

REGIONAL ECONOMIC SITUATIONER CY 2006

Overall Assessment

Crop production improved in 2006, compared with the production level last year. Banana, rubber, corn, sugarcane, palay, coconut and pineapple recorded positive growth because of sufficient rainfall, additional number of productive trees/hills and good local and export market.

Inventory of livestock in the fourth quarter of 2006 showed positive performance compared with the inventory in the same period last year. There were more live births than number of heads slaughtered during the year under review.

Fish production in all areas registered an increase due to good weather, abundance of seasonal species, fair market and good peace and order condition. Aquaculture production grew by 61.70% because of additional fishpond areas.

Total investments generated in the region for 2006 amounted to P4.46 Billion, while export earnings amounted to US\$390.50 Million.

In 2006, monthly inflation rate was at a declining trend from 5.8 percent in January to 3.7 percent in December, or an average of 5.3 percent. The 5.3 percent inflation rate in 2006 was lower by 1.4 percentage points with the 6.7 percent estimate in 2005.

Employment rate in October 2006 was estimated at 95.3 percent, which is 0.6 percentage point higher than in the same period last year

I Assessment of the Regional Economic Performance

Crops

Crop production registered increased levels in 2006. Banana production recorded a tremendous increase of more than 1000 percent. There were more hills that started producing fruits during the period. Because of the good market demand of banana at the local market and abroad, more farmers have now ventured in banana farming.

Palay and corn had a good performance, registering a 5.15% and 13.4% growth rate, respectively, due to sufficient rainfall during the year.

Coconut production grew by 3.62% because of favorable weather and high buying price of copra. Rubber farmers maximized tapping activities in 2006 considering the market price of rubber. Production of rubber increased by 29.45%. While sugarcane production was

up by 8.36% with the continuous milling operation in the first semester of 2006. Pineapple production also increased by 2.02% attributable to sufficient rainfall and growing export market demand.

On the other hand, production of asparagus and mango declined by 13.52% and 19.08%, respectively. Some areas in Sarangani province were converted to banana production due to soil unsuitability for asparagus. Mango production was affected by frequent rains and bugs/flies infestation.

Crops	2005	2006	Growth Rate (%)
Palay	1,090,105	1,146,220	5.15
Corn	959,286	1,087,843	13.40
Coconut	779,317	807,506	3.62
Banana	753,949	8,306,821	1,001.77
Rubber	100,423	129,994	29.45
Sugarcane	495,562	537,012	8.36
Asparagus	24,607	21,280	-13.52
Pineapple	636,449	649,301	2.02
Mango	53,585	43,362	-19.08

Source : BAS XII

Livestock and Poultry

Except for chicken, the inventory of livestock in the fourth quarter of 2006 generally showed positive growth compared with the inventory in the same period last year. Chicken inventory declined by 1.26% because of more disposals, either consumed as food or sold in the market. There were more live births than number of heads slaughtered for all other livestock and poultry.

Inventory of Livestock and Poultry, 4th Quarter 2005 and 2006

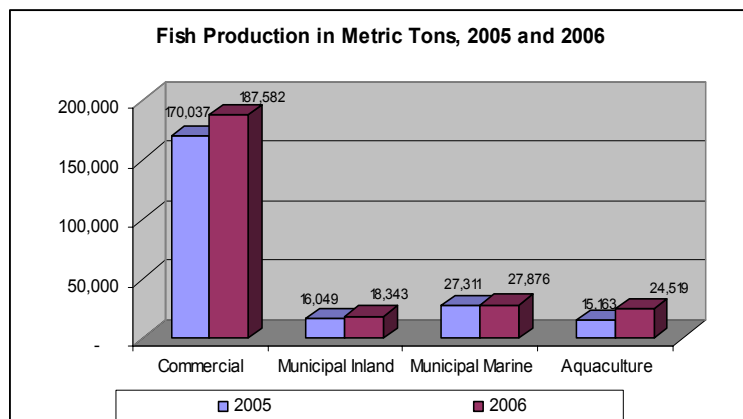
Livestock/Poultry	2005	2006	Growth Rate (%)
Carabao	300,094	305,901	1.94
Cattle	184,471	184,612	0.08
Hog	654,280	727,280	11.16
Goat	266,723	268,558	0.69
Chicken	6,479,293	6,397,665	(1.26)
Duck	1,140,043	1,181,428	3.63

Source: BAS XII

Fishery

Commercial fish production grew by 10.32%, attributable to the increase in the volume of tuna unloaded in the General Santos Fish Port, purposely for canning and eventually exported to other countries.

