



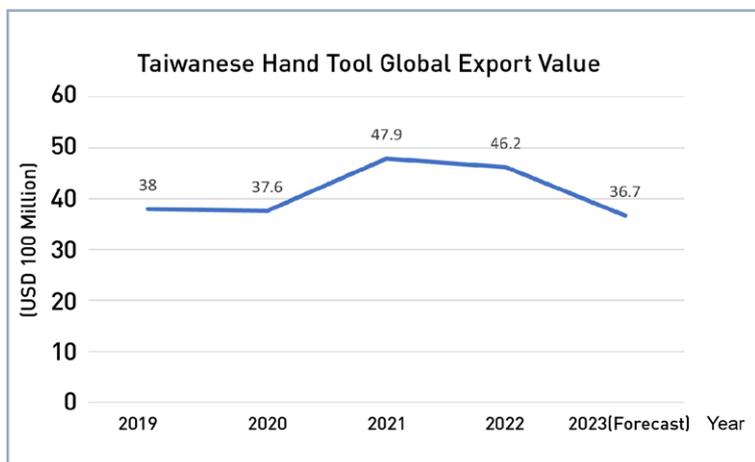
Editorial: Taiwan Seeks Breakthrough Amidst Challenges in Export

社論：
出口面臨挑戰 台灣尋找2024年突破口

Taiwan is well known as a kingdom of both fasteners and hand tools which respectively take up their own market shares that have influence. The increase in the world's demand for these two Taiwanese industries over the past few years has made Taiwan gain more attention in the global market. **This article does a cross analysis of Taiwanese fastener and hand tool export performance, points out the current and future trends, and helps global readers learn Taiwan's situation and where collaboration is possible.**

Hand Tool Companies Expect Orders to Return in H2 2024

Taiwanese Hand Tool Global Export Value					
Year	2019	2020	2021	2022	2023 (Forecast)
Export Value (USD 100 Million)	38	37.6	47.9	46.2	36.7
YoY(%)	-1.8	-0.9	27.4	-3.5	-20.5



Taiwan's global export of hand tools amounted to USD 3.8 billion in 2019, and after reaching a peak of USD 4.79 billion in 2021, it began a downward trajectory in 2022. The export value reached USD 2.447 billion in the first eight months of 2023, and based on that, the full-year export value for 2023 is currently estimated to land at around USD 3.67 billion. Compared to 2022, the forecast for 2023 is down a whopping 20.5%, virtually canceling out the 27.4% increase in 2021. In other words, Taiwan's hand tool export in 2023 returned to 2019 or 2020 levels.

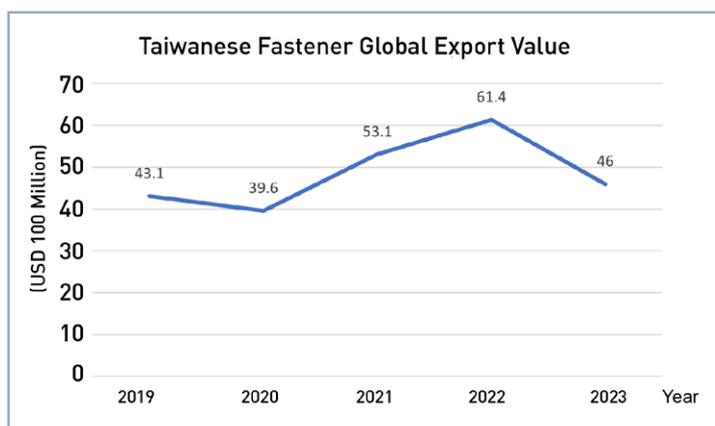
From this fluctuation in export value, it can be observed that **high overseas inventory level started to wreak havoc in Taiwan in 2022 and seriously undermined the export performance of Taiwanese hand tools in 2023.** Some local companies revealed that the first half of 2023 was like being in a dark tunnel with no sight of light at the end. However,

they seemed to see a ray of hope around November of that year. **Overseas customers are still closely watching their inventories, meaning the the inventory level will remain relatively high in the short term. In addition, with mortgage rates still high, demand in the construction market has been affected, which in turn has impacted demand in the hand tool market. Local companies estimate that incoming order may not increase until the second half of this year.** This will affect the performance of Taiwan's global export value of hand tools, making it likely to maintain a downward trend in 2024.

