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# HRI Monthly Economic Review

- I. Recent Economic Trends
- II. Economic Issues Facing Korea
- III. North Korean Issues  
[Annex] Domestic and  
Global Economic Indices

△ Hyundai Research Institute



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Devoting to economic research  
and human resource development  
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## < Executive Summary >

### 1. Recent Economic Trends

All major economies including the US, EU, Japan, and China show signs of recovery thanks to the rapidly progressing manufacturing industry. In terms of Korea, domestic production, consumption, and investment all increased. The number of employed workers sharply rose, and the slowdown of price upswings continues.

### 2. Economic Issues Facing Korea

#### 『Economy Stands When Manufacturing Industry Thrives』

First, manufacturing industry plays a key role in creating supply in Korean economy and leads demand for service industry. Second, manufacturing industry is one of the core industries that expands market denotation by means of export and foreign currency earnings. Third, manufacturing industry expands the growth potential of Korean economy as a core industry for facility investment.

#### 『Concern over the Decreasing Investment on SOC』

Investment on SOC brings positive large-scale ripple effects to the national economy, and also contributes to the enhancement of growth potential by improving overall economic efficiency. However, SOC investment is sharply dropping. Korean government, is planning to reduce expenditure on SOC further. According to the budgeted spending plan of the Ministry of Strategy and Finance, the government is planning to reduce expenditure exclusively on SOC out of a total of 12 sectors. Therefore, public sector should introduce policy to attract private investment on SOC, and ease the unequal distribution of SOC Stock among regions, while promoting SOC investment for the efficient management of existing infrastructures.

#### 『Sharp Increase Household Debt Risk』

The growth rate of household debt which has fast increased since the start of global financial crisis began slowing from 2012 thanks to the comprehensive countermeasures set up by the government. However, the quality of household debt is deteriorating as the ratio of household debt to non-bank financial institution is increasing, while the household debt to disposable income ratio is also continuing to increase.

### 3. The North Korean Issues

The expectations index showed an upturn in the third quarter of 2013 thanks to the conclusion of the agreement for the normalization of Kaesong Industrial Complex(KIC), a lull in the military confrontation between the two Koreas, and expectations for international collaboration on 6-party talks. Quantitative analysis index heavily fell due to the temporary closure of the KIC and tensed relationship between the two Koreas, while experts' assessment index looks optimistic with warning of possible future pitfalls.

## I . Recent Economic Trends

### 1. Recent Global & Domestic Economic Trends

#### Major Foreign Economies

*All major economies including the US, EU, Japan, and China show signs of recovery thanks to the rapidly progressing manufacturing industry.*

US retail sales and industrial production increased, taking the lead in economic recovery. Industrial production made rapid progress led by automotive industry in August 2013, recording a month-on-month increase of 0.4%, while retail sales rose for the fifth consecutive month with a month-on-month growth of 0.2% for the same period. The unemployment rate was 7.3%, the lowest rate since 2009. The GDP growth rate (final figure) released on September 26 marked an annualized increase of 2.5% compared with that of the previous quarter and the same as the revised figure released in August.

The Eurozone begins to show some expectations for economic recovery. Retail sales marked a month-on-month rise of 0.1% in July. Although industrial production recorded a month-on-month drop of 1.5% in July, the composite PMI index accounted for 52.1p, the highest since June 2011. The PMI index of Germany was 53.8p in September, the highest for 8 months, and France's was 50.2p, the highest for 19 months. The unemployment rate in August stayed at 12.0%, an insignificant improvement amounting to a month-on-month fall of 0.1%.

The economic recovery of Japan is on track thanks to improving exports and industrial production. Exports rose for the sixth consecutive month, recording a year-on-year increase of 14.7% in August, and the industrial production of July showed a month-on-month increase of 3.4% due to the recovering industrial mechanical and electronic parts industries. In the 3rd quarter of 2013, The

TanKan Index (business conditions diffusion index) soared to 12p, a strong sign of recovery and a return to the level of pre-Lehman Brothers crisis of 2008.

China's economy is fast improving with domestic demand and exports rising at the same time combined with fast-recovering business conditions diffusion index that includes PMI. Retail sales of August recorded an increase of 13.4%, higher than the 13.2% of July. Exports in August rose by 7.2%, an increase for the second consecutive month. The HSBC PMI index, which shows manufacturing industry's business conditions diffusion index, marked 50.1p in August and 51.2p in September. Leading composite index came in at 100.2p, a return to above par levels, breaching the critical point of 100p in four months.

Global financial market performance in September was affected by various factors including the decision of the US Federal Reserve to sustain quantitative easing, improvement in economic indices of the Eurozone and China, and the eased risk of proliferation of Syrian civil war.

