

## Korea: Jobless rate fell sharply in January while more policy support is expected

The jobless rate improved mostly in government-sector jobs while import prices rose mostly due to the weak Korean won. We expect more macro policy support in the coming months

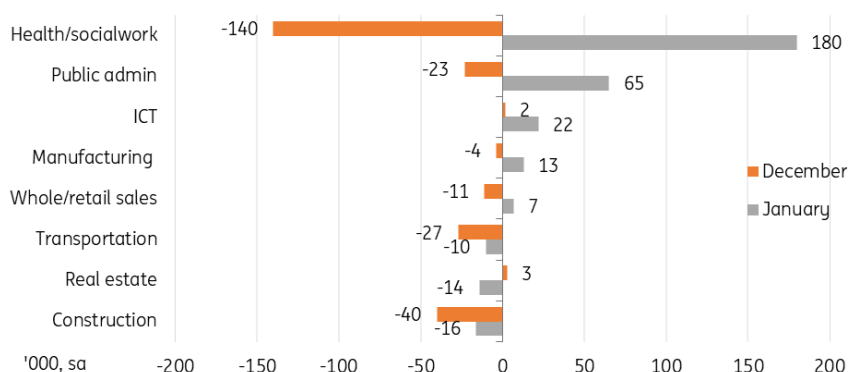


### Unemployment rate fell in January, but most job gains were in government-backed programmes

The unemployment rate fell sharply from 3.7% in December to 2.9% in January, well below the market consensus of 3.2%. In fact, as we had suspected last month, it was public jobs that caused the largest monthly swing. Among the industries, public administration and health & social work added the most jobs with 65k (vs -23k in December) and 180k (-140k in December), respectively. This was confirmed by an increase of 209k in the number of temporary workers (compared with -212k in December). The public work programme usually starts in January-March with contracts lasting less than one year. We found today's figures positive, as they suggest that the political upheavals in December had a minimal impact on the labour market. At the same time it shows that the Korean labour market is heavily dependent on public programmes, rather than the private sector. Apart from the public work programme, manufacturing jobs recovered slightly (13k) after five months of contraction, while information and communications added jobs at a fairly solid rate (22k). However, other major industries such as construction and transport continue to shed jobs for

a prolonged period.

## Private sector employment remain weak in January



Source: CEIC

## Import prices rose steadily in January mostly due to the weak KRW

Import prices rose 6.6% year-on-year in January, moderating from a revised 6.8% in December. The KRW weakness is adding to domestic price pressures, as import prices in the contract currency fell -1.8%, the sixth consecutive monthly decline. We expect consumer prices to hover around 2% with upside inflationary pressures building. Yet, the government is likely to introduce additional policy measures to curb inflation if it surges sharply.

## Macro policy will be committed to supporting growth

We expect the Bank of Korea to resume its rate cutting at its February meeting. The weak KRW was the main concern for the BoK to pause its easing back in January. Now we see the KRW stabilising while the private sector is showing a weak recovery. On the fiscal side, the two major parties started talking about the supplementary budget. We expect the government to propose a budget of 20-30 trillion won by the end of the first quarter.

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