



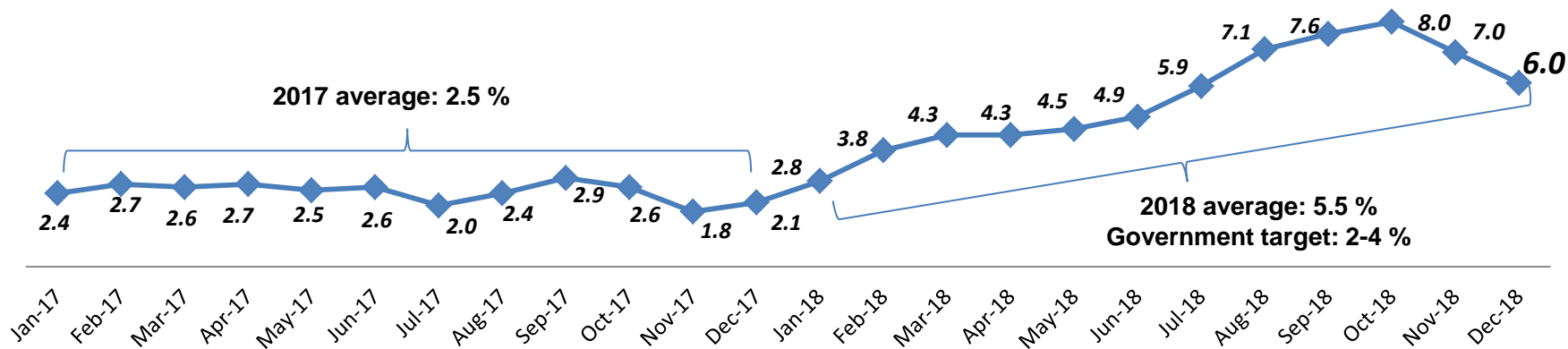
ANNUAL REGIONAL ECONOMIC SITUATIONER

An annual update on the economic performance of the Cagayan Valley Region

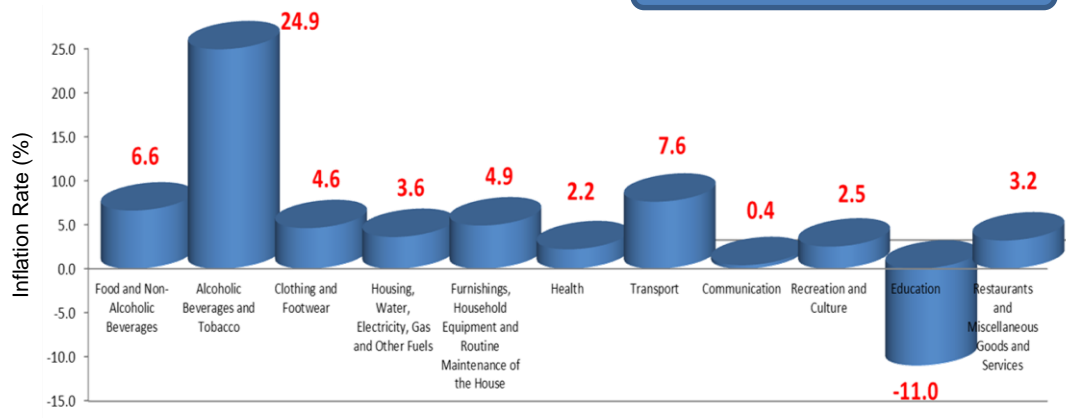


Higher inflation registered in 2018

The rate of price increase posted an upward trend at the start of 2018 which peaked to 8.0 percent in October before it declined by two percentage points at the end of the year. The average inflation rate of 5.5 percent in 2018 was higher than the government's target range of 2-4 percent. Factors that influenced prices during the year were volatile world oil prices, weakening of peso, food supply disruptions due to onset of super typhoons during the second semester, transport fare hike, implementation of higher excise taxes, and the Tax Reform for Acceleration and Inclusion (TRAIN) Law.



By Commodity Group



2019 Forecast

From the forecast of BSP, inflation is expected to decline in 2019 and may settle within the target range of two to four percent by 2020 with lower global crude oil prices and improved domestic food supply. Uptick in prices is also expected for alcoholic beverages with the proposed increase in sin taxes under the TRAIN Package 2.

