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Overseas Filipino Workers' Remittances: Concepts and Measurement

Rosabel B. Guerrero
Acting Deputy Director
Department of Economic Statistics
Bangko Sentral ng Pilipinas
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Outline of Presentation

I. Contribution of Remittances to the Economy

- Profile of OFW Remitters
- Trends in Remittances

II. Measurement of Remittances

- International Practice
- Philippine Practice
 - ✓ Concept of Residence
 - ✓ Estimation of the Stock of OFWs
 - ✓ Estimation of Remittances in the BOP

III. Statistical Issues



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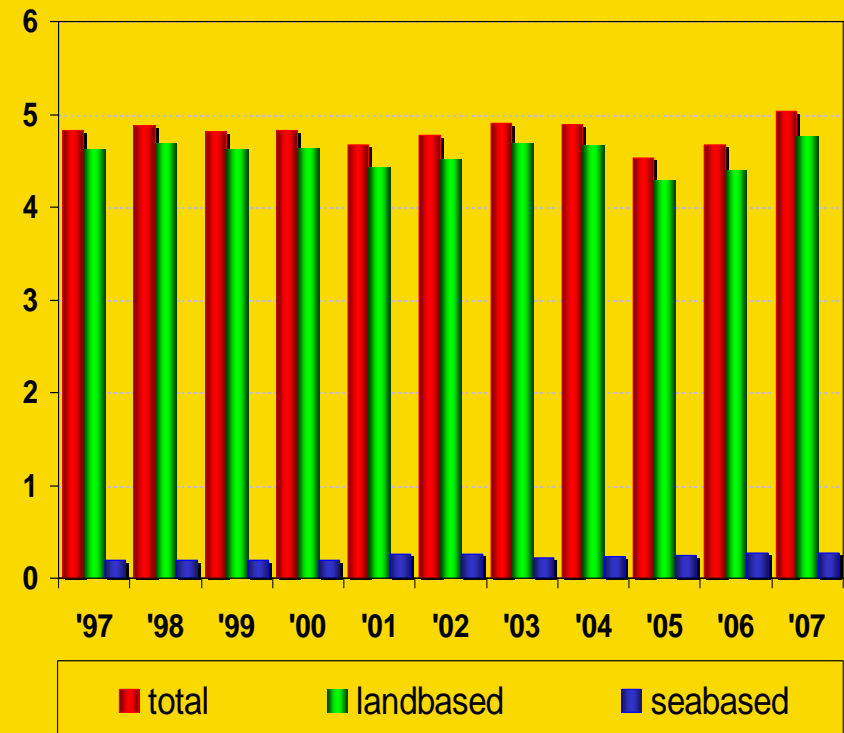
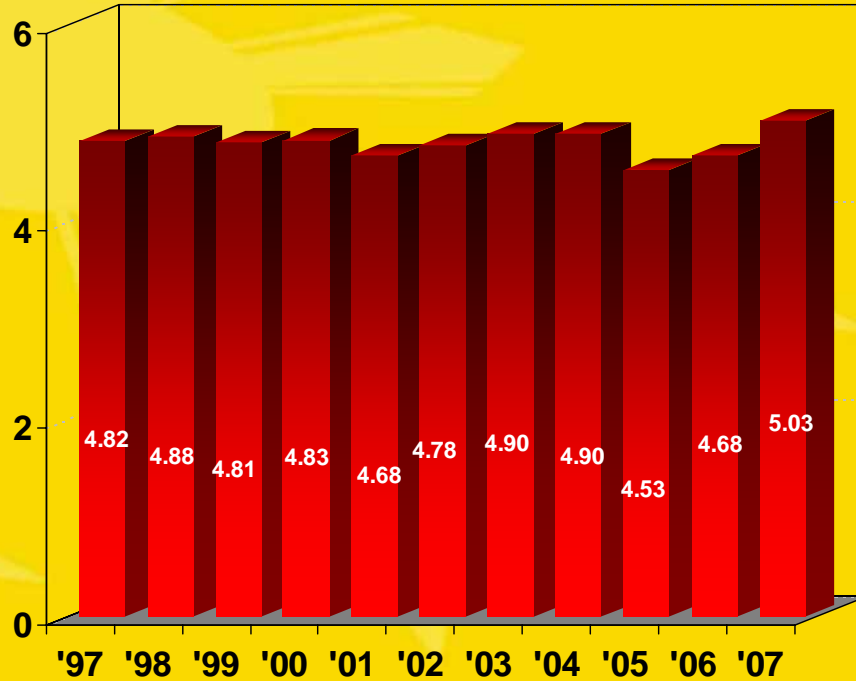
Contribution of Remittances to the Economy



