

# HSBC South Korea Manufacturing PMI®

## Manufacturing production rises at fastest pace since April 2013

### Summary

The latest HSBC PMI™ data indicated a solid improvement in operating conditions in the South Korean manufacturing sector. Production rose at the fastest pace since April 2013, alongside a sustained moderate increase in new orders. Subsequently, employment levels remained in growth territory, with the rate of expansion the strongest in just under a year. Meanwhile, downward cost pressures remained, with both input and output prices falling.

The HSBC South Korea Purchasing Managers' Index™ (PMI) – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – posted at 51.1 in February, unchanged from January's reading, thereby signalling a sustained improvement in operating conditions at South Korean manufacturers. Furthermore, the headline PMI posted above the 50.0 no-change mark for the second successive month, marking the longest period of expansion since April 2014.

Output at South Korean goods producers rose for the second consecutive month in February, with the latest increase the quickest rate since April 2013. According to panellists, production growth was linked to improved economic conditions, the development of new products and a rise in new orders from both the domestic and international markets.

Total new orders increased for the third month in a row, marking the longest period of growth in over a year. The latest rise was moderate and broadly in line with the previous month. Surveyed companies attributed the latest expansion to success in gaining new clients and enhanced market conditions. Meanwhile, new orders from abroad rose, with firms commenting on higher demand for new products, with some mentioning increased trade with Japan and Germany. That said, the latest increase in international demand was only marginal.

Reports of higher production requirements and stronger demand conditions subsequently led to a further expansion in the manufacturing workforce. Although only moderate, the rate of employment growth was the quickest in 11 months.

Despite greater staff numbers, backlogs of work were accumulated for the second consecutive month. According to anecdotal evidence, the rise in new orders led to increased pressure on capacity. The increase in volumes of unfinished work was only very slight, however.

As a consequence of falling raw material costs, in particular oil, both input and output prices fell. The rate of deterioration in purchasing costs slowed from the previous month, but nonetheless remained solid and the second-fastest since May 2013. Manufacturing charges, meanwhile, declined at the quickest rate in just under six years. As well as a drop in raw material costs, some firms commented on intensified competition and price negotiations with clients as factors behind the latest decrease in selling prices.

### Comment

Commenting on the South Korea Manufacturing PMI® survey, Amy Brownbill, Economist at Markit Economics:

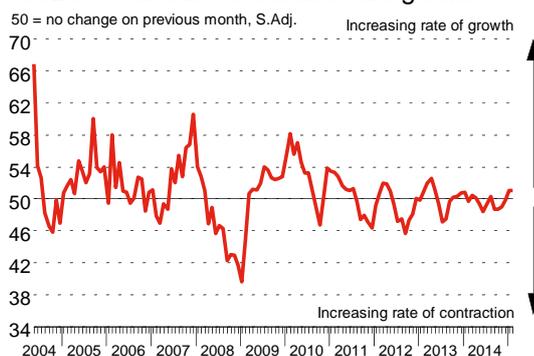
*“Operating conditions continued to improve in the South Korea manufacturing sector in February. Production rose at the quickest pace since April 2013, while there was a sustained moderate rise in total new orders. Meanwhile, growth in new orders from abroad slowed to a marginal pace. Falling raw material costs, in particular oil, led to a further fall in overall input prices, while manufacturing charges declined at the fastest rate in just under six years”.*

### Key points

- Solid increase in output, alongside a moderate rise in new orders
- Payroll growth reaches 11-month high
- Output prices decline at quickest rate since March 2009

### Historical Overview

HSBC South Korea Manufacturing PMI



Sources: HSBC; Markit

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## Notes to Editors:

The HSBC South Korea Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to South Korean GDP. 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'.

The *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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.

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.

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 Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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