

HOUSING PROSPECTS FOR 2004 - 2006

November 2004 Presentation

SUMMARY OF YEAREND PROJECTIONS

(made in July)

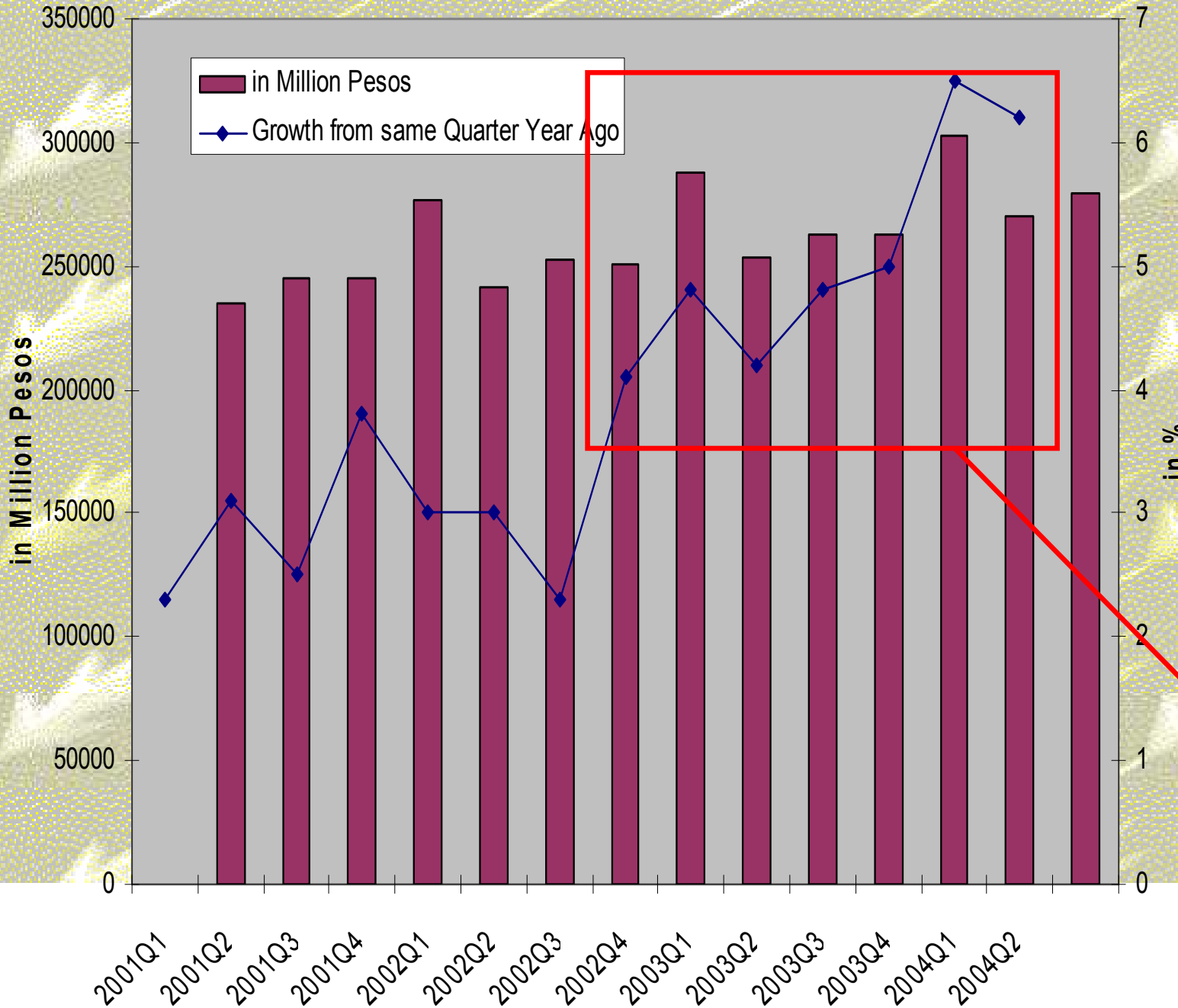
- GDP growth at 7%
- Investments growth to peak at 13%
- Inflation at 4.1%
- Higher Treasury Bill Rates and more taxes
- Unemployment will rise to 11%
- Cautious traditional lending
- Real estate will be brisk in 2005



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

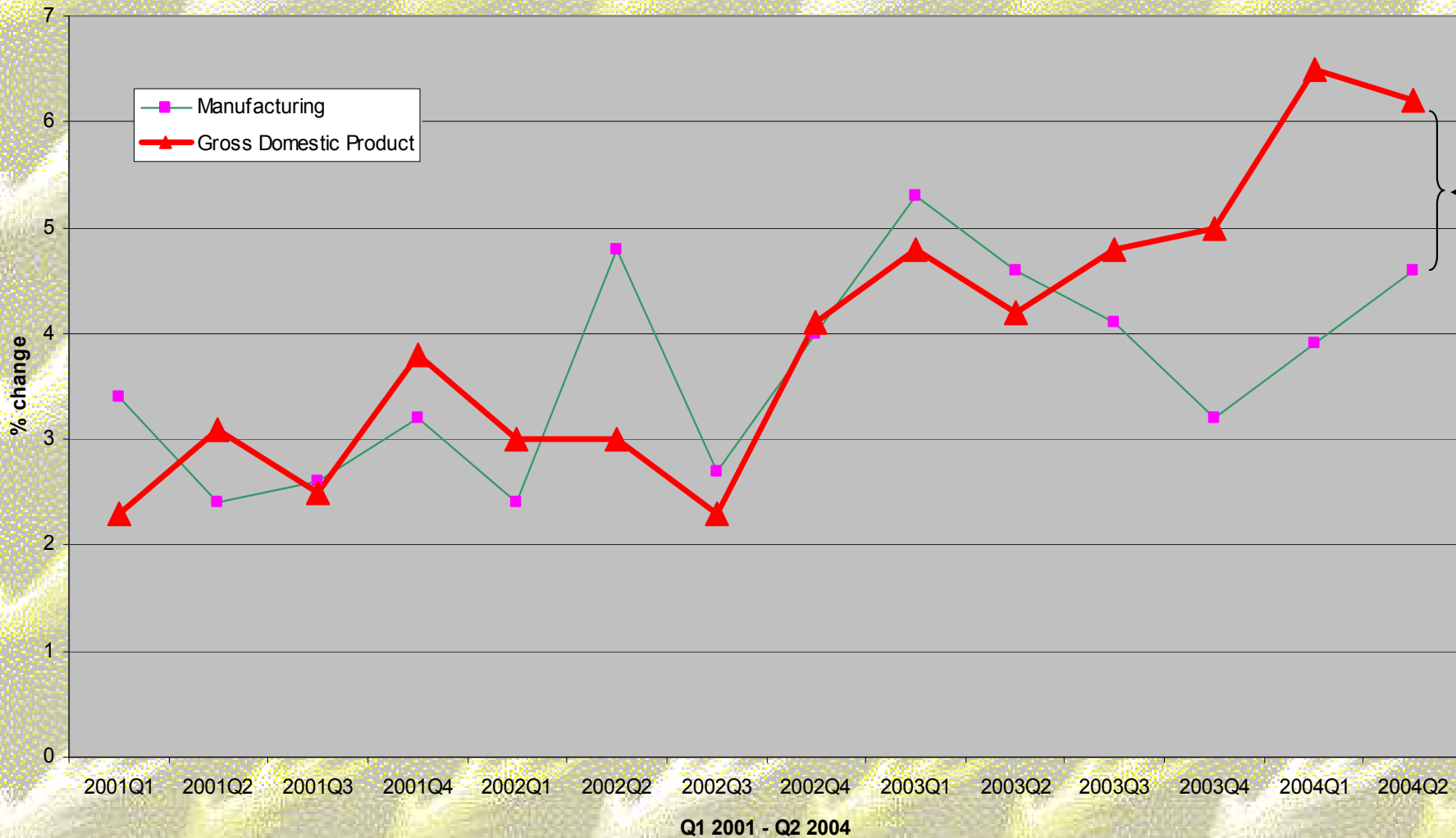
- **Agri showed best performance in 15 years at 7.7%**
- **Services, 6.4%, boosted by trade, transportation, communications, storage and private services**
- **Industry, 5.5%**
- **Consumer spending grew 5.9%**

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



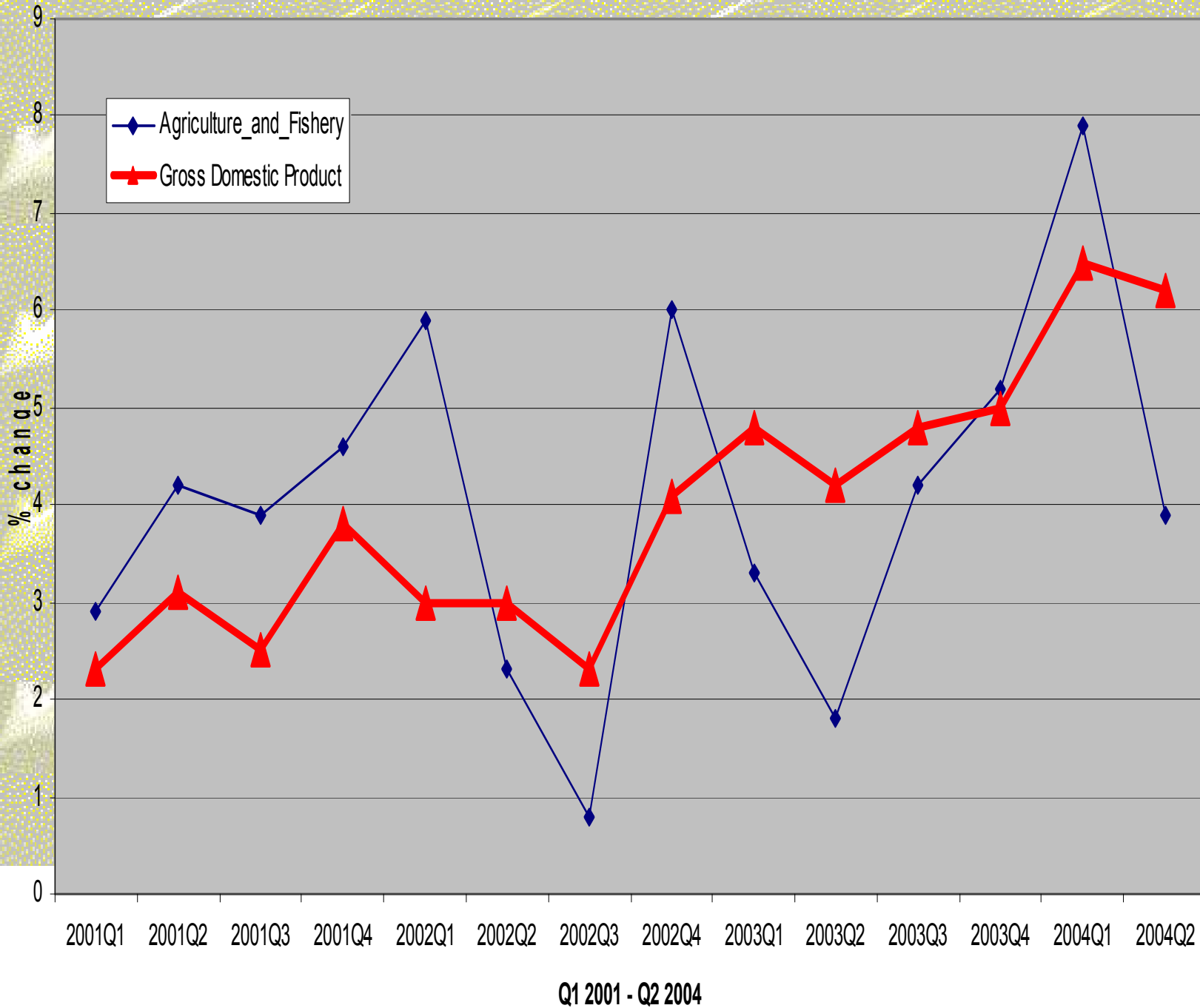
- The two components behave differently
- The gap between their growth widened from Q3 2003 onwards