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STOCK of OFWs in million



Source: Commission on Filipinos Overseas, DFA

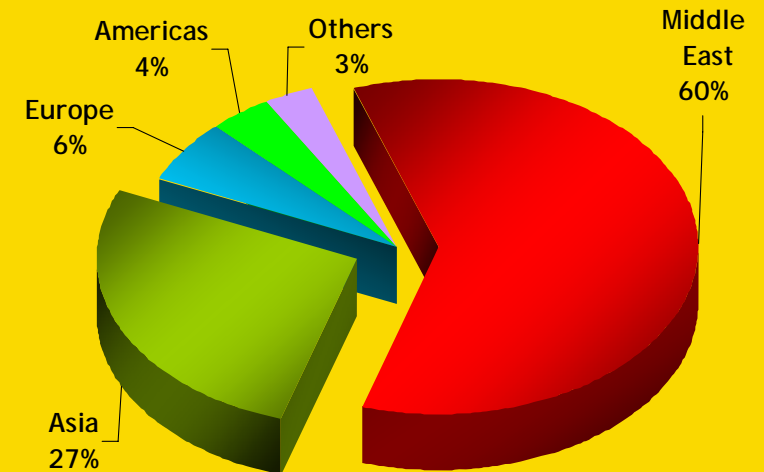
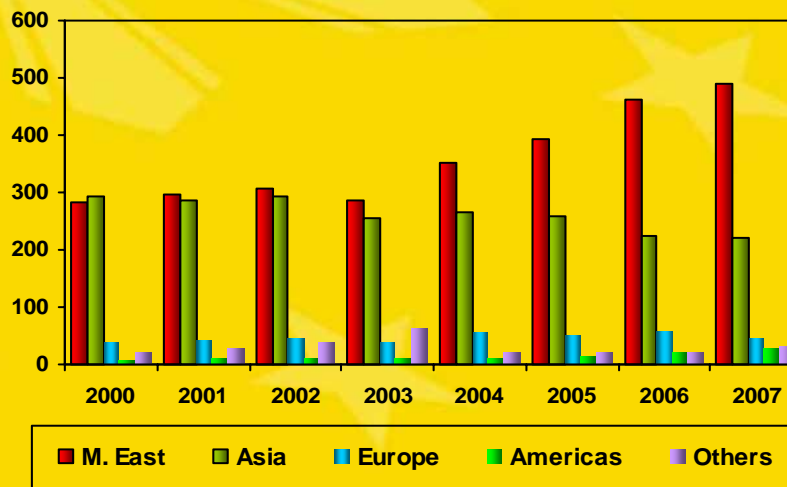


OFW DEPLOYMENT ^{1/} by Destination

- Asia and the Middle East are the top destination countries of deployed land-based workers.

2007

in thousand



Note: Flow data

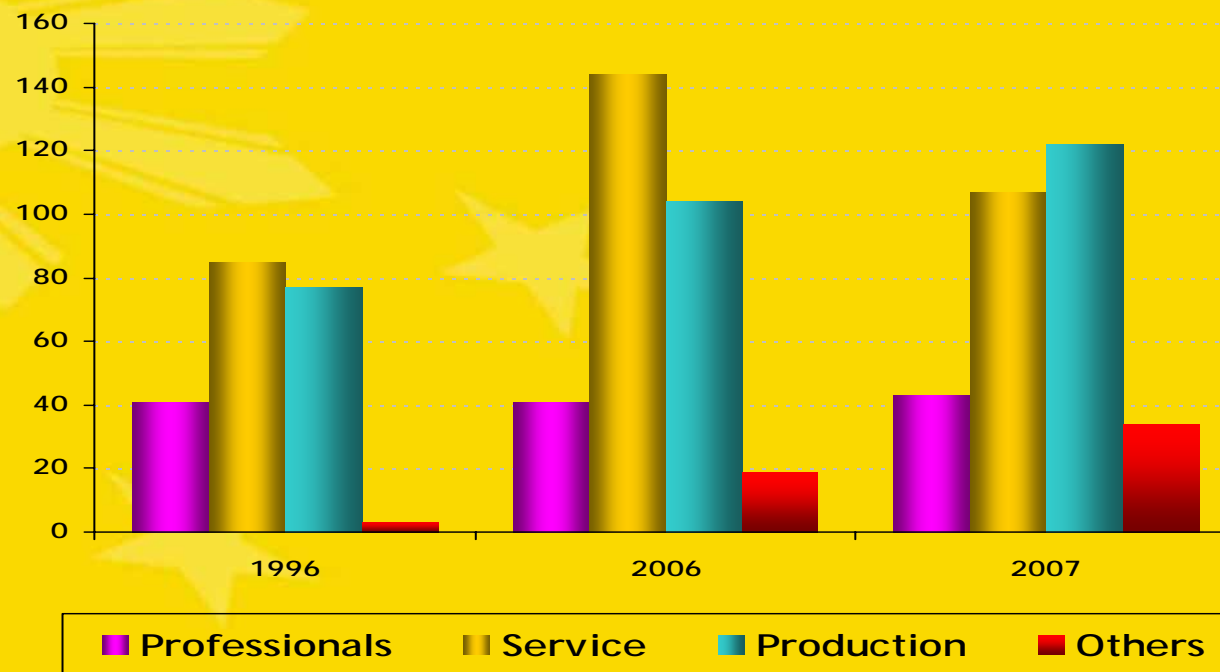
^{1/} Flow of OFWs during the year

Source: Philippine Overseas Employment Administration (POEA)



