

# REPORT ON TRADE (OCTOBER 2020)

## SUMMARY

- Total merchandise trade performance on a year-on-year basis slightly declined in October 2020 compared to the previous month. Exports growth was -2.2 percent compared to an expansion of 2.9 percent in September 2020. Likewise, imports growth was -19.5 percent compared to -15.3 percent in September 2020.
- Export growth of -2.2 percent in October 2020 was driven by declines in manufactures, petroleum, and agro-based products. Higher earnings from mineral and forest products failed to offset the higher declines. Month-on-month, exports growth contracted by 0.8 percent from a growth of 13.8 percent in September.
- Meanwhile, merchandise imports growth of -19.5 percent was dragged down by lower payments for raw materials and intermediate goods, petroleum products, and consumer goods.
- Merchandise exports to China and ASEAN posted double digit growth in October 2020 while exports growth to other major markets such as US and Japan remain negative. This trend is in line with the economic recovery in Asia as the region contains COVID-19. On the other hand, the resurgence of the virus in the US and Europe likely affected exports to these regions.
- Among the monitored economies in Asia, only China and Vietnam continued to post positive export and import growth in October.
- With exports falling less than imports, the trade balance is maintained in October with the trade deficit at USD 1.8 billion, equal to previous month's deficit. Relative to the same period in 2019, the current deficit level is lower by 50 percent, driven by lower imports.

**1. Total merchandise trade performance on a year-on-year basis slightly declined in October 2020 compared to the previous month. Exports growth was -2.2 percent compared to an expansion of 2.9 percent in September 2020. Likewise, imports growth was -19.5 percent compared to -15.3 percent in September 2020. On a month-on-month basis, both exports and imports slightly contracted at 0.8 and 0.7 percent, respectively.**

The country's total merchandise trade growth dipped slightly by 0.8 percent on a monthly basis as major export and import commodity segments trended downward in October 2020. External demand was sluggish, as all major export items, particularly for manufactures and total agro-based products contracted. Imports, on the other hand, were affected by dampened domestic demand as raw materials and intermediate goods mainly dragged overall imports growth.

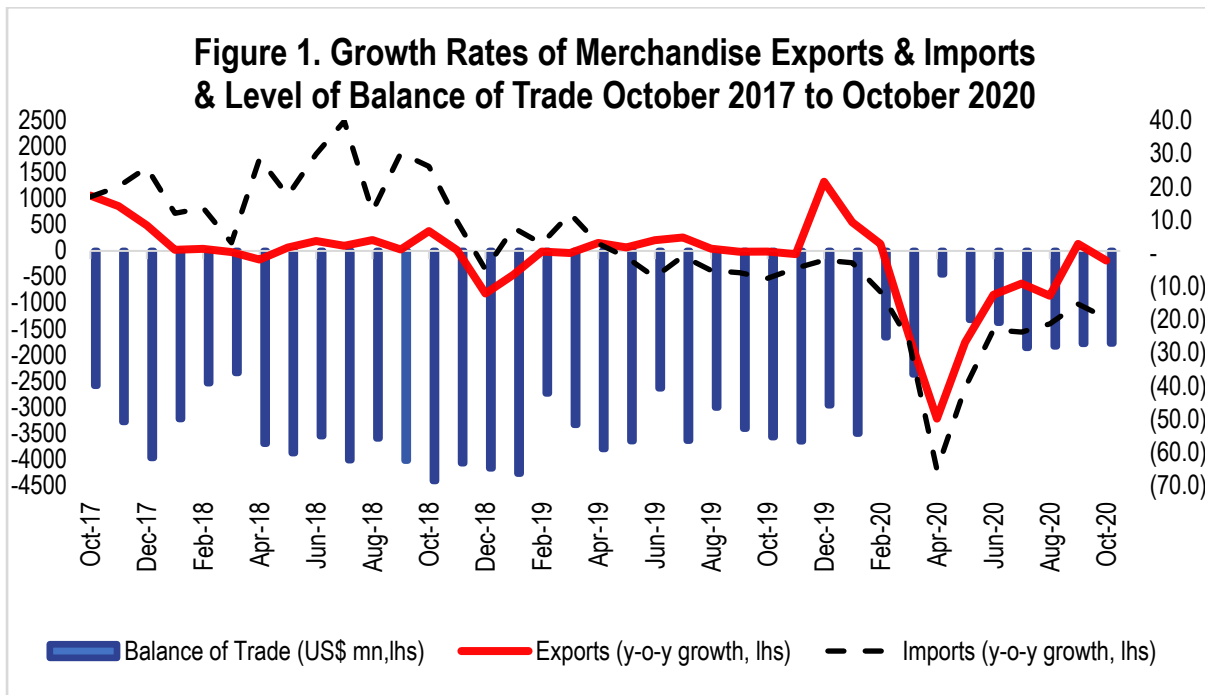
**Table 1. Merchandise Trade October 2020<sup>p</sup>**

