



# NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY REGION XI, DAVAO CITY

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## 3rd Quarter (Q3) 2020 Regional Economic Situationer

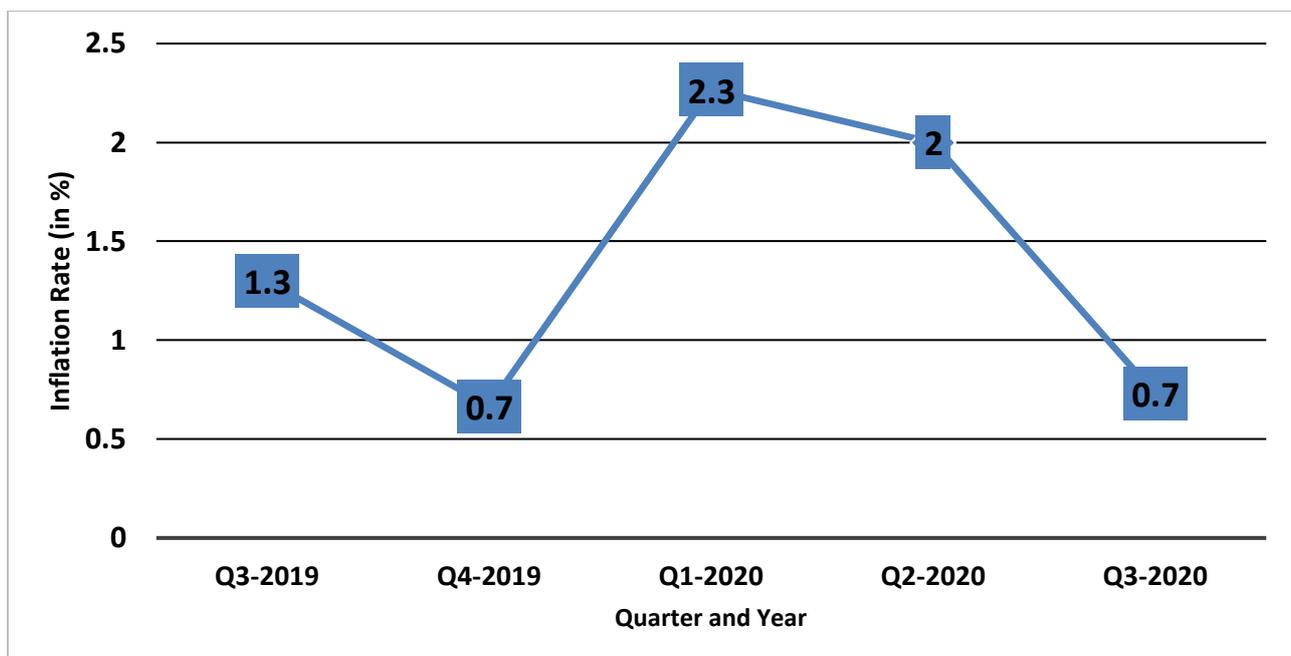
The CY 2020 Third Quarter Regional Economic Situationer (QRES) provides a snapshot of the performance of Davao Region's economy by highlighting key socioeconomic indicators. The QRES also provides a brief development outlook for the Region for the succeeding months.

### Macroeconomic Performance

#### Prices and Inflation

Prices of basic commodities in Davao Region posted an average inflation rate of 0.73% percent in Q3 2020, lower by 0.6 percentage points from the rate recorded in the same period in 2019. The inflation rate for the 3<sup>rd</sup> quarter of 2020 was on a decline since the 1<sup>st</sup> quarter of 2020 (Figure 1) due to the impact of the COVID-19 pandemic which resulted to slower economic activities and tempered consumer demand on most goods, except basic commodities. Restrictions on the movement of persons dampened demand for travel and leisure services, restaurant services and other non-essential services, thus increase in prices for these services slowed down inflation.

