

REPORT ON TRADE (NOVEMBER 2020)

SUMMARY

- After eight consecutive months of contraction, merchandise exports grew by 3 percent in November 2020 as it recorded its highest year-on-year expansion since March 2020.
- Meanwhile, merchandise imports recorded a slightly higher contraction of -18.9 percent in November 2020 compared to -18.8 percent in the previous month. This was dragged down by lower payments across all major commodity segments.
- In total, trade in goods in November 2020 dropped by 10.6 percent year-on-year. This represents a lower contraction compared to the 11.9 percent decrease in October 2020.
- Exports to East Asia and ASEAN remained positive. In particular, exports to China posted double-digit growth in November 2020, continuing this trend for the third consecutive month. Meanwhile, inbound shipments from most major markets remained in the negative territory.
- The Philippines joined the ranks of other Asian economies that registered export expansions in November to include China, Indonesia, Malaysia, and Vietnam.
- For the month of November 2020, driven by stronger exports, the country's trade deficit stood at USD 1.73 billion, lower by 52.6 percent relative to the same period in 2019, and also slightly lower compared to the previous month's deficit level of USD 1.79 billion.

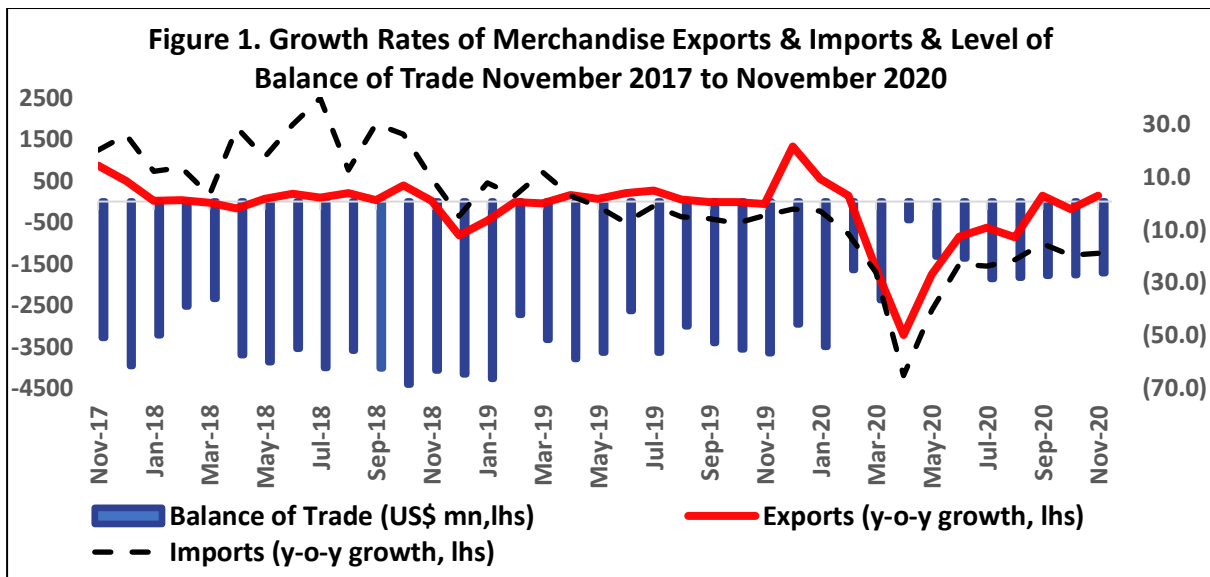
1. Driven by an expansion in exports, total merchandise trade for November 2020 recorded a slower contraction compared to the previous month.

The country's total merchandise trade growth in November 2020 continued to register declines, contracting by 10.6 percent against the previous year. However, the uptick in exports performance was driven by the recovery in demand for the country's major products like electronics, with an additional positive contribution in mineral and petroleum products. Imports, on the other hand, continued its downturn as inward shipments of raw materials, intermediate goods, and capital equipment continued to decline.

