

CBI MARKET SURVEY

THE CASTINGS AND FORGINGS MARKET IN AUSTRIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the castings and forgings market in Austria. The information is complementary to the information provided in the CBI market survey 'The castings and forgings 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**Industrial demand**

Because no demand data for castings and forgings are available, it has been decided, in consultation with industry experts, to focus on two major end user industries in the EU that offer good opportunities for developing country (DC) exporters: the engineering and the construction industry. Since in both industries many cast and forged parts and products are used, the production output of both industries is a good indication for the demand for cast and forged parts in these industries.

Engineering industry

Austrian production in the engineering industry increased 22% in the period 2001-2005, to more than €18 billion in 2005. The Austrian engineering industry ranked seventh in the EU, behind Spain and Sweden, but ahead of the Netherlands and Finland. Of the main castings and forgings consuming engineering categories, "engines and turbines" (+125%), "bearings, gears and other driving elements" (+47%), "pumps and compressors" (40%) and "machine tools" (34%) performed well. The market position of Austria in the EU was especially strong in "machine tools" (7th largest producer) and "electric motors, generators and transformers" (9th with 4% market share). Despite positive global, EU and Austrian economy forecasts for 2007 (+3.3%, +2.0% and +2.4% respectively) and 2008, leading to a good demand for engineering products in the country, it is difficult to predict to what extent the Austrian industry will benefit from this.

Construction industry

After a growth of 7% in the period 2002-2005, the Austrian construction industry amounted to €28.7 billion in 2005. For the period 2005-2008 it is expected that the industry will grow 6.4% to €30.5 billion in 2008. The Austrian construction industry ranked eighth in the EU, behind the Netherlands and Ireland, but ahead of Belgium and Portugal.

Production

The Austrian foundry industry ranked sixth in the EU, behind the UK and Spain, but ahead of Poland and the Czech Republic. Nodular iron castings accounted for 40% of total production, followed by light and ultra light castings (34%) and iron castings (15%). In 2005, the medium-sized production of metal castings totalled 324,400 tons, an increase of 6% compared to 2001. Production of nodular iron grew by 14%, at the cost of iron (-24%).

While in most EU countries the number of employees per foundry has decreased since 2001, the labour force in the Austrian foundries shrank the fastest of all, almost 50%. Especially the number of unskilled workers went down, evidence for the Austrian foundries' strategy towards top quality services. As a result of this strategy, the average turnover per worker increased from €83,000 in 2001 to €130,000 in 2005, which was the third largest after Germany and

France. Unfortunately, data of the Austrian forging production are not available. However, it can be assumed that the Austrian forge industry is small to medium-sized.

Beside a number of large multinational foundry companies such as Voestalpine - <http://www.voestalpine.com> (see textbox) and Dynacast Österreich - <http://www.dynacast.at>, the country also hosts several smaller companies, such as Gottfried Brugger - <http://www.brugger.at>. Two examples of Austrian forges are the forge of multinational Georg Fischer - <http://www.automotive.georgfischer.com> and the high-tech forge of Schoeller-Bleckmann Oilfield Equipment - <http://www.sbo.co.at>.

Voestalpine is a leading European processing group with its own steelmaking facilities and headquarters in Austria. One of its major businesses is in railway systems. The company is market leader in the EU with an annual production capacity of 700,000 tons of rails. As a worldwide trendsetter of innovative rail technology, Voestalpine started to market unwelded long rails in 1990 and sales boomed year after year. With two fully computerized long rail stockyards/loading facilities, the company supplies to customers just-in-time on a 7 days/24 hours base, directly to the job site. The quality testing procedures are also impressive: in a state-of-the-art automated in-line testing centre each rail produced undergoes strict quality testing over its whole length (up to 120 m). Each rail in the production cycle passes through the testing centre at a velocity of 1.5 m/s, which consists of five testing facilities. Read more about it at <http://www.voestalpine.com/schienen/en>, click on "technology and competence", "production", and "Rail Testing Centre".

Trends

A major trend that influences the castings and forgings demand in Austria is the growing number of innovative applications of aluminium and magnesium castings. Other trends are:

- Due to the growing care for the environment, in several industries – for example the power generation industry – the search for energy efficiency and the limitation of CO₂ and NO_x emissions has led and should lead to the increased use of energy-efficient applications such as electric variable speed drives and energy-efficient engines, turbines, motors and generators. As a result, prospects for cast and forged parts in such applications are bright.
- In recent years, a lot of engineering production has been outsourced to low cost countries (LCCs), especially Central and East European (CEE) countries. So far, outsourcing often concerns labour-intensive and series production of standard products and parts that can easily be made in LCCs.

Opportunities and threats

- + Growing engineering and construction markets will lead to an increasing demand for castings and forgings in the next few years.
- Shift of engineering production towards LCCs, which may lead to a deceleration of demand growth for castings and forgings of the Austrian engineering industry.

