MASOC

Insights, perspectives and challenges of mechanical engineering in Latvia

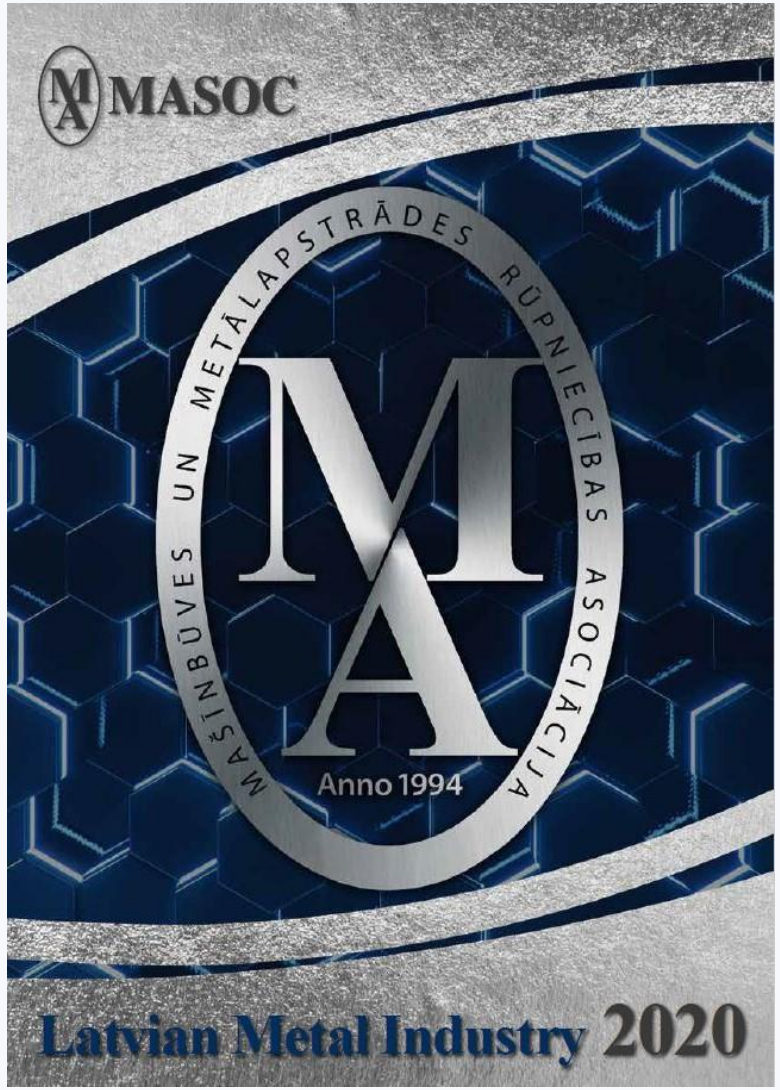
Toms Grinfelds
Chairman of the Board
MASOC

MASOC – basic facts

- Esatblished in 1994
- About 170 members in the network
- Represents and brings together – leading engineering and metalworking companies + related and supporting institutions (material and equipment suppliers; IT; testing and certification; design; research; education and training)
- Activities:
  - Representation of interests
  - Joint projects and activities
    - Human resources / skills / education / training
    - Information and knowledge sharing
    - R&D and innovation
    - Marketing and export promotion
    - Co-operation and networking
- General objective –
  international competitiveness of the member companies and the sector in general

