CBI
Ministry of Foreign Affairs

CBI Trade Statistics:

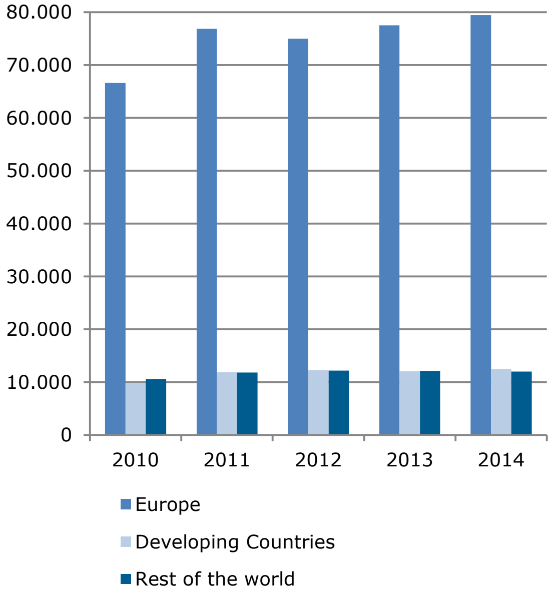
Pipes and Process Equipment

Introduction

Imports of pipes and process equipment (PPE) from low-cost countries and developing countries to Europe will continue to grow in the next few years, albeit slowly. This trend is the result of the increased openness of European companies towards sourcing from developing countries. This positive attitude is driven primarily by strong competition on the market for standard products and high price pressure for both standard and more complex products. In addition, the search for cost-saving models is driving some European buyers to consider sourcing from alternative locations and from different locations for different products. The best opportunities for suppliers from developing countries are in the area of valves, pumps and parts thereof, preferably focusing on the largest European markets (e.g. Germany, the UK, Italy and France).

Imports

Figure 1: EU imports by main origin, in € million



Source: Trademap

- Total European imports of pipes and process equipment reached €104 billion in 2014. This was the highest value in the period under review, representing average annual growth of 4.5% over the entire period. The highest annual growth was realised in 2011, although it was primarily due to the major drop in demand that had occurred in response to the financial crisis in the preceding years. The year 2012 was particularly difficult for the pipes and process equipment market, as reflected by the slight drop in imports in that year (-1.1%). Slight growth (2.0%–2.5% per year) was registered in 2013 and 2014.
- Imports of pipes and process equipment from DCs reached almost €12.5 billion in 2014 (Trademap). The growth of their share in total European imports has tended to stagnate since 2010, as reflected in the small growth from 11.2% in 2010 to 12.0% in 2014.

