

Development of mechanical engineering and metalworking industry in Latvia

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Outline

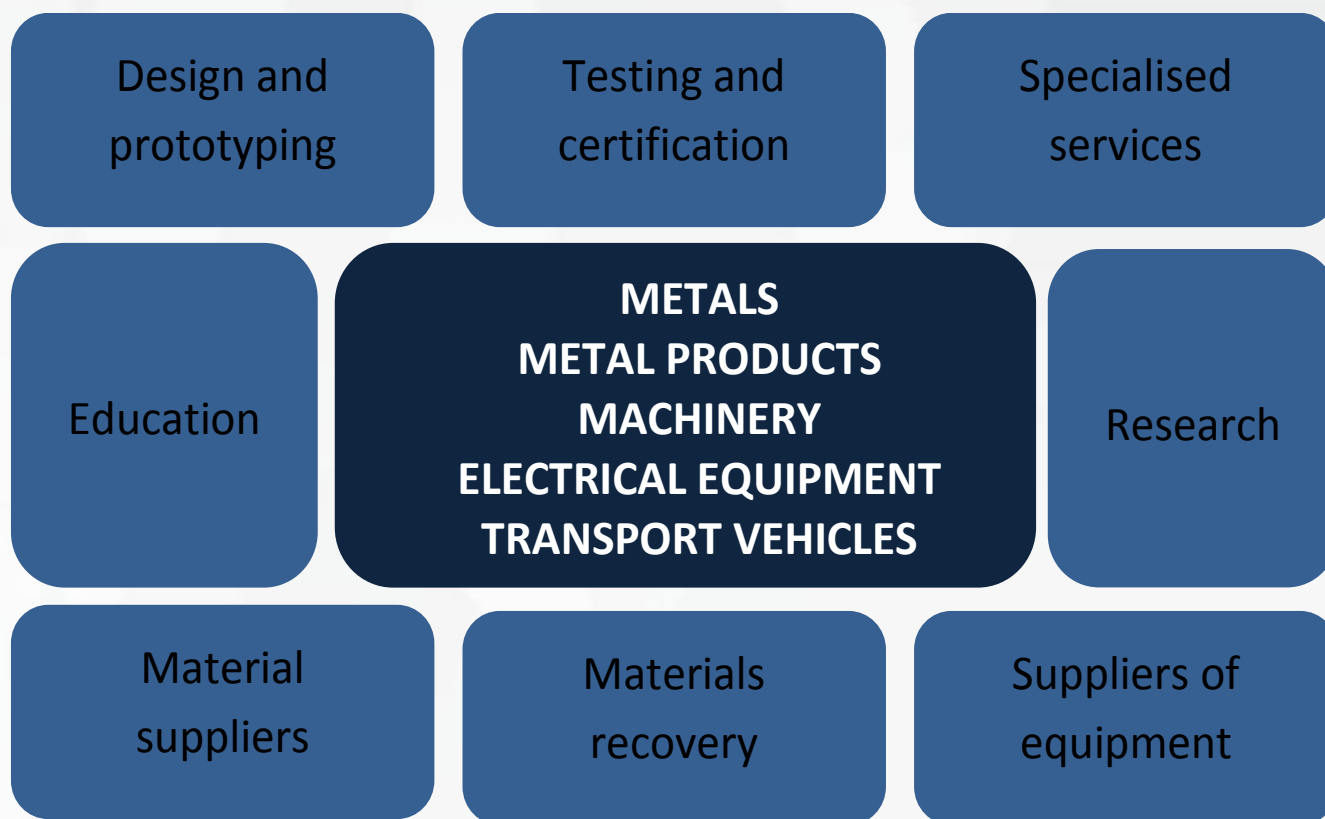
- MASOC – short introduction
- Mechanical Engineering in Latvia
 - Key facts & figures
 - Latest trends
 - Investment
- Trends in Europe
- Current projects of MASOC

MASOC – Association of Mechanical Engineering and Metalworking Industries of Latvia

- Established in 1994 as informative and consultative centre for the specified industrial sector
- Voluntary, membership based organisation
- Unites about 160 leading sector enterprises
- Member companies produce over 70% of the sector's total output, over 50% of sector's employment
- Implements activities typical for trade associations and cluster organisations
- The main goals:
 - **To promote the competitiveness and growth of the sector;**
 - **To promote mutual cooperation**
 - **To promote professional growth of the specialists in the sector**



