

# **HOUSING PROSPECTS FOR 2004 - 2006**

**November 2004 Presentation**

# SUMMARY OF YEAREND PROJECTIONS

(made in July)

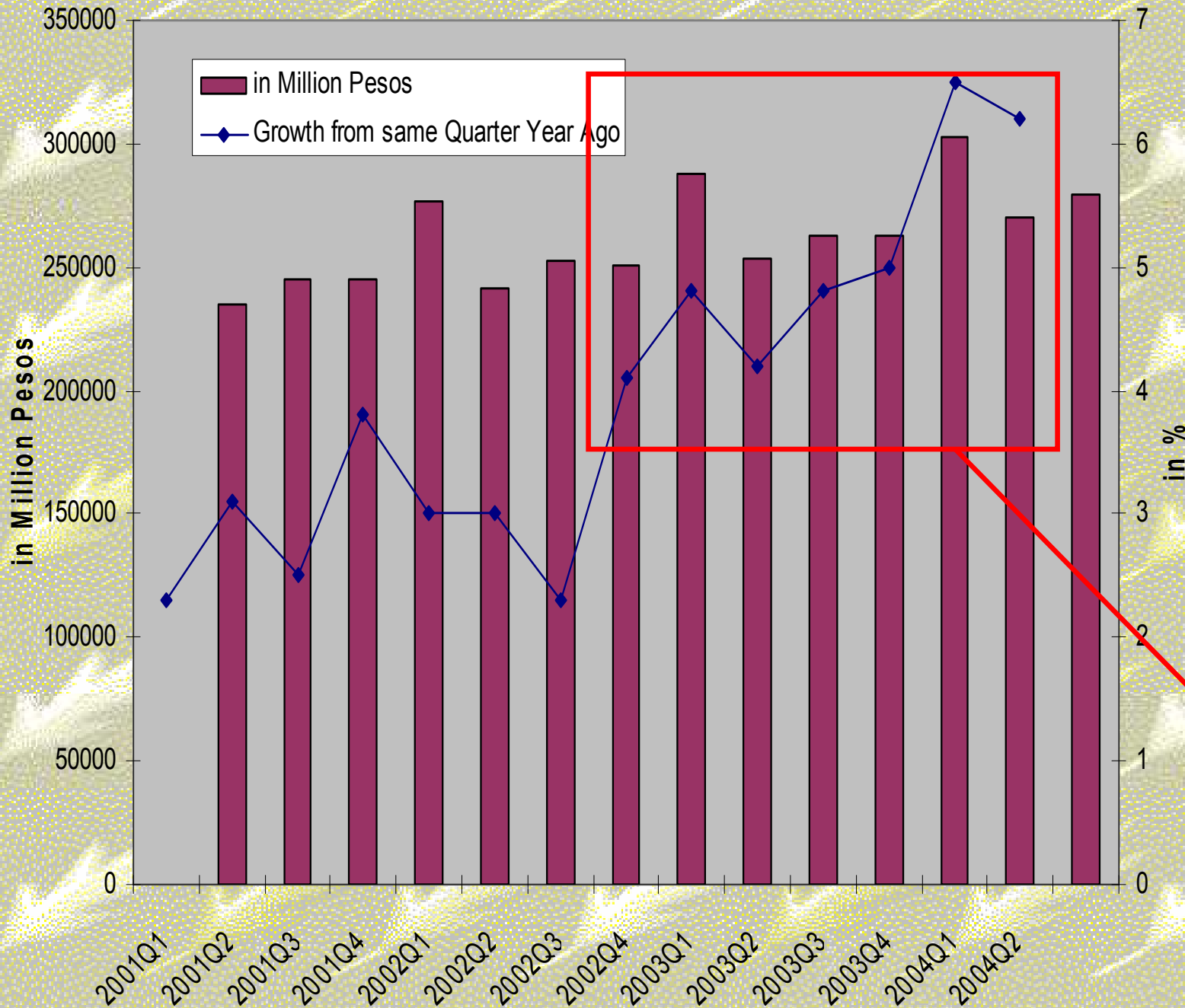
- GDP growth at 7%
- Investments growth to peak at 13%
- Inflation at 4.1%
- Higher Treasury Bill Rates and more taxes
- Unemployment will rise to 11%
- Cautious traditional lending
- Real estate will be brisk in 2005

# **GROSS DOMESTIC PRODUCT**

(sources of economic growth)



## Gross Domestic Product at Constant Prices



**From  
2001-Q2  
2004:**

**GDP grew  
by an ave.  
of 3.9%**

**GDP  
picked up  
and has  
not gone  
below  
4%  
starting  
Q4 2002**

# **Notable GDP growth in Q4 2002 and Q1 2004**

## **Q4 2002**

- **Agri grew 6.1%, El Nino effects have bottomed**
- **Strong performance by service sector 6.1%,**
- **Lowest inflation rate since the 60's except for '86 episode**

## **Q1 2004**

- **Agri showed best performance in 15 years at 7.7%**
- **Services, 6.4%, boosted by trade, transportation, communications, storage and private services**
- **Industry, 5.5%**
- **Consumer spending grew 5.9%**

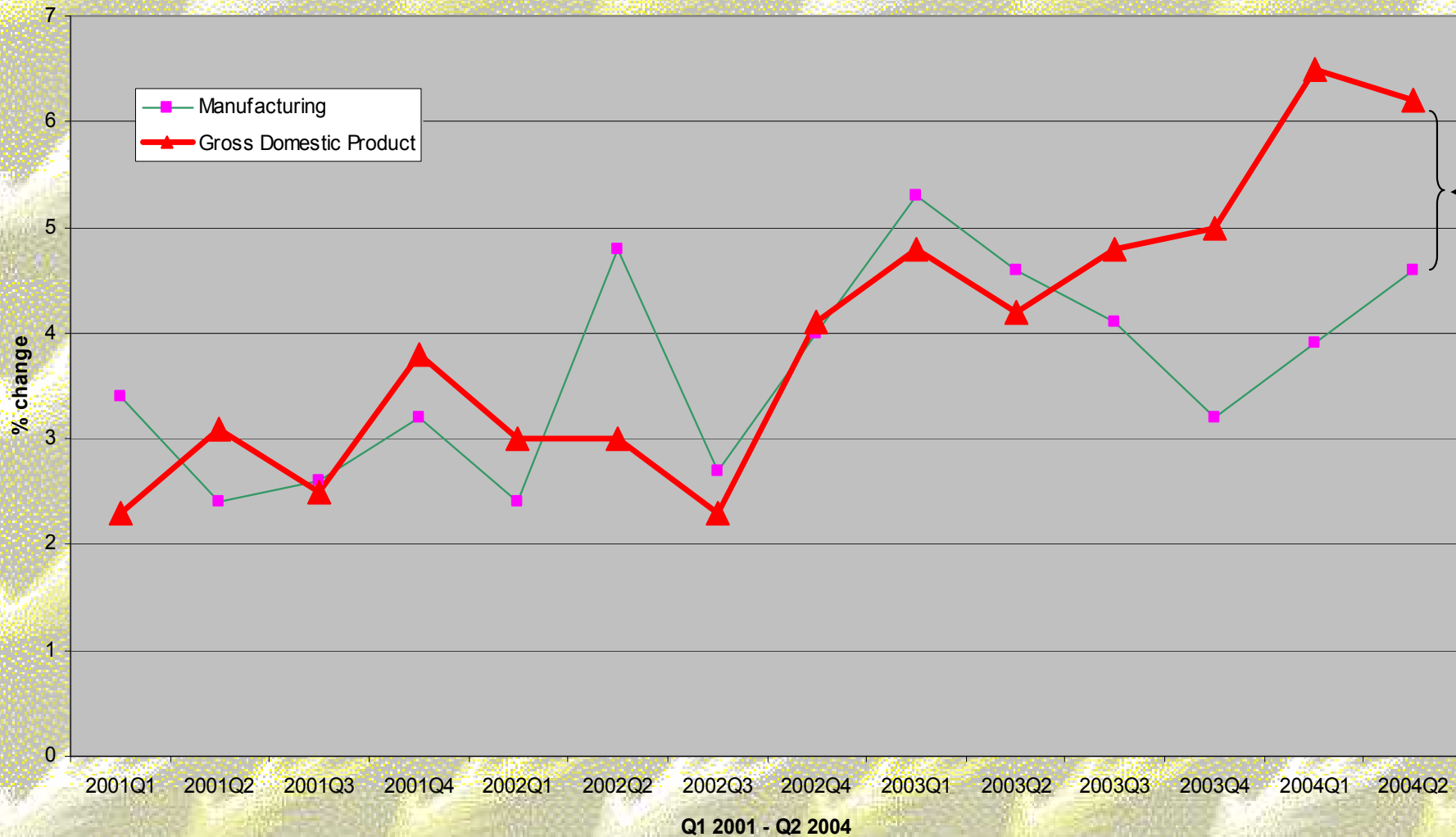
# Industries with Biggest Growth Contribution to Economy (2001 – First half of 2004)

MANUFACTURING	23%
TRADE	23%
AGRICULTURE & FISHERIES	20%
TRANSPORTATION, COMMUNICATIONS & STORAGE	17%



# **SOURCES of GROWTH vs. GDP**

## Growth of GDP and Manufacturing



- The two components behave differently
- The gap between their growth widened from Q3 2003 onwards

