

CBI MARKET SURVEY

The pipes and process equipment market in Romania

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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 Romania. 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, Romania was a medium-sized market for pipes and process equipment ranking fifteenth in the EU in 2006 with a share of 1% of total EU demand, behind the Czech Republic and Hungary, but ahead of Slovakia and Greece. Romanian demand has shown strong growth in recent years and amounted to €1.2 billion in 2006. In the period 2002-2006, demand increased much faster (+18% per year) than in the EU on average (+3%). Especially pumps and process equipment performed well and demand for these product groups was booming. The demand for the various product groups, with the annual increase in the period 2002-2006, is as follows:

- Pumps: €426 million (+44%).
- Process equipment: €343 million (+18%).
- Valves: €136 million (+10%).
- Instruments: €127 million (+10%).
- Pipes and fittings: €113 million (-1%).
- Storage equipment: €102 million (+13%).

The expected strong growth of the Romanian economy for 2008 and 2009 (+5.5% and +5% respectively) in combination with many (foreign) investments in several market segments will result in an increasing demand for pipes and process equipment in the years to come.

Production

In 2006, total production value of pipes and process equipment in Romania reached €844 million. Between 2002 and 2006, production increased much faster (+18% per year) than in the EU on average (+6%). Romania ranked seventeenth in the EU in 2006 with a share of 1% of total EU production, behind Ireland and Slovakia, but ahead of Portugal and Greece.

Between 2002 and 2006, the product groups pumps (+78% per year), process equipment (+21%) and pipes and fittings (+11%) performed the best. These groups recorded better growth than in the EU on average. In 2006, the position of Romania in the EU was strongest in the product group pipes and fittings, ranking in 10th position with a share of 2% of total EU production, behind the Czech Republic and Finland, but ahead of Greece and Poland.

Some examples of producers in Romania are:

- Aversa - <http://www.aversa.ro> - centrifugal pumps
- Hidraulica UM plopeni - <http://www.hidraulica-ph.ro> - pumps
- Uton - <http://www.uton.ro> - storage equipment, filters and pumps
- Uztel - <http://www.uztel.ro> - oil & gas equipment
- Vulcan – <http://www.vulcan.ro> - pumps

Trends and characteristics

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

- **Modernization of equipment.** The Romanian industry has invested heavily to meet EU legislation on safety, environment and hygiene. Although it is modernising its machinery, there are still a lot of old machines.
- **Industrial evolution leads to modernisation.** The industrial evolution after 2000 was strongly supported by the industrial policy of the government to improve the business environment, export and investments, making functional market mechanisms, as well as the acceleration of privatisation, and restructuring of the industrial sector.
- **Investment in water distribution and treatment.** At present, Romania has poor networking with respect to water distribution and wastewater treatment. The Municipal Services Project aims to assist Romania to meet European Union environmental directives in the water and wastewater sector, thereby improving the quality and coverage of water and wastewater services.
- **Increasing demand for energy results in large investments.** In Europe, investments in pipelines and infrastructure have to be made to meet the increasing global demand for energy. In the years to come, most investments in Romania will be related to constructing new pipelines such as the South-East European Line, which will connect the Constanta (Romania) with Trieste (Italy) by 2013.

Opportunities and threats

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

- + Romanian demand showed strong (+18%) results between 2002 and 2006. It is expected that the growing economy and growing investments will continue to drive a healthy demand for pipes and process equipment in the years to come.
- + The modernisation of equipment in Romania to meet EU legislation on safety, environment and hygiene, stimulates the demand from the food and beverage industry.
- + Increasing industrial demand for equipment for water clearance and wastewater processing equipment.
- As a country with low wages and skilled metal workers and metallurgists, Romania is a competitor for DC exporters. Combined with the expected growth of output and efficiency, this threat will only increase in the next few years.

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 Romania are:

- Arhipro - <http://www.arhipro.ro> - distributor of industrial equipment such as pumps, valves and process equipment.
- Gematex trading – <http://www.gematex.ro> - agent for industrial equipment.
- Romarc - <http://www.romarc.ro> - distributor of machinery parts.

Important end-users present in Romania are:

- Distrigas Sud - <http://www.distrigazsud.ro> - distributor and supplier of natural gas in southern Romania.
- E.ON Gaz Romania - <http://www.eon-gaz-romania.ro> - natural gas supplier in northern Romania.
- Rompetrol – <http://rompetrol.com> - oil refinery. In 2006, Rompetrol announced that it will invest more than \$140 million in its Petromedia refinery over the next two years in order to increase its capacity.

