

# Regional Economic Report

September 2023



BANK OF KOREA

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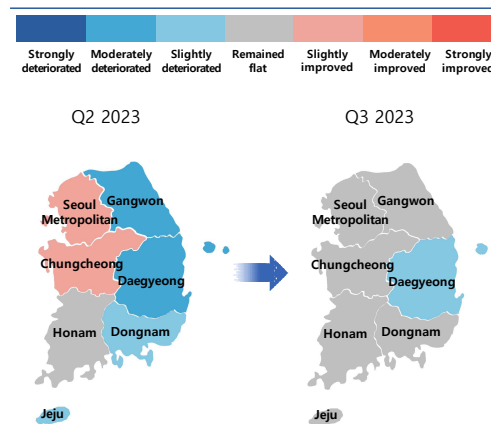
This is a condensed English version of the *Regional Economic Report* published in Korean on September 25, 2023. Regional economic conditions in the *Report* are based on the results of business surveys conducted by the 15 domestic branches of the Bank of Korea between August 10 and September 8, 2023, 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 third quarter of 2023 remained at a similar level as in the previous quarter. Manufacturing production remained flat due to sluggish semiconductor production and due to slowing growth in the automobile industry, despite a recovery in the shipbuilding and display industries, while services production increased only slightly, mainly owing to the finance, transportation, and real estate industries. By region, regional economic activity slightly decreased in the Daegyeong region, while remaining flat in other regions.

### 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.  
 2) "Slightly improved" means long-term average growth level.

According to our survey, regional economy activity is expected to improve slightly starting in the third quarter. Manufacturing production is predicted to remain flat due to a slow recovery in the Chinese economy, which has been a major export destination for Korean manufacturing, despite expectations of a turnaround in the semiconductor industry, while services production is expected to continue to grow slowly owing to improvements in travel-related consumption and to a recovery in the real estate industry.

## 2. Production

### Manufacturing Production

In the third quarter, manufacturing production remained at a similar level as in the previous quarter due to continued sluggish global trade and to a weak recovery in China's economy. By industry, the shipbuilding and display industries showed signs of recovery, but growth in the automobile and secondary battery industries slowed slightly, amid sluggish semiconductor production. By region, manufacturing production increased slightly in the Honam and Gangwon regions, but decreased slightly in the Seoul metropolitan, Dongnam, Daegyeong, and Jeju regions, while remaining flat in the Chungcheong region.

#### 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 expected to remain at a similar level as in the third quarter due to the recovery in the display, mobile phone, and oil refining industries, despite a continued decline in semiconductor production and a slight decrease in the automobile and steel industries. By region, it

is predicted to increase slightly in the Daegyeong and Gangwon regions, but decrease slightly in the Seoul metropolitan, Dongnam, and Honam regions, while remaining flat in the Chungcheong and Jeju regions.

### Services Production

In the third quarter, services production slightly increased due to continued improvements in the finance and insurance industries, and due to signs of improvement in the real estate industry driven by a recovery in the housing market, despite some growth stagnation in the wholesale & retail and in the accommodation & food services industries owing to accumulated high inflation. By region, it increased slightly in the Dongnam region, but remained at a similar level as in the previous quarter 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 predicted to increase slightly in the third quarter, as the transportation industry improves owing to a recovery in

travel demand and in cargo volumes, while the accommodation & food services industry will get better due to an increase in foreign visitors, all while the wholesale & retail and the real estate industries will continue at the third quarter's level. By region, it is expected to increase moderately in the Dongnam and Gangwon regions and increase slightly in the Seoul metropolitan, Honam, Daegyeong, and Jeju regions, while remaining flat in the Chungcheong region.

