

# News Release

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## S&P Global South Korea Manufacturing PMI<sup>®</sup>

### South Korea's manufacturing sector contracts but at a slower pace than in September

#### Key findings

Solid declines in output and new orders...

... amid worsening input price inflation

Business sentiment slumps to its lowest since September 2020

South Korea's manufacturing sector continued to face challenging business conditions in October. The latest survey data pointed to further contractions in output and new orders as global economic conditions and ongoing cost pressures, often linked to exchange rate weakness, reportedly dampened demand conditions. At the same time, buying activity continued to fall and inventories registered renewed declines as firms reportedly lowered both in line with current and anticipated output levels. Rates of inflation remained historically sharp while the degree of confidence dipped to the lowest level since September 2020.

The seasonally adjusted South Korea Manufacturing Purchasing Managers' Index (PMI<sup>®</sup>) rose from 47.3 in September to 48.2 in October, indicative of further deterioration in the health of the South Korean manufacturing sector. The rate of decline, however, was moderate overall and the softest in three months.

Contributing to the sub 50.0 PMI reading was a solid fall in production at South Korean manufacturing firms. The latest decline was the sixth in as many months and was frequently linked to weak demand conditions and ongoing supply issues. That said, the rate of reduction softened from September and was the slowest in three months.

In line with the picture for output, order book volumes declined for the fourth month running in October. Subdued demand reportedly stemmed from current global economic conditions and inflationary pressures, often caused by exchange rate weakness. Similar reasons were also cited as the driving forces behind the latest drop in demand from overseas. The rates of decline, however, did both soften from September and were the slowest in three months.

The current lull in demand led to reductions in input buying and inventory holdings across South Korea's manufacturing sector. Both pre- and post-production inventories registered renewed declines while input buying decreased for a third

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-21 October 2022.

#### Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

"PMI survey data for October continued to depict a negative image of the business conditions in South Korea's manufacturing sector. Both output and new orders contracted again, with the rates of decline remaining solid overall.

"Similar trends were recorded for exports amid reports of subdued global demand. Given the country's open economy and its subsequent reliance on exports, the looming global downturn certainly poses a downside risk for future growth. As such, overall business sentiment dipped to the lowest level since September 2020 amid concerns around the global economy, cost pressures and general uncertainty.

"Meanwhile, other forward-looking indicators also cast a downbeat picture for South Korea's manufacturing sector future. Firms reportedly continued to lower levels of buying activity and reduce inventory levels in line with current and anticipated output levels."

PMI<sup>®</sup>

by S&P Global

consecutive month. Anecdotal evidence suggested in each case the falls primarily stemmed from the lower levels of production in the sector.

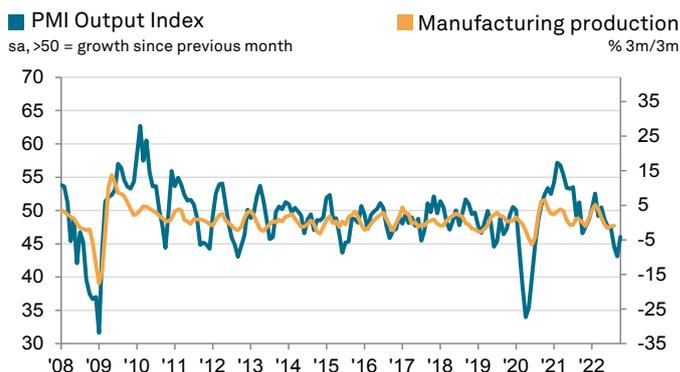
October data also pointed to a further reduction in staffing levels. However, panel members suggested that the latest round of job shedding was primarily driven by voluntary resignations rather than by layoffs.

Backlogs of work increased for the first time in three months in the latest survey period. Panel members linked the accumulation to supply shortages and shipping delays.

Meanwhile, October data marked three consecutive years of deteriorating vendor performance with the rate of lead time lengthening quickening from September. Longer lead times reportedly continued to stem primarily from material shortages, though the recent typhoon reportedly exacerbated delays.

Turning to prices, inflationary pressure remained historically sharp. In fact, input price inflation accelerated from September and reached a three-month high. A weak exchange rate, as well as rising raw material costs were mentioned as contributing factors. Conversely, the rate of output cost inflation continued its recent downward trajectory and softened to a 21-month low.

Finally, confidence across South Korea's manufacturing sector continued to weaken in October amid ongoing concerns surrounding a looming global economic downturn, current inflationary pressures, and subdued demand conditions.



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### Survey methodology

The S&P Global South Korea Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 2004.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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