

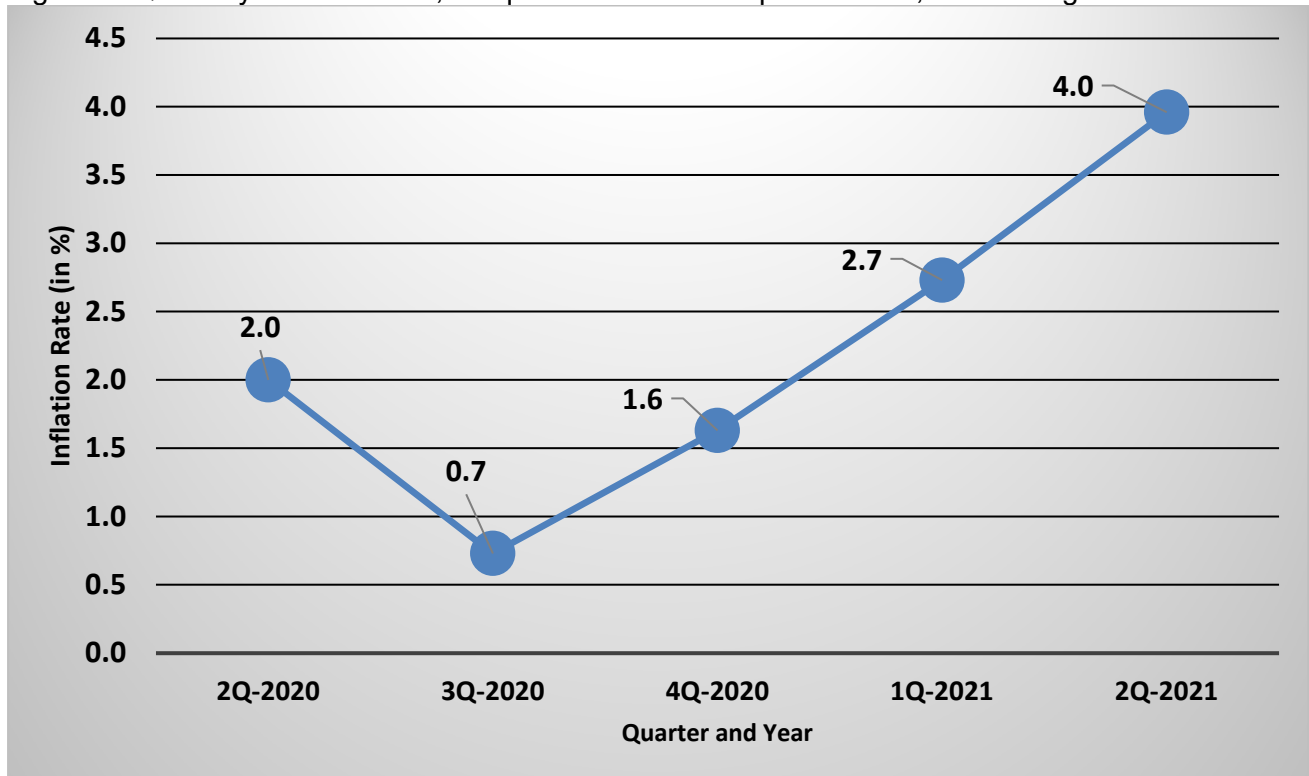
## 2nd Quarter (Q2) 2021 Regional Economic Situationer

The CY 2021 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, 2<sup>nd</sup> quarter 2020 to 2<sup>nd</sup> quarter 2021, Davao Region



Source: PSA XI

Prices of basic commodities in Davao Region posted an average inflation rate of 4.0% in second quarter of 2021, 2.0 percentage points higher than the 2.0% recorded in the same quarter in 2020. The quarterly average inflation rate was in an uptrend since the 3<sup>rd</sup> quarter of 2020. The elevated inflation rates are generally attributed to the continuing impacts of the pandemic while the regional economy is trying to recover. The imposition of varying and sometimes, unpredictable, community quarantine classification in the Region and its LGUs, has affected business confidence.

The uptick in inflation rate during the second quarter of 2021 was largely driven by higher prices in transport (11%), housing and utilities (3.1%), and food (3.8%). The higher inflation rate on these commodities reflects the increasing demand as the economy tries to recover, while at the same time suggests higher costs, such as on energy and petroleum. Food prices were also higher, mainly due to upward price adjustments for meat as supply contracted. Restaurant and miscellaneous goods and services likewise registered higher prices, as demand picked up with the reopening of economic activities.

