

ANNUAL REGIONAL ECONOMIC SITUATIONER (ARES) FOR CAGAYAN VALLEY, CY 2007

AN ASSESSMENT OF ECONOMIC PERFORMANCE

A GLANCE ON THE REGIONAL ECONOMY...

The region's economy in 2007 was generally upbeat compared to the previous year. In particular, the Agriculture Sector showed a remarkable performance during the year. This was brought about by the growth in palay, corn, fisheries and other major crops like mango, banana, pineapple, eggplant and mongo. The Region's palay and corn production grew by 3.66 percent and 5.08 percent, respectively. Moreover, the regions other major crops like mango, banana, pineapple and mongo showed positive growth rates in 73.44, 10.24, 19.38 and 115.98 percent, respectively.

On the other hand, the region's livestock and poultry production posted a downtrend in 2007. Only carabao production rose from 13,085 in 2006 to 13,592 in 2007 reflecting a 3.87 percent increase because of the increasing demand of traders from the other regions. Unlike carabao, production in cattle, swine, goat, chicken and duck recorded decreases at 4.91, 15.77, 2.25, 15.08 and 2.06 percent, respectively.

The downtrend reflected by livestock and poultry was supplemented by increases in fishery production. During the year, fishery production increased by 8.27 percent, from 53936.42MT in 2006 to 58397.94MT in 2007.

In general, the region's food sufficiency levels reflected an uptrend during the year. Rice sufficiency level rose from 234.26 percent in 2006 to 252.38 percent in 2007. Similarly, the sufficiency level of corn rose from 155.81 in 2006 to 173.99 percent in 2007. Likewise, the sufficiency level of fruit crops rose from 357.89 to 577.86 percent. This explains the continuous reliance of other regions and the international market on region 2's fruit supply.

However, the livestock and poultry sufficiency levels decreased from 88.93 percent and 62.62 percent, respectively, in 2006 to 104.52 percent and 168.32 percent, respectively, due to the declining production. The region's demand for food rich in protein was compensated by the availability of fish products. The fish sufficiency level in the region rose from 47.07 percent of the total consumption in 2006 to 50.01 percent of the consumption in 2007, reflecting a 2.94 percent growth.

The region's communication industry responded well due to the high demand in cellular communication as the three major cell phone companies such as Globe, Smart and Sun Cellular had increased their capacity to deliver their services to their clientele. In effect, an increase of 99 cellular base stations was recorded in the region during the year.

Likewise, the tourism industry was upbeat during the year. Total tourist arrivals increased from 635,160 in 2006 to 649,667 in 2007, reflecting a 2.23 percent increase. Domestic tourist arrivals captured 96 percent of the total tourist arrivals and foreign tourists indicated an increase of 14.29 percent from the 2006 figure. The United States continued to be the biggest source of foreign tourist visiting the region, followed by Korea, China and Japan, respectively.

Despite the remarkable performance of the tourism industry, air transportation services were not fully provided during the year. The number of flights declined, from 885 flights in 2006 to only 872 in 2007. However, the number of passengers and the volume of

cargoes transported reflected an uptrend, reflecting increases of 14.58 percent and 10.24 percent, respectively.

Meanwhile, the region experienced growth in terms of motor vehicle registration. A total of 192, 511 vehicles were registered in 2007, reflecting a 7.21 percent increase over the previous year's total figure of 179, 558. Among the vehicle types, only buses showed a negative growth of 7.02 percent.

Among the LTO district extension offices, the Roxas Extension posted the biggest share in terms of motor vehicle registration at 20,691, grabbing a 10.74 percentage share. It also reflected a 67.23 percent increase over last year's figure of 12, 373 motor vehicles.

In terms of the credit availability, the amount of loans offered by financing institutions rose during the 2nd quarter of 2007. The second quarter figure of 2007 already accounted for 96 percent of the loans given in 2006. The biggest loan grantor among the classes of banks is the Universal and Commercial Banks granting 60 percent of the loans granted by the banks in the region. This was followed by the Rural and Cooperative Banks with a share of 35 percent.

