



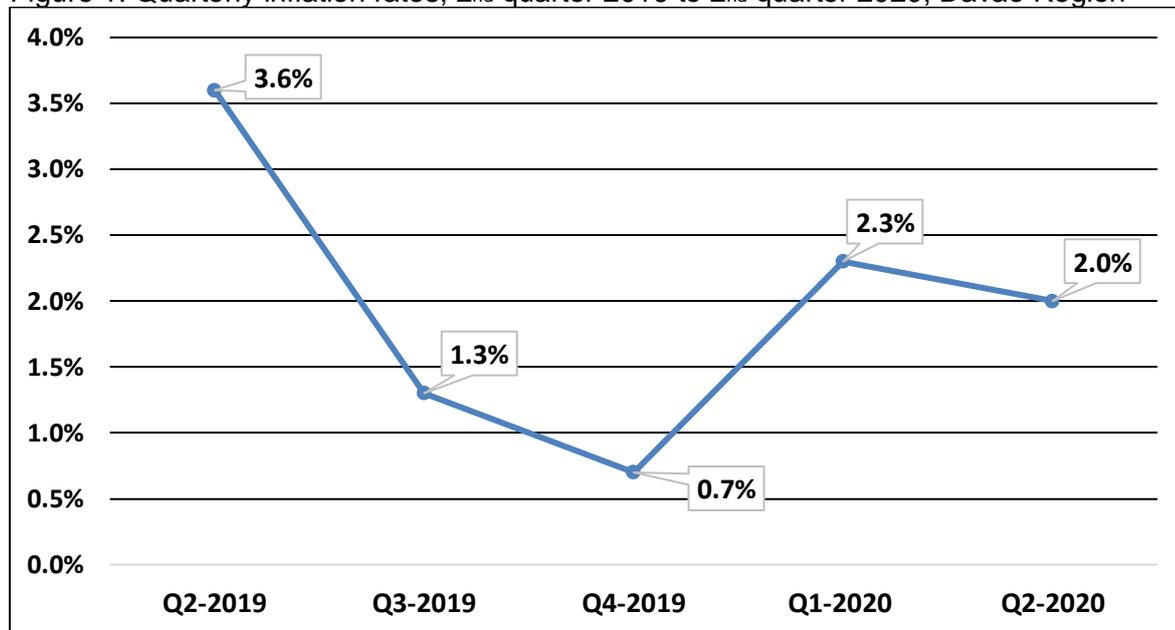
2nd Quarter (Q2) 2020 Regional Economic Situationer

The CY 2020 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, 2nd quarter 2019 to 2nd quarter 2020, Davao Region



Source: PSA XI

Prices of basic commodities in Davao Region posted an average inflation rate of 2.0% in second quarter of 2020, 1.6 percentage points lower than the 3.6% inflation rate recorded in the same quarter in 2019.

The low and stable inflation rate during the second quarter of 2020 was attributed to a decrease in inflation rates for housing, water electricity, and other utilities (0.5%), transport (-4.5%), furnishing, maintenance of the house, etc. (4.7%), and restaurant, miscellaneous goods and services (2.0%). Table 1 below shows the inflation rate by commodity.

On the other hand, the inflation rate of alcoholic beverages and tobacco jumped to 15.5%, 11.6 ppt higher than the rate recorded a year ago. Health and education also saw higher inflation rates during the current quarter, at 4.2% and 2.1%, respectively.

Table 1. Inflation Rate by Commodity, 2nd Quarter 2019 and 2020, Davao Region

Commodity	2nd Quarter 2019	2nd Quarter 2020	Change (ppt)
All Items	3.6%	2.0%	-1.6
Food and Non-Alcoholic	2.4%	2.6%	0.2
Alcoholic Beverages and Tobacco	3.9%	15.5%	11.6
Clothing and Footwear	3.2%	3.6%	0.4
Housing, Water, and Electricity	7.3%	0.5%	-6.8
Furnishing, Maintenance of the House, etc.	5.2%	4.7%	-0.5
Health	5.5%	4.2%	1.3
Transport	2.1%	-4.5%	-6.6
Communication	1.1%	0.9%	0.2
Recreation and Culture	5.5%	2.2%	-3.
Education	-1.1%	2.1%	3.2
Restaurant, Miscellaneous Goods and Services	4.6%	2.0%	-2.2

Source: PSA XI

The lower inflation rate was likely caused by the economic impacts of the COVID-19 pandemic. The pandemic caused temporary stoppage of businesses and work in the services and industry sectors resulting to lower demand for goods and services represented under the commodities of transport, restaurants and related services, recreation and culture, housing, water, and electricity, and furnishing and maintenance of the house, etc. At the same time, the pandemic also caused a slight rise in prices for health services/medical supplies. The sharp rise in prices for alcoholic beverages and tobacco was attributable to the liquor ban imposed in Davao Region and Davao City beginning in March 2020.

