

# News Release

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

### Sharper downturn in South Korea's manufacturing sector

#### Key findings

Fastest contraction in order books since June 2020

Delivery times lengthen to the greatest extent since June

Softest rate of selling price inflation in 27 months

Firms within the South Korean manufacturing sector continued to struggle in the final month of 2022. Subdued demand conditions became a recurring theme throughout the latest survey and was reportedly a pivotal factor driving faster downturns in several indices including output and new orders. Recent cargo trucker strike action contributed to the most pronounced lengthening in delivery times since June while firms expressed the weakest outlook for output since July 2020. More positively, the rate of input price inflation was the joint-lowest in two years and selling prices rose at the slowest pace in 27 months amid some efforts to stimulate demand.

The seasonally adjusted South Korea Manufacturing Purchasing Managers' Index (PMI<sup>®</sup>) returned to 48.2 in December, down from 49.0 in November. The latest reading was indicative of modest deterioration in the health of South Korea's manufacturing sector, and the sixth in as many months.

Central to the sub 50.0 reading in December was the sharpest contraction in order book volumes in two-and-a-half years. International demand also fell and at a rate that was the most pronounced since June 2020. A global economic downturn and the subsequent weakening in underlying demand conditions were mentioned to have contributed the marked reductions in both.

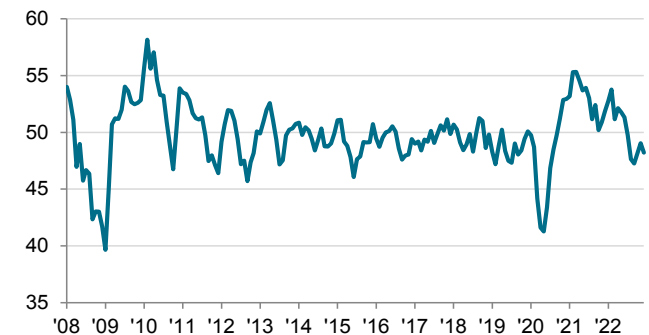
To mirror current demand trends, firms cut back production in the final month of the year, thereby extending the current sequence of decline to eight months.

Companies readjusted spending plans in line with the current picture for demand. Input buying decreased for the fifth month in a row, reportedly contributing to the steepest fall in pre-production inventory levels since April 2020. Similarly, firms downwardly adjusted holdings of finished goods in December.

Meanwhile, there were signs of spare capacity within the

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 6-15 December 2022.

#### Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

"The December PMI data provided further evidence that South Korean manufacturing firms have continued to struggle in the face of the current global economic downturn. Low levels of client demand, on both a domestic and international scale, were central to the latest deterioration and contributed to the sharpest contractions in new orders and new export orders in two-and-a-half-years. Firms subsequently cut back on levels of production, input buying and employment. As indicated by the weakest degree of business confidence since September 2020, it looks as though firms are increasingly anticipating the current tough economic conditions to extend into the future.

"Adding to the gloominess of December's survey was a marked deterioration in vendor performance. The nationwide cargo trucker walkout in December saw an estimated 25,000 members strike for just over two weeks and as expected, caused major disruptions to supply chains across South Korea's manufacturing sector. It will now be interesting to see how quickly delivery times are able to recover given that November saw overall vendor performance deteriorate to the smallest extent since pre-pandemic times.

"The only encouraging aspect of the latest survey data was the easing in inflationary pressures. Notably, firms raised their selling prices at the softest rate in the current 27-month sequence of inflation and average cost burdens increased at the joint-lowest pace in two years."

PMI<sup>®</sup>

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South Korean manufacturing sector in December. Backlogs of work fell for the second consecutive month and the fastest pace in almost two-and-a-half years. Anecdotal evidence suggested that the current lack of demand enabled firms to focus on working through outstanding orders.

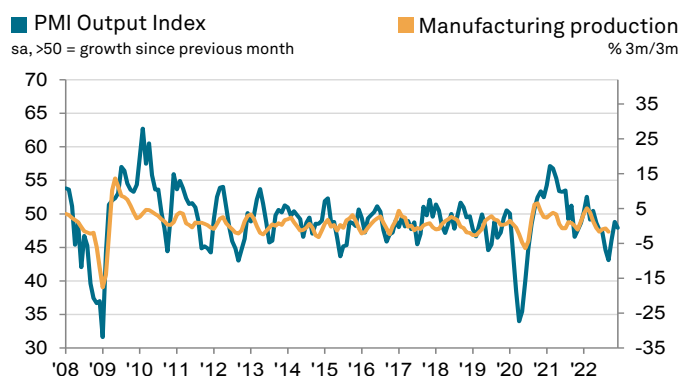
As has been the case since September, workforce numbers at South Korean manufacturing firms decreased in December. Firms primarily linked the latest round of job shedding to voluntary resignations though some panel members mentioned a growing reluctance to replace leavers amid current financial difficulties.

Vendor performance was significantly impacted by recent cargo trucker strike action in December, said survey respondents, with data pointing to the most pronounced deterioration since June.

Though still positive, the outlook for output over the coming year was the weakest in the current 29-month sequence of optimism and relatively muted. While some firms were hopeful for economic recovery, others remained concerned over the longer-term effect of the current economic downturn.

Rising raw material costs and a weak exchange rate against the dollar continued to push up average cost burdens in December. The rate of input cost inflation, however, was the joint-lowest in two years.

At the same time, South Korean goods producers continued to transfer increasing costs onto their clients, as signalled by a twenty-seventh consecutive month of output price inflation. The rate at which firms raised their selling prices, however, was the softest in the current sequence and only marginal overall. Some firms mentioned efforts to set prices more competitively in response to low levels of demand.



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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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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