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FASTENER NEWS
of Emerging Nations

Argentine Government Announces Lifting of Requirement for Import Permits Regarding Bolts and Auto Parts

On January 25, the Argentine government announced the lifting of the requirement for "non-automatic" import permits. This means that the Argentine government is gradually relaxing its import regulations. In this new measure, the requirement for non-automatic import permits for 17 of the 18 types of products that were previously subject to the requirement for non-automatic import permits has been lifted. These 17 types of products include paper, household products, toys, socks, motorcycles, bicycle tires, balls, textiles, groceries, shoe accessories, metallurgical products, yarn, fabric, tires, bolts, auto parts and motor vehicles.

The new measure is related to about 600 types of products subject to such a requirement as stipulated in No. 45/2011 Resolution of Ministry of Industry. About this measure, Ministry of Economics pointed out that such a requirement is gradually lifted according to the principle of appropriateness.

In February 2012, the Argentine government, in order to protect its industries, started to impose such a requirement for the majority of products imported into Argentina. Only when a certain product meets such a requirement, its importer may start the import procedure.

However, such a requirement caused a difficulty for foreign-funded firms to run their operation and has heightened the tension between the country and its main trade partners. According to industry insiders, the new measure came from the request of its main trade partners in Southern Common Market.

Building Industry in Argentina Shows Sign of Recovery

Central and local government of Argentina have together come up with a 81 billion pesos infrastructure reform plan in hope of boosting the production value of building industry up by 8% to recover the loss of 2012 once and for all. Due to the foreign exchange control measures, the nation's building industry came to a pause in 2012 and gradually recovered since the start of 2013. This May, production value grew 7.7% over last year, among which building material sales index rose 9.3%, further boosting the strength of recovery.

Mexican Auto Parts Industry Ranks Top 5 in the World

According to the Association of Auto Parts in Mexico, the production value of auto parts in Mexico in 2012 reached 75 million USD, the 5th place in the world. It is estimated to increase 3%-4% in 2013 and reach 90 billion USD.

The Mexican Export and Investment Bureau reported that in 2011 the export of auto parts in Mexico totaled 45.587 billion USD, with an average annual growth of 10%. 89% of the exports were to the U.S. Meanwhile, the average annual import of auto parts in Mexico was 32.3 billion USD, with an annual growth of 10%.

The report further shows that upon the growing investment in the automotive industry, the auto parts manufacturing industry will be benefited directly. In 2015, the car manufacturing in Mexico is estimated to reach 3.7 million units, almost double over the production of 2009. The demand for auto parts in Mexico will be increased substantially. The development of Mexican automotive industry will also benefit the other auto parts manufacturing industries around the world. As of now, 84% of the global auto parts manufacturers also invest or produce in Mexico. The direct investment in Mexican auto parts industry from foreign countries was 1.288 billion USD.

As estimated, the future of Mexican auto parts industry shines bright and the global large scale car manufacturers and assembly companies may release more control rights to local Mexican industries in order to gain the most direct suppliers.

Made in Mexico vs. Made in China

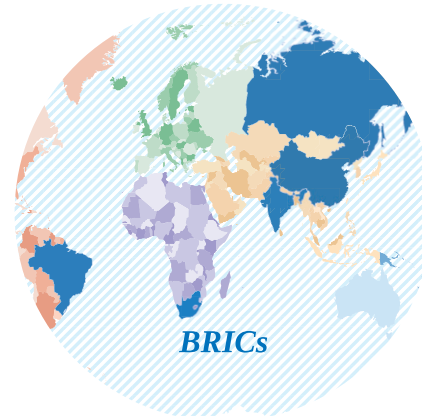
With ten years of efforts, the second largest economy in Latin America has now become a real competitor of China. Products made in Mexico represented 14.2% of the total finished product import of the U.S., which is the largest import country around the world (it was merely 11% in 2005). China, which has earned most of the market share among U.S. imports, is currently losing its advantage. The market share of China among the U.S. import market topping 29.3% in 2009 has dropped to 26.4%.

