

CBI MARKET SURVEY

The castings and forgings market in Italy

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Report summary

This CBI market survey discusses the following highlights for the castings and forgings sector in Italy:

- The Italian engineering industry is a major end-user of castings and forgings. The engineering industry is among the largest in the EU and is expected to show an increasing output in 2008.
- The Italian production of metal castings increased by 1.7% per year, while the production of forgings decreased by 3.1% per year. Both industries ranked second in the EU, far behind Germany, but ahead of France and Spain.
- Italy was a large importer of castings and forgings, ranking third in the EU, behind Germany and France. Between 2002 and 2006, the total import value annually increased by 13%. Italy ran trade deficits for iron and steel products (€9.3 billion), copper and zinc products (€74 million) and light and ultra light products (€13 million), and trade surpluses for parts of machinery, railway equipment and vehicles (€716 million), plastic and rubber products (€998 million) and articles of iron, steel or base metal (€1.5 billion).
- Imports from DCs annually increased by 33% in value. The total share of DCs in import value grew from 8.1% in 2002 to 15.4% in 2006. The DCs' shares in imports of parts of machinery, railway equipment and vehicles grew the fastest: from 3.5% to 7.8% in value.
- China accounted for 45% of all imports coming from DCs, followed by Turkey (15%), India (8%), South Africa (6%), Egypt (5%) and Brazil (5%). Beside the fast growing Chinese share of DC exports to Italy, other DCs that saw a large increase of their share were Oman, Malaysia, Mexico, the Philippines, Thailand, Bosnia and Herzegovina, India and Egypt.
- The price pressure on components and systems as a result of strong global competition, in combination with an ongoing strong demand for engineering and construction products, has made room for an increase of sourcing in DCs. However, DC exporters are still not capable of supplying the quality yet that is necessary for the EU market. Although DCs saw an increase in exports of castings and forgings to Italy, these parts are assembled into products that are directed to markets with lower quality standards, such as Africa and South America.

This survey provides exporters of castings and forgings with sector-specific market information related to gaining access to Italy. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data 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 in Italy 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 of the demand for cast and forged parts in these industries.

Engineering industry

The Italian engineering industry is a leading end-user of metal castings, accounting for 29% of locally produced metal castings. It is also a major end-user of forgings, consuming between 10-45% of all forgings. The Italian production in the engineering industry increased 1.7% per year in the period 2002-2006, totalling almost €109 billion in 2006. Both the production of the mechanical engineering industry as well as the electrical engineering industry showed an annual growth (1.9% and 1.3% respectively) in the period 2002-2006. The large Italian engineering industry ranked second in the EU, behind Germany, but ahead of France and the UK. Refer to Table 1.1 for more information on the market size of the several engineering categories, as well as the estimated shares of castings and forgings in these categories.

Table 1.1 Italian engineering production, by category and including the production value share of castings and forgings, 2002-2006, € million

	Share of castings and forgings*	2002	2006	Annual change '02-'06
Total engineering		101,627	108,816	1.7%
Mechanical engineering		67,995	73,436	1.9%
Machine tools, woodworking mach., welding equipm.	**	7,927	9,024	3.3%
Lifting and handling equipment	10%	7,276	8,385	3.6%
Agricultural tractors and machinery	30%	5,963	6,831	3.5%
Bearings, gears, gearing and driving elements	50%	3,894	6,174	12.2%
Valves and taps	60-70%	5,538	5,978	1.9%
Pumps and compressors	50-70%***	3,911	5,212	7.4%
Non domestic cooling and ventilation equipment	10%	5,274	4,922	-1.7%
Machinery for mining, quarrying and construction	15-25%	3,324	4,637	8.7%
Engines and turbines	40%	4,749	4,350	-2.2%
Machinery for food, beverage and tobacco processing	25%	3,843	3,962	0.8%
Machinery for textile, apparel and leather production	60-70%	4,690	3,106	-9.8%
Industrial furnaces and furnace burners	10%	1,374	1,678	5.1%
Machinery for paper and paperboard production	25%	1,198	1,385	3.7%
Machinery for metallurgy	20-25%	1,383	1,343	-0.7%
Electrical engineering		33,632	35,380	1.3%
Electric domestic appliances	5-25%	10,661	10,500	-0.4%
Other electrical equipment	5-25%	6,203	7,200	3.8%
Electric distribution and control apparatus	5-10%	4,840	5,400	2.8%
Electric motors, generators and transformers	30-40%	4,602	4,300	-1.7%
Lighting equipment and electric lamps	5-25%	2,065	2,300	2.7%
Electric equipment for engines and vehicles	5-25%	1,704	1,200	-8.4%
Accumulators, primary cells and primary batteries	5-25%	638	580	-2.4%

Source: European Union Enterprise and Industry (2007)

* Based on estimations of industry experts and the German Foundry Association.

