



CARAGA

FOURTH QUARTER **2019**

**REGIONAL
ECONOMIC
SITUATIONER**



Republic of the Philippines
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY
Caraga Region

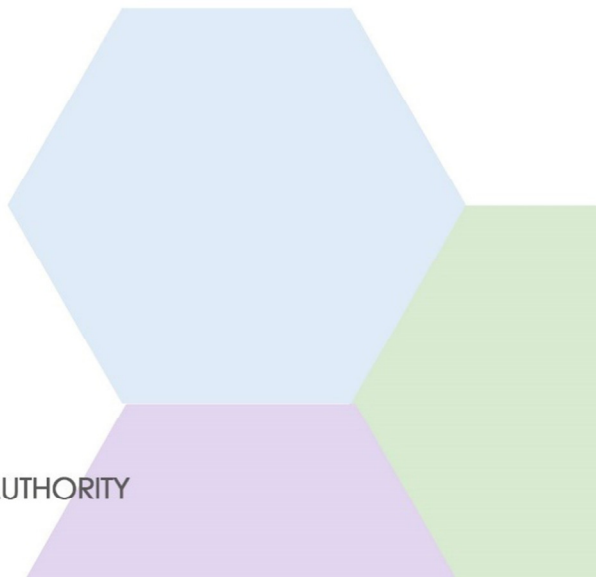


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MACROECONOMIC PERFORMANCE

Headline Inflation Slowed Down

The headline inflation in the region eased to its slowest pace during the month of October, further dropping to -0.4 percent from the -0.3 percent recorded in September. This is below the target of the Bangko Sentral ng Pilipinas (BSP), which is pegged at 3.0 percent \pm 1.0 percentage point. The drop in inflation rate is due to the decline in the year-on-year change in the Consumer Price Index (CPI) for heavily weighted food and non-alcoholic beverages, which dropped to -3.6 percent in October 2019 for the entire region.

The market price of rice continued to decline, as expected from the implementation of the Rice Tariffication Law. Likewise, the price of pork products also declined as the demand decreased due to the outbreak of the African Swine Flu.

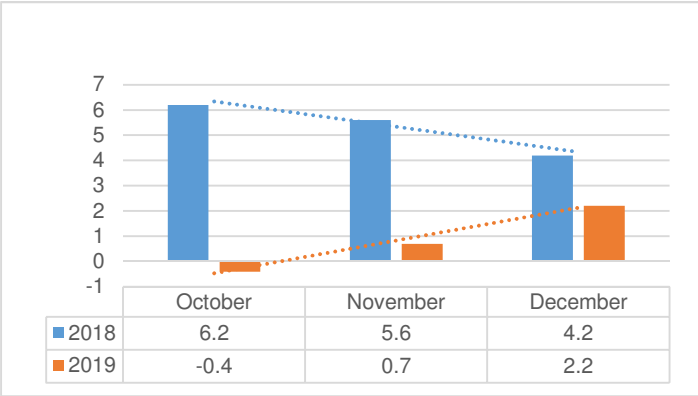
The Department of Energy observed in October that there had been a general decline in world oil prices¹. This is in line with the International Monetary Funds'

(IMF) monitoring that there had been a decline in global oil demand, which resulted to an overall drop in oil prices during the same period. In the Philippines, this was reflected through a decline in the year-on-year change of the CPI of transport commodities, dropping to -0.2 percent in October 2019.

As expected, the headline inflation picked up in December at 2.2 percent as the Christmas season induced more spending from consumers. Nonetheless, this figure was still below the ideal target of the BSP.

Meanwhile, the easing of price pressures prompted the central bank to cut its interest rates by 25 basis points² and reduce the required bank reserves in September 2019. This move was done to allow investors to borrow money at a cheaper rate and stimulate the national economy, which expanded by 5.5% only in August 2019 against the initial 6.0-7.0% target.

