

Philippines: Remittances surprise again, up 7.8% in July

Filipinos based abroad sent home more remittances in July as lockdowns were eased in host countries



Source: Shutterstock

7.8% July OF remittance growth

Higher than expected

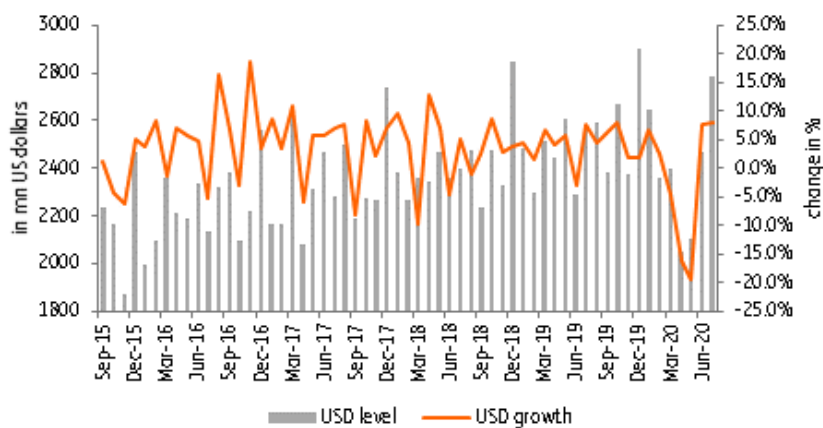
July remittances post surprise 7.8% increase

Overseas Filipinos (OFs) defied expectations for a second month with remittances sent home from abroad rising by 7.8% in July. Most analysts had expected remittance flows to contract given challenging labour market conditions in host countries and given the fact that more than 170,000 OFs have returned to the Philippines over the course of the past few months. OFs sent total of \$2.78 bn worth of remittances back to the Philippines, bringing the year-to-date haul to \$16.8 bn, down 2.4% from the same period ago.

Lockdowns lifted and broad Dollar weakness

The surprise jump in remittances may be traced to the lifting of strict lockdowns in host countries, which allowed OFs to return to work and remit funds after being trapped in their homes for an extended period of time. In terms of type of OF, sea-based OF remittances (22% of total) fell by 9.2% with freight and cruise liners not likely operating at pre-pandemic levels but land-based workers compensated by sending home 12.6% in July. One other reason for the 7.8% increase in remittances could be traced to exchange rate nuances with the US dollar retreating significantly against global currencies, inflating remittances sent home in EUR and JPY in dollar terms.

Philippines overseas Filipino remittances



Source: BSP

Trend or no trend?

The gain in July remittances marks the second month of gain for a sector that was expected to struggle given the pandemic. We continue to pencil in a return to weakness or at best a moderating in the growth posted in the past 2 months as job market challenges and layoffs make it difficult for OFs to send home more funds in the coming months. Despite the projected weakness in remittance growth, PHP should remain well-supported as the current account remains in surplus due to the freefall in imports. Should remittance growth continue to surprise on the upside, we expect only modest appreciation pressure as BSP will likely take the opportunity to build up its gross international reserves past the \$100 bn mark.