



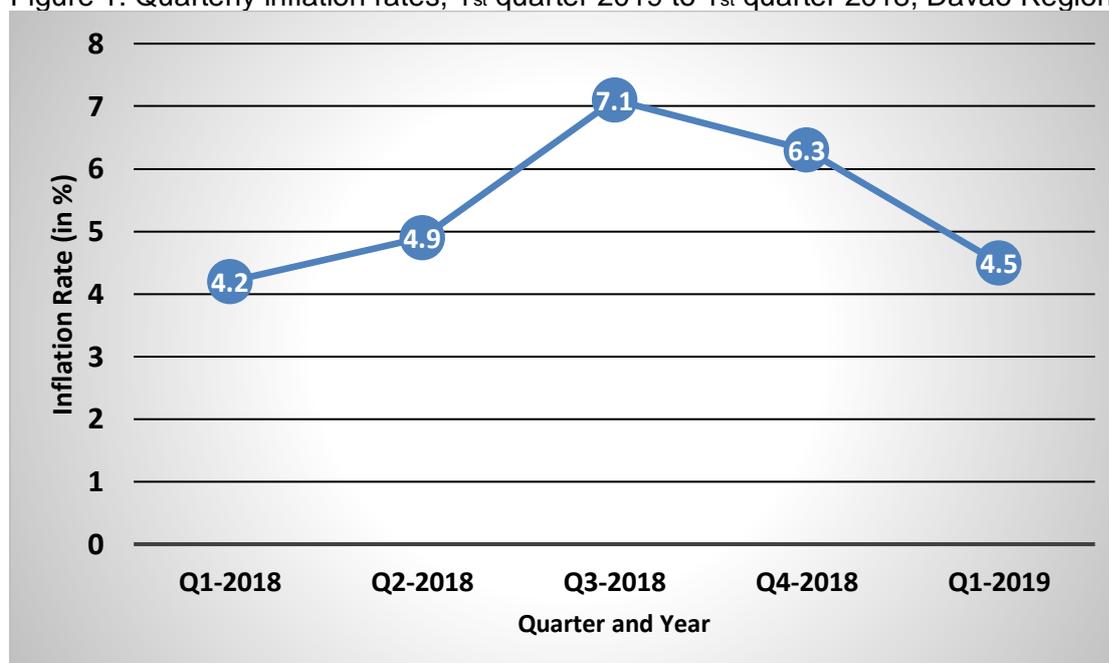
1st Quarter (Q1) 2019 Regional Economic Situationer

The CY 2019 First 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 2019 to 1st quarter 2018, Davao Region



Source: PSA

Prices of basic commodities in Davao Region posted an average inflation rate of 4.5 percent in Q1 2019, 0.3 percentage point higher than the 4.2 percent inflation rate recorded in Q1 2018, but significantly lower from the inflation rates recorded in the previous two quarters. The 1st quarter 2019 inflation showed higher prices of alcoholic beverages and tobacco products (8.4%), housing, water, electricity, and other utilities (6.8%), health (6.7%), and restaurant, miscellaneous goods, and services (5.4%). Table 1 provides the inflation rate by commodity for the quarter in reference.

Table 1. Consumer Price Indices by Commodity, 1st Quarter 2018 and 2019, Davao Region

Commodity	1st Quarter 2018	1st Quarter 2019	Change (%)
All items	115.2	120.37	4.5
Food & Non-Alcoholic	117.40	121.93	3.9
Alcoholic & Tobacco	151.47	164.17	8.4
Clothing & Footwear	119.13	124.30	4.3
Housing, Water, Electricity, and other utilities	112.90	120.60	6.8
Furnishing, Maintenance of the house, etc.	113.10	119.27	5.5
Health	113.10	120.73	6.7
Transport	101.63	103.90	2.2
Communication	101.70	102.83	1.1
Recreation & Culture	113.33	119.10	5.1
Education	120.20	118.50	-1.4
Restaurant, Miscellaneous Goods and Services	117.03	123.30	5.4

Source: PSA

With the exception of education, all commodities posted price increases during the first quarter of 2019 over their prices the year before. Overall, the performance of the all-item regional inflation rate fell above the 3.0 percent \pm 1.0 percentage point for target for 2019, set by the Development Budget Coordinating Committee (DBCC) of the NEDA Board.

Labor and Employment

Table 2. Employment statistics, 1st Quarter 2018 and 2019, Davao Region

	1st Quarter 2018	1st Quarter 2019	Change
Employment Rate	95.3%	95.5%	0.2 ppt ^a
Unemployment Rate	4.7%	4.5%	(0.2) ppt
Underemployment Rate	17.8%	14.6%	(3.2) ppt

Source: PSA

^a percentage points

The Region's employment statistics for the quarter slightly improved based on the January 2019 round of the Labor Force Survey. The employment rate rose to 95.5%, 0.2 percentage point higher than the employment rate one year ago. Consequently, unemployment rate fell to 4.5%, 0.2 percentage point lower than the rate in the same quarter in 2018. The Region's total labor force was 2.141 million in Q1 2019.

