

# REGIONAL ECONOMIC SITUATIONER

## *First Semester 2008*

### *Region XII*

## I. ASSESSMENT ON THE PERFORMANCE OF THE REGIONAL ECONOMY

### A. CROP PRODUCTION

#### Palay and corn production increase

A **16 percent increase in the production of palay** was noted in the first semester of 2008, compared with the production in the same period last year. Palay production for both rainfed and irrigated areas increased with the sufficient water supply brought about by frequent rainfall. In the same period last year, the region experienced dry season beginning last quarter of 2006.

Palay and Corn Production in Metric Tons  
First Semester, 2007 and 2008

Crop	2007	2008	Growth Rate (%)
Palay	431,437	502,552	16
Corn	300,989	448,878	49

Source: BAS XII

Likewise, **corn production grew by about 49 percent** due to favorable weather condition. A higher increase of 85 percent was recorded for yellow corn (usually used for feed production) and only 2 percent growth for white corn production. Area harvested for yellow corn increased by 63 percent, while area harvested for white variety declined by 6 percent.

The hybridization program of the Department of Agriculture for both palay and corn contributed to the increase in production.

#### Sugarcane leads in the production of Region XII's commercial crops

Almost all of the region's commercial crops have increased production which can be attributed to the sufficient rainfall during the period.

**Sugarcane production grew by about 62 percent** in the first semester of this year compared with the same period last year due to increase in area planted and good weather condition.

**Pineapple production was up by about 32 percent** because of expansion areas in Upper Valley, South Cotabato and in Malungon, Sarangani Province.

**An eight percent growth was recorded for banana** with additional areas harvested with Cavendish, lacatan, saba and bungulan varieties.

Production of Other Commercial Crops (in Metric Tons), First Semester, 2007 and 2008

Crop	2007	2008	Growth Rate (%)
Abaca	373	391	5
Asparagus	7,933	7,538	(5)
Banana	457,635	495,171	8
Coconut	425,094	445,116	5
Mango	45,961	42,652	(7)
Pineapple	338,157	447,645	32
Rubber	61,845	65,091	5
Sugarcane	407,642	659,126	62

Source: BAS XII

Also, a **5 percent growth in the production of abaca, coconut and rubber** was registered during the period.

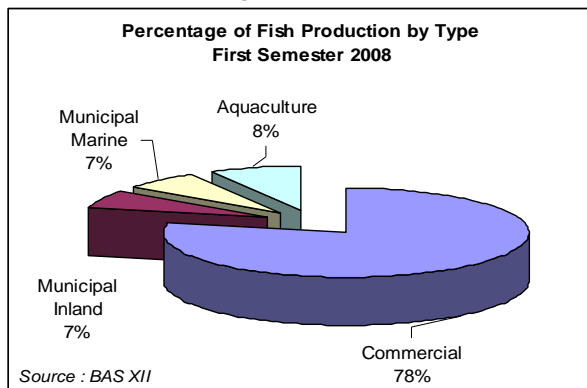
New areas harvested with abaca were in Magpet, North Cotabato. Also, additional bearing trees were recorded for coconut and more rubber trees were tapped during the period. Coconut and rubber had a favorable market price during the period.

On the other hand, **mango production** was affected by frequent rainfall during fruiting stage, thus, registering a **decline of around 7 percent**. **A drop of about 5 percent was also observed in the production of asparagus** because some farmers in Sarangani shifted to papaya and corn production.

**B. FISH PRODUCTION**

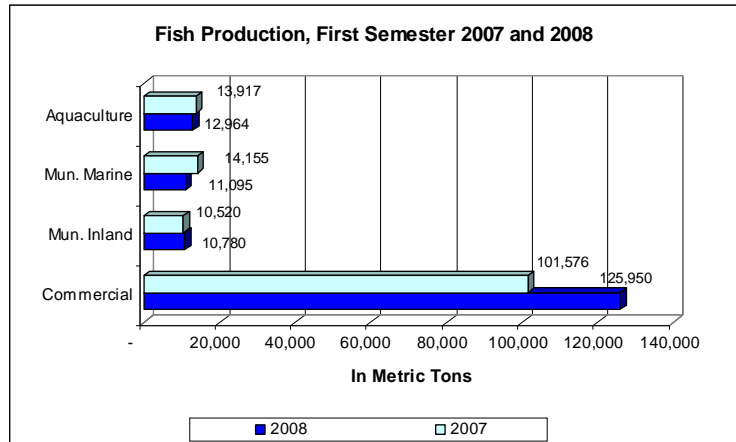
**Commercial fishing remains to be the region’s biggest fish source**

**Commercial fishing**, which accounted for about **72 percent of the region’s fishing industry**, grew by **24 percent** in the first semester of 2008. The Bureau of Agricultural Statistics noted the increased unloading activities in General Santos City Port for both local and foreign vessels. Frozen tuna from other countries, such as Taiwan, Japan, China and Papua New Guinea were unloaded in General Santos for canning.