** While machine tools have a large share of castings and forgings (40-50%), woodworking machinery (10-20%) and welding equipment (5%) have a far smaller share of castings and forgings.

*** Pumps consist for about 70% of castings and forgings, while compressors consist for about 50% of castings and forgings.

As becomes clear from Table 1.1, several categories contain a relatively large production value share of castings and forgings. Of the most relevant categories, "bearings, gears and other driving elements" (+12.2% per year) and "pumps and compressors" (+7.4%) performed the best. On the other hand, the demand for "machinery for textile, apparel and leather production" declined (-9.8% per year), as well as the demand for "engines and turbines" (-2.2%) and "electric motors, generators and transformers" (-1.7%). The position of Italy in the EU in these main castings and forgings consuming engineering categories was as follows:

- Valves and taps: Italy ranked second with 22% EU market share, behind Germany (44%), but ahead of France (10%) and the UK (6%).
- Machine tools, woodworking machinery, welding equipment: Italy ranked second with 21% EU market share, behind Germany (50%), but ahead of France (6%) and the UK (4%).

- Pumps and compressors: Italy ranked second with 14% EU market share, behind Germany (35%), but ahead of France (13%) and the UK (11%).
- Bearings, gears, gearing and driving elements: Italy ranked second with 18% EU market share, behind Germany (51%), but ahead of France (9%) and the UK (4%).
- Agricultural tractors and machinery: Italy ranked second with 23% EU market share, behind Germany (26%), but ahead of France (14%) and the UK (8%).
- Machinery for textile, apparel and leather production: Italy ranked second with 26% EU market share, behind Germany (41%), but ahead of France (8%) and Belgium (7%).
- Engines and turbines: Italy ranked third with 18% EU market share, behind Germany (28% EU market share) and the UK (18%), but ahead of France (12%) and Sweden (6%).
- Electric motors, generators and transformers: Italy ranked third with 9% EU market share, behind Germany (35% EU market share) and Spain (12%), but ahead of France (8%) and the UK (8%).

The demand for engineering products is expected to grow in the next few years, due to the world, EU, and Italian economic growth forecasts for 2008 (+3.8%, +1.7% and +0.8% respectively) and 2009 (+3.9%, +1.8% and +1.4%). Generally speaking, economic growth will stimulate industrial spending activity, the major and most common determinant of engineering products demand. Although subcontracting to foreign companies or imports from other countries may also increase, Italian production output in most engineering categories is expected to at least remain stable due to these positive economic forecasts. Please also note that, although the EU is far from running the risk of recession, the EU and Italian economy are and will be clearly affected by the housing and credit crisis in the United States. More specifically, among the engineering segments that are expected to show good growth in the next few years are machine tools, machines for woodworking, packaging machinery and ceramics machinery. Italian end-users of this machinery are expected to invest heavily in new equipment, to improve their competitive position in the EU. Italian machinery and equipment producers will benefit from this trend, and as a result, prospects for cast and forged parts in such applications are bright. On the other hand, industry sources indicate that textile machinery production remains under pressure due to the strong global competition in this segment.

Construction industry

After a total growth of 2% in the period 2002-2005, the Italian construction industry amounted to €182.5 billion in 2005. In the period 2006-2008, the Italian construction industry performs better than industry specialists expected. In 2006, growth was up compared to 2005, at 1.8%. Also 2008 is expected to show a small growth of 1.5%. The large Italian construction industry ranked third in the EU, behind Germany and the UK, but ahead of France, Spain and the Netherlands. The Italian construction industry uses about 15% of locally produced castings.

With regard to the production of frames for construction, 2007 was a good year with growth of 8.1% over 2006. Metallic frames grew some 1.1% in volume and by 8.5% in value, reaching €2.2 billion. Production of facades grew less fast, by 7.4% in value. The year 2007 was the third consecutive year in which the production value increased faster than the volume as a result of the increasing costs of raw materials and energy. The strongest growth was recorded in the segment of high energy isolation frames, favoured by the European and national regulations on the thermal services of buildings but, above all, by the fiscal incentives of 55% related to the financial law 2007 for the substitution of frames with better thermal performances.

Market segmentation

As far as data are available, the market segmentation of some of the most important materials covered by this survey is discussed in this section.

Castings

As shown by the data in Table 1.2, iron and non-ferrous castings largely go to the engineering and automotive industries, while steel castings are mainly used in other industries. Please note that these data only cover the domestically produced castings, as other data are not available. The large category 'Other' for steel castings covers, among other things, the mining industry (33% of all steel castings) and the iron and steel industry (11%).

Table 1.2 Italian metal casting production, by segment, 2006, shares

	Pipes and fittings	Construction *	Engineering industry	Automotive industry	Railway industry	Other**
Iron	-	18%	41%	32%	-	9%
Nodular iron	20%	-	45%	30%	-	5%
Malleable iron	77%	-	16%	7%	-	-
Steel	-	-	28%	3%	5%	64%
Non-ferrous	-	30%	10%	54%	-	6%

Source: Committee of European Foundries Associations (2007)

*including domestic goods

**This category includes production for ingot moulds and for several industries such as the aeronautics and the electronics industries.

