

Economic Trends

Here's a look at Korea's major economic indicators that provide an overview of the country's recent economic developments.

Summary and Assessment*

- The Korean economy remains lackluster, witnessing a considerable decline in exports.
- The downturn in domestic demand has been somewhat alleviated, driven by the service industry, while financial markets demonstrate relative stability.
 - With the resurgence of travel demand, service production-particularly in face-to-face businesses has observed a more accelerated growth.
 - The sluggishness in retail sales moderated, led by automobiles, and construction investment posted a faster growth, led by the building construction sector.
 - Despite overseas bank failures, the financial market maintains stability, while the service industry exhibits promising indications of progress.
- Nonetheless, manufacturing-led economic stagnation lingers as exports contract due to the global slowdown.
 - Exports remain sluggish, particularly in the semiconductor industry.
 - Consequently, the manufacturing industry faces elevated inventory levels and reduced capacity utilization rates, with production experiencing a marked decline.

*All growth figures are on a year-on-year basis unless otherwise noted. This document is an English translation of the original Korean version; the Korean version takes precedence in case of any ambiguities or discrepancies.

■ **Economic Activity:** The service industry sustained robust growth, but the economic deceleration persists as the manufacturing industry contracted.

- In February, all-industry production expanded by 2.9%, surpassing the previous month's figure (-1.3%), primarily attributed to an increase in workdays (-0.5 day → +2 days).
 - Industrial production (-13.0% → -8.1%) continued to decline sharply, although there were substantial gains in automobiles (10.7% → 26.2%) and machinery equipment (-8.4% → 8.6%). These gains were offset by declines in semiconductors (-33.9% → -41.8%) and electronic parts (-32.8% → -36.3%). On a SA MoM basis, industrial production declined by 3.2%.
 - Service production (4.8% → 7.2%) increased by a significant margin, primarily driven by accommodation and food services (8.1% → 22.5%), transport and warehousing (11.2% → 20.6%), and arts, sports, and recreation-related activities (11.0% → 32.1%). This growth was due to a rise in travel demand, including an influx of foreign tourists.
 - Construction production (3.7% → 22.4%) expanded, partially reflecting the base effect, but the housing market continues to be lackluster, suggesting that the recovery of construction activity has not yet materialized.
- The manufacturing industry remains subdued, displaying a reduced average capacity utilization rate (70.8% → 68.4%) and a heightened inventory-to-shipment ratio (120.8% → 120.1%) due to the struggling semiconductor market.
- The service industry exhibits signs of recovery, driven by the uptick in travel demand, while the manufacturing industry remains sluggish, with declining exports-particularly to China-stemming from the global economic slowdown.
 - The non-manufacturing BSI on future tendency is improving, approaching its long-term average level (77).

* Non-manufacturing BSI on future tendency (SA): (Jan. '23) 76 → (Feb.) 72 → (Mar.) 74 → (Apr.) 75

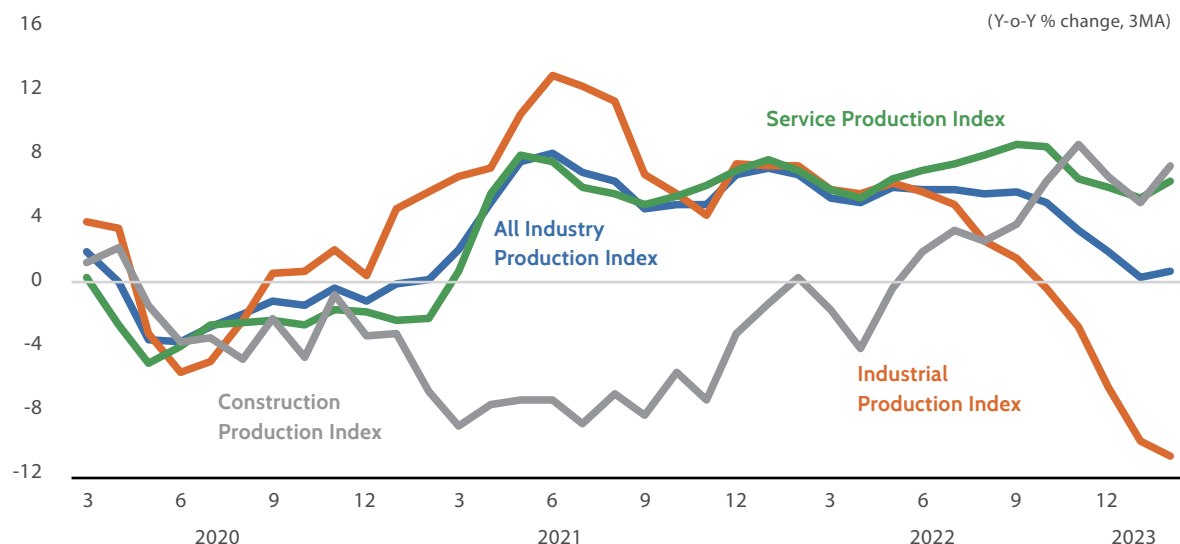
- As a result of the global economic slowdown, the decline in average daily exports is deepening, particularly to China. Additionally, the manufacturing BSI on future tendency remains at a low level.

