

Philippines: Worker remittances bounce back

Overseas Filipino Worker cash remittances jumped by 12.7% in April but the amount is still short of \$1.3 billion to cover the April trade deficit. This is keeping the Philippine peso (PHP) on the defensive



Source: Jun Acullador

12.7%

April overseas worker cash remittance growth

Rebound from -9.8% in March

Higher than expected

Despite the strong rebound of remittances, PHP will likely remain on the defensive

Overseas Filipino Worker (OFW) remittances bounced back from the 9.8% year on year drop in March. Remittances amounted to \$2.3 billion, which is 12.7% higher from a year ago. Base effects partly explain the strong rebound.

- Remittances from the US were 12% higher YoY from a drop of 4.7% in March and 1.1% in April 2017.
- Remittances from Asia also recovered with a 21% YoY increase, as remittances from Japan and Singapore bounced back from YoY drops in March (Singapore saw a 26% drop in April 2017).
- Remittances from Europe rose 14% following a 9% drop in March and a 6% drop in April 2017.

These three major hosts account for 69% of total remittances for April and posted growth of 15%, bouncing back from a 3% drop in April 2017 and a 5% drop in March.

- Remittances from the Middle East were 6.6% higher from a year ago, bouncing back from a 13% drop in April 2017 and a 23% drop in March.

The 4M cash remittances amount to \$9.4 billion, 3.5% higher YoY. These cash remittances fall short in financing the April trade deficit of \$3.6 billion and the 4M trade deficit of \$12.2 billion. We expect this shortfall to continue to be the norm, which is the underlying weak fundamental for the Philippine peso. We expect this shortfall to reach \$16 billion this year from last year's shortfall of \$13 billion. Outsourcing revenues have to grow faster, and together with capital flows will moderate PHP's weakening tendency. Without monetary policy support, PHP could fall to a fresh 12-year low.