Municipal inland and

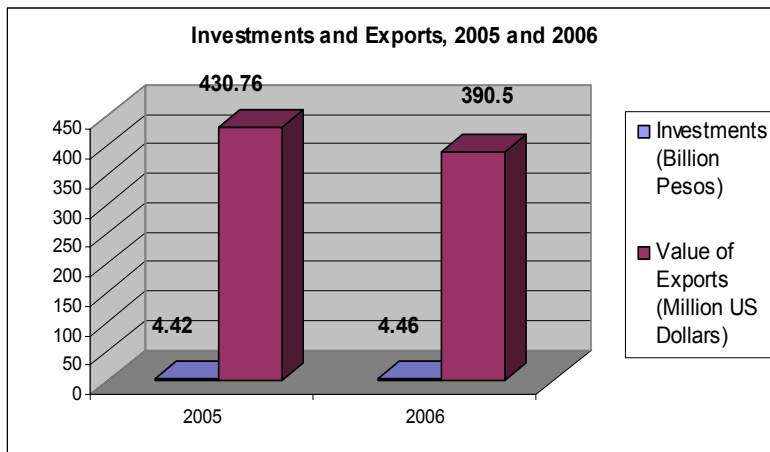


marine production had better performance due to abundant fish supply and good weather during the period.

The increased area for aquaculture farming and more intensive fingerlings dispersal contributed to the growth performance of the aquaculture production by 61.70%.

Investments and Exports

The total investments generated in the region for 2006 amounted to P4.46 Billion, which recorded a slight increase of 0.90% than the P4.42 Billion generated last year.



Investments were mainly generated from micro, small and medium enterprises (MSMEs) through investment mission, business matching, business name registration, and investment facilitation.

The total export earnings amounted to US\$390.50 Million, lower by 9.35% compared to last year's record of US\$430.76 Million. The region is very dependent on

primary agricultural products such as canned tuna, fresh/frozen/chilled tuna products, round scads/silver mackerel, fresh and canned pineapple products, asparagus, crude coconut oil, prawn/shrimps, and, banana, which are products with limited exports markets. Exports performance, however, is also affected by the influx of imported products sold at cheaper prices in the local market.

Tourism

Tourism industry almost maintained its performance as indicated by the number of tourist arrivals to witness and attend cultural festivals and other special events. Both domestic and foreign tourists were estimated at about 554,762 in 2006, slightly higher by 0.13% than the last year's estimate of 554,068.

A total of 39 cultural festivals and special events were recorded in 2006, compared with 32 festivals/special events in 2005. Among the major festivals conducted in the different areas of the region were the following: Halad sa Sto. Niño, Hinugyaw Festival, Tuna Festival, Kalilangan, T'nalak, Timpupo, Talakudong, Shariff Kabunsuan, MunahTo, etc. Other activities were the Mt. Apo summer Climb, Mt. Apo Octo Trek, among others.

The region was able also to host national conventions, such as: Association of Tourism Officers of the Philippines (ATOP) National Convention in Koronadal City, Convention on United Architect of the Philippines (UAP) hosted by Cotabato City, the 28th

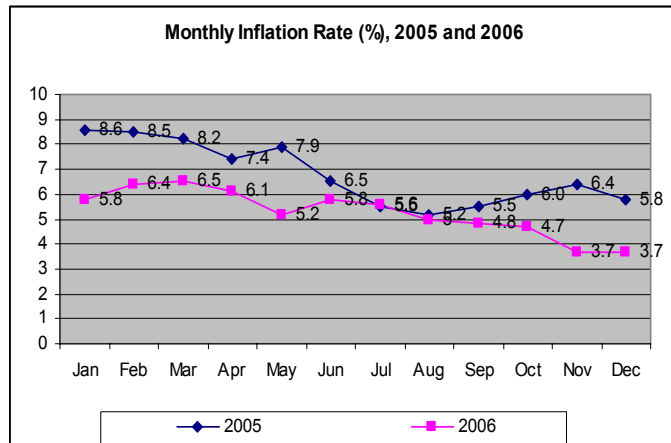
Mt. Apo National Mid Year Climb hosted by Kidapawan City and Cotabato Province, at the same time a venue of the organization of Mountaineering Club President’s annual meeting, and the International Meeting of the BIMP-EAGA 3rd Cluster Meeting on Joint Tourism Development.

Tourism industry in the region strengthened its services through the conduct of massive campaign on accreditation of tourism establishments; upgrading of skills of those involved in tourism business; continuous organization and strengthening of tourism councils; facilitation of investment promotion of tourism projects and monitoring the implementation of the Regional Tourism Master Plan.

