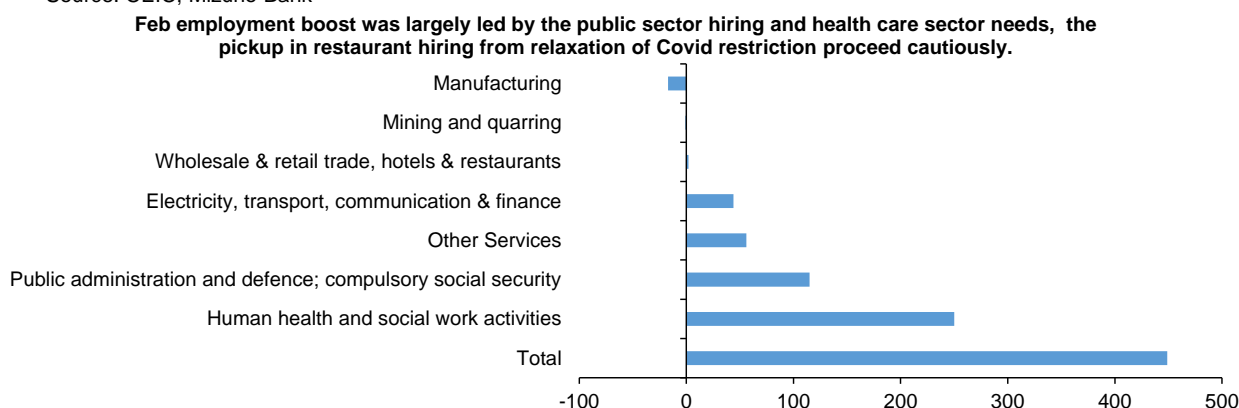
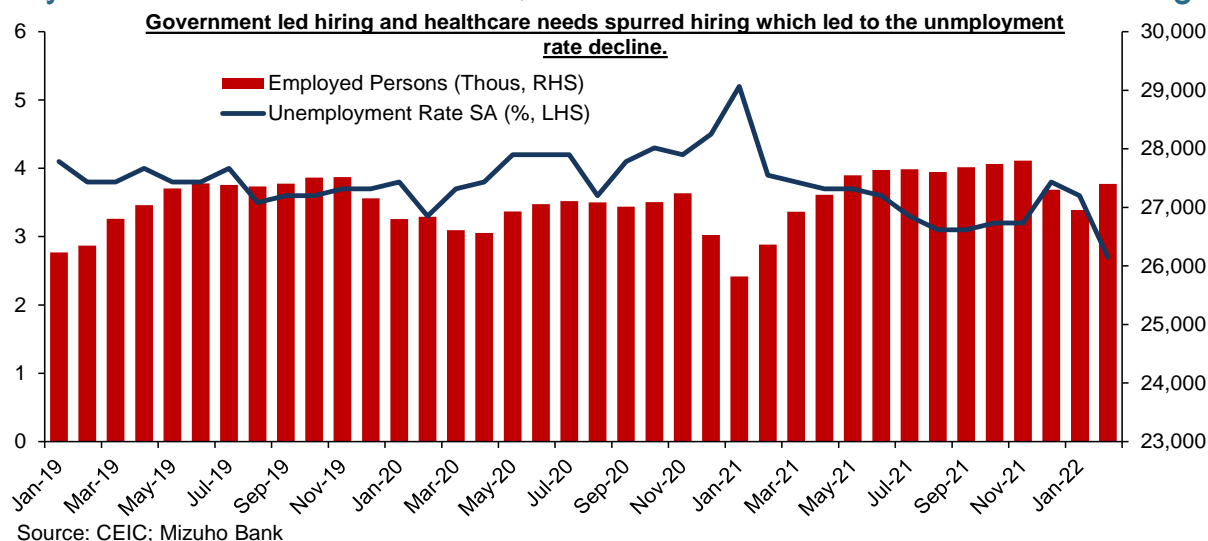


Employment: Public Sector Boost, Caution Seen In Private Sector Hiring



- This morning Korea's unemployment rate for February declined to 2.7% on a seasonally adjusted basis from 3.6%. While we have no doubt the overall economy has recovered strongly, **much caution should be applied to the headline labour figure to prevent undue optimism.**
- While social distancing restrictions were relaxed, the lack of a substantial pick up in retail trade as well as the hotels and restaurant sectors remains telling of subdued expectations of recovery in tourism.
- The **two main drivers of 449k hiring gain in February** from January stems from **public sector hiring and health care sector needs.** Given both the volatility of these needs and the extent of combined monthly increase (365k), the permanence of these gains is very much in doubt.
- The contrast from the lack of job gains in the manufacturing sector while information and communications, finance sectors expands headcount underscores **some underlying uneven recovery.**
- All in, while support from public sector hiring remains very much welcomed to boost incomes and spending, the **KRW will not be unduly buoyed by these domestic nuances** as it remains fixated on external headwinds of Fed tightening and still elevated oil prices with Brent crude close to US\$100.
- Similarly, the BoK given their inflation focused mandate will continue to ensure that monetary policy stance serves to restrain Korea's broadening inflation with likely tightening in the quarters ahead.

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