

CBI MARKET SURVEY

THE ELECTRONIC COMPONENTS MARKET IN SLOVAKIA

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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 Slovakia. 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

Pulled by recent investments in the car industry from Western car or car parts manufacturers and by previous investments in home appliances and TV production, the Slovakian component market is in a rapid growth phase. In 2005, the market ranked seventeenth in the EU, behind Austria and Portugal, but ahead of Denmark. Table 1.1 gives the developments in the several subgroups.

Table 1.1 Slovakia's market of electronic components, 2003-2010, € million

	Market value				Growth rates (%)	
	2003	2004	2005	2010	04/05	05/10 (annual)
Active components	172	201	224	461	11.7	15.5
Passive components	40	39	43	54	8.5	5.0
Electromechanical components	91	97	109	177	12.2	10.2
Total	303	337	376	692	11.5	13.0

Source: Decision (July 2006)

End users

Foreign investments in the electronics sector continue in Slovakia. By far the most investments are registered in the manufacturing of radio, TV and connection equipment (e.g. Nuritech, Sony, Siemens, ABB and Alcatel). Samsung will open a € 20 million distribution and research centre in the southern part of the country by the end of 2006. White good producers are also present in the country, among which Whirlpool and Novy Calex. World leading IT companies such as Oracle, HP, IBM, Telenor and SAP are already well established and growing in Slovakia. Last but not least: the most promising recipient is undoubtedly the car making industry. After the Czech Republic and Poland, Slovakia is already one of the leading carmakers in Central Europe, and further growth is expected. PSA Peugeot-Citroën and Kia Motor are planning serious investments. They will bring Slovakia's car production to 900,000 units in 2007, which is more than triple the volume in 2003.

Production

Slovakia is one of the smaller component and assemblies producers in Europe, comparable in size with countries like Slovenia and Lithuania. According to Eurostat, the country's product range comprises electromechanicals, passives and assemblies. Despite the relatively low local production of electronic components, the share of domestically produced components used for Slovak electronics production increased to 15% in 2004. However, the major part of the components is imported, especially the financially and technologically more demanding parts. Table 1.2 gives a list of examples of manufacturers of electronic components in Slovakia. Among them are both local and foreign companies.

Table 1.2 Examples of Slovak producers of electronic components

Company	Products	Website
CMK	Semiconductors	http://www.cmk.sk
Elteco Zilina	Subassemblies and active components	http://www.elteco.sk
HPH	Active components	http://www.hph.sk
Molex	Connectors	http://www.molex.sk
ON Semiconductor	Integrated circuits	http://www.onsemi.com
OVP Orava	PCBs	http://www.ovp.sk
Punch	Electromechanical components	http://www.punchtrnava.sk
Q-nova (part of Neways Electronics)	PCB's and electro-mechanical components	http://www.qnova.sk
Semecs	Production of PCB's	http://www.semecs.com
Sluzba	PCB's and other assemblies	http://www.sluzbavd.sk
Sony	TV tuners, electron guns	http://www.sony.sk
Tesla Hradok	PCB's and electronic assemblies	http://www.teslah.sk/
Vinuta	Passive components	http://www.vinuta.sk

Sources: Association of Electrotechnical industry of the Slovak Republic (2006) and Facts Figures Future (2006)

Trends

- Competitiveness of the industry is endangered due to growing labour costs (average monthly wage of € 385 in 2004). Some experts say Slovakia will become too expensive in the future. Other experts disagree and state that Slovakia as a production base will not become too expensive, since Europe remains a large market and freight costs are much lower.
- The number of domestic producers keeps on increasing, the majority of these with foreign participation.
- The presence of industrial parks with high concentration of electronic manufacturers. For example: many contractors and sub-contractors are concentrated in the Kechnec industrial park near Kosice;
- Increasing importance of automotive electronics: more car component makers will transfer their operations to Slovakia.

Opportunities and threats

- + Growing market for electronic components.
- + Local production of components and assemblies is small, but is expected to grow.

Useful sources

- Association of Electrotechnical industry of the Slovak Republic - <http://www.zep.sk>
- Slovak Electrotechnical Association - <http://www.sez-sk.sk>
- Slovak Electrotechnical Society - <http://www.ses.vus.sk>
- Slovak Investment and Trade Development Agency - <http://www.sario.sk>

2. Trade: imports and exports

Imports

In 2005, Slovakia's imports of components and assemblies totalled € 1.3 billion and € 208 million respectively. The country was a medium sized importer of electronic components in Europe, ranking sixth behind the Czech Republic but ahead of Austria and Poland. In line with the market trend, the total import value of components in Slovakia more than doubled in recent years: 144% in the period 2003-2005. Actives (67%) accounted for the largest share of total imports, followed by electromechanicals (19%) and passives (14%). Assemblies imports increased as well (+ 65%). DCs' shares in 2005 were 6% (components) and 22% (assemblies) respectively. China was the most important DC components supplier (3%), followed by El Salvador (2%), Thailand and Malaysia (both 1%). China was the largest supplier in assemblies (8%) as well, followed by Thailand (2%).

Exports

Total export value of Slovakia declined 22% in the period 2003-2005, totalling € 193 million in 2005. In the same period, electronic assemblies exports decreased too: by 18%, totalling € 83.7 million in 2005. Unfortunately, Eurostat doesn't give export data of 2005. In addition, the value of re-exports is unknown, as Eurostat doesn't allow such detailed analysis.

Opportunities and threats

- + Slovakia is a net importer.
- + Considerable import shares for DCs, especially for assemblies.
- + Import value of assemblies showed good growth in recent years.
- + Import value of components more than doubled in recent years.
- Export value has been declining 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 distributors of electronic components in Slovakia are Elun (<http://www.elun.sk>), Fischer (<http://www.fischerelektronik.sk>), JL Elektronik (<http://www.jl-elektronik.edb.sk>), Mikrona (<http://www.mikrona.sk>), NES (<http://www.nes.sk>), Prekab (<http://www.prekab.sk>) and SOS (<http://www.sos.sk>). 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

As a result of strong competition in final product markets, revenues of multinationals in the country decreased in 2004. As a consequence, their suppliers, the component producers, had to adjust their prices as well. Furthermore, 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 by 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>
- In Slovakia, the VAT tariff is 19% - <http://www.expatax.nl/vatrates>.

6. Business practices

Finding prospects

Multinationals in Slovakia definitely look for potential suppliers. However, they request components delivery in the required volumes and quality. 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>, Kompas -

<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

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.

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