CY 2017 ANNUAL
Regional Economic Situationer (RES)

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

A quick glance at Cagayan Valley's economy during CY 2017:

- **Macroeconomy**
  - ⇒ Inflation Rate at 3.5%
  - ⇒ Unemployment Rate at 3.2%
  - ⇒ Underemployment rate at 13.6%
- **Agriculture and Fishery**
  - ⇒ Palay production up by 13.90%
  - ⇒ Corn production up by 9.67%
  - ⇒ Fruit production down by 12.13%
  - ⇒ Vegetable and root crop production down by 2.60%
  - ⇒ Non-food and Industrial Commercial Crop down by 13.91%
  - ⇒ Livestock production up by 0.34%
  - ⇒ Poultry production down by 2.76%
  - ⇒ Fisheries production down by 4.57%
- **Others Sectors**
  - ⇒ Number of BNR up by 20.14%
  - ⇒ BNR investments up by 5.46%
  - ⇒ Tourist arrivals down by 15.30%
  - ⇒ Value of construction up by 15.83%
  - ⇒ Non-metallic production up by 28.83%
  - ⇒ Crime Volume down by 18.81%

Brief Summary

The region experienced stronger performance in the industry and services sector for CY 2017, amidst some production setbacks in the agriculture sector.

The Cagayan Valley Region maintained its top rank in corn and second spot in palay contributing 23.22 percent and 13.78 percent share to national output, respectively. On the other hand., lower production levels are registered in fruits, vegetables and rootcrops, NFICC, poultry and fisheries sectors. The decrement in HVCC production was primarily attributed to the negative impact of a series of Typhoons that hit the region in the previous year making the need to rehabilitate damaged plantation areas a priority concern. This resulted to lesser area harvested and productivity levels.

On Industry and Services sector, key indicators recorded increased economic activities during the year. DTI's Business Name Registration (BNR) posted higher number of firms, reflecting more investments and jobs generated. Indicators on the number and value of construction, and non-metallic and metallic productions also improved as compared to the previous year. Investment climate in terms of security and peace and order also displayed lower crime volumes for the year.

Prices of basic goods and services measured by the inflation rate remained stable at 3.5 percent.

In terms of employment situation, the region maintained a higher employment rate (96.8%) and lower underemployment rate (13.6%) compared to the national level of 94.3 percent and 16.1 percent, respectively.

Given the gains during the year, the challenge for the region in the next year and beyond remains on accelerating economic growth through further improvement of productivity levels, increased inflows of investments, and availability of more quality jobs. The resiliency of the sectors especially agriculture, as one of the drivers of growth and employment in the region, should be supported and prioritized by government.#

Inside this issue:

Acknowledgement of Data Providers

We would like to thank the following agencies and institutions for continuously providing the necessary data and information for this report:

Agency/ Institution	Data Provided
Bureau of Internal Revenue (BIR) Regional Office 02	Tax Revenue Collections
Bangko Sentral ng Pilipinas (BSP) Tuguegarao Branch	Business Confidence Index; Distribution of Banking Offices
Civil Aviation Authority of the Philippines (CAAP) Tuguegarao Branch	Air Transport Statistics
Department of Environment and Natural Resources—Mines and Geoscience Bureau (DENR-MGB) Regional Office 02	Mining and Quarrying Statistics
Department of Tourism Regional Office 02	Tourism Statistics
Department of Trade and Industry Regional Office 02	Business Name Registration (BNR) Statistics
Landbank of the Philippines (LBP) - Cagayan Lending Center Isabela Lending Center, Nueva Vizcaya Lending Center	Outstanding Loans and Loan Releases
Philippine National Police (PNP) Regional Office 02	Crime Statistics
Philippine Statistics Authority (PSA) Regional Office 02	Agriculture and Fisheries Production; Construction Statistics CPI and Inflation Rate; Labor Force Survey

PSA Data Schedule of Release (1st Quarter, 2018)

	Expected Date of Release
Agriculture and Fisheries Production	May 8, 2018
Construction Statistics	June 2018
CPI and Inflation	
January	February 6, 2018
February	March 6, 2018
March	April 5, 2018
Labor Force Survey (January Reference Period)	March 7, 2018

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MACROECONOMY

Inflation

For CY 2017, the average inflation rate rose to 3.5 percent or an uptick of 0.5 percentage point from last year's 3.0 percent. This was attributed to the registered increases in the price indices of several food commodities (e.g., rice, corn, bread and cereals, etc.), tobacco, electricity, gas and other fuels, and education. On one hand, the inflation rate of Region 02 remained stable and within the expected inflation range for the year set by the government at 3.0 to 5.0 percent.

Annual food inflation remained at 3.7 percent this year. However, notable increases in various food commodities were observed such as the uptick on the price of rice, corn, meat, fish, and fruits due to increased demand during the holiday season. The high price index of tobacco from 9.8 percent to 16.2 percent was also observed given the implementation of the unitary excise rate for cigarettes at the start of the year.

