The Analysis of Fastener Making Machines Trade of Europe in 2017 and Opportunities for Relevant Suppliers

by Shervin Shahidi Hamedani

Over the last several years, the European machinery industry has faced notable progress and success. This industry is important to the European economy which denotes about 12 percent of the European industry with the total employment about 3 million.

Although the business environment in the industrial machinery market keeps changing, European machinery making entities are exceptionally successful internationally holding a share of 26 percent of the global machinery production, following China with about 38% of global market share. The highly competitive market with complexity of the products and services. China, as the main competitor to Europe, is aggressively penetrating the industry with reasonable pricing and better time to market, while the western manufacturers choose different strategies against them by creating new and creative business models.

This industry in Europe is export oriented while local European manufacturers are highly dependent on their own countries. On average, about 75% of the employees are still originated from homelands and two-thirds of revenues are made outside the home market. The world's largest machinery export regions by sales are Europe (around 60 percent of the revenues are generated in Europe including homeland) followed by North America and China, both with a share of around 10 percent.

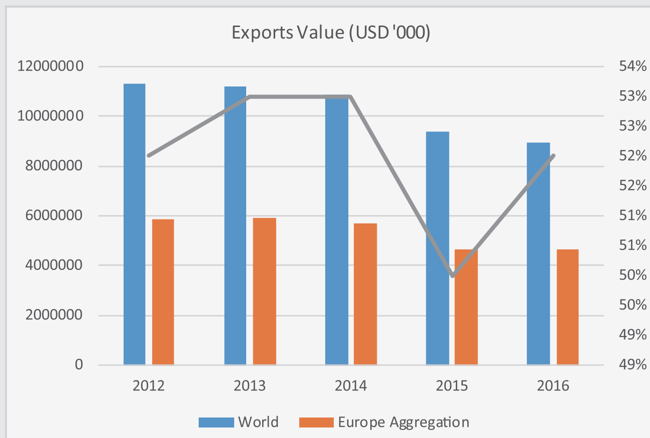
When we look at this statistics regionally, the export share varies broadly between Germany and the rest of Europe. While German entities generate more than 40 percent of their revenues in Germany (followed by more than 20 percent in the rest of Europe, 10 percent in North America, and 8 percent in China), the rest of the participants generate about 80 percent of their revenues outside their respective homelands given their smaller home markets (around 20 percent in homeland, 40 percent in the rest of Europe, 10 percent in North America, 10 percent in China). Only Southern Europe has made a little lower revenues in Europe (around 45 percent in Europe including homeland).

As one of the examples we could particularly focus on machine tool industry such as machinery for working metal by forging, hammering and die stamping in Europe. **The machine tool industry is the most globally competitive sectors in this region. Europe generates more than 30 percent of the global machine tool production and about 50 percent of global exports are from Europe.**

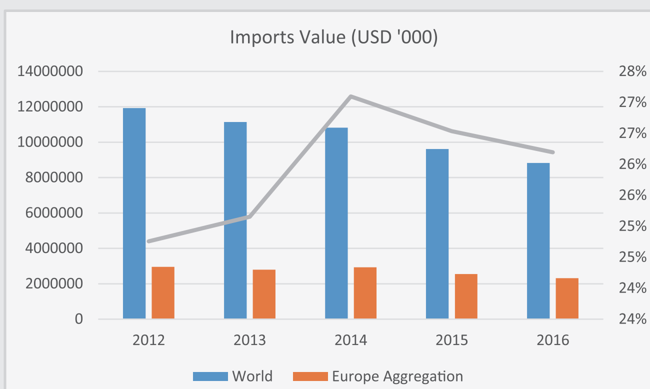
The machine tool industry as a sub-sector of the mechanical engineering industry has a strategic place within the industry as the key enabler of the production of all other industrial equipment and machinery. Machine tools such as fastener making machines are at the source of almost any manufacturing process which contains metal which boosts Europe's ability to build new offered products.

As mentioned earlier, in Europe this industry is an export oriented industry as the majority of the production are exported to overseas markets. One of the main reasons could be that the fast developing markets of those newly industrializing countries still rely on imports from developed countries. For instance, in the fastener market, countries in Asia and South America which have high growth in their industrial outputs obtain the high-tech and productive fastener making machines from Germany, Italy, the UK and other European countries. In some countries their exports account for about 70% to 75% of their total production. That's why European manufacturers grasp a strategic asset needed by each and every industrializing country. Total exports of the European machine tools in general and fastener making machines in particular are poised to rise and develop much further. This would be significantly helpful for the economy of this region and their employment rate.

