

Korea Watch

Monthly chart book #5: Mixed recovery in Nov-Dec; property sector rebound halted

Mixed activities in Nov-Dec; Rising property risks

The growth momentum was relatively mixed in Nov-Dec compared to a month ago. Industrial production and exports accelerated on the back of stronger semi demand, and the low year-ago base. Retail sales also rebounded along with the pick-up in consumer confidence. However, facility investment continued to contract and construction activities finally showed more notable signs of weakness in Nov. Meanwhile, property sector returned to the spotlight, as **1)** a major constructor applied for default recently; and **2)** nationwide property prices sequentially dropped in Dec after months of rebound. 4Q23 growth was likely driven by strong export offset by domestic weakness.

Key activities & sentiment: By major indicators, the acceleration in IP (0.5% mom sa) was primarily driven by strong semi production (12.8% mom sa) in Nov. Retail sales also accelerated, driven by higher sales of automobile and household appliances. Meanwhile, both facility investment and construction contracted sequentially.

Fiscal: Monthly fiscal position returned to deficit in Nov, driven by the lagging tax revenues, which was 20% below the original annual target.

Labor market: Unemployment rate rose to almost a 2-year high in Dec (3.3% vs Nov: 2.8%), partly driven by higher participation rate. Jobs gain in construction accelerated.

Monetary & financial markets: Household loan growth rebounded driven by ex-mortgage loans. UST and KTB yields retreated before a brief rebound in Jan. Credit spread in CPs and CDs rose modestly, partly reflecting tighter credit conditions.

Property markets: Nationwide housing price declined in Dec after months of rebound. PF loan risks return to spotlight as a major construction firm applied for default in Dec.

Semi & Auto sectors: Semi production accelerated amid normalizing inventory level and strong demand for export. Auto export remained resilient, although auto production contracted on a yearly basis for the first time since mid-2022.

External sector: Higher service deficit and lower primary income inflow offset the higher trade surplus, leading to a narrower CA surplus in Nov.

Exhibit 1: Heatmap of major activity indicators

The growth momentum was relatively mixed in Nov-Dec compared to a month ago

	12/22	1/23	2/23	3/23	4/23	5/23	6/23	7/23	8/23	9/23	10/23	11/23	12/23	
Manufacturing PMI (index)	49.0	48.2	48.5	48.5	47.6	48.1	48.4	47.8	49.4	48.9	49.9	49.8	50.0	
Consumer confidence (%)	90.2	90.7	90.2	92.0	95.1	98.0	100.7	103.2	103.1	99.7	98.1	97.2	99.5	
Core inflation (% mom, sa)	0.3	0.6	0.2	0.3	0.3	0.3	0.3	0.2	0.3	0.2	0.3	0.0	0.1	
Unemployment (%)	3.1	2.9	2.6	2.7	2.6	2.5	2.6	2.8	2.4	2.6	2.5	2.8	3.3	
Property price (% yoy)	-4.7	-6.2	-7.3	-8.1	-8.5	-8.7	-8.8	-8.7	-8.3	-7.6	-6.7	-5.3	-3.5	
Household loan growth (% yoy)	-0.2	-0.6	-0.9	-0.9	-0.7	-0.4	0.1	0.7	1.3	1.9	2.6	3.2	3.5	
Semiconductor export (% yoy/d)	-29.1	-43.2	-47.7	-37.2	-38.4	-31.7	-31.1	-33.6	-20.6	-11.5	-0.8	12.9	32.6	

Source: Haver, BofA Global Research

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

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GEM Economics
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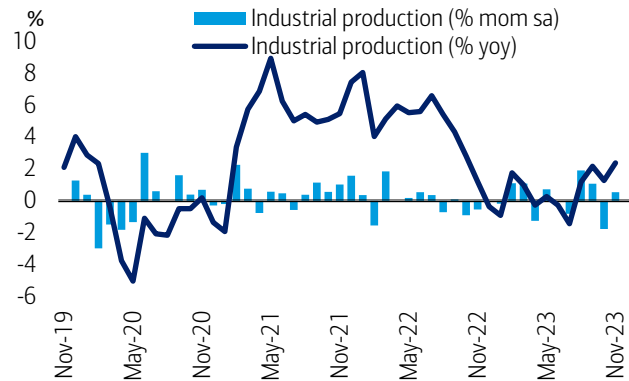
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Timestamp: 16 January 2024 01:39AM EST

Production & Construction

Exhibit 2: Industrial production

Industrial production sequentially rebounded in Nov after the contraction in Oct

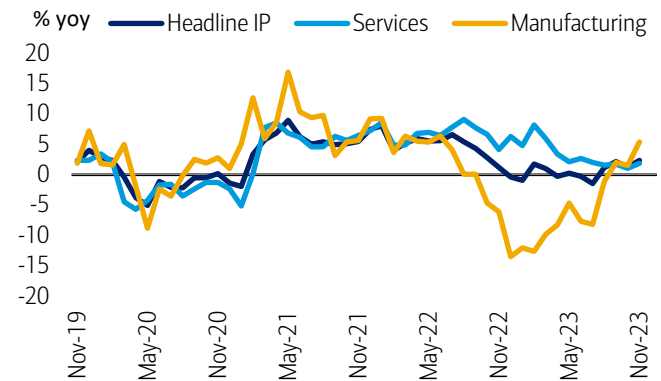


Source: Haver, BofA Global Research

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Exhibit 3: Industrial production by sector

In yoy terms, we saw a faster rebound in manufacturing sector on the back of lower year-ago base

