorial Processing Co.EPZ Ltd, Meru Green Horticulture EPZ Ltd, Elegant Apparels EPZ Ltd, West Port Nguo Yetu EPZ Ltd and Ceytun EPZ Ltd among others.

The firms located in the zone are involved in production of a range of activities from garments, pharmaceuticals, darts board, service, agro processing, food processing and electrical goods among other activities.

Athi River zone is experiencing increased activity in the form of development of industrial sheds and associated infrastructure. There are also offsite auxiliary services and infrastructure within the larger Athi River zone.

2.4.2 Balaji EPZ Ltd

The zone was gazetted in June 2001 and hosts two apparel manufacturing firms. It has a built up industrial and office space of 735,000 square feet which was fully occupied.

2.4.3 Sameer Industrial Park EPZ Ltd

This is the first private EPZ to be gazetted in November 1990. The zone has a cumulative built up area of 122,423 square feet of which it registered 100% occupancy. It housed eight enterprises that dealt with activities which included agro processing, relief supplies and macadamia among others.

2.4.4 Vipingo Business Park EPZ Ltd

This is a private zone located in Mtwapa, Kilifi County, gazetted in February 2015. It is being occupied by Mega Couture Clothing EPZ Ltd (garments). The zone has a total built up area of 83,696 square feet of which all is fully occupied by a garment manufacturing firm.

2.4.5 Mara Tea Factory EPZ Ltd

This zone was gazetted in October 2017 with industrial & office built up space of 279,655 square feet; fully occupied. The zone is located in Transmara area in Narok County. It hosts Mara Tea Factory EPZ Ltd, a tea processing firm.

2.4.6 Osiqsa EPZ Ltd (Mtwapa)

The zone was gazetted in March 2003. It is one of the largest private zones with a built up area of 417,500 square feet, which was fully occupied by two garment firms namely; Brilliant Garments EPZ Ltd, Amor Coco Kenya and Mombasa Apparel EPZ Ltd (unit 3).

2.4.7 summary of gazetted zones

Summary of the performance of operational zones with respect to occupancy, investment, exports and local resource use are tabulated in table 4.
There was an estimated built up area of 9.0 million square feet within the zones.

2.5 Other zones

The other zones are categorized as, newly gazetted and those zones hosting a branch of an enterprise.

2.5.1 Zones gazetted in the course of the year.

Eight zones were gazetted in the year 2022; namely Dada EPZ Ltd (Kisumu County); Mombasa Road EPZ Ltd (Nairobi County); Bani Wahiba EPZ Ltd,0.40 hectares (Kilifi County); SpiceKen EPZ Ltd (Kiambu County); Abyssinia Iron & Steel EPZ Ltd (Kilifi County); Avopro EPZ Ltd (Kirinyaga County); Novateas EPZ Ltd (Mombasa County) and Bani Wahiba EPZ Ltd , 1.3464 hectares (Kilifi County).

2.5.2 Zones hosting a branch of an enterprise.

These include Laburnum Investment EPZ Ltd, Miritini, (formerly Birch Investment EPZ Ltd) Ltd, host branch of Simba Apparel EPZ Ltd while Kingorani EPZ Ltd has branch of Twaweza Kenya Apparel EPZ Ltd). Similarly, Osiqsa EPZ Ltd Mtwapa (Mombasa Apparel EPZ Ltd, Unit 3), Milstar Investments EPZ Ltd (Mega Apparel Industries Kenya EPZ Ltd) and Mtwapa EPZ Ltd (hosts branch of Mega Coulture EPZ Ltd) respectively.

2.6 Zones contribution to EPZ objectives

The performance of the gazetted zones outlined under table 4 on average was satisfactory taking into account the operating environment in the year 2023.

The contribution of each operational zone to the EPZ program in the year 2023 is outlined on table 4.

Table 4: Proportion of Zone Contribution, year 2023 in (%)

	Zone	No.of firms	No. of jobs	Exports (Kshs)	Expenditure on local goods & services (Kshs)	Firms' investment (Kshs)	zone investment (Kshs)	average
1	Abyssinia Iron and Steel EPZ Ltd (73,000 sq .ft)	0.59%	0.08%	0.87%	0.87%	2.42%	0.37%	**0.87%**
2	Abyssinia Iron and Steel EPZ Ltd (127,000 sq .ft)	**0.00%**	**0.00%**	**0.00%**	0.00%	**0.00%**	**0.27%**	**0.04%**
3	Africa Apparels EPZ Ltd	0.59%	0.66%	0.12%	0.45%	1.36%	1.82%	0.83%
4	Afro Asian Tea EPZ Ltd	0.60%	0.50%	1.78%	0.59%	0.02%	0.60%	0.68%
5	Alpha Logistics Services EPZ Ltd (Block 164)	0.59%	0.59%	2.12%	1.65%	1.98%	0.21%	1.19%
6	Alpha Logistics Services EPZ Ltd (Block 150)	0.00%	0.00%	0.00%	0.00%	0.00%	0.17%	0.03%
7	Ammar EPZ Ltd (formerly Emirates Changamwe)	0.00%	0.00%	0.00%	0.00%	0.00%	0.80%	0.13%
8	Ammar EPZ Ltd (formerly Emirates Jomvu)	0.59%	7.10%	1.74%	3.48%	1.27%	1.39%	2.60%
9	Ashton Apparels EPZ Ltd(Coast Industrial Park)	0.00%	0.00%	0.00%	0.00%	0.00%	0.45%	0.08%
10	Athi River EPZ Ltd*	55.29%	34.04%	46.59%	35.30%	49.13%	29.84%	41.70%
11	Avocado & More Organics EPZ Ltd	0.59%	0.04%	0.16%	0.16%	0.22%	0.09%	0.21%
12	Avo Health EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.03%
13	Avopro EPZ Ltd	0.59%	0.22%	0.09%	0.09%	0.25%	0.24%	0.25%
14	Ayman Industrial Park EPZ Ltd	0.59%	2.78%	1.20%	0.93%	0.92%	0.32%	1.12%
15	Balaji EPZ Ltd (formerly Indigo)	1.76%	14.81%	7.72%	6.60%	11.23%	17.08%	9.87%
16	Bani Wahiba EPZ Ltd (0.40 ha)	0.59%	1.72%	0.21%	0.21%	0.47%	0.07%	0.55%
17	Bani Wahiba EPZ Ltd (1.3464 ha)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
18	Bedi Investments EPZ Ltd	0.59%	0.63%	0.11%	0.14%	0.13%	0.28%	0.31%
19	Biocorn Products EPZ Ltd	0.59%	0.21%	0.03%	0.19%	3.68%	1.96%	1.11%
20	Chebango EPZ Tea Co. Ltd	0.59%	0.26%	0.46%	0.96%	0.49%	0.81%	0.59%
21	Dada EPZ Ltd	0.59%	0.04%	0.00%	0.00%	0.04%	0.04%	0.12%
22	De La Rue Currency and Security print EPZ Ltd	0.59%	0.19%	0.04%	1.33%	0.77%	4.35%	1.21%
23	Flamboyant Development EPZ Co. Ltd	0.59%	0.54%	0.00%	0.17%	0.65%	0.80%	0.46%
24	Freshpick EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	1.32%	0.22%
25	Fresh Products EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.27%	0.04%
26	Forest Gate EPZ Ltd	1.18%	0.49%	0.99%	1.80%	0.80%	0.36%	0.94%
27	German Kilifi EPZ Ltd	0.59%	0.08%	0.04%	0.06%	0.04%	0.33%	0.19%
28	Gold Crown Foods EPZ Ltd	0.59%	0.91%	5.32%	6.56%	2.73%	0.40%	2.75%
29	Goodison 218 EPZ Ltd	0.59%	1.12%	0.82%	1.62%	0.38%	1.05%	0.93%
30	Halai Brothers EPZ Ltd	0.59%	3.58%	0.90%	2.39%	0.61%	0.08%	1.36%
31	Hopetoun EPZ Ltd	1.18%	1.85%	0.30%	0.56%	0.47%	0.40%	0.79%
32	House of Smart Perfumes EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	0.01%
33	Huawen Food Kenya EPZ Ltd	0.59%	0.23%	0.02%	0.11%	0.39%	0.77%	0.35%
34	Keben Business Park EPZ Ltd	0.59%	0.25%	0.22%	0.60%	0.89%	0.06%	0.43%

