Taiwan Production and Sales of Fastener Industry in H1 2013

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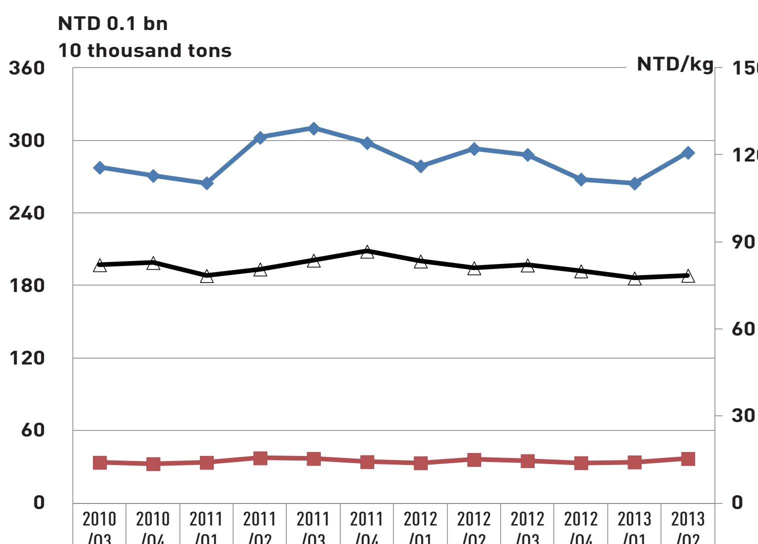
Data courtesy of TIER, compiled by ITIS project of MIRDC

In the 1st half of 2013, fastener export from Taiwan to the EU continued to decline, but the export to Russia, Japan, and the U.S. all exhibited growth. The total export amount of Taiwan in the 1st half of 2013 was 2% higher than that of the same period of 2012. However, as the recent steel prices around the world keep declining and the prices for order acceptances in the fastener industry also shows a downslide, the total export value was 3% lower than that of the same period of 2012.



	2010 /Q3	2010 /Q4	2011 /Q1	2011 /Q2	2011 /Q3	2011 /Q4	2012 /Q1	2012 /Q2	2012 /Q3	2012 /Q4	2013 /Q1	2013 /Q2
Export value (NTD 0.1 bn)	278	271	265	302	310	298	279	293	288	268	265	290
Export amount (10 thousand tons)	34	33	34	37	37	34	33	36	35	33	34	37
Export unit price (NTD/kg)	82.1	82.9	78.4	80.7	83.7	86.8	83.4	81.1	82.0	80.0	77.5	78.5

Fig. 1 Fastener Export of Taiwan During 2010 Q3-2013 Q2

Fastener Production & Sales in H1 2013

In Q2 2013, the export value of Taiwan fastener was down 1.1% to NTD 29 billion over the same period last year. As shown in **Table 1**, the import value in Q2 was down 17.5% to NTD 1 billion over the same period. The average export unit price in Q2 was down 3.2% to NTD 78.5/kg (see **Fig. 1**).

According to the statistics, the production value of Taiwanese fasteners in the 1st half of 2013 reached NTD 59.6 billion and the export value was NTD 55.5 billion, down 3% over the same period of 2012. The domestic demand of Taiwan was NTD 6.3 billion and the import value was 2.1 billion, down 6% over the same period of 2012. On the other hand, the average export unit price in the 1st half of 2013 was NTD 87/kg, down 5% over the same period of 2012.

In terms of the export from Taiwan, the top 5 countries with the greatest export values in the 1st half of 2013 were the U.S. (38%), Germany (9%), Japan (6%), the Netherlands (5%), and UK (4%). The highest average unit price was the export to Japan, reaching NTD 90.7/kg, while the average unit prices for the other 4 countries were within NTD 72-81/kg. As for the import to Taiwan, the top 5 countries with the greatest import values were Japan (49%), the U.S. (13%), China (9%), Germany (6%), and Philippines (3%).

