

South Korea's jobless rate edges up, but central bank to remain on hold this month

South Korea's jobless rate rose in October, but it remains below 3%. The Bank of Korea is expected to keep policy unchanged in November amid concerns about property risk and volatile foreign exchange markets



Source: Shutterstock

2.6%

Jobless rate, sa

Labour participation rate 64.5%

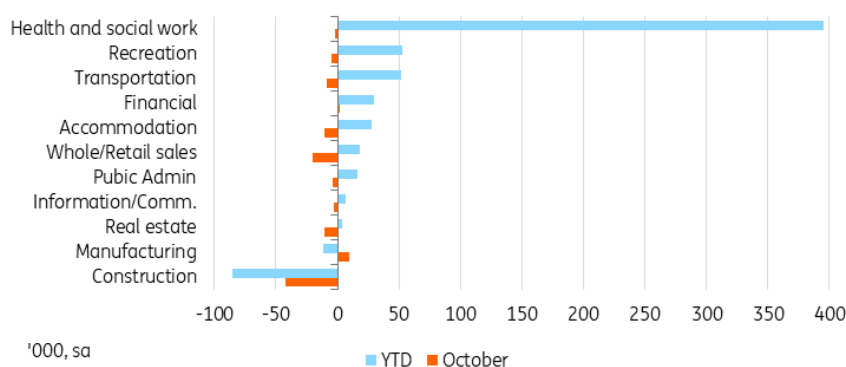
As expected

The longer-than-usual Chuseok holiday may have a negative impact on the labour market

South Korea's jobless rate edged up to 2.6% in October (vs 2.5% in September) in line with market consensus, while the labour participation rate dropped to 64.5% (vs 64.8% in September). We believe that the timing of the Chuseok holiday likely distorted the overall results; the survey was conducted immediately after the holiday week. With private sector hiring still weak, the Bank of Korea is likely to maintain its easing stance but hold off on a rate cut on 27 November.

By industry, manufacturing hiring increased 10k for the first time in five months, and business sentiment recently improved slightly. This offers hope for a continued recovery. However, construction and service hirings were quite weak. Construction shed jobs 42k, not fully reversing the previous month's 51k gain. We expect construction to bottom out in the fourth quarter. However, today's data was somewhat discouraging compared to our view. Hirings remained subdued throughout key service sectors, including wholesale and retail trade (-20k), transportation (-9k), hospitality (-11k), and real estate (-11k).

Service sector hiring was weak in October



Source: CEIC

BoK watch

Today's data supports the BoK maintaining its easing stance due to weak private sector hiring and a struggling self-employed segment. A rate cut in November is unlikely, as focus remains on the property and FX markets. Although the housing market has been showing some stabilisation over recent weeks, it's too early to draw firm conclusions. We expect the BoK to wait and see for now, with a 25 bp cut likely in the first half of 2025.

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