Government measures to address inflation

- Passage of the Rice Tariffication Bill
- Ensure sufficient supply of agricultural produce
- Utilization of high-yielding and climate-resilient crops
- Sustain mitigating measures such as the unconditional cash transfers and fuel vouchers
- Adjustments on the BSP monetary policies if needed (at the national level)

The inflation rate for the year was mainly driven by the high index prices of the following commodity groups: food, alcoholic beverages and tobacco, transport, and furnishings, household equipment and routine maintenance of the house, clothing and footwear, and housing, water, electricity, gas and other fuels.

Source of data: PSA



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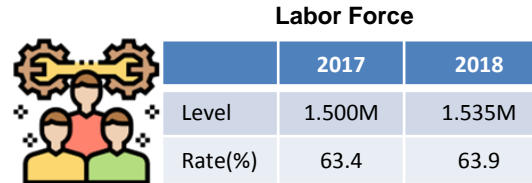
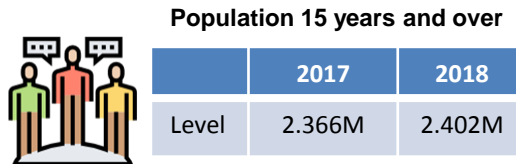


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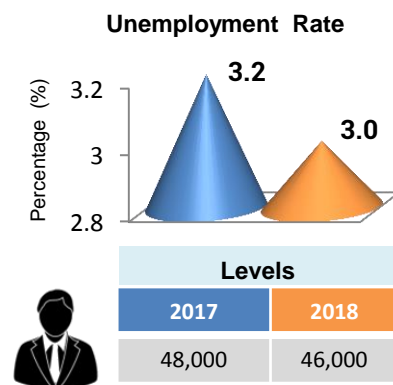
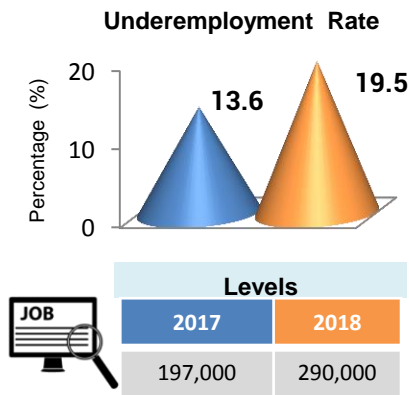
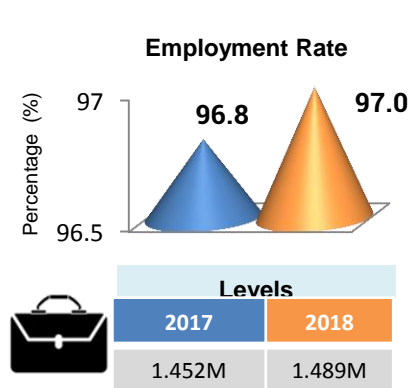
More individuals employed and lower number without work in 2018

The number of employed persons increased by 30 thousand from 1.45 million in 2017 to 1.48 million in 2018. This translates to higher employment rate at 97 percent, better than the national level of 94.7 percent and highest across regions during the year.

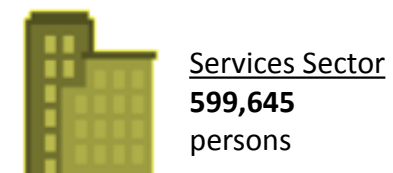
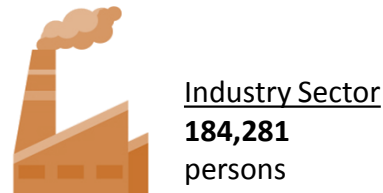
LABOR AND EMPLOYMENT INDICATORS



While figures for employment and unemployment improved, there is a need to create more quality jobs for the increasing number of labor force.



As of *July 2018, the region accounted 46.4 percent of the total employed persons in the Agriculture, Forestry and Fishing sector, 41.0 percent in Services sector, and 12.6 percent in Industry sector.



*Latest available data

Source of data: Annual Labor Force Survey, PSA



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Region 02 maintains highest production in corn and second in palay despite decline in second semester

Palay production remained the second highest in the country at 12.48 percent share despite the posted decrement by 10.43 percent. This is attributed to the decrease in area harvested by 4.27 percent and productivity by 0.29 mt/ha from 4.53 mt/ha in 2017. Typhoon Ompong and Rosita caused significant damage to production.

