

Market Update

Country: South Korea

Date: 01.2023



Country Profile

Latest Economic data 2021

Population: 52 Million
GDP/Growth: 1790 Bn USD / +4%
GDP per Capita: 35000 USD (Rank: 27)

Market Size in TEU 2021

- Total Market: 29.1 Mio TEU
- Key ports
 - BUSAN (22.7 Mio TEU)
 - INCHON (3 Mio TEU)

OceanX Local Members

- Haesung Logix
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Introduction

With the amount of beautifully designed Korean cars gradually increasing in Europe, Samsung increasing its market share and Netflix as well as K-Pop-Bands promoting Korean Pop Culture among the next generation, it was about time to come back here, 7 years after my last visit.

Economic & Market Situation

South Korea has a highly developed and industrialized economy that is the 11th largest in the world and a member of the Organization for Economic Cooperation and Development (OECD). The country's GDP in 2021 was estimated to be around \$2.2 trillion and the GDP per Capita is exceeding 35,000 USD already. The main sectors of South Korea's economy are manufacturing, services, and agriculture. Manufacturing accounts for a large portion of the country's GDP and includes industries such as electronics, automobiles, shipbuilding, and steel. The service sector is also significant, and includes areas such as finance, healthcare, and telecommunications. South Korea is a leading producer of technology and electronics, and is home to major multinational companies such as Samsung, LG, and SK Hynix, which have played a significant role in the country's economic growth and development. Agriculture, while a smaller part of the economy, is still important and includes crops such as rice, root vegetables, and cabbage.

Trade is a crucial part of South Korea's economy. The country is a major exporter, and its main exports include electronics, automobiles, machinery, and petrochemicals. South Korea's main export markets are China, the United States, and Vietnam. In 2021, South Korea's top exports were semiconductors, wireless communication devices, and automobiles. The country also imports a variety of goods, including raw materials,

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machinery, and fuels. South Korea imports from a variety of countries, with its main sources being China, the United States, and Japan. The country has free trade agreements with a number of other countries, including the United States, the European Union, and China, which have helped to boost its trade and economic growth. The country's export-driven economy has made it vulnerable to fluctuations in global demand, and South Korea has faced economic challenges in the past due to slowdowns in the global economy. However, the country has a strong and resilient economy, and has been able to bounce back from previous economic downturns due to its highly skilled and educated workforce, with a high rate of participation in tertiary education.

GDP per capita in South Korea stands at 35,000 USD and with a median age of 43, the country has the second oldest population in Asia after Japan.

The last OECD forecast, issued in Q4 still indicated a GDP of 2.7% for 2022, but projected further slow down to 2.0 in 2023. While final numbers for 2022 are not published yet, they are expected to have closed even a bit lower, as China lockdowns impacted the trade and semi-conductor exports dropped too. Some analysts already see 2023 numbers below 2.0%.

Inflation also stands at 5.1% in December 2022 and thus South Korea faces many of the challenges that most developed economies are confronted with at the beginning of 2023. Just a better mix of energy sources seems to make them more resilient in that regard.

Some other comments from the OECD report do remain relevant: "Growth has lost momentum. Real annualized GDP growth fell to 1.1% in the third quarter of 2022 mainly driven by subdued exports growth. Private consumption had grown robustly, but has slowed amid high inflation. Customs exports declined by 6% (year on year, in USD) in October 2022 due to lower global demand for semiconductors, and headwinds from China's zero-COVID-19 policy. Headline consumer price inflation moderated to 5.7% in October 2022 from its 6.3% peak in July. Inflation expectations have peaked, but remain well above the 2% inflation target. Core inflation stood at 4.2% in October as service prices continued to rise. Employment has recovered to pre-crisis levels. Unemployment has started rising but remains historically low."

Some recession fears have come up in recent weeks and it will have to be seen after Q1 how the Korean economy might develop. China will play an important role here, while at least in terms of tourism a positive impulse is to be expected.

Logistics Market

Ocean volumes in Busan for 2022 were down -2.6% versus 2021, with a recovery and growth of 0.9% expected for 2023. For Incheon the situation is a bit better, as the port was able to grow and exceed 3 Mio TEU in 2022, now aiming for 3.45 Mio TEU in 2023. Trade with China remains the key lane for volumes, 61% of Incheon's containerized volumes were with China in 2019.

