2022 China Fastener Industry Watch: Anti-dumping Tax, New Energy Vehicles, Fastener Bull Market

What crosses your mind if you were to go through the major events that have influenced or impacted China's fastener industry last year? Inflation, power rationing, raw material price surge, supply chain blockage, labor shortage, global fastener demand... are all big topics affecting the world and linking back to the manufacturing economy of China. The one that is most heart-sinking to the Chinese people working in the fastener field is the latest development in EU's anti-dumping measure on fasteners imported from China. Apart from that, the boom and pitfalls in new energy vehicles as well as the fastener market performance in China continue to attract attention from local business owners.

The following table lists the chronological timeline of EU's anti-dumping measures on China during 2020 and 2022

Date	Event	Note
December 21, 2020	Responding to EIFI's appeal, the EU initiated an anti-dumping investigation on iron or steel fasteners originating in China.	
March 19, 2021	CMCA Fastener Division President Conference.	Proposal made in the conference is that business owners should unite to take action against EU's anti-dumping measures.
March 24, 2021	Meeting held in Jiaxing City of China to work out actions following up EU's anti-dumping measures.	Government, association and business representatives state to cooperate in responding to the anti-dumping appeal.
June 17, 2021	EU starts import registration on iron or steel fasteners originating in China.	Products requiring import registration are certain wood screws, self-tapping screws, certain other screws and bolts with heads, and washers.
June 29, 2021	China starts a final review investigation on anti-dumping measures applied to carbon steel fasteners imported from EU and UK.	The fastener division of China General Machine Components Industry Association (CMCA) calls for Ministry of Commerce to start a final review investigation and to continue with the anti-dumping measures applied to carbon steel fasteners imported from EU and UK.
July 20, 2021	EU says in an announcement to not start temporary measures on anti-dumping procedures for certain iron or steel fasteners imported from China.	
November 16, 2021	EU says in an announcement that the highest rate for certain iron or steel fasteners imported from China is 89.8%.	EU expects to officially launch the tax measure after the final determination scheduled for February 17, 2022.
December 14, 2021	EU lowers the anti-dumping tax margin to 22.1%~86.5% for iron or steel fasteners imported from China.	
December 16, 2021	EFDA publishes "EU Duties Will Disrupt Fastener Supply Chain".	EFDA President says, "In proposing duties of up to 86.5 percent on Chinese fasteners, the EU is creating a permanent supply problem for the European industry, thereby putting 'Made in EU' at risk. The excessively high duties will hit European companies at a time when they are already suffering from massive supply problems."
February 17, 2022	EU determines to impose the anti-dumping tax of 22.1%-86.5% on the involved fasteners.	

Topic 1: EU Anti-dumping Measures on China

The Chinese fastener industry is cornered by multiple challenges. Added to the global supply chain blockage and soaring manufacturing costs is Argentina with an announcement to continue the anti-dumping tax on carbon steel fasteners imported from China, but nothing compares to China playing against EU on fastener anti-dumping.

The European Commission claimed the average monthly import volume of the involved fasteners during January and March 2021 increased 32% over the investigation time frame and increased 43% over the first 3 months of 2020. CCCME (China Chamber of Commerce for Import and Export of Machinery and Electronic Products) countered that the import volume in the investigation time frame did not grow, and that the import growth in the first 3 months of 2020 was not evident, questioning the figures presented by The European Commission.

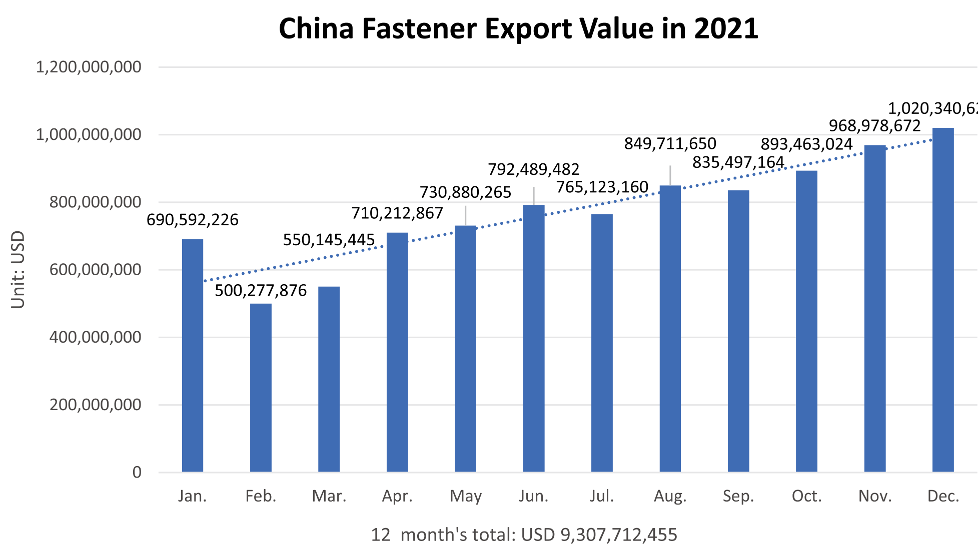
The European Commission stated that despite a rise of 6% to 7% in the import price of the involved fasteners during January and March 2021, a comparison with raw material price and freight shows largely compressed prices of the involved fasteners. CCCME for one questioned the lack of evidence in the appeal document, for another explained that EU mainly manufactures special fasteners and imports standard fasteners from China and that there is little clash between those products.

