Philippines: November trade deficit balloons to record

Philippine trade deficit hit a new record as the economy gradually reopens

Source: Jun Acullador

$4.7bn November trade deficit

Worse than expected

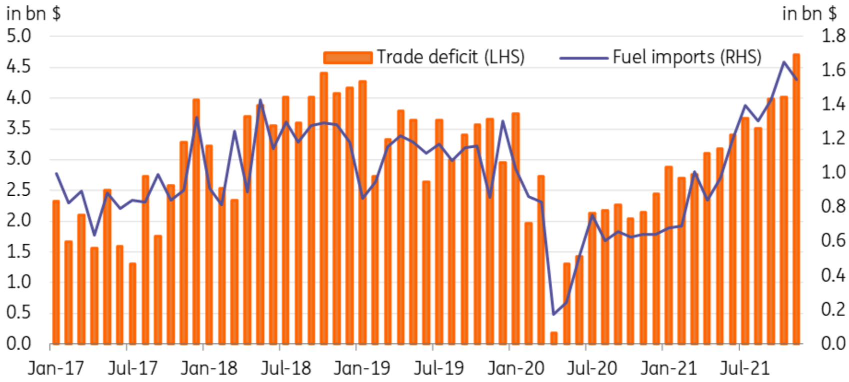
Trade deficit widens to record $4.7bn

November trade data showed both exports and imports rising although the key metric in this release was for inbound shipments (imports) growth, which accelerated to 36.8%YoY. This surge in imports was much greater than anticipated (28.2% forecast) and was enough to push the overall trade balance deep into deficit territory. The November trade gap hit a record -$4.7bn with strong growth recorded in almost all import subcategories. The Philippine economy continues to gradually reopen although new waves of Covid-19 could threaten to delay some of the recent progress. Meanwhile, exports gained 6.6%, driven in large part by the 5.6% growth of electronics exports, which comprises more than 50% of total exports.

Bloated fuel costs help push record high deficit

Although imports rose across the board, one of the major factors for the stark widening of the trade gap was higher fuel imports. Costlier imported crude oil translated to overall fuel imports rising sharply, which in turn helped bloat the trade deficit to its current record high. With global crude oil prices staying elevated at the start of this year, the Philippines could continue to experience large trade deficits in the near term

Philippine trade deficit hits record wide



Source: Philippine Statistics Authority

Trade deficit to keep current account in negative territory

A ballooning trade gap pushed the Philippine current account balance back into negative territory in 2021 and we expect this trend to continue going into 2022. Despite the recent tightening of restrictions implemented to start the year due to the Omicron variant, economic reopening will likely be sustained as the authorities look for creative ways to keep the economy up and running during periods of heightened mobility curbs. With the current account expected to remain in deficit territory, pressure on the PHP to weaken should persist in 2022 although other factors such as the looming Fed rate hikes will likely play a major role in the currency's trajectory this year.