## Manufacturing Production by Region and Industry in Q3 2023<sup>1)</sup>

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Display Panels (▲)	Increase in demand from automobile and mobile phone industries
	Semiconductors (▼)	Reduced production effect owing to weak demand for IT
	Machinery & Equipment (▼)	Sluggishness in construction industry, decreased facilities investment in semiconductor industry
	Iron & Steel (◇)	Recovery in demand for steel plates for ships, sluggishness in construction industry
Dongnam Region	Motor Vehicles (◇)	Resolution of demand on waitlist, end of individual consumption tax cut
	Shipbuilding (▲)	Continued building orders
	Oil Refining (▲)	Improvement in profitability due to rising oil prices, increase in demand for aviation fuel, completion of regular maintenance at some companies
	Motor Vehicles (▼)	End of individual consumption tax cut, continued high interest rates
	Petrochemicals (▼)	Deteriorating profitability due to global excess supply
Chungcheong Region	Machinery & Equipment (▼)	Sluggishness in global demand
	Petrochemicals (▲)	Re-operation after facilities maintenance
	Display Panels (▲)	Demand for new mobile phone panels
	Motor Vehicles (▲)	Increase in production due to new vehicles effect
	Semiconductors (▼)	Reduced production effect due to sluggish demand for IT products
Honam Region	Electrical Equipment (◇)	Sluggish demand for electric cars, intensifying competition
	Oil Refining (▲)	Improvement in profitability due to rising oil prices
	Electrical parts (▲)	Increase in orders due to new smartphone releases
	Shipbuilding (▲)	Production of orders and slight easing in labor shortage
	Petrochemicals (▲)	Re-operation of some production lines
Daegyeong Region	Motor Vehicles (◇)	Decrease in demand for passenger vehicles, increase in SUV sales
	Iron & Steel (◇)	Sluggish demand for construction, favorable demand in automobile and shipbuilding industries
	Display Panels (▼)	Reduction in LCD production lines, sluggish demand for TV panels
	Textiles (▼)	Global sluggishness, intensifying competition with Chinese companies
	Mobile Phones (▼)	Partial transfer of production volume to overseas business sites
Gangwon Region	Machinery & Equipment (▼)	Sluggishness in downstream industries, such as construction
	Motor Vehicle Parts (◇)	End of individual consumption tax cut, demand for eco-friendly vehicle parts
	Iron & Steel (◇)	Slump in production growth in downstream industries, such as motor vehicles
	Cement (▲)	Increase in concrete usage
	Medicine (▲)	Expansion in online distribution channels
Jeju Region	Cables (▲)	Increase in demand for submarine cables, new plant expansion
	Motor Vehicle Parts (▼)	Slump in demand on waitlist for motor vehicles, plant maintenance at customer companies
	Medical Instruments (◇)	Increase in production of blood glucose monitoring devices, decrease in exports of medical diagnostic apparatus
Jeju Region	Non-Alcoholic Beverages (▼)	Slowdown in domestic solo travelers
	Non-Metallic Mineral Products (▼)	Sluggishness in construction

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 Q3 2023<sup>1)</sup>

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Finance & Insurance (▲)	Increase in volume of stock trading, increase in loan balances
	Accommodation & Food (▼)	Decrease in demand for dining out due to higher prices
	Wholesale & Retail Trade (◇)	Sluggishness in home appliances and arts, improvement in food and general expenses during vacation season
	Transportation (◇)	Slump in shipping volume, improvement in air cargo and number of passengers
Dongnam Region	Accommodation & Food (▲)	Increase in visitors, foreign tourists
	Real Estate (▲)	Increase in housing transactions
	Wholesale & Retail Trade (▼)	Decrease in goods consumption, such as passenger vehicles
Chungcheong Region	Transportation (▼)	Decrease in container shipments
	Transportation (▲)	Recovery in air passengers, shipping volumes
	Real Estate (▼)	Decrease in housing sale transactions due to high interest rates
	Accommodation & Food (◇)	Increase in local festivals, domestic tourists, higher prices
Honam Region	Wholesale & Retail Trade (◇)	Increase in demand for Chuseok gifts, weak purchasing power due to higher prices
	Accommodation & Food (▲)	Increase in tourist numbers due to large-scale events
	Transportation (▲)	Increase in maritime export volumes, re-operation of Gunsan Airport
	Wholesale & Retail Trade (▼)	Decrease in traditional market visitors due to rainy season and heat wave, delayed recovery in consumer sentiment
Daegyeong Region	Real Estate (▼)	Decrease in housing sale and monthly rental transactions
	Transportation (▲)	Increase in airline routes and travelers during the holiday season
	Real Estate (▲)	Increase in housing sale transactions
	Wholesale & Retail Trade (▼)	Slump in demand for luxury goods and home appliances
Gangwon Region	Accommodation & Food (◇)	Increase in conferences and events, decrease in outdoor activity due to bad weather
	Transportation (▲)	Increased railway and bus travelers
	Wholesale & Retail Trade (▼)	Decrease in passenger vehicle sales, sluggishness at large retail stores
	Accommodation & Food (◇)	Increase in demand for travel, deteriorating weather conditions
	Real Estate (◇)	Continued weak housing sale transactions
Jeju Region	Recreation (◇)	Increase in amusement park visitors, slump in golf course and casino visitors
	Tourism services (▲)	Resumption of tour groups from China, increase in international flights
	Accommodation & Food (▼)	Decrease in local solo travelers
	Wholesale & Retail Trade (▼)	Slump in supermarket sales, traditional markets
	Recreation (▼)	Partial transfer of demand for golfing to Japan and Southeast Asia

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 previous quarter as services consumption remained flat, while goods consumption slightly decreased. By region, it increased slightly in the Dongnam region and remained flat in the Seoul metropolitan and Chungcheong regions, while it decreased slightly in the Honam, Daegyeong, Gangwon, and Jeju regions.

#### Private Consumption 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, private consumption is expected to increase slightly after the third quarter due to favorable employment conditions and increased consumption capacity stemming from accumulated excess savings, despite the increase in the household debt burden acting as a restraint. By region, it is expected to remain flat in the Daegyeong region, while it will increase slightly in other regions.

#### Facilities Investment

In the third quarter, facilities investment decreased slightly as the trend of reducing investment expands, centered on semiconductors. By region, it moderately decreased in the Seoul metropolitan region and also decreased slightly in the Gangwon region. However, it slightly increased in the Dongnam region, while it remained flat in other regions.

