

Nikkei South Korea Manufacturing PMI[®]

Manufacturing sector declines at joint-fastest rate since November 2016

Key points:

- Sharper drops seen in both output and new orders
- Export sales decrease for sixth straight month
- Concerns towards domestic economy drag confidence lower

Data collected January 11th – 23rd

South Korea's goods-producing economy started 2019 on a weaker footing, according to latest survey data, with business conditions deteriorating at the joint-sharpest rate for just over two years. Weakness in domestic demand was reportedly compounded by continued declines in export sales. Reduced inflows of new business led companies to cut output at the strongest pace in six months and also decrease employment further. Meanwhile, purchasing costs declined, supporting a second successive month of output price discounting.

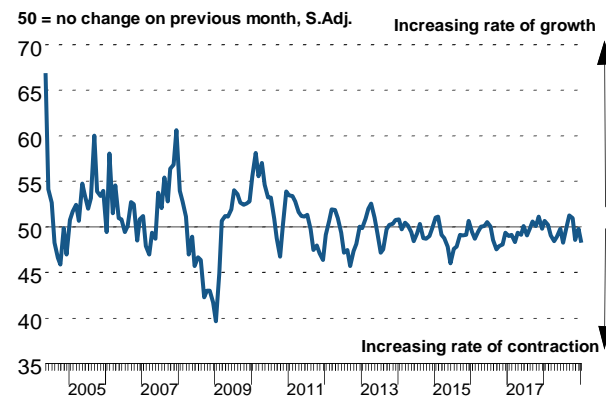
Looking ahead, manufacturers maintained optimism, however the level of confidence was among the weakest ever recorded amid mounting concern towards the wider-economic outlook.

The headline Nikkei South Korea Manufacturing Purchasing Managers' Index[™] (PMI)[®] – a composite single-figure indicator of manufacturing performance derived from five key survey indices – fell to 48.3 in January, from 49.8 during December, thereby signalling the joint-sharpest downturn in manufacturing business conditions since November 2016.

A principal contributor to the drop in the headline figure was a steeper decline in new orders. Weakness in the domestic economy was amplified by reduced new business from abroad. Sales to clients in China, Japan and Germany reportedly fell during the latest survey period. Overall, new export orders declined for a sixth successive month and at a pace that was broadly in line with the average seen across this period.

Consequently, production was cut during January and to the sharpest extent since July. Overall, the rate of contraction was moderate, with close to 30% of panellists lowering output. Nonetheless, the drop

Nikkei South Korea Manufacturing PMI



Sources: Nikkei, IHS Markit

in order book volumes enabled firms to continue clearing their backlogs of work. Outstanding business fell for a fifth month in succession during January, with some panellists opting to immediately ship products. However, stocks of manufactured goods rose in the latest survey period, with inventory-building often the result of unsold output.

With production falling and demand deteriorating further, firms cut workforces during January. The fall in employment was also linked to company-wide restructuring and the non-replacement of voluntary leavers.

Meanwhile, survey data indicated the first fall in purchasing prices in 18 months. Lower oil, metal and chemical costs underpinned deflation. That said, increased labour expenses restricted the extent of the fall, which was only fractional overall. In line with lower costs, selling charges were reduced in January. Firms suggested that discounting was part of efforts to stimulate demand.

On the whole, South Korean manufacturers were slightly upbeat on future output prospects. However, the degree of confidence fell in January and was among the lowest seen on record. Forecasts of a domestic economic slowdown, weak export business and rising labour costs dampened sentiment.

Comment:

Commenting on the South Korean Manufacturing PMI survey data, **Joe Hayes**, Economist at IHS Markit, which compiles the survey, said:

“Further signs of trouble for the global trade cycle were presented by the PMI data, which showed new export orders falling for a sixth month running. Given South Korea’s close trading ties with China and the US, falling export demand acts as a worrying indicator for global economic growth.

“Against an unfavourable international market, domestic conditions were also shown to have worsened during January, with total new sales falling amid reports of weak Korean demand. Cuts to production and employment suggest that manufacturers are bracing for difficult near-term prospects. Indeed, another month of factory gate price discounting highlights the desperate measures companies are taking to stimulate sales.

“In the current climate, President Moon’s economic reforms and ambitious stimulus policies will be acting to offset business cycle effects as opposed to complementing them.”

-Ends-

Nikkei South Korea Manufacturing PMI[®] is sponsored by

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

ASIAN REVIEW <http://asia.nikkei.com/>

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more



MARKETS:

Deep analysis if the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



Video:

Watch analysts explain our articles, catch interviews with top executives.



Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)

Joe Hayes, Economist
Telephone +44 1491 461 006
Email joseph.hayes@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922 4239
E-mail jerrine.chia@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65 6922 4226
E-mail bernard.aw@ihsmarkit.com

Nikkei inc. (About Nikkei)

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone +81 3 6256 7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The Nikkei South Korea Manufacturing *PMI*[®] is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size, based on the industry contribution to GDP. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, and Transport. Data collected prior to May 2009 are based exclusively on survey responses from companies operating in the electronics sector.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei South Korea Manufacturing *PMI*[®] is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: 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 © 2019 IHS Markit Ltd. All rights reserved.

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 <https://ihsmarkit.com/products/pmi.html>.

The intellectual property rights to the Nikkei South Korea Manufacturing *PMI*[®] 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 trademarks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei uses the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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