

REGIONAL ECONOMIC SITUATIONER CY 2005

Overall Assessment

The region's economy recorded an impressive performance in 2005 as investment generation grew by about 60 percent and export earnings by 13 percent. Visitor arrivals increased by about 7.9 percent from 556,562 visitors in 2004 to 600,289 this year. The improved performance of the region can be attributed to the sustained peace and order situation in the area. There have been no untoward incidents recorded during the period that hampered the economic activities in the region.

Despite the series of oil price increases, inflation rate remained at a single digit level with an average of 6.7 percent. Moreover, employment rate rose from 90.37 percent in 2004 to 94.7 percent in 2005.

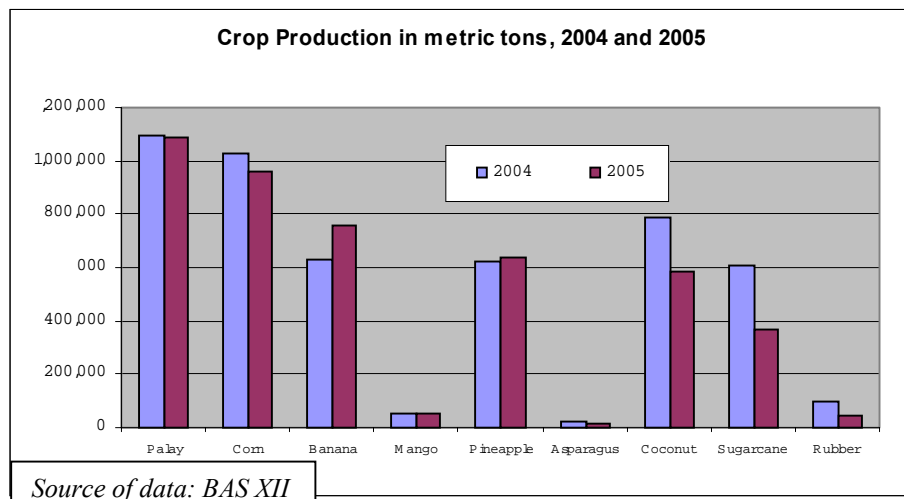
Banana, mango and pineapple production managed to grow by about 19.0, 4.0 and 2.79 percent, respectively.

However, palay, corn and sugarcane production was affected by the dry spell in the first semester and a flash flood in the last quarter of 2005. The production of rubber and coconut also experienced decline due to the cutting of senile trees.

I. ASSESSMENT OF THE REGIONAL ECONOMIC PERFORMANCE

A. Agriculture

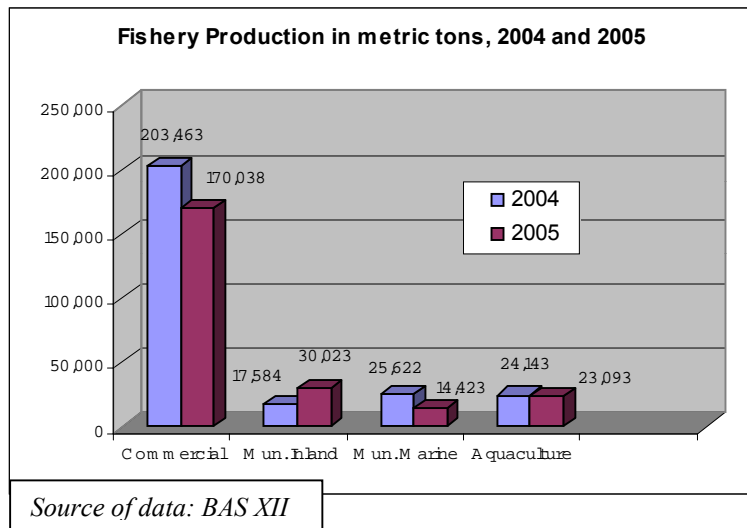
Palay and corn production in 2005 experienced a setback because of the dry spell during the first semester and flashflood in the last quarter of the year. As a result, palay production slightly dropped by about 0.64 percent from



