

Korea Watch

Monthly chart book #7: Growth momentum largely held up start of the year

Mixed growth in activities; Charts on equity positioning

In Jan-Feb, growth momentum was largely held up but still mixed across sectors. Industrial production accelerated in Jan, while it was driven by strong construction instead of semi production, which dropped sequentially after two months of gains. Facility investment, manufacturing PMI and retail sales all softened, despite strong momentum in export and falling unemployment rate. Meanwhile, property prices dropped slightly across regions in Feb but transaction picked up. Equity market remained on spotlight, and therefore we introduce new charts on equity fund flows and positioning in the last section of this chart book.

Key activities & sentiment: By major indicators, IP accelerated (0.4% mom sa), but was driven by strong construction (12.4%) instead of manufacturing production (-1.4%). Facility investment dropped (-5.6%) mom sa despite strong export cycle. Meanwhile, headline retail sales dropped 0.4% mom but rose 0.8% in real terms.

Labor market: Labor market was tighter in Feb as unemployment rate slid back to 2.6% (vs Jan: 3.0%). Yet, job gains decelerated mainly in services sector.

Property markets: Property market was mixed in Feb, as purchase prices continued to edge down but transaction picked up. Mortgage rates were further lowered.

Semi & Auto sectors: Semi production decelerated after two months of strong growth amid resilient demand for advanced chips. Auto export shows signs of moderation, driven by DM markets.

External sector: Current account (C/A) surplus narrowed in Jan, driven by lower goods trade surplus and primary income. Outbound tourism continued to outpace inbound tourism, driving service deficit higher.

Financials & fund flow: Household hold loans accelerated on lower mortgage rates in Jan. In the equity market, funds have increased exposure the most to Info Tech while Financials have performed the best ytd. Yet, strong inflow did not move USDKRW much.

Exhibit 1: Heatmap of major activity indicators

Growth momentum relatively stable but still mixed in Jan-Feb

	2/23	3/23	4/23	5/23	6/23	7/23	8/23	9/23	10/23	11/23	12/23	1/24	2/24	
Manufacturing PMI (index)	48.5	47.6	48.1	48.4	47.8	49.4	48.9	49.9	49.8	50.0	49.9	51.2	50.7	
Consumer confidence (%)	90.2	92.0	95.2	98.1	100.8	103.4	103.3	99.8	98.2	97.3	99.7	101.6	101.9	
Core inflation (% mom, sa)	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.1	0.2	0.0	0.2	
Unemployment (%)	2.6	2.7	2.6	2.6	2.6	2.8	2.5	2.6	2.5	2.8	3.2	3.0	2.6	
Property price (% yoy)	-7.3	-8.1	-8.5	-8.7	-8.8	-8.7	-8.3	-7.6	-6.7	-5.3	-3.5	-2.2	-1.2	
Household loan growth (% yoy)	-0.9	-0.9	-0.7	-0.4	0.1	0.7	1.3	1.9	2.6	3.2	3.5	4.3	4.7	
Semiconductor export (% yoy/d)	2.6	-5.1	12.0	8.5	3.4	2.8	7.6	12.4	12.9	13.8	11.2	2.5	8.5	

Source: Haver, BofA Global Research

Note: The heatmap shows the relative pace of growth in the trailing 5 years

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18 March 2024

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[Monthly chart book #5: Mixed recovery in Nov-Dec: property sector rebound halted 16 January 2024](#)

[Monthly chart book #4: Domestic activities moderated despite better external demand 18 December 2023](#)

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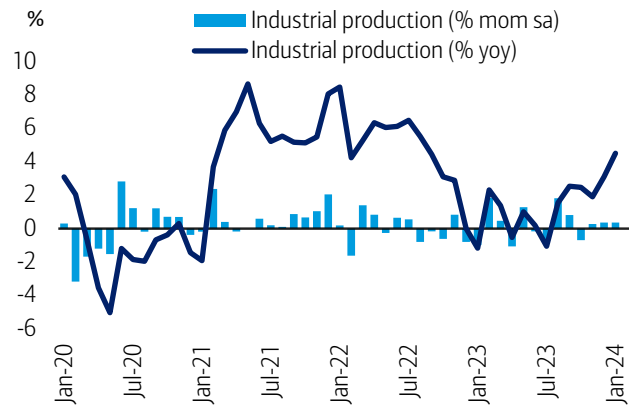
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Production & Construction

Exhibit 2: Industrial production

Industrial production accelerated further in Jan

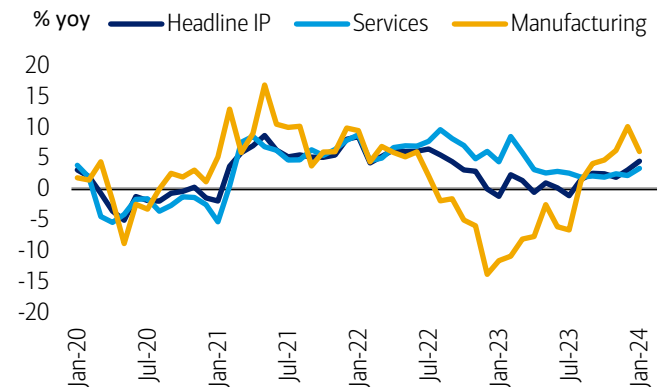


Source: Haver, BofA Global Research

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Exhibit 3: Industrial production by sector

By sector, manufacturing production growth moderated, while services held up

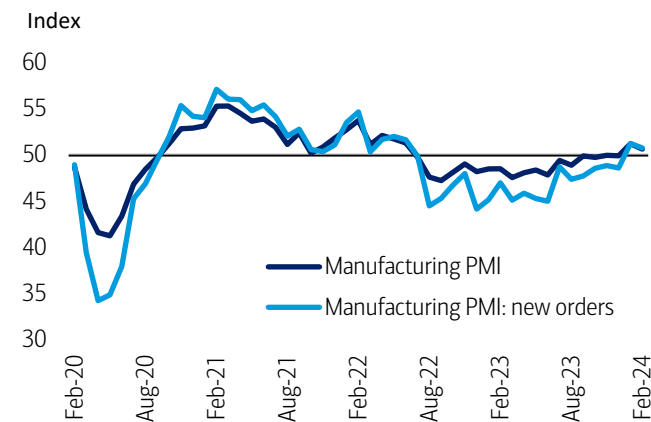


Source: Haver, BofA Global Research

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Exhibit 4: Manufacturing PMI

Manufacturing PMI softened but remained in expansionary zone (50.7); new orders in mfg sector also slid slightly in Feb (50.8 vs. 51.3 in Jan)

