

Snap | 9 September 2021

PHILIPPINES

Philippine trade deficit approaches pre-Covid level

Philippine trade numbers reflect economic reopening but the widening trade deficit suggests sustained PHP weakness



Source: Shutterstock

\$3.3 bn Philippine July trade deficit

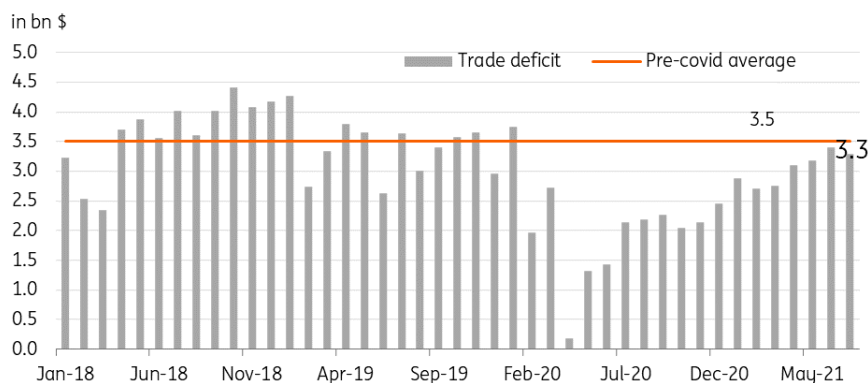
Worse than expected

Trade deficit approaches pre-Covid levels

Philippine trade numbers reflect the gradual reopening of the economy although the YoY figures may have been bloated due to base effects. Both exports and imports posted strong YoY gains, up 12.7% and 24% respectively with overall economic activity improving compared to 2020 levels. Inbound shipments outpaced export growth due in part to increased volume of fuel and as crude oil prices rose over the last year. Meanwhile, the overall trade balance approached pre-Covid levels and widened further to \$3.3 bn in July.

We can expect a pullback in trade activity for the August report after Philippine authorities reimposed tighter lockdown measures during the month. Nonetheless, we forecast import growth to continue to outperform the export sector with the trade deficit likely staying elevated for the balance of the year.

Philippine trade deficit



Source: Philippine Statistics Authority

Widening trade gap to usher in current account woes

We had previously flagged the likely [return of current account deficit](#) for the Philippines this year and today's trade report solidifies this expectation. As the trade gap approaches pre-Covid levels, we forecast the country's current account to reverse into deficit as well. Current account deficits coupled with possible portfolio outflows in the coming months due to the Fed taper translates to more pressure on the local currency. With BSP signalling it would refrain from hiking policy rates this year, it looks like PHP will remain on the backfoot to close out 2021.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for

THINK economic and financial analysis

any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.