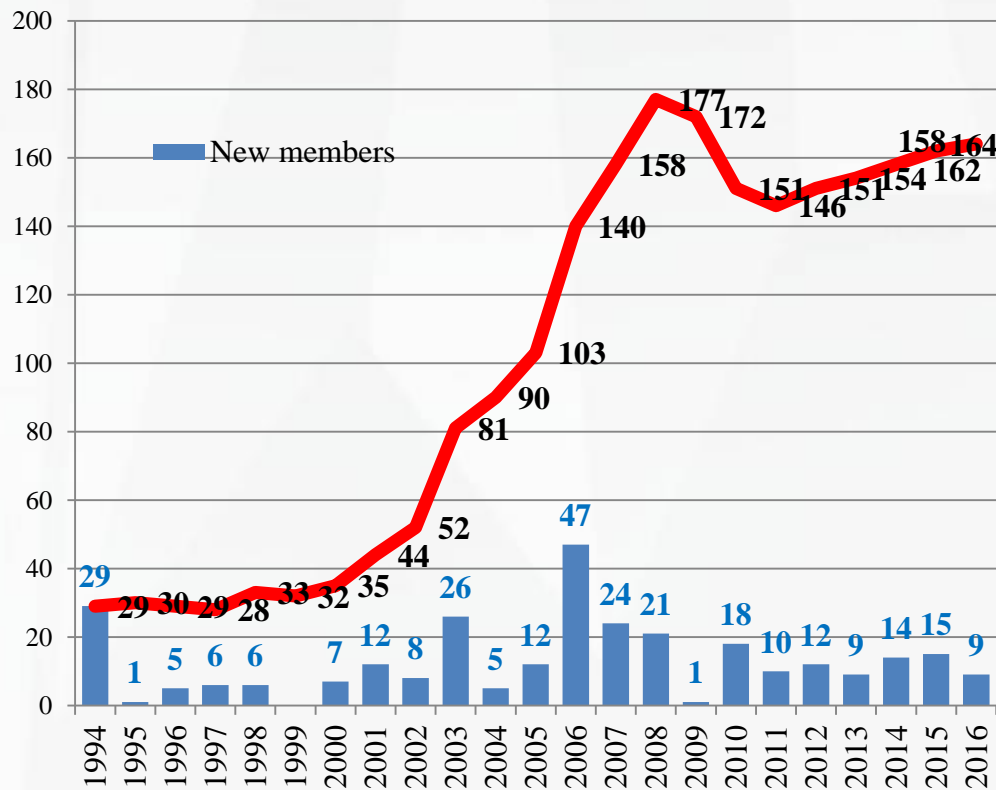
MASOC – members' profile



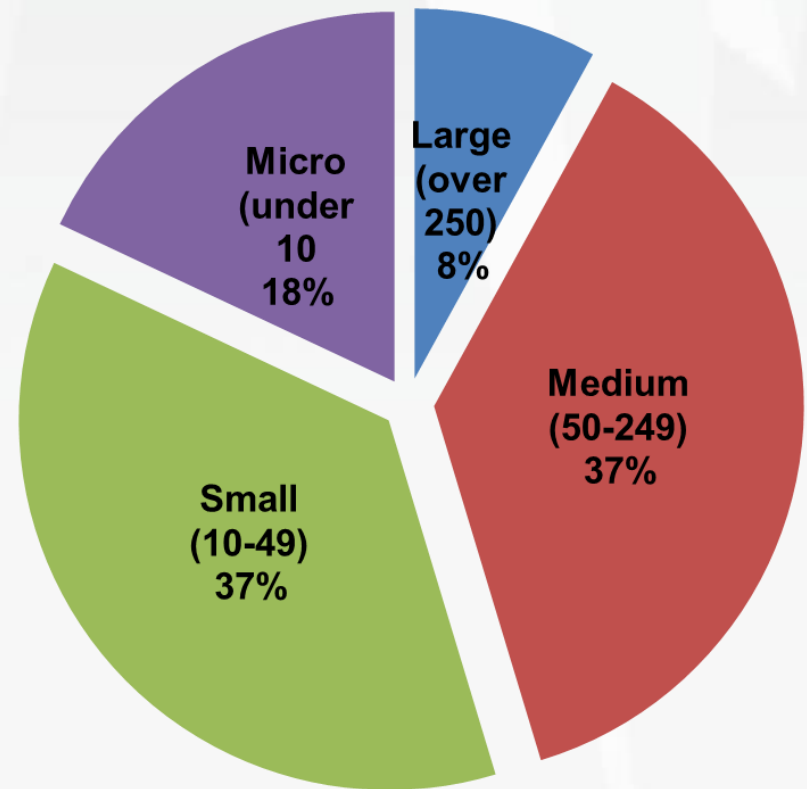
- The core group of companies cover various subsectors of metalworking and engineering (NACE 24, 25, 27, 28, 29 and 30)
- Besides manufacturing companies, related organisations and service providers are included as well, covering the whole value creation chain.

MASOC – member companies

Number of Member Companies



Size of Member Companies (persons employed)



MASOC - main activities



Mechanical engineering and metalworking sector in Latvia

- One of the most significant manufacturing sectors in Latvia:
 - Accounts for more than 17% of the total manufacturing output and value added (2014)
 - Second biggest exporting sector in 2014 (accounts for more than 21% of Latvian exports of goods)
- Exports over 70% of the output to more than 100 countries
- Covers NACE 24, 25, 27, 28, 29, 30



Production of metals (C24)

- Cast iron
- Non-ferrous metals
- Aluminium ingots



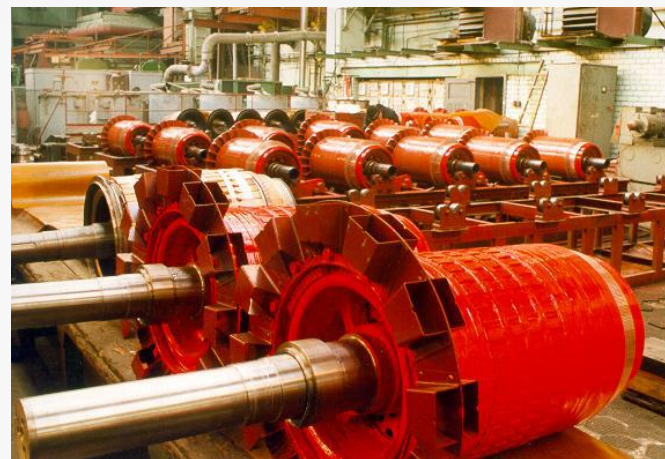
Production of metal products (C25)

- Metal constructions
- Metal processing services / subcontracting
- Various metalware



Production of electrical equipment (C27)

- Electrical engines
- Products for energetics and electrification
- Power generators



Production of machinery (C28)

- Machinery and equipment for all sectors of national economy (ports, woodworking, forestry, energy, food, agriculture, lifting – handling, etc)



Automotive, trailers, semitrailers (C29)

- Parts and components for automotive industry
- Trailers, semitrailers
- Equipment, accessories for trucks and special purpose vehicles

