News Release

Embargoed until 0930 KST (0030 UTC) 01 December 2023

S&P Global South Korea Manufacturing PMI®

South Korean manufacturing sector stabilises in November

Key findings

Output broadly unchanged amid softer fall in new orders

Prices charged rise at strongest pace for ten months

Lowest business confidence since June

South Korea's manufacturing PMI data signalled stable operating conditions midway through the final quarter of 2023. Output levels broadly stabilised in November, accompanied by the softest reduction in total new orders since July 2022. In response to the positive indications for demand conditions, manufacturers continued to increase staffing levels and buying activity. That said, this masked a more subdued outlook for the coming year as firms signalled the weakest degree of optimism for five months amid concern over sustained economic weakness.

On the price front, a sustained and strong rise in input prices placed additional pressure on goods producers, who raised selling prices at the fastest pace since January.

The seasonally adjusted S&P Global South Korea Manufacturing Purchasing Managers' Index (PMI®) rose slightly from 49.8 in October to 50.0 in November, signalling unchanged operating conditions in South Korea's manufacturing sector. The latest reading ended a 16-month sequence of decline.

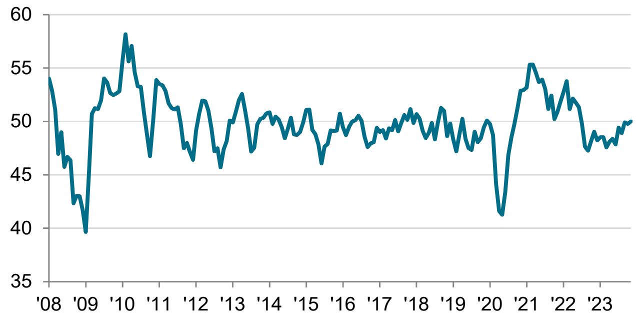
Manufacturing companies registered a broad stabilisation in output levels, with the latest reading of the respective seasonally adjusted index the highest since April 2022. Where a decline was reported, panel members largely attributed this to ongoing economic weakness.

November data signalled a seventeenth consecutive monthly decrease in new orders. That said, the rate of decline was only modest and the slowest since July 2022. A number of firms mentioned that demand conditions remained muted amid subdued client confidence and weakness in both the domestic and global economies. As such, foreign demand for South Korean manufactured goods fell at a sharper pace that was the quickest for five months.

Alongside the softer fall in new orders, firms reported unchanged levels of outstanding business, ending a period of 12 consecutive declines. There were some reports of

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 9-22 November 2023.

Comment

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

"November PMI data signalled that South Korea's manufacturing sector saw operating conditions stabilise, ending a sequence of declines that began in July 2022. New order volumes fell at the softest pace for 16 months, while output levels broadly stabilised on the month. In response to these positive signals, firms continued to raise staffing levels and buying activity.

"That said, anecdotal evidence from panel members indicated that these positive movements masked underlying weaknesses. The rise in employment levels was often attributed to the filling of existing vacancies. Meanwhile, buying activity was partly raised in order to protect against delivery delays and further price rises.

"As such, manufacturers signalled another marked rise in cost burdens amid high raw material prices as well as unfavourable exchange rate trends. As a result, firms raised output charges at the strongest pace since the start of the year.

"Finally, goods producers reported optimism regarding the 12-month outlook for output. However, the degree of confidence was the weakest seen for five months. Firms often cited concern regarding the longevity of current domestic and international economic weakness."

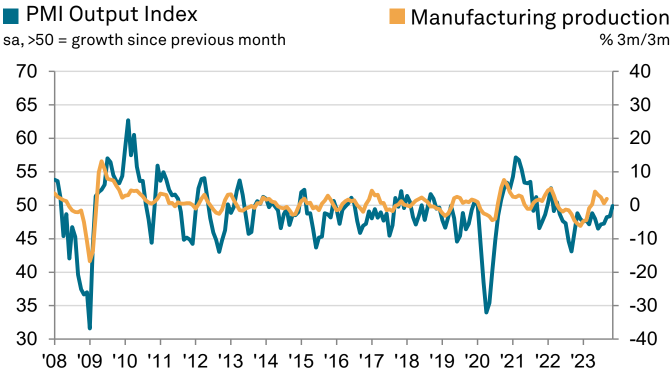
PMI® by S&P Global

capacity shortages limiting the completion of backlogged work. While firms raised employment levels for the third month in a row, the rate of job creation was marginal and the softest in the current sequence. Anecdotal evidence suggested that the rise in staffing levels was due to the filling of existing vacancies.

In terms of prices, input costs continued to rise at a marked pace in November, though the latest bout of input price inflation eased from the previous survey period. Survey members often attributed the rise to sharp increases in raw material prices, alongside exchange rate weakness which drove prices for imported goods higher. In response, South Korean manufacturers raised output charges at a solid pace, and one that was the fastest since the start of the year.

In response to signs that demand may be turning a corner, buying activity at South Korean manufacturers was raised for the third month running. At the same time, pre-production inventory levels were raised for the seventh successive month. However, the rates of increase in both variables were only marginal. Firms also commented that raw materials were purchased and stored in order to protect against further price rises and delivery delays. Meanwhile, the extent to which delivery times lengthened was the least marked in the current four-month sequence of deterioration.

The 12-month outlook for output softened in November. The overall degree of positive sentiment was solid, yet the weakest recorded since June. Manufacturers attributed optimism to hopes of improved demand conditions amid new product launches and business expansions. That said, concerns were raised regarding the extent of domestic and global economic weakness.



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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. http://www.spglobal.com/marketintelligence/en/mi/products/pmi

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