

Foreword

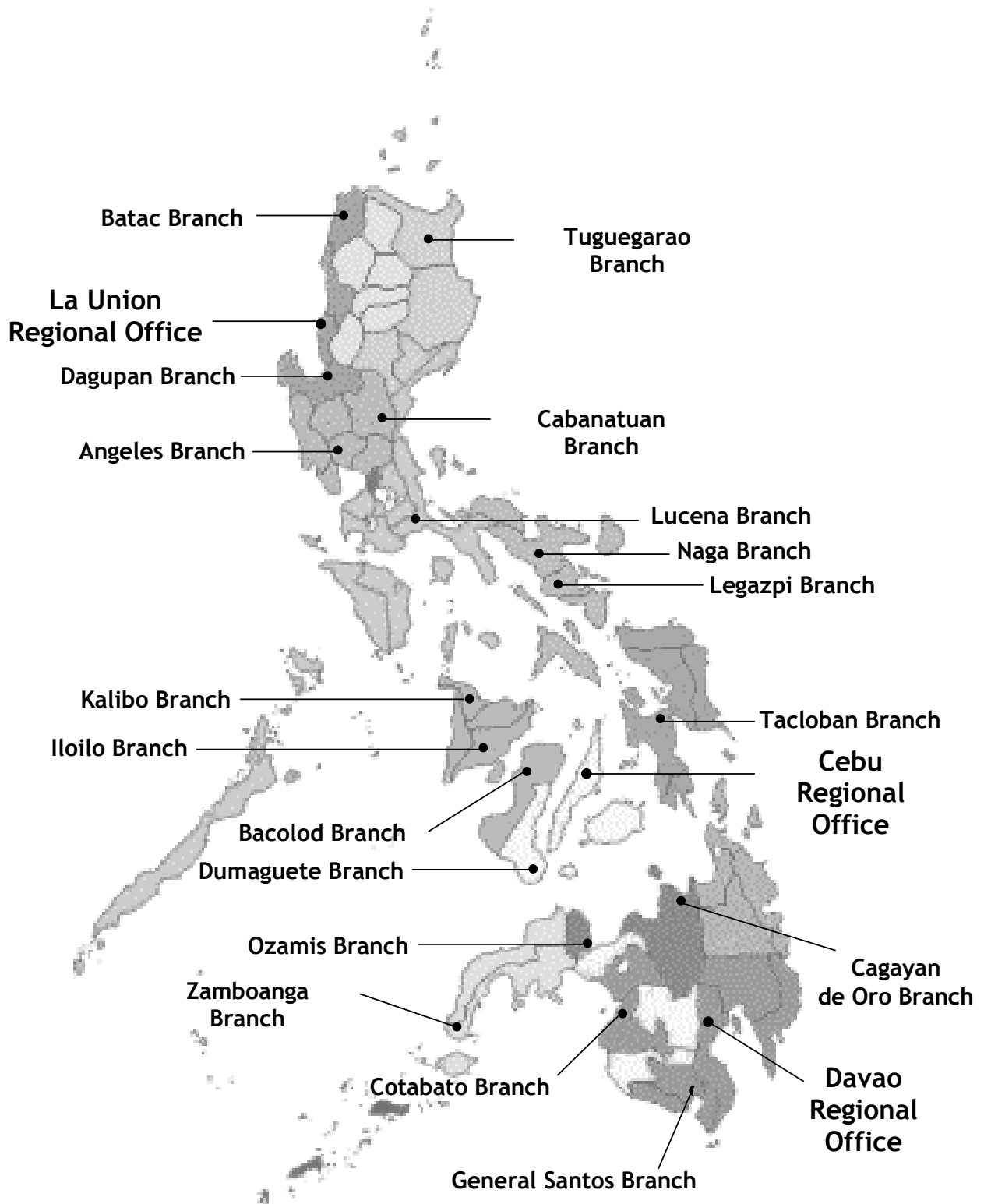
In June 2005, the Monetary Board approved the release of the maiden issue of the BSP's Report on Regional Economic Developments in the Philippines. The new report widens the scope of BSP's market surveillance, adding a geographic dimension to the economic indicators that it regularly monitors. Analysis of regional trends and developments helps in honing the BSP's analytical tools for monetary policy formulation and financial supervision.

The report tracks economic developments in the regions, focusing on the demand and supply conditions, price developments and monetary conditions, as well as the emerging outlook. It helps confirm the results of business and consumer expectations surveys conducted by the BSP. Moreover, identifying opportunities and challenges faced by the different regions enhances further the BSP's forward-looking and proactive approach to monetary policy.

Regional performance is gauged using developments in output, prices, and employment. Selected key indicators in each of the major sectors of the economy are the focus of the surveillance. Agriculture covers rice and corn, crops such as coconut and tobacco, livestock, fishery, and poultry production. In industry, the number of building permits and housing starts are used to measure construction activity; while in the services sector, hotel occupancy rate and banking sector performance are analyzed. Developments in major industries particular to each region are also included.

Qualitative and quantitative information used in the report are collected from primary and secondary sources and reflect the extensive information gathered by the BSP regional offices and branches on a provincial level.

BSP Regional Offices/Branches ^{1/}



^{1/} Please see Annex for the provincial composition of each region.

Key Regional Developments

Crop Production

- In 2006, grain production recovered due mainly to favorable weather conditions and the continued use of hybrid seeds, fertilizers and pesticides. The highest growth rates were recorded in the Autonomous Region in Muslim Mindanao (ARMM) for palay and Cagayan Valley for corn.

Livestock, Poultry, Fishery

- Cattle production recorded a decline as a lesser number of cattle for sale and slaughter was recorded. Chicken production likewise decreased due to fears of avian flu contamination. In contrast, hog production expanded due to the increase in the inventory of fatteners.¹ Fishery production also recorded an increase due to the growth of aquaculture, distribution of planting materials, and expansion and development of fishing areas.

Construction

- Construction activity showed a general downtrend as shown by the decline in the number of new building permits in 10 out of 17 regions and housing starts in 11 out of 17 regions. The high costs of labor, construction materials and residential lots set back the growth of construction.

Tourism

- Tourism activity recorded an upturn in the first quarter of 2006 as reflected in the increase in hotel occupancy rates especially, in the Cordillera Administrative Region (CAR) and Bicol Region.

Banking

- NCR remained the center of financial activity as indicated by its higher loan to deposit ratio compared to other regions, reflecting that credit activity is picking up in the NCR. Bank density in Metro Manila also shows that there are more banks servicing the region's population compared to other regions.

Inflation

- The slowdown in inflation in the first two months of 2007 was evident in most regions due mainly to lower fuel prices, the strengthening peso and stable food prices. An accelerated drop in inflation was

¹ Animals fed for slaughter

Employment

observed in CAR, Caraga, Western Visayas, and Central Luzon.²

- Employment rates in the regions were significantly higher compared to that of NCR due mainly to increased investment and brisk economic activity in agriculture such as corn production and fishery.

Opportunities and Challenges

- Several projects and investments in the major sectors in the economy are being implemented. These are expected to spur economic activity in the regions. These projects include improvement of irrigation systems to boost agricultural production, establishments of aquaculture technoparks, implementation of government-sponsored infrastructure programs, and construction of tourism-related projects such as hotels, resorts and amusement parks.
- On the other hand, a number of challenges are still ahead for the development and growth of the regions. Among these challenges are the lack of investments, especially in infrastructure, and issues of peace and order in some regions.

² CAR-Cordillera Administrative Region

First Semester 2006 Economic Performance

Agriculture, Livestock, Poultry and Fishery
(First Semester 2006)

Palay production increases due to favorable weather conditions and continued use of high-yielding varieties

Region		1 st sem 2006	1 st sem 2005
	PHILIPPINES	8.39	-0.09
1	CAR	14.46	-0.61
2	Ilocos Region (I)	6.68	-1.48
3	Cagayan Valley (II)	13.05	-4.44
4	Central Luzon (III)	-0.59	5.05
5	Southern Tagalog-CALABARZON (IV-A)	6.54	0.21
6	Southern Tagalog-MIMAROPA (IV-B)	6.53	-0.01
7	Bicol Region (V)	0.56	13.03
8	Western Visayas (VI)	7.09	-4.33
9	Central Visayas (VII)	35.83	-11.10
10	Eastern Visayas (VIII)	7.58	7.00
11	Zamboanga Peninsula (IX)	12.32	-3.66
12	Northern Mindanao (X)	4.71	-9.33
13	Davao Region (XI)	5.88	-3.35
14	SOCCSKSARGEN (XII)	11.65	-5.46
15	Caraga	8.21	1.05
16	ARMM	50.96	1.98

Source: National Statistics Coordinating Board

- Palay production posted an 8 percent growth in the first semester 2006, a reversal of the 0.1 percent drop recorded a year ago. This reflected the growth across all regions, except in Central Luzon. Strong increases were recorded in ARMM (51.0 percent); Central Visayas (35.8 percent); CAR (14.5 percent); and Cagayan Valley (13.1). Maguindanao, which accounted for three-fourths of total palay harvests in ARMM, recorded a robust 75.5 percent hike.³ Bohol led the expansion in Central Visayas with a 43.4 percent growth. Kalinga, which had the highest production in CAR, posted an upturn of 28.3 percent. In Cagayan Valley, Isabela recorded the highest increase of 31 percent.