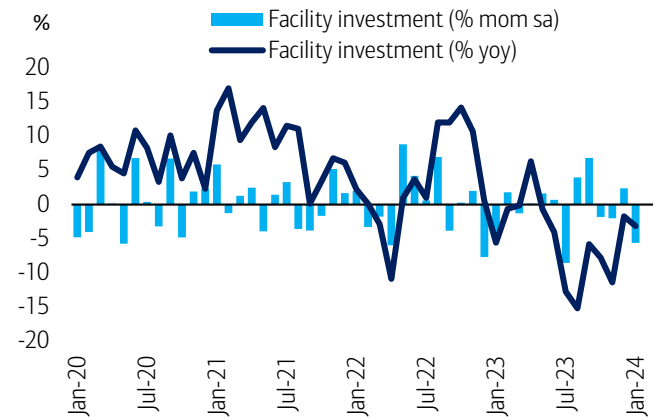


Source: Haver, BofA Global Research

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Exhibit 5: Facility Investment

Facility investment sequentially dropped in Jan

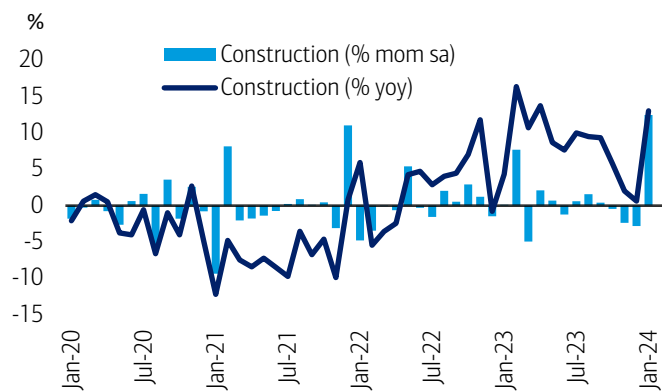


Source: Haver, BofA Global Research

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Exhibit 6: Construction activity

Construction activity strongly rose in Jan, partly due to seasonal effects

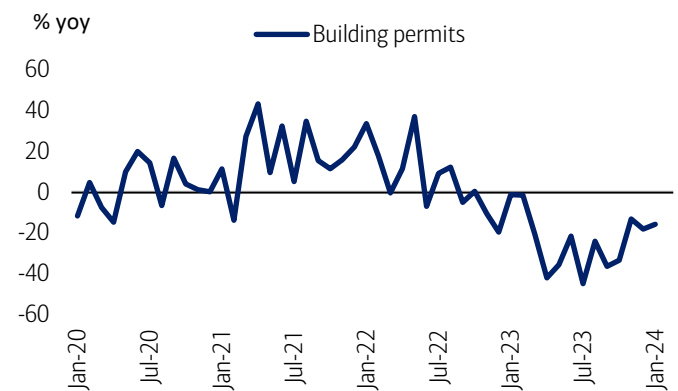


Source: Haver, BofA Global Research

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Exhibit 7: Building permits issued

...while yoy contraction in building permits continued



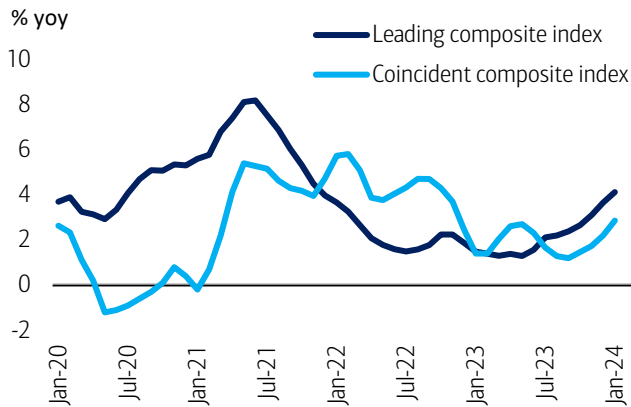
Source: Haver, BofA Global Research

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Leading indicator & Fiscal

Exhibit 8: Bank of Korea: Composite indices

Both leading and coincident composite indices picked up further in Jan

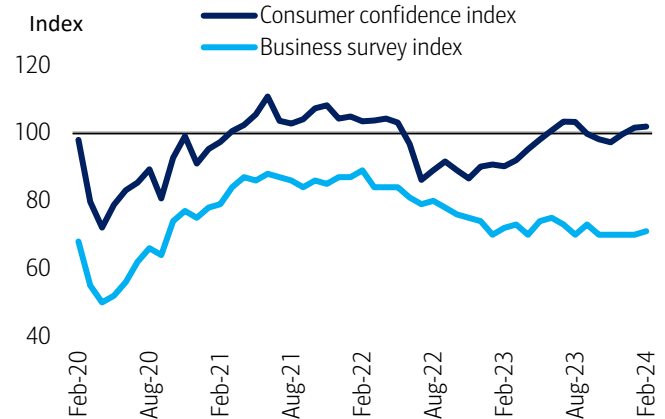


Source: Haver, BofA Global Research

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Exhibit 9: Consumer confidence & business survey index

Consumer confidence slightly rose in Feb

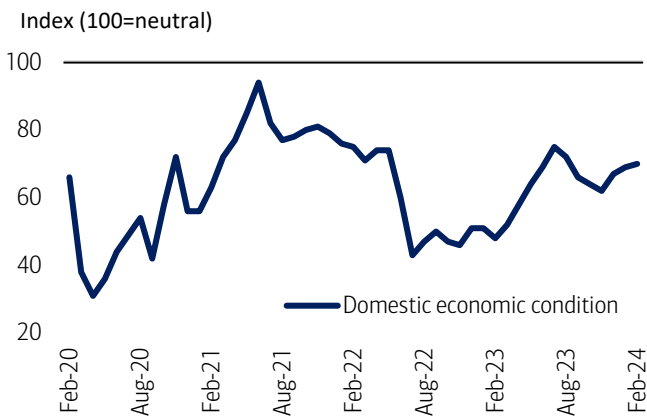


Source: Haver, BofA Global Research

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Exhibit 10: Consumer survey: Domestic economic condition

Consumers sentiment on economic conditions improved...