Fastener Companies Anticipate Destocking But Could Face Lower Price Competitiveness

Taiwanese Fastener Global Export Value

Year	2019	2020	2021	2022	2023
Export Value (USD 100 Million)	43.1	39.6	53.1	61.4	46
YoY(%)	-6.9	-8.1	34	15.6	-25



Taiwan's global export of fasteners was USD 4.31 billion in 2019, and bottomed at USD 3.96 billion in 2020 due to the severe impact of the pandemic as well as harbor and supply chain disruption. However, the pandemic brought business opportunities which redirected purchase orders to Taiwanese fastener companies starting from 2021, and the world's demand for Taiwan's fasteners skyrocketed, pushing the export value to the peak at USD 6.14 billion in 2022, but in the same year, some local companies observed the phenomenon of overstocking by overseas customers. In 2023, the overstocking took its toll on the Taiwanese companies and caused a sharp drop in the number of orders. The export value of 2023 fell 25% to USD 4.6 billion, almost back to the level of 2019.

From that, we can tell that **the pandemic acted like a double-edged sword, bringing monumental and record-breaking export records to Taiwanese fastener industry, but also stripped the milestone away from Taiwan as it left. The definitive factor here is the inventory level in the U.S. and Europe and the need to place orders. Still, we can observe high resilience of Taiwan fastener industry that is able to retain a normal export level a little higher than before the Covid outbreak.**

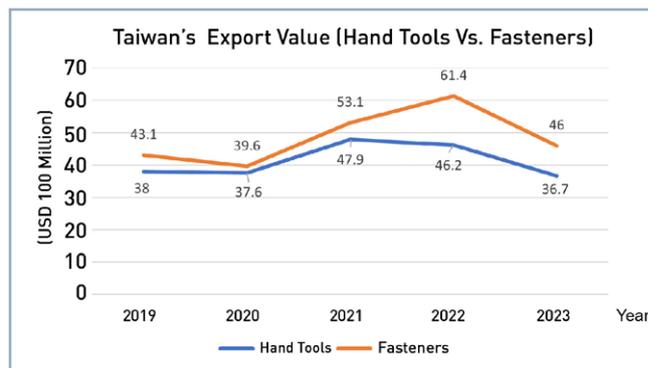
Taiwanese fastener companies now look at 2024 in two separate ways. The optimists anticipate ongoing destocking at overseas customers side and believe orders will come in more. The pessimists think, now that Taiwan CSC has raised Q1 price on steels and wire rods, it will lower Taiwan's fastener price competitiveness and make it more difficult to attract orders even if overseas inventory level drops.

High Resemblance in Hand Tool and Fastener Export Fluctuations

Taiwan's Export Value (Hand Tools Vs. Fasteners) (Unit: USD 100 Million)

Year	2019	2020	2021	2022	2023
Hand Tools	38	37.6	47.9	46.2	36.7
Fasteners	43.1	39.6	53.1	61.4	46

It is not hard to find out the resemblance between hand tools and fasteners while comparing their export value changes. These two industries both heavily rely on export. Their export values both surged in 2020 and plunged in 2023. In other words, **high inventory is the Achilles' heel of both industries.** On the other hand, the difference is that Taiwan fastener industry's export surge lasted two years (2021 and 2022), while Taiwan hand tool industry's export surge lasted one year (2021). The hand tool industry entered a downward spiral in 2022, one year earlier than the fastener industry.



National Coalition + Carbon Reduction, A Grand Strategy to Break Through Challenges

Although the outlook for those two industries is somewhat bleak, there are some who see this period of downturn as an opportunity to create the next breakthrough. Take an iconic Taiwanese hand tool manufacturer Proxene for example, it is undergoing a critical transformation led by a successor of the second generation. In addition to inaugurating a new NTD 900 million plant in Shengang District (Taichung City of Taiwan) in December 2023 to tap into the high-end market, it has introduced MES systems and automated production lines over the years to gradually build a smart factory. **Observing that the hand tool industry is facing succession and carbon reduction problems, it believes that now is the best time to horizontally integrate the hand tool industry.** Therefore, it will take the lead in forming a "Taiwan Hand Tool Coalition" to increase revenue to USD 159 million in the next five years, and then to USD 319 million through mergers.

Since CBAM explicitly lists fasteners as one of the first carbon border tax targets, **Taiwanese fastener companies have been focusing on carbon reduction as the next breakthrough point.** Many of them have already conducted GHG inventories and introduced national ESG carbon reduction resources and platforms. Some of them can already provide accurate carbon emissions data to EU importers. **Some are also planning to replicate Taiwan's fastener supply chain to Southeast Asian countries while setting up factories in Southeast Asia in order to form an overseas Taiwan fastener coalition.**

Reading up to this point, you should find that several years after Fastener World heard the local companies voices and called for a formation of a national coalition, this concept is now in the planning phase in the form of Taiwan's fastener and hand tool coalitions. Meanwhile, many local companies have recognized "carbon reduction" to be a critical factor for them to survive in the future. **Fastener World anticipates to see them combine national coalition and carbon reduction measures into a grand business deployment tactic and use it to break the 2023 deadlock.** ■

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