

Industry Watch: Philippine Construction

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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.

	Indicators	Latest	Source
Overall	GFCF and Gross Value Added - Construction >>	4Q20 ▼	PSA
	Construction Employment >>	March 2021 ▲	PSA
	Construction Materials Price Index >>	March 2021 ▲	PSA
Private	Approved Building Permits for Construction >>	4Q20 ▼	PSA
	Loans for Construction >>	March 2021 ▲	BSP
	Business Confidence Survey – Construction >>	1Q21 ▲	BSP
Public	National Government Infrastructure and Capital Outlay >>	March 2021 ▲	DBM
➤ <u>KEY TAKEAWAYS</u> >>>			

Sources

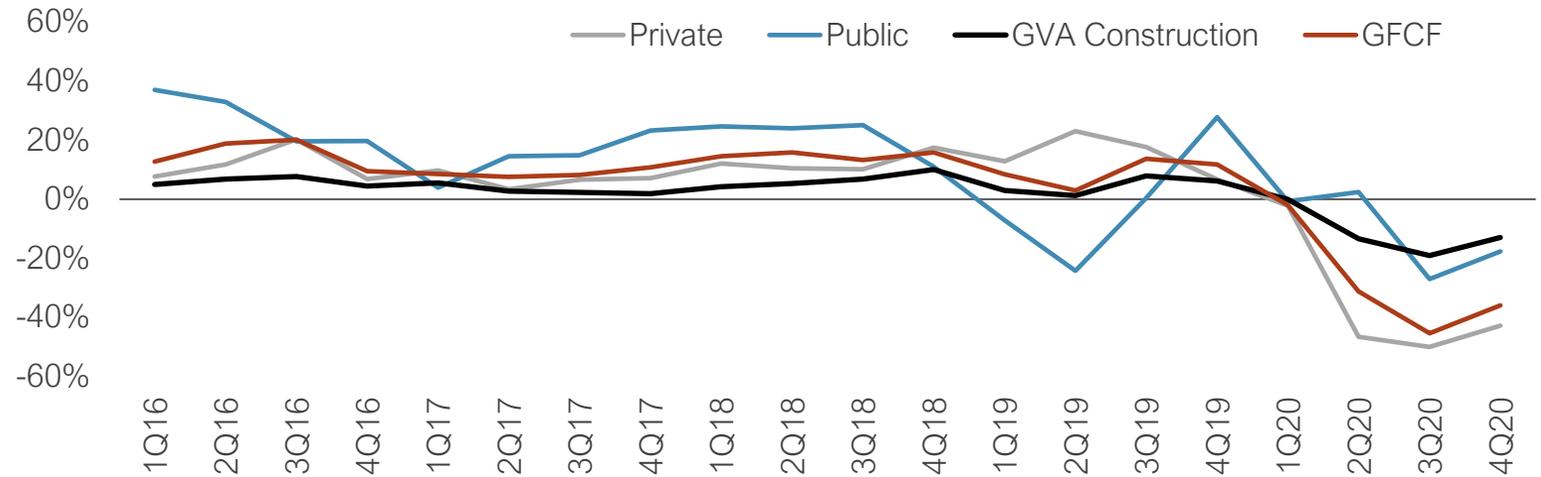
- BSP – Bangko Sentral ng Pilipinas
- DBM – Department of Budget Management
- PSA – Philippine Statistics Authority

