



# Analysis of Korean Fastener Trade Through H1 2020

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## Introduction

The Gross Domestic Product (GDP) in South Korea was worth 1.646 trillion US dollars in 2019, representing about 1.3% of the world economy. The economy is expected to contract this year (about 1.8%) as the pandemic hit both domestic and external demand. Industrial production fell 3.0% in year-on-year terms in August this year, followed by a 2.4% drop in July.

The industrial sector has been always the stable contributor to the country's GDP over the years, attracting about one-fourth of the labour force. Amongst all industries, manufacturing is known as the engine of economic progress, which includes mainly electronics, automobiles, telecommunication, shipbuilding, chemicals and steel.

The automotive industry in Korea is now the fifth largest manufacturer of passenger cars in the world. The automobile industry accounts for 13 percent of manufacturing production, produces 12 percent added value, and it is a vital industrial sector that pays to about 12 percent of total employment in South Korea. Automotive is a core industry that affects all industrial sectors such as steel, nonferrous metals, fasteners, tools and hardware. For many years, the automobile industry has developed extraordinarily and has also been one of the key factors of the country's economic growth and trade statistics.

## Trade Statistics

In terms of the country's trade statistics and trade partners, since South Korea is strategically located between the world-class importers namely China and another Asian economic powerhouse, Japan, these two countries are amongst the top trade partners of Korea. In 2019, South Korea transported more than USD542 billion worth of products to the global market. Last year, under two-thirds (about 65%) of the country's exports (by value) were shipped to the Asian markets while more than 16% were delivered to North America and slightly less than 12% worth of products were sold to the European countries. Only, minor percentages transported to Latin America (2.7%), Oceania (2.5%), and Africa (1.8%).

Knowing the importance of the automotive industry in the fastener market demand, Korea is one of the key players in the industrial fastener market regionally and globally. The growing automobile industry in Korea and essential impact of fasteners in various vehicles will drive the market growth. Additionally, mechanical advancements and enhancement in quality and durability of fasteners are boosting the market demand in the country.

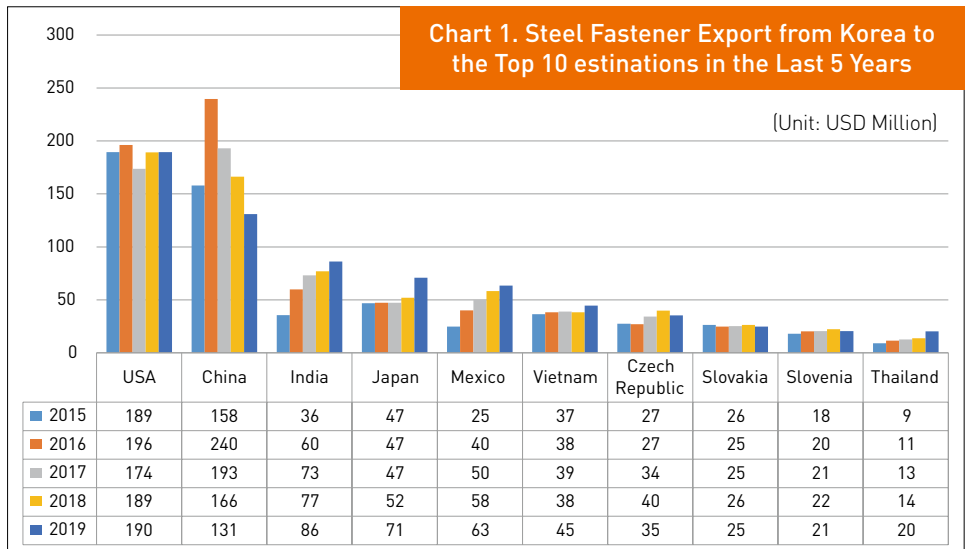
## Fastener Trade

In 2019, South Korea exported USD880 million worth of steel/iron fasteners, making it the 9th largest exporter of steel fasteners in the world. Steel fastener has been amongst the top 100 exported products in South Korea. The major destination of the fastener exports from South Korea in 2019 were United States (USD190M), China (USD131M), India (USD86M), Japan (USD71M) and Mexico (USD63M). **Chart 1** exhibits the steel fastener export from Korea to the top 10 destinations in the last 5 years in million dollars.

