

Second Quarter 2009 Regional Economic Situationer. The early part of the year saw the region gaining momentum in its economic recovery which has started in the first 3 months of the year. While regional income slowed down in 2008, positive indicators were experienced in the first two quarters such as weakening inflation on fuel and energy items and the lower rates on agricultural inputs in both the national and the regional level – a higher contribution (GVA) from the agricultural sector this year.

In this quarter, inflation remained at a low rate and employment was better. The region's products likewise showed steady production growths. Despite lower production of corn, most of the region's agricultural products displayed increasing production trends. Moreover, the lower fertilizer prices significantly helped to lower production cost. Fisheries, tourism and transportation also remained stable in the quarter.

The decrease in investments as shown in the number of registrants under DTI's Business Name Registration and slow down of production in quarrying were countermanded by the performances of the other sectors. Overall, the economy was stronger this quarter vis-à-vis last year's.

The following subsections discuss in detail the performance of the sub-sectors in relation to the over-all regional economy.

LESSER INVESTMENTS GENERATED

Only 1,910 firms (sole proprietorship firms) were registered under Business Name Registration (BNR) for the quarter under review, a 6.6 % decline from 2008's 2nd quarter figure of 2,045 firms, with decrease coming primarily from Cagayan (9.78 %) and Isabela (6.44 %).

With the slowdown in registration of firms under BNR, total registered investments reached only Php 654.61 Million, a decrease of 31.19 % from the Php 951.33 Million in the 2nd quarter of 2008. The province of Cagayan experienced the biggest decline (32.22 %), from Php362.67 Million in 2008 to only Php245.82 Million, this quarter.

Registered firms in trading and services declined by 6.67% and 2.03 %, respectively with investments declining by 35.32 % and 24.42 %.

HIGHER LOANS RELEASED FROM DBP

Meanwhile, agri-based registered firms showed a 76% increase from the 25 firms registered in the 2nd quarter of 2008. Registration redounded to an investment of Php34.27Million, or a 135% increase from last year's Php14.60Million.

From the reports on loans released to the region's SMEs and growing industries of the Development Bank of the Philippines, this reached Php 135.66 Million in the 2nd

quarter of 2009 doubling the amount of loan released in the 2nd quarter of 2008 (Php66.79 Million). The increase came primarily from the bank's Ilagan, Isabela branch with a 96.71 % increase, from Php47.67 Million in 2nd quarter, 2008.

Outstanding loans in the bank reached Php1.23Billion as of June 30, 2009, or a 15.7 % increase from Php 1.06 Billion as of June 30, 2008. About 56 % of the bank's outstanding loans were in its Ilagan, Isabela branch.

Of the bank's outstanding loans in 2009, about 43 % were LGU loans (Php524.17Million) which showed a 30.57 % increase from Php401.45Million as of June 30, 2008. These loans are often used by the local government units to finance infrastructure development projects. Meanwhile, outstanding loans by SMEs grew by 70 %, from Php13.14Million as of June 30, 2008 to Php22.34Million as of June 30, 2009. This implies that the bank had been more supportive to the growth and development of the region's SMEs and that SMEs have been growing.

CONSTRASTING AGRICULTURAL PERFORMANCE

Except for Corn and some High- Value Commercial Crops, production from agriculture was stronger in this quarter as compared to last year.

Palay

Based from BAS final estimates, area harvested reached only 153 thousand hectares in the quarter from about 158 thousand hectares in the 2008's 2nd quarter. The early plantings done led to 3% decrease in the area harvested on irrigated farmlands. Likewise, rainfed areas decreased by 3.8 % as some of these were damaged by typhoon Emong.

Nevertheless, production managed to increase by 1.2 %, from 656,993MT in the 2nd Quarter of 2008 to 664,753MT in the 2nd quarter of 2009. Production in irrigated ricelands increased by 0.3 % (594,871MT in 2nd Quarter, 2008 to 596,783MT in the 2nd Quarter of 2009), with production from rainfed farms increasing by 9.4 % (62,122MT in the 2nd quarter of 2008 to 67,970MT in this quarter).

