

# News Release

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

### Renewed expansion in South Korea's manufacturing sector

#### Key findings

Output and new orders return to growth

Strongest rise in purchasing activity since April 2022

Business optimism reaches highest level for five months

South Korea's manufacturing sector saw a renewed improvement in operating conditions at the start of 2024. Output, new orders and exports all returned to expansion territory in January, alongside sustained rises in employment and purchasing activity, the latter of which rose at the sharpest rate for 21 months. Firms often commented that the launch of new products had driven new order intakes and boosted production volumes. Manufacturers were also confident that growth would continue over the coming year, as business optimism reached the highest level since last August.

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 was 51.2 in January, up from 49.9 in December and indicative of an improvement in the health of the sector for the first time since June 2022. All five components of the headline PMI contributed positively to the latest reading.

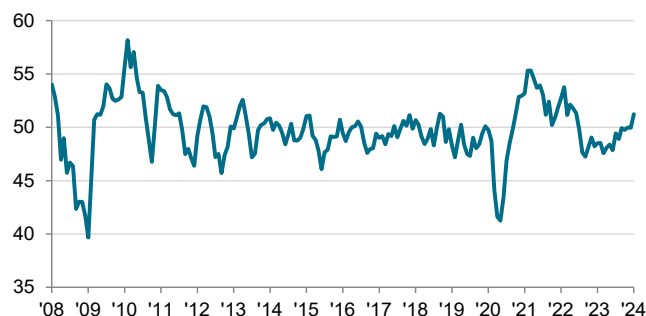
The strongest upward contribution came from an expansion in new orders. The increase was only modest, yet the first since June 2022. Growth was reportedly reflective of increased domestic and international orders, particularly for new products. As such, new export sales rose for the first time in six months, and at the fastest pace since February 2022.

For the first time since April 2022, manufacturing output rose in January. The uptick was modest, but the strongest recorded in just under two years. Firms commonly linked the rise to higher new orders and the production of newly launched products.

In line with expansions in output and orders, input purchasing continued to rise during January, and at the fastest pace since April 2022. Stocks of purchases were raised for the

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 11-23 January 2024.

#### Comment

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

*"The health of the South Korean manufacturing sector registered a renewed improvement at the start of 2024. Output, new orders and exports all returned to growth, while there was a sharper expansion in purchasing."*

*"Manufacturers noted a quicker increase in input costs however, with the solid rise in input prices the sharpest for three months, which also contributed to a stronger rise in factory gate charges. There was some evidence of high raw material and logistics prices, partly due to unrest in the Red Sea."*

*"Positively, firms were increasingly optimistic regarding the year-ahead outlook for output in January. Business confidence strengthened from December and reached the highest since last August, in an early sign that manufacturers believe that 2024 will be a year for improvement in the South Korean manufacturing sector."*

PMI<sup>®</sup>

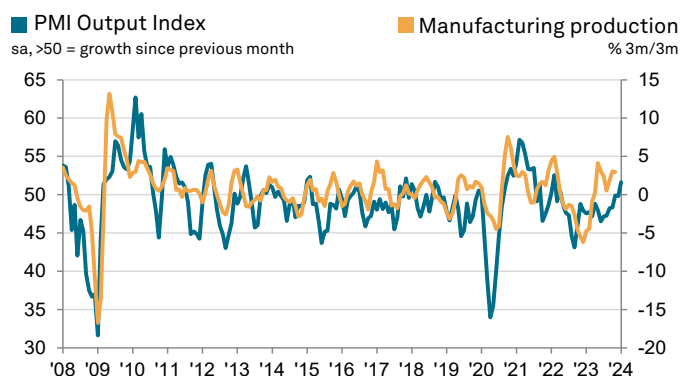
by S&P Global

eighth time in nine months, with the rate of accumulation reaching a three-month high. On the other hand, stocks of finished goods fell for the seventh month in a row. Firms noted that additional purchases of inputs were required to keep up with production requirements and protect against future price rises.

January data signalled an acceleration in input price inflation. According to panellists, raw material prices, oil and logistics were all up in price, while exchange rate weakness was also mentioned. Subsequently, selling charges were raised for the fifth consecutive month and at a stronger rate than that seen in December.

Employment levels at South Korean manufacturers increased for the fifth time in as many months during January, as firms signalled that additional capacity was required to fulfil orders. That said, the rate of job creation was little-changed from December and modest. Goods producers also signalled that extra capacity was used to reduce outstanding business, as indicated by a second successive decrease in backlogs of work. However, the rate of depletion was only fractional.

The 12-month outlook for output strengthened to a five-month high in January. Anecdotal evidence highlighted hopes of a domestic and international economic recovery, which would allow for a broader improvement in business and demand 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@spglobal.com](mailto:economics@spglobal.com).

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