

## Korea Macro Flash

### A Steady But Slow Export Recovery in 2015

■ **Dec exports turned to growth after sharp contraction in Nov as we expected—**

Exports in Dec14 increased by +3.7%YoY and +3.2%MoM sa (vs. Nov: -2.1%YoY & -4.4%MoM sa), which was stronger than market consensus (+0.1%YoY) but a bit weaker than our expectation (+5.4%YoY). The rebound was mostly due to upswings of exports to the US and EU as well as of major exportables such as semiconductors and machineries and more custom days (+1.0 day on a YoY basis and +1.5 day on a MoM basis). Meanwhile, imports continued contraction for three straight months on YoY terms (-0.9%YoY in Dec14) but turned to growth on MoM terms by +2.1%MoM sa from -3.2%MoM sa a month ago. More gains in exports led the trade surplus to widen to +US\$5.78bn in Dec from +US\$5.51bn in Nov.

■ **Exports to the US and of semiconductors maintained double-digit growth —**

Exports to the US (+21.5%YoY) maintained double-digit growth for four months. Exports to the EU (+5.6%) and China (+1.7%) turned to expansion. Exports to Commonwealth of Independent States (CIS) including Russia, however, contracted by 38.1%YoY along with sharp depreciation of local currencies and, for Russia, decline of oil price. By products, exports of semiconductors (+12.5%) and wireless communication devices (+20.5%) grew, while exports of petrochemicals (-7.6%) and petro products (-6.0%) continued to decrease due to low oil price.

■ **Imports continued to contract as import price of oil plunged by 30%YoY —**

During the first 20 days, oil imports (-25.2%YoY vs. Nov: -13.6%) dipped as unit import prices dropped to US\$76.4 per barrel from US\$109.0 per barrel a year ago. With this, imports of raw materials decreased by 17.8%YoY. Meanwhile, capital goods imports continued to grow by +8.0%YoY (vs. Nov: +7.7%). Imports of consumer goods also extended positive momentum (+11.8%YoY vs. Nov: +7.3%).

■ **Annual exports grew slowly while trade surplus hit a record high in 2014 —**

Amid prolonged weak global trade, exports in 2014 managed to expand gradually by +2.4% (vs. 2013: +2.1%) due to recovery of exports to the US and EU. Imports shifted to grow by +2.0% (vs. 2013: -0.8%) as imports of capital and consumer goods continued to expand. With this, 2014 trade surplus widened to +US\$47.4bn (vs. 2013: US\$44.0bn). Meanwhile, trade with FTA in-effect countries increased faster than for other countries (exports: +7.0%, imports: 4.7%), boding well for trade in 2015 when FTAs for Korea-Canada & Korea-Australia are set to effectuate.

■ **Exports to recover steadily in 2015 but not quickly —**

We expect exports in 2015 to grow 5.8% from a year ago along with robust demand in the US, extended number of FTA in-effect partners, and upswings for semiconductors, shipbuilding, and machineries. However, we also see substantial downside risks from further fall of JPYKRW, and slowdowns in both China and commodity trade surplus countries.

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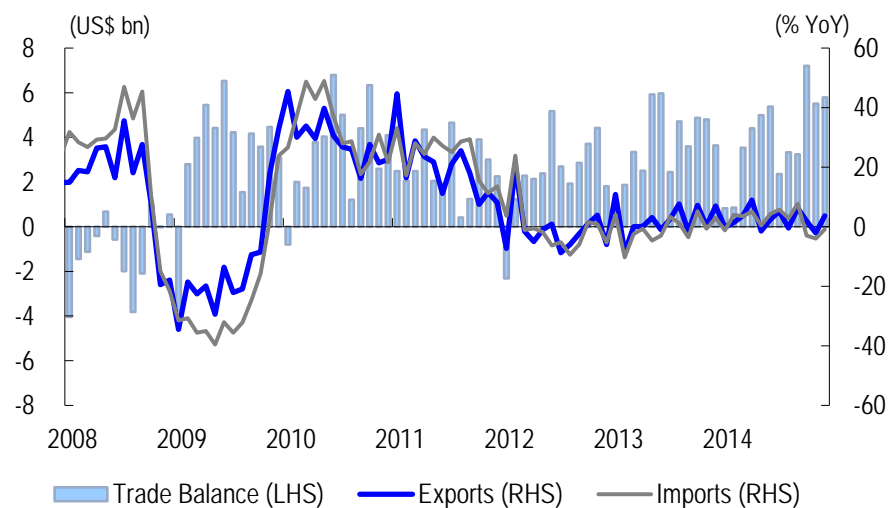
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Figure 1. Dec Trade Data

