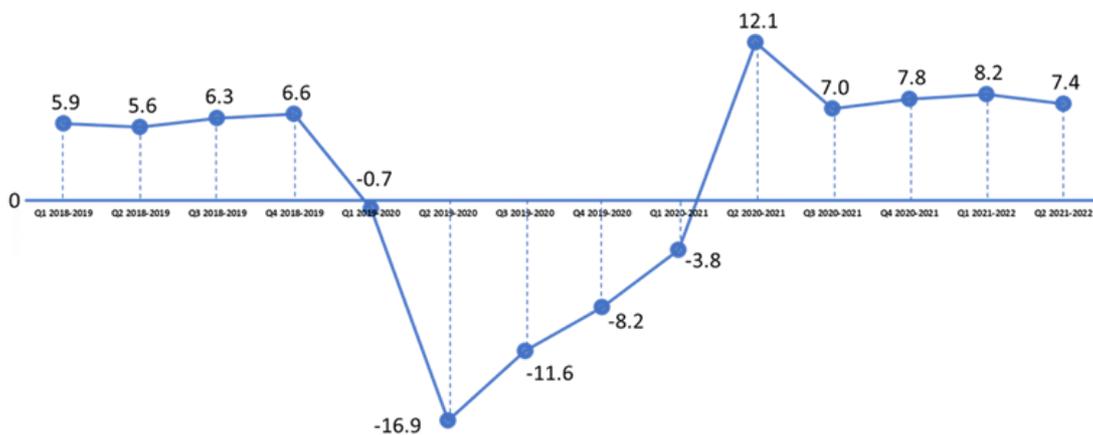


Philippine Country Report Q2 2022

BY THE PHILIPPINE CONSTRUCTORS ASSOCIATION

1. Philippine GDP records an 8.2% growth in Q1 2022; 7.4% in Q2 2022.

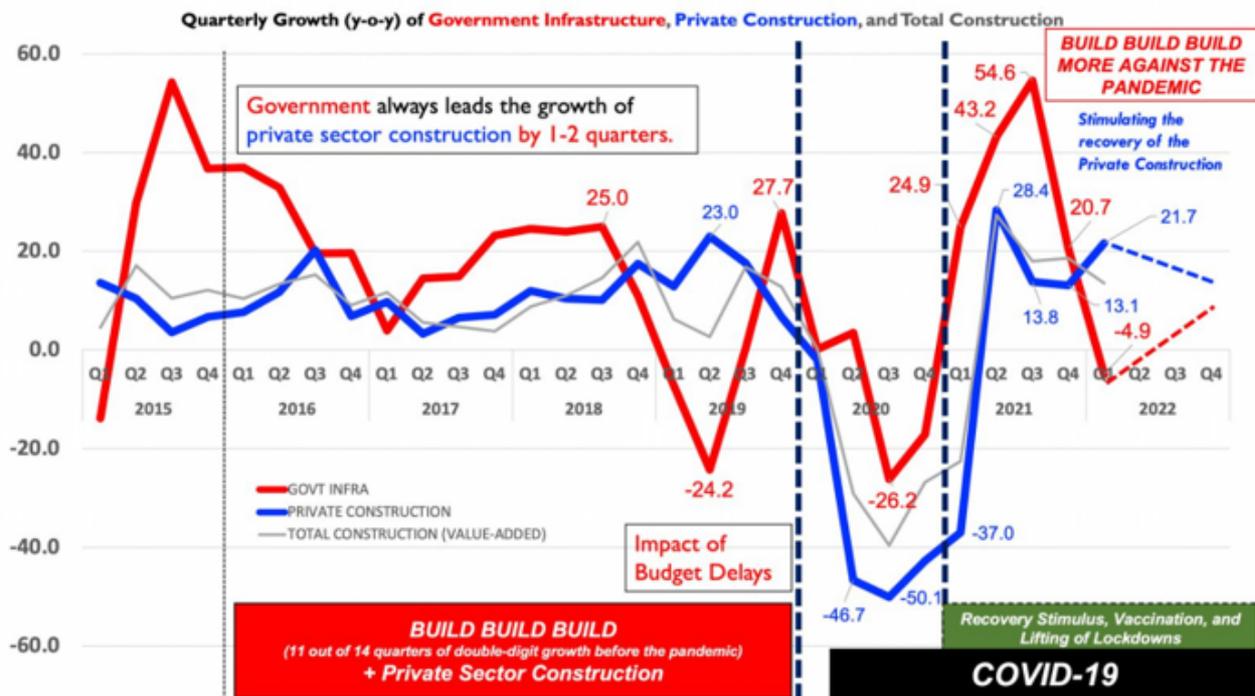
The Philippine Statistics Authority (PSA) reported that the country's Gross Domestic Product (GDP) grew by 8.2 percent in the first quarter of 2022.