Productivity improved to 4.35MT/Ha, from the 2nd quarter 2008's 4.16 MT/Ha. The increase in productivity can be attributed to better farm management and the increase usage of fertilizers and certified seeds together with good weather conditions.

Corn

On the average, corn productivity this quarter was higher by 1.4 % from the 4.0MT/Ha of 2008's 2nd quarter. Specifically, yellow corn productivity increased by 2.7 %, from 4.08MT/Ha in 2008's 2nd quarter to 4.17MT/Ha this quarter due to good

weather and the increase in areas planted with hybrid seeds and better farm management.

However, production showed a 15.1 % decline from 2008's 2nd quarter figure of 402 thousand MT. This came primarily from the 16 % decrease in the production of yellow corn constituting about 95 % of the total corn produced for the quarter under review.

The decrease in production can be traced to the 16.3 % average decrease in area harvested, from 100,555 hectares in 2008 to only 84,134 hectares in 2009. Yellow corn areas constituting 93% of the region's total corn areas showed a 17.7 % decline, from 94,605 hectares in 2008's 2nd quarter to 77,859 hectares this quarter due to the movement of harvest to the 1st quarter of the year. Moreover, some areas were planted with temporary crops and some remained in-fallow due to financial problems.

High- Value Cash/Commercial Crops

The weather experienced during the quarter characterized by warm temperature and sufficient rainfall was beneficial for the region's high-value commercial crops such as banana, peanut, eggplant and cassava. Moreover, the use of hybrid seeds and other interventions made possible the increases in the following crops.

- Banana production increased by 13.44% attributable to the lesser weather disturbance and bigger sizes of fruits produced.
- Peanut and eggplant production increased by 22.62% and 4.21% respectively ascribed to the use of hybrid seeds and sufficient rainfall.
- Cassava production increased by 37.67% due to the increase in area planted.

However, the same weather was not favorable to some crops. The rainfall experienced especially during the occurrence of typhoon Emong took a toll in the production of some of High-Value Commercial Crops. Specifically;

- Mango production declined by 42.75% as rain showers hindered the development of flowers during the flowering stage.
- Pineapple production declined by 1.45% due to delay in the harvest – expected harvest will accrue to 3rd quarter production
- Production of calamansi, mongo, cabbage, tomato and camote showed declines of 3.52%, 27.05%, 2.18%, 21.78% and 11.54%, respectively as most of the crops were damaged by typhoon Emong.
- On spices, garlic and onion production decreased by 11.22% and 4.17%, respectively due to the continuous rainfall which was not beneficial to these crops at planting.

LOWER FERTILIZER PRICES

Despite the production slowdown in some of the region's agricultural products, lower fertilizer prices during the quarter signifies higher contribution (gross value-added) of the agricultural sector to the regional income. It should be noted that a sector's gross value-added income is the difference between the amount of its total final products and intermediate inputs such as fertilizers. This implies that lower expenditures on fertilizers will correspond to higher gross value-added considering the stable production in the quarter.

Fertilizer prices dropped by an average of 63.05% from an average of Php1,432.69 in 2nd quarter, 2008. Specifically, prices of Urea, Ammosul, Ammophos and Complete dropped by 66.33% (from Php1,504.62), 68.88% (from Php880.77), 60.63% (from Php1,603.85) and 56.35% (from Php1,741.54) respectively in the quarter under review.

Livestock and Poultry

The sustained demand for beef and carabeef during the quarter led to the increase in the region's carabao and cattle production by 2.91% and 0.17 %, respectively as against figures from the same quarter last year.

Meanwhile, lesser quantity of pork was available for the quarter under review due to the decrease in the inventory of fatteners in the 1st quarter. Likewise, the disposition of smaller sized goats (that weighed lesser) explains the decline in goat. Such situation led to a decrease in the volume of production by 1.06% and 9.13% for swine and goat, respectively.

