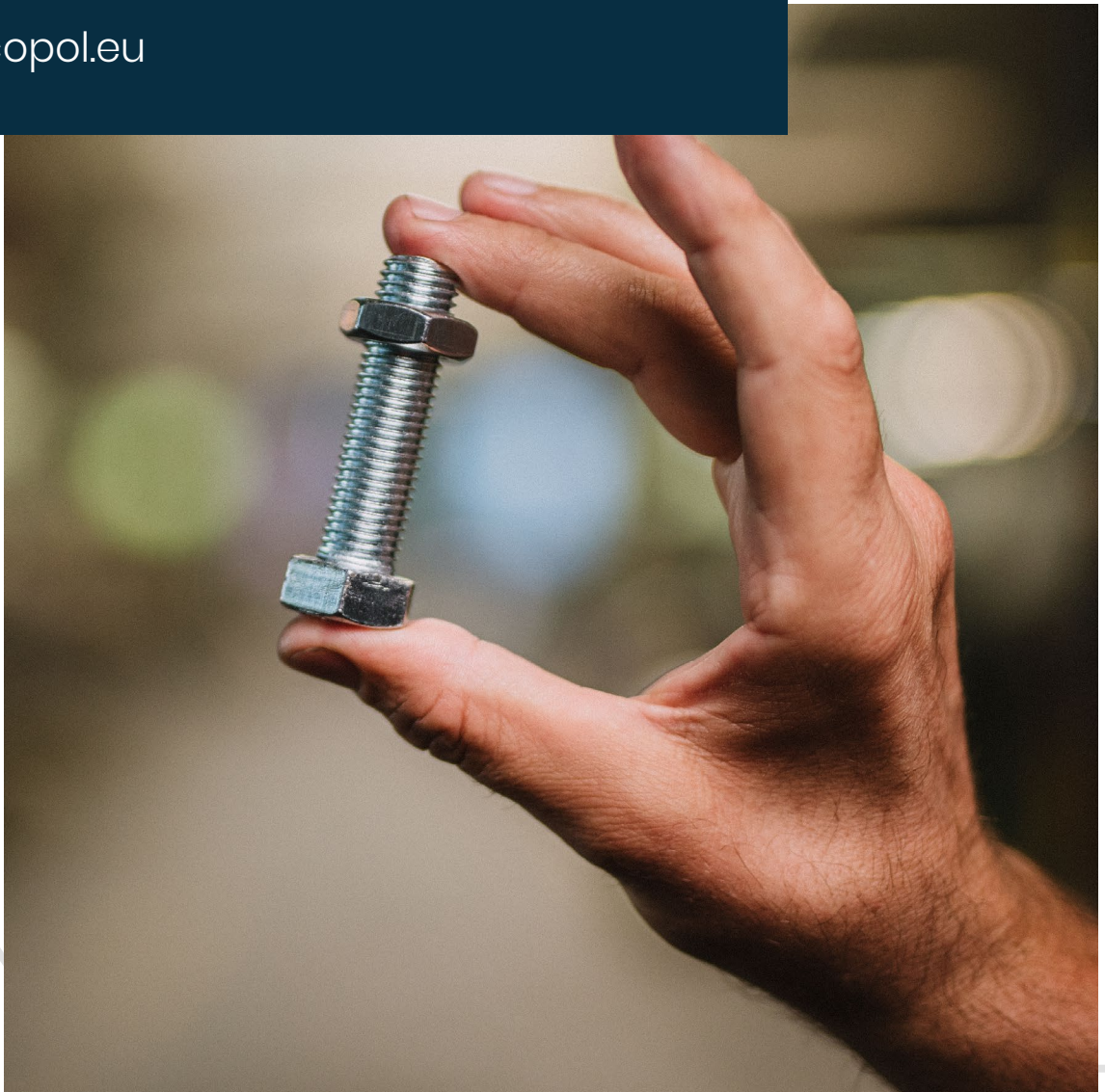


***Challenges
in European
fastener industry
in 2023***

marcopol.eu



The global fastener market was valued at USD 87.10 billion in 2021 by Vantage Market Research¹. Analysts predict it will reach USD 109.57 billion by 2028. The production and sale of bolts, screws, rivets and other parts plays an important role in the economy of many countries, including Poland. Already in 2019, Puls Biznesu reported that *the Polish fastener market is one of the largest in Europe, and in a few years it may even reach the podium*. The value of the fasteners market in our country at the end of 2018 was over PLN 4 billion².

