

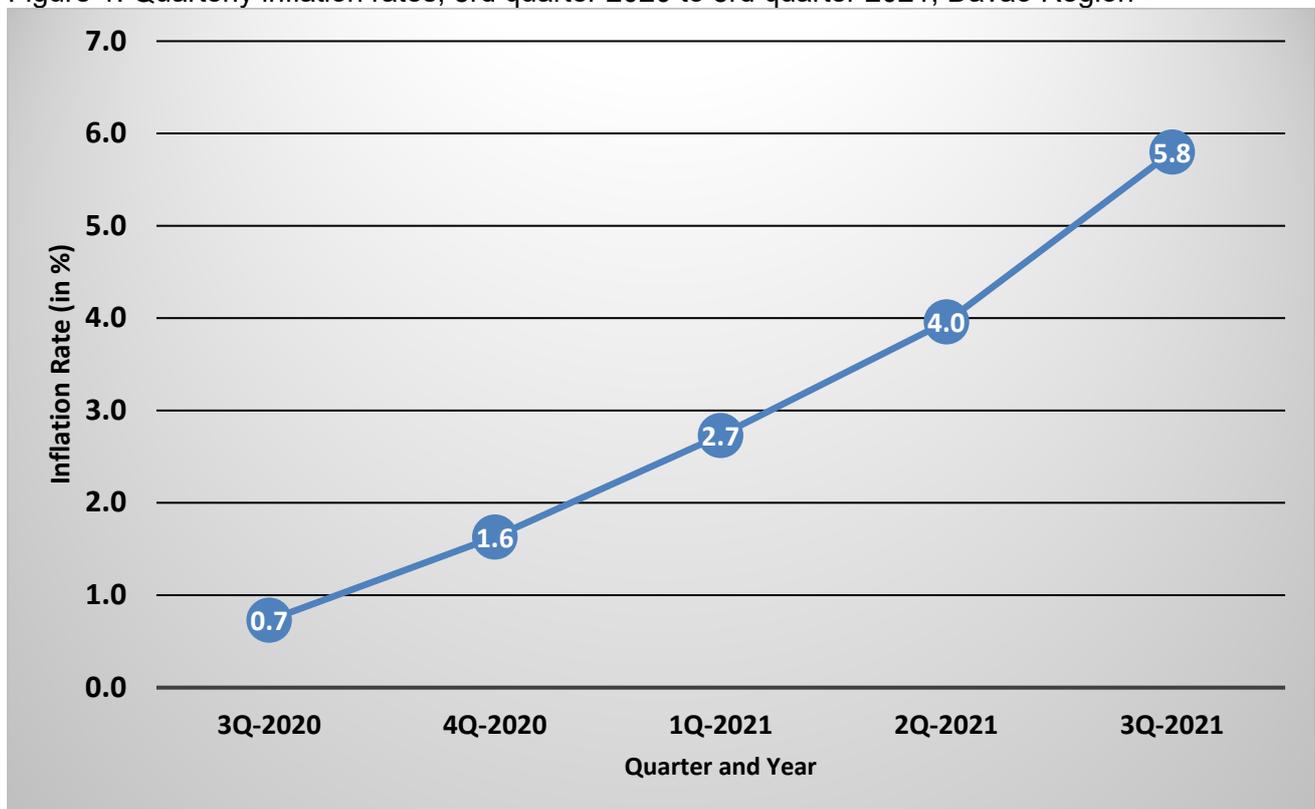
3rd Quarter (Q3) 2021 Regional Economic Situationer

The CY 2021 Third Quarter Regional Economic Situationer (QRES) provides a snapshot of the performance of Davao Region’s economy by highlighting key socioeconomic indicators vis-à-vis in 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 2020 to 3rd quarter 2021, Davao Region



Source: PSA XI

Prices of basic commodities in Davao Region increased with average inflation rate of 5.8% in the third quarter of 2021, higher by 1.8 percentage points from the inflation rate recorded during the previous quarter. Compared with a year ago level, the current quarter’s inflation rate is 5.1 percentage points higher from the 0.7% in the 3rd quarter of 2020. Figure 1 shows that the regional quarterly average inflation rate was in uptrend since the 3rd quarter of 2020.

