CBI MARKET SURVEY

THE CASTINGS AND FORGINGS MARKET IN SPAIN

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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 Spain. 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
Spanish production in the engineering industry increased 10% in the period 2001-2005, to more than €33 billion in 2005. The Spanish engineering industry ranked fifth in the EU, behind France and the UK, but ahead of Sweden and Austria. Of the main castings and forgings consuming engineering categories, especially "engines and turbines" (+34%), "electric motors, generators and transformers" (+20%) and "agricultural machinery" (+17%) performed well. The market position of Spain in the EU was especially strong in "electric motors, generators and transformers" (2^{nd} largest producer with 11% market share) and "machine tools, woodworking machinery and welding equipment" (4^{th} with 4.6% market share). Despite positive global, EU, and Spanish economy forecasts for 2007 (+3.3%, +2.0% and +2.7% respectively) and 2008, leading to a good demand for engineering products in the country, it is difficult to predict to what extent the Spanish manufacturers will benefit from this. For example, some suggest that Spain is losing productivity and hence there will be weak export growth ahead, although the Euro-area recovery will benefit exporters.

Construction industry
After a growth of 15% in the period 2002-2005, the Spanish construction industry amounted to €161 billion in 2005. For the period 2005-2008 it is expected that the industry will grow 9% to €175.5 billion in 2008. The Spanish construction industry ranked fifth in the EU, behind Italy and France, but ahead of the Netherlands and Ireland.

Major end users
Automotive, including industrial vehicles, accounted for the major share (57%) of domestic foundry production in 2005. Automotive was followed by valves, pumps and fittings (15%), agricultural machinery (4%), construction and cement industry (3%), machine tools (3%), die-making (3%), wind power (3%) and domestic appliances (2%).

Production
The Spanish foundry industry ranked fifth in the EU, behind France and the UK, but ahead of Austria and Poland. Nodular iron castings accounted for 48% of total production, followed by

iron castings (43%) and light and ultra light castings (12%). In 2005, the production of metal castings totalled 1,307,500 tons, an increase of 19% compared to 2001, mainly because of a strong growth in nodular iron production (+57%). In 2005, the country was home to about 100 large ferrous metal foundries, which was the same as in 2001. In the same period, the average turnover per employee increased only 12% to almost €125,000, an amount which is the fifth largest in the EU, behind Germany, France, Austria and Belgium, but ahead of Finland and Portugal.

The Spanish forge industry ranked fourth in the EU, behind Italy and France, but ahead of the UK and the Czech Republic. In 2005, the production of forgings totalled 321,000 tons, an increase of 11% compared to 2001. In combination with a strong growth in the average output per forge, the average output per employee grew to one of the highest in the EU (900 tons annually in 2005), only behind Italy and comparable to Germany.

Among the largest foundries and forges of Spain are:
- Betsaide - http://www.betsaide.com (forge)
- Comforsa - http://www.comforsa.com (forge)
- Fundiciones de Ódena - http://www.funosa.com (foundry)
- Lingotes Especiales - http://www.lingotes.com (both casting and forging activities)
- Microfusion Alfa - http://www.microfusionalfa.com (foundry)
- Saint-Gobain Canalización - http://www.saint-gobain-canalizacion.com comprises both foundry and forge activities
- ULMA Forging - http://www.ulmaforging.com is a manufacturer specialised in forged ASME flanges and fittings for the oil and energy industry.
- Victorio Luzuriaga Usurbil is a forge of Fagor Ederlan - http://www.fagorederlan.es

Trends

Some major trends that influence the castings and forgings demand in Spain are:
- Many industries will benefit from a growing number of innovative applications of aluminium and magnesium castings.
- 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 few engineering operations have 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 of the Spanish engineering industry.

Useful sources

- Association of Electronic Material Manufacturers - http://www.afme.es
- Association of Spanish Construction Contractors - http://www.seopan.es
- Castings Exporters' Association of Spain - http://www.fundigex.es
- National Association of Engineering Goods Manufacturers - http://www.sercobe.es
- Spanish Association of Agricultural Machine Manufacturers - http://www.ansemat.org
- Spanish Association of Manufacturers of Textile Machinery - http://www.amec.es/amtex
- Spanish Federation of the Foundry Associations - http://www.feaf.es
- Spanish Forging Association (SIFE) – http://www.forjas.org
- Spanish Shipbuilders Association - http://www.uninave.es

2. Trade: imports and exports

Imports

In 2005, Spanish imports of castings and forgings totalled €14.0 billion (12.8 million tons). The country was a medium-sized importer, ranking fifth in the EU behind France, the UK and Italy, but ahead of Belgium, the Netherlands and Austria. In line with the market trend for most of the product groups, total Spanish imports showed an increase in recent years: 31% in value (partly caused by the increasing raw material prices; refer to Section 4) and 11% in volume in the period 2001-2005. The product group shares were as follows: iron and steel products (40%), parts of machinery, railway equipment or vehicles (22%), articles of iron, steel or base metal (17%; strongest growth in the period under review), plastic and rubber products (11%) and light, ultra light and copper and zinc products (10%).

The DCs' share in imports in 2005 was large (12%), with China being the most important DC supplier (3%), followed by Turkey, Brazil and India. The DCs' share was the largest (18%) for iron and steel products – with Turkey being the largest DC supplier (5%) – followed by articles of iron, steel or base metal (14%) and light and ultra light products (12%). Articles of iron, steel or base metal showed the best growth of the DC share compared to 2001. Among the DCs that saw the largest increase in exports to Spain were Oman, Syria, Cuba, Ecuador, Colombia and Vietnam.

Exports

Total Spanish exports increased both in value (33%) and in volume (11%) in the period 2001-2005. With a total export value of €11.1 billion (8.1 million tons) in 2005, Spain was a medium-sized exporter in the EU, behind Belgium, the Netherlands and Austria, but ahead of Sweden, the Czech Republic and Poland. Unfortunately, the value of re-exports is unknown, as Eurostat does not allow such detailed analysis.

Opportunities and threats

+ Spain was the fifth largest importer of castings and forgings in the EU in 2005
+ Large import share for DCs
+ Total import value increased in recent years
+ Share of DCs in total imports increased 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. Some examples of (subcontractors to) OEMs in Spain are Holcim (http://www.holcim.es; cement plants), Unidad Hermetica (http://www.electrolux.com; refrigerator compressors), AEG (http://www.lafert.com; electric motors), Conjinetes de Friccion (http://www.nb-cofrisa.com; bearings) and SKF (http://www.skfprodind.skf.es; bearings). 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 Spanish 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 8.6% in the period 2000-2005. In the meanwhile, the industry had to deal with increasing raw material and energy prices, as well as increasing wage costs (amounting to €17.25 per man-hour in 2005, which is comparable to the wages in Eastern Germany, but much higher than the wages in Portugal and CEE countries). 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 Spain. 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 Spanish magazines are Reveista de Metalurgia - http://www.cenim.csic.es and Confemetal (metalworking) - http://www.confemetal.es/principal.htm

Trade fairs

Visiting and participating in a trade fair abroad provides more facilities for bringing across the message than any other trade promotional tool. Relevant trade fairs in Spain are Subcontratación (annually, September, Bilbao) - http://www.feriadebilbao.com and Aluminium / Expomoldes / Fundicion (biannually, June, Zaragoza) - http://www.metalspain.com.

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