### < Economic indices of major countries >

(%)

(p, yen, euro, yuan)

Economic Sectors		2011	2012	2013			Economic Sectors		2011	2012	2013		
		Annual	Dec	Jun	Jul	Aug			Annual	Annual	Aug	Sep	Oct
US	Industrial Production	3.4	0.1	0.1	0.0	0.4	US	DJIA	12,218	13,104	14,810	15,130	15,192
	Retail Sales	4.7	0.5	0.7	0.4	0.2		DAX	5,898	7,612	8,103	8,594	8,689
EU	Industrial Production	3.2	0.7	0.6	-1.5	-	EU	EUR/USD	0.772	0.756	13,389	14,456	14,485
	Retail Sales	-0.2	-0.7	-0.7	0.1	-		NIKEI	8,455	10,395	2,098	2,175	2,175
Japan	Industrial Production	-1.4	2.4	-3.1	3.4	-	Japan	YEN/USD	77.66	85.86	1.3238	1.3493	1.3522
	Retail Sales	-1.2	0.0	-0.2	-1.7	-		SSE	2,199	2,269	98.38	97.90	98.06
China	Industrial Production	13.9	10.3	8.9	9.7	10.4	China	CNY/USD	6.3190	6.2317	6.1204	6.1199	6.1215
	Retail Sales	17.1	15.2	13.3	13.2	13.4							

Source: US Department of Commerce; Eurostat;  
The People's Bank of China

Source: Bloomberg

Note: US, EU, Japan QoQ, China YoY

## Korean Economy

*Domestic production, consumption, and investment all increased. The number of employed workers sharply rose, and the slowdown of price upswings continues.*

Domestic production, consumption, and investment all increased. The industrial production of mining and manufacturing industries recorded a month-on-month rise of 1.0% in August. The retail sales of mining and manufacturing industries also marked a month-on-month increase of 0.4% in August due to the rising sales of semi-durable goods such as clothes and nondurables such as cosmetic products. Facility investment in machinery decreased, but increased in transportation equipment, marking a month-on-month rise of 0.2% in overall facility investment

Exports in September amounted to US\$44.74 billion, a year-on-year drop of 1.5%, while imports recorded US\$41 billion, a year-on-year fall of 3.6%, showing a trade surplus of US\$3.71 billion, a surplus for the 20th consecutive month. Exports of ship and semiconductor products rose, and, region wise, exports to ASEAN, Latin American countries, and China are picking up. Imports of raw materials, capital goods, and consumer goods all dropped.

The total number of the employed recorded 25,291,000 in August, a year-on-year improvement of 432,000 due mainly to the continuing employment growth of regular employees combined with a decelerating reduction rate of the self-employed, which contributed to achieving an increase of the number of the employed by over 400,000, the first time in 11 months. The unemployment rate marked 3.0% in August, the same as that of August 2012, and the number of the unemployed was 783,000, a year-on-year increase of 19,000.

The consumer price index dropped in September due to the falling prices of agricultural, livestock, and fishery products. The inflation rate marked a month-on-month rise of 0.2% in September, and a year-on-year increase of 0.8%. The core price index also recorded a month-on-month rise of 0.4%, and a year-on-year increase of 1.6%. The fresh food price index showed a month-on-month

drop of 2.2%, and a year-on-year fall of 7.8% thanks to the mild weather with no typhoon this summer.

The Korean financial market was affected in September by the filing of DongYang business group for court receivership, the decision of the Federal Reserve to sustain the quantitative easing policy, the improving economic indices of the Eurozone and China, and the successful diplomatic solution of Syrian crisis.

## &lt; Korea Major Economic Indices &gt;

(p, %)

Economic Sectors		2011			2012					2013			
		Annual	3/4	4/4	Annual	1/4	2/4	3/4	4/4	1/4	2/4	Aug	Sep
Domestic Market	Retail Sales	4.5	0.5	0.0	2.3	1.0	0.3	1.2	0.4	-1.2	0.4	0.4	-
	Facility Investment Index	4.0	0.1	-2.8	-2.0	6.4	-5.0	-6.8	0.8	-4.5	-1.0	0.2	-
	Construction	-6.4	-5.4	3.0	-5.8	-5.6	-0.9	1.0	1.4	4.4	7.7	0.1	-
Foreign Trade	Export Growth Rate	19.0	21.4	9.0	-1.3	2.9	-1.7	-5.8	-0.4	0.4	0.8	7.7	-1.5
Employment/ Prices	Unemployment Rate	3.4	3.1	2.9	3.2	3.8	3.3	3.0	2.8	3.6	3.1	3.0	-
	Consumer Price	4.0	4.3	4.0	2.2	3.0	2.4	1.6	1.7	1.4	1.1	1.3	0.8
Finance	KOSPI	-	1,770	1,826	-	2,014	1,854	1,996	1,997	2,005	1,863	1,926	1,997
	KRW/USD	-	1,178	1,152	-	1,133	1,145	1,111	1,071	1,111	1,142	1,110	1,075
	3yr Government Bond	-	3.55	3.34	-	3.55	3.30	2.79	2.82	2.52	2.88	2.88	2.82
	Corporate Bond (BBB-)	-	10.31	10.12	-	10.05	9.69	8.69	8.81	8.50	8.99	8.96	8.97