Figure 1. Inflation Rate for Caraga



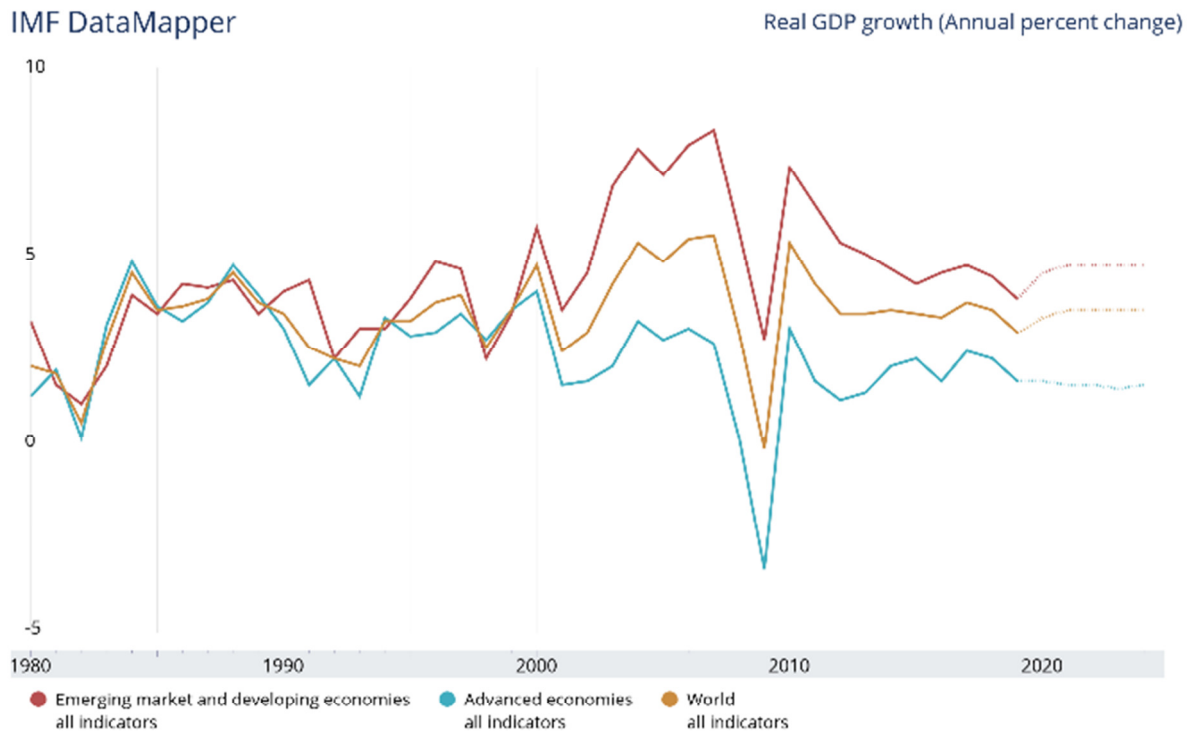
Source: PSA Caraga

Figure 2. Year-on-Year Changes of the Consumer Price Index in Percent by Commodity Group (2012-00)



Source: PSA Caraga

Figure 3. Real GDP Growth of World Economies



Source: IMF

©IMF, 2019. Source: World Economic Outlook (October 2019)

1 Department of Energy. (2019, October 22). Oil Monitor as of 22 October 2019. Retrieved from <https://www.doe.gov.ph/oil-monitor/oil-monitor-22-october-2019>.

2 Noble, L. (2019, September 27). BSP slashes key rates a third time. Retrieved from

Foreign Exports Doubled, Imports Declined

Both export volume and value doubled in October 2019, reaching USD 119 Million compared to USD 55 Million recorded during the same period in 2018. Among other factors, demand for local goods have increased in export markets as domestic goods are perceived to be cheaper and attractive.

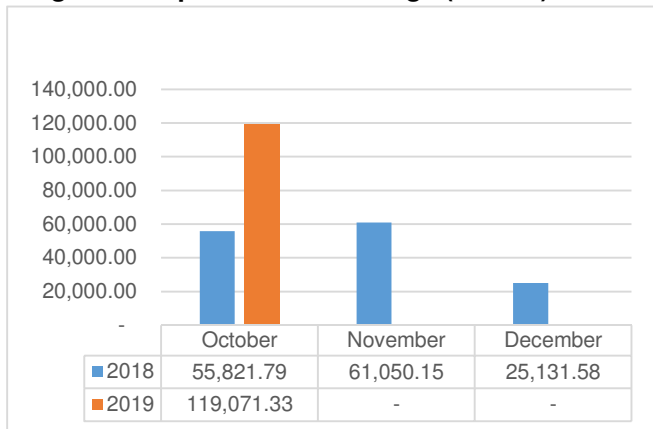
Contributory to the increase in region's exports is the reactivation of the nickel export activities at the port of San Roque Metals Inc. in Tubay, Agusan del Norte. Likewise, China and Japan's high

demand for nickel ore prompted export volume to also increased in the ports of Surigao.

On the other hand, import volume and value declined by 6 percent and 79 percent, respectively in October 2019 compared to the volume and value of imports in October 2018.

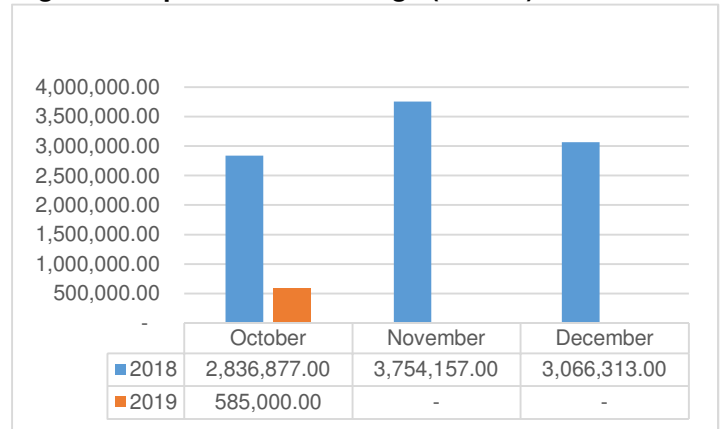
The combined effect of the increase in exports and decrease in imports indicates an expansion in the region's trade surplus.

Figure 4. Export Value in Caraga (in USD)



Source: PSA Caraga

Figure 5. Import Value in Caraga (in USD)



Source: PSA Caraga

Outbound Domestic Cargo Throughput in Agusan Ports Increased, Inbound Decreased

The domestic inbound and outbound cargo throughput in Agusan followed the general foreign trade trend movements in the last quarter of 2019. The cargos outbound from Agusan increased by 36.35 percent. This is attributable to the increase in outgoing cargos of sand and gravel to be used in the construction of roads and bridges. There was also an increase in container traffic due to the rise in shipments of numerous volumes of other general cargos and wood by-products, such as lumber, which are bound for Manila and Cebu. The increase in shipment of fruits and vegetables also contributed to the increase in the outbound throughput.