1,097,135 metric tons in 2004 to 1,090,105 metric tons in 2005. Corn production declined by 6.44 percent from 1,025,312 metric tons last year to 959,286 metric tons in 2005. Likewise, area planted with palay decreased by 4.38 percent and corn by 4.71 percent due to the dry spell. For other crops, banana production grew by 19.34 percent, mango by 3.82 percent and pineapple by 2.79 percent. The increase was attributed to the additional fruit bearing trees harvested in North Cotabato for banana and mango and in South Cotabato for pineapple. However, declined production was recorded for rubber (57 percent) and coconut (25 percent) because of the cutting down of unproductive trees. Production of asparagus also declined by 18 percent, as some asparagus farmers shifted to papaya production due to the high cost of fertilizer. Sugarcane production was affected by the dry spell in the first semester.

B. Fishery

Total fishery production declined by about 12 percent from 270,812 metric tons in 2004 to 237,577 metric tons in 2005. Municipal inland fish production grew by 71 percent considering the favorable weather in the first three quarters of the year. However, commercial and municipal marine production decreased by about 16 and 44 percent, respectively because of less fishing activities during the period due to higher price of oil and other operational cost. Aquaculture production declined because of the increasing prices of commercial feeds. About 96.73 percent of the region’s fishery production was in South Cotabato province (General Santos City included), 2.7 percent, in Sultan Kudarat province and the remaining 0.56 percent was in Sarangani province.



C. Investments and Exports

Total investments generated in 2005 was recorded at P4.420 Billion, about 60 percent higher than last year’s record of P2.764 Billion. This was based on the recorded investment mission, business matching, business name registration and investment facilitation activities assisted by the Department of Trade and Industry (DTI) XII. The investments generated in the region were mostly micro, small and medium enterprises. Most of the investments were located in General Santos City such as the Information and Communication Technology (ICT) Park, Medical Transcription Companies, and the Marine Dry Dock Facility which was already inaugurated and shall operate by next year.. A Cold Storage Facility for marine products was also established in Sarangani province. Likewise, in Cotabato City, the South Seas Mall started to operate during the year. The municipality of Malungon on the other hand, has a record of investments for Mango Processing Plant and Mountain Resort to promote tourism activity in the area.

The use of e-commerce, adoption of industry clustering approach, and strengthening of one-stop action center for exports and investments are some of the strategies set to boost investments. During the year, five-million worth of investments in ICT Industry was generated in Region XII. This indicates that the Region is ready to take off as an alternate ICT investment hub of the country, as endorsed and promoted through Regional Development Council (RDC) XII Resolution No.66, series of 2005.

Investments, Exports and SME Promotion, 2004 and 2005

Indicator	2004	2005	% Change
Investments (PBillion)	2.764	4.421	59.9
Exports (\$Million)	380.59	430.76	13.2
Number of new SMEs developed	260	219	-15.8
Number of existing SMEs assisted	182	239	31.3

