Poverty & Equity Brief

East Asia & Pacific

Philippines

April 2020

The pace of poverty reduction in the Philippines has picked up in recent years. Based on the international lower middle-income poverty line ($3.2 in 2011 PPP), poverty declined from 33.5 percent in 2012 to 26.0 percent in 2015, a 7.5 percentage point decline during this period compared to the 0.7 percentage point decline during **2009–2012.** This faster pace of poverty reduction can be attributed both to the transition of workers from agriculture to better paying jobs, principally in the services sector, and to increases in government spending on social programs, most notably through expanded coverage of the conditional cash transfer program, Pantawid Pamilyang Pilipino Program.
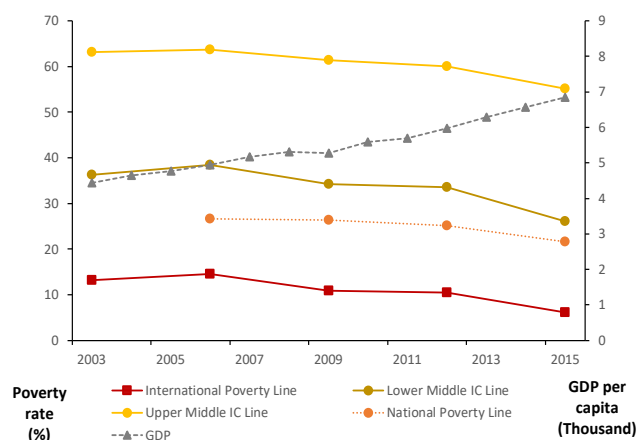
Household survey data indicate that per capita income growth in the Philippines has become more inclusive. In **2012–2015,** average incomes of households in the bottom 40 percent grew at an annualized rate of 5.1 percent, about 2.6 percentage points faster than the growth rate of average incomes of all households (this difference in the two respective growth rates is also known as the shared prosperity premium). Shared prosperity was spurred by the growth in non-agriculture wage incomes and receipts from the conditional cash transfer program, particularly for households in the bottom 40 percent. The Gini index for the Philippines dropped from 47 in 2006 to 44 in 2015. However, inequality in the Philippines is still higher than in most other developing countries in the East Asia and Pacific region.

According to the latest official poverty estimates using the 2018 Family Income and Expenditures Survey (FIES), poverty incidence using the national poverty line for 2018 has declined to 16.6 percent from 23.3 percent in 2015. The ongoing increasing trend in real wages might be hampered by the impact of the COVID-19. With limited capacity to manage the risks of the COVID-19 outbreak, the poor and vulnerable, many of whom work in the informal sector, are likely to suffer a more significant welfare loss. [Note: The 2015 poverty estimate is revised from the 21.6 percent released previously as it was revised/updated based on the following: a) rebasing the Consumer Price Index (CPI) basket from 2006 to 2012; and b) adoption of the 2015 Population Census for the weights in the FIES. These changes were incorporated in the 2015 full year poverty estimates for comparability with the full year 2018 official poverty statistics. The poverty rates against the lower middle-income class poverty line discussed above are not adjusted in the same manner].

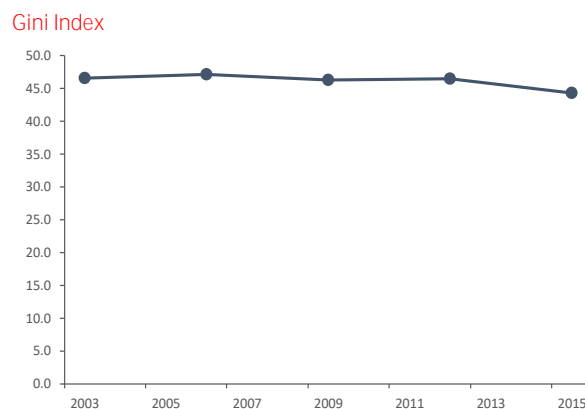| POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	22.0	21.6	2015
International Poverty Line 39.5 in Philippine peso (2015) or US$1.90 (2011 PPP) per day per capita	6.3	6.1	2015
Lower Middle Income Class Poverty Line 66.6 in Philippine peso (2015) or US$3.20 (2011 PPP) per day per capita	26.6	26.0	2015
Upper Middle Income Class Poverty Line 114.4 in Philippine peso (2015) or US$5.50 (2011 PPP) per day per capita	56.3	55.1	2015
Multidimentional Poverty Measure		8.3	2015
SHARED PROSPERITY			
Annualized Income Growth per capita of the bottom 40 percent		5.12	2012-2015
INEQUALITY			
Gini Index		44.4	2015
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		2.56	2012-2015
GROWTH			
Annualized GDP per capita growth		4.69	2012-2015
Annualized Income Growth per capita from Household Survey		2.56	2012-2015
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		4.03	2012-2015

