Food Inflation, Underemployment and Hunger Incidence: 
A Vector Autoregressive (VAR) Analysis

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ABSTRACT

The high level of hunger incidence in the country is perhaps one of the most pressing issues that need to be addressed by our policy makers. Official government statistics and data from perception-based surveys show an increasing trend in hunger incidence among Filipino households. Data from National Statistical Coordination Board (NSCB) shows that the percentage of subsistence poor in the country increased to 14.6 percent in 2006 from 13.5 percent in 2003. The Social Weather Stations (SWS) perception survey on hunger incidence also shows an increasing trend in the percentage of families that experienced hunger, reaching an alarming level of 20.3 percent during the June 2009 survey. One probable cause of the increasing trend in hunger is the rising food prices akin to what we experienced in 2008. This paper is interested in determining the impact of food inflation and underemployment on hunger incidence in the Philippines, using the hunger incidence data from the SWS Quarterly surveys. A vector autoregressive (VAR) model is used to determine the effect of a shock to food inflation and underemployment on total involuntary hunger. Results from the model show that a shock (increase) to food prices at the current quarter will increase hunger incidence and its effect will last for three quarters. Shocks to underemployment will also increase hunger incidence but the effect lasts for only two quarters. The results of this study provide relevant information that may impact certain policies related to the Hunger Mitigation Program of the government.

Keywords: hunger incidence, food inflation, underemployment, vector autoregressive models