Meanwhile, domestic cargos incoming to Agusan decreased by 35.50 percent in 2019 compared to same quarter in 2018

due to multiple reasons. The breakbulk incoming cargo decreased by 42.64 percent since San Miguel Corporation temporarily halted the shipment of their bottle cargos due to the siltation at the mouth of the Agusan River, which is the main passageway of their barge. The volume of refined petroleum products unloaded at the port of Shell Cabadbaran and Nasipit Port also decreased during the same period. Lastly, there had been slow to zero growths recorded in the shipment of iron and steel products during the last quarter of 2019.

On the other hand, overall domestic imports in the ports of Surigao expanded by 17.74 percent due to the large importation of sulfur and other inorganic fertilizers.

Table 1. Domestic Inbound and Outbound Cargo Throughput in Agusan (in MT)

	2018	2019	YOY Change
Inbound	278,891.11	179,871.54	-35.50%
Outbound	201,711.71	274,840.53	36.25%

Source: PPA Agusan

Table 2. Domestic Inbound Cargo Throughput in Surigao (in MT)

	2018	2019	YOY Change
Inbound	8,500,950.00	10,008,936.00	-17.74%

Source: PPA Surigao

Unemployment Rate Increased

The Philippine Statistics Authority (PSA), through its quarterly Labor Force Survey (LFS) released last October 2019, reported an increase in the number of Caraganons who are unemployed during the last quarter of 2019, a rise to 4.6 percent from 4.0 percent in the same quarter the previous year. This translates to approximately 55,000 unemployed workers in the region. The employment rate also dropped from 96.0 percent in 2018 to 95.4 percent in 2019. Nevertheless, the underemployment rate significantly improved to 17.0 percent in 2019 from 21.4 percent in 2018, which indicates that more Caraganons are working full-time.

Meanwhile, LFS results for the entire Philippines show that the country's employment and unemployment rates stand at 95.5 percent and 4.5 percent, respectively. This translates to an increase in the national employment rate by 0.6 percent and a remarkable 12.0 percent decline in the unemployment rate.

While the country's employment rate is increasing and unemployment rate is decreasing, the opposite can be said for the region, partly due to differences in national and regional labor market dynamics.

Table 3. Labor Force Survey Results

	Philippines			Caraga		
	2018	2019	Growth Rate	2018	2019	Growth Rate
Employment Rate	94.90	95.50	0.63%	96.00	95.40	-0.62%
Unemployment Rate	5.10	4.50	-11.76%	4.00	4.60	15.00%
Underemployment Rate	13.30	13.00	-2.26%	21.40	17.00	-20.56%

Source: PSA Caraga

AGRICULTURE, FORESTRY AND FISHERY SECTOR PERFORMANCE

Palay and Corn Production Declined

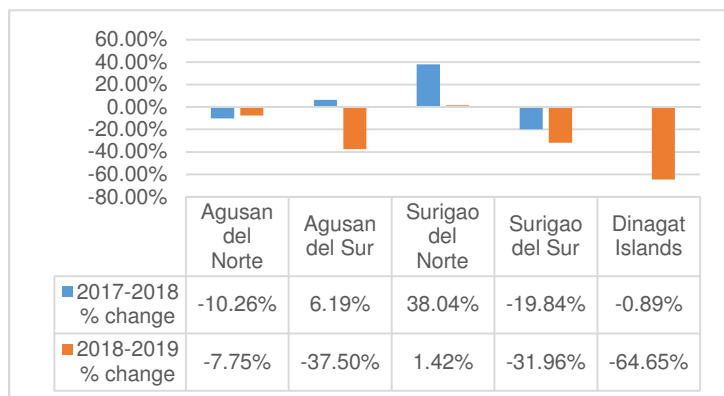
While the average farm gate prices of palay remained at Php 15.54 per kilo during the last week of 2019, the region's total palay production decreased. Agusan del Sur, which is Caraga's major producer of palay, saw a decline in its production by 37.5 percent to 71,202 M.T. in the fourth quarter of 2019 from 131,921 M.T. posted in 2018.

Meanwhile, the year-on-year growth rate of the corn production slowed down in 2019. Corn produced by Agusan del Sur, which is the major producer of corn in the region, increased to 57,377 M.T. in the last quarter of 2019 from 56,793 M.T. in 2018. Nonetheless, the growth in production is only 1.02 percent

compared to the 19.58 recorded in 2018. Corn production in Agusan del Norte also dropped by 79.53 percent, Dinagat Islands by 47.53 percent as well as Surigao del Sur by 31.96 percent.