Forgings

Unfortunately, no segmentation data for forgings are available. However, according to industry experts it can be assumed that the major end-user of forged products is the automotive industry (40-60%), followed by engineering (10-45%). Other industries that may have a small share are railways, aerospace, construction, maritime and the power generation industry

Aluminium

According to information of one of the largest aluminium companies in Italy, the Italian market for aluminium is the second largest in the EU, after Germany, totalling about 2.0 million tonnes in 2006. More than 50% was in the form of die castings. The automotive industry is the largest consumer of aluminium in all forms and it may be assumed that construction, packaging and engineering are other large end-users of aluminium.

Production

Castings

Table 1.3 shows an indication of the production of castings in Italy. The data have been collected by the Italian Foundries Association (Assofond) and are based on data of member companies. In 2006 the Italian production of castings totalled 2.6 million tonnes, showing an increase of 2% per year since 2002. Major cause of the growth was the increasing demand from the domestic end-user industries, but also exports showed growth. Although the production of iron castings saw a decrease in that period, this was more than compensated by the growth in nodular iron (+14% per year). This trend is mainly due to the use of nodular instead of grey iron casting for several uses, in particular in the construction sector. The production of steel castings has been growing since 2003, with 2006 showing the highest growth (13%). The major cause of this growth was the increasing demand for stainless steels and investment steel castings. Moreover, many companies reported an increasing demand for technically complicated castings. In 2006, alloyed steel accounted for 59% of all steel castings, followed by carbon steel (23%) and stainless steel (18%).

In the group of non-ferrous metal castings, the decline of copper alloy and zinc castings was more than compensated by the 3.6% annual growth in production of light and ultra light castings. Especially aluminium castings grew fast due to a strong demand from the automotive industry. The most important casting technologies in 2006 were pressure die casting (60% of the total), shell casting and low pressure casting (32%) and sand castings (lost foam and

investment castings; 8%). Compared to 2005, the volume of pressure die casting went up while the volume of shell casting and low pressure casting went down.

Table 1.3 Italian production volume of castings by type, 2002-2006, 1,000 tonnes

	2002	2004	2006	CAGR '02-'06
Total	2,441	2,521	2,637	2.0%
Ferrous	1,461	1,508	1,564	1.7%
Iron	1,056	1,081	931	-3.1%
Nodular iron	328	354	549	13.8%
Malleable iron	3	2	0	-
Steel	75	70	83	2.7%
Non-ferrous	980	1,014	1,074	2.3%
Copper alloy	110	98	92	-4.4%
Light and ultra light	789	837	909	3.6%
Zinc	80	77	71	-2.7%
Other alloy	1	1	1	3.9%

Source: Committee of European Foundries Associations (2007)

The large Italian foundry industry ranked second in the EU, behind Germany, but ahead of France and Spain. The number of ferrous metal foundries declined by almost 30% in 4 years time to 197 in 2006, while the number of employees per foundry remained relatively stable (77 in 2006). Most of the foundries were iron foundries (170), followed by steel foundries (27) and investment casting foundries (16). The country was home to in total 974 non-ferrous metal foundries in 2006, with an average of 17 employees per foundry.

Forgings

Table 1.4 shows an indication of the volume of forgings production in Italy. In 2006, the members of the Italian Association of Forging Producers (Unisa) produced 1.24 million tonnes of forgings, a decrease of 3.1% per year since 2002. The large Italian forge industry ranked second in the EU, behind Germany, but ahead of France and the UK.

Table 1.4 Italian production volume of forgings by type, 2002-2006, 1,000 tonnes

	2002	2004	2006	CAGR '02-'06
Total	1,400	1,210	1,236	-3.1%
Drop forging, press and upset forging	750	720	807	1.8%
• Production of forging industry (subcontracting)	500	495	520	1.0%
• In-house production of the finished assembly (subcontracting)	100	105	139	8.6%
• Forged catalogue items*	150	120	148	-0.3%
Open die forging	650	490	429	-9.9%
• Ring rolling	150	120	109	-7.7%
• Other open die forging**	500	370	320	-10.6%

Source: Euroforge (2007)

* i.e. producers of flanges and fittings, piping, connectors, armatures, tools, machineries, etc.

** excluding forged steel bar, blanks and railway rolling stocks.

As can be seen in Table 1.4, the overall decrease of production in the period 2002-2006 was mainly caused by the large decrease in production of open die forging (-9.9% per year). The production growth of drop forging, press and upset forging (+1.8%) partly compensated this decrease. In the period mentioned, the output per forge, per employee and the number of employees per forge remained virtually stable. Most of the forges are spread over different areas of northern Italy, in the area of Canavese, north of Turin, and the areas of Solbiate Arno and Lecco, north - east of Milan.