While the trade with China remains a large part of the market, recent years have seen more growth in particular with Vietnam and Indonesia but also Thailand. And more of the Korean

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multinational conglomerates seem to be shifting production facilities from China to these countries, following US' "friend shoring" initiatives.

As the overall economic outlook in South Korea remains rather bleak, with fears of a light recession, ocean freight volumes are not expected to see significant growth in 2023.

On the overseas side, there remains a widespread diaspora of overseas Koreans, former executives of Hanjin or HMM, that have opened forwarding firms in countries they were stationed and many Korean forwarders, work with those Korean forwarders abroad, serving Korean businesses.

Meeting Notes

Haesung Logix – OceanX Member

Great catch up with Lyon Lim's dynamic team at Haesung Logix. Beyond their project cargo expertise and general cargo clients, they have especially grown in the bulk liquid sector, shipping an increasing amount of oils in Flexitanks within Asia and European tradelanes.

ECL – OceanX Member

With the team at ECL facing a COVID wave across the team during the visit and the Korean society still opting for self-isolation, the company had shifted to WFH protocol during the visit and personal meeting was not possible.

Mare Consolidation – Old friends

A long-term partner from my past life, with his loyal team, it was a pleasure to meet with Mr Kim again, who is running one of the old-fashioned consolidators in the trade. While volumes have grown and a few new tradelanes developed, the overall nature of the South Korean consolidation market has not changed, remaining volume wise very dominated by China & Hong Kong lanes and highly competitive among peers.

Nauri Logistics – Old friends

Pleasant catch-up with our old friend Juno, who is still the partner of several of our consolidation members for this market.

Woojung Air Consolidation – Learning Time

Following my target to learn more on the airfreight business, in particular where masterloaders are concerned, as a potential source for ideas to innovate the NVOCC business model, it was a great opportunity to spend some time with Andrew Yim, President of Woojung and one of the leading masterloaders in the country.

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The interesting learning here was certainly the optimization of process and systems within the company, from dynamic pricing and capacity management for a wide range of different BSA agreements, to warehouse processes for cargo receiving, dimensioning and loading. Including detailed tracking of all stages inside the warehouse for demanding high-tech exporters.

iNOMAD

Thanks to South Korea's restrictive regulations for international software portals and platforms, Woojung has been able to initiate an own air cargo platform for the Korean market, with the startup iNOMAD, leveraging some of the technology developed in house, but meanwhile growing as a separate entity in a marketplace model that is also supported by other airlines and masterloaders, enabling customers to compare different options rapidly in one place.

Economic Outlook (Source: European Commission Summer 2021 forecast)

In 2020, South Korea was the number 10 economy in the world in terms of GDP (current US\$), the number 5 in total exports, the number 9 in total imports, the number 37 economy in terms of GDP per capita (current US\$) and the number 5 most complex economy according to the Economic Complexity Index (ECI).

EXPORTS

The top exports of South Korea are Integrated Circuits (\$89.1B), Cars (\$36.9B), Refined Petroleum (\$23.3B), Passenger and Cargo Ships (\$17.3B), and Motor vehicles; parts and accessories (8701 to 8705) (\$16B), exporting mostly to China (\$131B), United States (\$75B), Vietnam (\$48B), Hong Kong (\$30.9B), and Japan (\$25.1B).

In 2020, South Korea was the world's biggest exporter of Passenger and Cargo Ships (\$17.3B), Blank Audio Media (\$10.4B), Cyclic Hydrocarbons (\$5.46B), Styrene Polymers (\$3.23B), and Synthetic Rubber (\$2.53B)

IMPORTS

The top imports of South Korea are Crude Petroleum (\$42.2B), Integrated Circuits (\$38.6B), Petroleum Gas (\$16.3B), Refined Petroleum (\$12.9B), and Cars (\$11.8B), importing mostly from China (\$110B), United States (\$53.4B), Japan (\$42.9B), Germany (\$20B), and Vietnam (\$19.6B).

