

Samsung Electronics defies pandemic with profit rise

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South Korean tech giant Samsung Electronics defied the coronavirus to report higher net profits in the second quarter Thursday, with strong demand for memory chips overcoming the pandemic's impact on smartphone sales.

Long known as the world's biggest smartphone and memory chip maker, it said net profits rose 7.3 percent to 5.56 trillion won (\$4.66 billion) in the April-to-June period.

The firm is the flagship subsidiary of the giant Samsung Group, by far the biggest of the family-controlled conglomerates that dominate business in the world's 12th largest economy, and it is crucial to the South's economic health.

The figures—which beat expectations according to Bloomberg News—come as the coronavirus pandemic wreaks havoc across the world economy, and with the trade-dependent South having entered a recession for the first time in 17 years due to plunging exports.

But lockdowns imposed around the world—especially in Europe and the US—have boosted Samsung Electronics' chip business with data centres moving to stockpile DRAM chips to meet surging demand for online activities.

"Even as the spread of COVID-19 caused closures and slowdowns at stores and production sites around the world, the company responded to challenges through its extensive global supply chain," the firm said in a statement.

It also minimised the impact of the pandemic by "strengthening online sales channels and optimising costs," it added.

Operating profit rose 23.48 percent to 8.15 trillion won, it said, even as sales dropped 5.6 percent to 52.97 trillion won.

The overall turnover of the wider Samsung group is equivalent to a fifth of South Korea's gross domestic product.

Analysts said they expect Samsung Electronics' memory chips and television businesses to improve.

Diplomatic and military tensions between India and China could also play in Samsung's favour, analysts said, if Indian consumers choose to shun Chinese brands and opt for Samsung devices instead.

"The growth is likely to drive by memory chips and displays as both of these products are in high demand due to heavy content consumption during the lockdown," Prachir Singh, a senior analyst at market observer Counterpoint, told AFP.

"India is showing a pent-up demand as the country recovers in the post-lockdown period.

"There is certainly an anti-China sentiment in the

minds of Indian consumers. Samsung is surely benefiting from this."

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Huawei overtakes

Samsung has long been considered the world's biggest smartphone maker, but industry tracker Canalys said Thursday it had been overtaken in the second quarter by Chinese rival Huawei, on the back of strong domestic demand in the world's second-largest economy.

But as the world economy recovers Huawei could struggle to retain top spot in the face of US sanctions and falling overseas sales, Canalys added.

Samsung Electronics declined to comment on the ranking to AFP.

Global smartphone sales slumped more than 20 percent year-on-year in the first quarter, their worst performance ever, according to market tracker Gartner, as the pandemic hit consumer spending.

And for the second half of the year, the outlook for Samsung's mobiles is "still quite uncertain because while lockdowns in some countries are easing, there is a resurgence of cases in some places," said Gloria Tsuen, a senior credit officer at Moody's Investors Service.

LG Electronics, South Korea's second largest appliance firm after Samsung, posted a second-quarter net profit slump of 38.1 percent to 65.6 billion won Thursday, saying it had been "affected significantly" by the pandemic.

Adding to Samsung Electronics' challenges, its vice chairman and de facto leader Lee Jae-yong is currently being retried 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 shares closed unchanged in Seoul on Thursday at 59,000 won.

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