

CBI MARKET SURVEY

The pipes and process equipment market in Italy

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Report summary

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

- In 2006, the Italian market for pipes and process equipment was the second largest in the EU, behind Germany, but ahead of France and the UK. Italian demand accounted for 16% of total EU demand.
- As a result of increasing global demand for energy and in order to meet European water directives, major investment projects have been planned in Italy in both the oil and gas as well as in the water (treatment) industry to improve the poor wastewater sewage and purification systems. This will lead to an increasing demand for pipes and process equipment.
- Some major trends affecting Italian 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 slowly shifting to low cost countries (LCCs) in Central and Eastern Europe (CEE) and Asia, and this trend will continue.
- Italy was a large importer, ranking fourth in the EU, behind Germany, France and the UK, but ahead of Spain and Belgium. Total import value increased by 7% in the period 2002-2006. Compared to 2002, the total share of developing countries (DCs) in import value increased from 7% to 13% in 2006. DC shares in Italian imports grew rapidly in all product groups. China was the most important DC supplier for all product groups, except for process equipment. Other countries well represented in the different product groups were South Africa (6% in process equipment), Turkey (5% in storage equipment and 2% in pipes and fittings) and Ukraine (4% in pipes and fittings). Among the DCs that saw the largest increase in exports to Italy were China, Iran, China, Egypt, Thailand, Macedonia, Tunisia, Bosnia and Herzegovina, Mexico and Vietnam.

This survey provides exporters of pipes and process equipment with sector-specific market information related to gaining access to Italy. 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 Italy. In 2006, Italian demand for pipes and process equipment amounted to €15.6 billion. Italy ranked second in the EU with a share of 16% of total EU demand, behind Germany, but ahead of France and the UK. In the period 2002-2006, demand increased annually by 1% in value, which was below the average growth rate in the EU on average (+3%).

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

	2002	2004	2006	Change (CAGR*) '02-'06	Share
Total	15,180	16,443	15,570	1%	
Process equipment	3,737	4,248	4,839	7%	31%
Pumps	3,216	3,410	3,545	2%	23%
Storage equipment	2,263	2,430	2,600	4%	17%
Pipes and fittings	3,224	3,562	1,921	-12%	12%
Valves	1,635	1,628	1,665	0%	11%
Instruments	1,106	1,166	999	-2%	6%

Source: Eurostat Prodcum (2008)

*CAGR - Compound Annual Growth Rate

In 2006, the largest product groups were process equipment (€4.8 billion), pumps (€3.5 billion) and storage equipment (€2.6 billion). In the period 2002-2006, process equipment recorded the highest annual growth (+7%). Other product groups that saw an increase were storage equipment (+4%) and pumps (+2%). The product group that saw a decrease in demand was pipes and fittings (-12%). This is in line with declining EU demand for this product group in the period under review. Demand for pipes and fittings has been declining since 2004. In 2006, the share of the different product groups, in total EU demand and compared to other EU countries, was as follows:

- Process equipment: first position with a share of 20% of total EU demand for process equipment, ahead of the UK and Germany.
- Pumps: second position with a share of 16%, behind Germany, but ahead of France and the UK.
- Storage equipment: first position with a share of 17%, ahead of Germany and France.
- Pipes and fittings: second position with a share of 16%, behind Germany, but ahead of France and the UK.
- Valves: second position with a share of 14%, behind Germany, but ahead of France and the UK.
- Instruments: fourth position with a share of 8% share, behind Germany, France and the UK, but ahead of Spain and Sweden.

Although it is difficult to predict the influence of the world, EU and Italian economy forecasts for 2008 (+3.8%, +1.7% and +1.8% respectively) and 2009 (+3.9%, +1.8% and +0.8%), 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 Italian economy is and will clearly be affected by the housing and credit crisis in the United States.

Market segmentation

The Italian 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 Italy, opportunities will arise for the pipes and process equipment industry.

Gas and oil

In 2006, Italy was the third largest consuming oil country within the EU, behind Germany and France, but ahead of the UK and Spain. The major part of Italy's modest oil production comes

from onshore fields while most of the gas reserves are developed offshore. Eni (<http://www.eni.it>), the former state-owned enterprise, is the largest oil and natural gas company in Italy, accounting for 75% of total production. In 2006, Italian oil production decreased by 5.6% reaching 111,000 barrels per day (bbl/d) of crude oil, which was the first decrease after four consecutive years of growth. The daily refinery capacity in Italy amounted to 2.4 million barrels. Italy, therewith, takes second position, behind Germany and ahead of France. The largest refinery in the country is the 300,000-bbl/d Sarroch facility on the island of Sardinia, operated by Saras (<http://www.saras.it>). Eni is the largest refining company in the country, followed by ERG (<http://www.erg.it>) and ExxonMobil (<http://www.esso.it>).