Source: Haver, BofA Global Research

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Exhibit 11: Consumer survey: Inflation expectation next year

And consumers' expectation on inflation was little changed in Feb

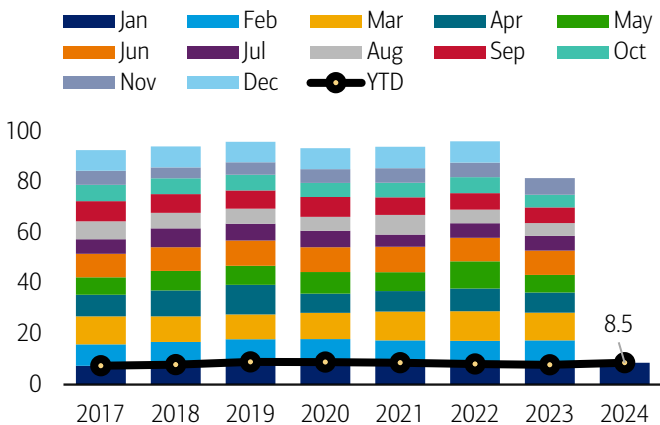


Source: Haver, BofA Global Research

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Exhibit 12: Government expenditure (% of annual original budget)

Fiscal expenditure in line with historical pattern in first month of 2024

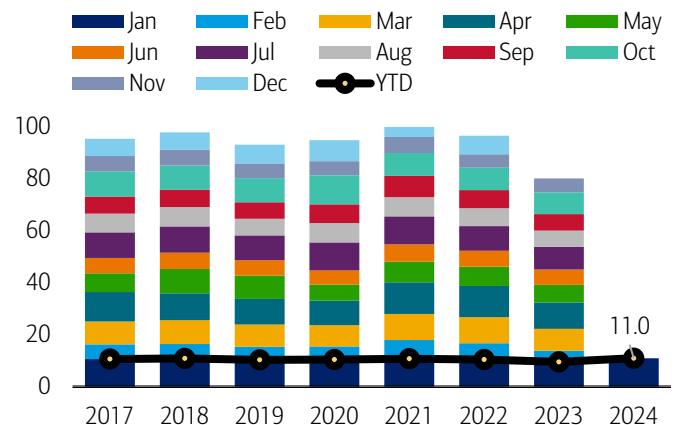


Source: Haver, BofA Global Research, Note: data incomplete for 2023

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Exhibit 13: Government revenue (% of annual original budget)

Tax collection also in line with previous years in Jan 2024



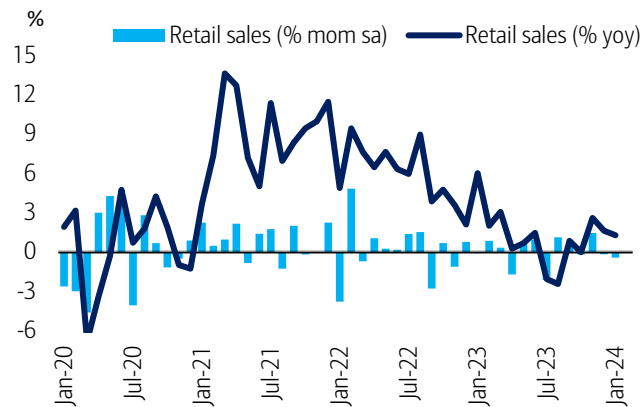
Source: Haver, BofA Global Research, Note: data incomplete for 2023

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Consumption & Labor Market

Exhibit 14: Headline retail sales

Nominal retail sales growth dropped sequentially in Jan

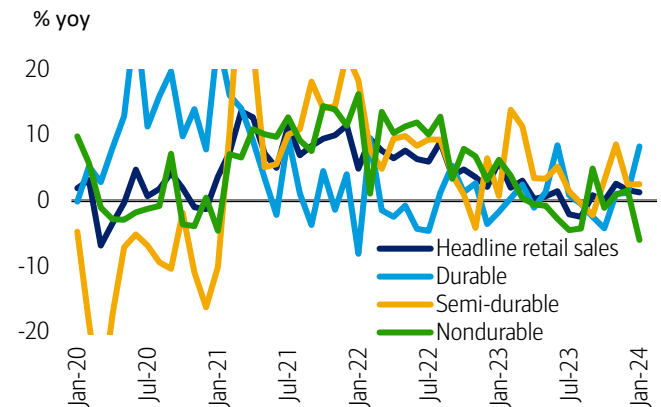


Source: Haver, BofA Global Research

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Exhibit 15: Retail sales by goods

Durable goods sales rose but nondurable sales dropped in Jan

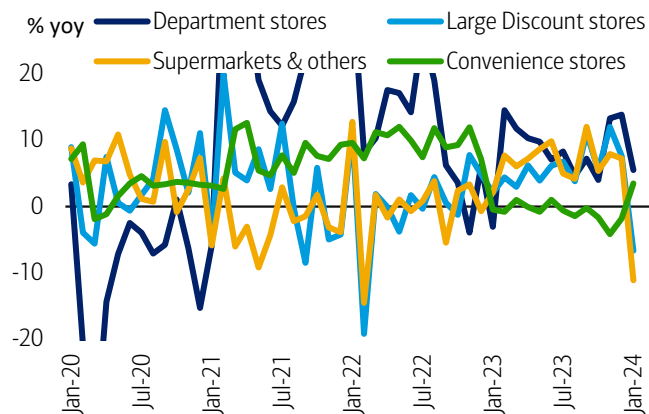


Source: Haver, BofA Global Research

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Exhibit 16: Retail sales by store

Sales growth in large discount stores & supermarkets dropped most

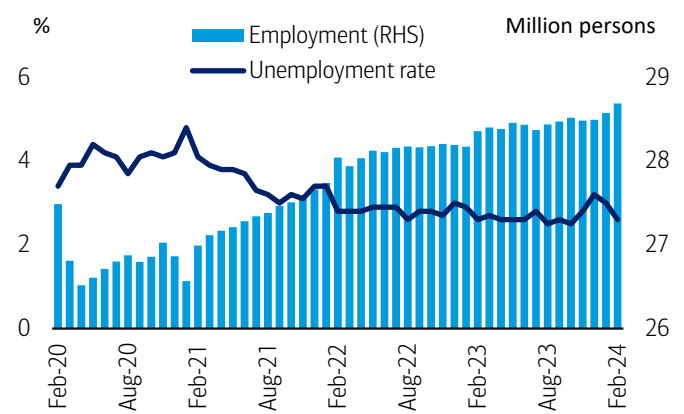


Source: Haver, BofA Global Research

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Exhibit 17: Key labor market indicators

Unemployment rate improved to 2.6% in Feb (vs. 3.0% in Jan)

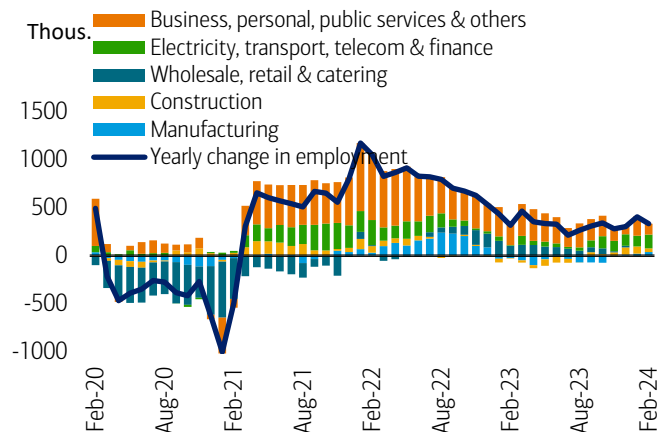


Source: Haver, BofA Global Research

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Exhibit 18: Yearly change in employment