	Zone	No.of firms	No. of jobs	Exports (Kshs)	Expenditure on local goods & services (Kshs)	Firms' investment (Kshs)	zone investment (Kshs)	average
35	Kenya Supply Platform EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.12%	0.02%
36	Kenya Tropical Sealife EPZ Ltd	0.59%	0.05%	0.30%	0.30%	0.34%	0.09%	0.28%
37	Kinanie EPZ Ltd	1.18%	0.67%	0.00%	0.33%	2.57%	0.80%	0.93%
38	Kingorani Investments EPZ Ltd*	1.18%	0.16%	1.83%	3.82%	2.35%	0.40%	1.62%
39	Kipevu EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	1.69%	0.28%
40	Kitui County EPZ Ltd	0.59%	0.40%	0.00%	0.20%	0.18%	0.13%	0.25%
41	Kwa Jomvu EPZ Ltd	1.18%	0.22%	5.94%	1.54%	1.14%	0.14%	1.69%
42	Laburnum Investments EPZ Ltd - Changamwe (formerly Kapric)	1.18%	4.15%	5.81%	1.24%	0.63%	1.07%	2.34%
43	Laburnum Investments EPZ Ltd - Miritini (formerly Birch)	0.00%	0.00%	0.00%	0.00%	0.00%	0.87%	0.15%
44	Limbua EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.32%	0.05%
45	Majorel Kenya Soultions EPZ Ltd	0.59%	0.34%	0.34%	0.34%	0.20%	0.33%	0.36%
46	Mara Tea Factory EPZ Ltd	0.59%	0.51%	0.67%	1.56%	1.77%	0.55%	0.94%
47	Master Macadamia EPZ Ltd	0.59%	0.09%	0.19%	0.19%	0.54%	0.15%	0.29%
48	Mazeras Kenya EPZ Ltd	0.59%	1.87%	1.20%	0.54%	0.24%	0.94%	0.90%
49	Milstar Investments EPZ Ltd*	0.00%	0.00%	0.00%	0.00%	0.00%	0.40%	0.07%
50	Mini Holdings Kilifi EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.27%	0.04%
51	Mini Holdings Mikindani EPZ Ltd	0.59%	0.13%	0.00%	0.00%	0.36%	0.40%	0.25%
52	Mistry Jadva Parbat EPZ Ltd	0.59%	2.06%	1.89%	0.80%	0.60%	0.20%	1.02%
53	Mombasa Road EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
54	Moringa For Life EPZ Ltd	0.59%	0.01%	0.00%	0.00%	0.53%	0.80%	0.32%
55	Mtwapa EPZ Ltd*	0.00%	0.00%	0.00%	0.00%	0.00%	1.18%	0.20%
56	Mvita Industrial Park EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	0.06%
57	Newvasha Development EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.32%	0.05%
58	Novateas EPZ Ltd	0.59%	0.02%	0.00%	0.00%	0.02%	0.03%	0.11%
59	Osiqsa EPZ Ltd - Miritini (formerly Talab/Zois)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
60	Osiqsa EPZ Ltd - Mtwapa (Formerly Talab/Zois)*	1.18%	2.05%	1.19%	1.19%	0.62%	0.22%	1.07%
61	Osiqsa EPZ Ltd - Mtwapa (opposite Former Talab/ Zois)	0.59%	3.17%	0.38%	0.38%	1.22%	0.35%	1.01%
62	Pondwood EPZ Ltd	0.59%	0.02%	0.00%	0.00%	0.01%	0.18%	0.13%
63	Privamnuts EPZ Ltd	1.18%	0.39%	0.70%	1.29%	1.05%	1.27%	0.98%
64	Ravco Kenya EPZ Ltd	0.59%	0.50%	1.93%	3.91%	1.13%	0.50%	1.42%
65	Revital Healthcare EPZ Ltd	0.59%	0.63%	0.45%	1.46%	1.65%	1.07%	0.97%
66	RTC EPZ Park Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.37%	0.06%
67	Samburu EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.54%	0.09%
68	Sameer Industrial Park EPZ Ltd	4.12%	5.66%	4.13%	6.56%	1.44%	1.33%	3.87%

	Zone	No.of firms	No. of jobs	Exports (Kshs)	Expenditure on local goods & services (Kshs)	Firms' investment (Kshs)	zone investment (Kshs)	average
69	Sasini EPZ Park Ltd	0.59%	0.13%	0.06%	0.28%	0.59%	0.86%	0.42%
70	Saw Africa EPZ Ltd	1.18%	0.12%	0.02%	0.13%	0.81%	0.13%	0.40%
71	Shangcheng Kenya Apparel EPZ Ltd	0.59%	1.28%	0.00%	0.00%	0.34%	0.75%	0.49%
72	Siomo Tea Factory EPZ Ltd	0.59%	0.19%	0.83%	1.43%	0.38%	1.03%	0.74%
73	Spiceken EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.30%	0.05%
74	Stegro EPZ Tea Factory Ltd	0.59%	0.24%	0.07%	0.41%	0.60%	0.88%	0.47%
75	Swati Investments Co. EPZ Ltd	0.59%	0.19%	0.14%	0.33%	0.04%	0.19%	0.25%
76	Taurus EPZ Ltd	0.59%	0.09%	0.00%	0.27%	0.82%	7.37%	1.52%
77	Tropical Macs EPZ Ltd	0.59%	0.29%	0.22%	0.44%	0.38%	0.76%	0.44%
78	Vapco EPZ Ltd	0.59%	0.10%	0.00%	0.00%	0.07%	0.16%	0.15%
79	Vipingo Business Park EPZ Ltd	1.18%	2.13%	1.40%	1.03%	0.16%	0.27%	1.03%
80	Wildlife Works EPZ Ltd	1.18%	0.10%	0.00%	0.08%	0.06%	0.22%	0.27%
81	Zebatian Oil Treasures EPZ Ltd	0.00%	0.00%	0.00%	0.00%	0.00%	0.27%	0.04%
82	Zuri Green Organics EPZ Ltd	0.59%	0.01%	0.00%	0.00%	0.01%	0.24%	0.14%
	Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

* Zone hosting branch of an enterprise.

Athi River zone continued to host the highest concentration number of enterprises at 55.29% compared with 56.69% recorded in the year 2022. Sameer Industrial Park EPZ Ltd followed with 4.12% compared to 5.10% respectively in the previous year.

In terms of local employment, Athi River accounted for 34.04%, Balaji EPZ Ltd at 14.81% and Ammar EPZ Ltd (Jomvu) at 7.10% compared with 36.77%, 15.76% and 7.85%, respectively in the year 2022. With respect to exports, Athi River zone contributed 46.59%, Balaji EPZ Ltd 7.72%, Kwa Jomvu EPZ Ltd 5.94%, Laburnum Investments (Changamwe) 5.32% and Gold Crown Foods EPZ Ltd 5.32% compared to 45.18%, 6.92%, 10.77%, 3.21% and 3.31% in the year 2022.

As regards investment by the enterprises, Athi River zone attracted 49.13%; Balaji EPZ Ltd 11.23%, Biocorn Products EPZ Ltd 3.68%,and Gold Crown Foods EPZ Ltd 2.73% respectively compared to 47.58%, 12.63%, 4.14%, and 3.32% in the previous year. Pertaining to local resource utilization, Athi River contributed 35.30%, Balaji EPZ Ltd 6.60%, Sameer 6.56 % and Gold Crown Foods EPZ Ltd 6.56% and Ravco Kenya EPZ Ltd 3.91% compared with 37.11%, 6.95%, 7.44%, 4.07% and 3.67% in 2022.

Regarding zone investment, Athi River zone constituted 29.84%, Balaji EPZ Ltd 17.08%, Taurus EPZ Ltd 7.37% and De La Rue Kenya EPZ Ltd at 4.35%compared to 29.19%, 18.20%, 7.85% and 4.64% respectively in the year 2022.

On average, Athi River zone emerged as the highest performer with respect to the selected indicators outlined above. It scored an average of 41.70%, Balaji EPZ Ltd 9.87%, Sameer Industrial Park EPZ Ltd 3.87%, Ammar EPZ Ltd (Jomvu) 2.60%, and Laburnum Investments 2.34% respectively compared with 42.08%, 10.39%, 4.15%, 2.86% and 1.79% in the year 2022.

Kingorani zone has branch of Twaweza Kenya Apparel EPZ Ltd, Laburnum Investments EPZ Ltd (Miritini) hosts a branch of Simba Apparel EPZ Ltd, Osiqsa (formerlyTalab) zone (Mtwapa II) hosts branch of Mombasa Apparel EPZ Ltd unit 3, Milstar Investments EPZ Ltd hosts branch of Mega Apparel Industries Kenya EPZ Ltd and Mtwapa EPZ Ltd hosts branch of Mega Coulture EPZ Ltd. The main branch of Twaweza Kenya Apparel EPZ Ltd is in Mazeras Industrial Park EPZ Ltd. Laburnum Investments EPZ Ltd (Changamwe) has the main branch of Simba Apparel EPZ Ltd, Ammar EPZ Ltd (Jomvu) host main branch of Mombasa Apparel EPZ Ltd, Ayman Industrial Park EPZ Ltd hosting main branch of Mega Apparel Industries Kenya EPZ Ltd while Vipingo Business Park EPZ Ltd host main branch of Mega Coulture EPZ Ltd.

2.7 Sector performance

In the year 2023 nineteen industrial sub sectors were operational, namely, agro processing, aquaculture & fish processing,Business Process Outsourcing, (BPO -service), Business Service Permit (BSP),chemicals, commercial & commercial craft, dartboard, edible oil, food processing, garments, garment support services, packaging,pharmaceuticals & medical supplies, plastics, printing, relief supplies, services, steel processing and other (leather, beverages/spirits and silicone products).

