

Report on Regional Economic Developments



***Second Semester 2009 and
First Semester 2010***



Department of Economic Research
Monetary Stability Sector
Bangko Sentral ng Pilipinas

Executive Summary

Economic developments across the various regions of the country reflected the steady growth of the Philippine economy despite the global economic downturn in 2009.

In the agriculture sector, palay production declined during the first semester of 2010 triggered by weather disturbances that hit the country. However, corn production contracted during the period in review due to El Niño. Cattle production also expanded during the same period due to increased domestic demand for beef and strengthening of the halal food industry. Chicken production grew at a decelerated pace in the first semester of 2010 compared to the same period in 2009 due to lower market prices. Swine production likewise increased but at a decelerated pace during the same period with Bicol and MIMAROPA leading swine production among the regions.

Meanwhile, construction activity in the regions, both public and private, increased modestly in the second semester of 2009. The growth in approved building permits reflected continued construction activity in the regions as demand increased from overseas Filipinos and property developers. Central Luzon and Central Visayas led the number of residential building construction started during the second semester of 2009.

In terms of banking services, bank density across all regions rose as of end-December 2009, with NCR continuing to have the highest number of banks relative to its municipalities. Deposit generation as of end-December 2009 was on the rise in most of the regions, led by Davao and Caraga. The growth in loan portfolio during the said period was also on rise in all of the regions, except Eastern Visayas. Furthermore, NCR continued to post the highest loans-to-deposits ratio followed by Northern Mindanao, SOCCSKSARGEN and Caraga.

For January-October 2010, the average inflation rate across the regions increased to 4.0 percent compared to 3.2 percent in the previous year. However, inflation in most of the regions generally exhibited downward trends. High inflations were posted in the National Capital Region (NCR), Cordillera Administrative Region (CAR) and CALABARZON due to effects of El Niño on crop production and high electricity cost.

On the employment side, Cagayan Valley posted the highest employment rate as of July 2010 followed by the Autonomous Region of Muslim Mindanao (ARMM), Zamboanga Peninsula and Northern Mindanao. The expansion of employment in the these regions was reflective of the increase in livestock production (especially cattle and swine) during the review period.

The risk to the prospect of the agricultural sector continues to be that of extreme weather patterns (El Niño and La Niña), which threaten both crops and livestock. Response measures to mitigate the adverse effects of these weather patterns will be crucial in maintaining growth in the regions. The continued improvement in harvest and post-harvest facilities, including training agricultural workers will ensure continued expansion in the sector. Resolute efforts at the national and local levels will have to be pursued to alleviate the adverse effect of the ongoing weather phenomena.

At the same time, the regions are looking ahead to the positive impact on the regional economy of the continuing infrastructure development, particularly construction and upgrading of seaports, major roads and expressways connecting key parts of the country as well as the establishment and improvement of both international and domestic airports. Prospects for increased trade, tourism and investments hinge on the availability and efficiency of these public infrastructures. Moreover, business seminars, agricultural trainings and other capacity-building programs are expected to promote entrepreneurship that are viewed to increase employment and alleviate poverty.

Foreword

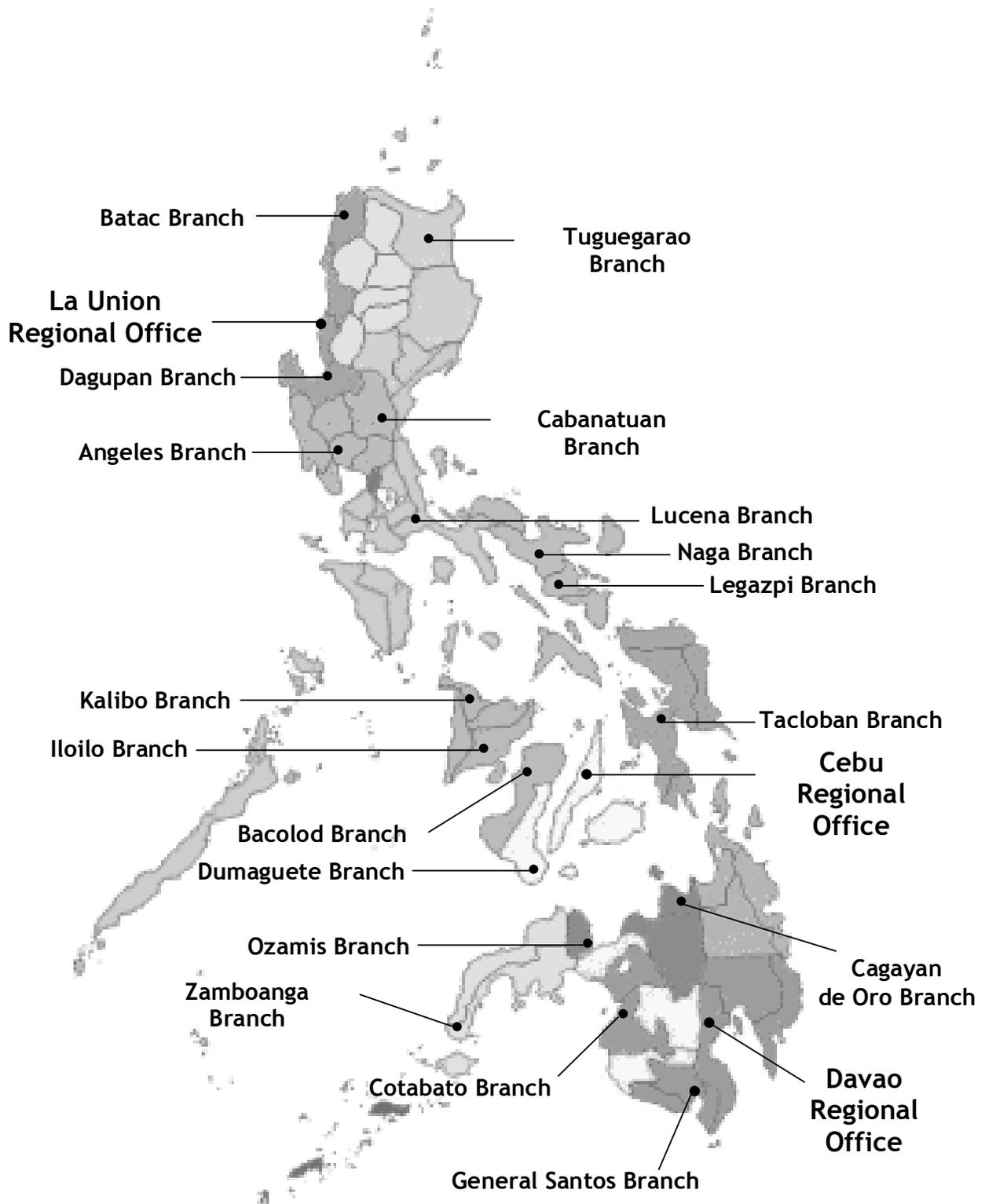
In June 2005, the Monetary Board approved the release of the maiden issue of the BSP's Report on Regional Economic Developments in the Philippines. The report widens the scope of the BSP's market surveillance, adding a geographic dimension to the economic indicators that it monitors regularly. The analysis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

The report tracks economic developments in the regions, focusing on demand and supply conditions, monetary and price developments as well as emerging economic outlook. It helps confirm the results of the 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 banana, livestock, fishery, and poultry production. In the industry sector, the number of building permits and housing starts are used to measure construction activity; while in the services sector and banking sector performance are analyzed. Developments in major industries specific to each region are also included.