Meanwhile, most of the commodity groups under the non-food subgroup showed lower annual rates than last year. However, a remarkable increase was posted on electricity, gas and other fuels from negative 4.0 percent to 7.3 percent due to the price adjustments in the world market for petroleum products as well as the effect of the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) Law beginning 2018, this putting higher excise taxes on fuel especially on gasoline and diesel.

Based from the oil monitoring reports of the Department of Energy (DOE), oil prices increased at the end of trading days in December as OPEC-led supply cuts are continuously imposed. For the period 2018-2022, the government, through the BSP, targeted the inflation to settle within 2.0 - 4.0 percent range. The BSP forecasts that inflationary pressures may occur especially on food and oil commodities brought by transitory impact of the TRAIN Law implementation, trend of the oil market overseas, and potential increases in international commodities. The rate of increase is however seen to be within manageable level for 2018 given strong macroeconomic fundamentals, sustained investment spending by the government and other measures to address risks to inflation.

Table 1. Inflation Rate, Region 02, CY 2016 and CY 2017

Commodity Group	2016	2017
All Items	3.0	3.5
I. Food and Non-Alcoholic Beverages	3.5	3.5
Food	3.7	3.7
Non-Alcoholic Beverages	1.4	0.9
II. Alcoholic Beverages and Tobacco	6.9	10.9
III. Non– Food	2.0	2.8
Clothing and Footwear	2.0	2.5
Housing, Water, Electricity, Gas, and Other Fuels	0.7	3.3
Furnishings, Household Equipment and Routine Maintenance of the House	3.1	2.7
Health	3.9	3.8
Transport	2.1	1.1
Communication	-0.2	0.0
Recreation and Culture	1.3	0.6
Education	1.4	3.3
Restaurants and Miscellaneous Goods and Services	4.6	3.2

Source: PSA RO2

MACROECONOMY

Employment

The preliminary estimates of the annual Labor Force Survey (LFS) showed that there were more working age population for the year at 2.366 million compared to the previous year's 2.339 million.

Out of this total household population of 15 years old and over, the active workforce was recorded at 1.5 million persons, or lower than what was registered in 2016 by 2.09 percent. This corresponds to a labor force participation rate of 63.4 percent, a little lower from last year's 65.5 percent.

The employment level, on the other hand, reached 1.452 million, thus, reflecting an employment rate of 96.8 percent from last year's 96.9 percent. Consequently, the number of unemployed persons slightly rose to 48 thousand from 47.5 thousand persons. For this year, unemployment rate stood at 3.2 percent, slightly higher than last year's 3.1 percent. The Region also needs to intensify its efforts in creating quality jobs as the total number of persons who expressed desire for more hours of work also increased to 197 thousand from last year's 189 thousand, or translating to an increase in underemployment rate to 13.6 percent from 12.7 in 2016.

Table 2. Selected Employment Indicators, Region 02, CY 2016 and CY 2017

	2016	2017
Working Age Population ('000)	2,339	2366
Labor Force Participation Rate (%)	65.5	63.4
Employment Rate (%)	96.9	96.8
Underemployment Rate (%)	12.7	13.6
Unemployment Rate (%)	3.1	3.2

Source: PSA RO2 2017 Annual Preliminary Estimates
Note: While data were compared from the 2016 annual LFS, caution should be made in the analysis due to the changes in the methodology of the LFS beginning April 2016 round.

Despite increases in employment and underemployment, the employment situation in Cagayan Valley Region is relatively better than the national average. Data shows that the region continue to surpass the national level employment rate of 94.3 percent, and lower than the national underemployment rate of 16.1 percent and unemployment rate of 5.7 percent.

AGRICULTURE and FISHERY

Palay

For CY 2017, the region's annual palay production rebounded from last year's 6.3 percent contraction to a 13.90 percent increase. The Cagayan Valley Region also maintained its second rank in terms of its contribution to the national output at 19.276 million metric tons with a share of 13.78 percent

Figure 1. Palay Production (in MT), Region 2, CY 2016 and CY 2017

	Batanes	Cagayan	Isabela	Nueva Vizcaya	Quirino	Cagayan Valley
2016	13.04	764,303	1,212,725	269,824	85,789	2,332,654.0
2017	73.51	1,006,120	1,285,685	273,517	91,583	2,656,978.5

Source: PSA RO2

AGRICULTURE and FISHERY

In particular, annual palay production increased to 2.65 million metric tons (mt) from last year's production of 2.33 million mt as all provinces reflected positive gains during the period. This was mainly attributed to the registered increases in area harvested by 5.43 percent with the province of Cagayan posting the highest increment. Palay productivity also registered an increment of 0.34 metric tons per hectare (mt/ha).

