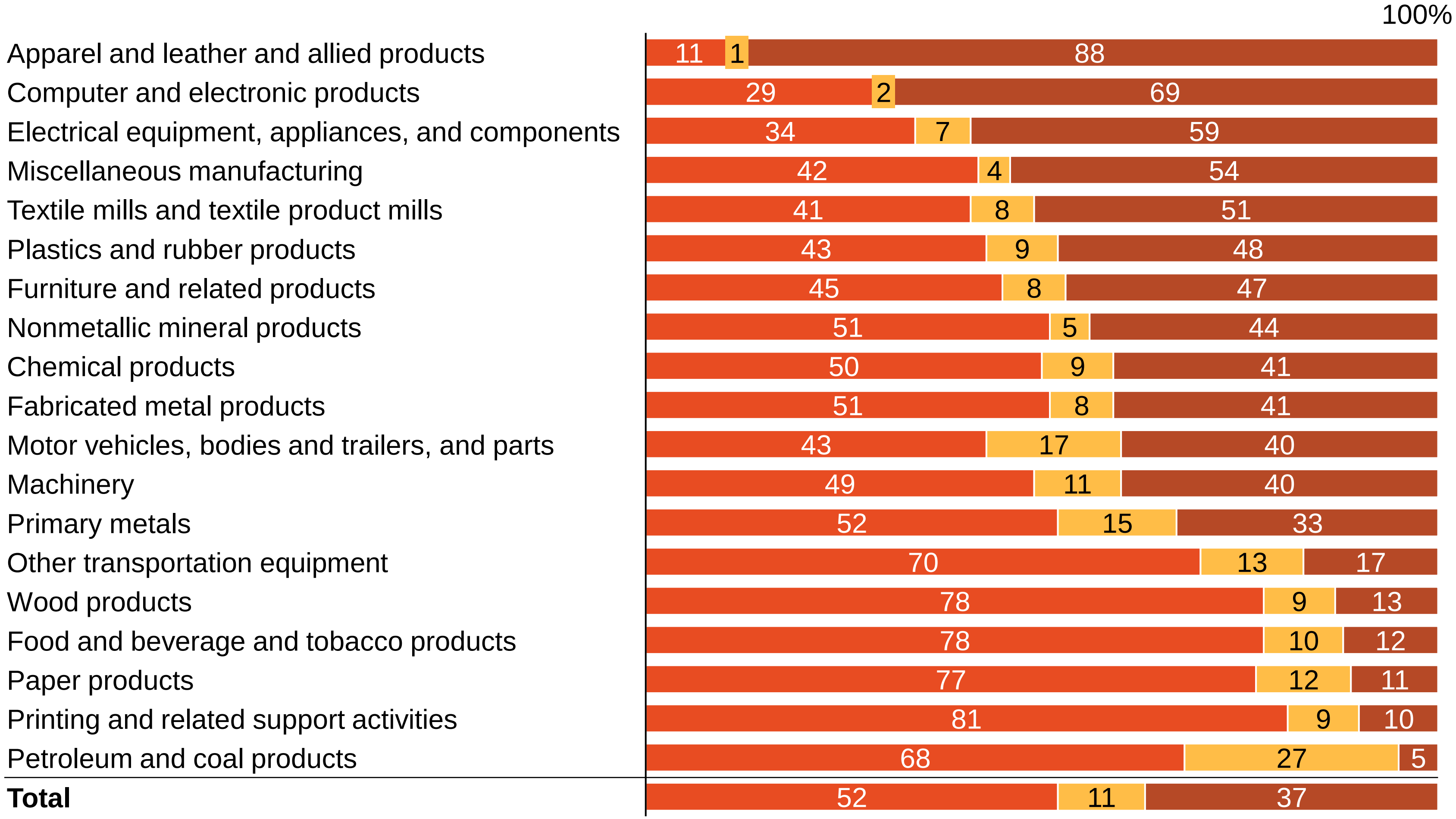
# Impact of changing US tariffs on Kenya's textile and apparel (T&A) sector

May 2025

# The biggest impacts of new U.S. tariffs will likely be on globally-integrated industries

**Origins of gross US domestic purchases by sub-industry 2023, %**

- Share of U.S. domestic content
- Imported inputs in domestic output
- Share of imported final goods




Note: Perspective as of 12/23/2024. Subject to change based on Administration actions, policy changes, the macroeconomic environment, and further analysis.

