

News Release

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S&P Global South Korea Manufacturing PMI®

Manufacturing production stabilises in April

Key findings

Renewed rise in new orders

Employment down for first time in a year

Delivery times shorten to greatest extent in nearly 11 years

April data pointed to renewed, albeit fractional, increases in both output and new orders in the South Korean manufacturing sector amid some signs of growing client confidence. Less positive was a first reduction in employment for a year as firms remained cautious given a still muted demand environment. Meanwhile, suppliers' delivery times shortened to the greatest extent since May 2013.

On the price front, there were signs of rising inflationary pressures. Higher prices for raw materials, oil and logistics led firms to raise their selling prices to the largest degree since November last year.

The seasonally adjusted S&P Global South Korea Manufacturing Purchasing Managers' Index™ (PMI®) registered 49.4 in April, down from 49.8 in March and signalling a sharper deterioration in operating conditions in South Korea's manufacturing sector. The contraction was the second in a row, and the steepest recorded for eight months.

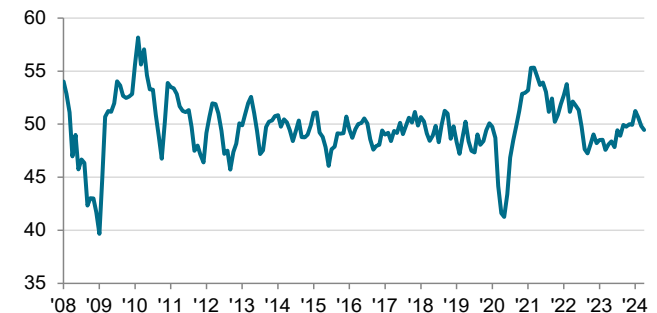
There was a broad stabilisation of production levels in April, with output up fractionally at the start of the second quarter of the year. As such, production has now increased in three of the past four months. Firms often mentioned that rising new orders was the main reason behind the return to growth of output, as manufacturers also highlighted an increase in incoming business. The improvement in demand was commonly linked to new client wins and stronger customer confidence both at home and abroad. That said, South Korean manufacturers mentioned that both output and new orders were weighed down by higher cost burdens.

The outlook for production over the coming year was also positive, as firms expect a sustained recovery in domestic and international orders. Hopes for lower interest rates and new product launches also contributed to optimism. As a result, confidence reached the highest since May 2022.

Less positive, however, was the first fall in employment for

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 11-22 April 2024.

Comment

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

"April provided a mixed picture for the South Korean manufacturing sector. While output and new orders returned to fractional growth territory, the headline PMI was weighed down by falling employment and stocks of purchases. Meanwhile, suppliers' delivery times shortened to the greatest extent in nearly 11 years amid a lack of pressure on supplier capacity.

"The outlook for the coming year is positive, and strengthened to a 23-month high as firms hoped for a sustained domestic and export order recovery. That said, falling employment, backlogs and inventories suggest that the sector still has some way to go before growth can be sustained. April data also brought with it unwelcome news of rising inflationary pressures, with selling prices increasing at the fastest pace in five months."

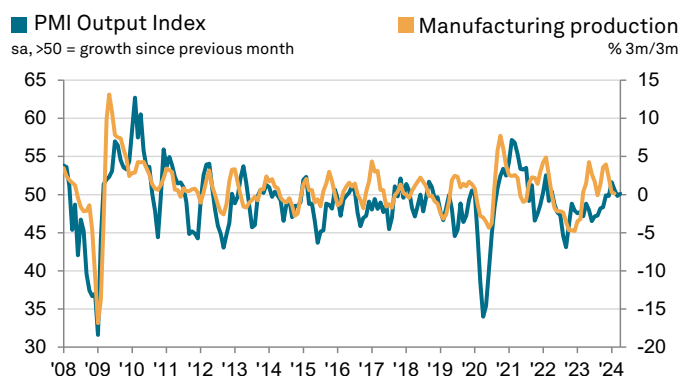
PMI®

by S&P Global

a year, although the pace of reduction was only marginal. At the same time, firms mentioned that pressure on capacity remained muted and allowed manufacturers to work through existing work at a stronger rate that was the most marked for ten months.

Suppliers' delivery times improved for the first time in nine months during April. The rate of improvement was the most marked since May 2013 as firms noted sufficient capacity at vendors. Meanwhile, holdings of both inputs and finished items were scaled down, with the former falling at the strongest rate for four years. This was despite a sustained and accelerated increase in purchasing activity, as firms commented on efforts to make advance purchases in order to protect against higher prices.

Inflationary pressures continued to build at the start of the second quarter of 2024. Input price inflation quickened from March to reach a five-month high, as manufacturers reported rising raw material, oil and logistics costs. As a result of higher cost burdens, output prices rose at a moderate pace that was the steepest since last November.



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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