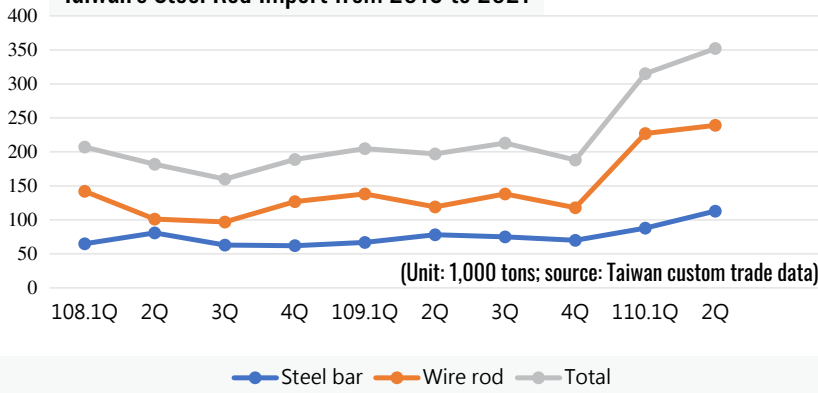


Taiwan CSC's Profit Could Mark 50-Year High Amid Short Global Steel Supply

by Joyce Huang, Fastener World



Taiwan's Steel Rod Import from 2019 to 2021



Country	Low Carbon Steel	Medium Carbon Steel	High Carbon Steel	Alloy Steel	Total
India	135,541	98	1,762	20	137,421
Vietnam	71,190	1,601	282	19,834	92,907
S. Korea	10,873	97	3,478	27,390	77,680
Japan	13,086	1,868	2,017	17,241	44,752
Russia	44,304	327	-	-	44,631
UK	21,500	1,933	7,826	3,384	39,142
UAE	23,561	295	417	9,437	33,710
China	-	-	-	25,599	25,599
Thailand	8,296	-	403	12,992	21,691
Indonesia	12,129	3,036	405	1,649	17,219
Other Countries	10,637	911	4,867	4,801	23,026
Total	351,117	10,166	21,457	122,347	557,778
Total During Jan.-Oct. 109	169,488	6,776	18,018	71,995	305,814
Change (%)	+107%	+50%	+19%	+70%	+82%

Taiwan CSC mentioned in its Q4 report that carbon neutrality and carbon tax sought across the world will give rise to the age of high steel price. With positive indicators appearing over the global steel market, CSC predicts 2021 will be the best year of profit gain over the last 5 decades of CSC's history, and expects higher profit gain in 2022 over the current year.

According to IMF, the world's economic growth margin will increase from 4.4% to 4.9% this year; the United States' GDP in the second quarter was up 6.5%. Besides, ECB has raised EU's GDP of 2021 to 4.6%. In Southeast Asia, the high transmission of Delta variant and slow-paced vaccination undermines the region's economic growth. Furthermore, several factories in Malaysia, Thailand, Philippines and Vietnam either closed, stopped or reduced production and caused orders to be redirected to China and other countries. This, however, doesn't impact a lot the supply chain of Asian countries, also dubbed the world's new factory. IMF forecasts China's economic growth margin this year will decrease 0.3% and end at 8.1% as a result of restraining the pandemic and cutting down on expenditure. Lastly, Taiwan's export and investment grow well past expectation and make DGBAS (Taiwan) greatly raise the economic growth margin of 2021, which could very well be within 50 to 60 percent, the best record over the last 11 years. The expected GDP is 5.88% for 2021 and 3.69% for 2022.

