

Analysis of Fastener Trade Between Thailand and Europe in 2016 and Projection for 2017

2016泰國與歐洲扣件貿易分析及2017展望

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Where is Thailand

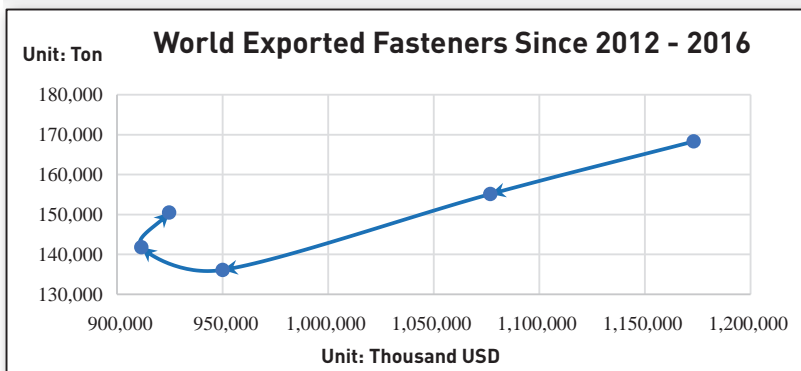
Harry Handley in his written article “Thailand in 2017: a Changing Investment Landscape” mentioned, The World Bank’s Doing Business Guide ranked Thailand 46th in the world for ease of doing business. Particularly difficult aspects of doing business include starting a business (78th), getting credit (82nd), and paying taxes (109th). Combining this with the ever-present political instability and a shortage of skilled workers and Thailand begins to appear as a risky and troublesome option for potential investors. However, in order to counteract this, the Thai government and BOI have introduced a number of pro-FDI policies. Recently, restrictions for foreign entrants have been eased in a number of industries, including insurance and commercial banking. There are plans to extend the business license waiver to more service industries. Add to this the strong geographic location of Thailand and the THB 1.4 trillion of planned infrastructure spending, and the future of Thailand as an investment location looks bright. Ultimately, 2017 is being seen as a year of transition for Thailand; the new King Maha Vajiralongkorn will be crowned and the junta government will begin the process of reinstating their own brand of democracy to the nation. The military-written constitution, passed with 60 percent support in a 2016 referendum, suggests that despite the army’s desire for ‘democracy’, their influence will be entrenched in Thai politics regardless of the result of the upcoming election. Consequently, it is expected that investment growth will be tentative throughout the year with many potential entrants holding off to see how the major events later in the year pan out.

Thailand and the World in the Fastener Field

The following graph shows that Thai fastener market was in a decline during 2012 to 2014. In terms of value, Thai market dropped in 2015; however, the imported fastener quantity increased. It seems that 2016 was the year of Thai fastener’s returning back.

Based on the World Bank’s report, Thailand’s economy was expected to grow at 3.1 percent in 2016, and it also has an effect on the fastener industry (6% improvement in the imported fastener quantity and 1.4% improvement in the imported fastener value). Comparing the unit price of imported fasteners during the period of 2012 to 2016 shows that the imported fasteners became 10% cheaper in this time, it can be translated to this: the growing economy means growth in the domestic fastener producers and so fastener exporters to Thailand decide to keep the market of Thailand by pricing strategy.

Thailand's Import		2012	2013	2014	2015	2016
World	Thousand USD	1,173,015	1,076,876	950,041	911,563	924,810
	Tons	168,288	155,128	136,117	141,793	150,496
	USD/Kg	6.97	6.94	6.98	6.43	6.15



Detail of Thailand-World Fastener Business in 2016-2017

The following graph shows that the pricing strategy worked in the Thai market and the second quarter of 2016 was the turning point for Thai fastener industry.



What Happened in 2017

The World Bank's report says that Thailand's economy is expected to grow by 3.2 percent in 2017, which means that it also expects the growth in the imported fastener market. However, it will only happen if the exporters of fasteners to Thailand keep their prices down. The first statistics of this market shows that the imported fastener price grew by about 20% in February 2017!

What is the EU's Situation in the Thai Market?

The price of exported fasteners to Thailand from the EU is about two times higher than the average price of Thailand's imported fasteners, and therefore, it is predictable that Thai fastener users import high-tech fasteners from the EU.

In this case Thailand does not have high technology to produce these fasteners by themselves, so domestic producers and low-tech fastener producers from China for example are eliminated from this competition. The main competitors to the EU are Japan and USA in this field.