For poultry, chicken production grew by 2.26 % (7,888MT in 2008's 2nd quarter to 8,066MT in 2009's 2nd quarter) due to the increase in the number of stocks available for dressing. On the other hand, duck production decreased by 6.86 % (from 1,020MT in 2008's 2nd quarter to 950MT in 2009's 2nd quarter) due to lesser inventories available for disposition.

SUSTAINED FISHERY GROWTH

The quarter was productive for the region's fisheries which showed production increasing by 6.8%, from 17,302MT in 2nd quarter, 2008 to 18,479 in this quarter due to production gains from both Municipal Fisheries and Aquaculture.

Production from Municipal fisheries (8871.29MT) increased by 13.25 from 2nd quarter 2008's 7,837.13MT due to the shift of some Commercial Fishermen to Municipal fishing. The downsizing of commercial fishing vessels refocused fishing from commercial waters to the region's municipal waters. In turn, production accrued to municipal fishing.

Likewise, production from aquaculture (5,438.98) increased by 7.15 % from 5,076.16MT in 2008's 2nd quarter due to the movement of harvest. Expected

production in the 1st quarter of the year was moved to April, hence production figures were inputted during the quarter under review.

The production gains from these two sectors were able to negate the 5.01 decrease in commercial fisheries production from, from 4,389MT in 2nd quarter 2008 to 4,169.3MT this quarter. The downsizing of commercial fishing vessels has forced commercial fishing operators to shift their fishing efforts to municipal fishing. Moreover, the continuous rainfall and occurrence of typhoons caused lesser fishing days for the region's fishermen.

GROWTH IN TOURISM

Tourist arrivals showed a steady growth especially from domestic tourists and balikbayans. About 183,531 visited the region this quarter posting a 1.94% increase from 2nd quarter, 2008's figure of 180,046.

Based on DOT's Visitor Arrival Statistics, around 97.65% of the region's total were domestic tourists at 175,813. This figure also showed an increase of 2.11% from 2nd quarter, 2008's figure of 172,177. This increase was due to the LGUs active participation in staging their own festivals showing their religiosity, products, culture and unique destinations.

Meanwhile, foreign arrivals showed a slight decrease of 1.92% from 7,869 in the 2nd quarter of 2008. The outbreak of the AH1N1 (swine flu) virus somewhat dulled interest in tourism.

The bigger tourist arrivals corresponded to about Php 413 Million worth of receipts on tourist expenditures in the quarter. This represents the total amount spent by the tourists on food, accommodation, entertainment, local transportation and shopping, among others.

QUARRYING OUTPUT DOWN

Gravel production showed a 19.83% decrease, from Php241,173.19 cu.m. in the 2nd quarter of 2008 to 193,346.50 cubic meters in this quarter. This came primarily from the decrease in production in the provinces of Cagayan (47,116.5 cu.m) and Isabela (46,458 cu.m). With lesser demand for the commodity, production in the provinces showed 34% and 60.63% decrease, respectively, from 2nd quarter, 2008 figures of 71,479.19cu.m. and 118,009cu.m.

Meanwhile, production of sand and gravel in Quirino and Nueva Vizcaya increased by 18.64% (from 16,896cu.m. in 2nd quarter, 2008) and 129% (from 34,789cu.m in 2nd quarter,2008), respectively, due to increase in demand for construction purposes. However, these increases were not able to off-set the much higher decreases in Cagayan and Isabela's production.

On boulders, production reached only 2,722 cu.m., decreasing by 38.83% from 4,450 cu.m. in 2nd quarter, 2008 because of lesser demand.

Likewise, earth material production (1,000 cu.m.) doubled in the quarter under review from only 500cu.m. in 2nd quarter, 2008 due to increase in demand for

construction purposes. About 225MT of manganese was also produced in the province of Nueva Vizcaya.

