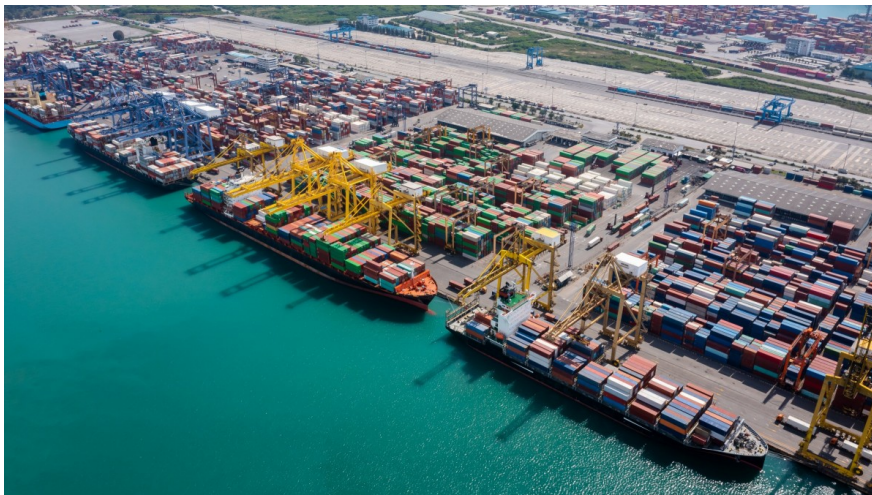


South Korea: Exports and imports fell in December as global demand weakened

South Korea recorded its largest trade deficit in 2022, mainly due to high energy prices. Going forward, weak global and domestic demand are likely to continue to hurt the nation's trade, which will weigh on first half 2023 GDP



Source: shutterstock.com

-9.5% Exports
% YoY

Higher than expected

Exports fell for three consecutive months in December

Exports, which had been relatively solid until the first half of last year, began to show a sharp slowdown in the second half. Export growth fell -9.5% year-on-year in December for the third consecutive month, yet the annual export growth recorded a 6.1% gain in 2022.

By export item, vehicles (28.3%) and batteries (29.7%) gained as the global supply bottleneck in the auto industry gradually improved. We think auto exports are likely to weaken over the next

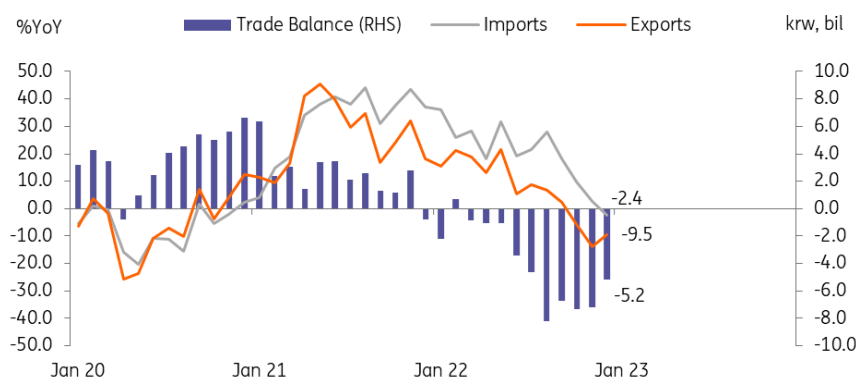
months as auto demand is expected to deteriorate under the high interest environment and some negative impacts from the IRA act. Vessels exports (76.1%), with high monthly volatility, also rose sharply and are expected to continue to rise throughout 2023 as the pre-ordered vessels in recent years will be gradually delivered. Meanwhile, the single largest export item, semiconductors (-29.1%) declined for five months in a row as memory chip prices fell significantly and are expected to stay weak over the next couple of quarters.

By export destination, exports to China (-27.0%) and ASEAN all dropped while exports to the US, EU, and Middle East continued to rise. Exports to China are likely to rebound later in the year as the Covid situation gets normalised. But, in the coming months, exports to China will remain sluggish amid China's Corona situation as well as weak global demand conditions.

Meanwhile, imports fell -2.4% in December, for the first time since 2020 November. Energy imports continued to rise due to high prices but imports of other commodities and intermediate goods declined. Since about 40% of imports are for re-export, sluggish Korean imports indicate that global demand must have softened.

We expect exports to recover only by the second half of 2023; thus annual export growth in 2023 should decrease by about -7% YoY.

Korea's trade condition deteriorated further in December



Source: CEIC

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

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