

Annual Regional Economic Situationer

CY 2013

Cagayan Valley Region



BOUNTIFUL CAGAYAN VALLEY REGION

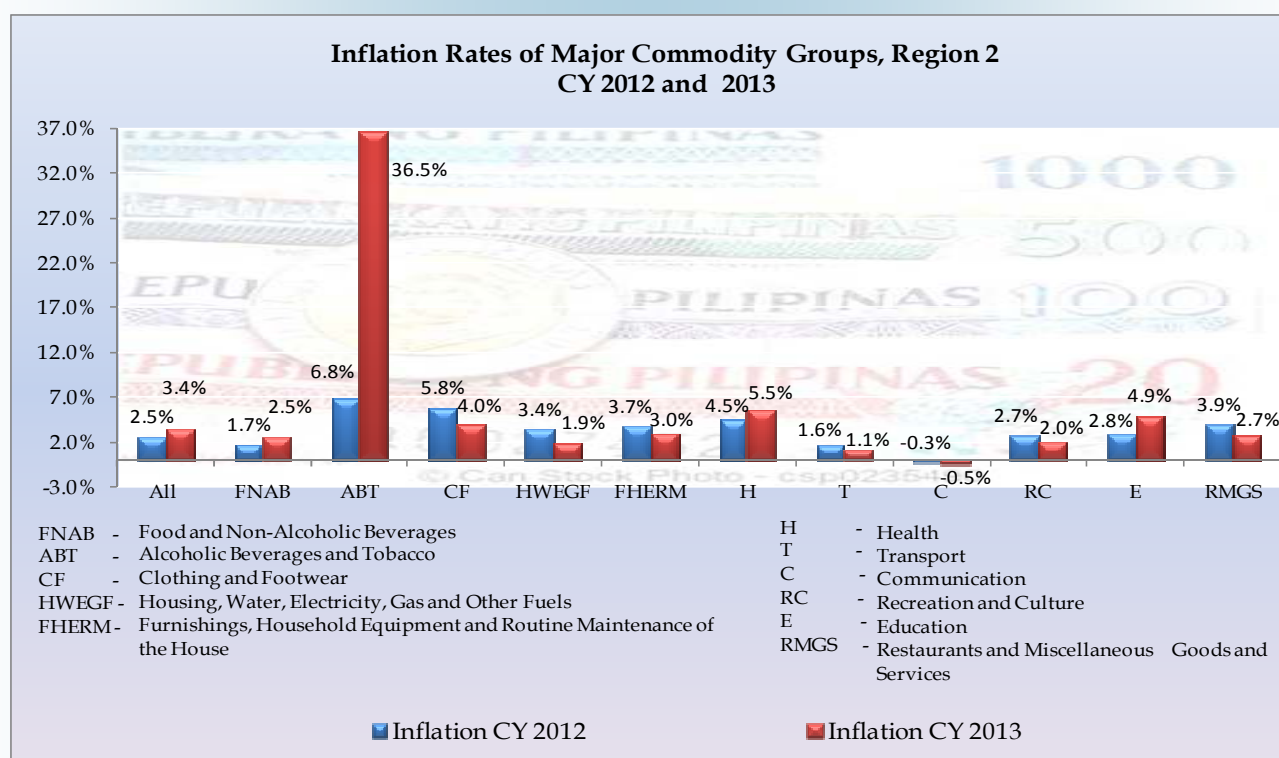
March 2014



Macroeconomy

Inflation rate accelerates to 3.4 percent

This year's headline inflation of the region accelerated to 3.4 percent from its 2.5 percent level in CY 2012. This region's inflation rate was higher by 0.4 percentage points as compared to the national rate of 3.0 percent in CY 2013. Commodity groups which caused the inflationary effect were the higher annual increments in the indices of alcoholic beverages and tobacco (6.8% to 36.5%) as an impact of the implementation of the sin tax; educational service (2.8% to 4.9%) with tuition hike particularly in the pre-primary and primary levels; health service (4.5% to 5.5%) attributed to cost of hospital services; food and non-alcoholic beverages (1.7% to 2.5%) due to the continuous price hikes in rice, meat and vegetables. A higher annual inflation was registered in rice index at 4.7 percent from 1.5 percent in 2012.

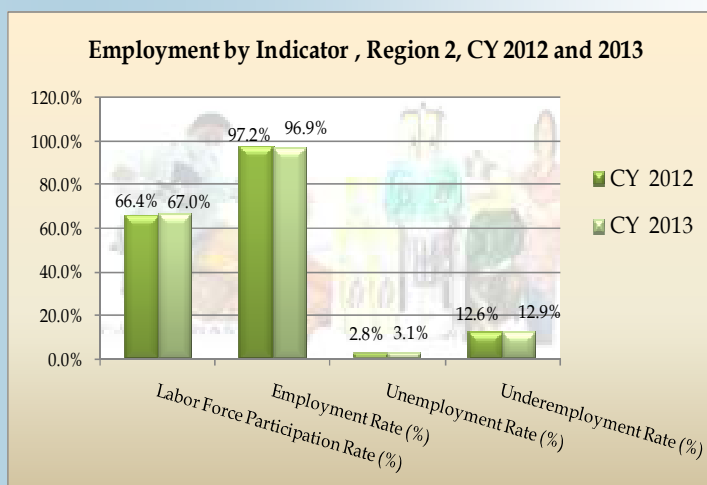


On the contrary, there were many commodity groups which posted lower annual inflation to include the following: clothing and footwear (5.8% to 4.0%); housing, water, electricity, gas and other fuels (3.4% to 1.9%); restaurants and miscellaneous goods (3.9% to 3.0%); furnishings, household equipment and routine maintenance (3.7% to 3.0%); recreation and culture (2.7% to 2.0%); transport (1.6% to 1.1%); and communication (-0.3% to -0.5%). The relatively lower rates of fuel prices in the world market affected the prices in the domestic market. Likewise, the increasing number of the business enterprises engaged in clothing and footwear products, food services, cleaning products and household textile, recreational items and equipment, transport services, and telephone services helped in slowing down prices of the above-mentioned commodity groups.

Region employs additional 27,000 persons

The region's employment status slightly improved in CY 2013 as compared to CY 2012. For this year, the participation rate of 2.274 million working age population increased to 67.0 percent from 66.4 percent in 2012. While the percentage of employed persons declined by 0.4 percent or from 96.9 percent. The level still remained positive with an additional of 27,000 persons employed from 1.449 million persons in the previous year.

However, the underemployed population climbed to 12.9 percent this year from 12.6 percent in 2012 or an additional 7,000 underemployed persons, for a total of 190,000 underemployed during the year. There were more employed graduates who desired to have additional hours of work in their present jobs or to have additional job, or to have a new job with longer working hours during the first-half of 2013 as compared in the same period last year.



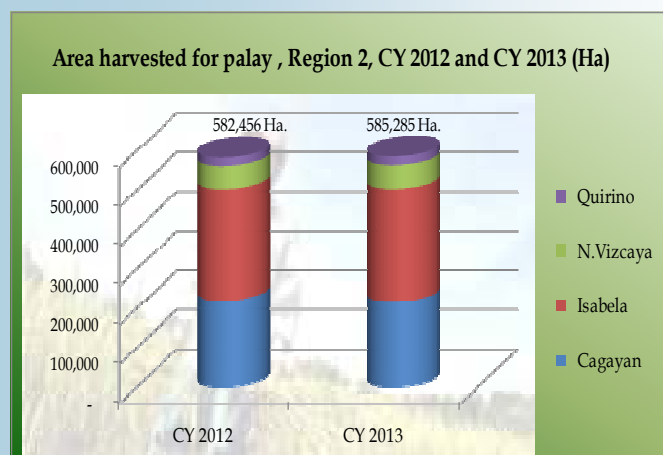
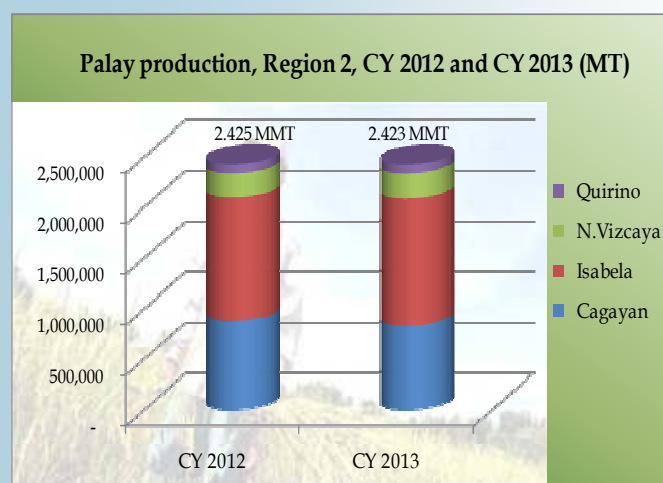
Despite the additional employed persons in 2013, the increment in labor force participation due to estimated annual population growth rate of 2.04 percent contributed to the increase in the level of unemployed population. Unemployment rate increased to 3.1 percent (48,000 persons) from 2.8 percent (41,000 persons) last year. There were limited work/job opportunities available for a huge number of graduates added in labor force.

