News Release

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S&P Global South Korea Manufacturing PMI®

South Korean manufacturing falls back into contraction territory

Key findings

Renewed reductions in output and total new orders

Input prices rise at strongest rate for four months

Stockpiles fall amid higher costs and delivery delays

South Korea's manufacturing PMI data signalled a slight deterioration in operating conditions at the end of the first quarter. Both output levels and total new orders fell back into contraction territory, though the respective rates of decline were only fractional. Positively, growth of exports was sustained for a third consecutive month, with the rate of expansion in international sales picking up slightly. Meanwhile, firms continued to increase staffing levels and buying activity. That said, manufacturers noted a further acceleration in input price inflation amid higher raw material and logistics costs, in part due to the crisis in the Red Sea. This contributed to a solid reduction in input holdings.

The seasonally adjusted S&P Global South Korea Manufacturing Purchasing Managers' Index (PMI®) fell from 50.7 in February to 49.8 in March, signalling a renewed contraction in operating conditions in South Korea's manufacturing sector. The decline was the first in three months, though was only fractional overall.

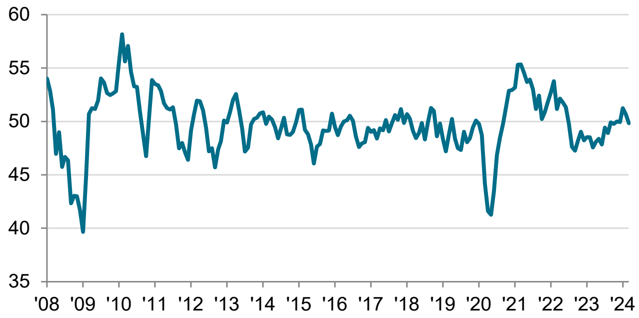
Manufacturing companies registered a slight reduction in output levels at the end of the first quarter, marking the first contraction in 2024 to date. Where a decline was reported, panel members largely attributed this to subdued demand and downgraded investment plans.

March data signalled a renewed decrease in total new orders. While the respective seasonally adjusted index was only fractionally below the 50.0 no-change mark, the reading was indicative of the first fall in demand since last December. A number of firms mentioned that sales remained muted amid weakness in the domestic economy in particular. New export orders meanwhile expanded for a third consecutive month amid stronger demand in South East Asia and Japan.

Despite muted demand and production levels, buying activity at South Korean goods producers was raised for the seventh successive as firms looked to secure safety stocks amid delivery delays and higher prices. Despite increased

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 12-20 March 2024.

Comment

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

"March PMI data signalled that South Korea's manufacturing sector saw a renewed deterioration in operating conditions. Both output and new order volumes declined, albeit only fractionally as firms mentioned that weak demand and a muted domestic economy held back production and sales. One bright light however was that export demand rose for the third month in a row and at a stronger rate.

"Meanwhile, firms reported that buying activity was raised in order to protect against delivery delays and rising prices for raw materials and logistics, partly related to the crisis in the Red Sea. As such, delivery times lengthened for the eighth month running, while cost inflation accelerated to a four-month high.

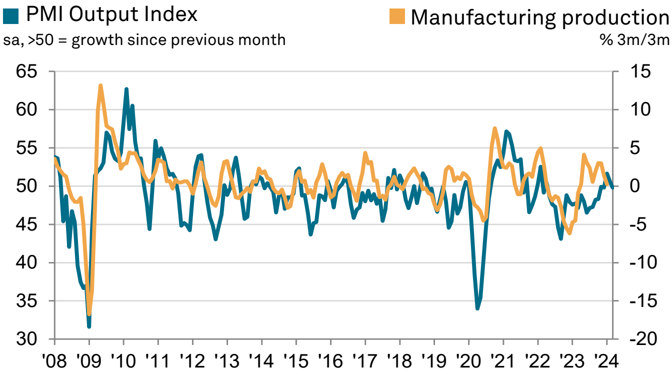
"In an effort to save costs, manufacturers opted to wind down holdings of inventories, though firms mentioned that stocks were also depleted amid delays in receiving replacements."

purchasing, pre-production inventories were lowered for the second month in a row, as said delays in receiving inputs forced firms to dip into stockpiles. Firms also mentioned efforts to save costs were a factor in reducing holdings of both pre-and post-production inventories. The extent to which delivery times lengthened was only marginal in March, yet marked the eighth consecutive month of deteriorating vendor performance.

Alongside the renewed fall in new orders, firms reported falling levels of outstanding business for the third time in four months. Firms were also able to keep on top of capacity requirements by raising employment for the seventh month running. Anecdotal evidence suggested the rise in staffing levels was in preparation for mass production of new items and factory relocations.

Input costs continued to rise markedly in March, with the latest bout of price inflation the strongest for four months. Survey members attributed the rise to sharp increases in raw material and logistics prices. In response, South Korean manufacturers raised output charges, but only modestly.

The 12-month outlook for output strengthened at the end of the first quarter, with the overall degree of positive sentiment solid overall. Manufacturers attributed optimism to hopes of a broad economic recovery, especially domestically, alongside stronger demand in the semiconductor and automotive sectors.



Sources: S&P Global PMI, KOSTAT via S&P Global Market Intelligence.

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

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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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