



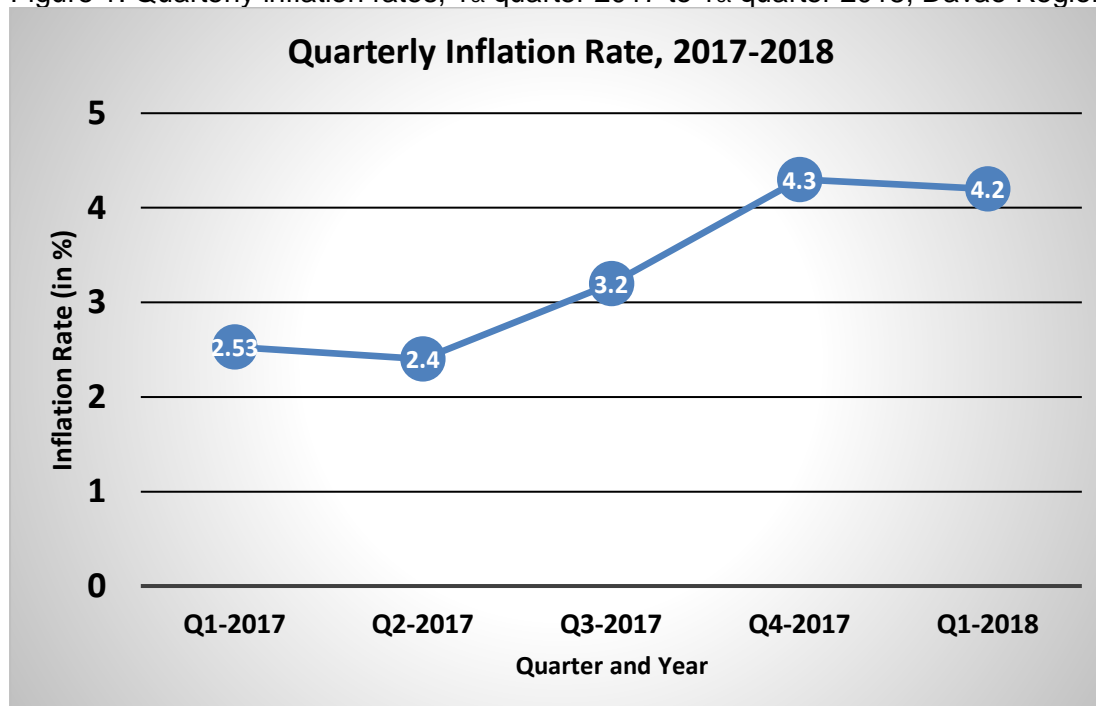
1st Quarter (Q1) 2018 Regional Economic Situationer

The CY 2018 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 2017 to 1st quarter 2018, Davao Region



Source: PSA

Prices of basic commodities in Davao Region posted an average inflation rate of 4.1 percent in Q1 2018, 0.3 percentage point higher than the 3.8 percent inflation rate recorded in Q1 2017. The increase in inflation could be attributed to higher prices of major food and non-alcoholic commodities (5.1%), alcoholic and tobacco products (10.3%), transport (7.4%), housing, water, electricity, and other utilities (3.2%). The average purchasing power of the peso was 0.87, lower by 0.03 centavo from the Q1 2017 purchasing power of the peso.

Table 1. Consumer Price Indices by Commodity, 1st Quarter 2017 and 2018, Davao Region

Commodity	1st Quarter 2017	1st Quarter 2018	Change (%)
All items	110.6	115.2	4.1
Food & Non-Alcoholic	111.7	117.4	5.1
Alcoholic & Tobacco	137.3	151.4	10.3
Clothing & Footwear	116.3	119.1	2.4
Housing, Water, Electricity,	109.3	112.9	3.29
Furnishing, Maintenance of the house, etc.	109.7	113.1	3.1
Health	110.2	113.1	2.6
Transport	96.8	101.6	4.9
Communication	100.6	101.7	1.1
Recreation & Culture	111.3	113.3	1.8
Education	114.2	120.2	2.6
Restaurant, Miscellaneous Goods and Services	117.1	117.0	2.5

Source: PSA

All commodities, however, posted price increases during the first quarter of 2018 over their prices the year before. Overall, the performance of the all-items regional inflation rate fell above the range of 2%, plus or minus 1 percentage point, set for CY 2018 by the Development Budget Coordinating Committee (DBCC) of the NEDA Board in December 2017.

