



Republic of the Philippines

National Economic and Development Authority
REGIONAL OFFICE XI

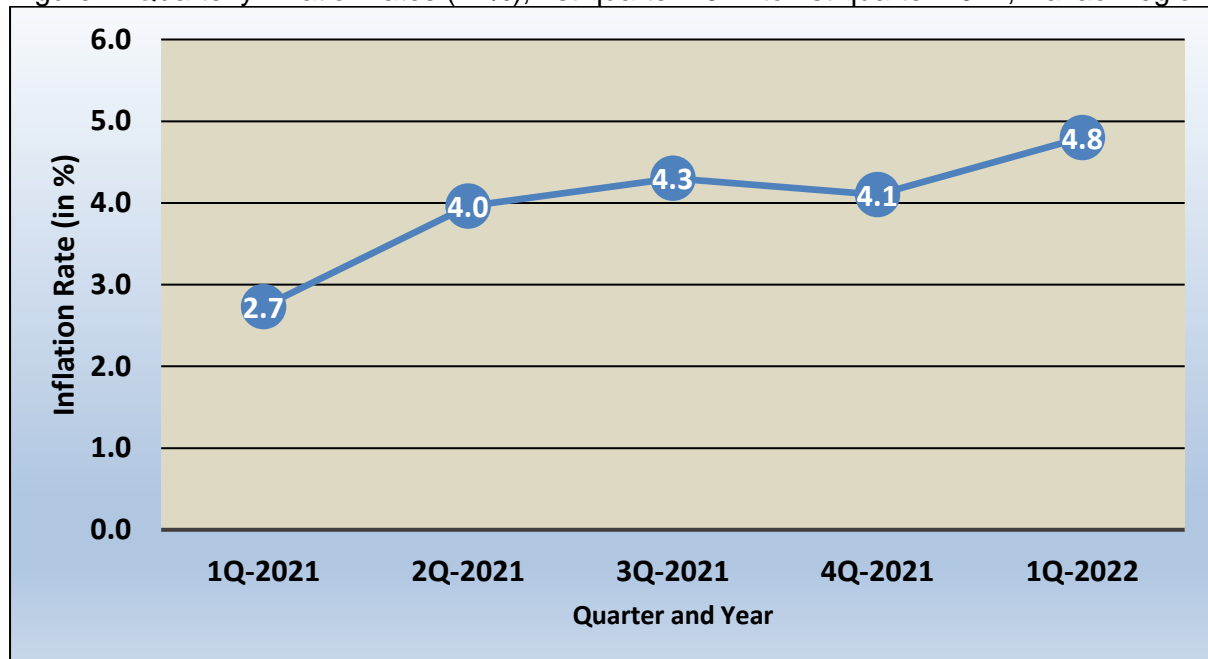
1st Quarter (1Q) 2022 Regional Economic Situationer

The CY 2022 First Quarter Regional Economic Situationer (QRES) provides a snapshot of the performance of Davao Region's economy by highlighting key socioeconomic indicators vis-à-vis their performance in the same quarter of the previous year. The QRES also provides a brief development outlook for the Region for the succeeding months.

Performance

Prices and Inflation

Figure 1. Quarterly inflation rates (in %), 1st quarter 2021 to 1st quarter 2022, Davao Region



Source: PSA

The average quarterly inflation rates of Davao Region recorded an upward trend from 2.7% in 1Q 2021 to 4.8% in 1Q 2022, a 2.1 percentage point difference over the span of one year (see Figure 1). Moreover, during the 1st quarter of 2022, the average Purchasing Power of the Peso (PPP) was 0.89, which was lower than last year's annual average of 0.93, leading to the higher inflation.

By commodity group (refer Table 1), there were increased prices for 4 major commodities in January to March 2022, driven mostly by food and non-alcoholic beverages (5.6%), alcoholic beverages and tobacco (4.7%), transport (5.4%) and housing, water, electricity, gas and other fuels (4.0%). Inflation rates for other

commodities, such as clothing, education, and restaurant and accommodation services, remained stable in the last three months.

The higher inflation rates for transport at 5.4% and for housing, water, electricity, gas and other fuels at 4.0%, were mainly attributed to increases in international crude oil prices, brought about by the Russia-Ukraine conflict that caused uncertainties in global oil production, resulting to higher local prices of petroleum products in February and March 2022.

