CBI MARKET SURVEY

THE CASTINGS AND FORGINGS MARKET IN BELGIUM

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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 Belgium. 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

Belgian production in the engineering industry increased 8% in the period 2001-2005, to more than €13 billion in 2005. The Belgian engineering industry ranked tenth in the EU, behind the Netherlands and Finland, but ahead of Poland and Denmark. Of the main castings and forgings consuming engineering categories, "bearings, gears and other driving elements" (+61%), "pumps and compressors" (21%) and "agricultural machinery" (12%) performed well. The market position of Belgium in the EU was especially strong in "machinery for textile, apparel and leather production" (4^{th} largest producer with 6% market share) and "pumps and compressors" (5^{th} with 4% market share). Despite positive global, EU, and Belgian economy forecasts for 2007 (+3.3%, +2.0% and +2.1% respectively) and 2008, leading to a good demand for engineering products in the country, it is difficult to predict to what extent the Belgian manufacturers will benefit from this.

Construction industry

After a growth of 5.4% in the period 2002-2005, the Belgian construction industry amounted to €26.7 billion in 2005. For the period 2005-2008 it is expected that the industry will grow 6.6% to €28.5 billion in 2008. The Belgian construction industry ranked ninth in the EU, behind Ireland and Austria, but ahead of Portugal and Denmark.

Production

Foundry industry

The Belgian foundry industry ranked eleventh in the EU, behind Sweden and Finland, but ahead of the Netherlands and Slovenia. Iron castings accounted for 55% of total production, followed by steel castings (29%) and light and ultra light castings (13%). In 2005, the production of metal castings totalled 142,800 tons with a value of €364 million, which is a decline of 14% compared to 2001. In 2005, the country was home to some 30 large foundries. In the same year, the average turnover per employee amounted to almost €130,000, an amount which is the fourth largest in the EU, behind France and Austria, but ahead of Spain and Finland. Most Belgian foundries add value by offering services to the customer in the area of machining and assembly. Examples of such foundries are Allard Europe - http://www.allard-europe.com, Precimetal - http://www.precimetal.be and Proferro - http://www.proferro.be (see textbox).

Proferro is a member of the Picanol Group, a world leading manufacturer of high-tech weaving machinery. In the nineties – to make full use of its capacity – Proferro also started to supply other companies. Because of its in-house machining and assembly capacities, the company's supplies to external companies now amount to two third of the total turnover.

Furthermore, the country hosts a number of foundries that operate in niche markets. Examples of such foundries are Pedeo - http://www.pedeo.be, which is specialized in zinc die casting, and some foundry activities of Magotteaux International - http://www.magotteaux.com, a company that is specialized in state-of-the-art solutions for crushing and grinding processes and wear mechanisms.

Forge industry

The Belgian forge industry ranked ninth in the EU, behind Poland and Sweden, but ahead of Slovenia and Finland. In 2005, the small production of forgings totalled 32,000 tons, a decrease of -11% compared to 2001. Only the Italian forge industry saw a decrease in production as well.

Trends

A major trend that influences the castings and forgings demand in Belgium 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 CO_2 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, some 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 Belgian engineering industry.

Useful sources

- Association of Producers and Importers of Fluid Power – http://www.fimop.be
- Association of Technology Industries in Belgium – http://www.agoria.be
- Belgian Textile Machinery Association - http://www.symatex.be
- Construction Confederation (CC) - http://www.confederationconstruction.be

2. Trade: imports and exports

Imports

In 2005, Belgium's imports of castings and forgings totalled €13.9 billion (13.8 million tons). The country was a medium-sized importer, ranking sixth in the EU behind the UK, Italy and Spain, but ahead of the Netherlands, Austria and Poland. In the period 2001-2005, total Belgian imports increased 26% in value. Volume growth was larger (30%), implicating that within total imports, the imports of low value products grew relatively fast in the period mentioned. The product group shares were as follows:

- Iron and steel products (41%; strongest growth in the period under review)

- Parts of machinery, railway equipment or vehicles (21%)
- Articles of iron, steel or base metal (16%; second strongest growth in the period under review)
- Plastic and rubber products (13%)
- Light and ultra light products (7%)
- Copper and zinc products (3%)

The DC's share in imports in 2005 was high (8%), with China being the most important DC supplier (2%), followed by India, Brazil, Turkey and South Africa. The DC's share was the largest (13%) for iron and steel products, with India being the largest DC supplier (4%). This was also the product group that showed the best growth of the DC share compared to 2001, followed by articles of iron, steel or base metal. Among the DCs that saw the largest increase in exports to Belgium were Venezuela, Egypt, India, Sri Lanka, Syria and China.

Exports
Total Belgian exports increased both in value (29%) and in volume (11%) in the period 2001-2005. With a total export value of €20.7 billion (19.8 million tons) in 2005, Belgium was a large exporter in the EU, behind Italy, France and the UK, but ahead of the Netherlands, Austria and Spain. Unfortunately, the value of re-exports is unknown, as Eurostat does not allow such detailed analysis.

Opportunities and threats
\+ Belgium was the sixth largest importer of castings and forgings in the EU in 2005
\+ Considerable import share for DCs
\+ Total import value increased in recent years
\+ Share of DCs in total imports increased fast in the period 2001-2005
– Imports from China grew fast and represented a considerable share of DC imports

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 Belgium are Atlas Copco (http://www.atlascopco.com, hydraulic equipment), Gilbos (http://www.gilbos.com; twisting and spinning machinery) and Ipso LSG (http://www.ipso.be; industrial laundry equipment). Another example of a major end user of castings and forgings is Caterpillar (http://www.cat.com). This American company has been operating in Belgium for 40 years and recently invested € 84 million in its production facility near Charleroi. 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 Belgian 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 0.7% 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 Belgium is the country with the fourth highest wage costs in the EU metal industry (€25.64 per man-hour in 2005), which is higher than in other West European countries such as Switzerland, the Netherlands, Sweden and Austria. Belgian producers have tried and will try to translate increasing production costs into surcharges as soon as possible, although success depends on the supplier relation and the kind of product. The larger a supplier or the smaller a customer, the larger the negotiation power of a supplier. Moreover, the less the product is a commodity product, the larger is the negotiation power. 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 Belgium. Some examples of available sources, beside the ones already mentioned in Section 1:
- 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 Belgian magazines are Automation Magazine - http://www.fimop.be/nl/index.htm and Het Ingenieursblad (engineering) - http://www.kviv.be

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. There is one relevant trade fair in Belgium, which is "Subcontracting" (annually, October, Antwerp) - http://www.subcontracting.be.

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