



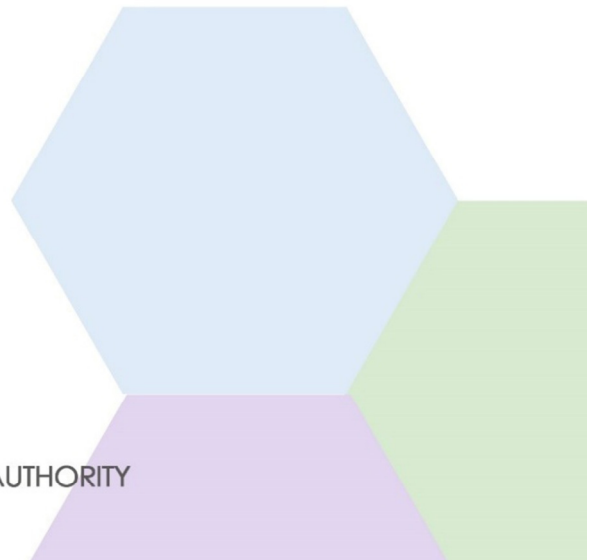
CARAGA

FIRST QUARTER **2020**

**REGIONAL
ECONOMIC
SITUATIONER**



Republic of the Philippines
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY
Caraga Region



MACROECONOMIC PERFORMANCE

In response to the Coronavirus Disease 2019 (COVID-19) outbreak, the Philippine government imposed various precautionary measures such as the travel ban on China, Hong Kong, Macau and Taiwan in February 2020 to prevent the spread of the disease in the country. Despite this, the first local transmission was recorded in Metro Manila in March 2020, which led to the urgent implementation of the local community quarantine (LCQ) in the National Capital Region. The entire Luzon was placed under enhanced community quarantine (ECQ) thereafter as COVID-19 positive cases began to rise. Air, sea, and land transportation services were suspended and the borders of Luzon closed. As Caraga Region followed suit, strict social distancing was imposed and a significant number of establishments were closed, leading to a slowdown in domestic activities, thus, hitting the micro, small, and medium enterprises (MSMEs), tourism and transport sectors the most.

The Services Sector, which constitutes 51 percent of Caraga's GRDP, is heavily involved in labor resource and is highly dependent on physical interaction for transactions to proceed. With this, the said sector is heavily impacted as social distancing is urgently and strictly implemented throughout the country. The Industry Sector, which includes mining and quarrying and manufacturing, is moderately at risk, production wise, as establishments under this sector continue to operate under flexible working arrangements. However, there has to be a mechanism to ensure that the sector's output gets delivered to the market. Lastly, the Agriculture, Forestry and Fishing Sector is mildly at risk as production activities remain unhampered. Meanwhile, distribution of agricultural products during the quarantine period is very critical.

Prices Remained Stable

The overall consumer price index of Caraga in the first quarter of 2020 remained stable, slightly increasing by 0.3 percent. There is also a perceived minimal increase in the prices of the heavily weighted commodities such as food, restaurants, and health services. Yet, as seen in Table 1, prices of transport dropped by 1.7 percent in March¹, which can be attributed to the decrease in the demand for transportation services as a result of travel restrictions, among other things. Meanwhile, higher excise taxes imposed on fuel², alcohol and tobacco³, which took effect in January 2020, led to the price increase of gas and other fuels, alcoholic beverages, and tobacco.

¹ Data sourced from PSA Caraga

² Lopez, M. (2019, December 30). Higher fuel excise taxes take effect January 1. Retrieved from https://www.cnnphilippines.com/news/2019/12/30/Higher-fuel-excise-taxes-2020.html?fbclid=IwAR3_68dqYNsvglreaO6OaZ6zHQo5DHbnq5-tDALRXv8TSkTG51GHIt9dDvU.

³ Gita-Carlos, R. (2020, January 23). Duterte signs law imposing higher taxes on alcohol, e-cigarettes. Retrieved from <https://www.pna.gov.ph/articles/1091709>.