Table 1. Merchandise Trade October 2020^p

	2019	2020		2019	2020	
	Nov ^{r/}	Oct ^{r/}	Nov ^{p/}	Nov ^{r/}	Oct ^{r/}	Nov ^{p/}
	Total Trade			Trade Balance		
Monthly value (USD Mn)	14,898.1	14,321.3	13,313/2	(3,652.3)	(1,785.9)	(1,730.4)
Year-on-year growth (%)	-2.9	-11.9	-10.6	-10.4	-50.0	-52.6
Month-on-month growth	-8.4	0.2	-7.0	2.2	0.2	-3.1
	Total Exports			Total Imports		
Monthly value (USD Mn)	5,622.9	6,267.7	5,791.4	9,275.2	8,053.6	7,521.8
Year-on-year growth (%)	-0.2	-1.2	3.0	-4.5	-18.8	18.9
Month-on-month growth	-11.3	0.2	-7.6	-6.4	0.2	-6.6

Source: Philippine Statistics Authority; r – revised; p – preliminary



Source: Philippine Statistics Authority

Exports growth performance was up by 3 percent as demand from the United States, a major trading partner, rebounded for the first time in 10 months. Likewise, trade with China was on the uptrend for the third consecutive month as exports of other electronics and copper metal increased. Manufactured products, which comprise more than half of the country’s total exports, recovered, largely on account of electronic data processing, consumer electronics, medical instrumentation, and industrial instrumentation which all posted double-digit growth rates.

Meanwhile, merchandise imports contracted as businesses continue to feel the pinch of dampened consumer demand. Nevertheless, some commodity subsectors were able to register incremental growth, particularly for telecommunication equipment, likely influenced by the increased use of digital technologies for online classes, alternative work arrangements, and e-commerce.

The country’s trade balance continued to improve, registering at USD -1.7 billion in November 2020, lower than the USD -3.6 billion recorded for last year. The trade deficit in November declined by 52.6 percent year-on year.

2. After eight consecutive months of contraction, merchandise exports grew by 3 percent and in turn recorded its highest year-on-year expansion since March 2020, driven by gains in minerals and manufactured products.

**Table 2. Philippine merchandise exports by major commodity group:
November 2020**

Commodity Group	Oct 2020 (US\$ mn)	Nov 2020 (US\$ mn)	Oct 2020 (% growth)		Nov 2020 (% growth)		Jan – Nov 2020 (US\$ mn)	Jan – Nov (Y-o-Y growth)	
			Y-o-Y	M-o-M	Y-o-Y	M-o-M		2019	2020
Total Merch. Exports	6,267.7	5,791.4	0.5	(1.2)	(0.2)	3.0	57,970.4	0.9	(11.1)
Total Agro-based	391.1	316.9	12.3	(14.6)	(8.0)	(13.1)	4,288.3	12.0	(9.7)
Coconut Products	101.9	99.2	(6.6)	(9.9)	(48.4)	24.9	1,073.8	(17.2)	(9.0)
Sugar & Products	1.0	0.6	98.0	16.2	5.0	(3.4)	65.3	(12.5)	(1.7)
Fruits & Vegetables	214.8	151.6	32.5	(18.7)	24.6	(26.8)	2,370.1	43.4	(9.5)
Forest products	36.9	33.4	9.7	23.1	26.3	13.6	278.9	39.6	(16.7)
Mineral products	449.3	387.5	(6.0)	48.5	27.2	27.5	4,606.7	12.2	6.9
Copper Metal	106.5	156.6	(70.1)	367.8	36.0	83.2	1,295.4	(2.7)	20.3
Gold	42.6	105.1	37.1	(32.6)	(81.4)	1,044.2	775.6	59.8	(6.7)
Petroleum products	5.6	8.6	(26.8)	(89.4)	(80.4)	19.5	177.1	(58.8)	(11.8)
Manufactured Prod.	5,267.4	4,950.6	0.9	(1.4)	0.4	3.1	47,588.4	(0.2)	(12.0)
Electronic Products	3,600.8	3,526.0	8.6	0.2	4.2	4.6	33,372.6	2.8	(8.8)
Textile, Yarns, Fabrics	31.9	24.4	22.5	32.6	27.9	25.4	282.5	(0.9)	42.7
Chemicals	129.9	128.4	(20.2)	12.6	(0.1)	10.3	1,168.6	(5.3)	(16.2)
Machinery & Transport Eqpt.	348.6	193.4	(32.7)	1.6	(14.4)	(5.9)	2,064.7	(14.9)	(18.4)
Processed Foods & Beverage	128.2	109.5	(8.7)	0.1	7.0	2.4	1,111.2	(2.1)	(8.0)

