

Metal processing industry

An untapped business opportunity

of Eastern Serbia



EASTERN SERBIA



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Regionalna agencija za razvoj istočne Srbije
Regional Development Agency Eastern Serbia

Metal processing industry – real opportunities for profitable investment in Serbia

The metal-processing industry is one of the leading branches of the Serbian economy. It reached its economic and technological peak at the end of the 20th century, before slowing down and eventually stagnating. Numerous facilities, good tradition of production and the school system remained after that period of time and provide for unique brownfield investment opportunities.

Today, there are about 5,000 active business companies in the metal processing sector. It is 5.5% of the total number of Serbian companies. Nearly 11% of the total number of the Serbian employees are engaged in this sector. Metallurgical and Mining Industries involve a total number of 736 companies that engage 24,542 employees.

The metal processing industry is mainly located in the Lower Danube regions. Eastern Serbia is one of them. Manufacturing, especially processing of aluminum and copper, and the production of final products made of these metals are significant competitive advantages of Serbia. The installed processing capacities significantly exceed the domestic raw material inputs. These facilities are used for processing of significant amounts of foreign raw materials.

Metal processing industry products are the most exported to the markets of Austria, Germany, Italy, Bulgaria, Romania, Netherlands, etc.

Industrial output is given in the following table:

Indices of industrial production, by purpose, sectors and areas (2010=100)													
Republika of Serbia													
	2013					2014							
	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII
Industry – TOTAL	105,8	114,2	120,6	114,1	109,7	92,3	93,8	106,7	103,2	91,9	94,0	95,7	92,1
Energy	115,2	113,2	120,1	121,5	130,7	123,6	115,5	115,5	103,8	76,4	71,5	79,9	83,1
Intermediate goods, except energy	102,9	105,4	112,2	103,8	85,2	75,0	79,7	99,4	96,8	92,2	94,1	98,3	96,4
Capital goods	122,4	166,0	163,5	136,6	132,3	103,5	119,8	146,0	131,6	129,8	138,8	140,1	108,1
Durable consumer goods	100,3	119,6	121,6	99,0	105,1	66,4	81,6	98,9	98,1	97,4	104,1	106,3	100,5
Non-durable consumer goods	94,8	109,1	117,1	111,4	105,0	76,3	79,8	94,8	100,8	95,3	102,1	95,0	90,1
Mining	126,7	119,0	125,3	124,5	126,8	118,5	107,9	118,6	105,1	79,0	80,2	80,2	96,7
Manufacturing Industry	102,6	115,5	121,7	112,4	101,8	80,7	85,9	102,4	103,7	100,1	105,1	104,7	98,7
Manufacture of basic metals	52,9	60,7	57,3	52,6	32,4	45,6	52,1	58,1	54,6	38,3	36,3	49,5	52,7
Manufacture of fabricated metal products, except machinery and equipment	120,9	135,0	161,3	143,6	102,8	67,7	90,2	102,1	94,5	92,7	96,0	89,6	92,7

Indices of industrial production, by purpose, sectors and areas (2010=100)													
Republika of Serbia													
	2013					2014							
	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII
Manufacture of machinery and equipment not mentioned	60,4	69,1	74,6	60,4	73,6	46,4	52,2	62,1	55,4	57,8	69,9	109,2	106,7
Manufacture of motor vehicles and trailers	272,7	440,8	410,4	334,2	265,9	325,1	358,9	443,3	394,9	376,6	401,8	324,4	177,7
Manufacture of other transport equipment	21,4	31,3	14,2	13,0	42,7	47,3	12,0	18,7	25,5	27,0	51,5	31,6	30,8
Repair and installation of machinery and equipment	72,6	73,4	72,8	69,1	65,3	50,6	55,4	68,0	58,3	60,3	59,8	65,7	59,5
Electricity, gas, steam supply and air conditioning	110,8	108,3	115,2	116,8	133,3	126,0	118,2	118,8	101,1	66,6	59,0	68,6	66,8

In Serbia, the following industries are estimated as the greatest potential for future development:

- Automotive industry, road and rail vehicles;
- Information Technology;
- Electronics;
- Agricultural machinery;
- Defense Industry.

