

Regional Economic Situationer First Quarter 2008

Overall Assessment

Modest economic gains were achieved by the region during the first quarter of 2008. Investments generated increased by about 21.77%, reaching P1.3 Billion from the P1.06 Billion in the same period last year. Total export earnings amounted to US\$134.1245 Million in the first quarter of 2008, which grew by about 4 percent compared with the US\$129.5095 Million earnings for the same period last year.

The region's commercial crops, such as palay, corn, sugarcane, rubber, banana, pineapple, and coconut, also registered increased production. This was attributed to fair weather, more number of productive trees and favorable local and export markets.

On the other hand, total fish production in the first quarter of 2008 was 75,369 metric tons or about 29.28 percent higher than the 58,301 metric tons production in the same period last year

However, domestic and foreign tourists, who visited the region in the first quarter of 2008, declined by 7.9 percent compared with the same period last year.

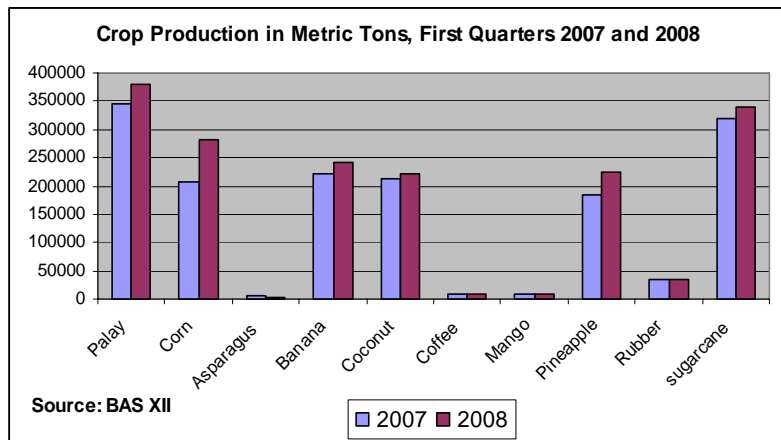
In addition, the first quarter of 2008 recorded the highest average monthly inflation rate at 6.8 percent since 2006. It is 53.2 percent higher than the 3.1 percent figure in the first quarter last year.

Employment rate was estimated at 95.2 % with a total number of 1.477 million employed persons in October 2007, a slight decline of 0.1 percentage point compared with the same period last year.

I. Assessment of the Regional Economic Performance

a. Crops

Crop production for the first quarter of 2008 posted a significant increase. For palay production, it posted a 10.11 percent growth; corn production a significant growth of 35.51 percent. This was attributed to the increase in area planted due to sufficient irrigation water, as well as, the favorable weather condition and the use of higher yield variety seeds from the Department of Agriculture's GMA Seeds Program. Many farmers shifted planting from white to yellow corn varieties, respectively.



All commercial crops registered good performance, except for asparagus. The high cost of production led Sarangani to stop planting asparagus and South Cotabato to shift to papaya and corn. Pineapple production recorded the highest growth of 21.66 percent due to the expansion in the upper valley of South Cotabato and in Malungon, Sarangani.

Banana production increased by 9.68 percent, brought about by the continued expansion of area planted for Cavendish, lacatan, bongulan and saba banana, and the good market for export for banana. Likewise, more area was planted for sugarcane posting a growth of 6.55 percent.

Early harvesting of coconut trees, as well as, the harvesting of additional new bearing trees due to high price of copra, contributed to the increased production of coconut. It recorded a production growth of 4.61 percent. Coffee production has improved by 1.10 percent.

Frequent rainfall in the fourth quarter of 2007, caused less mango trees to be induced to bear fruit. Hence, mango production slightly declined by about 0.64 percent.

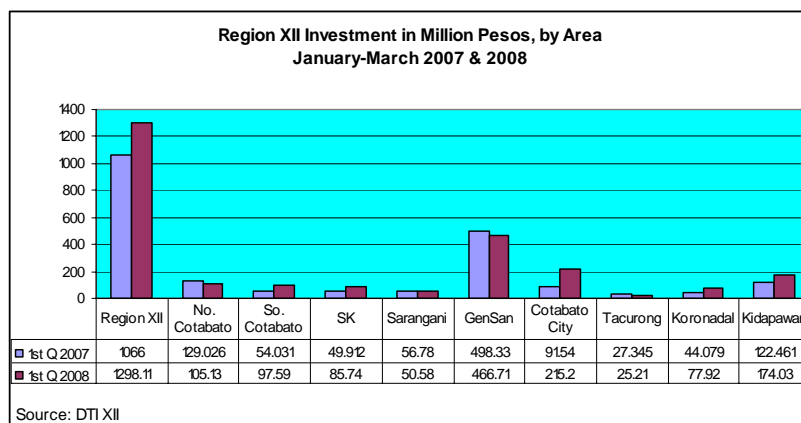
b. Fishery

Total fish production in the first quarter of 2008 was 75,369 metric tons or about 29.28 percent higher than the 58,301 metric tons production in the same period last year. Commercial fishing remained to be the biggest contributor of about 76.8 percent of the total fish production of the region.