- Hefty palay production was attributed to the following:

- ✓ Favorable weather conditions such as the early onset of rainfall;
- ✓ Use and timely availability of hybrid seeds, such as those distributed under the Ginintuang Masaganang Ani Program (GMA) of the Government (Cagayan Valley, Central Visayas, ARMM-Maguindanao, CAR-Kalinga, Apayao and Benguet, CALABARZON, MIMAROPA, Region VII, Region VIII, Region IX);⁴
- ✓ Yield-boosting interventions such as the use of potash zinc sulfate and BIO-N (Cagayan Valley);
- ✓ Ample water supply due to sufficient rainfall and irrigation water (ARMM, Cagayan Valley, Bicol Region, Western Visayas);
- ✓ Timely release of funds to promote agricultural production (ARMM);
- ✓ Deployment of pest monitoring teams (Western Visayas);
- ✓ Increased usage of fertilizers (CALABARZON);and
- ✓ Expansion in area planted/harvested (CAR, Zamboanga Peninsula).

³ ARMM - Autonomous Region in Muslim Mindanao

⁴ CALABARZON - Provinces of Cavite, Laguna, Batangas, Rizal and Quezon; MIMAROPA - Provinces of Mindoro, Marinduque, Romblon and Palawan

Corn production posts a positive turnaround

Region	1 st sem 2006	1 st sem 2005
PHILIPPINES	31.99	-15.51
1 CAR	33.02	6.98
2 Ilocos Region (I)	7.06	35.23
3 Cagayan Valley (II)	76.07	-50.88
4 Central Luzon (III)	0.47	18.06
5 Southern Tagalog-CALABARZON (IV-A)	3.15	48.01
6 Southern Tagalog-MIMAROPA (IV-B)	22.85	27.75
7 Bicol Region (V)	37.76	39.01
8 Western Visayas (VI)	30.84	70.77
9 Central Visayas (VII)	19.93	-12.70
10 Eastern Visayas (VIII)	15.38	10.72
11 Zamboanga Peninsula (IX)	12.73	-3.13
12 Northern Mindanao (X)	34.48	-25.74
13 Davao Region (XI)	12.37	12.77
14 SOCCSKSARGEN (XII)	73.69	-25.31
15 Caraga	-78.49	23.05
16 ARMM	16.96	-15.25

Source: National Statistics Coordinating Board

- The mild decline in palay production in Central Luzon was traced to insufficient capital of farmers and the high cost of farm inputs such as fertilizers. Central Luzon is the second largest producer of rice next to Cagayan Valley.
- Corn production also recovered significantly from the contraction recorded in the previous year. Corn harvests grew by 32 percent in the first half of 2006, a reversal of the 15.5 percent decline posted a year ago. Most regions, with the exception of Caraga, increased their corn production. The fastest growing regions were Cagayan Valley (76.1 percent) and SOCCSKSARGEN (73.7 percent).⁵ The following factors contributed to the increase in corn production:
 - ✓ Improved weather conditions. Adequate rainfall added more planting cycles (Western Visayas) and encouraged farmers to plant uncultivated areas (SOCCSKSARGEN);
 - ✓ Increase in area harvested (CAR-Kalinga, Cagayan Valley, MIMAROPA);
 - ✓ Use of *Bacillus thuringiensis* (BT) corn variety and other good quality seeds (CAR, MIMAROPA, Eastern Visayas, Zamboanga Peninsula, Northern Mindanao);⁶
 - ✓ Release of ₱6 million worth of government assistance (Cagayan Valley);
 - ✓ Seed and fertilizer subsidies from local government units (LGUs), the GMA program, and other private institutions (CALABARZON);
 - ✓ Use of organic fertilizers (Northern Mindanao);
 - ✓ Minimal infestation of pests and diseases (Northern Mindanao);
 - ✓ Continued implementation of the government's Corn Cluster Program (Bicol);⁷ and
 - ✓ Increase in demand for green corn (Bicol) and feeds (Western Visayas).

⁵ SOCCSKSARGEN - South Cotabato, Cotabato, Sultan Kudarat, Sarangani, and General Santos City

⁶ *Bacillus thuringiensis* (Bt) corn kills corn borer larvae after taking only a few bites.

⁷ A typical farm cluster involves small farmholders and cooperatives within at least 400 hectares of contiguous corn lands with a cropping intensity of 200 percent, an adequate agricultural extension service and commitment of the local government unit to implement the government's agricultural programs.

Abaca production increases due to higher demand and international prices

- In the Bicol Region, abaca production grew by 2.9 percent in the first semester 2006. The increase in abaca output was a response to the increase in demand and the favorable prices for abaca fibers in the local and international markets. Catanduanes remained the largest abaca producer, accounting for 79.2 percent of abaca production.

Livestock, Poultry and Fishery

Livestock and Poultry

Cattle and chicken production contracts, while hog production increases

- Cattle production fell 2.6 percent in the first half of 2006 as a result of the decrease in production in large cattle-producing areas in Ilocos Region (6.7 percent), Central Visayas (11.4 percent), and Western Visayas (7.7 percent). This was, however, an improvement from the 3.7 percent decline recorded in the same period last year. Some farmers opted not to sell their livestock in anticipation of higher future prices (Central Luzon). Average farmgate prices of cattle has been on an uptrend—from ₱54.14 in 2004 to ₱63.57 in 2005 and ₱66.27 in 2006.
- Chicken production contracted by 2.5 percent, a reversal of the 4.2 percent increase in the previous year. This was due to the large declines in chicken production in Cagayan Valley (22.0 percent), Bicol Region (15.9 percent), and MIMAROPA (12.4 percent). The contraction was largely due to production-related concerns such as possible avian flu contamination, as well as typhoons that brought about excessive rainfall in some parts of the country. The increase in production of native chicken failed to offset the decrease in the production of commercial chicken. Some commercial farms were closed temporarily due to high production costs (Cagayan Valley). Swift Corporation, which produces and sells poultry products, closed down its dressing plant but maintained its poultry raising operations in Capiz. In addition, there was a reduction in the supply of one-day old chicks especially broilers (Central Visayas).

Region	1 st sem 2006	1 st sem 2005
PHILIPPINES	-2.61	-3.72
1 CAR	-5.47	-12.15
2 Ilocos Region (I)	-6.66	-5.73
3 Cagayan Valley (II)	-8.70	-4.83
4 Central Luzon (III)	-7.13	0.58
5 Southern Tagalog-CALABARZON (IV-A)	6.84	2.08
6 Southern Tagalog-MIMAROPA (IV-B)	3.97	4.74
7 Bicol Region (V)	-1.30	-9.21
8 Western Visayas (VI)	-7.71	-9.80
9 Central Visayas (VII)	-11.36	-5.47
10 Eastern Visayas (VIII)	5.74	2.92
11 Zamboanga Peninsula (IX)	4.00	-1.77
12 Northern Mindanao (X)	5.82	1.07
13 Davao Region (XI)	-5.47	2.97
14 SOCCSKSARGEN (XII)	-8.58	-3.01
15 Caraga	-2.27	0.81
16 ARMM	10.82	-18.00

Source: National Statistics Coordinating Board

Region	1 st sem 2006	1 st sem 2005
PHILIPPINES	-2.54	4.21
1 CAR	1.84	-3.18
2 Ilocos Region (I)	9.51	12.40
3 Cagayan Valley (II)	-22.04	-8.70
4 Central Luzon (III)	0.29	0.81
5 Southern Tagalog-CALABARZON (IV-A)	-0.64	6.71
6 Southern Tagalog-MIMAROPA (IV-B)	-12.44	7.77
7 Bicol Region (V)	-15.87	-3.32
8 Western Visayas (VI)	-1.36	7.36
9 Central Visayas (VII)	-11.88	9.58
10 Eastern Visayas (VIII)	-9.39	1.67
11 Zamboanga Peninsula (IX)	-5.51	7.09
12 Northern Mindanao (X)	8.04	14.01
13 Davao Region (XI)	-1.12	5.99
14 SOCCSKSARGEN (XII)	-4.56	9.16
15 Caraga	-3.71	3.19
16 ARMM	-8.22	4.59

Source: National Statistics Coordinating Board

Swine Production, in metric tons (liveweight)			
Growth Rate in Percent, y-o-y			
Region		1 st sem 2006	1 st sem 2005
	PHILIPPINES	4.14	1.85
1	CAR	4.96	-3.02
2	Ilocos Region (I)	-3.98	-4.40
3	Cagayan Valley (II)	-5.74	-2.87
4	Central Luzon (III)	5.53	2.55
5	Southern Tagalog-CALABARZON (IV-A)	15.82	4.68
6	Southern Tagalog-MIMAROPA (IV-B)	3.65	-0.14
7	Bicol Region (V)	17.23	1.97
8	Western Visayas (VI)	8.32	2.84
9	Central Visayas (VII)	-6.14	3.35
10	Eastern Visayas (VIII)	6.16	0.90
11	Zamboanga Peninsula (IX)	2.40	-3.12
12	Northern Mindanao (X)	2.99	2.93
13	Davao Region (XI)	-4.86	6.59
14	SOCCSKSARGEN (XII)	0.34	5.59
15	Caraga	0.66	-2.12
16	ARMM	16.81	6.45

Source: National Statistics Coordinating Board

(15.8 percent), and Western Visayas (18.3 percent) contributed to the stronger growth in hog production. The increase in hog production was traced to the higher use of breeds and government financial and technical assistance to swine raisers. The hog industry is the country's second principal industry after palay, and accounts for 79 percent of total livestock production.

