

CBI MARKET SURVEY

The pipes and process equipment market in Germany

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Report summary

This CBI market survey discusses, amongst others, the following highlights for the pipes and process equipment sector in Germany:

- The German market for and production of pipes and process equipment is the largest in the EU, ahead of France, Italy and the UK.
- Although on average German industrial demand did not show strong results between 2002 and 2006, it is expected that the growing economy will drive a healthy demand for pipes and process equipment in the years to come.
- As a result of increasing global demand for energy, major investment projects have been planned in Germany in the oil and gas industry. These investments are focused on researching new technologies for CO₂ solutions, such as carbon capture and storage (CCS), clean coal and renewable technologies.
- Some major trends affecting German production and industrial demand are increasing globalisation, resulting in price pressure in the industry and specialisation of production, and environmental awareness, leading to an increased use of innovative production techniques and a growing demand for innovative products. Meanwhile, the production of commodities is shifting to low cost countries (LCCs) in Central and Eastern Europe (CEE) and Asia, and this trend will continue.
- In 2006, Germany was the largest importer in the EU, ahead of France and the UK. Between 2002 and 2006, total import value increased annually by 6%. Compared to 2002, the total share of developing countries (DCs) in import value increased from 8% to 10% in 2006. DC shares in German imports grew rapidly in all product groups except for instruments. In 3 out of the 6 product groups, China was the most important DC supplier, while other countries well represented in the different product groups were the Philippines (4% in instruments) and South Africa, Mexico and Malaysia (14%, 2% and 2% respectively in process equipment). Among DCs that saw the largest increase in exports to Germany were, among others, China, Bosnia and Herzegovina, Malaysia, Ukraine, Turkey, Indonesia, Argentina, Chile, Macedonia and India.

This survey provides exporters of pipes and process equipment with sector-specific market information related to gaining access to Germany. 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 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. In the subsection on market segmentation the highlights of three important end-user segments are described. 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

Table 1.1 shows an indication of the demand for pipes and process equipment in Germany. In 2006, Germany was the largest market for pipes and process equipment in the EU reaching a value of €19.9 billion. Germany accounted for 20% of total EU demand, ahead of Italy and France. In the period 2002-2006, industrial demand remained stable, while demand in the EU recorded growth (+3%).

Table 1.1 German demand for pipes and process equipment, 2002-2006, € million

	2002	2004	2006	Change (CAGR*) '02-'06	Share
Total demand	19,733	19,811	19,934	0%	
Pumps	4,968	4,318	4,336	-3%	22%
Process equipment	4,138	4,216	3,604	-3%	18%
Valves	3,051	3,225	3,525	4%	18%
Instruments	2,405	2,535	3,346	9%	17%
Pipes and fittings	2,640	3,189	2,613	0%	13%
Storage equipment	2,531	2,329	2,510	0%	13%

Source: Eurostat Prodcum (2008)

*CAGR - Compound Annual Growth Rate

In 2006, the largest product groups in value were pumps (€4.3 billion) and process equipment (€3.6 billion). Between 2002 and 2006, both groups saw a decrease in demand (-3%), which was in contrast to annual growth in the EU on average (+4% and +5% respectively). In the period 2002-2006, instruments recorded the highest annual growth (+9%). The other product group that saw a strong increase was valves (+4%). In 2006, the share of the different product groups, in total EU demand and compared to other EU countries, was as follows:

- Pumps: first position with a share of 19% of total EU demand for pumps, ahead of Italy and France.
- Process equipment: third position with a share of 15%, behind Italy and the UK, but ahead of France and Spain.
- Valves: first position with a share of 29%, ahead of Italy and France.
- Instruments: first position with a share of 28%, ahead of France and the UK.
- Pipes and fittings: first position with a share of 22%, ahead of Italy and France.
- Storage equipment: second position with a share of 17%, behind Italy, but ahead of France and the UK.

