

STATEMENT OF SECRETARY AUGUSTO B. SANTOS  
ON THE RELEASE OF THE  
2006 OFFICIAL POVERTY STATISTICS  
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The incidence of poor families in the Philippines increased by 2.5 percentage points to 26.9 percent from 24.4 in 2003. This translated to a total of 4.7 million poor families in 2006 compared to the 4.0 million poor families estimated in 2003. Of these poor families, about 1.9 million families could not afford to meet their basic food requirements, 200,000 higher compared to 2003. In terms of population, the number of poor Filipinos reached 27.6 million in 2006, 16 percent more than the 23.8 million estimated in 2003. The corresponding number of food-poor individuals increased to 12.2 million, 14 percent more than in 2003.

Likewise, poverty rates in the regions increased, with Regions 3, 4-B, 7, 8, and ARMM posting substantial increase in poverty incidence. It has also been observed that the level of poverty was higher in the MIMAROPA and Bicol region and in most regions in Mindanao. The ARMM for instance, recorded a poverty incidence of 55.3 percent in 2006, the highest among the regions, while most of the regions in Luzon were relatively less poor, with NCR posting the lowest poverty incidence of 7.1 percent. However, in terms of distribution, most of the poor families were found in Region VI (425, 571), Region V (422,278) and Region VII (391,484), accounting for a total of 26.5 percent of all poor families.

The 2006 provincial poverty measures also highlighted regional income disparities in the country in 2006 given that six (6) out of ten (10) poorest provinces were found in Mindanao while those with the lowest poverty incidences were in Luzon, particularly Regions 2,3, and 4-A.

What were the reasons behind the worsened poverty situation of our country? The failure to meet the most basic needs can be due to increasing prices and/or insufficient rise in personal income. Higher prices in 2004-2006 may have

hindered access for both food and non-food basic needs and hence pushed some individuals/families down the poverty line. External factors such as the higher oil prices played a role in this scenario. The government's commitment to solve the fiscal deficit also put upward initial pressure on inflation, when we expanded our value added tax (VAT) coverage in November 2005 and imposed higher VAT rate in February 2006. Food threshold, which measures the minimum cost of basic food needed to satisfy one's nutritional requirement, rose by 23 percent from 2003 to 2006, faster than the 6 percent increase between 2000-2003. This is due to the accelerated increase in the prices of food and beverage from 9.5 percent in 2000-2003 to 19.3 percent in 2003-2006. Family formation also rose faster than personal income, which dragged down real average family income from PhP 148,000 in 2003 to PhP 144,000 in 2006, further constraining the benefits of higher economic growth.

Meeting the basic needs of the masses is one of the top priorities of the government. While economic growth was respectable at 5.4 percent on the average between 2003-2006, pressures of higher oil prices and the large fiscal deficit in 2004 affected the most vulnerable sector of society – the poor.

The 7.3 percent GDP growth in 2007 and the improved fiscal condition provided us enough breathing space to spend more on social services in the years ahead. However, it is important that this is accompanied by policies directed at lowering the cost of wage goods such as food, utilities, transportation, and medical care so that significant income gains within the lower income brackets are realized. Also, the realignment of the national budget towards social services is a good opportunity for the government to put more emphasis on education and health in tandem with an effective population management program. The challenge remains, however, for the government to ensure the sustainability of these programs and enable the poor to climb out of poverty.