Source: Philippine Statistics Authority

Agro-based and other agro-based products. Export receipts from sugar products dipped in November 2020 following its strong performance at the start of the crop year. The Sugar Regulatory Administration (SRA) projects total sugar production to increase by 2 percent this year and is looking at maximizing the United States sugar quota for the fiscal year¹. Higher shipments of coconut oil propped up coconut product exports while pineapple juice and canned pineapple exports posted double-digit growth.

Outward shipments of bananas remain subdued as orders from China, the top market, fell significantly (-37.7%). The Pilipino Banana Growers and Exporters Association (PBGEA) noted that small banana growers that caters to the China market were among those affected by the Panama disease thus reducing production. Japan is poised to return as country's top market for bananas with year-to-date exports that only recorded a decline by 0.6 percent. The PBGEA added that it expects Philippine bananas to edge out Chinese-sourced bananas to Japan due to its quality.

Exports of abaca fibers rallied as shipments expanded for the seventh consecutive month in November. However, earnings from the commodity are expected to soften due to the lingering impact caused by Super Typhoon Rolly in Catanduanes - the country's top producer of the crop². The Philippine Fiber Industry Development Authority (PhilFIDA) estimates that annual abaca output is to decline by 30 percent resulting in a 20-year low of 50,000 metric tons. In response, the Department of Agriculture (DA) has allotted PHP 592.4 million for the indemnification fund to farmers whose insured crops were damaged by the typhoon³. Coffee posted an uptick in November 2020, its highest level since February 2013. The filing of House Bill 3598 or the Coffee Industry Development Act is a welcome development for the industry as it seeks to create a national program which will help advance the country's coffee industry⁴.

Forest products. Outward shipments of forest products sustained its momentum after the reversal of its eight-month downturn in October 2020. Exports to its main market, Japan (15.6%) increased, offsetting the decline in shipments to China (-4.1%). Nevertheless, demand may soften by the end of the year following an increase in COVID-19 cases in Japan, which prompted the imposition of new

¹ <https://cnnphilippines.com/business/2020/11/5/sra-opens-applications-to-fill-us-sugar-quota-2020-2021.html>

² <https://businessmirror.com.ph/2020/11/03/rolly-hits-abaca-hard-20-year-decline-seen/>

³ <https://reliefweb.int/report/philippines/iatf-assures-assistance-abaca-industry-after-super-typhoon-onslaught>

⁴ <https://www.cnnphilippines.com/business/2020/9/29/Lawmaker-development-PH-coffee-industry-.html>

restrictions⁵. Efforts to diversify market destinations for forest products are an important strategy for domestic producers⁶ in view of COVID-19's impact on the industry. In November 2020, nearly all forest product at 91.0 percent were exported to Japan and only 8.2 percent to China.

Mineral and petroleum products. Earnings from mineral products continued its strong performance, expanding its year-to-date growth to 6.9 percent in November 2020. Gold and chromium ore exports rose significantly, making up for lower orders for copper concentrates. Exports of copper metal also grew albeit at a slower pace following two months of triple-digit growth.

CD Processing Ltd. recently invested PHP 583 million into its ore sortation facility in Cebu, which is a pioneer project approved by the Board of Investments (BOI)⁷. The firm will be involved in reclaiming valuable copper-bearing ore from low-grade ore discarded by copper mines. The Department of Trade and Industry (DTI) is eyeing to attract more investments in processing, wire rod casting facilities, and manufacturing of higher-value copper-based products to help sustain the industry's growth momentum.

Export receipts from petroleum products improved in November 2020 following a double-digit expansion in production volume⁸. An uptick in production was observed with the Petron Bataan Refinery having resumed normal operations. On the downside, the announcement of Petron Corporation of a temporary economic shutdown starting January 2021⁹ is expected to disrupt overall performance of the sub-sector as Petron's Bataan refinery is the only remaining refinery in operation in the country.

