Industry Watch: Philippine Construction

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For the Construction Industry Authority of the Philippines (CIAP)
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Construction activity remains tepid although offshoots of recovery are signalled by improvements in employment, infrastructure spending, and construction materials price growth.

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➢ KEY TAKEAWAYS

Sources
- BSP – Bangko Sentral ng Pilipinas
- DBM – Department of Budget Management
- PSA – Philippine Statistics Authority
In 4Q20 Construction Gross Value Added (GVA) and Gross Fixed Capital Formation (GFCF) continued to decline year-over-year (y-o-y) although both showed improvement quarter-over-quarter ((q-o-q)).

Both public and private sectors remain in contraction territory.
March employment reached record levels in March 2021, up 20% month-on-month (m-o-m) coinciding improvement in infrastructure outlay.

Construction accounted for 11% of total employment.
CONSTRUCTION MATERIALS PRICES - NCR

Prices of construction materials in the National Capital Region (NCR) continued an uptrend y-o-y (though flattish m-o-m) but still well below headline inflation.

Drivers for wholesale prices were: concrete products and cement; doors, jambs, and steel casement, electrical works.

Drivers for retail were: carpentry materials and painting materials.

Source: PSA
Approved building permits (a leading indicator of construction activity) showed green shoots of recovery in 4Q20, improving q-o-q although still at high double-digit decline y-o-y.

Broad-based weakness indicated.
Despite lower interest rates, construction loans remained on downward trend in March, signaling protracted consumer demand rebound.

Source: BSP
The construction sector’s business confidence showed an improvement in 1Q21 in terms of activity expectations even while macroeconomic outlook continues to deteriorate.
Government infrastructure spending continued to gain momentum in March, growing 41% y-o-y.

January-March year-to-date (YTD) is up 25%.
Construction is showing early signs of improvement, driven by infrastructure, even while private sector activity remains in negative territory.

Increased infrastructure momentum has helped drive construction employment which has exceeded pre-pandemic levels and accounted for 11% of total employment in March 2021.

Business confidence within construction industry improved in 1Q21, sector outlook is slightly better, diverging from a worsened macroeconomic outlook.