Despite, the increase in the region's credit availment, the region's total investment in the major sectors registered a downtrend, from 6,959.53(in million pesos) in 2006 to 1,806.67(in million pesos) in 2007, reflecting a decrease 74 percentage points. Manufacturing, Agri-production, Trading and Services and Construction reflected negative growths in investment with Agri-Production showing the biggest decline at 92.04 percent. Notwithstanding the drop in investments for the major industry groups, other types of industries reflected an upswing as it recorded 5.175 (in million pesos) during the year as compared to last year's 0.5 (in million pesos), reflecting a growth of 935 percent. This just shows that investors in the region try to resort to new kinds of investments other than the previously established ones in their quest for bigger income/profits. The investments in the CSEZFP which rose at 9.4 percent from P7.4 billion in 2006 to P8.1 billion in the next year proves this. Bulk of this investment came from interactive gaming support.

The sectors' behavior trickled down to the region's populace. In response to the increase in the working age population at 1.38 percent, the labor force participation reflected an uptrend, from 67.5 percent the previous year to 68.2 percent in 2007. Moreover, the employment rate increased by 0.8 percent vis-à-vis the previous year's figure. The agriculture sector registered the biggest share in the region's employment, absorbing 60.5 percent of the total employed persons in the region. This could be attributed to the decrease in the investments for Agri-Production. The service sector, on the other hand, registered the second biggest share at 32 percent of the total employed in the region, accounting for 438 thousand workers. The Industry Sector contributed the least share as it posted a decline from 8.3 percent in 2006 to only 7.5 percentage share this year.

Moreover, the region's figures demonstrated decreases in the number of agricultural workers, trade workers and technicians and corresponding increases in government workers.

Meanwhile, the quality of workers had also improved as the number of wage and salary workers increased from a share of 45.6 in 2006 to 47.8 percent in 2007. Own-account workers decreased from a percentage share of 36.6 percent in 2006 to 33.9 percentage in 2007. Unpaid family workers also rose from a percentage share of 17.71 in 2006 to 18.2 percent in 2007.

Significantly, full-time workers showed an upswing, from 651 thousand in April, 2006 to 687 thousand in April, 2007, accounting for an increase of 5.5 percent. Moreover, their percentage share in the region's employment rose from 48.6 percent to 50.3 percent.

In terms of inflation rate, the region's rate has generally slowed down for the entire 2007 with headline inflation registering at only 2.33 percent and the core inflation at 2.6 percent.

HUGE CREDIT PORTFOLIO TO PUMP THE ECONOMY ...

Credits are essential for the region's economy because they finance income generating projects in the various sectors. They pump inputs in the regional economy. If the amount of credit is large, the capital to be used in financing development projects will be bigger. In 2007, credit sources were generous enough to finance the capital needs of a booming economy. According to the net Loan Portfolio given by the Bangko Sentral ng Pilipinas, the total credit loaned by various banks amounted to 11, 533.96 million pesos as of the second quarter of the year. This already forms 96 percent of the loans given last year. The biggest loan grantor among the classes of banks is the Universal and Commercial Banks granting 60 percent of the loans granted by the banks in the region. Since, commercial banks cater on industrial and trade loans; this just implies that most of the loans granted during the year were focused on the industry and service sector of the economy. Rural and Cooperative Banks got the second biggest share with 35 percent. This implies that only 35 percent of the loans granted went to Agriculture. (Table 18)



A WEAK FLOW FROM A STRONG PUMP...

Despite the very big credit portfolio to “pump-prime” the regional economy and the policy reforms carried out by the government aimed at encouraging business entrepreneurs to invest in the region, the total investments in the major sectors declined in 2007. These investments should have served as injections in the economy aimed at increasing capital formation for a higher production level.