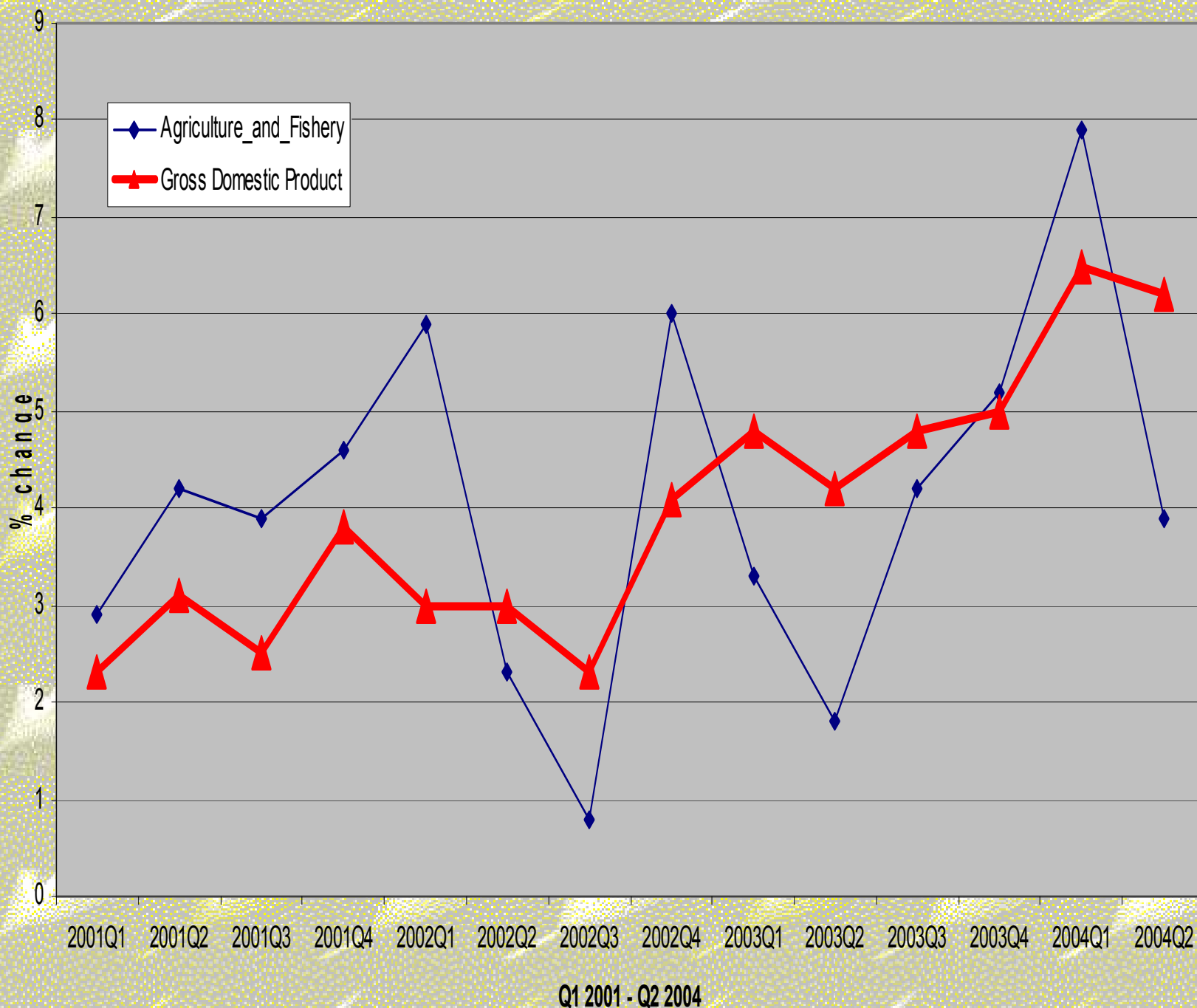


## Growth of GDP and Trade



- Trade has been pulling GDP up
- In 2004, their gap narrowed

## Growth of GDP & Agriculture and Fisheries



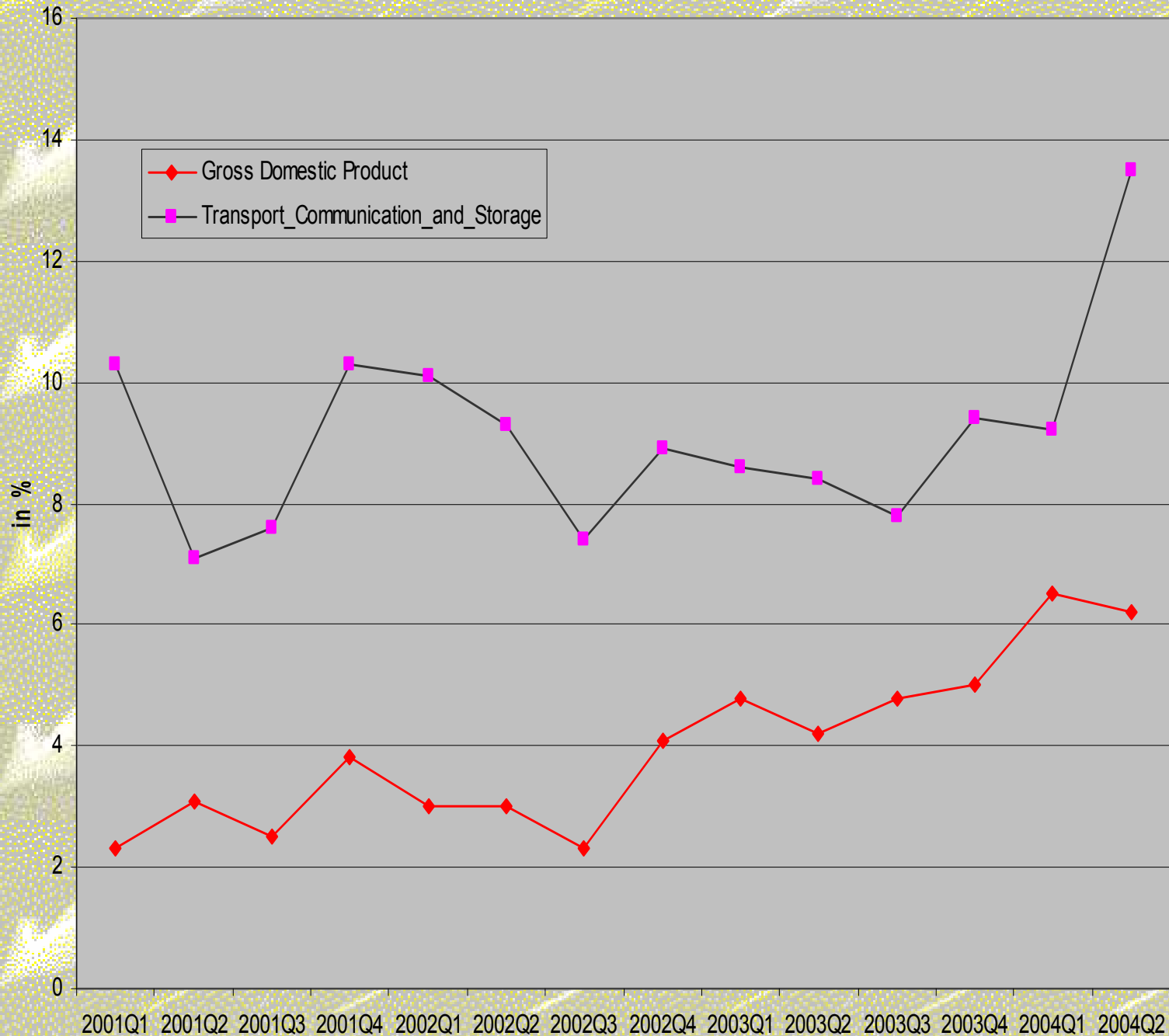
**Generally, the trends of GDP and Agri & Fisheries are similar**

**Agri & fisheries has been the major contributor to GDP growth**

**Agri 3<sup>rd</sup> qtr output grew by 7.9%**

**From year to Sept. Agri grew by 6.8%**

## Growth of GDP & Transpo, Comm. and Storage

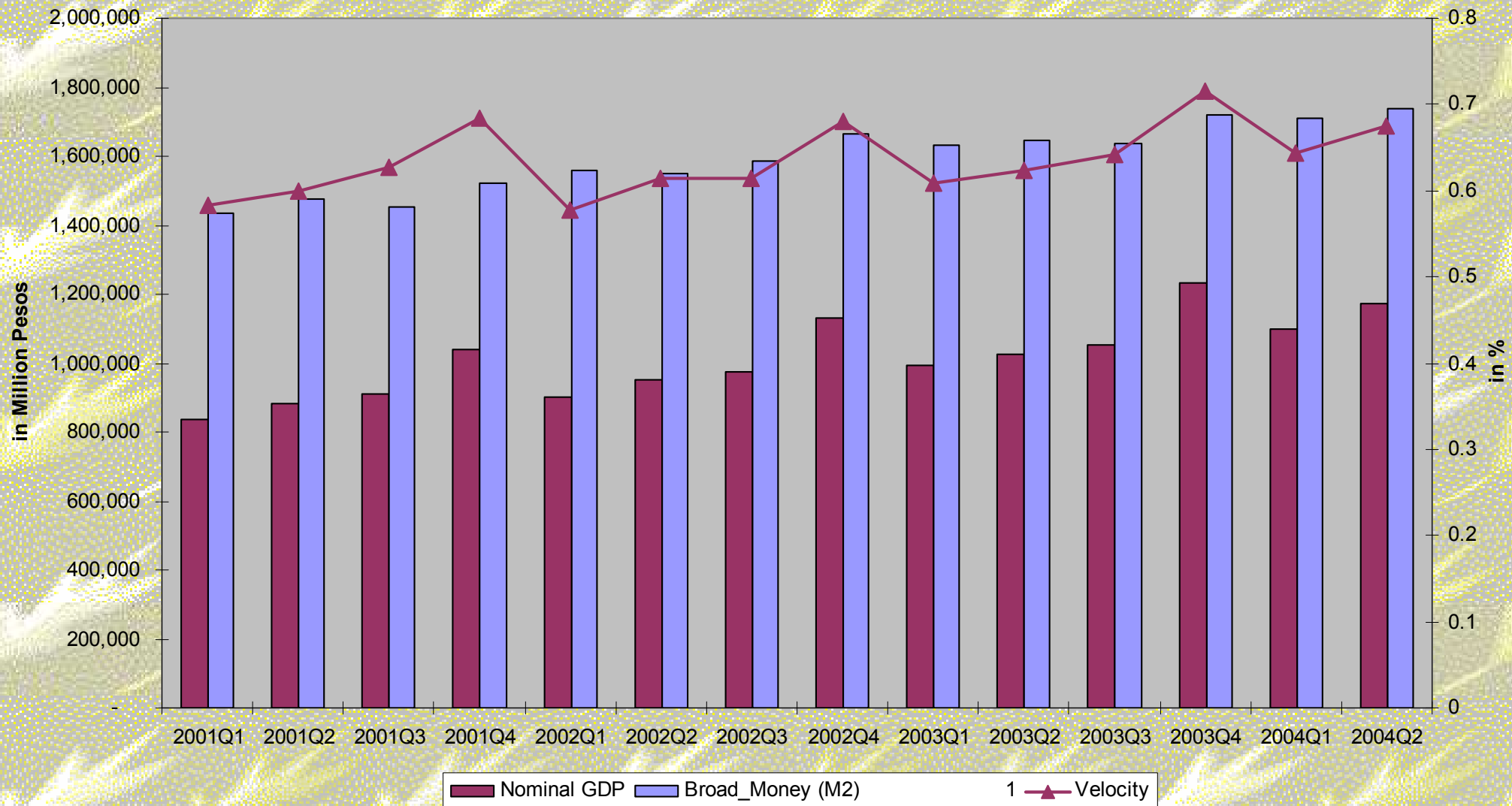


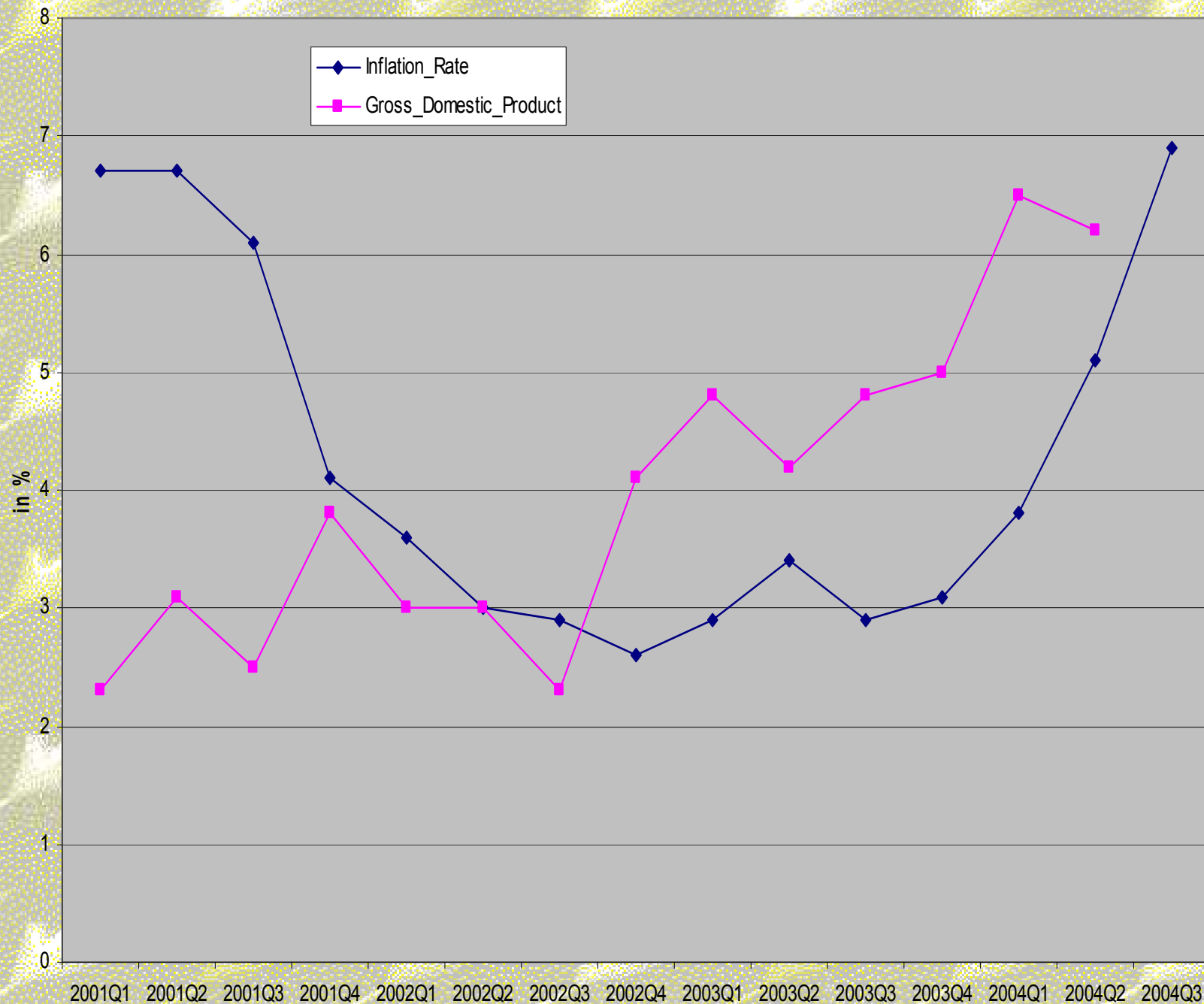
- **From 2002 onwards, the two components moved similarly**
- **Communications has been pulling GDP up**



