

Philippines: Exports post another strong month of growth while imports contract

Electronic exports sustain gains while imports contract after energy prices moderate



Source: Shutterstock

-1.9%

Import growth

1st contraction in 21 months

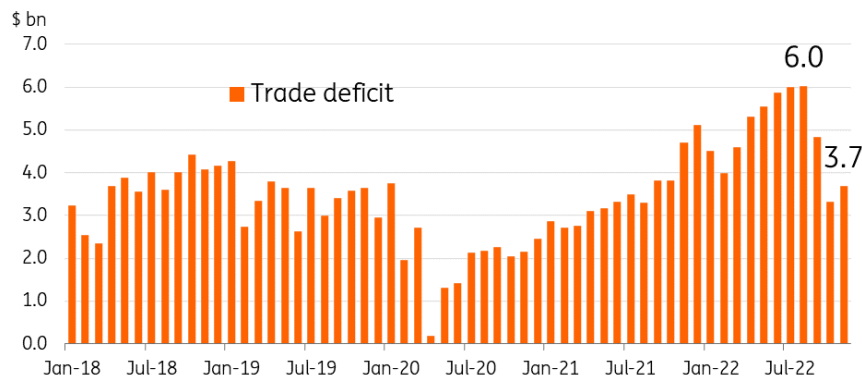
Lower than expected

Exports up 13.2%

November trade data showed exports posting another strong month (up 13.2% YoY), lifted by mainstay electronics shipments which rose by 22.9% YoY. Electronics exports managed to gain sharply, despite projections of slowing global demand. Imports on the other hand fell into contraction for the first time in 21 months, after global energy prices moderated from their highs in 2022.

Imports of both capital goods and raw materials fell, suggesting that investment momentum may be slowing in response to rapid-fire rate hikes carried out by the central bank last year. Overall, the trade balance remained in deficit at \$3.69bn, a sizable improvement on the \$6bn recorded in August 2022 and better than expectations of a \$4.1bn deficit.

Trade gap woes abate as exports outperform



Source: Philippine Statistics Authority

Current account deficit to keep PHP gains in check

Despite the improvement in the November trade shortfall, the current account is expected to remain in deficit. The stark widening of the current account deficit was one of main factors for the Peso’s struggles in 2022. With the current account deficit expected to improve this year, the PHP could see less depreciation pressure in the coming months. However, with the trade deficit expected to remain, we believe that the Peso’s appreciation may be capped to some extent.

The PHP may enjoy some appreciation momentum in the near term on the improving balance of trade. A potential quick drop in exports later in the year due to softer global demand for electronics could spell some renewed depreciation pressure on the currency.