

Regional Economic Report

September 2022



BANK OF KOREA

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This is a condensed English version of the *Regional Economic Report* published in Korean on September 28, 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 August 12 and September 7, 2022, and on other available statistical data. They may not necessarily agree with official statistics to be released in the future.

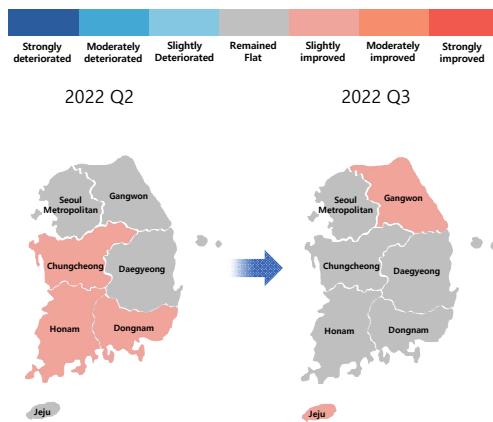
Summary of Recent Regional Economic Conditions

1. Overview

Our survey results show that regional economic activity in the third quarter of 2022 remained flat across most regions compared with the second quarter. While manufacturing production slightly decreased due to the global economic slowdown, services production slightly increased with the continued return to normal life.

surrounding external conditions, such as geopolitical tensions and the acceleration of interest rate hikes in major economies.

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 economic growth is forecast to slow to some extent as both manufacturing and services production is expected to remain at no more than the same level as in the third quarter. There are also high uncertainties

2. Production

Manufacturing Production

In the third quarter, manufacturing production slightly decreased compared to the second quarter due to slowing global demand in the IT manufacturing industry, including the semiconductor industry. By region, the Seoul metropolitan, Chungcheong, and Daegyeong regions showed a slight decrease, while the Dongnam and Gangwon regions maintained a similar level of production as in the previous quarter. On the other hand, the Honam and Jeju regions marked a slight increase.

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 third quarter across all regions due to the global economic slowdown.

Services Production

In the third quarter, services production slightly increased compared with the second quarter, driven by increased outdoor activities despite a COVID-19 resurgence. By region, it slightly increased in the Chungcheong, Daegyeong, Gangwon and Jeju regions, while it remained at a similar level as in the second quarter in the Seoul metropolitan, Dongnam, and Honam 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 expected to sustain a moderate recovery as it remains at a similar level as in the third quarter. By region, the Seoul metropolitan region is expected to show a slight increase, while the Dongnam, Chungcheong, Honam, and Jeju regions will maintain a similar level as in the preceding quarter. The Daegyeong and Gangwon regions are expected to show a slight decrease.

Manufacturing Production by Region and Industry in 2022 Q3¹⁾

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Semiconductors (▼)	Buoyancy in the foundry sector, but sluggish demand in the PC and mobile sectors
	Display Panels (▼)	A curtailment in LCD panel production
	Iron & Steel (▼)	A decrease in demand from downstream industries, facility maintenance
	Motor Vehicles (▲)	The partial alleviation of supply disruptions for automotive semiconductors, increased demand for eco-friendly vehicles
Dongnam Region	Motor Vehicles (◇)	The partial mitigation of semiconductor supply disruptions, but persistent parts supply setbacks
	Shipbuilding (▲)	Construction accelerated on increased orders received since 2021
	Oil Refining (▲)	Continued demand for transportation fuel, resumption of suspended manufacturing operations
	Petrochemicals (▼)	Sluggish demand in China, weakened profitability
Chungcheong Region	Machinery & Equipment (▼)	Slowdowns in both exports and domestic demand
	Semiconductors (▼)	Next-generation CPU production setbacks, increasing inventory
	Petrochemicals (▼)	Profitability deteriorated due to lower spreads
	Iron & Steel (▼)	China's economic downturn, unstable blast furnace operations
Honam Region	Display Panels (▲)	Expanded production of small- and medium-sized OLED panels for new smartphones, production yield improvements for large-sized OLED panels
	Oil Refining (▲)	An expansion in order-book volume
	Electronics (▲)	Growing demand for mobile devices following the launch of new smartphones
	Shipbuilding (▲)	Construction accelerated for increased orders received since 2021
Daegyeong Region	Petrochemicals (◇)	The commencement of new facility operations, but flat operation rates in response to both increasing inventory and profitability deterioration, regular repair and maintenance
	Textiles (▼)	A slowdown in exports due to both decreasing overseas demand and increasing raw material prices
	Iron & Steel (▼)	A decrease in exports due to slowing global demand
	Display Panels (▼)	Weak demand for downstream products, including LCD TVs
Gangwon Region	Machinery & Equipment (▼)	A slowdown in demand from downstream industries, including the display industry
	Medical Instruments (▲)	An increase in exports to Europe and India
	Medicine (▲)	A growing number of COVID-19 cases in Korea
	Cement (▼)	The occurrence of industrial site accidents, strikes in the ready-mixed concrete industry, a decrease in exports to China and South America
Jeju Region	Cables (▼)	The deferred delivery of submarine cables to Taiwan
	Non-Alcoholic Beverages (▲)	An expansion of outdoor activities, an increase in tourists
	Non-Metallic Mineral Products (▲)	Resumption of construction work following the end of the ready-mixed concrete transportation strike