Growth of GDP and Trade



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

Growth of GDP & Agriculture and Fisheries



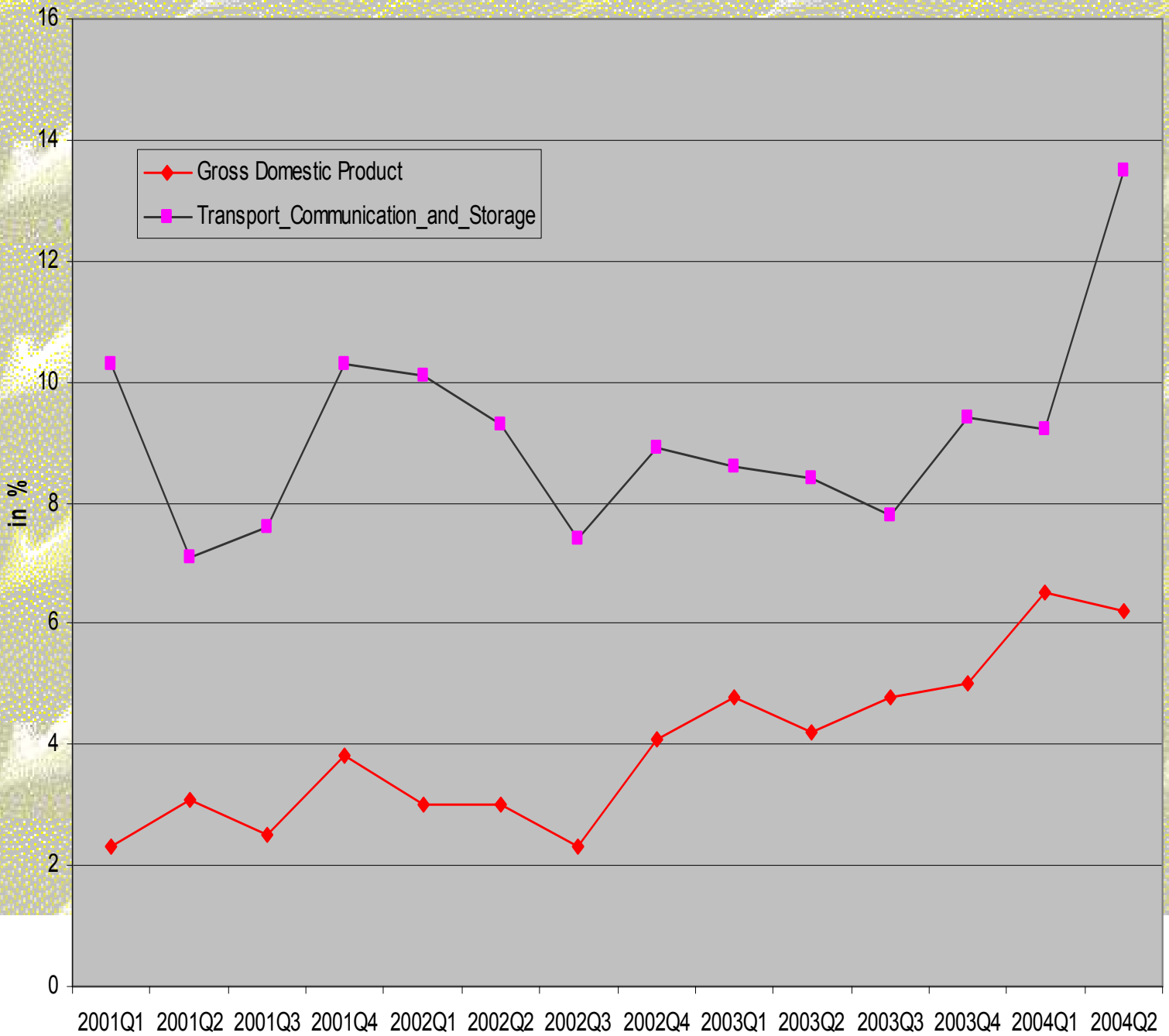
Generally, the trends of GDP and Agri & Fisheries are similar

Agri & fisheries has been the major contributor to GDP growth

Agri 3rd qtr output grew by 7.9%

From year to Sept. Agri grew by 6.8%

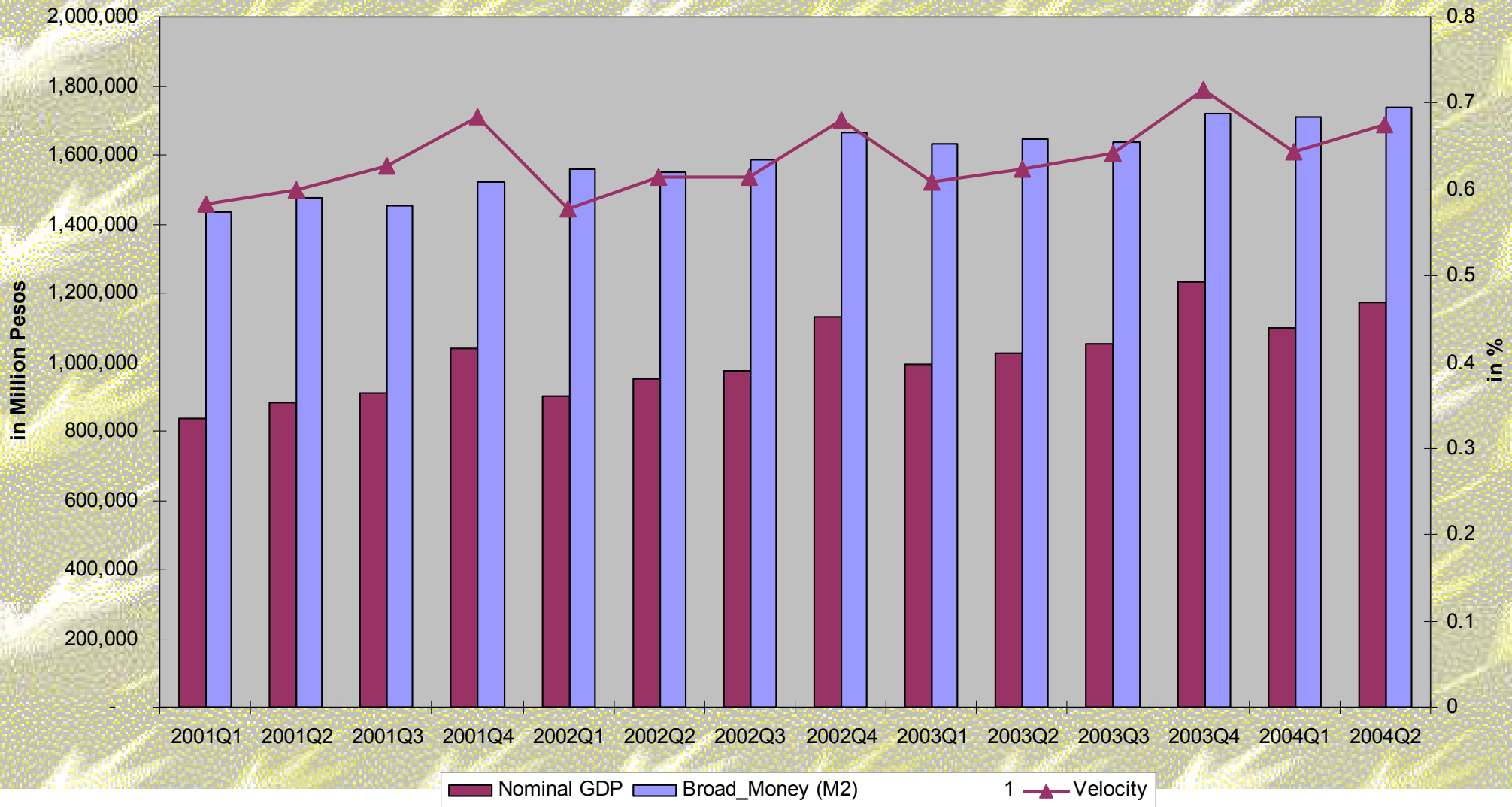
Growth of GDP & Transpo, Comm. and Storage

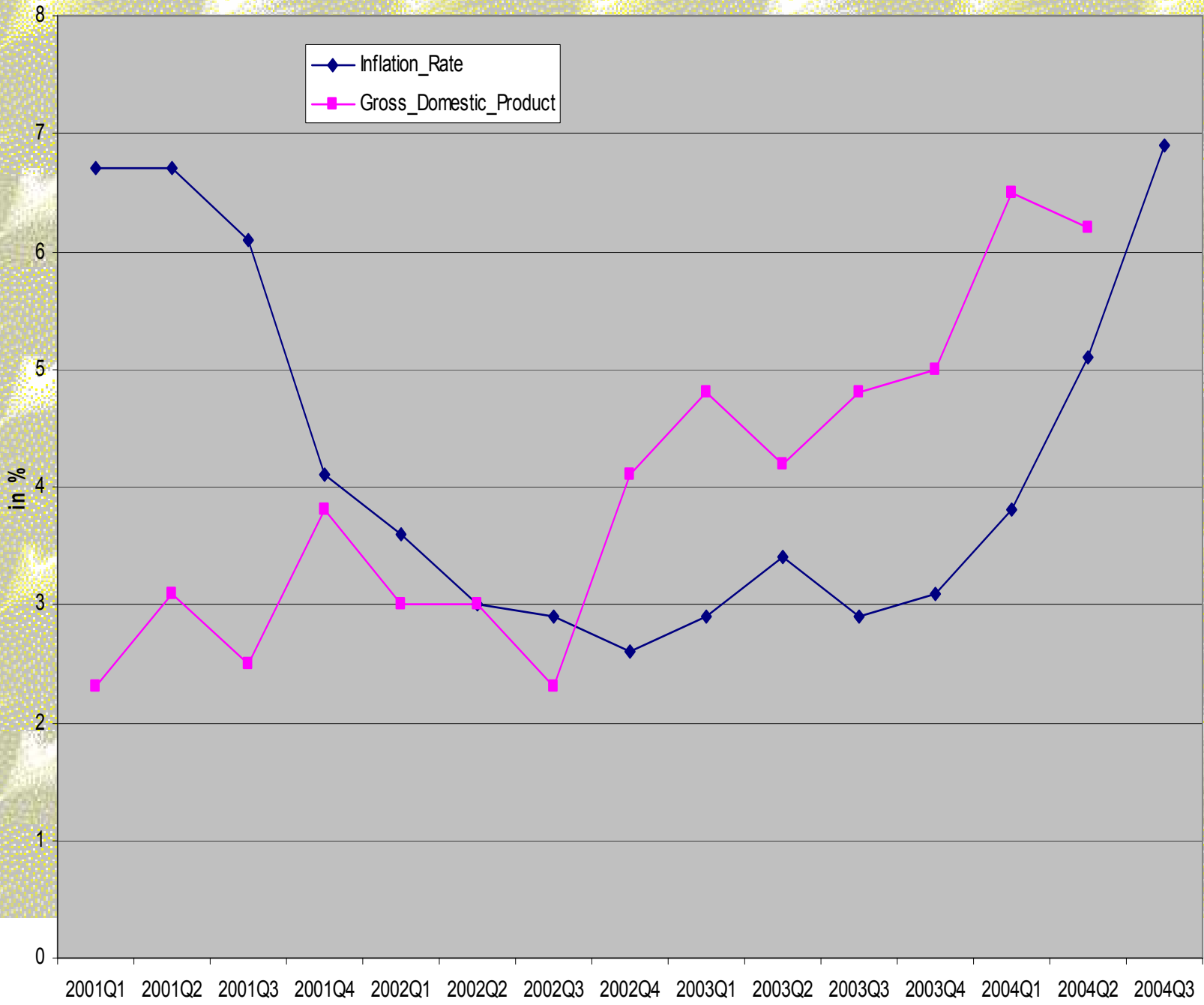


- **From 2002 onwards, the two components moved similarly**
- **Communications has been pulling GDP up**