Manufactured products. Export revenues from manufactures recorded a rebound as it reversed the contraction in October 2020. Expansions from electronics and textile, yarns, and fabrics led the commodity group's growth to its highest since February 2020. Semiconductor exports remained largely unchanged while consumer electronics and control and instrumentation pushed up shipments of electronic products. Control and instrumentation exports accelerated in

⁵ <https://www.garda.com/crisis24/news-alerts/403786/japan-authorities-introduce-new-covid-19-measures-in-tokyo-november-28-december-17-update-42>

⁶ https://www.itto.int/news/2020/11/05/itto_modelling_examines_recovery_timeframe_in_tropical_timber_sector/

⁷ <https://www.pna.gov.ph/articles/1123036>

⁸ NEDA, Preliminary Report on the Monthly Integrated Survey of Selected Industries (MISSI) for November 2020

⁹ <https://businessmirror.com.ph/2020/12/08/losses-push-petron-to-close-bataan-refinery-in-january/>

November 2020 as the demand for engineering support on automation and smart supply chain management increased with firms upgrading their processes to transition to the New Normal¹⁰.

Meanwhile, exports of machine and transport equipment declined as export-oriented subsectors of electrical machinery and transport equipment reported lower production for the month¹¹. Footwear exports contracted anew after nearly doubling in October 2020. With COVID-19 adversely affecting the shoe industry, shoe manufacturers may consider refocusing production towards casual everyday footwear¹².

Textile, yarns, and fabrics subsector displayed its resilience as it recorded an average growth rate of 50.3 percent since March 2020. The Office of President (OP) recently approved funds amounting to PHP 77.8 million to set up the Philippine Textile Research Institute (PTRI) Medical Textile Testing Center¹³. The institute is expected to boost the country's medical textile industry by bridging the gap in local testing capability. The complete testing for medical personal protective equipment (PPE) may be offered as early as the second quarter of the 2021.

¹⁰ <https://www.controleng.com/articles/engineering-impact-on-covid-19/>

¹¹ NEDA, Preliminary Report on the Monthly Integrated Survey of Selected Industries (MISSI) for November 2020

¹² <https://newseu.cgtn.com/news/2020-11-13/Portugal-s-shoe-industry-shifts-to-casual-wear-as-COVID-19-takes-toll-VmR1r2ATFm/index.html>

¹³ <https://www.fibre2fashion.com/news/textile-news/philippine-clears-funds-for-medical-textile-testing-centre-270707-newsdetails.htm>

3. Merchandise imports recorded higher negative growth in November 2020, dragged down by lower payments across all major commodity segments.

Table 3. Merchandise Imports by Major Commodity Group: November 2020

Commodity Group	Oct 2020 (USD mn)	Nov 2020 (USD mn)	October (Y-o-Y growth)		November (Y-o-Y growth)		Jan-Nov 2020 (USD mn)	Jan-Nov (Y-o-Y growth)	
			2019	2020	2019	2020		2019	2020
Total Imports	8,053.6	7,521.8	(7.6)	(18.8)	(4.5)	(18.9)	77,633.9	(1.0)	(24.5)
Capital Goods	2,740.4	2,667.3	(1.0)	(19.0)	4.9	(15.8)	25,693.7	6.3	(25.1)
Raw Mats. & Intermediated Goods	3,240.2	2,835.5	(15.9)	(9.1)	(10.1)	(16.7)	31,168.8	(9.0)	(17.6)
<i>o/w:</i> Unprocessed Raw Materials	324.6	150.7	(36.2)	(1.3)	(31.4)	(52.1)	2,740.3	(24.8)	(18.9)
Chemical	830.5	790.9	1.7	(16.7)	5.3	(13.1)	8,359.8	2.0	(17.0)
Manufactures	1,004.0	933.0	(15.1)	(15.2)	(6.7)	(16.0)	9,501.3	(9.9)	(25.8)
Mat./Accessories for the Manuf. of Electrical Equip.	812.2	776.4	(22.3)	(3.9)	(16.9)	(6.6)	8,425.9	(11.8)	(7.8)
Mineral Fuels, Lubricants & Related Materials	623.4	598.1	(10.4)	(46.2)	(33.4)	(30.2)	6,740.2	(6.2)	(44.1)
<i>o/w:</i> Petroleum crude	128.7	97.6	(18.3)	(70.8)	(40.8)	(68.6)	1,193.5	(35.5)	(60.8)
Consumer Goods	1,363.7	1,339.6	1.8	(21.3)	12.7	(24.5)	13,262.3	7.4	(25.6)
<i>o/w:</i> Durable	687.1	729.6	1.4	(27.2)	14.6	(25.6)	6,079.7	3.7	(35.5)
Non-Durable	676.5	609.9	2.2	(14.3)	10.4	(23.1)	7,182.7	11.8	(14.5)

