

Embargo:

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CURRENT ECONOMIC SITUATION, JUNE 2023

INDUSTRIAL, SERVICES PRODUCTION AND RETAIL SALES DOWN, FACILITIES AND CONSTRUCTION INVESTMENT UP

Industrial production, services production and retail sales decreased while facilities and construction investment increased in April 2023.

In April, the entire production (down 1.4%, m-o-m and down 0.8%, y-o-y) decreased as both industrial production (down 1.2%, m-o-m and down 8.9%, y-o-y) and services production (down 0.3%, m-o-m and up 3.1%, y-o-y) declined.

Retail sales (down 2.3%, m-o-m and down 1.1%, y-o-y) fell in April while facilities investment (up 0.9%, m-o-m and up 4.4%, y-o-y) and construction investment (up 1.2%, m-o-m and up 12.2%, y-o-y) moved up.

Exports declined 15.2 percent year-on-year in May due to sluggish exports of IT-related products including semiconductors, wireless communications and computers. Average daily exports decreased 9.3 percent from a year ago to US \$2.43 billion in May 2023.

Meanwhile, sentiment indicators have seen improvements. The consumer sentiment index (CSI) grew by 2.9 points in May to 98.0 from the previous month. The business sentiment index (BSI) in May for the entire sector improved 4 point to 76 and the BSI outlook for June 2023 rose by 2 points to 76.

The cyclical indicator of the coincident composite index for April went up by 0.2 points, and the cyclical indicator of the leading composite index fell by 0.2 point.

Employment continued to increase but consumer prices grew at a slower pace in May 2023.

The economy added 351,000 jobs year-on-year in May with the unemployment rate down 0.3 percentage points from a year ago to 2.7 percent.

Consumer prices rose at a slower pace by 3.3 percent in May and the consumer price index excluding the food and energy sectors rose by 3.9% and the index excluding the agricultural and petroleum sectors grew by 4.3%.

Stock prices went up and the won strengthened in May 2023 due to better prospects for semiconductors and clearing of uncertainties related to the US debt ceiling. Korea treasury yields increased as expectations for an early shift in the monetary policy stance weakened.

In May 2023, housing prices (down 0.47% → down 0.22%, m-o-m) and prices of *Jeonse* (lump-sum deposits with no monthly payments) (down 0.63% → down 0.31%, m-o-m) declined at a slower pace than that of the previous month.

Amid an inflation continued to decrease in Korea, the economy has been slowing down mainly in exports and manufacturing. Meanwhile, downside risks appeared to be ease due to a moderate recovery of domestic demand, improved economic sentiment, and solid employment growth.

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Internationally, the world's economic uncertainties persisted driven by downside risks including the impacts of the prolonged Russia-Ukraine war and monetary tightening posed on the vulnerable sectors alongside the expectations of China's reopening and the global IT industry's upturn.

The government will go all out to improve its economic structure and boost economic vitality, focusing on the promotion of export, investment and domestic demand in the second half of the year, on the back of the efforts to stabilize prices and people's livelihoods and manage risks at home and abroad.

Key Statistics

Employment

	2022											2023				
	Annual	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Number of employed (million)	28.09	27.75	28.08	28.49	28.48	28.47	28.41	28.39	28.42	28.42	27.81	27.36	27.71	28.22	28.43	28.84
Employment rate (%)	62.1	61.4	62.1	63.0	62.9	62.9	62.8	62.7	62.7	62.7	61.3	60.3	61.1	62.2	62.7	63.5
(Seasonally adjusted)	62.1	61.9	62.0	62.3	62.2	62.2	62.3	62.2	62.2	62.1	62.0	62.0	62.6	62.7	62.6	62.8

Consumer Price Index

(%)

	2022										2023				
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
y-o-y	4.1	4.8	5.4	6.0	6.3	5.7	5.6	5.7	5.0	5.0	5.2	4.8	4.2	3.7	3.3
m-o-m	0.7	0.7	0.7	0.6	0.5	-0.1	0.3	0.3	-0.1	0.2	0.8	0.3	0.2	0.2	0.3

Retail Sales

(Percentage change from the previous period, %)

	2020	2021					2022					2023		
	Annual	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Q1 ¹	Mar ¹	Apr ¹
Retail sales	-0.1	5.8	2.9	1.5	1.1	0.5	-0.3	-0.7	-1.0	0.3	-0.9	1.0	0.1	-2.3
(y-o-y)	-	-	6.3	5.0	5.4	6.6	-	2.6	-0.2	-0.9	-2.3	-0.4	0.1	-1.1

1. Preliminary

Facility Investment Index

(Percentage change from the previous period, %)

	2021					2022					2023			
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4 ¹	Q1 ¹	Feb	Mar ¹	Apr ¹
Facility investment index	9.6	6.3	1.4	-1.7	-0.4	3.3	0.4	-0.4	8.6	-0.2	-8.8	1.0	-2.4	0.9
(y-o-y)	-	12.4	13.2	6.2	6.2	-	-1.3	-2.4	7.5	9.6	-0.6	4.1	1.8	4.4