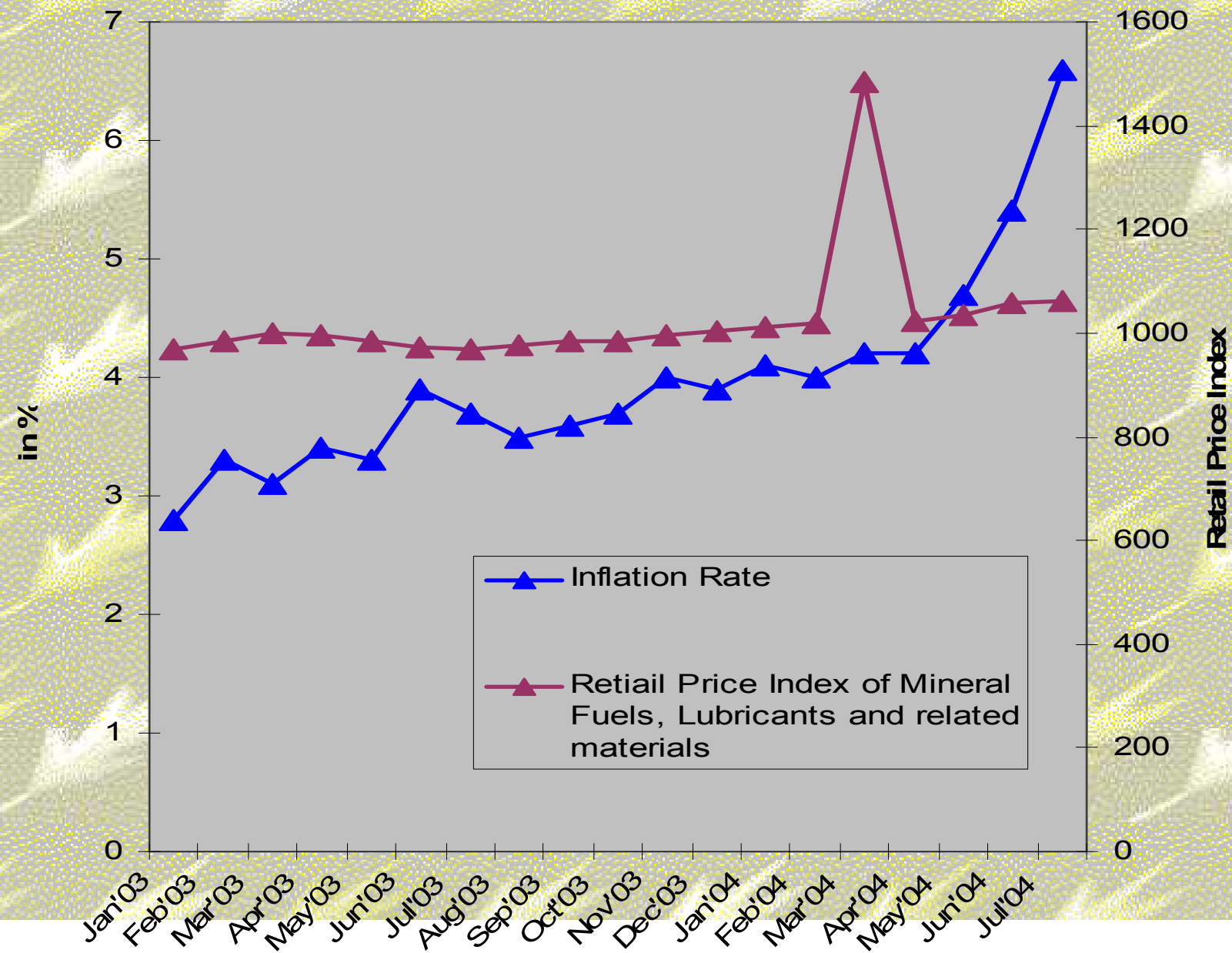
Monetary Aggregates and Asset Markets

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

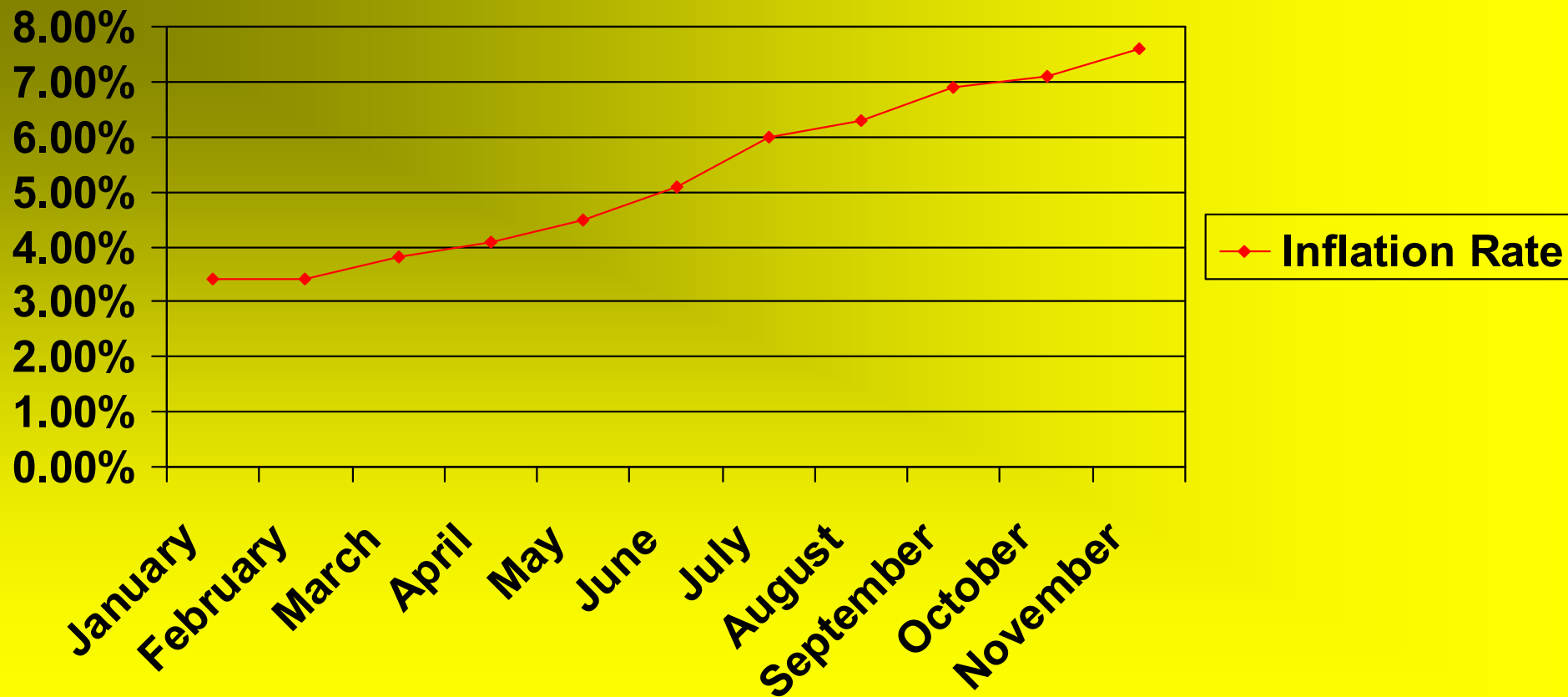
From May – July 2004, other retail trade components pulled inflation up

Consumer Price Index (CPI) on a steady uptrend

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

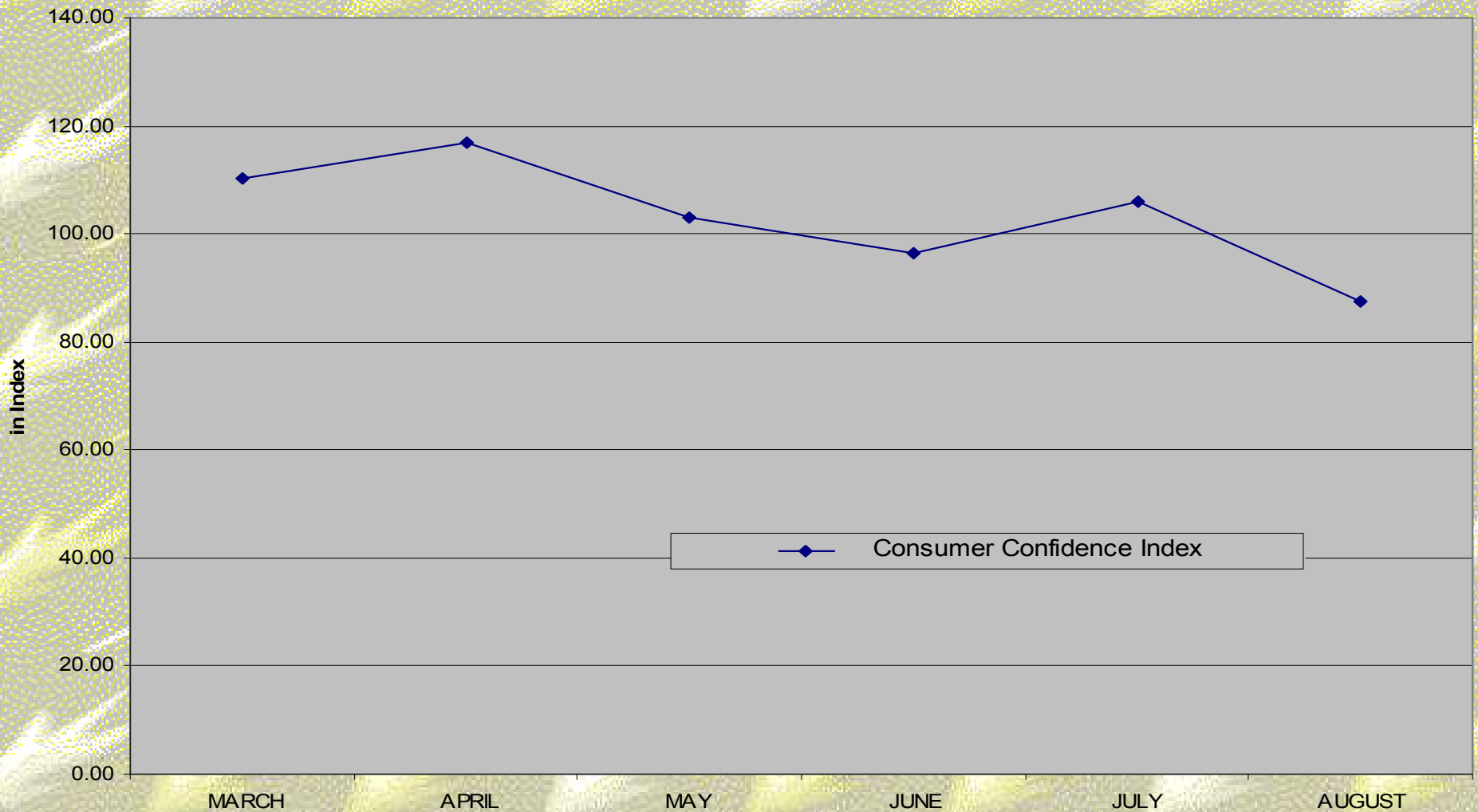
CPI by Major Commodity Group for Philippines