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

BSP Regional Offices/Branches



PHILIPPINES: Regional Composition

Region ¹	Provinces
National Capital Region (NCR)	Cities of Caloocan, Las Piñas, Quezon City, Makati, Manila, Muntinlupa, Parañaque, Pasig, Pasay, Malabon, Mandaluyong, Marikina, San Juan, Taguig and Valenzuela, and the Municipalities of Navotas, and Pateros
Cordillera Administrative Region (CAR)	Abra, Benguet, Ifugao, Kalinga Apayao, and Mountain Province
Region I - Ilocos Region	Ilocos Norte/Sur, La Union, and Pangasinan
Region II - Cagayan Valley	Batanes, Cagayan, Isabela, Nueva Vizcaya, and Quirino
Region III - Central Luzon	Aurora, Tarlac, Pampanga, Zambales, Bataan, Nueva Ecija, and Bulacan
Region IV A - CALABARZON (Cavite, Laguna, Batangas, Rizal, and Quezon)	Cavite, Laguna, Batangas, Rizal, and Quezon
Region IV-B MIMAROPA (Mindoro, Marinduque, Romblon, and Palawan)	Occidental/ Oriental Mindoro, Marinduque, Palawan ² , and Romblon
Region V - Bicol Region	Camarines Norte/Sur, Albay, Masbate, Sorsogon, and Catanduanes
Region VI - Western Visayas	Negros Occidental, Iloilo, Antique, Guimaras, Aklan, and Capiz
Region VII - Central Visayas	Bohol, Cebu, Negros Oriental, and Siquijor

¹ BSP Regional Offices are located in Regions I (La Union), VII (Cebu), and XI (Davao). There are BSP branches/offices located in Regions I - XII. These offices/branches have currency units, which handle cash transactions in the regions.

² The implementation of Executive Order No.429 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	Provinces
Region VIII - Eastern Visayas	Leyte, Southern Leyte, Biliran, Eastern/ Northern Samar, and Samar
Region IX - Zamboanga Peninsula	Zamboanga Sibugay, Zamboanga del Norte/del Sur, Zamboanga City (Zamboanga Peninsula), and Isabela City (Basilan Province)
Region X - Northern Mindanao	Bukidnon, Camiguin, Misamis Oriental, Misamis Occidental, and Lanao del Norte
Region XI - Davao Region	Davao City, Davao del Norte/Sur, Davao Oriental, and Compostela Valley
Region XII - Central Mindanao and SOCCSKSARGEN (South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos City)	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

Key Regional Developments

Crop Production

- Grain production declined further in the first half of 2010, following a lackluster production in the comparable period last year, as the country experienced a dry spell caused by the El Niño phenomenon. Palay harvest dropped during the review period with double-digit declines recorded in major palay-producing regions of Western Visayas, CALABARZON and Cagayan Valley. Similarly, corn production declined due to significant contractions posted in CALABARZON, CAR and Cagayan Valley.

Livestock, Poultry, Fishery

- Cattle production continued to expand, owing largely to increased demand for beef and stable cattle supply from ARMM, Davao and Cagayan Valley. Meanwhile, swine as well as poultry production posted lower growth rates year-on-year due to the unusually warm weather during the review period. Meanwhile, the fisheries sub-sector declined as fishing activities were affected adversely by El Niño.

Construction

- Construction activity in the second semester of 2009 remained strong as the total number of approved building permits and residential building construction starts increased, although the expansion in construction was slower than the levels posted in the previous semester. Substantial increases in the number of approved building permits were observed in Central Visayas, Central Luzon, and Cagayan Valley. Meanwhile, Central Luzon and Central Visayas continued to lead the housing starts for the second semester of 2009.

Banking

- Credit activity as of end-December 2009 increased at double-digit rates, with CALABARZON, CAR and Ilocos having the highest growth in total loan portfolio. Policy rate cuts and other liquidity-enhancing measures adopted by the BSP during the height of the 2009 global financial crisis supported credit growth. Meanwhile, deposit generation in all regions also expanded on the back of continued strong inflows of overseas Filipino remittances during the year. In terms of bank service availability, the NCR continued to have the highest number of banks relative to its population while ARMM had the lowest number of banks available to service its population.

Inflation

- Inflation rates in 10 of the 17 regions decelerated in the first ten months of 2010. The decline in inflation was apparent in Eastern and Western Visayas, Cagayan Valley and Northern Mindanao. The lower prices of crude oil in the world market due to weak demand following an anemic global economic recovery contributed to the easing of inflation. It should be noted, however, that increased inflation was evident in the NCR due to higher cost of electricity and election-related spending which exerted some pressure on inflation.

Employment

- Based on the results of the latest Labor Force Survey (LFS) of the National Statistics Office (NSO) in July 2010, average employment rates remained generally unchanged across all regions. Significant increases in employment rates were observed in Cagayan Valley, ARMM, Northern Mindanao and Zamboanga Peninsula. Government efforts under the Comprehensive Livelihood and Emergency Employment Program (CLEEP) supported job creation in the regions. On the other hand, unemployment rates in NCR, CALABARZON, Ilocos and Central Luzon were higher than the national average of 6.9 percent.

Opportunities and Challenges

- Infrastructure projects across the regions remain the key factor supporting growth prospects at the regional level. The resumption in mining activities and confirmation of new mineral deposits bode well for the mining industry. Tourism-oriented efforts such as the construction of resorts, and the enhanced public security and transportation services are seen to further boost tourism activity across regions. Furthermore, capacity-building seminars by non-governmental organizations (NGOs) and the public sector are expected to encourage entrepreneurial activities that are seen to help alleviate poverty. In the agriculture, fishery and forestry (AFF) sector, continued programs to improve harvest and post-harvest facilities are expected to help the sector recover from adverse weather conditions.
- A major challenge in regional development is the insufficient power supply in Central Visayas, Northern Mindanao and Davao, resulting in power outages. Moreover, continued intensive English language training by educational institutions should resolve the low take-up rate of the regional centers of BPO companies. The timely implementation of infrastructure projects are also crucial in regional development.

Full Year 2009 Economic Performance

Gross Regional Domestic Product (2009)

GRDP growth in 2009 was led by Bicol, Zamboanga Peninsula, Western Visayas and Davao

Gross Domestic Product, By Region
At constant prices
Growth Rate (%), y-o-y

Region	2008	2009
PHILIPPINES	3.7	1.1
1 NCR	4.7	(0.4)
2 CAR	1.7	2.0
3 Ilocos Region (I)	2.0	(1.0)
4 Cagayan Valley (II)	1.7	1.9
5 Central Luzon (III)	3.7	(1.4)
6 CALABARZON (IV-A)	1.9	(1.6)
7 MIMAROPA (IV-B)	3.0	0.8
8 Bicol Region (V)	4.1	8.2
9 Western Visayas (VI)	4.3	5.9
10 Central Visayas (VII)	3.3	0.8
11 Eastern Visayas (VIII)	3.4	1.8
12 Zamboanga Peninsula (IX)	2.0	6.8
13 Northern Mindanao (X)	5.2	2.9
14 Davao Region (XI)	3.7	5.4
15 SOCCSKSARGEN (XII)	4.5	1.3
16 Caraga	2.7	2.7
17 ARMM	1.6	2.6