Source: PSA

Capital Goods. Inward shipments of capital goods remained in negative territory with lower shipments recorded for aircraft, ships and boats, land transportation equipment, power generating machines, and electronic data processing machines. Meanwhile, telecommunication equipment maintained its positive momentum driven by the accelerated network rollout in mobile and fiber broadband of telecommunications companies, such as PLDT Inc. and Globe Telecom, Inc.¹⁴, as preparations are ongoing for the entry of Dito Telecommunity in March 2021 and the strengthened status of Converge ICT Solutions Inc. which debuted in the Philippine Stock Exchange (PSE) last October 2020¹⁵. To further encourage developments in the sector, the Department of Information and Communications Technology (DICT) supported the move of the National Telecommunications Commission (NTC) to streamline procedures and reduce requirements for the issuance of permits, licenses, and certificates for the construction of shared passive telecommunications tower infrastructure. This will in effect result in better, affordable, and extensive internet connectivity¹⁶.

To weather the impact of COVID-19 on the airline industry, Cebu Pacific Air, Inc. obtained approval from its stockholders to raise up to USD 500 million in additional capital¹⁷. Similarly, Philippine Airlines received additional deposits this year for future stock subscription amounting to around USD 125 million¹⁸.

Raw materials and intermediated goods. Imports of raw materials and intermediate goods recorded double-digit contraction as lower shipments were recorded across all subsector groups. Double-digit declines in inward shipment of non-metallic mineral manufacture coincides with the imposition of higher safeguard duties under DTI DAO 20-08. This increased additional duties on cement from PHP 225/MT to PHP 245/MT¹⁹. While these additional duties could result in an increase of government contracts under the administration's Build, Build, Build (BBB) Program, major industry players have committed to ramp up and meet production capacity to meet the requirements of the country's infrastructure program. Meanwhile, lower shipments of animal and vegetable

¹⁴ Dito Telecommunity commits to cover more than 80 percent of the Philippine population in five years' time and is eyeing to cater 37 percent of the population in its first year run.

On the other hand, PLDT Inc. has been investing heavily on capital expenditures investments over the past few years and improvement on network quality and coverage with their reallocation of 2G spectrum to 4G. Similarly, Globe Telecom, Inc. has earmarked ₱50.3 billion in capital expenditure to boost and expand its network in 2020¹⁴.

¹⁵ <https://www.manilatimes.net/2020/11/09/business/companies/intense-competition-seen-in-ph-telco-sector-in-2021/793724/>

¹⁶ <https://dict.gov.ph/dict-backs-ntc-in-streamlining-permitting-for-fiber-optic-cable-deployment/>

¹⁷ <https://www.sunstar.com.ph/article/1877681/Cebu/Business/Stockholders-okay-Cebu-Airs-stock-rights-offering>

¹⁸ <https://www.philstar.com/business/2020/11/16/2057075/pal-shareholders-continue-keep-airline-afloat>

¹⁹ <https://www.portcalls.com/dti-increases-safeguard-duty-on-cement-as-import-volumes-rebound/>

oils and fats, paper and paper products, and fertilizers excluding urea were attributed to both increased local production, gradual return of business operations, and relaxed mobility restrictions²⁰.

Corn imports recorded significant growth compared to the previous year. Demand for corn is expected to further rise with hog raisers demanding more of the raw material as they shift to poultry farming due to the spread of African Swine Fever (ASF). Corn imports may also continue to grow as it is being processed into corn oil as a substitute to vegetable oil. This is a way to make up for the decline in local production as corn farms suffered from typhoons during the latter part of the year²¹.

