



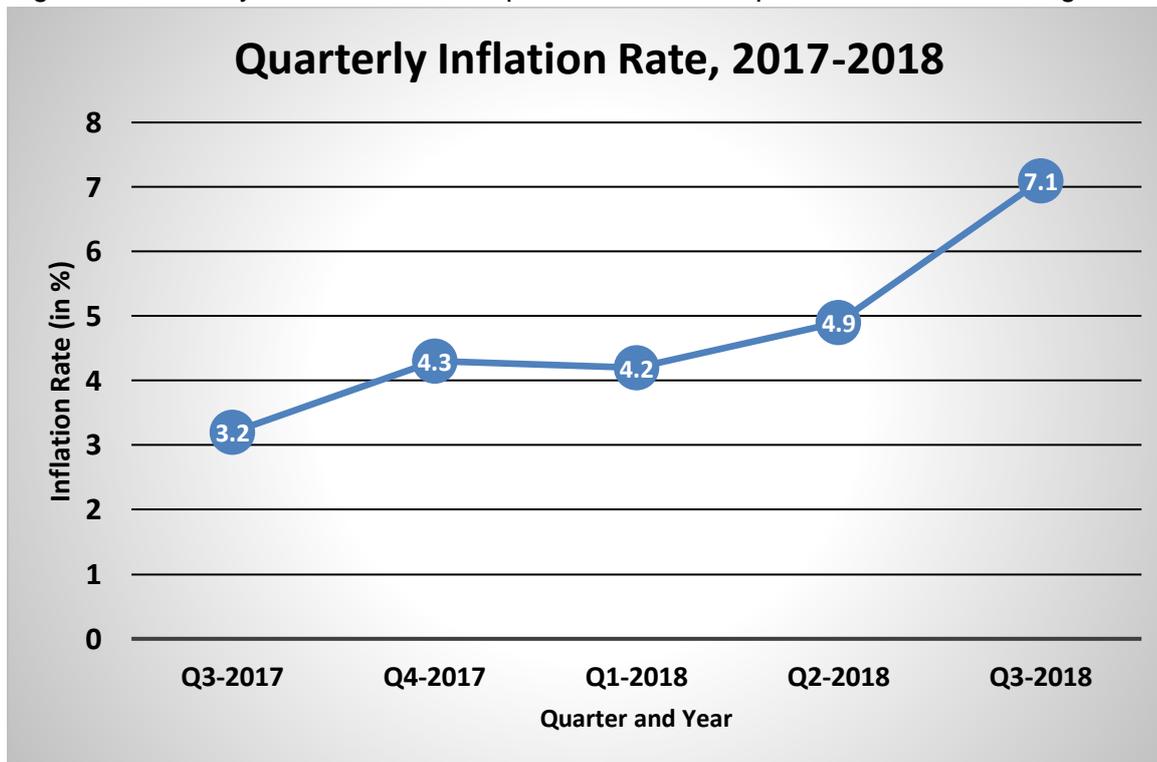
3rd Quarter (Q3) 2018 Regional Economic Situationer

The CY 2018 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 2017 to 3rd quarter 2018, Davao Region



Source: PSA

Prices of basic commodities in Davao Region posted an average inflation rate of 7.1% percent in Q3 2018, 3.8 percentage points higher than the 3.2% inflation rate recorded in Q3 2017. The above-normal inflation rate was attributed to higher prices of major food and non-alcoholic commodities (7.8%), alcoholic and tobacco products (15.9%), transport (8.9%), housing, water, electricity, and other utilities (7.3%). The average purchasing power of the peso was down to Php0.82 of the 2012 peso, lower by 0.06 centavos from the Q3 2017 value.