Source: Purchased in America, 2023,U.S. Department of Commerce

## Insights

Low domestic content industries such as **apparel and electronics may be the most vulnerable** to potential tariff impacts on finished goods

Numerous industries (e.g., autos) **face tariffs on both finished goods** (which account for ~40% of US consumption) **and imported inputs on domestically-finished goods** (another ~17% of US auto purchases)

# Top 20 textile and apparel (T&A) exporters to the U.S.

## 6 countries with higher textile and apparel exports to the U.S have similar reciprocal tariffs to Kenya

Countries with FTA/prior 0% tariff

Textile | Apparel

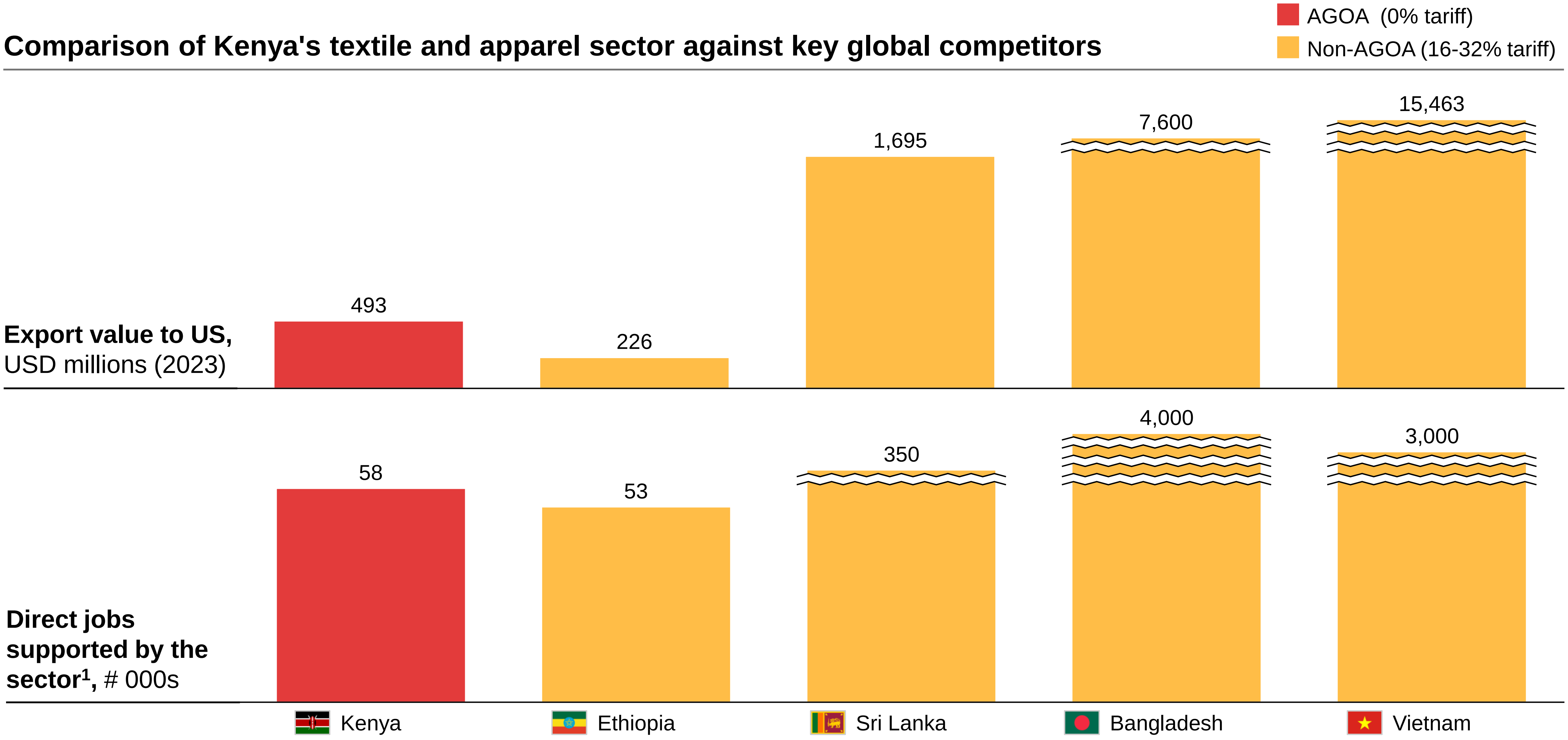
| | | **Textile and apparel export value to the U.S. (2023),** USD Bn[1] | **Textile and apparel tariff** (prior to 2nd April 2025)[3] | **Reciprocal tariff** (announced 2nd of April)[2] | **Effective tariff** (announced 2nd of April)[2] | **Current effective tariff** |
|---|---|---|---|---|---|---|
| 1 | China | 20.3 | 5-32% + 20% | 125% | 150-177% | 55-82%[3] |
| 2 | Vietnam | 15.5 | 5-32% | 46% | 51-78% | 15-42% |
| 3 | Bangladesh | 7.6 | 5-32% | 37% | 42-69% | 15-42% |
| 4 | Mexico | 6.3 | 35% on finished goods,15% on inputs | - | 35% (finished goods) | 35% (finished goods) |
