

CBI MARKET SURVEY

The pipes and process equipment market in Austria

Publication date: June 2008

Introduction

This CBI market survey provides exporters in developing countries (DCs) with information on some of the main developments in the pipes and process equipment market in Austria. The information is complementary to the information provided in the CBI market survey 'The pipes and process equipment 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

This section discusses the industrial demand for and production of the six relevant product groups; instruments, pipes and fittings, process equipment, pumps, storage equipment and valves. Please note that industrial demand is calculated by using Prodcom data for production, exports and imports (demand = production + imports – exports). These are the best detailed data available.

Industrial demand

In 2006, total demand for pipes and process equipment in Austria amounted to €2.6 billion. Austria ranked tenth in the EU in 2006 with a share of 3% of total EU demand, behind Belgium and Sweden, but ahead of Denmark and Finland. In the period 2002-2006, demand increased much faster (+11% per year) than in the EU on average (+3%). Demand for the various product groups, with the annual increase in the period 2002-2006, is as follows:

- Pumps: €820 million (+18%), accounted for 4% of total EU demand for pumps.
- Process equipment: €662 million (+7%), 3% of total EU demand.
- Pipes and fittings: €382 million (+10%), 3% of total EU demand.
- Valves: €265 million (+9%), 2% of total EU demand.
- Instruments: €255 million (+18%), 2% of total EU demand.
- Storage equipment: €235 million (+2%), 2% of total EU demand.

Production

In 2006, total production value of pipes and process equipment in pipes and process equipment in Austria amounted to €3.1 billion. Austria ranked ninth in the EU in 2006 with a share of 2% of total EU production, behind Denmark and Sweden, but ahead of the Czech Republic and Poland. Between 2002 and 2006, production increased much faster (+16% per year) than in the EU on average (+6%).

Between 2002 and 2006, the product groups instruments (+35% per year), valves (+10%), pumps (+8%) and pipes and fittings (+6%) performed the best. Apart from process equipment, all product groups recorded better growth than in the EU on average. The position of Austria in the EU was strongest in the product groups pumps (9th with 2% market share) and valves (9th with 1% market share).

Some examples of producers are:

- Andritz AG - <http://www.andritz.com> - pump producers, part of Siemens VA Tech - <http://www.vatech.at>
- Erne Fittings – <http://www.ernefittings.com> - pipes and fittings
- Hawle - <http://www.hawle.at> - fittings, pipes. This is a company that has clearly benefited from the transformation of Central and Eastern European (CEE) countries into market-

oriented economies. In addition to sites in Austria and Germany, the company also has manufacturing sites in the Czech Republic and Poland.

- Schoeller-Bleckmann Edelstahlrohr - <http://www.sber.at> - pipes. This company is owned by the Spanish company Tubacex – <http://www.tubacex.com>
- Voestalpine - <http://www.voestalpine.com> - pipes

Trends and characteristics

Besides the trends that are common for Western European countries, such as energy efficient products and increasing specialisation of local manufacturers, some other major trends are:

- **Austria to switch to knowledge-based economy.** The Austrian government is encouraging research and development (R&D) and innovation in order to shift from a traditional to a high-tech and knowledge-based economy. This economy should consist of companies excelling in highly specialised, niche areas.
- **Increasing demand for energy results in large investments.** In Europe, investments in pipelines and infrastructure have to be made to meet increasing demand. In Austria, investments will be related to both maintaining the existing infrastructure as well as building new storage facilities such as OMV's Schonkirchen Tief gas storage reservoir.

Opportunities and threats

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

- + Austrian demand showed strong (+11%) results between 2002 and 2006 and it is expected that the economic growth and the growing energy market will continue to drive a healthy demand for pipes and process equipment in the years to come.
- + Labour intensive products have good chances while labour costs in DCs are low. The price pressure for standard products and the negative Euro/dollar exchange rate has put pressure on the earnings of Austrian manufacturers of pipes and process equipment. As Austrian companies buy their more standard products in low cost countries, interesting opportunities arise for DC companies that can offer good quality at a reasonable price.
- Growing demand for high value added products which require advanced technological skills. This development is driven by environmental legislation and government policy.

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

Importers are the most important trade channels for DC exporters. Importers play a more important role as regards standard products than complex products, but they also count as the most important channels with regard to complex products. Refer to the CBI market survey covering the EU market for a detailed explanation of relevant trade channels in this market.

Some examples of intermediaries in Austria are:

- Frenkenberger Stahlrohrhandel - <http://www.stahlrohr.at> - pipes
- Hermetic-Pumpen - <http://www.hermetic-pumpen.at> - pumps
- OTRISH Trading - <http://www.otrish.at> - welded steel pipes, machinery and equipment

Important end-users present in Austria are:

- Christ Tepro Project Engineering Wassertechnik - <http://www.tepro.at> - supplier of systems and technologies for water treatment
- OMV - <http://www.omv.com> - oil and gas company, recently established the Central European Gas Hub (<https://www.gashub.at>), the biggest gas trading platform in Europe, in cooperation with Gazprom.

Price structure

Prices and margins depend on many variables. For one thing, standard products have lower margins than complex products. Furthermore, important factors will be the price agreement made, the size of the order, and the terms of delivery. In general, margins in this country are the same as in other EU countries. Refer to the CBI market survey covering the EU market for common margins in this industry.

