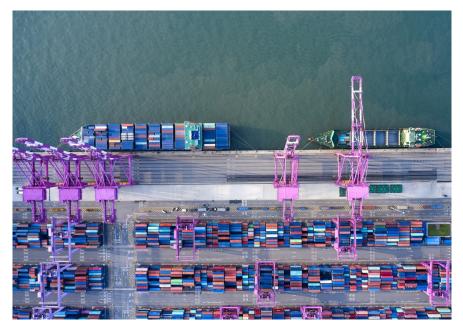


South Korea

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

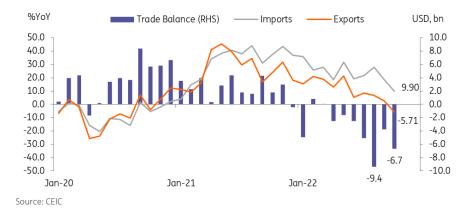


Exports fell -5.7% YoY in October (vs 2.8% in September, -2.1% market consensus)

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

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.

Author

Min Joo Kang Senior Economist, South Korea and Japan <u>min.joo.kang@asia.ing.com</u>

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 www.ing.com.