



# Report on Regional Economic Developments

*Second Semester 2007*

**Department of Economic Research**  
*Monetary Stability Sector*  
*Bangko Sentral ng Pilipinas*

## Foreword

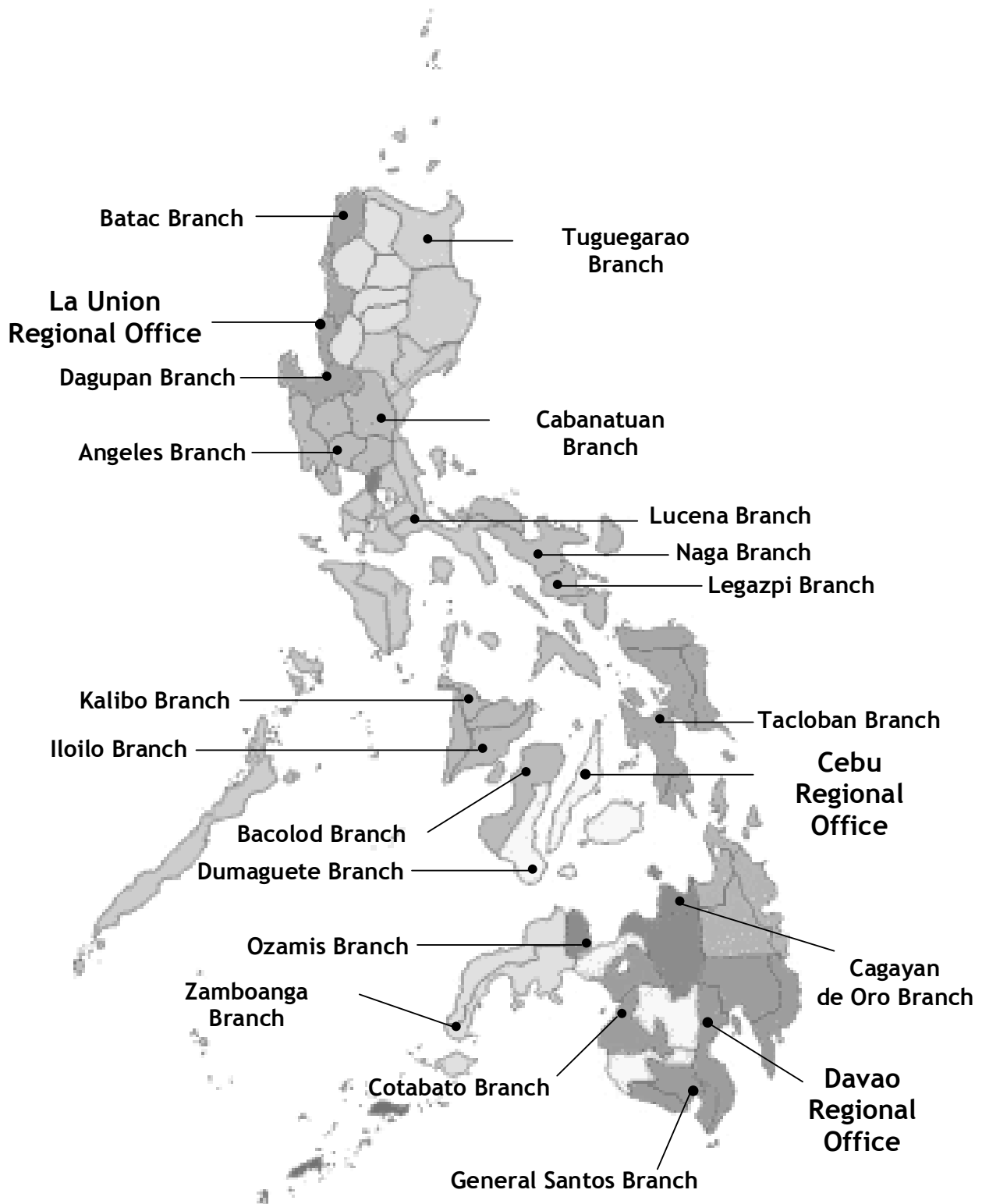
In June 2005, the Monetary Board approved the release of the maiden issue of the BSP's Report on Regional Economic Developments in the Philippines. The report widens the scope of BSP's market surveillance, adding a geographic dimension to the economic indicators that it monitors regularly. Analysis of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

The report tracks economic developments in the regions, focusing on the demand and supply conditions, price developments and monetary conditions, 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 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



## PHILIPPINES: Regional Composition

Region <sup>1</sup>	Provinces
National Capital Region (NCR)	Cities of Caloocan, Las Piñas, Quezon City, Makati, Manila, Muntinlupa, Parañaque, Pasig, Pasay, Malabon, Mandaluyong, Marikina, and Valenzuela, and the Municipalities of Navotas, Pateros, San Juan, and Taguig
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 <sup>2</sup> , 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

<sup>1</sup> 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.

<sup>2</sup> The 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	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 SOCKKSARGEN (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

#### Gross Domestic Product

- Gross Domestic Product (GDP) grew at a faster pace of 7.2 percent in 2007 from 5.4 percent during the previous year, led by the strong performance of MIMAROPA which grew by 9.4 percent, CARAGA by 8.6 percent, Central Visayas by 8.7 percent and Northern Mindanao by 7.9 percent. The slowest growing regions were Eastern Visayas (3.2 percent), ARMM (5.4 percent) and CALABARZON (5.5 percent).

#### Crop Production

- Grain production accelerated during the second semester of 2007. Growth in grain production was led by CALABARZON, Western Visayas and the Bicol Region. Favorable weather conditions during the period in review contributed to the increase in grain production in the various parts of the country. Other main contributors to crop production growth were the Zamboanga Peninsula, ARMM, CAR and CARAGA.

#### Livestock, Poultry, Fishery

- Swine production increased significantly during the second semester of 2007 accompanied by growths in cattle and chicken production. Growth in livestock production was led by CALABARZON, ARMM AND MIMAROPA. On the other hand, growth in chicken production was led by SOCCSKSARGEN, MIMAROPA, the Bicol Region and ARMM. Increased demand from local and foreign consumers boosted production in the sector. Fishery production also increased in the regions due to favorable weather conditions and availability of good quality fingerlings. CALABARZON, the Ilocos Region, CARAGA and SOCCSKSARGEN led the growth for fishery production.

#### Construction

- For the second semester of 2007, construction activity showed mixed results in the regions. A lower number of approved building permits was posted during the period in review, but residential building construction increased during the same period because of increased demand from overseas Filipinos (OFs). The Bicol region posted the highest construction growth rate due to increased infrastructure projects, especially roll-on roll-off (RORO) ports. However, several regions such as CALABARZON, Eastern Visayas, Zamboanga Peninsula, Ilocos Region and CARAGA posted declines in approved building permits due to a general decline in economic activity in these regions.

- Tourism**
- Tourism in the regions remained brisk as indicated by the rise in the average hotel occupancy rate across the archipelago. The regions that recorded the largest rates of increases in hotel occupancy rates were the following: Western Mindanao, Northern Mindanao, Eastern Visayas, CAR and Cagayan Valley. In contrast, tourism activity in the Ilocos Region registered a noticeable decline in 2007.
- Banking**
- The NCR maintained its status as the country's hub of financial activity as shown by its higher loans-to-deposits ratio compared to the rest of the regions. The loans-to-deposits ratio of the NCR increased in the second half of 2007 compared to the first half of the same year. Majority of the rest of the regions posted higher loans-to-deposits ratios compared to the previous semester as growth in the loans extended was larger than the increase in deposit liabilities. The NCR remained to be the region with the highest concentration of banks. There was also a marked increased presence of banks in MIMAROPA as extension bank offices were opened in some municipalities during the semester in review.
- Inflation**
- Inflation across all the regions decreased significantly during the second semester of 2007. The average inflation for the country during the period was 2.9 percent, lower than the 5.4 percent recorded during the comparable period in 2006. The downward trend in inflation was due to declining food and oil prices. For the period January-October 2008, the average inflation rate for the whole country was 9.4 percent, reflecting higher global prices of food and oil. The uptrend in inflation was evident in the Zamboanga Peninsula, Eastern Visayas, CARAGA and ARMM.
- Employment**
- Employment rates in the regions were significantly higher than in the NCR during the second half of 2007. The higher employment rates in the regions were mainly due to the expansion in agricultural production.
- Opportunities and Challenges**
- There are ongoing infrastructure projects and investments across the regions, which are expected to spark economic development across the country. In various parts of the country, there have been construction and repair of both international and domestic airports,

implementation of “Roll-On, Roll-Off” (RORO) ferry systems, construction and rehabilitation of expressways and other road improvement projects, and continuous improvement of economic zones and free ports. In addition, the introduction of several new international and local airline routes is expected to increase the influx of both foreign and local tourists in the country.

- To boost agricultural production in the country and spur countryside development, several projects were initiated in the regions. These included the construction and rehabilitation of irrigation systems and aqueducts for year-long production of crops, the development of agro-forestry and highland farming, the rehabilitation of farmlands devastated by natural calamities, the construction and repair of post-harvest facilities, and the implementation of fertilizer subsidy programs. The implementation of the seeds subsidy program, otherwise known as the Hybrid Rice Commercialization Program (HRCP) was also sustained.
- Efforts of the government to promote the mining sector led to improved prospects for higher investments and accelerated development of mining and quarrying sites in various parts of the archipelago. In its drive to achieve energy self-sufficiency, the government is accelerating the production of geothermal energy, the construction and rehabilitation of various power plants, the fast-tracking of bio-diesel and alternative fuel production, and confirmation of new discoveries of oil deposits.
- There are several challenges confronting the regions that could impinge on economic development efforts. Among the challenges identified by regional offices of economic agencies and local authorities are unfavorable weather conditions, price increases of primary commodities, lack of post-harvest facilities, rapid increase in population, environmental degradation (illegal logging, poaching, soil erosion and siltation), fast attrition rate of workers (especially in information technology and contract growing), stringent borrowing requirements of financial institutions in credit facilities for farmers, and the peace and order situation in some regions.



## Second Semester 2007 Economic Performance

### Economic Performance

#### Gross Domestic Product (2007)

*GDP picks up in 2007 led by MIMAROPA, CARAGA, Central Visayas and Northern Mindanao*

	Region	2007	2006
	PHILIPPINES	7.2	5.4
1	NCR	7.8	6.7
2	CAR	7.2	3.6
3	Ilocos Region (I)	5.8	6.1
4	Cagayan Valley (II)	6.6	7.4
5	Central Luzon (III)	6.1	4.8
6	CALABARZON (IV-A)	5.5	4.6
7	MIMAROPA (IV-B)	9.4	1.6
8	Bicol Region (V)	7.7	2.6
9	Western Visayas (VI)	7.7	4.9
10	Central Visayas (VII)	8.7	4.8
11	Eastern Visayas (VIII)	3.2	5.2
12	Zamboanga Peninsula (IX)	7.4	2.1
13	Northern Mindanao (X)	7.9	6.9
14	Davao Region (XI)	6.7	4.3
15	SOCCSKSARGEN (XII)	6.7	6.6
16	Caraga	8.6	6.0
17	ARMM	5.4	3.7

Source: National Statistical Coordination Board

- Total Gross Domestic Product (GDP) grew at an accelerated pace of 7.2 percent in 2007 from 5.4 percent during the previous year, buoyed by the strong performance of MIMAROPA which grew by 9.4 percent, CARAGA by 8.6 percent, Central Visayas by 8.7 percent and Northern Mindanao by 7.9 percent. The slowest growing regions were Eastern Visayas (3.2 percent), ARMM (5.4 percent) and CALABARZON (5.5 percent).
- MIMAROPA posted a remarkable recovery from 1.6 percent growth in 2006 to 9.4 percent in 2007. The solid performance of this region was led by the industry and services sectors. The industry sector, which accounted for 41.4 percent of the region's economy, was fueled by mining and quarrying, construction, manufacturing, and electricity subsectors. The region's services sector was led by transportation, communication and storage subsector, which was complemented by the increase in tourist arrivals.
- The growth in CARAGA was led by the mining and quarrying sub-sector, which expanded by 76.1 percent in 2007. Construction also grew by 15.2 percent.
- For Central Visayas, growth was underpinned by the notable performance of the services sector, particularly finance and trade. On the other hand, the industry sector was led by the increased activity in construction.
- Northern Mindanao's growth in 2007 was highlighted by the expansion of its industry sector, especially construction, which grew by 19.6 percent. The increase in the industry sector was complemented by the expansion of the services sector, particularly trade and finance.
- By economic activity, CALABARZON remains a major source of agricultural and fishery products, as it accounted for 12.0 percent of the total agriculture, forestry and fishery (AFF) output of the country. This region's agricultural products include coconut, coffee,

*NCR accounts for the largest share of industry and services output*

- In the industry sector, the NCR continued to be the country's industrial heartland as it contributed 33.9 percent to the country's total industrial output. Manufacturing output dominated the NCR's industry sector. CALABARZON came in second with a 15.3 percent share, while Central Luzon followed with 9.1 percent.
- In the services sector, NCR also comprised the bulk (44 percent) of the country's services sector production. Driving the services sector in the NCR was transportation, communication and storage, followed by government services and trade. CALABARZON contributed 10.1 percent, while the share of Central Visayas was at 8.9 percent.

