



# National Economic and Development Authority

## Region XI, Davao City

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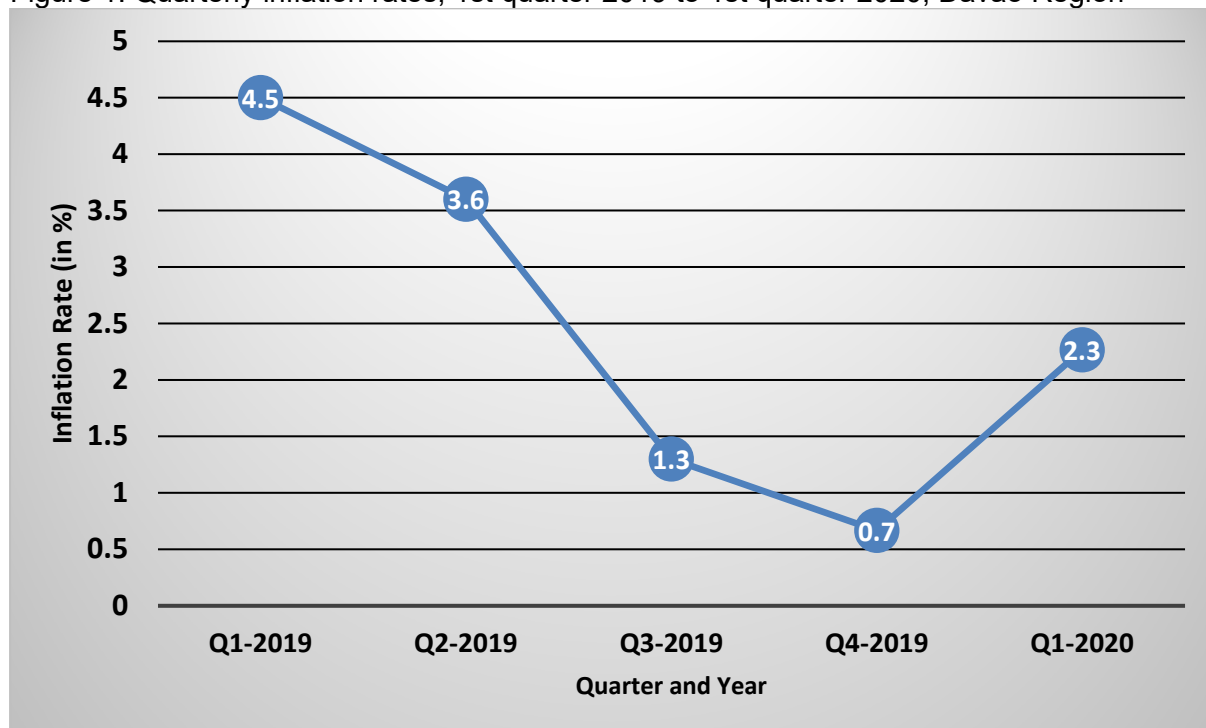
### 1st Quarter (Q1) 2020 Regional Economic Situationer

The CY 2020 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 2020, Davao Region



Source: PSA

Davao Region's average inflation rate went down to 2.3% in Q1 2020, 2.2 percentage point lower than the 4.5 percent inflation rate recorded in Q1 2019. The 1<sup>st</sup> quarter 2020 inflation showed generally lower prices for food and non-alcoholic commodities (1%), clothing and footwear (3.9%), housing, water, electricity and other utilities (2.3%), health (4.7%), and restaurant, miscellaneous goods, and services (3.3%), among others. Table 1 provides the inflation rate by commodity for the quarter in reference.

