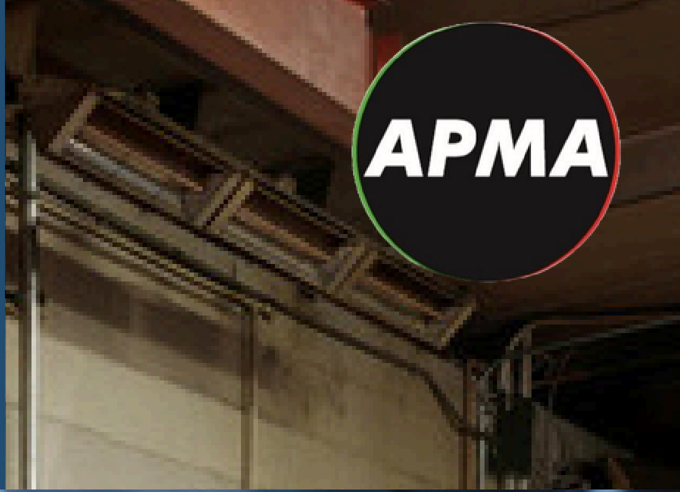
AUTOMOTIVE PARTS MANUFACTURERS ASSOCIATION OF KENYA



DRIVING LOCAL PARTS MANUFACTURING FORWARD

Issue 02-2026

NEWSLETTER

June 18, 2026

In this issue;

A MESSAGE FROM THE AUTOMOTIVE PARTS MANUFACTURERS ASSOCIATION (APMA)

Building Momentum Towards a Competitive Local Automotive Manufacturing Ecosystem

Greetings,

The Kenyan automotive sector has shown encouraging signs of recovery and growth over the past six months, driven by increased government support, renewed industry confidence, and improved performance across key segments of the value chain.

A significant contributor to this positive momentum has been the Government's continued focus on promoting local vehicle assembly through initiatives such as the vehicle leasing program, which is creating additional demand for locally assembled vehicles. This has been complemented by increased output from local assembly plants in 2025, supporting greater opportunities for Kenyan automotive parts manufacturers to supply components and participate more actively in the automotive value chain.

The motorcycle sub-sector has also recorded a strong performance, resulting in a rebound in demand for locally manufactured motorcycle parts and components. This growth demonstrates the important role of local suppliers in supporting mobility solutions and advancing Kenya's localization agenda.

Despite these gains, the sector continues to face challenges that require collective action. The proliferation of counterfeit and illicit automotive components remains a major threat to legitimate manufacturers, affecting investment, consumer confidence, and safety standards. Additionally, the high cost of electricity, fuel, and other production inputs continues to impact the competitiveness of local manufacturers.

Nevertheless, APMA remains optimistic about the outlook for the second half of the year. Continued growth in motor vehicle and motorcycle assembly is expected to create further opportunities for parts manufacturers as assemblers deepen local supplier engagement. The anticipated implementation of the Samurai Bond financing facility, established through collaboration between the Governments of Kenya and Japan, is expected to provide affordable financing to automotive industry players, enabling manufacturers to invest in technology, expand capacity, improve quality standards, and enhance competitiveness.

APMA continues to advocate for policies that support local content development, strengthen industry collaboration, and position Kenyan manufacturers to benefit from emerging opportunities, including the transition towards new mobility solutions.

The association has also continued to grow its membership base, reflecting increasing confidence among local automotive parts manufacturers. In recent months, APMA welcomed four new members: **Zubery Auto Parts Limited, Rubber Products Limited, Auto Ancillaries Limited, and Nationwide Electrical Industries Ltd.**

This growth demonstrates the growing recognition of APMA's role in representing and supporting the interests of the automotive parts manufacturing industry. Dedicated profiles of these companies are featured in this issue, highlighting their capabilities and contributions to Kenya's automotive manufacturing ecosystem.

APMA Secretariat
June 2026

TRADE INSIGHTS

Understanding Rules of Origin in International Trade

Introduction; Trade, Treaties, and Rules of Origin

International trade does not take place in a vacuum. It is governed by a complex web of agreements, tariffs, and protocols that determine how goods move across borders and at what cost. At the heart of this system is a deceptively simple question: *where does a product come from?*

The answer matters enormously. Under the **World Trade Organization (WTO)**, member countries are bound by the M**ost Favoured Nation (MFN) principle** — meaning they cannot discriminate between trading partners. However, countries can enter into bilateral or regional **Free Trade Agreements (FTAs)** that grant reduced or zero-tariff access to partner countries. To prevent abuse, every such agreement requires a mechanism to verify that goods genuinely originate from a beneficiary country. That mechanism is **Rules of Origin.**

Why Rules of Origin Matter

Rules of Origin determine the economic nationality of a product — the country it is deemed to have come from. This is straightforward when a product is wholly made in one country, but highly complex when raw materials, components, or manufacturing processes span multiple countries.

