

# Regional Economic Report

December 2022



BANK OF KOREA

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This is a condensed English version of the *Regional Economic Report* published in Korean on December 26, 2022. Regional economic conditions in the *Report* are based on the results of business surveys conducted by the 15 domestic branches of the Bank of Korea between November 10 and December 9, 2022, and on other available statistical data. They may not necessarily agree with official statistics to be released in the future.

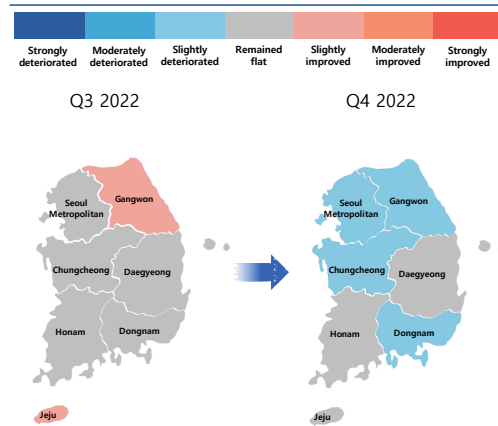
## Summary of Recent Regional Economic Conditions

### 1. Overview

Our survey results show that regional economic activity in the fourth quarter of 2022 deteriorated slightly compared to the previous quarter, as manufacturing production was sluggish due to the global economic slowdown and as the recovery of services production weakened. By region, it slightly deteriorated in the Seoul metropolitan, Dongnam, Chungcheong, and Gangwon regions, while it remained flat in other regions.

There exist high uncertainties surrounding economic conditions at home and abroad due, for instance, to the easing of monetary tightening in major economies and the acceleration of financial instability.

#### Economic Activity by Region<sup>1)</sup>



Note: 1) Judged collectively on the basis of regional information about production, demand, and employment gathered from businesses and other organizations in each region.

According to our survey, regional economies are forecast to show a weak pace of growth, with both manufacturing and services production remaining at similar levels as in the fourth quarter.

## 2. Production

### Manufacturing Production

In the fourth quarter, manufacturing production decreased compared to the third quarter due to sluggish exports following the global economic slowdown. By region, it decreased moderately in the Seoul metropolitan, Chungcheong, and Honam regions, while it decreased slightly in the Dongnam, Daegyeong, and Gangwon regions. In the Jeju region, it remained at a similar level as in the previous quarter.

#### Manufacturing Production by Region<sup>1)</sup>

Seoul Metropolitan	Dongnam	Chungcheong	Honam	Daegyeong	Gangwon	Jeju
▼▼	▼	▼▼	▼▼	▼	▼	◇

Note: 1) Markers indicate the direction and degree of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

According to the survey results, manufacturing production is predicted to remain at a similar level as in the fourth quarter across most regions due to sluggish growth in major economies.

### Services Production

In the fourth quarter, services production remained at a similar level as in the previous quarter, as the momentum of recovery weakened despite the continued return to normal life. By region, it increased slightly in the Daegyeong region, while it decreased slightly in the Dongnam and Gangwon regions. It remained flat in other regions.

#### Services Production by Region<sup>1)</sup>

Seoul Metropolitan	Dongnam	Chungcheong	Honam	Daegyeong	Gangwon	Jeju
◇	▼	◇	◇	▲	▼	◇

Note: 1) Markers indicate the direction and degree of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

According to survey results, services production is expected to see a slowdown in the pace of recovery, remaining at a similar level as in the fourth quarter. By region, it is expected to decrease slightly in the Dongnam, Daegyeong, and Jeju regions, while it is expected to remain flat in other regions.