### Agriculture, Livestock, Poultry and Fishery (Second Semester 2007)

#### *Palay production sustains growth*

Palay Production, in metric tons			
Growth Rate in Percent, y-o-y			
Region		2 <sup>nd</sup> sem 2007	2 <sup>nd</sup> sem 2006
	PHILIPPINES	8.3	2.5
1	CAR	14.8	10.3
2	Ilocos Region (I)	3.3	17.6
3	Cagayan Valley (II)	4.4	(3.1)
4	Central Luzon (III)	8.2	9.6
5	Southern Tagalog-CALABARZON (IV-A)	22.5	(21.7)
6	Southern Tagalog-MIMAROPA (IV-B)	5.2	5.1
7	Bicol Region (V)	21.4	(19.4)
8	Western Visayas (VI)	6.5	12.2
9	Central Visayas (VII)	21.6	4.7
10	Eastern Visayas (VIII)	15.7	2.6
11	Zamboanga Peninsula (IX)	19.8	(18.7)
12	Northern Mindanao (X)	10.0	(2.7)
13	Davao Region (XI)	(14.7)	(2.4)
14	SOCCSKSARGEN (XII)	7.3	1.4
15	Caraga	9.9	3.1
16	ARMM	15.5	(22.7)

Source: National Statistics Coordinating Board

- Palay production posted an 8.3 percent growth in the second semester of 2007, higher than the 2.5 percent recorded during the same period a year ago. The favorable weather conditions during the second semester of 2007 provided relief, countering the effect of the dry spell in the preceding semester.
- All regions posted positive growth rates, except Davao. Significant growth rates were seen in CALABARZON (22.5 percent), Central Visayas (21.6 percent), Zamboanga Peninsula (19.8 percent), Eastern Visayas (15.7 percent) and ARMM (15.5 percent). CALABARZON posted a substantial increase in its rice production during the review period despite a 6.0 percent decline in the rice production of Batangas due to flooding and incidence of "tungro."<sup>3</sup>
- The higher palay production in these regions was attributed to the following factors:

<sup>3</sup> A rice disease.

- Favorable weather conditions in Cagayan Valley, Northern Mindanao, SOCCSKSARGEN and CARAGA;
- Sustained use and timely availability of hybrid and high-yielding variety seeds, such as rice varieties that are Rice Tungro Virus (RTV) resistant and seedlings distributed under the Hybrid Rice Commercialization Program (HRCP) and Ginintuang Masaganang Ani (GMA) Rice Program of the Government in Cagayan Valley, CALABARZON, MIMAROPA, Bicol Region, Western Visayas, Central Visayas, Eastern Visayas, Zamboanga Peninsula, Northern Mindanao and CARAGA;
- Provision of subsidies to farmers' production inputs in MIMAROPA and CARAGA;
- Provision of post-harvest equipment and the construction of farm-to-market roads (FMRs) in Eastern Visayas;
- Location-specific interventions, with the use of Bio-N<sup>4</sup> fertilizers in Eastern Visayas;
- Rehabilitation of irrigation systems and small water reservoirs in Ilocos Region, Cagayan Valley, Western Visayas, Central Visayas, Eastern Visayas, Zamboanga Peninsula, Northern Mindanao and CARAGA;
- Implementation of the Quick Turn Around (QTA) planting scheme of the Department of Agriculture (DA) in Ilocos Region, Bicol Region and SOCCSKSARGEN;
- Provision of Farm Led Extension (FLE) services from the DA and Local Government Units (LGUs) in Cagayan Valley;
- Establishment of Farmers Information and Technology Service (FITS) or Techno Pinoy Center to educate farmers on proper cultivation procedures, integrated pest and nutrient management, and post-harvest practices in Western Visayas; and
- Expansion in area planted/harvested in CAR (i.e., in the provinces of Abra, Ifugao and Kalinga), CALABARZON, MIMAROPA, Central Visayas, Zamboanga Peninsula, and Northern Mindanao.

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<sup>4</sup> Bio-N is an organic fertilizer suited for corn, rice and vegetables, which replaces 30-50 percent of the total amount of nitrogen requirement of the crop, enhances shoot growth and development, increases yield of the crop, maintains the natural soil properties and soil fertility and makes plants healthy and green even making them resistant to drought and pests. Bio-N benefits farmers with greater yield and lower expenditures (by 50 percent) on fertilizers.

*Corn production rebounds in the second semester of 2007*

Corn Production, in metric tons			
Growth Rate in Percent, y-o-y			
Region		2 <sup>nd</sup> sem 2007	2 <sup>nd</sup> sem 2006
	PHILIPPINES	14.6	6.0
1	CAR	20.8	14.5
2	Ilocos Region (I)	16.9	1.4
3	Cagayan Valley (II)	(13.2)	45.6
4	Central Luzon (III)	31.9	(1.7)
5	Southern Tagalog-CALABARZON (IV-A)	50.2	(25.8)
6	Southern Tagalog-MIMAROPA (IV-B)	12.5	7.9
7	Bicol Region (V)	54.8	7.6
8	Western Visayas (VI)	35.6	34.5
9	Central Visayas (VII)	13.8	(7.7)
10	Eastern Visayas (VIII)	17.0	7.8
11	Zamboanga Peninsula (IX)	8.2	(14.2)
12	Northern Mindanao (X)	15.6	(6.8)
13	Davao Region (XI)	2.8	19.2
14	SOCCKSARGEN (XII)	16.3	(4.4)
15	Caraga	18.4	16.1
16	ARMM	48.7	3.9

Source: National Statistics Coordinating Board

- Meanwhile, the decline in rice production in the Davao region is attributed to the reduction in rice harvest areas following a shift towards the cultivation of bananas, vegetables and other high-yielding crops.
- The growth of corn production accelerated in the second semester of 2007, posting a significant 14.6 percent growth from 6.0 increase in the same period last year. All regions posted growths, except in Cagayan Valley. The decline of corn production in Cagayan Valley was due to the prolonged dry spell, which was still evident through the third quarter of 2007 and to the two devastating typhoons (Typhoons Kabayan and Mina) that hit the region in November and December of 2007.
- Increases in the production of corn were influenced by the following factors:
  - Improved weather conditions in CALABARZON, MIMAROPA, Central Visayas, Zamboanga Peninsula, CARAGA and ARMM;
  - Increase in area harvested in CAR, Central Luzon, MIMAROPA, Western Visayas, Eastern Visayas and ARMM;
  - Off-season plantings of white and yellow corn in Ilocos Region;
  - Sustained use of hybrid and certified open pollinated variety (OPV) of corn seeds in CALABARZON, Bicol Region, Western Visayas, Central Visayas, Eastern Visayas, Zamboanga Peninsula, Northern Mindanao, Davao Region, CARAGA and ARMM;
  - Technical assistance on effective farming styles and management conducted by the DA in CALABARZON, Bicol Region, Central Visayas and Davao Region;
  - Seed and fertilizer subsidies from the LGUs, the GMA corn program, and other private institutions in the Ilocos Region, Western Visayas, Eastern Visayas, Northern Mindanao, CARAGA and ARMM;
  - Operationalization of the Bio-N Mixing Plant in Bicol Region;
  - Positive collaboration with LGUs for the procurement of production and post-harvest facilities under a cost-sharing scheme in Eastern Visayas;
  - Increases in both market demand and price of corn in the Ilocos Region, Central Luzon, and ARMM.

## Livestock, Poultry and Fishery

## Livestock and Poultry

*Livestock and poultry production recovers*

Region	2 <sup>nd</sup> sem 2007	2 <sup>nd</sup> sem 2006
PHILIPPINES	3.4	(3.4)
1 CAR	8.0	2.0
2 Ilocos Region (I)	(0.4)	2.0
3 Cagayan Valley (II)	(4.8)	(11.0)
4 Central Luzon (III)	0.0	4.9
5 Southern Tagalog-CALABARZON (IV-A)	60.3	6.0
6 Southern Tagalog-MIMAROPA (IV-B)	7.4	(2.5)
7 Bicol Region (V)	(11.6)	(6.0)
8 Western Visayas (VI)	(9.4)	(16.6)
9 Central Visayas (VII)	(8.0)	(17.8)
10 Eastern Visayas (VIII)	(1.7)	(32.8)
11 Zamboanga Peninsula (IX)	1.4	1.0
12 Northern Mindanao (X)	5.3	1.9
13 Davao Region (XI)	(24.7)	12.3
14 SOCCSKSARGEN (XII)	8.7	1.2
15 Caraga	11.7	(0.3)
16 ARMM	11.8	7.2

Source: National Statistics Coordinating Board

Region	2 <sup>nd</sup> sem 2007	2 <sup>nd</sup> sem 2006
PHILIPPINES	1.3	0.7
1 CAR	(10.0)	(4.6)
2 Ilocos Region (I)	1.0	17.2
3 Cagayan Valley (II)	(6.9)	(6.6)
4 Central Luzon (III)	1.7	7.1
5 Southern Tagalog-CALABARZON (IV-A)	3.5	(3.8)
6 Southern Tagalog-MIMAROPA (IV-B)	11.0	4.6
7 Bicol Region (V)	7.2	(9.3)
8 Western Visayas (VI)	(1.0)	2.4
9 Central Visayas (VII)	1.2	(24.7)
10 Eastern Visayas (VIII)	0.6	4.1
11 Zamboanga Peninsula (IX)	(3.4)	(5.4)
12 Northern Mindanao (X)	4.3	13.0
13 Davao Region (XI)	(8.0)	(1.4)
14 SOCCSKSARGEN (XII)	12.1	(8.8)
15 Caraga	1.5	(3.0)
16 ARMM	5.8	13.4

Source: National Statistics Coordinating Board

- Cattle production grew by 3.4 percent in the second half of 2007, after declining by 3.4 percent during the same period a year ago. The growth of cattle production in CALABARZON (60.3 percent), which is the top cattle-producing region in the country, ARMM (11.8 percent), CARAGA (11.7 percent), SOCCSKSARGEN (8.7 percent), CAR (8.0 percent), MIMAROPA (7.4 percent) and Zamboanga Peninsula (1.4 percent) contributed to the improved performance of the country's cattle industry. The increase in cattle production was a result of the prevention of foot and mouth disease (FMD) outbreaks in the country. According to the DA, the Philippines will soon be certified in the world market as an FMD-free cattle producer.