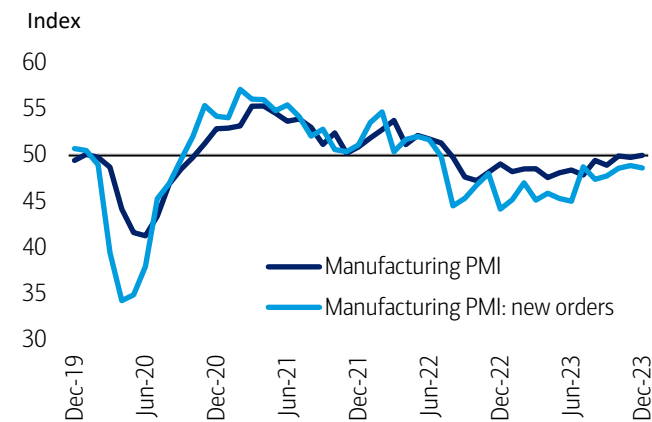


Source: Haver, BofA Global Research

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Exhibit 4: Manufacturing PMI

Manufacturing PMI stayed close to neutral level (50); new orders in manufacturing sector slightly dropped in Dec (48.6 vs. 48.9 in Nov)

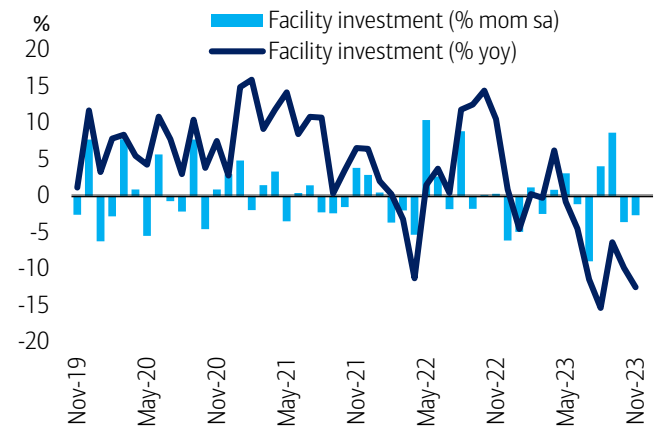


Source: Haver, BofA Global Research

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Exhibit 5: Facility Investment

Facility investment sequentially contracted in Nov

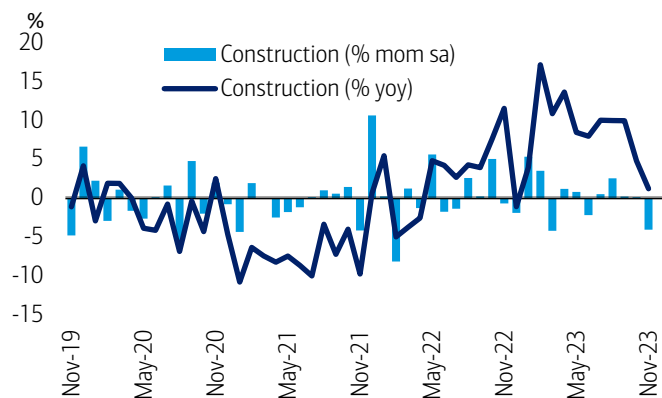


Source: Haver, BofA Global Research

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Exhibit 6: Construction activity

Construction activity contracted after four months of sequential rise

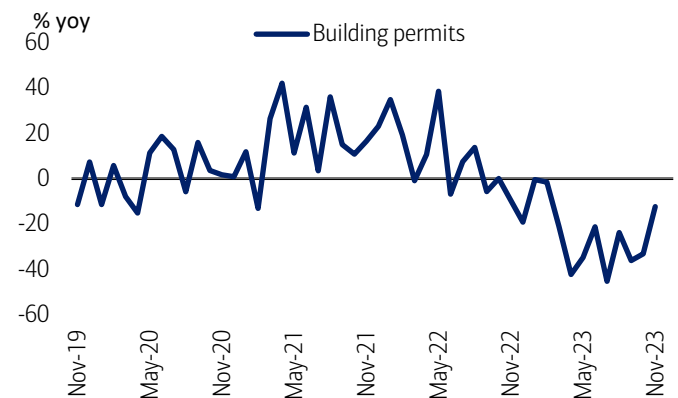


Source: Haver, BofA Global Research

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Exhibit 7: Building permits issued

...while yoy contraction in building permits slightly narrowed



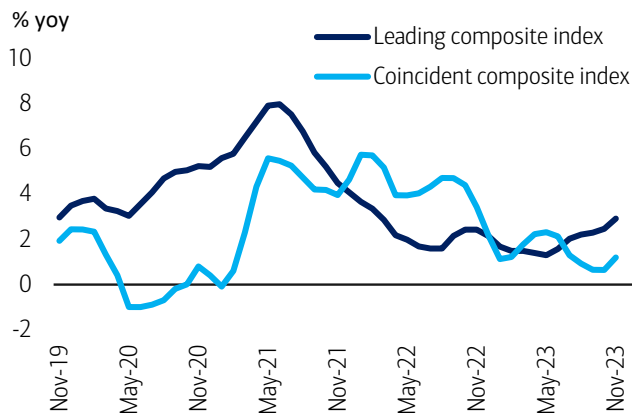
Source: Haver, BofA Global Research

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Leading indicator & Fiscal

Exhibit 8: Bank of Korea: Composite indices

Leading composite index suggests some rebound in growth ahead

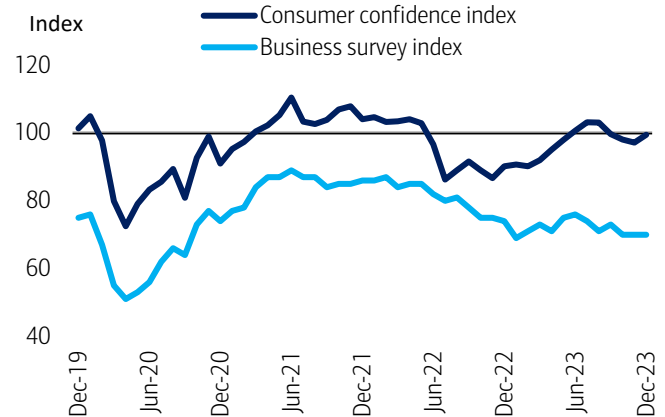


Source: Haver, BofA Global Research

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Exhibit 9: Consumer confidence & business survey index