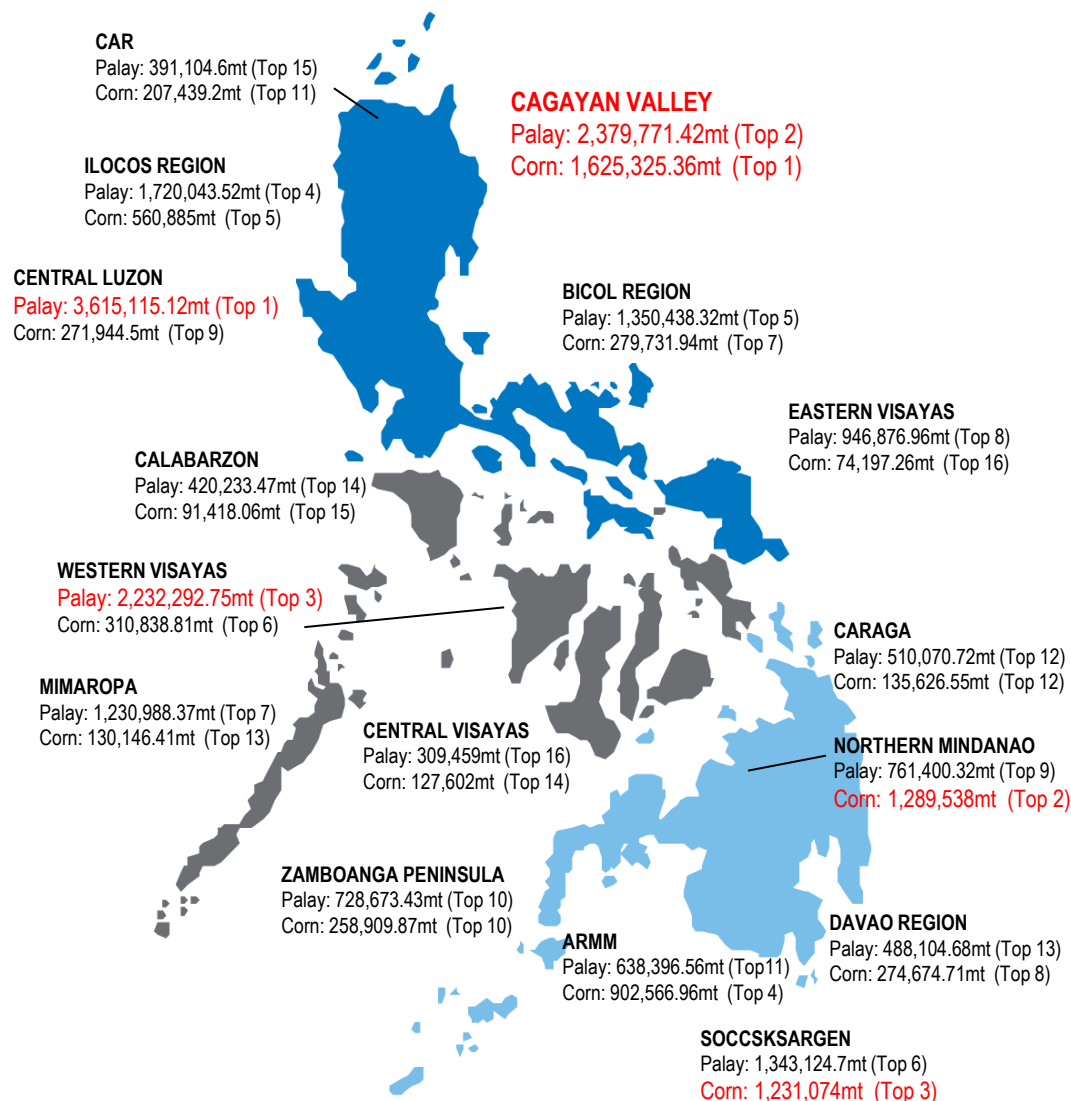
While corn production declined by 11.72 percent, the Region remained as the top producer of corn with a share of one-fifth of the national production. The decrement is attributed to the decrease in area harvested by 7.41 percent and productivity by 0.21 mt/ha from 4.42 mt/ha last year. The typhoons during the year also affected the corn areas. Some farmers also opted to shift to other crops like watermelon, eggplant, tobacco, pineapple, banana and ginger.

