

News Release

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S&P Global South Korea Manufacturing PMI[®]

Manufacturing conditions remain broadly stable at end of 2023

Key findings

PMI little-changed at 49.9 in December

Output levels broadly stable and employment growth picks up

Inflationary pressures ease

Business conditions in South Korea's goods-producing sector were broadly stable in December, according to the latest PMI[®] data from S&P Global. Output levels were broadly unchanged since November as a slight fall in incoming new business was offset by a renewed decline in backlogged work. Employment rose at a pace that was above the long-run survey trend, and firms expanded purchasing as they expect growth of workloads in 2024 and look to secure inventories.

The headline S&P Global South Korea Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases, and has been compiled since 2004.

The PMI registered 49.9 in December, little-changed from 50.0 in November, signalling broadly stable operating conditions in South Korea's manufacturing sector. Prior to November conditions had deteriorated for 16 straight months. The headline figure trended at 49.9 in the fourth quarter, the highest quarterly average since the second quarter of 2022 albeit still below the long-run survey average of 50.3 since 2004.

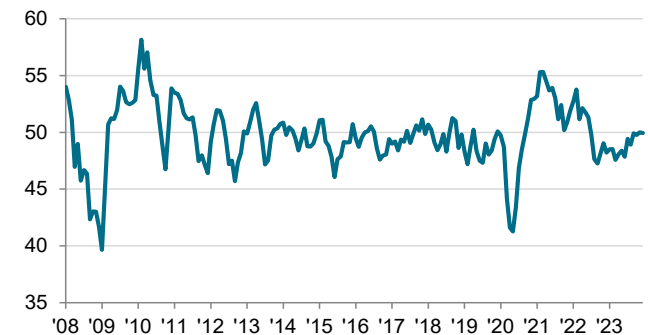
Of the five components of the headline figure, there were negative contributions from new orders and stocks of purchases, a broadly neutral impact from output and positive influences from employment and suppliers' delivery times.

The main factor weighing on the overall performance of the South Korean manufacturing sector in December was a further monthly decline in new orders, attributed to both domestic economic weakness and, in the case of exports, slower Chinese demand. That said, the rate of contraction in new orders remained modest and softer than the trend over the current 18-month downturn.

Output was broadly stable in December, as a fall in incoming new business was broadly offset by a renewed decline in backlogs of work. Companies sold from existing stock to

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 6-14 December 2023.

Comment

Trevor Balchin, Economics Director at S&P Global Market Intelligence, said:

"South Korea's manufacturing sector ended 2023 with broadly stable business conditions. While output and new orders have not yet returned to growth, the PMI posted its best quarterly average in Q4 since the second quarter of 2022. Sustained growth of employment and a renewed lengthening of suppliers' delivery times have both played a part here."

"The outlook for 2024 is positive but fairly muted, with the Future Output Index still running below its long-run trend. But with purchases of inputs rising slightly and employment growing at a faster rate in December, firms are apparently gearing up for higher workloads in the coming months. Stocks of finished goods have fallen for six months running and companies will look to replenish these at some point. December data also signalled a welcome cooling of price pressures following the recent rebound in inflationary pressures."

PMI[®]

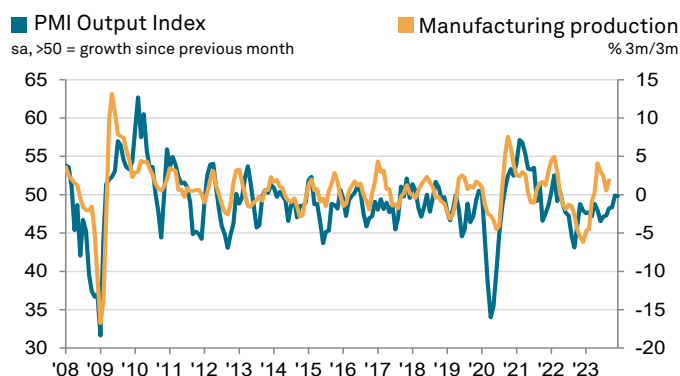
by S&P Global

meet orders, with post-production inventories declining for the sixth month running.

Although new orders fell in December, manufacturers continued to raise employment and also expanded purchasing activity as they geared up for higher output in 2024. The rate of job creation strengthened since November, although input buying rose only fractionally. Pressure on supply chains nonetheless increased, as delivery times lengthened for the fifth month running.

Inflationary pressures eased in the final month of 2023. Input price inflation slowed further from October's ten-month peak, and was broadly in line with the long-run survey average. That said, firms continued to report rising raw material prices, notably for metals. Output prices increased only marginally as firms did not fully pass on cost increases to customers in order to boost competitiveness.

The outlook for production in 2024 was positive, as firms expect a recovery in domestic and export demand supported by new product launches. That said, confidence was the joint-weakest in 2023 and below the long-run series average.



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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