

CALABARZON REGIONAL ECONOMIC SITUATIONER 2017

Gross Regional Domestic Product, 2016¹

In 2016, Calabarzon's economy grew by 4.8 percent (Table 1), albeit slower than its 5.9 percent growth in 2015 due to the substantial decline in the manufacturing sub-sector which accounts for more than 50 percent of the regional economy. Despite the decline, the region remained the second biggest contributor to the country's Gross Domestic Product (GDP) with a 14.8 percent share, next to NCR with a 38.1 percent share and followed by the Central Luzon with a 9 percent share. This trend has been consistent for the past three years.

Table 1. GDP Philippines Percent Distribution by Region 2014-2016

REGION	2014	2015	2016
PHILIPPINES	100.0	100.0	100.0
NCR	37.0	37.9	38.1
Cordillera Administrative Region (CAR)	1.8	1.8	1.7
Region I – Ilocos	3.1	3.1	3.1
Region II – Cagayan Valley	1.9	1.8	1.7
Region III – Central Luzon	9.1	8.9	9.0
Region IV-A - CALABARZON	15.9	15.5	14.8
Region IV-B – MIMAROPA	1.7	1.5	1.5
Region V- Bicol	2.1	2.1	2.1
Region VI – Western Visayas	4.0	4.1	4.1
Region VII – Central Visayas	6.5	6.5	6.7
Region VIII – Eastern Visayas	2.0	2.0	2.2
Region IX – Zamboanga Peninsula	2.0	2.1	2.0
Region X – Northern Mindanao	3.8	3.9	4.0
Region XI – Davao	4.1	4.2	4.4
Region XII - SOCCSKSARGEN	2.8	2.7	2.7
Region XIII – CARAGA	1.2	1.2	1.2
Autonomous Region of Muslim Mindanao (ARMM)	0.8	0.7	0.7

Source : PSA

Because of the major decline in the industry sector, the target GRDP growth of at least 6.6 percent was not met by the region. The services sector also fell short of its 2016 target while only the AFF sector only managed to meet its target growth (Table 2).

Table 2. Calabarzon GRDP 2013-2016 Growth Rate (in percent)

INDICATORS / UNITS	TARGET	ACTUAL			
	2016	2013	2014	2015	2016
GRDP	6.6-7.6	6.7	5.1	5.9	4.8
AFF	3.2-4.2	3.8	(1.2)	2.6	3.4
Industry	5.5-6.5	6.3	6.5	5.5	3.7
Services	9.0-10.0	8.1	3.8	7.4	7.2

Source: 2016 Calabarzon Regional Development Report and PSA

¹ 2017 GDP and GRDP estimates will be released in April 2018.

AFF grew by 3.4 percent in 2016, faster than its 2.6 percent growth in 2015 (Table 3). Agriculture and forestry sub-sector triggered this growth as it grew by 4.7 percent. Meanwhile, fishing continued to contract but at a much lower rate of 0.6 percent compared to 6.6 percent in 2015.

Industry grew by 3.7 percent in 2016, slower than the 5.7 percent growth in 2015. This can be attributed to the slower growth of the manufacturing (3.6 percent) and construction (2.5 percent) sub-sectors caused by the continuous depreciation of Philippine peso that increased input costs particularly for imported raw materials. Moreover, the contraction in the mining and quarrying (1.8 percent) sub-sector caused by the lower production of non-metallic minerals affected the overall performance of the sector. On a positive note, electricity, gas and water supply sub-sector increased significantly by 7.5 percent.

Services accelerated by 7.2 percent from 6.7 percent in the previous year. This was driven by the expansions in the following sub-sectors: 1) financial intermediation at 8.3 percent; 2) public administration and defense at 7.5 percent; 3) real estate, renting and business activities at 7.2 percent; and 4) transport, storage and communication at 6.3 percent. Among the six sub-sectors, real estate, renting and business activities had the biggest contribution to the growth of the sector. In particular, business process outsourcing (BPO), which is highly concentrated in Cavite, Laguna and Rizal, contributed to the good performance of this sub-sector.

With the continuous growth and development of Calabarzon as a major industrial region and the second largest contributor to the country's total output, the challenges in the industry particularly in the manufacturing sub-sector should be addressed.