Overall, the performance of the all-item regional inflation rate fell within the range of 3.0 percent \pm 1.0 percentage point for target for 2020, set by the Development Budget Coordinating Committee (DBCC) of the NEDA Board.

Labor and Employment

Table 2. Employment statistics, 2nd Quarter 2019 and 2020, Davao Region

	2nd Quarter 2019	2nd Quarter 2020	Change
Employment Rate	96.9%	82.1%	-14.8 ppt
Unemployment Rate	3.1%	17.9%	14.8 ppt
Underemployment Rate	7.9%	20.9%	13 ppt

Source: PSA XI

The Region's employment rate for the quarter decreased based on the April 2020 round of the Labor Force Survey. The employment rate declined to 82.1%, 14.8 percentage point

lower than the employment rate recorded one year ago. Consequently, unemployment rate increased to approximately 17.9%.

In addition, the Region’s total labor force was estimated at 1.965 million in the second quarter of 2020 and the approximate number of employed persons stood at 1.614 million. With an unemployment rate of 17.9%, it is estimated that about 350 thousand people were jobless during the second quarter of 2020, coinciding with the period of the community quarantine throughout the country and the Region wherein many business and other private establishment halted operations.

Notably, the Region’s underemployment rate increased to 20.9%, higher by 13 percentage points than in the same period in 2019. The significantly higher underemployment rate was attributed to an unfavorable labor market, particularly on account of the negative growth in hiring especially in services sector and the cautious disposition of private establishments and businesses to provide longer working hours or higher compensation during the height of the community quarantine measures in the Region.

Investments

Table 3. Investment statistics, 2nd Quarter 2019 and 2020, Davao Region

	2nd Quarter 2019	2nd Quarter 2020	Change
BOI-Registered Project Commitments (Php)	497,430,000	2,416,450,000	385.7%

Source: BOI XI

Despite, the pandemic the Region recorded higher BOI-registered project commitments during the second quarter of 2020 amounting to Php2.416 billion, 385% higher than the Php497 million worth of project commitments in the second quarter of 2019. Only two investment projects were registered during the quarter, including a new operator of tourist accommodation facility (Acacia Hotel Davao) in Lanang, Davao City, and an investment in cavendish banana production. It should be noted, however, that while investments during the quarter were notably higher, it was not unusual, since investments may be recorded and registered anytime throughout the year and do not concentrate on a single quarter.

Exports and Imports

Table 4. Foreign Trade Statistics, 2nd Quarter 2019 and 2020, Davao Region

	2nd Quarter 2019	2nd Quarter 2020	Change
Exports (in millions, USD)	650.80	472.75	-27.36%
Imports (in millions, PhP)	47,558.39	39,648.80	-16.63%

Source: BoC-Port of Davao

Davao Region’s exports decreased by 27%, with value of exports decreasing from USD658.80 million in Q2 2019 to USD472.75 million in Q2 2020. The lower export performance of the Region during the quarter was due to lower volume of banana, coconut

oil, pineapple, and rubber exported. The decline in exports, as with the rest of the country, was due to the COVID-19 pandemic which disrupted supply chains and shipments, and cancelled air travel for several months. The quarantine measures throughout the globe constrained international movement of goods. The pandemic may have also limited the demand for Philippine export products from countries such as China, the Netherlands and Japan, which are top destinations for Philippine exports. For China, in particular, the total value of exports to China, the top 1 market destination for Davao Region's exports, amounted to USD117.4 million, which is 32.8% lower than figure a year ago.

Among the exports of the Region, banana remained the top export product with USD280 million worth of mostly Cavendish bananas exported during the quarter. Banana exports comprise 59.2% of the total value of exports of Davao Region during this period. However, both the volume and value of banana exports was lower in the 2nd quarter of 2020 than the year before. Other top exports products of the Region are coconut oil, desiccated coconut, and pineapple.

In terms of imports, the value also decreased by 16.6%, from PhP47.5 billion in Q2 2019 to USD39.6 billion in Q2 2020. The decrease was mainly attributed to lower import volumes for coal and petroleum fuels, cement, iron and steel, and mechanical machinery and appliances, all of which are top import commodities of Davao Region. The lower imports, especially for coal and petroleum oils, may be due to limited transportation activities brought about by the pandemic. Moreover, in 2019 a berthing accident in a ship docking facility for petroleum products in Davao City resulted to a temporary cessation of operations from oil-importing companies in the Region, which likely affected imports in the first half of 2020. On the other hand, imports for rice, maize and wheat, however, increased by 26%, reaching import volumes of 218 million kilograms. Demand for rice, which is a staple food, remained strong despite the pandemic.