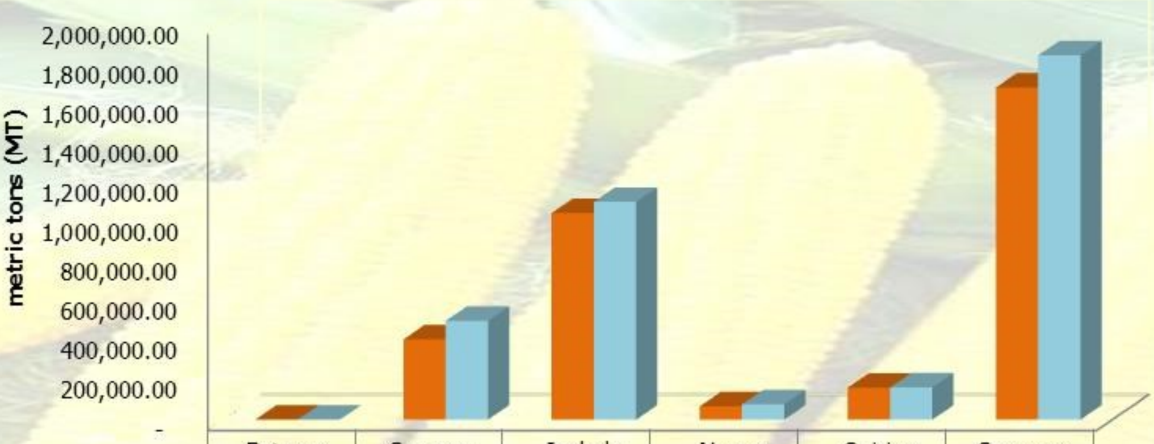
The increase in area harvested was due to the newly opened irrigation facilities and the recovery of damaged areas caused by the strong typhoons experienced in 2016. The usage of hybrid seeds, regular provision of irrigation services and sufficient soil moisture during the growth of crops in rainfed and upland areas also led to the improved palay productivity at an average of 4.53 mt/ha.

Corn

The region's corn production improved during the year with a more favorable weather condition. Cagayan Valley remained the top producer of corn with 23.22 percent share of the national output estimated at 7.91 million metric tons.

This 2017, the region's corn production increased by 9.67 percent from last year's 1.68 million mt. The positive performance in the aggregate production can be traced from the increments posted in area harvested by 0.50 percent and increased corn productivity to 4.42 mt/ha, higher by 0.37 mt/ha from 2016. The significant recovery of damaged areas brought by the dry spell and strong typhoons along with flooding experienced during the previous year especially in the provinces of Cagayan and Isabela led to the said performance.

Figure 2. Corn Production (in MT), Region 2 , CY 2016 and CY 2017



	Batanes	Cagayan	Isabela	Nueva Vizcaya	Quirino	Cagayan Valley
2016	177.77	405,570	1,043,743	67,275	162,047	1,678,812.7
2017	246.34	499,775	1,100,911	77,491	162,654	1,841,077.3

Source: PSA RO2

AGRICULTURE and FISHERY

Other Crops

Aggregate estimates for other crops production decreased by 8.68 percent from last year's total output of 1.74 million mt. Only the sub-sector on vegetables and rootcrops displayed positive growth by 2.60 percent. The drop in production was due to the slow recovery of areas planted to high value crops due to the effects of series of typhoons last year.

Total fruit production in the region was lower by 12.13 percent from 493,275.97 mt to 433,441.13 mt due to the recorded losses in production of major fruit crops by negative 12.95 percent and other fruits by negative 14.83 percent. On the other hand, the priority crops increased by 12.77 percent but was not enough to offset the overall performance of fruits which are mostly perennial crops.

Productions on vegetables and rootcrops slightly improved this year from 497,697.60 mt to 510,654.35 mt. Contributory to this performance was the increment posted in the production of commodities under the major sub-sector by 4.07 percent, this comprising one-third of the total production of vegetables and rootcrops; and other vegetables by 0.18 percent. In particular, good quality of produce was recorded in cabbage production, better yield in eggplant and tomato production due to the use of hybrid seeds provided by DA-MLGU and more backyard growers, availability of seeds in onion production, and increased area plantation in camote production. Cassava, which comprises 63.70 percent of the sub-sector, also increased due to additional area harvested given sustained technical, financial and marketing assistance from San Miguel Corporation.

On non-food and industrial commercial crops (NFICC), productions went down to 645,061.28 mt or 13.91 percent lower compared last year. This is attributed to the decrements in major NFIC crops by negative 16.73 percent despite increases in in priority, and other NFICC. Sugarcane, the top commodity under this sector at 70.91 percent share, decreased significantly by 18.60 percent due to the non-operation of the ethanol plant in Isabela which hindered the harvesting activity during the 4th quarter of 2017.