Source: Bank of Korea, National Office of Statistics, Foreign Trade Association



## **II . Economic Issues Facing Korea**

### **1. Economy Stands When Manufacturing Industry Thrives**

#### *Korean Manufacturing Industry on Same Course as the Growth of Korean Economy*

Korean manufacturing Industry has grown along with the Korean economy, and it still plays an important role as a locomotive force. Although Korean manufacturing industry suffered some drawbacks as it reached a mature stage, it is still widely recognized as the only industry that can overcome the incremental characteristics of Korean economy. Considering ‘the global trend of revival of manufacturing industry’, it is time to review the role of Korean manufacturing industry and to find ways to strengthen its function.

#### *The Role of Manufacturing Industry in Korea*

The impact of Korea’s manufacturing industry on Korean economy is immense: First, it plays a key role in creating supply in Korean economy and leads demand for service industry. The total production of Korea’s manufacturing industry accounts for US\$1.66 trillion, of which US\$0.56 trillion(34%) was for export, while the total production of service industry amounts to US\$1.2 trillion, approximately half(US\$0.58 trillion) of which is based on demand for consumption leading to industrial activities. ‘Enterprise Support Services’ such as transportation service and business service are indispensable to the very survival of manufacturing industry. Second, manufacturing industry is one of the core industries that expands market denotation by means of export and foreign exchange earnings. The ratio of manufacturing industry’s export to the total export of Korea is 87.9% as of 2012, by far the strongest driving force behind Korean exports. The trade balance of manufacturing industry has recorded an average annual surplus of

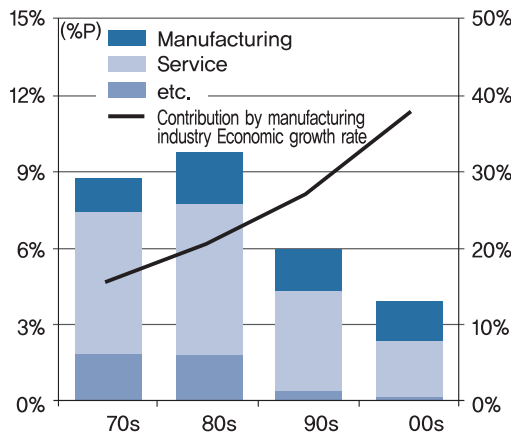
US\$29.1 billion since the outbreak of foreign exchange crisis, while service industry marked an average annual deficit of US\$5.4 billion. Third, manufacturing industry expands the growth potential of Korean economy as a core industry for facility investment. Future growth potential depends on capital accumulation, and capital formation is possible only through investment. The ratio of manufacturing industry's fixed investment to the total fixed investment of Korea has been on the increase since the 1970s, marking 32% in 2011. The ratio of manufacturing industry's facility investment to the total facility investment also reached as high as 57% in 2011, showing that the manufacturing industry is truly leading the capital accumulation of Korean economy. Fourth, manufacturing industry takes the lead in aiming at high technology through R&D. The ratio of manufacturing industry's R&D investment to the total R&D investment of Korea accounts for 87.5% in 2011 with 77% of the patents registered by manufacturing industry. Fifth, manufacturing industry leads the efficiency of overall Korean economic activities through a ripple effect of its high productivity. The level of contribution of TFP marked +4.0%p out of the 6.6% average annual growth rate of value added by manufacturing industry for the period 2001 to 2007, while service industry recorded a negative growth rate. The labor productivity of manufacturing industry was also 2.3 times higher than that of the service industry in 2012. Sixth, manufacturing industry helps accomplish balanced growth of Korean economy through the multiplier effect of employment. Employment of one person by manufacturing industry induced other industries to employ 2.4 persons based on 2011 data, while employment of one person by service industry effected other industries to employ only 0.4 person. Seventh, manufacturing industry strengthens the foundation of domestic demand by creating good-quality jobs. The ratio of regular workers employed by manufacturing industry to the total number of workers is 85.6% as of March 2013, while, in the case of service industry, it is only 64.7%. Especially, the ratio of the manufacturing industry employees whose salaries are over US\$2,780 per month accounts for 40%(2012), higher than 36% of equivalently paid service industry workers.