Labor and Employment

Table 2. Employment statistics, 1st Quarter 2017 and 2018, Davao Region

	1st Quarter 2017	1st Quarter 2018	Change
Employment Rate	94.1%	95.3%	1.2 ppt ^a
Unemployment Rate	5.9%	4.7%	-1.2 ppt
Underemployment Rate	14.6%	17.8%	3.2 ppt

Source: PSA

^a percentage points

The Region's employment statistics for the quarter slightly improved based on the January 2018 round of the Labor Force Survey. The employment rate rose to 95.3%, 1.2 percentage

point higher than the employment rate one year ago. Consequently, unemployment rate fell to 4.7%, 1.2 percentage point lower than the rate in the same quarter in 2017. In real terms, the number of employed persons increased approximately by 59 thousand, from 1.980 million in Q1 2017 to 2,061 thousand in Q1 2018. The Region's total labor force was 2.163 million in Q1 2018, 57 thousand more than that of Q1 2017.

On the other hand, the Region's underemployment rate increased to 17.8%, higher by 3.2 percentage points than Q1 2017's 14.6%. This suggests that there were fewer workers working under 40 hours per week in the Region and more workers expressed desire for more working hours with better remuneration.

Investments

Table 3. Investment statistics, 1st Quarter 2017 and 2018, Davao Region

	1st Quarter 2017	1st Quarter 2018	Change
BOI-Registered Project Commitments (Php)	3,948,000,000	494,140,000	-87.5%
Private Building Construction (Php)	3,863,873,000	4,511,663,000	16.8%

Source: PSA, BOI XI

During the first quarter of 2018, the total value of investments from projects registered with the Board of Investments amounted to Php494.1 million. Out of eight BOI-registered projects during the quarter, five were in the agriculture, forestry and fishery industry, two were in real estate, and 1 was in energy generation. The five projects in the agriculture sector were mainly involved in the export production of cavendish banana, while the real estate projects were economic and low-cost housing projects. The two housing projects were located in Davao City. Another project registered during the quarter was on renewable energy, particularly in hydropower, which was also located in Davao City. The eight projects were expected to generate 1,231 jobs.

For private building construction, an increase of 16.8% was recorded during the quarter, from Php3.86 billion in Q1 2017 to Php4.51 in Q1 2018. The non-residential construction segment was responsible for about 52% of the total value, followed by the residential construction segment at 39%. The statistics suggest that commercial development outpaced residential properties growth as business expansion in Davao Region, particularly in Davao City, was felt more strongly.

Davao Region's Economic Growth Drivers

Tourism

Table 4. Distribution of travelers, 1st Quarter 2017 and 2018, Davao Region

Province/ City	Domestic	Foreign	Overseas	1st Quarter 2018 (Total)	1st Quarter 2017 (Total)
Davao City	483,701	42,781	16,769	543,251	459,104

Compostela Valley	42,427	No data	No data	42,427	33,634
Davao Del Sur	18,967	206	No data	19,173	15,409
Davao Occidental	No data			No data	487
Davao Oriental	38,437	1,903	No data	40,340	55,170
Davao Del Norte	192,960	1,174	18	194,152	132,863
TOTAL VOLUME	776,492	46,064	16,787	839,343	696,667

Source: DOT XI

Tourist arrivals in Davao Region during the first quarter of 2018 totaled 839,343, a 20.4% increase from the recorded arrivals in the same quarter in 2017. Most of the travelers were domestic, which reached 776,492, while foreign tourist arrivals reached 46,064.

The bulk of arrivals for foreign, domestic, and even overseas Filipinos, was recorded for Davao City, taking about 543,251 tourist arrivals, which was equivalent to 64.7% of the total arrivals during the 1st quarter of 2018.

Among the Region's provinces, Davao del Norte came in first with tourist arrivals of 194,152, followed by Compostela Valley with 42,427 tourist arrivals. Davao Oriental received 40,340 tourists in Q1 2018, while Davao del Sur recorded total tourist arrivals of 19,173.

Tourist receipts for the first quarter of 2018 amounted to Php 10.1 billion, 27.3% more than the same quarter in 2017. The higher value of tourist receipts was accounted for by various M.I.C.E. events and festivities in the Region.

Some of the major M.I.C.E. events that contributed to the notable increase of tourist arrivals during the 1st quarter of 2018 included the *Araw ng Dabaw*, Davao Mega Trade Sale, Alveo Ironman competition, National Multimedia Summit, and the Mindanao Leader's Conference, among others.

