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Ministry of Foreign Affairs

CBI Trade Statistics:

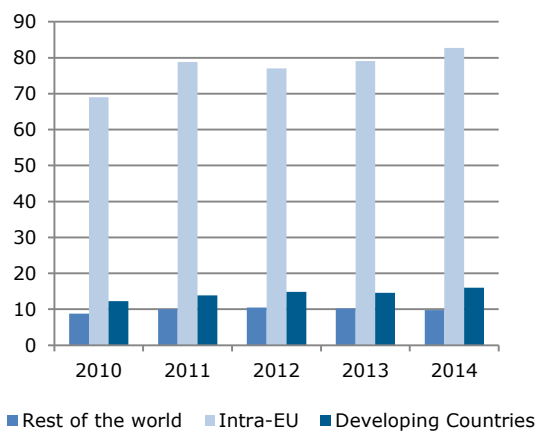
Metal Parts and Components in Europe

Introduction

Imports of metal parts and components from low-cost countries and developing countries (DCs) are likely to stabilise over the next few years. The European market only offers opportunities to producers of metal parts and components who can compete with producers from Europe and the dominant suppliers from outside Europe, such as China and India. Price, quality, service level and communications that meet the expectations of the European customer will remain the basis for successful exports to Europe.

Imports

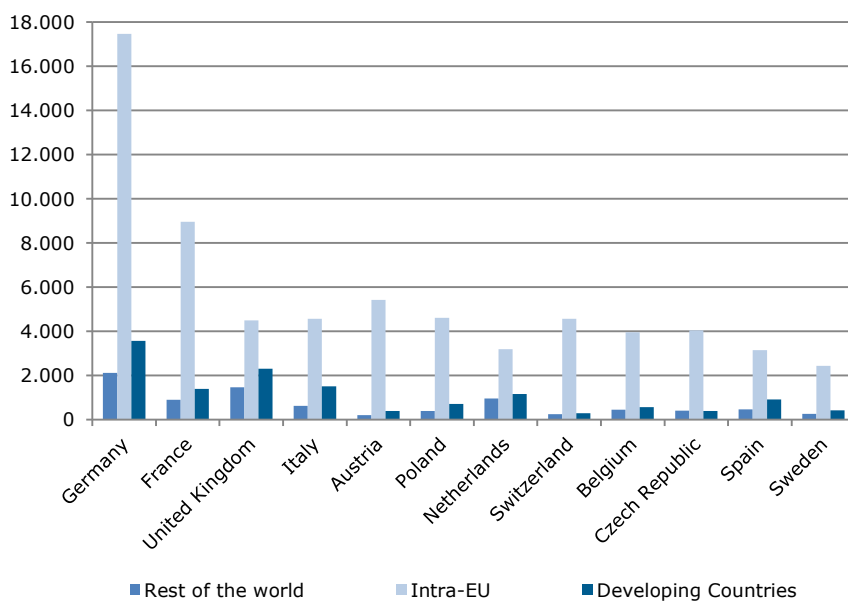
Figure 1: European imports, by main region of origin, € billion



Source: Trademap (2015)

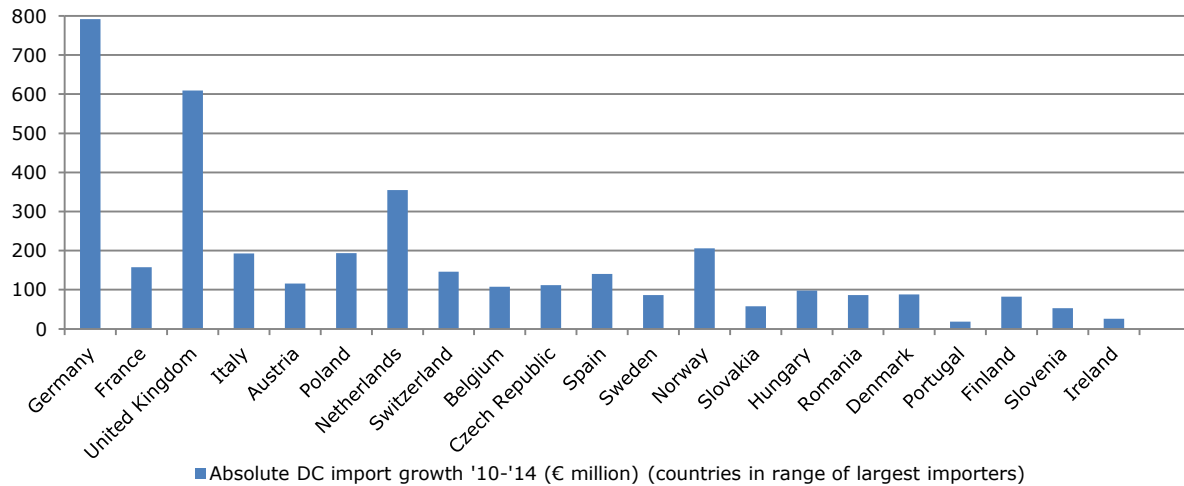
Imports of metal parts and components from DCs reached €16 billion in 2014, a 10% growth compared with 2013 (€14.6 billion). Their share in total European imports has remained relatively stable in the period 2010-2014 (between 13% and 15%).