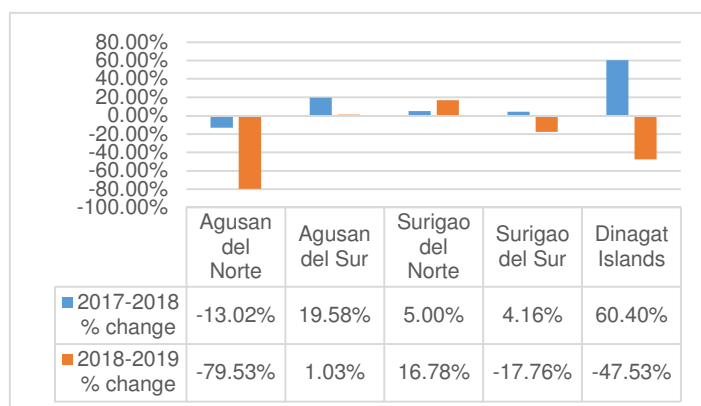
The National Food Authority reported a decline in the rice stock inventory for Caraga in the fourth quarter of 2019. This was due to the delayed arrival of imported rice from Thailand and Vietnam which were earmarked to augment the rice inventory and supplement rice distribution in the region. Likewise, with the enactment and implementation of RA 11203, the suspension of the rice importation lowered the region's total rice inventory.

Figure 6. Year-on-Year Change of Palay Production in Caraga



Source: PSA Caraga

Figure 7. Year-on-Year Change of Corn Production in Caraga



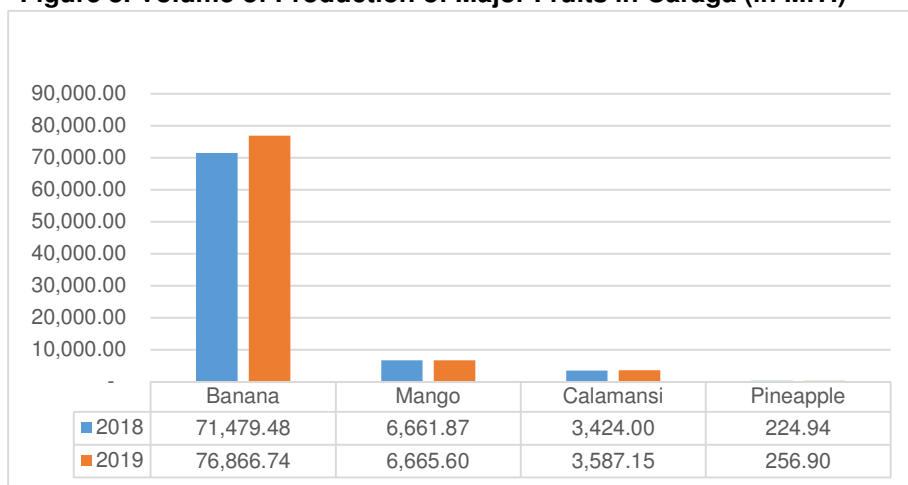
Source: PSA Caraga

Production of Major Fruits Increased, Major Crops Decreased

A slight increase in the production of major fruits such as Banana, Mango, Calamansi, and Pineapple was observed during the last quarter of 2019 compared to the same period the previous year. On the other hand, there was a significant decline in the year-on-year growth rate in the production of

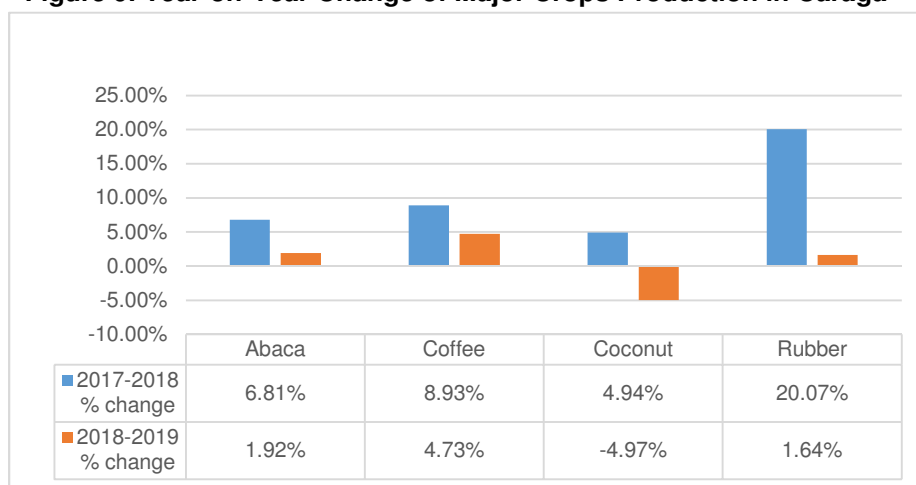
major crops, coconut and rubber in particular. Coconut production dropped by -4.97 percent. Similarly, rubber production slowed down as its growth rate decelerated to 1.65 percent in 2019 from the 20.07 percent posted in 2018.

Figure 8. Volume of Production of Major Fruits in Caraga (in M.T.)



