CBI MARKET SURVEY

THE CASTINGS AND FORGINGS MARKET IN SLOVENIA

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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 Slovenia. 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

Slovenian production in the engineering industry increased 34% in the period 2001-2005, to almost €3 billion in 2005. The limited Slovenian engineering industry ranked eighteenth in the EU, behind Portugal and Slovakia, but ahead of Greece and Lithuania. More detailed data will probably become available in the next few years.

Despite positive global, EU, and Slovenian economy forecasts for 2007 (+3.3%, +2.0% and +4% respectively) and 2008, leading to a good demand for engineering products in the country, it is difficult to predict to what extent the Slovenian manufacturers will benefit from this. However, the general opinion is positive, as investments are expected to grow and the Slovenian industry is expected to perform well.

Construction industry

After a growth of 24% in two years, the Slovenian construction industry amounted to €2.0 billion in 2005. The construction industry was among the smallest industries in the EU.

Production

Foundry industry

The small Slovenian foundry industry ranked thirteenth in the EU, behind Belgium and the Netherlands, but ahead of Portugal and Hungary. Iron castings accounted for 46% of total production, followed by light and ultra light castings (18%) and steel and nodular iron castings (both 14%). Up to 90% of production output is exported, the major part to EU countries such as Germany, Italy, and France. In 2004, the small production of metal castings totalled 163,300 tons, an increase of 26% compared to 2001. Main cause was a strong growth in production of nodular iron castings (+120%) and non-ferrous metal castings (62%). In 2004, the country was home to some 40 foundries. Most (18) were iron casters, two producing steel, 10 light alloy casters and four casting copper and other non-ferrous grades. While most employed 10-300 people, two foundries had between 600-1,000 employees:

- Livar - http://www.livar.si comprises 2 foundries in the country

- TCG Unitech LTH - http://www.unitech.at is owned by the Austrian Trident Components Group

Other relatively large foundries are Valji - http://www.valji.si, Impol - http://www.impol.com, a large company that produces aluminium and aluminium-alloy products by casting, rolling, extruding, and drawing; and Metal Ravne - http://www.metalravne.com, part of the Slovenian Steel Industry Group.

In 2004, the average turnover per employee amounted to almost €60,000, an amount which is the eighth largest in the EU, after Finland and Portugal, but ahead of the Czech Republic and Poland. This proves the fact that the general situation in the Slovenian foundry industry is relatively good. All foundries are equipped to a fairly high level of technology, using automated systems and electric melting. There is also a high level of technical knowledge available. However, efficiency does vary from highly efficient automated pressure die casters to iron foundries having wide production programmes that are not prepared for an increase of labour costs and therefore make little profit.

Forge industry

The Slovenian forge industry ranked tenth in the EU, behind Sweden and Belgium, but ahead of Finland and Total Euroforge. In 2005, the production of forgings totalled 23,000 tons, an increase of 9.5% compared to 2001. The largest forge of the country and also one of the largest in the EU is Unior - http://www.unior.com with annual forgings sales in 2004 of almost €40 million and sales offices all around Europe.

Trends

A major trend that influences the castings and forgings demand in Slovenia 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, a lot of engineering production has been shifted from Western Europe to Slovenia. 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 Slovenia, which may lead to a acceleration of demand growth for castings and forgings of the Slovenian engineering industry.

Useful sources

- Chamber of Commerce and Industry of Slovenia - http://www.gzs.si includes many associations such as the Construction and Building Materials Association (CCIS) - http://www.gzs.si/eng/Article.asp?IDpm=496 and the Metal Processing Industry Association.
- Slovenian Trade and Investment Promotion Office (TIPO) - http://www.investslovenia.org
- Toolmakers Cluster of Slovenia - http://www.toolscluster.net

2. Trade: imports and exports

Imports

In 2005, Slovenia's imports of castings and forgings totalled €1.5 billion (1.2 million tons). The country was a small importer, ranking twentieth in the EU behind Ireland, Greece and Luxembourg, but ahead of Lithuania, Estonia and Latvia. In line with the market trend for most of the product groups, total Slovenian imports showed a considerable increase in recent years:

52% in value and 17% in volume in the period 2001-2005. The product group shares were as follows:
- Iron and steel products (41%)
- Articles of iron, steel or base metal (19%)
- Plastic and rubber products (12%)
- Parts of machinery, railway equipment or vehicles (12%)
- Light and ultra light products (11%; strongest growth in the period under review)
- Copper and zinc products (5%)

The DCs' share in imports in 2005 was relatively large (6%) compared to other CEE countries, due to the neighbouring countries Serbia Montenegro (2%; largest supplier), Croatia (2%) and Bosnia and Herzegovina (1%). The DCs' share was the largest (17%) for light and ultra light products, with Serbia Montenegro being the largest DC supplier (15%). This was also the product group that showed the best growth of the DC share compared to 2001. Among the DCs that saw the largest increase in exports to Slovenia were Egypt, Bosnia and Herzegovina, China, Turkey, Serbia Montenegro and India.

Exports

Total Slovenian exports increased both in value (54%) and in volume (42%) in the period 2001-2005. With a total export value of €1.7 billion (800 thousand tons) in 2005, Slovenia was a small exporter in the EU, behind Hungary, Luxembourg and Portugal, but ahead of Greece, Ireland and Estonia. Unfortunately, the value of re-exports is unknown, as Eurostat does not allow such detailed analysis.

Opportunities and threats

+ Reasonable import share for DCs, especially if compared to other CEE countries
+ Total import value increased in recent years
+ Share of DCs in total imports increased faster than in other CEE countries
+ Imports from China represented a small share of DC imports in 2005
– Imports from China grew fast in the period 2001-2005

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 Slovenia are ADK (http://www.adk.si; lifting equipment), Litostroj EI (http://www.litostroj-ei.si mechanical engineering: a.o. cranes, gear drives, die-casting machines etc.), Palfinger (http://www.palfinger.com; cranes and lifting vehicles), SIP (http://www.sip.si; agricultural machinery), Sistemska tehnika (http://www.viator-vektor.com; vehicles), SZ Stroji In Tehnoloska Oprema (http://www.sz-oprema-ravne.si mechanical engineering). 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 EU 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 was also the case in Slovenia, although price pressure was not so fierce compared to most West European countries. This may be underlined by the fact that the average price level of engineering products industry increased more than 13% in the period 2000-2005, compared to an average growth of 6% in the West European countries. As in other EU countries, the industry also had to deal with increasing raw material and energy prices. 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 Slovenia. 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 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. The most relevant trade fair in Slovenia is "Foundry" (annually, April) - http://www.ce-sejem.si.

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