# **Monetary Aggregates and Asset Markets**

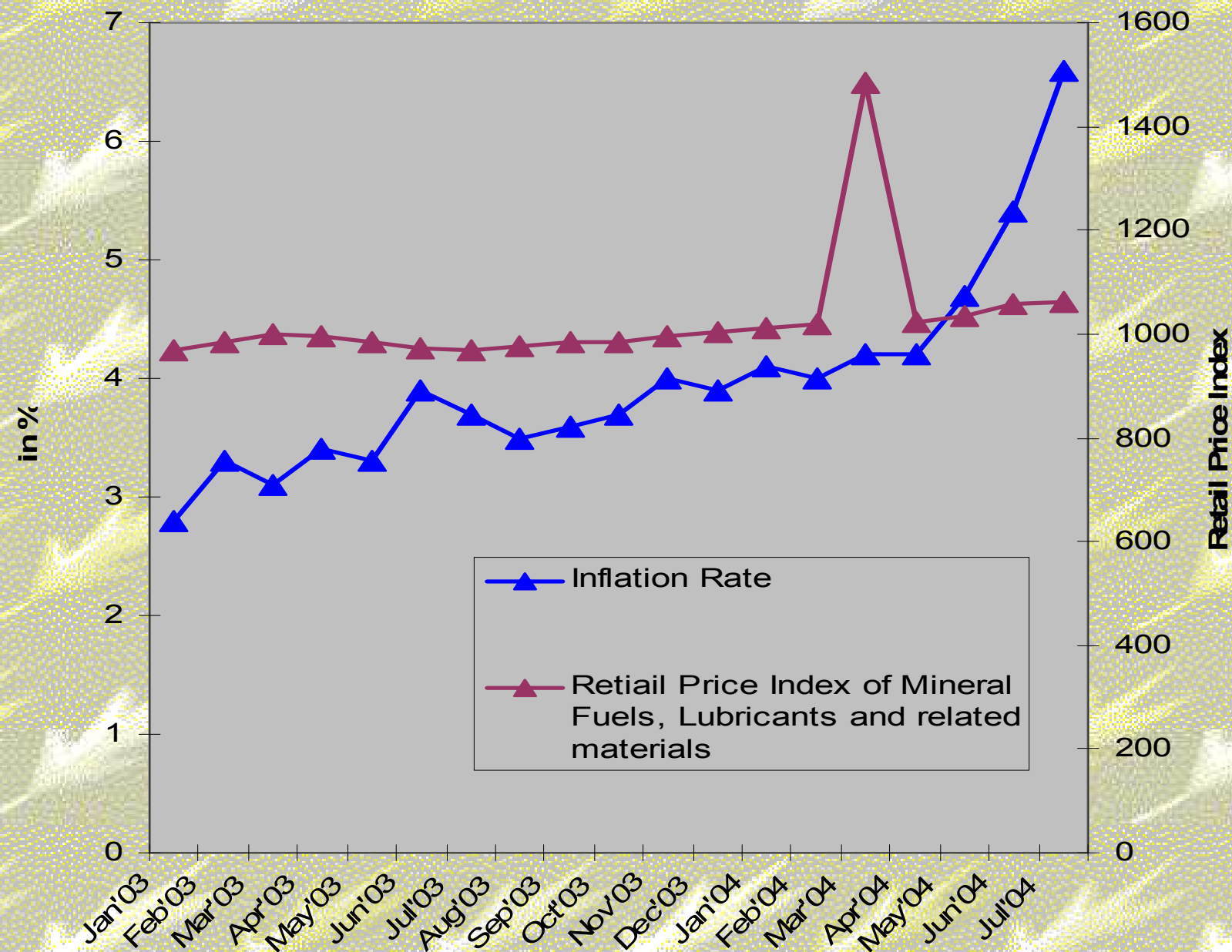
# Velocity of Money fastest at .72 in Q4 of 2003





**High demand for oil despite price escalation pulls inflation up**





**From 2003 – April 2004, retail prices of oil and related components pull inflation**

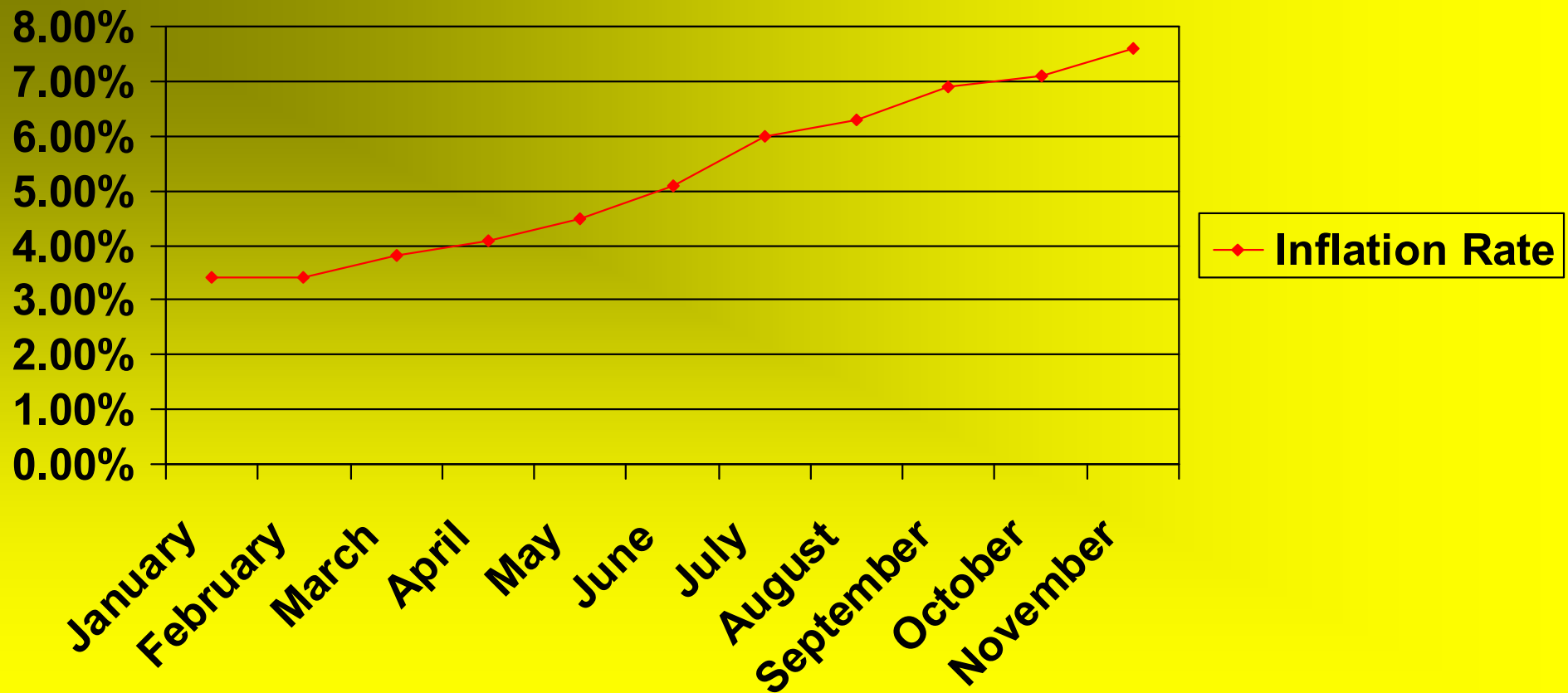
**From May – July 2004, other retail trade components pulled inflation up**

# Consumer Price Index (CPI) on a steady uptrend

## Pushed by Prices of Services, Housing Repairs, Fuel, Light and Water

**CPI by Major Commodity Group for Philipines**

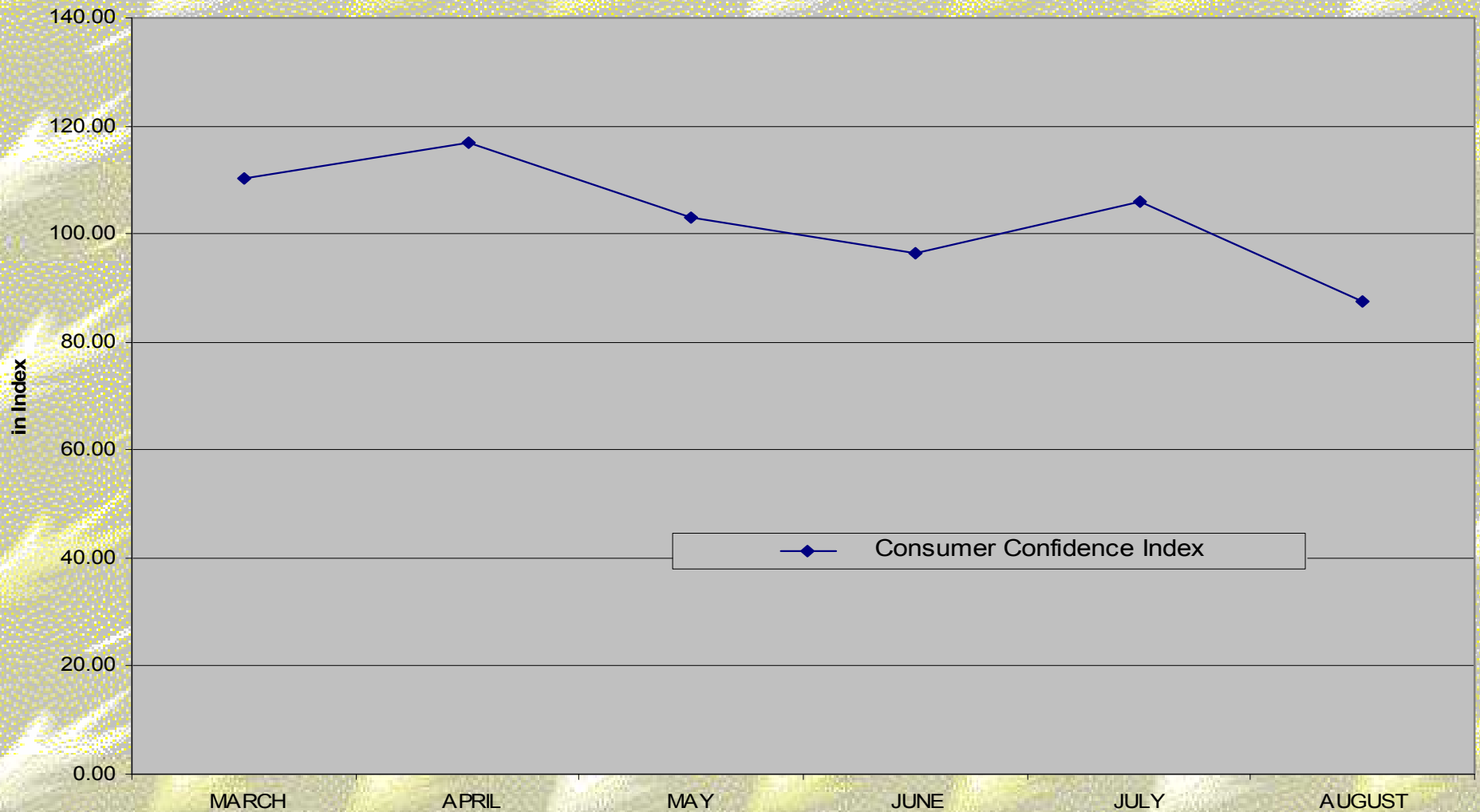
	2002Q1	2002Q2	2002Q3	2002Q4	2003Q1	2003Q2	2003Q3	2003Q4	2004Q1	2004Q2
<b>All Items</b>	165.2	166.3	167.9	168.6	170	172	172.8	173.9	176.2	180.5
<b>Food,_Beverages_and_Tobacco</b>	153.2	153.8	156	155.6	155.9	158	158.2	159.3	162.5	165.9
<b>Food</b>	153.3	153.9	156.3	155.9	156.1	158.3	158.5	159.6	162.9	166.5
<b>Beverages</b>	149	150.2	150.8	151.3	152.1	152.8	154	154.9	156.9	159.1
<b>Tobacco</b>	153.6	154.3	154.8	155.2	156.9	157.3	158	158.3	158.8	159.4
<b>Non-Food</b>	180	181.7	182.5	184.5	187.3	189.2	190.7	191.9	193	198.4
<b>Clothing</b>	148.4	149.2	149.9	150.6	151.4	152.6	153.5	154	154.8	155.8
<b>Housing Repairs</b>	193.8	195	196.6	197.5	199	200.1	202.4	203.6	205.3	207.5
<b>Fuel, Light and Water</b>	175.6	169.5	167.4	175.4	184.9	182.5	183.2	186.1	183.7	188.6
<b>Services</b>	208.8	215.8	217.2	219.3	222.8	228.4	230	231.3	233.5	247.4
<b>Miscellaneous</b>	131.2	131.7	132.3	132.7	133.3	134.1	134.8	135.2	135.9	136.8



