



MANUFACTURING IN CEE

Demo sector brief by FRD CENTER

POLAND

With a nominal GDP of \$571.320 million in 2017, the Polish economy is the eighth largest in the EU.

Within EU27, Poland is the sixth largest manufacturing country, with manufacturing contributing 27% of the country's GDP.

As it resulted from FRD Center previous researches, some of the leading Polish manufacturing sectors are:

- automotive;
- metalworking;
- furniture;
- shipbuilding;
- rubber and plastic;
- coke and refined petroleum products;
- chemicals and chemical products;
- electrical equipment;

In 2018, the manufacturing sector grew by 5.8%, compared to the overall GDP growth rates of 5.1%. In February 2019, manufacturing grew by 6.9%. Nevertheless, due to the COVID-19 pandemic, manufacturing production in Poland decreased 27.5% in April of 2020 over the same month in the previous year.

According to FRD Center previous researches in the topic of manufacturing in CEE, the Polish automotive production accounts for 11% of its total industrial output and about 4% of the country's GDP.

The Polish Government's economic development agenda heavily focuses on supporting innovation. To help Polish industry move to the next level, the Polish Government launched its Industry 4.0 Platform in 2019, aiming to encourage the innovation level of Polish companies, popularizing knowledge about 4.0 processes and developing competences in areas such as robotics and automation.

CZECH REPUBLIC

As it results from FRD Center previous regional researches, the Czech Republic is rated as one of the best manufacturing destinations in Europe.



Some of the key factors in this rating are:

- high degree of security;
- relative political stability;
- economic and corporate stability;
- its central position with strategic access to Europe's main markets;

Nevertheless, the Czech Republic is far from being the cheapest country for the manufacturing industry, considering not just the payroll costs for the local labour but also the costs of utilities, industrial development and administrative charges.

The Czech Republic ranked 30th, out of 190 countries, in the "Ease of Doing Business" category in the 2018 World Bank "Doing Business" report (27th in 2017).

Over 40% of the Czech labour force is employed in the industrial sector.

The Czech Republic hosts one of the highest concentrations of automotive-related manufacturing and design activity in the world. The Czech automotive industry employs more than 150,000 people and accounts for more than 20% of both Czech manufacturing output and Czech exports.

As it results from FRD Center previous regional analyses of the manufacturing sector, the main Czech manufacturing sectors include:

- automotive;
- aviation and aero-spatial;
- engineering;
- environmental technologies;
- metalworking;
- medical devices and equipment;
- electronics and electrical engineering;
- chemical and pharmaceutical industry;
- furniture;
- glass and ceramic Industry;

Unfortunately, due to the COVID-19 pandemic lockdown, the GDP resulting from manufacturing in Czech Republic decreased to 276488 CZK Million in the first quarter of 2020 from 284692 CZK Million in the fourth quarter of 2019.

This temporary situation is expected to be overcome promptly as, in order to keep the economic and industrial factors interesting for potential partners, an extensive infrastructure with excellent scientific centres has been established in recent years.

As it results from the FRD Center previous researches, several manufacturing and technology clusters operate in Czech Republic.



Some examples are: the Czech Machinery Cluster, the HK Metal Cluster, the Cluster of Czech Furniture Manufacturers, the Technology Centre of the Czech Academy of Science, the Moravian-Silesian Automotive Cluster, the Science and Technology Park, Palacky University in Olomouc etc.

SLOVAKIA

Manufacturing is one of the key industries for the Slovak Republic. The industrial sector represents 34.4% of GDP and 35.5% of the active population.

As it results from FRD Center previous analyses of the manufacturing sector in Emerging Europe, the main industrial sectors in Slovakia are:

- automotive manufacturing;
- transport material;
- chemistry;
- food stuffs;
- wood and furniture;
- pulp and paper;
- textiles, garments;

The main industrial manufacturing industry in Slovakia is automotive, which over the last 10 years, saw a five-fold increase. According to the ZAP SR (Automotive Industry Association of the Slovak Republic), the share of automobile production reached 46.8% of the total industrial production.

With over one million cars produced annually, the Slovak Republic became the global leader in car production per capita.

Car production in Slovak factories is among the most effective and environmentally-friendly worldwide.

Unfortunately, due to the COVID19 lockdown, the manufacturing production in Slovakia decreased 21.4% in March of 2020 over the same month in the previous year. The GDP from Manufacturing in Slovakia decreased to 4414 EUR Million in the first quarter of 2020 from 4429 EUR Million in the fourth quarter of 2019.