- Chicken production expanded by 1.3 percent in the second semester of 2007, higher than the 0.7 percent growth posted in the same period of the previous year. The improvement was due to the recovery in chicken production in SOCCSKSARGEN (from -8.8 percent to 12.1 percent), MIMAROPA (from 4.6 percent to 11.0 percent), Bicol Region (from -9.3 percent to 7.2 percent), CALABARZON (from -3.8 percent to 3.5 percent), CARAGA (from -3.0 percent to 1.5 percent) and Central Visayas (from -24.7 percent to 1.2 percent). The higher supply of chicks from contract growers and the additional broiler farms in CALABARZON and Bicol Region, the continuous pursuit of the Avian Influenza (AI) Prevention Program in the Bicol Region through organization of municipal Task Forces and regionwide briefings on the matter, the establishment of livestock auction markets in Central Visayas, and the enhanced market demand for chicken during the Christmas and holiday seasons in CALABARZON and CARAGA contributed to the increased chicken production.

- It is worth noting that growth in chicken production was registered despite the price hike in poultry feeds and farm inputs in Cagayan Valley and Western Visayas, the threat of avian virus in Western Visayas, as

well as the reduction of areas devoted to chicken and duck production in Northern Mindanao due to sanitary and pollution complaints from the residents in the region.

Region	2 <sup>nd</sup> sem 2007	2 <sup>nd</sup> sem 2006
PHILIPPINES	5.7	3.2
1 CAR	12.4	(5.8)
2 Ilocos Region (I)	0.6	(0.1)
3 Cagayan Valley (II)	(18.1)	(0.6)
4 Central Luzon (III)	1.4	7.5
5 Southern Tagalog-CALABARZON (IV-A)	26.3	11.0
6 Southern Tagalog-MIMAROPA (IV-B)	13.7	2.1
7 Bicol Region (V)	(5.7)	(1.1)
8 Western Visayas (VI)	4.0	(1.0)
9 Central Visayas (VII)	2.8	(3.4)
10 Eastern Visayas (VIII)	(1.3)	6.2
11 Zamboanga Peninsula (IX)	0.5	(1.5)
12 Northern Mindanao (X)	4.3	4.4
13 Davao Region (XI)	1.9	0.6
14 SOCCSKSARGEN (XII)	4.3	4.2
15 Caraga	17.8	2.9
16 ARMM	55.1	(3.8)

Source: National Statistics Coordinating Board

- Swine production grew at a faster rate of 5.7 percent in the second half of 2007 from 3.2 percent in the same period in 2006. Double-digit growth rates in ARMM (55.1 percent), CALABARZON (26.3 percent), CARAGA (17.8 percent), MIMAROPA (13.7 percent) and CAR (12.4 percent) contributed to the improved performance of the country's hog production. The increase in swine production was brought about by higher demand from local and foreign consumers coupled with the availability of livestock for breeding from reputable sources that encouraged swine producers to increase production. The hog industry was the country's principal livestock industry and accounted for 82.3 percent of the total livestock production for 2007.

- Major swine-producing regions include CALABARZON and Central Luzon, which together accounted for 34.4 percent of swine production during the period.

## Fishery

*Favorable weather conditions trigger growth in fish production*

Region	2 <sup>nd</sup> sem 2007	2 <sup>nd</sup> sem 2006
PHILIPPINES	6.3	3.8
1 NCR	5.1	(30.9)
2 CAR	10.5	12.4
3 Ilocos Region (I)	18.5	17.4
4 Cagayan Valley (II)	9.3	15.6
5 Central Luzon (III)	6.0	2.4
6 Southern Tagalog-CALABARZON (IV-A)	19.4	0.6
7 Southern Tagalog-MIMAROPA (IV-B)	(11.9)	8.7
8 Bicol Region (V)	12.0	10.0
9 Western Visayas (VI)	5.6	(4.4)
10 Central Visayas (VII)	6.6	(6.9)
11 Eastern Visayas (VIII)	5.6	6.8
12 Zamboanga Peninsula (IX)	11.9	10.1
13 Northern Mindanao (X)	12.8	(7.7)
14 Davao Region (XI)	8.8	4.3
15 SOCCSKSARGEN (XII)	15.2	(4.1)
16 Caraga	17.2	3.8
17 ARMM	9.1	8.7

- The fishery subsector grew by 6.3 percent in the second semester of 2007, higher than the year-ago level of 3.8 percent. Significant increases were recorded in CALABARZON (19.4 percent), Ilocos Region (18.5 percent), Caraga (17.2 percent), and SOCCSKSARGEN (15.2 percent).

- The reasons cited for the growth of the fishery subsector in the regions were:

- Favorable weather conditions that encouraged more fishing trips and fishing days;
- Increased unloadings of frozen tuna by Taiwanese vessels intended for canning in General Santos City;
- Increased fishing days and trips due to strict implementation of fishery laws that prohibit entry of commercial fishing boats to municipal waters;
- Availability of good quality fingerlings for milkfish and tilapia;

- Establishment of new *penaeus vannamei* shrimp production sites in Pangasinan<sup>5</sup>; and
- Effective fish sanctuary protection program in Quezon Province.

- Fishery production in all regions of the country posted positive growth rates, except for MIMAROPA, which registered a contraction of 11.9 percent. To mitigate the decline of the fisheries subsector in MIMAROPA, the following measures were implemented: establishment of fish sanctuaries, combined with community participation in the rehabilitation of over-fished marine habitat and conservation of existing marine environment.

## Construction

### *Construction activity exhibits mixed trends*

Region	2 <sup>nd</sup> sem 2007	2 <sup>nd</sup> sem 2006	Growth rate in percent
PHILIPPINES	42,250	43,761	(3.5)
1 NCR	6,498	9,068	(28.3)
2 CAR	303	336	(9.8)
3 Ilocos Region (I)	2,682	2,795	(4.0)
4 Cagayan Valley (II)	687	695	(1.2)
5 Central Luzon (III)	4,831	4,081	18.4
6 Southern Tagalog-CALABARZON (IV-A)	7,857	10,655	(26.3)
7 Southern Tagalog-MIMAROPA (IV-B)	486	456	6.6
8 Bicol Region (V)	1,008	752	34.0
9 Western Visayas (VI)	1,773	1,486	19.3
10 Central Visayas (VII)	6,194	4,793	29.2
11 Eastern Visayas (VIII)	877	1,074	(18.3)
12 Zamboanga Peninsula (IX)	526	652	(19.3)
13 Northern Mindanao (X)	2,548	1,340	90.1
14 Davao Region (XI)	4,213	3,710	13.6
15 SOCCSKSARGEN (XII)	720	708	1.7
16 Caraga	1,043	1,146	(9.0)
17 ARMM	4	14	(71.4)

- Construction activity for the 17 regions showed mixed trends during the second semester of 2007. A lower number for approved building permits was posted for the period under review but residential building construction increased during the same period.
- Real investments in construction stimulated regional domestic expenditures in 2007, based on NSCB data. Total construction in all regions posted stronger growths in 2007. Bicol Region registered the highest growth of almost 40 percent in the same year vis-à-vis 2006. This could be partly on account of the region's priority infrastructure projects in 2007, particularly, the construction of the roll-on roll-off (RORO) ports, namely: Esperanza Port, Aroroy Port and the Claveria Port in Masbate as well as the Pantao Port in Albay.
- During the second semester in 2007, the number of approved building permits dropped by 1,511 or 3.5 percent to 42,250 from the same period in 2006.
- The decline in the number of approved building permits was prominent in six regions led by NCR, CALABARZON, East Visayas, Zamboanga Peninsula, Ilocos Region and ARMM. However, significant improvement in construction activity were observed in five regions, namely: Central Visayas, Northern

<sup>5</sup> *Penaeus vannamei*, also known as "white shrimp", is a commercial food grade shrimp, which was reared from the United States Department of Agriculture's (USDA) brood stock that are disease and pathogen free.



Region	2 <sup>nd</sup> sem 2007	2 <sup>nd</sup> sem 2006	Growth rate in percent
PHILIPPINES	29,586	29,217	1.3
1 NCR	3,421	4,107	(16.7)
2 CAR	233	254	(8.3)
3 Ilocos Region (I)	2,057	2,135	(3.7)
4 Cagayan Valley (II)	457	552	(17.2)
5 Central Luzon (III)	3,537	2,804	26.1
6 Southern Tagalog-CALABARZON (IV-A)	6,474	8,626	(24.9)
7 Southern Tagalog-MIMAROPA (IV-B)	295	288	2.4
8 Bicol Region (V)	697	531	31.3
9 Western Visayas (VI)	1,214	1,013	19.8
10 Central Visayas (VII)	4,925	3,333	47.8
11 Eastern Visayas (VIII)	631	749	(15.8)
12 Zamboanga Peninsula (IX)	338	300	12.7
13 Northern Mindanao (X)	1,443	820	76.0
14 Davao Region (XI)	2,888	2,658	8.7
15 SOCCSKSARGEN (XII)	424	421	0.7
16 Caraga	548	620	(11.6)
17 ARMM	4	6	(33.3)

Mindanao, Central Luzon, Davao and West Visayas.

- Meanwhile, the number of approved residential building constructions grew by 369 or 1.3 percent to 29,586 during the period under review compared to 29,217 in 2006.
- A higher number of housing starts was observed mainly in five regions, led by Northern Mindanao, Central Visayas, Bicol, Central Luzon and Zamboanga Peninsula. This modest growth in residential construction could be attributed to OF remittances that were spent for residential building construction. On the other hand, the declines in housing starts were traced to six regions led by CALABARZON, Cagayan Valley, the NCR, Eastern Visayas, ARMM and Caraga.

## Tourism

### Hotel Occupancy

*Hotel occupancy rises due to steady influx of visitors in top tourist destinations in the country*

Region	2007	2006	Growth rate
PHILIPPINES	65.21	62.60	4.17
1 NCR	73.06	71.95	1.54
2 CAR	34.19	30.33	12.73
3 Ilocos Region (I)	31.88	40.27	-20.83
4 Cagayan Valley (II)	71.32	63.29	12.69
5 Central Luzon (III)	59.49	58.16	2.29
6 Southern Luzon (IV)	52.11	51.28	1.62
7 Bicol Region (V)	33.60	36.04	-6.77
8 Western Visayas (VI)	50.35	51.14	-1.54
9 Central Visayas (VII)	65.98	70.13	-5.92
10 Eastern Visayas (VIII)	40.25	34.11	18.00
11 Zamboanga Peninsula (IX)	57.07	43.02	32.66
12 Northern Mindanao (X)	87.31	68.11	28.19
13 Davao Region (XI)	64.26	60.69	5.88
14 SOCCSKSARGEN (XII)	54.09	52.90	2.25
15 Caraga	42.39	38.41	10.36

Source: DOT Regional Offices

- Tourism activity remained brisk in 2007 as indicated by the 4.2 percent rise in the average hotel occupancy rate in the country. Notable increases in hotel occupancy rates were recorded for Zamboanga Peninsula (32.7 percent), Northern Mindanao (28.2 percent), Eastern Visayas (18.0 percent), CAR (12.7 percent), and Cagayan Valley (12.7 percent).
- The more aggressive tourism campaigns and the increasingly popular celebration of the Fiesta of the Nuestra Señora del Pilar in Zamboanga City, which draws in large crowds of pilgrims, boosted tourism activity in the Zamboanga Peninsula.
- While the number of foreign tourists in Northern Mindanao dropped by 17 percent in 2007 (attributed in part to the negative sentiment arising from insurgency problems in some areas), tourism activity remained vibrant from the continued influx of local tourists in the region<sup>6</sup>. Filipino tourists flocked to the region, either to hold or to participate in conventions and seminars, particularly in Cagayan de Oro City.

