

News Release

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S&P Global South Korea Manufacturing PMI[®]

Output falls for first time in three months

Key findings

Renewed fall in output amid stalled new orders

Export sales increase at strongest pace since January 2024

Business confidence eases

South Korea's manufacturing PMI data signalled a stronger deterioration in operating conditions at the end of the first quarter of 2025. Output volumes fell for the first time in three months as demand stagnated, notably in the domestic economy. International sales, meanwhile, bucked the broader trend by increasing at the steepest rate since January 2024. Meanwhile, employment fell for the fifth consecutive month and overall confidence in the outlook for the coming year dropped to the second-lowest level since December 2022.

The seasonally adjusted S&P Global South Korea Manufacturing Purchasing Managers' Index™ (PMI[®]) fell from 49.9 in February to 49.1 in March, signalling a second consecutive deterioration in the health of the manufacturing sector. While only marginal, the decline was the strongest since last December.

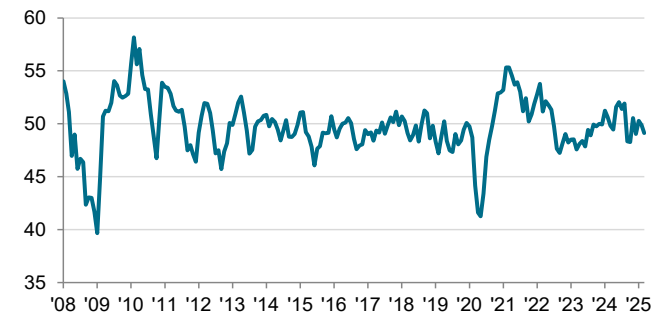
The main driver behind the negative headline figure was a renewed contraction in output in March. Production volumes decreased for the first time in 2025 and at a modest rate overall. In instances where a decrease in output was reported, manufacturers noted challenging domestic economic conditions and rising raw material prices.

Meanwhile, total new orders stalled at the end of the first quarter, following two months of marginal growth. On the other hand, firms continued to record improvements in foreign demand for manufactured goods, with the rate of increase in new export orders strengthening to the joint-highest level in just over three years, equal with that recorded in January 2024. According to anecdotal evidence, international sales improved in key export markets, including the US and across the Asia-Pacific region.

As export sales remained positive, there was a renewed increase in backlogs of work during March. The rate of accumulation was marginal, but the third in the past five months. Rising outstanding business was also partly reflective of capacity shortages. Employment levels were

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-21 March 2025.

Comment

Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"March PMI data signalled that the South Korean manufacturing sector experienced a stronger deterioration in operating conditions. Production volumes shrank for the first time in 2025 so far, while firms reported that total new orders remained unchanged from February. Anecdotal evidence indicated that domestic economic weakness was offset by the strongest rise in new export sales since January 2024.

"Capacity pressures also emerged at the end of the first quarter, with businesses recording an increase in backlogs for the third time in five months. Firms noted that while export sales were buoying demand, the muted domestic situation contributed to a reduction in overall headcount.

"Looking ahead to the coming year, firms expressed the second-softest degree of optimism regarding the outlook since the end of 2022, amid concerns that domestic weakness would persist while global trade pressures would weigh on output and demand."

PMI[®]

by S&P Global

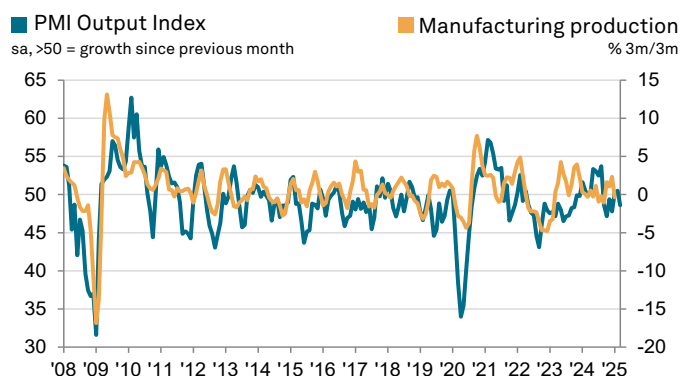
reduced for the fifth consecutive month, albeit only modestly.

Buying activity at South Korean goods producers increased marginally in March as firms prepared for work on new products. At the same time, pre- and post-production inventories were both lowered amid attempts by manufacturers to exhaust existing inventory levels in response to muted domestic conditions.

Manufacturers noted a renewed improvement in suppliers' delivery times in the latest survey period, the first since May 2024. Firms commonly mentioned that softer demand for inputs, alongside improved material availability and capacity at suppliers, contributed to this improvement.

Input costs continued to rise markedly in March, though the latest bout of cost inflation was the softest for three months. Survey members attributed the latest rise to higher raw material prices, as well as unfavourable exchange rate fluctuations. In response, manufacturers raised output charges to the greatest extent since November 2022.

The 12-month outlook for output weakened at the end of the first quarter and was well below the series average. Confidence was dampened by concerns over ongoing domestic economic challenges and the potential for global trade issues to disrupt sales.



Sources: S&P Global PMI, KOSTAT via S&P Global Market Intelligence.

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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@spglobal.com.

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