



WHITE PAPER

European Electronics Manufacturing 2026: EMS, PCB and Semiconductors in Transition

Factories, Start-ups, Defence and Consolidation – What Is Actually Changing in Europe's Electronics Industry in 2026

Dirk Kaussen | EMS Strategy Group | Rev.: 1.0 | 21 September 2026

Translation Notice:

This document has been translated from the original German version using machine translation systems. Although the content has been carefully reviewed, discrepancies or translation errors cannot be entirely ruled out. In the event of any ambiguity or conflict, the original German text shall remain solely authoritative.

1. Introduction

The year 2026 is bringing several relevant structural changes to the European electronics industry. While the new ESMC semiconductor fab in Dresden reached the completion of its main building structure in September 2026 and Infineon has opened its new Smart Power Fab, significant funding continues to flow into semiconductor start-ups, while the European Commission is moving into the next phase of its strategy with the proposed Chips Act 2.0. At the same time, defence electronics is becoming an important demand driver, while the European EMS market continues to experience consolidation.

These developments extend beyond semiconductor manufacturing. They cover advanced packaging and testing, printed circuit boards, electronics manufacturing and international supply chains. For OEMs, this is changing the environment in which production and sourcing decisions are made.

2. Semiconductor Manufacturing Takes Shape

Dresden is currently home to one of Europe's most significant semiconductor projects. The European Semiconductor Manufacturing Company (ESMC) is a joint venture between TSMC (70%), Bosch (10%), Infineon (10%) and NXP (10%), with a total investment of around €10 billion. In September 2026, the project reached the topping-out stage for the main building structure.

The project is supported by up to €5 billion in German state aid, which has been formally approved by the European Commission. ESMC plans to install the first production equipment in the cleanroom in 2027. At full capacity, the facility is designed to produce 480,000 300-mm wafers per year, equivalent to 40,000 wafers per month. The planned technologies cover 28/22 nm as well as 16/12 nm FinFET processes. The facility is primarily focused on automotive and industrial applications.

Before series production can begin, however, several demanding phases remain, including cleanroom completion, equipment installation and qualification, process qualification and the production ramp-up. The EU-approved project planning foresees full-capacity operation from 2029.

Infineon further expanded semiconductor capacity in Dresden by opening its new Smart Power Fab on 2 July 2026. The facility represents an investment of €5 billion and creates around 1,000 new jobs. It is designed to manufacture power semiconductors as well as analogue and mixed-signal components for applications including automotive, industrial systems, renewable energy and power supplies for AI data centres.

Additional capacity is also emerging in the back-end segment. In March 2026, the European Commission granted Silicon Box in Novara, Italy, "Open EU Foundry" status. The project covers advanced packaging and testing, including the integration of multiple dies or chiplets into a common package.

For OEMs, these developments demonstrate that European semiconductor policy is no longer focused solely on conventional wafer fabs, but increasingly also includes downstream process steps. Nevertheless, these new capacities will not replace global supply chains in the short term. Differentiated sourcing and second-source strategies therefore remain essential.

3. Policy Shift – From Capacity Building to Ecosystem Value Creation

The original European Chips Act has mobilised substantial public and private investment and has already contributed to new semiconductor production and development capacity in Europe.

On 3 June 2026, the European Commission presented its proposal for a Chips Act 2.0. The proposal aims to further strengthen Europe's semiconductor industry, reduce strategic dependencies, support both mainstream and advanced technologies, and improve crisis preparedness. It remains subject to the European legislative process.

The policy focus is therefore moving beyond individual manufacturing facilities towards a more comprehensive ecosystem approach. A semiconductor fab alone does not provide complete resilience across the European value chain. Between the wafer and the finished product are other critical stages such as packaging, testing, printed circuit boards (PCB), specialty chemicals and EMS manufacturing, where significant dependencies on non-European supply chains remain.

The European Chips Act already explicitly addresses not only semiconductor manufacturing but also areas such as advanced packaging, testing and assembly.

For industry, the implication is clear: expanding semiconductor manufacturing is an important building block, but broader resilience in the European electronics industry can only be achieved in conjunction with the other production and supply-chain stages.

4. Capital Flow into European Semiconductor Start-ups

European semiconductor start-ups continue to show strong financing activity. According to PitchBook data, European semiconductor start-ups raised €972 million across 69 funding rounds in 2025. In the first quarter of 2026 alone, funding volume had already exceeded €380 million.

One example is the Dutch start-up Axelera AI, based in Eindhoven, which raised more than US\$250 million in February 2026, bringing its total funding to more than US\$450 million. The company intends to use the funding to advance and scale its energy-efficient AI accelerator technologies and chip development.

Such start-ups generally do not compete through sheer manufacturing volume. Instead, they target technologically demanding niches with high value creation. The development illustrates continued investor interest in European semiconductor and hardware companies.

