

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

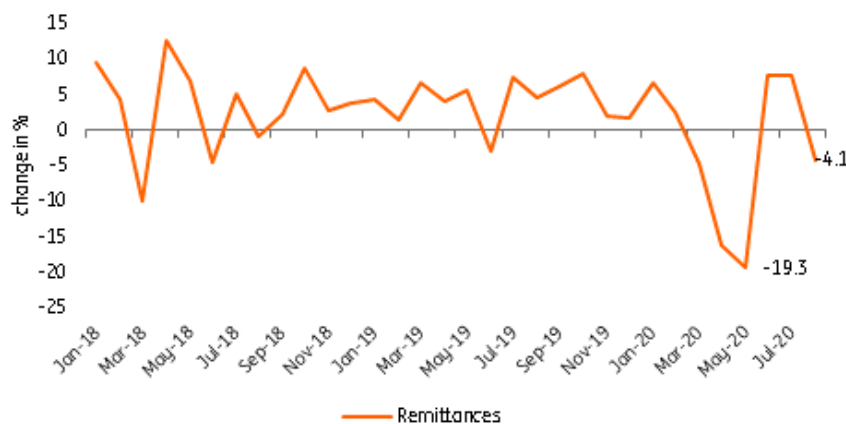
Worse than expected

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.