CONSTRUCTION OUTPUT

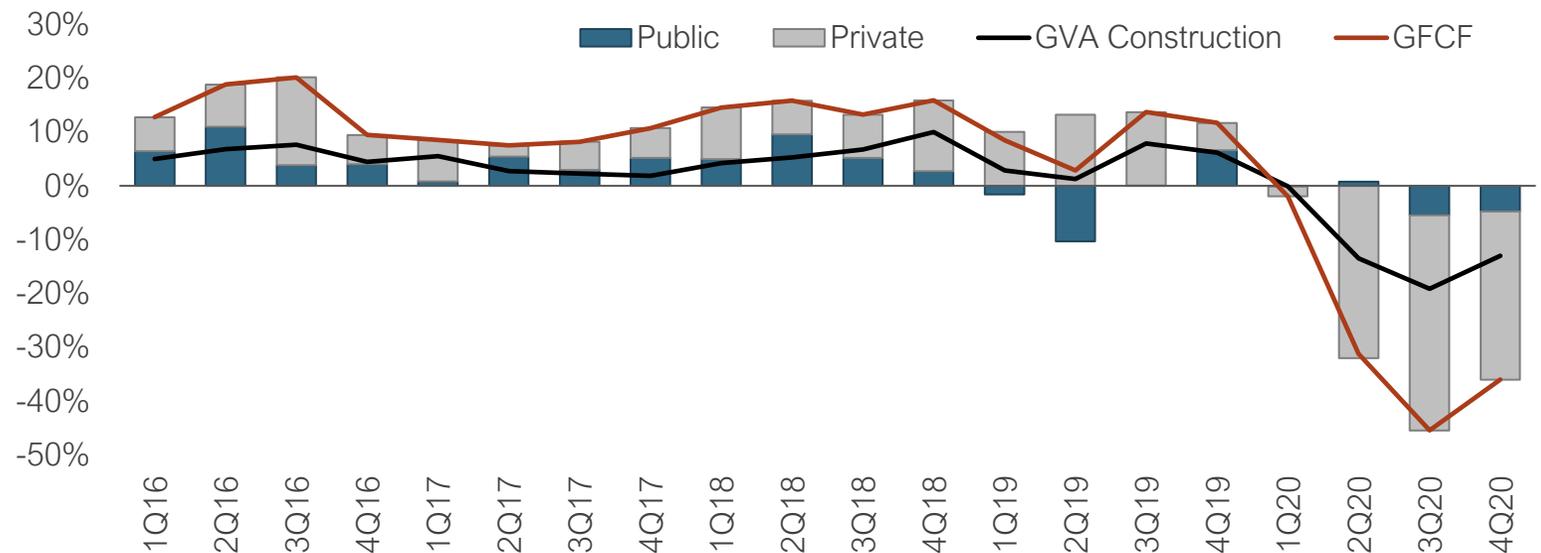
In 4Q20 Construction Gross Value Added (GVA) and Gross Fixed Capital Formation (GFCF) continued to decline year-over-year (y-o-y) although both showed improvement quarter-over-quarter ((q-o-q)).

Both public and private sectors remain in contraction territory.