**Municipal inland fishing also increased by 2 percent**. However, **municipal marine dropped by about 22 percent and aquaculture by 7**

**percent**. Lesser fishing activities were recorded for municipal marine during the period due to high operation/fuel cost and also the presence of strong winds brought about by typhoons Butchoy and Frank. There was also a recorded damage of fish cages/pens for aquaculture farming because of flooding.



**C. LABOR AND EMPLOYMENT**

**Employment Rate increases to 95.4 percent**

Preliminary estimates of **employment rate** in January 2008 round of survey was **95.4 percent**, with a very slight difference of 0.1 percentage point compared with the 95.3 percent in January 2007.

Labor and Employment Indicator, January 2007 and 2008 Labor Force Survey

Indicator	2007	2008	Growth Rate (%)
Population 15 yrs. Old & over ('000)	2,382	2,431	2.1
Labor Force Participation Rate (%)	65.4	64.9	(0.5)
Employment Rate (%)	95.3	95.4	0.1
Unemployment Rate (%)	4.7	4.6	(0.1)
Underemployment Rate (%)	23.7	22.5	(1.2)

Source of data: NSO XII

**Total number of employed persons was estimated at 1.505 million** in January 2008, higher by 21,000 compared with last year.

**Unemployed persons totaled to 73,000 persons** in January 2008 survey, lower by 1,000 persons compared with the 74,000 estimated unemployed a year ago.

**Number of underemployed persons was 338,000** in January 2008. These are the employed persons who are still wanting or looking for additional number of hours of work.

**D. PRICES**

**Double digit inflation rate for food, fuel and educational services**

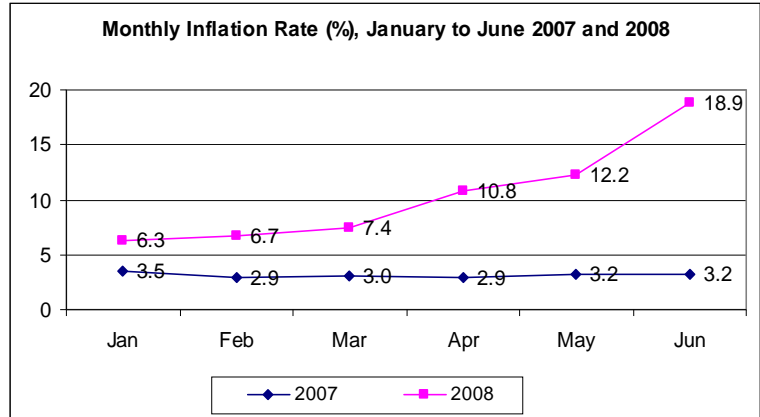
Prices of commodities surged in the first semester of 2008 from an average Consumer Price index of 136.4 in 2007 to 150.6 this period. This translates to an inflation rate of **10.4 percent in the first semester of 2008**, which is 7.3 percentage points higher than the 3.1 percent inflation rate in the same period last year.

Inflation rate started to rise in January 2008 at 6.3 percent, reaching a double digit inflation rate of 10.8 percent in the month of April 2008. In May, inflation rate was already posted at 12.2 percent and finally increased to 18.9 percent in June 2008.

June 2008 inflation rate released by the National Statistics Office (NSO) revealed that Region XII posted the second highest inflation among all the regions behind Caraga Region which posted 19.8 percent. The national inflation for June 2008 was recorded at 11.4 percent.

By commodity, the Food, Beverages and Tobacco (FBT) group registered an

inflation rate of 13.5 percent which was pushed by the high inflation rate for **food at 14.1 percent**. Basically, the price of rice was unstable during the period. From P29-31 per kilo in the first quarter of 2008, it suddenly rose to P42-48 per kilo for a short period during the second quarter. FBT posted a 27.1 percent inflation in June, from 15.9 percent the previous month.



