

Philippines: Trade deficit expected to widen further in coming months

The trade deficit settled at \$4.7 bn but could widen further as oil prices surge



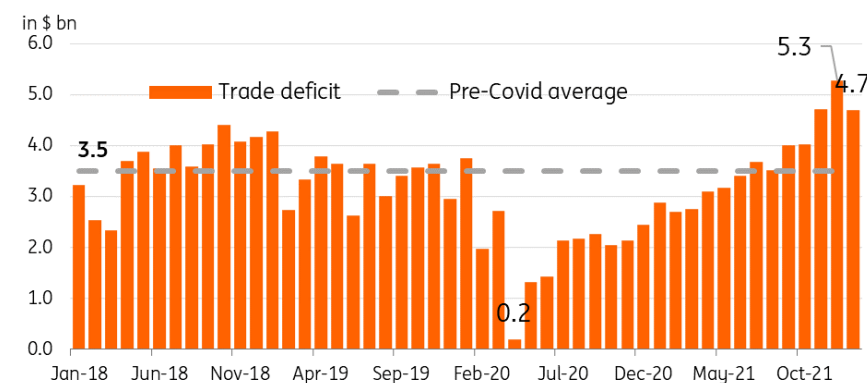
Source: Shutterstock

\$4.7 bn January trade deficit

Trade deficit sizable at \$4.7bn

January trade figures continued the trend of modest expansion for exports coupled with surging imports. Exports managed to post growth of 8.9%YoY, helped along by the steady demand for semiconductors and circuitry. Meanwhile, imports grew 27.5%YoY after recording double-digit growth across most major sectors. Capital goods, raw materials, consumer goods and fuel & minerals all showed sizable gains for the month as the economy gradually reopens after months of restrictions. In terms of the trade balance, the trade deficit narrowed slightly to \$4.7bn from \$5.2 bn which likely kept the current account balance in deficit territory.

Trade gap expected to widen further in the coming months



Source: Philippine Statistics Authority

Gap likely to yawn further

Currently, the trade deficit of \$4.7 bn is already well above the pre-Covid average of \$3.5 bn. In the coming months, we expect the trade gap to yawn further especially with the oil import bill forecast to bloat due to expensive crude. The fuel import bill could swell from \$1.4 bn to \$2.1 bn due to pricier global crude, causing the overall trade deficit to deteriorate further. A wider trade gap spells depreciation for the peso which is down 2.4% for the year. More expensive energy and a weaker currency will likely feed through to faster inflation in the near term despite the central bank's expectation that inflation will remain within target for the year. We will need to revise our inflation projections and a breach in the inflation target can not be ruled out at this point.

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>.