

South Korea: the weaker-than-expected labour report is another sign of a recession ahead

The weaker-than-expected labour report flags that interest rate hikes may have begun to weigh on the broader labour market and eventually consumption. The Bank of Korea will pay attention to the slowdown in the labour market as well as inflation



Source: Shutterstock

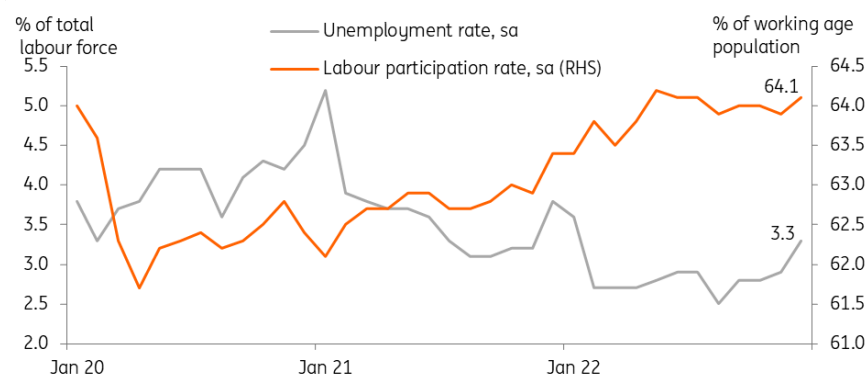
3.3% Jobless rate

Higher than expected

The jobless rate rose to 3.3% in December (vs 2.9% in November and 3.0% market consensus).

By industry, manufacturing (-26k) and construction (-27k) jobs declined while services (+18k) added jobs in December. Manufacturing employment accounts for about 16% of total employment and has fallen for four months in a row. And given the weak business surveys on employment, the outlook is quite gloomy. Construction employment also declined for a second month, reflecting the difficulties the industry is experiencing. As we expect the downturn for construction to continue throughout this year, employment also will likely worsen. Overall, the service sector has increased jobs, but the details were disappointing as major services such as wholesale/retail sales and transportation stayed weak. The reopening boost appears to be gradually disappearing as hotels/restaurants added only a smaller number of jobs (+12k) than before and recreation and leisure fell for the third month. In addition, with the Covid-19 policy getting normalized, health and social work dropped for the first time in five months. We think health and social work will continue to decline this year.

The jobless rate rose to 3.3%



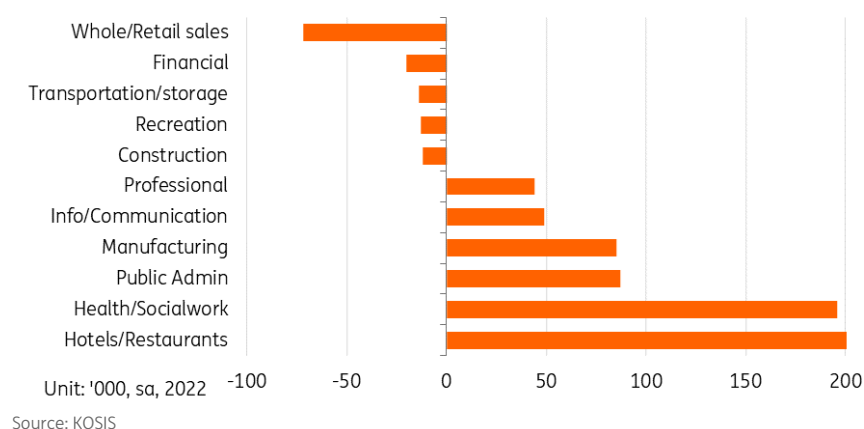
Source: KOSIS

Labour outlook and BoK watch

Today's report is in line with our view that labour market conditions will likely deteriorate considerably this year. Companies have been encouraging employees to take "voluntary early retirement" packages since last quarter, which has not yet been reflected in December data, and workforce restructuring is expected to increase further in the future. Thus, the unemployment rate will head towards 4% this year.

Usually, we think the labour report is secondary data for the Bank of Korea (BoK) when they decide policy rates. But, currently, with a sharp and sudden rise in unemployment and a bleak outlook for this year, it could have a greater impact on policy decisions. We maintain our non-consensus view for an "on-hold" decision at the BoK's Friday meeting.

Service employment was strong in 2022



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.