| 5 | India | 5.6 | 5-32% | 26% | 31-58% | 15-42% |
| 6 | Indonesia | 4.8 | 5-32% | 32% | 37-64% | 15-42% |
| 7 | Honduras | 3.7 | 0% (under CAFTA-DR) | 10% | 10% | 10% |
| 8 | Cambodia | 3.5 | 5-32% | 49% | 54-81% | 15-42% |
| 9 | Pakistan | 3.2 | 5-32% | 29% | 34-61% | 15-42% |
| 10 | Canada | 3.2 | 5-32% | 25% | 30-57% | 15-42% |
| 11 | Italy | 2.6 | 5-32% | 20% | 25-52% | 15-42% |
| 12 | Nicaragua | 2.3 | 0% (under CAFTA-DR) | 18% | 18% | 10% |
| 13 | Türkiye | 2.1 | 5-32% | 10% | 15-42% | 15-42% |
| 14 | El Salvador | 1.9 | 0% (under CAFTA-DR) | 10% | 10% | 10% |
| 15 | Guatemala | 1.7 | 0% (under CAFTA-DR) | 10% | 10% | 10% |
| 16 | Jordan | 1.7 | 5-32% | 20% | 25-56% | 15-42% |
| 17 | Sri Lanka | 1.7 | 5-32% | 44% | 49-76% | 15-42% |
| 18 | Egypt | 1.2 | 0% | 10% | 10% | 10% |
| 19 | Thailand | 1.2 | 5-32% | 37% | 42-69% | 15-42% |
| 20 | Dominican Rep. | 1.0 | 0% (under CAFTA-DR) | 10% | 10% | 10% |
| 27 | Kenya | 0.4 | 0% (under AGOA) | 10% | 10% | 0% |

1. Accounts for products under HS codes 50, 51, 52, 54, 55, 61, and 62
2. Effective from April 2nd 2025; prior to 90-day pause being implemented on some countries
3. As per latest China-US agreement to reduce reciprocal tariffs to 30%