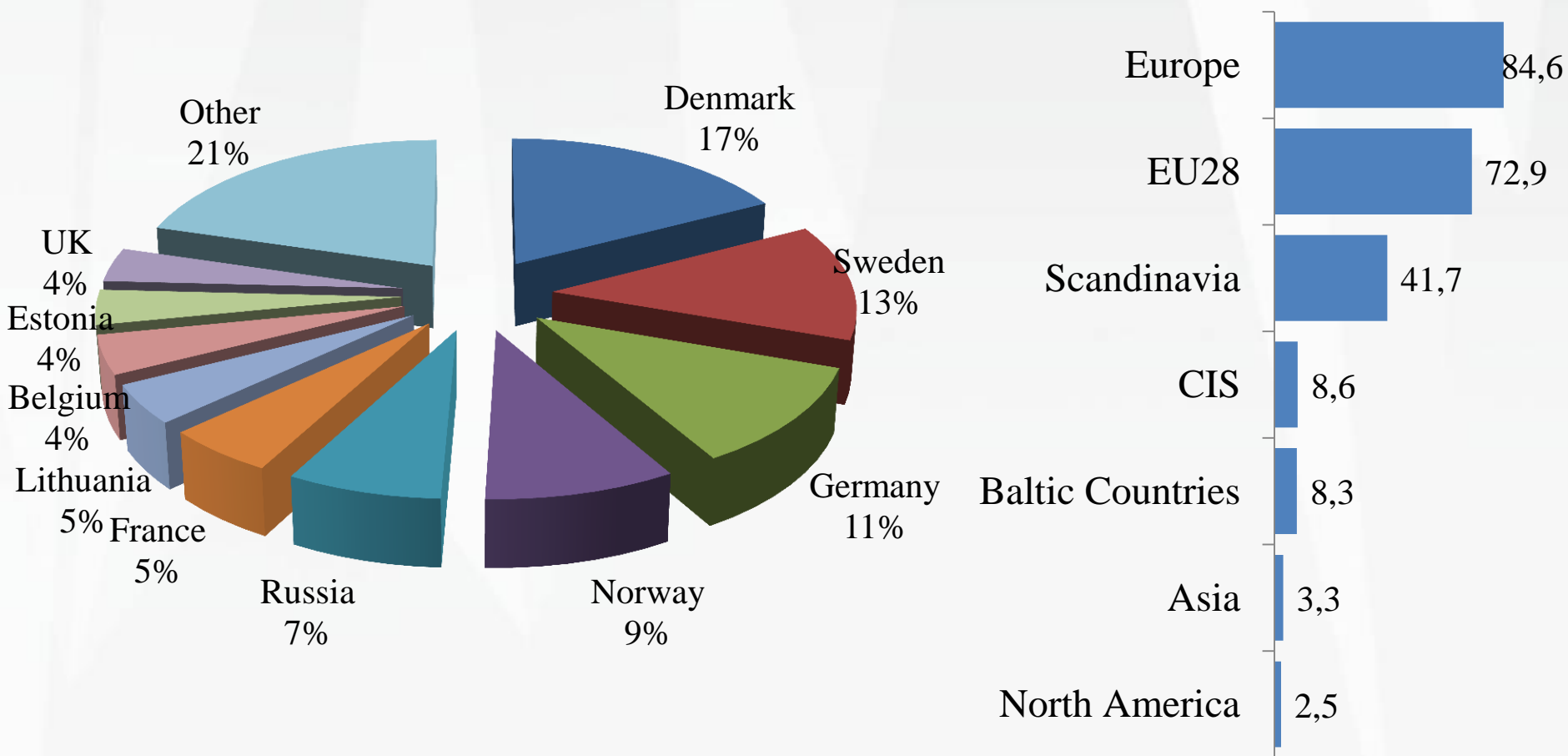


Other transport vehicles (C30)

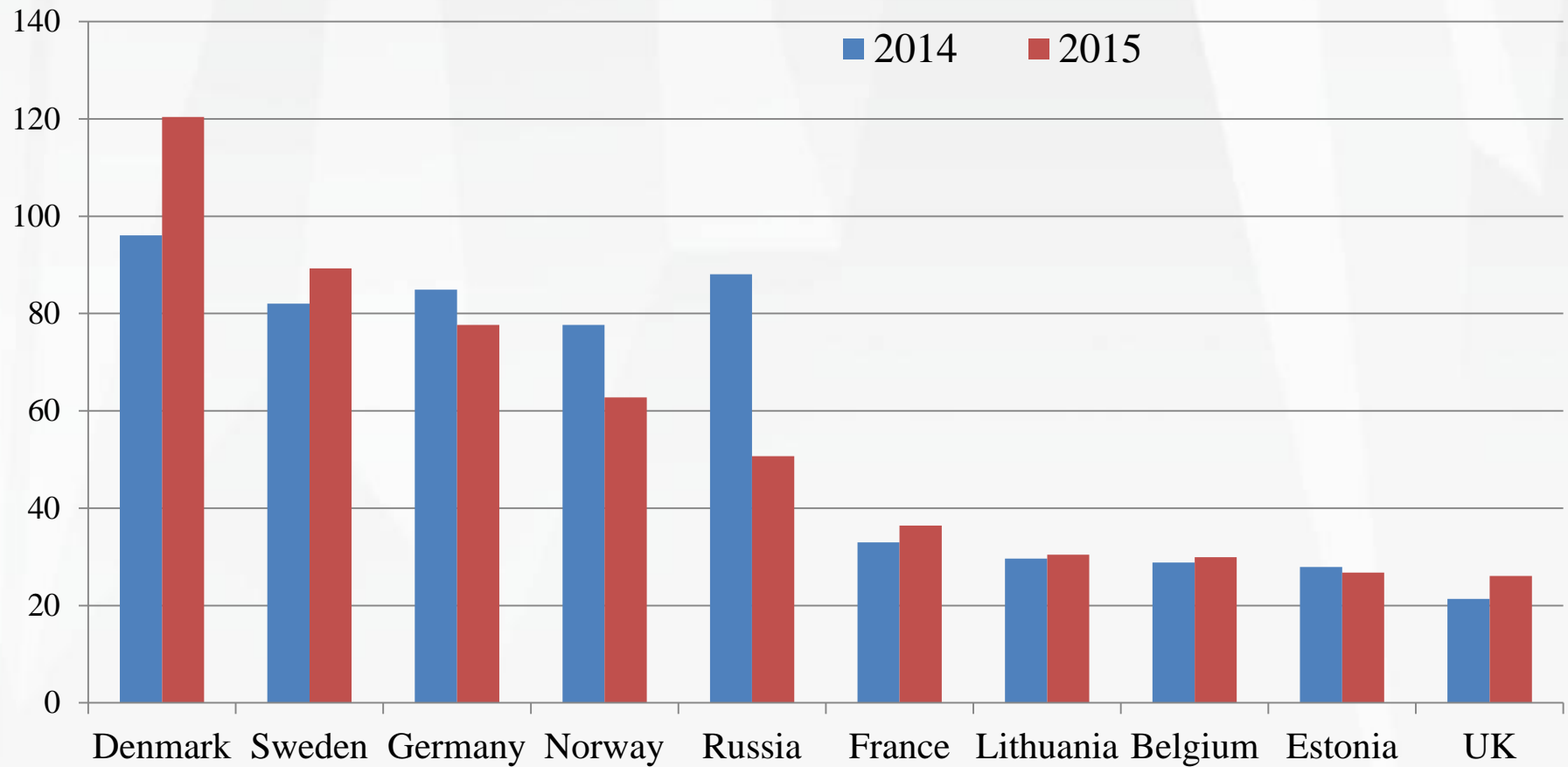
- Shipbuilding and repair
- Production and repair of railway rolling stock



