

Korea: Early March trade data reveals global supply chain disruptions

As a bellwether for global demand, Korea's early March trade data hinted at a continuation of the global recovery but also pointed to downside risks from global supply chain disruptions



Source: Shutterstock

10.1%

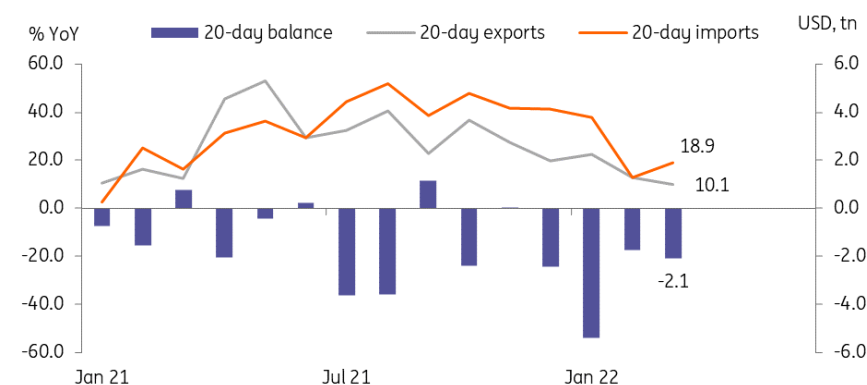
 March 20-day exports

March 20-day exports rose to 10.1%YoY (vs 12.8% in February)

According to data from the Korea Customs Service, 20-day exports increased by 10.1% year-on-year, despite unfavourable calendar day effects. The details suggested global supply chain disruptions while global demand conditions remain on a recovery path. IT products such as semiconductors (+30.8%), mobile phones (+8.1%), computers (+63.6%) continued to grow significantly, as did petroleum (+79.0%). However, automobiles (-18.1%) and auto parts (-9.1%) declined, mostly suffering from supply chain bottlenecks.

By destination, exports to Taiwan (+38.5%), Vietnam (+30.3%), China (+11.3%), and the US (+6.0%) increased, while exports to the eurozone (-3.9%) and Hong Kong (-24.0%) were weak. This suggests that consumer demand remains resilient, but the ongoing Russia-Ukraine war and lockdowns in China appeared to play a negative role.

March 20-day trade data



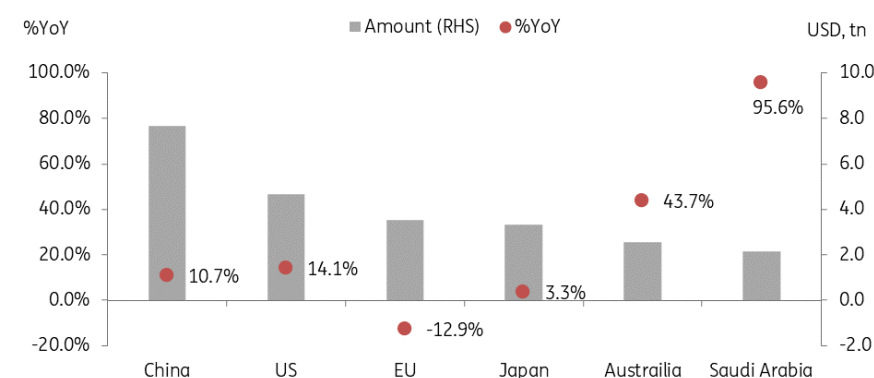
Source: CEIC

Imports increased more rapidly by 18.9% YoY (vs. 12.8% in February)

Commodity imports rose with crude oil (+57.8%), gas (+114.3%), petroleum (+52.5%), and coal (+68.7%) all higher, while machinery (-9.6%), semiconductor manufacturing equipment (-31.9%) and autos (-31.2%) declined. By country, imports from all major partners rose except for the eurozone (-12.9%). Notably, imports from the major commodity exporters such as Australia and Saudi Arabia were up the most, by +43.7%, 95.6%, respectively.

In summary, the 20-day trade deficit widened to US\$-2.1 trillion, (vs. US\$-1.7tn in February), but we expect a slight surplus for the month of March. However, downside risks are mounting in the near future as some of Korea's major exporters are suspending their loadings to Russia from March with more expected to join as the situation worsens. Although the direct impact of trading with Russia is limited (1.5% of total exports for Korea, as of 2021), today's data hints at early signs of global supply chain disruption caused by the recent war and China's lockdown.

Korea 20-day imports by country



Source: CEIC

Korea outlook

We expect downside risks to Korea's growth outlook to grow, but at the same time, we expect this to be offset by domestic fiscal support, (the size and timing of the supplementary bill are uncertain), thus we keep our current 2022 GDP forecast at 2.8% for now. In terms of inflation, upward pressures are mounting, and our current forecast of 3.6% for 2022 could yet be tested though this is still higher than the market consensus and the Bank of Korea's forecast (both at 3.1%). In addition, KEPCO recently postponed an announcement on the fuel cost adjustment for electricity, which signals the government is trying to curb inflation, at least in public services, to provide some relief. Thus, we leave the current forecast unchanged for now.

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