Source: UN Comtrade

# Kenya's textile and apparel sector remains relatively small despite 0% tariff rate provided by AGOA

## Comparison of Kenya's textile and apparel sector against key global competitors




1. Not FTE equivalent

Source: Manufacturing Africa – Reimagining Textiles and Apparel Textiles report (2022), Harmonized tariff schedule of the US, WTIN, UN Comtrade

# Kenya's top exports are men's synthetic and cotton trousers

✳ Effective tariff analysed

Highest tariffs

| | Top textile and apparel exports | **CIF value (2023 estimates),** USD Mn (share of Kenya's apparel exports) | **Share of product exports to US** | **Non-AGOA product tariffs** (prior to April 5th) |
|---|---|---|---|---|
| **Cotton products** | 620342: Men's Cotton Trousers, Shorts, and Denim | 72 (15%) | 1.6% | 16.6% |
| | 610711: Men's Cotton Underwear | 16 (3%) | 2.4% | 12.6% |
| | ✳ 620520: Men's Cotton Shirts | 14 (3%) | 0.7% | 19.7% |
| | 610910: Cotton T-Shirts, Singlets, and Vests | 11 (2%) | 0.2% | 16.5% |
| | 620462: Women's Cotton Trousers, Shorts, and Denim | 10 (2%) | 0.3% | 16.6% |
| **Non-cotton products** | 620343: Men's Synthetic Fibre Trousers, and Shorts | 86 (18%) | 4.1% | 27.9% |
| | 620463: Women's Synthetic Fibre Trousers, and Shorts | 43 (9%) | 3.5% | 14.9% |
| | 610463: Women's Synthetic Fibre Trousers, and Shorts[2] | 14 (3%) | 0.9% | 27.9% |
| | 610520: Men's Man-Made Fibre Shirts[2] | 13 (3%) | 1.1% | 32.3% |
| | 620530: Men's Man-Made Fibre Shirts | 11 (2%) | 1.4% | 19.7% |
| | 610990: Non-Cotton Textile T-Shirts, Singlets, and Vests | 11 (2%) | 0.5% | 32.3% |

"Our exports have evolved[1], and our largest product is now men's synthetic trousers. The benefit of AGOA is significant in this category, with a product tariff of 28% otherwise. However, this leaves us particularly exposed if AGOA expires"

**– Apparel Manufacturer in Kenya**

1. From 2020 to 2022, men's cotton trousers were Kenya's leading apparel export to the U.S. by value, contributing 17–18% of total apparel exports. In 2023, they were overtaken by men's synthetic trousers, which had previously accounted for 12–14% of exports during the same period.
2. Knitted or crocheted

Source: UN COMTRADE

# Potential impact of US tariffs

Today

| Tariff exposure | Impact on Kenya T&A exports | Impact on key competitors' T&A exports |
|---|---|---|
| **Current: 0% for Kenya and 10% reciprocal tariffs applied to existing tariffs for other countries (90-day pause)** | 0% effective tariff applied | 5-32% product tariff plus 10% reciprocal tariff applied for all/ most countries[2] |
| A **Kenya benefits from FTA similar to AGOA; reciprocal tariffs applying to other countries other than CAFTA-DR members** | 0% tariff applied after signing an FTA, with tariffs similar to AGOA | 5-32% product tariff plus full reciprocal tariff applied for all/ most countries except CAFTA-DR countries |
| B **Kenya loses AGOA benefits while high-tariff countries negotiate 50% discount on their reciprocal tariffs** | 5-32% product tariff plus 10% reciprocal tariff applied | 5-32% product tariff plus 50% of reciprocal tariff for high tariff countries (>10%)[1] |
| C **Kenya loses AGOA benefits; product tariffs apply for all countries except CAFTA–DR members (no reciprocal tariffs)** | 5-32% product tariff applied | 5-32% product tariff applied for all countries except CAFTA-DR countries |

**This list is not exhaustive, as the application of the reciprocal tariff remains uncertain and evolving, such as the 90-day pause for select countries announced on 9th April**

