

## Philippines: Overseas remittances rebound in July

July Overseas Filipino Workers' cash remittances rebounded from June's 4.5% drop to a 5.2% year-on-year increase in July. But remittances are not enough to cover the trade deficit and that's driving the Philippine peso lower



Source: Jun Acullador

5.2%

July Overseas Worker remittance growth

Rebound still does not cover the wider trade deficit

As expected

### Weak PHP trend hasn't changed despite remittance rebound

Overseas Filipino worker (OFW) remittances recovered with 5.2% YoY growth in August from a drop of 4.5% in June. The 7-month 2018 average growth of 3% is below our 4-4.5% 2018 growth forecast.

- Remittances from the US, Asia and Europe continue to fuel the growth.
- Remittances from the US- accounting for 35% of total remittances in July- were 5.9% higher YoY and averaged a monthly growth rate of 6.3% for the first seven months of the year.
- Asian remittances were up 15.9% YoY and account for 21% of total remittances for the month. The 7-month growth of remittances from Asia was 15% on average.
- Remittances from Europe, including the UK (which account for 15% of the total in July), increased by 12.5% YoY and by 10% for the seven month period.
- Middle-East remittances continued to disappoint with an almost 14% YoY drop and 12.6% decline for the period.

Monthly remittances remain inadequate to finance the monthly trade deficit. This shortfall in July amounted to \$1.1 billion. For the seven months, it was \$5.9 billion, a reversal of the \$3 billion excess in 2017. This shortfall will continue and should keep the peso on a defensive bias.

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