Table 3. Production Estimates for Other Crops (in Metric Tons), Region 02, CY 2016 and CY 2017

Commodity	2016	2017
Fruits	493,275.97	433,441.13
Major	456,758.35	397,621.37
Banana	354,400.39	307,605.88
Calamansi	6,682.14	6,406.96
Mango	60,854.73	48,625.01
Pineapple	34,821.09	34,983.53
Priority*	17,093.44	19,276.29
Others Fruits	19,424.18	16,543.47
Vegetables and Root Crops	497,697.6	510,654.35
Major	371,591.91	386,729.80
Mongo	8,282.81	7,817.64
Peanut	3,209.85	3,141.49
Cabbage	1,611.71	1,665.23
Eggplant	18,366.66	20,277.79
Tomato	10,713.07	10,895.11
Garlic	637.08	542.22
Onion	7,837.76	8,663.92
Camote	8,215.47	8,461.06
Cassava	312,717.50	325,265.34
Priority*	109,233.31	107,021.30
Others Vegetables	16,872.38	16,903.25
Non-Food and Industrial Commercial Crops (NFICC)	749,318.94	645,061.28
Major	652,161.28	543,074.87
Coconut with husk	77,177.33	75,352.67
Coffee (dried beans with pulp)	771.99	776.94
Sugarcane (cane)	562,001.60	457,444.15
Tobacco (dried leaves)	12,210.36	9,501.11
Priority*	90,525.00	95,307.08
Others	6,632.65	6,679.33
OTHER CROPS TOTAL	**1,740,292.51**	**1,589,156.76**

Source: PSA RO2
*Note: *Complete list of commodity groups under the priority sub-sector are shown in Appendix 2*

AGRICULTURE and FISHERY

Livestock and Poultry

Figure 3. Liveweight Production Estimates for Livestock and Poultry
Region 2, CY 2016 and CY 2017

	Livestock				Poultry	
	Carabao	Cattle	Swine	Goat	Chicken	Duck
2016	10,698	15,107	71,356	1,685	60,644	2,209
2017	10,372	14,328	72,869	1,615	58,777	2,341

Source: PSA RO2

Liveweight production estimates for livestock displayed slow growth in 2017 at 0.34 percent while poultry decreased by negative 2.76 percent.

Only the production on swine achieved positive gains by 2.12 percent given more disposals in backyard farms to avail of good prices and increased demand within and outside the region. Decrements were registered on carabao production (-3.05%) due to limited stocks for slaughter; cattle production (-5.16%) due to small sizes of animals disposed; and goat production (-4.15%) due to smaller sizes registered and continuous disposition of stocks during the previous semester.

In terms of poultry production in the region, the registered gain in duck production (+5.98%) is attributed to the increasing demand from eateries in Isabela and the availability of stocks for dressing in Cagayan. For chicken, a 3.08 percent drop was posted due to limited day-old chicks during loading time in broiler farms especially during the 1st and 2nd Quarter of the year.

Fisheries

The fishery sector continued to decline in production this year by negative 4.57 from 53,469.59 mt. This is attributed to the decrease in production of commercial (-18.19%) and municipal (-2.27%) fisheries. Minimal increase was posted in aquaculture by 1.82 percent but was not enough to cover for the decline of the two sectors.

Under the commercial sector, production in Cagayan decreased to 8,901.34 mt from 10,880.58 mt in 2016. Among the main reasons cited include decreased fishing effort caused by high cost of inputs coupled with diminishing fish catch and strict observance of the prohibition on the use of destructive fishing gears under RA 10654.

On municipal fishing, production on marine municipal fishing showed 2.07 percent decrement due to the migration of most fish species from municipal fishing grounds due to rough seas and monsoons especially in the province of Cagayan. Likewise, inland municipal fishing also declined by 2.72 percent due to the deterioration of aquatic ecosystems such as mangroves, seaweeds, seagrasses and coral ecosystem as reported in the provinces of Cagayan and Nueva Vizcaya. Scarcity of catch was also registered on most species due to the deteriorating habitat.

For the aquaculture sector, gains in output was recorded from 12,303.65 mt in the previous year to 12,527.10 mt. The increment in output was due to the increase in yield of aquafarms benefitting from BFAR's campaign through the Sustainable Technologies Development Program (SATDP).

Figure 4. Production Estimates for Fisheries (in metric tons)
Region 2, CY 2016 and CY 2017

	COMMERCIAL	MUNICIPAL	AQUACULTURE	TOTAL
2016	10,880.58	30,285.36	12,303.65	53,469.59
2017	8,901.34	29,597.31	12,527.10	51,025.75

Source: PSA RO2

AGRICULTURE and FISHERY

Farmgate Prices of selected agricultural commodities

For this year, price trend for dry palay went up from PhP 16.79 per to PhP 18.19 per kilo as a result of sustained demand and good quality of produce. On the other hand, farmgate price of yellow corn decreased from PhP 12.23 to PhP 11.26 due to surplus in production.

On vegetables, rootcrops and tubers, most of the commodities effected higher prices such as tomato, cabbage cassava, sweet potato, garlic, peanut, gabi and stringbeans. Said uptick is due to the good quality of produce and increased demand from viajeros. On the other hand, lower prices were registered for the commodities eggplant, onion, ampalaya, chayote, pechay, pepper and squash.

Fruit commodities, which registered decrease in production, also displayed higher prices for most commodities except for banana (bungulan and lakatan) and calamansi. In the case of commercial crops, the price of coconut (young and matured) and tobacco burley also increased.