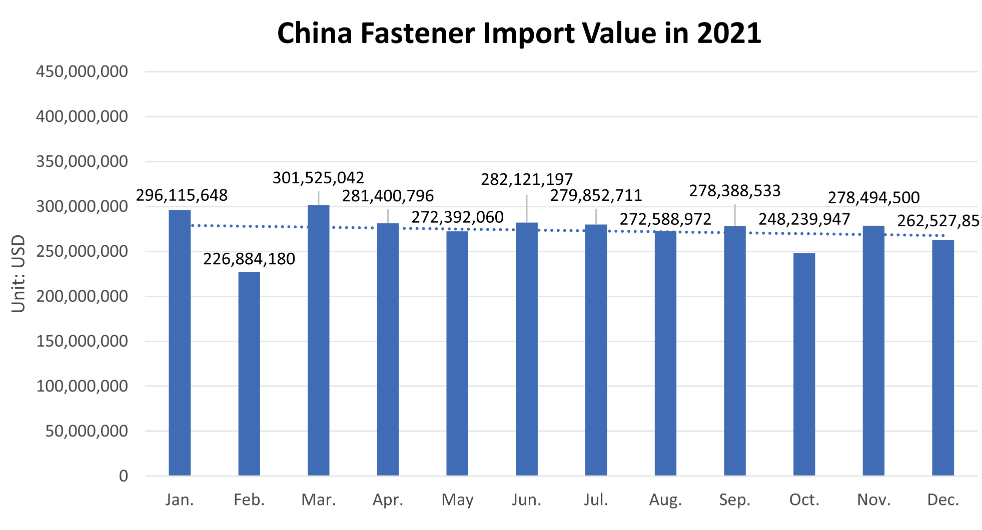
February 17, 2022, EU announced the determination to impose 22.1%-86.5% anti-dumping tax on the involved fasteners. The involved fastener companies having responded to the appeal are subject to a tax range of 22.1%-39.6%; others without responding are imposed with an 86.5% tax.

Fastener businesses across all regions of China, including Jiaxing City, have risen against EU's anti-dumping measures. Jiaxing city is an economic engine with an annual production value of RMB 60 billion industry-wide and over 1,100 fastener-related companies. The city swiftly established a foreign trade alert system to send precautions in time for potentially involved companies to properly slow down export to sensitive markets, so that they can prepare for legal offense and defense and acquire the time to make response and grasp control. Furthermore, CCCME held a national coordinating meeting inviting lawyers to form a battle group against the challenge ahead by instructing 92 companies to respond to the appeal.

At the end of 2021, EFDA stated in a public press release in a tone more intense than before that imposing high tax rates on China's fasteners will bring a crisis to EU manufacturing. The tax cuts both ways to China's fastener industry and European companies relying on China's standard fasteners. Echoing the press release, some Chinese fastener companies stated that other countries are currently not able to satisfy EU's fastener demand. Therefore, there continues to be European clients who still purchase from China despite the tax rate.

Topic 2: Fastener Export Market Continues to Heat up





According to General Administration of Customs of China, last year China exported 4,917,080 tons of fasteners, up 21.1% over 2020; the export value reached USD 9.307 billion, up 33.7% from 2020 (USD 6.959 billion). Both the export volume and price had a double-digit growth. For export volume, it was 410 thousand tons last January, 420 thousand tons last June, and 480 thousand tons last December. For export value, it was USD 690 million last January, USD 790 million last June, and USD 1 billion last December. Both the export volume and value grew steadily. For average export price, it was USD 2,100 per ton last January, USD 2,400 per ton last June, and USD 2,600 per ton last December.

