

ANNUAL REGIONAL ECONOMIC SITUATIONER, CY 2008

A. LOAN AND CREDIT AVAILABILITY

Higher level of loan or credit assistance was achieved in 2008 especially in support for agriculture. With its thrust on agricultural development, outstanding loans of the LBP reached Php4.8 Billion reflecting a 22.6 percent increase from the bank's figure of Php3.89 Billion in 2007. The LBP report shows that all of the Region's provinces reflected increases in outstanding loans. The increases are attributed to new loans extended to LGUs for infrastructures and acquisition of heavy equipment projects. It should be noted further that fresh loans amounting to a total of Php1.89 Billion were extended for Palay Production in support for the government's food security program.. Outstanding loan balance in Isabela reached Php3.03Billion constituting 63.43 percent of the outstanding loans in the region. It has also reflected a 27.22 percent increase from province's figure of Php2.38 Billion in 2007.

On the loan purpose, a total of Php2.25 Billion was extended to small farmers and fisherfolks constituting 47.16 percent of the region's outstanding loans. Outstanding loans for this purpose also reflected a 44.44 percent increase from the 2007 figure of Php1.56 Billion in 2007. LGU Loans and Livelihood Loans also increased by 5.47 percent and 55.82 percent from their figures of Php922.49 and Php260.35 in 2007.

B. INVESTMENTS

Investments Thru Business Name Registration

Investment in the sectors has flourished in 2008 as evinced from the total investment created thru business name registration. Total registered firms stood at 8,652 coming mainly from Cagayan and Isabela with 3,387 and 3,536 in 2008, respectively. Most of the registered firms were engaged in trading ventures, 4,935 or 57 percent of the total firms. Service firms stood at 2,865 or 33 percent of the total registered firms.

In turn, total registered investment reached Php7.67 billion in 2008 from only Php1.8 Billion in 2007. Nueva Vizcaya topped the provinces with a total of Php5.07billion, registering a capital investment of Php4.64 billion in the 1st quarter of the year alone. It can be gleaned that the province has been tapped by investors in their business ventures.

Across the sectors, most of the capital investments were into trading at a total of Php 6.03Billion constituting 78.62 percent of the region's total investment in 2008. Meanwhile, investments in agri-based production marked at only Php 110 Million in 2008, reflecting a 44.35percent decline from its figure of Php158.78Million in 2007.

Investments at CEZA

With the intensive promotions and advocacy activities, investments at the Cagayan Economic Zone Authority continued to flourish. Eighty six (86) locators (48 of which are operational) contributed a total capital investment of PhP4.14 Billion Pesos as of December 31, 2008. Bulk

of the investments was on interactive gaming support services/service providers with 43 registered locators (31 of which is operational) and contributing an actual capital investment of Php 2.19 Billion. In turn, investment on this activity constitutes 53.18 percent of CEZA's actual capital investment.

Correspondingly, the locators and investment contributed to an employment of 5,953 in the year 2008.

C. SECTORAL PERFORMANCE

Despite the flashfloods in November of the year which damaged most of the region's crops and livestock, the region's agriculture remained steadfast as shown in the strong production performance of our major crops especially Palay and Corn.

Agriculture and Fishery

Palay Production

Palay production reached 2,080,240MT or an increase of 15.26 percent from last year's figure of 2,025,245MT. Production came primarily from irrigated farmlands at 1,872,024MT comprising 90 percent of the total production. It has also reflected an increase of 2.49 percent from the 2007 figure of 1,826,454MT. The growth along the irrigated farmlands can be traced from Isabela's production of 1,010,466MT constituting 53.98 percent of the total production from irrigated farmlands and 48.57 of the region's total palay production. This was due to the recovery of in-fallow areas in the province. Quirino posted the highest growth, particularly from the province's irrigated ricelands with a 31.54 percent increase from its figure of 52,573MT in 2007. Meanwhile, production from rainfed areas reached 208,216MT reflecting a 4.74 percent increase from its figure of 198,791MT in 2007. Except for Cagayan, production from rainfed areas in the other provinces managed to improve.

The increase in production can be traced to the expansion in area harvested. A 6.97 percent increase in the total area harvested has been noted for the year – from 501,943 hectares in 2007 to 536,916 hectares in the year under review.. Area harvested from irrigated farmlands expanded by 6.08 percent from 428,617 hectares in 2007 with all of the provinces showing expansions. Isabela led the provinces in terms of irrigated areas with 241,444 hectares constituting 53.1 percent of the region's irrigated areas or 44.97 percent of the total palay areas. With the recovery of in-fallow areas, irrigated areas in the province has managed to expand by 4.97 percent in the year.