The inflation rate in the 3rd quarter of 2021 picked up amid broad-based acceleration for all commodities. Upward pressure was led by food and non-alcoholic beverages (8.26%); followed by transport (7.43%); alcoholic beverages and tobacco (6.81%); and housing, water and electricity (4.57%). The recreation and culture, education, and communication indices, posted only marginal increases (See Table 1).

Table 1. CPI by Commodity, 3rd Quarter 2020 and 2021, Davao Region

Commodity	3rd Quarter 2020	3rd Quarter 2021	Inflation Rate (Jul-Sep 2021)	Inflation Rate (Apr-Jun 2021)
All Items	122.30	129.50	5.89%	3.97%
Food and Non-Alcoholic	120.63	130.60	8.26%	3.87%
Alcoholic Beverages and Tobacco	193.97	207.17	6.81%	7.67%
Clothing and Footwear	129.83	132.03	1.69%	1.50%
Housing, Water, and Electricity	122.67	128.27	4.57%	3.13%
Furnishing, Maintenance of the House, etc.	125.83	130.23	3.50%	2.90%
Health	127.83	132.43	3.60%	2.77%
Transport	106.37	114.27	7.43%	11.07%
Communication	103.70	104.73	1.0%	0.50%
Recreation and Culture	122.0	123.13	0.93%	-0.50%
Education	122.20	122.30	0.08%	0.10%
Restaurant, Miscellaneous Goods and Services	129.10	132.63	2.74%	3.30%

Source: PSA XI

The uptick in inflation rate during the third quarter of 2021 was largely driven by higher prices in transport, food, alcoholic beverages and housing, water and electricity. The higher inflation rate on these commodities reflects increasing consumer demand as the economy attempts a healthy recovery, although this is challenges by higher costs, such as on energy and petroleum. Surges in global crude prices also strongly impacted on the prices for operation of personal transport equipment (13.2%) and transport services (4.8%).

Supply bottlenecks may have also contributed to higher food prices, particularly due to upward price adjustments for meat as supply contracted and the hog industry remained affected with the prolonged outbreak of African Swine Fever (ASF). The inflation rate for meat during the 3rd quarter of 2021 was 21.5% compared with its rate the year before, which was only -0.2% inflation (see Table 2). The repopulation of the hog population may be progressing at a slower pace due to low confidence from the local hog industry, as it continues to be at risk from ASF, while government is also implementing an importation policy to augment pork supply, particularly by providing temporary and lower tariff rates for imported meat products.

Table 2. Inflation rate of selected food items, 3rd Quarter 2020 and 2021, Davao Region

Selected Food Items	Inflation Rate	
	3 rd Quarter 2020	3 rd Quarter 2021
Food	-1.0	8.8
Bread and cereals	0.5	1.3
Rice	0.4	-0.6
Corn	-3.5	15.4
Meat	-0.2	21.5
Fish and Seafood	-6.7	17.6
Milk, cheese and eggs	2.7	3.4
Oils and fats	1.3	3.8

Fish prices also rose sharply during the quarter at 17.6%, compared to its rate one year ago. The inflation escalation in fish was mainly attributed to seasonal factors. Fish production in commercial and aquaculture are historically low during the third quarter of the year due to the rainy season. Adverse weather conditions may have also hampered fishing activities and port operations, which led to higher fish inflation during the quarter. Higher demand for fish products may have also contributed to higher prices, as consumers move away from pork products due to the prolonged risk of the ASF.

Corn prices also surged during the quarter with a 15.4% inflation rate compared with prices from the 3rd quarter of last year. The high inflation rate can be attributed to low production due to unfavorable prices from importing countries, as well as lower demand from manufacturers of animal feeds and the tempered demand for the commodity from hog raisers.

The inflation rate of alcohol and tobacco reached 6.8% and remained as one of the major contributors to acceleration in overall inflation. Prices for alcoholic products may have risen as many more local government units lifted restrictions, such as liquor ban thus, prompting a rise in demand.