With regard to natural gas, Italy was the 2nd largest importer in the EU, behind Germany and ahead of the Netherlands, and the 4th largest producer, behind Germany and ahead of Denmark. Natural gas accounted for 36% of total energy consumption in Italy, which shows a better share than in the EU on average (24.5%). The total length of pipelines in Italy was 258,189 km in 2006, which is an increase of 8% compared to 2005. Besides Eni, the other major players in the Italian natural gas sector include Edison (<http://www.edison.it>) and Enel (<http://www.enel.it>). Eni is currently developing the onshore Pizzo Tamburino, Fiumetto, and Samperi fields in Sicily.

The oil and gas industry is confronted with the environmental challenge on a daily basis. Because of this they have to invest in researching new technologies for CO₂ solutions, such as carbon capture and storage (CCS), clean coal and renewable technologies.

There are some large investments planned for the years to come, such as:

- In 2002, Algeria's Sonatrach signed a deal with Italy's Enel and Germany's Wintershall to form 'Galsi', a consortium to build another natural gas pipeline from Algeria to Italy. Current plans are calling for an onshore pipeline from Gassi R'Mel to El Kal, Algeria, then an underwater section to Cagliari, Sardinia. This is to be followed by an onshore section to Olbia, Sardinia, then a final, offshore pipeline to C.D. Pescaia, Italy. The €2 billion project is expected to be completed in 2009-2010.
- In November 2005, government officials from Italy and Greece signed an agreement to build a €800 million natural gas pipeline between the two countries. Current plans call for a 800 km pipeline from northern Greece to south-eastern Italy, under the Strait of Otranto. The system will be an extension of a natural gas pipeline currently under construction between Greece and Turkey, allowing Italy potential access to natural gas supplies in Central Asia and the Middle East. The first natural gas shipments through the pipeline could occur by 2010.
- In 2007, the European Commission and seven European governments agreed on the construction of the Pan-European Pipeline, linking Constanta, Romania with Trieste, Italy. The €1.3 billion pipeline is expected to transport 800,000-1.8 million bbl/d of crude oil by 2012.
- Liquefied Natural Gas (LNG) is not yet very important in Italy, but as future demand for natural gas is expected to continue increasing, several LNG receiving terminals have been planned for construction in cities along the coast like Livorno and Rosignano.

Water processing

Italy's water collection and distribution systems and urban wastewater sewage and purification systems are extremely inadequate and, therefore, need restructuring. Surface waters are often highly polluted, largely due to Italy's poor sewage treatment infrastructure. Driven both by European and national water legislation, the water treatment equipment sector in Italy is now undergoing a strong growth. About €4.5 billion is reserved for the construction of 37 thousand kilometres of water collection and distribution networks and 16 thousand kilometres of sewer network facilities. The Italian government is promoting agricultural and industrial wastewater reuse, particularly in southern regions, where environmental emergencies make it possible to impose a stricter policy.

Some projects in the Italian water processing sector include the construction of 6 water treatment plants in Naples and the cleaning up of the river Sarno, one of the most polluted rivers in Europe. For this project alone, approximately €25 billion has been reserved.

The following equipment and services offer the best prospects in the Italian water market:

- Static mixers and advanced stirrers and blowers
- Pumping and measuring equipment
- Filtering equipment for oils and thick liquids
- Steering and regulation equipment
- Tertiary water purification systems for dephosphorisation, nitrification and denitrification
- Advanced chemical-physical urban waste treatment systems
- Sludge sterilisation systems

Outsourcing of industrial water services is still in the development stage, however, the market is expected to grow annually by 20% and reach a market value of €328 million in 2008. Access to the market is normally best achieved by participation in public bids. Local engineering and contracting firms operating in this market are generally well aware of the complex public bidding procedures and offering your products to them may present a good chance of doing business in Italy.