Useful sources

Some examples of available sources to find clients:

- Austrian Natural Gas and District Heat Association (FGW) - <http://www.gaswaerme.at> - choose 'English' and 'select member organisations' for a list of gas companies.
- Europages - <http://www.europages.com> - search for a product, click on 'refine your search' on the results page to show Austrian companies.
- Kompass - <http://www.kompass.com> - mostly fee based, but the free part is useful too

3 Trade: imports and exports

Imports

In 2006, Austria was a medium-sized importer of pipes and process equipment, ranking eight in the EU, behind Belgium and the Netherlands, but ahead of Poland and Sweden. Between 2002 and 2006, total import value increased annually by 10% to €3.3 billion in 2006 (EU: +8%). The product group shares were as follows:

- Pumps: 29% of total imports. Annual increase in import value of 13%.
- Pipes and fittings: 20% of total. Annual increase of 16%.
- Process equipment: 17% of total. Annual increase of 4%.
- Instruments: 16% of total. Annual increase of 12%.
- Valves: 12% of total. Annual increase of 7%.
- Storage equipment: 6% of total. Annual decrease of 2%.

Between 2002 and 2006, imports from DCs increased annually by 29% in value, which showed better growth than in the EU on average (+21%). Compared to 2002, the total share of DCs in import value increased from 1% to 2% in 2006. DC shares in imports of the various product groups showed similar growth, as can be seen below:

- Pipes and fittings: growing from 1% to 3% in value.
- Pumps: growing from 1% to 2%.
- Process equipment: growing from 1% to 2%.
- Storage equipment: growing from 2% to 4%.
- Valves: growing from 2% to 4%.
- Instruments: remained virtually stable at 1%.

China accounted for 31% of all pipes and process equipment imports coming from DCs. China was followed by Croatia (22%), Turkey (10%), Mexico (7%), Bosnia and Herzegovina (7%) and Ukraine (7%). The Chinese share of DC exports to Austria did not grow as fast as in the EU on average (48% compared to 100%). Other DCs that saw a large increase in their share to the country were Argentina, Bosnia and Herzegovina, Brazil, Ukraine (all performing even better than China), Turkey and India.

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 sixth in the EU, behind the UK and the Netherlands, but ahead of Belgium and the Czech Republic. The total export value of Austria showed an annual increase of 14% in the period 2002-2006, totalling €3.8 billion in 2006. Exports consisted of:

- Pipes and fittings, accounting for 35% of total exports (€1.3 billion). Annual increase in export value of 18%.

- Pumps, accounting for 23% of total exports (€873 million). Annual increase of 13%.
- Process equipment, 17% of total exports (€662 million). Annual increase of 12%.
- Instruments, accounting for 9% of total exports (€347 million). Annual increase of 13%.
- Valves, accounting for 9% of total exports (€323 million). Annual increase of 8%.
- Storage equipment, 7% of total exports (€276 million). Annual increase of 8%.

A small part of exports may consist of re-exports to other EU countries, mainly to neighbouring CEE countries, but the exact value of re-exports is unknown because Eurostat does not allow for such detailed analysis.

Opportunities and threats

- + Austria was the eight largest importer in the EU in 2006.
- + Austria ran trade deficits (more imports than exports) for valves (€71 million), pumps (€87 million) and instruments (€166 million).
- + Total import value of pumps, pipes and fittings, process equipment, instruments and valves increased in the period 2002-2006.
- + In 2006, the total share of DCs in import value increased from 1% to 2%.
- ± The Chinese share of DCs exports to Austria did not increase much. However, several DCs saw a larger increase in their share.
- The import share of DCs was 2% in 2006, which was far below the EU average (9%). China accounted for 31% of all DC imports.
- Total import value of storage equipment decreased in the period 2002-2006.
- In 2006, Austria was a net-exporter, running trade surpluses for pipes and fittings (€651 million), process equipment (€120 million) and storage equipment (€91 million).

Useful sources

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

4 Price developments

2000-2004 saw a period of heavy price pressure which has eased since then. Prices have risen considerably as a result of rising raw material prices, in conjunction with longer lead-times due to demand exceeding supply. In general, manufacturers in the EU have been able to pass on the higher prices to customers, so that there has only been limited pressure on margins. However, global competitive pressure has remained very strong with regard to standard products. Importers, agents, subcontractors and system suppliers will, therefore, continue to keep on looking for opportunities to reduce sourcing costs for standard products. Although the share of wage costs has slightly decreased in recent years, wage costs still account for a large share of the cost price in the industry. Please refer to the CBI market survey covering the EU market for pipes and process equipment for a detailed explanation of these major trends.

Useful sources

- 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 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 pipes and process equipment 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 under 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. For more information on doing business in Austria, visit the following websites:

- Aqua Press International - <http://www.aquamedia.at> - water management magazine
- Aqua-Therm International - <http://www.haustec.at> - technical trade fair, held triennially (March) in Salzburg.
- Biofuels - <http://www.wraconferences.com> - trade fair for engineering and technologies, held annually (October) in Vienna.
- Central and Eastern European Refining and Petrochemicals Roundtable - <http://www.wraconferences.com> - trade fair for technologies and refineries, held annually (October) in Vienna.
- MachineMarkt - <http://www.maschinenmarkt.at> - engineering magazine
- Machinery and Metal ware - <http://www.fmmi.at> - metalworking and steel magazine
- Metall - <http://www.wirtschaftsverlag.at> - metalworking magazine
- Technik Report - <http://www.technikreport.at> - engineering
- VIENNA-TEC - <http://www.vienna-tec.at> - technical trade fair, held biennially (even years in October) in Vienna.

This survey was compiled for CBI by Facts Figures Future in collaboration with Kommanet.

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