<sup>6</sup> The number of Filipino tourists in Northern Mindanao grew by 61.2 percent in 2007.



- The Eastern Visayas region has been reaping gains from the strengthened ties among the Department of Tourism-Region VIII Office and the provincial, city and municipal tourism offices as well as with the local and foreign tour operators. The intensified institutional linkages forged among these agencies have been geared towards improving tourism promotion and statistics generation.
- The CAR and Cagayan Valley remained as favorite tourist destinations in the country. Baguio City, which is part of the Cordillera Region, continued to draw crowds, due mainly to its cool weather and interesting attractions. Meanwhile, the many caves found in Cagayan Valley, the most famous of which is the Callo Cave, attracted foreign and local sports enthusiasts and adventure-seekers alike.

## Banking

*NCR has more banks than other regions to service its population*

Region	2007 (Dec)	2007 (Jun)
1 NCR	4,174	4,119
2 CAR	14,092	14,458
3 Ilocos Region (I)	13,212	12,837
4 Cagayan Valley (II)	13,366	13,418
5 Central Luzon (III)	11,736	11,749
6 Southern Tagalog-CALABARZON (IV-A)	9,581	9,540
7 Southern Tagalog-MIMAROPA (IV-B)	15,697	26,588
8 Bicol Region (V)	24,290	24,388
9 Western Visayas (VI)	19,588	17,240
10 Central Visayas (VII)	12,854	12,876
11 Eastern Visayas (VIII)	31,481	30,934
12 Zamboanga Peninsula (IX)	25,661	26,655
13 Northern Mindanao (X)	16,157	15,990
14 Davao Region (XI)	16,356	16,288
15 SOCCSKSARGEN (XII)	22,591	22,606
16 ARMM	138,358	131,308
17 Caraga	20,943	20,744

Source: Supervisory Data Center, SES-BSP

Region	2007 (Dec)	2007 (Jun)
1 NCR	3.79	14.47
2 CAR	5.96	15.26
3 Ilocos Region (I)	2.57	8.62
4 Cagayan Valley (II)	10.38	15.89
5 Central Luzon (III)	5.88	11.27
6 Southern Tagalog-CALABARZON (IV-A)	6.67	12.94
7 Southern Tagalog-MIMAROPA (IV-B)	61.00	13.05
8 Bicol Region (V)	10.01	16.25
9 Western Visayas (VI)	-2.01	9.76
10 Central Visayas (VII)	7.33	12.10
11 Eastern Visayas (VIII)	7.84	10.39
12 Zamboanga Peninsula (IX)	5.92	12.06
13 Northern Mindanao (X)	6.45	12.80
14 Davao Region (XI)	7.09	10.37
15 SOCCSKSARGEN (XII)	6.74	6.52
16 ARMM	3.17	11.26
17 Caraga	13.95	16.75

- With a bank density ratio of 4,174 persons per bank as of December 2007, the NCR continued to be the region with the highest number of banks relative to its population. Following the NCR were CALABARZON, with a bank density ratio of 9,581 persons per bank and third, Central Luzon, with 11,736 persons per bank.
- With the exception of Western Visayas, all the regions recorded expansions in deposit generation as of December 2007. One of the major contributors to this favorable trend was the continued strong inflows of overseas remittances. Posting double-digit growth rates in deposits were MIMAROPA (61.0 percent), CARAGA (14.0 percent), Cagayan Valley (10.4 percent), and the Bicol region (10.0 percent). These regions were also able to record relatively strong loan growth rates during the review period.
- Banks in MIMAROPA, CARAGA, ARMM, and Eastern Visayas registered notable expansions in loan portfolio, with growth rates of 76.0 percent, 35.8 percent, 30.8 percent and 23.5 percent, respectively, as of end-December 2007, reflecting brisk lending activity in these parts of the country. The overall growth in bank lending was, however, offset by declines posted in Northern, Southern and Central

Total Loan Portfolio		
Growth Rate in Percent, y-o-y.		
Region	2007 (Dec)	2007 (Jun)
1 NCR	2.72	3.67
2 CAR	-4.06	3.56
3 Ilocos Region (I)	12.31	14.52
4 Cagayan Valley (II)	8.55	4.78
5 Central Luzon (III)	3.21	0.37
6 Southern Tagalog-CALABARZON (IV-A)	12.68	9.09
7 Southern Tagalog-MIMAROPA (IV-B)	76.00	-4.61
8 Bicol Region (V)	9.45	2.61
9 Western Visayas (VI)	-5.43	1.52
10 Central Visayas (VII)	-4.57	1.32
11 Eastern Visayas (VIII)	23.47	13.43
12 Zamboanga Peninsula (IX)	18.44	4.54
13 Northern Mindanao (X)	-13.07	-10.90
14 Davao Region (XI)	-9.36	-8.68
15 SOCCSKSARGEN (XII)	-2.51	-14.69
16 ARMM	30.83	-33.20
17 Caraga	35.75	1.29

Loan Portfolio to Deposit Ratio		
Region	2007 (Dec)	2007 (Jun)
1 NCR	88.34	79.45
2 CAR	9.00	10.53
3 Ilocos Region (I)	22.33	19.10
4 Cagayan Valley (II)	38.72	35.05
5 Central Luzon (III)	22.69	21.57
6 Southern Tagalog-CALABARZON (IV-A)	16.91	15.73
7 Southern Tagalog-MIMAROPA (IV-B)	27.36	24.13
8 Bicol Region (V)	34.48	31.13
9 Western Visayas (VI)	19.51	18.44
10 Central Visayas (VII)	22.40	23.75
11 Eastern Visayas (VIII)	24.37	22.89
12 Zamboanga Peninsula (IX)	23.74	20.16
13 Northern Mindanao (X)	34.07	31.99
14 Davao Region (XI)	23.20	22.18
15 SOCCSKSARGEN (XII)	28.26	25.49
16 ARMM	12.83	12.08
17 Caraga	36.43	30.91

## Inflation

*Lower oil and food prices push inflation down in 2007*

Inflation Rates, in percent					
Region	2008 (Jan-Oct)	2007 (Jan-Oct)	2007	2007 (Sem 2)	2006 (Sem 2)
PHILIPPINES	9.4	2.6	2.8	2.9	5.4
1 NCR	7.2	2.5	2.6	2.8	6.1
2 CAR	8.9	1.6	1.8	2.1	4.2
3 Ilocos Region (I)	9.0	2.4	2.5	2.6	4.9
4 Cagayan Valley (II)	10.2	2.3	2.4	2.3	5.5
5 Central Luzon (III)	11.3	2.3	2.6	3.1	5.3
6 CALABARZON (IV-A)	7.9	2.5	2.6	2.6	5.4
7 MIMAROPA (IV-B)	10.7	3.0	3.3	3.7	4.8
8 Bicol Region (V)	9.6	3.2	3.4	3.4	4.8
9 Western Visayas (VI)	10.6	2.6	2.9	3.2	3.8
10 Central Visayas (VII)	10.8	2.0	2.2	2.3	5.0
11 Eastern Visayas (VIII)	13.3	2.9	3.0	2.8	5.7
12 Zamboanga Peninsula (IX)	13.8	3.0	3.4	3.4	5.5
13 Northern Mindanao (X)	11.1	3.7	3.8	3.9	5.9
14 Davao Region (XI)	10.4	2.6	2.9	3.0	5.0
15 SOCCSKSARGEN (XII)	11.9	3.1	3.4	3.6	4.6
16 ARMM	14.9	4.7	2.3	5.3	8.1
17 Caraga	12.4	2.0	5.0	2.4	5.2

Mindanao, Western and Central Visayas, as well as the Cordillera region.

- The NCR, which accounted for about 90 percent of the total loans outstanding of the banking sector, emerged as the region with the highest loans-to-deposits ratio at 88.3 percent. The NCR was followed by Cagayan Valley (38.7 percent), CARAGA (36.4 percent), Bicol (34.5 percent), and Northern Mindanao (34.1 percent), indicating the efficiency of banks in these areas to channel deposits to lending activities. It may be noted that the 88.3 percent loans-to-deposits ratio in NCR was lower than the previous year's 89.3 percent, owing to the slowdown in the growth of loans extended by banks from 3.7 percent as of June 2007 to 2.7 percent as of December 2007.

- In terms of microfinance activities, the regions with the highest levels of microfinance loans extended as of December 2007 were CARAGA (₱992.3 million), CALABARZON (₱899.2 million), NCR (₱632.4 million), Central Luzon (₱519.9 million), and Central Visayas (₱519.3 million).

- Inflation rates in all the regions decelerated markedly in the second semester of 2007. The average inflation rate for the whole country during the period in review was at 2.9 percent, significantly lower than the year-ago level of 5.4 percent. The deceleration in inflation was due largely to declining food and oil prices. The downtrend was more pronounced in the NCR and Cagayan Valley as a result of lower prices for all commodities (except fuel and rice), and also due to improved weather conditions.

- For the period January-October 2008, inflation rates across all regions increased markedly as compared to the previous year, driven by higher global oil and food prices. The average inflation rate for the whole country was at 9.4 percent. The uptrend in inflation was evident in Zamboanga Peninsula, Eastern Visayas, Caraga and ARMM. The increase was brought about by the sharp rise in all commercial rice varieties in the different markets in all

## Employment

*Employment rates are highest in ARMM, Cagayan Valley and CAR*

Region	Employment	Unemployment	Underemployment <sup>2</sup>
PHILIPPINES	93.7	63	18.1
NCR	87.5	12.5	8.3
CAR	96.0	40	23.3
Ilocos Region (I)	91.2	88	14.8
Cagayan Valley (II)	96.5	35	20.8
Central Luzon (III)	90.7	93	10.3
CALABARZON (IV-A)	90.6	94	15.9
MIMAROPA (IV-B)	95.3	47	29.2
Bicol Region (V)	93.8	62	37.5
Western Visayas (VI)	93.5	65	24.0
Central Visayas (VII)	93.2	68	13.0
Eastern Visayas (VIII)	94.9	51	23.5
Zamboanga Peninsula (IX)	95.8	42	23.5
Northern Mindanao (X)	94.7	53	29.7
Davao Region (XI)	93.8	62	17.1
SOCOSKARGEN (XII)	95.4	46	22.5
Caraga (XIII)	95.4	46	24.2
ARMM	97.6	24	21.0

<sup>1</sup> Starting April 2005, the new unemployment definition was adopted per NSO Resolution No. 15 dated October 20, 2004. The definition of unemployed including the employment rate, unemployed and unemployment rate are not comparable with previous surveys.  
<sup>2</sup> Underemployment rate is the portion in percent of the total number of underemployed persons to the total number of employed persons. 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.

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

provinces of the mentioned regions, which in turn, was attributed primarily to the sale of palay harvests outside the said region.

- Based on the January 2008 Labor Force Survey (LFS) of the National Statistics Office (NSO), ARMM registered the highest employment rate at 97.6 percent followed by Cagayan Valley at 96.5 percent and CAR at 96.0 percent. In contrast, NCR posted the lowest employment rate at 87.5 percent.
- The increases in employment rates in ARMM and Cagayan Valley were reflective mainly of the expansions in agricultural production in these areas.
  - ARMM's agricultural output rose by 8.1 percent in 2007. It recorded the highest growth in agricultural production in 2007 among the regions in the Mindanao peninsula, particularly in fishery and seaweed production.
  - The agriculture sector in Cagayan Valley grew by 5.9 percent in 2007 on the back of increased production of palay and corn. The agriculture sector contributed 758 thousand workers or a 56.4 percent share in the total employed persons in the region.
- Unemployment rate was highest in NCR at 12.5 percent, followed by CALABARZON at 9.4 percent and Central Luzon at 9.3 percent.
- Underemployment rate was highest in the Bicol Region at 37.5 percent, while the lowest underemployment rate was in the NCR at 8.3 percent.
- The number of establishments, which resorted to closures or reduction of workers due to economic reasons declined by 58.2 percent to 1,030 for the period January to June 2008 from 2,468 in the same period in 2007.<sup>7</sup> Likewise, the number of retrenchments and layoffs of workers dropped by 51.7 percent to 24,680 in the first half of 2008 from 51,125 in the same

<sup>7</sup>Based on the publication entitled "Current Labor Statistics" dated October 2008, Bureau of Labor and Employment Statistics (BLES), Department of Labor and Employment (DOLE), October 2008.

period last year. The NCR posted the highest number of establishments closed (726) and displaced workers (17,268).