Manufacturing Production by Region and Industry in Q4 2022<sup>1)</sup>

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Semiconductors (▼)	Sluggish demand in the PC, mobile, and server sectors
	Display Panels (▼)	Weak demand for OLED panels for TVs
	Oil Refining & Petrochemicals (▼)	A fall in oil prices, regular repair and maintenance
	Motor Vehicles (▲)	The alleviation of supply disruptions of automotive semiconductors, solid demand for high-value vehicles
Dongnam Region	Motor Vehicles (▲)	An increase in demand for eco-friendly vehicles, the alleviation of supply disruptions for parts such as automotive semiconductors
	Shipbuilding (▲)	Continued construction of increased orders received since 2021
	Oil Refining (▼)	Reduced refining margins led by a fall in global oil prices
	Petrochemicals (▼)	A slowdown in the global economy, continued lockdown measures in China
	Machinery & Equipment (◇)	An increase in exports, but sluggish domestic facilities investment
Chungcheong Region	Semiconductors (▼)	Sluggish demand, inventory burden, setbacks in next-generation CPU production
	Petrochemicals (▼)	Deteriorated profitability due to lower spreads
	Iron & Steel (▼)	Weak demand from China, shutdowns of several factories
	Display Panels (▲)	Expanded production of OLED panels for newly-launched smartphones
Honam Region	Motor Vehicles (▲)	The launch of new vehicles, strong demand for eco-friendly vehicles
	Petrochemicals (▼)	Continued regular repair and maintenance, the deterioration of profitability
	Food & Beverage (▼)	An increase in costs of raw materials, inventory burden
	Shipbuilding (▲)	Construction of existing order book, the alleviation of labor supply shortage
	Oil Refining (◇)	A fall in oil prices, but reduced crude oil inventories
Daegyeong Region	Iron & Steel (◇)	Increased production in response to recent typhoon damage in Pohang
	Iron & Steel (▼)	Production setbacks from typhoon damage, sluggish global demand
	Display Panels (▼)	Weak demand for LCD TVs, a fall in LCD panel prices
	Mobile Phones (▼)	A slowdown in global smartphone sales
Gangwon Region	Textiles (▲)	Securing inventories for peak season, benefits from China's "zero COVID" policy
	Cables (▲)	Increase in exports to Taiwan, North America
	Cement (▼)	Delayed shipments due to strike by the Cargo Truckers Solidarity (CTS) union, sluggish demand in China
	Medical Instruments (◇)	Decreases in exports to the U.S. and Europe, an increase in production for the domestic market led by strong sales of new products
	Medicine (◇)	An increase in exports of botulinum toxin, but a decrease in COVID-19 confirmed cases
Jeju Region	Non-Alcoholic Beverages (▲)	An increase in the number of tourists
	Non-Metallic Mineral Products (▼)	A downturn in the construction industry, supply disruption for ready-mixed concrete

Note: 1) Markers in parentheses indicate the direction of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

