

News Release

Embargoed until 0930 KST (0030 UTC) 3 June 2024

S&P Global South Korea Manufacturing PMI[®]

Strongest rise in manufacturing output for nearly three years amid factory order revival

Key findings

Expansions in production and new orders accelerate markedly

Export demand strengthens; employment growth reinstated

Cost pressures build amid higher commodity prices

The South Korean manufacturing sector saw a noticeable improvement in operating conditions midway through the second quarter of the year, as stronger new factory orders spurred production growth to its highest in almost three years. Employment also returned to expansion, while purchasing activity was ramped up.

There was a further intensification of cost pressures, however, reportedly due to higher commodity prices. Output charges were raised for a ninth successive month.

After posting in sub-50.0 contraction territory in each of the previous two months, the seasonally adjusted S&P Global South Korea Manufacturing Purchasing Managers' Index™ (PMI[®]) signalled a return to growth in May. Up from 49.4 in April to 51.6, the headline measure from the survey indicated an improvement in operating conditions facing South Korean goods producers that, albeit modest, was nevertheless the strongest seen in two years.

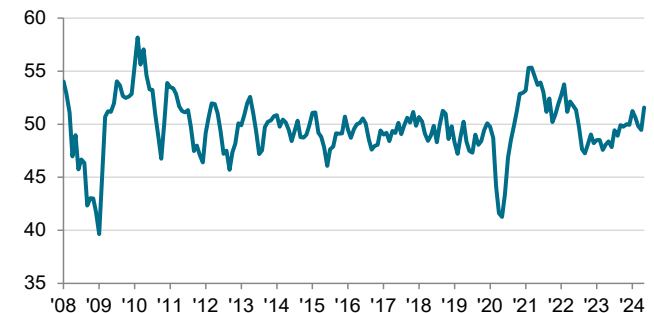
Marked accelerations in growth across the headline PMI's two main components – new orders and output – were principally behind May's rejuvenation, sub-index data showed. Having been broadly stagnant in both March and April, production expanded solidly and at the sharpest pace since July 2021. Stronger demand was cited as a key contributor to output growth, anecdotal evidence showed.

New factory orders likewise picked up noticeably in May, with total sales rising to the quickest extent since February 2022. This marked just the fourth time in almost two years that South Korean manufacturers have reported greater new business intakes versus the previous month. Domestic and international markets boosted new orders, according to panellists.

From overseas, sources of demand were reportedly varied, with Europe, the Americas, Europe, China, Japan and Vietnam all cited. New export orders rose for a fifth month running during May and at the fastest pace since the beginning of

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 10-22 May 2024.

Comment

Joe Hayes, Principal Economist at S&P Global Market Intelligence, said:

"South Korea's manufacturing sector appears to have caught a second wind. After recovery efforts appeared to have plateaued recently, growth surged in May as stronger demand conditions, both domestically and abroad, drove production growth to its strongest in nearly three years.

"Qualitative evidence from the survey also paints a promising forward-looking picture, with panellists commenting on imminent new product launches providing them with a platform for sustainable production expansion.

"Indeed, hiring growth returned in May, while purchasing activity increased at its fastest pace in over two years – both of these suggest the near-term outlook is a positive one.

"A side effect of recovering global manufacturing conditions is rising commodity prices, and South Korean firms are feeling the pinch. Input cost inflation quickened to a seven-month high in May."

PMI[®]

by S&P Global

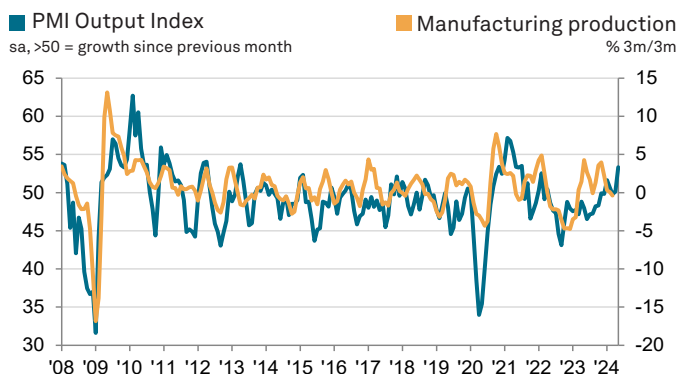
the year.

May survey data also signalled a return to growth for factory employment in South Korea after April's modest decline. The rate of job creation was only marginal, however.

Increased hiring in part reflected a positive forward-looking attitude among some survey respondents, with firms noting a need to expand their workforces to meet anticipated sales growth. Indeed, expectations for production over the next 12 months were positive during May.

South Korean manufacturers ramped up their purchasing activity to support output. The increase in buying levels was the quickest since April 2022. Stocks of purchases were depleted once again, albeit only mildly, as some firms withdrew items from their inventories to support output.

Meanwhile, the latest survey results highlighted a further intensification of cost pressures faced by South Korean manufacturers. The overall rate of input price inflation quickened for a third successive month to its fastest since October last year. Higher commodity prices were widely reported, as well as unfavourable exchange rate fluctuations. Consequently, output prices increased in May for a ninth month in a row. The rate of inflation was moderate and slightly weaker than that seen previously.



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

Contact

Joe Hayes
Principal Economist
S&P Global Market Intelligence
T: +44-134-432-8099
joe.hayes@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +82-2-6001-3128
sungha.park@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.