- Based on the April 2008 LFS of the NSO, employment rates were highest in Zamboanga Peninsula (96.6), Cagayan Valley (96.2 percent), and MIMAROPA (95.5 percent). NCR registered the lowest employment rate at 86.2 percent.

## Demand and Supply Conditions

*Aggregate supply and demand indicators in the regions show improvements*

- Aggregate supply indicators in agriculture and banking showed robust growth in the second semester of 2007. Demand indicators generally exhibited an upturn while inflation declined in the various regions during the second half of 2007. However, inflation trended upwards during the first 10 months of 2008 due to higher fuel and food prices.
- In the agriculture sector, production of major crops grew due to favorable weather conditions in the second half of 2007. Production of livestock and poultry likewise increased due to strong local and foreign demand. Fishery production also increased in the regions due to favorable weather conditions.
- Construction in the regions showed mixed trends as shown by an increase in residential building construction and a decrease in approved building permits.
- Tourism activities in the region remained brisk as indicated by the higher hotel occupancy rate on the strength of a revitalized tourism campaign and continued interest in key tourism areas.
- Financial market conditions improved during the review period as total loan portfolio grew in most of the regions. There was also better public access to banking services in the regions as the bank density ratio improved, particularly in MIMAROPA. Majority of banks in the regions posted increases in deposits as of December 2007 due to strong inflows from OF remittances.

- Demand indicators showed signs of improvement as employment rate increased as of January 2008, especially in ARMM and Cagayan Valley. Unemployment rate was highest in the NCR and CALABARZON during the same period. In addition, the number of establishments, which resorted to closures or reduction of workers due to economic reasons declined during the period January-June 2008 compared to the same period in 2007.
- Average inflation fell significantly during the second semester of 2007 to 2.9 percent compared to 5.4 percent during the same period in 2006. This positive development was traced to stable food prices and the firmer peso. Region II recorded the biggest reduction in inflation rate by 3.2 percentage points from 5.5 percent in the second semester of 2006 to 2.3 percent during the same period in 2007, followed by Region VIII at 2.9 percent and Regions VI-A, CARAGA and ARMM at 2.8 percent.

#### Opportunities and Challenges

- The government has embarked on substantial infrastructure projects in the regions, which are expected to spark economic development across the country (Annex A). There have been construction and repair of various international and domestic airports, implementation of “Roll-On, Roll-Off” (RORO) ferry systems, construction and rehabilitation of expressways and other road improvement projects, and continuous improvement of economic zones and free ports. In addition, the introduction of several new international and local airline routes is expected to increase the influx of both foreign and local tourists in the country.
- To boost agricultural production and spur countryside development, several projects were initiated in the regions. These include the construction and rehabilitation of irrigation systems and aqueducts for year-long production of crops, the development of agro-forestry and highland farming, the rehabilitation of farmlands devastated by natural calamities, the construction and repair of post-harvest facilities, and the implementation of fertilizer subsidy programs. The implementation of the seeds subsidy

program, otherwise known as the Hybrid Rice Commercialization Program (HRCP) was also sustained.

- The efforts of the government to promote the mining sector led to improved prospects for higher investments and accelerated development of mining and quarrying sites in various parts of the archipelago. In its drive to achieve energy self-sufficiency, the government is accelerating the production of geothermal energy, the construction and rehabilitation of various power plants, the fast-tracking of bio-diesel and alternative fuel production, and confirmation of new discoveries of oil deposits.
- Further serving as a catalyst for development, the “Super Regions” strategy was adopted to capitalize and focus on the economic strengths of the regions. The geographical units grouped into five super regions were the Northern Luzon Agribusiness Quadrangle, the Metro Luzon Urban Beltway, the Central Philippines, the Mindanao Super Region and the Philippine Cyberservices Corridor, which traverses the “super” regions from Baguio to Cebu to Davao.
- Meanwhile, there are several challenges confronting the regions that could impinge on economic development efforts. Among the challenges identified by regional offices of economic agencies and local authorities are unfavorable weather conditions, price increases of primary commodities, lack of post-harvest facilities, rapid increase in population, environmental degradation (illegal logging, poaching, soil erosion and siltation), fast attrition rate of workers (especially in information technology and contract growing), stringent borrowing requirements of financial institutions in credit facilities for farmers, and the peace and order situation in some regions.

-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 (January-June 2007)
- Bureau of Fisheries and Aquatic Resources
- Department of Tourism (DOT)
  - Hotel occupancy rate
- 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
  - Microfinance
- Various newspapers articles and websites

Annex A

OPPORTUNITIES AND CHALLENGES BY REGION

Region	Agriculture, Fishery and Forestry	Industry/Services/General
<i>Opportunities</i>		
NCR		<ul style="list-style-type: none"> <li>Based on the results of the Second Quarter 2008 Business Expectations Survey (BES), the confidence level of respondents from the NCR remained positive at 11.4 percent. However, this was lower than the level in the previous quarter and a year ago. The outlook for the third quarter is 12.4 percent for NCR.</li> <li>Property prices showed moderate increases in the second quarter of 2008, according to latest estimates from Colliers International Research.<sup>1</sup> Land values in the Makati Central Business District (CBD) rose by 25.3 percent to ₱294,350/sq.m. in the second quarter of 2008 from the year-ago price of ₱235,000/sq.m. Meanwhile, land values in Ortigas Center rose by 12.1 percent to ₱131,950/sq.m. from the year ago price of ₱117,750/sq.m. Colliers expects land values to appreciate further by 3.0 percent for Ortigas Center and 5.0 percent for the Makati CBD for the whole year of 2008.</li> <li>The Light Rail Transit Authority (LRTA) North Extension Project, which has started construction on 9 July 2008, is expected to ease traffic congestion in the metropolis.</li> </ul>

<sup>1</sup> Colliers International *The Knowledge Report: Philippine Property Market Overview*, July 2008.



Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>The extension project, touted as the “Closing the Loop” project, will connect the Monumento Station to Metro Rail Transit’s (MRT) North Avenue Station and is set to be completed by May 2010. Other extension projects of the LRTA are the Cavite Extension, East Extension from Santolan to Masinag and the West Extension from Recto to Divisoria. The LRTA also plans to develop a park and ride system near the LRT Lines that will enable commuters to leave their cars securely and avail of rail service.</p>
<p><b>CAR</b></p>	<ul style="list-style-type: none"> <li>• The increasing world prices for rice would be beneficial for farmers tilling the centuries-old rice terraces of Ifugao and the ancient paddies of Kalinga. Ifugao produces the “unoy” rice, a special variety of red rice, while Kalinga plants the “tinawon” variety. Both indigenous organic rice varieties have penetrated the global market. The increasing rice prices could also encourage younger farmers to return to the terraces.</li> <li>• The Kalinga Provincial Irrigation Management Office (KPIMO) completed ten communal irrigation projects (CIP). All ten were 100 percent finished and are now servicing 61 hectares of rice fields in the upland regions of the province. These CIPs are expected to improve agricultural production and help boost rice sufficiency in the province.</li> </ul>	<ul style="list-style-type: none"> <li>• The establishment of a trading center in one of the old buildings of the Kalinga Special Development Authority (KSDA) is expected to address the problem of small entrepreneurs in finding markets to sell their products.</li> <li>• The Department of Trade and Industry (DTI) in the province of Kalinga provides firm-level profiling and value chain analysis training to micro-business establishments under the business skills provision project of the Rural Micro-enterprise Promotion Program (RuMEPP). Small entrepreneurs are empowered to manage effectively their businesses by providing them with technical skills in the areas of bookkeeping, financing and management.</li> <li>• The conduct of white-water rafting events in Kalinga is expected to continue to boost tourist arrivals in the province.</li> <li>• The ongoing rehabilitation of the ₱685-million Abatan - Cervantes Road from a dirt road into a two-lane modern</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<ul style="list-style-type: none"> <li>The Bureau of Fisheries and Aquatic Resources (BFAR-CAR) is propagating other fish species, which can serve as alternatives to "tilapia". Being propagated by BFAR is the "pangasius" or the aquarium type fish "hammer head shark", which is commercially produced in Vietnam and Cambodia. The "pangasius" requires cheaper feeding compared to tilapia.</li> </ul>	<p>highway is seen to speed up economic growth in Northern Benguet. The highway rehabilitation project would greatly benefit the vegetable industry in Mankayan, Benguet, as well as facilitate trade and commerce with neighboring towns in Ilocos Sur.</p>
<p><b>Ilocos Region</b></p>	<ul style="list-style-type: none"> <li>Tobacco farmers highly benefited from the continued increase of the buying price of the flu-cured Virginia tobacco in Ilocos Sur. The province is still the country's biggest producer of Virginia tobacco.</li> <li>The Dagupan bangus industry, which was devastated by typhoon Cosme in May 2008, is expected to bounce back in a few months after the city's bangus growers received their free stocks of 1.8 million bangus fry from the BFAR in August 2007.</li> </ul>	<ul style="list-style-type: none"> <li>The mango drying facilities and the Extended Hot Water Treatment (EHWT) project of the Pangasinan Tropical Fruits, and the Multi-Purpose Cooperative (PTFMPC) based at Barangay Matulong, Manaoag, Pangasinan were inaugurated in December 2007. The DA's Bureau of Agricultural Research (BAR) funded the cooperative's additional drying facilities. The processing and packaging facilities are expected to considerably improve the country's fresh mango export.</li> <li>The Sand Processing Plant operated by OMNICO, in Sarrat, Ilocos Norte was formally opened on 4 July 2008. The said plant is expected to export millions of tons of sand to Taiwan and other countries. This will augment the revenue collection of both the Municipality of Sarrat and the Provincial Government of Ilocos Norte. The Port of Currimao will serve as the loading point of the shipments.</li> <li>In San Nicolas, Ilocos Norte, the Japanese government through the Japan International Cooperation Agency</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>(JICA) approved the request of the municipality to assist in upgrading the ceramics and pottery (<i>damili</i>) industries in the said town. The approval of the Japanese government to extend free service will improve the technical knowledge of the residents who are engaged in this business; therefore, boosting the industry's prospects in the local and global markets.</p> <ul style="list-style-type: none"> <li>• The construction of the ₱15.18 billion Tarlac-La Union expressway, which commenced in September 2008, is expected to reduce travel time from Manila to Baguio from six hours to three hours. The 88.5-kilometer expressway will extend from La Paz, Tarlac to Rosario, La Union. The project, which is under a build-operate-transfer scheme, will be developed over a period of five years.</li> <li>• The upgrading of the San Fernando Airport, which began on 29 May 2007, is expected to be completed at the end of 2008. The airport will accommodate bigger commercial planes that will attract more tourists and investors to Northern Luzon.</li> <li>• The Thunderbird Resorts and Golf Course, which consists of 36 luxury suites and a 9-hole all-weather golf course, was inaugurated on 4 June 2008 at the Poro Point Freeport Zone in San Fernando City (La Union). This new establishment is expected to propel tourist arrivals and create jobs.</li> <li>• To improve further the tourism industry in the province of Ilocos Sur, pilgrimage tourism was strengthened in the locality. The provincial government negotiated with</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>the Archdiocese of Nueva Segovia to maximize the utilization of the eight historic and miraculous churches in the province as tourist and pilgrimage destinations.</p>
<p><b>Cagayan Valley</b></p>	<ul style="list-style-type: none"> <li>• Demand for prime commodities like fruits, vegetables and meat will likely increase in Sta. Ana, Cagayan due to the rising number of hotels, restaurants and resorts operating in the municipality, which, in turn, is a result of the increasing number of domestic and foreign tourists visiting the area.</li> <li>• The development of agro-forestry and high land farming, such as the citrus plantations in Nueva Vizcaya, is expected to boost the region's agriculture and forestry sub-sectors.</li> <li>• Foreign tourist arrivals and receipts are expected to be supported further by the opening of the international flight from Macau, China to Tuguegarao City en route to Manila.</li> <li>• The growing eco-tourism industry, particularly the promotion of cave tours in the region will increase opportunities for tourism related-enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>• The continuous improvement of the Cagayan Social Economic Zone and Free Port (CSEZFP), which involves the implementation of major projects such as the construction of Microwave Facilities and a Gaming and Cyber City Complex, will attract more investors and tourists to the region. The industry and agriculture sectors will also benefit from these projects as farm workers and local entrepreneurs will have greater access to the international markets.</li> <li>• The launching of the Xiamen-Tuguegarao chartered flights by CEZA, the Manila-Tuguegarao daily flights by Cebu-Pacific and the SEA AIR flights in Cauayan airport will improve trade, investment and tourism in the area.</li> <li>• The development of mining sites by the Oceania Gold Philippines Inc. in Didipio, Kasibu, Nueva Vizcaya and the Platinum Group Metals Corp. in Dinapigue, Isabela will help boost the region's economy.</li> <li>• The establishment of a new mall in Santiago City, Isabela by the SM Prime Holdings Corporation will create employment opportunities in the region.</li> </ul>
<p><b>Central Luzon</b></p>		<ul style="list-style-type: none"> <li>• The Clark Freeport, Subic Port, Luisita Industrial Park, and the Bataan Export Processing Zone are now</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>interconnected by the Subic-Clark-Tarlac Expressway (SCTEx), forming a unified MEGA Economic Zone that will further improve economic growth in the region.</p> <ul style="list-style-type: none"> <li>• The National Transmission Corporation (TransCo) reported the energization of line 2 of the 230-kilovolt (kV) Concepcion-Mexico transmission line, which allowed the dispatch of additional capacity from Northern Luzon. The energization of the new line has partially relieved the transmission line congestion caused by the premature breakdown of a 600-megavolts ampere (MVA) transformer in TransCo's San Jose substation in Bulacan.</li> <li>• Major infrastructure projects in Magalang and Mabalacat towns in the province of Pampanga were recently completed. These projects include the repair of San Isidro Bridge; the concreting of San Nicolas 1 to San Pedro 2 Road; the asphaltting of Ayala-Sto. Niño Road; the repair of Balitucan District Hospital; the repair and maintenance of Angeles-Magalang Road; and the concreting of San Jose-Bical Road. These infrastructure projects would pave the way for a faster delivery of goods and services to provinces within Central Luzon as well as to other provinces outside the region.</li> <li>• Officials of Clark Development Corporation (CDC) and the municipality of Mabalacat signed a Memorandum of Agreement (MOA) to formalize the use of Barn House 2081, for a minimum of 15 years as the town's satellite office. The 964-square meter Barn House 2081, which was among the first few structures built by the Americans in the early 1990s, will house the Office of</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>the Mayor, the Task Force Clark Freeport and the CSEZ. It will also facilitate remittance by Clark locators/enterprises to the host municipality of the mandated 2 percent of their Gross Income Earned (GIE), as provided for by Republic Act No. 9400, otherwise known as “The Bases Conversion and Development Act of 1992.”</p> <ul style="list-style-type: none"> <li>• The Subic Bay Metropolitan Authority (SBMA) reported that revenue collections for the first eight months of the year have reached ₱3.6 billion. The two collection agencies, the Bureau of Customs (BOC) and the Bureau of Internal Revenue (BIR) regional offices, posted a combined increase of more than ₱251 million or 7.61 percent over last year’s January to August revenue.</li> <li>• Clark International Airport Corporation (CIAC) and Kuwait Gulf and Links (KGL) Investment Company sealed an agreement for the establishment of the Global Gateway Logistics City, which is the largest logistics hub in the Philippines. The logistics project will complement the National Government’s plan to develop a logistics and services hub in the Subic-Clark Corridor and the development of the Diosdado Macapagal International Airport (DMIA). The agreement is expected to create an estimated 30,000 to 35,000 jobs and should have a significant positive impact on the economy of Clark and the surrounding Pampanga province as well as the entire Central Luzon. The DMIA is being developed as the next premier International Gateway and Logistic Hub of the country.</li> <li>• The link between the newly provisioned deep-water</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>Subic Sea Port and the state-of-the-art-equipped Clark Airport was improved considerably by the construction of a new four-lane divided mega-highway (SCTEx).</p>
<p><b>CALABARZON</b></p>	<ul style="list-style-type: none"> <li>• Rice production in the province of Batangas is expected to increase with the provision of high quality seeds (hybrid and certified), the rehabilitation/repair of existing irrigation facilities, and the provision of additional farm-to-market roads. Corn production is also expected to benefit from the creation of corn farm cluster through modern corn-based technology systems.</li> <li>• Other key factors that will help boost agricultural performance in the region, particularly in the Quezon Province, are as follows: <ul style="list-style-type: none"> <li>○ Implementation of the Coconut Development Program;</li> <li>○ Aggressive promotion of Jathropa as alternative biofuel source;</li> <li>○ Expansion of animal/livestock production;</li> <li>○ Approval of the dairy cattle and cattle breeding project;</li> <li>○ Fishery development support program (including fingerling dispersal,</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• To help enhance the performance of the industry and services sectors in the region, the following projects have been pursued: <ul style="list-style-type: none"> <li>• Provision of funding for livelihood projects of 2 cities, 39 municipalities and 1,242 barangays in the province of Quezon.</li> <li>• Strengthening tripartism and social partnership in Southern Luzon to prevent strikes and sustain economic gains in the region.</li> <li>• Negotiation between the Cooperative Bank of Quezon and Team Energy (former Mirant) for the promotion of microfinance activities in Quezon areas.</li> <li>• Partnership between the Government of Cavite and the Republic of Korea on ICT Development.</li> <li>• Completion of government infrastructure projects including the construction of the Marikina-Infanta Road; Carmona-Dasmariñas-TMC Road (Governor’s Drive); Quezon-Eco-Tourism Road; San Juan - Laiya - Lobo Road; Mabini Circumferencial Road; and Quirino Highway.</li> </ul> </li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<p>aquaculture expansion, credit and financing services, fishing gears and vessels assistance projects); and</p> <ul style="list-style-type: none"> <li>○ Growing demand for plywood, pallet board wood charcoal and nipa shingles at the local market.</li> </ul>	
<p><b>MIMAROPA</b></p>	<ul style="list-style-type: none"> <li>• Important initiatives in MIMAROPA that help support the agricultural sector include: <ul style="list-style-type: none"> <li>○ The approval of the Agriculture Development Framework that aims to increase agricultural production, boost profit for farmers and fisherfolks, reduce production and post-production cost/losses, and broaden access to agriculture services, facilities and infrastructures.</li> <li>○ Promotion of organic and natural products.</li> <li>○ Stronger private and public sector support for rubber and oil palm production in Palawan.</li> <li>○ Expansion of rain-fed and upland rice and traditional corn production areas as well as intensification of crop diversification.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The growth of the industry and services sectors in MIMAROPA will be underpinned by the following factors: <ul style="list-style-type: none"> <li>○ Increasing number of mining applicants, particularly small-scale mining operators.</li> <li>○ Implementation of One Town One Product (OTOP) Project.</li> <li>○ Hosting of Tourism Summit that aims to spell out strategies for tourism development in the region.</li> <li>○ Increasing Popularity of Green Tourism in Romblon.</li> <li>○ Setting up of the MIMAROPA Government Center in Calapan City per EO No. 682 dated 19 February 2008.</li> </ul> </li> </ul>



Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<ul style="list-style-type: none"> <li>○ Provision of one million <i>bangus</i> and tilapia fries to fishpond operators in Marinduque.</li> <li>○ Provision of government assistance to increase the income of fishermen through small scale livelihood operations, technology adaptation and conservation of marine habitat.</li> </ul>	
<p><b>Bicol</b></p>	<ul style="list-style-type: none"> <li>• Produce from agriculture is expected to increase with the continued implementation of rehabilitation programs/projects of LGUs and concerned agencies (i.e. Spanish government-funded project, “Restoring Food Security in Typhoon Affected Areas in the Bicol Region through the Provision of Agricultural Inputs and Technical Assistance”).</li> </ul>	<ul style="list-style-type: none"> <li>• The industry sector expects more output from mining and quarrying. In Masbate, some US\$58 million is being invested by an Australian firm, CGA Mining Ltd., for a gold project. CGA expects to produce US\$74 million worth of gold annually throughout the eight-year potential mine life after the project comes on stream by the end of 2008. The project will employ at least a thousand workers during the construction stage and is expected to generate 600 more jobs during the mining operation.</li> <li>• Tourism and trade are expected to benefit from the aggressive promotional and marketing campaigns of the regional office of both DOT and DTI such as the Gayon Bikol Fiesta and Orgullo Kan Bikol Regional Trade Fair in SM Megamall held in October, and the Bicol Tourism, Trade and Investment Mission in November in Australia.</li> <li>• In the provinces, more new commercial establishments are being constructed such as the Centro Mall, and Yao Building in Daet, Camarines Norte whose capital investments amounted to ₱65 million, and ₱17 million</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>respectively.</p> <ul style="list-style-type: none"> <li>In Albay, local Sunwest Group of Companies poured in more than ₱3.2 billion to develop tourist destinations in the province. Two major projects now under construction are the <i>Discovery Bay Misibis Resort</i> in Cagraray Island and the <i>Embarcadero</i> commercial and information technology complex at the Legazpi City port. The 5-hectare resort in Misibis Village in Cagraray Island would be the second Discovery-brand luxury resort in the Philippines, next to the Discovery Shores in Boracay. Meanwhile, the Embarcadero will house open-air food parks, restaurants, spas, groceries, an entertainment center and a call center. The soft opening of these projects is set for December 2008.</li> </ul>
<p><b>Western Visayas</b></p>	<ul style="list-style-type: none"> <li>Globe-Gawad Kalinga (GK) is set to open a farming institute in Western Visayas. The institute will promote sustainable agriculture as a viable source of livelihood for rural communities that will be modeled by GK villages. The project will introduce various productivity and capacity-building initiatives, which are designed to be positive catalysts for change and development.</li> <li>The establishment of a 30-hectare Abaca fiber production intercropped with vegetables in Brgy. Mablad, Biga-a, Lankaon and Lumboyan in Barbaza, Antique will provide alternative livelihood activities</li> </ul>	<ul style="list-style-type: none"> <li>President Arroyo signed an Executive Order designating seven geothermal-producing provinces, one of which is Negros Occidental, as special economic zones. This move is aimed at attracting investors, accelerating the development of the country's geothermal resources and bringing down power costs. The move will also boost employment and the economic prospects of Negros Island, and will complement the economic zone being built in Sagay City. The order also declares certain areas adjacent to geothermal-producing sites as economic zones that will provide alternative locations for investors.</li> <li>The city governments of Sibalay and Kabankalan have both pursued the construction of an airport in their respective cities. Small airliners will be encouraged to</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<p>to 114 families in four upland barangays. This agro-forestry and livelihood project is under the Community Based Forest Management (CBFM) - Comprehensive Agrarian Reform Program (CARP) of the Departments of Environment and Natural Resources and Agrarian Reform.</p>	<p>operate in Sibalay City as it would offer direct flights to Palawan, Caticlan, Iloilo, Bacolod, Cebu and Dumaguete. The establishment of an airport in Sibalay City will boost tourism in southern Negros. The city is famous for its white sand beaches and diving sites. Meanwhile, in Kabankalan City, the locally funded airport being constructed is expected to be completed in 2010. Once completed, the airport will spur economic activity in Southern Negros, which is known for its agricultural-tourism potentials.</p> <ul style="list-style-type: none"> <li>• The showcasing of bamboo furniture and furnishings, the construction of architectural materials and the promotion of “hablon”, an indigenous fabric in Iloilo, would continuously gain a foothold both in the domestic and foreign markets.</li> <li>• The construction of a coal-fired power plant in Iloilo would enhance power supply in the area, promoting the city as a suitable area for investments.</li> <li>• The confirmation of the presence of crude petroleum deposit off Maniguin Island in Culasi, Antique by the Philippine National Oil Company (PNOC) Exploration Corporation and the Petronas Carigali Overseas would have a significant impact on the country’s resurging petroleum exploration industry.</li> <li>• In Aklan, the LGUs proposed the enactment of the provincial tourism and investment code in order to make service providers and transportation sectors in the area become tourist and investor friendly and to prepare communities to become tourism destinations.</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<ul style="list-style-type: none"> <li>• The entry of big airline companies to Caticlan Airport at Caticlan, Malay, Aklan is also expected to spur tourism.</li> <li>• Higher public spending for rural infrastructure such as irrigation, farm-to-market roads and post-harvest facilities were strengthened through government reforms implemented in Aklan in order to uplift the plight of the farmers and augment their income.</li> </ul>
<p><b>Central Visayas</b></p>	<ul style="list-style-type: none"> <li>• The Provincial Agriculture Office of Negros Oriental and Siquijor is continually implementing the seed subsidy program or the Hybrid Rice Commercialization Program in the area.</li> <li>• The implementation of the joint DA-LGUs fertilizer subsidy program will help farmers avail of discounts in the purchase of petrochemical fertilizers.</li> <li>• The Provincial Government of Negros Oriental is backing up the cow dispersal program funded by the United States Department of Agriculture (USDA) under the Food For Progress Program undertaken by the Land 'O Lakes Foundation Philippines, Incorporated. The program, also in coordination with the National Dairy Authority (NDA), has, so far, distributed 150 heads of pregnant cows sourced from New Zealand, to farmer beneficiaries in</li> </ul>	<ul style="list-style-type: none"> <li>• Bio-diesel production. The introduction of hybrid cars fueled by Jatropha bio-diesel fuel and coco bio-diesel with pollution-free exhaust fumes in Bayawan City, Negros Oriental is expected to be in full operation by year 2010.</li> </ul>