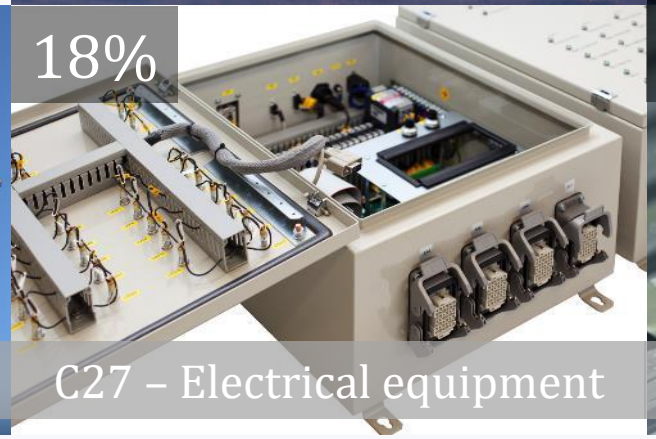
MASOC – what we offer

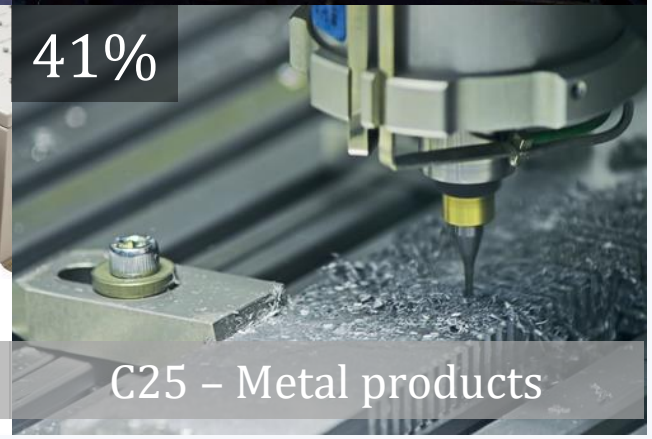
- **Information**
- About the sector and our member companies
- Detailed information about competences and technological capabilities of our members, main sources:
  - Annual catalogue LATVIAN METAL INDUSTRY
  - Online database: https://www.masoc.lv/en/members/member-database#
  - Contact masoc@masoc.lv
- **Assistance in partner search**
  - Suggestion of potential partners according to specific requirements and criteria
  - Channelling RFQ and order requests to our members via MASOC's internal communication platform
  - Organisation of incoming missions and site visits to companies
- **Single contact point**



Metalworking and mechanical engineering sector in Latvia

(structure, % of total turnover, 2019)





MASOC ecosystem – main areas and players within the network

Suppliers of machinery and production equipment

Supporting / related services

- Testing and certification
- Engineering and design services
- IT / digital services
- CAD/CAM

Transport technologies

- Railway technologies
- Unmanned flying vehicles
- Marine

Solutions for construction

- Steel structures
- Infrastructure solutions

Technological components

- Bearings
- Hydraulics
- Gears
- Driving chains

Automation and robotics

Metalworking services / subcontracting

- CNC machining
- Sheet metal processing
- Welded structures
- Surface treatment
- Assemblies

Electrical equipment

- Generators
- Electrical machinery
- Transformers

Automotive

- Parts and components
- Special purpose vehicles
- Auxiliary equipment for trucks

Machinery and equipment for wide range of sectors

- Ports
- Logistics
- Food processing
- Agriculture
- Forestry and woodworking
- Energy
- Non-standard equipment