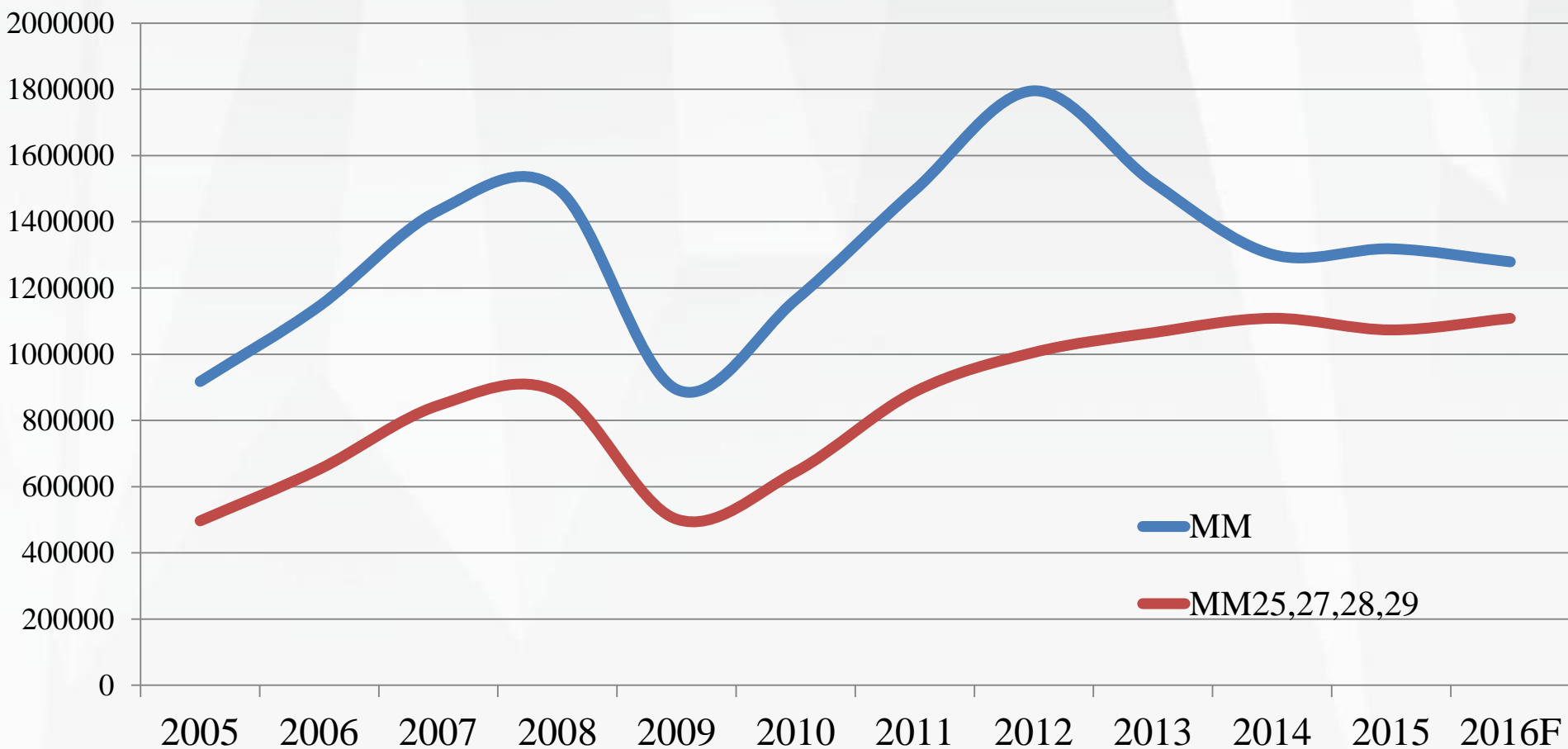
Main export markets – mechanical engineering and metalworking, 2015, % of total exports



