

CBI MARKET SURVEY

The castings and forgings market in Austria

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Introduction

This CBI market survey provides exporters in developing countries (DCs) with information on some of the main developments in the castings and forgings market in Austria. The information is complementary to the information provided in the CBI market survey 'The castings and forgings market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

1 Market description: industrial demand and production**Industrial demand**

Because no data for the demand for castings and forgings are available, this survey puts a focus on two major end-user industries that offer good opportunities for developing country (DC) exporters: the engineering and the construction industry. Since both industries use many cast and forged parts and products, the production output of both industries is a good indication for the demand for cast and forged parts in these industries.

Engineering industry

Austrian production in the engineering industry increased by 6.0% per year in the period 2002-2006, to more than €19 billion in 2006. The medium-sized Austrian engineering industry ranked eighth in the EU, behind Sweden and the Netherlands, but ahead of Poland and Finland. Of the main castings and forgings consuming engineering categories, "engines and turbines" (+15.6% per year), "bearings, gears and other driving elements" (+12.2%), "pumps and compressors" (+9.4%) and "electric motors, generators and transformers" (+8.8%) performed the best. The position of Austria in the EU was especially strong in "electric motors, generators and transformers" (8th with 4% market share), "machine tools" (8th with 2% market share) and "agricultural tractors and machinery" (9th with 3% market share).

The world, EU and Austrian economic growth forecasts for 2008 (+3.8%, +1.7% and +2.6% respectively) and 2009 (+3.9%, +1.8% and +2.3%) lead to a substantial and strong demand for engineering products in the country. Yet it is difficult to predict to what extent the Austrian manufacturers of engineering products will benefit, as outsourcing may also increase. However, the European Engineering Industries Association (Orgalime) expects some growth in the Austrian engineering production for 2008. Please also note that, although the EU is far from running the risk of recession, the EU and Austrian economy are and will clearly be affected by the housing and credit crisis in the United States.

Construction industry

The Austrian construction industry amounted to €28.7 billion in 2005, therewith ranking eighth in the EU, behind the Netherlands and Ireland, but ahead of Belgium and Portugal. In 2007, the construction industry grew by 5.5%, which was above the average growth in Western Europe. Also in 2008 (+3%), 2009 (+2.5%) and 2010 (+2.2%), the Austrian construction industry will continue to grow.

Production

The medium-sized Austrian foundry industry ranked ninth in the EU, behind the Czech Republic and Sweden, but ahead of Hungary and Slovenia. Nodular iron castings accounted for 41% of

total production, followed by light and ultra light castings (34%) and iron castings (15%). The balance was left for steel (6%) and zinc (4%). In 2006, the medium-sized production of metal castings totalled 338,000 tonnes, an increase of 3.2% per year compared to 2002. Production of nodular iron grew by 5% per year, at the cost of iron (-2.1%). After a period of declining numbers of employees per foundry, the number of employees per foundry increased again as of 2004, reaching almost 90 in 2006. While the number of unskilled workers increased slightly, the number of skilled workers increased relatively fast, evidence for the Austrian foundries' strategy towards top quality products. As a result of this strategy, the average turnover per worker increased from €102,000 in 2002 to €143,000 in 2006, which was the third largest of all countries that reported production data to the European Foundry Association, after Germany and France. Unfortunately, data of the Austrian forging production are not available. However, it can be assumed that the Austrian forge industry is small to medium-sized.

In total, Austria is home to some 50 foundries. Beside a number of large multinational foundry companies such as Voestalpine - <http://www.voestalpine.com> and Dynacast Österreich - <http://www.dynacast.at>, the country hosts many smaller companies, such as Gottfried Brugger - <http://www.brugger.at>. One example of a non-ferrous metal foundry is SAG - <http://www.sag.at>. In 2007 this company invested in a new aluminium foundry in Oman, with a planned annual capacity of 30,000 tonnes.

Three examples of Austrian forges are the forge of multinational Georg Fischer - <http://www.automotive.georgfischer.com>, and the high-tech forges of Schoeller-Bleckmann Oilfield Equipment - <http://www.sbo.co.at> and of Böhler-Uddeholm (<http://www.boehler-forging.com>). The forge of Böhler has, among other things, a 31,500 tonnes screw press, which is one of the largest in the world, and 3 drop forging hammers (35, 12 and 8 tonnes).

Trends and characteristics

A major trend that influences the castings and forgings demand in Austria is the growing number of innovative applications of aluminium and magnesium castings. Other trends are:

- **Growing demand for light weight and energy-efficient applications.** Due to the growing care for the environment, in several industries – for example the power generation industry – the search for energy efficiency and the limitation of CO₂ and NO_x emissions has led and should lead to the increased use of energy-efficient and light weight applications such as electric variable speed drives and energy-efficient engines, turbines, motors and generators. As a result, prospects for cast and forged parts in such applications are bright.
- **Infrastructure expansion and investment projects in Central and Eastern Europe.** Infrastructure expansion and major investment projects in Central and Eastern Europe in 2007 and subsequent years offer strong export potential and business opportunities for Austrian manufacturers of engineering and construction products.