**Inflation accelerated to a four-year high of 7.6% in November from 7.1% in October. It is up by 4.4% from 3.2% same month a year ago. Oil price hike pushed consumer prices. 2003 yearend inflation is 3.1%**

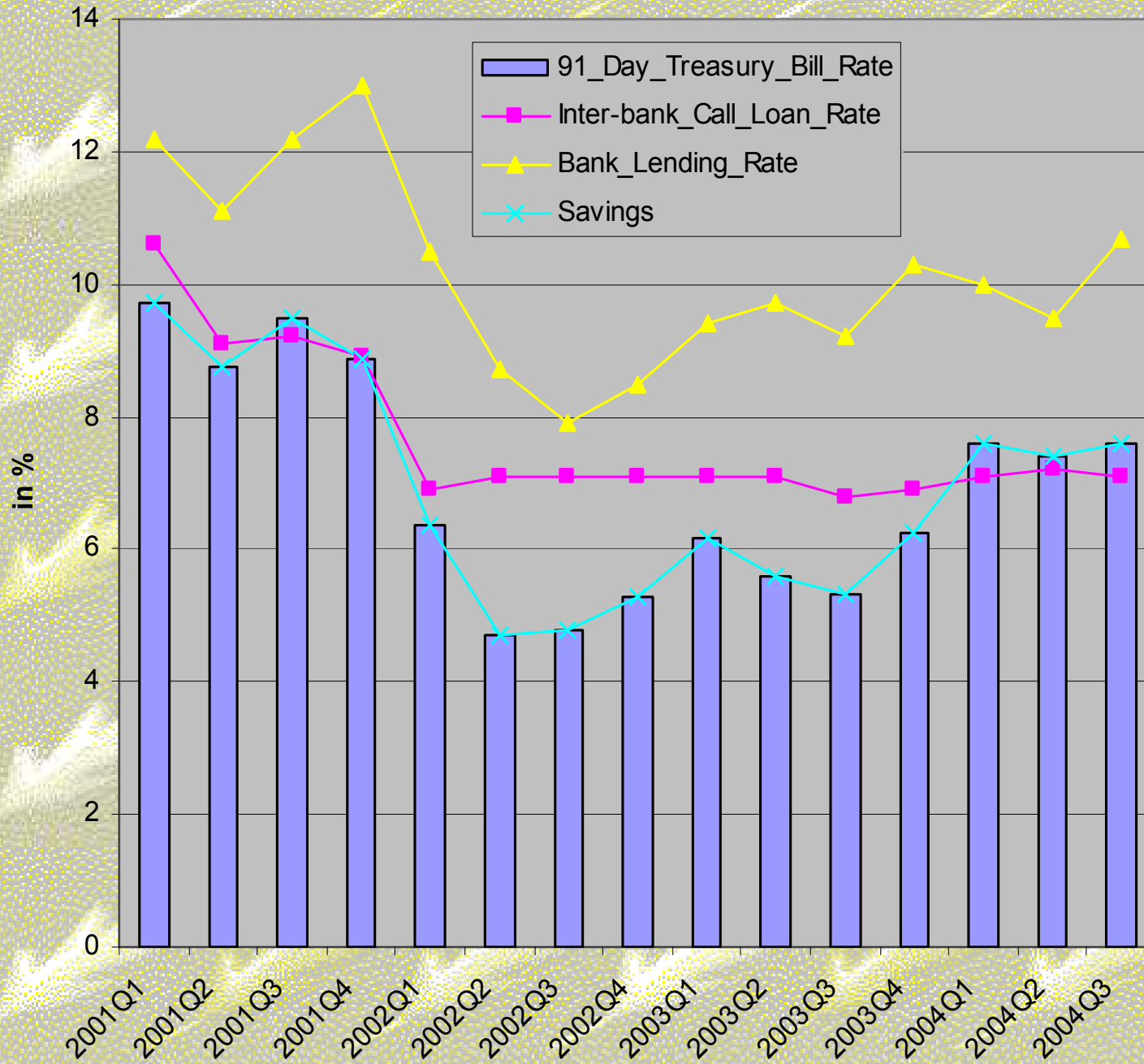


**Consumer Confidence Index in 2004**



**Consumer Confidence has been on a downtrend prompting retailers of non-basic commodities to offer discounts**

## Interest Rates



**Govt. intervened to keep T-bill rates low in 2002**

**2003 rates went up due to market but still below 6.34%**

**2004 rate breached 7.6 level**

**Bank savings rate same level w/ 91 day T bill**

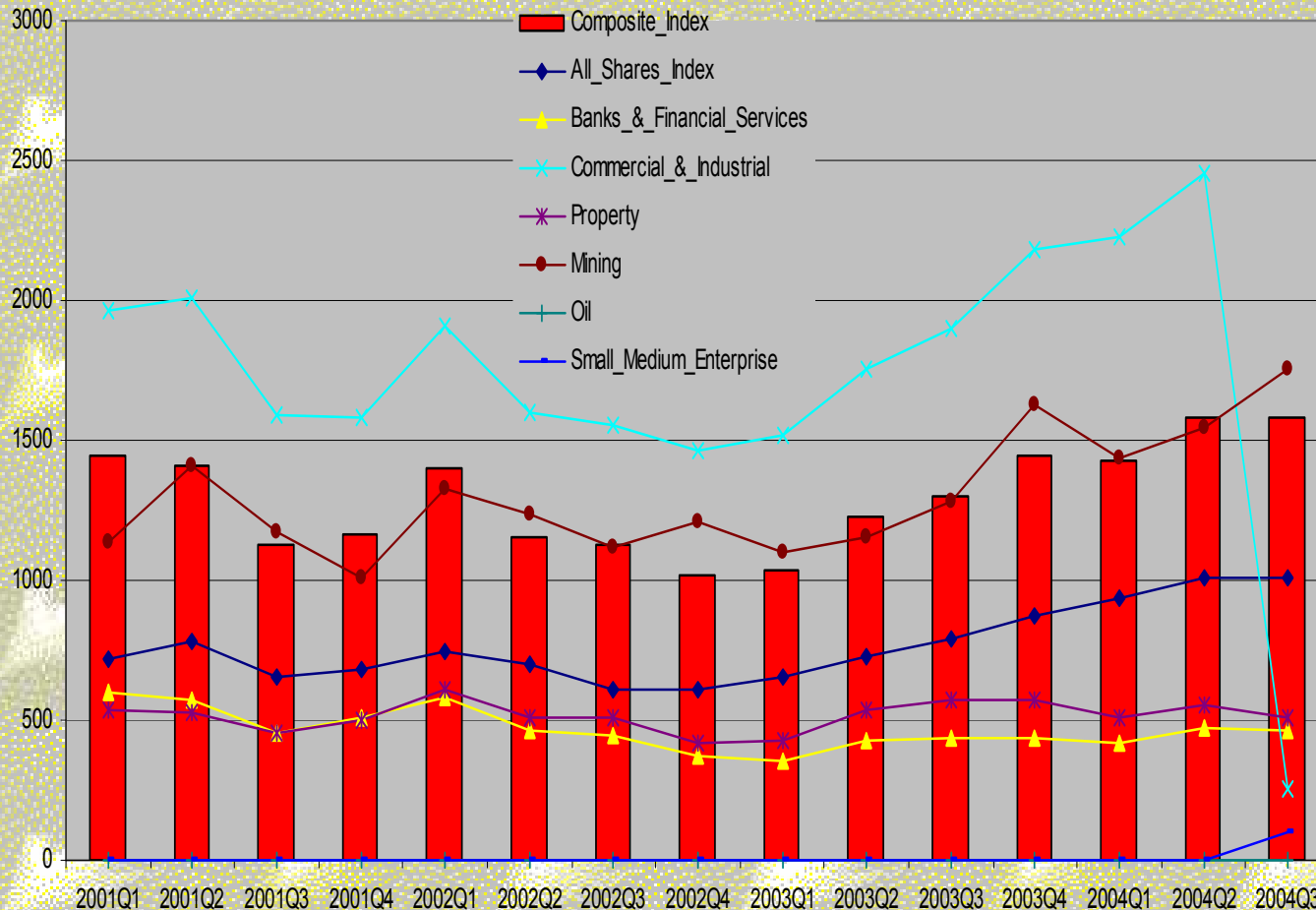
**2004 inter-bank loan rate higher than T bill to sweep excess liquidity**

# Market Confidence amidst Pronouncement of Fiscal Crisis

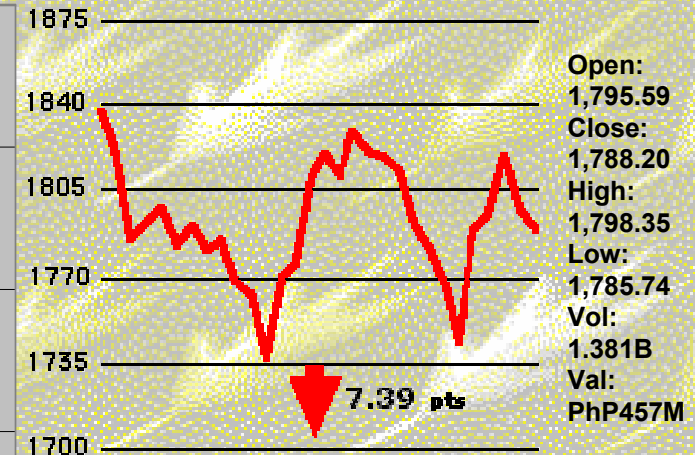
**Phisix in Sept. 2004 breached the 1,700 index in four-years (1,761.57)**