In 2020, South Korea was the world's biggest importer of Inorganic Salts (\$642M), Carbonates (\$506M), Starch Residue (\$489M), Felt Machinery (\$374M), and Manganese (\$135M)

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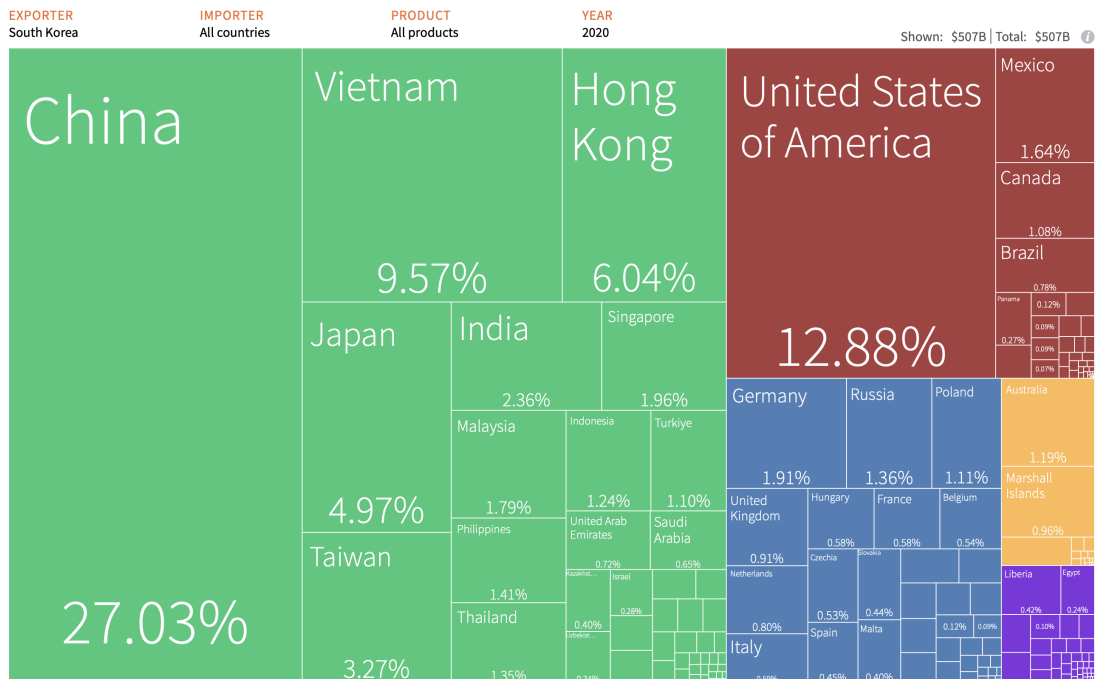
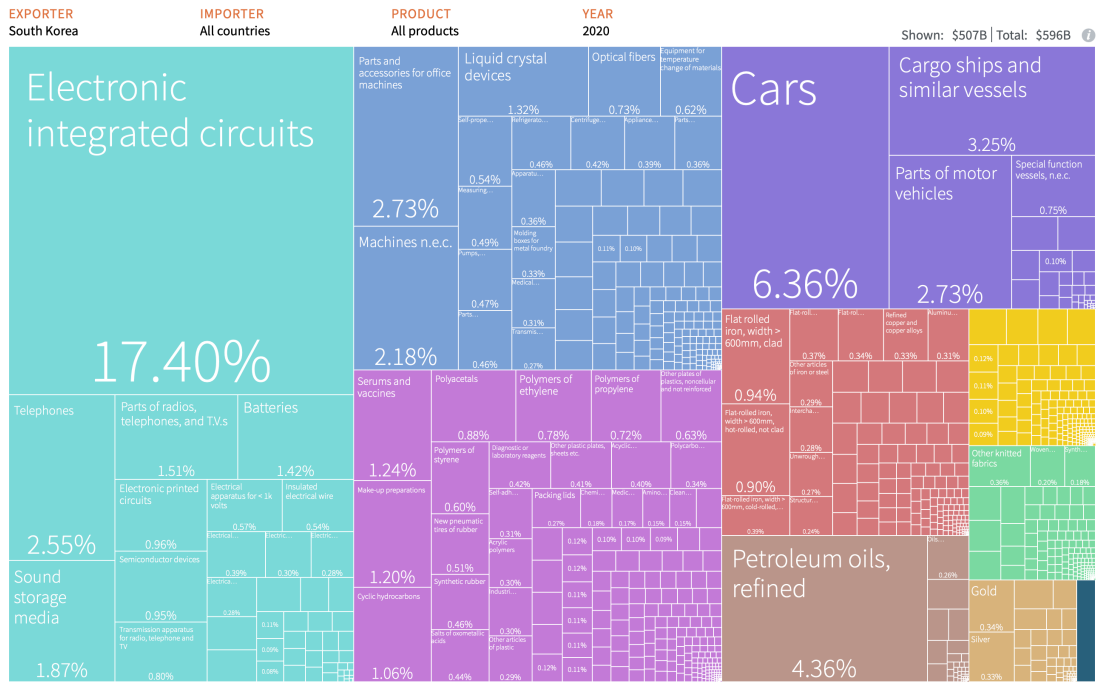
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Trade Pattern 2020– Exports by commodity & country (Source: <https://atlas.cid.harvard.edu>)

