

# Construction growth will be the most impressive of all sectors

The construction sector will provide the much needed push for the country's economic growth in 1975.

Projections of Business Day Research place the growth of the construction sector at 14.5 per cent (1967 prices). Although slightly lower than the 1974 expansion of 15 per cent, construction growth in 1975 will still be the most impressive of all the sectors of the economy.

Aggregate value of goods and services to be produced by the construction sector this year is estimated at P1,218 million (at 1967 prices), representing an increment of P154 million from the level of P1,064 million registered last year.

Forecasts on the performance of the sector in 1975 are heavily dependent on the assumption that there will be no marked increase in the prices of oil and oil-based products during the remaining months of the year.

### Infrastructure

A big boost to construction activities during the year

is the increased government funding of its infrastructure program.

The government's public works program for the four-year period ending with FY 1979 has a budget of P38.78 billion. Infrastructure has a total funding of P23.26 billion in local currency and P2.07 billion in foreign exchange.

Capital investment requirements of the infrastructure program in FY 1976 amounts to P8,009.7 million (\$1 = 7.50), peso requirement is P5,603.8 million that of foreign exchange, \$320.786 million.

Of the total infrastructure investment requirements of FY 1976, transportation and telecommunication are the main beneficiaries with 30 per cent or P2,435 million. Allocations are: P1,819 million for highways; P168 million for airports and airways; P245.9 million for portworks; P161 million for railways; and P40 million for telecommunications.

Next biggest is power and electrification with an allocation of P2,074 billion.

Power has P1,654 million and rural electrification, P420 million.

Total investment requirements of water resources for FY 1976 amount to about P1,963 while social infrastructure has a programmed cash requirement of P735.9 million. P800 million are earmarked for miscellaneous and other special projects.

### Roads

To accelerate the economic growth and thereby improve the living conditions in the rural areas, the Department of Public Works scheduled the release of P60 million starting last August. This amount is appropriated for the construction and improvement of farm-to-market or barangay or feeder roads in the rural areas. These roads will facilitate the transfer of farm produce from the production areas to the market centers.

The prominence of economic activities in the construction sector can be seen from the fact that while almost all industry areas resorted to employment cut-

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ANNUAL INFRASTRUCTURE PROGRAM, FY 1976  
GROSS INVESTMENT REQUIREMENT  
(In thousands)

### ANNUAL REQUIREMENT

Category	Total In (\$ = P7.50) (2 & 3)	Local Currency P (2)	Foreign Exchange \$ (3)
<b>A. Transportation &amp; Telecom</b>	<b>2,435,485</b>	<b>2,029,555</b>	<b>54,124</b>
Highways	1,819,295	1,551,935	35,648
Airports & Airways	168,449	146,948	3,000
Portworks	245,929	201,417	5,935
Railways	161,812	93,804	9,041
Telecommunications	40,200	36,450	500
<b>B. Water Resources</b>	<b>1,963,366</b>	<b>1,265,484</b>	<b>93,051</b>
Irrigation	1,084,822	712,630	50,959
Water Supply & Sewerage	283,396	145,711	18,358
Flood Control & Drainage	585,148	407,143	23,734
<b>C. Power &amp; Electrification</b>	<b>2,074,750</b>	<b>873,803</b>	<b>160,153</b>
Power	1,654,628	678,981	130,353
Rural Electrification	420,122	196,622	29,800
<b>D. Social Infrastructure</b>	<b>735,941</b>	<b>729,633</b>	<b>841</b>
School Buildings	377,707	377,707	-
National Buildings	92,648	92,648	-
Hospital & Sanitaria	101,899	101,899	-
Shore Protection	5,070	5,070	-
R H U	37,616	31,309	841
EDPITAF	21,000	21,000	-
Other P. W. Projects	100,000	100,000	-
Misc & Other Special Projects	800,188	705,661	12,617
<b>TOTAL</b>	<b>P8,009,731</b>	<b>P5,603,836</b>	<b>\$320,786</b>

R H U - Rural Health Units  
EDPITAF - Education Project Implementation Task Force  
Source: NEDA