During the year 2022 sixteen industrial sub sectors were operational, namely, agro processing, Business Process Outsourcing, (BPO -service), Business Service Permit (BSP),chemicals, commercial & commercial craft, dartboard, edible oil, food processing, garments, garment support services, pharmaceuticals & medical supplies, plastics, printing, relief supplies, services and other (joinery works, leather, beverages/spirits and silicone products).

The sector performance is outlined in table 6 and their proportion contribution in table 7. The table shows the number of enterprises in each sector, exports, total sales, direct local employment, investment and local resource utilization. Charts 3 & 4 show sector contribution to employment and local resource utilization.

The garment sector still remains the most dominant sector within the program as shown by selected performance indicators. It constituted 22.94% of enterprises, 76.72% of total local jobs, 50.06% of exports, 49.14% of total sales, 38.82% of expenditure on local goods & services and 28.18% of private investment compared to 22.93%, 80.05%, 53.18%, 50.61%, 41.11% and 25.13% respectively in the year 2022.

However, agro processing sector which is the second dominant sector within the program was the highest performer in number of enterprises at 31.76% compared to garment sector in which it recorded 22.94% respectively in year 2023. During the year 2022, agro processing contributed 31.85% in number of firms while garments sector recorded 22.93%.

On average, garment sector contributed 43.98%, agro processing at 23.81%, services at 5.39%, food processing at 5.13%, BSP at 4.32%, BPO – Service at 3.28%, edible oil at 2.75% and Pharmaceuticals at 2.70% on the above selected indicators compared to 45.50%, 22.45%, 5.26%, 4.26%, 4.73%, 2.92%, 4.70% and 3.10% respectively in the previous year.

More details are shown by tables 5, and Charts 3 & 4.

Table 5: Proportion of sector contribution year 2023 (%)

Sector	no of firms	local jobs	exports	total sales	local resource	investment	average
Agro processing	31.76%	10.64%	21.09%	20.08%	35.05%	24.25%	23.81%
Aquaculture & fish processing	1.18%	0.27%	0.32%	0.30%	0.45%	0.45%	0.50%
BPO - Service	1.76%	5.98%	2.95%	2.78%	4.80%	1.41%	3.28%
BSP	5.88%	1.19%	0.00%	0.00%	0.75%	18.07%	4.32%
chemicals	1.76%	0.45%	0.49%	0.47%	1.11%	5.21%	1.58%
commercial craft	1.18%	0.06%	0.07%	0.07%	0.11%	0.09%	0.26%
Dartboard	0.59%	1.02%	2.94%	2.78%	2.42%	1.38%	1.86%
Edible oil	1.18%	0.19%	6.22%	5.87%	1.39%	1.67%	2.75%
Food processing	1.76%	0.56%	9.18%	9.54%	3.97%	5.75%	5.13%
Garments	22.94%	76.72%	50.06%	49.14%	36.82%	28.18%	43.98%
Garments support services	2.94%	0.10%	0.02%	0.24%	0.23%	0.63%	0.69%
packaging	1.18%	0.02%	0.00%	0.19%	0.33%	0.05%	0.29%
Pharmaceuticals & medical supplies	2.94%	1.15%	0.75%	1.67%	3.57%	6.14%	2.70%
plastics	1.76%	0.24%	0.39%	0.65%	1.02%	0.24%	0.72%
printing	0.59%	0.19%	0.04%	0.16%	1.33%	0.77%	0.51%
Relief supplies	1.18%	0.08%	1.46%	1.78%	1.11%	0.19%	0.97%
services	17.06%	0.95%	3.07%	3.36%	2.92%	4.97%	5.39%
steel processing	0.59%	0.08%	0.87%	0.82%	2.42%	0.37%	0.86%
other	1.76%	0.10%	0.09%	0.10%	0.20%	0.17%	0.40%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Chart 3: Sector contribution to local employment 2023

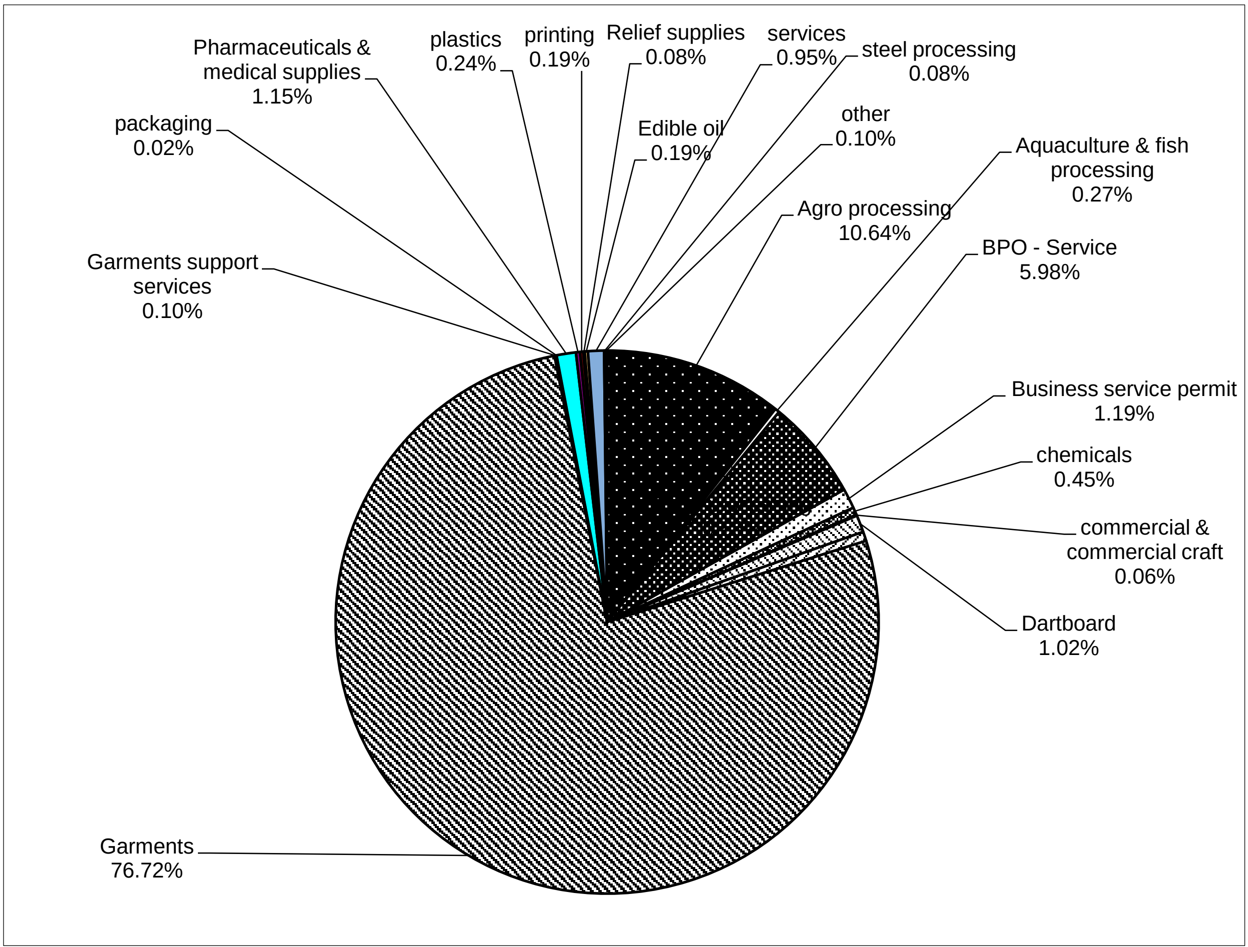
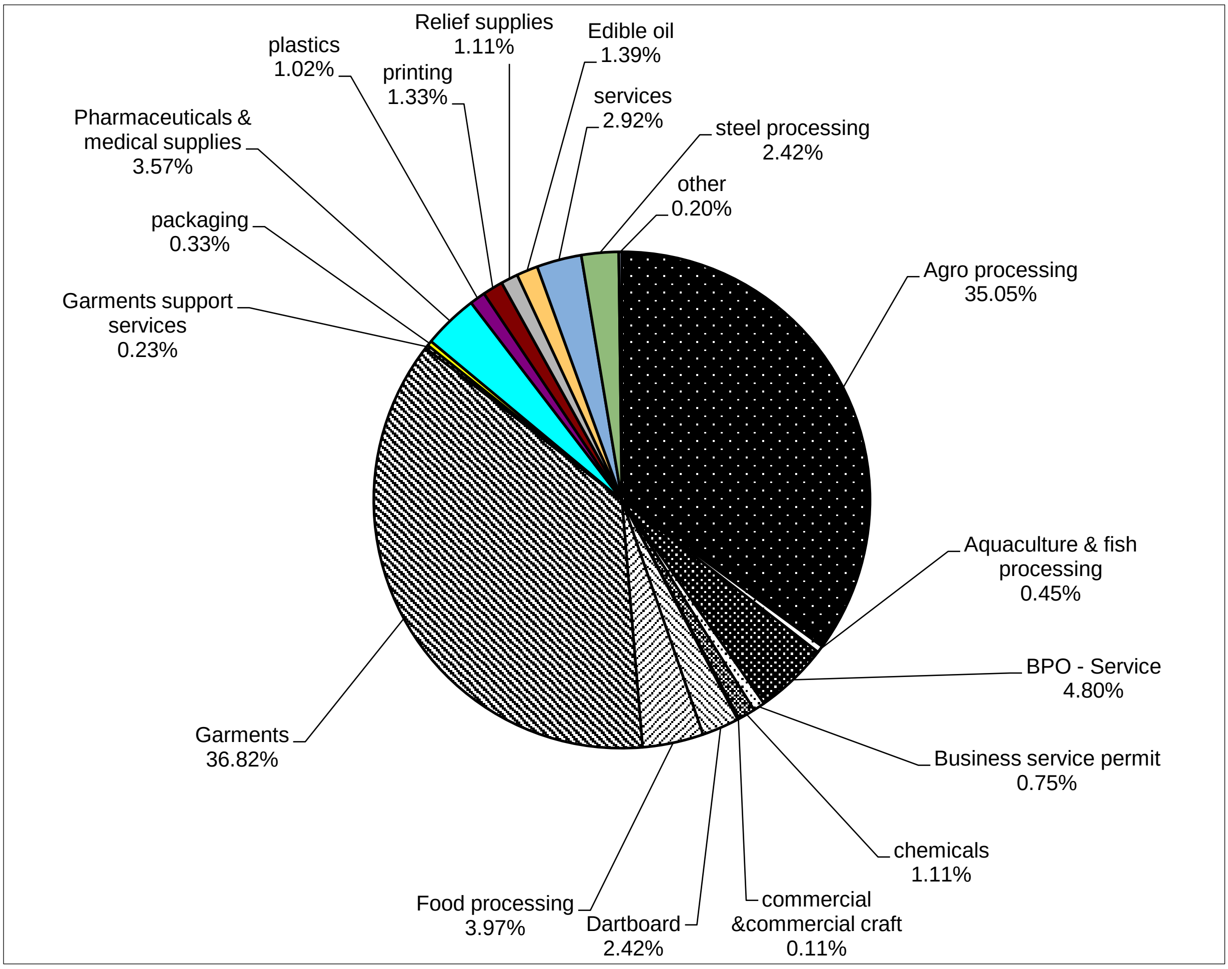


