

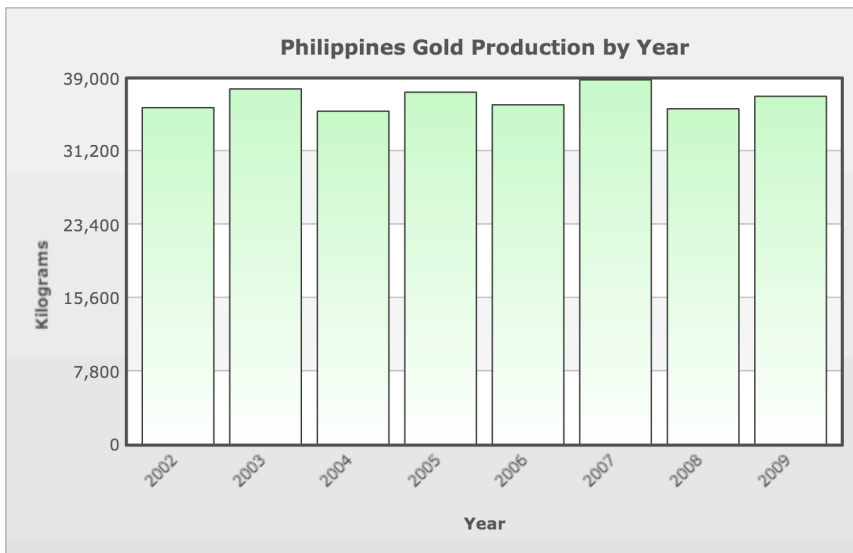
The Philippine electronics landscape

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Before the world economic crisis struck in late 2007, demand for precious metals, like gold and copper – needed for producing electronics – were at a very high level. Gold production peaked in 2007, with a total of 38,792 kilos, compared to just 35,850 kilos in 2002.

Table 1¹



With the Philippines having considerable amounts of gold and copper, we witness a mad scramble for those metals. The areas with major reserves of the abovementioned metals saw a total of more than 2,000 mining permits filed by various multinational and local mining firms.

Table 2²



Electronics component exports were also running high, topping the exports from the Philippines. In June 2007, total electronics exports amounted to USD 2.464B, or 59.8% of the

¹ <http://www.indexmundi.com/minerals/?country=ph&product=gold&graph=production>

² <http://www.indexmundi.com/minerals/?country=ph&product=copper&graph=production>

total export of the Philippines worth USD 4.112B for the same period³. Main export under the electronics were semiconductors worth USD 1.82B, comprising 73% of all electronics export.

Despite the downturn of the world economy due to the crisis, gold demand remained high but for another reason. Demand was driven by gold speculators - not by the electronics sector – as they saw the value of the US dollar shrink. Financial players banked on gold as they steered away from currencies.

Demand for electronic components coming from the Philippines crashed post 2007. As the demand for this parts fell as a result of lower demand for consumer electronics from mature markets like the European Union and North America, so did the level of production output. This meant slashing of jobs for some firms, while others completely closed shop. Other companies, like Intel, opted to leave the country and concentrate production efforts in their manufacturing hubs in Malaysia or other countries in South East Asia⁴.

By June 2009, exports earnings from electronics dropped by 21% to USD 1.948B compared to its value in June 2007⁵. From the 44.2% share of total export value in June 2007, semiconductors share fell to 39.3% by June 2009.

The makeup of consumer electronics also has changed after 2007. According to a report by GFK in 2012, smartphones users comprise 30% of all mobile phone users. Smart phones have continued its rise in their market share and the user base⁶. This increase is driven mainly not by expensive brand. Cheap Android-based smartphones are currently flooding the Philippine market, with some units available for less than 100 USD. Tablets have also made a good showing, again because of cheap alternatives to the expensive ones. Just like smartphones, one can easily buy a sub-100USD Android-based tablet.

Several local companies have also started their own distribution of consumer electronics. MyPhone, Cherry Mobile and Torque are relatively new to the phone market. These companies would import phones and tablets from China and then add their brand name before selling to the consumers. CDR-King, known before as retailers of CD, has become the main retailer for electronics gadgets. They sell anything from USB to USB powered massagers, 12USD phones, flat screen TV and computer accessories. Like the companies mentioned earlier, they would do bulk purchases in China and sell the products under their brand.

The need to be connected - or what some tag as the Fear Of Missing Out (FOMO) - to various social networks serves as the main driver for consumers to choose smartphones. This demand is forcing telecommunications companies to offer subscriptions plans which include data and not just call and SMS. Companies are trying upgrading their infrastructure – building 4G Long Term Evolution systems- to address this situation.

Apple currently has 21 suppliers in the country and this includes NXP⁷. According to the NXP union, in 2011, the management gave them a seminar on new policies concerning production

³ National Statistics Office, Philippine Exports by Commodity Group, June 2007.

⁴ Yap, Karl Lester. "Intel 'Unthinkable' Exit Leaves Philippine Cooks Without Jobs." Bloomberg. 31 March 2009.

⁵ NSO, Philippine Exports by Commodity Group, June 2009.

⁶ Hidalgo, Vanessa. "Smartphones: Filipinos' default mobile device." Philippine Daily Inquirer. 11 March 2013.

⁷ Apple. "Supplier List 2013." 2013.

timetable. Apparently, it was part of the Code of Conduct of Apple which all its suppliers must implement, including details on the number of working hours.

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