

The World's Factory

China rose to the "World's Factory" within the last 40 years. This growth initiated when Deng Xiaoping, former president of China, ordered an economic reform in the late 1970s and presented the concept of a free market to China for the first time, which earned him the reputation as the "Architect of Modern China".

A combination of relaxed state regulations and access to the world's largest, youngest, workforce in the world made China the impeccable place to outsource global manufacturing. Low labour cost, strong business ecosystem, lack of regulatory compliance, low taxes and duties, and easy access to fast growing consumer populations in Southeast Asia made China one of the most beneficial and productive business hubs in the world. It quickly surpassed the United States in 2011 to become the world's largest manufacturer driving growth in the nation's GDP by 40% and accounted for almost 30 percent of the global manufacturing output in 2018.

Despite the fact that Chinese manufacturing has dominated over the rest of the world over the last twenty years, manufacturing is leaving China, and the mature point in China's exponential growth curve headed to a few unexpected circumstances. The cost of finished goods and pace of production and delivery, at which China was able to deliver, has started to slow down as the country's population grew and its presence on a global stage drew attention around environmental and wage regulations. More importantly, specialization has caused labour rates up in recent years.



Next World's Factory? What is the Future for Indian Fastener Industry?

by Shervin Shahidi Hamedani

In addition to what was mentioned, Chinese manufacturing and its economic productivity got hit by what can only be described as "A Perfect Storm" of incidents, in the last few years. A combination of old issues and new challenges such as China - United States trade war and increased geopolitical tensions as well as recent Covid-19 Pandemic which all lead to a mass departure from Chinese manufacturing, and initiated the start of the downfall of the country's manufacturing dominance. Analysis reports that Chinese global export has been estimated to drop by USD5 billion since the tariffs were first implemented.

Next World's Factory

Manufacturing has emerged as one of the high growth sectors in India. **India is projected to be the world's third-largest automotive market in terms of volume by 2026. Based on the recent study by the McKinsey Global Institute, it is expected that companies will shift one quarter of their global product sourcing from China to other countries in the next five years.** In this uncertain trade environment, a growing number of countries are hopeful that they could replace China as the

world's next major manufacturing hub. Now the question is, which country will be the next world's factory? Vietnam, Thailand, Malaysia, Indonesia, Singapore, India, Taiwan, South Korea, Mexico or maybe a country from Africa? Vietnam, for instance, has been one of the major beneficiaries of the US-China trade war, attracting much of the manufacturing capacity that China lost, but this is not the only factor to become the World's Factory.

To answer this question, first we need to know the key objectives for companies who are willing to expand their new manufacturing bases. New market opportunities, proximity to existing accounts, talent availability, educational infrastructure, business disruption risk and state technology advances are the main objectives which brand owners look for when planning to expand and optimize their factories. As a result, given the proximity to an inflating population base and relatively lower wage rates, India and Southeast Asia still remain lucrative opportunities for those brands looking to outsource manufacturing.

India Can Replace China as World's Factory

India, China's neighbour, a global giant with a fast expanding consumer base and strong manufacturing know-how background, is making a serious effort to (re)gain the world exporter hub. China's weakened global position is a great opportunity for India to attract more investment, as this country already has massive auto, food, and apparel manufacturing bases. Pharmaceutical companies are also turning towards Indian manufacturers for a more reliable production base.

Recently, India has significantly increased efforts to attract manufacturing investments into the country. The new initiative of Prime Minister, Narendra Modi, "Made in India" is intended to help the country replace China as a global manufacturing hub. The base of this plan comprises inspiring the world's biggest smartphone brands to make their products in India. The northern state of Uttar Pradesh, with the population as large as Brazil, has formed an economic task force to invite manufacturers who are keen to leave China supported by a pool of land twice the size of Luxembourg. Despite of all those opportunities and initiatives, India is still blamed because of its severe regulatory environment and restrictions.

Indian Fastener

Asia-Pacific has been known as the largest industrial fastener market for several years, accounting for a major share of the fasteners manufactured globally. The main reason for this growth, more specifically, in India, derived from the several construction initiatives and activities as well as growing automobile manufacturing.