Figure 1. Inflation rates, 3rd quarter 2019 vs. 3rd quarter 2020, Davao Region



Source: PSA

Based on the consumer price index, the Region posted low inflation rates for majority of the commodities, which reflects weak economic activity and dampened demand for goods and services. Food and non-alcoholic beverages even exhibited a negative inflation rate, which meant that prices for food during the 3<sup>rd</sup> quarter of 2020 remained at the virtually the same levels from the previous year (Table 1). On the other hand, the inflation rate for alcoholic beverages and tobacco was 12.2%, due to upward price fluctuations and rise in demand for the commodity during the modified general community quarantine in the Region and the liquor ban in Davao City. Overall, the performance of the all-item regional inflation rate during the quarter was the lowest in last three quarters.

Table 1. Consumer Price Index by Commodity, 3<sup>rd</sup> Quarter 2019 and 2020, Davao Region

Commodity	3 <sup>rd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2020	Inflation Rate
All items	121.37	122.30	0.7
Food & Non-Alcoholic Beverages	121.63	120.63	-0.8
Alcoholic & Tobacco	173.10	193.97	12.2
Clothing & Footwear	126.30	129.83	2.8
Housing, Water, Electricity, Gas & other fuels	121.20	122.67	1.2
Furnishing, Maintenance of the house, etc.	122.17	125.83	3.1
Health	124.57	127.83	2.6
Transport	105.47	106.37	0.8
Communication	102.80	103.70	0.9
Recreation & Culture	121.80	122.00	0.2
Education	122.20	122.20	0.0
Restaurant, Miscellaneous Goods and Services	126.17	129.10	2.3

Source: PSA

## Labor and Employment

As shown on Table 2, the Region's employment generation contracted for the quarter based on the July 2020 round Labor Force Survey due to the impact of the COVID-19. The employment rate was 92.0%, 4.7 percentage point lower than the employment rate during the same period in 2019. Consequently, unemployment rate rose to 8.0%, indicating that there were more people without work or lost jobs during the 3<sup>rd</sup> quarter of 2020 compared from a year ago. With a working age population of 3,565,000 in Davao Region and a labor force participation rate of 59.5%, this means that the total labor force of the Region reached 2,121,175 in Q3 2020. Moreover, with an employment rate of 92%, there were approximately 1,951,481 employed persons of the Region, which is lower by 53,330 employed persons recorded in the same quarter in 2019.

The Region's underemployment rate declined to 9.2%, a 2.9 percentage-point decrease over the rate in 2019. In terms of count, about 179 thousand workers were underemployed persons as of July 2020, given the varying working arrangements and reduced working hours being implemented by companies/establishments. As compared with the 3<sup>rd</sup> Quarter 2019 underemployment rate, the current period's underemployment rate suggests that there were fewer employed persons who were working less than 40 hours a week in the Region during the quarter in reference. 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. Again, this is likely due to the impact of COVID-19 on employers' businesses. In relation to the pandemic and the impacts on local employment, the decrease in the underemployment rate may also be an indication that employers may be putting on hold hiring and jobseekers may be putting on hold looking for a job.

Table 2. Employment statistics, 3<sup>rd</sup> Quarter 2019 and 2020, Davao Region

	<b>3<sup>rd</sup> Quarter 2019</b>	<b>3<sup>rd</sup> Quarter 2020</b>	<b>Change</b>
<b>Employment Rate</b>	96.7%	92.0%	-4.7 ppt
<b>Unemployment Rate</b>	3.3%	8.0%	+4.7 ppt
<b>Underemployment Rate</b>	12.1%	9.2%	-2.9 ppt
<b>Labor Force Participation Rate</b>	59.1%	59.5%	-0.4 ppt
<b>Estimated Number of Employed Persons</b>	2,004,811	1,951,481	53,330