The major sources of Davao Region's imports during the second quarter of 2020 were China, South Korea, Indonesia, Malaysia, Vietnam, and the USA. The value of imports from China, the Region's biggest source of imports, amounted to USD11.3 billion in Q2 2020.

Davao Region's Economic Growth Drivers

Agriculture

Table 5. Volume of Production of Key Agricultural Products, 2nd Quarter 2019 and 2020, Davao Region

	2 nd Quarter 2019 (MT)	2 nd Quarter 2020 (MT)	Change
<i>Cereals</i>			
Palay	90,970	83,410	-8.3%
Corn	44,625	43,999	-1.4%
<i>Livestock and Poultry</i>			
Hog	37,699	35,210	-6.6%
Cattle	3,928	2,435	-38%

Chicken	20,842	17,501	-16%
<i>Fisheries</i>			
Marine Municipal	6,394	3,747	-41.3%
Aquaculture	4,395	3,782	-13.9%

Source: PSA XI

Lower production levels for palay and corn were recorded during the quarter. Palay production reached 83,410 MT, lower by 8.3% from a year ago levels. Corn production also decreased to 43,999 MT in Q2 2020, lower by 1.4 % from the production volume for corn in the same quarter in 2019. The lower production volume of corn was partly attributed to contraction in area harvested, and consequently in contractions of yields per hectare. The decrease in palay and corn production volume was likely due to contractions in demand as businesses, especially those in the food industry, temporarily halted operations because of the COVID-19 pandemic.

Livestock, poultry and fishery production posted lower production volumes during the quarter. Chicken production decreased by 16.2% from 20,842 MT in Q2 2019 to 17,501 MT in Q2 2020. Cattle also saw a drop in production by 38%, from 3,928 MT in Q2 2020 to 2,435 in Q2 2019. Marine municipal fishery posted a major drop in production by 41.3%, from 6,394 MT in Q2 2019 to 3,747 MT in Q2 2020. Aquaculture production also decreased from 4,395 MT in Q2 2019 to 3,782 MT in Q2 2020. The lower production volumes for livestock, poultry, and fishery are all 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 levels as demand temporarily dissipated.

The irregular and uncertain situation for transportation, especially for cross-border crossings, has also contributed to problems in moving agricultural produce from farms to markets or cities during the period of the enhanced and general community quarantine.

Tourism

Table 4. Distribution of travelers, 2nd Quarter 2019 and 2020, Davao Region

TOURIST ARRIVAL REPORT 2019-2020 quarterly comparison (As of August 4, 2020)			
	SECOND QUARTER		% Change
	2019	2020	
Davao City			
Overnight:	703,762	62,289	-91.15
Domestic	644,061	61,162	-90.50
Foreign	49,895	842	-98.31
Overseas	9,806	285	-97.09
Davao De Oro			
Overnight:	229,196	-	-100.00
Domestic	229,084	-	-100.00
Foreign	112	-	-100.00
Overseas	-	-	
Davao Del Norte			
Overnight:	233,431	-	-100.00
Domestic	222,326	-	-100.00
Foreign	11,105	-	-100.00
Overseas			
Davao Del Sur			
Overnight:	49,318	2,969	-93.98
Domestic	48,788	2,969	-93.91
Foreign	530	-	-100.00
Overseas			
Davao Occidental			
Overnight:	-	-	
Domestic	-	-	
Foreign	-	-	
Overseas			
Davao Oriental			
Overnight:	56,692	1,901	-96.65
Domestic	55,441	1,901	-96.57
Foreign	1,251	-	-100.00
Overseas	-	-	
GRAND TOTAL	1,272,399	67,159	-94.72
Domestic	1,199,700	66,032	-94.50
Foreign	62,893	842	-98.66
Overseas	9,806	285	-97.09

Source: DOT XI

Total tourist arrivals during the second quarter of 2020 declined by 95 percent compared during the same period last year. There were only 67,159 tourist arrivals in Davao Region in the second quarter of 2020, lower by 1.2 million tourists from a year ago. The pandemic was the main reason for the poor performance of the tourism sector during the quarter.

In particular, the following caused the drastic decline in tourism arrivals:

- Cancellation of Flights in Davao City effective March 18, 2020 due to COVID 19 crisis. Resumption of limited commercial flights only commence on June 8, 2020.
- 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 in March 2020.

