

Regional Economic Report

December 2023

BANK OF KOREA

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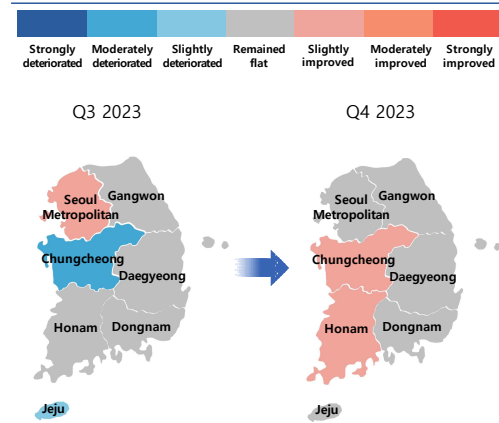
This is a condensed English version of the *Regional Economic Report* published in Korean on December 26, 2023. Regional economic conditions in the *Report* are based on the results of business surveys conducted by the 15 domestic branches of the Bank of Korea between November 9 and December 8, 2023, 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 fourth quarter of 2023 remained at a similar level as in the previous quarter. Manufacturing production remained flat as the automobile and displays industries continued to grow, while the semiconductor, shipbuilding, and machinery & equipment industries remained at the previous quarter's level. Services production also remained flat, with growth in transportation and accommodation & food services mixed with a contraction in the wholesale & retail and in the real estate industries. By region, regional economic activity slightly increased in the Chungcheong and Honam regions, 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 economic activity is expected to remain at a similar level as in the fourth quarter. Manufacturing production is predicted to remain flat due to a slowdown in the automobile and iron & steel industries and due to a slump in the oil refining and petrochemical industries, despite an improvement in the semiconductor industry. Services production is expected to remain flat, with a lack of recovery in the wholesale & retail services, accommodation & food services, and real estate industries, except for the transportation industry.

2. Production

Manufacturing Production

In the fourth quarter, manufacturing production remained at a similar level as in the previous quarter due to moderate global economic growth, a weak recovery in the Chinese economy, and a slump in domestic investment demand. By industry, production in the automobile and display industries continued to increase, but production in the shipbuilding and in the machinery & equipment industries remained flat amid a delayed recovery in semiconductor production. By region, manufacturing production increased slightly in the Chungcheong and Honam regions, but 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 remain flat due to a slowdown in the automobile, iron & steel, and metals industries, and due to continued sluggishness in the oil refining and petrochemical industries, although there will be a rebound in the semiconductor industry and the displays and mobile phone industries will see slight growth. By region,

manufacturing production is predicted to increase slightly in the Seoul metropolitan, Chungcheong, and Daegyeong regions, while it will slightly decrease in the Dongnam and Honam regions.

Services Production

In the fourth quarter, services production remained at a similar level as in the previous quarter owing to accumulated high prices and a slump in the housing market, despite an increase in demand for passenger and freight transportation and the holding of large-scale events in some regions. By industry, the transportation and accommodation & food services industries improved, while the wholesale & retail, finance & insurance, and real estate industries all slightly decreased due to a slump in demand. By region, services production increased slightly in the Chungcheong region, but slightly decreased in the Seoul metropolitan region, remaining flat in 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 predicted to remain at a similar

level as in the fourth quarter owing to a slump in the wholesale & retail, accommodation & food services, and real estate industries, driven by stagnant consumer sentiment, although the increase in transportation continues due to a recovery in global trade and domestic and international travel. By region, services production is expected to increase slightly in the Seoul metropolitan and Honam regions, while it will decrease slightly in the Dongnam, Chungcheong, and Gangwon regions, remaining flat in the Daegyeong and Jeju regions.