Steel Price on the Rise & High Demand for Steel

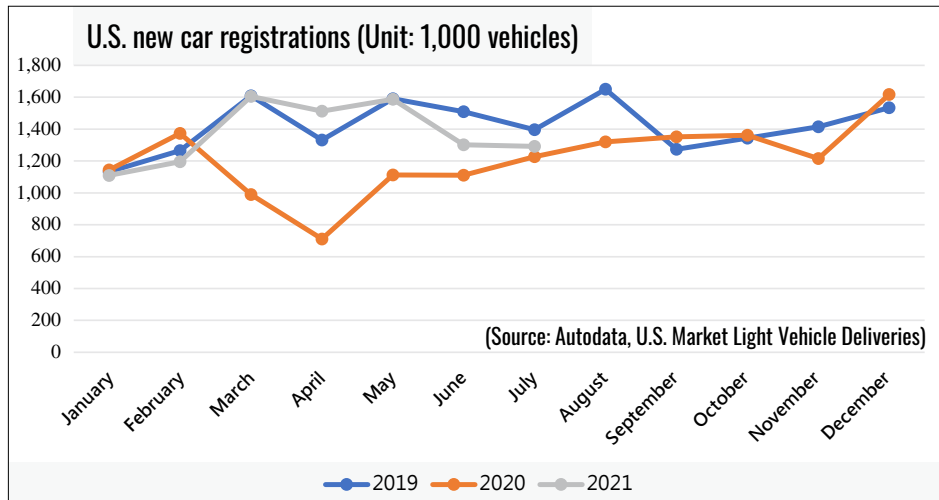
That U.S. steel plants are under annual maintenance in the 4th quarter exacerbates the local shortage of supply and pushes steel price to a record high. China plans to reduce 6% steel production with its carbon reduction policies to reduce supply, suppress steel export and keep the steel for domestic use. On the other hand, shortage of steel supply permeates into Asia and across the world and therefore lifts steel price. Domestic steel demand in Japan and South Korea is strong and the price is stable. Domestic demand in India weakens and local steel makers opt for export, which lowers steel price. Besides Asia and emerging markets, the economy in various countries are gradually recovering. With new infrastructure coming up, we are seeing reappearance of growing steel demand. The global steel price is expected to turn stable in Q4 for the following additional factors: (1) Russia imposing export tariff, (2) China canceling export rebate on cold-rolled steel and looking to impose tax on export, (3) The 232 Tax Act on Europe's export to the U.S. to be canceled in November.

In the second quarter, Taiwan imported 352 thousand tons of steel bars, up 12% quarterly and up 79% yearly, which shows a stable growth trend in steel bar import. Taiwan imports wire rods mostly from India which takes up 25% followed by Vietnam at 17%. Taiwan's imported steel is mostly made of low carbon (taking up 63%) and alloy steel (22%).



Semiconductor Shortage Impacts Sales in th U.S. and Europe

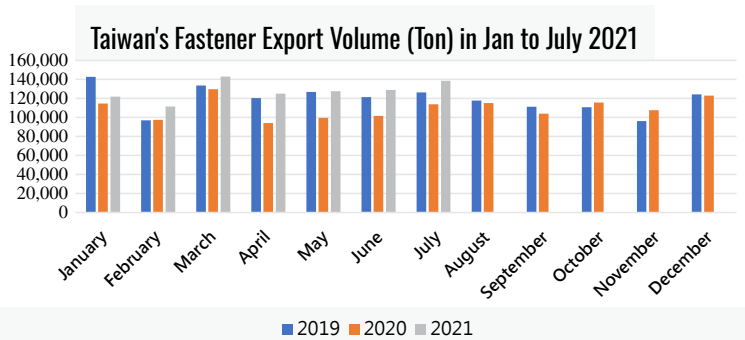
The United States' new car sales in July were 1.29 million vehicles, up 5.3% over the same month last year. Europe's new car sales in July were 1.28 million vehicles, up 18.4% monthly and up 13.3% annually. According to Bloomberg, new car registrations in Europe in the first half of this year were almost 2 million vehicles less than the same period last year. The general consensus is that sales in the next half of the year will pace up, but there is uncertainty in the prospect for the American and European market sales due to semiconductor shortage and other barriers in the supply chain.



U.S. new car registrations (Unit: 1,000 vehicles)(Source: Autodata, U.S. Market Light Vehicle Deliveries)												
	January	February	March	April	May	June	July	August	September	October	November	December
2019	1,133	1,265	1,609	1,332	1,590	1,510	1,396	1,650	1,273	1,344	1,414	1,534
2020	1,144	1,373	990	711	1,112	1,111	1,227	1,320	1,352	1,362	1,215	1,617
2021	1,110	1,196	1,605	1,512	1,587	1,301	1,292	-	-	-	-	-

Opening Market in the U.S./Europe and Infrastructure Demand Drive Taiwan's Fastener Export

Taiwan exported 971 thousand tons of fasteners in the first 7 months of 2021, up 19.87%. The average price grew 9.03%. The price of self-tapping screws and bolts rose by 10%. As the pandemic slows down, the U.S. and Europe are opening up the market. Various countries are pushing for infrastructure, and among them is the U.S. as Taiwan's top export destination. Taiwan exported USD 1.23 billion worth of fasteners in the first 7 months of 2021, up 17.89%. The average price was USD 2.97 per KG (up 9.59%), followed by Germany at USD 240 million (taking up 7.98% of export), and the Netherlands at the 3rd place taking up 5.55%, UK at the 5th place taking up 3.68%. In terms of export proportion, export to Japan in the first 7 months of 2021 decreased 4.3%, but for the U.S., the Netherlands, Germany and UK, the export to these countries exhibited double digit growth. Taiwan's export is expected to grow continuously with economy and trade recovering steadily, and increasing use of new technology and remote devices. Additionally, the COVID situation has been controlled quite well in Taiwan and domestic spending will have a chance of recovering slowly.



