European News

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2017 EU Import Trends

Eurostat data providing details of 2017 fastener imports into the EU's twenty-eight member countries was recently published. Here's a brief summary, looking firstly across all fastener types and then specifically at those subject to EU prior surveillance import licensing.

Figure 1 summarises imports of all iron/steel fasteners under the 7318 CN4 tariff code from the main Asian sources over the last decade. It shows the dominant import share commanded by China prior to the implementation of EU anti-dumping tariffs. In 2009 and 2010, the effect of the tariffs can be seen, but overall import volumes were suppressed by the financial crisis. Inventories were slashed and there was a strong swing towards short range, shorter lead-time sourcing. As markets recovered and importers returned to long range, longer lead-time sourcing, purchasing refocused on Taiwan from which imports continued to grow - even after the anti-dumping duties on China were repealed.

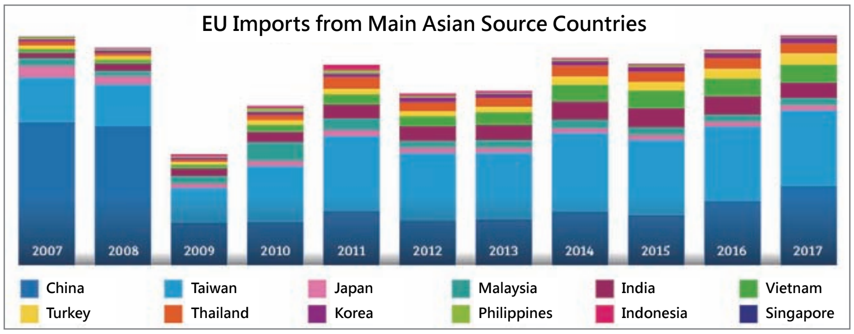

Figure 1

Other countries also became increasingly significant. Some of these import volumes represented trans-shipment of Chinese fasteners via third countries – progressively blocked by EU investigators. However, the growth of genuine manufacturing capacity in other countries also becomes increasingly significant. Vietnam's growth – nearly five-fold in ten years – reflects the continued pursuit of lower manufacturing costs. Turkey's 300% growth, by contrast, reflects its expanding manufacturing capacity for higher grade fasteners, combined with short delivery times to major European markets.

The pie charts compare 2007 and 2017 import shares, again for all iron/steel fasteners. Total import volume from these countries was around 7% higher in 2017 than in 2007. What the charts really demonstrate, however, is how many other countries, in addition to China and Taiwan, now play a significant role supplying fasteners to Europe.

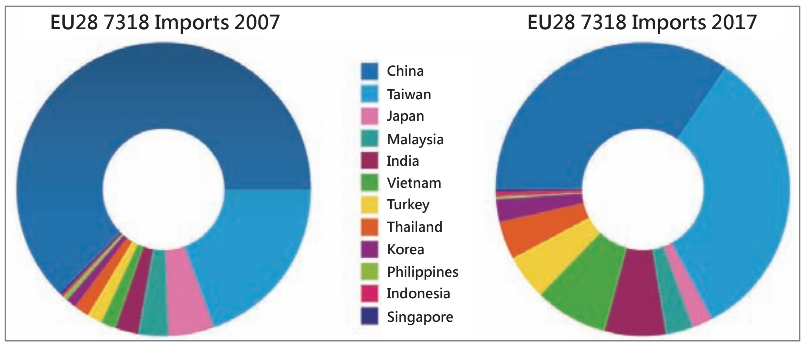

Figure 2

Following the repeal of the anti-dumping duties on carbon steel fasteners from China, the import trends have, inevitably, come under intense scrutiny. The pattern, however, has proven less linear and far harder to read than many anticipated. The following figure focuses, this time, solely on the products subject to EU prior surveillance measures and on the key comparison between China and Taiwan.

Imports from China grew rapidly in the months immediately following the repeal of the anti-dumping duties, mainly driven by washers and small screws, which showed the greatest cost differential, as opposed to high tensile fasteners. Then, almost as dramatically, they declined. Following a resurgence from Summer 2017 they, again, declined towards the end of the year. Taking the whole of 2017, import volumes from China stood at 55% of those experienced in 2007. The significance of that figure will vary depending on whether you are a manufacturer or a distributor. However, it is almost certainly not what most people expected to see.

