

Taiwan's Fastener Industry Faces Four Major Crises

Amid Rapid TWD Appreciation

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Taiwan Dollar (TWD) Swings 9%, Surges Past Profit Defense Line Like Runaway Train

At the end of April this year, the exchange rate of the Taiwan dollar against the US dollar averaged around 32.5 TWD per USD. However, within less than a week, it rapidly appreciated, even breaking through the 30 TWD mark, reaching the highest level in nearly three years. **Table 1** summarizes the trajectory of the Taiwan dollar's appreciation from late April to the time of writing this article (May 6). This article analyzes the impact on Taiwan's fastener industry and the existing countermeasures during this period.

Table 1. USD to TWD Exchange Rates from Late April to May 6, 2025 [Source: cnYES]

Date	Open	High	Low	Close	Change	Change (%)
May 6, 2025	30.125	30.295	29.988	30.28	0.135	0.45
May 5, 2025	30.91	30.91	29.59	30.145	-0.919	-2.96
May 2, 2025	32.1	32.105	30.77	31.064	-0.953	-2.98
April 30, 2025	32.24	32.24	31.942	32.017	-0.212	-0.66
April 29, 2025	32.44	32.44	32.204	32.229	-0.236	-0.73

Exchange Rate Analysis:

- At the end of April, the USD to TWD exchange rate was around 32.5, indicating a relatively strong Taiwan dollar.
- On May 2, the Taiwan dollar sharply strengthened to about 31, marking nearly a 3% appreciation.
- By May 5, it further appreciated to 30.1, gaining another nearly 3%, reaching the peak appreciation during this period. During the trading hours of that day, it even broke the 30 mark, hitting 29.5, showing a significant Taiwan dollar appreciation and relative weakening of the US dollar.
- On May 6, the rate slightly returned to around 30.2, with minimal change.
- Overall, during this period, the USD to TWD exchange rate exhibited a dramatic appreciation trend, moving from approximately 32.2 to as far as 29.5. The difference between the highest peak and lowest trough exceeded 9%, indicating a rapid and steep appreciation of the Taiwan dollar.

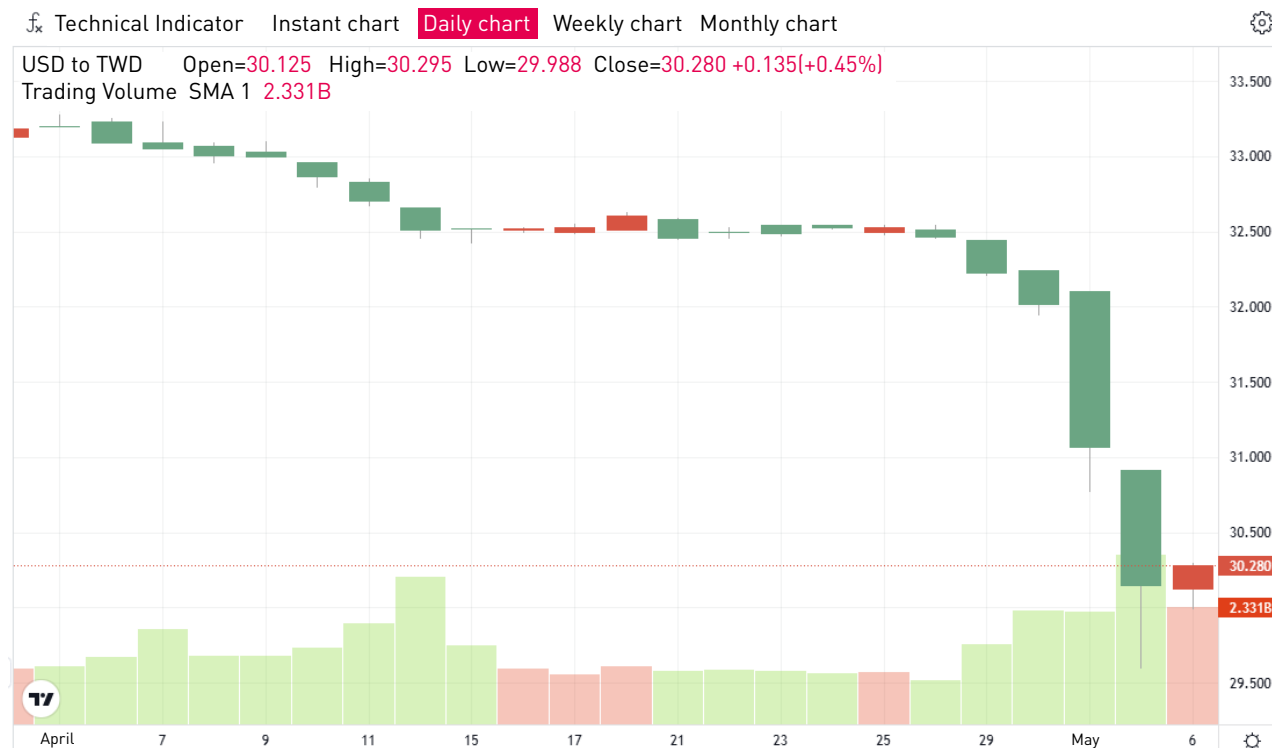


Figure 1. Daily USD to Taiwan Dollar Exchange Rate from April to May 6, 2025 (Source: cnYES)