OFW DEPLOYMENT by Skill Category *

(in thousand)



* Flow data

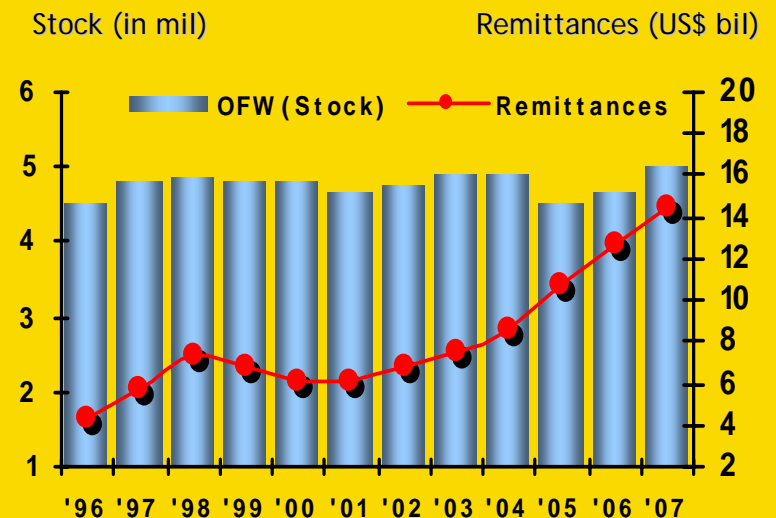
Source: Philippine Overseas Employment Administration (POEA)



- In 2007, remittances grew 13.2 percent to reach US\$14.5 billion.
- Robust inflows resulted from continued demand for OFWs and improved delivery of financial services.

	Levels (US\$ million)				Growth Rate (%)	
	2006	2007	Jan-Jul		2007	2008
			2007	2008		
Remittances	12,761	14,450	8,131	9,608	13.2	18.2
By Worker:						
Sea-based	1,949	2,236	1,283	1,844	14.7	43.8
Land-based	10,812	12,214	6,848	7,764	13.0	13.4
By Country:						
Asia	1,496	1,543	885	1013	3.1	14.5
Americas	7,198	8,244	4398	5443	14.5	23.8
Oceania	86	122	70	86	41.9	22.9
Europe	2,061	2,352	1416	1617	14.1	14.2
Mid East	1,909	2,172	1349	1439	13.8	6.7
Africa	10	16	12	9	60.0	-25.0
Others	1	1	1	1	0	0

Stock of OFW vs. Cash Remittances



Sources: Department of Economic Statistics, BSP
Commission on Filipino Overseas, DFA

* / Cash Remittances coursed through banks. Totals may not add up due to rounding
Source: BSP



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Value of OFW REMITTANCES

	Level (in US\$ Bil) ^{1/}	Growth Rate (%)	Remittances as % of:				
			GDP	XGS	FDI	GIR	DSB
2002	6.89	14.2	9.0	18.2	446.6	42.1	88.7
2003	7.58	10.1	9.5	19.6	1,543.4	44.4	95.3
2004	8.55	12.8	9.9	20.0	1,242.7	51.7	118.5
2005	10.69	25.0	10.8	23.9	576.5	57.8	142.2
2006	12.76	19.4	10.9	24.7	544.2	55.6	161.5
2007	14.45	13.2	10.0	25.0	493.5	42.8	202.0
2008	9.61 (J-Jul)	18.2	9.9 (J-Jun)	27.3 (J-Jun)	1,013.7 (J-Jun)	26.0 (J-Jul)	188.4 (J-May)

1/ Cash remittances coursed through the banks



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Measurement of Remittances



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International Practice

- Remittances are recorded in the country's Balance of Payments (BOP)
- Basis of recording transactions is the concept of residency
- Data reflected in the Current Account, specifically, Compensation of employees (Income Account) and Workers' remittances (Current Transfers Account)



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Philippine Practice

- The BSP is the agency responsible for the compilation and release of BOP statistics
- Compilation and monitoring is guided by the BPM5



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Concept of Residence

- Sea-based workers
 - Philippine residents regardless of the length of work contract because of the mobile nature of their work.
- Land-based workers
 - Performing artists - Philippine residents since they normally have 6-month employment contracts.
 - All land-based, excluding performing artists, are considered non-residents (normally have 2-year employment contracts).



