

Data on the Italian Situation in the Industrial Machinery Sector (Capital goods¹)

A. Classification by section (2004)

(First five sections of the sector)

1. <u>Machine tools</u>	Employees	31,300
(www.ucimu.it)	Production (€ m)	4,028
	Export (€ m)	2,077

Italy: number three producer in the world

Of the top 100 European machine tool manufacturers, Comau of Italy ranks first; the second, third and fourth are Trumpf, Iwka and Gildemeister respectively, all German.

2. <u>Textile machinery</u>	Employees	23,700
(www.acimit.it)	Production	2,901
	Export	2,204

The observatory for the Italian textile machinery industry has emphasised that Italian companies in the sector must make a greater effort in product and process innovation if they are to come out of this difficult economic situation.

The preliminary surveys for 2005 show a drop in Italian textile machinery production of 11% (for a value of €2,600 million). But the economic downturn is not limited to Italian companies.

The companies that have resisted the economic downturn best are those geared to growth through innovation and have focused on flexibility and the penetration of new markets. Companies geared to consolidation and to strengthening relations with their clientele through marketing policies have on the other hand been penalised to a greater extent by the economic cycle.

3. <u>Automatic machinery</u>	Employees	16,000
(wrapping and packaging)	Production	2,990
(www.ucima.it)	Export	2,590

4. <u>Machinery for plastics</u>	Employees	12,500
(presses for plastics	Production	3,870
and rubber materials)	Export	2,267
(www.assocomaplast.org)		

The export percentage of the companies in this section ranged between 60 and 90%

5. <u>Woodworking machinery</u>	Employees	12,000
(www.acimall.com)	Production	1,588
	Export	1,318

¹ Italian machinery industry in 2004. *Production*: €21.150 billion; *Exports*: €14.561 billion. *Export propensity* (average for 2004: 68.8%, with a peak of 84.7% for woodworking machines and 85.7% for wrapping and packaging machines).

The *external markets* have contributed to attaining a 5.1% increase, while the *domestic market* (which accounts for a minority share in the outlets for Italian production) registered 15.4% growth after two difficult years. Prospects for the upcoming period call for moderate optimism.

B. First 5 companies for the first 5 sections

(2004 data)

1. Machine tools

COMAU (Grugliasco, Turin)

Production lines for body welding and assembly, robotics

Employees: 13,328

Turnover: 1,716,000,000

SALVAGNINI ITALIA Spa (Sarego, Vicenza)

Tube, bar and section working machines, lasers

Employees: 950

Turnover: 157,000,000

GILDEMEISTER ITALIANA Spa (Brembate Sopra, Bergamo)

Lathes

Employees: 625

Turnover:

MARPOSS Spa (Bentivoglio, Bologna)

Measuring, numeric control, accessories and components, robots and other machines

Employees: 1,015

Turnover: 122,000,000

PRIMA INDUSTRIE Spa (Collegno, Turin)

Sheet and strip working machines, lasers, numeric control, software for machine tools, etc.

Employees: 465

Turnover: 100,043,682

2. Textile machinery

PROMATECH (Group), Colzate, Bergamo

Employees: 766

Turnover: 205.383

(Group Itema Holding: total workforce: 2,193)

SAVIO, Pordenone (Group Itema Holding)

Employees: 480

Turnover: 162.877

LONATI, Brescia

Employees: 1.689

Turnover: 307.972 (thousands of €)

SANTONI, Brescia

SMIT, Schio, Vicenza

MARZOLI, Brescia

Employees: 405

Turnover: 69.926

3. Automatic machinery
(wrapping and packaging)

SACMI (Cooperative Meccanici Imola)

Employees: 3.463

Turnover: 1.062.553

IMA (Industria Macchine automatiche)

Employees: 2.480

Turnover: 363.399

GD

Employees: 1.680

SIDEL

MARCHESINI (Group)

Employees: 744

Turnover: 106.600 (thousands of €)

4. Machinery for plastics
(Presses for plastics and rubber materials)

SIPA (ZOPPAS) Spa (Vittorio Veneto, Treviso)

*Production technology Injection stretch-blowing systems:
from resin pellets to finished bottles; preform injection systems
from resin pellets to preforms;*

Employees: 1.367

Turnover: 83.074

NEGRI BOSSI Spa, Sacmi Group (Cologno Monzese, Milan)

*Injection machines for general use (thermoplastic resins);
Injection machines: multicolour, for overprinting, multi-station, etc.*

Employees: 353

Turnover: 117.803

GEFRAN (Provaglio d'Iseo, Brescia)

Sensors, automation components, system integration, motion control

Employees: 729

Turnover: 100.323 (thousands of €)

