CBI MARKET SURVEY

The castings and forgings market in Greece

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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 Greece. 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

Greek production in the engineering industry increased 6.6% per year in the period 2002-2006, to €1.4 billion in 2006. Electrical engineering production totalled €1.1 billion, leaving the balance (€300 million) for mechanical engineering. The small Greek engineering industry ranked nineteenth in the EU, behind Portugal and Romania, but ahead of Slovenia and Bulgaria. Of the main castings and forgings consuming engineering categories, it is only known that "electric motors generators and transformers" grew by 5.1% per year in the period under review, to a value of €130 million in 206. Despite the world, EU, and Greek economic growth forecasts for 2008 (+3.8%, +1.7% and +2.4% respectively) and 2009 (+3.9%, +1.8% and +2.6%), leading to a good demand for engineering products in the country, it is difficult to predict to what extent the Greek manufacturers will benefit from this. Please also note that, although the EU is far from running the risk of recession, the EU and Greek economy is and will be clearly affected by the housing and credit crisis in the United States.

Construction industry

After a strong increase of the industry's output to €13.6 billion in 2003, the Greek construction industry has entered a period of decline, since the completion of the works for the 2004 Olympic Games. In 2005, the output of the industry totalled €12.3 billion, which is comparable to the output of the Czech and Hungarian construction industries. According to the National Statistical Service of Greece (NSSG), the output in 2006 had increased compared to 2005.

Production

Unfortunately, data of the Greek foundry and forge production are not available. However, it can be assumed that both industries are small. There are at least a few foundries in Greece. Some examples are Gemak - http://www.gemak.gr (casting of valves), Egnatia Foundry - http://www.egnatiafoundry.gr and Kazis - http://www.kazis.gr, which has a yearly capacity in 6,000 tonnes ferrous castings and 500 tonnes in non-ferrous alloys. Probably the largest foundry and forge in the country is GMC - http://www.definet.gr/gmc.htm. Greece is still home to some low added-value serial production, which can be seen from the fact that manhole covers are still part of the product range of a Greek foundry (Misailidi - http://www.misailidi.gr/kalimata_en.htm).

Trends and characteristics

Two trends that also influence the demand for castings and forgings in Greece 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:

+ Growing demand for engineering products could stimulate local production, which in turn 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.
+ Greece is still home to some low added-value serial production of castings. This offers opportunities for DC foundries, which can take over this kind of production.
– Small producer of engineering products, and construction output is small as well.

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.

One example of an importer in Greece is Tsoukatos (http://www.dimax.gr - hydraulic fittings, also re-exports to other Southern European countries). 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 need extra handling or even need to be stored.

Useful sources

Some examples of available sources to find clients:

- Athens Chamber of Commerce and Industry (ACCI) - http://www.acci.gr
- FETEC Factory Equipment trade fair website - http://www.fetec.gr - choose the English version and click on ‘Exhibitors list’.
- Trade magazine Ktirio Technical - http://www.ktirio.gr - choose the English version and click on ‘Building materials and companies’ to find company details per material.
- Find Greek foundries at Casting Area - http://www.castingarea.com/fa/greece-links.htm

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, Greece was a medium-sized importer of castings and forgings, ranking eighteenth in the EU, behind Slovakia and Finland, but ahead of Ireland and Slovenia. Between 2002 and 2006, the total import value annually increased by 14% to €3 billion (3.3 million 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: 48% of total. Annual increase in import value of 18%.
- Parts of machinery, railway equipment and vehicles: 17% of total. Annual increase of 7%.
- Articles of iron, steel or base metal: 14% of total. Annual increase in import value of 5%.
- Plastic and rubber products: 10% of total. Annual increase in import value of 10%.
- Copper and zinc products: 6% of total. Annual increase in import value of 60%.
- Light and ultra light products: 6% of total. Annual increase in import value of 14%.

Between 2002 and 2006, imports from DCs annually increased by 20% in value. Compared to 2002, the total share of DCs in import value increased from 12.5% to 15.2% in 2006. The DCs' shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Light and ultra light products: growing from 3.7% to 10.5% in value.
- Articles of iron, steel or base metal: growing from 15.6% to 23.7% in value.
- Plastic and rubber products: growing from 6.2% to 9.4% in value.
- Parts of machinery, railway equipment and vehicles: growing from 3% to 3.4% in value.
- Iron and steel products: growing from 18.9% to 19.8% in value.
- Copper and zinc products: declining from 8.5% to 6.8% in value.

Turkey accounted for 52% of all imports coming from DCs, followed by China (25%), Egypt (6%), India (6%), Iran (3%), and Kazakhstan (2%). The Chinese share of DC exports to Greece did not grow as fast as in the EU on average (55% compared to 57%). The DCs that saw a larger increase of their share to the country were Albania, Tunisia, Lebanon, Morocco, Kazakhstan, Egypt and Turkey. Of all intra-EU imports a small part may be re-exports, but the value of re-exports is unknown because Eurostat does not allow for such detailed analysis.

Exports

In 2006, Greece was a small exporter, ranking twentieth in the EU, behind Slovenia and Portugal, but ahead of Bulgaria and Ireland. The total export value of Greece showed an annual increase of 12% in the period 2002-2006, totalling €1.6 billion in 2006. Exports consisted of:

- Light and ultra light products, accounting for 40% of total exports (€622 million). Annual increase in export value of 7%.
- Iron and steel products (23%; €355 million). Annual increase in export value of 22%.
- Plastic and rubber products (14%; €224 million). Annual increase in export value of 8%.
- Articles of iron, steel or base metal (11%; €169 million). Annual increase of 23%.
- Copper and zinc products (9%; €137 million). Annual increase in export value of 10%.
- Parts of machinery, railway equipment and vehicles (4%; €65 million; +13%).

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

+ The total import value of all product groups increased in the period 2002-2006.
+ In 2006, Greece was a net-importer of castings and forgings, running trade deficits for iron and steel products (€2.1 billion), articles of iron, steel or base metal (€172 million), plastic and rubber products (€77 million), parts of machinery, railway equipment and vehicles (€51 million), copper and zinc products (€15 million).
+ The import share of DCs was 15.2% in 2006, above the EU average (8.2%).
+ China accounted for only 25% of all imports coming from DCs (EU average is 39%).

+ The Chinese share of DCs' exports to Greece did not increase as fast as in the EU on average (55% compared to 57%). Several DCs saw a larger increase of their share.
± The DC share of total imports grew by 22%, slower than in the EU on average (81%).
- Greece ran a trade surplus for light and ultra light products (€137 million).

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

In the EU in general, one of the major trends that affect the costs and revenues of castings and forgings production is price pressure. This is not the case in the Greek market, as it is merely an import market of ready-to-use machinery and equipment. Real competition is absent, underlined by the fact that the general price level of engineering products rocketed (+48%) in the period 2000-2005. The fact that Greece is not attracting large foreign investments in the manufacturing industry may also be caused by the wage costs in Greece. Although they were only €11.11 per man-hour in 2005, this is still much higher than the wage levels in Portugal and the CEE countries. 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
- Eurostat – official statistical office of the EU – http://epp.eurostat.cec.eu.int - 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 Greece, you should be aware of the market access requirements of your trading partners and the Greek 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 Greece 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 Greece are:
- FETEC Factory Equipment - http://www.fetec.gr - fair held biennially, October, uneven years, in Athens.
- Aluminium - http://www.aluminium.gr - magazine
- Ktirio Technical - http://www.ktirio.gr - magazine

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