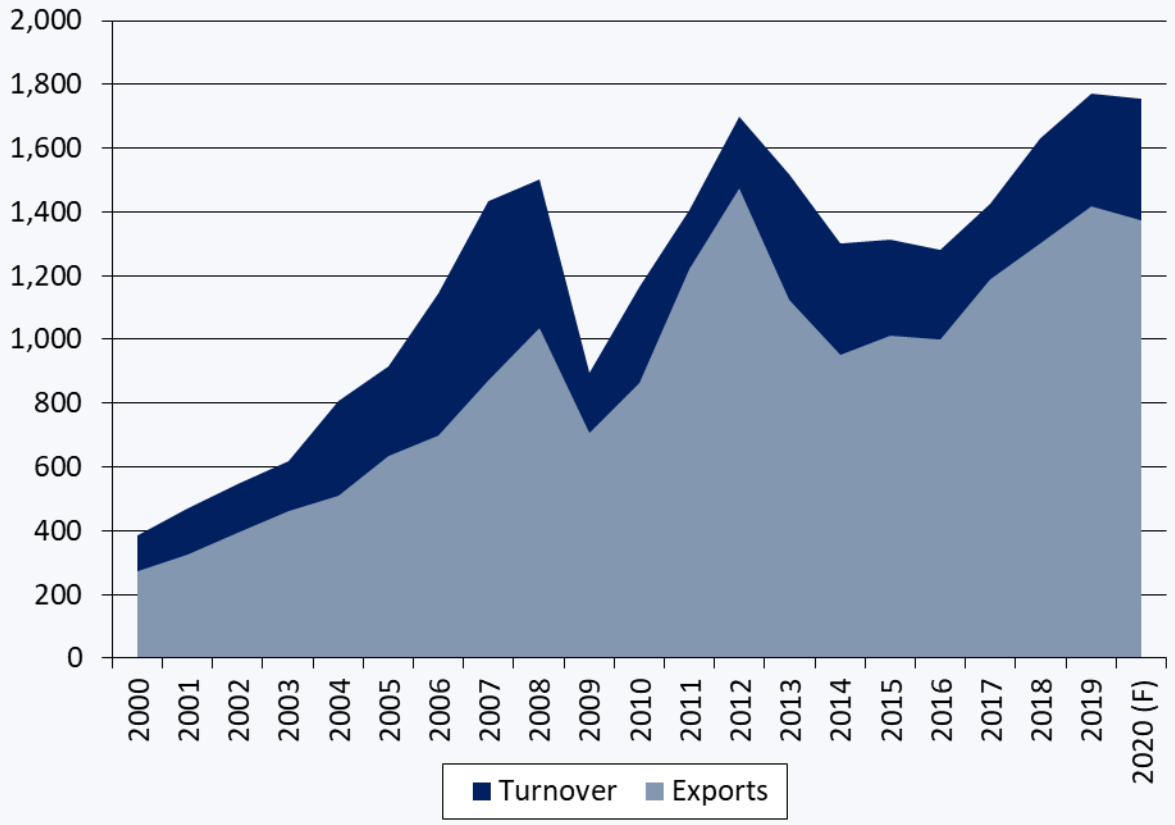
Knowledge providers

- Research institutes
- Universities
- VET schools
- Private training providers

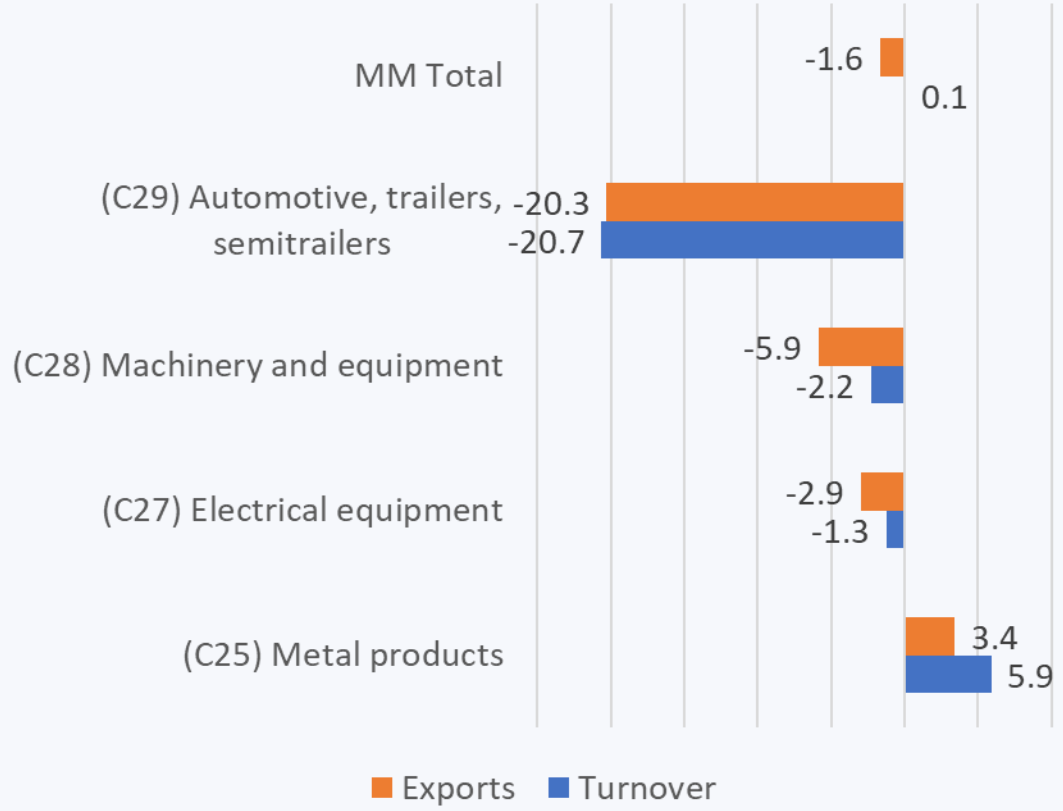
