

HSBC South Korea Manufacturing PMI™

South Korean manufacturing business conditions improved marginally in November

Summary

November survey data, compiled by Markit for HSBC, indicated slight growth of the South Korean manufacturing sector. The HSBC South Korea PMI posted 50.2, up from October's twenty-month low of 46.7. The improvement signalled by the latest figure was only slight, and weaker than the long-run average for the series.

The seasonally adjusted New Orders Index posted fractionally above the 50.0 no-change threshold in November, signalling a negligible rise in new work intakes. New export business increased marginally, in contrast to the previous survey period where a solid reduction was recorded.

November data indicated that output fell in the South Korean manufacturing sector, signalling that the negligible rise in overall new order volumes was insufficient to boost production. Moreover, backlogs of work decreased and at a stronger rate than in the previous survey period. This suggested that spare capacity at manufacturers persisted, with panellists attributing this to the recent reduction in new work intakes. Finished goods stocks were also depleted during the month, albeit at a weaker rate than in October.

South Korean manufacturers indicated that employment at their companies increased during November. Furthermore, the latest rise in headcounts was the strongest in three months. Panellists reporting an increase in staffing levels commented that this reflected a rise in new orders.

Suppliers' delivery times shortened during November. This was the fourth successive month where an improvement in vendor performance was indicated, although the latest shortening in lead times was the weakest in this period. This was in line with a slight rise in purchasing activity during the month.

Input prices faced by manufacturers in South Korea increased markedly in November, with the latest rise in costs the fastest in four months. Higher raw material prices were cited as the main driver of input cost inflation. Subsequently, charges also rose, in contrast to the previous month. However, the extent of output price inflation was restricted by strong competition for new business.

Comment

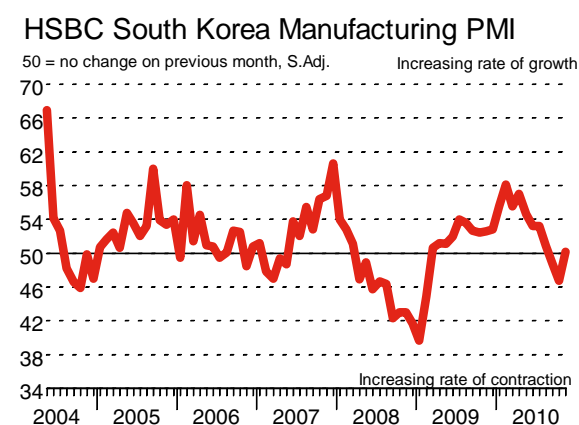
Commenting on the South Korea Manufacturing PMI survey, Song Yi Kim, Economist at HSBC in Asia said:

"HSBC's South Korea PMI points to a rebound in growth. Already, exports have re-accelerated after some slack over the summer months. A jump in consumer confidence for November suggests that household consumption will remain strong as well. This could fuel inflation, with price pressures already elevated due to rising raw material costs. Indeed, both input and output price indices of the HSBC PMI rose in November. The Bank of Korea will likely keep a close watch on these indicators, with monetary policy still poised for tightening in the coming months."

Key points

- New export orders rose marginally.
- Employment increased for twenty-first successive month.
- Stronger input price inflation drove charges higher.

Historical Overview



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Notes to Editors:

The HSBC South Korea Report on Manufacturing 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 regional and industry contribution to South Korean Industrial Production. 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 (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.

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.

HSBC:

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