

## Philippines: Remittances revert to contraction in August

Pent-up remittance flows fade while the number of overseas Filipinos declines after widespread repatriation



Source: Shutterstock

**-4.1%** August OF remittance change

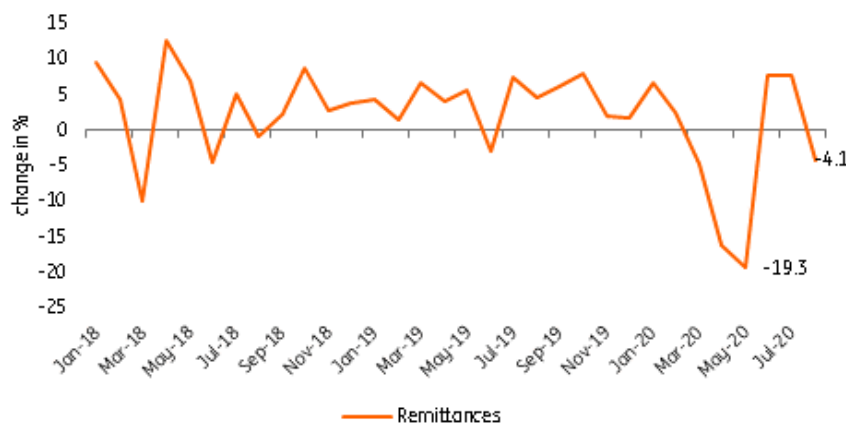
Worse than expected

### August remittances back in contraction

The Philippine remittance bounce finally gave way with inbound dollar flows reverting to contraction in August, moving against market expectations to fall by 4.1%. For the two months prior, overseas Filipinos (OFs) managed to send home much-needed funds post-lockdowns in their jurisdictions, helping bolster remittances back into expansion for June and July. Meanwhile, large-scale repatriation of OFs also led to foreign-based Filipinos sending home lifetime savings via formal channels prior to their return to the Philippines. By August, pent-up flows finally faded with

Filipinos facing challenging labour markets abroad while the stock of OFs declined significantly, resulting in the contraction.

## Overseas Filipino remittance growth



Source: Bangko Sentral ng Pilipinas

## GDP recovery prospects weighed down by remittance outlook

In the coming months, we expect remittance flows to see directional trading but end the year down by 5-10% with OFs abroad still facing challenging labour markets in their jurisdictions (Covid-19 cases are on the rise in Europe and the US) while the stock of OFs abroad falls by roughly 300,000 after the wide-scale repatriations. The loss of remittance support to household consumption will likely be felt well into 2021, weighing on prospects for a quick economic recovery. Meanwhile, the PHP may finally come under some pressure by 1H 2021 with import demand expected to bounce at a time wherein structural flows from remittances and business processing services remain fragile.