Figure 2: Main importers, 2014, € million



Source: Trademap (2015)

Figure 3: Absolute growth of imports from developing countries in the period 2010-2014 (€ million) by European countries with the highest import levels



Source: Trademap (2015)

The growth of European imports from developing countries was largely due to strong growth in demand from Germany, followed at some distance by the UK, the Netherlands, Norway, Poland and Italy. As Figure 3 reveals, other countries showing substantial growth in imports from DCs were France, Spain and Switzerland.

Countries with the highest relative growth in imports from DCs were Spain, Finland, Slovenia, Belgium, Switzerland, UK, Netherlands and Norway.

As mentioned above, Germany was in first position, accounting for more than one-fifth of total European import by value in 2014. France was in second position (10%), followed by the UK and Italy (8% and 6% respectively). If only imports from developing countries are considered, the top-4 ranking is slightly different, with Germany in first place (22%) followed by the UK (14%), Italy and France (both 9%).

Leading suppliers from developing countries

China is responsible for the lion's share of imports coming from developing countries. Eight other DCs (Turkey, India, Thailand, Vietnam, Malaysia, Serbia, Bosnia-Herzegovina and Tunisia) each accounted for more than 1% of total DC exports to Europe. Together, these 9 countries represented 94% of all DC; most other developing countries have not yet reached the industrialisation level needed for exporting to Europe.

China will remain the main supplying country in the group of developing countries for the foreseeable future, but the growth of Chinese exports is expected to slow down in comparison with recent years. In the period under review, China scored the highest absolute growth of exports to Europe (+€2.2 billion in total), followed by Turkey (+€573 million), India (+€398 million), Thailand (+€198 million), Vietnam (+€155 million) and Bosnia-Herzegovina (+€91 million).

Vietnam's exports are expected to continue to grow (both as a percentage and in absolute figures) in the next few years. The same goes for some countries in South-Eastern Europe, in particular Serbia and Bosnia-Herzegovina.

Leading products from developing countries

The most widely imported products from developing countries in the next few years will continue to be iron or steel castings and other products and base metal mountings.

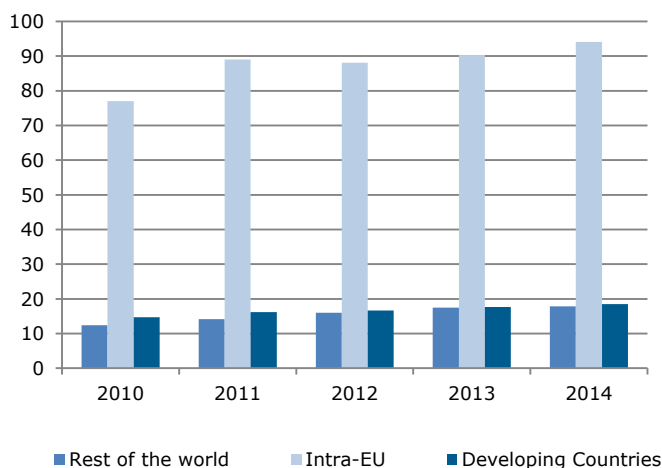
- One of the best performing product groups is dies and moulds, imports of which from developing countries have continued to perform strongly in the past decade. This may well become the largest product group within the next 10 years.

Tips:

- The best opportunities are for DC exporters of metal parts and components produced in a highly labour-intensive process.
- The top three importers (Germany, France and the UK) will continue to be the leading import destinations in the next few years. As a result, they offer good opportunities for DC exporters. It should be realised, however, that these are mature markets and therefore relatively difficult to enter.
- Germany will continue to be the main destination in Europe. Although they value and trust their own manufacturing industry, there is an increasing trend towards use of metal parts and components from developing countries.
- Countries like India and China have the technology needed to manufacture most cast-iron or steel products. Producers from other developing countries only have a chance of breaking into the European market if they can meet the stringent European pricing requirements.
- Dies and moulds will continue to be among the top performing products. DC producers who are able to export these products to Europe will continue to have good opportunities.
- Manufacturers in South-Eastern European countries such as Bosnia-Herzegovina and Serbia should benefit from the relatively short transport distances to the rest of Europe.

