Philippines: Exports and Imports rise sharply but trade deficit remains manageable

Base effects bloat Philippine trade data

Source: Shutterstock

-$2.7 bn Philippine April trade balance

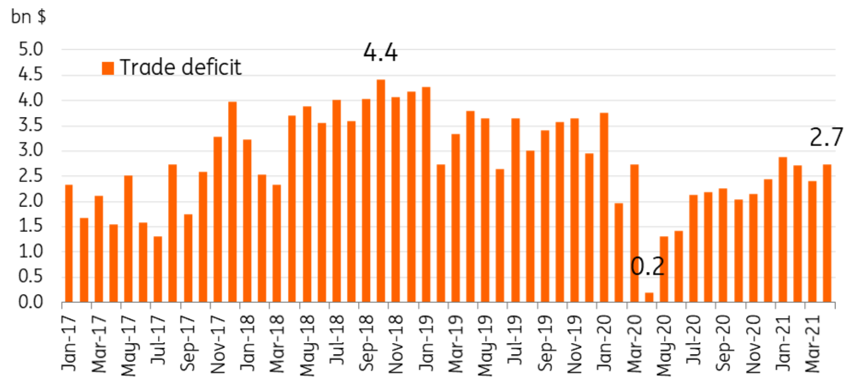
Lower than expected

Exports jump 72.1% while imports surge 140.9%

April's trade data showed substantial year over year gains, with base effects helping to bloat growth for both exports and imports due to the stringent lockdowns imposed in April 2020. Exports jumped 72.1%YoY with the electronics sector expanding by 62.6%, while exports of ignition wiring sets posted a 1,237.6% gain as regional manufacturing operations returned.

Imports were up a whopping 140.9% compared to the 63% decline posted in April last year. Imports were up across all sub-sectors with capital goods, raw materials, fuel and consumer imports all posting triple-digit gains. Fuel imports showed a 387.9% increase from April last year as more expensive crude oil prices (+237% increase) on top of base effects helped lift the increase for this sub-sector. Looking past the base effect-induced growth, the trade balance settled at a $2.7 bn deficit suggesting that the current account surplus enjoyed last year may diminish significantly and move closer to a deficit by year-end.

Philippine trade deficit wider but not like it used to be



Source: Philippine Statistics Authority

Could have been faster

Despite posting headline-grabbing year-on-year growth, both imports and exports were actually down for the month in dollar terms as the authorities reinstated tighter restrictions to quell a surge in Covid-19 infections in March. Tighter lockdowns in April weighed on overall economic activity, highlighted by contracting manufacturing (PMI at 49.0 from 52.2) and rising unemployment (8.7% from 7.1%). April trade data suggests that lockdowns hindered both inbound and outbound shipments as well and we can expect a sustained pickup for both exports and imports in the near term as mobility curbs are relaxed.

We expect exports and imports to continue to expand sharply in the coming months as the economy reopens, although the trade balance will likely remain at manageable levels of roughly -$3.0 bn with capital-intensive imports not likely to pick up all that much given the still-subdued investment appetite. With the trade deficit close to $3bn, we expect the PHL to post only a modest current account surplus although a slip back into deficit territory may be a possibility if corporate demand for the dollar accelerates. In the near term, the PHP may still enjoy an appreciation bias with the trade deficit at a $2.7 bn level. But the window for further appreciation may be closing soon as the authorities manoeuvre to reopen the economy further.

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