Interesting players

Some examples of Italian foundries are:

- BPB - <http://www.bpbpressofusione.it> - aluminium die casting
- Castigroup - <http://www.castigroup.it> - comprises 3 foundries
- Microfusione Stellite SpA - <http://www.stellite.it> - this company nearly doubled its production capacity in 2007. Visit the website and click on 'news' to read about this enlargement.
- Sira Group - <http://www.siragroup.it/eng> - beside a number of facilities in Italy, the group also runs a foundry in Romania and in China.
- Teksid - <http://www.teksid.com> - comprises several iron foundries in Italy as well as in other EU countries, one in South America, one in Central America and one in China. Since the disposal of the aluminium and magnesium foundries, the company focuses solely on the casting of grey and nodular iron.

Some examples of Italian forges are:

- Fomas <http://www.fomas.it> - see textbox for more information.
- Lasim – <http://www.lasim.it>
- Massucco Industrie - <http://www.massucco.it>
- Metalcam - <http://www.metalcam.it>
- Ringmill - <http://www.ringmill.it>
- San Grato - <http://www.sangrato.it>

Most of the websites mentioned above offer comprehensive information on production capacity, products made, as well as details of the production process and equipment.

The **Fomas Group** is a worldwide leader in open-die forging and ring-rolling for the power generation, oil and gas, and transmission markets. The Fomas group operates in over 20 countries through two divisions, with about 700 employees. The group comprises some foundries in Italy, one of which is the largest open die forging plant in Italy and among the largest in the EU with batch capacities possible from 25 to 400 tonnes. It is the only forging plant in the world equipped with four vertical completely automatic UT machines. This forge holds a stock of ingots ranging from 2 to 75 tonnes, to satisfy individual customer needs or official material standards such as AFNOR, AISI, ASME, ASTM, BS, DIN, ISO, SAE, SIS, UNI, among other things.

Other plants of Fomas in Italy are Asfo and Hot Roll, producing large and medium- to small-sized rolled rings. In 2005 the Fomas group acquired the French ring rolling operation, Ovako La Foulerie, formerly a part of SKF. The group also includes an Indian subsidiary, Bay Forge, which supplies South Asian markets with open-die forging and rolled rings.

Trends

The major trends that influence the casting and forging demand and production in Italy are:

- **Growing number of innovative applications of aluminium and magnesium.** This trend is expected to continue, as the automotive industry seeks new ways to save weight and gain fuel efficiency and performance. One example in this area is the long-term strategic partnership of Ferrari and Alcoa (<http://www.alcoa.it>) which focuses on creating advanced aluminium space frame technology for future generations of Ferrari vehicles. In the end, also other segments will benefit from the experiences of the automotive industry.
- **Care for the environment has become a strategic political issue.** In the power generation industry, the search for energy efficiency and the limitation of CO₂ and NO_x emissions – which is sometimes called the “Kyoto Effect” – has led and should lead to the increased use of electric variable speed drives. The engines, turbines, motors and generators markets will also show good growth due to the Kyoto effect. As a result, prospects for cast and forged parts in such applications are bright.
- **Italian industry benefits from cheap labour supply in Central and East European countries.** The transformation of Central and Eastern European (CEE) countries into

market-oriented economies is beneficial to the Italian engineering, foundry and forge industry. A division of labour has arisen which enables Italian firms to utilise a cheap labour supply to improve price competitiveness in international markets. Especially for end products that face quick price erosion, the price pressure on components leads to relocation of production. One example of a company that benefited from the cheap labour in CEE countries is Teksid (<http://www.teksid.com>), which owns a large iron foundry in Poland with production for the automotive industry.

- **Outsourcing to LCCs continues to increase.** In recent years, a lot of – especially electrical – engineering production has been replaced to LCCs. So far, outsourcing often concerns large volumes of labour-intensive and standard products and parts that can easily be made in LCCs. Industry experts expect the trend to continue even more in the future, which may lead to a deceleration of demand growth for castings and forgings in the Italian engineering industry.
- **Italian companies import castings and forgings from DCs, but often not for engineering products destined for the EU market.** Also in Italy, engineering companies have been looking for new sources of castings and forgings. Because of the strong demand for their products, they have started to differentiate their sourcing policy. Although no company will admit officially that castings and forgings are imported from DCs, several Italian companies have started to do so. The castings and forgings they source from DCs are imported to Italy and assembled into the final product. However, in several cases these final products are directed to markets with lower quality demands, such as Africa and South America. For the products for the European market, these companies continue to use castings and forgings from Europe, due to the strict quality demands of EU customers.

