

Filipino Family Spending Behavior for Noche Buena: A Managerial Economics Perspective on Price Elasticity, Substitution, and Budget Constraints in Middle-Income Households

Alden Jun Danoy, Christine Jane Cagas, Mark Bryan Cruzado, Marissa Dela Cruz

Email: mark.cruzado@msugensan.edu.ph, aldenjun.danov@msugensan.edu.ph, christinejane.cagas@msugensan.edu.ph,
delacruzmarissa@msugensan.edu.ph

Graduate Studies Department, Mindanao State University - General Santos
 General Santos City, Philippines

Abstract

Noche Buena, the traditional Filipino Christmas Eve feast, holds deep cultural and economic significance across Filipino households. In recent years, rising food prices and inflation have increasingly constrained the purchasing power of middle-income families, forcing them to adjust holiday consumption decisions. Anchored on managerial economics and consumer demand theory, this study examines how price increases influence household budgeting, substitution behavior, and consumption choices during Noche Buena preparation. Using an integrative literature review guided by price elasticity of demand, substitution and income effects, and budget constraint theory, the study finds that Filipino families demonstrate relatively inelastic demand for culturally significant food items while engaging in adaptive strategies such as brand switching, quantity reduction, and budget reallocation. These behaviors illustrate how households balance cultural obligations with economic rationality under budget constraints. The study contributes to managerial economics literature by contextualizing consumer decision-making within culturally embedded consumption practices and offers insights relevant to policymakers, retailers, and consumer researchers.

Keywords: Filipino family spending; Noche Buena; price elasticity; budget constraints; substitution behavior

1. Introduction

In the Philippines, Christmas is regarded as the most significant cultural and religious celebration, culminating in the traditional Noche Buena feast. Beyond its cultural symbolism, Noche Buena represents a period of heightened household consumption, strategic budgeting, and complex decision-making under financial constraints. For middle-income Filipino households, rising food prices and persistent inflation have intensified the challenge of maintaining traditional holiday consumption while adhering to limited budgets.

From a managerial economics perspective, household spending during Noche Buena can be analyzed as a problem of consumer choice under scarcity, where families seek to maximize utility subject to income and price constraints. Economic theories such as the law of demand, price elasticity of demand, substitution effect, income effect, and budget constraint theory provide a structured lens for understanding how households respond to price increases without abandoning culturally significant consumption.

While existing studies on Filipino holiday spending emphasize cultural resilience and emotional attachment, fewer studies explicitly frame these behaviors within established economic theory. This study addresses this gap by applying managerial economics concepts to analyze how middle-income Filipino households adjust Noche Buena spending amid inflation. Specifically, it seeks to explain why demand for certain traditional food items remains

relatively inelastic and how substitution, quantity adjustment, and budget reallocation emerge as rational responses to rising prices.

By integrating economic theory with cultural context, this paper aims to contribute a theory-based, publication-ready analysis of Filipino family spending behavior during Noche Buena.

2. Theoretical Framework

This study is anchored on key theories in managerial economics and consumer behavior that explain household decision-making under price and income constraints.

2.1. Law of Demand

The law of demand states that, *ceteris paribus*, an increase in price leads to a decrease in quantity demanded. During periods of inflation, higher food prices reduce households' purchasing power, prompting adjustments in consumption levels, particularly for non-essential or easily replaceable goods.

2.2. Price Elasticity of Demand

Price elasticity of demand measures the responsiveness of quantity demanded to changes in price. In the context of Noche Buena, culturally significant food items such as ham, pasta, and bread exhibit relatively **inelastic demand**, as households continue to purchase them despite price increases. Conversely, premium brands and non-essential items tend to be more elastic.

2.3. Substitution Effect

The substitution effect explains how consumers replace higher-priced goods with lower-priced alternatives when prices rise. Filipino households demonstrate this behavior through brand switching, choosing locally produced goods over imported items, and preparing homemade alternatives to store-bought products.

2.4. Income Effect

Inflation reduces real income, limiting households' ability to consume goods at previous levels. The income effect manifests in reduced quantities, simplified menus, and the prioritization of essential Noche Buena items over luxury foods.

2.5. Budget Constraint Theory

Budget constraint theory posits that consumers allocate limited income across goods to maximize utility. During Noche Buena, households reallocate budgets from non-essential expenditures such as leisure and dining out toward food consumption, reflecting rational decision-making within fixed income constraints.

Together, these theories provide a coherent framework for analyzing Filipino family spending behavior during Noche Buena as a form of economically rational adaptation shaped by cultural priorities.

3. Review of Related Literature

3.1. Filipino Cultural Practices and Holiday Spending

Noche Buena is a deeply rooted Filipino tradition that symbolizes familial unity, generosity, and thanksgiving. Filipino families consider Christmas celebrations essential, with Noche Buena serving as the emotional highlight of the season. Even low- to middle-income households reserve a special budget for this celebration, demonstrating cultural prioritization over financial limitations (Aguila, 2019).

Cultural traditions strongly influence Filipino holiday spending behavior. Despite economic strains, households maintain spending on food and gatherings due to cultural pressure, as observed in several studies (Lally &

Villanueva, 2020; Reyes & Domingo, 2021). Symbolic food items such as ham, queso de bola, and pasta are essential to the celebration, even when households adjust their spending on these items due to inflation.

