Metrobank
Macro Research Department

PHILIPPINES TRADE UPDATE

30 June 2026

MAY 2026: AI FRENZY DRIVES GAINS AS DEFICIT PERSISTS

Philippine trade deficit slightly narrows

The country recorded a trade deficit of USD 5.481 billion in May, 50.5% wider year-on-year (YoY) though narrower than the previous month's revised deficit of USD 6.429 billion as the fuel imports surge cooled. Year-to-date (YTD), the Philippine's total trade deficit stands at USD 25.24 billion, wider by 25.7% YoY.

Better-than-expected exports growth amid AI surge

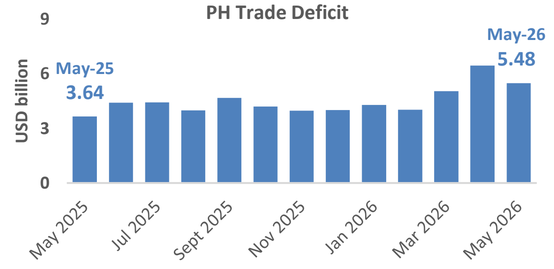
Total exports reached USD 7.874 billion in May, equivalent to a 7.6% YoY increase. This is faster than the Bloomberg consensus estimate of 5.4% and the previous month's upwardly revised figure of 7.2%.

The global AI surge is boosting demand for physical hardware and increasing orders for office and telecommunication equipment needed to support massive data volumes. As a key electronics manufacturing hub, the Philippines is capturing this demand through increased physical assembly and export orders.

Imports growth still at double-digit levels

Total imports reached USD 13.355 billion in May, equivalent to a 21.9% year-on-year increase. This is faster than the Bloomberg consensus estimate of 19.5% and the previous month's upwardly revised figure of 27.3%.

Weak construction activity is dampening imports growth for steel and aluminum. Nevertheless, overall imports remain supported by the Philippines' role in the global tech supply chain, driving increased demand for semiconductors.



Top Trading Partners (May 2026)

EXPORTS		IMPORTS	
Country	Value in USD million	Country	Value in USD million
US	1,353.53 (17.2% of total)	China	4,231.66 (31.7% of total)
Hong Kong	1,197.66 (15.2% of total)	South Korea	1,764.59 (13.2% of total)
Japan	1,028.85 (13.1% of total)	Indonesia	858.79 (6.4% of total)

Source: Philippine Statistics Authority

Top Export Goods and Products

1	MANUFACTURED GOODS • Export value of USD 6,160.47 m (up from USD 5,237 m in April) • 78.2% share to total exports (up from 72.7% in April) • 7.0% YoY growth (reversal from 4.0% decline in April)
2	MINERAL PRODUCTS • Export value of USD 791.23 m (down from USD 899.04 m in April) • 10.0% share to total exports (down from 12.5% in April) • 2.1% YoY growth (deceleration from 62.9% in April)
3	TOTAL AGRO-BASED PRODUCTS • Value of USD 698.78 m (down from USD 876.53 m in April) • 8.9% share to total exports (down from 12.2% in April) • 14.1% YoY growth (deceleration from 41.2% in April)

Top Import Goods and Products

1	RAW MATERIALS AND INTERMEDIATE GOODS • Value of USD 5,455.90 m (up from USD 5,025.78 m in April) • 40.9% share to total imports (up from 38.2% in April) • 33.1% YoY growth (acceleration from 31.1% in April)
2	CAPITAL GOODS • Value of USD 3,733.67 m (up from USD 3,676.28 m in April) • 28.0% share to total imports (up from 27.9% in April) • 22.6% YoY growth (acceleration from 8.2% in March)
3	CONSUMER GOODS • Value of USD 2,365.32 m (up from USD 1,875.45 m in April) • 17.7% share to total imports (up from 14.2% in April) • 4.9% YoY decline (acceleration from -16.7% in April)

Source: Philippine Statistics Authority

METROBANK'S TAKE

Higher exports and imports growth, though headwinds persist

Philippine exports are expected to remain resilient in the near term, supported primarily by electronic products amid sustained global demand for AI-related infrastructure. However, exports of agricultural products may face headwinds in the coming months as the moderate El Niño phenomenon during the June-July-August period is expected to adversely affect the agricultural sector through reduced crop yields and lower production, constraining export volumes. This is expected to slightly offset sustained momentum in electronics exports.

Still, imports are expected to continue increasing, as global commodities remain expensive amid a shift in trade dynamics because of ongoing geopolitical tensions. Capital goods imports could sustain its upward momentum should scheduled shipments continue to arrive. However, consumer goods imports, which have contracted for three consecutive months now, continue to confirm soft consumer demand and is expected to remain subdued.

Despite external and domestic headwinds, both exports and imports are expected to continue increasing, with the latter outpacing the other.

Easing geopolitical tensions to provide some relief

Global oil prices are likely to remain relatively subdued, with Brent crude expected to remain below the USD 80-per-barrel level in the near-term as the Strait of Hormuz has reopened amid ongoing negotiations between the US and Iran. While the current memorandum of understanding (MoU) remains fragile, both sides signal willingness to continue negotiations toward a more durable agreement, reducing the risk of exacerbating global oil supply concerns. We expect some relief to overall trade activities as falling oil prices cut transportation costs.

Despite optimism toward a lasting resolution of the US-Iran conflict, the war's lingering impact on global inflation and weaker growth prospects is expected to persist, weighing on overall global trade dynamics.

Overall, net exports will likely be a drag on GDP growth in the second quarter of 2026. Metrobank continues to expect a wider trade gap as the imports season arrive, with a relatively weak peso expected to weigh heavily on import costs.