

Remittances: Keeping RP's Economy Healthy

by CYNTHIA DE CASTRO
AJPress

AROUND 9 million of the Philippines' 90 million population live and work outside of the country -- mostly as seafarers, construction and IT workers, nurses, doctors, care-givers and domestic helpers. While many decry the fact that an average of around 2,500 Filipinos leave the country everyday to work abroad, we cannot help but be grateful that the Overseas Filipino Workers (OFWs) have been propping up the country's economy. For the past years, the remittances sent by OFWs to their families in the Philippines have boosted the purchasing power of Pinoys back home. It also lifts foreign exchange reserves, and the current account and deposits in the banking system. In fact, for the past six years, 10 percent of the country's GDP (gross domestic product) come from remittances. It is truly keeping the Philippine economy away from the sick ward.

Last February 2009, the Bangko Sentral ng Pilipinas reported that remittances reached \$16.43 billion in 2008, registering a 13.7-percent growth from \$14.45 billion in 2007. The latest growth rate of remittances was faster than the 13.2 percent in 2007.

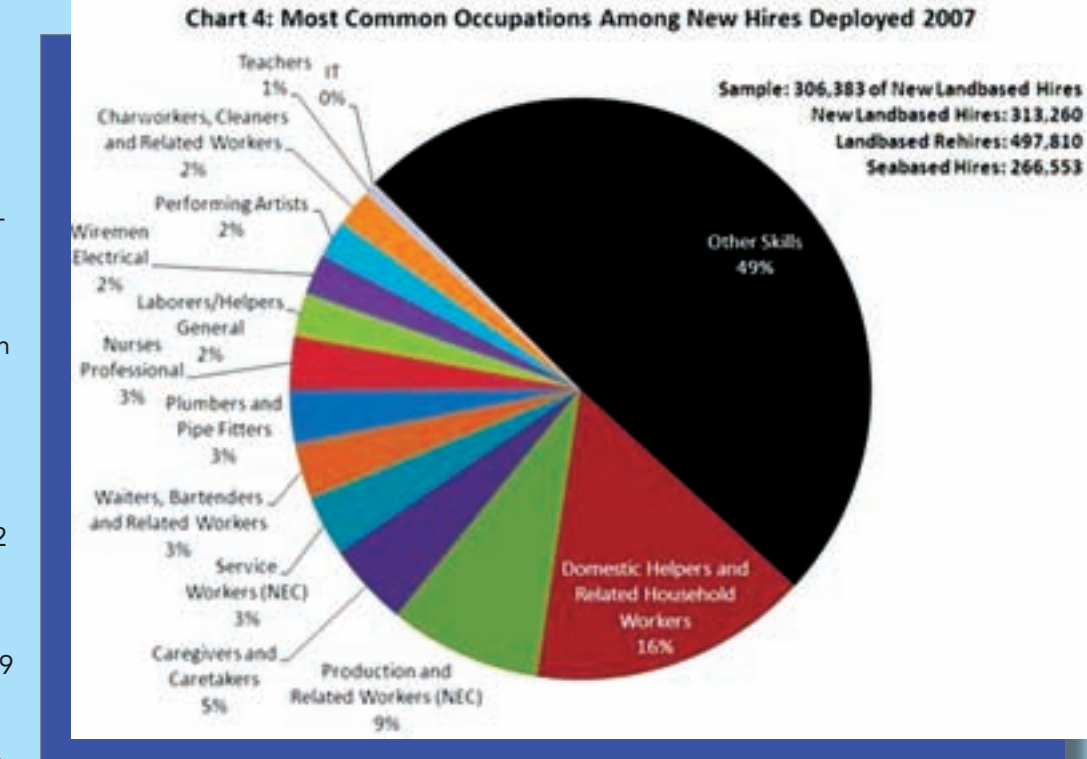
BSP said that in December 2008 alone, remittances hit \$1.4 billion, up slightly from \$1.3 billion in November and from \$1.397 billion December 2007. The major sources of remittances in 2008 were the United States (accounting for half of the total), Saudi Arabia, Canada, UK, Italy, United Arab Emirates, Japan, Singapore, and Hong Kong.

