## CBI MARKET SURVEY

# THE ELECTRONIC COMPONENTS MARKET IN FINLAND

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## Introduction

This CBI market survey gives exporters in developing countries information on some main developments concerning the electronic components market in Finland. The information is complementary to the information provided in the CBI market survey 'The electronic components market in the EU' which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.nl/marketinfo

## 1. Market description: industrial demand and production

### Industrial demand

Due to the presence of the world's mobile handsets leader, Nokia, the Finnish component market is clearly dedicated to telecom (over 85% in value). The rest, mainly dedicated to the industrial applications, comes from an important ABB (http://www.abb.com) plant in the field of industrial automation products. Nokia alone represents 5% of the Finnish GDP and 25% of the exports of the country.

This situation is in fact very hazardous for the future of component markets. Growth is directly linked to the sole strategy of a Nokia having its own world agenda to manage in terms of production outsourcing or foreign investment. A new mobile handsets factory was opened this year in Finland, but needs for facilities abroad, mostly in Asia, will affect component markets. Nonetheless, the market is expected to grow in the 2005-2010 period. The Finish component market ranked seventh in the EU in 2005, just behind Sweden, Hungary and Italy, but far ahead of the Czech Republic. Table 1.1 gives the developments in the several subgroups.

**Table 1.1 Finnish market of electronic components, 2003-2010, € million**

| | Market value | | | | Growth rates (%) | |
|---|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2010** | **04/05** | **05/10 (annual)** |
| Active components | 2,058 | 2,372 | 2,355 | 2,698 | -0.7 | 2.8 |
| Passive components | 251 | 249 | 240 | 187 | -3.4 | -4.9 |
| Electromechanical components | 659 | 679 | 684 | 663 | 0.7 | -0.6 |
| **Total** | **2,969** | **3,300** | **3,280** | **3,548** | **-0.6** | **1.6** |

Source: Decision (July 2006)

### *End users*

Major end users of electronic components are in the area of finished products and of assemblies. The first group comprises telecommunication companies (especially Nokia: http://www.nokia.com) and many companies producing industrial automation and measuring equipment and highly specialised products such as medical electronics. Some examples of these companies are Datex Ohmeda (http://www.datex-ohmeda.com), Vaisala (http://www.vaisala.com; measurement systems) and Wallac (http://las.perkinelmer.com; professional equipment). Companies in the second group are especially EMS providers: they are mentioned in the next subsection.

### Production

Table 1.2 shows an indication of production of electronic components in Finland. Please note that reliability of Eurostat data is limited. However, they can be used to analyse the development over years. The total production value in Finland declined – in line with the European trend –almost 13% in the period 2000-2004. While production of actives almost annihilated, passives and electromechanicals grew during this period 34% and 11% respectively. In total production value, Finland was a medium sized producer in 2004, ranking ninth in the list of largest producers in the EU, behind Hungary and Austria, but ahead of the Netherlands and Denmark. In the field of domestic electronic assemblies, in the period 2002-2004 the country lost 35% of its production to the Baltic region and the Far East.

**Table 1.2 Finnish production of electronic components, 2000-2004, € million and million units**

| | 2000 | | 2002 | | 2004 | |
|---|---|---|---|---|---|---|
| | **value** | **volume** | **value** | **volume** | **value** | **volume** |
| Active components | 128 | 26 | 103 | 33 | 12 | 0 |
| Electromechanical components | 169 | 73 | 178 | 59 | 187 | 70 |
| Passive components | 123 | 189 | 161 | 100 | 165 | 123 |
| **Electronic components (excl ass)** | **420** | **288** | **442** | **192** | **364** | **193** |
| Electronic assemblies | 675 | 5 | 738 | 12 | 442 | 9 |

Source: Eurostat (2006)

Beside a low volume, domestic production of components is characterized by a high grade of specialization. Most components that are manufactured in the country are PCBs, switches and connectors, but the country is best known for its strong metallised film and film capacitors. Traditionally, the industry invests a lot in R&D, nowadays especially for nanotechnology.

Like Austria, the country is characterized by the presence of one huge PCB assembler (Aspocomp; http://www.aspocomp.com). Other examples of major producers in the country are Efore (http://www.efore.fi; a.o. power converters), Okmetic (http://www.okmetic.com; silicon wafers), Perlos (http://www.perlos.com; electromechanical components), PKC (http://www.pkcgroup.com) Vacon (http://www.traction.vacon.com; power converters) and VTI Hamlin (http://www.vti.fi; sensors). Furthermore, with the trend of OEMs in the communications sector to outsource production, Finland has a buoyant EMS sector. Examples of EMS players in Finland are Elcoteq (http://www.elcoteq.com), Incap (http://www.incap.fi), Sanmina (http://www.sanmina-sci.com) and Scanfil (http://www.scanfil.com).