* Average daily exports (%): (Jan. '23) -14.4 → (Feb.) -15.9 → (Mar.) -17.2

* Average daily exports to China (%): (Jan. '23) -29.5 → (Feb.) -31.1 → (Mar.) -36.2

* Manufacturing BSI on future tendency (SA): (Jan. '23) 71 → (Feb.) 66 → (Mar.) 65 → (Apr.) 67

Production Indices by Industry



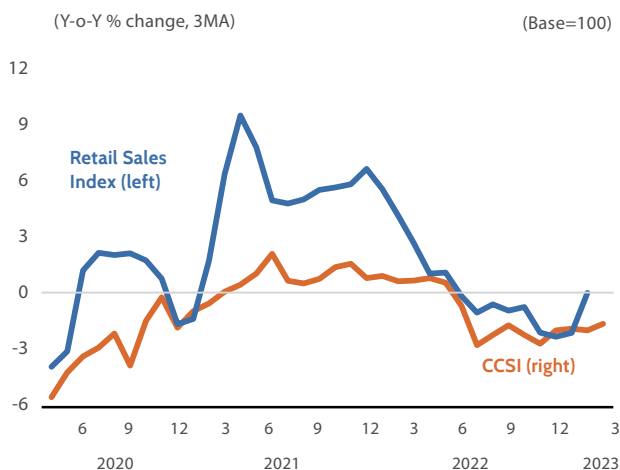
■ **Consumption:** Automobile retail sales witnessed a remarkable upswing, and service production sharply increased due to a surge in foreign tourists, indicating that the stagnation in consumption is beginning to ease.

- In February, retail sales shrank by 0.8%, reflecting the previous month's trend (-0.9%): The escalation in durable and semi-durable goods sales was counterbalanced by a more pronounced drop in non-durable goods sales.
- Service production (4.8% → 7.2%) exceeded the previous month's growth as face-to-face activities resumed following the relaxation of preventive measures.
- March's CCSI was registered at 92.0, up from 90.2 in the previous month

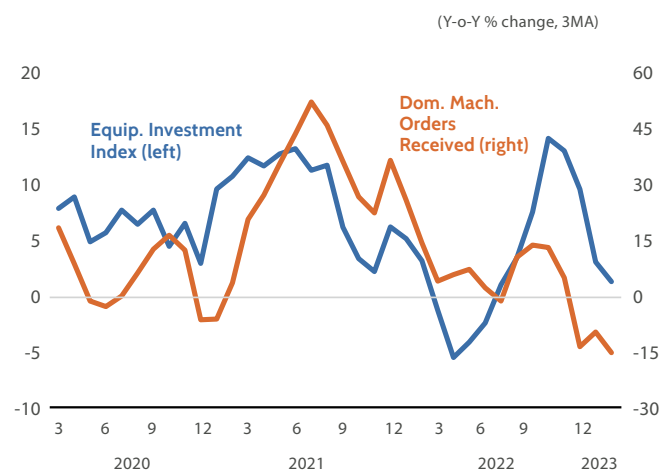
■ **Equipment Investment:** Equipment investment remains subdued as the manufacturing industry weakens.