GFCF and GVA % YoY Growth

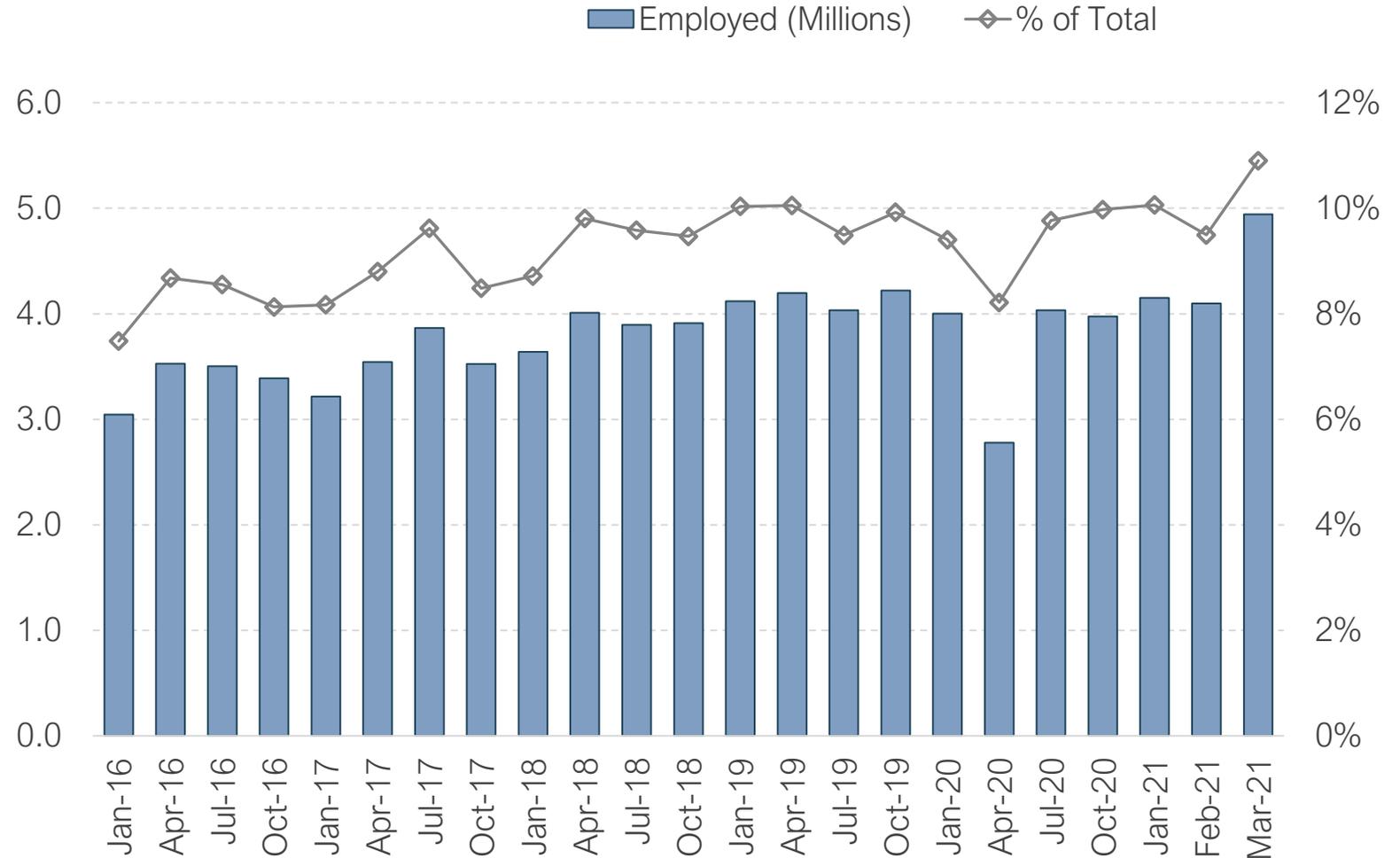


Contribution to % YoY Growth



CONSTRUCTION EMPLOYMENT

Employment in Construction Sector, Million Pesons



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.