### Suggestions

Considering the vital role of manufacturing industry for Korean economy, we recommend the following economic development strategy whereby manufacturing and service industries can grow together:

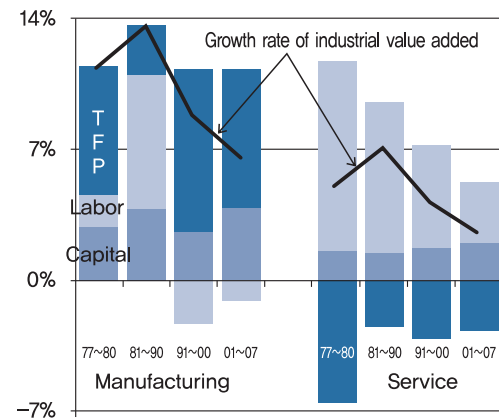
1. Korea should focus on ‘exploring new overseas markets and enhancing competitive edge of export businesses’ to maintain the growth potential of manufacturing industry.
2. Korea should lay the foundation for ‘virtuous circulation’ between national economy and industries, facilitating the high productivity of manufacturing industry to spread to service industry network.
3. Employment policy should be focused on creating ‘good quality jobs’ rather than a simple quantitative increase of jobs by achieving economies of scale in the service industry and expanding investment in manufacturing industry.

<Contribution to Economic Growth by Industrial Sectors>



Source: In-house calculation based on National Accounts of Bank of Korea  
 Note: Average of the period. '00' denotes 00s-12

<Contribution to Production by Manufacturing & Service Industries>



Source: In-house calculation based on EU KLEMS data

## **2. Concern over the Decreasing Investment on SOC**

### *Importance of Investment on SOC(Social Overhead Capital)*

Investment on SOC brings positive large-scale ripple effects to the national economy, and also contributes to the enhancement of growth potential by improving overall economic efficiency. SOC refers to infrastructure facilities such as roads, harbors, airports, dams, and others, which support the smooth operation of national economy, and is an important production factor towards expanding economic growth potential. The government is, however, planning to increase fiscal spending on welfare at the cost of reducing government expenditure on SOC. This report reviews the future SOC investment plan and thereby suggests the desirable direction for Korean economy.

### *International Comparison of SOC Stocks*

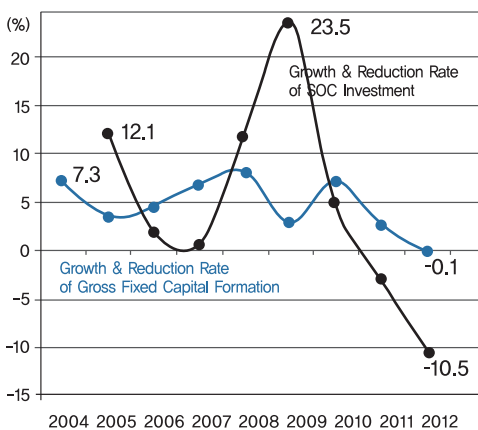
Korea's SOC stock level remains in the bottom group of OECD countries:

1. Korea's international competitive edge of transportation infrastructure including roads and railways is insufficient. Korea's road instrument per country coefficient and country motorcar coefficient rank 31st and 30th of OECD countries; railway instrument is also below the OECD average.
2. Korea's water supply infrastructure level falls in the bottom group of OECD members along with 7 countries including Mexico and Turkey, with huge gap between cities and villages, and between regions.
3. When it comes to logistics infrastructure, it suffices to say that the 'industrial foot' is tied down. The competitiveness index of Korea's logistics infrastructure is below the OECD average, and the index of the raw material supply infrastructure competitiveness is among the lowest.
4. Korea's security of energy supply is not solid. The energy self-sufficiency rate in power generation sector is only 19%, well below the OECD average of 70%.

