



2nd Quarter (Q2) 2018 Regional Economic Situationer

The CY 2018 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, 1st quarter 2017 to 2nd quarter 2018, Davao Region



Source: PSA

Prices of basic commodities in Davao Region posted an average inflation rate of 4.9% in Q2 2018, 2.0 percentage points higher than the 2.9% inflation rate recorded in Q2 2017. The increase in inflation could be attributed to higher prices of major food and non-alcoholic commodities (5.5%), alcoholic and tobacco products (14.5%), transport (7.4%), housing, water electricity, and other utilities (3.2%), and health (4.5%). The average purchasing power of the peso was 0.83, lower by 0.06 centavo from the Q3 2017 purchasing power of the peso.

Table 1. Consumer Price Indices by Commodity, 2nd Quarter 2017 and 2018, Davao Region

Commodity	2nd Quarter 2017	2nd Quarter 2018	Change (%)
All items	111.3	116.7	4.9
Food & Non-Alcoholic	112.5	118.7	5.5
Alcoholic & Tobacco	139	159.2	14.5
Clothing & Footwear	117.2	121.2	3.4
Housing, Water, Electricity	110.1	113.7	3.26
Furnishing, Maintenance of the house, etc.	111.3	114	2.4
Health	110.9	115.9	4.5
Transport	96.7	103.8	7.4
Communication	100.6	101.6	1.0
Recreation & Culture	111.8	114	1.9
Education	118.1	121.1	2.5
Restaurant, Miscellaneous Goods and Services	114.8	119	3.7

Source: PSA

All commodities, however, posted price increases during the second quarter of 2018 over their prices the year before. Overall, the performance of the all-items regional inflation rate fell above the range of 2%, plus or minus 1 percentage point, set for CY 2018 by the Development Budget Coordinating Committee (DBCC) of the NEDA Board in December 2017. All regions throughout the country posted higher inflation rates during the quarter.

Labor and Employment

Table 2. Employment statistics, 2nd Quarter 2017 and 2018, Davao Region

	2nd Quarter 2017	2nd Quarter 2018	Change
Employment Rate	95.1%	94.6%	-0.5 ppt
Unemployment Rate	4.9%	5.4%	0.5 ppt
Underemployment Rate	17.3%	18.9%	1.6 ppt

Source: PSA

The Region's employment rate for the quarter slightly decreased based on the April 2018 round of the Labor Force Survey. The employment rate dipped to 94.6%, 0.5 percentage point lower than the employment rate recorded one year ago. Consequently, unemployment rate rose to 5.4%, 0.5 percentage point higher than the rate in the same quarter in 2017. In

real terms, the number of employed persons decreased approximately by 122 thousand, from 2.090 million in Q2 2017 to 1.968 million in Q2 2018. The Region's total labor force was 2.079 million in Q2 2018, 118 thousand less than that of Q2 2017.

The Region's underemployment rate also increased to 18.9%, higher by 1.6 percentage points than Q2 2017's 17.3%. This suggests that there were more workers working under 40 hours per week in the Region and more workers expressed desire for more working hours with better remuneration.

Investments

Table 3. Investment statistics, 2nd Quarter 2017 and 2018, Davao Region

	2 nd Quarter 2017	2 nd Quarter 2018	Change
BOI-Registered Project Commitments (Php)	1,377,470,000	13,821,800,000	903.4%
Private Building Construction (Php)	4,851,501,000	9,037,487,000	86.3%

Source: PSA, BOI XI

Investments in the Region recorded a major boost during the second quarter of 2018 at Php13.8 billion, a 903% jump from the Php1.38 billion recorded in the same quarter in 2017. The second quarter 2018 performance was a significant recovery from the 87.5% slump in BOI-registered investments in the first quarter of 2018.

The dramatic increase in BOI investments during the quarter, however, was singularly attributed to the water extraction and bulk water supply project of the Davao City Water District in Tamugan District, Davao City, with a cost of Php 13.3 billion. Other project commitments during the second quarter of 2018 include an economic and low-cost mass housing in Talomo, Davao City, and an egg production facility in Panabo City.

For private building construction, an increase of 86.3% was recorded during the quarter, from Php4.85 billion Q2 2017 to Php9.03 billion in Q2 2018. The residential construction segment was responsible for Php6.27 billion or 69.3% of the total value of private construction, followed by the non-residential construction segment at Php1.97 billion or 21.8 percent. The statistics suggest that growth in residential properties development outpaced commercial property development during the quarter.

Davao Region's Economic Growth Drivers

Tourism

Table 4. Distribution of travelers, 2nd Quarter 2017 and 2018, Davao Region

Province/ City	Domestic	Foreign	Overseas	2 nd Quarter 2018 (Total)	2 nd Quarter 2017 (Total)
Davao City	564,577	41,383	15,394	621,354	473,735
Compostela Valley	45,802	70	No data	45,872	5,655

Davao Del Sur	5,640	48	No data	5,688	11,814
Davao Occidental			No data	No data	616
Davao Oriental	37,618	516	No data	38,134	53,556
Davao Del Norte	109,164	2,637	No data	111,801	243,560
TOTAL VOLUME	762,801	44,654	15,394	822,849	788,936

Source: DOT XI

During the second quarter of 2018, a total of 822,849 tourist arrivals was recorded, an increase of just 4.3% from the recorded tourist arrivals from the previous reference period. About 92.7% of tourist arrivals or about 762,801 tourists, were domestic, while about 5 percent, or 44,654 tourists were foreign travelers. Davao City took in the bulk of tourist arrivals at about 75.5% or 564,577 tourists.

Among the Region's provinces, Davao del Norte took in about 13.5% or 111,801 tourists. Compostela Valley and Davao Oriental took in approximately 5.5% and 4.6%, respectively. Davao del Sur was able to record 5,688 tourist arrivals, equivalent to less than one percent of total tourist arrivals.