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 2022 Q3¹⁾

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Wholesale & Retail Trade (◇)	Slowing growth in online sales, but continued growth in offline sales, such as at department stores and convenience stores
	Accommodation & Food (▲)	An increase in outdoor activities
	Transportation (▲)	A recovery in shipping volumes, an increase in overseas travel by domestic tourists
	Finance & Insurance (◇)	A decrease in stock and bond trading values, a decline in transactions due to lower loan-to-deposit interest rate margins
Dongnam Region	Wholesale & Retail Trade (▲)	An increase in outdoor activities in line with the continued return to normal life
	Accommodation & Food (▲)	An increase in outdoor activities in line with the continued return to normal life
	Transportation (▲)	An increase in air and water transportation due to a recovery of import and export volume
	Real Estate (▼)	A continued slump in transactions due to weakened buyer sentiment
Chungcheong Region	Wholesale & Retail Trade (▲)	Expanded sales of outdoor activity-related goods
	Accommodation & Food (▲)	Resumption of both local festivals and large-scale events, an increase in demand for travel
	Transportation (▲)	Resumption of shipments deferred in June, recommencement of international flights at Cheongju Airport
	Real Estate (▼)	A continued slump in transactions due to weakened buyer sentiment
Honam Region	Wholesale & Retail Trade (◇)	An increase in the number of visitors, but worsened consumer sentiment
	Accommodation & Food (▲)	Growing demand for travel and dining out
	Transportation (◇)	An increase in port cargo, but a decrease in the numbers of air passengers and cargo
	Real Estate (▼)	A continued slump in transactions due to weakened buyer sentiment
Daegyeong Region	Wholesale & Retail Trade (▲)	An increase in the sale of outdoor activities-related goods, such as leisure products and clothing
	Accommodation & Food (▲)	Growing demand for travel and dining out
	Transportation (◇)	A temporary increase in international flights, but stagnation in demand for travel due to a hike in fuel surcharges
	Real Estate (▼)	A decline in housing transactions
Gangwon Region	Accommodation & Food (▲)	An increase in demand for travel during summer vacation, resumption of local festivals
	Recreation (▲)	An expansion of the number of events, an increase in the number of visitors, including to golf courses
	Wholesale & Retail Trade (◇)	An increase in consumption during summer vacation, but the effects of high inflation
	Transportation (▲)	An increase in travel, expanded flights at Wonju and Yangyang airports
	Real Estate (▼)	A continued slump in transactions due to weakened buyer sentiment
Jeju Region	Accommodation & Food (▲)	An expansion in both individual and group travel
	Recreation (◇)	An increase in the number of golf course visitors, but a decrease in the number of foreign tourists at casinos due to prolonged lockdown measures in China
	Wholesale & Retail Trade (◇)	Stagnation in the number of foreign tourists
	Transportation (▲)	Resumption of group travel
	Real Estate (▼)	A continued slump in transactions due to weakened buyer sentiment

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 third quarter, private consumption remained at a similar level as in the second quarter, on balance, as a decrease in the consumption of goods, especially of durable goods, offset an increase in the consumption of services, led by the continued return to normal life. By region, private consumption remained flat in the Seoul metropolitan, Dongnam, Honam, and Daegyong regions, while it increased slightly in the Chungcheong, 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 anticipated to remain at a similar level as in the third quarter. While face-to-face services are likely to see favorable conditions, hikes in both inflation and interest rates are expected to act as constraints. By region, private consumption is expected to increase slightly in the Seoul metropolitan and Honam regions, while it is predicted to remain at a similar level as in the preceding quarter in the

Dongnam, Chungcheong, and Daegyong regions. Private consumption in the Gangwon and Jeju regions are anticipated to decrease slightly.

Facilities Investment

In the third quarter, facilities investment remained at a similar level as in the second quarter across most regions, as investment in both eco-friendly facilities and new business projects continued, while it decreased in some industries due to uncertainties surrounding the global economy.

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, facility investment is expected to remain at a similar level as in the third quarter across most regions owing to concerns about a slowdown in the global economy.

Construction Investment

In the third quarter, construction investment decreased slightly compared to the second quarter. While investment in the private sector increased, mainly in residential

buildings, the execution of the social overhead capital (SOC) budget in the public sector decreased with unfavorable weather conditions. By region, it slightly declined in the Seoul metropolitan, Dongnam, Chungcheong, and Honam regions, and it remained flat in the Daegyong and Gangwon regions, slightly increasing in the Jeju region.

