

社论：新机会与新挑战

New Opportunities and Challenges

Great Potential for New Energy Industry in 2023

The past three years of chaos may have disrupted the supply chain but haven't been all dark days, because China awed the world with new energy car industry. According to the latest figures by China Association of Automobile Manufacturers, China's production and sales of new energy vehicles (NEVs, including pure electric vehicles, plug-in hybrid electric vehicles and hydrogen fuel cell vehicles) reached 7.058 million units and 6.887 million units respectively in 2022, up 96.9% and 93.4% respectively, and have topped the world for eight consecutive years. In 2022, the global NEV sales reached about 10.65 million units (63.6% year on year), of which China accounted for nearly 65%. By the end of 2023, China's NEV sales could grow 35%, reaching a market scale of 9 million units. Although this growth rate is only about one-third the rate of 2022, it is impressive that China has been able to achieve such growth despite the economic and inflationary challenges today.

Automotive sales have naturally lifts the demand for automotive fasteners. Several leading companies in China have invested in the NEV fastener market. Essence Fastening is one of the major precision fastener manufacturers entering the new energy industry.

Additionally, Fengning County in Hebei Province of China is building a production base of auto parts. Chery Automobile's industrial park of automotive parts in Jinpu New District of Dalian City launched construction in March. A high-end automotive industry demonstration area is under construction in Anji District of Hebei Province with the aim to establish a local auto parts industry. Among them, Anji District made a turnover of RMB 1.74 billion in 2022, up 46.6%. SAIC Motor is working with the Guangxi government to build a world-class NEV industry area. The number of NEV production bases in China is increasing rapidly with strong development momentum.

It is important to note that NEVs use a large number of printed circuit boards which put the manufacturing technology of ultra-miniature screws to the test. Thinner and stronger boron steel and recycled plastic materials have found their use

on car bodies, both of which require innovating new fastener joining technologies. Obviously, NEV fasteners requires high-end and customized manufacturing technology. However, There still are technical bottlenecks for Chinese fastener enterprises and it is necessary to continue to upgrade and transform to cope with new forms of innovation in fastener manufacturing.

Besides NEVs, another booming new energy industry in China is solar energy parts. There are many local Chinese enterprises entering this field. For example, Ningbo Geobo Hardware quickly entered the photovoltaic parts field, providing one-stop parts procurement service for overseas fastener wholesalers and photovoltaic panel mounting companies. (Refer to the Ningbo Geobo Hardware report in this magazine.) NEV and solar energy markets will be the two points of focus this year.

CBAM, the Challenge in Focus

China has long been EU's largest trading partner. However, EU will extend the implementation of the Carbon Border Adjustment



Mechanism (CBAM) to the fastener industry on a trial basis starting October 1, 2023, and formally implement it in the end of 2026 or the beginning of 2027. This will impose significant carbon taxes on fastener manufacturers who fail to meet EU's carbon emission standards and who are unable to provide third-party verified carbon emissions data. This mechanism also poses a major challenge to Chinese manufacturers.

During the transition period (starting from October 2023), EU will require that the amount of imported products, the carbon content of the products, and proof that the exporter has paid the carbon fee and reported within one month after the end of "each quarter". During the transitional period, the carbon content of products may not necessarily have to go through verification. After formal implementation, the amount of imported products, the carbon content of products, the number of CBAM certificates, and the verification report shall be reported "annually at the end of May". The documents can be submitted directly to the European Commission or to the importer.

Table 1. China's Fastener Export Value to the World (in USD)

2019		2020		2021		2022	
Partner	Export	Partner	Export	Partner	Export	Partner	Export
World	6,419,097,042	World	6,959,807,809	World	9,283,111,503	World	11,178,859,446
U.S.A.	1,004,114,571	U.S.A.	827,330,702	U.S.A.	1,262,828,358	U.S.A.	1,660,619,069
Russia	341,469,850	Vietnam	484,775,853	Russia	544,069,130	Germany	608,159,340
Japan	310,276,769	Russia	404,230,744	Germany	533,199,635	S. Korea	577,152,276
Vietnam	279,867,089	Germany	309,148,054	Vietnam	455,990,179	Vietnam	481,554,218
Germany	278,955,153	Japan	270,056,188	S. Korea	403,729,049	Russia	479,092,270
India	223,169,272	S. Korea	249,571,286	Japan	346,439,775	India	416,772,285
S. Korea	197,021,826	UAE	213,085,446	India	296,460,697	Japan	399,601,381
Australia	189,499,451	India	203,159,577	Italy	277,124,224	Mexico	298,089,922
UK	159,449,102	Myanmar	199,601,983	Australia	266,443,260	UAE	297,718,909
Italy	153,851,235	Thailand	196,292,352	UK	258,863,173	UK	296,288,973