Source: National Statistical Coordination Board

- Gross Domestic Product (GDP) grew by 1.1 percent in 2009, down from the 3.7 percent growth posted during the previous year as a consequence of the global financial crisis. However, several regions have posted growth rates that were significantly higher than the national average GDP growth, namely: Bicol (8.2 percent) Zamboanga (6.8 percent), Western Visayas (5.9 percent) and Davao (5.4 percent). By contrast, the regions that posted the largest contractions in 2009: CALABARZON (1.6 percent), Central Luzon (1.4 percent), Ilocos (1.0 percent) and the National Capital Region (0.4 percent).
- Bicol posted the highest growth among all the regions in the country at 8.2 percent in 2009. This rate of growth was also higher than the 4.1 percent achieved in 2008. The strong performance of Bicol region was attributed to the impressive growth of its industry sector. In particular, the industry sector in Bicol, which accounted for 28.4 percent of the region's economy, was fueled by mining and quarrying. The region's industry was also boosted by construction and manufacturing.
- The growth in the Zamboanga Peninsula was similarly propelled by the expansion in the industry sector, particularly mining and quarrying, which grew by 202.0 percent in 2009. Construction likewise accelerated by 7.1 percent.
- For Western Visayas, growth was underpinned by the notable performance of industry, particularly mining and quarrying, and construction. On the other hand, the services sector was led by increased activity in private services.
- Davao's growth in 2009 was highlighted by the expansion of its industry sector, especially construction, which grew by 19.6 percent. The growth in the industry sector was complemented by the expansion of services, particularly private services, and transportation, communication and storage.
- The decline in the economy of CALABARZON was brought about by the weak performance of its industry sector, which was triggered by the

contraction of manufacturing by 8.3 percent due to the effects of a slowdown in external demand for electronic products and semi-conductors following the global financial crisis. The contraction in the economy of Central Luzon can be traced from the decline in industry, particularly manufacturing, and electricity and water due to the decline in global demand and adverse weather conditions. Ilocos registered the third biggest decline in 2009 as result of a contraction of its AFF sector, particularly agriculture and fishery, due to typhoons.

NCR accounts for the largest share of industry and services output

- By economic activity, CALABARZON remained a major source of agriculture and fishery products, comprising 12.0 percent of the total agriculture, forestry and fishery production of the country. CALABARZON's agricultural products included coconut, coffee, cabbage, hogs and fish. Central Luzon also had a substantial share in the country's AFF sector (10.9 percent) followed by Western Visayas (10.0 percent).
- In the industry sector, the NCR continued to be the country's industrial heartland as it contributed 32.8 percent of the country's total industrial production. Manufacturing forms the bulk of the NCR's industrial production. Meanwhile, CALABARZON was the second biggest contributor to the country's industrial output (13.8 percent) while Central Luzon placed third (8.8 percent).
- In the services sector, the NCR continued to be the largest service-related regional economy, accounting for 44.2 percent of the country's services. Driving the services sector in the NCR was private services, transportation, communication and storage, and finance. CALABARZON followed with a 10.0 percent share and Central Visayas with 8.8 percent.

Agriculture, Livestock, Poultry and Fishery

Growth of palay production decelerates

- Palay production posted a 10.2 percent decline in the first semester of 2010, attributed largely to the weather disturbances that hit the country, during the fourth quarter of 2009. The said contraction was a turnaround from the 3.6 percent growth recorded a year ago.

Palay Production, in metric tons

Growth Rate in Percent, y-o-y

Region		S1 2009	S1 2010
	PHILIPPINES	3.6	(10.2)
1	CAR	(0.1)	(16.4)
2	Ilocos Region (I)	13.1	3.4
3	Cagayan Valley (II)	4.3	(23.5)
4	Central Luzon (III)	9.2	1.8
5	Southern Tagalog-CALABARZON (IV-A)	7.4	(26.5)
6	Southern Tagalog-MIMAROPA (IV-B)	4.2	(10.1)
7	Bicol Region (V)	17.3	(5.2)
8	Western Visayas (VI)	0.7	(32.8)
9	Central Visayas (VII)	(10.6)	(13.4)
10	Eastern Visayas (VIII)	(8.3)	(0.3)
11	Zamboanga Peninsula (IX)	5.0	(9.1)
12	Northern Mindanao (X)	0.0	(10.0)
13	Davao Region (XI)	(2.3)	1.4
14	SOCCSKSARGEN (XII)	3.5	(17.7)
15	Caraga	(7.8)	0.7
16	ARMM	(2.3)	12.5

Source: National Statistics Coordinating Board

- Positive growth rates of palay production in the first semester of 2010 were seen in the regions of ARMM (12.5 percent), Ilocos (3.4 percent), Central Luzon (1.8 percent), Davao (1.4 percent), and CARAGA (0.7 percent). The double-digit growth rate of palay production in ARMM was attributed mainly to favorable weather conditions, repair of irrigation canals in Sulu, and administration of seed dispersal program.
- The growth of palay production in Ilocos, Central Luzon, Davao, and CARAGA were attributed to the following factors:
 - ✓ Expansion in harvest area in Central Luzon due to sufficient irrigation water from Pantabangan and Casecnan Dams;
 - ✓ Improved yield per harvest area of palay farms in Davao brought about by the dispersal and planting of hybrid palay seeds and the occurrence of intermittent rains that offset partly the effects of the El Niño phenomenon; and
 - ✓ Lesser incidence of rice pests and diseases in the CARAGA region due to the government's program of distributing subsidized hybrid palay seeds to farmers, favorable weather conditions, and distribution of farm machineries in the province of Agusan del Sur.
- The positive growth rates posted in the aforementioned regions were, however, offset by the double-digit decline of palay production in Western Visayas (-32.8 percent), CALABARZON (-26.5 percent), Cagayan Valley (-23.5 percent), SOCCSKSARGEN (-17.7 percent), CAR (-16.4 percent), Central Visayas (-13.4 percent), MIMAROPA (-10.1 percent), and Northern Mindanao (-10.0 percent). These significant contractions could be traced to the following factors:
 - Prolonged warm and dry climate brought about by the early onset of the El Niño phenomenon in Cagayan Valley, CAR, MIMAROPA, CALABARZON, Western Visayas, Central Visayas (e.g., Bohol, Negros Oriental, and Siquijor), Zamboanga Peninsula, and Northern Mindanao;
 - Insufficient water supply in irrigated farms resulting in damages to palay crops, and

- decrease in palay yield due to reductions in planted and harvest areas in MIMAROPA, CALABARZON, Western Visayas, Eastern Visayas, Zamboanga Peninsula, and SOCCSKSARGEN (some irrigated palay areas in Sultan Kudarat, South Cotabato, and North Cotabato were planted with watermelon, instead);
- Insufficient rainfall resulting in the drying-up of some rainfed areas in Zamboanga Peninsula, SOCCSKSARGEN, and in Central Visayas (e.g., Bohol and Negros Oriental and paddies in Pinocawan, Tayasan, Negros Oriental);³
- Pest infestations and diseases such as tungro virus, rice blast, rodents, and black bugs in CALABARZON, Bicol, and Eastern Visayas; neck rot disease in CAR; infestation of army worms, bacterial leaf blight, rat, stem borers and other rice diseases in Bohol and Negros Oriental; and attacks of other pests and diseases in the Zamboanga Peninsula;
- Increased cost of production inputs like fertilizers in Albay;
- Shift in the quality of seeds from certified or hybrid seeds to non-hybrid seeds by some farmers in Eastern Visayas because of production uncertainty brought about by climatic conditions, which affected the average rice yield in the region;⁴ and
- Typhoons that hit Eastern Visayas in the latter part of 2009, which affected adversely the harvest volume of the first cropping season.