## Services Production by Region and Industry in Q4 2022<sup>1)</sup>

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Wholesale & Retail Trade (◇)	Solid growth in convenience store sales, but a decline in sales at both large retail stores and online
	Accommodation & Food (▼)	Decreased real purchasing power, weakened consumer sentiment
	Transportation (▼)	Sluggish maritime and airborne cargo volumes
	Finance & Insurance (▲)	An increase in loan interest income following rising interest rates
Dongnam Region	Wholesale & Retail Trade (◇)	Weakened consumer sentiment due to rising interest rates, but the effects of the FIFA World Cup 2022 and year-end sales
	Accommodation & Food (▲)	Hosting large-scale local festivals
	Transportation (▼)	Decreased water and land transportation due to strike by the Cargo Truckers Solidarity (CTS) union
	Real Estate (▼)	A continued slump in housing transactions
Chungcheong Region	Wholesale & Retail Trade (▼)	Weakened consumer sentiment due to rising interest rates
	Accommodation & Food (▲)	Hosting international events, resumption of local festivals
	Transportation (▲)	An increase in passenger transport amidst the strike by the CTS union, a recovery in maritime cargo volume
	Real Estate (▼)	A continued slump in housing transactions
Honam Region	Wholesale & Retail Trade (◇)	An increase in sales at department stores and major hypermarkets, but a decrease in traditional market sales
	Accommodation & Food (▲)	An increase in the number of tourists driven by hosting regional festivals
	Transportation (◇)	A slowdown in the growth of water and air cargo volumes due to the CTS union strike
	Real Estate (▼)	A continued slump in housing transactions
Daegyeong Region	Wholesale & Retail Trade (◇)	Sluggish sales of home appliances, but increased sales of outdoor activity products, such as leisure equipment and clothing
	Accommodation & Food (▲)	A recovery in travel demand led both by a continued return to normal life and by increased group events
	Transportation (▲)	Expanded flights, an increase in the number of travelers
	Real Estate (▼)	A continued slump in housing transactions
Gangwon Region	Accommodation & Food (▼)	A decrease in the number of visitors to the region
	Recreation (◇)	An increase in the number of users of amusement parks and golf courses, cancellation of several cultural events
	Wholesale & Retail Trade (▼)	A decrease in sales mainly at large retail stores
	Transportation (▲)	The initiation of new flights in and out of Yangyang Airport
	Real Estate (▼)	A continued slump in housing transactions, an increase in the vacancy rate of non-residential buildings
Jeju Region	Accommodation & Food (▲)	An expansion of group tours
	Recreation (▼)	A decrease in the number of golf course visitors, the limited recovery of the number of foreign visitors to casinos led by prolonged lockdown measures in China
	Wholesale & Retail Trade (◇)	Decreased sales at duty free shops, but increased sales at convenience stores and major hypermarkets
	Transportation (▲)	An expansion of group tours
	Real Estate (▼)	A continued slump in housing transactions

Note: 1) Markers in parentheses indicate the direction of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

### 3. Demand

#### Private Consumption

In the fourth quarter, private consumption remained at a similar level as in the third quarter as the pent-up momentum of services consumption weakened. By region, it remained flat in the Seoul metropolitan, Dongnam, Chungcheong, and Daegyeong regions, while it slightly increased in the Honam and Jeju regions, and slightly decreased in the Gangwon region.

#### Private Consumption by Region<sup>1)</sup>

Seoul Metro politan	Dong nam	Chung cheong	Honam	Dae gyeong	Gang won	Jeju
◇	◇	◇	▲	◇	▼	▲

Note: 1) Markers indicate the direction and degree of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

According to survey results, private consumption is anticipated to show a moderate recovery trend as the pace of growth in face-to-face services slows, with both the decline in real purchasing power and the rise in interest rates acting as constraints. By region, it is expected to slightly decrease in the Dongnam, Honam, Gangwon, and Jeju regions, while remaining flat in the Seoul metropolitan, Chungcheong, and Daegyeong regions.

#### Facilities Investment

In the fourth quarter, facilities investment remained at a similar level as in the third quarter across most regions, as investment in both eco-friendly facilities and new business projects continued, while it decreased in some industries due to concerns about an economic downturn.

#### Facilities Investment by Region<sup>1)</sup>

Seoul Metro politan	Dong nam	Chung cheong	Honam	Dae gyeong	Gang won	Jeju
◇	◇	◇	◇	◇	▼	▼

Note: 1) Markers indicate the direction and degree of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

According to survey results, facility investment is expected to contract owing to uncertainties surrounding the global economy and a rise in funding costs. By region, it is expected to decrease moderately in the Seoul metropolitan region and decrease slightly in the Chungcheong, Gangwon, and Jeju regions, while it is forecast to increase slightly in the Dongnam region.

#### Construction Investment

In the fourth quarter, construction investment remained at a similar level as in the third quarter across most regions. While investment in the private sector

decreased, mainly in residential buildings, it increased in the public sector driven by the execution of the social overhead capital (SOC) budget.

#### Construction Investment by Region<sup>1)</sup>

Seoul Metro politan	Dong nam	Chung cheong	Honam	Dae gyeong	Gang won	Jeju
◇	◇	◇	◇	▼	◇	▼

Note: 1) Markers indicate the direction and degree of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

According to survey results, construction investment is expected to remain sluggish in most regions, owing to both a slump in housing markets and cuts to the government SOC budget.