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



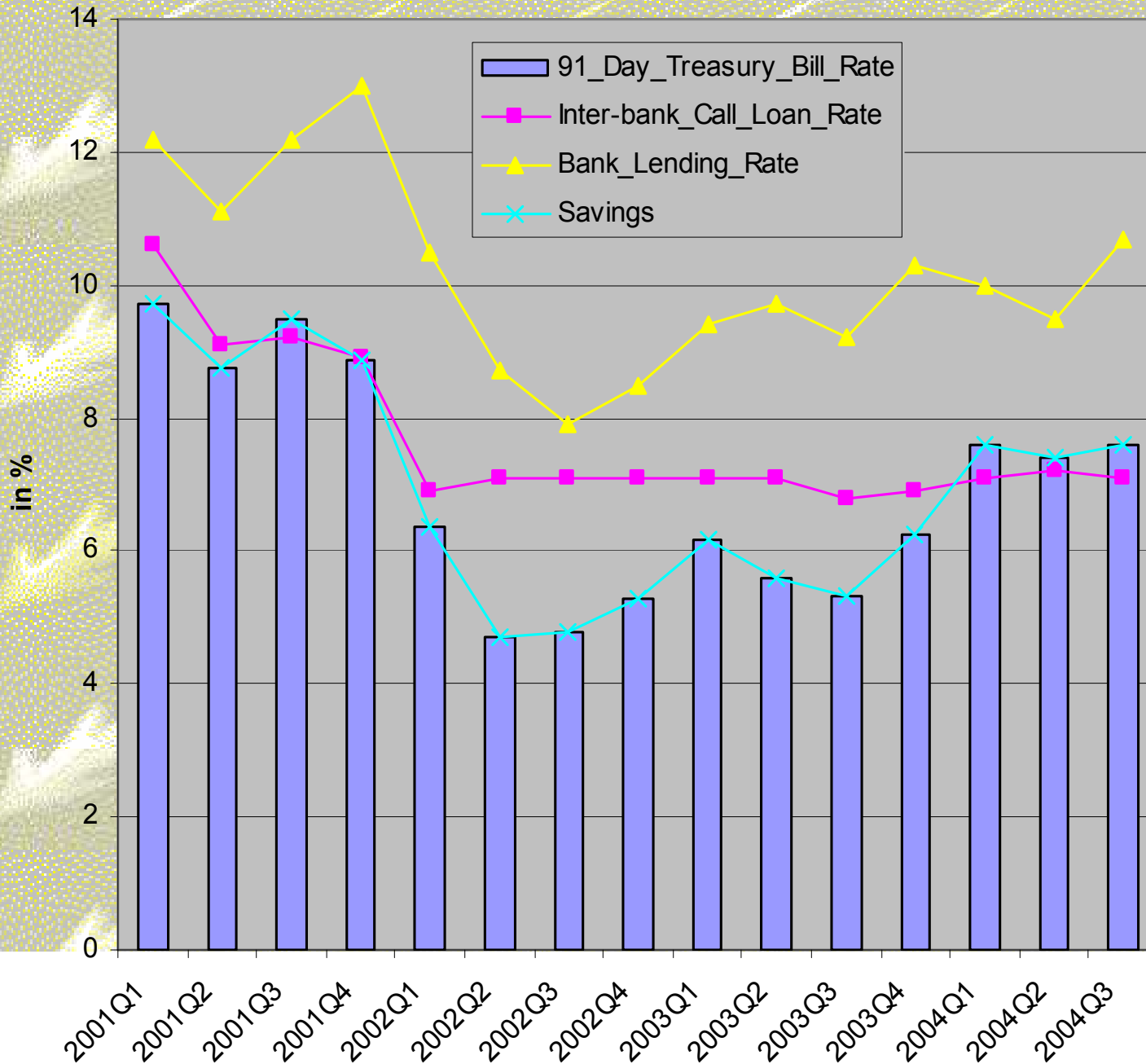
Inflation accelerated to a four-year high of 7.6% in November from 7.1% in October. It is up by 4.4% from 3.2% same month a year ago. Oil price hike pushed consumer prices. 2003 yearend inflation is 3.1%

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

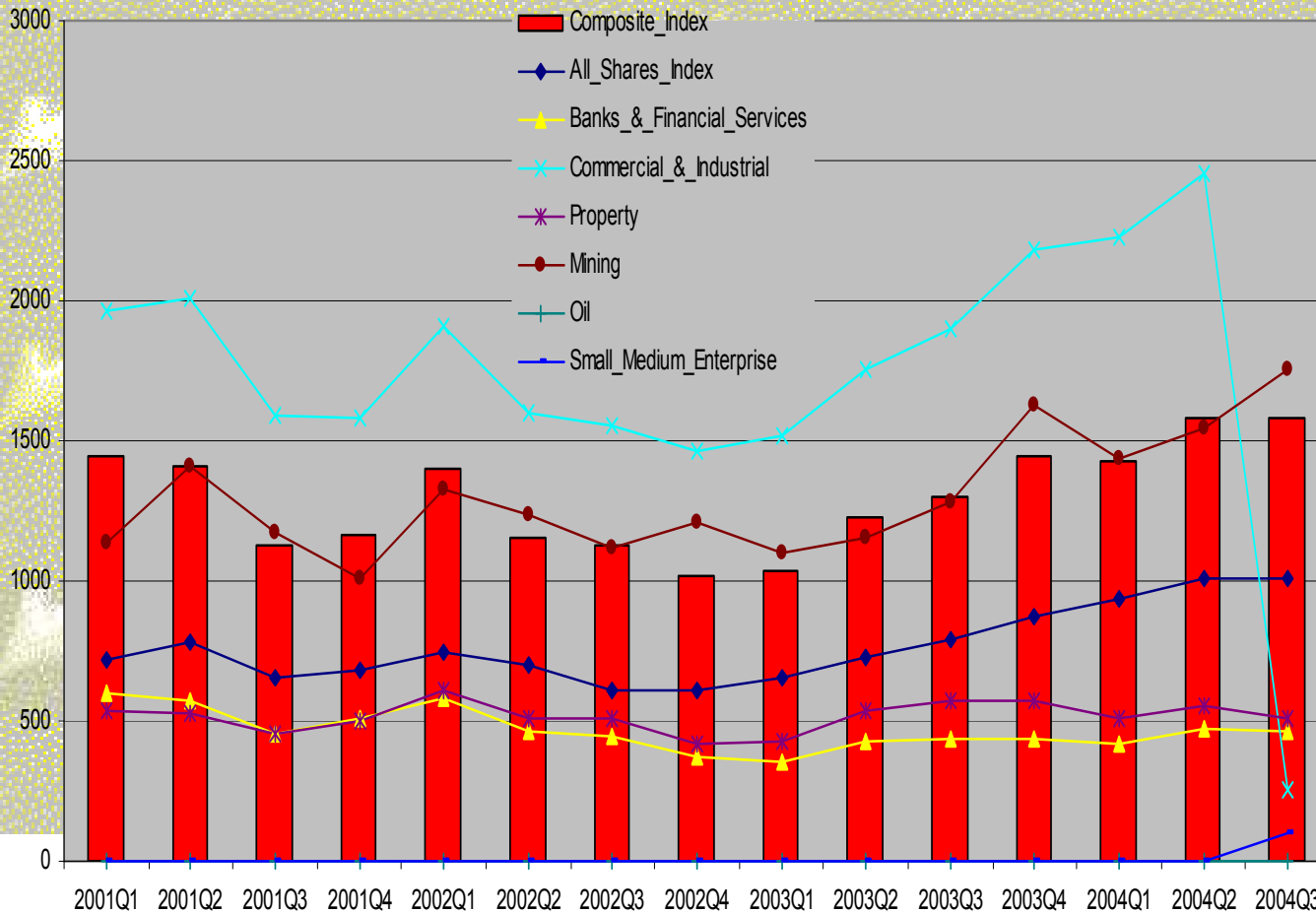
2004 inter-bank loan rate higher than T bill to sweep excess liquidity

Market Confidence amidst Pronouncement of Fiscal Crisis

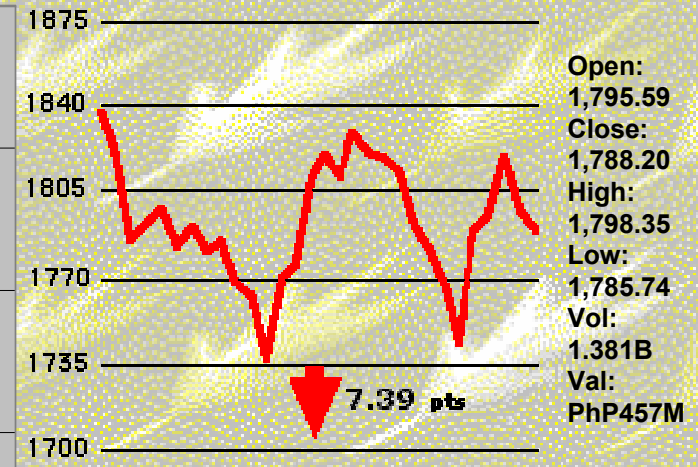
Phisix in Sept. 2004 breached the 1,700 index in four-years (1,761.57)

