



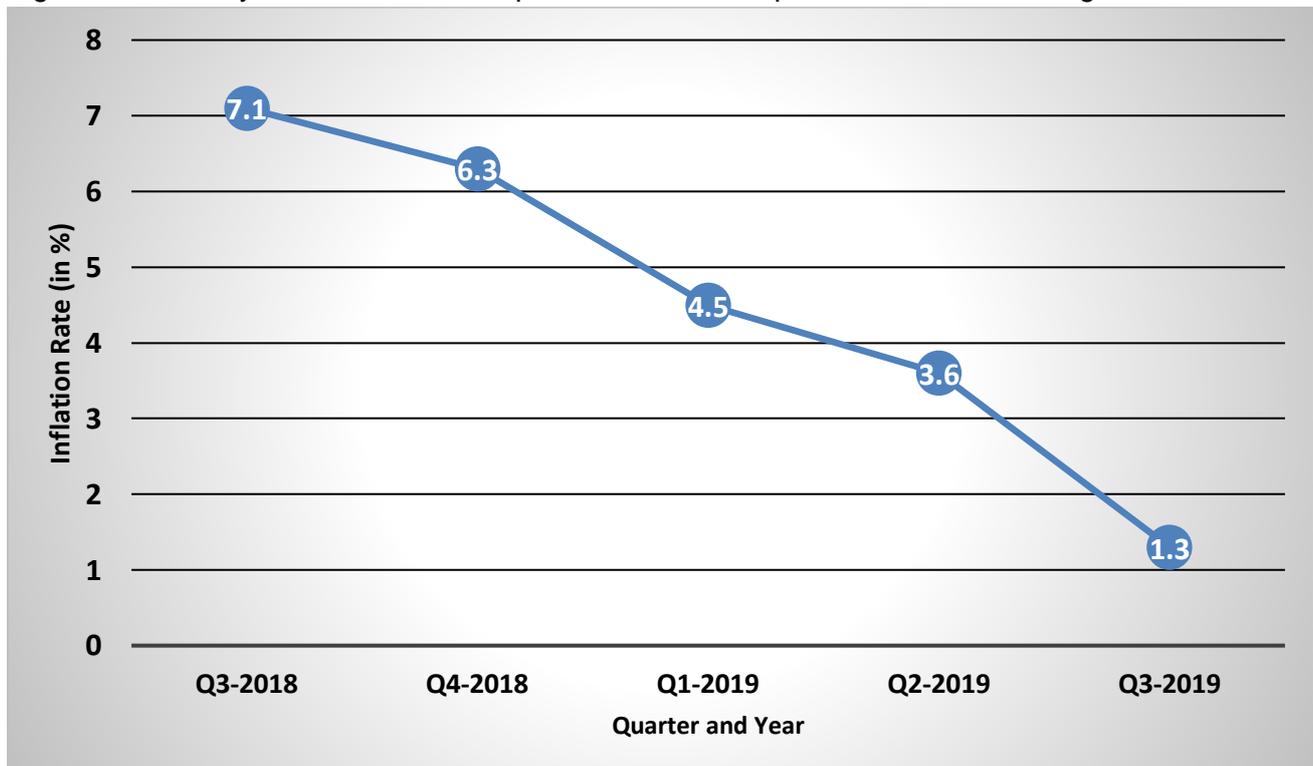
### 3rd Quarter (Q3) 2019 Regional Economic Situationer

The CY 2019 Third 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, 3rd quarter 2018 to 3rd quarter 2019, Davao Region



Source: PSA

Prices of basic commodities in Davao Region posted an average inflation rate of 1.3% percent in Q3 2019, 5.8 percentage points lower than the 7.1% inflation rate recorded in Q3 2018. The significant reduction in the inflation rate was mainly attributed to the effective fiscal measures implemented by the national government beginning at the start of the year to address supply constraints, especially on major commodities. The low inflation rate was attributed to lower prices of major food and non-alcoholic commodities (-0.2%), clothing and footwear (2.8%), housing, water, electricity, and other utilities (1.9%), transport (-0.7%), and communication(0.4%), among others. The average purchasing power of the peso was Php0.82 for the quarter.