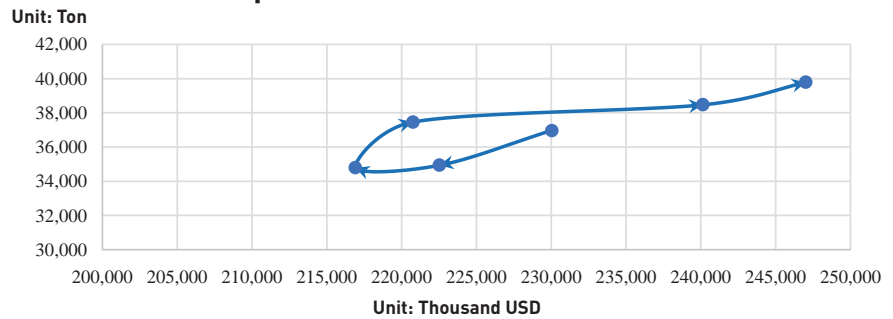
Japan is the main supplier for Thailand in the high-tech fastener field; however, it has lost its market sharply in this region. Japanese suppliers have lost 37% of their market since 2012 to 2016 in Thailand. On the other hand, the EU as the 2nd largest partner of Thailand in high-tech fasteners could increase their market share by about 22% in Thailand. In 2012, the value of Japan's exported fasteners to Thailand was more than 9 times the EU's exported fastener value to Thailand; however, in 2016 this gap decreased to 5 times. USA is not a serious threat for EU suppliers, as during these 5 years its export was 2 times lower than the EU's exporters.

The clear point in the above table is that the low price strategy is a rejected strategy for high tech fasteners.



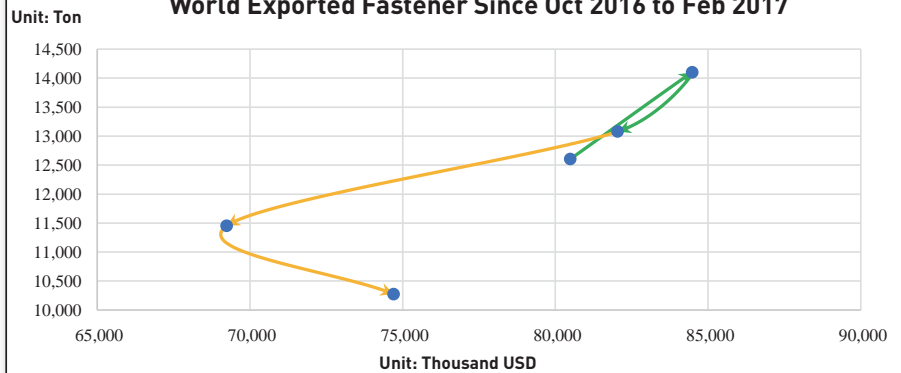
Quarter/Year	Q3-2015	Q4-2015	Q1-2016	Q2-2016	Q3-2016	Q4-2016
USD (Thousands)	230,032	222,522	216,913	220,753	240,131	247,013
Qty. (Ton)	36,972	34,932	34,790	37,460	38,466	39,781
USD/Kg	6.22	6.37	6.23	5.89	6.24	6.21

World Exported Fasteners Since Q3-2015 to Q4-2016



World	Month/Year	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
	USD (Thousands)	80,490	84,480	82,043	69,239	74,703
	Qty. (Ton)	12,605	14,098	13,078	11,452	10,275
	USD/Kg	6.39	5.99	6.27	6.05	7.27

World Exported Fastener Since Oct 2016 to Feb 2017



- Japan has decreased its fastener price in Thailand and its market share also decreased. Up to 2015, Japan was Thailand's second largest importer and third largest exporter.
- Look at the numbers of the EU in 2014 and compare them with the EU's numbers in 2016. It is perceptible that the EU has filled some of Japan's market share in Thailand and the price was not a key to its growth in 2016.
- U.S. suppliers also dropped in the low price trap. They decreased their exported fastener prices and their market share did not move significantly.

The Future of EU Fasteners in Thailand

Japan is facing pressure from China in the Thai market. Products "Made in China" mean cheap products in the world and so they are not able to fill the gap of Japanese supplier absence. The numbers after 2012 show that U.S. suppliers are not interested in the Thai market. Therefore, 2017 can be the booming year for EU suppliers in the fastener field, if they follow some points.

1. Forget the low price strategy.
2. Attack Japanese fasteners by creating differentiation.