HUNGARY

As it resulted from FRD Center previous researches, some of the leading Hungarian manufacturing sectors are:

- automotive manufacturing;
- electronics;



- chemicals, pharmaceuticals;
- machinery;
- medical technology;
- ICT;
- food industry;

The automotive manufacturing sector is one of Hungary's core industries and generates almost 21% of total exports. More than 600 companies employing a total of 100,000 people are active in the sector.

The electronics industry is one of the largest industrial sectors in Hungary, accounting for 22% of total Hungarian manufacturing production. The country is the largest electronics producer in the CEE region, providing 26% of total regional production.

The output of the manufacturing sector rose by 5.2% in the first nine months of 2017 compared to the same period of the previous year. The labour productivity of manufacturing companies with 5 or more employees rose by 1.7%, while there was a 3.2% increase in the number of employees.

As FRD Center found out through previous researches, the Hungarian Government recently launched the Industry 4.0 National Technology Platform with the participation of research institutions, education institutions and companies that carry out R&D in Hungary. This program provides a framework for companies to support high-added-value research and development work. The government wants to utilise this program to motivate Hungarian SMEs and large enterprises, especially in the application and development of digital manufacturing and the internet of things.

In spite of the COVID-19 pandemic lockdown, the Hungarian GDP from Manufacturing increased to 1964888 HUF Million in the first quarter of 2020 from 1958160 HUF Million in the fourth quarter of 2019.

ROMANIA

As its results from FRD Center's numerous researches regarding the Romanian manufacturing sectors, Romania is one of the strongest players in CEE. Historically, manufacturing companies and the industrial sector represent the backbone of Romania's economy.

In 2018, the Romanian manufacturing industries accounted for approximately 35% of the GDP and 29% of the workforce.



The GDP from Manufacturing in Romania averaged 7231.52 RON Million from 1995 until 2019, reaching an all time high of 10302.30 RON Million in the fourth quarter of 2018.

According to the FRD Center previous analyses of the sector, the Romanian industrial manufacturing sector consists mainly of:

- automotive: OEM and auto components
- heavy machinery and machine-tools
- defence
- ICT
- chemicals, including plastic, paints & varnishes, glass, cement etc.
- mining and aggregates
- agricultural machinery
- oil and drilling equipment manufacturing
- naval, aviation and defense
- furniture
- home appliances, white goods
- metal casting and metalworking
- food production

One of the most dynamic sectors is automotive manufacturing.

At the same time, technology is considered a primary growth driver for Romania. The IT&C services sector is forecasted to reach EUR 6.3bn by the end of 2020.

Today, Romania is one of the leading countries in the region not only for IT&C development, but also for SSC & BPO. Over the last 2 years, names like London Stock Exchange Group, Viavi, Huawei, Capgemini, Samsung, Amazon, Accenture have opened Centers in Romania, either for R&D, Business Services, Logistic or others.

Romania's ITC sector reached 6.2% of GDP in 2017 and the ITC services exports exceeded EUR 4.5 billion in 2018. A full implementation of the strategic vision of the ICT sector in Romania will result in a total investment of around 2.4 billion euro. Direct and indirect impact on the economy can be translated into a GDP growth of 13%, increase in the number of jobs by 11% and cut in administration costs by 12% during 2014-2020.

The Romanian GDP advanced 2.4% year-on-year in the first quarter of 2020. In regards to the GDP from Manufacturing in Romania, this increased to 10037.10 RON Million in the fourth quarter of 2019 from 9980.40 RON Million in the third quarter of 2019.



Unfortunately, because of the COVID-19 pandemic lockdown, the Manufacturing Production in Romania decreased 17.7% in March of 2020 over the same month in the previous year.

It is expected that the situation improves, while external orders start to pick up.

In regards to the technology support network operating in Romania, as FRD Center found out through previous researches, there are several clusters such as the Danube Engineering Hub, the Romanian New Material Cluster, the ICT Oltenia Cluster, the Transylvanian Mechanical Engineering Cluster, the Green Solutions Lower Danube Cluster, MECHATREC, INDAGRO POL etc.

For more than 20 years, FRD Center is monitoring the market opportunities on the Industrial Manufacturing, Automotive, Machine-Tools, Technology sector in CE Europe, Eastern Europe and SE Europe.

Upon demand, FRD Center analyses the export and the procurement opportunities for international manufacturers of machinery and equipment, automotive components, OEMs and provides Target Origination and New Vendor Identification services.

For almost 20 years, FRD Center facilitates commercial relations between foreign manufacturers, investors, exporters with local key decision makers and provides B2B matchmaking, Trade Missions, Inward Buyer Missions, Roundtables etc.

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