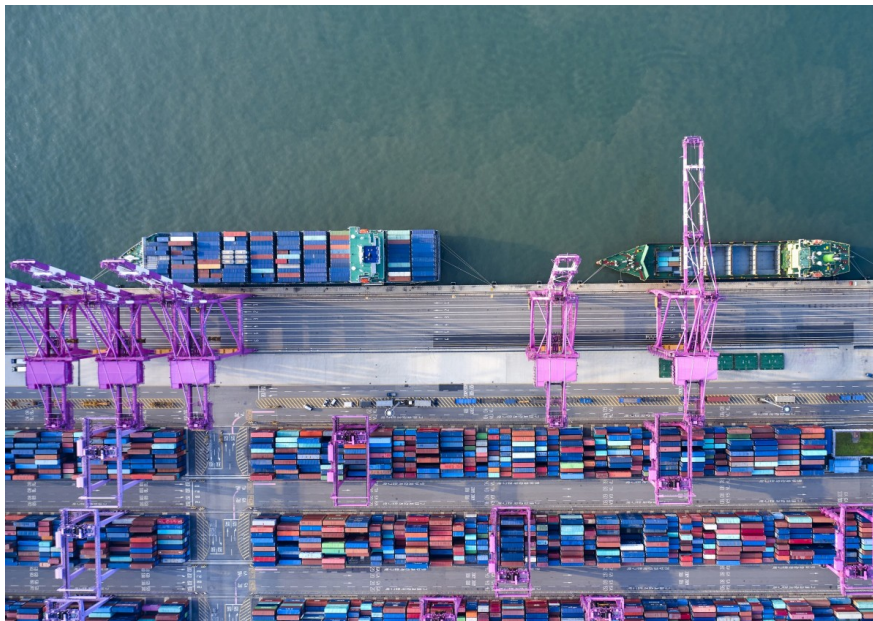


Korea: Exports dropped sharply in October

Korea's October export growth recorded a decline for the first time since October 2020. Weak trade in October is another factor to weigh on the economy. Meanwhile, a sub-50 PMI adds to concern about the already cloudy growth outlook for the current quarter



Source: shutterstock.com

-5.7% Exports
%YoY

Lower than expected

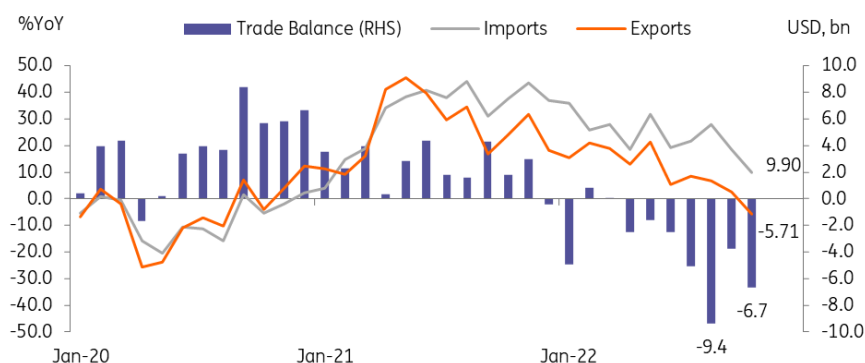
Exports fell -5.7% YoY in October (vs 2.8% in September, -2.1% market consensus)

The recent clear export trend of weak IT and strong autos continued in October. The largest export

item, semiconductors, dropped by -17.4% in October mainly due to sluggish global demand and unfavourable price effects. Meanwhile, with further normalization of production in the auto industry, automobiles (28.5%) and batteries (16.7%) grew solidly. By destination, exports to developed markets such as the US (6.6%) and EU (10.3%) continued to rise, while exports to China (-15.7%), Japan (-13.1%), and ASEAN (-5.8%), were much softer. We think China's weak growth has had a negative impact on inter-regional exports while consumer demand in the developed markets has not yet fallen substantially.

Separately, Korea's manufacturing PMI edged up to 48.2 in October (vs 47.3 in September), but stayed below the neutral level of 50 for the fourth month in a row.

Trade deficit widened again in October



Source: CEIC

GDP outlook

Recent data developments, including today's outcomes, point to a sharp contraction in the economy this quarter. Domestically, household consumption contracted as the debt service burden increased, and corporate sentiment froze due to the recent credit squeeze. External demand conditions are not expected to improve in the short term, as China's slowdown and the downcycle for semiconductors are expected to continue for a while. Analyzing recently released data, we maintain our 4Q22GDP forecast at -0.4% QoQ sa, though the downside risks to the current forecast are growing. For the annual forecast, 2022 GDP will likely record 2.5% YoY growth while 2023 GDP will grow by a mere 0.7% YoY.

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