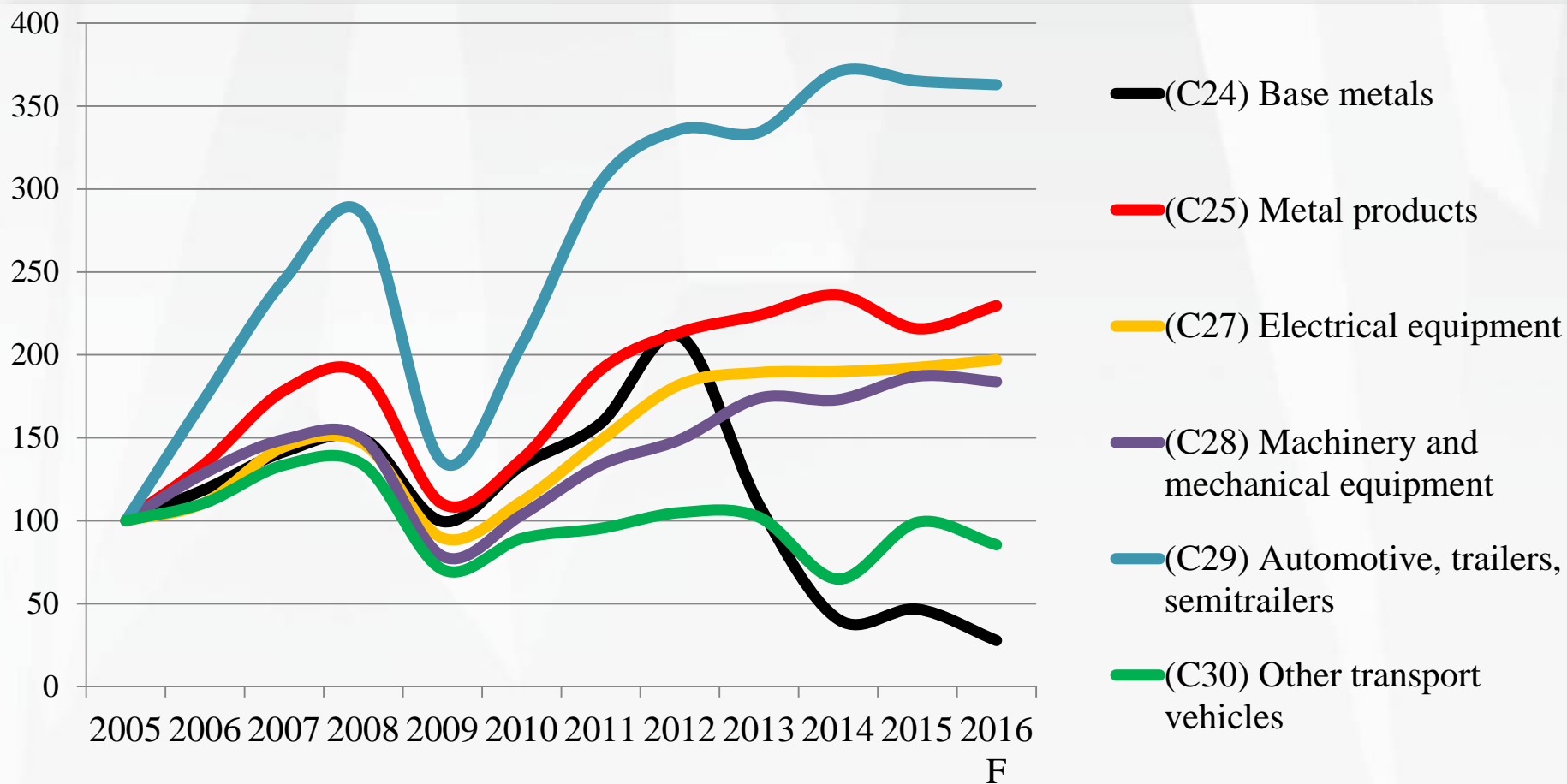
Main export markets 2014 and 2015, M EUR



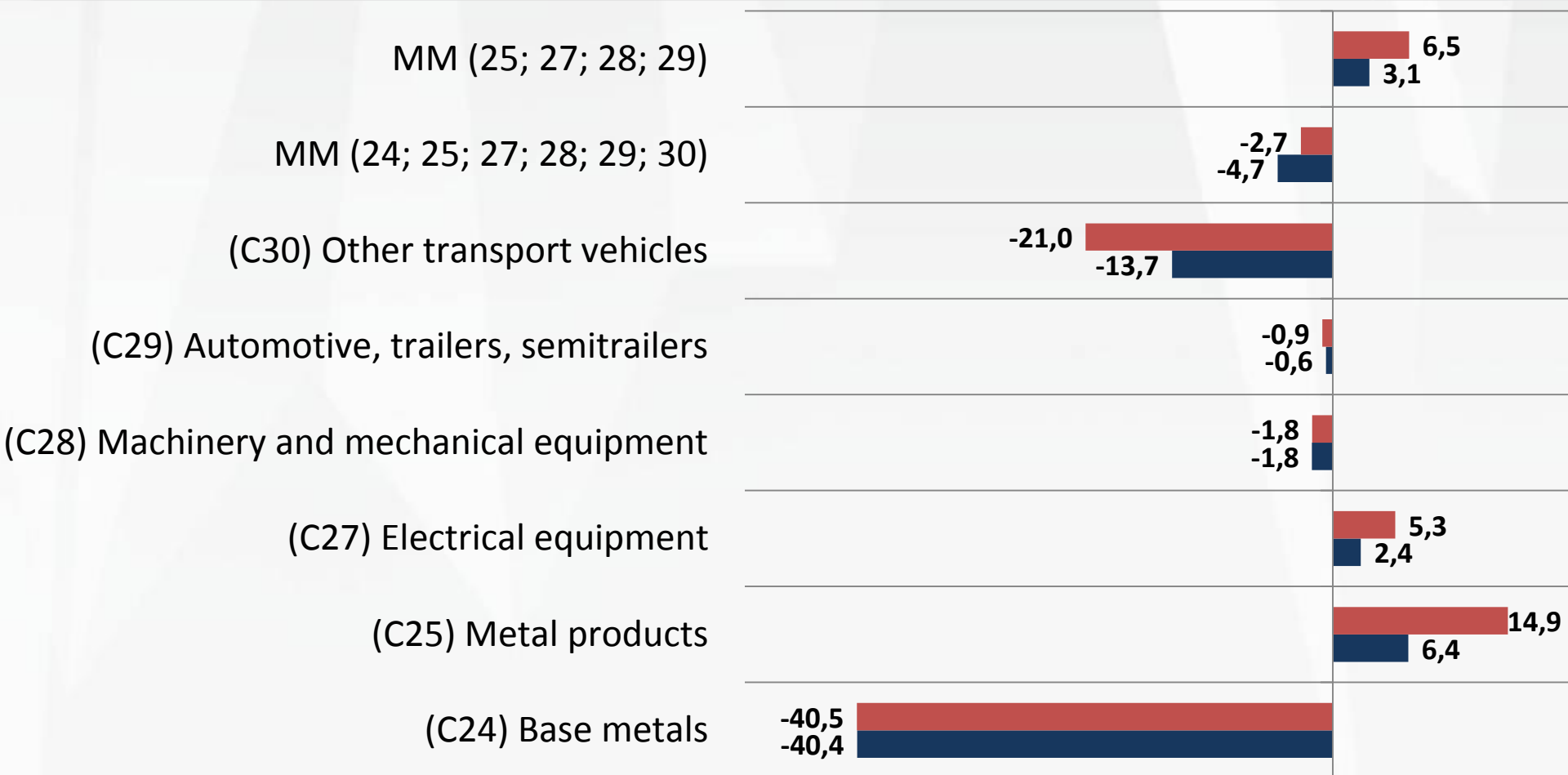
Turnover in MM sector (thsd EUR)



