Debt,
from S1/1

Month on month, it also increased by 0.4% from the end-May level of P343.58 billion.

"After the NG released a statement effectively raising the debt ceiling for the country, the new inflow of borrowings seems to be in line with their goal of further increasing their spending to drive growth and development," Reinielle Matt M. Erece, an economist at Oikonomia Advisory and Research, Inc., said in a Viber message.

Earlier this month, Palace Press Officer Clarissa A. Castro said the Department of Finance considers 70% of gross domestic product (GDP) to be the international threshold for sustainable borrowing, as opposed to the 60% rule-of-thumb that multilateral banks often hold developing countries to.

NG debt as a share of GDP rose to 62% at the end of the first quarter, the highest in 20 years. This is a significant jump from the 60.7% posted at the end of 2024.

"The National Government's prudent debt management approach strategy reflects the Marcos, Jr. administration's commitment to safeguarding fiscal sustainability, supporting inclusive growth, and ensuring that every peso borrowed is used to build a stronger economy for the Filipino people," the BTr said.

The NG's outstanding debt is projected to reach P17.35 trillion by end-2025. — **A.R.A.Inosante**

Trade deficit,
from S1/1

FRONTLOADING

In a note, Chinabank Research said exports grew faster in June amid signs of frontloading by US importers due to uncertainty over tariffs.

US President Donald J. Trump in April announced a 17% "reciprocal tariff" on Philippine goods, but implementation was paused until July. Earlier this month, Mr. Trump set a 19% tariff on Philippine goods after a meeting with Philippine President Ferdinand R. Marcos, Jr. It will take effect on Aug. 1.

"Shipments to the US — the Philippines' top export market — surged (+35.2%), suggesting some frontloading by US importers before higher US tariffs take effect, alongside some base effects (i.e., exports to the US fell 19.8% in June 2024)," Chinabank Research said.

In June, the United States was the top destination for Philippine-made goods at $1.22 billion (17.3% share). It was closely followed by Hong Kong ($1.065 billion or a 15.2% share), Japan ($974.8 million or a 13.9% share), and China ($733.99 million or a 10.5% share).

However, Mr. Chanco pointed out the month-on-month decline in exports in June was caused by the "broad-based pullback in demand from a number of key markets, namely, Japan (-10.1%), Hong Kong (-7.6%), and China (-1.6%)."

By major type of goods, exports of manufactured goods went up by 27.3% year on year to $5.53 billion in June. This made up the bulk of total outbound sales during the month.

Electronic products, which accounted for more than half of exports and 70.3% of manufactured goods, rose by 30% to $3.89 billion.

Semiconductors, which made up a little over 40% of exports and 74% of electronic products, climbed by 24.6% year on year to $2.89 billion.

"Month on month, however, semiconductor exports were flat, underscoring the sector's fragile recovery. A risk is the potential imposition of US tariffs on currently exempt semiconductors, depending on the result of the US' national security probe into chip imports," Chinabank Research said.

SILVER LININGS

Meanwhile, Mr. Chanco said there are a few silver linings in the import data, "which is a far more important health-check for the Philippines' domestic demand driven economy."

"Specifically, the recovery in previously subdued capital goods imports is going from strength to strength... with their continued surge in June masking a poor month for consumer goods and purchases of raw materials and intermediate goods," he said.

PSA data showed imports of capital goods grew by 31.1% to $3.71 billion in June.

Chinabank Research said the surge in capital goods was "driven by a sharp rise in telecommunication equipment and electrical machinery (+30.4%), and transport-related assets such as aircraft, ships and boats (+702.4%)."

"This indicates that domestic service businesses remain optimistic even in the face of uncertainties," it added.

Imports of raw materials and intermediate goods inched up 2.9% to $3.67 billion in June.

"Demand for consumer goods held firm (+13.1%), with household consumption benefiting from low and stable inflation and robust labor market conditions. The country's pledge to slash tariffs on automobiles from the US may contribute to the increase in this category moving forward," Chinabank Research said.

By commodity group, electronic products, which accounted for more than a fifth of total imports, went up by 14.9% to $2.56 billion in June.

Orders of semiconductors, which accounted for 70% of electronic products and 16.3% of total imports, rose 22.8% year on year to $1.79 billion in June

China remained the main source of imported products, which accounted for 28.2% of the total or $3.1 billion. Japan followed with a 7.9% share or $870.15 million and South Korea's 7.8% share or $853.26 million.

Ateneo de Manila University economics professor Leonardo M. Lanzona said the trade data showed strong growth in exports to other markets which could help offset a potential slowdown in demand from the US.

"The Philippines appears to be maintaining strong growth despite trade headwinds, suggesting domestic demand and other sectors are compensating for trade challenges," Mr. Lanzona said. "It is recommended then that we strengthen the domestic economy at least for now but make sure that this leads to greater exports later."

The Development Budget Coordination Committee in June raised the export growth assumption for this year to 5% from 3%. It lowered the import growth assumption to 2% from 4%. — **Pierce Oel A. Montalvo**