

## CBI MARKET SURVEY

## THE CASTINGS AND FORGINGS MARKET IN IRELAND

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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 Ireland. 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***

Irish production in the engineering industry increased 8% in the period 2001-2005, to more than €4 billion in 2005. The small Irish engineering industry ranked fifteenth in the EU, behind the Czech Republic and Hungary, but ahead of Portugal and Slovakia. Of the main castings and forgings consuming engineering categories, "electric motors generators and transformers" (+67%) and "bearings, gears and other driving elements" (+11%) performed well. The market position of Ireland in the EU was especially strong in "electric motors, generators and transformers" (10<sup>th</sup> with 3.5% market share). Despite positive global, EU, and Irish economy forecasts for 2007 (+3.3%, +2.0% and +5.3% respectively) and 2008, leading to a good demand for engineering products in the country, it is difficult to predict to what extent the Irish manufacturers will benefit from this, as outsourcing and off shoring may increase. One example of a recent move is the Irish Crown facility producing the smaller range of lifting trucks, which closed after production shifted to a new plant in China.

***Construction industry***

After a growth of 21% in the period 2002-2005, the Irish construction industry amounted to €31 billion in 2005. For the period 2005-2008 it is expected that the industry will grow 11% to €34.4 billion in 2008. The medium-sized Irish construction industry ranked seventh in the EU, behind Spain and the Netherlands, but ahead of Austria and Belgium.

**Production**

Unfortunately, data of the Irish foundry and forge production are not available. However, it can be assumed that both industries are small. The output of the Irish foundry industry is most probably comparable to the Danish output, although it may be even smaller than that. There are only a few – most small – foundries in Ireland, such as Atlas Aluminium - <http://www.atlasalu.ie>, which is among the leading aluminium and zinc pressure die casting companies in Europe, and Roscommon Precision Castings (<http://www.iol.ie>).

### Trends

A major trend that influences the castings and forgings demand in Ireland 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<sub>2</sub> and NO<sub>x</sub> 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 mostly 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 by the Irish engineering industry.

### Useful sources

- Building Materials Federation (BMF) – <http://www.ibec.ie/bmf>
- Construction Industry Federation (CIF) - <http://www.cif.ie>
- Electro-Technical Council of Ireland – <http://www.etcie.ie>
- Irish Engineering Enterprises Federation (IEEF) – <http://www.ibec.ie/ieef>
- Irish State Development Agency - <http://www.enterprise-ireland.com>

## 2. Trade: imports and exports

### Imports

In 2005, Ireland's imports of castings and forgings totalled €2.4 billion (1.3 million tons). The country was a small importer, ranking seventeenth in the EU behind Portugal, Finland and Slovakia, but ahead of Greece, Luxembourg and Slovenia. In the period 2001-2005, total Irish imports increased only 6% in value. Volume growth was larger (14%), 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:

- Parts of machinery, railway equipment or vehicles (28%; second strongest growth in the period under review)
- Iron and steel products (21%)
- Articles of iron, steel or base metal (21%; strongest growth in the period under review)
- Plastic and rubber products (14%)
- Light and ultra light products (11%)
- Copper and zinc products (5%)

The DCs' share in imports in 2005 was 5%, with China being the most important DC supplier (2%), followed by Turkey, India and Malaysia. The DCs' share was the largest (8%) for articles of iron, steel or base metal, with China and India being the largest DC suppliers (4% and 3% respectively). This was also the product group that showed the best growth of the DC share compared to 2001, followed by parts of machinery, railway equipment or vehicles. Among the DCs that saw the largest increase in exports to Ireland were Oman, Mexico, Brazil, Sri Lanka, Indonesia and India.

### Exports

Total Irish exports decreased both in value (-10%) and in volume (-39%) in the period 2001-2005. With a total export value of €0.7 billion (200 thousand tons) in 2005, Ireland was a small exporter in the EU, behind Portugal, Slovenia and Greece, but ahead of Estonia, Latvia and Lithuania. Unfortunately, the value of re-exports is unknown, as Eurostat does not allow such detailed analysis.

### Opportunities and threats

- + Reasonable import share for DCs
- + Total import value increased in recent years
- + Increasing share of DCs in total imports, faster than in the EU in average
- Imports from China 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. One example of an OEM in Ireland is Liebherr Container Cranes (<http://www.liebherr.com>). 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 Irish 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%. In the meanwhile, the industry had to deal with increasing raw material and energy prices as well as with the relatively high wage costs in the metal industry (€19.47 per man-hour in 2005), which is higher than in Italy, Eastern Germany and the South European and CEE countries. Irish 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 Ireland. 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 Irish magazine may be:

- Engineering News-Record - <http://www.magazines365.com/journals/engineering-newsrecord>
- Irish Construction Industry Magazine - <http://www.irishconstruction.com>

### 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.

Since there are no relevant trade fairs in Ireland, visiting trade fairs in the UK – such as Subcon (<http://www.subconshow.co.uk>), or the German trade fairs Hannover Messe (subcontracting; <http://www.hannovermesse.de>) Casttec (<http://www.casttec.de>), Euroguss (<http://www.euroguss.de>) or Newcast (<http://www.messe-duesseldorf.de/newcast>) – may be a good option.

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

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