

## **Philippines Construction Equipment Market - Strategic Assessment & Forecast 2024-2029**

Market Report | 2024-03-19 | 228 pages | Arizton Advisory & Intelligence

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### **Report description:**

The Philippines construction equipment market by volume is expected to grow at a CAGR of 4.16% from 2023-2029.

#### Increased Investment in Infrastructure Projects

- Southeast Asia, with four countries in the top 10 for construction machinery exports (Indonesia, India, Vietnam, and Thailand), sees significant growth fueled by initiatives like the "Belt and Road Initiative" and the "Regional Comprehensive Economic Partnership (RCEP) Agreement." The Philippines will witness a boost in its construction activity in response to this agreement.
- The Philippines construction equipment market by revenue is expected to surpass USD 1.01 billion by 2029. Further, Procore Technologies, Inc., a prominent global construction management solutions provider, has unveiled a digital transformation initiative in collaboration with the Philippine Constructors Association. The partnership aims to enhance digital capabilities within the construction industry in the Philippines, facilitating improved project management and overall efficiency.
- The Cebu-Mactan Intermodal Transport Hub (CIMTH) is a key infrastructure initiative that will turn Cebu into a significant regional aviation and logistics center. This endeavor includes building a new passenger terminal, a cargo terminal, and an elevated roadway connecting the airport to the Mactan-Cebu International Bridge.
- The La Mesa Parkways Project, identified as Phase 1 of the North Luzon East Expressway (NLEE), is a 19-kilometer toll road to alleviate traffic congestion in Northeast Metro Manila. Additionally, it aims to create a picturesque route to Northeast Luzon destinations.

#### KEY HIGHLIGHTS

- Earthmoving equipment accounted for the largest market share of the Philippines construction equipment market in 2023. Excavators in the earthmoving segment accounted for the largest share in 2023. Rising investment in housing, port expansion, and public infrastructure projects is expected to drive the demand for excavators in the Philippines construction equipment

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market.

- In May 2023, the National Economic and Development Authority (NEDA) unveiled the Public Investment Program 2023-28, a six-year initiative to execute essential programs and projects nationwide. NEDA reported that 5,329 priority PAPs, requiring an investment of USD 362.6 billion, are scheduled for implementation under the PIP between 2023 and 2028.
- The Cavite-Laguna Expressway (CALAX), spanning 45 kilometers, links Metro Manila to Cavite and Laguna provinces, offering a vital alternative to the frequently congested Manila-South Luzon Expressway. The anticipated completion of this project is set by the conclusion of 2025 and supports the Philippine's construction equipment market growth.
- Hitachi Construction Machinery (HCM), in August 2023, announced that it has started taking for the new basic model, which can be equipped with various attachments at the end of its arm. It also mentioned that this model is 22% stronger regarding its hydraulic control system (TRIAS III), allowing the force to pull out piles and other objects.
- In October 2023, the Quezon City administration and the Department of Transportation (DOTr) initiated the construction of bike lanes along specific sections of Elliptical Road and Commonwealth Avenue. This effort aligns with the city's goal of establishing itself as the leading cycling hub in the Philippines.
- In August 2023, the Philippine Manufacturing Co. of Murata, Inc., a manufacturing arm of Murata Manufacturing Co., Ltd., is slated to commence the construction of a new manufacturing facility. This expansion aims to augment the capacity to meet the rising demand for multilayer ceramic capacitors in the foreseeable future.

#### SEGMENTATION BY TYPE

- Earthmoving Equipment
  - o Excavator
  - o Backhoe Loaders
  - o Wheeled Loaders
  - o Other Earthmoving Equipment (Other loaders, Bulldozers, Trenchers)
- Road Construction Equipment
  - o Road Rollers
  - o Asphalt Pavers
- Material Handling Equipment
  - o Crane
  - o Forklift & Telescopic Handlers
  - o Aerial Platforms (Articulated Boom Lifts, Telescopic Boom lifts, Scissor lifts)
- Other Construction Equipment
  - o Dumper
  - o Tipper
  - o Concrete Mixer
  - o Concrete Pump Truck
- End Users
  - o Construction
  - o Mining
  - o Manufacturing
  - o Others (Power Generation, Utilities Municipal Corporations, Oil & Gas, Cargo Handling, Power Generation Plants, Waste Management)

#### MARKET TRENDS & DRIVERS

The Philippines' Investment in Hydrogen Fuel to Promote the Nation's Target to Achieve Net Zero Emissions

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Paris-based company HDF Energy has inked two Memoranda of Understanding at the 10th Philippines-France Joint Economic Committee meeting to expedite the advancement of its hydrogen power plants. The focus is on improving a reliable power source in off-grid regions of the Philippines. Moreover, HDF Energy has already established a Memorandum of Understanding (MoU) with the Mindanao Development Authority and the Department of Energy to encourage and streamline investments in hydrogen initiatives across the Mindanao region.

#### Various Initiatives Taken by the Government to Boost the Flood Resilience

In 2023, the Philippines witnessed several instances of flooding, each differing in severity and consequences. In Jan 2023, flooding, landslides, and powerful winds impacted numerous regions, affecting thousands of individuals due to the confluence of low-pressure areas. Other instances include the Shear Line calamity, which came with heavy rainfall and affected at least 100,000 individuals. Further, the Asian Development Bank (ADB) has approved a USD 303 million loan to mitigate flood and climate risks in the Philippines, as the nation is highly susceptible to climate change and natural disasters.