For example, the production of agricultural machinery is one of the most promising. The final products are still competitive in terms of quality. This primarily refers to the IMT and IMR tractors which are recognized brands in the markets of North Africa and the Middle East. Also, it has been estimated that 15,000 tractors/year are required for the purpose of the update of the machines fleet for agricultural production in Serbia.

There is a sufficient number of researchers and technicians available for the purpose of research and development related issues. An impact of foreign buyers on development of innovations is more presented in large, export-oriented foreign-owned companies.

Eastern Serbia – Heart of the Metal processing industry

The industrial structure of Eastern Serbia is characterized by a dominance of capital-intensive capacities of mining, metal smelting, energy generating and industrial sectors: manufacturing and processing of copper ore, production of non-metals, electric power generation, coal production, and production of construction materials.

The most presented industries are food processing, machine building, metal processing, manufacture of plastic products, chemicals, abrasives, textile, leather processing, graphics, wood, etc.

In 2013, industrial production in Eastern Serbia increased by 13.5%, compared to 2012. At the same time, an increase of industrial production by 5.5% was recorded on the national level. With reference to different industries, an increase of mining production by 11.3%, an increase of manufacturing industry by 16.1%, and an increase of electricity production by 8.2% were recorded in 2013, in Eastern Serbia.

In 2013, the Eastern Serbia export amounted to \$435.1million, 5.4% more than in 2012. Eastern Serbia accounts for some 3% of total Serbian exports. Its surplus in foreign - trade, is recorded primarily due to the metal processing industry products.

Raw materials and semi-finished products, primarily copper and copper based semi-finished products still dominate export from this area. It makes an excellent business environment for new investments.

The most important export markets are: the Czech Republic, Russian Federation, Germany, Italy, Austria, the Netherlands, United Kingdom, Macedonia, Poland, France, Romania, Bulgaria, Turkey, Hungary, Croatia, Bosnia and Hercegovina, Slovakia, Montenegro, etc. In this area there are developed production capacities of the metal processing sector, with a wide range of products related to metal processing, machine building, processing of copper and other precious metals, electrical appliances, ship building, agricultural machinery and equipment, hot water boilers, machinery processing equipment, etc.

The backbone of the Eastern Serbia metal processing industry represents the exploitation and processing of mineral resources. Copper Mining - Smelting Complex Bor (RTB Bor) exists for over 100 years. Even today, there are significant mineral resources and reserves. Among the most important are deposits of copper and gold, but there are deposits and numerous occurrences of ores of other metals, such as lead, zinc and others recorded. Confirmed geological ore reserves amount to 1.38 billion tonnes of ore containing approximately 5.1 million tons of copper, 202 tons of gold and 1.477 tons of silver. Copper production for the next 50 years is confirmed based on existing resources, and with an average annual production of 26 million tons of ore.

Copper Mining - Smelting Complex Bor (RTB Bor) is the only producer of copper, gold and silver in Serbia. These metals are stock exchange-traded products and their quality meet requirements of the domestic and foreign markets. Further processing of the metals and copper concentrate are processed in the Copper Mining - Smelting Complex Bor (RTB Bor).

Quantity and value of actual sales:

Products / Service	Amount		
	2011	2012	2013
Cu cathode	13.233 t	23.992 t	25.762 t
Cu wire	10.667 t	7.386 t	6.768 t
Cu boulder	33 t	/	/
Gold	1.232kg	941 kg	957 kg
Silver	4.504 kg	3.259kg	6.893kg

Products / Service	Value (€)		
	2011	2012	2013
Cu cathode	96.533,96	158.894,77	151.016,90
Cu wire	75.508,99	52.286,12	44.893,72
Cu boulder	248,16		
Gold	43.307,88	37.588,14	32.857,40
Silver	3.618,11	2.369,39	3.974,85

Sales structure

Sales structure	2011	2012	2013
Domestic market	52,50 %	52,00 %	45,70 %
Foreign market	47,50 %	48,00 %	54,30 %

