

Housing Projections for 2005

The Economy and Housing Sector in 2004

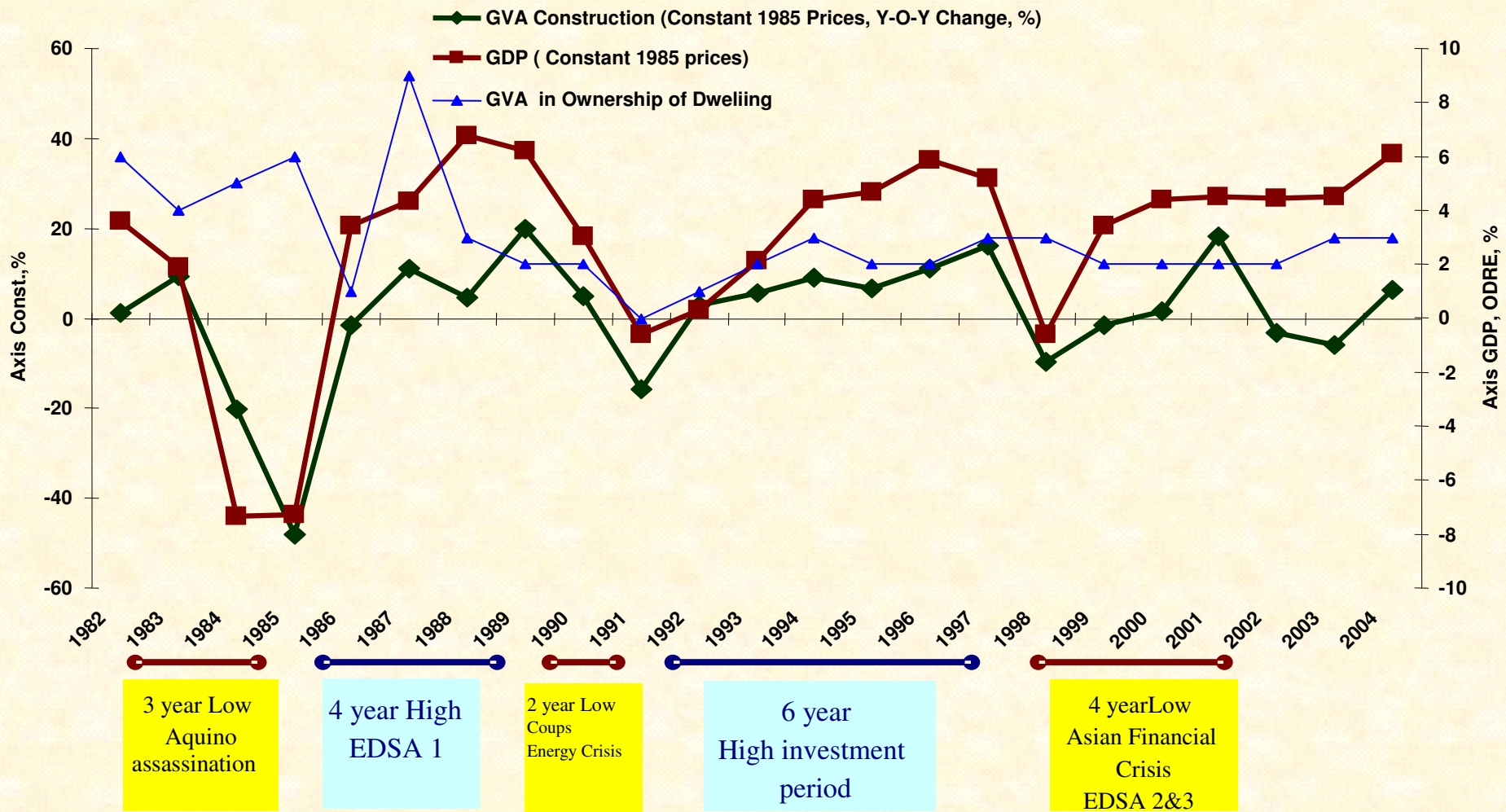
Key Economic and Financial indicators performed Positively, as projected.

Y-o-Y Change (except on rates) In Percent	2004	
	Projection	Actual
GDP	5.8	6.1
Personal Consumption	6.3	5.8
Exports	10.5	14.0
Imports	9.4	6.3
Service	7.1	7.3
Manufacturing	3	5.0
Agriculture and Fisheries	5	4.8
Transportation, Communications & Storage	10.1	12.2
Trade	6.2	6.8
License to Sell	59	31.84
Residential Construction Permits	16	8.0
Bank Housing Loans	14	9 (as of Sept)
Inflation Rate	6.8	5.5
91 Day T-Bill Rate	7.5	7.32
Unemployment Rate	10.11	11.8

Sectors that Contributed Most to the Economy from Fiscal Year 2001 to 2004

Sector	Contribution to GNP Growth
Trade	17.49%
Agriculture and Fisheries	14.10%
Food Manufacturing	12.61%
Communications	9.80%
Expenditure Items	
Merchandise Exports	50.94 %
Food Consumption	34.56%
Personal Consumption Expenditure on Transportation and Communications	12.81%
Fixed Capital on Breeding Stocks and Orchard Development	10.26%
Imports	-65.89%