On the other hand, the inflation rate of alcoholic beverages and tobacco remained tempered, since many areas in the Region have implemented liquor ban to prevent the spread of COVID-19. Demand may have also waned over the course of the year due to strict penalties imposed on violators. Lower inflation rates were also recorded for clothing and footwear (1.5%), furnishing, maintenance of the house, etc. (2.9%), health (2.7%), communication (0.5%), recreation and culture (-0.5%), education (0.10%). Table 1 shows the inflation rate by commodity.

Table 1. Inflation Rate by Commodity, 2<sup>nd</sup> Quarter 2020 and 2021, Davao Region

Commodity	2 <sup>nd</sup> Quarter 2020	2 <sup>nd</sup> Quarter 2021	Change (ppt)
All Items	2.0%	3.97%	1.97
Food and Non-Alcoholic	2.6%	3.87%	1.27
Alcoholic Beverages and Tobacco	15.5%	7.67%	(7.83)
Clothing and Footwear	3.6%	1.50%	(2.1)
Housing, Water, and Electricity	0.5%	3.13%	2.63
Furnishing, Maintenance of the House, etc.	4.7%	2.90%	(1.8)
Health	4.2%	2.77%	(1.43)
Transport	-4.5%	11.07%	15.57
Communication	0.9%	0.50%	(0.4)
Recreation and Culture	2.2%	-0.50%	(2.7)
Education	2.1%	0.10%	(2.0)
Restaurant, Miscellaneous Goods and Services	2.0%	3.30%	1.3

Source: PSA XI

Overall, the performance of the all-item regional inflation rate fell but still within the upper range of 3.0 percent  $\pm$  1.0 percentage point for target for 2021, set by the Development Budget Coordinating Committee (DBCC) of the NEDA Board.

## Labor and Employment

Table 2. Employment statistics, 2<sup>nd</sup> Quarter 2020 and 2021, Davao Region

	<b>1<sup>st</sup> Quarter 2020</b> <i>(Pre-pandemic)</i>	<b>2<sup>nd</sup> Quarter 2020</b>	<b>2<sup>nd</sup> Quarter 2021</b>	<b>Change</b>
<b>Employment Rate</b>	95.4%	82.1%	95.8%	13.7 ppt
<b>Unemployment Rate</b>	4.6%	17.9%	4.2%	(13.7) ppt
<b>Underemployment Rate</b>	14.2%	20.9%	9.0%	(11.9) ppt
<b>Labor Force Participation Rate</b>	58.8%	55.3%	59.2%	3.9 ppt
<b>Employed Persons</b>	1,981,843	1,614,000	2,057,000	443,000

Source: PSA XI

The Region's employment rate for the quarter increased based on the April 2021 round of the Labor Force Survey. The employment rate rose to 95.8%, 13.7 percentage points higher than the 2020 level. Consequently, unemployment rate decreased to 4.2%. This higher employment rate translates to about 443,000 more persons who were employed during the 2<sup>nd</sup> quarter of 2021 compared with the same quarter of 2020.

The higher employment levels coincide with the reopening of the economy, where more businesses resumed operations and more jobseekers were hired. Based on DOLE XI Placement Report for the 2<sup>nd</sup> quarter of 2021, there were 75,137 jobseekers placed, which translates to a 95.1% placement rate. As compared with 2Q202, there were only 57,021 jobseekers placed. The placement rate refers to the number of applicants hired for local and/or overseas employment out of those who were registered for job placements over number of applicants for job placement.

Relatedly, the Region's underemployment rate decreased to 9.0%, lower by 11.9 percentage points than in the same period in 2020. The significantly lower underemployment rate was attributed to a more favorable labor market, particularly on account of the growth in hiring especially in services sector and the improved disposition of private establishments and businesses to provide longer working hours or higher compensation as the regional economy recovers.