Opportunities and threats

The main opportunities and threats for developing country (DC) exporters are the following:

- + Growing engineering and construction output will lead to an increasing demand for castings and forgings in the next few years.
- + Light weight products and eco-friendly and energy-efficient technologies offer good opportunities for those DC exporters that are able to supply such products.

Refer to Section 7 of the CBI market survey covering the EU market for more information on opportunities and threats.

2 Trade channels for market entry

Trade channels

The most common trade channels for DC exporters are direct sales to end-users, trade via traditional importers, supply agents, traditional agents, or subcontracting by EU foundries or forges. Although there are several options, supplying directly to end-users has some advantages and could be one of the most interesting trade channels, because there is a larger

chance of a long-lasting relationship. DC exporters should therefore put efforts into building up supplier relationships with end-users. Refer to the CBI market survey covering the EU market for a detailed explanation of relevant trade channels in this market.

Examples of potential trade partners

Some examples of (subcontractors to) OEMs in Austria are Doppelmayr (<http://www.doppelmayr.com>; transport systems), Liebherr (<http://www.liebherr.com>; construction machinery) and GE Jenbacher AG (<http://www.jenbacher.com>; gas engines).

Price structure

It is very difficult to give a general idea of the price structure in this industry, as prices and margins differ to a great extent. They may depend on size of the order, length and type of distribution chain, terms of delivery, added value / finishing and materials concerned. In general, it can be said that the more standardised the product is, the more competition there will be and the lower the margin. Bearing this in mind, some rough indications of margins in the chain could be given. Agents work with margins between 3-7%, for importers this is 15-35%. The margin depends on the level of care and attention an intermediary has to give to the process. Products that do not need much extra care, like finished and ready-to-use products, such as valves, will be sold with a smaller margin than products that need extra handling or even need to be stored.

Useful sources

Some examples of available sources to find clients in Austria are:

- Association of Austrian Electrical and Electronics Industries – <http://www.feei.at> – choose the English version: under 'Services' you can find producers' catalogue and members' directory.
- Association of Austrian Machinery and Metalwork Industries - <http://www.fmmi.at>, also represents the forges in the country. Click on 'Firmen- und produktsuche'.
- Association of Austrian Steelwork Industries - <http://www.stahlbauverband.at> – click on 'Mitglieder' and 'Mitgliederliste' for company details.
- Austrian Association of Industrial Construction - <http://www.viboe.at> – click on 'Unsere Mitglieder' for company details.
- Austrian Federal Economic Chamber – Casting Industry - <http://www.diegiesserei.at> – click on 'Firmen A-Z' to search companies (available only in German).

One example of a general source is Direct Industry - <http://www.directindustry.com> - you can search by product, company ('exhibitors') or catalogues and technical brochures. Here it is possible to get an idea of products made by West European end-users.

3 Trade: imports and exports

Imports

In 2006, Austria was a medium-sized importer of castings and forgings, ranking ninth in the EU, behind the Netherlands and Poland, but ahead of the Czech Republic and Sweden. Between 2002 and 2006, the total import value annually increased by 12% to €10.5 billion (5.4 million tonnes) in 2006. The increase in value was partly caused by the increasing prices of raw materials (refer to Section 4). The product group shares were as follows:

- Iron and steel products: 26% of total. Annual increase in import value of 20%.
- Parts of machinery, railway equipment and vehicles: 25% of total. Annual increase in import value of 9%.
- Articles of iron, steel or base metal: 22% of total. Annual increase in import value of 9%.
- Plastic and rubber products: 10% of total. Annual increase in import value of 10%.
- Light and ultra light products: 9% of total. Annual increase in import value of 8%.
- Copper and zinc products: 7% of total. Annual increase in import value of 23%.

Between 2002 and 2006, imports from DCs annually increased by 24% in value. Compared to 2002, the total share of DCs in import value increased from 2.3% to 3.4% in 2006. The DCs'

shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Plastic and rubber products: growing from 0.9% to 2.4% in value.
- Iron and steel products: growing from 0.6% to 1.2% in value.
- Light and ultra light products: growing from 3.3% to 5.6% in value.
- Articles of iron, steel or base metal: growing from 3.1% to 5.2% in value.
- Parts of machinery, railway equipment and vehicles: growing from 2.4% to 3.5% in value.
- Copper and zinc products: declining from 4.8% to 4.2% in value.

Turkey accounted for 39% of all imports coming from DCs, followed by China (26%), Croatia (17%), Bosnia and Herzegovina (7%), Brazil (3%) and India (3%). The Chinese share of DC exports to Austria did not grow as fast as in the EU on average (25% compared to 57%). The DCs that saw a larger increase of their share to the country were Brazil, Malaysia and Turkey.

Of all intra-EU imports a small part may be re-exports, but the exact value of re-exports is unknown because Eurostat does not allow for such detailed analysis.

