

# Q1 2017 Fastener Market Outlook

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## General Market Overview and Outlook

- ◆ IMF maintains the prediction on global economic growth in 2016 and 2017 at 3.1% and 3.4% respectively. Besides, the economic growth in Asia is still stronger than the whole world. Recently, the future prospect is still good.
- ◆ In the main export market, economic growth in the U.S. is stable. Excluding the uncertain factors prior to the U.S. presidential election, U.S. President-elect Donald Trump's proposed policy to invest 500 billion dollars in infrastructure and the backflow of manufacturing industries to the U.S. may benefit Taiwan's screws and nuts export. However, because of trade protectionism, it may also have an influence on Taiwan's export to some degree. After the UK voted to leave the EU, the European Central Bank continues to adopt the QE policy and may also expand the coverage of its QE policy.
- ◆ Q1 is generally the low season for wire rods. Except for the automotive industry showing a slight rebound in order intake, other steel demanding industries all showed flat records as in Q4. Recently, due to the rise of Chinese steel prices and the high cost of steel factories, steel prices are expected to grow further.

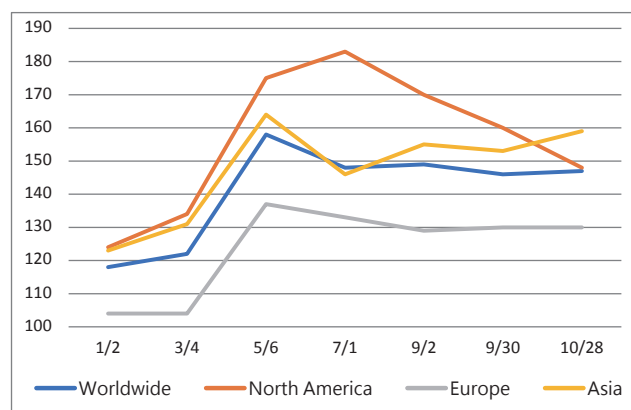
## International Steel Market Outlook

- ◆ Although the economic growth in the U.S. is stable, steel prices decline due to reduced activities of the manufacturing and construction industries. In addition, owing to the uncertain factors prior to the U.S. presidential election and the adjustment of annual inventory, buyers tend to consider many factors before placing orders. And yet, recently with the increasing cost, steel prices are expected to be stable again.

CRU SPI INDEX

Region	1/2	3/4	5/6	7/1	9/2	9/30	10/28	Year-on-year Ratio	Month-on-month Ratio
Worldwide	118	122	158	148	149	146	147	21%	0%
North America	124	134	175	183	170	160	148	13%	-19%
Europe	104	104	137	133	129	130	130	23%	-2%
Asia	123	131	164	146	155	153	159	25%	9%

- ◆ The recovery of European economy is influenced by the uncertain factors like Brexit. Nonetheless, benefiting from the antidumping measures imposed on steel export countries like China and Russia, steel prices remain stable.
- ◆ Limited by the stricter transportation management in China and the accelerating reform of the supply side reducing the production of coal, prices of coal and coke increased substantially. Pushed by the increasing cost, steel prices are expected to remain at a similar level.

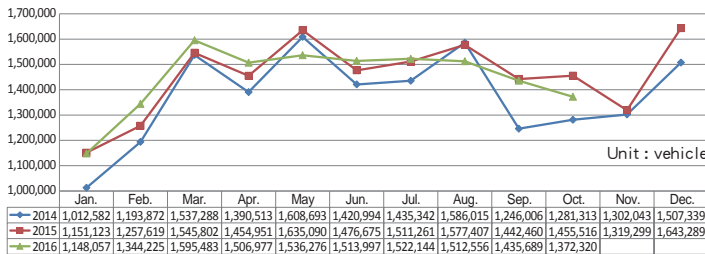


- ◆ The annual rate of U.S. housing started last September declined by 9% and totaled 1.047 million households, hitting a new low since last March. The annual reduction rate comes to 11.9%, the biggest drop since April 2011. Some experts predict that the sharp decline in housing starts may slow down the GDP growth.