	2019	2020		2019	2020	
	Oct <sup>r/</sup>	Sept <sup>r/</sup>	Oct <sup>p/</sup>	Oct <sup>r/</sup>	Sept <sup>r/</sup>	Oct <sup>p/</sup>
	Total Trade			Trade Balance		
Monthly value (USD Mn)	16,256.0	14,289.4	<b>14,181.1</b>	(3,572.5)	(1,782.8)	<b>(1,776.9)</b>
Year-on-year growth (%)	(4.6)	(8.2)	<b>(12.8)</b>	(19.1)	(47.7)	<b>(50.3)</b>
Month-on-month growth	4.4%	11.4%	<b>(0.8%)</b>	4.8%	(2.6%)	<b>(0.3%)</b>
	Total Exports			Total Imports		
Monthly value (USD Mn)	6,341.7	6,253.3	<b>6,202.1</b>	9,914.3	8,036.1	<b>7,979.0</b>
Year-on-year growth (%)	0.5%	2.9%	<b>(2.2%)</b>	(7.6%)	(15.3%)	<b>(19.5%)</b>
Month-on-month growth	4.3%	13.8%	<b>(0.8%)</b>	4.5%	9.7%	<b>(0.7%)</b>

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

Despite the slight dip in the country's exports by 2.2 percent on a year-on-year basis, bright spots remain as outward shipments for certain products sustained its growth performance on a month-on-month basis including pineapple concentrates, abaca, rubber, lumber for agriculture and forest products, textile yarns and fabrics and footwear for industrial products.

While import performance plummeted on a year-on-year basis by 19.5 percent, month-on-month performance suggests that certain business activities have been responding to the government’s approach for targeted and gradual reopening and increased mobility, particularly for capital goods such as office and electronic data processing (EDP) machines, telecommunications, land transportation, metal products and passenger cars, among others.



Source: Philippine Statistics Authority

**2. Merchandise exports growth performance slightly dipped but recorded its lowest month-on-month contraction since March. Outward shipments are significantly declined compared pre-pandemic levels from October 2019 due to subdued external demand.**

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

Commodity Group	Sept. 2020 (US\$ mn)	Oct. 2020 (US\$ mn)	Sept. 2020 (% growth)		Oct. 2020 (% growth)		Jan – Oct 2020 (US\$ mn)	Jan - Oct (Y-o-Y growth)	
			Y-o-Y	M-o-M	Y-o-Y	M-o-M		2019	2020
<b>Total Merch. Exports</b>	<b>6,253.3</b>	<b>6,202.1</b>	<b>2.9</b>	<b>13.8</b>	<b>(2.2)</b>	<b>(0.8)</b>	<b>52,113.4</b>	<b>1.0</b>	<b>(12.5)</b>
<b>Total Agro-based</b>	<b>396.4</b>	<b>358.4</b>	<b>(10.6)</b>	<b>10.7</b>	<b>(21.7)</b>	<b>(9.6)</b>	<b>3,938.8</b>	<b>14.1</b>	<b>(10.2)</b>
Coconut Products	115.3	87.9	29.6	2.5	(22.3)	(23.8)	960.6	(13.4)	(12.7)
Sugar & Products	0.9	0.9	116.0	(10.2)	11.5	(1.1)	64.7	(12.7)	(1.7)
Fruits & Vegetables	212.5	196.7	(24.1)	19.7	(25.6)	(7.4)	2,200.4	45.3	(8.7)
<b>Forest products</b>	<b>29.9</b>	<b>36.8</b>	<b>(6.5)</b>	<b>2.0</b>	<b>22.9</b>	<b>23.3</b>	<b>243.5</b>	<b>41.0</b>	<b>(19.6)</b>
<b>Mineral products</b>	<b>519.2</b>	<b>449.0</b>	<b>41.5</b>	<b>31.1</b>	<b>48.4</b>	<b>(13.5)</b>	<b>4,218.8</b>	<b>11.2</b>	<b>5.3</b>
Copper Metal	120.9	106.5	133.9	93.0	367.8	(11.9)	1,138.8	(5.0)	14.9
Gold	52.0	43.6	(22.5)	(39.9)	(32.6)	(18.2)	670.5	74.7	(18.4)
<b>Petroleum products</b>	<b>0.3</b>	<b>5.6</b>	<b>473.4</b>	<b>18.2</b>	<b>(89.5)</b>	<b>1,641.5</b>	<b>168.4</b>	<b>(57.1)</b>	<b>(13.0)</b>
<b>Manufactured Prod.</b>	<b>5,193.5</b>	<b>5,238.4</b>	<b>1.7</b>	<b>12.8</b>	<b>(2.0)</b>	<b>0.9</b>	<b>42,608.7</b>	<b>(0.2)</b>	<b>(13.5)</b>
Electronic Products	3,628.5	3,583.6	0.8	14.2	(0.3)	(1.2)	29,829.4	2.7	(10.2)
Textile, Yarns, Fabrics	29.9	32.2	68.7	13.4	34.1	7.8	258.5	(3.3)	44.8
Chemicals	107.6	128.6	22.7	(9.3)	11.5	19.6	1,038.9	(5.8)	(18.7)
Machinery & Transport Eqpt.	397.2	348.0	7.6	27.7	1.4	(12.4)	2,826.8	(15.0)	(20.7)
Processed Foods & Beverage	122.4	119.2	19.6	2.4	(7.0)	(2.6)	992.7	(2.9)	(9.8)