Agriculture and Fishery

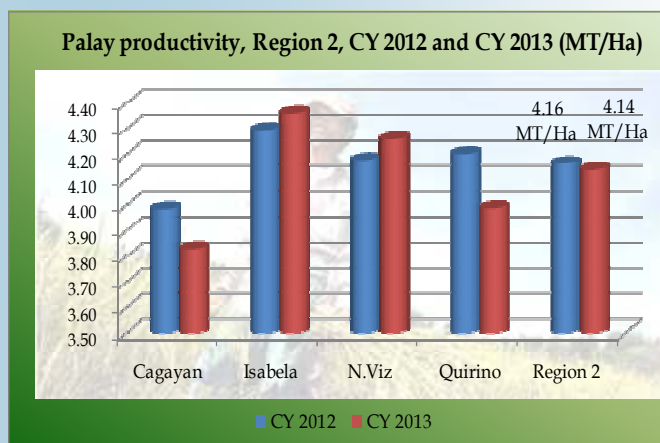
Palay production slightly declines

The region's palay production experienced a shortfall this year as it declined by 0.09 percent from 2.425 million metric ton (MT) in CY 2012 to 2.423 million MT. This was attributed to the slight decline in palay productivity from 4.16 MT/ha. in 2012 to 4.14 MT/ha. The minimal expansion in area harvested to palay from 582,456 hectares (has.) to 585,285 has. was not enough to push production level in the region.

Isabela and Cagayan contributed about 86 percent of the total volume of production (51% and 35%, respectively) and area harvested to palay (49% and 39%, respectively). N. Vizcaya and Quirino, on the other hand, had a combined contribution of 14 percent to the total production and area harvested at 10 percent and 4 percent, respectively.



The decline in palay production was contributed particularly by Cagayan and Quirino provinces registering a decrease of 5.25 percent (from 875, 721 MT to 829,737 MT) and 1.53 percent (from 91,221 MT to 89,822 MT) from last year's harvest. Cagayan experienced contraction in area harvested by 1.42 percent (from 219,696 has. to 216,578 has.) and 3.89 percent in terms of palay productivity (from 3.99 MT/ha. to 3.83 MT/ha.). Likewise, palay yield in Quirino decreased by 5.08 percent from 4.2 MT/ha. in 2012 to 3.99 MT/ha. in 2013. The drop in yield in Cagayan and Quirino was attributed to the effects of typhoons Labuyo in August; and Vinta and Santi in October. The expansion in the area harvested by about 3.73 percent in the province Quirino was not enough to boost production. The moisture stress in Cagayan and in the northern Isabela also hindered production improvements in these provinces.

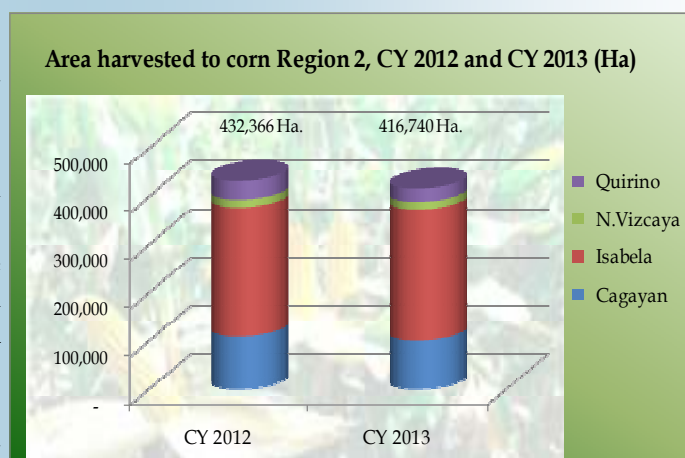


The drop in yield in Cagayan and Quirino was attributed to the effects of typhoons Labuyo in August; and Vinta and Santi in October. The expansion in the area harvested by about 3.73 percent in the province Quirino was not enough to boost production. The moisture stress in Cagayan and in the northern Isabela also hindered production improvements in these provinces.

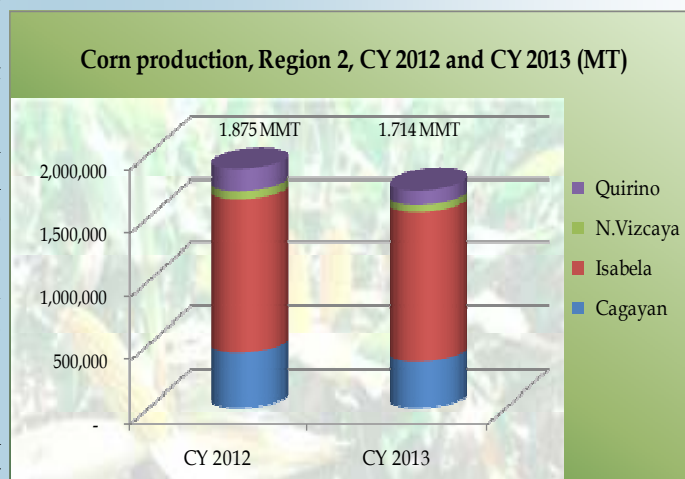
Meanwhile, Isabela (2.74%) and N. Vizcaya (4.88%) posted positive production growths during the year as a result of the expansion in the area harvested by 1.23 percent and 2.88 percent, respectively, coupled with slight increase in palay productivity by 1.5 percent (from 4.30 MT/ha. to 4.36 MT/ha.) and 1.94 percent (4.18 MT/ha. to 4.26 MT/ha.).

Corn production decelerates

Significant reduction in the region's corn production at 8.62 percent was recorded in CY 2013 (1.714 million MT) as compared to CY 2012 (1.875 million MT). The decrease in production posted in all provinces was a consequence of the decline in average yield by 5.2 percent (from 4.34 MT/ha. to 4.11 MT/ha.) and the contraction in total area harvested by 3.61 percent (from 432,366 MT to 416,740 MT).



Among the provinces, Quirino accounted for the highest decline in production at 30.58 percent (from 166,823 MT to 115,815 MT) brought about by 28.10 percent decrease in area harvested from 38,225 has. to 27,484 has. and productivity loss from 4.36 MT/ha. to 4.21 MT/ha. Likewise, corn production in Cagayan was lower by 16.46 percent from 432,333 MT to 361,171 MT due to 7.81 percent decrease in area harvested (from 109,422 has. to 100,872 has.) and 9.38 percent in yield (from 3.95 MT/ha. to 3.58 MT/ha.). The decrease in area harvested to corn in N. Vizcaya by 4.5 percent (from 15,961 has. to 15,243 has.) and 6.62 percent in productivity from 4.18 MT/ha. to 3.9