Although it is difficult to predict the influence of the world, EU and German economy forecasts for 2008 (+3.8%, +1.7% and +2.5% respectively) and 2009 (+3.9%, +1.8% and +1.9%), the expected growth, in combination with investments in the years to come (refer to 'Market segmentation'), is likely to secure a stable to slightly increasing demand for pipes and process equipment in the country. Please also note that, although the EU is far from the risk of recession, the EU and German economy is and will be clearly affected by the housing and credit crisis in the United States.

Market segmentation

The German market has a mature character and mainly comprises replacements and the maintenance of existing equipment. However, due to the many new projects being planned in Germany, opportunities will arise for the pipes and process equipment industry.

Gas and oil

The German gas market is dominated by five large companies (E.on-Ruhrgas, RWE, VNG, Singas and BEB). Germany has a relatively diversified gas supply at its disposal comprising both domestic production (about 23% of total consumption in 2006) and import. The main supplying countries are the Netherlands (18%), Norway (26%) and Russia (37%), with Russia

becoming more and more important. In 2006, Germany was the largest importer of natural gas in the EU, ahead of Italy and the Netherlands. Total imports reached 3,045 MTOE¹.

Germany is both a major destination point and transit centre for Europe's natural gas pipelines. The country already has the largest pipeline network in the EU with a total length of 400,000 km in 2006. This means an increase of 2.5% compared to 2005. New pipelines that are planned include the North Trans-Gas Pipeline and the Emden Natural Gas Hub. Furthermore, Wingas (<http://www.wingas.de>) will invest in a project of immense importance to secure Europe's supply: the Northern European Gas Pipeline (NEGP). The construction of the 1,200 km NEGP, operational in 2010, will create another transport route for bringing natural gas to Europe and, thus, an additional link to Russia's huge gas reserves. From 2010 onwards WINGAS will purchase an annual volume of 9 billion cubic meters of natural gas, for a minimum of 25 years, underlining their conviction to the importance of this pipeline.

Another big player on the German gas market, RWE (<http://www.rwe.com>), is constructing a new gas pipeline between the Czech Republic and Belgium. It plans to invest around €15 billion on power plants, grids and open-cast mines until 2012. The pipeline will form a direct link between the Czech and the German gas transport grids of RWE Energy.

Germany has the largest refinery capacity within the EU, ahead of Italy and France, with a daily capacity of 2,390,000 barrels in 2006. The country operates one offshore oil field, Mittelplate, located in the North Sea. On <http://www.erdoel-erdgas.de>, data and statistics can be found on oil and gas exploration in Germany, including more detailed data on reserves and major players in the industry.

The oil and gas industry is confronted with the environmental challenge on a daily basis. As a result, companies have to invest in researching new technologies for CO₂ solutions, such as carbon capture and storage (CCS), clean coal and renewable technologies. In 2008, Germany is home to the world's first 'non-polluting' coal power plant.

Water processing

Germany is a very advanced nation when it comes to waste disposal and wastewater technologies. Water prices and sanitation taxes are high in Germany and the water quality is very good. Although the pipeline network in Germany is rather old (30% was constructed more than 50 years ago) the country has one of the lowest water use rates per capita and water losses (7%) in Europe. It is expected that in the coming years about €4 billion per year needs to be invested to update the current network, especially in the former Eastern Germany, where the network was badly maintained during the Cold War. Extension of the system is unnecessary as 99% of the German population is already connected to the public water supply system and about 98% to the public sewage network. Public water supply and sanitation in Germany is the responsibility of municipalities. Municipalities in turn can delegate this responsibility to municipal companies, private companies, public-private partnerships or municipal associations.