Consumer confidence rebounded to the neutral level in Dec

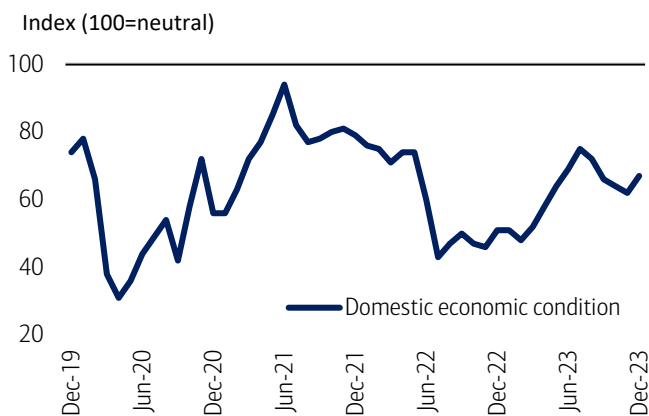


Source: Haver, BofA Global Research

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Exhibit 10: Consumer survey: Domestic economic condition

Consumers sentiment on economic conditions improved in Dec...



Source: Haver, BofA Global Research

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Exhibit 11: Consumer survey: Inflation expectation next year

...While consumers' expectation on inflation next year fell in Dec

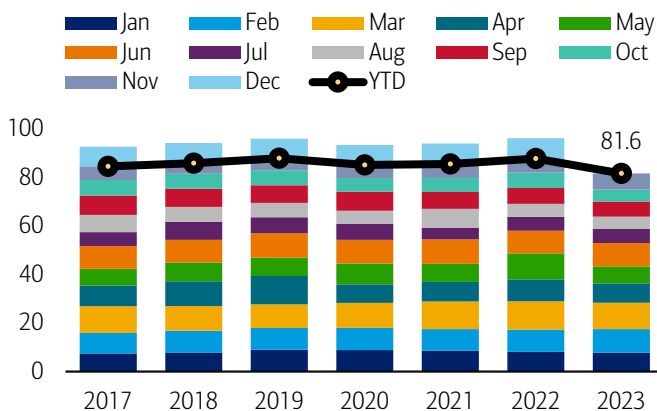


Source: Haver, BofA Global Research

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Exhibit 12: Monthly government expenditure (% of annual budget)

Fiscal expenditure slightly fell short with previous years as of Nov

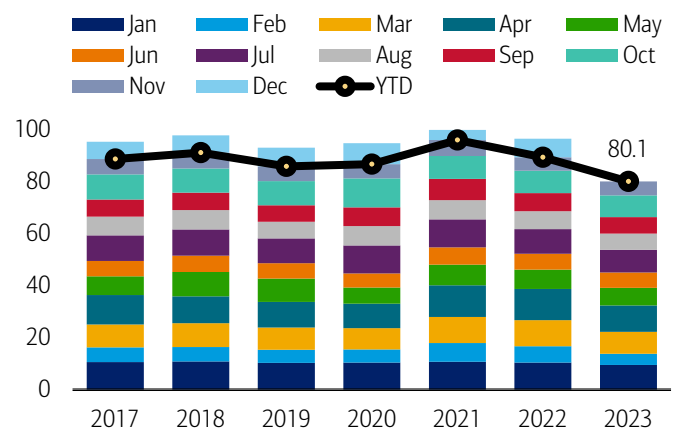


Source: Haver, BofA Global Research

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Exhibit 13: Monthly government revenue (% of annual budget)

Tax collection continued to lag compared to previous years



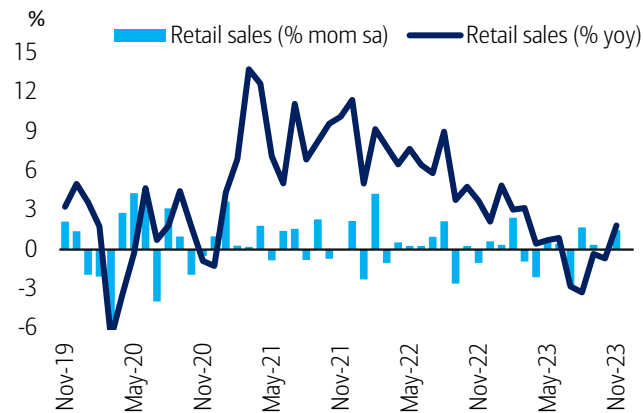
Source: Haver, BofA Global Research

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Consumption & Labor Market

Exhibit 14: Headline retail sales

Retail sales growth rebounded in Nov, first positive yoy growth in 5 months

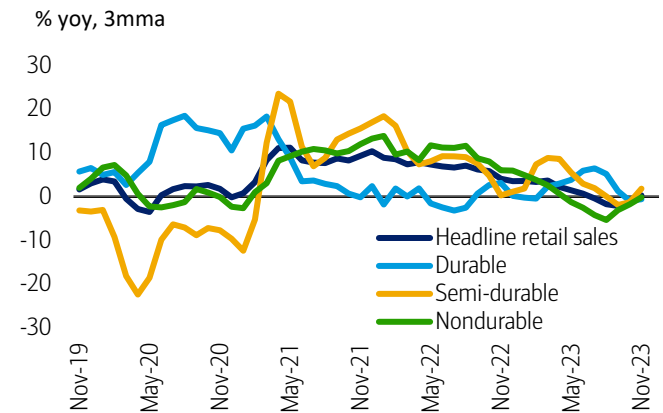


Source: Haver, BofA Global Research

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Exhibit 15: Retail sales by goods