### Trend of Decreasing Investment on SOC

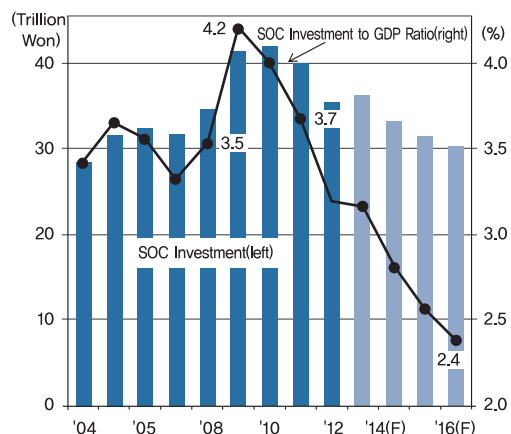
SOC investment is sharply dropping. Starting from 2010, SOC investment continued to fall - from US\$38.6 billion in 2010 to US\$32.7 billion in 2012. The SOC investment to GDP ratio also recorded a sharp decrease since 2009 from 4.2% to 3.2% in 2012, the lowest to date, and forecast to further fall to 2.4% by the year 2016. The Korean government has a plan to reduce expenditure on SOC further. According to the budgeted spending plan of the Ministry of Strategy and Finance, the government is planning to reduce expenditure exclusively on SOC out of a total of 12 sectors. Moreover, the enthusiasm of private sector and those authorities in charge to promote projects with private investment has considerably cooled off, causing a growing concern over the possibility of slowing economic growth as a direct result of reduced government expenditure on SOC, which is regarded as the most productive investment contributing to the revitalization of national economy and enhancing the growth potential of Korea.

<Trend of SOC investment and Gross Fixed Capital Formation>



Source : Ministry of Strategy & Finance, Bank of Korea  
 Note : Based on Current Price

<Trend of SOC Investment to GDP Ratio>



Source : Ministry of Strategy & Finance, Bank of Korea  
 Note : Based on Constant Prices of 2005

### *Suggestions*

1. Public sector should introduce policy to attract private investment on SOC, and ease the unequal distribution of SOC stock among regions, while promoting SOC investment for the efficient management of existing infrastructures.
2. SOC investment by private sector should be encouraged and revitalized, remedying shortcomings of BTL and BTO systems.
3. The government should support new SOC projects by encouraging construction firms to develop promising new technology and expand new projects to find a fresh growth engine.

### **3. Sharp Increase Household Debt Risk**

#### *Recent Trend of Household Debt*

The growth rate of household debt which has fast increased since the start of global financial crisis began slowing from 2012 thanks to the comprehensive countermeasures set up by the government. However, the quality of household debt is deteriorating as the ratio of household debt to non-bank financial institution is increasing, while the household debt to disposable income ratio is also continuing to increase. Moreover, other economic issues such as the prolonged real estate market slump and increasing default rate are not helping the household debt situation.

#### *Assessment of the level of Household debt Risk*

Generally, household debt is gauged by the household debt to disposable income ratio or by the financial debt to financial asset ratio rather than by the absolute scale of household debt. This however, is only one of the measures to assess ability to repay household debt. Therefore, it is appropriate to consider the risk of household debt issue from a comprehensive point of view, dividing

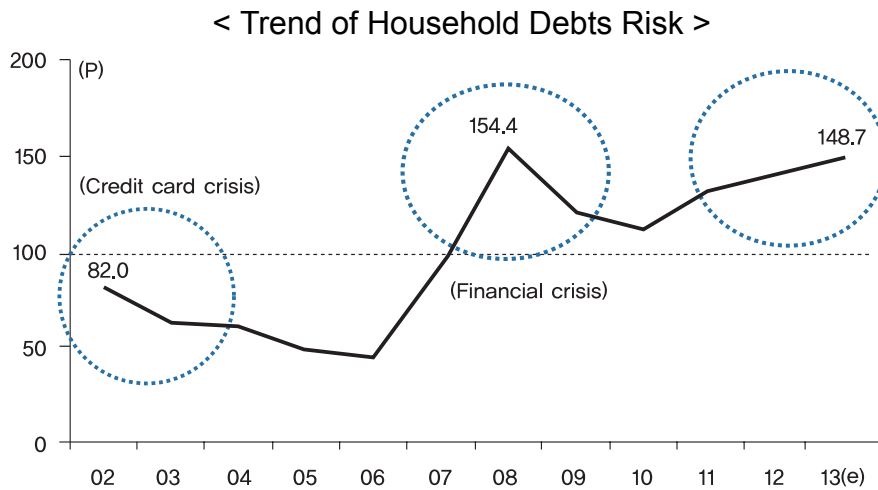
the issue into two separate areas: ‘Burden of pressure’ and ‘ability to repay’. To comprehensively gauge the risk level of the household debt, the risk was first divided into ‘burden of pressure’ and ‘ability to repay’ before selecting three appropriate variables. The ratio of amount of interest, default rate, and household debt to non-bank financial institution to disposable income were used as variables of ‘burden of pressure’. Ability to repay by income and by disposing assets is also an important risk factor of household debt, and to measure this risk, the variables of household debt to disposable income ratio, financial debt to financial asset ratio, and actual assets were determined. The risk level of household debt was estimated by weighting the average of standardized variables.

