



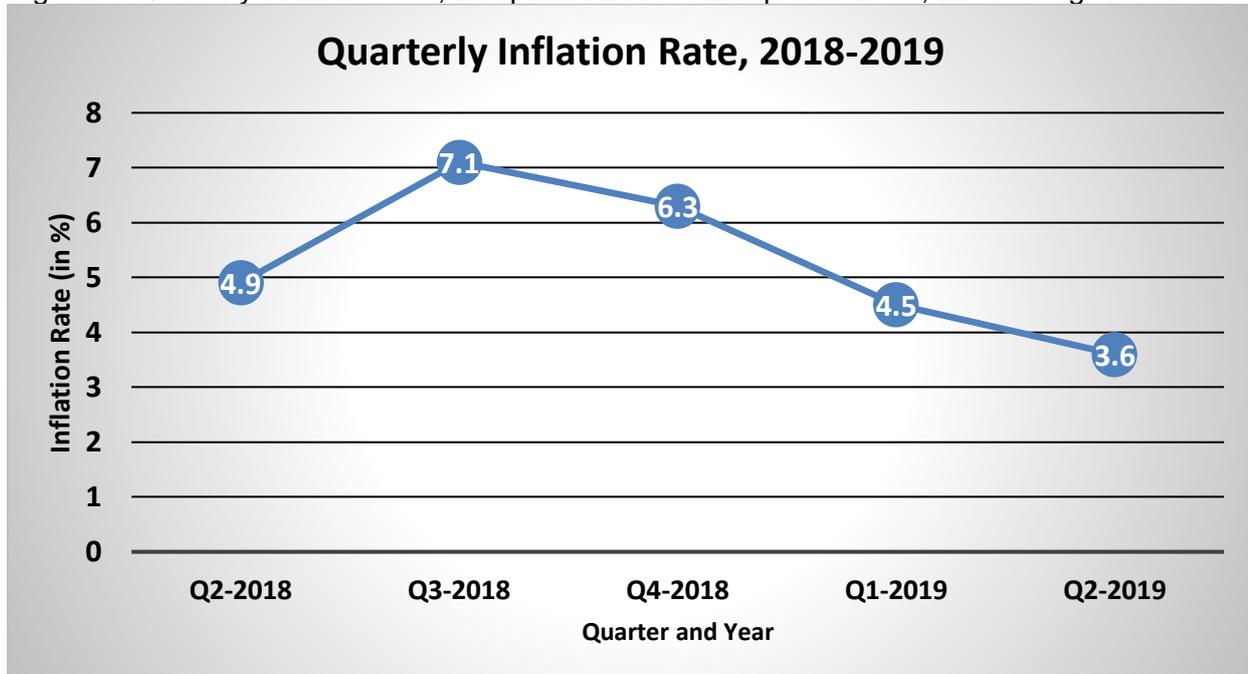
2nd Quarter (Q2) 2019 Regional Economic Situationer

The CY 2019 Second Quarter Regional Economic Situationer (QRES) provides a snapshot of the performance of Davao Region's economy by highlighting key socioeconomic indicators and assessing their performance vis-à-vis the same quarter of the previous year. The QRES also provides a brief development outlook for the Region for the succeeding months.

Macroeconomic Performance

Prices and Inflation

Figure 1. Quarterly inflation rates, 2nd quarter 2018 to 2nd quarter 2019, Davao Region



Source: PSA

Prices of basic commodities in Davao Region posted an average inflation rate of 3.6% in Q2 2019, 1.3 percentage points lower than the 4.9% inflation rate recorded in Q2 2018. In addition, the overall trend of inflation was declining since the 3rd quarter of 2018.

The increase in inflation could be attributed to higher prices of housing, water electricity, and other utilities (7.3%), recreation and culture (5.5%), health (5.5%), and furnishing, maintenance of the house, etc. (5.2%).