Source: Philippine Statistics Authority

**Agro-based and other agro-based products.** Earnings from sugar products grew in October 2020 with local sugar output more than doubling at the start of the crop year as favorable weather conditions allowed planters to harvest more crops<sup>1</sup>. However, the expansion in sugar products is decelerating as demand remains anemic with consumption from traditional markets like restaurants yet to pick up. Banana exports were nearly halved after it posted its steepest contraction since June 2016. Likewise, demand from China also continued to fall as the country faces stronger competition from Southeast Asian neighbors such as Vietnam and Cambodia<sup>2</sup>. In light of tightening global competition, the Philippines has renewed talks with the Australian government to regain market access for Philippine bananas following the 20-year ban.

Export revenues from coconut products declined due to lower shipments of coconut oil and copra meal<sup>3</sup>. On the other hand, mango exports continued to improve as it posted 18.4 percent month-on-month growth. The Philippine Chamber of Commerce and Industry (PCCI) continues to urge Taiwan to allow the entry of Philippine fresh fruits such as young coconut and mangoes<sup>4</sup>. It may be recalled that the country had been exporting these fruits to Taiwan 40 years ago before this was banned due to the “*kadang-kadang*” infestation found in young coconuts and fruit flies on mangoes. These concerns have since been addressed by the government with infestations now confined to a few regions, such that produce from “*kadang-kadang*”-free regions are now being exported to Japan, South Korea, and China. Outward shipments of seaweeds declined for the fifth consecutive month as farms were plagued with disease outbreaks and pests<sup>5</sup>. The Southeast Asian Fisheries Development Center (SEAFDEC) is working to better understand the outbreak of “ice-ice” disease and epiphyte infestations which have inflicted losses worth as much as 15 percent of seaweed production.

Meanwhile, the Department of Agriculture (DA) is encouraging the planting of high-value crops like okra after the country’s recent exports to Japan in a bid to explore more market opportunities for farmers<sup>6</sup>. Demand for okra is significant especially in Japanese cities, with JelFarm, one of the country’s leading okra exporters, expected to ship 13 to 15 tons daily when the peak season comes.

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<sup>1</sup> <https://businessmirror.com.ph/2020/10/21/sugar-output-rises-131-89-percent-but-demand-remains-anemic/>

<sup>2</sup> <https://www.producereport.com/article/philippine-banana-exports-down-10-chinese-demand-declines>

<sup>3</sup> <https://ucap.org.ph/news-manager/2020/11/philippine-export-of-coconut-products-down-in-october/>

<sup>4</sup> <https://business.inquirer.net/309915/taiwan-urged-to-allow-entry-of-ph-coconuts-mangoes>

<sup>5</sup> <https://www.panaynews.net/disease-afflicted-ph-seaweed-farms-see-hope-with-help-of-scientists/>

<sup>6</sup> <https://ph.news.yahoo.com/da-7-explore-planting-other-123700566.html>

**Forest products.** Export receipts from forest products increased in October 2020 breaking off from its eight-month downturn. Exports to its main market, Japan, picked up as its construction market remained active. Likewise, shipments of other forest products to the country more than doubled (137.1 percent) with plywood (22.1 percent) and lumber (13.4 percent) posting higher levels as well.

**Mineral and petroleum products.** Outward shipments of mineral products sustained its momentum as it expanded by 48.4 percent to start the fourth quarter. The expansion may be attributed to higher shipments to key markets particularly to China, its largest market. Exports of copper metals quadrupled as shipments to China (652.0 percent), Thailand (595.1 percent), and South Korea (194.0 percent) surged. In addition, exports of other mineral products to China also expanded emphasizing the speed of recovery in the world's top consumer of metal<sup>7 8</sup>. The commodity group is the first to recover from the pandemic recording the lone expansion at 5.3 percent year-to-date.

Export revenues surged on a month-on-month basis as Petron reopened its Bataan refinery in September<sup>9</sup>. However, demand from one of the sector's top export markets, Malaysia, remained low as the country imposed a partial lockdown on Kuala Lumpur after recording the biggest jump in COVID-19 cases since the start of the pandemic<sup>10</sup>.