Under the Housing, Water, electricity, Gas and other Fuels index, its quarterly inflation rate was mainly driven by higher prices for electricity, gas, and other fuels (6.35%). The fluctuations in global crude oil prices primarily affects the surges and movements in petroleum prices and energy generation costs in the local economy. Health costs has also climbed up during the quarter, particularly caused by out-patient services at 5.93%. This may be attributed to the on-going response of the health sector in addressing both the COVID-19 cases, which was already declining, as well as in catering to the management of other diseases.

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

Labor and Employment

Table 3. Employment statistics, 3rd Quarter 2020 and 2021, Davao Region

	1st Quarter 2020 <i>(Pre-pandemic)</i>	3rd Quarter 2020	3rd Quarter 2021	Change
Employment Rate	95.4%	92.03%	95.04%	3.01 ppt
Unemployment Rate	4.6%	7.97%	4.96%	(3.01) ppt
Underemployment Rate	14.2%	9.19%	17.86%	8.67 ppt
Labor Force Participation Rate	58.8%	59.5%	57.4%	2.1 ppt
Employed Persons	1,981,843	1,952,000	1,994,000	42,000

Source: PSA XI

The Region's employment rate for the quarter increased based on the July 2021 round of the Labor Force Survey. The employment rate rose to 95%, 3.01 percentage points higher than its level in the 3rd quarter of 2020. With this rate, the Region has already returned to pre-pandemic employment levels, suggesting that the economic recovery of the Region is making headway. As a consequence, unemployment rate decreased to 4.96%. This higher employment rate translates to about 42,000 more persons who were employed during the 3rd quarter of 2021 compared with the same quarter of 2020. The higher employment levels may be attributed to the continued reopening of the economy, where more businesses resumed operations.

The Region's underemployment rate, however increased to 17.86%, higher by 8.6 percentage points than in the same period in 2020. The higher underemployment rate suggests that there were more workers working under 40 hours per week in the Region with more workers expressing their desire for obtain additional working hours to increase income or with better remuneration.

Davao Region's Economic Growth Drivers

Agriculture

Table 4. Volume of Production of Key Agricultural Products, 3rd Quarter 2020 and 2021, Davao Region

	3rd Quarter 2020 (MT)	3rdQuarter 2021 (MT)	Change
Cereals			
Palay	127,281	134,802	5.9%
Corn	79,213	72,052	-9%
Livestock and Poultry			
Hog	36,645	35,074	-4.2%
Cattle	2,884	2,962	-2.7%
Chicken	18,998	21,167	11.4%

Fisheries			
Marine Municipal	3,947	4,967	25.8%
Aquaculture Fisheries	9,224	11,851	28.4%

Source: PSA XI

Palay production increased by 5.9%, from 127,281MT in 3Q2020 to 134,802MT in 3Q2021. The increase in palay production can be attributed to a bigger area harvested with 29,162 hectares harvested during the quarter, which is bigger by 6,611 hectares from the area harvested in the previous quarter. Corn production, on the other hand, declined by 9% or about 7,161MT lower production during the 3rd quarter of 2021. The lower production volume of corn is partly attributed to a decrease in area harvested, as well as possibly lower demand from manufacturers of animal feeds as they respond to a slack in hog 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. The Region continues to implement containment strategies through surveillance monitoring and disinfection in hog-production facilities. Moreover, the Department of Agriculture is also implementing support to hog raisers through their hog repopulation program. With respect to chicken, production increased to 21,167 MT during the quarter, an 11.4% increase from the same period last year. Demand for chicken has been robust throughout the year, as consumers veer from high pork prices and the risk of ASF-infected pork products.

Fishery production posted gains during the quarter. Marine municipal production increased by 25.8% with total production volume of 4,967 MT, while aquaculture produced 11,851 MT during the quarter, higher by 28.4% from the production volume recorded in the same quarter in 2020. Higher demand for fish products may have also contributed to higher prices, as consumers move away from pork products due to the prolonged risk of the ASF.