**As of Nov. 23, 2004, 1,811.23 up by 23.03 or 1.2879%**

**Stock Market Indices (2001 - Q3 2004)**



**Phisix 30 days to Nov.22, 2004**

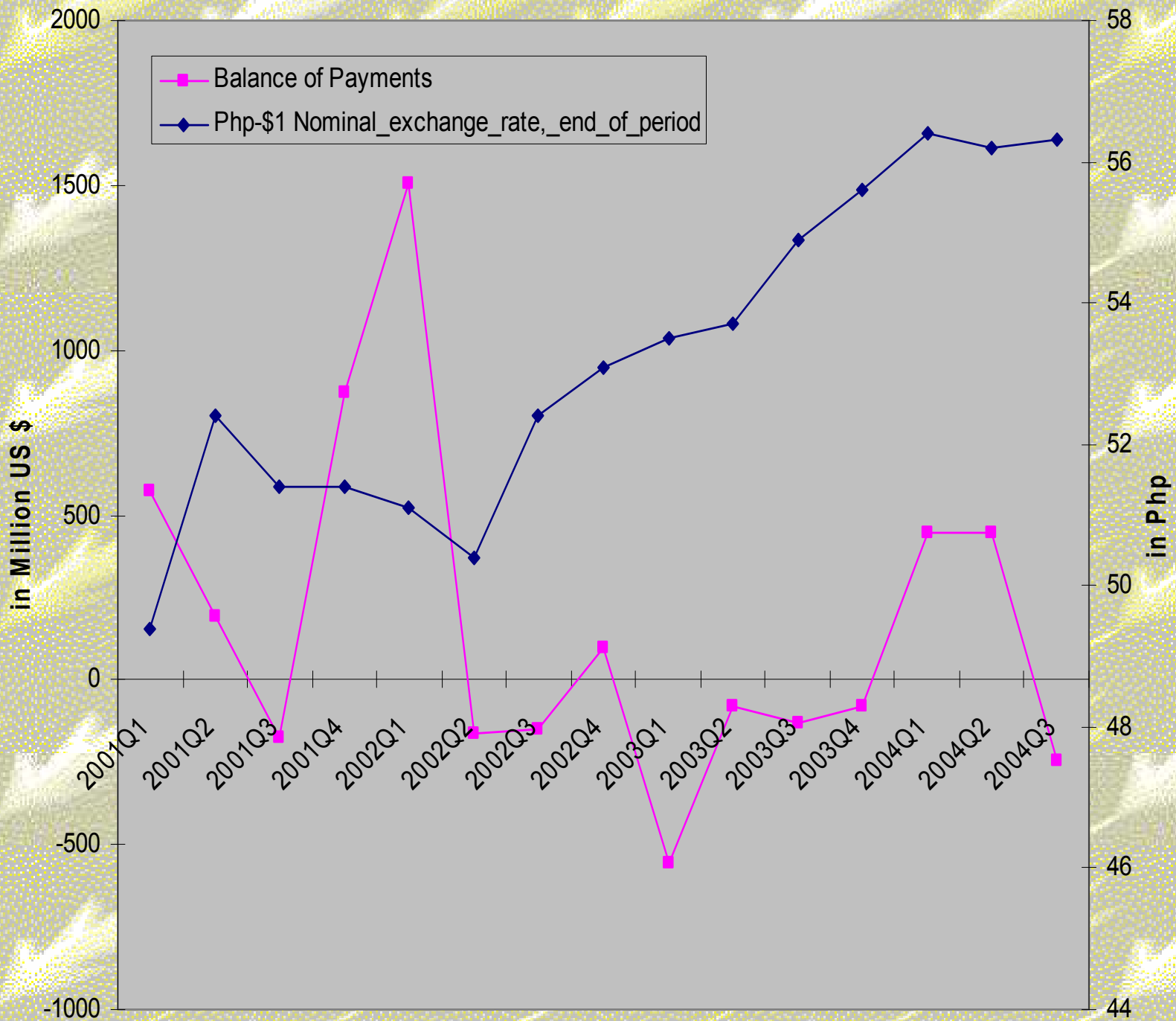




New foreign investments from Jan. – July  
'04 went up 493% to Php144.97 B

	<b>2004</b>	<b>2003</b>	<b>Growth</b>
<b>BOI</b>	<b>116.53B</b>	<b>12.16B</b>	<b>858%</b>
<b>PEZA</b>	<b>28.23B</b>	<b>12.30B</b>	<b>131%</b>

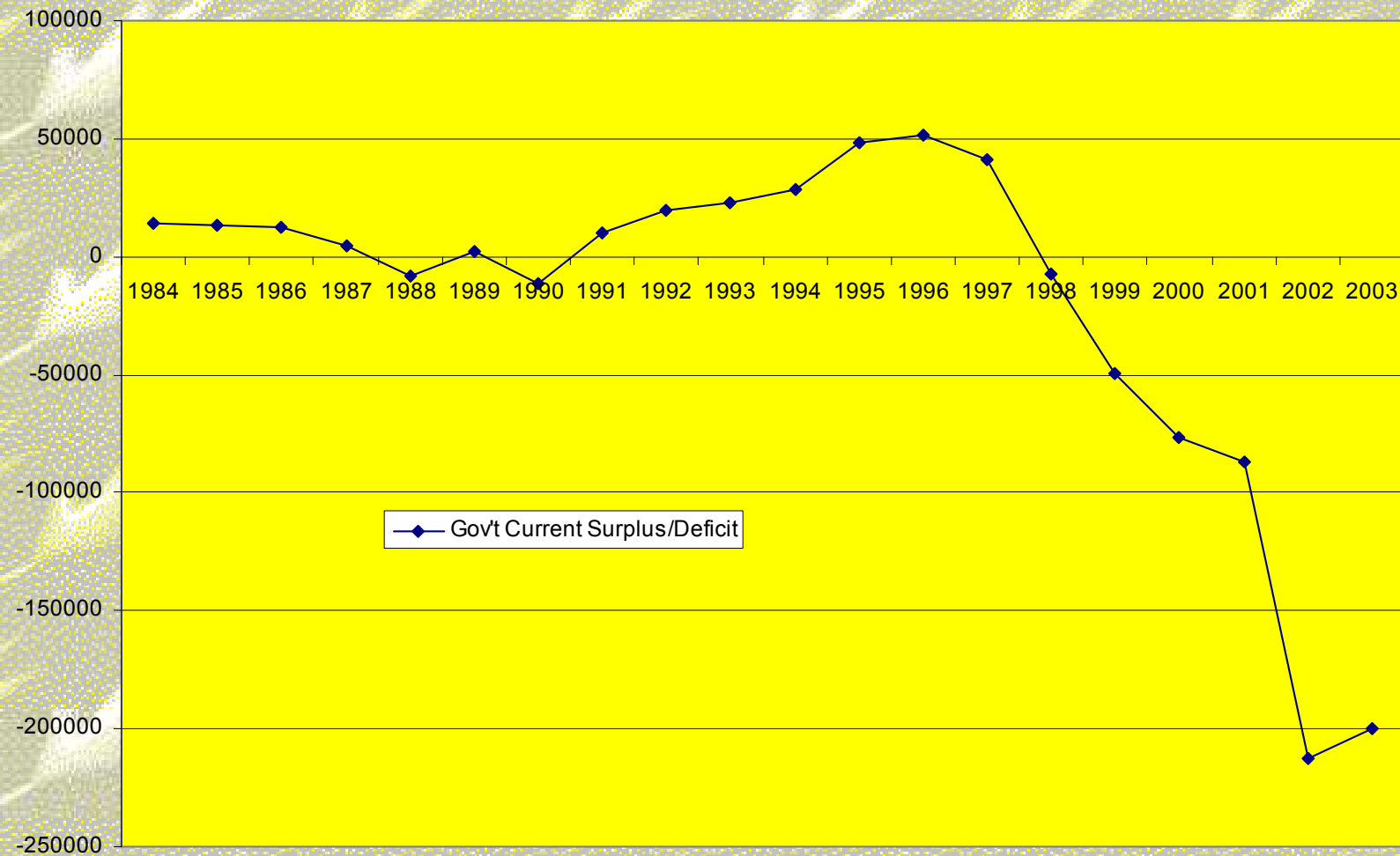
# **FISCAL SITUATION**



**While  
Peso  
weakens,  
BOP  
deficit  
goes  
deeper**



Government Current Surplus / Deficit



**After the  
era of  
coup  
tries,  
deficit  
bounced  
back**

**It  
deepened  
after the  
Asian  
crisis**

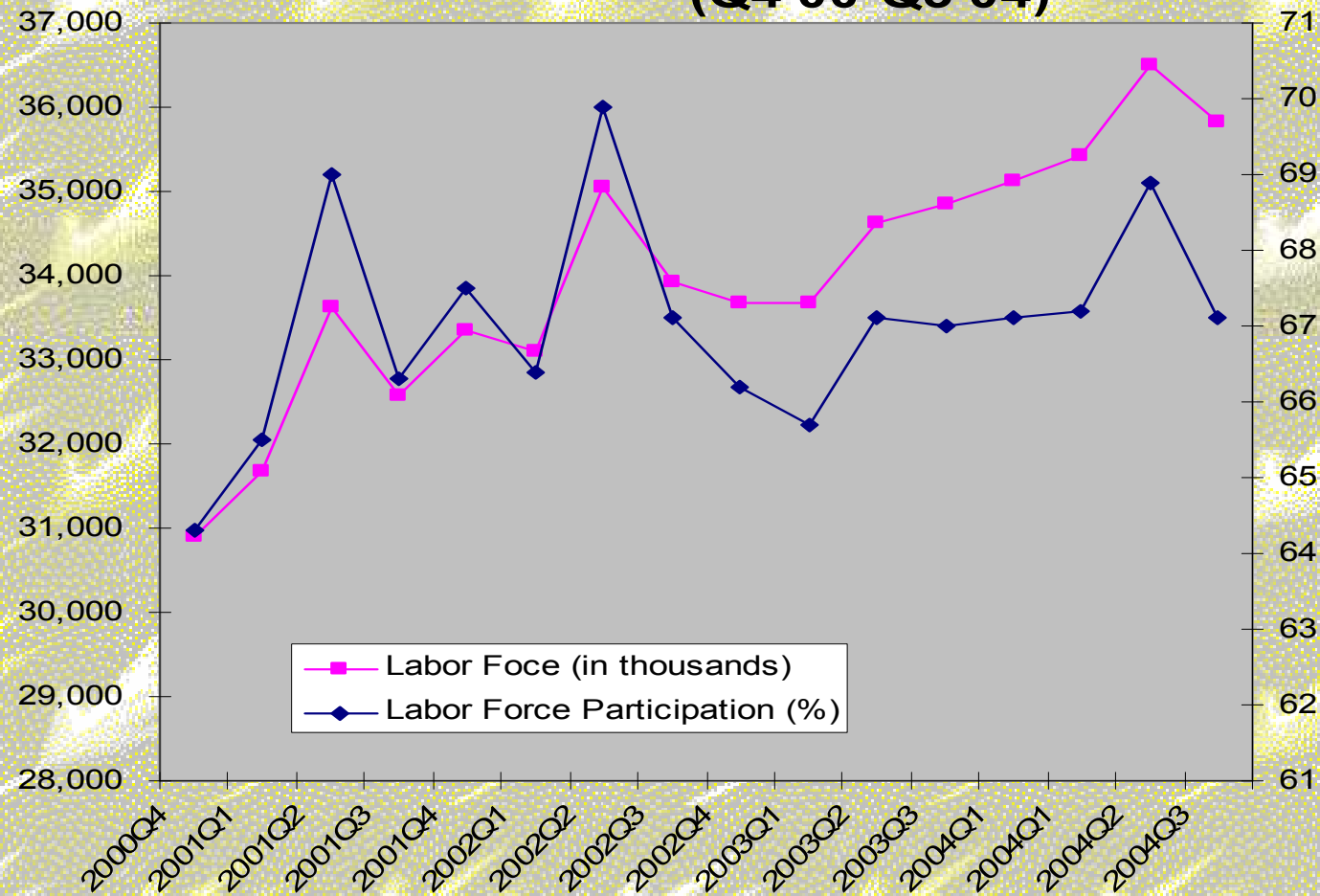
# Govt. Deficit (Pain Package)

- Proposed Pain Package to raise P215 billion in next three years
  - Debt cap on foreign borrowings
  - Increase taxation (under legislative process)
  - Increase fees and licenses
  - Review GOCC Performance
  - Give-up Pork Barrel (but Solons disagree)

# EMPLOYMENT

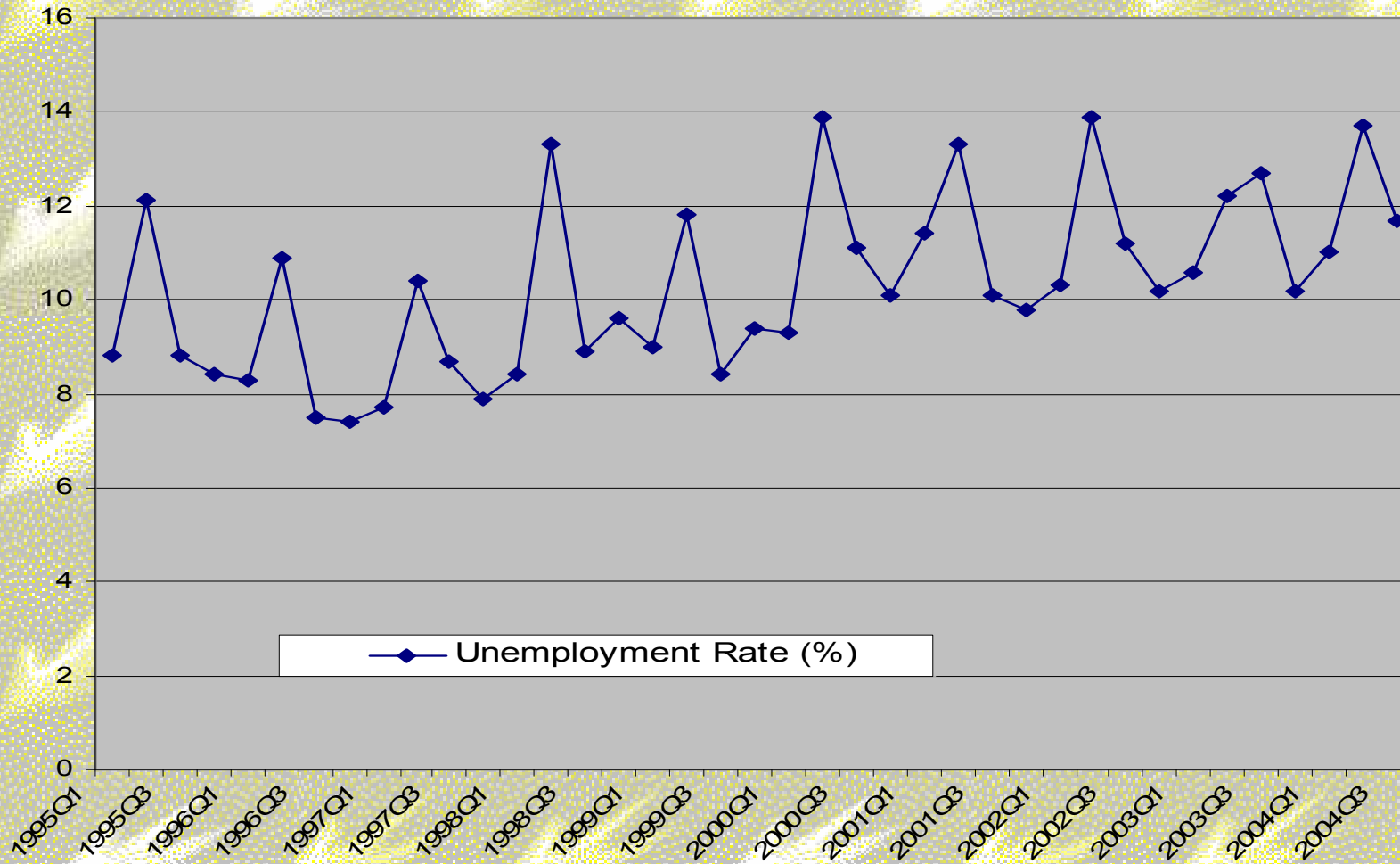


## Labor Force (Q4'00-Q3'04)



Labor Force has been increasing at an average of 1%.  
Its participation average increase is .19%

