

## **THE REGIONAL ECONOMY IN REVIEW**

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Regional Economic Situationer for Cagayan Valley, 3<sup>rd</sup> Quarter 2010

### ***Peeking through the 3<sup>rd</sup> Quarter Economy***

After a sluggish first two quarters of the year, the onset of the rainy season would have brought relief to the region's farmers.

However, the late onset of rains and intermittent rainfall failed to support early planting, farming, pasture and fish culture activities. As such, production levels for palay, corn, high-value commercial crops and fisheries during the 3<sup>rd</sup> quarter were below the expected production volumes.

It is worth to note, however, that the other sectors of the regional economy have somewhat balanced the decline in the agriculture. Investments at the Cagayan Special Economic Zone and Freeport grew by over 100% with 99 locators registered at the end of the quarter. Investments in micro, small and medium enterprises likewise increased as shown in DTI's Business Name Registration with the services sub-sector increasing by 92%.

In the tourism sub-sector, a 4.21% increase in visitor count was recorded. Air transportation also improved as shown in the increase in commercial flights and the passengers coming in and out the region. Likewise, there were more chartered international flights during the quarter under review.

The region's mobile telecommunication services continued to improve with 2 additional sites and 123 additional channels being opened by telecommunications companies.

However, inflation rates grew during the quarter with FLW (fuel, light and water) rapidly rising. Likewise, employment level was slightly down.

The following sections present the details of the region's economic performance as shown by key economic indicators and the significant factors affecting their performances during the quarter under review.

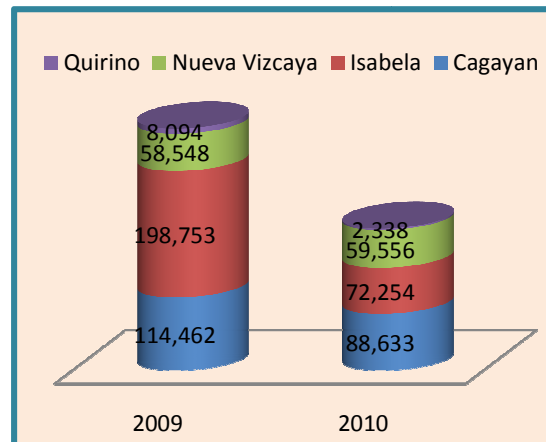
## Agriculture still reeling from El Niño

While the peak of the El Niño was felt and evident during the second quarter of the year, its effects were manifested in the quarter under review with area harvested decreasing for almost all crops and resulting in production downtrends.

### Palay

The area harvested decreased by 44.40%, from 94,861 hectares in 3<sup>rd</sup> quarter, 2009 to 52,740 hectares during the quarter under review with the area harvested decreasing in all the provinces.

The decrease in area harvested was the effect of insufficient irrigation and rainwater during the planting season especially in the province of Cagayan with the area harvested going down by 27.16%, from 30,048 hectares in the same quarter last year. Likewise, area harvested in the other provinces of the region decreased by an average of 23.63%.



While irrigation water was being supplied to the farmlands in the provinces of Isabela and Quirino, the release of water was not timely enough causing the transfer of this quarter's harvest to the next quarter. Moreover, rainfed lands in Isabela, Nueva Vizcaya and Quirino were not planted during the quarter due to the absence of sufficient rain water.

Consequently, the decrease in area harvested led to a 41.35% decrease in production level, from 379,857MT in 2009's 3<sup>rd</sup> quarter to only 222,781MT for the quarter under review. Specifically, produce from irrigated lands, which comprised 95.36% of the region's production (362,253MT) in 3<sup>rd</sup> quarter, 2009, decreased by 39.14% during the quarter under review. Moreover, produce from rainfed lands decreased by 86.83% (from 17,604MT produced in 2009's 3<sup>rd</sup> quarter) with only Cagayan producing the harvest.

Despite the effects of the drought in production, the region's productivity level improved by 5.49%, from 4 MT/Ha in 3<sup>rd</sup> quarter, 2009 to 4.22MT/Ha during the quarter under review.

### Corn

The extended period of drought had similar effects on corn production. Total production decreased by 2.57%, from 637,322MT in the 3<sup>rd</sup> quarter of 2009 to only 620,946MT in the 3<sup>rd</sup> quarter of 2010.