**Manufactured products.** Export receipts from manufactures decreased as lower orders for semiconductors, telecommunication, and travel goods and handbags dragged down the sector's exports levels. Semiconductor exports reversed its expansion from the previous month as it contracted by a percentage point in October 2020. However, the Semiconductor and Electronics Industry in the Philippines (SEIPI) remains optimistic as it revised its industry growth forecast for 2020 from -15 percent to -5 percent<sup>11</sup>. SEIPI expects a better year for the

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<sup>7</sup> <https://www.nasdaq.com/articles/china-copper-imports-rise-43.4-y-y-in-oct-set-annual-peak-in-just-10-months-2020-11-08>

<sup>8</sup> <https://www.reuters.com/article/china-metals-at-home/column-chinas-copper-import-boom-leaves-other-metals-cold-andy-home-idINL8N2HV2OG>

<sup>9</sup> <https://manilastandard.net/mobile/article/333408>

<sup>10</sup> <https://www.reuters.com/article/us-health-coronavirus-malaysia-idUSKBN27B17X>

<sup>11</sup> <https://www.pna.gov.ph/articles/1121400>

industry in 2021 with a projected outlook of a 7 percent growth as emerging technologies post-COVID will present opportunities for the industry to expand<sup>12</sup>.

Travel goods and handbags were among the largest contributors to the decline in exports as it posted a contraction of -76.1 percent at the start of the fourth quarter. Demand from its main markets, Hong Kong and the United States, remained subdued with shipments down by 97.1 percent and 69.4 percent, respectively.

On a positive note, the continued recovery in manufacturing production volume and values translated to higher exports for chemicals, furniture, and machinery and transport equipment<sup>13</sup>. In particular, textile, yarns, and fabrics continued its strong performance with 14 consecutive months of positive growth and a cumulative growth of 44.8 percent.

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<sup>12</sup> <https://www.pna.gov.ph/articles/1121732>

<sup>13</sup> Preliminary Report on the Monthly Integrated Survey of Selected Industries (MISSI) for October 2020

### 3. Merchandise imports declined in October, dragged down by reduced orders across all commodity groups. Meanwhile, capital goods recorded positive month-on-month growth.

**Table 3. Philippine Merchandise Imports by Major Commodity Group: Oct. 2020**

Commodity Group	Sep 2020	Oct 2020	Sep 2020 (% growth)		October (% growth)		Jan-Oct 2020 (USD mn)	Jan-Oct (Y-o-Y growth)	
	(USD mn)	(USD mn)	Y-o-Y	M-o-M	Y-o-Y	M-o-M		2019	2020
<b>Total Merch. Imports</b>	<b>8,036.1</b>	<b>7,979.0</b>	<b>(15.3)</b>	<b>9.7</b>	<b>(19.5)</b>	<b>(0.7)</b>	<b>70,037.6</b>	<b>(0.7)</b>	<b>(25.2)</b>
<b>Capital Goods</b>	<b>2,596.3</b>	<b>2,736.1</b>	<b>(16.6)</b>	<b>10.7</b>	<b>(19.1)</b>	<b>5.4</b>	<b>23,022.1</b>	<b>6.4</b>	<b>(26.1)</b>
<b>Raw Mats. &amp; Intermediated Goods</b>	<b>3,249.4</b>	<b>3,222.9</b>	<b>(4.9)</b>	<b>8.6</b>	<b>(9.6)</b>	<b>(0.8)</b>	<b>28,316.0</b>	<b>(8.9)</b>	<b>(17.7)</b>
<i>Of which:</i>									
Unprocessed Raw Materials	342.4	313.6	8.3	26.4	(4.7)	(8.4)	2,578.6	(24.1)	(15.8)
Chemical	866.0	831.6	(7.1)	12.7	(16.6)	(4.0)	7,569.9	1.7	(17.4)
Manufactured goods	975.2	1,006.1	(10.5)	4.8	(15.0)	3.2	8,570.4	(10.2)	(26.7)
Materials/Accessories for the Manufacture of Electrical Equipt.	812.7	812.2	(4.0)	0.8	(3.9)	(0.1)	7,649.4	(11.2)	(7.9)
<b>Mineral Fuels, Lubricants &amp; Related Materials</b>	<b>607.0</b>	<b>580.3</b>	<b>(47.2)</b>	<b>0.6</b>	<b>(49.9)</b>	<b>(4.4)</b>	<b>6,099.1</b>	<b>(3.2)</b>	<b>(45.5)</b>
<i>Of which:</i>									
Petroleum crude	-	128.7	(100)	-	(70.8)	-	1,095.9	(34.9)	(59.9)
<b>Consumer Goods</b>	<b>1,497.0</b>	<b>1,354.6</b>	<b>(13.3)</b>	<b>14.7</b>	<b>(21.8)</b>	<b>(9.5)</b>	<b>11,913.7</b>	<b>6.8</b>	<b>(25.8)</b>
<i>Of which: Durable</i>	703.5	688.8	(22.1)	20.1	(27.0)	(2.1)	5,351.7	2.5	(36.7)
Non-Durable	793.6	665.8	(3.6)	10.3	(15.7)	(16.1)	6,562.0	12.0	(13.7)

