

News Release

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S&P Global South Korea Manufacturing PMI[®]

Sustained expansion in South Korean manufacturing sector

Key findings

Softer growth in production and demand

Strongest rise in employment levels in four months

Output prices rise at strongest rate since last November

Manufacturing conditions in South Korea continued to improve during February. The latest data pointed to a sustained, albeit softer expansion in both output and new orders amid the launch and manufacture of new products, while also seeing a boost in client confidence. At the same time, firms continued to raise workforce numbers in response to capacity requirements, with the latest round of job creation the strongest since last October. On the price front, higher operating expenses weighed on manufacturers and were often passed on to customers. As a result, the rate of output charge inflation reached a three-month high.

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 eased from 51.2 in January to 50.7 in February, indicative of a marginal improvement in the health of the South Korean manufacturing sector.

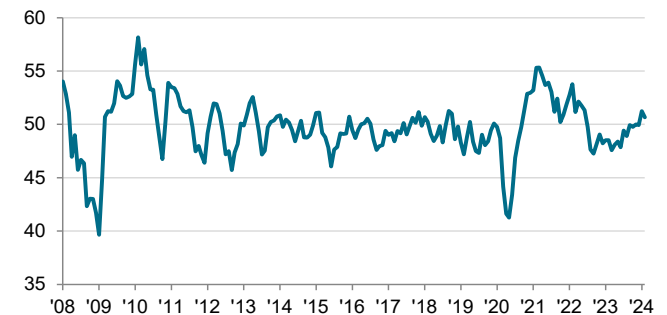
Manufacturers signalled a second successive monthly increase in production volumes. The rate of growth eased from that seen in January and was only marginal however. Higher output volumes were frequently linked to rising new orders and the mass production of new products.

Order book volumes rose for the second time in as many months in February. As was the case with production, however, the pace of expansion was only slight. Where an increase was reported, firms commented on stronger client confidence and the launch of new products. Concurrently, the rate of growth in new export orders slowed from January, and was only fractional overall.

Despite softer growth rates in activity and demand, firms reported heightened capacity pressures. The level of outstanding business rose for the first time since October 2022, albeit fractionally. In order to keep up with

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-21 February 2024.

Comment

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

"PMI data for February indicated a further improvement in operating conditions midway through the first quarter. Both output and new orders continued to expand, albeit at softer rates than those seen in January.

"Improved business conditions contributed to a renewed increase in backlogs of work, a positive indicator for near-term activity, which encouraged firms to raise staffing levels to the greatest extent in four months to ease capacity pressures.

"On a price and supply front, South Korean goods producers signalled a solid rise in input costs amid higher raw material prices, which led to the strongest increase in output charges since last November. Firms also remained concerned about the impact of disruption in the Red Sea on deliveries, as average lead times lengthened for the seventh successive month."

PMI[®]

by S&P Global

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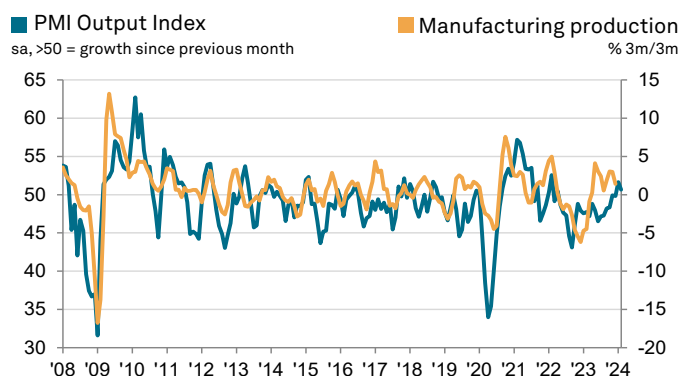
order requirements, South Korean manufacturers raised employment levels for the sixth successive month, and at the steepest rate since last October.

Turning to prices, average operating expenses rose for the seventh month in a row midway through the first quarter. Input cost inflation was solid, and often attributed to higher raw material prices and currency weakness. As a result, firms raised their output charges at the fastest pace for three months.

Latest data pointed to an increase in input buying for the sixth month running in February. The rate of increase was modest and eased from the previous survey period. At the same time, there was a renewed fall in stocks of purchases, while post-production inventories fell at the softest pace for four months.

February data saw a further deterioration in vendor performance. The extent to which lead times lengthened was the least marked in the seven-month sequence, though some firms did mention the impact of disruption in the Red Sea.

Confidence regarding output over the coming year across South Korea's manufacturing sector remained positive in February. Firms cited hopes that business expansions plans, economic recovery and the mass production of new products would support increases in production.



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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.

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