

## Philippines: Exports surge but 2020 likely a different story

The Philippines recorded a substantial pickup in export growth in December ahead of the US-China phase one deal, causing the trade gap to narrow to \$2.48 billion



Source: Shutterstock

**-\$2.48 bn** December trade balance

Better than expected

### Exports zoom 21.4% while imports still contract

Outbound shipments of Philippine goods jumped 21.4% on base effects (December 2018 -12.3%) and as new orders picked up ahead of the US-China phase one deal early this year. Meanwhile, imports contracted for a ninth straight month, as inbound shipments of raw materials (-19.9%) and capital goods (-2.2%) remained subdued, reflecting the poor investment momentum in the GDP accounts. The jump in exports, coupled with the continued pullback in imports, yielded a

narrower trade gap of -\$2.48 bn (consensus at -\$3.85 bn) reflecting less dollar demand at the end of 2019, which may have helped the peso to end the year on a high note. The trade deficit narrowed from \$43.53 bn in 2018 to \$37.05 bn in 2019, translating to a 14.9% contraction.

## 2020 likely a different story

Exports managed to post growth of 1.5% in 2019 despite a more challenging global landscape as trade tensions between the US and China heated up. The new year however presents a different and possibly even more trying scenario given the imminent economic slowdown of China, one of the top export destinations and a major source of imports. Given China's prominence in the global supply chain, we can expect external trade to hit a snag with global growth expected to decelerate in the coming months. We expect export growth to possibly slip back into contraction while import demand will likely rebound as the government jump starts infrastructure programmes, and as private investment momentum regains its footing.

For 2020, we expect the peso to face depreciation pressure with export growth forecast to slow while imports should post a modest rebound from the 4.8% contraction in 2019. Meanwhile, the likely weakness in demand for Philippine exports will be reflected in lacklustre manufacturing activity in the Philippines which should dent economic growth momentum in the Philippines further.