

CBI MARKET SURVEY

The pipes and process equipment market in Denmark

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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 Denmark. 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, the market for pipes and process equipment in Denmark reached a value of €2.5 billion. Denmark ranked eleventh in the EU with a share of 3% of total EU demand, behind Sweden and Austria, but ahead of Finland and the Czech Republic. Between 2002 and 2006, demand increased by 5% per year, which showed a better growth rate than in the EU on average (+3%). The demand for the various product groups, with the annual increase in the period 2002-2006, is as follows:

- Process equipment: €621 million (+8%), accounted for 3% of total EU demand for process equipment.
- Pumps: €613 million (+5%), 3% of total EU demand.
- Storage equipment: €375 million (+3%), 3% of total EU demand.
- Valves: €370 million (+20%), 3% of total EU demand.
- Instruments: €279 million (+10%), 2% of total EU demand.
- Pipes and fittings: €228 million (-10%), 2% of total EU demand.

Production

Danish production value of pipes and process equipment amounted to €3.5 billion in 2006 and has showed strong results the past years. In the period 2002-2006, production increased by 7% per year, which showed a better growth rate than in the EU on average (+6%). The country ranked seventh in the EU in 2006 and accounted for 3% of total EU production, behind Spain and the Netherlands, but ahead of Sweden and Austria.

In 2006, the largest product groups were pumps (€1 billion) followed by process equipment (€856 million) and valves (€624 million). Between 2002 and 2006, the product groups process equipment (+11% per year), pumps (+9%) and instruments (+9%) performed the best. These were better growth rates than in the EU on average for these product groups (+7% increase of each group). The position of Denmark in the EU was strongest in the product group valves (6th with 4% market share) and pumps (6th with 3% share).

Some of the Danish producers are internationally active and well-known, such as:

- AVK International - <http://www.avk.dk> - valves and fittings
- Danfoss - <http://www.danfoss.com> - valves
- Grundfos - <http://www.grundfos.com> - pumps

Some other producers are:

- Broen - <http://www.broen.dk> - valves
- DESMI - <http://www.desmi.com> - pumps

Trends and characteristics

In addition to the trends that are common for Nordic and Western European countries, such as the growing demand for energy efficient products and increasing specialisation of local manufacturers, another major trend is the increasing global demand for energy. As the Danish energy market is very mature, investment in pipelines and equipment will mainly concern replacements and the construction of new storage facilities. Some interesting projects in the longer term may be new upstream pipelines, mainly from Norway or Russia that will be connected to Denmark.

Opportunities and threats

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

- + Danish demand showed strong (+5%) results between 2002 and 2006. It is expected that the growing energy market will lead to an increasing demand for pipes and process equipment.
- + 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 put pressure on the earnings of Danish manufacturers of pipes and process equipment. 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 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.

Some examples of intermediaries in Denmark are:

- Dansk Ventil and Fitting - <http://www.davefi.dk> - valves, fittings and pipes
- Prometal - <http://www.prometal.dk> - valves and flanges, tailor-made products
- PNE - <http://www.pne-teknik.dk> - valves and filters

Important end-user producers present in Denmark are:

- DONG - <http://www.dongenergy.dk> - gas and power. The company has a strong position in the Danish market, which is based on long term contracts for upstream gas and capacity on upstream pipelines and for supply to distribution companies. Its position is strengthened by its ownership of the biggest gas-fired power plants and most of the gas storage capacity.
- Euowater – <http://www.euowater.com> - water treatment
- HOH Water Technology - <http://www.hoh.com> - water treatment
- HNG - <http://www.hng.dk> - gas
- Mærsk Olie og Gas A/S - <http://www.maerskoil.dk> - oil and gas

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:

- Danish Heat Pump Association - <http://www.varmepumpefabrikanterne.dk> - click on 'Om os' and go to 'Medlemmer'.
- Danish Petroleum Industry Association - <http://www.oil-forum.dk> - click on 'Organisationer', select an organisation and click on 'Medlemmer'.
- Forum for distributors of semi-manufactured metal products - <http://www.metalforeningen.dk> - this forum contains a list of members.