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Estimation of Stock of OFWs

- Monthly updating based on a moving total:

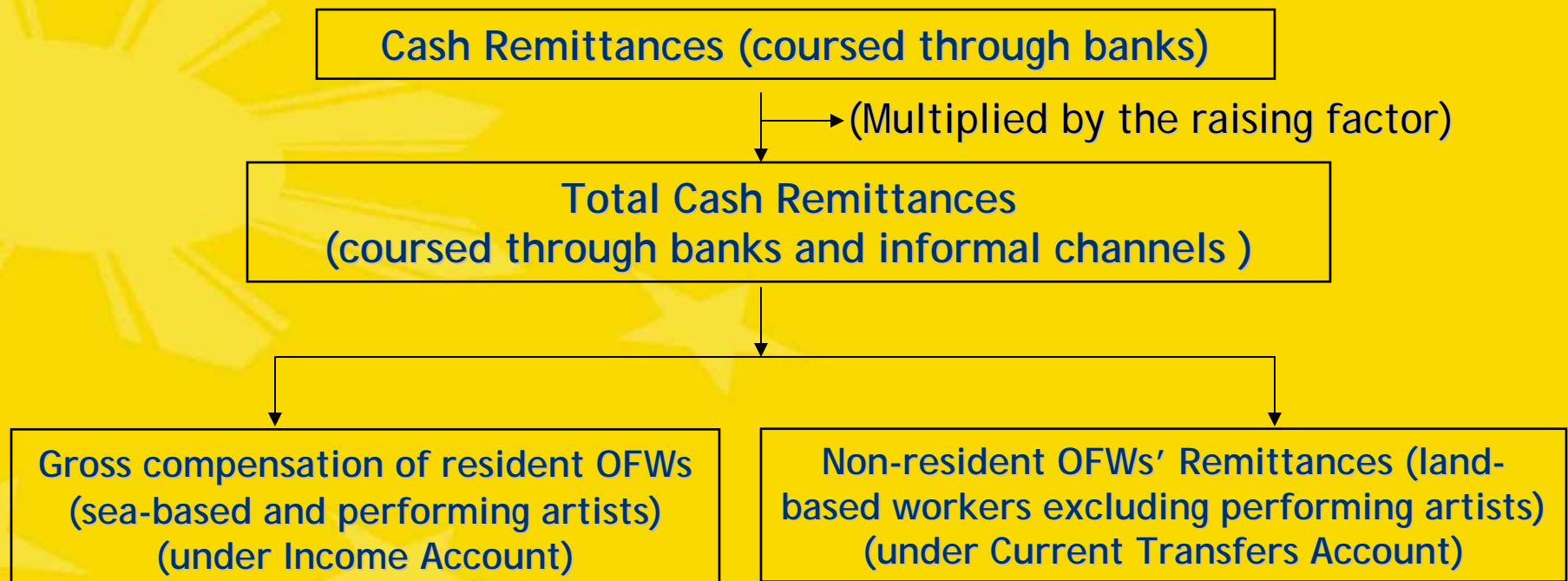
$$\text{Stock}_{t=1} = \text{Stock}_{t=0}$$

+ number of deployed $_{t=1}$

- number of workers with finished contract



Estimation of Remittances in the BOP





Compensation of Employees (Income Account)

- Seabased workers

$$CE_{\text{Sea-based}} = \text{Remittances} \div 0.80$$

(Contract requires remittance to beneficiary of 80% of basic salary)

- Performing Artists

$$\begin{aligned} CE_{\text{Performing Artists}} = & \\ & [\text{Stock of workers}_{t=0} \times \text{average salary per worker}_{t=0}] \\ & + \\ & [\text{no. of deployed}_{t=1} \times \text{average salary per worker}_{t=1}] \\ & - \\ & [\text{no. of workers with finished contract} \times \text{average salary} \\ & \text{per worker prevailing at time of their employment}] \end{aligned}$$



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Workers' Remittances

- Estimated as the residual of total remittances in cash
less: cash remittances of resident OFWs
plus: remittances in kind
- Remittances in kind are computed using the ratio
derived also from the results of the SOF.



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Statistical Issues

- Need to harmonize definition of residence for both BOP and PSNA.
- Present system of monitoring headcount of migrant workers has limitations:
 - Difficulty of monitoring those with no valid work documents/those counted as tourists upon departure.
 - Upward bias in headcount due to: mobility of workers in landlocked countries; returning workers with unexpired work contract not covered in estimation; and those frequently on vacation.
- SOF does not capture required sample intended mainly for OFWs.



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Future Direction

- Harmonize the definition of residence of OFWs in accordance with international standards
- Improve the stock and flow estimates of OFW
- Improve sampling design of the SOF



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Website: www.bsp.gov.ph

E-mail: bspmail@bsp.gov.ph