Distribution channels

Distribution channel	Učešće
Direct Sales	100,00 %
Wholesale	/
Retail	/
Wholesalers	

Common characteristics of companies in the metal processing industry are as follows:

1. Fairly large facilities, because they were constructed to meet the needs of the former Yugoslav republics and its export
2. Current utilization of the facilities is about 30% of available capacities, primarily due to lack of working capital for purchase of raw materials and spare parts for continuous production, as well as the reduced market share caused by weak investments in the country
3. An increased competitiveness achieved by improving the technical quality of products and reducing production costs or prices of final products, activities of marketing services in enterprises are required
4. For continuous production, financing for current production activities, and overhauling of existing machines in order to improve the operational readiness to the level of 80% capacity is to be provided.

All this clearly indicates that there is large scope for development of the metal processing industry. Investors could benefit from results occurred when doing business in this industry.

Key investment projects in Eastern Serbia

In Eastern Serbia there is a wide range of possible investment projects in the metal processing industry. Most of the projects are related to the processing of copper.

In general, there are two major groups of business opportunities in metal processing industry in Eastern Serbia:

1. Establishment of business relationships with existing companies

A large number of companies operating in the metal processing industry are in Eastern Serbia. It provides various opportunities for business cooperation and networking.

The largest among them are:

- RTB Invest Bor
- FBC Majdanpek
- TF Kable FKZ Zaječar
- Grandinženjering Bor
- FPM Agromehanika Boljevac
- Eurofoil Bor
- RTB Bor
- RTB Bor - RBB
- Eurokabl Zaječar
- Almag - Kladovo
- ATB FOD – Bor
- Rhine Danube (shipyard) - Kladovo

In addition to the above-mentioned companies from the region it should be pointed out that there are also a number of private companies developing flexible manufacturing programs in the metal complex operating in small manufacturing plants.

2. Direct investments

Eastern Serbia is characterized by a large number of projects related to foreign direct investments.

The following summary table gives information on some greenfield and brownfield projects. For more information about the projects, see **www.raris.org/invest**

A) Industrial zones - Greenfield/production facilities

Location name	Municipality	Total land area (m ²)	Ownership status	Land use	Infrastructure
Industrial zone	Bor	326.100	100% state owned	Construction of manufacturing facilities	exists predominantly
Industrial zone	Boljevac	29.164	100% state owned	Construction of industrial facilities and warehouses.	exists partially
Industrial zone Mirovo	Boljevac	738.100	78% privately owned 22% state owned	Construction of industrial and crafts production facilities, warehouses, as well as facilities for other purposes according to the requirements of investors	exists partially
Industrial zone	Majdanpek	80.000	15% privately owned 85% state owned	Industrial production: construction of wood processing facilities, warehouses.	exists
Deli Jovan	Rudna Glava/Majdanpek	95.550	100% state owned	Construction of industrial facilities and warehouses.	exists partially
Storage zone	Negotin	195.000	100% state owned	Construction of open air or roofed warehouses for various industrial purposes	exists predominantly
PRAHOVO Zone	Negotin	106.506	100% privately owned	Construction of manufacturing and - processing facilities	exists predominantly
Industrial zone	Zaječar	152.450	100% privately owned	Construction of manufacturing and - processing facilities	exists partially
Vesište	Zaječar	3.955	100% state owned	Small capacity warehouses and manufacturing and - processing facilities	exists partially

In addition to these, there are several brownfield projects. These are excellent investment locations characterized by good infrastructure and low selling prices. Most of the mentioned brownfields are owned by the state or municipalities. It enables direct business negotiations, either the locations are on sale, or long-term lease.

