South Korea: Exports grew solidly in July while the manufacturing PMI moderated

Korean exports have risen for ten consecutive months, but imports also rebounded, narrowing the trade surplus and could drag on GDP growth in the current quarter. Recent surveys suggested a moderation of export momentum, but July export details were quite encouraging so we still expect exports to remain the main driver of growth in 3Q24

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13.9 Exports

% YoY

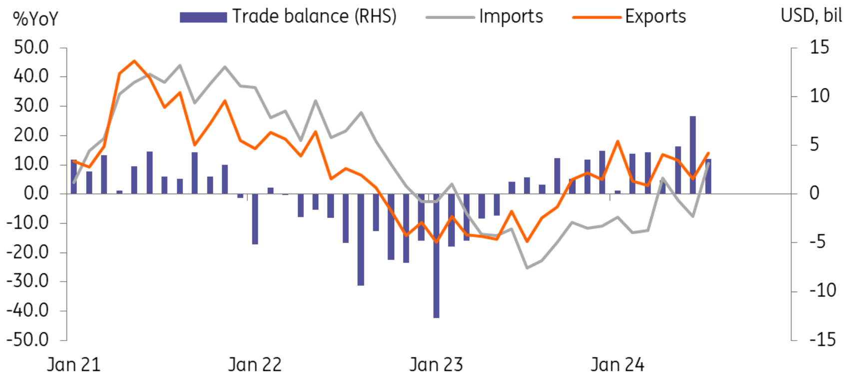
Lower than expected

Trade surplus narrowed in July due to a rebound in imports

Export growth accelerated to 13.9% YoY in July (vs 5.1% in June, 18.4% market consensus) mainly due to favourable calendar effects. Adjusting for working days, average daily exports moderated to 7.1% in July from 12.4% in June. By product, 11 out of 15 major exports gained. IT exports were quite solid with computers (61.6%), wireless devices (53.6%), displays (2.4%), and semiconductors (50.4%) increasing. Car exports dropped 9.1% but this was mainly due to the summer shutdown while auto parts exports rebounded 9.5% for the first time in three months. By destination, exports gained across the region except to the EU (-1.4%).

Meanwhile, imports rose 10.5% YoY in July (vs -7.5% in June, 13.4% market consensus) as energy imports grew quickly (crude oil 16.1%, gas 23.8%). Due to the import rebound, the trade surplus narrowed to USD 3.6bn in July from USD 7.9bn in June.

Korean exports gained for the tenth consecutive month



Source: CEIC

Business survey suggests a moderation in manufacturing in the near term

The manufacturing PMI fell to 51.4 in July (vs 52 in June) but remains in expansion for the third consecutive month, with both output and new orders down from the prior month. Local business surveys from last week also showed some weakness in the manufacturing sector.

GDP outlook

Together with today's weaker-than-expected exports and softened business surveys, we are wary of a possible moderation in exports in the near future. However, export details – by product and by destination - are quite encouraging so far, thus it is still too early to conclude that export momentum is trending down. But a narrowed trade surplus clearly clouds our growth outlook for a rebound in 3Q24. We currently expect 3Q24 GDP to rebound to 0.4% QoQ sa from -0.2% QoQ in 2Q24.

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