Source: PSA

## Investments

In the third quarter of 2020, the total value of BOI-registered investments amounted to Php135.42 million, an 86% drop from the recorded investments for the same period a year ago (Table 3). The four projects included a Php56 million investment in export production of banana chips in Digos, Davao del Sur by JJ Grand Premium Fruits, a Php43 million in export production of wiring harness in Lasang, Davao City by OCR Enterprise Philippines, Inc., a PhP20 million investment in export production for señorita bananas in Panabo City, and a PhP 15 million investment in IT-BPM (data entry and software development services) located in Bajada, Davao City. The eight total projects were expected to generate 505 jobs. The four BOI-registered projects in Davao Region for the quarter is expected to generate 2,967 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.

Table 3. Investment statistics, 3rd Quarter 2019 and 2020, Davao Region

	3 <sup>rd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2020	Change
<b>BOI-Registered Project Commitments (Php)</b>	996,180,000	135,420,000	-86%

Source: BOI XI

## Agriculture

Palay production in Davao Region for the quarter increased to 127,280 MT, higher by 8.3% from the third quarter of 2019. The higher palay production may be attributed to higher yields per hectare. The higher palay production may be attributed to stable demand and favorable weather condition. Furthermore, generally low prices for rice throughout the year also kept demand stable.

Corn production also increased during the quarter with 79,213 MT of corn produced in the Region. This is a 10.2% increase from one year ago. The higher volume of corn production was likewise attributed to higher harvested area during the quarter at 46,000 hectares in Q3 2020 compared with 43,934 hectares in Q32019 (Table 4).

### Crops

Table 4. Volume of Production, 3rd Quarter 2019 and 2020, Davao Region

	3 <sup>rd</sup> Quarter 2019 (mt)	3 <sup>rd</sup> Quarter 2020 (mt)	Change
<b>Palay</b>	117,441	127,280	8.3%
<b>Corn</b>	71,834	79,213	10.2%

Source: PSA

### Livestock, Poultry and Fisheries

Swine and cattle production, as well as chicken production remained largely unchanged during the 3<sup>rd</sup> quarter of 2020 compared with its level one year ago. This suggests that supply for these agricultural products is adequately meeting the usual demand.

On the other hand, fisheries production posted higher declines. Municipal fishery declined by 10.4%, while aquaculture declined by almost 14%. The declines may be due to limited fishing trips, along with stricter implementation of fishing laws. The community quarantine and restrictions may have also impacted on the public's demand for fishery products (Table 5).

Table 5. Volume of Production of Livestock, Poultry, and Fisheries, 3rd Quarter 2019 and 2020, Davao Region

	3 <sup>rd</sup> Quarter 2019 (mt)	3 <sup>rd</sup> Quarter 2020 (mt)	Change
<b>Hog</b>	37,736	36,645	-2.9%
<b>Cattle</b>	2,923	2,884	-1.3%
<b>Chicken</b>	19,667	18,998	-3.4%
<b>Fisheries (Municipal)</b>	4,409	3,947	-10.4%
<b>Aquaculture</b>	4,395	3,782	-13.9%

Source: PSA

## Tourism

The tourism sector continued to be severely affected by the COVID-19 pandemic during the reference period. Based on the Table 6 below, the total tourist arrivals declined by an average of nearly 75 percent during the third quarter of 2020 as compared with the tourist arrivals during the same period last year.

The decline in tourist arrivals was mainly attributed to the impacts of the COVID-19, especially with the strict imposition of restrictions on most forms of travel.

Table 6. Volume of tourist arrivals, 3rd Quarter 2019 and 2020, Davao Region

Tourist Arrivals	Q3 2019	Q3 2020	Change
Domestic	294,226	254,464	-73.61%
Foreign	54,950	2,521	-95.41%
Overseas Filipinos	9,764	421	-95.69%
Total	1,028,940	257,406	-74.98%

Source: DOT XI

## Peace and Order

A notable decrease was recorded in crimes committed in the region during the third quarter of 2020. Crime volume declined to 4,182 crimes during the period, a decrease of 24.4% or 1,367 crime incidents as compared to the same period last year (Table 7). The decrease may be attributed to the impact of the pandemic on the movement of persons, among other restrictions imposed during the period of community quarantine. These restrictions may have effectively reduced the opportunities of criminal elements to perpetrate criminal activities, thereby resulting to a reduction in crime volume.

