Outlook of Korea’s Leading Industries in 2016

Amidst lingering global uncertainties, Korea’s 12 leading industries are expected to record moderate growth.

Along with increasing overseas production, the protracted trend of the weak yen and low oil prices are triggering the decline of Korea’s exports. In addition, the demand for low-priced goods is increasing, causing export prices to fall steeply. Korea’s economy remains fraught with many challenges, but a number of the country’s exports will record moderate improvements in 2016.

Exports
Despite the economic downturn, exports of Korea’s 12 leading industries are expected to turn around and post a modest growth of 0.4 percent in 2016 thanks to the economic recovery of major powers and the launch of new technologies. Exports in 2016 will struggle in the first part of the year, but gain momentum in the latter half. In particular, exports in the IT and non-IT manufacturing sectors will record positive growth, spurred on by the upward trend of home appliances and the materials industry.

The automobile industry, Korea’s biggest export sector, is faced with slowing demand from developing countries, but is expected to record 2-3 percent growth with the launch of new models and increasing demand for parts from local companies’ overseas. The general machinery sector will also post positive growth thanks to the demand for green machineries, but slowing demand from emerging countries and stumbling exports of heavy construction equipment still pose a threat.

Following the recovery of petrochemicals and refined petroleum exports, the materials industry is forecast to record a negative growth of 0.7 percent—a great improvement compared to last year. The oil refinery sector is also expected to turn around as a result of relatively stabilized oil prices and the restructuring of major countries including China.

Overall exports in the IT-related manufacturing sector decreased slightly in 2015 compared to the previous year, but they are expected to grow 1 percent in 2016. Despite the falling prices of smart devices and growing competition from around the world, exports of smartphone parts and solid state drives (SSD) will lead the growth of overall IT device exports.

By sector, the semiconductor and shipbuilding industries, which once led the country’s exports, are expected to record negative growth. The semiconductor sector will be affected by increasing overseas production and falling DRAM prices, while the shipbuilding sector will falter because of low oil prices.

There are several negative factors impacting the home appliance sector, including increasing overseas production and falling export prices caused by growing competition. Thanks to the growing demand created by the Rio Olympics for UHD TVs and premium home appliances, however, the sector is expected to post the highest growth rate (6.3 percent) among the leading industries.

Exports in the petrochemical and oil refinery sectors, however, the sector is expected to post the highest growth rate (6.3 percent) among the leading industries. Exports in the petrochemical and oil refinery sectors, which were severely hit by the longer-than-expected trend of falling oil prices, will improve in 2016.

The IT-related manufacturing industry, which heavily relies on overseas production, will grow 3 percent on average, although the display sector will shrink slightly. The semiconductor sector will post about 5 percent growth thanks to the mass production of application processors. The information and communication equipment and home appliance sectors are forecast to record 3–4 percent growth following increased exports and domestic demand.

Despite domestic demand for Korea’s leading industries will see rather moderate growth. Most notably, the semiconductor sector will enjoy a steady increase due to the growth of SSD, Internet of Things (IoT) and wearable devices. The information and communication equipment industry will also fare much better with the launch of new smartphone models, the Window 10 operating system and growing demand for PC replacement technology.

Amidst lingering global uncertainties brought on by the sluggish growth of emerging countries, the weak yen and environmental regulations, exports of leading industries are expected to grow moderately.

As such, Korea’s industries should tap into new export markets in Southeast Asia, the Middle East and Africa, while boosting price competitiveness in response to ever-changing variables. In addition, with competition among the international community growing fiercer, countries must differentiate themselves with innovative technologies and products by promoting balanced investments in both hardware and software. For mid to long-term growth, countries should make preemptive investments in next-generation sectors to secure and promote sustainable growth.

Export Prospects of Major Industries

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<tr>
<td>Semiconductor and display equipment</td>
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<td>14.2</td>
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<td>12 leading industries</td>
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<td>Total exports</td>
<td>-13.5</td>
<td>2.1</td>
<td>-2.3</td>
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Note: The figure for the 12 leading industries in 2015 is based on the first half of the year.

In 2016, domestic production for the 12 leading industries is forecast to slow down due to increasing overseas production of home appliances, IT devices and automobiles. Meanwhile, food and beverage production will be relatively steady thanks to the growing convention of food market and consumption of high value-added products.

As for the machine industry, the automobile sector, which saw record high sales in 2015, will experience relative decline and post 2 percent negative growth. The shipbuilding sector will see 1 – 2 percent growth due to previous orders for ultra large container ships, LNG, LPG and bulk carriers. Spurred on by increased domestic consumption and recovering exports, production in the general machinery sector will also see 2 percent growth year-on-year.

Meanwhile, production in the textile sector will decrease by 1 percent. Despite continued domestic production of basic petrochemicals and expanded production capacity, the petrochemical sector will also decrease by 1 percent because of the reduced production of naphtha-ethylene spread. As a result of increased domestic demand, however, the oil refinery and iron and steel sectors will post 3 percent and 1-2 percent growth respectively.

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By Kim Jong-ki
Research Fellow
Leading Industry Research Division, KIET
jkkim@kiet.re.kr