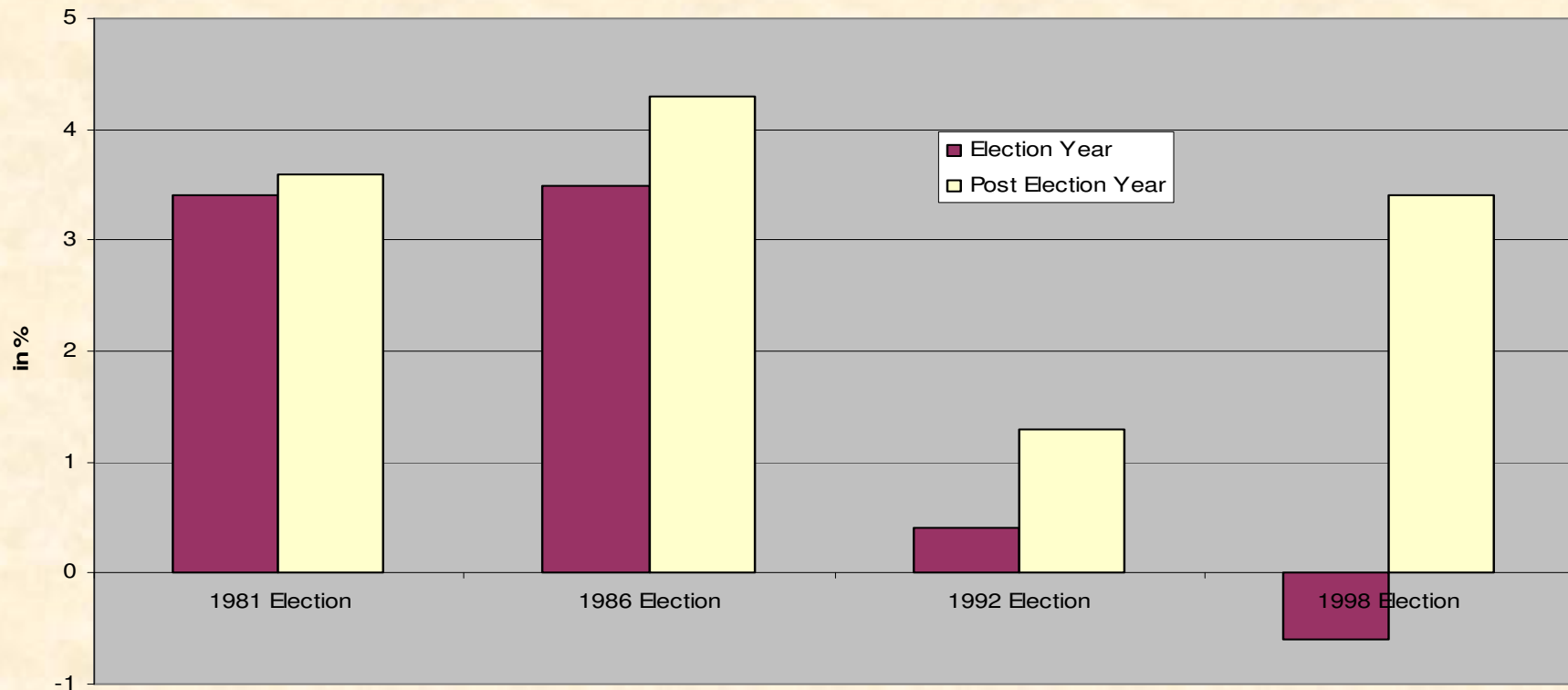
Housing Cycles and Trends



Growth projections for 2005

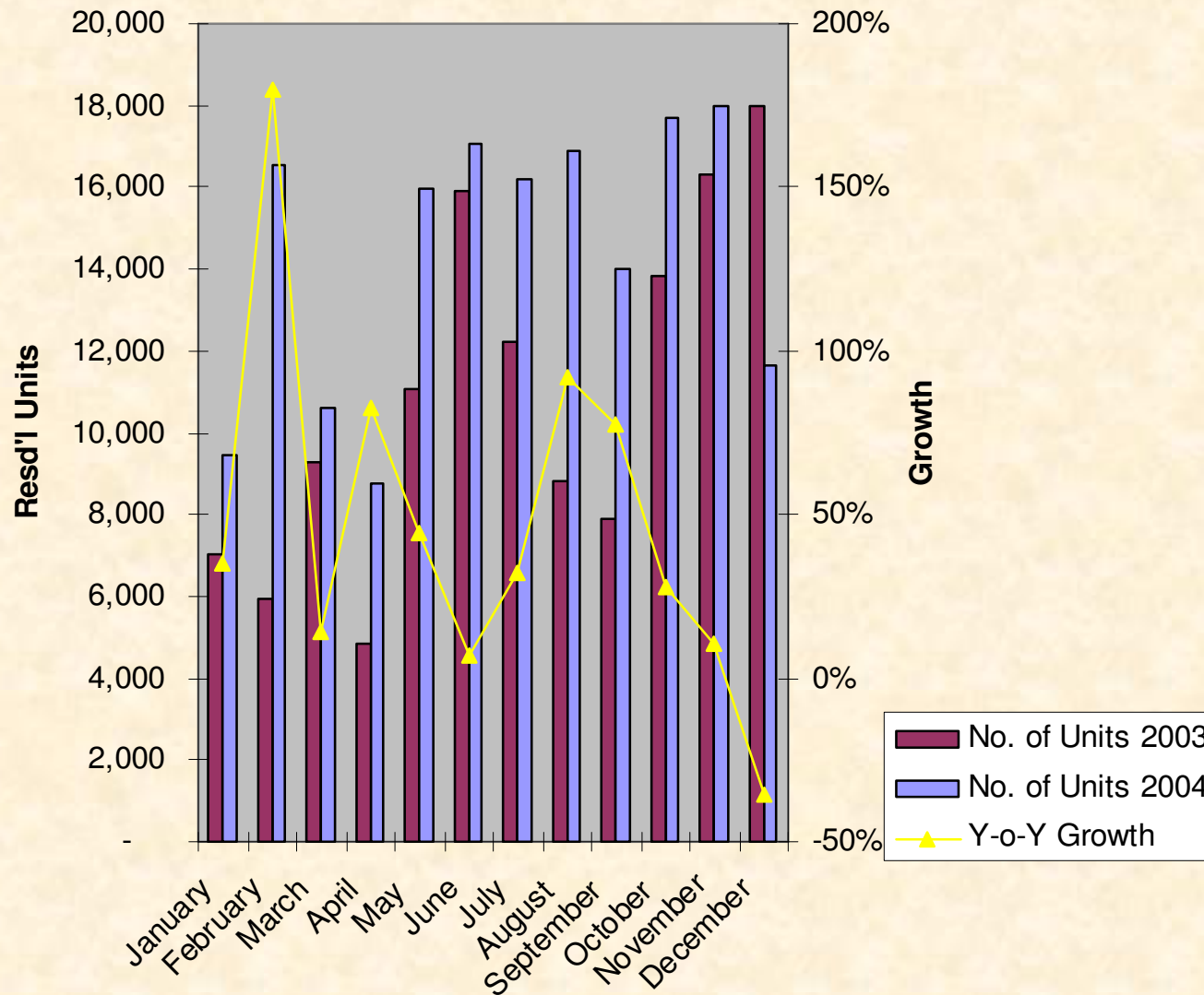
- GDP : 5%
- GVAOD : 3%

GDP Growth During and After Presidential Election Periods



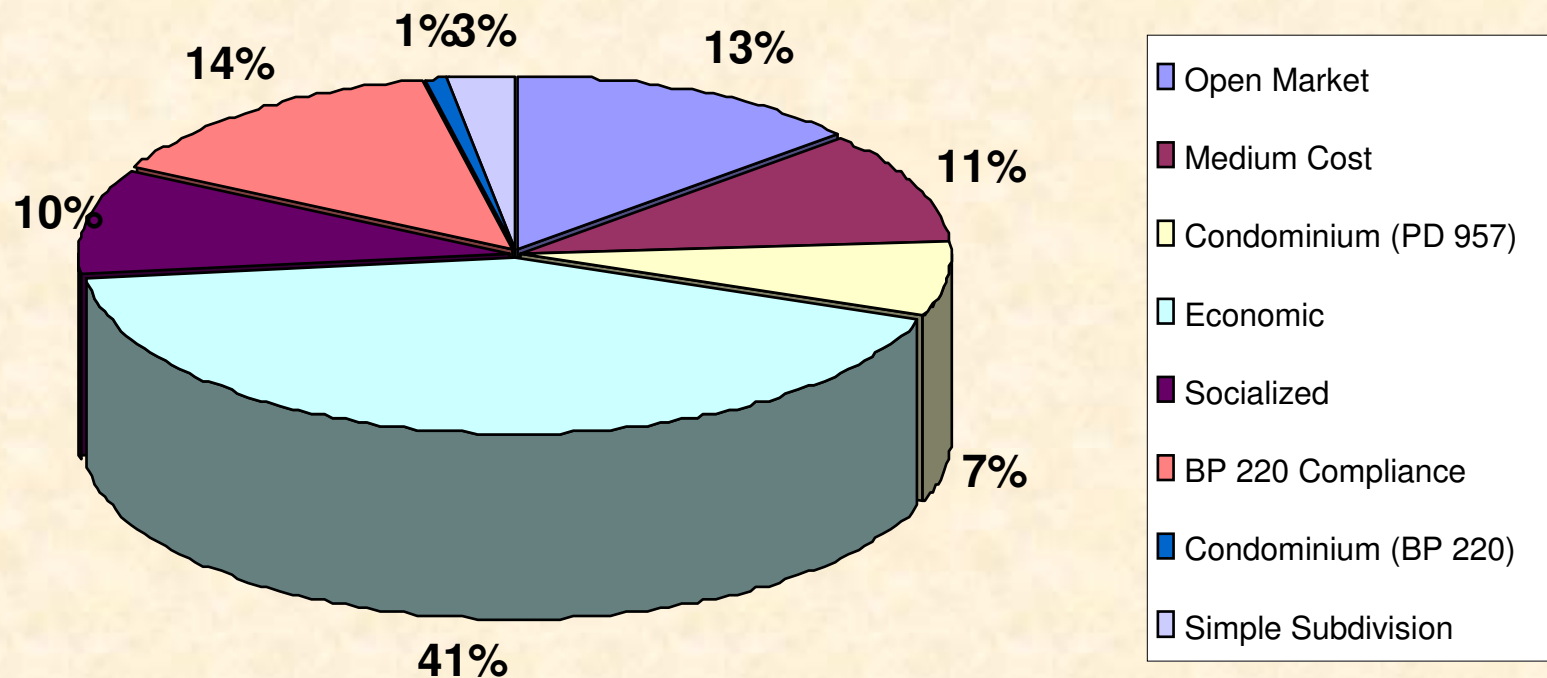
The economy improved after each Presidential Election

Issuance of License to Sell



- LTS went off a good start in 2004.
- LTS given to 172,883 residential units in 2004.
- Dwindled starting September 2004