Municipal inland production grew by about 1.60 percent and municipal marine declined by 4.79 percent due to high operation cost and scarcity of fish in the fishing ground. The aquaculture production decreased by about 6.69 percent due to repair of some fish pens in Sultan Kudarat.

c. Investment

During the period, Region XII generated total investments of P1,298.11 Million, about 21.77 percent higher than the P1,066.00 Million generated in the same period last year. The bulk of the investments or about 35 percent were infused in General Santos City. Moreover, investment trend in Cotabato City turned competitive in the 1st quarter of 2008, compared with the same period last year. Investments doubled from P91.54 Million to P215.20 Million. These investments were as recorded by the Department of Trade and Industry XII out of its assisted activities like business matching, loan facilitation, investment missions, business name registration and OTOP program.



d. Export

Total export earnings amounted to US\$135.1245 Million in the first quarter of 2008, which grew by about 4 percent compared to the US\$129.5095 Million earnings last year. Export winners of the region for the said period included fresh/canned pineapple, fresh/chilled/frozen/canned tuna, crude coconut oil, smoked fish, frozen milkfish, copra and steel scrap. Top markets for said

products were USA, E.U., Japan, Korea, Thailand, Singapore, Canada, China, Saudi Arabia and Taiwan.

e. Tourism

The total tourist arrivals in the first quarter of 2008, both domestic and foreign was 124,324, about 7.9 percent lower than the record of 135,009 in the first quarter last year. Foreign tourist arrivals decreased by 24.7 percent. The travel advisory issued by embassies to their constituents prohibiting them to go to some areas in Mindanao, including Region XII has not yet been lifted.

Arrivals of domestic visitors in North Cotabato have increased by 15.9 percent and for General Santos City by 3.17 percent. This can be attributed to the Halad sa Sto. Niño (Midsayap, Cotabato) and Kalilangan (General Santos City) festivals, respectively. General Santos City likewise, continued to be the venue of regional meetings and conventions.

Hotel occupancy rate for the first quarter also declined, except for the cities of Kidapawan and Tacurong, and Sultan Kudarat Province.

f. Prices

Consumer Price Index (CPI) for all items was recorded at 144.6 in the first quarter of 2008. This was about 6.8 percent higher than the 135.4 recorded in the same period last year.

For the past three years since 2006, the first quarter of 2008 recorded the highest average monthly inflation rate at 6.8 percent due to the increasing prices in food and fuel. It is 53.2 percent higher than the 3.1 percent figure in the first quarter last year.

By commodity, the Food group recorded the highest inflation rate; it was estimated at 8.2 percent. Price increments for the following food items were: fruits and vegetables 13.2 %; dairy products 13.0 %; rice 8.8 %; cereals 8.7 %; corn 7.8 %; fish 7.7 %; eggs 6.5 %; and meat 4.8 %.

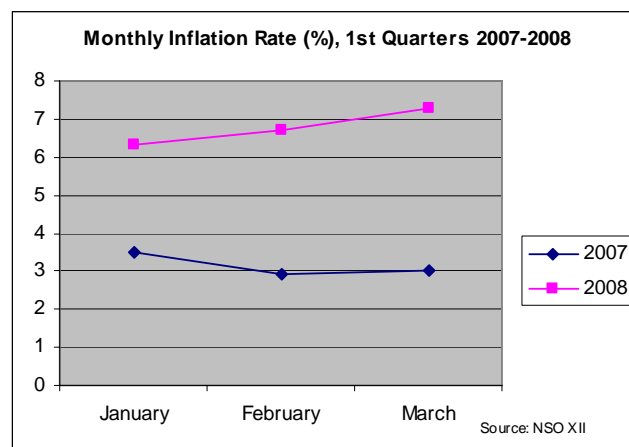
Fuel, Light and Water (FLW) recorded an inflation rate of 8.1 percent. Fuel has 13.9 % price increase, light by 1.6% and water by 0.4 %.

Services group had an inflation rate of 6.8 percent, among which, educational services recorded at 12.7 %, while medical and personal services was at 5.15% and transportation and communication services at 4.8 %.

Clothing group had an inflation rate of 3.7 percent and Miscellaneous group at 2.1 percent.

g. Labor and Employment

The total population of 15 years old and over was 2.384 million, while Labor Force Population was estimated at 1.552 million persons in October 2007, this translated to a Labor Force Participation Rate of 65.1 percent. Generally, labor and employment indicators for October 2007, slightly declined compared with the October 2006 data.



Labor and Employment Indicators, October 2006 and 2007*

Indicator	October 2006	October 2007	% Change
Population 15 years old and over ('000)	2,454	2,384	(2.85)
Labor Force Participation Rate (%)	66.1	65.1	(1.0)
Employment Rate (%)	95.3	95.2	(0.1)
Unemployment Rate (%)	4.7	4.8	0.1
Underemployment Rate (%)	25.6	19.6	(6.0)

Source of data: NSO XII

* Results of January 2008 Labor Force Survey (LFS) not yet available.

h. Peace and Order Situation

Crime incidents went down by 87.22 percent. The average monthly crime rate went down by 0.67 percent from 5.14 percent for the same period last year. This provided a better environment for businesses and investments to grow and expand.

II. Development Outlook

The tourism industry is expected to pick-up in the second quarter, the summer season in the Philippines. Among the region's tourist destinations include summer trek to Mt. Apo through Kidapawan City; Lake Sebu, South Cotabato; new archaeological discovery in the caves of Maitum and the pearly-white Gumasa Beach in Glan, Sarangani; the Baras Bird Sanctuary in Tacurong City; and, the other historical sites and natural attractions in Region XII.

The improved peace and order condition in the first quarter of 2008 is expected to be sustained in the second quarter.

Increase in aquaculture production for the second quarter is expected in time for its harvest season.

Since the second quarter is the start of the planting season for palay, data on palay production is expected to decline. Likewise, mango production will be affected by the wet season at its fruiting stage.

Employment rate in the service sector is foreseen to increase in summer, where seasonal workers are expected to be employed. However, employment in the industry sector might be affected by the increasing demand of the labor sector for a wage hike and the continuing increase in the price of oil, both in the international and local markets. The combined effects of the possible wage hike for laborer and oil price increase might result to retrenchment of workers by the business sector.

Added to that, prices of all commodities are expected to increase, but higher increases in the price of rice is expected due to palay planting season and oil price increase.