5. Defence Electronics as a New Demand Driver

With the European Defence Industry Programme (EDIP), the EU has established an instrument to strengthen and modernise Europe's defence industry. The work programme adopted on 30 March 2026 provides €1.5 billion for 2026 and 2027. More than €700 million is allocated to measures aimed at strengthening European production capacities, including electronic key components, defence platforms and technologies related to unmanned and counter-unmanned systems.

Depending on the respective call, the programme provides funding rates ranging from 35% to 100% of eligible project costs.

For EMS providers, this creates additional market and funding opportunities, particularly in electronic key components and defence-related systems.

At the same time, this market places high demands on traceability, quality, qualification and documentation. For EMS companies, this may require targeted investments in capacity, processes, quality systems and production infrastructure.

6. Consolidation in the European EMS Market

While the global EMS market continued to grow in 2025, Europe remained behind the growth rates recorded in Asia. At the same time, the European market remains highly fragmented, with more than 2,000 small and medium-sized EMS companies. Against this background, consolidation has continued visibly in 2026.

Three prominent examples illustrate the trend:

1. Kontron

Kontron has brought together the activities of Kontron, KATEK and beflex electronic under the “Electronics²” service brand, further expanding its position in the European ODM/EMS market.

2. HANZA / BMK

HANZA completed its acquisition of BMK Group on 7 January 2026. BMK employs around 1,500 people in Augsburg and also has operations in the Czech Republic. The acquisition significantly expands HANZA’s European manufacturing network.

3. Incap / Lacon

Incap completed the acquisition of Lacon Group on 19 February 2026. The German and Romanian sites were integrated into the Incap network. The acquisition strengthens activities in Germany and expands capabilities in areas including defence, railway technology and medical technology. More than 600 employees and four production sites were added to the group.

For OEMs, larger EMS networks offer broader capacity, international locations and potential procurement advantages. At the same time, consolidation is changing the structure of the market. OEMs therefore need to continuously evaluate their EMS supplier base with regard to ownership structures, key contacts, capacity and location priorities.

Consolidation does not automatically mean that smaller EMS providers lose their relevance. Specialised or regionally focused manufacturing partners can continue to play an important role for specific OEM requirements. However, selecting the appropriate partner will increasingly depend on the required combination of technology, location, capacity, flexibility and financial stability.

7. Industrial Base and ZVEI Positions

At industry-association level, awareness of the strategic relevance of the entire electronics value chain increased further in 2026. Daniel Hager was elected President of ZVEI in May 2026. Among the priorities highlighted by the association are competitiveness, electrification and digitalisation.

ZVEI has warned of further erosion of Europe's industrial base. According to the association, Europe's share of global PCB production has declined from around 20% in 2000 to approximately 2%. Europe's share of global electronics manufacturing is now around 10%.

The association is therefore calling for a stronger de-risking strategy and for the European electronics manufacturing base to be strengthened.

Expanding semiconductor manufacturing alone does not close the existing gaps in base materials, laminates and printed circuit boards. Significant dependencies on international supply chains remain in these areas.

This demonstrates that a resilient European electronics industry cannot be built solely through additional wafer fabs. Available PCB capacity, materials, components, packaging, testing and EMS manufacturing are equally relevant.

8. Conclusion and Implications for OEMs

By the end of September 2026, several concrete developments are visible: the ESMC main building structure has been completed, Infineon's Smart Power Fab has opened and is expanding production capacity in Dresden, Silicon Box has received "Open EU Foundry" status, and the proposed Chips Act 2.0 aims to strengthen and further develop the European semiconductor value chain. At the same time, the EDIP work programme and continued consolidation in the EMS sector are creating new conditions for electronics manufacturers and their supply chains.

For OEMs, this does not imply a need for a blanket reshoring strategy towards Europe, as global supply relationships will remain indispensable. What is required instead is a differentiated sourcing strategy.

European capacity can provide valuable safeguards for critical applications, shorter supply chains and certain regulated markets. At the same time, international sourcing, global cost structures and second-source approaches will remain important elements of a resilient supply chain.

The strategic task for OEMs is therefore not simply to replace global supply chains with European structures. Instead, companies need to reassess their own value chains in terms of technology, risk, cost, availability and geographic dependencies, and balance production and sourcing locations accordingly.

For electronics manufacturing, 2026 therefore represents an important development: Europe is rebuilding industrial capacity in several areas. The impact of these investments, however, will depend on whether the other stages of the value chain – from PCBs and materials through packaging and testing to EMS manufacturing – are adequately addressed as well.

Sources

European Commission

Strengthening Europe's tech sovereignty, 3 June 2026.

European Commission

European Chips Act.

European Commission

Chips Act 2.0 – Proposal and supporting documents, 3 June 2026.

European Commission

Commission approves €5 billion German State aid measure to support ESMC in setting up a new semiconductor manufacturing facility.

Sächsische Staatskanzlei

Richtfest der European Semiconductor Manufacturing Company (ESMC) in Dresden, September 2026.