Exports

In 2006, Austria was a medium-sized exporter, ranking seventh in the EU, behind the UK and the Netherlands, but ahead of Spain and Sweden. The total export value of Austria showed an annual increase of 12% in the period 2002-2006, totalling €13.8 billion in 2006. Exports consisted of:

- Iron and steel products, accounting for 30% of total exports (€4.2 billion). Annual increase in export value of 17%.
- Parts of machinery, railway equipment and vehicles, accounting for 25% of total exports (€3.5 billion). Annual increase in export value of 8%.
- Articles of iron, steel or base metal, accounting for 20% of total exports (€2.7 billion). Annual increase in export value of 11%.
- Light and ultra light products, accounting for 11% of total exports (€1.6 billion). Annual increase in export value of 9%.
- Plastic and rubber products, accounting for 11% of total exports (€1.5 billion). Annual increase in export value of 11%.
- Copper and zinc products, accounting for 3% of total exports (€361 million). Annual increase in export value of 31%.

Probably a small part of exports consists of re-exports to other EU countries, mainly to neighbouring countries, but the exact value of re-exports is unknown because Eurostat does not allow such a detailed analysis.

Opportunities and threats

- + Austria was the ninth largest importer of castings and forgings in the EU in 2006.
- + Austria ran trade deficits (imports are higher than exports) for copper and zinc products (€86 million) and parts of machinery, railway equipment and vehicles (€62 million).
- + The import value of all product groups increased fast in the period 2002-2006.
- + The Chinese share of DCs' exports to Austria did not increase as fast as in the EU on average (25% compared to 57%). Several DCs saw a larger increase of their share.
- ± China accounted for 26% of all imports coming from DCs. This was a lower share than in the EU on average (39%). Turkey was the leading DC supplier to Austria, accounting for 39% of all DC exports to the country.
- ± The DC share of total imports grew by 50% in the period 2002-2006, which was slower than in the EU on average (81%).
- The import share of DCs was 3.4% in 2006, far below the EU average (8.2%).
- In 2006, Austria was a net-exporter of castings and forgings, running trade surpluses for light and ultra light products (€92 million), plastic and rubber products (€106 million), articles of iron, steel or base metal (€337 million) and iron and steel products (€2 billion).

Useful sources

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu> → go to: trade statistics
- Eurostat - official statistical office of the EU - <http://epp.eurostat.ec.europa.eu>
- Understanding Eurostat: Quick guide to EasyComext - http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20080117.pdf

4 Price developments

The major trend that affects the costs and revenues of Austrian castings and forgings production is the increase in raw material and energy prices. In case of any changes in raw material prices, producers will try to pass them on to the customer as soon as possible. While the rise of material prices attracts virtually all attention, importers/agents and OEMs as well as their suppliers are continuing their search for opportunities to reduce cost prices of parts, forced by the ongoing international competition in the industry. In the meantime, the industry also had to deal with the fact that Austria is the country with the ninth highest wage costs of workers in the EU (€29.16 per man-hour in 2006), less expensive than Netherlands and Finland but more expensive than the UK and Ireland. Please refer to the CBI market survey covering the EU market for castings and forgings for more information on trends related to price developments.

Useful sources

- CAEF Eurofoundry - <http://www.caef-eurofoundry.org>
- European Engineering Industries Association (Orgalime) – <http://www.orgalime.org>
- London Metal Exchange – <http://www.lme.co.uk>
- Eurostat – official statistical office of the EU – <http://epp.eurostat.ec.europa.eu> - by comparing import value and volume, it is possible to get an idea of import prices.

5 Market access requirements

As a manufacturer in a developing country preparing to access Austria, you should be aware of the market access requirements of your trading partners and the Austrian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select castings and forgings sector and Austria in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found on the ITC website on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>. Information on tariffs and quota can be found at <http://exporthelp.europa.eu>.

6 Doing business

Information on doing business, such as approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. Beside a number of sources already mentioned in previous sections, other useful sources that contain market information and information on doing business in Austria are trade fairs, associations and magazines:

Trade fairs

- VIENNA-TEC - <http://www.vienna-tec.at> – trade fair, held biannually in October, even years, Vienna.
- Hannover Messe - <http://www.hannovermesse.de> – the largest engineering trade fair in Europe, held in Hannover, Germany every year. This fair is also home to a large section on

castings and forgings. Please refer to Auma (<http://www.auma.de>) and EventsEye (<http://www.eventseye.com>) to find more information on relevant fairs.

Trade press

Some relevant Austrian magazines are:

- Giesserei Rundschau - <http://www.verlag-lorenz.at/web/GiessereiRundschau.html>
- Machinery and Metalware (metalworking, steel) - <http://www.fmmi.at>
- Metall (metalworking) - <http://www.wirtschaftsverlag.at>
- Technik Report (engineering) - <http://www.technikreport.at>
- MachineMarkt - <http://www.maschinenmarkt.at>

In general, German trade magazines contain very good information, also for Austria. One example is 'Giesserei', a foundry magazine (<http://www.giesserei-verlag.de>). To find more relevant trade magazines, consult the CBI market survey covering the castings and forgings market in Germany.

This survey was compiled for CBI by Facts Figures Future
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