Source: PSA



**Capital Goods.** Inward shipments of capital goods remained in the positive growth territory as month-on-month growth in October was up by 5.4 percent. Year-on-year performance however, continued to struggle as capital goods imports declined by 19.1 percent. The decline in imported capital goods was traced to lower shipments of aircraft, ships and boats, land transportation equipment, and power generating machines. Higher payments from office and EDP machines, and telecommunication equipment were not enough to keep overall growth afloat. On the other hand, imports of office and EDP machines continued its month-on-month growth, in part due to the heightened demand for laptops in the Philippine market given the adoption of alternative learning and work-from-home arrangements<sup>14</sup>. A recent global survey commissioned by Cisco showed that the future of work will be a combination of work-from-home and onsite arrangements depending on the nature of the job<sup>15</sup>.

In addition, telecommunication companies continue to pursue efforts to address shifts to online platforms by launching inventive ways to make internet accessible to Filipinos such as the School Bus Wifi program. This provides free internet services in underserved areas<sup>16</sup>. In addition, the growth of e-commerce activity in the country provided opportunities for the government and private sector to offer various digital learning modules that encourage the growth of online businesses. All these partly contributed to the higher imports of telecommunication equipment and electrical machineries.

Despite the large increase in the monthly imports of aircraft, and ship and boats, Philippine Airlines (PAL), announced the retrenchment of 35 percent of its 7000 personnel as part of its larger restructuring and recovery plan. The collapse in travel demand and persistent travel restrictions on most global and domestic routes have made retrenchment inevitable for the company<sup>17</sup>. The Department of Labor and Employment indicated that PAL may reconsider its retrenchment plan given that the government has allowed more trips in and out of the country. In particular, the Labor Department has signified that the airline industry may start to turn around as it allows more workers to return to their jobs abroad where health and safety conditions have improved.<sup>18</sup> Meanwhile, Cebu Pacific is raising

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<sup>14</sup> <https://mb.com.ph/2020/10/07/acer-maintains-top-spot-in-ph-consumer-and-gaming-market/>

<sup>15</sup> <https://mb.com.ph/2020/10/20/the-future-of-work-is-hybrid/>

<sup>16</sup> <https://mb.com.ph/2020/10/20/globe-launches-konektayo-school-bus-wifi-in-manila/>

<sup>17</sup> <https://www.rappler.com/business/philippine-airlines-lay-off-workers-october-2020>

<sup>18</sup> <https://www.dole.gov.ph/news/pal-could-change-mind-in-letting-go-of-workers-bello/>

USD 500 million to keep the budget carrier in business and has announced that it will resume local and international flight schedules<sup>19</sup>.

**Raw materials and intermediated goods.** In the unprocessed food sector, the decline in imports may have been contributed by the appeal of the Philippine Chamber of Agriculture and Food Inc. (PCAFI) to stem the flow of imports of corn during the period. This coincides with the harvest season in the country. PCAFI expressed concern that incoming corn shipments will significantly affect the domestic prices of corn.<sup>20</sup> The San Miguel Corporation (SMC), through San Miguel Foods Inc., procured a total of 436,209 metric tons (MT) of corn from local farmers as part of its commitment to the government to purchase locally produced food across the country especially during the pandemic<sup>21</sup>.

**Mineral fuels and lubricants.** Importation of mineral fuels and lubricants declined despite lower global prices of crude oil<sup>22</sup>. However, according to the Department of Energy (DOE), oil demand is poised for a rebound to pre-pandemic levels by year-end buoyed by more people outdoors as the government eases quarantine measures<sup>23</sup>. Domestic fuel demand is expected to grow in the following months, increasing the likelihood of higher import volumes. Nevertheless, the stronger reliance on oil imports and a possible uptick in consumer prices may be closely monitored, given the closure of Shell Philippines' Tabangao refinery as well as the surge of domestic fuel demand following the gradual resumption of economic activity<sup>24</sup>.