Jobs gain moderated in Feb led by services sector

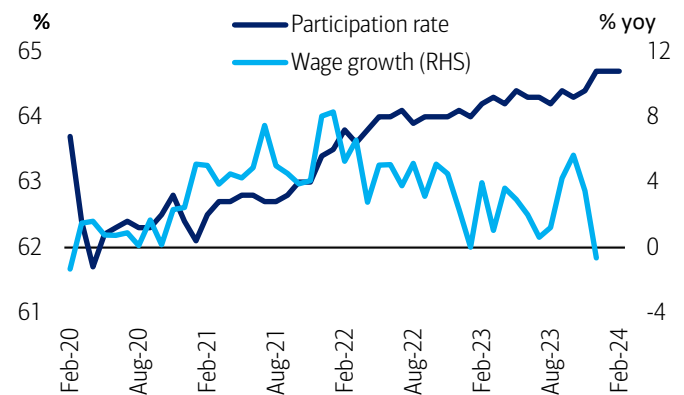


Source: Haver, BofA Global Research

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Exhibit 19: Participation rate and wage growth

Participation rate was remained high in Feb; Wage growth turned negative in Dec



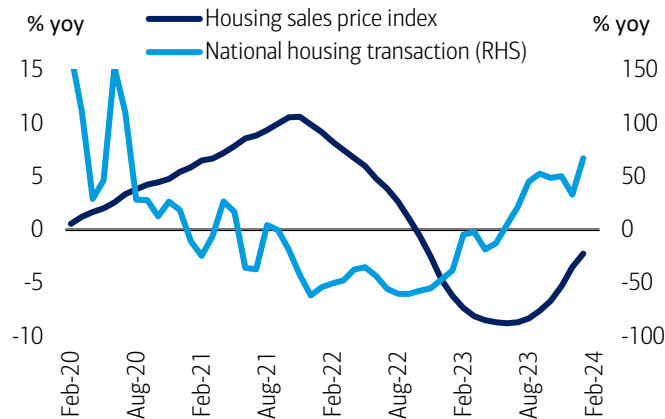
Source: Haver, BofA Global Research

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Property markets

Exhibit 20: Nationwide housing price and transaction

Property market further stabilized on yoy terms...

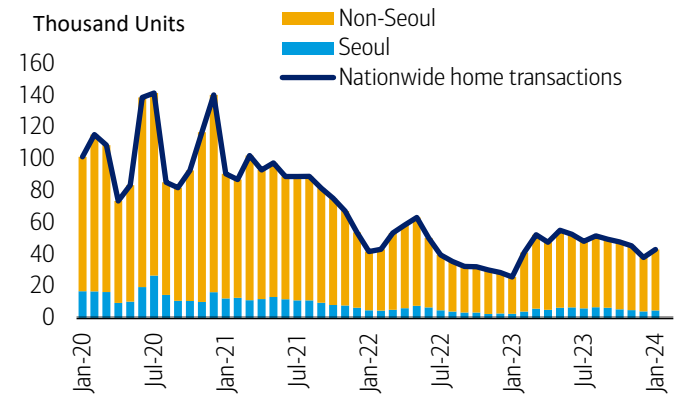


Source: Haver, BofA Global Research

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Exhibit 21: Nationwide home transaction by region

...and transaction volume further edged up in Jan

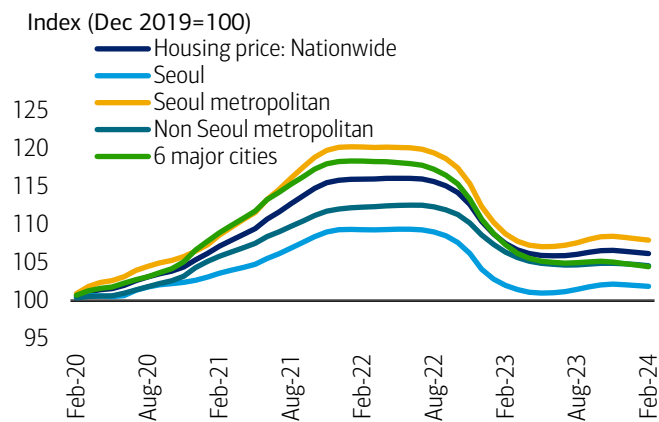


Source: Haver, BofA Global Research

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Exhibit 22: Housing price by region

Nationwide housing prices inched down slightly in Feb

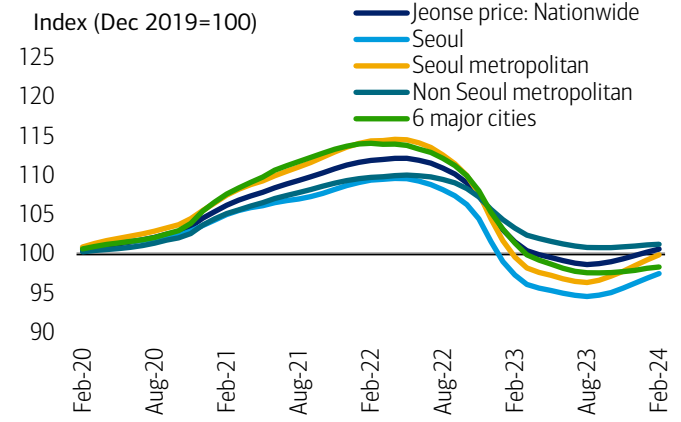


Source: Haver, BofA Global Research

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Exhibit 23: Jeonse price by region

While jeonse prices still on an uptrend

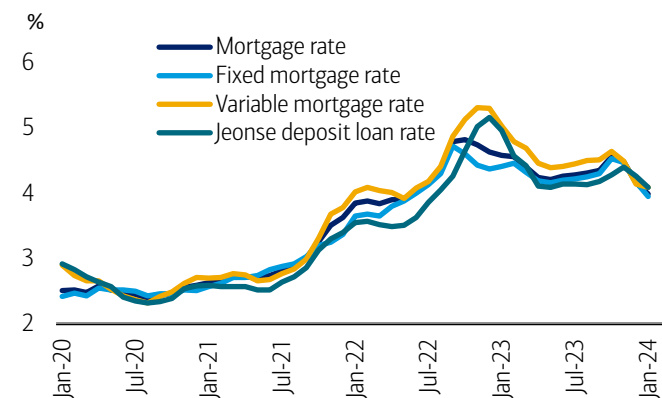


Source: Haver, BofA Global Research

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Exhibit 24: Housing-related interest rates