License to Sell per Package



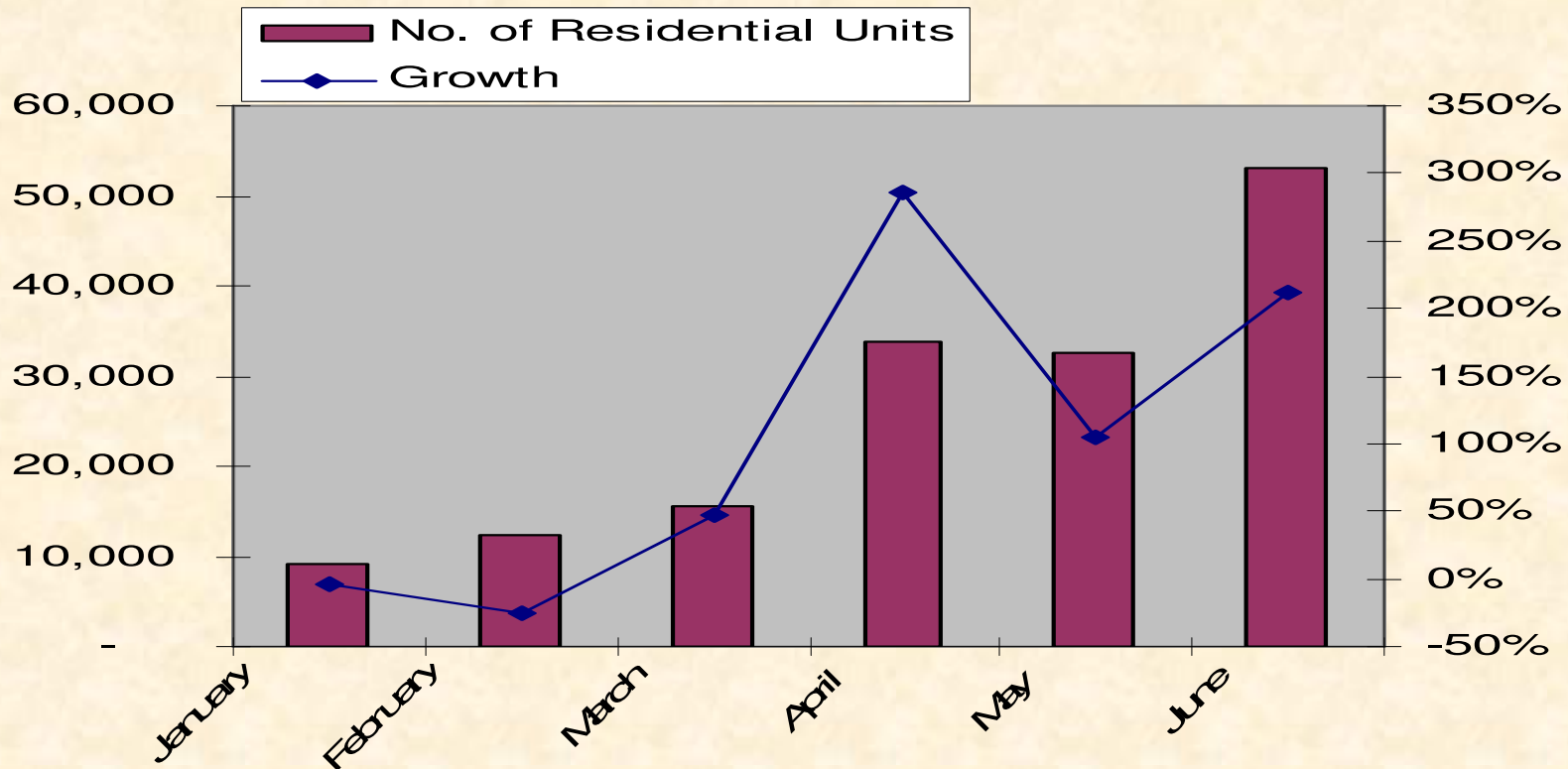
41% - Economic Housing

14% - BP 220 Compliance

13% - Open Market

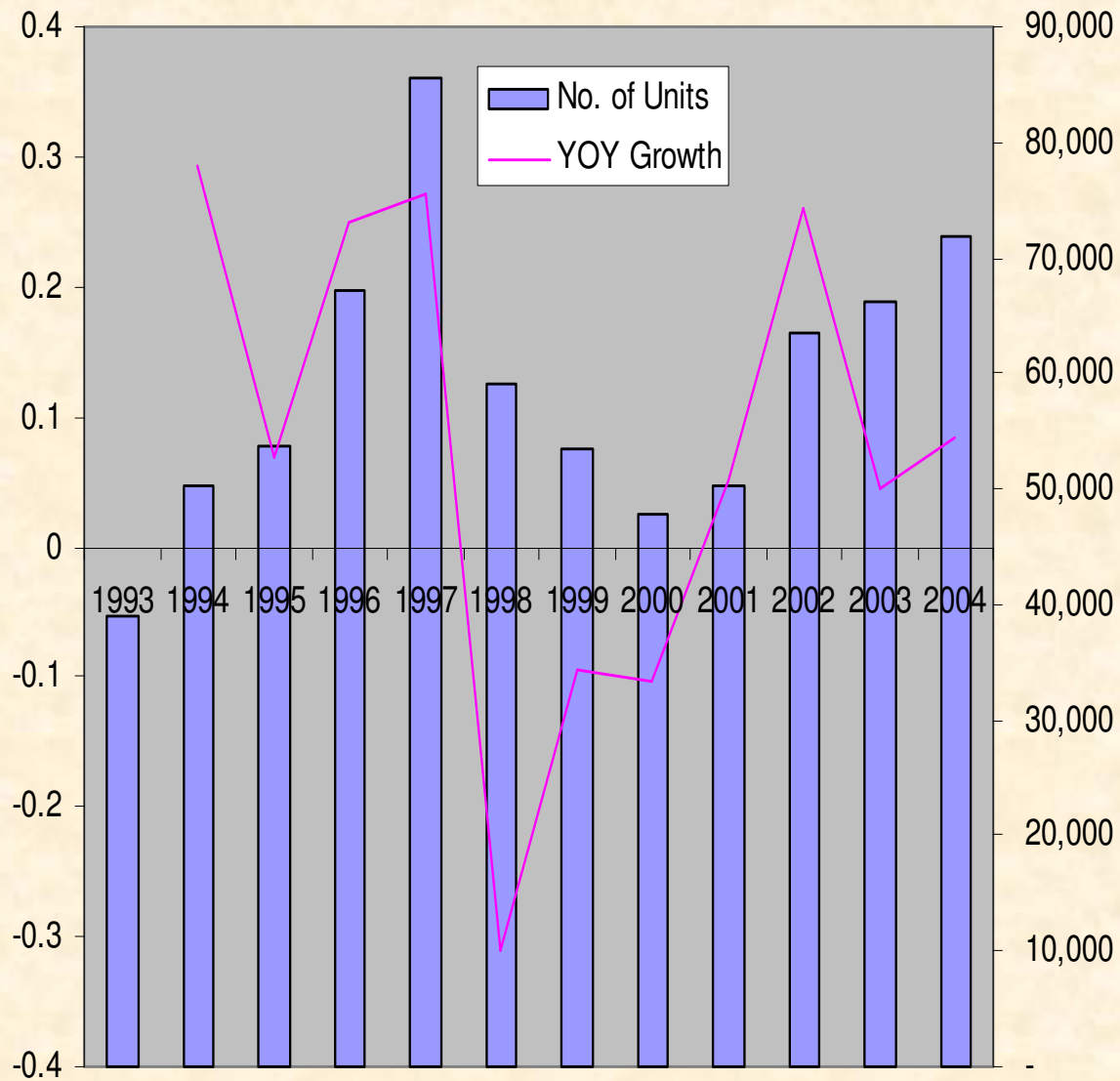
11% - Medium Cost

Residential LTS Issued in 2005



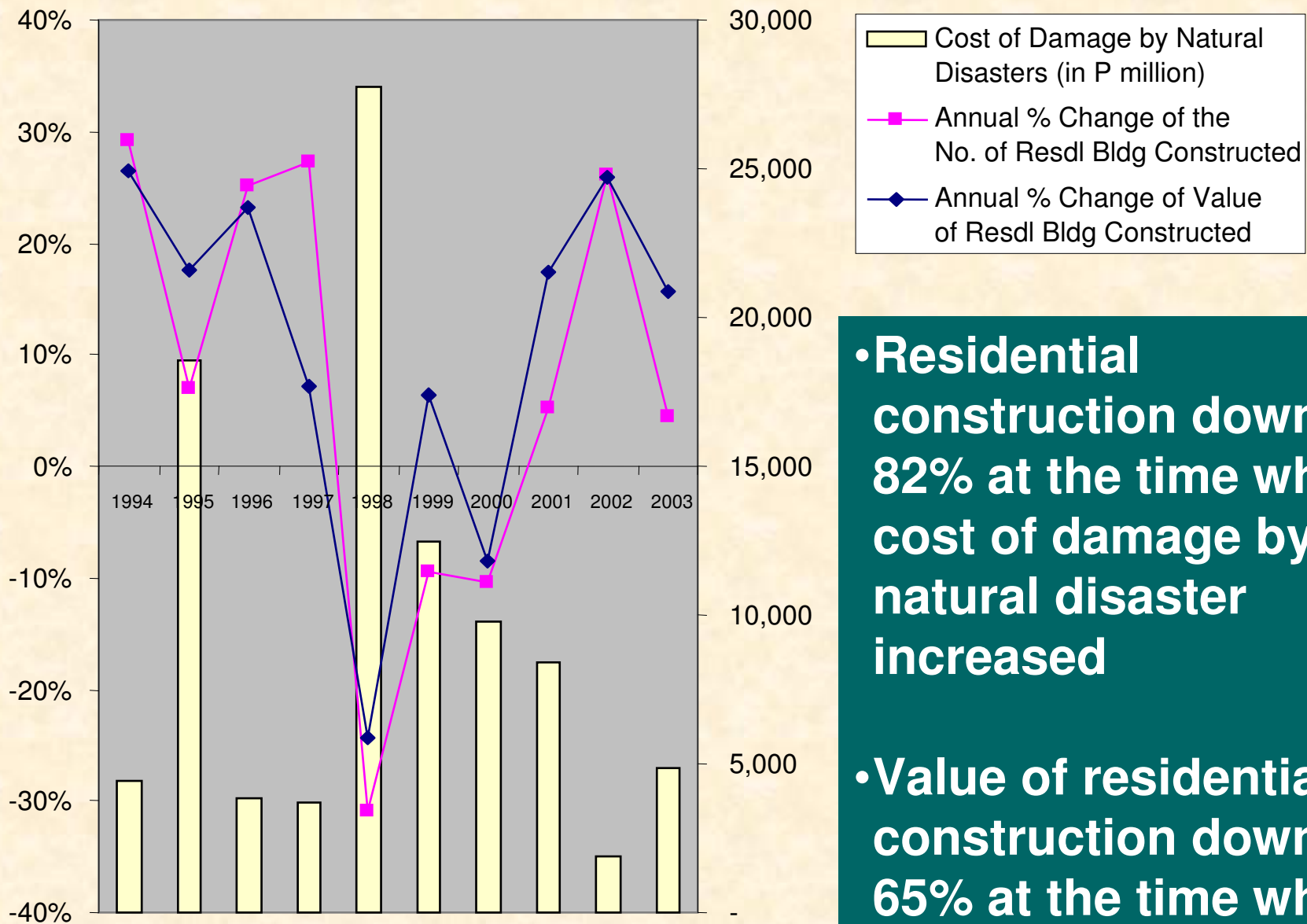
- Year-on-year trend growth averaged 103% in 1st semester
- Highest growth at 286% in April
- Issuance peaked in June with 53,077 residential units

Resd'l Bldgs Constructed



• Increased at an average annual rate of 11% in 2001-2004 from -10% in 2000

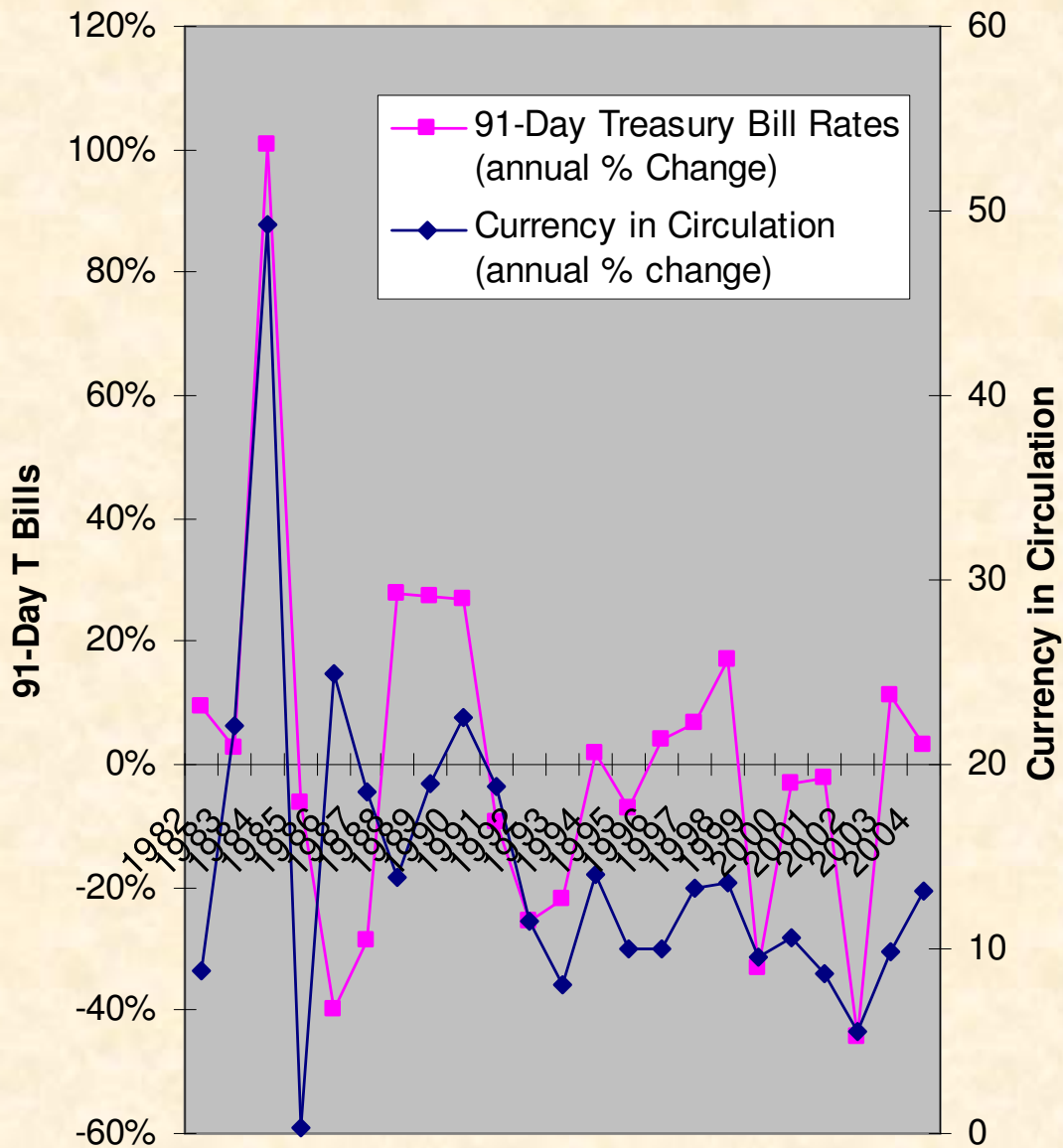
• Growth highest at 26% in 2002



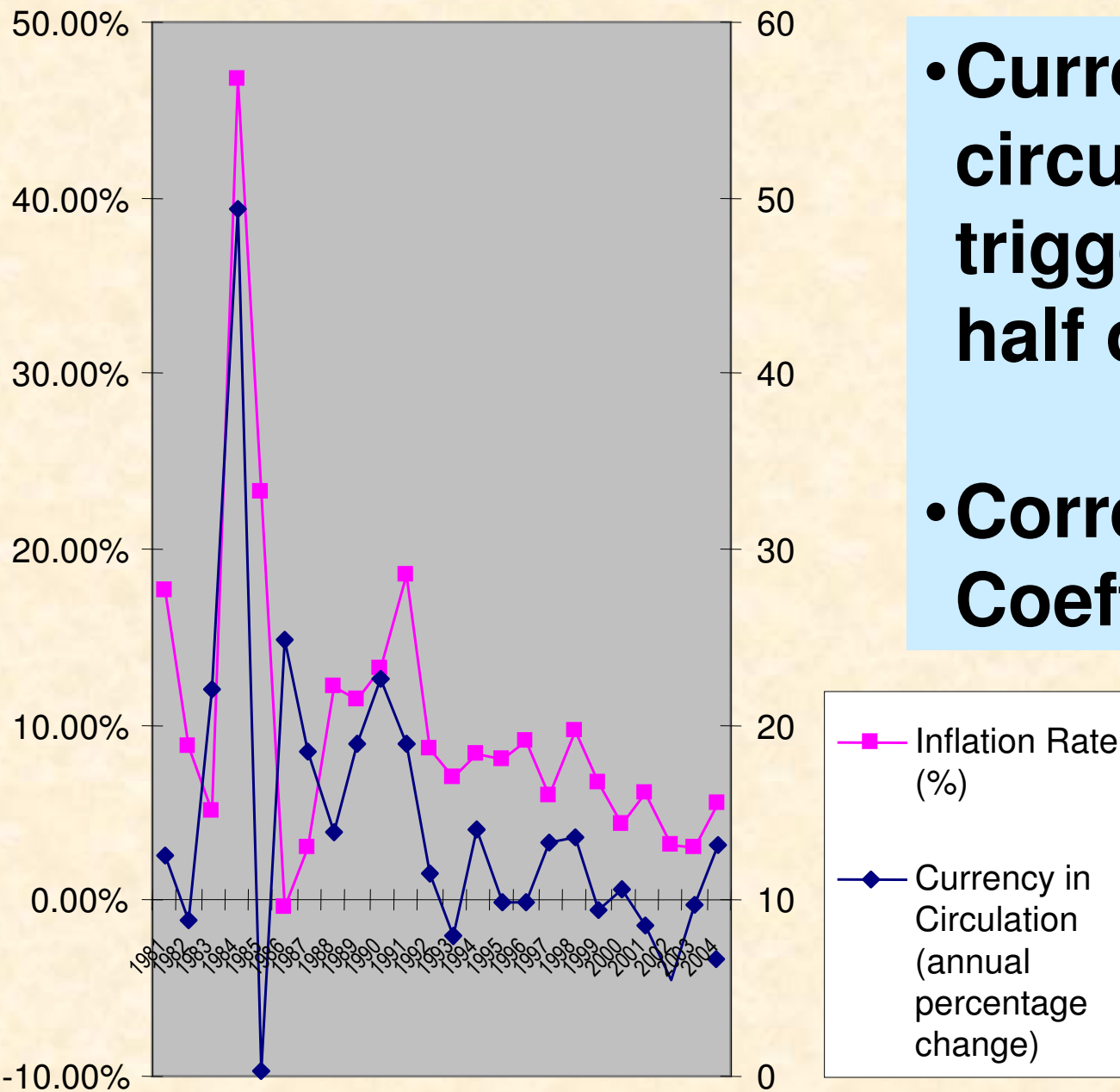
- Residential construction down 82% at the time when cost of damage by natural disaster increased

- Value of residential construction down 65% at the time when cost of damage went up