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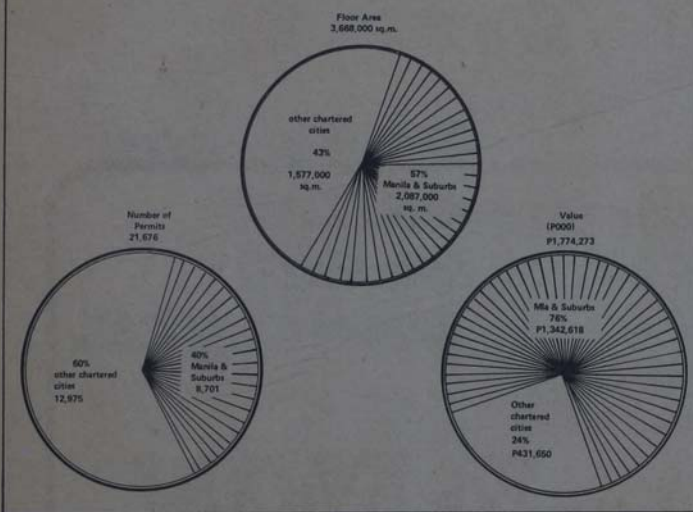


- MAJOR FIELDS OF ACTIVITY ●
- WATER RESOURCES ●
- INDUSTRIAL CONSTRUCTION ●
- INDUSTRIAL REFRIGERATION ●
- SERVICES ● FEASIBILITY STUDIES ●
- ESTATE PLANNING ● GEODETIC ENGINEERING ● FOUNDATION AND GEOLOGY ●
- HYDRAULIC ENGINEERING ● COST ESTIMATES ● SPECIFICATIONS ●
- EQUIPMENT LEASING ● TIRE RECAPPING ●
- CONSTRUCTION ● INDUSTRIAL AND PROCESS PLANTS ●
- HIGHWAYS ● MARINE ● QUARRYING ● BUILDING ●
- MECHANICAL ● ELECTRICAL ● REFRIGERATION ●
- PROCESS PLANTS ● AGGREGATES ● CONCRETE ● ASPHALT ● CEMENT ●
- FABRICATION ● STEEL ● CONCRETE ● TIMBER ●
- FACILITIES MANAGEMENT ● TOLL EXPRESSWAY OPERATIONS ●
- UTILITIES ● INDUSTRIAL ESTATES ●
- HOTELS ● BUILDINGS ●
- LAND DEVELOPMENT ●
- MINING ● AGRO-INDUSTRIAL ●
- BUILDING AND HOUSING ●
- UTILITIES ● TRANSPORT ●
- PROJECT MANAGEMENT ●



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**Permit Valuation of Private Building Construction in Greater Manila and other chartered Cities 1975 projections**



**FOUR-YEAR INFRASTRUCTURE PROGRAM FY 1976 - FY 1978  
CAST INVESTMENT REQUIREMENT (In thousands)**

Category	Total 4-Year Requirement		
	Total in P (\$1 = 7.50) (2 & 3) (1)	Local Currency (2)	Foreign Exchange (3)
<b>A. Transport</b>	<b>P11,408,085</b>	<b>P8,975,445</b>	<b>\$324,352</b>
1. Highways	9,047,700	7,550,550	199,620
2. Airports & Airways	818,231	431,981	51,500
3. Portworks	644,732	512,175	20,341
4. Railways	877,422	480,739	42,891
<b>B. Telecommunications</b>	<b>500,738</b>	<b>187,950</b>	<b>41,705</b>
<b>C. Water Resources</b>	<b>6,875,870</b>	<b>6,071,380</b>	<b>373,932</b>
1. Irrigation	4,030,113	2,715,123	175,332
2. Water Supp. & Serv.	2,522,068	1,328,173	159,186
3. Flood Control Drge.	2,323,689	2,028,084	39,414
<b>D. Power &amp; Electrification</b>	<b>13,609,256</b>	<b>4,045,549</b>	<b>1,275,161</b>
1. Power	12,390,545	3,575,870	1,175,290
2. Rural Electrification	1,218,712	469,679	99,871
<b>E. Social Infrastructure</b>	<b>2,719,503</b>	<b>2,609,538</b>	<b>14,662</b>
1. School Buildings	1,215,043	1,215,043	
2. Nat'l Bldgs.	475,012	475,012	
3. Hosp. & Sanitaria	343,368	343,368	
4. Shore Protection	30,200	30,200	
5. R H U	263,835	171,715	12,256
6. EDPIAF	22,245	4,200	2,406
7. Other P.W. Proj.	370,000	370,000	
<b>F. Misc. Projects</b>	<b>1,865,878</b>	<b>1,374,690</b>	<b>38,825</b>
1. EPZA	825,716	436,845	25,183
2. PADAP	179,160	91,845	11,642
3. LLDA	41,000	26,000	2,000
4. Misc. Pre-Eng'g Studies	200,000	200,000	
5. Other De. Eng'g. Row	320,000	320,000	
6. Tondo Reoshore	50,000	50,000	
7. P. W. Cont' Price Adjustment	250,000	250,000	
	<b>P38,799,329</b>	<b>P23,264,552</b>	<b>\$2,858,637</b>