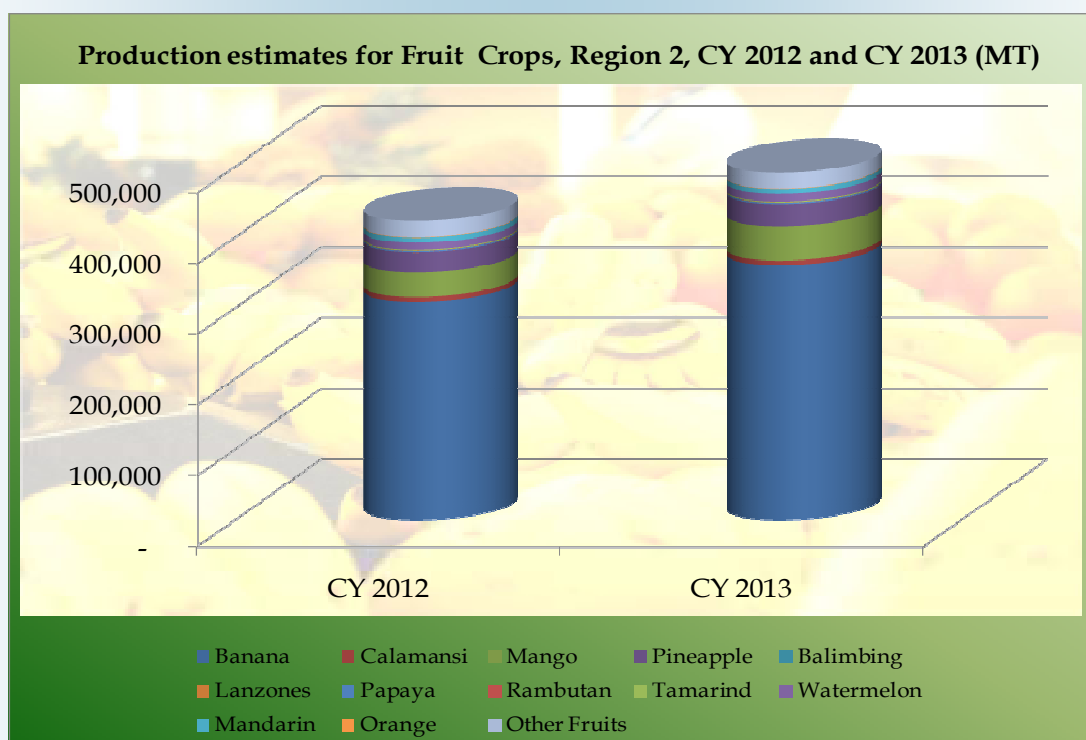
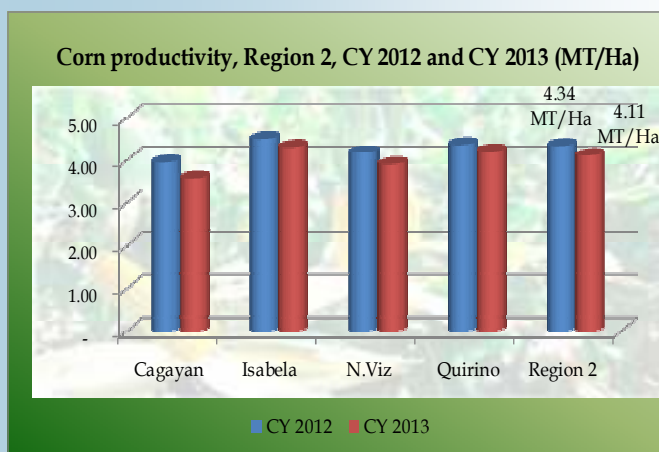
Meanwhile, a different trend was observed in Isabela where area harvested expanded by 1.63 percent from 268, 758 has. to 273,141 has. but with 4.23 percent decline in productivity from 4.5 MT/ha. to 4.31 MT/ha. which finally lowered production by 2.67 percent from 1.210 million MT to 1.177 million MT. Generally, the same trend was observed for both white and yellow corn production in Isabela.

Major contributing factor to the reduction in area harvested and yield performance were the prolonged dry spell experienced during the first semester of the year and the occurrence of typhoons particularly in the key production areas of the region during the latter part of the year.

Fruit crops production improves

Fruit production during the year was 491,292 MT. This was 16.17 percent higher than the 422,895 MT output in 2012 . The production increment was attributed to good weather condition which helped increase production especially during the first semester of the year. Fruit production was not affected by typhoons which occurred mostly on later part of third quarter and fourth quarter.

From among the major fruit crops, mango recorded the most impressive output at 37.52 percent increase from last year's production of 34,745 MT. More fruit bearing trees were induced and bigger quality of fruits were harvested during the year due to good quality of flower inducer and good weather condition. Banana also improved by a high of 16.83 percent from 308,469 MT to 360,395 MT; pineapple by 10.33 percent from 28,225 MT to 31,141 MT; and calamansi by 2.31 percent from 6,896 MT to 7.055 MT. The increase in pineapple output was brought about by the increased area harvested for pineapple.

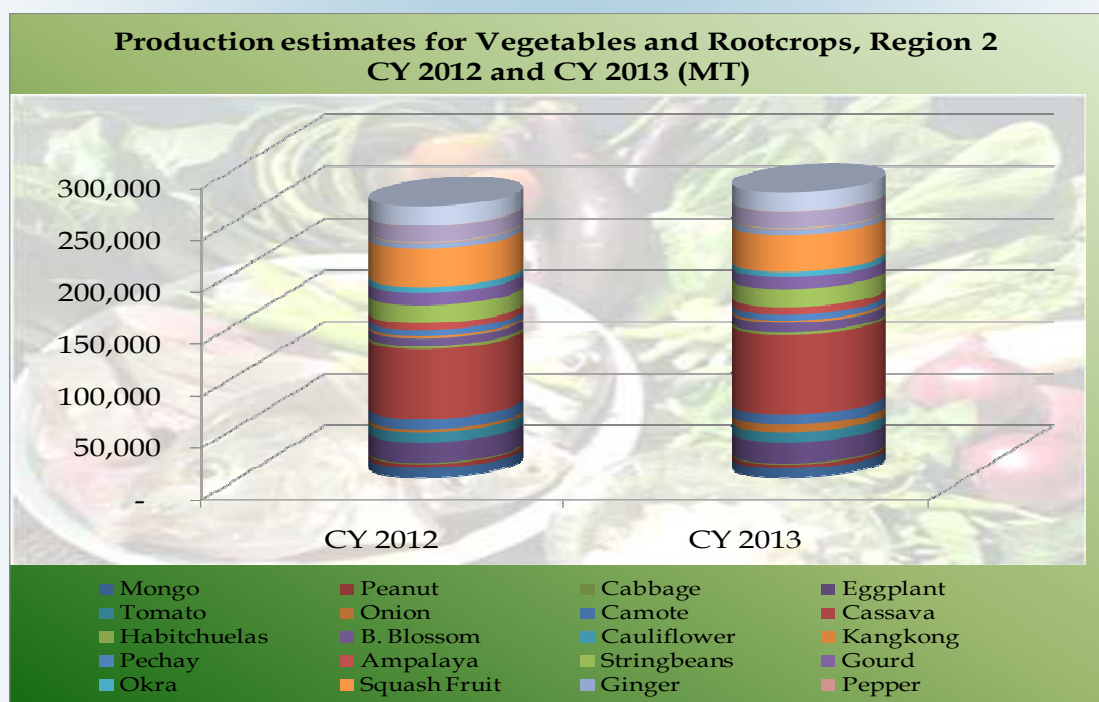


On the list of other priority fruit crops, the gainers were balimbing, papaya, tamarind and watermelon with estimated growth rates of 3.07 percent, 5.24 percent, 2.24 percent and 11.5 percent, respectively. Meanwhile, production slid for lanzones by 9.14 percent, rambutan by 10.80, and mandarin by 6.74 percent, orange by 5.53 percent and other fruit crops by 1.69 percent due to weather disturbances. The additional output on these crops was brought about by the increase in area harvested from areas supported by DA RFO 02 thru its seed distribution program and sufficient rainfall during their growing stages. In the case of cassava, harvest from private assisted companies, less occurrence of weather disturbance especially during the growing stage and additional areas planted to cassava contributed to the increase in production during the year.

Vegetable and root crops production expands

The region's total root crops and vegetable production improved up to 5.16 percent or from 261,030 MT in 2012 to 274,503 MT in 2013. Most of the major vegetables and root crops exhibited an upward trend including peanut (1.99%), eggplant (3.07%), cassava (14.66%) and onion, which posted a remarkable increase of 160.99 percent.

Nonetheless, the vegetable production of the region is still not enough to cover for the growing demand for different vegetables. Only Nueva Vizcaya is engaged in the production of "Baguio vegetables" to include cabbage, cauliflower and sayote. Additional supply of eggplant, ampalaya and okra is usually provided by neighboring regions. This trend will most likely persist with only few farmers engage in crop diversification.