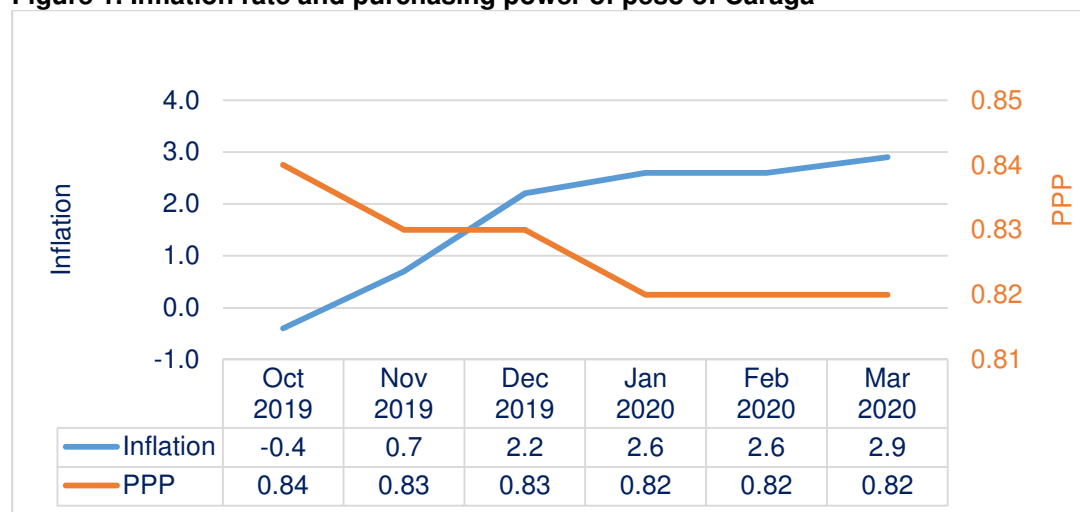
Table 1. Consumer Price Index for Caraga

Commodity	January 2020	February 2020	March 2020	Feb – Mar % change
ALL ITEMS	122.1	122.2	122.6	0.3
Housing, Water, Electricity, Gas and Other Fuels	124.6	125.2	126.8	1.3
Alcoholic Beverages, Tobacco and Other Vegetable-Based Tobacco Products	187.6	188	190.2	1.2
Restaurants and Miscellaneous Goods and Services	118.2	119.8	120.6	0.7
Health	119.9	120.3	121	0.6
Furnishings, Household Equipment and Routine Household Maintenance	112.6	113.8	114.3	0.4
Recreation and Culture	113.4	113.4	113.6	0.2
Food and Non-Alcoholic Beverages	124.7	124.6	124.8	0.2
Clothing And Footwear	116.3	116.3	116.3	0.0
Communication	104.1	104.1	104.1	0.0
Education	110.8	110.8	110.8	0.0
Transport	110.5	108.6	106.8	-1.7

Source: PSA Caraga

There is also an observed increasing trend in the region’s inflation rate since the last quarter of 2019. This may be explained in part by the higher excise taxes, which pushed the inflation rate up in the first quarter of 2020. Meanwhile, the buying power of Caraganons slightly declined, as the purchasing power of peso decreased in January 2020 from December 2019.

Figure 1. Inflation rate and purchasing power of peso of Caraga



Source:

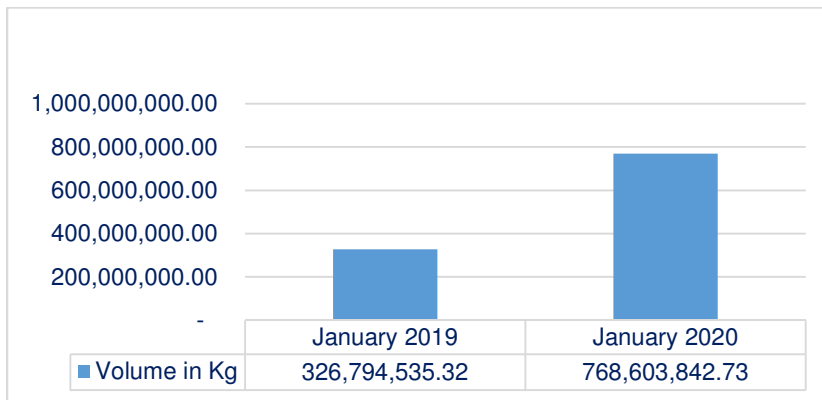
PSA

Caraga

Foreign Exports Doubled

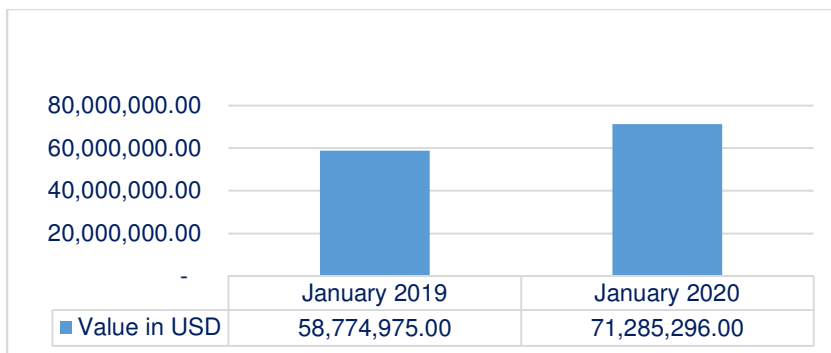
In the region, export of goods remained unhampered provided that cargo vessels follow the quarantine guidelines set by the Department of Health (DOH). Foreign exports in the region increased by 135 percent in January 2020⁴ compared to the same month the previous year. The increase in exports is largely attributed to China and Japan's high demand for nickel ore. The value of exported goods only increased by 20 percent, amounting to USD 71 Million in January 2020 from USD 58 Million recorded in January 2019.

Figure 2. Export Volume for Caraga



Source: PSA Caraga

Figure 3. Export Value for Caraga



Source: PSA Caraga

⁴ Data sourced from PSA Caraga

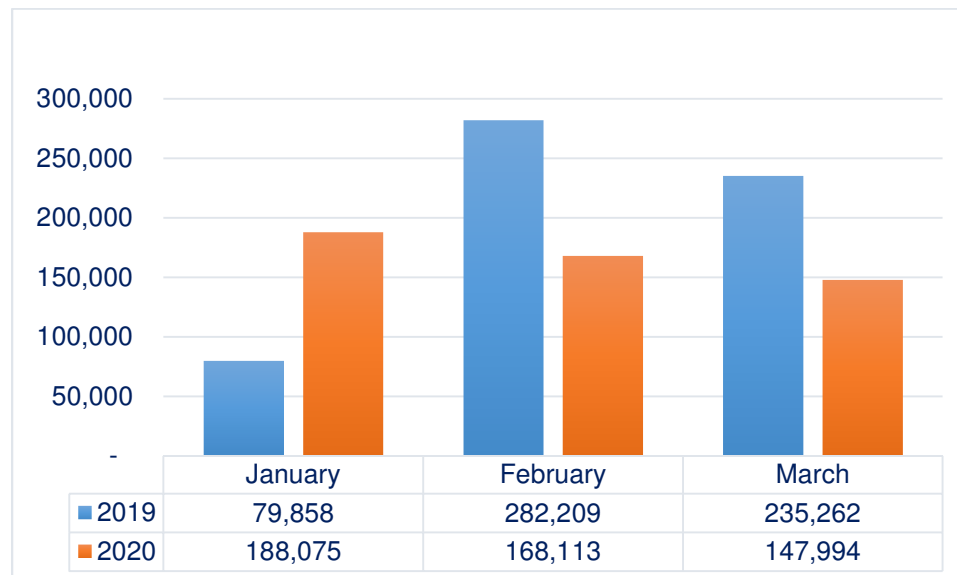
AGRICULTURE, FORESTRY AND FISHERY SECTOR PERFORMANCE

Rice Stock Inventory Declined

The rice stock inventory from the National Food Authority (NFA), on average, decreased by 16 percent during the first quarter of 2020 compared to the same quarter in 2019. The decrease was mainly due to the suspension of NFA’s rice importations which led to the rice stock inventory being sourced solely from local farmers.

Meanwhile, the community quarantines have temporarily put on hold data surveys on agricultural production such as those on palay production.

Figure 3. Rice Stock Inventory for Caraga in M.T.