Table 1. Supply and Demand of Taiwan Fastener Industry During 2011-2013(F) (in NTD 0.1bn)

	2011	2012	2013 Q2		2013 H1		2013(F)	
	Value	Value	Value	Same Period Ratio (%)	Value (or amount)	Same Period Ratio (%)	Value (or amount)	Same Period Ratio %
Production	1,287	1,213	312	-1%	596	-3%	1,229	1%
Import	45	46	10	-18%	21	-6%	43	-6%
Export	1,175	1,28	290	-1%	555	-3%	1,143	1%
Domestic Demand	157	131	31	-7%	63	-4%	129	-2%
Import Dependence (%)	29%	35%	31%	--	34%	--	33%	--
Export Ratio(%)	91%	93%	93%	--	93%	--	93%	--

The Bureau sincerely appeals to Taiwanese companies for not re-exporting illegally, which may result in the EU's investigation on tariff circumvention and cause impacts on the development of the entire industry. The Bureau will not only make administrative discipline actions against the companies involved, but also will hand over the case to the Investigation Bureau for further penalty.

Major Markets for Export

Due to the significant decrease of demand in the emerging economies, the continuous decline of the Euro zone, and the slow recovery of the U.S., the global economic growth still stays at a weak level. IMF stated in its report for global economic outlooks released in July that the global economic growth rate in 2013 would be 3.1% (0.2% lower than the initial forecast in April). For those advanced economies, the economic growth rate would be 1.2%, while for China, the economic growth rate would be 7.8%.

In the U.S., supported by growing consumption and investment in both residence/non-residence houses, the Purchasing Manager Index (PMI) for manufacturing in June was back to 50.9 points, demonstrating the continuous but not too much strong recovery of U.S. economy. The market for U.S. fastener import is so far stable. In the 1st half of 2013, Taiwan exported about 286 thousand tons of fasteners to the U.S., up 2% from the same period of 2012.

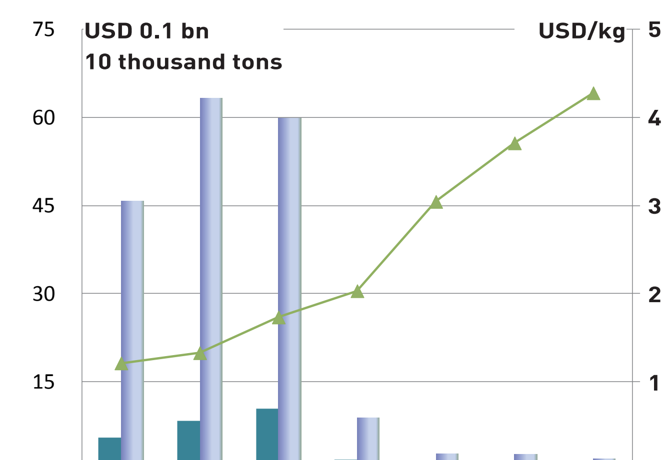
Compared to U.S. recovery, the economy in the EU continues to show recessional conditions like the contraction of financial policies, bad credits, high unemployment rate, tax increase, and so on. In the 1st half of 2013, Taiwan exported 217 thousand tons of fasteners to 27 countries of the EU, down 7% from the same period of 2012.

Updates of Industrial Issues

a. Steel Prices Continue to Decline and the Price for Wire Rods from China Steel Corporation (CSC) Remains Stable in September- Since 2012, the steel prices around the world have been decreasing. The price of wire rods from CSC touched the bottom line during January 2013 through February 2013 and returned to NTD 700/ton for the 1st adjustment and climbed again to NTD 818/ton during March 2013 through June 2013. However, as there was no great demand in Q2, causing the increase of inventory, the wire price of CSC for July-August was substantially decreased by NTD 1,363/ton, while the price for September keeps flat.