PSA also reported that the country's GDP grew by 7.4 percent in the second quarter with an average growth of 7.8 percent in 2022, higher than the government projected 6.5 percent-7.5 percent growth for the year. The main contributors to the second quarter growth were: Wholesale and retail trade; repair of motor vehicles and motorcycles, 9.7 percent; Construction, 19.0 percent; and Transportation and storage, 27.1 percent.[i]

However, PSA also said that inflation sped up to 6.9 percent in September 2022 – the fastest pace for the year. As per Nicholas Antonio Mapa, Senior Economist at ING Bank, inflation is still likely to accelerate at the end of 2022. The downward trend of the Philippine Peso, which recorded ₱59 to \$1 at the end of September, would also impact the way prices are moving.[ii]

2. The Construction Industry grew by 19.0% in Q2 in 2022



The Construction industry recorded a growth rate of 19.0 percent in the second quarter of 2022. With the further opening up of the economy, the construction industry is expected to experience a positive uptick in growth – sans lockdowns. There was, however, a contraction in public construction earlier this year due to the election spending ban.

Private construction is well-positioned to ride this growth trajectory. The office and property sectors are seeing an increase in transactions within and outside Metro Manila. The confidence to spend and travel is resulting in improvement in mall space absorption, retail rents, and hotel occupancies – leading to a recovery mode for property and the economy.[iii]

3. Recovery, Growth, and Sustainability for 2022



The previous president signed into law the ₱5.024 trillion (\$88.12 billion) General Appropriations Act for 2022. The National Budget is equivalent to 23.3 percent of the gross domestic product, and larger by 11.5 percent than the FY 2021 budget.

The National Budget will focus on building resilience as it transitions to treating the pandemic as an endemic, sustaining the momentum toward recovery, and infrastructure development.

With regards to budget allocation, Education is set to receive the largest portion with ₱788.5 billion (\$13.83 billion). The government will continue to implement the “Build, Build, Build” flagship infrastructure program under the banner of the “Build Better More” program, which shall fund the construction of road networks, flood control systems, hospitals, health centers, school buildings, housing, and other infrastructure projects.

In particular, the Department of Public Works and Highways (DPWH) and the Department of Transportation (DOTr) will receive ₱786.6 billion (\$17.8 billion) and ₱75.8 billion (\$1.33 billion) respectively, to accelerate the Administration’s flagship programs. This will include the Network Development Program (₱127.0 billion), Flood Management Program (₱129.0 billion), Rail Transport Program (₱23.1 billion), and the Land Public Transportation Program (₱16.0 billion), among others.[iv]

4. 2023 National Budget to Exceed 2022 Budget by 4.9%

In August 2022, the house of representatives proposed a budget of ₱5.268 trillion (\$92.04 billion) for 2023, exceeding the 2022 budget by 4.9%. Under the proposed 2023 National Budget, the government is programmed to spend ₱718.4 billion (\$12.6 billion) for infrastructure, out of the ₱1.19 trillion (\$27.8 billion) for the Build, Better, More Program.[v] This will also cover projects across different sectors and departments, such as tourism, agriculture, health, and education.