- Major swine producing regions are Central Luzon and CALABARZON, which together accounted for 29.7 percent of hog production. The increase in swine production in Central Luzon was attributed largely to favorable weather conditions that resulted to lower production losses, while that of CALABARZON was due to the increase in the inventory of fatteners.

Fishery

Fishery production driven by growth in aquaculture

Total Fish Production (in metric tons)			
Region		1 st Sem 2006	1 st Sem 2005
	PHILIPPINES	8.11	5.06
1	NCR	-39.99	-14.85
2	CAR	25.05	-2.65
3	Ilocos Region (I)	24.83	14.46
4	Cagayan Valley (II)	17.12	2.97
5	Central Luzon (III)	21.03	5.25
6	Southern Tagalog-CALABARZON (IV-A)	17.21	-4.32
7	Southern Tagalog-MIMAROPA (IV-B)	48.63	-4.93
8	Bicol Region (V)	4.01	25.52
9	Western Visayas (VI)	2.21	1.82
10	Central Visayas (VII)	-17.25	22.11
11	Eastern Visayas (VIII)	19.03	21.95
12	Zamboanga Peninsula (IX)	-8.14	17.64
13	Northern Mindanao (X)	8.30	-11.63
14	Davao Region (XI)	5.87	-3.70
15	SOCCSKSARGEN (XII)	23.74	-16.01
16	ARMM	9.97	8.08
17	Caraga	4.78	1.08

Source: Bureau of Agricultural Statistics (BAS), Department of Agriculture

- The fishery subsector posted a stronger increase of 8.1 percent compared to 5.1 percent in the same semester in the previous year. The main source of growth was aquaculture which grew by 12.9 percent. Hefty increases were recorded in MIMAROPA (48.6 percent), CAR (25.1 percent), Ilocos Region (24.8 percent), SOCCSKSARGEN (23.7 percent), Eastern Visayas (22 percent), Central Luzon (19.0 percent) and CALABARZON (17.2 percent).

- Among the other factors cited for the growth of the fishery subsector were:

- ✓ Increase in production of seaweeds due to the free propagules⁸ or planting materials distributed to the farmers through the Bureau of Fisheries and Aquatic Resource's (BFAR) rehabilitation and dispersal program (MIMAROPA, Zamboanga Peninsula, Bicol, ARMM);
- ✓ Distribution of fishing gears to fishermen (Mindoro Oriental and Palawan in MIMAROPA);
- ✓ Area expansion (Zambales in Central Luzon);
- ✓ New areas developed (Biliran, Leyte, Samar in Eastern Visayas); and

⁸ Vegetative portions of a plant, such as a bud or other offshoot, that aids in dispersal of the species.

- ✓ High stocking rate for milkfish due to availability of fingerlings (Ilocos Sur, La Union and Pangasinan in the Ilocos Region).
- In the Ilocos Region, the following additional factors buoyed the fishing industry:
 - ✓ Additional commercial fish landing centers in Pangasinan;
 - ✓ Increased number of marine pens and cages in Pangasinan and La Union;
 - ✓ Additional gears like small beach seine in Pangasinan;
 - ✓ More fish shelters set in inland waters; and
 - ✓ New operational fishing vessels in Ilocos Sur.
- Fishery production in Pangasinan, which accounts for 71.3 percent of the region's fish production, grew at a high rate of 32.4 percent. Other provinces also posted strong growths: Ilocos Sur (3.8 percent); La Union (6.7 percent); and Ilocos Norte (6.6 percent).

Construction

Construction activity remains anemic due to increased cost of labor, construction materials, and housing lots

Region	1 st sem 2006	1 st sem 2005
PHILIPPINES	-4.88	-0.32
1 NCR	27.99	-0.49
2 CAR	-21.27	-10.72
3 Ilocos Region (I)	22.85	-15.96
4 Cagayan Valley (II)	15.55	-33.83
5 Central Luzon (III)	13.77	-4.87
6 Southern Tagalog-CALABARZON (IV-A)	-5.52	5.42
7 Southern Tagalog-MIMAROPA (IV-B)	-66.79	135.87
8 Bicol Region (V)	-26.12	20.44
9 Western Visayas (VI)	-27.83	-3.09
10 Central Visayas (VII)	-28.46	21.78
11 Eastern Visayas (VIII)	-5.00	-3.23
12 Zamboanga Peninsula (IX)	5.05	-66.07
13 Northern Mindanao (X)	-30.53	-9.39
14 Davao Region (XI)	7.76	-9.81
15 SOCCSKSARGEN (XII)	1.93	-20.14
16 Caraga	-36.24	24.34
17 ARMM	-75.12	301.92

- Construction activity remained weak as reflected by the drop in building permits and housing starts. A decline in building permits and residential construction was observed in many of regions (10 regions for building permits and 11 for housing starts). The decline in overall construction activity stemmed mainly from the drop in the number of building permits and residential start ups in the CALABARZON area. CALABARZON accounted for 22.3 percent and 26.6 percent of total permits and residential constructions started, respectively. Cavite and Laguna, which are considered residential hubs in the said region, registered declines in residential building construction.
- The decline in building permits and residential construction in CALABARZON and other regions was attributed mainly to the decrease in demand for housing units and to the higher cost of labor and construction materials. In Western Visayas, the decline in construction activity by 28.5 percent was also traced to the rise in the cost of residential lots.
- While most regions posted declines in construction activity, NCR, Ilocos Region,

Region	1 st sem 2006	1 st sem 2005
PHILIPPINES	-8.38	0.49
1 NCR	9.21	1.05
2 CAR	-24.36	1.29
3 Ilocos Region (I)	16.54	-12.91
4 Cagayan Valley (II)	-0.54	-34.99
5 Central Luzon (III)	10.29	-11.20
6 Southern Tagalog-CALABARZON (IV-A)	-2.47	6.90
7 Southern Tagalog-MIMAROPA (IV-B)	-75.48	180.30
8 Bicol Region (V)	-33.00	37.26
9 Western Visayas (VI)	-30.73	-10.45
10 Central Visayas (VII)	-31.76	28.89
11 Eastern Visayas (VIII)	9.76	-16.78
12 Zamboanga Peninsula (IX)	-12.50	-66.12
13 Northern Mindanao (X)	-16.21	-12.46
14 Davao Region (XI)	3.45	-9.55
15 SOCCSKSARGEN (XII)	0.56	-20.18
16 ARMM	-81.48	88.37
17 Caraga	-41.88	40.96

Cagayan Valley and Central Luzon recorded increases in building permits of more than 10 percent. Building permits rose at a rapid pace due to the growing real estate industry and the low-cost housing units offered by subdivision developers and real estate companies (Cagayan Valley). In terms of actual residential construction started, high growth rates were noted in Ilocos Region (16.5 percent), Central Luzon (10.3 percent), Eastern Visayas (9.8 percent), and NCR (9.2 percent).