1. Vietnam (46%) and Bangladesh (37%) — both highly tariffed before the 90 day pause — are used as examples in the analysis
2. Excluding countries with Free Trade agreement (including AGOA, CAFTA)

# 2, 3. Effective tariffs on a cotton t-shirt (HS code: 610910) and men's cotton trousers (HS code: 620342)

**PRELIMINARY DRAFT FOR DISCUSSION**

✳ Analysed next | <=10% | 10 – 30% | 30 – 50% | >50%

**Product tariff for cotton t-shirt and trousers = 16.5%** for all countries without an FTA in place; reciprocal tariffs applied on top of existing tariffs

| | | Effective tariff | | | |
|---|---|---|---|---|---|
| **Country** | **Reciprocal Tariff** | **0% for Kenya and 10% reciprocal tariffs applied to existing tariffs for other countries (90-day pause)** | **A Kenya benefits from FTA similar to AGOA; reciprocal tariffs applying to other countries other than CAFTA-DR members** | **B Kenya loses AGOA benefits while high-tariff countries negotiate 50% discount on their reciprocal tariffs** | **C Kenya loses AGOA benefits; product tariffs apply for all countries except CAFTA–DR members (no reciprocal tariffs)** |
| ✳ **Kenya** | 10% | 0% | 0% | 26.5% | 16.5% |
| ✳ **Bangladesh** | 37% | 26.5% | 53.5% | 34.5% | 16.5% |
| ✳ **Vietnam** | 46% | 26.5% | 62.5% | 39.5% | 16.5% |
| ✳ **Ethiopia** | 10% | 26.5% | 26.5% | 26.5% | 16.5% |
| ✳ **Honduras** | 10% | 10% | 0% | 10% | 0% |
| **El Salvador** | 10% | 10% | 0% | 10% | 0% |
| **Egypt** | 10% | 26.5% | 26.5% | 26.5% | 16.5% |

Source: Manufacturing Africa, World Bank, Harmonized tariff schedule of the US

Note: This assessment offers directional insights.

# Landed cost implications of different effective tariffs by country

## Example: Cotton T-Shirt landed costs

Cheapest producer
<$1 price difference from cheapest producer
>$1 price difference from cheapest producer
Most expensive producer
Target cost

**Non-exhaustive**

**PRELIMINARY DRAFT FOR DISCUSSION**

**Post tariff costs of a cotton T-shirt (incl. US tariffs)**

| Country | Reciprocal Tariff | Pre-tariff costs of a cotton T-shirt prior to April 5th | Post tariff landed cost of a cotton T-shirt prior to April 5th | 0% for Kenya and 10% reciprocal tariffs applied to existing tariffs for other countries (90-day pause) | A Kenya benefits from FTA similar to AGOA; reciprocal tariffs applying to other countries other than CAFTA-DR members | B Kenya loses AGOA benefits while high-tariff countries negotiate 50% discount on their reciprocal tariffs | C Kenya loses AGOA benefits; product tariffs apply for all countries except CAFTA–DR members (no reciprocal tariffs) |
|---|---|---|---|---|---|---|---|
| Kenya | 10% | 5.10 | 5.10 | 5.10 | 5.10 | 6.46 | 5.94 |
| Bangladesh | 37% | 4.30 | 5.01 | 5.44 | 6.60 | 5.81 | 5.01 |
| Vietnam | 46% | 4.20 | 4.90 | 5.31 | 6.83 | 5.86 | 4.90 |
| Ethiopia | 10% | 5.00 | 5.83 | 6.33 | 6.33 | 6.33 | 5.83 |
| Honduras | 10% | 9.16 | 9.16 | 10.08 | 9.16 | 10.08 | 9.16 |
| **Target tariff** | | | | | | 5.86 To match 2nd cheapest | 5.10 - To retain competitiveness |

Source: Manufacturing Africa, World Bank, Harmonized tariff schedule of the US
Note: This assessment offers directional insights.

