



2016 Top Markets Report **Manufacturing Technology** Sector Snapshot

Machine Tool Parts

Machine tool parts are essential to the original and after-market machine tool supply chain. Original equipment manufacturers (OEM's) may source hundreds of components when building their machinery. As with other capital equipment, machine tools represent a significant upfront investment, and customers attempt to prolong the operational lifespan of their machinery for as long as they can. As a result, the demand for replacement parts often surpasses the need for new equipment, making after-market service and sales of spare parts a crucial and ongoing revenue stream for many manufacturers.

For the purposes of statistical collection, the machine tool parts subsector in this report includes parts for both the OEM- and after-market, as well as parts for both cutting and forming machine tools.

Export Outlook

In 2015, U.S. exports of machine tool parts accounted for just under \$1.1 billion. Compared with U.S. exports of both cutting and forming machine tools, which were just over \$2.5 billion that same year, one can see that the market for parts is still quite substantial. Sales were concentrated primarily in the North America, Asia, and Europe regions. Mexico and Canada were the largest export markets for U.S.-made parts, accounting for a combined \$354 million. Geographic proximity is the largest reason for this. The ability to provide speedy after-market service is a strong competitive advantage for U.S. machinery suppliers in the North America markets. As a result, companies will often leverage their

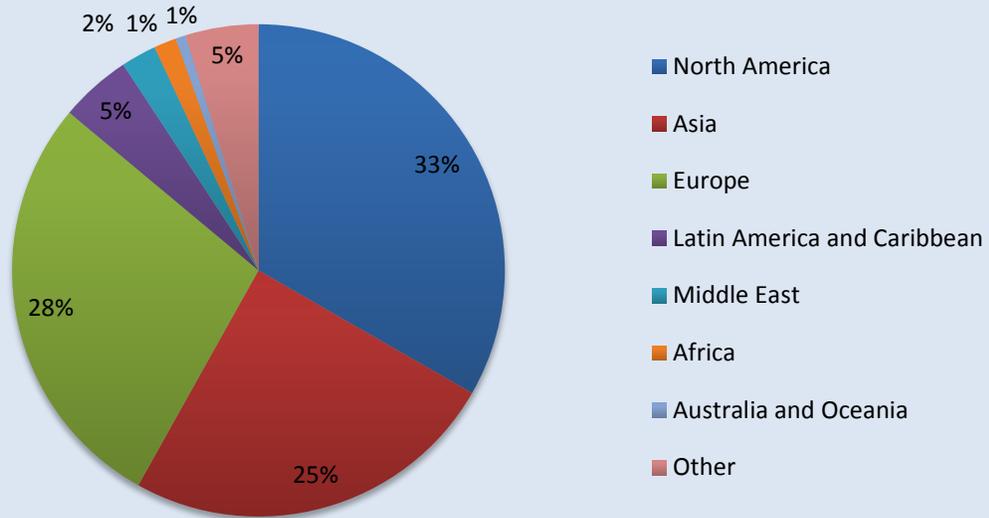
geographic proximity as a means of furthering business through servicing and replacement parts. The third largest U.S. export market for the subsector in 2015 was China, which accounted for \$91 million of exports in the subsector. China is by far the largest global importer of machine tools, but its distance from the United States makes after-market service and support more challenging for many U.S. companies.

Exports of parts can differ widely in proportion to machinery for a number of reasons. In fast-growing markets, sales of machinery may far surpass sales of parts as manufacturing capacity increases. In other more established manufacturing markets with a greater installed base of machine tools or concentration of machine tool OEMs, parts may constitute a much higher proportion of sales.

Challenges

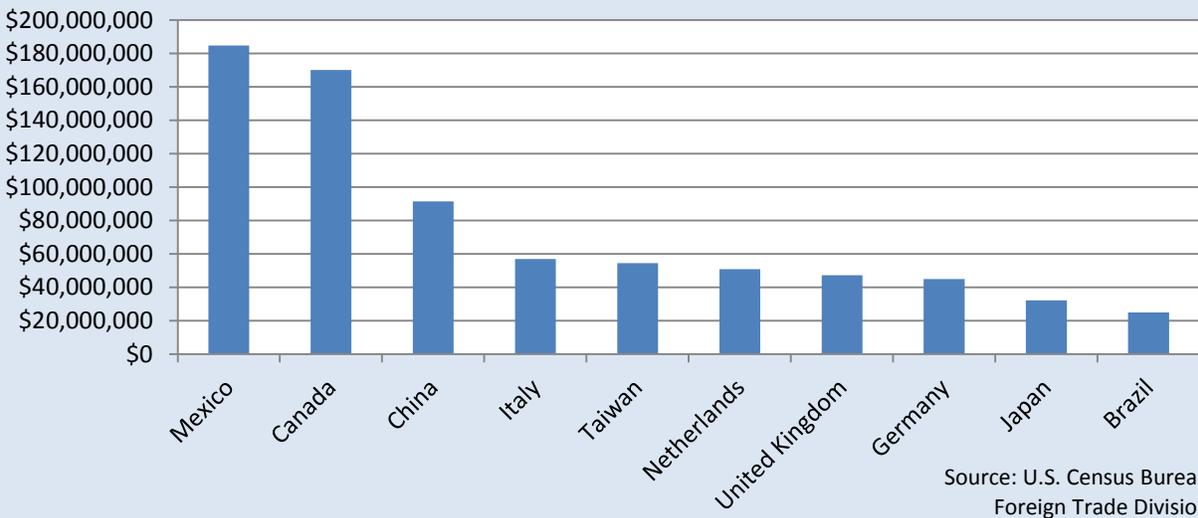
Many parts and components for machine tools are subject to different electro technical and safety standards and regulations in other markets. Electrical requirements for wiring or plugs often vary across markets, and can be an impediment to exports. U.S. companies are encouraged to report these regulatory disparities to the ITA so that they can be analyzed to determine whether they can be characterized as "technical barriers to trade". Technical barriers to trade may have the indirect effect of promoting domestic suppliers at the expense of foreign competitors.

Figure 1: U.S. Machine Tool Parts Exports, 2015 (in USD Millions)



Source: U.S. Census Bureau Foreign Trade Division

Figure 2: U.S. Machine Tool Parts Exports, 2015



Source: U.S. Census Bureau Foreign Trade Division