

1. Overview

The overall composite Business Survey Index for the manufacturing sector in Q2 2019 remained under the baseline (100). However, all feeder indices excepting inventory (103), facilities investment (99) and employment (96) have considerably improved compared to the pre-

vious quarter. Business conditions (88), sales (95), domestic demand (92), ordinary profit (88), and financial conditions (85) especially showed a distinct improvement. The BSI outlook for the 3rd quarter of 2019 indicates that the business environment for manufacturers will worsen compared to the 2nd quarter. To wit, all BSI outlook indices excepting inventory (101) are projected to be under the baseline, and most importantly, all BSI outlook indices are projected to decrease quarter on quarter.

KIET Manufacturing Business Survey Index (BSI) for the 2nd Quarter 2019

vious quarter. Business conditions (88), sales (95), domestic demand (92), ordinary profit (88), and financial conditions (85) especially

These means that the overall outlook for business conditions and domestic demand does not look very promising in Q3.

Table 1. Business Survey Indices for the Manufacturing Sector

	2018			2019		
	2/4	3/4	4/4	1/4	2/4	3/4
Business conditions	92 (102)	88 (96)	87 (92)	77 (83)	88 (98)	(90)
Sales	93 (105)	88 (99)	88 (95)	75 (85)	95 (102)	(96)
Domestic demand	90 (103)	86 (96)	86 (93)	75 (84)	92 (100)	(95)
Exports	94 (103)	94 (97)	93 (96)	88 (93)	96 (101)	(98)
Ordinary profit	89 (99)	86 (94)	84 (93)	78 (82)	88 (95)	(91)
Facilities investment	98 (99)	96 (96)	96 (96)	99 (95)	99 (101)	(98)
Operation ratio of facilities	96 (102)	93 (97)	92 (96)	87 (91)	94 (101)	(96)
Inventory	103 (102)	103 (101)	101 (100)	104 (101)	103 (101)	(101)
Employment	96 (100)	96 (97)	95 (95)	97 (95)	96 (100)	(98)
Financial condition	87 (96)	87 (92)	83 (90)	74 (83)	85 (91)	(87)

Note : Figures in () represent the outlooks.

2. Sales BSI and Outlook by Industry

In Q2 2019, sales indices in every industry improved compared to the previous quarter. Despite these improvements, sales indices in most industries stayed under the baseline, excepting shipbuilding (110) and precision machines (103). The sales outlook

for the next quarter predicts all groups will post lower-than-baseline figures save only for electronics (107), chemicals (102), precision machines (107), ICT (100) and large companies (101). In particular, the general machinery, steel, electricity, precision machines, and textile production industries are all expected to record decreases from the previous quarter.

Table 2. Sales BSI by Industry

	2018			2019		
	2/4	3/4	4/4	1/4	2/4	3/4
Overall	93 (105)	88 (99)	88 (95)	75 (85)	95 (102)	(96)
Electronics	88 (117)	96 (98)	95 (89)	77 (91)	95 (112)	(107)
Semiconductors	88 (114)	107 (105)	88 (111)	79 (90)	95 (95)	(94)
Automobiles	100 (99)	84 (90)	92 (93)	69 (78)	92 (95)	(92)
Shipbuilding	87 (92)	86 (93)	82 (98)	88 (88)	110 (99)	(99)
General machinery	92 (104)	74 (93)	84 (79)	71 (86)	95 (104)	(89)
Steel	98 (107)	83 (95)	95 (94)	71 (77)	92 (101)	(89)
Chemicals	97 (108)	86 (102)	88 (95)	78 (86)	98 (103)	(102)
Electricity	75 (102)	76 (100)	91 (84)	76 (79)	90 (106)	(94)
Precision machines	103 (110)	88 (105)	95 (98)	83 (91)	103 (122)	(107)
Textiles	95 (111)	84 (94)	81 (85)	72 (91)	83 (100)	(87)
Nonmetallic minerals	95 (110)	89 (99)	83 (102)	62 (74)	97 (107)	(98)
ICT	88 (104)	101 (101)	92 (99)	78 (91)	95 (103)	(100)
Heavy-chemical industry	95 (104)	83 (96)	89 (93)	73 (81)	96 (102)	(95)
Light industry	96 (94)	89 (103)	79 (95)	81 (90)	90 (99)	(94)
Large companies	98 (101)	92 (105)	100 (100)	84 (91)	104 (110)	(101)
Small and medium-sized enterprises (SMEs)	93 (99)	83 (96)	85 (90)	74 (83)	92 (103)	(94)

Note : Figures in () represent the outlooks.