#### Facilities Investment 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, facilities investment is expected to remain at a similar level as in the third quarter due to the continued trend of reducing investment, centered on semiconductors, although investment in the eco-friendly transformation in the automobile and secondary battery industries continues. By region, it is predicted to increase slightly in the Dongnam, Chungcheong, and Gangwon regions and remain steady in the Daegyeong and Jeju regions, while decreasing slightly in the Seoul metropolitan and Honam regions.



## Construction Investment

In the third quarter, construction investment decreased slightly in the private and public sectors due to the high prices of raw materials and due to the reduced execution of the government's social overhead capital (SOC) budget. By region, it decreased moderately in the Honam region and decreased slightly in the Seoul metropolitan, Chungcheong, Daegyeong, and Jeju regions, while remaining flat in other regions.

### Construction Investment 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, construction investment is anticipated to decrease slightly starting in the third quarter due to a limited recovery in the private sector, as the decline in new construction starts owing to the slowdown in the real estate industry is having a delayed impact. By region, it is predicted to be flat in the Honam region while decreasing slightly in other regions.

## Exports

In the third quarter, exports (daily average) remained at a similar level as in the previous quarter, as exports from the shipbuilding industry increased, although those from the petrochemical industry decreased. By region, they increased moderately from the Gangwon region and increased slightly from the Honam and Jeju regions. However, they decreased slightly from the Dongnam and Chungcheong regions, and decreased moderately from the Daegyeong region. Meanwhile, they remained flat from the Seoul metropolitan region.

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

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

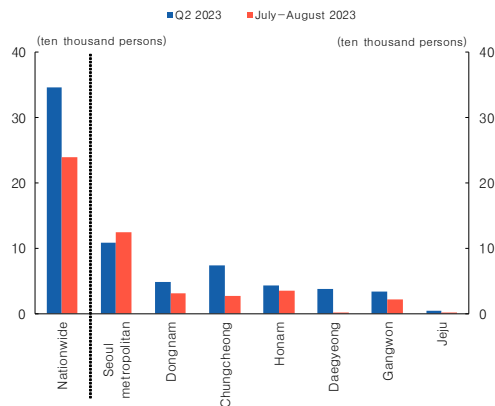
Note: 1) Markers indicate the direction and degree of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

According to the survey results, exports are expected to remain at a similar level as in the third quarter as, amid a sluggish automobile industry, the recovery in IT product exports continues. By region, they are expected to increase slightly from the Seoul metropolitan, Chungcheong, and Daegyeong regions, and remain steady from the Dongnam and Jeju regions. However, they are predicted to decrease slightly from the Gangwon region and also decrease moderately from the Honam region.

## 4. Employment

In July and August, the monthly average number of employed persons recorded a year-on-year increase of 0.240 million, while the amount of increase declined compared to the second quarter (0.346 million). By region, the amount of increase slightly expanded in the Seoul metropolitan region, while the amount of increase was reduced in other regions.

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



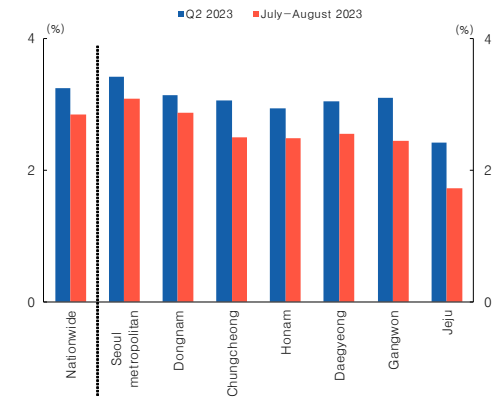
Note: 1) Year-on-year, monthly average.  
Source: Statistics Korea.

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

### CPI Inflation

In July and August, CPI inflation (monthly average, year-on-year) decelerated across all regions, as the amount of increase in electricity, gas, and water prices was reduced and as the upward trend in personal service prices slowed.

CPI Inflation<sup>1)</sup>

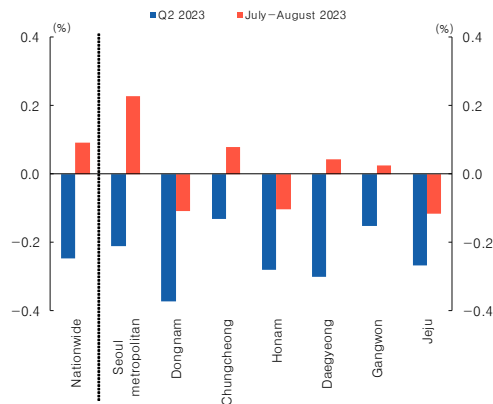


Note: 1) Year-on-year, monthly average.  
Source: Statistics Korea.

## Housing Sale Prices

In July and August, home sale prices (monthly average, compared to the end of the previous quarter) saw an upturn as buyer sentiment recovered due to the government's market stabilization policies and due to expectations of rising housing valuations. By region, they saw an upturn in the Seoul metropolitan, Chungcheong, Daegyeong, and Gangwon regions, while the amount of decrease was lower in the Dongnam, Honam, and Jeju regions.

### Housing Sale Prices, Growth Rate<sup>1)</sup>



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