

Tourism, ICT Ignite Central Visayas Growth

Local folks serve as guides to travellers exploring the Islands' natural wealth.



The Central Visayas region experienced faster growth last year amidst environmental and international trade crises. The increased investments in tourism and information communication technology (ICT) ignited the region's surge, fuelling the growth of other sectors such as construction, power, banking, retail trade and transportation.

Moreover, the region's agriculture sector and exports industry recovered substantially enough to help revert its negative performance in 2006.

Growth Economics

The region attracted more tourists in 2007, posting an 18.7 percent growth by year-end. This is partly a result of the local and national government's efforts to present the region as a premier tourist destination with its pristine white beaches and wellness facilities such as spas.

Cebu, Bohol, and Negros enjoyed a steady growth of tourist arrivals, while the majestic island of Siquijor started to attract its own share of visitors after a lackluster performance in 2006. The Koreans and Japanese were the region's top foreign guests.

As the region becomes one the top destinations in Asia, demand for tourism-related services, construction of accommodations and other facilities increased.

The ICT industry in the region received a boost from the entry of more business process outsourcing (BPO) firms like Accenture, e-Performax Philippines and Teletech and the expansion of existing companies. In the Asiatown IT

Park alone, the number of locators increased from 20 to 30 during the year.

The upbeat tourism and ICT performance led to positive movements in other economic sectors as well.

First, the region's construction industry renewed its vigor with the establishment of more hotels, resorts, IT buildings and condominiums, as well as the expansion of the region's bigger malls, such as SM City Cebu and Ayala Center Cebu. The movement also shored up the region's real estate industry which, in itself was already upbeat from firm-initiated development projects and low HDMF interest rates.

Second, the region's labor market went up from 92.7 percent in 2006 to 93.8 percent in 2007. Specifically, employment in the region's IT park rose from 7,000 to 11,000 workers.

Third, retail trade continued to rise not only with the arrival of more tourists but also with the emergence more BPO workers with their relatively higher disposable incomes.

However, the increase in retail trade numbers was also attributed to election-related spending during the first semester of the year.

Fourth, partly a result of heavy electricity use of the ICT sector, power consumption in Central Visayas rose by three percent from 2006 levels. In anticipation of an even greater demand for electricity in the near future, the region worked to operationalize at least two power



More and more offshore companies took advantage of the competencies of the region's labor force.

reserves projects to add 100 megawatts to the Cebu-Negros-Panay (CNP) power grid, both of which are targeted for completion by 2010.

And fifth, the region's transportation sector grew positively as its airline and shipping industries posted increases in traffic and volume of passengers and cargo handled. In particular, aviation has been pumped up by the opening of new routes from existing companies and the entry of new industry players.

Broad-based Agriculture

Agricultural production grew by 13 percent in 2007 from the previous year's 12 percent. Notably, the year's growth came from all subsectors – crops (13.9%), fisheries (11.7%), livestock (3.5%) and poultry (1.7%), unlike in 2006 where growth mainly came from crops.

Crops. Total crop production reached 4.5 million metric tons, a 13.9 percent growth from total yield the previous year. The crop sector started the year strong but slowed down during the latter part of the second quarter due to unfavorable weather conditions, in particular, Typhoon Lando.

Corn, which was the strongest performer in the year, posted a 10.2 percent increase in production while palay, fruits, vegetables, and industrial and commercial crops, had 2.7, 5.1, 3.4 and 17.4 percent growth, respectively.

Fisheries. A more aggressive commercial fishery and aquaculture led to an 11.7-percent production growth in the fishery sector. While commercial fishery production grew by 19.4 percent, aquaculture increased by 15.2 percent due to good turnout of seaweeds, milkfish, tiger prawn, and oyster production.

Livestock and Poultry. Livestock and poultry production also took a positive swing during the year. Swine and carabao production posted a 3.5 and 2.4 percent increase, respectively. Poultry, on the other hand, recorded a 1.7 percent production hike with more chicken egg produce.

Challenges to Exports

The rapid appreciation of the peso in 2007 adversely affected the export industry players, especially the small and medium enterprises (SMEs), that some even had to close shop. However, the region's total export earnings increased by 32.1 percent in 2007, not entirely because

of higher volume of exports but the escalating value of export products due to a stronger peso in the international market.

Other factors that contributed to the positive growth are: (a) lesser dependence of the export industry on the US market due to market diversification efforts; (b) increase of non-dollar denominated exports; and (c) promotion of high-end or highly specialized investments such as knowledge process outsourcing and high-end electronic and furniture products.

Electronics remained the top export product followed by industrial goods, electrical equipment, garments, traditional products, furniture, steel/metal products, vehicles/machinery parts, marine products, and gifts, toys and housewares.

To strengthen the export industry, moves have been underway to help exporters refocus their market to the European Union countries. Furthermore, the Bangko Sentral ng Pilipinas led activities to promote hedging and different hedging products offered by banks.

Development Outlook

Because of international community recognition of Region 7 for its IT and tourism potentials, the region expects sustained growth in these sectors. In fact, the London-based *Foreign Direct Investment* magazine ranked Cebu City as eighth among 10 top Asian Cities in the future, while a study by Global Services placed the city as one of the favored outsourcing destinations for global companies.

Congruently, the region aims to further expand its tourism industry not only through continuous promotion of its ecotourism destinations, but also by penetrating new markets such as the Russians and Indians who are now becoming frequent visitors. Their numbers are expected to increase following moves by the Department of Tourism to streamline visa requirements for Indian guests.

With tourism expansion, there is expected benefit for the region's airline industry. In fact, Cebu Pacific has announced its plan to increase flight frequencies to Cagayan de Oro and Davao from Cebu, among other destinations.

A similar trend is expected in construction and banking which should support the physical and financial needs of new investors, tourists, and other stakeholders.

However, the region should resolve a number of issues and concerns in the near future.

First concerns the fast turnover of employees and the mismatch between the capabilities of graduates and industry needs. Companies in the region have been competing for qualified applicants to fill various positions especially those that require highly-specialized skills.

Second, there is a need for more infrastructure projects, especially on road networks, water and power supply to entice investors in the region and sustain its economic growth.

And third, the downgrade of the Philippine rating with regard to the international aviation safety standards to category 2 which may adversely affect the region's tourism efforts.

Source: 2007 Central Visayas Regional Economic Situationer