

CBI MARKET SURVEY

The pipes and process equipment market in Poland

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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 Poland. 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, total demand value for pipes and process equipment in Poland amounted to €3.4 billion. Poland ranked seventh in the EU in 2006 with a share of 3% of total EU demand, behind Spain and the Netherlands, but ahead of Belgium and Sweden. In the period 2002-2006, demand increased much faster (+12% per year) than in the EU on average (+3%). This growth was mainly driven by use of EU funds into growth-boosting and the starting up of new projects in several industries. The demand for the various product groups, with the annual increase in the period 2002-2006, is as follows:

- Pumps: €928 million (+7%), accounted for 4% of total EU demand for pumps.
- Process equipment: €755 million (+14%), 3% of total EU demand.
- Storage equipment: €641 million (+27%), 4% of total EU demand.
- Instruments: €376 million (+19%), 3% of total EU demand.
- Pipes and fittings: €372 million (+4%), 3% of total EU demand.
- Valves: €313 million (+9%), 3% of total EU demand.

The expected strong growth of the Polish economy for 2008 and 2009 (+5.1% and +4.3% respectively) in combination with many (foreign) investments in several market segments, such as the energy and (waste)water sector, will result in an increasing demand for pipes and process equipment in the years to come. In the long run, according to industry experts, the demand for welded and seamless pipes will continue to increase until 2009 by 7-8% and in the period 2009-2014 by 5-5.5%.

Production

Total production value of Poland reached €2.7 billion. Poland ranked eleventh in the EU in 2006 with a share of 2% of total EU production, behind Austria and the Czech Republic, but ahead of Hungary and Finland. Between 2002 and 2006, production increased much faster (+27% per year) than in the EU on average (+6%).

In 2006, the largest product groups in value were storage equipment (€811 million) and process equipment (€739 million). Between 2002 and 2006, all product groups recorded better growth than in the EU on average. The groups process equipment (+36% per year), pumps (+35%), instruments (+32%) and storage equipment (+25%) performed the best. The position of Poland in the EU was strongest in the product groups storage equipment (6th with 5% market share) and valves (7th with 2% market share). Although the strong growth in local

production of all product groups outpaced growth in local demand, the country remained a net importer.

Some examples of producers are:

- Metron Measuring Systems - <http://www.metron.torun.pl> - instruments, valves and fittings
- Mittal Steel Poland (part of Arcelor Mittal Group) - <http://mittal-steel.pl> - This company accounts for 70% of Poland's production output with the four largest steel making operations in Poland.
- Leszczyńska Fabryka Pomp - <http://www.lfp.com.pl> - pumps, pipes and valves
- Seco/Warwick - <http://www.secowarwick.com.pl> - industrial heat treatment equipment

Trends and characteristics

These are the major trends and characteristics that influence demand for pipes, and production of pipes and process equipment in Poland:

- **Pumps manufacturers become total solutions providers.** From the production figures it can be seen that Poland is home to a relatively large pump production. Also in this country, pumps manufacturers are becoming total solutions providers. Market segments such as water and wastewater and HVAC (Heating Ventilation Air Conditioning) are price driven, and face strong competition from India and China. With overlapping product portfolios, the main competitive factor is price, and end-users are increasingly demanding higher-quality products at lower prices. The strong competition and a lack of product differentiation are forcing pump manufacturers to become total solutions providers. Therefore, they are improving their customer service and focusing on R&D to produce innovative solutions to penetrate the market.
- **Large share of foreign investments.** Foreign investments from West European companies in the Polish pipes and process equipment industry have been especially strong in the product group valves and fittings. One example is IBP Instalittings (fittings) (<http://www.ibpgroup.com>) a manufacturing site of the British company IBP. GEA Technika (<http://www.gea-tc.com.pl>) is an example of a German investment in process equipment production.

Opportunities and threats

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

- + The Polish market for pipes and process equipment was the seventh largest in the EU.
- + In the years to come, industrial demand for pipes and process equipment could increase as the result of, among other things, the strong economic growth, the growing energy market and the fact that Poland moves to comply with EU energy and water directives.
- ± The Polish market offers opportunities for pump manufacturers who produce innovative solutions and focus on customer service and R&D.
- Relatively strong competition from Polish manufacturers in pipes and valves.

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. The share of sales through distributors in total sales is relatively low – some 20%. However, a trend amongst distributors to consolidate this share is noticeable. They are increasingly trying to meet growing customer demands such as service and short lead times. 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 Poland are:

- Dom Pomp I Armatury - <http://www.dpia.com.pl> - pumps and valves
- Austenit Import - <http://www.austenit.com.pl> - pipes and fittings

Some examples of end-users in Poland are:

- Biwater Megadex - <http://www.biwater.com.pl> - water treatment
- Fortum Czestochowa (part of Finland based Fortum Group) - <http://www.fortum.pl> - the company is constructing a new, coal and biomass powered, heat and power station with a value of €95 million. The power plant should be completed by the end of 2009.
- Rafineria Gdańska - <http://www.lotos.pl> - oil and gas
- Rafineria Nafty Jedlicze - <http://www.rnjsa.com.pl> - oil
- Polish Oil and Gas Company (POGC) - <http://www.pgnig.pl>

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:

- Polish Steel Association - <http://www.hiph.com.pl> - choose the English language and click on 'members'.
- Europages - <http://www.europages.com> - search for a product, click on 'refine your search' on the results page to show Polish companies.