Tourism

Hotel Occupancy

Hotel occupancy rises due to better infrastructure and improved peace and order

Region	2006 (Jan-Mar)	2005 (Jan-Mar)	Growth rate
PHILIPPINES	65.95	59.67	10.51
1 NCR	75.55	71.86	5.13
2 CAR	31.83	23.04	38.16
3 Ilocos Region (I)	42.97	49.46	-13.12
4 Cagayan Valley (II)	54.43	52.34	4.00
5 Central Luzon (III)	61.66	57.44	7.35
6 Southern Luzon (IV)	49.70	58.49	-15.03
7 Bicol Region (V)	34.56	25.26	36.84
8 Western Visayas (VI)	-	54.32	-
9 Central Visayas (VII)	74.26	71.65	3.65
10 Eastern Visayas (VIII)	26.72	34.09	-21.61
11 Zamboanga Peninsula (IX)	39.88	37.10	7.48
12 Northern Mindanao (X)	-	-	-
13 Davao Region (XI)	64.55	65.65	-1.67
14 SOCCSKSARGEN (XII)	57.72	56.03	3.01
15 Caraga	33.76	34.35	-1.70

Source: DOT Regional Offices

- Tourism activity posted a strong growth in the first quarter of 2006 as indicated by the 10.5 percent increase in hotel occupancy rate.
- Hotel occupancy rates showed a significant upturn in CAR (38.2 percent) and the Bicol Region (36.8 percent). The higher hotel occupancy in CAR was traced to the increase in domestic tourists and balikbayans. Hotel occupancy rate in the Bicol area also rose dramatically with the hosting by Camarines Sur of the Palarong Pambasa in May 2006. Camarines Sur's tourist arrivals surged by 88.6 percent. Moreover, the Kaogma Festival in Naga City and the opening of the Cable Park at the Capitol Complex in Pili attracted tourists in the the Bicol Region.
- Meanwhile, the rise in the hotel occupancy rate in Central Luzon was traced to the upbeat tourism industry on account of:
 - ✓ Strong government-private sector partnership to pump-prime the Diosdado Macapagal International Airport in Clark as the international gateway to the islands of Luzon and to ASEAN countries;
 - ✓ Continuing support of the budget airlines operating at the Diosdado Macapagal International Airport;
 - ✓ Increase in the number of domestic and international flights;
 - ✓ Packaging of Central Luzon as a tourism hub as part of the joint efforts of the Regional Development Council, Department of Tourism, Clark Development

Corporation, and Subic Bay Metropolitan Authority starting in 2005 to help spur tourism in the region.

Banking

NCR has more banks to service its population

Region	Sep 2006	Sep 2005
PHILIPPINES	11,337	11,027
1 NCR	4,131	4,234
2 CAR	14,232	14,118
3 Ilocos Region (I)	12,577	11,868
4 Cagayan Valley (II)	13,892	14,036
5 Central Luzon (III)	11,557	10,702
6 Southern Tagalog-CALABARZON (IV-A)	9,298	8,678
7 Southern Tagalog-MIMAROPA (IV-B)	31,430	30,671
8 Bicol Region (V)	24,150	24,249
9 Western Visayas (VI)	15,969	15,812
10 Central Visayas (VII)	12,808	11,980
11 Eastern Visayas (VIII)	30,696	31,192
12 Zamboanga Peninsula (IX)	26,255	30,241
13 Northern Mindanao (X)	15,803	12,086
14 Davao Region (XI)	16,282	23,773
15 SOCCSKSARGEN (XII)	22,359	17,293
16 ARMM	124,091	90,664
17 Caraga	20,628	21,527

Source: Supervisory Data Center, SES-BSP

Region	2006 (June)	2005 (June)
PHILIPPINES	10.44	1.87
1 NCR	10.49	-0.71
2 CAR	22.99	-5.58
3 Ilocos Region (I)	5.62	6.44
4 Cagayan Valley (II)	9.38	7.45
5 Central Luzon (III)	9.88	8.12
6 Southern Tagalog-CALABARZON (IV-A)	9.24	8.71
7 Southern Tagalog-MIMAROPA (IV-B)	10.41	-28.51
8 Bicol Region (V)	11.38	6.67
9 Western Visayas (VI)	7.18	14.77
10 Central Visayas (VII)	12.72	9.86
11 Eastern Visayas (VIII)	12.70	4.92
12 Zamboanga Peninsula (IX)	12.01	3.60
13 Northern Mindanao (X)	7.92	8.54
14 Davao Region (XI)	11.36	10.75
15 SOCCSKSARGEN (XII)	12.90	10.98
16 ARMM	9.14	3.80
17 Caraga	15.24	1.87

Region	2006 (June)	2005 (June)
PHILIPPINES	2.18	9.16
1 NCR	1.70	10.28
2 CAR	5.72	10.63
3 Ilocos Region (I)	2.77	1.19
4 Cagayan Valley (II)	15.55	-1.00
5 Central Luzon (III)	2.91	13.98
6 Southern Tagalog-CALABARZON (IV-A)	7.06	-3.36
7 Southern Tagalog-MIMAROPA (IV-B)	3.28	-46.77
8 Bicol Region (V)	10.62	7.39
9 Western Visayas (VI)	-2.67	10.51
10 Central Visayas (VII)	10.38	-2.14
11 Eastern Visayas (VIII)	18.80	0.77
12 Zamboanga Peninsula (IX)	11.97	6.30
13 Northern Mindanao (X)	5.42	-6.58
14 Davao Region (XI)	3.33	-7.56
15 SOCCSKSARGEN (XII)	7.24	4.63
16 ARMM	-39.30	49.58
17 Caraga	8.01	-8.39

- The concentration of banks in NCR was reflected in its density ratio of 4,131 persons served per bank versus the national average of 11,337 persons per bank as of September 2006. Next to NCR, banks chose to locate their branches and offices in CALABARZON and Central Luzon, resulting in density ratios of 9,298 and 10,428 persons per bank, respectively.
- High growth rates in deposits were posted in CAR (23.0 percent), Central Mindanao (12.9 percent), Central Visayas (12.7 percent), Eastern Visayas (12.7 percent), and Western Mindanao (12.0 percent) as of June 2006. Of these regions with high deposits rates, Eastern Visayas, Western Mindanao, Central Visayas, and the Bicol Region were able to record equally high loan growth rates ranging from 10 to more than 18 percent.
- Banks in the Eastern Visayas, Cagayan Valley, Western Mindanao, and Central Visayas enjoyed strong loan growth of 18.8 percent, 15.6 percent, 11.9 percent, and 10.4 percent, respectively. These growth rates were way above the national average growth in loans of 2.2 percent, reflecting brisk lending activity in these parts of the country. The overall growth in loans was weighed down by the modest 1.7 percent growth in credit in NCR, which accounted for close to 90 percent of total loans outstanding.
- The NCR, which accounted for about 90 percent of loans of the banking sector, topped the loans-to-deposit ratio at 87.7 percent followed by Northern Mindanao with 40.5 percent and Cagayan Valley with 38.8 percent, indicating the extent banks are able to channel deposits to lending activities. It may be noted that with the sharp slowdown in loans extended from 10.3 percent in the first semester of 2005 to 1.7 percent in the same period in 2006, the loans-to-deposit ratio in NCR decreased from 95.3 percent to 87.7 percent during the same period.

Region	2006 (June)	2005 (June)
PHILIPPINES	67.48	72.94
1 NCR	87.73	95.31
2 CAR	11.72	13.63
3 Ilocos Region (I)	18.12	18.62
4 Cagayan Valley (II)	38.76	36.69
5 Central Luzon (III)	23.91	25.53
6 Southern Tagalog-CALABARZON (IV-A)	16.29	16.62
7 Southern Tagalog-MIMAROPA (IV-B)	28.60	30.57
8 Bicol Region (V)	35.27	35.51
9 Western Visayas (VI)	19.93	21.95
10 Central Visayas (VII)	26.28	26.84
11 Eastern Visayas (VIII)	22.28	21.14
12 Zamboanga Peninsula (IX)	21.61	21.62
13 Northern Mindanao (X)	40.49	41.46
14 Davao Region (XI)	26.80	28.88
15 SOCCSKSARGEN (XII)	31.83	33.50
16 ARMM	20.13	36.19
17 Caraga	35.63	38.01

Inflation

Lower oil prices, a stronger peso, and stable food prices push inflation down

Region	2007 (Jan-Feb)	2006 (Jan-Feb)
PHILIPPINES	3.2	7.2
1 NCR	3.2	8.0
2 CAR	2.0	7.3
3 Ilocos Region (I)	3.0	8.1
4 Cagayan Valley (II)	3.6	6.9
5 Central Luzon (III)	2.7	6.1
6 Southern Tagalog-CALABARZON (IV-A)	3.2	6.7
7 Southern Tagalog-MIMAROPA (IV-B)	3.6	7.2
8 Bicol Region (V)	3.9	6.5
9 Western Visayas (VI)	2.7	6.2
10 Central Visayas (VII)	2.9	6.9
11 Eastern Visayas (VIII)	3.7	6.9
12 Zamboanga Peninsula (IX)	3.6	7.2
13 Northern Mindanao (X)	4.2	7.1
14 Davao Region (XI)	3.3	7.1
15 SOCCSKSARGEN (XII)	3.1	6.1
16 ARMM	5.2	9.5
17 Caraga	2.6	7.2

- Inflation rates across most regions declined markedly in the first two months of 2007 as compared to the same period last year. The downtrend was pronounced in CAR (from 7.3 to 2.0 percent), CARAGA (from 7.2 to 2.6 percent), Western Visayas (from 6.2 to 2.7 percent), and Central Luzon (from 6.1 to 2.7 percent). The downtrend in inflation was driven by the lower oil prices, a stronger peso and stable food prices.
- ARMM posted a much higher inflation rate of 5.2 percent than the national average of 3.2 percent, as all commodity groups registered above-average increases. Inflation was also above the national average in Northern Mindanao due mainly to higher price increases posted for food, beverages and tobacco (FBT), utilities and services.