ESMC – European Semiconductor Manufacturing Company

Information on the ESMC semiconductor manufacturing facility in Dresden.

TSMC

European Semiconductor Manufacturing Company (ESMC) – Dresden.

Infineon Technologies AG

Infineon opens new Smart Power Fab in Dresden, 2 July 2026.

European Commission

Open EU Foundry status granted to Silicon Box for innovative chiplet facility, March 2026.

Semiconductor Start-ups and Financing**PitchBook**

European Semiconductor Startups Cash In as VCs Turn to Hardware, 2026.

Axelera AI

Company and financing announcements, February 2026.

Defence Electronics and EDIP**European Commission**

European Defence Industry Programme (EDIP) – Work Programme 2026–2027, 30 March 2026.

European Commission

EDIP – Commission adopts €1.5 billion work programme to boost European and Ukrainian defence industry, 30 March 2026.

European Commission

EDIP Work Programme – Factsheet, 2026.

EMS Market and Consolidation**HANZA AB**

HANZA completes acquisition of BMK in Germany, 7 January 2026.

Incap Corporation

Incap completes acquisition of Lacon Group, 19 February 2026.

Incap Corporation

Lacon companies officially operating under the Incap name, 2026.

Kontron AG

Electronics² – Kontron, KATEK and beflex electronic.

in4ma

European EMS Market Analysis and Market Data.

Evertiq

European Electronics Manufacturing Services Market and M&A Developments, 2026.

European PCB and Electronics Manufacturing**ZVEI – German Electrical and Electronic Manufacturers' Association**

Strengthening Europe's PCB and Electronics Manufacturing for Critical Infrastructure, 2025.

ZVEI – German Electrical and Electronic Manufacturers' Association

Information on European PCB and electronics manufacturing.

ZVEI

Daniel Hager elected President of ZVEI, 20 May 2026.

About the Author

Dirk Kaussen is Founder and Managing Director of EMS Strategy Group. With around 40 years of experience in the electronics industry — including founding and managing his own electronics manufacturing company in Germany — he brings deep expertise in manufacturing processes, EMS partner selection, supply chain stability, relocation projects, and risk management. His approach combines practical solutions with a direct connection to industrial reality.

About the EMS Strategy Group

EMS Strategy Group supports industrial enterprises in the strategic and operational advancement of their electronics manufacturing. Our core expertise lies in the strategic relocation of manufacturing volumes, the selection of qualified EMS partners, the establishment of new production capacities, and the expansion of existing manufacturing structures.

Furthermore, we design resilient supply chain frameworks, conduct comprehensive risk assessments, and guide dual-sourcing strategies, with operational support through to a successful series production ramp-up.

www.emssg.com | [LinkedIn: Dirk Kaussen](#)

Legal Notice / Disclaimer

The information, assessments, and recommendations contained in this Document have been prepared with the utmost care and to the best of our knowledge. They are provided solely for general informational purposes in a B2B context and do not constitute legal, tax, technical, or business advice tailored to any specific situation. The content of this document does not replace, and is not intended to replace, individual qualified professional counsel or economic feasibility studies.

Regulatory Proviso: As legal requirements, directives, standards, and their official application guidelines (particularly at the EU and international levels) evolve continuously, all information reflects the status at the time of preparation. It is strictly subject to later official publications or regulatory changes. Only the official legal texts and governmental publications remain legally binding.

Translation Notice: This document was translated from the original German version using machine translation systems. Although the translation has been reviewed, discrepancies, inaccuracies, or translation errors cannot be entirely ruled out. In the event of any ambiguity, conflict, or contradiction, the original German text shall remain solely authoritative.

Limitation of Warranty and Liability: While every reasonable effort has been made to ensure the accuracy of the information provided, EMS Strategy Group makes no representations or warranties, express or implied, regarding the accuracy, completeness, or timeliness of the content contained herein.

To the fullest extent permitted by applicable law, EMS Strategy Group shall not be liable for any direct, indirect, incidental, consequential, or other damages arising from the use of, reliance on, or practical implementation of any information, strategies, recommendations, or evaluation criteria contained in this Document.

Copyright and Distribution: This Document may be distributed and shared in its original, unmodified form, provided that full attribution and copyright ownership of EMS Strategy Group is maintained at all times.

Tax Advisory Disclaimer: Where this document refers to tax or tax-related matters, such references are made exclusively in the context of general strategic or economic considerations and do not constitute an individual tax assessment, tax advice or tax planning. EMS Strategy Group does not provide case-specific assistance in tax matters. The assessment of specific tax implications and the development or review of tax structures or tax planning measures should be carried out by a qualified tax adviser, auditor, lawyer or other professional legally authorized to provide such services.



www.emssg.com | LinkedIn: Dirk Kaussen

© 2026 EMS Strategy Group. All rights reserved. This white paper may be freely quoted, provided the source is acknowledged.
