



National Economic and Development Authority

Region XI, Davao City

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1st Quarter (1Q) 2021 Regional Economic Situationer

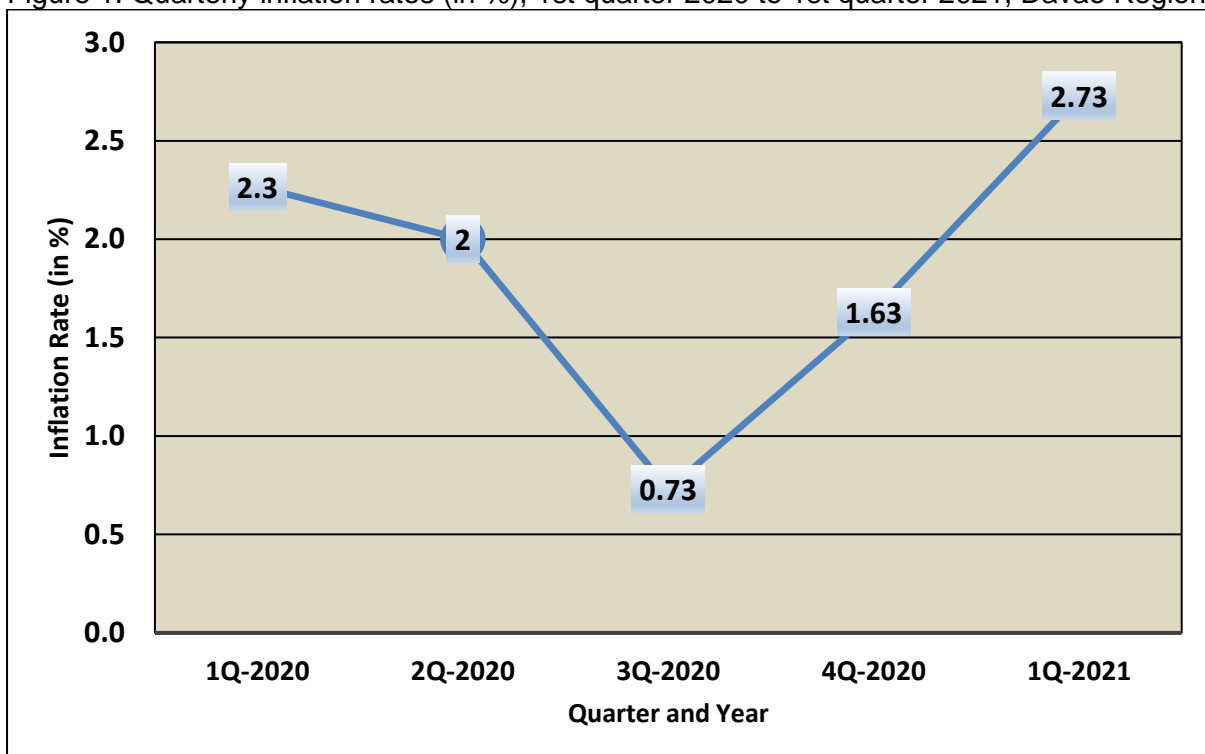
The CY 2021 First Quarter Regional Economic Situationer (QRES) provides a snapshot of the performance of Davao Region's economy by highlighting key socioeconomic indicators and assessing their performance vis-à-vis the same quarter of the previous year. The QRES also provides a brief development outlook for the Region for the succeeding months.

During the 1st quarter of 2021, Davao Region's economy stayed afloat despite the impact of the pandemic. The inflation rate remained stable, employment rates sustained at high levels, agricultural production increased, and the Region was generally peaceful.

Macroeconomic Performance

Prices and Inflation

Figure 1. Quarterly inflation rates (in %), 1st quarter 2020 to 1st quarter 2021, Davao Region



Source: PSA

Davao Region's average inflation rate went up to 2.73% in the 1st quarter of 2021, a 0.4 percentage point (ppt) increase from the inflation rate recorded a year ago. The

rate is much lower than the Philippine Inflation rate of 4.4% for the same period in reference.

However, on a quarter-to-quarter basis, the 1st quarter inflation rate is 1.1 ppt higher from the 1.63% inflation rate registered during the 4th quarter of 2020.