On the subject of wastewater, one of the latest developments in Germany is to separate the different wastewater flows directly at their source as this makes treatment more efficient. Sanitation with membrane techniques will be adapted more and more in urban areas and watercourses in houses will become as closed as possible. Integration with other household flows like gas and energy is another possibility. The German government plays an essential role when it comes to these kinds of long term developments and transitions. For example, in November 2006 the state of Bavaria (Bayern) (<http://www.bayern.de/LFW>) simplified the license procedure for rural areas enabling it to be possible to purify water in-home. Some large players in the industry include Hamburger Wasserwerke (<http://www.hww-hamburg.de>), RWE (<http://www.rwe.de>) and Gelsenwasser (<http://www.gelsenwasser.de>). The German

¹ Million Tons of Oil Equivalent

association for Water, Wastewater and Waste Management (<http://www.dwa.de>) estimates that €50-€55 billion is required to bring the performance of public sewage networks up to the necessary standards.

Food processing equipment

Rising environmental consciousness in the EU is also influencing the food and beverage industry. Companies are being stimulated or even forced to utilise technologies that are clean, produce less sludge as well as offer the option of re-use. In 2006, Germany overtook Italy as largest producer of and market for machinery for food, beverage and tobacco processing in the EU, ranking ahead of Italy, France and Spain. As can be seen from Table 1.2, between 2002 and 2006, both industrial demand and production increased by 4% in value, which are better growth rates than in the EU on average (+1.5% and +3%).

Table 1.2 German demand for and production of machinery for food, beverage and tobacco processing, 2002-2006, € million

	2002	2004	2006	CAGR '02-'06
Industrial demand	1,846	1,941	2,157	4%
Production	3,503	3,680	4,135	4.2%

Source: VDMA (2007)

Trends in industrial demand

These are the major trends and characteristics that influence demand for pipes and process equipment in Germany:

- **Increasing demand for energy results in large investments.** Large investments in pipelines and infrastructure have to be made in order to meet the increasing demand for energy. In Germany, most investments will be related to maintaining the existing infrastructure and building new storage facilities, because sources in and around the EU are becoming exhausted and the EU will need to buy energy carriers such as natural gas and oil from distant countries and store these close to home.
- **Increasing demand for pipes and related equipment for the oil segment.** Since more oil and gas projects are being planned and conducted in deep (2,000- to 6,000-m) oil wells and gas fields, equipment is required that is able to withstand high-temperatures and pressure. Therefore, demand for high-grade seamless OTCG is expected to rise sharply. This trend is also strengthened by the global economic growth and increasing demand for energy.
- **Increasing environmental awareness in food and beverage industry.** Due to increasing environmental awareness, the German food and beverage industry is being forced to utilise technologies that are clean, produce less sludge and offer the option of re-use.

Production

Table 1.3 shows an indication of the production of pipes and process equipment in Germany, as derived from Eurostat. In 2006, Germany was the largest producer in the EU in 2006 with a share of 31% of total EU production, ahead of Italy and France. Total production value of pipes and process equipment in Germany reached €40.3 billion. In the period 2002-2006, production increased annually by 7% in value, which showed a better growth rate than in the EU on average (+6%).

Table 1.3 German production of pipes and process equipment, 2002-2006, € million

	2002	2004	2006	CAGR '02-'06	Share
Total	30,928	35,240	40,331	7%	
Pumps	8,356	10,045	10,413	6%	26%
Process equipment	6,553	7,272	7,759	4%	19%

	2002	2004	2006	CAGR '02-'06	Share
Instruments	4,307	5,193	6,692	12%	17%
Pipes and fittings	4,441	4,972	6,319	9%	16%
Valves	4,366	4,956	5,926	8%	15%
Storage equipment	2,904	2,802	3,222	3%	8%

Source: Eurostat Prodcom (2008)

In 2006, the largest product groups were pumps (€10.4 billion), process equipment (€7.8 billion) and instruments (€6.7 billion). In the period 2002-2006, all product groups recorded an increase in production of which instruments saw the largest growth (+12%). Instruments was followed by pipes and fittings (+9%), valves (+8%) and pumps (6%). These product groups recorded better growth than in the EU on average in the period under review. In 2006, German production in the EU, with respect to production in the several product groups, was as follows:

- Instruments: first position with a share of 45% of total EU production of instruments, ahead of France and the UK.
- Valves: first position with a share of 34%, ahead of Italy and France.
- Pumps: first position with a share of 34%, ahead of Italy and France.
- Pipes and fittings: first position with a share of 31%, ahead of Italy and France.
- Process equipment: first position with a share of 24%, ahead of Italy and France.
- Storage equipment: first position with a share of 20%, ahead of Italy and France.