Effects of Financial Indicators On Housing

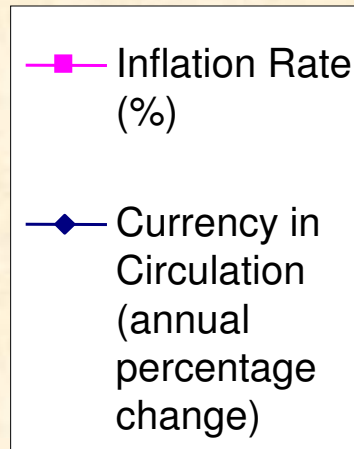


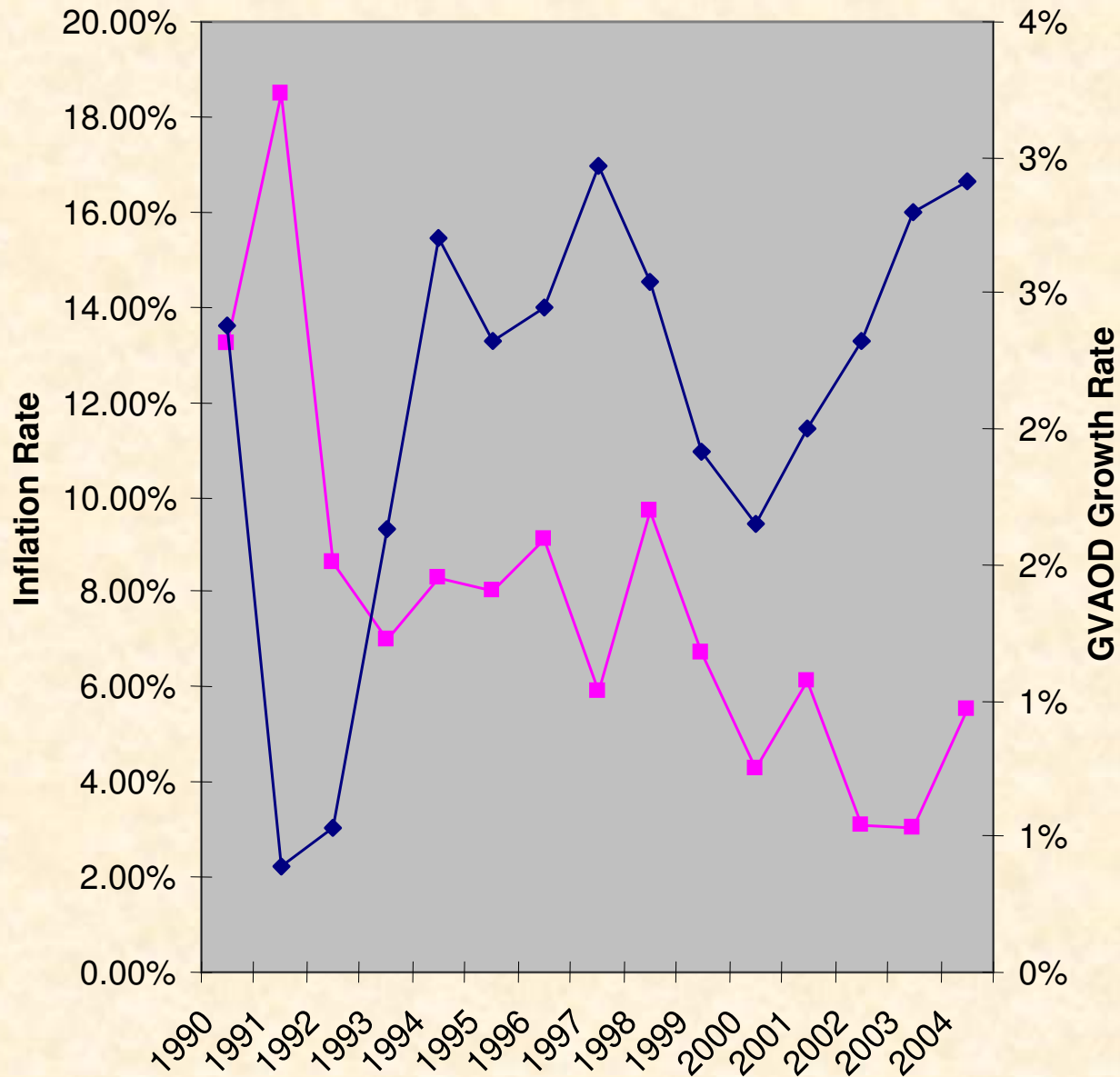
Currency in circulation affects movement of 91-day T-bill rates



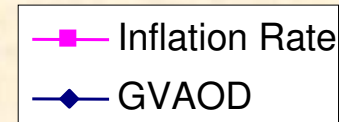
- **Currency in circulation triggers inflation half of the time**

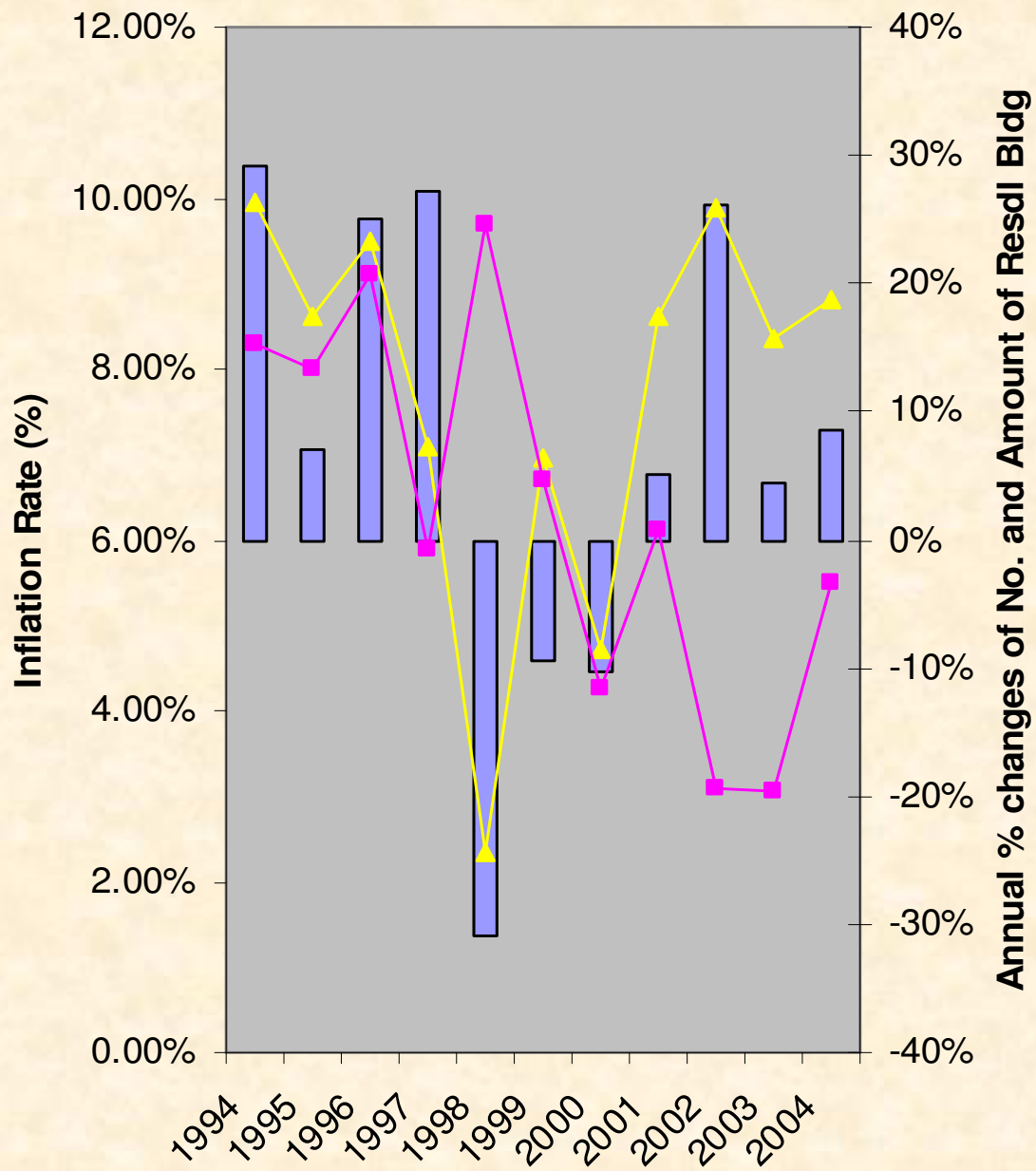
- **Correlation Coefficient of .58**





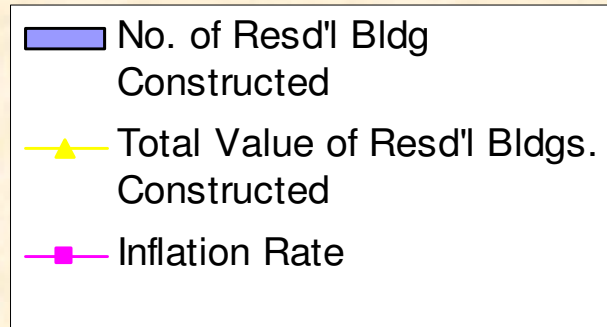
- From 1989-2004 GVAOD accounts for 5% of GDP
- Inflation affects GVAOD, half of the time





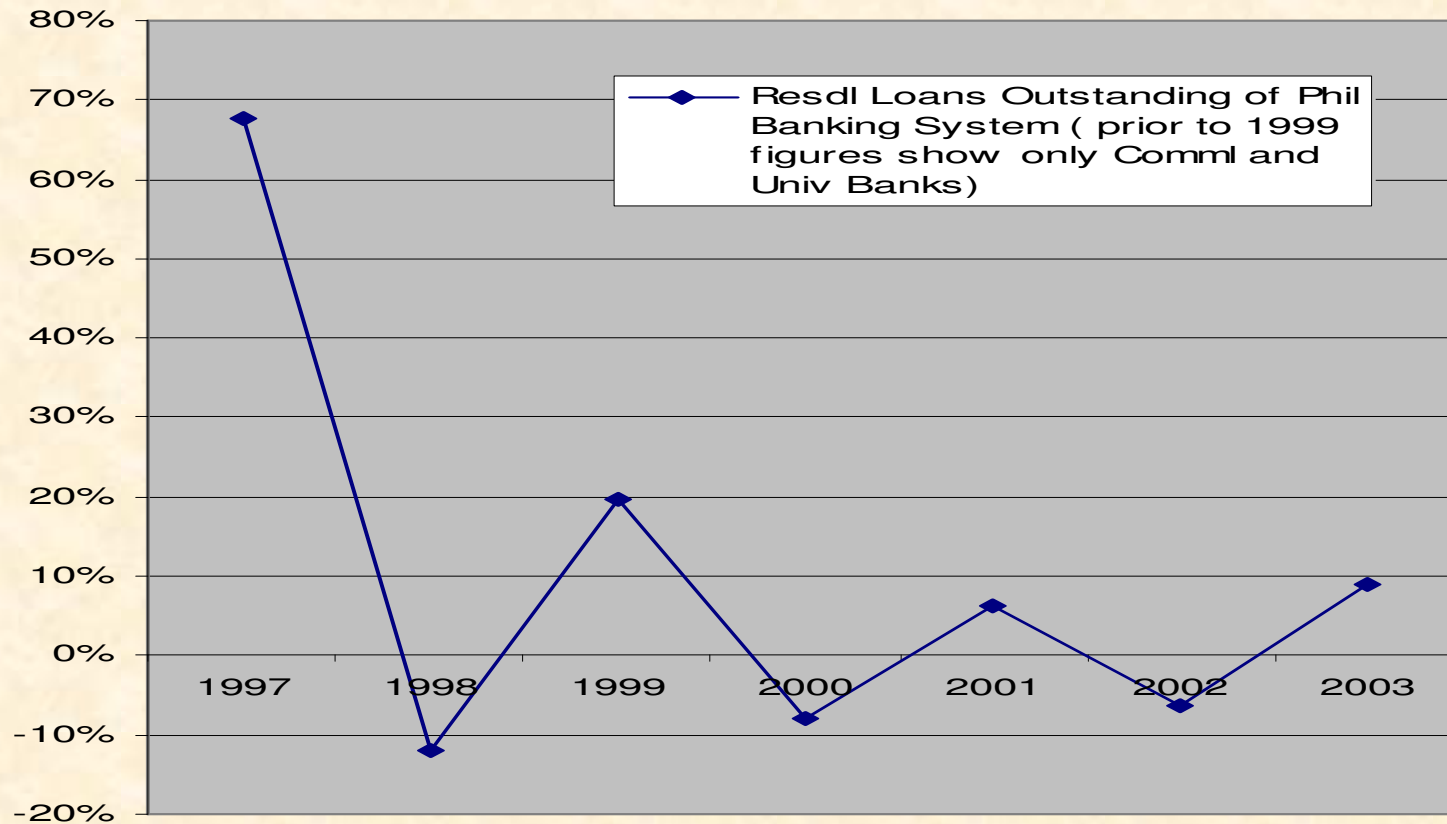
- Changes in inflation rate have no effect on the total number of residential buildings constructed

- Inflation affects the value of total residential buildings constructed half of the time