Likewise, area harvested from rainfed farmlands reached 82,201Ha reflecting a 12.10 percent expansion from 73,326Ha in 2007 with all of the rainfed areas in the provinces showing expansion.

While the region's palay production is in the upbeat, productivity was sluggish in 2008 as compared to 2007. With the cold spell and flashfloods in the provinces of Cagayan and strong winds, pest and diseases in Isabela, the region's productivity reached only

3.87yield/hectare from 4.03yield/hectare in 2007. Specifically, palay productivity in the province of Cagayan and Isabela dropped to 3.53yield/Ha and 4.09yield/Ha respectively in 2008 from 3.79yield/Ha and 4.23yield/Ha in 2007.

Corn Production

Production reached 1,476,879MT, reflecting a 15.26 percent increase from last year's figure of 1,281,309MT with production in all of the provinces at the uptrend. Isabela remained the region's top corn producer at a total of 1,009,420MT constituting 68.35 of the regional total. The province has also reflected an 11.36 percent increase from its production total of 906,478MT in 2007.

Corn production in the region was heavily concentrated on yellow corn at 1,412,511MT comprising 95.64 percent of the total produced. Yellow corn production reflected an increase of 16.09 percent (from 1.22 million MT in 2007 to 1.41million MTin 2008). Isabela's production reached 970,466MT constituting 67.70 percent of the regional yellow corn total. Yellow corn production in the province, likewise reflected a 12.22 percent increase from its 2007 figure of 864,810MT due to the restoration of damaged areas and planting of in-fallow areas. Likewise, Quirino posted a significant stride in its yellow corn production as provincial production increased by 68.07 percent from its 2007 harvest of 65,777MT due to the increase in area planted and greater usage of hybrid seeds.

The improvement in yellow corn production can be traced to the expansion in area harvested with a 5.79 percent increase in the year 2008, from just 369 thousand hectares in 2007. Yellow corn production areas reached 364,492 hectares constituting 93.33 percent of the total area harvested for corn in 2008 with all the provinces showing expansions in the areas for corn production.

Meanwhile, production of white corn experienced a downtrend of 0.39 percent from its 2007 figure of 64,618MT to only 64,368MT in the year under review. Isabela still led the region in terms of white corn production at 38,954MT constituting 60.52 percent of the regional total. The province's white corn total, however, reflected a 6.51 percent decline as compared to its figure of 41,668MT in 2007. However, the provinces of Cagayan, Nueva Vizcaya and Quirino reflected increases of 13.65 percent, 0.23 percent, and 1.59 percent respectively from their figures of 17,852MT, 3,964MT, and 1,134MT in 2007.

However, the area harvested for white corn reflected a decline of 6.55 percent from the 27,871Ha in 2007 with all of the provinces posting declines. Specifically, white corn areas in the provinces of Cagayan, Isabela, Nueva Vizcaya and Quirino declined by 2.1percent, 10.33 percent, 2.46 percent and 15.24 percent respectively in 2008 from their figures of 11,616Ha, 14,186Ha, 1,544Ha and 525Ha in 2007. The declines in area harvested for white corn in all of the provinces suggest that most of the region's farmers shifted from white corn to yellow corn due to the latter's higher commercial value.

Notable for the year was the increase in the region's productivity that saw regional corn productivity increasing from only 3.47MT/Ha in 2007 to 3.78 MT/Ha in 2008... Among the factors responsible for the improved productivity were the continuous use of production enhancers, the planting of hybrid seeds and the lesser weather disturbances for the corn crops in 2008.

High-Value Commercial Crops

The typhoons and the continuous rainfall experienced especially during the flowering stages led to the decline in the production of banana and mango by 0.49 percent (386,928MT in 2007 to 385,041MT in 2008) and 26.52 percent (90,108MT in 2007 to 66,209MT in 2008), respectively. Production of pineapple reached 30,815MT reflecting a 7.63 percent increase from its 2007 figure of 28,630MT. The increase in production was due to the 28 hectare increase in the area planted in 2007 of 1,366 hectares. Moreover, good weather and sufficient rainfall prevailed during fruit formation.

Mango production reached 4,957MT reflecting a 45.83 percent increase from its figure of 3,399MT in 2007. This can be particularly attributed to the 60.04 percent (from 4,292Ha in 2007 to 6,669Ha) expansion in area planted in the province of Isabela, and due to the availability of seeds.