Table 1. Consumer Price Index by Commodity, 3<sup>rd</sup> Quarter 2018 and 2019, Davao Region

<b>Commodity</b>	<b>3<sup>rd</sup> Quarter 2018</b>	<b>3<sup>rd</sup> Quarter 2019</b>	<b>Change (%)</b>
All items	119.8	121.4	<b>1.33</b>
Food & Non-Alcoholic	121.9	121.6	<b>-0.24</b>
Alcoholic & Tobacco	161.9	173.3	<b>7.04</b>
Clothing & Footwear	122.8	126.3	<b>2.85</b>
Housing, Water, Electricity, Gas & other fuels	118.9	121.2	<b>1.93</b>
Furnishing, Maintenance of the house, etc.	116.8	122.2	<b>4.62</b>
Health	118.4	124.5	<b>5.15</b>
Transport	106.3	105.5	<b>-0.75</b>
Communication	102.3	102.8	<b>0.48</b>
Recreation & Culture	117.1	121.8	<b>4.01</b>
Education	118.5	122.2	<b>3.12</b>
Restaurant, Miscellaneous Goods and Services	121.6	126.2	<b>3.78</b>

Source: PSA

All commodities, except education, posted lower rates of price increases during the third quarter of 2019 as compared with their rates the year before. The increment in the cost of education was mainly attributed to the slightly higher tuition fees imposed by private schools. Overall, the performance of the all-item regional inflation rate during the quarter was the lowest in recent years.

## Labor and Employment

Table 2. Employment statistics, 3<sup>rd</sup> Quarter 2018 and 2019, Davao Region

	<b>3<sup>rd</sup> Quarter 2018</b>	<b>3<sup>rd</sup> Quarter 2019</b>	<b>Change</b>
<b>Employment Rate</b>	96.2%	96.7%	0.5 ppt
<b>Unemployment Rate</b>	3.8%	3.3%	-0.5 ppt
<b>Underemployment Rate</b>	8.0%	12.0%	4.0 ppt

Source: PSA

The Region's employment statistics for the quarter slightly improved based on the October 2019 round of the Labor Force Survey. The employment rate was 96.7%, 0.5 percentage point higher than the employment rate one year ago. Consequently, unemployment rate dipped to 3.2%, 0.5 percentage-point lower than the rate in the same quarter in 2018.

Notably, the Region’s underemployment rate grew to 12%, a 4 percentage-point increase over the rate in 2017. This suggests that there were more employed persons who were working less than 40 hours a week in the Region during the quarter in reference. Moreover, there were also more employed persons who desired additional hours of work in their present jobs, or wanted to have additional jobs, or desired to have new jobs with longer work hours. The increase in underemployment rate may be an indication of the job market during the quarter was not able to fully absorb new entrants to the job market or transferees from one sector to other sectors were not immediately absorbed.

## Investments

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

	3rd Quarter 2018	3rd Quarter 2019	Change
<b>BOI-Registered Project Commitments (Php)</b>	423,650,000	996,180,000	135%

Source: BOI XI

During the third quarter of 2019, the total value of BOI-registered investments amounted to Php996 million, a 135% jump from the recorded investments a year ago. The four projects included a Php523 million investment in manufacturing for processing of coconuts and by-products in Sta. Cruz, Davao del Sur by the Agri Exim Global Philip[pines, Inc, , a Php240 million real estate project for economic and low-cost housing in Ma-a, Davao City by Filinvest Corp, a Php201 million cold storage and blast freezing facility in Buhangin, Davao City, and a Php30 million investment for poultry production in Panabo City, Davao del Norte. The eight total projects were expected to generate 505 jobs.

## Davao Region’s Economic Growth Drivers

### Agriculture

#### Crops and Fruits

Table 4. Volume of Production, 3rd Quarter 2018 and 2019, Davao Region

	3rd Quarter 2018 (mt)	3rd Quarter 2019(mt)	Change
<b>Palay</b>	150,426	117,441	-21.9%
<b>Corn</b>	96,995	71,834	-25.9%

Source: PSA

Palay production in Davao Region for the quarter decreased to 117,441 MT, lower 21.9% from the third quarter of 2018. The lower palay production was attributed to a decrement in harvested area at 26,447 hectares, approximately 5,500 hectares less than the area harvested in Q3 2018. Yield per hectare was also lower during the quarter 4.06 metric tons of palay per hectare, slightly lower than the 4.44 metric tons of palay per hectare yield recorded in the same quarter in 2018. Furthermore, generally declining palay prices was also noted during the quarter, mainly due to the influx of cheap imported rice.

Corn production also declined during the quarter with 71,834MT of corn produced in the Region. This is a 25.9% decrease from the one year ago. The lower volume of corn production was attributed to lower harvested area, from 55,869 hectares in Q3 2018 to 43,934 in Q3 2019, a 21.4% reduction in area harvested.

