# **HSBC Purchasing Managers' Index™ Press Release**

Embargoed until: 09:00 (Seoul), 3 December 2012

# HSBC South Korea Manufacturing PMI®

# PMI rises to five-month high in November

## **Summary**

The HSBC South Korea *Purchasing Managers' Index*<sup>TM</sup> (*PMI*<sup>®</sup>) – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – registered a reading of 48.2 in November. That was an improvement on October's 47.4 and a five-month high. However, by remaining below the 50.0 no-change mark, the PMI signalled a month-on-month reduction in operating conditions for the sixth survey period in a row.

Output and new order volumes continued to fall during the month, reflective of a difficult economic climate both at home and abroad. In each case, declines have been registered throughout the past six months, although the latest falls were both the slowest since June.

A similar pattern emerged for new export orders, with foreign sales down for a sixth month in succession, albeit at a reduced pace when compared to October. China and Japan were noted as sources of export weakness, although some panellists reported that tentative signs of recovery were providing some support to client demand in some foreign markets.

The soft underlying trend in total new orders enabled companies to clear their volumes of work outstanding at a solid pace in November. Evidence of excess capacity led a number of companies to not replace leavers at their plants. The result was a slight decline in manufacturing employment for the third time in the past five months.

With workloads down and the outlook uncertain, South Korean manufacturers sought to streamline inventory holdings during the latest survey period. Latest data showed a marginal fall in stocks of finished goods and a modest decline of inventories of raw materials and semi-manufactured goods.

Manufacturers also chose to lower their purchasing activity in response to falls in new orders and output requirements. That said, the net reduction in buying was modest and the slowest seen since June.

Input price inflation remained muted during the latest survey period, with only a modest increase in purchasing prices that was the slowest in the current three-month sequence. Where a rise in input costs was seen, panellists often blamed higher raw material prices on international markets.

In contrast, prices charged by South Korean manufacturers continued to fall. The modest reduction reflected a reaction to weak underlying demand and specific requests from clients for lower prices.

#### Comment

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

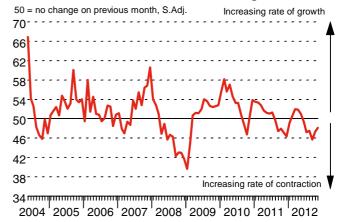
"South Korea's manufacturing sector remains on track for a gradual recovery. A key drag on business sentiment is high uncertainty over global and domestic conditions. Further signs of economic recovery in key export markets will provide clarity on the economic outlook, which may support manufacturing employment growth. We expect policymakers in Seoul to maintain its easing stance through year-end and into the first half of 2013."

# **Key points**

- Slower falls in output and new orders indicated by latest survey data
- Slight fall in employment as manufacturers choose to not replace leavers amid uncertain outlook
- Modest input price inflation, but output charges cut again

# **Historical Overview**

# **HSBC South Korea Manufacturing PMI**



Sources: Markit, HSBC.





# For further information, please contact:

### **HSBC**

Frederic Neumann, Co-Head of Asian Economic Research

Telephone +852-2822-4556

Email fredericneumann@hsbc.com.hk

Ronald Man, Economist
Telephone +852-2996-6743
Email ronaldman@hsbc.com.hk

Corporate Communications:

Chi Hyang Chung

Telephone +822-2004-0951

Email chihyangchung@kr.hsbc.com

Hyon Jin Suh

Telephone +822-2004-0882

Email hyonjinsuh@kr.hsbc.com

#### **Markit**

Paul Smith, Senior Economist Telephone +44-1491-461-038

Email paul.smith@markit.com

Caroline Lumley, Corporate Communications

Telephone +44-20-7260-2047 Mobile +44-781-5812162

Email caroline.lumley@markit.com

#### **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<sup>TM</sup> (PMI<sup>TM</sup>)* 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.

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Purchasing Managers' Index™ (PMI®) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics

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