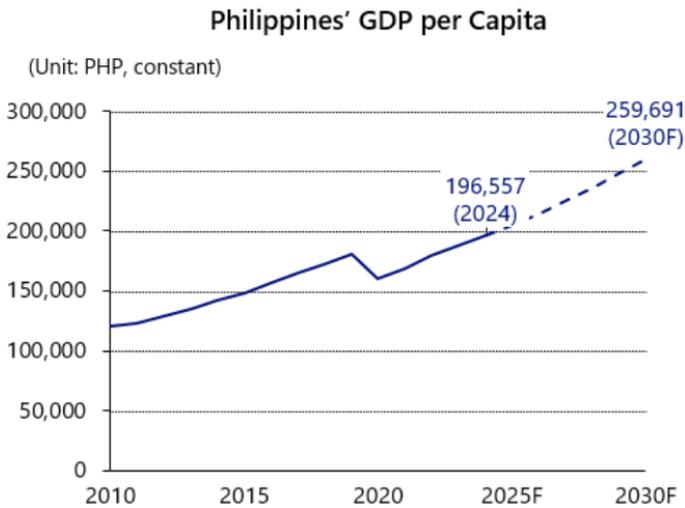


Part 1: An Overview of the Philippine Consumer Market



Source: International Monetary Fund (IMF)

One useful lens for understanding the Philippine consumer market is the evolution of income levels.

In recent years, GDP per capita has been on a steady upward trajectory, reaching approximately PHP 196k (about USD 3,400) in 2024. Assuming the current pace of economic growth is sustained, GDP per capita is expected to approach PHP 260k (about USD 4,500) by around 2030 (see chart above).

As economies move closer to this income range, household spending patterns tend to become more diversified. Consumption gradually shifts

away from a strong concentration on necessities toward a broader mix that includes durable goods, branded products, dining out, and various services. In the Philippines, this transition is already becoming visible. Particularly among the expanding middle class, consumers are gaining access to a wider range of choices, leading to a qualitative transformation of the consumer market.

This series will examine the Philippine consumer market over twelve installments, covering topics ranging from the macroeconomic environment to generational purchasing behavior, as well as distribution and financial infrastructure. As the opening article, this first installment provides a high-level overview of the Philippine consumer market, with a particular focus on the expansion of the middle class and the evolving structure of consumption and distribution channels.

Unless otherwise noted, the term “consumer market” in this article refers broadly to consumer-facing goods and services, encompassing both physical retail and e-commerce channels.

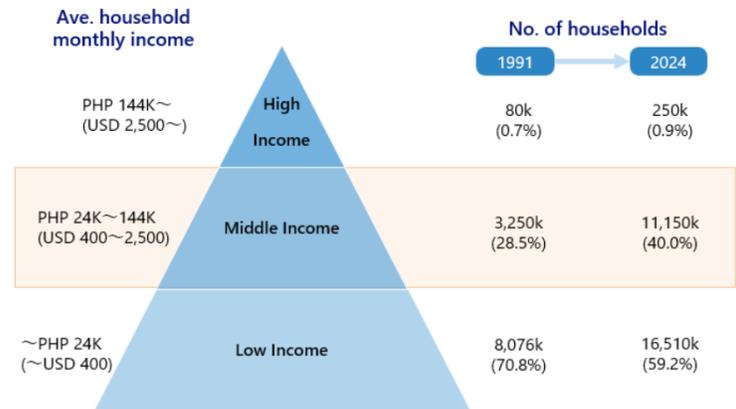
A Turning Point Driven by the Expansion of the Middle Class

The most critical keyword for understanding the Philippine consumer market today is the “expansion of the middle class.” According to the Philippine Institute for Development Studies (PIDS), the middle-income class is defined as households with incomes between 2 to 12 times the official poverty line. Supported by population growth and ongoing urbanization, the number of households earning stable and rising incomes has increased steadily. These households are increasingly becoming the core drivers of consumption (see chart below).

Within the middle class, particularly among middle- to upper-middle-income segments, spending behavior extends beyond daily necessities such as food and household items. Consumers in these groups are becoming more selective in how they use discretionary income, directing spending toward shopping mall visits, dining out, and café culture where perceived value and experience justify the expense. As a result, consumption is no longer defined solely by volume, but increasingly by choice, experience, and perceived value. For consumer-facing businesses, this shift creates greater room for differentiated value propositions.

At the same time, the Philippine market has not yet reached a stage where growth is dominated

by competition for existing demand, as seen in more mature economies. Instead, the expansion of the consumer base and the increase in per-capita spending are occurring simultaneously. This dual dynamic continues to underpin the growth potential of the overall consumer market.



Notes: The income brackets in the figure are expressed in 2021 price terms. In 1991, the poverty line was around PHP 3,000 (per month for a five-member family), whereas in 2021 it stood at PHP 12,030, indicating that the poverty threshold itself has risen over time.

Source: Philippine Statistics Authority (PSA), Philippine Institute for Development Studies (PIDS), NRI estimates

A Philippine-Style Consumer Market Where Physical Retail and E-commerce Coexist

In recent years, the proliferation of platforms such as Shopee, Lazada, and TikTok Shop has made online purchasing a familiar and convenient option for many consumers. At the same time, brick-and-mortar stores have continued to serve as the primary touchpoints for a wide range of consumption activities, including shopping, dining, and leisure. As a

result, the Philippine consumer market is characterized by the coexistence of physical retail—centered on shopping malls—and digital channels.

Several structural factors help explain why mall culture remains deeply embedded in the Philippines. In urban areas, public spaces are limited, and shopping malls function as safe, air-conditioned, and comfortable “semi-public spaces” where families and friends can spend time together. In suburban areas, chronic traffic congestion further enhances the appeal of large-scale malls located near residential zones or along major roads, as they allow consumers to combine shopping, dining, and entertainment in a single destination.

In addition, major developers such as Ayala, SM, and Robinsons have consistently pursued integrated developments that combine residential, office, and commercial facilities, with malls serving as the central anchor. Through this approach, malls have evolved beyond simple retail facilities to become hubs that connect urban development and consumer activity.

Today, the Philippine consumer market is undergoing a period of transition, driven by the expansion of the middle class, changes in channel usage, and increasing diversity in consumption patterns.

Going forward, a key analytical focus will be on how different generations and income groups allocate spending—across which channels, and in response to what kinds of value propositions.

In the next installment, we will turn our attention to the FMCG sector, which continues to play a pivotal role in driving consumption growth, and examine purchasing structures and the respective roles of different retail channels in food and daily necessities.

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