Eggplant production posted an increase of 3.81 percent from its 2007 figure of 18,626MT with the province of Cagayan leading the way. The province's production increase by 10.02 percent from its 2007 figure of 6,935MT even with a 1.56 percent in the area planted. Such increase in productivity levels could be traced to the adoption of appropriate/new technologies and the use of hybrid seeds.

On cassava, regional production reached 30,864MT reflecting a 1.28 percent increase from 30,475MT in 2007 traceable from the production increases in the provinces of Isabela and Quirino. The availability of a market for the said produce pushed Isabela's production to 22,068MT in 2008 or a 22 percent increase from its 2007 figure of 18,893MT. Meanwhile, production in Quirino increased by 16.82 percent from 161MT in 2007. These increases cushioned the 35.23 percent and 0.69 percent production decline in the provinces of Cagayan and Nueva. Marketing problems prompted cassava farmers in Cagayan to shift to corn while the decrease in demand discouraged production in Nueva Vizcaya.

On Camote, production posted a 4.16 percent decline from its 2007 figure of 16,575MT. This is due to the decline in the area planted for the year under review as some of the camote farmers shifted to the cultivation of corn and cassava.

Tomato, production reflected a decline of 8.53 percent from its 2007 figure of 13,508. This came mainly from the 9.56 percent production decline in Nueva Vizcaya. On spices, garlic and onion posted declines of 1.29 percent and 57.60 percent in 2008 from their 2007 figures of 220MT and 4,826MT, respectively.. These declines can be attributed mainly from the continuous rainfall that affected bulb formation of spices.

Livestock and Poultry

The year 2008 was characterized by a production slowdown in livestock and poultry. Specifically, production of carabao, cattle, swine and goat posted declines of 4 percent, 0.73 percent, 10 percent and 6.53 percent respectively. The decline was attributed to the lesser inventories available for slaughtering during the year with the backyard as the main source of the region's livestock inventory. (Production in chicken and duck posted decreases of 5.51 percent and 15.28 percent respectively, from their figures of 36,183MT and 6,114MT in 2007.

Fishery Production

Commercial production reached only 16,350MT or a decline of 12.77 percent from 2007's 18,745MT. The decline is due to the effects of prohibitive fuel prices during the middle part of the year and unfavorable weather that limited fishing trips and the number of fishing days. Moreover, some commercial fishing vessel (CFV) operators opted to downsize their operations resorting to the use of bancas for fishing. In turn, their fishing efforts accrued to municipal fishing.

Meanwhile, municipal production reached 30,122MT reflecting a 10.40 percent increase from its 2007 production of 27,284MT. Production from marine sources constituted 63 percent of the total municipal fishery production and posted a 4.19 percent increase from 18,224MT in 2007. The increase in marine municipal fishing is attributed to the shift of commercial fishing vessel (CFV) operators to municipal fishing, installation of shallow water payaos, and favorable weather that led to increased fishing efforts and fishing days during the 2nd quarter. BFAR interventions such as fishing gear distribution and establishment of payaos in strategic areas, strict fishery law enforcement and the establishment of MPAs, Fish Sanctuaries and other resource management measures contributed to the increased municipal fishery production.

Production from inland municipal fishing posted a 22.9 percent increase reaching 11,135 MT in 2008, from only 9,060MT in 2007. The early onset of rainy season was favorable to the stocking of communal bodies of water (CBWs) like rivers and lakes resulting to bigger volume of catch. Moreover, stocks from fishponds and fish cages which were let loose during typhoons/floods simply transferred to CBWs resulting to higher catches for inland municipal fishermen.

Likewise, production from aquaculture was on the uptrend at an 18.71 percent increase from 13,130MT in 2007 even with production losses during typhoons and the November flood. The gain can be linked to the trainings/demos, fish farmers' adoption of recommended technologies and the availability of quality fingerlings from Government Hatcheries and other accredited private hatcheries in the region. It should be noted that "tilapia" constitutes 24 percent of the regional production. From this share, 72 percent came from aquaculture and the remaining came from wild catches in inland municipal sources. The development of new production areas particularly in fishponds and fishcages, (at a total area of 436 hectares in 2008), the regular widespread dispersal of

tilapia/carp fingerlings to irrigation projects such as Small Water Impounding Projects (SWIPS), Small Farm Reservoirs (SFRs) and Diversion Dams also contributed to the gain. Moreover, average yield per hectare has increased due to the shift of backyard producer to semi-intensive culture management and improved technologies extended by key stakeholders such as BFAR and the LGUs.