Figure 2: Leading importers (2014), in € million

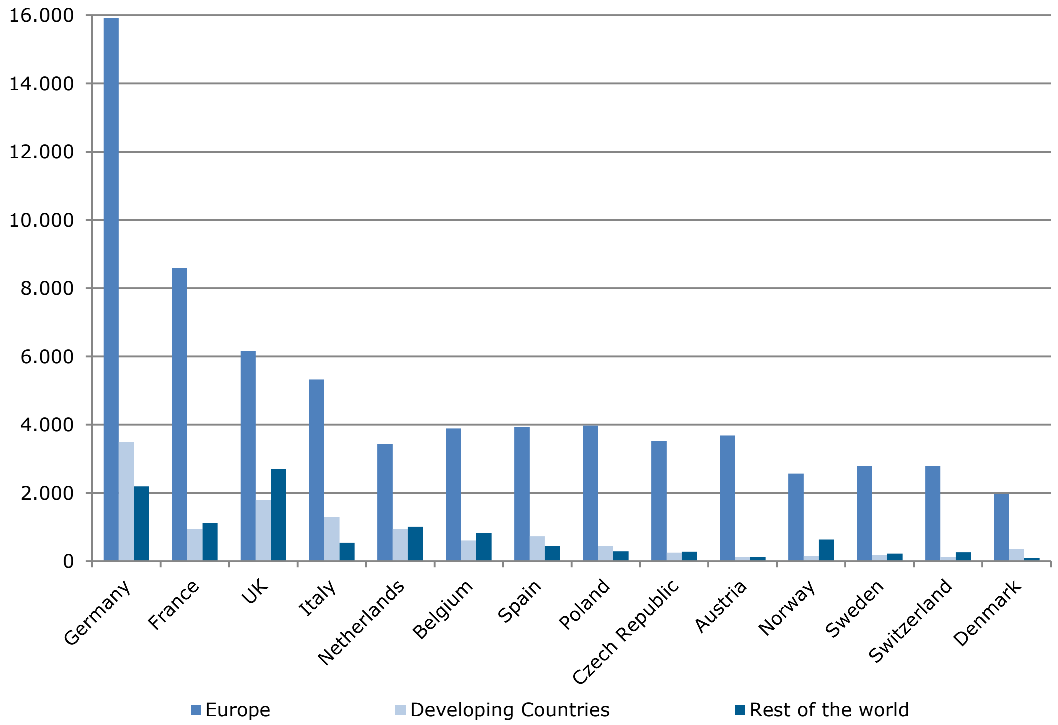
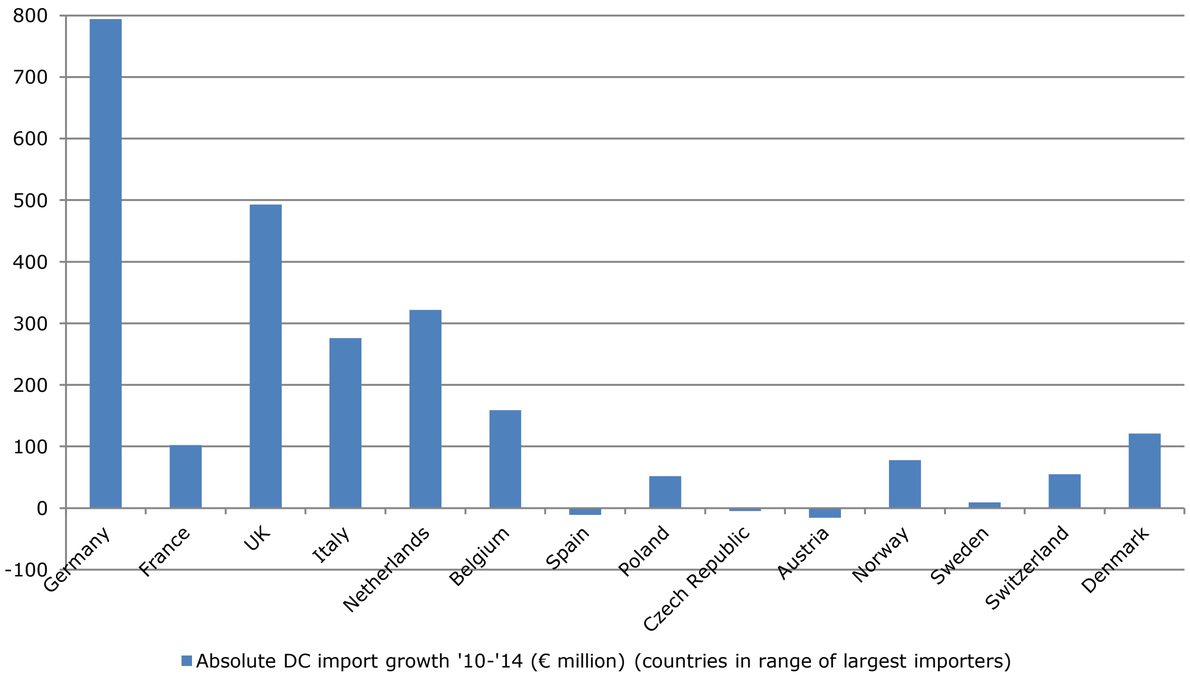


Figure 3: Absolute growth in imports from developing countries (2010–2014), in € million (countries in order of largest importers)



- To a very large extent, the growth in Developing Country share was the result of strong growing imports from Germany. With a compound annual growth of 6.9% since 2010, this country strengthened its position as main destination for pipes and process equipment from developing countries, with average growth of 6% in imports from developing countries. The numbers 2-5 together represent 40% of EU imports from Developing Countries.
- Germany will continue to be the main destination for pumps and valves. The country accounts for almost 30% of the total European import value from Developing Countries in 2014. Although German companies have always valued and

trusted their own manufacturing industry, there is a slowly increasing trend towards use of (especially parts of) valves and pumps from LCCs and Developing Countries. The UK, Italy and France occupy the second through fourth places, although their positions may change from year to year.
- Imports from developing countries are likely to experience only minor growth or even decline in the next few years, as the European market experiences the impact of the low oil prices since 2014/2015. The market will continue to be stressed by the negative effects of low oil and gas revenues on investments in pipes and projects relating to process equipment.

