

# News Release

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## S&P Global South Korea Manufacturing PMI®

### Fractional contraction in South Korean manufacturing sector

#### Key findings

Softer reductions in production and demand

Business optimism strengthens

Input prices rise at strongest rate in ten months

Manufacturing conditions in South Korea remained muted at the start of the fourth quarter of 2023. The latest data pointed to sustained, albeit softer contractions in both output and new orders amid subdued economic conditions at home and internationally. That said, the softer rates of decline had lifted manufacturers confidence regarding the outlook for output over the coming 12 months. Concerns remained however, regarding the timing of the recovery and easing of price pressures, as October data pointed to the sharpest rise in cost burdens in 2023 to date.

The headline S&P Global South Korea Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases, and has been compiled since 2004.

The headline reading dipped slightly from 49.9 in September to 49.8 in October, indicative of a fractional contraction in the health of the South Korean manufacturing sector. Business conditions have now declined in each of the last 16 months.

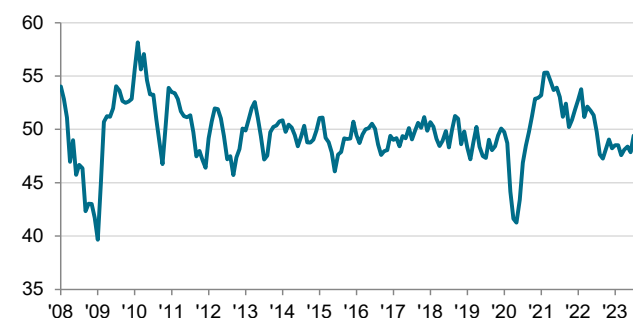
Manufacturers signalled an eighteenth consecutive monthly decrease in production volumes. The rate of decline was only modest and the softest seen since April. Lower output volumes were frequently linked to sustained weakness in economic conditions.

Order book volumes declined further in October, extending the current sequence of reduction to 16 months. The rate of decline was modest and the softest recorded for three months. Subdued demand reportedly stemmed from a weak domestic economy and sluggish international conditions. As such, the rate of decline in new export business was broadly in line with that seen for total new orders, though again easing slightly from the previous survey period.

The current lull in demand led to a sustained reduction in outstanding business in October. Backlogs of work have now fallen consistently for a year, though the latest depletion

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-23 October 2023.

#### Comment

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

"PMI survey data for October indicated that operating conditions in the South Korean manufacturing sector remained muted at the start of the fourth quarter of 2023. That said, the rate of deterioration was only fractional, amid softer reductions in both output and new orders.

"Weaker business conditions also allowed a reduction in backlogs of work for the twelfth month running though the rate of depletion was the softest seen in the current sequence. Positively, there were sustained rises in purchasing and employment levels, as manufacturers commented that they were preparing for an eventual recovery in demand.

"On the price front, South Korean goods producers signalled an acceleration in input price inflation. The rate of inflation was robust and the strongest seen in the year to date amid reports of higher raw material prices, notably those linked to oil. Firms also mentioned that unfavourable exchange rate movements had led to higher costs on inputs from abroad."

PMI®

by S&P Global

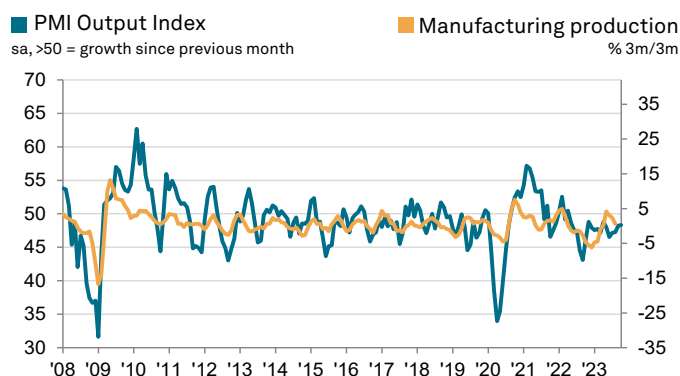
was the softest in this sequence. Helping firms to complete existing work was a sustained increase in employment levels as firms noted they were also hiring in preparation for an eventual demand recovery.

Turning to prices, cost inflation strengthened for the second successive month at the start of the fourth quarter. Input price inflation accelerated to the strongest since December 2022 and was often attributed to higher raw material prices and currency weakness. Concurrently, factory gate charges were raised for the second month in a row.

Latest data also pointed to an increase in input buying for the second month running. The rate of increase was marginal and eased from the previous survey period. At the same time, there was another increase in pre-production holdings, while stocks of finished goods fell for the fourth month in a row.

October data saw a further deterioration in vendor performance. The extent to which lead times lengthened was the least marked in the current three-month sequence however, as manufacturers often mentioned staff shortages and logistical disruptions.

Finally, confidence regarding output over the coming 12 months across South Korea's manufacturing sector strengthened in October. Firms cited hopes that a recovery in domestic and international demand would stimulate new product launches and sales. However, there were concerns regarding the timing of any recovery and the possibility of a prolonged period of economic weakness.



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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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