

# DevPulse

NEDA Development Advocacy Factsheet

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## INVESTMENT AND TOURISM SECTORS KEEP BICOL'S ECONOMY AFLOAT

**D**espite continuous rains caused by a cold front starting January 2008, the Bicol region managed to stay afloat as investment and tourism helped the region's economy grow, according to the Quarterly Regional Economic Situationer (QRES) released by the National Economic and Development Authority (NEDA) Regional Office in Bicol (NRO 5).

Bicol is home to the world famous Mount Mayon as well as to the world's largest fish, the whale shark locally known as *butanding*. It is a region rich in history and natural resources, and is inhabited by hospitable and fun-loving people.

As of August 1, 2007, Bicol's population was estimated at 5.11 million, higher by 9.2 percent compared with that in May 2000 based on the 2007 census of population conducted by the National Statistics Office (NSO).

### 1<sup>st</sup> Quarter: A Closer Look

The region's economy is largely agricultural. Almost 50 percent of its workforce rely on this sector. Among the products of the region are rice, coconut, corn, abaca, cement, and ceramics. It has 13 major fishing grounds that supply fish to markets as far as Metro Manila. It is also a major supplier of geothermal energy with its Tiwi and Bacon-Manito geothermal plants contributing substantially to the Luzon power grid.

**Investments.** The value of investments generated by the region in the first quarter surged by 68.2 percent or a total of PhP1.498 billion from the PhP889.02 million registered in the same period last year. Among the sectors, services continues to be the biggest contributor (80%) followed by industry (18%) and agriculture (2%).

Investments in the *service sector* posted a 77 percent growth or a total of PhP1.194 billion from the PhP675 million registered in the first quarter of last year. Finance, real estate, insurance and business services as well as the wholesale and retail trade were the main sources of growth. Albay contributed 83 percent of investments in finance and

business services while Camarines Sur, Sorsogon and Albay for wholesale and retail trades.

Among the provinces, Sorsogon and Catanduanes posted the highest growth (293% and 280%, respectively) in investments from the previous year. Albay contributed 39 percent after growing by 221 percent from the preceding quarter.

Investments in the *industry sector* remained strong. It grew by 42 percent in the first quarter of 2008 over the same period a year ago. This can be attributed to investments in the mining and quarrying, electricity, gas, water and construction sectors in Camarines Sur. Manufacturing, on the other hand, moderately grew by 26 percent.

In *agriculture, fishery and forestry (AFF)*, continuous rains led to a decline in investments by 53 percent from the previous quarter, but grew by 40.5% over the first quarter last year. Investments in the first quarter amounted to PhP33.82 million, down from the PhP71.76 million in the fourth quarter of last year but higher than 24% in the same period last year. Camarines Sur was the biggest contributor at 64 percent of the total investments.

For the *fishery sector*, a better fish catch is expected due to the lifting of the fishing ban due to red tide by the Bureau of Fisheries and Aquatic Resources (BFAR) in Mandaon Bay in Masbate.

**Tourism.** This sector is gaining importance in the region, as a total of 256,746 tourists visited the area in the first quarter. This is 48.6 percent higher than that of the same period last year. Domestic and foreign arrivals comprised 86.7 percent and 13.73 percent, respectively. Most of the foreign tourists were from France, US and Japan.

Estimated receipts amounted to PhP131 million. Several events, aside from the major festivals such as Tinagba in Iriga City and Tabak in Tabaco City, contributed to the tourism boom. These events include the kick-off of Asia's premier extreme sailing event, the Philippine Hobie Challenge at Gubat, Sorsogon, the Bicol Arts Festival in Albay, and the 2<sup>nd</sup> World Art Experience (WAE) in Daet, Camarines Norte.

**Value of Investments, by Sector : Region 5**  
**1st Quarter 2008, 1st and 4th Quarter 2007 and 4th Quarter 2006**

Industry Group	Investments			% Share 1st Qtr. 2008	Percentage Change	
	1st Qtr 2008	4th Qtr 2007	1st Qtr 2007		1st Qtr 08-4th Qtr. 07	1st Qtr. 08- 1st Qtr. 07
<b>Total</b>	1,498.18	759.72	889.02	100.00	97.20	68.52
<b>Agriculture, Fishery and Forestry</b>	33.82	71.76	24.07	2.26	(52.88)	40.49
<b>Industry</b>	270.28	128.95	190.11	18.04	109.60	42.17
Mining and Quarrying	16.69	1.92	0.94		771.77	1,676.00
Manufacturing	81.91	65.20	118.51		25.63	(30.88)
Electricity, Gas and Water	24.55	3.50	14.55		601.03	68.73
Construction	147.13	58.34	56.11		152.21	162.22
<b>Services</b>	1,194.08	559.00	674.84	79.70	113.61	76.94
Wholesale and Retail Trade	443.80	235.49	288.35		88.46	53.91
Transportation, Storage and	91.19	93.59	33.04		(2.57)	176.00
Finance, Insurance, Real Estate and Business Services	427.87	69.29	203.14		517.51	110.63
Community, Social and Personal Services	231.21	160.63	150.31		43.94	53.83