Tip:
- Germany, UK, Italy and France offer good opportunities to Developing Country exporters. However, Developing Country exporters should realise that these are mature markets and therefore difficult to enter.

Leading suppliers from developing countries

- China will remain the main Developing Country supplier; however, growth of Chinese exports has slowed down in recent years and even turned negative in 2013 (-1.4%). Given that Chinese exports to Europe regained growth (+3.4%) in 2014, however, this may have been a temporary dip.
- In total, there were 12 Developing Countries that each accounted for more than 1% of total Developing Country exports to Europe. Together, these 12 countries represent 95% of all Developing Country exports to the EU. This means that only a limited number of Developing Countries have reached an industrial level that is sufficient for exporting to the EU.
- • Several near shore countries experienced a good growth in exports to Europe: Turkey, Macedonia, Ukraine, Serbia, Egypt and Morocco. Among countries located farther away from Europe, India, Vietnam and the Philippines demonstrated particularly strong performance.

Tips:
- China will remain the main Developing Country supplying country in the next years. However, as their export slows down, India is likely to benefit in the coming years, as the Indian pipes and process equipment industry has increasingly become engaged in export markets.
- The disappointing growth of Chinese exports can provide opportunities for Developing Country producers from other countries, such as Vietnam, the Philippines or India. Vietnam is likely to benefit, as it turns itself gradually from being a domestic lead economy to an export oriented country.
- Developing Country exporters in countries near the European borders are in a good position for export growth to Europe. These countries have low wages, low transport costs and short delivery time.

Leading products from developing countries

- Valves, pumps and fittings will remain the most imported products from Developing Countries in the next few years. These three product categories will also continue to be in the list of top performers.
- Valves and pumps together accounted for 40% of all imports coming from Developing Countries. Their main destination countries in Europe are Germany (accounting for more than 25% of total imports to Europe), followed by three other large importers of valves and pumps: the UK, Italy and France (together representing 35% of all European imports). The group of medium-sized importers consists of Spain, Poland, the Netherlands, Belgium and Denmark.

Tips:
- Producers from developing countries who are able to export valves, pumps and fittings to Europe will continue to have good opportunities.
- Germany, the UK, Italy, and France are large importers of valves and pumps and also offer good opportunities for Developing Country exporters of these products. In addition, the medium-sized importers Spain, Poland, the Netherlands, Belgium and Denmark can be also interesting target countries.