Since then, we have experienced a series of events that have negatively affected virtually all industries. **The broken supply chains, pandemic, war in Ukraine**, and **the increase in production costs** have significantly changed the image and the way businesses are run.

What will the year 2023 bring? Entrepreneurs, including the manufacturers of fasteners, face many challenges that require taking action and making important decisions.



¹ <https://www.globenewswire.com/en/news-release/2022/12/16/2575444/0/en/Demand-Industrial-Fasteners-Market-Size-Share-to-Surpass-109-57-Billion-by-2028-Vantage-Market-Research.html>

² <https://www.tvp.info/44886410/sruba-i-nakretka-polskimi-hitami-w-europie>

The most important common challenges for the entire industry include:

- 1. Environmental protection³.** Industrial production continues to be the main source of greenhouse gas emissions. According to data, industry on the global scale generates more than 30 percent of carbon dioxide. Any actions aimed at reducing it will have an increasing impact on the choices made by the consumers who are closely watching the attitude of business towards the problem of environment pollution.
- 2. Costs increase** – the rising energy costs⁴ will certainly have an impact on businesses. An increase in the prices of products and services may be one of the less favourable effects of this situation. On the other hand, this situation forces us to implement the ways to reduce costs and energy consumption.
- 3. Competition with the countries with low production costs.** The lower production costs, especially in Asian countries, have been a challenge for the industry for a long time. Companies have to find a way to stay competitive in terms of both price and quality. Investments in modern technologies and production automation may help with this.
- 4. Technological progress.** The industry, including the manufacturers of fasteners, needs to introduce new technologies and innovations to its production process in order not only to maintain the aforementioned competitiveness on the market, but also to prevent or minimise the effects of unexpected events.
- 5. Changing consumer needs.** Consumers increasingly expect high-quality products. Consumers are aware of the impact their purchases have on the natural environment and want to choose products that are environmentally friendly. The industry must adapt to these needs to meet the customer expectations.

³ <https://forsal.pl/biznes/przemysl/artykuly/8527254,wielkie-pieniadze-albo-wielkie-emisje.html>

⁴ <https://www.dlahandlu.pl/detal-hurt/wiadomosci/jakie-trendy-beda-kszaltowac-rynek-handlu-w-2023,114278.html>



How to do this? One of the methods is **to create an ESG strategy**. Creating an ESG strategy means planning the company's development based on three basic pillars: E (environmental) – that is environmental issues, S (social) – broadly understood social issues, and G – (governance) – corporate governance issues.

Work on **ESG** will certainly help companies better respond to the needs and expectations of their customers, employees, investors, as well as the social and natural environment. **ESG** may also help organisations achieve long-term business success by ensuring sustainability and reducing the risks associated with their operations.

Monitoring and data are the key to success

What should the manufacturers of fasteners pay attention to?

Appropriate data collection and, above all, their skilful analysis is the most important aspect of improving business processes, as well as creating better products and services. A great example of such an approach is the automotive industry⁵, which, in accordance with the goals of Industry 4.0, uses data to eliminate the causes of downtime and other production problems. This applies to both the products used in the construction of cars and the machines themselves. **Thanks to data analysis**, one can make quick decisions regarding the repair of parts or replacement of larger elements of the machine facilities. If the company collects **the data** on how its products are being used, it may use that information to improve its products or optimise the way they are being manufactured and sold.

Data collection is not only a matter of manufacture and product supervision. Sales information, market and customer needs analysis may help manufacturers of fasteners respond to changing market conditions and build brand loyalty.