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. This offers a good opportunity for manufacturers of pipes and process equipment. Until 2005, Italy used to be the largest market for and producer of machinery for food, beverage and tobacco processing in the EU, but lost its position to Germany in 2006. The country now ranks second ahead of France and Spain. Table 1.2 shows that in the period 2002 and 2006 industrial demand decreased annually by 3% in value, which is in contrast to the growth rate in the EU on average (1.5%). Production increased by 0.8% annually in value, which is below growth in the EU on average (+3%).

Table 1.2 Industrial demand for and production of machinery for food, beverage and tobacco processing in Italy, 2002 – 2006, € million

	2002	2004	2006	Change '02-'06
Industrial demand	2,422	2,478	2,145	-3.0%
Production	3,843	4,043	3,962	0.8%

Source: VDMA, European Union (2007)

Trends in industrial demand

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

- **Investments in water treatment sector.** Italy's water collection and distribution systems and urban wastewater sewage and purification systems are extremely inadequate. Surface waters are often highly polluted, largely due to Italy's poor sewage treatment infrastructure. Driven both by European and national water legislation, the water treatment equipment sector in Italy is now undergoing strong growth. This will result in a large demand for pipes and process equipment.
- **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 Italy, 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 European 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 Italy, as derived from Eurostat. In 2006, total production value of pipes and process equipment in Italy reached €26.4 billion. Italy ranked second in the EU in 2006 with a share of 20% of total EU production, behind Germany, but ahead of France and the UK. In the period 2002-2006, production increased annually by 5% in value, which was below the average growth rate in the EU on average (6%).

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

	2002	2004	2006	Change (CAGR) '02-'06	Share
Total	21,772	25,677	26,359	5%	
Process equipment	4,910	6,026	6,959	9%	26%
Pumps	4,719	5,868	6,024	6%	23%
Pipes and fittings	5,205	6,077	4,689	-3%	18%
Valves	3,442	3,748	4,387	6%	17%
Storage equipment	2,642	2,853	3,196	5%	12%
Instruments	854	1,106	1,104	7%	4%

Source: Eurostat Prodcum (2008)

The largest product groups were process equipment (€7 billion) and pumps (€6 billion). Both groups recorded strong growth in the period 2002-2006 (+9% and +6% respectively), which is in line with the average annual growth in the EU on average (+7% for both groups). Other product groups that recorded strong annual growth were instruments (+7%), valves (+6%) and storage equipment (+5%). The only product group that saw a decrease in production value was pipes and fittings, which was in contrast to the annual increase in production in the EU on average. In 2006, the position of Italy in the EU, with respect to production in the several product groups, was as follows:

- Valves: second position with a share of 25% of total EU production of valves, behind Germany, but ahead of France and the UK.
- Pipes and fittings: second position with a share of 23%, behind Germany, but ahead of France and Spain.
- Process equipment: second position with a share of 21%, behind Germany, but ahead of France and the UK.
- Pumps: second position with a share of 20%, behind Germany, but ahead of France and the UK.
- Storage equipment: second position with a share of 19%, behind Germany, but ahead of France and the UK.
- Instruments: fourth position with a share of 7%, behind Germany, France and the UK, but ahead of Hungary and the Netherlands.

Interesting players

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

- Alessio Tubi - <http://www.alessiotubi.it> - part of Spain based Grupo Condesa – www.condesa.com - pipes
- CEME - <http://www.cemeeng.com> - valves and pumps
- Enolgas - <http://www.enolgas.it> - valves, fittings

- Fratelli Pettinaroli - <http://www.pettinaroli.com/ita.htm> - valves
- Mannesmann DMV Stainless Italia - <http://www.mannesmann-dmv.com/en/> - pipes
- Marcegaglia - <http://www.marcegaglia.com/steel> - pipes
- Officine Rigamonti - <http://www.officinerigamonti.it> - valves, instruments, fittings
- Orion Valves - <http://www.orionvalves.com> - valves
- ORSI - <http://www.officineorsi.com> - pipes, fittings, pressure vessels
- Padana Tubi - <http://www.padanatubi.it> - pipes
- Raccortubi Group - <http://www.raccortubi.it> - pipes
- Sertubi - <http://www.sertubi.com> - pipes and fittings
- TenarisDalmine - <http://www.tenaris.com/TenarisDalmine/it> - largest pipes manufacturer in the world
- Tormene Gas Technology - <http://www.tormene.it> - valves

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 Italy are:

- **Increasing globalisation leads to specialisation.** Italian 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 Iran, Egypt, Bosnia and Herzegovina, and Mexico rose quickly in the period 2002-2006 (refer to section 3). To compete on the world market, more Italian companies are now focusing 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.

