

Korea: May unemployment rate rises, but labour market conditions appear healthy.

Labour market conditions held up relatively well in May despite rising inflation and the rising interest rate environment.



Source: shutterstock.com

2.8%

Unemployment rate

Seasonally adjusted

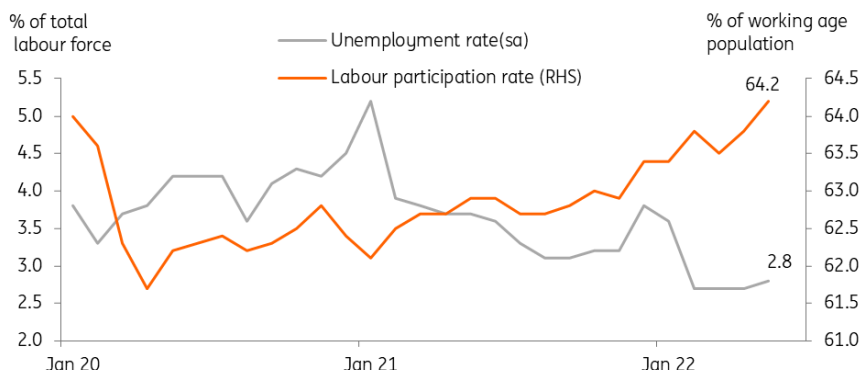
Higher than expected

Unemployment rate rose mainly due to rise in labour participation

The seasonally adjusted unemployment rate ticked up to 2.8% in May (vs. 2.7% market consensus and April), while the labour participation rate rose to 64.2% (vs. 63.8% in April), suggesting that employment recovery momentum has continued. Reopening appeared to have a positive impact on the service sector as employment in hospitality and leisure services rose. Temporary

employment related to the June local elections also added jobs for "other private services".

Labour market continued to recover



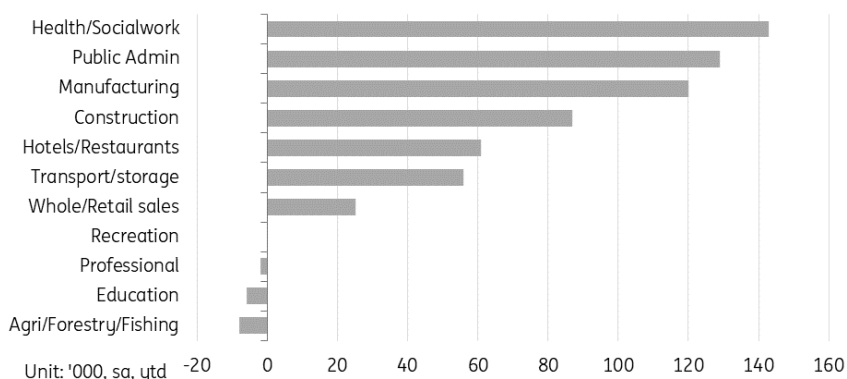
Source: CEIC

Looking ahead, some temporary factors will push up unemployment

We expect employment growth to slow after June. The on-going truckers' strikes are expected to negatively impact transportation and storage and, if extended beyond two weeks, could have negative spillover effects in construction and other sectors. Also, some public employment programs are due to end in the coming months. However, while unemployment will rise, overall labour market conditions will continue to recover as key drivers of employment shift from the public to the private sector and labour participation expands.

Meanwhile, the Ministry of Employment and Labor will expedite the entry of foreign workers and the issuance of work visas. In the aftermath of the COVID-19 pandemic, entry into Korea for a significant number of foreign workers has been restricted for the past two years. We think the issuance of work visas will help solve some of the labour shortages in agriculture and SMEs.

Employment gain accelerating in service sector



Source: KOSTAT

Implication for the Bank of Korea

The Bank of Korea will closely monitor labour market conditions given the tightness in the labour market and the potential for more rapid wage increases putting upward pressure on inflation. Concern over wage-spiral inflation was addressed multiple times by several committee members in the minutes of the May MPC meeting released yesterday. Today's labour market data should give the Bank of Korea some reassurance as there are still no significant signs that the current macro environment has yet had a negative impact on the labour market.

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.