Suppliers of materials

Turnover and exports in the sector

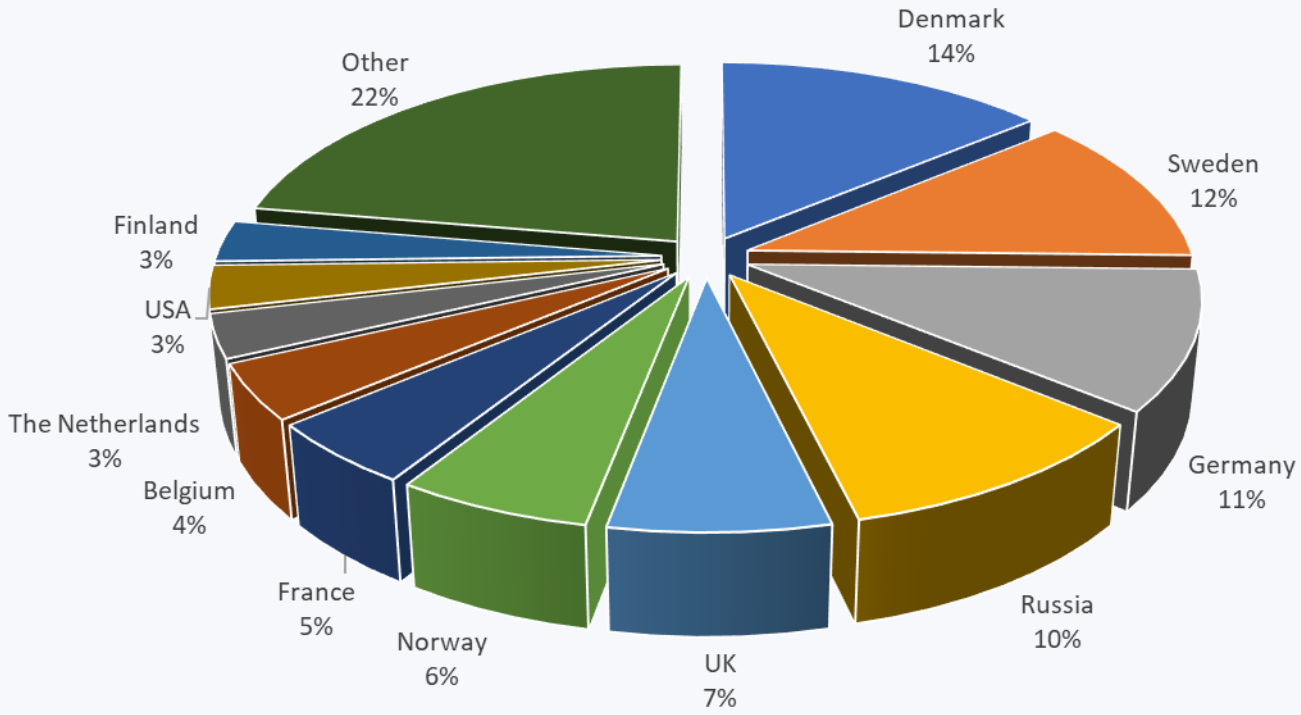
Turnover and exports (million EUR)



Turnover and exports (Changes 9m 2020 / 9m 2019, %)



