

Welcome to "**Pinnacle Buzz**" – a quarterly newsletter designed to keep you informed on the latest developments in strategic sourcing, procurement, macro-economic and key commodity trends with a special focus on low cost countries.

Thank you for your tremendous response and feedback to the previous editions of the buzz which is very much appreciated. In this edition, we have focused on topics viz. Five Points to Keep In Mind While Low Cost Country Sourcing, World GDP growth 2016-2025, THAILAND- The Detroit of Asia and World steel Short Range Outlook 2016-2017 which can be useful for you.

We greatly value your interests and opinion, and you have been identified as a key stakeholder. As such we have included you on our mailing list for this edition. If you do not want to continue receiving this quarterly newsletter then please send us an email with an unsubscribe note. We are also open to and shall very much appreciate your candid feedback.

Yours Sincerely,
Himanshu Kapoor

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[Five Points to Keep In Mind While Low Cost Country Sourcing](#)

There are certain factors that you must consider while looking for low Cost Country Sourcing . If these factors are not given consideration then you may face serious drop in business eventually incurring huge loss in business, time as well as expenditure.

Different strategies that organizations opt or use to reduce their costs are known as Low Cost Country Sourcing. It is well-known that there are some countries that have low wages rate or have access to cheaper raw material or may have even both. So, rather than sourcing from the local suppliers, sourcing from these countries will get the material at lower price with substantial savings.

There are some significant risks and other costs involved that may surpass the advantages of moving the supply overseas too. Mentioned below are some of the points that must be given consideration while sourcing from these low cost countries:

Fluctuation in the Currency: This is one factor that should be kept in mind while trading with other countries. As the currency fluctuates in currency exchange rates, paying the actual price for the goods is very much essential. Currency Hedging could be an option for risk management. In very simple terms: currency hedging is the act of entering into a financial contract in order to protect against unexpected, expected or anticipated changes in currency exchange rates.

Suppleness and Compliance: It is the key to success nowadays, as it comes from the ability to react to the changes that are in demand, whether it be the design of the product or its availability.

Quality check: You must assure the quality of the product as there is no point in saving the price if the goods that you have bought cannot be used when they have been docked. Therefore you should visit the suppliers before giving the contract to them and assure that the supplier has people, processes and systems so as to deliver a quality product.

Probable loss of Intellectual Property: Facilitating a supplier with designs unique to you for manufacturing could create a risky situation for you. That entity could easily use the information to create competition for you, with you having no legal option to keep them under check. One of the ways is sourcing the components overseas and then assembling them into the final product within your country

Safety Management: The risk of failure is the key risk here. It may be the risk of failure to deliver the required number of things, failure of bankruptcy, supplier processes, climatic disaster or political disruption. It is through hedging that you can address this. You can use two different suppliers from different countries instead of using just the one. This is because if one fails then the other supplier can take up the slack, and your work will not get hampered majorly

[World GDP growth 2016 -2025](#)

Key Finding: -

US: Solid domestic demand will help overall GDP growth at 2.0 percent in 2016, which is slightly lower than 2015 growth rate