Another key driver of inflation during the quarter was food prices. Prices of food items were elevated due to supply disruptions from weather disturbances and the prolonged impact of the African swine fever (ASF) on meat products. Thus, meat prices remained high even at the start of 2022. Moreover, the Russia-Ukraine conflict has likewise put upward price pressures on corn, which is a key raw material in the production chain of livestock and poultry, among others.

Table 1. Inflation Rate by Commodity, 1st Quarter 2021 and 2022, Davao Region

Commodity	1st Quarter 2021	1st Quarter 2022	Inflation Rate (%)
All items	106.6	111.6	4.7
Food & Non-Alcoholic Beverages	104.9	110.7	5.6
Alcoholic Beverages & Tobacco	130.8	137.0	4.7
Clothing & Footwear	107.6	108.5	0.9
Housing, Water, Electricity, Gas & other fuels	107.1	111.4	4.0
Furnishing, Household Equipment & Routine Household Maintenance	108.3	109.3	1.0
Health	113.2	114.6	1.2
Transport	110.0	115.9	5.4
Information and Communication	102.6	102.9	0.3
Recreation, Sport and Culture	109.1	109.8	0.7
Education Services	105.1	105.1	0.0
Restaurant and Accommodation Services	106.4	107.3	0.8

Source: PSA

Labor and Employment

Table 2. Employment statistics, 1st Quarter 2021 and 2022, Davao Region

	1 st Quarter 2021	1 st Quarter 2022	Change
Employment Rate	94.6%	95.2%	+0.6 ppt
Unemployment Rate	5.4%	4.8%	-0.6 ppt
Underemployment Rate	10.8%	11.0%	+0.2 ppt
Labor Force Participation Rate	56.2%	59.6%	+3.4 ppt
Estimated Number of Employed Persons	1,929,365	2,092,429	+163,064

Source: PSA

The January 2022 round of the Labor Force Survey shows the Region posting a 95.2% employment rate, higher by 0.6 ppt from the employment rate one year ago. Consequently, unemployment rate decreased by the same percentage point, registering at 4.8%.

Meanwhile, the Region's underemployment rate slightly increased to 11%, a mere 0.2 ppt change from its rate in 1Q 2022. This suggests that there were slightly more workers looking for additional working hours and remuneration during the quarter.

For first quarter of 2022, the Region's total number of employed persons of approximately 2.09 million, under a labor force participation rate of 59.6%, was higher by 163 thousand as compared with the previous reference period. The higher number of employed persons is linked to a healthy economic recovery taking place in the Region. With the favorable employment situation, the Region was able to restore many jobs and livelihood by shifting to a more endemic mindset and accelerating vaccination, especially for booster doses during the first quarter of 2022.

Investments

Table 3. Investment statistics, 1st Quarter 2021 and 2022, Davao Region

	1 st Quarter 2021	1 st Quarter 2022	Change
BOI-Registered Project Commitments	1,841,054,331	355,630,000	-80.6%

Source: BOI XI

During the first quarter of 2022, the total value of investments from projects registered with the Board of Investments amounted to PHP 355.6 million, or a decrease of 80% from the investments recorded during same period last year.

In the current quarter, only 4 projects were registered, the biggest of which was a PhP 215.2 million investment for a one-megawatt hydroelectric power project in

Governor Generoso, Davao Oriental. Another investment is in manufacturing, particularly plastics production, with investment of PhP87 million located in Sto. Tomas, Davao del Norte. Other investments include PhP14.4 million in banana processing facility in Panabo City, Davao del Norte, and PhP 4.5 million in a BPO non-voice services in Davao City. The 4 projects are expected to generate 594 jobs.

Investments during the quarter were much lower, but this is not unusual considering that investments are registered anytime throughout the year and do not concentrate on a single quarter.

