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# IHS Markit South Korea Manufacturing PMI®

## Manufacturing sector remains stagnant in January amid domestic weakness

### Key findings

Export trend remains positive, offsetting weak domestic sales

Output volumes held stable despite further job losses

Business confidence hits 22-month high ahead of new product launches

South Korea's manufacturing economy started the new decade as it ended the last one, according to latest survey data, with the goods-producing sector registering another flat month. Positive news came on the external side as back-to-back months of export growth were recorded. Business confidence also strengthened to a near two-year high as optimism towards demand was supported by new product launches. That said, output volumes stagnated and employment was reduced amid reports of a weak domestic backdrop.

The South Korea Manufacturing Purchasing Managers' Index™ (PMI®) edged slightly lower during January to 49.8, from 50.1 last December. Overall, with the headline index only narrowly below the neutral 50.0 threshold, it was broadly consistent with business conditions in South Korea's manufacturing sector stagnating.

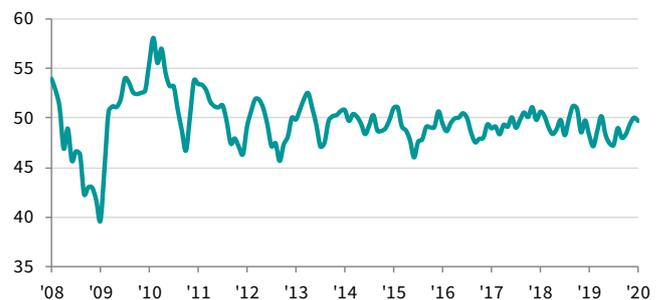
Latest survey data signalled a slight easing of momentum in manufacturing production. Output growth slipped to a fractional pace in January amid reports of lower production and factory shutdowns in the automobile industry. That said, some companies commented on firmer demand from overseas as a supportive factor.

According to panel comments, the domestic business environment remained challenging in January. Nevertheless, total order book volumes expanded at a mild, albeit slower pace. New product launches and successful contract tenders helped sustain sales growth. Export demand was also a key driver in January, with survey data pointing to back-to-back increases in external orders for the first time in one-and-a-half years. According to anecdotal evidence, subdued activity in the domestic economy had motivated firms to pursue new ventures in foreign destinations such as Japan, Vietnam and Europe.

Latest survey data indicated further cuts to manufacturing

*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:

*"January's PMI survey comes bearing mixed messages for South Korea's economy. Starting with the positives, it seems that the fortune of exporters has turned a corner, with data showing back-to-back growth in external sales following easing US-China tensions and some evidence of an improving relationship with Japan. New product launches have also brought along a wave of optimism, as manufacturer confidence hit a near two-year high."*

*"That said, panel comments suggest that domestic demand has weakened further and has spurred on businesses to explore international markets to plug the gap. There were also comments from firms in the automobile industry of factory shutdowns and further production cut backs, highlighting the extent of the structural issues facing car makers globally."*

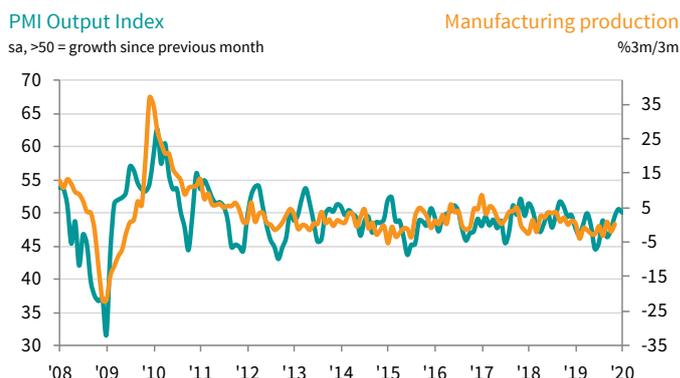
*"While better export conditions will be a relief, a deteriorating domestic economy will put pressure on the Bank of Korea to inject another round of stimulus."*

employment in South Korea, which fell solidly and for a ninth month in a row. Retirements, voluntary resignations and restructuring programmes were linked to lower workforce numbers. The combination of renewed demand growth and falling staff levels coincided with a relatively sharp rise in backlogs of work, highlighting capacity pressures.

Meanwhile, purchasing activity expanded at the start of the year for a third successive month. Input buying was spurred on by pending new product launches, with firms reportedly pre-ordering items ahead of production. As such, the rise in purchasing quantities was not coincident with greater input stocks in January which declined slightly at the beginning of the year.

Amid reports of higher fuel and raw material prices, latest survey data signalled an intensification of cost pressures faced by South Korean manufacturers. The rate of input price inflation was modest overall, but accelerated to a seven-month high. In response, output charges were lifted for a second straight month, although the rate of increase was only marginal.

Lastly, there was a notable improvement in the business outlook during January as output expectations jumped to a 22-month high. New product launches, positive demand forecasts and a recovery in export sales underpinned confidence towards the coming 12 months.



Sources: IHS Markit, KOSTAT.

## Contact

Joe Hayes  
Economist  
IHS Markit  
T: +44 1491 461 006  
[joseph.hayes@ihsmarkit.com](mailto:joseph.hayes@ihsmarkit.com)

Bernard Aw  
Principal Economist  
IHS Markit  
T: +65 6922 4226  
[bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

Katherine Smith  
Public Relations  
IHS Markit  
T: +1 781 301 9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@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.

January 2020 data were collected 13-23 January 2020.

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).