

Philippines remittances plunge in March. Is it a one-off?

Overseas Filipino worker remittances dropped 9.8% to \$2.36bn in March due to fewer banking days and high base effects. Weak remittances are keeping the Philippine peso (PHP) on the defensive



Source: Shutterstock

-9.8%

March overseas worker remittance YoY change

Recovery possible in April

Worse than expected

Remittances across major regions were down YoY in March and reinforce the norm that underscores the bias for peso weakness

Overseas Filipino worker remittances fell -9.8% YoY in March as remittances in major host regions were down. Remittances from Asia, Oceania, Americas, Europe and the Middle East were -3%, -19%, -2.3%, -9.4% and -23.1% YoY, respectively. The central bank pointed to fewer banking days

due to the Holy Week commemoration. This implies that April should show a good rebound since Holy Week in 2017 was in April. Base effects may have also contributed to the weak March inflows since March 2017 posted an almost 11% YoY increase. This could explain the drop in remittances from Asia, the Americas, Oceania and Europe. But there is also a sustained weakness of remittances in the Middle East. Remittances from Saudi Arabia, Qatar, and Kuwait posted two straight months of YoY drops while UAE posted a drop only in March. We expect remittances to exhibit some resilience in April. However, PHP was relatively weak in March and traded as weak at PHP52.39 and closed at PHP52.16. We had expected that remittances would more than cover the March trade deficit by \$100m. Instead remittances in March were \$248m short to cover the trade gap. The shortfall of remittances is the norm and contributes to the underlying weakness of PHP. The recent bout of PHP weakness is a combination of this shortfall, low emerging market risk appetite, the market's dovish take of the central bank's policy rate hike and higher oil prices.