

Regional Economic Report

March 2023



BANK OF KOREA

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This is a condensed English version of the *Regional Economic Report* published in Korean on March 27, 2023. 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 February 9 and March 10, 2023, and on other available statistical data. They may not necessarily agree with official statistics to be released in the future.

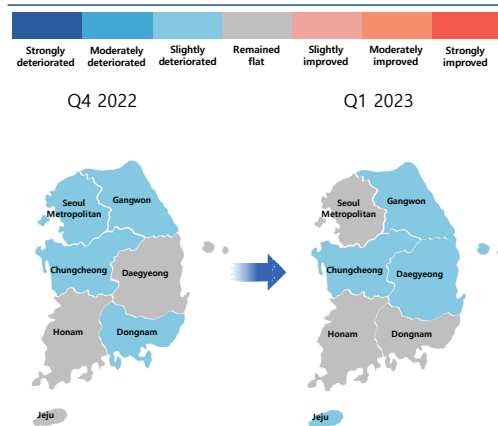
Summary of Recent Regional Economic Conditions

1. Overview

Our survey results show that regional economic activity in the first quarter of 2023 remained at a similar level as in the previous quarter, as manufacturing production slightly deteriorated due to the global economic slowdown while services production remained flat. By region, regional economic activity slightly deteriorated in the Chungcheong, Daegyeong, Gangwon, and Jeju regions, while it remained flat in other regions.

of an economic recovery following China's reopening could act as upward factors, uncertainties remain high due to the monetary policy tightening in major economies and the acceleration of financial instability at home and abroad.

Economic Activity by Region¹⁾



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, both manufacturing and services production are expected to remain at levels no higher than those seen in the first quarter. While the slowdown in inflation and expectations

2. Production

Manufacturing Production

In the first quarter, manufacturing production slightly decreased compared to the previous quarter due to sluggish semiconductor production amid the slowdown in the global economy. By region, it decreased slightly in the Seoul metropolitan, Chungcheong, Daegyeong, Gangwon, and Jeju regions, while it remained flat in the Dongnam and Honam regions.

Manufacturing Production by Region¹⁾

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 first quarter across most of the regions, as expectations of an economic recovery following China's reopening may act as an upward factor, while demand in other major economies is unlikely to recover quickly.

Services Production

In the first quarter, services production remained at a similar level as in the previous quarter, as the recovery of consumer sentiment was delayed due to continued high inflation. By region, it decreased slightly in the Chungcheong, Daegyeong, and Jeju regions, while it remained flat in other regions.

Services Production by Region¹⁾

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, services production is forecast to remain at a similar level as in the first quarter, due to limited consumption capacity following weak employment growth, despite the slowdown in inflation. By region, it is expected to increase slightly in the Seoul metropolitan, Daegyeong, and Jeju regions, while remaining flat in other regions.

Manufacturing Production by Region and Industry in Q1 2023¹⁾

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Semiconductors (▼)	Sluggish demand in the PC, mobile, and server sectors, inventory adjustment
	Display Panels (▼)	Continued shutdown of some OLED factories
	Iron & Steel (◇)	Deteriorating construction industry, expansion of sales channels
	Motor Vehicles (▲)	Easing of supply disruptions of automotive semiconductors, solid demand for high-value vehicles
Dongnam Region	Oil Refining & Petrochemicals (▲)	Completion of regular maintenance in the previous quarter
	Shipbuilding (▲)	Continued construction of increased orders received since 2021
	Motor Vehicles (◇)	Easing of supply disruptions for parts, such as automotive semiconductors, restructuring of automobile factories
	Petrochemicals (◇)	Sluggish demand in major countries, reduced cost due to a fall in global oil prices
Chungcheong Region	Machinery & Equipment (▼)	Sluggish domestic facilities investment
	Oil Refining (▼)	Contraction in the demand for heating oil
	Semiconductors (▼)	Decline in demand for IT products and servers, a slowdown in exports to China
	Display Panels (▼)	Inventory adjustment at several factories
	Petrochemicals (◇)	Deteriorating profitability, partial recovery of utility rates
	Motor Vehicles (▲)	Easing of supply disruptions for semiconductors, increased demand for new vehicles
Honam Region	Electrical Equipment (▲)	Increased demand for secondary batteries led by an increase in sales of electric vehicles
	Iron & Steel (▲)	Rise in sale prices, end of strikes
	Motor Vehicles (▲)	Easing of supply disruptions for semiconductors, increased demand for SUVs
	Oil Refining (▲)	Lifting of lockdown measures in China, increased demand from Europe
	Shipbuilding (▲)	Continued construction of orders increased since 2021
	Semiconductors (▼)	Sluggish demand from downstream industries, inventory adjustment
Daegu/gyeong Region	Petrochemicals (▼)	Fall in the operating ratio due to a deterioration in profitability
	Iron & Steel (▼)	Decline in global demand, adjustment of production lines
	Display Panels (▼)	Contraction in demand, continued fall in LCD panel prices
	Textiles (▼)	Slowdown in the global economy
	Machinery & Equipment (▼)	Sluggishness in downstream industries, weakened facilities investment
	Motor Vehicle Parts (◇)	Overall contraction in new demand, easing of supply disruption for semiconductors, increased demand for eco-friendly vehicle parts
Gangwon Region	Mobile Phones (◇)	Slowdown in global smartphone sales, upgrading to premium smartphones
	Iron & Steel (▲)	Recovery of production lines damaged by flooding, buoyancy in the production of motor vehicles
	Cement (▼)	Sluggishness in the domestic construction industry, weak demand from China
	Medicine (▼)	Improvement in the COVID-19 situation
	Cables (▼)	Decreased exports due to the adjustment of the supply schedule
Jeju Region	Motor Vehicle Parts (◇)	Alleviation of supply disruptions for parts, increase in the production of eco-friendly vehicles, decrease in exports to North America
	Medical Instruments (▲)	Increase in exports of ultrasound diagnostic devices
	Non-Alcoholic Beverages (▼)	Slowdown of the tourist growth
	Non-Metallic Mineral Products (▲)	Temporary increase in construction orders

