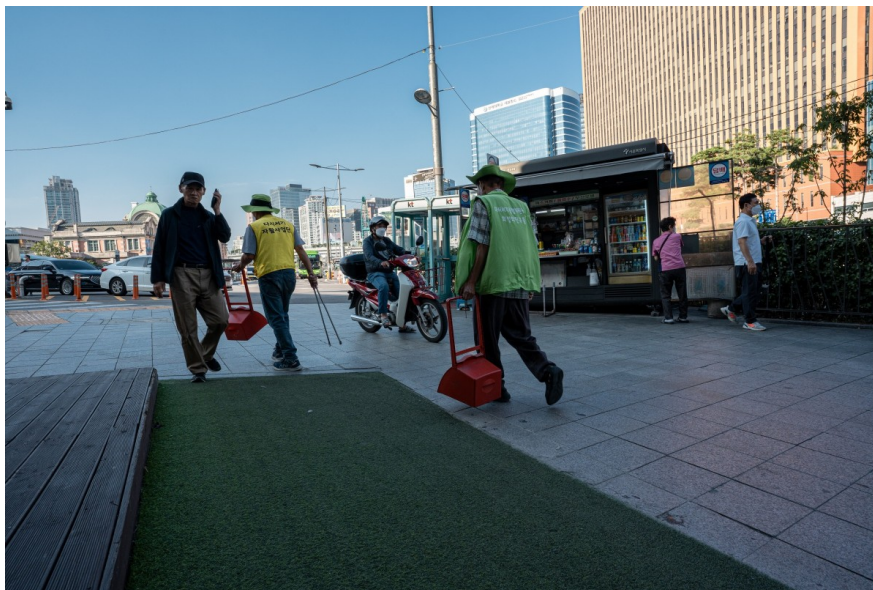


Korea: Political uncertainty hurts labour market more than expected

The jobless rate jumped to 3.7% in December (vs 2.7% in November, 2.9% market consensus). The political uncertainty is clearly having a negative impact on labour market conditions. With upcoming data expected to show a further deterioration, the Bank of Korea will pledge to support growth and restore confidence, thus frontload its rate cuts. We expect a 25bp cut in January and February



3.7%

Higher than expected

The jobless rate

Highest since June 2021

The details suggest that this is a temporary spike rather than a structural change

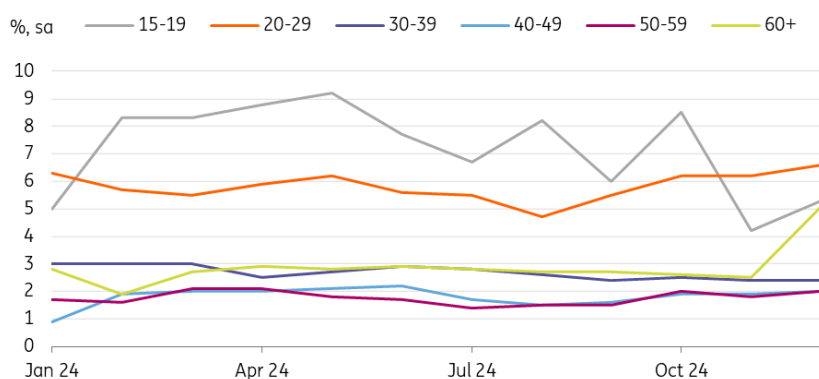
Looking at the unemployment rate by age group, the prime age group of 30-59 hasn't changed much, as it ticked up by around 0.1% point. But the 60+ and under 29 age groups have been hit hard.

By employment type, we saw a sharper deterioration in self-employed and non-regular wage workers. The number of self-employed fell by -0.1% month-on-month, continuing its losing streak for three consecutive months and the number of self-employed without employees dropped (-0.8%). Among wage workers, regular employees rose 0.1% while temporary and daily workers dropped by -4.5% each.

By industry, manufacturing jobs were unchanged compared to the previous month, which is a positive sign among cloudy outcomes. Construction lost jobs (-44k) but this is after having gained for the past five straight months. Among service sectors, health and social work employment dropped the most (-155k) but other main services such as business facilities & support (-11k), transportation (-32k), and whole/retail sales (-9k) – all declined.

We believe that deterioration is more severe for the vulnerable group – less skilled, non-wage, seniors. Also, we think the job market conditions might have deteriorated further after the plane crash at the end of December.

The jobless rate of the prime working-age group hasn't changed much



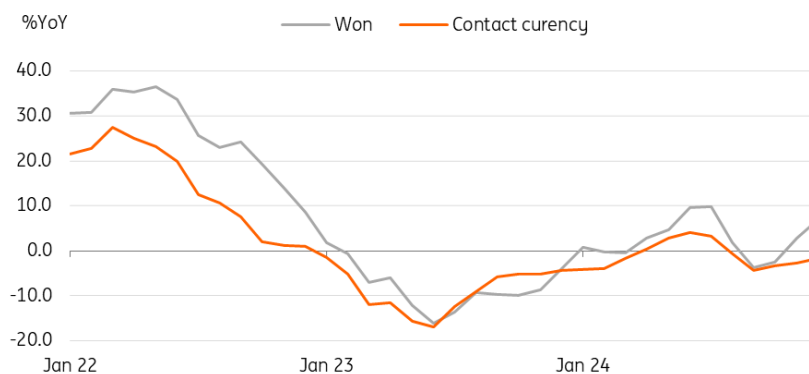
Source: CEIC

The BoK watch

Today's data showed that the ongoing political uncertainty is having a stronger-than-expected negative impact on the economy, supporting our view that the Bank of Korea will go all out to support the domestic economy by easing monetary conditions. We expect a 25bp cut in January. As we also believe that upcoming data is likely to deteriorate further for at least a couple of months and the political turmoil will continue until the Constitutional Court reaches a decision, the BoK is likely to frontload its rate cuts in 1Q25. This should work against the KRW, but the priority will be to support growth. We also expect inflation to stay around 2% despite the recent

weakening of the KRW and rising commodity prices. The more important measure, core inflation, is also likely to remain below 2% due to sluggish demand-driven pressures.

Import prices accelerated in December mostly due to the KRW weakness



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 www.ing.com.