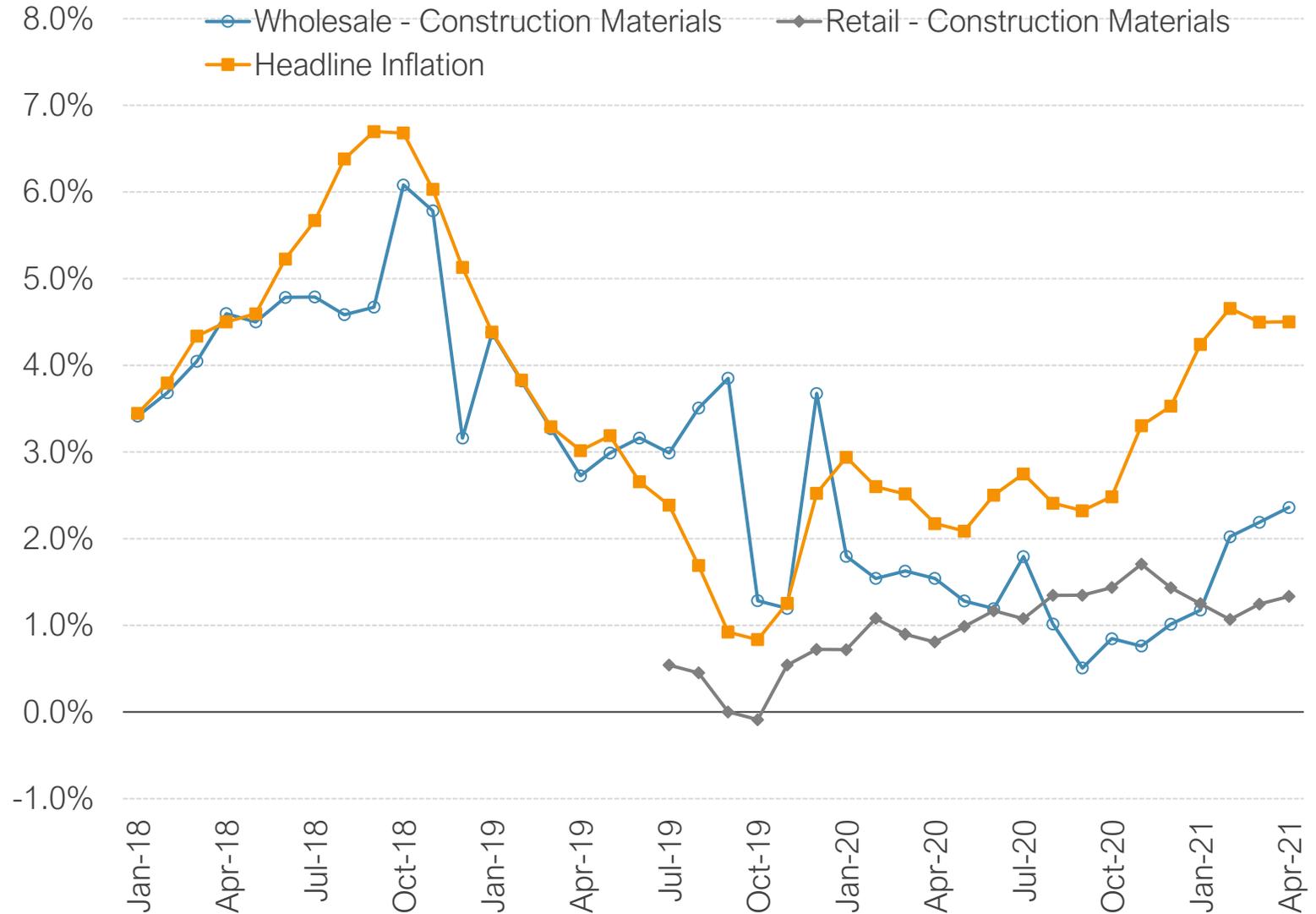
CONSTRUCTION MATERIALS PRICES - NCR

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.

