

## **PM Datanote: Exports, Korea, February**

**In one line: outlook still gloomy, after sifting through the holiday data distortions**

**- Korea: Exports rose 1.0% y/y in February, after falling a revised 10.2% in January. Market consensus was 3.7%.**

Headline exports nudged up 1.0% y/y in February, after plunging 10.2%, but

this distorted by the different timing of Lunar New Year. WDA exports dropped 5.9% in February - worse than the 2.7% drop in the first 20 days - after rising 7.9% in January. The likely culprit is the lingering holiday effects, only partly corrected for with the working-day adjustment, given that the slowdown appears broad in both regional and product terms,.

By region, WDA exports to the US fell 5.9% y/y in February, after rising 8.8% in January and provided a 1.1pp drag

on overall exports y/y. Shipments to the EU, plunged 14.4% (a 1.6pp drag on headline exports), after increasing 6.0%. Exports to China sank 8.2% (1.5pp drag), after climbing 3.2%, and shipments to ASEAN dived 9.8% (0.8pp drag), after rising 3.7%.

By product, WDA semiconductor exports dropped 7.9% in February, after soaring 31.9% in January.

Falling prices for mid-end chips, like NAND flash chips, outweighed robust demand for HBM memory chips used

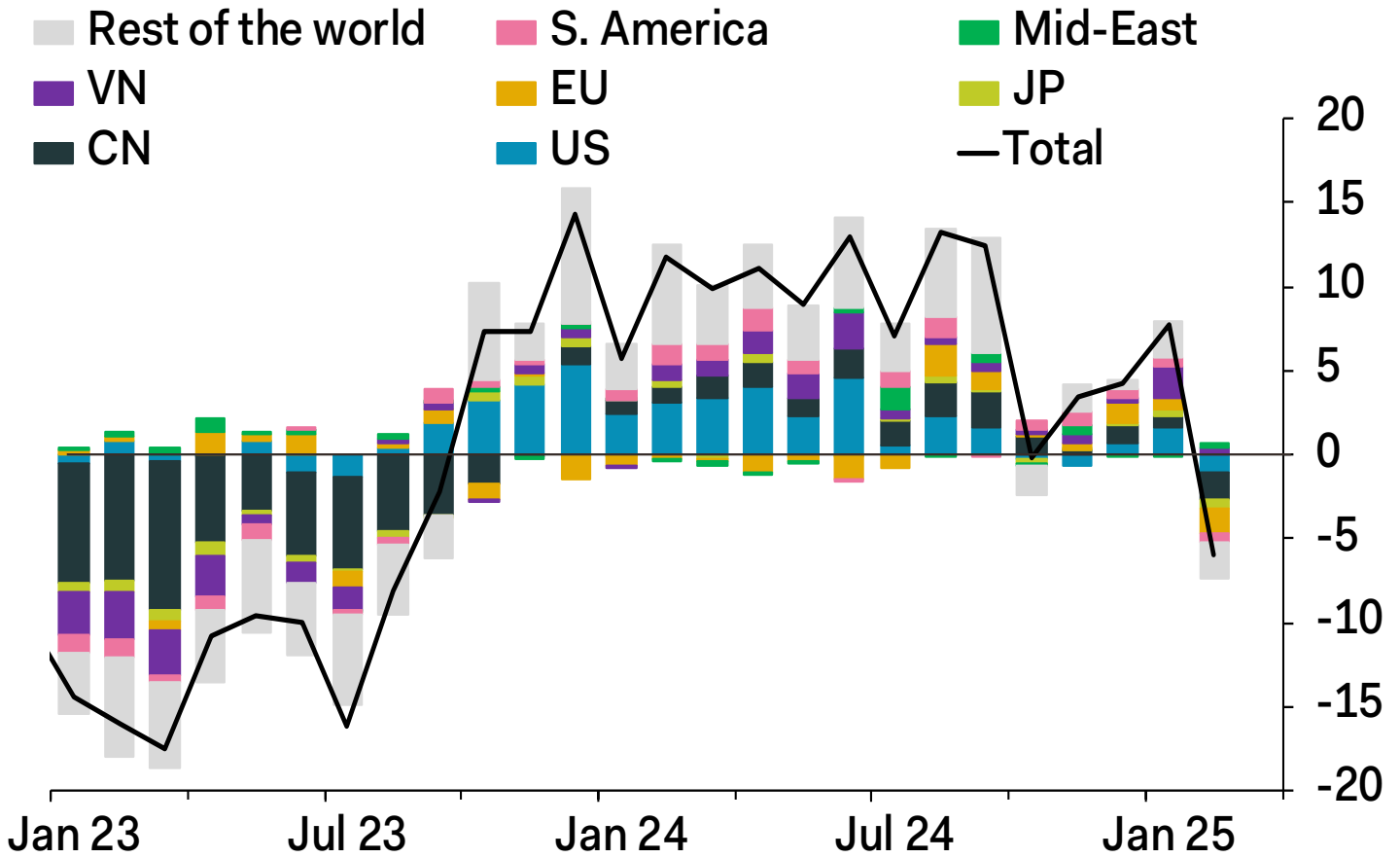
in AI chips, according to the trade ministry. Holiday effects probably exaggerated the slowdown, but still this suggests that China's ramp up of chip capacity is creating competitive pressure on Korea's low and mid-end chips. Shipments of cars, car parts and EV batteries extended their decline for a fifth straight month, dropping 10.4% in February. That said, vehicle exports alone were lifted by strong demand for hybrids and traditional-fuel engine cars. Bio health, cosmetics, baby goods

& drugs was the only major export category to buck the trend, with 11.2% rise in February, after increasing 14.3% the previous month.

Semiconductor exports should rebound somewhat in the coming months, given Nvidia's full order books and the broad AI theme, though falling prices of low-end chips will weigh on that segment. Broader exports are at risk from the risk of escalating tariffs and trade disruptions, given Korea's

integration into China-centred Asian manufacturing supply chains. US growth is likely to slow this year, after monetary policy tightening, while China's stimulus policy is likely to be targeted with the aim of stabilising growth, rather than returning to high growth. Political risks are also weighing on Korean manufacturing sentiment, with the Constitutional Court set to rule on the president's impeachment likely in the next month or two, potentially triggering an election.

### Exports by country (WDA), contribution to annual growth, pp



### Exports by product (WDA), contribution to annual growth, pp