#### Surge in Infrastructure Projects in the Country to Boost the Philippines Construction Equipment Market

- The 'Build Back Better More' program, established in 2020, serves as the primary infrastructure initiative of the current government, which intends to allocate about USD 146.9 billion over six years.
- The program revolves around 194 "Infrastructure Flagship Projects" (IFPs) spread across diverse sectors like transportation, logistics, water resources, energy, and information and communications technology (ICT).
- As of March 2023, funding has been secured for 82 out of the 194 IFPs, combining government and private investments.

#### Increasing Number of Transport Projects in the Country to Propel the Demand for Road Construction Machinery

The 2024 Budget, with a total projected value of USD 3.8 billion, will support the Build Better More Program. Out of this budget, USD 3.1 billion will be allocated to the Department of Transportation's (DOT) Public Sector Infrastructure budget. This will support the flagship public transport projects sanctioned by the National Economic Development Authority (NEDA) Board, such as the North-South Commuter Railway System and Metro Manila Subway Project Phase I within the Rail Transport Program, Land Public Transportation Program, and Aviation and Maritime Infrastructure Programs of the DOT. These projects are projected to support the growth of the Philippine construction equipment market. Meanwhile, the Aviation Program is dedicated to modernizing and enhancing airports nationwide, with a budget allocation of USD 0.1 billion.

#### Prominent Mining Sector in the Country Supports the Demand for Heavy Construction Equipment in the Philippines Construction Equipment Market

- Ranked as the fifth most mineral-rich country globally, the Philippines possesses an estimated USD 1 trillion in unexplored reserves of copper, gold, nickel, zinc, and silver. However, despite this wealth, many of these minerals remain untapped. According to recent data from the Philippine Mines and Geosciences Bureau (MGB), 49 active metallic mines employ approximately 196,000 workers.
- In 2024, the Philippine government plans to intensify its backing of the domestic mining sector by initiating exploration activities. This support aims to explore additional areas rich in critical minerals like nickel and chromium for extraction.
- In Sept 2023, one of the two prominent nickel producers in the country planned to invest USD 1 billion to build mineral processing plants.

#### INDUSTRY RESTRAINTS

##### Increasing Interest Rates May Restrict the Demand for Housing Units in the Country

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Heightened domestic fuel costs, raises in minimum wages, and persistent supply chain challenges within the agricultural sector exacerbated inflationary pressures within the country. In September 2023, the Bangko Sentral ng Pilipinas (Central Bank) increased the policy rate to 4.15% for the fifth time in the year. This followed the latest 50-basis-point hike, amounting to 225 basis points since May 2022, to control the rise in inflation.

#### Land Scarcity in the Country Will Hamper the Development of Infrastructure Across the Regions

Past disparities and ineffective land reform initiatives have led to a situation where a considerable segment of the population, especially marginalized communities and indigenous groups, faces restricted access to land ownership and secure land rights. This discrepancy fuels social tensions and impedes rural development. Further, deforestation, soil erosion, and natural calamities such as typhoons diminish available land. These elements deteriorate fertile soil, rendering it unsuitable for agriculture and exacerbating the shortage of usable land.

#### High Demand for Rental Construction Equipment to Hinder the Philippines Construction Equipment Market Growth

The global pandemic and geopolitical crises have resulted in supply chain disruptions for manufacturing construction equipment, ultimately driving prices upwards. For example, the semiconductor chips required for equipment engines have recently risen manifold times. Other raw materials, such as steel prices, have also been magnified. The cost of iron ore and choking coal, key inputs in steel production, has also risen. Moreover, renting construction equipment offers various advantages, such as access to a wider range of equipment, reduced maintenance costs, and flexibility to change the equipment according to the required size.

#### VENDOR LANDSCAPE

- Caterpillar, Komatsu, Liebherr, Volvo CE, Hitachi Construction Machinery, XCMG, and SANY are leaders in the Philippines construction equipment market. These companies have strong market share and offer diverse sets of equipment.
- Tadano, Terex, Bobcat, CNH Industrial, Manitou, Takeuchi & Yanmar are niche Philippines construction equipment players. These companies offer low product diversification and have a strong presence in the Philippines' local market.

#### Key Vendors

- Caterpillar
- Hitachi Construction Machinery
- Komatsu
- Liebherr
- Volvo Construction Equipment
- Kobelco
- Kubota
- Zoomlion Heavy Industry Science & Technology Co., Ltd.
- SANY
- Xuzhou Construction Machinery Group (XCMG)
- SUMITOMO CONSTRUCTION MACHINERY CO., LTD.
- JCB
- Develon

#### Other Prominent Vendors

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- Yanmar
- Tadano
- Takeuchi Manufacturing
- Manitou
- KATO WORKS CO., LTD.
- GEHL
- MERLO S.p.A.
- Bobcat
- Terex Corporation
- CNH Industrial
- Mecalac
- VF VENIERI S.p.a.
- AIRMAN
- Eurocomach
- Shandong Lingong Construction Machinery (SDLG)
- AMMANN
- H?DROMEK
- DONGHAE MACHINERY & AVIATION CO., LTD.

#### Distributor Profiles

- Maxima Machineries, Inc.
- Brighton Machinery Corporation
- Pinnacle Parts Co.
- Inframachineries Corporation
- Topspot Heavy Equipment Inc.
- Civic Merchandising, Inc.
- Camec JCB Corporation
- Macro Construction Equipment
- Toyotsu Columbian Equipment & Solutions, Inc.
- Cleamco Industrial Corp.
- Powerking Industries Corporation

#### KEY QUESTIONS ANSWERED:

- 1.□How big is the Philippines construction equipment market?
- 2.□What is the growth rate of the Philippines construction equipment market?
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