## Exports

In the fourth quarter, exports (daily average) decreased compared to the third quarter across most industries, except for motor vehicles and mobile phones, due to sluggish global demand. By region, exports decreased moderately in the Seoul metropolitan, Chungcheong, and Honam regions, and decreased slightly in the Dongnam and Gangwon regions, while they increased slightly in the Daegyeong and Jeju regions.

#### Exports by Region<sup>1)</sup>

Seoul Metro politan	Dong nam	Chung cheong	Honam	Dae gyeong	Gang won	Jeju
▼▼	▼	▼▼	▼▼	▲	▼	▲

Note: 1) Markers indicate the direction and degree of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

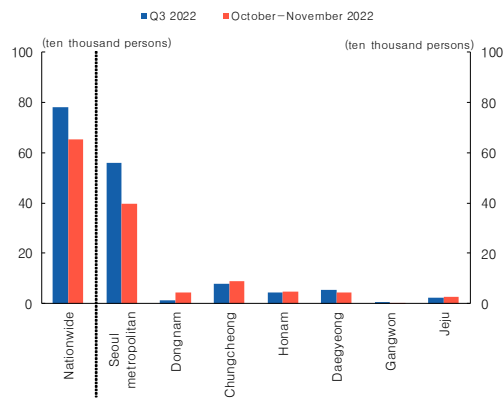
According to survey results, exports are expected to decrease slightly across most regions, owing to the slowdown in major economies.



## 4. Employment

In October and November, the monthly average number of employed persons recorded a year-on-year increase of 0.65 million, while the amount of increase declined compared to the third quarter (+0.78 million). By region, the amount of increase slightly expanded in the Dongnam, Chungcheong, Honam, and Jeju regions, while it declined in the Seoul metropolitan, Daegyeong, and Gangwon regions.

Change in Number of Persons Employed<sup>1)</sup>



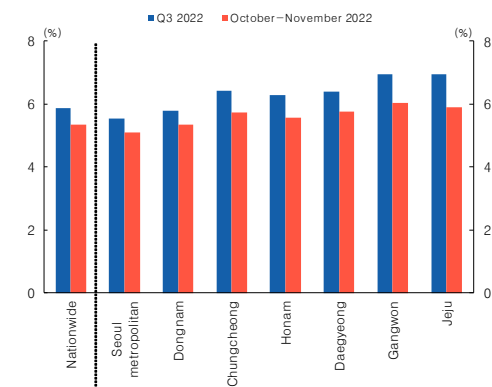
Note: 1) Year-on-year, monthly average.  
Source: Statistics Korea.

## 5. Consumer Price Index (CPI) and Housing Prices

### CPI Inflation

In October and November, CPI inflation (monthly average, year-on-year) slowed across all regions. Although the price inflation of electricity, gas, and water accelerated, the growth of petroleum product prices declined owing to a slowdown in rising international oil prices.

CPI Inflation<sup>1)</sup>

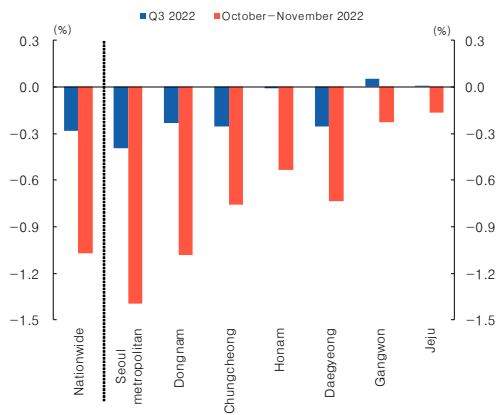


Note: 1) Year-on-year, monthly average.  
Source: Statistics Korea.

## Housing Sales Prices

In October and November, housing sales prices (compound monthly growth rate over the period) decreased across most regions, driven by weakened buyer sentiment from both an increase in lending rates and the higher possibility of falling housing prices.

Housing Sales Prices, Growth Rate<sup>1)</sup>



Note: 1) Compound monthly growth rate over the period.  
Source: Korea Real Estate Board.