Chart 4: Sector contribution to local resource utilization, 2023



2.8 Ownership of EPZ enterprises

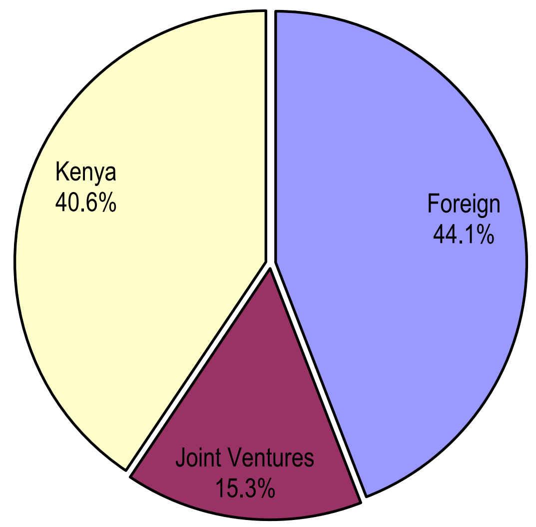
During the year 2023, 40.6% of the number of enterprises were wholly Kenyan; 44.1% foreign owned, while joint ventures stood at 15.3%. In 2022, 42.7% were wholly Kenyan owned, 38.9% were foreign owned and 18.5% were joint ventures.

One of the reason contributing to 40.6% of wholly owned Kenya EPZ enterprises is the implementation of small and medium enterprise programme which stemmed from export business accelerator/incubator.

The program has attracted investors from Sri Lanka, India, Taiwan, Dubai, China, Qatar, Bangladesh, Phillipines, USA, UK, Belgium, Netherlands, Denmark, Slovakia, Australia, Germany, Mauritius and Tanzania among others.

Chart 5 shows the ownership structure of EPZ enterprises in the year 2023.

Chart 5: Ownership of EPZ enterprises, 2023



2.9 Capital Investment by EPZ operating enterprises.

Cumulative private investment in the form of equipment, machinery and funds invested with regard to the operating enterprises stood at Kshs. 112,155 million in 2023 from Kshs. 99,715 million in the year 2022.

When infrastructure investment of Kshs. 37,367 million undertaken by EPZ developers included, the figure becomes Kshs. 149,522 million compared with Kshs. 134,780 million in the year 2022. The rise in the value of investment within the zone is partially attributed to capturing of data on upcoming developers/zone as well as Business Service Permit (BSP) companies.

In terms of value of enterprises' investments, 62.9% (Kshs. 70,575 million) were foreign owned while Kenyan accounted for 37.1% (Kshs. 41,580 million) in 2023 compared with 60.9% (Kshs. 60,775 million) foreign owned and 39.1% (Kshs. 38,940 million) Kenyan respectively in the year 2022 (table 6).

Table 6: Value of EPZ enterprises' investments: 2019 – 2023

Indicator	2019	2020	2021	2022	2023
Value of Kenya/Local investments (Kshs million)	32,128	34,619	38,501	38,940	41,580
Value of Foreign investment (Kshs million)	45,563	48,528	51,040	60,775	70,575
Total Investment (Kshs million)	**77,691**	**83,147**	**89,541**	**99,715**	**112,155**
Ratio of value of Kenya/Local investment to Total (%)	41.4	41.6	43.0	39.1	37.1
Ratio of value of Foreign investment to Total (%)	58.6	58.4	57.0	60.9	62.9

Source: EPZA records.

3.0 Impact of African Growth Opportunity Act (AGOA)

The EPZ program benefits from AGOA especially in the garment/apparel sector. This is a critical sector which is characterized by its labour intensiveness and hence suitable industry for a country like Kenya with high unemployment rate. It is a subsector which employs over 75% of total work force within the zones and account for over 50% of exports.

Exports of articles of apparels to USA declined in value by 7.0% to stand at Kshs. 50,817 million in 2023 from Kshs 54,621 million recorded in the year 2022. Quantity of apparels exported to US also decreased from 112.3 million pieces in 2022 to 101.0 million pieces in 2023, mainly attributed to decreased orders during the year.

During the year under review, there were some market diversification on apparel other than to the USA; which included Europe, Canada, Mexico, Brazil and Peru among others. During the year 2022, these alternative markets were a destination of Kshs.2.0billion (3.7 million pieces) worth of apparel compared with Kshs. 2.1 billion (5.9 million pieces) of apparel consigned to these markets during the year 2022 (table 9b).

Direct employment contracted by 12.5% to stand at 58,002 persons from 66,260 recorded in the previous year. During the year 2023, garment sector contributed 76.7% of total local employment compared with 80.1% in 2022.

Investment on the other hand registered an increase of 26.2% to stand at Kshs. 31,609 million from Kshs. 25,054 million in year 2022 as result of continued investment by firms on machinery and setting up of new ones.

The trend is as shown in table 7a and 7b.

Table 7a: Impact of AGOA on EPZ Garment Sector: 2019 - 2023

Indicator	2019	2020	2021	2022	2023	% growth (2022 v/s 2023
Number of Enterprises	24	28	29	36	39	8.3
Employment (No.)	49,489	45,588	50,422	66,260	58,002	-12.5
Investment (Kshs million)	18,065	19,133	23,216	25,054	31,609	26.2
Exports (Kshs million)	47,196	44,640	51,618	56,711	52,824	-6.9
Quantity of exports (million pieces)	105.4	102.2	110.2	118.2	101.0	-14.6
Imports (Kshs million)	28,387	24,144	30,473	36,651	35,184	-4.0
Local purchases (Kshs million)	643	1,007	1,311	855	647	-24.3

Table 7b: Value & quantity of apparel export to USA and to rest of the world: 2019 – 2023

Indicator	2019	2020	2021	2022	2023	% growth
Value of apparel exports to USA (Kshs million)	46,066	42,278	48,830	54,621	50,817	-7.0
Value of apparel export rest of world (Kshs million)	1,130	2,362	2,788	2,090	2,007	-4.0
Total value (Kshs million)	**47,196**	**44,640**	**51,618**	**56,711**	**52,824**	**-6.9**
Quantity apparel of exports to USA (million pieces)	105.4	91.8	100.9	112.3	97.3	-13.4
Quantity of apparel export to rest of the world (million pieces)	5.7	9.4	9.2	5.9	3.7	-37.3
Total quantity (million pieces)	**111.1**	**101.2**	**110.1**	**118.2**	**101.0**	**-14.6**

3.1 Performance of selected Sub Sahara African (SSA) AGOA accredited countries.

The overview of the performance of selected SSA countries indicated mixed growth in the year 2023 with most countries experiencing a downward performance in the year under review.
Total apparel exports from Kenya to US decreased by 11.9% in year 2023 to stand at US$ 471.2 million from US$ 534.6 million recorded in 2022.