Table 3. Growth Rates by Industry/ Sub-industry (at constant 2000 prices): Calabarzon 2013-2016 (in percent)

INDUSTRY / YEAR	2013-2014	2014-2015	2015-2016
I. AGRICULTURE, FORESTRY and FISHING	(1.2)	2.6	3.4
a. Agriculture and Forestry	(1.1)	5.9	4.7
b. Fishing	(1.5)	(6.6)	(0.6)
II. INDUSTRY SECTOR	6.5	5.7	3.7
a. Mining and Quarrying	8.9	17.9	(1.8)
b. Manufacturing	7.1	5.5	3.6
c. Construction	2.1	7.2	2.5
d. Electricity, Gas and Water Supply	2.5	6.8	7.5
III. SERVICES SECTOR	3.7	6.7	7.2
a. Transport, Storage and Communication	6.6	5.9	6.3
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	1.0	6.9	5.7
c. Financial Intermediation	7.8	6.0	8.3
d. Real Estate, Renting and Business Activities	3.2	6.7	7.2
e. Public Administration and Defense; Compulsory Social Security	4.0	0.8	7.5
f. Other Services	2.2	9.7	9.6

INDUSTRY / YEAR	2013-2014	2014-2015	2015-2016
GROSS REGIONAL DOMESTIC PRODUCT	5.1	5.9	4.8

Source : 2016 Calabarzon Regional Report and PSA

Table 4 shows the percent distribution of the different sectors and sub-sectors in Calabarzon from 2014 to 2016. For the three-year period, the industry sector had the largest share with around 60 percent, followed by the services sector with around 30 percent, and AFF with the least share.

Table 4. GRDP Percent Distribution by Industry/Sub-industry (at constant 2000 prices): Calabarzon 2014-2016

INDUSTRY / YEAR	2014	2015	2016
I. AGRICULTURE, FORESTRY and FISHING	5.7	5.5	5.5
a. Agriculture and Forestry	4.2	4.2	4.2
b. Fishing	1.5	1.3	1.3
II. INDUSTRY SECTOR	62.1	61.8	61.4
a. Mining and Quarrying	0.2	0.2	0.2
b. Manufacturing	54.0	53.8	53.2
c. Construction	4.7	4.7	4.6
d. Electricity, Gas and Water Supply	3.2	3.3	3.4
III. SERVICES SECTOR	32.2	32.5	33.2
a. Transport, Storage and Communication	6.6	6.6	6.7
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	7.4	7.5	7.6
c. Financial Intermediation	3.7	3.7	3.8
d. Real Estate, Renting and Business Activities	8.6	8.7	8.9
e. Public Administration and Defense; Compulsory Social Security	1.2	1.2	1.2
f. Other Services	4.6	4.7	5.0
GROSS REGIONAL DOMESTIC PRODUCT	100.0	100.0	100.0

Source : PSA

Prices and Inflation

In 2017, the consumer price index increased significantly to PHP 144.8 from the previous year (Table 5). Faster price adjustments in housing, water, electricity, gas and other fuels, transport, and food and non-alcoholic beverages pushed the inflation rate higher. Furthermore, the consumer price index of alcoholic beverages and tobacco products continue to increase due to the implementation of the Sin Tax Reform Law.

Average inflation rate in 2017 was 2.8 percent, which is significantly higher than the inflation rate in 2016 at 0.9 percent (Table 5). Quezon posted the highest inflation rate at 4.4 percent, while Laguna had the lowest inflation rate at 1.8 percent. The high inflation rate in Quezon can be attributed to the limited supply in the area which pushes up prices. Overall, the increase in the inflation rate of the provinces can be attributed to

the increase in the prices of food commodities, non-alcoholic beverages and alcoholic beverages.

Due to the high inflation rate, the average purchasing power of peso for 2017 was lower by PHP 0.02 at PHP 0.69, compared to 2016 (Table 5). Rizal recorded the highest purchasing power of peso at PHP 0.72 since it had the lowest consumer price index of 138.8 while Quezon had the lowest purchasing power of peso at PHP 0.63 since it had the highest consumer price index.