Production was up for Cagayan with figure increasing by 30.56%, from 132,735MT in 2009's 3<sup>rd</sup> quarter to 173,293MT in 3<sup>rd</sup> quarter, 2010. However, other provinces have decreases in production figures.

Of the region's total corn production during the quarter, 96% were yellow corn and 4% were white corn. Although the bulk of the region's figure came from Isabela (69.73% share), the province's figure slightly decreased by 0.02% from 433,108MT record in the 3<sup>rd</sup> quarter of 2009.

The decrease in production level was due to the 4.12% decrease in area harvested, from 161,230Hectares in 3<sup>rd</sup> quarter, 2009 to only 154,585 Hectares during the quarter under review. While area harvested in Cagayan managed to increase by 29.25% (from 36,936 in 3<sup>rd</sup> quarter, 2009), area harvested from the other provinces of the region decreased by an average of 53.32% because some areas which were planted with corn in the 3<sup>rd</sup> quarter of 2009 were not planted in the quarter under review as a result of the extended period of drought.

The average yield per hectare, however, increased by 1.62%, from 3.95MT/Ha in 3<sup>rd</sup> Quarter, 2009 to 4.02MT/Ha in 2010's 3<sup>rd</sup> quarter.

#### High-Value Commercial Crops

Generally, production levels of high-value commercial crops in the region showed an uptrend despite the drought.

With smaller sizes of fruits being produced as result of drought, production levels of banana, calamansi and pineapple decreased by an average of 9.26% during the quarter under review.

The shift of some farmers from camote to the planting of cassava led to a 14.38% decrease in camote production level, from 580.15MT in the 3<sup>rd</sup> quarter of 2009. However, the shift of some camote farmers to cassava farming was not tantamount to increasing the production level of cassava as it even decreased by 4.15% (from 5,554.37MT in 2009's 3<sup>rd</sup> quarter) due to insufficient rainfall during tuber formation.

While production of some of the region's HVCCs was stalled by the drought, the intermittent rainfall was, however, favorable to mango and mongo farms which show production increasing by 6.53% (from 359.10MT in 2009's 3<sup>rd</sup> quarter) and 5.37% (from 270.70MT in 2009's 3<sup>rd</sup> quarter), respectively.

Likewise, with the seed assistance from the Department of Agriculture and Local Government Units, most farmers from Isabela and Nueva Vizcaya ventured into eggplant farming negating their fears on drought and limited water supply. Thus, eggplant production level increased by 29.11%, from 3,289.67MT produced in 3<sup>rd</sup> quarter of 2009 to 4,247.34MT produced in 3<sup>rd</sup> quarter of 2010.

Likewise, tomato produce increased by 11.35% (from 856.52MT in 2009's 3<sup>rd</sup> quarter) as a result of intensified vegetable production through the Seed Assistance Program thereby increasing the area planted particularly in the province of Nueva Vizcaya.

### Livestock and Poultry

The volume of slaughtered animals showed production declines during the quarter with only chicken and cattle showing an average of 12.99% increase.

Slaughtered chicken increased in volume by 23.56% (from 8,681MT in 2009's 3<sup>rd</sup> quarter) due to the establishment of tunnel vent commercial broiler farms and new dressing plants.

Likewise, the sustained demand for beef has encouraged slaughtering of more cattle with slaughtered meat increasing 2.42%, from 3,136MT in 3<sup>rd</sup> quarter, 2009.



A Carabao enjoying the taste of dry rice stalks in Piat, Cagayan...

From:[cdn.wn.com/ph](http://cdn.wn.com/ph)

Meanwhile, due to the decrease in demand, volume of slaughtered carabao, swine and goat decreased by 2.65%, 7.42% and 5.61% respectively in 2010's 3<sup>rd</sup> quarter. Also, slaughtered duck decreased by 9.04%, from 830MT in the 3<sup>rd</sup> quarter, 2009.

### Fisheries

The extended El Niño brought havoc to the region's fisheries which showed total production level from 16,070.83MT in 3<sup>rd</sup> quarter, 2009 to only 14,187MT in 3<sup>rd</sup> quarter, 2010 registering an 11.72% decrease.