The rebound was broad based across goods

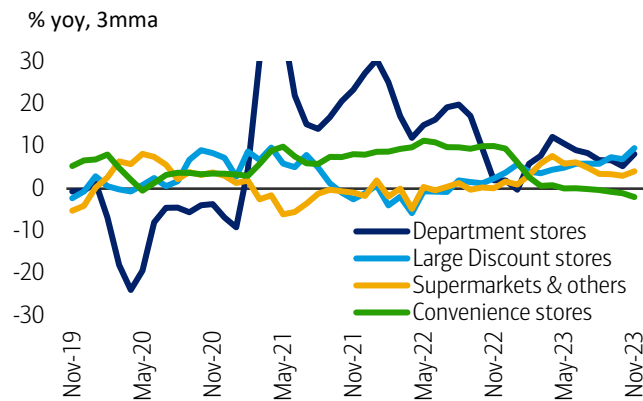


Source: Haver, BofA Global Research

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Exhibit 16: Retail sales by store

Sales in department stores and large discount stores rebounded strongly, thanks to home/living, fashion categories

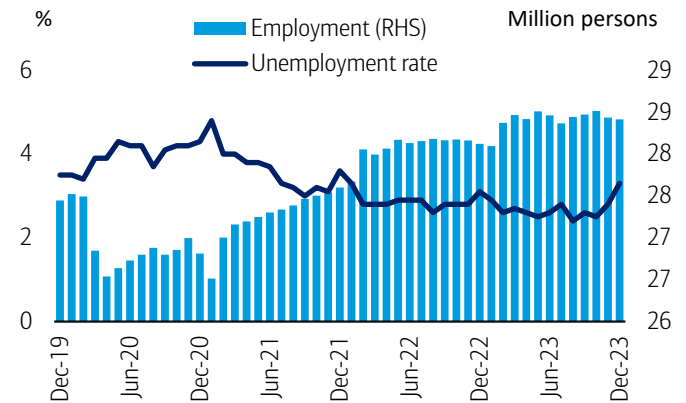


Source: Haver, BofA Global Research

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Exhibit 17: Key labor market indicators

Unemployment rate ticked up to 3.3% in Dec (vs. 2.8% in Nov)

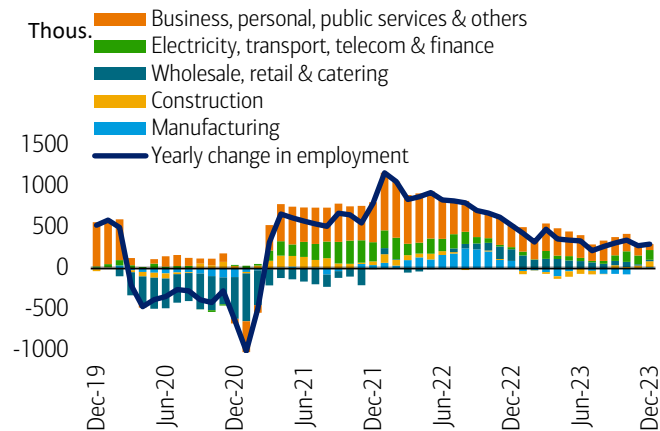


Source: Haver, BofA Global Research

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Exhibit 18: Yearly change in employment

Jobs gain accelerated in Dec led by construction sector

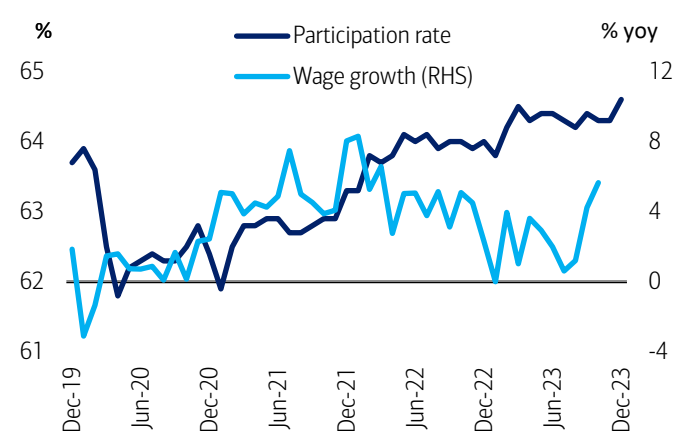


Source: Haver, BofA Global Research

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Exhibit 19: Participation rate and wage growth

Participation rate rose in Dec; Wage growth also extended gains in Oct



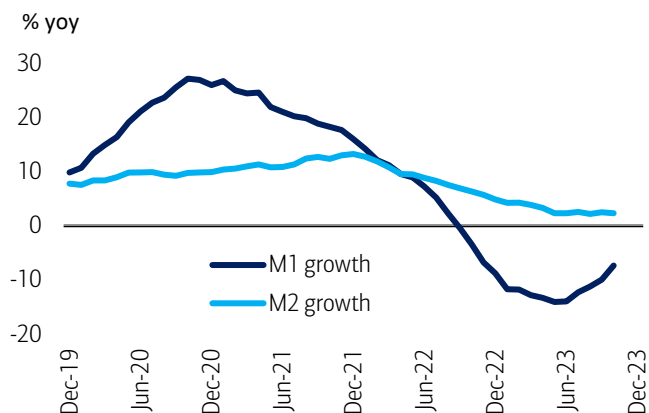
Source: Haver, BofA Global Research

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Monetary & Financial markets

Exhibit 20: Money supply growth

M1 growth contraction narrowed while M2 supply grew very modestly

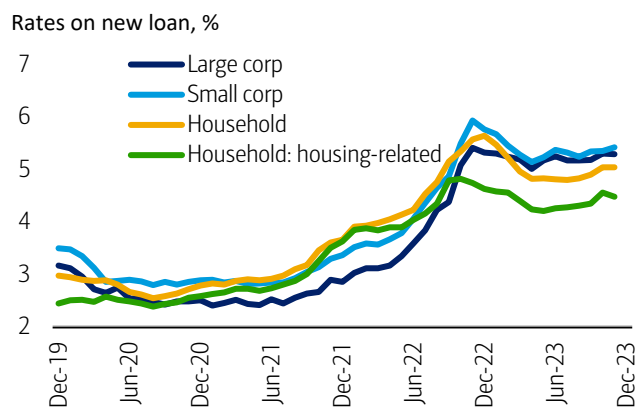


Source: Haver, BofA Global Research

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Exhibit 22: Interest rates on new loans