### *Livestock, Poultry and Fisheries*

Table 5. Volume of Production of Livestock, Poultry, and Fisheries, 3rd Quarter 2018 and 2019, Davao Region

	<b>3rd Quarter 2018 (mt)</b>	<b>3rd Quarter 2019 (mt)</b>	<b>Change</b>
<b>Swine</b>	37,709	37,736	No change
<b>Cattle</b>	2,921	2,923	No change
<b>Fisheries</b>	7,716	7,410	-4%
<b>Chicken</b>	19,236	19,667	2.2%

Source: PSA

Swine and cattle production remained largely unchanged during the quarter compared with its level one year ago. This suggests that supply for these agricultural products are adequately meeting the usual demand.

Chicken production, however, slightly increased to 7,410MT, higher by 2% from its production level one year ago.

On the other hand, fisheries production declined by 4%, partly due to limited fishing trips caused by weather disturbances coupled with stricter implementation of fishing laws.

### **Peace and Order**

Table 6. Crime Volume and Crime Solution Efficiency Rates, 3rd Quarter 2018 and 2019, Davao Region

	<b>3rd Quarter 2018</b>	<b>3rd Quarter 2019</b>	<b>Change</b>
<b>Crime Volume</b>	3,398	5,492	61.6%
<b>Crime Solution Efficiency Rate</b>	76.10%	90.11%	14 ppt

Source: PNP XI

A notable increase was recorded in crimes committed in the region during the third quarter of 2019. Crime volume rose to 5,492 crimes, an increase of 61.6% compared with the crime volume during the same quarter in 2018. Among the local government units, Davao del Norte province recorded a 213% jump in crime volume, followed by the Compostela Valley with a 181% increase. The significant increase in recorded crimes in Davao del Norte were non-index crimes, which includes traffic violations. On the other hand, crime volume declined by 43% in Davao del sur.

The increase in crimes was attributed to combined efforts implemented by police provincial offices down to police stations in increasing its accomplishment on traffic violations (RA 4136) frequent dispatches of mobile patrols in crime-prone areas to prevent or arrest

perpetrators of crimes, heightened police visibility in busy areas, strengthened police operations against all forms of criminal activities, and effective and efficient management of police operations. These activities combined may have resulted to more detection of crimes, and hence more crimes recorded.

On the other hand, the Region's crime solution efficiency (CSE) rate for the quarter was rose to 90.1%, a 14 percentage-point increase from one year ago. The CSE rate for Davao del Norte was at 92.5%, the highest CSE rate among the provinces. This is followed by Compostela Valley with an 87.5% CSE rate. For Davao City, the CSE rate was 89.9%.

Among the major accomplishments of the sector, included the conduct of 404 anti-illegal drugs operations, 18 anti-carnapping operations, 606 anti-illegal or loose firearms operations, 285 anti-illegal gambling operations, 48 anti-illegal logging operations, and 74 anti-illegal fishing operations. These operations netted 972 arrests.

### **Development Prospects**

The low inflation rate of 1.3% is a significant indication that prices have greatly stabilized since 2018. The effective fiscal and non-monetary measures implemented by the national government in early 2019 helped ease prices of major food and non-food commodities, alleviating the pressures on low- and middle-income families. With the declining trend in inflation, the full year forecast for inflation is expected to be well within target of 2-4 percent.

Employment remained robust during the quarter, especially with the low unemployment rate. Investments during the quarter in reference was also higher but not unusual, since investments may be recorded and registered anytime throughout the year and do not concentrate on a single quarter. Palay and corn production, along with swine and chicken production, among others, remained stable. Moreover, peace and order and public safety and security remained a priority government focus during the quarter, hence lower crime volumes were recorded.

Among the prospects for the rest of the year are the following:

1. Prices of basic commodities will end the year on a stable note. The absence of any major shock to the economy this year kept prices low and manageable, hence, it is expected that 2019 will have an overall inflation rate that is within target.
2. Employment rates remained robust during the third quarter of 2019; hence it is expected that the labor market will perform favorably throughout the remaining months of the year. While the underemployment rate slightly increased during quarter, the Region still exhibits a strong labor market, where there are ample full-time, quality employment opportunities. The Region may need to accelerate its support for enhancing and facilitating policies on employment generation and skills upgrading.
3. Peace and order and public safety will remain a priority in 2019, hence operations against criminality and higher investments in public security is expected to be made.
4. Investments are still expected to remain robust in 2019.