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SUB-INDEXES showed output contracted for an eighth straight month, new orders declined for a sixth month, and new export orders shrank for a 10th month.

South Korea's factory activity weakens in Dec. due to slump in demand

SEOUL — South Korea's factory activity shrank for a sixth consecutive month in December, a business survey showed on Monday, as the global economic downturn and a local truckers' strike led to the worst slump in demand in 2-1/2 years.

The S&P Global purchasing managers' index (PMI) for South Korea manufacturers fell to a seasonally-adjusted 48.2 last month from 49.0 in November.

It fell again after two months of slight improvements from a more than two-year low of 47.3 reached in September, but remained below the 50-mark that separates expansion from contraction for the sixth month in a row.

Sub-indexes showed output contracted for an eighth straight month, new orders declined for a sixth month, and new export orders shrank for a 10th month.

In particular, new orders fell at the fastest pace since June 2020, both for overall orders and exports, while input purchases and backlogs of work also decreased at the fastest pace in about 2-1/2 years.

Meanwhile, suppliers' delivery times were their worst since June, as South Korean truckers went on a strike for the second time in 2022.

"The December PMI data provided further evidence that South Korean manufacturing firms have continued to struggle in the face of the current global economic downturn," said Laura Denman, economist at S&P Global Market Intelligence.

"Low levels of client demand, on both a domestic and international scale, were central to the latest deterioration".

On the inflation front, input prices rose at the slowest pace since January 2021, while the pace of output price increases significantly eased to the weakest in their 27-month rising streak.

Manufacturers were barely optimistic about the future output over the coming year, with the level of optimism just above the neutral threshold and at the lowest since July 2020. — ***Reuters***

Global economy faces tougher year, IMF's Georgieva warns

FOR much of the global economy, 2023 is going to be a tough year as the main engines of global growth — the United States, Europe and China — all experience weakening activity, the head of the International Monetary Fund (IMF) said on Sunday.

The new year is going to be "tougher than the year we leave behind," IMF Managing Director Kristalina Georgieva said on the CBS Sunday morning news program *Face the Nation*.

"Why? Because the three big economies — the US, EU and China — are all slowing down simultaneously," she said.

In October, the IMF cut its outlook for global economic growth in 2023, reflecting the continuing drag from the war in Ukraine as well as inflation pressures and the high interest rates engineered by central banks like the US Federal Reserve aimed at bringing those price pressures to heel.

Since then, China has scrapped its zero-COVID policy and embarked on a chaotic reopening of its economy, though consumers there remain wary as coronavirus cases surge. In his first public comments since the change in policy, President Xi Jinping on Saturday called in a New Year's address for more effort and unity as China enters a "new phase".

"For the first time in 40 years, China's growth in 2022 is likely to be at or below global growth," Ms. Georgieva said.

Moreover, a "bushfire" of expected COVID infections there in the months ahead are likely to further hit its economy this year and drag on both regional and global growth, said Ms. Georgieva, who traveled to China on IMF business late last month.

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THE NEW year is going to be "tougher than the year we leave behind," IMF Managing Director Kristalina Georgieva said on the CBS Sunday morning news program *Face the Nation*.

"I was in China last week, in a bubble in a city where there is zero COVID," she said. "But that is not going to last once people start traveling."

"For the next couple of months, it would be tough for China, and the impact on Chinese growth would be negative, the impact on the region will be negative, the impact on global growth will be negative," she said.

In October's forecast, the IMF pegged Chinese gross domestic product growth last year at 3.2% — on par with the fund's global outlook for 2022. At that time, it also saw annual growth in China accelerating in 2023 to 4.4% while global activity slowed further.

Her comments, however, suggest another cut to both the China and global growth outlooks may be in the offing later this month when the IMF typically unveils updated forecasts during the World Economic Forum in Davos, Switzerland.

US ECONOMY 'MOST RESILIENT'

Meanwhile, Ms. Georgieva said, the US economy is standing apart and may avoid the outright contraction that is likely to afflict as much as a third of the world's economies.

The "US is most resilient," she said, and it "may avoid recession. We see the labor market remaining quite strong."

But that fact on its own presents a risk because it may hamper the progress the Fed needs to make in bringing US inflation back to its targeted level from the highest levels in four decades touched last year. Inflation showed signs of having passed its peak as 2022 ended, but by the Fed's preferred measure, it remains nearly three times its 2% target.

"This is ... a mixed blessing because if the labor market is very strong, the Fed may have to keep interest rates tighter for longer to bring inflation down," Ms. Georgieva said.

Last year, in the most aggressive policy tightening since the early 1980s, the Fed lifted its benchmark policy rate from near zero in March to the current range of 4.25% to 4.50%, and Fed officials last month projected it will breach the 5% mark in 2023, a level not seen since 2007.

Indeed, the US job market will be a central focus for Fed officials who would like to see demand for labor slacken to help undercut price pressures. The first week of the new year brings a raft of key data on the employment front, including Friday's monthly nonfarm payrolls report, which is expected to show the US economy minted another 200,000 jobs in December and the jobless rate remained at 3.7% — near the lowest since the 1960s. — ***Reuters***

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