Ranked second was the Fuel, Light and Water (FLW) group with an inflation rate of 9.2 percent, mainly caused by the **15.4 percent inflation rate for fuel**. The prices of gasoline, diesel and Liquefied Petroleum Gas (LPG) started to rise towards the end of May 2008, as shown in the table:

Ave. Retail Price as of	Unleaded Gasoline (P)	Diesel Oil (P)	LPG-11 kg (dealers' pick-up price) (P)
30 Jun 08	59.46	52.44	600.00 -- 671.50
27 May 08	51.96	44.94	585.00 -- 628.00
30 Apr 08	47.96	40.94	551.00 -- 597.00
31 Mar 08	46.46	39.44	558.00 -- 603.00
26 Feb 08	43.96	36.94	564.00 -- 609.00
29 Jan 08	44.45	38.45	594.00 -- 650.00
26 Dec 07	44.45	38.45	594.00 -- 650.00
30 Nov 07	43.95	37.95	529.00 -- 602.50
30 Oct 07	42.45	36.95	508.00 -- 558.00
25 Sept 07	40.95	35.45	480.00 -- 533.00
28 Aug 07	40.95	34.95	471.00 -- 526.00
31 Jul 07	40.95	34.95	468.00 -- 520.00
30 Jun 07	40.45	34.45	479.00 -- 545.00

Source: Department of Energy

From a 9.5 percent inflation rate in May 2008, FLW registered an 11.9 percent inflation in June.

The continued increases in the prices of rice and petroleum products pushed further the regional inflation to an all-time high since the turn of the century.

The Services group had an estimated inflation rate of 7.6 percent. Contributory to this was the high inflation rate of **educational services at 11.5 percent**, as well as, personal, medical and transportation and communication services at 6.5%, 6.2% and 6.3%, respectively.

Clothing group posted an inflation rate of 5.5 percent and Housing Repairs at 5.6 percent.

**E. TOURISM**

**Tourist arrivals' drop by 8.0 %**

Total tourist arrivals in the first semester of 2008 declined by **8.0 percent**.

The continuing increase of transportation cost as an effect of oil price hike, limit travels of tourists and other economic activities of the people in going to and from the areas of Region XII. Advisories of embassies banning the travel of constituents to areas in Mindanao including Region XII because of unstable peace and order situation, caused the drop in **foreign tourists to about 43 percent**.

Tourist Arrivals, First Semester 2007 and 2008

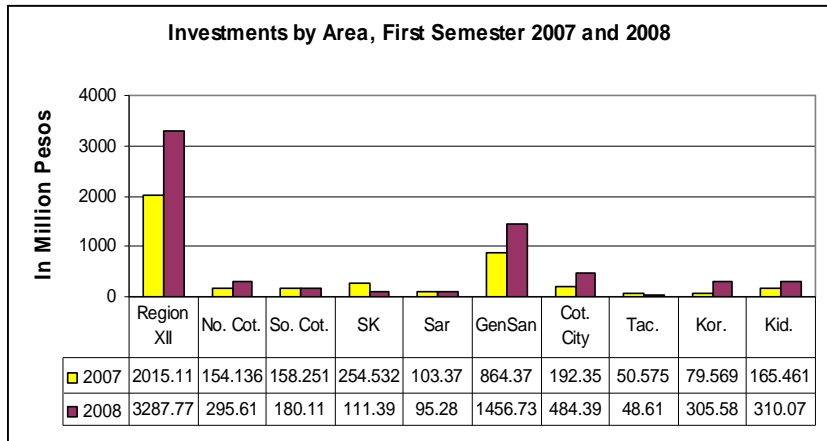
Visitors	2007	2008	% Growth
Domestic	317,277	292,675	(7.8)
Foreign	2,231	1,262	(43.4)
TOTAL	319,508	293,937	(8.0)

Source: DOT XII

**F. INVESTMENT**

**High investment growth of 63 percent**

A total of **P3,288 Million** investments was recorded for Region XII during the period, about **63 percent higher** than last year's figure of P2,015 Million. The said figure is limited only to activities conducted by the Department of Trade and Industry XII, such as investment missions, business matching, loan facilitation, business name registration and OTOP-related activities.



Source: DTI XII

The largest investment or about **43 percent** of the total investment in the region was contributed by **General Santos City**.

Investments in the **cities of Koronadal and Cotabato** recorded the highest growth of around **284 and 152 percent, respectively**.

The province of North Cotabato performed well with an investment growth of about 92 percent and Kidapawan City recorded an 87 percent increase. Likewise, General Santos City's investment grew by around 68 percent.

However, declining investments were noted in Sultan Kudarat at negative 56 percent, Sarangani dropped by about 8 percent and Tacurong by 4 percent. These areas have less activities assisted by DTI XII during the period.

## F. PEACE AND SECURITY

### **Crime volume drops, solution efficiency up**

During the first semester, total crime volume recorded was 968, a decrease of 431 cases as compared to the same period in 2007 which was 1,399.