5. Infrastructure Budget Cuts

Proposed Value	2022	2023	2024	2025	2026	2027	2028
Budget in Peso	₱1.19 trillion (\$20.87 billion)	₱1.28 trillion (\$22.45 billion)	₱1.39 trillion (\$24.38 billion)	₱1.51 trillion (\$26.48 billion)	₱1.64 trillion (\$28.76 billion)	₱2 trillion (\$35.08 billion)	₱2.38 trillion (\$41.74 billion)
% of GDP	5.5%	5.4%	5.4%	5.3%	5.3%	5.8%	6.3%

Revised Value	2022	2023	2024	2025	2026	2027	2028
Budget in Peso	₱1.19 trillion (\$20.87 billion)	₱1.18 trillion (\$20.7 billion)	₱1.29 trillion (\$22.62 billion)	₱1.42 trillion (\$24.90 billion)	₱1.64 trillion (\$28.77 billion)	₱1.95 trillion (\$34.02 billion)	₱2.33 trillion (\$40.87 billion)
% of GDP	5.5%	5.4%	5%	5%	5.3%	5.7%	6.2%

Conversion rate as of 17 September 2022 is P57.01 to \$1

The Development Budget Coordination Committee (DBCC) approved lower infrastructure spending for the next six years to allocate additional funds for agriculture, health, and other priority sectors. This, as the prolonged pandemic, has limited the fiscal space of the government. Instead, the administration will tap more public-private partnerships for additional infrastructure financing.[vi]

6. Call for Long-Term Collective Commitment



The Philippine Development Plan serves as the template of the current administration to achieve the long-term Ambisyon 2040 – where the Philippines is poised to become a prosperous middle-class society and where no one is poor.

The goal is for people to live long and healthy lives, being smart and innovative. The Philippines would be a high-trust society where families thrive in vibrant, culturally diverse, and resilient communities.

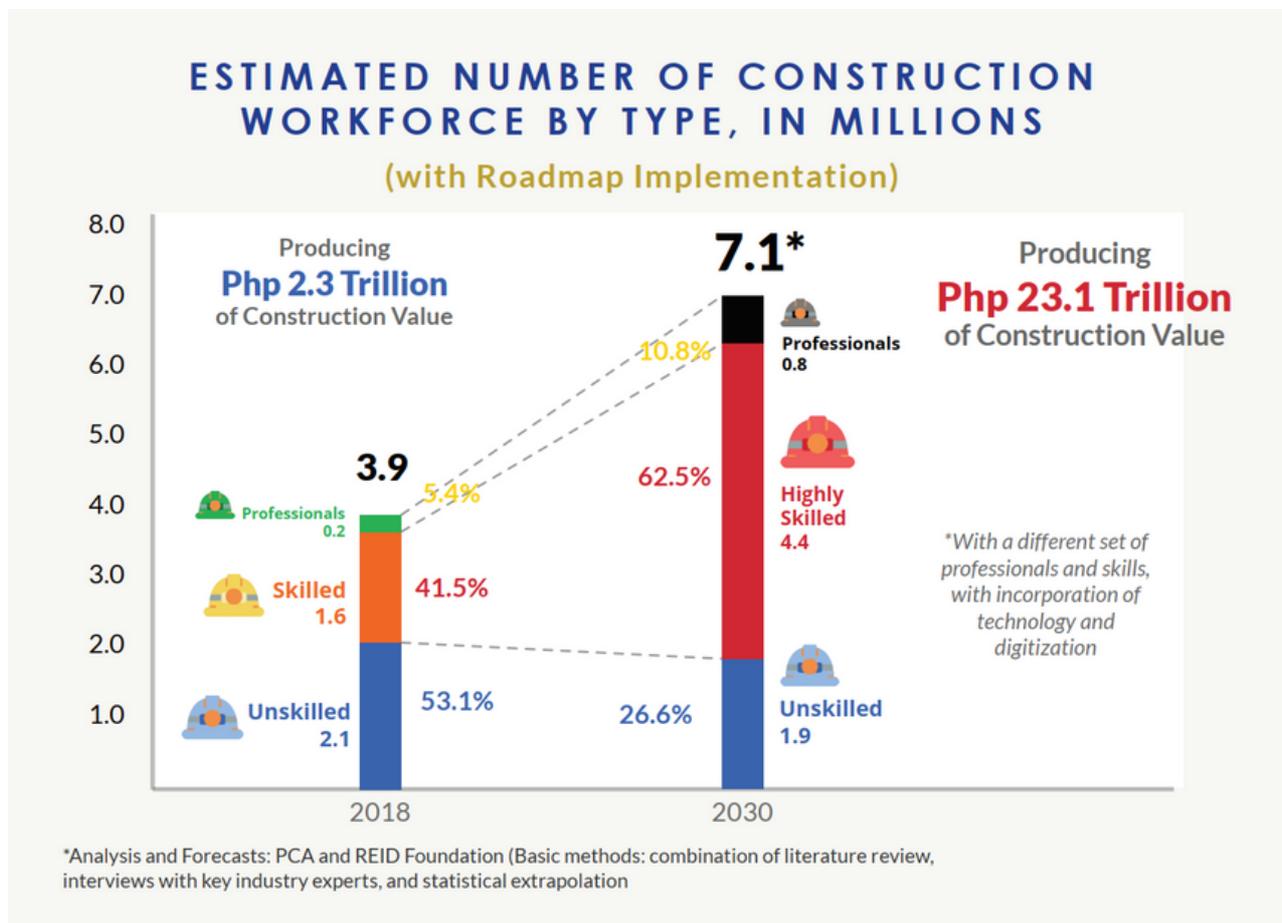
It is anchored upon 3 pillars – **Matatag, Maginhawa, at Panatag na Buhay**, which is translated as steady, comfortable, and peaceful living.