Source: NFA Caraga

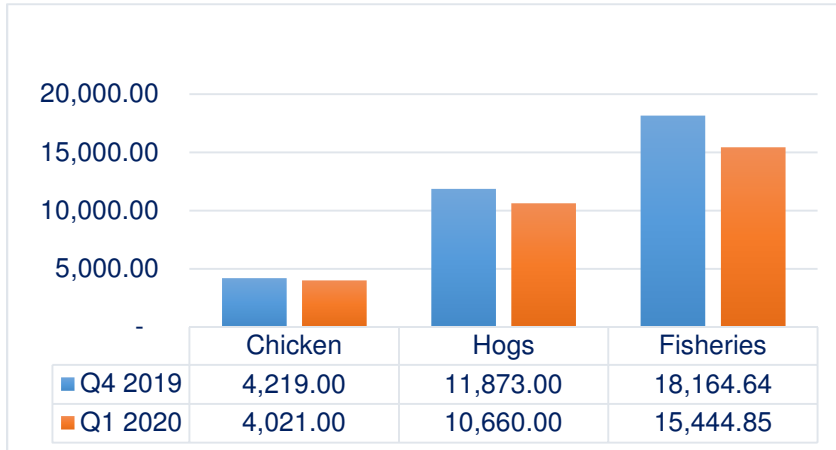
Livestock and Fisheries Production Decreased

According to the Department of Agriculture (DA), decrease in the production of livestock and fisheries were also recorded for the quarter, relative to the same period last year. Production of chicken decreased by 5 percent, 10 percent for hogs, and 15 percent for all types of fish. The reduction in hogs production can be attributed to the spread of African Swine Flu (ASF) throughout the country, both in Luzon and recently in Mindanao. DA announced that as of March 10, about two percent (237,000 pigs) of the country’s total 12.8 million hogs have been culled.⁵ The decline in the fisheries production was mainly due to the northeast monsoon, which started in January and

⁵ Professional Pig Community. (2020, March 26). Philippine pork production expected to decline in 2020. Retrieved from https://www.pig333.com/latest_swine_news/philippine-pork-production-expected-to-decline-in-2020_15976/

caused big waves in the open seas. Few catches were also recorded in March during the quarantine period as several fishermen stopped operating when major fish buyers decreased their demand and farm gate prices declined.

Figure 4. Livestock and Fisheries Production in Caraga in Kg

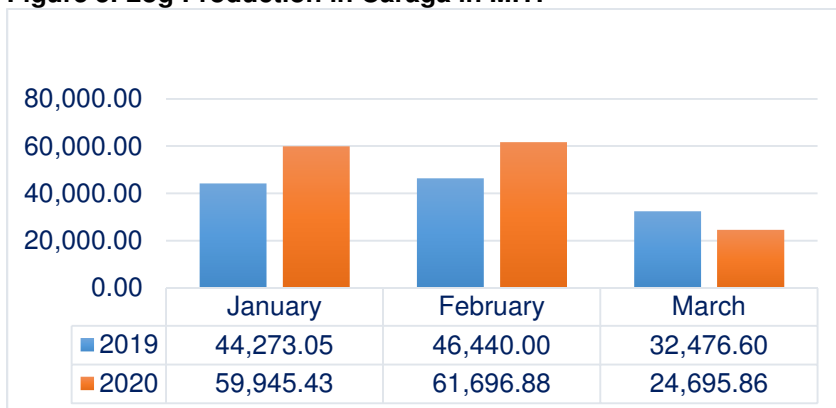


Source: DA Caraga and BFAR Caraga

Log Production Declined in March

Similar to the trend observed in 2019, log production in the region declined by 24 percent in March⁶ after increasing by 35 percent and 33 percent in January and February, respectively. Currently, there are a total of 39 wood processing plants in the region employing 10,458 workers and supporting 52,290 dependents and beneficiaries. The sector stands to be negatively affected by the suspension of the transportation of forest products, in compliance to the memorandum issued by the Department of Environment and Natural Resources (DENR)⁷ on March 2020. The said suspension will continue until the community quarantine is lifted.

Figure 5. Log Production in Caraga in M.T.