Table 5. Calabarzon Consumer Price Index (CPI), Inflation Rate, Purchasing Power of Peso (PPP), 2016-2017 (2006=100)

A R E A	CPI		Inflation Rate		PPP	
	2016	2017	2016	2017	2016	2017
CALABARZON	140.9	144.8	0.9	2.8	0.71	0.69
Batangas	139.8	144.1	0.9	3.1	0.72	0.70
Cavite	140.5	144.4	1.0	2.8	0.71	0.69
Laguna	141.5	143.6	0.6	1.8	0.71	0.70
Quezon	152.1	158.3	1.3	4.4	0.66	0.63
Rizal	135.0	138.8	0.5	2.9	0.74	0.72

Source: PSA

Labor and Employment

Since the region has the biggest population in the country, it also has the largest source of labor force at 9,855,000 (Table 6) which comprises 14 percent of the country's total labor force. The region's labor force participation rate slightly increased from 64.4 percent in 2016 to 65.5 percent in 2017. This can be partly attributed to the continuous job facilitation activities by the government and schools that may have encouraged new graduates to seek immediate employment.

The employment rate consistently increased from 93.9 percent in October 2016 to 94.3 percent in the same period in 2017. The improvement in employment was due to the accelerated growth in the services sector and employment generation projects of the government. These projects were mostly in services and manufacturing industry which are fit for younger people in the labor force, thereby increasing the labor participation rate from 93.9 percent in 2016 to 94.3 percent in 2017.

The continued increase in employment rate caused unemployment rate to decline from 6.1 percent in 2016 to 5.7 percent in 2017. The increasing number of operating economic zones in the region, which provides jobs particularly in the manufacturing sector, has significantly contributed to the reduction in unemployment rate (Table 7). Similarly, the underemployment rate decreased to 15.1 percent in October 2017.

Table 6. Calabarzon Labor and Employment, 2016-2017

INDICATOR	Jan. 2016	Apr. 2016	July 2016	Oct. 2016	Jan. 2017	Apr. 2017	July 2017	Oct. 2017
Population 15 years and Above (in thousands)	8,680	9,497	9,522	9,618	9,733	9,721	9,840	9,855

INDICATOR	Jan. 2016	Apr. 2016	July 2016	Oct. 2016	Jan. 2017	Apr. 2017	July 2017	Oct. 2017
Labor Force Participation Rate (in %)	65.1	64.8	62.3	64.4	63.2	63.7	62.4	65.5
Employment Rate	92.5	92.5	92.4	93.9	91.8	92.9	93.0	94.3
Unemployment Rate	7.5	7.5	7.6	6.1	8.2	7.1	7.0	5.7
Underemployment Rate	20.4	15.6	10.7	15.5	14.8	11.5	14.4	15.1

Source : PSA

Investments

Approximately 14 percent of the economic zones in the country are located in Calabarzon and around 36 percent of the total investments in the Philippine Economic Zone Authority (PEZA) as well. As of October 2017, there are 54 operating economic zones in the region with 1 economic zone added in Cavite. Sixty-three percent of the economic zones are manufacturing special economic zones. Among the provinces, Laguna has the most economic zones at 19, followed by Batangas and Cavite at 15 economic zones each. Meanwhile, Rizal has 4 economic zones, while Quezon has 1 economic zone.

In 2017, the PEZA-approved total investments was PHP 69.48 billion, which is lower than PHP 79.46 billion in 2016. Decrease in investments was due to the sluggish growth of manufacturing. However, manufacturing, particularly electronics and semiconductor, still had the highest in investment at PHP 44.09 billion. Real state, renting and business activities sub-sector ranks second with PHP 22.54 billion, followed by information technology services at PHP 1.43 billion.

The economic zones in the region employed an average of 448,966 individuals from 2013 to November 2017 with an average growth rate of 5.36 percent in the last four years.

Table 7. Number of Operating Economic Zones in CALABARZON

A R E A	2 0 1 6	2 0 1 7
CALABARZON	53	54
CAVITE	14	15
LAGUNA	19	19
BATANGAS	15	15
RIZAL	4	4
QUEZON	1	1

Source : Philippine Economic Zone Authority

Agriculture Performance

Crops

Sugarcane, coconut and palay production increased in 2017. The increase in production can be attributed to the provision of adequate water supply, use of high yielding variety seeds and recovery programs for previous years' disasters. Thus, the region was able to sustain a good performance in the production of major crops. Banana and pineapple production also increased although corn and coffee production declined due to frequent climate change and decrease in area planted for these crops.

