

MARKET OPPORTUNITY

Philippines

OVERVIEW

- Over the next decade, the Philippines will invest heavily in public infrastructure, transport and non-residential infrastructure. The government's Build, Build, Build programme will be pivotal for activities in the construction sector.
- Large city redevelopment plans in the pipeline will gain traction over the latter stages of the forecasted period, posing considerable long-term growth opportunities for companies in the construction and building value chain.
- Beyond 2020, public infrastructure projects will hold opportunities for growth. Government plans include the doubling of urban railway networks from the current 178 km to 360 km by 2030.
- To sustain the sector, up to 70% of newly-raised revenues (€12.42 billion over next 5 years) from tax reform are earmarked for the Build, Build, Build programme.
- The Philippines ranks 56th in terms of Global Competitiveness (2018). New infrastructure is necessary to improve transport capacity and living standards in cities.

Top opportunities for EU companies

- Operating in the construction value chain, including operations, maintenance and management.** The **Build, Build, Build Programme** will invest €1.4 billion from 2017 to 2022 on infrastructure. Key projects include: (a) Subic-Clark Railway, (b) the North-South railway (c) a 1,500-hectare industrial park in Clark (d) an expanded Clark International Airport. Strong opportunities also foreseen in the area of Public Private Partnerships.
- Offering green building, green architecture, IoT and smart building solutions.** Sustainable infrastructure and building technologies addressing lower carbon emissions and energy savings will be integral for highly industrialised cities like Manila, and emerging urban areas.
- With technologies and solutions toward the construction of power plants, transmission grids and water utilities.** The energy and utilities sector in the Philippines will grow significantly over the next 10 years as urbanisation and industrialisation trends lead to higher rates of energy and water usage.
- Offering construction-related materials, including steel and cement manufacturing facilities.** High growth will continue in the residential and non-residential building sector. Drivers include rapid urbanisation, a strengthening tourism sector and continued private and foreign investment in industrial real estate projects.

Sector characteristics

- Philippine infrastructure quality ranks low at 97 out of 137 countries in the Global Competitiveness Index (2017-2018). Infrastructure investment is likely to increase, but can be restricted by the public sector's ability to gain financing. China and Japan are major contributors of Overseas Development Assistance.
- The Philippine Government aims to lift infrastructure development spending from 5.4% of GDP in 2017 to 7.4% in 2022. Outlays are expected to reach 6.1% of GDP in 2018.
- The Philippine construction and services industry has the advantage of having competitive prices and quality, environmentally friendly operations, customer orientation, sales and delivery reliability, as well as post-sales service commitments.
- Several major projects launched in 2018 include the €495 million C6 Expressway, the €5.62 billion Metro Manila Subway, Luzon Spine Expressway Network, Metro Manila Logistics Network and the Metro Cebu Expressway.
- A 6:4 local-to-foreign ownership ratio applies in all sectors related to infrastructure development. Partnerships are a necessity for this sector.



- Country:** Philippines
- Capital City:** Manila
- Population:** 103 million (2016 est.)
- GDP per capita:** USD 2,646 (2017 est.)
- Currency:** Philippine Peso (PHP)
- Official Languages:** Filipino & English



Sources:

- Philippine Constructors Association
- Philippine Department of Trade and Industry
- Philippine Infrastructure Report 2018
- BMI Research, Bloomberg data (2017-2018)

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CONSTRUCTION & BUILDING TECHNOLOGIES

Major infrastructure projects in the pipeline

Railways	Metro Manila Subway PNR South Long Haul Subic-Clark Railway Project
Roads	South-east Metro Manila Expressway Luzon Spine Expressway Network Metro Manila Logistics Network Metro Cebu Expressway
Airports	Clark International Airport Expansion Mactan-Cebu International Airport Project Bicol International Airport Development Project

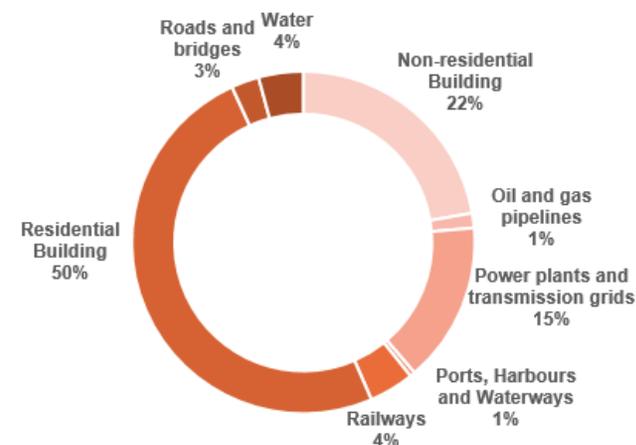
Key multinational players

	Company	Revenue (€ billion)*
1	China State Construction Engineering Housing and civil engineering construction	138.7
2	China Railway Group Limited Civil engineering construction	91.1
3	China Communications Construction Civil engineering construction	63.3
4	CITIC Limited Civil engineering construction, steel	51.1
5	Jardine Matheson Holdings Limited Property investment and development	36.7

Key domestic players

	Company	Revenue (€ million)*
1	Ayala Land Inc (Philippines) Construction, real estate	2393.8
2	Makati Development Corporation Engineering, procurement and construction	789.5
3	Megawide Construction Corporation Construction, engineering and real estate	337.9
4	D.M. Consunji, Inc. Engineering, procurement and construction	287.7
5	EEl Corporation Industrial construction	271.2

Philippine construction industry market share by sector (2018)



Main industry sectors

- Transport Infrastructure**
 Strong pipeline of road and rail projects will account for the bulk of activity in the Philippines' transport infrastructure sector up to 2024.
- Energy and utilities infrastructure**
 Philippine energy and utilities sector to record significant growth over the next 10 years based on urbanisation and industrialisation trends.
- Residential buildings**
 Residential building segment will be supported by a robust private real estate market combined with government initiatives to bridge the country's housing shortage.
- Non-Residential Buildings**
 Non-residential segment set for strong growth over the next 10 years, averaging 8.3% between 2018-2027.