3 Trade: imports and exports

Imports

In 2006, Denmark was a medium-sized importer of pipes and process equipment, ranking twelfth in the EU, behind Sweden and the Czech Republic, but ahead of Hungary and Romania. Between 2002 and 2006, total import value increased annually by 10% to €2 billion in 2006 (EU: +8%). The product group shares were as follows:

- Pumps: 25% of total imports. Annual increase in import value of 6%.
- Pipes and fittings: 24% of total. Annual increase of 10%.
- Valves: 18% of total. Annual increase of 19%.
- Process equipment: 13% of total. Annual increase of 11%.
- Instruments: 10% of total. Annual increase of 9%.
- Storage equipment: 10% of total. Annual increase of 11%.

Between 2002 and 2006, imports from DCs increased annually by 41% in value. Compared to 2002, the total share of DCs in import value increased from 3% to 8% in 2006. DC shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Valves: growing from 3% to 14% in value.
- Storage equipment: growing from <0.5% to 1%.
- Instruments: growing from 4% to 10%.
- Process equipment: growing from 5% to 13%.
- Pumps: growing from 2% to 5%.
- Pipes and fittings: remained virtually stable at 3%.

China accounted for 70% of all pipes and process equipment imports coming from DCs and for 5% of total imports. China was followed by Mexico (13%), Thailand (7%), Ukraine (3%), India (3%) and Turkey (2%). The Chinese share of DC exports to Denmark did not increase as fast as in the EU on average (36% compared to 100%). The DCs that saw a larger increase of their share to the country were Thailand, Ukraine and Turkey.

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, Denmark was a medium-sized exporter, ranking eleventh in the EU, behind Spain and Sweden, but ahead of Hungary and Poland. Total export value of Denmark showed an annual increase of 7% in the period 2002-2006, totalling €2.9 billion in 2006. Exports consisted of:

- Pumps, accounting for 32% of total exports (€921 million). Annual increase in export value of 6%.
- Valves, 22% of total exports (€622 million). Annual increase of 6%.

- Process equipment, 16% of total exports (€457 million). Annual increase of 12%.
- Pipes and fittings, 13% of total exports (€366 million). Annual increase of 7%.
- Instruments, 12% of total exports (€347 million). Annual increase of 4%.
- Storage equipment, 6% of total exports (€168 million). Annual increase of 4%.

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

- + Total import value of pipes and process equipment increased by 10% in the period 2002-2006.
- + Denmark ran trade deficits (more imports than exports) for storage equipment (€23 million) and pipes and fittings (€125 million).
- ± The Chinese share of DCs exports to Denmark did not increase much. Several DCs saw a larger increase in their share.
- The total share of DCs in import value increased from 3% in 2002 to 8% in 2006, which was just below the EU average (9%).
- China accounted for 70% of all imports coming from DCs.
- In 2006, Denmark was a net-exporter, running trade surpluses for pumps (€426 million), valves (€263 million), process equipment (€189 million) and instruments (€138 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, 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 Denmark remains a country with one of the highest wage costs in the EU metal industry and 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 Denmark, you should be aware of the market access requirements of your trading partners and the Danish 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 Denmark 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 Denmark, visit the following websites:

- Confederation of Danish Industries - <http://www.di.dk> - association
- Danish District Heating Association - <http://www.dff.dk>
- Danish Steel Association - <http://www.staalforeningen.dk>
- Danish Water and Waste Water Association (DWWA) - <http://www.danva.dk>
- Dansk Teknisk Tidsskrift – <http://www.teknisk.dk> - magazine
- HI Industri - <http://www.hi-industri.dk> - trade fair, held biennially (uneven years in September) in Herning.
- Ingeniøren - <http://ing.dk> - magazine
- Jern- og Maskinindustrien / Proces-Teknik - <http://www.proces-teknik.dk> - magazine
- Maskin Aktuelt - <http://www.techmedia.dk> - magazine
- Metalbladet – <http://www.danskmetal.dk> - magazine
- Scandinavian Journal of Metallurgy - <http://www.business-magazines.com>
- Teknisk Nyt - <http://www.techmedia.dk> - magazine

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