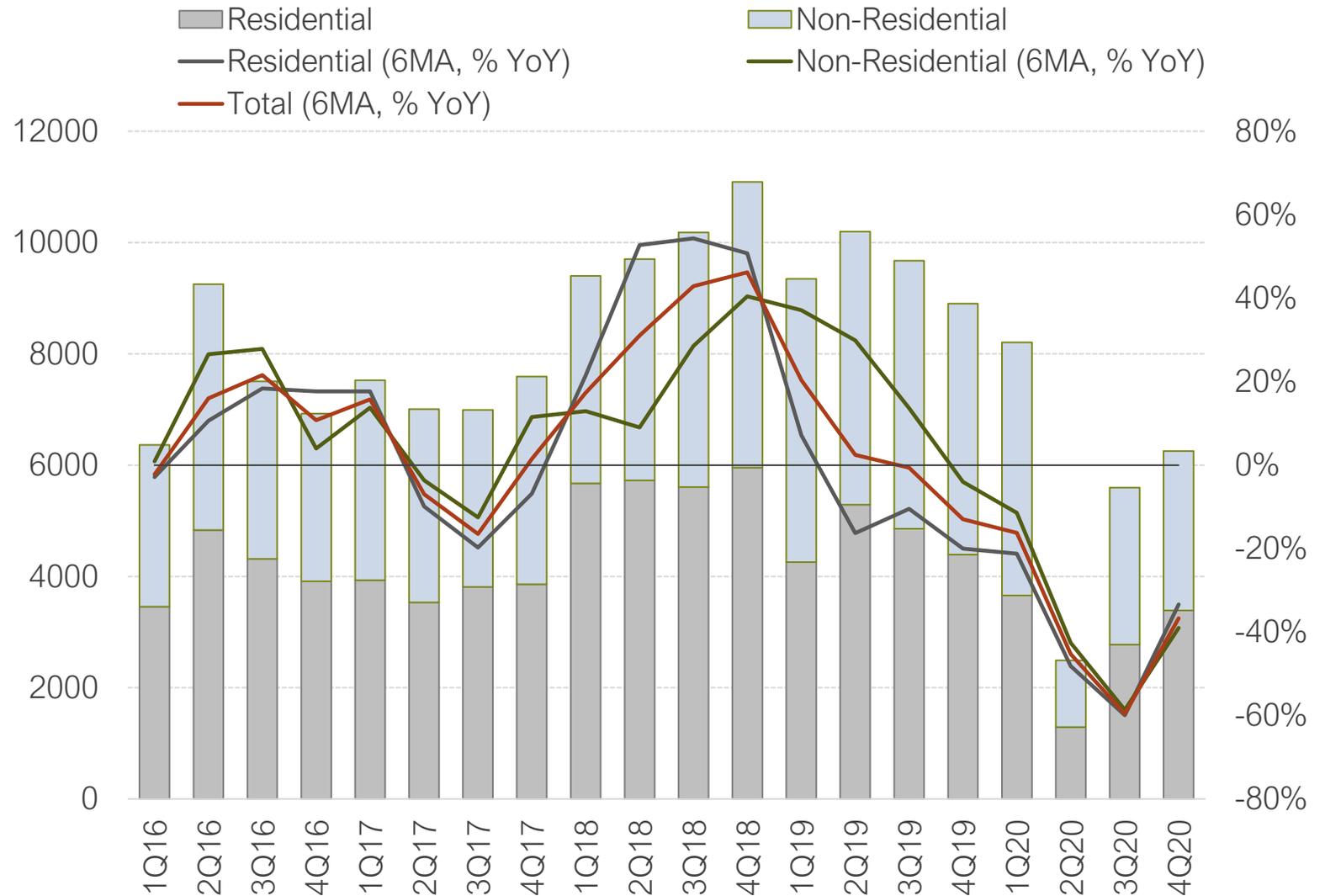
Drivers for retail were: carpentry materials and painting materials

Construction Materials Price Inflation (NCR) and National Headline Inflation, % YoY