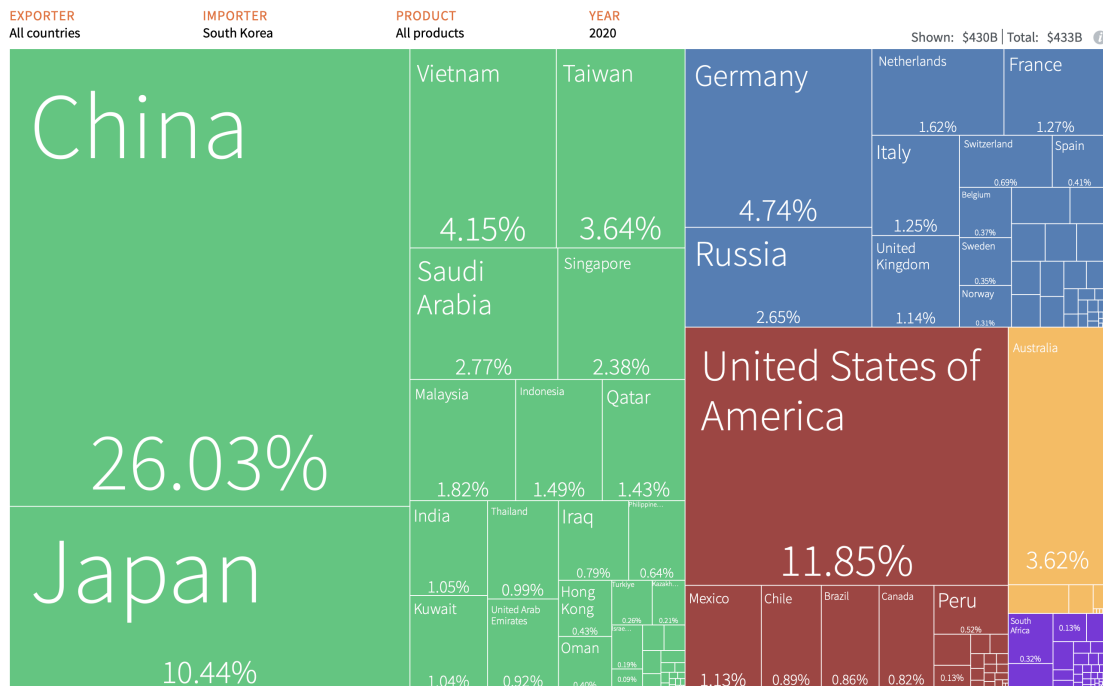
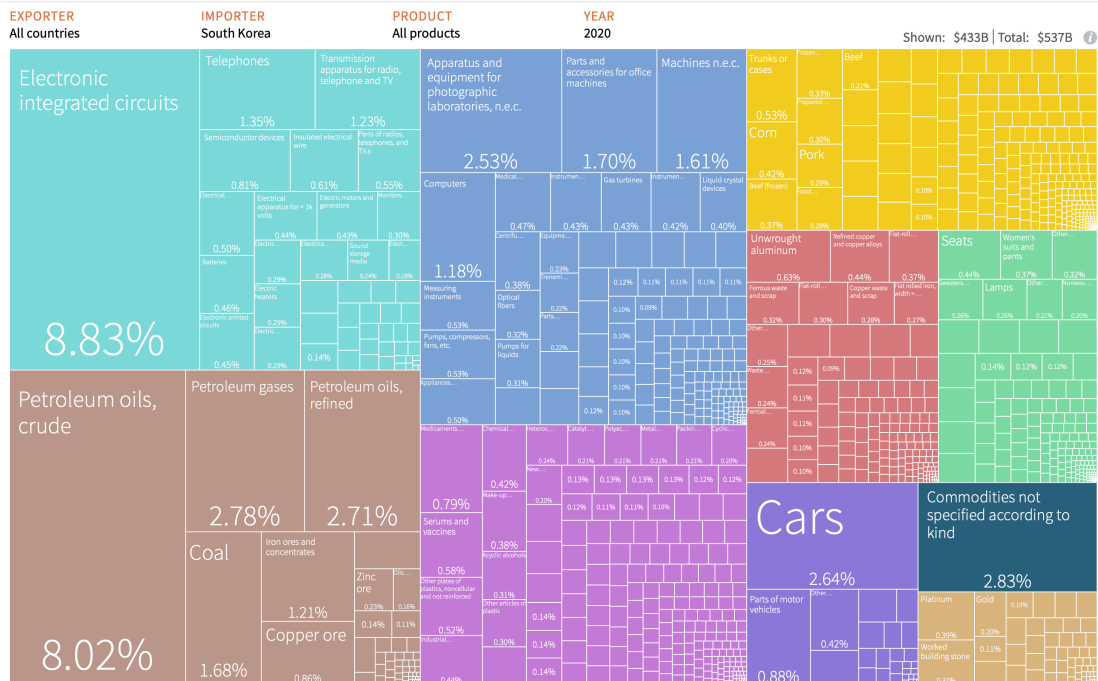