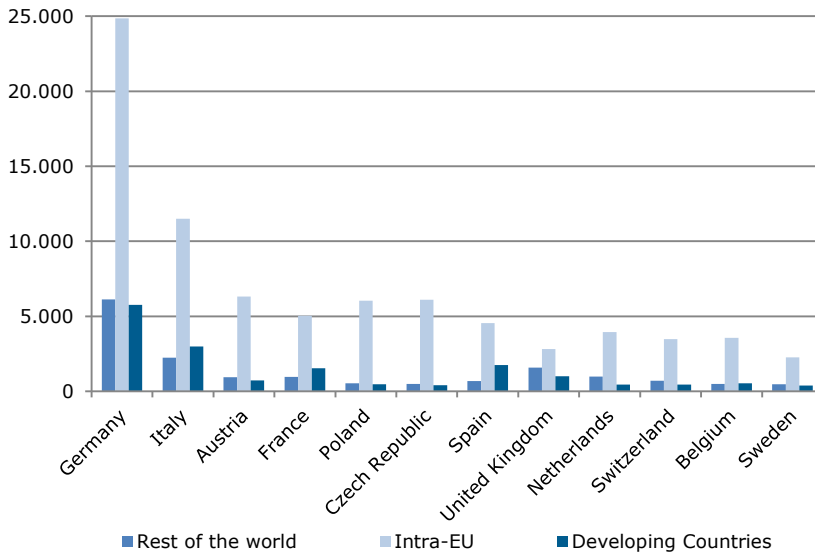
Exports

Figure 4: European exports, by main destination, € billion



Source: Trademap (2015)

Figure 5: Main exporters in 2014, € million



Source: Trademap (2015)

Europe continued to be a net exporter of metal parts and components in the period under review, as can be seen from a comparison of Figures 1 and 4. The total trade surplus varied between €14 and €22 billion per annum, but showed an overall upward trend in the period 2010-2014. This reflects a growing export orientation of the metal parts and components production industry in Europe.

Europe will retain its position as a net exporter of products in this sector in the next few years, though imports from developing countries are expected to rise.

Europe ran trade surpluses in 25 out of the 33 product groups studied in the period under review.

The largest European net-importer position is for cycle and motorcycle parts (€2.3 billion in 2014), reflecting European dependence on imports of such parts from outside Europe (in particular, Asia). Another product group where Europe has a substantial trade deficit is fasteners.

Tips:

- Most metal parts and components for the European market are tailor-made. It follows that most trade takes place through subcontracting to European manufacturers. From that point of view, the large production output in Europe remains an opportunity for DC exporters. This situation will continue for the foreseeable future, as subcontracting offers many opportunities to DC exporters.
- To sum up, the European market offers good opportunities to DC exporters of cycle and motorcycle parts and fasteners.

Production

Much of the European demand for metal parts and components is supplied by local production (estimated at €470-570 billion at 2014 prices). This figure reflects the enormous size of the metalworking sector in Europe: it employs over 4 million people, which is more than 10% of the total manufacturing employment in the region.

The European metal parts and components industry is a typical SME-based industry. It consists of 400,000 companies, 95% of which employ fewer than 50 people. In terms of output, over 75% of total output is generated by small and medium-sized enterprises.

Further analysis shows that leading producers are France, Germany, Italy, Spain and the UK (the EU5), which account for about three quarters of all metalworking products made in Europe.

Although European metal parts producers are big users of steel (they are responsible for 60-70% of all steel consumption in Europe), they have limited negotiating power in dealings with the big steel suppliers. They also have limited negotiating power on the demand side, since many of their customers are much bigger than they are. Another important characteristic of this sector is that many companies are subcontractors delivering intermediate products to end-product manufacturers.

A regional split may be distinguished between Central and Eastern Europe on the one hand, and the other European countries on the other. The metalworking industry in the former region is relatively labour-intensive, but the low productivity here tends to be partially compensated by low labour costs.

The last strong year for the European metal parts and components industry was 2011, when output rose by almost 7%. Market confidence started to decline in the second half of 2011. Several European economies showed negative growth in 2012 and 2013, and other factors such as a temporary low level of construction activities continued to have an adverse impact on the market in this period. Demand recovered slightly in 2014 (about 2% average growth compared with 2013), supported by improved market confidence in various countries.