Taiwan's Fastener Export Price and Volume Change in Jan to July 2021		
Product	Export Volume	Unit Price
Wood Screws	+29.67%	+7.34%
Self-Tapping Screws	+19.80%	+10.00%
Bolts	+11.22%	+10.18%
Nuts	+41.54%	+3.51%

Taiwan Fastener Products Export Volume from Jan. to July 2021 (Unit: Ton)			
Export Destination	Export Volume	Export Proportion	Change
U.S.A	438,459	45.13%	17.89%
Germany	77,552	7.98%	15.20%
The Netherlands	53,949	5.55%	45.03%
Japan	38,748	3.98%	-4.30%
UK	35,785	3.68%	51.86%

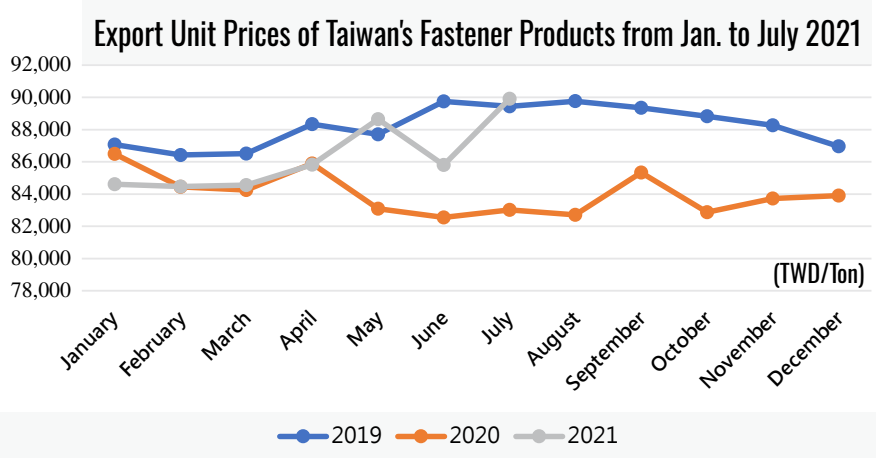
Taiwan's Fastener Export Volume (Ton)												
	January	February	March	April	May	June	July	August	September	October	November	December
2019	142,710	96,933	133,559	120,228	126,945	121,450	126,307	117,800	111,192	110,683	96,303	124,186
2020	114,503	97,397	129,678	94,130	99,555	101,548	113,752	115,161	104,089	115,778	107,671	122,941
2021	121,880	111,511	142,921	125,004	127,544	128,969	138,609	-	-	-	-	-



Taiwan's Fastener Products Unit Price from Jan. to July 2021 (Unit: TWD/Ton, Source: CSC Marketing Research)												
	January	February	March	April	May	June	July	August	September	October	November	December
2019	87,080	86,427	86,506	88,335	87,709	89,746	89,437	89,759	89,357	88,828	88,270	86,958
2020	86,490	84,446	84,240	85,899	83,091	82,550	83,010	82,705	85,337	82,871	83,724	83,906
2021	84,608	84,467	84,555	85,827	88,642	85,797	89,909	-	-	-	-	-

Trade Surge Under Pandemic Recurrence and Hindered Logistics

Many countries have seen recovery of local economic activities. Although supply and logistics have been impeded by the pandemic, the global trade volume is still expected to grow 9.7% in 2021 and 7% in 2022. Financial policies and new infrastructure acts in various countries will help boost demand and confidence of consumption. However, new emerging economies, especially Asia is impacted by the pandemic and recovery is weakening. The key to countries' future economic growth will be pandemic preventative measures, the ability to acquire vaccines and the rate of vaccination. The U.S. and Europe are boosting infrastructure, which drives global economic growth and steel demand. China dishes out strict measures on steel production and sales to achieve carbon neutrality, which will make even less global steel supply. In the advent of high steel demand, the steel market as a whole is expected to continue an uptrend. ■



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