

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

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.