b. Notice of Upcoming Expiry of EU's Antidumping Measure Against Chinese Carbon Steel Fasteners- According to the notice of European Commission, the antidumping measure against Chinese carbon steel fasteners will expire on February 1, 2014. Companies in the EU can submit their applications for a sunset review 3 months before the date of expiry. The antidumping duties were initially 77.5% and 85% according to the determination the EU made in January 2009. After WTO determined that the EU's decision violated its trade rules, the EU then reduced the duties to 54.1% and 74.1% in October 2012. In 2007, the EU imported 633 thousand tons of carbon steel fasteners (with the average unit price reaching US$ 1.3/kg), on which the antidumping duties were imposed. When these products concerned were subject to the antidumping duties up to 85% after 2009, the total import of these products of the EU from China slumped to only 19 thousand tons in 2012 (with the average unit price reaching US$ 4.3/kg). See **Fig 2**.

c. Strict Control of the Issuance of Certificate of Origin (CO) from Bureau of Foreign Trade (Taiwan)- In order to prevent companies from re-exporting products originated from China to circumvent the antidumping duties the destined countries levy on, the Bureau will fine the violators for NTD 30 thousand to 300 thousand or stop them from importing and exporting products for 1-12



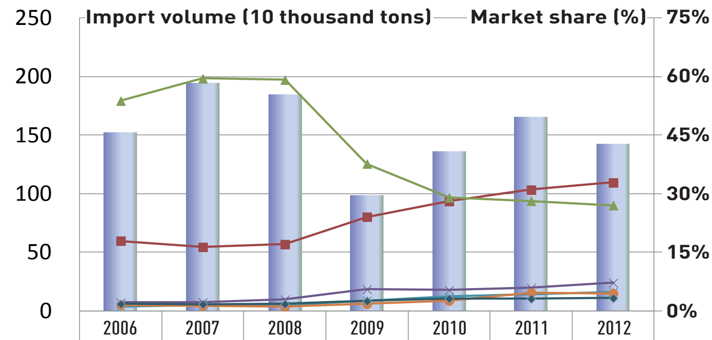
	2006	2007	2008	2009	2010	2011	2012
Import value (USD 0.1 bn)	5.6	8.4	10.4	1.8	0.9	1.0	0.8
Import volume (10 thousand tons)	45.8	63.3	60.0	8.9	2.8	2.6	1.9
Import unit price (USD/kg)	1.2	1.3	1.7	2.0	3.0	3.7	4.3

Fig 2. Fastener Import of the EU from China During 2006-2012

months, under the regulations of trade laws of Taiwan (Article 28), if companies are found to report exported products as made-in-Taiwan, which are in fact made in China. The Bureau sincerely appeals to Taiwanese companies for not re-exporting illegally, which may result in the EU's investigation on tariff circumvention and cause impacts on the development of the entire industry. The Bureau will not only make administrative discipline actions against the companies involved, but also will hand over the case to the Investigation Bureau for further penalty.

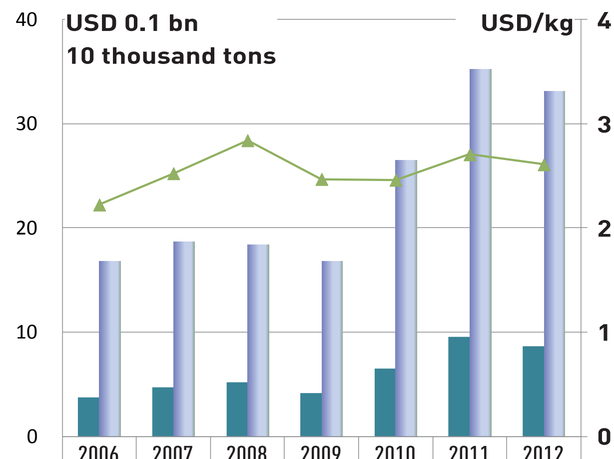
d. China Considers Increasing Tax Refund Rate for Fastener Export to 13%- The tax refund rate for fastener export in China has been reduced from 13% to 5% since July 2007 and has never been changed up to this date. As many Chinese products are subject to the antidumping duties imposed by other countries and the domestic economy does not perform as well as expected, both increasing the operational costs of companies, China Machinery Industry Federation (CMIF) has submitted their request for increasing the tax refund rate for fastener export from 5% to 13%.

e. The EU's Implementation of CPR- Since July 2013, the EU has replaced CPD for building products with the new CPR.