Other Crops down by 3.10 percent

Fruits production grew by 9.19 percent due to the recorded growth of banana and pineapple during the first semester cushioning the damages brought by the Typhoons in the second semester. Banana production totaled to almost 74 percent of the total regional fruit production. Making the crops resilient to typhoons remains a challenge to the region.

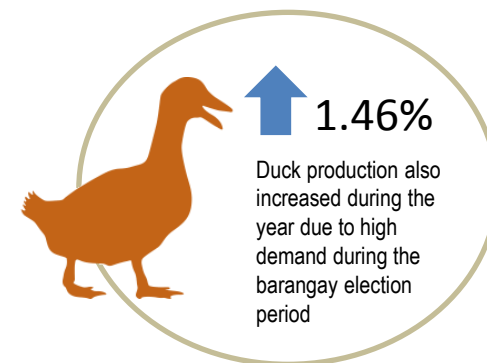
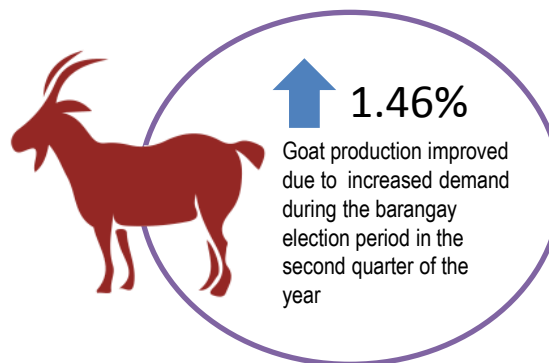
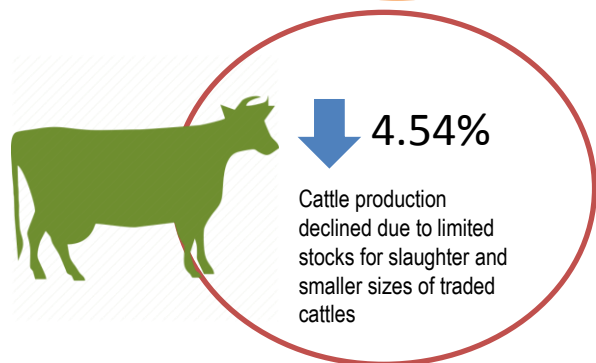
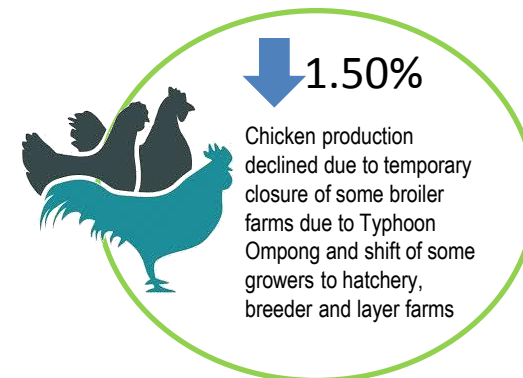
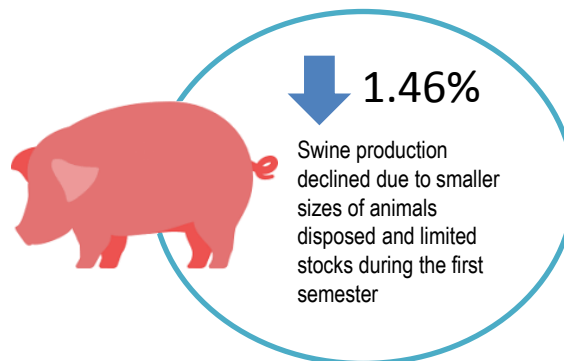
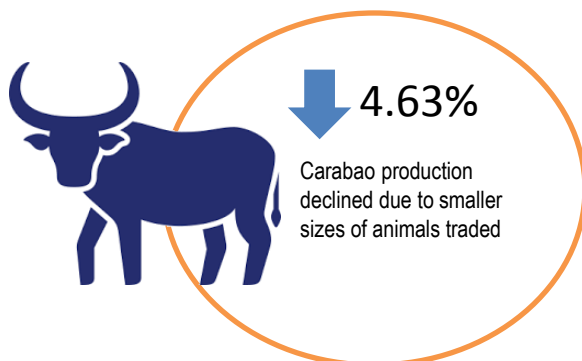
Vegetables and root crops production declined by 6.13 percent due to the decrement recorded in all sub-sectors: major (-7.12%), priority (-3.12%), and other vegetables (-2.44%). Most of the commodities were significantly affected by the two super typhoons in September and October. Cassava, the top produce under this sector with a share of 62.44 percent, declined by 7.98 percent.