Useful sources

- Association of Austrian Electrical and Electronics Industries - <http://www.feei.at>
- Association of Austrian Machinery and Metalwork Industries - <http://www.fmml.at>, represents also the forges in the country.
- Association of Austrian Steelwork Industries - <http://www.stahlbauverband.at>
- Austrian Association of Industrial Construction - <http://www.viboe.at>
- Austrian Federal Economic Chamber – Casting Industry - <http://www.diegiesserei.at>

2. Trade: imports and exports

Imports

In 2005, Austria's imports of castings and forgings totalled €8.4 billion (4.5 million tons). The country was a medium-sized importer, ranking eighth in the EU behind Spain, Belgium and the Netherlands, but ahead of Poland, Sweden and the Czech Republic. In line with the market

trend for most of the product groups, total Austrian imports showed a considerable increase in recent years: 30% in value (partly caused by the increasing raw material prices; refer to Section 4) and 9% in volume in the period 2001-2005. The product group shares were as follows: iron and steel products (26%), parts of machinery, railway equipment or vehicles (25%), articles of iron, steel or base metal (23%), plastic and rubber products (12%), light and ultra light products (9%; second strongest growth in the period under review) and copper and zinc products (5%; strongest growth in the period under review).

The DCs' share in imports in 2005 was 3.2%, with Turkey being the most important DC supplier (2%), followed by China, Croatia and Bosnia and Herzegovina. The DCs' share was the largest (5.5%) for copper and zinc products, with Turkey being the largest DC supplier (5%). This was also the product group that showed the best growth of the DC share compared to 2001, together with light and ultra light products, articles of iron, steel or base metal and plastic and rubber products. Among the DCs that saw the largest increase in exports to Austria were Moldova, Oman, Sri Lanka, Brazil, Vietnam and Mexico.

Exports

Total Austrian exports increased both in value (41%) and in volume (23%) in the period 2001-2005. With a total export value of €11.5 billion (7.2 million tons) in 2005, Austria was a medium-sized exporter in the EU, behind the UK, Belgium and the Netherlands, but ahead of Spain, Sweden and the Czech Republic. Unfortunately, the value of re-exports is unknown, as Eurostat does not allow such detailed analysis.

Opportunities and threats

- + Austria was the eighth largest importer of castings and forgings in the EU in 2005
- + Total import value increased in recent years
- + Increasing share of DCs in imports, although it increased at a lower rate than average in the EU.
- ± Low import share for DCs, far below the EU average of 6.7%
- Imports from Turkey and China represented a considerable share of DC imports
- In recent years, a lot of – especially electrical – engineering production has been relocated to LCCs. This trend is expected to continue even more in the future, which may lead to a deceleration of demand growth for castings and forgings in the engineering industry.

Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>
- Trade associations mentioned in Section 1.

3. Trade structure

The most common target groups for DC exporters are Original Equipment Manufacturers (OEMs), subcontractors of OEMs, agents, importers and foundries or forges. Although there are several options, supplying directly to OEMs and subcontractors of OEMs has some advantages and could be one of the most interesting trade channels, because there is a larger chance of a long-lasting relationship. DC exporters should therefore put efforts into building supplier relationships with OEMs and subcontractors of OEMs in the EU. By working together, DC exporters have the best chances in succeeding as they are able to offer more added value products to EU customers. Some examples of (subcontractors to) OEMs in Austria are Hoerbiger (<http://www.hoerbiger.com>; valves) and Liebherr (<http://www.liebherr.com>; construction machinery). Please refer to the CBI market survey covering the EU market for castings and forgings for a detailed explanation on the trade channels in this sector.

4. Prices

One of the major trends that affect the costs and revenues of Austrian castings and forgings production is price pressure, which results in importers/agents and OEMs as well as their suppliers continuing looking for opportunities to reduce cost prices of parts by 10-30%. This may be underlined by the fact that prices in the engineering industry increased only 2.7% in the period 2000-2005. In the meanwhile, the industry had to deal with increasing raw material and energy prices as well as with the fact that Austria is the country with the ninth highest wage costs in the EU metal industry (€22.16 per man-hour in 2005), ahead of France and the UK. Please refer to the CBI market survey covering the EU market for castings and forgings for a detailed explanation on these major trends.

Useful sources

- CAEF Eurofoundry - <http://www.caef-eurofoundry.org>
- European Engineering Industries Association (Orgalime) – <http://www.orgalime.org>
- London Metal Exchange – <http://www.lme.co.uk>

5. Market access requirements

Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. For more information go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>

6. Business practices

The subject of business practices is concerned with finding prospects and with sales promotion tools, like trade press and trade fairs.

Finding prospects

There are many ways to find potential business partners in Austria. Some examples of available sources, beside the ones already mentioned in Section 1:

- Association of Austrian Machinery and Metalwork Industries - <http://www.fmmi.at>
- Direct Industry - <http://www.directindustry.com>
- Europages – <http://www.europages.com>
- Kellysearch - <http://www.kellysearch.com>
- Kompass – <http://www.kompass.com> (mostly fee based, but the free part is useful too)
- Thomas Global Register Europe - <http://www.trem.biz>

For more details about how to search some of these databases, please refer to the CBI Export Manual 'Digging for Gold'. Also refer to CBI's Export Planner (<http://www.cbi.eu>), an export manual that provides information on the different steps to be taken during the export process to the EU market.

Trade magazines

Some relevant Austrian magazines are:

- Machinery and Metalware (metalworking, steel) - <http://www.fmmi.at>
- Metall (metalworking) - <http://www.wirtschaftsverlag.at>
- Technik Report (engineering) - <http://www.technikreport.at>
- MachineMarkt - <http://www.maschinenmarkt.at>

Trade fairs

Visiting and participating in a trade fair abroad can be an efficient tool to communicate with prospective customers. It provides more facilities for bringing across the message than any other trade promotional tool. It can also be an important source of information on market development, production techniques and interesting varieties. VIENNA-TEC (biannually, October, Vienna) - <http://www.vienna-tec.at> is the only relevant trade fair in Austria.

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

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