While gaining more market share in the U.S. market, Mexico is also diversifying its customer base. 10 years ago, roughly 90% of exports of Mexico were shipped to the U.S. Last year, that figure declined to under 80%. In recent years, part of the automobile, aircraft, electronics, and computer industries from the U.S. and Europe relocated their assembly lines to Mexico as well as increased the investment. Mexico seems to have become the first choice of multinational corporations as a supply base to Latin America and other regions. Until now, the finished product export of Mexico outpaces the total amount in all other Latin American countries.

Brazil and China Looking Good Among BRICS

The fifth summit meeting of the five BRICS countries was currently held in South Africa. According to a survey, people of Brazil and China are most optimistic about personal financial conditions and future economic outlooks; in contrast, people of India and Russia are the least optimistic.

Pew Research Center disclosed the survey, which was conducted in spring last year on Brazil, China, India and Russia; however, no data was revealed on South Africa.



As Europe and the US are still in the repercussions of global financial storm, the rise of the five BRICS countries has attracted a lot of attention. In the meeting, these five countries will talk about the establishment of a new development bank, a direct challenge to the dominance of World Bank and IMF, both of which have been led by the West.

In the aspect of personal financial conditions, Brazil ranks the top. 72% of people in Brazil think they are financially better off than five years ago. China ranks the second. 70% of people in China think they are financially better off. India ranks the third. 50% of people in India think they are financially better off. Russia ranks the last. only 32% of people in Russia think they are financially better off. In the aspect of the future economic outlooks for the coming one year, Brazil ranks the top. 84% of people in Brazil think economic conditions will get better; China ranks the second. 83% of people in China think economic conditions will get better; India ranks the third. 45% of people in India think economic conditions will get better; Russia ranks the last. only 31% of its people think economic conditions will get better.

In the aspect regarding the answer to the question “Will people of the next generation find good jobs and be wealthier than their parents?”, 40% and 57% of people in Brazil and China, respectively, answered yes.

Latin America Boom Starts to Fade

The latest evidence of a regional slowdown came Wednesday, when Brazil said its economy grew just 1.9% in the first quarter compared with the year-earlier period, far below estimates for 2.4% growth. Compared with the previous three months, Brazil's GDP grew a modest 0.6%. Other countries in the region are also slowing after expanding at strong rates in the past few years. They did so by attracting large investments from companies seeking higher growth rates while developed economies in the U.S. and Europe stagnated and by selling to Brazil. Chinese imports from Brazil, for instance, reached $44 billion in 2011, from just over $1 billion in 2000, before falling last year. China, a leading buyer of exports from the region, has slowed more than expected, and economists say the country's double-digit growth is over.

Carlos Rodolfo Schneider, vice president of Brazil-based Ciser Parafusos & Porcas, Latin America's biggest producer of screws and nuts, said his exports have fallen to 5% of total sales from 20% a few years ago. "Profits are very tight and sales will rise only slightly this year", said Mr. Schneider. "Asian products are coming in at low prices and we need to adapt our prices here to international levels," he added.

Most of South America's exports are still tied to commodities and countries aren't able to quickly pivot to manufacturing, said José Francisco de Lima Gonçalves, chief economist at Fator brokerage in São Paulo. "There's a lot of competition among the guys that sell to China," he said. Commodities producers "have to maintain their excessive capacity to guarantee their presence in the market. That's the problem of having just one big client."

Russia Announces New Fastener Standards in Alignment with ISO

Russian Federal Agency on Technical Regulation and Metrology, along with RosMetiz, released new national fastener standards in correspondence to ISO. So far, 11 new fastener standards have been announced as part of the 2012TC229 National Standardization Project. According to sources, the new standards are based on ISO 7045, 7045, 7048, 7046-1/-2, 1207, 1580, 2009, 2010, 7047, 7049, and 7050. The new standards are expected to help Russian inspection companies with the alignment between Russian measurement conditions and WTO regulations.