Interesting players

Some interesting German producers in the pipes and process equipment industry are:

- ARI Armaturen - <http://www.ari-armaturen.de> - valves
- Auma Riester - <http://www.auma.com> - actuators
- Bopp & Reuther Armaturen - <http://www.sr.boppureuther.com> - valves
- Butting - <http://www.butting.de> - pipes and fittings
- Holter Regelarmaturen - <http://www.hora.de> - valves and actuators
- Klinger - <http://www.klinger-gmbh.de> - valves
- KSB AG - <http://www.ksb.com> - pumps, valves
- Mannesmann - <http://www.mannesmann.com> - pipes
- Persta - <http://www.persta.com> - valves
- Schmidt & Clemens - <http://www.schmidt-clemens.de> - valves
- Vallourec & Mannesmann - <http://www.vmtubes.de> - pipes
- Wilo – <http://www.wilo.de> - pumps

Although consolidation and rationalisation lead to fewer independent manufacturers, it is still not uncommon for a single plant belonging to a large multinational supplier to have – at least to a large degree – its own purchasing function.

Trends in production

The major trends in and characteristics of pipes and process equipment production in Germany are:

- **Increasing globalisation leads to specialisation.** German manufacturers are being stimulated or even forced to specialise and to focus on customised products. Meanwhile, the production of commodities is gradually shifting to DCs, which may be underlined by the fact that imports from DCs, such as China, Bosnia and Herzegovina, Malaysia, Turkey, Indonesia, Argentina and India rose quickly in the period 2002-2006. To compete on the world market, more German companies are now focussing on their technological skills, selecting niche markets which require complex products with high precision, specific quality requirements, or those that need a quick or just-in-time delivery.
- **Manufacturers join forces to offer a broad range of products.** Global competition and the desire of suppliers to create as broad a mix of products as possible are the driving factors behind a number of mergers and acquisitions in the industry.

- **Increased use of innovative and efficient production.** Growing environmental awareness has led to a search for energy efficient production with a limited emission of CO₂ and NO_x. Moreover, increasing energy prices, raw material prices and environmental taxes are also encouraging the industry to improve production efficiency and generate less waste.

Practical Example

A German producer of customised pipes indicates that the German market segments which offer the best opportunities for DC exporters are water and gas pipelines (especially Liquefied Natural Gas). In general, a spokesman from this company thinks German demand has remained stable. Custom-made products are bought in Germany, while more standard products are increasingly sourced in CEE countries. As soon as demand becomes more specialised, a EU producer receives the order.

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:

- + In 2006, Germany was the largest market for pipes and process equipment in the EU.
- + German demand did not show very strong results between 2002 and 2006. For the coming years, the high level of investments and a growing economy are expected to secure a stable to slightly growing demand.
- + Price pressure on standard products (refer to Section 4) as a result of increasingly global competition is leading to increased sourcing in low cost countries.
- + Growing energy markets are leading to an increasing demand for pipes and process equipment.
- + Update of the pipeline network, especially in the former Eastern Germany will result in considerable investments.
- ± Production exceeds the industrial demand in all product groups, however a large share of German production is not for domestic use.
- Higher demand for more sophisticated products requiring advanced technological skills.