Table 2. China's Fastener Import from the World (in USD)

2019		2020		2021		2022	
Partner	Import	Partner	Import	Partner	Import	Partner	Import
World	2,839,393,284	World	2,786,542,569	World	3,280,746,110	World	2,857,704,941
Japan	839,746,319	Japan	852,790,240	Japan	983,969,032	Japan	806,726,292
Germany	556,294,921	Germany	561,700,799	Germany	630,243,449	Germany	556,832,553
U.S.A.	369,091,167	U.S.A.	315,945,338	U.S.A.	398,160,844	U.S.A.	392,529,165
Taiwan	218,244,164	Taiwan	234,702,416	Taiwan	324,224,022	Taiwan	284,625,712
S. Korea	160,280,472	Italy	141,111,449	Italy	172,577,180	Italy	140,189,255
Italy	124,061,441	S. Korea	130,805,250	S. Korea	132,572,356	S. Korea	118,696,684
France	73,735,995	France	62,370,515	France	73,700,211	France	67,104,206
U.K.	49,902,373	U.K.	46,517,579	U.K.	53,832,105	U.K.	47,406,276
Malaysia	26,830,637	Malaysia	28,608,755	Turkey	40,893,282	Turkey	39,145,466
Switzerland	24,756,491	Switzerland	28,247,190	Switzerland	33,779,764	Switzerland	32,677,036

China's carbon reduction accompanied by the aforementioned new energy industry (electric vehicles and solar energy) boom is becoming a trend, but EU's carbon tax came fast and abruptly. Could Chinese fastener enterprises in this wave of new energy trend upgrade in time and develop fastener products and production line technology that can meet EU's carbon reduction regulations. These questions test fastener leaders' technological innovation and integration capabilities. Perhaps they could succeed through collaboration with overseas enterprises and different industries.

China's Fastener Export Surpasses USD10 Billion Mark

From 2019 to 2021, China's fastener export to the world continued growing from USD 6.4 billion and USD 6.9 billion to USD 9.2 billion, and then exceeded the USD 10 billion mark in 2022, landing at USD 11.1 billion (Table 1). The U.S. has been China's largest fastener export destination for the past four years, and China exports much (at least two times) more fasteners to the U.S.



than to other countries, indicating that China's fastener export is highly dependent on the U.S. Other major fastener export partners with China include the United States, Germany, South Korea, Vietnam, Russia, India, Japan, Mexico, UAE, and UK. China's fastener export to these countries have generally been growing for four consecutive years, indicating that the global demand for Chinese fasteners has been increasing up to last year.

On the import side, China's fastener import from the world fluctuated, falling from USD 2.8 billion to USD 2.7 billion, rebounding to USD 3.2 billion, and then falling back to the USD 2.8 billion during 2019 and 2021. Japan has been China's largest source of fasteners in the past several years, followed by Germany, the U.S., Taiwan, and Italy, as shown in **Table 2**. South Korea, France, and UK were respectively the sixth to eighth largest sources of fasteners for China in the past several years. It shows there is little change in China's sources of fasteners.

Overall, although China is affected by factors such as geopolitical pressure, domestic economic challenges and global inflation in 2023, steady fastener import and an uptrend in export are still expected. Market research institutions predict that the global industrial fastener market value will grow 4% to USD 110.9 billion and automotive fasteners will grow 7% to USD 17 billion in 2023. With the prospect of expansion, it is a must for Chinese fastener manufacturers to capture overseas markets.

Pressing the Start Button for Grabbing Overseas Shares

Fastener Fair Global was the highlight of this spring where we saw exhibitors of China pavilion form a strong force competing with Taiwanese and Indian manufacturers for orders. Fastener World interviewed Chinese, Taiwanese, European and American exhibitors there and found they were facing two different situations. On one hand, we met those who claimed less than ideal numbers of orders received because inventory level remained high at the European customers' side. On the other hand, there were those very satisfied to have met 60 existing customers and about 20 new customers in the first two days of the show, and these exhibitors hoped to book a larger booth next time. Some exhibitors found more customers from Central and Eastern Europe. Here we see fastener inventory level this spring was still quite varied among European customers, but no matter what, exposure is the window of opportunities to get orders. Some of the largest Chinese fastener manufacturers revealed to Fastener World that they would exhibit in Nashville and São Paulo shows this year, hoping to tap into more markets.

With the market fully open in 2023, there are already Chinese manufacturers planning to go in groups to Germany, the U.S., Italy, Japan, India and Taiwan to attend exhibitions and visit local enterprises this year. With the EU carbon tax as a new challenge, the new energy industry and upcoming exhibitions this year are new business opportunities that Chinese fastener industry is grasping. ■

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