Mineral fuels and lubricants. Mineral fuels and lubricants lingered in the negative territory despite an increase in imports of coal, coke products. Petroleum crude imports declined while the volume of local production of petroleum products recorded a double-digit expansion during the month²². This comes with the remaining refinery in the country, Petron Bataan Refinery, resuming normal operations. However, the company announced that it will implement a temporary economic shutdown to conduct maintenance activities on January 2021²³.

Consumer goods. Inward invoice orders of consumer goods lagged with both durable and non-durable goods imports contracting. Imports of passenger cars and motorized cycle were pulled down by low sales of both commercial and passenger car segments. However, the automotive industry is optimistic that it could hit the sector's revised target sales of 240,000 units by the end of 2020²⁴.

Total imports of rice for 2020 remained lower than the levels recorded in the previous year. After recording double-digit growth in September (19.9%) and October (29.3%), rice imports growth slowed down in November to 2.8 percent. This is in line with reports indicating that local production in stock and the volume of imports are more than enough to meet the country's demand until the end of the year²⁵.

²⁰ Monthly Integrated Survey of Selected Industries (MISSI) for November 2020

²¹ <https://manilastandard.net/news/national/341005/corn-import-needed-with-high-demand.html>

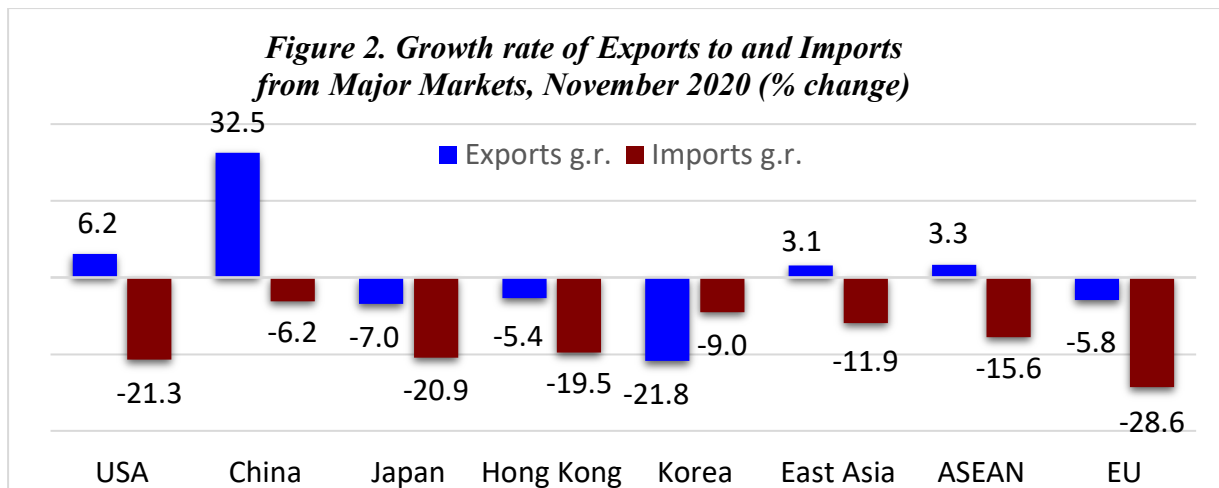
²² Monthly Integrated Survey of Selected Industries for November 2020

²³ <https://www.philstar.com/business/2020/12/15/2063779/petron-shut-down-refinery-january>

²⁴ <https://www.pna.gov.ph/articles/1121929>

²⁵ <https://business.inquirer.net/312165/no-more-rice-import-permits-to-be-approved-until-year-end>

4. Exports to East Asia and ASEAN remained positive. In particular, exports to China posted double-digit growth in November 2020, continuing this trend for the third consecutive month. Meanwhile, inbound shipments from major markets remained in the negative territory.



Source: PSA.

Exports to China have been gaining traction since September 2020 posting double-digit growths over the last three months with a 32.5 percent growth in November 2020. The continued expansion may have been brought about by the brisk recovery of China from stringent lockdowns and the resumption of business operations²⁶. Exports to the United States breached the positive territory registering a 6.2 percent growth in November 2020. This comes after nine months of negative growth rates beginning in March 2020. The exports growth to the US is due to the ramped-up demand leading to the holiday season. On the other hand, the weakening trade relations between the United States and China have also opened up opportunities for Philippine exporters to increase sales to the US.

