Philippines: October balance of payments remains positive

The Philippines continues to rebuild its reserves after posting yet another BoP surplus

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$5.73bn

Year-to-date Balance of Payments surplus

October surplus at $163 million

The amount of dollar inflows outweighed outflows for a ninth month this year with the balance of payments (BoP) posting a surplus of $163 million for October. This reflects the positive inflow posted in October for portfolio investments as reported by the Bangko Sentral ng Pilipinas worth $105 million. The October print brings the year-to-date surplus to $5.73 billion, a stark reversal from the deficit of $5.59 billion for the same period in 2018.

Financial inflows offset current account deficit as BSP calms frayed nerves

2019 has seen nine months of BoP surpluses out of 10 so far with financial inflows helping to offset sustained bleeding from the trade deficit. Although the trade gap narrowed from 2018 on import compression, the current account balance is expected to remain in the red for the balance of 2019. A sharp reversal in risk sentiment and the inflation outlook have helped to bolster the Philippines as a destination for investment flows, which is all the more impressive given the fact that direct investments (FDI) have been contracting. Financial market turmoil has been kept at a minimum given improved communication from central bank officials, despite successive rounds of easing now that inflation is under control.

2020 the new 2018?

As we round out the year into 2020, we do however expect a slight change in the tides, with the BSP expected to continue easing despite a neutral Federal Reserve and with the government gearing up for a double headed fiscal stimulus. These developments could lead to a renewed widening of the trade deficit (as imports increase) to exert pressure on the BoP while financial flows may not enjoy the same velocity in 2020, with BSP expected to cut policy rates to support the growth objective.