

Philippines: May remittances up 13.1% on favourable base

Overseas Filipino (OF) remittances rose 13.1% in May largely due to base effects



Source: Jun Acullador

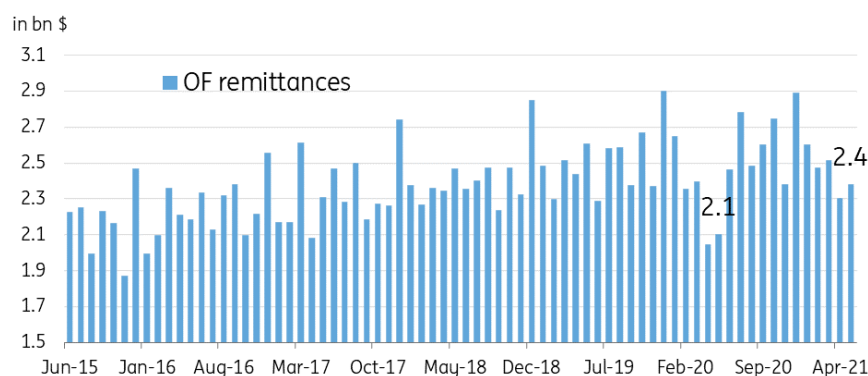
\$2.38bn May remittance total

Base effects inflate remittance growth

Overseas Filipinos (OF) sent home \$2.38bn worth of funds in May, bringing the year-to-date haul to \$12.28bn. Remittances grew 13.1%, aided by a favourable base as May 2020 saw remittances plunge by almost 20% amid the global economic shutdown at the start of the pandemic. With world economies gradually reopening in 2021, we've noted a decent pickup in remittance flows, however actual remittance levels have yet to return to pre-Covid 19 levels. For the year, remittances are up 6.3% and we can expect the pace of expansion to continue, albeit with a slight deceleration as base effects fade before year end. The inflow of remittances will help augment domestic incomes strained by the pandemic with purchasing power likely to get an

added boost from the now depreciating currency.

Philippine remittance flows just not what they used to be



Source: Bangko Sentral ng Pilipinas

Remittances to offset PHP weakness but not likely to reverse the trend

The steady stream of foreign currency sent home by migrant Filipino workers will help offset some weakness in the peso, however remittances alone are not likely to reverse the currency's recent swoon. With the trade gap swelling past remittance levels and with financial outflows accelerating due to the general risk-off tone, we do expect PHP to remain pressured in the near term. The recent downward revision to the Philippine outlook by Fitch will only work to accelerate the pace of foreign investor outflows until sentiment finally turns. With Bangko Sentral ng Pilipinas (BSP) downplaying possible policy adjustments, the PHP could be on the backfoot until the Bureau of the Treasury opts to offload the proceeds from its recent dollar bond issuance.