

# News Release

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

### Sharpest deterioration in manufacturing operating conditions since June 2023

#### Key findings

Renewed contractions in production and new orders

Employment levels fall in response

Optimism eases to softest for 21 months

Business conditions in the South Korean manufacturing sector deteriorated at the end of the third quarter of the year, amid renewed declines in both output and new orders. In fact, the respective rates of reduction were the most pronounced for 11 and 15 months. Employment also fell into contraction, while growth of purchasing activity slowed and stock holdings fell.

There were further reports of rising cost pressures, though the rate of input price inflation eased to a 13-month low. Consequently, output charges were lowered for the first time since August 2023.

At 48.3 in September, the seasonally adjusted S&P Global South Korea Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>), fell from 51.9 in August to indicate a renewed deterioration in the health of the South Korean manufacturing sector. The reduction was modest, but the most pronounced since June 2023.

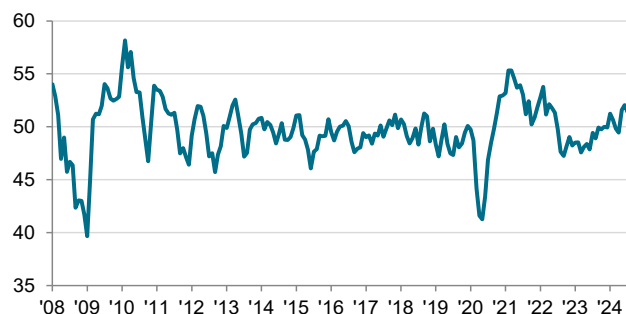
There were contractions reported in the two main components of the headline PMI - output and new orders. The latter saw a solid reduction in September, and one that was the strongest for 15 months. Panel members often mentioned that a stagnating domestic economy and weak client confidence had weighed on total order books. Moreover, new export orders also fell into contraction territory for the first time in 2024 to date.

Weak new order inflows were cited as the main reason behind the renewed contraction in output volumes. The decline was only modest, yet the steepest seen for just under a year.

September data also signalled a first reduction in factory employment in South Korea in five months. The rate of job shedding was modest, but the most marked for one-and-a-half years. Where staffing levels fell, firms often linked this to muted demand. Concurrently, manufacturers recorded a further monthly reduction in backlogs of work as subdued new order volumes allowed firms to reallocate capacity to

S&P Global South Korea Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 9-20 September 2024.

#### Comment

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

"South Korea's manufacturing sector faced a reversal in fortunes during September. Having shown growth in six of the first eight months of 2024, firms saw operating conditions deteriorate at the end of the third quarter as both output and new orders fell back into contraction territory. Moreover, the respective rates of decline were the strongest in 11 and 15 months.

"Muted conditions discouraged firms from taking on additional staff. In fact, firms opted to reduce workforce numbers, whilst also scaling back stock holdings and easing growth of input purchases.

"The forward-looking picture also looks clouded in uncertainty. Panellists mentioned that backlogs of work - a bellwether for near-term activity - fell at the steepest rate for five months, while confidence regarding the year-ahead outlook eased to the softest since December 2022. Firms often reported concerns regarding the wider impact of a stagnating domestic economy."

PMI<sup>®</sup>

by S&P Global

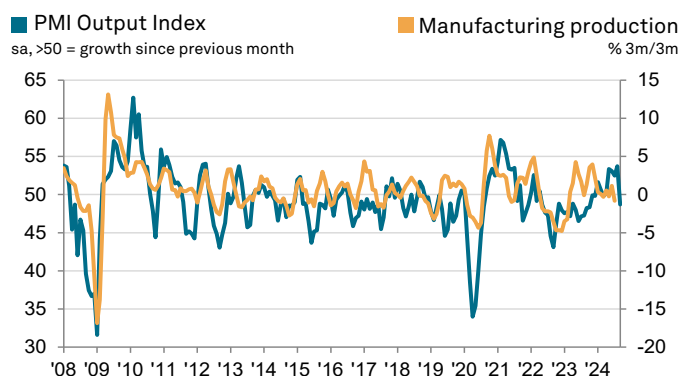
complete existing orders.

The muted demand and employment picture also reflected softening optimism regarding the year-ahead outlook among South Korean manufacturers. Expectations regarding the outlook for production were positive but the weakest since December 2022. Manufacturers commonly mentioned concerns that a stagnating domestic and global economy would weigh on the sector.

South Korean goods producers raised purchasing activity for the thirteenth month in a row during September. The increase in buying levels was modest and the softest recorded for six months. Stocks of purchases were depleted once again, and at the strongest rate since April, while there was a sustained fall in holdings of finished goods.

September data pointed to a further lengthening in suppliers' delivery times. The extent to which lead times extended was only modest however, and eased to the least pronounced for three months.

Cost pressures faced by South Korean manufacturers rose again in September, but the rate of input price inflation eased for the third month running to reach the lowest since August 2023. With cost inflation easing, output prices were lowered for the first time in 13 months in a bid to stimulate sales.



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

## Contact

Usamah Bhatti  
Economist  
S&P Global Market Intelligence  
T: +44-134-432-8370  
[usamah.bhatti@spglobal.com](mailto:usamah.bhatti@spglobal.com)

SungHa Park  
Corporate Communications  
S&P Global Market Intelligence  
T: +81 3 6262 1757  
[sungha.park@spglobal.com](mailto:sungha.park@spglobal.com)

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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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