

News Release

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S&P Global South Korea Manufacturing PMI[®]

South Korean manufacturing output continues to grow

Key findings

PMI remains above 50.0 for third consecutive month

New order growth eases to three-month low

Strongest lengthening in lead times since January 2023

South Korea's manufacturing PMI data signalled a sustained improvement in operating conditions at the start of the third quarter of 2024. Both output levels and total new orders remained in expansion territory, though the respective rates of growth softened to three-month lows. Positively, growth of exports was sustained for a seventh successive month, with the rate of expansion broadly in line with that seen in June. Firms also continued to raise staffing levels and buying activity. That said, manufacturers noted a stronger deterioration in vendor performance, with suppliers' delivery times lengthening to the greatest extent in a year-and-a-half. Delivery delays were often attributed to logistical disruptions in the Red Sea and Mainland China.

The seasonally adjusted S&P Global South Korea Manufacturing Purchasing Managers' Index[™] (PMI[®]) dipped from 52.0 in June to 51.4 in July, signalling a sustained, albeit softer improvement in operating conditions in South Korea's manufacturing sector. The improvement was the third in as many months, though the softest in the current sequence.

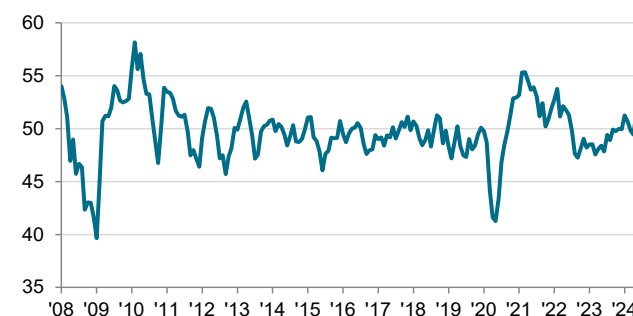
Manufacturing companies registered a moderate rise in output levels at the start of the third quarter. Where an increase was reported, panel members attributed this to improved demand, especially from abroad, as well as the mass production of new products.

July data signalled a fourth consecutive increase in total new orders. That said, the expansion was only modest and the softest recorded since May. A number of firms mentioned that new product launches had boosted orders, especially from international clients as the domestic demand environment remained subdued. As such, new export orders expanded for the seventh month in a row amid stronger demand in South East Asia, the US and Japan.

In line with output and demand, buying activity at South Korean goods producers was raised for the eleventh consecutive month, reflecting increased order volumes and

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 11-23 July 2024.

Comment

Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"July PMI data signalled that the South Korean manufacturing sector saw a sustained improvement in operating conditions. Both output and new order volumes rose, but at softer rates as firms mentioned that muted domestic demand had held back a stronger expansion. Export demand continued to remain a bright spot, rising for the seventh month in a row.

"Meanwhile, firms reported that average lead times lengthened at a more marked rate in July. The latest deterioration was moderate, and the most marked since the start of 2023 amid logistical disruption caused by the Red Sea crisis and port congestion in Mainland China.

"Looking ahead, firms were more optimistic regarding the year-ahead outlook for output in July, as firms were hopeful that the current uplift in demand from international markets would feed into the domestic economy and provide further boosts to demand."

PMI[®]

by S&P Global

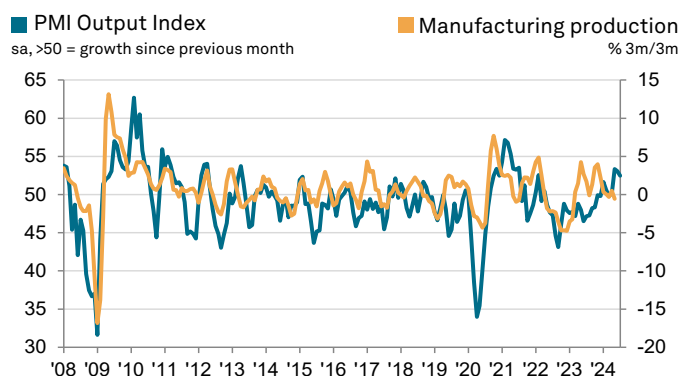
new product launches. That said, the rate of increase eased to a three-month low. Despite increased purchasing, pre-production inventories were lowered for the sixth successive month amid a reluctance among some firms to hold input stocks due to higher costs. Amid a weak domestic demand environment, post-production inventories rose for the first time since June 2023, though some firms also mentioned the building of safety stocks as total demand remained positive.

Manufacturers noted that the extent to which delivery times lengthened was solid in July, and the most marked since January 2023 amid logistical delays and disruption in the Red Sea and Mainland China.

Despite rising new orders, firms reported falling levels of outstanding business for the fourth time in five months. Panel members often noted that they were able to keep on top of capacity requirements by raising employment for the third month running amid business expansion plans and new product launches.

Input costs continued to rise markedly in June, though the latest bout of price inflation was the softest since April. Survey members attributed the latest rise to sharp increase in raw material and logistics prices. In response, South Korean manufacturers raised output charges, but only modestly in order to remain competitive.

The 12-month outlook for output strengthened at the start of the third quarter, with the overall degree of positive sentiment solid overall. Optimism was attributed to hopes that the current demand uplift would be sustained and accelerate, alongside further new product launches.



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Survey methodology

The S&P Global South Korea Manufacturing PMI® is compiled by S&P Global from responses to 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. Data collection began in April 2004.

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.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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