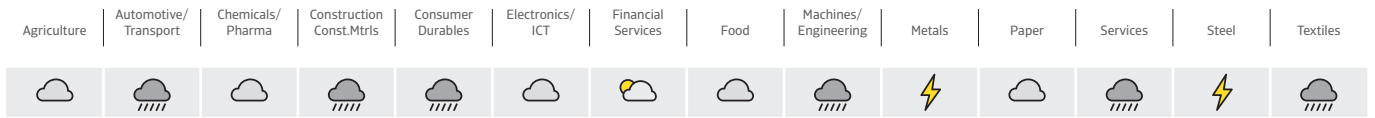




South Korea

September 2020



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture



Remains Fair

The sector has been impacted by lockdown measures (e.g. transport and supply chain issues) in Q1 of 2020. After increases in 2018 and 2019, agriculture value added growth is forecast to grow by only 0.5% in 2020. However, a quick rebound is expected once the pandemic eases.

struction materials value added is expected to contract by more than 8%. Residential construction is expected to decrease further, while commercial construction is impacted by manufacturers' reluctance to invest. At the same time, it will take some time until public infrastructure projects will materialise. In 2021 only a modest construction rebound below 1% is forecast. Payment delays and insolvencies in the industry are expected to increase, especially among smaller businesses.

Automotive/Transport



Remains Poor

South Korean automotive producers and suppliers have been severely impacted by supply chain disruptions from China in Q1 of 2020, triggered by the coronavirus outbreak. Additionally, they currently suffer from globally deteriorating sales for passenger cars and commercial vehicles. This has led to declining production, liquidity strains and cash shortfalls among many businesses. Automotive value added is forecast to contract by almost 8% in 2020, after a 0.3% decline in 2019. While the number of non-payments and insolvency cases was low in 2019 and in H1 of 2020, an increase cannot be ruled out in the coming months, as a comprehensive rebound is still not on the horizon.

Consumer Durables



Remains Poor

Consumption of non-food consumer goods has decreased due to the coronavirus pandemic (e.g. lockdown measures), and private consumption is expected to contract this year due to low consumer sentiment and rising unemployment. Retail value added is expected to contract by about 5% in 2020, and payment delays and insolvencies are expected to increase among non-food retailers in the coming months.

Chemicals/Pharmaceuticals



Down from Good to Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates. However, the deteriorating demand from key buyer sectors has a negative impact on chemicals performance, and sector value added is forecast to contract by more than 4% in 2020. Pharmaceuticals demand should benefit from rising health expenses, with value added expected to grow by more than 7% in 2020.

Electronics/ICT



Remains Fair

South Korea is the world's leading producer of displays and memory semiconductors. For the time being, the financial profile of ICT producers and service providers remains generally good. Payment behaviour over the past two years has been good, with low number of protracted payments. However, in 2019, a global slowdown in demand and prices for semiconductors took a toll on equipment investment. Export growth deteriorated on the back of increased trade tensions and China's growth slowdown. Additionally, ICT production has been severely impacted by supply chain disruptions and deteriorated demand from China in Q1 of 2020.

Construction/ Construction Materials



Remains Poor

Value added in the construction industry contracted 3.6% in 2019, mainly due to a slump in residential construction. In 2020 value added is forecast to decrease again, by about 2%, as construction output is impacted by the country's economic slowdown. Con-

As the lockdowns in China were lifted, production resumed and demand for electronic products rebounded in Q2 of 2020. Demand for tablet, computer and television items recovered compared to Q1, due to increased remote working and higher household demand. However, global shipment of smartphones still remained at a low level. Currently, ICT value added is expected to grow 4.5% in 2020.

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services



Remains Good

The sector remains relatively robust. Interest rate cuts and financial support to SMEs and self-employed assist to maintain a healthy financial market. Sector value added is expected to grow about 4% in 2020.

Food



Down from Good to Fair

Despite ongoing sales, the sector has been impacted by the consequences of lockdowns (e.g. transport and supply chain issues) and the ongoing spread of the pandemic. In 2020 value added is forecast to decrease 3%, while in 2021 a rebound of about 2.5% is expected.

Machines/Engineering



Down from Fair to Poor

Companies in this industry are in general financially resilient. However, the business outlook has been impacted by decreasing orders on hand and lower production due to the economic downturn. Demand from key buyer sectors like automotive has deteriorated. Engineering value added is expected to contract significantly by 3.5% in 2020.

Metals



Remains Bleak

In 2018 and 2019 the metals industry already showed a subdued performance, with lower demand from key sectors like shipbuilding and rising pressure on margins. In 2020, the situation has further worsened, due to the economic downturn triggered by the coronavirus pandemic, prompting less demand from automotive. Metal value added is expected to decline by about 6% in 2020, after two years of annual contraction. Payment delays and insolvencies could increase in the coming months.

Paper



Remains Fair

The paper industry is of minor relevance in South Korea compared to other sectors. Due to the economic slump and decreasing advertisement, some magazines and newspapers have left the market. Paper value added is expected to contract by about 6% in 2020.

Services



Remains Poor

Due to the comprehensive lockdown measures in early 2020, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. The sector has rebounded somewhat since Q2 of 2020, as demand from local customers increased, but uncertainties about the impact of a second wave of the pandemic remain. Hotel and catering value added is expected to contract by more than 6% in 2020. Both payment delays and insolvencies are expected to increase in the affected service segments.

Steel



Remains Bleak

In 2018 and 2019 the steel industry already showed a subdued performance, with lower demand from key sectors like shipbuilding and rising pressure on margins. In 2020 the situation has further worsened, due to the economic downturn triggered by the coronavirus pandemic, with less demand from automotive and construction. Steel value added is expected to decline by more than 5% in 2020 after two years of annual contraction, and payment delays and insolvencies are expected to increase in the coming months.

Textiles



Down from Fair to Poor

Wholesalers and retailers are impacted by lower sales due to lower consumer sentiment and higher employment rate. Textiles value added is forecast to contract by about 8% in 2020.