Foreign Direct Investment

FDI commitments in S. Korea edges up 3.2% in Q1 despite virus impact

Foreign direct investment (FDI) in South Korea increased in the first quarter compared to the same period a year earlier despite the rising global economic uncertainties amid the coronavirus pandemic.

According to the Ministry of Trade, Industry and Energy on April 9, the country received USD 3.27 billion worth new FDI commitments in the Jan. to Mar. period, up 3.2 percent from last year. Fresh FDI pledges to Korea maintained its year-on-year growth momentum for the third consecutive quarter.

By region, new FDI committed by the United States surged 136.8 percent from a year ago to USD 370 million in the first quarter and actual investment jumped 98.7 percent to USD 190 million. FDI pledged by China also shot up 172.3 percent to USD 1.46 billion, while that by Japan fell 50.2 percent to USD 130 million.

South Korea's overseas direct investment rose 21 percent in 2019 from a year earlier due mainly to increased investment by financial and insurance companies, data showed Mar. 20.

Investments made by S. Korean companies came to USD 61.85 billion in 2019, according to the data compiled by the Ministry of Economy and Finance.

S. Korean companies invested USD 14.77 billion in the United States in 2019, up 32.4 percent from 2018. The hike was driven by large-scale mergers and acquisitions. The U.S. accounted for the largest share of S. Korea's overseas investments at 23.9 percent.

S. Korea's direct investment in China—S. Korea's largest trading partner—jumped 20.7 percent on-year to USD 5.8 billion in 2019 due to increased facility investment by electric vehicle makers and chipmakers. By sector, investments made by S. Korean financial and insurance companies rose 45.4 percent on-year to USD 25.04 billion in 2019. Manufacturing firms' combined investments increased 13.8 percent on-year to USD 18.35 billion in 2019, according to the ministry.

Online shopping jumps nearly 25 pct in Feb. amid virus pandemic

The total value of online shopping in South Korea soared nearly 25 percent in Feb. from a year earlier, data showed April 3, as more people refrained from going outside amid the coronavirus pandemic.

Total online transactions reached KRW 11.9 trillion (USD 9.67 billion) in the month, up 24.5 percent from a year earlier, according to the data compiled by Statistics Korea. It marked the steepest jump since 30 percent growth posted in Oct. 2018.

Sales of fresh foodstuffs at online malls nearly doubled on-year in Feb., and those of household products, including hand sanitizers, also jumped 53 percent. Shipments of home appliances and mobile devices moved up nearly 40 percent.

Purchases made through smartphones, tablets and other mobile gadgets soared 31.1 percent on-year to KRW 8.1 trillion, accounting for 68.1 percent of all online sales in Feb.

The number of subscribers to the 5G mobile network in S. Korea passed the 5 million mark in Feb., 10 months after its commercialization, government data showed Apr. 1.

Nearly 5.37 million S. Koreans subscribed to the top-of-the-line wireless network as of end-February, up 8.1 percent from the previous month, according to the data compiled by the Ministry of Science and ICT.

The nation's three mobile carriers—SK Telecom Co., KT Corp. and LG Uplus Corp.—have been aggressively promoting the commercial 5G network for premium smartphones after rolling out the service in early April last year.

Industry watchers attributed the February increase mainly to preorders for Samsung Electronics Co.'s new flagship Galaxy S20 smartphones.

Industry leader SK Telecom's 5G customers accounted for 44.9 percent of the total in February, trailed by KT with 30.2 percent and LG Uplus with 24.8 percent.

The data also showed the number of mobile communication subscribers in S. Korea totaling 69.1 million as of end-February, with SK Telecom taking up 42.1 percent of the total.
Trade & Commerce

S. Korea calls for partners to maintain trade amid new coronavirus

S. Korea's trade minister said on Mar. 18 the country operates an open and transparent quarantine regime against the new coronavirus, and urged trade partners to keep their business going with Asia's No. 4 economy.

"S. Korea has been effectively containing and managing the COVID-19 outbreak by carrying out preemptive tests and treatments transparently," Trade Minister Yoo Myung-hee said during her meeting with the Korea Trade-Investment Promotion Agency (KOTRA).

"The country is operating a strict quarantine system on those departing from S. Korea to prevent the spread of the virus," the minister added, saying other countries and overseas business partners should be aware of its all-out measures against the novel virus.

"To overcome the economic crisis sparked by COVID-19, every country should bolster their quarantine efforts, but at the same time maintain the economic activities," Yoo said.

S. Korea announced a set of measures to revitalize its ailing exports, including providing financial programs worth KRW 260 trillion (USD 219 billion) for exporters, and operate customs clearance services around the clock.

Exports of sanitary goods surge amid virus woes

Exports of sanitary goods such as hand sanitizers and coronavirus test kits surged last month in line with growing demand from overseas for such Korean-made goods, data showed on April 5.

According to the data compiled by the trade ministry, outbound shipments of hand sanitizers surged sevenfold to reach USD 5.69 million last month, which is equivalent to 84 percent of last year's USD 6.78 million in total.

Exports of test kits for COVID-19 and others also more than doubled from a year earlier to USD 48.65 million last month. In 2019, the country's outbound shipments of such goods dropped 45 percent on-year to reach USD 217 million.

S. Korea-US trade volume expands 32 pct on bilateral FTA

Trade volume between S. Korea and the United States totaled USD 135.2 billion last year, up 32 percent from USD 101.8 billion posted in 2012, when a bilateral free trade agreement went into effect, government data showed Mar. 15.

Trade volume between the two countries in 2019 also moved up 2.7 percent on-year.

S. Korean carmakers and chip producers, were major winners from the bilateral FTA over the 2012-2019 period. Exports of automobiles to the U.S. reached USD 15.7 billion in 2019, up nearly 50 percent from 2012. Outbound shipments of chips to the world's top economy more than doubled to reach USD 5.95 billion over the cited period.

The amount of investment in S. Korea pledged by U.S. investors also reached USD 6.84 billion in 2019, up 16.4 percent on-year to set a new record.

Government & Policy

U.S. currency swap deal to stabilize market: authorities

S. Korea's currency swap agreement with the United States will help stabilize the domestic foreign exchange market hit by the global financial turmoil, Seoul's financial authorities said Mar. 20.

Seoul struck a USD 60 billion currency swap deal with Washington on Mar. 19, which will be in place for at least six months. It is the second of its kind since 2008.

Bank of Korea Gov. Lee Ju-yeol told reporters that the agreement is expected to help ease instability of the domestic foreign exchange market.

"Dollar demand soared in global financial markets on the spread of the coronavirus, resulting in the won's plunge due to a dollar shortage on the domestic market," he said.

Lee emphasized S. Korea has an optimum level of foreign exchange reserves, independently of the swap deal. Seoul's foreign exchange reserves came to USD 409.17 billion as of the end of Feb.

"The arrangement will serve as a reliable cushion to protect the domestic currency market that was impacted by global financial instability," Vice Finance Minister Kim Yong-beom said at a meeting of officials on pending policies and innovative growth.

Early in the week, Seoul also took a series of steps to inject more liquidity into the financial system and announced an extra budget worth KRW 11.7 trillion. The central bank also cut its policy rate by half a percentage point to a record low of 0.75 percent.

Source: www.investkorea.org, Yonhap News Agency, Pulse by Maeil Business News Korea