

## Unexpected drop in South Korea's jobless rate suggests GDP recovery

South Korea's jobless rate unexpectedly dropped to 2.7% in April, suggesting a gradual recovery in domestic activity. Even though a significant proportion of employment was in the government sector, private sector hiring increased, too



Seoul, South Korea

# 2.7%

Jobless rate, sa

Labour participation rate 64.8%

Lower than expected

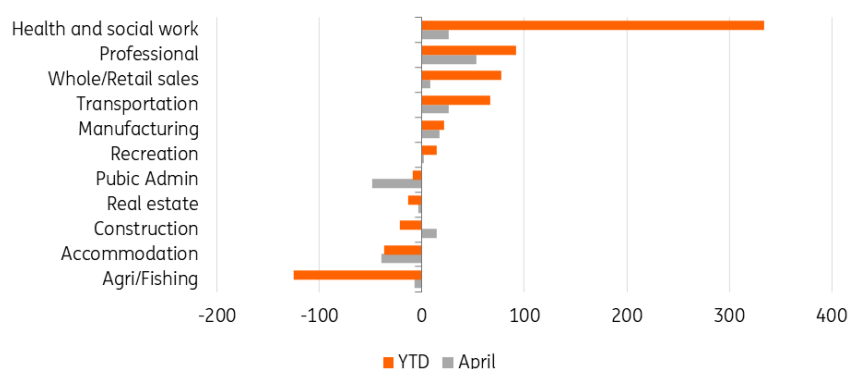
### Rebounds in manufacturing and construction jobs

The 2.7% decline in South Korea's jobless rate bodes well for a GDP recovery in the second quarter. The decline was unexpected (vs 2.9% in March, 3.0% market consensus) largely driven by a surprise improvement in manufacturing and construction.

Key sectors, such as manufacturing (17k) and construction (15k), added jobs in April. This was the first increase in five months for construction and the first in three months for manufacturing. However, we remain cautious about the rebound in construction. As the construction sector continues to restructure, at least for the first half of the year, this increase could be temporary. Hiring in manufacturing should reflect external demand, as tariff risks appear to have peaked. This should benefit manufacturing in the near term.

In the service sector, wholesale and retail sales (8k) increased for four consecutive months, while transportation (26k) increased for three consecutive months. However, the accommodation (-39k) and the real estate (-3k) sectors lost jobs. Health and social work remained strong, adding the most jobs year to date, mostly due to government welfare programmes.

## Government supported health and social work hiring gained the most in 2025



Source: CEIC

## We expect labour conditions to improve in coming months

Today's data is consistent with our forecast of a rebound in GDP in the current quarter, after the contraction seen in the first quarter. We anticipate a more substantial rebound in domestic growth after the presidential election in early June. Countercyclical measures from both monetary and fiscal policy are likely to be strengthened. However, the government's job programme, which typically lasts between three and 11 months, will see a gradual reduction in hiring during the second half of the year. Consequently, the private sector will play a more significant role in the labour market in the second half. Korea is likely to benefit from the 90-day ceasefire between the US and China, given that these are two of its largest export destinations. This should support the overall labour market.

### Author

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

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