

# Nikkei South Korea Manufacturing PMI<sup>®</sup>

## Business conditions deteriorate in March

### Key points:

- Production falls at fastest pace since August 2017
- New orders from domestic and overseas clients fall
- Firms raise output prices to weaker extent

Data collected March 12<sup>th</sup> – 21<sup>st</sup>

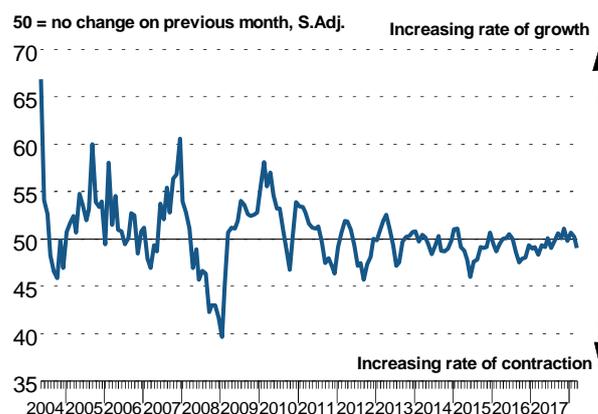
The South Korean manufacturing economy concluded the first quarter of 2018 with a slight deterioration in operating conditions. Output was reduced at the sharpest pace in seven months amid contracting order book volumes. New business declined at the quickest rate in 12 months, while sales to overseas clients fell to a relatively marked extent. Consequently, capacity pressures abated, as less demand enabled firms to clear backlogs of work. On the other hand, lower production requirements discouraged firms from hiring additional staff, with employment levels broadly unchanged.

On the price front, although input costs rose sharply, the rate of inflation eased to a three-month low. In turn, firms raised factory gate charges for a seventh straight month.

The headline Nikkei South Korea Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI)<sup>®</sup> – a composite single-figure indicator of manufacturing performance derived from five key survey indices – declined to 49.1 in March, from 50.3 in February. This signalled the most marked deterioration in business conditions for South Korean manufacturers since July 2017.

Output was reduced for the first time since December last year during the latest survey period. Moreover, the pace of contraction was the fastest since August 2017. Anecdotal evidence indicated that the downturn in production was a result of shrinking order book volumes. New business inflows fell in March, thereby ending a nine-month sequence of improving demand. Panellists attributed fewer sales to increased competitiveness and falling export orders. New business from overseas clients declined at the strongest rate in 17

### Nikkei South Korea Manufacturing PMI



Sources: Nikkei, IHS Markit

months during the latest survey period. Survey respondents noted weaker demand from China, India, Japan and the US.

Consequently, the lack of incoming new business helped abate capacity pressures. Backlogs of work were reduced to the greatest extent since November 2016. Moreover, suppliers' delivery times shortened for the first time in 18 months during March.

With fewer sales reducing the strain on the production line, employment was broadly unchanged during March. While some panellists hired new staff in anticipation of stronger demand, others mentioned that increased labour costs deterred them from recruiting further.

Operating costs faced by South Korean manufacturers rose sharply during the latest survey period. Anecdotal evidence indicated that raw material prices had increased, including metals and oil. That said, the rate of inflation eased to a three-month low. In turn, output prices were raised to partially offset the squeeze on profit margins. However, the extent of the rise in selling charges was the joint-weakest seen across the current seven-month inflationary sequence.

Overall, businesses remained optimistic towards future output in March. Forecasts of new client wins,

improved demand, economic growth and productivity gains were cited as reasons to be confident. That said, the degree of confidence eased to a three-month low.

## Comment:

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

*“The South Korean manufacturing sector concluded Q1 with the first contractionary PMI reading of 2018. The deterioration in business conditions was underpinned by the sharpest decline in new orders since March of last year, prompting firms to reduce output. Anecdotal evidence suggested exports had been impacted by the strength of the won, leading to a loss of international competitiveness.*

*“With demand pressures lacking, payroll numbers were broadly unchanged, while output prices were raised to a weaker extent than that seen previously. In turn, business confidence eased to a three-month low, signalling cautious undertones among South Korean manufacturers.”*

-Ends-

## Nikkei South Korea Manufacturing PMI<sup>®</sup> 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 Shimpō (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 of 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](mailto:joseph.hayes@ihsmarkit.com)

Jerrine Chia, Marketing and Communications  
Telephone +65 6922 4239  
E-mail [jerrine.chia@ihsmarkit.com](mailto:jerrine.chia@ihsmarkit.com)

Bernard Aw, Principal Economist  
Telephone +65 6922 4226  
E-mail [bernard.aw@ihsmarkit.com](mailto: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](mailto: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](mailto:economics@ihsmarkit.com).

### About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

*IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2018 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.

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