Employment

High employment rates posted in Zamboanga Peninsula, Cagayan Valley, and MIMAROPA

Region	Employment	Unemployment
NCR	85.3	14.7
CAR	95.3	4.7
Ilocos Region (I)	93.0	7.0
Cagayan Valley (II)	97.1	2.9
Central Luzon (III)	91.0	9.0
CALABARZON (IV-A)	90.8	9.2
MIMAROPA (IV-B)	96.7	3.3
Bicol Region (V)	94.9	5.1
Western Visayas (VI)	93.9	6.1
Central Visayas (VII)	92.5	7.5
Eastern Visayas (VIII)	95.3	4.7
Zamboanga Peninsula (IX)	97.2	2.8
Northern Mindanao (X)	94.9	5.1
Davao Region (XI)	94.5	5.5
SOCCSKSARGEN (XII)	95.3	4.7
Caraga	96.3	3.7
ARMM	96.0	4.0

Source: National Statistics Office, Labor Force Survey

- Employment rates were highest in Zamboanga Peninsula (97.2 percent), Cagayan Valley (97.1 percent) and MIMAROPA (96.7 percent). The growth in employment was attributed to the influx of investments (CALABARZON) and jobs improvement in the agricultural sector (MIMAROPA). The NCR recorded the lowest rate of employment at 85.3 percent.
- Cases of closures and retrenchment in the Bicol Region were reported. Thirteen establishments reported permanent closures, displacing 45 workers in the region. Majority of these establishments (7) and workers displaced (31) came from the province of Camarines Sur. Albay reported six (6) establishments closed, displacing 14 workers.

For this semester, only these two provinces reported cases of closures and retrenchment.

- By industry group, the most number of workers displaced in the Bicol region came from the services sector (44 workers). In particular, 18 came from the finance, insurance, and real estate, 14 from the transportation, communication and storage, and 12 from wholesale/retail trade sub-sectors.

Demand and Supply Conditions

Aggregate supply and demand indicators point to an upturn

- Selected indicators, in particular those related to aggregate supply, showed robust growth in agriculture and tourism but a modest increase in banking. Demand indicators showed mixed trends, with inflation and employment recording a marked slowdown.
- In the agriculture sector, major crop production showed a positive turnaround on the back of favorable weather conditions and sustained use of hybrid seeds, fertilizers and pesticides. Meanwhile, cattle and chicken production, except for pork, registered a decline. The decline in cattle was due to the decrease in demand while chicken production contracted on account of the avian-flu scare. Hog raising was buoyed by the increase in inventory of fatteners.
- In industry, construction remained sluggish in most regions as shown by the decline in building permits and housing starts due to high costs of labor, construction materials, and housing lots.
- The performance of indicators in the services sector showed a drop in hotel occupancy rate and weak lending activity in the banking system despite the hefty increase in deposits.
- Financial market conditions remained subdued as reflected by the modest 2.2 percent increase in credit due to the 1.7 percent growth of loans in NCR, which accounts for close to 90 percent of loans of the banking system. In contrast, savings mobilization grew at a faster rate (10.4 percent from 1.9 percent), with 10 regions attaining double-digit increases in their deposit growth rates.
- Loan utilization as a percent of total deposits remained below 50 percent, except in the NCR which posted an 87.7 percent loans-to-deposit ratio.
- Demand indicators showed signs of modest improvement as unemployment fell to 7.3 percent in October 2006 from 7.4 percent in October 2005. Ten of the 17 regions registered lower unemployment rates.

- Average inflation fell dramatically from 3.2 percent in January to February from 7.2 percent a year ago, due to lower oil prices, a stronger peso, and stable food prices. Four regions recorded as much as 340-530 basis points reduction in their inflation rates.

Opportunities and Challenges

- Several projects and investments in the major sectors of the economy are being implemented, which are expected to spur economic activity in the regions. These include the improvement of irrigation systems to boost agricultural production, establishment of aquaculture technoparks, implementation of government infrastructure programs, and construction of tourism-related projects such as hotels, resorts and amusement parks.
- On the other hand, a number of challenges could slowdown growth in the regions. Among these challenges slack in investments, especially in infrastructure and issues of peace and order in several areas.

BSP Regional Offices and Branches

Region	BSP Regional Offices/Branches	Provinces
CAR (Cordillera Administrative Region)		Abra, Benguet, Ifugao, Kalinga Apayao, and Mountain Province
Region I - Ilocos Region	La Union Regional Office, Batac, and Dagupan Branches	Ilocos Norte/Sur, La Union, and Pangasinan
Region II - Cagayan Valley	Tuguegarao Branch	Batanes, Cagayan, Isabela, Nueva Vizcaya, and Quirino
Region III - Central Luzon	Cabanatuan and Angeles Branches	Aurora, Tarlac, Pampanga, Zambales, Bataan, Nueva Ecija, and Bulacan
Region IV A - CALABARZON (Cavite, Laguna, Batangas, Rizal, and Quezon)	Lucena Branch	Cavite, Laguna, Batangas, Rizal, and Quezon
Region IV-B MIMAROPA (Mindoro, Marinduque, Romblon, and Palawan)		Occidental/ Oriental Mindoro, Marinduque, Palawan, and Romblon
Region V - Bicol Region	Naga and Legazpi Branches	Camarines Norte/Sur Albay, Masbate, Sorsogon, and Catanduanes
Region VI - Western Visayas	Bacolod, Iloilo, and Kalibo Branches	Negros Occidental, Iloilo, Antique, Guimaras, Palawan ⁹ , Aklan, and Capiz
Region VII - Central	Cebu Regional	Bohol, Cebu, Negros Oriental,

⁹ Implementation of Executive Order transferring Palawan to Region VI has been deferred. This province will be included in the report of Region VI once the deferment is lifted.

Region	BSP Regional Offices/Branches	Provinces
Visayas	Office and Dumaguete Branch	and Siquijor
Region VIII - Eastern Visayas	Tacloban Branch	Leyte, Southern Leyte, Biliran, Eastern/ Northern Samar, and Samar
Region IX - Zamboanga Peninsula	Zamboanga Branch	Zamboanga Sibugay, Zamboanga del Norte/del Sur, Zamboanga City (Zamboanga Peninsula), and Isabela City (Basilan Province)
Region X - Northern Mindanao	Cagayan de Oro and Ozamiz Branches	Bukidnon, Camiguin, Misamis Oriental, Misamis Occidental, and Lanao del Norte
Region XI - Davao Region	Davao Regional Office	Davao City, Davao del Norte/Sur, Davao Oriental, and Compostela Valley
Region XII - Central Mindanao and SOCKKSARGEN (South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos City)	General Santos and Cotabato Branches	North Cotabato, South Cotabato, Sultan Kudarat Province, Sarangani, and the cities of Cotabato, General Santos, Kidapawan, Koronadal, and Tacurong
Region XIII - Caraga		Agusan del Norte/Sur and Surigao del Norte/Sur
ARMM (Autonomous Region in Muslim Mindanao)		Basilan, Lanao del Sur, Sulu and Tawi-Tawi, and Maguindanao Province

Annex B

OPPORTUNITIES AND CHALLENGES BY REGION

Region	Agriculture, Fishery and Forestry	Industry/Services/General
<i>Opportunities</i>		
NCR		<ul style="list-style-type: none"> • Based on the results of the First Quarter 2007 Business Expectations Survey (BES), the overall business confidence index in the NCR was more bullish as it rose to 30.6 percent for the quarter, 13.3 percent higher compared with the first quarter 2006 index. • The Department of Trade and Industry (DTI) reported the commencement of construction in the first semester of 2006 of the \$530 million Northrail line running along Caloocan City in Metro Manila to as far as the Diosdado Macapagal International Airport (DMIA) in Clark, Pampanga. • The North Luzon Railways Corp. invited mall operators to establish malls to serve as train terminals for its railway system. Malls that will serve as terminals for the train system could benefit from the projected 164,743 passengers that Northrail estimates to transport daily once it starts operations. The Ayala Group and the SM Group have expressed interest to put up malls in some areas that are designated for Northrail terminals. • The Department of Transportation and Communications (DOTC) plans to build a \$300M railway that will interconnect four existing railways in Metro Manila and