**Consumer goods.** Inward orders of consumer goods declined for both durable and non-durable goods falling back into negative territory. In the case of durable goods, the drop in imports was affected by lower importation of passenger cars, which appear to have normalized, recording a 7.8 percent monthly growth in October from a hefty 28.9 percent surge in September. On a month-on-month basis, the trend in cars imports mirrors the overall car sales in the country during

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<sup>19</sup> <https://www.philstar.com/business/2020/10/08/2048095/cebu-pacific-raise-500-million-navigate-through-pandemic>

<sup>20</sup> <https://mb.com.ph/2020/10/16/safeguard-duty-on-rice-corn-sought/>

<sup>21</sup> <https://mb.com.ph/2020/10/06/smcs-local-corn-procurement-rises-to-400000-mt/>

<sup>22</sup> <https://www.worldbank.org/en/research/commodity-markets>

<sup>23</sup> <https://www.philstar.com/business/2020/10/13/2049281/oil-demand-seen-back-pre-pandemic-level-yearend>

<sup>24</sup> <https://www.philstar.com/business/2020/10/22/2051494/shell-departure-trigger-hefty-oil-imports-stoking-inflation-fitch-unit>

the reference month. Total vehicle sales in October only grew by 2.0 percent month-on-month, compared to the 37.0 percent recorded in September.

For non-durable goods, growth was dragged down by the significant drop in rice imports. This can be attributed in part to the efforts of the DA appealing to provincial local government units (LGU) and the private sector to buy *palay* and corn directly from farmers. This comes with the prices of the country's two main staple foods (i.e. *palay* and corn) significantly declining weeks ahead of the peak of harvest season<sup>25</sup>.

Monthly imports of fish and fish preparations grew by 23.8 percent, reversing the 31.5 percent decline in September. However, year-on-year growth in October remained lower. Higher imports of fish were likely in response to the recommendation of the Bureau of Fisheries and Aquatic Resources (BFAR) to import *tilapia* (St. Peter's fish) and *galunggong* (round clad) to address the projected shortfall of fish supply by year end. Estimates indicate that around 400,000 MT of supplemental fish imports are needed to boost supply for up to two day's worth of surplus by the end of the year<sup>26</sup>.

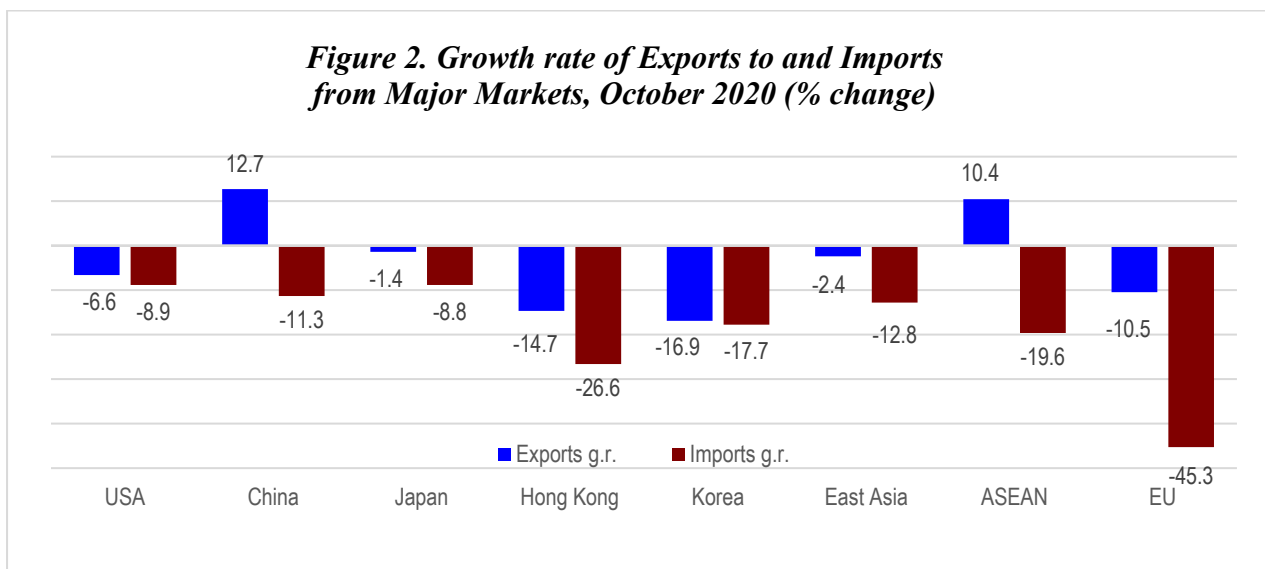
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<sup>25</sup> <https://mb.com.ph/2020/10/02/lgus-private-firms-told-to-buy-local-rice-corn/>

<sup>26</sup> <https://mb.com.ph/2020/10/02/ph-to-decide-on-importation-of-tilapia-galunggong/>

**4. Exports to China and ASEAN remained positive while inbound shipments from major sources such as the United States and Japan declined, although at a slower pace. This trend is in line with the economic recovery in Asia as the region contains COVID-19. On the other hand, the resurgence of the virus in the US and Europe likely affected exports to these regions**