Development of MM subsectors (2005=100%)

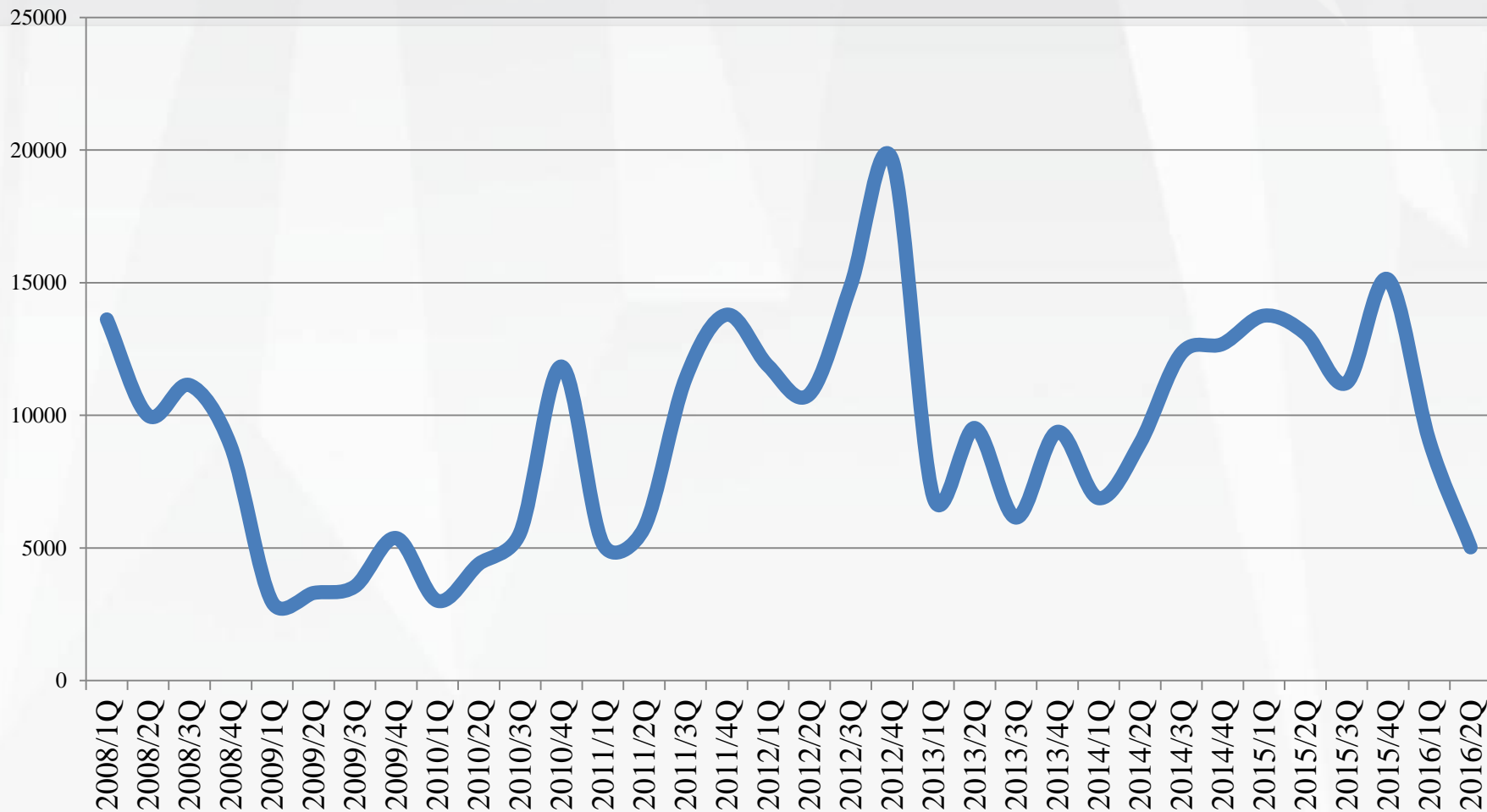


Changes in production and exports (2016 9m, %)



Investment

(NACE 25, 27, 28, 29, thsd. EUR)



Examples of investment – BBC-R



- New factory built in Riga
- Brand – «Baltic Bearing Company»
- Investment ~ 9 million EUR
- New equipment – machining, grinding, assembling and quality inspection
- Producing wide range of bearings (
- 107 employees
- Planning to establish one more production site in Rezekne



Examples of investment – TS Riga



- Part of SEE Group (France)
- Main product – wood chippers
- Existing production extended in Jelgava
- Investment in new premises and equipment – CNC machining, balancing equipment, warehouse system