The region's total investment from the figures shown by the Business Name Registration of the DTI, dropped from P6.959 billion last year to only P1.806 billion this year or a decrease of 74 percent. Almost all of the industries reflected negative growth in terms of investment. Agri-Production showed the biggest decline in investments at P158.78 million compared to last year's P1.99 million, reflecting a 92.04 percent decline. It should be noted, however, that the very large investment amount in 2006 was due to the massive transfer of the Robina Sugar and Confectionaries to the region during the year. This in a way disrupted the trend in the region's investment. (Table 16)



Investments were concentrated in the province of Isabela with P836.68 million accounting for over 46 percent of the region's total amount of investments in 2007. The province also showed increases in the amount of investment generated posting an increase of 11.53 percent as against its 750.2 million pesos figure the previous year. However, the biggest increase was posted by Quirino at P82.53 million as against its 4.87 million recorded in the previous year. This indicates that the province manifested a very good investment climate, attracting many investors not only from the region but from other regions as well. The other three provinces showed negative growths in terms of investments. (Table 17)

On the other hand, investments in the CSEZFP rose from P7.4 billion in 2006 to P8.1 billion in the next year reflecting a 9.4 percent increase. The bulk of the growth came from interactive gaming support services which rose from P1.7 billion in 2006 to P2.9 billion in the next year reflecting a 70.5 percent inclination. Though the biggest portion of the investment came from the port operation contributing to 46 percent of the investment,

this however remained stagnant as it reflected the same amount of investment in 2007. (Table 25)

DESPITE THE LIMITED INJECTIONS, KEY DEVELOPMENT MOVERS RESPONDED...

Though, in general, the total investments injected in the regional economy decreased in 2007, the key economic movers in the region grew remarkable and responded to the region's call for economic growth and development. This is due to the development efforts extended by the concerned agencies and their local government counterparts, and other stakeholders in the region. Significant growth rates were recorded in Agriculture, Industry and the Services Sector.

RICE AND CORN LED THE AGRICULTURE SECTOR



Despite the limited injections in Agriculture, the Region's palay production grew by 3.66% from its 1,953,755MT in 2006. The increase was the result of an improved yield level of 4% despite the reduction of harvested area. The increase in yield is attributed to the effect of interventions such as seed subsidy, soil ameliorants, Farm Led Extension (FLE) services from Department of Agriculture and Local Government Units. This increase is also due to

the occurrence of (Rice Tungro Virus)RTV resistant varieties coupled with good weather condition.

Irrigation of farmlands largely contributed to the increase in production, especially in the third cropping season since these are the areas that have high production outputs. High yielding varieties of palay helped augment palay production in the region. Rainfed areas had also greatly increased by 7.40%, from 185,090 metric tons to 198,791 metric tons. (Table 1)

During the year, the province of Isabela continued to be the highest palay producer, maintaining its being the rice granary of the region. Production in this province was recorded at 1,036,917 metric tons which is 48.80% of the total palay production of the region. Meanwhile, Cagayan posted 702,561 metric tons ranking second, followed by Nueva Vizcaya with 228,122 metric tons and Quirino with 57,645 metric tons.(Table 2)

Corn production, on the other hand, gained by 5.08 percentage points at 1,281,309MT in 2007 when compared to the previous year's production level of 1,219,382 MT.(see Table 13). The increase is attributed to the expansion in area planted by 2 percentage points and an increase in the yield level per hectare by 3 percent. Moreover, previously flooded areas were restored accounting for a 16.5 percentage increase in the area planted during the first semester of the year. Furthermore, the distribution of seed subsidies contributed to a notable expansion in the area planted and the establishment of farm to market roads created new openings in the market for corn.(Table 3)