APPROVED BUILDING PERMITS

Approved Building Permits by Floor Area, Thousand Square Meters



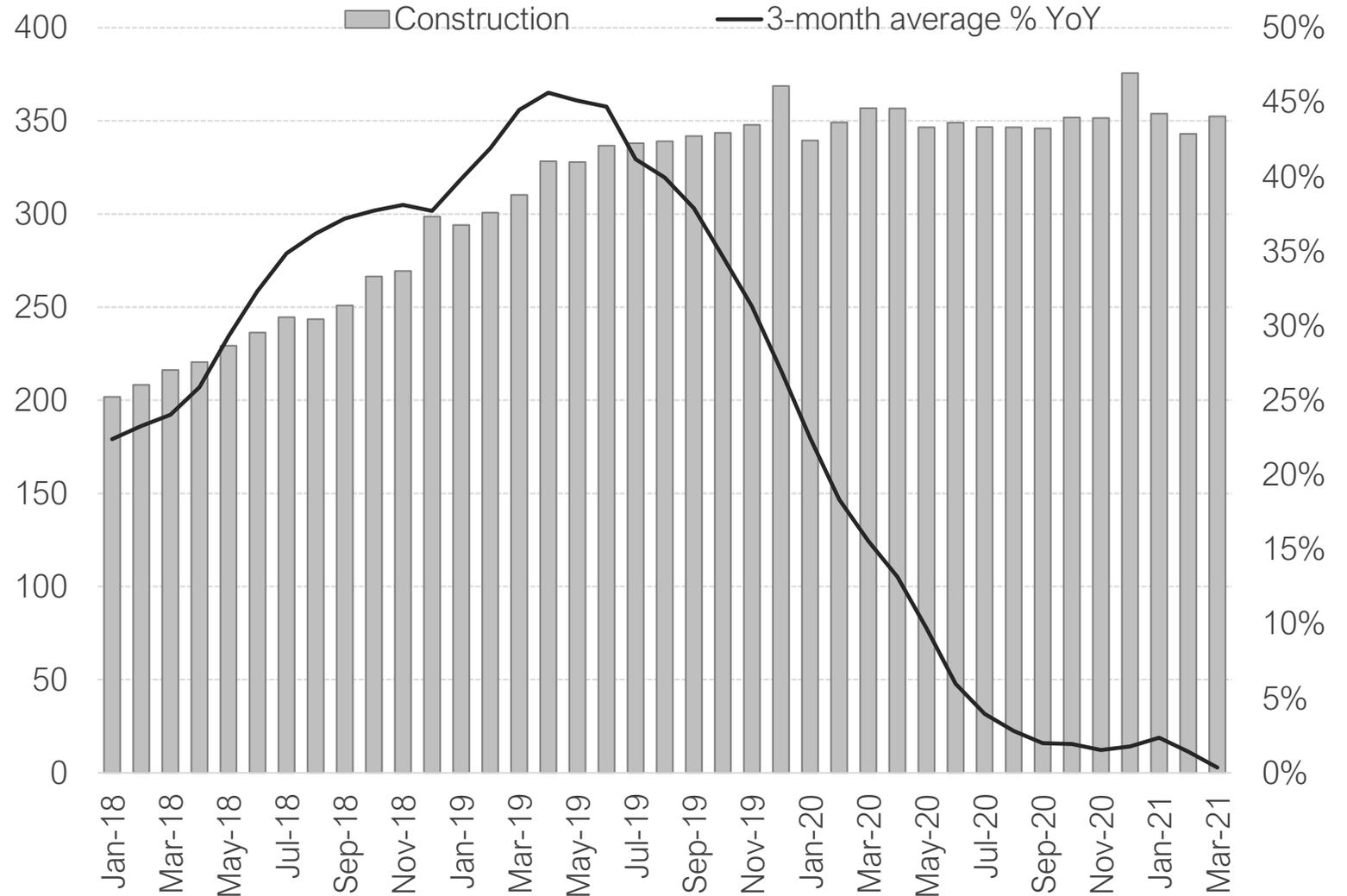
Approved building permits (a leading indicator of construction activity) showed green shoots of recovery in 4Q20, improving q-o-q although still at high double-digit decline y-o-y.

Broad-based weakness indicated.

LOANS FOR CONSTRUCTION

Despite lower interest rates, construction loans remained on downward trend in March, signaling protracted consumer demand rebound.