1. Preliminary

Construction Completed

(Percentage change from the previous period, %)

	2021					2022					2023			
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	1Q ¹	Feb	Mar ¹	Apr ¹
Construction Completed (Constant)	-6.7	-2.9	-3.3	-0.6	2.4	2.7	0.5	-0.1	0.8	4.6	4.9	3.6	-4.3	1.2
(y-o-y)	-	-8.8	-7.2	-8.1	-3.1	2.7	-1.7	2.0	3.5	6.4	11.5	19.5	12.0	12.2

1. Preliminary

Exports and Imports

(US\$ billion, y-o-y, %)

	2021					2022						2023		
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	May	Q3	Q4	Q1	Apr	May
Exports	644.40	146.40	156.73	164.54	176.73	683.58	173.40	177.11	61.59	174.02	159.05	151.35	49.51	52.22
(y-o-y, %)	25.7	12.5	42.0	26.5	24.5	6.1	18.4	13.0	21.4	5.8	-10.0	-12.7	-14.4	-15.2
Average daily exports	2.36	2.22	2.27	2.40	2.54	2.51	2.67	2.59	2.68	2.52	2.27	2.24	2.20	2.43
Imports	615.09	136.60	149.23	156.89	172.37	731.37	177.90	183.53	63.17	192.30	177.64	173.94	52.23	54.34
(y-o-y, %)	31.5	12.4	37.7	37.5	39.4	18.9	30.2	23.0	31.8	22.6	3.1	-2.2	-13.3	-14.0
Average daily imports	2.25	2.07	2.16	2.29	2.48	2.68	2.74	2.68	2.75	2.79	2.54	2.58	2.32	2.53

Industrial Production (Mining, Manufacturing, Electricity and Gas Production)

(Percentage change from the previous period, %)

		2021			2022					2023					
		Annual	Q3	Q4	Annual	Q1	Q2	Q3	Q4 ¹	Q1 ¹	Jan	Feb	Mar ¹	Apr ¹	
Total Production ²	m-o-m, q-o-q	-	1.7	2.9	-	3.2	-2.3	-2.4	-6.4	-0.7	1.9	-2.9	5.3	-1.2	
	y-o-y	8.2	6.7	7.3	1.4	5.8	5.6	1.4	-6.4	-9.8	-13.4	-8.2	-7.6	-8.9	
Manufacturing	Production	m-o-m, q-o-q	-	1.6	3.1	-	3.2	-2.2	-2.6	-6.7	-0.5	2.1	-2.8	5.6	-1.2
		y-o-y	8.4	6.7	7.5	1.4	6.0	5.6	1.4	-6.7	-10.0	-14.0	-8.4	-7.7	-9.0
	Shipments (m-o-m, q-o-q)	5.0	-0.6	1.9	-0.1	1.1	-2.2	-0.2	-4.4	-0.2	-0.1	1.2	3.5	-4.6	
	Inventory ³ (m-o-m, q-o-q)	13.7	11.0	3.8	4.6	-1.4	4.9	-1.0	1.9	4.1	3.8	1.0	-0.8	6.2	
	Production capacity (y-o-y)	2.0	1.6	0.8	-0.4	-0.7	0.1	0.1	-0.8	-2.3	-2.1	-2.2	-2.6	-2.4	
Average operation ratio ⁴		74.8	74.5	76.7	74.8	78.9	76.0	74.2	69.9	70.8	71.3	68.6	72.0	71.2	

1. Preliminary

2. Mining, Manufacturing, Electricity and Gas Production

3. End-point (month, quarter, and year)

4. Average operation ratio for the month (or quarter)

Service Output

(Percentage change from the previous period, %)

	2020	2021					2022					2023		
	Annual	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Q1 ¹	Mar ¹	Apr ¹
Service output	-2.0	5.0	1.2	2.2	0.3	2.6	6.7	0.8	2.9	1.7	0.1	1.5	-0.5	-0.3

1. Preliminary

Composite Indices of Coincident and Leading Indicators

(Points)

	2022					2023			
	Aug	Sep	Oct	Nov	Dec ¹	Jan	Feb ¹	Mar ¹	Apr ¹
Cyclical indicator of coincident composite index	100.9	100.8	100.7	100.1	99.4	99.0	99.2	99.7	99.9
m-o-m (points)	0.3	-0.1	-0.1	-0.6	-0.7	-0.4	0.2	0.5	0.2
Cyclical indicator of leading composite index	99.9	99.8	99.8	99.5	99.1	98.8	98.4	98.2	98.0
m-o-m (points)	-0.2	-0.1	0.0	-0.3	-0.4	-0.3	-0.4	-0.2	-0.2

1. Preliminary