## Davao Region's Economic Growth Drivers

### Agriculture

Table 3. Volume of Production of Key Agricultural Products, 2<sup>nd</sup> Quarter 2020 and 2021, Davao Region

	<b>2<sup>nd</sup> Quarter 2020 (MT)</b>	<b>2<sup>nd</sup> Quarter 2021 (MT)</b>	<b>Change</b>
<b>Cereals</b>			
Palay	91,970	91,823	(0.2%)
Corn	44,625	54,817	22.8%

<b>Livestock and Poultry</b>			
Hog	35,210	29,930	(14.9%)
Cattle	2,435	2,094	(14.0%)
Chicken	17,501	18,214	4.0%
<b>Fisheries</b>			
Marine Municipal	3,747	3,709	(1.0%)
Commercial Fisheries	390	580	48.7%

Source: PSA XI

Production of palay is almost at the same volume compared to the same period last year. However, corn production was higher by 22.8% during the 2<sup>nd</sup> quarter of 2021, with more than 10 metric tons increase. The higher production of corn is partly attributed to expansion in area harvested, from 32,031 has. in 2Q2020 to 36,135 has. in 2Q2021, resulting to bigger yields at 1.51 metric tons per hectare in 2Q2021, higher than the 1.39 MT yield per hectare in same quarter last year. The slightly higher demand for chicken in the 2<sup>nd</sup> quarter of 2021 may have also helped drive the production of corn, which is a key input in chicken production.

Livestock, particularly hog and cattle, registered lower production volumes during the quarter. This is attributed to both low production and low demand as Davao Region continues to grapple with the impact of the African Swine Fever (ASF) in hog-producing areas of the Region. This led to shift in consumer preference for chicken and fish products. As of the end of August 2021, the Department of Agriculture XI reported that there were already 10,664 farmers in 43 municipalities in Davao Region affected with the ASF, resulting to 49,315 pigs were culled. The Region continues to implement containment strategies through surveillance monitoring and disinfection in hog-production facilities. With respect to chicken, production increased to 18,214 MT during the quarter, 4.0% increase from the same period last year. Marine fisheries production slightly decreased, but commercial fisheries increased by nearly 200 MT.

The lower production volumes for livestock may also be partly attributed to the negative effects of the community quarantine throughout the Region. The quarantine has caused changes in demand and brought disruptions in production and transportation of agricultural products. Closure of some businesses in major areas, such as in Davao City, caused a corresponding decrease in production as demand declined.

## Tourism

Table 4. Distribution of travelers, 2nd Quarter 2020 and 2021, Davao Region

Tourist Arrivals	1 <sup>st</sup> Quarter 2020 (Pre-pandemic)	2 <sup>nd</sup> Quarter 2020	2 <sup>nd</sup> Quarter 2021
<b>Domestic</b>	741,864	66 032	353,248
<b>Foreign</b>	28,025	842	1,270
<b>Overseas Filipinos</b>	4,968	285	-
<b>TOTAL</b>	<b>774,857</b>	<b>67,159</b>	<b>354,518</b>

Source: DOT XI

Total tourist arrivals during the period under review increased from 67,159 to 354,518 tourists or a staggering 427.8% increase. Tourist arrivals refer to visitors who stay at least 1 night in a private accommodation, such as hotels, inns, etc. (*note: excludes those quarantined*).

It should be noted however, that no data was provided by the Provinces of Davao del Norte, Davao Occidental, and Davao de Oro. Notwithstanding, the increase in tourist arrivals was driven by domestic travelers and the recent record on tourist arrivals clearly suggests that tourism activities are resuming in the Region, with the opening of more tourist spots and resumption of other tourism-related businesses such as hotel accommodations, alongside the cautious reopening of the regional economy. The current statistics is still below pre-pandemic levels, which is expected, since there are still mobility restrictions in place as the Region tries to curb the number of COVID19 cases.

## Peace and Order

Table 5. Total Crime Incidents and Crime Solution Efficiency Rates, 2nd Quarter 2020 and 2021, Davao Region

