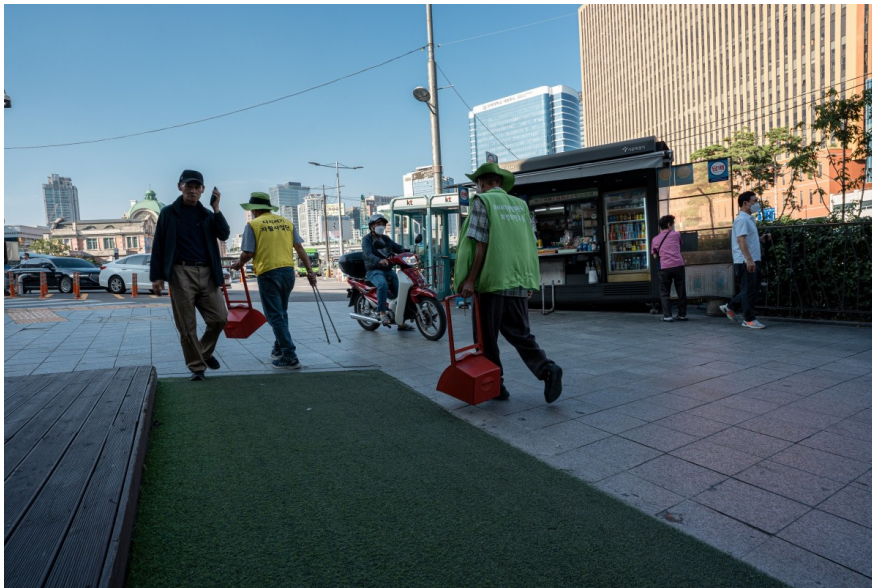


## Korea: Political uncertainty hurts labour market more than expected

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

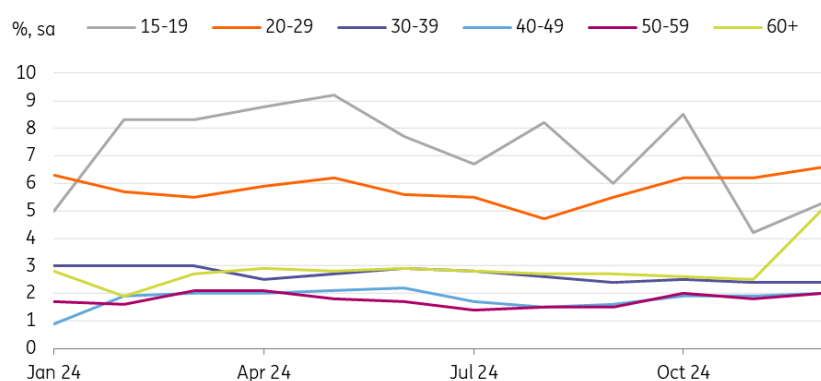
Looking at the unemployment rate by age group, the prime age group of 30-59 hasn't changed much, as it ticked up by around 0.1% point. But the 60+ and under 29 age groups have been hit hard.

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



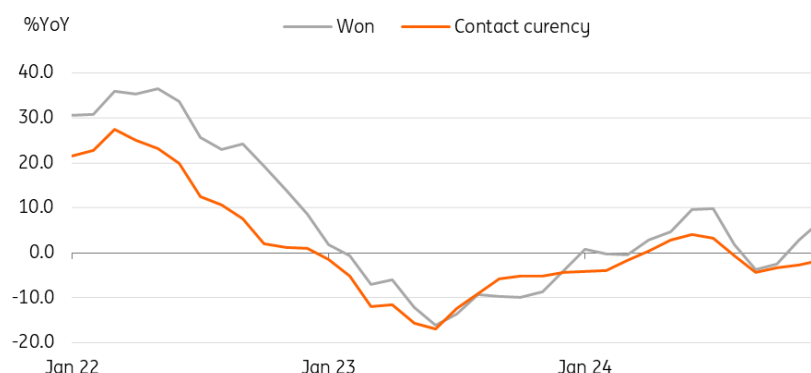
Source: CEIC

## 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

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