• **Figure 1 illustrates that the Taiwan dollar's appreciation speed between April and early May resembled a runaway train, breaking through many Taiwanese manufacturers' profit defense lines.** Media outlets have already warned that this could lead to very low-performing corporate financial reports.

Gross Profit Margin Sharply Contracts, Even Turning Negative

Mr. Yung-Yu Tsai, Chairman of Taiwan Industrial Fasteners Institute, stated that **the average gross profit margin in the fastener sector is only about 15%. The recent rapid appreciation of the Taiwan dollar has eroded profit margins to zero or even pushed them into negative territory within a short period.** If the Taiwan dollar continues to strengthen, the industry could face a large wave of business closures. According to industry insights, if the USD-to-TWD exchange rate appreciates to 28, only companies capable of maintaining a gross margin above 30% might survive, but such high-margin fastener manufacturers are rare in Taiwan.

From the perspective of Chun Yu Works, a major screw manufacturer, an exchange rate shift from 32.5 to 30.0 represents about an 8% loss in competitiveness for Taiwanese fasteners. A Taiwanese fastener company generates an average 15% gross margin. The exchange rate shift translates to losing over half of the profit margin.

Moreover, about 80% of Taiwan's screw manufacturers are small and medium-sized enterprises with even lower profit margins. Taiwan fastener industry is already facing intense competition from low-cost products from China and Southeast Asia. The loss of exchange rate advantage will further weaken the price competitiveness of Taiwanese fasteners in the international market.

Taiwanese Businesses Reaction to Taiwan Dollar Appreciation

Price Hikes, Overseas Demand Monitoring, and Calls for Government Support

Barry Tsai, Manager at Sheh Kai Precision, a manufacturer of stainless steel and alloy steel bi-metal screws, noted that **the strengthening Taiwan dollar has already led to at least an additional 10% in exchange rate losses** based on the May 5 exchange rate. "We quote our products in USD with our overseas buyers, so to cope with this exchange rate impact, we must raise prices in the short term," said Barry.

"Sheh Kai Precision has about 10% of its orders from the United States, and we are closely watching whether the strong appreciation of the Taiwan dollar will lead to a decline in demand from U.S. buyers, impacting order volume. For Europe, where we receive over 50% of our orders, we anticipate that the impact of our price increase will be minimal for European buyers due to the weakening US dollar and strengthening Euro for the time being. Looking ahead, we will continue to update our certifications annually and are developing new anchor products expected to be launched next year," he continued. Overall, while the appreciation of the Taiwan dollar poses significant challenges to the industry, Sheh Kai Precision believes it has a sufficient foundation to overcome this challenge and suggests that the government provide tax cuts or preferential loan interest rates.

In the field of fastener inspection machinery, General Manager Mr. Hsu of Ching Chan Optical Technology stated that **the rapid appreciation of the Taiwan dollar in early May was unexpected and had a comprehensive impact, catching many domestic exporters trading in US dollars off guard and creating considerable challenges in mitigating losses.**



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Ching Chan Optical Technology is responding to the exchange rate changes by raising prices in the short term. Looking ahead, the company assesses that these dramatic exchange rate changes will not have a significant impact on its overall operations, and it will continue to provide robust supply support for fastener inspection needs both domestically and internationally. In recent years, it has continuously invested in development of new and upgraded AI technologies for its inspection machine products and will continue to delve into potential industries such as semiconductors, electric vehicles, automation, robotics, medical care, and food safety.

Chairman Mr. Zhuang of Taiwan Association of Machinery Industry stated that the global economic downturn, combined with pressures from domestic competitors as well as international competitors such as Japan and South Korea, has made running machinery businesses in Taiwan very difficult. He urged the government to support export-oriented industries and requested that banks avoid tightening loans during poor economic conditions. He also called for relaxed loan-to-value ratios on loans secured by land or factory buildings to ensure companies have sufficient working capital to overcome the current challenges.