Source: PSA Caraga

Figure 9. Year-on-Year Change of Major Crops Production in Caraga



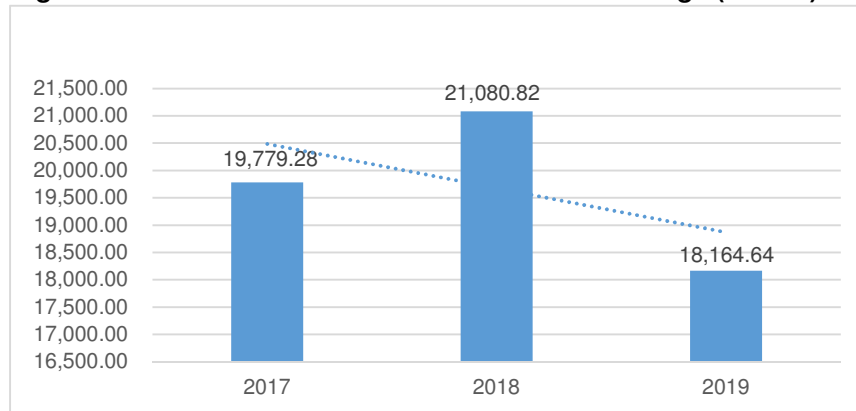
Source: PSA Caraga

Fisheries Production Declined

The volume of fishery production in the region dropped by 13.83 percent to 18,164.64 M.T. during the last quarter of 2019 compared to the 21,080.82 M.T. recorded in 2018. Among others, El Niño is seen to be a factor to such outcome given that said phenomenon

started back as early as the last quarter of 2018. Warm water temperatures caused by El Niño prompt sea animals to move to colder and deeper waters which consequently result to challenges in fishery production.

Figure 10. Volume of Production of Fisheries in Caraga (in M.T.)



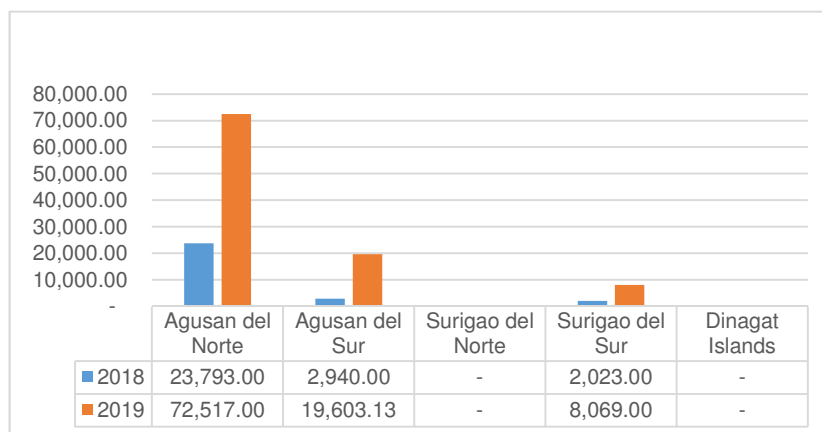
Source: PSA Caraga

Manufactured Forest Products Increased

There was a 248 percent increase in manufactured forest products during the last quarter of 2019 compared to 2018. Among others, the high demand for

wood by-products boosted the manufacturing of forest products in the region.

Figure 11. Manufactured Forest Products in Caraga in (M.T.)