Trade Pattern 2020 – Imports by commodity & country (Source: <https://atlas.cid.harvard.edu>)

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LATEST TRENDS

In November 2022 South Korea exported \$52B and imported \$59B, resulting in a negative trade balance of \$7.03B. Between November 2021 and November 2022 the exports of South Korea have decreased by \$-8.35B (-13.9%) from \$60.3B to \$52B, while imports increased by \$1.64B (2.86%) from \$57.3B to \$59B.

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TRADE

In November 2022, the top exports of South Korea were Electrical machinery and equipment and parts... (\$15.6B), Vehicles (\$7.12B), Nuclear reactors, boilers, machinery and mechanical... (\$5.4B), Mineral fuels, mineral oils and products... (\$5.06B), and Plastics and articles thereof (\$2.64B). In November 2022 the top imports of South Korea were Mineral fuels, mineral oils and products... (\$17.6B), Electrical machinery and equipment and parts... (\$11.6B), Nuclear reactors, boilers, machinery and mechanical... (\$5.62B), Vehicles (\$2.32B), and Optical, photographic, cinematographic, measuring, checking, medical... (\$1.85B).

DESTINATIONS

In November 2022, South Korea exported mostly to China (\$11.4B), United States (\$8.79B), Vietnam (\$4.66B), Japan (\$2.31B), and Chinese Taipei (\$1.94B), and imported mostly from China (\$12.2B), United States (\$6.53B), Japan (\$4.32B), Australia (\$3.87B), and Saudi Arabia (\$3.23B).

GROWTH

In November 2022, the decrease in South Korea's year-by-year exports was explained primarily by a decrease in exports to Malaysia (\$-1.62B or -71.3%), Singapore (\$-440M or -40.5%), and Kazakhstan (\$-374M or -92%), and product exports decrease in Mineral fuels, mineral oils and products... (\$-1.54B or -44.2%), Aircraft, spacecraft and parts (\$-185M or -64.3%), and Organic chemicals (\$-145M or -9.07%). In November 2022, the increase in South Korea's year-by-year imports was explained primarily by an increase in imports from China (\$1.32B or 14%), Japan (\$777M or 24.6%), and Netherlands (\$601M or 266%), and product imports increase in Nuclear reactors, boilers, machinery and mechanical... (\$2.09B or 51.1%), Electrical machinery and equipment and parts... (\$1.49B or 20.3%), and Optical, photographic, cinematographic, measuring, checking, medical... (\$570M or 40%).

South Korea Port Infrastructure (as per marineinsight.com)

1. Port of Busan

The Busan Port is the largest in South Korea situated at the southeastern tip of the Korean peninsula, at the mouth of the river Naktong near the Tsushima islands of Japan. Established in 1876 to facilitate maritime trade with Japan and China, the port has come a long way due to its strategic location and infrastructural development.

