

S. Korea's trade surplus widens to 31-month high on IT exports

SEOUL, June 1 (Xinhua) -- South Korea's trade surplus widened last month to a 31-month high as solid demand for locally-made IT products relieved the negative effect from the continued devaluation of the Japanese yen, a government report showed Saturday. Trade surplus was 6.03 billion U.S. dollars in May after posting a surplus of 2.45 billion dollars in the prior month, according to the Ministry of Trade, Industry and Energy (MOTIE). The reading was the largest since October 2010. Exports, which account for around half of the economy, increased 3.2 percent from a year earlier to 48.37 billion dollars in May, growing faster than a 0.4 percent rise in April and a 0.1 percent gain in March. The faster export growth came as strong demand for IT products offset the negative implications from the lasting weak yen trend. Shipment of telecommunication devices such as smartphones surged 62.5 percent in May from a year ago. Chip exports expanded 17.4 percent last month, and those for automobiles and petrochemical products increased 6.2 percent and 4.1 percent respectively. The weak yen trend dented exports of petroleum and steel products that reduced 5.1 percent and 13 percent each. Ship exports tumbled 33.3 percent last month, keeping its downward trend amid the gloomy conditions of the global shipbuilding industry. "The yen's depreciation should wreak direct havoc on Korea's exports of petrochemical and steel products to Japan. Petrochemicals and steel account for 18 percent and 11 percent of Korea's exports to Japan respectively," Suh Dae-il, an economist at KDB Daewoo Securities in Seoul, said before the data release. Exports to the United States and China, the world's top two economic powerhouses, jumped 21.6 percent and 16.6 percent each, but those to Japan sank 11.7 percent, maintaining the minus growth for the fourth consecutive month amid the yen's depreciation. The Japanese yen fell around 20 percent versus the South Korean won since September 2012, denting the price competitiveness of local exporters that are fiercely competing with Japanese rivals in overseas markets. The ministry cautioned that the prolonged trend of weak yen would worsen the country's exports, noting that diversification of export destination and improved export competitiveness should be pursued. Outbound shipments to the European Union (EU) plunged 14.6 percent last month amid the economic slowdown in the region. The eurozone economy reduced 0.2 percent in the first quarter from three months earlier, posting the minus growth for six straight quarters. Imports decreased 4.8 percent from a year earlier to 42.34 billion dollars in May due to a fall in global oil prices and massive facility maintenance by oil refining firms. Inbound shipment of raw materials declined 15.2 percent last month, while consumer goods imports expanded 0.7 percent. Imports of capital goods increased 6.3 percent, brightening the outlook for facility investment in the third quarter. For the first five months of this year, exports rose 1 percent from a year earlier to 230.06 billion dollars. Imports fell 2.8 percent to 215.91 billion dollars over the same period, sending the trade surplus to 14.15 billion dollars.