Opportunities and threats

Trends and market developments offer opportunities and threats to exporters. A given trend can be a threat to some and an opportunity to others at the same time. The following trends should, therefore, always be analysed in relation to your specific circumstances. The main opportunities and threats for DC exporters are the following:

- + Growing engineering market leads to an increasing demand for castings and forgings. In the electric engineering segment there are good prospects for cast and forged parts in energy efficient applications.
- ± The price pressure on components and systems (refer to Section 4) as a result of strong global competition, in combination with an ongoing strong demand for engineering products, has made room for increased sourcing in DCs.
- ± Rising demand for innovative applications of aluminium and magnesium, although this will be at the expense of ferrous metal castings.
- Often, DC companies are still not capable of supplying the desired quantity.
- Shift of engineering production towards LCCs, which may lead to a deceleration of demand growth for castings and forgings of the Italian engineering industry.

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

Useful sources

- European Foundry Association - <http://www.caef-eurofoundry.org>
- European Network for Construction Forecasting - <http://www.euroconstruct.org>
- European Union Enterprise and Industry - <http://ec.europa.eu/enterprise>
- Federation of National Forging Associations - <http://www.euroforge.org>
- Italian Association of Forging Producers – <http://www.unisa.org>
- Italian Foundries' Association – <http://www.assofond.it>
- Italian Metallurgical Association (AIM) - <http://www.metallurgia-italiana.net>
- National Union of Constructors of Frames in Aluminium, Steel and Alloys - <http://www.uncsaal.it>

- Portal of Aluplanet - <http://www.aluplanet.com> - a cooperation of the trade fair organisers of Metef, the aluminium exhibition, and Edimet Spa, the publishing company specialising in technical and financial information on metals.

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.

From practice – China and India are major supplying countries for an Italian importer interviewed by Facts Figures Future. The company is a supplier of products to the worldwide oil and gas industry such as flanges and fittings, both cast and forged. These are standard catalogue products. Beside this importer, there are many other Italian companies which source castings and forgings in China and India (which can be also seen from Section 3); this also involves tailor made parts.

Although most products are still sourced from within Italy, the role of Chinese and Indian supplies has increased in recent years. Additionally, products of duplex steel are increasingly sourced from India. A spokesman of the company indicates that it is difficult to find the right supplier in a developing country. With the support of Export Coaching Programmes, DC exporters can become more reliable, and are therefore very interesting as a potential supplier to EU companies. While presence at the right trade fairs is important (Tube Dusseldorf in Germany for cast and forged pipes and process equipment), a professional website is important, and contacting prospects in Europe (by mail, for example) may also be a valuable suggestion. Whenever business starts to look serious, the foundry up to supplying the correct products according to customer's specifications.

Last but not least: the world market for pipes and process related equipment is currently characterised by huge order lead times. In Italy for example, order leads times are 6-8 months. This clearly benefits suppliers that are able to supply products with shorter lead times.

Source: interview Facts Figures Future (2008)

Trade partners

The Italian engineering industry, including its component supplier industry, is dominated by domestically owned small companies. These firms are highly competitive in international markets and possess noteworthy innovation and marketing capabilities. This performance can partly be explained by an international competitive cluster. This is defined by a regional network of SMEs and an intense intra-sectoral division of labour among the companies. While some have focused on innovation and marketing, others are subcontractors of parts and components. The efficiency of these networks has been improved in recent years due to improved logistics and advanced information technologies. Some examples of such regional networks are Emilia-Romagna and Lombardy, where almost 80% of the Italian packaging machinery companies are located. The true capital of this sector is Bologna, whose province is home to the so-called Packaging Valley. Some examples of companies in Italy that may be interesting to DC exporters are:

- Atop - <http://www.axis.it> - production; electric motors
- Bonfiglioli - <http://www.bonfiglioli.com> - production; transmissions
- Brevini - <http://www.brevini.com> - production; transmissions
- Camozzi - <http://www.camozzi.com> - production; pneumatics, tooling

- Casagrande - <http://www.casagrandegroup.com> - production; construction machinery
- Casappa - <http://www.casappa.com> – production; hydraulics, gears, motors
- Chiaravalli Trasmissioni - <http://www.chiaravalli.it> - production and import; power transmissions components
- Dieci - <http://www.dieci.com> - production; machinery for industry, building and agriculture
- Emporio del Cuscinetto - <http://www.emporiodelcuscinetto.it> - distribution; mechanical components
- Euracciai - <http://www.euracciai.it> - distribution; machine tools and engineering parts
- Le Officine Riunite Udine - <http://www.oru.it> - production; concrete machinery
- Top Cuscinetti - <http://www.topcuscinetti.it> - bearings

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 as valves for example, will be sold with a smaller margin than products that need extra handling or even need to be stored.