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

Useful sources

- Energy Information Administration - <http://www.eia.doe.gov>
- European Committee for the Valve Industry - <http://www.ceir-online.org>
- European Confederation of Iron and Steel Industry - <http://www.eurofer.org>
- Eurostat - official statistical office of the EU - <http://epp.eurostat.ec.europa.eu>
- German Association for water, wastewater and waste - <http://www.atv.de>
- International Tube Association - <http://www.itatube.org>

2 Trade channels for market entry

Trade channels

The most common distribution channels in the industry are importers, subcontractors and system suppliers, agents and direct sourcing. The role of the importer is less important with regard to complex products than standard products, but they still remain the most important channel for DC exporters. A major trend is the changing focus of importers. Their activities are increasingly focused on additional services around the product itself, in a way to compete with the system suppliers who are increasingly offering service packages.

Some examples of intermediaries who may be interesting to DC exporters are:

- Axflow – <http://www.axflow.de> - pumps
- Brunzel - <http://www.brunzel.de> - pipes
- Fromme Armaturen - <http://www.fromme-armaturen.de> - valves

- Horst Kürvers - <http://www.kurvers.com> - pipes, fittings and valves
- Michael Neuendorf Handelsvertretung - <http://www.neuendorf-handel.de> - pipes
- Piping Service Steuer - <http://www.steuerinternational.com> - pipes, fittings and valves
- RFF - <http://www.rff.de> - pipes, fittings and valves
- Röhrenkontor Heinen & Böntgen - <http://www.rhb.de> - pipes
- Stahlkontor Hahn - <http://www.s-k-h.com> - pipes
- Starofit - <http://www.starofit.de> - pipes and fittings

Some examples of end-users who may be interesting to DC exporters are:

- Emden Natural Gas Hub - <http://www.erdoel-erdgas.de>
- EON Ruhrgas - <http://www.eon-ruhrgas.com>
- Gelsenwasser - <http://www.gelsenwasser.de> - water distribution
- Hamburger Wasserwerke - <http://www.hww-hamburg.de> - water distribution
- Mittelplate - <http://www.mittelplate.de> - oil
- RWE - <http://www.rwe.de> - gas
- Verbundnetz Gas - <http://www.vng.de>
- Wingas - <http://www.wingas.de>

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. Firstly, the margin depends on the type of product. For one thing, standardised products have lower margins than customised products. Furthermore, important factors will be the price agreement made, the size of the order, and the terms of delivery. Bearing this in mind, some rough indications of margins in the chain could be given. As a rule of thumb, importers mark up their landed cost price by 10-35% when they sell a product. The mark up of agents generally varies between 1 and 8%.

Selecting a suitable trading partner

There are many ways to find potential trading partners in Germany. In this section, the focus will be on country-specific sources. Refer to Section 3 of the CBI market survey covering the EU market for a list of general sources and sources in your own (DC) country. Refer to Section 6 for main sales promotion tools.

- Association of German Engineering - <http://www.vdma.com> - go to 'VDMA Association' and click on 'Member Companies'
- Association of the German Petroleum Industry - <http://www.mwv.de> - go to 'über uns' and click on 'Mitglieder'.
- Association of Steam Boiler, Pressure Vessel and Piping Manufacturers - <http://www.fdbv.de> - click on 'Mitgliedsunternehmen'.
- Central Association of the Aluminium Industry - <http://www.aluinfo.de> - website contains a product and manufacturer database.
- German Association of Steel Distribution - <http://www.stahlhandel.com> - click on 'Unternehmen'.
- German Steel Tube Manufacturers' Association - <http://www.wv-stahlrohre.de> - click on 'Who supplies what' for a list of companies.

Furthermore, the websites of relevant trade fairs often contain a list of exhibitors. An example is the exhibitor list of the German trade fair Tube (<http://www.tube.de>) which is held biennially (even years in March/April) in Düsseldorf. On the Tube website you can find exhibitors of the German trade fairs Wire, Tube and METAV. Refer to Section 6 for other relevant trade fairs.