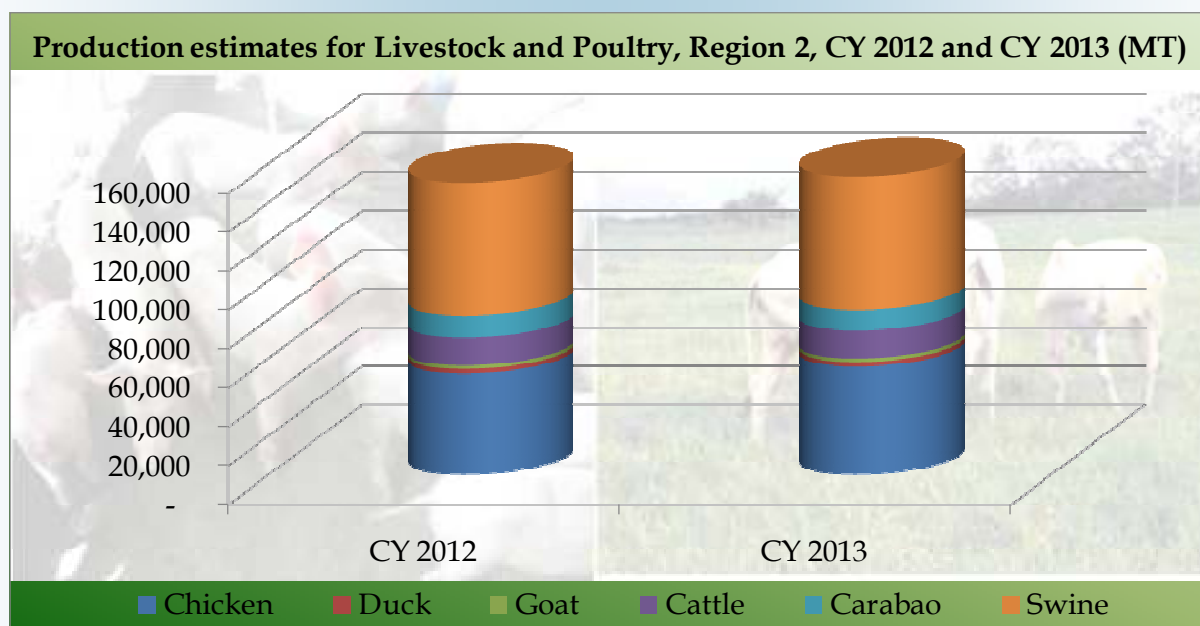
Livestock production posts a slight decline

Total livestock production in CY 2013 slightly declined by 0.8 percent to 95,291 MT, mainly attributed to the 8.9 percent decrease in carabao production and 3.5 percent in goat production. The lower carabao production was due to the slow down of disposition both in slaughtering on farm and abattoirs and lower disposal of live animals due to decreasing inventory. Goat production, on the other hand, decreased by 3.5 percent or from 1,874 MT to 1,809 MT as a consequence of the limited disposal of stocks due to declining inventory, shift to sheep farms, and notable cases of liver fluke in N. Vizcaya.

Meanwhile, positive growths were noted for swine and cattle production during the year. Swine production which accounted for 72 percent of the total livestock production slightly moved up by 0.1 percent from 68,525 MT to 68,621 MT, due to more slaughtering to meet the pork demand in the region. Likewise, the increase in cattle production in most provinces contributed to the 1.6 percent growth of production to 14,336 MT. The increased demand for beef as a substitute for carabeef was noted. There was also high demand from assemblers and outside buyers offering reasonable price.

Poultry production sustains growth

For poultry production, the improved output in the chicken subsector (which comprise of about 96% of the poultry production) was able to push production of poultry up by 6.8 percent from 54,153 MT to 57,814 MT. Chicken production grew by 7.3 percent in 2013 from 51,757 MT in 2012 to 55,525 MT. Number of chicken raised increased because of more available stocking and disposal in Cagayan, N. Vizcaya and Quirino and increased demand during the local election. For layer chicken, more culling to change stocks was done in Isabela and Quirino while for native/improved breeds, the sustained demand and its commendable price resulted to more disposable poultry. On the other hand, duck production was lower by 4.5 percent for the year, attributed to decreasing inventory and limited stocks available for disposition.



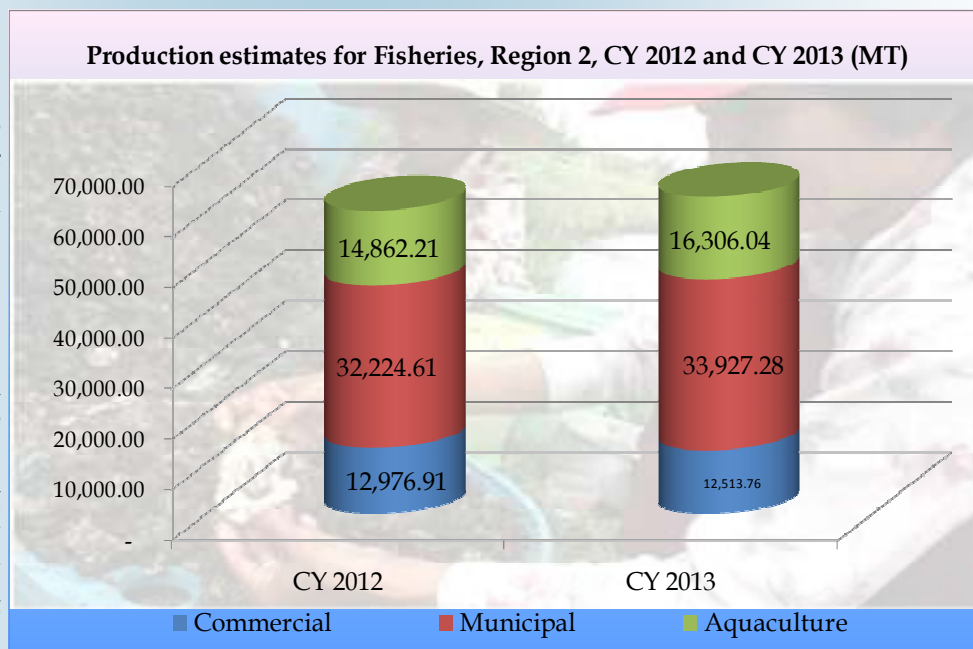
Fishery sector performs positively

The region's fish production improved by 4.47 percent from the 60,063.73 MT in 2012. Municipal and aquaculture outputs registered positive growths at 5.28 percent and 9.71 percent, respectively while commercial fisheries slowed down by 3.57 percent.

Municipal fisheries production, which accounts for about 54 percent of the total fisheries output, rose from 32,224.61 MT to 33,927.28 MT. Marine municipal fisheries production increased by 4.81 percent from 18,916.62 MT to 19,827.45 MT, with Cagayan's increased output (5.6% to 18,086.9 MT) mainly contributing to the growth. Inland municipal fisheries, likewise, posted a positive growth of 5.95 percent moving up to 14,099.83 MT attributed to the increase in output from Isabela (16.2%), Quirino (22.8%) and N. Vizcaya (22.5%). The increase in output was due to the good weather condition favoring fishing activities especially during the first semester. The production support services by BFAR such as distribution of boats, fishing gears and setting up fish aggregating devices also contributed to the growth of the subsector.

Furthermore, aquaculture output significantly improved to 16,306.04 MT, from the 14,862.21 MT in 2012. The remarkable increase in aquaculture production emanated from the harvest in newly developed areas for vannamei and oyster, good quality of spats and seaweeds due to high demand for industrial use. The sustained demand for rice eel for export also prompted fishermen all over the region to increase eel production efforts.

Meanwhile, the commercial fisheries production decelerated this year posting a decline of 3.57 percent from 12,976.91 MT to 12,513.76 MT. The decrease was attributed to the diminishing fish catch as an impact of the lesser fishing days and dry docking of fishing vessels caused by rough seas especially during the later part of the second semester.



