

Regional Economic Report

March 2024



BANK OF KOREA

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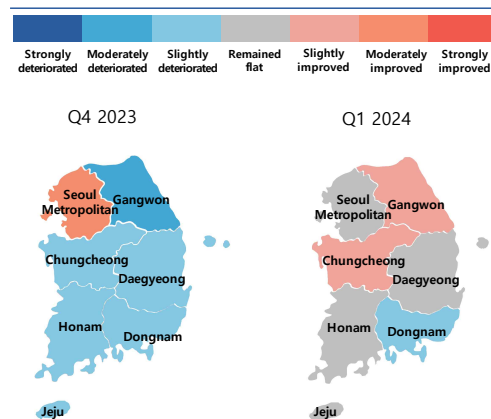
This is a condensed English version of the *Regional Economic Report* published in Korean on March 25, 2024. Regional economic conditions in the *Report* are based on the results of business surveys conducted by the 15 domestic branches of the Bank of Korea between February 8 and March 8, 2024, and on 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 2024 remained at a similar level as in the previous quarter. Manufacturing production increased slightly, driven by an increase in the semiconductor industry, despite a decrease in the motor vehicles & parts industry. Services production remained flat, showing mixed trends by industry, with increases in finance & insurance and in transportation, but with decreases in wholesale & retail, and in accommodations & food. By region, economic activity increased slightly in the Chungcheong and Gangwon regions, but it decreased slightly in the Dongnam region, while remaining flat in other regions.

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, regional economies are forecast to improve slightly compared to the first quarter. Manufacturing production is predicted to continue to increase due to the increase in the IT sector, such as the semiconductor industry, despite a slight production decrease in the petrochemical industry. Services production is anticipated to remain flat, as the real estate industry continues to be sluggish despite an improvement in the wholesale & retail industry.

2. Production

Manufacturing Production

In the first quarter, manufacturing production increased slightly compared to the fourth quarter of 2023 due to improvements in the global semiconductor industry and its rising prices. By industry, production in the semiconductor industry increased, while production in motor vehicles & parts, and in display panels decreased. Production in the petrochemical industry remained flat. By region, manufacturing production increased in the Gangwon region and increased slightly in the Seoul metropolitan, Chungcheong, and Honam regions, but it decreased slightly in the Dongnam region, and remained flat in other regions.

Manufacturing Production by Region¹⁾

Seoul Metropolitan	Dongnam	Chungcheong	Honam	Daejeong	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, manufacturing production is expected to continue to increase, centered on semiconductor production, as the global IT economy continues to recover, despite a slight production decrease in the petrochemical industry. By region, manufacturing production is predicted to increase in the Seoul metropolitan region and to slightly increase

in the Chungcheong and Gangwon regions, remaining flat in the other regions.

Services Production

In the first quarter, services production remained at a similar level as in the previous quarter due to delays in the recovery of consumer sentiment owing to high interest rates and high prices, despite an increase in the number of domestic and foreign airline passengers and a recovery in cargo volume. By industry, the finance & insurance, and transportation industries improved, but wholesale & retail, and accommodations & food industries both decreased. By region, services production increased slightly in the Daegyeong and Gangwon regions, but it decreased slightly in the Dongnam, Chungcheong, and Honam regions, while it remained flat in the other regions.

Services Production by Region¹⁾

Seoul Metropolitan	Dongnam	Chungcheong	Honam	Daejeong	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 remain at a similar level as in the previous quarter, showing a mixed trend by industry, with a slight improvement in the wholesale & retail industry, and continued sluggishness in the

real estate industry. By region, services production is expected to increase slightly in the Seoul metropolitan, Honam, Gangwon, and Jeju regions, while it is expected to decrease slightly in the Dongnam region, remaining flat in the other regions.

