

## CBI MARKET SURVEY

## The pipes and process equipment market in Slovakia

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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 Slovakia. 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 market for pipes and process market in Slovakia amounted to €1.1 billion in 2006. In the period 2002-2006, the Slovakian market recorded the highest growth rate in the EU on average. Demand increased much faster (+24% per year) than in the EU on average (+3%). Slovakia ranked sixteenth in the EU in 2006 with a share of 1% of total EU demand, behind Hungary and Romania, but ahead of Greece and Portugal. The demand for the various product groups, with the annual increase in the period 2002-2006, is as follows:

- Process equipment: €347 million (+29%).
- Pumps: €261 million (+33%).
- Instruments: €167 million (+15%).
- Pipes and fittings: €131 million (+16%).
- Valves: €92 million (+17%).
- Storage equipment: €74 million (+22%).

The expected strong growth of the Slovakian economy for 2008 and 2009 (+7.5% and +5.7% respectively) in combination with many (foreign) investments in several market segments, such as the energy market and water distribution and treatment, will result in an increasing demand for pipes and process equipment in the years to come.

**Production**

Slovakian production of pipes and process equipment totalled €1 billion in 2006. Between 2002 and 2006, production increased much faster (+29% per year) than in the EU on average (+6%). Slovakia ranked sixteenth in the EU in 2006 with a share of 1% of total EU production, behind Belgium and Ireland, but ahead of Romania and Portugal.

In 2006, the largest product groups were process equipment (€335 million) and pumps (€302 million). These groups also recorded strong annual growth in the period 2002-2006 (+39% and +36% respectively). The position of Slovakia in the EU was strongest in the product groups pipes and fittings (14<sup>th</sup> with 1% market share) and pumps (14<sup>th</sup> with 1% market share). An example of a Slovakian producer is Techklima (<http://www.techklima.sk>) who manufactures cooling and ventilation equipment.

### Opportunities and threats

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

- + Slovakian demand showed strong (+24%) results between 2002 and 2006 and it is expected that the booming economy and the growing energy market will continue to drive a healthy demand for pipes and process equipment in the years to come.
- + Increasing demand from the water clearance and wastewater processing segment.
- As a country with low wages and skilled metal workers and metallurgists, Slovakia is a competitor to 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 Slovakia are:

- Octopus energi - <http://www.octopusenergi.sk> - pumps
- Precismetal - <http://www.precismetal.sk> - pipes

Important end-users present in Slovakia are:

- Nafta - <http://www.nafta.sk> - oil and gas company, specialised in storage of natural gas.
- Slovenský plynárenský priemysel - <http://www.spp.sk> - natural gas
- Slovnaft - <http://www.slovnaft.sk/en> - largest oil refinery in Slovakia.
- Transpetrol - <http://www.transpetrol.sk> - oil transport and storage.

### 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:

- Federation of Mechanical Engineering of the Slovak Republic - <http://www.zspsr.sk> – choose the English version and click on 'List of members'.
- Slovak Investment and Trade Development Agency – <http://www.sario.sk/?business-partner-search-profile> - business partner search.
- SlovenskéFirmy - <http://www.slovenskefirmy.sk>
- Europages - <http://www.europages.com> - search for a product, click on 'refine your search' on the results page to show Slovakian companies.
- Kompass - <http://www.kompass.com> - mostly fee based, but the free part is useful too.

Furthermore, the exhibitor database of the Slovakian trade fair Aqua-Therm Nitra (<http://www.tzb-info.cz>) can be used to find potential trade partners.

### 3 Trade: imports and exports

#### Imports

In 2006, Slovakia was a small importer of pipes and process equipment, ranking sixteenth in the EU, behind Romania and Finland, but ahead of Portugal and Ireland. Between 2002 and 2006, total import value increased annually by 21% to €1.1 billion in 2006 (EU: +8%). The product group shares were as follows:

- Process equipment: 24% of total imports. Annual increase in import value of 35%.
- Pumps: 23% of total. Annual increase of 15%.
- Pipes and fittings: 20% of total. Annual increase of 26%.
- Instruments: 19% of total. Annual increase of 14%.
- Valves: 10% of total. Annual increase of 20%.
- Storage equipment: 4% of total. Annual increase of 12%.

Between 2002 and 2006, imports from DCs increased annually by 42% in value. Compared to 2002, the total share of DCs in import value increased from 2% to 3% in 2006. DC shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Instruments: growing from <0.5% to 3%.
- Valves: growing from 1% to 5% in value.
- Process equipment: growing from <0.5% to 1%.
- Pipes and fittings: growing from 3% to 5%.
- Pumps: remained stable a 3%.
- Storage equipment: declining from 1% to <0.5%.

China accounted for 42% of all pipes and process equipment imports coming from DCs. China was followed by Ukraine (28%), Brazil (14%), Turkey (7%), Malaysia (4%) and Croatia (2%). In addition to the fast growing Chinese share of DC exports to Slovakia (+232% in the period 2002-2006), other DCs that saw a large increase in their share were Brazil and Malaysia.

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, Slovakia was a small exporter, ranking sixteenth in the EU, behind Finland and Romania, but ahead of Ireland and Portugal. Total export value of Slovakia showed an annual increase of 22% in the period 2002-2006, totalling €884 million in 2006. Exports consisted of:

- Pumps, accounting for 33% of total exports (€287 million). Annual increase in export value of 28%.
- Pipes and fittings, 32% of total exports (€285 million). Annual increase of 22%.
- Process equipment, 11% of total exports (€101 million). Annual increase of 9%.
- Instruments, 11% of total exports (€97 million). Annual increase of 26%.
- Storage equipment, 11% of total exports (€93 million). Annual increase of 18%.
- Valves, 2% of total exports (€20 million). Annual increase of 36%.

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

- + In 2006, Slovakia was a net-importer, running trade deficits for valves (€91 million), instruments (€106 million) and process equipment (€158 million).
- + Total import value of process equipment, pumps, pipes and fittings, instruments, valves and storage equipment increased in the period 2002-2006.
- ± The Chinese share of DCs exports to Slovakia grew fast in the period 2002-2006 (+232%), but some other DCs also saw a large increase in their share.
- Slovakia was a small importer in the EU in 2006 and China accounted for 42% of all imports coming from DCs.

- The import share of DCs increased from 2% in 2002 to 3% in 2006, which was far below the EU average (9%).
- Slovakia ran trade surpluses for pipes and fittings (€68 million), storage equipment (€48 million) and pumps (€39 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](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. 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 Slovakia, you should be aware of the market access requirements of your trading partners and the Slovakian 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 Slovakia 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 Slovakia, visit the following websites:

- Aqua-Therm Nitra - <http://www.tzb-info.cz> - trade fair for heating technology, air-conditioning, environment protection technology, measurement and regulation. Held annually (February) in Nitra.
- Coneco - <http://www.incheba.sk/1?lang=en> - building fair, held annually (April) in Bratislava.
- East Central Europe - <http://www.east-2008.com> - trade fair for the manufacturing industry, held annually (September) in Bratislava.
- Industry Expo - <http://www.incheba.sk> - technical trade fair, held annually (February) in Bratislava.
- Kovove Materialy - <http://www.kovmat.sav.sk> - metalworking magazine

- Strojnický Casopis - <http://www.strojcas.sav.sk> - machinery magazine
- Union of the Slovak metallurgy, mining industries and geology - [www.zhtpg.sk](http://www.zhtpg.sk) - association

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

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