On the farm prices of livestock and poultry, all meat products displayed higher prices due to the high cost of production.

INVESTMENTS

Investments through DTI's Business Name Registration (BNR)

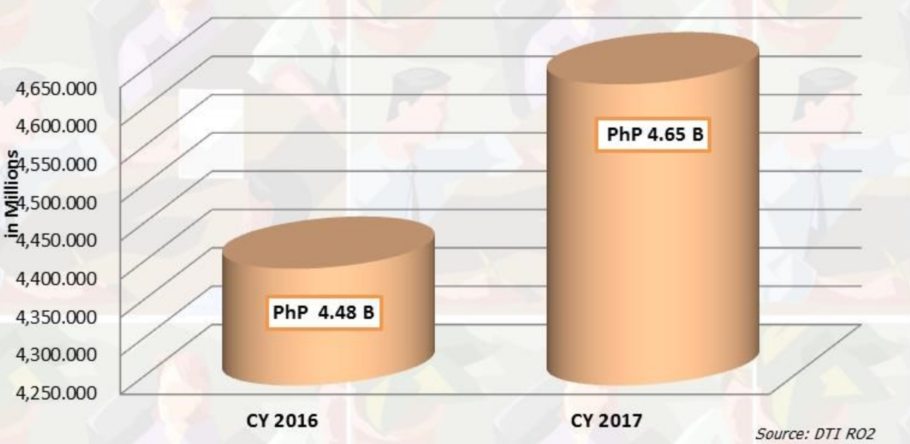
Based from the data on Business Name Registration (BNR) of the Department of Trade and Industry (DTI) 02, the number of firms in the region continue to increase. In 2017, this was 20.14 percent higheras compared to last year's figure at 15,550. Positive gains were noted in the Provinces of Cagayan (+32.67%), Isabela (+22.69%), and Nueva Vizcaya (+7.19%). By type of industry, the highest increase on the number of firms was recorded in Construction (+50.18%), followed by Trading (+36.90%) and Services (+9.86%). For this period, most of the firms belong to the Trading and Services Industry with a share of more than 92.21 percent of the total.

On the other hand, the registered rise in the number of firms translated to higher investments by 5.46 percent, from PhP 4.40B last year to PhP 4.64B this year. This is attributed to the net increases in Construction by 12.42 percent, Trading by 8.78 percent and Services by 5.96. Significant contributions in construction came from the provinces of Quirino and Cagayan. By sector distribution, the highest share of investment remained in the Services sector (59.45%), followed by the Trading sector (28.96%), construction (7.74%), manufacturing (2.69%) and agri-based production (1.16%).

On the creation of jobs, there were 38,492 employed persons as a result of the increase in the number of establishments registered in the reference period, allowing for a total of 4,996 increase in jobs or almost 14.92 percent increment. By sector, Trading accounted for the largest share of jobs generated with half of the total employment. Among provinces, Isabela and Cagayan had the most number of employment generated.

To date, there are 56 Negosyo Centers in different municipalities which are contributory to the increase of BNRs in the Region. Negosyo Centers promote the "ease of doing business" and facilitate access to services for MSMEs such as business registration, information and advocacy.

Figure 5. Investments generated through BNR (in Billion PhP)
Region 2, CY 2016 and CY 2017



Development Financing

On credit activities in the region, Land Bank of the Philippines (LBP) outstanding loans is estimated at PhP 15.69 billion for the Provinces of Isabela Quirino and Nueva Vizcaya.

Among industries, Agri-Agra Loans reached PhP 14.01 billion and posted the largest portion of loans at 89.31 percent. The highest share from the aggregate sum of the three Provinces came from loans to large enterprises at PhP 7.13 Billion, followed by loans to SMEs at PhP 2.03 billion. The increase in loan portfolio for the agriculture sector is a result of the continuous partnership with DA and DAR under their Sikat Saka Program and Agricultural and Fisheries program, respectively.

On Non Agri-Agra Loans, outstanding loans totaled to PhP 1.67 billion. Loans to LGUs posted the highest share at PhP 621 million, followed by loans to SMEs at PhP 495 million, and loans to large enterprises at PhP 329 million.

Among provinces, Isabela and Quirino registered the highest lending activities at 90.8 percent while Nueva Vizcaya's share was 9.2 percent.

