

Snap | 15 April 2021

Philippines: Remittances surprise on the upside, provide additional support for PHP

Overseas Filipino (OF) remittances rise 5.1% as support for the domestic economy wanes



Source: Jun Acullador

5.1% growth of Overseas Filipino cash remittances

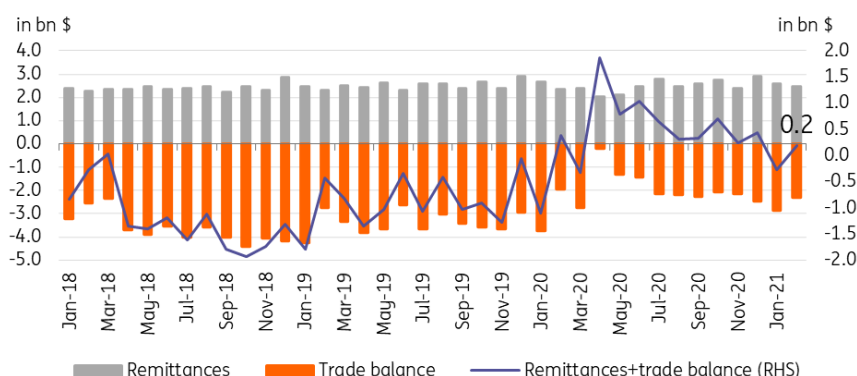
Better than expected

Remittances up 5.1% in February

Overseas Filipino (OF) remittances grew by 5.1%, besting market expectations for a 2.0% gain as economies of host countries continued to reopen and sea-based Filipinos benefited from a pickup in global trade. For the year, currency inflows hit \$5.08 bn, up 1.5% compared to the first two months of 2020 and we can expect remittance flows to remain positive in the coming months. Upside gains for remittances however may be limited given the substantial drawdown in the stock

of OFs due to repatriation and the recent shutdowns experienced around the world.

Philippines remittances and trade balance



Source: Philippine Statistics Authority and Bangko Sentral ng Pilipinas

PHP to be supported by remittance flows but boost to economy fades

Expectations for modest positive growth for OF remittances will continue to be supportive of the Peso in the near term, especially with the economic recession weighing on corporate demand for the dollar. With firms and households cutting back on expansion plans, inbound shipments of capital goods and durables have been less stellar than prior to the pandemic, helping the Philippines post a current account surplus in 2020. In 2021, we expect remittance flows to adequately cover the more modest trade deficit, a development that should help lend appreciation pressure to the PHP in the near term. However, despite the boost to the currency, the impact of remittances on domestic consumption will likely be muted with the PHP-equivalent of remittances actually down 3.6% for the year.