Farm gate prices of most agricultural commodities accelerate

Among the cereal commodities, palay farmgate price accelerated by about 7.82 percent from Php16.11 per kilogram to Php17.37 per kilogram. This price increment was due to sustained/high demand from local and outside buyers/traders from all provinces of the region. On the other hand, price of corn, both for white and yellow went down by 0.53 percent (from Php11.27/kg to Php 11.21/kg) and 7.84 percent (from Php12.75/kg to Php11.75/kg), respectively, caused by inferior quality of products due to effect of typhoons particularly in Cagayan, N. Vizcaya and Quirino provinces. The old corn stockpiles in Isabela also contributed to the decline in the buying price of corn.

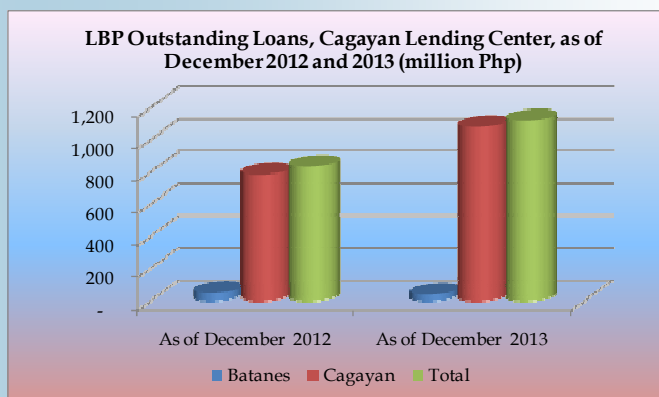
In the case of vegetables, root crops, condiments, fruits and other non-food crops, where most commodities exhibited price increase (i.e., tomato, cassava, camote, peanut, mongo, ampalaya, pechay, pepper, string beans, banana (lakatan and bungulan), tobacco) the cited reasons for the positive growths were the good quality of produce, high/sustained demand from buyers/millers/processors and decrease in production. On the contrary, for some with noted decline in prices (i.e., eggplant, cabbage, chayote, squash, banana (latundan and saba), pineapple, calamansi, papaya) reasons were the abundant supply coming from other regions, inferior quality of products traded and smaller sizes of produce.

All farmgate prices of livestock and poultry commodities increased in 2013. The price of hog for slaughter recorded the highest increase at 23.29 percent or from Php89.74 to Php110.64 per kilogram. Farmgate prices of carabao and cattle also increased significantly by 7.36 percent and 5.90 percent, respectively. The increase was due to the sustained demand from consumers, assemblers and viajeros.

Loans, Investments and Tourism

LBP loans improve

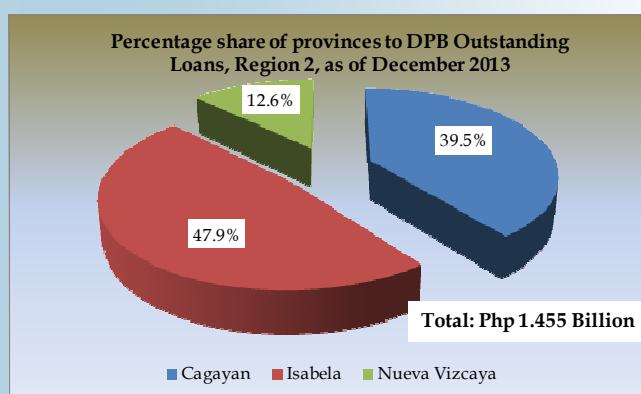
The record of total outstanding loans of the Landbank of the Philippines-Northern Cagayan Lending Center as of December 2013 reached Php1.119 billion, 34.1 percent higher than the outstanding loans as of December 2012. The total amount was all apportioned to agri-agra loans, 36.5 percent of which were allotted to small farmers and fisher folks, 33.9 percent to SMEs, and 15.3 percent to LGUs. Only two provinces were provided loans with Cagayan accounting for about 96.5 percent of the total loans and 3.5 percent for Batanes.



On loan releases, the LBP released a total of Php1.263 billion in CY 2013 or about 5.5 percent higher compared to CY 2012 level. Bulk or about 96.8 percent of the total loan releases was apportioned to the three following activities: agriculture (49.6%); wholesale and retail trade (36.8%); and construction (10.5%). The remaining 3.2 percent was granted to other activities such as public administration and defense (0.9%); electricity, gas and water (0.8%); real estate, renting and business activities (0.5%); other community, social and personal service activities (0.5%); hotel and restaurants (0.3%); and health and social work (0.2%). The loan release for construction activity this year had significantly increased by 87.3 percent while loan release for the establishment or expansion of hotels and restaurants reached Php4.2 million from only about Php0.5 million. Meanwhile, the loan release for the public administration and defense posted a significant 85.7 percent decline for the year, from Php79.1 million as of end CY 2012.

DBP loans slightly decline

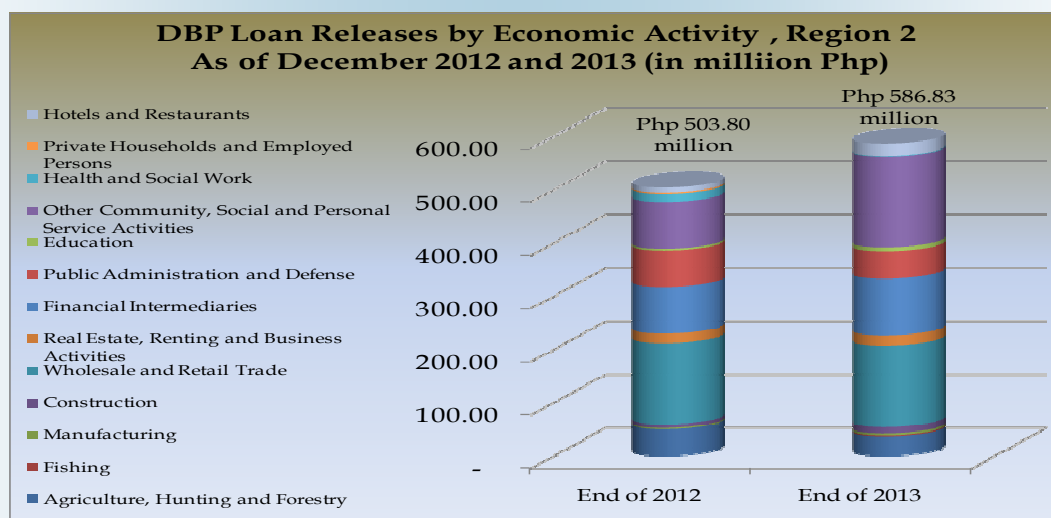
The Development Bank of the Philippines (DBP) decreased its loan portfolio 1.0 percent from Php1.470 billion as of end CY 2012 to Php1.456 billion as of end of CY 2013. The decrease was largely brought about by the decline in exposures along agriculture, hunting and forestry; real estate renting and business activities; public administration and defense; and health and social work. There are still no releases for agri-agra loans since financed projects in this sector remained in past due status.



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All DBP loans were extended to non agri-agra loans, of which about 69.7 percent was released under Others or loans to individuals (18.77%), MSMEs (60.90%), electric cooperatives (2.43%), water districts (3.90%), middle market (6.34%), and schools and hospitals (7.66%). Loan portfolio under this category amounted to Php1.015 billion or an increase by 3.2 percent from last year's standing. On the other hand, LGU loans amounting to Php440.484 million declined by 9.5 percent.

Only three provinces were recipients of the DBP loans with Isabela receiving the highest share of 47.9 percent followed by Cagayan (39.5%) and N. Vizcaya (12.6%). Loans extended to Isabela declined by 8.9 percent as compared from last year while loans for Cagayan and N. Vizcaya increased by 1.7 percent and 31.6 percent, respectively.



By economic activity, the following activities posted negative growths: agriculture, hunting and fishing which amounted to Php36.317 million or a decline by 27.8%; public administration and defense at Php 50.565 million, down by 26.6 percent; and health and social work at Php 1.3 million or down by 91.3 percent. In addition, no loan was released for private households and employed persons for the year as compared last year with a loan amount of Php2.665 million. On the other hand, loan increments were observed in the sectors of manufacturing by 53.4 percent (Php 4.050 million); construction by 87.2 percent (Php12.218 million); wholesale and retail trade by 0.3 percent (Php 152.791 million); real estate, renting and business activities by 6.4 percent (Php 19.0 million); financial intermediaries by 23.1 percent (Php107.268 million); education by 112.0 percent (Php 7.610 million); other community, social and personal service activities by 94.1 percent (Php 169.858 million); and hotels and restaurants by 144.3 percent (Php23.050 million). Further, fishery sub-sector which was not granted any loan last year had a loan release of Php2.0 million this year.