Tourism

Table 5. Distribution of travelers, 3rd Quarter 2020 and 2021, Davao Region

Tourist Arrivals	1st Quarter 2020 (Pre-pandemic)	3rd Quarter 2020	3rd Quarter 2021	Change
Domestic	741,864	295,248	256,022	-13.2%
Foreign	28,025	2,557	1,333	-47%
Overseas Filipinos	4,968	421	1,091	159%
TOTAL	774,857	295,248	258,446	-12.4%

Source: DOT XI

Total tourist arrivals during the period under review decreased from 295,248 to 258,446 tourists or a 12.4 decrease. Tourist arrivals refer to visitors who stay at least 1 night in a private accommodation, such as hotels, inns, etc. (*note: excludes those quarantined*).

The lower number of tourist arrivals is mainly attributed to the continuing restrictions and health risks from the COVID-19 pandemic during the 3rd quarter of 2021, wherein there was still a continuing threat from the Delta Variant of COVID-19. More specifically, Davao de Oro experienced a significant decrease on tourist arrivals, from 141,090 in 3Q2020 to 43,401 in 3Q2021, a 69% decrease over the period, which also coincided with the heightened community quarantine status and classification of Davao de Oro during the 3rd quarter of 2021.

It should be noted however, that no data was provided by the Province of Davao Occidental. Notwithstanding, the number tourist arrivals was driven by domestic travelers and the recent record on tourist arrivals suggests that tourism activities is gradually but cautiously resuming in the Region, with the opening of more tourist spots and resumption of other tourism-related businesses such as hotel accommodations. The current statistics is still below pre-pandemic levels, which is expected, since there are still mobility restrictions imposed during the 3rd quarter of 2021, as the Region tries to further bring down the number of COVID-19 cases.

Peace and Order

Table 6. Total Crime Incidents and Crime Solution Efficiency Rates, 3rd Quarter 2020 and 2021, Davao Region

PPO/ CPO	Total Crime Incidents (POI+PSI)		Breakdown of Total Crime Incidents									
			Peace & Order Indicator (POI)						POI Crime Solution Efficiency (%)		Public Safety Indicator (PSI) - RIR	
	Index Crime		Non-Index Crime		2020	2021	2020	2021				
	2020	2021	2020	2021					2020	2021	2020	2021
Davao City	1,613	3,486	128	82	1,181	3,045	91.06	94.72	304	359	98.03	99.72
Davao del Sur	307	1,962	53	43	119	1,775	73.84	98.18	135	144	97.76	96.53
Davao del Norte	2,165	2,509	143	99	1,915	2,291	93.63	96.61	107	119	86.92	37.82
Davao de Oro	579	1,619	49	55	524	1,551	90.40	95.21	6	13	83.33	38.46
Davao Oriental	150	269	44	33	93	224	78.10	85.99	13	12	92.31	100.00
Davao Occidental	65	212	20	10	41	199	62.30	93.30	4	3	100.00	100.00
TOTAL	4,879	10,057	437	322	3,873	9,085	90.70	95.68	569	650	95.60	86.46
Variance	5,178 (106.13%)		-115 (26.32%)		5,212 (134.57%)		4.98%		81 (14.24%)		-9.14%	

Source: PRO XI

Crime volume for the 3rd quarter of 2021 reached 10,057, comprising of both index-and non-index crime, an increase of 106% or an additional 5,178 crime incidents for the 3rd quarter. The highest number of crime incidents was reported in Davao City at 3,486, followed by Davao del Norte with 2,509 crimes, and then by Davao del Sur with 1,962 crimes. A total of

1,619 crimes was recorded in Davao de Oro, while 269 crime incidents was recorded in Davao Oriental and 212 in Davao Occidental.

Moreover, 90% 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.