Livestock and Poultry

Livestock and poultry had a positive contribution to the agriculture performance of the region in 2017. Hog and chicken were the main products produced in the region with 371,713 MT and 328,646 MT, respectively. The good performance can be attributed to the increase in demand for livestock and poultry products and better facility or environment in farms.

Fisheries

In 2017, commercial and aquaculture fisheries production declined by 5.8 percent and 1.2 percent, respectively. The reduction can be partly attributed to the strict enforcement of fishery laws and regulations in fresh water bodies and lesser fishing operations due to weather disturbances throughout the year. Meanwhile, marine and inland municipal fishing production increased by 8.6 percent and 4.3 percent, respectively through provision of fingerlings and fishing gears.

Table 8. Calabarzon Volume of Production in Crops, Livestock, Poultry and Fishery 2016-2017 (in metric tons)

Sector / Commodity	2016	2017*	% change
Crops			
Palay	407,124	410,833	0.91
Corn	96,821	92,762	-4.19
Coconut	1,517,414	1,549,308	2.10
Sugarcane	1,663,545	1,795,255	7.92
Banana	111,736.	114,130	2.14
Pineapple	92,514	97,696	5.60
Coffee	2,818	2,109	-25.16
Livestock and Poultry			
Carabao	7,277	7,527	3.44
Cattle	28,655	28,126	-1.85
Hog	365,056	371,713	1.82
Goat	3,797	3,816	0.50
Chicken	328,430	328,646	0.07
Duck	584	584	0.00
Chicken Eggs	140,274	145,017	3.38
Duck Eggs	2,349	2,850	21.33
Fisheries			
Commercial	52,966	49,886	-5.82
Marine Municipal	36,213	39,337	8.63

Sector / Commodity	2016	2017*	% change
Inland Municipal	69,003	71,970	4.30
Aquaculture	173,029	170,935	-1.21

Source : PSA

* preliminary data

Tourism

Domestic tourists remained the biggest contributor to the tourist arrivals in Calabarzon. Based on preliminary data submitted by the LGUs, the region recorded 24,651,732 same-day visitors, roughly 28 percent of which was recorded in Batangas province (Table 9). Overnight visitors reached up to 4,222,814 (Table 10). Batangas and Laguna provinces recorded the highest number of overnight visitors.

The most visited places in Cavite were Sky Ranch, Picnic Grove, People's Park and Residence Inn which are all located in Tagaytay as well as Emilio Aguinaldo Shrine in Kawit. In Laguna, the most visited places were the hot spring resorts in Calamba City, Enchanted Kingdom in Sta. Rosa City, Seven Lakes in San Pablo City, St. John the Baptist Church in Liliw and the University of the Philippines Los Baños and Mt. Makiling in Los Baños. Tourists who went to Batangas often visited Padre Pio Church in Sto. Tomas, beach and dive resorts in San Juan and Mabini, Calaruega church in Nasugbu and *Ang Pulo* in Calatagan. In Rizal, the most visited places were Regina Rica and Daranak Falls in Tanay, Pamitinan Protected Landscape in Rodriguez, Pililla Windfarm and *Hinulugang Taktak* in Antipolo. *Kamay ni Hesus* in Lucban, Villa Escudero in Tiaong, *Kamay sa Palaisdaan* in Tayabas and Cagbalete in Mauban were the most visited sites in Quezon.

Table 9. Calabarzon Same-Day Visitors, 2016-2017

	2016	2017*
CALABARZON	23,119,423	24,651,732
Cavite	4,070,495	3,424,818
Laguna	5,599,046	3,743,585
Batangas	3,652,450	6,836,183
Rizal	3,462,407	4,241,043
Quezon	6,335,025	6,406,103

Source : Department of Tourism (DOT)

*preliminary data based on LGU submissions

Table 10. Calabarzon Overnight Tourists, 2016-2017

	2016	2017*
CALABARZON	5,095,059	4,222,814
Cavite	775,100	134,320
Laguna	1,306,021	1,181,592
Batangas	1,276,098	1,508,683
Rizal	921,976	784,407
Quezon	815,864	613,812

Source : Department of Tourism (DOT)

*preliminary data based on LGU submissions

Peace and Security

To provide a safe and conducive environment for development, the Philippine National Police (PNP) has been strengthening its campaign on peace and order. The volume of crimes decreased by 0.68 percent in 2017 (Figure 1). The PNP implemented the following interventions to decrease crime incidence in the region: 1) Oplan Street Hawk, Oplan Rider and Oplan Checkmate Alpha; 2) Oplan Iron Curtain; 3) Loi Bisita Alpha; and 4) Oplan Pulis Maharlika.