3 Trade: imports and exports

Imports

In 2006, Poland was a medium-sized importer of pipes and process equipment, ranking ninth in the EU, behind the Netherlands and Austria, but ahead of Sweden and the Czech Republic. Between 2002 and 2006, total import value increased annually by 9% to €3.1 billion in 2006 (EU: +8%). The product group shares were as follows:

- Pumps: 33% of total imports. Annual decrease in import value of 3%.
- Pipes and fittings: 21% of total. Annual increase of 17%.
- Process equipment: 18% of total. Annual increase of 19%.
- Instruments: 12% of total. Annual increase of 16%.
- Valves: 11% of total. Annual increase of 10%.
- Storage equipment: 5% of total. Annual increase of 16%.

Between 2002 and 2006, imports from DCs increased annually by 65% in value. Compared to 2002, the total share of DCs in import value increased from 2% to 7% in 2006. DC shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Pipes and fittings: growing from 1% to 8%.
- Storage equipment: growing from 2% to 11%.
- Process equipment: growing from 5% to 15% in value.
- Pumps: growing from 2% to 5%.
- Valves: growing from 4% to 8%.
- Instruments: declining from 2% to 1%.

China accounted for 35% of all pipes and process equipment imports coming from DCs and for 2% of total imports. China was followed by South Africa (33%), Ukraine (18%), Brazil (5%), Turkey (5%) and Indonesia (1%). The Chinese share of DC exports to Poland did not grow as fast as in the EU on average (10% compared to 100%). The DCs that saw a larger increase of

their share to the country were Indonesia, India, Argentina, Brazil, Mexico, South Africa, 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, Poland was a medium-sized exporter, ranking thirteenth in the EU, behind Denmark and Hungary, but ahead of Finland and Romania. Total export value of Poland remained stable in the period 2002-2006, totalling €2.2 billion in 2006. Exports consisted of:

- Process equipment, accounting for 22% of total exports (€501 million). Annual increase in export value of 15%.
- Pipes and fittings, 20% of total exports (€449 million). Annual increase of 18%.
- Valves, 17% of total exports (€388 million). Annual increase of 14%.
- Storage equipment, 15% of total exports (€341 million). Annual increase of 8%.
- Pumps, 14% of total exports (€309 million). Annual increase of 21%.
- Instruments, 11% of total exports (€239 million). Annual decrease of 1%.

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

- + Poland was the ninth largest importer in the EU in 2006.
- + Total import value of pipes and fittings, process equipment, instruments, valves and storage equipment increased in the period 2002-2006.
- + In 2006, Poland was a net-importer, running trade deficits for process equipment (€52 million), instruments (€130 million), pipes and fittings (€212 million) and pumps (€715 million).
- + The Chinese share of DCs exports to Poland did not increase much. Several DCs saw a larger increase in their share.
- ± China accounted for 35% of all imports coming from DCs, similar to the share in the EU on average (33%).
- ± The import share of DCs grew from 2% to 7% in 2006, which is still below the EU average (9%).
- Total import value of pumps decreased in the period 2002-2006.
- Poland ran trade surpluses for storage equipment (€171 million) and valves (€58 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. 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. Furthermore, as Polish wages increase, the share of wage costs in the cost price, although still low, is increasing. 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 Poland, you should be aware of the market access requirements of your trading partners and the Polish 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 Poland 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 Poland, visit the following websites:

- Association of Polish Independent Steel Stockholders – <http://www.puds.com.pl>
- Expo-Gas - www.expo-gas.pl - trade fair for gas engineering, held biennially (uneven years in April) in Kielce.
- Katowice - <http://www.mtk.katowice.pl> - trade fair for mining, power generation and metallurgy, held biennially (September) in Katowice.
- Metalforum - <http://metalforum.mtp.pl> - trade fair, held annually (June) in Poznan.
- Nonfermet - www.nonfermet.targikielce.pl - trade fair for non-ferrous metals manufacturing, held annually (September) in Kielce.
- Polish Liquefied Petroleum Gas Association - <http://www.pogp.pl>
- Pompy pompownie - <http://pompy.pompownie.com> - magazine
- STOM - www.stom.targikielce.pl - trade fair for metalworking and metal machining, held annually (March) in Kielce.
- Water and Sewage Infrastructure - <http://www.targikielce.pl> - trade fair, held 15-17 October 2008 in Kielce.

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

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