STABLE EMPLOYMENT

The region had a more stable employment situation at the start of the quarter as compared to 2008's 2nd quarter. Results of the April Labor Force Survey showed employment rate growing by a percentage point (from 96.2% in 2nd quarter, 2008 to 97.2%, this quarter). In absolute figures, of the 1.489Million who participated in the labor force, about 1.447Million was employed as compared to only 1.35Million out of 1.403Million in the labor force in the same period last year.

Likewise, of the employed, 16.7% were looking for more hours of work (underemployed) which is 0.7 percentage point lower than the 2nd quarter, 2008 figure of 17.4%. In absolute figures, however, underemployed reached 242 thousand as against 235 thousand in 2nd quarter, 2008.

On the status of the Comprehensive Livelihood and Emergency Employment Program (CLEEP), only 11 out of the 15 enrolled CLEEP Projects are currently being implemented as of the 2nd quarter of the year with the Department of Agriculture's goat and swine dispersal, and organic fertilizer production project still in their preparation stage. Meanwhile, the Financial Assistance and Microfinance for Expatriates (FAME) of the Department of Foreign Affairs had yet to start.

Through the CLEEP, a total of 40,798 jobs were generated as of the end of the 2nd quarter. Likewise, about 25,127 individuals were employed by the various agency programs under the CLEEP.

It should be noted that while a total of Php1, 062,952,550 has been allocated for the funding CLEEP programs and projects in the region, utilization was only 36.81% (Php391, 239,568).

Meanwhile, total employment generated through BNR showed a 20.3% decline from a total of 6,162 in 2nd Quarter, 2008. The decrease came primarily from the employment declines along trading (22.93) and services (16.66%), from their figures of 2,805 and 2,479 respectively in the 2nd quarter of 2008. Of the provinces, employment generated decreased the most in the province of Isabela at 36.71% from 2nd quarter, 2008's total of 2,983 to only 1,888 in the quarter. This can be attributed to the decline in the registration of trading and services firms in the province.

DECELERATING INFLATION

Average inflation rate slowed down in the quarter at only 5.17% from 2nd quarter, 2008's 10.5%. The slowdown came primarily from Fuel, Light and Water which registered negative rates (deflations) in the last 3 months (-5.58 in April, -5.16% in May and -7.72% in June). In turn, inflation along the commodity group significantly slowed down by 20.74 percentage points, from 14.57% in 2nd quarter, 2008 to an

average of -6.17%, this quarter. This may be attributed to the government's efforts to lower down fuel rates following the fall of fuel prices in the international market. Likewise, inflation on Food, Beverages and Tobacco (FBT) slowed down by 5.30 percentage points from last year's 13.30%.

Meanwhile, Clothing, and Housing and Repairs commodity groups sped up by 0.23 percentage points (from 2.47% in 2nd quarter, 2008) and 0.73 percentage points (from 3.60% in 2nd quarter, 2008), respectively in the quarter.

THE QUARTER/S AHEAD

While some of our major essentials loss their economic battles, the region can still reclaim and build on them in the coming quarters. With measures aimed at increasing both productivity and output coming from the national government, regional agencies and other stakeholders, the region may further improve its performance and rebound on its weak sub-sectors in the forthcoming quarters.

The following will help in the region's economic rebound in the next quarter:

- The operationalization of the newly upgraded and improved Bagabag Airport will facilitate access of tourists and investors to the province of Nueva Vizcaya.
- The expansion of the GMA rice program to target beneficiaries in Nueva Vizcaya will be of aid in boosting regional rice production especially in the province. Based on PIA Press release, about 29,798 hectares from the different municipalities of the province are to be planted with certified seeds and hybrid seeds.

Though the impact of the following may not be felt in the next quarter, they will be of help in the long run.

- The passage of the Tourism Act of 2009 will boost tourism promotion, strengthen standards and regulations, and will optimize investment potentials in the country. This will enhance foreign investors' confidence to invest in the country.
- CEZA's promotion of Palau Island especially 'snorkeling' along Cape Engaño and Punta Verde stands as a contributor in tourism development as well as employment generation for the region's people.