Between the two corn varieties produced by the region, namely, white and yellow corn, the former posted a bigger production growth which is 0.44 percentage points higher than the percentage increase in the yellow corn. This notable increase can be attributed to the Local Specimen Interventions (LSI's) such as BIO-N, lime, bio-control agents, techno demos, and the use of GMO hybrid from GMA Corn Program of DA, LGU's and the private sectors. It should be noted, however, that the bulk of the region's total corn production is attributed to yellow corn at 1,216,691MT constituting 95 % of the region's 1,219,382MT total corn production. The province of Isabela still emerged as the Region's corn central as it contributed 906,478 MT constituting 71 % of the total corn production in 2007. (Table 4)

Moreover, the regions other major crops like mango, banana, pineapple and mungo showed positive growth rates at 73.44, 10.24, 19.38 and 115.98 percent, respectively. (Table 5)

On the other hand, the region's livestock and poultry production did not perform well in 2007. Among the commodities under this category, only carabao production rose from 13,085 in 2006 to 13,592 in 2007 reflecting a 3.87 percent increase because of the encouragement caused by outside traders. Moreover, the establishment of a carabao center in Piat, Cagayan to assist carabao producers contributed in the growth. Unlike carabao, production in cattle, swine, goat, chicken and duck recorded decreases at 4.91, 15.77, 2.25, 15.08 and 2.06 percent respectively. The low margin of profit discouraged the swine farmers. Similarly, the sustained demand in the previous years had brought about the figures for goat. Lastly, the suspension of some farms had caused the production for chicken to decline. (Table 6)

A ROBUST FISHING INDUSTRY TO THE RESCUE...



Fish, being the main substitute for pork and other kinds of meat, is a vital component of the region's economy. The region's fishery industry performed relatively well during the year with a growth rate of 8.27 percent to supplement the decreasing production of meat in the region. (Table 7)

The biggest supply of the region's fisheries came from municipal sources which contributed 27,280.16 MT, accounting for 46.10 percent of the region's total supply. The supply from these sources rose from 23,823.87 MT in 2006 to 27,281.16 MT in 2007 or an increase of 14.51 percent. The increase may be attributed to the effect of technological innovations introduced by the government in the fishery sub-sector. Fish production from the marine waters, on the other hand, posted 17,439.99 MT in 2007, accounting for 65.8 percent of the supply from municipal sources. This translates to a 9 percent increase as compared to the previous year's level of 15,999.75 MT. The increase may be attributed to the development initiatives carried out during the year such as the installation of sanctuaries and the construction of *payaos*. Furthermore, favorable weather had contributed to the increase as well.

In view of the continuous seeding of tilapia fingerlings in the region's communal waters by BFAR and the LGUs, the supply from inland waters showed an uptrend, reflecting an increase of 23.66 percent, from 7,326.36 MT in 2006 to 9,059.91 MT in 2007.

The second biggest contributor in the region's fishery supply came from commercial sources contributing 18,711.28 MT, which was 32 percent of the region's total supply. However, its contribution had declined by 1.43 percent as against its 2006 share of 18,983.62 MT. The very high prices of fuel in the market could have discouraged fishermen to conduct fishing trips.

Lastly, aquaculture contributed the least share in the region's fishery supply, constituting only 22.5 percent of the total supply. However, its contribution had increased in 2007 by 13.42 percent, from 13,187.26 MT during the year as compared to 11,626.69 MT the previous year. The increase was made possible by the fingerling dispersal program of BFAR, introduction of advanced fishery technology, and the development of more ponds. The increase in demand had also attracted these fishermen to produce more. The absence of fishing ports, however, hindered the bigger expansion of the fishing industry.

A BOOMING MINING AND QUARRYING INDUSTRY...