Madagascar apparel exports declined by 13.7% to stand at US$343.3 million in 2023 from US$ 397.8 million recorded in 2022.

Similarly, apparel exports from Mauritius tho saw a decrease of 26.5% to stand at US$55.8 million while those from Ethiopia declined by 37.3% to US$ 216.6 million.

Exports from Lesotho declined by 39.2%to stand at US$ 168.2 million while those from South Africa dropped by 31.0% to stand at US$6.4 million respectively.
However, exports from Tanzania increased by 15.3% to stand at US$ 82.9 million while those from Ghana expanded by 9.9% to stand at US$ 38.5million in year 2023.

Overall, Kenya maintained her SSA top apparel exporter to US for the last 10 consecutive years in 2023.

Table 8 indicates the performance of selected SSA countries which are non-oil producers and heavily rely on apparel/garment exports to US under AGOA program.

Table 8: Exports to US under AGOA provisions for selected Africa AGOA eligible countries 2019 – 2023 (US $ '000)

Country	2019	2020	2021	2022	2023	% change 2022 - 2023
Kenya	453,730	385,058	448,883	534,614	471,185	-11.9
Lesotho	303,418	257,638	293,768	276,668	168,182	-39.2
Madagascar	243,331	199,935	282,769	397,821	343,269	-13.7
Mauritius	140,884	88,260	72,196	75,950	55,851	-26.5
Ghana	17,326	9,631	20,078	35,038	38,515	9.9
Ethiopia	211,280	223,064	260,734	345,602	216,592	-37.3
Tanzania	52,237	39,519	32,179	71,879	82,879	15.3
South Africa	9,554	8,285	10,417	9,275	6,403	-31.0

Source: https://otexa.trade.gov/data-visualization/otexa-trade-preference-program-data

4.0 Regional Performance

Regional performance constitutes analysis of EPZ enterprises performance as per their geographical locations which are Athi River/Mlolongo/Kinanie, Nairobi, Mombasa,Eldoret/Nandi/Kisumu,Thika/Kiambu/Muranga/Embu/Kitui,Laikipia/Naivasha/Nakuru and Bomet/Narok. Although most of these firms are concentrated around Athi River, Nairobi and Mombasa other areas are coming up such as Embu, Meru and Kisumu.

A summary of performance in respect to the number of operating enterprises, exports, local employment creation, local resource utilization, investment and imports indicated that on average those enterprises located in Athi River, Mombasa and Nairobi had strong performance.

Athi River region had employment numbering 27,237 persons while Mombasa on the other hand had 26,582 persons in the year 2023.During the year 2022, Athi River region employed 30,864 while Mombasa had 26,988 persons.

Average performance for the regions with respect to the selected indicators were 43.5%, 34.4%, 11.8%, 3.6%, 3.1%, 2.4% and 1.2% for Athi River/Mlolongo/Kinanie, Mombasa, Nairobi, Thika/Kiambu/Muranga/Embu/Kitui, Bomet/Narok, Laikipia/Naivasha/Nakuru, and Eldoret/Nandi/Kisumu for 2023 compared with 43.0%, 32.3%, 14.0%, 4.7%, 2.7%, 2.1% and 1.2% respectively in 2022.

Refer to tables 9 & 10 and chart 6 for more details.

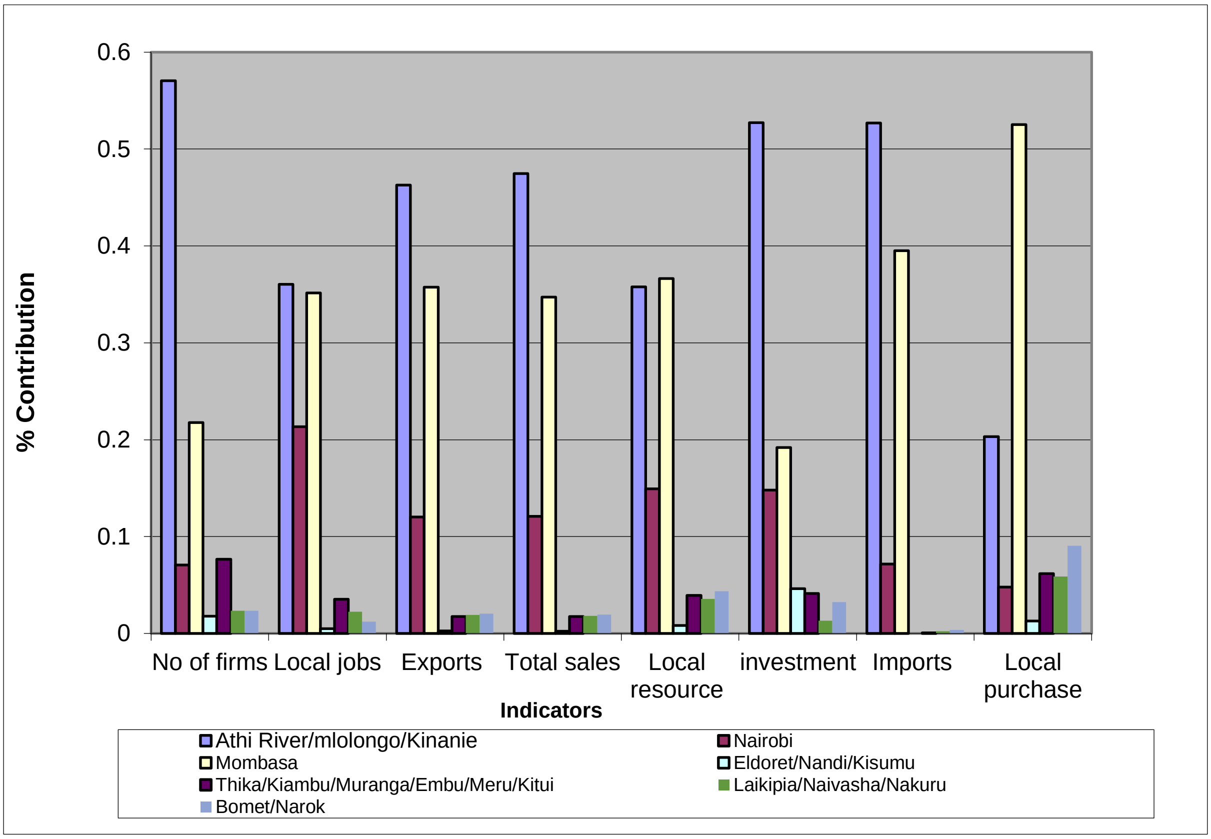
Table 9: Regional performances year 2023

Zone	Firms (no)	Local jobs (no)	Exports (Kshs m)	Total sales (Kshs m)	Local resource (Kshs m)	investment (Kshs m)	Imports (Kshs m)	Local purchases (Kshs m)
Athi River/mlolongo/Kinanie	97.0	27,237.0	48,844.0	53,093..4	17,543.8	59,119.9	30,569.9	3,318.1
Nairobi	12.0	16,121.0	12,683.3	13,525.2	7,326.5	16,589.9	4,163.1	781.0
Mombasa	37.0	26,582.0	37,712.0	38,857.0	17,968.6	21,535.4	22,931.2	8,582.6
Eldoret/Nandi/Kisumu	3.0	380.0	262.0	265.0	404.0	5,182.8	0.0	209.2
Thika/Kiambu/Muranga/Embu/Meru/Kitui	13.0	2,673.0	1,832.1	1,943.3	1,918.3	4,636.1	34.4	1,010.2
Laikipia/Naivasha/Nakuru	4.0	1,695.0	2,029.3	2,029.3	1,747.5	1,466.6	128.9	961.4
Bomet/Narok	4.0	910.0	2,161.8	2,162.8	2,140.9	3,624.5	205.9	1,479.8
total	**170**	**75,598**	**105,525**	**111,876**	**49,049**	**112,485**	**58,033**	**16,342**

Table 10: Contribution by region, 2023 (%)

Zone	No of firms	Local jobs	Exports	Total sales	Local resource	investment	Imports	Local purchase	Average
Athi River/mlolongo/Kinanie	57.1%	36.0%	46.3%	47.5%	35.8%	52.7%	52.7%	20.3%	**43.5%**
Nairobi	7.1%	21.3%	12.0%	12.1%	14.9%	14.8%	7.2%	4.8%	**11.8%**
Mombasa	21.8%	35.2%	35.7%	34.7%	36.6%	19.2%	39.5%	52.5%	**34.4%**
Eldoret/Nandi/Kisumu	1.8%	0.5%	0.2%	0.2%	0.8%	4.6%	0.0%	1.3%	**1.2%**
Thika/Kiambu/Muranga/Embu/Meru/Kitui	7.6%	3.5%	1.7%	1.7%	3.9%	4.1%	0.1%	6.2%	**3.6%**
Laikipia/Naivasha/Nakuru	2.4%	2.2%	1.9%	1.8%	3.6%	1.3%	0.2%	5.9%	**2.4%**
Bomet/Narok	2.4%	1.2%	2.0%	1.9%	4.4%	3.2%	0.4%	9.1%	**3.1%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Chart 6: Contribution by region (%) year 2023