TOURISM

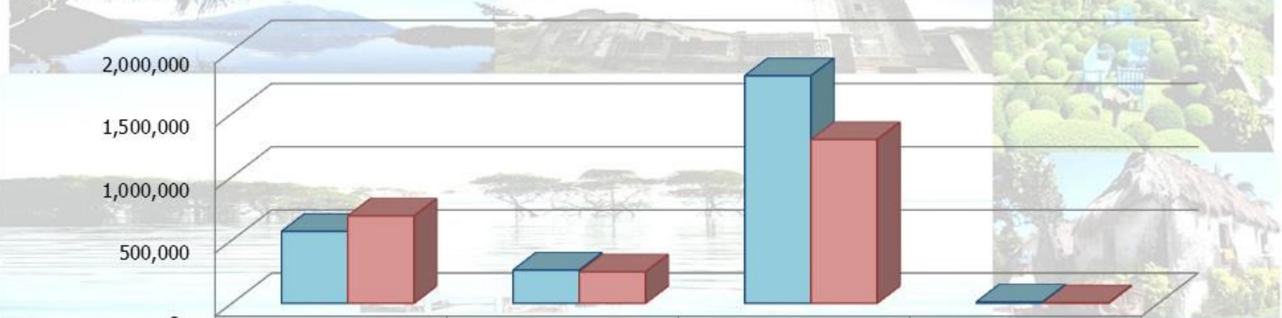
Tourist arrivals for the year 2017 as captured by the DOT totaled to 2.24 million tourists, lower by 15.30 percent from the 2.64 million reflected last year. This is attributed to the decline in same-day visitors by 28.22 percent despite the registered influx on overnight tourist arrivals. From among the visitors, almost 90 percent are domestic tourists or a total of 1.98 million tourists while 11 percent came from other countries or 253,117 foreign tourist arrivals.

In particular, among overnight visitors, more domestic tourists arrived in the region by 21.31 percent as compared from last year's 569,445 domestic vistors. Foreign tourist arrivals, on the other hand, were lower by 5.57 percent from 263,426 tourists registered in 2016. On same-day visitors (excursionists), both domestic and foreign visitor arrival declined by 28.05 percent and 58.70 percent, respectively. Same day visitors are those who visited an attraction/destination only but did not stay overnight in any accommodation establishment.

On the distribution of travelers, the region's top foreign market was East Asia at 95.40 percent. China remains as the top visitor of the region at a percentage share of 94.34 percent among the total foreign arrivals, followed by USA at 1.03 percent share, and Indonesia at 0.55 percent share.

For the said period, gross receipts from visitor spending amounted to PhP 1.45 Billion The average daily expenditure of overnight tourists is estimated at PhP 2,000 for domestic while $70 for foreigners in the provinces of Cagayan, Isabela, Nueva Vizcaya and Quirino. For Batanes, a renowned tourist destination, the average daily expenditure for domestic tourist is PhP 4,000 while foreigners spend at least $140. The average length of stay among tourists is 3 days for Batanes and 2 days for mainland Cagayan Valley.

Figure 6. Tourist Arrivals, Region 2, CY 2016 and 2017



	Overnight Tourists: Domestic	Overnight Tourists: Foreign	Same Day Tourists: Domestic	Same Day Tourists: Foreign
2016	569,445	263,426	1,800,169	10,563
2017	690,788	248,755	1,295,299	4,362

Source: DOT RO2

TRANSPORT and COMMUNICATION

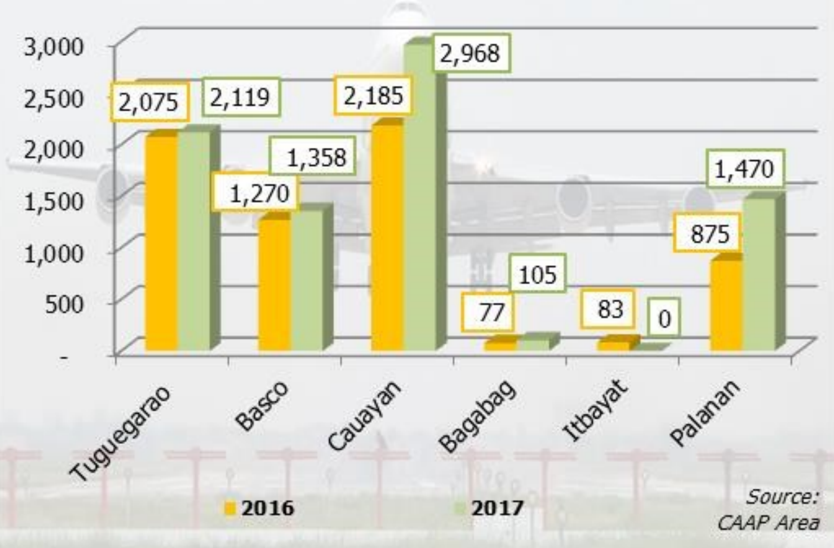
Air Transport

Aircraft movement in the region for 2017 continued to increase as the total number of flights increased by 22.16 percentor a total of 8,020 flights. More flights were registered in airports especially in Cauayan City with 783 additional flights from the previous 2,185 flights last year; 595 flights added in Palanan, 88 more flights in Basco; 44 in Tuguegarao and 28 in Bagabag. The positive frequency of flights is attributed to the good weather experienced throughout the year and the strong demand for air transport during holidays.

The increase in aircraft movement also manifested a heightened volume of passengers in the region from 368,683 to 432,031 passengers or an increment of 17.18 percent. All airports supervised by the CAAP revealed positive growth in passenger movement. Particularly, a notable increase was posted at the Tuguegarao Airport (+48.5%), Basco Airport (+24.1%) and Cauayan Airport (+24.0%).

