CBI MARKET SURVEY

The pipes and process equipment market in Sweden

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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 Sweden. 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 Swedish market for pipes and process equipment amounted to €2.8 billion in value. The country ranked ninth in the EU in 2006 with a share of 3% of total EU demand, behind Poland and Belgium, but ahead of Austria and Denmark. Between 2002 and 2006, demand decreased by 2% per year, which was in contrast to growth in the EU on average (+3%). Demand for the various product groups, with the annual increase or decrease in the period 2002-2006, was as follows:
- pumps: €855 million (+1%), accounted for 4% of total EU demand for pumps.
- process equipment: €592 million (remained stable), 2% of total EU demand.
- instruments: €571 million (+4%), 5% of total EU demand.
- valves: €331 million (-1%), 3% of total EU demand.
- pipes and fittings: €302 million (-12%), 3% of total EU demand.
- storage equipment: €113 million (-20%), 1% of total EU demand.

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 Sweden. Furthermore, Sweden is one of the most advanced nations when it comes to water treatment technologies. The main sources of energy in Sweden are water power and nuclear energy. Together these energy sources have a market share of over 90%. Gas only delivers about 2% of the total energy in Sweden.

Production
In 2006, total production value of pipes and process equipment in Sweden reached €3.3 billion. Sweden ranked eighth in the EU in 2006 with a share of 3% of total EU production, behind the Netherlands and Denmark, but ahead of Austria and the Czech Republic. In the period 2002-2006, production remained virtually stable in value, whereas production in the EU recorded strong growth (+6%).

In 2006, the largest product group was process equipment (€1.2 billion). Production value of this group increased by 7% per year compared to 2002. The product groups that saw a strong decrease in demand were instruments (-7%) and storage equipment (-17%). The position of Sweden in the EU was strongest in the product groups process equipment (7th with 4% market share) and pipes and fittings (7th with 4% share).

Some examples of Swedish producers are:
- Alfa Laval Nordic - http://www.alfalaval.com - centrifugal separators, heat exchangers, fluid handling equipment and other types of process equipment.
- Ovako Steel - http://www.ovako.com - pipes
- Sandvik - http://www.smt.sandvik.com - pipes and process equipment. One of the largest pipe manufacturers in the EU, representing an estimated market share of 10-20% in the EU market for pipes.
- Somas - http://www.somas.se - valves

Opportunities and threats
The main opportunities and threats for DC exporters are the following:
+ 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 Swedish manufacturers of pipes and process equipment. Interesting opportunities arise for DC companies that can offer good quality at a reasonable price.
± A main goal of the Swedish government is that in 2020 Sweden should no longer depend on oil. With a package of measures such as tax advantages, stimulating investments in green energy and more research and development the Swedish government hopes to reach this objective. The major Swedish forestry and wood-processing industry play an important role in the switch from oil to bio fuels.
± The Swedish industries are expected to keep their investments in Sweden at a minimum level and are increasingly looking for opportunities in more promising foreign markets.

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.

Intermediaries in the engineering industry in Sweden can be found at the Swedish Agents Directory (http://www.agenturforetagen.se). Examples of intermediaries in the pipes and process equipment industry in Sweden are:
- Armatec Safety - http://www.armatec.com - process equipment, fittings and valves
- Broson - http://www.broson.se - pipes
- Edstrand - http://www.edstrand.se - pipes
- Stålrör - http://www.stalror.se - steel pipes
- Ventim - http://www.ventim.se - pipes, valves and instruments

Some examples of end-users are:
- BML Hydroteknik - http://www.bmlhydro.se - water treatment
- E.On Sverige - http://www.eon.se - gas
- Fortum Power– http://www.fortum.se - gas and electricity
- HOH Vattenteknik - http://www.vattenteknik.se - water treatment
- Lundin Petroleum - http://www.lundin-petroleum.com/eng - oil and gas
- Preem - http://www.preem.se - oil

Price structure
Prices and margins depend on many variables. For one thing, standard products have lower margins compared to 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:
- Swedish Association for pumps - http://www.swepump.org - click on Medlemmar'.
- Swedish Association of Suppliers of Water Treatment Equipment - http://www.varim.se - click on 'Medlemmar'.
- Swedish Association of Valves & Fittings - http://www.branschgrupperna.se/armatur - click on 'Members'.