<Household Debt Risk Components>

	Household Debts Risk	
	Burden of Pressure	Ability to Repay
Variable Components	<ul style="list-style-type: none"> <li>o Interest payment to disposable income ratio : ‘Interest payment /personal net disposable income’</li> <li>o Default rate : Household debt default rate of commercial banks</li> <li>o Non-bank financial institution : Ratio of non-bank financial institution out of the gross household debt</li> </ul>	<ul style="list-style-type: none"> <li>o Household debt to disposable income ratio : Credit to households, BoK/personal net disposable income</li> <li>o Financial debt to financial assets ratio : Money flow personal financial debt/financial assets</li> <li>o Household actual assets : Fluctuation rate of national housing prices, BoK</li> </ul>

The outcome of the estimates shows that ‘burden of pressure’ sharply rose immediately before the global financial crisis, while ‘ability to repay’ remained steady since the financial crisis until recently deteriorating by a small margin. The comprehensive risk level of household debts with these two elements combined rapidly rose at the time of the global financial crisis in 2008 before it stabilized as the economic environment improved. Although the growth rate of household debt slowed since 2011 when the government introduced a comprehensive countermeasure to deal with household debt issue, the risk of

household debt is rising again due to the prolonged economic recession, continuing real estate market slump, and increasing ratio of household debt to non-bank financial institution; it is estimated that the risk of household debt of 2013 is reaching the same levels as the global financial crisis.



Source: Hyundai Research Institute.

### Suggestions

Although the issue of household debt is improving quantity wise, concern over the risk of household debt is on the increase as the economic environment surrounding household debt issue deteriorates. The government should introduce a policy to sustain household financial stability and improve economic environment before the household debt issue becomes a serious problem to the national economy. Particularly, an effective measure should be urgently in place to deal with the ever-soaring Chonsei(depository-based rent), which is the main cause for the rising household debts. The burden of working class people for the Chonsei should be reduced, and at the same time, the surplus utilization rate of household balances should be enhanced to stem the risk of household debts by focusing on improvement of domestic economic environment, creating jobs for people in low-income bracket, and encouraging savings. Measures to deal with increasing household debt relative to non-bank financial institution should also be prepared for soft landing.



## III. The North Korean Issues

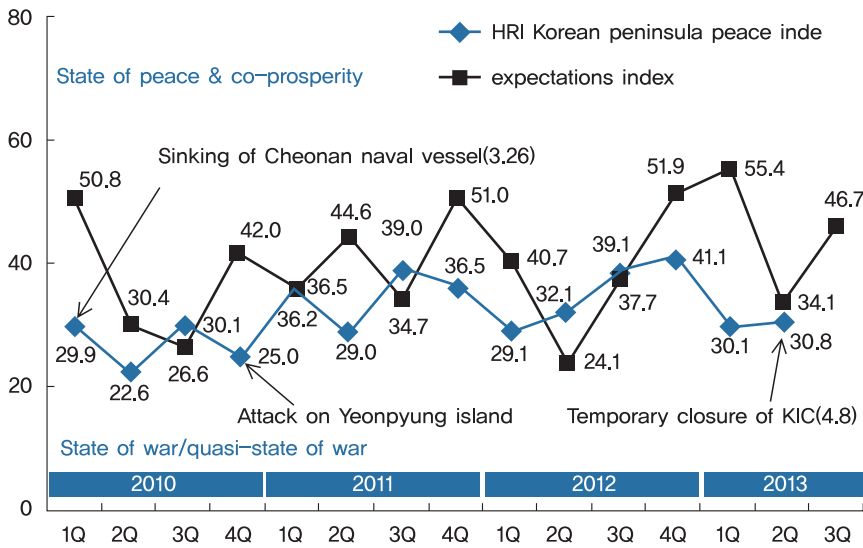
### 1. Peace Index of Korean Peninsula for the Third Quarter

*(Comprehensive Assessment) The expectations index showed an upturn in the third quarter of 2013 thanks to the conclusion of the agreement for the normalization of Kaesong Industrial Complex(KIC), a lull in the military confrontation between the two Koreas, and expectations for international collaboration on 6-party talks.*

**(Peace Index of Korean Peninsula)** The peace index of Korean peninsula for the second quarter of 2013 recorded 30.8, similar to that of the first quarter when N. Korea conducted the third nuclear test, reflecting a continuing state of tension between the North and the South.

**(Expectations Index)** The expectations index for the third quarter of 2013 turned around and rose from the sharply fallen position of the first quarter, showing experts' positive view on the prospects of the relationship between the two Koreas, which is attributed to the conclusion of the agreement for the normalization of Kaesong Industrial Complex, reduced risk of N. Korea's military provocation, and efforts by the international community for dialogue with N. Korea.

