DEFICIENT & EXORBITANT

Brace Yourself for 4 Game-changing Developments Coming to the Steel Market

by Dean Tseng, Fastener World

Taiwan's preemptive preparations against COVID had bought a year of economic prosperity for the domestic manufacturing industry. However, in fact since last year, Taiwanese fastener industry has been facing deficient steel (wire rod) supply and price surge, two of the largest sources of pressure on the industry. Wire rod takes up as much as 50% to 70% of the whole fastener manufacturing cost in Taiwan. Additionally, Taiwan sources wire rod mainly from Taiwan CSC, as well as steel plants in China, Russia, Turkey, and Brazil. Any drastic change in global wire rod supply could severely impact the development of the fastener industry.

The steel price is still on the rise this year and significantly affects fastener manufacturing costs. Although currently there is no lack of orders as far as the majority of domestic fastener suppliers are concerned and they already have orders piled up to January 2022, they are restless and constantly checking how much wire rod they have in stock and whether they have enough to manufacture fasteners. On the plus side, they have orders coming in; on the flip side is the lack of materials.

With this backdrop, while keeping the domestic industry development in check, let's set our eyes on the 4 game-changing developments in the world.

Highlight 1: EU's Anti-dumping Investigation on Fasteners from China

The EU received a complaint and initiated a case numbered AD 676 last December to start an anti-dumping investigation on certain types of wood screws and self-tapping screws, washers, and certain types of screws and bolts with head designs. If the European Commission determines that the anti-dumping exists, a provisional AD tax will be imposed on July 21 at the earliest.

This provisional AD tax, if effective, will sensibly benefit Taiwanese fastener industry, but it is like a double-edged sword. Despite the merit that European orders may very well go from China to Taiwan, Taiwanese fastener industry has to think ahead and foresee the possibility of the pushing-aside effect and the outcome that may follow. If Chinese fasteners are edged out of Europe, they will be re-oriented to other countries, which in turn will clash with Taiwan's market share in overseas countries outside Europe. There are past solid examples that prove that the act of edging out competitors can only exacerbate competition in the world market.

Furthermore, to European fastener companies, China is the largest and irreplaceable source of low-price fasteners. Imposing the provisional AD tax will leave Europe unable to make up for the lack of low-price fasteners on its own. Even if Europe turns to Taiwan and other countries to purchase such fasteners, there is no guarantee that it can acquire enough volume to supply domestic demand, and it is more likely that European fastener users will be forced to accept more expensive fasteners.

Given the significant impact from this development, Fastener World Magazine took the opportunity to contact EFDA and obtained the latest statement by the association. For more details, make sure to check out the article “EU’s AD Investigation Against Chinese Fasteners” in this issue.

Highlight 2:

China Retracts VAT Rebate on Export of Certain Steel Products

Just as China set a new high in its monthly export this April, the Chinese Government suddenly retracted the 13% VAT rebate on certain types of wire rods in May to make up for the gap in supply due to reduced production of domestic crude steel. As the world’s largest steel manufacturing and consuming country, China’s act boils the surge of international steel prices as well as the shortage of steel, and pushes local steel plants to raise their prices, leading to a worldwide "mad" surge of steel prices that were once expected to hit the RMB 6,000 per ton mark. With the withdrawal of the rebate and through this policy, China's steel market price is showing a possibility to slow down the surge. The Chinese steel price could be suppressed, but it may not be the case for the international market price.

Highlight 3:

Russia to Impose Tax on Metal Export

China has just restricted steel export, and Russia will also take the baton and plans to impose a provisional tax rate of at least 15% on export of steel, nickel, aluminum and copper for a three-month period starting from August, in order to press domestic metal price. As stated above, both China and Russia are the sources of steel for Taiwan and both will restrict steel export, which will create a large gap in global steel supply. Such steel protectionism will continue to push global steel prices and accordingly affect Taiwan's steel and fastener prices.

COVID Impact on Fasteners at the Current Stage

Ever since the outbreak, work shifts have been reduced and there has been a shortage of foreign workers. Globally, the Alpha COVID variant surfaced, and then came the Delta variant, not to mention the Delta Plus and variants originated in other countries, putting countries with the highest vaccination rate back in a state of lockdown and their automotive and fastener companies in a halt again.

The country that draws the world’s attention now is India with an unstoppable COVID transmission. According to International Chamber of Shipping, there are 1.6 million seamen globally, among which 24 thousand are from India. However, the current status is complicated with the surge of international shipping fees, as well as container shortages to the extent that business owners have to purchase the average second-hand containers as a makeshift, which even pushes second-hand container price by one fold. Since the COVID variant intruded India, some other nations have had their seaports ban the entrance of ships with crew members from India, further tightening marine transport that is already in shortage. The COVID transmission in India is triggering a worldwide butterfly effect.

Make Preparations at Least 5 Years in Advance in the Face of the Pandemic

Even if the vaccines have been rolled out, Bloomberg reports that, given the current speed of vaccination, it may take at least 7 years before the world returns to normal, and this is just an estimated time frame. To fight such a long battle, the keywords that determine the sustainability of corporations for the next decade are “resilient operation”, “remote production”, “automation”, “unmanned production”, and “zero-contact service”.

“The most important thing right now is to watch out for Taiwan’s production line,” said the president of CM Media, “Taiwanese economy can still hold its ground as long as the production lines can function as normal. The most critical factor is the export. The U.S. economic recovery may become the most important growth engine for the whole world.” “On the contrary, if Taiwan came down to a lockdown, its economy would take a precipitous dive, because the hindered export would make Taiwan replaced by South Korea, Japan, China and ASEAN amid the strong recovery of the U.S.” As Taiwan goes into a fist fight with the COVID variant, the most important task now is to guard the production lines and the country’s unique supply chain to cope with the problems of deficient materials and exorbitant prices. ■