On the other hand, the Region's underemployment rate decreased to 14.6%, a 3.2ppt reduction from the 17.8% rate in Q1 2019. This suggests that there more workers who were able to work for 40 hours per week in the Region, and who received better remuneration.

Investments

Table 3. Investment statistics, 1st Quarter 2018 and 2019, Davao Region

	1 st Quarter 2018	1 st Quarter 2019	Change
BOI-Registered Project Commitments (Php)	494,140,000	2,688,250,000	440%
Private Building Construction (Php)	4,511,663,000	15,192,396,000	237%

Source: PSA, BOI XI

During the first quarter of 2019, the total value of investments from projects registered with the Board of Investments amounted to Php2.68 billion, a 440% jump from the investments recorded in the same period a year ago. Out of six BOI-registered projects during the quarter, three were in real estate, two in manufacturing, and 1 for water supply and sewerage. The biggest investment was registered for Millennium Specialty Coco Products, Inc., which invested Php994 million for the production of export-quality coconut oil and juice products in Panabo, Davao del Norte. Several real estate investments were also recorded during the quarter, particularly for economic and low-cost housing projects, such as Lessandra subdivisions and Evisa subdivisions, both of which are located in Davao City. Another major investment is a Php588 million bulk water supply project by the Tagum Water Company Incorporated. The eight projects were expected to generate 1,463 jobs.

For value of private building construction, a significant increase of 237% was recorded during the quarter, from Php4.5 billion in Q1 2018 to Php15.1 billion in Q1 2019. The alteration and repair segment contributed the most to the value of building construction at Php8.32 billion, followed by the non-residential construction segment Php4.28 billion. Meanwhile, the residential segment generated Php2.54 billion. The statistics suggest that there were major improvements made in existing buildings and other similar structures during the quarter, likely to cater to growing demand for office or other commercial spaces.

Foreign Trade

Table 4. Exports and imports, 1st Quarter 2018 and 2019, Davao Region

	1 st Quarter 2018	1 st Quarter 2019	Change
Value of Exports (in \$)	413,420,791	756,239,824	83%
Value of Imports (in \$)	584,139,691	597,166,610	2.2%

For foreign trade, a significant increase in exports was recorded during the 1st quarter of 2019 with total value of exports reaching \$756.1, 83% higher than the same period in 2017. The top export destinations of Davao Region are China, Japan, South Korea, USA, and Hong Kong, China.

The higher value of exports is due mainly to strong demand for the region's top export commodities, especially cavendish banana. Other top exports of the region include pineapples, coconut (copra, crude oil), gold (in semi-manufactured form), desiccated coconut, and other fruits.

The Region's value of imports, on the other hand, registered a minor change from \$584.1 million in Q1 2018 to \$597 million in Q1 2019. The Region's top import destinations are China, Japan, South Korea, USA, and Hong Kong, China. Other petroleum oils, petroleum oils, semi-milled or wholly milled rice, Kraftliner: unbleached, semi-finished products of iron or non-alloy steel are the top products being imported by the Region during the quarter.

Davao Region's Economic Growth Drivers

Tourism

Table 4. Volume of tourist arrivals, 1st Quarter 2018 and 2019, Davao Region

Province/ City	Domestic	Foreign	1 st Quarter 2019 (Total)	1 st Quarter 2018 (Total)	Change
Total Volume	1,493,143	61,821	1,554,964	822,556	89%

Source: DOT XI

Tourist arrivals in Davao Region during the first quarter of 2019 reached 1,554,964 tourists, an 89% increase from the recorded arrivals in the same quarter in 2018. Most of the travelers were domestic, which reached 1.49 million, while foreign tourist arrivals reached 61 thousand. The significant increase in tourist arrivals is attributed to an effective tourism campaign of the national government and the local governments in Davao Region. The availability of international flights between Davao City and three international cities, including Singapore, Hong Kong, and Quanzhou

likewise helped to bring in more foreign tourists and helped efforts of the government to promote Davao City and the Region as tourism destinations in other countries.

Table 5. Value of tourist receipts, in million Php, 1st Quarter 2019 and 2018, Davao Region

Province/ City	1 st Quarter 2018	1 st Quarter 2019	Change
Value of Total Receipts	Php10,076,311,000	Php14,116,212,000	40%

Source: DOT XI

Tourist receipts for the first quarter of 2019 amounted to Php 14.1 billion, 40% more than the same quarter in 2018. The higher value of tourist receipts was accounted for by various M.I.C.E. events and festivities in the Region, including the *Araw ng Dabaw* and the *Bulawan* festivals, among others.