In line with Ambisyon 2040, the Philippine Constructors Association calls for a 30-year master infrastructure development plan that will span 5 presidential terms. Currently, medium-term plans remain for only 6 years, then will be reviewed upon the end of each administration. A 30-year master infrastructure development plan will ensure continuity and growth within the construction sector – to develop and advance the country's infrastructure.

7. The Philippine Construction Industry Roadmap 2020-2030

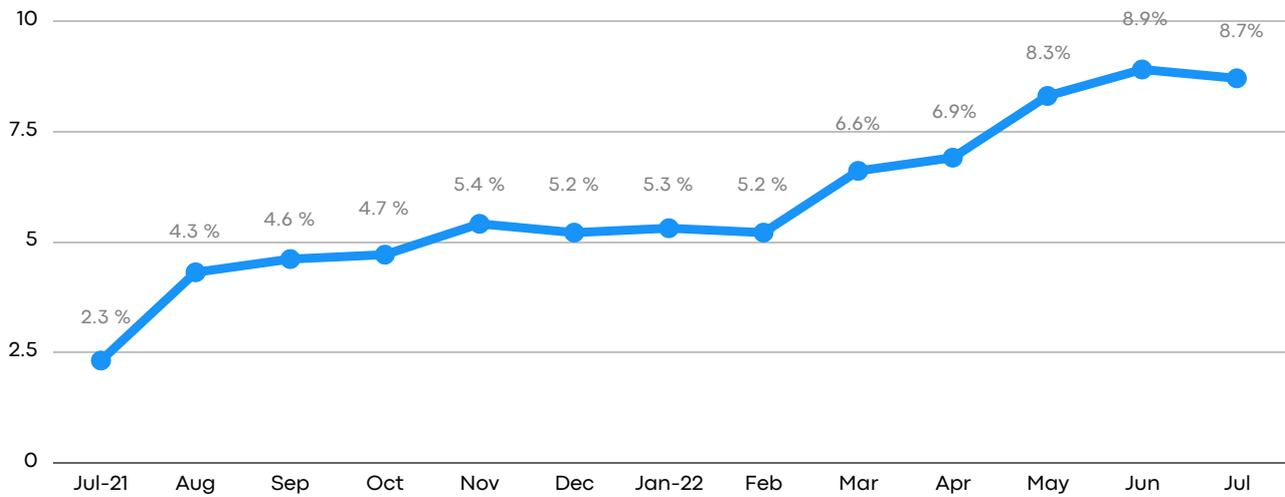
The Roadmap still serves as the strategic framework of Philippine Construction for 2020-2030. It enumerates the overall vision and values of the construction industry that both public and private sectors have declared for the country.

Without the roadmap and if the local industry continues doing the same thing over and over, it can only achieve ₱43 trillion (\$754.25 billion) worth of infrastructure projects vis-à-vis ₱130 trillion (\$2,280 billion) by 2030. Currently, there are over 4.7 million workers, as of July 2022.[vii] The Roadmap envisions that the industry will have 7.1 million in the workforce by 2030, due to emerging new skills along with the incorporation of technology and digitization – which will produce ₱23.1 trillion (\$403.44 billion) of Construction Value.



However, due to the on-going pandemic, the timelines for the action plans would need to be reviewed and adjusted to fit the timelines.