On commercial fishing, the production increased by 5.97 % (from 3,918.53MT in 2009's 3<sup>rd</sup> quarter) due to fair weather condition. Moreover, the low production in Aquaculture may have encouraged boat owners to intensify fishing efforts in commercial bodies of water.

On inland municipal fisheries and aquaculture, however, the same fair weather condition caused a negative effect such as low water levels and even drying up of rivers and communal bodies of water (CBWs), hence production from inland fisheries decreased by 7.55% (from 3,376.53MT in 2010's 3<sup>rd</sup> quarter) cushioning the 4.60% (from 4,230.10MT in 2009's 3<sup>rd</sup> quarter) production gain from marine municipal fisheries.

Likewise, the region's production from aquaculture decreased by 45.25%, from 4,545.37MT in 3<sup>rd</sup> quarter, 2009 to 2,488.44MT in 3<sup>rd</sup> quarter, 2010 because of the decreases in area harvested and productivity level caused by the extended El Niño.

## Investment Gaining Momentum

***NOTE: INVESTMENT FIGURES ARE ONLY LIMITED TO READILY AVAILABLE DATA. DATA FROM OTHER SOURCES SUCH AS THOSE OF SEC (SECURITIES AND EXCHANGE COMMISSION) AND LGUs IF AVAILABLE WOULD PRESENT A CLEARER INVESTMENT PICTURE FOR THE REGION.***

The region has a favorable investment climate during the quarter as evinced by the influx of investments and locators at the Cagayan Special Economic Zone and Freeport and registered investments through DTI. The increase in investments signifies that other sectors of the economy especially the trading and services group had been performing well during the quarter.

### CEZA

Towards the end of the 3<sup>rd</sup> quarter, a total of 99 locators were registered in the Cagayan Economic Zone Authority with 68 of the registrants now operating their business ventures within the Freeport. The number of operational locators has increased by 23.6%, from only 55 as of the same quarter last year.

Of the registered locators during the quarter, 46 were on interactive gaming support services, 34 of which are now in operation.

The locators were able to invest about Php8.67 billion as of the end of the 3<sup>rd</sup> Quarter of 2010, increasing by 136.3% from 2009's Php 3.67Billion. Of the total capital investment for the quarter, 66.78% was for interactive gaming support services.



**The enticing look of CEZA's Interactive Gaming Facilities encourages gamblers to take their fate inside**

The inflow of locators and investment at the port was able to generate a total of 7,242 jobs, or 13.17% increase from CY 2009's 3<sup>rd</sup> quarter figure of 6,399 jobs.

### Businesses Registered at DTI

The number of firms registered during the quarter increased by 54.19%, from 1,633 in the 3<sup>rd</sup> quarter of 2009 to 2,518. Most of the firms were trading business accounting to 54.64% of the total, followed by services at a 35.58% share. The number of firms registered in trading and services both increased by 60% during the quarter under review.

Of the region's total registration through Business Name, 39.44% were in Isabela followed by Cagayan (32.05%) which increased by 96.35% (from only 411 firms registered in 3<sup>rd</sup> quarter of 2009).

Investments generated through Business Name Registration (BNR) reached Php983.98 Million in the 3<sup>rd</sup> Quarter of 2010, increasing by 92.47% from Php511.25 in 3<sup>rd</sup> Quarter, 2009. Investments in the Services Industry outgrew other industries at a remarkable 116.11% increase, from PPhp162.63Million in 3<sup>rd</sup> Quarter, 2009 to PPhp351.46Million in 3<sup>rd</sup> quarter, 2010.

With the increase in registered firms and investments, employment generated increased by 64.48% in 3rd quarter 2010, at a total of 6,306 as compared to only 3,834 in the same quarter last year. Employment generated by the trading and services industries increased by an average of 75.78%. As such, 85.78% of the total employment generated through BNR was in the said industries.

During the period, however, there were no investments/projects located in the region that were registered in the Board of Investments.

### **Expansion of Telecommunication Services**

The number of cell sites given license during the quarter grew by 2.5% (from a total of 80 in CY 2009's 3<sup>rd</sup> quarter) owing to the 2 additional cell sites (1 in Isabela and 1 in Cagayan) installed by Globe Telecom Incorporated. In turn, Globe Telecom had a total of 266 Cell sites as of the end of the quarter, from only 253 in 3<sup>rd</sup> quarter, 2009.