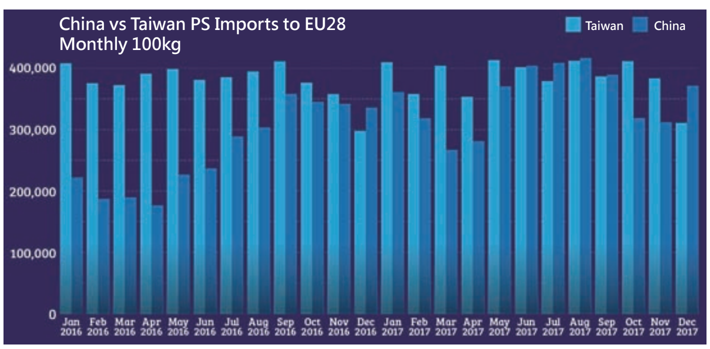

Figure 3

So why has China, with the EU doors reopened, not reclaimed the dominant share it enjoyed in 2007? There are a number of key influences. Other countries have entered the fray, some with lower costs of production. Established fastener supply bases have increased productivity and quality – influential on higher added value fastener grades. European supply-chain reliability requirements have intensified. Uncertainty over the potential for new anti-dumping duties has tempered re-engagement with China.

Perhaps most significantly, the China of 2017 is patently not the same as 2007. Average manufacturing wages more than doubled between 2008 and 2016. Other costs of production have also risen substantially. Stringent measures to reduce air and water pollution have impacted steel, coatings and fastener industries, on occasions coming close to completely interrupting fastener supply in some areas. The steel cost trend has been upward for the last two years. More significantly it has on several occasions been extremely volatile, bringing quotation validity down to a matter of days.

Does that make China the market economy it now claims to be? In respect of steel the European Commission is emphatic that significant distortions continue to influence export costs.

What does it all mean for the prospect of renewed trade defence measures on China? Again, your viewpoint will differ depending on your company's activity but the issue has clearly has not gone away, although the crystal ball remains densely opaque.

Bufab Reports 16% First Quarter Growth

Bufab Group reported net sales for the first quarter 2018 at SEK 945 million (€89.7 million), 16% higher than same period last year, driven by acquisitions, increased market shares and favourable demand. Organic growth was a "healthy 9%".

Operating profit (EBITA) rose to SEK 106 million, compared to SEK 91 million in the same quarter 2017. Operating margin was 11.2%, very slightly down on the 11.1% reported for the first quarter last year. Gross margin improved to 29.2% from 28.8% for the full year 2017.

President and CEO Jörgen Rosengren noted particularly strong performance from Bufab's international operating segment, especially in eastern and central Europe and Asia. Bufab continued to increase market share but Rosengren said the Group still sees many business opportunities to explore moving forward. The International Segment's sales and profit were significantly strengthened by contributions from two recent acquisitions in the United Kingdom and Singapore.

Bufab also increased market share in Sweden during the quarter, where it also noted good underlying demand. Growth was spread over many customers and industries.

The healthy demand in both operating segments and Bufab's inflow of new business created challenges in its supply chain. Jörgen Rosengren said: "It is therefore gratifying to note that Bufab succeeded in upholding a good delivery precision during the quarter, thus securing our customers' production."

Group gross margin was strengthened slightly year-on-year and significantly outperformed the final quarter of 2017. Price increases implemented in 2017 offset raw material price increases in the first half of the year. However, Jörgen Rosengren pointed out: "Because raw material prices continued to rise in the second half of the year, increasing the prices will again be an important area and a major challenge during 2018." This was particularly significant in Sweden due to a weak exchange rate, whereas the situation in International was mitigated by a strong EUR exchange rate in the quarter.

Jörgen Rosengren concluded: "We are quite satisfied with our performance during the early part of the year. Our strategy is working and is generating healthy returns in the form of growth and profit. We have strengthened our customer and supplier relationships. We have a more competitive customer offering, better internal processes and systems, and an even stronger team than a year ago."

"During 2018, we will need to continue to work on price increases and, as always, ensure that our customers are satisfied and that our delivery and quality are spot on. We intend to continue to capture market shares and we hope to complete additional value-generating acquisitions in the future. But primarily we will focus on further increasing our short and long-term customer value. Our target is to be the leading player in our industry by 2020."

Bulten Q1 Results Confirm Growth Phase

Bulten AB reported net sales for the first quarter 2018 at SEK 853 million (€81 million), an increase of 9.6% on the same period last year. President and CEO, Tommy Andersson heralded the results as confirmation of a new growth phase for Bulten.

Tommy Andersson commented: "The outcome of the first quarter confirmed that Bulten is in a new growth phase, with higher net sales and order bookings of 9.6% and 8.2% respectively. The growth is an effect of an increase in previously announced contracts and a major model shift at a customer, which is now in full production."

Operating earnings (EBIT) totalled SEK 67 million, up SEK 4 million on last year, but reflecting an operation margin of 7.8%, slightly decreased from 8.1%. Andersson explained that profitability was affected negatively by higher global market prices for steel and other metals, as well as an uneven rate of production, but was partly balanced out by positive currency effects. He added: "Bulten's financial position remains strong and we are well equipped to meet both the higher demand for our products and the increased rate of investment. The investments lay the foundation to ensure our future growth takes place with continued high-quality and good profitability."

"We have long-standing contracts and a strong position in our niche, and Bulten's long-term growth opportunities are looking good, with incoming volumes from previously announced contracts worth just over SEK 500 million annually when full production is reached in 2020. Furthermore, the development toward more hybrid and electric cars works in our favour, as more fasteners will be needed for each car due to new materials and powertrains. We also deem our prospects good to win new business."

