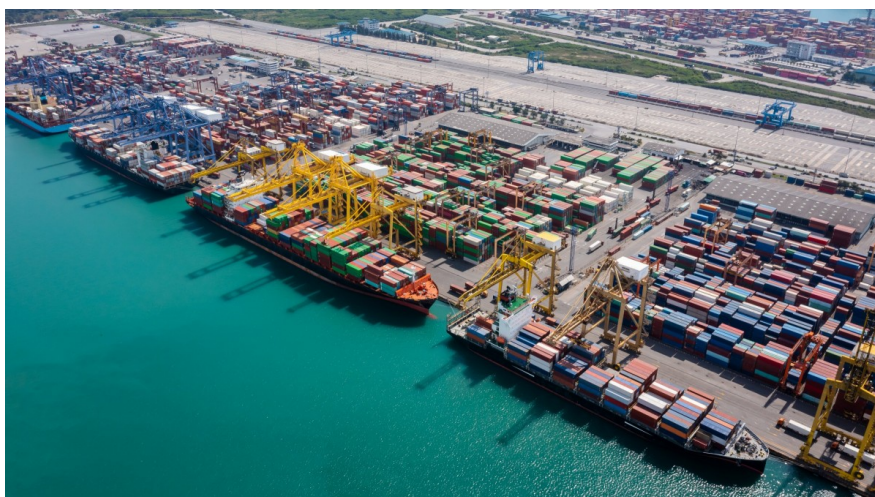


## Korea: Exports grew firmly in July but outlook is cloudy

Exports in July showed a solid gain on the back of solid demand for IT and automobiles, but the trade deficit widened as imports surged due to a rise in commodity prices. Still, the weak business survey suggests a cloudy outlook for exports in the near term



Source: shutterstock.com

# 9.4%

Exports in July

% (year-on-year)

Lower than expected

### Exports rose 9.4% YoY in July (vs 5.2% in June)

As last month's idiosyncratic factors dissipated, exports grew firmly in July but slightly fell short of the market consensus of 10.0%.

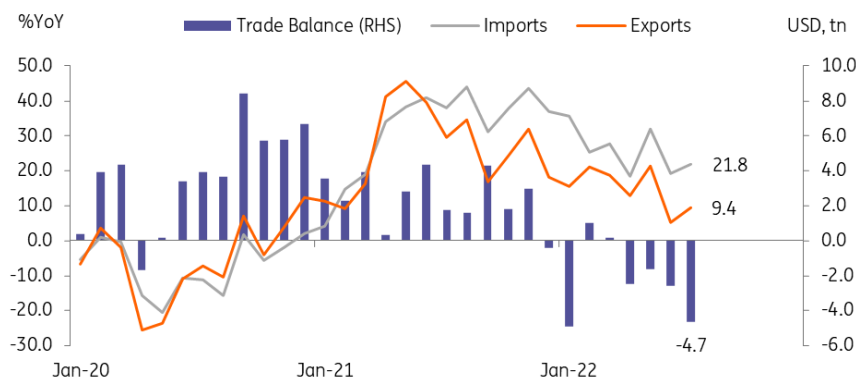
By exports item, petroleum exports (86.5%) led the growth mainly due to favourable price effects, while motor vehicles (25.3%) and semiconductors (2.1%) also showed a solid gain. The prolonged supply bottleneck in the auto industry seems to be slowly improving and global IT demand

appears to remain strong.

By export destination, exports to the US (14.6%) and ASEAN (20.9%) were particularly strong while exports to China (-2.5%), the Commonwealth of Independent States (CIS), and Latin America (LATAM) were weak. Although China's lockdown measures eased since June, growth momentum has weakened, which is a major downside risk to Korea's exports in the second half of the year.

Meanwhile, imports (21.8%) exceeded exports again in July, thus the trade deficit widened to -USD4.6bn in July (vs -USD2.5bn in June).

## Trade deficit widened in July due to high commodity prices

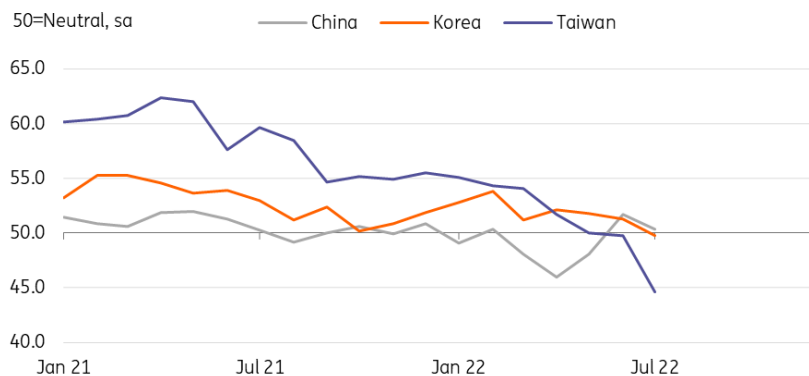


Source: CEIC

## PMI fell to 49.8 in July

The manufacturing PMI fell below 50 for the first time since September 2020, at 49.8 in July (vs 51.3 in June), as the weak local business surveys suggested last week. Along with the sharp declines in China and Taiwan PMIs, the outlook for Korea's exports is also cloudy. However, while we do not expect exports to contract suddenly in the coming months, benefiting from a diversified export portfolio, the trade deficit will continue for the time being as global commodity inflation remains high.

## PMI fell below 50



Source: CEIC

## Author

### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.