- ◆ If the shortage of U.S. labor, raising salaries, low interest rates supporting the demand for real estates, and the fastest rising speed of rent in the past decade are taken into account, the sharp decline in housing starts last September might just have been temporary.
- ◆ Steady labor market, low interest rate and consumers' confidence supporting new vehicles sales all help make the demand remain stable.
- ◆ Some related companies estimated that although the automotive sales this year is expected to remain close to the high level, the sales volume for 2016 was expected to slightly decline and so does in 2017 due to the higher benchmark level in 2015.

## U.S. New Vehicle Sales

The new vehicle sales volume in the U.S. last October was 1.37 million units, a 5.8% year-on-year decline. Compared with the performance from January to October in 2015, it declined by 0.2% and totaled 14.48 million units

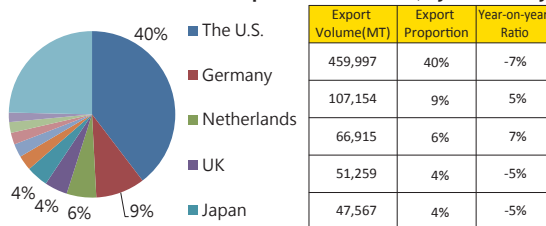


- ◆ Passenger vehicles registration in Europe increased by 8.9% from January to September 2016. Nevertheless, the economic uncertainty after Brexit may also affect the sales in Europe.

## Fastener Market Overview and Outlook

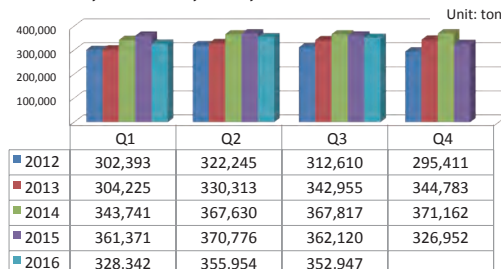
- ◆ According to the statistics from Taiwan Industrial Fasteners Institute, the monthly export volume from January to September in 2016 was 1.148 million tons, a 2.26% year-on-year decline.

### Screws and Nuts Export Volume (by Country)



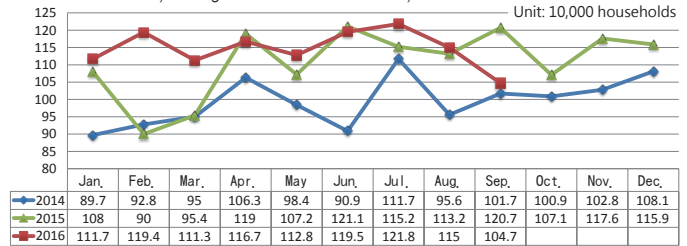
### Statistics of Screws and Nuts Export Volume (Quarterly)

In Q3 2016, it decreased by 0.84% on a quarter-on-quarter basis and decreased by 2.53% on a year-on-year basis.



## U.S. Housing Starts

The annual rate of U.S. house starts last September declined by 9% and totaled 1.047 million households, hitting a new low since March, 2015.

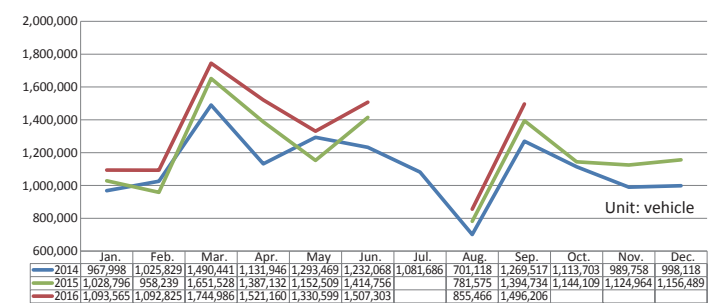


## U.S. New Vehicle Sales

	2016	2015	YoY Ratio	2016	2015	YoY Ratio
	Oct.	Oct.		Jan.-Oct. (cumulative)	Jan.-Oct. (cumulative)	
Passenger Cars	526,462	618,035	-14.8%	5,949,217	6,527,932	-8.9%
Light-weight Trucks	845,858	838,834	0.8%	8,530,147	7,980,795	6.9%
Total	1,372,320	1,456,869	-5.8%	14,479,364	14,508,727	-0.2%

