

Korea's December industrial production picks up

December output rises 3.5% from the previous month. But is this any more than noise?



Source: Shutterstock

3.5% MoM

Better than expected

Korean Production

4.2% YoY

Good, but is it meaningful?

Year-on-year comparisons are widely used in economics but can be horribly misleading. Seasonal adjustment of data can also be clunky and unreliable. So it is often best to let the data speak for itself, and for the analyst to make their own mind up whether something has improved in a meaningful way or not.

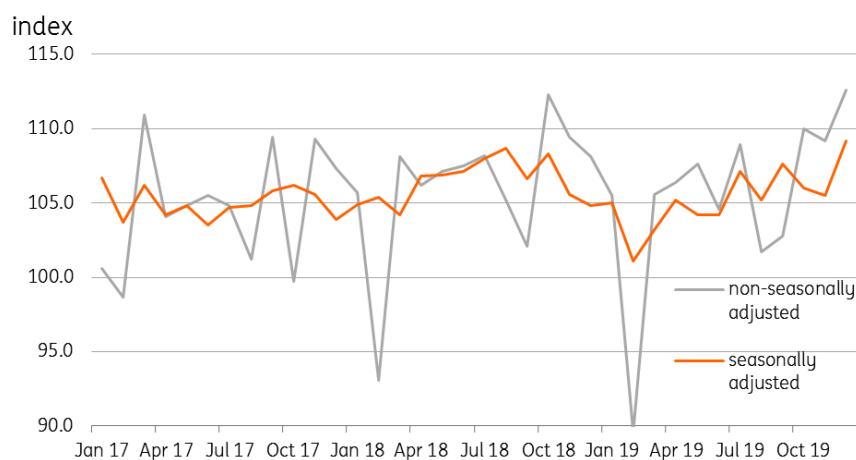
The chart below shows Korean industrial production indices - that is to say, the "levels" of output,

not growth rates. The lines owe nothing to events twelve months ago, or even last month. They are what they are. For completeness, the chart shows both seasonally adjusted levels for "Mining, manufacturing, Electricity, Gas and steam supply" as well as non-seasonally adjusted levels.

You can make your own mind up, but it looks to me as if we are seeing more than just stabilisation here. There does seem to be a genuine increase in activity from previous levels.

That is good news, though right now, the outbreak of the coronavirus is a far bigger story for Korea and Asia more broadly, so I don't believe this will have substantial market ramifications, though it does offer some optimism about the state of the Korean economy once "nCov" has run its course - hopefully in the Spring.

Korean industrial production, indices



Source: CEIC

Korean Industrial production

What's driving this?

There isn't much official breakdown by industry available right now, but some Bloomberg figures based on their own calculations suggest that this is fairly broadly based, and not simply a semiconductor story. Indeed, the imputed semiconductor figures, although positive, were some of the more moderate growth figures in their list. Broad-based is good news too, as it suggests greater support for jobs and the economy than would be implied by a very narrow bounce in the tech cycle.

These better figures and it could be evidence of a "peace-dividend" from the US-China trade truce. Though for now, we would be cautious as the background environment is very vulnerable to disruption from the corona virus.

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