# Kenya's export value implications based on different effective tariffs

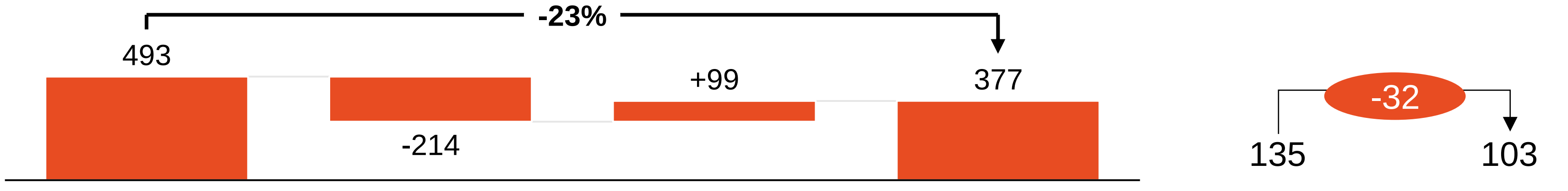
PRELIMINARY DRAFT FOR DISCUSSION

**Tariff exposure:** Impact[1]

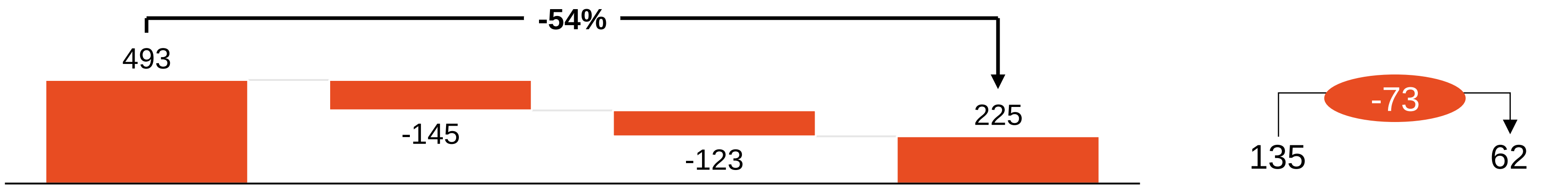
**Estimated change in Kenya's apparel export value to the US** USD Mn

**Direct and indirect jobs,** 000s — Current / Estimated

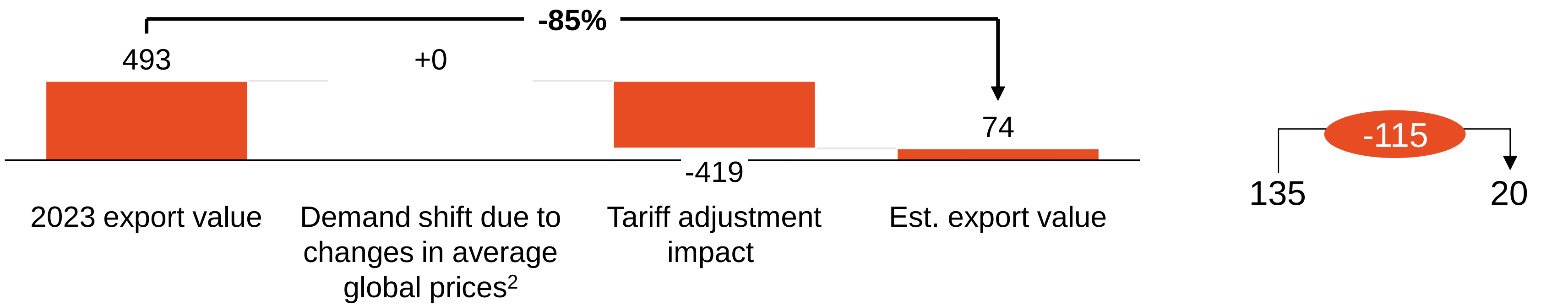
**A** **Kenya benefits from FTA similar to AGOA; reciprocal tariffs applying to other countries other than CAFTA-DR members**