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 Q1 2023¹⁾

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Accommodation & Food (▼)	Lower demand for dining out due to higher prices
	Wholesale & Retail Trade (▲)	Growth in online sales centered on home food purchases
	Transportation (▼)	Widening decline in cargo volumes
	Finance & Insurance (◇)	Improvement at securities institutions, sluggishness at deposit-taking institutions
Dongnam Region	Accommodation & Food (▲)	Increasing face-to-face activities due to easing COVID-19 regulations, quarantine requirements, etc.
	Wholesale & Retail Trade (▼)	Weakened consumer sentiment due to high inflation and interest rates
	Transportation (▼)	Sluggish container exports & transshipment at Busan Port
	Real Estate (◇)	Continued slump in housing transactions
Chungcheong Region	Accommodation & Food (▼)	Rising restaurant prices, expansion of overseas travel
	Wholesale & Retail Trade (▼)	Sluggish sales at large retail stores
	Transportation (▲)	Robust passenger transportation, a recovery in maritime cargo volumes
	Real Estate (▼)	Fewer housing transactions
Honam Region	Accommodation & Food (▲)	An inflow of tourists for the Spring Flower Festival, etc.
	Wholesale & Retail Trade (▼)	Delayed recovery of consumer sentiment due to inflation, etc.
	Transportation (◇)	Decrease in air passengers, an increase in maritime and airborne cargo volumes
	Real Estate (▲)	Increased volume of housing sales, leases, and monthly rent transactions
Daegyong Region	Accommodation & Food (▼)	High inflation, increase in overseas travel
	Wholesale & Retail Trade (◇)	Sluggishness in clothing sales, change in Daegu's mandatory supermarket holiday to weekdays
	Transportation (▲)	Expansion of flights, increase in the number of passengers and cargo volumes
	Real Estate (▼)	Sluggish housing transactions
Gangwon Region	Accommodation & Food (▲)	Resumption of regional winter festivals
	Wholesale & Retail Trade (▼)	Drop in sales at department stores, etc.
	Transportation (◇)	Increase in the number of railway and bus travelers, decrease in airflights and passengers due to heavy snow
	Real Estate (▼)	Fewer apartment transactions
	Recreation (▲)	Increase in the number of visitors to ski resorts and entertainment facilities
Jeju Region	Accommodation & Food (▼)	Decrease in the number of domestic tourists
	Wholesale & Retail Trade (◇)	Increase in duty-free shops sales, decrease in convenience stores & supermarket sales
	Real Estate (▼)	Decline in housing transactions
	Recreation (▼)	Fewer visitors to golf courses, casinos

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 first quarter, private consumption remained at a similar level as in the previous quarter as services consumption remained flat, while goods consumption was sluggish. By region, it remained flat in the Seoul metropolitan, Dongnam, and Daegyeong regions, while it decreased slightly in the Chungcheong, Honam, Gangwon, and Jeju regions.

Private Consumption by Region¹⁾

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 the survey results, private consumption is expected to maintain a level no higher than that of the first quarter due to a decrease in the real purchasing power of households and an increase in the debt burden. By region, it is expected to slightly increase in the Seoul metropolitan and Daegyeong regions, while remaining flat in the Dongnam, Chungcheong, Honam, and Jeju regions. It is expected to slightly decrease in the Gangwon region.

Facilities Investment

In the first quarter, facilities investment decreased compared to the previous quarter as the introduction of manufacturing equipment decreased while investments in some eco-friendly facilities and new business projects continued. By region, it decreased moderately in the Seoul metropolitan region and decreased slightly in the Chungcheong and Gangwon regions, while remaining flat in other regions.

Facilities Investment by Region¹⁾

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 the survey results, facilities investment is expected to remain at a similar level as in the first quarter owing to an increase in investments needed to convert to electric vehicles, despite a cutback on investments due to the sluggishness in some industries, such as semiconductors. By region, it is forecast to slightly increase in the Dongnam region, remain flat in the Seoul metropolitan, Chungcheong, Honam, and Daegyeong regions, and slightly decrease in the Gangwon and Jeju regions.