New loan rates moderated across households and firms

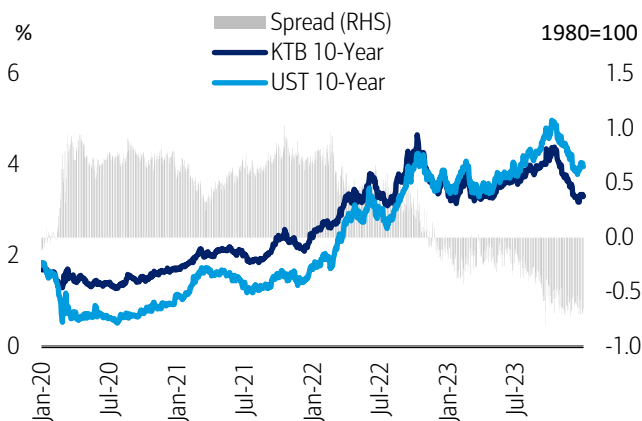


Source: Haver, BofA Global Research

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Exhibit 24: KTB & UST 10-Year yield differential

Yields in US & Korea bottomed out from the fall since Oct, while the spread remained steady

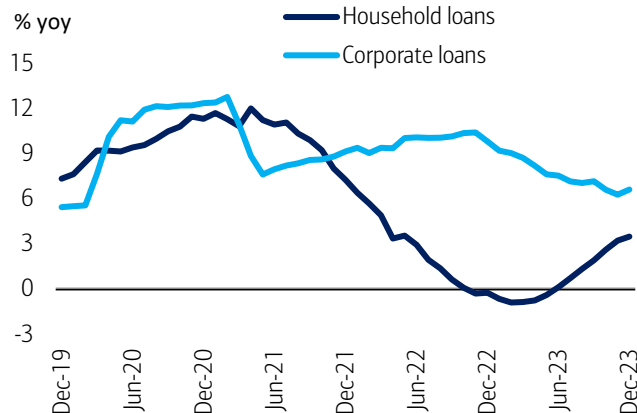


Source: Haver, BofA Global Research, data as of Jan 15

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Exhibit 21: Household & corporate loan growth

Both corporate and household loan growth rebounded in Dec

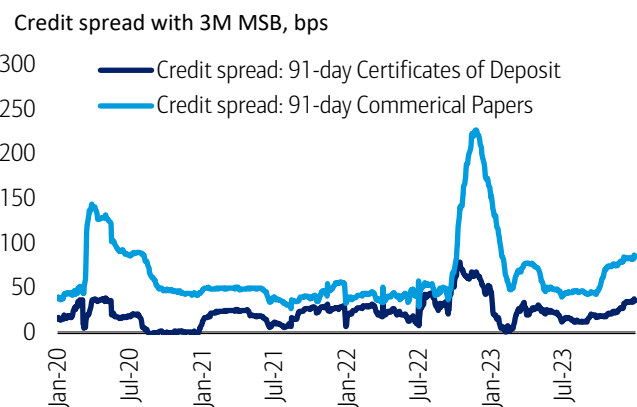


Source: Haver, BofA Global Research

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Exhibit 23: Credit spread

Credit spread in CDs and CPs have been rising modestly

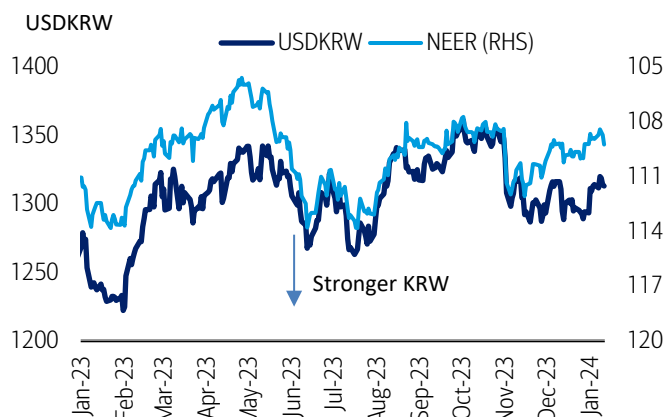


Source: Haver, BofA Global Research, data as of Jan 15

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Exhibit 25: USDKRW & KRW NEER

Korean Won retreated above 1,300 level against USD



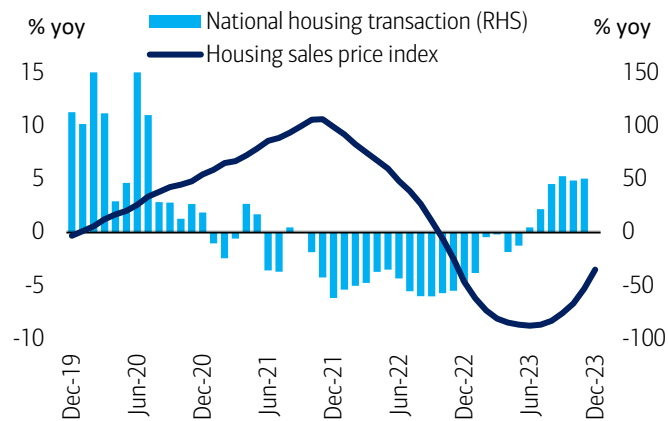
Source: Haver, BofA Global Research, data as of Jan 15