Table 1. Consumer Price Index by Commodity, 3rd Quarter 2017 and 2018, Davao Region

Commodity	3rd Quarter 2017	3rd Quarter 2018	Change (%)
All items	111.9	119.8	7.06
Food & Non-Alcoholic	113.0	121.9	7.88
Alcoholic & Tobacco	139.6	161.9	15.92
Clothing & Footwear	117.9	122.8	4.15
Housing, Water, Electricity, Gas & other fuels	110.7	118.9	7.34
Furnishing, Maintenance of the house, etc.	111.7	116.8	4.63
Health	111.3	118.4	6.32
Transport	97.5	106.3	8.99
Communication	100.6	102.3	1.69
Recreation & Culture	112.4	117.5	4.54
Education	120.4	118.5	-1.55
Restaurant, Miscellaneous Goods and Services	115.2	121.6	5.59

Source: PSA

All commodities, except education, posted higher rates of price increases during the third quarter of 2018 as compared with their rates the year before. The decline in the cost of education was mainly attributed to the government's provision of free tertiary education in state universities and colleges. Overall, the performance of the all-item regional inflation rate during the quarter was the highest in recent years and may require immediate government intervention to prevent further acceleration.

Labor and Employment

Table 2. Employment statistics, 3rd Quarter 2017 and 2018, Davao Region

	3rd Quarter 2017	3rd Quarter 2018	Change
Employment Rate	96.0%	96.2%	0.2 ppt
Unemployment Rate	4.0%	3.8%	-0.2 ppt
Underemployment Rate	21.2%	8.0%	13.2 ppt

Source: PSA

The Region's employment statistics for the quarter slightly improved based on the October 2018 round of the Labor Force Survey. The employment rate was 96.2%, 0.2 percentage point higher than the employment rate one year ago. Consequently, unemployment rate dipped to 3.8%, 0.2 percentage-point lower than the rate in the same quarter in 2017.

Notably, the Region's underemployment rate shrank to 8%, a 13.2 percentage-point reduction over the rate in 2017. This suggests that there were significantly fewer employed persons who were working less than 40 hours a week. Moreover, there were also fewer 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 notable decrease in underemployment rate may be an indication of the Region's capability of producing high-quality, full-time employment opportunities during the quarter in reference.

Investments

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

	3 rd Quarter 2017	3 rd Quarter 2018	Change
BOI-Registered Project Commitments (Php)	2,294,560,000	423,650,000	-81.5%
Private Building Construction (Php)	5,286,471,000	6,774,652,000	28.1%

Source: PSA, BOI XI

During the third quarter of 2018, the total value of BOI-registered investments amounted to Php423.6 million, an 81.5% drop from the recorded investments a year ago. The three projects included a Php121 million investment for business process outsourcing (BPO) in Davao City, Php15 million for a private hospital in Davao City, and a Php287 million investment in bulk marketing of petroleum products in Sta. Cruz, Davao del Sur. The eight total projects were expected to generate 1,100 jobs. 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.

For private building construction, an increase of 28.1% was recorded during the quarter, from Php5.28 billion Q3 2017 to Php6.77 billion in Q3 2018. The non-residential construction segment was responsible for Php4.22 billion or 62 percent of the total value of private building construction. The statistics suggest that commercial property development outpaced residential property growth as business expansion in Davao Region, particularly in Davao City, was more robust.

Davao Region's Economic Growth Drivers

Agriculture

Crops and Fruits

Table 4. Volume of Production, 3rd Quarter 2017 and 2018, Davao Region

	3 rd Quarter 2017 (mt)	3 rd Quarter 2018 (mt)	Change
Palay	132,795	150,426	13.28%
Corn	93,942	96,995	3.25%
Abaca	2,503	2,580	3.1%
Mango	5,134	5,283	2.9%

Pineapple	4,072	4,158	2.1%
Coconut	458,290	463,501	1.1%
Banana	918,970	929,427	1.1%
Coffee	2,067	2,050	-0.8%
Rubber	4,271	4,260	-0.3%

Source: PSA

Palay production in Davao Region for the quarter reached 150,426 MT, higher by 13.2% from the third quarter of 2018. The growth in palay production was attributed to an increase in harvested area at 32,009 hectares, approximately 3,000 hectares more than the area harvested in Q3 2018.

Coconut production slightly increased from 93,942 MT in Q3 2017 to 96,995 in Q3 2018, an increase of 3.25%. A larger area harvested is also attributed as contributory to the higher production volume of corn during the quarter.