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:

- + Between 2002 and 2006, Italian demand showed strong results. For the coming years, the high level of investments and a growing economy are expected to secure a stable to slightly growing demand.
- + Growing energy markets lead to an increasing demand for pipes and process equipment.
- + Driven both by European and national water legislation, the water treatment equipment sector in Italy is now undergoing a strong growth which will lead to a strong demand for pipes and process equipment.
- + Price pressure on standard products as a result of increasingly global competition is leading to increased sourcing in LCCs.
- Higher demand for more sophisticated products requiring advanced technological skills.
- Although the industrial demand for most product groups increased, Italian production exceeded the industrial demand in all product groups.

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

Useful sources

- Eurogas - <http://www.eurogas.org>
- 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>
- 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 still remains 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.

Please refer to the CBI market survey covering the EU market for pipes and process equipment for a detailed explanation of the trade channels in this sector. Some examples of intermediaries are:

- Fail - <http://www.fail.it> - valves, pipes and fittings
- IMS - <http://www.ims.it> - pipes
- Jannone Tubi – pipes for gas, water and oil distribution
- Metalsteel - <http://www.metalsteel.it> - pipes and fittings
- Steeltrade - <http://www.steeltrade.it> - pipes, fittings, valves and instruments
- Torresin Titanio - <http://www.titanio.com> - pipes and fittings
- Tubi Acciaio Lombarda - <http://www.tal.it> - pipes
- Varisco - <http://www.variscosrl.com> - pumps, pipes and valves

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

- Acque Potabili - <http://www.acquepotabilispa.it> - water
- Edison - <http://www.edison.it> - power and gas
- Enel - <http://www.enel.it> - power and gas
- Eni - <http://www.eni.it> - oil and gas
- ERG - <http://www.erg.it> - oil
- ExxonMobil - <http://www.esso.it> - oil
- Irìde - <http://www.iride-acquagas.it> - water and gas
- Romagna Acque - <http://www.romagnacque.it> - water

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 Italy. 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.

- AcquaAgenda - <http://www.watergas.it/watergas1/AcquaAgenda.asp> - annual with more than 2000 companies active in the specific market segment

- Association for Importers and Distributors of Machinery, Technologies and Tools - <http://www.ascomut.it> - select the English language and click on 'associated companies'.
- Federation of the Italian Associations of Mechanical and Engineering Industries - <http://www.anima-it.com> - choose the English language and click on 'members directory'.
- Italian Association of Compressor, Pump and Air Treatment Equipment Manufacturers (COMPO) - <http://www.associazionecompo.it> - choose the English language and click on 'members'.
- Italian Association of Manufacturing and Trading Companies in Fluid Power Equipment and Components - <http://www.assofluid.it> - click on 'Aziende Associate'
- Italian Association of Pump Manufacturers - <http://www.assopompe.it> - click on 'English' and on 'List of members'.
- Italian Association of Valve and Fitting Manufacturers - <http://www.associazioneavr.it> - click on 'associati' and on 'elenco associati'.
- Italian Association for Food Producing, Processing and Preservation Manufacturers - <http://www.assofoodtec.it> - click on 'associati e produzione'.

Furthermore, the websites of relevant trade fairs often contain a list of exhibitors. An example is the exhibitor list of the Italian trade fair Geofluid (<http://www.geofluid.it/uk/index.html>) with a focus on technologies and equipment for prospecting, extracting and conveying underground fluids. This fair is held biennially (even years in October) in Piacenza. Refer to Section 6 for other relevant trade fairs.

3 Trade: imports and exports

Imports

In 2006, Italy was a large importer of pipes and process equipment, ranking fourth in the EU, behind Germany, France and the UK, but ahead of Spain and Belgium. Between 2002 and 2006, total import value increased annually by 7% to €6.7 billion in 2006 (EU: +8%). The product group shares were as follows:

- Pumps: 37% of total imports. Annual increase in import value of 6%.
- Pipes and fittings: 21% of total. Annual increase of 17%.
- Process equipment: 14% of total. Annual increase of 6%.
- Instruments: 13% of total. Annual increase of 2%.
- Valves: 13% of total. Annual increase of 7%.
- Storage equipment: 2% of total. Import value remained virtually stable.