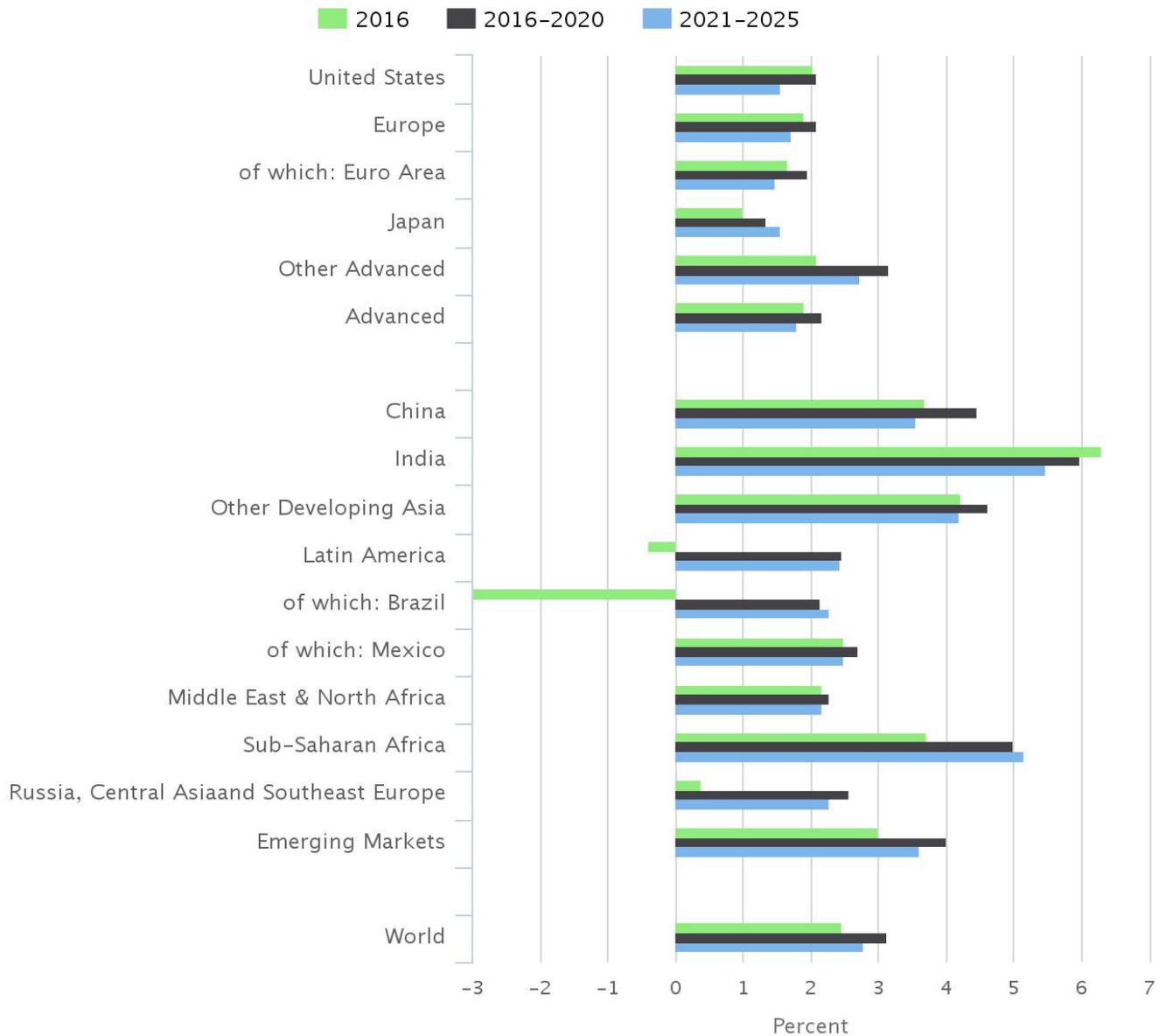
EURO-AREA: Investment and productivity are projected to improve in the coming decade, paving the way for somewhat of an acceleration in growth

ASIA-PACIFIC: Growth rates of China, India and Southeast Asia are unlikely to see significant improvement in 2016 compared to last year.

LATIN AMERICA: Rapid fall in oil and commodity prices negatively impacted Latin American economies, and exacerbated the ongoing troubles in the biggest economy in the region.

AFRICA: The prolonged decline in commodity prices, as well as weak growth in Nigeria and South Africa, Will cause overall growth for the region in 2016 to come in at 3.7 percent – which is, though Still an improvement from 2015, well below the average growth of the last few years.

