

## Korea: Mixed, but not dismal data

There's nothing to make the Bank of Korea turn hawkish



### Decent enough figures

Statistics Korea have released their omnibus monthly industrial statistics which paint a mixed, but not altogether dismal picture of the economy. Industrial production in August rose almost in line with the expectations (0.4% MoM actual, 0.5% consensus, INGF: 0.5%), though the annual rate looked healthy enough, at 2.7%YoY. Manufacturing delivered a decent 2.9%YoY gain, though construction was softer both on the month and year on year, though still managed to deliver an 8.1% YoY gain. Service industry growth was unsurprisingly closer to trend GDP growth, rising only 0.1% MoM and 2.1% YoY, whilst retail sales were disappointing at 0.8% YoY, though may be affected by poor weather in August. A bounce back of sales in September will confirm this.

## No imminent policy changes

Looking ahead, producers' inventories rose by 2.1% from the previous month, suggesting production may be trimmed back in the months ahead. Korea's firms also cut back on machinery investment by 2.7% in August, as production capacity has risen over the year, but capacity utilisation has dropped. This does not bode well for investment spending in coming quarters and could weigh on overall GDP growth in the second half of the year.

So all in all, a mixed report, some negative forward indicators, but no doubt also a good deal of noise stemming from weather affected spending. We will need to see September's data before drawing any firm conclusions. In any case, nothing here to make the BoK turn hawkish.

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