

Philippine Constructors Association, Inc

COUNTRY REPORT

FOURTH QUARTER 2017



Photo Courtesy by: Makati Development Corporation

Economic Overview

The Philippine economy grew 6.6 percent in the 4th quarter of 2017, achieving a 6.7 percent full-year GDP growth. This positioned the country in the third spot of the top performing and fastest growing economies in Asia, next to the 6.9 percent of China and 6.8 percent growth of Vietnam.

According to the official records released by the country's National Statistics Office, the fourth quarter growth was predominantly driven by the following sectors: 1) Manufacturing, 2) Trade and Repair of Motor Vehicles, and 3) Real Estate, Renting and Business Activities. Other major growth drivers include the increases in exports, public construction spending, government expenditures and Overseas Filipino Workers remittances.

By economic sectors, the Industry expanded the fastest at 7.3 percent. It was followed by the Services Sector at 6.8 percent and Agriculture which rebounded by 2.4 percent from a 1.3 percent tail off in the same quarter of the previous year.

2018 Forecasts: Sustained Economic Growth

The Asian Development Bank (ADB) and the World Bank (WB) are in consensus that the Philippine economy will remain as one of the fastest-growing economies in South-East Asia. The two trusted economic analysts forecasted a 6.8 percent and 6.7 percent growth for the country this 2018, respectively.

2018 FORECAST



6.8 %

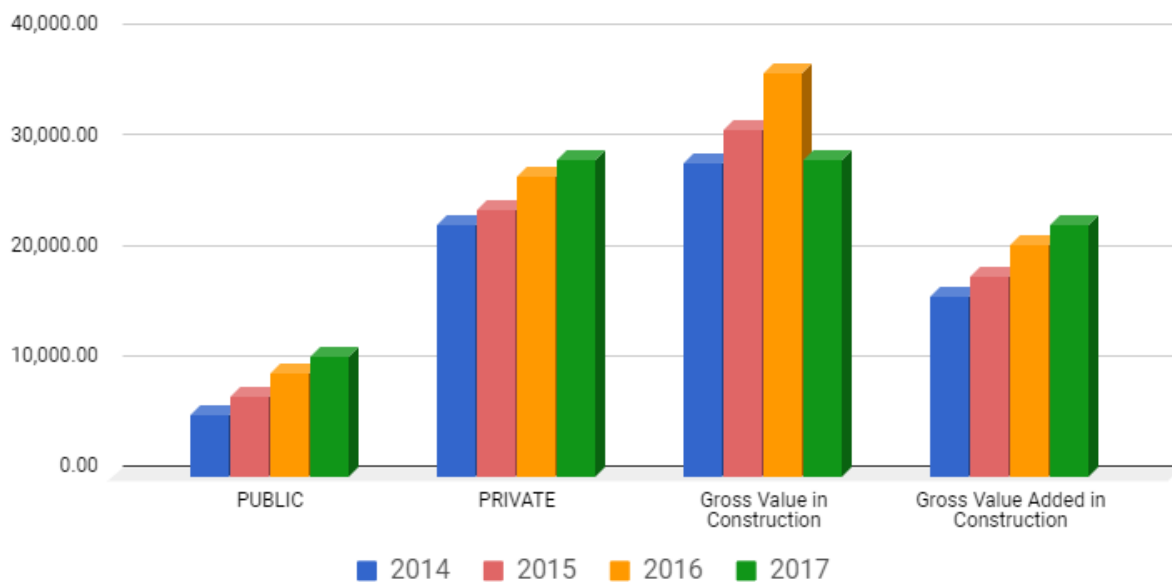


WORLD BANK

6.7%

Construction Industry Performance

**Gross Value and Gross Value Added in Construction
Annual 2014-2017
(at current prices, in million USD)**



Directed towards development, the Construction Industry plays an integral role in a fast-growing economy like the Philippines. Over the years, its annual share to the Gross Domestic Product (GDP) scores between 4.0-6.5 percent, not to mention the huge share of the Real Estate, Renting & Business Activities which, though separately categorized, sprung from the efforts of construction itself. Below is the performance of the industry in 2017:

Public Construction Ramps Up While Private Construction Slowed Down in Q4

Investments in Construction as measured by Gross Value (GV) in construction grew by 2.9 percent in the fourth quarter of 2017, slower than the 9.3 percent growth in the same period last year. Overall, the growth was propelled by the increased Public Construction spending under the Build, Build, Build program of the Philippine government. It accelerated by 25.1 percent year-on-year, the highest in 2017 but a bit slower compared to the first and second quarters of the previous year.

