

Philippines: Imports expand after long slump but trade deficit stays modest

Philippine imports post first expansion in 21 months but this isn't a clear-cut sign of recovery just yet



Source: Jun Acullador

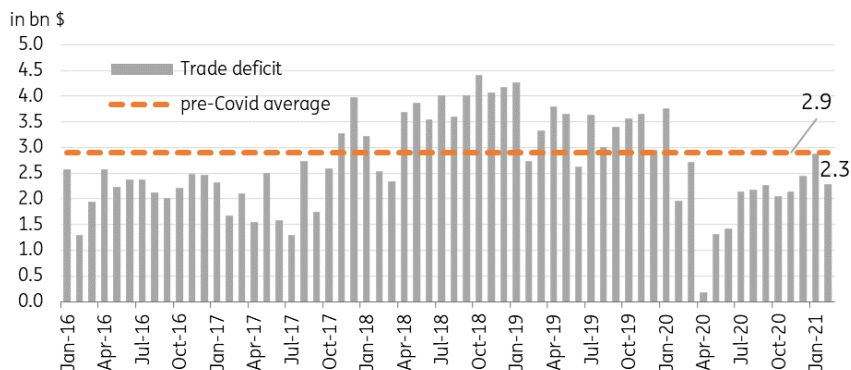
-\$2.3 bn Trade balance

Exports unexpectedly slip but imports rebound after long slump

Philippine February trade data showed exports slip unexpectedly while imports managed to expand for the first time in 21 months. Exports dipped 2.3%YoY (vs +2.7% expectation) with meagre gains in the mainstay semiconductor sector (0.4%) unable to offset the 5.5% contraction for the rest of the export sector with shipments to ASEAN partners down for the month. Meanwhile, imports finally grew after an almost 2-year slump with most sectors expanding, led by raw materials imports (6.4%), capital goods (5.7%) and consumer imports (3.9%). The 2.7%YoY rebound in imports, however, might be more a result of base effects rather than a true recovery for the sector with the economy still stuck in recession amidst an ongoing 12-month lockdown

with daily Covid-19 infections spiking in March. With exports down and imports expanding, the trade deficit remained modest at \$2.3 bn, well below the pre-Covid 19 average of \$2.9bn which has lent some support to the PHP since 2020.

Philippine trade deficit



Source: Philippine Statistics Authority

Imports to sustain expansion but trade deficit to stay modest

Inbound shipments of goods and services will continue to expand in the coming months, benefiting from a favorable base and with manufacturers replenishing depleted inventories. But although we've seen growth in raw materials and capital goods, overall investment activity in the Philippines remains soft with corporates and households postponing expansion activities until the economic outlook improves. Meanwhile, exports may face some challenges in the near term with global trade expected to take a hit after select countries reinstate lockdowns to deal with spiking Covid-19 cases in their areas. Despite these trends, we expect the trade deficit to remain modest compared to pre-Covid-19 averages which should translate to a current account surplus and near-term support for the Peso.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.