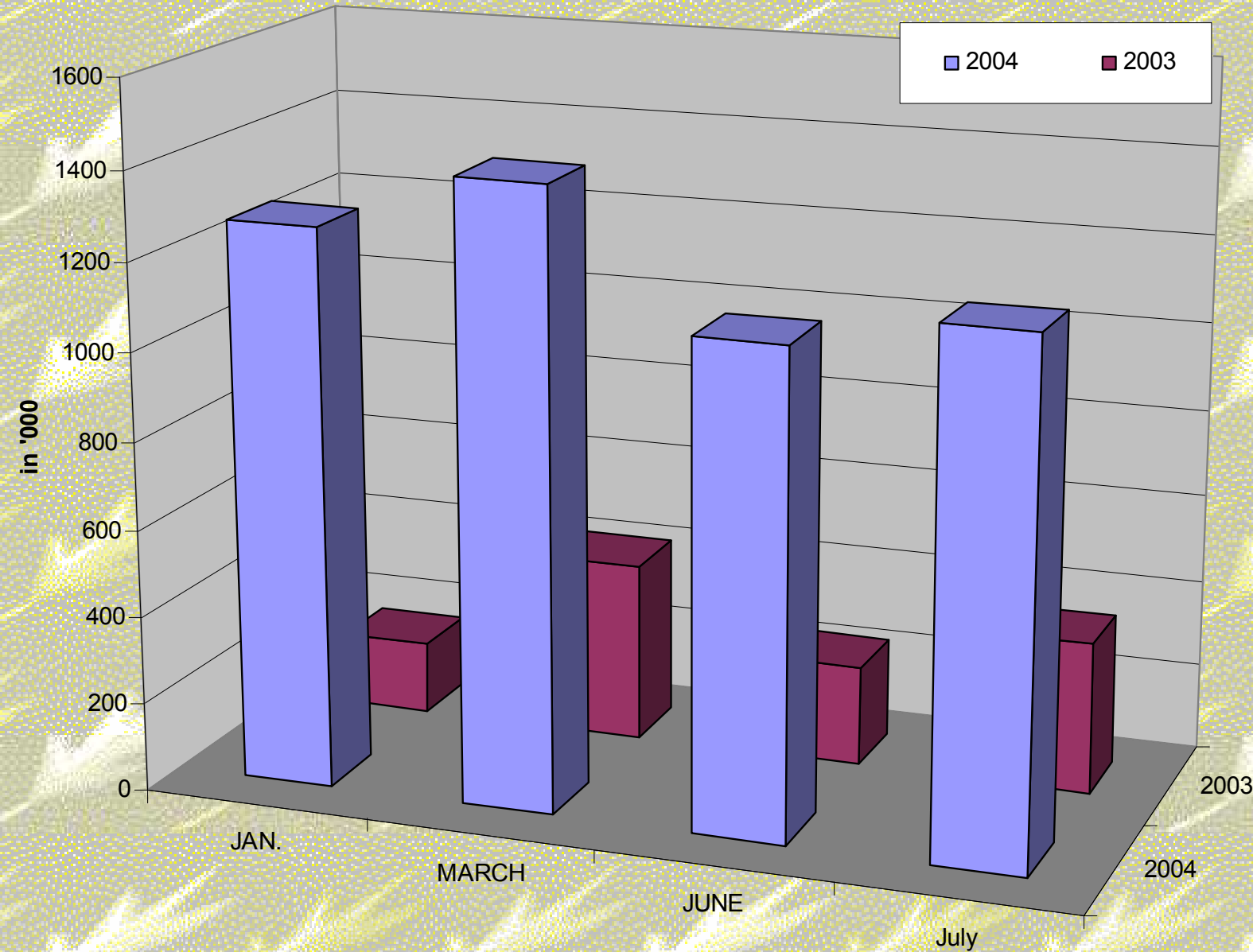
## Unemployment Rate



**Q3'04 unemployment rate improved to 11.7% from 13.7 in Q2'04 and from 12.7% a year ago.**

**2003 yearend figure is 10.2%**

## Jobs Generated



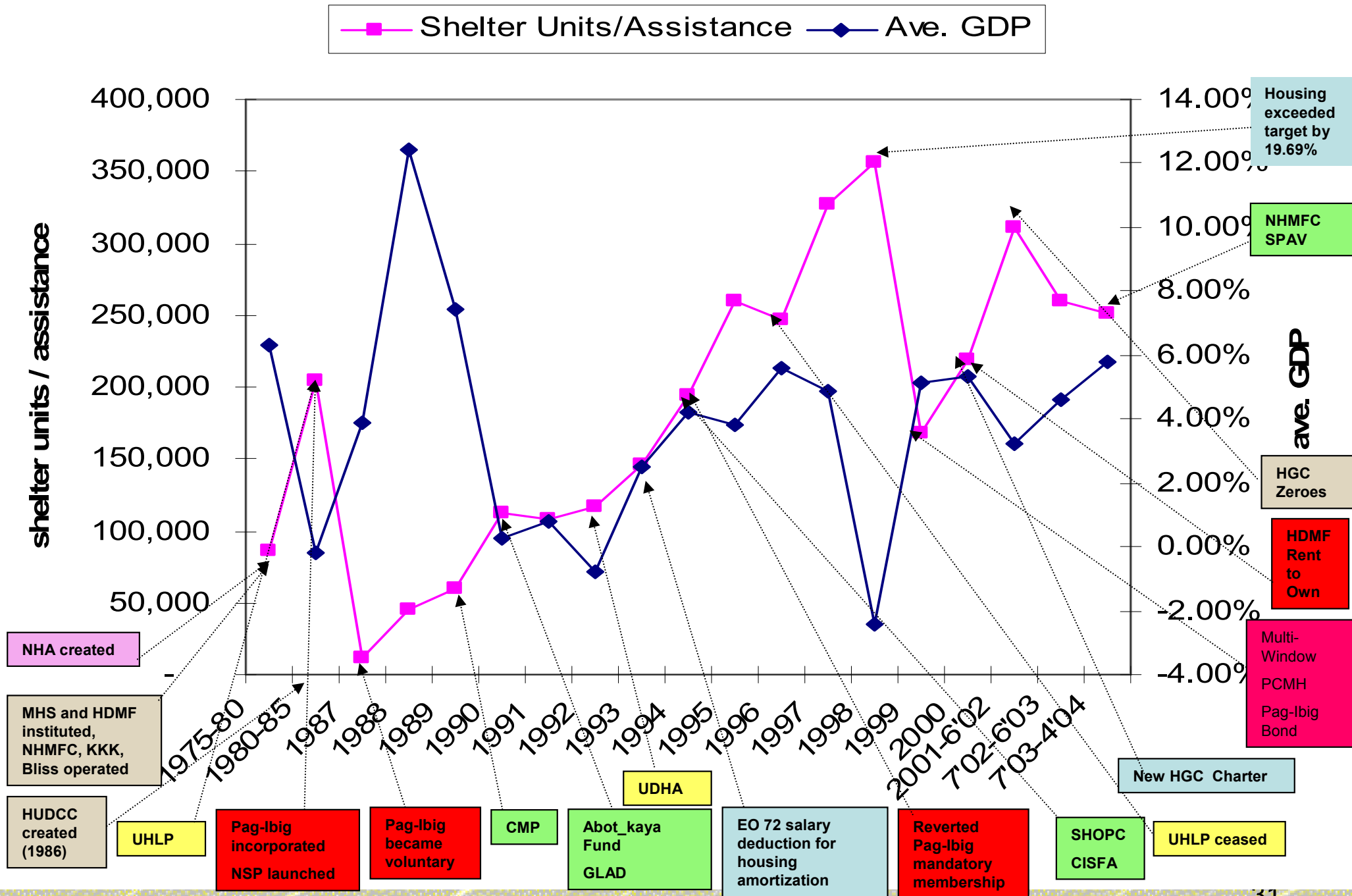
**There are 1.2 million jobs created for the first six months of 2004**