Growth of corn production declines

- Corn production contracted by 24.9 percent during the first semester of 2010 from the comparable period in 2009. Most of the regions posted larger contractions compared to the previous semester.
- During the review period, positive growth rates in corn production were recorded only in CARAGA (319.0 percent) and Ilocos (3.6 percent) regions. The growth of corn production in the abovementioned regions was attributed to:

³ As a result, available soil moistures in the said regions were reduced to critical levels, which affected crop growth and production. This, in turn, forced farmers to postpone planting activities in some areas

⁴ Studies show that use of hybrid seeds produces 15% or more yield advantage over good seeds.

Corn Production, in metric tons
Growth Rate in Percent, y-o-y

Region	S1 2009	S1 2010
PHILIPPINES	(2.3)	(24.9)
1 CAR	6.0	(45.9)
2 Ilocos Region (I)	(1.6)	3.6
3 Cagayan Valley (II)	(0.8)	(50.8)
4 Central Luzon (III)	(0.8)	(7.8)
5 Southern Tagalog-CALABARZON (IV-A)	2.1	(54.8)
6 Southern Tagalog-MIMAROPA (IV-B)	3.2	(28.4)
7 Bicol Region (V)	8.7	(24.1)
8 Western Visayas (VI)	(28.8)	(42.2)
9 Central Visayas (VII)	5.0	(22.9)
10 Eastern Visayas (VIII)	(4.6)	(3.8)
11 Zamboanga Peninsula (IX)	4.3	(34.9)
12 Northern Mindanao (X)	(8.5)	(14.6)
13 Davao Region (XI)	(18.3)	(22.3)
14 SOCCSKSARGEN (XII)	3.0	(29.8)
15 Caraga	(51.3)	319.0
16 ARMM	6.6	(2.6)

Source: National Statistics Coordinating Board

- Late plantings in Ilocos, specifically in the province of Pangasinan (December 2009), which allowed the bulk of the harvest to be completed in the first semester of this year (April-June 2010); and
- Favorable weather conditions and the government's dispersal of subsidized hybrid corn seeds to farmers in the CARAGA region which increased its corn yield per hectare and contributed to the 319.0 percent increase in corn production in the region during the semester compared to its year-ago level.
- The top five regions that recorded significant contractions in corn production during the first semester of 2010 from their year-ago levels include CALABARZON (from 2.1 percent to -54.8 percent), CAR (from 6.0 percent to -45.9 percent), Cagayan Valley (from -0.8 percent to -50.8 percent), Zamboanga Peninsula (from 4.3 percent to -34.9 percent), and Western Visayas (from -28.8 percent to -42.2 percent). These contractions were attributed mainly to the following:
 - Adverse effects of the El Niño weather disturbance, which resulted in insufficient/delayed rainfall and prolonged drought in the CALABARZON, CAR, Cagayan Valley, Western Visayas, and Zamboanga Peninsula regions;
 - Failure to implement an appropriate crop management program in Western Visayas to address the intense heat and insufficient water supply; and
 - Decrease in the harvested area and corn yield per hectare in the above regions.

Livestock, Poultry and Fishery

Livestock and Poultry

Growth of cattle production accelerates

- Cattle production expanded at a faster rate of 4.3 percent in the first semester of 2010 from a growth of 1.9 percent during the same period in 2009. The high growth rates of cattle production in ARMM (23.8 percent), Davao (16.2 percent), Cagayan Valley (14.6 percent), Northern Mindanao (9.0 percent), Central Luzon (8.1 percent), SOCCSKSARGEN (7.2 percent), CARAGA (6.9 percent), and Central

Cattle Production, in metric tons (liveweight)

Growth Rate in Percent, y-o-y

Region	S1 2009	S1 2010
PHILIPPINES	1.9	4.3
1 CAR	(8.1)	(4.5)
2 Ilocos Region (I)	0.6	3.8
3 Cagayan Valley (II)	(2.6)	14.6
4 Central Luzon (III)	0.4	8.1
5 Southern Tagalog-CALABARZON (IV-A)	9.9	4.9
6 Southern Tagalog-MIMAROPA (IV-B)	3.1	(11.3)
7 Bicol Region (V)	14.9	4.0
8 Western Visayas (VI)	7.9	(16.8)
9 Central Visayas (VII)	2.1	6.4
10 Eastern Visayas (VIII)	16.0	(6.6)
11 Zamboanga Peninsula (IX)	(15.1)	(2.6)
12 Northern Mindanao (X)	2.2	9.0
13 Davao Region (XI)	0.7	16.2
14 SOCCSKSARGEN (XII)	4.7	7.2
15 Caraga	(8.9)	6.9
16 ARMM	(8.0)	23.8

Source: National Statistics Coordinating Board

Visayas (6.4 percent) contributed to the overall robust performance of the cattle industry. The growth of cattle production in these regions was due to the following factors:

- Increased domestic demand for semi-processed and processed beef, reflective of the sustained rise in consumption expenditures, influx of foreign tourists, establishment of more hotels, restaurants, and other commercial institutions, and the higher number of farmers who venture in cattle farming;
- Strengthening of the halal industry due to increased local demand, entry of new players in the cattle industry, and exports of Halal food and cattle meat products to the Middle East and other Islamic states from the ARMM;
- Massive deflucking of ruminants, vaccination, artificial insemination, and cattle dispersal to various barangays in the CARAGA region under the Countrywide Integrated Development Program and Mindanao Rural Development Program of the Department of Agriculture in cooperation with the LGUs in Central Visayas (e.g., Siquijor);
- Conduct of immunization, deworming, vitamin injections, treatments, cattle dispersal programs under the Minimum Basic Needs Livestock Dispersal Program in Davao, and the LGU Poverty Alleviation Program in Central Visayas;
- Favorable weather conditions, absence of diseases, expanded animal dispersal programs, favorable market conditions, and increased volume of cattle raised by integrators in the Northern Mindanao region;
- Stable prices and increasing market demand from Davao, Visayas and Luzon, which encouraged the establishment of additional commercial farms and new entrants in the backyard cattle-raising industry in SOCCSKSARGEN;
- Improvement of inventory, consumer preference on beef, and increased demand for cattle products, specifically during the election period contributed to the growth of cattle production in Cagayan Valley and Central Visayas; and
- Cattle importation by countries affected by the slump in the price of dairy products

like New Zealand and other dairy-producing countries. This move was supported by the governments of affected countries which instituted programs to export cattle-raising and dairy production technologies in countries like the Philippines to address dwindling domestic supply of cattle. Among the beneficiaries of these programs were farmer cooperatives and private individuals in Northern Mindanao, who were encouraged to venture into dairy farming, contributing to the growth of cattle production in the region.

- The regions posting significant declines in cattle production during the first semester of 2010 from a year ago include Western Visayas (from 7.9 percent to -16.8 percent), Eastern Visayas (from 16.6 percent to -6.6 percent), and MIMAROPA (from 3.1 percent to -11.3 percent). These contractions were due mainly to substitution effects attributed to the high price of beef compared to other meat products in Western Visayas, shortage of good cattle breeders in Eastern Visayas, and drying up of pasture lands in the MIMAROPA region due to the El Niño weather disturbance.

