

## June trade balance turns positive in Korea on strong transportation exports

Falling commodity prices are the main contributor to the improvement in the trade balance while the contraction in exports also eased gradually. Transportation exports – motors and vessels – are particularly strong while chip and petroleum exports continue to be a drag on the overall export performance



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

**-6.0%** Exports  
%YoY

Lower than expected

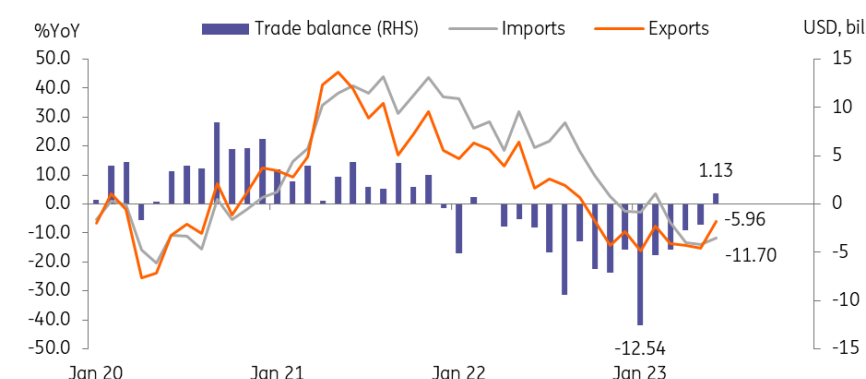
**Exports dropped -6.0% YoY in June (vs -15.2% in May, -3.6% market consensus)**

Exports fell for the ninth month in June on the back of weak chip (-28%) and petroleum (-41%)

exports. However, the decline in exports seems like it is bottoming out from the recent low of -16.4% in January, thanks to strong gains in vehicles (58.3%) and vessels (98.6%). In the second half of the year, we expect solid transportation exports to continue. For vehicles, there will be robust global demand for EVs and batteries. In the case of ship exports, ships ordered during the pandemic time are expected to be completed and delivered from this year. Meanwhile, chip exports are expected to remain sluggish at least until the next quarter, however, there is solid demand for high-end chips.

Despite expectations of only a modest recovery in exports, the trade balance is expected to remain in surplus from now on as the impact of import declines will accelerate with rapidly falling global commodity prices.

## Korea posts the first trade surplus in sixteen months in June

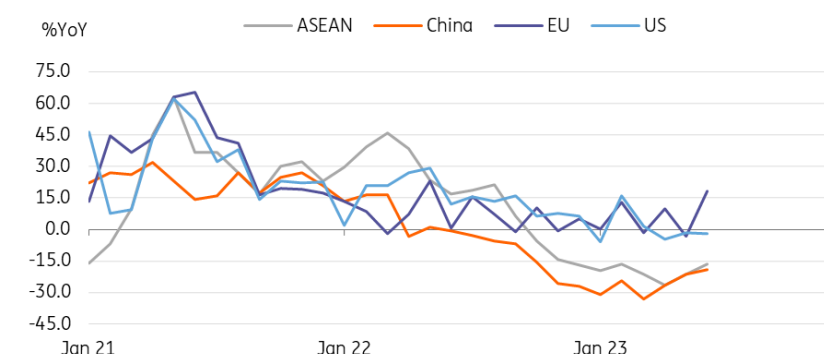


Source: CEIC

## Global demand conditions vary by region

By destination, exports to the US shed 1.8%, for the third monthly decline. We still see strong demand for vehicles with a 59.5% gain but semiconductors and petroleum exports are down by 64.1% and 35.1%, respectively, mainly due to unfavourable price effects. We cautiously predict a slowdown in demand from the US in the second half of the year. Meanwhile, Korean exporters benefitted from the strong infrastructure investment in the Middle East. Exports to the Middle East rose 14.0% with rising vehicles (28.1%), steels (160.0%), and machinery (57.9%) exports. In the second half of 2023, we think exports to developed markets are expected to turn weak but exports to the Middle East and Asia should improve.

## Exports to the US shed for three months in a row



Source: CEIC

## BoK watch

With better-than-expected industrial production data from yesterday, today's trade outcomes also support the view that second quarter GDP should accelerate from the first quarter. With the recovery continued, the Bank of Korea is likely to remain hawkish for the time being. However, we still think that additional hikes are not foreseeable until the end of this year as inflation is expected to reach the 2% range soon and to stay there throughout this year.

## 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 [www.ing.com](http://www.ing.com).