CBI MARKET SURVEY

The pipes and process equipment market in Portugal

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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 Portugal. 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 of pipes and process equipment in Portugal amounted to €974 million. Portugal ranked eighteenth in the EU in 2006 with a share of 1% of total EU demand, behind Slovakia and Greece, but ahead of Ireland and Slovenia. In the period 2002-2006, demand increased by 3% per year, which was virtually the same as in the EU on average (+3%). The demand for the various product groups, with the annual increase in the period 2002-2006, is as follows:

- Process equipment: €255 million (+2%).
- Storage equipment: €241 million (+13%).
- Pumps: €156 million (-7%).
- Instruments: €126 million (+27%).
- Pipes and fittings: €104 million (-7%).
- Valves: €93 million (+3%).

Production

Total production value of pipes and process equipment in Portugal reached €818 million. Portugal ranked eighteenth in the EU in 2006 with a share of 1% of total EU production, behind Slovakia and Romania, but ahead of Greece and Slovenia. Between 2002 and 2006, production increased by 4% per year, which was below growth in the EU on average (6%).

In 2006, the largest product group in value was storage equipment (€304 million). Between 2002 and 2006, this product group recorded an annual growth of 11%, which was faster than in the EU on average (+3%). The position of Portugal in the EU was strongest in the product group storage equipment (12th with 2% market share).

Some examples of producers are:

- Giacomini - http://www.giacomini.pt - fittings and valves
- Metalofarense - http://www.metalofarense.pt - process equipment

Trends and characteristics

In addition to the trends that are common for Western European countries, such as the growing demand for energy, energy efficient products and increasing specialisation of local manufacturers, another major trend is the investment in water distribution and treatment. At present, Portugal has poor networking with respect to water distribution and wastewater treatment. Demand for pipes and process equipment will increase as Portugal moves to comply with EU energy and water directives. Moreover, efforts to update existing infrastructure, coupled with growth in the Portuguese industrial sector will boost demand levels.

Opportunities and threats

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

+ Portuguese demand showed strong (+3%) results between 2002 and 2006. In the years to come, industrial demand for pipes and process equipment could increase due to the fact that Portugal, among other things, moves to comply with EU water directives and the growing demand for energy.
+ 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 has put pressure on the earnings of Portuguese manufacturers of pipes and process equipment. Interesting opportunities arise for DC companies that can offer good quality at a reasonable price.
– Growing demand for more sophisticated products which require advanced technological skills, also driven by environmental legislation.

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 Portugal are:

- Valcontrol - http://www.valcontrol.pt - pumps, valves, fittings and instruments.
- Orey - Técnica - http://www.orey-tecnica.pt - pumps, fittings and process equipment.

Important end-users present in Portugal are:

- Galp Energia - http://www.galpenergia.com - major end-user in the energy segment
- Petrogal (subsidiary of Galp Energia) - http://www.petrogal.pt - Portugal's leading integrated oil and natural gas company which operates the country's oil pipeline network.
- Gas de Portugal (GdP) (another subsidiary of Galp Energia) – www.gdp.pt - dominates Portugal's natural gas sector and directly controls natural gas importation, transportation and supply.

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:

- Portuguese Association of Steels and Metals Distributors - http://www.acomefer.pt - click on ‘associados’.
- Europages - http://www.europages.com - search for a product, click on ‘refine your search’ on the results page to show Portuguese companies.

3 Trade: imports and exports

Imports

In 2006, Portugal was a small importer of pipes and process equipment, ranking seventeenth in the EU, behind Finland and Slovakia, but ahead of Ireland and Greece. Between 2002 and 2006, total import value increased annually by 3% to €837 million in 2006 (EU: +8%). The product group shares were as follows:

- Pipes and fittings: 22% of total imports. Annual increase in import value of 10%.
- Pumps: 22% of total. Annual decrease of 6%.
- Process equipment: 21% of total. Annual increase of 11%.
- Storage equipment: 13% of total. Annual increase of 6%.
- Valves: 13% of total. Annual increase of 3%.
- Instruments: 9% of total. Annual decrease of 6%.