### Trends

- The ongoing price war of mobile phones forces component producers to cut in production costs. Following Elcoteq and Nokia, other Finish companies are (studying the option of) transferring production to the low-wage country India. Foxconn, Perlos and Aspocomp already made the decision while Savcor, Salcomp, Efore and Incap are stuying the option. In Finland, this trend has already been called the "Chinese syndrome".
- The Finish electronics sector is becoming more and more vertically integrated, with R&D activities concentrating in Finland while operating activities of volume electronics are being transferred to the Baltic region and/or the Far East.

### Opportunities and threats

− Local production of active components has been decreasing in the period 2002-2004.
+ Production of passives and electromechanicals has been growing in the period 2002-2004.
+ With the trend of OEMs in the communications sector to outsource production, Finland has a large EMS sector and moreover, outsourcing to foreign countries is taken into consideration as well.
+ Large components market.

### Useful sources

- Technology industries of Finland - http://www.techind.fi
- Association of Suppliers of Electronic Instruments and Components – http://www.elkomit.fi

## 2. Trade: imports and exports

### Imports
In 2005, Finland's imports of components and assemblies totalled € 521 million and € 575 million respectively. The country was a medium sized importer of electronic components in Europe, ranking behind Poland and Sweden but ahead of Ireland and Portugal. In line with the market trend, total import value of components in Finland has been declining fast in recent years: more than 70% in the period 2001-2005. Electromechanicals (40%) accounted for the largest share of total imports, followed by passives (31%) and actives (29%). Assemblies imports decreased, but less steeply, by 4%. DCs' shares in 2005 were 8% (components) and 23% (assemblies) respectively. China was by far the most important DC components supplier (4%), followed by Malaysia (2%) and the Philippines (1%). China was easily the largest supplier in assemblies (17%) too, followed by Malaysia, Mexico (both 2%) and Thailand (1%).

### Exports
The total export value of Finland declined fast in recent years: more than 50% in the period 2001-2005, totalling € 248 million in 2005. In the same period, electronic assemblies exports increased 24%, totalling € 746 million in 2005. Unfortunately, the value of re-exports is unknown, as Eurostat does not allow such detailed analysis.

### Opportunities and threats
+ Considerable import shares for DCs, especially for assemblies.
− Import value of components has been declining fast in recent years.
− Export value of components has been declining fast in recent years.

### Useful sources
- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int

## 3. Trade structure

Generally, the intermediary channels (importers, agents, distributors) are the most suitable trade channels for DCs. An example of a typical Northern European distributor is the Finnish company Flinkenberg (http://www.flinkenberg.fi). Examples of other distributors in Finland are Acte (http://www.acte.fi), Arrow (www.arrowne.com), EBV (http://www.ebv.com) and Promax (http://www.promax.fi). Please refer to the CBI market survey "The Electronic Components market in the EU" for general information on trade structures in Europe. For more information on finding prospects in this country, please refer to section 6.

## 4. Prices

Prices of electronic components and assemblies continue decreasing year after year. While electromechanicals and assemblies are down by 5-10% annually, semiconductors and most passive components decrease 10-30% annually. However, there might be exceptions, depending on supply in relation to demand and raw material costs. Both websites of distributors (refer to section 3) and websites of associations (refer to section 1) may include prices of components. One example is the site of distributor Spoerle (http://www.spoerle.com; click on the icon of the shopping cart).

## 5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country government. Requirements are demanded through legislation and through labels, codes and management systems. These equirements are based on environmental, consumer health and safety and social concerns.
- For more information go to 'Search CBI database' at http://www.cbi.nl/marketinfo

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- In Finland, the VAT tariff is 22% - http://www.expatax.nl/vatrates.

## 6. Business practices

### Finding prospects

Among the helpful websites that can be used to identify prospects are the company databases such as Europages - http://www.europages.com, KellySearch - http://www.kellysearch.co.uk, Kompass - http://www.kompass.com and Thomas Global Register - http://www.trem.biz. Refer to the manual "Digging for Gold" for guidelines on searching with these databases. Also, the exhibitor database of trade fair Electronica (refer to trade fairs; below) can be used to identify key players in the industry. Moreover, trade associations mentioned in section 1 might contain company data as well.

### Trade press

A relevant Finnish magazine is Elektronik i Norden - http://www.edtnscandinavia.com.

### Trade fairs

A relevant trade fair in Finland is Elkom - http://www.finnexpo.fi. Furthermore, a good option could be to visit the largest components trade fair in Europe, held in Germany every other year: Electronica (http://www.global-electronics.net). Visiting trade fairs in neighbouring countries could be an option as well. Please refer to Auma (http://www.auma.de) and EventsEye (http://www.eventseye.com) to find relevant fairs.

This survey was compiled for CBI by Facts Figures Future in collaboration with Mr. G. Fandrich.