Source: DENR Caraga

⁶ Data sourced from DENR

⁷ Biodiversity Management Bureau. "DENR suspends forest products, wildlife transport". Retrieved from <https://bmb.gov.ph/index.php/resources/news-and-events/99-denr-suspends-forest-products-wildlife-transport>

TRADE AND INDUSTRY SERVICES SECTOR PERFORMANCE

Mineral Gross Sales Increased

Total mineral production in the region grew by 116.86 percent. Total gross sales grew by 80 percent from PhP 3.4 Billion to PhP 6.1 Billion⁸. Decrease in the production of silver and nickel ore was mainly due to unfavorable weather conditions and the temporary suspension of operations due to COVID-19.

According to the Mines and Geo-Sciences Bureau (MGB) Caraga, the temporary halt on mining operations resulted to the displacement of 8,176 mining workers.

Table 2. Mineral Production and Gross Sales in Caraga

Mineral	Production			Gross Sales		
	Q1 2019	Q1 2020	% Change	Q1 2019	Q1 2020	% Change
Mixed Sulfide (kg)	12,246.98	1,368,939.26	11,077.77%	982,259,943.07	3,062,909,598.73	211.82%
Gold (kg)	928.70	13,573.83	1,361.59%	2,020,806,272.88	2,035,842,590.00	0.74%
Scandium Oxalate (kg)	1,045.00	2,138.00	104.59%	29,170,974.00	52,533,829.92	80.09%
Silver (kg)	195.25	166.41	-14.77%	5,097,025.59	4,448,201.00	-12.73%
Nickel Ore (WMT)	1,053,025.62	930,069.26	-11.68%	343,990,689.20	942,359,063.07	173.95%
Total	1,067,441.55	2,314,886.76	116.86%	3,381,324,904.74	6,098,093,282.72	80.35%

Source: MGB Caraga

New Business Registrations Grew

An increase in new business registrations in the region was observed during the first quarter of 2020. Registrations grew by 30 percent compared to the same quarter the previous year. Bayugan City and Cabadbaran City improved the most, where business registrations increased by 523 percent and 121 percent, respectively. Jobs generated from the new businesses also increased by 37 percent. However, most of the new businesses have low capitalization. This was contributing to the decline in investments by 74 percent compared to the investments made by new businesses in the first quarter of 2019. Nevertheless, domestic sales reported for the region still grew by 206 percent totaling to PhP 832 Million⁹ during the period.

⁸ Data sourced from MGB Caraga

⁹ Data sourced from DTI Caraga

Table 3. New Business Registrations in Caraga

	2019	2020	% change
New Business Registrations	7,002	9,115	30.18%
Jobs Generated	13,669	18,727	37.00%
Investments (PhP million)	4,893.88	1,252.35	-74.41%
Domestic Sales (PhP million)	271.80	831.86	206.06%

Source: DTI Caraga

Business Establishments Closed Due to COVID-19

With the implementation of the LCQ in the region, approximately 4,284 business establishments in Caraga have temporarily closed. The Department of Trade and Industry (DTI) estimated a total loss in gross sales of approximately PhP 1.3 Billion during the first two weeks of the quarantine period. About 36 percent of the temporarily closed business establishments are from the accommodation and food services. Meanwhile, the Department of Labor and Employment (DOLE) recorded a total of 19,029 displaced workers of which 9,154 worked for establishments that have temporarily closed.

Tax Collections Expected to Decrease

The temporary closure of establishments as a response to COVID-19 restrictions is likely to result to a decrease in tax revenue for the region. The Bureau of Internal Revenue (BIR) estimated a total of PhP 23 Million foregone in tax collections for the first quarter of 2020. Temporary closure of hotels and restaurants, disruption of transportation services, and reduction of wholesale and retail trade are expected to contribute largely to the projected tax revenue loss for the period.

Table 4. Estimated Revenue Loss for Caraga from January – March 2020

Major Industries	Estimated Revenue Loss (PhP)
Hotel and Restaurant	9,553,250.00
Wholesale and Retail Trade	7,642,400.00
Transport, Trucking, Storage and Communications	3,623,000.00
Gasoline Stations	1,100,000.00
Hardware / Auto Parts	600,000.00
Others	600,000.00
TOTAL	23,118,650.00