Growth of chicken production decelerates

- Chicken production posted a 2.3 percent growth in the first semester of 2010. However, this growth rate is 1.9 percentage points lower than the 4.2 percent growth posted in the same period in 2009. High growth rates in chicken production during the first half of the year were posted in the MIMAROPA (10.2 percent), Bicol (9.7 percent), Cagayan Valley (6.7 percent), Northern Mindanao (6.1 percent), CARAGA (3.9 percent), and Central Luzon (3.8 percent) regions. Contributory factors to the growth in chicken production in these regions include:

Chicken Production, in metric tons (liveweight)
Growth Rate in Percent, y-o-y

Region	S1 2009	S1 2010
PHILIPPINES	4.2	2.3
1 CAR	10.5	(1.3)
2 Ilocos Region (I)	4.9	0.3
3 Cagayan Valley (II)	5.6	6.7
4 Central Luzon (III)	7.2	3.8
5 Southern Tagalog-CALABARZON (IV-A)	6.2	(1.0)
6 Southern Tagalog-MIMAROPA (IV-B)	6.6	10.2
7 Bicol Region (V)	13.8	9.7
8 Western Visayas (VI)	(3.5)	(0.2)
9 Central Visayas (VII)	5.1	3.3
10 Eastern Visayas (VIII)	0.7	2.0
11 Zamboanga Peninsula (IX)	(15.4)	(2.7)
12 Northern Mindanao (X)	2.2	6.1
13 Davao Region (XI)	15.3	3.2
14 SOCCSKSARGEN (XII)	(12.4)	(1.8)
15 Caraga	(19.0)	3.9
16 ARMM	(11.4)	(14.2)

Source: National Statistics Coordinating Board

- ✓ Higher demand for poultry brought about by the MIMAROPA Athletic Meet;
- ✓ Favorable market conditions and presence of integrators in the Northern Mindanao region;
- ✓ Turn-over of LGUs of kabir chicken to farmer beneficiaries and vaccination of chicken in Agusan del Sur as part of the Hunger Mitigation Program in the CARAGA region;

- ✓ Availability of stocks in the Cagayan Valley region and increased stocking of broiler chicken in commercial farms in Agusan del Sur coupled with the dispersal of native chickens to interested individual raisers in Dinagat Islands; and
 - ✓ Increase in slaughter activities in the Central Luzon region.
- The regions that exhibited contractions in chicken production during the first semester of 2010 after expanding from year-ago levels, include the CAR (from 10.5 percent to -1.3 percent) and CALABARZON (from 6.2 percent to -1.0 percent) regions. The contraction in poultry production in the CAR region was attributed mainly to the lower market price of chicken during the period which dampened production. On the other hand, the high mortality rate of broiler due to extreme hot weather and the outbreak of “coccidiosis,”⁵ in some broiler farms in San Luis, Batangas, contributed to the downturn in poultry production in the CALABARZON region.

Growth of swine production slows down

- Swine production posted a 1.6 percent growth in the first semester of 2010, a moderate increase compared to that of the 2.7 percent recorded during the same period in 2009. The expansion of swine production in Bicol (13.1 percent), MIMAROPA (8.0 percent), SOCCSKSARGEN (6.3 percent), Central Visayas (5.9 percent), and Northern Mindanao (4.8 percent) propelled the growth in overall swine production.

Swine Production, in metric tons (liveweight)

Growth Rate in Percent, y-o-y

Region	S1 2009	S1 2010
PHILIPPINES	2.7	1.6
1 CAR	(12.0)	(10.3)
2 Ilocos Region (I)	(2.0)	2.7
3 Cagayan Valley (II)	(3.4)	(0.3)
4 Central Luzon (III)	0.6	(1.2)
5 Southern Tagalog-CALABARZON (IV-A)	7.6	(3.7)
6 Southern Tagalog-MIMAROPA (IV-B)	2.0	8.0
7 Bicol Region (V)	7.8	13.1
8 Western Visayas (VI)	6.8	3.3
9 Central Visayas (VII)	4.6	5.9
10 Eastern Visayas (VIII)	(1.4)	(0.3)
11 Zamboanga Peninsula (IX)	5.3	1.2
12 Northern Mindanao (X)	4.6	4.8
13 Davao Region (XI)	1.7	(2.3)
14 SOCCSKSARGEN (XII)	2.7	6.3
15 Caraga	(10.3)	1.4
16 ARMM	7.4	2.2

Source: National Statistics Coordinating Board

- The expansion of swine production in these regions was attributed to the following factors:
 - ✓ Increased demand for meat in MIMAROPA following the holding of the MIMAROPA Athletic Meet and election-related activities in Central Visayas (e.g., Cebu);
 - ✓ Stable price of meat and increased shipment of hogs to Davao, Visayas and Luzon, and rising price of hogs contributed to the increase of commercial farms and encouraged more backyard hog raisers in SOCCSKSARGEN and Northern Mindanao;
 - ✓ Opening of a commercial swine farm in Mambajao, Camiguin, as well as dispersal of 170 sows in 17 municipalities in Misamis

⁵ An occurrence of blood in poultry waste.

Occidental under the Philippine-Australian Livelihood Support program;

- ✓ Continued conduct of vaccinations, deworming and artificial inseminations on hogs in various towns in Central Visayas (e.g, Bohol, Cebu, and Siquijor) and Northern Mindanao; and
- ✓ Swine dispersal program in Central Visayas (e.g., Bohol).

Fishery

Growth of fish production declines

Fish Production, in metric tons
Growth Rate in Percent, y-o-y

Region	S1 2009	S1 2010
PHILIPPINES	4.6	(0.6)
1 CAR	3.6	(17.9)
2 Ilocos Region (I)	(0.7)	1.1
3 Cagayan Valley (II)	6.2	(0.7)
4 Central Luzon (III)	0.6	(5.8)
5 Southern Tagalog-CALABARZON (IV-A)	3.1	(2.2)
6 Southern Tagalog-MIMAROPA (IV-B)	(2.5)	(6.7)
7 Bicol Region (V)	3.8	9.2
8 Western Visayas (VI)	9.2	(2.7)
9 Central Visayas (VII)	5.2	3.0
10 Eastern Visayas (VIII)	4.5	3.5
11 Zamboanga Peninsula (IX)	23.4	(0.6)
12 Northern Mindanao (X)	6.9	2.8
13 Davao Region (XI)	(7.6)	7.5
14 SOCCSKSARGEN (XII)	(2.3)	(13.1)
15 Caraga	(0.8)	(5.2)
16 ARMM	2.3	2.4

Source: National Statistics Coordinating Board

- The fishery subsector posted a 0.6 percent decline in the first semester of 2010, a turnaround from the 4.6 percent growth a year ago. Significant contractions in fish production in CAR (17.9 percent), SOCCSKSARGEN (13.1 percent), MIMAROPA (6.7 percent), Central Luzon (5.8 percent), and CARAGA (5.2 percent) contributed to the overall weak performance of the sub-sector.