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	the City of Dumaguete and the Municipalities of Sibulan, Bacong and Valencia.	
<b>Eastern Visayas</b>		<ul style="list-style-type: none"> <li>• APAC Customer Services Inc. will operate in the province of Leyte and will provide 500 to 800 call center seats with additional plans for expansion. Per confirmation of the Leyte Trade and Investment Promotion Center (LTIPC), APAC will locate at Leyte ICT Park and is targeting to start its operation in the last quarter of 2008. This would create jobs and generate more economic activities in the province of Leyte and nearby provinces in the region.</li> <li>• The opening of Gokongwei's Robinsons Shopping Mall and Hotel in Tacloban City with an investment cost of around ₱2 billion, would generate employment and spur economic activities in the region. Completion of the mall's construction is targeted before December 2008 while the completion of the hotel, which would rise adjacent to the mall, will take six months after the mall is completed.</li> <li>• Road network (including farm-to-market roads) and bridge construction and rehabilitation projects in the different provinces of Region VIII would improve agricultural production, eco-tourism and industry in the region.</li> </ul>
<b>Zamboanga Peninsula</b>	<ul style="list-style-type: none"> <li>• The establishment of a ₱34 million common service facility corn warehouse in</li> </ul>	<ul style="list-style-type: none"> <li>• Releases from the Priority Development Assistance Fund (PDAF) by the National Government to LGUs will</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<p>Zamboanga del Norte will provide efficient post-harvest facility and marketing distribution for corn farmers in the district.</p> <ul style="list-style-type: none"> <li>• The repair and rehabilitation of the Dipolog Communal Irrigation System is expected to boost the production of palay.</li> <li>• The Philippine Coconut Authority (PCA) is implementing a coconut industry rehabilitation and expansion program through various initiatives such as intercropping strategy, planting, replanting, fertilization and intercropping of high-value crops.</li> <li>• The establishment of two Barangay Food Terminals located at Sangali and Ayala will enable the farmers/producers to sell their products at higher prices. It will also lessen the cost of transporting their products.</li> </ul>	<p>stimulate infrastructure development and employment in local communities.</p> <ul style="list-style-type: none"> <li>• The increased demand for scrap metal due to the reopening of the Steel Company in Iligan City is expected to spur economic activity in the region.</li> <li>• The completion of the Maria Clara Lobregat Highway connecting Zamboanga City to Zamboanga del Norte will support tourism activity in the region.</li> <li>• The Implementation of the Pantawid Pamilyang Pilipino Program (4P) will provide economic assistance to extremely poor households in the region.</li> <li>• The project entitled: “DPWH Bridges for Prosperity Acceleration”, which is funded by the United Kingdom (UK) Financing Facility, will line up seven bridges for rehabilitation and reconstruction.</li> <li>• The completion of the widening of the Dapitan-Dakak Road will provide business opportunities for tourism around the scenic spots in the coastal area.</li> <li>• The proposed construction of private RORO seaport beside the existing Pulauan Port of Dapitan City will enhance tourism in the area, as well as provide small-scale business opportunities.</li> </ul>
<p><b>Northern Mindanao</b></p>	<ul style="list-style-type: none"> <li>• Programs initiated or supported by the LGUs in cooperation with people’s organizations (POs) such as the animal dispersal program will result in higher production of poultry and hogs.</li> </ul>	<ul style="list-style-type: none"> <li>• The ongoing construction of the Laguindingan Airport at Laguindingan, Misamis Oriental that presently provides employment to 3,000 people will be a great boost to the province’s economy.</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<ul style="list-style-type: none"> <li>The increasing number of BPOs in the region will pave the way for Region X to become one of the BPO hubs in the country.</li> </ul>
<p><b>Davao Region</b></p>	<ul style="list-style-type: none"> <li>The proposed establishment of two food terminals in Tagum City, Davao del Norte and Davao City will support agricultural development in these areas.</li> </ul>	<ul style="list-style-type: none"> <li>There has been a 60 percent surge in investment commitments for the region, particularly in mining, information and communication technology, and telecommunications sectors</li> </ul>
<p><b>SOCCKSARGEN</b></p>	<ul style="list-style-type: none"> <li>The lectures and conferences spearheaded by DTI-Region XII in line with the Halal advocacy program is expected to increase domestic demand for Halal-certified products. The country's Halal industry is gaining strong support from both local and international markets.</li> </ul>	<ul style="list-style-type: none"> <li>The review of the implementation of the 1996 Final Peace Agreement is expected to move forward this year and is anticipated to rekindle peace talks.</li> </ul>
<p><b>Caraga</b></p>	<ul style="list-style-type: none"> <li>The Land Bank of the Philippines (LBP) opened a new loan facility under the Rice Productivity Program that would give access to the irrigators' association apart from farmers and other cooperatives in Caraga.</li> <li>The ongoing projects under the package of Ginintuang Masaganang Ani, such as the Caraga Integrated Development Program (CIDP), Infrastructure for Rural Productivity Enhancement (inFRES), Support Emergency and Livelihood Assistance Program (SELAP)</li> </ul>	<ul style="list-style-type: none"> <li>The entry of 14 mining firms in the Caraga region, recognized as having the largest nickel deposit and third largest gold deposit in the world, would boost the region's mining sector, increase revenue sources, and provide employment opportunities.</li> <li>The ongoing infrastructure projects such as the rehabilitation of the Surigao-Davao Road and the Bacuag-Claver Junction, are expected to improve the region's transport system.</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	among others, will continue to enhance agricultural production in the regions.	
<b>ARMM</b>	<ul style="list-style-type: none"> <li>• Supporting the continued development of the agricultural sector in ARMM are programs such as the expansion of areas planted with hybrid seeds and certified seeds as well as the provision of farm inputs like Bio-N, zinc sulfate and other soil ameliorants.</li> <li>• The agriculture sector is also expected to improve with the implementation of priority projects under the President's Accelerated Hunger Mitigation Program (AHMP), which includes the restoration of irrigation facilities, the provision of post-harvest drying facilities, and the cultivation of certified seeds in rain-fed lowlands and low-yielding irrigated areas.</li> </ul>	<ul style="list-style-type: none"> <li>• The Metro Cotabato Regional Agri-Industrial Center (MCRAIC) is taking shape with the construction of circumferential and diversion roads, including the establishment of an integrated transport terminal and a fish port within the area.</li> </ul>
<b>Challenges</b>		
<b>CAR</b>	<ul style="list-style-type: none"> <li>• The high prices of pesticides, fungicides, and fertilizers forced many vegetable farmers in CAR to scale down on production areas to save on costs. The smaller production areas may also lead to a decline in vegetable production.</li> </ul>	<ul style="list-style-type: none"> <li>• A terrible blow to the mining industry in the CAR happened in September 2008 when 16 miners were trapped inside a flooded mine tunnel in Itogon, Benguet at the height of typhoon Nina. Anti-mining groups are blaming large-scale mining operations for the tragedy.</li> <li>• The Amsolong Bridge, one of the important bridges that</li> </ul>



Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<ul style="list-style-type: none"> <li>The provincial government of Benguet expressed alarm that the province, known to be the country's vegetable basket, might not be able to respond to the growing global demand for quality products on agriculture. The slow shift to organic farming and the absence of a strong farmers' cooperative have stymied efforts to push the local vegetable industry from a production-oriented to a market-driven industry.</li> </ul>	<p>link Mountain Province to Benguet, was downgraded from a 15-ton capacity to a 10-ton capacity bridge and is now open to one-way traffic only due to stolen steel braces.</p>
<p><b>Ilocos Region</b></p>	<ul style="list-style-type: none"> <li>The high cost of farm inputs and the lack of capital are considered as two of the critical impediments for higher agricultural productivity, despite the assistance offered by the various provincial governments.</li> <li>A strong typhoon damaged about ₱1.6 billion worth of Pangasinan's mango industry, mostly in San Carlos City, which is known as the province's mango capital. An estimated 2,000 fruit-bearing mango trees were either uprooted or toppled down. Although the city government of San Carlos had asked the DA for 50,000 grafted mango seedlings, it will take time before producers fully recover as it takes at least five years for mango trees to bear fruits.</li> </ul>	<ul style="list-style-type: none"> <li>The construction of a US\$2.2 million dollar Seafood Processing Plant in Dagupan City was delayed by the continuing resistance of squatters to move out of a government lot in Bonuan Binloc. The plant, funded by a grant from the Korean government, will serve as a station for deboned, smoked, dried and canned milkfish that will be exported to the United States and Japan. With a production capacity of 15 metric tons or 60,000 pieces of milkfish every day, the project can provide 3,000 jobs and generate an estimated ₱3 million revenues daily.</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
<p><b>Central Luzon</b></p>	<ul style="list-style-type: none"> <li>The Bataan provincial government proposed to the DENR the closing of the Manila Bay area to commercial fishing activities in a bid to protect it from further degradation. With the law prohibiting commercial fishing 15 kilometers away from the shores, commercial fishing activities in the Manila Bay will be affected.</li> </ul>	<ul style="list-style-type: none"> <li>The increases in the prices of oil, rice, food, and other commodities, particularly in the early months of the year have raised both the cost of living and doing business in the region, which may adversely affect the region's economic outlook.</li> <li>Based on the final results of the Census of Population for 2007 (POPCEN 2007) conducted by the NSO, Central Luzon was the third most populated region in the country. As of 1 August 2007, Region III had a population of 9.7 million, which along with CALABARZON and NCR, comprised one-third of the country's total population. Moreover, the region's population from 2000 and 2007, grew at the rate of 2.4 percent. This was higher than the national figure of 2.0 percent. One of the main reasons for this high growth rate is the influx of people coming from Manila and neighboring provinces. To accommodate the escalating population, many agricultural lands in the region have been converted into subdivisions, according to NSO. Most of these subdivisions are located in the provinces of Bulacan, Pampanga, Bataan and Tarlac. This population uptrend could adversely impact on the regional agriculture sector.</li> </ul>
<p><b>CALABARZON</b></p>	<p>Among the major challenges affecting the agriculture sector in the region are as follows:</p> <ul style="list-style-type: none"> <li>Non-attainment of rice, corn and other crop production targets due to high prices of farm inputs and lack of access of</li> </ul>	