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:

- Romanian Chamber of Commerce and Industry – <http://www.ccir.ro> – choose the English version and click on 'Business opportunities' for a PDF file with companies.
- Doing Business in Romania - <http://mcir.doingbusiness.ro> – possibility to browse companies by industry.
- InfoCompanies Romania - <http://www.infocompanies.com> - directory with companies and opportunities in Romania - click on 'Industrial'.
- Romanian Trade Promotion Centre - <http://tpb.traderom.ro> – choose the English version and click on 'Trade promotion center', 'Virtual exhibitions' and 'Companies'.
- Ropartners - <http://ropartners.traderom.ro> – database of Romanian companies. It requires registration free of charge.

3 Trade: imports and exports

Imports

Between 2002 and 2006, total import value of pipes and process equipment increased annually by 25% to €1.3 billion in 2006. In 2006, Romania was a medium-sized importer, ranking fourteenth in the EU, behind Denmark and Hungary, but ahead of Finland and Slovakia (EU: +8%). The product group shares were as follows:

- Pumps: 36% of total imports. Annual increase in import value of 33%.
- Pipes and fittings: 18% of total. Annual increase of 24%.
- Process equipment: 17% of total. Annual increase of 25%.
- Instruments: 11% of total. Annual increase of 15%.
- Valves: 10% of total. Annual increase of 20%.
- Storage equipment: 7% of total. Annual increase of 16%.

Between 2002 and 2006, imports from DCs increased annually by 67% in value. Compared to 2002, the total share of DCs in import value increased from 4% 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:

- Pumps: growing from 1% to 17% in value.
- Instruments: growing from 1% to 5%.
- Valves: growing from 2% to 8%.
- Storage equipment: growing from 2% to 9%.
- Pipes and fittings: growing from 14% to 24%.
- Process equipment: growing from 2% to 4%.

China accounted for 28% of all pipes and process equipment imports coming from DCs and for 4% of total imports. The only DC that accounted for a higher share was Turkey (39%). China

was followed by Bosnia and Herzegovina (13%), Croatia (6%), Mexico (4%) and Ukraine (3%). The Chinese share of DC exports to Romania declined (-3%), while the Chinese export share to the EU doubled on average. In contrast, some DCs that saw a large growth of their share were Bosnia and Herzegovina, Argentina, Croatia, India, Mexico and Brazil.

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, Romania was a small exporter, ranking fifteenth in the EU, behind Poland and Finland, but ahead of Slovakia and Ireland. Total export value of Romania showed an annual increase of 22% in the period 2002-2006, totalling €960 million in 2006. Exports consisted of:

- Pipes and fittings, accounting for 50% of total exports (€480 million). Annual increase in export value of 19%.
- Pumps, 31% of total exports (€295 million). Annual increase of 32%.
- Valves, 6% of total exports (€59 million). Annual increase of 15%.
- Process equipment, 5% of total exports (€46 million). Annual increase of 8%.
- Instruments, 5% of total exports (€44 million). Annual increase of 40%.
- Storage equipment, 4% of total exports (€36 million). Annual increase of 17%.

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 all product groups increased in the period 2002-2006.
- + In 2006, Romania was a net-importer, running trade deficits for storage equipment (€60 million), valves (€76 million), instruments (€99 million), process equipment (€177 million) and pumps (€178 million).
- + The import share of DCs increased from 4% in 2002 to 13% in 2006, which is above the EU average (9%).
- + The Chinese share of DCs exports to Romania decreased (-3%), while the Chinese export share to the EU doubled on average. In contrast, some DCs saw a large increase in their share.
- ± China accounted for 28% of all imports coming from DCs, lower than in the EU on average (33%). However, Turkey accounted for a higher share (39%).
- Romania ran trade surpluses for pipes and fittings (€240 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 Romanian 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 Romania, you should be aware of the market access requirements of your trading partners and the Romanian 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 Romania 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 Romania, visit the following websites:

- Association of hydraulics and pneumatics - www.fluidas.ro
- Bucharest International Technical Fair – <http://www.tib.ro> - technical trade fair, held annually (October) in Bucharest.
- Business Review - <http://www.businessromania.ro> - Romanian business magazine.
- East Central Europe 2008 - <http://www.east-central-europe.com> - manufacturing fair, held annually (September) in Bucharest.

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