**Chart 1** explains that the values of exports to Japan, India, and Mexico have been considerably increased last year compared with 2018, while the export to China faced a sharp decline. Additionally, there have been countries like Kazakhstan importing, to some extent, significant value of fasteners from Korea in recent years but the export amount reduced last year substantially. This country, for instance, imported more than USD17 million worth of fasteners from Korea in 2018 but reduced it to only USD4 million in 2019.

In 2019, South Korea imported USD530.6M worth of iron fasteners, becoming the 24th largest importer of iron fasteners in the world (ahead of Hungary and after Indonesia). South Korea imports Iron fasteners largely from China (USD192.6M), the United States (USD147.1M), Germany (USD35.1M), Japan (USD29.6M), and Taiwan (USD28.5M). Evidently, countries like the US, China and Japan are the major fastener export and import markets for Korea.

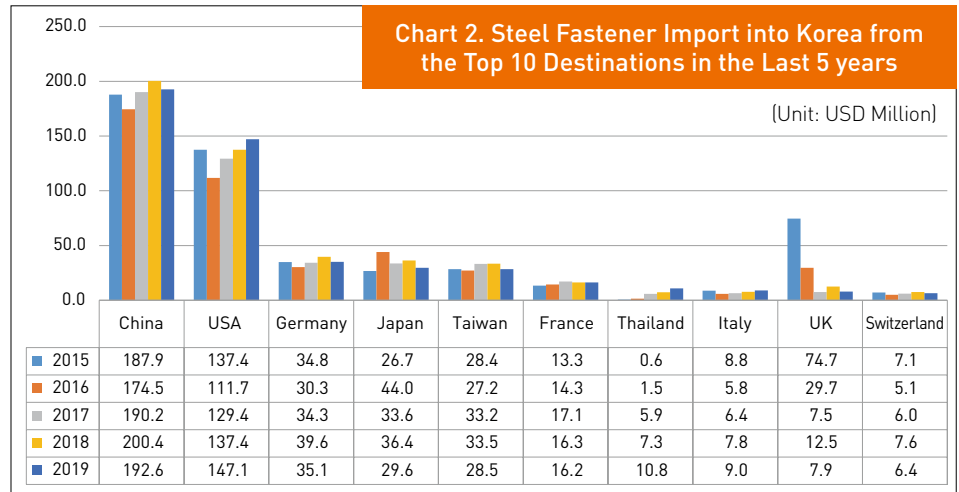
**Chart 1. Steel Fastener Export from Korea to the Top 10 estimations in the Last 5 Years**



## Industry Focus

The value of fastener exports delivered to Korea has been reduced last year compared with 2018, as major exporters have sold a lesser amount of fasteners to Korea last year except for the US, Thailand, and Italy, as illustrated in **Chart 2** below.

Looking at another type of fasteners trade statistics in 2019, copper fasteners, the import value of this type of fasteners was about USD 1.2 billion and its export value was about USD 1.04 billion. The trade value of copper fasteners in Korea has never been substantial to compare with the steel fasteners. In last year, three top exporters of copper fasteners to Korea were China, Germany, and the United States while the top buyers of Korean Copper Fasteners were again China, Vietnam and the United States.