By commodity group, rates were lower for the following: for alcoholic & tobacco (7.5%), clothing and footwear (1.3%), furnishing, maintenance of the house, etc. (2.6%), health (2.3%), recreation and culture (-0.7%), and education (0.1%), restaurant, miscellaneous goods, and services (2.6%). The inflation rates for Housing, water, electricity, and other utilities, as well as for communication remained the same for the 2 reference periods. However, higher prices for the food and non-alcoholic beverages (2.8%) and transport (5.0%) were recorded during the 1st quarter of the year. Table 1 provides the inflation rate by commodity for the quarter in reference.

Table 1. Inflation Rate by Commodity, 1st Quarter 2020 and 2021, Davao Region

Commodity	1st Quarter 2020	1st Quarter 2021	Change
All items	2.3	2.7	+0.4 ppt
Food & Non-Alcoholic	1.0	2.8	+1.8 ppt
Alcoholic & Tobacco	14.5	7.5	-7 ppt
Clothing & Footwear	3.9	1.3	-2.6 ppt
Housing, Water, Electricity, and other utilities	2.3	2.3	No change
Furnishing, Maintenance of the house, etc.	4.4	2.6	-1.8 ppt
Health	4.7	2.3	-2.4 ppt
Transport	1.5	5.0	+3.5 ppt
Communication	0.5	0.5	No change
Recreation & Culture	3.1	-0.7	-2.4 ppt
Education	3.1	0.1	-3 ppt
Restaurant, Miscellaneous Goods and Services	3.3	2.6	-0.7 ppt

Source: PSA

Overall, the performance of the regional inflation rate was within the 2021 target range of 2.0-4.0%, set by the Development Budget Coordinating Committee (DBCC) of the NEDA Board.

Labor and Employment

Table 2. Employment statistics, 1st Quarter 2020 and 2021, Davao Region

	1 st Quarter 2020	1 st Quarter 2021	Change
Employment Rate	95.4%	94.6%	-0.8 ppt
Unemployment Rate	4.6%	5.4%	+0.8 ppt
Underemployment Rate	14.2%	10.8%	-3.4 ppt
Labor Force Participation Rate	58.8%	56.2%	-2.6 ppt
Estimated Number of Employed Persons	1,981,843	1,929,365	52,478

Source: PSA

Based on the January 2021 round of the Labor Force Survey, the Region posted a 94.6% employment rate, lower by 0.8 ppt from the employment rate one year ago. Consequently, unemployment rate increased by the same percentage point, registering at 5.4%.

Meanwhile, the Region's underemployment rate decreased to 10.8%, a 3.4 ppt reduction from its rate in 1Q2021. This suggests that there were more workers who were able to work for 40 hours per week in the Region.

For first quarter of 2021, the Region's total number of employed persons was approximately 1.92 million based on the labor force participation rate of 56.2%, lesser by 52 thousand. This lower number of employed persons is attributed to the negative impact of the pandemic to business.

Investments

Table 3. Investment statistics, 1st Quarter 2020 and 2021, Davao Region

	1 st Quarter 2020	1 st Quarter 2021	Change
BOI-Registered Project Commitments	2,171,300,000	1,841,054,331	-15.2%

Source: BOI XI

During the first quarter of 2021, the total value of investments from projects registered with the Board of Investments amounted to PHP 1.84 billion, a decrease of 15% from the investments recorded during January to March last year, corresponding to that period wherein the COVID-19 pandemic was only just beginning in Davao Region.

In the current quarter, only 4 projects were registered, the biggest of which was a PHP1.13 billion investment by a New Operator of Battery Energy Storage System (BESS) Component of Integrated Renewable Power Facility Hubs (R-HUB) in Tagum, Davao Del Norte. Other projects included a PhP490 million subdivision housing project located in Brgy. Matina Pangi, Davao City, a PHP55.7 million investment in production of coco products for exports in Malalag, Davao del Sur, and a PHP164.5 million ICT-BPM project by Flatworks Solutions Inc. in Davao City. The 3 projects are expected to provide jobs to 1,738 people.

Investments during the quarter were lower, which was not unusual since investments may be recorded and registered anytime throughout the year and do not concentrate on a single quarter. However, the lower value of project commitments was also likely affected by the COVID-19 pandemic, wherein restrictions and significantly lower public consumer demand dampened optimism and consequently, investments, on many areas of business.

Davao Region's Economic Growth Drivers

Agriculture

Crops

Table 4. Volume of Production, 1st Quarter 2020 and 2021, Davao Region

	1st Quarter 2020	1st Quarter 2021	Change
Palay (in mt)	129,125	131,310	+1.69%
Corn (in mt)	57,300	58,169	+1.51%

Source: PSA

Despite the pandemic, the agriculture sector was able to increase its production levels. For instance, staple foods like rice and corn production levels in Davao Region slightly increased during the first quarter of 2021. Palay production increased by 2,185 metric tons during the quarter, while corn production increased by 869 metric tons.

