

CBI MARKET SURVEY

The pipes and process equipment market in Luxembourg

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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 Luxembourg. The information is complementary to the information provided in the CBI market survey 'The pipes and process equipment market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

1 Market description: industrial demand and production

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

Industrial demand

The Luxembourgian market for pipes and process equipment was among the smallest in Europe. The country ranked twenty third in the EU, behind Bulgaria and Estonia, but ahead of Latvia and Cyprus. Total demand value of Luxembourg amounted to €153 million. In the period 2002-2006, demand decreased by 2% per year, which was contrary to growth 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:

- Pumps: €52 million (+38%).
- Process equipment: €29 million (+13%).
- Valves: €27 million (-27%).
- Storage equipment: €17 million (+62%).
- Instruments: €15 million (+7%).
- Pipes and fittings: €13 million (-4%).

Trends that are common for Western European countries, such as the growing demand for energy, energy efficient products and increasing specialisation of local manufacturers, also apply to Luxembourg.

Production

In 2006, total production value of pipes and process equipment in Luxembourg amounted to €227 million. Luxembourg ranked twenty first in the EU in 2006 with just a small share (<0.5%) of total EU production, behind Greece and Slovenia, but ahead of Bulgaria and Estonia. In the period 2002-2006, production increased by 1% per year, which was below growth in the EU on average (+6%). In 2006, the largest product group was valves with a total production value of €102 million and ranking 15th in the EU with a share of 1%. An example of a producer in Luxembourg is valve producer Rotarex (<http://www.rotarex.com>).

Opportunities and threats

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

- + 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 Luxembourgian manufacturers of pipes and process equipment. Interesting opportunities arise for DC companies that can offer good quality at a reasonable price.

- The Luxembourgian market is among the smallest in Europe.
- Growing demand for high value added products which require advanced technological skills. 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 Luxembourg are:

- Danfoss Socla Benelux - <http://www.danfoss-socla.com> - wholesale department of Denmark based Danfoss Group (<http://www.danfoss.com>) - valves and pressure reducers.
- Ferroknepper Buderus - <http://www.buderus.lu> - pumps, valves and fittings

An important end-user present in Luxembourg is oil distributor Luxoil (www.luxoil.lu).

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:

- Luxembourgian Federation of Industrialists - <http://www.fedil.lu> - select 'members' directory'.
- ABC - <http://www.abc-d.lu> - company database with a focus on Luxembourg.
- Europages - <http://www.europages.com> - search for a product, click on 'refine your search' on the results page to show Luxembourgian companies.

3 Trade: imports and exports

Imports

In 2006, Luxembourg was a small importer of pipes and process equipment, ranking twenty fifth in the EU, behind Estonia and Latvia, but ahead of Cyprus and Malta. Between 2002 and 2006, total import value increased annually by 5% to €175 million in 2006 (EU: +8%). The product group shares were as follows:

- Pumps: 36% of total imports. Annual increase in import value of 27%.
- Valves: 16% of total. Annual decrease of 15%.
- Instruments: 16% of total. Annual increase of 15%.
- Pipes and fittings: 12% of total. Annual increase of 5%.
- Storage equipment: 10% of total. Annual increase of 5%.
- Process equipment: 10% of total. Annual decrease of 2%.

Between 2002 and 2006, imports from DCs increased annually by 15% in value. Compared to 2002, the total share of DCs in import value increased from <0.5% to 1% in 2006. The DC share in imports of valves grew from 1% to 2% in value. Other product groups remained virtually stable at 0.5-1%.

China accounted for 48% of all pipes and process equipment imports coming from DCs. China was followed by Croatia (35%), India (3%), Ukraine (2%), Egypt (2%) and Mexico (2%). In

addition to the fast growing Chinese share of DC exports to Luxembourg (+140% in the period 2002-2006) there were no other DCs that saw a large increase in their share apart from China.

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, Luxembourg was a small exporter, ranking twenty first in the EU, behind Slovenia and Greece, but ahead of Lithuania and Bulgaria. Total export value of Luxembourg showed an annual increase of 8% in the period 2002-2006, totalling €259 million in 2006. Exports consisted of:

- Valves, accounting for 40% of total exports (€103 million). Annual increase in export value of 4%.
- Instruments, 30% of total exports (€77 million). Annual increase of 1%.
- Pumps, 23% of total exports (€59 million). Annual increase of 81%.
- Storage equipment, 3% of total exports (€8 million). Annual increase of 17%.
- Pipes and fittings, 3% of total exports (€7 million). Annual decrease of 12%.
- Process equipment, 2% of total exports (€5 million). Annual decrease of 2%.

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 pumps, instruments, pipes and fittings and storage equipment increased in the period 2002-2006.
- + Luxembourg ran trade deficits (more imports than exports) for pumps (€4 million), storage equipment (€9 million), process equipment (€12 million) and pipes and fittings (€13 million).
- ± The DC share of total imports grew by 40% in the period 2002-2006, which was slower than in the EU on average (55%).
- Luxembourg was a small importer in the EU in 2006 and import share of DCs was 1% in 2006, far below the EU average (9%). China accounted for 48% of all imports coming from DCs.
- In 2006, Luxembourg was a net-exporter, running trade surpluses for valves (€75 million) and instruments (€49 million).
- Total import value of valves and process equipment decreased.
- The Chinese share of DC exports to Luxembourg grew fast in the period 2002-2006 (+140%). Except for China, there were no other DCs that saw a large increase in their share.

Useful sources

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

4 Price developments

2000-2004 saw a period of heavy price pressure which has eased since then. Prices have risen considerably as a result of rising raw material prices, in conjunction with longer lead-times due to demand exceeding supply. However, the global competitive pressure has remained very strong with regard to standard products. Importers, agents, subcontractors and system suppliers will, therefore, continue to keep on looking for opportunities to reduce sourcing costs for standard products. Although the share of wage costs has slightly decreased in recent years, wage costs still account for a large share of the cost price in the industry. Please refer to the

CBI market survey covering the EU market for pipes and process equipment for a detailed explanation of these major trends.

Useful sources

- Eurostat – official statistical office of the EU – <http://epp.eurostat.ec.europa.eu>. By comparing import value and volume, it is possible to get an idea of import prices.
- London Metal Exchange – <http://www.lme.co.uk>

5 Market access requirements

As a manufacturer in a developing country preparing to access Luxembourg, you should be aware of the market access requirements of your trading partners and the Luxembourgian 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 Luxembourg 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 Luxembourg, visit the following websites:

- Valve World - <http://www.valve-world.net> - trade fair in the Netherlands, held biennially (even years in November) in Maastricht.
- Tube - <http://www.tube.de> - trade fair in Germany, held biennially (even years in March/April) in Düsseldorf.

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

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