3 Trade: imports and exports

Imports
In 2006, Sweden was a medium-sized importer of pipes and process equipment, ranking tenth in the EU, behind Austria and Poland, but ahead of the Czech Republic and Denmark. Between 2002 and 2006, total import value increased annually by 8% to €2.9 billion in 2006 (EU: +8%). The product group shares were as follows:
- Pumps: 28% of total imports. Annual increase in import value of 3%.
- Instruments: 21% of total. Annual increase of 10%.
- Pipes and fittings: 20% of total. Annual increase of 12%.
- Process equipment: 14% of total. Annual increase of 8%.
- Valves: 13% of total. Annual increase of 8%.
- Storage equipment: 4% of total. Annual increase of 7%.

Between 2002 and 2006, imports from DCs increased annually by 21% in value. Compared to 2002, the total share of DCs in import value increased from 3% to 4% in 2006. DC shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:
- Valves: growing from 1% to 3% in value.
- Pipes and fittings: growing from 1% to 3%.
- Storage equipment: growing from 2% to 4%.
- Pumps: growing from 2% to 4%.
- Instruments: growing from 2% to 3%.
- Process equipment: growing from 9% to 10%.

China accounted for 30% of all pipes and process equipment imports coming from DCs. The DC that accounted for an equal share was South Africa (30%). South Africa was followed by Thailand (14%), India (13%), Brazil (7%), Turkey (3%), Mexico (1%), Argentina (1%) and Malaysia (1%). The Chinese share of DC exports to Sweden did not grow as fast as in the EU on average (56% compared to 100%). The DCs that saw a larger increase in their share to the country were Brazil and India.

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, Sweden was a medium-sized exporter, ranking tenth in the EU, behind the Czech Republic and Spain, but ahead of Denmark and Hungary. Total export value of Sweden showed an annual increase of 8% in the period 2002-2006, totalling €3.3 billion in 2006. Exports consisted of:
- Pipes and fittings, accounting for 27% of total exports (€883 million). Annual increase in export value of 11%.
- Process equipment, 25% of total exports (€803 million). Annual increase of 7%.
- Pumps, 22% of total exports (€711 million). Annual increase of 6%.
- Instruments, 11% of total exports (€347 million). Annual increase of 8%.
- Valves, 11% of total exports (€343 million). Annual increase of 10%.
- Storage equipment, 5% of total exports (€172 million). Export value remained stable.

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
+ Sweden was the tenth largest importer in the EU in 2006.
+ Total import value of pumps, instruments, pipes and fittings, process equipment, valves and storage equipment increased in the period 2002-2006.
+ Sweden ran trade deficits (more imports than exports) for valves (€25 million), pumps (€102 million) and instruments (€268 million).
± China accounted for 30% of all imports coming from DCs, similar to the EU on average (33%). Furthermore, South Africa also accounted for (30%) of DC imports.
± The Chinese share of DC exports to Sweden did not increase much. Several DCs saw a larger increase in their share.
– In 2006, Sweden was a net-exporter, running trade surpluses for process equipment (€400 million), pipes and fittings (€298 million) and storage equipment (€66 million).
– The import share of DCs increased from 3% to 4% in 2006, far below the EU average (9%).

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 Sweden, you should be aware of the market access requirements of your trading partners and the Swedish 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 Sweden 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 Sweden, visit the following websites:

- Association of Swedish Engineering Industries - http://www.teknikforetagen.se
- Elmia Subcontractor - http://www.elmia.se/subcontractor - trade fair. Held annually (November) in Jonkoping.
- Energi Magasinet - http://www.energimagasinet.com - magazine
- Energi och Miljö - http://www.siki.se/energi-miljo - magazine
- Nordisk Energi - http://www.medact.se/t_energi - magazine
- Ny Teknik - http://www.nyteknik.se - magazine
- Scanautomatic - http://www.scanautomatic.se - trade fair for hydraulics, pneumatics and pumps. Held biennially (uneven years in October) in Gothenburg.
- Scandinavian Journal of Metallurgy - http://www.business-magazines.com
- Swedish Gas Association - http://www.gasforeningen.se
- Swedish Petroleum Institute - http://www.spi.se
- Swedish Steel Association - http://www.jernkontoret.se
- Swedish Water Association - http://www.foreningenvatten.se
- Swedish Water & Wastewater Association – http://www.svensktvatten.se
- VA-mässan – http://www.vamassan.se - trade fair for water and wastewater technology, held annually (September) in Gothenburg.

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