Investments in new technologies

The solutions that use innovations are not only about production. The challenge is to use them also as sales and customer service support. Investments in new technologies are a necessity for many industries. Continuous improvement in terms of storage, production and IT services is particularly important. In the case of a warehouse, it is helpful to use, e.g. **the Radio Frequency Identification technology (RFID)**. This technology allows for automatic and accurate tracking of the location and quantity of specific items in a warehouse. It is helpful wherever there is a need to properly manage the inventory of materials for production.

⁵ <https://magazynprzemyslowy.pl/artykuly/monitoring-i-diagnostyka-drgan-kluczem-do-sukcesu-branzy-automotive>

This is just one example of the technological developments manufacturers are facing. It is also worth focusing on the automation of purchasing and sales processes. Investments in new technologies already are a necessity for many industries. Manufacturers of fasteners must look for solutions which are beneficial both for themselves and for the client, help to optimise processes, and at the same time to properly manage the budget and wisely choose from the multitudes of new solutions.



E-commerce B2B sales

E-commerce is growing in strength in the B2B industry. Not only new platforms are developing, but also marketplace and marketing. This trend is also evident in the fastener industry. Manufacturers of fasteners should consider investing in online sales in 2023, as it may prove to be an effective way to reach a wide range of customers and increase sales.

Fastener manufacturers may find investing in online sales attractive, as it provides for quick and easy comparison of products and prices, and allows customers to shop easily. It is a simple way to scale your business by reducing the entry threshold for new customers or opening up to B2C. Online solutions also facilitate expansion into other countries.

Those who will not invest in multi-channel sales now, will have a problem with staying on the market in a few years. The only option is to constantly strengthen your digital presence and increase your competitiveness also in online activities.

New industries as the future for manufacturers of fasteners

The challenge for fastener manufacturers in 2023 will be to focus on the markets and industries that offer the greatest potential or are developing rapidly. The automotive industry, medical technologies, aviation industry, as well as the broadly understood **aerospace** industry, are the areas where manufacturers have the opportunity to increase sales, gain business contacts and knowledge, which is so important in 2023.

The Brainy Insights⁶ company research shows that the global market for the aviation industry fasteners will grow from USD 6.17 billion in 2021 to USD 11.31 billion by 2030. The aforementioned research shows that North American countries are leading in the production of this type of elements. Their market share in 2021 was 45.18% with the market value of approximately 2.78 billion.



⁶ https://www-prnewswire-com.translate.goog/news-releases/aerospace-fasteners-market-to-surpass-us-11-31-billion-by-2030-rise-in-commercial-aircraft-production-to-propel-growth-says-the-brainy-insights-301589017.html?_x_tr_sl=en&_x_tr_tl=pl&_x_tr_hl=pl&_x_tr_pto=wapp

Experts point out that key manufacturers on the global market of fasteners are applying for certificates that will allow them to produce parts appropriate for this industry. Some of them also see the opportunities offered by the plans for commercial space flights. They expect them to soon become the reality.

Optimism in the case of the aviation industry is also shown by the largest manufacturers – AirBus and Boeing; they estimate that the number of planes will double⁷ in 20 years. According to them, the air traffic is to return to the state before the pandemic (i.e. in 2019) as soon as in 2023.

The challenge for 2023 will also be to provide comprehensive services to the companies from the automotive industry. According to the Grand View Research⁸ report, in 2021 and 2022 the automotive sector was one of the largest recipients of fasteners. The authors of the publication point out that in the coming years it is this one and the aforementioned aviation and space travel industry that may need more fasteners. The report points out that, although metal fasteners are still the most popular ones, the dynamics of interest in products made of other materials (even plastic) will systematically grow.

S&P Global Mobility⁹ expects new vehicle sales worldwide to reach nearly 83.6 million units in 2023, meaning an increase of 5.6% over the previous year. In the United States alone, the company expects sales growth of almost 7%.

New industries are one of the greatest growth opportunities for manufacturers of fasteners. If only they will be able to adapt to the stringent standards of specific industries, such as automotive or aerospace, they have a chance for many years of stable development.

