

Taiwan CSC Q3 2017 Production & Sales Conference

by Michelle Hsieh, Fastener World

Business management consultant of CSC Mr. Chia-Shiu Chang at the conference reported that the IMF forecast the global economic growth is likely to reach 3.5% in 2017 and 3.6% in 2018. On the other hand, due to the tax reduction carried out by the Trump administration and the investment in infrastructure, expansion and more flexible policies, which are all favorable to boost the market demand, the economic growth margin in 2017 and 2018 is expected to reach 2.3% and 2.5% respectively. The economic growth in the Eurozone in 2017 is expected to be 1.7%. However, due to the elections held in many European countries, it is expected that the political and economic uncertainty in the Eurozone will become more significant. In Japan, the weak yen, increased export and improved business performance have pushed the expected economic growth this year to land at 1.2%. China's economic growth in 2017 and 2018 is expected to reach 6.6% and 6.2% respectively.

In a nutshell, the IMF is still optimistic for the future development of the U.S., Europe, China and Japan. However, protective measures, China's debt issue, uncertainty in European politics and elections and the fragile financial and banking systems in some emerging countries may put the global economy at risk.

Due to higher profitability in the domestic Chinese market, endless trade lawsuits and the significant decline in exports, China's steel export shows a year-on-year decline of 26.2% in the first 4 months of 2017 (and a decline of 28.5% in April).

An Overview of the Global and Taiwanese Steel Markets

According to the forecast of World Steel Association, the steel demand in the U.S. in 2017 will show a year-on-year growth of 3%, the highest among developed countries. The steel market is expected to continue growth. If the politics in the EU is stable, the investment activity will increase and the demand for steel will also show stable recovery. In China, the Chinese government is trying to tighten its real estate policies again, so the growth of China is expected to gradually slow down. It is estimated that the steel demand in China will continue to be stable, whereas it may drop by 2% in 2018.

Analyzing the current economic conditions in Taiwan, Taiwan Institute of Economic Research (TIER) said, the recovery of the global economy that stimulates demand to rebound is favorable to the export of Taiwan. All in all, the economy in Taiwan can remain stable.

Taiwanese steel plants raised their prices in Q1-Q2 this year and the circulation of their products in Taiwan also seemed to be very good at that time. However, after the end of April, they were negatively influenced by the declining steel prices in China, forcing them to lower their prices. In addition, the demand for small screws (a main consumer of wire rod) did not show any sign of increase and even showed a slight decline in fasteners for machinery and standard parts. Automotive fasteners and auto parts, on the contrary, showed better results.

The Q3 2017 Production & Sales Conference by Taiwan CSC for the Taiwanese fastener industry was successfully held on May 22nd at East Haikouwei Restaurant in Kaohsiung City. The conference was co-hosted by CSC Manager Mr. Chien-Chih Huang and TIFI Chairman Anchor T. H. Chang.

Q3 will be a high season for the wire rod demand and the material prices will be back to stability. In addition to Chinese steel prices, other factors like the drastically fluctuating financial market, increasing trade protective measures and geographical & political uncertainty will all put the global economy at risk. However, World Steel Association still forecast that the global steel demand this year will increase by 1.3% and the demand for steel for motor vehicles this year will show slowdown in growth, but the demand for steel for construction will show faster growth. With the faster recovery of the global economy, the demand is expected to remain stable.

Increasing the Added Value is a Long Way to Go

The average unit price of Taiwan's fastener export in Q1 2017 was 2.53 USD/KG, about 1.63 times the average unit price of China's fastener export (1.55 USD/KG). Taiwanese fastener companies must be active to upgrade their businesses and increase the added value of their products, in order to stay away from the price cutting competition from China. Taiwan CSC also stated they will do whatever it can to help Taiwanese fastener industry increase their industrial value. ■