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

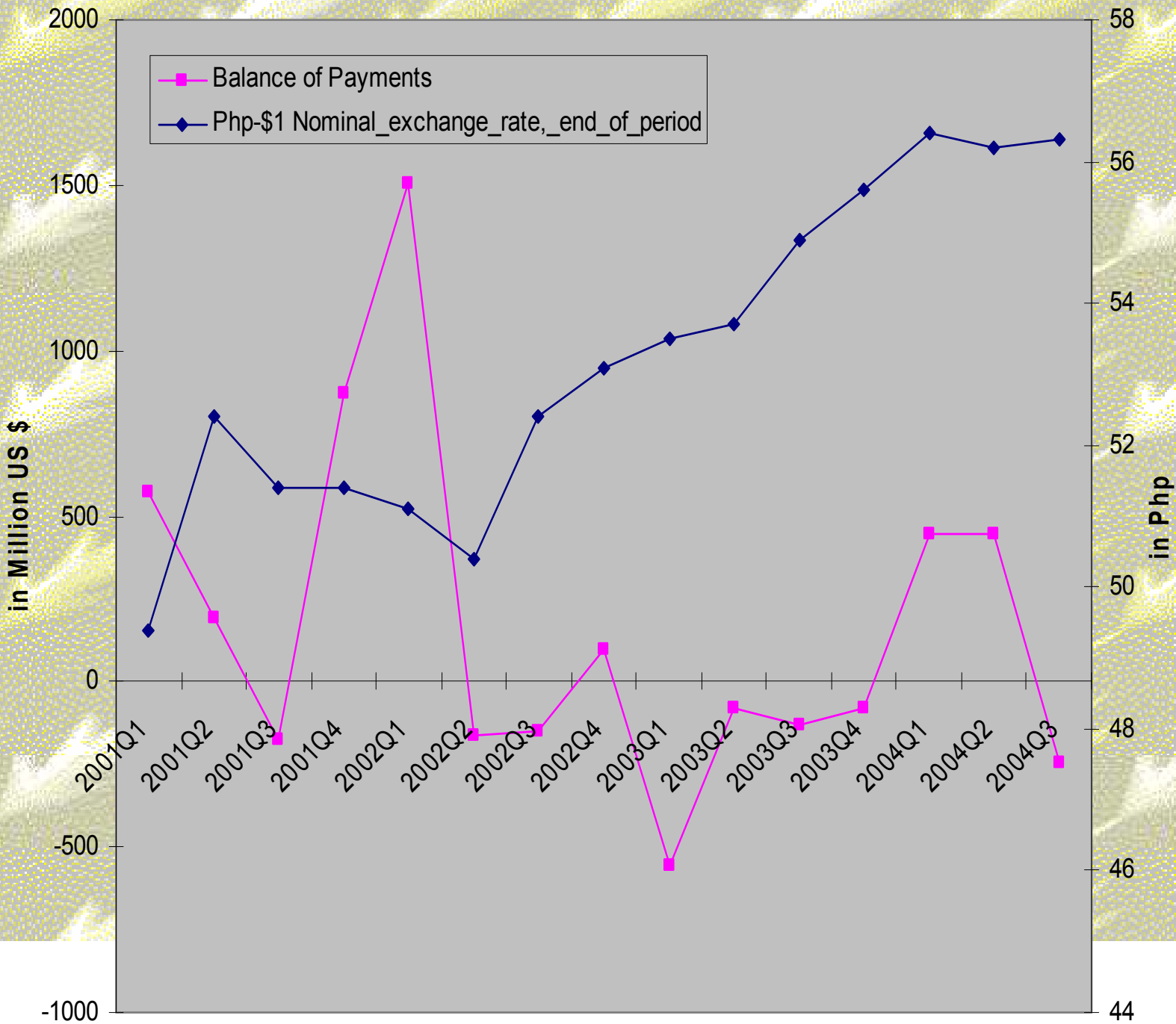


New foreign investments from Jan. – July
'04 went up 493% to Php144.97 B

	2004	2003	Growth
BOI	116.53B	12.16B	858%
PEZA	28.23B	12.30B	131%



FISCAL SITUATION

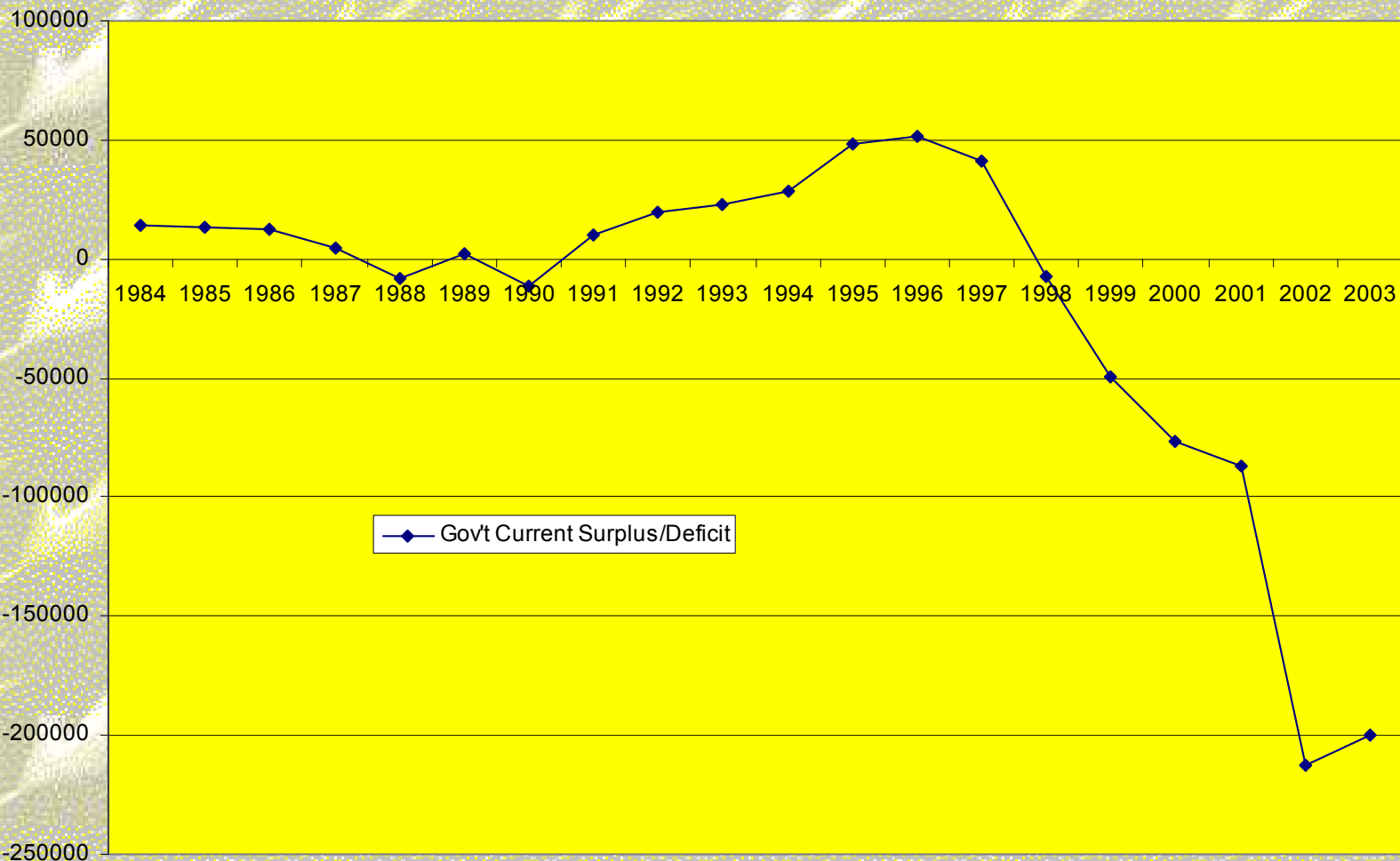


**While
Peso
weakens,
BOP
deficit
goes
deeper**

Government Current Surplus / Deficit

After the era of coup tries, deficit bounced back

It deepened after the Asian crisis

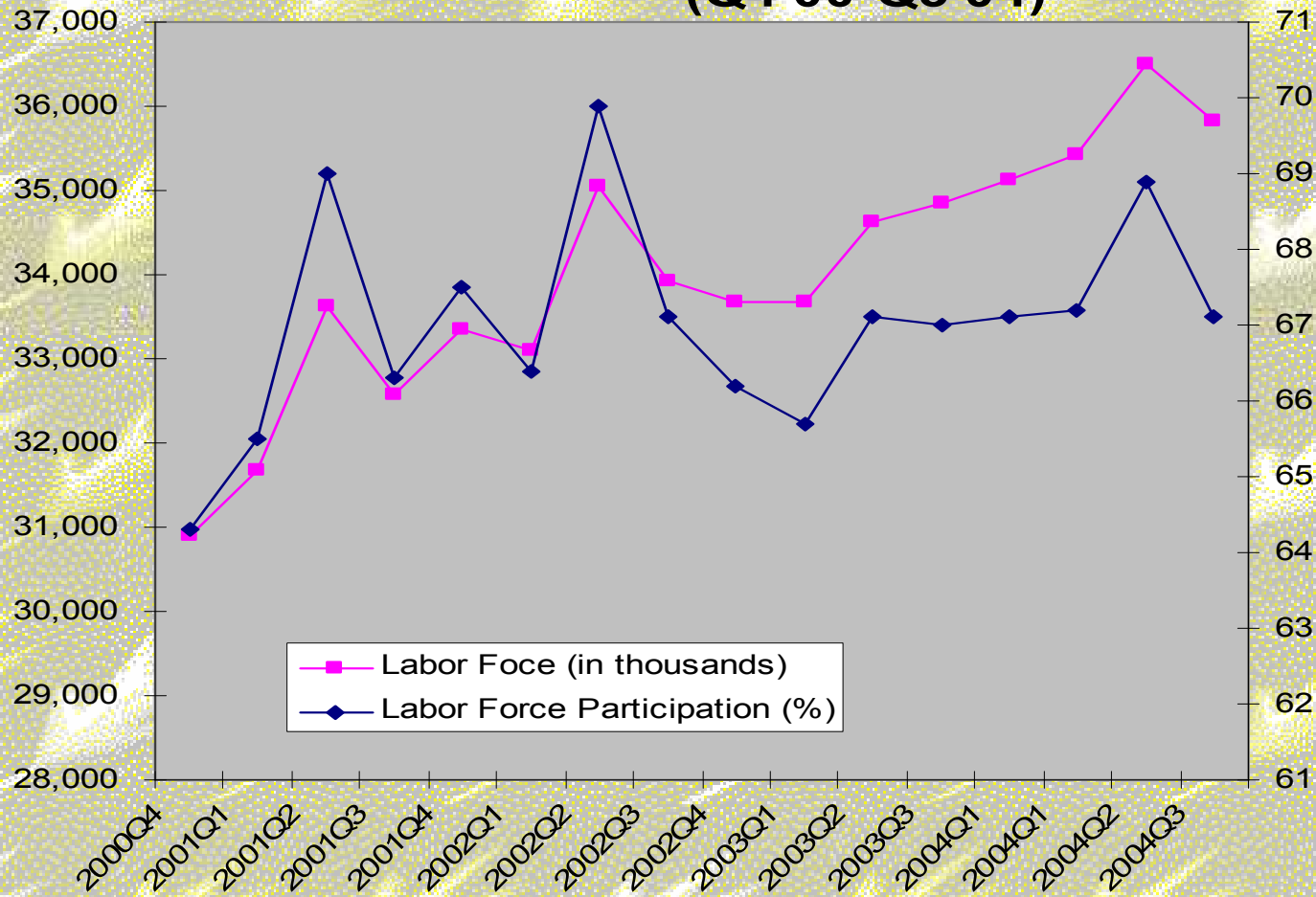


Govt. Deficit (Pain Package)

- 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)