Source: DENR Caraga

TRADE AND INDUSTRY SERVICES SECTOR PERFORMANCE

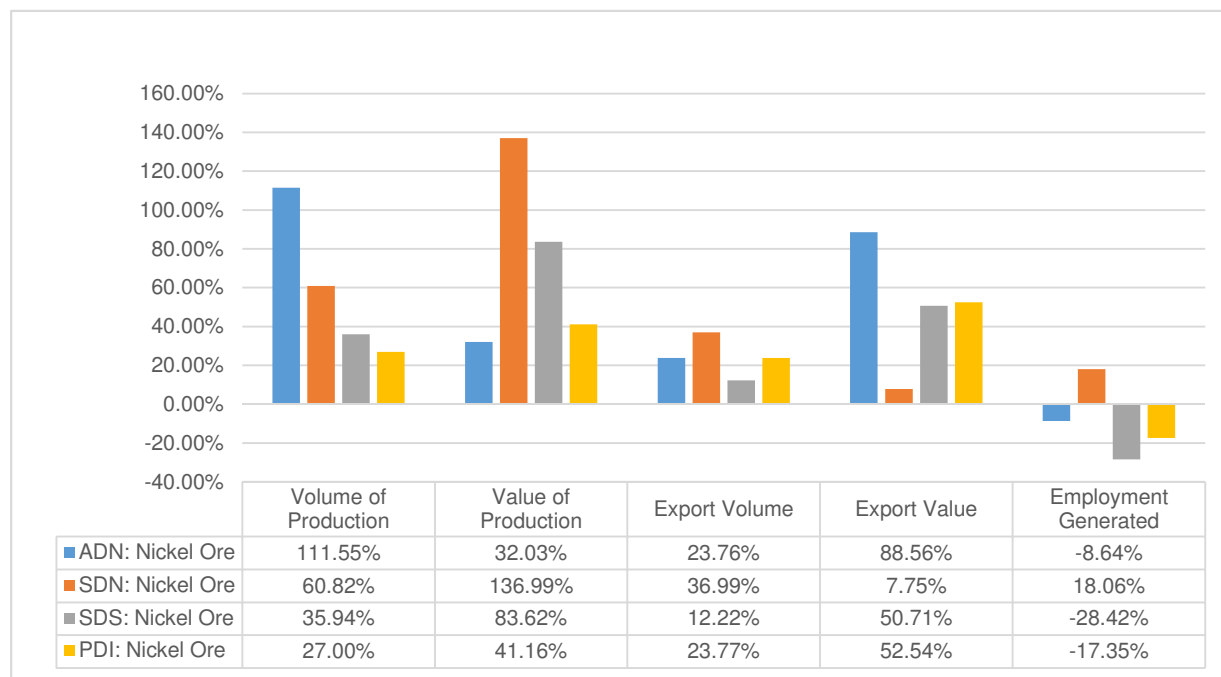
Nickel Ore Production Expanded

Nickel ore production for all provinces in Caraga increased remarkably during the last quarter of 2019 compared to the same quarter in 2018. Production in Surigao del Norte, which is the major nickel ore producer in the region, grew by 60.82 percent in the fourth quarter of 2019 at 2,118,443.52 DMT from 1,317,271.12 DMT in 2018. Value produced by the said province also increased by 136.99 percent to PhP 4.7 Billion from PhP 1.9 Billion recorded during the previous year.

Meanwhile, nickel ore production in Agusan del Norte grew the most by 111.55 percent and earned 88.56 percent more from exports.

Despite the increase in volumes and values of production, the jobs generated by the mining sector declined. Employment in Surigao del Sur decreased by 28.42 percent despite the increase in production by 35.94 percent and value growing by 83.62 percent. Employment in mining also decreased in the Province of Dinagat Islands by 17.35 percent.

Figure 12. Year-on-Year Growth of Nickel Ore Production in Caraga (2018-2019)



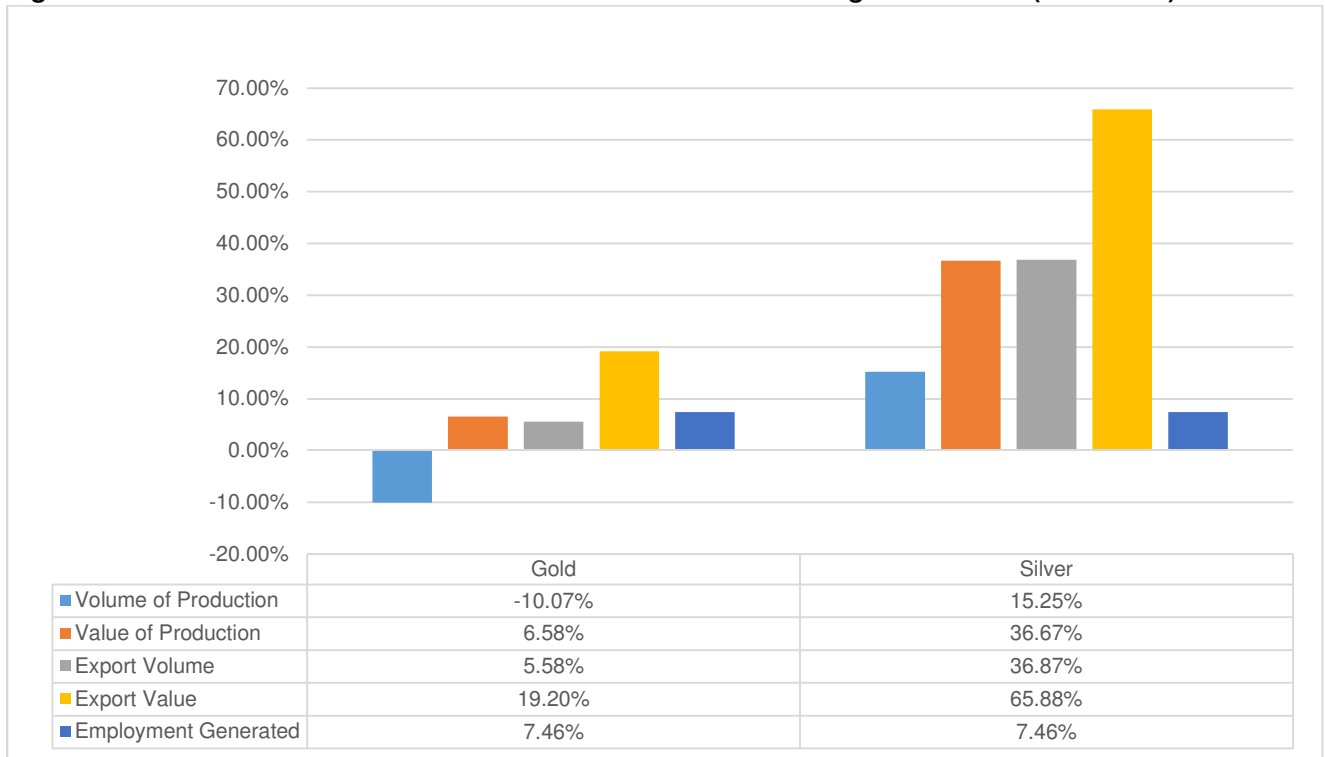
Source: MGB Caraga

Gold Production Declined, Silver Production Increased

Gold production in Agusan del Sur, the only province mining gold and silver in the region, declined by 10.07 percent from 719.11 Kg in the last quarter of 2018 to 646.70 Kg in 2019. Nevertheless, the value of production still grew by 6.58 percent.

On the other hand, production of silver grew by 15.25 percent while production value increased by 36.67 percent. Export of silver also grew by 36.87 percent, which is attributable to the increase in export value by 65.88 percent to PhP 5.3 Million from PhP 3.2 Million.