Non-Food and Industrial Commercial Crops (NFICC) production declined by 8.98 percent due to the drop in all of its sub-sectors: major NFICs by 10.61 percent, priority commodities by 0.04 percent, and other NFICCs by 4.73 percent.

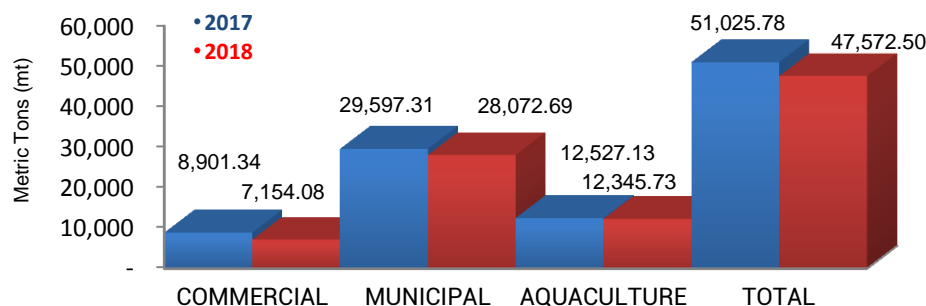


Source of data: PSA 02, PSA-Countrystat

Livestock and Poultry registered lower productions in 2018



Fishery Production, Region 2, 2017 and 2018



Fisheries has been declining for 5 years

Fisheries production in the region showed a declining trend for 5 years from 60,148.09 metric tons (mt) in 2014 to 47,572.50 mt this year. Total production was lower by 6.77 percent this year compared to last year's production. This is attributed to the negative growth in all fishing activities: commercial by 19.63 percent, municipal by 5.15 percent, and aquaculture by 1.45 percent. The poor performance was due to lesser fishing activities because of the rough seas caused by the Northeast Monsoon and super typhoons, high cost of fuel, strict prohibition on some fishing gears, and lesser catch due to drying up of some communal bodies of water.

Source of data: PSA 02



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There were more new business registered in 2018

Quirino province attained the highest growth at 26.41 percent

Most of the firms are located in Isabela with 45.13 percent share

Employment rose in all provinces except Cagayan with employment generated lesser by 1.41 percent

Most of the generated employment were in Isabela with 45.59 percent share

21,709
firms
in 2018 to
18,681
in 2017



The number of firms registered through the Business Name Registration (BNR) of DTI increased by 16.21 percent

Agri-based production attained the highest growth at 76.72 percent

Only the construction industry declined by 52.57 percent

Most of the registered businesses are involved in trading with 56.75 percent share

Agri-based production posted more employment at 79.46 growth

Employment in trading had the highest share at 49.1 percent



The employment generated from the BNR increased by 13.49 percent

38,492
employment
in 2018 to
43,683
in 2017

36.52%
Total
investments
(PhP 6.33B)

By Industry

Manufacturing	Agri-based Production	Construction	Trading	Services
114.19% growth 4.22% share	555.41% growth 5.56% share	31.82% growth 7.47% share	49.38% growth 31.69% share	17.25% growth 51.05% share

By Province

0.44% growth 2.34% share	8.42% growth 40.75% share	58.61% growth 34.59% share	129.79% growth 7.59% share	92.73% growth 14.73% share
Batanes	Cagayan	Isabela	Nueva Vizcaya	Quirino

Source of data: DTI 02



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Tourist arrivals increasing

2,541,040
in 2017



2,793,060

in 2018



Top tourism products

Eco-tourism
Agri-Farm Tourism
Sports and Adventure
Cultural Tourism



New tourism circuits

Calayan Island
Northeast Coast, Cagayan
Northwest Coast, Cagayan
Divilacan-Maconacon, Isabela