**238% increase from prior year**

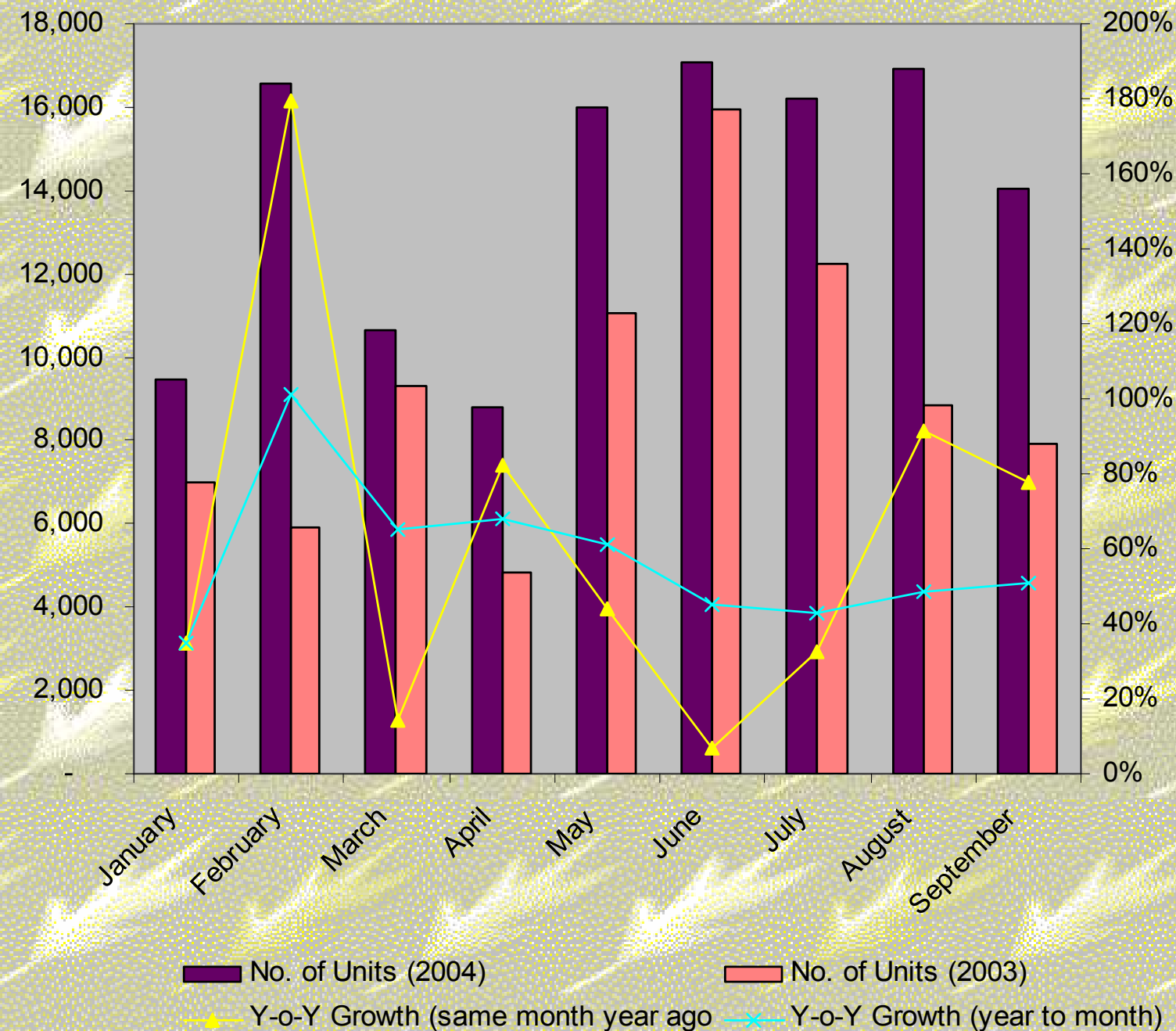


# HOUSING

# Gov't Programs Furthered Housing Delivery



# License to Sell 2003 & 2004



**More LTS  
issued in  
2004**

**M-o-M trend  
similar in  
both years**

**Average YoY  
Growth per  
month 63%**

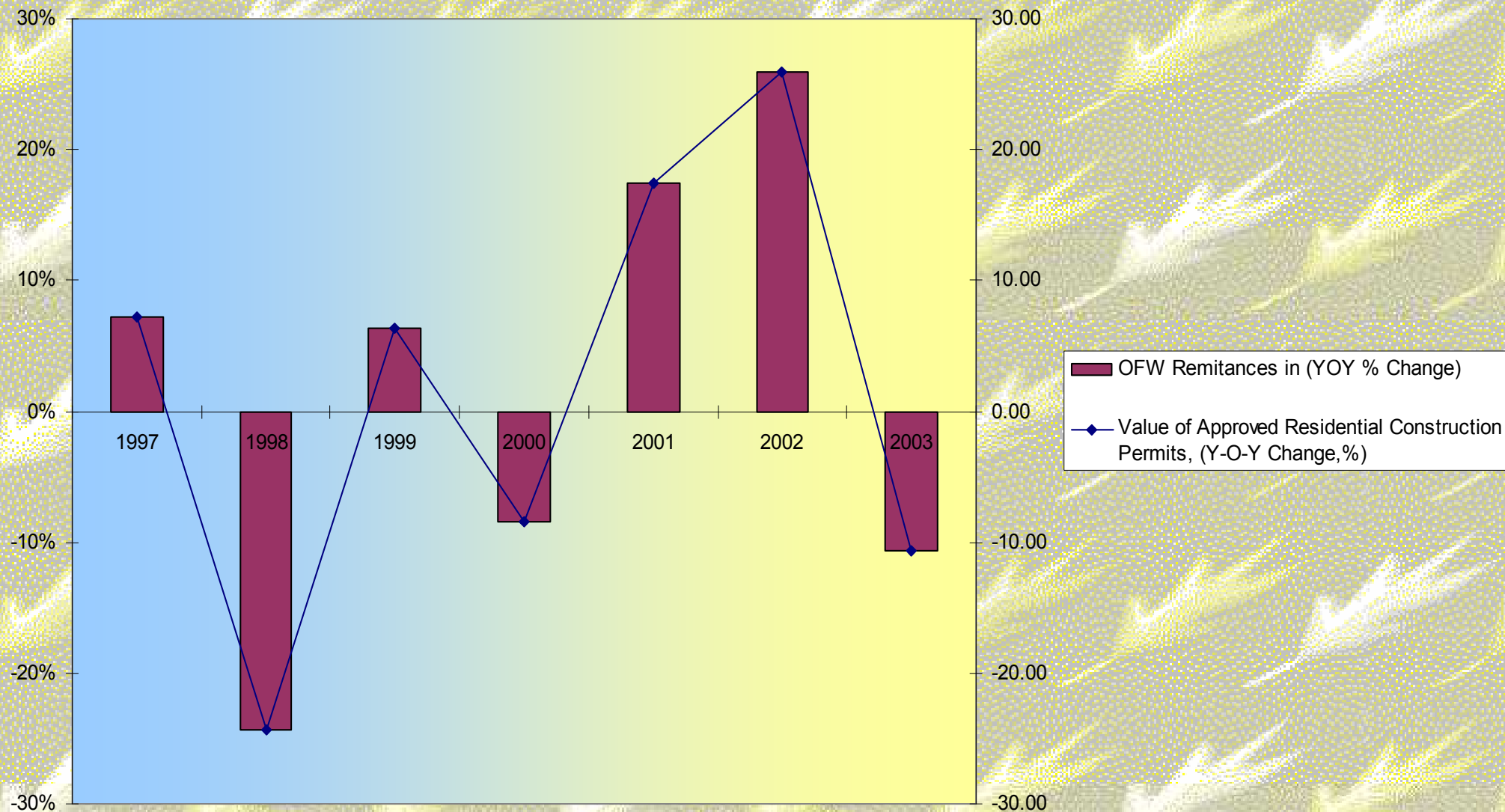
**Average YoY  
Growth from  
year to month  
57%**



# Building Permits

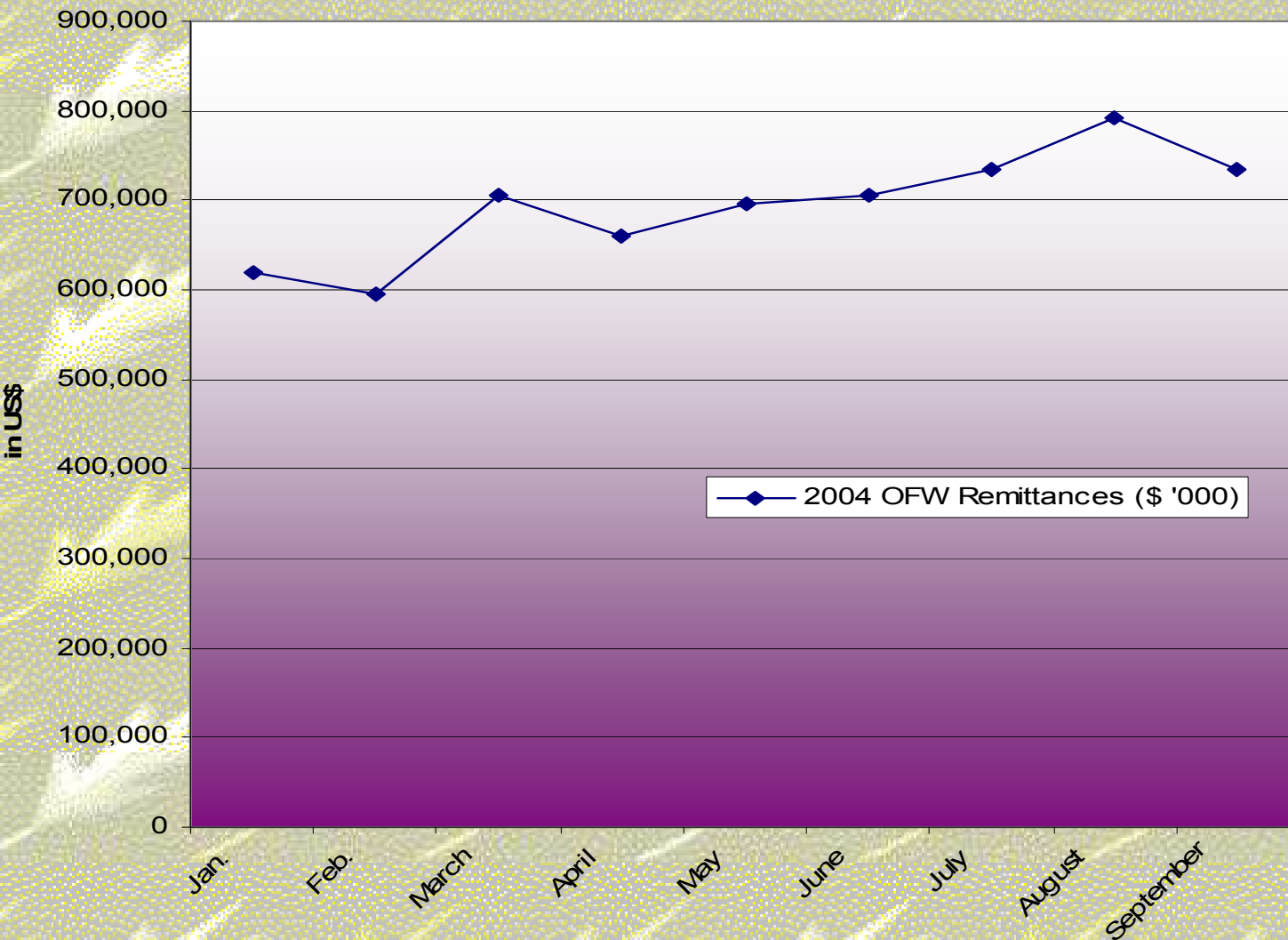
## (First Semester % growth)

	2004	2003 (averaged)	Y-o-Y Change
No. of Permits	15.5	-7.5	23
Value of Construction	24.1	3.15	20.95



There is a direct relationship of homebuilding and OFW \$ remittances. The OFW segment has a big share in the homebuyers' market.

# OFW Remittances



**OFW Remittances is on an uptrend in 2004 until August**

**OFW has remitted \$6.2 B from Jan - September**

**This is 9.4% higher than the remittances a year ago**

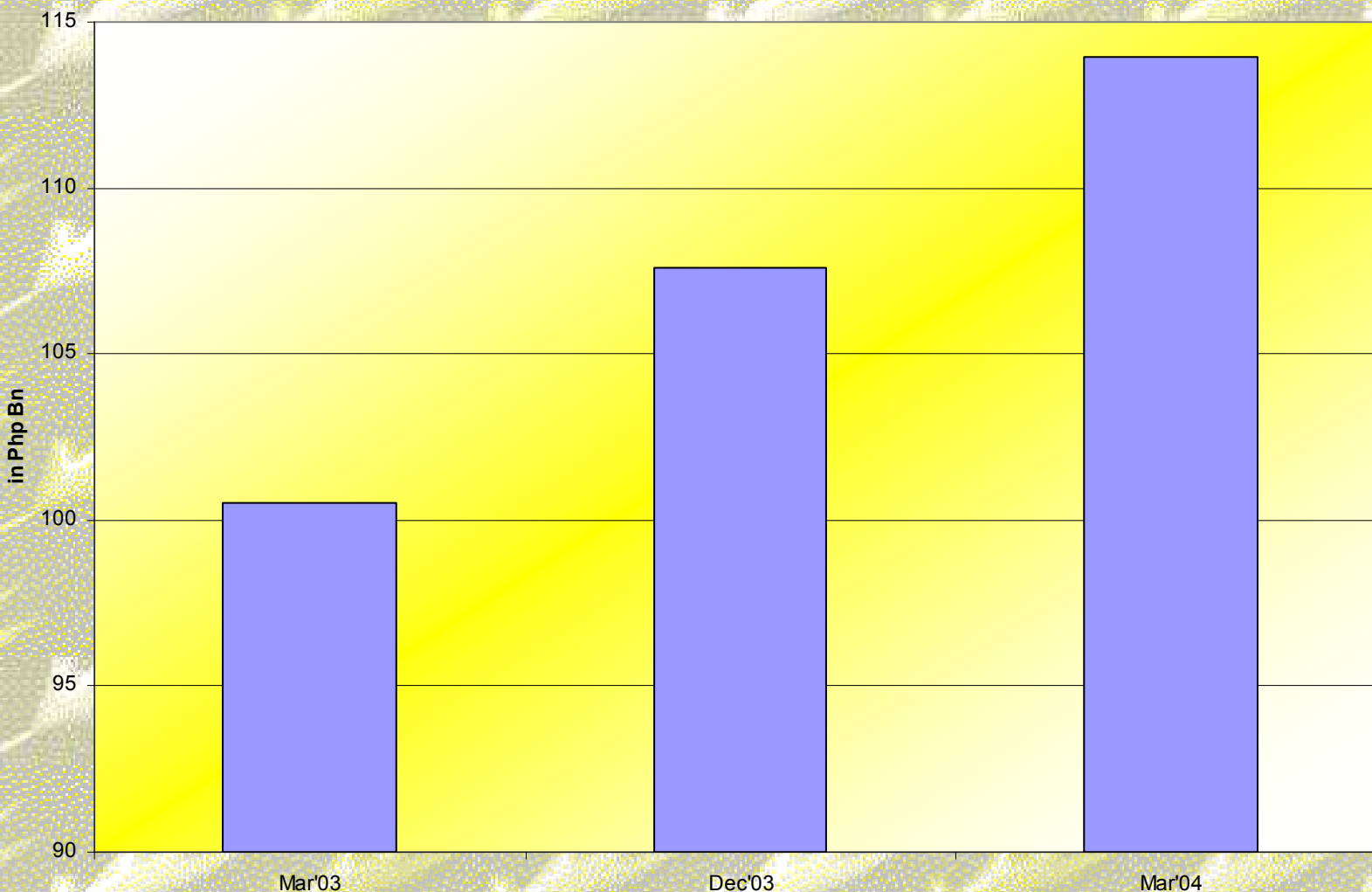
**Given the trend and expected remittances in Q4, the projected 6% growth for 2004 is likely to be exceeded**