**B** **Kenya loses AGOA benefits while high-tariff countries negotiate 50% discount on their reciprocal tariffs**




**C** **Kenya loses AGOA benefits; product tariffs apply for all countries except CAFTA–DR members (no reciprocal tariffs)**




1. The assumptions on the impact of tariff application are as follows: A) Tariff advantages boost competitiveness, driving growth and investment, mirroring 20% CAGR double that of Mexico's in U.S. exports post-China tariffs (2020–2023). ). 26% increase weighted prices among competitors is associated with a 42% decrease in demand; B) Kenya loses moderate share to low-cost competitors and those with negotiated reciprocal tariff, mirroring China's 25% decline in exports to US (2020–2023). 15% increase weighted prices among competitors is associated with a 24% decrease in demand; C) Without AGOA, an FTA, and reciprocal tariffs, Kenya faces steep competition and high costs, mirroring Madagascar's 85% loss after AGOA non-renewal in 2009-2010. 0%decrease weighted prices among competitors is associated with a 0% increase in demand
2. **Includes China (30% reciprocal tariffs)**. Source of PED estimate used in analysis is www.just-style.com; alternative (but similar) PED estimates available from Macalister University publications. The Price Elasticity of Demand (PED) assumed for estimating demand shifts is of -1.6. While alternative PED assumptions could be used, most are within the range of 1-1.5, with no major implications on demand shift outcomes[2]

Source: UN Comtrade, National Retail Federation, EPZA    Note: This assessment offers directional insights.

# Retaining Kenya's competitiveness would require a mix of private sector and government interventions

Landed cost of a cotton T-shirt from Kenya to the U.S., USD

XX Cost reduction (%) within cost item due to intervention

| Cost item | B Post-tariff baseline | Private sector interventions partially enhance competitiveness, but are not enough | | Government interventions needed to reach parity with 2nd cheapest | Cost impact ($) |
|---|---|---|---|---|---|
| Fabric | 2.30 | 2.20 | 4% **Procurement optimization practices:** price re-negotiations, group buying, analytics for optimized procurement | 5% Facilitate **bulk government procurement** | 0.14 |
| Accessories | 0.51 | 0.49 | | | |
| Shipping | 0.77 | | | 25% Temporarily reimburse a portion of **freight or port handling fees** | 0.32 |
| Packaging | 0.51 | | | | |
| Labor | 0.51 | 0.48 | 6% **Enhanced manufacturing efficiency:** Process optimization, increasing utilization rates and sewing efficiency | 10% Provide **wage subsidies**, PAYE exemptions, exemptions on other statutory requirements | 0.05 |
| Electricity | 0.26 | | | 50% Offer **lower electricity tariffs** | 0.13 |
| Financing costs | 0.26 | | | 50% Provide **credit guarantees** for affordable financing | 0.13 |
| Pre-tariff | 5.10 | 4.96 | | **$0.41/unit** to be subsidized through government interventions | **0.77 + 0.20[3] = 0.97 maximum reduction** |
| Impact of US tariff change[1] | 1.36 | 1.31 | Private interventions alone are **not enough** to get parity with 2nd cheapest | | |
| Post tariff | 6.46 (-0.60) | **6.27** (-0.41) | | **~$40Mn** required to retain pre-tariff volumes[2] | |
| **Target cost** | **5.86** | **5.86** | Unit cost required to match 2nd position on competitiveness ranking | | |

1. Kenya loses AGOA benefits, product tariffs (16.5%) and reciprocal tariffs (10%) are applied ; 2. Assumes all textile/apparel products will require similar unit subsidy as cotton T-shit. Calculated by multiplying unit subsidy ($0.41) with pre-tariff volume. 3. Additional cost reduction as lower pre-tariff cost imply lower absolute tariff costs

Source: Press search, KRA, Manufacturing Africa