TOP TEN FOREIGN MARKETS IN 2018

252,400
China



2,374
USA



1,558
Indonesia



1,499
Bangladesh



811
Canada



709
Korea



585
Myanmar



567
Hongkong



457
Australia



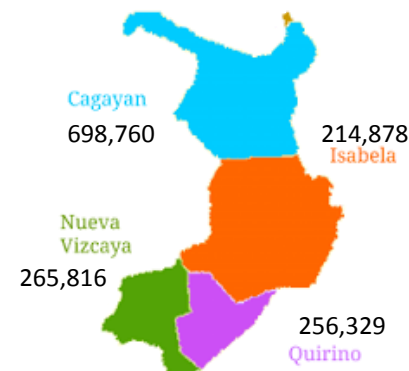
355
Japan

DOT formulated and promoted a new tourism brand for the region which contributed to a higher market visibility:

**Cagayan Valley and
Northern Philippine Islands,
Your Island and Valley of Fun**



Gross tourist
receipts reached
PhP 8.41B
higher by
10.36%
than in 2017



Same Day Visitor Arrivals

Source of data: DOT 02



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Mining and Quarrying

Metallic Mineral Production



↓ **4.45 %**
copper concentrate

↓ **32.32 %**
gold concentrate

↓ **54.36 %**
gold dore



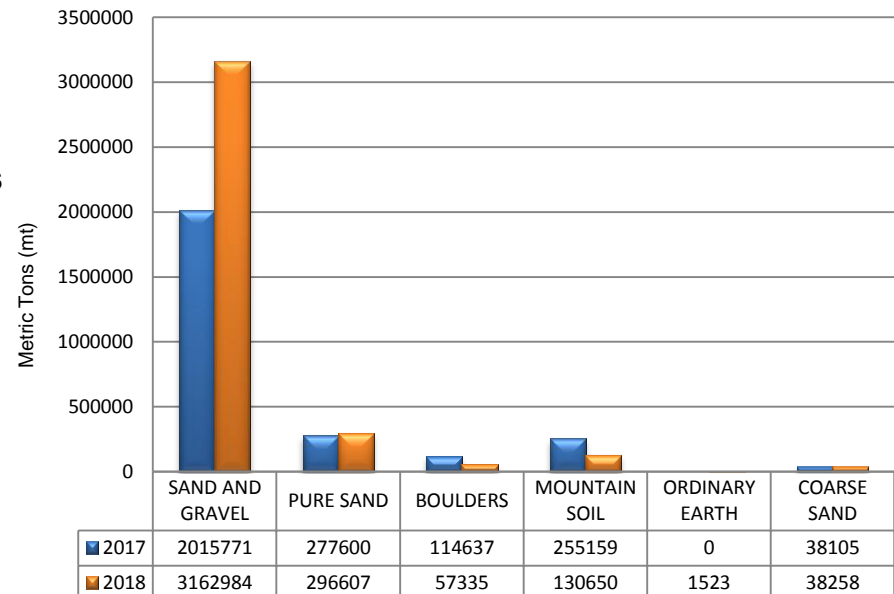
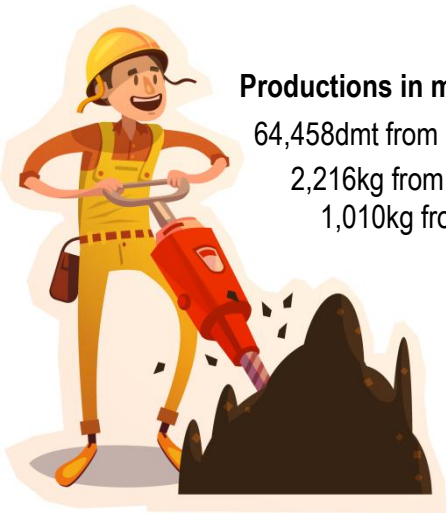
36.50 %
Non- Metallic
Minerals
Production

Productions in metallic minerals declined in 2018:

