

Samsung Electronics expects profit rise on coronavirus demand

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Samsung Electronics expects higher first-quarter profits, it said Tuesday, as millions of people working from home in coronavirus lockdowns turn to cloud data services, pushing up demand for its chips.

The pandemic is wreaking havoc across the global economy—Samsung itself had operations suspended at 11 overseas assembly lines as of Tuesday—and is widely expected to cause a recession.

Looking forward, analysts expect the firm's smartphone and consumer electronics businesses will be buffeted by the resulting falls in consumer demand.

But initially, changing behaviour patterns among the vast numbers of people forced to stay at home around the world have generated a silver lining for the world's biggest smartphone and memory chip maker.

In the first three months, operating profits inched up 2.7 percent from 2019 to around 6.4 trillion won (\$5.2 billion), Samsung Electronics forecast in an earnings estimate.

The figure was ahead of expectations, and was based on sales of 55 trillion won, up five percent year-on-year.

"There has been high demand for memory chips for data servers as an increasing number of people are now working from home due to the outbreak," said Tom Kang, an analyst at Hong Kong-based market researcher Counterpoint.

"We are also seeing a hike in demand for laptops because we have many companies that are not fully ready for working digitally."

Samsung Electronics is crucial to South Korea's economic health.

It is the flagship subsidiary of the giant Samsung group, by far the largest of the family-controlled conglomerates known as chaebols that dominate business in the world's 12th-largest economy.

Shares in the firm closed up 1.8 percent Tuesday, having fallen nearly 20 percent from a record high in January amid concerns over the coronavirus pandemic and its economic repercussions.

Global recession

But the wider picture for the firm is more mixed as Fitch Ratings forecast the [global economy](#) to contract 1.9 percent this year, with a 3.3 percent tightening in the United States, triggering layoffs and dampening [consumer demand](#).

Samsung had pinned its hopes for 2020 on a rollout of its new 5G and premium smartphones including its new folding Galaxy Z flip phone, hoping they would boost purchases.

But an industry source who asked not to be named said increasing uncertainty going into the second quarter would "exacerbate troubles".

Global smartphone sales dropped 14 percent in February year-on-year with China seeing nearly a 40-percent decrease, according to Counterpoint.

"Semiconductor earnings look set to increase on the back of memory chip price hikes," Greg Roh, senior vice-president at HMC Securities, told Bloomberg News.

But the consumer electronics and IT and mobile divisions "will likely see their earnings decline", he added.

Samsung's key sales regions of North America, Asia and Europe are among the hardest-hit by the virus, said James Kang of Euromonitor.

"With suspended retail businesses, reduced shipments and weak

consumer sentiment, sales in those regions could plunge dramatically in the [second quarter](#)," he said.

"A new lineup of premium products will play a key role in how successful Samsung will be in cushioning the blow."

Adding to Samsung Electronics' challenges, its vice chairman and de facto leader Lee Jae-yong is currently being re-tried over a sprawling corruption scandal that could see him return to prison.

He is not being held in custody during the proceedings, but a guilty verdict could deprive the firm of its top decision-maker.

Samsung withholds net profit and sector-by-sector business performance data until it releases its final earnings report, expected later this month.

LG Electronics, South Korea's second largest appliance firm after Samsung, also forecast higher first-quarter operating profits Tuesday, projecting they would reach 1.09 trillion, up 21.1 percent year-on-year.

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