Exports

Figure 4: EU exports by main destination, in € million

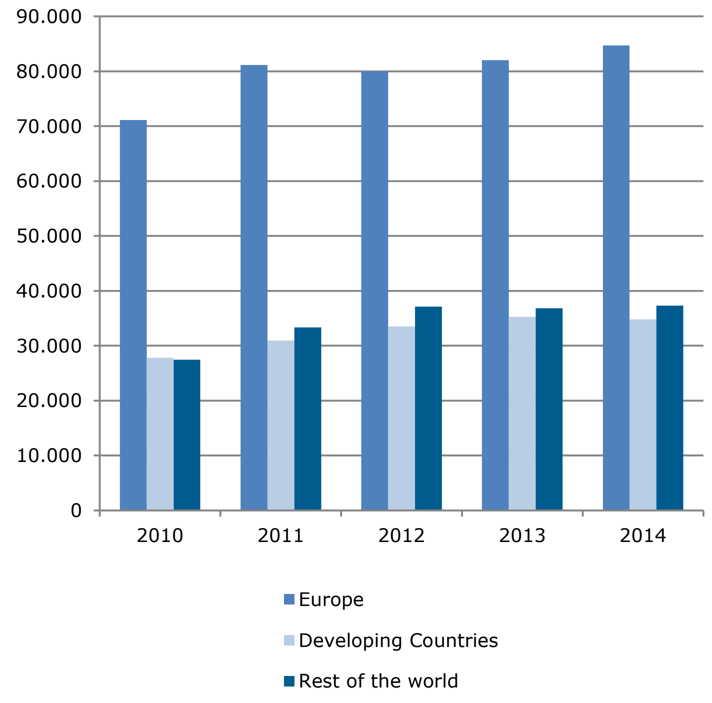
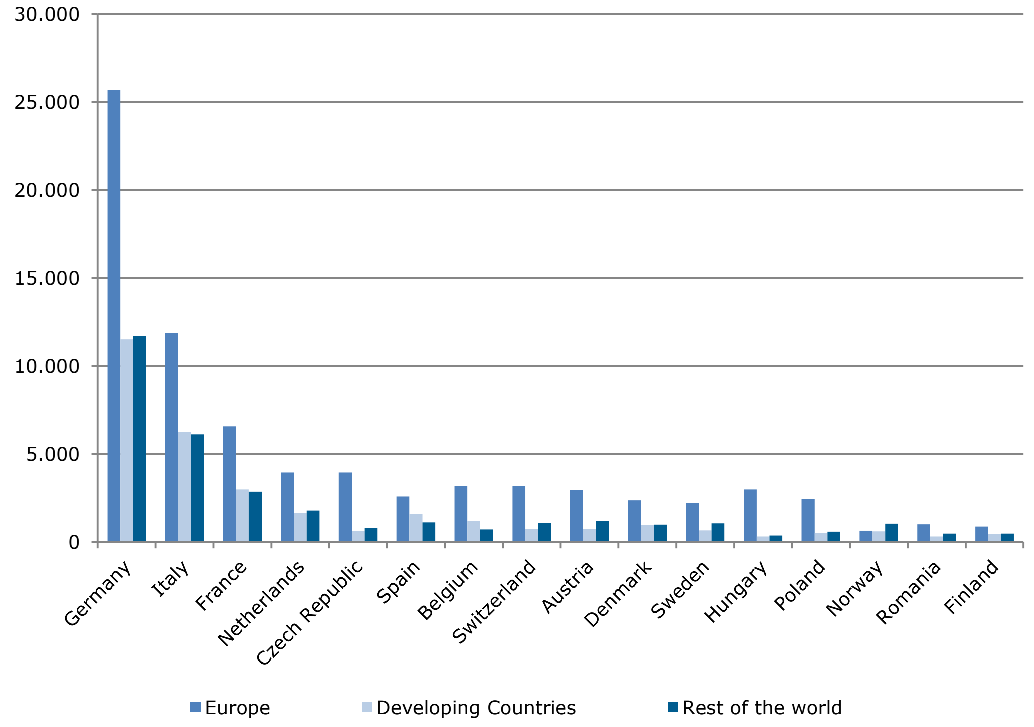


Figure 5: Leading exporters (2014), in € million



- The EU continued to keep the net-exporter position in the period under review, with its total trade surplus growing from €39 billion in 2010 to €53 billion in 2014. This growth is considered to continue to be slow in the next years, because of a continuous growth in exports. Germany alone accounts for more than 50% of the trade surplus, followed by Italy (33%), with the balance divided between 12 other countries.