While there were no additional cell sites installed by Sun Cellular and Smart Telecommunications, number of channels for both operators increased by an average of 4.45%.

As such, there were 658 available channels as of the end of 3<sup>rd</sup> quarter, 2010 from only 535 in 3<sup>rd</sup> quarter, 2009. The increase in the number of channels may indicate an increase in the number of mobile telecommunication subscribers in the region.

### **More Motor Vehicle Registered**

Number of registered motor vehicle improved by 14.29% in the quarter, from a total of 65,116 in 2009's 3<sup>rd</sup> quarter to a total of 74,422 in the 3<sup>rd</sup> quarter, 2010.

Most of the registered vehicles were privately owned with a total of 54,703 in the 3<sup>rd</sup> quarter of 2010, of which 25,918 were privately owned motorcycles and tricycles. Due to the minimal fuel consumption of motorcycles coupled with the enticing amortization schemes offered by motorcycle dealers, the number of registered motorcycles and tricycles increased by 13.33% from 41,288 registered units in the 3<sup>rd</sup> quarter of 2009.

Thus, the total revenue collected on the registration of motor vehicles posted significant rate of increase at 21.09% from Php4.56 Million in 3<sup>rd</sup> quarter, 2009 to PPhp5.52 Million in 3<sup>rd</sup> quarter, 2010.

## Building Up on Air Transport

Average passenger count (includes arrivals and departures) increased by 28% from 32,674 in 3<sup>rd</sup> quarter, 2009. Likewise, total volume of cargoes increased by 20.12% from 427,993kgs in 2<sup>nd</sup> quarter, 2009 owing to availability of international flights and commercial flights.

There were 25 international flights chartered by Cebu Pacific in Tuguegarao Airport during the quarter. Likewise, commercial flights increased by 4.7% from a total of 676 in 3<sup>rd</sup> quarter, 2009.

Despite the increases in commercial and international flights, however, total number of flights decreased by 62% (from 3,903 in 2009's 2<sup>nd</sup> quarter) due to the decreases in flights for general aviation and military flights especially along Tuguegarao and Cauayan Airports. The flight services on general aviation and flight schools (Fliteline and Cyclone Air) catered by the Cauayan City Airport in CY 2009 has significantly decreased during the quarter under review. Likewise, no flights were recorded for Itbayat Airport because construction works are still on-going.

## Influx of Regional Visitors

Tourism flourished during the quarter with visitors count increasing by 4.21%, from 211, 909 in 3<sup>rd</sup> quarter, 2009 to 220,828 in 3<sup>rd</sup> quarter, 2010. Most of the visitors were domestic tourists accounting to 95.39% of the total. Domestic visitor count increased by 4.24%, from 202,081 in 2009's 3<sup>rd</sup> quarter. The improvement and availability of more commercial flights seem to have encouraged domestic tourists to visit the region.

Likewise, foreign visitors count increased by 3.59% (from 9,828 in 3<sup>rd</sup> quarter, 2009) owing to international flights chartered during the quarter making travel easier for the tourist. Visitors coming from North America, South Asia and Europe managed to increase by an average of 50.47%. The increase in visitor count from the said regions negated the drop in visits from our East Asian neighbors (especially from China and Hong Kong) which showed visitors count decreasing by 10.10%, from a total of 5,334 in 2009's 3<sup>rd</sup> quarter to only 4,795 in the quarter under review. The August 2010 Hostage Crisis that brought criticism and fear to the country's tourism industry, which ended up with 8 Hong Kong Nationals killed, may be a factor behind the decrease.



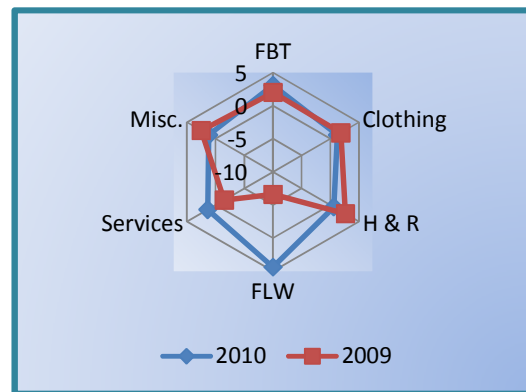
The Infinity Pool of Sun City Resort and Villa in Sta. Ana, Cagayan seems to be flowing to the sea...this scenic view kindles the curiosity of tourists visiting the place

The influx of tourists gives income to the region in terms of tourist receipts or the amount spent by the tourists for food, hotel and accomodation, transportation and fees on regional services during their visit and stay in the region. As such, total tourist receipts amounted to a total of Php494.8 Million in the quarter under review.