Source of Data: DTI XII

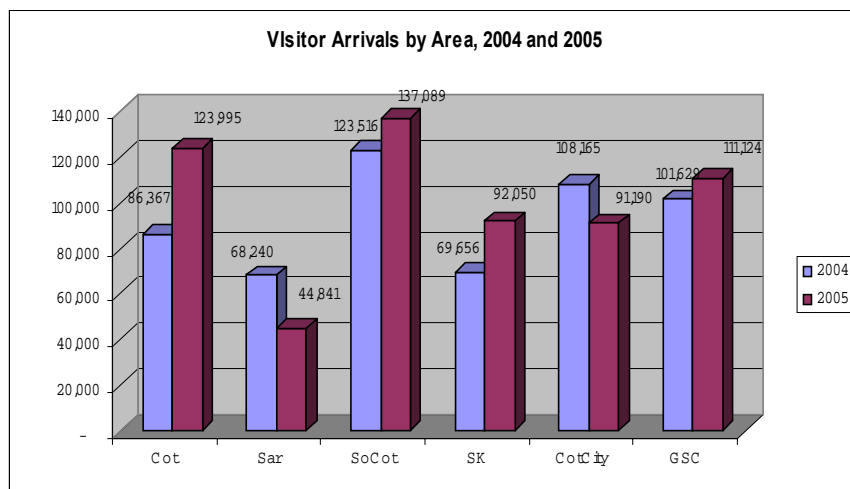
Total export earnings in 2005 reached \$430.76 Million, which was 13.2 percent higher than \$380.59 Million recorded in 2004. These data were based on total export receipts of the region as monitored by DTI. Among the region’s major exports/products are canned tuna, canned pineapple, crude coconut oil, fresh/frozen/chilled tuna, round scad/silver mackerel, fresh pineapple, asparagus, copra meal, prawns/shrimps and banana chips. These commodities were shipped to USA, Europe, Japan, Korea, Singapore, Thailand, Indonesia, Hongkong, Malaysia and Vietnam.

Around 219 small and medium enterprises (SMEs) were developed in 2005 and 239 existing SMEs were assisted by DTI XII.

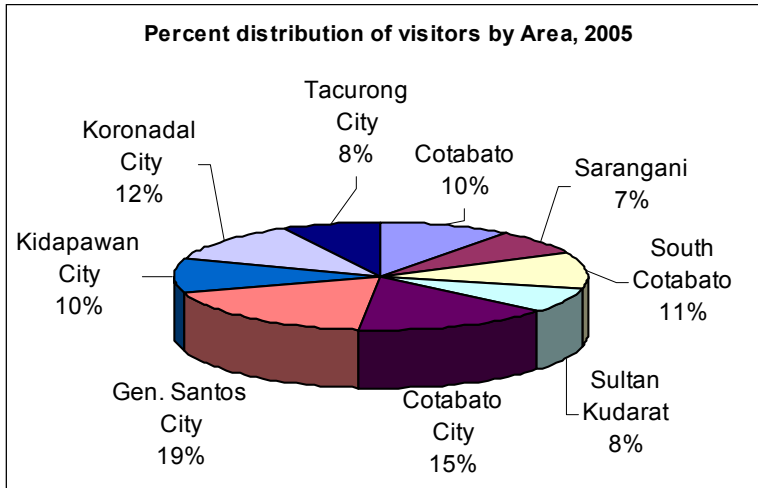
D. Tourism

Visitor arrivals in Region XII increased by about 7.7 percent from 557,573 visitors in 2004 to 599,215 this year. Across provinces and cities, Cotabato province recorded the highest annual growth rate of tourist arrivals, at 43.6 percent, followed by Sultan Kudarat province at 32.1 percent. On the whole, the growth is attributed to the increasing awareness and promotion of the local government units in partnership with the private sector to conduct collaborative tourism programs, projects and activities to attract foreign and domestic tourists.

These collaborative efforts also gained full support from local tourism councils. The visit of groups of the International Monitoring Team (IMT) from Brunei and Malaysia to observe the on-going GRP-MILF peace process also boosted tourism statistics.



Source of data: DOT XII



The tourism industry has evolved some marketing and promotions strategies such as the Cultural Festivals and Special Events, Best of the Regions in Intramuros, “KUYOG” Tanu sa Region XII showcase and the BIMP-EAGA Initiatives.

On December 6-7, 2006, the first Regional Tourism Summit was

conducted in Region XII which was spearheaded by Regional Development Council XII. The Summit resulted to the identification of priority tourist sites/spokes as the region’s banner tourist destinations, namely; Mt. Apo in Kidapawan City, North Cotabato; Lake Sebu in South Cotabato; and Gumasa White Beach in Glan, Sarangani province. Major festivals with a tagline “Kuyog” shall be strengthened and be lined-up in the Region XII Special Events Calendar to promote tourism industry in the region.

