

## **Regional Economic Situationer Third Quarter 2008**

### **General Assessment**

Despite the onslaught of two typhoons which brought huge damage to the region's croplands, export earnings during the third quarter of 2008 grew by 22% compared to the same period in 2007. The damage however, resulted to high consumer price index (CPI) and a double digit inflation rates for the whole duration of the third quarter of the year. The rates, however, slowly declined as good weather condition started to return in the region.

Tourism industry perked up with the increase in the number of domestic and foreign visitors in the region by 1.74% during the quarter.

Fish production showed bright prospects, with a total yield of 75,470.37 metric tons, marking an increase of 19.93% over the 63,253.26 metric tons yield for the same period last year.

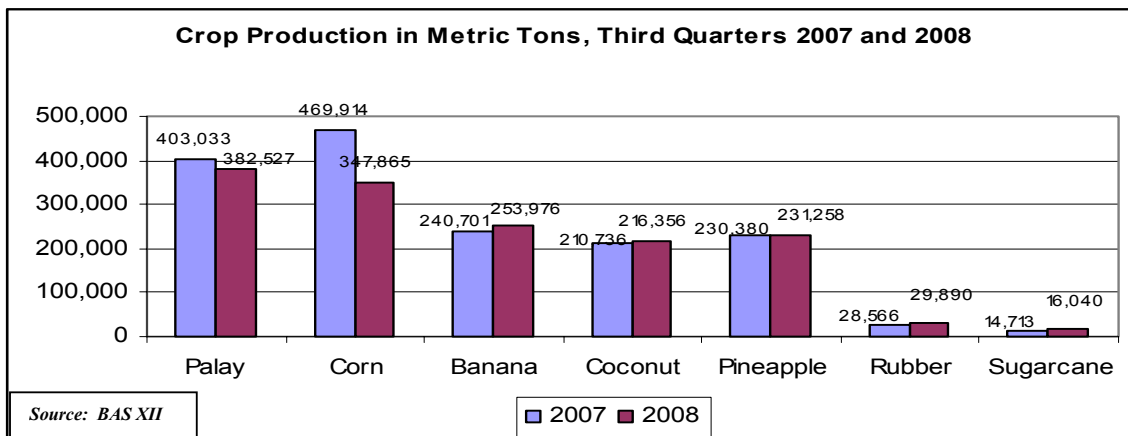
Preliminary estimates of employment rate in July 2008 slightly went down at 0.7% as against the July 2007 estimates.

### **I. Assessment of the Regional Economic Performance**

#### **a. Decrease in Crop Production**

The floods brought by typhoons Cosme and Frank in late June 2008, heavily damaged the region's agricultural lands. Palay production went down by 5.09% compared with the same period in 2007, while corn production decreased by 25.9%. The provinces of South Cotabato and Cotabato contributed 34% and 25% decline in corn production, respectively. Aside from the natural disaster, the decline in production of both major crops was also due to the decrease in areas planted for corn.

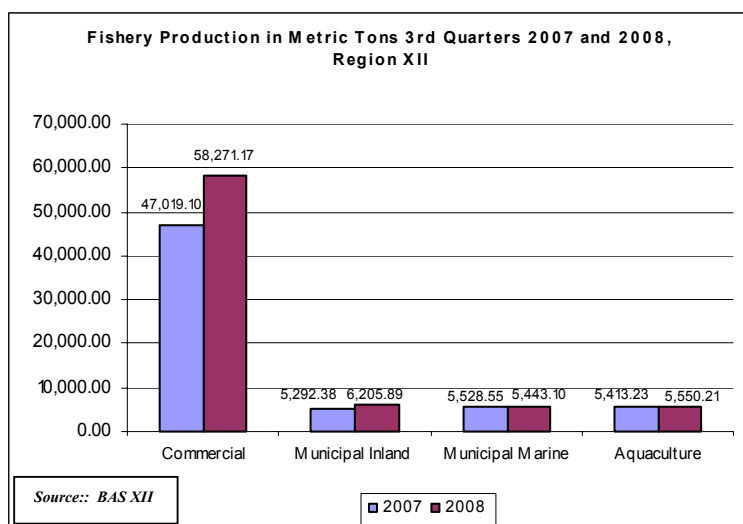
Except for asparagus, mango and cacao, all the other commercial crops showed growth in production with sugarcane leading at 9.02%. The decline of 22.61% in asparagus production was attributed to high production cost which led the farmers to shift to banana production. Mango yield suffered a decrease of 8.22% due to delayed fruiting brought about by frequent rains. On the other hand, sufficient rainfall contributed to an increase in the number of tappable rubber trees which gave way to 4.63% growth in production.



**b. Fish Production increased by 19.93%**

An increase of 19.93% in fish production was recorded during the third quarter of the year or 12,217.11 metric tons higher than the 63,253.26 metric tons registered during the third quarter of 2007. The growth was led by commercial fishing, the largest contributor to the total fish production, followed by municipal inland fishing. The increase in fish production

More household fishermen had also been engaged in fishing due to favorable market prices of fishery products, as well as, the continuing assistance of BFAR XII and the STAR-CM projects through the provision of fishing gears. The municipal marine fishing suffered a minor setback registering a decline of 1.55 during the quarter due to frequent strong winds and the unstable peace and order situation in the municipalities along the Sarangani Bay.