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		the planned \$1.3 billion Metro Rail Transit 7 (MRT-7).
<p>CAR</p>	<ul style="list-style-type: none"> • The Department of Agriculture (DA) is distributing some ₱8.65 million in rice seeds and applying other farm interventions to assist rice farmers. About ₱5 million is intended for hybrid-rice subsidy while ₱3.65 million will go to various rice production interventions like the use of organic fertilizer, muriate of potash, Bio-N, and zinc. These intervention programs of the DA are expected to increase rice harvests in the region. • In response to the growing demand for organic products not only in the Philippines but elsewhere in the world, the province of Benguet has decided to shift to organic farming. However, it could take 5 to 10 years before the province can go 100 percent organic because there is still a need to eliminate the toxic remnants of the soil brought about by the heavy use of chemicals like commercial fertilizers and pesticides. Also, switching to organic farming is quite expensive and it might take some time to encourage all farmers to go fully organic. 	<ul style="list-style-type: none"> • The Aritao-Baguio stretch of Nueva Viscaya-Benguet road was formally opened to the public in January 2007. The project is part of the present administration’s vision of connecting the regions of Cagayan Valley and the Cordillera into the North Luzon Super Region. The highway is expected to boost the economic development of those provinces through the creation of “super regions”. • A tramline will be established traversing Bakun and Buguias (Benguet), which is expected to be enjoyed by locals and tourists alike. The Department of Agrarian Reform (DAR) announced the approval of the ₱3.15 million fund for the construction of the tramline-cum-cable car that will traverse Sinipsip-Ampusongan road. The introduction of the tramline and cable car would spur development without destroying the environment, highlighting the thrust in agri-ecotourism in the municipality. • To spur tourism investment opportunities in the province of Ifugao, the provincial tourism office joined the North Philippines International Tourism Fair last Nov. 24-26 at the SM City in Clark, Pampanga. Ifugao attractions extend beyond the rice terraces. It boasts of forest-clad peaks, natural pools, cascading waterfalls, unexplored caves, unpolluted air and rivers, and cultural festivals. • Livelihood activities are expected to boom in Tinglayan, Kalinga after power was supplied in the remote barangay

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		of Loccong.
Ilocos Region	<ul style="list-style-type: none"> • The Universal Leaf Philippines Incorporated (ULPI), Asia's biggest tobacco re-drying and processing plant, opened last 27 May 2006 in Agoo, La Union. The plant will provide farmers with technical assistance, infrastructures, inputs, technology, and management. It will help the economy and improve the main industry of the province, which is tobacco. • The intensification of fingerling production, adoption of proven aquaculture technologies and conduct of development planning activities to maintain ecological balance in the coastal areas are expected to improve fisheries production in the region. • The construction of the Nueva Era (Ilocos Norte) dam and the rehabilitation of irrigation systems, small farm reservoirs, small water impounding projects and mini dams to help farmers during droughts, are expected to raise agricultural production in the province. 	<ul style="list-style-type: none"> • With an initial investment of ₱1.31 billion, a US company has started developing the Poro Point special economic and freeport zone in San Fernando City (La Union). Dubbed as "Fiesta Poro", the project would be a big boost to the tourism industry of La Union and the Ilocos region as a whole. The 65.5-hectare Fiesta Poro tourism complex will be developed in three phases within the next seven years. Once completed, Fiesta Poro is expected to create 5,000 to 10,000 jobs for residents of La Union and the entire Ilocos region. • The completion/inauguration of four bridges in Pangasinan, namely, the Tulong Bridge in Inamotan, Manaoag, Mitura Bridge in Urdaneta City, Lelemaan Bridge also in Manaoag and Domalandan Bridge in Lingayen is expected to facilitate economic activities in the region. • The construction of the "365 Center" under the VENVI Development Corporation in the town of San Nicolas, Ilocos Norte is expected to boost investment in the province, as well as provide employment to thousands of job-seekers. • The Ilocos Investment Summit conducted in October 2006 is expected to generate at least ₱5 billion in potential investments in the five key investment areas in Ilocos Norte. • Construction of the biggest infrastructure project in Dagupan City will soon start according to the Department

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>of Public Works and Highways. The ₱900 million-worth Pantal Bridge is expected to spur economic activities in the city.</p> <ul style="list-style-type: none"> • The Hundred Islands National Park in Alaminos, Pangasinan ranked third in an on-line survey conducted by the Asia Pacific Management Forum for "Best Place in Asia". The survey result can encourage more tourists to visit the place, thereby increasing economic activity in the province. • Tourist arrivals in the province of Ilocos Norte are expected to increase as a result of tourism promotion activities of the Provincial Tourism Office and the Department of Tourism Regional Sub-Office.
<p>Cagayan Valley</p>	<ul style="list-style-type: none"> • Agriculture, the foundation of the region's economy, is expected to lead in generating income with the implementation of various projects to boost agricultural production, such as the construction of 15 small water-impounding projects (SWIPs) in the various municipalities and the rehabilitation of irrigation systems. • The establishment and operation of the private ulang hatchery in Abulug, Cagayan is seen to boost ulang production in the region. Likewise, the establishment of the Municipal Bangus Satellite Hatchery in barangay Taggat in Claveria, Cagayan is expected to boost aquaculture production. 	<ul style="list-style-type: none"> • Investments in importation and trading of used motor vehicles will likely increase in the Cagayan Economic Zone Authority (CEZA) as the Supreme Court ruled to allow the Subic Bay Freeport in Zambales to continue its motor vehicle importations. This court ruling is expected to attract more investors. • The proposed construction of the five-hectare megamall and recreation center by the SM Prime Holdings, Inc. in Santiago City is seen to boost investments and trading in the area. The mall will also entice consumers/shoppers from the neighboring areas, and help spur growth in domestic tourism in the region. • More employment could be generated as the Department of Labor Region 2 intensifies its Program of Rural

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<ul style="list-style-type: none"> Owing to the development of three (3) more sources of potable water by the Metro Tuguegarao Water District (MTWD), an increase in current water charges will be unlikely. 	<p>Employment through Self-employment and Entrepreneurship Development (PRESEED). Under the said program, beneficiaries will be required to take social preparation and entrepreneurship development seminar and skills training on top of the capital fund given to them for their livelihood projects. The program aims to create job opportunities especially for rural women and help alleviate the incidence of poverty in the countryside.</p>
<p>Central Luzon</p>	<ul style="list-style-type: none"> With the availability of hybrid and inbred seeds coupled with the provision of efficient irrigation systems, palay production is expected to further improve in the first semester of 2007. It is estimated to exceed the 2006 performance by 7.8 percent. Harvest area is also expected to expand by 7.5 percent. Prospects for increased corn production also look bright for the first quarter of 2007 as farmers intensify their corn production activities given the support coming from both the government and private sectors and expectations of better market prices for corn. Thus, overall agricultural production is expected to increase by 13.6 percent in the first semester of 2007 from the first semester 2006 level of 1.53 million metric tons. The expected gains from harvest by 12.5 percent will help drive up production. 	<ul style="list-style-type: none"> The government's infrastructure development projects (e.g., Subic-Clark-Tarlac Expressway that would link Sta. Rita, Bulacan to San Jose, Nueva Ecija), upgrading of Pan Philippine Highway, Port Orion Development Project in Bataan and Subic Bay Port Development Project for the year 2007 are expected to increase business activity in the industry sector. These development projects will immensely improve the region's accessibility thus stimulating investment inflow to the region. Moreover, the opening of Sutherland Global Services Philippines is expected to open opportunities for employment generation in the region. Sutherland Global Services is a business process outsourcing firm that provides consultation services, technology support services, account management services, technical support/help desk services, and back office processing for the operation of a call center. Tourism is expected to be bullish following the rise in investments for the construction of hotels, resorts, recreation, amusement, entertainment, casino and other tourism-related projects in Clark Special Economic Zone. The BB International Leisure and Resort Development Corporation infused ₱2 billion in investments for these

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>purposes. Also, Transglobal Airways Corporation, a China-based cargo firm has signed a ₱41.3 million agreement with Clark Development Corporation for the establishment of its support facility for air passenger and cargo transport operations via Asia Pacific Region countries.</p> <ul style="list-style-type: none">• Provincial recreation centers, like parks, are being rehabilitated and improved in the province of Nueva Ecija to further boost tourism industry.

