

How does PSA Generate Official Poverty Statistics

WHO DEVELOPED THE CURRENT METHODOLOGY and COMPILES POVERTY STATISTICS?

Based on Executive Order no. 352 or the System of Designated Statistics, the then Technical Committee on Poverty Statistics (TC PovStat), a Committee coordinated by the PSA consisting of experts on poverty statistics, was tasked with the development/ formulation of the official poverty estimation methodology. Current methodology is based on NSCB Resolution no. 9 series of 2011.

The PSA Technical Staff is in charge with the compilation and estimation of the official poverty statistics based on the approved methodology.

Legal Basis for Estimation

WHO ARE THE POOR?

The poor are individuals and families whose income fall below the poverty threshold as defined by the NEDA and/or cannot afford in a sustained manner to provide their minimum basic needs on food, health, education, housing and other essential amenities of life.

- Section 3 of Republic Act 8425 of 1997 (Social Reform & Poverty Alleviation Act)

WHY DOES PSA RELEASE POVERTY STATISTICS?

PSA releases poverty statistics to serve as a tool for decision making of the government and the private sector
-(Executive Order 352)



What are the data inputs and sources?

As an initial step in the generation of Official Poverty Statistics, determine:

- 1) Provincial Food Bundle;
Source: Food and Nutrition Research Institute (FNRI)
- 2) Price Data; and,
Source: Philippine Statistics Authority
- 3) Income Data
Source: Family Income and Expenditure Survey (FIES), PSA

Once the inputs are available, the computation can be done in three major steps:

Estimate per Capita Food Threshold. How?

STEP 1

National food bundle was converted to Provincial food bundles taking into consideration the following criteria:

1. Must satisfy 100% Recommended Energy and Nutrient Intakes (RENI) for energy and protein (2000 kcal on average) and 80% RENI for other nutrients.
2. Food items in the bundle must be locally available and are eaten in the province.
3. Food items in the bundle must be low-cost in the province.
4. The food bundle must be visualizable, and can be cooked or eaten in the area.

National Food Bundle (Food items in orange font may vary across provinces)

BREAKFAST



Scramble Egg
Coffee with milk

Boiled rice/corn mix

LUNCH



Boiled monggo with
malungay and dried dilis

Boiled rice/corn mix
Banana

DINNER



Fried fish/boiled pork
Vegetable Dish

Boiled rice/corn mix

SNACKS



Bread or
boiled
root crops

Recommended Energy and Nutrient Intakes (RENI) % on the following nutrients:

Energy
Protein

Calcium
Iron

Vitamin A
Thiamin

Niacin A
Riboflavin

Vitamin C

Estimate per Capita Food Threshold. How?

Sample translation: NCR Food Bundle

BREAKFAST

Scramble Egg
Coffee with milk
Boiled rice/corn mix

LUNCH

Boiled monggo with
malungay and dried dilis
Boiled rice/corn mix
Banana, latundan

DINNER

Fried Tulingan
Boiled Kangkong
Boiled rice

SNACKS

Pandesal

Using Actual Provincial Prices of Food Items

The average of the monthly prices for the year are used for estimating the food threshold.

Per Capita Food Threshold per day

is then multiplied by 30.4 (approximate number of days per month) to get the monthly per capita food threshold and multiplied by 12 (# of months) to get the annual per capita food threshold.



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Estimate per Capita Poverty Threshold. How?

STEP 2



The non-food component of the poverty threshold is indirectly estimated using the average share of food expenditure to the total basic expenditure of families around the food threshold, and subsequently taking the ratio of the food threshold to this food share to obtain the poverty threshold.

Basic Non-Food Requirement includes: 1) clothing and footwear; 2) fuel, light and water; 3) housing maintenance and other minor repairs; 4) rental of occupied dwelling units; 5) medical care; 6) education; 7) transportation & communication; 8) non-durable furnishing; 9) household operations; and 10) personal care and effects. Recreation, tobacco and alcohol are excluded.



Estimate per Capita Poverty Threshold. How?

FE/TBE Ratio

Based on the FIES results in 2000, 2003, 2006 and 2009, the average percentage of food expenditure to the total basic expenditure of the families around the subsistence incidence for these 4 FIES surveys is 69.83 percent. This assumes that the cost of the basic food needs, estimated by the food threshold, is 69.83% or about 70% of the poverty threshold while the remaining 30% is allocated for the cost of the non-food needs.

Non Food Expenditure



Food Expenditure

$FE/TBE = 0.6983$

Poverty Threshold

The Food Threshold is then divided by the FE/TBE Ratio to account for the cost of the basic non food needs.

$$\frac{\text{FOOD THRESHOLD}}{FE/TBE} =$$



Poverty Threshold

STEP 3

Generate the Subsistence and Poverty Incidence. How?



NON POOR

POVERTY THRESHOLD

If per capita income is less than the POVERTY THRESHOLD



POOR

FOOD THRESHOLD

If per capita income is less than the FOOD THRESHOLD



FOOD POOR



POVERTY INCIDENCE
(Proportion of Poor)

$$\frac{\text{SUM OF POOR}}{\text{TOTAL WEIGHTED POPULATION}}$$



SUBSISTENCE INCIDENCE
(Proportion of Food Poor)

$$\frac{\text{SUM OF FOOD POOR}}{\text{TOTAL WEIGHTED POPULATION}}$$

Notes:

1. The Official poverty statistics is available at the national, regional, provincial and highly urbanized cities. Poverty Statistics are available from the following link: (<https://psa.gov.ph/poverty-press-release>)

2. There is ongoing review for the official poverty estimation methodology following the provision in the resolution that the methodology should be reviewed every 10 years. (<https://psa.gov.ph/poverty-press-releases/references>)

