

## **Assessing the Economic Contribution of “Sin” Industries to the Philippine Economy: The Dilemma between Macroeconomic Growth and Microeconomic Welfare**

Topic: Impact Analysis 3

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One of the major contributory factors to the economic expansion of the Philippines can be attributed to the increase in the multiplier effect of the industrial sector, one of which is the “sin” industries, which comprise of the alcohol, liquors, wine, cigarette, tobacco, and other related industries. The increase in growth of these industries in the Philippines can be attributed to the continuous patronage of Filipinos towards these products indicating a persistent demand for vices that provides incentives for producers to increase their production. As a consequence, the industry expands and its accompanying growth diffuses to its backward linkages as well as the aggregate economy. However, with the recent economic deceleration, there is a high likelihood of lower consumption of alcohol and cigarettes as the income of consumers are expected to contract. On the other hand, another possibility may occur wherein consumers may indulge on vices during an economic downturn as an outlet for the difficulties encountered during this period. As such, the behavior of the sin industries is subject to the abovementioned scenarios. Given this backdrop, this study explicated the behavior of the sin industries in the Philippines, its contribution to the macroeconomy, and the behavior of Filipinos towards the consumption of sin products namely cigarettes, tobacco, and alcoholic beverages. Moreover, using an Input-Output (I-O) analysis, the economic contribution and magnitude of implication of the sin industries to its linkages, other related industries, and the aggregate economy can be determined and assessed. As a result, the pros and cons of developing or regulating these sin industries will be emphasized and its consequences on the consumption pattern of Filipinos can be assessed. The positive contribution of the sin industries to other industries and the macroeconomy imposes certain dilemmas whether to enhance or regulate the industries due to the harms that it entails on its end-users.