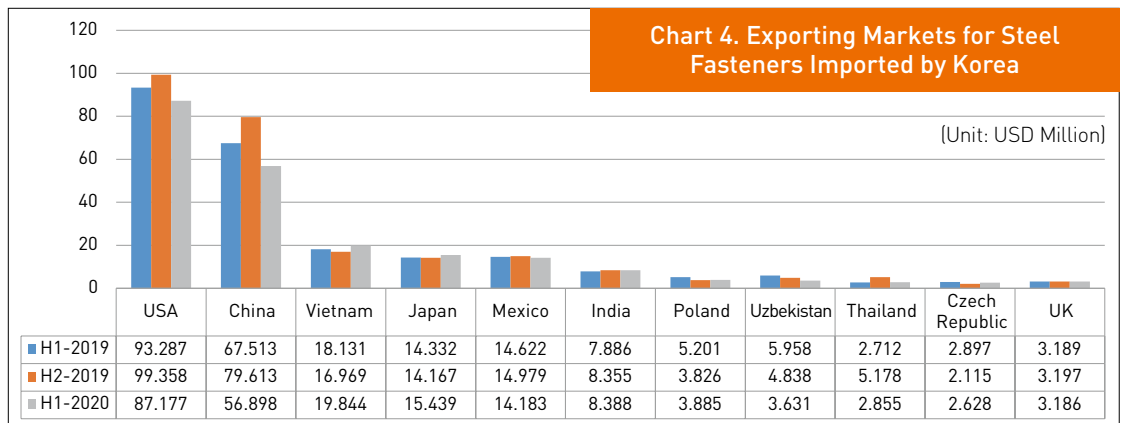
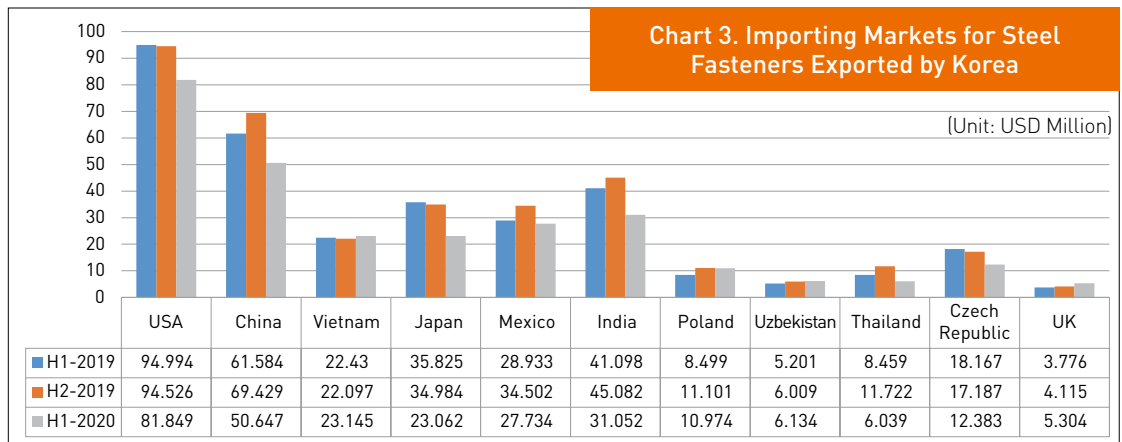


## COVID-19 and Fastener Trade

Within the first half of this year, despite the pandemic, Korea exported about USD7.42 million worth of copper fasteners to the global market, and imported about USD2.16 million worth of copper fasteners from its trade partners. Although the world is facing the most dramatic economic slowdown as a result of the current pandemic, Korea seems to have presented the way to mitigating both the health and the economic outcome of the coronavirus pandemic. While Korea is recovering its manufacturing production and GDP, the figure from the second quarter this year shows that the fastener market in Korea has been considerably affected by the pandemic.

This year the total value of steel fastener export in the first quarter was about USD223 million while the value in the second quarter dropped to USD130 million. On the other hand, the import value increased in the second quarter compared with the first quarter of this year. Korea imported about USD109 million worth of steel fasteners in Q1 this year and USD124 million in the second quarter. **Charts 3 and 4** show the changes of fastener import and export in Korea from 2019 through the second quarter this year.

Fastener exports are expected to shrink further this year as the second wave of Coronavirus is spreading but recover and expand by the next year.



## Sources:

Statista, ITC TradeMap and OEC