Table 1. Inflation Rate by Commodity, 1<sup>st</sup> Quarter 2019 and 2020, Davao Region

<b>Commodity</b>	<b>1<sup>st</sup> Quarter 2019</b>	<b>1<sup>st</sup> Quarter 2020</b>
All items	4.5	2.3
Food & Non-Alcoholic	3.9	1.0
Alcoholic & Tobacco	8.4	<b>14.5</b>
Clothing & Footwear	4.3	3.9
Housing, Water, Electricity, and other utilities	6.8	2.3
Furnishing, Maintenance of the house, etc.	5.5	4.4
Health	6.7	4.7
Transport	2.2	1.5
Communication	1.1	0.5
Recreation & Culture	5.1	3.1
Education	-1.4	3.1
Restaurant, Miscellaneous Goods and Services	5.4	3.3

Source: PSA

With the exception of alcohol and tobacco and education, all commodities posted lower inflation rates during the first quarter of 2020 over their rates the year before. Overall, the performance of the all-item regional inflation rate fell within the lower range of the 2-4 percentage point target for 2020, set by the Development Budget Coordinating Committee (DBCC) of the NEDA Board.

## Labor and Employment

Table 2. Employment statistics, 1<sup>st</sup> Quarter 2019 and 2020, Davao Region

	<b>1<sup>st</sup> Quarter 2019</b>	<b>1<sup>st</sup> Quarter 2020</b>	<b>Change</b>
<b>Employment Rate</b>	95.5%	95.4%	0.1 ppt
<b>Unemployment Rate</b>	4.5%	4.6%	0.1 ppt
<b>Underemployment Rate</b>	14.6%	14.2%	(0.4) ppt

Source: PSA

The Region's employment statistics for the quarter remained at the same level based on the January 2020 round of the Labor Force Survey. The Region posted a 95.4% employment rate, just 0.1 percentage point lower than the employment rate one year ago. The Region's total labor force was 20.8 million in Q1 2020.

Meanwhile, the Region's underemployment rate decreased to 14.2%, a 0.4 ppt reduction from its 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, 1<sup>st</sup> Quarter 2019 and 2020, Davao Region

	1 <sup>st</sup> Quarter 2019	1 <sup>st</sup> Quarter 2020	Change
<b>BOI-Registered Project Commitments (Php)</b>	2,688,250,000	2,171,300,000	-19.2%

Source: BOI XI

During the first quarter of 2020, the total value of investments from the sole project registered with the Board of Investments amounted to PhP 2.17 billion, a decrease of 19% from the investments recorded in the same period a year ago. The sole investment registered during the quarter was for an economic and low-cost housing project located in Brgy. Talomo, Davao City by 8990 Housing Development Corporation. The project will involve the development of 3,184 housing units and expected to employ 370 workers.

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.

## Davao Region's Economic Growth Drivers

### Tourism

Table 4. Volume of tourist arrivals, 1<sup>st</sup> Quarter 2019 and 2020, Davao Region

Tourist Arrivals	Q1 2019	Q1 2020	% change
Domestic	1,502,451	741,864	-50.62
Foreign	62,387	28,025	-55.08
Overseas Filipinos	13,518	4,968	-63.25
Total	1,578,356	774,857	-50.91

Source: DOT XI

Total tourist arrivals declined by an average of 51 percent during the first quarter of 2020 as compared with the tourist arrivals during the same period last year. Consequently, tourist receipts also decreased by as much as 86 percent.

Table 5. Value of tourist receipts, in million Php, 1<sup>st</sup> Quarter 2019 and 2020, Davao Region

Province/ City	1 <sup>st</sup> Quarter 2019	1 <sup>st</sup> Quarter 2020	Change
Value of Total Receipts	PhP 16.573 Billion	PhP2.255 billion	-635%

Source: DOT XI

Tourist receipts for the first quarter of 2020 amounted to Php 2.2 billion, a massive drop of 635% from the same quarter in 2019.

