

## DOF ECONOMIC BULLETIN ON CURRENT ACCOUNT

The current account deficit dropped from 2.38% of GDP (US\$7.879B) in 2018 to 0.13% (US\$0.464B) in 2019. This implies higher reliance on domestic savings than on foreign savings such as foreign borrowing and foreign investment. Domestic savings rose due to improved balances in goods and services trade, and higher primary and secondary incomes of Filipinos. (Table 1)

<b>Table 1. CURRENT ACCOUNT</b>		<b>2018</b>	<b>2019</b>
<b>CURRENT ACCOUNT BALANCE (US\$M)</b>		<b>(7,879)</b>	<b>(464)</b>
<b>CURRENT ACCOUNT BALANCE (% OF GDP)</b>		<b>-2.38%</b>	<b>-0.13%</b>

The deficit in the trade in goods and services balance dropped from 7.62% of GDP in 2018 to 6.19% of GDP in 2019 (Table 2) as imports slowed down due to lower capital goods purchases and the country earned higher net receipts from exports of services.

<b>Table 2. TRADE IN GOODS &amp; SERVICES BALANCE</b>			
		<b>2018</b>	<b>2019</b>
<b>TRADE IN GOODS &amp; SERVICES BALANCES, US\$M</b>		<b>(25,207)</b>	<b>(22,257)</b>
<b>% OF GDP</b>		<b>-7.62%</b>	<b>-6.19%</b>
<b>TRADE IN GOODS, BALANCE (US\$M)</b>		<b>-36,815</b>	<b>-35,302</b>
<b>TRADE IN GOODS, BALANCE (% of GDP)</b>		<b>-11.13%</b>	<b>-9.82%</b>
<b>TRADE IN SERVICES, BALANCE (US\$M)</b>		<b>11,608</b>	<b>13,045</b>
<b>TRADE IN SERVICES, BALANCE (% of GDP)</b>		<b>3.51%</b>	<b>3.63%</b>

The surplus in income balances rose by 7.7%, but its ratio to GDP dipped from 9.25% of GDP (US\$30.592B) to 9.17% (US\$32.956B). Earnings from BPOs, remittances inflows and earnings from investments abroad by Filipino citizens accounted for these substantial receipts.

Primary income balance which is accounted for by earnings by the country from placements abroad less earnings by other countries from local placements grew by 41.4% from US\$3.774B to US\$5.336B. (Table 3)

On the other hand, secondary income balance which is accounted for by remittances accruing to OFWs less incomes of expatriates remitted abroad also grew by 3%, from US\$26.818B to US\$27.62B.

<b>TABLE 3. INCOME BALANCES</b>			
		<b>2018</b>	<b>2019</b>
<b>TOTAL (INCOME BALANCES)</b>		<b>30,592</b>	<b>32,956</b>

% OF GDP		9.25%	9.17%
PRIMARY INCOME, BALANCE (US\$M)		3,774	5,336
PRIMARY INCOME, BALANCE (% of GDP)		1.14%	1.48%
SECONDARY INCOME BALANCE (US\$M)		26,818	27,620
SECONDARY INCOME, BALANCE (% of GDP)		8.11%	7.69%
OTHERS*/		(14,777)	(46,465)
*/Net unclassified items			
Source: Bangko Sentral ng Pilipinas			

### **DOF View**

The current account in the balance-of-payments strengthened in 2019 and almost wiped out the deficit as strong earnings were achieved from exports of goods and services and incomes from investment placements and remittances.

The country's strong fundamentals will enable the economy to withstand economic shocks arising from the coronavirus pandemic which has locked down more than a third of the economy to a state of inertia.

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