



Hand Tools and Fasteners: Two Scenarios in a Growth Backdrop

手工具與扣件「預期成長」下的兩樣情

Although inflation and geopolitical tensions remain a threat for Taiwan and the world in 2023, there is relatively less uncertainty and volatility than during the pandemic. Taiwan hand tool and fastener industries are in general optimistic about a potential rebound and growth in the export market beginning from the second quarter of this year. While Taiwan hand tool industry is going full steam at export sales, some of the Taiwanese fastener manufacturers selling to Europe are at the crossroads of transformation and upgrade, in for a face-off with a new challenge. What the fastener industry is experiencing could serve as a reference for the hand tool industry to upgrade. The following article will provide an industry overview on each of them.

Taiwan Hand Tool Industry Poised for Rebound

The past two years was plagued by the epidemic, leaving global hand tool vendors with high inventories which impacted the order books of Taiwan suppliers. However, the situation began to alter in the fourth quarter of last year when some hand tool vendors' inventories started to slowly decline. The inventory level of retailers and OBMs (original brand manufacturers) remain relatively high as of January 2023, but still there is market demand for construction materials do-it-yourself products and supplies which led to a rebound in the demand for professional hand tools.

Some hand tool suppliers have predicted that OBM customers will increase their orders as soon as this April, and the hand tool market is expected to see a significant recovery in the third quarter of this year. The long-established and publicly traded Taiwanese digital hand tool maker, Eclatorq Technology, stated a steady and robust growth and their anticipation for hand tool demand growth from the aerospace, automotive, high speed rail and do-it-yourself markets. The recovery

of equipment manufacturing, machinery and construction industries this year is also expected to drive the growth of hand tool demand. In addition, Basso, one of the top Taiwanese players in nail guns, said there is currently no decrease in professional-grade nail gun demand this year and that a stronger revenue growth momentum is expected for the second half of 2023.

The geopolitical friction between the United States and China has increased this year. According to overseas press, the United States is looking to end the war between Russia and Ukraine as soon as possible. If this war ends, the hand tool demand driven by reconstruction could be considerable. Furthermore, the United States was confronted with coming waves of snow storm since around last Christmas holidays which continued up to this spring at the writing of this article. The onslaught of the weather beast prompted a surge in orders placed at automotive repair shops, which in turn boosted demand for hand tools and automotive parts, benefiting some Taiwanese suppliers.

Taiwan's total exports of fastening tools to the world grew 4.5% from US\$1.03 billion in 2021 to US\$1.076 billion in 2022. From 2019 prior to the pandemic to 2022 after the pandemic, Taiwan's fastening tool exports to the world stayed on a stable growth track in general. Globally, the world's market for fastening power tools reached close to US\$1

billion in 2022. An industry research firm's report predicts that this market will grow at a compound annual growth rate of 3.7% to US\$1.24 billion by 2028. In summary, there is still growth momentum for the world's (including Taiwan's) fastening tool market in 2022. Given industry's forecast of highly probable recovery in the second half of this year, the market size of fastening tools for 2023 is expected to grow further. The upcoming global exhibitions will provide a perfect springboard for vendors to expand sales. In addition, last year's financial reports show that Granger, Simpson Strongtie, and other vendors tapping into both hand tools and fasteners gained significant sales growth, indicating a good prospect for these two products.

Globalization is a thing of the past. There is no return for cheap products now with the hike of raw material prices. Unlike fasteners, hand tools are mostly customized, diversified and provided at high unit prices in small quantities. They have high added value and diverse sales channels, and therefore can serve as a reference for fastener industry's transformation towards high value. Hopes are high for innovating products through Industry 4.0 and Smart Factory, and providing products with competitive price and proper market positioning.

Taiwan Fastener Industry Strives For Carbon Reduction and Upgrade

2023 is a critical turning point for Taiwan fastener industry. The European Union announced almost abruptly that it will implement Carbon Border Adjustment Mechanism (CBAM) on a trial basis from October 1, 2023, extending the implementation target to the fastener industry, which has aroused strong concern from the fastener industry in Taiwan. Failing to meet the carbon emission standards stipulated by the EU and provide the EU with carbon emission data verified by a third party will entail a substantial carbon tax, which will seriously impact the revenue and profitability of fastener companies in Taiwan.

Based on the current EU regulations, the transitional period (starting from October 2023) will require the importers of products to the EU to report within a month after the end of each quarter the amount of imported products, carbon content of the products, and a that the exporter has paid the carbon fees. the transition period, the carbon content of can be reported without verification. the official implementation launches in 2027, importers will be required to report the end of May the amount of imported the carbon content of the products, the certificates, and the verification report. carbon content of products will have to official implementation. As for exporters they have two ways to submit data related directly to the European Commission, or obligator).



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The current regulation is not transparent and clear enough, putting pressure on Taiwan fastener suppliers. With details yet to be fully disclosed, it will involve numerous cost considerations when Taiwan fastener suppliers ponder on a plan for carbon reduction and upgrade. In Fastener World Magazine's field trip throughout the industry, we found a supplier who still felt the urgency even after having planned years ahead and invested millions of New Taiwanese Dollars in carbon inventory and carbon footprint, and here we have only touched on suppliers now in the process of transformation and upgrade. For those that still rely on conventional manufacturing process, they will be more overwhelmed by the challenge of CBAM.

By the deadline of this article, **we got wind that the EU could be releasing the details of CBAM at the end of this March. Some Taiwanese fastener companies have called on the government and domestic fastener associations to quickly coordinate with the EU to come up with compatible carbon tax measures.** Besides, some of them have already run out of time waiting and started to call on all fastener companies to pool their ideas and develop carbon reduction technologies tailored to Taiwan fastener production lines through mutual assistance or cross-industry collaboration, and promote the technologies to the whole industry via the government and leading enterprises. These technologies may include heat recycling, solar power generation, producing green power, developing fasteners that can help reduce carbon emission, etc. These won't be enough, however, and will need more new innovative technologies with higher carbon emission efficiency to accelerate Taiwan fastener industry compliance to EU carbon reduction regulations.

Taiwan fastener traders also need to take into account the government's and EU's carbon tax regulations and set supply criteria that fastener suppliers can follow. CBAM involves the EU, Taiwan government and Taiwan fastener industry, and the three must have a set of compatible compliance regulations. The Taiwanese government has established direct communication with European fastener associations (EFDA and EIFI) to be updated on CBAM regulations. Regardless, this is a tug-of-war between Taiwan and the clock. By making good use of Taiwan's strong supply chain and its collaboration mechanism, the fastener industry in Taiwan still has a chance to surmount new challenges.

Lastly, as the pandemic draws to a close, international trade shows and business events are starting to flourish, which is good news for the fastening tool and fastener industries. It is expected that quantitative easing will be introduced by various countries to boost the competitiveness of companies and restore the economy to its pre-pandemic glory. ▣

by Dean Tseng, Fastener World

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No. 15, Yong'an Rd., Annan Dist., Tainan City 709029, Taiwan
Tel: +886-6-357 1228 Fax: +886-6-357 1661 / +886-6-357 1060
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