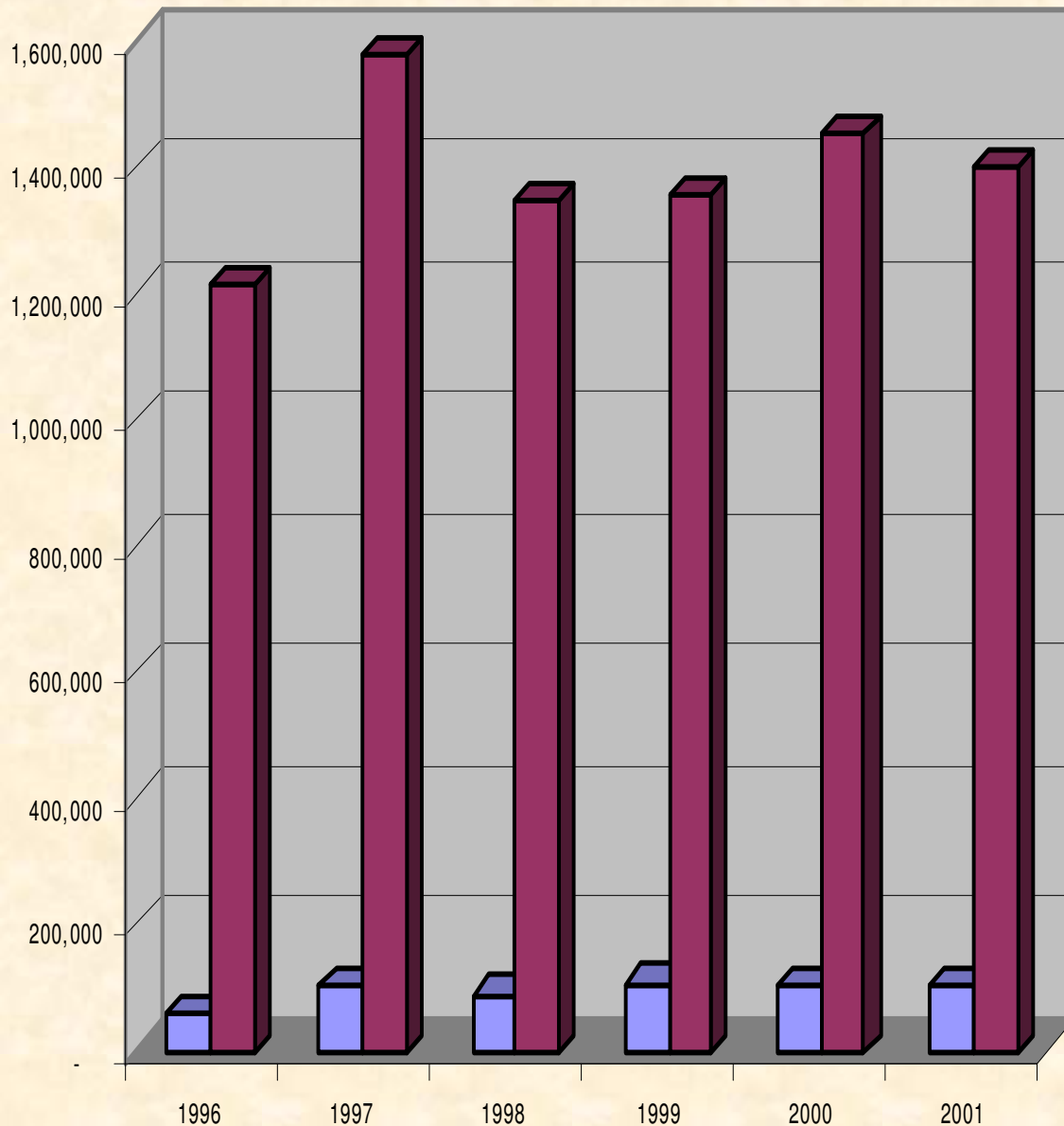
Banks' Exposure in Housing

Growth Rates



- Deep dive in 1998
- Volatile after the Asian crisis, growing annually at an average of 1%

FROM 1996 - 2001

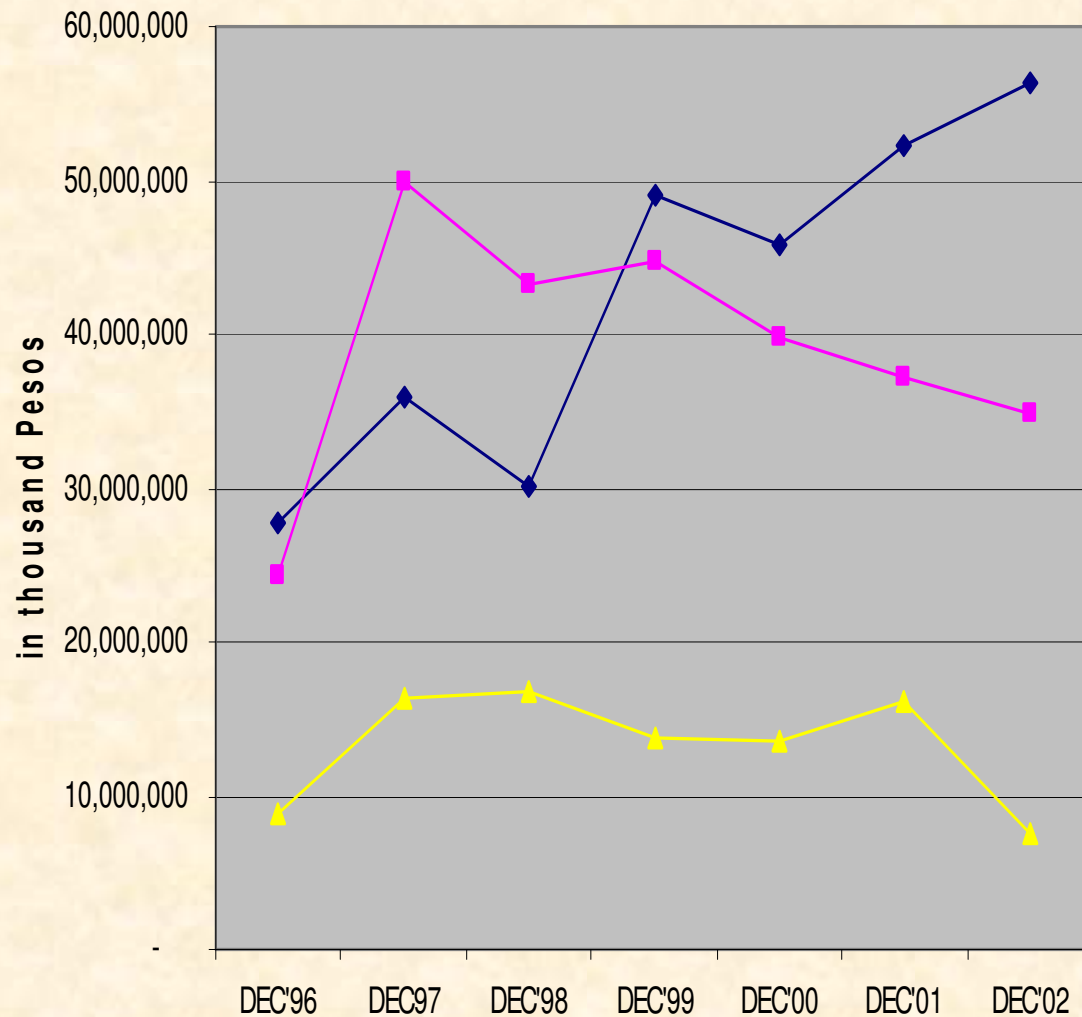


- Housing loans account for 7% of loans outstanding of banks
- While total loans increased at an average of only 4%, residential outstanding loans increased by 15%

■ Resdl Outstanding Loans of Banks (prior to 1999 figures show only Comml and Univ Banks) in P million

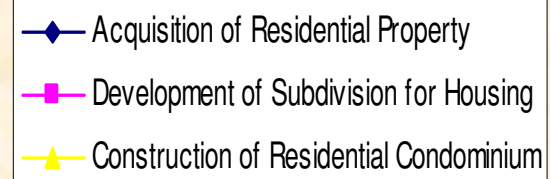
■ Loans Outstanding of the Phil Banking System (in P million)

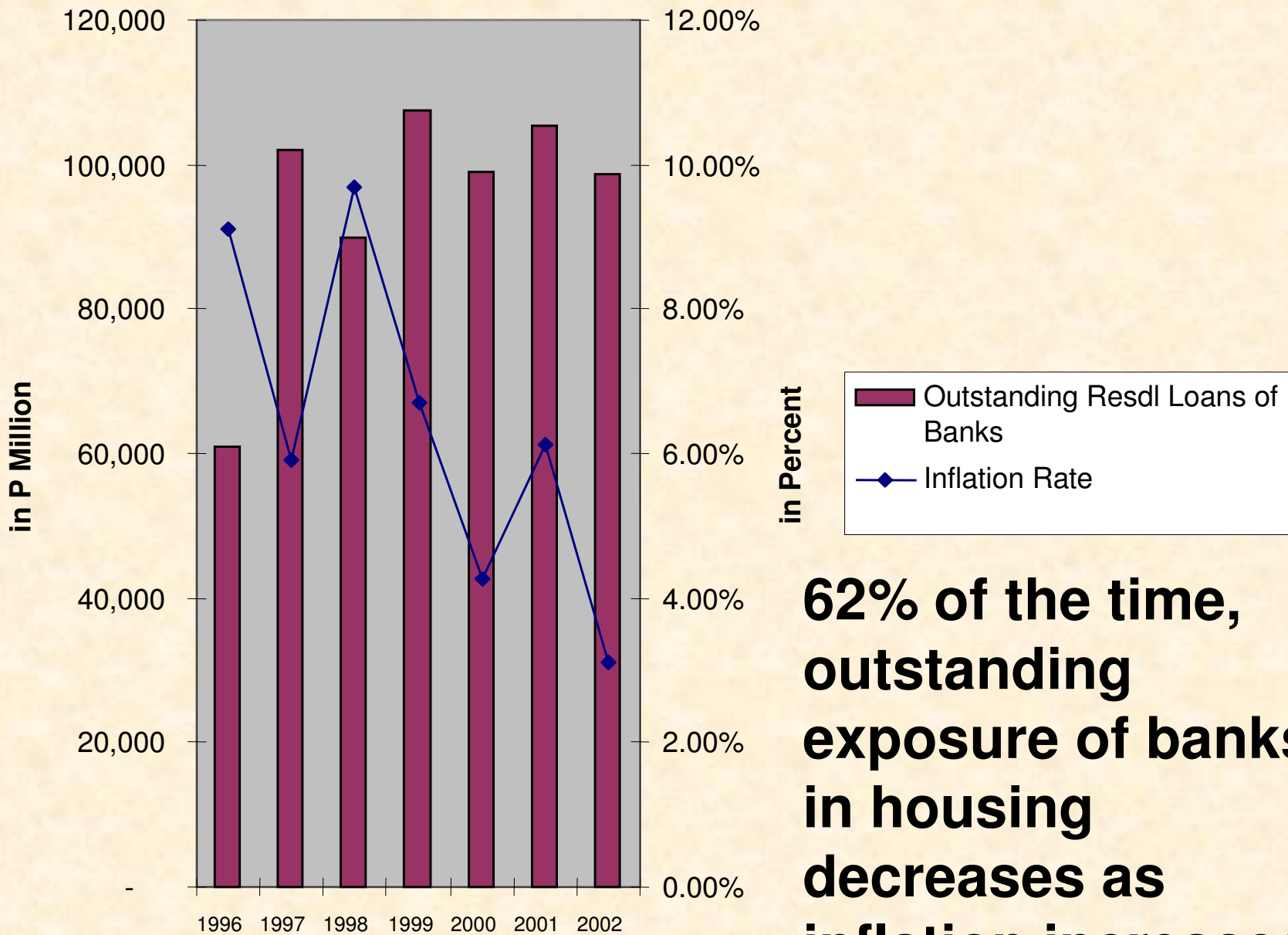
Banks' Exposure to Housing from 1996 – 2002



