

## CBI MARKET SURVEY

## The castings and forgings market in Luxembourg

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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 Luxembourg. 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**

Please note: the data of Luxembourg for this category are combined with the data of Belgium. It may be assumed that Luxembourg accounts for a minor share (less than 10%) of the total.

Belgium/Luxembourgian production in the engineering industry increased 3.3% per year in the period 2002-2006, to more than €14 billion in 2006. The medium-sized engineering industry ranked twelfth in the EU, behind Finland and the Czech Republic, but ahead of Denmark and Hungary. Of the main castings and forgings consuming engineering categories, "bearings, gears and other driving elements" (+17.9% per year), "pumps and compressors" (+9.8%) and "machinery for textile, apparel and leather production" (+8.7%) performed the best. The position of Belgium/Luxembourg in the EU was especially strong in "machinery for textile, apparel and leather production" (4<sup>th</sup> largest producer with 7% market share) and "pumps and compressors" (5<sup>th</sup> with 5% market share).

Despite the world, EU, and Luxembourgian economic growth forecasts for 2008 (+3.8%, +1.7% and +4.0% respectively) and 2009 (+3.9%, +1.8% and +5.0%), leading to a good demand for engineering products in the country, it is difficult to predict to what extent the Luxembourgian manufacturers will benefit from this, as outsourcing may also increase, for example. Please also note that, although the EU is far from running the risk of recession, the EU and Luxembourgian economy are and will be clearly affected by the housing and credit crisis in the United States.

**Construction industry**

The Luxembourgian construction industry is among the smallest in the EU, with a value of €1.9 billion in 2006. The output of the construction industry decreased in 2005 and 2006.

**Production**

Unfortunately, data of the Luxembourgian foundry and forge production are not available. However, it can be assumed that both industries are small. There are only a few foundries in Luxembourg, such as Fonderie Massard - <http://www.fonderiemassard.lu>, which is specialised

in castings from 0.5-3000 kilograms in single piece or small to medium-sized series. This company also casts parts for civil engineering.

### Trends and characteristics

Two trends that also influence the demand for castings and forgings in Luxembourg 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.
- Luxembourg is a very small producer of engineering products, and the demand for castings and forgings from the construction industry is considered to be 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. 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 as valves for example, 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:

- Luxembourgian Federation of Industrialists - <http://www.fedil.lu> - hit 'members' directory'.
- Company database with a focus on Luxembourg - <http://www.abc-d.lu>

With Europages - <http://www.europages.co.uk>, Kellysearch - <http://www.kellysearch.com> and Kompass - <http://www.kompass.com>, 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. Here it possible to get an idea of products made by West European end-users.

## 3 Trade: imports and exports

### Imports

In 2006, Luxembourg was a small importer of castings and forgings, ranking twenty first in the EU, behind Ireland and Slovenia, but ahead of Bulgaria and Lithuania. Between 2002 and 2006, the total import value annually increased by 8% to €1.9 billion (2.6 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: 53% of total. Annual increase in import value of 8%.
- Parts of machinery, railway equipment and vehicles: 23% of total. Increase of 12%.
- Articles of iron, steel or base metal: 11% of total. Annual increase in import value of 4%.
- Plastic and rubber products: 9% of total. Annual increase in import value of 4%.
- Light and ultra light products: 4% of total. Annual increase in import value of 6%.
- Copper and zinc products: 1% of total. Annual decrease in import value of 1%.

Between 2002 and 2006, imports from DCs annually increased by 43% in value. Compared to 2002, the total share of DCs in import value increased from 0.4% to 1.2% in 2006. The DCs' shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Iron and steel products: growing from less than 0.5% to 1.6% in value.
- Copper and zinc products: growing from 0.1% to 0.8% in value.
- Plastic and rubber products: growing from 0.1% to 0.4% in value.
- Light and ultra light products: growing from 0.2% to 0.5% in value.
- Articles of iron, steel or base metal: declining from 1.8% to 1.7% in value.
- Parts of machinery, railway equipment and vehicles: declining from 0.7% to 0.5% in value.

China accounted for 69% of all imports coming from DCs, followed by India (16%), Turkey (4%), Tunisia (2%), Croatia (2%) and Brazil (2%). The Chinese share of DC exports to Luxembourg grew very fast (+587% in the period 2002-2006). 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, Luxembourg was a medium-sized exporter, ranking sixteenth in the EU, behind Slovakia and Hungary, but ahead of Romania and Slovenia. The total export value of Luxembourg showed an annual increase of 9% in the period 2002-2006, totalling €3.6 billion in 2006. Exports consisted of:

- Iron and steel products, accounting for 58% of total exports (€2.1 billion). Annual increase in export value of 10%.
- Articles of iron, steel or base metal (18%; €657 million; +13%).
- Parts of machinery, railway equipment and vehicles (9%; €327 million; +4%).
- Plastic and rubber products (7%; €259 million; +2%).
- Light and ultra light products (4%; €143 million; +5%).
- Copper and zinc products (4%; €126 million; +18%).

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

- + Luxembourg ran trade deficits (imports are higher than exports) for parts of machinery, railway equipment and vehicles (€108 million).
- + The total import value of all product groups except for copper and zinc products increased in the period 2002-2006.
- + The DC share of total imports grew by 205% in the period 2002-2006, which was faster than in the EU on average (81%).
- ± The Chinese share of DCs' exports to Luxembourg grew fast in the period 2002-2006 (+587%), but also some other DCs saw a large increase of their share.
- Luxembourg was a small importer of castings and forgings in the EU in 2006.
- In 2006, Luxembourg was a net-exporter of castings and forgings, running large trade surpluses for iron and steel products (€1.5 billion; due to the production site of Arcelor-Mittal), and articles of iron, steel or base metal (€682 million).
- The total import value of copper and zinc products decreased in the period 2002-2006.
- The import share of DCs was 1.2% in 2006, far below the EU average (8.2%).
- China accounted for 69% of all imports coming from DCs.

### 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>
- 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 Luxembourg, you should be aware of the market access requirements of your trading partners and the Luxembourgian 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 Luxembourg 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 Luxembourg are:

- 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. Another good option might be the magazines of Belgium.

This survey was compiled for CBI by Facts Figures Future  
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