The solution efficiency of Philippine National Police Regional Office (PRO) XII improved to 95.35 percent in the first semester 2008 from 91.14 in first semester 2007.

### **CRITICAL INCIDENTS**

1) ***Double digit inflation rate.*** A double digit inflation rate was recorded for food, fuel and educational services. This was attributable to the increasing prices of rice, fuel and school fees.

2) ***Declining tourist arrivals.*** The overall decline in the number of tourists, both domestic and foreign was caused by the unstable peace and order situation in the area and the increase in transportation cost.

3) ***GRP-MILF Peace Negotiations.*** On March 2008, the GRP Panel went through an internal process of legal consultations vis-à-vis the provisions of the MOA-AD. This resulted to the submission of the latest ancestral domain proposal to the MILF, through the Malaysian facilitator on 23 June 2008. The ancestral domain issue has been the subject of intense discussions running four years at the negotiation table.

4) ***Rising cases of crimes against property.*** Although the region's crime situation improved, PRO XII expressed alarm on the rising cases of crime against property, particularly theft. Deeper analysis revealed that the increase could be attributed to economic crisis.

5) ***Bombing Incidents.*** PRO XII also reported that as compared to 2007 when the motives of explosion were political, bombing incidents recorded in the first six months of 2008 were due to extortion activities.

## **DEVELOPMENT OUTLOOK**

### **1) Agro – Fishery Production and Prices**

The prevailing sufficiency in the production of palay in the first semester will lead to a stable and favorable price of rice in the coming quarter. However, oil prices are foreseen to rise with the continuing price hike in the world market. Prices of other commodities are expected to increase moderately in the coming period.

Palay production is expected to increase in the third quarter, in time for the peak harvest season. However, typhoon Frank hit the region on June 18 to 22, which affected 27 municipalities of the 4 provinces of the region, 31 barangays of Cotabato City and 4 barangays of General Santos City. The crisis was coupled by the occurrence of atrocities in North Cotabato starting also in the month of June, which damaged some farm areas of affected barangays. The effects of the adverse complex situation on the farm and livestock production of the region would be manifested next semester.

If not contained, the complex emergency situation that happened in North Cotabato starting June of 2008, may lead to further disruption of classes in affected areas and higher demand for food relief, provision of basic goods and health services in evacuation centers.

Production of all commercial crops is expected to increase given the favorable weather condition, except that mango production could be critical in their fruiting stage during rainy season. Also, fish

production will grow with the abundance of the region's marine resources and the forecasted good weather.

## **2) New Minimum Wage**

In compliance to Wage Order No. RB XII-15, issued on June 16, 2008, private establishments/employer shall increase wages of their workers effective October 3, 2008. This new development will not affect private employment as there would be no retrenchments expected in the region as this increase is a result of negotiation between the employers and the workers. With this scenario, employment rate shall be maintained at its current level or may even slightly increase, for that matter.

## **3) Southern Philippines Peace Process**

### ***3.1 Tripartite Review of 1996 GRP-MNLF Final Peace Agreement***

Agreements reached during the Organization of Islamic Conference (OIC)-GRP-MNLF Tripartite Meeting in Jeddah, K.S.A. on 10-12 November 2007 was implemented during the first quarter of 2008. This was the establishment of five (5) Joint Working Groups (JWGs) to review the implementation of the peace accord, assessment of progress and obstacles to its implementation.

The 5 JWGs created were Shariah and Judiciary; Special Regional Security Force and Unified Command for the ARMM; Natural Resources and Economic Development Issues; Political System and representation; and, Education. The government, through OPAPP, shall continuously coordinate with concerned government agencies for the implementation of the 1996 Final Peace Agreement to preserve the gains of the peace process.

### **3.1 GRP-MILF Peace Process**

With the GRP's submission of the latest Ancestral Domain proposal, the government negotiation with the MILF is now at a crucial juncture that will hopefully lead to a breakthrough as far as the last contentious aspect in the talks on Ancestral Domain.

However, the clamor of the people in Mindanao, is for the Government to be transparent about the negotiations and conduct consultations with a wider spectrum of stakeholders in southern Philippines.

The peace talks with the MILF has been suspended after the Supreme Court issued the temporary restraining order on the signing of Memorandum of Agreement on Ancestral Domain. This resulted to subsequent armed incursions of rogue MILF groups in several provinces of Mindanao, provoking a counter offensive by government troops.

For another round of peace negotiations with the MILF, the government will implement a new policy on disarmament, demobilization and re-integration (DDR).