3 Trade: imports and exports

Imports

In 2006, Germany was the largest importer of pipes and process equipment, ahead of France and the UK. Between 2002 and 2006, total import value increased annually by 6% to €14.5 billion in 2006 (EU: +8%). The product group shares were as follows:

- Pumps: 29% of total imports. Annual increase in import value of 5%.
- Process equipment: 19% of total. Annual increase of 7%.
- Pipes and fittings: 19% of total. Annual increase of 13%.
- Instruments: 17% of total. Annual increase of 5%.
- Valves: 12% of total. Annual increase of 4%.
- Storage equipment: 4% of total. Annual increase of 1%.

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 Germany, 2002 - 2006, share in % of value

Product	2002 € mln	2004 € mln	2006 € mln	Leading suppliers in 2006 (share in %)	Share (%)
Pipes and pipe related process equipment	6,059	7,797	9,786	Intra EU : France (12), Italy (12), 0061:Czech Rep. (6), Netherlands (5), Austria (5)	67
	4,371	3,546	3,244	Extra EU ex. DC : Switzerland (8), USA (6), Japan (4), South Korea (<0.5), Russia (<0.5)	22
	891	1,051	1,484	DC : South Africa (3), China (3), Turkey (1), India (1), Philippines (1), Mexico (1), Brazil (<0.5), Ukraine (<0.5), Malaysia (<0.5), Belarus (<0.5)	10
Pumps	1,674	2,257	2,728	Intra EU : France (13), Italy (11), 0061:Czech Rep. (9), UK (6), Netherlands (6)	66
	1,555	1,236	1,117	Extra EU ex. DC : Japan (10), Switzerland (7), USA (6), South Korea (<0.5), Singapore (<0.5)	27
	146	203	301	DC : China (3), India (1), Turkey (1), Brazil (1), Mexico (<0.5), Thailand (<0.5), Indonesia (<0.5), Croatia (<0.5), Bosnia and Herz. (<0.5), South Africa (<0.5)	7
Process equipment	1,254	1,486	1,944	Intra EU : France (13), UK (8), Austria (8), Italy (6), Hungary (6)	69
	579	486	389	Extra EU ex. DC : Switzerland (6), USA (4), Japan (2), South Korea (<0.5), Israel (<0.5)	14
	337	376	488	DC : South Africa (14), China (1), Turkey (1), Mexico (<0.5), Brazil (<0.5), Belarus (<0.5), Croatia (<0.5), India (<0.5), Indonesia (<0.5), Malaysia (<0.5)	17
Pipes and fittings	1,120	1,587	2,130	Intra EU : Italy (26), France (9), Austria (8), Netherlands (7), Sweden (5)	77
	487	423	401	Extra EU ex. DC : Switzerland (7), USA (2), Russia (2), South Korea (<0.5), Japan (<0.5)	14
	80	144	246	DC : Ukraine (2), China (2), Belarus (1), Turkey (1), India (1), Bosnia and Herz. (<0.5), For.JRep.Mac (<0.5), Croatia (<0.5), Serbia (<0.5), Malaysia (<0.5)	9
Instruments	844	1,175	1,399	Intra EU : France (15), Hungary (10), Netherlands (5), Italy (4), Spain (4)	57
	930	748	745	Extra EU ex. DC : USA (12), Switzerland (11), Japan (3), Canada (1), Norway (1)	30
	258	222	310	DC : Philippines (4), China (3), Mexico (2), Malaysia (2), Croatia (1), Thailand (<0.5), India (<0.5), Brazil (<0.5), Turkey (<0.5), Chile (<0.5)	13
Valves	828	912	1,102	Intra EU : Italy (13), France (10), Belgium (7), Czech Rep. (5), Poland (4)	64
	625	541	520	Extra EU ex. DC : Switzerland (12), USA (11), Japan (4), Taiwan (1), South Korea (1)	30
	50	79	107	DC : China (4), India (1), Brazil (1), Turkey (<0.5), Mexico (<0.5), Philippines (<0.5), Croatia (<0.5), Thailand (<0.5), South Africa (<0.5), Iran (<0.5)	6