Russia Implements New Standard for Nuclear Plant Fasteners

On January 1st 2013, Russia implemented a new national standard GOST R54786-2011 for "removable nuclear plant fasteners" in order to make consistency with other Russian standards.

It is understood that the standard was adopted by Russia for the first time, and was mainly applicable to removable fasteners in nuclear reactors, steam generators, heat exchangers, outer cases of pumps, accessories, and pipe systems. The standard was drafted by specialists in "Prometheus" central institute of structural materials.

Protective Fastener Tariffs Being Hot Issue in Russia

"It has been years for Russia to levy protective duties on imported steel fasteners since March 2011, however, the measure does not cause a negative outcome for the fastener industry and a positive influence is just ahead because the protective duties actually stimulated the domestic investment of Russian industries," said Chairman Yarantzev of Prommetiz.

He added, "Unfortunately, the measure will only last for 3 years and

will expire in March 2014. If we can prolong the measure with 6 more years, then Russia will have its own modern mechanical fastener industry until 2020."

Prommetiz, representing the largest metal product manufacturer in Russia, is striving for the extension of the measure. Yarantzev believes that the extension will reinforce the productivity of Russian producers and find out its advantage within the competition with imported products. On March 18, 2011, Russia decided to levy protective duties on imported steel fasteners, which will last for 3 years until March 17, 2014. Rosmetiz, however, doubts the benefits the measure could bring.

Rosmetiz said that with the increasing production and consumption of fasteners in Russia, the number of imported fasteners did not change a lot during the interval of the measure. The total export of fasteners made in Russia in 2012 declined 37.1% over the same period. Rosmetiz believes that the competition between Russian and foreign manufacturers will continue. Coordinator Alexander Semenov of Rosmetiz said that the challenges facing the current Russian hardware industry cannot be solved only through equipment upgrade, but also through technological development. Thus, the cost can be reduced and the competition with imported products can be won with competitive prices. In addition, the technological development can force manufacturers to produce high quality fasteners. Semenov concluded, it is very obvious that Russian fastener industry cannot go toward a better development with only the extension of protective duties or buying fasteners only in Russia. The current condition has proved this.

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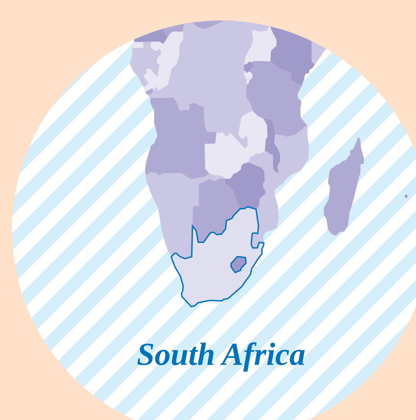
Fastenright - A Growing Company

It hasn't even been 3 years since Fastenright, the 'Stainless Steel Bolt and Nut Experts' opened its doors to the public, and already it's stock holding has tripled in size. A steady increase of customers and their growing demand of high quality stainless steel fasteners have prompted the company to invest much more into their stock holding than it was originally planned.

But not only larger quantities of fast moving items are being kept in stock, also the range of products has expanded drastically. Due to the fact that Fastenright services so many different industries, e.g. Boatbuilding, Engineering, (Wood-) Construction, Food processing and the security industry to name a few, it has become necessary to add more and more new products to meet the customers' demands and to be able to supply ex stock without lengthy waiting periods. Because all stainless steel products are imported, it is imperative to constantly monitor the stock levels. Lead-times are from 6 weeks up to 4 months.

Due to increasing demand, Fastenright is pleased to announce that they now also stock mild steel and high tensile products in zinc-plated and hot dip galvanized. Fastenright's focus is on giving superior service at competitive prices to all their customers. This is the recipe to their success and has won them the 'Supplier of the Year Award' from a huge manufacturing company just recently.



Hardware with Reasonable Prices Popular in Africa

One deputy minister of Nigeria, West Africa once said, "The prices of Chinese hardware are appropriately set for African market. In the old days, African countries used to import hardware from Europe. Nowadays, most African countries recognize the prices of Chinese hardware are better."