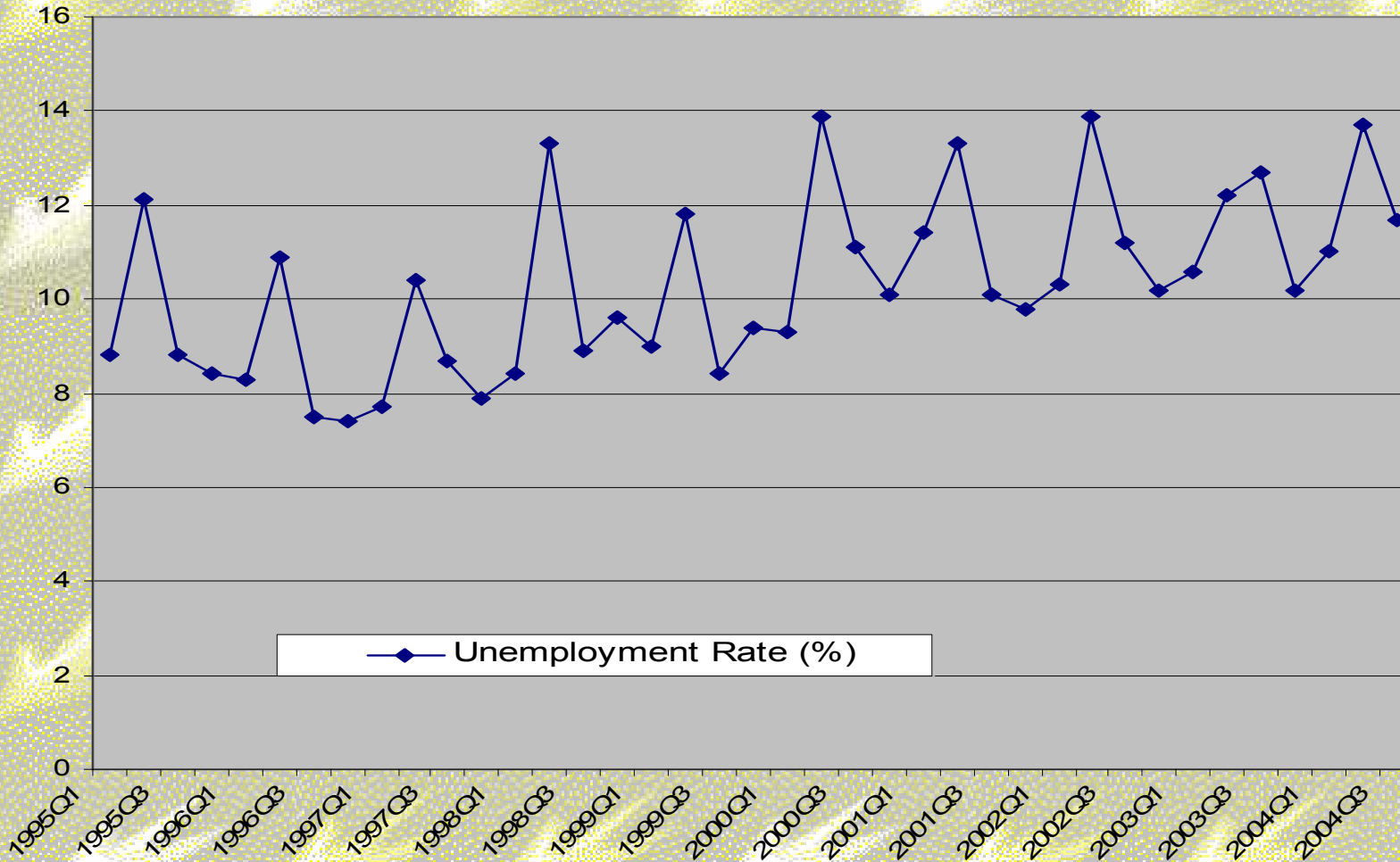
EMPLOYMENT

Labor Force (Q4'00-Q3'04)



