

Philippines: Overseas remittances rise but is it enough?

Overseas Filipino Worker cash remittances moderated in May to \$2.47 billion, a 6.9% year on year increase but \$1.2 billion short of the amount needed to cover the May trade deficit



Source: Jun Acullador

6.9%

May overseas worker remittance growth

Growth starting to normalise

Higher than expected

The narrative for a weak PHP tendency has not changed despite good remittance growth

Overseas Filipino worker (OFW) remittances rose 6.9% in May but slowed from the 12.7% rebound in April. The average monthly growth rate for the five months is back to 4.2% which is in line with the more normal pace of 4% to 5% growth. Remittances from the US, Asia and Europe continue to fuel the growth. Remittances from the US representing 33% of total remittances were 7.9% higher

YoY in May and averaged a monthly growth rate of 6.2% for the first five months of the year. Asian remittances were up 35% YoY and account for 22% of total remittances for May. For the first five months, remittances from Asia posted an average growth of 16%. Remittances from Europe (which account for 15% of the total in May) increased by 17.2% YoY and by 10% for the five-month period. Middle-East remittances remain weak, posting a YoY contraction of 16.3% in May and 12% for the period. Despite the upside surprise in April and May, the monthly remittances remain inadequate to finance the monthly trade deficit. The shortfall of remittances to finance the May trade deficit amounted to \$1.2 billion. The shortfall for the five months is \$3.9 billion, a turnaround from the excess of \$1.2 billion in the first five months of 2017. This shortfall would likely continue and would keep the Philippine peso on the defensive.