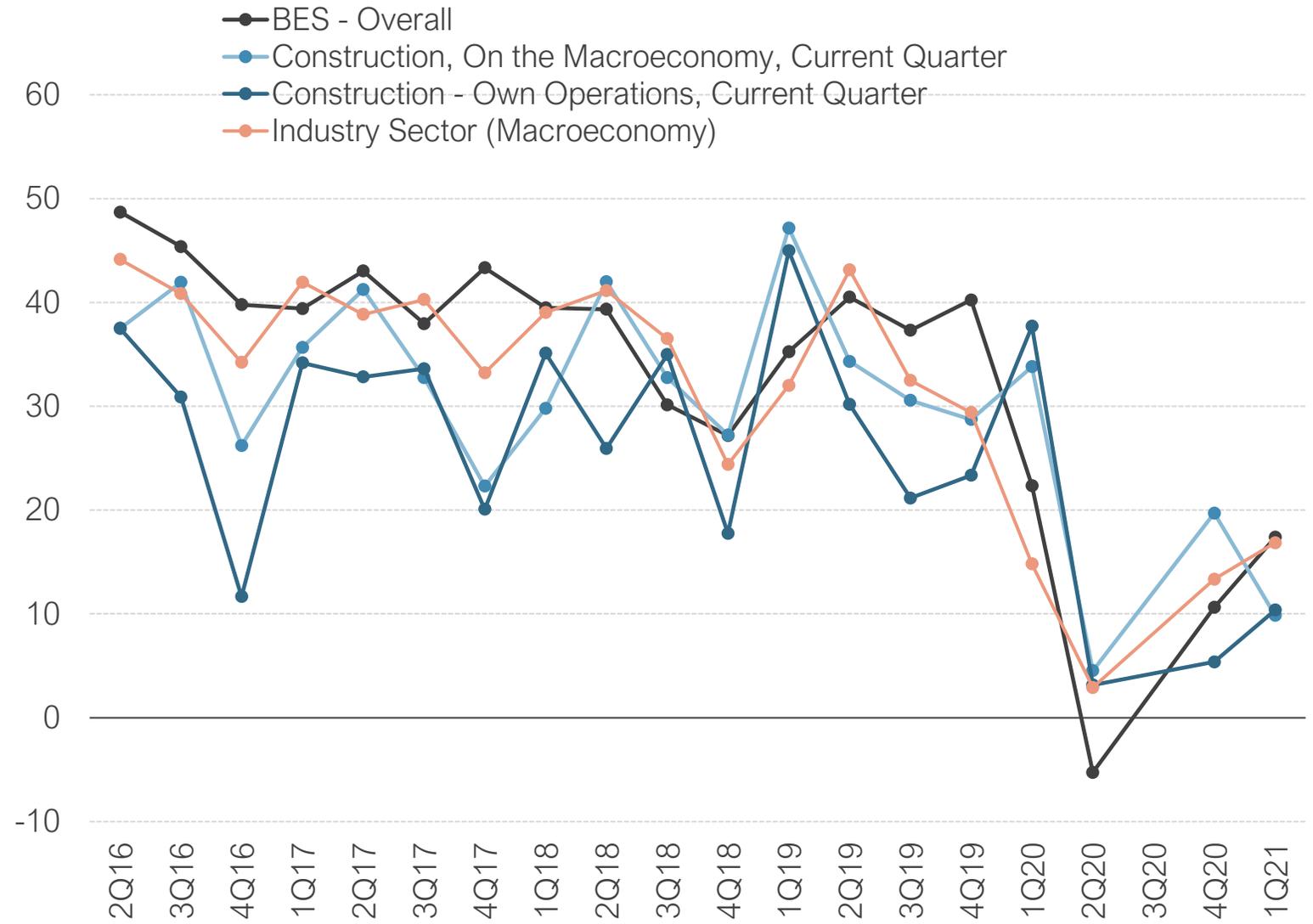
Universal and Commercial Bank Loans for Construction, Php Billions



BUSINESS CONFIDENCE

The construction sector's business confidence showed an improvement in 1Q21 in terms of activity expectations even while macroeconomic outlook continues to deteriorate.