Davao Region’s Economic Growth Drivers

Agriculture

Crops

Table 4. Volume of Production, 1st Quarter 2021 and 2022, Davao Region

	1st Quarter 2021	1st Quarter 2022	Change
Palay (in mt)	131,310	137,710	+4.8%
Corn (in mt)	58,169	66,751	+14.7%

Source: PSA

Despite the pandemic, the agriculture sector output increased. Staple food such as rice and corn production in Davao Region moderately increased during the first quarter of 2022. Palay production increased by 4.8% or 6,400 metric tons during the quarter, while corn production increased by nearly 15% or about 8,582 metric tons. The increase in production was attributed to bigger harvested area and favorable climatic conditions, coupled with increasing demand, especially for corn, which remains to be an input component of feeds for livestock.

Livestock, Poultry and Fisheries

Table 5. Volume of Production of Livestock, Poultry, and Fisheries 1st Quarter 2021 and 2022, Davao Region

	1st Quarter 2021 (in mt)	1st Quarter 2022 (in mt)	Change
Hog	32,734	34,735	6.1%
Cattle	2,710	2,887	6.5%
Chicken	11,517	12,802	11.1%
Fisheries (Marine Municipal)	3,552	3,481	-1.9%
Fisheries (Aquaculture)	4,746	6,168	29.9%

Source: PSA

The Region recorded higher hog and cattle production during the 1Q 2022 due increased demand arising from resumption of economic activities and partly because of containment measures being continuously implemented against the ASF. Both cattle and hog posted around 6% production increases. Chicken production also posted a positive growth rate during the first quarter of 2022 at 11.1%, suggesting a

higher preference for this commodity among the public, as well as inputs to production of other commodities.

Fish production, particularly aquaculture recorded a big 29.9% increase during the first quarter of 2022, owing to increase in operation and stronger demand, both of which reflect the economic recovery process in the Region. Marine municipal fisheries output declined by 1.9 percent or about 71 metric tons, due to inclement weather compared to last year's record of 3,552 metric tons of fishery products produced in marine municipal operations

Tourism

Table 4. Volume of tourist arrivals, 1st Quarter 2021 and 2022, Davao Region

Tourist Arrivals	1st Quarter 2021	1st Quarter 2022	Change (in %)
Domestic	247,544	439,601	77.5%
Foreign	1,685	4,676	177.5%
Overseas Filipinos	0	1,485	100%
Total	249,229	445,762	78.8%







Source: DOT XI

Tourism industry continues its recovery after the COVID-19 pandemic severely affected tourism activities, businesses and operations since 2020. During the first quarter of 2022, total tourist arrivals in Davao Region surged by 78%, from 247 thousand in 1Q 2021 to 439 thousand during the current quarter. Foreign tourist arrivals recorded a greater increase at 177%.

The increase in the volume of tourist arrivals was partly attributed to the lifting of travel restrictions, resumptions of MICE events and most tourism-related establishments (TREs) resumed operations with pre-pandemic capacity. The encouraging performance of the tourism industry clearly suggests that the Region's tourism industry is performing much better than one year ago.

Peace and Order

Table 7. Total Crime Incidents and Crime Solution Efficiency Rates, 1st Quarter 2021 and 2022, Davao Region

PPO/ CPO	Total Crime Incidents (POI+PSI)		Breakdown of Total Crime Incidents									
			Peace & Order Indicator (POI)						Public Safety Indicator (PSI) - RIR		PSI-RIR Crime Solution Efficiency (%)	
	Index Crime		Non-Index Crime		POI Crime Solution Efficiency (%)							
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Davao City	3,929	1,340	114	97	3,503	941	95.41	92.77	312	302	100.00	100.00
Davao Sur	339	586	52	56	125	361	74.01	88.97	162	169	95.68	98.22
Davao Norte	1,920	2,343	134	80	1,625	2,211	93.06	96.46	161	52	98.14	73.08
Davao de Oro	845	1,608	64	36	770	1,553	93.05	97.61	11	19	36.36	78.95
Davao Oriental	187	220	29	34	143	170	85.47	86.76	15	16	100.00	100.00
Davao Occidental	49	134	10	10	39	124	77.55	91.04	0	0	0	0
TOTAL	7,269	6,231	403	313	6,205	5,360	93.52	95.08	661	558	97.43	96.24
Variance	-1,038 (14.28%)		-90 (22.33%)		-845 (13.62%)		1.56%		-103 (15.58%)		1.19%	

