THE PINOY MIDDLE-INCOME CLASS IS SHRINKING: 
ITS IMPACT ON INCOME AND EXPENDITURE PATTERNS 

by 

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While it is well-recognized that the middle-income class plays an important role in the development of a nation, there is no internationally-adopted definition of the middle-income class. During the 10th National Convention on Statistics, Virola, Addawe & Querubin presented a paper that used cluster analysis and multiple regression to propose two possible definitions of the middle-income class, one based on income and the other based on socio-economic characteristics. In June 2009, this was updated through an NSCB website article (Statistically Speaking) by Virola and Addawe.

Analysis of the Family Income and Expenditures Survey (FIES) from 1997 to 2006 showed a systematically shrinking Filipino middle-income class, losing its members to the low-income class. As the middle-income class plays a significant role in society, the increasing vulnerability of the middle-income class poses a big threat to the development goals of the country, specifically, the Millennium Development Goals (MDGs). It is therefore important to continue to generate statistics on the Filipino middle-income class that can contribute to policy formulation towards the protection of the middle-income class in particular, and to evidence-based decision making towards national progress in general.

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With the Pinoy middle-income class having shrunk from 1997 to 2006, this study will examine changes in the sources of income and expenditure patterns of the middle-income class using FIES data. The paper will also improve the 2007 methodology to identify the Filipino middle-income class by using additional variables from the Labor Force Survey and by considering other regression models.

Key words and phrases: middle-income class; cluster analysis; multiple regression; socio-economic characteristics; sources of income; expenditure patterns.