News Release

Embargoed until 0930 KST (0030 UTC) 01 February 2023

S&P Global South Korea Manufacturing PMI®

Downturn in manufacturing sector continues at the start of 2023

Key findings

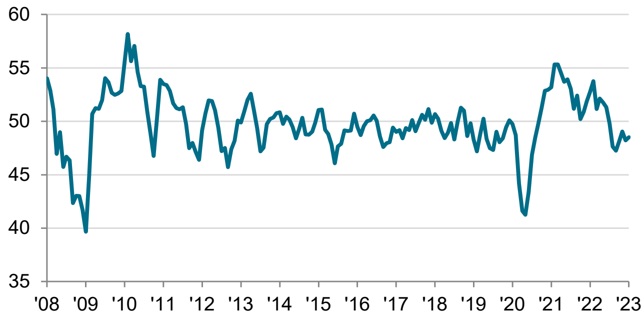
Manufacturing output falls at sharpest rate since last October

Employment levels increase for the first time in nine months

Input price inflation eases to 25-month low

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-23 January 2023.

South Korea's manufacturing sector remained in contraction territory at the start of 2023, latest PMI® data from S&P Global showed, as another drop in new orders drove output volumes down to the quickest extent for three months. Consistent with deteriorating global economic conditions was a strong drop in export demand that was the second-sharpest in the current 11-month sequence of decline. Input demand also fell which helped to reduce the strain on suppliers. Subsequently, manufacturers saw inflationary pressures fade to their lowest since the end of 2020.

At 48.5 in January, the seasonally adjusted South Korea Manufacturing *Purchasing Managers' Index (PMI®)* remained below the 50.0 no-change mark, rising only slightly from 48.2 in December. This signalled the seventh successive monthly deterioration in the health of the South Korean manufacturing sector and one that was moderate overall.

For the ninth consecutive survey period, South Korean manufacturing output declined in January. Furthermore, the downturn accelerated from December and was the sharpest seen for three months. According to anecdotal evidence, falling new orders amid a stagnating economy led to the drop in output.

New orders received by South Korean manufacturers fell sharply at the start of the year, reflecting weak demand conditions in both domestic and external markets. Subdued economic conditions at key trading partners and high inflation were commonly cited reasons for falling new business intakes during the latest survey period, while some companies remarked on the adverse impact of interest rate rises on the exchange rate.

Positively, there was a renewed rise in employment levels during January, with goods producers signalling advanced hiring in preparation for improved demand. South Korean manufacturers utilised the additional capacity to further reduce outstanding workloads as signalled by a third

Comment

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

"The deterioration in South Korean manufacturing conditions was sustained into the new year, as output, orders and exports remained in contraction territory. Goods production slipped at the sharpest rate since last October, reflecting weaker demand and rising prices.

"Overall new order intakes also fell sharply in January as higher interest rates in response to inflationary pressures squeezed client purchasing power in both domestic and international markets.

"That said, some respite was offered to businesses via supply chains, as delivery times lengthened to one of the least marked extents in just over two years. This fed through to costs, with input prices rising at the softest pace since the end of 2020.

"The immediate outlook for the South Korean manufacturing sector appears challenging. That said, firms remained confident that global economic conditions would improve and stimulate demand. In advance of a predicted return in growth, manufacturers raised employment levels for the first time since last April."

© 2023 S&P Global

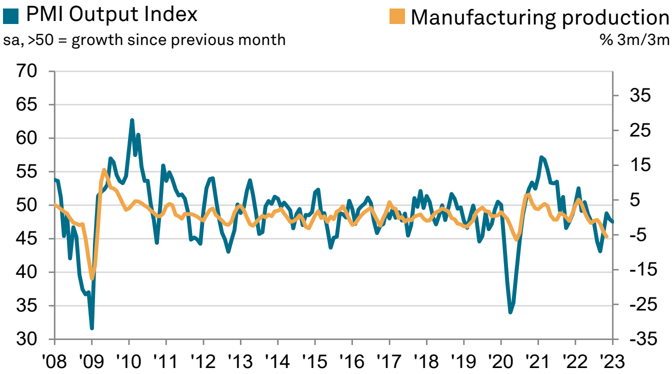
consecutive decrease in backlogs of work. That said, some firms noted that outstanding orders were cleared as a result of weaker demand.

In line with lower factory requirements, input purchasing fell in January. Lower demand for raw materials and components helped alleviate some pressure on suppliers, as evidenced by the incidence of delivery delays falling. Overall, input lead times lengthened to one of the least marked extents since the end of 2020.

Receding supply chain pressures fed through to input costs in the latest survey period, with operating expenses rising at the weakest pace since December 2020. According to panellists, falling international oil prices helped to alleviate some pressure on costs. That said, inflationary pressures remained historically elevated amid reports of higher costs for items including metals and food.

Subsequently, selling charges were raised at a solid rate, extending the current sequence of increasing output prices to 28 months. The rate of inflation accelerated from the end of 2022. Firms reported that high cost burdens continued to be partially passed on to customers.

Finally, the 12-month outlook for manufacturing production strengthened to a four-month high at the start of 2023. Anecdotal evidence highlighted expectations that an improvement in global economic conditions and the launch of new products would lead to improved output and order books.



Sources: S&P Global, KOSTAT.

Contact

Usamah Bhatti
Economist
S&P Global Market Intelligence
T: +44-134-432-3870
usamah.bhatti@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@ihsmarkit.com.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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. ihsmarkit.com/products/pmi.html.

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 registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited 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.

© 2023 S&P Global