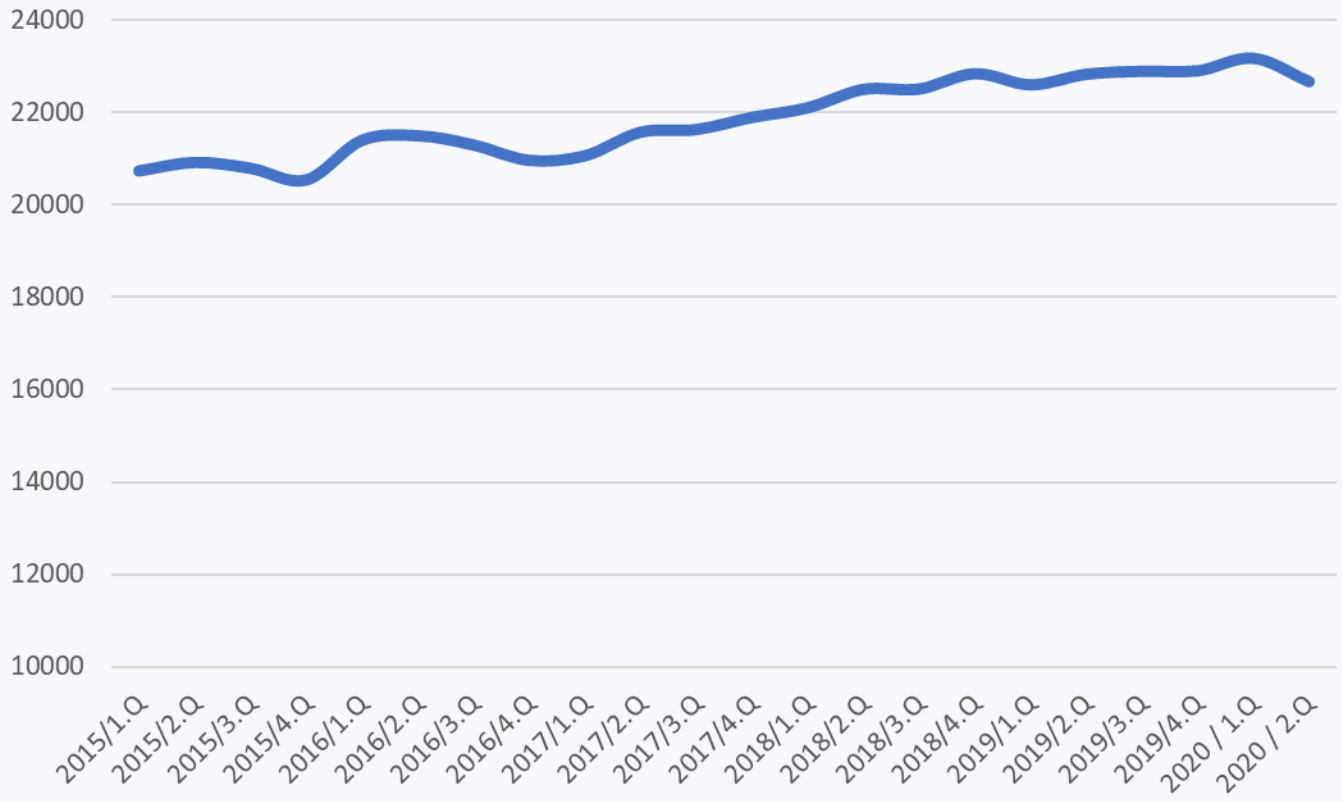
Main export markets – mechanical engineering and metalworking, 2019



About 80% of production is exported to more than 100 countries.
The biggest market - EU

Employment

Number of persons employed,
mechanical engineering and metalworking (C24; 25; 27; 28; 29; 30)



- Decrease in employment -2% in the second quarter of 2020 (2020 Q2 / 2020 Q1)
- Lack of qualified specialists still reamains as key challenge according to MASOC's sector study

Situation in the sector in 2020

JAN – MAR (Q1)

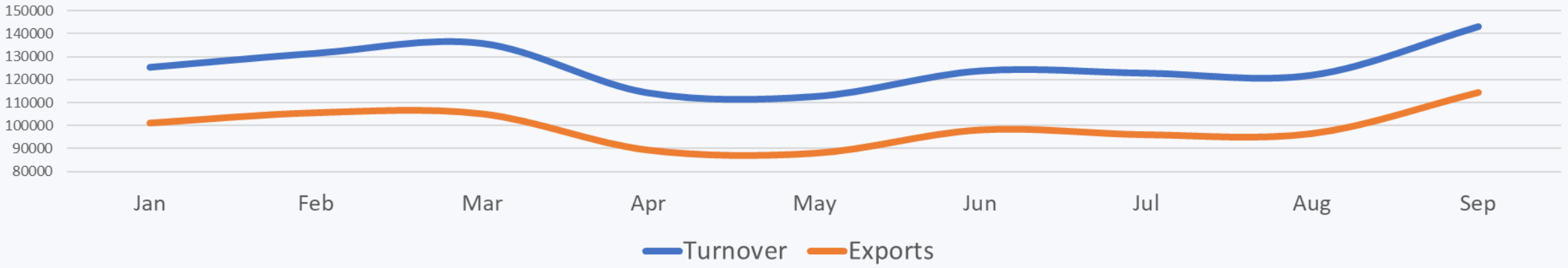
- Q1 2020 turnover +7,88%, export +4,87% compared to Q1 2019
- The positive trend of the last 4 years seemed to continue
- 64% of companies expected growth in turnover in 2020 (MASOC sector study FEB2020)

MAR-MAY (Q2)

- Q2 2020 turnover -8,68%, export -10,46% compared to Q2 2019
- Part of the sector (especially those supplying to automotive) stopped or significantly reduced production
- Problems with supplies both to customers and from suppliers of materials and components
- Most of the companies continue production according to the orders
- General uncertainty how the situation will develop