Oplan Street Hawk, Oplan Rider and Oplan Checkmate Alpha involve checkpoint operations against all riders/owners of motorcycles without proper documentation and with spurious registration. These checkpoints help in the identification and recovery of stolen motorcycles being used in criminal activities such as assassination, transportation of illegal drugs and robbery.

Oplan Iron Curtain focuses on the implementation of dragnet operations of police stations within clustered municipalities/cities where a crime is committed. Loi Bisita Alpha provides the guidelines and procedures on the issuance of clearances/permits to sell used articles (motorcycle parts/accessories) obtained from unlicensed/licensed motorcycle dealer or supplier in coordination with local government units (LGUs). On the other hand, *Oplan Pulis Maharlika* enhances police visibility and decreases the street crimes in the region through the strategic deployment of PNP personnel and tactical implementation of police operations.

In 2017, index crimes decreased by 10.22 percent, while non-index crimes increased by 2.80 percent (Figure 2). The decline in index crimes was noted in the reduction of murder, carnapping of four-wheel vehicles, theft and robbery cases. Meanwhile, the increase in non-index crimes was mostly on vehicular accidents and illegal gambling.

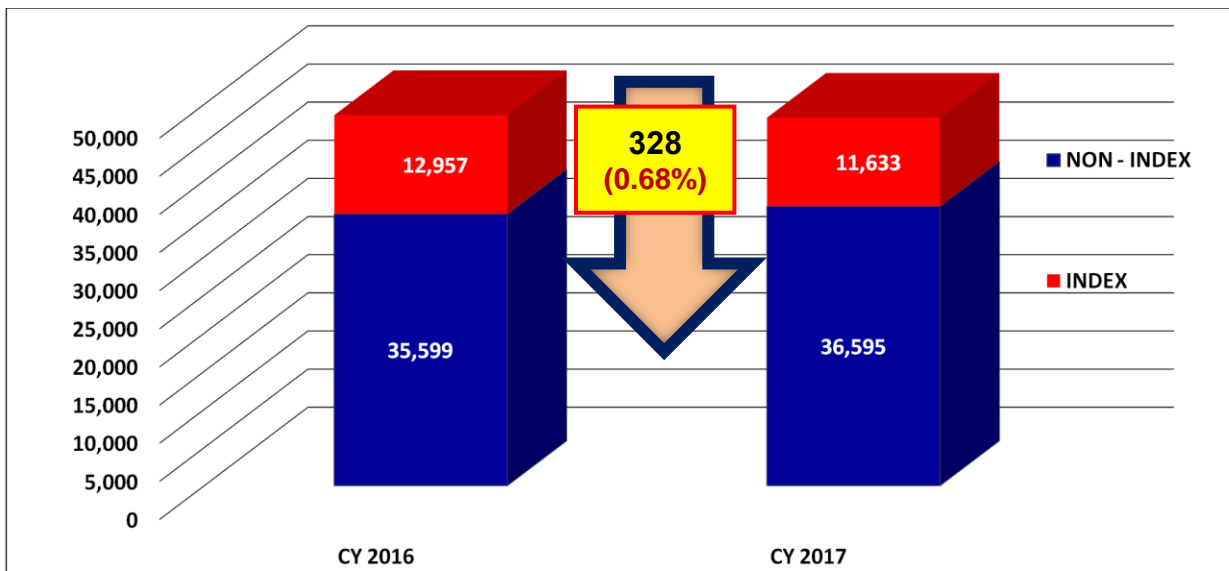


Figure 1. Comparative Crime Volume (Universe) 2016-2017

Source: PNP Region IV-A

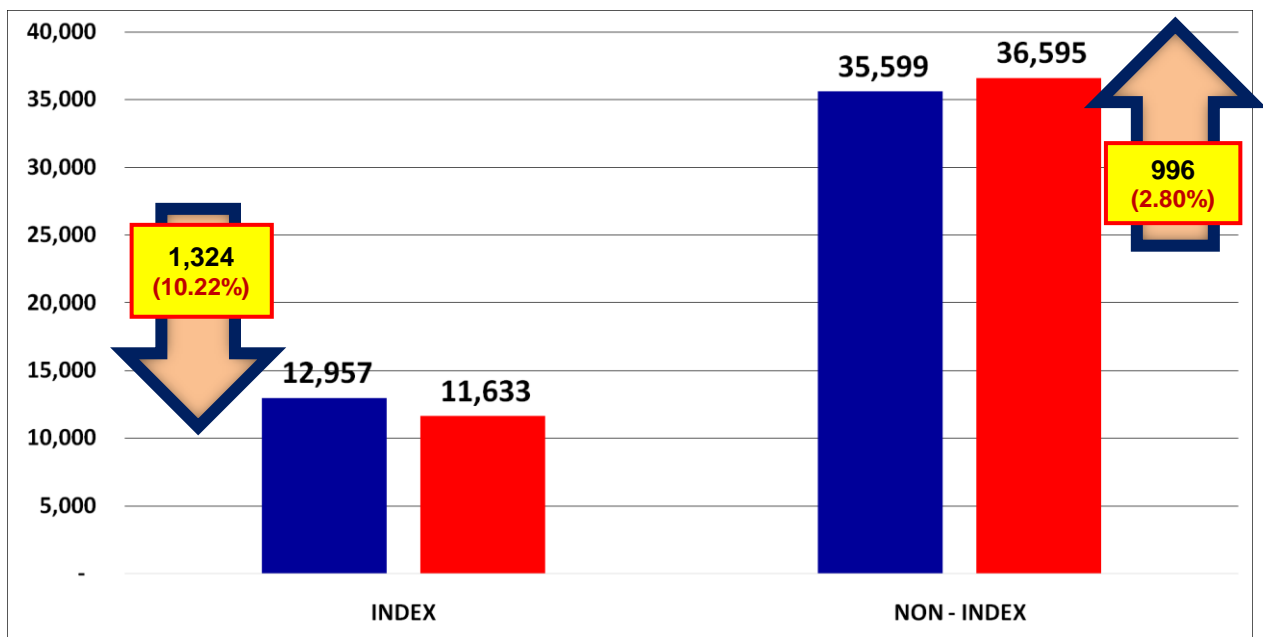


Figure 2. Comparative Index and Non-Index Crimes 2016-2017

Source : PNP Region IV-A

CHALLENGES

- The continued slow down in growth of manufacturing sector is the primary challenge in sustaining the growth of the region's economy as it makes up 53 percent of the GRDP.
- The consistent contraction of the fisheries sector in the past three years can worsen plight of fisher folks who are among the poorest in the country.
- The creation of better quality jobs that are regular and full time remains a challenge in spite of the law on contractualization.
