CBI MARKET SURVEY

THE ELECTRONIC COMPONENTS MARKET IN POLAND

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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 Poland. 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

Owing to major foreign investments, Poland has become a large assembly country for electronic equipment. It concerns especially low-added value assembly of telecommunications and audio and video equipment, and –recently- washing machines. Some examples of foreign companies that are present on the market are Thomson, Philips Electronics, Alcatel, Siemens, Daewoo, Electrolux and Lucent Technologies. As a result of the increasing number of foreign companies, the importance of local companies has decreased and the share of component imports has increased. Western European companies are shifting production to Poland or are outsourcing to EMS providers in this country.

At the tenth position in 2005 with € 2.1 billion, the Polish component market is already larger than the Irish one, but still far smaller than the markets of Spain and the Czech Republic. With a 13% average potential growth over the 2005-2010 period, it could be one of the most dynamic European markets. Please refer to table 1.1 for developments in the several subgroups.

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

	Market value				Growth rates (%)	
	2003	**2004**	**2005**	**2010**	**04/05**	**05/10 (annual)**
Active components	1,132	1,361	1,424	2,893	4.7	15.2
Passive components	236	230	235	318	2.1	6.2
Electromechanical components	423	443	473	743	6.6	9.5
Total	**1,791**	**2,034**	**2,132**	**3,954**	**4.8**	**13.1**

Source: Decision (July 2006)

Segmentation

The most important recipients of electronic components in Poland are firms producing domestic appliances (TV receivers, computer equipment, household appliances). Second largest recipient is the telecommunications industry and third largest is the automotive industry (Asian companies like Daewoo and Honda). Other recipients are producers of electrical machinery and equipment, producers of control and measuring devices and producers of lighting equipment.

Production

Table 1.2 shows an indication of the production of electronic components in Poland. Please note that reliability of Eurostat data is limited. However, they can be used to analyse the development over years. As in most new EU member states, the total production value in Poland increased 93% in the period 2002-2004. Local production of actives is negligible according to Eurostat, but most of the production of actives is unknown. Passives production declined and electromechanicals grew 60% in the same period. In total production value, Poland was one of the medium sized producers in Europe in 2004, ranking behind the Netherlands and Denmark, but ahead of Sweden. Domestic electronic assemblies showed the most promising trend: in the period 2002-2004 this group increased more than € 500 million in value.

Table 1.2 Polish production of electronic components, 2002-2004, € million and million units

	2002		2004	
	value	volume	value	volume
Active components	5	10	4	3
Electromechanical components	80	126	128	283
Passive components	0	41	32	70
Electronic components (excl ass)	**85**	**177**	**164**	**355**
Electronic assemblies	30	25	574	22

Source: Eurostat (2006)

Since the nineties, the number of domestic producers has decreased to 35. Nowadays, the production of television tubes (actives) is the most important segment of the Polish components industry, while other major segments are the assembly of PCBs and the production of magnetic and inductive elements (part of passive components).

Active components

Poland's largest producer of active components is undoubtedly Thomson Polkolor (television tubes). Another company in this category is Lamina (semiconductors; http://www.laminaceramics.com).

Passive and electromechanical components

With regard to passive components, the largest producers are Philips-Ferpol (magnetic elements; http://www.ferroxcube.com), Miflex (http://www.miflex.com.pl) and Zatra (http://www.zatra.com.pl). Other examples in this category are the resistor producers Elpod (http://www.elpod.com.pl) and Rezal (http://www.rezal.com.pl). In the group of electromechanical components a major producer is Mikrostyk (http://www.mikrostyk.com.pl).

Electronic assemblies

In the group of electronic assemblies (especially PCBs), an important producer is Eldos (http://www.eldos.com.pl). Furthermore, starting in 2000, leading EMS providers (Elcoteq, Flextronics, Jabil, Kimball and Sofrel) have also opened production facilities in Poland.

Trends

- Some experts say Poland will become too expensive in the future. Other experts disagree and state that Poland as a production base will not become too expensive, since Europe remains a large market and freight costs are much lower.
- Recent investment plans of six Korean LCD component producers (a.o. Heesung and LG Innotek) as well as LG Philips indicate a development of Poland into the low-cost LCD-production hub of Europe.

Opportunities and threats

\+ Growing market for electronic components due to large investments in end user markets (especially LCD production).

\+ Local production of assemblies spurred growth in the period 2002-2004.

Useful sources

- Association of Polish Electrical Engineers - http://www.sep.com.pl
- Electronic Market Research Poland - http://www.hgm.pl
- Polish Information and Foreign Investment Agency - http://www.paiz.gov.pl
- Polish Statistical Office - http://www.gus.pl

2. Trade: imports and exports

Imports

In 2005, Poland's imports of components and assemblies totalled € 988 million and € 876 million respectively. The country was a medium sized importer of electronic components in Europe, ranking behind Austria and Belgium but ahead of Sweden and Finland. Electromechanicals (42%) accounted for the largest share of total imports, followed by actives (38%) and passives (19%). DCs' shares in 2005 were 6% (components) and 21% (assemblies) respectively. China was by far the most important components supplier (4%), followed by Malaysia (1%). China was easily the most important assemblies supplier (13%) as well, followed by Mexico (4%), Malaysia (2%), Indonesia and Thailand (both 1%).

Exports

Total export value of Poland totalled € 497 million in 2005, while in the same year electronic assemblies exports totalled € 150 million. Unfortunately, he value of re-exports is unknown, as Eurostat doesn't allow such detailed analysis.

Opportunities and threats

+ Considerable import shares for DCs, especially for assemblies.
− Polish import value is considerably large.

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. Of the total Polish distribution market, domestic firms account for only 15% of total value, usually serving domestic producers. Foreign distributors supply the other 85% of the market, mostly foreign manufacturers operating in Poland. Some examples of foreign distributors are Avnet (http://www.avnet.com), Eurodis Microdis Electronics (http://www.eurodis.com.pl) and Spoerle Electronic (http://www.spoerle.com). 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, 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 Poland, 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. In addition, the exhibitor database of trade fair Electronica (refer to trade fairs; below) can be used to identify key players in the industry.

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

The largest components trade fair in Europe is 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.