Despite the decline in the total loan portfolio of the DBP in 2013, the Bank continues to support the national government's key development project that focus on supporting the growth of SMES and cooperatives; social services and community development; building the infrastructure for national growth; and championing the cause of environmental protection. This advocacy will be implemented in partnership with key players in public and private sectors including the LGUs, national agencies, private corporations, other lending institutions, cooperatives, private banks, among others.

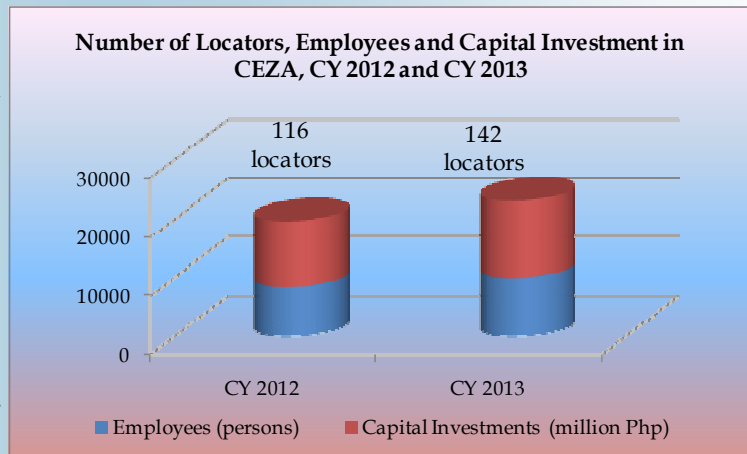
BSP accumulates loan receivables and deposits

As of June 2013, total loan receivables in the region accounted to about Php21.739 billion of which, universal and commercial banks represent 53.6 percent; rural and cooperative banks at 27.36 percent, and the remaining from thrift banks. Bulk of the loan receivables were from Isabela at Php13.976 billion (64.29%) followed by Cagayan at Php4.459 billion (20.51%), N. Vizcaya at Php2.325 billion (10.7%), Quirino at Php924.675 million (4.25%) and the least is Batanes at Php53.955 million (0.25%).

For deposit liabilities, as of June 2013, the region had a total amount Php67.026 billion. Deposit from universal and commercial banks was about 85.91 percent, 9.65 percent from rural and cooperative banks and 4.45 percent from thrift banks. Again, the province of Isabela accounted majority of the deposit liabilities (48.48%), followed by Cagayan (33.68%), N. Vizcaya (14.26%), and Quirino (1.88%) and Batanes (1.69%). The total deposits of the region during this period came from savings deposit comprising 60.71 percent, demand deposits accounted for 27.43 percent, while time deposits shared 11.85 percent.

CSEZFP investments increase

The performance of Cagayan Economic Zone Authority (CEZA) this year as indicated by the number of locators registered, employment generated and capital investments made in the Cagayan Special Economic Zone and Freeport (CSEZFP) significantly improved compared to the previous year. CEZA exceeded its 2013 targets. There was a 22.41 percent increase in the number of locators from 112 to 142 and 18.05 per-



cent increase in capital investment from Php11.229 billion to Php13.256 billion. Along with the increase in the number of locators and capital investments was a 17.3 percent increase in the employment generated for the year 2013 from 8,499 employees last year. This performance resulted to a more diversified mix of locators inside the Cagayan Freeport. Majority of the locators were engaged in interactive gaming support services/BPO (89 locators) and integrated resort operations/leisure facilities operations (12 locators) and this trend is expected to continue in the coming years.

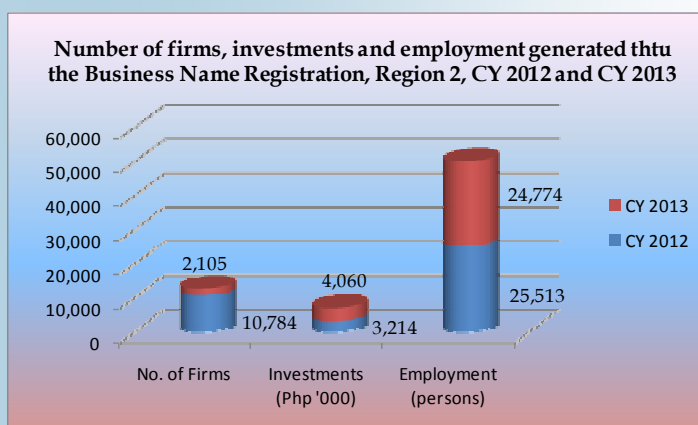
Similarly, the same types of activities invested the highest percentage of capital in CSEZFP. For the year 2013, about 36.15 percent of the investments came from interactive gaming support services/BPO, 23.80 percent from integrated resort operations/leisure facilities operations, 10.0 percent from gaming operation and 10.84 percent from commercial and industrial facilities operations.

These accomplishments were attributed to the intensive local and international marketing strategies and promotional activities of CEZA bringing them the opportunity to be recognized by more local as well as foreign investors. CEZA has been active in participating in different exhibits, conferences, gaming symposia, investment fora, networking, and has increased visibility through tri-media. Likewise, its establishment of a one-stop action center, was able to extend assistance to locators when dealing with land or tax issues, importations, working visas, sanitation, security, environment, labor, port operations, and building permits.

More importantly, another reason for the achievement of CEZA's targets was the implementation of infrastructures and other development projects in order to accommodate more locators and further spur economic activities in the Cagayan Freeport. These projects include Port Irene Development which comprised the rehabilitation and strengthening of the pier and construction of breakwater; the development of an international airport at Lal-lo, Cagayan; construction of the cyber city complex; and upgrading of telecommunications and power facilities. CEZA along with some private sectors also plan to invest in power generation, water and waste disposal facilities. CEZA is also promoting the development of the manufacturing sector which will serve as the forward linkage of the region's basic sector.

Business Name Registration sustains a positive growth

Through DTI's Business Name Registration program, a total of 10,829 firms were registered in the region for 2013, up by 0.4 percent from the 10,784 firms registered in 2012. The decline in the firm registration in the provinces of Isabela (10.5 percent) and Cagayan (2.6 percent) were offset by the increase of firms registered in N. Vizcaya (24.2 percent), Batanes (29.1 percent) and Quirino (10.8 percent), hence, the minimal growth for the region. Majority of the firms registered were in Isabela with 3,717 firms and Cagayan with 3,650 firms.



By type of activity, most of the firms registered were engaged in trading (49.3 percent) and services (41.5 percent) while the remaining 9.2 percent were engaged in manufacturing, construction and agri-based production. For the year, construction and services industries posted double-digit growth in firm registration while agri-based production, manufacturing and trading posted negative growths.

Total investments for the year reached a total of Php4.06 billion or an increase of 26.4 percent from 2012's value. This was due to the upward trend in the investments recorded in all provinces – Batanes up by 199 percent to Php79.07 million; Quirino up by 64 percent to Php351.64 million; N. Vizcaya up by 52 percent to Php 954.38 million; Cagayan up by 18 percent to Php1.42 billion; and Isabela up by 10 percent to Php 1.26 billion.

Biggest percentage of the investment came from services at 47.9 percent followed by trading (37.6%), construction (6.6%), agri-based production (4.6%) and manufacturing (3.3%). Investments in all the industries manifested an upward growth except for construction which posted a negative 10.7 percent growth.

Employment generation in 2013, however, decreased by 2.9 percent from 25,513 in 2012 due to the decline in the jobs generated by the provinces of Isabela and Cagayan. This was partly attributed to the decrease in the number of firms registered in the said provinces. Despite the decline, Cagayan still remained the biggest contributor to job generation with 37 percent, followed by Isabela (32.6 percent), N. Vizcaya (19.8 percent), Quirino (a notable increase to 8.5 percent from 5.8 percent in 2012) and Batanes (2.1 percent).

Trading and services industries remained to be the highest contributor to the total employment at 45.6 percent and 42.4 percent, respectively and agri-based production with least share of 1.7 percent. Manufacturing and construction industries, on the other hand, accounted for about 7.4 percent and 2.9 percent, respectively.

