

2013 Review and Outlook for Taiwan Fastener Industry

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As the EU started to jump out of the deficit and embraced revenues in the second half of 2013 and the U.S. economy continued to grow steadily, plus, Taiwanese companies successfully entered the markets of Japan and Russia, the fastener exports of Taiwan in 2013 reached the new record of 1.46 million tons, over 10 thousand tons more than the exports to Japan or Russia in 2012. However, as the price of steel dropped to the lowest point recorded during the financial crisis, the prices for ordered products soon slipped, inhibiting the export value from increasing to a new high. Speaking of the outlook for 2014, most international market forecasts & research institutes are optimistic. What's worth mentioning, the 5-year antidumping duties the EU launched against China should originally expire but is now under re-investigation for extension.

Overview of Production and Sales in 2013

As U.S. and European economies continued to recover, the fastener export value in Q4 jumped 13% from last corresponding period to NTD29.8 billion while the fastener import value in Q4 dropped by 3% over the same period last year to NTD1.1 billion. The average unit price for fastener exports in Q4 was NTD79.2/kg (see Fig. 1).

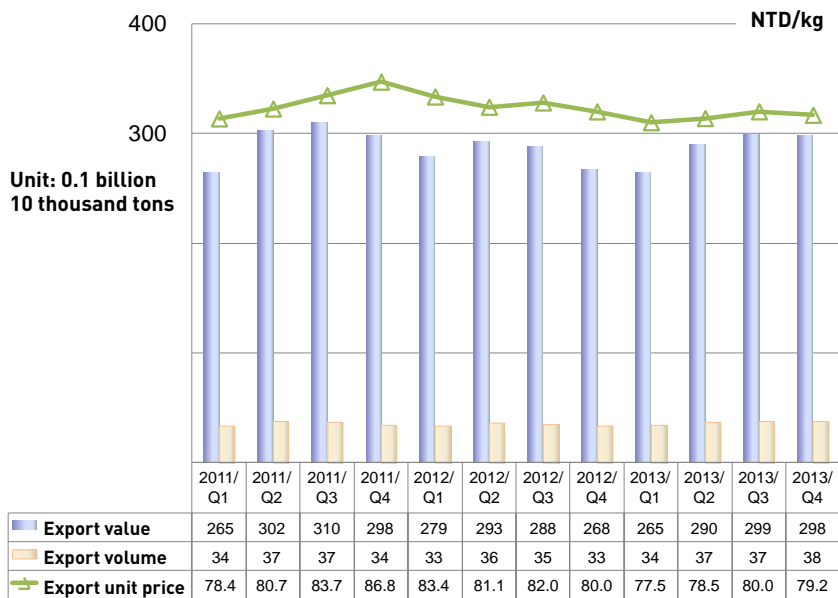


Fig. 1 Fastener Imports & Exports of Taiwan During 2011 Q1 to 2013 Q4

Source: Imports & exports database of Taiwan customs, compiled by MIRDC

Table 1. Supply and Demand of Taiwan Fastener Industry During 2009-2013

Unit: Value (0.1 billion), Volume (10 thousand tons), Unit price (NTD/kg)

Year	Production Value	Import Value	Export Value	Total Domestic Demand	Import Volume	Export Volume	Export Unit Price
2009	750	34	684	99	3	90	76.2
2010	1,124	42	1,021	144	2	128	79.6
2011	1,287	45	1,175	157	2	143	82.4
2012	1,213	46	1,128	131	3	138	81.6
2013	1,239	43	1,152	130	2	146	78.9

Source: Imports & exports database of Taiwan customs, compiled by MIRDC

The statistics show that the value of fastener production in Taiwan in 2013 was NTD123.9 billion. The export value increased 2% from year 2012 to NTD115.2 billion while the import value declined 6% from year 2012 to NTD4.3 billion. The domestic market demand reached NTD13 billion. With regard to the average unit price of exports, it dropped to NTD78.9/kg, the lowest point after the financial crisis (see Table 1).

