Philippines: Exports post surprise gain but imports maintain downtrend

The trade deficit narrowed for another month as imports remain in freefall

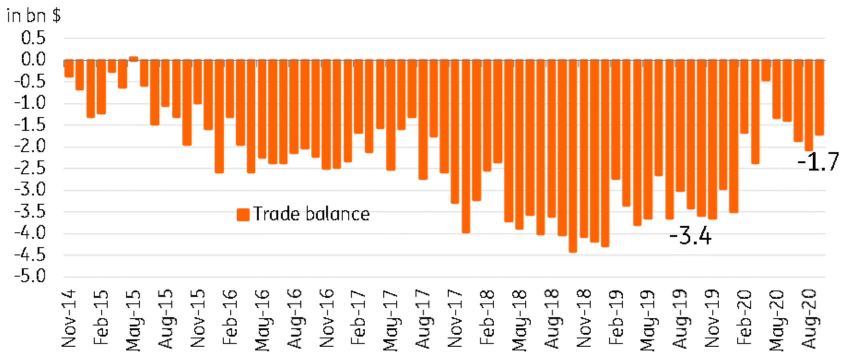
Source: Shutterstock

-$1.7 bn September trade balance

September trade balance at US$1.7bn

September trade data showed a surprise gain in exports, posting a 2.2% gain with mainstay electronic products up 0.8% and coconut oil exports rising sharply (32.2%). Exports to China helped the sector post an expansion with outbound shipments up an impressive 43.3% as China's economy opens up after getting control of the virus. Meanwhile, imports maintained their downtrend by falling 16.5% with almost all subsectors posting declines. The steepest falls were recorded in fuel (51.4%), capital goods (17.0%) and consumer goods (13.8%), showing a broad-based downturn in economic activity as the Philippines remains mired in a recession. The freefall in imports coupled with the surprise gain in exports yielded a narrower trade deficit of US$1.7bn, roughly half of the gap recorded in the same month in 2019.

Philippines trade balance



Source: PSA

Narrowing trade gap positive for PHP but not for GDP

The Philippine trade deficit continues to tighten given stark import compression, driven by a broad-based decline in economic activity. The sharp contraction in the trade deficit has helped the current account swing back into surplus, which remains a positive for PHP in the near term. However, the sustained downturn in imports of raw materials and capital goods points to a continued deterioration in productive capacity and potential output, which does not bode well for prospects for the economic recovery. We expect PHP to remain supported to close out the year and the change in net exports to be the lone bright spot for the 3Q GDP release later in the week.