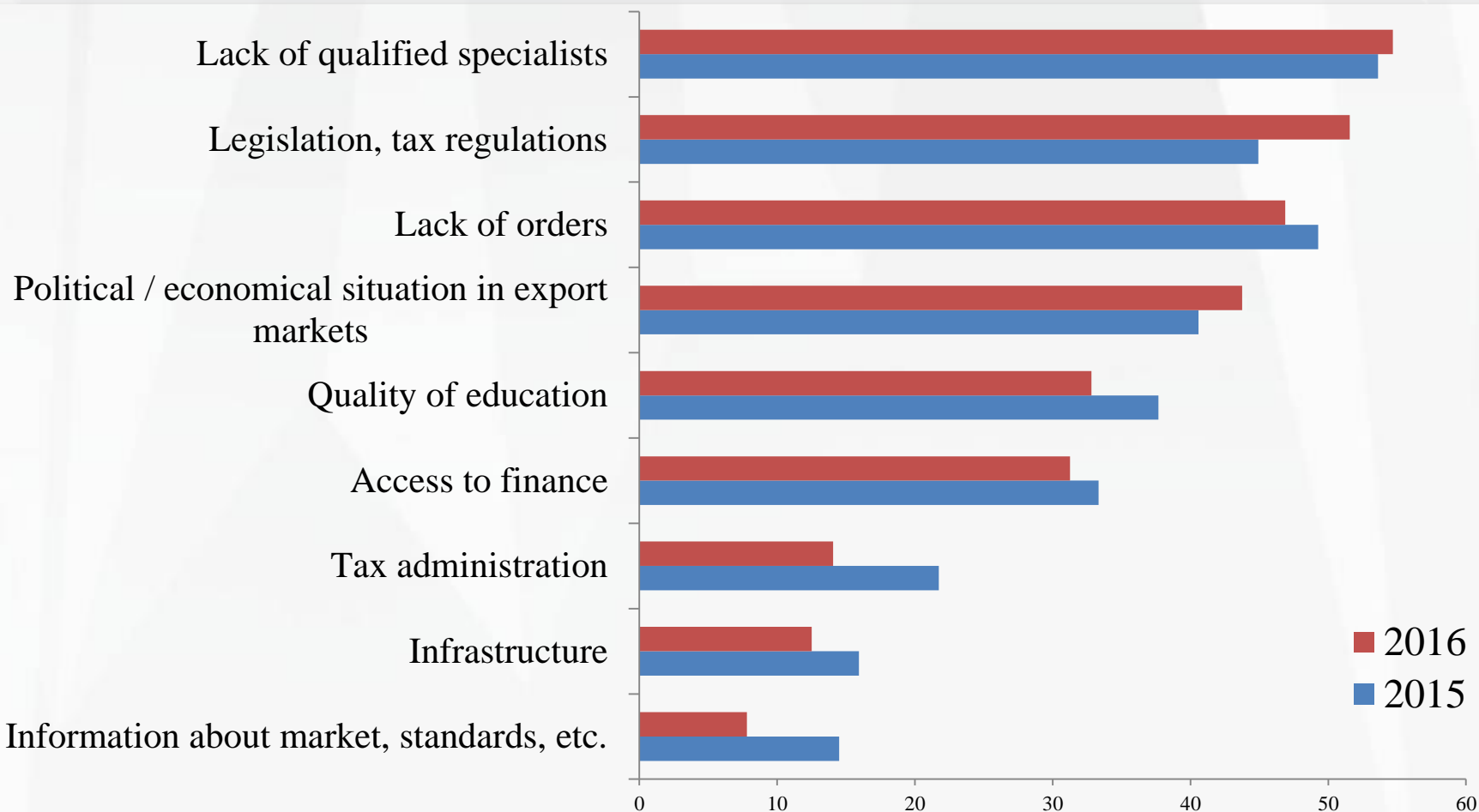


Examples of investment - Keramserviss



- Small family owned company
- Main competence – equipment, materials and solutions for heat treatment processes
- New heat treatment processes introduced for big size components - 6 to 8 ton electrical heat treatment furnace (3000 mm x 6000 mm 3000 (h) mm)

Main challenges (development problems identified by companies, Sector study by MASOC, 2016)