7 <https://www.rp.pl/transport/art36751741-airbus-boeing-liczba-samolotow-na-swiecie-podwoi-sie#:~:text=przewoźnicy%20będą%20potrzebować%2039%20490,9%20do%203%2C6%20proc>

8 <https://www.grandviewresearch.com/press-release/global-industrial-fasteners-market>

9 <https://www.cnbc.com/2022/12/27/why-2023-could-be-another-difficult-year-for-the-auto-industry.html>

The war in Ukraine and the market of fasteners

The political situation and conflict in Ukraine may still have an impact on manufacturers of fasteners. The supply chains and international cooperation networks have changed. The conflict beyond our eastern border may lead in 2023 to difficulties with access to raw materials or cause delays in deliveries, which in turn will affect the smoothness of production and deliveries of fasteners. On the other hand, many industries, the construction industry¹⁰, related to the production of fasteners, are counting on ending the conflict and starting the process of rebuilding the country, which may bring new orders and an impulse for growth.

ADD issues in the year 2023

The issue of anti-dumping will continue to affect fastener manufacturers and present a challenge. In 2022, the European Commission¹¹ imposed further anti-dumping duties on some fasteners from the Peoples Republic of China, in some cases amounting to several dozen percent. The anti-dumping measures are intended to restore a level playing field for the entities operating on the EU market by eliminating unfair competition caused by price dumping.

Anti-dumping is nothing new - many countries have anti-dumping laws that are designed to protect the domestic market against such a practice.

As with the introduction of anti-dumping duties on various products imported to European markets, the EU Commission expects the duties on fasteners to be circumvented, especially when they are so high. One should keep in mind that customs offices are extremely sensitive and have advanced monitoring mechanisms.

There is a big opportunity in ADD, especially for European manufacturers

¹⁰ https://www.propertydesign.pl/wywiady/109/rok_2023_co_czeka_branze_budowlana_czeka_na_lepsze_czasy,41933.html

¹¹ <https://eur-lex.europa.eu/legal-content/PL/>

https://eur-lex.europa.eu/legal-content/PL/TXT/?uri=CELEX%3A32022R0191&fbclid=IwAR37QaTSDW9f8YWKzytAjvnDMUg9iumksQSJINZ8RILYNgR_tw_sSbidw

of fasteners. The clients who have experienced broken supply chains, high ocean freight costs, and long time of implementation for orders from Asia will look for products that are available faster.



(Still) broken supply chains

Supply chains are an important element not only to the functioning of the fasteners industry, and their fluidity has a large impact on the efficiency of production and product delivery. The study conducted by BIG Info Monitor₁₂ in autumn 2022 indicated that almost half of Polish entrepreneurs experienced this problem. The study shows that the greatest concern about the supply chains is expressed by the representatives of the companies from the transport, industrial and commercial sectors.

The war in Ukraine and the situation created by the COVID-19 pandemic will continue to cause disruptions in the delivery and availability of goods

¹² https://www.podatki.biz/artykuly/zerwane-lancuchy-dostaw-zaszkozily-polowie-polskich-firm_16_51195.htm

not only in Europe, but also around the world. Although the end of 2022 initially brought optimistic news regarding the China's withdrawal from covid-related restrictions¹³, we are observing a renewed increase in the number of covid cases, which may lead to local lockdowns¹⁴, delays in deliveries or even their suspension.

It is therefore unknown what the further impact of this situation will be on the supply chains in the fastener industry, but it is possible that there will still be some problems with the fluidity. Manufacturers may be forced to adapt to the changing market and technological conditions, and to look for alternative suppliers or increase their own production capacity to ensure the continuity of supply.

The broken supply chains also have a positive aspect. The process of deglobalisation forces the potential recipients of fasteners to seriously take into consideration

making purchases and establishing greater cooperation with the manufacturers in Europe. It is worth to take advantage of this opportunity.

What will be the situation of the construction industry in 2023 and what does it mean for manufacturers of fasteners?

