

Korea unemployment rate plunged to 2.7%, the lowest since the pandemic

Korea's labour market continues to recover, helped by a temporary boost from Covid related services.



Source: Shutterstock

2.7% Unemployment rate (sa)

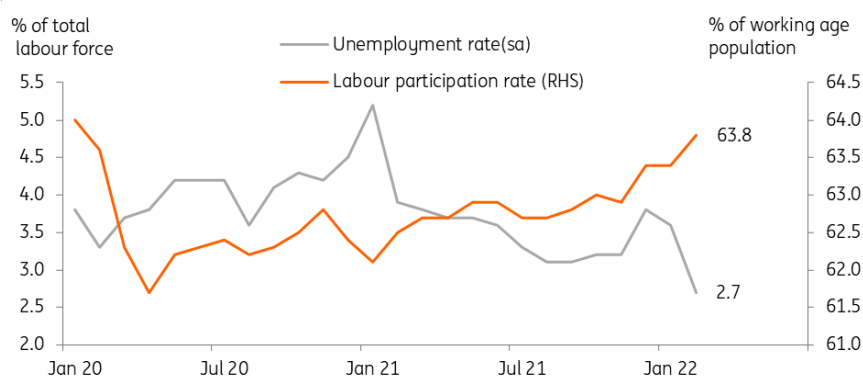
Lower than expected

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The unemployment rate (sa) in February plunged to 2.7% (vs. 3.6% in January), which was significantly lower than the market consensus view, which was that it would remain at 3.6%. The recovery was mainly due to better mobility conditions for services and temporary hiring related to

fighting the latest Covid wave. The labour participation rate edged up to 63.8% in February, after it paused at 63.4% during the previous two months. Despite the surge in daily covid cases caused by the Omicron variant, the relatively low mortality rate and high vaccination rates have probably had a positive impact on labour participation.

Unemployment and labour participation rate improved



Source: CEIC

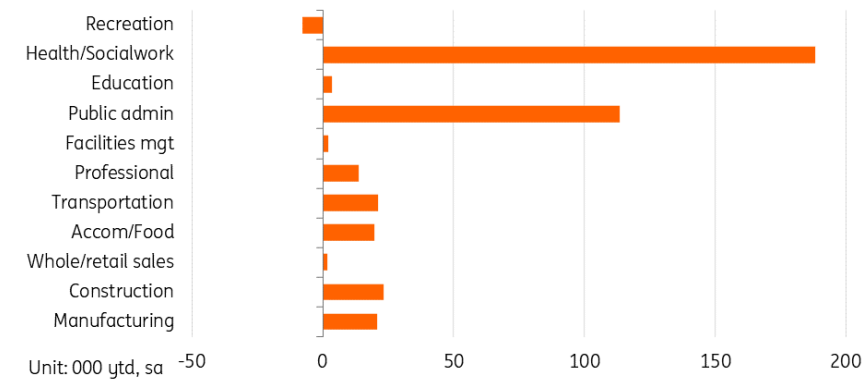
Total employment increased by 417k in February.

By industry, a total of 417,000 jobs were added in February, mainly driven by services (+344,000). Manufacturing fell for the first time in five months (-6,000) but construction continued to add jobs (+5,000), its fourth consecutive increase. Within the service industry, the main gains came from health and social Work (+220,000), followed by public administration (+102,000). Hotels/Restaurants and transportation also added jobs (+19,000, +15,000 respectively) as the government extended business hours of several service facilities.

As we expect the government will continue to gradually lift the remaining social distancing measures in the near future, the service sector should continue to see increased job creation. However, the sharp increase we saw this month in temporary hiring in health and social work will most likely reverse in the coming months.

The labour market's resilience should help to dissipate some of the Bank of Korea's (BoK) concerns about weak household consumption. Thus, with further upward pressure on inflation, we expect the BoK to resume hiking in 2Q22.

Employment by industry



Source: CEIC

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