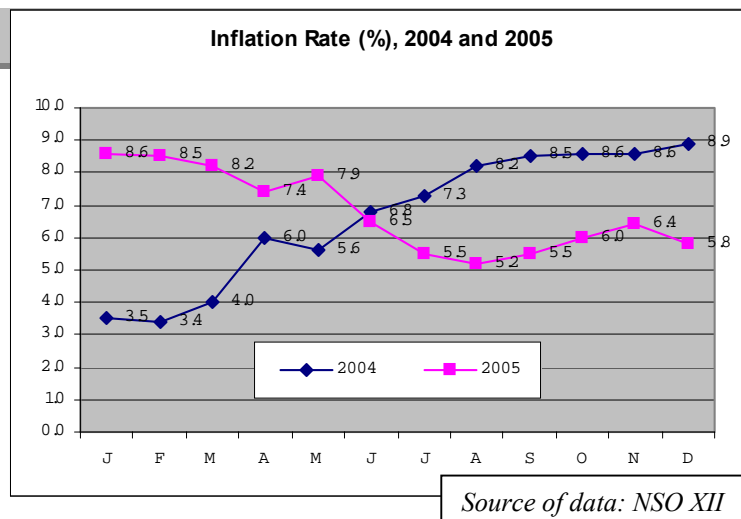
A total of thirty two (32) cultural festivals and special events were conducted this year to promote domestic travel in the region, as well as, to invite foreign visitors. The major festivals are Tuna Festival, Kalilangan Festival, Shariff Kabunsuan Festival, Hinugyaw Festival, Halad Festival, T’nalak Festival, Talakudong Festival, Timpupo (Fruit) Festival and Munah To Festival. During the festivals, simultaneous activities were held like the Fruit Congress, Tuna Congress, ICT Congress, National Dance Congress, Business Congress, Health Congress, Tourism Congress and Regional Fairs/Exhibits.

In 2005, General Santos City absorbed the highest number of visitors at around 19 percent of the total visitors of the region during the year, followed by Cotabato City at 15 percent, Koronadal City at 12 percent and South Cotabato at 11 percent.

E. Prices

The average inflation rate in 2005 was placed at 6.7 percent, only 0.1 percentage point higher than last year’s estimate of 6.6 percent.

The national average annual inflation rate was higher by 1.3 percentage points, from 5.7 percent in 2004 to 7.0 percent in 2005. Region XII inflation rate in 2005 was 0.3 percentage point lower than the national inflation rate for the period.



Year 2004 inflation rate for January was estimated at 3.5 percent and continued to rise recording 8.9 percent in December. In 2005, it started at a high record of 8.6 percent and went down to 5.8 percent in December.

The Fuel, Light and Water (FLW) group manifested the biggest increment of 16.8 percent caused by increase in the prices of light (24%) and fuel (13.7%). Services group recorded an increase of 8.4 percent attributable to the increase in the prices of transportation and communication services at 13.6 percent.

Despite the series of oil price increases, inflation remained manageable because of the modest increases in food prices, clothing, and housing repairs. Food, Beverages and Tobacco group increased by 7.1 percent, clothing by 3.7 percent and housing repairs by 0.2 percent.

G. Labor and Employment

Total population 15 years old and over numbered 2.385 million in the October 2005 Labor Force Survey, which was 3.34 percent higher compared with the said population group for the same period last year.

Considering the 77,000 people who were added to the population 15 years old and over, the number of persons in the labor force or those who contributed to the production of goods and services either employed or unemployed decreased in 2005 as compared to 2004. There were more persons who were considered *not in the labor force*, e.g., persons who were not working during the reference week and persons who were not available and are not looking for work, such as; housewives, students, disabled or retired persons and seasonal workers.