"Amidst the challenges posed by the global financial market strains and the economic downturn experienced by host economies, remittances from overseas Filipinos remain a dependable source of foreign exchange for the economy," BSP Governor Amando Tetangco Jr. said. He said more and more Filipinos abroad were using banks and other formal remittance channels to send money to their families and loved ones. The remittances data captured by the BSP does not include those sent from informal channels.

Remittances continued to grow at a robust pace despite a recession in the United States and Europe, which are home to many overseas Filipino workers, because they are mostly employed in "recession-proof" sectors like healthcare and education. While jobs may

World Bank (April 2009) for the East Asia and Pacific region, titled "Battling the Forces of Global Recession", although global growth is projected to turn negative in 2009, the Philippines will still have positive growth of 1.9 percent this year, unlike its neighbors Malaysia and Thailand which will have negative growth. Although the wealthiest countries drag the world into a recession, the Philippines would not be included. After a 2007 peak of 7.2 percent and a respectable 4.6 percent growth in 2008, the country's economic growth will decelerate to 1.9 percent in 2009. This positive growth, though, means the country is still far from a recession. And the one key factor driving this resilience is remittances.

But many pose the question: how will the global



average remittance per OFW was \$1,656. Last year, the average dropped down to \$1,626. In 2009, it is projected to fall more sharply to \$1,467.

It is significant to Filipinos in America and their families back home that the remittances coming from the US last January 2009 went down dramatically by a huge 25 percent compared to January 2008. Fortunately, remittances from the Gulf surged and managed to offset the decline from the US.

The government remains optimistic about the future of OFWs and their remittances.

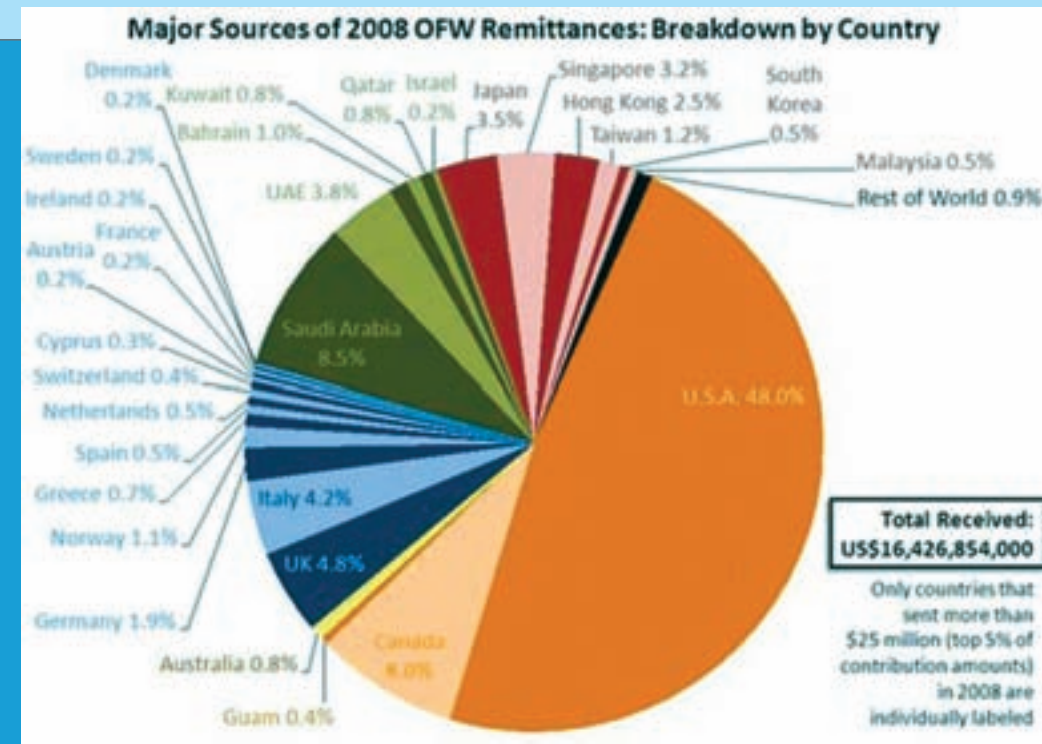
The optimism is based on POEA claims that net deployment will remain strong and that Filipinos are landing higher-paying jobs. The BSP said the number of Filipinos deployed abroad in 2008 reached 1,376,823, up 28 percent from 1,077,623 the previous year.