According to DOT XI, tourist arrivals for the second half of 2020 shall continue to go down by more than 80% due to limited flights, and continuing imposition of quarantine and the ban on

mass gatherings. All major festivals and events were already cancelled by local government units of Davao Region.

Peace and Order

Table 7. Crime Volume and Crime Solution Efficiency Rate, 2nd Quarter 2019 and 2020, Davao Region

PPO/CPO	Total Crime Volume		Crime Solution Efficiency (%)	
	2 nd Quarter 2019	2 nd Quarter 2020	2 nd Quarter 2019	2 nd Quarter 2020
Davao City	1,359	2,261	87.42	98.19
Davao Sur	335	293	69.85	86.69
Davao Norte	1,740	600	81.32	88.67
Davao de Oro	181	300	58.56	82.0
Davao Oriental	220	145	84.09	84.83
Davao Occidental	63	86	76.19	83.72
Davao Region (TOTAL)	3,898	3,685	81.48%	93.54%

Source: PNP XI

Crime volume for the 2nd quarter of 2020 reached 3,685 crimes, comprising of both index and non-index crimes. The figure is lower by 5.4% or about 213 crimes from the figure one year ago. The greatest number of crimes were reported in Davao City at 2,261, followed by Davao del Norte at 600 crimes, and then by Davao de Oro at 300 crimes. There were only 86 crimes recorded in Davao Occidental.

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 was also be a 93.54% CSE rate, higher by 12 percentage point from its rate a year ago.

The decrease in crime volume occurred during the period of the strict lockdown measures imposed throughout the Region, which prohibited non-essential travels and thereby, limited the movement of persons. The period of the enhanced and general community quarantine from March to June 2020 also called for intensified checkpoint and border controls and as a result, caused a lesser opportunity for criminal elements to strike. While the pandemic may have restricted movement of persons, police operations against criminality and regular strong law enforcement operations was sustained.

The PNP continued to undertake 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. On top of this, the police have been at the forefront of the COVID-19 response, particularly on enforcing varying levels of community quarantine.

Development Prospects

Without any major disruption in the production of food products or in inputs for production and manufacturing of food products, low and stable inflation is expected to continue throughout the year, and no significant upward adjustments on prices of basic commodities is expected by the end of the year, as consumer demand during the holiday season may stay tepid due to the pandemic.

Employment in the remaining quarters of 2020 will remain below levels seen at the start of the year as businesses and establishments operate in limited capacity to prevent further spread of COVID-19. Businesses will still be wary as the pandemic has yet to be fully contained, but it is also expected that businesses will gradually resume operations as consumer demand for products and services recover and adjust to the situation. Employment will experience a slow recovery by the end of the year or beginning of next year when businesses, industries and establishments fully adopt and adjust to a new normal condition.

Tourism will see a bleak performance in 2020, as the pandemic will continue to negatively impact tourism operations in the Region. Major tourist spots will be either closed or operate in limited capacity for the rest of the year. Many key tourism events in the Region will be cancelled. The limited air travel to the Region also signals a weak year for tourism. In fact, the DOT XI projects that the second half of 2020 will still see a reduction of more than 80% in tourist arrivals as compared in 2019.

BOI-registered investments posted a positive performance during the quarter, but enticing new investments may be challenging given the extent and duration of the quarantine in the Region. While many businesses have temporarily closed or have reduced operations, the medium to long-term negative impacts on investment growth can still be mitigated or prevented through the quick and coordinated implementation of the Davao Regional Recovery Program (RRP), which outlines crucial recovery strategies for the Region's major growth drivers, such as in agriculture, industry and tourism. The Region is optimistic that a speedy economic recovery from the COVID-19 pandemic can be achieved through the comprehensive implementation of the RRP.

In terms of foreign trade, banana production for export will remain in a strong position to cater to foreign demand of bananas. Imports for petroleum oils is also expected to recover as more businesses may resume partial or limited operations and more industries commence operations and thus, transportation activities will pick up.

Agricultural production is expected to perform moderately without any surge in demand due to the pandemic and the low employment rates.

Among the prospects for the second half of 2020 are the following:

1. Prices of basic commodities are expected to remain low and stable.
2. Employment rates will improve but at lower levels than in 2019.
3. Absent any climatic shocks, agricultural production may see an increasing trend over the next few months in order to cater to consumer demand that usually rises during the year-end holiday season.

4. The investment climate of Davao Region, and especially Davao City, will gradually return to favorable conditions with the full implementation of the Davao Regional Recovery Program.
5. Peace and order and public safety will remain a priority in 2020, hence low crime rates are expected throughout the year.