

## **PM Datanote: 20-Day Exports, Korea, Oct**

**In one line: Early Korean exports slow, dragged down by weaker petroleum products and mobile handsets shipments.**

**- Japan: Exports fell 1.7% y/y in September, after climbing 5.5% in June. Consensus was 0.9%.**

Korea's exports fell 2.9% y/y in the first 20 days of October, following

a rise of 7.5% in the full month of September. There were 12.5 working days in the first 20 days of this month, compared to 13.0 days in the same month last year, so the distortion caused by the different number of working days is limited. On a working-day adjusted (WDA) basis, exports rose 1.0%, compared to 13.0% in the full month of September.

By geographical destinations, WDA shipments to Taiwan were the largest driver of growth in September, rising

by 97.2% y/y and contributing 2.9pp to overall headline growth. Exports to ASEAN were more mixed. Shipments to Singapore plunged 29.3%, compared to a fall of 14.5% in full-month September, detracting 1.1pp from overall growth. Meanwhile, shipments to Vietnam rose by 4.9% compared to 6.5% in full-month September, lifting overall exports by 0.5pp. Greater China demand in the first 20 days of October slowed compared to the WDA full-month figure from the previous month, rising

by 5.5% versus 15.5%, adding 1.3pp to headline growth. Exports to key advanced markets, namely the US, EU, and Japan, weakened sharply to 1.1%, -5.5%, and -9.3%, respectively, down from 8.7%, 10.4%, and 4.3% in full-month September. These made various contributions to growth: 0.2pp, -0.6pp, and -0.5pp, respectively.

By product, October WDA export growth was largely underpinned by semiconductor exports (41.2% y/y versus 44.2% in full-month

September), more than offsetting the fall in petroleum products (-37.8% vs. -13.5%), due to the decline in oil prices. The two main products made a net positive contribution to headline growth of 2.4pp (Chips 6.4pp and Petroleum products -3.9pp). Notably, if cyclical commodities such as ship vessels and petroleum products are excluded, exports rose by 6.3%, boosting headline growth by 5.3pp. Elsewhere, car exports rose by a meagre 0.4%, compared to 10.3%, making zero contribution to October

growth. It's also worth noting that mobile headset exports plummeted by 18.7%, shaving 0.8pp off headline export growth.

On balance, the much weaker October 20-day export numbers were partly due to the high base from last year, and we expect full-month October growth to slow as a result. Uncertainty surrounding the external environment is looming. In particular, the US economy is softening, and while Fed rate cuts might help cushion the

fall in demand, trade protectionism is rising, and geopolitical tensions remain volatile, which also affects the Korean peninsula. Looking ahead to monetary policy, the BoK's future decisions will be influenced by external factors: the pace and scale of the Fed's rate cuts, as well as the strength of the won. Our US team expects another 75bp cut by the Fed this year, as the overall US economy softens despite recent resilience in the labour market. The BoK will continue to closely monitor financial stability

concerns, particularly household mortgage debt and real estate prices in the greater Seoul area. While we believe growth may not be the top priority on the BoK's agenda compared to other concerns, the MPB will certainly monitor Q3 GDP data and AI-driven demand for chips closely when assessing the pace of monetary easing. Governor Rhee noted that construction investment is likely to weaken, while business investment in equipment may rise. He mentioned that "the BoK still has



room for further rate cuts as the rate is above neutral levels." We reiterate our forecast for rates to remain at 3.25% until the year-end, with two more 25bp cuts in H1 2025, taking rates down to 2.75% by the end of 2025.

Korea 20 day exports (WDA), contribution to annual growth pp.