The decrease in the number of incidents also significantly mirrored the right interventions done by PRO XI through police omnipresence, arrest of wanted persons and persons involved in illegal drugs and the regular conduct of checkpoints. Moreover, the lower crime incidents may be due to the effective crime deterrence efforts of the police through the 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 lower crimes recorded.

Further, the extra efforts extended by the investigators and intelligence personnel of the police greatly contributed to the increase of crime solution efficiency. The Region’s crime solution efficiency (CSE) rate for the quarter rose to 90.1%, a 1 percentage-point increase from one year ago.

Table 7. Crime Volume and Crime Solution Efficiency Rates, 3<sup>rd</sup> Quarter 2019 and 2020, Davao Region

	<b>3<sup>rd</sup> Quarter 2019</b>	<b>3<sup>rd</sup> Quarter 2020</b>	<b>Change</b>
<b>Crime Volume</b>	5,539	4,182	-24.4%
<b>Crime Solution Efficiency Rate</b>	89.01%	90.11%	+1.1 ppt

Source: PNP XI

## Development Prospects

Without any major disruption in the production of food products or in inputs for production and manufacturing of food products, low and stable inflation is expected to continue toward the end of 2020, and no significant upward adjustments on prices of basic commodities is likewise expected by the end of the year, as consumer demand during the holiday season may stay dampened due to the pandemic.

Employment in the remaining months of 2020 will remain below levels seen at the start of the year as businesses and establishments operate in limited capacity to prevent further spread of COVID-19. Businesses will still be wary as the pandemic is yet to be fully contained, but it is also expected that businesses will gradually resume operations as consumer demand for products and services recover and adjust to the situation. There are early signs of recovery for employment but it is expected to be slow as businesses, industries and establishments further adopt and adjust to a new normal condition.

Tourism will see a drastically low performance in 2020, as the pandemic will continue to negatively impact all tourism operations in the Region. Major tourist spots will be either closed or operate in limited capacity for the rest of the year. Many key tourism events in the Region will be still be cancelled. The limited air travel to the Region also signals a weak year for tourism.

BOI-registered investments posted a moderate performance during the quarter. Enticing new investments may be challenging given the extent and duration of the quarantine in the Region. Given that many businesses have already closed or have reduced operations, it may be likely that investments are placed on hold until the pandemic slowly disappears.

Agricultural production is expected to perform moderately without any surge in demand due to the pandemic.

Among the other prospects for the 1<sup>st</sup> quarter of 2021 are the following:

1. Prices of basic commodities are expected to remain low and stable if agricultural production and prices of oil also remain stable.
2. Employment rates will improve due to resumption of businesses but at lower levels than at the early part of 2020.
3. The onset of La Niña from the last quarter of 2020 which is expected to last until 1<sup>st</sup> quarter of 2021 may have an impact on agricultural production. The impacts of the changing weather pattern shall continue to be monitored in the near term.
4. The investment climate of Davao Region, especially in Davao City, will not be as favorable to local and foreign investors this year, due to the impact of the pandemic on business confidence.
5. Tourism is expected to slowly recover in 2021, with the resumption of more flights to and from Davao City in the 3<sup>rd</sup> quarter of 2020, albeit the strict health protocols being implemented. Local tourism is also being promoted, with the resumption of eco-tourism businesses and with strict health protocols also being implemented. This promotion of local tourism by LGUs and the DOT XI is expected to help the tourism industry gradually recover in 2021.
6. Peace and order and public safety will remain a priority in 2021 and thus may contribute greatly to low crime rates.