The region had also experienced growth in terms of its natural mineral output. Gravel and sand production reached 906,989.09 cubic meters. This production increased by 30.15% compared to last year's production. (Table 9)

Isabela production in gravel and sand reflected a 68.73%

increase compared to the previous year's figure. This was attributed to the issuance of temporary permits to extractors during the last quarter and the rapid infrastructure build-ups as more municipalities of the province were geared towards modernization. Cagayan and Nueva Vizcaya, the major producers of gravel and sand in the region, had a notable decrease by 3.28% and 49.25%, respectively in 2007 compared to the 2006 production figures. This was attributed to the decrease in demand, weather condition and non-operation of some Industrial Sand and Gravel companies. Quirino, on the other hand, registered an increase in production due to the increase in demand particularly during the last two quarters of the year.

IMPROVED TRANSPORTATION ⇔ IMPROVED TOURISM...

Due to the relatively stable prices of oil /fuel in the market during the year as compared to previous year's prices, the region experienced growth in terms of motor vehicle registration. A total of 192, 511 vehicles were registered this year which is 7.21 percent higher than last year's total registration of 179, 558. Among the vehicle types, only buses showed a negative growth of 7.02 percent, from 1,165 in 2007 to 1,253 the previous year. (Table 10)



Owing to the better payment schemes offered by vehicle dealers, the registration of cars and utility vehicles; both for sports and public utility, increased during the year. In addition, the establishment of companies selling imported slightly used vehicles in the Cagayan Economic Zone Authority (CEZA) made more accessible the sale of cheaper and affordable vehicles.

In terms of their percentage share in the registration, the motorcycles and the tricycles still held the biggest share at 61 percent of total motor vehicles registered during the year because of the new payment schemes offered by motorcycle dealers like payment by installments. This just confirms that motorcycles and tricycles are still the region's major mode of transportation.

On a spatial scale, the Roxas Extension Office posted the biggest share in terms of motor vehicle registration among the Land Transportation Office's districts/extension offices at 20,691, reflecting a 67.23 percent increase over the 12, 373 motor vehicles registered during the previous year. This maybe attributed to the shift of the municipality towards a more productive one. The Sanchez Mira Extension Office followed with 5,495 registered vehicles, reflecting a 22.14 percent increase over last year's record of 4, 499 registered motor vehicles. On the other hand, the Cabarroguis Extension Office showed the biggest decline in terms of registration at 3941 vehicles, reflecting an 11.42 percent decline over last year's 4,449 vehicles.(Table 11)



On the other hand, the region's air transportation was sluggish during the year. The movement of people and the transport of goods and services region wide were facilitated through air transportation. It is an essential instrument for generating trade, investments, and tourism within the region. Based on the result of the Air Craft Movement carried out by the Department of Transportation and Communication through its Air Transportation Office, the total number of flights for the region went down to only 872 flights which was 1.47 percent lower than the previous year's 885 flights. Despite the decline in the number of flights, the number of passengers moving in and out of the region and the quantity of cargoes moving in and out of the region increased. On the average, passenger and cargo movement showed a 14.58 percent and 10.24 percent increase, respectively. This just shows that trade, investments and tourism continuously attract passenger and cargo movement in the region. (Table 12)

Despite the decrease in the number of flights, tourism contributed substantially to the regional economy of the Cagayan Valley Region. In 2007, estimated total tourist expenditures amounted to P1.43 billion. About P185.12 million of this was spent by

26,236 foreign tourists and the rest by domestic tourists. This translates to a 2.08% increase or 12,727 additional visitors from the 2006 total of 610,704.(Table 13)

Tourist expenditures refer to the amounts spent by tourists for such necessary services as food and accommodation. Transportation, shopping, entertainment and other needs that tourists normally require while in a destination.

