PHILIPPINES

MAY 2022

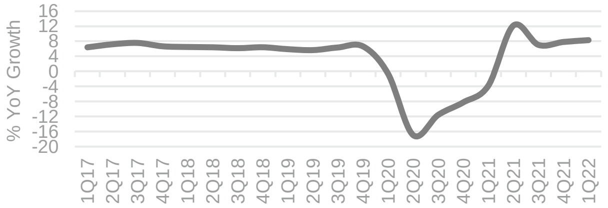
GENERAL PROPERTY

- Metro Manila's construction materials wholesale price index (CMWPI) hits a record high in March 2022 as it registered a YoY growth of 6.6%, its highest since January 2012 when the price of building materials grew by 6.9%. The most recent figure was an increase from a growth of 5.2% YoY in February of the same year and the 2.2% YoY in March 2021, bringing the year-to-date average to 5.7% in 2022 as compared to only 1.8% during the same period last year. The main drivers of CMWPI growth were the ballooning prices of fuels and lubricants which grew by 36.3% in March from 31.8 % a month prior, reinforcing and structural steel which grew by 10.5% from 7.2%, and electrical works which rose to 10% from 9.2%. With construction activities now in full swing, prices of building materials accelerate as demand continued to outpace supply, having faced global supply chain disruptions from several factors which include the geopolitical unrest in some parts of Europe and the COVID-19 related constraints.
  Read the original article

- ➢ With both the public and private sectors advancing their construction activities, with the resumption of works in public infrastructure and real estate developments, the construction industry is poised to see sustained growth despite the rising building materials cost. With supply lagging compared to demand due to a number of external factors, the price of building materials could face an upward pressure at least in the medium term, translating to an increase in the development cost of commercial and residential properties.

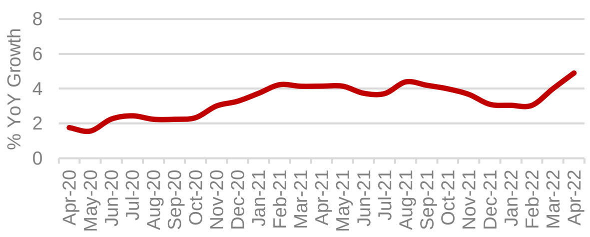
8.3% YoY

1Q 2022 Real GDP



4.9% YoY

Apr 2022 Headline Inflation



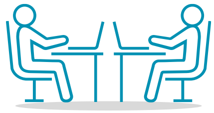
Source: Philippine Statistics Authority

❑ *News article cited* ➢ *C&W Philippines Research view*

OFFICE

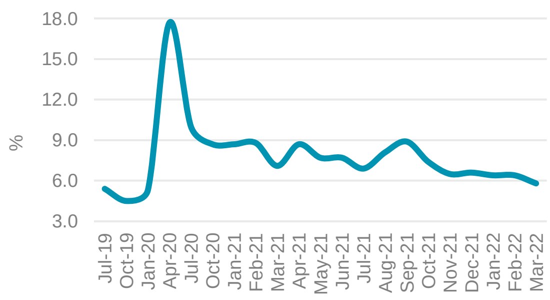
- The Philippine Economic Zone Authority's (PEZA) approved investment recorded a 68% YoY decline in Q1 2022 to PHP 8.14 billion, from PHP 25.38 billion in the same quarter last year, as the ongoing Russia-Ukraine conflict clouds the global economic prospects and recently concluded national polls brings uncertainties as investors anticipate new regulations to arise with the upcoming administration. The investment promotion agency, meanwhile, advises the incoming administration to implement work-from-home friendly policies for PEZA-registered enterprises to address the brewing worries among locators which are now compelled to send their employees back to physical offices. As of the start of April 2022, the agency has issued 444 letters of authority to registered locators that won't be able to immediately comply with the government's return to office mandate.
  Read the original article

- ➢ In Q1 2022, the Philippine economy exhibited a faster than expected expansion as the government loosened the restrictions that significantly encouraged consumer activities, along with the increase in election-related spending. Maintaining this growth momentum is being challenged by the higher level of inflation that could once again dampen the outlook of consumers and businesses. Whilst concerns were raised about the upcoming administration, the investment climate can be boosted by the successful implementation of the recently enacted policy reforms and continuity in infrastructure projects that will attract investors and locators not only in the central business districts but also in strategic locations other than Metro Manila.