Minor production volume increases were also recorded for abaca, mango, pineapple, coconut, and banana during the quarter; while slight decreases in production volume of coffee and rubber were noted.

Livestock, Poultry and Fisheries

Table 5. Volume of Production of Livestock, Poultry, and Fisheries, 1st Quarter 2017 and 2018, Davao Region

	3rd Quarter 2017 (mt)	3rd Quarter 2018 (mt)	Change
Swine	37,527	37,709	0.48%
Cattle	2,939	2,921	-0.60%
Fisheries	13,965	14,479	3.68%
Chicken	17,468	19,236	10.12%

Source: PSA

Chicken production during the quarter rose to 19,236 metric tons, 10.1% more than the volume produced a year ago. The increase may be attributed to the expansion of broiler farm capacity and improvement of farm facilities, in response to the increasing demand from households, food processors and hotel establishments.

Cattle, swine and fisheries production exhibited minimal changes during the quarter as compared with the previous reference period.

Peace and Order

Table 6. Crime Volume and Crime Solution Efficiency Rates, 3rd Quarter 2017 and 2018, Davao Region

	3rd Quarter 2017 (mt)	3rd Quarter 2018 (mt)	Change
Crime Volume	4,766	3,228	-32.2%
Crime Solution Efficiency Rate	73.63%	73.71%	0.08 ppt

Source: PNP XI

A notable reduction was recorded in crimes committed in the region during the third quarter. Crime volume was at 3,228 crimes, a decrease of 32.29% compared with the crime volume during the same quarter in 2017. Among the local government units, Davao Oriental had a 5% reduction in crime volume, while Davao City had 36% fewer crimes, and Davao del Sur had 31% less during the quarter.

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 management of police operations.

The Region's crime solution efficiency (CSE) rate for the quarter was at 73.71%, which exhibited a minor upward movement from Q3 2017's 73.63%. The CSE rate for Davao City was at 87.38%, while for the provinces, the highest CSE rate was recorded for Davao del Norte at 70.01%, followed by Davao del Sur at 68.76%.

Development Prospects

The high inflation rate of 7.1% is a significant public concern in Davao Region, although virtually all regions in the country posted high inflation rates. The surge in prices was particularly pronounced for food commodities, transportation, housing, water, electricity, gas & other fuels, and even on health. The high inflation rate was attributed to higher global crude oil prices, global trade tensions, especially between US and China, plus supply constraints for rice, and a weakening peso. Prudent monetary policy adjustments, lifting of trade restrictions, and temporary suspension of tax hikes are options that may need to be urgently explored to cushion the impact of high inflation in Davao Region and the rest of the country.

Employment remained robust during the quarter, especially with the lower underemployment rates. Investments during the quarter in reference was lower but not unusual, since investments may be recorded and registered anytime throughout the year and do not concentrate on a single quarter. Along with palay, overall agricultural production remained stable. Moreover, peace and order was 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. Due to sustained increase in prices of basic commodities for the past 9 months, annual inflation may be higher in 2018 compared with 2017. The high inflation rates, which has already exceeded the government's upper range of 4% is due to a host of factors, including higher global crude oil prices and global trade tensions, supply constraints for rice, fish, and vegetables, and a weak peso. However, there is indication that the next few months, beginning in October 2018, may will exhibit easing price pressure as planned trade talks between the US and China may provide optimism in the near-term. Moreover, with the directive from President Duterte to immediately release rice stocks in NFA warehouses, as well as increase rice imports, in order to address domestic rice supply shortages, will potentially make a downward dent on rice prices and lead to inflation tapering off in the coming months. As global fuel prices remain a concern, the speedy and continuous implementation

of the Department of Energy's fuel voucher program can help cushion the impact of high pump prices and rein in inflation in the near term.

2. Employment rates remained robust during the third quarter of 2018, hence it is expected that the labor market will perform favorably throughout the remaining months of the year. The notable reduction in underemployment rate during quarter may be indicative of a strengthening 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. The rise in construction investments from the private sector remain highly favorable and indicates higher consumer spending during the quarter.
4. Peace and order and public safety will remain a priority in 2018, hence low crime rates are expected throughout the year.