Source: BIR Caraga

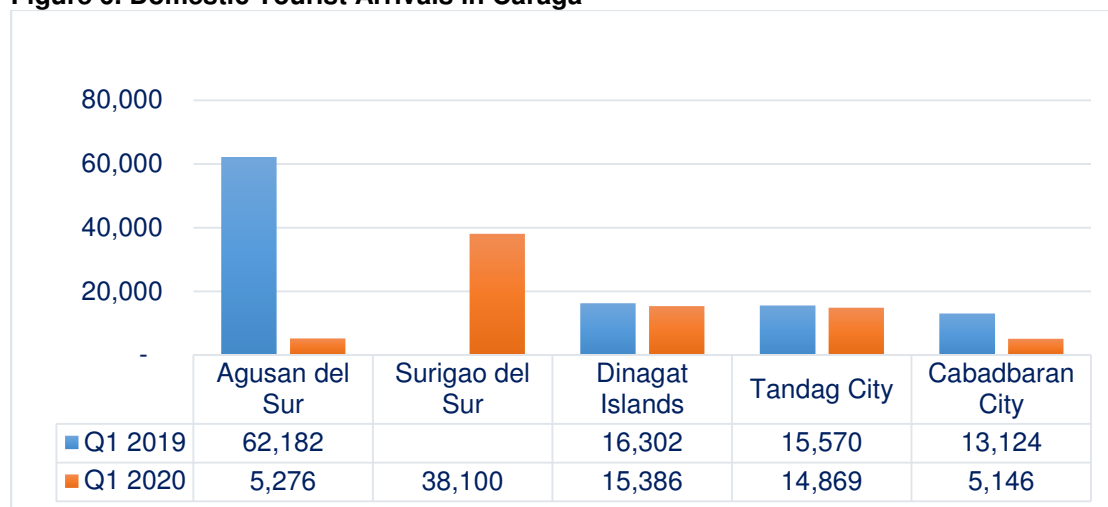
SERVICES SECTOR PERFORMANCE

Tourist Arrivals Declined

The tourism industry is among the severely affected due to the restrictions placed against COVID-19. Overall tourist arrivals in the region declined during the first quarter of 2020. Domestic and foreign tourist arrivals decreased by 26 percent and 31 percent, respectively. Relative to this, in March 2020, a total of 286 stranded tourists were already recorded by the Department of Tourism (DOT). Sweeper flights were also arranged to facilitate the return of the stranded tourists to their respective homes.

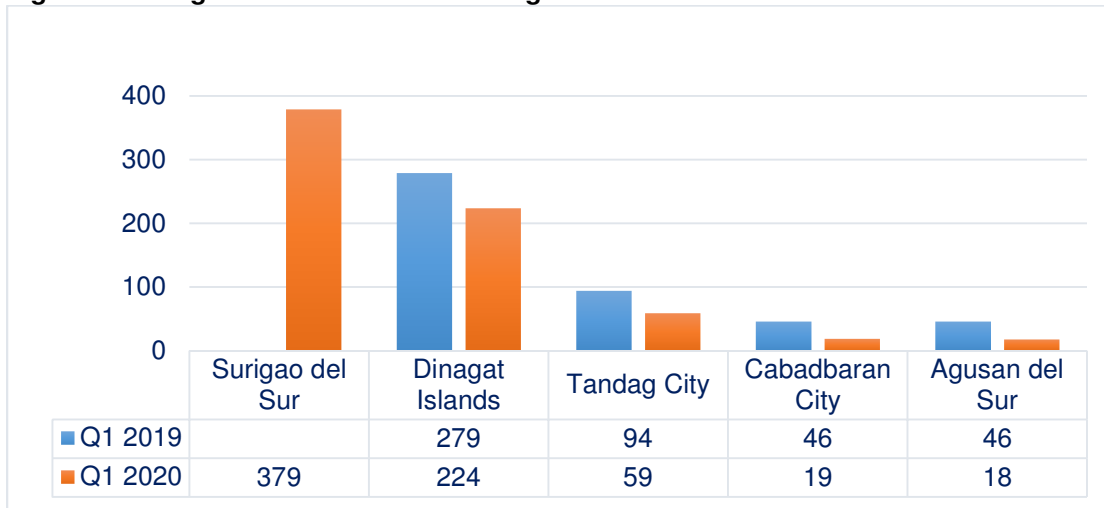
Domestic tourism activities also slowed down as temporary closures were imposed on hotels and lodging houses, recreation and entertainment establishments, and events places. Festivals and mass gatherings are also prohibited during the quarantine period. With this, DOT Caraga estimated a total of PhP 17.7 Million losses for the region due to cancelled tourism services from January to March 2020.

