

Regional Economic Report

June 2024

BANK OF KOREA

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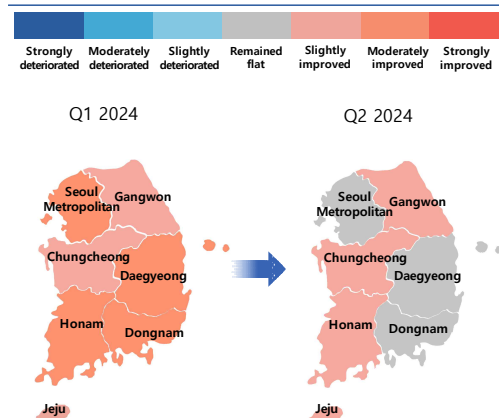
This is a condensed English version of the *Regional Economic Report* published in Korean on June 24, 2024. Regional economic conditions in the *Report* are based on the results of business surveys conducted by the 15 domestic branches of the Bank of Korea between May 9 and June 7, 2024, and on other 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 second quarter of 2024 remained at a similar level as in the previous quarter. Manufacturing production increased slightly, with an increase in the semiconductor, motor vehicles & parts, and display industries, despite a decrease in the oil refining and iron & steel industries. Services production remained flat, despite an increase in the transportation industry, due to a decrease in the wholesale & retail trade and accommodations & food industries. By region, economic activity increased slightly in the Chungcheong, Honam, Gangwon, and Jeju regions, but it remained flat in the Seoul metropolitan, Dongnam, and Daegyeong 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 increase slightly, due to an increase in the semiconductor and display industries, while iron & steel is expected to continue to decrease, and motor vehicles & parts is predicted to remain flat. Services production is expected to remain flat, despite a shift to an increase in the wholesale & retail trade and accommodations & food industries, as the real estate industry is forecast to continue to decrease.

2. Production

Manufacturing Production

In the second quarter, manufacturing production increased slightly compared to the previous quarter, due to an increase in the semiconductor industry, driven by the global expansion of AI services and strong production performance in SUVs and eco-friendly vehicles. By industry, semiconductors, motor vehicles & parts, and displays increased, while iron & steel decreased and petrochemicals remained flat. By region, manufacturing production increased in the Dongnam region, and increased slightly in the Seoul metropolitan, Chungcheong, Honam, Daegyeong, and Gangwon regions, while it remained flat in the Jeju region.

Manufacturing Production 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 survey results, manufacturing production is expected to increase slightly, driven by an increase in the semiconductor and display industries, while the motor vehicles & parts industry shifted to a steady trend. By region, manufacturing production is forecast to remain flat in the Seoul metropolitan and Dongnam regions, while it increased slightly in the other regions.

Services Production

In the second quarter, services production remained at a similar level as in the previous quarter, due to a sluggish growth trend in private consumption, despite an increase in freight volume. By industry, the transportation industry increased, while the wholesale & retail trade and the accommodations & food industries decreased. By region, services production increased slightly in the Honam, Gangwon, and Jeju regions, while it decreased slightly in the Dongnam region, remaining flat in other regions.

Services Production 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 survey results, services production is expected to remain at a similar level as in the previous quarter, despite a shift to an increase in the wholesale & retail and accommodations & food industries, due to a continued decreasing trend in the real estate industry. By region, it is expected to increase in the Gangwon region, and increase slightly in the Seoul metropolitan, Chungcheong, Honam, Daegyeong, and Jeju regions, while it will decrease slightly in the Dongnam region.

