

# Banks still see strong remittance business

by TED P. TORRES  
Philstar.com

**M**OST Philippine banks in the remittance business are optimistic that the business will register growth this year. There are however concerns for 2009.

In fact, the Metropolitan Bank & Trust Co. (Metrobank) and the Philippine National Bank (PNB) have already geared up for an expected slowing down of overall remittances next year.

"The possible downturn of remittances in 2009 merely challenges us to push forward," Carmelita R. Araneta, Metrobank executive vice president, said.

Araneta said that there had not been any significant signs of weakening from their businesses.

"In fact, we expect it to increase as we have been expanding our network with more agents, we see more remittances coming from the Middle East," she added.

Metrobank is optimistic that they will remain within its original target of business amounting to nearly \$4 billion this year.

It accounted for \$3.5 billion of total remittances last year, or approximately 22 percent of market share. PNB senior vice president for global marketing Patricia Tan also expressed optimism that it would generate remittance-related businesses of between \$2 billion to \$2.5 billion this year.

Last year, PNB accounted for \$1.8 billion in remittance business.

The remittance target however does not include whatever Allied Banking Corp. (Allied Bank) in the same period. The two banks merged earlier this year, but the merger process will only be completed towards the end of 2009.

Nonetheless, Tan is confident that the business will improve despite the global credit crisis.

"Some areas recorded lower than expected remittances but it was offset by other areas which recorded better than expected business," the PNB official said.

Metrobank and PNB like most banks involved in the remittance business believe that 2009 "will be a tougher year."

But the anticipated downturn as far back as September this year has prompted banks to make the necessary adjustments.

"We have been preparing for

the poor environment by increasing channels like new or improved correspondent bank relationships, tie-ups with remittance companies, and other receiving or distribution outlets," Tan said.

Remittances coming from overseas Filipinos in the United States this year is expected to weaken as it is the hardest hit by the credit crisis. But overseas Filipinos located in the Middle East and European markets are forecast to increase significantly.

Bank officials added that aside from the bigger number of Filipinos locating in these areas, the jobs being commissioned are likewise higher in quality therefore better paying.

More and more Filipinos are landing jobs in the health, information technology, business process outsourcing, accounting, education, and tourism sectors.

The construction boom in the Middle East is also luring more and more Filipinos, aside from the higher risk premiums offered in conflict-stricken areas.

There are at least 10 million recorded overseas Filipinos, who send back dollar-based remittances to beneficiaries in the Philippines.

Assuming that it affects at least five individuals per overseas Filipino, it would mean roughly 50 million or more than half of the country's nearly 90 million growing population.

Thus it is not surprising that remittances are estimated to account for 10 percent of gross domestic product (GDP).

At the start of the year, the peso was roughly 41 to the dollar. It has since weakened by more than 15 percent to the 49 level with no sign of strengthening for the rest of the year.

According to the World Bank, the country continues to deploy overseas Filipinos at astonishing speed notwithstanding the global economic slowdown.

In the first eight months of the year, deployment rose by 26.4 percent to more than 884,000 as demand persists. Moreover, the destination of overseas workers has become more diversified.

The rapid growth of overseas Filipinos and the huge amount of remittances they send back has encouraged more local banks to ex-

pand their international presence.

These expansions have also brought more overseas Filipinos into contact with various financial products, thereby increasing the share of remittances channeled to investments.

It is estimated that about 30 percent of remittances are now being invested in housing.

Against this backdrop, the central bank recorded the highest monthly inflow of remittances in June, \$1.5 billion or 30 percent higher than last year.

However, in the succeeding months remittances started to register slower growth, from 24 percent in July to 10 percent in August.

This brings the August year-to-date inflows to \$10.9 billion or 17.2 percent higher relative to the level a year ago.

Nonetheless, full year remittances will easily surpass the \$15-billion level, another record amount passing the country's banking system. Last year, total remittances reached \$14.45 billion.

For 2007, recorded remittances flows worldwide are estimated at \$337 billion, of which \$251 billion went to developing countries.

These flows do not include informal channels, which would significantly enlarge the volume of remittances if they were recorded. There are roughly 190 million migrant workers that remitted money last year. ■

# RP tourism prepares for post-crisis world economy

**P**HILIPPINE tourism stakeholders are making the necessary preparations to exploit the uptrend in business once the crisis is over, according to one of its pillars.

Dr. Robert Lim Joseph, chair emeritus of the National Association of Independent Travel Agencies (Naitas), said "local tourism would not sit idly but would be busy improving the tourism infrastructure, upgrading quality of tour packages as well as the skills of the industry workers."

Joseph said the international financial meltdown is an opportunity for the tourism industry to take stock of its condition and correct whatever is defective, in line with the Maoist saying of "one step backward, two steps forward."

For example, he said, it is not enough to offer cheap tours but to offer quality experience at an affordable rate for a true value package.

Joseph, honorary consult of Latvia to the Philippines, said tourism stakeholders should also pinpoint the country's comparative advantages and draft plans to exploit them to the maximum when the world is ready to go on vacation again.

"There is much to be done, like identifying new markets and new tourist destinations, upgrade existing ones, as well as improving the roads and bridges and facilities in

tourist places, while preparing new marketing campaigns for value tours," he said.

Joseph said this will put the country's tourism at least a step ahead of the rest, especially those in Asia, when the world economy settles down and recovers.

"The key here is the unity of the local tourism stakeholders under the leadership of the Department of Tourism so that the industry moves

as one and succeeds," he said.

In this connection, Joseph reiterated his call for the industry to rally around the Tourism department, supporting its champion in the person of Tourism Secretary Joseph Ace Durano.

This is necessary because the slump in tourism is expected to be felt by the first quarter of next year, which is just two months away, he said. (Philstar.com)

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