3. Exports BSI and Outlook by Industry

The overall export indices of manufacturing industries for the 2nd quarter were below the baseline (100), much as they were in the quarter previous. However, all feeder indices have considerably improved compared to the previous quarter. Shipbuilding (106) showed the most dramatic increase among all industries and

groups. The outlook for the 3rd quarter does not look promising, as many industries are forecasted to post below-baseline performances. In particular, the semiconductor, general machinery, steel, precision machines, textile, and nonmetallic mineral industries are set to deliver conspicuously poor export performances. Only electronics, chemicals, precision machines, nonmetallic minerals and large companies are expected to stay above the baseline.

Table 3. Exports BSI by Industry

	2018			2019		
	2/4	3/4	4/4	1/4	2/4	3/4
Overall	94 (103)	94 (97)	93 (96)	88 (93)	96 (103)	(98)
Electronics	95 (116)	95 (98)	99 (88)	90 (97)	96 (116)	(104)
Semiconductors	71 (112)	100 (105)	90 (100)	80 (98)	88 (112)	(92)
Automobiles	99 (100)	91 (90)	93 (95)	84 (86)	98 (100)	(96)
Shipbuilding	94 (98)	101 (93)	95 (102)	90 (98)	106 (98)	(100)
General machinery	92 (106)	89 (93)	95 (90)	87 (95)	93 (106)	(91)
Steel	105 (102)	93 (95)	97 (98)	87 (92)	94 (102)	(91)
Chemicals	94 (102)	92 (102)	89 (100)	93 (90)	101 (102)	(104)
Electricity	90 (100)	92 (100)	96 (93)	85 (90)	92 (100)	(95)
Precision machines	98 (107)	93 (105)	100 (98)	86 (96)	96 (107)	(103)
Textiles	91 (106)	92 (94)	89 (88)	82 (98)	95 (106)	(93)
Nonmetallic minerals	95 (100)	97 (99)	95 (99)	94 (98)	99 (100)	(101)
ICT	84 (114)	97 (95)	95 (94)	85 (97)	91 (114)	(98)
Heavy-chemical industry	97 (102)	93 (98)	94 (97)	88 (92)	97 (102)	(97)
Light industry	97 (95)	95 (93)	87 (93)	91 (89)	96 (95)	(98)
Large companies	98 (102)	95 (104)	99 (100)	87 (97)	102 (102)	(102)
Small and medium-sized enterprises (SMEs)	95 (103)	93 (96)	92 (94)	88 (92)	95 (103)	(96)

Note : Figures in () represent the outlooks.

4. Industrial Weather Chart for the 2nd Quarter 2019

Overall, indices gauging sales, domestic demand, and ordinary profits in the manufacturing sector were comparatively low in Q2 2019. Specifically, the BSI for most manufacturing activities remained lower than the baseline figure of 100. Only the business conditions

of shipbuilding industry improved compared to the previous quarter. On the other hand, facilities investments in most industries excepting semiconductors, general machinery, steel, nonmetallic minerals and ICT, SMEs posted positive growth, even as domestic demand and ordinary profit in those industries has stagnated, suggesting robust overall economic performance, especially compared to other sectors.

Table 4. Major Index Components of Current Manufacturing Activity

	Sales	Domestic Demand	Exports	Ordinary Profit	Facilities Investment	Employment
Overall	95 ☁️	92 ☁️	96 ☁️	88 ☁️	99 ☁️	96 ☁️
Electronics	95 ☁️	93 ☁️	96 ☁️	89 ☁️	102 🌤️	101 🌤️
Semiconductors	95 ☁️	89 ☁️	88 ☁️	86 ☁️	91 ☁️	91 ☁️
Automobiles	92 ☁️	92 ☁️	98 ☁️	93 ☁️	101 🌤️	97 ☁️
Shipbuilding	110 🌤️	107 🌤️	106 🌤️	101 🌤️	102 🌤️	106 🌤️
General machinery	95 ☁️	95 ☁️	93 ☁️	95 ☁️	97 ☁️	94 ☁️
Steel	92 ☁️	89 ☁️	94 ☁️	84 🌧️	96 ☁️	91 ☁️
Chemicals	98 ☁️	95 ☁️	101 🌤️	92 ☁️	102 🌤️	101 🌤️
Electricity	90 ☁️	86 ☁️	92 ☁️	77 🌧️	101 🌤️	94 ☁️
Precision machines	103 🌤️	98 ☁️	96 ☁️	85 ☁️	101 🌤️	105 🌤️
Textiles	83 🌧️	86 ☁️	95 ☁️	78 🌧️	102 🌤️	94 ☁️
Nonmetallic minerals	97 ☁️	96 ☁️	99 ☁️	95 ☁️	99 ☁️	94 ☁️
ICT	95 ☁️	91 ☁️	91 ☁️	88 ☁️	96 ☁️	95 ☁️
Heavy-chemical industry	96 ☁️	93 ☁️	97 ☁️	91 ☁️	100 🌤️	96 ☁️
Light industry	90 ☁️	90 ☁️	96 ☁️	80 🌧️	101 🌤️	97 ☁️
Large companies	104 🌤️	102 🌤️	102 🌤️	98 ☁️	105 🌤️	103 🌤️
Small and medium-sized enterprises (SMEs)	92 ☁️	90 ☁️	95 ☁️	85 ☁️	98 ☁️	95 ☁️
Export-oriented	92 ☁️	91 ☁️	95 ☁️	86 ☁️	99 ☁️	96 ☁️
Domestic-oriented	102 🌤️	97 ☁️	101 🌤️	96 ☁️	102 🌤️	100 🌤️