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Property markets

Exhibit 26: Nationwide housing price and transaction

Property market further stabilized on yoy terms

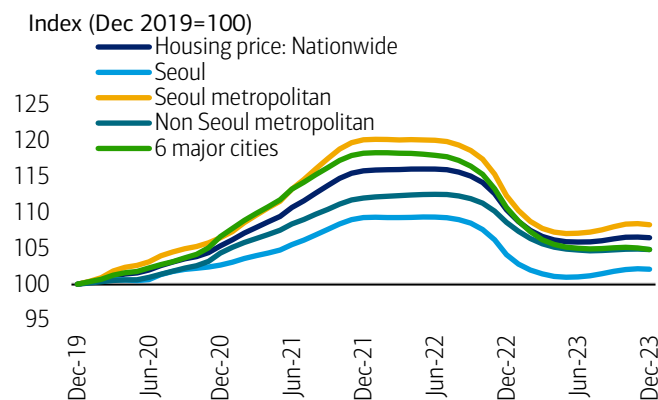


Source: Haver, BofA Global Research

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Exhibit 28: Housing price by region

Nationwide housing prices dropped marginally across major regions in Dec after 6 months of gain

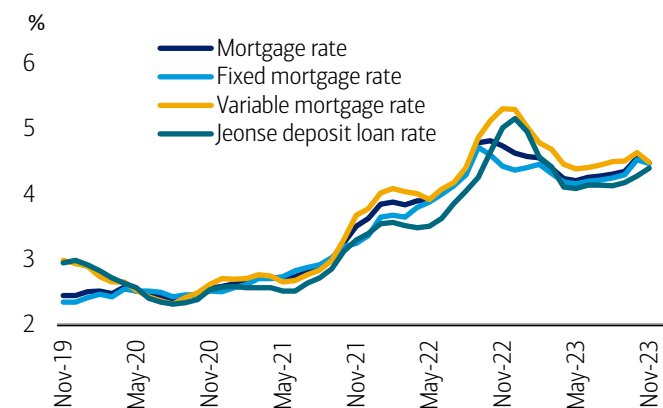


Source: Haver, BofA Global Research

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Exhibit 30: Housing-related interest rates

Mortgage rate dropped in Nov but jeonse rate picked up

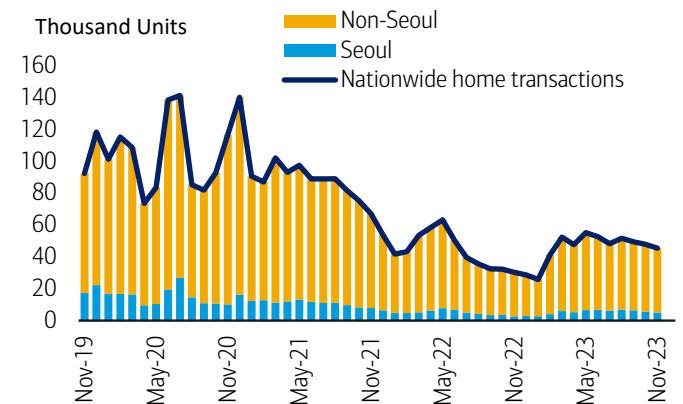


Source: Haver, BofA Global Research

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Exhibit 27: Nationwide home transaction by region

While transaction volume dropped marginally in Nov

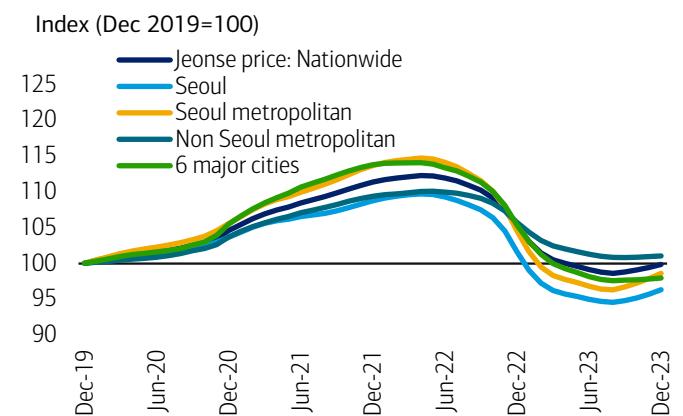


Source: Haver, BofA Global Research

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Exhibit 29: Jeonse price by region

Meanwhile, jeonse price has still been on upward trend

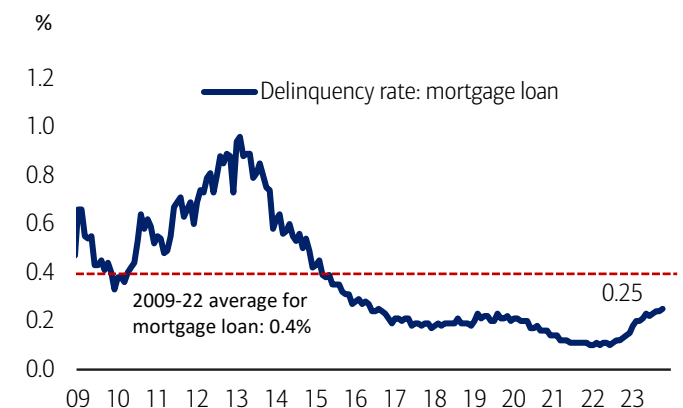


Source: Haver, BofA Global Research

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Exhibit 31: Delinquency rate on mortgage loan

Delinquency rate on mortgage rose, but still below historical average



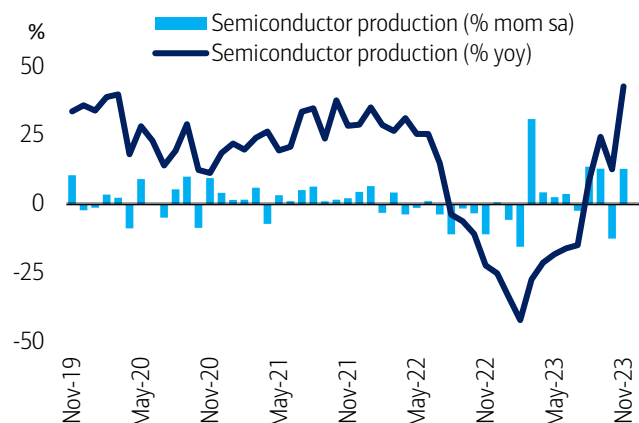
Source: Haver, BofA Global Research

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Semiconductor & Automobile sectors