Domestic tourist continued to account for the bulk of tourists visiting the region. It totaled to 623,431 with two percent increase from 610,704 figure of the previous year Foreign tourist increased by 14.29%, from 17, 903 in 2006 to 20,462 in 2007. Majority of the foreign tourists came from East Asia, making up 41.61 % of the total foreign tourist figure. Tourist from the ASEAN countries had likewise increased with a growth rate of 93.86%.(Table 14)



The United States continued to be the biggest source of foreign tourists visiting the region. This was followed by Korea, China and Japan, respectively. Significantly, Korea, China and Taiwan were rapidly becoming rich sources of tourists due mainly to a strengthened and more focused marketing program of the Department of Tourism in these countries. Moreover, the Cagayan Special Economic Zone in Sta. Ana, Cagayan attracted tourists from China and Macau through the daily chartered flights and twice-weekly flight of Asian Spirit. These tourists come particularly for the gaming facilities in Sta. Ana, Cagayan.

INCREASING POTENTIAL OF ELECTRICITY AND TELECOMMUNICATION SERVICES...

The electricity and telecommunication services likewise showed remarkable growths during the year increasing the regions potential from the service sector.

In terms of power consumption, records showed that the total quantity of power generated by the Region had increased at 467,741,245KwH as of the 3rd quarter of 2007 as against the 447,268,887 KwH produced the previous year, reflecting a 4.6 percent increase in the total power produced. This was caused by the increasing demand for electricity, as the region's population adopted to a more modernized lifestyle. The figures show that the total power sold in the region increased from 371,890,742 KwH in the 3rd quarter of 2006 to 388,680,483 KwH in the 3rd quarter of 2007 or a 4.5 percent increase. However, the figures show that the various electric cooperatives sustained losses as they produced more power than what was really consumed in the region. Policy reforms and technological innovations should focus on the minimization in the losses.

Among the region's electric cooperatives, Isabela I Electric Cooperative still held its post as the biggest generator of electricity in the region contributing 34.5 percent of the total power generated as of the 3rd quarter of 2007. (Table 15)

The region's communication industry responded well due to the high demand in cellular communication as the three major cell phone companies such as Globe, Smart and Sun Cellular had increased their capacity to deliver their services to their clientele. In effect, an increase of 99 cellular base stations was recorded in the region during the year (Table 26)

A TRICKLED- DOWN DEVELOPMENT...

Economic growth cannot be fully appreciated and will mean nothing if such growths will not lead to development. These recorded growths should translate to beneficial outputs which the populace will enjoy. In 2007, the growths in the region's agricultural outputs were translated to corresponding increases in the region's food sufficiency levels. Moreover, the improvements in the capacity of our industries corresponded to increases in the region's employment statistics.

INCREASING FOOD SUPPLY FOR THE HOUSEHOLDS...

This behavior in the region's top products had trickled down to the region's households. The region's products were multiplied by a certain rate depending on the type of commodity. They were later aggregated to determine the region's total production for the commodity. Likewise, the region's total consumptions for food items were determined by multiplying the per capita consumption on the item with the projected population for 2007, the actual population being measured after every five years.



Based on the rice sufficiency levels determined by the Department of Agriculture, the region's rice sufficiency level rose from 234.26 percent in 2006 to 252.38 percent in 2007. This demonstrates that the region's total production for rice had exceeded for more than two-fold the region's total consumption. (Table 8)

Similarly, the sufficiency level for white corn rose from 155.81 in 2006 to 173.99 percent in 2007, reflecting a higher corn surplus during the year. This explains why the region is continuously exporting corn to other regions and to the international market as well. Likewise, the sufficiency level of fruits rose from 357.89 to 577.86 percent, reflecting a bigger surplus for the year. This explains the continued reliance of other regions and the international market in region 2's fruit supply in meeting their fruit demands.

Moreover, the average livestock and poultry sufficiency levels posted increases, from 88.93 percent and 62.62 percent, respectively, in 2006 to 104.52 percent and 168.32 percent, respectively. Due to the lower prices of fishes, consumers resorted to buying fish products in meeting their dietary requirements.

Based on the latest figures for fish sufficiency submitted by the Bureau of Fisheries and Aquatic Resources, the fish sufficiency in the region rose from by 2.94 percent, from 47.07 percent of the total consumption in 2006 to 50.01 percent of the consumption in 2007.

