Philippines: trade data shows scars of lockdown

Philippines trade numbers knocked down by lockdown measures

Source: Jun Acullador

Lockdown measures stifle trade activity

Under the lockdown to help prevent the spread of the virus, checkpoints and curfews were in place while businesses were shuttered - hampering the once free flow of goods and services both in and out of the country. Exports in April fell 50.8%YoY, while imports cratered by 65.3% resulting in a trade deficit of $499 mn for the month. The drop in imports is mirrored in the fall in corporate demand for the US dollar during the lockdown period with the Peso managing to remain steady throughout the same month with peso spot trading volumes nearly half of the normal amount.

Import demand to resume, exports not likely

The government has pointed to the resumption of its "build-build-build" infrastructure program as a means to combat the fallout from the Covid-19 pandemic, and we expect import growth to return in the coming months. Inbound shipments for construction materials, fuel and capital machinery used for construction will likely bloat the import bill at a time when export prospects look bleak given projected recessions in major trading partners like the US, Japan and China. The widening of the trade gap coupled with the absence of usual dollar inflows from remittances could translate to a swelling of the current account deficit which could spark renewed depreciation pressure on PHP in 2H.

We look for the USD PHP to weaken from just over 50 currently, to just over 52 by the end of 2020.

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