Product	2002 € mln	2004 € mln	2006 € mln	Leading suppliers in 2006 (share in %)	Share (%)
Storage equipment	341	379	482	Intra EU : Austria (14), Netherlands (12), France (11), Poland (10), Czech Rep. (9)	82
	196	112	72	Extra EU ex. DC : Switzerland (8), USA (2), Canada (1), South Korea (<0.5), Hong Kong (<0.5)	12
	20	26	33	DC : China (3), Turkey (1), Croatia (<0.5), Malaysia (<0.5), India (<0.5), Ukraine (<0.5), Brazil (<0.5), Pakistan (<0.5), Serbia (<0.5), South Africa (<0.5)	6

Source: Eurostat (2007)

Imports from DCs

Between 2002 and 2006, imports from DCs increased annually by 14% in value. Compared to 2002, the total share of DCs in total import value increased from 8% to 10% 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 6% in value.
- Pipes and fittings: growing from 5% to 9%.
- Pumps: growing from 4% to 7%.
- Storage equipment: growing from 4% to 6%.
- Process equipment: growing from 16% to 17%.
- Instruments: remained virtually stable at 13%.

China accounted for 26% of all pipes and process equipment imports coming from DCs and for 3% of total imports. The only DC that recorded a higher share was South Africa (27%). China was followed by Turkey (8%), India (7%), Philippines (7%) and Mexico (5%). In addition to the fast growing Chinese share of DC exports to Germany (+124% in the period 2002-2006), other DCs that saw a large increase in their share were Bosnia and Herzegovina (performing even better than China), Malaysia, Ukraine, Turkey, Indonesia, Argentina, Chile, Macedonia and India.

Exports

In 2006, Germany was the largest exporter in the EU, ahead of Italy and France. Total export value of Germany showed an annual increase of 10% in the period 2002-2006, totalling €33.9 billion in 2006. Exports consisted of:

- Pumps, accounting for 30% of total exports (€10.3 billion). Annual increase in export value of 8%.
- Pipes and fittings, 19% of total exports (€6.3 billion). Annual increase of 16%.
- Process equipment, 18% of total exports (€6 billion). Annual increase of 10%.
- Instruments, 17% of total exports (€5.8 billion). Annual increase of 10%.
- Valves, 12% of total exports (€4.1 billion). Annual increase of 10%.
- Storage equipment, 4% of total exports (€1.3 billion). Annual increase of 9%.

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

Opportunities and threats

- + Germany was the largest importer in the EU in 2006 and total import value of all product groups increased in the period 2002-2006 (+6%).
- + The import share of DCs increased from 8% in 2002 to 10% in 2006, higher than in the EU average (9%).
- + China accounted for 26% of all imports coming from DCs, lower than in the EU on average (33%). However, South Africa accounted for a higher share (27%)
- ± The Chinese share of DC exports to Germany grew fast in the period 2002-2006 (+124%), however, some other DCs also saw a large increase in their share.
- In 2006, Germany was a net-exporter, running large trade surpluses for all product groups.

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 easy comext → http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20080117.pdf

4 Price developments

Prices and price developments in Germany are the same as in other EU countries. 2000-2004 saw a period of heavy price pressure which has eased since then. Upward price pressure from increasing energy and raw material prices was already visible in that period, but became really serious in 2005 and the following years. This resulted in a declining share of wage costs in total production costs, nevertheless wage costs still account for a large share of the cost price in the industry. On average, manufacturers have been able to pass on the higher cost prices to their customers, especially for customised products. However, the global competitive pressure remains very strong with regard to standard products. Importers, agents, subcontractors and system suppliers will continue to keep on looking for opportunities to reduce sourcing costs for these standard products.

Useful sources

Sources of prices include, among other things:

- Eurofer – <http://www.eurofer.org/statistics/scrap.htm>
- European Engineering Industries Association – <http://www.orgalime.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 development of import prices.
- London Metal Exchange – <http://www.lme.co.uk>

Furthermore, section 5 of the CBI market survey covering the EU market offers links to websites with price lists.

