

Korea: January manufacturing registers another month of gains, beating market expectations

Mining and manufacturing IP rose 0.2% month-on-month (seasonally adjusted) in January, well above the market expectation of -1.5%. The upbeat manufacturing PMI suggests that optimism on Korea manufacturing will continue for the near future.



Source: Shutterstock

0.2% January IP (% MoM, sa)

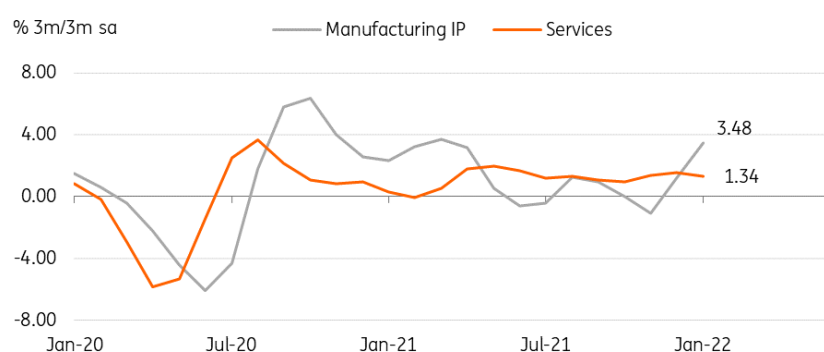
Higher than expected

All-industry production index drops -0.3% month-on-month in January, mostly due to weak services and public administration. Manufacturing and construction still robust

Mining and manufacturing production was up by 0.2% month-on-month (seasonally adjusted), with shipment and inventory improving. Among major industries, semiconductors and autos were particularly solid, rising by 6.1% and 3.2% respectively. Machinery fell -3.2%. The weakness in services was mostly concentrated in the financial sector, probably due to poor recent KOSPI performance. On the positive side, leisure-related services (including hotels/restaurants and transportation) rebounded despite the Omicron surge in January. In sum, the all-industry production index dropped -0.3% month-on-month (seasonally adjusted), the first fall in three months.

Retail sales dropped by -1.9% month-on-month (SA) in January (vs. 2.2% in December) with imported auto sales and apparel sales down the most. On the other hand, facility investment registered a 2.5% gain, driven by transportation equipment.

Manufacturing IP accelerates further in January



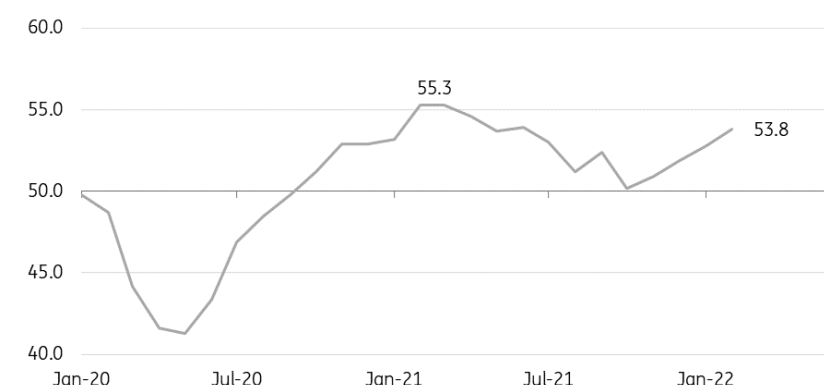
Source: CEIC

Upbeat manufacturing PMI suggests a positive view on Korea's manufacturing outlook in the first half of this year.

The February manufacturing PMI index rose sharply to 53.8 (vs. 52.8 in January) with both output and new order indices rising, posting another rise to mark four months of consecutive gains.

Today's data releases were mixed overall but, together with yesterday's positive export data, Korean manufacturing and exports are expected to be the main drivers of the current quarter's growth and to remain resilient in the coming months.

Manufacturing PMI has risen for four months in a row



Source: CEIC

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.