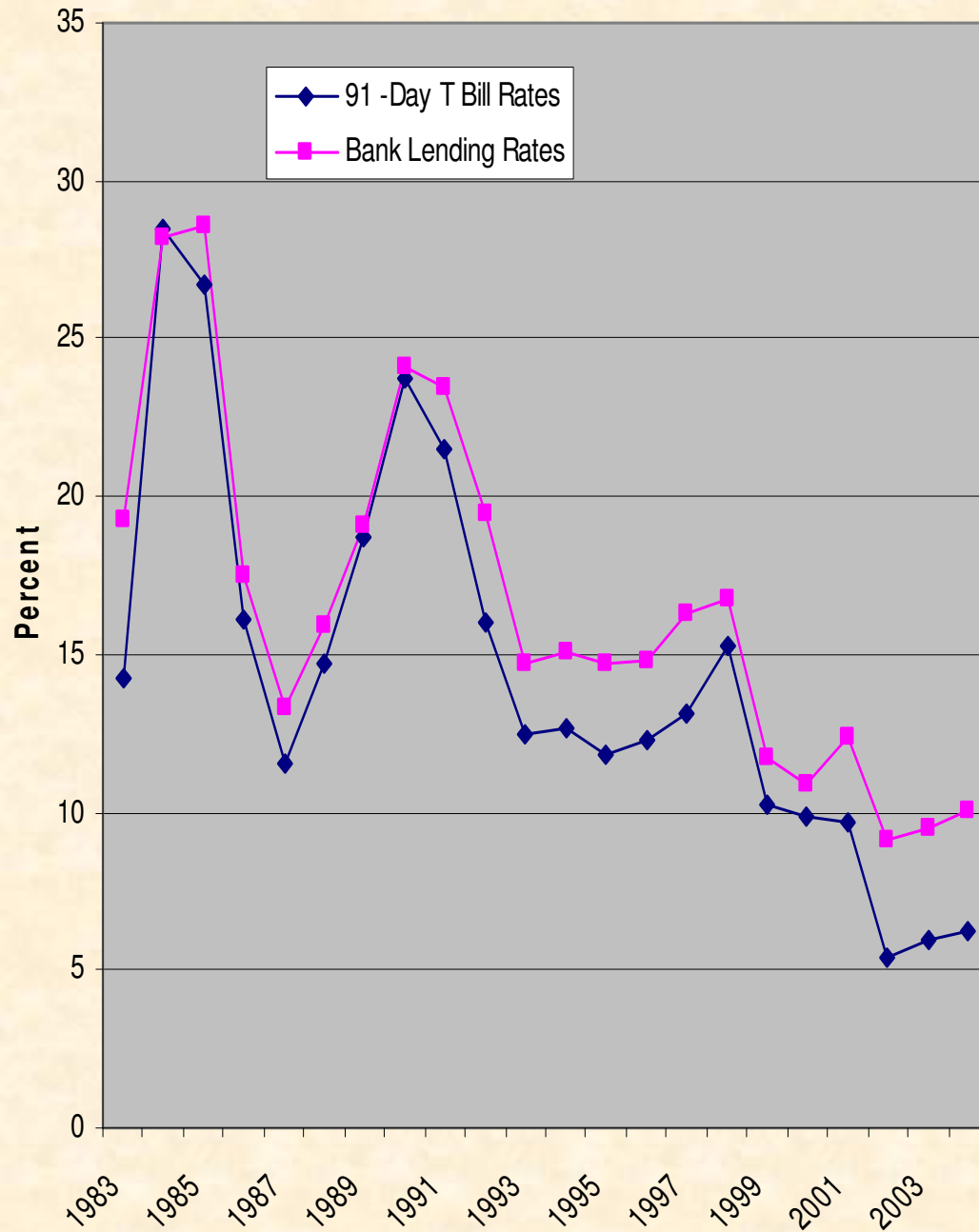
- 46% Home acquisition
- 41% Development of subdivision
- 14% Construction of condominium

Starting 2000, bank concentrated on end-user financing

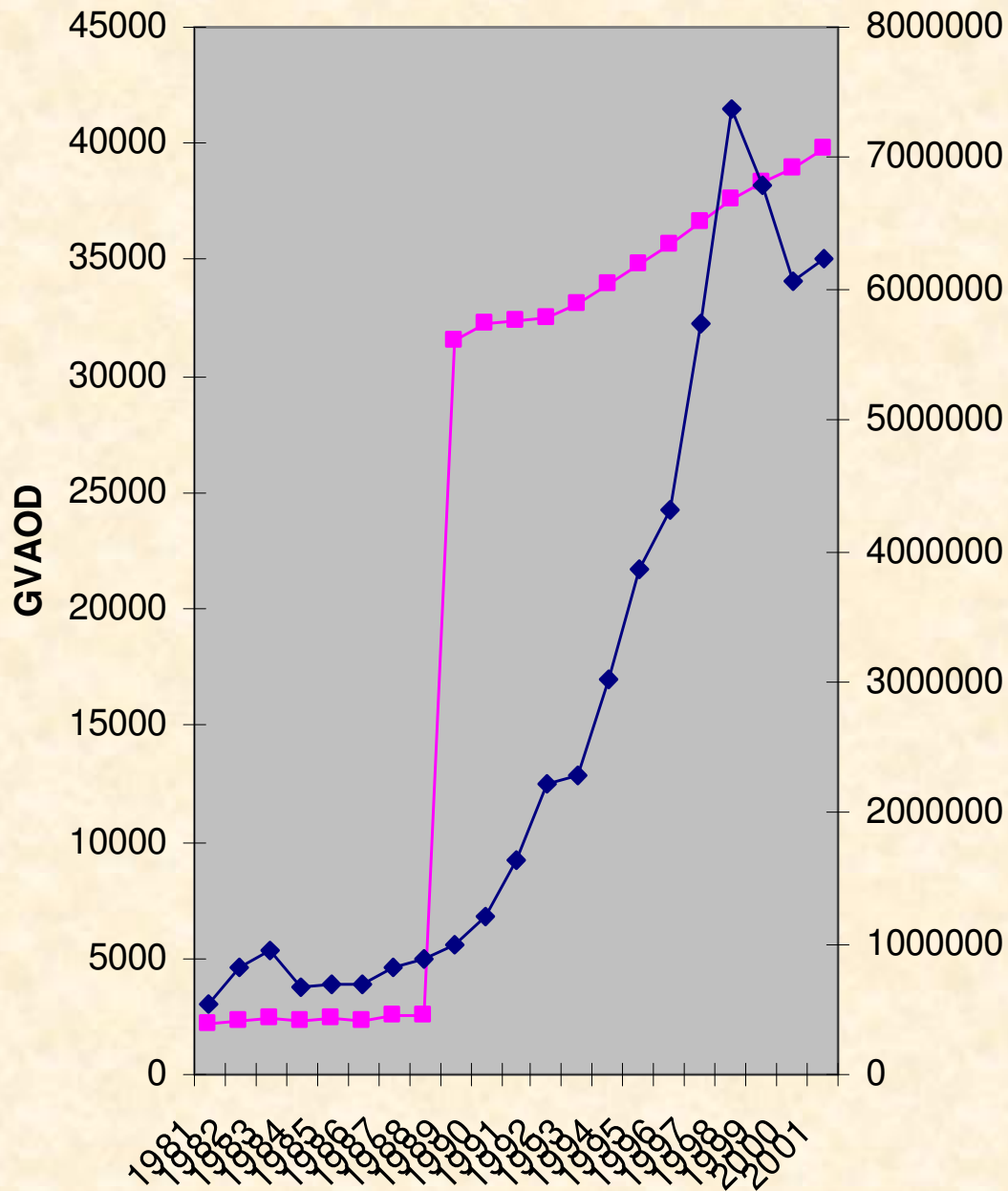




**62% of the time,
outstanding
exposure of banks
in housing
decreases as
inflation increases**

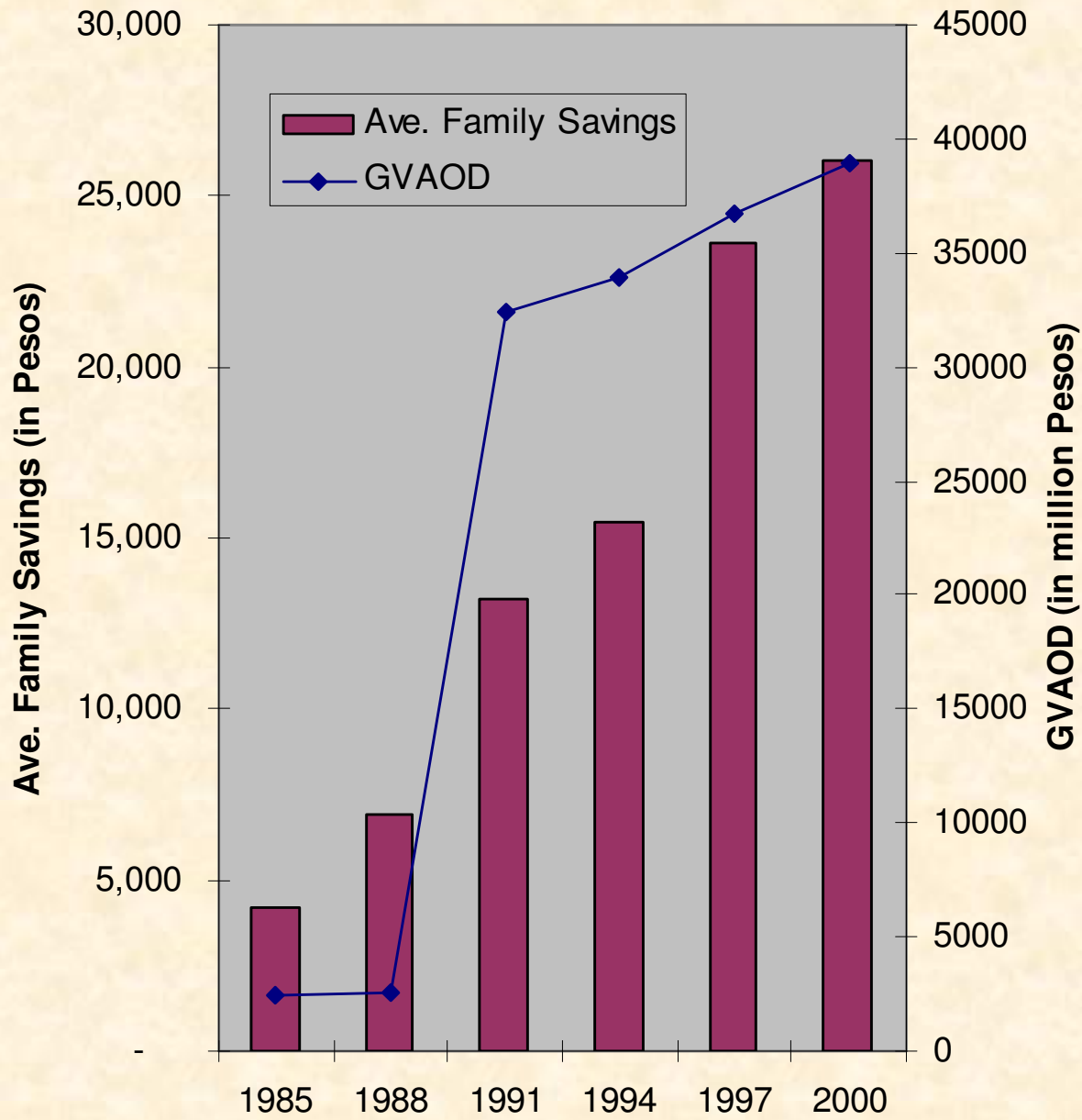


- **T-Bill and Lending rates behaved similarly**
- **Banks exacted an average of 2.1 percentage points spread over 91-Day T Bill**