Growth of Gross Domestic Product, 2016–2025



Note: Projections are based on trend growth estimates, which “for the period 2016–2020” are adjusted for remaining output gaps. Europe includes all 28 members of the European Union as well as Switzerland, Norway, and Iceland. Other advanced economies are Australia, Canada, Israel, Hong Kong, South Korea, New Zealand, Singapore, and Taiwan Province of China. Southeast Europe includes Albania, Bosnia and Herzegovina, Macedonia, Serbia and Montenegro, and Turkey. Source: The Conference Board Global Economic Outlook 2016, February 2016.

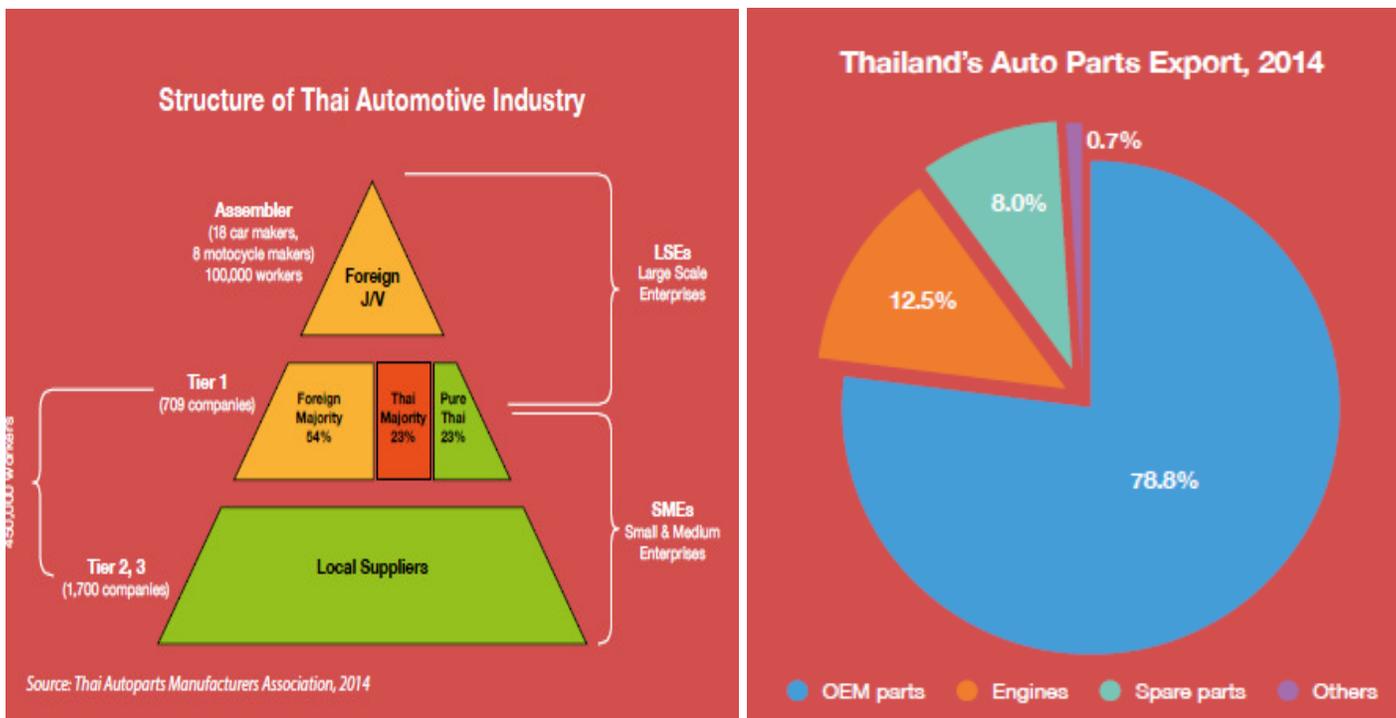
THAILAND: THE DETROIT OF ASIA

Thailand’s economy has shown impressive growth over the past decade. The combination of a sound economic foundation and renewed growth makes this vibrant Southeast Asian economy fertile ground for future automotive investments. The automotive industry is a vital sector for the country’s economy as it contributes greatly to exports and trade inflows. It is Thailand’s second-largest export industry, after computer parts and components. Thailand’s long experience with automotive manufacturing has equipped the country with a comparatively low-cost yet experienced labor force for the sector