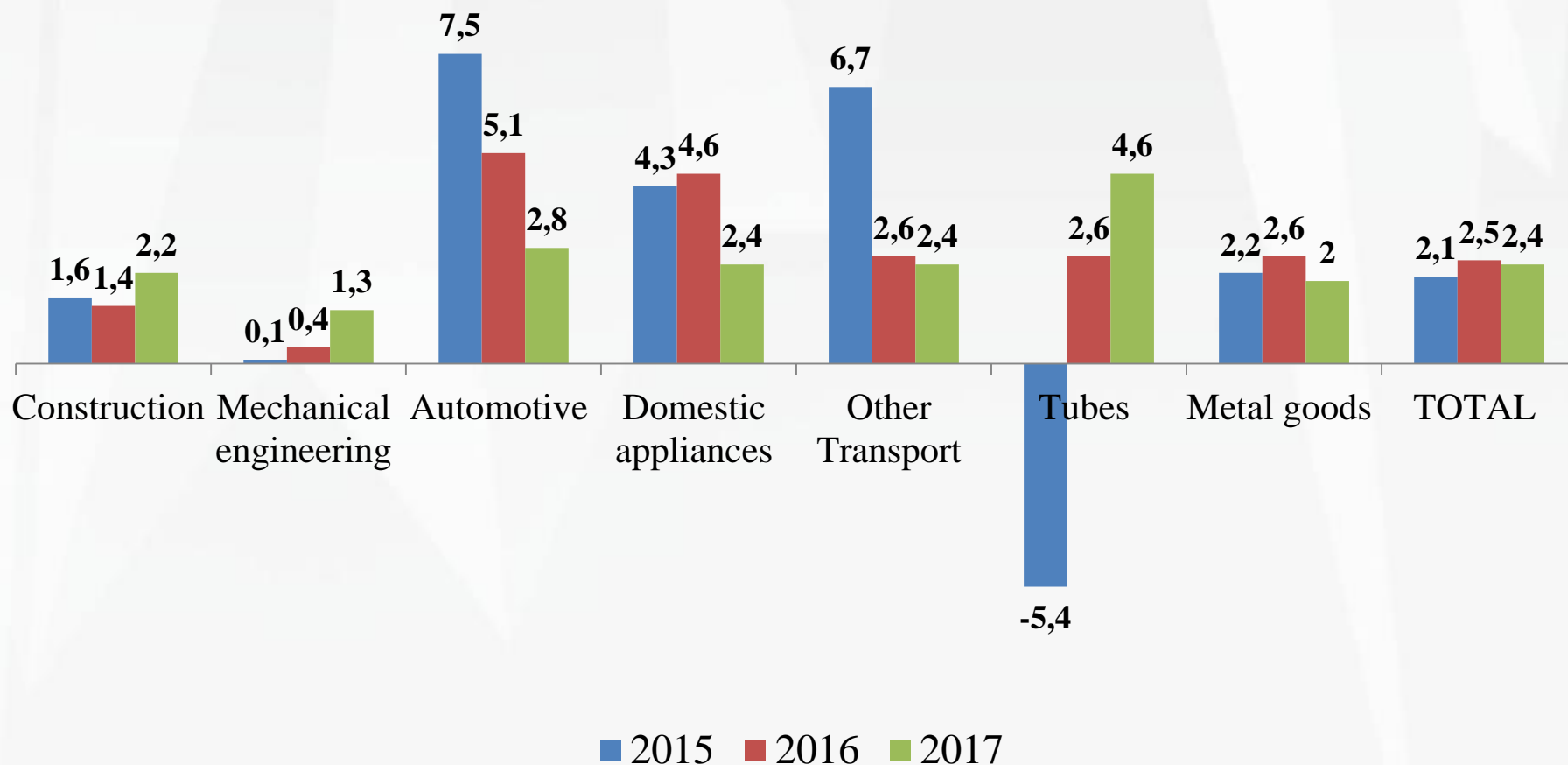
EU macro-economic overview

(y-o-y change in %) EUROFER, October 2016

	2014	2015	2016 F	2017 F
GDP	1,5	1,9	1,8	1,4
Private consumption	1,2	2,0	2,0	1,5
Government consumption	1,1	1,3	1,7	0,9
Investment	2,6	3,1	2,3	2,0
Investment in mach. equip.	2,4	4,8	2,8	2,2
Investment in construction	1,4	2,2	1,6	1,8
Exports	4,1	5,4	3,2	3,4
Imports	4,8	6,0	3,9	3,8
Unemployment rate	10,8	10,0	9,4	9,1
Inflation	0,6	0,1	0,3	1,4
Industrial production	1,4	1,9	1,3	1,5

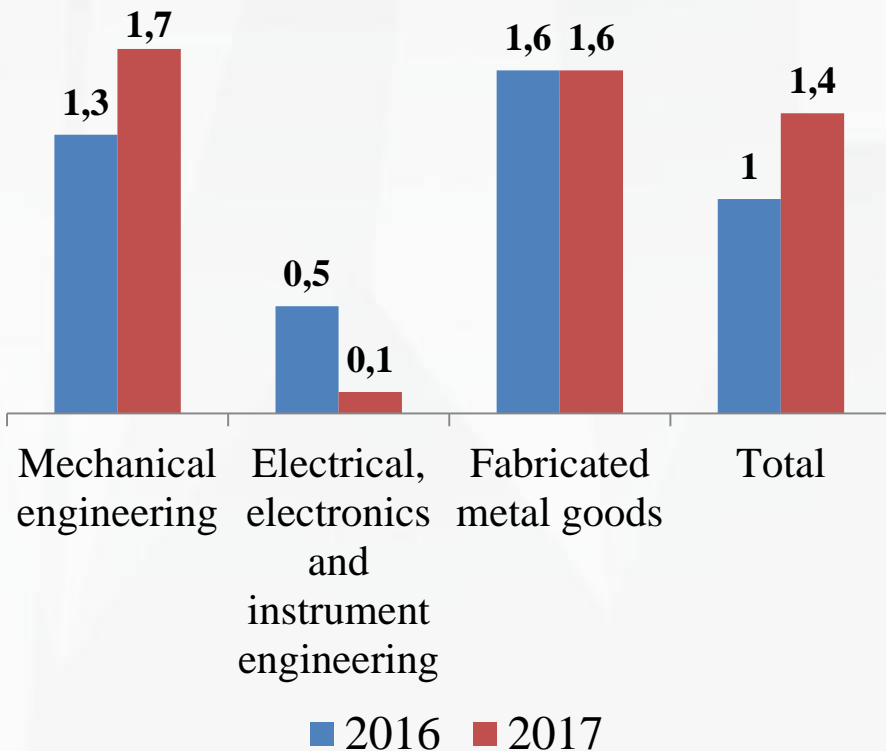
Development of the main steel using sectors – EUROFER forecast October 2016

% change year-on-year in the SWIP (Steel Weighted Industrial
Production)



Outlook by ORGALIME

Annual change in output (current prices) of
European engineering industries
(year-on-year growth in %)



- Slight economical recovery in EU in 2016
- Problems in export markets (China, Russia, Brasil)
- Automotive – the fastest growing segment
- The investment growth of European industry will be positive in 2017
- Main uncertainties – geopolitical risks, BREXIT, trade with USA after the elections

MASOC – key activities and projects

- Tehnobuss
- Training project
- Competence centre project
- Cluster project
- International projects



MASOC activities - TehnoBuss



**Main objective –
To raise interest in technology and
engineering sciences and to attract
young people to choose technical
education**

- Mobile demo laboratory equipped with modern technologies – CNC machines, FESTO automation , 3D printer, multimedia, welding equipment, etc;
- Visiting schools and giving lectures to schoolchildren (mainly 7-9 grade)
- Operating since September 2015
- Project developed in co-operation with Nordmetall, Germany
- Since beginning, more than 100 schools visited, lectures attended by 9000 schoolchildren

MASOC activities - TehnoBuss



MASOC activities – training project

- Project started in 2016
- Similar to previous training project
- Training areas:
 - Production management and engineering
 - Computer science
 - Engineering and technology
 - Manufacturing
 - Environmental protection
- Support intensity:
 - Small enterprises 70%
 - Medium enterprises 60%
 - Large enterprises 50%

MASOC activities – Competence centre project

- Support for development of new products, technologies and industrial research
- Timeframe 2016 – 2018; 3,2 mio EUR
- 15 projects approved and in various stages of implementation
- Projects grouped in three research areas:
 - Engineering/production systems
 - Materials
 - Transport systems

MASOC activities – Cluster project

- Developed and submitted in July 2016
- Waiting for final approval
- Supports joint activities for MASOC companies:
 - Export promotion and marketing
 - Productivity and efficiency
 - HR development
 - Networking and collaboration
- Implementation 2016-2020

MASOC - Association of mechanical engineering and metalworking industries of Latvia

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