Both mortgage rate and jeonse rate retreated further in Jan

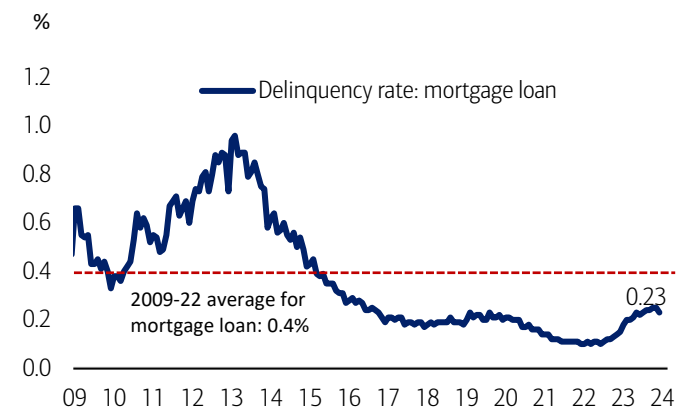


Source: Haver, BofA Global Research

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Exhibit 25: Delinquency rate on mortgage loan

Delinquency rate on mortgage stopped from rising further for mortgage loan



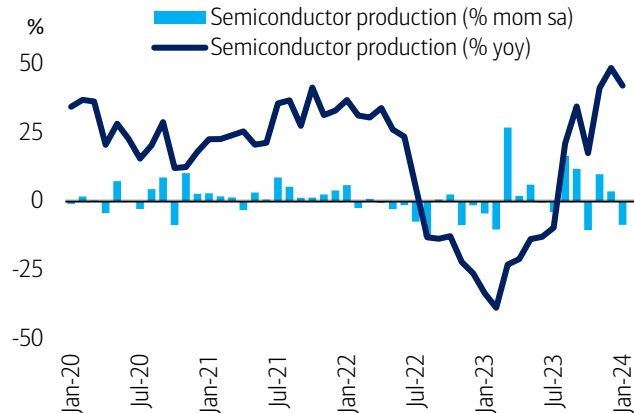
Source: Haver, BofA Global Research

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Semiconductor & Automobile sectors

Exhibit 26: Semiconductor production

Semi production decelerated sequentially but with strong yoy growth

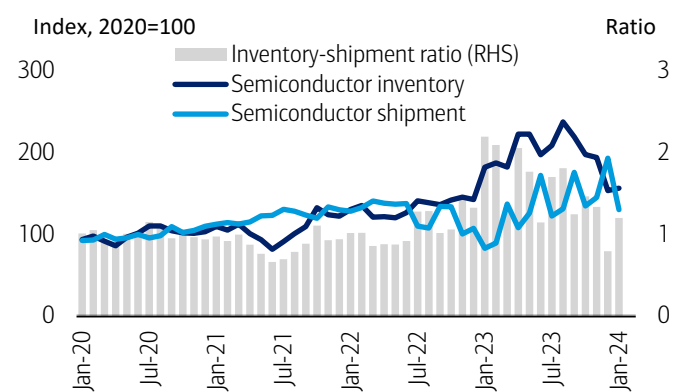


Source: Haver, BofA Global Research

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Exhibit 27: Inventory and shipment of semiconductors

Inventory-to-shipment ratio rebounded in Jan

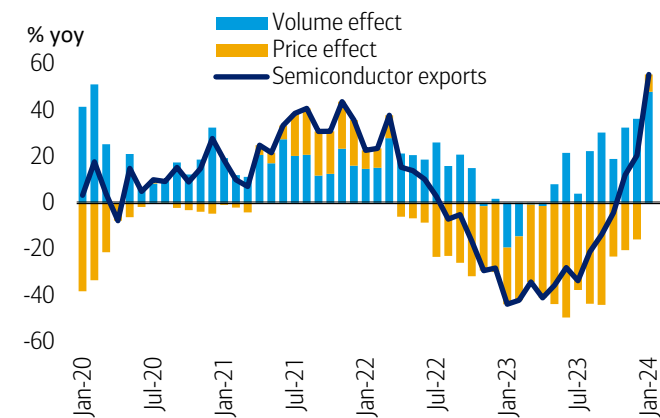


Source: Haver, BofA Global Research

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Exhibit 28: Semiconductor exports: price and volume

Semi exports in Jan showed stronger volume and a positive price effect first time in 12 months

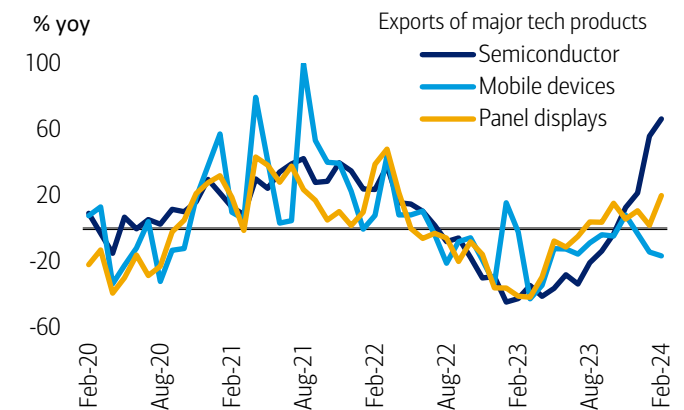


Source: Haver, BofA Global Research

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Exhibit 29: Exports of major tech products

Semi exports continued to outperform other tech products in Feb

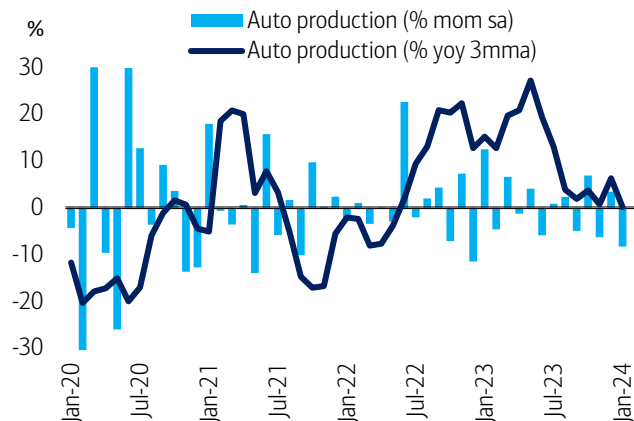


Source: Haver, BofA Global Research

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Exhibit 30: Automobile production

