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Snap

Philippines: Overseas remittances surprise

Overseas Filipino workers' remittances surged 9.7% year-on-year in January to \$2.4 billion. But this does little to reverse the peso's weaker bias

9.7%

January overseas worker remittance growth

Strong remittance growth from US, Canada, Singapore and UAE

Higher than expected

Strong remittance growth is unlikely to change the peso's bias towards weakness

BSP, the Philippine central bank, reported that the 9.7% YoY increase in cash remittances came from host economies with favourable economic activity. The US, Canada, Singapore, and the UAE posted significant increases. Remittances from the US increased 14.3% YoY and accounted for 4.6ppt of the overall growth. BSP also reported that remittances from Canada, Singapore and the UAE were responsible for another 4.6ppt of overall growth. Remittances from Europe are likely to recover this year as economies within the bloc continue to expand. Despite strong remittance growth in January, the amount still fell short of financing the trade deficit. The shortfall amounted to \$938m. The three-month moving average shows a deterioration from September's excess of \$94m to December's shortfall of \$1.1bn and January's 3-month moving average shortfall of \$1.2bn. We expect the shortfall to increase this year by at least \$5.5bn from around \$2bn in 2017. The underlying weak current account will continue to pressure the Philippine peso unless significant foreign direct investment- similar to last year's \$10bn inflow- is repeated this year.

