

## Philippines: Philippine exports pickup but imports remain in the red

Philippine exports post surprise expansion in November but imports remain subdued



Source: Shutterstock

**-\$1.73 bn** November trade balance

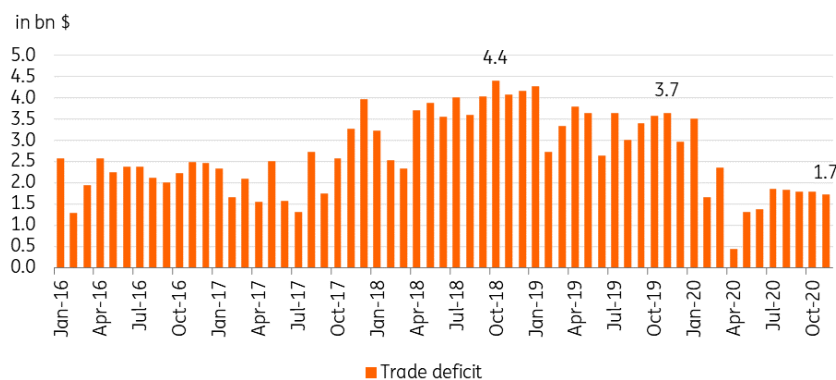
As expected

### Exports show some promise, imports sustain drop

Philippine November exports rose unexpectedly by 3%, driven in large part by the 4.6% gain for the country's mainstay electronics subsector, which accounts for almost half of the total export portfolio. The pickup in exports may also be tagged to strong outbound shipments to China and Taiwan as both countries have bounced back sharply after Covid-19 challenges during the first half of the year. Meanwhile, imports fell for 19 straight months with a broad-based decline across all major sectors and capital goods and raw materials dropping by 15.8% and 16.7%, respectively.

The sharp pullback in economic activity, in particular the plunge in capital formation, is mirrored in the decline of both durable equipment/machinery and raw materials used for construction. Meanwhile, weaker household demand was reflected in the 24.5% decline in consumer goods imports as the recession hits households hard.

## Philippines trade deficit



Source: Philippine Statistics Authority

## Trade trends likely to extend into 2021

The current trend of modest gains in exports coupled with weakness in imports will likely continue for at least the first half of the year with the recent spike in Covid-19 cases likely to sap momentum from the recent pickup in global trade, leading to softer export growth. Meanwhile, domestic activity in the coming quarters will likely remain subdued with the economy expected to remain in recession until 2Q 2021, which would translate into only a modest pickup in import demand. The relatively small trade deficits posted in recent months have been enough to help the current account surplus swing back into surplus, which has been supportive of the PHP in 2020. With imports expected to remain well-below pre-pandemic levels and exports not expected to sustain their recent pickup in volume, we believe that the trade deficit should remain at manageable levels and that PHP should enjoy modest appreciation pressure in the first quarter if the global weak US dollar theme plays out.