

## CBI MARKET SURVEY

## The castings and forgings market in Cyprus

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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 Cyprus. 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***

Unfortunately, data on the production of the engineering industry are not available. However, it can be assumed that the Cypriote production output is very small. In value, production output will not exceed €5 million. According to the Statistical Service of Cyprus, production output showed robust growth figures since 2002, with the exception of 2003. The year 2005 showed the highest growth (11.8%), followed by 5.3% in 2006.

***Construction industry***

The Cypriote construction industry is among the smallest in the EU, with a value of less than €1 billion in 2006. After a period of recession, there was a strong recovery in the period 2001-2006, supported by local and foreign interest in real estate, including holiday homes, and government infrastructure projects. In 2007 the industry continued to show strong, albeit slowing, growth.

**Production**

Unfortunately, data of the Cypriote foundry and forge production are not available. However, it can be assumed that both industries are small. There are only a few – mostly small – foundries at Cyprus, such as Nemitsas - <http://www.nemitsas.com>, which casts pumping equipment, building machinery and engineering castings, with exports to the Middle East, Africa and Europe.

**Trends**

Two trends that also influence the demand for castings and forgings in Cyprus are the growing number of innovative applications of aluminium and magnesium castings and the growing demand for light weight and energy-efficient applications. Refer to Section 1 of the CBI market survey covering the EU market for more information on these trends.

**Opportunities and threats**

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

- + Light weight products and eco-friendly and energy-efficient technologies offer good opportunities for those DC exporters that are able to supply such products.

- Cyprus is a very small producer of engineering products, and the demand for castings and forgings from the construction industry is also very small.
- As a country with low wages, the few Cypriote foundries are competitors to DC exporters. 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.

### 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. 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 needs extra handling or even need to be stored.

### Useful sources

Some examples of available sources to find clients:

- Cyprus Chamber of Commerce and Industry - <http://www.ccci.org.cy> - click on 'Members directory' to find companies.
- Europages - <http://www.europages.co.uk>
- Kellysearch - <http://www.kellysearch.com>
- Kompass - <http://www.kompass.com> - in the paid version, the website of the company is also listed.

With Europages, Kellysearch and Kompass, it is possible to search by product, by company name or by business sector. Another general source is Direct Industry - <http://www.directindustry.com> - you can search by product, company ('exhibitors') or catalogues and technical brochures.

## 3 Trade: imports and exports

### Imports

In 2006, Cyprus was a small importer of castings and forgings, ranking twenty sixth in the EU, behind Estonia and Latvia, but ahead of Malta. Between 2002 and 2006, the total import value annually increased by 13% to €323 million (428 thousand tonnes) in 2006. The increase in value was partly caused by the increasing prices of raw materials. The product group shares were as follows:

- Iron and steel products: 51% of total. Annual increase in import value of 19%.
- Articles of iron, steel or base metal: 21% of total. Annual increase in import value of 9%.
- Parts of machinery, railway equipment and vehicles: 9% of total. Annual increase in import value of 5%.
- Plastic and rubber products: 9% of total. Annual increase in import value of 6%.
- Light and ultra light products: 7% of total. Annual increase in import value of 9%.
- Copper and zinc products: 2% of total. Annual increase in import value of 32%.

Between 2002 and 2006, imports from DCs annually increased by 47% in value. Compared to 2002, the total share of DCs in import value increased from 6.9% to 19.8% in 2006. The DCs' shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Iron and steel products: growing from 6% to 28.4% in value.
- Articles of iron, steel or base metal: growing from 7.9% to 16% in value.
- Plastic and rubber products: growing from 3.1% to 6.3% in value.
- Light and ultra light products: growing from 12.5% to 14.9% in value.
- Copper and zinc products: declining from 11.3% to 3.9% in value.
- Parts of machinery, railway equipment and vehicles: declining from 7.4% to 1.9% in value.

Egypt accounted for 50% of all imports coming from DCs, followed by China (27%), Syria (6%), India (5%), Bahrain (4%), Moldova (2%). The Chinese share of DC exports to Cyprus declined (33%), while to the EU on average, the Chinese export share grew by 57%. Contrary to this, some DCs that saw a large growth of their share were Syria and Egypt.

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, Cyprus was a small exporter, ranking twenty seventh in the EU, behind Lithuania and Malta. The total export value of Cyprus showed an annual increase of 15% in the period 2002-2006, totalling €17 million in 2006. Exports consisted of:

- Light and ultra light products, accounting for 76% of total exports (€13 million). Annual increase in export value of 26%.
- Parts of machinery, railway equipment and vehicles, accounting for 10% of total exports (€2 million). Annual increase in export value of 13%.
- Articles of iron, steel or base metal (8%; €1 million; -7%).
- Plastic and rubber products (4%; €1 million; -9%).
- Copper and zinc products (2%; less than €0.5 million; +44%).
- Iron and steel products (less than 0.5%; less than €0.5 million; -54%).

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

- + In 2006, Cyprus was a net-importer of castings and forgings, running trade deficits for all product groups.
- + The total import value of all product groups increased in the period 2002-2006.
- + The DC share of total imports grew by 186% in the period 2002-2006, which was faster than in the EU on average (81%).
- + The import share of DCs was 19.8% in 2006, above the EU average (8.2%).
- + The Chinese share of DCs' exports to Cyprus decreased (by 33%), while to the EU on average, the Chinese export share increased by 57%. Contrary to this, some DCs saw a large increase of their share.
- + China accounted for 27% of all imports coming from DCs. This was a lower share than in the EU on average (39%).
- Cyprus was a small importer of castings and forgings in the EU in 2006.

### 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](http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20080117.pdf)

#### 4 Price developments

One of the major trends that affect the costs and revenues of castings and forgings in the European market is price pressure, which results in importers/agents and OEMs as well as their suppliers continuing their search for opportunities to reduce cost prices of parts by 10-30%. 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>
- 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.
- London Metal Exchange – <http://www.lme.co.uk>

#### 5 Market access requirements

As a manufacturer in a developing country preparing to access Cyprus, you should be aware of the market access requirements of your trading partners and the Cypriote 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 Cyprus 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 Cyprus are:

- Cyprus International Fair - <http://www.csfa.org.cy/index.html> - general trade fair with a variety of consumer and industrial products, held in Nicosia, Cyprus once a year.
- 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.
- In general, German trade magazines contain very good information, also for this country. 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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