Gains in terms of cargo movement were also recorded reaching a total of 5,504,315 kilograms of cargoes loaded and unloaded during the period. This was 25.54 percent higher compared to last year's figure of 4,384,465 kilos. More than half of the cargoes were registered in Tuguegarao Airport, followed by Basco Airport at 23.60 percent, and Cauayan City at 17.75 percent.

Figure 7. Aircraft Movement, Region 2, CY 2016 and CY 2017



Source: CAAP Area

MINING and QUARRYING

Productions of metallic and non-metallic mineral commodities improved in the region at the end of the year. Total aggregate production of non-metallic mineral rose by 28.83 percent from the previous year's 2,067,146.00 cubic meters.

Production on sand and gravel picked up by 16.10 percent or a total of 2,015,771.00 cubic meters with the province of Cagayan posting almost eight times higher than the previous year. Production in Nueva Vizcaya also posted a significant increase from 95,342.00 cubic meters to 199,436.00 cubic meters.

Pure sand also surpassed last year's production by 13.85 percent. Highest production is observed in Cagayan at 71,747 cubic meters while Nueva Vizcaya exhibited lower production by negative 12.63 percent. On the production of boulders, this commodity showed the highest improvement from 68,847.00 cubic meters to 114,637.00 cubic meters or a high of 66.51 percent. This is attributed to the gains registered by Cagayan from last year's 5,015.00 cubic meters to 41,734.00 cubic meters.

For the mountain soil, the province of Cagayan displayed significant production for 2017 from 18,202.00 cubic meters to 242,687.00 cubic meters. The positive gains in the non-metallic production of the province of Cagayan for this period was due to high demand as a result of the continuous implementation of infrastructure activities in the region.

For metallic commodities, copper concentrates declined by 22.33 percent from previous year's 86,856 cubic meters. On the other hand, production of gold concentrate and gold dore increased by 7.03 percent and 98.83 percent, respectively.

CONSTRUCTION

Construction activities in the region increased by 32.29 percent in 2017 based on the number of projects conducted as against last year's 3,246 projects. This is attributed to the increase in approved permits for residential and non-residential types. There were a total of 3,336 projects for residential type as against 2,265 projects from last year's, or a significant increment of 47.82 percent. For non-residential type, total number of projects recorded was 722 from 536 construction activities. Only those in construction activities involving additions, alterations and repairs reflected a decrease by 46.97 percent from the 445 construction activities recorded in 2016.

Given the gains in the number of construction projects during the year, the reported value of all approved construction projects rose by 15.83 percent for an estimated investment of PhP 5.88 Billion. The positive performance is manifested by the increase in the value of construction of all construction types: residential estimated at PhP 2.48 Billion or higher by 10.75 percent from last year, non-residential type up by 19.05 percent from PhP 2.63 Billion, and additions, alterations and repairs by 30.41 percent from PhP 197.86 Million. In terms of shares to total value, constructions on non-residential is the main contributor at 53.36 percent share, followed by residential at 42.25 percent share.

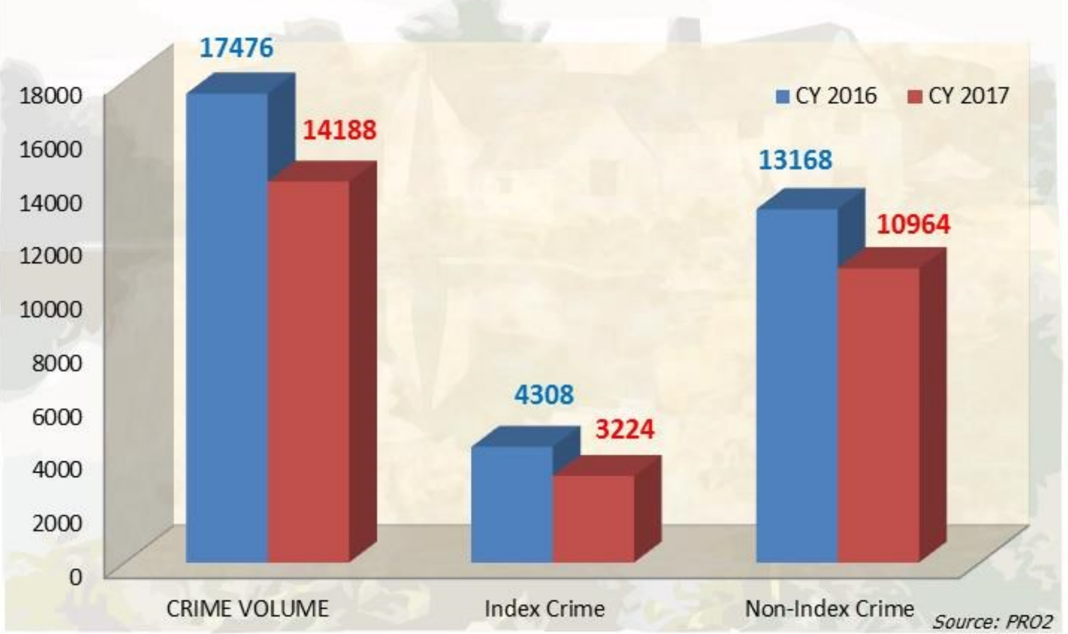
The data on construction projects refer to those proposed to be constructed during the year and not the construction work completed. Also, same data reflect those in urban areas where building permits are required for new construction and alterations. The data excludes value of construction for public infrastructure projects especially for roads, bridges, flood control projects, ports, irrigational canals, among others.

