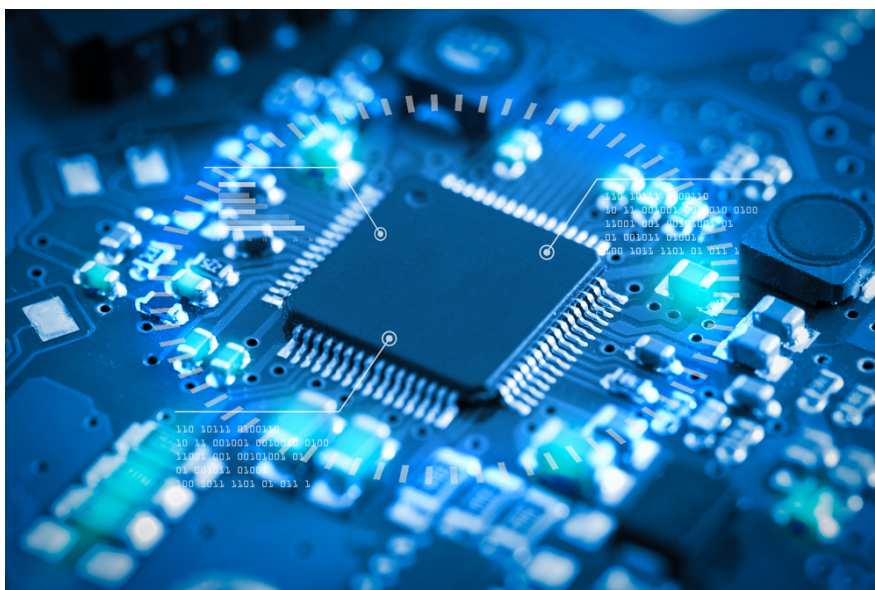


Korean production picks up in March

The headline index for production including mining, and utilities, rose 4.6%MoM in March. Services remain the weak spot in the economy, but we are still revising our GDP forecast for 2020 higher.



Rare release

We won't get too many positive reports on activity in Asia over the coming months, [so we should probably make the most of this one from Statistics Korea.](#)

Industrial Production rose 4.6%MoM in March. We don't have any further breakdown of the underlying components within the manufacturing component of this, but our guess is that the semiconductor industry underpins today's positive report.

It was not just output that was positive. Capacity utilization increased a little too, and inventories also declined a small amount - results consistent with a genuine and ongoing improvement, not just a data blip.

Adding to the positive theme, equipment investment and domestic machinery orders received also rose. And construction completed also increased, even if orders for construction declined sharply.

Its not all good though

Though the manufacturing sector seems to be showing some very encouraging signs of life, the same is not true yet of the services sector. This is a sign of the damage that the Covid-19 outbreak can have even in one of Asia's poster-children for how to deal with the outbreak.

There is no lockdown in Korea, and there has never been a mandatory lockdown anywhere in the country during this outbreak. So the 4.4%MoM decline in March services is the result of voluntary social distancing more than of any heavy-handed government interference. There is some chance that this will improve in April though.

GDP revised to a positive outlook for 2020

These industrial production data come on top of the 1.4%QoQ decline in GDP already published for 1Q20 and could suggest some scope for a small upward revision to that preliminary release.

2Q20 could even register some overall growth, which would indicate that our full-year -0.3% GDP forecast also needs nudging up to a small positive figure. We'll tentatively shift this to +0.3% for now, and we will finesse this number further in the upcoming forecasting round.

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