5 Market access requirements

As a manufacturer in a developing country preparing to access Germany, you should be aware of the market access requirements of your trading partners and the German 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 pipes and process equipment and Germany 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 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

General 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) 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 pipes and process equipment market in the EU.

Trade fairs

Visiting and participating at a trade fair abroad can be an efficient means to communicating with prospective customers. It provides more opportunities to convey one's message than any other promotional tool. It can also be an important source of information on market development, production techniques and new product applications. The most important trade fair in Germany is Tube (<http://www.tube.de>), which is held biennially (even years in March/April) in Düsseldorf. Other relevant trade fairs in Germany are:

- Achema - <http://www.chema.de> - process industry, held triennially (May) in Frankfurt.
- AMB - <http://www.messe-stuttgart.de> - metalworking, held biennially (even years in September) in Stuttgart.
- Hannover Messe - <http://www.hannovermesse.de> - industrial automation, held annually (April) in Hannover.
- Technopharm - <http://www.technopharm.de> - life science process technologies, held biennially (uneven years in October) in Nürnberg.
- Wasser Berlin - <http://www.wasser-berlin.com> - water and gas technology, held triennially (March/April) in Berlin.
- Z - <http://www.zuliefermesse.de> - subcontracting fair (components and parts), held annually (March) in Leipzig.

In addition, visiting trade fairs in neighbouring countries may be an option as well. An interesting fair in the Netherlands, for example, is Valve World (<http://www.valve-world.net>), which is held biennially (even years in November) in Maastricht, the Netherlands. Find more trade fairs at <http://www.eventseye.com> and <http://www.auma.de>.

Trade press

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

- 3R international Rohre Rohrleitungsbau, Rohrleitungstransport - <http://www.oldenbourg.de>
- Chemical Engineering and Technology - <http://www.wiley-vch.de>
- Chemie Technik - <http://www.chemietechnik.de>
- Delta P - <http://www.pumps-directory.com/english>
- GWF Gas- <http://www.oldenbourg.de>
- GWF Wasser/Abwasser - <http://www.oldenbourg.de>
- Industriearmaturen – <http://www.oldenbourg.de>
- Industriepumpen + Kompressoren– <http://www.oldenbourg.de>
- Konstruktion + Engineering - <http://www.k-e.de>
- MPT Metallurgical Plant and Technology International - <http://www.stahleisen.de>
- Pumpe DE - <http://www.pumpede.de>
- Stahl und eisen - <http://www.stahleisen.de>
- Stahlmarkt - <http://www.stahleisen.de>
- Steelresearch - <http://www.stahleisen.de>
- Werkstoffe in der Fertigung - <http://www.werkstoffzeitschrift.de>
- Werkstattstechnik online - <http://www.technikwissen.de>

Website promotion

These days, it is an absolute must to have a professional website 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 Germany: <http://www.kwintessential.co.uk>. Click on 'Country Profiles' at the section 'Intercultural resources and tools' and click on 'Germany'.

Other useful sources

In addition to a number of relevant sources already mentioned in previous sections, other useful sources that contain information on doing business in Germany are:

- Association of German Engineers - <http://www.vdi.de>
- Association of German Precision Pipe Manufacturers - <http://www.fv-praezisionsrohrwerke.de>
- Copper Tube Manufacturers' Quality Association - <http://www.guete-kupferrohr.de>
- Federal Association of the German Gas and Water Industry - <http://www.bgw.de>
- Federation of Steel and Metal Processing - <http://www.wsm-net.de>
- German Association of Boat and Shipbuilders - <http://www.dbsv.de>
- German Technical and Scientific Association for Gas and Water - <http://www.dvgw.de>
- German Shipbuilding and Ocean Industries Association - <http://www.vsm.de>
- German Technical and Scientific Association for Gas and Water - <http://www.dvgw.de>
- Steel Association/Wirtschaftsvereinigung Stahl - <http://www.stahl-online.de>

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

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