



The Prospect for the Global Stainless Steel Fasteners Industry in 2017

The global stainless steel market is projected to raise at a CAGR of around 6% from 2015 to 2025. Increasing diffusion of stainless steel round bars in the construction industry, rising investment in building and infrastructure, declining iron ore price: demand factor for scrap and growth opportunities and investment opportunities, are some of the significant trends that the market is observing.

Based on application the global stainless steel market is categorized into four main segments including building & construction, heavy industries, automotive and consumer goods. Accordingly, stainless steel fasteners, as one of the common final products in this market, are largely used in several industries such as automotive and transportation, building & construction, consumer goods, heavy industries, metal products and other applications.

China is a major market on account of high demand from construction, automotive and heavy industries. China has registered above 50% of the global production share and hence has easy availability thus increasing market demand. Asia Pacific countries including India, Japan, Malaysia, Thailand and Indonesia are also expected to witness considerable demand over the next 5 to 8 years on account of application industry growth. The growth in North America is largely driven by the growing construction and consumer goods industry. The growth of oil & gas and heavy industries in Canada and Mexico is expected to trigger market demand in this region.

Stainless steel high recycling rates as compared to other alloys is further expected to drive demand thereby driving market growth. However, inconsistent nickel costs are expected to pose a challenge for manufacturers thus restricting market growth. As an example, the nickel price has risen to more than US\$10,000 a tonne last year. The cost of nickel is important as the Cr-Ni alloy, known as the 300 grade, is the most widely used stainless steel composition accounting for about 40% of the global volume share. Moreover, the recent scrap recycling shortage together with increasing container transport costs appears ongoing, and both impact unfavourably on stainless steel market. Other challenges in this market could be the shrinking supplies of stainless steel due to mining closures in the Philippines on environmental grounds, together with increasing consumption in China, which appear to be driving nickel prices upwards. The effect is global and it is becoming increasingly evident that delivered finished product prices more specifically into Europe will continue to move gradually upwards.

On the other hand, the global supply and demand imbalance for stainless steel fasteners has largely been eliminated since last year with underlying prices moving significantly upwards since August 2016. Additionally, growing applications in renewable energy, automotive and construction industries are expected to serve as a growth opportunity for stainless steel products such as fasteners. Furthermore, increasing demand for stainless steel in household appliances is expected to expand market growth over the next few years.

For instance, the stainless fastener market in the UK has grown by approximately 7% in total during the last few years in volume terms. These enhanced volumes partly reflect the economic growth in the improving UK economy and the lower unemployment situation, although there is increasing industry awareness for the attributes of stainless steel fasteners given the exceptionally competitive unit product price. In last year, with the acceptable UK volumes, although coupled with low unit trade price levels, the overall UK market situation for stainless steel fasteners was stable. External factors remained key drivers, but given that the nickel price earlier last year was the lowest for more than ten years, there was a good reason to assume that some upward movement may apply in this year as well. Manufacturing and distribution productivity has certainly improved at the wholesale level and the resultant ongoing cost-efficiencies have proven essential in avoiding significant declines in stainless fastener business net investment returns.

Increasing use in vehicle manufacturing on account of growing need for lightweight automobiles on a global level is expected to speed up demand over the next five to eight years. The

product is being majorly employed in the automotive sector worldwide as developed economies are increasing emphasis on lightweight automobile production. Automotive was the largest application owing to the corrosion resistance and lightweight of stainless steel. The segment accounted for over 20% of the global volume share in 2015. As one of the major end-users, the automotive industry uses various types of stainless steel fasteners including duplex and austenitic grades fasteners. The expected growth in the sales of automobiles around the world, especially in North America, will fuel the market's growth prospects in this segment. One of the main reasons could be the new green regulations related to eco-friendly manufacturing. The U.S and Europe have introduced regulations pertaining to fuel economy and vehicle emissions to control global warming which is a key factor promoting stainless steel products usage in automobiles.

In contrast, some other rules and regulations may have adverse impact on global market demand. For instance, the impact of the Section 337 stainless steel case on the USA supply chain has in principle created a hit on effect, resulting in lengthening lead times which may increase the demand for alternative supply sources rather than stainless steel. Based on this case, the U.S. International Trade Commission (USITC) has voted to institute an investigation of certain stainless steel products, certain processes for manufacturing or relating to same and certain products containing same. The products at issue in this investigation are stainless steel products including semi-finished products such as ingots and billets, wire rod in coils, bars and shapes, wire and downstream stainless steel products, such as flanges, forgings, and fasteners.

In summary, it is expected that this year the nickel base cost increases as the world over supply and demand imbalance is resolved. There is already some upward pressure on scrap prices and also for A4 material which is one of the most common grades of stainless steel. Looking forward, the removal of anti-dumping legislation this year is likely to prove a significant factor for the stainless fastener supply chain, through greatly enhanced Far Eastern supply sources for standard fasteners, which basically will also strengthen the effective decrease of any significant European manufacturing base for standard stainless steel fasteners. Increased availability and competition at manufacture level is likely to impact throughout the supply chain, limiting unit price movements to the minimum, consistent with commodity price variations. ■

Sources:

Stainless Steel Market Analysis by Grade, by Product, by Application and Segment Forecasts to 2024; Grand View Research
European fastener market insight: United Kingdom; Fastener Fixing
Stainless steel fasteners price information update; Fastener Fixing

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