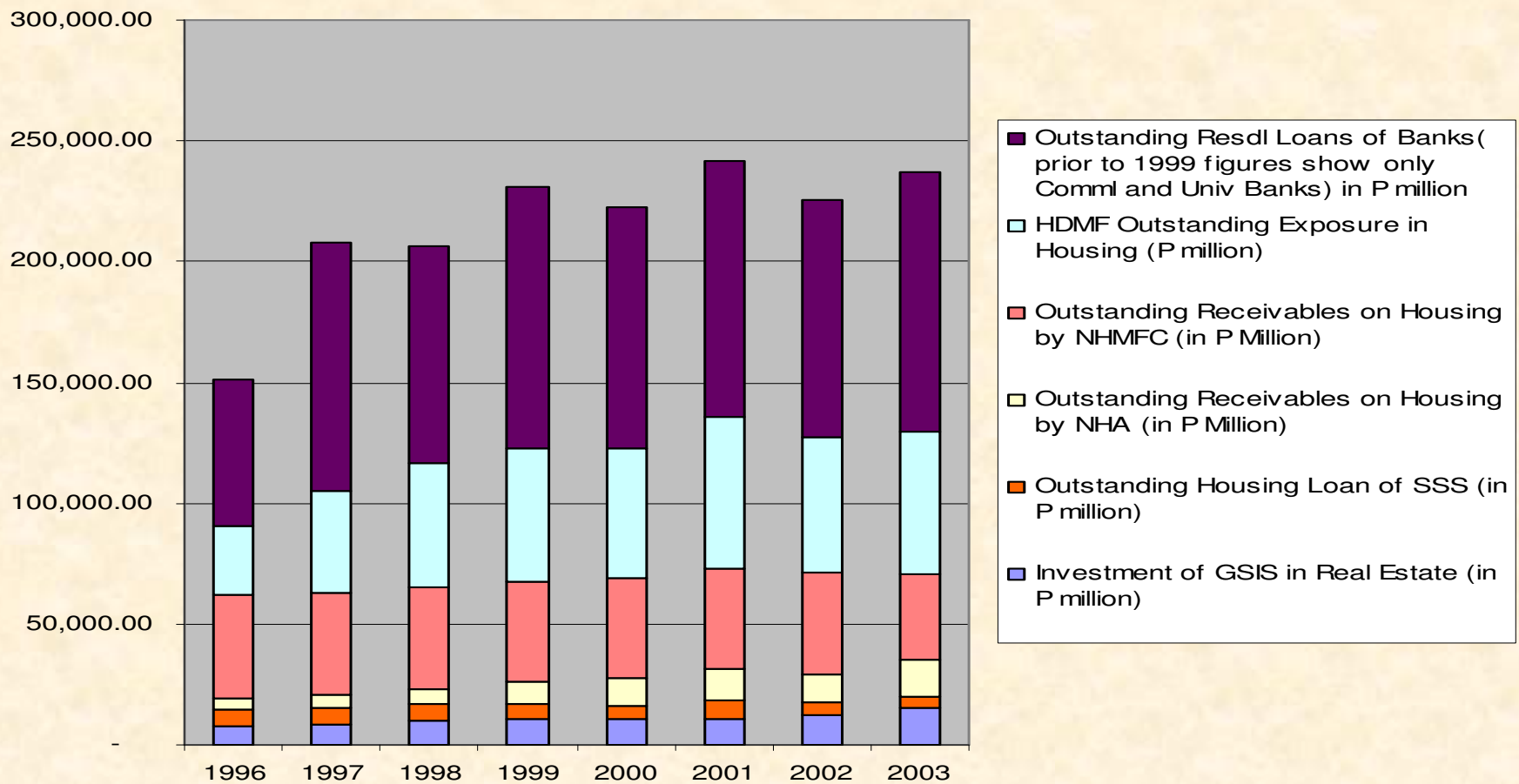
Personal income of OFWs largely affects housing

- GVA in Ownership of Dwelling (P million, constant prices)
- ◆ Personal Income of OFWS (in \$,000)



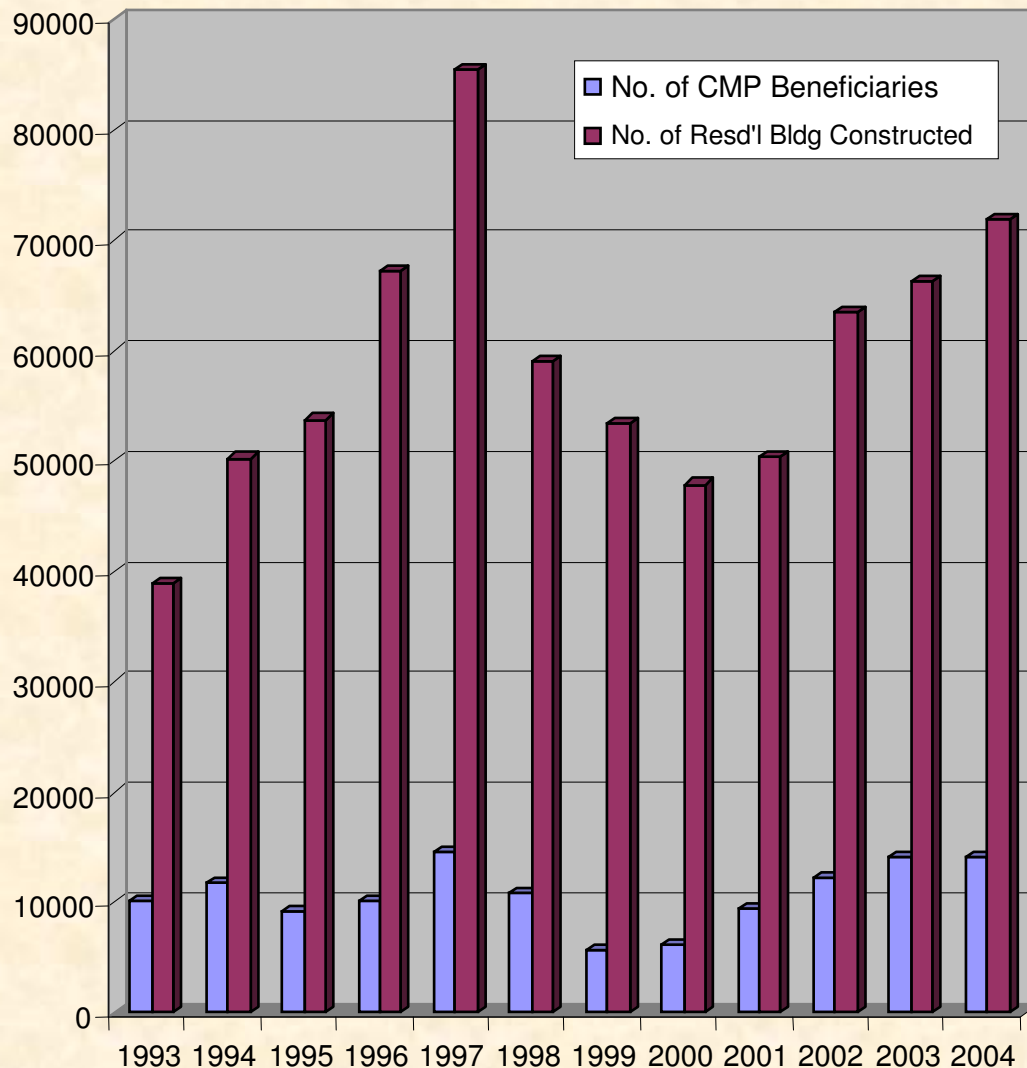
**GVAOD
increased as
family
savings
increased**

Government Funding in Housing



Distribution of Average total outstanding housing loans from largest funders from 1996 - 2003:

Banks : 45%, Pag-ibig :24%, NHMFC : 19%

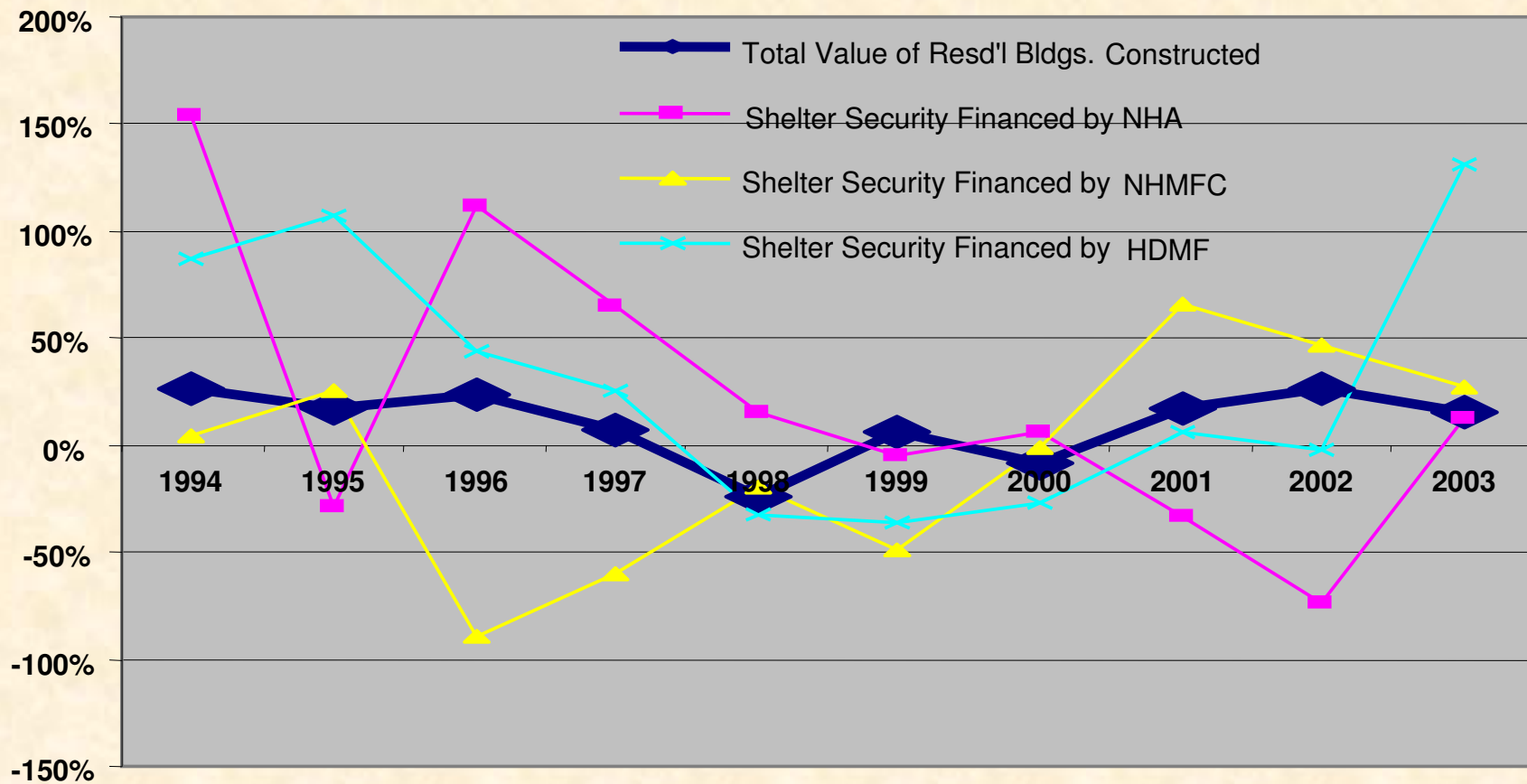


- **CMP accounts for 1% of the value of residential buildings constructed from 1993 – 2004**

CMP accounts for an average of 18% of the total number residential buildings constructed

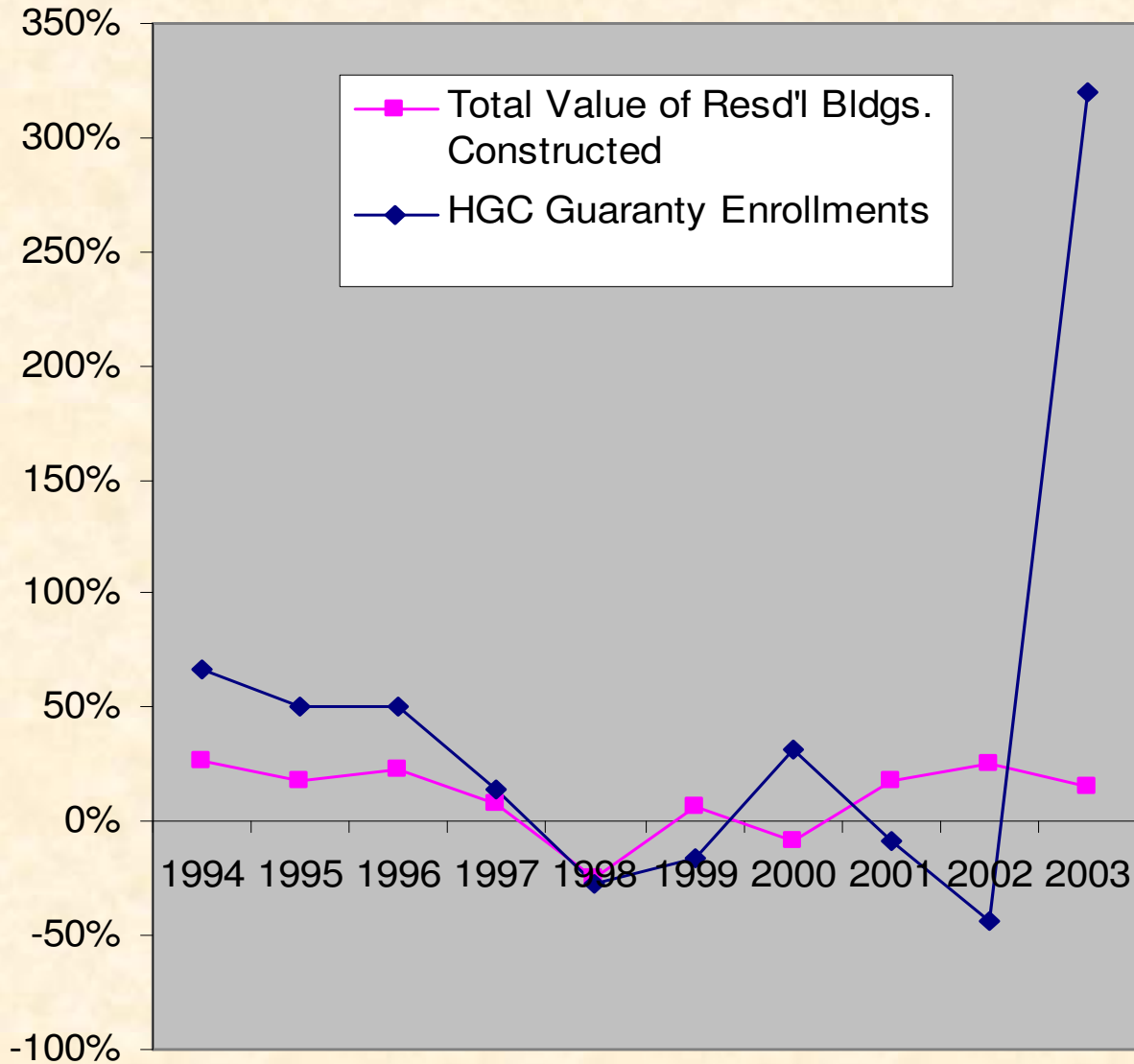
- **No. of CMP projects and the no. of resd'l bldgs. constructed have .87 correlation**