Livestock, Poultry and Fisheries

Table 5. Volume of Production of Livestock, Poultry, and Fisheries 1st Quarter 2020 and 2021, Davao Region

	1st Quarter 2020 (in mt)	1st Quarter 2021 (in mt)	Change
Hog	39,198	32,734	-16.4%
Cattle	2,904	2,710	-6.6%
Chicken	18,271	11,517	-36.9%
Fisheries (Marine Municipal)	4,649	3,552	-23.5%
Fisheries (Aquaculture)	7,086	4,746	-49.3%

Source: PSA

The Region recorded lower hog and cattle production levels during the 1Q2021 due to the effect of the African Swine Flu (ASF). Approximately, 47,401 pigs have been culled to prevent the disease from spreading and affecting around 10,078 farmers in 209 barangays in 40 local government units (LGUs) in Davao Region. Chicken production also posted a negative growth rate during the first quarter of 2021.

Similarly, fish production, both for marine municipal and aquaculture, as well as livestock and poultry production, declined during the first quarter of 2021 compared 2020 level due to the limited operations resulting from COVID-19 restrictions. Moreover, less demand for the product for the product was observed due to the slowdown of the business operations.

Tourism

Table 4. Volume of tourist arrivals, 1st Quarter 2020 and 2021, Davao Region

Tourist Arrivals	1 st Quarter 2020	1 st Quarter 2021	Change (in %)
Domestic	741,864	224,221	-69.7%
Foreign	28,025	1,565	-94.4%
Overseas Filipinos	4,968	0	-100%
Total	774,857	225,786	-70.86%

Source: DOT XI

The tourism industry continues to be severely affected by the COVID-9 pandemic, During the first quarter of 2021, total tourist arrivals in Davao Region declined by nearly 70%, from 774 thousand tourist arrival in 1Q2021 to only 225 thousand in during the current quarter. Foreign tourist arrival recorded a much greater decline at -94%.

The decline in volume of tourist arrivals was partly attributed to travel restrictions, shortage of MICE events, most tourism-related establishments (TREs) operate on a reduced capacity. But overall, the lackluster performance of the tourism industry is mostly due to the public's fear of the COVID-19 since infections are still prevalent.

Peace and Order

Table 7. Total Crime Incidents and Crime Solution Efficiency Rates, 1st Quarter 2020 and 2021, Davao Region

PPO/ CPO	Total Crime Incidents (POI+PSI)		Breakdown of Total Crime Incidents									
			Peace & Order Index (POI)						Public Safety Index (PSI) - RIR		PSI-RIR Crime Solution Efficiency (%)	
			Index Crime		Non-Index Crime		POI Crime Solution Efficiency (%)					
			2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Davao City	1,375	3,903	148	104	787	3,487	83.21	88.86	440	312	98.86	100.00

Davao Sur	462	339	91	52	145	125	68.64	74.01	226	162	98.67	95.68
Davao Norte	1,611	1,888	229	117	1,134	1,610	86.06	92.99	248	161	63.71	98.14
Davao de Oro	867	844	77	63	765	770	92.87	93.16	25	11	60.00	36.36
Davao Oriental	219	187	38	29	162	143	84.50	84.88	19	15	100.00	100.00
Davao Occidental	68	47	25	10	40	37	83.08	76.60	3	0	100.00	0
TOTAL	4,602	7,208	608	375	3,033	6,172	85.64	89.90	961	661	88.76	97.43

Source: PRO XI

Based on the updated crime reporting system of the PNP, total crime incidents pertain to the number of crime incidents committed in a given area over a period of time that are reported and recorded in the police blotter. It does not include crime incidents that are reported to the barangays and Other Law Enforcement Agencies (OLEA). Under the total crime incidents are two classifications: The Peace and Order Index; and the Public Safety Index.

The Peace and Order Index categorizes crime incidents that reflect the true picture of crime, and peace and order situation of a particular community. This comprises the totality of Index and Non-Index Crimes. On the other hand, the Public Safety Index is a classification that provides a separate and distinct accounting of Vehicular Incidents cases such as, Reckless Imprudence resulting in Homicide, Physical Injury and Damage to Property. Which comprised almost 50% of the Total Crime Volume of the Philippines. This is an index which categorizes incidents and culpable felonies that reflect the public safety situation of a particular community.