5.8%

Mar 2022 Unemployment Rate

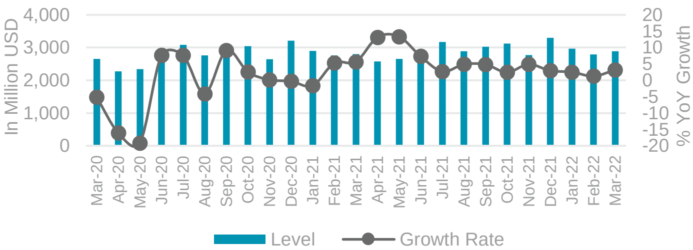


Source: Philippine Statistics Authority

❑ *News article cited* ➢ *C&W Philippines Research view*

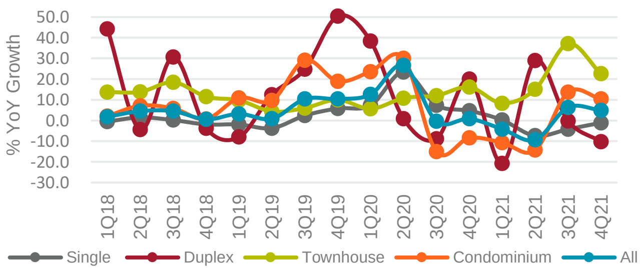
3.1% YoY

Mar 2022 OF Personal Remittances



4.9% YoY

4Q 2021 Residential Real Estate Price Index (Q1 2014 = 100)



Source: Bangko Sentral ng Pilipinas

RESIDENTIAL

- ❑ For Q1 2022, Lamudi revealed that roughly 60% of the sources of rental leads for the cities of Makati, Pasig, and Taguig were also from the other cities in Metro Metro, particularly Quezon City and the City of Manila. Meanwhile, the remaining 40% were coming from various locations in Mega Manila (with top sources possible from the areas of Angeles, Antipolo, Bacoor, Calamba, and Lipa), as well as from the CALABA (Cavite, Laguna, and Batangas) as renters explore job opportunities in the aforementioned central business districts (CBDs) which host the bulk of IT-BPM companies. Lamudi further noted that leads from CALABA, particularly from Bacoor, Calamba, and Lipa were seeking smaller spaces such as rooms for rent, bed spaces, and studio units, suggesting that seekers were more likely solo renters, and were observed to be younger between the ages of 18 to 34. Meanwhile, the bulk of leads coming within Metro Manila was seeking condominium properties with 1-bedroom, 2-bedroom, and studio units. According to Lamudi, the rise in the number of leads for listing in the cities of Makati, Pasig, and Taguig was simultaneous with the return to office directive to IT-BPM companies.
  Read the original article

- ➢ The residential segment is seeing a steady recovery as market activities scale back to normalcy. Whist the momentum of the segment's growth in Metro Manila can be largely associated with the return-to-office scenario, particularly by the IT-BPM industry which is heavily concentrated in the CBDs, integrated communities with residential components will continue to spur in the provincial areas, particularly in the Central Luzon where there are major infrastructure developments.

❑ *News article cited* ➢ *C&W Philippines Research view*

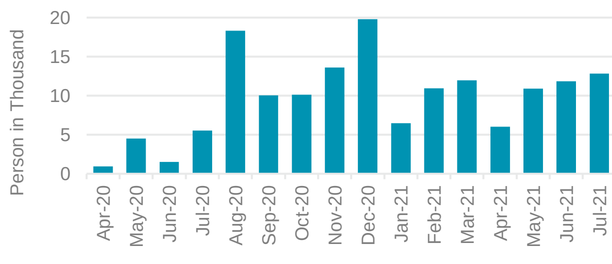
HOSPITALITY

- ❑ Visitor arrivals are seen to further improve with the new Clark International Airport (CIA) passenger terminal building which finally opened in May. The new facility has so far attracted South Korea's largest low-cost airlines, namely the Jeju Air and Jin Air, which will now operate direct flights from Clark Airport, providing direct services to South Korean visitors which are among the country's top sources of foreign visitor arrivals. These new flight destinations will add to other foreign flights that will be operating at the new passenger terminal which include Jetstar's flight to and from Singapore, Qatar Airway's flight to Doha, and Emirates' flight to Dubai. Air Asia, Cebu Pacific, and Philippine Airlines will also be operating flights at CIA's upgraded passenger terminal building which covers an area of around 110,000 sq.m.
  Read the original article

- ➢ The more relaxed travel regulations and the country's low count of COVID-19 infections have boosted the performance of accommodation establishments driven by the restored confidence of both domestic and foreign leisure travelers. Recently, the Department of Tourism (DoT) announced that they observed an uptick in the number of international arrivals to reach more than half a million as of the end of May which is expected to further improve as the country waves the RT-PCR test requirement for fully vaccinated inbound travelers.