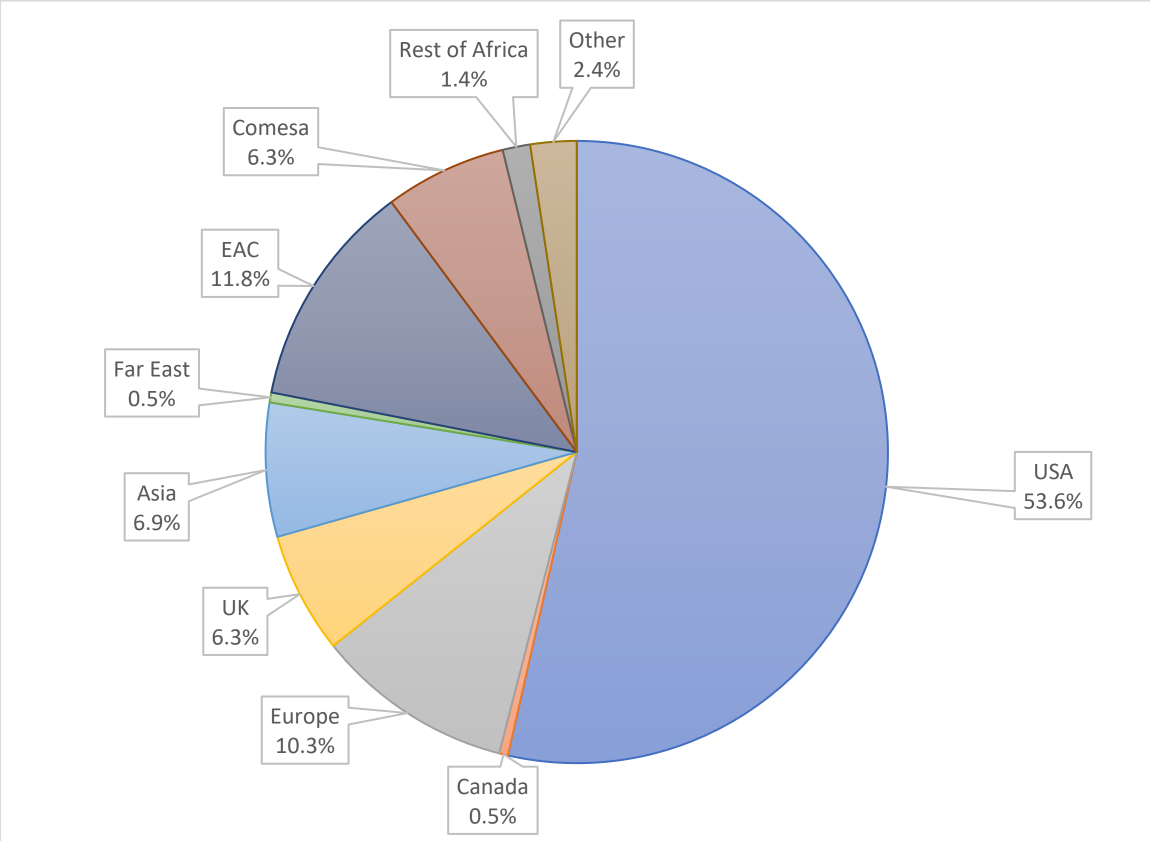


5.0 Destination of Exports

During the year 2023, 53.6% (Kshs. 56,512 million) of all exports were consigned to USA market out of which 89.9% (Kshs. 50,817 million) constituted exports of garment products. In the year 2022, 58.0% (Kshs. 61,856 million) were exported to US out of which 88.3% (Kshs. 54,621 million) were accounted for by garment exports.

Europe accounted for 10.3% (Kshs.10,860 million) of the export market, UK 6.3% (Kshs 6,652 million), EAC 11.8% (Kshs.12,424 million), Asia 6.9% (Kshs. 7,328 million), COMESA 6.3% (Kshs. 6,679 million), Rest of Africa 1.4% (Kshs. 1,508 million), Far East 0.5 % (Kshs.545 million) and 2.4% (Kshs.2,530 million) was destined to the rest of the world. During the previous year, Europe accounted for 8.5% (Kshs. 9,046 million), UK 3.9% (Kshs 4,138 million), EAC 11.0% (Kshs. 11,746 million), Asia 5.4% (Kshs.5,789 million), COMESA 8.9% (Kshs 9,445 million), Rest of Africa 1.3% (Kshs. 1,343 million), Far East 0.6% (Kshs.637 million) and 2.0% (Kshs. 2,131 million) to the rest of the world (chart 7).

Chart 7: Market destination for all exports, 2023



6.0 Employment and wages

The average monthly wages increased from Kshs 18,363 in the year 2022 to Kshs 18,788 in 2023.

Details on table 11 and chart 8.

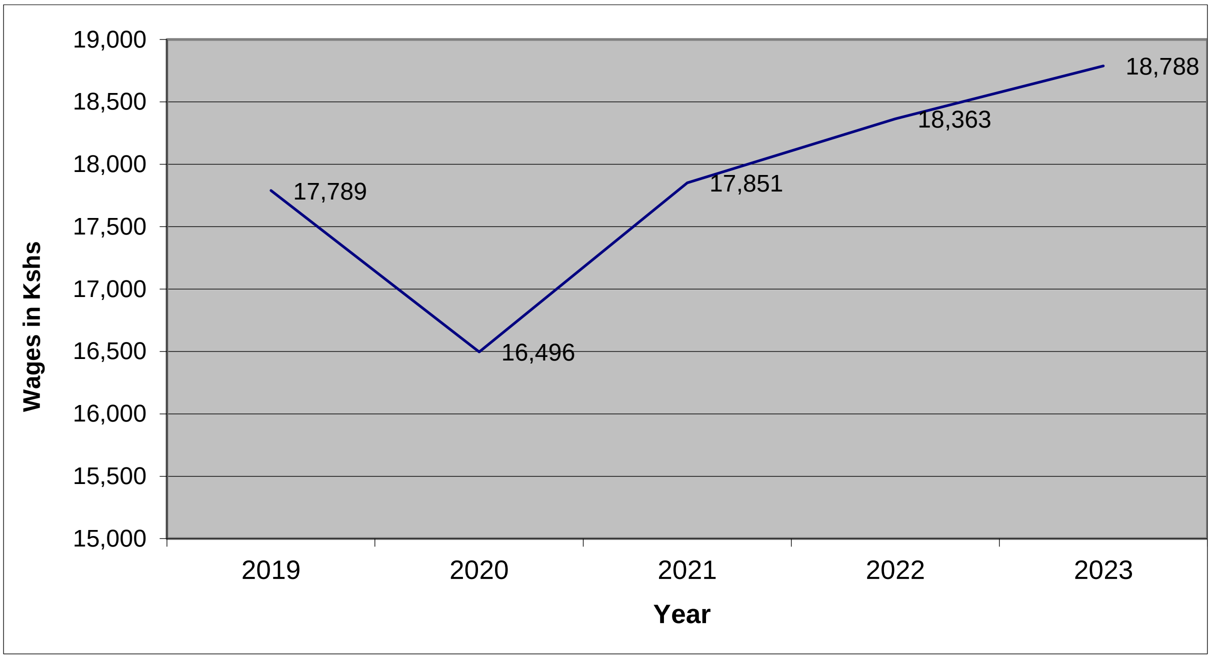
Table 11: Employment and Wages: 2019 – 2023

Indicator	2019	2020	2021	2022	2023
Local employees (Number)	60,390	56,293	66,053	82,771	75,598
Expatriates (Number)	665	647	801	981	785
Total employment (Number)	61,055	56,940	66,854	83,752	76,383
Local wages (Kshs)	12,891,138,230	11,143,242,546	14,149,109,370	18,239,156,832	17,044,065,848
Expatriate wages (Kshs)	1,051,048,787	976,746,558	1,050,014,263	1,345,266,601	1,474,271,746
Total wages (Kshs)	13,942,187,017	12,123,209,679	15,199,123,633	19,584,423,433	18,518,337,594

Indicator	2019	2020	2021	2022	2023
Average Annual wages locals (Kshs)	213,465	197,951	214,208	220,357	225,457
Average Annual wages expatriates (Kshs)	1,580,525	1,509,655	1,310,879	1,371,322	1,878,053
Average monthly wage locals (Kshs)	17,789	16,496	17,851	18,363	18,788
Average monthly wage expatriates (Kshs)	131,710	125,805	109,240	114,277	156,504
Average monthly wage locals (US$)	174	155	163	156	134
Average monthly wage expatriates (US$)	1,291	1,180	999	969	1,119
Average annual exchange rate(Kshs/US$)	102.0	106.6	109.4	117.9	139.9

