Ⅳ. Korea Economic Focus

Alarming Drop in Exports?

In February, exports dropped a stunning 14% compared to the same period last year, amounting to $9.43 billion. This was the biggest monthly drop in 14 years. Admittedly, much of this drop is attributable to seasonal factors and other special considerations. Nonetheless, given the current domestic and overseas conditions, it seems that the slowdown in exports will persist for the time being.

Looking at it in greater detail, there were three main reasons behind the huge comparative drop in exports. The first is the sizeable amount of gold which was collected and exported in February of last year through the nationwide gold collection drive. This led to $1.2 billion of extra exports last February. Second, there was also a sharp rise in the export of unused facilities and machinery last February, made redundant by the sudden outbreak of the economic crisis. This amounted to an estimated $2.5 billion of exports. If these two figures are subtracted from the nominal total exports of $11.22 billion in February 1998, the "real" export total was only $9.77 billion, which is only slightly higher than this February's $9.43 billion.

Furthermore, the lunar new year holidays this year fell in February, shortening the total number of working days for customs clearance by three days. If this is also taken into consideration, then the average daily volume of real exports (total exports minus the above-mentioned special exports) actually increased from $430 million last February to $470 million this February.

Slowdown to Continue

Even though the drop in exports may not have been as bad as it appears, the outlook for exports remains dim. Even though the U.S. economy continues to show surprising strength, external conditions are hardly desirable: recovery by the Asian economies is being delayed, the international capital markets continue to show volatility, and the possibility of trade friction is rising, especially as evidenced by the revival of the Super 301 trade provision. The appreciation of the won will also sap the price competitiveness of Korean exports.

Furthermore, the monthly trade figures for March and April will continue to register huge relative declines compared to the same months last year. It was last March and April when the full effects of the won's massive depreciation began to be reflected in the export totals. Also, the above-mentioned exports of gold and surplus facilities for those two months amounted to $4 billion and $5 billion, respectively.

In light of all these factors, it is difficult to expect a significant export recovery any time in the near future.

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