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# IHS Markit South Korea Manufacturing PMI®

## Manufacturing PMI signals softer improvement in May

### Key findings

Sustained, albeit slower, expansions in output and new orders

Employment levels rise for third month in a row

Survey-record increase in output prices amid supply chain issues

Data were collected 12-20 May 2021.

Businesses operating in the South Korean manufacturing sector indicated a further improvement in operating conditions in May, although slower expansions in both production and new business levels meant that the pace of growth softened in comparison to April. With both output and new orders remaining firmly in expansion territory overall, manufacturers were encouraged to raise staffing levels for the third consecutive month. However, supply chain disruption persisted during May and contributed to a further intensification of price pressures faced by South Korean manufacturers. As a result, firms recorded the sharpest increase in output prices since the survey began in April 2004.

At 53.7 in May, the seasonally adjusted South Korea Manufacturing Purchasing Managers' Index (PMI®) dipped slightly from 54.6 in April, signalling a moderate improvement in the health of the manufacturing sector. This marked the softest reading of the PMI® for four months.

May data pointed to a solid increase in manufacturing output, but one that was softer than that seen in April. In fact, production levels rose at their softest pace since December 2020. Firms commonly associated sustained increases in output with higher orders for new products from both domestic and international markets.

Following the trend in output, South Korean manufacturers signalled an expansion in new business for the eighth consecutive month in May. Despite softening for the third month running, the rate of growth remained solid overall. Panel members often commented that new business inflows were boosted by increased demand amid further improvements in economic conditions. That said, the improvement in foreign demand for South Korean manufactured goods eased in May, as new export orders increased only fractionally and at the softest pace since October 2020.

As demand conditions remained positive overall, South Korean

*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:

"South Korean manufacturers continued to report a sustained, yet softer improvement in the health of the sector, with the latest Manufacturing PMI easing to the softest level recorded for four months. This came as manufacturers reported an easing in rates of growth in both output and new orders in May. Moreover, firms also reported a significant slowdown in new business inflows from international clients, as export orders expanded at the softest pace since October 2020.

"That said, South Korean goods producers remained buoyed by increased demand, therefore raised staffing levels for the third month in succession.

"Ongoing supply chain disruption continued to plague the sector, which resulted in a further intensification of price pressures throughout May. Average cost burdens increased at the second-fastest pace on record, which contributed to a survey-record rise in output prices.

"As demand continued to evolve, firms remained confident that output would rise over the coming year. This is in line with IHS Markit estimates that industrial production will rise 6% in 2021."

goods producers increased employment levels for the third consecutive month in the latest survey period. The rate of job creation was modest overall, and picked up slightly from April. Anecdotal evidence suggested that increasing orders, notably for new products, had encouraged firms to increase capacity. In line with the trend in new orders however, backlogs of work rose at a softer, more moderate pace in May, indicative of easing pressure on existing capacity.

Latest data pointed to an acceleration in input cost inflation faced by South Korean manufacturers, with costs rising at the steepest pace since January 2008. Moreover, the latest reading of the respective index was the second-highest since the survey began in April 2004. Concurrently, output prices increased at a survey-record pace as firms sought to pass higher costs on to clients.

South Korean manufacturing firms noted that input buying continued at a marked pace in May. At the same time, stocks of raw materials and semi-finished goods increased at a more marginal pace. Firms commonly attributed additional purchases of raw material to efforts to protect against delays to shipments amid ongoing supply chain disruption, though some firms noted that existing stocks of inputs had to be used to fulfil orders as supplier delivery times continued to lengthen markedly.

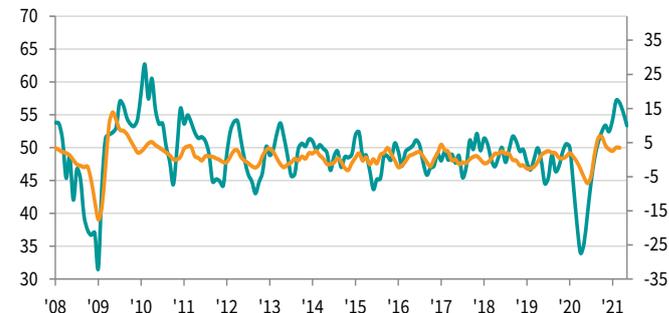
Looking ahead, manufacturers in South Korea were strongly optimistic regarding activity in the year ahead. Businesses cited hopes that domestic and external demand would improve further as the pandemic receded.

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.

May 2021 data were collected 12-20 May 2021.

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

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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](https://ihsmarkit.com/products/pmi.html)