### **Inflation on the Rise**

Being carried by the FLW index, inflation rate during the quarter sped up with the average figure on all items registering at 3.1%, up by 1.1 percentage points from only 2.0% in the same quarter of 2009. FLW (Fuel, Light and Water) index increased by 11 percentage points, from 4.4% in the same period last year with fuel index alone dashing by 19.1percentage points (from 7.9% in the 2009's 3<sup>rd</sup> quarter). The vulnerability of domestic fuel supply to petroleum price hikes in the world market explains the rapid shocks along the Fuel Index.

With government efforts to suppress importation of corn, inflation on the commodity increase by 2.3 percentage points, from 1.8% in the 2009's 3<sup>rd</sup> quarter. Key informants in the region revealed that prices of corn is playing between Php11/kilo to Php 12/kilo in key locations of the region. Likewise with the production declines in fruits and vegetables, inflation rate on the commodities went up by 4.1%, from only 3.6% in the same period, last year.



Meanwhile, with the drought affecting tobacco production and supply, tobacco index went up by 4.4% as compared to its figure of only 3.7% in the 3<sup>rd</sup> quarter of 2009.

As such, inflation on FBT (Food, Beverages and Tobacco) increased by 0.1 percentage points during the quarter, from 3.8% in the 2009's 3<sup>rd</sup> quarter.

### **Number of Employed Increased**

Based on the July, 2010 Labor Force Survey, employment rate decreased by 1.1 percentage points from 97.2% during the same period last year. However, actual number of employed increased by 3 thousand from 1.393Million in the same period last year. The decrease in employment rate was due to the increase in labor force participation which lowered down the ratio of employed to those who participated in the labor force.

Worth noting for the survey period was the dropped in underemployment or those employed less than 8 hours a day and are looking for more hours of work, at only 194 thousand during the period, from 225 thousand in the same



period last year. As such, underemployment rate (ratio of those looking for more hours work to the total employed) decreased by 2.3 percentage points, from 16.2% in the same period last year.

### **Development Outlook for the Next Quarter**

While the region is expecting a rebound in the next quarter of the year with the rainy season curing the effects of El Niño, such expectation may be difficult to meet especially with the aftermath of typhoon “Juan” and the tail of the cold front leaving much havoc in the region’s agriculture and fisheries.

Typhoon Juan left an estimated damage on corn, palay and assorted vegetables amounting to Php1,568,835,085 in farm gate prices. It also left a total of Php60,985,402 loss in fisheries. There were also damages in infrastructures, power lines, buildings and residential places.

Likewise, the “tail of the cold front” which caused flash floods during the 1<sup>st</sup> week of November, 2010 has also negative effects on production and output in the next reporting period. Total damage to agriculture (from Palay and Corn) from the provinces of Cagayan and Isabela amounted to Php 313,749,207. Likewise, the occurrence left an estimated damage of Php 88,564,213 in fresh water fisheries.

Despite of the bleak outlook of the regional economy as a result of natural calamities, however, the following factors may be considered significant in making the regional economy afloat for the succeeding quarters.

- **Launching of the Philippine Business Registry (PBR).** With this, the businessmen and possible investors can already apply for business registration through online electronic forms. The PBR is a web-based Information Technology System that allows online filing of applications for business registration, business permits and licenses and business dissolution using a data entry facility. Basic Information on the Applicants’ businesses will be entered once and will be automatically transmitted to concerned agencies and Local Government Units. With the help of the PBR, business application in the region will be easier and faster – thus, encouraging more businesses and investments in the region. (PIA)
- **Completion of the North Star Mall.** The construction of the Mall in Alibago, Ilagan, Isabela is nearing completion. The assumption of businesses at the mall will be a possible venue for employment in the region. Moreover, it will be also help attract visitors in the region.
- **Building of 120-Room Hotel.** The hotel will soon rise near the North Star Mall which will also contribute much on local employment and revenue generation. This will also help in improving tourism in the region. (PIA November, 2010)