64,458dmt from 67,463dmt in 2017 for copper concentrates

2,216kg from 3,274kg for gold concentrate

1,010kg from 2,213kg for gold dore



Source of data: MGB 02

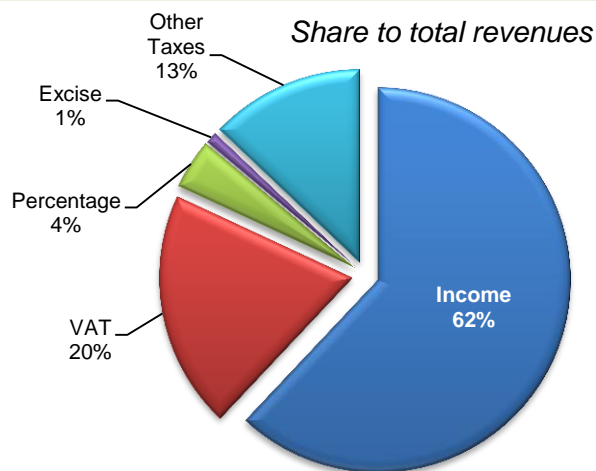


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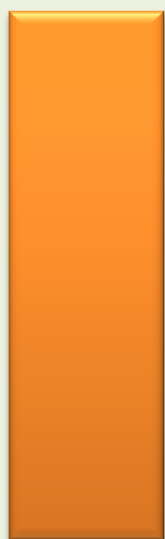


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Total local revenues collected lower by 17.36%



P 9.96B



2017

P 8.23B



2018



Income tax down by 25.70%

due to the reduction of personal income tax of the majority of individuals and exemption from income tax of the minimum wage earners given implementation of the TRAIN Law and the enlisting of DPWH to Large Taxpayer Service in Central Office



VAT down by 22.64%

due to implementation of TRAIN Law and the enlisting of DPWH to Large Taxpayer Service in Central Office



Percentage taxes down by 19.10%

due to the implementation of the TRAIN Law



Excise taxes up by 150.60%

due to the increase in the collection from mineral products



Other taxes up by 109.96%

due to increase in documentary stamp tax on almost all taxable documents



The Bureau shall continue to improve its revenue collection efficiency through its key priority programs in 2019 such as Run After Tax Evaders (RATE) program, Oplan Kandado, intensified audit and investigation, enhanced implementation of Arrears Management Program, optimization of internal revenue integrated system, strict compliance to new tax policies, improve taxpayer satisfaction and strengthen good governance within the agency.

Source of data: BIR 02

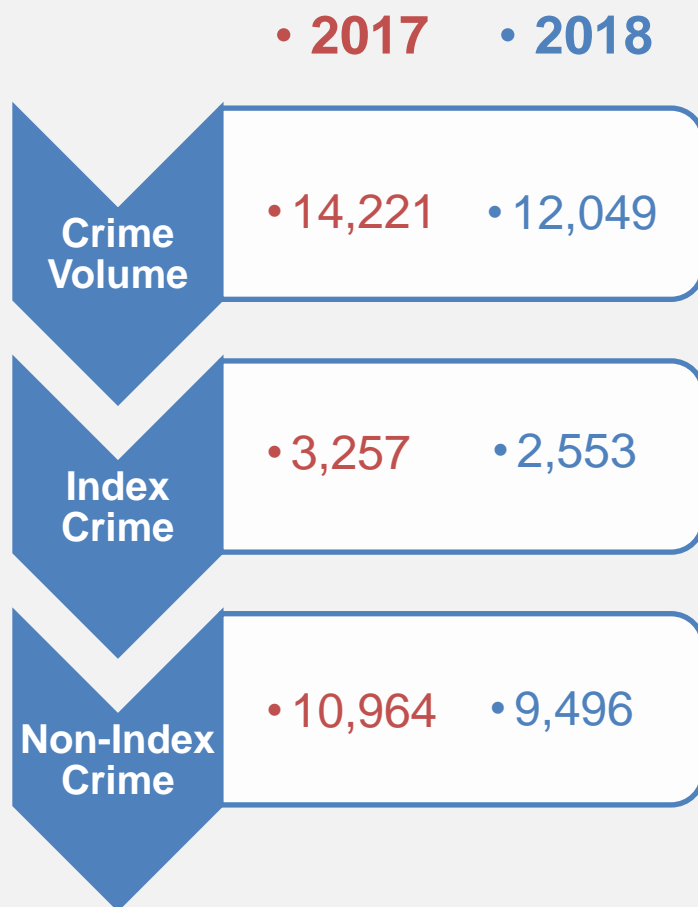


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Peace and Order



Average Monthly Crime Rate

28.12

The decrease in crime volume is a manifestation of the intensive and effective crime prevention activities and programs implemented by the PNP and its strong coordination with other law enforcement agencies and local government units.

