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# IHS Markit South Korea Manufacturing PMI®

## Manufacturing output rises amid signs of improving demand conditions

### Key findings

Trends in output and new orders move in positive direction

Export demand improves at strongest rate since mid-2018

Output prices rise for the first time in over a year

South Korea's manufacturing sector ended the fourth quarter in its strongest position since April, according to latest PMI data, as output and new orders both moved into expansion territory for the first time since October 2018. There were also signs that export demand had improved, with panellists citing increased sales to clients in various parts of Asia. Confident that some client purchasing power had been restored, firms raised output charges for the first time in over a year.

The South Korea Manufacturing Purchasing Managers' Index™ (PMI®) increased for the third successive month in December, rising to 50.1, from 49.4 in November. The headline index also registered above the neutral 50.0 mark, albeit only just, thereby indicating a fractional improvement in economic conditions in the manufacturing sector.

Output increased for the first time in over a year during the latest survey period. According to firms, production volumes were lifted by new product launches and a general boost in demand conditions. It was the third successive month in which the respective index had risen, indicating an improvement in the underlying trend.

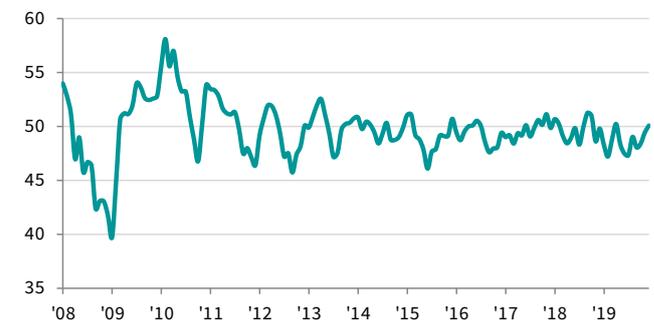
Latest survey data pointed to stronger intakes of new work during December. Although the increase was mild, it was the fastest since September 2018. Furthermore, the expansion was broadly in line with the long-run average. Panel members reported better penetration into new markets, particularly overseas.

Evidence of an improving picture among foreign clients was provided by new export orders, which expanded at the strongest rate since June 2018. Among those firms reporting higher external demand, there were mentions of greater sales to Asian markets such as Japan, China and Vietnam.

A better outturn for output and new orders coincided with

*continued...*

South Korea Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Joe Hayes, Economist at IHS Markit, said:

*"The fourth quarter has turned out to be a pretty good one for South Korea's manufacturing sector, with PMI data showing a clear improvement in the underlying trend. This has culminated with outright expansions in output and new orders during December.*

*"Perhaps most important was growth in overseas demand, the strongest increase in foreign workloads since mid-2018. Sustained growth in exports will be key to ensuring that South Korea's manufacturing sector can positively contribute to overall economic output.*

*"Key to the reversal of the negative trend seen through most of 2019 seems to be new product launches, particularly in the automotive and electronic sectors. Survey data showed that businesses anticipate 2020 to be more positive, as signalled by higher input purchasing and stockpiling."*

a strengthening in the business outlook for South Korean manufacturers. Positive output expectations were supported by upcoming new product launches, which panellists predict will drive sales. A pick up in global manufacturing conditions was also a factor supporting optimism.

In preparation for these improvements, South Korean manufacturers increased their purchasing activity during December at the strongest rate for almost two years. A number of panellists indicated that additional materials were placed into inventories, with survey data pointing to a renewed accumulation of pre-production stocks. Increased demand for inputs exerted pressure on supply chains, however, as vendor performance deteriorated during December.

On the price front, input costs continued to rise during the latest survey period. The rate of inflation accelerated for the third successive month amid reports of unfavourable exchange rates and increased prices for metals, food and gas. In response, firms opted to pass through higher expenses to their clients by raising output charges, the first time in which this has been the case for over a year.

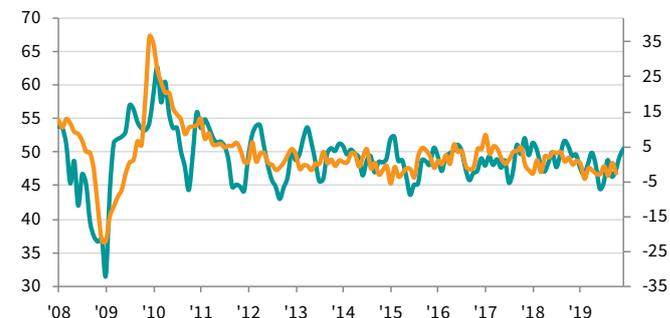
Lastly, the most negative news came from employment, which declined to the joint-quickest extent since May 2018. Nevertheless, this did not appear to impact efficiency as backlogs of work at South Korean goods producers were reduced during December.

**PMI Output Index**

sa, >50 = growth since previous month

**Manufacturing production**

%3m/3m



Sources: IHS Markit, KOSTAT.

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**Methodology**

The IHS Markit South Korea Manufacturing PMI® is compiled by IHS Markit from responses to monthly 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.

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.

December 2019 data were collected 05-13 December 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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**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. To learn more go to [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).