Manufacturing Production by Region and Industry in Q1 2024¹⁾

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Semiconductors (▲)	Increase in demand for high-end memory semiconductors
	Motor Vehicles (▼)	Resolved demand on waitlist and conversion of facilities
	Display Panels (◇)	Increase in supply of small and medium-sized OLEDs and seasonal off-season
	Machinery & Equipment (◇)	Increase in demand for semiconductor equipment and sluggish construction economy
Dongnam Region	Oil Refining (▲)	Increase in demand for heating oil due to cold weather in North America
	Motor Vehicles (▼)	Facility construction and sluggishness at Renault's production line
	Iron & Steel (▼)	Prolonged construction slump and deterioration in profitability
	Machinery & Equipment (▼)	Sluggish domestic facility investment
	Shipbuilding (◇)	Continued construction of ordered ships
	Petrochemicals (◇)	Increase in exports to major countries and unstable supply of raw materials
Chungcheong Region	Semiconductors (▲)	Spread of AI and increase in memory load
	Petrochemicals (▲)	Completion of regular maintenance and improved profitability
	Medicine (▲)	Increase in demand for prescription medicine
	Motor Vehicles (▼)	Shutdown due to construction of new electric vehicle production line
	Displays Panels (▼)	Low demand for home appliances and early launch of new smartphone products
	Electrical Equipment (▼)	Reduced subsidies for electric vehicles and replaced demand for hybrid vehicles
Honam Region	Iron & Steel (◇)	Favorable trend in automobile sales and sluggish construction business
	Motor Vehicles (▲)	Domestic demand centered on SUVs and strong exports
	Shipbuilding (▲)	Increase in newbuilding prices and shipbuilding expansion
	Electrical Parts (▲)	Increase in global smartphone shipments
	Oil Refining (▼)	Decrease in operation rate due to performance of maintenance work
	Petrochemicals (◇)	Prolonged sluggishness in the industry
Daegyeong Region	Iron & Steel (▲)	Solid favorable trend in motor vehicles and shipbuilding and sluggish global economy
	Iron & Steel (▲)	Recovery in demand for major upstream industries, such as ships
	Display Panels (▼)	Decreased operation rate of overseas manufacturing plants and disruption in parts supply and demand
	Machinery & Equipment (▼)	Adjustment of inventory accumulated in the previous quarter
	Motor Vehicle Parts (◇)	Increase in demand for parts and decrease in sales of finished vehicles
Gangwon Region	Mobile Phones (◇)	Launch of new Galaxy model and decrease in demand for parts for iPhone
	Textiles (◇)	Increase in domestic demand and decrease in exports to major countries
	Cables (▲)	Increase in demand for submarine cables
	Medicine (▼)	Subsidence of respiratory infectious diseases
Jeju Region	Cement (▼)	Decrease in construction start volume
	Food & Beverages (◇)	Slight increase the number of inbound tourists

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 2024¹⁾

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Transportation (▲)	Increase in overseas travel and rising sea freight charge
	Financial & Insurance (▲)	Increase in stock market trading volume
	Wholesale & Retail Trade (▼)	Delayed recovery in consumer sentiment due to high interest rates and high prices
	Accommodations & Food (◇)	Recovery in number of foreign tourists and decreased demand for eating out
Dongnam Region	Real Estate (◇)	Increase in transactions of urgent sales and closure of real estate agencies
	Real Estate (▲)	Increase in housing transactions
	Transportation (▲)	Continued increase in container throughput at Busan Port
	Accommodations & Food (▼)	Decrease in the number of local visitors
Chungcheong Region	Wholesale & Retail Trade (▼)	Contraction in goods consumption
	Transportation (▲)	Increase in passenger transportation and recovery in shipping volume
	Wholesale & Retail Trade (▼)	Sluggishness in sales centered on large retail stores
	Accommodations & Food (▼)	Increase in food prices and a decrease in the number of visitors
Honam Region	Real Estate (▼)	Reduction in sales transaction volume
	Real Estate (▲)	Increase in the volume of apartment units entering the market
	Wholesale & Retail Trade (▼)	Delayed recovery of consumer sentiment due to high interest rates and high prices
	Accommodations & Food (▼)	Rising costs, labor shortages, and a decrease in the number of visitors
Daegyeong Region	Transportation (◇)	Increase in the number of flights and passengers and decrease in cargo transportation
	Real estate (▲)	Increase in housing transaction volume
	Accommodations & Food (▲)	Increase in group events, such as for corporations and institutions
	Transportation (◇)	Increase in freight transportation and decrease in passenger transportation
Gangwon Region	Wholesale & Retail Trade (◇)	Strengthened promotion of large discount stores and intensified competition with online companies
	Accommodations & Food (▲)	Increase in the number of holidays and slowing growth of overseas travel
	Wholesale & Retail Trade (▲)	Increase in the number of tourists and improved consumer sentiment
Jeju Region	Real Estate (▲)	Continued increase in housing sale transactions
	Wholesale & Retail Trade (▲)	Increase in sales during the Lunar New Year holiday and large-scale discount events
	Real Estate (▼)	Continued weak trend in housing sale prices and decrease in trading volume
	Transportation (◇)	Recovery of international flights and reduction in domestic flights

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 due to the slight increase in services consumption, despite a slight decrease in goods consumption. By region, it slightly increased in the Gangwon region, while it slightly decreased in the Dongnam and Chungcheong regions, remaining flat in other regions.

According to survey results, private consumption is predicted to remain at a similar level as in the previous quarter due to a gradual recovery in services consumption, despite a limited recovery in goods consumption due to high interest rates and high prices. By region, it is expected to increase slightly in the Seoul metropolitan, Honam, Gangwon, and Jeju regions, remaining flat in other regions.

Private Consumption by Region¹⁾

Seoul Metropolitan	Dongnam	Chungcheong	Honam	Daejeong	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.

Facilities Investment

In the first quarter, facilities investment remained at a similar level as in the previous quarter, with the semiconductor and display panel industries increasing slightly as investments in high-tech production processes expanded, although the iron & steel and petrochemical industries decreased. By region, it increased slightly in the Seoul metropolitan, Dongnam, and Daeyeong regions, remaining flat in other regions.

According to survey results, facilities investment is expected to increase slightly as it continues to grow mainly in the IT sector, such as the semiconductor industry. By region, it is expected to increase slightly in the Seoul metropolitan, Dongnam, Chungcheong, Daeyeong, and Gangwon regions, remaining flat in other regions.