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

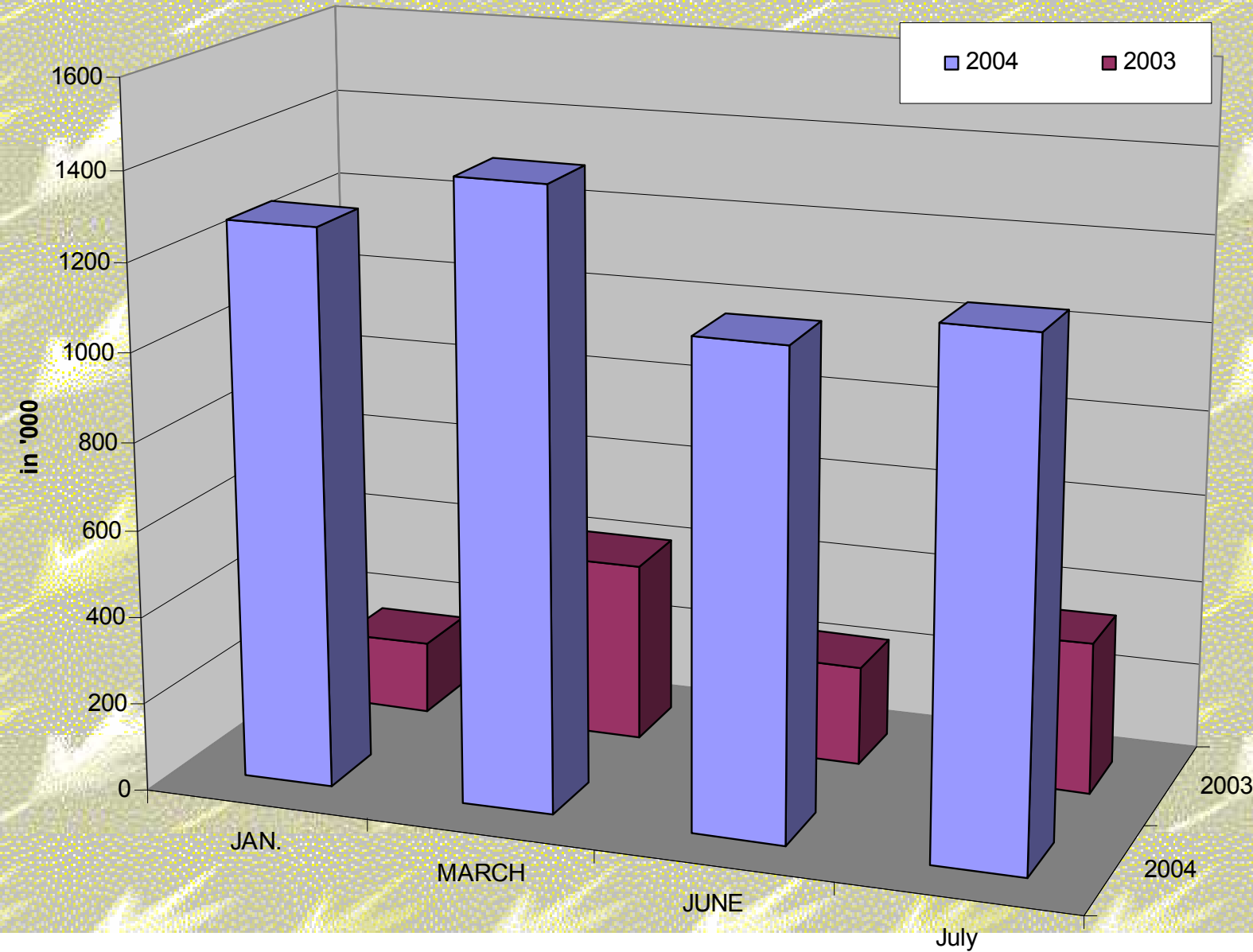
Unemployment Rate



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

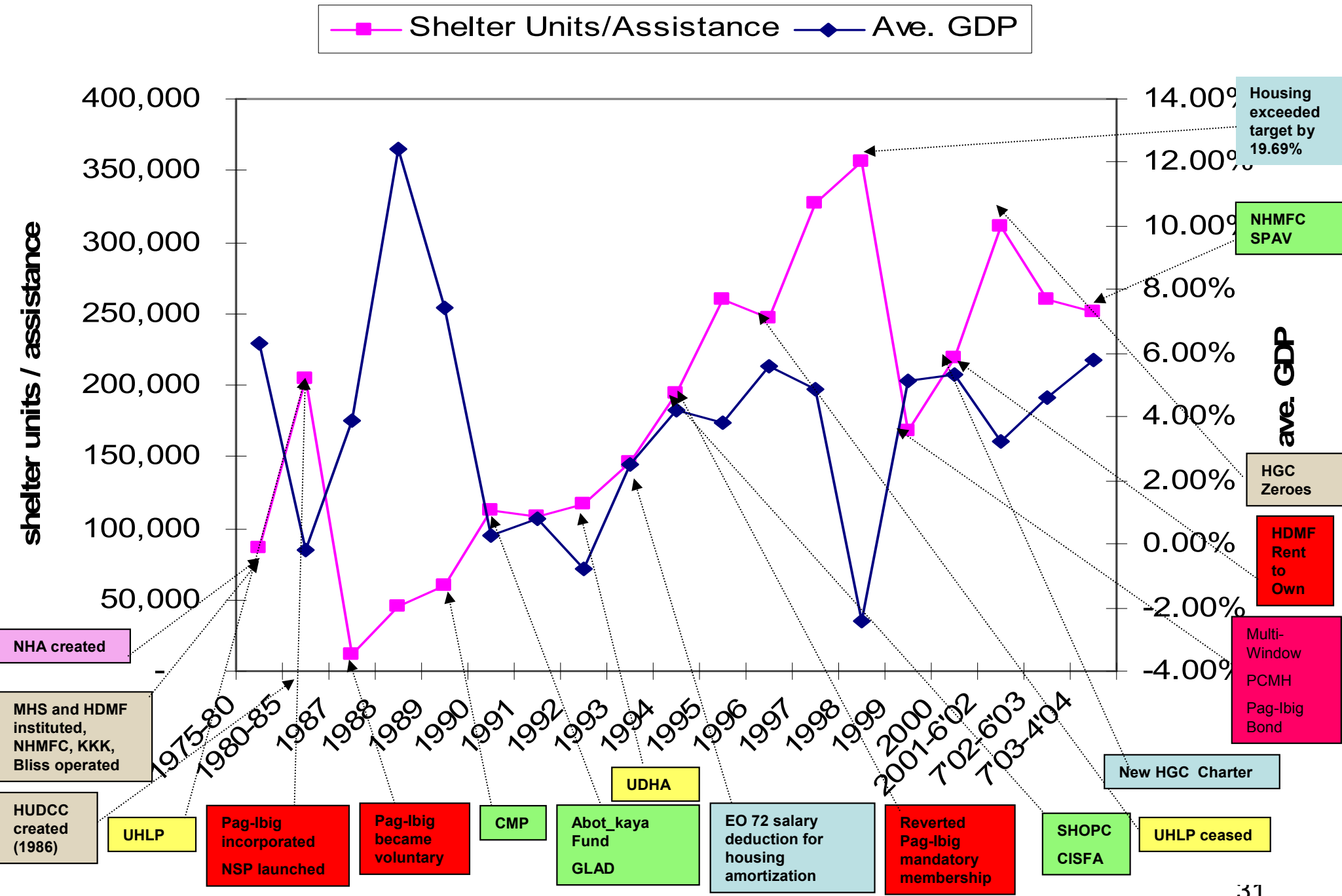


There are 1.2 million jobs created for the first six months of 2004

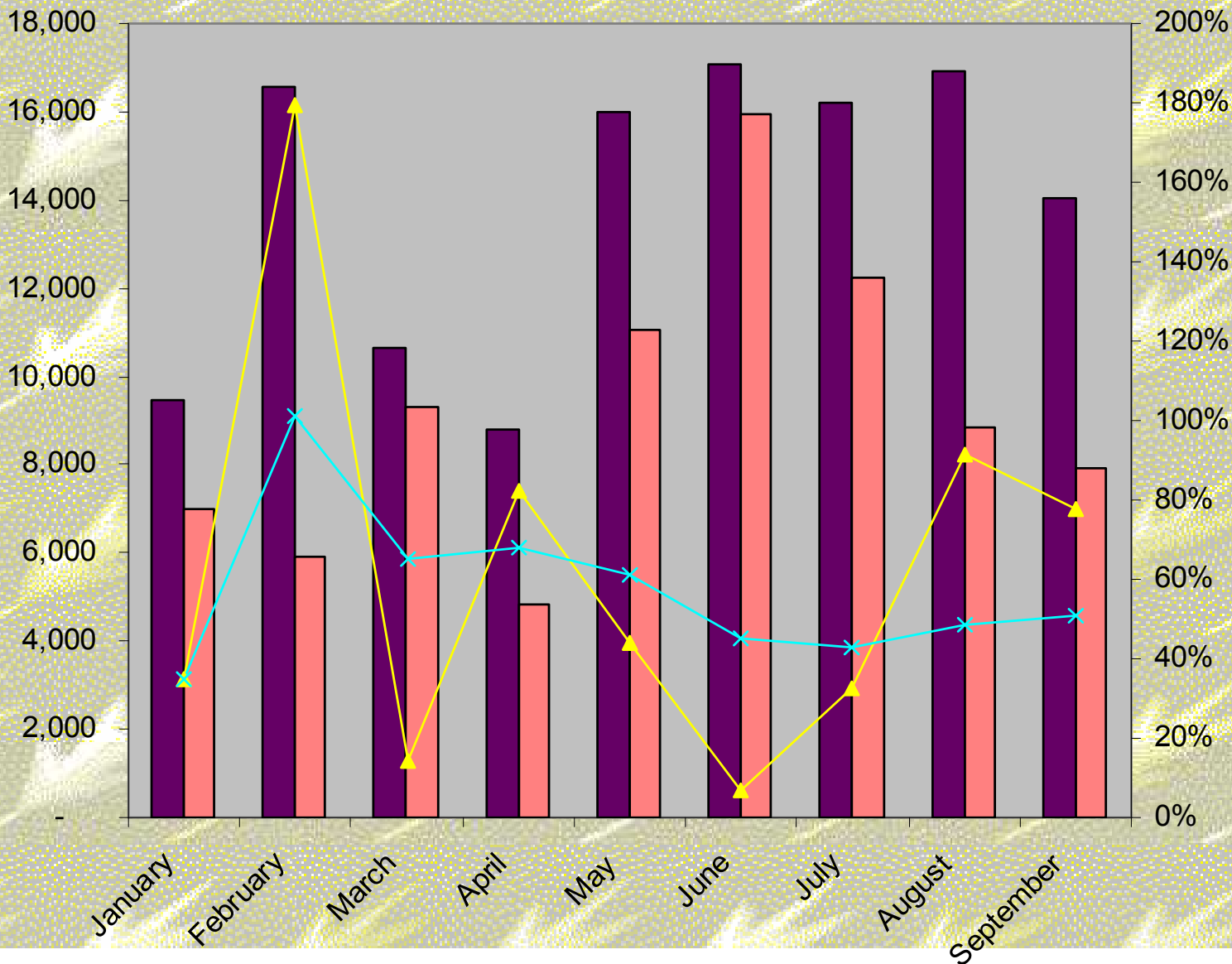
238% increase from prior year

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

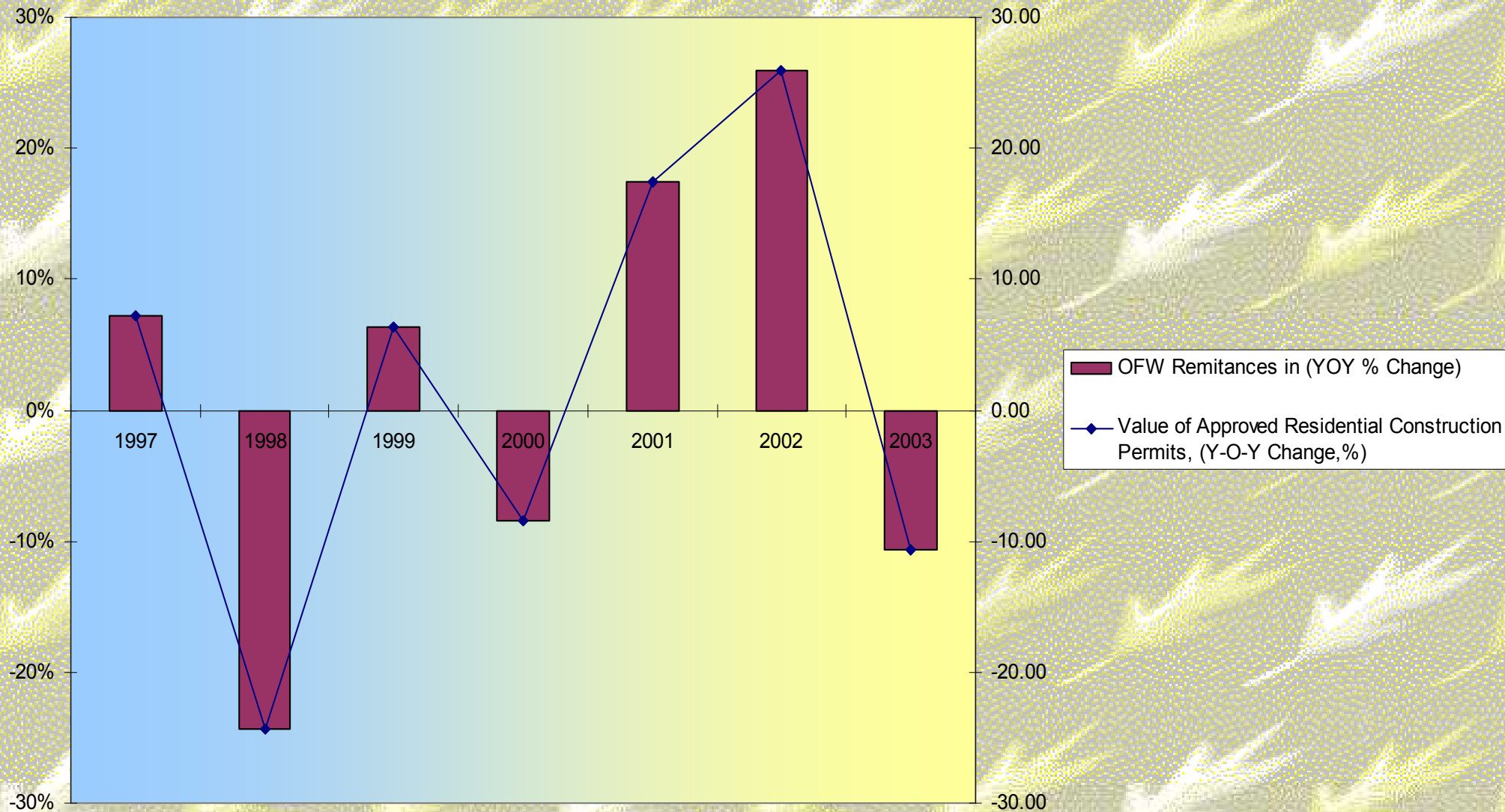
Average YoY Growth per month 63%

Average YoY Growth from year to month 57%

No. of Units (2004)
 No. of Units (2003)
 Y-o-Y Growth (same month year ago)
 Y-o-Y Growth (year to month)

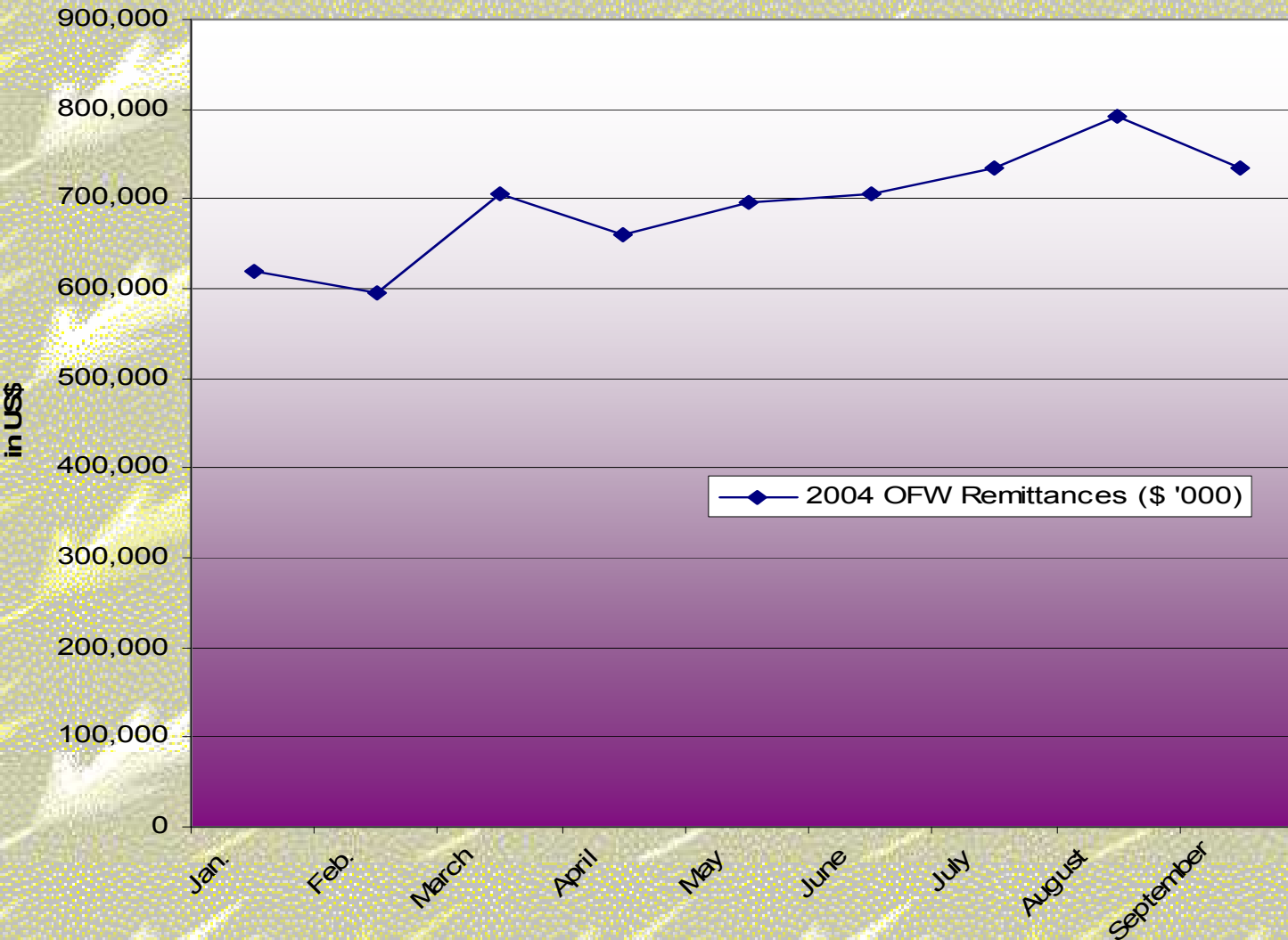
Building Permits (First Semester % growth)