Construction Investment by Region¹⁾

Seoul Metropolitan	Dongnam	Chungcheong	Honam	Daegyong	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, construction investment is expected to slightly increase, driven by the expanded execution of the social overhead capital budget. However, rising prices of construction raw materials and high vacancy rates at commercial buildings are both likely to act as downside risk factors. By region, construction investment is projected to increase slightly in the Seoul metropolitan and Dongnam regions, while remaining flat in the Chungcheong region. It is expected to decrease moderately in the Jeju region and slightly decrease in the Daegyong and Gangwon regions.

Exports

In the third quarter, the year-on-year growth rate of exports declined across most regions compared with the second quarter, driven by a slowdown in global demand for IT products, despite rising export prices in some industries, including the oil refining and petrochemical industries. By region, exports moderately increased from the Dongnam and Honam regions, and slightly increased from the Daegyong region, while they remained flat in the Seoul metropolitan and Chungcheong regions. The Gangwon and Jeju regions saw slight and moderate decreases, respectively.

Exports by Region¹⁾

Seoul Metropolitan	Dongnam	Chungcheong	Honam	Daegyong	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.

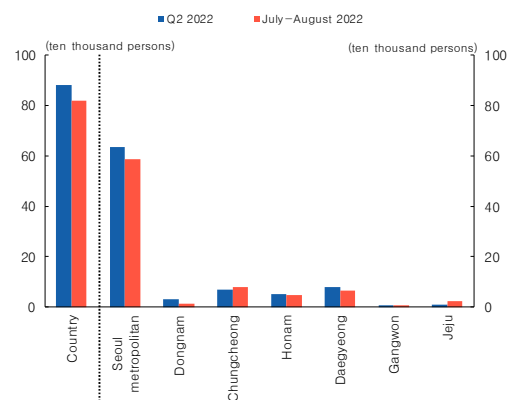
According to the survey results, exports are expected to remain flat on a year-on-year basis, affected by the slowdown in the global economy. By region, exports are expected to increase moderately from the Honam region and to only slightly increase from the Dongnam region, while they are predicted to hold steady in the Chungcheong, Daegyong, and Jeju regions. On the other hand,

exports from the Seoul metropolitan and Gangwon regions are anticipated to indicate a slight decrease.

4. Employment

In July and August, the monthly average number of employed persons recorded a year-on-year increase of 0.82 million, while the amount of increase slightly declined compared with the second quarter (+0.88 million). By region, the amount of increase was reduced in the Seoul metropolitan, Dongnam, Honam, Daegyeong, and Gangwon regions, while it expanded in the Chungcheong and Jeju regions.

Change in the Number of Persons Employed¹⁾



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

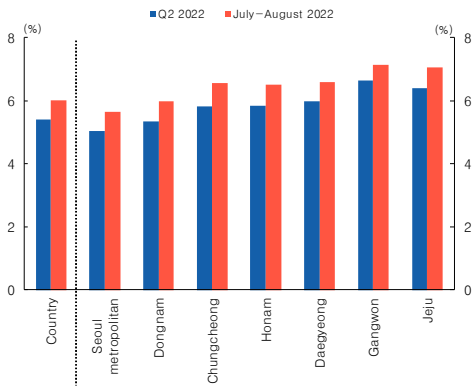
Source: Statistics Korea

5. Consumer Price Index (CPI) and Housing Prices

CPI Inflation

In July and August, CPI inflation — the monthly average, on a year-on-year basis — accelerated across all regions. Although petroleum product price growth declined owing to a slowdown in rising international oil prices, agricultural product prices significantly increased, and price inflation of personal services, such as dining out and of electricity and gas, accelerated, altogether contributing to the high inflation rate.

CPI Inflation¹⁾

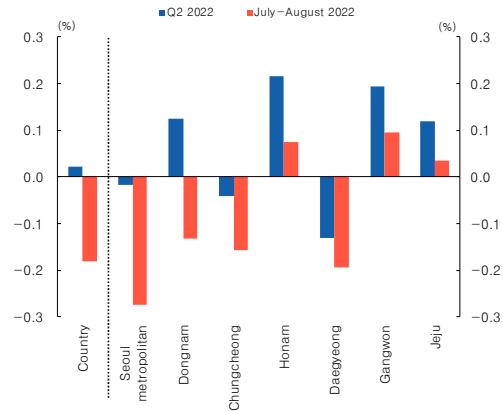


Note: 1) Year-on-year, monthly average.
Source: Statistics Korea

Housing Sales Prices

In July and August, housing sales prices — based on the compound monthly growth rate over the period — shifted to a decrease compared to the second quarter, driven by weakened buyer sentiment. By region, the extent of the decrease expanded in the Seoul metropolitan, Chungcheong, and Daegyeong regions, while the extent of the increase declined in the Honam, Gangwon, and Jeju regions. The Dongnam region saw a shift to a downturn.

Housing Sale Prices, Growth Rate¹⁾



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