- The contraction of the fishery subsector in the abovementioned regions was due to the following factors:

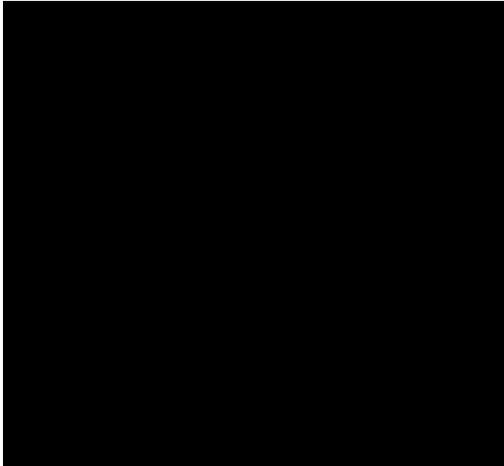
- ✓ Fewer fishing activities due to the early onset of the dry season and the El Niño phenomenon, which resulted in the:
 - decline in the water supply coming from the National Irrigation Administration (NIA) canals to the top three fish-producing municipalities in CAR;
 - drop in the water level at the Magat Dam, which resulted in the shortage of stocks of tilapia fingerlings in a number of fish farms in Cagayan Valley;
 - drying-up of a wide portion of Liguasan Marsh in North Cotabato and some creeks, which led to the scarcity of fish, lesser fishing area for inland municipal fishing, and less stock of seasonal fish in marine water in the SOCCSKSARGEN region;
 - dwindling catch in marine municipal waters in the MIMAROPA region; and
 - closure of fish landing centers in Bataan, less fishing trips in Zambales, decrease in the number of pushnets in Bulacan, and drying-up of water level in rivers and swamps in Pampanga and Nueva Ecija, contributing to the high mortality rate of fish in Central Luzon.

- ✓ High cost of commercial feeds which led to poor growth of stocks in fishponds in Kalinga, non-availability of tilapia fingerlings, which caused the temporary stoppage of fishpond operations in the Mt. Province and slowdown in fishpond production in Ifugao;
- ✓ Limited fishing ground for tuna due to restrictions in fishing activities in foreign waters of Indonesia and Papua New Guinea; and
- ✓ Continuous rainfall, floods and gusty winds, which caused lesser freshwater fishery production in some provinces in the CARAGA region (e.g., Agusan del Sur and Dinagat Island), and reduced fishing trips in Surigao del Norte, as well as delayed renewal of permits for fish cage operators in Agusan del Sur which hampered milkfish stocking.

Construction

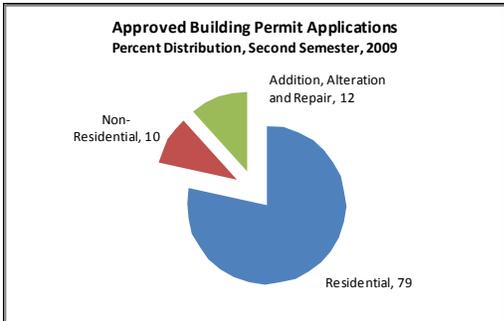
Construction activities continues in most of the regions

- Construction activities in the 17 regions posted moderate growths in the second semester of 2009. Similarly, the total number of approved building permits and residential building construction starts increased, albeit in a decelerated pace from the previous semester.
- During the second semester of 2009, the total number of approved building permits in the country rose by 9,128 or 18.9 percent to 57,491 permits from the 48,363 posted during the same period in 2008. These building permits cover residential, non-residential types and addition, alteration and repairs.
- Substantial increases in the number of approved building permits were observed in Central Visayas, Central Luzon, and Cagayan Valley in the second semester in 2009 vis-à-vis 2008. These were offset slightly by the lower number of approved building permits in three regions led by MIMAROPA, Calabarzon, and Western Visayas.
- The growth in approved building permits during the second semester of 2009 indicated continued construction activity in the domestic economy in 2010 as demand



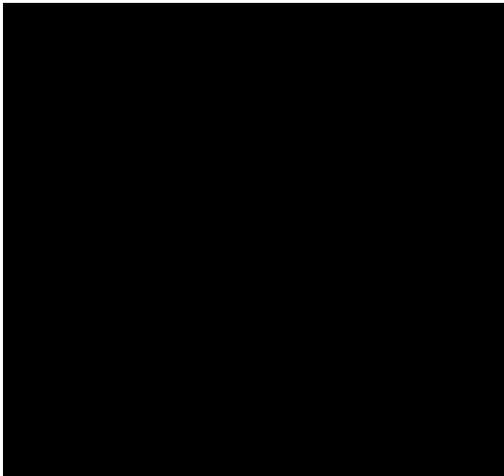
continued to increase from overseas Filipino workers and property developers.

- Similarly, the total number of approved residential building constructions increased by 8,292 or 22.5 percent to reach 45,148 from 36,856 during the same period in 2008.
- Central Luzon and Central Visayas continued to lead the housing starts for the second semester of 2009. This expansion was offset slightly by declines in Calabarzon and Central Mindanao.



- Retail prices of construction materials in the NCR declined in the second semester as the Department of Trade and Industry (DTI) imposed price ceilings on selected construction materials, such as cement, galvanized iron sheets, steel bars, hollow blocks, nails, electrical supplies and wood products in the wake of Typhoon Ondoy's devastation in Luzon.

- According to the Philippine Infrastructure Report, the construction industry is expected to grow by 7.2 percent in 2010 and around 10.0 percent annually from 2011 to 2014.



- Experts are optimistic about the future of the construction market due to a significant number of investment pledges that have been noted by the Board of Investments (BOI). Investment approvals have increased significantly—over 318 percent—in the first half of 2010, more than those approved in all of 2009. Most of the investment is for renewable energy, rehabilitation and other power projects.

- There are several companies that are on expansion mode, including Samsung Electronics Co. Ltd. Subsidiary (\$135-million semiconductor plant in Clark, Pampanga); Nestle (new plant in Batangas and capacity expansion in four existing plants); Standard Chartered Bank (acquiring smaller banks in the Philippines to focus on small and medium enterprises as clients); Figaro Coffee Co. (between ₱78 million and ₱117 million); and Phoenix Semiconductor Philippines Corp. (development of a 15-hectare facility with an initial \$135-million investment at Clark Freeport Zone).

Banking

NCR continues to have the highest number of banks to service its population

Region	Dec 2008	Dec 2009
1 NCR	157.0	163.7
2 CAR	1.5	1.8
3 Ilocos Region (I)	3.1	3.1
4 Cagayan Valley (II)	2.6	2.7
5 Central Luzon (III)	6.5	6.9
6 Southern Tagalog-CALABARZON (IV-A)	8.2	9.1
7 Southern Tagalog-MIMAROPA (IV-B)	1.7	2.4
8 Bicol Region (V)	1.9	2.2
9 Western Visayas (VI)	3.1	3.8
10 Central Visayas (VII)	3.9	4.3
11 Eastern Visayas (VIII)	0.9	1.1
12 Zamboanga Peninsula (IX)	1.9	2.3
13 Northern Mindanao (X)	2.8	3.3
14 Davao Region (XI)	5.4	6.4
15 SOCCSKSARGEN (XII)	3.4	3.7
16 ARMM	0.2	0.2
17 Caraga	1.6	2.5

* Density Ratio refers to the number of bank offices/branches per municipality
Source: Supervisory Data Center, SES-BSP