Selecting a suitable trading partner

There are many ways to find potential trading partners in Italy. The following country-specific websites may be very useful to find potential Italian trade partners:

- Italian Association of Internal Combustion Engine Manufacturers - <http://www.italmot.it/en> - click on 'Members directory'.
- Italian Chamber of Commerce – <http://www.unioncamere.it>
- Italy Business - <http://www.italybusinessnet.com> - a site that brings together demand and supply of a wide range of products, for example sheet metal components.
- Member directory of the Association of Italian Textile Machinery Manufacturers - <http://www.acimit.it/MotoreNew/index.htm>
- Member directory of the Federation of the Italian Associations of Mechanical and Engineering Industries - <http://www.anima-it.com/eng> - click on 'Members' Directory'. It is also possible to find companies per product type - click on 'List of products'.
- Member list of Italian Association of Forging Producers - <http://www.unisa.org> – select the English language and click on 'members'.
- Member list of Italian Foundries' Association - <http://www.assofond.it> - choose the English language and click on 'foundries'.
- Member list of the Association for Importers and Distributors of Machinery, Technologies and Tools - <http://www.ascomut.it> - select the English language and click on 'associated companies'.
- Member list of the association of Gears and Transmission Elements Manufacturers - <http://www.assiot.it> - select English and click on 'Members'.
- Member list of the Italian Association of Compressor, Pump and Air Treatment Equipment Manufacturers - <http://www.associazionecompo.it/eng> - click on members
- Members of the Association of Builders of Italian Machine Tools - <http://www.ucimu.it/eng> - 'Associated Companies Catalogue'.
- Members of the Italian Association of Manufacturing and Trading Companies in Fluid Power Equipment and Components - http://www.assofluid.it/index_eng.asp - click on members
- Members of the Italian Association of Pump Manufacturers - <http://www.assopompe.it> – click on 'English' and on 'List of members'.
- Members of the Italian Association of Valve and Fitting Manufacturers - <http://www.associazioneavr.it> – click on 'associati' and on 'elenco associati'.
- Members of the Italian Shipbuilders Association - <http://www.assonave.it> - <http://www.assonave.it/associati.htm>

- Members of the Italian Union of Agricultural Machine Manufacturers - <http://www.unacoma.it/en/chisiamo/aziende.php>

Italy is home to two agent associations:

- Italian Federation Of Agents And Commercial Representatives - <http://www.fnaarc.it>
- National Federation of Commercial Agents - <http://www.usarci.it>

Refer to Section 6 for main sales promotion tools.

3 Trade: imports and exports

Imports

In 2006, Italy was a large importer of castings and forgings, ranking third in the EU, behind Germany and France, but ahead of the UK and Spain. Between 2002 and 2006, the total import value annually increased by 13% to €27.9 billion (26.1 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: 51% of total. Annual increase in import value of 20%.
- Parts of machinery, railway equipment and vehicles: 19% of total. Annual increase in import value of 5%.
- Articles of iron, steel or base metal: 9% of total. Annual increase in import value of 11%.
- Plastic and rubber products: 8% of total. Annual increase in import value of 6%.
- Copper and zinc products: 7% of total. Annual increase in import value of 22%.
- Light and ultra light products: 6% of total. Annual increase in import value of 7%.

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.

Table 3.1 Imports by and leading suppliers to Italy, 2002 - 2006, share in % of value

Product	2002 € mln	2004 € mln	2006 € mln	Leading suppliers in 2006 (share in %)	Share (%)
Total	11,257	13,575	17,449	Intra-EU : Germany (20), France (12), Spain (5), Belgium (5), Austria (4)	64
	3,903	4,234	5,651	Extra-EU ex. DC : Russia (4), USA (3), Ukraine (3), Switzerland (2), South Korea (1)	21
	1,351	2,583	4,249	DC : China (7), Turkey (2), India (1), South Africa (1), Egypt (1), Brazil (1), Malaysia (<0.5), Croatia (<0.5), Iran (<0.5), Thailand (<0.5)	15
Iron and steel products	4,739	6,240	8,303	Intra-EU : Germany (13), France (12), Spain (6), Belgium (6), Austria (5)	59
	1,499	2,272	3,227	Extra-EU ex. DC : Russia (7), Ukraine (6), South Korea (2), Taiwan (2), Switzerland (1)	23
	688	1,630	2,654	DC : China (9), Turkey (2), India (2), South Africa (2), Brazil (1), Egypt (1), Malaysia (1), Iran (1), Thailand (<0.5), Argentina (<0.5)	19
Parts of machinery, railway equipment and vehicles	2,418	2,756	3,132	Intra-EU : Germany (25), France (13), Denmark (4), the Netherlands (4), UK (4)	67
	1,417	1,173	1,268	Extra-EU ex. DC : USA (12), Switzerland (4), Japan (3), Canada (2), South Korea (1)	26
	147	236	399	DC : China (4), Turkey (1), Brazil (1), India (<0.5), Croatia (<0.5), Indonesia (<0.5), Tunisia (<0.5), South Africa (<0.5), Albania (<0.5), Thailand (<0.5)	8
Articles of iron, steel or base metal	973	1,187	1,500	Intra-EU : Germany (25), France (7), Austria (6), Spain (4), Romania (3)	60
	433	345	394	Extra-EU ex. DC : Taiwan (2), USA (2), Switzerland (2), Japan (1), South Korea (1)	16
	259	366	593	DC : China (14), Turkey (2), Tunisia (1), India (1), Bosnia and Herz. (1), Croatia (1), Egypt (1), Albania (1), Thailand (1), Malaysia (<0.5)	24