Figure 13. Year-on-Year Growth of Gold and Silver Production in Agusan del Sur (2018-2019)



Source: MGB Caraga

Investments from New Business Registrations Grew

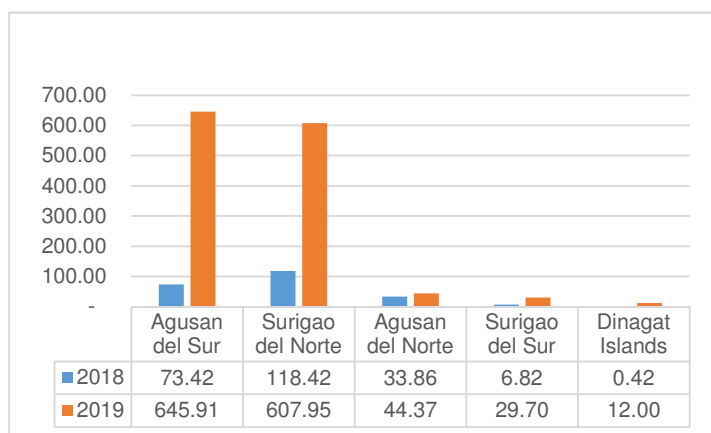
Investments from new business registrations in the region grew by 475 percent in the fourth quarter of 2019 compared to the same quarter in 2018. All five provinces posted positive investment growths, where the Province of Dinagat Islands gained 2,757 percent rise in investments, which is the highest among the provinces. This was followed by Agusan del Sur at 780 percent, Surigao del Norte at 413 percent, Surigao del Sur at 335 percent, and Agusan del Norte at 31 percent. Worth noting is the proposed opening of the multi-billion Silangan Mindanao Mining Project in Surigao del Norte, whose commercial operation is targeted to commence by July 2022.

The number of new business registrations in the region also increased by 8.54 percent to 1,564 new businesses in the fourth quarter of 2019

compared to the 1,441 new businesses during the same period in 2018. Contributory are the increases in new business registrations in Surigao del Norte at 25.21 percent, Surigao del Sur at 10.55 percent, Province of Dinagat Islands at 9.68 percent, and Agusan del Sur at 6.09 percent. These new businesses translate to 4,175 jobs generated in the region, which is a 20 percent increase from the fourth quarter in 2018.

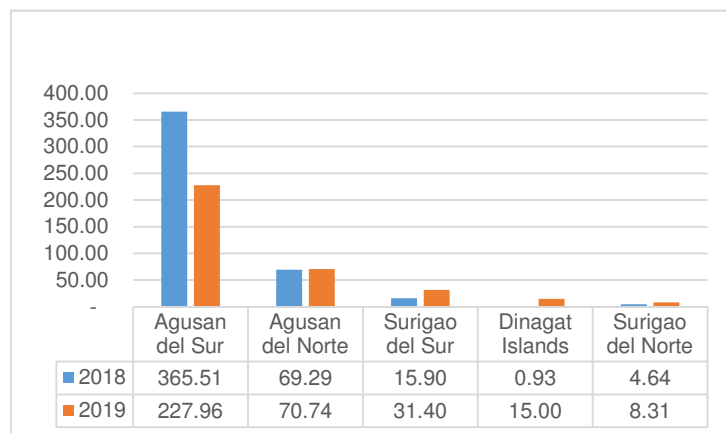
Nonetheless, despite the rise of new business registrations, domestic sales in the region dropped by 23 percent in the last quarter of 2019 compared to the same quarter in 2018. This equates to PhP 102 Million decrease in domestic sales. The said decrease was largely influenced by Agusan del Sur, which is the only province with negative domestic sales growth rate for the said quarter.

Figure 14. Investments from New Business Registrations in Caraga (in Million PhP)



Source: DTI Caraga

Figure 15. Domestic Sales from New Business Registrations (in Million PhP)



Source: DTI Caraga

SERVICES SECTOR PERFORMANCE

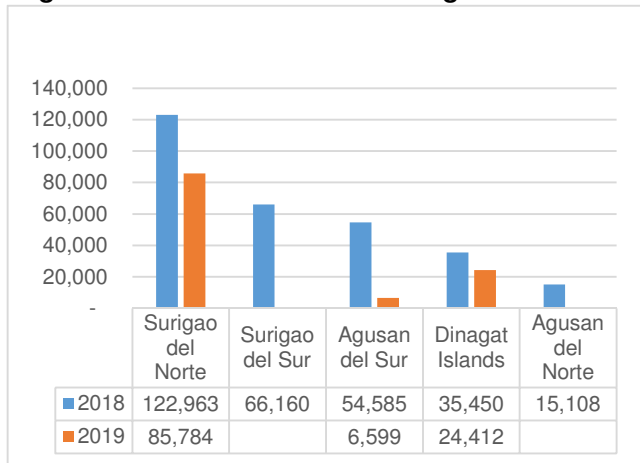
Tourist Arrivals Dropped

The partial data shows that tourist arrivals in the region declined in the fourth quarter of 2019 compared to the same quarter in 2018. The said trend is true for all provinces. According to the Philippine Chamber for Commerce and Industry (PCCI), the sluggish growth in tourist arrivals could be attributed to the congestion in the Ninoy Aquino International Airport (NAIA), where most of the flights going to Caraga are coming from. Nonetheless, worth noting is the

month of October where the passengers per flight ratio increased due to the International Surfing Competition held in Siargao.