BMB (Brescia) Spa
Machinery for pressing plastic products

PIOVAN Spa (Santa Maria di Sala, Venice)
Machines for the injection pressing process and for pressing. Dehumidifiers, crystallisers, thermoregulators, refrigerators

5. Woodworking machinery

SCM Group, (Rimini)
Production of machining and milling centres (CNC)
Employees: 2.834
Turnover: 477.463

BIESSE Group, (Pesaro)
Production of machining and milling centres, machining centres for windows and frames, insulators, beading machines
Employees: 1.322
Turnover: 252.310

FREUD POZZO, (Tavagnacco, Udine)
Woodworking tools

CMS, (Zogno, Bergamo)
Production milling and drilling tools (CNC)
Employees: 341
Turnover: 56.929

MASTERWOOD, (Rimini)
Machining Centres (CNC) for furniture, doors, windows and ladders

C. Relocation

In 2003 and 2004, the *sector restructuring* process continued, with an acceleration of acquisition and investment processes abroad, in particular in Eastern Europe and China.

In Europe (cf. "Mechanical Technologies," July/August 2005), the machine tools division of Walter changed hands (acquired by Schleifring), but Walter itself proceeded to acquisitions in Germany and in Australia. The Emag group gained control of Schwaebische Werkzeugmaschinen and more recently of Koepfer, whilst the Hardinge of the US bolstered its presence in Europe (where it already controls HTT and Kelleberg) by taking over Bridgeport in the UK. In Italy, Emco of Austria has acquired Famup, not counting the recent merger of Fidia and Prima Industrie.

Consequently, venerable names in European machine tools are surviving only as brands, having been absorbed by others. In certain cases, the restructuring/concentration process makes it *difficult to identify the nationality* of the company (multinational groups controlled by specialised sub-holding firms).

In essence, there seems to be a **sharp trend in European industry** characterised by a gradual reduction in the number of small national, family-owned companies in favour of medium-sized companies, often parts of groups, located in several countries.

From the point of view of ownership structures, *the large groups* (Fiat, Citroen, Thyssenkrupp, Ikwa, Koerber, Air Liquide) have not abandoned the sector (machine tools); on the contrary, they have bolstered their presence.

Beside these, there are more and more *medium-sized and small groups*, as well as institutional investors and merchant banks in the sector (in particular in France and the UK).

For the supply of components, there is a growing demand for East European countries, given the lower production costs. A case in point is the acquisition of Fonderia Saturn that makes cast iron foundations in Rumania.

In more general terms, the presence in countries such as China, the United States and Brazil is conditioned by the capacity of having spare-parts warehouses on location, and this entails new investment for connecting the subsidiaries with spare-parts warehouses.

As regards the Machine Tools section in particular, there are no closures of existing plants in Italy. On the country, there have been acquisitions by the Chinese in Europe for particular productions.

D. Prospects

Exports 2003: Italian machinery sales (capital goods) were down by 5% in Western Europe. Exports in Central and Eastern Europe did very well (up 12.7%). More restrained growth in Africa and the Middle East (up 2.2%). Asia registered a drop in Italian machinery exports in 2003 (-1.8%). The figures are very positive for India (up 35.4%), and negative for Korea.

In 2004 China and Korea were down, Japan slightly up, and India registered good results (up 16.6%): The figures for the Americas were negative in 2003 and 2004, with the exception of Argentina (up 64%) and Venezuela (up 70%).

The future of the machinery industry depends on the capacity of maintaining such a technological level as not to be in direct competition with emerging countries (unbeatable on the cost front), but to base our own competitiveness on quality factors.

The areas with the greater prospects for developments are those in emerging countries, and that is where efforts must be concentrated.

Shift of the centre of gravity. *Small* businesses (typical in the Italian industry of capital goods) – which have up to now exalted the positive characteristics of productive flexibility and rapidity of response to changes on the market – are now having a negative effect on the commercial management of **geographically distant** and diversified **markets** (in China and India).

Medium-sized and large have on the other hand started establishing their own subsidiaries in distant country (strategy implemented also by the Germans and the Japanese).

Europe is still moving slowly. The negative and fluctuating course of internal consumption is producing wide variations in turnover every year, with serious uncertainties for company accounts.

This situation is producing **contrasting effects** on the business system in the sector: some companies are registering growth even in this difficult period, but in the medium to long term, they can see their difficulties with the market growing more serious.

A **clustering** process among companies is needed.

Tendency towards **polarisation** of European *Machine tools* companies. A few large groups with a turnover exceeding €1 million, and a myriad of companies below the €100 thousand mark, with a particular concentration below €50 thousand (*small, family-owned companies*).

In Europe, there are two *leading countries*: Germany (bigger companies) and Italy.