

# News Release

Embargoed until 0930 KST (0030 UTC) 2 September 2024

## S&P Global South Korea Manufacturing PMI<sup>®</sup>

### Output growth hits 40-month high in August

#### Key findings

Stronger rises in new orders and production

Input price inflation at lowest in 2024 to date

Business optimism strengthens

August data pointed to sustained and stronger increases in both output and new orders in the South Korean manufacturing sector amid growing signs of client confidence. Positive signals also stemmed from a slower increase in average cost burdens, as the rate of input price inflation was at the weakest in the year so far. Moreover, the degree of optimism regarding the 12-month outlook for output picked up for the second successive month, and was the strongest since May.

The seasonally adjusted S&P Global South Korea Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>) registered 51.9 in August, up from 51.4 in July and signalling a stronger improvement in operating conditions in South Korea's manufacturing sector. The expansion was the fourth in a row, and modest overall.

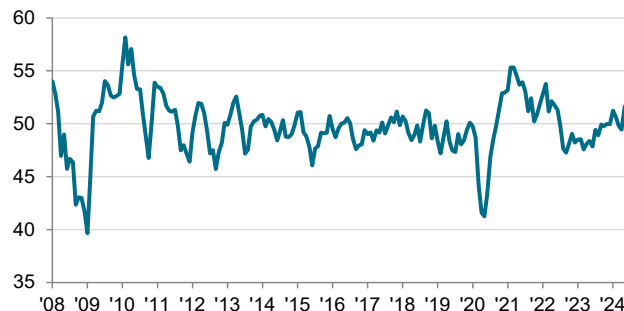
There was a steeper increase in production levels in August, with output up solidly midway through the third quarter of the year. Production has now increased in each of the last five months, with the latest rise the strongest since April 2021. Firms often mentioned that rising new orders was the main reason behind growth of output, as manufacturers also highlighted a steeper increase in incoming business. The improvement in demand was commonly linked to stronger customer confidence and new client wins, notably in the domestic market. Meanwhile, growth in new export orders slowed amid reported weakness in Mainland China and the US.

The outlook for production over the coming year was increasingly positive, as firms hope for sustained improvements in the domestic and global economies. Plans for the mass production of newly launched products also contributed to optimism. As a result, confidence reached the highest for three months.

Employment levels rose for the fourth consecutive month during August, with the rate of job creation reaching a

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-21 August 2024.

#### Comment

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

"August provided a stronger picture for the South Korean manufacturing sector. Both output and new orders saw stronger expansions, with the former seeing the steepest rate of growth in close to three-and-a-half years. The headline PMI was also boosted by a further increase in employment, while downward pressure was applied by a further reduction in stocks of purchases.

"Another positive takeaway from the latest data was a softening in inflationary pressures. The rate of input price inflation eased sharply from July and was the softest in the year to date. Moreover, an improved economic outlook and the production of newly launched products meant that confidence in the year-ahead outlook strengthened in August and reached a three-month high."

PMI<sup>®</sup>

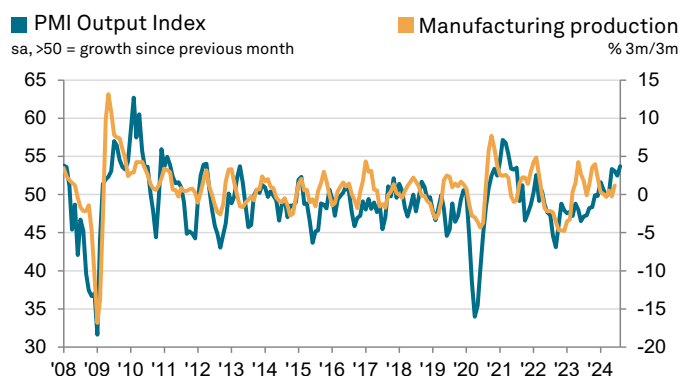
by S&P Global

six-month high. At the same time, firms mentioned that adequate staff meant pressure on capacity remained muted and allowed manufacturers to work through existing work. That said, the rate of depletion in backlogs was only marginal.

Suppliers' delivery times lengthened for a third successive month during August. The rate of deterioration was only modest, and often linked to delivery delays and logistical disruption in the Red Sea and Mainland China. Meanwhile, holdings of both inputs and finished items were scaled down, with the latter falling at the second-strongest rate since December 2021.

The reduction in stocks of purchases was registered despite a sustained and accelerated increase in purchasing activity, as firms commented on efforts to obtain inputs in response to increased new orders.

Inflationary pressure remained prevalent at the midpoint of the third quarter of 2024. That said, the rate of input price inflation eased from July to reach the lowest in eight months. In line with the picture for cost burdens, output prices rose at a modest pace that was the slowest in 2024 to date.



Sources: S&P Global PMI, KOSTAT via S&P Global Market Intelligence.

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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](mailto:economics@spglobal.com).

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