In October 2005, only 8,000 persons were added to the labor force from a level of 1.588 million in 2004 to 1.596 million in 2005. This implies that there were more who entered the labor force in 2004 compared in 2005. This translates to a labor force participation rate (LFPR) of 66.9 percent.

Employment Indicator, October 2004 and 2005

Indicator	2004	2005	Change
Population 15 y.o. and over ('000)	2,308	2,385	3.34%
Labor Force Participation Rate (%)	68.8	66.9	(1.9) % pts.
Employment Rate (%)	90.4	94.7	4.3 % pts.
Unemployment Rate (%)	9.6	5.4	(4.2) % pts.
Underemployment Rate (%)	21.7	30.4	8.7 % pts.

Source of data: NSO XII

Nevertheless, the employment level continued to increase as the number grew by 5.3 percent or 76,000 over the recorded level of 1.435 million in October last year. Employment Rate was placed at 94.7 percent in 2005, 4.3 percentage points higher than last year.

Most of the employed or about 54.2 percent were absorbed by the agriculture sector, 8.4 percent by the industry group and the remaining 37.33 percent were into services sector. The number of employed persons in the industry group increased by about 12.4 percent in 2005, compared in 2004. While for services sector, an increase of 8.67 percent employed were recorded and 1.7 percent increase in the agriculture sector.

Unemployed persons decreased by about 67,000 from 153,000 in 2004 to 86,000 in 2005. Unemployment rate was estimated at 5.4 percent in 2005. Underemployment rate grew by 7.7 percent from 21.7 percent in 2004 to 30.4 in 2005.

II. CRITICAL INCIDENTS AND POLICY RECOMMENDATIONS

Decline in the production of crops and fishery. A decrease in crop production, specifically for palay and corn happened in 2005, caused by a natural phenomenon or the dry spell. Once completed, the services of the Malitubog-Maridagao Irrigation Project will address the shortage of irrigation water in the province of Cotabato, thus palay production is expected to increase. Likewise, all national and communal irrigation systems should be well managed and maintained by the concerned agency and the local irrigators' associations. Fishery production can be improved with the assistance of the Bureau of Fisheries and Aquatic Resources to our fisherfolks, primarily on aquaculture fishing. Assistance may be in a form of technical services, fingerlings dispersal and information sharing on how to formulate feeds out of locally available materials to lessen cost of production and other adaptable breeding technologies.

III. DEVELOPMENT OUTLOOK

The development prospects for the region in 2006 are better, as investments and exports are soaring high, employment rate is going up and price increases are at a moderate level.

Moreover, increasing domestic and foreign visitors is expected in the coming year given the favorable peace and order situation and the massive advocacy of the region's festivities and celebrations. The agreements and recommendations during the first Regional Tourism Summit in December 6-7, 2005 shall spur tourism development in Region XII. Among the agreements were the following: 1) Conduct of ASEAN Tourism Forum by January 2006; 2) Conduct of workshop for the preparation of Regional Tourism Marketing Plan; and 3) the issues and challenges identified (such as on areas of transport development going to tourist sites, inadequate advocacy, accommodation facilities/tourism frontline services, and environment concerns) shall be referred to the concerned entities for their appropriate action

Agricultural production is foreseen to be affected by the forecasted La Niña in the coming year. In the fishery sector, production levels are targeted to increase. Although the bilateral agreement between the Philippines and Indonesian waters expired in December 2005, it was extended for another five years until 2010. Fishing activities shall be enhanced with some technologies that the region/country can adopt from Indonesia.

In the area of investment generation, a P20 Million dry dock facility for marine industries in General Santos City will be operational in 2006 and is expected to employ around 1,000 people. The full operation of the South Seas Mall and the Citi Hardware in Cotabato City shall boost economic activities in the said city.

As the economic structure of Region XII is relatively balanced among its major industries (i.e., agriculture; fishery and forestry; industry; and services), the political uncertainty at the national level is perceived as to have no significant effect on the overall regional development performance.