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Central Visayas remains tough amidst global financial turmoil



Central Visayas showed economic resilience during the second quarter and first half of 2008 amidst domestic hyperinflation and global economic slowdown. Among those sectors which posted positive growth were the region's agriculture, its information and communication technology (ICT) and its tourism industries.

There were, however, some industries hit hard by the rising costs of food, oil, and merchandise as well as construction materials.

And because the global financial turmoil is not expected to end soon, the region is working hard with its tourism promotions and is looking at the information technology (IT) and mining industries to uplift its economy.

Agriculture

With good weather conditions, government interventions, and the use of high yielding farm inputs, the region's agriculture production rose by 80 percent from year-ago levels resulting in 1.5 million tons in the second quarter of 2008. As a result, the region's agriculture production grew by 2.5 percent in the first half of 2008 over the same period the previous year.

Crops. The crops subsector produced 3.4 million tons in harvests in the second quarter of 2008 or a 94 percent increase from year-ago levels.

After surviving the long dry spell experienced in 2007 and with the adoption of new technologies, palay production increased by 66.8 percent or 43,620 metric tons from 26,154 metric tons during the second quarter of 2007. Similarly, corn producers saw double digit increases in production during the period, posting 5,914 metric tons or a 62.9 percent increase from the same period in 2007.

Industrial/commercial crops production rose by 114 percent, primarily due to the increase in sugarcane produce. Sugarcane production grew by 140 percent partly because of delay of harvest the previous quarter and was thus accounted for in the second quarter production.

Vegetable production also increased by 2.3 percent with better harvests of camote, cassava, eggplant, kangkong, ampalaya, pepper and potato. Production could have been higher if some growers in Bohol and Dumaguete did not shift to Japanese sweet corn and cutflower due to high cost of vegetable farming inputs.

The fruit sector, however, experienced a setback and posted a negative growth in the second quarter of 2008. This is, in a big part, a result of the 10 percent decline in mango production due to frequent rains. Mango accounts for 44 percent of the region's total fruit production.

Fisheries. Losses in the fishery sector continued in the second quarter of 2008 with commercial fishery and aquaculture production dropping by 6.3 and 4.6 percent, respectively. The rise in fuel price forced commercial fishermen to limit their fishing trips as in most instances the volume of their fish catch was not enough to recover their fishing operation costs.

Fortunately, municipal fishery managed to post a 7.2 percent increase in production with the establishment of additional fish corals in Bogo, Cebu, more people working in inland municipal water fishing, and fewer cases of commercial fishing vessels encroaching in municipal waters.

However, the fishing sector still posted a 2.8 percent decrease in total production in the second quarter of 2008 compared to year-ago levels.



Central Visayas expands from natural to medical tourism.

Livestock and Poultry. Despite being hit by typhoon Frank, poultry production still managed to grow by 14.7 percent with higher production of all chicken meat products. Similarly, swine production, which pulled down livestock production the previous quarter, experienced an upturn and posted a 1.1 percent increase. Thus, livestock and poultry posted a 3 percent and 14.7 percent growth in production, respectively.

Non-Agricultural Industries

The global economic slowdown and rising prices generally affected all the region's nonagricultural sectors. With rising fuel prices, commodity prices surged and thereby lowered consumers' purchasing power and dampening the region's retail trade.

Fortunately, however, tourism receipts grew and kept the industry afloat with sustained patronage of hotels and restaurants. Total visitor arrivals in the region went up by 13.8 percent, this was slower compared to 16.5 percent growth in the same period the previous year. Still, it is worth mentioning that tourism maintained growth due to the continued promotion of Bohol and the strong collaboration between the government and private sector in the implementation of tourism laws and policies, among other initiatives.

The construction industry also felt the pinch of rising inflation. For example, in a span of four to six months the price of steel increased by 83 percent from PhP36 per kilogram in January 2008 to as high as PhP66 per kilogram in the second quarter. This might have dampened the interest of some developers to proceed with the implementation of planned projects.

In contrast, the region's IT industry appeared to have benefited from the global financial crisis with American companies trying to trim down costs on some of their support operations that can be outsourced like customer service and technical support. Small and medium scale software companies continued to thrive while others expanded their operations. During the first semester of 2008, growth in IT and ICT was reflected through their increase in workforce. From 11,637 in December 2007, figures had gone up to 12,755 by the end of the first semester 2008.

The region's transportation industry showed mixed performance in the second quarter of 2008. On one hand, the air transport sector continued to expand along with the

tourism industry. During the first six months of 2008, number of flights and passengers increased by 9.83 percent and 9.19 percent, respectively from year-ago levels.

On the other hand, the shipping industry struggled with rising fuel prices and stiff competition from the airline industry. Due to fuel price inflation, companies were prompted to increase fare rates and freight charges. As a result, the number of shipcalls, passenger traffic and cargo throughput in the domestic front declined by 0.5 percent, 5.3 percent, and 3.7 percent, respectively, from their second quarter 2007 levels.

Exports continued to post double-digit growths in value and volume even as the export industry is plagued with problems on foreign exchange, rising cost of production and the softening of the US market. In the second quarter of 2008, value and volume of exports shipped from the ports of Cebu, Mactan and Dumaguete were higher by 58 percent and 15 percent, respectively, compared to that in 2007. However, many export industries are still troubled by the recent appreciation of the peso. Among these were the furniture manufacturers, 35 percent of which have closed shop.

Ultimately, the slowing down of some of the region's best performing sectors created a dent on its labor market. The region's employment rate, which has been on an uptrend since 2005, faltered in the second quarter of 2008; dropping to 92.5 percent from 93.0 percent in the same period the previous year. Underemployment rate, however, dropped to 17.4 percent from 21.9 percent in the second quarter of 2007.

Future endeavors

As the global financial crisis is expected to continue, the region is preparing for a relatively slower growth in the next six months. Being dependent on tourism, the region will continue with its efforts to promote the region as a recreation destination offering medical services to attract both foreign and domestic tourists, in particular, the balikbayans.

Other industries expected to have slower growth the rest of the year include exports and construction.

Meanwhile, the region's IT industry is expected to play a vital role in stimulating the growth of the regional economy for the rest of 2008. This is one area where investor confidence remains high. The Cebu Investment Promotion Center (CIPC) reported that most of the inquiries that they received in the first semester were from the IT sector, specifically for shared services. Industry players expect it to grow by 30 percent in the next three years.

Aside from the IT industry, the mining industry is also expected to invigorate the Central Visayas economy with the start of operations of a major copper corporation.

Sources:
1) Central Visayas Second Quarter Regional Economic Situationer

Images:
1) Call center photo by Ykkkka retrieved from http://www.world66.com/asia/southeastasia/philippines/negrosisland/bacolod/lib/gallery/showimage?pic=asia/southeastasia/philippines/negrosisland/bacolod/teletech_call_cent
2) NEDA beach file photo