Hardware is an inevitable part in our life. As many African countries need the post-war reconstruction, the demand for Chinese hardware like saws, steel pipes, and other mechanical hardware is huge. Chief Officer of Economic & Trade Office of Chung Chin, China said, "Chinese hardware with cheaper prices is really popular in Africa, especially in South Africa. In South Africa, over 70% of machines and building hardware rely on imports."

Every year several African buyers fly to Guangzhou for Spring/Autumn Canton Fairs.

Pohang Steelworks Wire Rod Mill #4 Completed

With the completion of Pohang Steelworks Wire Rod Mill #4 and commencement of production of high quality wire rods, POSCO has gone a step further as a "high quality automobile part specialized steelworks." On May 28th, at Pohang Steelworks held the completion ceremony of the 700,000 ton annual production scale Wire Rod Mill #4. By expanding with this wire rod mill, POSCO is now equipped with an 2.8 million tons of annual production scale wire rod production system, securing the world's best quality, and is ranked among the top 3 in scale, and is expecting to contribute to strengthening the competitiveness of automobile parts companies. Wire rods are used as a material for nails, wires, screws, bolts, nuts, bearings, springs, and wire ropes, and are sold mainly to automobile parts companies. More than 1 million tons of the 3.2 million tons demand currently need to be imported.

POSCO's Wire Rod Mill #4 will produce high quality products that are different from imported materials including extremely high strength spring steel, and high strength wires for deep sea development which steel companies of China find difficult to produce, and expects 27 billion KRW in annual import replacements by expanding supply amounts of automobile lightweight parts and high-functional parts which are rapidly increasing in demand. POSCO will particularly produce hot processing omission steel which doesn't require hot processing, contributing to cost reduction of major client companies such as KISWIRE.

In his speech, CEO Chung Joonyang who attended the completion ceremony remarked, "I hope this mill will become specialized as a high quality wire rod factory that can produce products meeting the demand of clients and become the world's best wire rod production base."

Korean Automobile Industry (April 2013) : Domestic Sales Turned Positive, While Exports Continued to Decline

Automobile production in April decreased 2.5% over a year earlier to 386,446 units, due to the loss of exports.

Despite overall stagnation of the economy and contracted auto demand by household debts, domestic sales gained 1.0% year-on-year to 119,618 units.

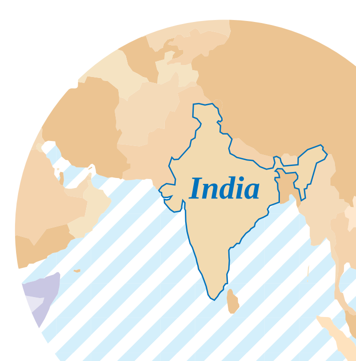
Exports in April remained at 261,501 units, down 5.6% over a year ago, attributed to the continuous depression of EU market, strong won over weak yen and supply shortage.

Korean Auto Parts Export Hiked to USD24.6 Billion in 2012

According to the data released by Korea International Trade Association (KITA), the export of Korean auto parts in 2012 reached USD 24.6 billion. KITA stated that due to the global strong demand for Korean cars last year, the export of Korean auto parts was also increasing. Since the overseas factory establishment of Hyudai, Kia, and other Korean car manufacturers in 2000, the export of auto parts has been growing steadily. In 2012, top 5 largest Korean car manufacturers exported 3.17 million of cars abroad (with the total value of USD 4.363 billion). North America represented the biggest share of the export (17.4% up to 905,000 units over the same period.)

Indian Automotive Engineering Service Market to Grow at a CAGR of 18.22 Percent in 2016

The Automotive engineering service market in India would clock a compounded annual growth rate of 18.22 percent in 2016. One of the key factors contributing to this market growth is the cost effectiveness of the Indian Automotive Engineering Service industry. The Automotive Engineering Service market in India has also been witnessing rise in demand for green engineering.