The gains in both municipal and aquaculture cushioned the production decline from commercial fishing. Total fish production managed to increase by 4.90 percent, from 59,159MT in 2007 to 62,058MT in 2008.

Comparative Food Sufficiency Level

Generally, with the increases in crop production, food sufficiency levels were on the rise especially on rice which reflected a 4.24 percent increase from the region's 2007 figure of 269.99 percent.. Likewise, vegetable sufficiency level, and roots and tubers sufficiency level reflected increases of 11.93 and 70.53 percentage points, respectively from their 2007 levels. However, fruits and white corn sufficiency levels declined by 1.36 and 2.79 percentage points, respectively. Meanwhile, with the decreases in livestock and poultry production, meat sufficiency levels declined. Specifically, sufficiency levels for carabao, cattle, pork, goat, chicken and duck declined by 11.41, 5.2 , 18.39 percentage points, 134.05 , 7.75 and 93.98 percentage points, respectively

Sand and Gravel Production

In general, as the volume of quarried sand and gravel was on the downtrend in 2008 due to lesser demand for such commodities. Sand and gravel production reached only 718thousand cu.m. reflecting or a decline of 21 percent from its 2007 figure of 907thousand cu.m.with Isabela's production figures declining by 44.36 percent form its 2007 production volume of 280 thousand cu.m.. Production of pebbles declined by 55 percent from its 2007 figure of 2284 cu.m.

The decline in the production volume of these commodities, can be traced to a slowdown in the construction activities in the region.

Meanwhile, production in earth material and boulders reflected increases of 23.5 percent and 667 percent respectively in 2008 from their figures of 405cu.m and1241cu.m in 2007.

Motor Vehicle Registration

The number of registered motor vehicles in the region rose by 9.24 percent from a total of 192,511 in 2007. The need for personal vehicles was still a dominant factor in the people's lifestyle as can be shown bythe 12.67 percent increase in the registration of private vehicles, from only 129,097 in 2007. Private vehicles have comprised 69.17 percent of the total registered vehicles in 2008.

The region's transportation sector is still dominated by motorcycle and tricycle at a total of 131,805 and has increased significantly by 11.6 percent from the region's figure of 118,110 in 2007. Among the registered motorcycles, 76,053 were privately owned, 510 were government-owned and 55,242 were for public utility. The growth in motorcycle registration can be attributed to the low-payment schemes offered by motorcycle dealers in the region and the low fuel consumption of the vehicles amidst the fluctuating and peaking fuel prices.

With the increasing registration of motor vehicles coupled with the vigilance of land transportation officers, revenue collection of the Land Transportation Offices in the region reached a total of Php341.4 Million or a 10.53 percent increase from the revenue of Php 308.9 Million in 2007. In terms of revenue collection, Appari District Office led the district offices/ extensions with Php39.14 Million reflecting a 45.78 percent increase from its collection of Php26.9 Million in 2007.

D. EMPLOYMENT

Based on the results of the October 2008 Labor force Survey, lesser percentage of the working age population (15 years and over) participated in the labor force at 66.2 percent. Of those, only 96.3 percent were able to find work or were employed. In effect, unemployment rate was higher this year at 3.7 percent. Moreover, 16.8 percent of the employed desired for more hours of work or better conditions of employment.

E. INFLATION

The region suffered double digit inflation with faster inflation accelerations along the commodity groups of Food, Beverages and Tobacco; and Fuel, Light and Water. While there was good agricultural production, inflation along Food, Beverages and Tobacco reached 12.8 percent.

The increase in the prices of fuel had triggered the acceleration of prices of other commodities. Inflation rates along commodity groups of Clothing, Housing and Repairs, Services and Miscellaneous items followed the 12.93 percent inflation on Fuel, Light and Water.

F. PROSPECTS FOR THE NEXT YEARS

These are some of the development prospects which we can expect in the years to come:

- Seaport development at Port Irene and Port San Vicente
- Development of the CEZA airport and San Vicente Airport
- Telecommunications and leisure resort development that includes the increase in the number of rooms/accommodations and the construction of additional villas.
- The Anguib White Sand Beach after being identified as a prospective tourism belt in CEZA's Comprehensive Land Use Plan, will be the home for two prospective locators in 2009. The locators are set to start the construction of their leisure-resort and gaming support services facilities in the year. The facilities include villas, restaurants, hotel resorts, convention center and a golf course.