Moreover, prices of goods in the region continued to rise during the first quarter, as the overall Consumer Price Index (CPI) climbed from 145.7 in January to 148.2 in March. This resulted in a higher average CPI of 146.7 in the first quarter compared to an average of 143 in the previous quarter and 138.9 in the same quarter last year. The higher prices of goods resulted in an average Inflation rate of 5.6 percent during the first quarter.

### Silver Lining

The region regards

tourism as a powerful engine of growth that can generate foreign exchange earnings and create jobs in the region. Activities such as the annual *Butanding* Festival in Donsol, Sorsogon, water sports in Camarines Sur Sports Complex, Magayon Festival as well as the Rodeo Masbateno in Masbate are expected to attract more visitors in the region.

Aside from the now internationally known Camarines Sur Watersports Complex in Camarines Sur, the on-going construction of world-class tourism facilities at the Gota Beach and Hunungan Island in Caramoan, Camarines Sur are expected to further boost Bicol's potential as a premier tourist destination.

According to the Regional Development Plan of Bicol 2004-2010, the government plans to transform the region into a major tourist destination through: (a) the development of tourism destinations; (b) development of tourism support facilities; (c) support to sustainable tourism marketing promotions; (d) development of incentive packages and tourism-friendly ordinances; (e) institutional development that includes passage of tourism-friendly and ordinances for the delivery of basic services such as security, peace and order, and cleanliness within each tourist destination.

To address the increasing costs of commodities including rice, government will set up a more efficient food production and distribution system.

Due to the La Nina phenomenon, the second quarter will be a tough period for agriculture. To cope with this situation, the government intends to help agriculture grow through appropriate programs. To enhance mobility of goods, services, and people, construction and rehabilitation of more roads, bridges, air and seaports and post-harvest facilities in the region will be pursued.

Meanwhile, continuing inflow of overseas remittances is expected to buoy strong domestic consumption expenditures. However, the global slowdown and the rising prices of food and energy products linked to high costs of imported oil are expected to raise inflation. This will further be affected by the impending increase in wages of government and private sector employees. Additional wage hike in the private sector may also result in the downsizing of small and medium enterprises (SMEs) and may affect employment.

### Other Contributors to Growth

Exports and the mining sector also contributed to the region's economy in the first quarter. Export sales generated by the region increased by 36 percent in the first quarter, with Albay being the biggest contributor, earning 91 percent share of the total.

Mining, on the other hand, grew by 1,676.00 percent over the same period a year ago or an equivalent of PhP16.69 million. Growth was fueled by the approval for large mining operation of the Trans-Asia Oil Mining and Development Corporation in Larap, Jose Panganiban, Camarines Norte by the Department of Environment and Natural Resources (DENR). Six other small-scale mining applications were also approved for operation by the Camarines Norte provincial government. This means that more jobs will be available for the people in the region.

### Problems of the Region

Bicol's economy would have performed better if not for the incessant rains that resulted in the dwindling supply of rice, damage to infrastructure and agriculture, and rise in prices of commodities.

According to the Regional Office of the Civil Defense (OCD) damage in infrastructure and agriculture reached PhP400 million in Albay and Sorsogon. Of this amount, damage to major roads and bridges was estimated at PhP104 million. In Albay alone, damage to infrastructure was at PhP180 million.

QRES also reported that the supply of rice in major urban centers in the region has been dwindling and resulted in a price hike of between PhP23 and PhP32 per kilo. Reasons for the inadequate rice supply in the region include: (a) the slowing down of growth in rice production; (b) climate change; (c) rising prices of fertilizer and oil; (d) wastage of water leading to its scarcity and increased cost; (e) diversification to non-rice crops and loss of land for agriculture use; (f) global market uncertainty as a result of the temporary restriction on exports by India, China and Vietnam; and (g) perceptions and speculations of traders and policymakers that led to domestic price destabilization and hoarding of stocks.

**Source:** Quarterly Regional Economic Situationer (QRES) released by the National Economic and Development Authority (NEDA) Regional Office in Bicol.