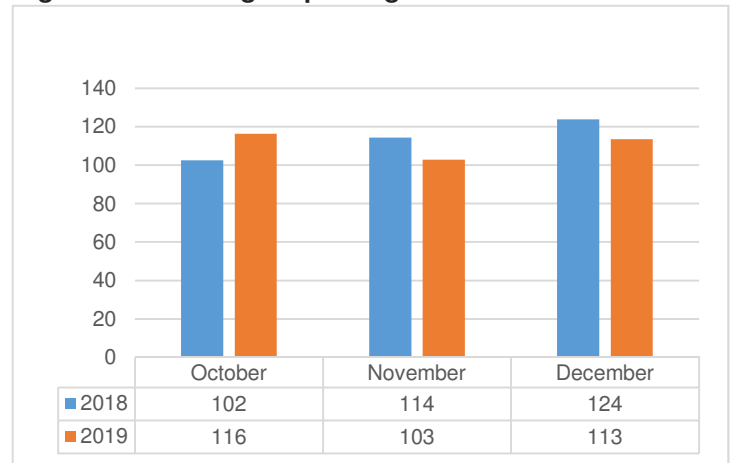
To address the possible large influx of airline passengers during the Christmas season, 50 more flights were added starting November 2019. However, despite increasing the number of flights going to Bancasi Airport, the number of passengers per flight still decreased.

Figure 16. Tourist Arrivals in Caraga



Source: DOT Caraga

Figure 17. Passengers per Flight in Bancasi



Source: CAAP Butuan

PEACE AND SECURITY

Crime Solution Efficiency Rate Declined

The Crime Solution Efficiency (CSE) rate in the region, which is the percentage of solved cases out of the total number of crime incidents filed, dropped during the fourth quarter of 2019. Only 83 percent of the total reported crimes in the region during the last quarter of 2019 were solved

compared to the 85 percent recorded in 2018. The 9 percent drop in the CSE rates of Cabadbaran City and Tandag City influenced the region's total CSE rate. Meanwhile, the CSE rates of Butuan City and Surigao del Sur improved by 3 percent and 4 percent, respectively.

Table 4. Crime Statistics in Caraga

LGU	PERIOD					
	Q4 2018			Q4 2019		
	CV	CSE	CCE	CV	CSE	CCE
Bayugan City	137	78%	94%	133	76%	93%
Cabadbaran City	56	92%	100%	92	83%	93%
Surigao City	147	68%	87%	208	69%	86%
Tandag City	41	85%	97%	55	76%	89%
Butuan City	498	85%	92%	413	88%	95%
Agusan del Norte	290	90%	93%	359	91%	95%
Agusan del Sur	574	87%	93%	501	88%	92%
Surigao del Norte	356	86%	92%	472	84%	93%
Surigao del Sur	482	84%	92%	406	88%	92%
Dinagat Island	59	92%	97%	67	91%	94%
Caraga	2,640	85%	94%	2,218	83%	92%

Source: PNP Caraga

DEVELOPMENT PROSPECTS

Agriculture Development

- Increase in the Caraga's palm oil output due to the proposed initial development of a 50,000-hectare palm oil plantation in Northeastern Mindanao.³
- Completion and rehabilitation of fifteen (15) small-scale irrigation systems in different provinces in the Caraga Region that will directly benefit palay farmers.⁴
- Increased agricultural output in Agusan del Sur as a result of Department of Agrarian Reform's (DAR) provision of PhP 17 Million worth of machineries and equipment to Agusan del Sur farmers.⁵
- Development for small farmers and micro, small, and medium enterprises (MSMEs) due to the implementation of the USD 96 Million worth of Rural Agro- Enterprise Partnership for Inclusive Development and Growth projects, in cooperation with the International Fund for Agricultural Development.⁶

Infrastructure Development

- Implementation of a total of 207 infrastructure projects in the region amounting to PhP 19.7 Billion. This is a result of the Department of Public Works and Highways' (DPWH) undertaking of 57 of the infrastructure projects worth PhP 10.1 Billion across the region while the rest of the 150 projects totaling PhP 9.2 Billion will be distributed to

the nine engineering district offices in the region.⁷

3 Crismundo, M. (2020, January 8). 50,000-hectare palm oil plantation to be developed in Caraga region. Retrieved from <https://www.farmlandgrab.org/post/view/29398-50-000-hectare-palm-oil-plantation-to-be-developed-in-caraga-region>.

4 Lopez, A. (2020, January 22). 15 diversion dams to further boost Caraga's palay production. Retrieved from <https://www.pna.gov.ph/articles/1091527>.

5 Department of Agrarian Reform Agusan Del Sur. (2020, February 18). DAR turns-over P17-M worth of farm machineries to AgSur farmers. Retrieved from <https://pia.gov.ph/news/articles/1034732>.

6 Lopez, A. (2020, January 17). \$96-M project seen to boost agri-based MSME growth in Caraga. Retrieved from <https://www.pna.gov.ph/articles/1091172>.

7 Lopez, A. (2020, January 8). Caraga to get P19.7-B infra projects: DPWH. Retrieved from <https://www.pna.gov.ph/articles/1090300>.