Rules of Origin are generally classified into two;

Non-Preferential Rules of Origin

Applied in standard trade policy

- MFN tariff treatment
- Anti-dumping rules
- safeguard measures
- origin marking (Made in....), and:
- Trade Statistics

Preferential Rules of Origin

- Preferential Rules of Origin are embedded in FTAs and preference schemes such as the Generalised System of Preferences (GSP).
- They determine whether a product qualifies for reduced or zero tariffs under a given trade agreement.
- Without meeting these rules, an exporter cannot claim the preferential rate — and the commercial advantage is lost.

How Origin is Determined: The Two Core Criteria

1. Wholly Obtained or Produced

Products are **"wholly obtained"** when they are entirely extracted, grown, or produced in a single country using only materials from that country. This category covers;

- mineral extractions,
- agricultural harvests,
- livestock and their products,
- fisheries within a country's territorial waters or Exclusive Economic Zone (EEZ),
- and scrap/waste collected in-country.

For fishing in international waters, the nationality of the vessel is the determining factor.

2. Substantial Transformation

Where inputs originate from multiple countries, origin is conferred on the country where the last substantial transformation occurred. Three criteria are used to determine this, either individually or in combination:

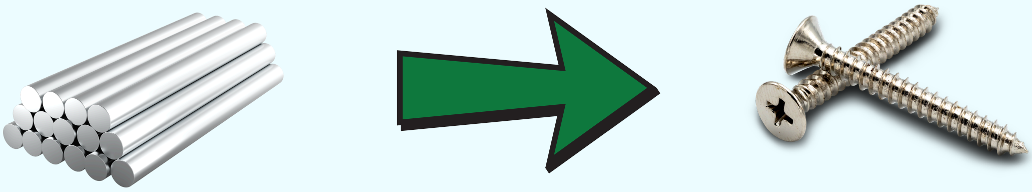
- Change in tariff classification
- Ad Valorem Percentage (Value Added)
- Specific Manufacturing or processing Operations

Change in Tariff Classification

The finished product must fall under a different Harmonized System (HS) tariff heading from the non-originating inputs used to make it. The level of change required, **chapter (2-digit), heading (4-digit), or subheading (6-digit)**, is defined in each agreement's Product Specific Rules (PSRs). This method is widely used because it leverages the universal HS nomenclature, making it objective, predictable, and familiar to both traders and customs authorities.

Raw Material
Stainless steel metal rods
HS Code 7222. 30.00

Final Products
Screws
HS Code 7318.15.00



Ad Valorem Percentage (Value Added)

Substantial transformation is measured by the proportion of value added within the FTA territory. Rules specify either a maximum allowance for non-originating inputs or a minimum domestic content threshold. This method is flexible and familiar to business operators, though it can be complex to administer and is sensitive to exchange rate fluctuations.

Specific Manufacturing or Specific Processes

Regardless of tariff classification changes, a product is considered originating if it has undergone a defined manufacturing process listed in the agreement. This method is particularly common in the textile and apparel sector, where a "double transformation" rule — requiring at least two stages such as spinning, weaving, or sewing — is the standard.

Note: *Minimal operations such as simple packaging, relabelling, basic sorting, or the slaughter of animals never confer origin, even if they result in a tariff heading change.*

Key Insight: *Cumulation provisions in FTAs allow inputs or manufacturing operations from partner countries to be aggregated when determining origin. This is especially important in regional trade blocs, as it encourages regional value chains and makes compliance more achievable for manufacturers that source across borders.*

Why Manufacturers Must Understand Rules of Origin

For Kenyan manufacturers, mastering the Rules of Origin is not a mere compliance formality. It is a strategic business tool. Two landmark frameworks make this especially relevant:

EAC: The East African Community (EAC) Customs Union grants zero-tariff access across Kenya, Uganda, Tanzania, Rwanda, Burundi, South Sudan, and the DRC. To benefit, goods must meet the EAC's Rules of Origin, which include wholly obtained criteria and value-addition thresholds.

AfCFTA: The African Continental Free Trade Area (AfCFTA), now the world's largest free trade area by membership, creates a single market across 54 African countries. Its Rules of Origin framework, based on CTC, value added, and specific process rules, will determine which manufacturers can export preferentially across the continent.

A manufacturer who understands and designs their production process to satisfy these rules can export at zero or reduced duties across regional markets, a decisive competitive advantage. One who does not may find their goods taxed at standard MFN rates, losing market access to competitors who have structured their supply chains accordingly.

Practical steps for manufacturers include: classifying your inputs and finished goods using the HS; calculating local value content; understanding the PSRs that apply to your product category; and obtaining a valid Certificate of Origin from the relevant competent authority or through self-certification where permitted.