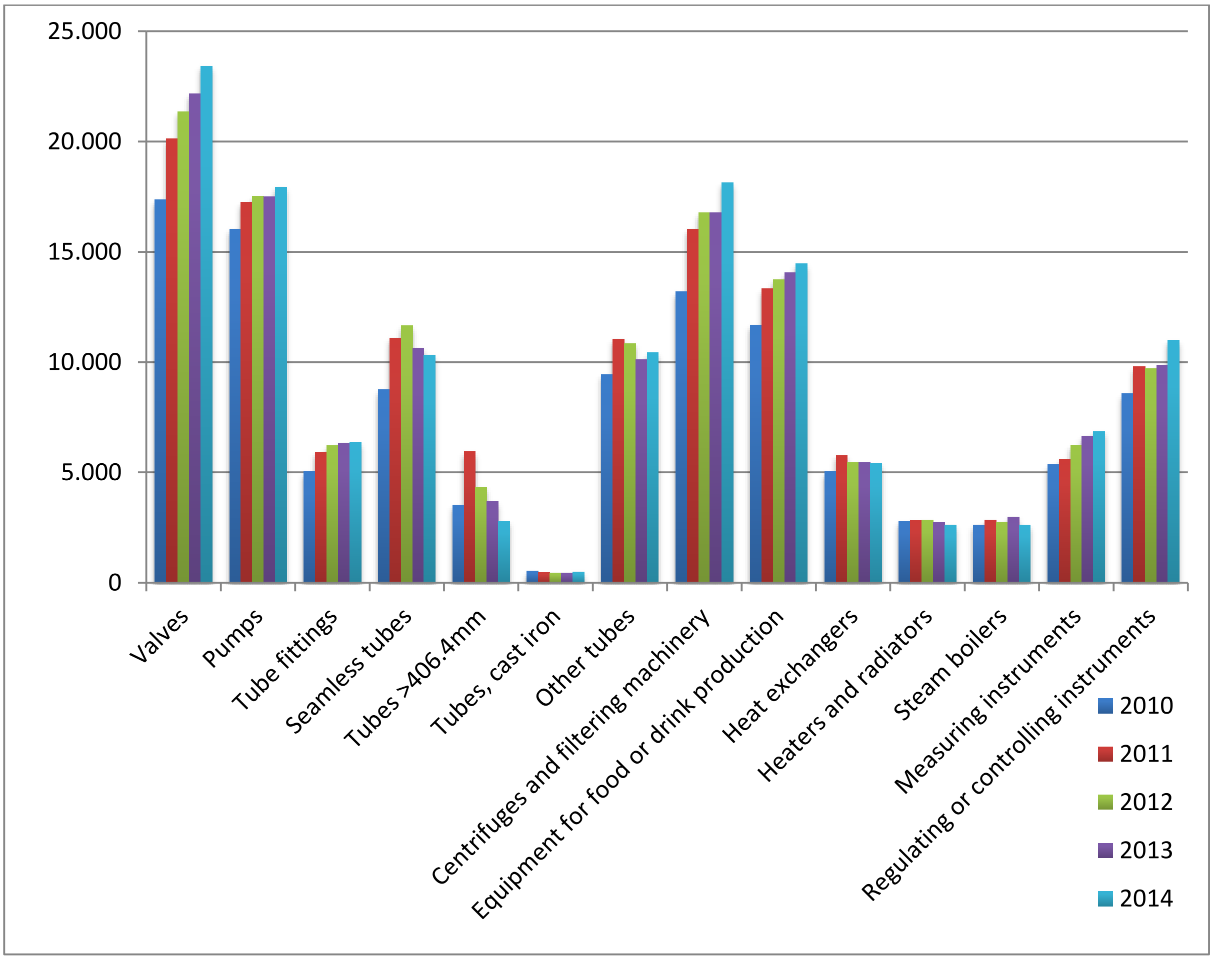
- Europe ran trade surpluses (more exports than imports) for virtually all product groups.
- Whereas valves and pumps are the main product groups imported from Developing Countries, they are also in the top three product groups with the largest trade surpluses in the EU. It is the result of the fact that the largest and most technically proficient valve and pump manufacturing industries are generally located in the developed nations, as evidenced by the fact that the USA, Germany, Japan and Italy together account for roughly half of global valve and pump production.

Tips:

- Subcontracting is the best market entry strategy for Developing Country exporters for most products (with the exception of stock-keeping products; these are better traded via distributors). Also refer to the CBI publication on Market Channels and Segments for more information.
- The large production output and also the large number of valve and pump manufacturers in the EU offer very good opportunities to Developing Country exporters who are looking for subcontracting possibilities in Europe.

