

TRADE

SOUTH KOREAN EXPORTS TO CHINA TUMBLE 25.5pc

November decline, the sharpest since 2009, reflects impact of lockdowns on mainland consumer sentiment and points to buckling demand globally

Ralph Jennings
ralph.jennings@scmp.com

Exports from electronics powerhouse South Korea to its key market China fell by 25.5 per cent year on year in November as widespread lockdowns dampened consumer sentiment on the mainland.

Shipments to China have fallen for six consecutive months, but November's decline was the sharpest since mid-2009, with purchases slowing of Korean tech products such as semiconductors, which are used to make electronics for domestic sale or re-export.

"Mainly the reason is that China's domestic demand is very weak," said Ding Shuang, head of Greater China economic research at Standard Chartered in Hong Kong. "End users have no way to go out and consume."

Covid curbs in much of China have forced millions to stay indoors. A dip in China's official manufacturing purchasing managers' index to 48 in November from 49.2 a month earlier highlighted the impact of virus restrictions, as well as weak demand in domestic and external markets.

South Korea's factory activity

improved to 49 in November from 48.2 in October, but remained negative for a fifth consecutive month, with "sluggish semiconductor performance" appearing "to be driving weak output and orders", according to Min Jookang, senior economist for South Korea and Japan at ING.

Frederic Neuman, chief Asia economist at HSBC in Hong Kong, said the decline in shipments from Korea to China reflects both weaker domestic Chinese demand, as well as buckling demand globally.

"The weakness of [Korean] exports to Asian destinations, including China, is a leading indicator for global trade and thus signals an even sharper downturn in world shipments in the coming months," he said.

Chinese factories compete with Korean counterparts on products such as "low-end" chips, Ding said. China is also taking fewer exports from other places, he added.

Min said China's lockdown was working against Korea's exports, but of more concern was that final demand for IT seems to be falling very quickly.

Exports of cars from Hyundai and Kia, along with phones and memory chips from Samsung Electronics, underpin the US\$1.734 trillion South Korean economy, which the International Monetary Fund expects to be the world's 13th biggest this year.

A burgeoning electric vehicle sector has helped power the larger South Korean automotive industry over the past half-decade.

South Korean exports worldwide declined for a second straight month year on year in November because of a "global economic slowdown" and shipping disruptions caused by a domestic truckers' strike, the Seoul-based Yonhap News Agency reported.

Slowing demand for electronics and petrochemicals precipitated the global drop in exports from South Korea, Neumann said.

South Korean shipments worldwide fell by 14 per cent to US\$51.91 billion last month compared to November 2021, according to data from the Ministry of Trade, Industry and Energy, after global exports slipped 5.7 per cent in October.

Exports to the United States rose by 8 per cent in November, while shipments to the Middle East increased by 4.5 per cent.

Shipments to the European Union were largely unchanged, while those to the 10-member Association of Southeast Asian Nations fell by 13.9 per cent.

Semiconductor exports dropped sharply by 29.8 per cent, while car shipments increased by 31 per cent.

South Korea is the first major exporting economy to report monthly trade data, with China set to release its figures on Wednesday after its exports declined by 0.3 per cent in October.

\$1.734tr

The value, in US dollars, of South Korea's economy, which is underpinned by exports that include Samsung phones and memory chips



South Korea's factory activity