Exhibit 32: Semiconductor production

Semiconductor production rebounded in Nov after a dip in Oct

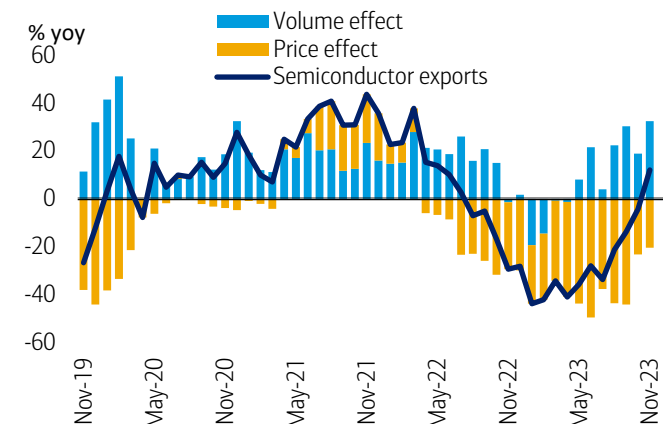


Source: Haver, BofA Global Research

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Exhibit 34: Semiconductor exports: price and volume

Semi exports in Nov showed stronger volume growth and lesser price drag

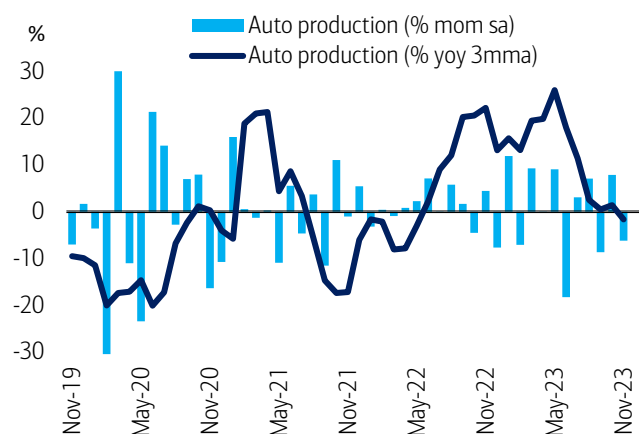


Source: Haver, BofA Global Research

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Exhibit 36: Automobile production

Auto production dropped to negative on yoy 3mma basis, first since May 22

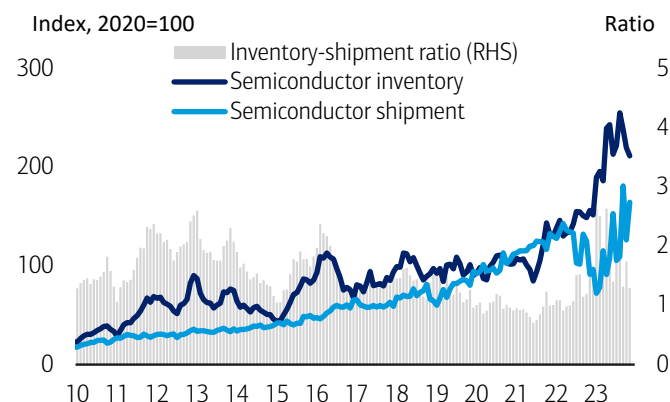


Source: Haver, BofA Global Research

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Exhibit 33: Inventory and shipment of semiconductors

Inventory-to-shipment ratio has been normalizing

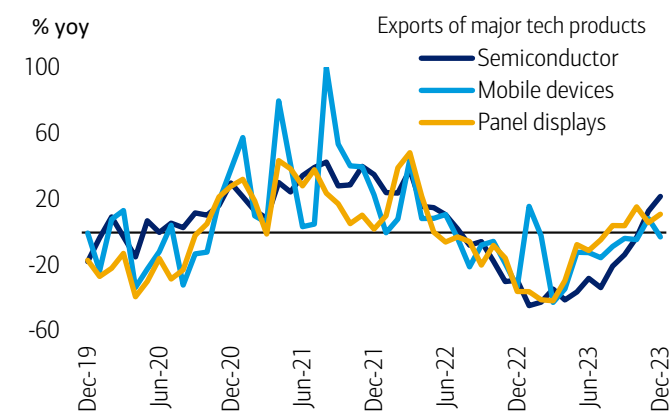


Source: Haver, BofA Global Research

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Exhibit 35: Exports of major tech products

Semi exports accelerated in Nov but that of mobile devices decelerated

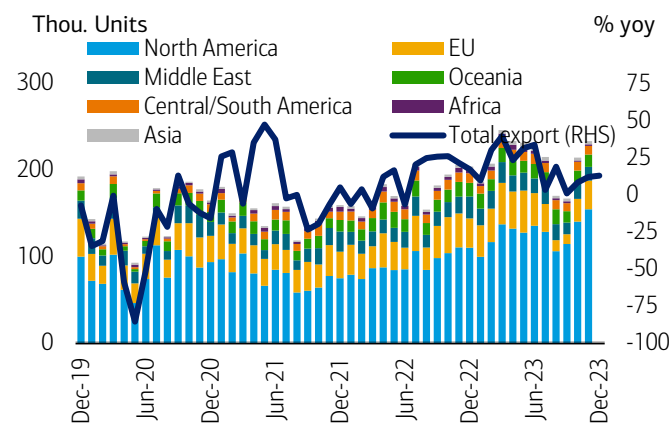


Source: Haver, BofA Global Research

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Exhibit 37: Auto exports by destination