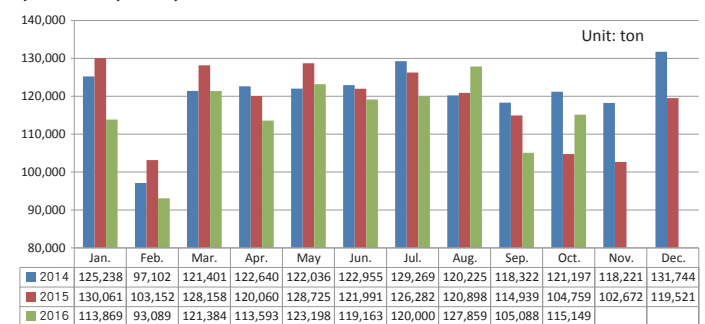
## Passenger Vehicle Registration in Europe

The amount of passenger vehicles registration in Europe last September totaled 1.5 million, a 7.3% year-on-year increase.



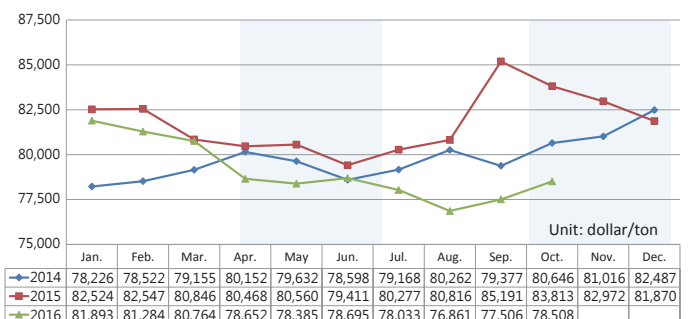
## Statistics of Screws and Nuts Export Volume (Monthly)

In October 2016, the volume increased by 9.6% on a month-on-month basis and increased by 9.9% on a year-on-year basis.



## Unit Prices of Screws and Nuts Export (Monthly)

In October 2016, the unit price declined by 6.3% on a year-on-year basis and increased by 1.3% on a month-on-month basis.

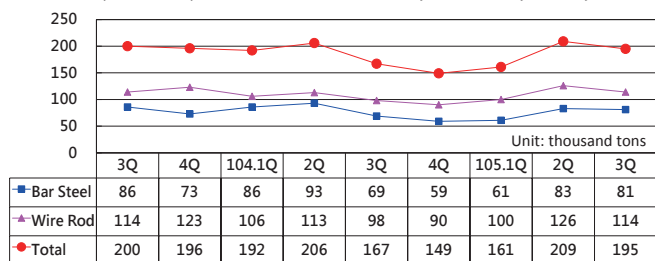


## Overview of Taiwanese Wire Rod Market

- ◆ As for the domestic wire rod sales in Taiwan, since 2015 it had gradually declined quarter by quarter and hit the lowest record in Q4 at 561 thousand tons. After Q1 2016, it bounced back to the peak in Q2 and reached 622 thousand tons, but later in Q3, it slightly decreased to 614 thousand tons. As for the import, the import volume of bar steel and wire rods in Q3 2016, when compared with the records in the previous quarter, declined by 2% and 10% respectively. The total import volume of wire rods in Q3 totaled 195 thousand metric tons, a drop of 14 thousand metric tons from last quarter (Q2: 209 thousand metric tons).
- ◆ Although there's no apparent upturn in the wire rod demand of main downstream industries, the domestic sales price in Taiwan has reflected the trend of increasing steel cost in advance. It was expected that Chinese steel industry will reach its goal of reducing steel production by 45 million tons in 2016. The ex-factory price of Chinese wire rods has been gradually increasing since last October, so the price of Taiwanese wire rods was also expected to be sustained.