Indian Fastener Industry Update- Largest Demand in Industrial Use, Followed by the Automotive Industry

Chairman Surinder of Fastener Manufacturers Association of India said there are over 360 association members. However, there are over 10 thousand fastener manufacturers in India. Industries in India have huge demand for fasteners.

In a report "Global Economies and Prospect of 2013" released by the UN, the exports and capital investment will show an uplifting trend over 2012 and the growth rate will gradually bounce back to the level of 6.1% and go further to 6.5% in 2014. Exports and and investment will go up.

Thailand Car Export Value Target for 2013

Thailand's automotive industry enjoyed a bumper year in 2012, with 2.45 million vehicles made, up by 68.3% from 2011, lifting Thailand to 10th place among car producing countries. Domestic car sales totalled 1.43 million vehicles last year, up by 80.9%. Car exports increased by 39.6% to 1,026,671 units, a record high since Thailand began exporting cars in 1988 and making the country the world's seventh-largest car exporter. Export value totalled 490 billion bahts, up by 42.7%. The FTI forecasts 2.5 million vehicles will be produced this year, up by 2% from last year, with 1.4 million slated for domestic sales.

Over 600 Million Population in ASEAN Boosts Enormous Steel Market

Bureau of Foreign Trade Kaohsiung Office pointed out that the total ASEAN GDP has outrun India and is currently replacing China with ASEAN's more than 600 million population, abundant natural resources, and young labor force. ASEAN is to become the best production base and market for domestic demand. Take the steel market for instance, southeast Asia has already become the fastest growing region of steel consumption in the world. Due to the region's huge demand for import and lack of domestic steel refinery plants, steel plants of Taiwan, Japan, and Korea rush in to invest and keep track on the huge market opportunities of the region in the shortest distance possible.

Emerging Markets

Decreasing Fastener Export & the Transition Between New and Current Export Markets

Expanding market share in emerging markets can greatly reduce the risk of single export and at the same time increase new economic growth sources. No matter if it is a pressing reality or a destined future development, corporations are required to look for new targets for export, and this wave of trend is making its path to emerging countries like Russia and India.

According to the latest statistics, the YOY rate of Ningbo fastener export in Q1 dropped 6.5%, and exports in Jiaxing and Wenzhou both showed different extents of drop. General Manager Mr. Wang of NINGBO EASTPORT FASTENER MANUFACTURING states that the drop was due to the anti-dumping tariff and weak economy. Anti-dumping tariff is the main factor that will strike export, and even a small-scale circumvention investigation will bring about a serious outcome. In addition, Mr. Wang pointed out that the appreciating RMB is another factor that caused the export drop. Faced with the instability and ever-changing export market, many corporations kept cautious, and this has contracted the export volume and led to the drop.

European and American markets have been the main targets of Jiaxing fastener export. However, according to the Jan.-Feb. export data of Jiaxing, the target has started shifting to other places. Data shows that Jiaxing's total fastener export to US and EU was USD 56 million; export to Russia was USD 18 million (up 35.11%); export to Saudi Arabia was USD 5 million (up 159.94%); export to Chile was USD 2 million (up 133.55%).

Export ratio in Russia and other emerging nations has further risen compared to last year, indicating that export target is shifting and taking effects. Besides Jiaxing, the export to emerging markets from Ningbo also saw an increase, among which export to Russia showed fastest growth of 29.3%. This indicates that the American market is drastically contracting, and China fastener export to Europe in Q1 dropped by 10%. It means that fastener export no longer targets at European and American markets because more export-oriented corporations are discovering and expanding in new territories in hope of taking the most market share in the shortest time. The transition between new and current markets is obvious.

In response to this situation, deputy chief secretary of Zhejiang Fasteners Industry Association Mr. Chen states that the number of purchase orders from Russia has risen by 30% and the average product price rises by 10% starting this year due to Russia's manufacturing industry revival plans as well as improving relationship between China and Russia. He further states, "Besides Russia, India is another huge market for fastener corporations. Currently India is indulging in the domestic infrastructure development. In addition, India is a strong military nation where lots of military equipment was bought from other countries, and right now India is changing to produce the equipment by itself. This will pose a huge opportunity for fastener corporations to expand the market share."