	Actual	Citi Forecast	Consensus Forecast	Previous (Revised From)
Export (USD, %YoY)	3.7	5.4	0.1	-2.1 (-1.9)
Import (USD, %YoY)	-0.9	4.7	-4.0	-4.0 (-4.0)
Trade Balance (USD bn)	5.8	4.1	4.7	5.5 (5.6)

Source: Ministry of Trade, Industry & Energy, Bloomberg, Citi Research estimates

Figure 2. Growth of Exports, Imports and Trade Balance



Source: Ministry of Trade, Industry & Energy, KITA

Figure 3. Export Growth of Major Products

(USD mn)	Dec-14	Nov-14	Oct-14
Shipbuilding	3,907 (-1.1)	2,459 (-3.0)	4,280 (34.2)
Wireless Communication Apparatus	2,280 (20.5)	2,708 (-4.4)	2,743 (-15.5)
General Machinery	4,435 (12.3)	3,825 (6.3)	4,074 (5.3)
Petrochemicals	3,832 (-7.6)	3,688 (-4.6)	4,291 (5.4)
Iron and Steel Products	3,079 (7.9)	3,057 (8.6)	3,044 (6.7)
Semiconductors	5,837 (12.5)	5,766 (15.9)	5,946 (11.5)
Auto	4,814 (1.7)	4,290 (-6.7)	3,895 (-15.0)
Petroleum Products	3,275 (-6.0)	4,033 (-22.6)	4,317 (-0.4)
LCD	2,108 (3.7)	2,094 (-2.4)	2,165 (-5.1)
Textile	1,289 (-3.6)	1,246 (-9.8)	1,459 (0.3)
Home Electronics	858 (-25.4)	1,051 (-12.6)	1,322 (-7.8)
Auto Parts	2,192 (-4.4)	2,009 (-6.8)	2,456 (1.0)
Computers	772 (24.6)	669 (8.7)	705 (10.3)

Note: The most recent month figures are estimates for the whole month made by the Ministry of Trade, Industry & Energy. Numbers in parenthesis are year-on-year growths

Source: Ministry of Trade, Industry & Energy, KITA

Figure 4. Export Growth – Geographical Breakdown

(%YoY)	Dec-14	Nov-14	Oct-14
China	1.7	-3.3	3.3
U.S.	21.5	20.8	24.5
Japan	-8.2	-25.3	-3.0
European Union	5.6	-6.8	-8.6
ASEAN	3.4	-6.9	-0.9

Source: Ministry of Trade, Industry & Energy, KITA

Figure 5. Import Growth ( the First 20 Days for the latest month) – Product Breakdown

(%YoY)	Dec-14	Nov-14	Oct-14
Raw Material	-17.8	-11.2	-2.7
Crude Oil	-25.2	-13.6	-17.4
Consumer Goods	11.8	7.3	11.4
Capital Goods	8.0	7.7	-9.2

Source: Ministry of Trade, Industry & Energy, KITA

Figure 6. Import Growth ( the First 20 Days for the latest month) – Geographical Breakdown

(%YoY)	Dec-14	Nov-14	Oct-14
Japan	-11.4	-7.6	-9.2
U.S.	-0.5	2.9	6.3
China	18.5	6.1	9.1
ASEAN	-9.8	-14.5	-2.6
European Union	-9.3	19.9	-7.2
Middle East	-24.7	-17.2	-21.1

Source: Ministry of Trade, Industry & Energy, KITA

## Appendix A-1

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