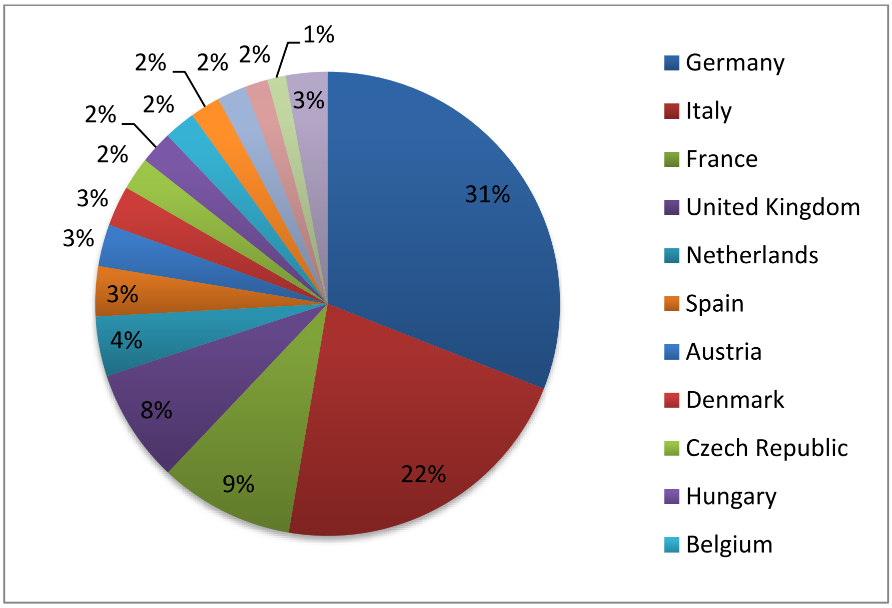
Industrial demand and production

Figure 6: EU production, by type of product (2010–2014), in € million



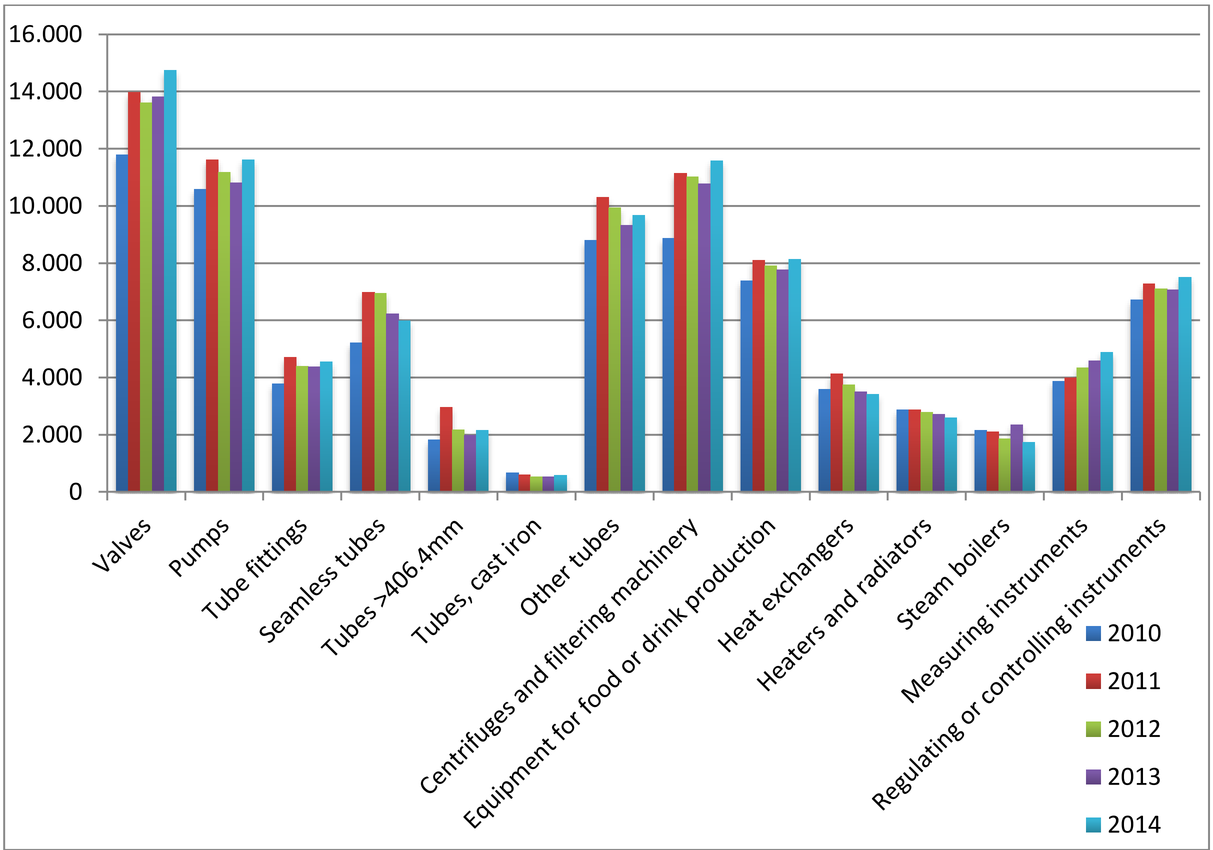
Source: Eurostat Prodcom (2015)