Prices

Consumer Price Index (CPI) for all items was estimated at 133.4 percentage points in 2006, about 5.3 percent higher than the 126.7 estimate in 2005.

For year 2006, monthly inflation rate was at a declining trend from 5.8 percent in January to 3.7 percent in December, or an average of 5.3 percent. The 5.3 percent inflation rate in 2006 is lower by 1.4 percentage points with the 6.7 percent estimate in 2005.



Consumer Price Index, 2005 and 2006

Commodity Group	2005	2006	% Change
All Items	126.7	133.1	5.3
Food, Beverages and Tobacco	125.3	131.7	5.1
Food	125.6	132.2	5.3
Beverages	123.1	129.5	5.2
Tobacco	117.9	121.2	2.8
Clothing	115.4	119.2	3.3
Housing and Repairs	116.8	118.2	1.2
Fuel, Light and Water	145.5	159.4	9.6
Services	143.4	155.1	8.2
Miscellaneous	114.2	117.1	2.5

Source: NSO XII

By commodity group, Fuel, Light and Water (FLW) registered the highest inflation rate of 9.6 percent, attributable to higher price increase in water (10.8%), fuel (10.2%) and light (8.6%). The Services group ranked second at 8.2 percent. Among the services, transportation and communication recorded the highest change of 11.5%, followed by medical services at

7.3%. The rest of the services registered lower price changes, such as, education (4.4%), personal (4.2%) and recreation (2.0%).

Inflation rate for the Food Group was estimated at 5.1 percent. Fruits and vegetables increase by 9.8%, fish at 7.1%, cereal preparation at 5.4%, beverages by 5.2%, dairy products by 4.2%, eggs by 4.1% and cereals at 3.0%.

Clothing group registered an inflation rate of 3.3 percent and Housing and Repairs at 1.2 percent.

Employment

Around 1.622 million persons were in the labor force in October 2006, with an increase of 1.6 percent from its level of 1.596 million in October 2005. The Labor Force Participation Rate (LFPR) decreased by 0.8 percentage point, from 66.9 percent last year to 66.1 percent this year. The persons not in the labor force, like housewives, students, disabled and retired persons increased by 43,000 or 5.4 percent, from 789,000 a year ago to 832,000 in October 2006.

Labor and Employment Indicator, October 2005 and 2006

Indicator	Oct. 2005	Oct. 2006	Percent Accomplishment
Population 15 years old and over ('000)	2,385	2,454	(2.31)
Labor Force Participation Rate (%)	66.9	66.1	(4.5)
Employment Rate (%)	94.7	95.3	3.1
Unemployment Rate (%)	5.4	4.7	(2.8)
Underemployment Rate (%)	30.4	25.6	(4.8)

Source: NSO XII

Employment rate in October 2006 was estimated at 95.3 percent, which is 0.6 percentage point higher than in the same period last year. For the employed persons by major occupational group; about 53.23% were in the agriculture sector, 38.36% in services and the remaining 8.3% in the industry sector. Furthermore, employed persons who were males consist about 64.60% and females, 35.34%. The number of employed persons increased by 35,000 from 1.511 million in October 2005 to 1.622 million a year after. Of the total employed in October 2006, 25.6 percent were considered underemployed or still desired for more hours of work, or about 832,000 persons. There was an increase of 43,000 underemployed from October 2005 to October 2006.

The unemployment rate in October 2006 was estimated at 4.7 percent. This was 0.7 percentage point lower compared with the 5.4 percent estimate a year ago. Unemployment level declined by about 11.6 percent from 86,000 in 2005 to 76,000 in 2006.

II Development Outlook

1. Palay and corn are expected to have lower production levels in the first semester of 2007 because of the dry season. Planting season will start by the second quarter with the expected onset of rains. Thus, increased production is expected to be in the third quarter of the year.
2. Commercial crops, specifically mango, sugarcane, rubber and coconut shall continue to experience good production with the benefit of dry season and fair market price for the said crops. Banana and pineapple are expected to maintain production levels considering good market demand both locally and abroad.
3. Fish production is foreseen to exhibit higher production levels with the absence of rainfall and big waves which are beneficial for fishing activities.
4. Modest performance of the agriculture and fishery sectors shall further increase export earnings of the region given the characteristics of our exports, which are agri-based.
5. Tourist arrivals are to increase with the forthcoming national sports activity or the Palarong Pambansa to be hosted by the region and the regional tourism activity dubbed as “Kuyog Tanu sa Region XII and ARMM in the first semester of 2007. Trade fair, street dancing, cultural presentation and other contests are planned to be conducted during the affair. At the same time the continuing cultural festivals in difference areas of the region will invite more domestic and foreign visitors.