Source: PRO XI

Davao Region was generally peaceful as PRO XI has been relentless and always on a proactive stance against criminality, insurgency, terrorism, and disaster response. The crime incidents were minimal and at a manageable level. Based on the updated crime reporting system of the PNP, total crime incidents pertain to the number of crimes committed in a given area over a period of time that are reported and recorded in the police blotter. It does not include crimes that are reported to the barangays and Other Law Enforcement Agencies (OLEA). Under the total crime incidents are two classifications: Peace and Order Index (POI) and the Public Safety Index (PSI).¹

The decrease of Total Crime Incidents was also due to the PRO's intensification on arresting perpetrators, conduct of checkpoints, and Simultaneous Anti-Criminality Law Enforcement Operations (SACLEO) throughout the Region especially that the alert level of community quarantine was downgraded by the Inter-Agency Task Force. The police presence as the backbone of crime prevention through strategic

¹ 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.

deployment of PNP personnel in the streets to carry out focused police operations assured the communities of their safety and remoteness from crime occurrence.

Among the accomplishments of the PRO XI during the 1st quarter of the year include the following:

- 499 anti-illegal drug operations conducted that resulted in the arrest of 595 persons, and the filing of 728 cases in court;
- 584 successful anti-illegal gambling operations/raids were conducted that resulted in the apprehension of 1,274 persons, and the filing of 512 cases filed in court;
- 19 operations against illegal logging that resulted in the arrest of 8 persons, and the filing of 7 cases in court;
- 4 operations conducted against carnapping/motor napping that resulted in the arrest of 4 persons;

As to geographic distribution of the crime incidents, 2,343 incidents or 37% of the total crime incidents were recorded in Davao del Norte, while 1,608 incidents or 25.8% were recorded in Davao de Oro. The lowest was recorded in Davao Occidental at only 134 incidents, then followed by Davao Oriental at 220 incidents or 3.5% of the total incidents.

National and Local Elections 2022

The political climate in Davao Region is generally peaceful and ably managed by the efforts of PNP, AFP, and COMELEC, with the cooperation of other stakeholders. Davao Region has no existing Private Armed Groups (PAGs) that may affect the electoral process and the conduct of the 2022 National and Local Elections. Local Terrorist Groups (LTGs) and Peace-Inclined Armed Groups (PIAGs) have not been active while the presence of Communist Terrorist Groups (CTGs) is anticipated to make its presence felt in order to extort politicians through "permit to campaign" fees, but these are contained by AFP/PNP intelligence countermeasures.

Development Prospects

An uptick in inflation rate is expected due to the elevated prices of food and petroleum products experienced starting in February 2022 resulting from the spike in oil prices in the world market brought about by the Ukraine-Russia conflict.

Agricultural production will continue to post moderate gains in the coming quarters, barring extreme weather effects, as the economic recovery of Davao Region further

unfolds, bringing with it increases in consumer demand for a variety of agricultural commodity. The presence of the ASF and Avian flu remain to be a concern in the sector.

Employment is are expected to increase due to resumption of businesses and other economic activities with the economic recovery of the Region. In terms of investments, the BOI is optimistic that the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law shall generate more investments, noting the provision for lower corporate income tax (CIT) rate as it aims to modernize the country's investment incentives, making them more competitive and transparent, time-bound, targeted, and performance-based.

There is more optimistic outlook for the Region's tourism industry in 2022. It is expected that tourists will gain more confidence in visiting Davao Region destinations, also due to the strengthened health protocols of the LGUs, and in the tourism establishments and destinations. DOT XI coordinated with Tourism Stakeholders on entry protocols, quarantine restrictions and tourism recovery plans with 99.1% of Davao Region's tourism workers are vaccinated. Several tourism circuits have been developed in Davao Region. These involve diving activities, walking trails, eco-adventures tied with local indigenous communities, farm tourism, and culinary offerings including the Muslim-friendly halal market.

There will be sustained peace and order in the Region with the timely formulation of the Metro Davao Public Safety and Security Master Plan prescribing major and cross-cutting security and safety strategies and directions for the metropolitan.

The Metropolitan Davao Police Task Force (MDPTF) creation is underway, after the passage of the *Metropolitan Davao Development Authority* Law. This is another crucial mechanism that can effectively address peace and order issues in the Region, especially within the Metropolitan-LGUs.