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 Italy, 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	3,620	4,097	4,832	Intra EU : Germany (29), France (12), UK (5), Spain (4), Netherlands (3)	73
	1,087	1,068	967	Extra EU ex. DC : USA (5), Japan (3), Switzerland (3), South Korea (1), Taiwan (1)	15
	359	478	852	DC : China (6), Turkey (1), Brazil (1), South Africa (1), Ukraine (1), India (<0.5), Argentina (<0.5), Thailand (<0.5), Croatia (<0.5), Mexico (<0.5)	13
Pumps	1,415	1,660	1,903	Intra EU : Germany (32), France (15), Belgium (5), UK (5), Slovakia (4)	78
	447	374	336	Extra EU ex. DC : Japan (5), USA (4), Switzerland (3), South Korea (1), Taiwan (<0.5)	14
	97	148	204	DC : China (4), Brazil (2), Turkey (1), India (<0.5), Thailand (<0.5), Algeria (<0.5), Croatia (<0.5), Indonesia (<0.5), Malaysia (<0.5), Saudi Arabia (<0.5)	8

Product	2002 € mln	2004 € mln	2006 € mln	Leading suppliers in 2006 (share in %)	Share (%)
Pipes and fittings	485	634	886	Intra EU : Germany (25), France (10), Spain (6), Sweden (5), Romania (5)	64
	155	271	197	Extra EU ex. DC : Switzerland (4), USA (2), Russia (1), Taiwan (1), Japan (1)	14
	102	141	292	DC : China (9), Ukraine (4), Turkey (2), Argentina (2), Iran (1), India (1), For.JRep.Mac (1), Mexico (1), Croatia (<0.5), South Africa (<0.5)	21
Process equipment	537	554	681	Intra EU : Germany (22), France (15), UK (6), Sweden (4), Spain (4)	73
	130	112	112	Extra EU ex. DC : USA (5), Japan (3), Switzerland (1), Taiwan (1), South Korea (<0.5)	12
	80	78	144	DC : South Africa (6), China (5), Turkey (2), Thailand (1), India (1), Egypt (<0.5), Malaysia (<0.5), Tunisia (<0.5), For.JRep.Mac (<0.5), Argentina (<0.5)	15
Valves	461	478	593	Intra EU : Germany (30), France (8), Netherlands (6), Denmark (6), UK (6)	67
	167	152	156	Extra EU ex. DC : USA (7), Japan (3), Switzerland (3), South Korea (1), Taiwan (1)	18
	49	71	130	DC : China (12), India (1), Turkey (1), Mexico (<0.5), Brazil (<0.5), Croatia (<0.5), Iran (<0.5), Argentina (<0.5), Egypt (<0.5), South Africa (<0.5)	15
Instruments	617	653	665	Intra EU : Germany (40), France (10), Netherlands (6), UK (4), Denmark (3)	76
	162	139	151	Extra EU ex. DC : USA (10), Switzerland (3), Japan (1), South Korea (1), Norway (<0.5)	17
	25	34	62	DC : China (3), Brazil (1), Croatia (1), Tunisia (1), Turkey (<0.5), Thailand (<0.5), India (<0.5), Serbia (<0.5), Argentina (<0.5), Malaysia (<0.5)	7
Storage equipment	104	119	105	Intra EU : Germany (19), France (17), Greece (8), Austria (7), UK (4)	75
	27	20	14	Extra EU ex. DC : Switzerland (3), USA (2), Norway (<0.5), U.A.Emirates (<0.5), South Korea (<0.5)	10
	5	7	20	DC : China (6), Turkey (5), Croatia (1), Tunisia (1), Ghana (<0.5), For.JRep.Mac (<0.5), South Africa (<0.5), Ukraine (<0.5), Brazil (<0.5), Mexico (<0.5)	14

Source: Eurostat (2007)

Imports from DCs

Between 2002 and 2006, imports from DCs increased annually by 24% in value. Compared to 2002, the total share of DCs in total import value increased from 7% to 13% in 2006. DC shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Storage equipment: growing from 4% to 14% in value.
- Instruments: growing from 3% to 7%.
- Valves: growing from 7% to 15%.
- Pipes and fittings: growing from 14% to 21%.
- Pumps: growing from 5% to 8%.
- Process equipment: growing from 11% to 15%.

China accounted for 50% of all pipes and process equipment imports coming from DCs and for 6% of total imports. China was followed by Turkey (9%), Brazil (8%), South Africa (7%), Ukraine (7%), India (4%). In addition to the fast growing Chinese share of DC exports to Italy (+114% in the period 2002-2006), other DCs that saw a large increase in their share were Iran (performing even better than China), Egypt, Thailand, Macedonia, Tunisia, Bosnia and Herzegovina, Mexico and Vietnam.