SECTORAL GROWTH ⇔ MORE EMPLOYMENT

Growth in the sectors is a determinant on the absorption capacity of the sector. A bigger growth rate could transform to a bigger employment capability. On the other hand, bigger manpower could facilitate production in the sectors.

The growth reflected in the various sectoral output had created an ample room for development most especially in labor and employment. Based on the Labor Force Survey (LFS) of the NSO, the total number of persons in the labor force aging 15 years old and older increased in 2007. The number of persons in this population group was 1.41 million as against the previous year's figure of 1.38 million, reflecting a 1.9 percent increase.

From this population group, 68.2 percent participated in the labor force as against the previous year's rate of 67.5 percent. The 2006 and 2007 figures also show that there were more males than females participating in the labor force.

Despite the increasing population in the labor force, only 66.1 percent were employed in 2007, this figure is 0.8 percent higher as against the previous year's

level. In real terms, 1.37 million persons in the labor force were employed as against 1.34 million persons in 2006. (Table 19)



The agricultural sector continued to absorb the most workers with a 60.5 percent share of the total employed persons during the year but this figure is 0.6 percent lower than the previous year's level. Nevertheless, this sector still showed an increase in its worker absorption at 827 thousand workers during the year as compared to 819 thousand workers in the previous year, reflecting a 0.9

percent increase.

The service sector posted the second biggest share in the region's total employment with 32 percent share in 2007. The sector absorbed approximately 438 thousand during the year which is 6.8 percent higher than the previous year's level of 410 thousand workers. The rapid increase in this sector's employment was brought about by sub-sector transport, storage and communication which posted a huge increase of 19 thousand workers. Likewise, this uptrend can also be attributed to the increasing number of businesses in the service sector led by the interactive gaming support services in the CSEZFP, posting employment figures at 2609 workers in 2007 as against 1386 workers in 2006. (Table 20, 25)

On the other hand, the industry sector got the least share as it posted a decline of 0.8 percent, from 8.3 percent in 2006 to only 7.5 percent the following year. It registered only 103 thousand workers in during the year vis-à-vis 111 thousand in 2006.

In terms of employment by occupational groups, the laborers accounted for the highest growth with 1,3 percent, from only 570 thousand workers in 2006 to 600 thousand workers the following year. This was followed by the government officials/managers with an increase of 14 thousand workers, from 90 thousand workers in 2006 to 104 thousand workers in 2007 or an increase of 7.6 percent.

The agricultural workers group, trade workers and technicians posted decreases in employment with agricultural workers posting the highest decline, which maybe attributed to the frequent occurrence of storms and floods which hit the region at the latter part of the year.

In terms of the percent share of worker class in the total employment, the figures in the labor force survey show that the class of wage and salary workers got the biggest share at 47.8 percent of the region's total employment. This was followed by own-account workers with a 33.9 percentage share. Unpaid family workers got the least share with only 18.2 percent.



The substantial rise in the region's employment is attributable to the enormous increase in the wage and salary workers gaining an additional 73 thousand as compared to their level the previous year, registering an increase of 43.4 percent. As a result, the percentage share of the other two classes of workers declined. Own-account workers declined from 36.5 percent in 2006 to 33.9 percent the following year. On the other hand, the percentage share of unpaid family workers declined from 20.1 percentage share in 2006 to only 18.2 percent in 2007. This just shows that mobility within the working classes is quite rapid as own-account workers shifted to other types of employment as wage earners. (Table 21)

In terms of the nature of employment as determined from the number of hours rendered in a week, the LFS shows that the number of full-time workers rose from 651 thousand in 2006 to 687 thousand the following year, accounting for a 5.5 percent increase. Moreover, their percentage share in the region's employment rose from 48.6 percent to 50.3 percent. (Table 22)

Owing to the increase in employment opportunities in 2007, the number of persons who worked for less than 40 hours in a week decreased by 1.8 percent, from 650 thousand in 2006 to only 662 thousand the following year. Workers tend to work for more hours due to positive support systems, hence maximizing their utmost potential and productivity.(Table 22)

A PESO CAN BUY MORE...