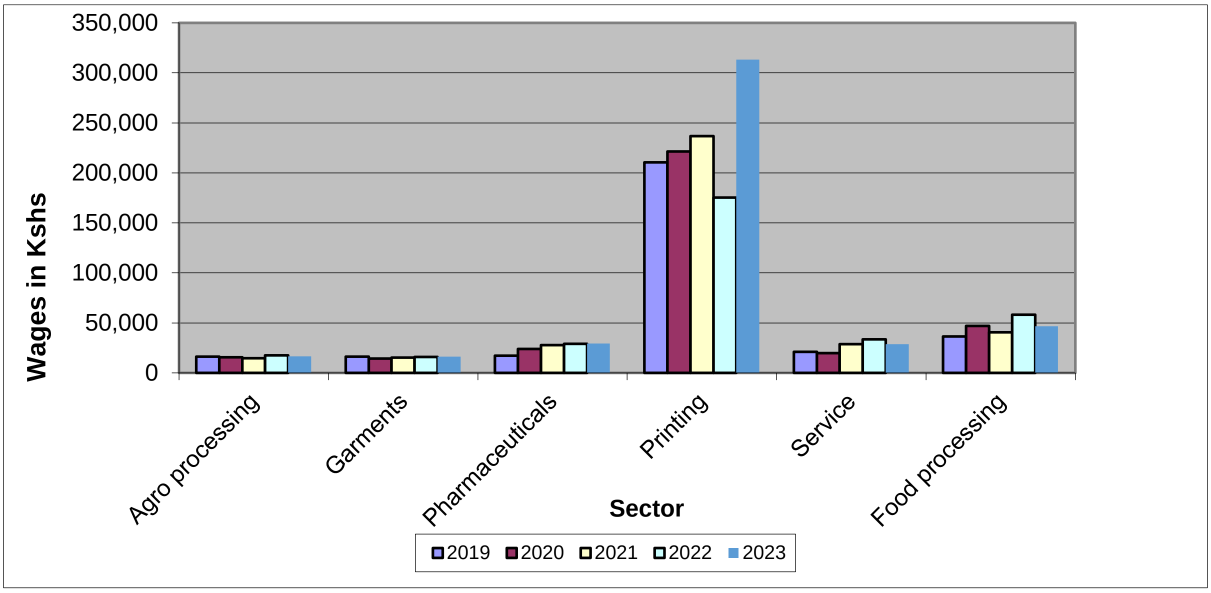
Source: EPZA records

Chart 8: Average monthly wages for local employees, 2019 to 2023 (Kshs)



With respect to selected sectoral wages, the printing sector continued to offer high remuneration to its employees in 2023 compared to other sectors; a similar position was exhibited in the previous year. More details are outlined on chart 9.

Chart 9: Average sectoral monthly wages, 2019 – 2023



6.1 Training of local workers and transfer of technology

In the year 2023, 71 enterprises (41.8%) trained local employees in various industrial disciplines compared to 68 (43.3%) in the previous year.

The training provided include: machine operation & quality assurance, Leadership and management, setting corporate & personal targets, ethics, apprenticeship (e.g. Department for International Development, UK), good manufacturing practice (GMP), Global Gap Certification, Hazard Analyses Critical Control Point (HACCP), principles of food hygiene, British Retail Consortium (BRC) on food safety, chemical safety, drug safety & pharmacovigilance, human resource management, ISO, implementation of ISO 2200: 2005 (Food Safety Management System), upgrading of supervisory skills, mass production, labour laws, QMS internal auditor training, health & safety, environmental care, performance management, customer care skills, team building, accounting e.g. sage, energy saving, basic boiler operation, value addition, post-harvest management, pest control, shipping & logistics, first aid, firefighting, fire marshall, fire drill, team building, setting of personal & corporate targets, training of trainers, in-house/induction courses, risk assessment, operational excellence, HIV/AIDS, drug abuse and security awareness among other trainings.

The skills learned are expected to eventually diffuse into the local market and have positive impact in new techniques geared towards increase in production and efficiency.

7.0 Significance of EPZ Program to National Economy

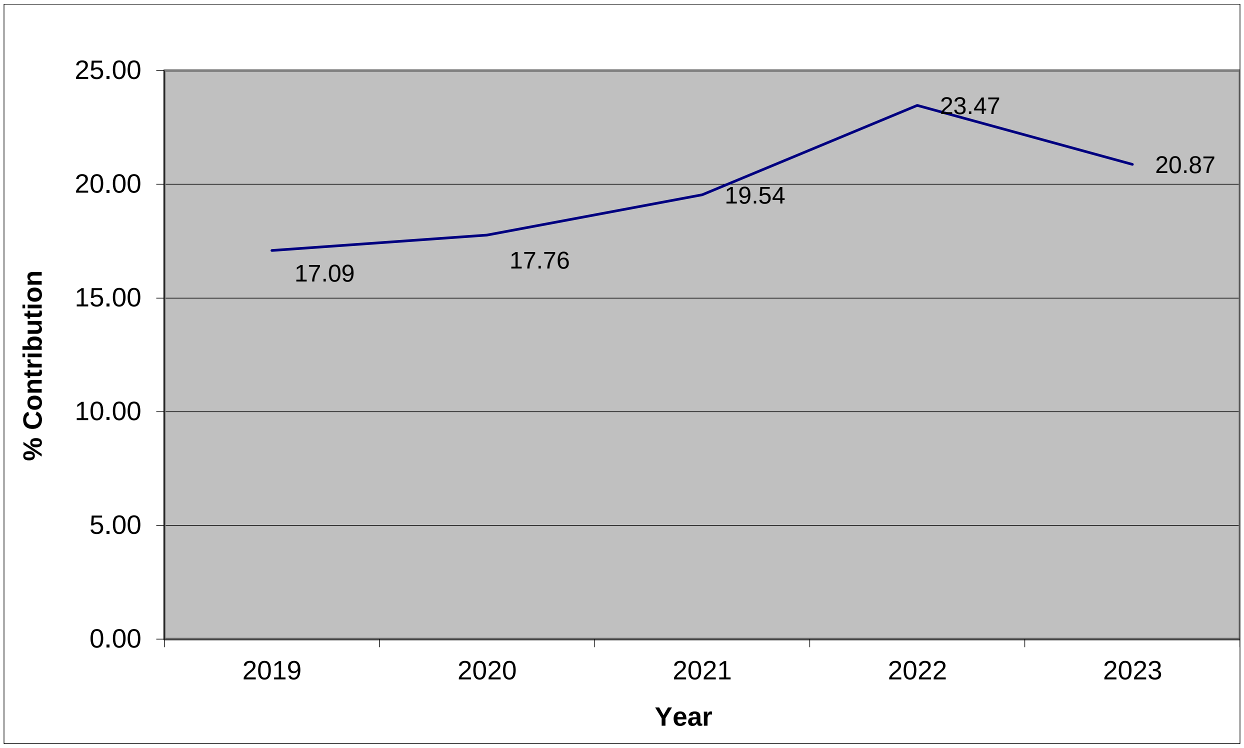
The Export Processing Zones has made contribution to the national economy.
In 2023, the EPZ contribution to the total manufacturing sector employment accounted for 20.87% from 23.47% posted in the year 2022.
In the year under review, EPZ contribution to manufacturing sector output stood at 3.11% in year 2023 compared to 3.67% recorded in the year 2022.
EPZ exports to total Kenya exports stood at 10.47% in 2023 from 12.21% in the year 2022.
EPZ employment accounted for 0.384% of total national employment in year 2023 from 0.432% registered in 2022.
Contribution to Gross Domestic Product (GDP) at market price of the economy was 0.740% in 2023 from 0.870% in the year 2022. (more details on table12 and Chart 10)

Table 12: EPZ contribution to the national economy: 2019 – 2023

Indicator	Units	2019	2020	2021	2022	2023
Total Kenya Exports	Kshs Million	596,677	643,706	743,671	873,145	1,007,919
Manufacturing sector Value of Output	Kshs Million	2,311,586	2,376,423	2,700,161	3,168,615	3,583,250
GDP at market prices	Kshs Million	10,237,727	10,715,070	12,027,662	13,489,642	15,108,806
Total national employment	number	18,142,700	17,406,700	18,331,600	19,148,200	19,686,000
Manufacturing sector employment	Number	353,300	316,900	336,800	352,600	362,300
Total output EPZ	*Kshs Million*	*77,189*	*81,207*	*98,867*	*116,340*	*111,876*
Exports EPZ	*Kshs Million*	*68,572*	*74,360*	*90,249*	*106,637*	*105,526*
Employment EPZ (local)	*Number*	*60,390*	*56,293*	*66,053*	*82,771*	*75,598*
EPZ contribution to total Kenya Exports	*Percent*	*11.49*	*11.55*	*12.14*	*12.21*	*10.47*
EPZ contribution to manufacturing sector value of output	*Percent*	*3.34*	*3.42*	*3.66*	*3.67*	*3.11*
EPZ contribution to total national employment	*Percent*	*0.333*	*0.323*	*0.360*	*0.432*	*0.384*
EPZ contribution to manufacturing sector employment	*Percent*	*17.09*	*17.76*	*19.54*	*23.47*	*20.87*
EPZ contribution to GDP market prices)	*Percent*	*0.754*	*0.758*	*0.817*	*0.862*	*0.740*

*S*ource: Economic Survey 2024 and EPZA reports

Chart 10: EPZ Contribution to manufacturing sector employment; 2019– 2023



8.0 Constraints reported by EPZ enterprises

Constraints/impediments encountered by EPZ enterprises in the course of manufacturing/service activities during the year have reduced their competitiveness in the market, hence resulting in reduced/loss of export/ sales earnings. Some of these constraints were as are result of high cost of power/operation, inadequate finance/working capital; shortage of raw material (eg avocado, macadamia and green leaf) which affected agro based enterprises as a result of unfavourable weather conditions together with increased competion in the industry; inadequate quality of raw material was also an issue reported by the firms; various delays experienced in the course of business from port clearance upto getting timely materials required in the production process.

