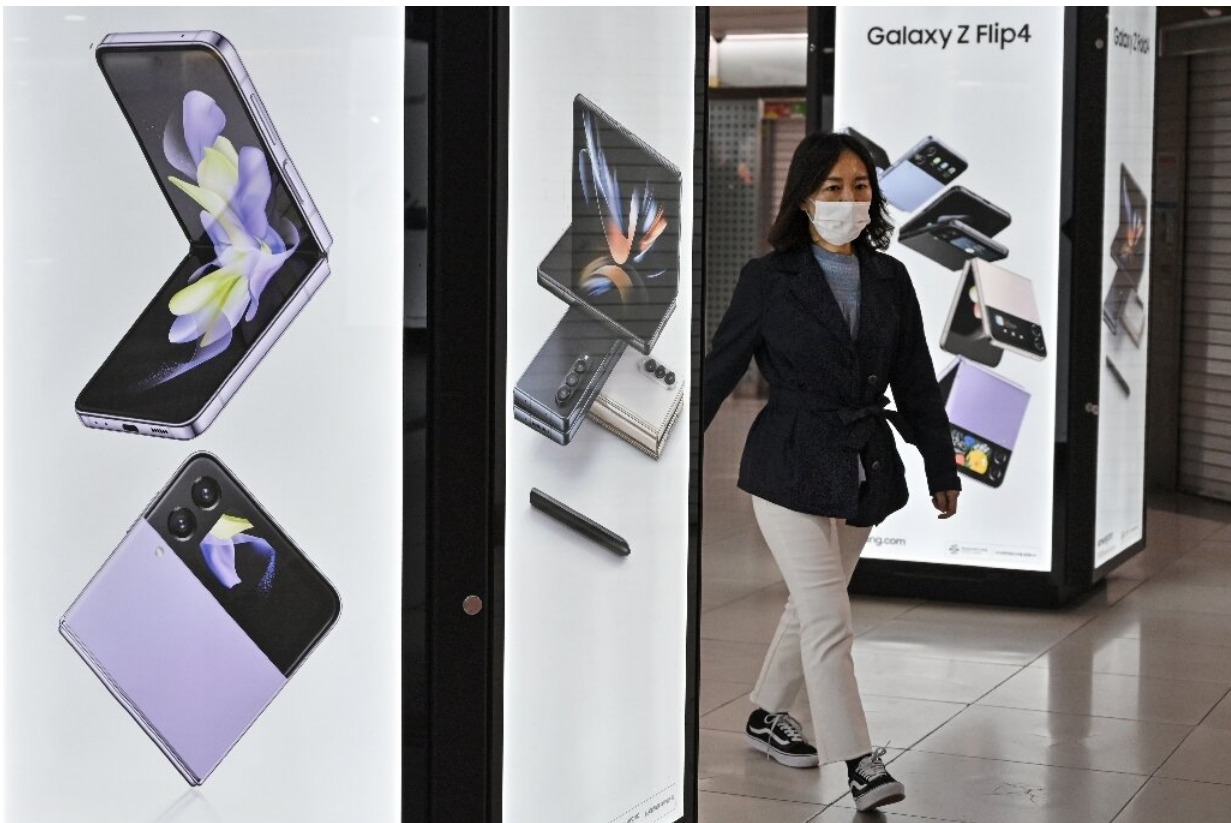


Samsung Electronics says Q3 operating profit down 31% on-year

October 27 2022, by Kang Jin-kyu



Samsung Electronics reported its first year-on-year decline in operating profit in three years on Thursday.

South Korean tech giant Samsung Electronics on Thursday said its third-quarter operating profits were down 31.39 percent year on year after a

global economic downturn hit demand for consumer electronics.

Earnings in its crucial memory chips division dropped, the company said in a statement, adding that "demand for [consumer products](#) remained weak".

Operating profit for July to September 2022 fell to 10 trillion won (\$7 billion), down from 15.8 trillion won for the same period last year, the company said.

The results were released the same day the company announced de facto leader Lee Jae-yong—who received a presidential pardon in August over a fraud conviction—would be promoted to chairman of Samsung Electronics.

"Our survival depends on future technologies," Lee said in a message posted on the company's internal forum after his promotion, Yonhap reported. "We can turn this crisis into opportunity."

The third-quarter results are the first year-on-year decline in profit in nearly three years for Samsung Electronics, the world's biggest smartphone maker.

But the company said it had seen an increase in sales, which were up by 3.79 percent from the same period last year to 76 trillion won.

The world's biggest memory-chip maker 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, Asia's fourth-largest economy.

The conglomerate is crucial to the country's economic health—its overall turnover is equivalent to a fifth of the national gross domestic product.

Until the second quarter of this year, Samsung, along with other [tech companies](#), significantly benefited from strong demand for [electronic devices](#)—as well as chips that power them—during the pandemic.

But the [global economy](#) is now facing multiple challenges, including soaring inflation, rising interest rates and the growing threat of a broad debt crisis.

The situation has been exacerbated by Russia's invasion of Ukraine—which has spurred a surge in energy prices and pushed global food prices up—along with China's adherence to a strict zero-COVID policy.

"In 2023, demand is expected to recover to some extent, but macroeconomic uncertainties are likely to persist," Samsung Electronics said.

"In the Memory Business, after a dampened first half, demand is expected to rebound centering on servers as data center installations resume," it added.

Analyst Park Sung-soon of Cape Investment & Securities told AFP he did not expect consumer demand for tech products to recover until the second half of 2023.

"So the focus for Samsung will be adjusting its supply rather than relying on demand recovering anytime soon," he said.

Samsung also said it had benefited from the strength of the US dollar against the Korean won, "resulting in an approximately 1.0 trillion won company-wide gain in operating profit compared to the previous quarter".

Geopolitics

The vast majority of the world's most advanced microchips are made by just two companies—Samsung and Taiwan's TSMC—both of which are running at full capacity to alleviate a global shortage.

The supply of memory chips has become an issue of global geopolitical significance recently, with leading governments scrambling to secure supplies.

That was demonstrated in May when US President Joe Biden kicked off a South Korea tour by visiting Samsung's sprawling Pyeongtaek chip plant.

Russia's invasion of Ukraine has "further spotlighted the need to secure our critical supply chains", Biden said at the plant, underscoring the importance of bolstering technology partnerships among "close partners who do share our values".

Samsung employs about 20,000 people in the United States and work is under way to build a new semiconductor plant in Texas, scheduled to open in 2024.

The US also recently introduced new measures to limit China's access to high-end semiconductors with military uses, a move that has wiped billions from chip companies' valuations worldwide.

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