GROSS VALUE AND GROSS VALUE ADDED IN CONSTRUCTION								
1st Quarter 2016 to 4th Quarter 2017								
(in million USD at current prices)								
	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
PUBLIC	1,625	3,830	1,719	2,155	1,706	4,359	2,020	2,693
PRIVATE	6,000	6,491	7,228	7,472	6,957	6,928	7,507.54	7,288.46
Gross Value in Construction	7,625	10,311	8,947	9,628	8,664	11,288	9,527.76	9981.44
Gross Value Added in Construction	4,387	6,049	5,063	5,493	4,916	6,609	5386.5	5754.68

Source: Philippine Statistics Authority

On the flipside, Private Construction remained robust but in a slower pace in the last quarter of 2017. It relaxed to 2.9 percent from the 6.9 percent growth over the same period in 2016. However, the slowdown is not something to be worried about, according to the National Economic Development Authority (NEDA) as it is only part of the business cycle normalization in the private sector.

Gross Value and Gross Value Added in Construction				
Annual 2014-2017				
(at current prices, in million USD)				
	2014	2015	2016	2017

PUBLIC	5,573.32	7,222.50	9,319.90	10,778.74
PRIVATE	22,744.26	24,115.52	27,193.20	28,702.36
Gross Value in Construction	28,317.56	31,338.02	36,513.10	39,481.11
Gross Value Added in Construction	16,282.12	18,090.20	20,993.42	22,696.32

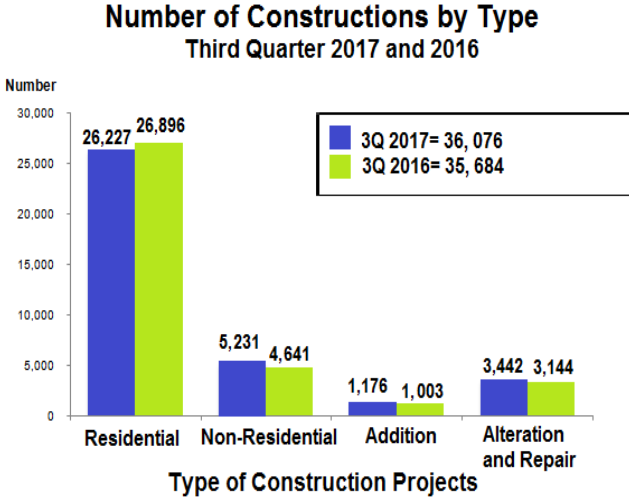
On an annual scale, the Private Sector remained the biggest contributor to the Gross Value in Construction. In 2017, it accounted to 73 percent, followed by Public Sector which contributed the other 27%.

Construction Activities Slightly Slowed in Third Quarter 2017

The total number of constructions based on the building permits approved during the third quarter of 2017 eased by 1.1 percent to reach 36,076 construction units. It is higher when compared to the approved 35,684 construction projects during the period in 2016.

As shown in the table below, the number of residential building construction declined by 2.5 percent.

From the 26,896 construction units in the third quarter of 2016, it slightly dropped to 26,227 construction units in Q3 2017. While most of the types of residential construction recorded a negative slope, residential condominium projects remained marketable as it reflect a positive trajectory in the said period.



Source: Philippine Statistics Authority

Comparative Construction Statistics by Type of Construction

Third Quarter, 2017 and 2016
(Details may not add-up to total due to rounding)

TYPE OF CONSTRUCTION	Third Quarter 2017 (July - September)	Third Quarter 2016 (July - September)	Percentage Change
TOTAL			
Number	36,076	35,684	1.1
Floor Area (sq. m.)	7,100,348	7,589,967	-6.5
RESIDENTIAL			
Number	26,227	26,896	-2.5
Floor Area (sq. m.)	3,809,564	4,313,695	-11.7
Value (USD)	729,811,920	793,089,760	-8
Average Cost per Floor Area	191.57	183.85	4.2
Single House			
Number	22,182	21,753	2
Floor Area (sq. m.)	2,243,014	2,169,182	3.4
Duplex/Quadruplex			
Number	510	576	-11.5
Floor Area (sq. m.)	72,523	68,298	6.2
Apartment/Accessoria			
Number	3,434	4,484	-23.4
Floor Area (sq. m.)	818,868	1,085,599	-24.6
Residential Condominium			
Number	26	22	18.2
Floor Area (sq. m.)	658,722	980,446	-32.8

Challenges in the Build, Build, Build Program

When the Golden Age of Infrastructure was first proposed, everybody agreed it is needed. After all, there is no other way to increase competitiveness and raise the standard of living in the country, except by building more establishments, upgrading highways and constructing quality airports, ports, and railways. However, accomplishing the 180 USD Build, Build, Build program of the government is not an easy feat.