Bulten's order bookings were reported to stand at SEK 779 million, an increase of 8.2% on same period 2017. The company also confirmed that its new surface treatment at its German unit was now up and running, with gradually increasing volumes.

At Bulten's AGM held on 26th April, Nicklas Paulson was elected as a new member of the board. He is president of Investment AB Öresund and member of the Bilia AB board with more than twenty years' experience in investment banking and corporate finance. Ulf Liljedahl was elected as the chairman of the board.

Successful Start to Bossard Year

The Bossard Group reported continued high-level growth in the first quarter 2018, with sales hitting a record CHF 220.4 million (€184 million), up 10.9% on same quarter last year.

Bossard Group posted broad-based growth in all three of its market regions. In Europe, where Bossard generates around 60% of its sales, growth was 14.8%. Business in America and Asia also made a strong contribution to what Bossard describes as "this gratifying first quarter performance".

Looking in more detail Bossard said it achieved double-digit growth in most southern and eastern European countries. In the more mature markets of Switzerland, Germany and Denmark, growth was "encouragingly solid".

In America sales increased by 8.2% in local currencies, equating to +2.1% in Swiss Francs, giving a total of CHF 58.1 million. Bossard says "the largest US electric vehicle manufacturer was less dynamic in the first quarter" with sales remaining at the previous year's level, mainly due to a change in product mix. Conscious of financial market discussion, Bossard emphasised that the customer accounted for less than 6% of Group sales in the first quarter.

Asian sales rose 12.7% to CHF 30.2 million (+10.7% in local currencies), with investments made in past years having created a solid foundation for additional growth, especially in China, where first quarter growth was in double digits, as it was in Taiwan and Thailand. Bossard also sees positive signs in India, increasing sales in other industrial sectors than wind energy, where government intervention brought business to a halt.

Bossard concluded that the first quarter performance bodes well for coming months. It expects 2018 sales to approach CHF 850 million, compared with CHF 786 million in 2017.

Trifast Results Ahead of Expectations

In a trading statement Trifast PLC reported an encouraging finish to its year (to end March) with Group underlying profit before tax slightly ahead of management expectations. Trifast said it entered the new financial year in a confident mood.

Organic revenue growth was delivered across all Trifast's operating regions, and major capital investment programmes successfully built capacity at the Group's Italian and Singaporean sites, with further investment planned. Trifast is also on track to complete a significant multi-year IT investment in June.

Following the successful acquisition of Precision Technology Supplies at the beginning of April, Trifast says the proactive search for future acquisitions continues.

Trifast European operations benefited from a stronger second half of underlying organic growth, witnessing good growth across a number of key markets, including automotive where double digit growth was achieved across both Dutch and Swedish operations. Trifast said domestic appliance sales had returned to normal trading levels following abnormally high sales volumes supporting a significant global recall programme for one key account.

Following a stronger second half, the UK also experienced robust year on year organic growth growing both core Multinational OEM customers and European distributor sales.

In Asia, as Trifast expected, strong double-digit growth experienced in the first half of the financial year was not sustained into the second half. This was largely due to the ongoing reduction in demand due to restructuring at a key automotive customer coupled with the impact of deliberately reduced volumes following an e-bidding process at an electronics multinational OEM customer. TR said it would not chase volume over margin and would continue to walk away when pricing became unsustainable.

A new warehouse in Shanghai is already providing additional support for ongoing strong automotive growth in mainland China and Japan. Investment in the Group's manufacturing facilities in Singapore is expected to start feeding through into margins over the coming financial year.

TR's North American operation was recovering well following the impact of Hurricane Harvey last year with strong year on year growth driven from new automotive wins in the region. TR opened a larger warehouse and office site in Houston this year.

Trifast Group annual results for the year ending 31st March 2018 have been released on 12th June.

Geoff Budd Steps Down from Trifast Board

Trifast PLC also announced that with effect from 31st March 2018 Geoff Budd, commercial director and European managing director will step down from its main board.

Geoff joined the board when Trifast listed on the London Stock Exchange in 1994. Prior to that Geoff had been a member of the TR Fastenings Board since 1986. Overall he has served the business for 42 years. On behalf of colleagues and investors the Board thanked Geoff for the huge contribution and guidance he has provided to the business throughout his tenure.

Although Geoff has decided to relinquish his Board duties he will remain working with the operational team at TR Fastenings with responsibilities for the commercial and technical aspects of the business in the UK, Europe and Asia.

"Geoff has been a big part of the TR family since the early days and over my 19 years I have had the privilege of working closely with him, learning about the industry for which I thank him. From an operational stance he will remain part of the business, allowing us to retain his greatly respected experience and vast knowledge of our industry as well as his ability to get straight to the point," added Mark Belton, CEO.