Today it is the fifth busiest container port in the world and North-East Asia's biggest transshipment facility with shipping connections to 500 major ports in 100 countries. More than 80,000 ships visit the port annually carrying 200,000,000 tonnes of cargo. In 2020, Busan handled 21.82 million TEU and aims to become a global logistics hub by attaining a throughput of 30 million TEU in the next five years.

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It exports machinery, manufactured goods and containerised cargoes and receives shipments of cement, oil, timber, steel and general cargo. A major industrial centre, Busan also houses numerous shipbuilding companies, chemical plants, paper, ceramics and automobile industries. The city is also famous as a tourist destination, with people coming to enjoy the hot springs and its white sandy beaches.

Busan Port is divided into three main port areas by Yong Island. Busan North Port is undergoing a development project for transforming the harbour into a major cruise destination with maritime connections to Eurasia and the Pacific. This facility also houses 4 major container terminals.

Jaseongdae Container Terminal has a total pier length of 1447 m and an annual handling capacity of 1.7 million TEU. It can simultaneously accommodate four ships weighing 50,000 DWT. With a 500 m wharf, the Uam terminal handles 300,000 TEU each year. Lastly, the Singamman and the Gamman terminals have an annual capacity of 780,000 TEU and 1.56 million TEU.

Busan New Port was opened in 2006 and has a water depth of 17 m for accommodating ships of 20,000 TEU. It comprises 23 container berths for dealing with more than 10 million TEU.

Southport is the base of the country's fishery industry with over 30% commissioned sales of seafood, handling around 800 tonnes of fresh and frozen seafood daily. Korea's famous Jagalchi market located near this facility has been modernised and is expected to grow into a world-class fisheries centre.

Gamcheon Port

A subsidiary port of Busan, Gamcheon Port has a multi-purpose terminal for dealing with coastal and freight cargo like fishery products, cement, sands, and steel.

Dadaepo Port

This facility offers ship repair and maintenance services and also accommodates passengers' vessels. It is being developed into an eco-friendly port.

Busan International Passenger Terminal was modernised in 2015. It is equipped with state-of-the-art facilities such as conference halls, luxury lounges and much more. Comprising 14 berths, it can handle 2.8 million passengers annually.

2. Port of Incheon

Incheon port is located at the mouth of river Han just a few kilometres southwest of Seoul, the capital city. It is the second biggest port in South Korea handling passengers, general

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cargo, petroleum goods, LNG and containers. Consisting of an outer harbour and an inner port, Incheon handles 21,000 ships, 150,000,000 tonnes of cargo and 1,860,000 TEU annually. It has designated wharves for dealing with chemicals, salt, lumber, iron and steel. Incheon also serves as the maritime gateway for South Korea's largest economic region, Gyeongin.

Lying inside the lock gate, the inner port was established in 1974 as the first container handling facility in the country. Presently, it comprises 46 berths capable of accommodating ships up to 50,000 DWT. Vehicles, cars, grains, cereals and other conventional cargo are handled here.

The South Port comprises three container berths and four general cargo berths for accommodating 4,000 TEU container ships. It also serves small and medium-sized vessels, coastal cargo vessels and barges.

The North Port is a comprehensive facility with 17 wharves for dealing with lumber, steel, subsidiary feed materials, scrap iron and hardwood.

Incheon New Port

Endowed with a high-tech port operating system, the new port has a container wharf comprising six berthing quays for 12,000 TEU vessels. It is being developed as the major logistics hub of the Yellow sea region for handling both general cargo and containers.

The Container Terminal has two wharves covering 600 m with an alongside depth of 14 m for accommodating ships weighing more than 80,000 DWT. It has 10 warehouses for storing containers and a stacking area. The terminal has an annual capacity of 900,000 TEUs.

Incheon International Ferry Terminal incorporates two facilities spanning 9 acres and more than 10 berths. Nine shipping companies provide ferry services to major cities of northern China such as Dalian, Qingdao etc.

3. Port of Donghae

The Donghae port lies on South Korea's eastern coastline facing the Sea Of Japan. It is the biggest trade port in the eastern region with sufficient water depths for accommodating the world's biggest container vessels. Given its geographical location, it plays a pivotal role in strengthening South Korea's maritime trade relations with other Sea of Japan states. Approximately 3600 ships and over 20,000,000 tonnes of cargo are handled at the port annually. It has numerous terminals that can accommodate ships with a maximum LOA of 225 m and a draught of 12.5 m.