JUN-SEP (Q3)

- Q3 2020 turnover +1,49%, export +0,91% compared to Q3 2019
- Stabilisation and minor growth resumed
- Most of the companies working normally
- Some uncertainty remains, problems in distant markets where staff needs to be sent



Situation in EU

- So far in 2020 engineering industry in Latvia has performed better than in most EU countries
- EU is the biggest market for Latvian MM industry, so crisis in EU can have a direct negative impact
- De-globalisation and nearshoring trends can have a positive impact on production in Latvia. Increasing focus on security of supply and geographical proximity will bring back some part of production from distant locations.

The coronavirus crisis has hit Europe's technology industries far harder than the 2008/2009 financial crisis, latest figures confirm. Production slumped 19% in the second quarter and is down 13% for the first half of the year as a whole – the biggest decline since the Second World War. Comparing Q2 2020 to Q2 2019, metal technology was down 24.2%, mechanical engineering was down 21%, and in the electrical and electronics sector output fell 14.2%. Looking ahead, Orgalim's economists see no signs yet of a return to sustained growth, with sideways movement expected for the next few quarters and 2021 unlikely to reach the output level of 2019.
Source – ORGALIM, October 2020

Examples of recent investment projects - Caljan

- New production site officially opened in October 2020. Located in Liepaja, territory of the former metallurgical plant «Liepajas metalurgs»
- About EUR 10 million invested in construction and equipment
- Company profile – design and production of telescopic conveyors for logistics sector.
- The new production site will allow to double the production volume – up to 3000 conveyors per year

Examples of recent investment projects - RER

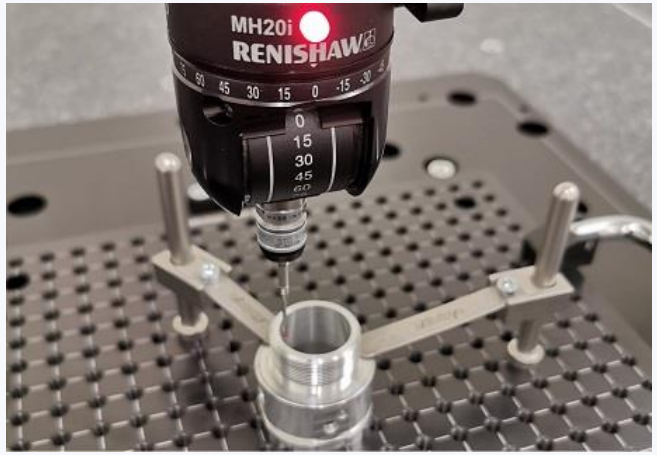
- RER – the biggest company in the Baltic states that produces electric equipment - electric motors, generators, transformators and other production for railway stock, metro, dump trucks and public urban transport.
- In 2020 about EUR 4 million invested in new technologies (CNC machines, laboratory and testing equipment, energy efficiency)
- Turnover expected to increase by 5 million EUR and reach close to 70 million EUR

Examples of recent investment – precision metalworking / CNC machining

METĀLmeistars

- Investment in new equipment:
  - OKUMA 5 Axis Double Column Machining Center (6700*3650*2200mm) OKUMA
  - Fiber laser cutting table with dimensions 6250*2500mm Bystronic

EXIGUM



- New company with about 1,5 million initial investment in production technology (5axis / 3axis CNC milling, CNC turning and advanced measurement and quality assurance)

Examples of investment projects underway

PRECO®
WITH PASSION TO AGRICULTURE

- The biggest producer of grain treatment equipment
- Investment project of about EUR 1,8 million launched
- Setting up of a new automated sheet metal processing line

EMJ
EMJMETĀLS

- One of the fastest growing companies in the sector and biggest sheet metal service centre
- To continue development with investment in new production premises as well as equipment

Building suppliers network in Latvia – PATRIA example

- First meeting with PATRIA representatives in Riga during Tech Industry 2019 exhibition (November 2019)
- Pre-selection of potential suppliers with assistance of MASOC
- Site visits of more than 20 potential suppliers
- Formations of suppliers cluster
- First 5 companies proceeding with contract negotiation and necessary formal requirements
- First contract signed in November 2020, the rest to follow soon
- Production of prototype has been started
- Full scale production expected from March 2021

MASOC

Thanks for your attention!

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