Product	2002 € mln	2004 € mln	2006 € mln	Leading suppliers in 2006 (share in %)	Share (%)
Plastic and rubber products	1,357	1,497	1,667	Intra-EU : Germany (31), France (12), the Netherlands (8), Belgium (7), UK (6)	78
	268	239	293	Extra-EU ex. DC : Japan (4), USA (3), Switzerland (3), South Korea (2), Israel (1)	14
	76	103	164	DC : China (3), Turkey (1), India (1), Thailand (1), Croatia (<0.5), Colombia (<0.5), Tunisia (<0.5), Egypt (<0.5), Brazil (<0.5), Syria (<0.5)	8
Copper and zinc products	773	894	1,580	Intra-EU : Germany (38), France (19), Spain (11), Bulgaria (5), Finland (4)	81
	60	60	219	Extra-EU ex. DC : Switzerland (1), USA (1), Taiwan (<0.5), Ukraine (<0.5), Russia (<0.5)	11
	54	83	154	DC : Turkey (5), China (1), Brazil (<0.5), Peru (<0.5), Egypt (<0.5), India (<0.5), Thailand (<0.5), South Africa (<0.5), Saudi Arabia (<0.5), Argentina (<0.5)	8
Light and ultralight products	999	1,002	1,267	Intra-EU : Germany (22), UK (10), France (9), Spain (7), Greece (4)	70
	226	146	249	Extra-EU ex. DC : USA (4), Switzerland (3), Norway (3), Russia (1), Japan (<0.5)	14
	126	166	286	DC : Egypt (4), Croatia (4), Turkey (3), Bahrain (1), China (1), South Africa (1), India (1), Brazil (<0.5), Tunisia (<0.5), Tajikistan (<0.5)	16

Source: Eurostat (2007)

Imports from DCs

Between 2002 and 2006, imports from DCs annually increased by 33% in value. Compared to 2002, the total share of DCs in import value increased from 8.1% to 15.4% in 2006. The DCs' shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Parts of machinery, railway equipment and vehicles: growing from 3.5% to 7.8% in value.
- Iron and steel products: growing from 9.9% to 18.7% in value.
- Plastic and rubber products: growing from 4.5% to 7.7% in value.
- Light and ultra light products: growing from 9.3% to 15.9% in value.
- Articles of iron, steel or base metal: growing from 15.4% to 24.0% in value.
- Copper and zinc products: growing from 6.1% to 7.8% in value.

China accounted for 45% of all imports coming from DCs, followed by Turkey (15%), India (8%), South Africa (6%), Egypt (5%) and Brazil (5%). Beside the fast growing Chinese share of DC exports to Italy (+88% in the period 2002-2006), other DCs that saw a large increase of their share were Oman, Malaysia, Mexico, the Philippines, Thailand, Bosnia and Herzegovina, India, Egypt and Sri Lanka.

Exports

In 2006, Italy was a large exporter, ranking second in the EU, behind Germany, but ahead of France and Belgium. The total export value of Italy showed an annual increase of 11% in the period 2002-2006, totalling €36.6 billion in 2006. Exports consisted of:

- Parts of machinery, railway equipment and vehicles, accounting for 30% of total exports (€11.1 billion). Annual increase in export value of 6%.
- Iron and steel products (27%; €9.9 billion). Annual increase in export value of 23%.
- Articles of iron, steel or base metal (19%; €7.1 billion). Annual increase of 10%.
- Plastic and rubber products (13%; €4.6 billion). Annual increase in export value of 7%.
- Light and ultra light products (6%; €2.2 billion). Annual increase in export value of 9%.
- Copper and zinc products (4%; €1.6 billion). Annual increase in export value of 30%.

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

- + Italy was the third largest importer of castings and forgings in the EU in 2006.
- + In 2006, Italy was a net-importer of castings and forgings, running trade deficits for iron and steel products (€9.3 billion), copper and zinc products (€74 million) and light and ultra light products (€13 million).
- + The total import value of all product groups increased in the period 2002-2006.
- + The DC share of total imports grew by 91% in the period 2002-2006, which was faster than in the EU on average (81%).
- + The import share of DCs was 15.4% in 2006, above the EU average (8.2%).
- ± The Chinese share of DCs' exports grew fast in the period 2002-2006 (+88%; much faster than in the EU on average), but also some other DCs saw a large increase of their share.
- Italy ran trade surpluses for parts of machinery, railway equipment and vehicles (€716 million), plastic and rubber products (€998 million) and articles of iron, steel or base metal (€1.5 billion).
- China accounted for 45% of all imports coming from DCs. This was a higher share than in the EU on average (39%).