Exports to China remained positive for the second consecutive month growing by 12.7 percent in October 2020. This growth trajectory is expected to continue as China is optimistic on its external sector growth outlook following the results of the US election. After experiencing a -47.0 percent growth decline in exports to Korea for September 2020, outbound shipments to Korea slightly recovered narrowing the decline by a 30-percentage point growth at -16.9 percent in October 2020. The improvement in exports performance to Korea may be attributed to the country’s rebound from the second wave of COVID-19 infections as new cases were already contained by mid-September. The rebound in Korea’s economy is also evident in the country’s GDP growth of 1.9 percent quarter on quarter, after falling 3.2 percent in the 2nd quarter of the year. Although signs of recovery (i.e. increase in average daily exports) are more pronounced, Korea remains wary about a full-scale recovery due to uncertainties in their export markets particularly to the US where COVID-19 infections are still on the rise.



Source: PSA

Outward shipments to the US and Japan remained below 10 percent. Among the major trading blocs, ASEAN was able to maintain its export growth at 10.4 percent. However, exports to East Asia and the European Union (EU) continued to post negative growth.

Inward shipments still remain in the negative territory albeit at a slower pace for the US and Japan. As for the major trading blocs, imports from major trading partners decelerated by as much as -14 percentage points for the EU, -5.12 percentage points for ASEAN, and -1.67 percentage points for East Asia.

**5. Among selected Asian economies, only China and Vietnam continued to post positive export growth on a year-on-year basis while Malaysia, Singapore, and Indonesia posted positive month-on-month export growth.**

**Table 4. Merchandise Trade in Selected Asian Countries**

Country	October 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	415.9	8.6	237.2	11.4	178.7	5.2	58.4	35.9
India	58.5	-8.3	24.9	-5.8	33.6	-10.1	-8.7	-20.5
Indonesia	25.1	-15.3	14.4	-3.8	10.8	-26.9	3.58	1,973.2
Malaysia	38.1	-2.6	21.5	-0.7	16.6	-5.1	4.9	18.0
Philippines <sup>1/</sup>	14.2	-12.8	6.2	-2.2	8.0	-19.5	-1.8	-50.3
Singapore	59.7	-8.3	31.5	-7.9	28.2	-8.6	3.3	-1.8
Thailand	36.6	-11.1	19.2	-7.2	17.4	-15.0	1.8	728.4
Vietnam	51.6	10.7	27.3	12.5	24.3	8.7	2.9	58.1
Country	Jan-Oct 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	3,711.9	-0.6	2,048.0	0.4	1,663.8	-1.8	384.2	11.5
India	517.3	-23.3	225.2	-17.1	292.1	-27.4	-66.9	-48.8
Indonesia	246.0	-12.2	131.5	-5.4	114.5	-18.8	17.0	-996.5
Malaysia	344.4	-6.2	189.5	-4.3	154.9	-8.5	34.6	21.2
Philippines <sup>1/</sup>	122.2	-20.2	52.1	-12.5	70.0	-25.2	-17.9	-47.4
Singapore	567.1	-8.7	296.5	-8.4	270.6	-9.0	25.9	-2.1
Thailand	360.1	-11.5	190.1	-8.3	170.0	-14.9	20.1	164.9
Vietnam	439.7	2.5	229.6	5.3	210.1	-0.4	19.6	174.1

Source: CEIC; <sup>1/</sup>PSA

Among the selected Asian countries, only China and Vietnam posted positive growth at 11.4 percent and 12.5 percent, respectively, while other countries posted declines. China's exports are expected to stay strong for the rest of 2020 as domestic firms resume production faster than global rivals and sell more COVID-19 related goods. However, exports could also come under pressure in the coming months as major European countries revert back to lockdowns as COVID-19 cases continue to increase. Solid trade performance is expected to provide a boost to China's broader economic recovery after suffering a deep collapse during the earlier part of the year<sup>27</sup>. For Vietnam, phones and parts posted the largest exports growth including electronic products, computers and components, garments, equipment and parts, among others<sup>28</sup>.

On a month-on-month basis, Indonesia posted slight expansion at 2.9 percent while Malaysia (0.26 percent), Singapore (0.95 percent) and Vietnam (0.35 percent) registered increases of less than 1.0 percent. On the other hand, India, China, Thailand and the Philippines posted contractions with India dropping by almost 10 percent. Malaysia's economy is seen to have recovered further in the 3<sup>rd</sup> quarter with the industry sector continuing to perform well given stronger export demand. Overall, Malaysia's GDP would likely grow by 16.0 percent quarter on quarter. However, restrictions on movement in response to a second wave of COVID-19 cases is seen to affect the recent economic recovery of the country.

Thailand, on the other hand, still records a weak export growth with recovery mostly observed in the automotive sector despite having effectively contained COVID-19 and domestic life largely returning to normalcy. The looming political unrest and consequent violence in the country poses a major threat to the country's outlook for recovery<sup>29</sup>.

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<sup>27</sup> <https://www.reuters.com/article/uk-china-economy-trade/china-october-exports-surge-imports-rise-amid-global-recovery-idUKKBN27N085>

<sup>28</sup> <http://hanoitimes.vn/vietnam-trade-surplus-hits-us195-billion-in-jan-oct-314851.html>

<sup>29</sup> [https://www.capitaleconomics.com/clients/publications/emerging-asia-economics/emerging-asia-chart-book/a-vaccine-would-not-transform-the-regions-prospects/?login\\_time=ca023492-03dd-45b0-bfa8-70746cae8043](https://www.capitaleconomics.com/clients/publications/emerging-asia-economics/emerging-asia-chart-book/a-vaccine-would-not-transform-the-regions-prospects/?login_time=ca023492-03dd-45b0-bfa8-70746cae8043)

## 6. Outlook and policy implications

Overall trade performance as indicated by the three-month moving average growth of exports and imports showed continued progress. Month-on-month growth rates remain on the uptrend notwithstanding the slump in October 2020. Moreover, the slower year-on-year decline in the past months indicate that external demand is gaining traction as countries steadily recover and economies re-open.

Towards the end of the year, upside factors affecting exports growth will likely be coming from China and the ASEAN region. Increased demand from the US will also contribute to this as data suggests that business activity picked up in November, with both manufacturers and service providers showing growth momentum. Meanwhile, demand from European countries will remain weak as countries implement more aggressive measures to counter another surge in COVID-19 infection rates.

The country's trade performance for the start of the 3<sup>rd</sup> quarter, taken in the context of our neighboring Asian countries, suggests that the slight downturn for the period is not unique to the country and that there are still vulnerabilities we need to manage while supporting measures to improve the sector's performance.

### [Prioritizing connectivity and logistics reforms to bring down costs](#)

As traditional means of connecting buyers to suppliers are no longer feasible, the government and the private sector may need to work together to harness digital platforms and alternative means to engage partners in the supply chain. Improving the communications infrastructure is also key to harnessing these alternative means accompanied with appropriate reforms to encourage investments in digital solutions and services. The National Economic and Development Authority (NEDA) recognizes this need and continues to partner with relevant stakeholders for proposed amendments to the Public Service Act and open opportunities for investments in critical infrastructure. This can in turn increase the productivity and competitiveness of exporters as well as enhance access to online platforms for businesses and government services.



Likewise, logistics reforms that will rationalize the freight system, establish strategic warehousing, as well as cold chain systems will significantly bring down operating costs and improve the competitiveness of Philippines manufacturers and exporters. These efforts may be complemented with an integrated, usable website tracking real-time information on cargo release, availability of supply, production, and inventory to avoid disruptions and uncoordinated supply flow.

### *Accelerating initiatives on modernization and streamlining to facilitate trade*

Putting in place an enabling environment for trade may require an efficient and effective customs service. In this regard, institutionalizing reforms that will modernize customs procedures and streamline trade activities will remain a priority. These include the full implementation of TradeNet as well as current initiatives that will help achieve a globally competitive trade environment for Philippine enterprises. This includes promoting the advance ruling system, intensifying post-clearance audit, enhancing pre-arrival processing for air shipments and consignments and electronic payment for informal entry, among others.

### *Stimulating demand with gradual resumption of business activity*

The government's approach to calibrated and gradual resumption of business activity subject to strict adherence to minimum health standards is crucial to economic recovery. This is complemented with the provision of safe and sufficient modes of transportation to allow for mobility. Likewise, it is also important to provide support measures for enterprises in better transitioning to the new normal. This includes addressing long term sustainability and improving the capacities of industries to shift production processes and changing consumer preferences.

### *Foster growth and competitiveness with consistent policy reforms*

Improving the overall climate for businesses to foster entrepreneurship and competitiveness is crucial in encouraging investments and accelerate business activity. The Corporate Recovery and Tax Incentives for Enterprises (CREATE) bill which has been approved by the Senate is a landmark legislation that will accelerate economic recovery by reducing our Corporate Income Tax (CIT) rate

and restructuring the country's fiscal incentives system. A crucial feature of the law is for investment promotion agencies (IPA) to continue to promote and facilitate trade and investments under the supervision of the Fiscal Incentives Review Board (FIRB) ensuring alignment to a single fiscal incentives regime. On the other hand, the bill also gives the government flexibility in granting fiscal and non-fiscal incentives that are performance-based, targeted, timebound, and transparent to attract investments resulting in significant job generation.

Nevertheless, NEDA continues to pursue legislative reforms such as amendments to the Foreign Investment Act, Retail Trade Liberalization Act and the Public Service Act. The implementation of these reforms are expected to remove obstacles to investments which ultimately creates both the base for further expansion of productive activities and stimulate high and inclusive economic growth.