	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

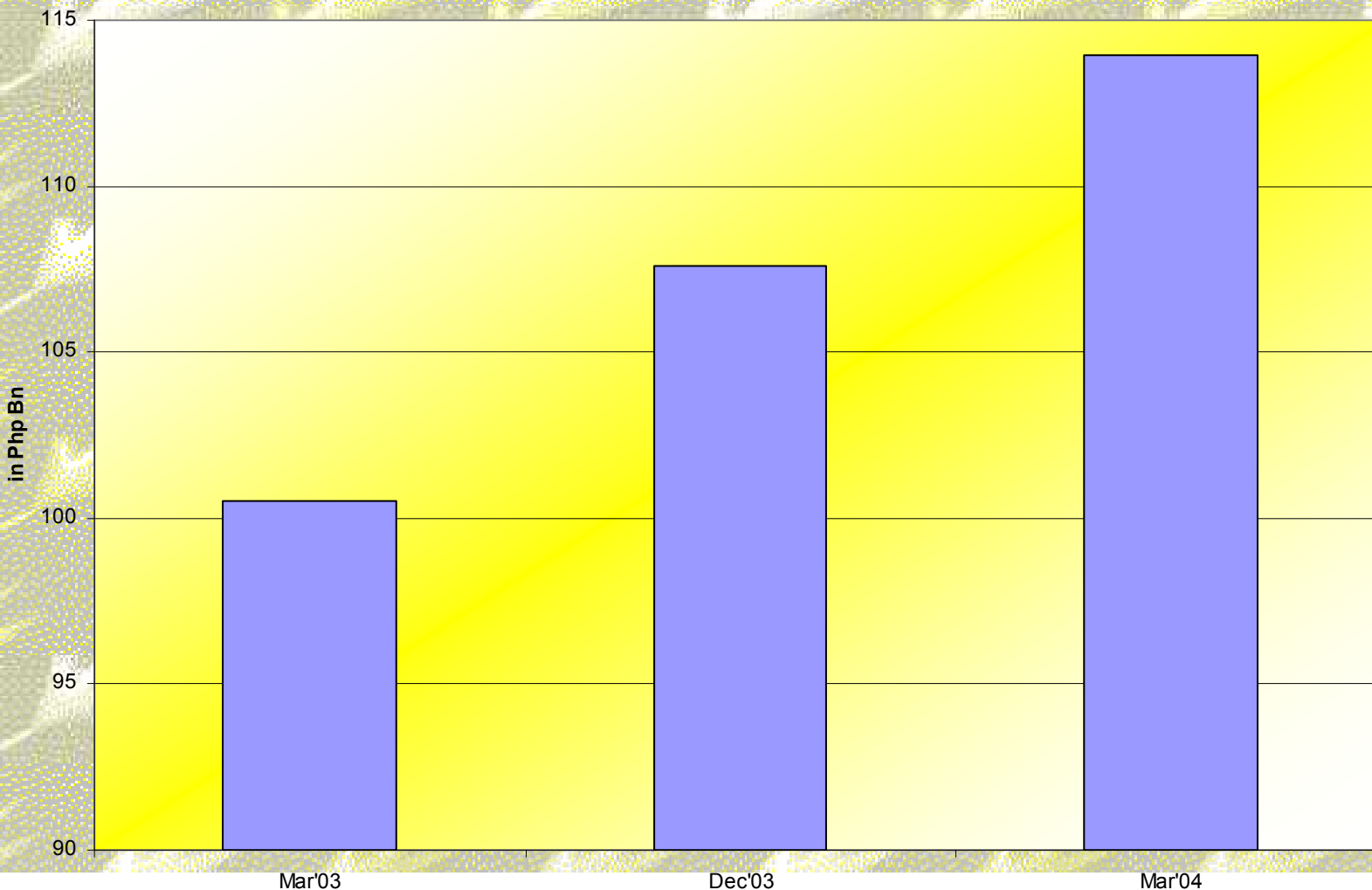
OFW has remitted \$6.2 B from Jan - September

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)

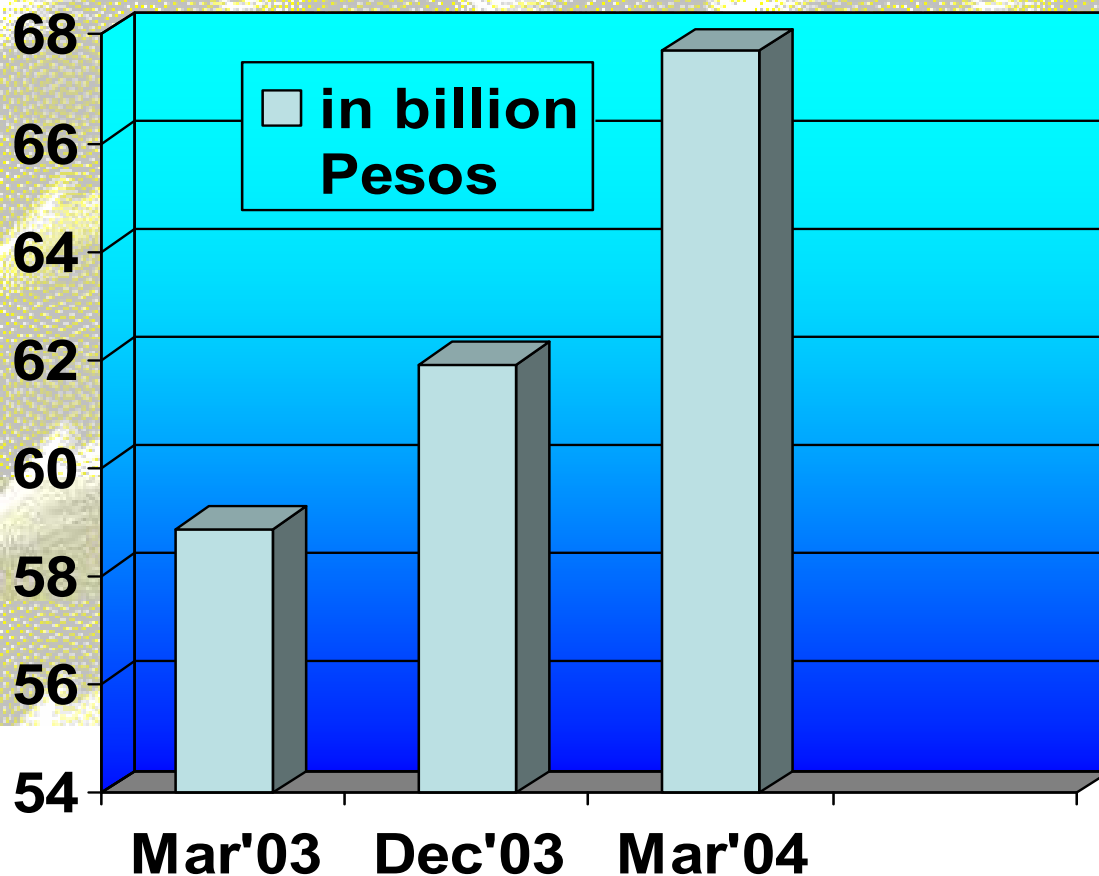


•From March 2003 Banks' housing loan portfolio is on an uptrend

•Banks' housing loans in March 2004 is 13.35% higher than same period a year ago⁷

PHILIPPINE BANKING SYSTEM LOANS FOR ACQUISITION OF RESIDENTIAL PROPERTY

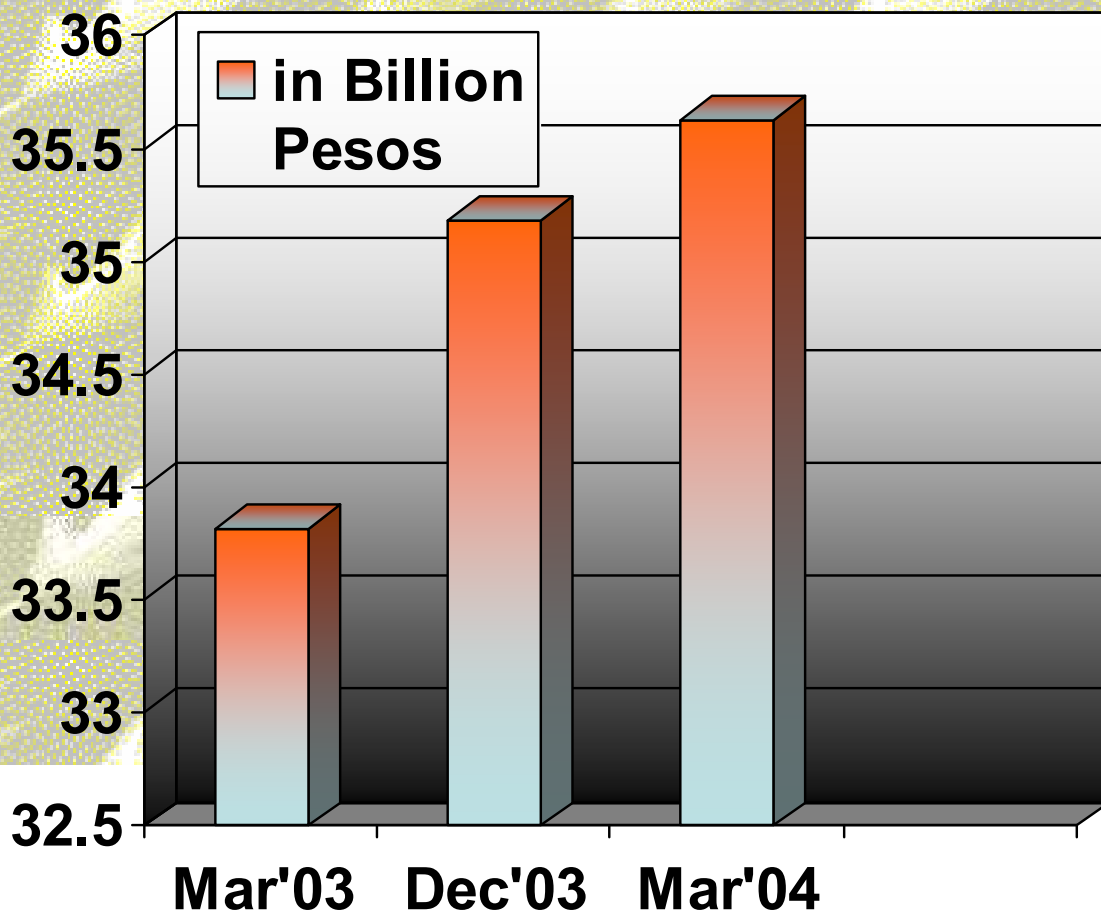
(as of end of periods indicated)



- 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

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



END