B) Brownfields/ production capacities

Location name	Municipality	Total land area (m ²)	Total buildings area (m ²)	Ownership status	Description
Factory Sevone-Zlot	Bor	32.346	8. 710	100% privately owned	Former factory– Completely equipped with the necessary infrastructure. Suitable for various types of production.
Business Incu- bator Center	Boljevac		1.449	20% privately owned 80% state owned	A building located in the city center consisting of a number of modules, a warehouse, offices. Completely equipped with the necessary infrastructure
Working zone	Boljevac	2.900	232	100% state owned	Manufacturing/business/ warehouse facilities for manufacturing industries. Completely equipped with the necessary infrastructure
Dekor	Kladovo	2.000	620	100% privately owned	Two plots in the industrial area / a production hall/ suitable for manufacturing
IMT-Moto- cultivator and engine Factory	Knjaževac	83.281	31.468	100% state owned	Former factory for production of motocultivators. A large number of halls of various sizes. Suitable for various types of production. Possible purchase of separate units.
Branka Dinić garment industry	Knjaževac	17.000	7.500	100% state owned	Former factory/Production house/warehouses/ unused construction land/ Suitable for various types of production. Possible purchase of separate units
Kasarna	Knjaževac	232.104	12.425	100% state owned	40 small-size buildings / Completely equipped with the necessary infrastructure. Suitable for various types of production. Possible purchase of separate units.
Relax- foot- wear factory , Knjaževac	Knjaževac	15.500	950	100% privately owned	Former factory consisting of production plants and warehouses. Suitable for various types of production.
Manu- facturing plants“Tran- dafilović”	Knjaževac	100	260	100% privately owned	Former factory. Suitable for various types of production.

Location name	Municipality	Total land area (m ²)	Total buildings area (m ²)	Ownership status	Description
Ware-house-business facilities /Pojenj	Majdanpek / Donji Milanovac	1.300	300	100% privately owned	A building on the banks of the Danube. Suitable for various types of production.
Factory Megaplast	Majdanpek/ Mosna	18.000	8.833	company in the process of restructuring	Former factory for production of metal products, and coins. Suitable for manufacturing and processing industry.
Printing Factory Rudar	Majdanpek	8.825	300	Ready for sale	Former printing factory. Suitable for manufacturing and processing industry and warehouse
Construction Company Univerzal	Majdanpek	18.326		100% state owned	The former construction company facilities. Suitable for manufacturing and processing industry and warehouse
Gold Processing Factory Majdanpek	Majdanpek	24.711	9.969	100% state owned	Jewelry Factory; Precious metals refining factory; Factory for production of decorative objects made of precious metals
Production plants SPAJIC	Negotin	60.000	12.000	100% privately owned	Number of separated industrial production halls / newly constructed/ Completely equipped with the necessary infrastructure. Suitable for various types of production
Production plant "Mihajlović" Bukovče	Negotin	5.015	1.080	100% privately owned	Manufacturing facility with a crane track/ partially equipped with the necessary infrastructure The building was never used. It was constructed for aluminum windows manufacturing.
Warehouse and cold storage Prahovo	Negotin	5.900 (4.88+1.100)	971	Agricultural cooperative „Prahovo“	Prefabricated warehouse with cold storage/partially equipped with the necessary infrastructure.
KTK(leather and textile plant)	Zaječar	58.000	7.300	100% state owned	Former factory. Suitable for various types of production.

Location name	Municipality	Total land area (m ²)	Total buildings area (m ²)	Ownership status	Description
Former factory of crystal glassware Eurokristal	Zaječar	150.000	40.000	100% privately owned	Three production halls and unused construction land/ Completely equipped with the necessary infrastructure. Suitable for manufacturing and processing industry and warehouse
Factory Timočanka	Zaječar	45.939	8.518	100% state owned	Former factory and unused construction land / Completely equipped with the necessary infrastructure. Suitable for manufacturing and processing industry and warehouse
Factory Arsenije Spasić	Zaječar	29.055	15.651	Ready for sale	Former factory processing machines/production facilities, warehouse, offices/ partially equipped with the necessary infrastructure.

For any additional information regarding the abovementioned investment locations or your business idea to develop, please do not hesitate to contact RARIS - Regional Agency for Development of Eastern Serbia. RARIS possesses a database of investment locations in the region and expertise to help you make your best investment decision. Depending on the business idea and preferred location, the Agency provides investors with information about the region, potential projects, investment opportunities and contacts with local self governments or commercial entities. The Agency is also happy to facilitate all necessary government contacts and public affairs works for you.

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