POEA claims there are still 400,000 unfilled positions abroad for Filipino migrants and predicts only 50,000 Filipinos will be sent home this year due to layoffs.

Another positive thing working for us is that a large chunk of OFWs work as nurses, domestic helpers and caregivers – occupations which are unlikely to see layoffs in a context of aging populations in the developed world and shortages of healthcare and other service workers in the booming middle east. Continued high demand for these service workers will offset the decrease of Filipino workers in other occupations, such as

manufacturing, construction, and shipping (including passenger ships). Domestic helper layoffs are unlikely due to the increased need for two-income households.

Truly, in spite of the global crisis that has affected most of the world, the Philippines is battling the crisis well. And that is mostly due to remittances, thanks to the Overseas Filipino Workers. No wonder, they are rightly referred to as the country's new heroes – *ang mga Bagong Bayani!* ■



be lost in Western countries, new employment opportunities have opened up for Filipino workers in Canada, Bulgaria, Australia, the United Arab Emirates, and Qatar. Tetangco said demand for Filipino professionals and skilled workers remained high in foreign countries as shown by the still high number of deployment for work overseas.

The government's forecasts agree with that of most analysts but disagree on the magnitude.

According to the latest economic update from the

Business Week, The Economist, Forbes and the Wall Street Journal. RGE reported in April that predicted remittances to the Philippines may contract in 2009. Remittances will total only \$15.4 billion in 2009 compared with last year's \$16.4 billion. This would be a marked turnaround from the +13.7% growth (or \$1.97 billion) seen in 2008 and the end of a multi-year run of double-digit growth rates.

For the past two years, we have seen the average monthly remittance of the OFW decrease. In 2007, the

Why it's the best time to travel to the Philippines

by JOSEPH PIMENTEL
AJPress

THREE years ago, paying less than \$900 for a round trip ticket to the Philippines from Los Angeles with months in advance would have been a bargain.

Nowadays, balikbayans can get a last minute ticket to the Philippines for \$900.

With the economy still in a recession, now is the time to travel and get great travel deals, said April Tiamzon of Las Islas Travel Agency.

The coupons and advertisements say it all. The past year, Philippine Airlines (PAL) has been offering deals of \$500 round trip airfare, if you paid for the ticket in advance. Other airlines are offering round trip airfare and other travel deals for \$700.

This means that balikbayans are paying for cheaper airfare than any time the past five years.

"The down economy," said Tiamzon. "People have lost their jobs and collecting unemployment but more of them are still traveling and airlines have responded with cheaper rates."

Like most airlines, PAL has been affected by the global economic crisis. The rise of jet fuel has pulled the flag carrier's margin down, according to the Business Mirror.

The Business Mirror reported PAL has already posted a net loss \$301 million. The airline reported a net profit \$30.6 million in the past financial year ending on March 31, 2008, down from \$130.5 million in the previous year.

But rather than charge high prices on tickets, they are more concerned about filling the empty seats. PAL and other airlines have been finding other ways to earn income. For example, charging overweight bags and other fees.

PAL also become very competitive when it comes to offering travel deals to balikbayans.

Efforts include a slew of product and service enhancements such as "WAY TO GO" and "Seat All You Can." These two low-fare promotions seek to spur travel even during the lean months, according to the Business Mirror.

The marketing campaign has paid off. PAL reported that it carried close to 9 million passengers during the year, which was nearly 20-percent higher than the previous year.

Tiamzon said the deals might not last.

Although the US economy is still in a recession, there have been signs that it's on the path to recovery.

Unemployment rates are lower and many economic forecasters continue to expect a positive economic outlook so the travel deals might not last long.

"If you're planning to go on a vacation, it's best to book now," said Tiamzon. "I know Filipinos are procrastinators but when it comes to traveling, especially to the Philippines, that is something they do not [procrastinate on]. ■

Publisher's Note

"Despite the global recession, the Philippines has managed to stay afloat by keeping its economy nourished with much-needed dollar remittances from Filipinos abroad. A major chunk of remittances garnered in 2008 came from our kababayans here in the United States. For Pinoys abroad, being able to send money home is their reward and consolation for being away from their families. The Asian Journal MDWK Magazine salutes the Overseas Filipino by bringing you this issue -- our way of extending well-deserved recognition to a new breed of heroes who send their love home and unconditionally sustain our mother country's economy." ■

**Invigorating
Our Economy**