**c. Investment decreased by 79%**

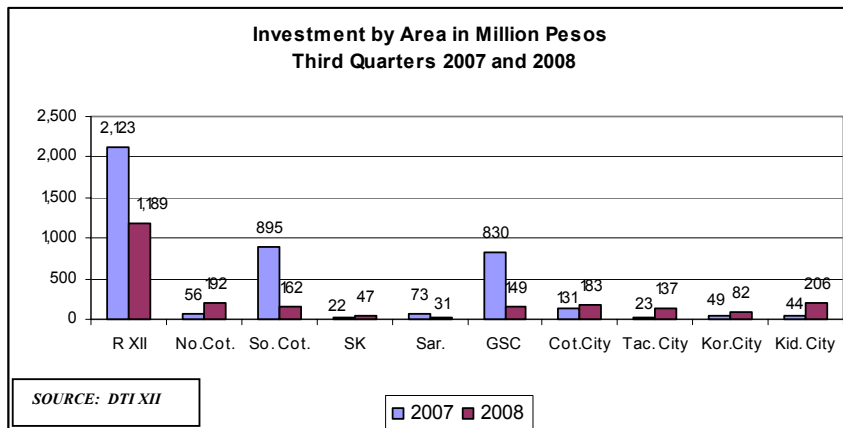
For the third quarter of 2008, only a total of P 1,188.5 Million in investments was infused in Region XII around 79% lower than what was recorded in the same period in 2007<sup>a/</sup>. This decline in investment could be attributed to the ongoing armed conflicts which escalated in some areas in the region during the quarter. The said skirmishes may have led the investors to move out of the region.

was attributed to the additional number of foreign vessels unloading frozen tuna in Makar Port for canneries in General Santos City.

*a/ Data on investments were sourced through DTI XII- directly impacted activities such as business matching activities, loan facilitation, business name registration, investment facilitation and OTOP/MBEB-related activities of the agency*

Significant declines were observed for Sarangani, General Santos City and South Cotabato, the highest of which was recorded for South Cotabato. On the other hand, Tacurong City recorded the highest

period were canned and pouched tuna, fresh and canned pineapple, coconut oil, fresh/chilled/ frozen tuna, steel/crap, copra, smoked fish and dried fishes. The top markets for the said export products were USA, Japan, Korea, Thailand, Canada, Israel, UAE and South Africa.



increase in investment at 477% during the quarter compared with the same period in 2007. It was followed by Kidapawan, Cotabato, Sultan Kudarat, Koronadal City and Cotabato City.

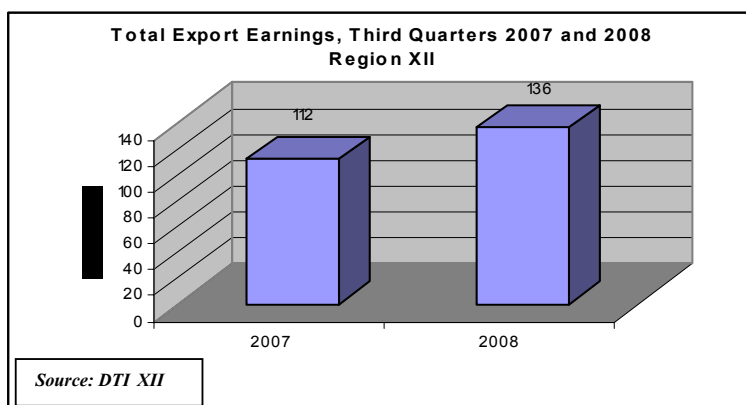
**e. Tourist arrivals slightly increased**

The total number of foreign and domestic visitors, including overseas Filipinos, reached 184,782, around

1.78% higher than what was recorded during the third quarter of 2007. Domestic visitors registered an increase of 1.78%, while foreign visitors declined by 6.44% compared to the same period in 2007. Most of these tourists visited Sarangani province, followed by Sultan Kudarat. The decrease in the tourist arrivals in most areas of the region was due to travel advisories issued by the different embassies to their constituents prohibiting them to visit areas in Mindanao during the period under review.