Tourism sector expands

The region's total tourist arrivals for CY 2013 increased to 887,482 or higher by 46.3 percent from CY 2012. The strong growth was attributed to the remarkable increase in arrivals of foreign tourists to 93,391 or by 603.7 percent, thus raising its share of the total tourist arrivals from only 2.2 percent in CY 2012 to 10.5 percent, and likewise, the increase in domestic tourist arrivals to 794,091, up by 33.8 percent from the previous year. Foreign tourists mostly came from China and America which shared about 67.8 percent and 22.9 percent, respectively.

The recorded increase in the actual number of tourist arrivals translated to higher tourist receipts estimated at Php1.439 billion or up by 52.4 percent. This gain was influenced by the rapid increase of the foreign tourist receipts that reached Php304.142 million from its record of only Php42.04 million in CY 2012 or a major mark up of 623.4 percent. For CY 2013, the computed average daily expenditure per domestic tourist was Php1,000 and Php1,640 (at Php41/\$) for foreign tourists, with an average length of stay of only two days for both domestic and foreign tourists.

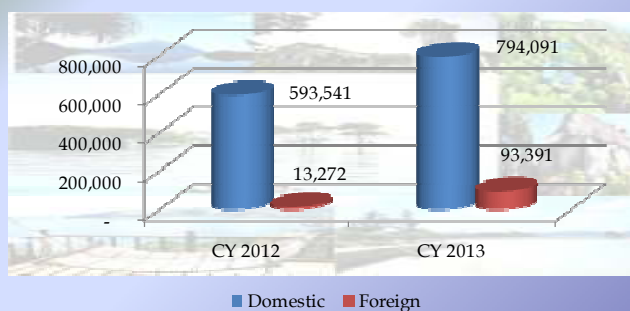
The increase in tourist arrivals and receipts was a result of the effective advocacy programs of the Department of Tourism in collaboration with the local government units. There was also a complementation of government programs in support to the tourism industry to include the improvement of access roads to tourism destinations (i.e., the DOT-DPWH Convergence Program); undertaking of promotional activities; and development and marketing of genuine local products.

Mineral resources production increases

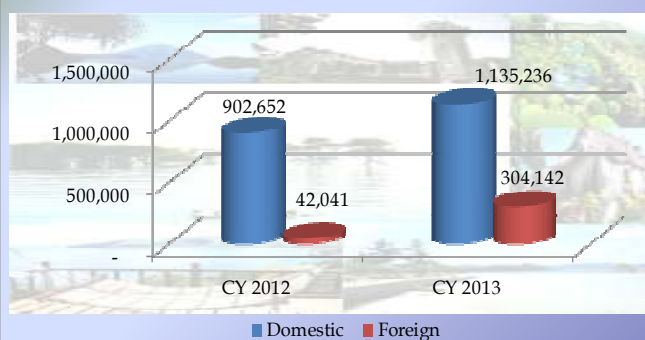
Production of metallic and non-metallic mineral commodities in the region for 2013 reached 2,211,067.66 cu. m. This production was 21.03 percent higher than the 2012 output at 1,826,922.26 cu.m. Most of the production of sand and gravel in 2013 (which comprised about 60.3 percent of the total mineral production) came from Isabela with 671,292.75 cu. m, followed by Nueva Vizcaya (459,907.41 cu. m), Cagayan (157,861.07 cu. m) and Quirino (43,697 cu. m). About 708,194.94 cu.m or 32 percent of the total mineral output was magnetite sand produced from Cagayan. Other mineral commodities that were produced in the region include, boulders (84,544.49 cu.m or 3.7% of total mineral output); nickel ore (50,000 cu.m or 2.3%); pure sand (34,570 cu.m or 1.6%); and earth material (1,000 cu.m or 0.04%).

On the other hand, in terms of revenue collection, an increase of 46.27 percent was noted this year amounting to about Php5.441 million as compared to last year's collection of Php 3.719 million. Collection from mining rights (e.g., processing fee, verification fee, etc.) accounted for majority of the revenue exhibiting a positive growth of about 33.82 percent in 2013. Other activities where revenue were generated came from geological/mining investigation and verification and other related services and income from miscellaneous activities including payment to LGUs.

Tourist Arrivals, Region 2, CY 2012 and CY 2013



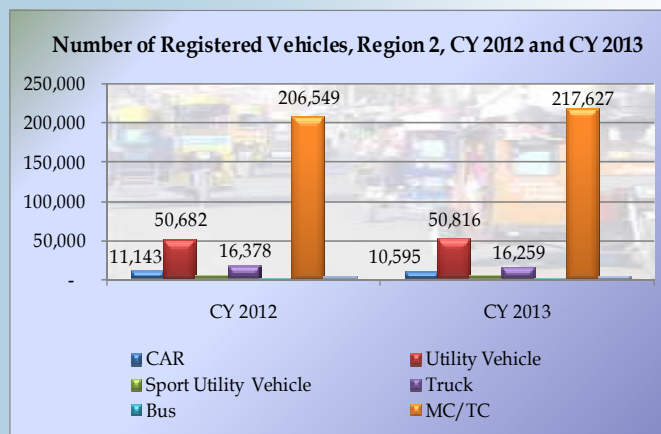
Tourist Receipts, Region 2, CY 2012 and CY 2013 (million Php)



Infrastructure Services

Land transportation maintains growth

The region's registered motor vehicles in CY 2013 reached a total of 304,625, higher by 3.7 percent from the 293,899 in the previous year. Private vehicles comprised more than three-fourth of the registrations followed by public utilities (22.7%) and government properties (0.9%). The 5.4 percent increase in the registration of motorcycles/tricycles to 217,627 was the main contributor to the growth for the year.

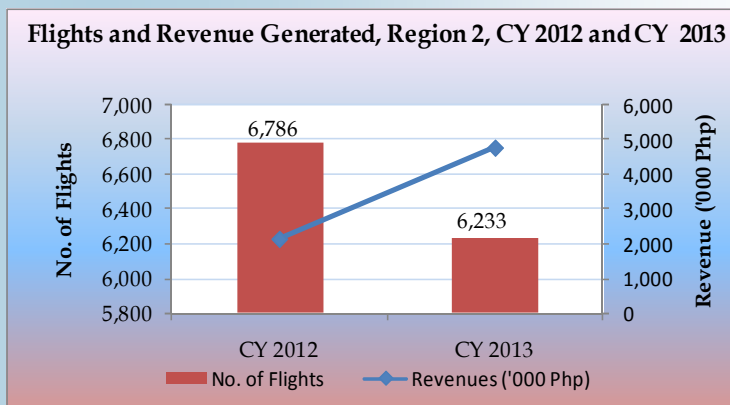


However, despite the increase in motor vehicle registration for the year, revenues generated went down by 11.3 percent to Php485.08 million, from the Php547.16 million generated in CY 2012. All district/extension offices in the region, except the Aparri district office and Tuao extension office, posted negative growth in their generated revenues.

Nonetheless, the increase in all core areas of transactions was a result of a more efficient delivery of services due to retooling training of personnel, strict observance of the "No Noon Break Policy," and the creation of a quick and efficient processing of motor vehicle registration, discouraging the intervention of fixers. Information drive of the district and extension offices reaching even the remotest barangays was also started during the year. Furthermore, synergy with all stakeholders was promoted and developed.

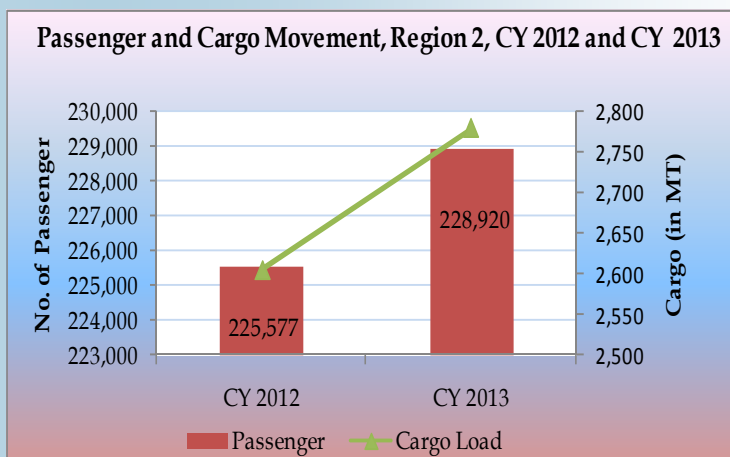
Air passengers and cargo manage slight increases

The total number of flights of the region in CY 2013 declined by 8.1 percent to 6,233, from the 6,786 flights in CY 2012. The decrease came from the decrease in flights of all the airports in the region, except for Palanan Airport.