NEW MEMBERS

ZUBERY AUTO PARTS LIMITED

Zubery Auto Parts Ltd is a Kenyan automotive component manufacturer specializing in the fabrication of high-quality motorcycle parts and supporting the growth of local content in the automotive industry. Located at Graylands III, off Mombasa Road, Athi River, the company operates a modern production facility equipped with advanced manufacturing technologies designed to meet the needs of both local and regional markets.

Center Stand | Leg Guard | Grip Frame | Foot Rest LH & RH

Foot Rest BM 150 LH & RH | Side Stand | Stay LH & RH | Torque Rod

Committed to supporting Kenya's localization agenda and the "Made in Kenya" initiative, Zubery Auto Parts combines technology, engineering expertise, and skilled manpower to deliver reliable and cost-effective automotive solutions.

A key strength of Zubery Auto Parts is its advanced surface treatment and finishing capability. The company has installed Kenya's first automated pre-treatment plant, followed by a conveyorized powder coating facility with a heated curing oven. This ensures consistent product quality, durability, and compliance with automotive industry requirements.

The company's quality assurance systems are supported by an in-house Quality Control (QC) department and laboratory testing facility. All components undergo rigorous inspection using master gauges, while finished products are tested for parameters such as impact resistance, gloss, abrasion resistance, hardness, and salt spray performance to ensure they meet required standards.

Zubery Auto Parts currently manufactures a range of fabricated automotive components, including motorcycle center stands, leg guards, grip frames, footrests, side stands, stays, and torque rods. With its focus on innovation, precision manufacturing, and continuous improvement, the company aims to expand its footprint beyond Kenya into the wider East African and COMESA markets.

Through investment in advanced technology and local capability development, Zubery Auto Parts Ltd continues to contribute to the growth of Kenya's automotive manufacturing ecosystem by providing locally produced components that enhance value addition, industrialization, and supply chain resilience.

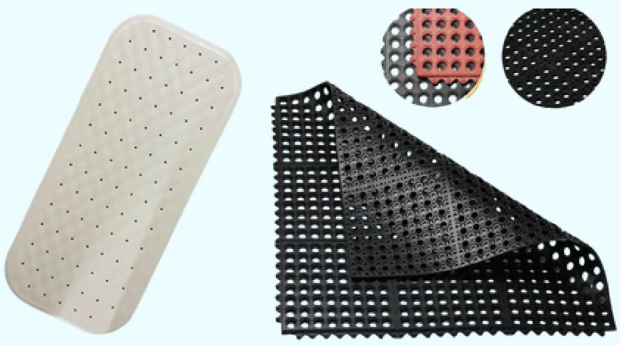
RUBBER PRODUCTS LIMITED

A legacy of Kenyan manufacturing excellence since 1969

Founded in 1969, Rubber Products Limited (RPL) is one of Kenya's pioneering manufacturers of rubber and adhesive products, with over five decades of experience delivering reliable industrial solutions to businesses across East Africa.

Based in Nairobi's Industrial Area, RPL has grown from a tread rubber manufacturer into a diversified company offering a wide range of locally produced rubber products and adhesive solutions. The company's expertise spans moulded rubber components, industrial seals and gaskets, rubber profiles, vehicle floor mats, gym tiles, and specialized adhesive products for commercial and industrial applications.

Driven by a commitment to quality, innovation, and customer satisfaction, RPL works closely with clients to develop customized solutions that meet specific performance requirements. Its manufacturing capabilities and technical expertise have positioned the company as a trusted partner for industries seeking dependable locally manufactured products.



With a legacy built on experience, quality, and continuous improvement, Rubber Products Limited continues to demonstrate the potential of Kenyan manufacturing — transforming ideas into solutions and challenges into opportunities.

Rubber Products Limited
Nairobi, Kenya | www.rplkenya.co.ke

TikTok rubberproductskenya

AUTO ANCILLARIES LIMITED

Driving Regional Mobility Through Local Manufacturing

Established in 1977, Auto Ancillaries Limited (AAL) has built a strong legacy as one of East Africa's pioneering manufacturers in the automotive components industry. Based in Nairobi's Industrial Area, the company has grown into a leading producer of automobile leaf springs and related suspension components, serving both local and regional markets.

With nearly five decades of manufacturing experience, AAL combines engineering expertise, modern production technology, and robust manufacturing capacity to deliver reliable, high-quality automotive solutions. The company produces a range of products under the SMKO brand, including leaf springs, U-bolts, wheel studs, centre bolts, and nuts—critical components that support vehicle performance, durability, and safety.

AAL supplies original equipment manufacturers (OEMs) and motor vehicle assemblers while also serving the replacement parts market across East Africa.

Beyond its core product line, the company also stocks complete trailer suspension sets and associated parts for BPW systems.