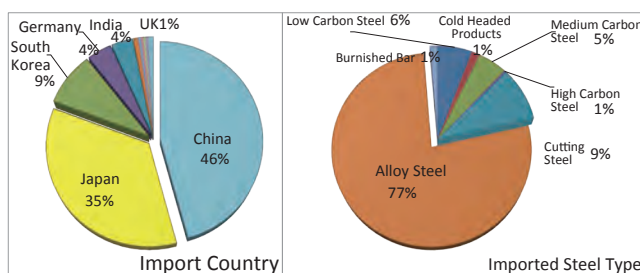
### Trend of Wire Rods Import

In Q3 2016, the import of wire rods totaled 195 thousand tons, declining by 7% on a quarter-on-quarter basis and increased by 17% on a year-on-year basis.



### Total Import of Bar Steel During Jan.-Sep. 2016

The import of bar steel was 46% from China and 35% from Japan. Most of the imported steel was alloy steel.



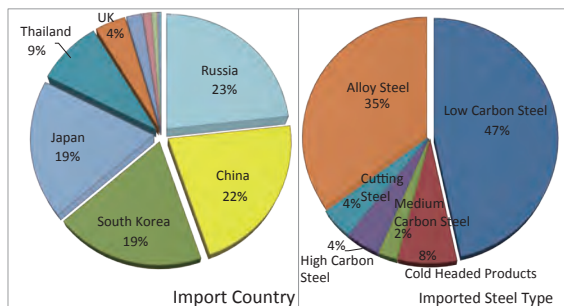
### Total Import of Bar Steel During Jan.-Sep. 2016

(Ton)

Country	Low Carbon Steel	Cold Headed Products	Medium Carbon Steel	High Carbon Steel	Cutting Steel	Alloy Steel	Burnished Bar	Total
China	4	-	789	-	-	102,170	80	103,043
Japan	7,088	1,247	6,355	389	13,717	48,061	1,780	78,637
South Korea	4,688	1,767	1,363	9	11	11,630	103	19,571
Germany	39	-	5	-	4,907	3,838	150	8,939
India	249	-	2,356	512	-	4,658	30	7,805
UK	-	-	49	16	1,598	4	4	1,671
Thailand	954	-	-	-	-	-	-	954
France	-	-	-	-	-	789	-	789
Austria	-	-	-	-	-	756	5	761
Canada	-	-	-	-	-	317	436	753
Others	1	-	43	-	16	1,737	330	2,127
Total	13,023	3,014	10,960	926	20,249	173,960	2,918	225,050
2015 period	15,342	47	13,787	386	20,383	194,337	4,001	248,283
Change%	-15%	6313%	-21%	140%	-1%	-10%	-27%	-9%

### Total Import of Wire Rods During Jan-Sep 2016

The import of wire rods was 23% from Russia, 22% from China, and 19% from South Korea.



### Total Import of Wire Rods During Jan-Sep 2016

(Ton)

Country	Low Carbon Steel	Cold Headed Products	Medium Carbon Steel	High Carbon Steel	Cutting Steel	Alloy Steel	Total
Russia	77,417	-	1,668	-	-	-	79,085
China	1,019	-	-	-	-	71,772	72,791
South Korea	36,971	9,635	-	1,042	-	16,844	64,492
Japan	5,817	15,679	5,262	6,470	9,425	21,087	63,740
Thailand	25,899	-	-	-	-	4,020	29,919
UK	3,684	-	848	6,143	2,181	1,296	14,152
UAE	3,389	-	-	-	-	3,760	7,149
India	3,945	-	-	-	-	-	3,945
Germany	-	-	-	204	2,213	24	2,441
Netherlands	-	-	-	-	-	757	757
Others	193	-	181	738	-	24	1,136
Total	158,334	25,314	-	7,959	14,597	13,819	119,584
2015 period	128,911	24,211	-	4,274	12,039	19,219	127,888
Change%	23%	5%	86%	21%	-28%	-6%	7%