



CREATE AND THE PH ELECTRONICS INDUSTRY

CIG Talks Webinar

The CREATE Act: Boosting the Philippines' Economic Recovery
Prospects

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SEIPI'S ANNUAL BUSINESS PARTNERS:



- ❖ Introduction to SEIPI and Electronics Industry
- ❖ October 2021 Import and Export Performance
- ❖ Foreign Direct Investments
- ❖ Advantages and Disadvantages of CREATE
- ❖ Recommendations



ABOUT SEIPI

Semiconductor and Electronics Industries in the Philippines Foundation, Inc.

SEIPI is the country's leading organization of **350 multinational and Filipino-owned semiconductor and electronics manufacturing firms, suppliers, allied and support industry members, and academic institutions.** Subsectors include semiconductors, electronic data processing equipment, office equipment, telecommunications, & radar, automotive electronics, consumer electronics & medical/industrial instrumentation.



INDUSTRY SECTORS

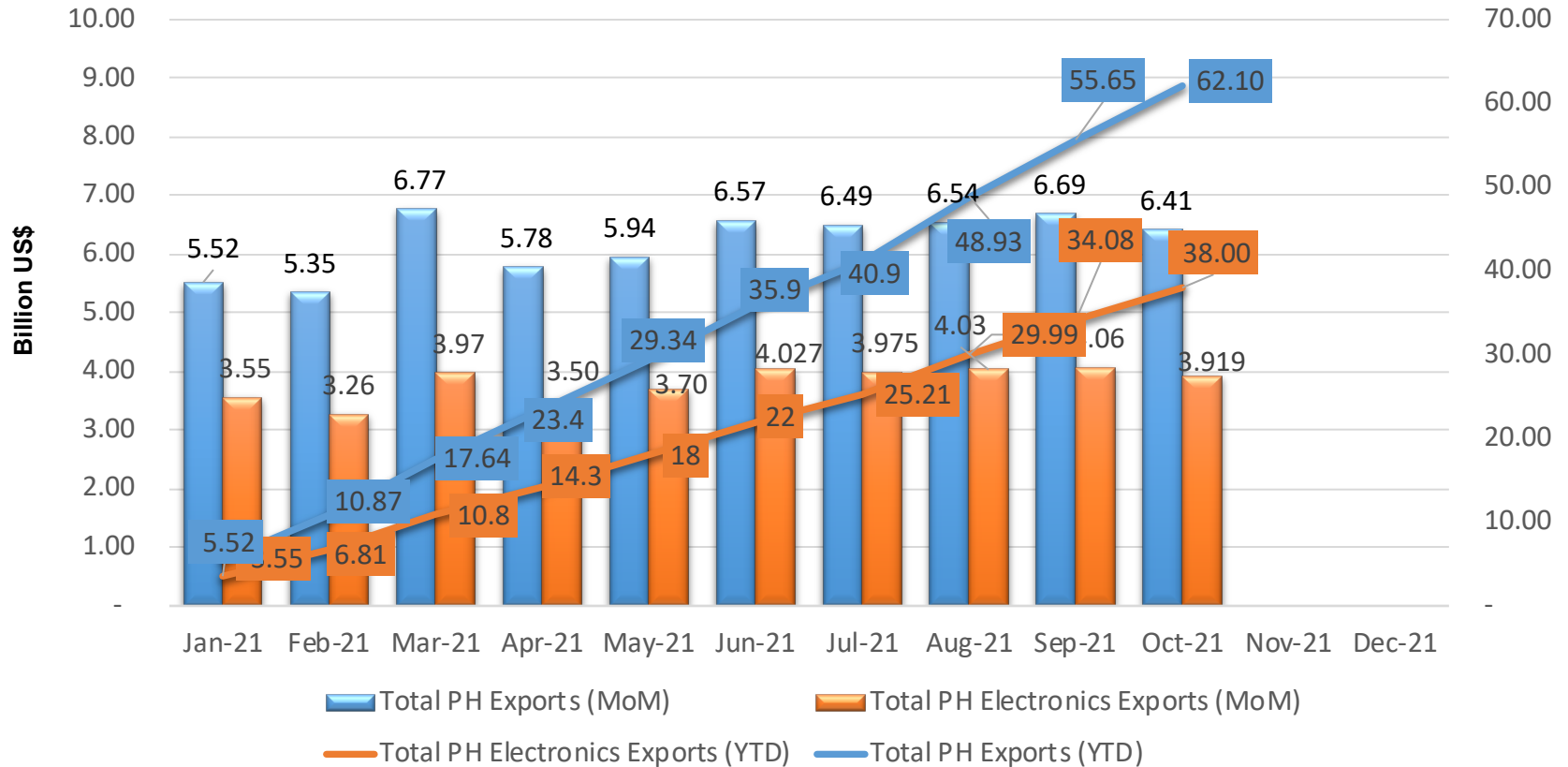
The Philippines is home to multinational and Filipino-owned **semiconductor** and **electronics manufacturing companies**. The electronics industry accounted for **\$40 billion**, or **62%** of total country commodity exports.