Region	Agriculture, Fishery and Forestry	Industry/Services/General
<p>CALABARZON</p>	<ul style="list-style-type: none"> • Farmers look forward to better harvest with the availability of hybrid seeds and continuous support from the rice and corn programs of the present government. • The Bureau of Fisheries and Aquatic Resources (BFAR), in partnership with the Laguna Lake Development Authority (LLDA), will establish an ornamental tropical freshwater aquaculture technopark in Laguna Lake. The proposed technopark, to be located in Barangay Bangyas, Calauan, Laguna, will be a one-stop show window for the breeding and commercial growing and marketing of ornamental fish. The park will include a one-hectare research and pilot demonstration facility. • Aggressive promotion of the One-Town-One-Product (OTOP) program will encourage the growth of micro, small-scale enterprises in the region. 	<ul style="list-style-type: none"> • In line with the National Government's plan to develop the country as a retirement haven, the Philippine Retirement Authority signed a Memorandum of Agreement (MOA) with the Korean firm Sehyun Development for a joint venture with the Puyat family to develop Silvertown in Nasugbu, Batangas. • An Israeli company, Africa-Israel Investments Philippines, Inc. (AIPI) has partnered with the Filinvest Land, Inc. to develop a 613-hectare master planned township in San Mateo, Rizal. AIPI will initially be investing ₱380 million, plus an additional ₱2.0 billion over the next five years. • The DMC Urban Property Developers, Inc. will be undertaking a ₱50-million mass housing project in Carmona, Cavite contributing to the growth of construction activity in the area. • There is a proposal to redevelop the Fernando Air Base in Batangas as an international airport and economic zone. Specifically, House Bill 5649 seeks the creation of the CALABARZON International Airport, which will act as a subsidiary airport to the Ninoy Aquino International Airport (NAIA), and serve as a free trade zone. If approved, this bill will decongest NAIA and encourage more investments in CALABARZON. • There are several priority construction and road projects lined up in the region. These include the following: <ul style="list-style-type: none"> ✓ LRT Line 1 South Extension from Baclaran to Bacoor, Cavite;

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<ul style="list-style-type: none"> ✓ Lipa City-Alaminos-San Pablo City By-Pass Road; ✓ 122.37 KM Lucena City-Batangas City Coastal Road costing ₱1.2 Billion. The DPWH has started Phase I of the project covering the Talaan-Guisguis road section of the Quezon Ecotourism Road; and ✓ The Philippine Ports Authority has earmarked ₱247.4 million for the upgrade of Lucena port in the province of Quezon for the creation of a roll-on-roll-off port system to link Lucena City to Boac, Marinduque and other provinces.

Region	Agriculture, Fishery and Forestry	Industry/Services/General
<p>MIMAROPA</p>	<ul style="list-style-type: none"> Farmers look forward to better harvest with the availability of hybrid seeds and continuous support from the rice and corn programs of the present government. Aggressive promotion of the One-Town-One-Product (OTOP) program will also encourage the growth of micro, small-scale enterprises in the region. 	<ul style="list-style-type: none"> Australian firm Nido Petroleum Pty. Ltd. plans to invest \$36 million to develop oil and gas prospects in Northern Palawan over the next three years. Coral Bay is expected to invest \$285 million in its Palawan nickel mine over the next two years. The Department of Transportation and Communication (DOTC) is set to upgrade the airports in San Jose, Romblon and San Vicente and Balabac in Palawan within the next four years. The upgrade of Lucena port to link Quezon provinces to Boac, Marinduque through a roll-on-roll-off port system similar to Batangas-Mindoro RORO will boost trade and tourism in Marinduque. The Palawan government plans to construct a ₱2 billion medical tourism center in Puerto Princesa to promote the island as a tourism destination for health and wellness. The Palawan provincial government will soon sign a MOA with the Department of Health. Palawan and Romblon were included by President Arroyo in the Central Philippines mega region, which is envisioned to be the center for tourist development in the country.

Region	Agriculture, Fishery and Forestry	Industry/Services/General
<p>Bicol</p>		<ul style="list-style-type: none"> • Legazpi City's biggest shopping center is expanding its facilities to accommodate new merchants. With this development, big businesses such as fast food chains in Metro Manila are set to open their branches in this city. • Tourism in the region is expected to flourish with the opening of the cable park in Camarines Sur, which already hosted the first Philippine Cable Wakeboard National Tournament on 27 to 31 October 2006. The tournament is expected to attract some of the best cable wakeboarders in the country and will also showcase wakeboarders from USA and Australia.
<p>Western Visayas</p>		<ul style="list-style-type: none"> • The expected implementation of various projects focused on expanded productivity and competitiveness of agro-industrial enterprises and industries provide a favorable outlook on the continued economic growth of the region. These projects/opportunities include the following: <ul style="list-style-type: none"> ✓ Putting up of a ₱20 million food processing plant that will freeze tropical fruits for export; ✓ Construction of an ethanol plant in San Carlos City, to start early in 2007, with production of ethanol expected in early 2008; ✓ Development and promotion of Western Visayas as an alternative tourist destination to Boracay; ✓ Opening of SM City in Bacolod City; ✓ Opening of the airport in Cabatuan in early 2007, which could result in the development of the area from Iloilo to the said town; ✓ Implementation of the Iloilo Flood Control Project that will ease the flood damages suffered by Iloilo City

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		every year; and ✓ AGUMIL Phil. Inc, the biggest oil producer in Asia, is eyeing a defunct sugar mill and refinery in Iloilo as a proposed processing plant for palm oil production.
<p>Central Visayas</p>	<ul style="list-style-type: none"> • Prospects of increased yields in the agricultural sector look bright as the government gears towards intensifying the improvement of irrigation system, ensuring provision of post-production support, promoting the advocacy on the use of high-yielding rice and corn varieties and aiming for the adoption of sustainable farming technologies. 	
<p>Eastern Visayas</p>	<ul style="list-style-type: none"> • NEDA Region 8 has approved four agri-business-related projects for Eastern Visayas under the NEDA-KR2 Program which include the following: <ul style="list-style-type: none"> ✓ “Seaweed and Oyster Culture” of the local government of Capoocan, Leyte; ✓ “Baybay Delights: Developed Jackfruit Products” of the Leyte State University (LSU); ✓ “Probiotic White Cheese” of LSU; and ✓ “Eucheuma Production, Processing and Marketing” of the Eastern Samar State University (ESSU) 	<ul style="list-style-type: none"> • The following projects are being implemented in the Visayas region: <ul style="list-style-type: none"> ✓ Development of Eastern Visayas region as a medical transcription (MT) hub. ✓ Operation of two (2) new oil mills, one (1) decorticating plant and one (1) activated carbon plant. A big capacity decorticating plant is undergoing construction in Dagami, Leyte. This will add to the existing nine (9) plants in the region. It is expected to start its operation in the second quarter of 2007. This will boost the emerging industry on coconut fiber and peat in the region. ✓ Operation of a carbon plant in Ormoc City. This will also provide additional income to coconut farmers aside from their traditional income from copra.

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<ul style="list-style-type: none"> ✓ Drilling of one (1) confirmatory well of the PNOC-EDC in its 100 MW Southern Leyte Geothermal Project to confirm the actual capacity of the steam field for power generation. ✓ Implementation of the hydro power project in Bugtong, Calbayog City (1 MW at P194 Million). ✓ Operation of Our Lady of Porciuncula Hospital in Calbayog City on February 2007. The said hospital has a 100 bed capacity, of which sixty (60) is for private use while the remaining forty (40) are for charity.
<p>Zamboanga Peninsula</p>	<ul style="list-style-type: none"> • Zamboanga Sibugay could become the center of the oil palm industry in Zamboanga Peninsula having at least 113,000 hectares open for investors to develop oil palm plantations. In addition, the rehabilitation of the 8-kilometer farm-to-market road in Zamboanga del Norte will facilitate the movement of agricultural products in the province. 	<ul style="list-style-type: none"> • Opportunities for the region abound with the support of the national government in improving service delivery in the 16 Mindanao cities, particularly Zamboanga and Dipolog Cities, as reported by the Transparent and Accountable Governance project funded by USAID, including private investors and non-government organizations (NGOs). • Favorable developments point to sustained economic activity in the region. These include: <ul style="list-style-type: none"> ✓ Implementation of government infrastructure programs; ✓ Entry of domestic and foreign investors; and ✓ Progress in the peace and order situation. • The Mindanao Rural Development Program (MRDP) (Phase II), which is currently at the preparation stage, is also expected to bring positive economic growth in the region. In addition, the recent visits of foreign ambassadors are expected to create opportunities for investment and tourism in the region.

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		<ul style="list-style-type: none"> • The opening of the Department of Trade and Industry's (DTI) provincial office of a small-and-medium-enterprises (SMEs) center will help uplift the SME sector in Zamboanga Peninsula. • Joint strategic efforts to actively promote tourism, transportation, infrastructure and information and communications technology (ICT) development in Mindanao are expected to lead to more investments in the region. Priority programs, projects and activities aimed at increasing tourism and mobility of people, goods and services across borders in the sub-region have been identified and mapped out by the Mindanao Economic Council (Medco). These include the establishment of the Davao-Kota Kinabalu air route and the sustainability of the Zamboanga-Sandakan sea linkages. • Investments are also expected to benefit from infrastructure developments in the Zamboanga Peninsula such as the: <ul style="list-style-type: none"> ✓ Strengthening of the Mindanao power grid through the newly-approved transmission line project aimed to light up more businesses and industries in the region; and ✓ Construction of two bridge projects in Zamboanga City under the USAID-Growth with Equity in Mindanao (GEM) II Programs Mid-Scale Infrastructure Project.