Listed below are the hurdles surrounding this ambitious but necessary plan of the government;

- **Labor gap due to lack of skilled workers.**

In a recent report released by Bloomberg

- **Insufficient Project Feasibility Studies.**

As of December 04, 2017 there are a total of 9,511 contractors registered in the Philippine Contractors Accreditation Board (PCAB).

Projects in the Pipeline

PROJECT NAME	IMPLEMENTING AGENCY	SECTOR	BUDGET in Million USD	START DATE	STATUS
Subic-Clark Cargo Railway Project	BCDA	Railways	1,152	2016/10/20	Project Development
BGC to NAIA Bus Rapid Transit (BRT) System	BCDA	Mass Transit	880	2016/10/20	Project Development
Clark International Airport Expansion (Phase 1)	BCDA	Airports	251	2017/07/01	Project Procurement
New Clark City National Government Administrative Center (NGAC)	BCDA	New Cities	263	2018/01/01	Project Procurement

New Clark City - Philippine Sports City	BCDA	New Cities	1,940	2018/01/01	Feasibility Study / MOU

Prices of Construction Materials

In December 2017, the retail price of construction materials in the National Capital Region (NCR) grew 1.7 percent. It was a similar rate to November 2017 but a bit lower than the 1.8 percent growth in December 2016. Prices of plumbing materials rose 0.6 percent and miscellaneous construction materials registered a 9.4 percent increment. Meanwhile, carpentry materials had a slight upward movement of 0.7 percent; masonry materials, 2.6 percent; and tinsmithry materials, 0.8 percent. Annual movement in electrical materials index remained at 1.1 percent and painting materials and related compounds index, 1.2 percent.

On an annual average stance, all items for the year 2017 rose 1.5 percent from 1.3 percent in 2016. Higher annual average increments in 2017 were noticed in the indices of electrical materials at 1.3 percent; masonry materials, 2.3 percent; plumbing materials, 1.7 percent; tinsmithry materials, 0.9 percent; and miscellaneous construction materials, 6.6 percent. On the other hand, lower annual average gains were seen in the indices of carpentry materials at 0.4 percent and painting materials and related compounds, 1.1 percent (see below table for actual prices).

ACTUAL PRICES OF SELECTED CONSTRUCTION MATERIALS AS OF DECEMBER 2017

Materials	Unit	Price in USD	Materials	Unit	Price in USD
Cement	1 bag	5.1	Square Bar	1 length	3.9
GI Corrugated Ordinary	1 kg	0.96	Plain Sheet Gauge 18	1 sheet	29
	26 x 8 feet	3.52	Flat Bar	5mm x 1 (1 length)	3.3
	26 x 12	5.28	Sand	1 cubic meter	14
Galvanized Iron (GI Sheets Corrugated)	26 x 8 feet	3.78	Gravel	1 cubic meter	14

	26 x 10	4.9	Ordinary Plywood	1/8 (1pc)	5.4
	26 x 12	5.8		3/16 (1pc)	7.1
GI Plain	24 x 8 feet	5.38		1/2 (1 pc)	13.5
	24 x 10	6.9		3/4 (1pc)	21.1
	24 x 12	8.3	Marine Plywood	3/16	8.1
Deform Bar	9mmx6mm (2.5GK) Standard (1 length)	1.4		1/4	8.5
	10mmx6m (1 length)	2.1		1/2	15.8
Formica - 1501 White Gloss	(1 sheet)	11.9		3/4	0.0241
<p><i>Note: Prices may vary depending on stores.</i> <i>Sources: SUNRISE Sand, Gravel & Hollow Blocks, and Pag-asa Steel</i></p>					

Sources:

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Pag-Asa Steel Sales Team

Philippine Statistics Authority

DTI-CIAP