

Philippines: Exports and imports slide to close out 2020

Philippine trade data highlighted both a fragile global recovery and the ongoing struggles of the domestic economy



Source: Shutterstock

\$2.1bn December trade deficit

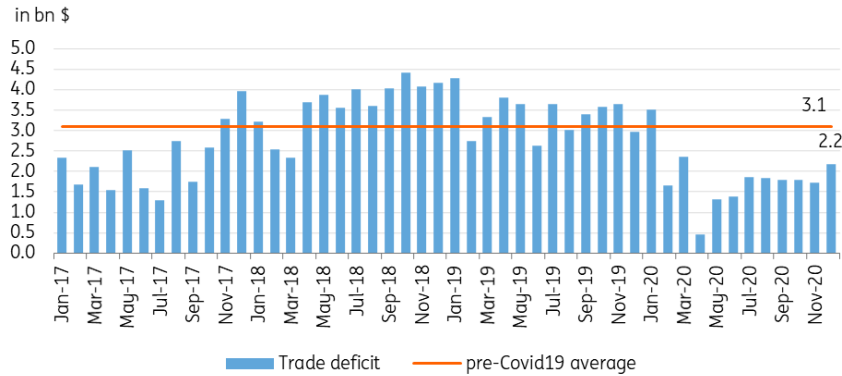
Worse than expected

Both exports and imports down in December

Philippine December trade data showed exports down slightly by 0.2% while imports declined by 9.1% to close out the year. Exports were expected to post an expansion but outbound shipments to major trading partner China faltered in December, weighing on the entire sector. The mainstay electronics sector was a bright spot, up 4.9% but agri-based exports fell a notable 46.8%, likely due to the impact of severe typhoons that hit the country in November 2020. Meanwhile, imports remained in the red for the 20th consecutive month with capital imports and fuel imports the main

reasons for the contraction. Of note, however, was the surprise gain in consumer imports, eking out a 1.5% increase for the month which could give an indication of some resumption of economic activity as select lockdown measures continue to be relaxed.

Philippine trade deficit



Source: Philippine Statistics Authority

Trends likely to continue in 2021

Trade trends will likely continue going into 2021 with a fragile global recovery expected to limit particular gains for the export sector while downbeat economic prospects will likely translate to subdued import demand as both firms and households limit investment activity. The net effect of these trends will mean that the 2021 trade deficit remains below the pre-Covid-19 level of \$3.1bn, which in turn would be supportive of PHP as corporate demand for the dollar remains soft. Meanwhile, the slight widening of the trade deficit will be a negative for the 4Q 2020 GDP figure, which is due out on Thursday. ING is expecting 4Q GDP to contract by 10.4%, bringing the 2020 full-year decline to 10%.