Outward shipments to Japan and Korea remained in negative territory, declining by at least five percentage points from the previous period. A surge in COVID-19 cases in the latter part of November in Japan may have further softened demand and contributed to the decline in exports for the country. Among the

²⁶ <https://www.reuters.com/article/china-economy-trade/chinas-exports-surge-on-hot-demand-for-ppe-remote-working-tech-idINKBN28H07Y>

major trading blocs, East Asia and ASEAN were able to maintain an export growth at 3.1 and 3.4 percent, respectively.

Inward shipments remain in negative territory decelerating by as much as 12 percentage points for both the United States and Japan. Decline in overall United States exports were observed in November and largely stems from differences in the pace of economic recovery in the US and its major trading partners. Likewise, import performance declined for Korea, Hong Kong and China compared to the previous year. Nonetheless, improvements were noted against the previous month by as much as 8.7 percentage points for Korea, 7.1 percentage points for Hong Kong and 5.2 percentage points for China signaling a possible improvement in inward shipments from these markets in the coming months.

Imports to the country's major trading blocs continued to post negative growth, notwithstanding improved levels by as much as 16.7 percentage points for EU, 4.1 percentage points for ASEAN and 0.9 percentage points for East Asia from the previous month.

5. The Philippines joined the ranks of other Asian economies that registered export expansions in November while import expansions were recorded for China, Vietnam and Thailand.

The Philippines joined the ranks of other Asian economies such as China, Indonesia, Malaysia and Thailand that registered export expansions in November as international trade picked up due to increased consumption during the holidays. The expansion in China's export performance beat market expectations and is attributed mainly to increasing demand from developed markets, such as the United States and Western Europe.

The expansion in exports performance for China was mainly a result of increased exports of mechanical and electrical products, textiles, and plastic products. Nonetheless, this increase was not offset by declines in the exports of clothing and luggage. The ASEAN remains to be China's largest trading partner for the last 11 months²⁷.

²⁷ <https://news.cgtn.com/news/2020-12-07/China-foreign-trade-up-7-8-in-November-W1ro07rSxi/index.html>

Table 4. Merchandise Trade in Selected Asian Countries

Country	November 2020							
	Total Trade		Exports		Imports		Trade Balance	
	USD bn	Y-o-Y Growth	USD bn	Y-o-Y Growth	USD bn	Y-o-Y Growth	USD bn	Y-o-Y Growth
China	460.7	13.8	268.1	21.1	192.7	5.0	75.4	98.8
India	56.9	-11.1	23.5	-9.3	33.4	-12.4	-9.9	-18.8
Indonesia	27.9	-4.8	15.3	9.4	12.6	-17.6	2.62	-288.4
Malaysia	37.0	-1.0	20.5	5.5	16.4	-8.0	4.1	157.1
Philippines ^{1/}	13.3	-10.6	5.8	3.0	7.5	-18.9	-1.7	-52.6
Singapore	59.8	-7.8	31.2	-7.1	28.6	-8.5	2.7	11.7
Thailand	38.7	-0.2	19.2	-1.4	19.4	1.0	-0.2	-180.6
Vietnam	49.9	10.7	25.2	10.7	24.7	10.7	0.5	11.0
Country	Jan-Nov 2020							
	Total Trade		Exports		Imports		Trade Balance	
	USD bn	Y-o-Y Growth	USD bn	Y-o-Y Growth	USD bn	Y-o-Y Growth	USD bn	Y-o-Y Growth
China	4,172.6	0.8	2,316.1	2.5	1,856.5	-1.1	459.6	20.2
India	574.2	-22.2	248.7	-16.4	325.5	-26.1	-76.8	-46.3
Indonesia	273.9	-11.5	146.8	-4.1	127.1	-18.7	19.7	-697.1
Malaysia	381.4	-5.7	210.0	-3.4	171.3	-8.5	38.7	28.4
Philippines ^{1/}	135.6	-19.3	58.0	-11.1	77.6	-24.5	-19.7	-47.8
Singapore	626.9	-8.6	327.7	-8.3	299.2	-8.9	28.6	-1.0
Thailand	398.8	-10.5	209.3	-7.7	189.4	-13.5	19.9	153.3
Vietnam	489.6	3.3	254.9	5.8	234.8	0.7	20.1	163.6

Source: CEIC; ^{1/}PSA.