Between 2002 and 2006, imports from DCs increased annually by 52% in value. Compared to 2002, the total share of DCs in import value increased from 2% to 12% in 2006. DC shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Process equipment: growing from 3% to 39% in value.
- Instruments: growing from 1% to 4%.
- Valves: growing from 1% to 2%.
- Pipes and fittings: growing from 4% to 8%.
- Pumps: growing from 3% to 4%.
- Storage equipment: remained stable at 1%.

China accounted for only 9% of all pipes and process equipment imports coming from DCs. DCs that accounted for a much higher share were South Africa (67%) and Turkey (13%). China was followed by Brazil (5%), India (3%) and Thailand (1%). The Chinese share of DC exports to Portugal declined (-52%), while the Chinese export share to the EU doubled on average. Only South Africa saw a large increase in its share.

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, Portugal was a small exporter, ranking eighteenth in the EU, behind Slovakia and Ireland, but ahead of Slovenia and Greece. Total export value of Portugal showed an annual increase of 8% in the period 2002-2006, totalling €702 million in 2006. Exports consisted of:

- Process equipment, accounting for 30% of total exports (€210 million). Annual increase in export value of 8%.
- Storage equipment, 25% of total exports (€172 million). Annual increase of 6%.
- Pumps, 20% of total exports (€141 million). Annual increase of 5%.
- Pipes and fittings, 14% of total exports (€98 million). Annual increase of 24%.
- Valves, 7% of total exports (€46 million). Annual increase of 8%.
- Instruments, 5% of total exports (€35 million). Annual decrease of 5%.

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

Opportunities and threats
+ Total import value of pipes and fittings, process equipment, storage equipment and valves increased in the period 2002-2006.
+ In 2006, Portugal was a net-importer, running trade deficits for pumps (€42 million), instruments (€43 million), valves (€61 million) and pipes and fittings (€89 million).
+ The import share of DCs increased from 2% in 2002 to 12% in 2006, which was above the EU average (9%).
± China accounted for only 9% of all imports coming from DCs, much lower than in the EU on average (33%). However, South Africa (67%) and Turkey (13%) recorded a higher share.
± The Chinese share of DC exports to Portugal decreased (by 52%), while the Chinese export share to the EU doubled on average. In contrast, South Africa saw a large increase in its share.
– Portugal was a small importer in the EU in 2006.
– Total import value of pumps and instruments decreased in the period 2002-2006.
– Portugal ran trade surpluses for storage equipment (€64 million) and process equipment (€36 million).

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

4 Price developments

2000-2004 saw a period of heavy price pressure which has eased since then. Prices have risen considerably as a result of rising raw material prices, in conjunction with longer lead-times due to demand exceeding supply. In general, manufacturers in the EU have been able to pass on the higher prices to customers, so that there has only been limited pressure on margins. However, the global competitive pressure has remained very strong with regard to standard products. Importers, agents, subcontractors and system suppliers will, therefore, continue to keep on looking for opportunities to reduce sourcing costs for standard products. Although the share of wage costs has slightly decreased in recent years, 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 Portugal, you should be aware of the market access requirements of your trading partners and the Portuguese 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 Portugal 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 Portugal, visit the following websites:

- Association of Metal and Mechanical Engineering Industry - http://www.aimmap.pt
- CONCRETA - http://www.concreta.exponor.pt - trade fair for water equipment and heating technology, held annually (October) in Leca da Palmeira.
- Fundição Magazine - http://www.apf.com.pt
- Metal - http://www.emaf.exponor.pt - held biennially (even years in November) in Porto.
- Portugal Ambiente - http://cimeira.exponor.pt - environment, held biennially (even years in May) in Porto.
- Portuguese Association of Metalworking Industries - http://www.anemm.pt
- Portuguese Petroleum Association - http://www.apetro.pt
- Portuguese Water Resources Association - http://www.aprh.pt

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