AUTOMOTIVE INDUSTRY OVERVIEW

The Thai automotive industry continues to be a mainstay of Thailand’s economy

Major multinational automotive industry leaders with presence in Thailand include: Auto Alliance Thailand (Ford and Mazda), BMW Manufacturing, General Motors, Hino Motor, Honda Automobile, Isuzu Motors, Toyota Motors, Mercedes-Benz Thailand, Mitsubishi Motors, Nissan Motors, Tata Motors, Suzuki Motor, and Volvo Car Thailand



Auto Parts Clusters:

Thai-made automotive parts are internationally recognized for their high quality. A report published by the Japan Automobile Manufacturers Association stated that Thailand-made automotive parts have the highest quality among ASEAN countries.

AUTOMOTIVE ELECTRONICS

Electronics have become an indispensable element of the modern automobile .As the largest automotive production center in ASEAN, opportunities in Thailand’s automotive electronics market are increasingly visible as Thailand pushes to become one of the top global eco-car manufacturing centers.

WHY THAILAND

The goal of Thailand’s Automotive Industry Master Plan (2012-2016) is to transform Thailand into a global center for green automotive production ,expand its automotive industry and become increasingly competitive on the global stage

Excellent Infrastructure: -

Thailand is a transportation hub of the ASEAN region. The country provides world-class infrastructure along with cost effective logistics. Thailand’s extensive road and rail networks span the nation, facilitating access to nearby countries.

Abundant skilled-labor supply: -

Thailand has a highly efficient, skilled, and affordable labor pool. Thailand’s workforce, among ASEAN states, is one of the most skilled and well trained.

Excellent Government Support: -

Thailand has created the ideal business environment for the auto industry. The nation has prepared essential resources for every type of automotive business, including: basic infrastructure, a highly qualified labor force, as well as robust upstream and supporting industries.

Thailand’s Trade Liberalization: - Thailand has bilateral free trade agreements with many countries, including Japan, India, China, Australia, and New Zealand. Thailand is also currently in the process of establishing free trade agreements with the European Union, Canada, Turkey, and Chile. Furthermore, the ASEAN Free Trade Agreement (AFTA) has expanded Thailand’s market to include the 10 member states of ASEAN that collectively comprise a market of 600 million consumers.

