

PH TRADE UPDATE

AUGUST 2026: Narrowest trade deficit this year

Deficit narrows to its lowest level year-to-date

The Philippines recorded a trade deficit of USD 3.85 billion in August, 3.5% narrower year-on-year (YoY). This is the country's narrowest trade deficit so far in 2026 and its lowest level since May 2025. Month-on-month, the deficit narrowed by 39.3% as exports grew and imports eased. Year to date, the Philippines' total trade deficit stands at USD 41.56 billion, 26.3% wider YoY.

Exports growth picks up pace amid ongoing AI supercycle

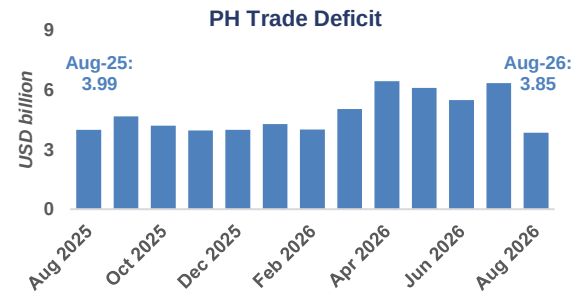
Philippine exports totaled USD 9.11 billion in August, a marked improvement over the previous month's revised USD 8.16 billion. Year-on-year, export growth accelerated to 27.8% in August from 10.9% in July, well above the Bloomberg consensus estimate of 13.8% growth.

The ongoing artificial intelligence (AI) supercycle once again drove faster export growth, as semiconductor demand remained strong.

Imports growth eases as borrowing costs remain elevated

Philippine imports reached USD 12.96 billion in August. YoY growth eased to 16.6%, down from the revised 23.0% in July. This was also below the Bloomberg estimate of 22.9% growth.

Imports of raw materials, intermediate goods, and capital and consumer goods slowed during the month. Elevated borrowing costs have made financing large-scale capital expenditures expensive.



Top Trading Partners (August 2026)

EXPORTS		IMPORTS	
Country	Value in USD million	Country	Value in USD million
US	2,172.72 (23.8% of total)	China	2,941.85 (22.7% of total)
Hong Kong	1,574.07 (17.3% of total)	South Korea	2,733.96 (21.1% of total)
China	1,047.67 (11.5% of total)	Japan	939.85 (7.3% of total)

Source: Philippine Statistics Authority

Top Export Goods and Products

MANUFACTURED GOODS	
1	- Value of USD 7,691.79 m (up from USD 6,605.47 m in July) 84.4% share to total exports (up from 81.1% in July) 36.8% YoY growth (up from 16.3% in July)
MINERAL PRODUCTS	
2	- Value of USD 800.62 m (up from USD 776.61 m in July) 8.8% share to total exports (down from 9.5% in July) 7.4% YoY growth (reversal from 13.2% decline in July)
TOTAL AGRO-BASED PRODUCTS	
3	- Value of USD 455.26 m (down from USD 548.95 m in July) 5.0% share to total exports (down from 6.7% in July) 23.9% YoY decline (down from 11.8% decline in July)

Top Import Goods and Products

RAW MATERIALS AND INTERMEDIATE GOODS	
1	- Value of USD 5,142.78 m (down from 5,709.94 m in July) 39.7% share to total imports (down from 40.4% in July) 29.2% YoY growth (down from 31.9% in July)
CAPITAL GOODS	
2	- Value of USD 3,598.36 m (up from USD 3,836.81 m in July) 27.8% share to total imports (up from 27.2% in July) 7.0% YoY growth (down from 9.0% growth in July)
CONSUMER GOODS	
3	- Value of USD 2,313.41 m (down from USD 2,579.35 m in July) 17.8% share to total imports (down from 18.3% in July) 3.2% YoY decline (reversal from 5.5% growth in July)

METROBANK'S TAKE

AI-driven export momentum

Following slower growth in July, Philippine exports accelerated in August, mainly driven by electronic products. Growth was led by semiconductors, as the country continued to benefit from the global AI supercycle. However, this was partially offset by a YoY contraction in agro-based products, particularly coconut products, after a strong export performance in the preceding month. Looking ahead, Metrobank expects sustained momentum in electronic exports in the near term, although growth may be capped in the medium term as base effects come into play. Meanwhile, agro-based products could weaken in the near term, as the impending super El Niño could affect crop production.

Businesses ramp up inventory

Imports growth eased in August, driven by slower year-on-year growth in imports of raw materials, intermediate goods, and capital goods, as well as a contraction in consumer goods amid high borrowing costs. Nonetheless, raw materials and accessories for the manufacture of electronic equipment drove more than half of the growth in imports, as local manufacturers catch up with global demand for electronic products. Metrobank expects a higher volume of imports in September, capturing the peak of this year's imports season, as businesses build inventory ahead of the holiday season.

Double-edged sword

Despite a narrower August trade deficit, Metrobank still expects a wider deficit in the near term, exacerbated by elevated import and shipping costs and a weak peso. Overall, net exports could weigh on Q3 GDP growth, as the trade deficit in the first two months of the quarter remains significantly wider year-on-year. Although the peso repeatedly breached record levels in the third quarter, Metrobank anticipates slight relief for the currency owing to seasonal inflows of OFW remittances and BPO bonuses in the fourth quarter, though support may be capped by slower OFW deployment in recent months. Metrobank forecasts that USD/PHP will close the year at 61.9. Meanwhile, Metrobank projects USD/PHP to end 2027 at 61.3, supported by improved macroeconomic fundamentals.

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