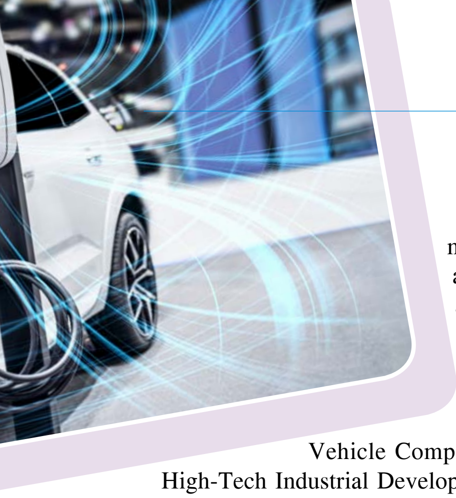
At the start of 2021, many Chinese fastener companies were overwhelmed by orders, ramping up production, and anxious to hire technicians. Hubei Deng Feng High Strength Bolt Co., Ltd has a backlog worth RMB 150 million which takes up the first half-year production, and its fasteners are supplied to various infrastructure and aerospace markets. Ningbo Jinding Fastening Piece Co., Ltd has to increase 30% production efficiency to handle delayed orders due to the pandemic. In addition, Guangdong XKX Hardware Products Co., Ltd was going full throttle on 300 orders even before the Lunar Chinese New Year. China Aviation Industry Standard Parts Manufacturing Co., Ltd was hurrying up on its first order this year. The Chinese fastener industry in the first half of 2021 is best described as a buoyant market, labor deficient and full of hustle.

Topic 3: New Energy EVs

The talk of the town for Chinese industrial sector in 2021 was unquestionably the continual 3-digit growth rate of new energy vehicles. According to China Association of Automobile Manufacturers, new energy vehicles' production and sales both grew 1.6 times last year and their market share grew 8 percentage points to 13.4%. In a Chinese EV sales ranking, all German carmakers fell out of top 10, losing their edge in the Chinese market.

In fact, China's EV sales already reached 1.3 million vehicles in 2020, exceeding Germany, the U.S. and topping the world. The Chinese government rolled out the Planning for the Development of New Energy Vehicles (2021-2035) to focus on supporting the EV industry. Shanghai International Automobile Industry Exhibition alone has over 40% of new cars being EVs. Up to last year, China had over a million charging stations, twice the number recorded in 2019. IEA forecasts a 57% global market share of Chinese EVs by 2030.

Last year saw a bunch of fastener companies investing in the EV industry. In April 2021, a subsidiary of Gem-Year Industrial Co., Ltd. invested RMB 31.8 million in upgrading the manufacturing technology of high-end fasteners for use with new energy car batteries. Last June, Essence Fastening Systems (Shanghai) Co., Ltd. went public in Shenzhen City. The company specializes in developing,



manufacturing and selling high-strength automotive precision fasteners, special joints among others. It is actively tapping into new energy vehicles, developing lightweight fasteners and special joints for new energy vehicles. Furthermore, in December, BYD invested RMB 15 billion in a project on BYD New Energy Vehicle Component Industrial Park located in Xi'an National High-Tech Industrial Development Zone with an estimated annual production value of RMB 70 billion.

However, a huge pitfall lurks behind the exponential growth of the Chinese new energy vehicle market. The Chinese government dished out subsidies over the last decade and spawned a phenomenon that there are too many EV makers. Up to August 2021, the number of companies in the new energy vehicle supply chain sharply increased 81 thousand to over 320 thousand. As the subsidies withdrew, we began to see some of the new energy car makers knocked out of the market, and it forms a bi-polar development where there are companies on one side about to go public overseas, and those on the other side teetering on the edge of bankruptcy.

In addition, the overcapacity of Chinese new energy vehicles already appeared in 2020 when the sales were 1.36 million vehicles overrun by the capacity at 26.69 million vehicles which was 19 times as many. Nevertheless, new energy vehicles are now the bullseye for global competition. Until supervision and restrictions come into play, new entrants to the new energy vehicle market are only going to add up rather than get off.

Sit Tight for Latest Trend Coming in 2022

The sharp rise in global market demand peaked last year. The world expects market supply and demand will slow down this year but should remain at a higher level. Steel price could peak and trend back down this year. With the gradual increase in global vaccination rate, there is a good chance that border control will continue to untighten and we could see the aerial industry rise from the ashes. On another note, the world's emphasis on ESG and environmental protection reaches new heights in the pandemic years. A shift to a high-end and low-carbon-emitting manufacturing industry was the focus of study by many countries in the last two years. Obviously, following the global construction fastener boom and deceleration this year, an upturn in the demand for high-end fasteners related to aircrafts, new energy and environmental protection (waste reduction) is expectable. Fastener companies must prepare ahead to take on the inpour of new demand.