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of Feburary 2020, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2003-2015

Poverty rate (%)	International Poverty Line	Lower Middle IC Line
	Upper Middle IC Line	National Poverty Line
	GDP	GDP per capita (Thousand)

Source: World Bank using FIES/EAPPOV/GMD

INEQUALITY TRENDS, 2003-2015

Gini Index

Source: World Bank using FIES/EAPPOV/GMD

KEY INDICATORS

Distribution among groups: 2015	International Poverty Line(%)		Relative group (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	98	2	24	76
Rural population	91	9	52	48
Males	94	6	41	59
Females	94	6	39	61
0 to 14 years old	90	10	54	46
15 to 64 years old	95	5	35	65
65 and older	97	3	29	71
Without education (16+)	82	18	67	33
Primary education (16+)	92	8	51	49
Secondary education (16+)	98	2	25	75
Tertiary/post-secondary education (16+)	100	0	5	95

Multidimensional Poverty Measures (% of people):	2015
Monetary poverty (Income)	
Daily income less than US$1.90 per person	6.1
Education	
At least one school-aged child is not enrolled in school	4.4
No adult has completed primary education	4.5
Access to basic infrastructure	
No access to limited-standard drinking water	10.6
No access to limited-standard sanitation	6.8
No access to electricity	9.1

Source: World Bank using FIES/EAPPOV/GMD

Source: World Bank using FIES/EAPPOV/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

National official poverty estimates in the Philippines are produced by the Philippines Statistics Authority (PSA). These are derived using income welfare aggregates evaluated against per capita poverty lines that are set broadly following the cost of basic needs (CBN) approach. Using a national reference food bundle based on expert opinion of what constitutes a nutritionally adequate bundle, province-specific bundles are set separately for urban and rural areas and reflect locally consumed commodities. These locally priced bundles that constitute food poverty lines are scaled up by a constant food-to-non-food ratio to calculate total poverty lines. There are 163 poverty lines set corresponding to urban and rural areas of the 81 provinces and the National Capital Region in the country, and these were benchmarked to 2009, when this methodology was developed. The 2015 and 2018 official poverty lines were revised/updated based on the following: a) rebasing of the CPI basket from 2006 to 2012; and b) adoption of the 2015 Population Census for the weights in the FIES. Unlike the international poverty line that is fixed and updated by CPI, the national poverty lines are updated by re-estimating the food poverty lines at current prices. The fixed food to non-food ratio used to derive the poverty lines assumes that the non-food price inflation is the same as food price inflation.

Poverty estimates are calculated from the triennial Family Income and Expenditures Survey (FIES). The two rounds of information for each FIES, one for the first semester and one for the full year, are not strictly comparable. The poverty estimates reported draw from the full year information if not otherwise specified.

HARMONIZATION

The numbers presented in this brief are based on the EAPPOV database. EAPPOV is a database of socio-economic statistics constructed using microdata from household surveys in the East Asia and the Pacific (EAP) region and is managed by the East Asia & Pacific Team for Statistical Development (EAPTSD). As of January 2019, the collection includes 19 countries and 93 surveys. Harmonized surveys in the EAPPOV database are compiled into 4 modules following Global Monitoring Database (GMD) Harmonization guidelines. A subset of the harmonized variables form the basis of the GMD collection, including the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.

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