Sector	Major Players
Semiconductor and other components	Texas Inst., onsemi, Amkor, Ibiden, Microchip
Electronic Data Processing (EDP) Equipment	Western Digital Company (HGST), Toshiba, Samsung
Office Equipment	Epson, Murata
Telecommunication	Murata, IMI
Communications & Radar	IMI, ATEC
Control & Instrumentation	Maxim, Continental Temic
Medical & Industrial	MinebeaMitsumi, IMI
Automotive Electronics	Continental Temic, STMicroelectronics, Murata
Consumer Electronics	Ionics, Toshiba, Sharp (Phils.) Corp.
IC Design	Xinyx Design, Analog Devices, and ROHM
Aerospace	Moog
Renewable Energy	SunPower/Maxeon



2021 OCTOBER EXPORT PERFORMANCE

The electronics exports **declined by 3.53% in October 2021**. This was equivalent to **US\$ 3.92 billion**, which was **61.14%** of the **US\$ 6.41 billion** total Philippine exports for the month.

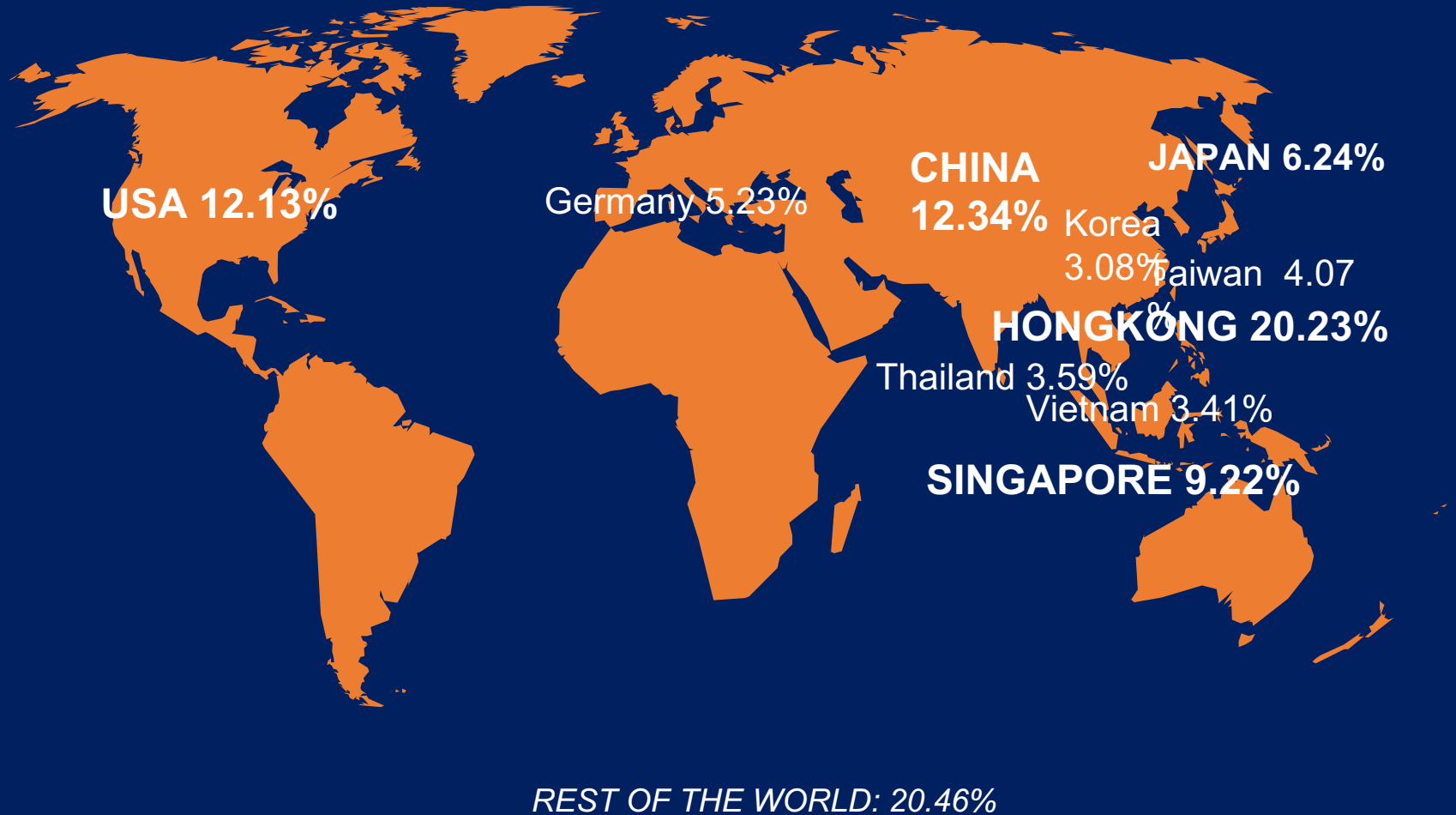


EXPORTS	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	YTD
% Change of Electronics Exports	-9	-8	21.8	-12	6	8.8	-1.3	1.4	0.7	-3.5			\$38.00
% Change of Total Exports	-4.4	-3	26.5	-14.6	2.8	10.6	-1.2	0.8	2.3	-4.2			\$62.10
% to Total Exports	65	61	58.6	61	62.3	61.3	61.3	61.6	60.7	61.1			61.2