Note : 🌤️ 115 above, 🌤️☁️ 100~115, ☁️ 85~100, 🌧️ 85 below.

5. Industrial Weather Forecast for the 3rd Quarter 2019

Overall BSI figures for Q3 2019 do not suggest an optimistic business climate. In particular, major indices of most industries are expected to post figures under the baseline, except for the electronics, chemical and precision machine industries and large com-

panies. Most major indices are expected to stay below the baseline; moreover they should post figures measurably worsen than those recorded in the previous quarters. However, one noticeable thing is that the projections for sales, domestic demand and exports for most industries are relatively favorable compared to those for ordinary profit, facilities investment and employment.

Table 5. Major Index Components of the Manufacturing Outlook

	Sales	Domestic Demand	Exports	Ordinary Profit	Facilities Investment	Employment
Overall	96 ☁	95 ☁	98 ☁	91 ☁	98 ☁	98 ☁
Electronics	107 ☀☁	102 ☀☁	104 ☀☁	99 ☁	102 ☀☁	103 ☀☁
Semiconductor	94 ☁	95 ☁	92 ☁	88 ☁	97 ☁	97 ☁
Automobile	92 ☁	93 ☁	96 ☁	90 ☁	97 ☁	98 ☁
Shipbuilding	99 ☁	96 ☁	100 ☀☁	100 ☀☁	103 ☀☁	101 ☀☁
General machinery	89 ☁	89 ☁	91 ☁	87 ☁	95 ☁	97 ☁
Steel	89 ☁	88 ☁	91 ☁	85 ☁	97 ☁	94 ☁
Chemistry	102 ☀☁	100 ☀☁	104 ☀☁	93 ☁	99 ☁	100 ☀☁
Electricity	94 ☁	89 ☁	95 ☁	85 ☁	98 ☁	99 ☁
Precision machine	107 ☀☁	105 ☀☁	103 ☀☁	95 ☁	102 ☀☁	102 ☀☁
Textile	87 ☁	87 ☁	93 ☁	82 ☁	98 ☁	93 ☁
Nonmetallic mineral	98 ☁	96 ☁	101 ☀☁	95 ☁	99 ☁	95 ☁
ICT	100 ☀☁	98 ☁	98 ☁	93 ☁	99 ☁	100 ☀☁
Heavy-chemical industry	95 ☁	94 ☁	97 ☁	90 ☁	98 ☁	97 ☁
Light industry	94 ☁	93 ☁	98 ☁	89 ☁	98 ☁	100 ☀☁
Large company	101 ☀☁	99 ☁	102 ☀☁	97 ☁	101 ☀☁	102 ☀☁
Small and medium-sized enterprises (SMEs)	94 ☁	92 ☁	96 ☁	88 ☁	97 ☁	97 ☁
Export-oriented	94 ☁	93 ☁	96 ☁	89 ☁	98 ☁	98 ☁
Domestic-oriented	101 ☀☁	96 ☁	101 ☀☁	94 ☁	99 ☁	100 ☀☁

Note : ☀ 115 above, ☀☁ 100~115, ☁ 85~100, ☁ 85 below.

〈Appendix〉

Outline of KIET Quarterly Manufacturing Business Survey Index

- BSI figures were compiled through surveys completed by representatives at 1050 domestic manufacturing firms, with 77.3 percent of the respondents who complied with the survey identifying as a small or medium-sized enterprise. The survey was conducted from June 10 to 21, 2019.
- The questionnaire issued comprises 10 sections on business conditions, sales, domestic

demand, exports, ordinary profit, facilities investment, operation ratio of facilities, inventory, employment, and financial conditions. This survey is intended to assess quarterly performance and grasp the economic climate of the upcoming quarter.

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