The increase in the region's production had increased the real value of the peso. With the same level of income, an average consumer can already include more products in a basket he bought.



Inflation rate has generally slowed down in 2007 with headline inflation registered only 2.33 percent and core inflation 2.6 percent. Headline inflation,

commonly known as CPI (consumer price index) measures the average price of a standard “basket” of goods and services consumed by a typical family while core inflation measures the change in average consumer prices excluding certain items with volatile price movements like food and energy items. Hence, headline inflation has a wider scope compared to core inflation. The separate inflation rates for basic necessities like food; housing; and fuel, light and water reflected only rates of 1.82 percent, 4.20 percent, 2.87 percent, respectively. (Table 23)

Clothing inflation rate dropped as it registered only 2.66 percent as compared to 3.01 percent of the previous year. Meanwhile, services like communication registered an inflation rate of only 3.19 percent during the year due to the increase in demand for short messaging system which eventually lowered the prices. This maybe attributed to the increasing competition among the telecommunication companies which adopted rapid advanced technology and more modernized facilities. (Table 24)

PROSPECTS FOR CY 2008

The following developments and activities are envisioned to enhance the region’s economy and strengthen its position vis-à-vis the other regions:

- The continuous improvement of the Cagayan Social Economic Zone and Free Port which includes the implementation of major projects such as Microwave Facilities, a Gaming and Cyber City Complex, will attract more investors and tourists to visit the region.
- Widening of the baguio-vizcaya road
- Development of mining sites in didipio, kayapa, nueva vizcaya and in quezon, nueva vizcaya and the opening of a new mining site in dinapigue, isabela
- The establishment of a new mall in Santiago City, Isabela by the SM Prime Holdings Corporation
- The continuous improvement of the Cagayan Social Economic Zone and Free Port (CSEZFP) will create more employment opportunities for the region’s populace. This will further attract more investors and tourists to visit the region. In effect, the service sector’s contribution will further grow during the year. Likewise, the industry and the agriculture sector will also be benefited as farm workers and capitalists will have access in the international market, thus, creating an export outlet.
- The continued operation and proper management of CEZA’s gaming industry will attract more foreign tourists to augment the region’s growth from the tourism sub sector and other related services.
- The planting of 38 hectares Agro-Forestry Areas in Naguillian, Isabela to improve forest covers will enhance the region’s potential in the Forestry Sub-sector.
- The widening of the Baguio-Vizcaya road in the last part of 2007 will enhance the transport of passengers and goods from region 2 to Baguio. The local producers will have better access in the markets in Baguio City and the Cordillers as outlets of their products. This will also encourage tourists and investors to visit the region.
- The establishment of a gaming complex with a 300-room hotel in Sta. Ana, Cagayan will boost the region’s tourism industry and the services sector. Likewise it can also create an ample room for employment. 170 rooms were already competed as of date.
- The installation of Microwave Facilities connecting Aparri to Sta. Ana will improve telecommunications. It will also attract more investors/locators in CEZA due to improved viability to cater the industries, especially IT-related industries that is dependent on heavy communication equipment. The project was already completed in 2007 and its utmost effect will be felt in the incoming years.
- The establishment of a Cyber City Complex which aims to provide a 10-hectare infrastructure with buildings, power, and commercial center, state of the art

telecommunication and IT cables, will enhance the region's telecommunications capabilities. Since it is a commercial center, it will also attract tourist to visit and to invest in the region. Furthermore, it can create an ample room for employment.

- The start of development works this year (2008) in the big mining sites in the region (Didipio, Kayapa, Nueva Vizcaya) will boost the region's economy specifically in the industry sector.