

CENTRAL VISAYAS BOOMS

but threats persist

A construction project
in Cebu is silhouetted
against the afternoon sky.

Region 7, also known as Central Visayas, enjoyed sustained growth in 2006. Agriculture recovered significantly from its dismal performance in 2005 and tourism, retail trade and construction continued to move forward.

Despite the poor performance of exports due to the strong peso, initial data suggest that, overall, faster growth was achieved in 2006 compared to the previous year.

The region is expected to grow further in 2007 on the back of improved business and consumer confidence on the Philippine economy as a whole. Rising remittances from overseas Filipino workers (OFWs) and stable prices will most likely increase consumer spending, resulting in optimism in retail trade and related industries.

The expansion of the tourism and ICT industries is likewise expected to fuel growth in sectors such as transportation and construction. The promotion of central Philippines as a tourist belt and increasing investments in IT play a major factor.

However, concerns over the region's power supply, manpower shortages in the business process outsourcing (BPO) industry, and lack of government support in certain sectors of the economy could jeopardize its long term prospects.

Agriculture: A Good Year

It was a better year in 2006 for agriculture after production expanded 6.9 percent, in contrast to 2005's 9 percent contraction. The growth was driven mainly by

the crops sector, with palay and nonfood industrial and commercial crops (NFICC) posting the heftiest gains.

On the other hand, fishery, livestock and poultry failed to sustain positive growth as expected. Fishery, in particular, performed the worst after production declined 13 percent. The causes for the decline include the strict implementation of the commercial fishing ground limits which resulted in the partial closure of the Visayan Sea to fishing; the ban on manta ray catching in Bohol; and higher fuel costs which forced fishermen to cut down on the number of fishing trips.

Nonagriculture: Getting Better

Mining exhibited modest growth in 2006 as demand for the region's mineral products improved due to the increase in export earnings of metallic and nonmetallic minerals. However, delays in the implementation of mining projects targeted for the local market slowed down output. Despite several explorations in 2006, none progressed into full-blown projects.

For its part, the construction industry grew substantially in 2006, fueled by the positive outlook on the regional economy, the expansion of IT and tourism industries, higher OFW remittances and lower interest rates.

Preparations for the 12th ASEAN summit in Cebu likewise contributed to the growth as both government and the private sector spent millions for the event. It was also a boom year in 2006 for real estate as OFWs continue to fuel demand for residential units.

Despite being a relative newcomer to the region, IT and ICT-related services enjoyed substantial growth in 2006. As of November last year, Cebu alone already had 14 call centers, while investments in IT also increased in Bohol and Oriental Negros.

The region's tourism industry likewise experienced significant growth in 2006 as tourist arrivals sustained its double-digit growth momentum after posting a 12 percent growth rate. Cebu, Bohol and Oriental Negros received bulk of the tourist arrivals. In contrast, Siquijor's tourism industry suffered considerably after fastcraft services to the island were suspended.

Transportation: Mixed Reviews

Transportation exhibited mixed performance for 2006. It was a good year for the airline industry as the number of international flights increased. The number of domestic flights, on the other hand, dropped as airline companies reduced the number of trips in light of higher fuel costs.

Passenger traffic at the Mactan-Cebu international airport, the region's premiere airport, grew by 11.4 percent on the back of a double-digit rise in the number of international passengers. Cargo traffic at the airport, however, dropped 7.2 percent due to a 15.2 percent drop in domestic shipments, which overshadowed the 8.9 percent increase in international shipments. Shipping ended on a lower note as well due primarily to the high cost of fuel. The aggressive promotion of airline companies likewise took its toll on the industry as discounts on airline seats encouraged more passengers to fly.

Higher business and consumer confidence in the economy lifted retail trade in 2006. Despite dismal numbers in the first half of the year, the sector recovered significantly during the second half as commodity prices stabilized and consumer and business confidence in the economy improved.

Meanwhile, increased efficiency in the banking sector drove the industry upwards, despite a stable volume of deposits and loans. An increase in OFW remittances also pushed the sector up as more overseas Filipinos use banks and other formal channels to remit their money.

Investments and Exports

It was a bullish year for investments in 2006, driven mainly by upbeat investor interest in tourism and IT/ICT-enabled industries. Cebu, in particular, attracted millions in investments and call centers and other BPO companies continue to set up shop in the island.



Bohol is home to some of the world's best beaches.

Tourism also attracted a lot of investments, with Cebu and Bohol accounting for bulk of the numbers.

Exports, on the other hand, posted a 5.5 percent contraction due to exporters' falling revenues. The strong peso was blamed for the drop in revenues. Electronics remained the region's top export product in 2006, accounting for almost three-fourths of total receipts.

Issues and Concerns

The inability of electric cooperatives to recover costs associated with the Electric Power Industry Reform Act (EPIRA) may result in distribution problems in the future, as the law demands more efficient operation for power distributors, including electric cooperatives, which are nonprofit entities.

Lack of government support in the carrageenan industry likewise prevented the region from taking advantage of its huge potential. Carrageenan demand in the world market is increasing steadily, and the country is yet to make a mark in the international scene.

There are also concerns on the availability of real estate/buildings as more BPO companies flock to the region. The industry is also faced with a fast turnover of employees, disconnect between the capabilities of graduates and industry needs, shortage of English proficient graduates, and shortage of highly-specialized workers.

The region is also lobbying for an adoption of an open skies policy in the Mactan-Cebu International Airport to encourage more airlines to fly to the region, thus spurring the entry of more tourists and investors.

Exporters in the region are likewise wary of a possible legislated wage increase (House Bill 345), as well as the passage of the rationalized fiscal incentives bill (Senate Bill 2411). The high cost of power and water also remains to be a concern for exporters, including those located in export processing zones.