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The port has regular shipping lines exporting construction materials like cement, mineral sands and ferro-alloys to China, Russia and Japan. It has major trade relations with Siberia, three provinces in northeast China and western Japanese ports. Principal cargo comprises breakbulk, soft coal, limestone and gypsum. Opened in 1979, it functions as a distribution hub for materials, a centre of industry and maritime trade.

It was constructed primarily as a transshipment facility for clinker, cement and stone however after the completion of the Yeongdong expressway in 2001, it received large volumes of container cargoes. In 1998, a cruise service was started for tourists to Mount Kumgang which made it a popular tourist destination.

Presently, Donghae spans 135 hectares of land area and 100 hectares of waterfront with an artificial harbour having a 20.7-kilometre coastline. In 2021, a 1.8 km breakwater was constructed off the coast of Donghae and seven berths would be built by 2030.

The port is linked to the largest cement plant in the world called the Ssangyong Cement Donghae Plant and the biggest chemical plant in South Korea, the Dongbu Hannong Ferro-alloy plant. The Bukpyeong Industrial Complex and a Logistics Complex are other important facilities located near the port.

4. Port of Masan

Masan port lies near Masan Bay and is connected to Busan by roadways and railways making it a bustling market centre for marine products, the produce of Kimhae plains and the Namchon river valley region. It serves the hinterland and houses textiles factories, chemical plants and traditional breweries. Approximately 12,500,000 tonnes of cargo and 150,000 cars are shipped from its container terminal every year.

Opened in the late 19th century, Masan has evolved into an international trading port due to its well-protected harbour, central location on the southern coast and wide navigation channel which makes it easily accessible to ships of all sizes. It is also a port of call for regular liner services to South-East Asian nations and Northeast Asia.

It covers 1400 hectares, stretching along a 28 km coastline with water depths of 12 m and has transformed into a major automobile export facility due to lower port tariffs and short clearance time. Masan's car terminal comprises an 80,000m² of the open yard and the container terminal has 11 international routes linking it to the major container facilities in China and other Southeast Asian countries.

The general cargo terminals serve the Masan Free trade Zone and Changwong national industries. It handles logs, ironware, agricultural products etc on its dedicated berths.

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The central pier handles 80,000 tons of coastal cargo on its four berths. Pier 3 specialises in frozen fish cargoes. It has two berths for accommodating 20,000 DWT ships. The Dosan pier deals with shipments of heavy machinery and has an annual capacity of 1.5 million tonnes. Suhang pier exports timber while the SK pier is the primary oil handling facility. 2.3 million tons of cement are handled at the Ssangyong pier and the Hanla pier. Lastly, iron is exported from the Doosan and Pochul wharves with a total cargo capacity of 2 million tonnes.

5. Port of Gunsan

Gunsan port also known as Kunsan lies near the mouth of River Kum Kang on the western coastline. This port is famous for shipping rice produced in the neighbouring regions. Infrastructural development started in the 1950s when a thermoelectric plant was constructed adjacent to the main port area along with some industries producing paper, plastics, lumber and rubber products. Linked by railways to Iksan and the Seohaean Expressway, it is an important port housing a free trade zone for attracting foreign investment.

It handles general cargo, RoRo, tankers and containers on its dedicated terminals. A major gateway to China, Northeast Asia and Europe, Gunsan is visited by 1940 ships carrying 1,450,000 tons of cargo and 37,000 TEU each year.

The port has 13 berths covering roughly four kilometres, three floating piers, six dolphins and a 1.5 km fishery wharf. These berthing facilities have an annual handling capacity of more than 8 million tonnes of cargo. Five warehouses measuring 17,500m² and a 74-hectare open yard can store up to 1.5 million tons of cargo.

The port's grain terminal has a 600 m wharf for dealing with 1.2 million tons of grains and cereals. It has 9 silo tanks and a fully-mechanised elevator system. The RORO terminal was built in 1997 and comprises a 750 m dock for handling shipments of automobiles. Around 2 million TEUs pass through the container terminal annually.

Janghang Port is a subport of Gunsan and lies in the Chungnam province. Opened in 1938, it comprises two floating docks for accommodating 10,000 DWT ships. It serves the region's fishing sector and also handles cement and oil. With an annual cargo capacity of 1 million tonnes, it has a storage capacity of 45,000 tons of cargo.

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