8. Annual increase in CMWPI in NCR



Source: Philippine Statistics Authority

July 2021	June 2022	July 2022	Year-to-Date
2.3	8.9	8.7	7.1

The annual increase of CMWPI in NCR has lowered to 8.7 percent in July 2022, from 8.9 percent in June 2022.[i] The annual growth rate has increased to 6.3% on a year-to-year basis.

The lower annual growth in CMWPI as of July 2022, was primarily brought about by the downtrend in reinforcing and structural steel at 14.9 percent. In addition, annual upticks were slower in the indices of the following commodity groups, as compared to the previous month:



PLYWOOD
4.9%



G.I. SHEET
13%



ELECTRICAL WORKS
8.4%



PVC PIPES
9.8%



FUELS & LUBRICANTS
41.3%

However, annual increments were higher in the indices of the following commodity groups:



**SAND &
GRAVEL**

5.1%



**CONCRETE
PRODUCTS & SEMENT**

5.7%



HARDWARE

5.8%



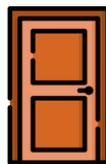
LUMBER

4.8%



TILEWORKS

1.2%



**DOOR, JAMBS &
STEEL CASEMENT**

2.5%



**PLUMBING FIXTURES
AND ACCESSORIES /
WATERWORKS**

7.9%



PAINTING

7.0%

9. Construction Project Updates

The previous administration completed 12 out of the 119 infrastructure flagship projects as of May 2022. The new administration will inherit 88 Build Build Build projects of the previous administration, which are expected to be completed in the next 6 years.[viii]

South Commuter Railway Project (SCRP)



The Philippines signed four civil works contracts totaling \$1.87 billion for the South Commuter Railway Project (SCRP), with the Asian Development Bank (ADB). DOTr Secretary Jaime Bautista said, the SCRP is part of the 147-kilometer North-South Commuter Railway Project (NSCR), which will have 35 stations and 3 depots, and is expected to cut travel time from Calamba, Laguna to the Clark International Airport to less than 2 hours.[ix]

As per ADB, the project will lay nearly 55 kilometers of railway segment to connect the National Capital Region with Laguna and will be financed with \$4.3 billion in loans approved in June 2022.

The NCSR is currently the largest infrastructure project of the Philippines in the history of ADB financing.

MRT Line-7



The Metro Rail Transit Line 7 (MRT-7) is a rapid transit line that is still under construction. When completed, the line will be 22.8 kilometers long, with 14 stations. The line begins at San Jose del Monte, Bulacan, and ends at the North Triangle Common Station in North Avenue, Quezon City.

MRT-7 will be integrated with the public transit system in Metro Manila, and passengers can also take various forms of public transport, to and from a station to reach their intended destination.

The project will cost an estimated \$1.54 billion, with additional plans to increase capacity in order to accommodate a larger base of commuters in the future.[x]

New Manila International Airport



The New Manila International Airport, otherwise known as the Bulacan International Airport is on track for completion by 2027.

The ₱740 billion (\$12.98 billion) project will decongest Ninoy Aquino International Airport, the main entry and exit point to Manila. The proposed is being built on a 2,500-hectare coastal property, as part of an envisioned 12,000-hectare (30,000-acre) township that will feature a residential zone, government center, seaport, and an industrial zone.

It is estimated this project will contribute nearly ₱900 billion (\$17.78 billion) annually to the economy.[xi]

Summary

The Philippine Construction Industry is poised to recover from the pandemic, which contracted negative growth from 2020-2021 due to lockdowns in the economy. With the government continuing the flagship infrastructure program of the previous administration, under the banner of the Build Better More Program, the infrastructure development of the Philippines will still likely be accelerated, despite budget cuts.

Ambisyon 2040 is the long-term development plan of the Philippines, that is anchored upon 3 pillars – *Matatag, Maginhawa, at Panatag na buhay* – translated as steady, comfortable, and peaceful living. A Long-Term Master Infrastructure Development plan will assist in the realization of Ambisyon 2040, as infrastructure development is still badly needed by the country.

However, in order to fully realize the short term and medium-term goals, issues such as inflation, the weakening Philippine Peso, and the rising cost of construction materials, need to be addressed – to prevent further project delays and to accomplish the infrastructure programs on schedule.



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