Y-o-Y Change



- Half of the time, when shelter security financed by Pag-ibig fund increases, the total value of residential buildings constructed also increases
- NHMFC financing dived steeply in 1996 and 1999
- As government funding went down, residential construction increased by 18 percentage points from 1998 onwards

Year-on-Year Change



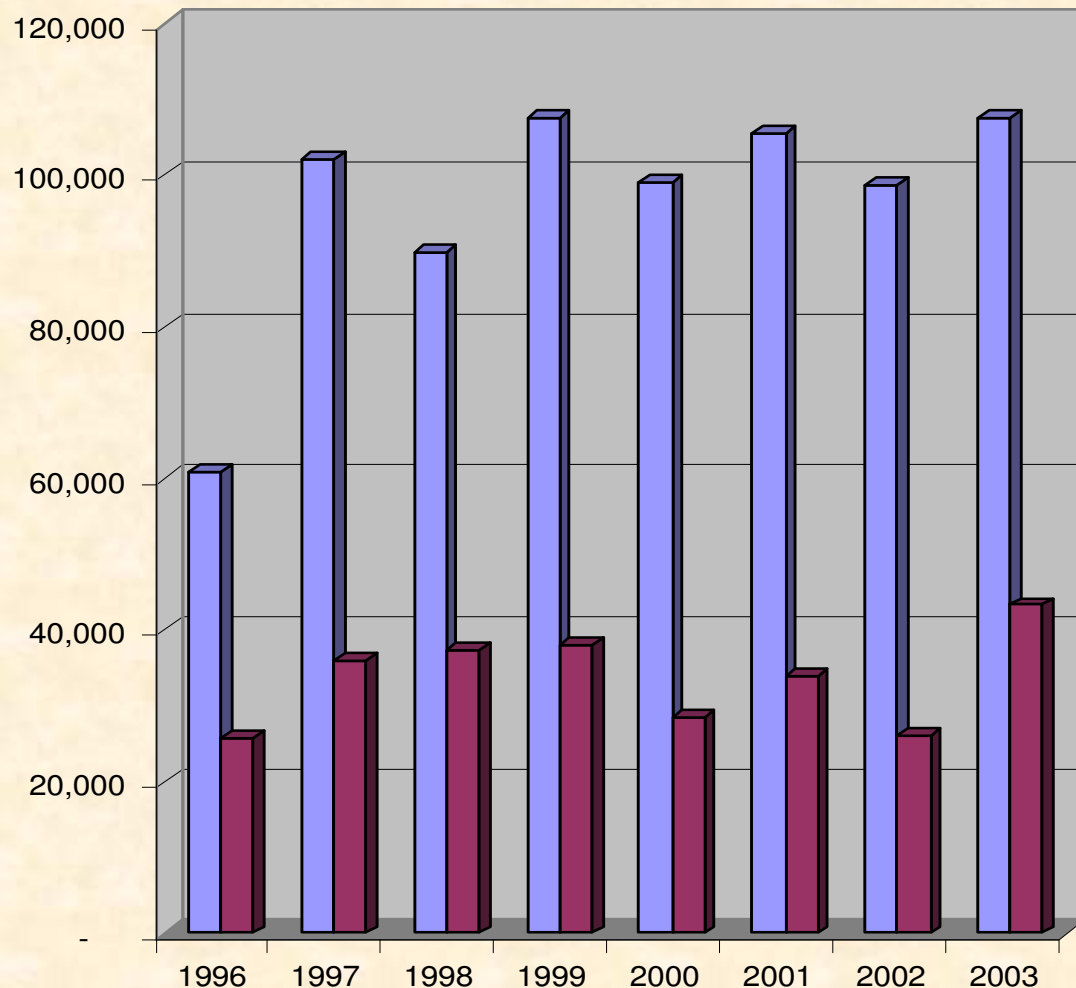
From 1994 to 1999 Y-o-Y growth of HGC guaranty behaved similarly with total value of residential buildings constructed

In 2000 – 2003, their behavior contrasted

Despite the 12% growth on the total value of residential construction in 2001 & 2002, HGC guaranty slowed down by 7%

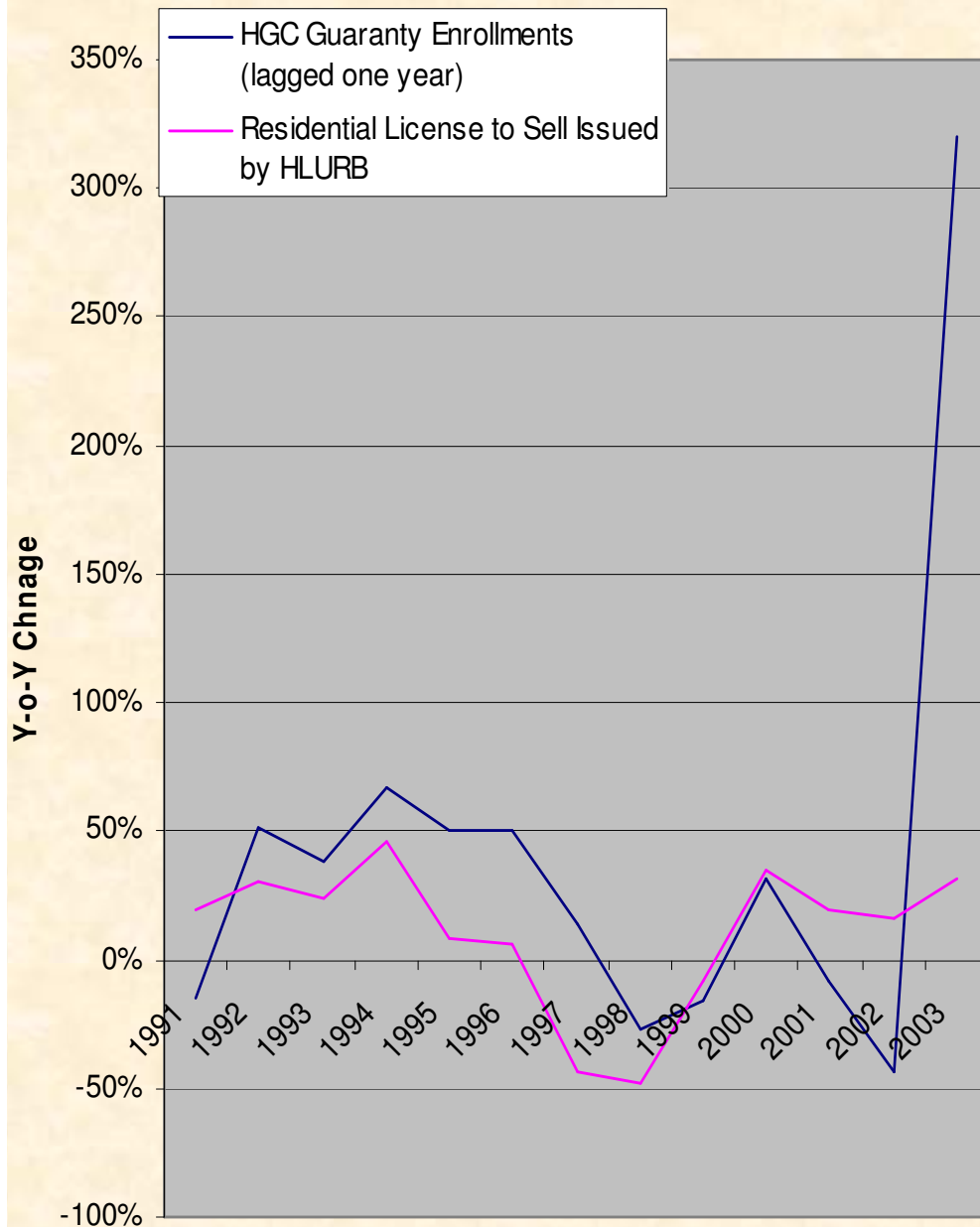
This is attributed to the 3% drop in residential loans outstanding of banks for the period

•HGC guarantees 14% of residential loans outstanding of banks



In 2003, HGC guaranty enrollments grew by 320%, exceeding the 16% growth of residential construction and the 9% growth of residential loans outstanding of banks

■ Resdl Outstanding Loans of Banks(prior to 1999 figures show only Comml and Univ Banks) in P million
■ HGC Outstanding Guaranty (in P million)



- **Generally, LTS issuances have no correlation with HGC guaranty**
- **But during the Asian crisis (1997-2000), they have high correlation coefficient at .87**
- **LTS fell at an average of 23% during the crisis**
- **As of June 2005, the total HGC guaranty enrollments is 43% of LTS (enrollments in guaranty have one year lag from issuance of LTS)**

2005 Situationer

Started on a positive note:

- **Foreign investors encouraged by fiscal reforms of the government**
 - Supreme Court's positive ruling on mining
 - Increase in VAT
 - Privatization of GOCCs
- **6.1 % GDP growth in 2004**
- **Public's optimism on the long-term effects of the fiscal reform agenda of Government**

- **2004 National Debt is P1 Trillion lower than it was in 2002**
- **\$ 600 Million portfolio investment infused into equities early in 2005**
- **Profits of publicly listed companies grew by 51.11% on Y-o-Y basis to P36.75 Billion in first quarter**
- **Foreign fund managers brought in \$3.14 Billion in the Philippine financial market in first 5 months**

- **Net inflows of over \$1.8 Billion early in the year were 12.5 times higher than same period of the previous year**
- **Balance of payment surplus improved from \$685 million in the first two months to \$783 million in the first quarter**
- **The gross international reserves was up by 3.7% in May from April's \$16.7 Billion**
- **In the June 6, 2005 91-day T Bill auction, the market forced the rates to fall to an 18-month low**

- **Due to posted budget surplus in August, Government has been rejecting bids for short-term securities in September (except on Sept. 13)**
- **The deployment of OFWs grew by 3% to 422,801 in May**
- **The growth of the business processing and outsourcing sector helped in improving the unemployment picture of the country**
- **Unemployment is down to 12.9% in April from 13.7% the previous year. It is up by 1.6 percentage points from the January figure**

Setbacks

- **Initial investment picture may have been very encouraging but did not take root in the economy**
- **Most investments were considered “hot money”**
- **The spike in oil and consumer items took their toll on the economy**

	2004		2005	
	1st Qtr	2nd Qtr	1st Qtr	2nd Qtr
GNP	6.3%	7.4%	4.8%	4.7%
GDP	6.3%	6.5%	4.6%	4.8%
Compensation Inflow of NFIA		3.2%		9.7%

	2004		2005	
	1st Qtr	2nd Qtr	1st Qtr	2nd Qtr
AFF	8.0%	4.2%	-0.1%	2.8%
Industry	4.7%	5.3%	4.2%	4.6%
Services	6.6%	8.1%	7.1%	6.1%
GVAODRE	4.0%	6.4%	6.6%	4.6%
GVAOD	2.9%	2.9%	2.8%	2.8

Contribution to Economic Growth

2nd Quarter of 2005

	Share (in %)	Contribution to Growth (in % pts)
AFF	17.2	.32
Industry	34	1.58
Services	48.9	2.93

- **Average Inflation Rate for the 1st eight months of 2005 is 8.04**
- **August Inflation Rate is 7.2%**