It was observed that the increase in crime occurred when more lockdown measures were lifted or restrictions in the movement of people were further relaxed in many parts of Davao Region during the 3rd quarter of 2021. Moreover, according to the PNP XI, the increase in the Total Crime Incidents is significantly the result of the relentless efforts exerted by personnel of the PNP XI through the strict implementation of Special Laws that contributed to the positive gains of the Crime Solution Efficiency. Police presence as the backbone of crime prevention through strategic deployment of PNP personnel in the streets to carry out our focused police operations assured the communities of their safety from imminent crimes. The effective implementation of Patrol 101 through foot, bike, motorcycle and mobile patrols as well as intensified its intelligence works by arresting most wanted person and other wanted persons, and the conduct of random checkpoints with the help of police auxiliaries was able to enhance crime prevention despite the pandemic.

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 95.6% CSE rate for Peace and Order Indicator, which covers 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

The inflation rate by the end of the year will likely remain above the upper band of the government's inflation target. As of September 30, 2021, the inflation forecast of the Bangko Sentral ng Pilipinas for 2021 was raised from 4.1% to 4.4%. The upward adjustments reflect possible increments to fuel and electricity rates, and supply contractions for meat, especially pork. Transport inflation may, however, favor a slight downside movement by the end of the year as mobility further improves due to the easing of travel restrictions for all age groups.

Transport costs may also be lower by the end of the year, as global oil production is expected to increase as demand continues to strengthen amid recovery.

Employment in the remaining quarter of 2021 is expected to already maintain or at least not fall below the current employment rates, which are already above pre-pandemic levels. As more businesses and establishments resume operations at bigger capacities, and there is improved mobility across age groups, employment levels will likely be favorable by the end of the year. Improved consumer confidence will also contribute to favorable employment levels this year. Moreover, the tourism industry is expected to further strengthen its recovery with looser restrictions, as more tourist spots open and tourism-related enterprises operate and help boost the regional economic recovery.

Agricultural production, at least for the products covered by this Report, is expected to retain its current performance, despite the gradual rise in consumer confidence. Rice, fish and chicken will likely perform better, in terms of production outputs, than corn, hog, and cattle. 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. The Department of Agriculture shall also continuously and vigorously implement the *Bantay ASF sa Barangay* and its twin hog repopulation program, in partnership with the local government units, hog raisers' groups, and the private sector to revive the country's swine industry. For the hog sector, a PhP4.1-billion fund has been approved for a massive hog re-population program, while Government also encouraged the importation of cheaper, imported pork to ensure the supply.

The government's food supply measures will remain proactive to protect food security and resiliency and ease price pressures, even amidst the projected onslaught of La Niña in the last quarter of 2021 and the entry of several tropical cyclones from the end of the year until the first quarter for 2022.

Peace and order and public safety will remain a priority of the Government. Since the National and Local Elections is fast approaching and pre-campaign election activities have already started, law enforcement agencies will be on the lookout for possible extortion activities and criminal threats against candidates. 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. In relation to the upcoming elections, there will likely be a boost in economic output driven by election spending, which will then impact on higher consumer spending.

Davao Region shall also be guided by the Government's National Action Plan (NAP), which targets a balance between the management of COVID-19 and the safe reopening of the economy. Under the NAP Phase IV, a scorecard was developed which allows for a more contextualized evaluation, noting that each country has different COVID-19 experiences and strategies. The scorecard evaluates the Philippines' performance in three areas with scores

ranging from zero to three: i.) infection management; ii.) vaccine rollout; and iii.) socioeconomic recovery.

As of October 2021, the country's NAP IV scorecard for which is at 4.83, better than the 4.42 score in September. In October, the score on infection management improved to 1.44 from 1.25 in September mainly due to the lower number of severe and critical Covid-19 cases. The score on vaccine rollout likewise went up to 1.30 last month from a score of 0.99 in September as the government accelerates its inoculation program against Covid-19 and with a higher number of the population being fully vaccinated. On the other hand, the score on socioeconomic recovery slipped in October to 2.10 from 2.18 in September mainly due to lower flight activities.

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 continue to improve and go back to pre-pandemic levels as the regional economy recovers;
3. Agricultural production may register a modest performance over the next few months, especially with potential weather disturbances and existing risks, such as the prolonged threat of the ASF;
4. Peace and order and public safety will remain a priority in 2021 and in the coming elections, hence, there shall be intensified police operations to prevent and respond to crime.