PPO/ CPO	Total Crime Incidents (POI+PSI)		Breakdown of Total Crime Incidents									
			Peace & Order Indicator (POI)						Public Safety Indicator (PSI) - RIR		PSI-RIR Crime Solution Efficiency (%)	
			Index Crime		Non-Index Crime		POI Crime Solution Efficiency (%)					
			2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Davao City	2,305	2,796	95	85	1,997	2,397	97.55	93.83	213	314	99.53	99.68
Davao del Sur	293	3,439	47	58	162	3,241	85.80	99.01	84	140	100	99.29
Davao del Norte	638	2,704	79	92	504	2,486	94.25	98.59	55	126	92.73	96.83
Davao de Oro	300	1,056	51	57	245	993	89.39	98.29	4	6	75.00	100
Davao Oriental	145	379	37	27	98	336	86.73	89.88	10	16	100	87.50
Davao Occiden tal	93	268	17	12	75	253	85.33	98.02	1	3	100	100
<b>TOTAL</b>	<b>3,774</b>	<b>10,642</b>	<b>326</b>	<b>331</b>	<b>3,081</b>	<b>9,706</b>	<b>95.10</b>	<b>97.21</b>	<b>367</b>	<b>605</b>	<b>98.37</b>	<b>98.68</b>

Source: PRO XI

Crime volume for the 2<sup>nd</sup> quarter of 2021 reached 10,642, comprising of both index-and non-index crimes. Crime incidents increased by 182% or 6,868 in all of Davao Region's 5 provinces and Highly Urbanized City during the 2<sup>nd</sup> quarter of 2021 compared a year before.

The highest number of crimes was reported in Davao del Sur at 3,439, followed by Davao City with 2,796 crimes, and Davao del Norte with 2,704 crimes. Only 1,056 crimes was recorded in Davao de Oro, and 268 in Davao Occidental.

It was observed that the increase in crime occurred when lockdown measures were lifted or restrictions in the movement of people were relaxed under the quarantine protocols. Moreover, 91.2% of total crimes reported are non-index crimes, which include violations of special laws or local ordinances (e.g. traffic violation, gambling, curfew violations), but excludes index crimes, such as murder or robbery. The bulk of non-index crimes were violations on traffic laws and rules (R.A. 4136), such as speeding, red light violations, etc. Other non-index crimes also include violations on non-wearing of face masks, violations on the liquor ban, and curfew violations, among other violations on special laws.

In terms of crime solution efficiency (CSE), which refers to the percentage of solved cases out of the total number of crime incidents handled by the PNP XI in a given period of time, the Region reached a 97.2% CSE rate for index and non-index crimes. For non-index crimes in particular, these are tagged as solved when Police Personnel issue the corresponding violation issuances, such as Temporary Operator's Permits (TOPs) for traffic violations, or when there are violators are apprehended, or when cases are referred to the appropriate bodies. The high CSE rate is also the result of the police undertaking 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**

Inflation rate could remain in the upper band of the government's inflation target of 2-4 percent in the coming months, if prices for food, transport and energy remain elevated. However, As of August 31, 2021, the latest baseline inflation forecast of the Bangko Sentral ng Pilipinas is 4.1% for 2021, just above the government's upper target of 4%. Notwithstanding, if there are no major disruptions in the production of food products or inputs to production and manufacturing of food products, including oil products, inflation is expected to remain stable in the next few months. A slight rise in inflation is also possible by the end of the year as consumer demand usually picks up during the Christmas season.

Employment in the remaining quarter of 2021 will remain at better levels compared to last year's, as businesses and establishments continue to operate and resume operating at bigger capacities. Improved consumer confidence will result to favorable employment levels this year, while maintaining minimum health standards in order to prevent further spread of COVID-19.

Tourism industry is expected to be revived as more tourist spots open and tourism-related enterprises boost the regional economic recovery.

Agricultural production is expected to perform slightly better by the end of the year in response to favorable weather and slowly rising consumer demand. However, the African Swine Flu remains a concern in the agriculture sector and concerned national and local government offices are expected to continue implementing containment and response measures to address the viral swine disease.

Since the National Elections is fast approaching and pre-election propaganda have started to circulate particularly in social media, there might be more Communist Terrorist Group (CTG)-related incidents, particularly extortion. Thus, government security agencies shall be on the lookout for possible extortion activities and neutralization of potential election candidates who do not cooperate with the terrorist groups. The political climate in every province should also be considered and assessed in order to determine their vulnerability to CTG infiltration and/or attacks, as well as, to possible violence related to the forthcoming elections.

Among the prospects for the remaining months of 2021 are the following:

1. Prices of basic commodities are expected to remain elevated;
2. Employment rates will remain at better levels compared to last year;
3. Absence of 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. Peace and order and public safety will remain a priority in 2021, hence, high crime solution efficiency rates are expected throughout the year.