Exports

In 2006, Italy was a large exporter, ranking second in the EU, behind Germany, but ahead of France and the UK. Total export value of Italy showed an annual increase of 11% in the period 2002-2006, totalling €17.9 billion in 2006. Exports consisted of:

- Pipes and fittings, accounting for 30% of total exports (€5.4 billion). Annual increase in export value of 18%.
- Pumps, 28% of total exports (€4.9 billion). Annual increase of 6%.
- Valves, 20% of total exports (€3.6 billion). Annual increase of 10%.
- Process equipment, 12% of total exports (€2.2 billion). Annual increase of 11%.
- Instruments, 6% of total exports (€1.1 billion). Annual increase of 11%.
- Storage equipment, 4% of total exports (€734 million). Annual increase of 9%.

Probably a small part of exports consists 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

- + Italy was the fourth largest importer in the EU in 2006.
- + Total import value of all product groups increased in the period 2002-2006 (+7%).
- + The import share of DCs increased from 7% in 2002 to 13% in 2006, above the EU average (9%).
- ± The Chinese share of DC exports to Italy grew fast in the period 2002-2006 (+114%), but some other DCs also saw a large increase in their share.
- In 2006, Italy was a net-exporter, running trade surpluses for all product groups
- China accounted for 50% of all imports coming from DCs, much higher than in the EU on average (33%).

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 Italy are similar 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 were 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. Because of the high pipe price in Europe early in 2007, EU buyers purchased their pipes from Non-EU market sources, such as China and Ukraine, instead of Italy. This trend caused Italy's pipe inventory to increase. The weak demand and the high inventory caused the pipe price to keep dropping in Italy. Although raw material prices continue to increase, the situation for Italy's pipe market is still not clear yet. 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 Italy, you should be aware of the market access requirements of your trading partners and the Italian 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 Italy 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. Relevant trade fairs in Italy are:

- Fluidtrans Compomac - <http://www.fieremostre.it> - fluid power, power and motion transmission, drive, control equipment and industrial design. Held biennially (even years in May) in Milan.
- Geofluid - <http://www.geofluid.it/uk/index.html> - technologies and equipment for prospecting, extracting and conveying underground fluids, held biennially (even years in October) in Piacenza.
- H2O-Accadueo <http://www.accadueo.com> - distribution of drinking water and water treatment, held biennially (even years in May) in Ferrara.
- Made in Steel - <http://www.madeinsteel.it> - steel and steel products, held biennially (uneven years in March) in Brescia.
- Subfornitura - http://www.senaf.it/fiera_eng.asp?fieraid=116 - subcontracting industrial processing, held annually (March) in Parma.

An interesting fair for the valve industry is Valve World (<http://www.valve-world.net>), which is held biennially (even years in November) in Maastricht, the Netherlands. An important fair in Germany is Tube (<http://www.tube.de>) held biennially (even years in March/April) in Düsseldorf. In addition, visiting trade fairs in neighbouring countries could be an option as well. 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 Italian magazines are:

- Acqua & Aria – [Http://www.bema.it/acquaearia](http://www.bema.it/acquaearia) - technologies and services for the environment.
- Fluid Trasmissioni di Potenza - <http://www.tecnichenuove.com> - hydraulics and pneumatics.
- Fluidotecnica - <http://www.ilb2b.it/fluidotecnica> - industrial machines, devices, and systems
- L'Ambiente - <http://www.ranierieditore.it/ambiente.htm> - technical, economic and environmental legislation
- Reti Idriche & Gas - <http://www.pubblindustria.info> - water, sewage and gas.
- Tecnologie del Filo - <http://www.tecnichenuove.com> - technical magazine about pipes.

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 Italy: <http://www.kwintessential.co.uk>. Click on 'Country Profiles' at the section 'Intercultural resources and tools' and click on 'Italy'.

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 Italy are:

- Confederation of Italian industry - <http://www.confindustria.it>
- Federation of the Energy and Water Industries - <http://www.federutility.it>
- Italian Chamber of Commerce – <http://www.unioncamere.it>
- Italian Federation Of Agents And Commercial Representatives - <http://www.fnaarc.it>
- Italian Petroleum Union/Unione Petrolifera - <http://www.unione petrolifera.it>

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

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