- In February, equipment investment (5.7%) grew faster than the previous month (-4.9%), attributed to increased workdays (-0.5 day → +2 days).
- The persistently low average capacity utilization rate for manufacturing indicates limited demand for equipment investment.
- Construction Investment: Construction investment saw strong growth, driven by the building construction sector, signifying a moderation in stagnation.
- In February, the value of completed construction (constant) rose 22.4%, surpassing the previous month's figure (3.7%), partially due to the base effect.
- Construction investment displays signs of recovery, including a decelerated increase in construction costs and improved sentiment indicators related to construction.
- The construction orders received (-7.4%) declined, led by the civil engineering sector, and various factors continue to impede the recovery of construction investment, such as the persisting sluggishness in the real estate market.

Retail Sales Index and
Composite Consumer Sentiment Index



Equipment Investment Index and
Domestic Machinery Orders Received



Semiconductor Industry Trends

- The semiconductor industry has played a significant role in the ongoing economic deceleration, as the situation has deteriorated to levels approaching the lows observed during previous crises.
- In February, multiple semiconductor-related indicators deteriorated to an extent reminiscent of the 2001 IT bubble burst and the 2008 global financial crisis.
 - The semiconductor industry reached its peak in March 2022, but experienced a rapid decline in the latter half of the year.
 - Production decreased by 41.8% YoY, a rate comparable to that of July 2001 (-42.3%) and December 2008 (-47.2%).
 - The capacity utilization index (SA) declined by 49.1% from its prior peak, a trend akin to that observed in July 2001 (-44.7%) and December 2008 (-48.0%).
 - The inventory-to-shipment ratio stood at 254.2, remaining slightly higher than the levels observed in July 2001 (247.6) and December 2008 (204.6).
- The contraction in the semiconductor industry, accounting for 18.9% of total exports (as of 2022), substantially impacted the economic slowdown stemming from dwindling exports.
 - In Q1, semiconductor exports recorded a YoY decline of 40.0%, exerting a negative contribution of -7.9% to the overall drop in exports (-12.6%).

Major Economic Indicators

(Y-o-Y % change)

	2021	2022	2022			2023			
			II	III	IV	I	1	2	3
All Industry Production	5.3	4.6	5.6	5.5	1.9	-	-1.3	2.9	-
Industrial Production	8.2	4.6	5.6	1.4	-6.4	-	-13.0	-8.1	-
Service Production	5.0	6.7	6.8	8.5	5.8	-	4.8	7.2	-
Retail Sales Index	5.8	-0.3	-0.2	-0.9	-2.3	-	-0.9	-0.8	-
Index of Equipment Investment	9.6	3.3	-2.4	7.5	9.6	-	-4.9	5.7	-
Value of Construction Completed (Constant Price)	-6.7	2.7	2.0	3.5	6.4	-	3.7	22.4	-
Exports (f.o.b.)	25.7	6.1	13.0	5.8	-10.0	-12.6	-16.4	-7.5	-13.6
Imports (c.i.f.)	31.5	18.9	23.0	22.6	3.1	-2.2	-2.8	3.5	-6.4
Balance of Trade (Billion US Dollars)	29.3	-47.8	-6.4	-18.3	-18.6	-22.4	-12.5	-5.3	-4.6
Unemployment Rate	3.7	2.9	2.9	2.8	2.9	-	2.9	2.6	-
Number of Employed	1.4	3.0	3.2	2.8	2.2	-	1.5	1.1	-
Consumer Price	2.5	5.1	5.4	5.9	5.3	4.7	5.2	4.8	4.2
3-year Treasury Bonds	1.80	3.72	3.55	4.19	3.72	3.27	3.33	3.80	3.27
KOSPI	2,987	2,236	2,333	2,155	2,236	2,477	2,425	2,413	2,477
Housing Price	9.9	-4.7	4.8	1.2	-4.7	-	-6.2	-7.3	-
Won/Dollar Exchange Rate	1,188.8	1,264.5	1,298.4	1,430.2	1,264.5	1,301.9	1,231.9	1,322.6	1,301.9
G20 Composite Leading Indicator	4.1	-1.7	-1.7	-2.2	-2.2	-	-2.0	-1.8	-
Oil Prices (Dubai, US\$/bbl)	69.4	96.4	108.3	96.7	84.8	80.3	80.4	82.1	78.5