Figure 6. Domestic Tourist Arrivals in Caraga



Source: DOT Caraga

Figure 7. Foreign Tourist Arrivals in Caraga



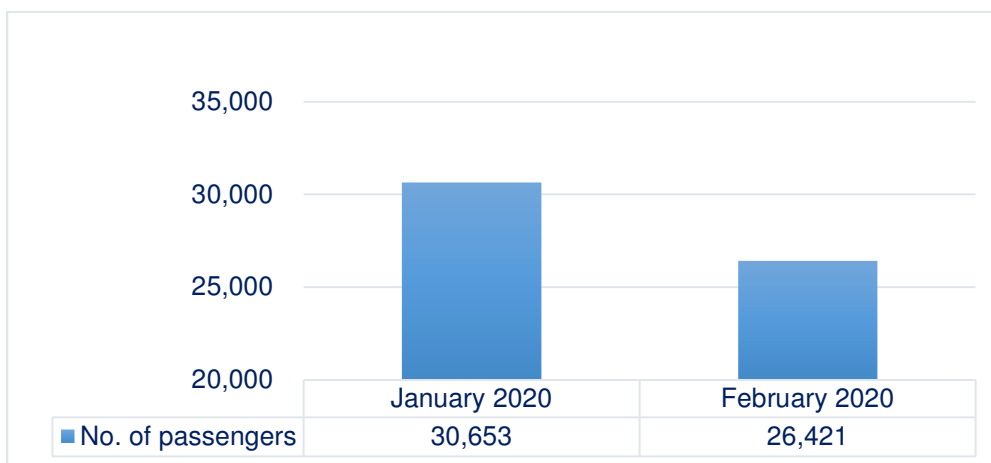
Source: DOT Caraga

Inbound Flights Declined

Data from the Civil Aviation Authority of the Philippines in Bancasi and Surigao revealed that there was an 18 percent reduction in the number of flights and 14 percent decline in the number of passengers in both airports of the region from January to February 2020 alone. At the onset of the ECQ in Luzon in March, flights coming in and out from the Ninoy Aquino International Airport were halted. This resulted in the reported temporary closure of several travel agencies and airline offices in the region.

Nevertheless, the flow of cargoes remained unhampered, which increased by 4 percent in February 2020.

Figure 8. Passenger Arrival at Bancasi Airport



Source: CAAP Butuan

PEACE AND SECURITY

Crime 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 first quarter of 2020. On the average, 92 percent of the total reported crimes in the region during the first quarter of 2020 were solved compared to the 94 percent in the same quarter last year. Nevertheless, an increase in CSE is expected once unsolved cases are cleared as a result of the intervention initiated by the Philippine National Police (PNP), such as case reviews and rigid follow-up investigation of unsolved cases.

Following the increase in movement restrictions across the region relative to the COVID-19 measures, there are fewer people on the streets which led to a decrease in street crimes and other index crimes. On the other hand, a significant hike in the number of violators of Special Laws particularly RA No. 11332¹⁰ and RA No. 11469¹¹ and other related guidelines contributed to the increase of the number of recorded incidents for the first quarter of 2020.

Table 5. Crime Statistics in Caraga

	LGU	Q1 2019	Q1 2020	% change
Crime Volume	Agusan del Norte	297	330	11.11%
	Agusan del Sur	539	429	-20.41%
	Surigao del Norte	426	485	13.85%
	Surigao del Sur	354	356	0.56%
	Dinagat Islands	49	45	-8.16%
	Butuan City	447	402	-10.07%
Crime Solution Efficiency	Agusan del Norte	96.29%	89.69%	-6.85%
	Agusan del Sur	93.13%	90.90%	-2.39%
	Surigao del Norte	92.72%	93.81%	1.18%
	Surigao del Sur	94.91%	93.53%	-1.45%
	Dinagat Islands	95.91%	93.33%	-2.69%
	Butuan City	94.63%	93.03%	-1.69%
Crime Clearance Efficiency	Agusan del Norte	93.26%	84.24%	-9.67%
	Agusan del Sur	87.94%	82.51%	-6.17%
	Surigao del Norte	86.61%	83.71%	-3.35%
	Surigao del Sur	89.83%	87.92%	-2.13%

