INVESTMENT IN ELECTRONICS INDUSTRY
(Source: Board of Investments)

The semiconductor and electronics industry continue to be a major contributor to the growth of the Philippine economy. In the past ten years, electronics exports increased tremendously as compared to non-electronics exports. On the average, total electronic exports increased annually by 21% from 1996 to 2000.

Not only does this sector produce the bulk of Philippine exports (63% of the total Philippine exports in 2006 are electronics products) but also provides employment to more than 435,000 workers. With future adjustments in the US economy and gradual recovery from inventory build up for electronics products, employment opportunities of the industry is expected to improve.

The Philippine electronics industry covers semiconductors and other components, electronic data processing equipment or those engaged in the manufacture of computers, production of office and telecommunications equipment, cellular phones, and other communication apparatus, as well as medical, automotive, and other consumer electronics.

Semiconductors and other components remain to be the driving force of the electronics industry. In 2006, it accounts for more than 75% of the total Philippine electronics exports and almost 50% of total Philippine exports. The biggest destinations of electronics export products, particularly semiconductors, are primarily the markets of the Greater China, United States, Europe and Asia. In 2006, the total importation of the Greater China became the main market of the Philippine electronics products accounting for 21.94%, surpassing USA. Among the top 5 Philippine export markets, Singapore exhibited the strongest growth in 2006 with a 27.53% increase from 2005’s US$ 2.707 billion.

Characteristics of the Industry

1. Dominated by Multinational Corporations

   From year 2000 to 2004, the Philippines became a home to over 300 electronic firms of which are mostly multinational corporations. Intel Technology Philippines, Corp., Texas Instruments (Phils.) Inc., Toshiba Information Equipment (Phils.) Inc., and Fujitsu Computer Products Corp. of the Philippines are several of the major players of the industry.

2. Export-oriented

   Very little of the output of the industry is sold in the country as domestic competition is weak for these products except for consumer electronics. Majority of the output of the electronic firm is sold to their parent companies. Thus majority of the sales of electronic firms represent export sales.

3. Engaged in assembly and test manufacturing activities

   Majority of these firms still engage in labor-intensive assembly and test manufacturing, making the industry an important source of employment.

4. High quality and productivity
Emphasis on high quality products and services and the drive towards higher productivity among workers and production facilities is very important in the industry as more and more of these firms adopt the best-known methods in manufacturing. In addition, most Philippine electronics firms are ISO-certified and have in-house training capabilities making it more attractive to foreign investors to expand or relocate their businesses here. A typical electronic company in the Philippines operates with clean rooms and fully integrated manufacturing facilities.

5. Growing base of components supplier

The industry is highly competitive as multiple players are found on each sub-sector. The presence of a growing base of components supplier boost the country’s image as ideal relocation site as there will be a lesser need to look for component parts outside the country. These complements the industry as it offers a wide variety of products and services ranging from IC packaging, PCB assembly and full product assembly.

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