Source: NEDA  
(Business Day used \$1 = P7.50)

backs in the first semester of 1975, 27 per cent more workers were employed in the construction sector compared to the second semester, 1974 levels, and eight per cent more compared to the period from January to June in 1974.

A factor which will further contribute to the growth of the sector is the projected hike in real estate sales in Greater Manila will hit a record high of P49.3 million according to an estimate made by BF Homes, Inc.

The increasing demand for housing by middle income earners and the Central Bank's rediscounting privilege of up to 40 per cent of housing mortgage papers to thrift institutions (savings banks and savings and loans associations) are expected to

give muscle to the real estate industry this year.

An added boost is the government's determination to pursue its low-cost housing program. About P500 million has been earmarked for this purpose. This amount is intended to provide shelter for some 1.2 million families within 1974 and 1977.

**Increased investments**

With the expansion in construction activity, an increased number of firms which will engage in construction is expected. The total number of new stock corporations in this sector during FY 1974-75 was 259, an increase of 72.7 per cent over last year's total of 188 firms. Combined authorized capital of these new firms stood at more than P687.81 million, registering an in-

crement of 178 per cent over last year's level. Similarly, actual paid-up capital stood at P47.29 million, recording an expansion of 172 per cent from last year's total.

More hotels, resort facilities and condominium firms during the year will likewise accelerate the growth of the construction sector. During FY 1974-75, 69 new firms in the hotel trade registered with the Securities and Exchange Commission. This is 91.7 per cent higher than last year's 33 new firms.

**Financing**

Recent moves to facilitate financing of construction projects, especially in low-cost housing, will increase the tempo of activity in the sector.

The Social Security System provides housing loans for its members who are regular employees in private enterprises. The SSS allows a member to borrow up to 90 per cent of the cost of the house. Amortizations are spread out over a 25-year period.

To insure availability of more financing for housing projects, the National Economic and Development Authority is currently at work on the development of the secondary mortgage market. Similarly, financial institutions may be required to allocate a certain portion of their portfolio holdings to real estate mortgage.

**Private construction**

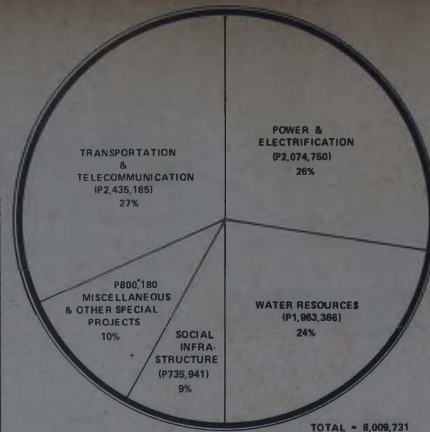
As government construction activities move at a faster pace, the private sector is expected to follow the same trend this year.

The number of private building permits in the Philippines for 1975 is projected to level at 21,676, about 30 per cent higher than last year. Similarly, floor area is estimated to expand by 48 per cent, reaching a total of 3,668,000 sq. meters in 1975.

As prices of construction materials and labor move

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**ANNUAL INFRASTRUCTURE PROGRAM, FY 1976  
CASH INVESTMENT REQUIREMENT (In thousand Pesos)**



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upward as a result of the adjustment in fuel prices, total value of private building construction for 1975 may grow by 77 per cent from the previous year's value of P996,966 million, to reach P1,774 million in 1975.

The bulk of private building construction activity in the Philippines will be concentrated in Manila and suburbs as floor area and value of building constructions are estimated to amount to 2,087,000 sq. meters and P1,342.6 million respectively. Compared to last year, total floor area of buildings constructed in 1975 will expand by 52 per cent while value is projected to increase at a higher 94 per cent.

Other chartered cities are likewise expected to exhibit growth in private building construction. Total floor area is projected at 1,577,000 sq. meters while value is at P431.6 million, a growth of 43 per cent and 41 per cent respectively over last year.

