

# HSBC South Korea Manufacturing PMI®

## South Korean manufacturing output rises at fastest rate since February 2011

### Summary

April data showed manufacturing sector operating conditions improving for the third month in succession. Factory output rose at a solid rate, largely in response to continued growth of incoming new business. This in turn contributed to another month of job creation, albeit marginal, and a solid expansion of purchasing activity. Meanwhile, companies further reduced their output charges in April, despite a continued increase in average input costs.

After adjusting for seasonal factors, the HSBC Purchasing Managers' Index™ (PMI™) – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy – posted 51.9 in April, a level indicative of a moderate improvement in manufacturing sector operating conditions.

South Korean manufacturing production rose further in April, with the rate of expansion accelerating to the fastest in 14 months. Goods producers widely reported that output growth reflected greater inflows of new business. The rate of expansion in overall new orders accelerated during April, reaching its highest since March 2011. April data also signalled a continued increase in new export orders. Although modest, the latest rise in foreign order levels was the fastest in nine months. Higher intakes of new business placed pressure on firms' operating capacity in April. Backlogs of work rose as a result, albeit at a marginal rate, while companies added to their staff numbers for the second month in succession. The rate of growth in the sector was marginal, however, and slower than in March.

In line with higher output requirements, the amount of inputs purchased by goods producers rose in April. The rate of expansion remained solid, and stronger than the long-run series average. Despite the further rise in buying activity, average vendor performance improved for the first time in five months. Moreover, the rate of lead time shortening was the sharpest since November 2009.

Input price inflation eased to only a modest rate. Moreover, the latest increase was the weakest in the current 29-month period of inflation. Higher fuel and raw material costs were cited as the main drivers of inflation. Companies, on balance, opted not to pass on higher costs to clients in April, with charges at the factory gate falling further. However, the rate of output price discounting remained marginal. Firms that reduced their average tariffs mentioned efforts to stimulate client demand.

### Comment

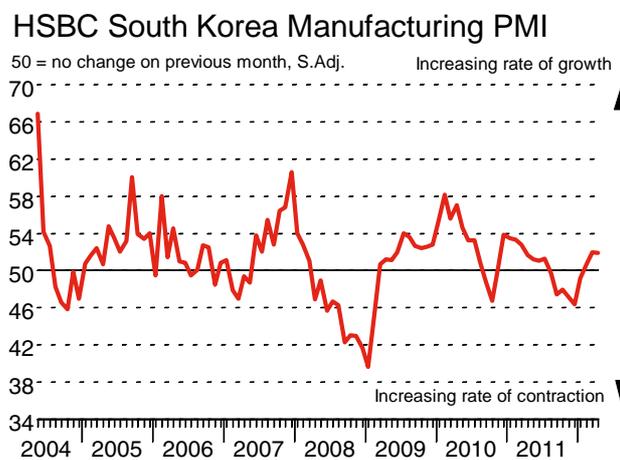
Commenting on the South Korea Manufacturing PMI® survey, Ronald Man, Economist at HSBC in Asia said:

*“Demand has increased. Rising new orders for Korean goods sustained the expansion in manufacturing conditions. On the domestic front, this was supported by stronger consumer confidence. On the external front, easing by key trading partners, such as China, is filtering through to higher demand for Korean goods. But manufacturing employment growth remains below its long term average, indicating further scope for improvements ahead.”*

### Key points

- Output growth supported by stronger expansion of incoming new business
- Job creation recorded, albeit marginal
- Input cost inflation eases to 29-month low

### Historical Overview



Sources: Markit, HSBC.

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**Notes to Editors:**

The HSBC South Korea Manufacturing PMI 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 industry contribution to South Korean GDP. 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](mailto:economics@markit.com).

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