Countries listed in the top 5 largest export values of 2013 were the U.S. taking 37% of the total share, Germany for 9%, Japan for 6%, Netherlands for 5%, and UK for 4%, among which Japan reached the highest average unit price of NTD92/kg while the other 4 countries were at NTD74-80/kg. Countries listed in the top 5 import values of 2013 were Japan sharing 49% of the total value, the U.S. by 13%, China for 9%, Germany by 6%, and Vietnam by 3%.

Major Markets for Exports

In U.S., the major country for exports, though the coverage of its quantitative easing measure has been reduced, the labor market becomes more stable, the confidence of customers and industries continues to rise, automotive sales hike, the real estates recover steadily, order in manufacturing turns stable, plus, the Purchasing Manager Index (PMI) for December manufacturing is 57 points and the Non Purchasing Manager Index (NMI) is 53 points (PMI and NMI are both above the critical value of 50 points implying expansion), U.S. economy shows a trend of stable growth. IMF forecasts that by 2014 U.S. economic growth rate will be 2.8%. The current volume of fastener imports in the U.S. continues to grow slowly. In 2013, Taiwan exported NTD42.6 billion worth of fasteners to the U.S., up 1% from year 2012, which took 37% of the total fastener export of Taiwan.

In the EU, under the leadership of Germany and France, the economy of the euro zone has turned from negative growth to positive growth. The Economic Sentiment Indicator (ESI) increased to 100, up 1.6 from November, showing 8 consecutive months of increase. ESI is the combination of Indices

for industries of construction, manufacturing, retailing, service and customers' confidence, all of which show increase as well as the steadily recovering economy. IMF forecasts that by 2014 the economic growth rate in the euro zone will be 1.0%. In 2013, Taiwan exported NTD35.8 billion worth of fasteners to the EU, up 2% from 2012, which took 31% of the total fastener export of Taiwan.

The average unit price for products exported to the U.S. was NTD73.8/kg, lower than the NTD75.5/kg of 2012, while the average unit price for products exported to the EU was NTD76.1/kg, lower than the NTD78/kg of 2012. ◦

Analysis on Industry Issues

(a) Taiwan CSC keeps flat wire rod prices for March

After Taiwan CSC reduced the price for domestic sales of wire rods for Jan.-Feb. by NTD169/ton, the price of wire rods for March will remain unchanged. The price of steel for Jan. was very close to the lowest point recorded in the financial crisis in June 2009 (see Fig. 2).

(b) The volume of fastener exports of Taiwan in 2013 reached a high record

The volume of fastener exports in 2013 reached a new high record of 1.46 million tons, up 5.7% from year 2012. Exports to the EU and the U.S. were 19 thousand tons and 16 thousand tons higher than year 2012, respectively, while exports to Russia and Japan were 14 thousand tons and 11 thousand tons higher than year 2012, respectively. In addition, exports to emerging countries like Vietnam, Mexico, Turkey, and Slovakia also showed growth. Although the export volume reached a new high record, the steel price continued to drop; the export unit price reached the lowest point after the financial crisis, preventing the total export value from breaking the new record (see Fig. 3).

(c) China requests negotiation with the EU for antidumping duties through WTO

In Jan. 2009 the EU determined that certain carbon steel fasteners from China would be subject to the antidumping rates of 77.5-85%. China then filed a complaint to WTO, which ruled that the EU violated the regulations of international trade laws. As a result, the EU reduced the rates to 54.1%-74.1% in October 2012. However, China thought that the rates were still high, so it requested for further negotiation with the EU through WTO in October 2013. In 2007, the EU imported 633 thousand tons of related carbon steel fasteners subject to antidumping duties from China (with the average unit price at USD1.3/kg). After 2009 when the antidumping