Rick Wang, president of Masterpiece Hardware Industrial, a major fastener manufacturer in Changhua County (central Taiwan), pointed out that although exchange rate fluctuation itself is a normal phenomenon, the sudden and sharp appreciation in early May caught many manufacturers by surprise, leaving them little time to hedge or mitigate the impact. "In the short term, we must adjust prices and communicate well with clients. **If the strengthening Taiwan dollar continues for more than a month, it could become persistent, significantly weakening the pricing advantage of Taiwanese fasteners and severely impacting the industry. Besides the tariffs imposed during the Trump administration, the current exchange rate losses are like rubbing salt into the wound. Moreover, the Trump tariffs caused China to increase exports to Southeast Asia and countries other than the U.S., while Taiwan, which has yet to be an RCEP member, faces intensified competition from low-priced Chinese products.**" Rick hopes the government will assist by providing



preferential interest rates, financing loans, and specialized machinery financing programs to help the industry navigate this challenge and prepare for future industrial upgrades.

Masterpiece Hardware Industrial believes the ultimate solution lies in strengthening product differentiation and core competitiveness, optimizing cost structures, and precisely positioning products and target markets. Only by reinforcing the fundamentals can companies withstand the overwhelming challenges ahead. "Overall, I figure the recent Taiwan dollar appreciation has only a short-term impact on Masterpiece Hardware Industrial, but a long and sustaining development requires continuous effort and improvement. We are still expanding our factory near our headquarters to meet growing future overseas demands," said Rick.

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Increased Working Capital Risks and the Need for Enhanced Risk Management

The appreciation of the Taiwan dollar has increased working capital risks for Taiwanese fastener manufacturers. That is, export revenues (in USD) decrease in value when converted into the stronger Taiwan dollars. While production costs remain unchanged, many Taiwanese companies face cash flow tightness. Taiwanese industry players have already been aware of Trump's ambition of a weaker US dollar and a stronger Taiwan dollar, which now comes true in the way that Trump had hoped for. Now it is critical for Taiwanese fastener companies to establish robust exchange rate risk management during Trump's second term. They might consider adopting practices from the Taiwanese textile industry—another victim to the Trump tariffs—such as adjusting contract terms to include exchange rate adjustment clauses. When exchange rate fluctuations exceed a certain threshold, prices can be renegotiated to share the exchange rate risk with clients.

The Patient Offense: Fortify, Observe, and Strike in a Mad-man Era

The rapid appreciation of the Taiwan dollar in early May 2025 has posed a severe challenge to Taiwan fastener industry, especially for exporters heavily reliant on foreign markets.



Hedging Against Exchange Rate Risks

Larger fastener manufacturers, such as Chun Yu Works, have adopted exchange rate hedging strategies to mitigate the impact of currency fluctuations. Chun Yu Works stated that they generally lock in exchange rates when taking orders, so companies that hedge actively will experience minimal impact on already confirmed orders. However, this hedging approach is difficult for small and medium-sized enterprises with weaker financial strength to implement. Currently, Taiwan's financial regulators impose strict controls to prevent speculative currency trading. These measures set high barriers for companies wishing to use lock-in exchange rates or pre-selling methods, increasing the difficulty for businesses to hedge exchange rates effectively. As a result, some industry players have called for a relaxation of these restrictions to facilitate better risk management.

Additionally, some companies reportedly delay converting received US dollar payments into Taiwan dollars to avoid unfavorable exchange rate periods. This means they hold onto US dollars after payment and wait for the Taiwan dollar to return to a more favorable rate before converting. However, this strategy requires sufficient cash flow to sustain operations during the waiting period.

The sharp currency strengthening has pushed many companies to the brink of survival that leaves them facing zero gross margins and declining competitiveness. This exchange rate shock serves as a wake-up call, prompting the companies to focus more on exchange rate risk management amid an increasingly volatile global economic environment. The Trump administration wields its tariffs like a wild blade, relentlessly slashing into the profit margins of foreign competitors, as its dominance over the global market economy becomes an entrenched norm. Large Taiwanese fastener companies, with relatively stronger cash flow, can weather the short- to medium-term currency impact, but small manufacturers and OEMs urgently face foreign exchange losses that threaten their viability. Although many firms have raised product prices, they must also strengthen their financial risk controls to survive the economic turmoil of 2025.

The Taiwan dollar sharp appreciation delivered a significant shock to Taiwan's export-oriented manufacturing sectors, including fasteners, plumbing hardware, and electronics. These industries had already faced tariff pressures from the Trump tariffs in the first four months of 2025, and now the strengthening Taiwan dollar adds further operational strain. An anonymous CFO from a major Taiwanese electronics firm revealed to the press that if the appreciation does not ease, gross margin losses could conservatively start at 10%, and in reality, could be several times higher. **Plumbing hardware companies typically have gross margins of only 10% to 15%, and fastener manufacturers around 15%. The exchange rate shift from 32 to 30 TWD per US dollar has already eroded most of their profit margins. Should the Taiwan dollar continue to strengthen past the 30, 29, or even 27 levels without intervention, it could trigger a widespread wave of business closures.** ■

