CBI MARKET SURVEY

The pipes and process equipment 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 pipes and process equipment market in Cyprus. 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

The Cypriot market for pipes and process equipment is among the smallest in the EU, with a value of €74 million. Cyprus ranked twenty fifth in the EU in 2006, behind Luxemburg and Latvia, but ahead of Malta. In the period 2002-2006, demand increased by 4% per year, slightly above the EU average of +3%. The demand for the various product groups, with the annual increase in the period 2002-2006, is as follows:

- Process equipment: €21 million (+9%).
- Pumps: €20 million (+9%).
- Storage equipment: €16 million (+1%).
- Valves: €7 million (+6%).
- Instruments: €6 million (stable).
- Pipes and fittings: €3 million (-22%).

A major trend that will influence demand in Cyprus is the expected growth of investment in water distribution and treatment. At present, Cyprus has poor networking with respect to water distribution and wastewater treatment. Demand for pipes and process equipment will increase as Cyprus moves to comply with EU energy and water directives.

Production

In 2006, Cyprus accounted for the smallest production value of pipes and process equipment in Europe, behind Latvia and Malta. In 2006, total production value of Cyprus reached €4 million and has been stable since 2002. There are no relevant local producers present in the country.

Opportunities and threats

The main opportunities and threats for DC exporters are the following:

+ Cyprus is investing in water treatment sector in order to comply with EU energy and water directives.
– Cyprus is a very small producer of and market for pipes and process equipment.

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 compared to 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.

One example of an intermediary in Cyprus is Medagri (http://www.medagri-ltd.com) which sells process equipment such as valves and pumps for the water and sewage industry. An important end-user is Hellenic Petroleum Cyprus (http://www.hellenic-petroleum.gr).

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:
- Cypriot yellow pages website - http://www.cytayellowpages.com.cy
- Cyprus Chamber of Commerce and Industry - http://www.ccci.org.cy - click on 'Members directory' to find companies.

3 Trade: imports and exports

Imports

In 2006, Cyprus was a small importer of pipes and process equipment, ranking twenty sixth in the EU, behind Latvia and Luxembourg, but ahead of Malta. Between 2002 and 2006, total import value annually increased by 4% to €81 million in 2006 (EU: +8%). The product group shares were as follows:
- Pumps: 27% of total imports. Annual increase in import value of 4%.
- Process equipment: 21% of total. Annual increase of 4%.
- Storage equipment: 21% of total. Annual increase of 2%.
- Pipes and fittings: 16% of total. Annual increase of 15%.
- Valves: 9% of total. Annual increase of 5%.
- Instruments: 7% of total. Annual decrease of 6%.

Between 2002 and 2006, imports from DCs increased annually by 39% in value. Compared to 2002, the total share of DCs in import value increased from 4% to 14% in 2006. DC shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:
- Pipes and fittings: growing from 14% to 42% in value.
- Process equipment: growing from 5% to 15%.
- Storage equipment: growing from 1% to 4%.
- Valves: growing from 7% to 17%.
- Pumps: growing from 3% to 6%.
- Instruments: growing from 3% to 5%.

China accounted for 65% of all pipes and process equipment imports coming from DCs and for 9% of total imports. Lagging well behind China was India (10%), Lebanon (10%), Brazil (3%), Turkey (3%) and Iran (2%). The Chinese share of DC exports to Cyprus only grew by 9%. However, there was just one DC that saw a larger increase of its share to the country: Lebanon.

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 the smallest exporter in the EU, behind Estonia and Malta. Total export value of Cyprus showed an annual increase of 5% in the period 2002-2006, totalling €7 million in 2006. Exports consisted of:

- Pumps, accounting for 62% of exports (€4 million). Annual decrease in export value of 2%.
- Storage equipment, 16% of total exports (€1 million). Annual increase of 42%.
- Process equipment, 15% of total exports (€1 million). Annual increase of 28%.
- Instruments, 3% of total exports (<€0.5 million). Annual increase of 4%.
- Valves, 3% of total exports (<€0.5 million). Annual decrease of 3%.
- Pipes and fittings, <0.5% of total exports (<€0.5 million). Annual decrease of 57%.

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

Cyprus is one of the smallest importers in the EU. Besides, China accounted for 65% of all imports coming from DCs in 2006. Still, there are some opportunities to mention:

+ In 2006, Cyprus was a net-importer, running trade deficits for all product groups.
+ Total import value of pumps, process equipment, storage equipment, pipes and fittings and valves increased in the period 2002-2006.
+ The import share of DCs grew from 4% in 2002, to 14% in 2006, which was above the EU average (9%).

± The Chinese share of DC exports to Cyprus did not increase much. One DC (Lebanon) saw a larger increase of its share.

– Total import value of instruments decreased in the period 2002-2006.

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. However, the 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 Cyprus, you should be aware of the market access requirements of your trading partners and the Cypriot 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 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 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 Cyprus, visit the following website:

- Cyprus International Fair - http://www.csfa.org.cy/index.html - trade fair, held once a year (May/June) in Nicosia.

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