

Samsung forecasts near-30% jump in Q3 operating profit

October 8 2021, by Kang Jin-Kyu



The coronavirus pandemic has wreaked havoc with the world economy but seen many tech companies boom.

South Korean tech giant Samsung Electronics defied the global supply chain challenges to forecast a near-30-percent jump in third-quarter

operating profits on Friday.

The world's biggest smartphone maker said it expected its operating profits to reach around 15.8 trillion won (\$13.3 billion) in a regulatory filing, up 27.9 percent year-on-year.

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

The conglomerate's overall turnover is equivalent to a fifth of the country's gross domestic product.

Samsung Electronics estimated sales for the July-September period at 73 trillion won, up 9.0 percent year-on-year—a record for any quarter, a spokeswoman told AFP.

The coronavirus has wreaked havoc on the world economy, with lockdowns and travel bans imposed around the globe for many months.

But the pandemic—which has killed around 4.8 million people worldwide—has also seen several tech companies boom.

Coronavirus-driven working from home has boosted demand for devices powered by Samsung's chips, as well as home appliances such as televisions and washing machines.

Now supply chain problems are hitting [economic activity](#) around the world, with companies facing shortages of key commodities, components and shipping capacity.

But weakness in the South Korean won against the US dollar has boosted the chip maker's profit margins, particularly in its smartphone business,

according to analysts.

The currency effect has offset troubles caused by "disruptions in smartphone shipments", which were triggered by parts shortages and coronavirus lockdowns in Vietnam and India, where Samsung has [production lines](#), Hana Financial Group said in a report.

But forward prospects are looking less rosy, analysts say, with demand for DRAM memory chips—a key Samsung product—expected to fall in the fourth quarter as manufacturers struggle with supplies, pushing down prices.

"With the coronavirus spreading again in South East Asia and an ongoing electricity shortage issue in China, a disruption in any of the production lines can disrupt the whole production process," said Park Sung-soon, an analyst at Cape Investment & Securities.

"With parts running short, demands for memory chips will decrease as well because companies can't produce set products," he told AFP.

The operating profits estimate was in line with analyst forecasts according to Bloomberg News.

Samsung Electronics shares closed down 0.1 percent.

Parole release

Samsung's latest earnings estimate came after Lee Jae-yong, its vice-chairman and the de-facto leader of the wider Samsung group, walked out of prison in August.

Lee was released on parole after completing just over half of his two and a half year sentence in the latest example of South Korea using economic

grounds to free business leaders imprisoned for corruption or tax evasion.

He was jailed for bribery, embezzlement and other offences in connection with the corruption scandal that brought down ex-South Korean president Park Geun-hye.

His return to management has eased concerns over decision-making at Samsung.

But his August release is not the end of his legal travails: he remains on trial on separate accusations of manipulating a takeover to smooth his succession at the top of the Samsung group—the same controversy over which he was said to have sought help from Park.

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