**d. Improved Export Earnings by 22%**

The recorded total export earnings in the region during the third quarter of the year was placed at US \$136.433 Million,



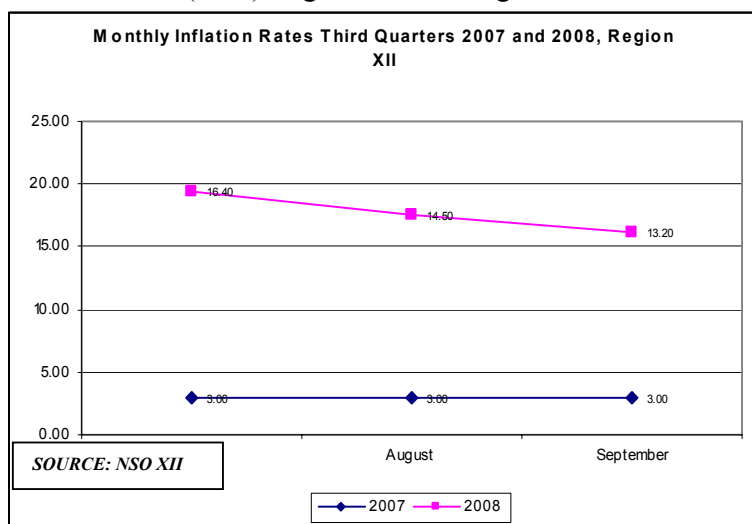
22% higher than the US\$111.781 Million earned during the same quarter of 2007. Export winners of the region during the

**f. Highest inflation rate of 16.4 % recorded in July 2008**

For 2008, the third quarter of the year registered an all time high consumer price index (CPI) of 159.3, an increase of 14.7% compared to 138.9 recorded for the same period in 2007. Two-digit monthly inflation rates were reached during the quarter at an average of 14.7%, around 11% higher than what was recorded

in the third quarter of 2007. The highest inflation rate was experienced in July at 16.4%, though this eventually slowed down and stayed at 13.2% by September.

By commodity group, food, beverages and tobacco (FBT) registered the highest



inflation rate at 18%, with corn registering the highest in the group at 43.8%, followed by cereals with 29.1% and rice at 27.5%. All other food and beverages commodities recorded two-digit inflation rates during the quarter.

Ranking second was the Fuel, light and water (FLW) group at 16.0% with fuel having the highest rate at 26.2%, light at 4.0% and water at 1.3%.

As a result of ever increasing prices of fuel, the services commodity group recorded 11.6 % inflation rate with transportation and communication services registering 15.9%, medical, personal and educational services at 10.6, 9.3% and 5.8%, respectively.

Except for the footwear with 12.4% inflation rate, other clothing related items maintained one-digit inflation rates. For

the miscellaneous commodity group, minimal increases in prices were observed.

**g. Employment rate slightly decreased of 0.7%**

The July 2008 preliminary labor and employment estimates showed that the region's labor force participation rate of 66.8% grew by 1.4% from the July 2007 level of 65.4%. On the other hand, the Region XII estimated employment rate in July 2008 at 95.2% registered a slight decrease of 0.7% compared to July 2007 rate, slightly increasing the unemployment rate during the period under review. It may be noted that the regional employment rate at 95.2% was higher than the national average rate of 92.6% in July 2008.

**Labor and Employment Indicators, July 2007 and 2008**

Indicator	July 2007	July 2008	% Change
Labor Force Participation Rate (%)	65.4	66.8	1.4
Employment Rate (%)			
- National	92.2	92.6	(0.4)
- Region XII	95.9	95.2	(0.7)
Unemployment Rate (%)	4.0	4.8	0.8

Source: NSO

**h. Peace and security scenario**

The region enjoyed a relatively peaceful and secure environment, following the Government's response to the MILF hostilities in most parts of the region during the third quarter of the year. Likewise, criminality has remained manageable. Crime Solution Efficiency increased by 7.67 percentage points, from 90.93% during

the third quarter of 2007 to 98.6% for the same period in 2008.

For index crimes, cases of physical injury ranked number one among the crimes committed in the region. Reported cases during the third quarter of the year was placed at 94 as against the 136 recorded in the third quarter of 2007.

On the other hand, reports on the atrocities committed by the MILF during the period under review include 2 ambushes, 4 harassments and 1 shooting incident. These were all properly addressed by the concerned law enforcers/agencies.

## **I. Development Outlook**

With the onset of good weather condition in the region, crop and fishery productions are expected to improve during the next quarter which may extend to the first quarter of 2009.

The prices of basic commodities, transportation, electricity, water and communication are expected to be more stable as a result of the continuing decline in the prices of fuel products. This trend may spill over until the first part of 2009. Inflation rates may bounce back to one digit figure.

However, with the coming in of holiday season, demand for goods is expected to increase, hence prices of commodities may depend on the supply. Safety nets with regard to the prices of basic commodities, such as periodic price monitoring, need to be in place to protect the interests of the buying public.

The present global financial crisis which is slowly affecting the industry sector could possibly result to retrenchment of a good number of work force in the region. To cope with this challenge, the financial and business sectors are called upon to be more vigilant and institute measures to lessen the impact of the crises on their own business and clientele. Concerned agencies may need to provide assistance, particularly to the unemployed population through the provision of livelihood programs or skills trainings.

With regard to peace and security of the region, the PNP XII assessed that the MILF is expected to continue requesting the government to go back to the negotiating table to allow them to recover from political and tactical setbacks. Reduction in the total volume of all forms of criminality in the region is likewise expected in the next quarter with the continued community vigilance and active support of the population in combating all forms of criminality, as well as, the series of arrest of some members of the armed groups.