

Korea Macro Flash

Job Growth Rebounds But Jobless Rate Seems to Rise Further

■ **Jan unemployment rate posted 3.2% s.a., 0.2%p higher than a month ago —**

The seasonally adjusted jobless rate posted higher-than-expected at 3.2% in Jan (market: 3.0%, Citi: 3.1%), up from 3.0% in Dec12. This was led by unemployed persons growing much faster (+6.7% MoM sa) than economically active population (+0.4% MoM sa). Unemployed persons grew sharply along with surge in job seeking activities on the back of improved sentiment for future employment situation. According to the BoK, the consumer survey index (CSI) for expectation of employment in Jan rose to 91 from 85 in Dec, the biggest improvement in 12 months. The employed also increased by 46K MoM sa, ending three consecutive months of falls and expanding YoY growth to 322K from 277K in Dec. On YoY terms, unemployment rate jumped to 3.4% in Jan from Dec's 2.9%. The ratio of employment to population of 15 years & over rose by 0.1%p to 59.2% s.a. from Dec.

■ **Job growth in the manufacturing expanded while services sectors slowed —**

The manufacturing sector posted a heftier YoY gain of 156K (Dec: +112K) as it shifted back to increase in jobs by 15K MoM sa after a sharp decline in Dec (-40K MoM sa). The services sector sustained positive job growth (+88K MoM sa and +228K YoY vs. +97K MoM sa and +263K YoY in Dec), with gains in transportation and accommodation & food service, etc. However, public administration & defense and compulsory social security shed 27K MoM sa and 26K YoY jobs, posting negative YoY growth for eight consecutive months. Wholesale and retail trade also recorded large job losses of -15K MoM sa and -55K YoY. While the construction sector narrowed job decline to -48K YoY, agricultural, forestry & hunting recorded larger job losses of -67K MoM sa and -15K YoY than in Dec.

■ **Regular workers further grew; independent businessmen fell on base effect —**

Wage & salary workers grew by 397K YoY, shifting to increase by 34K on seasonally adjusted MoM basis. Gain in regular workers (+523K YoY) were enough to offset the losses in temporary workers (-77K YoY) and daily workers (-49K YoY). Non-salaried workers continued sequential contraction for two months and shifted to negative terrain on YoY terms (-75K) due to base effect for the first time since Oct 2011. Self-employed workers reversed to fall by 21K YoY despite 11K MoM increase. Unpaid family workers also posted large drops of -54K YoY and -41K MoM sa.

■ **Jobless rate seems to rise further along with increase in job seeking activities**

— We think the unemployment rate would rise to 3.3% in the coming months ahead of public job openings under the new government. To revitalize the economy, the new government will likely prepare fiscal stimulus, including spending on temporary public employment program, in 1H. Meanwhile, job growth would remain at around 300K on YoY terms on the back of drags in domestic demand, especially construction, and base effects, mostly in contraction of self-employed workers.

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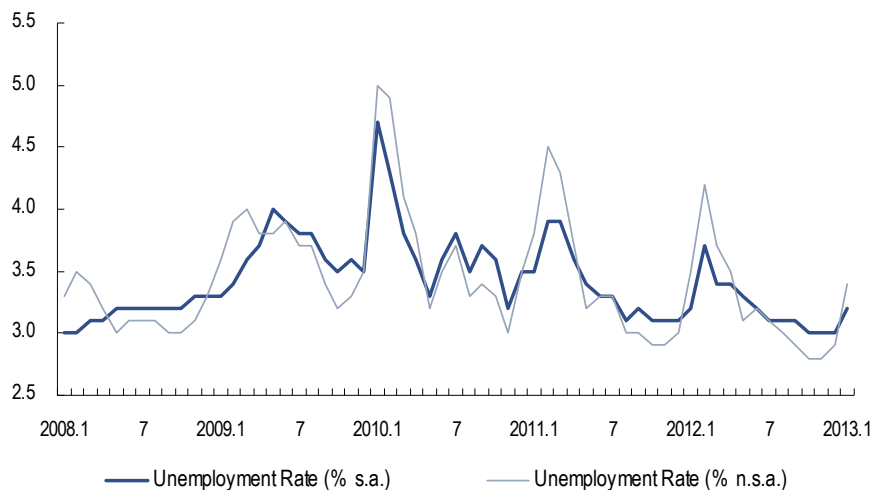
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Figure 1. Korea — Unemployment Rate

	For	Actual	Citi Fcst	Mkt Fcst	Previous
Unemployment Rate (%s.a.)	Jan	3.2	3.1	3.0	3.0