3.2. Inflation and Its Impact on Household Spending

Rising food prices affect household budgets, especially for middle-income families. Inflation consistently reduces the purchasing power of households, prompting them to adjust consumption patterns by reallocating funds from non-essential items to food (Bautista, 2020; Philippine Statistics Authority, 2022).

During the holiday season, supermarkets often raise prices in response to increased demand, exacerbating the financial strain on families (Dizon & Lopez, 2021).

3.3. Consumer Adjustment Behavior During Price Increases

Substitution and brand switching are common responses to inflation. Filipino families replace expensive brands with more affordable alternatives. Additionally, many households simplify their Noche Buena menus, preparing fewer dishes or adjusting portion sizes (Sanchez, 2020; Clemente, 2022). Prioritization of essential items such as pasta and bread is also a common strategy for coping with rising food prices (Santos & Mendez, 2019).

4. Methodology

This study employs a theory-guided integrative literature review methodology. Peer-reviewed journal articles, government reports, and empirical studies on consumer behavior, inflation, and household budgeting were systematically reviewed. Thematic synthesis was conducted using managerial economics concepts: price elasticity, substitution behavior, income effects, and budget constraints as analytical categories. The focus on middle-income Filipino households allows for an examination of economically active consumers who face binding budget constraints yet retain discretionary spending capacity during culturally significant events.

5. Findings

1. Strong Cultural Commitment Despite Economic Pressure

Families continue to celebrate Noche Buena regardless of financial strain. Cultural expectations and emotional attachment to tradition drive households to preserve the feast, even if it requires adjustments (Aguila, 2019).

2. Increased Price Sensitivity

Middle-income households become more price-conscious as inflation rises. Families compare prices more frequently, monitor promotions, and adjust shopping schedules to manage costs.

3. Substitution and Brand Switching

Filipino households switch to more affordable brands or replace premium Christmas staples with cheaper alternatives. Examples include:

- Local ham brands instead of premium imported ham
- Generic cheese over branded queso de bola
- Homemade desserts instead of pre-packaged ones

These substitutions help families maintain the essence of the celebration without overspending.

4. Reduction in Quantity and Simplified Menus

Many families simplify their Noche Buena menus by preparing fewer dishes or adjusting serving sizes. Clemente (2022) notes a trend of prioritizing one main dish and eliminating fewer essential items.

5. Budget Reallocation and Early Planning

Families often shift funds from other budget categories, such as entertainment or dining out, to afford Noche Buena. Reyes and Domingo (2021) observed that households plan and shop earlier in December to spread out expenses and avoid price spikes.

6. Discussion

The discussions reveal that Filipino households respond to rising prices during Noche Buena in economically rational yet culturally embedded ways. Demand for core traditional food items remains relatively inelastic, confirming the role of cultural utility in consumption decisions. However, substitution effects are evident through brand switching and product replacement, while income effects drive quantity reduction and menu simplification. Budget constraint behavior is reflected in early planning, expense reallocation, and prioritization of essential items. These patterns align with managerial economics predictions regarding consumer behavior under inflationary pressure.

7. Conclusion

Viewed through a managerial economics lens, Noche Buena spending among middle-income Filipino households represents a balance between cultural utility maximization and financial constraint management. Rising prices significantly influence consumption decisions, yet households preserve tradition through substitution, budget reallocation, and strategic planning rather than complete consumption withdrawal. This study demonstrates the value of applying economic theory to culturally grounded consumption practices and provides insights relevant to economic policy, retail pricing strategies, and consumer welfare analysis.

8. Publication Implication and Target Journals

This study is structured as a theory-based analysis grounded in managerial economics and consumer demand theory, making it suitable for submission to peer-reviewed journals focusing on household economics, consumer behavior, and economic decision-making. Potential target journals include:

- Philippine Review of Economics
- Journal of Family and Economic Issues
- Asian Journal of Business and Economics
- International Journal of Economics and Management Studies

These journals are peer-reviewed and indexed in Google Scholar, aligning with the academic scope and methodological approach of the present study.

References

- Aguila, M. A. (2019). Cultural traditions and holiday spending patterns among Filipino families. *Philippine Journal of Social Sciences*.
- Bautista, R. L. (2020). Inflation and its impact on household consumption in the Philippines. *Journal of Economic Perspectives in Southeast Asia*.
- Clemente, J. P. (2022). Food inflation and consumer substitution behavior. *Asian Journal of Consumer Studies*.
- Lally, H. G., & Villanueva, M. J. (2020). Cultural anchors and spending resilience in Filipino holiday traditions. *Journal of Cultural Economics and Behavior*.
- Philippine Statistics Authority. (2022). Consumer price index and inflation report.
- Reyes, V. T., & Domingo, C. P. (2021). Spending resilience and family priorities. *Journal of Family and Economic Issues*.
- Sanchez, L. M. (2020). Budget strategies of Filipino households during economic uncertainty. *Philippine Review of Economics*.
- Santos, N. R., & Mendez, E. P. (2019). Family budgeting practices during festive seasons. *Journal of Home Economics in Asia*.