#### Construction materials

The prices of construction materials will exert a very big influence on the performance of the construction sector this year. If no significant increase in the prices of construction materials ensue during the remaining months of the year, the growth of this sector is expected to be impressive.

However, any significant increase in the price of oil and oil products during the year is expected to affect the prices of construction materials and result in the slackening of the growth of the construction sector.

### PERMIT VALUATION OF PRIVATE BUILDING CONSTRUCTION IN GREATER MANILA AND OTHER CHARTERED CITIES

(Floor Area in Thousand Square Meters; Value in Thousand Pesos)  
1973 - 1975

	Total, Philippines			Manila & Suburbs			Other Chartered Cities		
	Number of Permit	Floor Area	Value	Number of Permit	Floor Area	Value	Number of Permit	Floor Area	Value
1973	20,668	2,655	609,450	8,338	1,470	395,317	12,330	1,069	194,130
January	2,088	207	42,126	773	112	27,532	1,315	95	14,594
February	1,898	258	54,080	829	175	41,103	1,069	83	12,976
March	2,121	305	70,125	998	211	54,673	1,123	93	15,452
April	1,699	214	41,863	696	120	26,985	1,003	93	14,878
May	1,928	246	64,799	841	156	46,868	1,087	88	17,951
June	1,781	194	41,516	705	110	28,030	1,076	83	13,486
July	1,482	152	33,257	547	73	19,675	935	78	13,581
August	1,552	180	57,749	635	102	23,682	917	78	14,067
September	1,611	228	52,886	584	122	26,936	1,027	106	25,950
October	1,811	307	59,282	702	203	39,029	1,109	104	20,233
November	1,505	182	42,923	595	93	27,235	910	89	15,687
December	1,192	182	48,844	433	103	33,569	759	79	15,275
1974	16,645	2,477	996,966	6,667	1,370	690,369	9,978	1,105	306,597
January	1,718	219	61,581	603	101	32,432	1,115	118	29,149
February	1,310	193	66,520	536	97	41,550	774	95	18,970
March	1,359	211	60,470	557	120	41,593	802	91	18,877
April	1,413	199	68,215	602	118	49,898	811	81	18,316
May	1,723	200	66,841	744	105	45,088	979	94	21,753
June	1,165	202	91,872	418	116	66,812	747	86	25,060
July	1,248	215	112,253	506	125	85,292	742	89	26,961
August	1,290	173	65,858	466	85	37,094	824	88	28,764
September	1,375	193	81,129	590	99	53,521	785	94	27,609
October	1,379	242	97,593	586	151	61,679	793	92	35,914
November	1,325	180	72,273	578	90	44,261	747	90	28,012
December	1,340	250	158,361	481	163	131,149	859	87	27,212
1975	21,676	3,668	1,774,273	8,701	2,087	1,342,618	12,975	1,577	431,650
January	1,683	356	255,573	650	221	217,606	1,033	135	37,967
February	1,466	351	201,346	554	231	173,170	912	120	28,176
March	1,545	245	91,405	662	132	61,814	883	114	29,592
April	1,742	288	110,215	734	161	68,843	1,008	127	41,372
May	1,840	260	101,842	845	144	66,861	995	116	34,981
June	1,778	236	104,358	606	112	71,080	1,172	124	33,278
July	1,822	303	143,544	730	171	107,424	1,092	131	36,119
August	1,868	310	146,762	748	175	110,004	1,120	135	36,757
September	1,914	318	149,980	766	179	112,584	1,148	138	37,395
October	1,960	326	153,198	784	183	115,164	1,176	142	38,033
November	2,006	334	156,416	802	187	117,744	1,204	146	38,671
December	2,052	341	159,634	820	191	120,324	1,232	149	39,309

July to December 1975 are Business Day projections

Source: NCSC

## INDUSTRIALIZATION PARTNERS



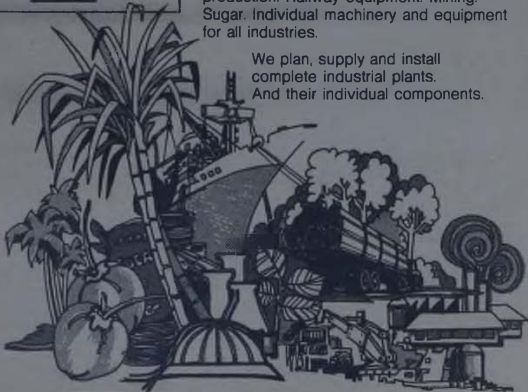
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