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<p>farmers to credit facilities/institutions.</p> <ul style="list-style-type: none"> <li>• Fluctuating/low palay prices.</li> <li>• Lack of an institutionalized marketing system.</li> <li>• Lack of post-harvest facilities for High Valued Crops (HVC) in Batangas.</li> <li>• Unstable energy cost, which may trigger an increase in the cost of production inputs like feeds, feed ingredients, medicines and biologics<sup>2</sup> for animal/livestock production.</li> <li>• Natural calamities such as typhoons and other weather disturbances like El Niño and La Niña. Drought can also deplete water and feed sources that will, in turn, reduce animal/livestock production.</li> <li>• Negative effect on poultry production of the inclusion of Quezon province in the Bird Flu watch list.</li> <li>• Fast manpower turn-over due to the lure of jobs overseas could affect the operations of contract growers in the province of Quezon.</li> </ul>	

<sup>2</sup> Biologics include a wide range of medicinal products such as vaccines, blood and blood components, allergenics, somatic cells, gene therapy, tissues, and recombinant therapeutic proteins.

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<ul style="list-style-type: none"> <li>• Decreasing supply and high cost of transport of raw materials for plywood, pallet board, wood charcoal and nipa shingle production.</li> </ul>	
<p><b>MIMAROPA</b></p>	<ul style="list-style-type: none"> <li>• The following factors pose significant challenges to the agricultural sector in the MIMAROPA region:               <ul style="list-style-type: none"> <li>○ Negative effects on crops of typhoons that hit the area during the semester.</li> <li>○ Soil erosion and siltation due to continuous denudation of forest areas brought about by mining and illegal logging activities.</li> <li>○ Soil infertility, limited adaptation of modern farming methods, marketing systems, inadequate agricultural extension workers; pests and diseases that contaminate fruit-bearing trees; and negative response of the community to the shift from traditional agriculture to agri-industrialization.</li> <li>○ The presence of poachers and proliferation of illegal fishing activities that lead to the destruction of coral reefs and other marine habitat.</li> <li>○ Inadequacy of support facilities and</li> </ul> </li> </ul>	

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<p>manpower for fishery law enforcement, resulting in the proliferation of illegal and resource-destructive activities, and high cost of inputs for fishery-related livelihood activities in Palawan.</p> <ul style="list-style-type: none"> <li>○ Non-availability of post-harvest facilities like slaughterhouses, as well as lack of established livestock auction markets in Marinduque.</li> </ul>	
<b>Bicol</b>		<ul style="list-style-type: none"> <li>• To hasten the economic recovery of the region, priority should be given to the immediate completion of shelters for Typhoon Reming evacuees and the rehabilitation of damaged public infrastructure.</li> <li>• The series of insurgent attacks on cellular phone sites and transmission towers in Camarines Sur, Sorsogon and Masbate have resulted in considerable losses to service providers and inconvenience to cellular phone users.</li> <li>• The proliferation of smuggled goods in the local market has posed strong competition with domestically-produced goods. These goods also pose a serious threat to consumer safety as these are perceived as substandard in quality.</li> </ul>
<b>Western Visayas</b>	<ul style="list-style-type: none"> <li>• Illegal fishing is still a recurring problem in the coastal areas of the region. LGUs must come up with an alternative solution to the problems of the local fishermen while</li> </ul>	<ul style="list-style-type: none"> <li>• Lawless elements continue to attack military bases, police stations and even burn canelands and other farm implements in most northern and southern parts of Negros Occidental. Local residents of the said</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
	<p>protecting the maritime and aquatic resources of the region.</p> <ul style="list-style-type: none"> <li>• Sugar smuggling has caused a drop in consumption of locally-produced sugar. Efforts to curb the incessant sugar smuggling in the region have been pursued by the BOC and the NBI by monitoring the entry of smuggled sugar in various ports. Sugar smuggling has been considered as a serious threat to the industry because it could affect the livelihood of 500,000 workers and sugar farmers.</li> <li>• Timber poaching activities were reported in the mountainous areas of Victorias City and EB Magalona, where natural-grown trees were being cut down and converted into charcoal. Illegal charcoal-making activities have recently become rampant despite the law enforcement agencies' relentless efforts to stop the unlawful activity. LGUs and concerned government agencies must discuss strategies on how to effectively combat these illegal activities.</li> </ul>	<p>barangays, most of whom are farmworkers, are often forced to evacuate their homesteads in order to escape the operations of the rebels.</p> <ul style="list-style-type: none"> <li>• The presence of the deadly box jellyfish at beach resorts in Cauayan, Negros Occidental may drive away tourists from the area.</li> <li>• In Negros, scrap iron collectors have effectively stripped off the support structures from large bridges. This unscrupulous activity has resulted in the collapse of several bridges, hampering transportation access and endangering commuters. The province has issued an order to inspect all provincial government-built bridges to ensure the safety of travelers. There is also a call for the local authorities to coordinate with junk shop operators to regulate the sale of scrap metal that could have been acquired through illegal means.</li> <li>• Human trafficking has been cited as a growing problem in most parts of the region. The groups involved in this activity are making use of the RORO transport network. All LGUs have been encouraged to pass resolutions bent on restricting human trafficking.</li> <li>• Child labor has also been cited as one of the problems currently existing in the region. The children often work alongside their parents in sugarcane and rice plantations and are also exposed to various working hazards. In the cities, the children are engaged in trash scavenging and scrap collecting. Concrete government measures are needed to sustain actions against child labor, including the strict enforcement of laws and local</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>ordinances against the problem, and constant dialogues with the children's parents.</p> <ul style="list-style-type: none"> <li>The increase in oil prices in the world market is a hindrance to economic growth in Aklan. The hike resulted in the spiraling cost of basic commodities, which eventually led to the closing of shops or the streamlining of personnel in some local industries and services. The costs of agricultural inorganic inputs like fertilizer and farm chemicals have also been affected.</li> </ul>
<p><b>Central Visayas</b></p>		<ul style="list-style-type: none"> <li>The fast turnover of employees and the incompatibility between the capabilities of graduates and the industry needs remain a concern of the region's growing ICT sector. Companies in the region have been competing for qualified applicants to fill various positions, especially those that require highly-specialized skills.</li> <li>To address the concerns of the ICT sector, a few institutions such as the University of Southern Philippines (USP) and the University of Cebu (UC) started to offer call center training courses. Some companies like Teletech also established linkages with universities to ensure that the skills requirement of various positions in their companies would be met by prospective applicants. Teletech, for its part, partnered with universities in the region for the adjustment of the curricula in these schools to suit the requirements of the company. A number of companies have also made the Philippine Information Technology General Certification</li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>Examination (Phil-IT GCE) as a requirement for employment.<sup>3</sup></p> <ul style="list-style-type: none"> <li>To sustain the growth of the region's economy, there is a need to implement projects that will improve the region's infrastructure network, particularly roads, water and power facilities.</li> </ul>
<p><b>Eastern Visayas</b></p>	<ul style="list-style-type: none"> <li>Poor irrigation systems have remained a constraint to the region's goal of enhancing food security. According to a NIA report, half of the irrigation facility that supplies water to 28,000 hectares of farmlands in Eastern Visayas needs repair. Meanwhile, 59,000 hectares of rice farms, mostly in Samar, have no irrigation systems in place.</li> </ul>	
<p><b>Zamboanga Peninsula</b></p>		<ul style="list-style-type: none"> <li>Sharp increases in the prices of food and basic commodities could trigger strikes and public unrest, leading to a general instability in the business environment.</li> <li>Spiraling fuel costs could lead to the slowing down of production, resulting in layoffs and closures of businesses.</li> <li>Need to ensure that displaced personnel under the government's Rationalization Program have the means</li> </ul>

<sup>3</sup> The Phil-IT GCE is a set of examinations based on standards developed by the Cebu Educational Development Foundation for IT (CEDF-IT).



Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<p>and the resources to be productive members of the community after their retirement.</p> <ul style="list-style-type: none"> <li>• The region was declared under a state of calamity following the 27 November 2008 storm surge, which struck 15 coastal barangays in the west coast, affecting 2,216 families.</li> </ul>
<p><b>Davao Region</b></p>		<ul style="list-style-type: none"> <li>• Among the challenges to the industry and services sectors in the Davao region are the following: <ul style="list-style-type: none"> <li>○ Possibility of investment postponements due to political noise;</li> <li>○ Lower export incomes due to oil price hikes;</li> <li>○ Delays in infrastructure development such as vital roadlink networks and electrification projects in far-flung areas in the region; and</li> <li>○ Spillover effects of the armed conflict brought about by the failed peace negotiation between the government and MILF panels.</li> </ul> </li> </ul>
<p><b>SOCCSKSARGEN</b></p>	<ul style="list-style-type: none"> <li>• Banks and other formal lending institutions are allegedly biased against lending to the agriculture sector due to high credit risk and low profitability.</li> </ul>	<ul style="list-style-type: none"> <li>• In SOCCSKSARGEN, the challenges are: <ul style="list-style-type: none"> <li>○ Sustaining peace and economic development in the region;</li> <li>○ Insufficient/lack of infrastructure facilities such as farm-to-market roads and post-harvest facilities;</li> </ul> </li> </ul>

Region	Agriculture, Fishery and Forestry	Industry/Services/General
		<ul style="list-style-type: none"> <li>○ Tedious processes/procedures in the availment of credit facilities that discourage farmers to go to banks and other formal lending institutions;</li> <li>○ Devolution of functions of the DA to LGUs that could pose more problems due to lack of LGU resources and finances to mobilize extension workers;</li> <li>○ Low quality of education, and limited access to basic health services, potable water and sanitation to the ultra poor and residents living in remote communities.</li> </ul>
<p><b>Caraga</b></p>		<ul style="list-style-type: none"> <li>• Sustainability of the region’s growth momentum in the face of economic uncertainties.</li> <li>• Need to build the resilience of the region’s economy to withstand both the short- and long-term effects of economic shocks brought about by surging oil and rice prices.</li> <li>• Need to revitalize the region’s economic zones to trigger more industrial activities.</li> <li>• Limited labor and employment opportunities.</li> <li>• Lack of diverse export transactions with North America and Europe that affected the number of ship calls in the ports of Nasipit and Surigao.</li> <li>• Lack of road networks and transport facilities.</li> </ul>

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ARMM		<ul style="list-style-type: none"> <li>• High incidence of poverty.</li> <li>• Unstable peace and order condition.</li> <li>• Low economic productivity.</li> <li>• Environmental degradation.</li> <li>• Inadequate infrastructure facilities.</li> </ul>