As a member of APMA, the company represents the innovation, industrial capability, and regional competitiveness that continue to strengthen the automotive parts industry.

aal@sivoko.biz

NATIONWIDE ELECTRICAL INDUSTRIES LIMITED

Established in 1978, Nationwide Electrical Industries Ltd (NEI) is a leading Kenyan manufacturer and supplier of electrical distribution systems, fabrication solutions, and industrial products, with over four decades of experience in the electrical and engineering sector. The company has built a strong reputation for quality, innovation, and locally manufactured solutions.

NEI offers advanced fabrication capabilities, including CNC punching, CNC press braking, laser cutting, shearing, welding, and automated powder coating services. The company also manufactures a wide range of products, including electrical enclosures, cable trays, cable trunking, server cabinets, warehouse shelving systems, lighting solutions, and customized metal fabrication products.

Through its power solutions division, Nationwide Power Systems Ltd, the company provides turnkey electrical distribution and power control solutions, including distribution boards, switchboards, transformers, automatic voltage regulators, modular panels, and medium and high voltage switchgear solutions.

Committed to supporting local manufacturing, NEI combines engineering expertise, modern technology, and customer-focused solutions to serve diverse industries across Kenya. The company's capabilities in sheet metal fabrication, powder coating, and electrical systems make it a valuable partner for the automotive and industrial sectors seeking reliable locally manufactured components and services.

Nationwide Electrical Industries Ltd

Key Economic Indicators

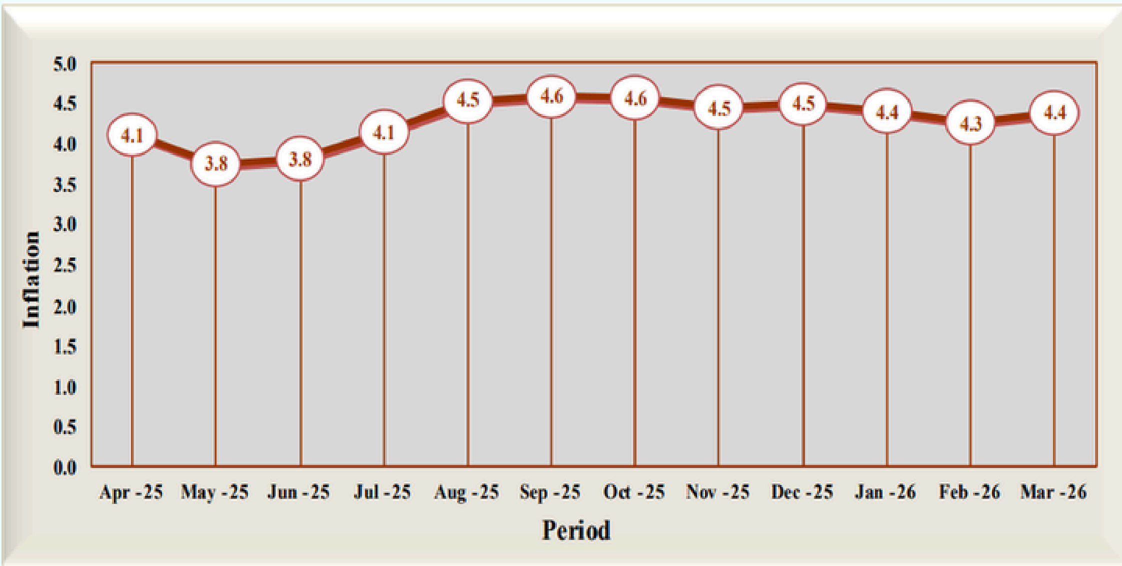
- The Kenyan Shilling remained stable, exchanging at an average of 129 against the US Dollar

- Inflation increased marginally to 4.39% in March from 4.25% in February. While inflation is expected to stay within the 4–5% band in the medium term.

  Rising geopolitical tensions could trigger oil-related inflation risks.

- Treasury bill rates continued their downward trend, with yields on the 91-day, 182-day, and 364-day instruments standing at 7.54%, 7.83%, and 8.54% respectively, representing a significant decline from the approximately 16% levels recorded two years ago.
  On the lending side, the weighted average commercial bank lending rate stood at 14.7% in March, marking a reduction of 1.75 percentage points compared to the same period two years earlier. While lending rates remain relatively elevated, the decline signals a gradual improvement in the cost of credit for businesses and consumers.

Inflation Rates: 2025 - 2026



Source: Kenya National Bureau of Statistics

Motor Vehicle Registration Data (January - December 2025) Source: NTSA

Body Type	Saloons	ST Wagons	Vans	Pick Ups	Mini Buses	Buses	Lorries	Trailers	Motor Cycles	Three Wheelers	Wheeled Tractors	Others	**Totals**
Total	4,979	74,365	3,061	4,157	1,980	1,887	6,719	4,518	165,286	7,409	836	9,816	**285013**

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