

Industry Trends

Invest KOREA provides an overview of Korea's monthly industry trends based on the latest data available from the Ministry of Economy and Finance and the Korea Institute for Industrial Economics and Trade. Figures are subject to change and may be updated for accuracy by the respective organizations.

All Industries

In February 2023, production of all industries increased in Korea, driven by increases in services, public administration, and construction. Retail sales, equipment investment, and construction investment all rose, and the coincident composite index turned positive for the first time in six months.

Monthly Industrial Activity Trends

Subject	All industries	Mining & manufacturing	Service	Retail sales	Equipment investment	Construction completed
Monthly Change (%)	0.3	Δ3.2	0.7	5.3	0.2	6.0

Production of mining and manufacturing industries fell in February despite a 5.1% increase in primary metals due to reduced production of semiconductors and cars. Service industry production increased by 0.7% month-on-month as face-to-face service industries improved with lodging and food, art and recreation, transportation and warehousing growing by 8.0 percent, 12.1 percent, and 5.4 percent, respectively. Retail sales saw an increase of 5.3 percent month-on-month with consumption of durable, non-durable, and semi-durable goods rising by 4.6 percent, 3.5 percent, and 6.4 percent, respectively. By business type, duty free sales increased by 18.3 percent as more Chinese tourists visited Korea. Equipment investment gained 0.2 percent as investment in transportation equipment including cars went down but investment in machinery including semiconductor equipment went up by 1.3 percent. Supported by improved performance of apartment reconstruction projects, progress in semiconductor plant construction, and increased execution of SOC budgets, construction investment rose with construction projects and civil engineering projects growing by 6.6 percent and 3.9 percent, respectively. The cyclical variation of the coincident composite index grew by 0.4 percentage points to post an increase for the first time in six months, but the cyclical variation of the leading index dropped by 0.3 percentage points due to rising inventories and falling domestic shipments of machinery. As the real economy continues to worsen since the second half of 2022, upside and downside risks coexist in the economic cycle going forward. On the production side, there are positive factors including China's reopening and increase in face-to-face activities boosted by further easing of quarantine regulations. However, there are burdens such as possible spillovers from the recent global financial turmoil to the real economy and sluggish exports of key IT items such as semiconductors. In case of consumption and investment, positive factors include the passage of the amendment to the Act on Restriction of Special Taxation by the National Assembly, measures taken to revitalize domestic consumption, and improved consumer and business sentiment. At the same time, burdens exist such as high inflation and interest rates, downturn of the semiconductor and real estate industries, and household debt burdens.

Trends by Industry

Automobile

Finalization of this year's EV subsidy adjustment plan boosted domestic consumption



Production in January continued to increase year-on-year due to the base effect of last year's supply issues with automotive semiconductors.

Moreover, domestic consumption in February increased by 19.1 percent year-on-year driven by the resumption of EV subsidies and increase in supplies. Exports in February gained 36.3 percent year-on-year due to brisk sales of Korean cars in North America and an increase in the share of high-value-added cars in exports.

Exports of finished cars saw an increase of 47.1 percent, driven by the launch of new models and growing demand from the US and EU markets, with exports to those economies growing by 62.8 percent and 29.7 percent, respectively.

General machinery

Production decline widened, and exports shifted to a dramatic increase particularly in developed countries

Production in January fell by 7.4 percent year-on-year as domestic consumption and exports were both sluggish.

Amidst the continued slow exports, domestic consumption and facilities investment both started declining to aggravate the decrease in production. Imports in January increased by 1.3 percent year-on-year to record USD 2.51026 billion. Despite sluggish exports to China, exports in February reversed to a strong 13.0 percent year-on-year increase, supported by strong exports to developed countries including the US and Europe.



Shipbuilding

Production index performed well, but exports and imports fell

In January, ship orders fell by 69.8 percent year-on-year to 640,000 CGT as the economic downturn and interest rate hikes dampened the investment capacity of shipping companies. Freight rates for container ships and LNG carriers, Korea's main ship types, declined as the economic downturn reduced volumes. In comparison, freight rates for tankers and bulk carriers recovered thanks to China's reopening. Imports in January fell by 69.3 percent year-on-year due to the overall decline in the imports of major equipment including ships. February exports saw a decrease of 10.7 percent year-on-year, affected by the base effect of a large number of VLCCs exported and a high-priced drillship sold in the same period of the previous year.



Steel

Production recovered from the previous month, and the weakening of global steel prices continued

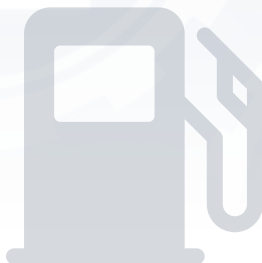
Steel production in January saw a decrease of 18.1 percent year-on-year as the slowdown in construction dampened the demand for bar steel and exports fell. Imports in January fell by 11.9 percent year-on-year due to the effect of falling import unit prices. Exports in February saw a decrease of 9.8% year-on-year due to sluggish exports caused by the seasonal off-season and the base effect of high export unit prices in the previous year.



Oil refining

Exports grew by 12.0 percent mostly driven by higher volumes

Production in January declined by 2.4 percent year-on-year as domestic consumption remained weak. Exports in February increased by 12.0 percent year-on-year to USD 4.68 billion. Exports increased as export unit prices continued and volumes increased. Crude oil prices fell by 11.1 percent year-on-year while export unit prices also fell by 3.0 percent to USD 105.5 per barrel due to stronger refining margins.



Semiconductor

Semiconductor exports continued to decline

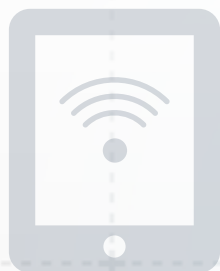
Compared to a year ago, semiconductor production and shipments in January fell by 33.9 percent and 44.2 percent, respectively. Production and shipments rose sharply from the previous period, and the year-on-year increase of inventories surged by 39.5 percent due to the continue decline in semiconductor demand. Exports in February were valued at USD 5.95 billion, down by 42.5 percent year-on-year to fall for seven straight months after ending the long-term rally.



Wireless communication devices

Global demands for smartphones remained weak, and February exports fell by 1.8 percent year-on-year

Production and shipments in January surged by 35.4 percent and 41.4 percent, respectively, while capacity utilization rate also grew by 27.9 percent from a year ago. Imports in January rose sharply by 41.6 percent year-on-year mostly driven by smartphone imports. Imports in February declined by USD 20 million year-on-year to stand at USD 1.25 billion. While exports to China and the US increased by 9.3 percent and 59.6 percent from a year ago, respectively, exports to Vietnam fell by 11.6 percent.



Display

Exports plunged due to falling demand for replacing smartphones

Production in January fell due to sluggish demands as people postponed replacing electronic products. Exports in February declined by 40.9 percent to fall for nine consecutive months as high inflation dampened demand for smartphone replacements. Exports to major export destinations including ASEAN (down by 37.3 percent) and China (down by 43.5 percent) both fell sharply.



**Please note that the latest data available in Statistics Korea are for the previous month in the case of exports and the month prior to the previous one for production.*