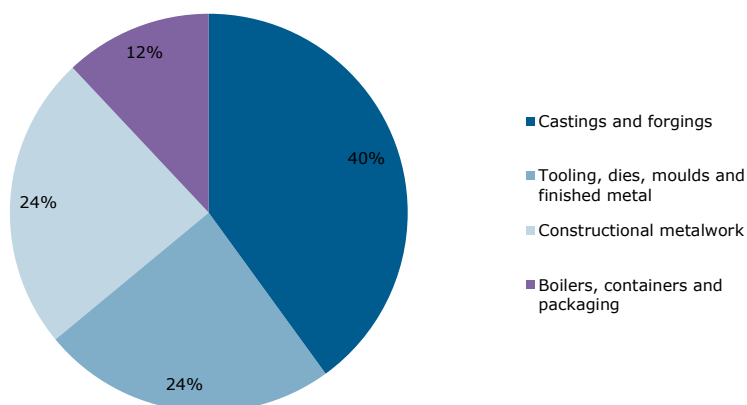
It is predicted that GDP for the EU as a whole will grow by 1.8% in 2015 and by 2.1% in 2016 (European Economic Forecast, Spring 2015). Market demand is thus expected to show gradual improvement in the short term.

Tips:

- The European market for metal parts and components is mainly based on subcontracting, and thus evidently offers good opportunities for subcontractors who are able to meet the European quality standards and delivery times and who provide cost benefits in comparison with competitors.
- Central and Eastern European countries are generally considered to be competitive in terms of production (labour) costs. DC exporters should be prepared for competition from suppliers from these countries.
- In fact, the cautious market climate that has been seen in the past few years is neither a serious threat nor a major opportunity in itself for DC exporters. Regardless of the products a DC exporter trades in, the European market offers huge scope for the sale of products from developing countries. Price, quality, service level and communications that meet the expectations of the European customer remain the basis for successful exports.

Industrial demand

Figure 6: Segmentation of European production



Source: Orgalime (2014)

The demand for metalworking products¹ in Europe is somewhere in the range of €470-570 billion. Imports from outside Europe and exports to outside the region roughly balance each other; this means that the demand is more or less equal to local production. The demand can be divided into 4 main segments as can be seen from Figure 6.

¹ This is a wider range of products than the metal parts and components that are the main topic of this document. For example, the trade statistics do not include the whole group of boilers, containers and packaging, while coverage of castings and forgings is incomplete.

Approximately 60% of the total market for metalworking products is supplied by subcontracting. The other 40% (mostly tools and finished metal goods such as fixings, fasteners and gardening products) is distributed to consumers mainly via retail chains or distributors.

The largest demand comes from the mechanical engineering industry, followed by the construction and automotive industries. This applies to the whole region on average, as the situation in individual countries may differ. For example, the automotive industry plays a major role in the two leading markets of France and Germany (70-80% and 35-45% respectively).

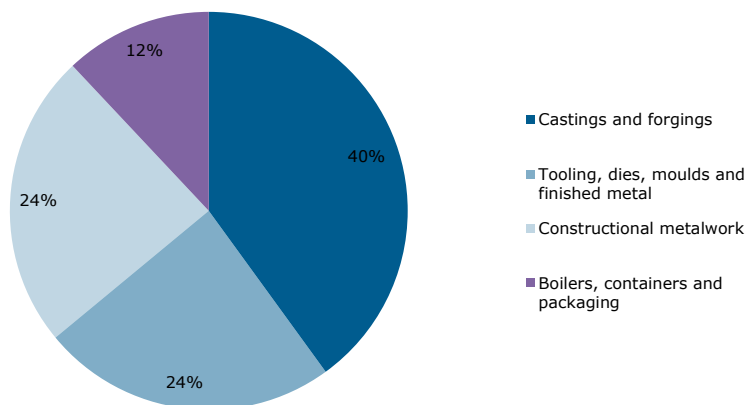
Further analysis of the region shows that the leading markets are France, Germany, Italy, Spain and the UK. These five countries account for about three-quarters of the demand for metalworking products. At the same time, since local demand is mostly fulfilled by local production, these countries also account for the same share of production in Europe.

Tips:

- The European market is mainly a subcontracting market and it therefore offers opportunities for subcontractors.
- Each country has its own characteristics in terms of demand. Before deciding which countries to focus on, exporters should be aware of these market characteristics.
- The top 5 markets generally offer good opportunities; however, France is generally considered to be relatively closed to international trade in metal parts and components.

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This survey was compiled for CBI by Globally Cool
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