The decline in both volume of tourist arrivals and the drop in value of tourist receipts were attributed to:

- Cancellation of Flights in Davao City effective March 18, 2020 due to COVID 19 crisis
- Travel restrictions and shutdown of borders
- Closure of some Tourism Related Establishments (TREs) due to COVID 19 pandemic
- Cancellation of conduct of meetings, workshops, conventions, events, activities, among others due to COVID 19 crisis beginning of March

## Peace and Order

Table 7. Crime Volume and Crime Solution Efficiency Rate, 1<sup>st</sup> Quarter 2019 and 2020, Davao Region

	Crime Volume		Crime Solution Efficiency (%)	
	2019	2020	2019	2020
<b>Davao City</b>	1,051	1,320	86.87	91.67
<b>Davao del Sur</b>	351	462	77.21	83.33
<b>Davao del Norte</b>	1,788	1,544	86.19	81.87
<b>Davao de Oro</b>	209	867	72.25	91.93
<b>Davao Oriental</b>	226	219	85.40	85.84
<b>Davao Occidental</b>	62	59	74.19	88.14
<b>TOTAL</b>	<b>3,687</b>	<b>4,471</b>	<b>84.49</b>	<b>87.14</b>

Source: PNP XI

A higher crime volume was recorded in the Region during the first quarter of 2020 at 4,471 crimes, a 21% increase from the same period in 2019. The increase in crime volume was attributed to positive police operations, especially on violations on three Special Laws, namely, R.A. 4136 which relates to traffic laws, R.A. 9165 which relates to dangerous drugs, and Presidential Decree 1602/R.A. 9287 which relates to illegal gambling. As to the location of the crimes recorded, Davao del Norte recorded the greatest number of crimes with 1,544, followed by Davao City at 1,320.

The Region's crime solution efficiency (CSE) rate for the quarter reached 87.14%, higher by 2.6 percentage point compared with the same period in 2019. The CSE rate for Davao City was at 87.3%, while for the provinces, the highest CSE rate was recorded by Davao del Norte at 87%, and followed by Davao Oriental at 77.4%.

In spite of the crisis brought about by the COVID-19 pandemic, the peace and order in Davao Region was manageable. No major atrocities have been recorded over the period.

### **Development Prospects**

The negative impact on tourism was felt during the 1<sup>st</sup> quarter of 2020 due to the travel and tourism restrictions brought about by the Government's response to the COVID-19 pandemic. The pandemic may further push back the growth of the tourism and travel and other travel-related business, such as hotels, in the second quarter of 2020 onward once the scale and severity of the impact of COVID-19 has been fully assessed.

Employment may also see considerable decline and a high number of Davaoeños may be out of work for several months, as businesses shut down in the second half of March 2020 in compliance to the Enhanced and General Community Quarantine imposed throughout the Region in order to contain and prevent the spread of the COVID-19 outbreak.

On inflation, it is forecast to remain stable and within the target range of 2-4%, based on the assumptions made by the Development Budget Coordination Committee. The stable inflation rate will be mainly driven by stable or low global crude oil prices, adequate supply of essential food commodities, stable Peso, and a healthy financial system.

In light of the Government's lockdown beginning in March 2020, and which is expect to last for several months up to the end of the year, the Region can anticipate the following for the next quarters:

1. Prices of basic commodities shall remain low and stable, given low fuel prices induced by quarantine measures that limit people's movement, and given stable production and delivery of essential goods, such as rice, vegetables, fish, and other agricultural products, and medicine, among others.
2. Tourist arrivals for the 2nd & 3rd quarter of 2020 shall continue to go down by more than 80% due to the cancellation of international & domestic flights. Thus, for 2020 the tourism and travel industry will suffer the most and negative growth rates will likely be recorded throughout the state of public health emergency.
3. Employment rates will be less favorable, due to the indefinite closure of businesses and offices due to the strict quarantine imposed. In such case, businesses and offices may stop hiring new workers and will likely suspend business and offices operations, which will leave daily wage or even salaried workers out of work for several months or until the businesses or offices are allowed to resume operations again.

4. Fewer investments may be recorded in the next few quarters as the private sector will still be minimizing or clearing operations due to COVID. Thus, recovery of the pace and growth of investments may still be months away.
5. Exports, particularly of bananas, may still remain a strong performer, especially if agricultural production of exportable products remain unimpeded.
6. Peace and order and public safety will remain a priority in 2020, hence manageable crime rates are expected throughout the year.