CBI MARKET SURVEY

THE ELECTRONIC COMPONENTS MARKET IN HUNGARY

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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 Hungary. 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

By its size, Hungary is the largest electronics producer among the new EU members, followed by the Czech Republic and Poland. Whereas the Czech Republic is more specialised in PC production, Hungary succeeded in facilitating the rapid growth of an electronics industry more dedicated to mobile handsets. Furthermore, Hungary accounts for an important share of European PC production and the country has a good position in Central and Eastern Europe production for consumer products (TVs and VCRs). Besides, even after joining the EU, the country is still strong in manufacturing automotive and lightning electronics.

Table 1.1 gives the developments in the several subgroups. Ranked at the fifth position in the EU, the Hungarian component market is a large market with a size comparable to the Swedish (the fourth) or Italian (the sixth) ones. With a projected continuing strong growth in the 2005-2010 period it will reach the fourth place, ahead of the Czech Republic, Italy, Spain, Sweden and Finland.

Table 1.1 Hungarian market electronic components, 2003-2010, € million

	Market value				Growth rates (%)	
	2003	**2004**	**2005**	**2010**	**04/05**	**05/10 (annual)**
Active components	1,799	2,183	2,354	4,516	7.8	13.9
Passive components	273	271	284	360	4.7	4.9
Electromechanical components	565	599	658	1,042	9.8	9.6
Total	**2,637**	**3,053**	**3,296**	**5,918**	**7.9**	**12.4**

Source: Decision (July 2006)

End users

Several multinational OEMs have operations in Hungary. Examples of these are Electrolux (http://www.electrolux.com; consumer products), Nokia (http://www.nokia.com), Philips (http://www.philips.hu; a.o. consumer products) and Sony (http://www.sony.com). Another end user is Diebold (http://www.diebold.com; automatic teller machines; relocation of French Diebold operations). Furthermore, a number of companies supply electronics to the automotive industry, which includes the large car and bus manufacturers in particular. Some examples are Delphi (http://delphi.com) and Bosch (http://www.bosch.hu). In total, there are more than a thousand Hungarian small- and medium-sized enterprises (SMEs) in the electronics industry.

Production

Table 1.2 shows an indication of the production of electronic components in Hungary. 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 Hungary grew 29% in the period 2001-

2004. The different groups showed very mixed results: while passives increased 12% and electromechanical production more than doubled (these sales are mainly realised by plants of Western European EMS providers), the production of actives was almost annihilated. In 2002, the volume of actives was still 4.5 billion units, in 2004 this had decreased to 0. According to industry experts, the country has become too expensive, so production has been shifted to low wage countries. In total production value, Hungary ranked seventh in Europe in 2004, far behind the UK, Spain and the Czech Republic, but ahead of Austria, Finland and the Netherlands. After a dip in 2002, Hungary managed to increase production of electronic assemblies again, as demonstrated in the 25% growth in the period 2002-2004.

Table 1.2 Hungarian production electronic components, 2001-2004, € million and million units

	2001		2002		2004	
	value	**volume**	**value**	**volume**	**value**	**volume**
Active components	53	3,791	49	4,536	6	-
Electromechanical components	81	172	144	194	212	284
Passive components	256	92	315	45	287	23
Electronic components (excl ass)	**390**	**4,056**	**508**	**4,775**	**505**	**307**
Electronic assemblies	1,064	96	609	68	759	85

Source: Eurostat (2005)

Some examples of component producers are Epcos (http://www.epcos.com; capacitors and inductors), Siemens (http://www.siemens.hu; electromechanicals) and Yageo (http://www.yageo.com; capacitors and resistors). There are many EMS-providers in Hungary: Elcoteq (http://www.elcoteq.com), Flextronics (http://www.flextronics.com), Jabil (http://www.jabil.com), Sanmina-SCI (http://www.sanmina-sci.com), Solectron (http://www.solectron.com) and Videoton (http://www.videoton.hu).

Trends

- Some experts say Hungary will become too expensive in the future. Other experts disagree and state that Hungary as a production base will not become too expensive, since Europe remains a large market and freight costs are much lower.
- Western European companies keep on relocating operations to Hungary. For example, in 2006, Magna Steyr (http://www.magnasteyr.com) announced that its R&D centre will be moved to Hungary. The company will invest in its logistics operations as well as in the design of electronic components.
- Shortages of labour in the country have tended to drive up the labour rates in recent years.

Opportunities and threats

+ Local production of electromechanicals has been growing fast in 2001-2004.
+ Western European companies keep on relocating operations to Hungary.
+ Local market is expected to grow fast, reaching a fourth place in the EU.

Useful sources

- Association of the Hungarian Electronic and Informatics Industries - http://www.meisz.hu
- Central Hungarian Statistical Office - http://www.ksh.hu

2. Trade: imports and exports

Imports

In 2005, Hungary's imports of components and assemblies totalled € 1.9 billion and € 1.2 billion respectively. The country was a large importer of electronic components in Europe, ranking fifth behind France and Italy but ahead of Spain, the Netherlands and the Czech Republic. Due to a growth of local production, the total import value of components in Hungary decreased in recent years: 17% in the period 2001-2005. Actives (39%) accounted for the largest share of total imports, followed by passives (36%) and electromechanicals (25%).

Assemblies imports decreased as well – by 7%. DCs' shares in 2005 were 15% (components) and 44% (assemblies) respectively. China was by far the most important DC assemblies supplier (36%), followed by Malaysia (3%) and the Philippines (2%). China was the largest supplier in components (12%) as well, followed by Malaysia and the Philippines (both 1%).

Exports
The total export value of Hungary declined only 2% in the period 2003-2005, totalling € 944 million in 2005. In the same period, electronic assemblies exports declined, but more steeply: 38%, totalling € 436 million in 2005. Unfortunately, the value of re-exports is unknown, as Eurostat doesn't allow such detailed analysis.

Opportunities and threats
+ Large import shares for DCs, especially for assemblies.
+ Hungary is a large importer in the EU and the country is also a net-importer.
− Import value of components as well as assemblies has been declining in recent years.
− Export value of assemblies 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. Examples of major Hungarian distribution groups (beside the ones with European presence) are ChipCAD Electronic Distribution (http://www.chipcad.hu), Emitter Kereskedelmi (http://www.emitter.hu), HQ & Nedis Kereskedelmi KFT (http://www.hqnedis.hu) and Fibex Kereskedelmi (http://www.fibex.hu). 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 requirements 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 Hungary, the VAT tariff is 20% - 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. In addition, 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

In general, German trade magazines contain very good information, also for this country. Another good option might be the magazines of neighbouring countries. To find relevant European trade magazines, visit Components Source (http://www.componentssource.com; click 'magazines') or consult the CBI market survey "The Electronic Components Market in the EU".

Trade fairs

A relevant trade fair in this country is Industria - http://www.industria.hu. 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.