

The Economy

Main economic indicators

Population	32.16m (2003)
Real GDP growth (%)	1.75 (2003)
Consumer Price Inflation (Average annual)	9.72 (April 2004)
Average Exchange rate	
K.Sh./US\$	76.39 (Mar 2004)
K.Sh/£	142.6 (Mar 2004)

Performance of the Kenyan Economy

Kenya embarked on a comprehensive programme of economic reforms designed to deregulate the economy and put it on the path of rapid employment generating growth.

Sustained effort by the government to tighten fiscal and monetary policies since mid 1993 has been effective in stabilizing the economy and contributing to the revival of economic growth. Annual inflation has been contained to a single digit. Tight control on the budget has been accompanied by tax reforms aimed at reducing the tax rates and broadening the tax base.

On structural reforms, the government has since mid-1993 made significant strides. It has eliminated exchange controls including restrictions on inward portfolio investments and removed all trade restrictions, except for a short list of a few products controlled for health, security and environmental reasons.

Stable macro-economic conditions, liberalised markets, and more operations of the strategic public enterprises are expected to enhance the level and the efficiency of private investment, and result in increased income and job creation.

The government is supporting the Private Sector and especially export-oriented industrialization with a longer term objective of achieving the status of a Newly Industrialised Country (NIC) by the year 2020.

Direction of Trade

African countries continue to be the major market for Kenya's exports followed by EU. In 2002 the market share of total exports to African countries and EU stood at 48.9% and 28.5% respectively. Among the EU countries UK continues to be the leading market for Kenyan exports with a market share of 39.6% of exports to the region. UK was Kenya's second leading destination for Kenyan exports after Uganda.

Source of Imports

European Union continues to be the leading source of Kenya's imports. In the Common Market for Eastern and Southern Africa (COMESA), Uganda, Tanzania and Egypt continue to be Kenya's major trading partners.

Exports to:	% of total	Imports	% of total
Uganda	18.5	UK	8.2
UK	11.6	UAE	11.3
Tanzania	8.3	USA	5.7
Egypt	4.0	Japan	6.7
Germany	2.6	South Africa	2.7
EU	28.5	EU	34.5
COMESA	48.9	COMESA	8.5

Principal Exports

Tea
Horticulture
Coffee
Petroleum products
Fish and fish products
Cement
Soda Ash
Pyrethrum extract
Sisal
Fluorspar
Wattle

Principal Imports (2002)

Industrial & electrical machinery
Refined petroleum products
Motor vehicles and chassis
Crude petroleum
Iron & steel
Vegetable oils & fats
Resins & Plastics
Pharmaceuticals
Wheat
Maize
Sugar
Fertilizers
Paper and paper products

Economic Regional Affiliation:

Kenya is an active member of the following:

- Common Market for Eastern and Southern Africa (COMESA)
- East African Community (EAC)
- Inter-governmental Authority on Development (IGAD), while exports from Kenya enjoy preferential market access under the following arrangements:
 - EU market under -ACP (EU Cotonou Agreement)
 - US under African Growth and Opportunity Act (AGOA) and
 - Generalised System of Preferences (GSP)

Business & Investment Environment

The government encourages investment and the Kenyan economy remains open to foreign investors. There are no restrictions on foreign investment, foreign ownership, and repatriation of profits or capital.

Investment in the Export Processing Zones (EPZs) and Manufacturing Under-Bond (MUB) enjoys a 10 year tax holiday followed by 25% tax rate for the next 10 years and exempt from import duties, VAT, and Sales Tax.

Foreign ownership in listed Kenyan companies is generally restricted to 40% in the aggregate and 5% for each individual investors.

- There is manufacturing - Under Bond Scheme in operation.
- The Export Processing Zones Authority (EPZA) operates in 39 Zones, (37 private, 2 public).

Investment opportunities

Investment opportunities exist in nearly all the sectors and especially in agro based industries, machinery and building materials, furniture and paper products, garments and textiles, jewellery and watch manufacture, food processing, cosmetics, pharmaceuticals, electronic goods, solar technology products; IT/Data processing, tourism, banking and financial services, housing, roads, ports, railways and energy sector.