<Trend of Peace Index of Korean Peninsula for 2010-2013>



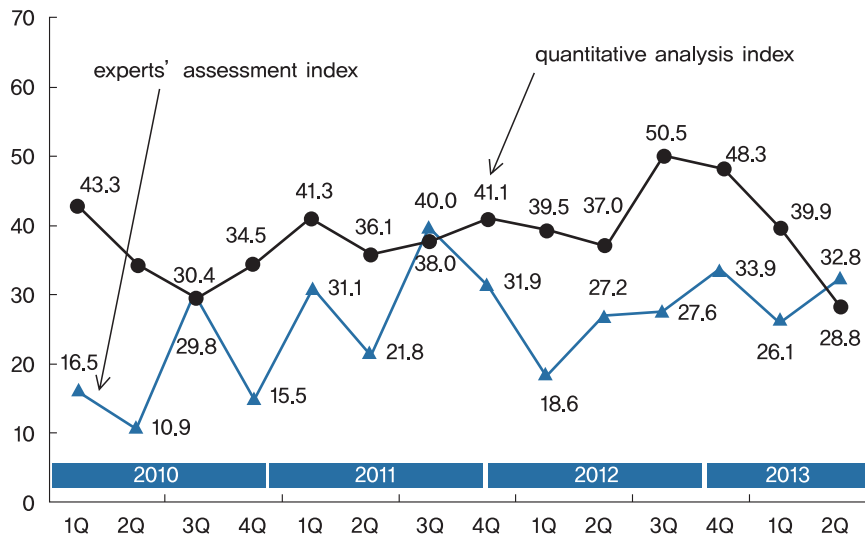
**(Assessment per Item)** Quantitative analysis index heavily fell due to the temporary closure of the KIC and tensed relationship between the two Koreas, while experts' assessment index looks optimistic with warning of possible future pitfalls.

**(Experts' Assessment Index: 1st Quarter 2013, 26.1 → 2nd Quarter 32.8)** The outcome of a survey conducted on 105 experts shows that they are of the opinion that the North-South relationship is yet to emerge from 'the state of heightened tension'. The marginal rise of experts' assessment index, despite heightened tension created by the temporary closure of KIC, appears to be a positive reaction to no further provocation by the North against S. Korea since the US-Korean joint military exercise in March and April, and N. Korea's First Secretary, KIM Jung-un's increasing number of economic tours of inspection in N. Korea.

**(Quantitative Analysis Index: 1st Quarter 2013, 39.9 → 2nd Quarter 28.8)** The quantitative analysis index of the second quarter marked 28.8, a quarter-on-quarter drop of 11.1p and the lowest figure since the analysis first started in 2006, reflecting the worst state of the North-South relationship.

Of note, the quantitative analysis index of the second quarter was lower than 34.4 of the second quarter of 2010 when the Cheonan naval vessel was sunk, 34.5 of the fourth quarter of 2010 when the attack on Yeonpyung island took place, and 39.9 of the first quarter of 2013 when N. Korea carried out the third nuclear test, showing the sheer extent of deterioration in the North-South relationship.

<Trend of Experts' Assessment Index & Expectations Index for 2010-2013>



**(Analysis by Political Inclination)** All experts, regardless of their political inclination, are of the opinion that the North-South relationship improved to some extent with moderate experts' assessment, in particular, rising most.

**(Experts' Assessment Index by Political Inclination)** Experts of conservative, moderate, and liberal political inclinations marked 32.0, 37.1, and 28.1 respectively, a rise of 4.9p, 11.8p, and 3.6p, showing a turn around for a more positive outlook. The sharp rise of moderate experts' assessment despite the third nuclear test and the breakdown of KIC talks are attributed to the reduced risk of N. Korea's provocation and N. Korea's repeated expression for dialogue to solve the KIC issue.

**(Experts' Expectations Index by Political Inclination)** Expectations index for the prospects for the third quarter showed improvement regardless of political inclination with conservative experts' index relatively higher than that of the rest. The optimistic view appears to be based on the assumption that the North-South relationship cannot be worse than it is now considering the continued tense relationship between the two Koreas for the last five years, the temporary closure of the KIC, expectation for N. Korea to join the 6-party talks and N. Korea's willingness for dialogue to improve domestic economy.