Auto demand from North America remains high



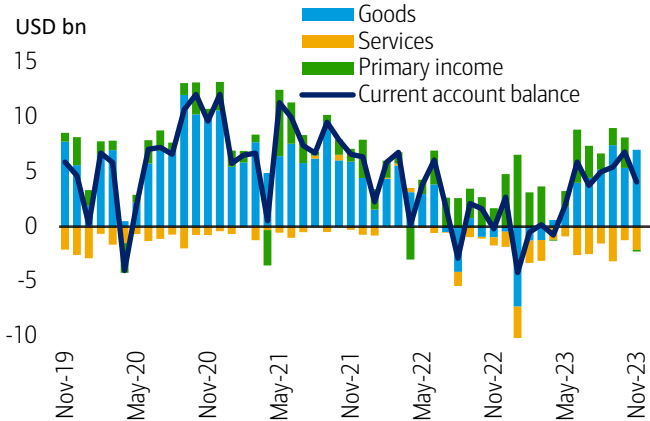
Source: Haver, BofA Global Research

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External sector

Exhibit 38: Current account breakdown

Current account surplus narrowed in Nov on higher services deficit

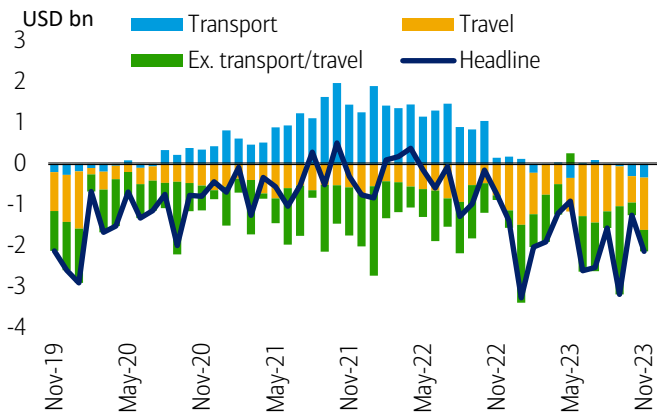


Source: Haver, BofA Global Research

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Exhibit 40: Services account breakdown

Services deficit widened in Nov on higher outbound tourism

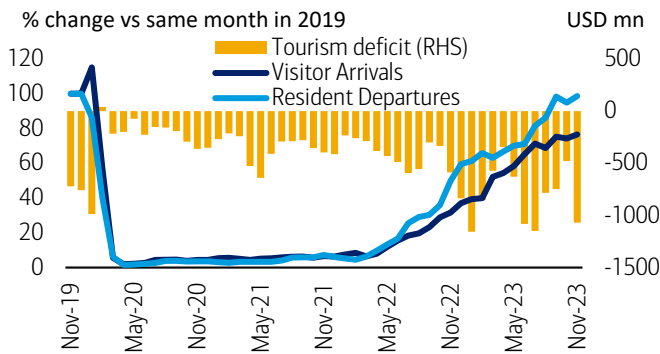


Source: Haver, BofA Global Research

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Exhibit 42: Tourism recovery and deficit

Resident departure fully normalized in Nov while visitor arrivals still lagged behind

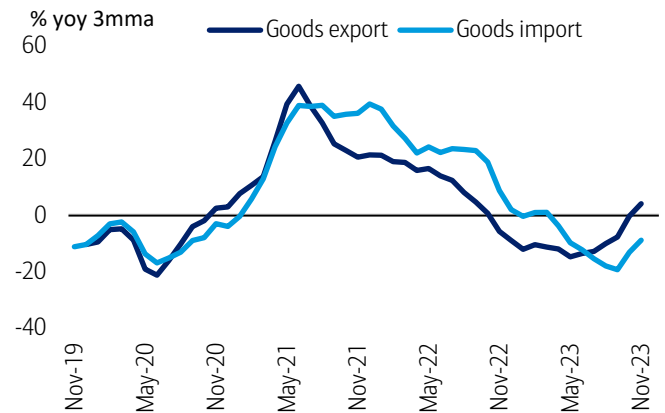


Source: Haver, BofA Global Research

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Exhibit 39: Goods export and import growth (BoP terms)

Goods export in BoP terms is moving back to expansionary territory

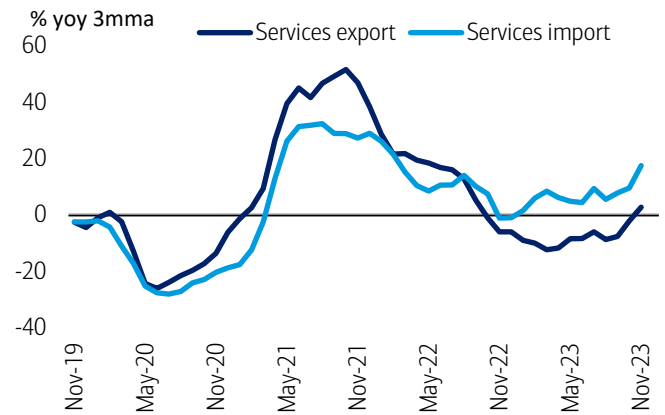


Source: Haver, BofA Global Research

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Exhibit 41: Services export and import growth

Services import continued to outpace export as of Nov

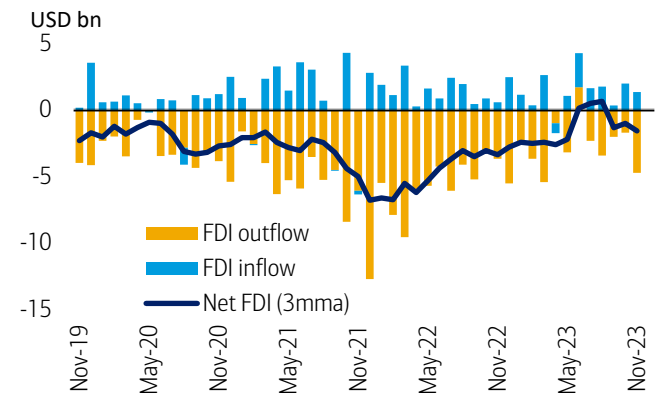


Source: Haver, BofA Global Research

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Exhibit 43: Foreign direct investment flow

Outbound foreign direct investment accelerated in Nov



Source: Haver, BofA Global Research

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