Auto production growth moderated in recent months

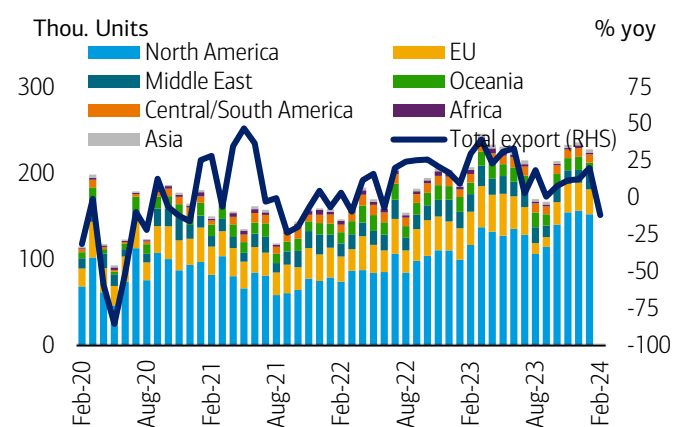


Source: Haver, BofA Global Research

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Exhibit 31: Auto exports by destination

Auto demand from North America and Europe moderated in Jan



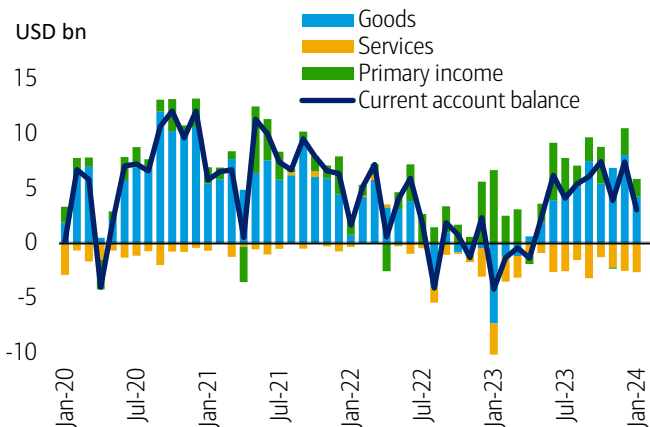
Source: Haver, BofA Global Research

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External sector

Exhibit 32: Current account breakdown

Current account surplus edged lower on lower goods surplus and income

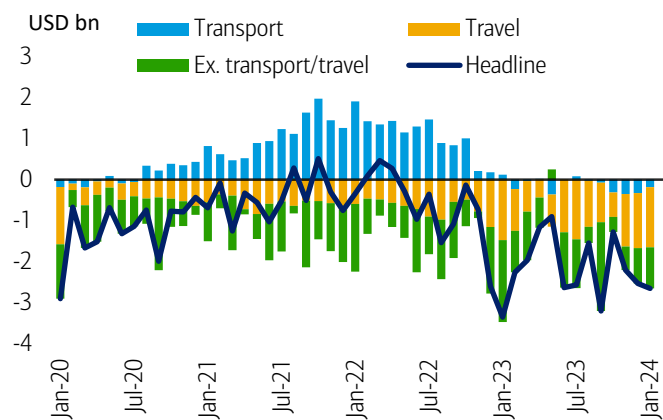


Source: Haver, BofA Global Research

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Exhibit 34: Services account breakdown

Services deficit widened slightly in Jan

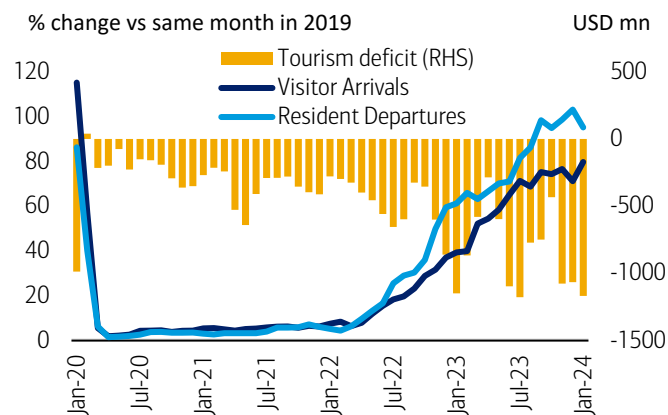


Source: Haver, BofA Global Research

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Exhibit 36: Tourism recovery and deficit

Resident departure still outpaced visitor arrival in Jan

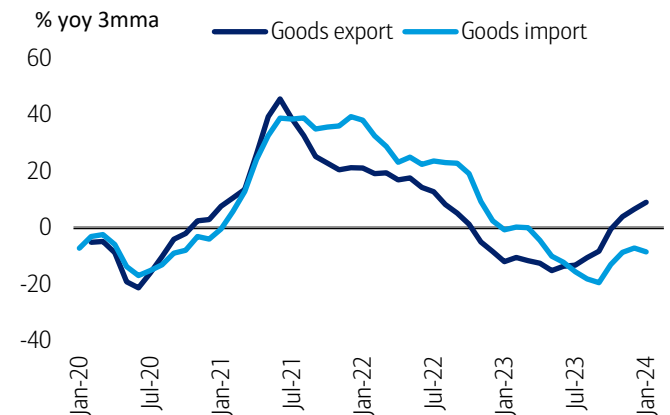


Source: Haver, BofA Global Research

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Exhibit 33: Goods export and import growth (BoP terms)

Goods export growth diverged from import growth in BoP terms

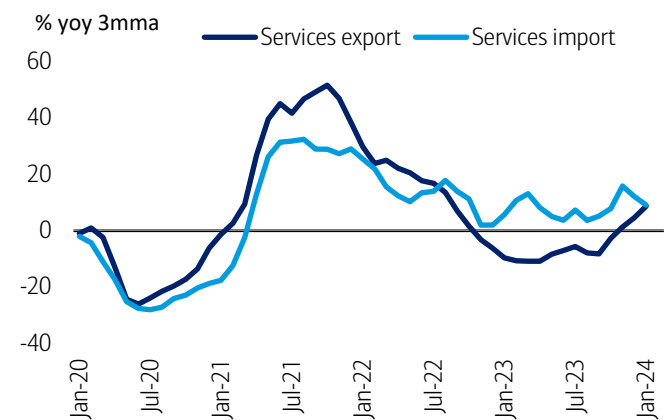


Source: Haver, BofA Global Research

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Exhibit 35: Services export and import growth