As of the 1Q2021, the total recorded crime incidents reached 7,208, a 57% increase from the 4,602 crime incidents recorded the year ago. This rise in recorded incidents is partly attributed to intensified anti-criminality operations of the PRO XI. Among the accomplishments of the PRO XI during the 1st quarter of the year include the following:

- 645 anti-illegal drug operations conducted that resulted in the arrest of 825 persons, and the filing of 1,004 cases in court;
- 589 successful anti-illegal gambling operations/raids were conducted that resulted in the apprehension of 1,539 persons, and the filing of 572 cases filed in court;
- 159 operations against loose firearms conducted with 98 persons arrested, and 88 cases filed in court;
- 110 operations against illegal fishing that resulted in the arrest of 167 persons, and the filing of 45 cases in court;
- 1,476 operations conducted against carnapping/motor napping that resulted in the arrest of 10 persons;

- 273 operations conducted for Most Wanted Person that resulted in the arrest of 267 persons and for Other Wanted Person, 656 operations conducted, that resulted in the arrest of 672 persons; and
- 6 operations conducted against Communist Terrorist Groups (CTGs) and resulted in the arrest of 16 CTG personalities.

As to geographic distribution of the crime incidents, 3,903 incidents or 54% of the total crime incidents were recorded in Davao City, while 1,888 incidents or 26% of the total crime incidents were recorded in Davao del Norte. The lowest number of crime incidents were recorded in Davao Occidental at only 47 incidents.

The Region's crime solution efficiency (CSE) under the Peace and Order Index reached 89.9% in 1Q2021, higher by 4.3 ppt from the CSE rate recorded a year before. For the Public Safety Index, the crime solution efficiency rate during the current quarter reached 97.4%, higher by 8.67ppt from the CSE rate recorded in 1Q2020. The high crime solution efficiency rates suggest the efficiency of the PRO XI in solving cases, such that offenders are identified, taken into custody, and charged before the prosecutor's office or court of appropriate jurisdiction, among others.

Development Prospects

An uptick in inflation rate is expected due to the rising prices of food and petroleum products experienced starting January 2021 resulting from the spike in oil prices in the world market.

The employment statistics are expected to improve due to resumption of businesses, but these may still be at lower levels compared with the pre-COVID employments rates recorded in early 2020.

The Department of Trade and Industry expressed optimism on the business outlook for 2021 as government continue to implement recovery programs. Inflow of foreign direct investments is expected to pick-up given a more proactive, targeted investment promotion strategy in enticing foreign investors to relocate to the Philippines or expand their services and products. The country's new international investment promotion brand, dubbed as "Make It Happen in the Philippines," which was launched in November last year, is primarily designed to generate more investments. It targets investors in 18 markets in Asia-Pacific, Europe and America.

As one of the most adversely affected sectors, the Tourism Industry shall recover through the measures imposed by the DOT together with the LGUs which ensures the gradual but safe re opening of the TREs. This is also complemented by the private sector through innovative measures utilizing available technology.

Low domestic tourist arrivals and receipts may remain for the rest of 2021 since some of the destinations are not yet open and ready to accept guests/tourists. The industry is expected to substantially recover by the year 2022, after the vaccination program shall have been fully rolled out.

Domestic tourism is expected to lead the recovery of the country's tourism industry with Filipino travelers expecting to go to destinations closer to home and spending less amid lingering health concerns caused by the COVID-19 pandemic. Domestic travel will be the main priority as fewer people are likely to travel internationally in the near future. This is due to reduced incomes and travel budgets in view of the pandemic's impact on the economy.

In the fight against COVID-19, there will be a massive roll-out of vaccination efforts that will result to increased business outlook optimism. As of June 24, 2021, a total of 311,660 vaccines (1st doses) and 73,183 vaccines (2nd doses) have already been administered in Davao Region. Thus, a total of 381, 915 vaccines have been administered, representing a 12.6% of the total adult population of 3.018 million in Davao Region.

For sustained peace and order condition in the Region, the creation of the Metropolitan Davao Police Task Force or MDPTF, by the Police Regional Office XI, is a crucial mechanism to effectively address peace and order issues in the Metro Davao area. This police task force was activated on October 23, 2020 as a transitory unit of the Philippine National Police for the Metro Davao Area. Davao Region is expected to continue having a favorable peace and order situation.