

News Release

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S&P Global South Korea Manufacturing PMI[®]

Strongest fall in new orders since June 2020

Key findings

Output falls at steepest rate in 31 months

First rise in employment since October 2024

Business confidence improves

Business conditions in the South Korean manufacturing sector deteriorated for the fourth month in a row during May. Both output and new orders contracted at a stronger rate, with the latter falling at the most pronounced rate since June 2020. At the same time, firms noted a reduction in exports, purchases and outstanding business as reports of challenging domestic economic conditions and evolving global trade policies weighed on demand. Positively, firms took on additional staff for the first time in seven months, as manufacturers cited optimism regarding the year ahead.

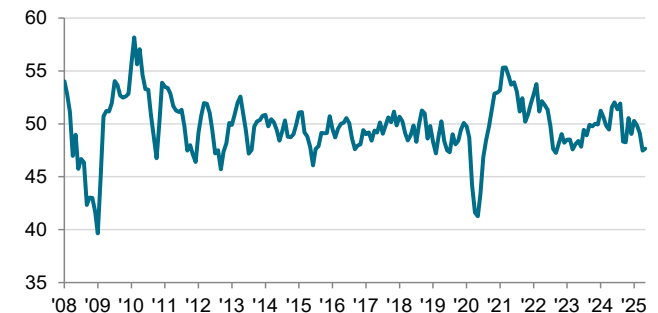
At 47.7 in May, the seasonally adjusted S&P Global South Korea Manufacturing Purchasing Managers' Index™ (PMI[®]) rose slightly from 47.5 in April to indicate a sustained deterioration in the health of the South Korean manufacturing sector. The solid worsening of business conditions was the second-largest in just over two years.

There were sharper contractions in the two main components of the headline PMI - output and new orders. Both measures saw quicker reductions in May. New orders fell at the fastest pace since June 2020, and the strongest rate in almost a decade if the COVID-19 pandemic period is excluded. Meanwhile, output fell at the quickest rate in just over two-and-a-half years. Panel members often mentioned that a stagnant domestic economy and the impact of rising US tariffs had weighed heavily on demand and output in the latest survey period. Concurrently, international demand was also subdued and fell for the second month running, albeit at a softer rate than that seen in April. Respondents particularly mentioned the US as a source of falling new export orders.

May data also signalled a fall in backlogs of work for the second successive month. The rate of depletion was sharp, and the most pronounced in nearly five years as firms looked to complete existing work amid muted new orders. At the same time, weaker production requirements contributed

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-21 May 2025.

Comment

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

"South Korea's manufacturing sector came into May on unstable footing. As has been the case since February, operating conditions deteriorated as both output and new orders fell at a stronger rate than in April. In fact, the decline in new business was the strongest since the initial wave of the COVID-19 pandemic in June 2020.

"Firms often mentioned that the contraction was attributed to a continuing stagnation in the domestic economy, as well the continued impact of higher US tariffs on the home market as well as on key export markets.

"Muted demand also pushed firms to continue to work through existing work at a greater rate, while manufacturers also opted to use existing stocks to fulfil orders and help with the production process. As such, backlogs fell to the greatest extent in nearly five years.

"A positive sign in May came from a renewed rise in employment levels, which came amid a pick-up in sentiment."

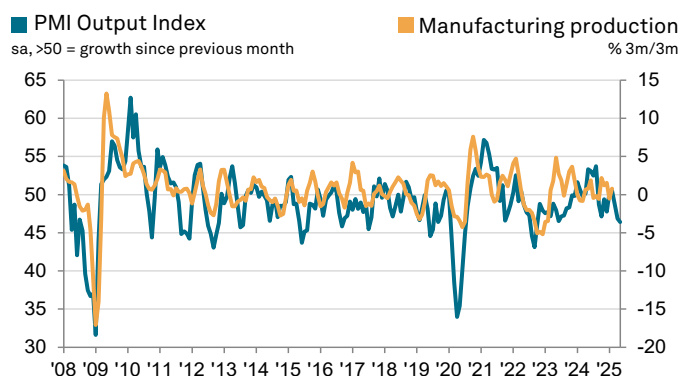
PMI[®]

by S&P Global

to a further solid reduction in purchasing activity, while firms reported that they had also looked to exhaust existing inventories of both pre- and post-production inventories, using stocks to complete production and fulfil orders while demand conditions were subdued.

On a positive note, South Korean goods producers raised their employment levels for the first time since last October midway through the second quarter. The rate of job creation was also the strongest since September 2023 as firms looked to take on new full-time staff. At the same time, manufacturers signalled optimism in the latest survey period, reversing the brief spell of negative sentiment in April. Companies commonly mentioned hopes that global trade would settle, and the domestic economy would improve. The degree of confidence was only modest however, amid concerns over the impact of tariffs.

Cost pressures faced by South Korean manufacturers softened further in May, with the rate of input price inflation easing to the softest since last October. Some companies mentioned lower oil and metal prices, but elsewhere raw material costs continued to rise, exacerbated by unfavourable currency movements. Meanwhile, goods producers raised charges at the slowest rate in the current six-month sequence of inflation.



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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