Agriculture

Crops and Fruits

Table 5. Volume of Production, 1st Quarter 2017 and 2018, Davao Region

Crop/Fruit	1 st Quarter 2017 (MT)	1 st Quarter 2018 (MT)	Change
Palay	122,458	146,468	19.61%
Coconut	450,104.54	525,741	16.80%
Corn	53,305	55,941	4.95%
Mango	2,612.23	2,719	4.09%
Pineapple	6,575.24	6,711	2.06%
Banana	775,210.14	786,889	1.51%
Abaca	1,766	1,792	1.47%

Sugarcane	145,124	231,111	59.25%
Cacao	1,106.02	1,341.31	21.27%
Rubber	1,813	1,866	2.92%
Coffee	2,672.53	2,458	-8.03%

Source: PSA

Palay production in Davao Region for the quarter reached 146,468 MT, higher by 19.6% from the first quarter of 2017. The growth in palay production was attributed to early planting/early harvesting, as more Davao Region farmers were able to plant early due to financial assistance from the government, and improved yields were noted due to the use of new high-yield variety seeds.

Coconut production increased from 450,104 MT in Q1 2017 to 525,741 in Q1 2018, an increase of 16.8%. Contributing to coconut's positive growth during the quarter were production gains mainly due to government fertilization interventions, particularly salt fertilizers, and favorable weather with adequate rainfall.

Production of corn grew to 55,941 MT in Q1 2018, or 4.9% higher than the 53,305 MT of corn produced in Q1 2017. For other major commercial priority crops and fruits, slight production increases for the quarter were noted for mango (+4.09%), pineapple (+2.06%), banana (+1.51%), and abaca (1.47%).

There were also very significant increases in sugarcane and cacao production. Sugarcane production increased by 59.2%, from 145,124 MT in Q1 2017 to 231,111 MT in Q1 2018, mainly to fill in the immediate demand for locally-produced sugar, which is taxed lower than imported sugar. Sufficient rainfall also helped increase production.

Cacao production increased by 21.2%, from 1,106 MT in Q1 2017 to 1,341 MT in Q1 2018. The increase was partly due to more farmers venturing into chocolate production on the back of strong demand coupled with government promotion of locally produced chocolate products.

Coffee production, on the other hand, slightly declined by 8%, due to cutting of old and less productive *arabica* and *excelsa* trees. Moreover, the effect of continuous rainfall during flowering stage of *robusta* bearing trees also affected coffee production in the region.

Livestock, Poultry and Fisheries

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

	1st Quarter 2017 (MT)	1st Quarter 2018 (MT)	Change
Swine	39,824	40,703	2.21%
Cattle	2,872	2,785	-3.03%
Fisheries	17,941	16,855	-6.05%
Chicken	16,648	15,615	-6.20%

Source: PSA

For swine, the volume of production reached 40,703 MT in the first quarter of 2017, a 2.2% increase over the same quarter in 2018. Due to slightly higher prices that affected demand,

lower production volumes, however, were recorded for beef (-3.03%), fisheries (-6.05%, and chicken (-6.2%).

Peace and Order

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

	1 st Quarter 2017 (MT)	1 st Quarter 2018 (MT)	Change
Crime Volume	5,926	3,716	-37.29%
Crime Solution Efficiency Rate	70.51%	74.38%	3.87 ppt

Source: PNP XI

A notable reduction was recorded in crimes committed in the Region during the first quarter. Crime volume was recorded at 3,716 crimes, a decrease of 37.29% compared with the crime volume during the same quarter in 2017.

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 was at 74.38% percent, which exhibited a minor upward movement from Q1 2017's 70.51%. The CSE rate for Davao City was at 87.38%, while for the provinces, the highest CSE rate was recorded for Davao del Norte at 70.01%, followed by Davao del Sur at 68.76%.

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 lower but not unusual, since investments may be recorded and registered anytime throughout the year and do not concentrate on a single quarter. Agricultural production was generally increasing. Likewise, tourism, a key contributor to local economies, was growing healthily. Moreover, peace and order was a priority government focus during the quarter.

Among the prospects for the next quarters are the following:

1. Prices of basic commodities are expected to be higher in 2018 compared with last year, due to a host of factors, including higher global crude oil prices and global trade tensions, supply constraints for rice, and a weakening peso.
2. Employment rates remained stable during the first quarter of 2018, hence it is expected that the labor market will perform favorably throughout the year.
3. Real estate investments from the private sector remain highly favorable and is expected to continue expanding.
4. Peace and order and public safety will remain a priority in 2018, hence low crime rates are expected throughout the year.