11.8 Th Persons

Jul 2021 Foreign Visitor Arrivals



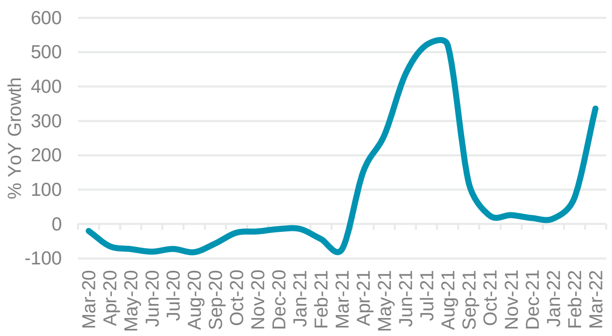
Source: Department of Tourism

❑ *News article cited* ➢ *C&W Philippines Research view*

INDUSTRIAL/LOGISTICS

336.3% YoY

Mar 2022 Volume of Production Index (2018 = 100)



Source: Philippine Statistics Authority

- ❑ Nidec Corp., a Japanese manufacturer of electric motors, is eyeing a major expansion in the Subic area that will increase the manufacturer's monthly production capacity by about 50,000 units of strain wave gears. The massive investment of about PHP 40 billion will give rise to its new facility which is eyed to break ground in Q3 2022 and will add to the company's existing 3.5-hectare production space which includes its first Philippine factory site in Laguna since 1995. The increased demand for harmonic systems has prompted Nidec Corp. to pursue its expansion plans which will eventually generate 400 new jobs to increase Nidec's total workforce to around 1,000. The company's initial operations in the Philippines were focused on spindle motors and related products manufacture before expanding to products with more technology content for the use of aerospace, robotics, and solar tracking industries. At the present, Nidec has moved its entire planetary gear business from China to the Philippines.
[Read the original article]

- ➢ The Philippines' attractiveness as a manufacturing hub streams from its rich source of the skilled labour pool and competitive salaries packages, making it an ideal alternative location for manufacturing companies that wanted to shift away from China. The major infrastructure developments that will link the production hubs in the Clark and Subic area to international seaports and airports are seen to attract more foreign locators in Central Luzon, as an alternative to the ripe industrial hubs in the CALABA area.

❑ *News article cited* ➢ *C&W Philippines Research view*

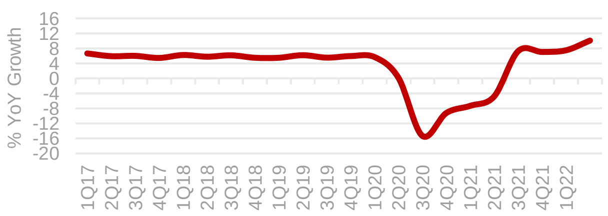
RETAIL

- ❑ G Distribution B.V. (Gucci) is eyeing to strengthen its profile in the Philippine market as it formed a joint venture (JV) with SSI Group, Inc. Luxury Goods Philippines, Inc. (LGPI), the JV company, will own and manage the existing Gucci stores in the Philippines beginning on June 2022. The recent move between SSI and Gucci shifts its franchisor-franchisee relationship to a JV partner as they aim to expand the luxury brand's foothold in the country. With JV agreement, LGPI which is 75% owned by Gucci and the remaining 25% by SSI, is expected to receive a PHP 350 million initial capitalization.
[Read the original article]

- ➢ Demand for retail space is expected to see a revival as shopping centers see a gradual return to vibrancy with footfall reaching around 70% of the pre-pandemic level. The continued economic reopening and increased activities in the office sector will continue to improve retail sales performance and trigger the recovery of occupancy levels in key shopping mall developments.

10.1 % YoY

1Q 2022 Real Household Spending



Source: Philippine Statistics Authority

❑ *News article cited* ➢ *C&W Philippines Research view*

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