Construction Investment

In the first quarter, construction investment slightly decreased compared to the previous quarter as it decreased in the private sector due to a decline in newly-reported construction areas in some regions, and in the public sector, as well, following a decline in the execution of the social overhead capital (SOC) budget. Construction investment was sluggish in most regions.

Construction Investment by Region¹⁾

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 the survey results, construction investment is forecast to remain at a similar level as in the first quarter overall, with the deterioration in housing market conditions and the decline in SOC budgets acting as constraints. By region, it is expected to decrease moderately in the Dongnam region, decrease slightly in the Chungcheong, Honam, Daegyeong, and Jeju regions, and remain flat in the Seoul metropolitan and Gangwon regions.

Exports

In the first quarter, exports declined slightly compared to the previous quarter driven by a slowdown in the IT industry, despite an increase in exports of automobiles, secondary batteries, and in some other industries. By region, exports slightly increased in the Dongnam and Daegyeong regions, while they remained flat in the Jeju region. On the other hand, exports slightly decreased from the Seoul metropolitan, Honam, and Gangwon regions, and they also decreased moderately from the Chungcheong region.

Exports by Region¹⁾

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

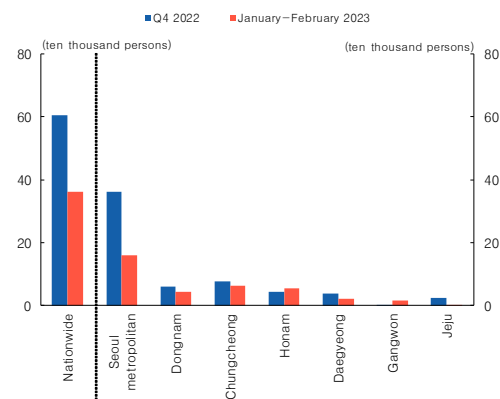
Note: 1) Markers indicate the direction and degree of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

According to the survey results, exports are expected to slightly decrease due to the global economic slowdown and the shrinkage in the IT economy. By region, exports are expected to increase moderately from the Daegyeong region, while they are expected to hold steady from the Seoul metropolitan and Gangwon regions. On the other hand, exports from the Dongnam, Chungcheong, and Jeju regions are anticipated to decrease slightly and they are also predicted to decrease moderately from the Honam region.

4. Employment

In January and February, the monthly average number of employed persons recorded a year-on-year increase of 0.361 million, while the amount of increase declined compared with the previous quarter (0.604 million). By region, the amount of increase slightly expanded in the Honam and Gangwon regions, while it was reduced in the other regions.

Change in Number of Persons Employed¹⁾



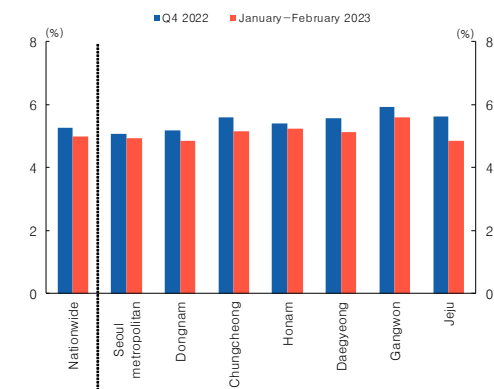
Note: 1) Year-on-year, monthly average.
Source: Statistics Korea.

5. Consumer Price Index (CPI) and Housing Prices

CPI Inflation

In January and February, CPI Inflation (monthly average, year-on-year) decelerated across all regions owing to the slowdown in the growth of petroleum product prices, despite the acceleration in electricity, gas, and water prices.

CPI Inflation¹⁾

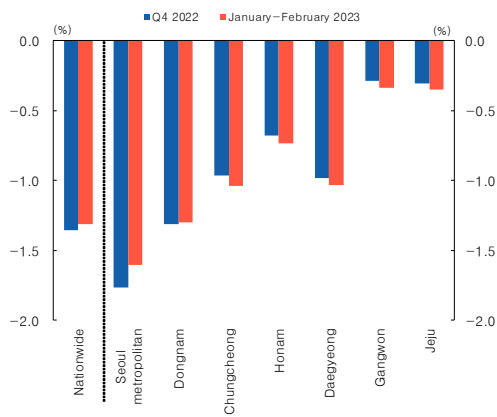


Note: 1) Year-on-year, monthly average.
Source: Statistics Korea.

Housing Sales Prices

In January and February, housing sales prices (compound monthly growth rate over the period) declined across all regions, driven by high mortgage interest rates and weakened buyer sentiment, among other factors, while the amount of decrease was reduced in the Seoul metropolitan region.

Housing Sales Prices, Growth Rate¹⁾



Note: 1) Compound monthly growth rate over the period.

Source: Korea Real Estate Board.