PEACE and ORDER

For 2017, total crime volume decreased to 18.81 percent from 17,476 crimes recorded in 2016. Both index and non-index crimes were lower by 25.16 percent and 16.74 percent, respectively. These were the result of the effective crime prevention activities and programs implemented by the PNP and the strengthened coordination and partnership between the law enforcement agencies and LGUs. The average monthly crime rate was 33.11.

On the resolution of crimes and arrest of suspects, Crime Solution Efficiency (CSE) improved by 2.23 percentage points as against the previous year or 67.52 percent from 65.29 percent in 2016. In terms of crime clearance efficiency, it improved to 81.17 percent from 71.11 percent in 2016.

Figure 8. Crime Statistics, Region 2, CY 2016 and CY 2017



DEVELOPMENT PROSPECTS

Below are the following factors and interventions which are expected to affect the growth and development of the region in the succeeding years and beyond:

- The expected fair weather for 2018 would enable continuous gains in the agriculture sector especially along palay and corn.
- Stronger consumer spending is expected given the implementation of the Third Tranche of the SSL and the implementation of the TRAIN Law increasing the net take-home pay of Filipinos but may put inflationary pressures on the prices of goods and services.
- The proposed lifting of the quantitative restriction on rice imports would affect local rice farmers with less competitive produce if not properly and adequately supported by the government. Measures to safeguard farmers livelihood and provision of assistance to increase their production and efficiency should be in place. Likewise, the resulting tariff revenues must be utilized for better extension services that will improve productivity of the sector.
- The implementation of the Administration's Build Build Build Program would increase construction activities and job creation in the Region.
- Improving accessibility to tourist destinations in the Cagayan Valley and North Luzon Islands under the DOT-DPWH Tourism Roads Infrastructure Program (TRIP) worth P1.7 Billion would increase tourism and economic activities in the region including generation of investments and employment for the locale.
- The anticipated opening of big service centers such as Robinsons Mall and CityMall in Tuguegarao City would enable inflows of investments, revenues and employment opportunities to the area and its adjoining municipalities.

STATEMENT OF SOCIOECONOMIC PLANNING SECRETARY ERNESTO PERNIA ON THE Q4 AND FULL-YEAR 2017 PERFORMANCE OF THE PHILIPPINE ECONOMY

"We are glad to report that the performance of the Philippine economy remains on target, hitting a solid 6.6 percent growth rate in the last quarter of 2017. This stable performance brings our full-year growth in 2017 to 6.7 percent—a strong finish that keeps our position as one of the fastest-growing economies in Asia after China's 6.9 and Vietnam's 6.8 percent.

On the expenditure side, domestic demand growth also strengthened to 7.3 percent in the fourth quarter from 6.4 percent in the third quarter. Fixed investments growth remained positive and accelerated to 9.3 percent with growth in durable equipment improving further to more than 12.1 percent. This is indicative of businesses' continued confidence in the long-term prospects of the Philippine economy. We also recorded stronger public construction spending at 25.1 percent that offset the 2.9 percent contraction in private construction. This keeps the overall construction growth in positive territory, which is a boost in line with our Build Build Build program.

On the supply side, we recorded improvements in utilities and mining. Growth in services was supported by transport and communications, trade, and public administration, defense, and social security. Agriculture recorded 2.4 percent growth in fourth quarter, having recovered from the decline of -1.3 percent in the same period last year.

With these developments, we move forward in 2018 with even stronger determination to accelerate growth to hit our target range of 7 to 8 percent. We are, of course, coming from the steady growth streak of 6.9 percent growth for full-year 2016 and 6.7 percent growth in 2017. Both are well within our growth range targets.

To ensure that our capacity for growth is sufficient, we need to make sure that our labor force have the requisite skills and competencies to meet the growing demand, particularly for higher level skills. This is why we need to open our education sector and ramp up skills training programs towards greater learning opportunities for our current and future work force.

In the next quarter, we see the domestic demand picking up as household consumption will likely improve, following the recently approved tax reform package, which will result in higher take home pay for 99 percent of Filipino taxpayers. Household consumption is also seen to benefit from expanded employment opportunities from the Build, Build, Build program. Meanwhile, government consumption is seen to remain afloat, buoyed by the programmed increase in social spending, consistent with the implementation of the tax reform program. Government consumption is also set to expand, following higher salaries of government personnel in line with the third tranche of the Salary Standardization Law. *(Lifted from the Statement)*"