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MARKET DESTINATIONS

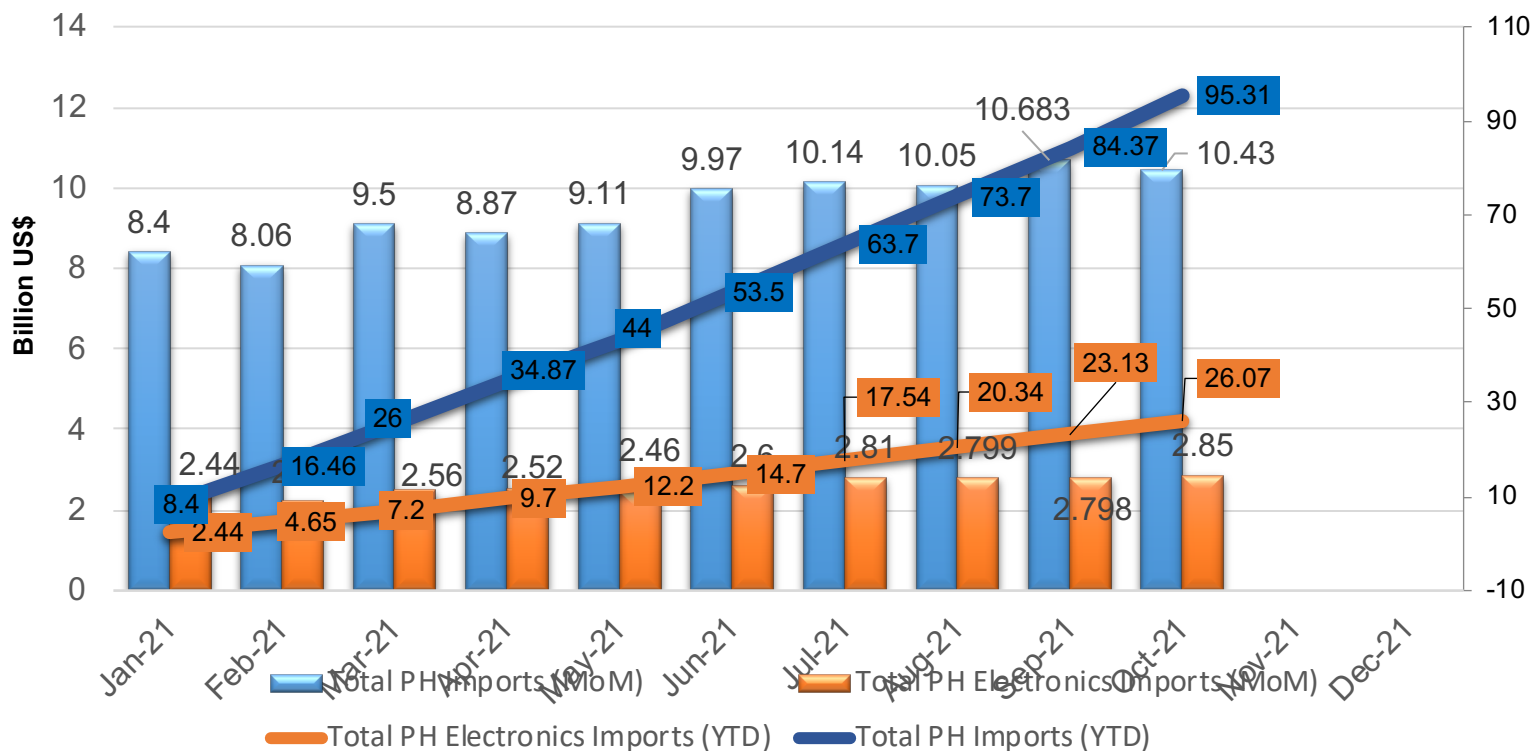


Source: PSA, December 2021



2021 OCTOBER IMPORT PERFORMANCE

Electronics Imports for the month of **October** increased by **2.02%**, from **US\$ 2.798 billion** to **US\$ 2.85 billion**. This was **27.37%** of the total Philippine imports of **US\$ 10.43 billion**.



IMPORTS	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	YTD
% Change of Electronics Imports	2	-9.4	15.8	-1.6	-2.4	5.7	1.7	-0.4	-0.04	2			\$26.07B
% Change of Total Imports	-1.1	-4	17.9	-6.6	2.7	9.4	8.1	-0.9	3.78	-2.4			\$95.31B
% of Total	26	27.4	27	28.4	27	27	28	27.9	28.9	27			27.4%



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IMPORT ORIGINS



REST OF THE WORLD:
5.88%

Source: PSA, December 2021

2020 FOREIGN DIRECT INVESTMENTS

COUNTRY	2020 FDI US\$ BILLION	PH FDI VS. CORRESPONDING COUNTRY
PHILIPPINES	2.2	-
INDONESIA	28.7	13x
MALAYSIA	15.5	7x
THAILAND	16.0	7.3x
VIETNAM	28.5	12.95x

PEZA ELECTRONICS INDUSTRY INVESTMENT

PEZA ELECTRONICS INVESTMENTS PHP MILLION		
	2020	2021
Q1	2814.711	1199.551
Q2	1149.71	365.587
Q3	4290.94	-
Q4	6670.28	-

**3rd and 4th Quarter information is not yet available.*

Source: PEZA

Advantages

- Reduction of CIT from 30% to 25% for domestic corporations
- Domestic market-oriented enterprises are eligible for incentives.
- Additional incentives
 - Depreciation Allowance
 - Labor
 - Research and Development
 - Training
 - Domestic Input
 - Power
 - Reinvestment to Manufacturing
 - Enhanced NOLCO

Disadvantages

- Incentives have not offset high operating costs.