Region	Agriculture, Fishery and Forestry	Industry/Services/General
Northern Mindanao		<ul style="list-style-type: none"> • The greater influx of investment in Region 10 is expected in the coming months particularly in the energy, manufacturing, and information technology sectors. Su and Jianzhong Su from China plans to put up a Vapor Heat Treatment Plant. Meanwhile, Link2Support is expected to expand its operations covering Visayas and Mindanao area. The said expansion is expected to create employment of about 1,000. • Northern Mindanao can expect higher growth in tourist arrivals once the travel bans for certain foreign tourists are lifted. • Tourists and businessmen are expected to come to the province of Misamis Occidental once the improvements in the Ozamiz City Airport are completed and the airport becomes operational.
Davao Region	<ul style="list-style-type: none"> • Coconut production is expected to rise due to good weather conditions toward the end of 2006. Likewise, the enforcement of the Biofuel Act and high demand for coco oil and deo-textile will be very positive for the industry. This is on top of the continued demand for virgin coconut oil products. A 1,000- hectare area will also be planted with coconut during the year. 	<ul style="list-style-type: none"> • The region expects more tourist arrivals especially from South Korea. Industry leaders established the Davao Convention and Visitor's Bureau to promote Davao as a convention center and tourist destination.
SOCCKSARGEN	<ul style="list-style-type: none"> • The favorable weather conditions and sufficient water supply remain the key determining factors for the continued strong performance of the agriculture and fishery sectors. 	<ul style="list-style-type: none"> • The improving scenario in the peace and order front combined with the strengthened regional tourism industry are expected to provide the needed boost to maintain momentum in tourism, investments, and exports.

Region	Agriculture, Fishery and Forestry	Industry/Services/General
<p>ARMM</p>	<ul style="list-style-type: none"> • Farmers will have access to advanced agricultural technology with the establishment of a state-of-the-art Germplasm/Plant Nursery Complex at the ARMM Integrated Agricultural Research Center (ARMMIARC) in Simuay, Sultan Kudarat, Maguindanao. The nursery complex will provide modern facilities for the production of quality fruit bearing trees, vegetables and varieties of plant seedlings. The complex is among the projects supported by the Government of Japan through the Japanese International Cooperation Agency (JICA). • To further boost the economy of the region, ARMM hopes to become a major player in the billion-dollar global halal market. Thus, the regional government is pushing for the development of the halal Industry in the region. The program involves the establishment of the ARMM Halal Certifying Board, product development and promotion, and the development of the poultry and livestock sector, including the halal feeds production utilizing local ingredients. Those behind the program are optimistic considering that an abundant number of consumers in the world are Islam followers. More than 2,000 business enterprises from the ARMM Business Council have 	<ul style="list-style-type: none"> • AGUMIL Philippines, Inc. is expected to start its commercial operation on or before December 2007. Its main products will be crude palm oil and palm kernel oil. The plant site will require 60 persons while workers in the plantation could reach 708. • Members of the Malaysian-led International Monitoring Team which observes the implementation of the ceasefire agreement in Mindanao have started providing aid to schools particularly those in conflict-affected areas. • Indicating improved confidence in the region, investments in ARMM grew by 12 percent to ₱288 million. Tawi-Tawi accounted for about 36 percent of total investments followed by Marawi City with 22.2 percent. • Solidarity among political leaders and peace and stability in the region as shown by the decline in crime rate from 462 incidences in 2005 to 311 in 2006 augurs well for economic growth in the region.

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	reportedly signified interest in availing of the halal certification process.	
Challenges		
Ilocos Region	<ul style="list-style-type: none"> • The <i>bangus</i> industry is being threatened by high coliform found in Dagupan's river system. Laboratory test shows that some parts of the Dagupan river system are already contaminated and it failed to pass the Total Coliform Standard. • Rivers in Pangasinan including the Agno River, the biggest river in the province, are now fully silted with mine tailings coming from the Cordillera region. The incomes of the farmers had been diminished due to siltation problem and the drying up of springs and rivers during the summer. • The continued increase in the price of farm inputs like fertilizers and certified corn seeds can affect farmers' ability to raise their production output. 	<ul style="list-style-type: none"> • The provincial board of La Union passed a resolution opposing the issuance of exploration permit to the Colossal Mining Corporation for offshore and onshore exploration for magnetite along the Lingayen Gulf because of the province's experience with the operations of Philmag (a magnetic sand mining company) in the 1970s, which allegedly eroded the shorelines of the province.
Central Luzon		<ul style="list-style-type: none"> • Export strategies in the region are laid down in the Central Luzon Export Development Plan (CLEDP) for 2006-2010. The CLEDP will be instrumental in promoting growth and development of exports in the region by means of institutionalizing export development and promotion in Central Luzon, undertaking more aggressive and more focused promotional marketing strategies, expanding existing markets and penetrating new ones,

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		<p>implementing projects that will enhance competitiveness, and creating an environment that is conducive to business.</p> <ul style="list-style-type: none"> • The possibility of future increases in oil and domestic commodity prices are likely to impact negatively on transport and handling costs.
CALABARZON	<ul style="list-style-type: none"> • Frequent typhoons remain as the biggest threat to agriculture. • The outbreak of Avian Flu in Indonesia and European countries remain a lingering concern to the poultry industry in the region. 	
MIMAROPA	<ul style="list-style-type: none"> • Avian flu remains a threat to the region particularly to the following areas identified as migratory bird destinations: Quezon and Narra in Palawan and Naujan Lake in Oriental Mindoro. • Bad weather conditions could adversely affect agriculture. 	
Bicol		<ul style="list-style-type: none"> • The implementation of Regional Wage Order No. 11 Series of 2006 that took effect on 7 August 2006 could affect the viability of businesses and labor conditions. The ruling aims to integrate the P15.00 per day COLA, under Wage Order No. 10, into the basic wage. • The volatile prices of petroleum products and high power

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		rates will remain a concern for all sectors in the region for the coming semester.
Western Visayas	<ul style="list-style-type: none"> • Farmers have raised the need to set up strong farmers' organizations or cooperatives that will act as middlemen marketing their corn produce. • Swine production will be hampered by: <ul style="list-style-type: none"> ✓ Lack of technical assistance to hog farmers who are not members of the hog farmers' group; and ✓ Lack of financing and technology transfer programs for alternative feeds. 	<ul style="list-style-type: none"> • On milk industry, lack of media campaign, marketing strategy and government support. • Decrease in English-proficient workers who could fill up call center seats. • On tourism, lack of blueprints for safeguarding ecological and environmental balance in the midst of a boom in tourism in the region.
Central Visayas	<ul style="list-style-type: none"> • Concerns in the region include: <ul style="list-style-type: none"> ✓ Occurrence of the El Niño phenomenon; ✓ Global outbreak of foot-and-mouth disease; and ✓ Contamination from Avian flu 	
Eastern Visayas	<ul style="list-style-type: none"> • Among the challenges faced by the region include: <ul style="list-style-type: none"> ✓ Bad weather/tropical depressions. ✓ Restoration/repair/rehabilitation of the National Irrigation Administration (NIA)-assisted irrigation system covering 1,403 hectares. 	<ul style="list-style-type: none"> • Lack of support for tourism and trading sectors from the sea transport sector. • Need for investment in the energy sector to develop additional generating capacities from renewable energy sources that would contribute to the energy sufficiency of the region.

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	<ul style="list-style-type: none"> ✓ Capacity/capability enhancement of LGUs to develop and implement local livestock production plans/projects and encourage/compliment local investments on priority livestock commodities. ✓ Low supply of coconuts. With the coming in of coconut processing plants in the region, supply might not be enough to sustain production. The Regional Development Council (RDC) can assist the Philippine Coconut Authority (PCA) by providing funds for planting and replanting program. ✓ Provision of certified seed subsidy to the Samar Island Provinces. 	
Zamboanga Peninsula		<ul style="list-style-type: none"> • Local authorities need to further improve the peace and order situation and implement programs to uplift the region's poor.
Davao Region	<ul style="list-style-type: none"> • Concern about the possible passage of the aerial spray ban by the Davao City Council. The proposed phase-out period of 3-months may not be sufficient to prepare plantations to shift from aerial to boom spray. 	
ARMM		<ul style="list-style-type: none"> • Although progress has been made, the maintenance of peace and order remains a major challenge in the region.

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		Local government authorities should continue to give due importance to conflict resolution as insurgency is a major hindrance to development. Another concern is poverty reduction. The high incidence of poverty forces the marginalized Muslims to resort to armed struggle.