

Capital Goods: Industry, Process & Benchmarking Country Selection

Capital Goods industry is the backbone of manufacturing activity. A vibrant capital goods industry is a pre-requisite to propel the growth of the manufacturing activity in any country.

Segments selected for benchmarking under Capital Goods Sector include **Process Plant Equipment and Electrical Equipment**. Both these segments are important from Indian perspective because of their huge growth potential in both domestic and exports market. Process Plant & Equipment have grown at a CAGR of 24.25% from 2005-10 while Electrical Equipment has shown a CAGR of 21.43%. Together, these two segments contributed to more than 85% of India's Capital Goods sector exports of US\$ 4.5 billion in 2010.² These segments have been the engines of growth of the global capital goods industry as well. They contributed approximately 70% (45% and 25% respectively) in the total world sector export of US\$ 631 billion in 2010.

Countries selected for benchmarking include **China and Italy** for Process Plant Equipment. Both the countries have shown very high growth in exports of Process Plant Equipment and have been major contributors to the world exports with China contributing around 11% and Italy contributing 9% respectively to the world process plant equipment exports of US\$ 156 billion in 2010.

For Electrical Equipment segment, countries selected for benchmarking include **China and Germany**. Both countries have shown very high growth in exports of Electrical equipment and have been major contributors to the world exports, with China contributing 16% and Germany contributing 12.5%, respectively to the world electrical equipment exports of US\$ 287 billion in 2010.

SEGMENTS	India's Exports (US\$ mn.)					
	2005	2006	2007	2008	2009	2010
Electrical Equipment	878	1,488	1,825	2,784	2,339	2,318
Process Plant Equipment	547	791	1,022	1,435	1,379	1,619
Earth Moving, Construction & Mining Machinery	158	115	171	377	513	291
Machine Tools	98	105	139	205	181	178
Textile Machinery	125	107	145	171	111	176

Source: ITC, D&B Analysis

² International Trade Centre Trade Statistics, D&B Analysis

Segments	Total World Exports (US\$ mn.)	CAGR of Indian Segment exports (2005-10)	Percentage Contribution to India's total Capital Goods Exports	India's Export as % of World's Segment Exports
Electrical Equipment	2,87,385	21.43%	50.59%	0.81%
Process Plant Equipment	1,56,815	24.25%	35.33%	1.03%
Earth Moving, Construction & Mining Machinery	94,962	12.98%	6.35%	0.31%
Machine Tools	59,302	12.71%	3.89%	0.30%
Textile Machinery	32,844	7.01%	3.84%	0.54%

Source: ITC, D&B Analysis

World Export Scenario for the selected segments

Electrical Equipment						
Country	Exports data for Electrical Equipment segment		Exports data for Capital Goods sector	Electrical Equipment as % of country's Capital Goods Exports	Countries Electrical Equipment exports as % of world segment exports	CAGR of exports (2005-10)
	US \$ millions					
	2005	2010	2010			
China	19,744	46,310	87,394	52.99%	16.11%	18.59%
Germany	21,782	35,856	87,084	41.17%	12.48%	10.48%
Hong Kong	17,335	24,068	26,645	90.33%	8.37%	6.78%
Malaysia	2,119	3,804	5,289	71.92%	1.32%	12.41%
Republic of Korea	3,388	7,495	22,615	33.14%	2.61%	17.21%
Japan	17,137	23,599	56,862	41.50%	8.21%	6.61%
United States of America	17,163	23,494	55,758	42.14%	8.18%	6.48%
Singapore	5,413	7,358	10,852	67.80%	2.56%	6.33%
Thailand	2,280	3,875	8,636	44.87%	1.35%	11.19%
Taiwan	3,736	5,513	11,737	46.98%	1.92%	8.09%
Netherlands	3,050	4,796	13,115	36.57%	1.67%	9.47%
France	8,394	10,655	22,782	46.77%	3.71%	4.89%
Italy	6,560	9,160	36,622	25.01%	3.19%	6.90%
Belgium	1,842	2,606	10,710	24.34%	0.91%	7.19%
Mexico	9,443	8,975	17,349	51.73%	3.12%	-1.01%
United Kingdom	6,044	6,064	14,881	40.75%	2.11%	0.06%
Canada	2,071	2,311	7,374	31.33%	0.80%	2.22%

Source: ITC, D&B Analysis



Process Plant Equipment						
Country	Exports data for Process Plant Equipment segment		Exports data for Capital Goods sector	Process Plant Equipment as % of country's Capital Goods Exports	Countries Process Plant Equipment exports as % of world segment exports	CAGR of exports (2005-10)
	US \$ millions					
	2005	2010	2010			
China	4,623	16,957	87,394	19.40%	10.8%	29.68%
Italy	11,345	14,358	36,622	39.21%	9.2%	4.82%
Mexico	2,330	6,178	17,349	35.61%	3.9%	21.53%
Thailand	685	2,517	8,636	29.15%	1.6%	29.72%
United States of America	11,487	15,478	55,758	27.76%	9.9%	6.14%
Republic of Korea	3,435	6,375	22,615	28.19%	4.1%	13.17%
Germany	7,677	12,974	87,084	15%	8.3%	11.06%
Netherlands	2,984	4,267	13,115	32.53%	2.7%	7.41%
Canada	2,224	2,628	7,374	35.63%	1.7%	3.39%
France	6,297	6,575	22,782	28.86%	4.2%	0.87%
Belgium	2,600	3,088	10,710	28.84%	2.0%	3.50%
Japan	7,081	8,488	56,862	14.93%	5.4%	3.69%
Singapore	657	1,442	10,852	13.29%	0.9%	17.03%
Malaysia	427	771	5,289	14.57%	0.5%	12.51%
United Kingdom	3,594	3,601	14,881	24.20%	2.3%	0.04%
Taiwan	879	1,289	11,737	10.98%	0.8%	7.96%
Hong Kong	414	466	26,645	1.75%	0.3%	2.37%

Source: ITC, D&B Analysis