Services export growth is catching up with that of import

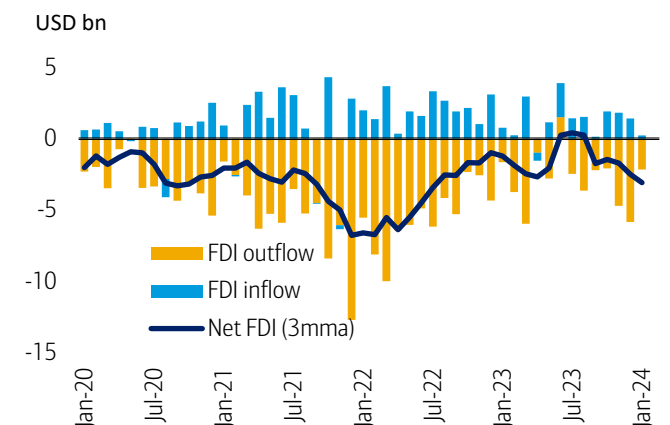


Source: Haver, BofA Global Research

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Exhibit 37: Foreign direct investment flow

Outbound foreign direct investment decelerated in Jan



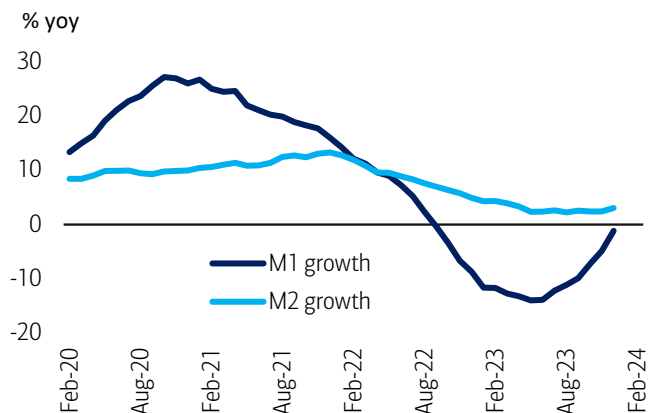
Source: Haver, BofA Global Research

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Monetary & Financial markets

Exhibit 38: Money supply growth

M1 growth set to rebound while M2 supply grew very modestly

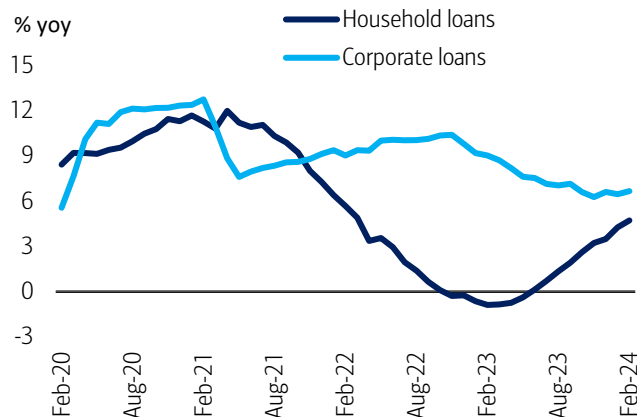


Source: Haver, BofA Global Research

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Exhibit 39: Household & corporate loan growth

Both corporate and household loan growth accelerated in Feb

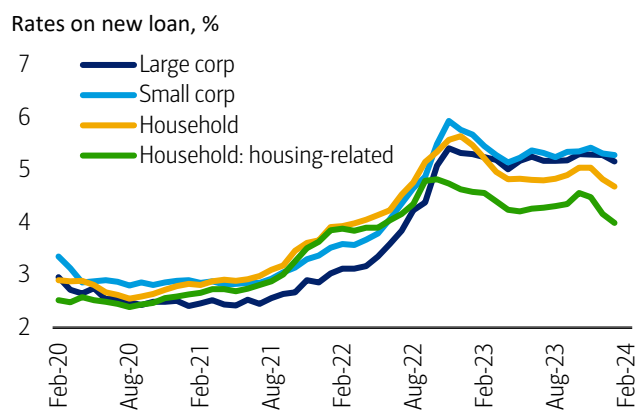


Source: Haver, BofA Global Research

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Exhibit 40: Interest rates on new loans

New loan rates moderated across corporates and households in Feb

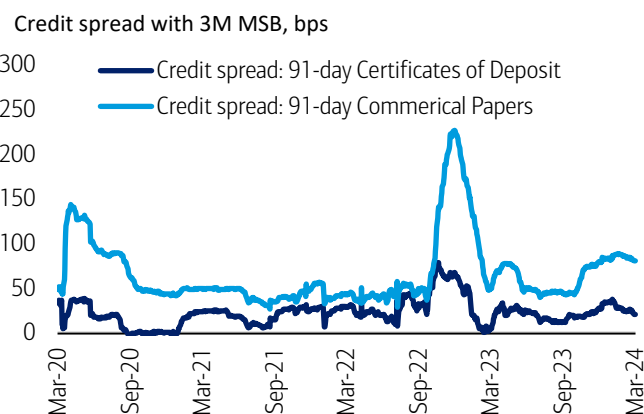


Source: Haver, BofA Global Research

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Exhibit 41: Credit spread

Credit spread in CDs and CPs are contained in Mar

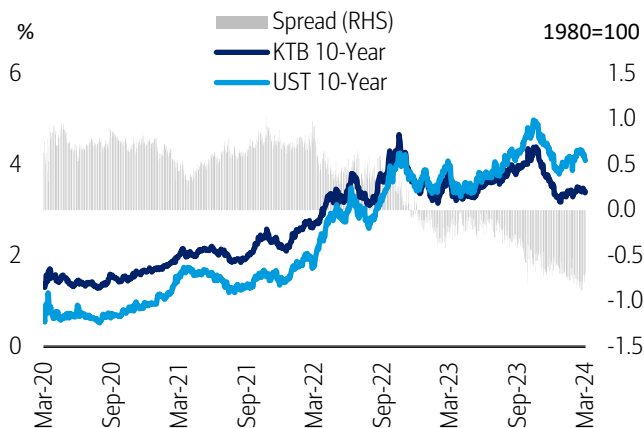


Source: Haver, BofA Global Research, data as of Mar 15

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Exhibit 42: KTB & UST 10-Year yield differential

Spread between UST and KTB widened further in Mar

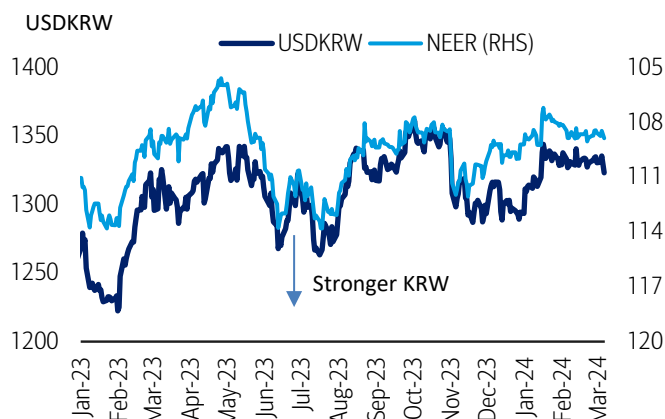


Source: Haver, BofA Global Research, data as of Mar 15

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Exhibit 43: USDKRW & KRW NEER

