

Korea: unemployment rate stays put at 2.7%, showing a resilient job market

Korea's unemployment rate of 2.7% is quite a healthy figure. Although the details reveal some weak points behind the strong headline, the Korean labour market continued to recover despite a surge of Omicron cases and a cloudy outlook for the global economy



Employment in manufacturing and construction rose firmly

2.7% Unemployment rate

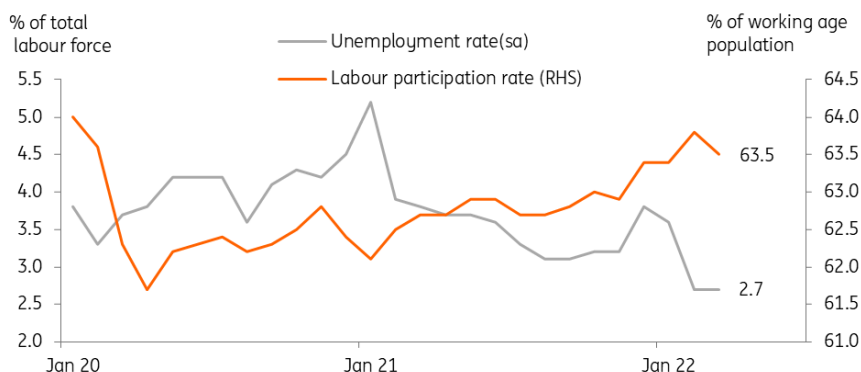
Lower than expected

Surge in Covid cases holds back workers

Despite the government easing social mobility rules quite substantially during the month, the reopening impulse has been somewhat more limited than expected. The labour participation rate declined to 63.5 % (vs 63.8% in February) as people might have been reluctant to join the job market due to the surge in Covid cases during the month. However, as the peak appears to have

passed since late March, more workforces are expected to return to the market in the coming months.

Unemployment rate stayed at 2.7% while the labour participation rate slid



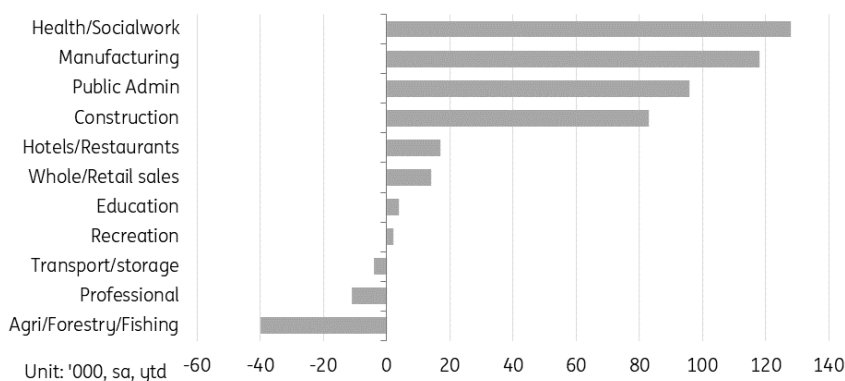
Source: CEIC

Employment declined by 94,000

By industry, employment in health/social work fell the most by 30k after a temporary boost (179k in February) due to the fight against the pandemic. A downside surprise came from the weak employment in hotel/restaurants (-11k) and transportation (-32k).

On a positive note, relatively high-skilled and high-paying employment was solid, with manufacturing (+61k) and construction (+45k) adding jobs. Also, by contract type, regular employment (contracts for one year or longer) rose strongly by 134k – marking 11 months in a row in which regular employment has seen gains – while temporary employment (contracts for one to 12 months) declined by 86k.

Employment in manufacturing and construction rose firmly



Source: KOSTAT

We expect the unemployment rate to rise back to 3%

We expect the services industry to hire more people with the lifting of Covid restrictions, while

manufacturing and construction jobs are likely to return some of the earlier gains if the current global supply chain disruption continues. Weaknesses should persist in self-employment, where debt burdens and cost pressures increase – but the incoming government has pledged to support this group thus providing some cushioning.

We believe that today's release may have provided some reassurance to the Bank of Korea ahead of tomorrow's Monetary Policy Committee (MPC) meeting amid growing concerns about growth. Tomorrow's MPC gets most of the attention as the market consensus has shifted rapidly from "no action" to "probable hike" over the past few days. Currently, the Bloomberg consensus splits an almost 50:50 odds for a 25bp hike, with 11 out of 21 for a hike, and 10 for hold.

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