	2006	2007	2008	2009	2010	2011	2012
EU's import volume (10 thousand tons)	152.2	194.4	184.8	98.0	136.2	165.5	142.1
Market share of Taiwan (%)	17.9%	16.3%	17.0%	24.0%	28.0%	31.0%	32.8%
Market share of China (%)	53.8%	59.5%	59.2%	37.6%	29.0%	28.1%	27.0%
Market share of India (%)	2.1%	2.1%	2.9%	5.5%	5.3%	5.8%	7.1%
Market share of Vietnam (%)	1.0%	1.3%	1.3%	2.6%	3.6%	4.2%	4.8%
Market share of Thailand (%)	1.5%	1.3%	1.1%	1.7%	2.5%	4.6%	4.4%
Market share of Turkey (%)	1.7%	1.7%	1.7%	2.5%	3.1%	3.1%	3.2%

Fig. 3 Market Shares of Countries Exporting Fasteners to the EU During 2006-2012



	2006	2007	2008	2009	2010	2011	2012
Import value (USD 0.1 bn)	3.7	4.7	5.2	4.1	6.5	9.5	8.6
Import volume (10 thousand tons)	16.8	18.7	18.4	16.8	26.5	35.2	33.1
Import unit price (USD/kg)	2.2	2.5	2.8	2.5	2.5	2.7	2.6

Fig. 4 Fastener Import from Taiwan to the EU During 2006-2012

Conclusions

Although the fastener export from Taiwan to the EU in the 1st half of 2013 was down 15 thousand tons from the same period last year, the export to Russia was, by contrast, up 14 thousand tons, followed by 11 thousand tons to the U.S. and Japan respectively. The total export volume in the 1st half of 2013 was up 2% from the same period last year. Nevertheless, the export value dropped by 3% over the same period last year. In the 2nd half of 2013, the economy in Japan is expected to turn well while the fastener export of Taiwan will keep stable to reach an annual export value of NTD 114.3 billion (up 1% from 2012), as emerging countries like China face a slowdown of their economic growth and the Euro zone continues to get stuck in the recessional conditions, even though there is a rather stable economic recovery in the U.S.

Before the upcoming expiry of the antidumping measure launched by the EU against Chinese carbon steel fasteners, the total fastener import of the EU in 2012 was about 1.42 million tons and Taiwan has been the largest fastener import origin of the EU for the most recent 2 years, which represents over 30% of the total fastener import of the EU (China goes back to the 2nd place), as shown in **Fig 3**. In terms of the Chinese products involved in the antidumping measure, the EU imported nearly 0.33 million tons of similar products from Taiwan in 2012, which was 80% higher than the record in 2008 (see **Fig. 4**). As a result, whether the EU will extend the antidumping measure against China or adjust the duty rates causes great impacts on Taiwanese industries.

The antidumping disputes are related to the industrial development of every country and negotiation is one of the solutions to appease the disputes. Take solar panels for example, the EU is the major region for Chinese solar panel export. As Chinese manufacturers have the advantage of low costs, many other European manufacturers were forced to close the factories due to the inability to compete with them. As a result, the EU imposed a provisional antidumping duty of 11.8% on China this June and considered increasing the duty to 47.6% later. However, Chinese government was also active in its political mediation to 28 member countries of the EU and simultaneously retaliated the EU with the antidumping and anti-subsidy investigations on wines. After over 1 month of negotiation, the compromise has been made between the EU and China. The agreement includes the increase of selling prices and the control on quantity of products of Chinese solar panels in the EU for maintaining the fair trade, which somewhat stopped the resentment of both parties with a "friendly" end.

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Whatever the result of the antidumping measure the EU launched against China will be, the industry should be active in gaining more market share in the EU as well as strengthening the service to OEMs and distributors in the EU in face of the possible challenges from Chinese fasteners. On the other hand, Taiwan has been the largest import origin of the EU, so all Taiwanese companies should avoid crossing the red line **(e.g., Malaysian companies face up to 85% of antidumping tax because they helped Chinese companies circumvent the duties.)** and do not help China re-export products for tax circumvention.