Figure 7: Main EU producers, 2014



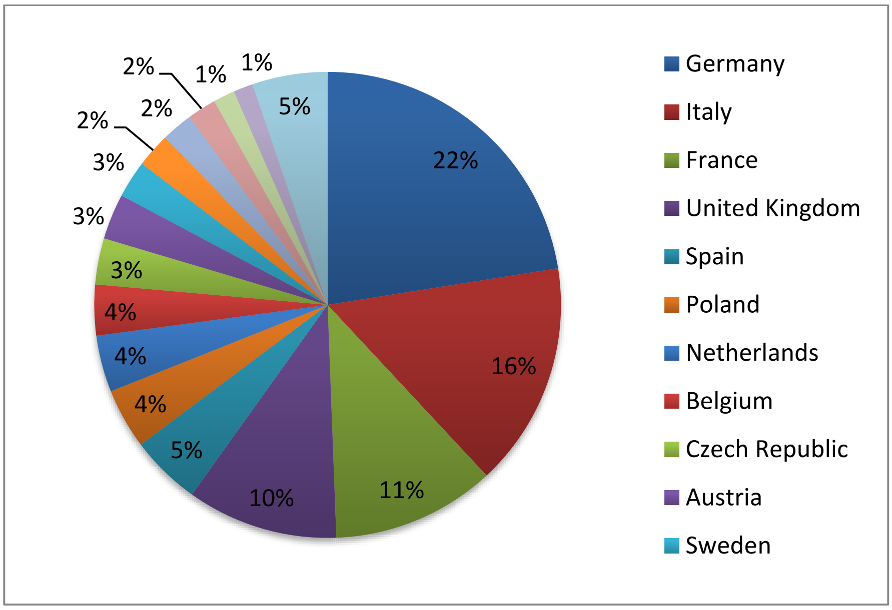
Source: Eurostat Prodcom (2015)

Figure 8: EU apparent demand by type of product (2010–2014), € million



Source: Eurostat Prodcom (2015)

Figure 9: Main EU consumers, 2014



Source: Eurostat Prodcom (2015)

- The European pipes and process equipment industry is considered to be one of the largest in the world. As regards pipes and fittings, for example, Europe takes second place with around a quarter of global production, after China, but ahead of Japan. Production output totalled €133 billion in 2014 (Eurostat Prodcom), refer to Figure 6 for more information.
- With a positive rate of 3.8% in 2014, the European market for pipes and process equipment is recovering from slow-downs in 2012 (-3.5%) and 2013 (-1.9%) In the period under review, 2011 can be considered as the best year, however the market size in that year remained still more than 10% below the record level of 2008. Despite the above average growth in 2014, the market value remained slightly below the period record of 2011.
- For 2015, the best predicted scenario was limited market development, with the most reasonable scenario consisting of market decline (the market was predicted to change by a margin of between -4% and +2%). Although several EU economies are expected to show a resurgence after years of recession, the markets will feel quite a strong impact from the low oil and gas prices, which result in a low level of investments in that market segment.
- For the whole EU area, it is expected that GDP in 2015 will report a growth of 1.1%, and 1.7% in 2016 (figures from June 2015). Consequently, market demand is expected to receive some upward support in the short term.
- Among the most promising products from Developing Countries are definitely water and sewerage pumps and valves. The water and sewerage segment will continue to show above average development in the years to come, driven by the EU Urban Wastewater Treatment Directive and the EU Water Framework Directive. In this segment, clean water shortages, environmental legislation and flood protection continue to result in several investments in infrastructure and water treatment equipment.

Tips:

- Focus on the water and sewerage segment, as it is expected to perform relatively well in the coming years. This segment also offers the best opportunities, as it consists primarily of standard/low value-added valves and pumps.
- For Developing Country exporters the cautious market climate, due to low demand from the oil and gas segment, is neither a serious threat nor a serious opportunity in itself. Regardless of the products a Developing Country exporter trades, the European market is an enormous market with room for products from Developing Countries, supposed that the product quality and price meet the expectations of the European buyer(s).

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