

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 is experiencing mounting downward pressure, as the economic recovery is delayed by slowing production growth, accompanied by weakening economic sentiment amid growing uncertainties.
- Semiconductor production maintained high growth, while related equipment investment and exports continued on a robust trajectory.
- However, excluding semiconductors, production and exports in other sectors have slowed, and domestic demand remains subdued, particularly in the construction industry.
 - Construction production continues to decline sharply, while growth in services and non-semiconductor manufacturing is slowing.
 - Goods consumption and construction investment continues to exhibit prolonged weakness, weighing on economic recovery.
- Amid growing external uncertainties, domestic political uncertainty is exacerbating economic sentiments.
 - Despite recent political turmoil, financial market indicators, such as exchange rates and stock prices, have remained relatively stable, although household and business sentiment indices have dropped significantly.

*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: Amid a delayed economic recovery, evidenced by slowing production growth led by the construction industry, domestic and global uncertainties are mounting, weighing on economic sentiment.**

- November all-industry production (2.4% → -0.3%) declined as growth slowed across industries
 - On a seasonally adjusted month-on-month basis, it decreased by 0.4%, following declines in September (-0.4%) and October (-0.2%).
 - Construction production (-10.8% → -12.9%) continued significant declines, indicating persistent weakness.
 - Industrial (mining and manufacturing) production (6.3% → 0.1%) receded despite high growth in semiconductors (11.1%), due to declines in automobiles (-6.7%) and electronic parts (-10.2%).
 - Services production (2.1% → 1.0%) maintained a slowdown trend, with declines in wholesale and retail trade (1.0% → -3.2%) and professional, scientific, and technical activities (2.4% → -1.8%).
- Indicators suggesting a slowdown in manufacturing production are mounting, as evidenced by a persistently high inventory-to-shipment ratio (112.3% → 111.8%) from the previous month and a drop in the average capacity utilization rate (72.3% → 71.8%).
 - On a seasonally adjusted month-on-month basis, shipments fell by 0.4%, led by domestic shipment (-4.1%).
- Despite sustained favorable momentum in the semiconductor sector, goods consumption and construction investment remained sluggish, keeping domestic demand at a weak level.
 - Semiconductor production and exports maintained robust growth, alleviating downward economic pressures.

- However, excluding semiconductors, production and exports in other sectors are gradually slowing, with prolonged weakness in goods consumption and construction investment delaying the recovery of domestic demand.

- While recent domestic political turmoil has not resulted in financial instability, economic sentiment has contracted, heightening downside risks to the economy.
 - Compared to the 2016–17 period of political turmoil, financial indicators show limited instability, but sentiment indicators for households and businesses have worsened by a much larger margin.
- **Consumption: Consumption remains sluggish, led by weak goods consumption, while consumer sentiment contracts sharply, amplifying downside risks.**
- Goods consumption showed weakness across most categories.
 - November retail sales (-0.9% → -1.9%) decline more sharply, driven by decreases in major categories, such as passenger cars (-7.9%), household electrical appliances (-4.5%), communication devices and computers (-6.2%), and cosmetics (-9.8%).
- Service consumption exhibited only modest growth, centered on major businesses.
- Reflecting the impact of political instability, the Composite Consumer Sentiment Index (CCSI) fell sharply to 88.4 in December from 100.7 in the previous month.

■ **Equipment Investment: Equipment investment continues its modest recovery, driven by improvements in semiconductor-related investments.**

- In November, equipment investment (5.5% → 2.6%) maintained modest growth despite declines in highly volatile transport equipment, as machinery continued favorable performance, particularly in semiconductor-related equipment.
- Leading indicators suggest that semiconductor-related investments maintain strong momentum, while investment conditions in other industries remain weak.

■ **Construction investment: Construction investment remains sluggish, with a sharper decline in the value of construction completed.**

- The value of construction completed in November (-10.8% → -12.9%) continued its steep decline, driven primarily by the building construction sector.
 - On a seasonally adjusted month-on-month basis, it declined for the seventh consecutive month, indicating a deepening downturn.
 - * Value of construction completed (SA, MoM, %): (Sept.) -2.0 → (Oct.) -4.1 → (Nov.) -0.2
 - The building construction sector (-11.8% → -16.5%) saw significant declines in both residential and non-residential construction, while the civil engineering sector (-7.7% → -0.5%) also remained weak.
- Construction orders received, a leading indicator, maintained improvement, primarily in the public sector.

■ **Prices: Consumer price inflation accelerated, driven by volatile petroleum products, although the underlying trend of price increases continues to moderate.**

- Consumer prices (1.5% → 1.9%) saw a larger increase, primarily led by commodity prices.
 - As the decline in international oil prices moderated due to base effects, petroleum product prices (-5.3% → 1.0%) shifted to positive growth, contributing to the steeper rise in commodity prices (0.9% → 1.8%).
 - * Dubai crude oil price (YoY, %): (Oct.) -16.5 → (Nov.) -13.1 → (Dec.) -5.3
 - Conversely, service prices maintained the same growth rate as the previous month at 2.1%.
- The ongoing weakness in domestic demand has sustained the moderation in the underlying inflation trend, while the recent decline in consumer sentiment could further amplify downward pressure moving forward.