Manufacturing Production by Region and Industry in Q4 2023¹⁾

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Motor Vehicles (▲)	Increase in exports due to preference for domestic eco-friendly cars
	Display Panels (▲)	Supply of OLED panels for new smartphones, initiating the automotive OLED market
	Semiconductors (▼)	Reduction in memory semiconductor production
	Medicine (▼)	Production volume adjustments in anticipation of mergers
Dongnam Region	Motor Vehicles (▲)	Increase in exports centered on the North American region
	Petrochemicals (▼)	Expansion of production facilities in China, regular maintenance of some companies
	Shipbuilding (◇)	Continued construction of ordered ships
	Iron & Steel (◇)	Increase in automobile production, contraction in the construction economy
	Oil Refining (◇)	Improvement in China's demand for petroleum products, delay in economic recovery in the United States and other major countries
Chungcheong Region	Semiconductors (▲)	Visible effects of inventory adjustment, improvement in the conditions of upstream industries
	Display Panels (▲)	Recovery in global smartphone sales, launch of new products
	Motor Vehicles (▲)	Increase in new car exports
	Iron & Steel (▲)	Slight alleviation of oversupply due to production cuts in China
	Petrochemicals (▲)	Expansion of the ethylene-naphtha spread, economic stimulus in China
Honam Region	Medical Equipment (▼)	Slowing of electric vehicle momentum due to reduction in subsidies in Europe
	Petrochemicals (▲)	Increase in operational rates due to export recovery
	Shipbuilding (▲)	Good order volume, improvement in labor supply and demand situation
	Medical Parts (▼)	Diminished effect of new smartphone releases
	Oil Refining (◇)	Reduction in refining margins, decrease in exports to China
	Motor Vehicles (◇)	Strong SUV sales, halting factory operations at some companies
Daegyeong Region	Iron & Steel (◇)	Favorable market conditions in the automobile and shipbuilding industries, weak demand in construction, machinery, etc.
	Display Panels (▲)	Expansion of supply for vehicle displays
	Mobile Phones (▲)	Increase in production volume at overseas facilities
	Iron & Steel (▼)	Slowing growth in production among upstream industries
	Machinery & Equipment (◇)	Increase in overseas investment in upstream industries, contraction in domestic market
	Motor Vehicle Parts (◇)	Continued increase in finished vehicle sales, slowdown in demand for internal combustion engine parts
Gangwon Region	Textiles (◇)	Decrease in exports to major countries, increase in exports to other regions
	Cables (▲)	Continued demand for submarine cables for offshore wind power generation
	Medicine (▲)	Spread of respiratory infections domestically, favorable export of botulinum toxin to China
	Motor Vehicle Parts (▼)	Slowing of finished vehicle domestic sales due to continued high interest rates
Jeju Region	Cement (◇)	Slowdown in domestic construction industry, progress in already initiated projects
	Semiconductors (▲)	Increased demand for 5G communication devices from Hong Kong and elsewhere
	Non-Alcoholic Beverages (▼)	Decrease in the number of domestic individual 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 Q4 2023¹⁾

Region	Industry	Main Factors of Change
Seoul Metropolitan Region	Transportation (▲)	Improvement in maritime cargo, air cargo, and passenger traffic
	Wholesale & Retail Trade (▼)	Poor sales of innerwear due to mild temperatures
	Finance & Insurance (▼)	Decrease in trading volume in the stock and bond markets
	Real Estate (▼)	Decrease in housing sale transactions
	Accommodation & Food (◇)	Decrease in demand for dining out due to high prices
Dongnam Region	Accommodation & Food (▲)	Increase in foreign tourists, hosting of large regional festivals
	Transportation (▲)	Increase in container throughput at Busan Port
	Wholesale & Retail Trade (▲)	Increase in consumption of goods
	Real Estate (▼)	Slump in the housing market
Chungcheong Region	Transportation (▲)	Increase in the number of travelers, recovery in maritime freight volume
	Real Estate (▲)	Increase in housing sale transactions
	Accommodation & Food (▲)	Hosting of large regional events, increase in users of accommodation facilities
	Wholesale & Retail Trade (▼)	Weakening of purchasing power due to high prices and high interest rates
Honam Region	Transportation (▲)	Increase in air transport freight volume and number of flights
	Wholesale & Retail Trade (▼)	Delay in recovery of consumer sentiment
	Real Estate (▼)	Decrease in the volume of apartment units entering the market
	Accommodation & Food (▼)	Increase in price burden due to liquor price hike
Daegyeong Region	Real Estate (▲)	Increase in housing transaction volume
	Wholesale & Retail Trade (▼)	Weak demand for food & beverages and clothing
	Transportation (◇)	Continued increase in air transportation, decrease in land transportation
	Accommodation & Food (◇)	Increase in foreign tourists, expanded demand for events, decrease in domestic tourists
Gangwon Region	Wholesale & Retail Trade (▲)	Increase in the number of newly registered passenger cars
	Real Estate (▲)	Increase in housing sale transactions
	Accommodation & Food (▼)	Decrease in domestic visitors due to increase in short-distance overseas travel, such as to Japan
	Transportation (◇)	Increase in air passengers, decrease in railway and bus passengers
Jeju Region	Accommodation & Food (▲)	Increase in domestic group tourists and foreign tourists
	Wholesale & Retail Trade (▲)	Expansion of online sales, large-scale sales
	Real Estate (▼)	Continuation of a weak trend in housing sale prices
	Transportation (▼)	Decrease in the number of domestic flights and passengers

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 fourth quarter, private consumption remained at a similar level as in the previous quarter as both goods and services consumption remained flat. By region, it increased slightly in the Dongnam, Gangwon, and Jeju regions, while decreasing slightly in the Seoul metropolitan and Daegyeong regions, and remaining flat in the Chungcheong and Honam regions.

Private Consumption 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 survey results, private consumption is expected to remain at a similar level as in the fourth quarter due to the continued effects of high interest rates, despite favorable employment conditions and household income growth. By region, it is expected to increase slightly in the Honam region, while decreasing slightly in the Chungcheong and Gangwon regions, and remaining flat in other regions.

Facilities Investment

In the fourth quarter, facilities investment remained at a similar level as in the previous quarter as planned investment in the semiconductor and secondary battery industries continued. By region, it slightly decreased in the Gangwon region and remained flat in other regions.

Facilities Investment 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 survey results, facilities investment is expected to slightly increase as investment in the semiconductor industry increases owing to a recovery in the IT industry and as investment in eco-friendly and new growth sectors, such as electric automobiles and secondary batteries, improves. By region, it is predicted to remain flat in the Honam and Jeju regions and slightly increase in other regions.