Region	Dec 2008	Dec 2009
1 NCR	14.78	10.5
2 CAR	12.22	17.96
3 Ilocos Region (I)	11.22	10.53
4 Cagayan Valley (II)	21.79	21.25
5 Central Luzon (III)	17.75	15.24
6 Southern Tagalog-CALABARZON (IV-A)	14.00	14.54
7 Southern Tagalog-MIMAROPA (IV-B)	17.67	18.33
8 Bicol Region (V)	9.22	13.41
9 Western Visayas (VI)	13.19	17.77
10 Central Visayas (VII)	5.96	3.72
11 Eastern Visayas (VIII)	17.88	13.52
12 Zamboanga Peninsula (IX)	11.47	11.78
13 Northern Mindanao (X)	11.37	15.70
14 Davao Region (XI)	11.41	18.18
15 SOCCSKSARGEN (XII)	16.08	9.96
16 ARMM	14.56	16.12
17 Caraga	10.60	17.78

Region	Dec 2008	Dec 2009
1 NCR	(6.39)	0.69
2 CAR	5.82	55.00
3 Ilocos Region (I)	7.93	46.83
4 Cagayan Valley (II)	0.63	10.43
5 Central Luzon (III)	7.28	15.80
6 Southern Tagalog-CALABARZON (IV-A)	8.84	88.19
7 Southern Tagalog-MIMAROPA (IV-B)	5.47	19.93
8 Bicol Region (V)	(18.15)	9.55
9 Western Visayas (VI)	6.04	22.17
10 Central Visayas (VII)	(4.36)	19.99
11 Eastern Visayas (VIII)	29.15	2.67
12 Zamboanga Peninsula (IX)	7.68	17.06
13 Northern Mindanao (X)	10.52	12.38
14 Davao Region (XI)	16.10	29.95
15 SOCCSKSARGEN (XII)	5.19	35.57
16 ARMM	9.84	13.06
17 Caraga	(1.25)	14.55

Region	Dec 2008	Dec 2009
1 NCR	71.77	65.4
2 CAR	8.59	11.39
3 Ilocos Region (I)	21.67	28.78
4 Cagayan Valley (II)	32.73	29.80
5 Central Luzon (III)	21.27	21.38
6 Southern Tagalog-CALABARZON (IV-A)	15.58	25.60
7 Southern Tagalog-MIMAROPA (IV-B)	23.59	23.90
8 Bicol Region (V)	25.38	24.51
9 Western Visayas (VI)	18.42	19.11
10 Central Visayas (VII)	20.42	23.62
11 Eastern Visayas (VIII)	27.58	24.95
12 Zamboanga Peninsula (IX)	23.16	24.25
13 Northern Mindanao (X)	33.71	32.75
14 Davao Region (XI)	23.91	26.29
15 SOCCSKSARGEN (XII)	26.03	32.10
16 ARMM	12.30	11.98
17 Caraga	32.52	31.63

The NCR continued to have the highest bank density ratio at 163 bank branches per municipality as of December 2009. The NCR is followed by CALABARZON, Central Luzon and Davao regions, with bank density ratios of 9.1, 6.9 and 6.4 banks per municipality, respectively. It is worth noting that the density ratios for these four regions exhibited a rise from their December 2008 levels, indicating that the number of bank offices/branches per municipality has increased.

Meanwhile, deposit generation in all regions expanded year-on-year as of December 2009. In fact, with the exception of Central Visayas and SOCCSKSARGEN, all regions posted double-digit growth rates in deposit liabilities during the review period. Of these regions, Cagayan Valley registered the highest growth of 21.3 percent. One of the major contributors to this favorable trend was the continued strong inflows of overseas Filipino remittances in 2009, notwithstanding the uncertainties in the global economy during the review period.

Total loans were also on the rise as of December 2009. Lending activity in most regions increased by double-digit rates, except for the NCR, Bicol region, and Eastern Visayas. It must be noted, however, that the 0.7 percent and 9.6 percent growth rates recorded for the NCR and the Bicol region, respectively, were an improvement from the declines posted in December 2008. Growth in total loans were highest in CALABARZON (88.2 percent), CAR (55.0 percent) and the Ilocos region (46.8 percent). The policy rate cuts and other liquidity-enhancing measures adopted by the BSP at the height of the global financial crisis in 2009 allowed domestic credit to flow and support firms' and households' spending needs.

The NCR, which accounted for about 90 percent of the total loans of the banking system, continued to lead as the region with the highest loans-to-deposits ratio at 65.4 percent as of December 2009. This was, however, lower than the 71.8 percent ratio posted in December 2008. The NCR was followed by Northern Mindanao (32.8 percent), SOCCSKSARGEN (32.1 percent), and CARAGA

(31.6 percent) regions. The growth in loans-to-deposits ratio during the review period reflected greater efficiency of banks in channeling deposits to lending activities.

Inflation

Inflation rates in the regions exhibit a general downtrend

Region	2009 (January-October)	2010 (January-October)
PHILIPPINES	3.2	4.0
1 NCR	1.3	4.1
2 CAR	3.3	4.6
3 Ilocos Region (I)	3.4	2.8
4 Cagayan Valley (II)	5.2	3.6
5 Central Luzon (III)	3.7	3.5
6 CALABARZON (IV-A)	3.1	4.7
7 MIMAROPA (IV-B)	2.9	4.1
8 Bicol Region (V)	4.4	4.3
9 Western Visayas (VI)	5.3	2.9
10 Central Visayas (VII)	2.8	3.6
11 Eastern Visayas (VIII)	5.9	3.1
12 Zamboanga Peninsula (IX)	3.6	3.5
13 Northern Mindanao (X)	4.8	3.3
14 Davao Region (XI)	4.5	4.2
15 SOCCSKSARGEN (XII)	3.9	4.5
16 ARMM	5.5	6.5
17 Caraga	4.8	3.8

- For January to October of 2010, inflation rates across all regions generally decelerated.
- The decline in inflation was apparent in the Eastern and Western Visayas, Cagayan Valley and Northern Mindanao (more than 1 percentage point) brought about by the tamed price increase among the Food, Beverages and Tobacco (FBT), Clothing, Housing and Repairs, Services and Miscellaneous commodities. The decrease in the prices of crude oil in the world market due to falling consumer demand also contributed to the easing of inflation.
- However, higher inflation was evident in the Calabarzon, NCR and CAR (more than 1 percentage point). In Calabarzon, high inflation was caused by the effects of El Niño on crop production and the cost of electricity generated in hydropower plants. There was also an increase in prices of housing and repairs due to high demand for construction materials during the summer months. In NCR and CAR, inflation hike was caused by the higher prices of non-food commodities and election related spending.

Employment

Employment rates highest in Cagayan Valley, ARMM, Northern Mindanao and Zamboanga Peninsula

Region	Employment	Unemployment	Underemployment
PHILIPPINES	931	6.9	17.9
NCR	891	10.9	11.6
CAR	950	5.0	13.4
Ilocos Region (I)	919	8.1	14.7
Cagayan Valley (II)	961	3.9	13.9
Central Luzon (III)	920	8.0	7.1
CALABARZON (IV-A)	906	9.4	15.9
MIMAROPA (IV-B)	956	4.4	23.4
Bicol Region (V)	940	6.0	37.5
Western Visayas (VI)	934	6.6	23.2
Central Visayas (VII)	940	6.0	13.8
Eastern Visayas (VIII)	947	5.3	24.3
Zamboanga Peninsula (IX)	960	4.0	19.6
Northern Mindanao (X)	960	4.0	26.6
Davao Region (XI)	941	5.9	23.9
SOCCSKSARGEN (XII)	958	4.2	19.1
Caraga (XIII)	946	5.4	20.8
ARMM	960	4.0	12.4

*Starting April 2005, the new unemployment definition adopted per NSCB Resolution No. 15 dated October 20, 2004. The definition of unemployed includes the availability criterion. Previously, only those without jobs and looking for work were considered unemployed. Hence, data for labor force, labor force participation rate, employment rate, and unemployment rate are not comparable with previous survey rounds.