Indonesia posted a USD 2.62 billion trade surplus as exports, at USD 15.3 billion, outpaced imports at USD 12.6 billion. Although year-on-year exports growth has remained low at -17.6 percent, exports fared better on a month-on-month basis increasing by 6.34 percent, while imports increased by 17.4 percent against the previous month. Rising demand and increasing prices in coal and palm oil supported the Indonesia's trade surplus and export expansion. For this month, animal fats and oils, mineral fuels, and iron and steel were the biggest export commodities²⁸.

²⁸ <https://en.antaranews.com/news/163760/indonesia-recorded-encouraging-trade-surplus-in-november-2020-bps>

Malaysia's exports expansion in November 2020 by 5.5 percent stemmed from higher exports to the United States, Singapore, China and Hong Kong. The main exports were rubber products, iron and steel products as well as optical and scientific equipment²⁹.

On the other hand, Thai exports fell by 1.4 percent on a year-on-year basis whereas imports in November were up by one percent. Thailand expects their food segment to grow by 2 to 3 percent despite the new surge in infections and reports of COVID-19 cases among workers in the food industry. The rising demand for food and high confidence in food safety standards keep food export prospects promising. Thai food manufacturers and exporters are looking into producing single-serve packs or miniature packaging with affordable prices to address emerging needs due to the pandemic.³⁰

6. Outlook and policy implications

The latest merchandise trade performance shows encouraging signs that the Philippines is well positioned to take advantage of improvements in external demand and that the government's efforts to reinvigorate businesses are gaining traction.

The government response to sustain these developments is crucial. For instance, the passage in the Senate of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law signaled the government's commitment to create an environment for a performance-based, targeted, time bound, and transparent provision of tax incentives to attract investments and generate jobs in the country.

Structural reforms to encourage investments in the country including the Public Service Act (PSA) and the amendments to the Retail Trade Liberalization Act (RTLA) continue to be aggressively pursued. As economies resume normal operations, the Philippines may also work towards encouraging competition and breaking down barriers to trade to ensure availability of raw materials and further spur innovative and productive capacity.

²⁹ <https://www.malaysiasme.com.my/malaysia-external-trade-statistics-trade-performance-for-november-2020-and-the-period-of-january-november-2020/>

³⁰ <https://www.bangkokpost.com/business/2046715/export-prospects-determined-to-grow>

Breaking down barriers to trade

With the country continuing to engage in partnerships to expand markets for Philippines products, the government may also need to focus on initiatives that will allow the unhampered entry to these territories by engaging in cooperation activities that will address product standards and sanitary and phytosanitary issues. Major export trading partners, like the United States, Japan, China, Hong Kong, Singapore and Korea, collectively impose more than 14,048 non-tariff measures (NTM) to its trading partners including the Philippines. While NTMs are allowed as these seek to protect the health and safety of its citizens, there are also instances when these become barriers to free trade. In this case, cooperation with export trading partners is necessary to expand the country's market reach and presence.

On the domestic front, the Philippines also needs to undertake a review of NTMs it imposes that effectively hinder manufacturers and producers to have access to critical raw materials, as this could improve the productive capacity and reduce costs. In addition, the government may need a cohesive governance structure that will ensure that measures and regulations imposed are consistent with the objective of protecting its citizens against substandard products, harmful chemicals and food items rather than preventing healthy competition. In the enhanced Philippine Development Plan (PDP), the National Economic and Development Authority (NEDA) also emphasized the importance of improving testing equipment and increasing the personnel capacity and training of our quarantine departments to guard against undue delays in supply and prevent the entry of harmful articles.

Digital solutions to expedite trade and reduce cost

The full implementation of the TradeNet, which is the country's National Single Window (NSW) platform, is an integral part of the solution that would take the Philippines to the forefront of digital solutions designed to reduce cost and facilitate trade. Putting in place this system as a backbone of trade transactions will not only ensure efficient business activities but also reduce opportunities for corruption.