Finally, it is impossible not to take a closer look at the forecasts and challenges of the sectors that are closely linked to fastener manufacturers.

As one of the key recipients of fasteners, in 2022 the construction industry was the very first to experience the effects of the problems we have mentioned.

Rising interest rates in 2022 meant that the number of loans for apartments fell by as much as several dozen percent. According to the Credit

¹³ <https://www.pap.pl/aktualnosci/news%2C1505193%2Cchiny-lagodza-covidowe-obostrzenia-na-razie-ulatwienia-dla-podroznych.html>

¹⁴ <https://pulsmedycyny.pl/czy-chiny-stana-sie-zrodlem-nowych-groznym-mutacji-sars-cov-2-1173796>

Information Bureau, in August last year only 7.4 thousand loans were granted¹⁵. In the comment to the data provided by the Central Statistical Office, the Polish Association of Developers states: *The data confirm the observed trend that the macroeconomic environment, especially the high inflation and significant restrictions in access to housing loans restrict Poles from both the purchase of apartments in multi-family housing units and the construction of single-family houses on their own*¹⁶.



Jones Lang LaSalle (JLL)¹⁷, a leading real estate consulting company, mentions that in the third quarter of 2022 the total number of apartments sold on the primary market in six major cities amounted to only 6.6 thousand, i.e. 30% less than in the previous quarter.

The situation in the engineering construction industry - focusing on the construction of infrastructure elements, including roads and bridges - is also worrying. The main reason for the decrease in 2023 is the period of transition between the two 7-year EU budgets, resulting in a smaller number of investments¹⁸.

Despite the above adversities, the construction industry is one of the most important sectors of the economy in Poland, and still shows potential for development in 2023.

¹⁵ <https://tvn24.pl/biznes/z-kraju/kredyty-bik-spada-liczba-kredytow-mieszkaniowych-i-gotowkowych-6126361>

¹⁶ <https://www.pzfd.pl/s/news/details?communityResourceId=a1PIV00000AHE8ZEAX>

¹⁷ <https://www.jll.pl/en/trends-and-insights/research/residential-market-in-poland>

¹⁸ <https://bzg.pl/poradnik/artukul/rok-2023-bedzie-trudny-dla-branzy-budowlanej/id/30017>



What about the Polish furniture industry in 2023 in the context of manufacturers of fasteners?

How the Polish furniture industry will develop in 2023 depends on many variables, such as demand for furniture, availability of raw materials and components, and government regulations aimed at helping manufacturers. The latter include, for example, a compensation system related to the increase in the prices of electricity, and the exemption of manufacturers from the tax on excess profits, for which Jan Szynaka, the President of the Polish Chamber of Commerce of Furniture Manufacturers¹⁹, appealed.

The Polish furniture industry is and will continue to be an important recipient of fasteners, and its condition affects the demand for these products. According to the latest data from the Central Statistical Office from December 2022, a decrease in the production of virtually every

¹⁹ <https://next.gazeta.pl/next/7,151003,28985582,branza-mebalarska-apeluje-o-pomoc-do-morawieckiego-zagrozenie.html>

product group can be observed. The drop concerns the amount of wooden furniture for dining rooms and living rooms (-25%), and wooden furniture used in the kitchen (-18%)²⁰.

The furniture industry in 2023 certainly still has great opportunities for development. Poland is one of the largest furniture producers in Europe and has access to a wide market of potential customers - especially foreign ones. In recent years, the furniture industry has recorded good results and was developing, which was largely the result of the growing demand for furniture. If this trend continues this year, an increased demand for fasteners can also be expected.

The key to success for manufacturers of fasteners is usually the ability to adapt to changing market conditions and customer needs, as well as skilful management of their business. It will be primarily important to have a unique offer going beyond the product, and the ability to compete on the market (which is developing faster and faster - also technologically).

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²⁰ <https://brstudio.eu/komentarz/89-co-raz-wieksze-spadki-w-wolumenie-produkcji-mebli>