Manufacturing Production by Region and Industry in Q2 2024¹⁾

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Motor Vehicles (▲)	Expanded production lines of eco-friendly vehicles
	Display Panels (▲)	Expansion of OLED adoption in IT devices
	Oil Refining (▼)	The base effect due to previous favorable market conditions
	Machinery & Equipment (◇)	Increase in semiconductor equipment demand and decrease in construction machinery demand.
Dongnam Region	Semiconductors (◇)	Selective production level adjustments based on inventory levels by product
	Motor Vehicles (▲)	Expansion of exports of eco-friendly cars and SUVs to North America
	Shipbuilding (▲)	Continued construction of high value-added ships
	Petrochemicals (▲)	Expansion of demand in China
	Machinery & Equipment (▲)	Strong export to the U.S. and increased investment in defense industry facilities
	Oil Refining (▼)	Demand contraction due to international oil price increases
Chungcheong Region	Iron & Steel (◇)	Favorable conditions in downstream industries and increased influx of low-priced Chinese products
	Semiconductors (▲)	Global spread of AI services
	Motor Vehicles (▲)	Production normalization following the completion of facility construction
	Medicine (▲)	Increase in demand for specialized pharmaceuticals
	Petrochemicals (▼)	Continued global oversupply and deteriorating profitability
Honam Region	Iron & Steel (▼)	Increase in imports of Chinese steel products
	Electrical Equipment (▼)	Slowing global demand for electric vehicles
	Shipbuilding (▲)	Rising trend in new shipbuilding prices
	Motor Vehicles (▲)	Continued demand for SUVs
	Oil Refining (▲)	Base effect of maintenance operations on production facilities from the previous quarter
	Semiconductors (▼)	Slowing shipments of global smartphones
Daegyeong Region	Petrochemicals (◇)	Continued downturn in industry due to global oversupply
	Iron & Steel (◇)	Favorable conditions in downstream industries and downturn in construction industry
	Motor Vehicle Parts (▲)	Improvement in exports of complete vehicles, including hybrid cars
	Mobile Phones (▲)	High shipment volume of new Galaxy products
	Display Panels (▼)	Weak demand for IT panels
Gangwon Region	Textiles (▼)	Stagnation in demand for exports to China, Turkey
	Iron & Steel (▼)	Maintenance operations on production facilities at regional production plants
	Machinery & Equipment (◇)	Weak investment demand domestically, internationally
	Medicine (▲)	Increase in exports of botulinum toxin
Jeju Region	Cables (▲)	Continued demand for submarine cables for offshore wind power
	Cement (▼)	Decrease in construction starts volume
Jeju Region	Food & Beverages (▲)	Increase in the number of 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 Q2 2024¹⁾

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Transportation (▲)	Expansion of transactions on Chinese e-commerce platforms
	Accommodations & Food (▼)	Slowdown in the increase of inbound foreign tourists
	Real Estate (▼)	Uncertainty in real estate market conditions
	Financial & Insurance (◇)	Expansion of bank loans and concerns about delayed Fed tightening
	Wholesale & Retail Trade (◇)	Growth in online shopping and sluggish sales at large retail stores
Dongnam Region	Transportation (▲)	Expansion of import and export volumes
	Real Estate (▼)	Slowdown in housing transactions
	Accommodations & Food (▼)	Decrease in domestic visits to local areas
	Wholesale & Retail Trade (▼)	Weak consumer goods consumption
Chungcheong Region	Transportation (▲)	Increase in passenger transport and maritime freight volume
	Real Estate (▲)	Recovery in sale transaction volumes
	Wholesale & Retail Trade (▼)	Sluggish sales at large retail stores
	Accommodations & Food (▼)	High food prices and decrease in local accommodation bookings
Honam Region	Real Estate (▲)	Increase in apartment occupancy rates
	Accommodations & Food (▲)	Holding of large-scale local festivals
	Transportation (▲)	Steady air transport and increase in maritime transport
	Wholesale & Retail Trade (▼)	Persistent high interest rates and inflation
Daegyeong Region	Wholesale & Retail Trade (▲)	Increase in department store sales
	Real estate (▲)	Increase in housing transaction volume
	Accommodations & Food (▼)	Reduced demand from domestic travelers and group events
	Transportation (◇)	Slight increase in passenger transport and decrease in cargo transport
Gangwon Region	Accommodations & Food (▲)	Favorable weather conditions and recovery in tourist demand
	Wholesale & Retail Trade (▼)	Sluggish performance of large retail stores
	Real Estate (◇)	Favorable conditions in housing transactions
Jeju Region	Wholesale & Retail Trade (▲)	Increase in foreign tourist arrivals
	Transportation (▲)	Slight increase in domestic flight frequencies and recovery in international flights
	Accommodations & Food (▲)	Increase in foreign tourist arrivals and rise in budget hotel stays
	Real Estate (▼)	Continued decline in housing sale prices

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 second quarter, private consumption remained at a similar level as in the previous quarter, with a decrease in goods consumption and steady services consumption. By region, it slightly increased in the Honam and Jeju regions, while slightly decreased in the Dongnam region, and it remained flat in other 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 survey results, private consumption is predicted to remain at a similar level as in the previous quarter due to improved household real incomes driven by slower inflation rates, despite the overall impact of high interest rates. By region, it is expected to increase in the Gangwon region, and increase slightly in the Seoul metropolitan, Chungcheong, and Jeju regions. Also, it is expected to decrease slightly in the Dongnam region, and will remain flat in other regions.

Facilities Investment

In the second quarter, facilities investment remained at a similar level as in the previous quarter due to an increase in the motor vehicles industry, despite a decrease in the semiconductor industry. By region, it increased slightly in the Gangwon region, while it decreased slightly in the Seoul metropolitan region and remained 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 survey results, facilities investment is expected to increase slightly due to a shift to an increase in the semiconductor industry, amid continued growth in the motor vehicles industry. By region, it increased slightly in the Seoul metropolitan, Dongnam, Chungcheong, Honam, and Gangwon regions, remaining flat in the Daegyeong and Jeju regions.