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> → go to 'themes' on the left side of the home page → go to 'external trade' → go to 'data – full view' → go to 'external trade - detailed data'.
- Understanding Eurostat: Quick guide to EasyComext - http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20080117.pdf

4 Price developments

Major trends that affect the costs and revenues of Italian castings and forgings production are price pressure, increasing raw material and energy prices and wage costs:

- Prices and margins are and will continue to be under pressure. Global competition has placed severe pressure on the prices and therefore on margins of intermediate goods in the supply chain. Therefore, importers/agents and OEMs as well as their suppliers keep on looking for opportunities to reduce costs of parts. This can be best seen from the fact that the import price of the product group 'parts of machinery, railway equipment and vehicles' decreased by 5% per year between 2002 and 2006.
- In recent years, rapidly increasing prices of among others, plastics, aluminium, steel and scrap steel, have caused problems in the industry, although Italian producers have tried to translate soaring raw material prices into material-cost surcharges as soon as possible.
- The rapid increase in energy prices in Italy has affected the competitiveness of the industry as far as those price increases were higher than in other regions. In 2006, electricity prices increased by 24% and natural gas prices even increased by 34% compared to 2005. Especially commodity production was badly hit by the high energy costs, as their prices are set globally and therefore increases in energy costs that occur solely in Italy can not be passed on to the customers without significant losses in their market share.
- Wage costs still account for a large share of the average production costs in the industry. In 2005, Italy ranked twelfth in the EU with regard to wage costs per man-hour in the metal industry (€17.72), less expensive than the UK and Ireland, but more expensive than the Eastern part of Germany and Spain.

Please refer to the CBI market survey covering the EU market for castings and forgings for a detailed explanation on these major trends.

Useful sources

Sources of prices include, among other things:

- CAEF Eurofoundry - <http://www.caef-eurofoundry.org>

- Eurofer – <http://www.eurofer.org/statistics/scrap.htm>
- European Engineering Industries Association – <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 development of import prices.

5 Market access requirements

As a manufacturer in a developing country preparing to access Italy, you should be aware of the market access requirements of your trading partners and the Italian government. Requirements are demanded on legislation and on labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select castings and forgings and Italy in the category search, click on the search button and click on market access requirements.

Useful sources

- Additional 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

General information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore, cultural awareness is a critical skill in securing success as an exporter.

Sales promotion

For DC exporters, trade press, trade fairs and website promotion are among the most important promotional tools; they are briefly discussed below. For more information, also refer to CBI's Export Planner and Your Image Builder – <http://www.cbi.eu>, as well as the CBI market survey covering the castings and forgings market in the EU.

Trade fairs

Visiting and participating in a trade fair in the EU can be an efficient tool to communicate with prospective customers. It provides more facilities for bringing across the message than any other trade promotional tool. It can also be an important source of information on market development, production techniques and interesting varieties. There is one relevant trade fair in the country, which is Foundeq/Metev/Timatec (<http://www.foundeq.com>; biennially, April/May, even years, Brescia), covering the foundry industry, including working of aluminium, magnesium and titanium. Visit http://www.foundeq.com/ENG/past_edition/2006_figures/2006_figures.asp to find more information on the visitors' profile of this fair. Find more trade fairs at <http://www.eventseye.com> and <http://www.auma.de>.

Trade press

An interesting story on your company or new product introduction will boost the company's image. In that respect, building up contacts with the trade press will be helpful and should be used whenever possible. Some relevant Italian magazines are:

- Die-casting & Foundry Techniques - <http://www.edimet.it>
- Italian Foundry Guide - <http://www.edimet.it>

- La Metallurgia Italiana - <http://www.metallurgia-italiana.net> - metallurgy
- Metalli - <http://www.edimet.it> – metal working
- Organi Di Trasmissione - <http://www.tecnichenuove.com> - transmissions
- Progettare - <http://www.vnu.it> - industrial engineering
- Progettare - <http://www.vnu.it> - industrial engineering
- RMO - <http://www.vnu.it> - mechanics

Website promotion

These days, it is an absolute must to have a professional website, which is aimed at your main target groups. Make it interactive and promote it in the right way. More information can be found in the CBI Export Manual 'Website Promotion', available at <http://www.cbi.eu/marketinfo>.

Business culture

Cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in Section 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. Furthermore, refer to Kwintessential for practical tips on business culture and etiquette in Italy: <http://www.kwintessential.co.uk>. Click on 'Country Profiles' at the section 'Intercultural resources and tools' and click on 'Italy'.

Other useful sources

Beside a number of relevant sources already mentioned in previous sections, other useful sources that contain market information and information on doing business in Italy are:

- Electro Technical Federation of Italy - <http://www.anie.it>
- National Construction Association - <http://www.ance.it>

This survey was compiled for CBI by Facts Figures Future
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