Table 1. Consumer Price Indices by Commodity, 2nd Quarter 2018 and 2019, Davao Region

Commodity	2nd Quarter 2018	2nd Quarter 2019	Change (%)
All Items	116.7	120.9	3.6%
Food and Non-Alcoholic	118.7	121.5	2.4%
Alcoholic and Tobacco	159.2	165.4	3.9%
Clothing and Footwear	121.2	125.1	3.2%
Housing, Water, and Electricity	113.7	122.0	7.3%
Furnishing, Maintenance of the House, etc.	114.0	120.0	5.2%
Health	115.9	122.2	5.5%
Transport	103.8	106.0	2.1%
Communication	101.6	102.8	1.1%
Recreation and Culture	114.0	120.2	5.5%
Education	121.1	119.7	-1.1%
Restaurant, Miscellaneous Goods and Services	119.0	124.5	4.6%

Source: PSA

With the exception of education, all commodities, posted price increases during the second quarter of 2019 over their prices the year before. Overall, the performance of the all-item regional inflation rate fell within the range of 3.0 percent \pm 1.0 percentage point for target for 2019, set by the Development Budget Coordinating Committee (DBCC) of the NEDA Board.

Labor and Employment

Table 2. Employment statistics, 2nd Quarter 2018 and 2019, Davao Region

	2nd Quarter 2018	2nd Quarter 2019	Change
Employment Rate	94.6 %	96.9%	2.3ppt
Unemployment Rate	5.4%	3.1%	-2.3ppt
Underemployment Rate	19%	8.2%	-10.8ppt

Source: PSA

The Region's employment rate for the quarter increased based on the April 2019 round of the Labor Force Survey. The employment rate rose to 96.9%, 2.3 percentage point lower than the employment rate recorded one year ago. Consequently, unemployment rate decreased to 3.1%, 0.5 percentage point lower than the rate in the same quarter in 2018. In addition, the approximate number of employed persons in the 2nd quarter of 2019 stood at 2.010 million, higher by about 42 thousand employed persons from the 1.968 million employed persons in the same quarter in 2018. The Region's total labor force was estimated at 2.074 million in the second quarter of 2019.

Notably, the Region’s underemployment rate dropped to 8.2%, lower by 10.8 percentage points than in the same period in 2018. The significantly lower underemployment rate may be attributed to a vibrant labor market, particularly on account of the robust growth in hiring in the construction, manufacturing, and retail trade and services sectors. On the other hand, the agriculture sector still accounts for about 29 percent of the total employed persons in the Region, while services accounts for 54.3 percent, and industry accounts for 17 percent.

Investments

Table 3. Investment statistics, 2nd Quarter 2018 and 2019, Davao Region

	2 nd Quarter 2018	2 nd Quarter 2019
BOI-Registered Project Commitments (Php)	13,821,800,000	497,430,000

Source: PSA XI

The Region recorded lower BOI-registered project commitments during the second quarter of 2019 amounting to Php497.4 million, much lower than the Php13.8 billion recorded during the same quarter in 2018. Only two investment projects were registered during the quarter, including an economic and low-cost housing projects (Esmeralda Residences Phase 1) in Tagum City, and an agricultural spraying service project using drone technology in Davao City. It should be noted, however, that while investments during the quarter were lower, it was not unusual, since investments may be recorded and registered anytime throughout the year and do not concentrate on a single quarter.

Davao Region’s Economic Growth Drivers

Agriculture

Crops and Fruits

Table 5. Volume of Production, 2nd Quarter 2018 and 2019, Davao Region

Crop/Fruit	2 nd Quarter 2018 (MT)	2 nd Quarter 2019 (MT)	Change
Mango	42,621	34,023	-20.1%
Corn	49,720	43,999	-11.5%
Coconut	474,068	453,672	-4.3%
Banana	934,839	900,399	-3.6%
Coffee	1,368	1,320	-3.5%
Palay	85,667	83,410	-2.6%
Rubber	2,214	2,211	-0.13%
Pineapple	11,676	11,670	-0.05%
Abaca	2,049	2,113	3.1%

Source: PSA

Lower production levels for both crops and fruits were recorded during the quarter, except for abaca, posted a production increase of 3.1%. Corn production decreased to 43,999 MT in Q2 2019, lower by 11.5% from the 36,819 MT of corn produced in Q2 2017. The lower

production volume of corn was partly attributed to contraction in area harvested, and consequently in contractions of yields per hectare. Likewise, palay production in Davao Region for the quarter decreased by 2.6%, from 85,667 MT in Q2 2018 to 83,410 in Q2 2019. The decrease in palay production volume were due to cutbacks, as well contractions in area harvested. The lower farmgate prices may have also impacted in production decisions of farmers.

