

Source: Atradius

Industry performance

Changes since September 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 estimated to contract more than 3% in 2020. However, a quick rebound is expected once the pandemic eases.

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 suffered from globally deteriorating sales for passenger cars and commercial vehicles. This has led to declining production, liquidity strains and cash shortfalls for many businesses. A rebound has not yet materialized. Automotive value added is estimated to contract by more than 11% in 2020.

Chemicals/Pharmaceuticals



Remains 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 expected to contract by more than 7% in 2020, with a modest 3% rebound in 2021. Pharmaceuticals demand should benefit from rising health expenses, with value added expected to grow 8% in 2020 and 3.5% in 2021.

Construction/ Construction Materials



Remains Poor

Construction output is affected by the country's economic slowdown, with commercial construction impacted by manufacturers' reluctance to invest. At the same time, it will take some time until public infrastructure projects materialise. Only residential construction is expected to develop positively. In 2021 only a modest construction growth (below 1%) is forecast. Payment delays and insolvencies in the industry are expected to increase, especially among smaller businesses.

Consumer Durables



Remains Poor

Consumption of non-food consumer goods has decreased due to the coronavirus pandemic (e.g. lockdown measures), low consumer sentiment and rising unemployment. Due to the intensified social distancing measures in H2 of 2020, private consumption is expected to contract further. Payment delays and insolvencies are expected to increase among non-food retailers in the coming months.

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 a 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.

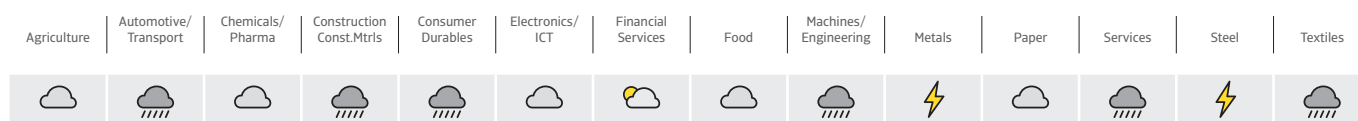
As the lockdowns in China were lifted, production resumed and demand for electronic products rebounded in Q2 of 2020. Demand for tablet, computer and television items recovered compared to Q1, due to increased remote working and higher household demand. ICT production continued to rebound in H2 of 2020, in line with strong demand for 5G technology, autonomous cars, e-commerce, cloud, etc. While global shipment of smartphones still remained at a low level in 2020, it is expected to pick up as of Q1 of 2021. ICT value added is expected to grow by about 3% in 2020, followed by an increase of more than 2% in 2021.

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 2021.



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Food



Remains Fair

Despite ongoing sales, the sector has been impacted by the consequences of lockdowns (e.g. transport and supply chain issues) and the ongoing pandemic. In 2021 value added is expected to grow 2.3% after a 2.2% contraction in 2020. Online channel sales are expected to increase, as food consumption patterns have shifted away from dine-out meals and more towards meals at home.

Machines/Engineering



Remains Poor

Companies in this industry are generally 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 by 1.8% in 2020. However, if demand for facility investment increases after the pandemic, the sector is very likely to rebound in 2021.

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 8% 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 5% in 2020 with a modest 1% rebound in 2021.

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 somewhat rebounded since Q2 of 2020, as demand from local customers and government subsidies increased, but uncertainties about the impact of another wave of the pandemic remain. Besides the drop in demand, businesses are impacted by the costs of attracting customers and ongoing fixed costs.

Hotel and catering value added is expected to contract by almost 14% in 2020, followed by a 6% rebound in 2021. 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, and volatile raw material prices. Steel value added is estimated to decline by more than 9% in 2020 after two years of annual contraction, and payment delays and insolvencies are expected to increase in the coming months.

Textiles



Remains 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 14% in 2020. Payment delays and insolvencies are expected to increase in the coming months.