Due to various applications of fasteners in diverse sectors, a wide range of fasteners are manufactured in the Indian market, which include exhaust bolts, balance wheel bolts, standard hexagon screws/bolts, socket head cap screws, socket shoulder screws, weld nuts, square nuts, hexagon nuts, self-tapping screws and others. Again, with the support of Narendra Modi's 'Make in India' initiative, the Indian manufacturing sector is expected to generate a huge demand for the industrial fasteners market in the new future. The Indian industrial fasteners market is expected to reach a value of 6.3 billion USD by 2023.

The Indian automotive sector is expected to be the largest consumer of industrial fasteners, accounting for a major share of the market by 2023. This will be owing to increased automotive manufacturing in the country. Increasing sales of automobiles in India are considerably driving the growth of the automotive aftermarket in the country, including automobile sector-specific fasteners. In the future, the development of fasteners applications for manufacturing automotive parts such as engines, chassis, moulding, suspension systems and wheels among others, is anticipated to drive the growth of the Indian industrial fasteners market followed by the construction and the engineering sectors.

High-tensile fasteners are mainly used in the construction and engineering sectors, whereas mild steel fasteners are used in manufacturing automobiles. Currently, there has been a shift in preference of manufacturing fasteners by using stainless steel, iron, brass, aluminium, nickel, plastics and composites while this shift is expected to continue in the future. ▣

Sources:

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Coronavirus: Can India replace China as world's factory? by BBC
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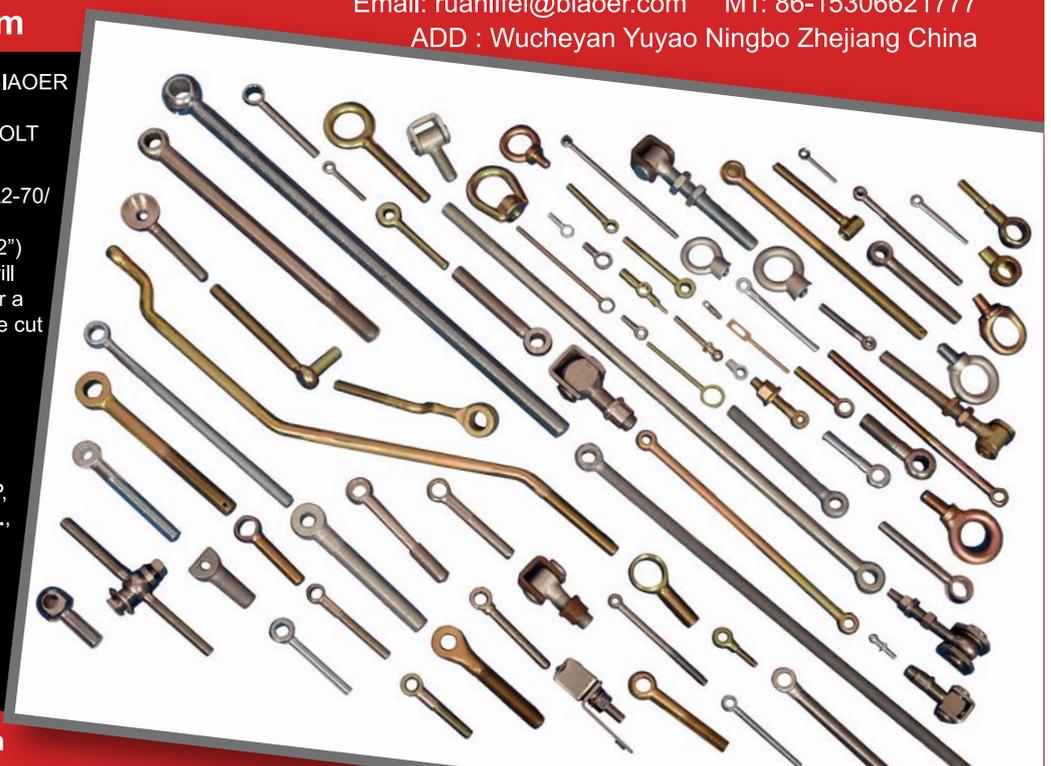
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