For other major commercial crops and fruits, contractions in production were noted for coconut (-4.3%), banana (-3.6%), and coffee (-3.5%). For mango, production fell by 20%, which can be partly attributed to above-normal rainfall which affected the harvest. Moreover, strong demand for other fruits and crops may have influenced producers to shift to other products.

Livestock, Poultry and Fisheries

Table 6. Volume of Production of Livestock, Poultry, and Fisheries, 2nd Quarter 2018 and 2019, Davao Region

	2nd Quarter 2018 (MT)	2nd Quarter 2019 (MT)	Change
Chicken	18,734	20,843	11.2%
Hog	35,846	37,699	5.1%
Cattle	3,488	3,928	12.6%
Fisheries (Commercial)	10,808	11,591	7.2%

Source: PSA

Livestock, poultry and fishery production posted gains during the quarter. Chicken production increased by 11.2% from 18,734 MT in Q2 2018 to 20,843 MT in Q2 2019. Cattle also increased to 3,928 MT in Q2 2019, a 12.6% increase from the production level during the same quarter in 2018. Both hog and fishery production likewise increased by 5.1% to 7.2%, respectively. Production levels for these products were able to respond to healthy demand in the Region.

Peace and Order

Table 7. Crime Volume and Crime Solution Efficiency Rate, 2nd Quarter 2017 and 2018, Davao Region

	2nd Quarter 2018	2nd Quarter 2019	Change
Crime Volume	3,285	3,698	12.5%
Crime Solution Efficiency Rate	72.8%	85.1%	12.3ppt

Source: PNP XI

The Region's crime solution efficiency (CSE), which was the percentage of solved cases out of the total number of crime incidents handled by the PNP in a given period of time, reached 85.1%

percent during the second quarter of 2019, higher by 12.3 percentage point from its rate a year ago.

On the other hand, an increase was recorded in volume of crimes committed in the region during the second quarter of 2019. Crime volume was at 3,698 crimes, higher by 12.5% compared with the crime volume during the same quarter in 2018. The increase in crime volume was mainly attributed to non-index crimes, particularly in violations of special laws in Davao del Norte and Davao City. Moreover, the increase may be due to stronger law enforcement activities, as well as increased reliance and confidence of the public in the police.

However, the police continue to undertake frequent dispatches of mobile patrols in crime-prone areas to deter perpetrators from committing crimes, provide heightened police visibility in busy areas, and continuously strengthen police operations against all forms of criminal activities, along with effective and efficient managing of police operations.

Development Prospects

The notable easing of the inflation rate was positive news, mainly for consumers who carried the heavy pressures of high prices in 2018. After the fiscal and non-monetary measures implemented by the government to address supply constraints, such as rice importation, inflation declined beginning in early 2019. Low and stable inflation is expected to continue throughout the year, but slight upward adjustments on prices of basic commodities may be likely due to high consumer demand during the holiday season.

Employment continues to be favorable, especially with the low underemployment rate, strongly indicating that there is a favorable and healthy job market in the Region and its cities. The construction, manufacturing, retail trade and services, particularly the BPOs, are the key players right now in the Region's job markets.

While BOI-registered investments were in negative growth territory during the quarter, the investment climate of the Region still remains robust and attractive, given major stable peace and order situations and a strong infrastructure development push by the National Government. The negative growth in investments is not unusual, since these can be offset by large investments registered in other quarters or prospective investments still to be registered. The Region remains optimistic that more investments will come in the remaining half of the year.

In agriculture, production of crop and fruits, was generally decreasing, mainly due to contractions in area harvested as well as yields per hectare. On the other hand, increasing production for livestock and fishery were recorded during the quarter.

Among the prospects for the second half of 2019 are the following:

1. Prices of basic commodities are expected to remain low and stable in 2019 compared with 2018.
2. Employment rates will remain high and will lead to a favorable job market favorably throughout the year.

3. Absent any climatic shocks, agricultural production may see an increasing trend over the next few months in order to cater to consumer demands that usually rises during the year-end holiday season.
4. The investment climate of Davao Region, and especially Davao City, will remain favorable and attractive to both local and foreign investors, due to integrated infrastructure development and a growing consumer base.
5. Peace and order and public safety will remain a priority in 2019, hence low crime rates are expected throughout the year.