- What happens after transition period?
- FDI's in competing countries are much higher than the Philippines
- Several items could be disallowed as deductions in the IRR, such as employee benefits and welfare, production supervision salaries, insurance, land rental for production. The definitions in the IRR do not include these items and the IRR was explicit that direct costs is limited to the published list.

- Determine why competing ASEAN countries have higher FDI's then act accordingly.
- Empower PEZA to approve FDI's higher than PHP 1B.
- Allow for flexibility in enforcing the performance criteria set by the SIPP, most especially for force majeure situations, **including:**
 - Lower Export Sales Target (Prior to CREATE this was set at 70%, during CREATE deliberations this was set to 100% but in final legislation it wasn't mentioned but performance criteria will be set in SIPP.)
 - Lower Employment target (Target during CREATE deliberations was 10,000 employees.)
- Follow the standard lead times for approval process consistent with EODB.
- Improve the IRR:
 - Descriptions of allowable deductions should include missing items/specifications, including: Employee Benefits of Direct Labor (e.g. HMO, Rewards, VL, SL)
 - Insurance associated with raw materials, goods in process, finished goods.
 - Freight and handling charges.
 - Property insurance cost allocated to production.
 - Land rental cost allocated to production.
 - Remove inconsistencies with Republic Act No. 11534 (CREATE), such as BIR Revenue Regulation No. 9-2021.



**Thank you.
Stay safe.
God bless!**

SEIPI'S ANNUAL BUSINESS PARTNERS:

