Metrobank
Research and Market Strategy Department

PHILIPPINES TRADE UPDATE

29 August 2025

TRADE DEFICIT NARROWS BUT NOT A SIGN OF STRENGTH

Philippine trade deficit narrows further

The country's trade deficit narrowed further by 7.7% year-on-year to USD 4.05 billion in July, as growth in exports continue to outpace imports. Year-to-date, the country's total deficit decreased 4.9% to USD 28.46 billion.

Export of manufactured goods weakens

The value of Philippine exports rose 17.3% year-on-year (YoY) in July, a deceleration from the preliminary 26.1% growth in the preceding month.

The slower exports growth in July was due to a weakness in electronic products exports and a decline in other manufactured goods exports. Although electronic products continue to dominate the country's export market with a majority share of 53.5% to total exports, YoY growth rate slowed down to 20.7% from June's preliminary 30.0%. Meanwhile, other manufactured goods which comprise 23.9% of the total exports declined by 0.8%.

Year-to-date, total exports reached USD 48.62 billion, a 13.9% increase from the same period last year.

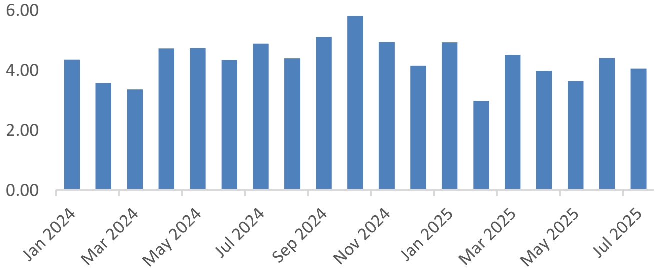
Import weakens as well

The value of Philippine imports grew 2.3% YoY in July, a deceleration from the 10.8% preliminary growth in the preceding month.

The slow down was driven by a deceleration of imports of capital goods and consumer goods to 4.1% and 12.3%, respectively. Combined, they comprise 51.1% of total imports. The rest of the import commodities saw declined relative to the same period last year and contributed to the overall slowdown of imports in July.

Year-to-date, total imports increased 6.1% YoY to USD 77.09 billion.

Philippine Trade Deficit
In USD billion



Source: Philippine Statistics Authority

Top Trading Partners (July 2025)

EXPORTS		IMPORTS	
Country	**Value in USD million**	**Country**	**Value in USD million**
United States of America	1,160.31 (15.8% of total)	**China**	3,399.74 (29.9% of total)
Hong Kong	1,115.35 (15.2% of total)	**Republic of Korea**	1,008.01 (8.9% of total)
Japan	996.44 (13.6% of total)	**Indonesia**	898.40 (7.9% of total)

Top Export Commodities

1	MANUFACTURED GOODS • Export value of USD 5,675.78 m (from USD 5,532.13 m in June) • 77.4% share to total exports (from 78.8% in June) • 13.1% YoY growth (slow down from 27.3% in June)
2	MINERAL PRODUCTS • Value of USD 887.18 m (from USD 723.92 m in June) • 12.1% share to total exports (from 10.3% in June) • 62.0% YoY growth (slow down from 14.5% in June)
3	TOTAL AGRO-BASED PRODUCTS • Export value of USD 615.59 m (from USD 586.58 m in June) • 8.4% share to total exports (same share in June) • 20.4% YoY growth (slow down from 34.5% in June)

Top Import Commodities

1	RAW MATERIALS AND INTERMEDIATE GOODS • Import value of USD 4,195.68 m (from USD 3,665.68 m in June) • 36.9% share to total exports (from 33.4% in June) • 0.7% YoY decline (reversal from 2.9% growth in June)
2	CAPITAL GOODS • Import value of USD 3,425.08 m (from USD 3,714.79 m in June) • 30.1% share to total exports (from 33.8% in June) • 4.1% YoY growth (slow down from 31.1% in June)
3	CONSUMER GOODS • Import value of USD 2,393.51 m (from USD 2,150.35 m in June) • 21.0% share to total exports (from 19.6% in June) • 12.3% YoY growth (slow down from 13.1% in June)

Note: Figures are based on preliminary data from PSA.

METROBANK'S TAKE

Weak global demand puts a drag on exports

The deceleration of electronic product exports and a decline in other manufactured exports point to weak global demand. This is consistent with a bleak global economic outlook and is expected to persist due to external headwinds. Recent pronouncements by US President Donald Trump regarding potential 100% tariff on semiconductors and a broader tariff on countries with digital taxes could further exacerbate the weakness in export demand for Philippine products, if implemented.

Tempered investment

The slowdown in growth of capital goods imports indicates weak investment sentiment despite the Bangko Sentral ng Pilipinas' (BSP) recent interest rate cuts. According to the BSP's latest Business Expectations Survey (BES), business confidence remains subdued for the third quarter, weighed down by ongoing global trade tensions and the seasonal slowdown in consumer demand during the rainy season.

However, there could be a potential pick-up for the rest of the third quarter, driven by seasonality and stronger consumer demand stemming from the impact of BSP's easing cycle.

Persisting trade deficit

More expensive imports and weak demand from Philippine exports could worsen the country's trade position. Although the country entered the import season in the third quarter and the BSP's interest rate differential (IRD) narrowed following the recent BSP move, the peso is still expected to move sideways, without any drastic weakness. Metrobank maintains its forecast for USDPHP to settle at 56.1 by year-end.