Sources of Data: Bureau of Labor and Employment Statistics, National Statistics Office

- Based on the results of the latest Labor Force Survey (LFS) of the National Statistics Office (NSO) in July 2010, the highest employment rate at 96.1 percent was posted in the Cagayan Valley Region and at 96.0 percent in the ARMM, Northern Mindanao and Zamboanga Peninsula. In contrast, the lowest employment rate at 89.1 percent was recorded in the NCR in July 2010.
- The high employment rate in the Cagayan Valley could be attributed to continuous efforts of government to sustain and create jobs under the Comprehensive Livelihood and Employment Program (CLEEP).

Employment Indicators By Region* January and April 2010, in percent						
Region	January 2010			April 2010		
	Employment	Unemployment	Underemployment	Employment	Unemployment	Underemployment
PHILIPPINES	927	7.3	19.7	920	8.0	17.8
NCR	892	10.8	10.9	882	11.8	9.7
CAR	950	5.0	17.3	940	6.0	18.9
Ilocos Region (I)	921	7.9	14.8	907	9.3	15.8
Cagayan Valley (II)	970	3.0	17.0	949	5.1	11.9
Central Luzon (III)	910	9.0	8.7	901	9.9	8.3
CALABARZON (IV-A)	905	9.5	16.9	897	10.3	15.6
MIMAROPA (IV-B)	958	4.2	22.4	960	4.0	23.2
Bicol Region (V)	949	5.1	36.8	934	6.6	37.8
Western Visayas (VI)	940	6.0	28.6	903	9.7	28.0
Central Visayas (VII)	919	8.1	18.1	914	8.6	14.9
Eastern Visayas (VIII)	936	6.4	22.8	959	4.1	12.5
Zamboanga Peninsula (IX)	953	4.7	26.0	969	3.1	21.5
Northern Mindanao (X)	948	5.2	26.4	936	6.4	31.0
Davao Region (XI)	940	6.0	22.8	937	6.3	16.5
SOCOSKARGEN (XII)	948	5.2	26.7	956	4.4	19.5
Caraga (XIII)	919	8.1	28.0	924	7.6	21.1
ARMM	950	4.0	16.6	959	4.1	13.0

*Starting April 2005, the new unemployment definition was adopted per NSCB Resolution No. 15 dated October 20, 2004. The definition of unemployed includes the availability criterion. Previously, only those without jobs and looking for work were considered unemployed. Hence, data for labor force, labor force participation rate, employment rate, unemployed and unemployment rate are not comparable with previous survey rounds.
Sources of Data: Bureau of Labor and Employment Statistics, National Statistics Office

- In the ARMM and Northern Mindanao, the increased employment is reflective of the expansion in cattle production due to expanded animal dispersal programs, favorable market conditions and increased investments in the cattle industry.
- The increase in employment in the Zamboanga Peninsula is shown by the positive production performance of the swine-raising industry despite the high cost of feeds.
- In July 2010, four regions recorded unemployment rates that were higher than the national average of 6.9 percent, namely: NCR (10.9 percent), CALABARZON (9.4 percent), Ilocos (8.1 percent) and Central Luzon (8.0 percent).
- The highest underemployment rate at 37.5 percent was recorded in the Bicol Region in July 2010. This underemployment rate is twice the national average of 17.9 percent.⁶ The lowest underemployment rate was in the Central Luzon Region at 7.1 percent in the same period.

Demand and Supply Conditions

- For the first half of 2010, the economy posted a growth rate of 7.9 percent, the highest semestral growth since 1988. The economy was buoyed by the rebound in the industry sector, especially the manufacturing sub-sector which was shored up by improving domestic and external demand. On the demand side, economic growth was driven by capital formation, government consumption, and a strong recovery in exports. Inflation remained subdued and averaging well within the government's target range of 3.5-5.5 percent for 2010.
- In the agriculture sector, the production of palay and corn declined in the first half of 2010 due to crop damages and the contraction in harvest area brought about by the El Niño phenomenon.

⁶ Underemployed persons include all employed persons who express the desire to have additional hours of work in their present job or an additional job, or to have a new job with longer working hours.

- Construction of residential buildings increased by 20 percent on increased activities in Central Luzon and CALABARZON during the first quarter of 2010. The total number of approved building permits likewise rose during the period.
- Financial market conditions in 2009 posted modest recovery, with the financial system showing signs of improvement as the worst part of the global financial turmoil appeared to be over. Banks' total loan portfolio and deposit liabilities posted moderate growth in 2009 compared to year-ago levels. However, the ratio between loan portfolio and deposit liabilities decelerated, reflecting the general mood of cautiousness amid lingering concerns about the pace and sustainability of the recovery efforts.
- The unemployment rate declined to 6.9 percent in July 2010 from last year's 7.6 percent. The services sector accounted for the largest source of employment, comprising more than half (51.2 percent) of the total employed population.
- For the first ten months of 2010, inflation averaged 4.1 percent, which is well within the Government's target range of 3.5-5.5 percent for this year. Major food groups reflected lower inflation following the sustained improvement in supply conditions during the period.

Opportunities and Challenges

Continuing infrastructure projects and various government initiatives along with the global economic recovery support prospects for a more vibrant domestic economy.

- Public infrastructure projects such as roads, expressways and seaports connecting major areas in the country, as well as international and domestic airports and railways remain the key factors for growth across the regions. The timely completion of all ongoing infrastructure projects is expected to accelerate regional development. In particular, opportunities for increased trade, tourism and investments depend upon the availability and efficiency of these public infrastructures. Increased investment opportunities for public infrastructure and utilities will be particularly enhanced through the National Government's Public-Private Partnership (PPP) initiatives.

- Furthermore, business seminars, agricultural trainings and other capacity-building programs conducted by NGOs and relevant government agencies are expected to encourage entrepreneurial activities that are seen to reduce poverty and promote employment. Furthermore, the undertaking of intensive English language training should resolve the low take-up rate of the regional centers of BPO companies.
- Meanwhile, a major challenge to the agriculture sector is the extreme weather conditions that threaten both agricultural production and public safety. In the farm sector, response measures to both El Niño and La Niña weather phenomenon will be critical for a sustained growth. Moreover, the continued improvement in the harvest and post-harvest facilities will ensure further expansion in the agriculture, fishery and forestry sector. Concerted efforts at the national and local levels should be pursued to alleviate the negative impact of weather disturbances.

Sources of data and other information:

- Bureau of Agricultural Statistics, Department of Agriculture (BAS-DA)
 - Palay, corn and banana production
 - Cattle, chicken and swine production
 - Fishery production
 - Performance of the Philippine agriculture
- Bureau of Fisheries and Aquatic Resources
- National Economic and Development Authority (NEDA)
 - Regional Economic Situationer
- National Statistics Office (NSO)
 - Approved building permits and housing starts
 - Residential building constructions started
 - Inflation
 - Employment
- Supervisory Data Center, Bangko Sentral ng Pilipinas (SDC-BSP)
 - Loans
 - Deposits
 - Bank density
- Various newspapers articles and websites