Other constraints included, instability in target markets, ,unpredictable market factors, global economic uncertainty especially in the face Covid -19 pandemic; lack of orders as a result of intense competition, rise in global cost of raw materials(eg coffee used by blending firms and palm oil); poor infrastructure in some areas where firms are located; high freight & transportation cost;high interest/inflation rate regime,impending general elections; slow learning by production trainees and lack of appropriate support among others

Summary of constraints reported by enterprises during the year 2023 are tabulated on table 13.

Table 13: Constraints/ impediments reported by EPZ enterprises, 2023.

Constraint/Impediment	Number of firms which reported/affected (2021)	% of Enterprises affected to total no. Of operating firms (2021)	Number of firms which reported/affected (2022)	% of Enterprises affected to total no. Of operating firms (2022)	Number of firms which reported/affected (2023)	% of Enterprises affected to total no. Of operating firms (2023)
Labour productivity/turn over/efficiency/ labour unrest	11	7.6	5	3.2	3	1.8
unfavourable economic conditions/ inflation	5	3.4	6	3.8	10	5.9
high cost of production	28	19.3	11	7.0	16	9.4
customs regulations/ KRA/KEBS	7	4.8	8	5.1	8	4.7
high cost of power/ electricity/ unreliability	9	6.2	6	3.8	17	10
competition from other countries/other players	6	4.1	4	2.5	16	9.4
high cost of water/unreliable water supply	4	2.6	3	1.9	9	5.3
local currency fluctuations/dollar constraints	6	4.1	6	3.8	12	7.1
poor infrastructure	7	4.8	4	2.5	6	3.5
shortage of raw materials/quality/cost	24	16.6	14	8.9	19	11.2
market access/ market barriers	12	8.3	4	2.5	11	6.5
diminishing demand	8	5.2	13	8.3	15	8.8
inadequate finances /credit facilities	18	12.4	7	4.5	13	7.6
reduced production capacity	5	3.4	2	1.3	4	2.4
political climate/ elections/govt policies	6	4.1	1	0.6	13	7.6
adverse weather conditions	9	6.2	8	5.1	9	5.3
adverse effects of Covid 19	43	29.7	13	8.3	4	2.4

Constraint/Impediment	Number of firms which reported/affected (2021)	% of Enterprises affected to total no. Of operating firms (2021)	Number of firms which reported/affected (2022)	% of Enterprises affected to total no. Of operating firms (2022)	Number of firms which reported/affected (2023)	% of Enterprises affected to total no. Of operating firms (2023)
(Others)Lack of locally sourced inputs;market dynamics;decline in world's sales prices;unforeseen challenges;poor network coverage;general outlook of EA macroeconomic outlook; foreign policies;sea freight challenges; lead time; import permits insecurity; price factor; delays; unfamiliarity with EPZ operations; bureaucracy; corruption; insensitiveness to investors; dependency on other EPZs; lack of appropriate machines/technology by subcontact EPZ garment firms; marketing; security concern congestion; Russia – Ukraine war etc	34	23.4	36	22.9	48	28.2

The constraints that face the EPZ enterprises watered down the very incentives which accrued to them because they still remain uncompetitive.

9.0 Challenges facing the program

The performance of the program would have been enhanced if certain challenges had not impacted as follows.

i) Inadequate supply of industrial sheds for investors to lease and operate especially within Athi River Zone. Investors prefer ready built industrial sheds as it reduces cost of operations and turnaround time. There is currently a deficit of 3 million square feet of industrial sheds within the Athi River Zone.

ii) Inadequate supply of water within Athi River zone. There have been low volumes of water supplied to Athi River zone which cannot cater for the requirements for the firms. Currently, the zone receives an estimate of 2.5million litres of water against a demand of 8.5 million litres.

iii) High cost of production:-Cost of electricity is still high to support manufacturing activities within the EPZ program so as to make products to be competitive in the global market. EPZ firms pay electricity at market rate of Kshs 20 per kwh compared to firms under Special Economic Zones where the cost ranges fro Kshs 5 to 10 per kwh.

iv) Lack of affordable finance for EPZ enterprises to access. The cost of borrowing of funds by EPZ enterprises is prohibitive, hence deny several existing and potential investors opportunity much needed working capital to implement and sustain their operations.

v) Inadequate supply of raw materials. Agro processing EPZ companies experienced inadequate supply of raw materials. This is attributed to various factors ranging from farmers inability to produce adequate supply; seasonality of crops like macadamia and avocado and the adverse weather conditions which cannot be predicted.

vi) Delay in renewal of AGOA Preference Program:- This has brought anxiety among the investors in apparel sector as the expiry date of September 2025 approaches.

vii) Reduced export market due to global economic melt down.

viii) Emergence of various levies introduced by both County Government and other government regulatory bodies.

ix) Inadequate funding to implement projects and activities of by the Authority.

The following are some of the proposals for improved performance within the EPZ Program and therefore retain the investors within the program:

i) Facilitate development of industrial buildings for investors within Athi River Zone.
ii) Increased water volumes supply by Nairobi Water and Sewerage Company to Athi River Zone to enable EPZ companies have adequate quantity for their operations. The proposed dedicated line from Northern Collector Tunnel will go along way in addressing the issue of water shortage within the zone.

iii) Reduce cost of power to the EPZ Enterprises to Kshs 5 to 10 per kilowatt hour.

iv) Facilitate availability of affordable financing especially to SMEs enterprises operating within the EPZ program.

v) Improve the supply of raw material to agro processing industries like macadamia, cashewnuts, coconuts and other horticultural products.

vi) Improving market access to the East African Community (EAC): EPZ firms are constrained by limited EAC market to only 20% of their total production. This is an important market especially with South Sudan having joined it and Somalia is on the way. Thus, to encourage expansion of existing firms and new companies, the cap should be increased.

vii) The ongoing trade negotiations between Kenya and USA will also enhance market stability in the US.

11.0 Set targets and Actual performance.

The projections for the year 2024 took into account the challenges and opportunities facing the EPZ program.

Forecast on performance of selected EPZ indicators is based on conservative estimates while taking into account objectives and targets outlined in the Strategic Plan for 2024 to 2028.

Operating firms are expected to rise to 172 based on facilitation of new enterprises to commence operation by end of year 2023, while local employment is estimated to expand by 8% based on coming into operation of the new firms ,expansion of the existing ones and reinstatement of employees who had been laid off as export market conditions have improved for many of the firms.

Exports and total sales are expected to grow by an average of 10% based on improved export market conditions. Capital investment which constitutes value of plant, machinery, equipment and other funds invested by EPZ firms is likely to grow by an average of 8%, while domestic expenditure is expected to average 44% of total sales.

A summary of set and actual targets for years 2021 to 2023 and projections for year 2024 are outlined on table 14.

Table 14: Set and Actual Targets for 2021 to 2023 and Projections for 2024

Indicator	Target			Actual			% attained			Target
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**	**2024**
Operating enterprises (Number)	150	160	172	145	157	170	90.6	98.1	98.8	183
Employment (Kenyans) Number.	66,293	77,943	85,254	66,053	82,771	75,598	99.6	100	88.7	81,646
Investment for firms (Kshs million)	88,800	95,809	106,695	89,541	99,715	112,155	100	100	100	121,127

Indicator	Target			Actual			% attained			Target
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**	**2024**
Total sales (Kshs million)	89,207	107,765	125,647	98,867	116,340	111,876	100	100	89.0	123,064
Exports (Kshs million)	82,070	100,176	115,168	90,249	106,637	105,526	100	100	91.6	116,079
Ratio of domestic sales to total sales (%)	5.0	5.0	5.0	4.8	4.4	1.6	100	100	100	5.0
Domestic expenditure (Kshs million)	36,575	43,106	52,106	40,118	48,306	49,049	100	100	94.1	54,148

Average attainment of set targets for the year 2023 was 94.6% compared to 99.7% in the previous year.

Some of the targets set for the year 2023 which were not attained like the number of employment and value of exports was as a result of the constraints reported by the enterprises in the course of the year as outlined in numbers 8 and 9.

12.0 Conclusion

The EPZ program has made her share of contribution to Kenya's economy especially employment creation, attraction of new investments and value addition among others.

EPZ program performance in 2024 will depend on the addressing some challenges and constraints outlined in this report.

Research Planning & Innovation Department
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