

# News Release

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

### Mild contraction in South Korea's manufacturing sector

#### Key findings

Softer declines in output and new orders

Selling price inflation accelerates

Outlook for output at its lowest since September 2020

South Korea's manufacturers signalled a softer deterioration in the health of the sector midway through the final quarter of 2022. Output and new orders both registered weaker declines. A number of firms suggested that an easing of supply chain disruptions contributed to the softer downturn. In fact, the pace at which supplier lead times lengthened was the least pronounced since January 2020. Meanwhile, input prices rose at a rate well above the series average and the rate of selling price inflation accelerated to a four-month high. Cost pressures not only continued to dampen demand but also weighed upon overall business sentiment which was at the lowest level since September 2020.

The seasonally adjusted South Korea Manufacturing Purchasing Managers' Index (PMI<sup>®</sup>) rose from 48.2 in October to 49.0 in November, to signal a sustained contraction in South Korea's manufacturing sector. That said, the rate of decline slowed for a second consecutive month and was only mild overall.

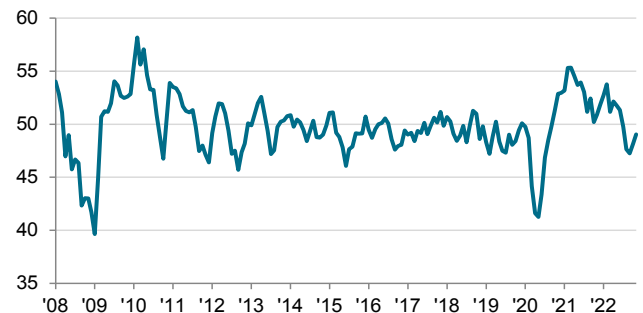
November data was indicative of a seventh consecutive monthly decrease in output at South Korean manufacturing firms. Panel members largely attributed the decline to muted demand conditions, both domestically and internationally. The rate of reduction, however, was the weakest in the current negative sequence amid reports of the manufacture of new products and an easing in supply chain disruptions.

Amid some positive reports of a sustained COVID-19 recovery, manufacturing companies registered the softest reduction in new orders in four months. That said, a number of firms continued to mention that current cost pressures put downward pressure on sales. Similarly, demand from overseas fell, but at the slowest pace in the current sequence of decline.

Concurrently, buying activity and inventory levels were reflective of South Korea's manufacturing sector's demand climate. For the fourth time in as many months, input buying

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 11-22 November 2022.

#### Comment

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

*"Despite remaining in contraction territory, November PMI data pointed to a more positive economic landscape for South Korea's manufacturing sector. With rates of decline for output and new orders softening to seven and four-month lows, respectively, latest survey data provides tentative signs that the sector may have overcome the nadir of the current downturn. November data also marked the least pronounced deterioration in supplier performance since January 2020 to signal some easing in supply chain disruptions. As the effects of COVID-19 continue to subside and with current global demand subdued, we can hope to see an improvement in supply chains following the long sequence of deterioration."*

*"On a more negative note, rates of inflation have remained severe in November and even accelerated in the case of selling prices. Concerns surrounding future cost pressures were widespread and not only continued to stifle demand, but also contributed to a further dampening in business sentiment, which posted at its lowest level since September 2020. Firms also remained worried about the global economic environment given the country's heavy reliance on exports."*

PMI<sup>®</sup>

by S&P Global

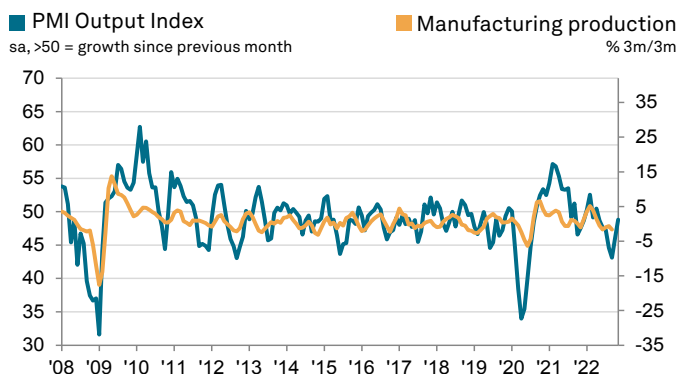
remained within negative territory. Anecdotal evidence suggested that the latest decline was linked to exchange rate weakness and a downturn in order book volumes. The rate of decline, however, was the softest in the four-month sequence. Meanwhile, pre-, and post-production inventory levels each reduced for a second consecutive month. The lack of demand also allowed firms to focus on working through outstanding work in November with backlogged work registering a renewed decline.

Employment levels lowered for the third month running and at the sharpest rate in four. The most recent round of job shedding was frequently linked to voluntary resignations and hiring difficulties. That said, some panel members did mention laying off staff as a result of financial difficulties faced in recent months.

Meanwhile, latest survey data was indicative of some improvement in supply chain disruptions. Though still deteriorating, the rate of decline in supplier performance was the least pronounced since January 2020.

In terms of prices, both input cost and charged price inflation remained historically sharp. Inflation across a range of inputs was mentioned by survey respondents with increasing raw material and energy prices specifically cited. Weakness in the exchange rate also reportedly contributed to cost pressures. As such, firms continued to partly share increasing input costs with their clients in the form of higher selling prices which rose as the fastest pace in four months.

Finally, the 12-month outlook on manufacturing output dipped to the lowest level since September 2020 amid ongoing concerns surrounding cost pressures and global economic conditions.



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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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