Made in the Midlands Urges Manufacturers to Expand Export Opportunities

Midlands based manufacturing network Made in the Midlands is urging businesses to expand their export strategies and to start thinking global. Against the backdrop of David Cameron's recent trip to India, the network is particularly encouraging its members and other Midlands companies to seek out export opportunities to BRICS countries and regions outside the European Union.

Made in the Midlands president John Faulkner pointed out some export benefits: "Depending on the shipping density of your components the rewards are often quite attractive. Especially with emerging economies such as Brazil, it is a great time to seek out new opportunities." Although moving into export seems to be a natural progression for any business, he also suggested: "UK companies should only seek to enter the export market when they have exhausted opportunities on their own doorstep and if the investment in export can be justified."

Many of the network's members are already enjoying export success to countries outside the EU. Examples include Redditch based precision engineering manufacturer Samuel Taylor Limited (STL), who achieve 85% of their turnover through export. Although import duties and tariff codes can pose a challenge.

Another local firm going global is Smethwick based protective case manufacturer Zero Cases. Counting countries such as China, India, South Korea and Saudi Arabia amongst their export destinations, the company's UK plant manager Mike Dimmack stressed: "One of the key benefits of exporting to regions outside the Euro zone is that these countries do not see any restrictions in budget and pressure on reduction of government spending." The company currently generates 35% of its total sales through export – a number which is expected to rise to 50% by the end of the year.

In the past five years the UK has seen its exports to BRICS countries more than doubling, increasing from £12.7bn in 2007 to £27.1bn in 2012, according to the Office for National Statistics (ONS).

Developing Countries Have Already Become the Center for Global Hardware Manufacturing Industry

Deloitte Consulting, the globally-renowned management consulting company made a global survey on 550 hardware manufacturing companies. According to its global competency index report, within the next five years India will become the 2nd most competitive economic entity, only second to China. Meanwhile, Brazil will turn from the 8th to the 3rd largest economic entity of the manufacturing industry. Additionally, Vietnam will come into top ten.

World Demand for Industrial Fasteners to Approach USD 83 Billion in 2016

Global sales of industrial fasteners are expected to climb 5.2 percent per year to USD 82.9 billion in 2016, accelerating from the 2006-2011 rate of expansion. The economies of many countries around the world will continue to recover from the global recession of 2009, spurring growth in durable goods output, which largely determines worldwide fastener sales. In 2011, motor vehicle original equipment manufacturing was the largest market for industrial fasteners, and this market will post the largest gains through 2016 in value terms. Also, accelerations in manufacturing output and fixed investment spending will lead to increased demand for fasteners used in machinery. However, intensifying competition from alternative joining technologies (such as adhesives) will restrain fastener sales increases in some market segments.

The Asia/Pacific region will record the fastest demand gains from 2011 to 2016, averaging 7.4 percent per year. This expansion will be driven primarily by the strong Chinese market, which will continue to advance at a rapid pace despite moderating from the 2006-2011 rate. Rising demand in the smaller Indian market will complement these gains, as sales in this country will climb at the most rapid pace worldwide through 2016. Ongoing growth in the durable goods manufacturing sectors in these nations, along with the continuing need for new and improved components of infrastructure, will stimulate large gains in industrial fastener demand. Sales of fasteners in other developing areas of the world will generally advance at a healthy pace.

Increases in industrial fastener demand in the world's highly developed economies -- namely, the US, Western Europe, and Japan -- were much slower than in industrializing countries between 2006 and 2011, and sales gains in most developed nations will continue to be subpar through 2016. Since the durable goods manufacturing sectors in these areas are mature, there will be fewer growth opportunities for fastener suppliers. However, recoveries in motor vehicle production and construction expenditures following a period of decline will result in faster fastener market advances going forward.