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Philippines: Overseas remittance growth normalises in February

Remittance growth slowed in February due to a 10% drop from the Middle East. This bodes ill for the Philippine peso

Source: Shutterstock

4.5%

Lower than expected

February overseas worker remittance growth

Normalises from 9.7% pace In January

Middle East remittances drop

Remittances from the Middle East dropped by 10% year-on-year in February as a deployment ban to Kuwait resulted in a 45% YoY decrease (from January's increase of 19%) while Saudization (a policy intended to boost hiring of Saudi nationals in the private sector) also resulted in a 17.5% drop of remittances from Saudi Arabia. The drop in remittances from Kuwait was more than offset by the surge of remittances from Qatar in January, at a growth rate of 15% but February remittances dropped 3.7% YoY.

Normal growth of remittances does not augur well for the Philippine peso

Regions where growth has recovered showed strong remittance growth.

- Remittances from Asia were 17% higher in February after a 15% increase In January.
- Remittances from the US, which accounts for 31% of total remittances, accelerated to a 12.8% annual increase from January's 9.2%.
- Remittances from Europe sustained an almost 15% YoY growth in February with remittances from mainland Europe growing at a double-digit rate while remittances from the UK were barely above flat.

The central bank expects 2018 remittance growth of 4%. We are slightly more optimistic with a forecast of 4.5%. The normalisation of remittance growth does not augur well for the Philippine peso as remittances would fall short in financing a wider trade gap. This underfunding is now the norm. We estimate that this shortfall could be as large as $5.4bn this year from 2017's $1.6bn.