Guarantees to investors

The Kenya constitution guarantees against expropriation of private property except for purposes of public use or security and guarantees prompt and fair compensation in the event of such expropriation.

- The Government guarantees repatriation of capital and Profits after payment of the necessary taxes.
- Kenya is a member of Multilateral Investment Guarantee Agency (MIGA), a World Bank affiliate.
- Kenya is also a member of International Centre of Settlement of Investment Disputes (ICSID).

Taxation

Corporate tax presently stands at 30%. Withholding tax on dividends is 5%. However inter-corporate dividend payments between closely held companies are exempt from withholding tax. Dividends received by financial institutions as trading income are not subject to tax.

Value Added Tax (VAT) is levied on the supply of goods imported into or manufactured in Kenya and taxable services imported or provided in Kenya. The standard VAT rate is 16%. Restaurant services are taxable at 16%.

Unprocessed agricultural products are exempt from VAT. Inputs into health care, education and agricultural sectors are zero rated. All exports of goods and services are zero rated.

Excise duties are levied on beer, tobacco products, matches, spirits, wines, mineral water and biscuits (confectioneries).

Personal tax is charged on the income earned in Kenya by any person resident in Kenya. Individual income tax is taxable at rates graduated to 30%. Tax allowances are provided for all individual taxpayers. Taxable income includes all business income, employment income, dividends, interest and property income.

Privatisation:

Privatisation and restructuring of parastatals and other state owned companies has progressed well since 1994 and is almost complete.

The government has reduced its share holdings from the Kenya Commercial Bank, National Bank of Kenya, Serena Hotels and Kenya Airways.

Restructuring and reforming of key public enterprises like the Kenya Ports Authority (KPA), Kenya Railways (KR) the Kenya Power and Lighting Company (KPLC) and Kenya Posts and Telecommunications Corporation (KPTC) have already taken place, and as a result we have the Kenya Electricity Generating Company (KemGen) and the Kenya Power and Lighting Company (KPL) respectively and for telecommunications we have Postal Corporation of Kenya, Telkom Kenya Ltd. and the Communication Commission of Kenya (CCK).

Contact Addresses in London

Commercial Office,
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Tel. 020 7355 3145 or 020 636 2371
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IN KENYA:

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Ministry of Tourism, Trade & Industry,
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Export Processing Zones Authority (EPZA)

British American Centre,
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NAIROBI
Tel: 00254-20-712800/6
Fax: 00254-20-713704
e-mail: epzahq@africaonline.co.ke
Website: <http://www.epzakenya.com/>

Export Promotion Council (EPC)

Anniversary Towers,
University Way,
P.O.Box 40247,
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e-mail: chiefexe@epc.or.ke
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Investment Promotion Centre (IPC),

8th Floor, National Bank Building,
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Other Important Addresses

Fresh Produce Exporters Association of Kenya (FPEAK)

P.O.Box 40312,
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Horticultural Crops Development Authority (HCDA),
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NAIROBI
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Website: <http://www.hcda.or.ke/>

Federation of Kenya Employers (FKE),
Wajiri House, Argwings Kodhek Road, Milimani,
P.O.Box 48311,
NAIROBI
Tel: 00254-20-711929/48/49/52
Fax: 00254-2-721990
e-mail: fke@arcc.or.ke
Website: <http://www.fke-kenya.org>

Capital Markets Authority (CMA)
Re-insurance Plaza, Taifa Road,
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Tel: 00254-20-221910/221869
Fax: 00254-20-228254
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Website: <http://www.cma.or.ke/>

Nairobi Stock Exchange (NSE)
Nation Centre, 1st Floor, Kimathi Street,
P.O.Box 43833,
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Tel: 00254-20-230692
Fax: 00254-20-224200
Website: <http://www.nse.co.ke/>

Kenya Association of Manufacturers (KAM)
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E-Mail: kam@iconnect.co.ke
Website: www.kenyamanufacturers.org

Kenya National Chamber of Commerce and Industry (KNCCI)

Ufanisi House,
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Pyrethrum Board of Kenya

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Tea Board of Kenya,

P.O.Box 20064,
NAIROBI
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COMMERCIAL OFFICE

JULY 2004.