¹⁰ An Act Providing Policies and Prescribing Procedures on Surveillance and Response to Notifiable Diseases, Epidemics, and Health Events of Public Health Concern, and Appropriating Funds Therefore, Repealing for the Purpose Act No. 3573, Otherwise Known as the "Law on Reporting of Communicable Diseases"

¹¹ An Act Declaring the Existence of a National Emergency Arising from the Coronavirus Disease 2019 (Covid-19) Situation and a National Policy in Connection Therewith, and Authorizing the President of the Republic of the Philippines for a Limited Period and Subject to Restrictions, to Exercise Powers Necessary and Proper to Carry Out the Declared National Policy and for Other Purposes

	Dinagat Islands	91.83%	80.00%	-12.88%
	Butuan City	89.48%	86.56%	-3.26%

Source: PNP Caraga

DEVELOPMENT PROSPECTS

Social Amelioration Program

The *Bayanihan to Heal as One Act* empowered the President to realign, reallocate and reprogram PhP 275 Billion of the national budget to combat COVID-19. Majority of the emergency fund is allotted for the 18-million low-income households that have lost their source of income amid the pandemic. The Department of Social Work and Services had disbursed PhP 1.8 Billion to eligible Caraganons through the Assistance to Individuals in Crisis Situation (AICS) Program. The Department of Agriculture had provided PhP 97 Million to 19,468 farmers in Caraga through the Rice Farmers Financial Assistance (RFFA) Program. Meanwhile, DOLE's Tulong Panghanapbuhay sa Ating Disadvantaged/Displaced Workers (TUPAD) and COVID-19 Adjustment Measures Program (CAMP) paid PhP 26 Million to 8,265 beneficiaries and PhP 34 Million to 6821 beneficiaries in the region, respectively. The said interventions, among others, are expected to ease the impact of the pandemic in livelihoods and incomes of Caraganons, especially those from the informal sector.

Lifting of the Enhanced Community Quarantine

On May 1, 2020, through the mandate of the IATF, low-risk areas in the country, which includes provinces in the Caraga Region, will be placed under general community quarantine (GCQ). As a result, establishments falling under Categories 1, 2, 3 are allowed to operate, subject to minimum health conditions. Category 1 lists industries that are in full operational capacity during ECQ and GCQ. Meanwhile, industries under Category 2 are allowed to operate 50 percent up to full capacity. Category 3 industries require 50 percent work on site arrangement, work from home, and other alternate work arrangements. Lastly, Category 4 businesses are still prohibited to operate. With the opening of the allowed establishments under GCQ, recovery in the region's trade and industry sector is expected to commence.

Table 6. Industry Categories During ECQ and GCQ

	Industries
Category 1	Agriculture, fishery, forestry Food manufacturing and entire supply chain Food retail Healthcare Logistics Water Energy Internet, telecommunications Media
Category 2	Electronics and exports E-commerce and delivery

	Repair and maintenance services Housing and office services
Category 3	Financial services BPO Other non-leisure services Other non-leisure wholesale and retail trade
Category 4	Schools Leisure, amusement, gaming, fitness "Kid" industry Tourism All gatherings Malls (limited opening) Construction (limited opening)

Transitioning to the “New Normal”

GCQ will be the new normal until a vaccine for COVID-19 is developed. Under GCQ, minimum public health standards, such as social distancing, wearing of face masks in public, mandatory checking of temperature, and regular use of disinfectants, shall be imposed at all times. Several non-essential businesses will be allowed to reopen including malls and shopping centers with limited operations and capacity. However, theaters, gaming areas, and other leisure stores will remain closed. Land, air, and sea transportation are allowed to reopen at a reduced capacity to ensure physical distancing between passengers. Yet, the movement of those living in GCQ areas will remain limited to accessing essential goods and services and going to work in establishments that are allowed to operate.

The region stands to adjust given these “new normal” conditions. Information campaigns will be very crucial for Caraganons to adopt these new standards in work, livelihood, and ways of doing business.