

Macro Note

South Korea: Robust Exports To Underpin GDP Rebound In 1Q21

Monday, 05 April 2021

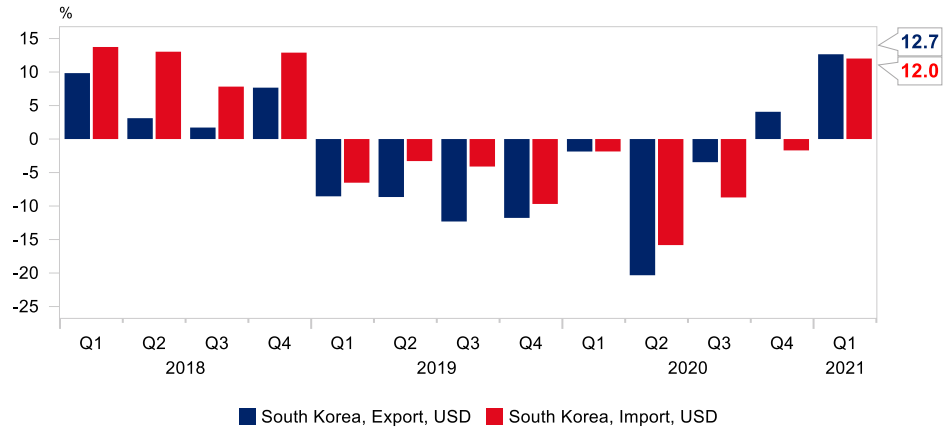
Ho Woei Chen, CFA
Economist

Ho.WoeiChen@uobgroup.com

- South Korea's exports and imports rebounded sharply by double-digit pace in 1Q21. Exports have begun to recover in late-2020 from its downturn since 2019, with growth accelerating to 12.7% y/y in 1Q21. Based on the latest March figures, the export recovery has broadened to include key products such as semiconductors, automobiles, ships, chemicals and electrical appliances.
- The improvement in global demand as well as cyclical upturn in semiconductors accounting for a fifth of South Korea's exports are expected to sustain this export recovery. The seasonally-adjusted semiconductor production and shipment indexes in South Korea have hit record highs in February.
- Latest Markit manufacturing PMI for South Korea has held up at 55.3 in March, unchanged from February. This is the highest reading since April 2010 and continues to paint a robust outlook ahead.
- The COVID-19 pandemic supported stronger demand for smartphones, computers and quicken the adoption of digitalization. The diversion of resources to the production of consumer electronics have now left the automotive sector grappling with chip shortage. The US-China tension also resulted in some stockpiling of semiconductors to avoid supply disruption. World Semiconductor Trade Statistics (WSTS) said that global semiconductor market sales rose 6.8% to US\$ 440 billion in 2020 and forecast that growth will accelerate to 10.9% in 2021. South Korea's trade ministry estimates the country's semiconductor exports could rise more than 10% in 2021, following gains of 5.4% last year.
- Exports and investments will be the key pillars in South Korea's economic rebound this year. South Korea's capital investments recovered to grow 2.6% in 2020, led by 6.8% expansion in facilities investment despite the pandemic putting a standstill to many economic sectors. The investment outlook remains positive this year as manufacturing activities continue to improve with strong gains continuing in the capital goods imports.
- For 2021, we are keeping our forecast for South Korea's GDP rebound at 3.3%, with quarterly GDP to turn positive starting from 1.2% y/y in 1Q21 (4Q20: -1.2% y/y) and then accelerating to 5.2% y/y in 2Q21 helped by a low base of comparison.
- Stronger electronics shipments were also seen across other Asian markets in Jan-Feb, particularly in China and Taiwan. With stronger demand for electronics expected to be sustained this year, this will help to drive the economic recovery in Asia.

South Korea: Sharp Export & Import Recovery In 1Q21

Source: Macrobond, UOB Global Economics & Markets Research



South Korea, Export By Key Commodities, USD

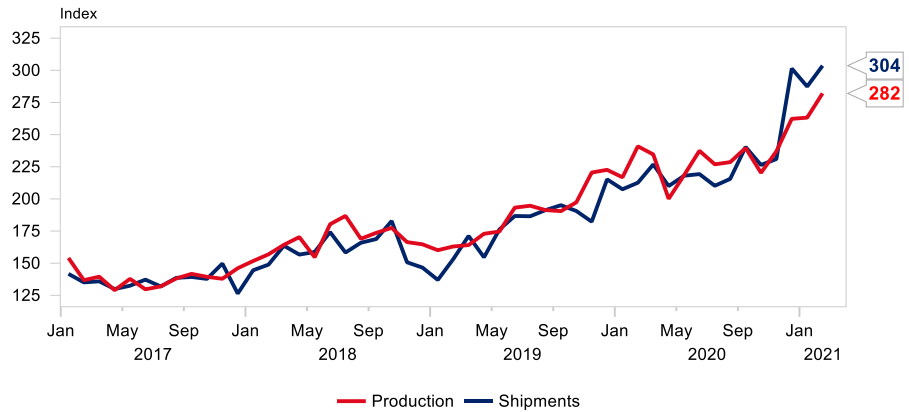
Source: Macrobond, UOB Global Economics & Markets Research

