

Minus Growth for North Korean Economy for Two Consecutive Years

The North Korean economy is facing a minus growth rate for two years straight as a result of worsening climate conditions and a slumping manufacturing industry.

The Bank of Korea (BOK) announced that North Korea's real GDP last year decreased 0.5 percent against the previous year. According to the bank's estimation, North Korea's GDP recorded a 3.1 percent increase in 2008, a plus growth since the financial crisis. However, it fell into the minus growth range for two consecutive years from 2009.

South Korea's economic growth, on the other hand, recorded an increase of 0.3 percent in 2009 and 6.2 percent in 2010, and the difference in growth between North and South Korea went from 1.2 percentage points to 6.7 percentage points, demonstrating about 5.6 times disparity between the two states.

In the BOK report, the North Korean economy is experiencing minus growth in agriculture, forestry and fishing industries, which are suffering from the extreme weather and sagging manufacturing industry -- a consequence of the heavy focus placed on light industry.

The cold-weather and typhoon damages last year negatively impacted the agricultural production, recording a decrease of 2.1 percent against the previous year.

As for the mining industry, metallic and nonmetallic production increased despite the decrease in coal production, which fell 0.2 percent from the year before.

In spite of the increase in production in the heavy chemical industry, the manufacturing industry suffered from a decline of 0.3 percent, with waning production in light industry.

However, the service sector showed a 0.2 percent rise with improvement in the wholesale-retail and hospitality industries and increased businesses in transportation, communication, finance, insurance, and real estate.

The BOK has been publishing "GDP of the DPRK" and "Economic Growth of the DPRK" every year in June since 1991 based on information from the National Intelligence Service (of the ROK). This year's report, however, was not released until just this month.

Contradictory to the report, some experts are claiming that there is a high possibility North Korea recorded a plus growth rate. Despite the BOK's report that coal production fell 2 percent from the previous year, the Korea Institute of Unification Studies assessed that production of coal and iron ore recorded slight increases due to the improvements and expansion of facilities and power supply in the mining industry.

In addition, the BOK report's view of North Korea's economic revitalization is inconsistent with the testimonies and reports from domestic and overseas experts and officials who recently visited the North.

Some experts argue that, if the statistics provided by the BOK showing increased growth in the social and service sector were factual, "the construction plan of 100,000 house units in Pyongyang should create added value and continue to stimulate economic growth."