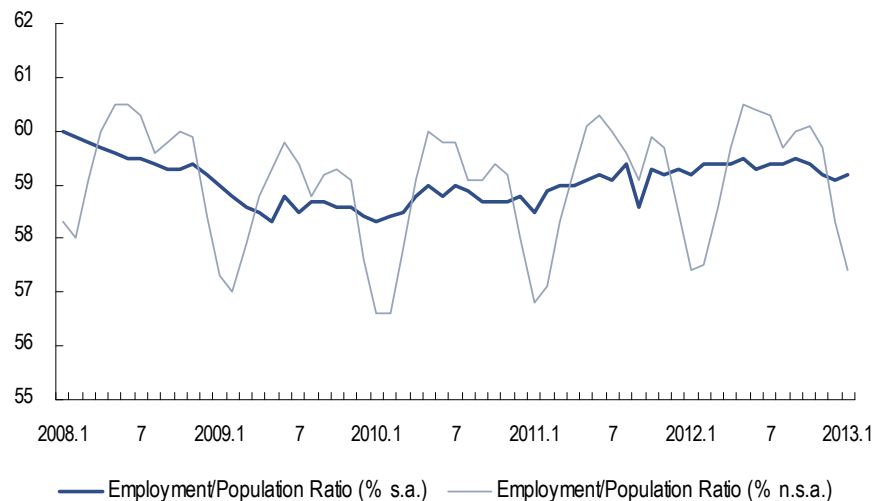
Source: Statistics Korea, Bloomberg, Citi Research Estimate

Figure 2. Trend in Unemployment Rate



Source: Statistics Korea, Citi Research

Figure 3. Trend in Employment/Population Ratio



Note: Employment/Population Ratio = (Employed Persons / Population of 15 years & over) x 100

Source: Statistics Korea, Citi Research

Figure 4. Seasonally Adjusted Month-on-Month Job Growth by Industry and Worker Status

	(Thousand)			
	Jan-13	Dec-12	Nov-12	Oct-12
Employed persons	46	-5	-45	-12
Unemployed persons	51	-7	-7	-32
By Industry				
Agriculture, forestry and fishing	-67	-54	18	-12
Mining	1	1	-2	0
Manufacturing	15	-40	38	4
Electricity, gas, steam and water supply	1	-6	3	0
Sewerage, waste management, materials recovery and remediation activities	-2	-1	2	-2
Construction	6	-9	-16	14
Wholesale and retail trade	-15	-55	22	11
Transportation	7	11	-14	10
Accommodation and food service activities	14	-3	-30	-9
Publishing, visual entertainment, Information & communications	-10	11	-13	-3
Financial and insurance activities	8	-5	-6	1
Real estate activities and renting and leasing	-8	5	8	-10
Professional, scientific and technical activities	-5	-5	-20	8
Business facilities management and business support services	27	32	11	6
Public administration and defense; compulsory social security	-27	6	-4	-23
Education service	-5	9	-18	8
Human health and social work activities	30	19	8	-20
Arts, sports and recreation related services	-3	2	-1	-10
Membership organizations, repair and other personal services	14	1	-3	-4
Activities of households as employers; undifferentiated services	1	9	4	0
Activities of extraterritorial organizations and bodies	3	0	0	-2
By Worker Status				
Regular employees	32	54	20	27
Temporary employees	20	-54	-16	-26
Daily workers	-18	-24	-40	34
Self-employed	11	-4	-5	-34
Unpaid family workers	-41	-45	19	-14

Source: Statistics Korea, Citi Research

Figure 5. Year-on-Year Job Growth by Industry and Worker Status

	(Thousand)			
	Jan-13	Dec-12	Nov-12	Oct-12
Employed persons	322	277	353	396
Unemployed persons	-6	-18	-19	-18
By Industry				
Agriculture, forestry and fishing	-15	-12	25	-19
Mining	2	-1	-3	-2
Manufacturing	156	112	164	144
Electricity, gas, steam and water supply	8	8	14	5
Sewerage, waste management, materials recovery and remediation activities	-2	2	5	-2
Construction	-48	-82	-35	-3
Wholesale and retail trade	-55	-33	37	-3
Transportation	35	42	45	37
Accommodation and food service activities	50	61	41	81
Publishing, visual entertainment, Information & communications	-44	-43	-51	-25
Financial and insurance activities	-8	-25	-28	-17
Real estate activities and renting and leasing	-11	4	0	-5
Professional, scientific and technical activities	41	41	49	72
Business facilities management and business support services	76	90	38	42
Public administration and defense; compulsory social security	-26	-26	-43	-37
Education service	17	30	16	56
Human health and social work activities	105	88	71	61
Arts, sports and recreation related services	-28	-25	-24	-25
Membership organizations, repair and other personal services	53	31	28	37
Activities of households as employers; undifferentiated services	17	18	9	3
Activities of extraterritorial organizations and bodies	-1	-4	-3	-3
By Worker Status				
Regular employees	523	458	443	505
Temporary employees	-77	-111	-87	-130
Daily workers	-49	-80	-64	-26
Self-employed	-21	12	38	48
Unpaid family workers	-54	-2	23	-2

Source: Statistics Korea, Citi Research

Appendix A-1

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