



17th International Input-Output Conference

TITLE: SPATIAL IMPACT OF OVERSEAS FILIPINO WORKERS' REMITTANCES ON THE PHILIPPINE ECONOMY

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COUNTRY: PHILIPPINES

KEYWORDS: SPATIAL IMPACT ; MODELING ; REMITTANCES ; COMPUTABLE GENERAL EQUILIBRIUM ;

PAPER CONFERENCE CODE: 243

FULL PAPER IN CD?: YES

ABSTRACT:

Remittance inflows from overseas Filipino workers have become the second largest source of foreign exchange for the Philippine economy. In view of this, the paper assesses the vulnerability of Philippine households to an exogenous shock which takes the form of a five percent decline in overseas Filipino workers' remittances. It utilizes a spatial computable general equilibrium model with a five region social accounting matrix as database . A three level production function is specified namely, Cobb Douglas between labor and capital to produce value-added; then Leontief between non-transport inputs and value-added to produce output net of transport, which is then combined with transport inputs at the third level, using again a Cobb-Douglas production function. Capital and labor income accrue to the households, which then goes to consumption and savings with a constant marginal propensity to consume. Overseas remittances enter as transfer payments to households . Consumption is divided among different commodities, using a Cobb-Douglas utility function. Final demand is then built up in a standard way. Results indicate that in absolute terms, Northern Luzon middle and low income household groups in Northern Philippines bear the highest percentage reductions in income. On the other hand , Mindanao households in Southern Philippines are the least vulnerable.