

Korea: Exports rebound for the first time in thirteen months

Exports rebounded in October, driven mainly by solid vehicle and machinery exports, along with signs of improvement in chip exports, suggesting that global demand conditions are holding up well. However, the weak manufacturing PMI hints that the expected export recovery will only be modest



Korea's trade balance was positive in June on strong transportation exports

5.1% Exports
% YoY

Lower than expected

Exports gain suggests global demand conditions remain healthy

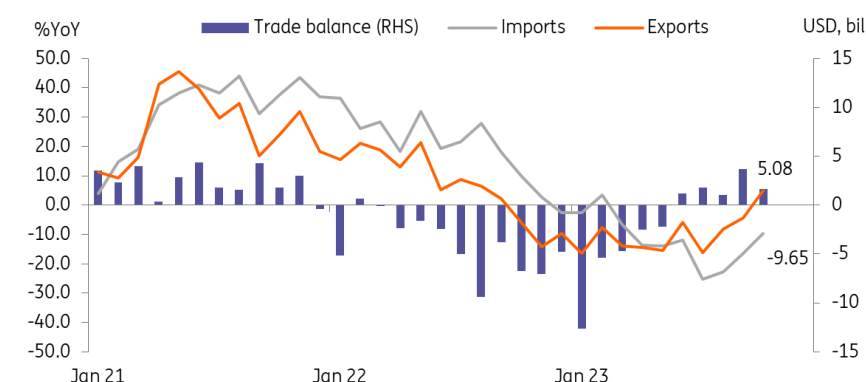
October exports rose 5.1% YoY (vs -4.4% in September, 6.1% market consensus) on the back of solid car (19.8%) and machinery exports. We also see some signs of improvement in chip exports as their decline moderated to -3.1% from the recent low of -44.5% in January 2023. We believe

that Korean chip makers benefit the most from the recent strong demand for AI investment, and chip exports will likely rebound by the end of the year. Also, the recent rise in oil prices has boosted petroleum exports, which registered an 18% gain.

Despite growing concerns over the slowdown in developed economies, Korean exports suggest that global demand remains robust and is even recovering in some sectors. The robust exports to the US (17.3%) signal that resilient private consumption and investment may be sustained at least in the near term as EV cars, mobile devices, and machinery gained the most. However, exports to the EU declined (-10.7%) on the back of weak steel and machinery exports.

Imports dropped more than expected in October, falling by -9.7% (vs -16.5% in September, -2.1% market consensus). The recent rise in global commodity prices hasn't had much impact yet but will come through more meaningfully in the coming months. This will likely narrow the trade surplus despite the recovery in exports.

Exports rebounded but the trade surplus narrowed in October



Source: CEIC

Manufacturing PMI edged down in October

The manufacturing PMI fell to 49.8 in October (vs 49.9 in September), staying below the neutral 50 level for a sixteenth consecutive month. Output and new orders gained compared to the previous month, which is a good sign for exports in the near term. However, a high level of inventories and heightened tensions in the Middle East probably dragged down other subindexes such as inventories, employment, and supplier deliveries. We expect the semiconductor industry to continue to recover with robust demand, but other consumer goods manufacturers may face strong headwinds in the near future.

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