

Embargoed until 0930 KST (0030 UTC) 03 May 2021

IHS Markit South Korea Manufacturing PMI®

Sustained improvement in manufacturing output in April

Key findings

Further expansions in output and new orders

Second successive rise in employment levels

Business expectations remain positive

Data were collected 12-22 April 2021.

South Korean manufacturing firms continued to indicate a solid improvement in operating conditions in April. Sustained, albeit softer, growth in production volumes as well as a further strong rise in new orders contributed to overall growth in the manufacturing sector. As demand conditions continued to improve in the latest survey period, manufacturers were encouraged to take on additional staff for the second month running. Businesses also remained optimistic in their outlook for activity over the coming 12 months.

The seasonally adjusted South Korea Manufacturing Purchasing Managers' Index (PMI®) edged down slightly from 55.3 in March to 54.6 in April, signalling a softer but still solid improvement in the health of the manufacturing sector. The latest increase extended the current sequence of expansion to seven months, and highlighted a sustained turnaround for the South Korean manufacturing sector since the COVID-19 related disruption last year.

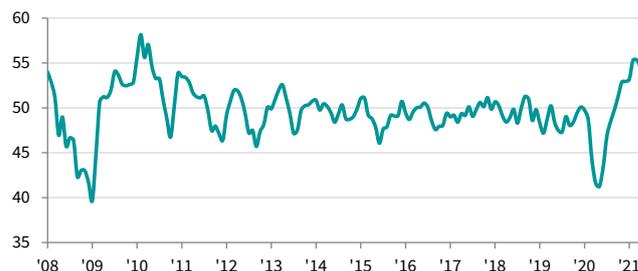
Latest data pointed to manufacturing output increasing for an eighth consecutive month. The pace of growth softened from the previous survey period, but was still sharp overall amid reports of improved demand conditions, notably in the technology sector.

New orders among South Korean manufacturers also rose further in April. The overall pace of expansion was broadly similar to March, and remained strong overall. Respondents linked higher sales to greater client confidence in both domestic and international markets. Moreover, foreign demand for South Korean manufactured goods remained in expansion territory at the start of the second quarter of the year, with firms citing stronger demand in the key regions of Asia and North America.

The South Korean manufacturing sector was further boosted by a second successive rise in employment levels in April, with businesses taking on additional personnel in response to greater output requirements. Indications of greater pressure on capacity

continued...

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



Source: IHS Markit.

Comment

Commenting on the latest survey results, Usamah Bhatti, Economist at IHS Markit, said:

"April data marked a sustained improvement in the health of the South Korean manufacturing sector, as the latest Manufacturing PMI painted a different picture to 12 months ago. A continued recovery from pandemic-related disruption carried on at the start of the second quarter of 2021."

"South Korean firms recorded further increases in both output and new orders in the latest survey period, as businesses reported improved demand, particularly in the technology sector. External demand also rose at a solid pace in April, driven by recoveries in Asia and North America."

"Outstanding business rose at the fastest pace for 11 years in April, with the additional pressure on capacity encouraging firms to expand workforce numbers for the second month running."

"South Korean goods producers remained optimistic in their outlook for activity over the coming year. Firms were hopeful that a wider economic recovery would drive demand for newly launched products in both domestic and external markets. IHS Markit currently estimates industrial production will expand by 5.5% in 2021."

rose, as backlogs of work increased at the fastest pace for 11 years, reflecting the upward trend in new orders.

At the same time, South Korean goods producers indicated a quicker expansion in purchasing activity in April, with the respective seasonally adjusted index reading above the 50.0 no-change threshold for the ninth month in a row. Firms associated additional input buying to growing production requirements and new orders. Meanwhile, average vendor performance deteriorated further in the latest survey period, as manufacturers indicated that raw material shortages meant lead times extended further. As a result, holdings of pre-production inventories were raised for a sixth time in as many months to guard against delivery delays, while survey members indicated that existing orders were completed using stocks of finished goods where possible.

April data signalled further rises in average cost burdens among South Korean manufacturers. The pace of input cost inflation remained rapid overall, and considerably above the series average. Respondents commonly attributed higher input costs to widespread rises in raw material prices. These were partially passed on to clients through higher factory gate charges, which rose at their second-fastest pace on record.

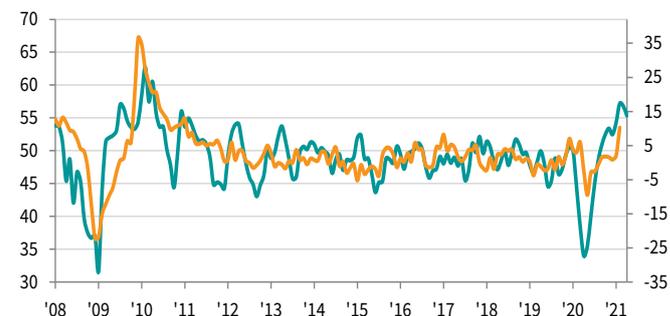
Looking ahead, business optimism rose at South Korean goods producers, as firms continued to forecast a rise in output in the coming 12 months. Manufacturers predicted that a wider economic recovery from the pandemic would boost demand for newly launched products.

PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

%3m/3m



Sources: IHS Markit, KOSTAT.

Contact

Usamah Bhatti
Economist
IHS Markit
T: +44 134 432 8370
usamah.bhatti@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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.

April 2021 data were collected 12-22 April 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click here.

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.
ihsmarkit.com/products/pmi.html