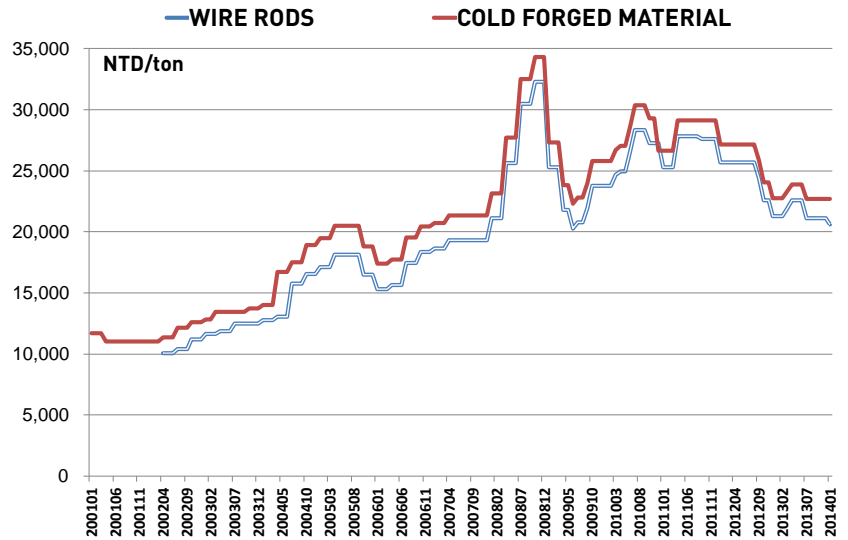


Fig. 2 Taiwan CSC's Prices for Wire Rods and Cold Forged Wire During 2001-2014

Source: Infotimes, compiled by MIRDC

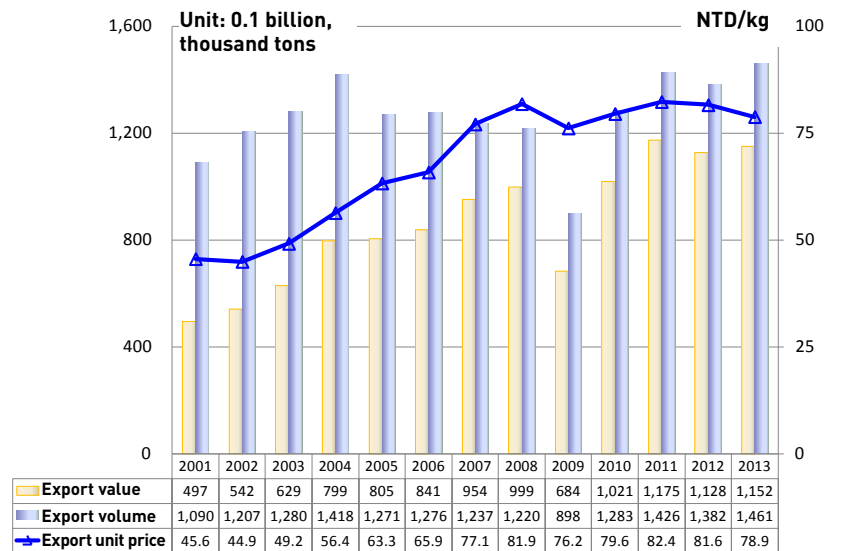


Fig. 3 Fastener Exports of Taiwan During 2001-2013

Source: Imports & exports database of Taiwan customs, compiled by MIRDC

rates up to 85% were imposed, the EU only imported 19 thousand tons from China in 2012 (with the average unit price at USD4.3/kg), causing great impact on Chinese fastener industry.

Conclusion

With the strong growth of U.S. economy, the stable labor market, the better performance of the euro zone stepping out of the recession, the recovering Japanese economy, and the expectation of stable growth for Chinese economy, global market research institutes like IMF, WB, and EIU all expect higher economic growth rates of the U.S. and Europe in 2014 and increasing global growth rate. In Jan., IMF announced the report on the global economic outlook, stating that the global economic growth will increase from the average 3.0% in 2013 to 3.7% in 2014. In 2015 the figure will increase to 3.9%. With the comparatively better conditions worldwide and the expectations for better performance in major destinations of Taiwanese fastener exports, fastener exports of Taiwan in the future will be pushed up. It is estimated that by 2014 the annual export value will be about NTD117.5 billion, up 2% from year 2103, and the value of production will be NTD126.4 billion. ■