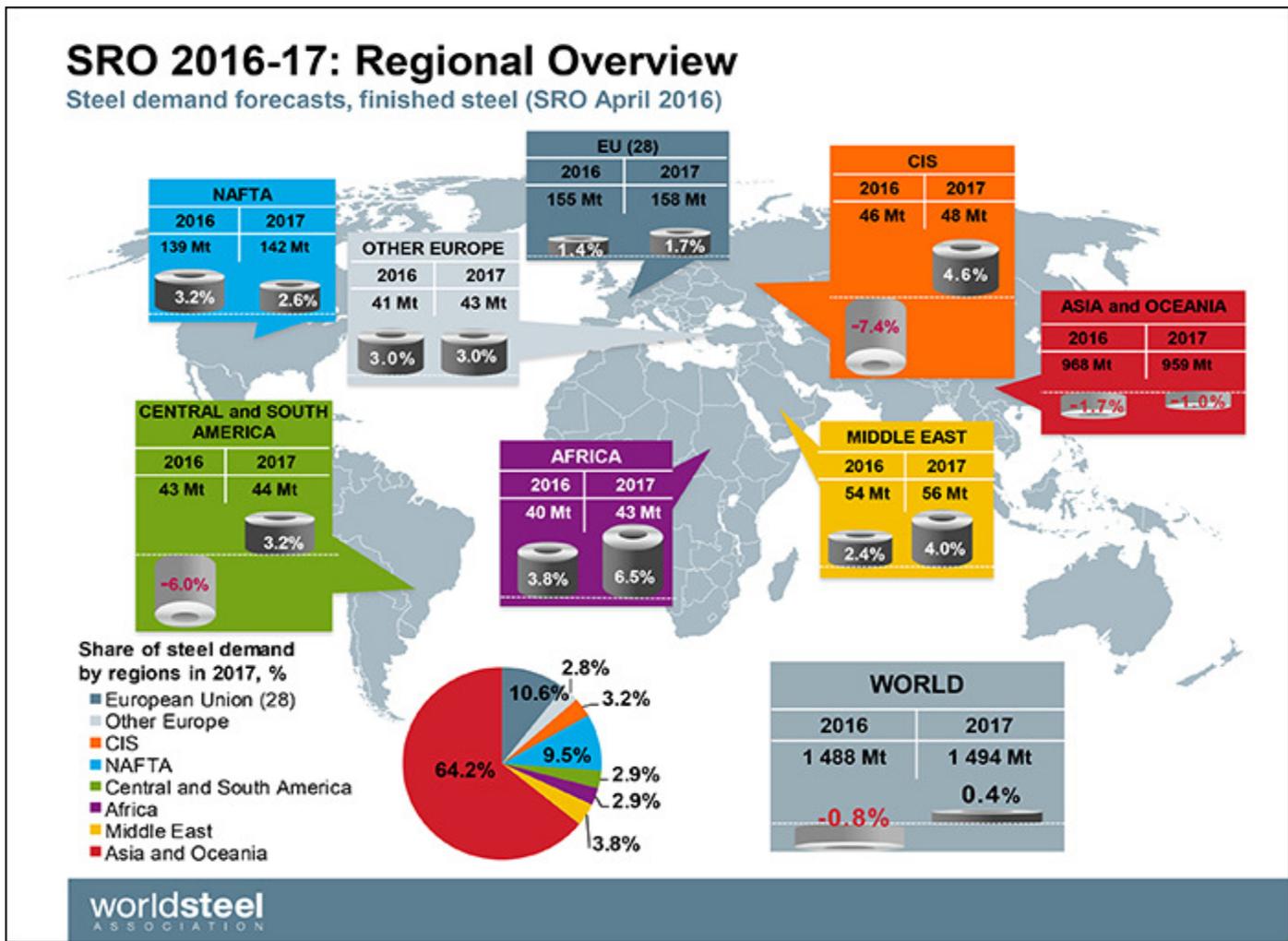
[Ref: Thailand Board of investment](#)

World steel Short Range Outlook 2016-2017

The World Steel Association (world steel) released its Short Range Outlook (SRO) for 2016 and 2017. Worldsteel forecasts that global steel demand will decrease by -0.8% to 1,488 Mt in 2016 following a contraction of -3.0% in 2015. In 2017, it is forecast that world steel demand will return to growth of 0.4% and will reach 1,494 Mt.

Chairman of the world steel Economics Committee said; “The economic environment facing the steel industry continues to be challenging with China’s slowdown impacting globally across a range of indicators contributing to volatility in financial markets, sluggish growth in global trade and low oil and other commodity prices.

It is expected that steel demand outside China will continue to grow by 1.8% in 2016 and this growth will accelerate to 3.0 % in 2017.”



Ref: - <https://www.worldsteel.org/media-centre/press-releases/2016/worldsteel-Short-Range-Outlook-2016-2017.html>

Pinnacle's Vision - Begin with the End in Mind

A "Growing Organization" focused on "Continuous Learning & Improvement", having a "Solid Team" working in a "Fun Environment" & "Creating Value" for all Stakeholders through a "Principle Centered Approach"

Our Services

>> Strategic Sourcing Solutions
>> Global Supplier Database
>> Market Intelligence

>> Supplier Audits and Improvement
>> Virtual Purchasing Office

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