Commodity	Latest = March 2021 (% y/y)	Latest	1m ago	1y ago
Ship Accessories	▲	63.9	4.0	-31.4
Chemical	▲	48.5	22.9	-11.3
Bio-Health Products	▲	43.6	62.4	29.3
Rechargeable Battery	▲	25.4	10.2	-2.5
Mobile Phone Parts	▲	25.4	23.3	3.5
Petroleum Products	▲	18.3	-13.4	-23.9
Appliances	▲	17.9	9.8	-0.5
Car	▲	15.3	47.0	2.9
Auto Parts	▲	13.9	7.4	0.5
Steel Products	▲	12.8	3.5	-6.6
Fibers	▲	9.3	-23.8	-9.2
Semiconductor	▲	8.6	13.2	-2.7
Computer	▲	6.9	-4.1	82.1
Machinery	▲	6.9	-5.7	-4.2
Flat Panel Displays	▲	-1.1	19.1	-12.8
Mobile Phone	▲	-9.7	5.1	20.7

■ Latest ▲ 1m ago ▲ 1y ago

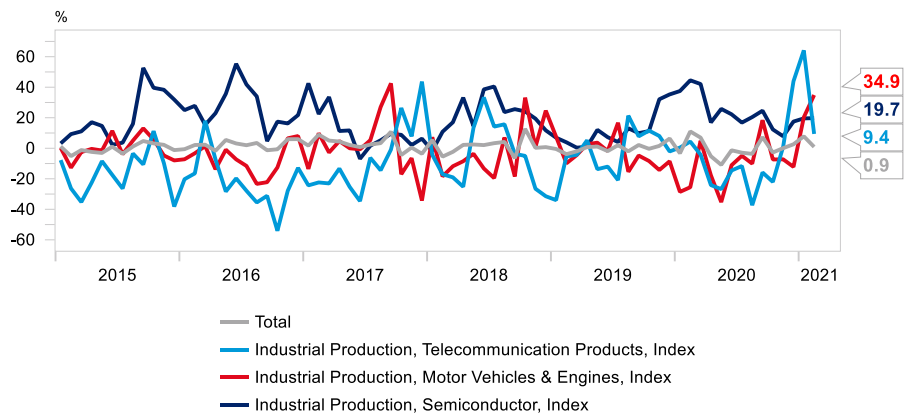
South Korea, Semiconductor Production & Shipment Index, SA

Source: Macrobond, UOB Global Economics & Markets Research



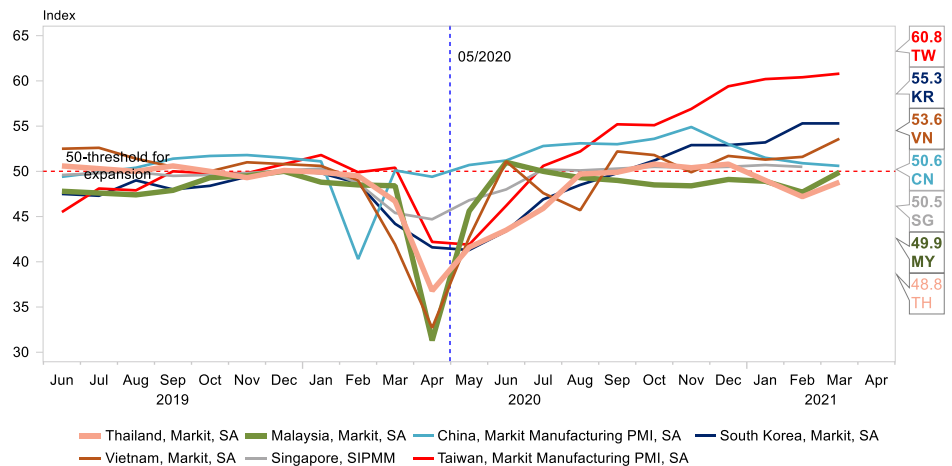
South Korea IP: Key Products Post Strong Gains (% Y/Y)