Agriculture

Crops and Fruits

Table 5. Volume of Production, 1st Quarter 2018 and 2019, Davao Region

Crop/Fruit	1 st Quarter 2018 (MT)	1 st Quarter 2019 (MT)	Change (%)
Major Crops			
Palay	146,468	134,241	(8.3)
Corn	55,941	50,099	(10.4)
Fruit Crops			
Mango	2,718	2,939	8.1
Banana	786,889	784,326	(0.3)
Durian	4,711	4,810	2.1
Non-Food and Industrial Crops			
Abaca	1,792	1,757	(2.0)
Coconut	525,741	478,193	(9.0)
Oil Palm	1,249	1,253	0.3
Cacao	1,341	1,381	3.0
Rubber	1,866	1,866	0.0
Coffee	2,458	2,409	(2.0)

Source: PSA

Palay production in Davao Region for the quarter reached 134,241 MT, lower by 8.3% from the first quarter of 2018. The lower output in palay production was attributed to a contraction in area harvested, as well as lower yield per hectares. Importation of cheap rice from Vietnam and Thailand may have also affected local production of palay.

Production of corn decreased to 50,099 MT in Q1 2019, or 10.4% lower than the 55,941 MT of corn produced in Q1 2018. Area harvested for corn also declined during the quarter due to cutbacks in production.

For major fruit crops, slightly lower production was recorded for banana (-0.3%), while durian increased production to 4,810 MT, a 2% increase from the production

level from a year ago. Mango, on the other hands, increased production by 8%, raising production volume to 2,939 MT during the quarter.

Coconut production decreased from 525,741 MT in Q1 2018 to 478,193 MT in Q1 2019, lower by 9%. The lower output of coconut may be due to the intercropping with other crops, such as cacao. Still, Davao Region remained as the top coconut producer in the country, producing nearly 15% of national coconut production.

For other crops, slight production decreases for the quarter were noted for coffee (-2%), abaca (-2%), while production levels barely changed for oil palm and rubber. Cacao production, on the other hand, increased by 3% due to higher interest from farmers who responding to growing demand for cacao products.

Livestock, Poultry and Fisheries

Table 6. Volume of Production of Livestock, Poultry, and Fisheries, 1st Quarter 2017 and 2018, Davao

Region	1st Quarter 2018 (MT)	1st Quarter 2019 (MT)	Change (%)
Hog	40,703	39,618	(2.6)
Cattle	2,785	2,820	1.2
Fisheries	16,064	15,412	(4.0)
Chicken	15,615	19,428	24.4

Source: PSA

For hog, the volume of production reached 39,618 MT in the first quarter of 2019, a 2.6% decrease over the same quarter in 2018. Overall fisheries production also declined during the quarter to 15,412 MT, due mainly to lower production from commercial and inland fishing operations.

Chicken production reached 19,428 MT during the quarter, a 24.4% increase from the same period in 2019. The increase is attributed to higher production capacity of poultry farms and facilities in the Region, especially with new poultry production plants commencing operation last year. The lower volume of fish in the Region may have also propped up demand for chicken, and maybe even cattle.

Peace and Order

Table 7. Crime Volume and Crime Solution Efficiency Rate, 1st Quarter 2017 and 2018, Davao Region

	1st Quarter 2018	1st Quarter 2019	Change
Crime Volume	3,718	3,628	-2.4%
Crime Solution Efficiency Rate	74.34%	84.34%	10 ppt

Source: PNP XI

Lower crime volume was recorded in the Region during the first quarter. Crime volume was recorded at 3,628 crimes, a decrease of 2.4% from the same period in 2018. Out of the total crime volume, 756 crimes were index crimes, while 2,872 crimes were recorded for non-index crimes, including violation of special laws. As to the location of the crimes recorded, 49% of the total crimes were recorded in Davao del Norte, followed by Davao City with 29%.

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.

The Region's crime solution efficiency (CSE) rate for the quarter reached 84.34%, higher by 10 percentage point percent from the same period in 2108. The CSE rate for Davao City was at 87.3%, while for the provinces, the highest CSE rate was recorded for Davao del Norte at 87%, and followed by Davao Oriental at 77.4%.

Development Prospects

As this quick situationer shows, there were no major shocks to the regional economy during the quarter. Inflation remained stable and employment was robust. Investments were notably higher, due to large investments made in agriculture, manufacturing and real estate. Export performance of the Region is likewise commendable, indicating that the Region is able to supply foreign demand for its products, mainly agricultural. In relation, agricultural production remained modest during the quarter.

Tourism was a strong performer and remained a key contributor to the regional economy. Its growth suggests that local government units are becoming more effective and successful in their tourism promotion plans and programs.

As to peace and order, this remained a priority government focus during the quarter as manifested by lower crime volumes and improved crime solution efficiency.

Absent any shocks to the regional economy, the Region can expect the following for the next quarters:

1. Prices of basic commodities are to remain low and stable, given that supply constraints and high fuel prices that caused spikes in inflation last year were already moderated.
2. Employment rates are to remain favorable, especially with construction projects continue to be aplenty.
3. Investments to continue growing, due to a growing consumer base in Davao Region.
4. Exports to remain a strong performer, especially if agricultural production of exportable products remain healthy.
5. Peace and order and public safety will remain a priority in 2019, hence low crime rates are expected throughout the year.