# BANKING

# Philippine Banking System Housing Loans

(as of end of periods indicated)

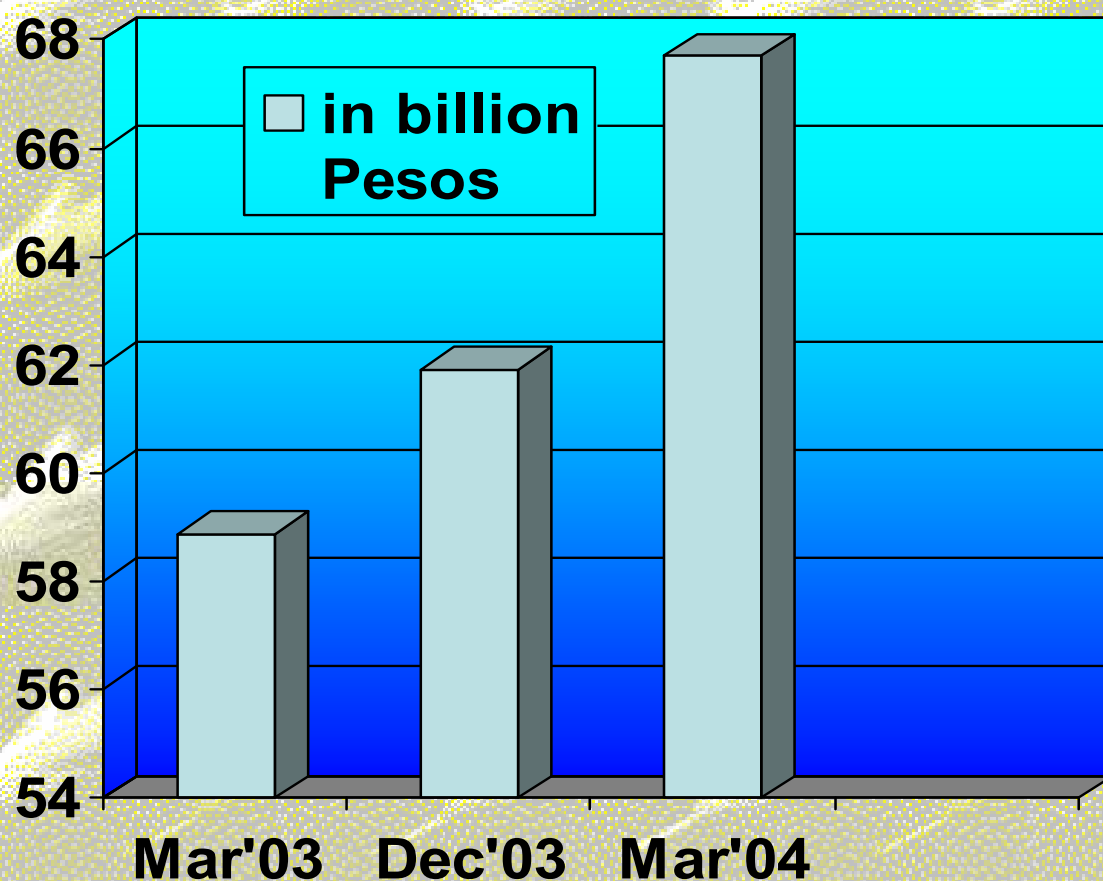


•From March 2003 Banks' housing loan portfolio is on an uptrend

•Banks' housing loans in March 2004 is 13.35% higher than same period a year ago

# PHILIPPINE BANKING SYSTEM LOANS FOR ACQUISITION OF RESIDENTIAL PROPERTY

(as of end of periods indicated)

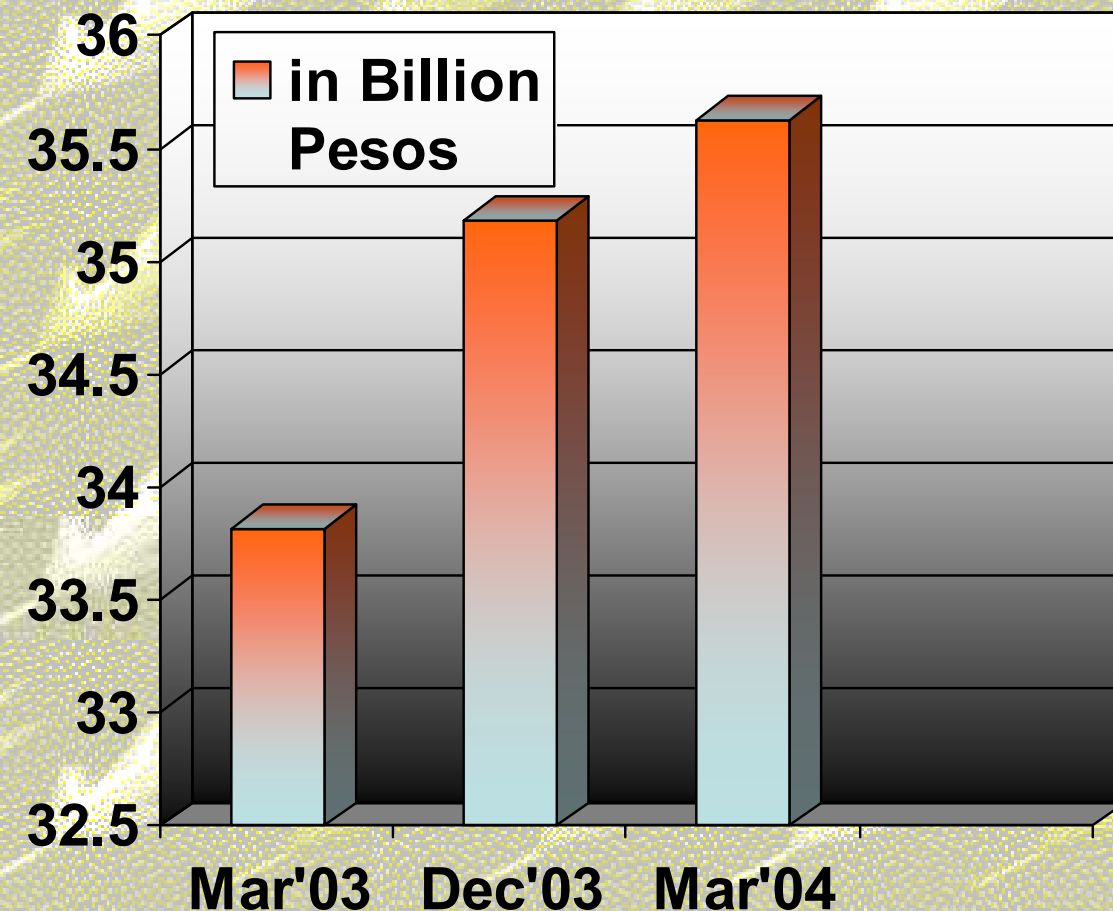


- From March 2003, Banks' loans for acquisition of homes is on an uptrend
- Loans to homebuyers' in March 2004 is 15% higher than the same period the prior year
- U/KBs exposure as of June '04, P 34.8 B



# PHILIPPINE BANKING SYSTEM LOANS FOR DEVELOPMENT OF SUBDIVISION FOR HOUSING

(as of end of periods indicated)



- From March 2003, Banks' loans for subdivision development is increasing
- Loans to developers in March 2004 is 5.4% higher than the same period the prior year

# ANALYSIS

## NATIONAL ACCOUNTS

- Rising Inflation a cost push phenomenon
- Personal Consumption steady on uptrend; contributed average of 4% to growth from 2001
- Personal Consumption to grow further on due to Holiday spending
- Personal Consumption will compliment Trade growth but on a slower rate
- Trade has ceased to pull up GDP from Q1 of 2004



- Trade contributed average of 5% to growth from 1982
- Philippines has biggest Agriculture growth in Asia; posted substantial growth in Q3
- From 1982, Agri & Fisheries contributed an average of 3% to the growth
- Agri & fisheries to continue to be major contributor to growth
- Housing for the Agri sector is nil

- Although manufacturing has been a major source of growth, the sector cut production by 10.3% in March and 5.2% in June
- Manufacturing production is expected to recoup by yearend
- Transportation, Communication and Storage account for 5% of growth since 1982
- Developing Asia to grow by 6.8% in 2004 and 6.7 in 2005; to push Phil. economy



# Monetary Aggregates and Asset Markets

- Intra-regional (Asian) trade will contribute to imports and exports
- Agri, Mining, forestry to be compensated by Asia's manufacturing and trade based economy
- OFW market opportunity in Japan and Singapore's Service sector



- Velocity fastest in Q3 of 2003 when Manufacturing sector bounced back on a month-on-month production
- Inflation increased due to oil prices increasing oil prices
- Demand for oil not only as commodity but as input to other sectors will pull GDP

- T-Bill rates to increase to entice buyers
- Phisix in October 5 is resilient and posted highest since Feb. 18 at 1,884.28.
- Market's strong performance indicates continuing bullish sentiment in line with general projection
- Foreign investments are on an upbeat



# FISCAL SITUATION

- Monetary and fiscal policy geared toward revenue generation and fiscal savings

## EMPLOYMENT

- 13.7 Unemployment in April due to influx of new graduates, it improved to 11.7 in Q3
- Jobs generated cannot cope with labor supply



# HOUSING

- Government programs and policies have helped boost housing delivery
- Economy and implementation factored the success of these programs and policies
- Substantial increase in the issuance of License to Sell and construction of residential buildings signals a ripe era for housing
- Increasing OFW remittances indicates good homebuyer's market

# BANKING

- Banking sector started to increase loan portfolio for developers and home buyers

# PROJECTIONS

<b>Y-o-Y Change (except on rates) In Percent</b>	<b>Actual (Latest)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>GDP</b>	<b>6.2 (Q2)</b>	<b>5.8</b>	<b>6.4</b>	<b>6.2</b>
<b>Personal Consumption</b>	<b>6(Q2)</b>	<b>6.3</b>	<b>6.8</b>	<b>6.4</b>
<b>Exports</b>	<b>14.9 (Q2)</b>	<b>10.5</b>	<b>11.4</b>	<b>11.2</b>
<b>Imports</b>	<b>7 (Q2)</b>	<b>9.4</b>	<b>10.9</b>	<b>12.2</b>
<b>Service</b>	<b>7.3 (Q2)</b>	<b>7.1</b>	<b>8</b>	<b>7.3</b>
<b>Manufacturing</b>	<b>4.6 (Q2)</b>	<b>3</b>	<b>3.2</b>	<b>3.1</b>
<b>Agriculture and Fisheries</b>	<b>3.9 (Q2)</b>	<b>5</b>	<b>5.44</b>	<b>5.7</b>
<b>Transportation, Communications &amp; Storage</b>	<b>13.5 (Q2)</b>	<b>10.1</b>	<b>10.6</b>	<b>10</b>
<b>Trade</b>	<b>6.1 (Q2)</b>	<b>6.2</b>	<b>6.4</b>	<b>6.4</b>
<b>License to Sell</b>	<b>49 (Sept)</b>	<b>59</b>	<b>35</b>	<b>26</b>
<b>Residential Construction Permits</b>	<b>13.13(as of Q3)</b>	<b>16</b>	<b>22</b>	<b>15</b>
<b>Bank Housing Loans</b>	<b>13.35 (Mar)</b>	<b>14</b>	<b>18</b>	<b>16</b>
<b>Inflation Rate</b>	<b>7.1 (Oct)</b>	<b>6.8</b>	<b>5.84</b>	<b>5.5</b>
<b>91 Day T-Bill Rate</b>	<b>7.614 (Q3)</b>	<b>7.5</b>	<b>7.05</b>	<b>6.2</b>
<b>Unemployment Rate</b>	<b>11.7 (Q3)</b>	<b>10.11</b>	<b>9.18</b>	<b>9.08</b>





END