Source: Macrobond, UOB Global Economics & Markets Research



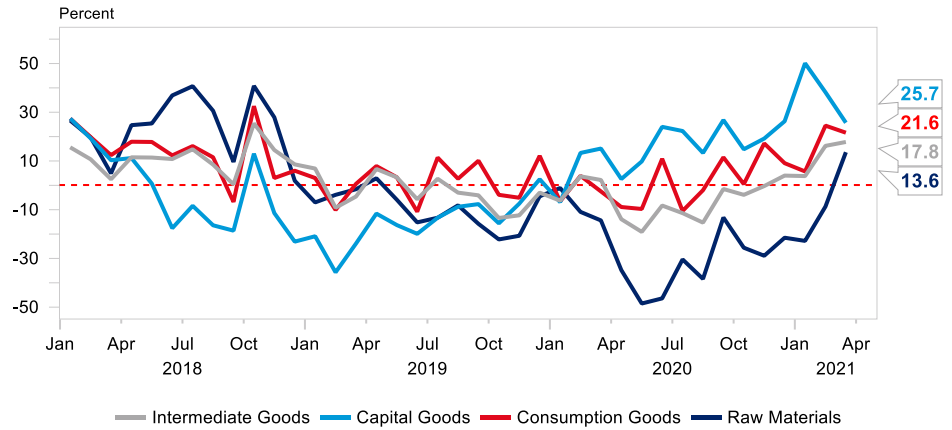
Manufacturing PMIs In Key Asian Exporters In Expansion

Source: Macrobond, UOB Global Economics & Markets Research



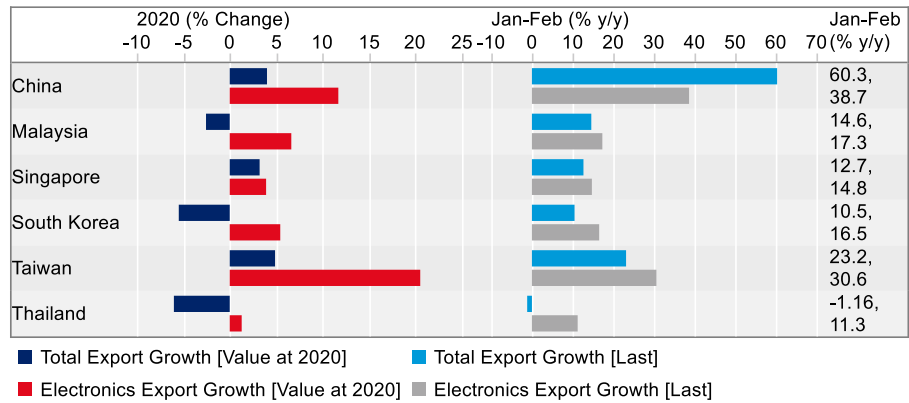
South Korea: Capital Goods Imports Leading Gains (Change Y/Y)

Source: Macrobond, UOB Global Economics & Markets Research



Export Recovering Strongly In Asia (USD)

Source: Macrobond, UOB Global Economics & Markets Research



Disclaimer

This publication is strictly for informational purposes only and shall not be transmitted, disclosed, copied or relied upon by any person for whatever purpose, and is also not intended for distribution to, or use by, any person in any country where such distribution or use would be contrary to its laws or regulations. This publication is not an offer, recommendation, solicitation or advice to buy or sell any investment product/securities/instruments. Nothing in this publication constitutes accounting, legal, regulatory, tax, financial or other advice. Please consult your own professional advisors about the suitability of any investment product/securities/ instruments for your investment objectives, financial situation and particular needs.

The information contained in this publication is based on certain assumptions and analysis of publicly available information and reflects prevailing conditions as of the date of the publication. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results. The views expressed within this publication are solely those of the author's and are independent of the actual trading positions of United Overseas Bank Limited, its subsidiaries, affiliates, directors, officers and employees ("UOB Group"). Views expressed reflect the author's judgment as at the date of this publication and are subject to change.

UOB Group may have positions or other interests in, and may effect transactions in the securities/instruments mentioned in the publication. UOB Group may have also issued other reports, publications or documents expressing views which are different from those stated in this publication. Although every reasonable care has been taken to ensure the accuracy, completeness and objectivity of the information contained in this publication, UOB Group makes no representation or warranty, whether express or implied, as to its accuracy, completeness and objectivity and accept no responsibility or liability relating to any losses or damages howsoever suffered by any person arising from any reliance on the views expressed or information in this publication.