Business Expectations Survey, Confidence Index



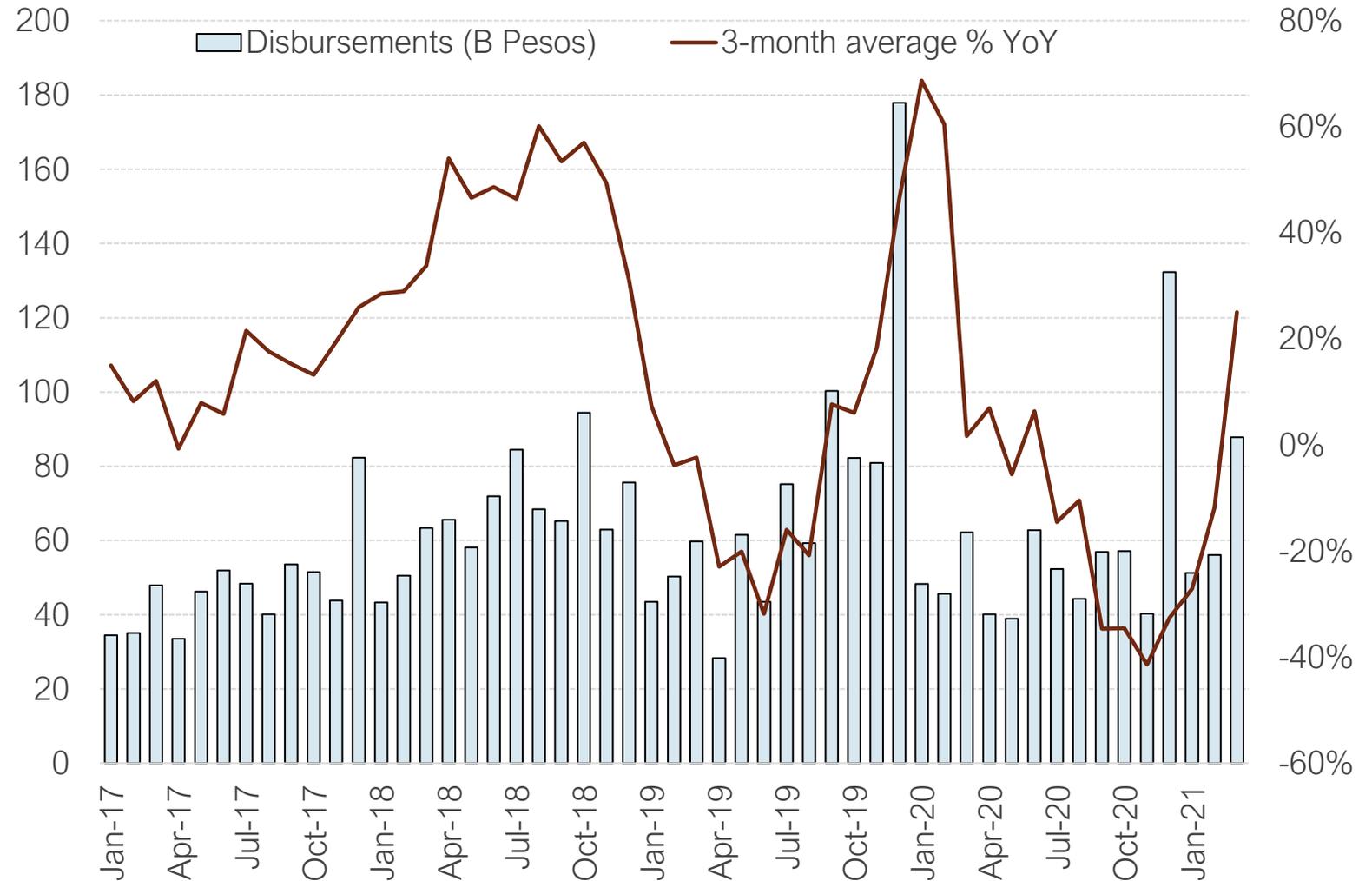
Source: BSP

INFRASTRUCTURE SPENDING

Government infrastructure spending continued to gain momentum in March, growing 41% y-o-y.

January-March year-to-date (YTD) is up 25%.

National Government Infrastructure and Capital Outlay, PHP Billion



KEY TAKEAWAYS

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.