Korean Won has been trading in rangebound against USD



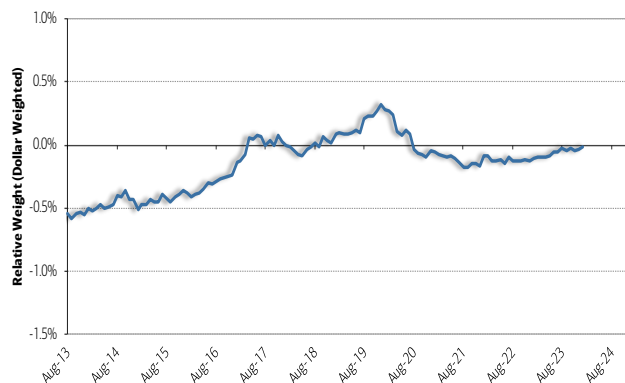
Source: Haver, BofA Global Research, data as of Mar 15

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Fund flows & market positioning

Chart 44: Korea: Country Positioning

Funds are currently underweight the region by -0.01% in equity investment



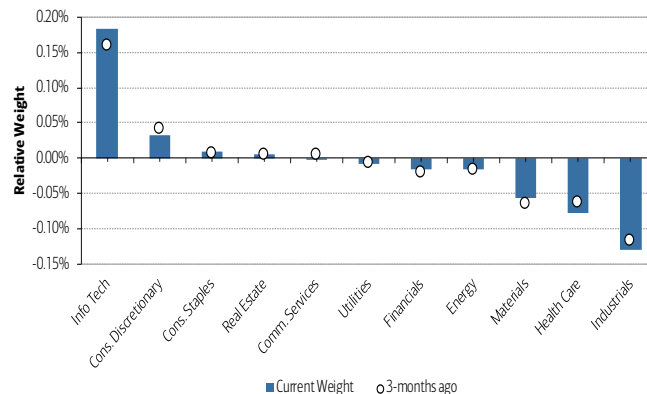
Source: BofA Asia Pac Quantitative Strategy

Note: Positioning from global long only funds. Please refer to *Pacific Positioning* report for more details. Data as of Feb 21, 2024

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Chart 45: Korea: Sector Positioning

In last 3 months, funds have increased exposure the most to Info Tech

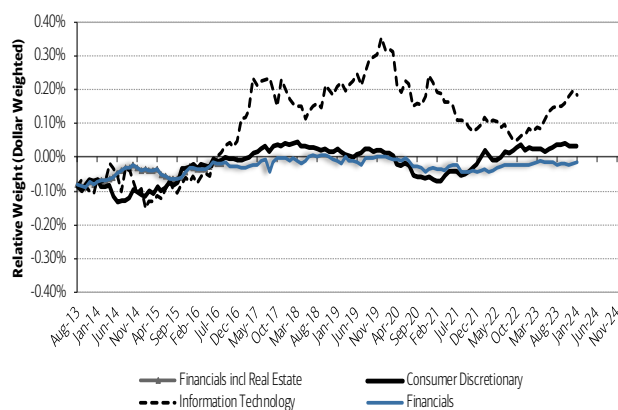


Source: BofA Asia Pac Quantitative Strategy

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Chart 46: Korea: Early Cyclical & Financials – Sectors Positioning

Funds are most overweight Info Tech

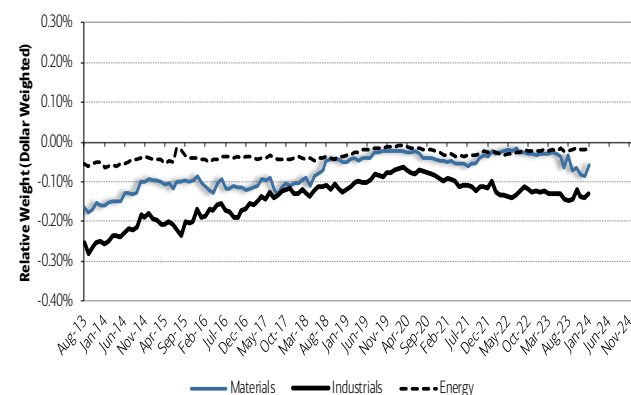


Source: BofA Asia Pac Quantitative Strategy

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Chart 47: Korea: Late Cyclical – Sector Positioning

Funds are most underweight Industrials as of Jan

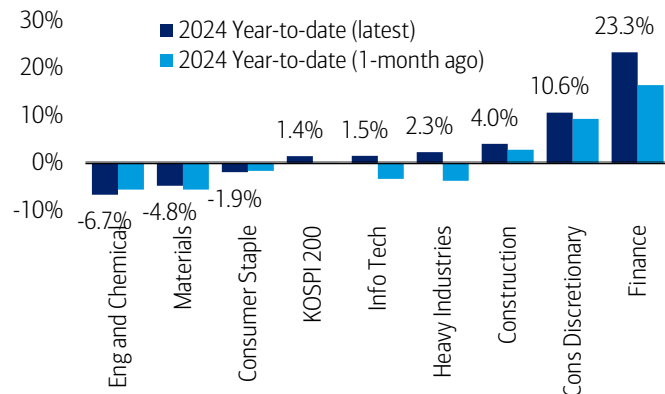


Source: BofA Asia Pac Quantitative Strategy

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Exhibit 48: Year-to-date performance (%) of different KOSPI sectors

Year-to-date, the financial and consumer discretionary sectors have seen the most benefit from the Corporate Value-Up theme

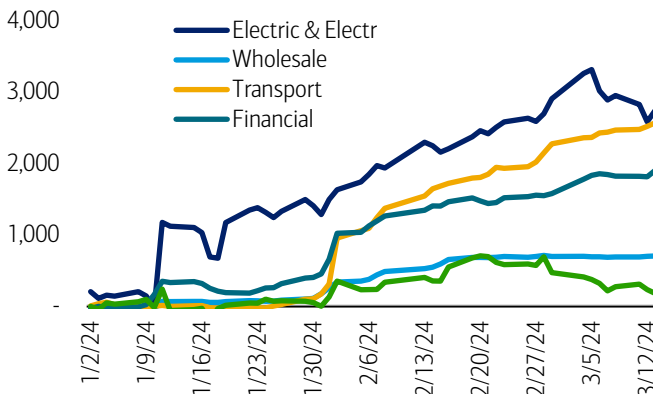


Source: Bloomberg

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Exhibit 49: Year-to-date inflow into different KOSPI sectors (US\$ Mn)

Electronics, transport and financials have seen the largest inflow from the Corporate Value-Up initiative



Source: Bloomberg

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