As one of the good examples of this industry we have studied the trade statistics in machine tools in Europe under HS Code of 8462 which includes presses, for working metal by bending, folding, straightening, flattening, shearing, punching or notching. The following chart shows that more than 50 percent of the total exports in the global market, in terms of the value, belongs to the European machine makers.

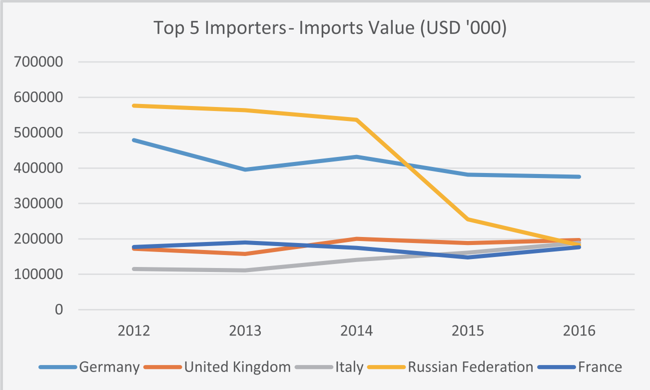


The ratio below shows Europe has only 26% of its import value, which is much less compared to the global value (52%) Besides, the value of imports is a lot lower than the exports value mentioned in the last paragraph. Apparently, the majority of the imports belongs to the intra-EU trade.



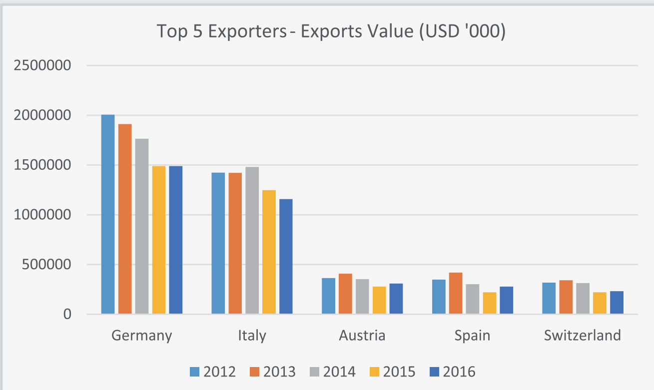
The major importers are shown in the following chart. Although Russia had the highest value of imports few years ago, the recent sanctions drastically brought down this value in the last two years.

The next step is to look into the major exporters in the Europe. When we review the trade statistics of industrial machinery and

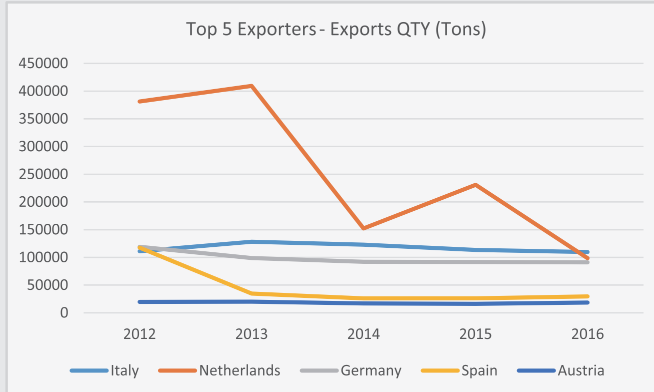


specifically fastener making machines in the last several years, Germany was the market leader and Italy was the second.

Apart from the two leaders, Austria, Spain and Switzerland followed with significantly lower value of exports. This difference is clearly shown in the chart below.



Although the value of exports in Germany was much higher than the other countries, the quantity of exports tells us another different interesting story. The Germany ranked 3rd after Italy and Netherlands, which shows how costly and probably now high-tech their machines are.



In summary, European fastener making machine industry is categorised in the global markets by its capacity to supply high-end advanced machines. More specifically, by implementing industry 4.0 originated from Germany as a driver of innovation in mechatronic with new advanced technologies, this industry is projected to be more profitable in the future in this region. However, Taiwanese rivals are well established in this market and have experienced high level of R&D structures. Moreover, Chinese manufacturers are developing and increasing the quality of their products towards high-tech products.

Sources:

How to succeed: Strategic options for European machinery, McKinsey & Company
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Trade statistics for international business development, ITC Trade MAP