

# News Release

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## S&P Global South Korea Manufacturing PMI<sup>®</sup>

### Output rises for first time in five months

#### Key findings

Production and new orders return to expansion territory

Strongest rise in backlogs since June 2022

Input price inflation reaches two-and-a-half year high

Business conditions in the South Korean manufacturing sector saw a renewed improvement in the opening month of 2025, amid both output and new orders returning to expansion territory. That said, the respective rates of expansion were only marginal, as manufacturers continued to note a subdued domestic economy. Meanwhile, outstanding business rose to the greatest extent in 31 months, while firms raised purchases and stocks of inputs. However, employment levels fell for the third month running and input price inflation accelerated sharply on the month.

At 50.3 in January, the seasonally adjusted S&P Global South Korea Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>), rose from 49.0 in December to indicate a renewed strengthening in the health of the South Korean manufacturing sector. The improvement was only slight, but in line with the long-run series average.

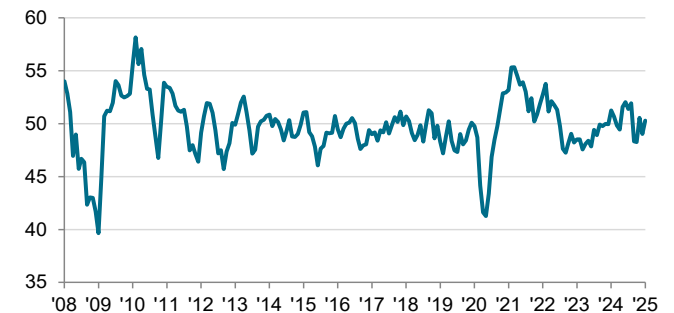
There were expansions reported in the two main components of the headline PMI - output and new orders. Both measures saw fractional rises in January, with the former increasing for the first time since last August. Panel members often mention that rising new orders had been behind the latest expansion in production levels, with demand improving in international markets at a time when domestic demand remained subdued. In fact, new export orders rose at a stronger rate in January, and extended the current sequence of growth to three months.

January data also signalled a rise in backlogs of work for the second time in three months. The rate of accumulation was modest, yet reached the highest since June 2022 amid the renewed improvement in sales. At the same time, pressure on capacity at South Korean manufacturers built due to a third consecutive reduction in employment levels, albeit one that was only marginal.

The improved demand picture was also reflected in renewed optimism regarding the year-ahead outlook among South

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 09-23 January 2025.

#### Comment

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

"South Korea's manufacturing sector started 2025 on a positive note. Firms saw operating conditions improve in January as both output and new orders rose back into expansion territory. That said, the respective rates of growth were only fractional overall.

"Firms often mentioned that the improvement came from stronger sales to export markets, as a muted domestic economic environment had weighed on the manufacturing sector.

"Despite this, firms were confident regarding output in the coming months. Backlogs of work, an indicator for near-term activity, rose at the strongest rate for just over two-and-a-half years, while business confidence returned to positive territory following the brief dip at the end of last year.

"One flag raised by firms was the steep acceleration in cost burdens, which increased at the fastest pace since July 2022 amid unfavourable exchange rate fluctuations."

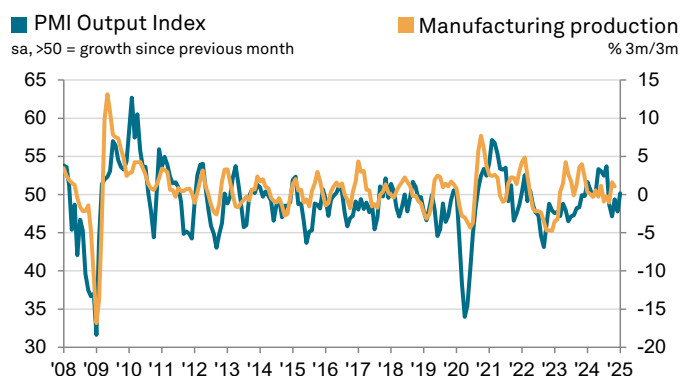
PMI<sup>®</sup>

by S&P Global

Korean manufacturers. Optimism around the outlook for production was still below the series average, however. Manufacturers commonly mentioned hopes that the domestic economy would lift, though other firms were concerned about the timing of any recovery.

Cost pressures faced by South Korean manufacturers rose again in January, with the rate of input price inflation accelerating sharply on the month to reach the sharpest since July 2022. Firms often attributed the increase in cost burdens to higher raw material prices, particularly from abroad amid a weak exchange rate. In a bid to protect margins, firms opted to pass through higher expenses by raising charges at a solid pace.

South Korean goods producers raised purchasing activity for the second time in three months at the start of 2025. The increase in buying levels was modest, but the steepest for five months. Stocks of purchases were also raised, with anecdotal evidence linking this to increased production requirements and the acquisition of safety stocks amid price rises. Delivery times also lengthened in January, and to the most marked extent for three months. Improved demand also meant firms utilised stocks of finished goods to fulfil orders.



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](mailto:economics@spglobal.com).

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