Tourist receipts for the second quarter of 2018 amounted to Php9.89 billion, 39.4% more than the same quarter in 2017. The higher value of tourist receipts was accounted for by various M.I.C.E. events and festivities in the Region.

Some of the major M.I.C.E. events and other tourism-related activities initiated by the LGUs during the second quarter of 2018 included the Davao travel and leisure expo, the Masons' Convention, Rural Bankers' Association of the Philippines National Convention, Philippine League of Budget Officers National Convention, and the Visit Davao Summer Sale, *Kadagayaan* Festival of Davao del Norte, and the *Kabilin* Festival in Davao Oriental, among others.

Agriculture

Crops and Fruits

Table 5. Volume of Production, 2nd Quarter 2017 and 2018, Davao Region

Crop/Fruit	2 nd Quarter 2017 (MT)	2 nd Quarter 2018 (MT)	Change
Corn	36,819	49,720	35.03%
Palay	74,890	85,667	14.40%
Pineapple	11,256	11,676	3.73%
Abaca	2,007	2,049	2.09%
Banana	917,230	934,839	1.92%
Coconut	466,655	474,068	1.59%
Mango	42,030	42,621	1.41%
Rubber	2,121	2,214	4.38%
Coffee	1,397	1,368	-2.08%
Sugarcane	202,937	119,660	-41.04%

Source: PSA

Corn production grew to 49,720 MT in Q2 2018, a 35.03% increase from the 36,819 MT of corn produced in Q2 2017. The higher production volume of corn was partly attributed to above-normal rainfall conditions, helping to increase corn output. The increase in demand for poultry feeds also contributed to higher corn production.

Palay production in Davao Region for the quarter grew by 14.4%, from 74,890 MT in Q2 2017 to 85,667 MT in Q2 2018. For other major commercial crops and fruits, slight production increases for the quarter were noted for pineapple (+3.73%), abaca (+2.09%), banana (+1.92%), coconut (+1.59%), and mango (+1.41%).

A significant drop in sugar production, by as much as 41%, was recorded during the second quarter of 2018. This was mostly attributed to decrease in area planted/harvested. Some reports attributed this reduction to scarcity of cane cutters, affecting harvests. Higher prices for sugar may have also dampened demand. Lower production was also noted for coffee at 1,368MT, lower by 2.08% from the volume produced in Q2 2017. Rubber, on the other hand, increased its production by about 4.38%.

Livestock, Poultry and Fisheries

Table 6. Volume of Production of Livestock, Poultry, and Fisheries, 2nd Quarter 2017 and 2018, Davao Region

	2nd Quarter 2017 (MT)	2nd Quarter 2018 (MT)	Change
Chicken	16,354	18,734	14.55%
Swine	36,175	35,846	-0.90%
Cattle	3,561	3,488	-2.05%
Fisheries	12,135.35	10,792.85	-11.06%

Source: PSA

A notable increase was recorded for chicken production during the second quarter of 2018 at 14.5%. More people may have opted for chicken given lower supply of fish products. Lower production for fisheries was noted during the same quarter, with an 11.06% drop. The lower fisheries production was attributed to reduced number of fishing trips and municipal fishing boats due to strong winds and rough seas during the second quarter of the year. Lower production volumes were also recorded for cattle (-2.05%) and swine (-0.9%).

Peace and Order

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

	2nd Quarter 2017	2nd Quarter 2018	Change
Crime Volume	5,740	3,283	-42.80%
Crime Solution Efficiency Rate	73.89%	72.86%	-1.03ppt

Source: PNP XI

The Region's crime solution efficiency (CSE) rate for the second quarter was at 72.86% percent, which was lower by 1.03 percentage point from Q2 2017's 73.89% CSE rate. The CSE rate for Davao City was at 86.13%, while for the provinces, the highest CSE rate was recorded for Davao del Norte at 66.95%, followed by Davao del Sur at 66.58%, then by Davao Oriental at 60.08% CSE rate. For Davao Occidental, the CSE rate was 57.14%, while for Compostela Valley province it was 52.76%

A notable reduction was recorded in crimes committed in the region during the second quarter of 2018. Crime volume was at 3,283 crimes, a decrease of 42.8% compared with the crime volume during the same quarter in 2018.

The decrease in crimes was attributed to frequent dispatches of mobile patrols in crime-prone areas to deter perpetrators from committing crimes, heightened police visibility in busy areas, strengthened police operations against all forms of criminal activities, and effective and efficient managing of police operations.

Development Prospects

The increasing inflation rate was a growing concern, and was felt more strongly on food commodities and transportation. Prudent monetary policy adjustments may be needed in the short-term if inflation continues to rise in the coming months. Employment remained robust during the quarter.

More noteworthy during the quarter was the recorded rise in BOI-registered investments. While not unusual, the Region remains optimistic that more investments will come in the remaining half of the year. In agriculture, production of crops, fruits, and even livestock and fishery was generally increasing. Likewise, tourism, a key contributor to local economies, remained strong. Moreover, peace and order was a government priority during the quarter.

Among the prospects for the second half of 2018 are the following:

1. Prices of basic commodities are expected to be higher in 2018 compared with 2017, due to a host of factors, including higher global crude oil prices and global trade tensions, supply constraints for rice, and a weakening peso.
2. Employment rates remained stable during the second quarter of 2018, hence it is expected that the labor market will perform favorably throughout the year.
3. Housing and other real estate investment in Davao City and Davao del Norte will continue to expand, especially with a significant investment in utilities, particularly in water service.
4. Peace and order and public safety will remain a priority in 2018, hence low crime rates are expected throughout the year.