<Experts' Assessment Index by Political Inclination>

Section	Conservative		Moderate		Liberal		Experts' Assessment Index	HRI Peace Index	Expectations Index
	Present	Expected	Present	Expected	Present	Expected			
2 <sup>nd</sup> qtr 2013	32.0 (▲4.9)	49.9 (▲16.2)	37.1 (▲11.8)	45.9 (▲12.4)	28.1 (▲3.6)	44.3 (▲9.0)	32.8 (▲6.7)	30.8 (▲0.7)	46.7 (▲12.6)
1 <sup>st</sup> qtr 2013	27.1 (▽7.2)	33.7 (▽23.9)	25.3 (▽11.8)	33.5 (▽23.6)	24.5 (▽6.1)	35.3 (▽15.7)	26.1 (▽7.8)	30.1 (▽11.0)	34.1 (▽21.3)
4 <sup>th</sup> qtr 2012	34.3 (▲3.9)	57.6 (▲8.4)	37.1 (▲8.5)	57.1 (▲9.5)	30.6 (▲4.0)	51.0 (▽3.4)	33.9 (▲6.3)	41.1 (▲2.0)	55.4 (▲3.5)
3 <sup>rd</sup> qtr 2012	30.4 (▲0.3)	49.2 (▲8.2)	28.6 (▽0.9)	47.6 (▲10.3)	26.6 (▲0.5)	54.4 (▲18.8)	27.6 (▲0.4)	39.1 (▲7.0)	51.9 (▲14.2)
2 <sup>nd</sup> qtr 2012	30.1 (▲12.2)	41.0 (▲19.1)	29.5 (▲11.7)	37.3 (▲14.7)	26.1 (▲5.0)	35.6 (▲6.2)	27.2 (▲8.6)	32.1 (▲3.0)	37.7 (▲13.6)
1 <sup>st</sup> qtr 2012	17.9 (▽19.1)	21.9 (▽23.0)	17.8 (▽9.8)	22.6 (▽17.1)	21.1 (▽11.0)	29.4 (▽8.7)	18.6 (▽13.3)	29.1 (▽7.4)	24.1 (▽16.6)

Note : ▲ and ▽ denote 'positive(+)' and 'negative(-)', respectively.

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**[Annex]**  
**Domestic and Global Economic Indices**

## [Annex] Domestic and Global Economic Indices

### □ Global Growth Rate

Category	2011					2012					2013
	Annual	1/4	2/4	3/4	4/4	Annual	1/4	2/4	3/4	4/4	Annual(E)
US	1.8	0.1	2.5	1.3	4.1	2.8	3.7	1.2	2.8	0.1	1.6
Euro Region	1.4	0.8	0.2	0.1	-0.4	-0.6	-0.1	-0.2	-0.1	-0.6	-0.4
Japan	-0.6	-7.3	-2.8	10.4	0.6	1.9	4.8	-0.9	-3.6	1.0	2.0
China	9.3	9.7	9.5	9.1	8.9	7.8	8.1	7.6	7.4	7.9	7.6

Note : 1) IMF figures of October 2013 for 2013 global projections.

2) Annual rates were compared with those of previous term for the US and Japan, with the rates of the previous term for Euro region, and with the same term in the previous year for China.

### □ Economic Indicators of South Korea

Division		2011	2012			2013(E)
			the first half	the second half	Annual	
National Account	Economic Growth rate (%)	3.7	2.6	1.5	2.0	2.6
	Private Consumption (%)	2.4	1.2	2.2	1.7	2.0
	Construction Investment (%)	-4.7	-1.9	-2.4	-2.2	3.7
	Facility Investment (%)	3.6	2.3	-6.1	-1.9	-1.5
Foreign Trade	Current Account (100 million Dollars)	265	137	294	431	620
	Exports (100 million Dollars) [Increase rate, %]	5,552 [19.0]	2,750 [0.5]	2,729 [-3.1]	5,479 [-1.3]	5,648 [3.1]
	Imports (100 million Dollars) [Increase rate, %]	5,244 [23.3]	2,641 [2.3]	2,555 [-4.0]	5,196 [-0.9]	5,180 [-0.3]
Consumer Price (Average, %)		4.0	2.7	1.6	2.2	1.4
Unemployment rate (Average, %)		3.4	3.5	2.9	3.2	3.3

### □ Economic Indicators of North Korea

		2005	2006	2007	2008	2009	2010	2011	2012
Per capita GNI (10,000 won)		105	103	104	114	119	124	133	137
Amount of Trade by Year (USD million)	South-to-North	715.5	830.2	1,032.6	888.1	744.8	868.3	800.2	897.2
	North-to-South	340.3	519.5	765.3	932.3	934.3	1,043.9	913.7	1,074.0
	Total	1,055.8	1,349.7	1,797.9	1,820.4	1,679.1	1,912.2	1,713.9	1,971.2

Source : THE BANK OF KOREA, Ministry of Unification

# Hyundai Research Institute

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