Facilities Investment by Region¹⁾

Seoul Metropolitan	Dongnam	Chungcheong	Honam	Daejeong	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.

Construction Investment

In the first quarter, construction investment decreased slightly due to a decrease in the private sector, centering on residential buildings. By region, it decreased in the Dongnam and Gangwon regions, and slightly decreased in the Daegyeong region, remaining flat in other regions.

According to survey results, construction investment is expected to decrease slightly due to the consistent influence of an accumulation of unsold houses and new construction sluggishness in the private sector, despite an increase in the SOC budget and an early execution of the budget. By region, it is predicted to decrease slightly in the Seoul metropolitan, Chungcheong, and Gangwon regions, while it is expected to remain at a similar level as in the previous quarter in other 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.

Exports

In the first quarter, exports remained at a similar level as in the previous quarter, as semiconductor exports increased thanks to a price increase owing to the resolution of the supply-demand imbalance, but motor vehicle and display panel exports decreased. By region, they increased significantly from the Gangwon region, moderately from the Honam region, and slightly from the Seoul metropolitan and Chungcheong regions, but they decreased from the Dongnam and Daegyeong regions, and slightly decreased from the Jeju region.

According to survey results, exports are expected to increase slightly as not only semiconductor exports are expected to continue to increase but also display panel exports are expected to improve due to the influence of demand for TV replacements owing to the upcoming Olympics. By region, they are expected to increase from the Seoul metropolitan and Jeju regions, and slightly increase from the Dongnam, Chungcheong, and Daegyeong regions, while they are expected to decrease from the Gangwon region and decrease slightly from the Honam region.

Exports by Region¹⁾

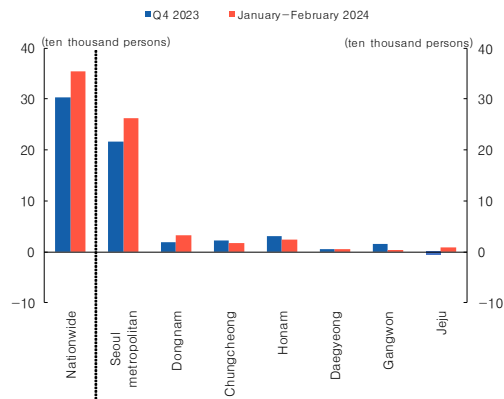
Seoul Metro politan	Dong nam	Chung cheong	Honam	Dae gyeong	Gang won	Jeju
▲	▼▼	▲	▲▲	▼▼	▲▲▲	▼

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.

4. Employment

In January and February, the monthly average number of employed persons recorded a year-on-year increase of 354,000, and the amount of increase expanded compared to the fourth quarter of 2023 (303,000). By region, the amount of increase in the Seoul metropolitan and Dongnam regions expanded, and the Jeju region turned to an increase, but the amount of increase contracted in the other regions.

Change in Number of Persons Employed¹⁾



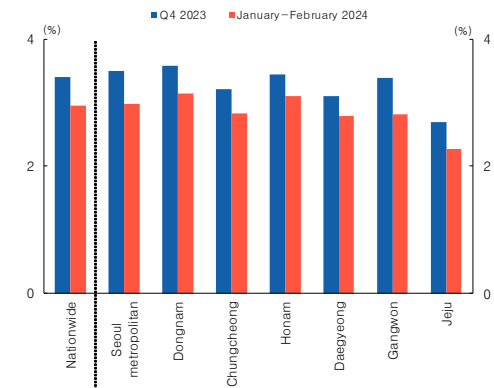
Note: 1) Year-on-year, monthly average.
Source: Statistics Korea.

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 due to a contraction in the amount of increase in electricity, gas, and water fees and due to a decline in the price of petroleum products, despite an expansion in price increases for agricultural, livestock, and marine products.

CPI Inflation¹⁾

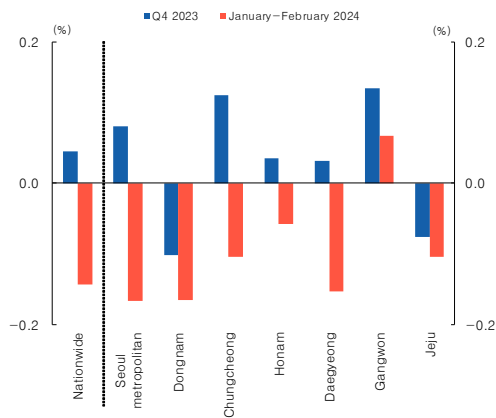


Note: 1) Year-on-year, monthly average.
Source: Statistics Korea.

Housing Sale Prices

In January and February, housing sale prices (monthly average, compared to the last month of the previous quarter) turned to a decrease in the Seoul metropolitan, Chungcheong, Honam, and Daegyeong regions. The amount of decrease expanded in the Dongnam and Jeju regions, while the amount of increase contracted in the Gangwon region.

Housing Sale Prices, Growth Rate¹⁾



Note: 1) Compared to the last month of the previous quarter, monthly average
 Source: Korea Real Estate Board.