- The implementation of the Tax Reform for Acceleration and Inclusion Act (TRAIN) will increase taxes of certain commodities such as sweetened beverages and petroleum products. This tax increase is expected to push prices of these commodities as well as non-food commodities, i.e. transport, restaurant, equipment, health and other services. Mitigation measures should be in place and policies on price monitoring should be strictly implemented.
- Climate change remains as the biggest challenge in agriculture as well as the declining interest on farming. While the region is the top producer in poultry and eggs, fast urbanization has led to the rampant conversion of agricultural lands.

PROSPECTS

- Calabarzon is expected to sustain its positive economic performance as investments in infrastructure are expected to increase with the current administration's "Build Build Build" program.

- Several ecozones lined up in Quezon Province is expected to provide local jobs, push economic growth in the province and in the region. Strong collaboration between PEZA and concerned local governments is needed to ensure that development will be inclusive and sustainable.
- The creation of committees on the five priority industries under the RDC Investment Promotion Group will work on attracting more investments by addressing major issues in these industries.
- DOT projects an increase of 20 percent on same-day tourists and 25 percent rise in overnight staying visitors as it intensifies promotion activities. The increase in tourist arrivals is expected to have a multiplier in the region's economy.
- With improvements within Batangas Port and external logistics such as infrastructure development (e.g. proposed flyover from Star Tollway to Batangas Port), it is expected to attract more industries in the region as the port of exit.
- Strengthened diaspora engagement, reintegration sessions, and steady inflow of remittances to investment in agriculture and tourism can improve the living standards of families and communities and contribute to local economic development.
- Physical and technical expansion of new and existing BPO companies in the region can increase demand for office space and further drive the growth of the services sector.