On the resolution of crimes and arrest of suspects, Crime Solution Efficiency (CSE) improved by 2.05 percentage points as against the last year: CSE registered 69.57 percent from 67.52 percent. In terms of crime clearance efficiency (CCE), it improved to 84.54 percent from 81.17 percent in 2017.

Source of data: PNP 02



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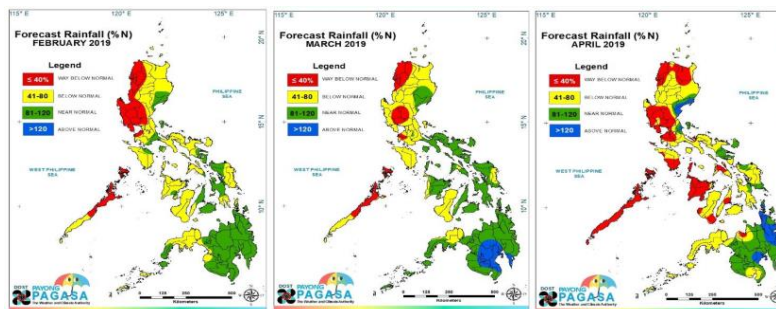


Development Prospects

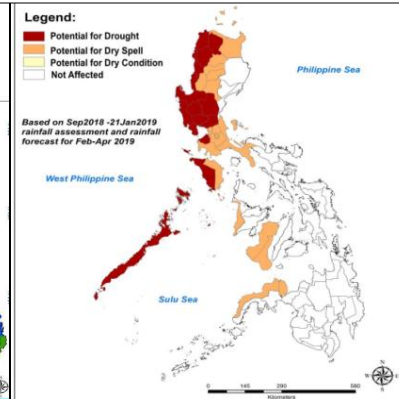
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Based from PAGASA's climate outlook, the government should prepare preventive and mitigating measures in the agriculture sector during the dry season given below normal levels of rainfall condition to way below normal or possible threat of dry spell at the second quarter of 2019. This is to prevent or lessen possible damages to production and cause food supply disruptions.

Rainfall Condition Forecast, Feb-Apr, 2019



Outlook for Areas Potential for Dry Condition, Dry Spell and Drought, End of Apr, 2019



2

Enactment of the rice tariffication bill into law which would stabilize food prices and overall inflation as availability of affordable rice can be obtained from various sources. The establishment of the Rice Competitiveness Enhancement Fund (RCEF) from the tariff revenues would also provide additional fund to increase productivity, financial services to rice farmers, farm machinery and equipment, rice seed development, expansion of rice credit and other interventions.

Key infrastructures and developments initiated (RDC 2 Major Resolutions and other regional initiatives in 2018:

- ✓ Completion of the solar-powered irrigation project worth P5.78 million located at barangay San Juan, Ilagan City, Isabela
- ✓ RDC 2 endorsement of the Road Projects Under the DTI-DPWH Convergence Program Known as Roads Leveraging Linkages for Industry and Trade (ROLL IT) for FY 2019 Funding
- ✓ RDC 2 endorsement of Road Projects Leading to Tourism Destinations Under the DOT-DPWH Convergence Program Known as Tourism Road Infrastructure Program (TRIP) for FY 2019 Funding
- ✓ RDC 2 endorsement of the Proposed Bridge Projects of Region 2 Under the Bridge Acceleration Project for Socioeconomic Development of the Department of Public Works and Highways
- ✓ Completion of the Pasa Small Reservoir Irrigation Project (PSRIP) in Isabela



3

Sentiments on the business outlook of firms in the region were less optimistic for first quarter of 2019 due to the seasonal slack in demand after the holidays, expectations of peso depreciation and higher inflation.



5

- ✓ Endorsement of the project proposal of the Isabela State University under the Niche Centers in the Regions for research and development program of the DOST
- ✓ Endorsement of the Philippine Water Supply and Sanitation Master Plan – Cagayan Valley Roadmap
- ✓ Endorsement of the conduct of pre-feasibility study for the proposed Northeastern Luzon Expressway (NELEX) to DPWH-Central Office
- ✓ Requested the DOTr to allocate funds and expedite the implementation of the Breakwater Component of the Basco Port Development Project
- ✓ Proposed formulation of a Master Plan for the Sustainable Urban Infrastructure Development in Metropolitan Tuguegarao
- ✓ Updating of the CEZA General Land Use and Master Plan



4

