Samsung Electronics profit spikes on pandemic-driven demand

Tech giant to invest $17bn to build a chip plant in US

SEOUL: Samsung Electronics, the world's biggest smartphone and memory chip maker reported fourth-quarter net profits up by more than a quarter year-on-year yesterday, with coronavirus-driven working from home boosting demand for devices powered by its chips. But the figures were below market expectations according to Bloomberg News, and the company warned of persisting uncertainties over the pandemic, and lower profits in Q1 2021 due to falling prices.

Samsung Electronics 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 is crucial to the South's economic health-its overall turnover is equivalent to a fifth of the national gross domestic product.

Samsung Electronics said profits rose 26.4 percent in October to December on a year earlier to 6.61 trillion won ($5.97 billion), led by display and memory chip businesses.

"Although challenges from the COVID-19 pandemic continue, company-wide efforts to ensure a stable supply of products and services globally helped Samsung's fourth-quarter results," the firm said in an earnings report. The coronavirus has wreaked havoc with the world economy, with lockdowns and travel bans imposed around the globe for many months. But the pandemic-which has killed more than two million people worldwide-has also seen many tech companies boom, including Samsung.

"It's true that Samsung's sales increased year-on-year due to the spread of the so-called 'new normal', which led to a surge in demand for electronics," said Jene Park, an analyst at market observer Counterpoint Research. Operating profit rose 26.4 percent to 9.05 trillion won, while sales were also up 2.8 percent at 61.55 trillion won.

Even so, Samsung noted that profits fell from the previous quarter due to weaker memory prices and sluggish consumer product sales, as well as higher marketing costs and appreciation by the Korean won. The trend was likely to continue, it said, with profitability in the memory business affected by won strength "and costs associated with new production lines, despite solid demand from mobile products and data centers". It expected a recovery in overall global demand in 2021, but warned that "uncertainties persist over the possibility of recurring COVID-19 waves". For the full year, net profit jumped 21.5 percent to 26.41 trillion won, on sales of 236.81 trillion won, up 2.8 percent. Samsung Electronics shares closed down 2.22 percent yesterday.

Jailed boss

The global chip-manufacturing industry is expected to see record revenue this year, with the stay-at-home economy persisting because of the pandemic, according to Taipei-based market tracker TrendForce.

Samsung has aggressively stepped up its investments in semiconductors in recent years. As its latest investment, the tech giant is considering spending as much as $17 billion to build a chip plant in Arizona, Texas or New York, the Wall Street Journal reported last week. If confirmed, it would be the biggest investment by Samsung in the absence of its de facto leader Lee Jae-yong.

Lee was sentenced last week to two and a half years in jail in a retrial over a sprawling corruption scandal that brought down former president Park Geun-hye. That ruling cast further uncertainty over Samsung after the burial of late chairman Lee Kun-hee, who turned Samsung Electronics into a global powerhouse, in October. Experts say a leadership vacuum could hamper the firm's decision-making on future large-scale investments, which have been key to its rise. Kim Dae-jong, a business professor at Sejong University, said: "Samsung is a very important company for South Korea and the imprisonment of its leader is disadvantageous." — AFP

SEOUL: A woman walks past an advertisement for the Samsung Galaxy S21 smartphone at a Samsung Electronics store in Seoul yesterday after the company reported its fourth-quarter net profits up by more than a quarter year-on-year. —AFP

Philippine economy shrinks record 9.5% in 2020

MANILA: The Philippine economy shrank a record 9.5 percent last year, official data showed yesterday, after coronavirus measures devastated the retail and tourism sectors while a series of natural disasters wrecked crops. But Acting Socioeconomic Planning Secretary Karl Kendrick Chua said the outlook for this year was "encouraging" as measures introduced to contain the virus are eased further and the country prepares for a vaccination drive.

"We will see more economic activity in the months ahead," Chua said. "This will lead to a strong recovery before the end of the year when the government will have rolled out enough vaccines against Covid-19 for a majority of our people." Gross domestic product shrank for four straight quarters in 2020, the Philippine Statistics Authority said.

The full-year figure was the worst since records began in 1946 and ended more than two decades of annual growth. Accommodation and food services were among the sectors hardest hit by lockdowns and other measures that left millions jobless. A series of typhoons and a volcanic eruption in the natural disaster-prone country also destroyed cash crops.

Chua warned a more robust recovery was being hampered by stay-at-home orders for children, which were preventing families visiting shopping malls-the centers of community life and consumer spending in the Philippines. Earlier this week President Rodrigo Duterte overturned a decision by his coronavirus task force to lift the restriction on children aged 10 to 14. — AFP

EasyJet says revenues slump almost 90%

LONDON: British no-frills airline EasyJet said yetserday that revenues collapsed by almost 90 percent in its first quarter as coronavirus ravaged travel demand, warning that second quarter capacity will be slashed. Revenues nosedived 88 percent to £165 million ($226 million, 187 million euros) in the three months to December 31 compared with the prior year, after it flew just 18 percent of its schedule as a result of Covid-19 lockdown measures.

Capacity in the group's second quarter to March would be about 10 percent below the year-earlier level due to ongoing restrictions, EasyJet added in a statement. The airline, which is based in Luton north of London, also confirmed that 1,400 jobs had already been axed under its previously-announced restructuring. On a more upbeat note however, the carrier said it was planning for a surge in pent-up demand when virus travel restrictions are lifted-and as vaccinations are rolled out.

"Our performance in the period was in line with management expectations, despite more stringent restrictions coming into place," Chief Executive Johan Lundgren said.

"We have taken the right actions to emerge leaner with a reduced cost base and the retrenchment of legacy carriers at key airports will provide additional opportunities for EasyJet."

He added: "The key to unlocking travel is going to be the vaccination programs combined with governments progressively removing restrictions when it is safe to. "And in the meantime, our flexible industry-leading policies mean that customers can make plans and book with confidence."

In this file photo, airplanes of British low-cost carrier Easyjet are parked at Berlin's new Berlin - Brandenburg Airport (BER) in Schoenefeld, southeast of Berlin. — AFP

In November, EasyJet posted the first annual pre-tax loss in its 25-year history on the virus fallout, while the airline is axing up to 4,500 jobs or almost one third of its staff.

The Covid-19 health crisis that has decimated demand for global air travel and sparked heavy losses, job cuts, bankruptcies and massive state rescue plans in the sector. —AFP