Despite the lower flights for the year, passenger movement continuously improved with a total of 228,920 passengers, a slight increase from the 225,577 passengers in CY 2012. Likewise, total volume of cargoes loaded and unloaded in CY 2013 rose by 6.7 percent to 2,779,398 kilograms, from the 2,605,331 kilograms in CY 2012.

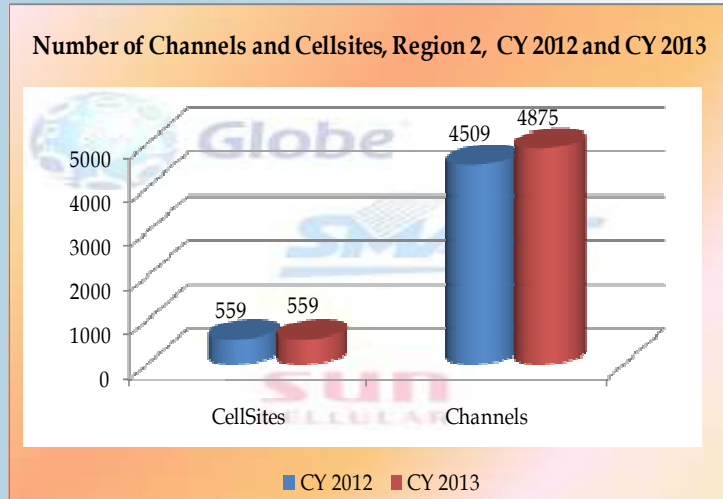
Revenues generated from the terminal fees of airports in the region more than doubled in CY 2013 to Php4.78 million.



Revenues of all airports, except the Itbayat airport, posted strong growth ranging from 76.9 percent to 136.7 percent. Itbayat airport's revenue halved in CY 2013 due to the steep decline in its total flights and passenger movement.

Telecommunication services remain steady

The number of licensed cell sites of the three providers of mobile telecommunication services in the region remained steady at 559 sites in CY 2013, with Smart Communications, Inc. accounting for the biggest share of 43.5 percent, followed by Globe Telecom, Inc. (34 percent) and Sun Cellular (22.5 percent). Meanwhile, the total channels increased in CY 2013 by 8.1 percent to 4,875 from 4,509 channels in CY 2012. Smart Communications had 243 cell sites and an increased available channels of 2,073, up by 20 percent from its 1,727 channels in CY 2012. The Globe Telecom maintained 190 cell sites and 1,338 channels for the year while Sun Cellular had 126 cell sites and 1,464 channels. Majority of the cell sites and channels were located in Cagayan and Isabela. All provinces, except Batanes, registered an increase in available channels for CY 2013.



DEVELOPMENT PROSPECTS

Below are the following interventions expected to continuously achieve regional economic growth and development:

- For the agriculture sector, the implementation of the newly approved irrigation project, particularly the Small Reservoir Irrigation Project (SRIP) in Pasa, Ilagan City, Isabela will help augment the needed water requirement of the major crops of the region, especially for palay. The project will also serve as a climate change adaptation strategy of the region especially with the occurrence of drought. Other irrigation project endorsed by the RDC that will likewise boost production in the region is the Tumauini River Multipurpose Project. Likewise, the construction of a communal irrigation system (CIS) through the Department of Agrarian Reform's Infrastructure Support Project III (ARISP) is expected to improve rice production and income of farmers in the region.

- The participation of the region in the implementation of the DA's Philippine Rural Development Program (PRDP), the government's platform for an inclusive, value-chain oriented, and climate resilient agriculture and fisheries sector, will help promote products of the region which have comparative advantage. The program is also expected to address low income, low productivity and low resiliency to climate change and related disasters in the region.



*PRDP Conceptual Framework
(Source: DA Central Office)*

- The construction of 155 farm-to-market roads (FMRs) (115 completed, 14 on-going and 26 scheduled for bidding) and 23 diversion dams (13 ongoing) by the DA is expected to reduce transportation cost of farmers' produce and increase productivity.
- The continuous operation of the newly constructed MBBJ Chicken Hatchery of San Miguel Corporation in Quirino with a capacity of 700,000- 1,000,000 chicks per hatching cycle including the two broiler farms established in N. Vizcaya with housing capacities of 75,000 and 72,000 birds, respectively, will help recover the production performance of chicken for the year. Likewise, the emergence of more agricultural entrepreneurs in the region like Mr. Miguel B. Decena, Jr. who was recognized as 2013 *Gawad Saka* Awardee for the Most Outstanding Agricultural Entrepreneur and is operating the MBD Livestock (a contract - grower of 5,000 heads of chicken) will not only promote growth in the subsector but will also help generate employment in the region.

- The mobilization of the Php3 million Mobile Soils Analysis in Isabela by the Department of Agriculture expects to improve further agricultural production as farmers would know the correct volume and type of fertilizers to be applied in their farms.
- The implementation of the Agrarian Reform Community Connectivity and Economic Support Services (ARCESS) Program hopes to enhance agricultural production and productivity in the region.
- The distribution of rice eel fish traps and distribution of tilapia fingerlings to backyard fishpond raisers by BFAR 02 will help sustain the production of the inland municipal fishery and boost aquaculture production.



*ARCESS common service facilities for production and processing
(Source: DAR website)*



*BFAR-02 Rice eel fish traps
(Source: BFAR-RO2 website)*

- For the industry sector, the continuous implementation of initiatives such as investment promotion and facilitation activities for access to credit windows, encourage entrepreneurs to venture into various activities especially agribusiness that will boost employment and revenue generation as evidenced by the increasing number of firms registered through the Business Name Registration of the DTI-RO2.
- The continuous construction of the tourism access roads under the DOT-DPWH Convergence Program will allow more tourists to visit and enjoy the region's tourist destinations/sites.



*Road projects under the DOT-DPWH Convergence Program
(Source: DPWH-RO2)*

- Continuous development of more infrastructure projects in the CSEZFP including the Port Irene Development (i.e., rehabilitation and strengthening of the pier and construction of breakwater), the completion of Lal-lo international airport, construction of the cyber city complex , and upgrading of telecommunications and power facilities will encourage more locators, investments and employment in the region. Likewise, the plan of CEZA along with some private sectors to invest in power generation, water and waste disposal facilities as well as activities gearing towards promotion of the manufacturing sector is expected to give positive gains for the region.



Sta. Ana Port, Sta. Ana, Cagayan

Lal-lo International Airport, Lal-lo Cagayan

(Source: DPWH-RO 2)

- The region's participation in the implementation of two-tier wage system, an approach to minimum wage setting will help enhance productivity of the workers and the firms. The two-tier systems aims to improve the coverage of minimum wages; promote worker and enterprise productivity; and address the negative effects of minimum wage policies.

- The newly opened Robinsons Place in Santiago City and the soon-to-open SM Supermall in Cauayan City, both in the province of Isabela, are expected to offer more employment opportunities, attract more tourists and investments and expand market for local produce.



SUPERMALLS

Robinsons Place in Santiago City and soon-to-open SM Supermalls in Cauayan City, Isabela

(Source: Robinson and SM Supermalls websites)

- The granting to nationals from 151 countries with visa-free privilege to stay in the Philippines for up to 30 days from the previous period of 21 days under E.O. 408, provided these foreign nationals are holders of a passport valid for at least six months beyond the period of stay in the Philippines and return or outward tickets to country of origin or next country of destination, will facilitate entry and stay of foreign nationals who plan to engage in tourism activities or explore the Philippines as an investment destination.
- The continuous implementation of the Skills Registry System in the region is expected to help address job-skills mismatch and unemployment in the region. The SRS has been in its fourth wave and is expected to tackle 16 more municipalities in the region. About 36 municipalities have been registered thru SRS from 1st to 4th wave of the program. The SRS database will be integrated to the Philippine government job portal which can be accessed by employers all over the country.