Construction Investment

In the second quarter, construction investment remained flat, with both the area under new construction and the scale of executing the social overhead capital (SOC) budget diverging across regions. By region, it increased slightly in the Seoul metropolitan region, while it slightly decreased in the Chungcheong and Honam regions and remained flat in other regions.

Construction Investment by Region¹⁾

Seoul Metropolitan	Dongnam	Chungcheong	Honam	Daegu	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, construction investment is expected to decrease slightly centering on the private sector, due to high interest rate and an accumulation of unsold houses. By region, it is predicted to decrease in the Seoul metropolitan and Gangwon regions, decrease slightly in the Honam region, and remain flat in other regions.

Exports

In the second quarter, exports increased slightly due to an increase from the semiconductor and motor vehicles industries, despite a decrease from the shipbuilding and iron & steel industries. By region, exports increased from the Seoul metropolitan and Dongnam regions, and slightly increased from the Chungcheong and Daegu regions, while decreasing from the Jeju region and slightly decreased from the Honam and Gangwon regions.

Exports by Region¹⁾

Seoul Metropolitan	Dongnam	Chungcheong	Honam	Daegu	Gangwon	Jeju
▲▲	▲▲	▲	▼	▲	▼	▼▼

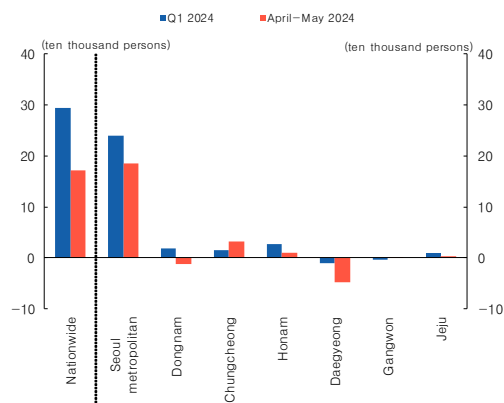
Note: 1) Markers indicate the direction and degree of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

According to survey results, exports are expected to increase slightly, as semiconductor exports are expected to continue to rise, with improvements also seen in the export of displays. By region, exports are expected to increase from the Honam and Gangwon regions, and increase slightly from other regions.

4. Employment

In April and May, the monthly average number of employed persons recorded a year-on-year increase of 171,000, and the amount of increase contracted compared to the first quarter of 2024 (294,000). By region, the amount of increase contracted in the Seoul metropolitan, Honam, and Jeju regions, and the Dongnam region turned to a decrease, while the amount of decrease in the Daegyeong region expanded. However, the amount of increase expanded in the Chungcheong region and the Gangwon region also turned to an increase.

Change in Number of Persons Employed¹⁾



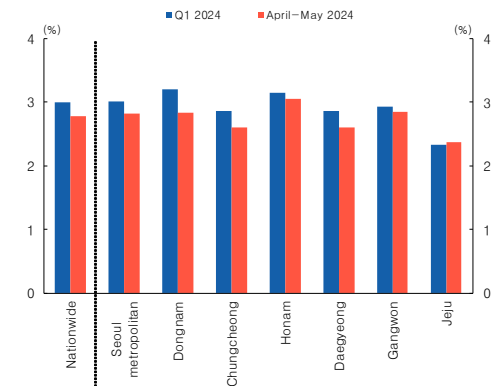
Note: 1) Year-on-year, monthly average.
Source: Statistics Korea.

5. Consumer Price Index (CPI) and Housing Prices

CPI Inflation

In April and May, CPI inflation (monthly average, year-on-year) decelerated, as the trend of rising prices of agricultural and fisheries products became somewhat slow and, centered on personal services, service prices decelerated, despite a rebound in international oil prices.

CPI Inflation¹⁾

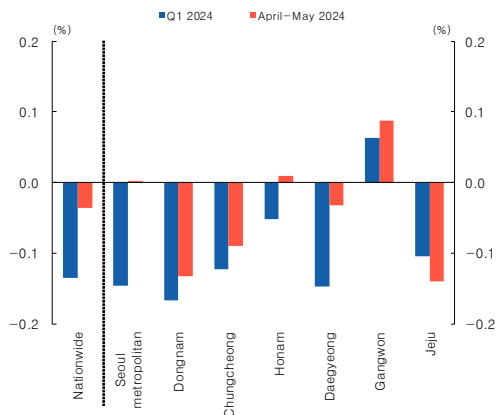


Note: 1) Year-on-year, monthly average.
Source: Statistics Korea.

Housing Sale Prices

In April and May, the decline in housing sale prices (monthly average, compared to the last month of the previous quarter) contracted in the Dongnam, Chungcheong, and Daegyeong regions, while prices turned to an increase in the Honam region and accelerated in the Gangwon region. However, the amount of decrease expanded in the Jeju region, while it remained flat in the Seoul metropolitan region.

Housing Sale Prices, Growth Rate¹⁾



Note: 1) Compared to the last month of the previous quarter, monthly average.

Source: Korea Real Estate Board.