Construction Investment

In the fourth quarter, construction investment increased slightly due to an increase in the private sector, although construction investment in the public sector decreased slightly as some local governments reduced the execution of their SOC budget. By region, it increased moderately in the Seoul metropolitan region and increased slightly in the Dongnam region. On the other hand, it decreased slightly in the Jeju region, and remained flat 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.

According to survey results, construction investment is anticipated to remain at a similar level as in the fourth quarter due to the delayed effect of a contraction in new orders and starts for residential buildings, while the increase in the SOC budget limits any decline. By region, it is predicted to be flat in the Seoul metropolitan, Honam, and Daegyeong regions, while decreasing slightly in other regions.

Exports

In the fourth quarter, exports (daily average) increased moderately owing to an increase in semiconductor exports as prices rebounded and as volumes expanded, while exports in the machinery & equipment, automobile, shipbuilding, and displays industries also increased. By region, they increased moderately in the Seoul metropolitan, Dongnam, Honam, and Jeju regions, increased slightly in the Chungcheong and Daegyeong regions, and they decreased moderately in the Gangwon region.

Exports by Region¹⁾

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

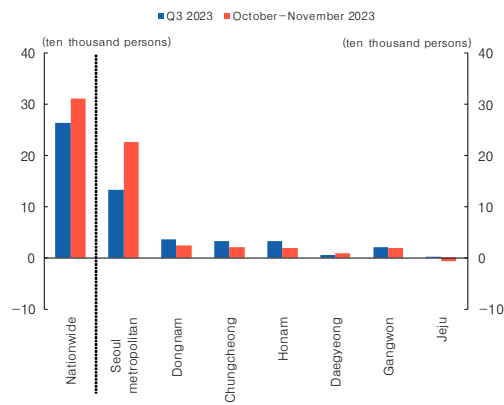
Note: 1) Markers indicate the direction and degree of change compared with the previous quarter. ▲, ◇, and ▼ represent an increase, no change, and a decrease, respectively.

According to survey results, exports are expected to increase slightly as demand for IT equipment increases with a continued recovery in exports in the semiconductor industry. By region, they are expected to increase moderately in the Gangwon region and increase slightly in other regions, except for the Honam region: they are anticipated to decrease slightly in the Honam region.

4. Employment

In October and November, the monthly average number of employed persons recorded a year-on-year increase of 312,000, while the amount of increase expanded compared with the third quarter (263,000). By region, the amount of increase expanded in the Seoul metropolitan and Daegyeong regions, while the amount of increase contracted in the Dongnam, Chungcheong, Honam, and Gangwon regions. In the Jeju region, it turned to a decline.

Change in Number of Persons Employed¹⁾



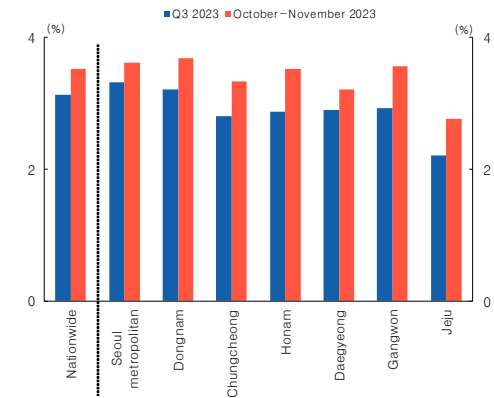
Note: 1) Year-on-year, monthly average.
Source: Statistics Korea.

5. Consumer Price Index (CPI) and Housing Prices

CPI Inflation

In October and November, CPI inflation (monthly average, year-on-year) accelerated across all regions owing to higher prices of agricultural products due to bad weather and higher prices of petroleum products as the decline in international oil prices contracted.

CPI Inflation¹⁾

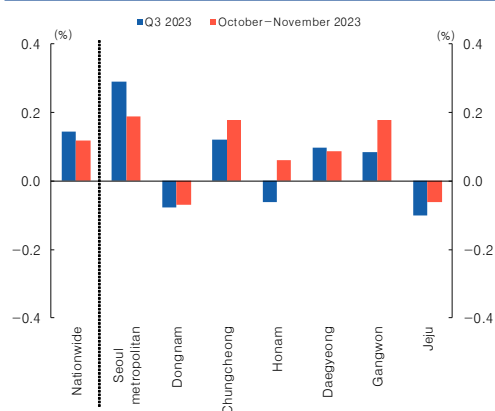


Note: 1) Year-on-year, monthly average.
Source: Statistics Korea.

Housing Sale Prices

In October and November, an increase in housing sale prices (monthly average, compared to the last month of the previous quarter) contracted in the Seoul metropolitan and Daegyeong regions due to stagnant demand growth, but expanded in the Chungcheong and Gangwon regions. The decrease in housing sale prices contracted in the Dongnam and Jeju regions, and housing sale prices in the Honam region took an upturn.

Housing Sale Prices, Growth Rate¹⁾



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

Source: Korea Real Estate Board.